



History

The Lerøy Seafood Group can trace its existence back to the end of the last century, when Ole Mikkjel Lerøen, fisherman and farmer, began to sell live fish in the Bergen Fishmarket. He towed his own catches and fish he had bought from other fishermen in fish-cages behind his rowing-boat from the island of Lerøy to Bergen, a trip that could take six to twelve hours, depending on the wind and tides.



Lerøy has been exporting fish for four generations.

Ole Mikkjel Lerøen's activities gradually expanded to include retail sales in Bergen, sale of live shellfish at the beginning of an export trade. In 1939, two of his employees, Hallvard Lerøy Sr. and Elias Fjeldstad, founded what is now the group's main company, Hallvard Lerøy AS.

Since its foundation, this company has been a pioneer in several areas of the Norwegian fishing industry. Its main focus has always been on the development of markets for fresh and frozen fish products, and the company has very often been the first to penetrate new markets, or to commercialise new fish species.

The pioneering spirit is still very much alive in the Lerøy Group, which was the first company to export fresh salmon to the US market and to airfreight salmon direct to Japan.

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Shareholder information

It is the goal of the Lerøy Seafood Group to create financial values for its shareholders, staff and the community with the help of continued growth and improved profitability. The Lerøy Seafood Group aims to obtain a satisfactory rate of return from all its activities. The yield to shareholders ought to reflect the added value generated by the company through dividends and share price performance on the stock market. The dividends paid should reflect the company's growth and its profitability. The company's dividend policy implies that over time, dividends should lie in the region of 30 to 40% of the net profits after tax. However, care must be taken throughout to ensure that the company operates in line with good financial contingency planning as a guarantee for new and profitable investments. In the long run, value will be created in the form of a rise in share values rather than in declared dividends.

On-going structural changes in the industrial sector in which the company operates make it essential for the company at all times to maintain adequate financial planning. This in turn requires a close relationship with the company's shareholders and the equity capital markets. The company has always stressed the importance of maintaining the confidence of its financial partners and therefore accesses to capital on favourable terms.

Stock exchange listing

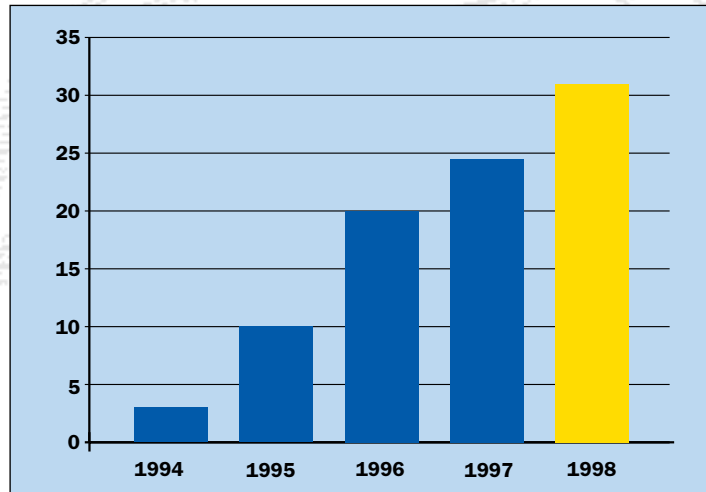
The Board's decision to apply for listing on the Oslo Stock Exchange remains in force, though the date for the company's introduction has not yet been decided. For the company and its shareholders, this date is important in relation both to the company's business strategy and to developments on the financial market in general.

Shares

As of 31 December 1998, 14,951,360 shares had been issued in Lerøy Seafood Group ASA. These shares were distributed over 65 shareholders.

Key figures and graphs

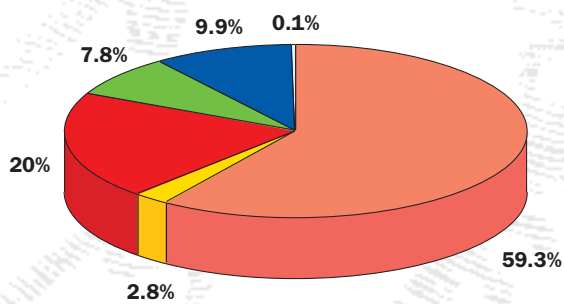
Profits before tax (NOK mill.)



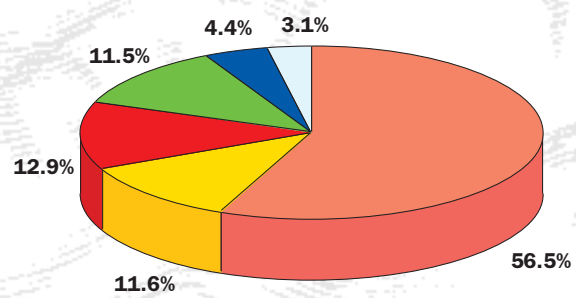
Key financial figures

	1998	1997	1996	1995
Profit margin	1.74%	1.47%	1.23%	0.59%
Operating margin	1.99%	1.94%	1.88%	1.37%
Return on assets	10.00%	9.77%	8.93%	6.53%
Return on equity	17.76%	26.39%	38.60%	30.98%
Equity ratio	36.00%	32.80%	9.81%	6.83%

Sales: Markets



Sales: Products



- Europe
- Eastern Europe
- China and South East Asia
- USA/Canada
- Norway
- Others

- Whole salmon
- Fresh whitefish
- Frozen whitefish
- Processed salmon
- Pelagic fish
- Other products

Report of the Board of Directors for 1998

1998

Gross sales for the Group rose by NOK 82.7 million in 1998 to NOK 1,749 million compared to 1997. Operating results for the Lerøy Seafood Group increased to NOK 34.8 million in the year under review, an improvement of NOK 2.5 million compared to the previous year. The Group's operating margin in 1998 was 1.99%. Pre-tax profits were NOK 30.4 million, an increase of NOK 5.8 million compared to 1997 pre-tax profits. The Group's profits after tax in 1998 amounted to NOK 20.9 million compared to NOK 18.8 million in 1997.

The year's surplus corresponds to a profit of NOK 1.40 per share compared to NOK 1.26 in 1997. The Group is financially sound, with equity capital amounting to NOK 124.8 million, giving an equity ratio of 36.0%. In accordance with the Group's dividend policy, the Board proposes that the 1998 dividend payment should be NOK 0.50 per share, in all NOK 7,475,680.00.

In February 1998 the Lerøy Seafood Group ASA introduced a private share placing to the value of NOK 2.0 million with the company's employees.

Strategic goals and challenges

The Board of Directors will strive to sustain the good results achieved by the Group in recent years. This is best ensured by maintaining and developing the company's established dynamism and ability to adjust to changing conditions. It is vital that the company's business system be adjusted continuously to the changes that will arise in the future, thus ensuring that the company has the necessary financial and organisational structure for achieving its long-term goals.

Commercial barriers and trade cycles

The investigations carried out by the EU into the allegations brought against Norway in connection with the dumping of salmon, were brought to a conclusion by Norwegian exporters signing an agreement with the Commission. Our own subsidiary, Hallvard Lerøy AS, was one of the signatories. The agreement came into effect on 1 July 1998 and will remain in force for five years. The company is complying with the agreement and in line with its provisions was subjected to inspection by the EU inspectorate during the autumn of 1998.

Some of our markets remain stagnant or uncertain. However, the company has taken the necessary steps to adjust to this and is focusing its

resources on the markets and product areas the company believes have the best growth possibilities. With the present situation in Russia, the company will probably limit its operations in this area in 1999.

Employees

The parent company Lerøy Seafood Group ASA has no employees. At the end of the year, the Lerøy Seafood Group had 173 employees compared to 224 at the same time in 1997. The Board wishes to emphasise its appreciation of the efforts made by the staff of the Lerøy Seafood Group during 1998. This year, too, individual effort and flexibility have been necessary to achieve the company's targets.

Health, safety and the environment

The company's organisation is under continuous review to ensure that it will be able to deal with any new challenges that arise. The working environment and co-operative atmosphere within the company are good. Refurbishment of the Hallvard Lerøy AS premises are continuing as planned and will provide the company with more suitable premises.

External environment

We do our best at all times try to keep up with the changing requirements of the authorities regarding environmental investments. The company's operations are linked to the natural conditions in Norwegian and international waters. The Group operates within the limits of its emission licences.

Ownership and remuneration

The chief executive officer of the Group, Managing Director Ole-Eirik Lerøy, owns or controls 5,728,160 shares or 38.31% of the company's share capital. Hallvard Lerøy Jr, the Chairman of the Board of Directors, owns 1,740,000 shares, 11.64% of the share capital. The company's auditor does not hold shares in the company. Our subsidiary Hallvard Lerøy A/S paid remuneration to the Board amounting to NOK 250,000.00 in 1998. Our subsidiary Hallvard Lerøy A/S also paid the Managing Director's salary, NOK 694,063.00. Auditor's fees for the year under review amounted to NOK 371,027.00. A further NOK 547,688.00 was paid in consulting fees to the Price WaterHouse-Coopers Group for financial and legal advice.

Annual results and allocation of profits in Lerøy Seafood Group ASA

In 1998, Lerøy Seafood Group ASA made a profit of NOK 3.2 million, compared to a loss of NOK 2.6 million in 1997. According to the Lerøy Seafood Group ASA accounts, the results will be allocated as set out below:

Annual result for 1998	3 154 500
Contribution received	10 000 000
Available for allocation	13 154 500

The Board proposes this be allocated as follows:

Dividend NOK 0.50 per share	7 475 680
Transferred to distributable reserves	5 678 820
Total allocation	13 154 500

Operations to date in 1999 and prospects for the future

The present level of activity in the Group is satisfactory and prospects for the future for the company and its associates are good. As an actor in an international industry, the Group will always be affected by developments occurring on an international scale. We believe the products the Group works with will remain in demand on international markets. However, in order to ensure continued growth and increased creation of wealth, it is vital that the political authorities strive for good and predictable framework conditions for the production and sales/marketing of Norwegian seafood.

The Group's activities in its primary market of the European Union are largely governed by the salmon agreement entered into with the Commission. This type of commercial action hinders natural growth and creates difficult working conditions for the actors. It is important that Norwegian authorities and trade organisations work to improve access to the EU markets for Norwegian salmon.

Improving its ability to adjust constantly to the demand for change will remain a priority area for the Group in the future. The company's board of directors and management are to ensure that the Group's commercial systems are adapted to any future external constraints. The company has reviewed its operations with a view to the problems that can arise in connection with Y2K, and to the best of the Board's knowledge, the company's own equipment is capable of dealing with the transition to a new millennium.

As in previous years, there was a clear improvement in the Group's results. The year has started well and the Board expects the current year's results to be somewhat better than last year's. Given the many years during which the Group has invested in networking, product and market development, quality assurance and trade-name development, the Board of Directors of the Lerøy Seafood Group believes the prospects to be good for further wealth creation for both the company's shareholders and its partners.

Bergen, 7 April 1999

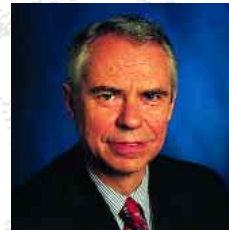
The Board of Lerøy Seafood Group ASA



Aksel J. Linchhausen
Aksel J. Linchhausen



Hallvard Lerøy jr
Hallvard Lerøy jr
(Chairman)



Svein Milford
Svein Milford



Fons Brusselmans
Fons Brusselmans



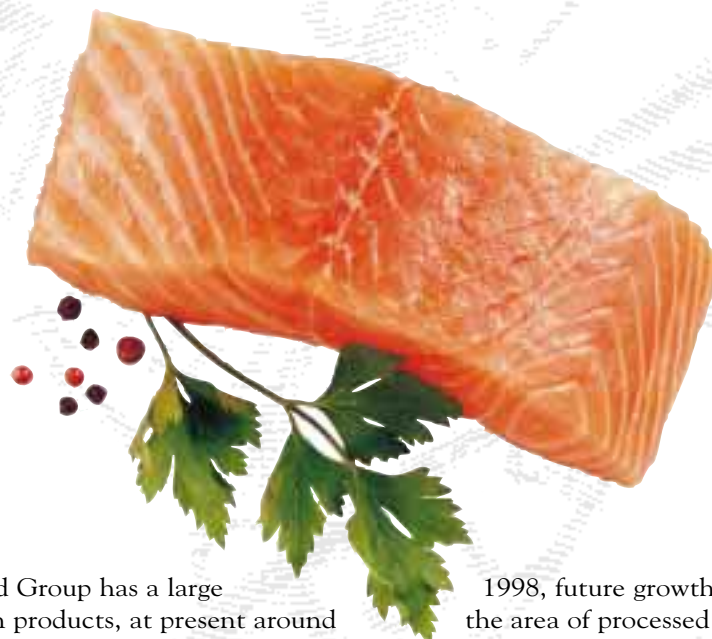
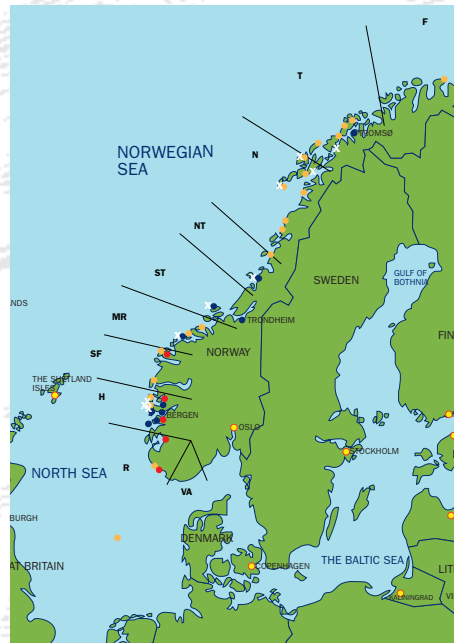
Hans Petter Vestre
Hans Petter Vestre
(staff representative)



Management Report 1998

1. Product ranges

In 1998, the Lerøy Seafood Group worked with production, product development, marketing and market development of marine products. Divided into the main sectors of salmon and salmon products, whitefish and pelagic fish, these products are offered to the Norwegian market and 48 other markets worldwide. The Lerøy Seafood Group is strategically well dispersed both in terms of product range and geographic markets. The company's product range provides advantages in most market areas. The company's strategy for meeting the market's ever-increasing demands for quality, range of products and continuous supply is largely implemented via strategic alliances with sea farms, fishing vessels and fish-processing plants all along the coast of Norway.



The Lerøy Seafood Group has a large proportion of fresh products, at present around 72%, and expects this share to increase in coming years.

In addition, there is a clear trend towards a rising level of processing throughout our range of products.

Salmon

More than 11% of the total exports of Norwegian salmon comes from the Lerøy Seafood Group. In 1998, the growth rate enjoyed by the Lerøy Seafood Group was about the same as that in the industry in general. In terms of value, exports of whole salmon are most important, but the company believes that despite a difficult year in

1998, future growth will be greatest in the area of processed salmon products.

The Lerøy Seafood Group's market position in this product area is sound.

Norway remained the world's largest producer of salmon, the company's main product, also during 1998. In 1997, Norway overtook Alaska and thus remains the largest producer even when wild salmon are included in the figures.

Norwegian production of farmed salmon was 343,000 tons in 1998, an increase of 27,000 tons over the previous year.

Total production of farmed Atlantic salmon in other European countries rose from 140,000 tons to 158,000 tons in 1998.

The same year saw a slight increase in production

in the USA/Canada, where total production amounted to 71,000 tons. In Chile, on the other hand, production rose from 97,000 tons in 1997 to 108,000 tons in 1998. Total global production of Atlantic salmon in 1998 was 687,000 tons, compared to 626,000 tons in 1997.

In 1996, action taken by Scottish and Irish fish farmers led the EU's Fisheries Commission to open an enquiry into allegations of dumping against the Norwegian fish farming industry.



The outcome of this enquiry was an agreement signed by the European Commission and Norwegian export companies. The purpose of the agreement was to ensure that Norwegian farmed fish was not sold below a fixed minimum price and that sales of Norwegian farmed salmon to the EU did not rise by more than 10% p.a. In connection with the agreement, it was also decided that the duty on salmon exported to the EU would increase from 0.75% to 3.0%. In addition to the politically motivated trade barrier that this agreement represents, the Norwegian aquaculture industry is also experiencing limitations on production in the over of feed quotas and fish-density regulations.

A sharp focus on product and market development led to a further increase in the sales of processed salmon products also in 1998. However, this growth was not as great as expected due to particularly difficult conditions in the second and third quarter of the year. The company expects the trend towards steadily rising degrees of processing to continue, making greater demands of the various actors involved. Standards of efficiency, quality and long-term commitment will increase in both production and marketing sectors.

Trout and Arctic char

In 1998, Norwegian exports of trout reached about 32,000 tons, an increase from 21,000 tons in 1997.

Trout continued to account for a small proportion of the company's sales of farmed products in 1998, though the company did share in the positive growth experienced generally in this product area.

The market for Arctic char continues to improve satisfactorily, and the Lerøy Seafood Group has improved its position in exports of this niche product.

Whitefish

Whitefish is the second largest product area for the Lerøy Seafood Group. In recent years, this product group has developed favourably and involves co-operation with a number of small and medium-sized financially profitable companies.

The quotas for the most important species of whitefish taken north of the 62nd parallel have increased during the 1990s. For the first time in many years, cod and haddock quotas were reduced somewhat, while that for saithe increased slightly. The cod quota was cut back from 399,000 tons in 1997 to 328,000 tons in 1998, while the haddock quota of 109,000 tons in 1997 went down to 95,000 tons in 1998. The quota for saithe, on the other hand, rose from 118,000 tons in 1997 to 188,000 tons in 1998.

Deliveries of Russian cod to Norwegian processing plants dropped in 1998, from 148,000 tons in 1997 to 121,000 tons in 1998.

Pelagic fish

Mackerel quotas in 1998 increased from 133,000 tons in 1997 to 157,000 tons. Foreign vessels landed 127,000 tons, a substantial increase compared to the 1997 figures of 78,000 tons. Of the in all 46 different nations importing Norwegian mackerel in 1998, Japan dominated the market also this year, taking a total quantity of 123,000 tons, an increase of 16,000 tons.



The growth in Norwegian spring-spawning herring declined slightly, resulting in a quota ceiling of 741,000 tons in 1998 compared to the record quota of 854,000 tons in 1997.

The Norwegian quota for North Sea herring was 85,580 tons compared to 60,330 in 1997. In addition, foreign vessels landed about 75,000 tons of Norwegian spring-spawning and North Sea herring. Today pelagic fish accounts for only a small part of the company's activities. The explanation lies in the major disparity between risk and earnings in recent years. The difficulty in achieving stable, adequate earnings together with continuing problems with payments in many of the main markets for pelagic fish combine to reduce interest in this product area.

2. Market Areas

Thanks to our focus on improved logistics, cost-efficiency and developing market segments, the company succeeded in sustaining the good results of recent years also through 1998. The Group's main markets are within the EU. After several years of positive growth, the South-East Asian market noted a slight decline in 1998. However, good growth was registered during the year's fourth quarter, giving grounds for optimism in this significant market area. Experience from Russia has shown that the changes can occur very rapidly. Here the market was built up in a short space of time to become a billion-kroner operation for Norwegian fish, only to collapse complete in the summer of 1998.



However, the company foresees that it may be able to improve its utilisation of pelagic products through intensified concentration on product development.

The Lerøy Seafood Group is a leading supplier of fresh pelagic fish to both Norwegian and European markets. Deliveries of fresh pelagic fish represent a small but interesting niche product.

Capelin

The prohibition on capelin fishing in the Barents Sea remained in force also during 1998. Permission has been granted to fish a limited quantity of capelin in 1999. The company expects to participate in this capelin trade throughout 1999.

The company is keeping a close eye on developments in Russia, but activity will probably remain low throughout 1999. The USA/Canada market has grown as expected, and the company believes there are possibilities for expanding sales to these market areas in 1999.

While the Lerøy Seafood Group will maintain its wide geographical distribution of markets, we intend to concentrate our efforts more consciously on selected markets in which it will be our goal to maintain or acquire significant market shares. This development has not progressed at the same rate in all the markets in which the

company operates, but our customers are become larger and more demanding.

The Lerøy Seafood Group will attempt to distribute its products directly to its customers.

The task of selecting distributors with whom the company will work is given high priority, as is that of developing long-term relationships in the value chain.

Norway

The domestic market is one of the biggest customers for Norwegian fish products. The Lerøy Seafood Group is well positioned in this market, providing the group with useful know-how in the

has therefore been engaged in demanding but interesting joint venture projects. The formation of chains and the concentration of purchasing power have put pressure on prices, but at the same time give us access to new customer groups. The demand for fresh quality products has increased and will continue to increase in the near future. This trend has been most pronounced in the Scandinavian countries, and in France, England and Germany. In addition to its subsidiary Nordvik SA, the Lerøy Seafood Group has established sales offices in France (1994) and Spain (1995). In 1998, the company sold its holdings in Portnor Lda.



fields of product development and international marketing.

Europe

National markets within the EU continue to be the most important customers for Norwegian fish. The importance of EU markets has been reduced in recent years compared to other market areas, but this trend was reversed in 1998, when the EU became the market to register most growth. The explanation for this probably lies in the so-called "Asian disease". In Europe as in Norway, the general trend is for the major chain stores to gradually take over larger proportions of the sales of fish products. For a number of years, the Lerøy Seafood Group has actively sought to meet this challenge and

Eastern Europe

The Eastern European markets developed favourably up to the summer of 1998 and should have given the company good prospects for expansion. However, Russia's collapse and poor economic growth in several of the Eastern European markets result in tough conditions for the sale of the company's products.

As expected, the general economic situation in this market region presented us with a substantial challenge with respect to security of payment.

USA/Canada

This market did not entirely come up to our expectations for 1998. However, increasing our resources in this promising future market may lead to substantial growth in the



years to come. Earlier, this market was particularly important for the company's frozen whitefish products, but developments in 1998 show that the market will accept a broad range of products. The company believes in a positive future for processed salmon products.

China and South-East Asia

The Lerøy Seafood Group set up a sales office in China in 1996. The office is located in Beijing. The company's earlier work on the Chinese market has enabled us to build ourselves up to

decline. However, the company believes that further growth is possible in coming years. Japan remains by far the largest single market in this region. With the establishment of a sales office in Tokyo (1997), the Lerøy Seafood Group has created a basis for several good and future oriented contracts in the Japanese market. Today, the company works closely with customers who offer good prospects for further expansion, particularly in the area of processed products. Selling fresh products to South-East Asia and China make heavy demands on our logistics. For this



a leading position in this region. The Lerøy Seafood Group is the leading exporter of Norwegian salmon to China and we are currently looking at the possibilities of further expansion in this region. The company's plans to set up new offices in China have been postponed as a result of the uncertain situation for the Chinese economy.

The Lerøy Seafood Group was one of the exporters of fish to South-East Asia. For several years, growth was good, but in 1998 there was a slight

reason, the Lerøy Seafood Group was the first company to set up its own charter routes to Japan.

Standards of slaughtering, packaging, transport and chilling are high in all markets, but quality assurance routines are of decisive importance particularly in the markets under review. The company continued to improve its logistics concepts during 1998 and is constantly seeking to find better solutions to its complicated logistics problems.

3. Organisation

Hallvard Lerøy AS

Since 1 January 1996, our subsidiary Hallvard Lerøy AS in Bergen has been organised according to geographic region. This organisation meets the desire of the Lerøy Seafood Group to satisfy market demands for a wide range of products. Hallvard Lerøy AS is responsible for most of the Group's sales. The main part of the company's turnover derives from exports (more than 90%). The company's sales in 1998 amounted to NOK 1,575 million, resulting in a pre-tax profit of NOK 24.4 million.

International sales and marketing demand a high level of expertise in a wide range of fields. For this reason, our organisation consists of people from different sectors of trade and industry and with different formal backgrounds and experience. It is important for the company that the

organisation should continue to develop, and for this reason we demand that skills and competence are maintained and expanded. The company therefore encourages its staff to take part in a broad range of training and study programmes. Our organisation can be described as young but experienced. Constant changes in the company's operating environment require dynamic and flexible co-workers who are willing to learn, and our employees meet these requirements. They are committed to improving the company's results and to making sure that the company will be able to satisfy future demands, and thus also the company's long-term profit targets.

With the aim of meeting future developments in the world market for fish products, the company is seeking to develop its organisation through projects linked to the strategic goals defined by its Board of Directors.

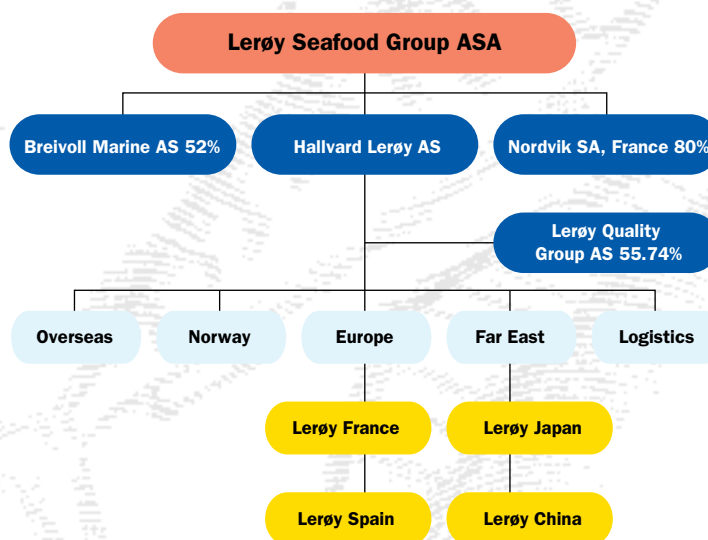
Two employees in Hallvard Lerøy AS



Marianne Holm
Responsible
for European sales



Magnar Grindheim
Responsible
for European sales



Breivoll Marine AS

In 1998, Breivoll Marine AS had a turnover of NOK 840,000.00 and a pre-tax result of NOK 536,000.00 Breivoll Marine AS is a property company that owns a fish processing plant on the island of Rolløya near Harstad. All production is in the hands of Breivoll Marine Produkter AS, in which the Lerøy Seafood Group is a minority shareholder.

Lerøy Quality Group AS

The 1998 income of the Lerøy Quality Group AS amounted to NOK 634,000.00 giving pre-tax results of NOK 537,000.00 Lerøy Quality Group AS is a continuation of the interest organisation Lerøy Quality Group (LQG) established in 1993. This company is owned by more than 20 fish-farming companies and Hallvard Lerøy AS. These fish farmers produce a large proportion of the salmon sold by the Lerøy Seafood Group. The Lerøy Quality Group is a long-term investor in listed shares. Growth on the Oslo Stock Exchange was poor, but the Lerøy Quality Group did not start investing until after the most significant drop in prices.

Nordvik SA

Nordvik SA maintained its position during 1998 as one of France's most important importers of fresh fish. Nordvik SA had a turnover of NOK 135.2 million and a pre-tax result of -0.16 million. The company is still struggling with its earnings situation. The results of the measures introduced in 1998 were not as successful as we hoped, but they are expected to give better results in 1999.

4. Priority tasks

The Lerøy Seafood Group has a vision of being the leading, most profitable Norwegian supplier of seafood. To achieve this, the company must continue to focus particularly on:

Alliances,

- improving its business system which is based on long-term and committed alliances with both suppliers and customers to ensure rational supplies of products adapted to the various markets,

Market orientation,

- emphasising market orientation and risk control and avoiding a low-price profile,

Quality,

- being a leading company in quality assurance,

Knowledge,

- prioritising the development of internal competence with respect to management, financial control, product and market know-how and systematic marketing.

Group management



Øyvind Fossøy
Assistant General Manager



Ole-Eirik Lerøy
Managing Director



Helge Singelstad
Financial Director

Income Statement

All figures in NOK 1,000

	Notes	Lerøy Seafood Group ASA 1998	Lerøy Seafood Group ASA 1997	Lerøy Seafood Group Consolidated 1998	Lerøy Seafood Group Consolidated 1997
Income from sales	6	7 422	85	1 749 611	1 666 960
Costs of materials				1 613 445	1 538 571
Salaries and other personnel costs	14			49 596	48 165
Other operating costs	3,12	714	141	41 822	38 176
Ordinary depreciation	1,2	1 048	678	4 526	3 711
Bad debts	8			5 420	6 067
Total operating costs		1 762	819	1 714 808	1 634 690
Operating result		5 660	-734	34 803	32 270
Net financial items		2 468	-1 166	- 4 414	-7 725
Profit before taxes		8 128	-1 900	30 389	24 545
Total tax expenses	11	- 4 974	-657	- 9 488	-5 745
Year's profit		3 154	-2 557	20 901	18 800

Allocations:

To undistributable reserves

To distributable reserves

Group Contribution

To payment of dividends

5 678 -3 423

10 000 5 134

7 476 6 000

Majority interest

Minority interest

15

20 507

393

17 939

861



Balance Sheet

All figures in NOK 1,000

	Notes	Lerøy Seafood Group ASA 1998	Lerøy Seafood Group ASA 1997	Lerøy Seafood Group Consolidated 1998	Lerøy Seafood Group Consolidated 1997
Cash, bank and postal giro deposits	13	308	19 007	11 829	39 024
Shares and securities				1 488	174
Accounts receivable	8			240 122	221 221
Accounts receivable, Group	4	76 502	66 087		
Other accounts receivable	8	6 526	647	38 375	40 039
Stocks in trade	9			23 925	25 826
Total current assets		83 336	85 741	315 738	326 284
FIXED ASSETS					
Shares	7	245	452	1 792	1 830
Shares in subsidiaries	6	39 613	39 793		
Deferred tax benefits				248	151
Goodwill	1			2 686	3 022
Other fixed assets	1,2			5 340	5 108
Buildings and real estate	1,2	13 295	4 093	20 818	12 721
Total fixed assets		53 153	44 338	30 884	22 832
Total assets		136 489	130 079	346 623	349 116

Balance Sheet

All figures in NOK 1,000

		Lerøy Seafood Group ASA 1998	Lerøy Seafood Group ASA 1997	Lerøy Seafood Group Consolidated 1998	Lerøy Seafood Group Consolidated 1997
LIABILITIES AND EQUITY					
CURRENT LIABILITIES					
Accounts payable		48	3 215	157 710	161 128
Short-term loans	13			3 181	21 639
Accounts payable, Group	5	10 251	268		
Unpaid tax withholdings, holiday pay, etc				10 954	9 666
Taxes	11	5 121	11	9 712	4 572
Allocated to payment of dividends		7 476	6 000	7 476	6 000
Other current liabilities		170	6 331	6 318	8 179
Total current liabilities		23 066	15 825	195 352	211 184
LONG-TERM LIABILITIES					
Mortgage loans	13			13 522	6 344
Pension commitments	14			886	539
Deferred tax	11	499	646	1 504	1 545
Other long-term liabilities	13	10 577	18 937	10 577	18 937
Total long-term liabilities		11 076	19 583	26 489	27 365
Minority interests	15			2 365	3 634
EQUITY					
Share capital	16	14 951	14 814	14 951	14 814
Undistributable reserves		69 913	68 050		
Total undistributable reserves		84 864	82 864		
Distributable reserves		17 483	11 807		
Group reserves				107 466	92 120
Total distributable reserves		17 483	11 807	107 466	92 120
Total equity	16	102 347	94 671	122 417	106 934
Total liabilities and equity		136 489	130 079	346 623	349 116
Mortgages	13	10 570	18 937	27 011	44 828
Forward contracts	10			120 943	94 692

Bergen, 7 April 1999
The Board of Directors, Lerøy Seafood Group ASA



Cash Flow Statement

	Lerøy Seafood Group ASA		Lerøy Seafood Group Consolidated	
	1998	1997	1998	1997
Cash flow from operations				
Result before taxes	8 128	(1 900)	30 389	24 545
Tax paid	(11)		(4 487)	(7 193)
Profit/loss from sale of fixed assets	(6 418)		(6 418)	
Ordinary depreciations	1 048	678	4 526	3 711
Changes in inventories			1 901	3 929
Changes in accounts receivable			(16 007)	(14 416)
Changes in accounts payable	(3 167)	3 21	(3 418)	6 362
Changes in other accrued items	(12 040)	5 375	1 115	6 818
Effect of fluctuating foreign exchange rates			(2 894)	(265)
Changes in pension premium funds booked in balance sheet			347	(322)
Net cash flow from operations	(12 460)	7 368	5 054	23 169
Cash flow from/to investments				
Payments received from sale of fixed assets			8	119
Payments made for acquisition of fixed assets	(10 251)		(13 759)	(2 289)
Payments made for acquisition of goodwill				(3 358)
Payments received from sale of stocks and shares in other businesses	6 805		6 805	624
Payments made for acquisition of stocks and shares in other businesses		(20 424)	(1 663)	(174)
Changes in short-term receivables from loans, Group	(10 415)	(54 024)		
Net cash flow from investments	(13 861)	(74 448)	(8 609)	(5 078)
Cash flow from financial operations				
Changes in short-term credits			(18 458)	(13 313)
Payments received from new long-term liabilities		2 938	13 078	1 096
Payments received from acquisition of new short-term liabilities	9 983	268		(50 000)
Payments made for repayment of long-term liabilities	(8 360)		(14 260)	(800)
Paid-in equity	2 000	66 876	2 000	66 876
Conversion of liabilities		10 746		10 746
Changes in equity capital from stage-by-stage acquisitions				(8 676)
Payment of dividends	(6 000)		(6 000)	
Payments of group contributions received	10 000	5 134		
Net cash flow from financial operations	7 623	85 962	(23 640)	5 929
Net cash flow for period	(18 698)	18 882	(27 195)	24 020
Cash position on 1 January	19 007	125	39 024	15 004
Cash position on 31 December	309	19 007	11 829	39 024

Notes to the Annual Accounts for 1998

Accounting principles:

Classification principle

Assets related to the production cycle are classified as current assets in the Balance Sheet. Cost of materials in the Income Statement include - at cost - goods, taxes, customs duties, non-current items, transportation costs and foreign currency gains and losses.

Stocks in trade

Stocks in trade are valued at the lower of either cost of purchase or real value.

Accounts receivable

Accounts receivable are valued at the lower of either face value or real value. The accounts receivable are mainly secured through credit guarantees.

Fixed assets

Fixed assets are entered in the accounts at cost less financial depreciation. The linear depreciation method is applied to fixed assets. Leased assets are treated in the accounts as operational leases.

Goodwill

In takeovers where the acquisition price was greater than the value of the sum of assets, the difference is entered in the accounts as goodwill.

Stocks and shares

Shares acquired for permanent ownership are classified as fixed assets. Shares are entered at cost unless a decrease in their value is not considered to be temporary.

Foreign currencies

Accounts receivable and liabilities in foreign currencies are valued at the rate of exchange on 31 December 1998. The company seeks to protect itself against fluctuations in exchange rates by means of various instruments, mainly forward contracts, which are also valued at the rate of exchange on 31 December 1998 and entered against accounts receivable in the Balance Sheet.

Pension commitments

The Group has incorporated future pension commitments in the Balance Sheet as a long-term liability. The deferred tax benefit of the pension commitment is entered in the Balance sheet as an asset.

Deferred tax

In the Balance Sheet, deferred payments of tax are calculated by means of the liability method. In this calculation, account is taken of temporary differences between accounting and fiscal values as well as fiscal losses in carrying over. Deferred tax liabilities are not discounted. Deferred tax benefits related to pension liabilities are entered in the Balance Sheet as an asset. No account is taken of deferred tax on undeclared results in subsidiary companies until it is extremely probable that the company will be disposed of. The tax expenses item in the Income Statement includes taxes payable and changes in deferred taxes.

Principles of consolidation

On consolidation, the acquisition price of shares in subsidiaries is eliminated against the equity in the subsidiaries at the time of acquisition. The accounts of the subsidiaries are converted at the rate of exchange on 31 December 1998, and conversion differences are entered against the Group's equity. Internal transactions and outstandings are eliminated according to ruling regulations. Minority interests have been identified and are shown as a special item in both the Income Statement and the Balance Sheet.



Note 1 - Fixed assets

Lerøy Seafood Group ASA	Buildings	Real estate	Total
Cost of acquisition, 01.01.	13 519 973	1 089 716	14 609 689
Acquired during year	9 250 757	1 000 000	10 250 757
Disposed of at acquisition cost	0	0	0
Acquisition cost, 31.12.	22 770 730	2 089 716	24 860 446
Accumulated depreciations 31.12.	11 565 201	0	11 565 201
Book value at 31.12.	11 205 529	2 089 716	13 295 245
Year's ordinary depreciation	1 048 000	0	1 048 000
Rate in percent	5 %		

Fixed assets - consolidated figures

Company	Goodwill	Machinery and operating assets	Buildings and real estate	Depreciation 1997
Lerøy Seafood Group ASA		0	13 295 000	1 048 800
Hallvard Lerøy A/S		5 105 209	30 000	1 944 213
Breivoll Marine A/S			1 480 000	180 000
Nordvik SA		235 000	0	151 000
Portnor LdA				532 000
Goodwill, Lerøy Seafood Group	2 686 000			336 000
Excess value of buildings, Lerøy Seafood Group			6 013 000	334 000
Total	2 686 000	5 340 209	20 818 000	4 526 013

Goodwill is related to the final part of the purchase of the subsidiary Hallvard Lerøy AS in 1997. This will be depreciated over ten years. Depreciations related to Portnor LdA are included up to the time of the sale at 31.10.98.

Note 2 - Investments in and sales of fixed assets and real estate in the past five years

Buildings, valued in the accounts at NOK 3,414,488.00, belonging to the Lerøy Seafood Group ASA were taken over from Halvard Lerøy AS in 1997. In addition, the Lerøy Seafood Group purchased the neighbouring building for NOK 10,250,757.00 in 1998. The Lerøy Seafood Group has not disposed of any fixed assets in 1998.

The Lerøy Seafood Group, consolidated figures

	1998		1997		1996		1995		1994	
	Acquisition	Sales	Acquisition	Sales	Acquisition	Sales	Acquisition	Sales	Acquisition	Sales
Plant, fittings and fixtures	3 508 653	8 000	2 288 981	0	3 004 836	765 139	2 693 081	68 000	3 000 211	872 172
Buildings and real estate	10 250 757	0	0	0	0	0	0	0	331 431	6 000
Total	13 759 410	8 000	2 288 981	0	3 004 836	765 139	2 693 081	68 000	3 331 642	878 172

Note 3 - Leasing

The first-year commitment of leasing contracts entered into by the Hallvard Lerøy AS subsidiary amounts to NOK 657,115.00 at 31 December 1998 at current rates of interest. The contracts are generally for a primary period of three to five years. The discounted value of future commitments as at 31 December 1998 was NOK 1,563,307.00.

Note 4 - Group accounts receivable

Total accounts receivable by the Group amount to NOK 76.5 million. The major item is a short-term loan of NOK 50 million to Hallvard Lerøy AS as a substitute for external financing. The subsidiary company has its own drawing rights if the parent company wishes to utilise the capital for other purposes. Other accounts receivable by the Group consist of Group contributions made by Hallvard Lerøy AS and a minor adjustment of an intercompany account with the same company.

Note 5 - Group liabilities

The Group liabilities amount to NOK 10,251,000.00 and consist of a debt due to the subsidiary Hallvard Lerøy AS.

Note 6 - Shares in subsidiaries

Company	No. of shares	Ownership share	Face value	Acquisition cost	Book value
Hallvard Lerøy A/S	230000	100 %	NOK 100	36 657 004	36 657 004
Nordvik SA	2000	80 %	FRF 700	2 522 928	2 522 928
Lerøy & Strudshavn A/S	96	100 %	NOK 1000	233 000	233 000
Breivoll Marine A/S	260	52 %	NOK 500	200 000	200 000
Total				39 612 932	39 612 932

The shares in Portnor LdA were sold at 31 October 1998. Gains for the Group from this sale amounted to NOK 3.3 million.

Note 7 - Stocks and shares

Company	No. of shares	Ownership share	Face value	Acquisition costs	Book value
Breivoll Marine Produkter AS	245	35.0 %	1 000	245 000	245 000
Total Lerøy Seafood Group ASA				245 000	245 000
Bulandet Eiendom AS	625	12.67 %	1 000	625 000	625 000
Bulandet Fiskeindustri AS	375	25.0 %	1 000	375 000	375 000
Bodø Fiskeindustri AS	2 390	13.3 %	1 000	2 390 000	0
Misc. minor shareholdings				547 000	547 000
Total shares Lerøy Seafood Group Consolidated				4 182 000	1 792 000

Note 8 - Accounts receivable

As at 31 December 1998, NOK 4,237,730.00 was allocated to cover anticipated losses.

Losses for the year are calculated as follows:

Established losses	3 865 212
- Repaid, previously written off losses	-153 865
Changes in allocations to losses	1 708 653
Bad debts	5 420 000

Other accounts receivable in the Balance Sheet consist mainly of VAT receivable in Norway.



Note 9 - Stocks in trade

Company	Value of stocks 31 December 1998	Value of stocks 31 December 1997
Hallvard Lerøy A/S	22 865 000	25 547 000
Portnor LdA		86 000
Nordvik SA	1 060 000	193 000
Total value of stocks, Group	23 925 000	25 826 000

Note 10 - Forward exchange contracts

The table shows forward exchange contracts as at 31 December 1998 (sales in foreign currencies). All contracts concern the sale of currency against the Norwegian kroner.

Forward exchange contracts	Value in currency	Rate of exchange	NOK
USD	5 400 000	7.65	41 284 650
FRF	26 000 000	1.35	35 195 800
JPY	310 000 000	0.0646	20 025 100
DEM	1 300 000	4.67	6 064 950
GBP	400 000	12.96	5 184 500
ITL	900 000 000	0.0047	4 199 500
ESP	70 000 000	0.053	3 678 200
PTE	70 000 000	0.0445	3 112 350
CHF	200 000	5.63	1 126 300
BEF	5 000 000	0.214	1 071 750
Total forward contract portfolio			120 943 100

Note 11 - Taxes and differences between accounts and tax

The table below shows the effects of deferred tax and the difference between financial results before tax and the basis for the year's taxation of Lerøy Seafood Group ASA.

Lerøy Seafood Group ASA	31.12.98	31.12.97	Change
Buildings	1 781 997	2 276 925	494 928
Total preliminary differences	1 781 997	2 276 925	494 928
Deferred taxes/changes in deferred taxes	498 959	637 539	- 146 980

Year's taxes:

Lerøy Seafood Group ASA	
Profit before tax	8 127 960
Permanent differences	0
Changes in preliminary differences	494 928
Received from Group	10 000 000
Sale of shares	26 889
Basis for taxes payable	18 649 177
Tax payable (28%)	5 221 770
Refund on dividends	-100 640
Net tax payable	5 121 130
Changes in deferred tax	- 146 939
Year's tax expenses	4 974 191

Lerøy Seafood Group - consolidated figures	31.12.98	31.12.97	Change
Accounts receivable	2 611 000	804 853	1 806 147
Stocks in trade	-974 128	-697 544	276 585
Liquid assets	6 134 558	7 813 211	1 678 653
Other differences	-10 000	-10 000	0
Stocks and shares	-2 390 000	-2 390 000	0
Net preliminary differences	5 371 430	5 520 520	149 090
Deferred taxes	1 504 000	1 545 746	41 746
Negative preliminary differences not assessed:			
Pensions	-886 147	-539 056	-347 091
Deferred tax benefit	-248 121	-150 936	97 185

Taxes paid by individual companies:

Lerøy Seafood Group ASA	4 974 191
Hallvard Lerøy A/S	4 164 304
Brevoll Marine AS	150 000
Lerøy Quality Group AS	178 000
Portnor Lda	75 000
Nordvik SA	- 53 000
Year's tax expenses	9 488 495

Note 12 - Public-sector support

In 1998, a total of NOK 5.4 million was received in grants from the public sector.

These grants are entered as a repayment of costs together with the costs they are intended to reduce.

Note 13 - Securities

The Lerøy Seafood Group ASA has a long-term liability of NOK 10.6 million secured with shares in Hallvard Lerøy AS

Share of the Group's debt	27 280 000
with guarantees issued on behalf of the Group	11 500 000
Secured debt	38 780 000

Accounting value of assets put up as security for this debt:

Bank deposits	10 120 000
Accounts receivable	225 368 000
Stocks in trade	22 865 000
Shares in subsidiaries	36 657 000
Buildings	13 295 000

Total book value of mortgaged assets 308 305 000

Of the Balance Sheet item "Cash, bank and postal giro deposits", tied funds are as follows:

- Tax withholdings NOK 1,708,056.00

The next year's instalment on the Group long-term debt amounts to NOK 2.1 million.

Bank guarantees have been issued on behalf of the Hallvard Lerøy AS subsidiary for a total of NOK 11.5 million, with a regression right to the subsidiary.

Neither Lerøy Seafood Group ASA nor any of the subsidiaries have issued guarantees.



Note 14 - Pension commitments

Hallvard Lerøy AS has a group retirement pension scheme in addition to an uninsured scheme for four previous employees which is charged to operations on a current basis. Total obligations are entered as a separate item in the Balance Sheet. The calculations have been made by an actuary in accordance with the temporary accounting standard drawn up by the Norwegian Accounting Foundation and the Norwegian Association of Actuaries' standard for actuarial calculations.

Pension costs	1998	1997
Present value of accrued pension commitments	4 161 567	3 099 257
– Pension funds	3 399 909	2 626 815
= Net pension commitments	761 658	472 442
+ Accrued employer's Nat.Ins. contributions	124 702	66 614
= Pension commitments entered in Balance Sheet	886 360	539 056
Specificaiton of pension costs:		
Current value of pensions earned	273 351	207 059
+ Interest costs of commitments	224 778	168 400
= Year's net pension costs	498 129	375 459
– Interest on pension funds	205 397	167 345
= Year's net pension costs	292 732	208 114
– Accrued employer's Nat.Ins. contributions	41 275	39 776
= Year's pension cost	251 457	168 338

On 31 December 1998, the company's insured retirement pension scheme covered 58 persons, one of whom was disabled.

The economic assumptions that underlie the scheme are as follows:

• Annual yield from pension funds	7.0 %
• Discount rate	6.0 %
• Annual rate of increase in wages and salaries	2.0 %
• Annual regulation of national insurance basic pension	2.0 %
• Annual regulation of pensions	2.0 %
• Turnover	0.0 %

Note 15 - Minority interests

Company	Minority share	Share of balance	Share of profit
Nordvik SA	20 %	1 053 000	-23 000
Portnor LdA	40 %		61 000
Lerøy Quality Group AS	45 %	774 000	162 000
Breivoll Marine A/S	48 %	538 000	193 000
Total minority interests		2 365 000	393 000

Note 16 - Equity capital

During 1998 the company's share capital was increased from NOK 14,814,000.00 to NOK 14,951,360.00 through a private placing with the Group's employees.

The development in the equity situation for Lerøy Seafood Group ASA and the Group as a whole is shown in the following tables:

Lerøy Seafood Group ASA	
Equity, 31 December 1997	94 671 000
Private placing 1998	2 000 000
Profits 1998 transferred to equity	3 154 000
Group contributions received	10 000 000
Allocated to dividends	7 476 000

Equity on 31 December 1998	102 347 000
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The Lerøy Seafood Group, consolidated figures	
Equity, 31 December 1997	106 932 000
Private placing Lerøy Seafood Group ASA 1998	2 000 000
Profits 1998 transferred to equity	20 507 000
Allocated to dividends	7 475 000
Exchange conversion differences	453 000

Equity on 31 December 1998*	122 417 000
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* Excluding minority interests.



Revisjonsberetning

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To the Annual General Meeting
Lerøy Seafood Group ASA

Audit Report for 1998 (Translation from Norwegian)

We have audited the financial statements for Lerøy Seafood Group ASA for 1998, showing a profit for the year of NOK 3.154,500.00 for the parent company and an annual profit of NOK 20.901.000.00 for the group. The financial statements, consisting of the Board of Directors' report, profit and loss account, balance sheet, cash flow statement, notes and consolidated financial statements, have been presented by the company's Board of Directors and its managing director.

Our responsibility is to examine the company's financial statements, the accounts and accounting records and other related matters.

We have performed the audit in accordance with the relevant laws, regulations and generally accepted auditing standards. We have performed the audit procedures, which we have considered necessary in order to confirm that the annual report and accounts do not contain material errors or misstatements. We have examined on a sample basis the evidence supporting the accounting items and assessed the accounting principles applied, the estimates made by management and the overall financial statements' content and presentation. To the extent it is required by generally accepted auditing standards we have reviewed the company's management practices and internal controls.

The Board's proposed disposition of the net profit is in accordance with the requirements of the Norwegian Public Limited Companies' Act.

In our opinion the financial statements are prepared in accordance with the Joint Stock Companies' Act and present fairly the financial position of the company and the group pr. December 31, 1998 and the result of the operations in the accounting year in compliance with generally accepted accounting principles.

Bergen, April 7, 1999

PriceWaterhouseCoopers DA



Geir Inge Lunde

Stattdokument revisor

(State Authorized Public Accountant)

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