

ANNUAL REPORT 2008



# This is SalMar

SalMar is a leading Norwegian producer of farmed salmon. The company operates licenses in Central Norway and in Northern Norway. SalMar also owns 50% of Scottish Sea Farms, the UK's second largest producer of salmon, and operates a comprehensive VAP activity at the company's headquarters at Frøya in Sør-Trøndelag, Central Norway.

 **SALMAR NORTHERN NORWAY**

 **SALMAR CENTRAL NORWAY**

 **NORSKOTT HAVBRUK AS (50%)**

## SALMAR CENTRAL NORWAY

SalMar Farming AS  
SalMar Processing AS  
Follasmolt AS

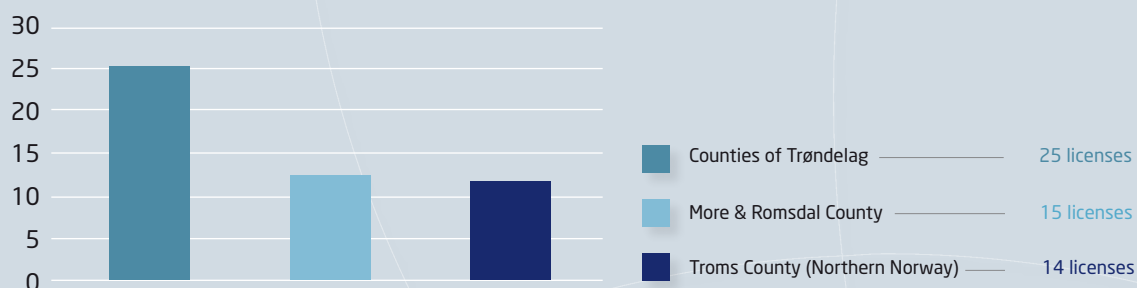
## SALMAR NORTHERN NORWAY

SalMar Nord AS

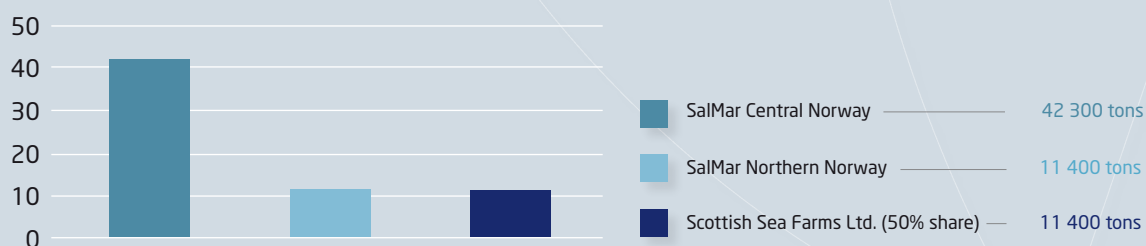
## NORSKOTT HAVBRUK AS (50%)

Scottish Sea Farms Ltd.

## Geographical distribution of SalMar's 54 licenses in Norway



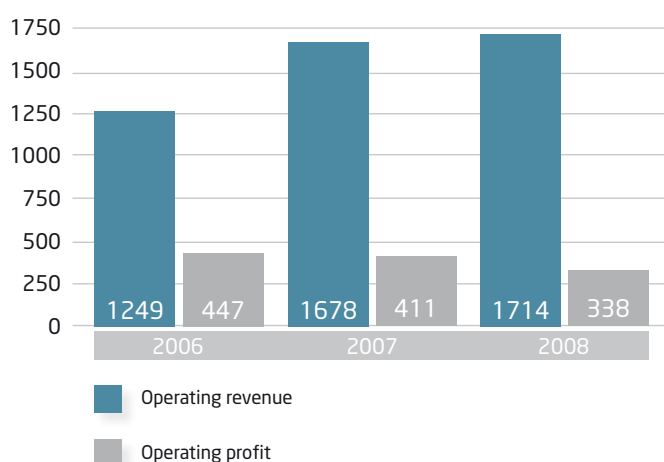
## Harvest volume by geography (1 000 tons)





## OPERATING REVENUE AND OPERATING PROFIT

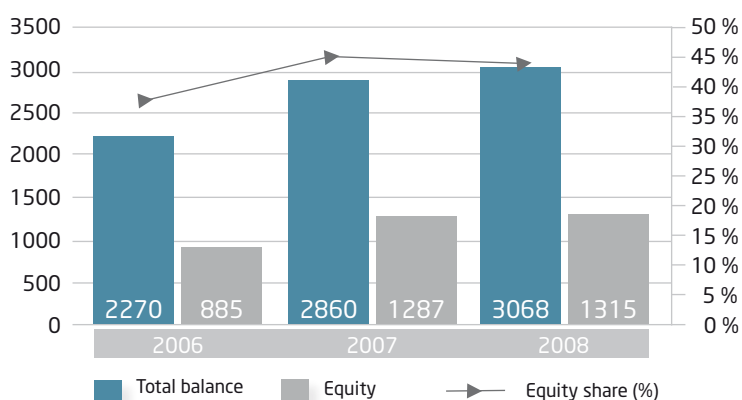
NOK mill.



## BALANCE SHEET AND EQUITY

NOK mill.

Equity %



## FINANCIAL CALENDAR 2009

### 25th of February

Presentation of Q4 2008 and preliminary 2008 results

### 6th of May

Presentation Q1 2009 results

### 12th of August

Presentation Q2 2009 results

### 30th of October

Presentation Q3 2009 results

### 28th of May

Annual General Meeting – Frøya, Norway

The Board proposes a dividend payment of NOK 0,40 per share, a total of NOK 41.2 million. If approved by the AGM the shares will trade ex. dividend starting from the 29th of May 2009.

Please note that the financial calendar is subject to change. The Group's website will be updated for any changes as soon as they become known. [www.salmar.no](http://www.salmar.no)

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# KEY FIGURES

## OPERATING REVENUES AND OPERATING PROFIT

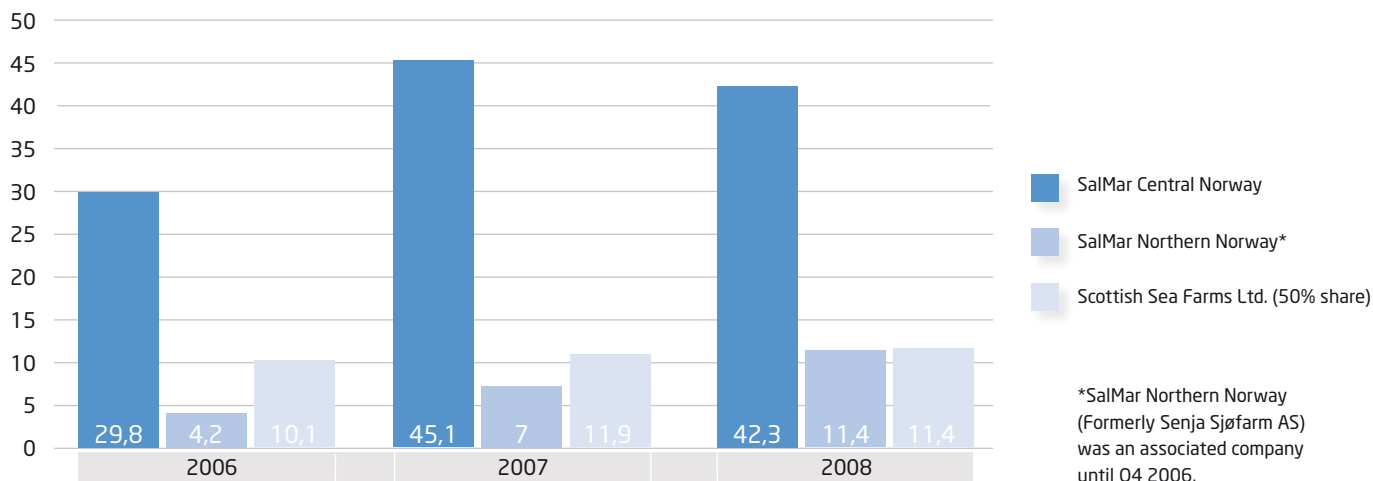
|  | 2008       | 2007       | 2006       |
|--|------------|------------|------------|
| Operating revenues   | 1 714      | 1 678      | 1 249      |
| Operating profit before fair value adjustment of biomass   | 338        | 411        | 447        |
| Operating margin   | 20 %       | 24 %       | 36 %       |
| Operating profit after fair value adjustment of biomass    | 305        | 506        | 511        |
| <b>Profit before tax</b>                                   | <b>235</b> | <b>481</b> | <b>577</b> |
| Profit margin  | 14 %       | 29 %       | 46 %       |
| <b>Profit after tax</b>                                    | <b>169</b> | <b>352</b> | <b>445</b> |
|  |            |            |            |
| Earnings per share before fair value adjustment of biomass | 1,9        | 2,8        | 4,0        |
| Earnings per share after fair value adjustment of biomass  | 1,6        | 3,5        | 4,5        |

## BALANCE SHEET AND EQUITY

|                              | 2008         | 2007         | 2006         |
|------------------------------|--------------|--------------|--------------|
| Fixed assets                 | 1 793        | 1 657        | 1 346        |
| Current assets               | 1 275        | 1 203        | 923          |
| <b>Total assets</b>          | <b>3 068</b> | <b>2 860</b> | <b>2 269</b> |
|                              |              |              |              |
| Equity                       | 1 315        | 1 287        | 885          |
| Debt                         | 1 753        | 1 573        | 1 384        |
| <b>Total Equity and debt</b> | <b>3 068</b> | <b>2 860</b> | <b>2 269</b> |
|                              |              |              |              |
| Net interest bearing debt    | 984,4        | 805,2        | 764,8        |
| Equity share                 | 43%          | 45%          | 39%          |

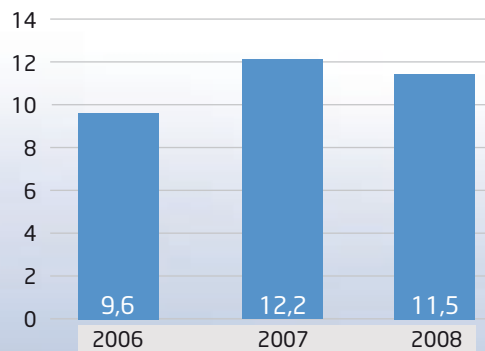
## HARVEST VOLUME

1000 tonn - gutted weight

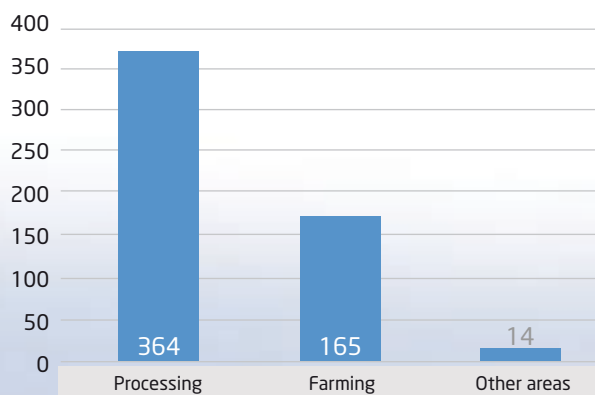


## VOLUME PROCESSED PRODUCTS

1000 tons - product weight



## EMPLOYEES BY ACTIVITY





## CEO's report



For many years Norway has invested heavily in disease prevention with regard to fish farming. The Norwegian way of managing its aquaculture industry has become a model for many other countries that are developing their own fish farming industries, and the production of salmon and trout is today bigger than any other livestock production sector in Norway. All this has been achieved through long-term, systematic efforts as well as a strong focus on the health of the fish and the environment in which they are raised.



# EAT FARMED SALMON with a good conscience

In addition to being both healthy and tasty, salmon is Norway's most efficient converter of feed into meat. Modern salmon farming has only been in existence for around 40 years in Norway, while rearing livestock like cattle has a history stretching back 4,000 years. In the brief time that salmon has been farmed, it has become twice as efficient as pigs and poultry in converting animal feed into meat. 1 kg of fish feed can produce 1 kg of salmon, or 650 g of edible fish.

More than 800,000 tonnes of farmed salmon was produced in Norway in 2008. That is three times more than all other meat production in Norway. Globally, around two million tonnes of salmon was produced, 50 million tonnes of chicken and around 90 million tonnes of pork. Concentrated animal feed, containing grain, pulses and greater or lesser quantities of fish meal and fish oil, is used in all intensive farming of meat, eggs and milk. A great many dog and cat food varieties are also made from feed concentrates.

The aquaculture industry makes every effort to operate sustainably. The production of fish feed and associated fishing of wild fish species has been the subject of several erroneous claims by the media. In contrast to the impression created by the media, salmon farming has not led to an increase in the production of fish meal and fish oil. Many of the ingredients that make up animal feeds could be used for human consumption, but the raw materials for fish meal and fish oil come largely from fish for which there is no market for human consumption.

The world's production of fish meal (around 5 million tonnes) has remained fairly stable over a long period of time, with agriculture previously the largest customer. Today around half is used to produce fish feed, the other half being used in other livestock production. It is considerably more efficient and sustainable to use fish meal in fish feed than for other animal production. Furthermore salmon have become more vegetarian than before, with around half of today's fish feed being made up of plant-based ingredients. This has been accomplished through a combination of

R&D among fish feed producers and technological developments to make plant-based sources of protein digestible for the fish. Today an average of 1.15 kg of feed pellets is used to produce 1 kg of salmon. This corresponds to 1-2 kg of raw fish (depending on the species) for each kilo of salmon that is produced.

Overfishing of certain fish stocks cannot be blamed on fish farming, but results from the reckless and irresponsible fisheries policies pursued by many countries. We in the fish farming industry welcome the fact that this has now been brought to public attention and is being addressed by a great number of companies, agencies and countries.

At SalMar our aim is to produce, process and transport our products in the most environment-friendly way possible, while efficiently utilizing all parts of the salmon. By-products from harvesting and secondary processing are sent by pipeline directly to fish meal and oil producer NutriMar, which is located adjacent to our facilities. By processing the salmon into fillets and portions instead of selling it as fresh whole fish with skin and bones, we are able to substantially reduce diesel consumption and carbon emissions thanks to more efficient transport of salmon to consumers around the world.

As mentioned on page 18 of our annual report, SalMar is investing in the construction of a new production plant, InnovaMar, whose technical solutions and flexibility represent another big step forward with regard to environmentally friendly and efficient salmon harvesting and processing. The construction of InnovaMar got underway in February this year, with completion planned for the spring of 2010. We believe that more processing in Norway, close to where the raw materials are produced, is a forward-looking step. Increased processing affords benefits in the form of reduced logistics costs, better product quality, a longer shelf life, as well as opportunities for improved margins for us as producer.

Norway's aquaculture industry made headway in 2008, achieving record export

levels. Higher export prices compensated to some extent for the growth in costs we experienced through 2008. The cost of fish feed rose particularly sharply.

Towards the end of last year we also felt the impact of the global financial crisis, with financial settlement systems not working as well as before. The banks no longer had confidence in each other, it was more difficult to insure the sales that were made and customers saw their credit lines with the banks reduced. Such circumstances meant that the sales process was slower than normal, even though demand remained high. Large markets like France, Russia and the UK grew steadily through the year, and 2009 has so far been very positive. Demand for salmon has proved to be very robust. In many markets salmon has strengthened its cost-competitiveness compared to chicken, pork or beef. As a result, price is commonly not an argument that can be used against salmon. Fluctuations in exchange rates between the NOK and the USD and EUR have also helped start 2009 with strong demand and higher prices than a year ago.

The reduction in the supply of Atlantic salmon from Chile has contributed to increased demand for Norwegian salmon – particularly in the US market. For the first time since this industry started up around 35 years ago, there will be a fall in the global output of Atlantic salmon in 2009, due to the sharp decline in volumes coming out of Chile.

There are grounds for optimism on behalf of the Norwegian aquaculture industry. We produce an efficient, healthy, tasty and competitive product, demand for which is growing worldwide. With an unrelenting focus on the biological situation in our fish farming facilities and the sustainable utilization of marine resources, the aquaculture industry will continue to be an important part of global food production in the future.



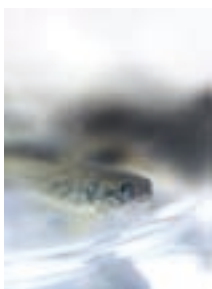
#### BROODSTOCK

The broodstock are the parent fish which provide the eggs and sperm (milt) required to produce new generations. The fertilised eggs take 60 days to hatch when placed in an incubator kept at eight degrees Celsius.



#### EYED SALMON EGGS

After 25-30 days in the incubator the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.



#### FRY

The egg hatches when the eggshell cracks open, liberating the baby fish (fry) inside. When it hatches the fry is attached to a yolk sac, which provides it with the sustenance it needs during its first few weeks of life. From now on the fish's growth and development will all depend on temperature.

#### INITIAL FEEDING

When most of the yolk sac has been absorbed, the fry can be moved from the incubator into a fish tank. They are now ready for initial feeding. The water temperature is kept at 10-14 degrees Celsius, and the fry are exposed to dim lighting 24 hours a day. The initial feeding period lasts for six weeks. As they grow the fry are sorted and moved to larger tanks. Well ahead of their "smoltification" all the fish are vaccinated before being shipped by wellboat to the fish farm's marine net-pens.



#### SMOLTIFICATION

The process whereby the juvenile fish transition from a life in freshwater to a sea-going existence is called smoltification. During this process the fish develop a silver sheen to their bellies, while their backs turn a blue-green colour. Their gills also change when the juvenile fish turns into a smolt.

#### ON-GROWING

The farming of fish for human consumption takes place in net-pens, large enclosed nets suspended in the sea by flotation devices. In addition to a solid anchorage, net-pens require regular cleaning and adequate measures to prevent the farmed fish from escaping. Growth in the net-pens is affected by feeding, light and water quality. Here too the fish are sorted as they develop and grow..



#### HARVESTING & PROCESSING

A year after transfer to the marine net-pens, the first fish are ready for harvesting. The fish are transported live by wellboat to the processing plant. There the fish are kept in holding pens, before being carefully transferred to the plant itself. The fish are killed and bled out using high-tech equipment, and always in accordance with applicable public regulations. After harvesting the salmon is subject to various degrees of processing.

#### SALES

The fish is sold either as whole gutted salmon (fresh or frozen), fillets, in individual portions or a wide range of other products, which are distributed to markets around the world.

When it comes to farming salmon good genetic material and high quality smolt are crucial for success. SalMar has therefore been working systematically for many years to create a network of hatcheries producing high quality juvenile salmon (smolt).

The foundation for the salmon's biological development is laid in its first year of life, at the hatchery. Temperature, water quality, light, feed and the general environment at the site largely determine how the fish will develop through the entire production cycle. SalMar has therefore chosen to carry out its own internal assessment

# SMOLT

## JUVENILE SALMON

of the hatcheries, evaluating their performance against its own, biologically-oriented quality standards, instead of a traditional evaluation based on the facilities' financial results.

To optimise their competitiveness and exploit the production potential of the fish farms, it is important to ensure that the hatcheries can spread the transfer of juvenile fish to the sea over the whole year. SalMar has been working to this effect for many years, a fact which underpins and is reflected in the company's high level of production efficiency.

However, before the smolt are ready to be transferred to the sea, a lot of work through several phases is required. The entire biological production process starts with the broodstock.

Top quality broodstocks from Norway's best salmon rivers provided the genetic starting point for the country's aquaculture industry. While today's broodstocks are descendents of these original salmon, they are also the result of the systematic research and development effort that has produced a high-yield salmon which is almost perfectly adapted to being farmed.

From the smolt is released into a fish farm's sea cage until it reaches 5 kg harvestable weight now takes approx. one year, where before it took 2-3 years. This has been achieved through the deliberate selection of the best genetic material, more efficient hatchery production focusing on selective breeding, disease prevention measures and better take-up of the feed provided.

The salmon production cycle is affected by many different factors, but good genetic material and a flawless broodstock will continue to be crucial for the quality of the final result.





SalMar slogan

Everything we do today  
shall be done better than before



Both we as individuals as well as our production and business processes must continuously improve for SalMar to reach its overriding goal of being the lowest cost producer of salmon to the European, as well as other markets.



SALMAR GROUP

## COMPANY PRESENTATION

At the close of 2008 SalMar had 54 licences for the production of farmed salmon in Norway. Of these, 40 were located in Central Norway (the counties of Møre og Romsdal, South Trøndelag and North Trøndelag), and 14 licences in Northern Norway (Troms County). SalMar also has a 50 per cent stake in Norskott Havbruk AS, which in turn owns Scottish Sea Farms Ltd, the UK's second largest salmon producer.

### HISTORY

When SalMar was established in Frøya, South Trøndelag, in 1991 it had one fish farming licence and a packing and processing plant acquired from a company that had gone into liquidation.

Initially, the company's main business was the processing of frozen salmon, which at that time was in large supply following the liquidation of Fiskeoppdretternes Salgslag (the Norwegian salmon farmers' sales cooperative) in 1991. This also marked the beginning of wide-ranging restructuring within the Norwegian salmon farming industry, which over time led to increased industrialisation.

In 1992 the company acquired a further two salmon farming licences. In 1995, following the acquisition of Follasmolt AS in Verran, North Trøndelag, SalMar entered the hatchery production sector. At the same time, a leasing agreement was entered into with Kjørsvik Settefisk, a hatchery in Aure, Møre og Romsdal. Additional operating licences in Central Norway were purchased during the 1990s, and by the end of 1996 SalMar had nine wholly owned licences.

To increase its processing capacity SalMar expanded the plant at Nordskaget, Frøya, in 1997 in collaboration with the Industrial Development Corporation of Norway (SIVA). Kverva Holding became sole owner of SalMar that same year.

By the late 1990s the company had

20 wholly owned licences, with a total harvested volume of 11,000 tonnes gutted weight and a total processed volume of 3,000 tonnes.

In 2000 SalMar established its first fish-farming operation outside central Norway, with the acquisition of a 49 per cent stake in Senja Sjøfarm AS in Troms. At that point Senja Sjøfarm AS had nine operating licences and its own hatchery.

SalMar went abroad the following year, when it established Norskott Havbruk AS in partnership with Lerøy Seafood Group. Norskott Havbruk AS is the sole owner of Scottish Sea Farms Ltd, the UK's second largest producer of farmed salmon. SalMar owns 50 per cent of the shares in Norskott Havbruk AS, while Lerøy Seafood Group owns the remaining 50 per cent.

In 2005 SalMar divested those parts of its operations which were not considered to be core businesses, including the production of herring, herring oil and herring meal. The objective was to concentrate the company's focus and efforts on its core business: the farming, harvesting and processing of salmon.

In 2006 Kverva Holding AS sold 42.5 per cent of the company's shares to a limited number of Norwegian and international investors. The realisation of the company's plans to build new industrial facilities in Frøya and its ambitions to participate in the industry's ongoing restructuring process depend on access to sufficient

capital. The board of directors therefore decided to seek to float the company on the Oslo Stock Exchange. On 8 May 2007 the company was listed on the Oslo Stock Exchange.

In June 2006 the company acquired three new salmon production licences in the Nordmøre district, very close to SalMar's existing production facilities. Towards the end of the year SalMar acquired the remaining 51 per cent of the shares in Senja Sjøfarm AS to become the company's sole owner.

In 2007 SalMar acquired Halså Fiskeoppdrett AS (two licences) and Henden Fiskeoppdrett AS (two licences) in Møre og Romsdal, as well as Arctic Salmon AS (four licences) in Nordreisa, Troms.

During 2008 SalMar acquired a further licence in central Norway (Møre og Romsdal) and one in northern Norway (Troms). Senja Sjøfarm AS changed its name to SalMar Nord AS, and now encompasses all SalMar's business activities in Troms.

**BUSINESS IDEA, OBJECTIVES AND STRATEGY**  
SalMar's vision is to be the most cost-effective supplier of salmon and salmon products while maintaining high standards with respect to biology, ethical production and quality. With international competition increasing all the time, low production costs are a vital competitive parameter to achieve good margins and a good return on equity.

SalMar is uncompromising with respect to quality and meeting the ethical standards associated with biological production. The company wishes to continue investing in biological development to enable further industrialisation. SalMar also aims to increase the level of salmon processing undertaken so that a larger proportion of the value added is retained within the

company. Increased local processing will also have environmental benefits through a reduction in exports of whole fish, the head and bones of which are largely discarded by the consumer.

This increased industrialisation and in-house processing will materialise with the realisation of the InnovaMar project in Frøya. InnovaMar is intended to be the world's most innovative and cost-effective salmon harvesting and processing plant. Construction of the InnovaMar facility commenced in the first quarter of 2009. When it is completed in the first half of 2010, the facility will allow SalMar to gradually and in accordance with market trends reduce the proportion of its total output which is exported as whole gutted salmon.

Moving forward creating and developing secure, interesting and profitable workplaces will remain an important objective for SalMar. The further development of SalMar's company culture and the SalMar Standards will be achieved through a continuation of the SalMar School.

**FRY AND SMOLT – HATCHERY PRODUCTION:**  
As a leading international producer of farmed salmon, having access to adequate supplies of high quality smolt is crucial to SalMar. It is therefore of strategic importance to the company to be as far as possible self-sufficient in smolt.

SalMar produces fry and smolt at six separate facilities in Møre og Romsdal, South Trøndelag, North Trøndelag and Troms. In 2008 the company produced approx. 15 million smolt.

In central Norway SalMar has five hatcheries located at Follafooss in Verran, Kjørsvikbugen in Aure, Setran in Osen, Straumsnes in Tingvold and Langstein in Stjørdal. SalMar owns 60 per cent of the Langstein facility, while the remaining hatcheries are wholly owned. The smolt production in Northern Norway is undertaken at SalMar's facility at Gjøvika. Almost all of SalMar's smolt production is used to supply its own fish farms. The company currently has adequate supplies of smolt of the required quality.

SalMar's hatcheries have access to freshwater resources which will allow continued growth in output. This is particularly true

of the largest hatcheries at Follafooss and Kjørsvikbugen. In the past year SalMar has also invested in recycling technology which permits a higher production of smolt with less consumption of fresh water.

SalMar's hatcheries are largely built up around alternative energy resources. The Follafooss facility uses the waste water from a nearby wood processing plant to heat the water used in production by means of a heat exchanger, while the cooling water from Statoil's methanol plant at Tjeldbergodden is correspondingly used by the Kjørsvikbugen hatchery. These measures result in reduced energy costs. Both at Follafooss and Langstein the water utilised for smolt production has previously been used for power generation. In order to have a back-up for the water from the wood processing plant investments in recycling and heat pump technology are being undertaken at Follafooss.

High quality smolt is a precondition for the safe and effective production of farmed salmon. By establishing its own standards and associated action plans SalMar has sought to focus on smolt quality. To make effective use of the production potential of SalMar's fish farms it is important that the transfer of smolt to the sea is spread over the whole year. Achieving non-seasonal smolt production has therefore been an important objective for SalMar's hatcheries.

Throughout 2008 the company's hatcheries have substantially upgraded their facilities. This effort has been associated partly with necessary production growth, partly with environmental measures such as waste water treatment, and, not least, with measures to prevent fish from escaping from the hatcheries. SalMar has a zero-tolerance policy with respect to escape from its hatcheries.

#### FISH FARMING CENTRAL NORWAY

The bulk of SalMar's marine-phase fish farming activity is organised in SalMar Farming AS, and takes place in Central Norway, from Nordmøre to the Namdal coast. This region offers extremely favourable environmental conditions for the production of salmon, with good temperatures all year round thanks to the Gulf Stream, good circulation of seawater and good access to appropriate sites.







SalMar's fish farms focus on cost-effective operations and a high ethical standard with respect to animal husbandry. To help SalMar achieve its goal of being the most cost-effective producer of salmon, there is a constant focus on sub-goals, such as fastest possible growth with the lowest possible feed factor. Early on the company established its own standards and "best practices" to achieve greater efficiency. This means the concentration of marine production at larger facilities with the right capacity and sustainability.

SalMar Central Norway harvested 42,300 tonnes gutted weight of salmon in 2008, divided between 40 licences, 15 of which are located in the Møre district and 25 in Trøndelag. Fish farming facilities are located in Averøy, Halså, Tustna, Aure, Smøla, Hitra, Frøya, Åfjord, Roan, Flatanger and Namsos.

#### FISH FARMING NORTHERN NORWAY

At the close of 2008 SalMar's wholly owned subsidiary SalMar Nord AS (previously Senja Sjøfarm AS) had 14 operating licences in Troms County. SalMar Nord's licences and hatchery are located in Nordeisa, Tranøy, Dyrøy, Berg and Lenvik. SalMar Nord harvested a total of 11,400 tonnes gutted weight in 2008.

During 2008 the company implemented several measures intended to improve operating routines, feeding and feeding regimes, and its organisational structure which have already had a measurable impact on the biological result. Like the company's Central Norway operations, SalMar Northern Norway's activities are characterised by a concentration in larger units compared with many of its competitors. To further rationalise production, several of the facilities in Troms installed larger net-pens during the year. The company has also increased its smolt transfers, which is expected to result in an increase in output and harvested volume in 2009.

During the year an extensive development process (the SalMar School), aimed at both management and staff, was implemented.

#### SCOTTISH SEA FARMS LTD

SalMar owns 50 per cent of Norskott Havbruk AS, which in turn owns 100 per cent of Scottish Sea Farms. The remaining 50 per cent of Norskott Havbruk AS is owned by Lerøy Seafood Group ASA. Scottish Sea

Farms is the UK's second largest producer of farmed salmon. While the company's main production is located on the Scottish mainland, it also operates from locations in Shetland and the Orkneys.

The company's activities include hatchery production, as well as the farming, harvesting and processing of salmon.

During the course of 2008 the company developed several exciting market concepts, including the production of own-label salmon products for the international retail chain Marks & Spencer.

Scottish Sea Farms harvested 22,800 tonnes gutted weight in 2008.

#### HARVESTING, PACKING AND PROCESSING (VAP)

SalMar's VAP operations are very closely linked with the farming operations and have been an important part of the company's development. Bringing large harvesting volumes to a plant affords economies of scale, as well as providing flexibility and a better utilisation of the entire salmon.

In 2008 SalMar harvested a total of 53,000 tonnes gutted weight at its facility in Frøya, while the output of processed products totalled 11,500 tonnes. New products were also developed during the year, with various seasonings and packing methods to make them easier for the consumer to prepare.

#### SALE AND DISTRIBUTION

For many years SalMar has chosen to sell its products through a handful of Norwegian salmon exporters, with whom it works closely. But as volumes have increased SalMar has also established direct sales of whole salmon to markets such as Russia and Asia. Furthermore, SalMar exports a substantial volume of processed products to Japan through its wholly owned subsidiary SalMar Japan KK. During 2008 SalMar acquired 34% of the shares in the exporter Volstad Seafood AS. SalMar and Volstad have a long history of cooperation when it comes to exports to parts of Asia.



# norwegian **salmon** no. **250** million to **France**

The story of the 250 millionth Norwegian salmon exported to France began at Aqua Gen in Kyrksæterøra, with the release of roe and milt. It continued as the fish grew from fry to smolt at a hatchery at Kjørsvikbugen in Aure. According to those close to it the jubilee salmon spent its youth enjoying the fresh salt sea and tender care of SalMar's facility at Singsholmen outside the island of Hitra, central Norway, from 1 April 2007 until 14 October 2008. It had grown to an impressive 4.64 kg when it was taken out of the sea one brisk autumn day. So brisk, in fact, that the planned helicopter ride from Singsholmen to the processing plant at Nordskaget on Frøya had to be cancelled. So the salmon's final journey live journey was by road, with, among other, Norway's minister of fisheries on hand to wish it farewell.

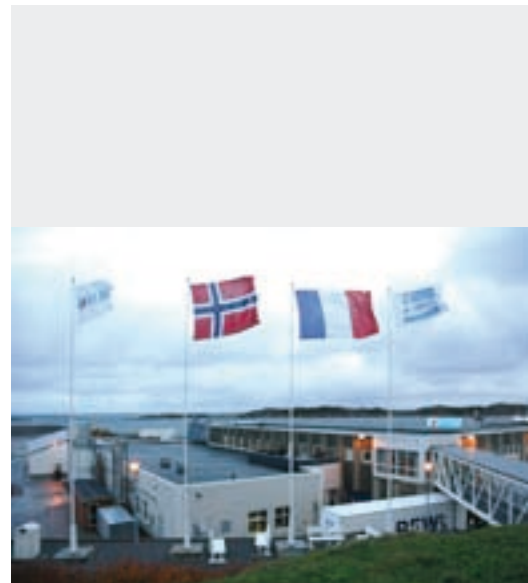
At SalMar's processing facility the jubilee salmon was welcomed by a large party of both Norwegians and Frenchmen. After harvesting and packing Simon, as he was now known, was transferred to a specially designed truck which would take him to the Rungis fish market in Paris. The journey, from its starting point on Frøya, along the local "salmon road" over to the Norwegian mainland, and on to Simon's final destination in France, took 48 hours. His arrival at Rungis was marked by a special welcoming ceremony.

The next day our jubilee salmon was given over into the expert hands of Michel Roth, head chef of the L'Espadon restaurant at Paris's fashionable Hotel Ritz. A selection of knowledgeable guests of this restaurant, which enjoys two Michelin stars, were pleased to acknowledge that Simon had emerged from the journey unscathed and had passed the ultimate test. For, as everyone knows, the French know their salmon. Last year the French market imported 114,000 tonnes of Norwegian salmon; seven out of ten salmon eaten at French dinner tables came from Norway. On average every man and woman in France ate more than two kilos of salmon last year!

The idea for a special celebration for the 250 millionth Norwegian salmon exported to France came from the Norwegian Seafood Export Council, and SalMar was more than willing to provide both the salmon and the facilities. Every step of our jubilee salmon's final journey from Hitra to Paris was extensively covered by both Norwegian and French media.



Norway's Minister of Fisheries, Mrs. Helga Pedersen, made sure that "Simon" was ready for his journey to France



The flags were flying in the wind at SalMar's facility at Nordskaget when "Simon" arrived

Like most Norwegian salmon exported to France, "Simon" arrived at the Rungis fish market outside Paris.

*Salmon on a plate in Paris.*  
Master Chef Michel Roth at The Ritz Hotel in Paris turned "Simon" into a delicious dish.







*InnovaMar is built right next to SalMar's existing facility at Nordskaget, Frøya. InnovaMar covers an area of 14 500 square meters, in comparison the current facility covers 3 000 square meters.*



#### **InnovaMar**

*The main entrance connects the production area with the building housing the administration, canteen and the common areas.*



#### **InnovaMar**

*Civil engineer Bård Sandberg from Rambøll is the project leader for InnovaMar, one of the largest investments on the coast of Trøndelag, ever.*

# InnovaMar from dream to reality

Harvesting and processing has been a key part of the SalMar Group's strategy ever since the establishment of company in 1991. Since 1991 both market conditions, production technology in the industry and SalMar as a company have made considerable strides. SalMar has, after several years of detailed planning, decided to invest in what is intended to be the world's most innovative and cost-effective facility for the landing, harvesting and processing of farmed salmon - InnovaMar.

February 16<sup>th</sup> 2009 was a special day in SalMar's almost 20-year history. Right next to SalMar's existing processing plant and headquarters in Frøya, ground was broken for InnovaMar, a unique project with a total investment budget for buildings and equipment of approx. NOK 400 million.

The building that will house the facility will be owned by a real estate company in which SalMar will be one of three shareholders along with Kverva AS and Abra Norge AS. SalMar will invest in a state of the art machinery that will be installed on the facility's 14 500 sq. meters. In comparison the current facility is 3 000 sq. meters.

InnovaMar will be able to harvest 50,000 tonnes of salmon per shift per year, of which a significant proportion will be

processed further before being shipped to customers and consumers throughout the world. Innovative use of technology will ensure a better quality end product, lower costs and an improved working environment for employees.

#### Some of InnovaMar's primary objectives are:

- Ensure safe and ethical treatment of the salmon
- Optimise the use of the entire salmon
- Reduce production risk by having parallel production lines
- Flexibility in processing to meet wide ranging customer demands
- Increased control over production processes, storage and order handling
- Production lines designed to optimize food safety and cleaning procedures

InnovaMar is scheduled to be fully operational in Q2 2010.

A purchasing philosophy has been developed for InnovaMar which means that local suppliers are preferred as long as they are able to deliver and are competitive with respect to price and quality. As a result, the portacabin assembly containing offices and accommodation (44 separate rooms) was erected by local workers and will be operated by Frøya Football Club.

InnovaMar is big, both in terms of size and the level of ambition. It is probably the largest investment ever made on the Trøndelag coast, and its objective is clear: to be the world's leading salmon harvesting and processing plant that will stand like a beacon in the industry for many years to come.





SalMar slogan

Focus on the solution  
– not the problem



Everybody has a responsibility to contribute to finding a solution when faced with a challenge. All challenges present an opportunity to improve.





# THE SALMAR CULTURE

## SHARED VALUES, SHARED CULTURE

SalMar's company culture is constantly under development, and is built on success factors which have gradually evolved within the company from its inception in 1991 and up to today. Although SalMar's company culture is affected by both external and internal conditions, there are some overarching factors which will always be the foundation of our shared culture. Of particular importance are a focus on biological assets, operational efficiency and safe food production.

SalMar's output takes a long time to produce. For an individual salmon it is a process that continues 24 hours a day, seven days a week for three years. In a biological production process yesterday's actions are carried over into the next phase. A frivolous attitude to how biological assets are treated can have serious consequences, both in the short and long term. To be a leader in the aquaculture industry it is therefore crucial to have a shared culture and shared values.

Underpinning all SalMar's business activities and strategic actions is its **vision: to be the lowest cost producer and supplier of farmed salmon to the European market**, in the sense of being the most cost-effective. To realise this vision the entire organisation must do what it takes to succeed. SalMar standards have been developed for all group business units and departments. Their purpose is to form the basis for the development of our company culture and to raise awareness throughout the production process. The SalMar standards describe important focus areas for

managers and employees, and are meant to be easily understood and practised by everyone in SalMar, regardless of their role in the company.

To further reinforce the company's vision and overall objectives, a number of slogans have been drawn up, which describe the behaviours and actions expected of all employees. It is, after all, the employees who together make up the SalMar culture, and who keep it moving forward.

**What we do today we do better than we did yesterday**, clearly expresses our determination that our processes must be continuously developed and improved if the company is to be a market leader. While the slogan also describes our ability to conquer our own limitations, encouraging us to constantly search for improvements and maintain a fanatical eye for detail, it also fosters our capacity to rejoice in the success of others.

**The job is not done until the person you are doing it for is satisfied**, is intended to increase our understanding of the fact that everyone is knowledgeable about and takes responsibility for the entire three-year production process. Salmon production is a collaborative effort, in which we must – both internally and externally – always live up to the quality standards and expectations of the person for whom we are doing a task.

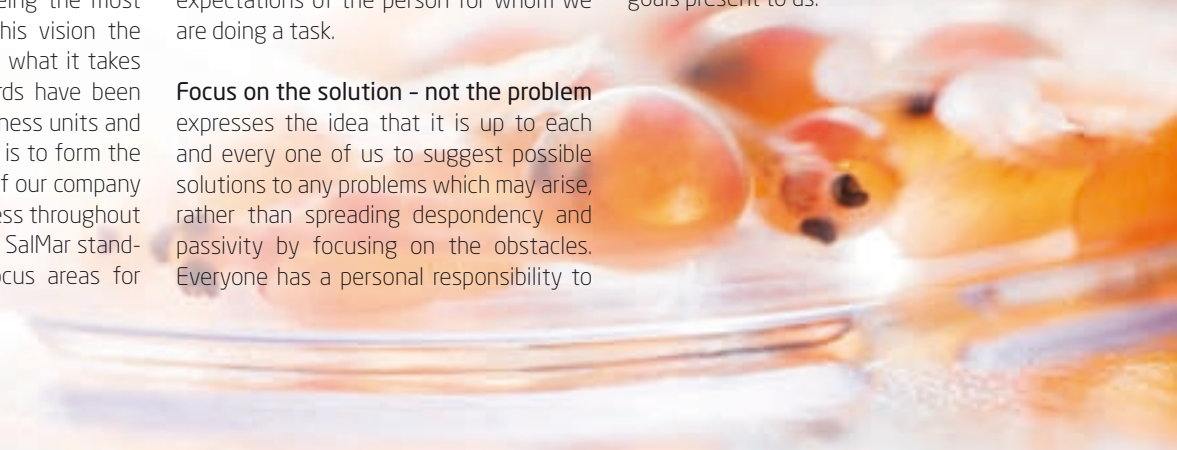
**Focus on the solution – not the problem** expresses the idea that it is up to each and every one of us to suggest possible solutions to any problems which may arise, rather than spreading despondency and passivity by focusing on the obstacles. Everyone has a personal responsibility to

identify and implement solutions, rather than waiting for someone else to tell them what to do.

**The job we do today is vital to SalMar's success**, is intended to create an understanding of the fact that today is what matters, and that it is down to each of us, regardless of where in the production chain we are. Through measures like the SalMar School all employees are informed about SalMar's vision, objectives, values and cultural slogans, which are the basis for understanding that all parts of the production chain are equally important.

**We care** expresses the importance of developing good attitudes, respect and care for the salmon we raise, our workforce, customers, partners and society at large. Standards with respect to the ethical management of biological assets are steadily being raised. That we care affects not only our biological and financial performance, but also the way we are regarded by the community around us.

**We shall be the lowest-cost producer from roe to finished product** is about creating an understanding of and pride in the aim of always being the most cost-effective producer of farmed salmon. This means that we dare to be different, and welcome the challenges our vision and goals present to us.



SalMar slogan

The job we do today is  
vital for our shared success



It is today that matters and every  
employee is a part of it, regardless of  
assignment and place in the value chain.





# HEALTH, SAFETY AND THE ENVIRONMENT

HSE

SalMar has a presence in many local communities and districts. The Group's corporate social responsibility therefore has many facets: as an employer, a production company, a producer of healthy food, a user of the natural environment, and as custodian of financial and intellectual capital. By showing that "We care" SalMar contributes to increased awareness of these issues, both internally and externally in those locations in which the company operates.

## HSE AS A FOCUS AREA

During 2008 SalMar prepared an environment report at group level. In the Group's combined business activities there are many areas in which HSE, in one form or another, has a bearing:

- The production and processing of high-quality seafood based on raw materials from clean seas.
- Focus on food safety in all stages of the production process.
- At all times being able to offer products which meet customer specifications and requirements in a global market.
- Contributing to the development of the local community.
- Continuing to offer meaningful and sustainable jobs.
- At all times complying with legislation and regulations imposed by the Norwegian authorities, and any other legislation invoked by customers or partners.
- Protecting the environment and minimising the impact of our activities on the external environment through the entire production chain.

As a consequence SalMar has drawn up a set of overall environmental targets, with associated activities and action plans. The targets relate both to the external environment and internal health and safety aspects. Some targets are common to the entire Group, and from these the individual business units have drawn up their own sub-goals. For example, annual environmental accounts and action plans are to be prepared by each business unit. Annual action plans for HSE shall also be drawn up, with HSE performance reported and assessed on a monthly basis by group management. During 2008 SalMar has achieved many of its targets for the external environment, working environment and personal safety. New goals have been set for 2009, and a separate environment management plan has been drawn up for the entire Group.

## ENVIRONMENT MANAGEMENT

At SalMar environment management means focusing on limiting our impact on the external environment in all aspects of our business, and continually improving our environmental performance. Senior staff

members have been allocated a defined environmental responsibility as part of their job descriptions, and HSE instructions have been drawn up for all employees. Furthermore, risk assessments have been carried out, and emergency response and action plans drawn up. All instances of non-compliances are reported, dealt with and evaluated as they occur. On a day-to-day basis environment protection activities are followed up systematically by unit management teams. All new employees are given HSE training through operational seminars and the SalMar School. Accounts for all environmental aspects of the business are prepared on a quarterly basis, and are included in the Group's annual environment report.

In keeping with other areas of the Group's business activities a SalMar standard has been drawn up for environment protection activities. By means of regular audits carried out through the year by the Directorate of Fisheries, certifying agencies on behalf of customers and partners, as well as internal audits, the business units' performance in relation to the SalMar standard is continually being monitored.

A wide-ranging risk assessment of all the Group's business units was carried out in 2008. On the basis of these assessments further measures have been implemented to ensure that salmon is being produced safely throughout the value chain.

## ETHICAL CODE OF CONDUCT

Maintaining high ethical standards in all aspects of our business is paramount. SalMar has therefore drawn up a code of conduct whose purpose is to help establish and maintain a sound corporate culture and safeguard the company's integrity by helping employees to act in accordance with good and ethical business standards. Employees shall act fairly, honestly and with personal integrity in their dealings with other employees, business associates, customers, shareholders, public authorities and the general public.

## MEASURES

In addition to the preparation of the environment report described above, the fol-

lowing HSE measures were implemented in 2008:

- Training courses for all employee health and safety representatives.
- Work-related health check of all employees who have been with the company for more than a year.
- Safeguard HSE in InnovaMar through the involvement of the company health service, the senior employee health and safety representative and other internal resources.
- SalMar School for middle management
- Working Environment Committee meetings
- Review of the nutritional content of food served in the company canteen.
- HSE risk assessments performed in conjunction with Vesta Forsikring at several sites and locations.

## GLOBALGAP

SalMar is certified in accordance with the international standard Globalgap. Globalgap is the first international standard for the production of farmed salmon. Its objective is to ensure food safety throughout the production process. Globalgap is a consumer-based concept, where food safety is achieved through HACCP (hazard analysis and critical control points), as well as compliance with environmental, fish wellbeing and HSE standards.

## ABSENCE DUE TO ILLNESS

Absence due to long term illness was 3,9 % in 2008, compared with 4,5 % in 2007. The Group is working hard to reduce this level even further and place great emphasis on proactive measures such as adapting the working environment to each individuals needs. Absence due to short term illness was 2,8 % in 2008, compared with 2,7 % in 2007. These levels are thought to be low compared with comparable companies. During the course of 2008 38 accidents or work-related injuries were reported in the Group, compared with 29 last year. Furthermore, 16 instances of absence due to injuries sustained during work were recorded, compared with 13 the year before. Important measures to reduce the number of injuries during 2009 will result from an even stronger focus on HSE throughout the Group.



SalMar slogan

We shall be the most cost effective  
salmon producer in the world



We shall be the lowest cost producer of salmon  
to the European markets. We shall contribute to  
the development of knowledge, skills and attitudes  
as well as encourage cooperation.



## CORPORATE GOVERNANCE

SalMar ASA aims to maintain a high standard of corporate governance. Good corporate governance strengthens public confidence in the company and contributes to long-term value creation by regulating the reciprocal roles and responsibilities of shareholders, the board of directors and the company's management, over and above that which is stipulated in legislation and other statutory instruments. The Oslo Stock Exchange requires that listed companies provide a consolidated account of their corporate governance in accordance with the code of practice drawn up by the Norwegian Corporate Governance Board (NUES). A new version of the code of practice was published 4 December 2007, replacing the previous version of 28 November 2006. The code of practice, which was not revised in 2008, can be found at [www.nues.no](http://www.nues.no).

The code of practice shall be adopted in accordance with the "comply or explain" principle. This means that listed companies must report how they have organised themselves in relation to the code's individual stipulations, and, if appropriate, explain how and why the company has chosen to organise itself in a different way.

### CORPORATE GOVERNANCE

SalMar's board of directors has determined that the company shall comply with the Norwegian Code of Practice for Corporate Governance.

SalMar has been listed on the Oslo Stock Exchange since May 2007, since when it has worked steadily to comply with the code of practice's stipulations.

SalMar has always operated its business in line with core values which have been communicated to the organisation, partly through the employees' participation in the SalMar School, which was set up in 2002 and has been further developed each year since then. These values are based, among other things, on such principles as equality, quality, HSE, focus on the biology and continuous improvement. For further details, please see the chapter on SalMar's values and culture in the annual report.

SalMar has also drawn up a code of conduct, whose purpose is to safeguard and develop the company's values, create a healthy corporate culture and uphold the company's integrity. The code of conduct is also meant to be a tool for self-assessment and for the further development of the company's identity. All employees of the company are bound to comply with the ethical guidelines laid down in the code of conduct, which is available from the company's website.

### THE BUSINESS

SalMar ASA's objectives are defined in its articles of association (Article 2, see also the company's website): The objective of the company is sea farming, processing and trading of all types of fish and seafood,

and other financial activities in relation to this. The company may, in accordance with directives from the relevant authorities, conduct general investment activities, including participation in other companies with similar or related objectives.

Targets and strategies are drawn up for each production unit. Within the framework of the above article, SalMar is currently engaged in hatchery production, marine-phase farming, harvesting, processing and sale of farmed salmon.

The company's objectives and main strategies are further discussed in the annual report in the chapters "CEO's report" and "Company Presentation".

### EQUITY AND DIVIDEND

As at 31 December 2008 the company had net assets of NOK 1,315 million, which corresponds to an equity ratio of approx. 43 per cent. The board considers SalMar's equity to be adequate in relation to the company's objectives, strategy and risk profile.

SalMar intends to provide shareholders with a competitive return on invested capital, taking into consideration the company's risk profile. Returns will be achieved through a combination of positive share price development and the payment of a dividend. The company plans to pay out surplus liquidity (funds not necessary for the company's day-to-day operation) in the form of a dividend or by means of a capital reduction with distribution to the shareholders. The company will at all times consider whether the available liquidity should be used for new investments or the repayment of debt instead of being paid out as dividend. Subject to the approval of the

Annual General Meeting, it is intended that a dividend be paid annually. The board of directors is proposing a dividend for 2008 of NOK 0.40 per share, or NOK 41.2 million in total.

### BOARD AUTHORISATION

The Annual General Meeting of 21 May 2008 authorised the board to increase the company's share capital by up to NOK 7.5 million, though the issue of no more than 30 million shares, each with a face value of NOK 0.25. The authorisation is valid until the 2009 AGM. The authorisation may also be used to finance investments and the acquisition of businesses through cash issues and contributions in kind. Moreover, the authorisation may be used in connection with the share option scheme for senior executives. Given the purpose of the authorisation, the board of directors may need to set aside the preference rights of existing shareholders. Such a move is allowable under the terms of the authorisation.

The AGM of 21 May 2008 also authorised the board of directors to acquire the company's own shares with a face value of up to NOK 2.75 million, which corresponds to 10 per cent of share capital. The price of shares acquired could range from not less than NOK 1 to not more than NOK 100. The authorisation was exercised 14 November 2008 to acquire 600,000 shares at a face value of NOK 150,000 and a price per share of NOK 31. The authorisation is therefore still valid for the purchase of shares with a face value of up to NOK 2,425 million, corresponding to around 9.4 per cent of the company's share capital. The authorisation remains valid until the 2009 AGM.

#### NON-DISCRIMINATION OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSELY RELATED PARTIES

SalMar's registered share capital totals NOK 25,750,000, divided between 103,000,000 shares. Each share has a face value of NOK 0.25. SalMar has only one class of shares and all shares have equal rights. Each share carries one vote. In the event of material transactions with closely related parties, the company shall make use of valuations provided by an independent third party.

SalMar's code of conduct lays out what is required of employees with respect to loyalty, conflict of interest, confidentiality and guidelines for trading in the company's shares. The code of conduct states that all employees must notify the board if they, directly or indirectly, have a material interest in any agreement entered into by the company.

The regulations governing the board's working practices provide guidelines for how individual directors and the CEO should conduct themselves with respect to matters in which they may have a personal interest. Among them is the stipulation that each director must make a conscious assessment of his/her own impartiality, and inform the board of any possible conflict of interest.

#### FREE TRANSFERABILITY

The company's shares are freely transferable on the Oslo Stock Exchange and its articles of association do not contain any restrictions on the shares' transferability.

#### GENERAL MEETING OF SHAREHOLDERS

The company's highest decision-making body is the General Meeting of Shareholders. In accordance with the company's articles of association the Annual General Meeting must be held by the end of June each year.

An invitation to attend, as well as all agenda papers, are published on the company's website no later than 21 days prior to the date of the AGM. All shareholders whose address is known to the Norwegian Central Securities Depository (VPS) will be sent the documents by post no later than 14 days prior to the date of the AGM. Shareholders are entitled to make proposals and cast their votes either in person or through a proxy. Shareholders must notify the company of their intention to attend the AGM no later than five working days before the AGM takes place.

In all matters relating to the preparation of, invitation to and staging of the company's AGM the company complies with the Norwegian Code of Conduct for Corporate Governance.

The AGM for 2009 will take place on 28 May at Frøya.

#### NOMINATION COMMITTEE

The company's articles of association stipulate that the Nomination Committee shall comprise a total of three people, who shall be shareholders or shareholders' representatives. The members of the Nomination Committee, including the committee's chair, are elected by the Annual General Meeting. The AGM of 21 May 2008 elected Gustav Witzøe (2 years), Endre Kolbjørnsen (2 years) and Therese B Karlsen (1 year) as SalMar's Nomination Committee. The Nomination Committee recommends candidates for election to the board of directors and directors' fees. The remuneration payable to members of the Nomination Committee is determined by the AGM. A set of regulations governing the work of the Nomination Committee was adopted at the board meeting of 21 March 2008.

#### CORPORATE ASSEMBLY AND BOARD OF DIRECTORS, COMPOSITION AND INDEPENDENCE

The company does not have a Corporate Assembly. The articles of association stipulate that the board of directors shall comprise three to seven members, to be elected by the Annual General Meeting. The board's chair is elected by the AGM, while the board itself elects a deputy chair. The company's current board is made up of six members, including two women and one employee representative.

The regulations governing the work of the Nomination Committee state that emphasis shall be placed on ensuring that members of the board have the necessary competence to carry out an independent assessment of the matters presented to it by management and of the company's business activities. Emphasis shall also be placed on ensuring that there is a reasonable gender balance and that directors are independent with respect to the company. The Nomination Committee's recommendation shall meet the requirements relating to board composition stipulated by applicable legislation and the regulations of the Oslo Stock Exchange. Board members are elected for a term of two years.

The composition of the board meets the Code of Practice for Corporate Governance's stipulations with respect to independence, with one exception. Gustav Witzøe is both a SalMar manager and a member of the board of SalMar ASA. In the opinion of the board it is in the company's interests to avail itself of Gustav Witzøe's extensive experience and considerable expertise, both as head of part of the business and as a director. Deviation from the code of practice on this point has therefore been deemed acceptable.

In 2008 the board did not have a deputy chair. A deputy chair will be elected in 2009.

#### THE WORK OF THE BOARD

The board has overall responsibility for the management of the Group and the supervision of its day-to-day management and business activities.

The work of the board is governed by a set of regulations which describe the board's responsibilities, tasks and administrative procedures. Furthermore, the board determines the Group's overall objectives and strategy, including the overall composition of the Group's portfolio and the business strategies of the individual business unit.

Strategy is normally discussed during the autumn, ahead of the Group's budget process. Within the area of strategy, the board shall play an active role in setting management's course, particularly with regard to organisational restructuring and/or operational changes.

The board shall approve the Group's plans and budgets, and may, if desired, draw up more detailed guidelines for its operations. The board shall, no later than December, approve the Group's budgets for the coming year. Proposals relating to targets, strategies and budgets are drawn up and presented by management.

The board makes an annual assessment of its own work and competence. An evaluation of this kind was conducted in December 2008.

The company evaluates the use of board sub-committees on a regular basis, but has so far not established any such bodies.

#### RISK MANAGEMENT AND INTERNAL CONTROL

The board ensures that the company's internal control systems are adequate in relation to the regulations governing the business. The company's systems and procedures for risk management and internal control are intended to ensure efficient operations, timely and correct financial reporting, as well as compliance with the legislation and regulations to which the company is subject.

The follow-up of internal controls relating to financial reporting is undertaken by means of management's day-to-day monitoring, the process owners' monitoring and the auditor's independent testing. Deviations and improvement opportunities are followed up and corrective measures implemented. Financial risk is managed by a central unit at head office, and, where appropriate, consideration is given to the use of financial hedging instruments. The



auditor has confirmed that the company's internal controls relating to financial reporting are adequate.

A vital part of the senior management team's efforts is devoted to the identification and management of biological risk, fish health, HSE and general hygiene. It is the CEO's responsibility to ensure that the company complies with all relevant legislation and guidelines governing the operation of its divisions. This includes the procurement, operation and maintenance of fish farming equipment, as well as management of the company's biomass.

Follow-up and control of the extent to which the company's values and code of conduct are complied with is carried out by the line organisation and is part of day-to-day operations. Material risks and any changes in them are discussed at management meetings every fortnight.

In 2008 the board initiated an overall review of the company's total risk picture.

The most important risk factors for the company include financial risk associated with foreign exchange, credit and interest rates, and biological risk associated with the state of health at the company's hatchery and fish farming facilities. These risk factors are monitored and addressed by managers at all levels in the organisation. For further information on this matter, please see the report of the board of directors and Note 19 to the financial statements.

#### DIRECTORS' FEES

The Nomination Committee's proposal for the remuneration payable to the board of directors for 2008 will be laid before the company's Annual General Meeting of 28 May 2009. The directors' fees shall reflect the board's responsibilities, competence, time spent and the complexity of the business.

Directors' fees are not performance-related and contain no share option element. Additional information relating to directors' fees can be found in Note 3 to the financial statements.

As a consequence of his position with SalMar, Gustav Witzøe has received remuneration from the company in addition

to his fee as a director. Please see the section relating to the board's composition for an explanation of Mr Witzøe's directorship.

#### REMUNERATION TO SENIOR EXECUTIVES

The company's board of directors has drawn up a declaration relating to the determination of salaries and other benefits payable to senior executives. This declaration was approved by the company's Annual General Meeting of 21 May 2008. The company shall offer competitive terms and conditions in order to attract and retain key personnel with the necessary competence.

The declaration refers to the fact that the board of directors shall determine the salary and other benefits payable to the CEO. The salary and benefits payable to other senior executives are determined by the CEO in accordance with the guidelines laid down in the declaration. Pursuant to the authorisation given to the board of directors, a share option scheme has been established for key personnel. Today's compensation scheme is divided into three and comprises a fixed salary, a performance-related bonus and a share option scheme in line with the board's authorisation.

Information relating to the salary and benefits payable to the CEO and other senior executives can be found in Note 3 to the financial statements.

#### INFORMATION AND COMMUNICATION

Communication with shareholders, investors and analysts is a high priority for SalMar. The objective is to ensure that the financial markets and shareholders receive correct and timely information, thus providing the soundest possible foundation for a valuation of the company. The company has adopted an "IR policy" which is available from its website.

The company holds open investor presentations in association with the publication of its year-end and interim results. Such investor presentations are also made available on the company's website.

The company shall publish its provisional year-end accounts by the end of February each year. A complete annual report shall be distributed to all shareholders no later than 14 days prior to the Annual Gen-

eral Meeting. The latest published financial information can always be obtained from the company's website.

The CEO and CFO are responsible for communications with shareholders other than in connection with the AGM.

#### ACQUISITION

The board of directors concurs with the principle of non-discrimination of shareholders. The board undertakes to act in a professional manner and in accordance with applicable legislation and regulations. Accordingly, the board agrees to abide by the principles laid down in the Code of Practice for Corporate Governance relating to the board's responsibilities and duties in a takeover situation.

#### AUDITOR

The company's auditor is appointed by the Annual General Meeting and is independent of SalMar ASA. Each year the board of directors shall receive written confirmation from the auditor that the requirements with respect to independence and objectivity have been met.

The auditor shall draw up the main lines of a plan to carry out the audit, and the plan shall be made known to the board of directors. Furthermore, the auditor shall hold at least one meeting each year without any representatives of the company's management being present.

The board shall inform the AGM of the remuneration payable to the auditor, broken down into an auditing and other services component. The AGM shall approve the auditor's fees.

The company has drawn up guidelines for any work other than auditing to be carried out by the auditor or persons associated with the auditor.

The auditor participates in board meetings in connection with the treatment of the year-end accounts, and, at the same time as the board of directors, reviews the company's internal control systems. This includes the identification of weaknesses and proposals for improvement. The auditor will also attend the company's AGM.

SalMar slogan

A task is not complete  
until the recipient is satisfied



Salmon farming is an interconnected process where all parts of the process are dependent upon each other. Customer focus, both internally and externally, is paramount.



# MANAGEMENT

## LEIF INGE NORDHAMMER

**President and CEO**  
Joined SalMar in 1996



Mr. Nordhammer has been CEO of SalMar ASA since October 1996. He has extensive experience from leadership positions in a variety of companies, and has worked in the fish farming industry since 1985. Previous employers include Sparebanken 1 Midt-Norge and Frøya Holding AS/ Hydro Seafood AS. Mr Nordhammer holds a business degree from Trondheim Business College and the University of Trondheim.

**Shareholdings:** Mr Nordhammer owns 100% of LIN AS, which in turn owns 2,43% of the shares in SalMar ASA.  
**Options:** None

## GUSTAV WITZØE

**Manager SalMar Processing**  
Joined SalMar in 1991



Mr Witzøe is the co-founder of SalMar ASA. After several years of working as an engineer he set up BEWI AS, a company producing Styrofoam boxes for the fish farming industry. He held the position as managing director of BEWI AS until 1990. Since Mr Witzøe founded SalMar ASA in 1991 he has gained extensive experience in fish farming and processing. Mr Witzøe holds a degree in engineering.

**Shareholdings:** Mr Witzøe owns 91,8% of Kverva AS, which in turn owns 53,4% of the shares in SalMar ASA.  
**Options:** None

## ROAR HUSBY

**Chief Financial Officer**  
Joined SalMar in 2007



Mr Husby has previously held positions with Ernst & Young AS in Trondheim (2002 - 2007) and strategy consultancy Marakon Associates in London (1997 - 2002). He graduated from London School of Economics and Political Science in 1997 with a BSc and an MSc in Management.

**Shareholdings:** None  
**Options:** 100.000

## BJØRN LARSEN

**Manager SalMar Farming**  
Joined SalMar in 1997



Mr Larsen has been head of SalMar fish farming Central Norway since 1997. He has extensive experience from the salmon farming industry. Before joining SalMar ASA, Mr Larsen held various positions in companies within the aquaculture industry, including Frøya Lakseslakteri og Fiskeoppdrett AS, Timar AS and Frøya Holding AS.

**Shareholdings:** 30.000  
**Options:** 325.000

## KARL CHR. AAG

**Manager SalMar Freshwater**  
Joined SalMar in 1995



Mr Aag has been head of SalMar's freshwater/smolt operations since 1995. He founded Follasmolt AS in 1985, where he served as General Manager until the company was acquired by SalMar ASA in 1995. Mr Aag holds an MSc from the Norwegian University of Agriculture at Ås.

**Shareholdings:** 53.400  
**Options:** 325.000

## PÅL GEORG STORØ

**Manager Value Added Production (VAP)**  
Joined SalMar in 1991



Mr Storø is head of SalMar's VAP operations. Before joining SalMar, Mr Storø was area manager for Felleskjøpet Trondheim, department for fish feed (1989 - 1991). He was operations manager at Valen Klekkeri/Storø Fiskeoppdrett in the period 1984 - 1989. He is a trained chef from Trondheim Kikk- og Stuertskole (1975-1980), and has a Bachelor's degree from Statens Næringsmiddeltekniske Høgskole (1981-1984).

**Shareholdings:** 13.600  
**Options:** 325.000

## BJØRN HEMBRE

**Manager SalMar Northern Norway**  
Joined SalMar in 1998



Mr Hembre joined SalMar as production manager and was subsequently appointed production coordinator for North Trøndelag, a position he held until 2005. He then spent two years as production manager for Fjord Seafood Norway's Farming Division. Mr Hembre re-joined SalMar Nord in January 2007.

**Shareholdings:** None  
**Options:** 100.000





# SHAREHOLDER INFORMATION

Shareprice NOK



## SHARE PRICE DEVELOPMENT

Share price per 01.01.2008 was NOK 44.00 thus valuing SalMar at NOK 4 532 million. At year end the share price was 26.00 valuing SalMar at NOK 2 678 million.

## TECHNICAL INFORMATION

SalMar ASA had per 31.12.2008 a total of 103 million shares outstanding. Each share with a face value of NOK 0.25.

SalMar had per 31.12.2008 1 506 shareholders SalMar's VPS number is ISIN NO 0010310956

The company's share registrar is Nordea Bank SalMar's ticker on the Oslo Stock Exchange is SALM

| NAME                             | SHAREHOLDING 31.12.08 | SHARE (%)      |
|----------------------------------|-----------------------|----------------|
| Kverva AS                        | 55 000 000            | 53,40%         |
| JP Morgan Chase Bank             | 6 740 800             | 6,54%          |
| Verdipapirfond Odin Norge        | 5 317 750             | 5,16%          |
| Folketrygdfondet                 | 5 126 789             | 4,98%          |
| Pareto Aksje Norge               | 3 778 550             | 3,67%          |
| Verdipapirfond Odin Norden       | 3 141 192             | 3,05%          |
| LIN AS                           | 2 500 000             | 2,43%          |
| Pareto Aktiv                     | 2 241 800             | 2,18%          |
| BGL S/A                          | 1 322 508             | 1,28%          |
| Centra Capital AS                | 845 000               | 0,82%          |
| Sparebanken Midt-Norge Invest    | 807 000               | 0,78%          |
| SalMar ASA                       | 600 000               | 0,58%          |
| Carnegie Aksje Norge III         | 555 732               | 0,54%          |
| Verdipapirfondet Odin Global     | 500 000               | 0,49%          |
| Holberg Norge                    | 495 200               | 0,48%          |
| Aksjefondet Odin Norge II        | 438 700               | 0,43%          |
| Northern Trust                   | 401 920               | 0,39%          |
| Holberg Norden                   | 390 528               | 0,38%          |
| Verdipapirfondet Odin Global SMB | 375 000               | 0,36%          |
| Carnegie Aksje Norge             | 322 700               | 0,31%          |
| Total 20 largest shareholders    | 90 901 169            | 88,25%         |
| Total other shareholders         | 12 098 831            | 11,75%         |
| <b>Total no. of shares</b>       | <b>103 000 000</b>    | <b>100,00%</b> |

## FINANCIAL CALENDAR 2009

### 25th of February

Presentation of Q4 2008 and preliminary 2008 results

### 6th of May

Presentation Q1 2009 results

### 12th of August

Presentation Q2 2009 results

### 30th of October

Presentation Q3 2009 results

### 28th of May

Annual General Meeting – Frøya, Norway

The Board proposes a dividend payment of NOK 0,40 per share, a total of NOK 41.2 million. If approved by the AGM the shares will trade ex. dividend starting from the 29th of May 2009.

Please note that the financial calendar is subject to change. The Group's website will be updated for any changes as soon as they become known. [www.salmar.no](http://www.salmar.no)



*The Board of Directors of SalMar ASA  
From the left: Gustav Witzøe, Marit Rolseth,  
Bjørn Flatgård (Chairman), Synnøve G. Ervik  
and Kjell A. Storeide. Board member  
Bjørn Ivan Espnes was not present.*

## BOARD OF DIRECTOR'S REPORT 2008



# GOOD PERFORMANCE

IN A DEMANDING YEAR

SalMar delivered good results in 2008, and has a strong starting point for 2009. Gross operating revenues rose by some 2.2 per cent from NOK 1,677.7 million in 2007 to NOK 1,714.3 million in 2008. Operating profit before fair value adjustment of the biomass totalled NOK 337.5 million in 2008, compared with NOK 411.4 million the year before. The board of directors is proposing a dividend of NOK 0.40 per share for the 2008 financial year.

Biological control is a key issue for SalMar, and this has always underpinned the positive results that the Group has achieved. Notwithstanding SalMar's good performance in 2008, the board believes that the Group has the potential for further development, thereby reinforcing its leading position in the industry.

## THE BUSINESS

SalMar is a leading Norwegian producer of farmed salmon. The Group has fish farming licences and hatcheries in central Norway and in Troms County. SalMar also owns 50 per cent of the shares in Norskott Havbruk AS, which in turn owns Scottish Sea Farms Ltd, Britain's second largest producer of farmed salmon. SalMar also has a substantial harvesting and secondary processing activities at the Group's headquarters in Frøya. At the end of the year the Group employed approx. 540 people with operations in 16 Norwegian municipalities.

At the end of 2008 SalMar had 54 wholly owned licences for the farming of salmon and trout in Norway. 40 of these are operated in central Norway (Møre & Romsdal, South and North Trøndelag), while 14 licences are operated in northern Norway (Troms).

### Strategic focus areas

SalMar has a number of strategic focus areas which underpin the Group's continued development.

#### These include:

- SalMar will increase its output through even better utilisation of existing licences and the acquisition of other aquaculture companies.
- SalMar will be self-sufficient with respect to smolt.
- SalMar will continuously develop the Group's culture and operating model (the

SalMar Standard) within all parts of its business operations. All Group facilities will be operated in accordance with the same principles and objectives, based on the same values.

- SalMar will process a larger proportion of the salmon it produces. Increased processing leads to improved efficiency and higher quality, is good for the environment

since it reduces the need for transportation, and helps to maintain and develop the local community. The InnovaMar facility which is under construction in Frøya will be completed in the spring of 2010, and will become the cornerstone for this important area in the years ahead.

Through its operating model and company culture, SalMar will contribute to the sustainable development of the aquaculture industry and promote the development of the local communities in which we have operations.

BJØRN FLATGÅRD • Chairman



*Mr Flatgård is currently working as a professional director of several leading Norwegian companies and as an investor. From 1996 to 2007 he was President & CEO of Elopak ASA. Prior to that he was CEO of Nycomed Pharma and a member of the executive management of Hafslund Nycomed. Mr Flatgård gained an MSc in Chemical Engineering from the Norwegian University of Science and Technology in 1973 and a degree in economics and business administration from the Norwegian School of Management BI in 1981. Mr. Flatgård has board positions several Norwegian companies. Amongst others he is a board member of Aker ASA and Aker Biomarine ASA as well as Chairman of Handelsbanken Norway. Mr Flatgård joined SalMar's board of directors in August 2002, becoming chairman in 2006. Through his family company GloMar AS, Mr Flatgård owns 3.56% of the shares in Kverva Holding AS, which in turn owns 53.4% of the shares in SalMar ASA. Mr Flatgård is also chairman of Kverva AS.*

## MARKETS

A total of 741,000 tonnes of Atlantic salmon were harvested in Norway in 2008, up 3 per cent on 2007. 95 per cent of this volume was exported. Exports to the EU experienced the strongest growth, rising by almost 25,000 tonnes. SalMar exports a substantial amount of salmon to the Russian market, which continued to grow in 2008. The effects of the international financial crisis started to be felt on the global economy towards the end of the year and exports to Russia became more difficult due to problems within the Russian banking system. Exports of salmon to the Far East have fallen somewhat in recent years, and this trend has continued in 2008 and into 2009.

The price of Atlantic salmon was higher in 2008 than the year before, with the rise being particularly noticeable in the fourth quarter. At the start of the year Norwegian

fish farmers had a biomass (marine-phase fish stocks) that was approx. 11 per cent higher than at the same point the year before. Biomass in the UK was on a par with the year before, while in Chile it was around 50 per cent less. The aquaculture industry in Chile is facing severe fish health problems, and Chilean output of Atlantic salmon is expected to be substantially lower in 2009 than it was in 2008. For the first time in the history of the aquaculture industry the total global supply of Atlantic salmon will therefore fall, by an estimated 5 per cent. Norway will be the only country that is able to produce more in 2009 than in 2008.

In 2008, after a dispute lasting almost 18 years, the EU authorities repealed the punitive measures that had been imposed on Norwegian exports of salmon to the EU. In the longer term this will provide a platform for greater security and competitiveness for the Norwegian industry compared with the UK and Chile.

The positive sales trend towards the end of last year, combined with substantial exchange rate fluctuations and the decline in Chilean volumes, means that the Norwegian industry has grounds for optimism in the year ahead. Opportunities have opened up particularly in the American market. The challenges facing fish farmers in Chile, along with a relatively favourable NOK/USD exchange rate forms the basis for increased exports from Norway to the USA. However, there is still uncertainty attaching to developments in demand in individual markets due to the global macro-economic environment and its impact on demand for Atlantic salmon.

## ABOUT 2008

### *Sharp fall in the value of seafood companies listed on the Oslo Stock Exchange*

2008 was a turbulent year for seafood producers, as it was for most other sectors. The Oslo Stock Exchange's main index fell by 54 per cent, while the market capitalisation of the seafood companies listed there fell on average by 67 per cent. Of the seafood companies listed on the Oslo Stock Exchange through the whole year SalMar's shares fell the least, with the price drop-

ping by 41 per cent from NOK 44 to NOK 26 during the year. Six seafood companies saw their shares drop by more than 70 per cent, three fell by 60-70 per cent and two fell by 50-60 per cent.

The key factor behind the fall in value of companies within the sector is the general effect of the financial crisis, which is reducing liquidity in the financial markets, as well as uncertainty associated with future changes in demand and prices for all goods, including salmon and other seafood products. The continuing biological problems affecting Chile, the outbreak of PD on the Norwegian west coast, and cases of ILA in central and northern Norway have also increased uncertainty among investors with regard to the entire sector.

SalMar's largest shareholder is Kverva AS, which owns 53.4 per cent of the shares. Kverva AS is controlled by SalMar's founder Gustav Witzøe. At the end of the year SalMar had a total of 1,506 shareholders.

### *High output and good results for the Group*

2008 was another busy year for all parts of the Group. Despite problems posed by the outbreaks of disease and a slightly lower than expected growth rate, SalMar achieved good margins. Two licences were acquired during the year, one in central

Norway (Møre & Romsdal) and one in northern Norway (Troms).

SalMar generated gross operating revenues of NOK 1,714.3 million in 2008, compared with NOK 1,677.7 million in 2007. Operating profit before fair value adjustment of the biomass totalled NOK 337.5 million, compared with NOK 411.4 million in 2007. Profit after tax and fair value adjustment of the biomass totalled NOK 168.8 million, compared with NOK 351.8 million the year before. This corresponds to NOK 1.64 per share issued, against NOK 3.45 in 2007.

### *Still leading margins from SalMar Central Norway*

In 2008, as in 2007, SalMar's 40 fish farming licences in central Norway achieved the market's best margins. Volumes for the year totalled 42,300 tonnes, compared with 45,100 tonnes the year before. The decrease can largely be ascribed to the decision to postpone the harvesting of some stocks from 2008 to 2009. SalMar Central Norway made an operating profit before fair value adjustment of the biomass of NOK 7.62 per kg gutted weight, down from NOK 9.42 in 2007. Compared with 2007 margins were affected by a slightly lower than expected growth rate, a demanding year for the processing business, as well as an outbreak of ILA in Trøndelag in May. The price of salmon in 2008 was on average NOK 1 higher than the year before. One licence in central Norway was acquired during the year.

### *Higher volumes and improved performance from SalMar Northern Norway*

Towards the end of 2006 SalMar increased its ownership of Senja Sjøfarm to 100 per cent, and the company changed its name to SalMar Nord during 2008. Since 2006 SalMar has been working systematically to implement the SalMar Standard in all parts of the business. Compared with the year before SalMar Nord achieved a substantial increase in volumes, producing 11,400 tonnes in 2008 against 7,000 tonnes in 2007, an increase of 63 per cent. One licence was acquired in Troms during the year. As a result SalMar Nord now comprises 14 fish farming licences, and is reported under the segment SalMar Northern Norway.

GUSTAV WITZØE



Mr Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer he co-founded BEWI AS, a company producing Styrofoam boxes for the fish farming industry. Mr Witzøe held the position as managing director of BEWI AS until 1990. Since Mr Witzøe founded SalMar ASA in 1991 he has gained extensive experience in fish farming and processing. In addition to being a director of SalMar ASA, Mr Witzøe is chairman of Egersund Fisk AS and is a director of Norskott Havbruk AS and Scottish Sea Farms Ltd. Mr Witzøe owns 91.8% of Kverva AS, which in turn owns 53.4% of the shares in SalMar ASA. Mr Witzøe is also a director of Kverva AS.

SalMar Northern Norway made an operating profit before fair value adjustment of the biomass of NOK 2.83 per kg gutted weight in 2008, compared with NOK 2.11 in 2007. Margins in 2008 were affected by two outbreaks of ILA, which led to some biomass being harvested at suboptimal sizes, with a lower average weight and a higher than normal production cost. However, SalMar Northern Norway has improved its biological starting point for 2009.

#### *InnovaMar – a new harvesting and processing plant*

For several years SalMar has been planning the construction of what is intended to be the world's most innovative and cost-effective salmon harvesting and processing plant – InnovaMar – in Frøya. InnovaMar's increased level of automation and innovative combinations of technological solutions will strengthen SalMar's competitiveness, increase its capacity and flexibility, and improve the quality of the finished products. InnovaMar is also an important building block in SalMar's efforts to develop the Group's overall level of competence. The facility will result in more fish being processed locally, thus reducing the shipment of whole fish, including the head, bones and other inedible parts. Such a reduction in transport volumes will also have a beneficial effect on the environment. InnovaMar's relatively high level of automation will also make it easier for SalMar to secure access to a competent, long-term workforce at the plant. Construction work got underway in February 2009, with completion expected during the spring of 2010.

#### *Norskott Havbruk AS*

2008 was a demanding year for the associated company Norskott Havbruk AS, sole owner of Scottish Sea Farms Ltd. SalMar owns 50 per cent of Norskott Havbruk, while Lerøy Seafood Group owns the other 50 per cent. Scottish Sea Farms harvested 22,800 tonnes gutted weight in 2008, compared with 23,800 tonnes the year before. Norskott made an operating profit of NOK 2.50 per kg gutted weight in 2008, compared with NOK 5.90 per kg in 2007. Margins in 2008 were strongly affected by problems caused by salmon lice in the Shetland area. In conjunction with the authorities and other companies in the

area, efforts are continuously being made to improve the biological situation, including such measures as keeping fish generations separate and zoning. At the start of 2009 the company's biological situation was considerably better than at the same point the year before.

#### *Investments*

During 2008 SalMar expanded its operations through both the acquisition of two licences and organic growth. Substantial investments were therefore made to increase smolt production capacity, as well as in marine phase equipment, such as net pens, boats, feeding platforms and the construction of new and bigger sites.

It is very important for SalMar to have a uniform high standard at its fish farming sites, and is at the forefront with respect to compliance with requirements and deadlines for the implementation of certification standards at sea. These investments, combined with sound operating routines, aim to prevent problems from arising, and safeguard SalMar's facilities against accidents and the escape of fish.

The board is of the opinion that SalMar during 2008 strengthened its foundation for continued growth in accordance with the Group's objectives and strategies.

#### *Free trade with the EU – repeal of the minimum-price regime*

In May 2008, a majority of the EU's anti-dumping committee agreed to support the European Commission's proposal to lift

the punitive measures previously adopted against Norwegian salmon. The committee's recommendation was discussed by the Council of Ministers in July, and the measures repealed. With the salmon prices in the market over the recent years, the minimum price has not had any great impact on the industry. However, the lifting of the minimum-price regime provides greater predictability, less administrative paper work and will, over time, allow companies to be more competitive, particularly in the area of processed products, with respect to producers in low-cost countries in Eastern Europe and Chile. The repeal of the minimum price is particularly positive with regard to free trade in processed products, on which SalMar's decision to invest in InnovaMar is based.

### FINANCIAL PERFORMANCE

#### *Income Statement*

The SalMar Group generated gross operating revenues of NOK 1,714.3 million in 2008, compared with NOK 1,677.7 million in 2007. This represents an increase of 2.2 per cent. SalMar's Norwegian operations harvested a total of 53,700 tonnes gutted weight, compared with 52,200 tonnes in 2007. The Group made an operating profit before fair value adjustment of the biomass of NOK 337.5 million in 2008, compared with NOK 411.4 million in 2007. Operating profit before fair value adjustment of the biomass came to NOK 6.30 per kg gutted weight, compared with NOK 7.89 in 2007. Consolidated net profit totalled 168.8 million in 2008, compared with NOK 351.8 million in 2007. Earnings per share totalled NOK 1.64 in 2008, compared with NOK 3.45 in 2007.

Gross operating revenues for SalMar Central Norway rose to NOK 1,701.6 million in 2008, up from NOK 1,675.6 million in 2007. Operating profit before fair value adjustment of the biomass totalled NOK 322.1 million, compared with NOK 424.9 million in 2007. This corresponds to an operating profit before fair value adjustment of the biomass of NOK 7.62 per kg gutted weight, compared with NOK 9.42 per kg in 2007. SalMar Central Norway harvested approx. 42,300 tonnes gutted weight in 2008, compared with 45,100 tonnes in 2007. The reduction in the volume of fish

KJELL A. STOREIDE



*Mr Storeide is a graduate of the Norwegian School of Economics and Business Administration (NHH) in Bergen. From 1990 to 2004 he was the CEO and co-owner of Stokke Gruppen AS. Mr Storeide is chairman of several industrial companies in Norway and is a director of Innovation Norway. Mr Storeide joined SalMar's board of directors in February 2008.*



harvested can be ascribed to the decision to postpone the harvesting of some fish stocks from 2008 until the first half of 2009.

SalMar Northern Norway generated gross operating revenues of NOK 275.0 million in 2008, compared with NOK 166.8 million in 2007. Operating profit before fair value adjustment of the biomass totalled NOK 32.4 million, compared with NOK 14.8 million in 2007. This corresponds to an operating profit before fair value adjustment of the biomass of NOK 2.83 per kg gutted weight, compared with NOK 2.11 per kg in 2007. Despite the challenging biological situation for some sites in 2008, the key biological figures show improvements, and the starting point for 2009 is good. SalMar Northern Norway harvested a total of 11,400 tonnes gutted weight in 2008, compared with 7,000 tonnes in 2007. The increase in the harvest volume can be ascribed to improved utilisation of existing licences.

SalMar's key figure for profit performance under IFRS is *EBIT (operating profit) before fair value adjustment of the biomass*. Adjustment of the fair value of the biomass results from the requirement to value biological assets (the biomass) at fair value instead of cost price. Changes in price and the composition of the biomass during a period can therefore have a major impact on this value. SalMar reports EBIT before fair value adjustment of the biomass in order to show the underlying performance of its operations during the period.

In 2008 the associated company Norskott Havbruk AS achieved an operating profit before fair value adjustment of the biomass of NOK 57.9 million, compared with NOK 140.4 million in 2007. Since Norskott Havbruk is defined as an associated company, SalMar recognises 50 per cent of the company's profit after tax as financial income. The company's total contribution in 2008 amounted to NOK 12.0 million, compared with NOK 31.2 million in 2007. The decrease can be ascribed to the challenging biological situation the company experienced through the year.

Other financial items in 2008 amounted to NOK -82 million, compared with NOK -56.0

million in 2007. The change can largely be ascribed to increased interest payments as a result of an increase in long-term debt in connection with acquisitions and generally higher interest rates.

SalMar's board of directors is satisfied with the Group's financial results, given the market conditions in effect during the year. Although 2008 was in some respects more challenging than 2007, the board is of the opinion that SalMar strengthened its relative competitive position during 2008.

### *Balance Sheet*

During the course of 2008 the Group's intangible assets rose from NOK 1,043.1 million to NOK 1,111.0 million. The change can largely be ascribed to the value of licences acquired during the year. The book value of the Group's biological assets (fish in the sea) rose from NOK 905.7 million at the start of the year to NOK 971.5 million at the end. The increase led to a rise in the book value of the Group's current assets from NOK 1,202.6 million to NOK 1,275.5 million during the period.

The Group's equity went from NOK 1,287.3 million at the start of the year to NOK 1,315.1 million at the end of the year. The decrease in equity can primarily be ascribed to the payment of NOK 113.3 million in dividend in June, and the buy-back

of 600,000 own shares in November. See financial statements for a detailed account of the movements in equity in 2008.

As a result of the dividend payment and the buy-back of shares during the year, the Group's long-term debt and commitments rose from NOK 1,229.2 million to NOK 1,311.0 million. The Group's short-term debt rose from NOK 343.7 million to NOK 442.3 million.

At the end of the year total capital amounted to NOK 3,068.4 million, compared with NOK 2,860.3 million the year before. The Group had an equity ratio of 43 per cent as per 31 December 2008, compared with 45 per cent at the same date in 2007. A healthy financial position is considered to be a crucial element in the Group's strategy for further growth and profitability. The board will continue to place great emphasis on this going forward.

### *Cash Flow*

The total cash flow from operating activities in 2008 was NOK 213.2 million. Cash flow from investing activities came to NOK -192.3 million and was largely associated with investments in fixed assets and acquisitions. Cash flow from financing activities totalled NOK -46.1 million, and reflects a net change in bank funding. Net cash flow for the period amounted to NOK -25.3 million.

Cash at the end of the year was NOK 23.5 million, compared with NOK 47.8 million at the start of the year. Together with established credit facilities with its banking partners, the Group's liquidity and financial strength is considered to be good. The board considers the prospects for financing further growth to be satisfactory.

### **OPERATIONAL RISK AND RISK MANAGEMENT**

The Group's business operations will normally be associated with certain risks. The largest risk for SalMar is the development of its biomass, both with respect to smolt production and marine-phase fish farming. Even though we develop and implement good routines for our own operations, it will always be important to concern ourselves with what our competitors and neighbours are doing.

MARIT ROLSETH



*Mrs. Rolseth is the CEO and 50% owner of Tommen Gram Gruppen. She holds a Master degree from the Norwegian School of Management (BI) and serves on the board of Tommen Gram AS, Brekke Industrier AS, Rindalshtytter AS, Rindalslist AS and Gåsland Eiendom AS. Mrs. Rolseth has been a member of the board since May 2008. Mrs. Rolseth owns 600 shares in SalMar ASA*

In 2008 the aquaculture industry had to deal with outbreaks of ILA in Trøndelag and Troms. SalMar is always active in efforts to combat diseases, and works closely with both the authorities other fish farming companies and veterinary experts. SalMar's unyielding focus on biological quality and control means that we select solutions and implement measures which safeguard the long-term future of the biomass rather than short-term financial gain. Both on our own account and in cooperation with other fish farming companies, SalMar is implementing ongoing operative measures to avoid and limit the risk of infection.

Handling risk is a key part of the management team's tasks and duties. The Group has systems and routines to monitor key risk factors in all business areas. We place great emphasis on auditing our facilities' compliance with our quality handbook and defined standards. It is also important that our production takes place at locations which have the capacity and sustainability for the volumes we produce. To ensure the quality of our fish farming facilities and ensure the salmon enjoy good environmental conditions, we carry out routine measurements and perform so-called environmental surveys of our fish farming facilities.

Although the EU's minimum-price regulations were repealed during the year, efforts to develop alternative markets for our products remain important. In this way we can limit the risk associated with economic trends in major individual markets. Specific examples of this are SalMar's systematic efforts to expand in Russia, as well as markets in Asia and the Far East – for instance through SalMar Japan KK.

It is the CEO's responsibility to ensure that the Group operates in compliance with all relevant legislation and the operating guidelines laid down in the various divisions. Follow-up and control of the risk factors, as well as compliance with the Group's values and code of conduct, is a line management responsibility and part of day-to-day operations.

## FINANCIAL RISK AND RISK MANAGEMENT

The follow-up of internal auditing proce-

dures associated with financial reporting is undertaken as part of management's day-to-day supervision, the process owners' follow-up and the auditor's independent testing. Non-compliances and improvement areas are followed up and remedial measures implemented. Financial risk is managed by a central unit at head office, and financial hedging instruments are used where appropriate. The auditor has confirmed that, with respect to its financial reporting, the Group has satisfactory internal auditing systems.

### *Foreign exchange risk*

Changes in exchange rates represent both a direct and indirect financial risk for the Group. Foreign currency revenues and assets denominated in foreign currencies are partly hedged by means of forwards contracts. Foreign exchange exposure linked to operations is, however, limited, since the purchase of input factors and the sale of products take place largely in NOK (Norwegian kroner). Use of forward currency contracts is described in Note 20 to the financial statements.

### *Interest rate risk*

The debt portfolio is currently at floating interest rates, which means that the Group is affected by changes in the level of interest rates.

### *Credit risk*

The risk of a counterparty not having the financial resources to meet his obligations is considered low, since, historically, losses resulting from bad debts have been small. The economic downturn experienced in

large parts of the world in 2008, and which will probably continue in 2009, has led SalMar to tighten its commercial conditions and focus more strongly on the follow up of accounts receivable. As mentioned above credit risk is currently not a problem for SalMar, but we feel it is appropriate to be vigilant in this matter during 2009.

Group does not have any significant credit risk associated with any individual counterparty or counterparties which may be considered a Group due to similarities in the credit risk they represent. The Group has guidelines to ensure that sales are made only to customers who have not previously had material payment problems, and that outstanding sums do not exceed defined credit limits. A proportion of the Group's accounts receivable are insured against bad debts.

### *Liquidity risk*

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financing structure which is secured by means of established credit facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in the Statement of Cash Flow. The Group's substantial equity ratio, its prospects for future profits and current credit facilities mean that the board considers the Group's liquidity risk to be low at present.

## RESEARCH & DEVELOPMENT

SalMar focuses strongly on the development of scientific, technical and process competence in all its business areas. The SalMar School collects, develops and disseminates knowledge and "best practices" throughout the organisation. At the same time, the management of each business area is responsible for identifying and implementing projects and initiatives which can help to expand the Group's overall competence as well as strengthen the technical and practical solutions which will be used at the planned InnovaMar facility, among others. When the new plant is completed in 2010 it will contain totally new applications for technical solutions and

BJØRN IVAN ESPNES



*Employee representative*  
Mr Espnes has been an employee of SalMar since 1993; initially as a fish farm technician, from 1997 onwards as operations manager. Mr Espnes has trained in industrial mechanics and aquaculture. He has been the employees' representative on SalMar's board since 1996. Mr Espnes owns 1,200 shares in SalMar ASA.

innovative work processes related to the harvesting and processing of salmon. SalMar Central Norway has joined forces with the Sintef research institute to utilise an R&D licence that Sintef has been granted. In size the R&D licence is equivalent to three normal operating licences. The research carried out will primarily be associated with the development of technology and equipment for use in the aquaculture industry.

A number of other development projects were actively pursued in 2008. These covered such areas as deboning of salmon filets, filling of salmon portions and automatic packing processes, improved operational efficiency through the remote control of fish farming facilities, as well as the project "stress-free fish to harvest".

In collaboration with Meralliance in France, SalMar has developed its own specification for the production of salmon to be sold as fresh fish and smoked salmon, under the brand-name "Label Rouge". Output of Label Rouge salmon doubled from 2007 to 2008, and we are expecting to see a further increase in the time ahead.

#### GOING CONCERN

With reference to the Group's profits, financial strength and long-term forecasts for the years ahead, it is confirmed that the financial statements for 2008 are based on the assumption that SalMar is a going concern. In the opinion of the board, the Group's financial position is very good.

#### DIVIDEND POLICY

SalMar's objective is to provide its shareholders with a competitive return on their invested capital, given the company's risk profile. This return shall be achieved through a combination of share price increase and the payment of a dividend by the Group. The Group plans to pay out its surplus liquidity (liquidity not needed for the Group's day-to-day operations and future development) as a dividend or a capital reduction with a payout to the shareholders. The Group will also periodically assess whether any available liquidity should be used for new investments or the repayment of debt rather than being paid as a dividend. Payment of an annual dividend is intended, conditional upon the approval of the annual general meeting. The

company will also consider whether to buy back its own shares within the framework of the authorisations granted to the board of directors by the annual general meeting.

#### PARENT COMPANY'S FINANCIAL STATEMENTS AND ALLOCATION OF PROFIT FOR THE YEAR

The parent company SalMar AS made a net profit for the year of NOK 97.5 million. The board of directors is proposing a dividend payment of NOK 0.40 per share – a total of NOK 41.2 million. The board thereby proposes the following allocation of funds.

- Provision for dividend NOK 41.2 million
- Transferred to other equity NOK 56.3 million
- Total NOK 97.5 million

After payment of dividend, the distributable equity totals NOK 75.6 million.

#### HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Consideration for health, safety and environmental issues is one of SalMar's core values. Efforts are continuously being made to prevent incidents which may cause injury to staff, or harm to tangible or intangible assets and the external environment.

At the end of 2008 the Group had around 540 employees, of whom approx. 150 were women. It is SalMar's clear objective to be a workplace in which there is complete equality between the genders and between various ethnic groups. The working environment is considered to be good, and the

Group is working systematically to implement measures to improve the environment. That SalMar's employees are in good health and work in safe and healthy surroundings is a competitive advantage, both with respect to recruiting and retaining staff, and with respect to sustainable business development. The Group has therefore taken steps to provide a company health service, as well as a great many activities in which employees may participate. Both of these factors help to strengthen the individual employee's motivation, as well as their physical and mental health.

SalMar is making a determined effort to reduce sickness absence among its staff. Throughout 2008 measures were implemented to reduce absence due to sickness and improve the individual's work situation. Among these initiatives are the individual adjustment of workloads, the provision of massage therapy and the hiring of a swimming pool and a therapy pool.

The long-term sickness absence rate in 2008 was 3.9 per cent, compared with 4.5 per cent the year before. Sickness absence is considered relatively low in relation to other comparable businesses. Systematic efforts are being made to implement preventative measures and adapt employees' working conditions to their individual needs. The short-term sickness absence rate was 2.8 per cent, compared with 2.7 per cent the year before. A total of 38 job-related injuries were reported during the year compared with 29 in 2007.

As a steward of considerable natural resources SalMar also has a significant responsibility for the environment. For this reason the Group makes every effort to make as little impact on the environment and community-held property as possible. This is achieved through a number of measures, including strictly controlled waste management at all levels, the vaccination of all juvenile fish to reduce the risk of disease and its spreading, and a zero-tolerance for incidents of its own making which could lead to the escape of fish from its marine-phase facilities. SalMar delivers all by-products from its harvesting and processing facilities to Nutrimar AS, which uses them to produce fish meal and fish oil. In this way, SalMar ensures that "the entire fish" is used and that value added

#### SYNNØVE G. ERVIK



*Mrs Ervik is the CEO of Erviks Laks og Ørret AS, which is co-owned by her family through KSE Ervik AS. She took over as CEO in 2000 after having worked for the company for more than 20 years. Mrs Ervik chairs the board of KSE Ervik AS. She joined SalMar's board of directors in April 2006. Mrs Ervik owns 1,000 shares in SalMar ASA.*



is generated from what would otherwise go to waste. The Group engages in close cooperation with both private and public sector bodies and institutions in the field of fish health.

## HUMAN RESOURCES AND ORGANISATION

The continued development and solid results created by SalMar over several years is due to the hard work of all the Group's employees. Their positive attitudes and perseverance has always played an important part in SalMar's success. Through the SalMar School and day-to-day exposure to the Group's performance-based company culture, all employees are stimulated to develop and grow.

Maintaining and developing a company culture and values which have been built up over many years is a major challenge. It is particularly demanding, given the growth the company has experienced. Great emphasis will continue to be placed on company culture and values in the time ahead, so that SalMar can retain its position and be acknowledged as "one of the world's leading integrated fish farming companies".

Efforts are being made to secure access to qualified personnel at all levels in the organisation. Emphasis is placed on managers at all levels striving to offer employees a good working environment, meaningful job content, as well as fair and competitive pay and conditions.

At its processing plant in Frøya the Group employs people from approx. 16 different countries. This places increased demands on management to ensure that all employees understand the SalMar culture,

as well as perform their tasks correctly and efficiently. SalMar has organised Norwegian language tuition for foreign employees to facilitate day-to-day communication for all parties. SalMar also devotes internal resources to assisting its employees, such as finding accommodation for those who need it.

## CORPORATE GOVERNANCE

SalMar has carried out a thorough review of its principles for corporate governance, and the Group's rules have been compared with the Norwegian Code of Practice for Corporate Governance. These principles are discussed in detail in a separate chapter of the annual report.

The Group's board of directors comprises five members elected by the shareholders and one employee representative. Two of the shareholder-elected directors are women. This corresponds to a female representation of 40 per cent, which is in accordance with Norwegian legislation.

## CORPORATE SOCIAL RESPONSIBILITY

SalMar has business operations in many local communities. In a number of these the Group is a major employer and local taxpayer, as well as supporting local voluntary associations and sports clubs.

SalMar wishes to help all its employees, their families and local communities to benefit from the Group's presence and financial success.

## OUTLOOK

By means of hard work and dedication over many years SalMar has built up a strong position in a growing aquaculture industry. Norway in general, and central Norway in

particular, affords excellent natural fish farming conditions, and SalMar will continue to manage these resources in the best possible way for its shareholders, employees, customers and affected local communities.

Based on SalMar's competitive position, financial strength and the market's general development, the Group is facing exciting times ahead. The fish farming business is set for further growth, processing capacity will be expanded, sales and distribution expertise strengthened, and the SalMar culture further developed.

The industry as a whole has so far emerged relatively unscathed from the global recession in which we now find ourselves at present. In the first quarter of 2009 the industry saw both higher prices and higher volumes than in the same period in 2008. Our traditionally most important markets, the EU and Russia continue to grow, while the USA is increasingly demanding salmon from Norwegian farmers due to the fall in volumes from Chile. This strengthens the board's view that the aquaculture industry will continue to be a major employer and export sector for Norway in general and coastal communities in particular.

It is SalMar's clear objective to maintain its position as one of the world's leading, and profitable, integrated fish farming Groups. It is the opinion of the board that SalMar is well placed to achieve this goal. Furthermore, the board would like to thank all its employees for their dedicated efforts, on which SalMar's long-term success continues rests.

Frøya, April 1st 2009



Bjørn Flatgård  
Chairman of the Board



Gustav Witzøe  
Board member



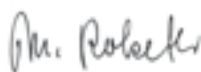
Synnøve G. Ervik  
Board member



Kjell A. Storeide  
Board member



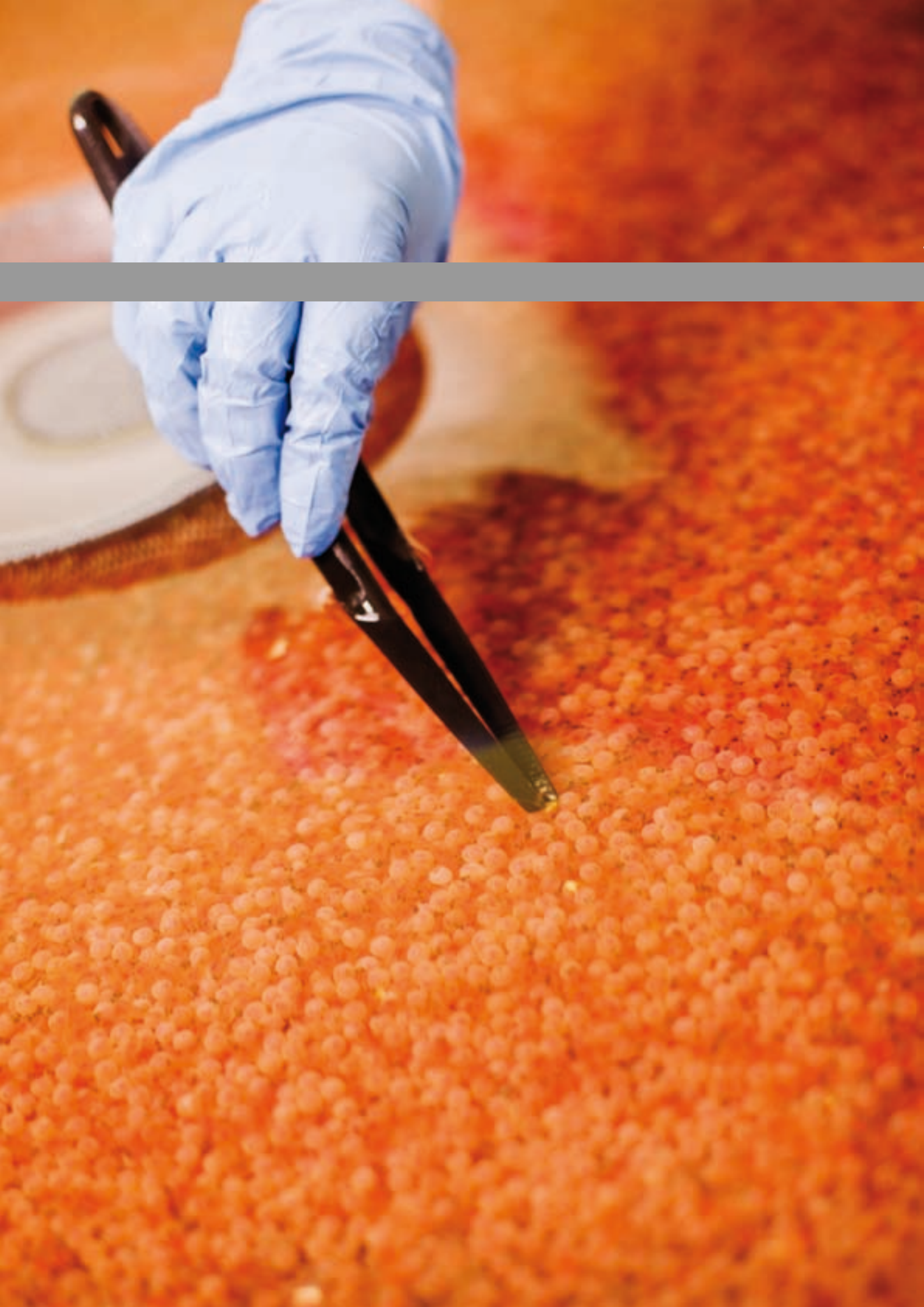
Bjørn Ivan Espnes  
Board member



Marit Rolseth  
Board member



Leif Inge Nordhammer  
CEO





# SaIMar CONSOLIDATED ACCOUNTS

## PROFIT AND LOSS ACCOUNT

|  |             | NOK 1000         | NOK 1000         | NOK 1000         |
|--|-------------|------------------|------------------|------------------|
| <b>OPERATING REVENUES<br/>AND OPERATING EXPENSES</b>                     | <b>NOTE</b> | <b>2008</b>      | <b>2007</b>      | <b>2 006</b>     |
| Sales revenues   | 2           | 1 704 242        | 1 665 530        | 1 240 668        |
| Other operating revenues   |             | 10 014           | 12 157           | 7 896            |
| <b>Total operating revenues</b>  |             | <b>1 714 256</b> | <b>1 677 687</b> | <b>1 248 564</b> |
| Change in stocks of unfinished<br>and finished products (cost principle) |             | -103 844         | -47 750          | -131 612         |
| Excess value of inventory from acquisitions                              |             | 9 303            | 17 641           | 8 617            |
| Cost of goods sold   |             | 922 016          | 836 652          | 643 547          |
| Salaries and payroll costs   | 3, 12       | 240 393          | 217 808          | 131 913          |
| Depreciation   | 5, 6        | 55 225           | 50 671           | 37 874           |
| Other operating costs  | 3, 4        | 253 701          | 191 270          | 110 851          |
| <b>Total operating expenses</b>  |             | <b>1 376 794</b> | <b>1 266 292</b> | <b>801 191</b>   |
| <b>Operating profit before fair value adjustment of the biomass</b>      |             | <b>337 462</b>   | <b>411 395</b>   | <b>447 373</b>   |
| Fair value adjustment of the biomass                                     | 9           | -32 996          | 94 234           | 63 676           |
| <b>Net operating profit</b>  |             | <b>304 466</b>   | <b>505 629</b>   | <b>511 049</b>   |
| <b>FINANCIAL INCOME AND EXPENSES</b>                                     |             |                  |                  |                  |
| Income from investments in associated companies                          | 7           | 12 248           | 31 600           | 91 752           |
| Interest income  |             | 3 485            | 4 706            | 738              |
| Financial income   |             | 364              | 364              | 12 223           |
| Interest paid to group companies   |             | 0                | 0                | 7 226            |
| Interest expenses  |             | 72 178           | 47 104           | 21 789           |
| Financial expenses   |             | 13 683           | 13 935           | 9 430            |
| <b>Net financial items</b>   |             | <b>-69 764</b>   | <b>-24 369</b>   | <b>66 267</b>    |
| <b>Profit before tax</b>   |             | <b>234 702</b>   | <b>481 260</b>   | <b>577 316</b>   |
| Tax  | 14          | 65 874           | 129 431          | 132 231          |
| <b>Net profit for the year</b>   |             | <b>168 828</b>   | <b>351 829</b>   | <b>445 085</b>   |
| Minority's share of net profit   |             | 249              | -49              | 65               |
| Majority's share of net profit   |             | 168 579          | 351 878          | 445 019          |
| Earnings per share/diluted earnings per share                            | 22          | 1,64             | 3,45             | 4,45             |



# BALANCE SHEET

AS AT 31 DECEMBER

|  |          | NOK 1 000        | NOK 1 000        |
|--|----------|------------------|------------------|
| ASSETS                                       | NOTE     | 2008             | 2 007            |
| <b>FIXED ASSETS</b>                          |          |                  |                  |
| <b>INTANGIBLE ASSETS</b>                     |          |                  |                  |
| Licences, patents, etc                       | 5        | 914 116          | 845 178          |
| Deferred tax assets                          | 14       | 0                | 0                |
| Goodwill                                     | 5        | 196 932          | 197 965          |
| <b>Total intangible assets</b>               |          | <b>1 111 048</b> | <b>1 043 143</b> |
| <b>PROPERTY, PLANT &amp; EQUIPMENT</b>       |          |                  |                  |
| Land, buildings and other real estate        | 6        | 66 864           | 58 342           |
| Machines, plant and operating consumables    | 6        | 319 847          | 273 569          |
| Vessels, vehicles, etc                       | 6        | 29 374           | 16 311           |
| <b>Total property, plant &amp; equipment</b> | <b>6</b> | <b>416 084</b>   | <b>348 222</b>   |
| <b>LONG-TERM FINANCIAL ASSETS</b>            |          |                  |                  |
| Investments in associated companies          | 7        | 257 615          | 258 203          |
| Investments in stocks and shares             | 8        | 975              | 1 001            |
| Pension fund assets                          |          | 1 637            | 1 766            |
| Other receivables                            | 3, 10    | 5 485            | 5 316            |
| <b>Total long-term financial assets</b>      |          | <b>265 712</b>   | <b>266 286</b>   |
| <b>Total fixed assets</b>                    |          | <b>1 792 844</b> | <b>1 657 651</b> |
| <b>CURRENT ASSETS</b>                        |          |                  |                  |
| Biological assets (biomass)                  | 9        | 971 454          | 905 675          |
| Other inventory                              | 9        | 97 768           | 63 979           |
| <b>Total inventory</b>                       |          | <b>1 069 222</b> | <b>969 654</b>   |
| <b>RECEIVABLES</b>                           |          |                  |                  |
| Accounts receivable                          | 10       | 148 596          | 147 193          |
| Receivable from parent company               |          | 552              | 165              |
| Other receivables                            | 10       | 33 604           | 37 785           |
| <b>Total receivables</b>                     |          | <b>182 752</b>   | <b>185 144</b>   |
| Bank deposits, cash and cash equivalents     | 21       | 23 541           | 47 809           |
| <b>Total current assets</b>                  |          | <b>1 275 515</b> | <b>1 202 606</b> |
| <b>TOTAL ASSETS</b>                          |          | <b>3 068 359</b> | <b>2 860 257</b> |



|   |      | NOK 1 000        | NOK 1 000        |
|---|------|------------------|------------------|
| EQUITY AND LIABILITIES                            | NOTE | 2008             | 2 007            |
| <b>EQUITY</b>                                     |      |                  |                  |
| <b>PAID-IN EQUITY</b>                             |      |                  |                  |
| Share capital                                     | 11   | 25 750           | 25 750           |
| Own shares  |      | -150             | 0                |
| Share premium fund                                |      | 112 880          | 112 880          |
| Other paid-in equity                              |      | 15 551           | 6 547            |
| <b>Total paid-in equity</b>                       |      | <b>154 030</b>   | <b>145 176</b>   |
| <b>RETAINED EARNINGS</b>                          |      |                  |                  |
| Distributable reserve                             |      | 1 160 184        | 1 141 501        |
| <b>Total retained earnings</b>                    |      | <b>1 160 184</b> | <b>1 141 501</b> |
| Minority interests                                |      | 898              | 649              |
| <b>Total equity</b>                               |      | <b>1 315 112</b> | <b>1 287 326</b> |
| <b>LIABILITIES</b>                                |      |                  |                  |
| <b>OTHER LONG-TERM DEBT AND LIABILITIES</b>       |      |                  |                  |
| Pension liabilities                               | 12   | 5 233            | 4 507            |
| Deferred tax liabilities                          | 14   | 481 813          | 460 067          |
| Debt to credit institutions                       | 13   | 758 171          | 687 336          |
| Leasing liabilities                               | 13   | 65 764           | 77 319           |
| <b>Total other long-term debt and liabilities</b> |      | <b>1 310 981</b> | <b>1 229 229</b> |
| <b>CURRENT LIABILITIES</b>                        |      |                  |                  |
| Debt to credit institutions                       | 13   | 183 999          | 88 394           |
| Accounts payable                                  |      | 133 022          | 98 713           |
| Tax payable                                       | 14   | 46 271           | 89 867           |
| Debt to parent company                            | 13   | 0                | 0                |
| Public charges payable                            |      | 19 137           | 22 076           |
| Other current liabilities                         |      | 59 837           | 44 652           |
| <b>Total current liabilities</b>                  |      | <b>442 266</b>   | <b>343 702</b>   |
| <b>Total liabilities</b>                          |      | <b>1 753 247</b> | <b>1 572 931</b> |
| <b>TOTAL EQUITY AND LIABILITIES</b>               |      | <b>3 068 359</b> | <b>2 860 257</b> |

Frøya,  
April 1st 2009



Bjørn Flatgård  
Chairman



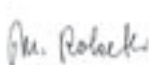
Gustav Witzøe  
Director



Synnøve G. Ervik  
Director



Kjell A. Storeide  
Director



Marit Rolseth  
Director



Leif Inge Nordhammer  
President & CEO



Bjørn Ivan Espnes  
Director / Employee representative

# STATEMENT of Cash Flow

|   |             | NOK 1000        | NOK 1000        |
|---|-------------|-----------------|-----------------|
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>                 | <b>NOTE</b> | <b>2008</b>     | <b>2007</b>     |
| Profit before tax   |             | 304 466         | 505 629         |
| Tax paid during the year                                    | 14          | -91 021         | -67 515         |
| Ordinary depreciation                                       | 6           | 55 225          | 50 671          |
| Share options   | 3           | 9 004           | 6 547           |
| Gain/loss on sale of shares                                 |             | 0               | -16             |
| Gain/loss on sale of fixed assets                           | 6           | -1 445          | -6 480          |
| Change in inventory/biological assets                       |             | -99 568         | -107 745        |
| Change in accounts receivable                               |             | -1 403          | 1 896           |
| Change in accounts payable                                  |             | 34 309          | -81 626         |
| Change in other current assets and other liabilities        |             | 3 648           | 3 715           |
| <b>Net cash flow from operating activities</b>              |             | <b>213 215</b>  | <b>297 646</b>  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>                 |             |                 |                 |
| Receipts from sale of fixed assets                          | 5,6         | 39 766          | 36 439          |
| Payments for purchase of property, plant & equipment        | 5,6         | -230 675        | -102 118        |
| Receipts from sale of long-term financial assets            |             | 0               | 16              |
| Payments for purchase of long-term financial assets         |             | -1 458          | -277 234        |
| <b>Net cash flow from investing activities</b>              |             | <b>-192 367</b> | <b>-342 897</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>                 |             |                 |                 |
| New long-term debt  |             | 114 304         | 194 118         |
| Downpayment of long-term debt                               |             | -53 587         | -51 538         |
| Net change in overdraft                                     |             | 93 830          | -126 565        |
| Interest received   |             | 3 485           | 4 706           |
| Interest paid   |             | -72 178         | -47 104         |
| Buy-back of own shares                                      | 11          | -18 693         | 0               |
| Payment of equity   |             | -113 300        | 0               |
| Net receipts of equity                                      | 11          | 0               | 112 476         |
| <b>Net cash flow from financing activities</b>              |             | <b>-46 139</b>  | <b>86 093</b>   |
| Net change in bank deposits, cash & cash equivalents        |             | -25 291         | 40 842          |
| Translation differences from non-Norwegian subsidiaries     |             | 1 023           | 16              |
| Bank deposits, cash & cash equivalents at 1 Jan             |             | 47 809          | 6 950           |
| <b>Bank deposits, cash &amp; cash equivalents at 31 Dec</b> |             | <b>23 541</b>   | <b>47 809</b>   |
| Unused drawing rights                                       |             | 1 055 000       | 370 668         |



# STATEMENT OF EQUITY

NOK 1000

| 2007  | NOTE | Share capital | Own shares | Share premium fund | Other paid-in equity | Reserve   | Minority interests | Total Equity |
|---|------|---------------|------------|--------------------|----------------------|-----------|--------------------|--------------|
| <b>Equity as at 1 Jan 2007</b>                                |      | 25 000        | 0          | 0                  | 0                    | 859 517   | 698                | 885 215      |
| Net profit to equity  |      |               |            |                    |                      | 351 878   | -49                | 351 829      |
| Translation differences from associated companies             |      |               |            |                    |                      | -34 488   |                    | -34 488      |
| Translation differences from subsidiaries                     |      |               |            |                    |                      | 16        |                    | 16           |
| Formation of Group – effect of stepwise acquisition           |      |               |            |                    |                      | 75        |                    | 75           |
| Effect of adjustment of previous post-acquisition allocations | 5, 7 |               |            |                    |                      | -35 331   |                    | -35 331      |
| <b>Total profit for the period</b>                            |      |               |            |                    |                      | 282 149   | -49                | 282 100      |
| Equity transactions in associated companies                   | 7    |               |            |                    |                      | -168      |                    | -168         |
| Share options   | 3    |               |            |                    | 6 547                |           |                    | 6 547        |
| Share issue   | 22   | 750           |            | 112 880            | 0                    |           |                    | 113 630      |
| <b>Equity as at 31 Dec 2007</b>                               |      | 25 750        | 0          | 112 880            | 6 547                | 1 141 501 | 649                | 1 287 326    |

NOK 1000

| 2008  | NOTE | Share capital | Own shares | Share premium fund | Other paid-in equity | Reserve   | Minority interests | Total Equity |
|---|------|---------------|------------|--------------------|----------------------|-----------|--------------------|--------------|
| <b>Equity as at 1 Jan 2008</b>                    |      | 25 750        | 0          | 112 880            | 6 547                | 1 141 501 | 649                | 1 287 326    |
| Net profit to equity                              |      |               |            |                    |                      | 168 579   | 249                | 168 828      |
| Translation differences from associated companies |      |               |            |                    |                      | -15 953   |                    | -15 953      |
| Translation differences from subsidiaries         |      |               |            |                    |                      | 1 023     |                    | 1 023        |
| <b>Total profit for the period</b>                |      |               |            |                    |                      | 153 649   | 249                | 153 898      |
| Equity transactions in associated companies       | 7    |               |            |                    |                      | -3 121    |                    | -3 121       |
| Share options                                     | 3    |               |            |                    | 9 004                |           |                    | 9 004        |
| Dividend  |      |               |            |                    |                      | -113 300  |                    | -113 300     |
| Purchase of own shares                            | 11   |               | -150       |                    |                      | -18 543   |                    | -18 693      |
| <b>Equity as at 31 Dec 2008</b>                   |      | 25 750        | -150       | 112 880            | 15 551               | 1 160 184 | 898                | 1 315 112    |







# NOTES to the financial statements 2008

## Note 1 • Accounting principles

SalMar ASA is registered in Norway, and the company's shares are traded on the Oslo Stock Exchange. The company's head office is located in Frøya. The financial statements were formally approved by the board of directors 1 April 2009. The consolidated financial statements have been drawn up in accordance with IFRS and interpretations determined by the International Accounting Standards Board which have been approved by the EU.

The consolidated financial statements are based on the principles of historic cost, with the exception of the following accounting items, which are recognised at fair value:

- Biological assets (Note 9)
- Forward currency contracts (Note 20)

### CONSOLIDATION PRINCIPLES

The consolidated financial statements include SalMar ASA and those subsidiaries over which SalMar ASA has a controlling influence either in law or in practice. A controlling influence is normally deemed to exist when ownership, directly or indirectly, exceeds 50 per cent of the voting capital. Newly acquired subsidiaries are included from the date on which a controlling interest is secured, and divested subsidiaries are included up until the date of divestment. The consolidated accounts have been prepared in accordance with uniform accounting principles for similar transactions in all the companies included in the consolidated accounts. All material transactions and balances between group companies have been eliminated.

Shares in subsidiaries have been eliminated in the consolidated financial statements in accordance with the acquisition method. This means that the acquired company's assets and liabilities are reported at fair value on the date of acquisition, with any excess value being classified as goodwill. For partly owned subsidiaries, only SalMar's share of goodwill is included in the balance sheet. Where the fair value of the assets acquired exceeds the payment made, the difference is treated as revenue in the profit & loss account. Deferred tax is capitalised to the extent to which identifiable excess values ascribed to assets and

liabilities leads to an increase or decrease in future tax payable when these differences are reversed in future periods. Deferred tax is capitalised and calculated using a nominal, undiscounted tax rate.

When shares are acquired in stages, the value of the assets and liabilities on the date the Group was formed is utilised. Later acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities, with the exception of goodwill which is calculated with each acquisition.

Acquisitions made before 1 January 2005 were not adjusted in connection with the transition to IFRS (permitted option).

Investments in companies in which the Group has a considerable interest (associated companies) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist when the Group owns 20-50 per cent of the voting capital. The Group's share of the profits in such companies is based on the profit after tax, less internal gains and depreciation on excess value due to the cost price of the shares being higher than the acquired portion of book equity. In the profit & loss account the profit share is shown under financial items, while the assets are shown in the balance sheet under long-term financial assets. The accounting principles used by associated companies have been changed where necessary to achieve consistency with the principles used by the Group as a whole.

### THE SALMAR GROUP

In 2008 the SalMar Group acquired the

following shares in subsidiaries: 100% of the shares in Straumen Havbruk AS were acquired by SalMar Nord AS.

See Note 7 for further details.

|                            |                |
|----------------------------|----------------|
| • SalMar ASA               | Parent company |
| • Astamarin AS             | 100%           |
| • Follasmolt AS            | 100%           |
| - Langsteinfisk AS         | 60%            |
| • SalMar Farming AS        |                |
| - Straumsnes Settefisk AS  | 100%           |
| • SalMar Nord AS           |                |
| (former Senja Sjøfarm AS)  | 100%           |
| - Troms Stamfiskstasjon AS | 100%           |
| - Straumen Havbruk AS      | 100%           |
| • SalMar Processing AS     | 100%           |
| - SalMar Japan K.K         | 100%           |

### MINORITY INTERESTS

The share of the profit or loss after tax attributable to minority interests is presented on a separate line after the Group's net profit for the year. The share of equity attributable to minority interests is presented on a separate line under group equity.

### IMPORTANT ACCOUNTING ESTIMATES AND EVALUATIONS

Preparation of the financial accounts in accordance with IFRS requires that management make evaluations, estimates and assumptions that affect the application of accounting principles and the book value of assets and liabilities in the balance sheet, as well as figures for revenue and expenses for the financial year. Estimates and their underlying assumptions are based on historical experience and other factors that have been assessed as being relevant and probable at the time the



evaluations are made. These evaluations affect the book value of the assets and liabilities where the valuation is not based on other sources. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period the changes occur.

The evaluations and estimates deemed to be of greatest significance for the Group are as follows:

#### *Fair value adjustment of the biomass*

In accordance with IAS 41 the Group values live fish at fair value. The estimate of fair value is based on market prices on the balance sheet date in the respective markets in which the Group operates. The calculation of fair value is based on estimates for volume, quality and normal harvesting and sales costs. Fair value adjustment of the biomass based on these estimates has no impact on cash flow and does not affect profit before fair value adjustment of the biomass.

#### *Goodwill and intangible assets*

The book value of goodwill and intangible assets with an indeterminate lifespan is tested for impairment at least once a year, and more frequently if there are indications that a write-down may be necessary. This requires an estimate of the utility value of the cash-flow generating entity to which goodwill and intangible assets can be ascribed. To determine the utility value the Group must estimate the expected future cash flows from the cash-flow generating entity and, moreover, select a suitable discount rate with which to calculate the present value of these cash flows. Expectations regarding future cash flows will vary over time. Changes in market conditions and expected cash flows may result in future write-downs. The most important assumptions with an impact on the present value of cash flows associated with investments are the applicable discount rate, the estimated price of salmon in the Group's markets, production costs, production volume and that there will continue to be a market for salmon in the geographical areas in which it operates.

#### *Fair value at acquisition*

When a business is acquired, the Group capitalises the business's assets, liabilities and contingent liabilities, provided that the fair value of these can be reliably measured. To capitalise fair values the cost price is allocated between the acquired assets and liabilities, and this can lead to the posting of goodwill. To determine fair values at

acquisition an assessment must be made of the reliability of the information available with respect to the acquired assets, liabilities and contingent liabilities. Normally, no active market exists for assets and liabilities acquired in connection with a business acquisition. Alternative methods must therefore be used to determine their fair value. Changes in estimates would lead to balance sheet reclassifications and could have an impact on depreciation in subsequent periods.

Any management evaluations made in connection with the application of IFRS standards, and which have an impact on the accounts, as well as estimates which are likely to be subject to material adjustment in the next financial year, are described in separate notes. This applies specifically to the valuation of the biomass (Note 9) and the valuation of goodwill and licences (Note 5).

#### REVENUES

Revenues from the sale of goods are taken to income as they accrue, ie when both risk and control have been largely transferred to the customer. The moment of risk transfer will depend on the delivery terms stated in the sales contract. This will normally be the case when the goods are delivered to the customer (FCA Plant). In certain circumstances risk is deemed to have been transferred when the goods have been delivered to the address specified by the customer, ie CIF. Revenue is posted at the value of the consideration when the transaction takes place. Operating revenues are posted less public charges, discounts, bonuses and other sales costs. Dividend is taken to income when the shareholders' right to receive a dividend has been approved by the annual general meeting.

#### GOVERNMENT GRANTS

Operating grants are allocated periodically and classified together with the revenue they are intended to augment or the expense they are intended to reduce.

#### SEGMENT REPORTING

The Group has fundamentally one business activity: the farming of salmon and trout. The Group has production facilities in central and northern Norway. The Group therefore divides its reporting into geographical production areas. Depreciation and the realisation of excess values on tangible and intangible assets deriving from acquisitions are not allocated to the segments. Costs relating to employee share options and the profit/loss from the subsidiary SalMar Japan K.K are also included under

Eliminations. Financial information relating to the segments is presented in Note 2.

#### CLASSIFICATION PRINCIPLES

Liquid assets consist of cash and bank deposits. Assets which form part of the production cycle or fall due for payment within 12 months are classified as current assets. Other assets are classified as fixed assets. Liabilities which form part of the production cycle or fall due for payment within 12 months are classified as current liabilities. Other liabilities are classified as long-term.

Any proposed dividend is not capitalised as a liability until the Group has assumed an irrevocable obligation to pay the dividend, normally after it has been approved by the annual general meeting.

The next year's instalment on long-term debt is classified as a current liability.

Changes in the fair value of biological assets are presented on a separate line under operating profit/loss. Operating profit/loss is reported before fair value adjustment of the biomass in order to show the Group's underlying sales performance during the period.

#### FOREIGN CURRENCIES

The consolidated accounts are presented in Norwegian kroner (NOK), which is the Group's functional currency. All transactions in foreign currencies are translated into NOK at the time the transaction takes place. In the balance sheet, monetary items in foreign currencies are translated at the exchange rate in effect on the balance sheet date. The Group endeavours to hedge against fluctuations in the foreign exchange market by using forward contracts. As at 31 December 2008 no financial instruments were being treated in accordance with the rules for hedge accounting. The fair value of currency hedging instruments are calculated on the balance sheet day at the market price for contracts with a similar maturity profile. Changes in the fair value of such instruments are recognised in the profit & loss account as financial items when they do not meet the requirements for hedge accounting. Financial derivatives are classified as current assets or current liabilities in the balance sheet. Gains/losses on foreign exchange are classified as financial items.

#### BORROWING COSTS

Borrowing costs are charged as expenses as they arise. Expenses incurred in connection with new loans are posted as a reduction

in the amount of the loan. Interest-bearing debt is quantified at amortised cost using the effective interest method.

## RECEIVABLES

Accounts receivable and other receivables are posted at face value less a provision for bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned. Due to insignificant transaction costs and the short credit period, amortised cost is the same as face value less foreseeable losses.

## INVENTORY

Inventory consists of feed, packaging materials, fry, live fish in the sea and processed fish. Stocks of feed, packaging materials, fry and processed fish are valued at the lower of cost and expected sales price less sales costs. The cost price of goods produced in-house is the full production cost. The FIFO principle is used in connection with the periodic assignment of inventory costs. Live fish in the sea is recognised at fair value. Stocks of finished goods/frozen fish are valued at the lower of cost (fair value at harvesting) and expected sales price less sales cost.

## BIOMASS

Biological assets (biomass) comprise salmon fry and fish in the sea. In accordance with IAS 41 biological assets are normally recognised at their estimated fair value less sales and harvesting costs. The estimate of fair value is based on the reported sales price for harvested salmon of the same size, less estimated sales and transport costs. This results in a net value for the fish farmer. The value reflects the expected quality of the fish, and the fact that it is not of harvestable size.

Cost price may be used for smaller live fish that are not yet harvestable, unless there exists an impairment requiring a write-down in value (further growth and sales price are not expected to meet production costs). The period immediately prior to harvesting makes estimating the fair value of not yet harvestable fish more uncertain than estimating the value of harvestable fish. See Note 9 for further information regarding the principles employed. See Note 9 for further details regarding the principles applied.

In the profit & loss account production costs associated with sold fish are recognised under the cost of goods sold, while adjustments in other costs are recognised on a separate line as fair value adjust-

ment of the biomass. With regard to the sale of fish obtained through acquisitions, those elements associated with the cost of production are recognised under the cost of goods sold, while those elements associated with an estimated fair value are recognised on a separate line in the profit & loss account, "excess value of inventory obtained through acquisitions".

## FIXED-PRICE CONTRACTS

The Group enters into sales contracts for salmon products on an ongoing basis. The contracts involve physical settlement, and deliveries associated with the contracts form part of the Group's normal business activities. The contracts are therefore not financial instruments under IAS 39. The contracts contain no built-in derivative elements. Provisions are made with respect to fixed-price contracts which result in the Group being obliged to sell harvestable fish at a price lower than that which is used to determine the fair value of live fish.

## PROPERTY, PLANT & EQUIPMENT

Property, plant and equipment are capitalised at acquisition cost, less accumulated depreciation and write-downs. When assets are sold or divested, the book value is deducted and any loss or gain posted to profit & loss. Ordinary depreciation commences from the date on which the asset goes into normal operation, and is calculated on the basis of its economic lifespan. Depreciation is assigned in a straight line over the expected economic lifespan of the asset, taking into consideration the estimated residual value. If an asset comprises significant components with varying lifespans, these components are depreciated separately. The scrap value of the property, plant and equipment, as well as the depreciation period and depreciation method employed, are reassessed annually.

Facilities under construction are not depreciated. Depreciation is charged to expenses when the facilities are ready for use. If the situation or circumstances indicate that the book value of an asset cannot be recovered, an assessment is made about whether to write down its value. If the recoverable value of the asset is lower than the book value and the impairment is not expected to be temporary, the asset is written down to the recoverable value. The recoverable value is the higher of net sales price and value in use. Value in use is the present value of the future cash flows which the asset will generate.

## LEASING CONTRACTS

Operating assets which are leased on terms

which transfer the bulk of the financial risk and control to the company (financial leasing) are recorded in the balance sheet as property, plant and equipment, and the corresponding leasing liability is included under interest-bearing long-term liabilities at the present value of the leasing payments. The asset is depreciated as scheduled and the liability is reduced by the amount of lease paid, less a calculated interest cost. The depreciation period is consistent with similar assets which are owned by the Group, or shorter if the leasing period is shorter.

Leasing payments with respect to operational leasing agreements are classified as operating expenses and are posted to profit & loss in a straight line over the term of the contract.

## INTANGIBLE ASSETS

Intangible assets that are purchased individually are capitalised at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalised at acquisition cost when the criteria for separate posting are met.

Intangible assets with a limited economic lifespan are depreciated systematically. Intangible assets are written down to their recoverable value if the expected financial benefits do not cover their book value and any remaining production costs.

Costs relating to research and development are charged as expenses as they accrue. R&D costs are capitalised when specific criteria are met. Capitalised R&D costs are recognised at acquisition cost less accumulated depreciation and write-downs. Capitalised R&D costs are depreciated in a straight line over the asset's estimate period of use.

Licences are capitalised at cost less accumulated write-downs. Licences are not depreciated since the rights they confer are not perpetual, but are tested annually for impairment. Any excess value identified in connection with the acquisition of licence leasing agreements are capitalised as intangible assets.

Licence leasing agreements where the Group is deemed to have assumed the bulk of the risk and benefits are capitalised as intangible assets.

When another business entity is taken over for a consideration that exceeds the value of the individual assets, the difference is entered as goodwill in the balance

sheet. Goodwill deriving from the purchase of subsidiaries is included under intangible assets, while goodwill deriving from the acquisition of associated companies is included under shares in associated companies. Goodwill is entered at historic cost less accumulated depreciation up to 2004.

Goodwill is not depreciated (after 1 January 2005), but is tested for impairment annually, or more often if there are indications that its value is lower than book value. When assessing the need to write down goodwill, this is assigned to relevant cash flow-generating units or those groups which are expected to benefit from the acquisition. Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash flow-generating units to which the goodwill is assigned. To identify the Group's cash flow-generating units the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows for the next three years based on approved budgets and forecasts. Cash flows after three years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax which takes account of relevant market risk. If the calculated value in use is lower than the book value of the cash flow-generating unit, goodwill is written down first and then other assets as required.

#### FINANCIAL INSTRUMENTS

In accordance with IAS 39, financial instruments falling within its remit are classified in the following categories: fair value with changes in value posted to profit & loss, hold until maturity, loans and receivables, available for sale, and other liabilities.

*Financial instruments at fair value with changes in value posted to profit & loss*  
Financial instruments which are held primarily for the purpose of buying or selling in the short term are classified as being held for trading purposes. These instruments are included in the category of financial instruments recognised at fair value with changes in value posted to profit & loss, alongside forward currency contracts which are recognised at fair value with changes in value posted to profit & loss.

#### *Loans and receivables*

Loans and receivables are recognised at amortised cost using the effective interest method, less any losses from impairment. Due to immaterial transaction costs and

short credit times, amortised cost equals nominal value less provisions for bad debts.

#### *Financial assets available for sale*

Financial assets which are available for sale are recognised at fair value. Any changes in fair value are taken directly to equity, with the exception of losses deriving from any fall in value.

#### PENSIONS

The net pension costs for the period are included under salaries and payroll costs. Pensions are recognised on the basis of a linear accrual profile and expected final salary. Changes in plan and estimate differences are amortised over the expected remaining accrual period.

In connection with the transition to IFRS, the Group has made use of a permitted option to charge accumulated estimate differences to equity as of 1 January 2005. Employers' national insurance contributions are included in the figures.

The Group switched from a defined-benefits to a defined-contribution pension scheme with effect from May 2006. Any effects deriving from the change were posted to profit & loss. Pension premiums payable in connection with the defined contribution scheme are charged to expenses as they accrue. The Group has no other liability over and above the annual payment.

#### SHARE-BASED INCENTIVES

The fair value of share options is set on the date they are granted, using accepted valuation models adapted to the characteristics of the options in question. The value of the options thus set is posted to profit & loss periodically over the option's accrual period, with a corresponding increase in paid-in equity. The accrual period is the period from the establishment of the scheme until the options are fully accrued.

#### TAX

The tax expense is matched against the profit/loss before tax as it appears in the accounts. Tax ascribable to equity transactions is taken to equity. The tax expense comprises tax payable (tax on the year's direct taxable income) and changes in net deferred tax. Deferred tax liabilities and deferred tax assets are presented net in the balance sheet.

Deferred tax in the balance sheet is a nominal amount calculated on the basis of temporary differences between account-

ing and tax values, as well as the taxable loss carried forward at the end of the financial year.

Deferred tax assets are capitalised when it is deemed probable that a future taxable income will make it possible to make use of the asset.

Deferred tax is calculated on the difference between the accounting and taxable values of licences.

#### PROVISIONS

A provision is recognised when, and only when, the company has a valid liability (legal or self-imposed) deriving from an event which has occurred, and it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and that the amount in question can be reliably quantified. Provisions are reviewed on each balance sheet date, and the level reflects the best estimate for the liability.

#### EVENTS AFTER THE BALANCE SHEET DATE

New information regarding the company's financial position on the balance sheet date which is received after the balance sheet date has been recognised in the annual accounts. Events after the balance sheet date which do not affect the company's financial position on the balance sheet date, but which will affect the company's future financial position are reported if material.

#### STATEMENT OF CASH FLOW

The Group's statement of cash flow shows a breakdown of the Group's overall cash flow into operating, investing and financing activities. The statement shows the individual activity's impact on liquid assets. The cash flow deriving from the acquisition and sale of businesses is presented under investing activities.

#### INTRA-GROUP REORGANISATION

Halsa Fiskeoppdrett AS, Henden Fiskeoppdrett AS and Einar Rangøy AS merged with the acquiring company SalMar Farming AS with effect for accounting purposes from 1 January 2008. The companies were wholly owned subsidiaries of SalMar Farming AS. The merger was undertaken in accordance with the simplified rules for intra-group mergers as stipulated in Section 13-23 of the Limited Companies Act. The merger is recognised using the continuity method. SalMar Farming AS is a wholly owned subsidiary of the Group's parent company, and the merger has no impact on the consolidated financial statements.



Furthermore, Arctic Salmon AS merged with the acquiring company SalMar Nord AS with effect for accounting purposes from 1 January 2008. The company was a wholly owned subsidiary of SalMar Nord AS. The merger was undertaken in accordance with the simplified rules for intra-group mergers as stipulated in Section 13-23 of the Limited Companies Act. The merger is recognised using the continuity method. SalMar Nord AS is a wholly owned subsidiary of the Group's parent company, and the merger has no impact on the consolidated financial statements.

#### INTERPRETATIONS COMING INTO EFFECT IN 2008

IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction, provides guidelines for assessing the amount of overfunding which can be capitalised as an asset in accordance with IAS 19. It also explains how pension assets and liabilities can be affected by statutory or contractual minimum funding requirements. This interpretation has no impact on the consolidated financial statements since the Group has a net pension liability and is not subject to minimum funding requirements.

IFRIC 11, IFRS 2 – Group and treasury share transactions, provides guidelines for determining whether share-based transactions involving own shares or shares in group companies (eg share options in the parent company) shall be recognised as having been settled using equity instruments or in cash in the accounts of the parent com-

pany and each individual group company. This interpretation has no impact on the consolidated financial statements.

#### INTERPRETATIONS COMING INTO EFFECT IN 2008 BUT HAVING NO RELEVANCE FOR THE GROUP

The following interpretations of published standards are compulsory for year-end financial statements starting on 1 January 2008 or later, but are deemed to have no relevance for the Group.

- IFRIC 12, Service concession arrangements

#### STANDARDS, AMENDMENTS TO AND INTERPRETATIONS OF EXISTING STANDARDS WHICH HAVE NOT COME INTO FORCE AND WHICH THE GROUP HAS ELECTED NOT TO IMPLEMENT IN ADVANCE

The following standards, amendments to and interpretations of existing standards have been published and will be compulsory for the Group to apply with respect to the year-end financial statements beginning 1 January 2009 or later, but which the Group has elected not to implement in advance:

- IAS 23 (amendment), Borrowing costs (comes into force 1 Jan 2009).
- IAS 1 (revised), Presentation of financial statements (comes into force 1 Jan 2009).
- IFRS 2 (amendment), Share-based payment (comes into force 1 Jan 2009).
- IAS 32 (amendment), Financial instruments: Presentation and IAS 1 (amendment), Presentation of financial statements – Puttable financial instruments and obligations arising on liquidation (comes into force 1 Jan 2009).

- IFRS 1 (amendment), First time adoption of IFRS and IAS 27 (amendment), Consolidated and separate financial statements (comes into force 1 Jan 2009).

- IAS 27 (revised), Consolidated and separate financial statements, (comes into force 1 Jan 2009).

- IFRS 3 (revised), Business combinations (comes into force 1 Jan 2009).

- IFRS 5 (amendment), Non-current assets held-for-sale and discontinued operations (and consequent amendments to IFRS 1, First-time adoption) (comes into force 1 Jan 2009).

- IAS 28 (amendment), Investments in associates (and consequent amendments to IAS 32, Financial instruments: Presentation, and IFRS 7, Financial instruments: Disclosures (comes into force 1 Jan 2009).

- IAS 36 (amendment), Impairment of assets (comes into force 1 Jan 2009).

- IAS 38 (amendment), Intangible assets (comes into force 1 Jan 2009).

- IAS 19 (amendment), Employee benefits (comes into force 1 Jan 2009).

- IAS 39 (amendment), Financial instruments: Recognition and measurement (comes into force 1 Jan 2009).

- IAS 41 (amendment), Agriculture (comes into force 1 Jan 2009).

- A number of amendments have been made to IFRS 7, Financial instruments: Disclosures, IAS 8, Accounting policies, changes in accounting estimates and errors, IAS 10, Events after the reporting period, IAS 18, Revenue and IAS 34, Interim financial reporting, which are part of IASB's annual improvement project, published in May 2008 (not addressed above). These





amendments will probably not affect the consolidated financial statements and have therefore not been analysed in depth.

#### AMENDMENTS TO AND INTERPRETATIONS OF EXISTING STANDARDS WHICH HAVE NOT COME INTO FORCE AND WHICH ARE NOT RELEVANT FOR THE GROUP

The following interpretations to and amendments of existing standards are compulsory for the Group to implement for the financial year beginning 1 January 2009. However, management does not consider them to be relevant for the Group:

- IFRIC 13, Customer loyalty programmes (came into force 1 July 2008).
- IAS 16 (amendment), Property, plant and equipment (and consequent amendments to IAS 7, Statement of cash flows) (comes into force 1 Jan 2009). The amendment is part of IASB's annual improvement project, published in May 2008. Units which in their day-to-day business rent out assets and subsequently sell such assets present the consideration from the sale of such assets as revenue, while transferring the capitalised value of the asset to inventory when the asset is classified as held for sale. A consequent amendment to IAS 7 states that cash flows deriving from the purchase, rental and sale of such assets are classified as cash flows from operating activities. The amendment will have an impact

on the Group's operations because none of the Group's companies have the rental and subsequent sale of assets as part of their day-to-day business operations.

- IAS 27 (amendment), Consolidated and separate financial statements (comes into force 1 Jan 2009). The amendment is part of IASB's annual improvement project, published in May 2008. When an investment in a subsidiary, recognised in the accounts according to IAS 39 Financial instruments: Recognition and measurement, is classified as being held for sale according to IFRS 5, Non-current assets held-for-sale and discontinued operations, IAS 39 shall continue to apply. The amendment will not have an impact on the Group's operations because it is group policy that investments in subsidiaries shall be recognised at acquisition cost in the individual group company's accounts.
- IAS 28 (amendment), Investments in associates (and consequent amendments to IAS 32, Financial instruments: Presentation and IFRS 7, Financial instruments: Disclosures) (comes into force 1 Jan 2009). The amendment is part of IASB's annual improvement project, published in May 2008. When an investment in an associated company is recognised in accordance with IAS 39, Financial instruments: Recognition and measurement, it is now made clear that only the disclosure requirement in IAS 28 37 (f) must be complied with. The amendment will not have an impact on the Group's operations because it is group

policy that investments in associated companies shall be recognised in accordance with the equity method in the consolidated accounts.

- IAS 29 (amendment), Financial reporting in hyperinflationary economies (comes into force 1 Jan 2009).
- IAS 31 (amendment), Interests in joint ventures (and consequent amendments to IAS 32 and IFRS 7) (comes into force 1 Jan 2009).
- IAS 38 (amendment), Intangible assets (comes into force 1 Jan 2009). The amendment is part of IASB's annual improvement project, published in May 2008. The amendment removes the form of words which states that there is "rarely, if ever" any support for use of a depreciation method which leads to a lower depreciated amount than that achieved using the straight-line method. The amendment will have no impact on the Group's operations, since all intangible assets are either not subject to depreciation or are depreciated using the straight-line method.
- IAS 40 (amendment), Investment property (and consequent amendments to IAS 16) (comes into force 1 Jan 2009).
- IAS 20 (amendment), Accounting for government grants and disclosure of government assistance (comes into force 1 Jan 2009).
- IFRIC 15, Agreements for construction of real estate (comes into force 1 Jan 2009).

## Note 2 • Segment information and geographic breakdown

| 2008 – figures in NOK 1 000   | Central Norway   | Northern Norway | Other/ eliminations | Group            |
|---|------------------|-----------------|---------------------|------------------|
| External operating revenues   | 1 685 180        | 9 651           | 19 426              | 1 714 256        |
| Internal operating revenues   | 16 436           | 265 383         | -281 820            | -                |
| <b>TOTAL operating revenues</b>                                     | <b>1 701 616</b> | <b>275 034</b>  | <b>-262 394</b>     | <b>1 714 256</b> |
| Depreciation  | 43 763           | 12 268          | -806                | 55 225           |
| Operating expenses  | 1 335 775        | 230 385         | -244 592            | 1 321 568        |
| <b>Operating profit before fair value adjustment of the biomass</b> | <b>322 078</b>   | <b>32 381</b>   | <b>-16 996</b>      | <b>337 463</b>   |
| Fair value adjustment of the biomass                                | -48 126          | 13 891          | 1 239               | -32 996          |
| <b>Net operating profit</b>   | <b>273 952</b>   | <b>46 272</b>   | <b>-15 757</b>      | <b>304 467</b>   |
| Share of profit from associated companies                           | -                | -               | 12 248              | 12 248           |
| Net financial items   | -61 613          | -19 060         | -1 339              | -82 012          |
| <b>Profit before tax</b>  | <b>212 339</b>   | <b>27 212</b>   | <b>-4 848</b>       | <b>234 703</b>   |
| Tax   | 59 536           | 6 284           | 54                  | 65 874           |
| <b>Net profit for the year</b>                                      | <b>152 803</b>   | <b>20 928</b>   | <b>-4 902</b>       | <b>168 829</b>   |

|                                       |           |         |         |           |
|---------------------------------------|-----------|---------|---------|-----------|
| ASSETS                                | 1 962 933 | 807 886 | 297 539 | 3 068 359 |
| - Investments in associated companies | 103       | -       | 257 512 | 257 615   |
| Liabilities                           | 1 217 986 | 496 741 | 38 520  | 1 753 247 |

|                               |         |        |      |         |
|-------------------------------|---------|--------|------|---------|
| INVESTMENTS                   |         |        |      |         |
| - Tangible operating assets   | 108 509 | 25 227 | 0    | 133 737 |
| - Intangible operating assets | 40 200  | 56 738 | 0    | 96 938  |
| Depreciation                  | 43 763  | 12 268 | -806 | 55 225  |

| 2007 – figures in NOK 1 000   | Central Norway   | Northern Norway | Other/ eliminations | Group            |
|---|------------------|-----------------|---------------------|------------------|
| External operating revenues   | 1 666 541        | 1 649           | 9 496               | 1 677 686        |
| Internal operating revenues   | 7 473            | 165 108         | -172 581            | -                |
| <b>TOTAL operating revenues</b>                                     | <b>1 674 014</b> | <b>166 757</b>  | <b>-163 085</b>     | <b>1 677 686</b> |
| Depreciation  | 39 933           | 9 024           | 1 714               | 50 671           |
| Operating expenses  | 1 209 133        | 142 886         | -136 399            | 1 215 620        |
| <b>Operating profit before fair value adjustment of the biomass</b> | <b>424 948</b>   | <b>14 847</b>   | <b>-28 400</b>      | <b>411 395</b>   |
| Fair value adjustment of the biomass                                | 63 821           | 18 754          | 11 659              | 94 234           |
| <b>Net operating profit</b>   | <b>488 769</b>   | <b>33 601</b>   | <b>-16 741</b>      | <b>505 629</b>   |
| Share of profit from associated companies                           | -                | -               | 31 600              | 31 600           |
| Net financial items   | -47 036          | -7 817          | -1 117              | -55 970          |
| <b>Profit before tax</b>  | <b>441 733</b>   | <b>25 784</b>   | <b>13 742</b>       | <b>481 259</b>   |
| Tax   | 123 342          | 7 238           | -1 149              | 129 431          |
| <b>Net profit for the year</b>                                      | <b>318 391</b>   | <b>18 546</b>   | <b>14 891</b>       | <b>351 828</b>   |

|                                       |           |         |         |           |
|---------------------------------------|-----------|---------|---------|-----------|
| ASSETS                                | 1 821 116 | 757 431 | 281 710 | 2 860 257 |
| - Investments in associated companies | 103       | -       | 258 100 | 258 203   |
| Liabilities                           | 1 133 935 | 416 004 | 22 993  | 1 572 931 |

|                               |         |         |       |         |
|-------------------------------|---------|---------|-------|---------|
| INVESTMENTS                   |         |         |       |         |
| - Tangible operating assets   | 85 274  | 18 179  | 0     | 103 453 |
| - Intangible operating assets | 191 038 | 121 329 | 0     | 312 367 |
| Depreciation                  | 39 933  | 9 024   | 1 714 | 50 671  |



2006 – figures in NOK 1 000

|   | Central Norway   | Northern Norway | Other/ eliminations | Group            |
|---|------------------|-----------------|---------------------|------------------|
| External operating revenues   | 1 238 431        | 10 133          | -                   | 1 248 564        |
| Internal operating revenues   | -                | 46 787          | -46 787             | -                |
| <b>TOTAL operating revenues</b>                                     | <b>1 238 431</b> | <b>56 920</b>   | <b>-46 787</b>      | <b>1 248 564</b> |
| Depreciation  | 33 178           | 5 601           | -905                | 37 874           |
| Operating expenses  | 759 217          | 43 595          | -39 496             | 763 316          |
| <b>Operating profit before fair value adjustment of the biomass</b> | <b>446 036</b>   | <b>7 724</b>    | <b>-6 386</b>       | <b>447 374</b>   |
| Fair value adjustment of the biomass                                | 87 613           | -11 169         | -12 768             | 63 676           |
| <b>Net operating profit/loss</b>                                    | <b>533 649</b>   | <b>-3 445</b>   | <b>-19 154</b>      | <b>511 050</b>   |
| Share of profit from associated companies                           | 3 475            | 12 237          | 76 040              | 91 752           |
| Net financial items   | -22 554          | -2 931          | -                   | -25 485          |
| <b>Profit before tax</b>  | <b>514 570</b>   | <b>5 861</b>    | <b>56 886</b>       | <b>577 317</b>   |
| Tax   | 139 316          | -1 721          | -5 363              | 132 232          |
| <b>Net profit for the year</b>                                      | <b>375 254</b>   | <b>7 582</b>    | <b>62 249</b>       | <b>445 085</b>   |

#### GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON CUSTOMER LOCATION

The bulk of the Group's operating revenues are generated by the wholly owned subsidiary SalMar Processing AS.

| By geographic market (Group): | 2008        | 2007        | 2006        |
|-------------------------------|-------------|-------------|-------------|
| Asia                          | 26%         | 20%         | 5%          |
| Russia                        | 26%         | 27%         | 4%          |
| Europe                        | 48%         | 53%         | 91%         |
| <b>Total</b>                  | <b>100%</b> | <b>100%</b> | <b>100%</b> |

### Note 3 • Salaries and payroll costs, no. of employees, remunerations, loans to employees, etc.

| Salaries and payroll costs<br>NOK 1 000          | 2008           | 2007           | 2006           |
|--|----------------|----------------|----------------|
| Salaries, including holiday pay and bonuses      | 202 854        | 192 737        | 128 511        |
| Employers' national insurance contributions      | 11 403         | 10 502         | 7 973          |
| Pension costs (see Note 12)                      | 3 992          | 4 175          | -8 307         |
| Options  | 9 004          | 6 547          | 0              |
| Other benefits                                   | 13 139         | 3 846          | 3 737          |
| <b>Total</b>                                     | <b>240 393</b> | <b>217 808</b> | <b>131 913</b> |
| Total employed (man-years) in the financial year | 547            | 430            | 422            |

The SalMar Group's senior management team comprises the following.

| NOK 1 000 - 2008                    | Salary | Bonus, incl.<br>extraord<br>bonus | Payments<br>in kind | Accrued<br>pension<br>costs | Accrued<br>options<br>costs |
|-------------------------------------|--------|-----------------------------------|---------------------|-----------------------------|-----------------------------|
| <b>SENIOR MANAGEMENT</b>            |        |                                   |                     |                             |                             |
| Leif Inge Nordhammer, CEO           | 1 242  | 0                                 | 10                  | 42                          | 0                           |
| Roar Husby, CFO                     | 1 086  | 60                                | 8                   | 32                          | 312                         |
| Karl Chr Aag, Manager Smolt         | 799    | 1 200                             | 10                  | 32                          | 1 487                       |
| Bjørn Larsen, Manager, Fish farming | 933    | 1 200                             | 9                   | 39                          | 1 487                       |
| Bjørn Hembre, Manager, SalMar Nord  | 875    | 0                                 | 7                   | 21                          | 457                         |
| Gustav Witzøe, Manager, Plant       | 1 130  | 0                                 | 204                 | 45                          | 0                           |
| Pål Storø, Manager, Processing      | 848    | 1 200                             | 8                   | 35                          | 1 487                       |

| NOK 1 000 - 2007                    | Salary | Bonus, incl.<br>extraord<br>bonus | Payments<br>in kind | Accrued<br>pension<br>costs | Accrued<br>options<br>costs |
|-------------------------------------|--------|-----------------------------------|---------------------|-----------------------------|-----------------------------|
| <b>SENIOR MANAGEMENT</b>            |        |                                   |                     |                             |                             |
| Leif Inge Nordhammer, CEO           | 1 028  | 0                                 | 11                  | 41                          | 0                           |
| Roar Husby, CFO *                   | 161    | 20                                | 1                   | 39                          | 0                           |
| Bjørn Erik Nilsen, former CFO       | 1 073  | 0                                 | 8                   | 0                           | 0                           |
| Karl Chr Aag, Manager, Smolt        | 764    | 2 600                             | 11                  | 38                          | 1 091                       |
| Bjørn Larsen, Manager, Fish farming | 895    | 2 600                             | 13                  | 40                          | 1 091                       |
| Bjørn Hembre, Manager, SalMar Nord  | 933    | 200                               | 7                   | 15                          | 336                         |
| Gustav Witzøe, Manager, Plant       | 1 105  | 0                                 | 205                 | 44                          | 0                           |
| Pål Storø, Manager, Processing      | 846    | 2 600                             | 8                   | 23                          | 1 091                       |

\* With effect from November 2007.

THE REMUNERATION PAID TO THE CEO AND OTHER SENIOR MANAGEMENT AT SALMAR IS BASED ON THE FOLLOWING MAIN PRINCIPLES.

#### Basic salary

Basic salary is determined on the basis of the duties and responsibilities required of the position, as well as the expertise and length of service of the individual concerned. Salaries are intended to be competitive.

#### Annual bonus

The bonus shall be determined and paid on the basis of the level of the position concerned and the added value which the individual or group of individuals has generated.

#### Payment in kind

The company does not make payments in

kind over and above that which is normal for senior executives in comparable companies.

#### Share-based incentive schemes

The company wishes to utilise forms of remuneration which result in senior executives receiving shares, subscription rights or options in accordance with a specified programme. No other forms of remuneration linked to shares or the development of the share price is utilised by the company. The board may not waive the guidelines relative to this matter.

#### Pension schemes

Senior executives shall at all times have

competitive pension schemes.

#### Notice of termination and severance pay

Senior executives have a basic period of notice of six months. In certain cases, and depending on the position concerned, salary may be paid for a period of 6-12 months after employment has been terminated.

#### Other variable elements in the remuneration package

The above notwithstanding, the company shall not offer senior executives variable elements in the remuneration package or specific benefits in addition to their basic salary.

| THE BOARD OF DIRECTORS               | Directors' fees<br>2008 | Directors' fees<br>2007 | Directors' fees<br>2006 |
|--------------------------------------|-------------------------|-------------------------|-------------------------|
| Bjørn Flatgård, Chair                | 200                     | 200                     | 125                     |
| Gustav Witzøe                        | 150                     | 150                     | 125                     |
| Synnøve G Ervik                      | 150                     | 150                     | 80                      |
| Marit Rolseth (elected May 2008)     | 88                      | 0                       | 0                       |
| Kjell A. Storeide (elected Feb 2008) | 125                     | 0                       | 0                       |
| Bjørn Ivan Espnes, employee rep.     | 75                      | 75                      | 60                      |

Directors' fees are not performance-related.

**Loans and guarantees to senior management and company directors**

| NOK 1 000 |      | Amount | Interest rate | Term     |
|-----------|------|--------|---------------|----------|
| CEO       | Loan | 1 064  | 5,7 %         | 20 years |

**Loan and guarantees to other employees NOK 1 000**

|           | Loan  | Guarantees |
|-----------|-------|------------|
| Employees | 2 424 | 0          |

**OPTIONS**

Senior management and seven other employees have received a total of 2 000 000 options to purchase company shares.

The CEO and board of directors do not have options. Senior management has the following options:

|                                     | Options granted | Options exercised | No. of options CB | Average strike price* | Average term |
|-------------------------------------|-----------------|-------------------|-------------------|-----------------------|--------------|
| <b>SENIOR MANAGEMENT</b>            |                 |                   |                   |                       |              |
| Leif Inge Nordhammer, CEO           | -               | -                 | -                 | -                     | -            |
| Roar Husby, CFO                     | 100 000         | -                 | 100 000           | 39                    | 2 år         |
| Karl Chr Aag, Manager, Smolt        | 325 000         | -                 | 325 000           | 39                    | 2 år         |
| Bjørn Larsen, Manager, Fish farming | 325 000         | -                 | 325 000           | 39                    | 2 år         |
| Bjørn Hembre, Manager, SalMar Nord  | 100 000         | -                 | 100 000           | 39                    | 2 år         |
| Gustav Witzøe, Manager, Plant       | -               | -                 | -                 | -                     | -            |
| Pål Storø, Manager, Processing      | 325 000         | -                 | 325 000           | 39                    | 2 år         |

\* Average strike price for the no. of options held at the end of the financial year

1/3 of the options granted may be exercised from the date of the company's annual general meeting in 2008 until one week after the publication of the company's first quarter report 2011. 1/3 of the options granted may be exercised from the date of the company's AGM in 2009 until one week after the publication of the first quarter report 2011. 1/3 of the options granted may be exercised from the date of the company's AGM in 2010 until one week after the publication of the first quarter report 2011. Options may only be exercised if the holder is an employee of the company at the start of the relevant exercise period. Exercise period was changed during 2008. Previously the exercise period was limited to one year after the options was earned (in 1, 2 and 3 year bulks) whilst the options now are made valid as described above. Increased option costs in 2008 and an effect of the change was NOK 2,35 million. Fair value per option on the date it was awarded is calculated using the Black & Scholes option pricing model. The most important input data were the share price when the option was granted (NOK 39), the strike price (NOK 39), volatility at 30%, risk-free interest of 5% and the term of the option. Employers' national insurance contributions are included in the provisions made to cover this liability.

**AUDITOR**

Fees paid to the auditor (ex. VAT) break down as follows:

| NOK 1 000                    | 2008         | 2007         | 2006         |
|------------------------------|--------------|--------------|--------------|
| Statutory auditing           | 739          | 764          | 729          |
| Other certification services | 66           | 67           | 38           |
| Tax advisory services        | 37           | 22           | 31           |
| Other services               | 168          | 180          | 636          |
| <b>Total</b>                 | <b>1 010</b> | <b>1 033</b> | <b>1 433</b> |

## Note 4 • Operating expenses

**SPECIFICATION OF OTHER OPERATING EXPENSES**

| NOK 1 000                | 2008           | 2007           | 2006           |
|--------------------------|----------------|----------------|----------------|
| Maintenance              | 48 968         | 39 038         | 24 790         |
| Operating equipment      | 17 589         | 15 670         | 13 655         |
| Direct input factors     | 76 572         | 66 764         | 37 659         |
| Other operating expenses | 110 572        | 69 797         | 34 748         |
| <b>Total</b>             | <b>253 701</b> | <b>191 270</b> | <b>110 851</b> |

**RESEARCH & DEVELOPMENT COSTS:**

R&D costs include expenses relating to research and administrative personnel, technical equipment and facilities, and sums paid for external research services. Since the criteria for capitalisation are not deemed to have been met, costs are charged to expenses. A total of NOK 15,391,526 in R&D costs was charged to expenses in 2008.



## Note 5 • Intangible assets

| NOK 1 000   | Licences       | Goodwill       | Other<br>intangible<br>assets | Total            |
|---|----------------|----------------|-------------------------------|------------------|
| Acquisition cost 1 Jan 2007                       | 711 503        | 74 545         | 2 000                         | 788 048          |
| Additions from business mergers                   | 297 833        | 14 534         | 0                             | 312 367          |
| Disposals   | 0              | 2 582          | 2 000                         | 4 582            |
| Reallocations, see Note 7                         | -164 157       | 128 825        | 0                             | -35 332          |
| Acquisition cost 31 Dec 2007                      | 845 178        | 215 322        | 0                             | 1 060 500        |
| Additions   | 96 938         | 0              | 0                             | 96 938           |
| Disposals   | 28 000         | 0              | 0                             | 28 000           |
| <b>Acquisitions cost 31 Dec 2008</b>              | <b>914 116</b> | <b>215 322</b> | <b>0</b>                      | <b>1 129 438</b> |
| Acc. Depreciation & write-downs as at 1 Jan 2007  | 0              | 18 390         | 2 000                         | 20 390           |
| Year's depreciation                               | 0              | 0              | 0                             | 0                |
| Year's write-downs                                | 0              | 0              | 0                             | 0                |
| Reversed depreciation                             | 0              | 1 033          | 2 000                         | 3 033            |
| Acc. Depreciation & write-downs as at 31 Dec 2007 | 0              | 17 357         | 0                             | 17 357           |
| Year's depreciation                               | 0              | 0              | 0                             | 0                |
| Year's write-downs                                | 0              | 0              | 0                             | 0                |
| Reversal of depreciation before 1 Jan 2005        | 0              | -1 033         | 0                             | -1 033           |
| Acc. Depreciation & write-downs as at 31 Dec 2008 | 0              | 18 390         | 0                             | 18 390           |
| Of which acc. Write-downs as at 31 Dec 2008       | 0              | 0              | 0                             | 0                |
| <b>Book value as at 31 Dec 2008</b>               | <b>914 116</b> | <b>196 932</b> | <b>0</b>                      | <b>1 111 048</b> |
| Book value as at 31 Dec 2007                      | 845 178        | 197 965        | 0                             | 1 043 143        |
| Book value as at 1 Jan 2007                       | 711 503        | 56 155         | 0                             | 767 658          |

### SPECIFICATION OF FISH FARMING LICENCES

| NOK 1 000       | No. of<br>licences | Acquisition<br>cost | Book value<br>31.12.08 |
|-----------------|--------------------|---------------------|------------------------|
| Northern Norway | 13 (14)            | 409 620             | 409 620                |
| Central Norway  | 40                 | 504 496             | 504 496                |
|                 | <b>53 (54)</b>     | <b>914 116</b>      | <b>914 116</b>         |

The Group has a leasing agreement in connection with one licence.

### SPECIFICATION OF GOODWILL

| NOK 1 000       | Year of acquisition | Acquisition<br>cost | Book value<br>31.12.08 |
|-----------------|---------------------|---------------------|------------------------|
| Northern Norway | 2006                | 95 114              | 95 114                 |
| Central Norway  | 1999-2007           | 108 285             | 101 818                |
|                 |                     | <b>203 399</b>      | <b>196 932</b>         |

Following the implementation of IFRS, goodwill is no longer depreciated, but is tested for impairment annually, or more often if there are indications that a write-down may be necessary. The difference between acquisition cost and the book value of goodwill is due to the depreciation of goodwill prior to the implementation of IFRS.

Other acquired goodwill, which was depreciated to zero prior to 2005, has an acquisition cost of NOK 14,505,420.

## IMPAIRMENT TEST

On acquisition goodwill and intangible assets are assigned to the cash-flow generating units within the Group to which they are associated.

The book value of the cash-flow generating units is tested for impairment annually, or more often if there are indications that a write-down may be necessary. The estimated value in use is employed to calculate the recoverable value. A write-down is performed if the book value is lower than the recoverable value. Future net cash flows are estimated on the basis of the Group's budget and forecasts for the next three years. No growth is assumed when calculating the terminal value. Value in use is calculated on the basis of a 8.9% return on investment. As with all estimates, cash flow forecasts are sensitive to changes in underlying assumptions.

Estimated value in use will be affected most strongly by the following assumptions:

- Discount rate
- Salmon price
- Production costs
- Future output levels

Discount rate: the discount rate used reflects management's estimate of the risk specified for each cash-flow generating unit.

- The discount rate is set using the 3-year government bond rate in effect at the time of the assessment. The discount rate is before tax.

- Salmon price: the price of salmon is estimated on the basis of the long-term price level that experience would indicate for those markets in which the fish is sold and lies within the interval NOK 23-25 per kg gutted salmon.

- Production costs: production costs are estimated on the basis of historical figures, known changes taken into account.

- Future output levels: future output levels are estimated on the basis of current production, adjusted for expected increases in future output given current licences.

The assessment is based on a comparison of the present value of estimated future cash flows and book value per investment. Sensitivity analyses are also carried out to assess estimated present values by looking at the change in salmon prices, production costs and discount rates. The Group continuously monitors its financial performance with respect to the long-term assumptions used to determine whether the assumptions in the basic model are still valid. The impairment test resulted in no requirement to write down the book value of fish farming licences and goodwill as at 31 December 2008.



## Note 6 • Property, plant & equipment

| NOK 1 000   | Land, buildings<br>& other real<br>estate | Machines, plant,<br>operating equipm.,<br>fixtures, etc | Vessels &<br>other operating<br>assets | TOTAL          | of which<br>leasede<br>assets |
|---|---|---|--|----------------|-------------------------------|
| Acquisition cost 1 Jan 2007                       | 83 747                                    | 366 392   | 45 097                                 | 495 236        | 125 561                       |
| Additions   | 9 264                                     | 81 608  | 12 581                                 | 103 453        | 320                           |
| Additions from subsidiaries                       | 4 115                                     | 17 543  | 582                                    | 22 241         | 689                           |
| Disposals   | 0   | 10 491  | 29 885                                 | 40 375         | 1 850                         |
| <b>Acquisition cost 31 Dec 2007</b>               | <b>97 127</b>                             | <b>455 053</b>  | <b>28 375</b>                          | <b>580 555</b> | <b>124 720</b>                |
| Additions   | 15 897                                    | 102 326   | 15 513                                 | 133 737        | 7 478                         |
| Additions from subsidiaries                       | 0   | 0   | 0                                      | 0              | 0                             |
| Disposals   | 929                                       | 10 386  | 109                                    | 11 423         | 2 570                         |
| <b>Acquisition cost 31 Dec 2008</b>               | <b>112 096</b>                            | <b>546 994</b>  | <b>43 779</b>                          | <b>702 869</b> | <b>129 629</b>                |
| Acc. Dep. & write-downs 1 Jan 2007                | 33 073                                    | 141 711   | 13 843                                 | 188 627        | 14 621                        |
| Depreciation 2007                                 | 5 521                                     | 41 727  | 1 574                                  | 48 821         | 13 027                        |
| Depreciation acquired subsidiaries                | 191                                       | 1 634   | 25                                     | 1 850          | 0                             |
| Write-downs                                       | 0   | 0   | 0                                      | 0              | 0                             |
| Reversal of depreciation                          | 0   | 3 587   | 3 378                                  | 6 965          | 1 480                         |
| <b>Acc. Dep &amp; write-downs 31 Dec 2007</b>     | <b>38 785</b>                             | <b>181 485</b>  | <b>12 063</b>                          | <b>232 333</b> | <b>26 168</b>                 |
| Depreciation 2008                                 | 7 032                                     | 45 743  | 2 451                                  | 55 225         | 12 874                        |
| Depreciation acquired subsidiaries                | 0   | 0   | 0                                      | 0              | 0                             |
| Write-downs                                       | 0   | 0   | 0                                      | 0              | 0                             |
| Reversal of depreciation                          | 585                                       | 80  | 109                                    | 774            | 0                             |
| <b>Acc. Dep &amp; write-downs 31 Dec 2008</b>     | <b>45 232</b>                             | <b>227 147</b>  | <b>14 405</b>                          | <b>286 785</b> | <b>39 042</b>                 |
| Of which acc. write-downs at 31 Dec 2008          | 0   | 0   | 0                                      | 0              | 0                             |
| <b>Book value as at 31 Dec 2008</b>               | <b>66 864</b>                             | <b>319 847</b>  | <b>29 374</b>                          | <b>416 084</b> | <b>90 587</b>                 |
| Book value as at 31 Dec 2007                      | 58 342                                    | 273 569   | 16 311                                 | 348 222        | 98 552                        |
| Book value as at 1 Jan 2007                       | 50 674                                    | 224 681   | 31 254                                 | 306 609        | 110 940                       |
| Gain/loss on sale of fixed assets                 | 290                                       | 832   | 324                                    | 1 445          |                               |
| Annual rental of non-capitalised operating assets | 6 693                                     | 1 214   | 0                                      | 7 907          |                               |
| Economic lifespan                                 | 0-20 years                                | 3-10 years  | 5-15 years                             |                |                               |
| Depreciation plan                                 | straight-line                             | straight-line   | straight-line                          |                |                               |

Capitalised leasing liabilities as at 31 December 2008 totalled NOK 65,763,891.



## Note 7 • Subsidiaries, associated companies, etc

| NOK 1 000<br>Company              | Consolidated<br>(yes/no) | Registered<br>office | Voting<br>share | Book value in<br>SalMar ASA |
|-----------------------------------|--------------------------|----------------------|-----------------|-----------------------------|
| Follasmolt AS                     | YES                      | Kverva               | 100%            | 20 100                      |
| Langsteinfisk AS                  | YES                      | Kverva               | 60%             | 0                           |
| Straumsnes Settefisk AS           | YES                      | Kverva               | 100%            | 0                           |
| SalMar Farming AS                 | YES                      | Kverva               | 100%            | 82 989                      |
| SalMar Nord AS                    | YES                      | Senja                | 100%            | 314 946                     |
| Troms Stamfiskstasjon AS          | YES                      | Senja                | 100%            | 0                           |
| Straumen Havbruk AS               | YES                      | Senja                | 100%            | 0                           |
| SalMar Processing AS              | YES                      | Kverva               | 100%            | 5 077                       |
| Astamarin AS                      | YES                      | Kverva               | 100%            | 5 015                       |
| SalMar Japan KK                   | YES                      | Japan                | 100%            | 0                           |
| SalMar-Tunet AS                   | YES                      | Kverva               | 100%            | 7 000                       |
| <b>TOTAL subsidiaries</b>         |                          |                      |                 | <b>435 127</b>              |
| Norskott Havbruk AS               | NO                       | Bergen               | 50%             | 162 787                     |
| Volstad Seafood AS                | NO                       | Ålesund              | 34%             | 6 238                       |
| Trøndersk Kystkompetanse AS       | NO                       | Dyrvik               | 20%             | 103                         |
| <b>TOTAL associated companies</b> |                          |                      |                 | <b>169 127</b>              |

### SUBSIDIARIES ACQUIRED IN 2008

The figures used in the analysis of excess value are partly based on best estimates and experience, and the underlying assumptions are verified through operations in the subsequent period. Thus, the analyses of excess value must be seen as provisional under IFRS 3.

During 2008 the SalMar Group acquired shares in Straumen Havbruk AS, consolidating them from the month of takeover. Takeover occurred with effect from 29 July 2008. The total acquisition cost for the shares was NOK 63,985, of which NOK 122,000 were acquisition costs. The company's assets were limited to two licences and monetary items at the time over takeover, and the acquisition is therefore recognised as an asset acquisition and not a business acquisition. See Note 5 above for further details. One of the acquired licences has subsequently been sold.

### ADJUSTMENT OF INITIAL ALLOCATIONS:

In 2008 a reallocation of the fair value of assets and liabilities at the time of acquisition was performed with respect to the treatment of deferred tax on licences. This has resulted in a reclassification from licences to goodwill, such that the value of the licences is reduced by NOK 164.2 million, while the value of goodwill increases by NOK 128.8 million. The NOK 35.3 million difference has reduced the Group's equity as a result of stepwise acquisition. The reallocation has led to changes in comparable figures in the balance sheet. The reallocation has not had any impact on profit & loss.

### ACQUISITION OF SUBSIDIARIES IN 2007

The following material company acquisitions were carried out during 2007.

All company acquisitions are recognised in accordance with the acquisition method from the date of acquisition:

| NOK 1 000   | Acquisition<br>date | Acquisition<br>cost | of which acq.<br>expenses |
|---|---------------------|---------------------|---------------------------|
| Halsa Fiskeoppdrett AS (100%)                     | 23.01.2007          | 1 12 060            | 60                        |
| Henden Fiskeoppdrett AS og Einar Rangøy AS (100%) | 05.10.2007          | 84 500              | -                         |
| Arctic Salmon AS (100%)                           | 14.12.2007          | 89 207              | -                         |

Acquisition cost comprises cash consideration and acquisition expenses.

## THE ACQUISITIONS HAD THE FOLLOWING EFFECT ON THE BALANCE SHEET:

|  | Halsa Fiskeoppdrett | Henden Fiskeoppdrett | Arctic Salmon |
|--|---------------------|----------------------|---------------|
| NOK 1 000                                      | Fair value          | Fair value           | Fair value    |
| Licences                                       | 75 335              | 67 894               | 93 391        |
| Property, plant & equipment                    | 9 374               | 3 269                | 9 532         |
| Financial assets                               | 249                 | 1 446                | -             |
| Current assets                                 | 34 264              | 37 893               | 57 432        |
| Liabilities                                    | -26 802             | -21 700              | -27 705       |
| Interest-bearing debt                          | -1 819              | -13 956              | -49 426       |
| Other current liabilities                      | -7 339              | -9 356               | -19 464       |
| <b>Net identifiable assets and liabilities</b> | <b>83 261</b>       | <b>65 490</b>        | <b>63 760</b> |
| <b>Goodwill from acquisitions</b>              | <b>28 799</b>       | <b>19 010</b>        | <b>25 447</b> |

Following its acquisition, Halsa Fiskeoppdrett had an impact on operating profit before fair value adjustment of the biomass in the amount of NOK 5,773,000 in 2007, while sales revenues were affected in the amount of NOK 46,285,000. Henden Fiskeoppdrett AS / Einar Rangøy AS had an impact on operating profit before fair value adjustment of the biomass in the amount of NOK -209,000, while sales revenues were affected in the amount of NOK 8,270,000. Arctic Salmon AS was consolidated with effect from 31 Dec 2007.

Goodwill comprises synergies deriving from acquisition and incorrect quantification of deferred tax on licences.

## ADJUSTMENT OF INITIAL RECOGNITION:

The assignment of acquisition cost in connection with business acquisitions is, as mentioned in the note above, provisional. In 2007 a final review of the fair value of assets and liabilities on the date Senja Sjøfarm AS was acquired in 2006 was carried out. This resulted in the reclassification of NOK 5 million from property, plant & equipment to licences. The reallocation had no impact on profit & loss.

| NOK 1 000   | Norskott<br>Havbruk AS | Trøndersk Kyst-<br>kompetanse | Volstad<br>Seafood AS | SUM            |
|---|------------------------|-------------------------------|-----------------------|----------------|
| <b>Companies recognised using the equity method</b> |                        |                               |                       |                |
| Original acquisition cost                           | 162 826                | 103                           | 6 238                 | 169 166        |
| Capitalised equity at time of acquisition           | 162 826                | 100                           | 1 237                 | 164 162        |
| Attributable excess value                           | 0                      | 0                             | 0                     | 0              |
| Goodwill  | 0                      | 0                             | 5 001                 | 5 001          |
| Opening balance 1 Jan 2008                          | 258 100                | 103                           | 0                     | 258 203        |
| - of which undepreciated excess value               | 0                      | 0                             | 0                     | 0              |
| - of which undepreciated goodwill                   | 0                      | 0                             | 0                     | 0              |
| Purchase of shares/investment                       | 0                      | 0                             | 6 238                 | 6 238          |
| Share of net profit                                 | 12 046                 | 0                             | 203                   | 12 248         |
| Depreciation of excess value                        | 0                      | 0                             | 0                     | 0              |
| Depreciation of goodwill                            | 0                      | 0                             | 0                     | 0              |
| Translation differences                             | -15 843                | 0                             | 0                     | -15 843        |
| Direct equity items                                 | -110                   | 0                             | -3 121                | -3 231         |
| Sale of assets                                      | 0                      | 0                             | 0                     | 0              |
| Transition to subsidiary                            | 0                      | 0                             | 0                     | 0              |
| <b>Closing balance 31 Dec 2008</b>                  | <b>254 193</b>         | <b>103</b>                    | <b>3 320</b>          | <b>257 615</b> |

None of the associated companies has shares listed on the stock exchange. Revenues from associated companies are presented on a separate line in the profit & loss account as the Group's share of net profit.

The key figures for significant investments still owned by the Group at year end are presented below.

|                  | Operating<br>revenues 2008 | Total assets<br>31.12.2008 | Total liabilities<br>31.12.08 | Net profit<br>2008 |
|------------------|----------------------------|----------------------------|-------------------------------|--------------------|
| Norskott Havbruk | 771 954                    | 1 204 764                  | 696 394                       | 24 091             |
| Volstad Seafood  | 437 028                    | 78 665                     | 83 611                        | 4 226              |

## Note 8 • Other financial assets

| FIXED ASSETS – SHARES IN OTHER COMPANIES |              | Book value | Book value   |
|--|--------------|------------|--------------|
| NOK 1 000                                | Shareholding | 2008       | 2007         |
| I.B.F AS                                 | 30,30% *     | 46         | 30           |
| Akva Kompetanse AS                       | 33,40% *     | 175        | 175          |
| Wibstad Transport AS                     | 16,55%       | 67         | 67           |
| Senja Fiskehelsetjeneste AS              | 40,90% *     | 95         | 95           |
| Aquagen AS                               | 0,66%        | 281        | 281          |
| Aqua Service AS                          | 25,00% *     | 203        | 203          |
| Other shares                             |              | 110        | 152          |
| <b>Total</b>                             |              | <b>975</b> | <b>1 001</b> |

Investments in other companies are classified as available for sale. Investments in other shares are valued at cost, since fair value cannot be reliably quantified.

\* Not treated as an associated company due to considerations of materiality.

## Note 9 • Inventory and biological assets

| NOK 1 000                                      | 2008             | 2007           |
|--|------------------|----------------|
| Raw materials                                  | 30 762           | 19 718         |
| Goods in progress (entirely biological assets) | 971 454          | 905 675        |
| Finished goods                                 | 67 006           | 44 261         |
| <b>Total</b>                                   | <b>1 069 222</b> | <b>969 654</b> |

Raw materials consist largely of feed for smolt and farmed fish. In addition, it includes raw materials used in processing as well as packaging. Stocks of biological assets are associated with SalMar's fish farming activities on land and in the sea. Finished goods comprise fresh and frozen whole salmon, as well as processed salmon products.

### BIOLOGICAL ASSETS IN MORE DETAIL

The way live fish are accounted for is governed by IAS 41 Agriculture. IAS 41 contains a method hierarchy for the valuation of biological assets for accounting purposes. The prime rule is that such assets shall be reported at fair value.

Fish in the sea (the biomass) with a live weight exceeding 4 kg on the balance sheet date are valued in the same way as fish that could be ready for harvesting. For fish weighing more than 4 kg live weight there is an active market for harvested salmon. This portion of the biomass is considered to be an asset of the same type as harvestable fish. Fair value of the biomass is calculated using the market price on the balance sheet date for the weight category concerned, adjusted for sales costs including harvesting costs and wastage. Adjustments are made in the market price for quality differences.

SalMar is of the opinion that an active market for fish which are not harvestable, ie fish in the sea with a live weight of less than 4 kg, does not exist. This fish is not ready for commercial harvesting. For this reason the fair value of unharvestable fish is calculated using the fair value of harvestable fish on the balance sheet date, adjusted for sales costs. Further adjustments are made to reflect the fact that the fish in their current state are not harvestable. This adjustment is made on the basis of the fish's relative size compared with harvestable fish. If fair value adjustments bring the value of the fish below self-cost, the biomass is valued at self-cost, unless a write-down is needed. Write-downs are performed if the actual net sales price is lower than accumulated cost price.

Smolt are valued at self-cost.



| NOK 1 000   | 2008           | 2007           |
|---|----------------|----------------|
| <b>Biological assets 1 Jan</b>                              | 905 675        | 701 017        |
| Increase due to production/purchase                         | 1 290 383      | 1 080 618      |
| Increase due to acquisitions                                | 0              | 94 384         |
| Reduction due to sale/harvesting                            | -1 191 607     | -1 064 578     |
| Fair value adjustment 1 Jan (reversed)                      | -250 450       | -156 216       |
| Fair value adjustment 31 Dec (new)                          | 217 454        | 250 450        |
| <b>Biological assets 31 Dec</b>                             | <b>971 454</b> | <b>905 675</b> |
| Biomass fish < 4 kg live weight (tonnes)                    | 26 516         | 19 124         |
| Biomass fish > 4 kg live weight (tonnes)                    | 14 821         | 19 110         |
| Change in fair value fish < 4 kg live weight (NOK 1 000)    | 89 875         | 68 839         |
| Change in fair value fish > 4 kg live weight (NOK 1 000)    | 127 580        | 181 611        |
| TOTAL change in fair value of biological assets (NOK 1 000) | 217 455        | 250 450        |
| Cost price biological assets (NOK 1 000)                    | 754 000        | 655 225        |
| <b>Book value of biological assets (NOK1 000)</b>           | <b>971 454</b> | <b>905 675</b> |

## Note 10 • Receivables, provisions for bad debts

The Group's receivables are recognised at amortised cost. Receivables in foreign currencies are recognised at the day rate.

| NOK 1 000  | 2008           | 2007           |
|--|----------------|----------------|
| Accounts receivable  | 149 682        | 147 753        |
| Provisions for bad debts   | -1 086         | -560           |
| Other short-term receivables   | 33 604         | 37 785         |
| Receivables from parent company  | 552            | 165            |
| Other long-term receivables  | 5 485          | 5 316          |
| <b>Total</b>   | <b>188 237</b> | <b>190 459</b> |
| "Other short-term receivables" includes prepaid costs totalling                            | 16 123         | 9 119          |
| "Other short-term receivables" includes VAT repayments totalling                           | 16 603         | 13 759         |
| "Other long-term receivables" includes sums falling due more than one year hence totalling | 3 611          | 3 014          |
| "Other long-term receivables" includes pension fund assets totalling                       | 1 835          | 1 119          |

Bad debts are classified as other operating expenses in the profit & loss account. Provisions for bad debts have been changed as follows:

| CHANGES IN PROVISIONS FOR BAD DEPT NOK 1000                                  | 2008         | 2007       |
|--|--------------|------------|
| OB   | 560          | 300        |
| Year's provisions for bad debts  | 529          | 388        |
| Year's actual bad debts  | -525         | -7         |
| Reversal of previous provisions  | -3           | -131       |
| Change in provisions for bad debts due to acquisition and sale of businesses | 0            | 10         |
| <b>CB</b>  | <b>1 086</b> | <b>560</b> |

Credit risk and foreign exchange risk relating to accounts receivable is discussed in more detail in Note 19.

As at 31 December the company had the following due, but unpaid accounts receivable:

|      | Total   | Not yet due | <30 d  | 30-60d | 60-90d | >90d  |
|------|---------|-------------|--------|--------|--------|-------|
| 2008 | 149 682 | 122 336     | 21 362 | 2 267  | 101    | 3 616 |
| 2007 | 147 753 | 112 351     | 33 202 | 471    | 377    | 1 352 |

## Note 11 • Share capital and shareholders

As at 31 Dec 2008 the parent company's share capital comprised:

| NOK 1 000       | No.         | Face value | Face value |
|-----------------|-------------|------------|------------|
| Ordinary shares | 103 000 000 | 0,25       | 25 750     |

### SHAREHOLDERS

The 20 largest shareholders in the company as at 31 Dec 2008 were:

|                                      | No.                | Share-holding  | Voting rights  |
|--------------------------------------|--------------------|----------------|----------------|
| Kverva AS                            | 55 000 000         | 53,40%         | 53,40%         |
| JP Morgan Chase Bank                 | 6 740 800          | 6,54%          | 6,54%          |
| Verdipapirfond Odin Norge            | 5 317 750          | 5,16%          | 5,16%          |
| Folketrygdfondet                     | 5 126 789          | 4,98%          | 4,98%          |
| Pareto Aksje Norge                   | 3 778 550          | 3,67%          | 3,67%          |
| Verdipapirfond Odin Norden           | 3 141 192          | 3,05%          | 3,05%          |
| LIN AS                               | 2 500 000          | 2,43%          | 2,43%          |
| Pareto Aktiv                         | 2 241 800          | 2,18%          | 2,18%          |
| BGL S/A                              | 1 322 508          | 1,28%          | 1,28%          |
| Centra Capital AS                    | 845 000            | 0,82%          | 0,82%          |
| Sparebanken Midt-Norge Invest        | 807 000            | 0,78%          | 0,78%          |
| SalMar ASA                           | 600 000            | 0,58%          | 0,58%          |
| Carnegie Aksje Norge III             | 555 732            | 0,54%          | 0,54%          |
| Verdipapirfondet Odin Global         | 500 000            | 0,49%          | 0,49%          |
| Holberg Norge                        | 495 200            | 0,48%          | 0,48%          |
| Aksjefondet Odin Norge II            | 438 700            | 0,43%          | 0,43%          |
| Northern Trust                       | 401 920            | 0,39%          | 0,39%          |
| Holberg Norden                       | 390 528            | 0,38%          | 0,38%          |
| Verdipapirfondet Odin Global SMB     | 375 000            | 0,36%          | 0,36%          |
| Carnegie Aksje Norge                 | 322 700            | 0,31%          | 0,31%          |
| <b>Total 20 largest shareholders</b> | <b>90 901 169</b>  | <b>88,25%</b>  | <b>88,25%</b>  |
| <b>Total other shareholders</b>      | <b>12 098 831</b>  | <b>11,75%</b>  | <b>11,75%</b>  |
| <b>Total no. of shares</b>           | <b>103 000 000</b> | <b>100,00%</b> | <b>100,00%</b> |

### SHARES OWNED BY MEMBERS OF THE BOARD AND THE CEO:

| Name                      | Position                 | No. of shares | Shareholding |
|---------------------------|--------------------------|---------------|--------------|
| Bjørn Flatgård *          | Chair                    | 1 958 000     | 2,00 %       |
| Gustav Witzøe **          | Director                 | 50 512 000    | 51,40%       |
| Synnøve G. Ervik          | Director                 | 1 000         | 0,00 %       |
| Marit Rolseth             | Director                 | 600           | 0,00 %       |
| Bjørn Ivan Espnes         | Director (employee rep.) | 1 200         | 0,00 %       |
| Leif Inge Nordhammer **** | CEO                      | 2 500 000     | 2,43 %       |

\* indirect ownership through family company GloMar AS, which owns shares in the Kverva Group.

\*\* indirect ownership through the parent company in the Kverva Group and includes shares owned by companies controlled by closely related parties

\*\*\* indirect ownership through LIN AS.

The board has been authorised to raise the share capital by up to NOK 7,500,000 by issuing up to 30,000,000 shares. The board's authorisation is valid until the 2009 AGM, or 30 June 2009 at the latest. The board is further authorised to buy back the company's own shares to a face value totalling NOK 2,575,000. The board's authorisation is valid until the 2009 AGM, or 30 June 2009 at the latest. The authorisation was exercised on 14 November 2008 to acquire 600,000 shares at a face value of NOK 150,000 at a price per share of NOK 31.

### DIVIDEND

The board has proposed a dividend of NOK 0.40 per share. If the AGM approves the proposed dividend, this will result in a total payout of NOK 41.2 million. The proposed dividend has not been recognised as a liability as at 31 December 2008.

## Note 12 • Pension costs, assets and liabilities

The company is obliged to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act, and has a pension scheme that fulfils the requirements of this legislation.

The Group switched from a defined-benefits pension scheme to a defined-contribution pension scheme in 2006. However, funds and liabilities relating to sick or disabled employees were retained. The defined-benefits scheme has 2 (6) remaining members. In addition, there are 9 (10) remaining pensioners in the defined-benefits scheme. The effect of the switch was posted to profit & loss in 2006. Certain companies within the Group also operate an early retirement scheme (AFP) for their employees. 450 (416) employees are covered by the AFP scheme. Liabilities with respect to this scheme are included in the Group's overall pension calculations. Premiums paid in connection with the defined-contribution scheme are charged to expenses as they accrue. A total of NOK 4,997,800 was charged to expenses in connection with the defined contribution pension scheme in 2008.

| NOK 1 000   | 2008         | 2007         | 2006           |
|---|--------------|--------------|----------------|
| Present value of the year's pensions accrual                              | 662          | 635          | 3 660          |
| Interest expense on pension liabilities                                   | 522          | 493          | 1 456          |
| Return on pension assets  | 470          | 457          | 1 240          |
| Expenses  | 152          | 144          | 237            |
| Accrued employers' national insurance contributions                       | 54           | 92           | -307           |
| Recognised losses/(gains) on estimates                                    | 269          | 311          | -28            |
| Termination of defined-benefits scheme                                    | 0            | 0            | -14 007        |
| <b>Net pension cost after employers' national insurance contributions</b> | <b>1 189</b> | <b>1 218</b> | <b>-10 230</b> |

|   |              |              |  |
|---|--------------|--------------|--|
| Accrued pension liabilities                         | 11 227       | 11 265       |  |
| Pension fund assets (fair value)                    | 7 019        | 8 238        |  |
| Liabilities assumed in connection with acquisitions | 0            | 0            |  |
| Accrued employers' national insurance contributions | 284          | 257          |  |
| Unrecognised effect of differences in estimates     | -896         | -544         |  |
| <b>Net pension liabilities</b>                      | <b>3 596</b> | <b>2 741</b> |  |

|   | Secured<br>(OPS) | Unsecured<br>(AFP) | Total        |
|---|------------------|--------------------|--------------|
| <b>2008</b>   |                  |                    |              |
| Accrued pension liabilities                         | 6 063            | 5 164              | 11 227       |
| Pension fund assets (fair value)                    | 7 019            | 0                  | 7 019        |
| Accrued employers' national insurance contributions | 0                | 284                | 284          |
| Unrecognised effect of differences in estimates     | -681             | -215               | -896         |
| <b>Net pension liabilities</b>                      | <b>-1 637</b>    | <b>5 233</b>       | <b>3 596</b> |

|   | Secured<br>(OPS) | Unsecured<br>(AFP) | Total        |
|---|------------------|--------------------|--------------|
| <b>2007</b>   |                  |                    |              |
| Accrued pension liabilities                         | 6 894            | 4 371              | 11 265       |
| Pension fund assets (fair value)                    | 8 238            | 0                  | 8 238        |
| Accrued employers' national insurance contributions | 0                | 257                | 257          |
| Unrecognised effect of differences in estimates     | -423             | -121               | -544         |
| <b>Net pension liabilities</b>                      | <b>-1 766</b>    | <b>4 507</b>       | <b>2 741</b> |

|  |     |       |
|--|-----|-------|
| Pensions paid already taken into account in the liability above                      | 467 | 492   |
| Investments in pension fund assets already taken into account in the liability above | 176 | 1 597 |

| Financial assumptions:  | 2008      | 2007      |
|---|-----------|-----------|
| Discount rate   | 4,50%     | 4,75%     |
| Expected salary adjustment  | 4,0-4,25% | 3,75-4,0% |
| Expected pension adjustment                                       | 2,00%     | 1,6-4,25% |
| Expected adjustment of National Insurance Scheme's basic unit (G) | 4,25%     | 4,25%     |
| Expected return on pension fund assets                            | 5,50%     | 5,75%     |
| Expected take-up rate AFP   | 50-70%    | 50-70%    |
| Voluntary exit (all ages)   | 5-10%     | 5-10%     |



## Note 13 • Interest-bearing debt

NOK 1 000

| <b>Long-term interest-bearing debt</b>                  | <b>2008</b>      | <b>2007</b>    |
|---|------------------|----------------|
| Debt to credit institutions                             | 791 271          | 721 636        |
| Next year's instalments on long-term debt               | -33 100          | -34 300        |
| Leasing liabilities                                     | 65 764           | 77 319         |
| Other long-term debt                                    | 0                | 0              |
| <b>Total long-term interest-bearing debt at 31 Dec</b>  | <b>823 935</b>   | <b>764 655</b> |
| <b>Short-term interest-bearing debt</b>                 |                  |                |
| Debt to credit institutions                             | 150 899          | 54 094         |
| Debt to parent company (Kverva AS)                      |                  |                |
| Next year's instalments on long-term debt               | 33 100           | 34 300         |
| <b>Total short-term interest-bearing debt at 31 Dec</b> | <b>183 999</b>   | <b>88 394</b>  |
| <b>Total interest-bearing debt</b>                      | <b>1 007 934</b> | <b>853 049</b> |
| Cash & cash equivalents                                 | 23 541           | 47 809         |
| <b>Net interest-bearing debt</b>                        | <b>984 393</b>   | <b>805 240</b> |

The table below shows the maturity structure of the Group's financial commitments, based on undiscounted contractual payments:

| <b>Remaining period</b>     | <b>Term remaining</b> |                    |                  |                    |              |
|-----------------------------|-----------------------|--------------------|------------------|--------------------|--------------|
| <b>31.12.2008</b>           | <b>1-3 months</b>     | <b>3-12 months</b> | <b>1-5 years</b> | <b>&gt;5 years</b> | <b>Total</b> |
| Interest-bearing bank loans | 9 025                 | 27 075             | 144 400          | 610 771            | 791 271      |
| Other debt                  | 3 766                 | 11 299             | 50 699           | -                  | 65 764       |
| Accounts payable            | 133 022               |                    |                  |                    | 133 022      |
| <b>31.12.2007</b>           |                       |                    |                  |                    |              |
| Interest-bearing bank loans | 8 275                 | 24 825             | 132 400          | 556 136            | 721 636      |
| Other debt                  | 4 054                 | 12 162             | 59 278           | 389                | 75 883       |
| Accounts payable            | 98 713                |                    |                  |                    | 98 713       |

### INTEREST-BEARING DEBT IN MORE DETAIL

SalMar ASA's main source of financing is a framework loan agreement of up to NOK 1,484 million, which was established in 2006/2008. As at 31 December 2008, NOK 661 million had been drawn on this facility. The loan agreement is divided into four tranches. Tranche A, with a balance of NOK 170 million, is interest-only and matures in six years. From Tranche B, a NOK 200 million revolving drawing facility, NOK 45 million had been drawn as at 31 December 2008. Tranche C, with a balance of NOK 125 million, is repayable over seven years. Tranche D, with a balance of NOK 321 million, has a 20-year instalment profile with final maturity in five years. Interest and instalments are paid quarterly. Interest terms are based on so-called "current terms" relating to NIBOR and a margin depending on the ratio between the Group's EBITDA and NIBD. This financing covers all companies within the Group, with the exception of companies in the SalMar Nord Group.

The SalMar Nord Group has its own financing scheme. During 2007/2008 a new main source of financing for SalMar Nord was established, with a total borrowing framework of NOK 522 million. The financing scheme is divided into two tranches, of which NOK 200 million (NOK 133.1 million drawn) is a group credit agreement and NOK 300 million (175.2 million drawn) is a revolving drawing facility. In addition, SalMar Nord AS has long-term debt totalling NOK 22 million. Interest terms are set quarterly and are based on so-called "current terms" relating to NIBOR and a margin.

Estimated annual instalments on leasing liabilities amount to NOK 20.8 million. Leasing agreements have an original term of 60-84 months.

### FINANCIAL COVENANTS

The most important financial covenants for the long-term financing of SalMar ASA are, respectively, a solvency requirement, which stipulates that the book value of the Group's equity ratio shall exceed 30% (down to 25% for a 12-month period), and a profitability requirement, which stipulates that the Group's interest-bearing debt to EBITDA ratio shall, on average, not exceed 4.5.

The most important financial covenants for the long-term financing of SalMar Nord AS are, respectively, a solvency requirement, which stipulates that the book value of the Group's equity ratio shall exceed 25%, and a borrowing base equalling the sum of 80% of accounts receivable and 70% of inventory.

## Note 14 • Tax

NOK 1 000

The tax expense for the year breaks down as follows:

|                                       | 2008          | 2007           | 2006           |
|---------------------------------------|---------------|----------------|----------------|
| Tax payable                           | 44 601        | 79 777         | 67 488         |
| Change in deferred tax                | 20 545        | 49 654         | 64 743         |
| Shortfall/excess tax provisions       | 728           | 0              | 0              |
| Tax effect of debt remission          | 0             | 0              | 0              |
| <b>Tax expense on ordinary profit</b> | <b>65 874</b> | <b>129 431</b> | <b>132 231</b> |

Tax payable in the balance sheet

|   |               |               |               |
|---|---------------|---------------|---------------|
| Tax payable                             | 46 099        | 79 777        | 67 488        |
| Tax on equity transactions              | 0             | -1 154        | 0             |
| Tax provisions                          | 172           | 11 244        | 11 519        |
| <b>Tax payable in the balance sheet</b> | <b>46 271</b> | <b>89 867</b> | <b>79 007</b> |

Specification of temporary differences

|  |                  |                  |                  |
|--|------------------|------------------|------------------|
| Intangible assets                                | 687 385          | 709 919          | 476 144          |
| Property, plant & equipment                      | 31 495           | 17 411           | 28 382           |
| Long-term financial assets                       | 1 929            | 2 322            | 19 546           |
| Inventory  | 989 556          | 901 418          | 675 237          |
| Receivables                                      | -2 525           | -551             | 2 817            |
| Current liabilities                              | 0                | -416             | 0                |
| Long-term liabilities                            | -3 690           | -4 115           | -227             |
| Gains/losses account                             | 16 646           | 17 909           | -579             |
| Losses carried forward                           | -25              | -801             | -861             |
| Unused share dividend payments                   | -10              | 0                | -95              |
| <b>TOTAL temporary differences</b>               | <b>1 720 761</b> | <b>1 643 096</b> | <b>1 200 363</b> |
| <b>Deferred tax liabilities (+) / assets (-)</b> | <b>481 813</b>   | <b>460 067</b>   | <b>336 102</b>   |

Reconciliation from nominal to actual tax rate

|                                  |               |                |                |
|----------------------------------|---------------|----------------|----------------|
| Profit before tax                | 234 702       | 481 260        | 577 316        |
| Expected tax at nominal tax rate | 65 717        | 134 753        | 161 648        |
| Permanent differences (28%)      | -758          | -5 322         | -29 417        |
| Shortfall/excess tax provisions  | 916           | 0              | 0              |
| Tax effect of debt remission     | 0             | 0              | 0              |
| <b>Calculated tax expense</b>    | <b>65 874</b> | <b>129 431</b> | <b>132 231</b> |
| Effective tax rate               | 28,1 %        | 26,9 %         | 22,9 %         |

## Note 15 • Mortgages and guarantees, etc

NOK 1 000

| RECOGNISED DEBT SECURED THROUGH LIENS, ETC                   | 2008             | 2007             |
|--|------------------|------------------|
| Short-term debt to credit institutions                       | 150 899          | 54 094           |
| Long-term debt to credit institutions                        | 791 271          | 721 636          |
| Other long-term debt   | 65 764           | 77 319           |
| <b>Total</b>   | <b>1 007 934</b> | <b>853 049</b>   |
| BOOK VALUE OF ASSETS PLEDGED AS SECURITY FOR RECOGNISED DEBT |                  |                  |
| Property, plant & equipment                                  | 1 330 200        | 1 357 557        |
| Shares   | 0                | 0                |
| Inventory  | 1 069 222        | 969 654          |
| Receivables  | 148 596          | 124 325          |
| <b>Total</b>   | <b>2 548 018</b> | <b>2 451 536</b> |

Leasing liabilities account for NOK 65,763,891 of capitalised long-term liabilities.

SalMar ASA stands surety for a total of NOK 17,000,000 with respect to a credit facility granted by Elcon Finans AS to SalMar Processing AS.

SalMar ASA has issued a guarantee for NOK 5,000,000 to Nord-Trøndelag E-verk on behalf of Follasmolt AS. The guarantee agreement was entered into 1 January 2004 and is reduced by NOK 250,000 per year. As at 31 December 2008 the remaining amount guaranteed totalled NOK 3,750,000.

SalMar ASA has issued guarantees to SalMar Nord AS's lenders that SalMar ASA will inject whatever equity may be necessary to ensure that SalMar Nord AS is at all times able to maintain an equity ratio of at least 25%.

In connection with the financing of the associated company Volstad Seafood AS, SalMar ASA has issued a guarantee to the company's lenders in the amount of NOK 27,000,000. SalMar ASA has further issued a guarantee for NOK 10,000,000 in connection with unused credit facilities granted to the subsidiary SalMar Japan K.K.

## Note 16 • Closely related parties/individual transactions

The Group's parent company is SalMar ASA. The overall parent company is Kverva AS, which owns 53.4% of the shares in SalMar ASA. Kverva AS prepares its own consolidated accounts in accordance with NGAAP.

### TRANSACTIONS INVOLVING CLOSELY RELATED PARTIES

| Closely related party        | Type of transaction                      | Size of transaction | Outstanding balance |
|------------------------------|--|---------------------|---------------------|
| Overall parent company       | (1) Size of outstanding balance          |                     | 552                 |
| Companies under same control | Size of outstanding balance              |                     | 0                   |
| Group subsidiaries           | (2) Internal re-invoicing by SalMar ASA  | 29 612              |                     |
|                              | (3) Intra-group interest charges         | 27 382              |                     |
|                              | (4) Size of internal outstanding balance |                     | 626 852             |
| Senior management & board    | See Note 3                               |                     |                     |

(1) Receivables from parent company on the balance sheet date.

(2) Internal re-invoicing by SalMar ASA of costs relating to services provided to subsidiaries. The amount is eliminated for consolidation.

(3) Interest charges incurred by group companies for use of group credit facilities. The amount is eliminated for consolidation.

(4) Sum of eliminated intra-group receivables and liabilities on the balance sheet date.

## Note 17 • Other off-balance sheet liabilities

### OPERATIONAL LEASING AGREEMENTS

The Group has entered into agreements for the lease of premises. These agreements are based primarily on investment cost, square metreage and interest rates. Under its contract with the Industrial Development Corporation of Norway (SIVA), the Group has a preferential right to sign a new contract for two further five-year leasing periods at market rates. The contract expires 1 July 2012. An option to purchase is associated with this agreement. A leasing contract has also been entered into with Wessel Invest AS, with the right to a 10-year extension at the same terms. The contract relates to the lease of the Kjørsvik Settefisk facility, and includes the lease of water rights. This contract expires 1 January 2014. In the event of a sale, the Group has the right of first refusal.

|                               | < 1 year | 2-5 years | > 5 years | Total  |
|-------------------------------|----------|-----------|-----------|--------|
| Total future leasing payments | 6 263    | 17 032    | 0         | 23 295 |

## Note 18 • Government grants

In 2008 group companies took no government grants to income in the 2008 financial year.  
A total of NOK 11,833 in SkatteFUNN contributions were taken to income in the 2007 financial year.

## Note 19 • Financial instruments

### FINANCIAL RISK

The Group has bank loans raised for the purpose of providing capital for investment in the company's business. In addition, the company has financial instruments such as accounts receivable, accounts payable, etc, which are ascribable directly to day-to-day business operations. For hedging purposes the company has certain forward currency contracts.

The company does not make use of financial instruments, including financial derivatives, for the purpose of speculation.

The most important financial risks to which the company is exposed are interest rate risk, foreign exchange risk, liquidity risk and credit risk. Company management monitors these risks on an ongoing basis, and draws up guidelines for how they are to be dealt with.

### MARKET RISK

#### Interest rate risk

The borrowing portfolio is currently at floating interest rates, which means that the Group is affected by changes in interest rates. Loans are capitalised at amortised cost, since the difference between amortised cost and fair value is negligible.

Given the financial instruments in effect on 31 December 2008, a 0.5% rise in the rate of interest would reduce the Group's profit by NOK 5,021,000 (NOK 4,027,000 in 2007).

#### Foreign exchange risk

Fluctuations in foreign exchange rates represent both a direct and indirect financial risk for the company. Revenues and assets denominated in foreign currencies are partly hedged through the use of forward contracts. Currency exposure relating to operations

is, however, limited by the fact that the purchase of input factors and the sale of products takes place largely in NOK. The use of forward currency contracts is described in Note 20.

Given the financial instruments in effect on 31 December 2008, a 5% fall in the value of NOK would increase the Group's profit by NOK 5,965,000 (NOK -3,933,000 in 2007).

### CREDIT RISK

The risk that counterparties do not have the financial strength to meet their obligations is considered low, since, historically, losses due to bad debts have been small. The Group has no material credit risk relating to individual counterparties or counterparties which may be considered a group due to similarities in the credit risk. The Group has guidelines to ensure that sales are made only to customers that have not previously had payment problems, and that outstanding balances do not exceed fixed credit limits. Part of the total accounts receivable is insured. The gross credit risk on the balance sheet date corresponds to the Group's receivables portfolio on the balance sheet date. See Note 10.

### LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure which is secured by means of established borrowing facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in the statement of cash flow. See Note 13 for details of the Group's available credit facilities. The term of the Group's interest-bearing debt is detailed in Note 13.



## CAPITAL STRUCTURE AND EQUITY

The prime objective of the Group's capital management is to ensure that it maintains a good credit rating, and thereby achieve borrowing terms which are reasonable with respect to its business operations. By ensuring a good debt-to-equity ratio the Group will support its business operations, and thereby maximise the value of the Group's shares.

The Group manages and makes changes to its capital structure in response to an ongoing assessment of the financial conditions under which the business operates, and its short and medium-term outlook, including any adjustment in dividend payouts, buyback of own shares, capital reduction or issue of new shares. No changes were made in the guidelines covering this area in 2008.

As at 31 Dec 2008 the Group had an equity ratio of 42.9% (45.0% as at 31 Dec 2007).

## Note 20 • Foreign exchange

The table below shows the company's forward currency contracts as at 31 December 2008. All contracts are for the sale of currency against NOK. Forward contracts are entered into to cover as much as possible of the foreign exchange risk associated with accounts receivable and sales contracts. Forward currency contracts are recognised at fair value in the balance sheet. The rules governing hedge accounting have not been used.

| Product      | Type | Currency | Currency amount | Currency period | Rate range      | Book value/<br>Fair value<br>NOK 1 000 |
|--------------|------|----------|-----------------|-----------------|-----------------|--|
| Forward      | Sale | EUR      | 5 688           | 1.1.09-14.1.10  | 8,895-9,777     | -4 087                                 |
| Forward      | Sale | JPY      | 708 000         | 20.1.09-30.7.09 | 0,05443-0,07434 | -11 426                                |
| Forward      | Sale | USD      | 7 400           | 1.1.09-28.9.09  | 5,8498-6,9974   | -6 028                                 |
| <b>Total</b> |      |          |                 |                 |                 | <b>-21 540</b>                         |

## Note 21 • Bank deposits

Bank deposits, cash and cash equivalents for the Group as at 31 Dec 200 includes NOK 10,361,214 in restricted funds. The corresponding figure for 2007 was NOK 8,651,583.

## Note 22 • Earnings per share

| NOK 1000   | 2008           | 2007           | 2006           |
|--|----------------|----------------|----------------|
| Net profit (majority share)  | 168 579        | 351 878        | 445 019        |
| IAS 41 Fair value adjustment of the biomass                          | 32 996         | - 94 234       | -63 676        |
| Tax on changes in value  | - 9 239        | 26 386         | 17 829         |
| <b>Adjusted net profit (majority share)</b>                          | <b>192 336</b> | <b>284 030</b> | <b>399 173</b> |
| Ordinary shares as at 1 Jan  | 103 000 000    | 100 000 000    | 100 000 000    |
| Effect of share issue  | -              | 1 956 164      | -              |
| Effect of buy-back of own shares                                     | -77 260        | -              | -              |
| Average no. of shares outstanding through the year                   | 102 922 740    | 101 956 164    | 100 000 000    |
| Effect of options granted  | 0              | 72 222         | -              |
| Average no. of diluted shares outstanding through the year           | 102 922 740    | 102 028 386    | 100 000 000    |
| <b>EARNINGS PER SHARE</b>  |                |                |                |
| Basic  | 1,64           | 3,45           | 4,45           |
| Diluted  | 1,64           | 3,45           | 4,45           |
| <b>EARNINGS PER SHARE AFTER FAIR VALUE ADJUSTMENT OF THE BIOMASS</b> |                |                |                |
| Basic  | 1,87           | 2,79           | 3,99           |
| Diluted  | 1,87           | 2,78           | 3,99           |

In 2008 SalMar ASA bought back 600,000 of its own shares. The buy-back was carried out at a price of NOK 31 per share.

SalMar ASA conducted a share issue in 2007. The company now has 103,000,000 shares. The share issue raised NOK 1 16,598,600 gross in new equity.



# SaIMar ASA FINANCIAL STATEMENT

## PROFIT AND LOSS ACCOUNT

|   |           | NOK 1000       | NOK 1000      |
|---|-----------|----------------|---------------|
| OPERATING REVENUES AND OPERATING EXPENSES       | NOTE      | 2008           | 2 007         |
| Sales revenues                                  | 2         | 29 612         | 32 234        |
| Other operating revenues                        |           | 0              | 338           |
| <b>Total operating revenues</b>                 |           | <b>29 612</b>  | <b>32 572</b> |
| Cost of goods sold                              |           | 0              | 0             |
| Inventory                                       |           | 0              | 0             |
| Salary & payroll costs                          | 3, 10, 15 | 20 830         | 28 559        |
| Depreciation of PP&E and intangible assets      | 4         | 271            | 224           |
| Other operating expenses                        | 3         | 11 899         | 8 214         |
| <b>Total operating expenses</b>                 |           | <b>32 999</b>  | <b>36 997</b> |
| <b>Operating profit/loss</b>                    |           | <b>-3 387</b>  | <b>-4 425</b> |
| FINANCIAL INCOME AND FINANCIAL EXPENSES         |           |                |               |
| Income from investments in subsidiaries         | 5         | 98 000         | 100 000       |
| Income from investments in associated companies |           | 45 000         | 0             |
| Interest received from group companies          |           | 27 382         | 23 652        |
| Other interest income                           |           | 1 597          | 3 421         |
| Other financial income                          |           | 0              | 27            |
| Write-down of financial assets                  |           | 0              | 0             |
| Interest paid to group companies                |           | 0              | 0             |
| Other interest expenses                         |           | 47 964         | 34 863        |
| Other financial expenses                        |           | 770            | 5 315         |
| <b>Net financial items</b>                      |           | <b>123 245</b> | <b>86 922</b> |
| <b>Profit before tax</b>                        |           | <b>119 857</b> | <b>82 497</b> |
| Tax   | 12        | 22 320         | 24 885        |
| <b>NET PROFIT FOR THE YEAR</b>                  |           | <b>97 537</b>  | <b>57 613</b> |
| TRANSFER OF FUNDS                               |           |                |               |
| Dividend provisions                             |           | 41 200         | 113 300       |
| Transferred to/from other equity                |           | 56 337         | -55 687       |
| <b>TOTAL funds transferred</b>                  | <b>9</b>  | <b>97 537</b>  | <b>57 613</b> |
| Group contributions received before tax         |           | 98 000         | 100 000       |

# BALANCE Sheet as

AT 31 DECEMBER

|  |              | NOK 1000         | NOK 1000         |
|--|--------------|------------------|------------------|
| ASSETS   | NOTE         | 2008             | 2 007            |
| <b>Fixed assets</b>                              |              |                  |                  |
| <b>Intangible assets</b>                         |              |                  |                  |
| Licences, patents, etc                           |              | 0                | 0                |
| Deferred tax assets                              |              | 0                | 0                |
| <b>Total intangible assets</b>                   |              | <b>0</b>         | <b>0</b>         |
| <br>PROPERTY, PLANT & EQUIPMENT                  |              |                  |                  |
| Land, buildings and other real estate            | 4            | 541              | 541              |
| Machines, equipment and operating consumables    | 4            | 449              | 453              |
| Vessels, vehicles, etc                           | 4            | 770              | 928              |
| <b>Total property, plant &amp; equipment</b>     | <b>4, 14</b> | <b>1 760</b>     | <b>1 922</b>     |
| <br>LONG-TERM FINANCIAL ASSETS                   |              |                  |                  |
| Investments in subsidiaries                      | 5            | 435 127          | 421 980          |
| Loans to group companies                         | 7, 11, 14    | 311 795          | 270 930          |
| Investments in associated companies              |              | 169 127          | 162 890          |
| Loans to associated companies and joint ventures |              | 0                | 0                |
| Investments in stocks and shares                 | 6            | 193              | 193              |
| Pension fund assets                              | 10           | 0                | 0                |
| Other receivables                                | 7            | 1 839            | 1 742            |
| <b>Total long-term financial items</b>           |              | <b>918 082</b>   | <b>857 735</b>   |
| <b>Total fixed assets</b>                        |              | <b>919 842</b>   | <b>859 658</b>   |
| <br>CURRENT ASSETS                               |              |                  |                  |
| Inventory  |              | 0                | 0                |
| <b>Total inventory</b>                           |              | <b>0</b>         | <b>0</b>         |
| <br>RECEIVABLES                                  |              |                  |                  |
| Accounts receivable                              | 14           | 0                | 48               |
| Receivables from parent company                  |              | 84               | 88               |
| Other receivables                                | 11, 14       | 193 378          | 121 587          |
| <b>Total receivables</b>                         |              | <b>193 461</b>   | <b>121 722</b>   |
| <br>Bank deposits, cash & cash equivalents       | 17           | 572              | 175 157          |
| <b>Total current assets</b>                      |              | <b>194 033</b>   | <b>296 880</b>   |
| <b>TOTAL ASSETS</b>                              |              | <b>1 113 875</b> | <b>1 156 537</b> |



NOK 1 000

NOK 1 000

| EQUITY AND LIABILITIES                   | NOTE     | 2008             | 2 007            |
|--|----------|------------------|------------------|
| EQUITY                                   |          |                  |                  |
| PAID-IN EQUITY                           |          |                  |                  |
| Share capital                            | 8, 9     | 25 750           | 25 750           |
| Own shares                               | 9        | -150             | 0                |
| Share premium fund                       | 9        | 112 880          | 112 880          |
| Other paid-in capital                    | 9        | 17 617           | 8 613            |
| <b>Total paid-in capital</b>             |          | <b>156 097</b>   | <b>147 243</b>   |
| RETAINED EARNINGS                        |          |                  |                  |
| Other equity                             | 9        | 58 146           | 20 352           |
| <b>Total retained earnings</b>           |          | <b>58 146</b>    | <b>20 352</b>    |
| <b>Total equity</b>                      | <b>9</b> | <b>214 243</b>   | <b>167 595</b>   |
| LIABILITIES                              |          |                  |                  |
| PROVISIONS                               |          |                  |                  |
| Pension liabilities                      | 10       | 0                | 0                |
| Deferred tax liabilities                 | 12       | 745              | 378              |
| <b>Total provisions</b>                  |          | <b>745</b>       | <b>378</b>       |
| OTHER LONG-TERM LIABILITIES              |          |                  |                  |
| Debt to credit institutions              | 13, 14   | 616 000          | 608 900          |
| Other long-term liabilities              | 13, 14   | 0                | 0                |
| <b>Total other long-term liabilities</b> |          | <b>616 000</b>   | <b>608 900</b>   |
| CURRENT LIABILITIES                      |          |                  |                  |
| Debt to credit institutions              | 13, 14   | 151 385          | 0                |
| Accounts payable                         |          | 2 454            | 639              |
| Tax payable                              | 12       | 22 139           | 24 703           |
| Dividend                                 | 8, 9     | 41 200           | 113 300          |
| Public charges payable                   |          | 748              | 4 578            |
| Other current liabilities                | 11       | 64 961           | 236 445          |
| <b>Total current liabilities</b>         |          | <b>282 888</b>   | <b>379 665</b>   |
| <b>Total liabilities</b>                 |          | <b>899 633</b>   | <b>988 942</b>   |
| <b>TOTAL EQUITY AND LIABILITIES</b>      |          | <b>1 113 875</b> | <b>1 156 537</b> |



Bjørn Flatgård  
Chairman



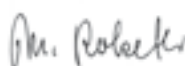
Gustav Witzøe  
Director



Synnøve G. Ervik  
Director



Kjell A. Storeide  
Director



Marit Rolseth  
Director



Leif Inge Nordhammer  
President & CEO



Bjørn Ivan Espnes  
Director/ Employee representative

# Statement of CASH FLOW

|  | NOK 1000        | NOK 1000       |
|--|-----------------|----------------|
|  | 2008            | 2007           |
| <b>CASH FLOW FROM OPERATING ACTIVITIES</b>                     |                 |                |
| Profit before tax  | 117 255         | 82 497         |
| Tax paid during the year                                       | -24 532         | 0              |
| Ordinary depreciation  | 271             | 224            |
| Recognised dividend from associated companies                  | -45 000         | 0              |
| Gain/loss on sale of shares                                    | 0               | -16            |
| Gain/loss on sale of fixed assets                              | 0               | 0              |
| Group contribution recognised                                  | -98 000         | -100 000       |
| Group contribution received                                    | 100 000         | 21 517         |
| Share options  | 5 458           | 6 547          |
| Change in inventory  | 0               | 0              |
| Change in accounts receivable                                  | 52              | 36             |
| Change in accounts payable                                     | 1 815           | -1 086         |
| Change in other time-limited items                             | -3 584          | 22 539         |
| <b>Net cash flow from operating activities</b>                 | <b>53 735</b>   | <b>32 257</b>  |
| <b>CASH FLOW FROM INVESTING ACTIVITIES</b>                     |                 |                |
| Proceeds from sale of property, plant & equipment              | 0               | 0              |
| Payments for purchase of property, plant & equipment           | -108            | -402           |
| Change in intra-group balances                                 | -241 468        | -33 316        |
| Proceeds from sale of long-term financial assets               | 0               | 26             |
| Payments for purchase of long-term financial assets            | -13 237         | 0              |
| <b>Net cash flow from investing activities</b>                 | <b>-254 813</b> | <b>-33 692</b> |
| <b>CASH FLOW FROM FINANCING ACTIVITIES</b>                     |                 |                |
| New long-term debt   | 40 200          | 112 000        |
| Repayment of long-term debt                                    | -33 100         | -33 100        |
| Net change in overdraft  | 151 385         | -15 350        |
| Change in debt to parent company                               | 0               | 208            |
| Net receipts from share issue                                  | 0               | 112 476        |
| Buy-back of own shares   | -18 693         | 0              |
| Dividend (paid)  | -113 300        | 0              |
| <b>Net cash flow from financing activities</b>                 | <b>26 492</b>   | <b>176 233</b> |
| Net change in bank deposits, cash & cash equivalents           | -174 586        | 174 798        |
| Bank deposits, cash & cash equivalents as at 1 Jan             | 175 157         | 360            |
| <b>Bank deposits, cash &amp; cash equivalents as at 31 Dec</b> | <b>572</b>      | <b>175 157</b> |
| Unused drawing rights  | 815 000         | 354 404        |





# NOTES to the financial statements 2008

## Note 1 • Accounting principles

The financial statements have been drawn up in accordance with the 1998 Accounting Act and NGAAP. The accounting principles described below are applied only to the parent company SalMar ASA. Notes relating to the SalMar Group are presented in conjunction with the Group's consolidated accounts.

### USE OF ESTIMATES

Preparation of the financial accounts in accordance with generally accepted accounting practice requires that management make evaluations, estimates and assumptions that affect the application of accounting principles and the book value of assets and liabilities in the balance sheet, figures for revenue and expenses for the financial year, as well as information regarding uncertain assets and liabilities on the balance sheet date. Estimates and their underlying assumptions are based on historical experience and other factors that have been assessed as being relevant and probable at the time the evaluations are made. These evaluations affect the book value of the assets and liabilities where the valuation is not based on other sources. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period the changes occur.

### CLASSIFICATION AND EVALUATION OF BALANCE SHEET ITEMS

Liquid assets means bank deposits and cash. Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets and normally include items which fall due for payment in less than one year, as well as items which form part of the production cycle. Similar criteria are used when classifying long-term and current liabilities.

Fixed assets are recognised at acquisition cost. If the recoverable value of a fixed asset is lower than its book value, and the impairment is not expected to be of a temporary nature, the asset is written down to recoverable value. Fixed assets with a finite economic lifespan are depreciated systematically.

Current assets are recognised at the lower of acquisition cost and fair value. Other long-term liabilities and current liabilities are recognised at face value.

### REVENUES

Sales revenues are recognised when they are earned, ie when both risk and control have largely been transferred to the customer. This will normally be the case when the goods have been delivered to the customer. Revenues are recognised at the value of the consideration on the date the transaction took place. Services are taken to income as they are performed. Operating revenues are reported net of all charges, discounts, bonuses and other sales costs.

### GOVERNMENT GRANTS

Operating grants are allocated periodically and classified together with the revenue they are intended to augment or the expense they are intended to reduce.

### RECEIVABLES

Accounts receivable and other receivables are recognised at face value less a provi-

sion for bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned.

### PROPERTY, PLANT & EQUIPMENT

Property, plant & equipment are capitalised at historic cost and are depreciated over the asset's expected lifespan. Direct maintenance costs are recognised as operating expenses as they accrue, while additions and improvements are added to the asset's cost price and depreciated in line with the asset concerned. If the recoverable value of an asset is lower than its book value, it is written down to recoverable value. Recoverable value is the higher of net sales value and value in use. Value in use is the present value of future cash flows generated by the asset.

### SHARES

Subsidiaries, associated companies and other shares classified as fixed assets are recognised in accordance with the cost method. Subsidiaries are companies in which SalMar ASA has a controlling influence in law or in fact. A controlling interest is deemed to exist when direct or indirect ownership exceeds 50% of the voting capital. Associated companies are companies in which SalMar ASA has a considerable influence. Considerable influence is normally deemed to exist when the company owns 20-50% of the voting capital. Investments are recognised at the acquisition cost of the shares concerned unless a write-down



has been necessary. Write-downs to fair value are performed when an impairment is due to causes which cannot be assumed to be of a temporary nature and where to do so must be deemed necessary with respect to generally accepted accounting practice. Write-downs are reversed when the cause of the write-down no longer exists.

Dividend and other payments are recognised as other financial income. If dividend exceeds the share of retained profit after acquisition, the excess amount represents a repayment of invested capital and the payout is deducted from the value of the investment in the balance sheet.

#### PENSIONS

In 2006 the company switched to a defined-contribution occupational pension scheme. Pension premiums are charged to expenses as they accrue, and the company has no obligations over and above the annual contribution. In connection with the termination of the defined-benefits

pension scheme, the net change in liabilities and pension fund assets, as well as unamortised differences in estimates, were posted to profit & loss.

#### SHARE-BASED INCENTIVES

The fair value of share options is set on the date they are granted, using accepted valuation models adapted to the characteristics of the options in question. The value of the options thus set is posted to profit & loss periodically over the option's accrual period, with a corresponding increase in paid-in equity. The accrual period is the period from the establishment of the scheme until the options are fully accrued. The value of options relating to employees of subsidiary companies is recognised as an investment in subsidiaries.

#### TAX

The tax expense is matched against the profit/loss before tax as it appears in the accounts. Tax ascribable to equity transactions is taken to equity. The tax expense

comprises tax payable (tax on the year's direct taxable income) and changes in net deferred tax. Deferred tax is calculated at the rate of 28% on the basis of temporary differences between accounting and taxable values, as well as the taxable loss carried forward at the end of the financial year. Deferred tax liabilities and deferred tax assets are presented net in the balance sheet.

#### STATEMENT OF CASH FLOW

The company's statement of cash flow shows a breakdown of the company's overall cash flow into operating, investing and financing activities. The statement shows the individual activity's impact on liquid assets. The statement of cash flow has been drawn up using the indirect method.

#### CHANGE IN ACCOUNTING PRINCIPLE AND COMPARABLE FIGURES

The figures presented for last year's accounts are comparable.

## Note 2 • Sales revenues

The parent company SalMar ASA is a holding company which primarily provides administrative services to its subsidiaries. The parent company's revenues derive therefore from only one business area.

## Note 3 • Salaries and payroll costs, no. of employees, remunerations, loans to employees, etc

| SALARIES AND PAYROLL COSTS                       | 2008          | 2007          |
|--|---------------|---------------|
| NOK 1 000  |               |               |
| Salaries, including holiday pay and bonuses      | 14 773        | 20 125        |
| Employers' national insurance contributions      | 612           | 1 216         |
| Pension costs                                    | 366           | 518           |
| Options  | 2 856         | 6 547         |
| Other benefits                                   | 2 222         | 153           |
| <b>Total</b>                                     | <b>20 830</b> | <b>28 559</b> |
| Total employed (man-years) in the financial year | 14            | 14            |

#### REMUNERATION TO SENIOR EXECUTIVES AND THE AUDITOR

For details of remuneration paid to senior executives, see Note 3 to the consolidated financial statements.

#### SHARE OPTIONS

Seven employees of the company received a total of 1,225,000 options to purchase company shares. The CEO and members of the board do not have options. An additional seven people employed by subsidiaries received a total of 775,000 options to purchase company shares. Option costs associated with subsidiary employees are charged as expenses by the respective subsidiaries with effect from 2008. Option costs associated with subsidiary employees for 2007 totalling NOK 2,602 reduced the option costs for the year. For more details concerning the company's option scheme, see Note 3 to the consolidated financial statements.

## AUDITOR

Fees paid to the auditor (ex. VAT) break down as follows:

| NOK 1 000                    | 2008       | 2007       |
|------------------------------|------------|------------|
| Statutory auditing           | 165        | 247        |
| Other certification services | 14         | 11         |
| Tax advisory services        | 6          | 5          |
| Other services               | 64         | 111        |
| <b>Total</b>                 | <b>248</b> | <b>373</b> |

## Note 4 • Property, plant &amp; equipment

| NOK 1 000  | Real estate | Operating equipment, fixtures, etc | Vessels, vehicles, etc | TOTAL        |
|--|-------------|------------------------------------|------------------------|--------------|
| Acquisition cost 1 Jan 2008                              | 541         | 1 457                              | 1 338                  | 3 336        |
| Additions  | 0           | 108                                | 0                      | 108          |
| Disposals  | 0           | 0                                  | 0                      | 0            |
| <b>Acquisition cost 31 Dec 2008</b>                      | <b>541</b>  | <b>1 565</b>                       | <b>1 338</b>           | <b>3 444</b> |
| Acc. dep & write-downs 1 Jan 2008                        | 0           | 1 004                              | 410                    | 1 414        |
| Depreciation   | 0           | 113                                | 158                    | 271          |
| Write-downs  | 0           | 0                                  | 0                      | 0            |
| Reversed write-downs                                     | 0           | 0                                  | 0                      | 0            |
| Acc. depreciation 31 Dec 2008                            | 0           | 1 117                              | 567                    | 1 684        |
| Net accumulated and reversed Write-downs 31 Dec 2008     | 0           | 0                                  | 0                      | 0            |
| Acc. dep, write-downs & reversed write-downs 31 Dec 2008 | 0           | 1 117                              | 567                    | 1 684        |
| <b>Bokført verdi pr. 31.12.08</b>                        | <b>541</b>  | <b>449</b>                         | <b>770</b>             | <b>1 760</b> |
| <b>Economic lifespan</b>                                 |             | <b>7-20 years</b>                  | <b>5-14 years</b>      |              |
| Depreciation plan  |             | Straight-line                      | Straight-line          |              |
| Gains/losses on sale of fixed assets                     | 0           | 0                                  | 0                      | 0            |
| Annual rental of non-capitalised operating assets        | 247         | 60                                 | 0                      | 307          |

## Note 5 • Subsidiaries, associated companies, etc

Subsidiaries and associated companies are recognised at cost - NOK 1 000

| COMPANY                                 | Consolidate yes/no | Registered office | Voting share | Book value in SalMar ASA |
|---|--------------------|-------------------|--------------|--------------------------|
| Follasmolt AS                           | YES                | Kverva            | 100%         | 20 100                   |
| SalMar Farming AS                       | YES                | Kverva            | 100%         | 82 989                   |
| SalMar Nord AS (tidl. Senja Sjøfarm AS) | YES                | Senja             | 100%         | 314 946                  |
| SalMar Processing AS                    | YES                | Kverva            | 100%         | 5 077                    |
| Astamarin AS                            | YES                | Kverva            | 100%         | 5 015                    |
| SalMar - tunet AS                       | YES                | Kverva            | 100%         | 7 000                    |
| <b>TOTAL subsidiaries</b>               |                    |                   |              | <b>435 127</b>           |
| Norskott Havbruk AS                     | NO                 | Bergen            | 50%          | 162 787                  |
| Volstad Seafood AS                      | NO                 | Ålesund           | 34%          | 6 238                    |
| Trøndersk Kystkompetanse AS             | NO                 | Dyrvik            | 20%          | 103                      |
| <b>TOTAL associated companies</b>       |                    |                   |              | <b>169 127</b>           |

| COMPANY                     | Recognised Dividend | Equity in last year-end accounts | Profit in last year-end accounts |
|-----------------------------|---------------------|----------------------------------|----------------------------------|
| Norskott AS                 | 45 000              | 512 434                          | 16 569                           |
| Volstad Seafood AS          | 0                   | 8 047                            | 4 226                            |
| Trøndersk Kystkompetanse AS | 0                   | 500                              | 0                                |

|  |               |                |
|--|---------------|----------------|
| SalMar ASA has taken to revenue group contributions from the following subsidiaries: | 2008          | 2007           |
| <b>NOK 1 000</b>   |               |                |
| - Follasmolt AS  | 5 000         | 0              |
| - SalMar Farming AS  | 90 000        | 100 000        |
| - SalMar Processing AS   | 3 000         | 0              |
| <b>TOTAL</b>   | <b>98 000</b> | <b>100 000</b> |

## Note 6 • Other financial assets

FIXED ASSETS  
SHARES IN OTHER COMPANIES

The specification includes all shareholdings  
of less than 20% as at 31 Dec 2008 - NOK 1 000

|                                 | Shareholding | Book value |
|---------------------------------|--------------|------------|
| Aquagen AS                      | 0,19%        | 181        |
| Hitra Frøya Fastlandssamband AS | -            | 3          |
| Frøya Flyplass DA               | -            | 10         |
| <b>TOTAL</b>                    |              | <b>193</b> |

## Note 7 • Receivables falling due more than one year hence

|                          |             |             |
|--------------------------|-------------|-------------|
| <b>NOK 1 000</b>         | <b>2008</b> | <b>2007</b> |
| Other receivables        | 143         | 143         |
| Loans to employees       | 1 697       | 1 599       |
| Loans to group companies | 311 795     | 270 930     |

## Note 8 • Share capital and shareholders

As at 31 Dec 2008 the company's share capital was made up of:

|                 | No.         | NOK  | NOK 1 000 |
|-----------------|-------------|------|-----------|
| Ordinary shares | 103 000 000 | 0,25 | 25 750    |

For an overview of the largest shareholders and senior executives' shareholdings, see Note 11 to the consolidated financial statements.

### DIVIDEND

The board has proposed a dividend of NOK 0.40 per share. If the AGM approves the proposed dividend, this will result in a total payout of NOK 41.2 million. The proposed dividend has been recognised as a liability as at 31 December 2008.

## Note 9 • Equity

| Paid-in equity - NOK 1 000        | Share capital | Own shares  | Share premium fund | Other paid-in equity |
|-----------------------------------|---------------|-------------|--------------------|----------------------|
| Equity as at 1 Jan 2008           | 25 750        | 0           | 112 880            | 8 613                |
| <b>Change in equity:</b>          |               |             |                    |                      |
| Share options                     | 0             | 0           | 0                  | 9 004                |
| Buy-back of own shares            | 0             | -150        | 0                  | 0                    |
| Group contributions paid/received | 0             | 0           | 0                  | 0                    |
| <b>Equity as at 31 Dec 2008</b>   | <b>25 750</b> | <b>-150</b> | <b>112 880</b>     | <b>17 617</b>        |

|                                      | Fund for<br>evaluation<br>differences | Other<br>equity | Total retained<br>earnings |
|--------------------------------------|---------------------------------------|-----------------|----------------------------|
| <b>Retained earnings - NOK 1 000</b> |                                       |                 |                            |
| Equity as at 1 Jan 2008              | 0                                     | 20 352          | 20 352                     |
| Net profit                           |                                       | 97 537          | 97 537                     |
| Group contributions paid/received    | 0                                     | 0               | 0                          |
| Buy-back of own shares               | 0                                     | -18 543         | -18 543                    |
| Dividend                             | 0                                     | -41 200         | -41 200                    |
| <b>Equity as at 31 Dec 2008</b>      | <b>0</b>                              | <b>58 146</b>   | <b>58 146</b>              |

## Note 10 • Pension costs

The company is obliged to maintain an occupational pension scheme under the Mandatory Occupational Pensions Act, and has a pension scheme that fulfils the requirements of this legislation. The company does not operate any defined-benefit pension schemes.

Premiums relating to the defined-contribution scheme are charged to expenses as they accrue. NOK 366 000 was charged to expenses in connection with the defined-contribution scheme in 2008.

## Note 11 • Intra-group balances, etc

| NOK 1 000            | Loans<br>2008  | Loans<br>2007  | Other receivables<br>2008 | Other receivables<br>2007 |
|----------------------|----------------|----------------|---------------------------|---------------------------|
| Group companies      | 311 795        | 270 930        | 131 622                   | 103 393                   |
| Associated companies | 0              | 0              | 0                         | 0                         |
| <b>Total</b>         | <b>311 795</b> | <b>270 930</b> | <b>131 622</b>            | <b>103 393</b>            |

| NOK 1 000            | Other current liabilities<br>2008 | Other current liabilities<br>2007 | Group contributions<br>2008 | Group contributions<br>2007 |
|----------------------|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| Group companies      | 62 527                            | 232 901                           | 0                           | 0                           |
| Associated companies | 0                                 | 0                                 | 0                           | 0                           |
| <b>Total</b>         | <b>62 527</b>                     | <b>232 901</b>                    | <b>0</b>                    | <b>0</b>                    |

## Note 12 • Tax

|   |               |               |
|---|---------------|---------------|
| THE TAX EXPENSE FOR THE YEAR BREAKS DOWN AS FOLLOWS - NOK 1 000 | 2008          | 2007          |
| Tax payable   | 22 140        | 25 875        |
| Change in deferred tax  | 368           | -988          |
| Shortfall/excess tax provisions                                 | -187          | -3            |
| <b>Tax expense on ordinary profit</b>                           | <b>22 320</b> | <b>24 885</b> |
| CALCULATION OF TAXABLE INCOME                                   |               |               |
| Profit before tax   | 119 857       | 82 497        |
| Permanent differences   | -39 472       | 6 388         |
| Change in temporary differences                                 | -1 313        | 3 527         |
| Group contributions received/paid                               | 0             | 0             |
| Tax loss carried forward  | 0             | 0             |
| <b>Year's taxable income</b>                                    | <b>79 073</b> | <b>92 412</b> |
| TAX PAYABLE IN THE BALANCE SHEET                                |               |               |
| Tax payable for the year  | 22 140        | 25 875        |
| Tax on group contributions paid                                 | 0             | 0             |
| Change in tax payable previous years                            | -1            | -18           |
| Tax on equity transactions                                      | 0             | -1 154        |
| <b>Tax payable in the balance sheet</b>                         | <b>22 139</b> | <b>24 703</b> |



| SPECIFICATION OF TEMPORARY DIFFERENCES           | 2008          | 2007          |
|--|---------------|---------------|
| Operating assets, incl. goodwill                 | 659           | 736           |
| Leased assets & leasing liabilities              | 0             | 0             |
| Long-term financial assets                       | 0             | 0             |
| Inventory  | 0             | 0             |
| Receivables                                      | 1 350         | 0             |
| Current liabilities                              | 0             | -203          |
| Long-term liabilities                            | 0             | 0             |
| Gains/losses account                             | 652           | 816           |
| Losses carried forward                           | 0             | 0             |
| Unused share dividend payments                   | 0             | 0             |
| <b>TOTAL temporary differences</b>               | <b>2 661</b>  | <b>1 349</b>  |
| <b>Deferred tax liabilities (+) / assets (-)</b> | <b>745</b>    | <b>378</b>    |
| RECONCILIATION FROM NOMINAL TO ACTUAL TAX RATE   | 2008          | 2007          |
| Profit before tax                                | 119 857       | 82 497        |
| Expected tax at nominal tax rate                 | 33 560        | 23 099        |
| Permanent differences (28%)                      | -11 052       | 1 789         |
| Shortfall/ excess tax provisions                 | -187          | -3            |
| <b>Calculated tax expense</b>                    | <b>22 320</b> | <b>24 885</b> |
| <b>Effective tax rate</b>                        | <b>18,6 %</b> | <b>30,2 %</b> |

## Note 13 • Liabilities

|  |                |                |
|--|----------------|----------------|
| DEBT FALLING DUE MORE THAN FIVE YEARS<br>AFTER THE END OF THE FINANCIAL YEAR - NOK 1 000 | 2008           | 2007           |
| Debt to credit institutions  | 450 500        | 443 400        |
| Other long-term liabilities  | 0              | 0              |
| <b>Total other long-term liabilities</b>   | <b>450 500</b> | <b>443 400</b> |

### LOAN REPAYMENT PROFILE

In December 2006 SalMar signed a new loan agreement. The loan agreement is divided into four tranches, with varying quarterly repayment profiles. Interest terms are based on so-called "current terms".

### FINANCIAL COVENANTS

The most important financial covenants with respect to SalMar ASA's long-term financing are, respectively, a solvency requirement which stipulates that the Group's book equity ratio must exceed 30% (down to 25% for a 12-month period), and a profit requirement which stipulates that the company's average interest-bearing debt to EBITDA ratio shall not exceed 4.5.

See note 13 to consolidated financial statements for further information on the company's financing facilities.

## Note 14 • Liens and guarantees, etc

| RECOGNISED DEBT SECURED THROUGH LIENS, ETC - NOK 1 000 | 2008           | 2007           |
|--|----------------|----------------|
| Short-term debt to credit institutions                 | 0              | 0              |
| Long-term debt to credit institutions                  | 616 000        | 608 900        |
| Other long-term liabilities                            | 0              | 0              |
| <b>Total</b>   | <b>616 000</b> | <b>608 900</b> |

| BOOK VALUE OF ASSETS PLEDGED AS SECURITY FOR RECOGNISED DEBT - NOK 1 000 | 2008           | 2007           |
|--|----------------|----------------|
| Property, plant & equipment  | 1 760          | 1 922          |
| Shares   | 435 127        | 421 980        |
| Inventory  | 0              | 0              |
| Receivables  | 490 339        | 485 004        |
| <b>Total</b>   | <b>927 226</b> | <b>908 906</b> |

SalMar ASA stands surety for a total of NOK 17,000,000 with respect to a credit facility granted by Elcon Finans AS to SalMar Processing AS.

SalMar ASA has issued a guarantee for NOK 5,000,000 to Nord-Trøndelag E-verk on behalf of Follasmolt AS. The guarantee agreement was entered into 1 January 2004 and is reduced by NOK 250,000 per year. As at 31 December 2008 the remaining amount guaranteed totalled NOK 3,750,000.

SalMar ASA has issued guarantees to SalMar Nord AS's lenders that SalMar ASA will inject whatever equity may be necessary to ensure that SalMar Nord AS is at all times able to maintain an equity ratio of at least 25%.

In connection with the financing of the associated company Volstad Seafood AS, SalMar ASA has issued a guarantee to the company's lender in the amount of NOK 27,000,000. Furthermore, SalMar ASA has issued a guarantee for NOK 10,000,000 in connection with unused drawing rights available to SalMar Japan K.K.

## Note 15 • Government grants

The company did not recognise any R&D projects entitled to SkatteFUNN reimbursement in 2008. Funds totalling NOK 9,320 under the SkatteFUNN reimbursement scheme were taken to revenue with respect to the 2007 financial year.

## Note 16 • Financial risk

For further details regarding the financial market risk to which the company and the Group are exposed, see Note 19 to the consolidated financial statements.

## Note 17 • Bank deposits

Bank deposits, cash and cash equivalents as at 31 Dec 2007 includes NOK 572,000 in restricted funds. The corresponding figure for 2007 was NOK 611,000.

SalMar slogan

We care



SalMar employees shall at all times “care” and act according to values such as responsibility, thoughtfulness and ambition. That “we care” affects our biological and financial performance as well as our HSE-values and our relationship with society at large.

To the Annual Shareholders' Meeting of SalMar ASA

## Auditor's report for 2008

We have audited the annual financial statements of SalMar ASA as of December 31, 2008, showing a profit of NOK 97 537 000 for the parent company and a profit of NOK 168 828 000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

We conducted our audit in accordance with the laws, regulations and auditing standards and practices generally accepted in Norway, including standards on auditing adopted by The Norwegian Institute of Public Accountants. These auditing standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and the Group as of December 31, 2008 and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations

Trondheim, April 1 2009  
PricewaterhouseCoopers AS

Trond Tuvstein  
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.



# STATEMENT OF RESPONSIBILITY

FROM THE BOARD AND THE CEO

We confirm, to the best of our knowledge, that the financial statements for the period 1st of January to 31st of December 2008 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole. We also confirm that the Board of Directors' Report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

Frøya, April 1st 2009



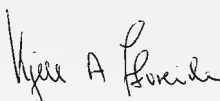
Bjørn Flatgård  
*Chairman of the Board*



Gustav Witzøe  
*Board member*



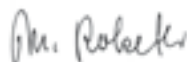
Synnøve G. Ervik  
*Board member*



Kjell A. Storeide  
*Board member*



Bjørn Ivan Espnes  
*Board member*



Marit Rolseth  
*Board member*



Leif Inge Nordhammer  
*CEO*



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