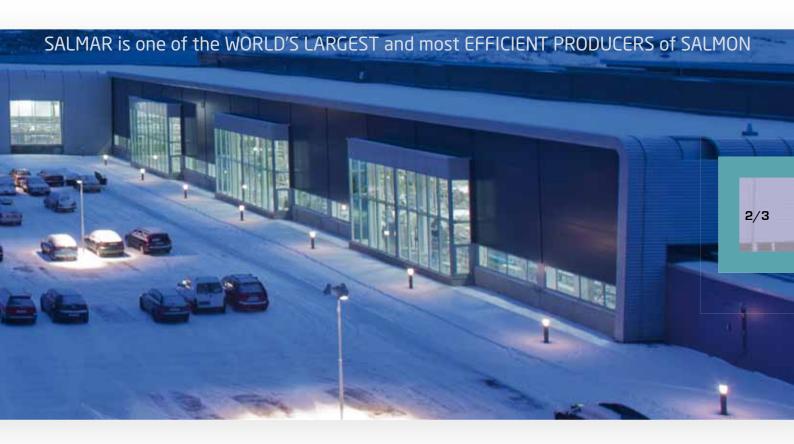
# Sustainability in everything we do





CONTENT THIS IS SALMAR KEY FIGURES CEO'S REPORT THE ABC OF SALMON FARMING HEALTH, SAFETY AND CORPORATE THE SALMAR-**CULTURE AND** THE ENVIRONMENT GOVERNANCE **VALUES** THE MANAGEMENT SHAREHOLDER **BOARD OF DIREC-**TORS' STATEMENT INFORMATION CONSOLIDATED SALMAR ASA AUDITORS REPORT SALMAR FINANCIAL FINANCIAL **CELEBRATES** ACCOUNTS ACCOUNTS 20 YEARS

STATEMENT OF RESPONSIBILITY



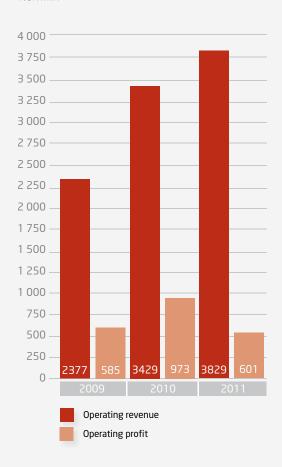
# SALMAR

SalMar is one of the world's leading producers of Atlantic salmon and is integrated from broodstock, roe and smolt to value added products and sales. SalMar have significant farming operations in both Central and Northern Norway, as well as in Scotland through 50% ownership in Scottish Sea Farms and the Faroe Islands through 24.8% ownership in Bakkafrost. SalMar also operate a comprehensive harvesting and VAP facility in Central Norway at the company's headquarter at InnovaMar on Frøya and on Vikenco at Aukra.

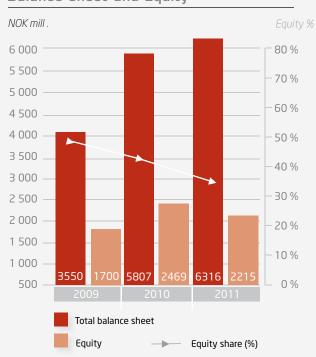
Learn more about SalMar at www.salmar.no SALMAR CENTRAL NORWAY SALMAR NORTHERN NORWAY SEGMENT **RAUMA** (Møre & Romsdal) SCOTTISH SEA FARMS LTD (50 %) BAKKAFROST (24,8%)SALMAR **JAPAN** SALMAR **KOREA** 45 HARVEST VOLUME 2011 **GEOGRAPHICAL DISTRIBUTION** by geography of SalMar's 71 licenses in Norway Pr. 31.12.2011 SalMar Central Norway • 63 400 tonn SalMar Nothern Norway • 18 700 tonn 10 -Segment Rauma • 10 900 tonn SalMar Central Norway • 44 Scottish Sea Farms Ltd 1) • 10 900 tonn Segment Rauma • 14 SalMar Nothern Norway • 13 1) SalMars 50% share

#### Operating revenue and operating profit

NOK mill.



#### Balance sheet and Equity



## FINANCIAL CALENDER 2012

4th Quarter 2011 results **29th of February 2012** 

1st Quarter 2012 results **25th of May 2012** 

Annual General Meeting 31st of May 2012

2nd Quarter 2012 results 15th of August 2012

3rd Quarter 2012 results 7th of November 2012

SalMar holds quarterly presentations open to the public. The presentations will take place at 08.00 CET at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway.

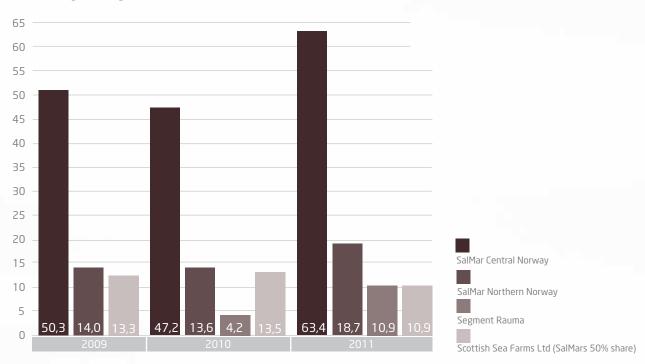
The annual general meeting will be held at Frøya.

Please note that the dates are subject to change. Changes will be communicated.

The Board will not request payment of dividend for 2011 to the General Assembly.

#### HARVEST VOLUME

1 000 tons – gutted weight





## **KEY FIGURES** 2011

OPERATING REVENUES AND OPERATING PROFIT	2011	2010	2009	
Operating revenues	3 829	3 429	2 377	
Operational EBIT	601	973	585	
Operating margin	16 %	28 %	25 %	
EBIT	188	1 154	580	
Profit before tax	160	1 261	634	
Profit margin	4 %	37 %	27 %	
Profit for the year	147	958	471	
Earnings per share before fair value adjustment of biomass	3,8	7,9	4,6	
Earnings per share after fair value adjustment of biomass	1,4	9,2	4,6	

BALANCE SHEET AND EQUITY	2011	2010	2009	
Fixed assets	3 970	3 444	1 961	
Current assets	2 347	2 363	1 589	
Total assets	6316	5 807	3 550	
Equity	2 2 1 5	2 469	1 700	
Debt	4 102	3 338	1 850	
Total Equity and debt	6 316	5 807	3 550	
Net interest bearing debt	2656,1	1813,5	783,8	
Equity share	35%	43%	48%	

Although 2011 was, operationally, a challenging year for both the aquaculture industry and for SalMar, it was also a period in which several important milestones were passed. One such milestone for us was the start-up of InnovaMar, the world's most modern salmon harvesting and processing plant. And despite the challenges, 2011 gave us the second-best result in the company's 20-year history – demonstrating clearly that the company stands well equipped to achieve further profitable growth.

SalMar celebrated its 20th anniversary in 2011 with the start-up of a brand new production facility – InnovaMar – the world's most modern salmon harvesting and processing plant.

Operations at InnovaMar are steadily improving, and the plant represents an important factor in the drive to accomplish the company's strategic goals, which focus on industrial development and enhanced value creation. At the same time, we must acknowledge that the plant's start-up was not trouble-free, and that this has affected last year's financial performance. As we look back over the year, it is clear that InnovaMar was not the only challenge facing SalMar in 2011.

A former Norwegian prime minister once said that running the government was like carrying a bundle of sticks – not hard when they are bound together, difficult when they are pointing in all directions. This saying has often been used since to describe situations in which one is faced with challenges on several fronts. I feel that this provides a good picture of the operational difficulties which SalMar experienced in 2011.

Firstly, the sharp fluctuations in the price of salmon represented a substantial challenge for the entire industry. At its peak in April the weekly average price of Atlantic salmon stood at NOK 44.50 per kg, while six months later it bottomed out at NOK 18.20 per kg. The price was generally lower in the second half than in the first. Knowing that SalMar harvests the bulk of its output in the second half of the year, it goes without saying that we had to turn ourselves around very quickly to meet this new reality.

So far in 2012 the price of salmon has bobbed up and down between NOK 23.40 and NOK 29.20 per kg, a level that remains challenging for the entire industry. SalMar has addressed this situation by taking a thorough look at its most important costs. We have identified measures to reduce the company's production costs. Furthermore, we are working hard to continue increasing activity levels at InnovaMar, and – as always – improve our biological performance. We have also set ourselves the goal of increasing our contract coverage to a 12-month rolling volume of 30 per cent. I believe that taken together these measures will put the company in a good position to tackle the price fluctuations which we will continue to see ahead of us.

SalMar has always been renowned as one of the industry's leaders with respect to its biological husbandry, but this does not make us immune to challenges. Last year SalMar experienced three unplanned incidents

involving the mass escape of salmon from our fish farms. We have therefore implemented a number of measures that will substantially reduce the risk of such incidents happening again. In addition, we suffered several outbreaks of Pancreas Disease (PD) at locations north of Hustadvika, where the Norwegian Food Safety Authority has declared a zero-tolerance zone for the spread of this disease. This obviously had an impact on our financial performance in 2011. More importantly, however, it also required both us and the industry as a whole to innovate, modify our routines and implement alternative strategies. These incidents are a reminder that we are, and will continue to be, a small part of the vast ecosystem that is the ocean, and that even though we do everything by the book and are 'top of the class', risks still attach to the kind of business we are in.

We also achieved some gratifying biological results in 2011. Following a focused effort we are pleased to note that the number of salmon lice found at our facilities fell substantially through the year. SalMar works systematically and continuously to maintain levels that are below the intervention thresholds set by Norway's regulatory authorities. It is therefore particularly gratifying that we were successful in these efforts last year.

Sustainability lies at the core of SalMar's operations. We therefore view all such setbacks in our biological husbandry extremely seriously. One of SalMar's fundamental tenets is: 'we care'. And this applies not only to our customers, employees and owners, it permeates the attitudes we at SalMar have to society and to our biological footprint.

However, following a period of operational challenges, both SalMar and the aquaculture industry can find grounds for optimism in assessments of global macroeconomic conditions and general market developments.

Norway is the world's largest producer of Atlantic salmon. Last year, more than one million tonnes of Atlantic salmon were harvested in Norway; the country accounted for more than 60 per cent of the world's total output. And in this market SalMar is one of the world's largest and most efficient producers.

The outlook for salmon farmers is extremely bright. The most important macroeconomic factor driving demand for healthy, eco-friendly seafood from Norway and SalMar is the world's rapidly expanding need for food. In 2011 the Earth's population passed the 7-billion mark. The UN Food and Agriculture Organisation (FAO) forecasts that there will be over 9 billion people living on the planet in 2050.

In addition to population growth, the global trend towards higher purchasing power will push up the estimates for seafood sales in a number of emerging economies. Since SalMar was established 20 years ago, the number of people with medium to high incomes in Asia has risen from 200 million to approx. 1.1 billion.



Over the next two decades this figure is expected to increase to almost 2.6 billion. This illustrates the potential for top quality seafood from Norway in the years ahead.

Of course, meeting this expected growth in demand, combined with increased sales to important established markets in Russia, Europe, South America and Asia, will be a challenge. With our ability to produce first-class Atlantic salmon SalMar will ensure that we play an active part in the effort to make the objective 'Norway – the world's foremost seafood-producing nation' a reality.

2012 started well for SalMar. The market looks better, and we are constantly expanding our operations. To ensure that we remain our customers' first choice, SalMar must be dedicated and reliable, and we must stand out in the market in a positive way. This is an important objective for the current year, and for the years to come.

From being a small operation in Frøya, SalMar has developed into one of the larger players on the global stage. Of the 25 employees on staff when we started up in 1991, 15 people are still associated with the company. This shows the level of dedication in our workforce, who are motivated to contribute their competence and determination to deliver first-class products to demanding customers in Tokyo, Moscow, Paris, Madrid, London, Boston and other important destinations for our salmon. Without such employees it would be difficult to reach our goals.

SalMar is firm in its resolve to maintain its position as one of the world's leading and highly profitable aquaculture companies. Our journey has taken 20 years, but has nevertheless only just begun. SalMar intends to hold its course steady through a great many financially successful years to come, even though we may be battered by peaks and troughs and tough challenges along the way. 2011 showed us that we are capable of doing just that. It is an experience that will be useful to have as we forge ahead. I look forward to many profitable years in an exciting growth market.

have lly

THE VALUE CHAIN of the farmed salmon is amongst the world's most EFFICIENT production processes in terms of producing PROTEIN with THE LEAST AMOUNT OF EMISSIONS

#### 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.

#### FR'

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-pense.

#### **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.



#### THE SALMAR-

#### CULTURE AND VALUES

What we do today we do better than yesterday

The job is not done until the person you are doing it for is satisfied

Focus on the solution

The job we do today is vital to the success of us all

We care

Sustainability in everything we do

Through 20 years of growth many changing cultures have developed at SalMar, but also a strong shared culture. This shared culture is nourished and developed both in day-to-day operations and through the SalMar School, which is now in its tenth year. Group culture will always be moulded by the people who work there. When the SalMar School started up in 2002, there were 170 employees. Since then our workforce has grown to more than 600 people from around 17 different countries. Before the SalMar School was launched much work went into developing a vision and set of values, that were expressed as a series of 'cultural tenets'. The objective was that the vision and tenets should be easily understood by all employees, irrespective of position, background or nationality.

In 2011 the values and the SalMar School have been revitalised, in keeping with other changes in the Group and the industry as a whole. SalMar's vision is now quite simply to be the lowest-cost supplier of farmed salmon, which implies that the company will always be the most cost-effective producer of salmon. This is something SalMar has often been, but not always. For this reason the SalMar School and the cultural tenets have become more important than ever in our efforts to retain our position as the world's most cost-effective salmon producer.

SalMar's cultural tenets are not written in stone, but are meant to be a set of easily understood rules to help keep us on the right path towards our goal.

Through the annual report, we will present our tenets and their meaning.

### **WE CARE**

To succeed as a team we must also develop the right attitudes towards, as well as respect and care for salmon, co-workers, customers, business associates and the environment. We must think for ourselves but act with loyalty, and always bear in mind that what we are engaged in is food production.

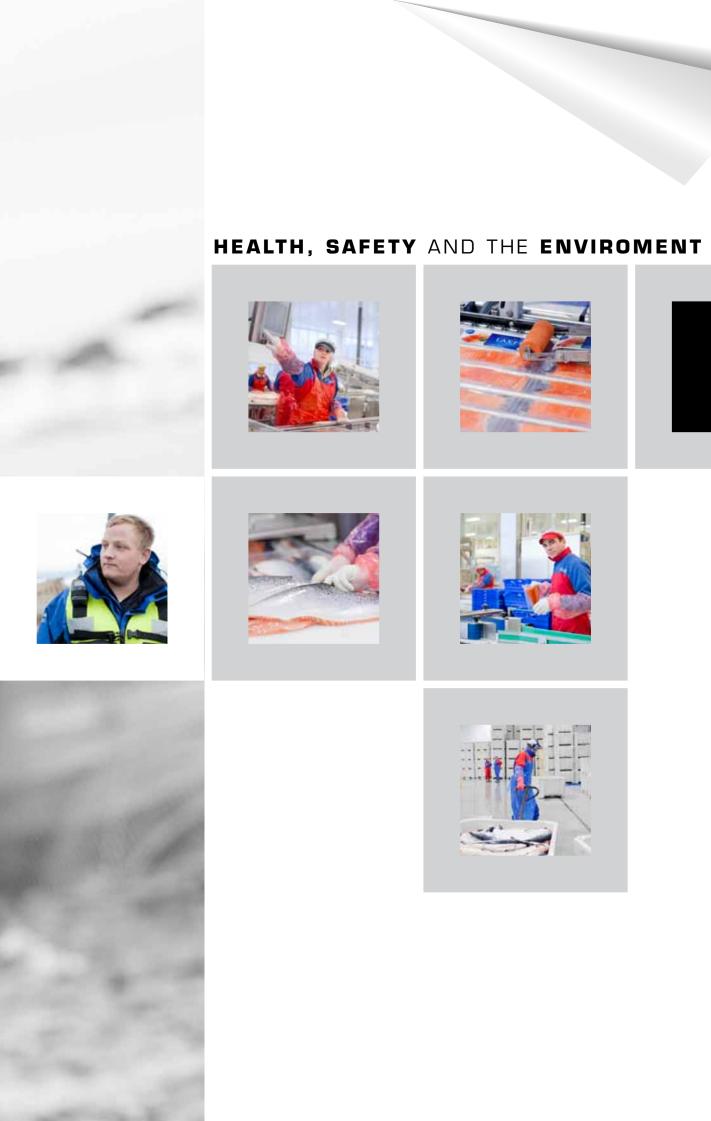




## WHAT WE DO TODAY WE DO BETTER THAN YESTERDAY

To be the most cost-effective salmon producer demands continuous improvement at all stages of the production process. This tenet is about daring to step into the unknown and develop a culture of winning, where performance is both measured and celebrated.





SalMar has a presence in many local communities. The Group is therefore extremely aware of the diverse nature of social responsibility: 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.

## CODE OF CONDUCT AND SOCIAL RESPONSIBILITY

SalMar's code of conduct has been made known to all employees. The code is intended to contribute towards the development of a healthy corporate culture and uphold the company's integrity. Specific procedures have been drawn up with respect to matters that may be perceived as a cause for concern. These procedures also allow employees to notify the company of their concerns anonymously through an external channel.

Maintaining a high ethical standard in all areas of the business is an absolute, and constitutes the very foundation of SalMar's HSE strategy, while social responsibility is about integrating social and environmental considerations into the business's strategic and decision making processes, as well as day-to-day operations. For SalMar this means that we will ensure long-term profitability and growth through sustainable fish farming and processing by acting in all respects as a responsible corporate citizen. The term sustainability casts a wide net. In addition to HSE issues, human and labour rights represent important areas, as do anti-corruption efforts and responsible business practices. A genuine social responsibility and high ethical standards in all aspects of our operations are extremely important to SalMar.

#### FOCUS ON HSE

Details of the Group's overall HSE performance in 2011 have been collated and analysed, and form the basis for identifying new focus areas and relevant measures to be implemented in 2012. SalMar has been certified with respect to HSE-related standards, eg GlobalGap, for several years. The Group also makes active use of external partners in its efforts relating to monitoring and training (Tryg). In 2011 we once again participated in the Carbon Disclosure Project (CDP). CDP is the world's largest register of businesses' greenhouse-gas emissions. Behind the register are 551 investors from around the world who together manage assets worth NOK 400 trillion. 25 Norwegian businesses reported data to the CDP project. SalMar is proud to have achieved an extremely high score in the survey (85 points, compared with 84 points the year before), putting us in second place among all the Norwegian participants.

SalMar maintains a holistic perspective with respect to its aquaculture activities, and is working hard throughout the organisation to achieve efficient energy consumption and implement climatefriendly solutions.

SalMar's HSE activities are based on our values and strategic priorities. SalMar has drawn up a set of overarching objectives, with associated activities and action plans. The objectives relate both to specific HSE issues and sustainability as a whole. Some objectives are common to all group operations, and from these each division creates its own sub-goals. In 2011 SalMar achieved many of its objectives with regard to the external environment, working environment and personal safety. Important measures implemented

in 2011 include a focus on HSE in our own SalMar Standard inspections, a minimum requirement for the registration of HSE non-compliances, active use of the company health service, and training/education. Furthermore, great efforts were made to embed day-to-day HSE activities throughout the organisation and ensure that the line organisation has the necessary fora for a systematic review of HSE performance.

## RISK ASSESSMENT AND ENVIRONMENT MANAGEMENT

The Group's structured risk assessment activities were once again subject to review and further development in 2011. Efforts were also made in 2011 to implement a comprehensive management and governance model for the Group. The model's overarching purpose is to create and highlight the common thread running from the Group's goals and strategies, through the divisions' goals, organisation and operations, to specific quality and HSE targets. This also includes comprehensive risk assessment efforts. Risk assessments are carried out in accordance with the Norwegian standard NS 5814, and result – without exception – in the drawing up of contingency and action plans that are reviewed on a regular basis. Environment management at SalMar aims to reduce the Group's impact on the external environment through a continuous focus on environmental issues at all stages in production. Management personnel have a defined environmental responsibility in their job descriptions, and HSE instructions have been drawn up for all employees.

To achieve continuous and long-lasting improvement SalMar believes it is necessary to involve employees at all levels, while ensuring that managers are committed to realising the goals that have been set. All noncompliances are reported, dealt with and evaluated on an ongoing basis. Non-compliances are recorded electronically. The company's environmental performance is reviewed on a monthly basis by SalMar's various management teams. This practice has been implemented across the board from individual site to group management during 2011. Furthermore, HSE has been discussed by the board of directors at two meetings during the year. All new employees receive HSE training at induction courses, workplace seminars and the SalMar School. As a result of the Group's environment management plan, new and ambitious HSE targets have been set for 2012. One important area of focus here will be to draw up uniform systems for handling HSE issues at all units within the SalMar Group.



The Group offers equal opportunities to employees and job applicants, irrespective of national origin, descent, skin colour, language, religion or beliefs, pursuant to Section 1 of the Anti-Discrimination Act. The Group is working actively to ensure its various business operations meet the requirements of the Act. For employees or job seekers with reduced functional capabilities, the workplace and the job content are tailored to the individual concerned.

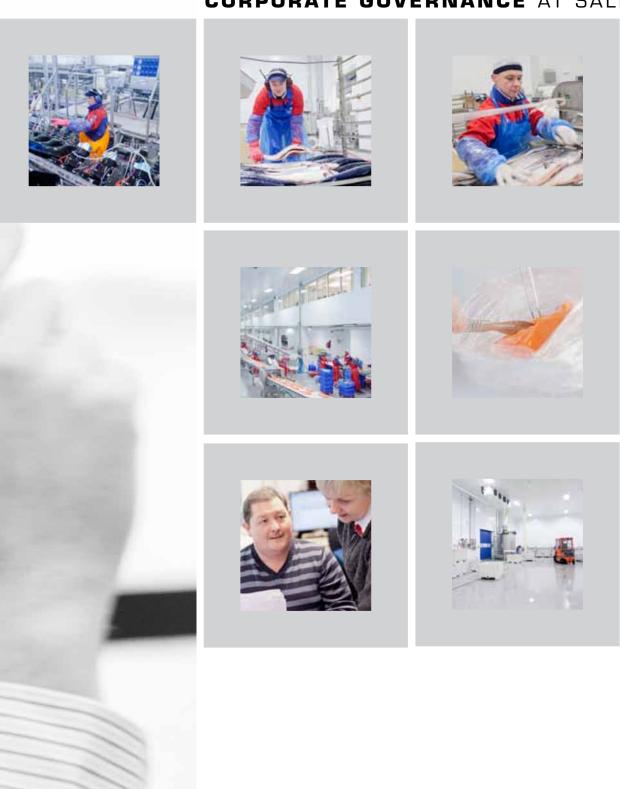
#### SICKNESS ABSENCE

The short-term sickness absence rate in 2011 was 2.08 per cent, compared with 2.53 per cent in 2010. The long-term sickness absence rate in 2011 was 3.38 per cent, compared with 3.60 per cent in 2010. Sickness absence is considered relatively low in

relation to other comparable businesses, and has been falling steadily for several years. Systematic efforts are being made to implement preventative measures and adapt employees' working conditions to their individual needs. A total of 12 injuries that have resulted in sick leave was reported during 2011, compared with 51 the year before. Important measures to reduce the number of injuries in 2012 will be an increased level of activity on the part of SalMar's health and safety organisation, and the involvement of all employees in the systematic HSE effort.



## CORPORATE GOVERNANCE AT SALMAR ASA



18/19

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.

#### 1. CORPORATE GOVERNANCE

SalMar's board of directors has overall responsibility for ensuring that the company has adequate corporate governance. The company's board of directors and management perform a thorough annual assessment of its principles for corporate governance.

SalMar is a Norwegian public limited company listed on the Oslo Stock Exchange. Pursuant to the provisions relating to corporate governance in Section 3-3b of the Norwegian Accounting Act, the company must make an annual statement on its principles and practices with respect to corporate governance. The provisions also set out the minimum requirements for the information to be included in the statement.

The Norwegian Corporate Governance Board (NUES) has drawn up a Norwegian Code of Practice for Corporate Governance (the "code of practice"). Application of the code of practice is based on the "comply or explain" principle. In other words, companies must comply with the individual provisions of the code or explain why they have not done so.

The Oslo Stock Exchange requires listed companies to issue a comprehensive statement on their principles for corporate governance in accordance with the code of practice. The obligations currently applicable to listed companies may be found at www.oslobors.no.

SalMar complies with the code of practice issued 21 October 2010 and adjusted 20 October 2011. The code may be found at **www. nues.no**. The company issues a comprehensive annual statement of its principles for corporate governance in its annual report, and this information is available from **www.salmar.no**. This statement describes how SalMar has conducted itself with respect to the code of practice in 2011.

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, care for the environment, focus on work tasks and continuous improvement.

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 company has also adopted a set of guidelines for social responsibility.

#### 2. 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 business 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 and white fish.

The company's objectives and main strategies are further discussed in the chapters "Message from the CEO" and "Board of directors' statement" of the annual report.

#### 3. EQUITY AND DIVIDEND

As at 31 December 2011 the company's equity totalled NOK 2215 million, which corresponds to an equity ratio of approx. 35 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 operations) 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.

The board of directors is making no proposal to the Annual General Meeting with respect to payment of a dividend for 2011.

#### **BOARD AUTHORISATION**

The Annual General Meeting of 1 June 2011 authorised the board to increase the company's share capital by up to NOK 2.575 million, though the issue of no more than 10.3 million shares, each with a face value of NOK

0.25. The authorisation is valid until the 2012 AGM. The authorisation may also be used to finance investments and the acquisition of businesses through cash issues and contributions in kind. Given the purpose of the authorisation, the board of directors may need to waive the preference rights of existing shareholders. Such a move is allowable under the terms of the authorisation.

In line with the Code of Practice for Corporate Governance, the company's 2011 AGM treated authorisations for capital increases on a case-by-case basis rather than issuing a general authorisation. For this reason the board also received a mandate to increase the share capital by up to NOK 500,000 through the issue of up to 2 million new shares in order to honour option schemes for senior executives.

The AGM also authorised the board of directors to acquire the company's own (treasury) shares with a face value of up to NOK 2,214,500, which corresponds to 8.6 per cent of share capital. The authorisation may be used to purchase company shares in connection with the stock option scheme for senior management and as a means of returning value to existing shareholders. The authorisation remains valid until the 2012 AGM.

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

SalMar's registered share capital as at 31.12.2011 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. As at 31 December 2011 SalMar ASA owned 1,300,000 treasury shares.

In the event of material transactions with related parties, the company shall make use of valuations provided by an independent third party.

In the event of capital increases on the basis of an authorisation issued by the General Meeting of Shareholders, where the existing shareholders' rights will be waived, the reason for this will be provided in a public announcement in connection with the capital increase. SalMar's code of conduct sets out what is required of employees with respect to loyalty, conflicts 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.

#### 5. 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.

#### 6. 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 the AGM will be published on the company's website and will be sent by post to each shareholder whose address is known no later than 21 days prior to the date of the AGM. In accordance with the company's articles of association it is sufficient that documents relating to individual agenda items are made available on SalMar ASA 's web site. A shareholder may still request to receive documents relating to matters to be discussed at the AGM by post.

Shareholders are entitled to make proposals and cast their votes either in person or through a proxy, including a proxy appointed by the company. The proxy form also enables shareholders to grant a proxy vote for each individual agenda item. The board of directors, Nomination Committee and the company's auditor will be represented at the AGM.

The Chairman of the Board will normally chair the AGM. In the event of any disagreement on individual agenda items where the Chairman belongs to one of the factions, or for some other reason is not deemed to be impartial, a different person will be selected to chair the meeting in order to ensure independence with respect to the matters concerned.

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 Practice for Corporate Governance. The AGM for 2012 will take place on 31 May in Frøya.

#### 7. 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. In 2010 the AGM chose to re-elect Gustav Witzøe (2 years) and Endre Kolbjørnsen (2 years), while the 2011 AGM re-elected Therese B Karlsen (2 years) as SalMar's Nomination Committee. Although Gustav Witzøe is a member of the company's administration, the company wishes to benefit from his knowledge and network of contacts in connection with both the Nomination Committee's efforts and in work related to the board in SalMar ASA.

The Nomination Committee recommends candidates for election to the board of directors and directors' fees. The committee's recommendations are based not only on an assessment of each individual candidate

but on an evaluation of the board as a group. Although deviating from the Norwegian Code of Practice for Corporate Governance, the Nomination Committee will ask the AGM to vote on its recommendation as a whole and not on each candidate separately. 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 2007.

## 8. 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 five to nine members, to be elected by the Annual General Meeting. The Chairman of the Board is elected by the AGM, while the Vice-Chair is elected by the board itself. The company's current board is made up of seven members, including two employee representative. Three of the company's directors are women. This including one female 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 senior executive 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 a senior executive and as a director. Deviation from the code of practice on this point has therefore been deemed acceptable. In matters of material importance in which the Board Chair is, or has been, actively engaged, another director has been appointed to chair the board's deliberations.

#### 9. THE BOARD OF DIRECTORS

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. The board has also prepared an instruction for the executive management that clarifies its duties, lines of authority and responsibilities.

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 2011.

The board meets as often as necessary to perform its duties. In 2011 the board held 11 meetings. The attendance rate at board meetings was 93.50 per cent.

SalMar has a board-appointed Audit Committee. The committee's main tasks are to monitor the Group's internal control systems, ensure that the auditor is independent and that the financial statements reflect the Group's performance and position in accordance with generally accepted accounting practice.

## 10. 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. The identification and management of biological risk, fish health, HSE and general hygiene are central group management tasks. 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, code of conduct and guidelines of social responsibility 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 fortnightly management meetings.

The board will, through the Audit Committee, conduct an annual comprehensive review of the Group's financials- and risk management systems.

The most important risk factors for the company include financial risk associated with foreign exchange,

As at 31 December 2011 the company's equity totalled NOK 2215 million, which corresponds to an equity ratio of approx. 35 per cent. The board considers SalMar's equity to be adequate in relation to the company's objectives, strategy and risk profile.

credit and interest rates, biological risk associated with the state of health at the company's hatchery and fish farming facilities, as well as the risk of salmon escaping from the company's fish farms. These risk factors are monitored and addressed by managers at all levels in the organisation. For further information on this matter, please see the annual report and Note 2 to the financial statements.

#### 11. DIRECTORS' FEES

The Nomination Committee's proposal for the remuneration payable to the board of directors for 2011 will be presented to the company's AGM. 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 21 to the financial statements.

#### 12. REMUNERATION TO SENIOR EXECUTIVES

Pursuant to Section 6-16a of the Public Limited Companies Act, the board of directors has drawn up a declaration relating to the determination of salaries and other benefits payable to senior executives. This declaration will, in line with the said section, be laid before the company's AGM on 31 May 2012. 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 (capped at one year's salary), and a share option scheme in line with the board's authorisation.

The board's declaration for 2011, as well as further details relating to the salary and benefits payable to the CEO and other senior executives can be found in Note 21 to the financial statements.

#### 13. 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. All notices sent to the stock exchange are made available on both the company's website , the Oslo Stock Exchange's www.newsweb.no site and though news agencies (via Hugin). 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. These presentations provide an overview of the Group's operational and financial performance in the previous quarter, as well as an over-

view of the general market outlook and company's own future prospects. These 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. Each year SalMar publishes a financial calendar indicating the dates of publication of the Group's interim reports, as well as the date of its AGM. The calendar is available from the Group's website: www. salmar.no. It is also distributed as a stock market notice and updated on the Oslo Stock Exchange's www. newsweb.no site. The calendar is published towards the end of each year. The CEO and CFO are responsible for communications with shareholders in the period between AGMs.

#### 14. ACQUISITION

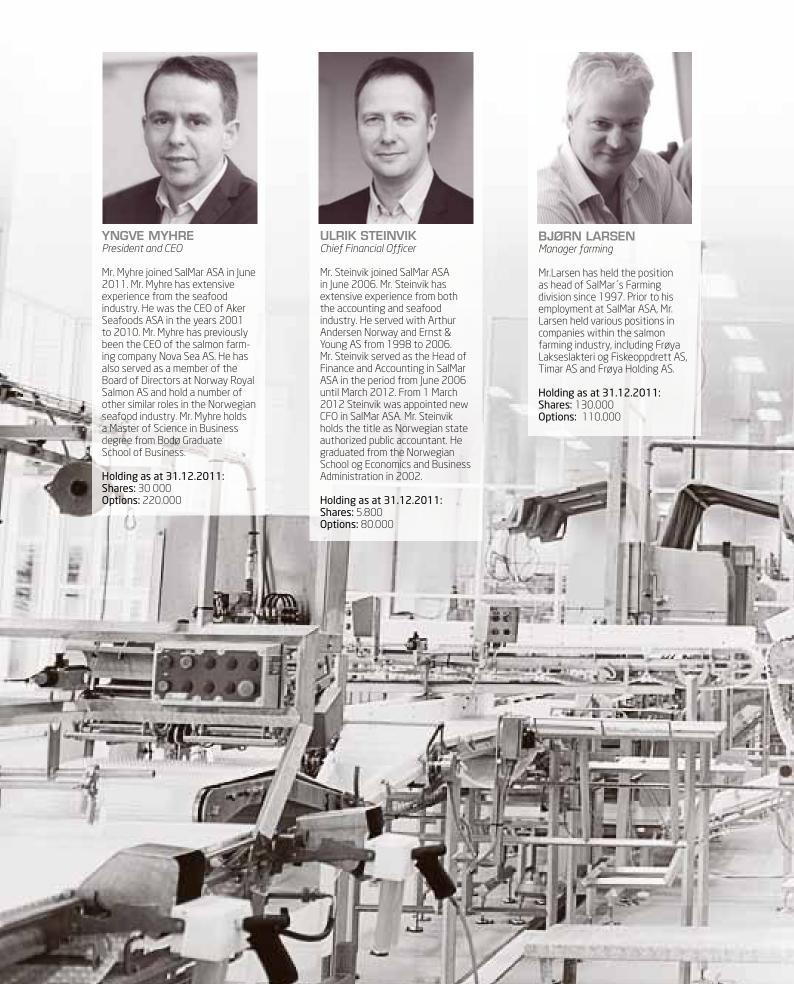
The board of directors endorses the principle of non-discrimination of shareholders. The board undertakes to act in a professional manner and in accordance with applicable legislation and regulations. The board endorses the principles laid down in the Code of Practice for Corporate Governance relating to the board's responsibilities and duties in a takeover situation. Guidelines for the how the board should act in the event of an acquisition have been drawn up. These principles were adopted by the Board at a meeting held on 29 March 2011.

#### 15. 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 elements of a plan to carry out the audit, and the plan shall be made known to the board of directors and the Audit Committee. 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.





**EVA HAUGEN** Head of Quality Management

Eva Haugen has held the position as Head of Quality Management in the SalMar Group since 2005. Prior to this position Haugen worked as a quality manager at the factory in Nordskaget in the periods 2001 and 2004. She has several years of experience as a teacher in secondary school subjects such as aquaculture, science and biology. Haugen is a graduate from NTNU in the fields of chemistry, biology and education studies, and holds a degree in ecotoxicology and physiology in salmonids.

Holding as at 31.12.2011: Shares: 800 Options: 30 000



**DAG NIKOLAI RYSTE**Manager logistics, sales and marketing

Mr. Ryste has held the position of head of Logistics, sales and marketing since December 2009. Prior to joining SalMar ASA Mr. Ryste held the position as CEO of Volstad Seafood AS, a position he held from 2003. Volstad Seafood AS was acquired by SalMar ASA in December 2009. Mr. Ryste has also held central positions within the Norwegian fishery and farming industry, including positions with Pan Fish Group (1996-2003) and Longvafisk AS (1992-1996). His educational background is Magister degree from Fiskeritekninsk Høyskole (1988-92).

Holding as at 31.12.2011: Shares: None Options: 73.334



GUSTAV WITZØE Manager processing

Mr Witzøe is the co-founder of Sal-Mar 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.

Holding as at 31.12.2011: Shares: 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. Options: None

#### INNOVAMAR

Harvesting – Gentle handling of the salmon has been a key feature in the design of the harvesting plant. Fish welfare is extremely important, both out of concern for the fish and for the quality of the finished product. The distribution system for whole fish is also a key part of the harvesting plant, since the system ensures good control and utilization of the raw material. The labeling of each individual fish entering the plant facilitates complete traceability throughout.

## THE JOB IS NOT DONE UNTIL THE PERSON YOU ARE DOING IT FOR IS SATISFIED

This means that we will meet the expectations of others and demand high standards of each other, in accordance with our own SalMar standards. There are many 'suppliers' and 'customers' in the production chain, and it is only by treating each other with mutual respect that we will succeed.



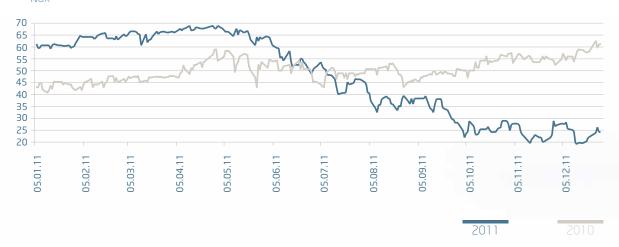


## FOCUS ON THE SOLUTION

Everyone who works for SalMar, regardless of position or place, has a duty to help come up with solutions and contribute to improvement processes. We will challenge existing practices and systems, we will jointly implement solutions, and we will talk to, not about, each other.

#### SHAREHOLDER INFORMATION





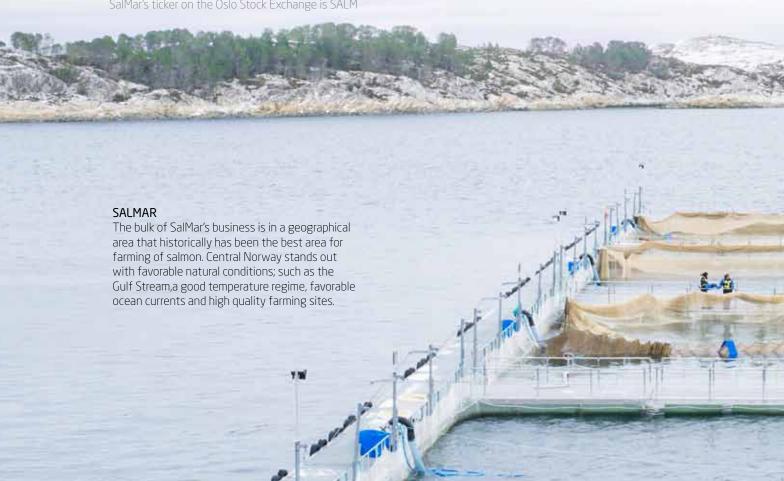
#### SHARE PRICE DEVELOPMENT

Share price per 01.01.2011 was NOK 61.50 thus valuing SalMar at NOK 6.335 million. At year end the share price was 30.00 valuing SalMar at NOK 3.090 million.

#### TECHNICAL INFORMATION

SalMar ASA had as at 31.12.2011 a total of 103 million shares outstanding. Each share with a face value of NOK 0.25. SalMar had per 31.12.2011 1 650 shareholders SalMars VPS number is ISIN NO 0010310956

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



KVERVA AS	55 000 000	53,4 %
FOLKETRYGDFONDET	8 448 731	8,2 %
JPMORGAN CHASE BANK	6 740 800	6,5 %
PARETO AKSJE NORGE	5 711 237	5,5 %
ODIN NORGE	3 809 233	3,7 %
PARETO AKTIV	2 621 693	2,5 %
LIN AS	2 500 000	2,4 %
ODIN NORDEN	2 307 078	2,2 %
PARETO VERDI	1 441 703	1,4 %
SALMAR ASA	1 300 000	1,3 %
VERDIPAPIRFONDET DNB NORGE (IV)	507 033	0,5 %
FORSVARETS PERSONELLSERVICE	435 400	0,4 %
VITAL FORSIKRING ASA	422 172	0,4 %
PARETO SICAV	353 263	0,3 %
KLP AKSJE NORGE INDEKS VPF	325 870	0,3 %
CENTRA INVEST AS	322 541	0,3 %
STOREBRAND VERDI	317 257	0,3 %
MP PENSJON PK	311 531	0,3 %
VERDIPAPIRFONDET DNB NORGE	259 766	0,3 %
KAS DEPOSITARY TRUST COMPANY	236 653	0,2 %
Total 20 largest shareholders	93 371 961	90,7 %
Total other shareholders	9 628 039	9,3 %
Total no. of shares	103 000 000	100,0 %

4th Quarter 2011 results **29th of February 2012** 

1st Quarter 2012 results 25th of May 2012

Annual General Meeting 31st of May 2012

2nd Quarter 2012 results 15th of August 2012

3rd Quarter 2012 results 7th of November 2012

SalMar holds quarterly presentations open to the public. The presentations will take place at 08.00 CET at Hotel Continental in Stortingsgaten 24/26 in Oslo, Norway.

The annual general meeting will be held at Frøya.

Please note that the dates are subject to change. Changes will be communicated.

The Board will not request payment of dividend for 2011 to the General Assembly.







## SALMAR ASA - BOARD OF DIRECTOR'S STATEMENT 2011

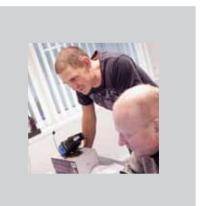














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#### 2011 - GOOD RESULTS IN A CHALLENGING YEAR

SalMar posted an operating profit of NOK 601.3 million in 2011. The result is a consequence of the Group's growth strategy and high level of operating efficiency, and is the second best performance ever achieved by the Group. Nevertheless, the result was lower than in the record year of 2010. 2011 saw the start-up of operations at InnovaMar, the Group's new harvesting and processing plant on Frøya. The plant represents a substantial investment, which in 2011 did not succeed in exploiting its full potential due to both the requirements of running in the operation and low capacity utilisation during parts of the year. Operating profit was also affected by substantial fluctuations in the price of salmon. Measured weekly, the spot price of Atlantic salmon swung between a peak of NOK 44.50 and a low of NOK 18.20. The price in the second half, when SalMar harvests the bulk of its volumes, was significantly lower than in the first six months.

Despite the challenges encountered with respect to the start-up of InnovaMar and the substantial fluctuations in salmon prices in 2011, the board of directors is pleased with the Group's performance during the year. Through the formidable efforts of the Group's 616 employees, a solid foundation has been laid for further development and continued good results in 2012.

On three occasions in 2011 salmon escaped from SalMar fish farms. The Group takes these incidents extremely seriously, and has carried out a thorough investigation in each case. Measures have been implemented to ensure compliance with internal routines and reinforce the facilities against extreme weather conditions. SalMar has also been hard hit by outbreaks of disease. 1.5 million salmon have been destroyed as a result of Pancreas Disease (PD).

Operating revenues rose by approx. 12 per cent, from NOK 3,429 million in 2010 to NOK 3,829 million in 2011, while operating profit fell by 38 per cent from NOK 973 million in 2010 to NOK 601 million in 2011. In light of the investments the Group has made over the past two years, combined with a desire to maintain the Group's financial freedom of action, the board is not proposing any dividend for the 2011 financial year.

#### THE BUSINESS

SalMar is one of the world's largest and most efficient producers of Atlantic salmon. The Group has fish farms and hatcheries in central and northern Norway, as well as substantial operations in Scotland and investments in the Faeroe Islands. At the close of 2011 SalMar had 71 licences for the production of Atlantic salmon in Norway: 58 in central Norway (Møre & Romsdal, North & South Trøndelag) and 13 in northern Norway (Troms). In February 2012 SalMar announced that it was acquiring 10 licences in Finnmark, bringing the number of operations in northern Norway to 23. In

addition, SalMar operates ten licences in collaboration with business partners. Furthermore, SalMar owns 24.8 per cent of the shares in the listed Faeroe Islands fish farmer P/f Bakkafrost, and 50 per cent of the shares in Norskott Havbruk AS, which in turn owns Scottish Sea Farms Ltd, Britain's second largest salmon producer. At the close of the year the Group had operations in 18 Norwegian local authority areas and had 616 permanent employees.

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#### **BOARD OF DIRECTORS 2011**



#### BJØRN FLATGÅRD, Chairman of the Board

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 Bl in 1981. Mr Flatgård has board positions with several Norwegian companies. Amongst others he is 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.



#### GUSTAV WITZØE, Director

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.



#### KJELL A. STOREIDE, Director

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. Mr Storeide joined SalMar's board of directors in February 2008.



#### SYNNØVE G. ERVIK, Director

Ms 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. Ms Ervik chairs the board of KSE Ervik AS. She joined SalMar's board of directors in April 2006. Ms Ervik has 5,000 shares in SalMar ASA.



#### ALF JOSTEIN SKJÆRVIK, Employee representative

Mr. Skjærvik has worked in the fish farming industry since 1986 and has been in SalMar since 1995. Since 1995 he has worked his way from fish farmer to operational manager farming to operations coordinator farming. Mr. Skjærviks current role is Quality Manager biological production. Mr. Skjærvik has been the leader for Trøndelag Fiskeoppdretterlag AL and currently serves on the board in the Mid-Norwegian seafood federation, FHL's Industry Group for Aquaculture and the FHL prevent escape committee.



#### ${\bf MONICHA~SETERNES}, {\it Employee~representative}$

Ms Seternes has worked in SalMar since 2007 when she was hired as a member of the logistics team. In 2010 she began in a new role as a key account manager in SalMar Sales. Before Ms Seternes came to SalMar she worked as a customer advisor in the Norwegian bank Sparebanken Midt-Norge. Ms Seternes holds an education in business management from the Norwegian school of management, Bl.



#### RANDI E. REINERTSEN, Director

Mrs. Reinertsen is a reasearch director at Sintef Health Research and a professor of Physiology in the department of Biology at the Norwegian University of Science and Technology. Sha has previously held several positions with the Sintef system and the Reasearch Council of Norway. Mrs. Reinertsen has been a member of the board since June 2010.

Strategic focus areas

Several clearly defined focus areas underpin SalMar's further development, both strategically and operationally.

#### These include:

- SalMar will constantly develop the Group's internal culture and operating model (the "SalMar Standard") in all parts of its operations. All group facilities will be operated in accordance with the same principles and objectives, based on the same values.
- Biological control is a key issue for SalMar, and a precondition for long-term success. SalMar will focus continuously on improving its husbandry, with key focus areas in the coming period being increased smolt survival rates, reduced levels of lice infestation and efforts to prevent fish from escaping from our facilities.
- SalMar will increase its output volume through improved exploitation of existing licences and acquisitions. In 2012 the Group expects to harvest in excess of 100,000 tonnes of Atlantic salmon for the first time ever in Norway.
- SalMar will increase the degree of processing with respect to the salmon that it produces. More processing provides efficiency and quality benefits, is good for the environment from a transport point of view, and helps to maintain and develop the local community. InnovaMar represents the cornerstone of this focus area, along with the operations performed by Vikenco AS in Møre & Romsdal.
- SalMar will further develop both its capacity and competence with respect to sales and distribution.
- SalMar will be self-sufficient in high-quality smolt.
- Through its operating model and culture, SalMar will contribute to the sustainable development of the aquaculture industry, environment-friendly food production and will stimulate the development of the local communities in which the Group operates.

#### **MARKETS**

A total of 1,005,000 tonnes of Atlantic salmon were harvested in Norway in 2011. This is approx. 6 per cent more than in 2010. Despite the economic downturn that has been experienced in a number of countries worldwide, demand for and consumption of Norwegian salmon rose in several of the most important markets. Overall volumes sold to the EU grew by 6 per cent, with Spain up 18 per cent and France up 6 per cent. Growth in Russia came to 22 per cent, while volumes to the USA fell by 47 per cent due to increased output from Chile. Volumes to China/Hong Kong declined by 25 per cent, largely as a result of the effect on trade of the ongoing political tensions between Norway and China.

The price of Atlantic salmon was extremely high in the first half of 2011, with the spot price averaging NOK 38.28 per kg, an increase of 3.5 per cent on the first half of 2010. From June to October, on the other hand, prices fell continuously, hitting bottom in October when the average spot price was NOK 19.92 per kg. The price picked up slightly towards the close of the year, at which point it stood at NOK 24.85 (average spot price for December). The average price of salmon in 2011 was around NOK 6.0 lower per kg than in 2010. The fall was particularly sharp in the fourth quarter when

it was some NOK 15.0 (40 per cent) lower than in the same quarter in 2010.

The volume of fish (biomass) held in Norwegian fish farms at the close of the year was approx. 10 per cent higher than the year before. The biomass in the UK was down by 5 per cent, while the volume in Chile increased by a massive 100 per cent. The fish farming industry in Chile has experienced an extremely challenging period with respect to biological issues, but made a strong comeback in 2010/2011 and is now in a position to once again increase output volumes. Chile's harvesting figures for Atlantic salmon rose from 129,500 tonnes in 2010 to 221,400 tonnes in 2011, an increase of 71 per cent. As previously mentioned, Norway increased its harvested volume by 6 per cent in 2011. Combined with developments in Chile, this resulted in an increase in the global supply of Atlantic salmon of approx. 12 per cent. The sharp increase in supply in 2011 explains in large part the fall in the price of Atlantic salmon experienced through the year.

Output from Chile is expected to grow by a further 45-70 per cent in 2012, depending on the growth scenario applied. Since Norway will also increase its output in 2012, this will result in a growth in supply compared with 2011. Growth in supply from Norway is expected to total 5-10 per cent in 2012. Global growth is estimated at 13-16 per cent, which is higher than the average over the past 10 years.

Despite a substantial increase in supply in 2012 salmon prices are expected to be at a level that will provide the most efficient producers with good earnings. This view is based on several factors, eg that the fall in salmon prices through the second half of 2011 has led to a reduction in the price to the consumer in most markets at the same time as salmon's position as a nutritious and tasty food item helps to stimulate demand.

Nevertheless, uncertainty continues to attach to developments in demand in individual markets due to global macro-economic conditions. The relative strength of the NOK against the EUR/USD will affect demand and the prices paid to Norwegian fish farmers. When our trading partners' currencies weaken against the NOK, it becomes more demanding to maintain the salmon price measured in NOK, since any such weakening represents – in reality – a price increase for our customers.

#### **EVENTS IN 2011**

A challenging, but good year for the SalMar Group 2011 was a challenging, but successful year for the

2011 was a challenging, but successful year for the Group. Among the important milestones reached were:

- The second highest consolidated operating profit ever achieved, at NOK 601.3 million
- Gradual start-up of both harvesting and secondary processing facilities at InnovaMar
- Acquisition of Krifo Fisk AS in the first quarter (one production licence)

- Acquisition of Bringsvor Laks AS in the second quarter (two production licences)
- Increase in the shareholding in Bakkafrost from 23.3 per cent to 24.8 per cent in the third quarter
- Acquisition of Villa Miljølaks in the third quarter (2 wholly owned and 2 R&D licences)
- New financing agreement with a banking syndicate established in the third quarter
- CEO Leif Inge Nordhammer stepped down, by own request, on 6 June 2011 and was replaced by Yngve Myhre

SalMar generated gross operating revenues of NOK 3,829.0 million in 2011, compared with NOK 3,429.4 million in 2010. The Group made an operating profit of NOK 601.3 million (2010: NOK 972.8 million), while profit after tax came to NOK 147.4 million (2010: NOK 958.1 million), corresponding to NOK 1.41 per share (2010: NOK 9.30).

#### SalMar Central Norway

For many years SalMar Central Norway has posted the market's best margins. Costs and margins were subject to substantial fluctuations in 2011.

A total of 63,400 tonnes gutted weight was harvested in 2011, compared with 47,200 tonnes in 2010. The increase in harvested volume was due partly to the effect of acquired businesses, good growth conditions through the second half, improved utilisation of the Group's production licences in the region, and volumes transferred from 2010 to 2011 due to a fire at the InnovaMar plant in the fourth quarter of 2010. SalMar Central Norway expects to harvest 72,000 tonnes gutted weight in 2012, up 14 per cent on the year before.

SalMar Central Norway made an operating profit of NOK 457.7 million in 2011. This corresponds to NOK 7.22 per kg gutted weight, down from NOK 15.55 per kg in 2010. This decrease can be ascribed to several factors, including steadily falling salmon prices, start-up costs associated with InnovaMar, a low proportion of fixed-price contracts in a falling market.

The identification of PD at the Singsholman facility on Hitra resulted in the destruction of approx. 1.5 million salmon and the relocation of around 500,000 salmon to a location south of the "PD barrier" at Hustadvika. The Group recognised a loss in the region of NOK 50 million as a result of this incident. SalMar Central-Norway has had three events regarding escaped fish, this resulting in the escape of approx. 235,000 salmon. Costs associated with this are set to NOK 10.1 million.

SalMar is making every effort to achieve optimal utilisation of the InnovaMar facility, control the biological situation in the region and improve operational efficiency in all parts of the business. It is the board's expectation that SalMar Central Norway will once again post the market's best margins in 2012.

#### Rauma Segment

The Rauma segment is the collective designation for SalMar's operations in Møre & Romsdal, south of Hustadvika. The Rauma segment comprises Rauma Gruppen AS (75.54 per cent of whose shares are owned by SalMar ASA), Stettefisk AS (2 production licences), Bringsvor Laks AS (2 production licences) and Villa Miljølaks AS (2 wholly owned and 2 R&D licences). Bringsvor Laks

and Villa Miljølaks were acquired during 2011, while Stettefisk AS and 75.54 per cent of Rauma Gruppen were acquired in 2010. Rauma Gruppen is a fully integrated producer of Atlantic salmon from roe to marketready processed products. The company operates in the Romsdal district and has 8 fish-farming licences (2 of which are broodstock licences), 2 hatcheries, and a combined harvesting and processing plant. The Rauma segment has also been designated the Group's spearhead with respect to developing its own breeding stock (the Rauma line). This investment will enable the Group to develop its own roe, with specially adapted growth and biological characteristics. This is expected to give the Group improved biological and financial results in the longer term. The Rauma segment is headquartered in Sjøholt, Ørskog. The segment harvested approx. 10,900 tonnes gutted weight in 2011.

The Rauma segment generated gross operating revenues of NOK 587.6 million in 2011, and made an operating profit of NOK 71.6 million. This corresponds to an operating profit of NOK 6.58 per kg gutted weight.

The companies that make up the Rauma segment are expected to harvest 13,000 tonnes gutted weight in 2012, up 19 per cent on the year before.

#### SalMar Northern Norway

SalMar Northern Norway derives from the company Senja Sjøfarm AS, which became a wholly owned subsidiary of SalMar towards the end of 2006. Senja Sjøfarm AS has since changed its name to SalMar Nord AS. Since 2006 SalMar has been working systematically to implement the "SalMar Standard" in all parts of the business, and the segment's biological and operational foundation is considered favourable. SalMar Northern Norway owns 13 production licences and harvested some 18,700 tonnes gutted weight in 2011, compared with 13,600 tonnes in 2010.

SalMar Northern Norway made a gross operating profit of NOK 106.4 million in 2011. This corresponds to NOK 5.68 per kg gutted weight, compared with NOK 15.55 per kg in 2010. The decrease can be ascribed almost entirely to reduced salmon prices and an unfavourable harvesting profile for the segment in 2012. In February 2012 Pancreas Disease (PD) was identified at one of SalMar Northern Norway's sites in Troms. The destruction of all fish stocks at the site in question was subsequently ordered, resulting in extraordinary costs in the first quarter 2012. Nevertheless, the PD outbreak is not expected to have any material impact on the overall production volume in the region.

SalMar Northern Norway expects to harvest 19,000 tonnes gutted weight in 2012, an increase of 2 per cent compared with the year before. In February 2012 SalMar announced the acquisition of 10 production licences in Finnmark. This acquisition substantially increases SalMar's production capacity in the region, but will not impact output volumes until 2013 and 2014.

## InnovaMar – a new harvesting and secondary processing plant on Frøya

For several years SalMar has been planning the construction of a facility whose aim is to be the world's most innovative and cost- effective salmon harvesting and processing plant. Through increased use of automation and new combinations of technical solutions InnovaMar, as the plant is known, will strengthen Sal-Mar's competitiveness, increase its capacity and flexibility, and improve the quality of the output. InnovaMar is also a stepping stone on the path to enhancing the Group's overall competence. The facility will result in a larger proportion of the salmon being processed locally, which will have a positive impact on the environment due to a reduction in the transport of whole fish, including the head, bones and other parts that are generally discarded by the consumer. InnovaMar's relatively high level of automation will also make it easier for SalMar to ensure a sufficiently large, competent and long-term workforce.

InnovaMar comprises two departments (harvesting and secondary processing), which each in their own way are a considerable advance in comparison with previous facilities. Together with equipment suppliers SalMar has devoted considerable resources to challenging traditional solutions, and has looked to the manufacturing industry to find solutions and technologies that can be utilised at InnovaMar. Key concepts such as fish welfare, safe food, internal logistics and efficiency have been at the heart of this development.

Harvesting – Gentle handling of the salmon has been a key feature in the design of the harvesting plant. Fish welfare is extremely important, both out of concern for the fish and for the quality of the finished product. The distribution system for whole fish is also a key part of the harvesting plant, since the system ensures good control and utilisation of the raw material. The labelling of each individual fish entering the plant facilitates complete traceability throughout. Together with the traceability SalMar has in the rest of the value chain, this means the product can be tracked from roe to the supermarket shelf. Increased automation increases capacity and results in relatively large savings on salaries per kg output, while the gentle handling of the salmon provides quality benefits.

InnovaMar is designed to have the capacity for all types of storage. Improved internal logistics result in safe and efficient product handling. The increased capacity also provides excellent flexibility with respect to managing production and sales.

**Processing** – As in the harvesting plant, the distribution system is a key part of the process, providing an extremely high level of control, both with respect to traceability and yield. Quality is ensured through gentle transfers between work stations and specialised production lines. Efficiency is enhanced through increased automation, ie in connection with portion packaging and palleting. Furthermore SalMar has worked closely with equipment suppliers to improve the machines' hygienic design. This enables optimal cleaning and washing procedures, and ensures food safety.

Besides fish welfare, the working environment, efficiency and food safety, other important features have been designed into the InnovaMar facility. These include energy consumption, the handling and utilisation of offcuts, as well as a reduced transport requirement through increased sales of fillets rather than whole fish. The above are examples of aspects of InnovaMar that SalMar

is extremely pleased to have developed to a higher level than current industry standards. The flexibility inherent in the plant is also well suited to accommodate any production changes that may be needed in future to respond to the preferences and requirements of customers and regulatory authorities.

InnovaMar covers a floor space of 17,500 m2. Around NOK 550 million has been invested in the building and associated equipment. The harvesting facility went into operation in September 2010, but a fire in a storeroom in mid-October meant the plant was out of commission until 6 December. The harvesting facility was back in service towards the close of 2010, while the secondary processing department started up gradually in the first and second guarters of 2011. Due to the harvesting profile of the Group's own salmon output, neither the harvesting facility nor the processing department operated at full capacity during the first six months of the year. Despite this, however, more than 80,000 tonnes were harvested at InnovaMar in 2011, which is probably a "world record" for a salmon harvesting unit. The volume of processed products gradually increased, with more than 6,000 tonnes of raw materials being processed in the fourth quarter. SalMar is making every effort to ensure good capacity utilisation at the plant by, among other things, selling harvesting and processing services to other fish farmers in central Norway. In February 2012 SalMar signed a harvesting and processing agreement with Lerøy. This collaboration will provide InnovaMar with substantially higher volumes and better capacity utilisation.

#### Norskott Havbruk AS

The associated company Norskott Habruk AS owns 100 per cent of the shares in Scottish Sea Farms Ltd, the UK's second largest salmon producer. SalMar owns 50 per cent of Norskott Havbruk, while Lerøy Seafood Group owns the remaining shares.

Scottish Sea Farms harvested 21,900 tonnes gutted weight in 2011, compared with 27,100 tonnes in 2010. Norskott made an operating profit of NOK 5.67 per kg gutted weight in 2011, compared with NOK 10.30 per kg the year before. As in the other parts of the Group, the change in profits from 2010 to 2011 derives largely from the development in salmon prices through 2011. In addition, the company experienced certain biological challenges with respect to the fish harvested in the fourth quarter, which had a negative impact on the year's overall result. The situation for the marine-phase biomass is considered favourable, and the performance of the fish to be harvested in 2012 is therefore expected to be good.

Over several years Scottish Sea Farms, in conjunction with the authorities and other industry players in the region, has worked unceasingly to improve the biological situation in Shetland and Scotland as a whole. Among the measures implemented have been generational segregation and zoning. During the same period Scottish Sea Farms has refrained from releasing new

smolt into the problem areas. This had a successful outcome in 2009 and 2010. However, these adjustments resulted in a lower harvested volume in 2011. In 2012 the harvested volume will rise once again, and the company expects to harvest 25,000 tonnes gutted weight, up 14 per cent on the year before.

#### Investments

Through the year SalMar has invested substantial sums in growth (both organic and through the acquisition of production licences), as well as in other strategic focus areas.

Exploitation of the Group's organic growth potential has led to substantial investments in production equipment along the entire value chain. At the same time, 2011 was the final year of investment in InnovaMar, which had been under construction since 2009.

Over the past two years SalMar has secured access to increased production capacity in central Norway through a number of acquisitions:

#### 2011

- Krifo Fisk AS in the first quarter (1 production licence)
- Bringsvor Laks AS in the second quarter (2 production licences)
- Increase in the shareholding in Bakkafrost from 23.3 per cent to 24.8 per cent in the second quarter
- Villa Miljølaks AS in the third quarter (2 wholly owned and 2 R&D licences)

#### 2010

- Rauma Gruppen (8 production licences, smolt production, broodstock and roe production, as well as harvesting and secondary processing)
- Stettefisk AS (2 production licences).

To optimally exploit both existing and new licences substantial investments have been made in increased smolt production capacity, in seagoing equipment such as net pens, boats and feeding pontoons, as well as the construction of new and larger facilities. The investment programme associated with the hatchery division will be continued in 2012 to secure access to high-quality smolt commensurate with the Group's growth strategy. The modernisation of hatchery facilities has proved an unqualified success, resulting in improved biological performance from the smolt released in 2011 and a substantial reduction in unit costs per smolt.

For SalMar it is important that its fish farming facilities have a uniform, high standard and are at the forefront in meeting requirements and deadlines for the introduction of certification standards for its marine-phase facilities. These investments, combined with good operating routines, will help to prevent technical failures at SalMar's facilities and the escape of fish. Despite good operating routines, the Group experienced serious incidents involving the escape of fish in 2011, see the section "Operational risk and risk management" for further details of the incidents.

As previously mentioned, InnovaMar is a unique project, with a total investment in buildings and machinery of around NOK 550 million. The plant was fully operational by the end of the first quarter 2011, and is intended to be the world's most innovative and cost-effective facility for the landing, harvesting and processing of farmed salmon. The plant will enable SalMar to ensure that a significantly larger proportion of its overall output is utilised ef-

fectively and exported as fillets rather than whole gutted fish.

SalMar increased its shareholding in Bakkafrost in 2011 because it considers Bakkafrost to be a very well-run company with a strong and positive culture. SalMar believes the Faeroes offer good conditions for the farming of Atlantic salmon, and it sees opportunities for partnership between SalMar and Bakkafrost. In 2011 a collaboration was established with respect to the use of well-boats and the purchase of feed from Bakkafrost's feed factory, Havsbrun. At the same time further opportunities for collaboration were also investigated. In SalMar's opinion the company has the potential for further development under the leadership of its extremely proficient local management.

Bakkafrost is the largest salmon farmer in the Faeroes. In 2011 it harvested some 34,400 tonnes gutted weight. In 2012 Bakkafrost expects to harvest 48,000-50,000 tonnes gutted weight, an increase of 40-45 per cent. The company owns more than 50 per cent of all the salmon farming licences in the Faeroes, and is a fully integrated operation from smolt to processing and sales. Bakkafrost generated gross revenues of approx. NOK 1,379 million in 2011 and made an operating profit of NOK 350 million.

Sharp fall in the value of aquaculture companies on the Oslo Stock Exchange.

The substantial rise in the Oslo Stock Exchange's main index and the price of aquaculture shares experienced in 2009 and 2010 continued in the first half of 2011. However, the sharp fall in salmon prices in the summer months led to a steep decline in aquaculture share prices. The Oslo Stock Exchange's main index closed the year down by 6.4 per cent, while aquaculture shares fell on average by 37.4 per cent (adjusted for dividend) through the year. SalMar's market capitalisation fell by 44.4 per cent (adjusted for dividend) in 2011, after a 39 per cent increase in 2010. At the close of the year SalMar's market value totalled NOK 3.1 billion.

As mentioned above, the change in the aquaculture companies' market capitalisation can be ascribed primarily to the fall in salmon prices through the second half, as well as the uncertainty attaching to price developments in 2012. The salmon price in 2012 will be determined by several factors, each pulling in different directions. The supply of salmon will rise as a result of a relatively substantial increase in output of Atlantic salmon in Chile, combined with continued growth in output in Norway, while demand will be stimulated as a result of low prices and continued strong focus on salmon as a nutritious and tasty food item.

It is the opinion of the board of directors that throughout last year SalMar strengthened its foundation for continued growth with respect to the goals and strategies adopted by the Group.

#### FINANCIAL PERFORMANCE

#### Income Statement

The SalMar Group generated gross operating revenues of NOK 3,829.0 million in 2011, compared with NOK 3,429.4 million in 2010, an increase of some 12 per cent. The business in Norway harvested 93,000 tonnes gutted weight (2010: 64,900 tonnes). Including the Group's 50 per cent stake in Scottish Sea Farms, SalMar harvested 103,900 tonnes gutted weight in 2011 (2010: 78,500 tonnes). The Group made an operating profit of NOK 601.3 million (2010: NOK 972.8 million). Operating profit per kg gutted weight came to NOK 6.47 (2010: NOK 15.00). Profit after tax for 2011 totalled NOK 147.4 million (2010: NOK 958.1 million). Earnings per share totalled NOK 1.41 (2010: NOK 9.19).

Gross operating revenues for SalMar Central Norway rose to NOK 3,532.0 million in 2011 (2010: NOK 3,137.2 million), while operating profit totalled NOK 457.7 million (2010: NOK 733.6 million). This corresponds to an operating profit of NOK 7.22 per kg gutted weight (2010: NOK 15.55). SalMar Central Norway harvested around 63,400 tonnes gutted weight in 2011 (2010: 47,200 tonnes). The increase in harvested volume can be ascribed to a combination of organic and acquisition-driven growth, and the utilisation of partner licences. Including the volumes from external fish farmers, the InnovaMar plant harvested some 80,000 tonnes gutted weight of salmon in 2011.

SalMar Northern Norway generated gross operating revenues of NOK 544.0 million in 2011 (2010: NOK 506.0 million). Operating profit totalled NOK 106.4 million (2010: NOK 211.2 million). This corresponds to an operating profit of NOK 5.68 per kg gutted weight (2010: NOK 15.55). SalMar Northern Norway performed consistently well throughout 2011 despite reduced profitability in the second half due to low salmon prices. At the start of February 2012 Pancreas Disease (PD) was identified at one site. In line with directives from the Norwegian Food Safety Authority the entire stock of fish at the site has been harvested. This will result in a recognised loss of almost NOK 40 million in 2012. SalMar Northern Norway will compensate for the bulk of the harvesting volumes lost in 2012 and 2013 by utilising available MAB at other sites in the region. This may be achieved at a low marginal cost, such that some of the financial loss may be recouped. A total of 18,700 tonnes gutted weight was harvested by SalMar Northern Norway in 2011, compared with 13,600 tonnes in 2010.

The Rauma segment generated gross operating revenues of NOK 587.6 million in 2011. Operating profit totalled NOK 71.6 million, which corresponds to an operating profit of NOK 6.58 per kg gutted weight. A total of 10,900 tonnes gutted weight was harvested in 2011.

SalMar recognises a share of the profit/loss after tax from its investments in associated companies. In total the Group has recognised NOK 98 million: NOK 80.8 million from P/f Bakkafrost (24.8 per cent shareholding); NOK 13.7 million from Norskott Havbruk (50 per cent shareholding and owner of Scottish Sea Farms); and NOK 3.4 million from Norskag Næringspark (42.5 per cent and owner of the premises housing InnovaMar). In 2011 SalMar received NOK 74.9 million in dividends from these companies.

Interest expenses in 2011 totalled NOK 98.8 million (2010: NOK 49.6 million). This increase may be ascribed to higher interest rate margins and interest-bearing debt throughout the year.

#### Balance Sheet

The Group's intangible assets increased from NOK 1,687.9 million at the start of 2011 to NOK 1,917.1 million at the close of the year. This change may be ascribed primarily to the value of licences and goodwill associated with acquisitions. The book value of the Group's biological assets (marine-phase fish stocks) fell from 1,580.9 million at the start of the year to NOK 1,420.8 million at the close. The decrease is due to a significant decline in the fair value of the salmon.

The Group's equity decreased from NOK 2,469.4 million at the start of 2011 to NOK 2,214.6 million at the close of the year. The decrease in equity derives principally from the payment of NOK 409.7 million in dividends, as well as an adjustment for the profit in the period. See the consolidated financial statements for a detailed exposition of movements in equity during the year.

The Group's non-current liabilities rose from NOK 2,632.5 million at the start of 2011 to NOK 2,941.7 million at the close of the year. The growth in non-current liabilities may be ascribed principally to the payment of dividends and the acquisition of Bringsvor Laks AS and Villa Miljølaks AS, investments in non-current assets and the increase in the Group's shareholding in Bakkafrost. The Group's current liabilities rose from NOK 705.4 million to NOK 1,160.1 million.

At the close of the year total capital amounted to NOK 6,316.4 million, compared with NOK 5,807.3 million at the same point the year before. As at 31 December 2011 the Group had an equity ratio of 35 per cent, compared with 42.5 per cent at the same point in 2010. Net interest-bearing debt rose during the year from NOK 1,813.5 million to NOK 2,656.1 million, an increase of NOK 842.6 million.

#### Financing

During the second quarter the Group signed a new financing agreement with a consortium led by DnB. The financing agreement covers both overdraft facilities and acquisition funding, and has a ceiling of NOK 4.5 billion. The agreement contains the following covenants: net interest-bearing debt may not exceed 4 times the 12-month rolling EBITDA; the Group shall maintain an equity ratio of at least 35 per cent (down to 30 per cent in a 12 month periode); the facility has a 5-year term with a 15-year repayment profile. SalMar is very pleased to have secured a good framework for both operational, investment and acquisition activities at competitive terms.

A sound financial position is deemed to be a crucial element in the Group's strategy for further growth and profitability. The board will continue to place significant emphasis on this issue.

#### Cash flow

Operating activities generated an overall positive cash

flow of NOK 294.9 million in 2011. Compared with an operating profit of NOK 601.3 million, this represents a difference of NOK 306.4 million. This may be explained primarily by tax paid, depreciation and an increase in working capital. Net payments from investing activities totalled NOK 501.9 million, and are largely associated with investments in non-current assets and acquisitions. Dividends from investments in associated companies contributed NOK 74.9 million. Net receipts from financing activities totalled NOK 147.7 million. The Group obtained NOK 825 million through new borrowings. NOK 150.3 million was paid out in loan instalments, interest and other financial expenses. In addition, the Group paid a dividend of NOK 409.7 million to its shareholders.

At the close of 2011 the Group had cash and cash equivalents of NOK 47.6 million, compared with NOK 107.1 million at the start of the year. Together with unused drawing facilities amounting to NOK 1,967.2 million, the Group's liquidity and financial position are deemed to be good. The board considers Group's capacity for financing further growth to be satisfactory.

#### OPERATIONAL RISK AND RISK MANAGEMENT

Risk will normally attach to the Group's business operations. The largest risk facing SalMar relates to the development of its fish stocks, both at its hatcheries and marine-phase fish farms. Even though SalMar draws up and establishes effective routines for its own operations, the business is such that it will always be important to keep abreast of what competitors and neighbouring facilities are doing.

The aquaculture industry faces challenges with respect to the spread of salmon lice and an increase in the numbers of resistant lice, ie lice which have a reduced sensitivity to the preparations and medications that have been effective in treating salmon lice over the past decade. This was particularly true of North Trøndelag in 2010. SalMar plays an active role in the effort to combat salmon lice, and works effectively with the authorities, other fish farmers and scientific expertise to reduce biological risk. SalMar has developed its own strategy for dealing with salmon lice, which has been in operation since mid-2009. In addition to its own strategy plan the Group complies with all the counting and treatment strategies implemented by the authorities. At the time of writing SalMar has the level of lice infestation at all its sites well in hand. At the time of writing no site has lice numbers in excess of the authorities' threshold for the initiation of remedial measures.

SalMar is convinced that salmon lice can be controlled and kept at acceptable levels through a combination of different forms of treatment and medication, as well as the established collaboration between fish farmers. An important contribution to this will be increased use of wrasse, which live alongside the salmon in the net pens and feed on the lice. SalMar has started farming wrasse, and the company expects its first in-house produced wrasse to be released into the net pens in the first half of 2012. The level of salmon lice infestation at Norwegian fish farming operations developed favourably through large parts of 2011, and the efforts being made by the industry itself and the coordinating authorities have resulted in considerable improvements compared with the previous two years.

In general terms SalMar's uncompromising focus on biological qual-

ity and control means that it chooses solutions and implements measures which safeguard long-term biological security over short-term financial gain.

The management of risk is a key part of management's responsibilities. The Group has systems and routines in place to monitor key risk factors in all business areas, and places great emphasis on carrying out site audits in accordance with its quality manual and defined operating standards.

It is also important for production to take place at sites which have the capacity to sustain the volumes being produced. To ensure the quality of the fish farms, analyses and environmental audits are routinely performed at the Group's production facilities.

Regrettably, SalMar experienced three serious incidents involving the escape of salmon from its farms in 2011. On 14 February 2011 a tear was discovered in a net pen at one of SalMar's sites at Hitra in central Norway. A count of the fish remaining in the net pen revealed that a total of 175,000 salmon, with an average weight of 1.9 kg, had escaped. The escaped salmon were free of lice and had not been medicated. The escape occurred after the net became torn during net-handling operations. SalMar has specific routines covering the monitoring of nets after this kind of operation, and it is regrettable to note that internal routines do not seem to have been followed in this case. Following this incident SalMar implemented a number of measures to limit the damage caused by the escape of the salmon. In addition, a joint project was initiated with the river-owners' association in Trøndelag (ERT). Preliminary figures from rivers in Trøndelag indicate that escaped farmed salmon accounted for less than 4 per cent of the fish population, far lower than was previously thought to be normal. Nonetheless, it must be emphasised that no escapes of fish should occur at SalMar's sites, and that the joint project with ERT needs to be continued in 2012 in order to acquire additional data.

On 7 June 50-150 salmon escaped from a SalMar facility at Tustna in Møre & Romsdal. The escape was due to a tear in a net pen caused by chafing from chains.

On 29 November, following the severe Atlantic storm Berit, a tear was discovered in a net pen at a facility in Roan. After counting the salmon in the affected net pen, it was discovered that 60,000 fish had escaped.

SalMar has carried out a thorough investigation of these events. The Group continuously assesses the need for additional measures to secure its facilities against extreme weather conditions and ensure compliance with its internal escape-prevention routines. The company is not satisfied with its performance in this area in 2011, and expects that the measures implemented will help to reduce the extent of such incidents in the years ahead.

It is the responsibility of the CEO to ensure that the Group operates in line with all relevant legislation and guidelines governing the operations of the Group's various entities. The follow-up and control of risk factors, as well as compliance with the Group's values and code of conduct is carried out in the line organisation as part of day-to-day operations.

#### FINANCIAL RISK AND RISK MANAGEMENT

The follow up of internal controls associated with financial reporting is carried out through 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 employed where they are considered appropriate.

#### 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 the Group's costs is, however, limited, since input factors and salaries are paid largely in NOK (Norwegian kroner). All interest-bearing debt is in NOK. 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 interest rates.

#### Credit risk

The risk of a counterparty not having the financial resources to meet his obligations has, historically, been considered low, and SalMar's losses resulting from bad debts have been very small. The economic downturn experienced in large parts of the world in recent years has led SalMar to tighten its commercial terms and focus more strongly on the follow up of trade receivables. As mentioned above credit risk is currently not a problem for SalMar, but we feel it is appropriate to keep this issue in sharp focus during 2012.

The Group does not have any significant credit risk associated with an 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 trade receivables 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 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 the present time.

#### RESEARCH AND 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, management at 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 used at the new InnovaMar facility, among others.

In 2011 SalMar initiated or continued a number of development projects linked to both fish farming and processing operations.

In the field of fish farming SalMar took the initiative for or participated in a number of R&D activities and projects. These include:

- An industrial research and development (IFU) project for the development of optical delousing, involving Beck Engineering, SalMar, Lerøy Seafood and Marine Harvest.
- Analysis of the scales of salmon caught by anglers in the rivers around Trondheimsfjord. Collaboration with river owners to monitor the numbers of farmed salmon present during the salmon fishing season.
- Participation in the CREATE project SFI, being run by the research establishment Sintef. The aim of the project is to strengthen equipment suppliers to the Norwegian aquaculture industry.
- Testing of flotation rings and nets in Sintef's Marintek ship model tank. Collaboration with many fish farming companies.
- 5-meter significant wave height project. This is a forward-looking project in which SalMar is working with industry experts and equipment suppliers to develop fish farming equipment and operating models for locations exposed to greater stresses (wave height and currents) than is the case for today's farms. The possibility of farming fish in more exposed locations would have a number of benefits, such as increased fish welfare deriving from a better environment for the salmon, and reduced environmental footprint due to optimal sea current and seabed conditions. At the same time production capacity in Norway could be significantly increased through the use of areas which have previously not been used for fish farming.
- To learn more about the best feed composition and best feeding strategies SalMar has initiated an internal project to monitor the salmon's digestive system.
- Collaboration with Sintef on the exploitation of an R&D licence which Sintef controls (size corresponds to three ordinary licences). The R&D activities are primarily associated with the development of equipment technology for use in the aquaculture industry.
- Analyses relating to the farming of wrasse for use in the fight against salmon lice. These are being carried out in conjunction with other fish farmers and relevant centres of expertise.
- Development of improved work routines and computer-based tools for optimising biological production.

- Use of TelCage for surveillance and feeding from onshore.
- Use of roe with greater resistance to the IPN virus.
- Participation in two KMB projects (Knowledge-Building Projects with User Involvement) with support from the Research Council of Norway. One project linked to lice, the other to biomass measurement.

In 2011 SalMar was also engaged in a number of R&D projects in the field of secondary processing. These include:

- The development of equipment for the automatic deboning of pre-rigor salmon fillets.
- Automation of packing processes through the use of robots.
- The testing of new packaging methods for pre-rigor salmon fillets for the export market, as well as the launch of Frøyas, a newly developed sashimi loin product for sale to the Norwegian supermarket sector.
- The development of internal laboratory competence to support efforts to improve the quality of the final product (texture, colour, defects) and the fish farming division's efforts to monitor the salmon's digestive system.
- The development of the next generation of fish boxes and packaging in order to achieve environmental benefits and reduce transport requirements.

SalMar invests considerable resources to be at the forefront in the development of "best practices" and new environment-friendly solutions in all parts of the value chain.

#### GOING CONCERN

The financial statements for 2011 have been drawn up on the assumption that SalMar is a going concern. With reference to the Group's profits, financial position and forecasts for the years ahead, it is confirmed that grounds for such an assumption do exist. In the opinion of the board, the Group's financial position is sound.

#### **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 planned, though this is 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.

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

The parent company, SalMar ASA, made a net profit for the year of NOK 85,0 million. The board is proposing that no dividend is to be paid for the 2011 financial year. The board therefore proposes the following allocation of the year's profit:

Dividend
 Other equity
 Total
 NOK 0 million
 NOK 85.0 million
 NOK 85.0 million

After payment of the dividend, the distributable reserve totals NOK 317.9 million.

# HEALTH, SAFETY AND THE ENVIRONMENT (HSE)

Consideration for health, safety and the environment 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 close of 2011 the Group had 616 employees, of whom 125 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 improvement measures.

That SalMar's employees are in good health and work in safe and healthy surroundings is a competitive advantage, both in the struggle to recruit and retain 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, and a number of measures have been implemented to reduce sickness absence 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 with therapy pool.

The short-term sickness absence rate in 2011 was 2.08 per cent, compared with 2.53 per cent in 2010. The long-term sickness absence rate in 2010 was 3.38 per cent, compared with 3.60 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. A total of 12 work-related injuries were reported during the year, compared with 51 in 2010.

As a steward of 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 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.

#### Carbon Disclosure Project

SalMar ASA has been nominated Norway's second best company with regard to reporting and working with, carbon emissions and environmental impact. The ranking is published by the Carbon Disclosure Project, CDP, which also puts SalMar ASA in eleventh place in a Nordic context. CDP is the world's largest database of corporate greenhouse gas emissions. Behind the organisation are 551 institutional investors, representing a total of NOK 400 trillion. The Nordic index is based on a survey to the largest listed companies in the Nordic region. CDP received responses from 25 Norwegian companies. More information about the survey is available from: www.cdproject.net/

SalMar maintains a holistic view of the fish farming industry and works continuously to achieve energy efficient operations and climate friendly solutions throughout the organisation. SalMar's nomination as Norway's best in this field highlights the success of its efforts to improve its energy efficiency and tackle climate-related risks, and provides additional motivation for the future.

# HUMAN RESOURCES AND ORGANISATION

The excellent development and solid results achieved by SalMar over many years are due to the hard work of all the Group's employees. Their positive attitudes and high standards have 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 that 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. To support this work the long established SalMar School underwent a revitalisation and development process in 2011. Increased emphasis was also placed on internal information and the exchange of experiences between the Group's divisions. In 2012 SalMar will publish an internal newspaper, to which all members of group management will contribute articles on new trends within their respective areas of responsibility.

Efforts are being made to secure access to qualified personnel at all levels in the organisation. Great emphasis is placed on offering 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 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. To facilitate day-to-day communications on all sides, SalMar arranges Norwegian language tuition for its foreign workers. SalMar also devotes considerable

resources to assisting its employees, such as finding accommodation for those who need it.

#### DISCRIMINATION

The purpose of the Anti-Discrimination Act is to promote equality, safeguard equal opportunities and rights, and prevent discrimination on any grounds. Within its business operations the Group is working actively to foster an environment in compliance with the spirit of the Act. The Group aims to be a workplace that does not discriminate on the grounds of reduced functional capability. The Group is working actively and systematically to design and adjust the physical conditions at its sites to make the various functions as accessible as possible. For employees or job seekers with reduced functional capabilities, the workplace and the job content are tailored to the individual concerned.

#### CORPORATE GOVERNANCE

SalMar has undertaken a thorough review of its principles of corporate governance. The Group complies with the laws, rules and recommendations a listed public limited company are required to, including Accounting Act, § 3-3b on corporate governance, continuous obligations for companies listed on the Oslo Stock Exchange and the current Norwegian recommendations on corporate governance published by the Norwegian Corporate Governance and Corporate Governance (Code of Practice). A review of these principles are detailed in a separate section in the annual report.

The Group's board of directors comprises five members elected by the shareholders and two employee representatives. 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.

# INFORMATION REGARDING SHARE OWNERSHIP

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 close of the year SalMar had approx. 1,650 shareholders.

There are no provisions in the Articles of Association restricting the right to sell its shares. The company is also not aware of any agreements between shareholders which limits the opportunities to sell or exercise voting rights for shares.

#### 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. SalMar therefore con-

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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.

tributes financial and organisational resources in the 18 local authority areas in which we have a presence in Norway.

In line with the Norwegian Code of Practice for Corporate Governance, SalMar has drawn up a separate set of guidelines for corporate social responsibility. These were approved by the board of directors in the first quarter of 2011.

#### 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. Fish farming operations are set for further growth, processing capacity has increased substantially following completion of the InnovaMar facility and investment in Vikenco, sales and distribution expertise will be further strengthened, and the SalMar culture will be reinforced through the further development of the SalMar School for all employees.

Partly as a result of the fall in salmon prices seen through 2011 SalMar expects demand to continue growing in the most important markets. Lower wholesale salmon prices are starting to be reflected in retail prices, which is helping to stimulate demand. SalMar expects demand to strengthen still further as retail prices continue to fall. It is SalMar's expectation that, despite the anticipated increase in global supply in the time ahead, this trend in demand could result in salmon prices capable of generating good margins for the most efficient fish farmers. This underpins the board's view that the aquaculture industry will remain an extremely important employer and export sector for Norway in general and coastal communities in particular in the coming years.

Even though considerable uncertainty attaches to long-term forecasts, both with respect to market developments and production-related issues, the board considers the Group's prospects to be excellent.

It is SalMar's clear objective to maintain its position as one of the world's leading, and most profitable, fish farming groups. It is the opinion of the board that SalMar is well placed to achieve this goal.

The board would like to thank all employees for their dedicated efforts, on which SalMar's long-term success is based.

Frøya, 29th of march 2012

Bjørn Flatgård

Randi E. Reinertsen

Gustav Witzøe

Alf Jostein Skjærvik
Director/Employee representative

Synnove G. Ervik
Director

Monicha Seternes Director/Employee representative (Absent due to illness) Kjell A. Storeide

Director

Yngve Myhre
President & CEO

# THE JOB WE DO TODAY IS VITAL TO THE SUCCESS OF US ALL

Although SalMar as a whole numbers more than 600 people, it is vital to develop personal attitudes and an understanding that what happens is up to me and my function. It is therefore vital that everyone is familiar with our vision, objectives and values, and that we support each other on our way to being at all times the lowest-cost supplier of farmed.





# SUSTAINABILITY IN EVERYTHING WE DO

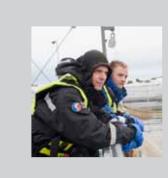
High ethical and moral standards form the basis for developing an even stronger focus on safeguarding the environment that we work in day to day, and that we are the temporary custodians of. We shall not deplete the environment, but ensure that we pass it on unimpaired to the next generation. This is our shared social responsibility, and everything we do must stand up to public scrutiny both today and in the future.





# CONSOLIDATED ACCOUNT SALMAR 2011





















Sales revenues

Other operating revenues

Total operating revenues

OPERATING REVENUES AND OPERATING EXPENSES

Controlling interest's share of profit for the year

Earnings per share/diluted earings per share

Non-controlling interest's share of total comprehensive income

Controlling interest's share of total comprehensive income

NOTE

20

2011

33 299

3 795 746

3 829 044

144 855

143 735

26

2517

1,41

946 818

11 300

912 946

9,19

2010

3 399 868 29 564

3 429 432

# BALANCE SHEET 31. DECEMBER NOK 1000

ASSETS	NOTE	2011	2010
NON-CURRENT ASSETS			
Intangible assets			
Licences, patents, etc	4, 17	1 483 752	1 315 218
Goodwill	4	433 348	372 710
Total intangible assets	4	1 917 100	1 687 928
PROPERTY, PLANT AND EQUIPMENT			
Land, buildings and other real estate	5, 17	206 409	179 364
Plant machinery and other operating equipment	5, 17	845 581	636 720
Other operating equipment	5, 17	74 455	55 951
Total property, plant and equipment	5	1 126 446	872 035
NON-CURRENT FINANCIAL ASSETS			
Investments in associates	6, 17	918 868	866 809
Investments in associates Investments in shares and other securities	7,8	762	1 426
Pension fund assets	7,8 16	2 023	3 901
Other receivables	7, 10, 21	4 609	12 276
Total non-current financial assets	7,10,61	926 262	884 412
Total non-current assets		3 969 807	3 444 375
Total from earreine assets		3 303 007	3 111373
CURRENT ASSETS			
Biological assets	11,17	1 420 788	1 580 934
Inventory	11,17	227 935	128 973
Total inventory		1 648 724	1 709 907
RECEIVABLES			
Accounts receivables	7, 10, 17	505 280	409 707
Other receivables	7, 10	144 993	136 266
Total receivables	7,10	650 273	545 973
		230 273	3 13 37 3
Cash and cash equivalents	7,12	47 621	107 062
Total current assets		2 346 618	2 362 943
TOTAL ASSETS		6 316 425	5 807 317

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## BALANCE SHEET 31. DECEMBER NOK 1000

EQUITY AND LIABILITIES	NOTE	2011	2010
EQUITY			
PAID-IN EQUITY			
Share capital	13	25 750	25 750
Treasury shares		-325	-350
Share premium fund		112 880	112 880
Other paid-in equity		38 337	25 685
Total paid-in equity		176 642	163 964
RETAINED EARNINGS			
Distributable reserve		1 915 741	2 187 391
Total retained earnings		1 915 741	2 187 391
<u> </u>			
Non-controlling interests		122 228	118011
Total equity		2 214 610	2 469 367
LIABILITIES			
Other non-current liabilities			
Pension liabilities	16	1 213	1 714
Deferred tax liabilities	15	738 475	761 633
Long term bank borrowings	2, 7, 14	2 028 537	1 760 567
Finance lease liabilities	2, 7, 14	173 460	108 606
Total other non-current liabilities		2 941 685	2 632 521
CURRENT LIABILITIES			
Short-term bank borrowings	14,7	501 754	51 431
Accounts payables	2,7	412 802	351 042
Current tax liabilites	15,7	66 399	148 088
Public charges payable	/ .	52 980	48 023
Other current liabilities	7, 19	126 195	106 845
Total current liabilities	•	1 160 130	705 430
Total liabilities		4 101 815	3 337 950
TOTAL EQUITY AND LIABILITIES		6 316 425	5 807 317

Frøya, 29 March 2012

Bjørn Flatgård *Chair* 

Randi C. Reinerben

Randi E. Reinertsen *Director*  Gustav Witzøe
Director

Alf Jostein Skjærvik
Director/employee representative

Synnove G. Enri

Synnøve G. Ervik *Director* 

Monicha Seternes Director/employee representative (Absent due to illness) Kjell A. Storeide *Director* 

Yngve Wyhre President & CEO

## STATEMENT OF CASH FLOW

NOK 1000

CASH FLOW FROM OPERATING ACTIVITIES:	NOTE	2011	2010
Operational EBIT		601 340	972 791
Tax paid during the period	15	-146 817	-128 129
Depreciation	4, 5	132 000	93 962
Impairment losses	4, 5	543	1 668
Expensed options	21	10317	5 231
Reclassification of options		0	-19 888
Gains/losses on sale of non-current assets	5	-450	282
Change in inventory/biological assets		-269 515	-448 817
Change in accounts receivables		-91 459	-105 222
Change in accounts payables		-29 288	100 691
Change in other current assets and other liabilities		88 200	58 503
Net cash flow from operating activities		294 871	531 071
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment	4, 5	3 463	1 866
Payments for purchase of property, plant and equipment	4, 5	-407 351	-307 895
Dividend from associates	6	74 937	47 586
Acquisition of businesses		-184 352	-945 114
Net result of sale/purchase of non-current financial assets		11 426	-9 357
Net cash flow from investing activities		-501 877	-1 212 914
CASH FLOW FROM FINANCING ACTIVITIES			
New long-term borrowings	2,14	478 942	965 784
Repayment of long-term borrowings	2,14	-150 277	-63 495
Net change in short-term borrowings	_,	346 161	27 552
Interest received		5 276	5 639
Interest paid		-98 791	-49 597
Other financing expenses paid		-8 675	0
Payment on exercise of options		-19 146	-22 297
Sale of own shares		3 900	0
Equity paid out		-409 740	-223 520
Net cash flow from financing activities		147 650	640 067
Net change in cash and cash equivalents		-59 357	-41 776
Currency translation differences of subsidiaries		-82	416
Cash and cash equivalents - opening balance		107 062	148 424
Cash & cash equivalents - closing balance		47 621	107 062
Undraw borrowing facilites	14	1 967 166	948 495

Of the total unused credit facilities of NOK 1,967.2 million per 31.12.2011 are NOK 400.9 million related to the revolving credit facilities for use in the ongoing funding of operation s. Other unused credit facilities are reserved for investments.

## **EQUITY**

NOK 1000

2010	NOTE	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Distri- butable Fond	Non- controlling interests	Total equity
<b>Equity as at 1 Jan 2010</b> Net profit for the year		25 750	-350	112 880	20 454	<b>1 540 158</b> 946 818	<b>914</b> 11 300	<b>1 699 806</b> 958 118
COMPREHENSIVE INCOME								
Currency translation difference in associates	6					-27 546		-27 546
Share of other comprehensive income of associates Currency translation difference	6					158		158
of subsdiaries Change in fair value of	:5					416		416
hedging instruments						-6 899		-6 899
Total other comprehensive in	icome					-33 872	0	-33 872
Total comprehensive income								
for the year						912 946	11 300	924 246
TRANSACTIONS WITH SHARE	HOLDERS							
Options granted	21				5 231			5 231
Options redeemed	21					-22 297		-22 297
Options reclassified	21					-19888		-19 888
Dividend for 2009						-223 520		-223 520
Additions non-controlling interes	sts						105 797	105 797
Total transactions with shareh	olders	0	0	0	5 231	-265 705	105 797	-154 677
Equity as at 31 Dec 2010		25 750	-350	112 880	25 685	2 187 391	118 011	2 469 367

2011 N	ОТЕ	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Distri- butable Fond	Non- controlling interests	Total equity
Equity as at 1 Jan 2011 Profit for the year		25 750	-350	112 880	25 685	<b>2 187 391</b> 144 855	<b>118 011</b> 2 517	<b>2 469 367</b> 147 372
COMPREHENSIVE INCOME						144033	L 317	177 37 6
Currency translation								
differences in associates Share of other comprehensive	6					1 544		1 544
income of associates	6					-3 063		-3 063
Currency translation differences								
of subsdiaries Foreign exchange differences on						-82		-82
net investments in foreign units						480		480
Total other comprehensive incomprehensive inco	me					-1 121	0	-1 121
Total comprehensive income for	the year					143 735	2 517	146 251
TRANSACTIONS WITH SHAREHOI	DEDC							
Options granted	21				12 653			12 653
Options redeemed	21		25		12 000	-3 027		-3 002
Reversal of options granted	21		LJ			-2 606		-2 606
Dividend for 2010	_ '					-409 740		-409 740
Additions non-controlling interest	ς					103 / 10	1 700	1 700
Other equity transactions	_					-12		-12
Total transactions with sharehold	ers	0	25	0	12 653	-415 385	1 700	-401 007
Equity as at 31 Dec 2011		25 750	-325	112 880	38 337	1 915 741	122 228	2 214 610

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### NOTE 1 ACCOUNTING PRINCIPLES

#### **General Information**

SalMar ASA is registered and domiciled in Norway, and the company's shares are traded on the Oslo Stock Exchange. The company's head office is located in Frøya. The consolidated financial statements were formally approved by the board of directors 29 March 2012.

The most important accounting principles used in the preparation of the consolidated financial statements are presented below. These principles are applied in the same way in all periods presented unless otherwise stated.

#### Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The consolidated financial statements have been prepared under the historical cost convention, as modified by

- biological assets (Note 11)
- currency forward contracts (Note 9) at fair value through profit or loss.

#### New and amended standards

There are no new or amended IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2011 that are assumed to have a material impact on the Group.

New and amended standards that are applied by the Group but have no impact on the financial statements at the present time

- IAS 1 Presentation of Financial Statements (revised). The revised standard states that it is no longer required to present all items of comprehensive income in the statement of equity. These items may be disclosed as one item.
- IAS 34 Interim Financial Reporting (revised). The revised standard clarifies the requirement for disclosure of all material circumstances and events, including write-downs, changes in classification or measurement of financial instruments, etc.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (revised). The revised standard states that negotiated settlement of debts to third-parties involving the issue of shares requires the recognition of gains through profit and loss.
- IAS 24 Related Party Disclosures (revised). The revised standard clarifies the definition of related party.
- IAS 32 Financial Instruments Presentation (revised). The revised standard states that when rights issues are denominated in a currency other than the functional currency of the issuer, subscription rights may, provided certain conditions are met, be issued in the nominal currency without the subscription rights being accounted for as a liability.
- IFRS 7 Financial Instruments Disclosures (revised). The revised standard states that it is no longer required to disclose whether the maximum credit loss is a capitalised amount. Furthermore

the disclosure requirements with respect to assets pledged as security have become less extensive.

- IFRS 3 Business Combinations (revised). The revised standard states that non-controlling shareholders who are not entitled to a share of net assets must be assessed at fair value on the date of acquisition.

Standards, amendments to and interpretations of existing standards that are yet not effective and where the Group has not chosen early adoption.

The impact of these changes is expected to be:

- IAS 19 Employee Benefits was amended in June 2011. The amendment involves that all estimate deviations are recognised in comprehensive income as they arise, all costs deriving from previous periods' pension accruals are recognised immediately, while interest expenses and expected returns on pension assets are replaced by a net interest amount calculated using the discount rate on net pension liabilities.
- IFRS 9 Financial Instruments introduces new requirements for the classification and measurement of financial assets, and will probably affect the Group's recognition of financial assets. The standard continues the classification rules for financial liabilities, but changes the presentation of value adjustments associated with own credit risk for liabilities that are voluntarily classified at fair value through profit and loss. The standard is compulsory with effect from 1 January 2013, but may be early adopted. IASB has issued a consultation document proposing the postponement of its entry into force until accounting periods starting on 1 January 2015. The standard has, however, not been adopted by the EU. The Group has not yet evaluated the full impact of IFRS 9.
- IFRS 10 Consolidated Financial Statements is based on current principles for applying the principle of control as the basis for whether a company shall be included in a parent company's consolidated financial statements. The Group has not yet evaluated all the consequences of IFRS 10. The Group plans to apply the standard with respect to accounting periods starting 1 January 2013 or later.
- IFRS 12 Disclosures of Interests in Other Entities contains new disclosure requirements with respect to financial interests in subsidiaries, joint ventures, associates, special purpose entities (SPEs) and other off-balance sheet companies. The Group has not yet evaluated all the consequences of IFRS 12. The Group plans to apply the standard with respect to accounting periods starting 1 January 2013 or Jater.
- IFRS 13 Fair Value Measurement clarifies the definition of fair value when the term is used in IFRS. The

standard provides a complete description of how fair value shall be determined in IFRS and specifies which supplementary information shall be disclosed when fair value is used. The Group has not yet evaluated the overall consequences of IFRS 13.

#### **Consolidation principles**

The consolidated financial statements include SalMar ASA and all subsidiaries over which SalMar ASA has the power to govern the entity's financial and operational strategy, generally accompanying a shareholding of more than one half of the voting rights. Newly acquired subsidiaries are included from the date on which control is transferred to the group, and divested subsidiaries are deconsolidated from the date that control ceases. The consolidated financial statements 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 using the acquisition method, involving that the acquired company's assets and liabilities are reported at fair value on the date of acquisition, 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 consideration paid, the difference is treated as revenue in the income statement. Deferred tax is capitalised to the extent that identifiable excess values are ascribed to assets and liabilities that lead 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.

The value of assets and liabilities on the date of establishment of the Group is assumed for gradual acquisition of shares. Subsequent acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities.

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

Investments in companies over which the Group has a significant influence but not control (associated companies) are accounted for using the equity method of accounting in the consolidated accounts. Significant influence is generally accompanying a shareholding of between 20% and 50% of the voting rights. The Group's share of profit or loss is based on result after tax in the invested company, less deduction for internal gains and any depreciation of excess value due to the cost price of the shares exceeding the acquired portion recognised in the balance sheet. In the income statement the profit share is presented under financial items, while the assets are presented in the balance sheet under non-current financial assets. The accounting principles used by associates have been changed where necessary to ensure consistency with the principles used by the Group.

#### The SalMar ASA Group

In 2011 the SalMar ASA Group acquired the following shares in subsidiaries:

- 100% of the shares in Bringsvor Laks AS acquired by SalMar Farming AS
- 100% of the shares in Villa Miljølaks AS acquired by SalMar Farming AS
- 100% of the shares in Krifo Habruk AS acquired by SalMar Farming AS
- 66% of the shares in Frøyas AS acquired by SalMar Processing AS

See Note 6 for further details.

# The Consolidated Financial Statements comprise:

- SalMar ASA Parent Company	
• SalMar Tunet AS	100 %
Astamarin AS	100 %
• SalMar Settefisk AS	100 %
<ul> <li>Langsteinfisk AS</li> </ul>	60 %
<ul> <li>Straumsnes Settefisk AS</li> </ul>	100 %
<ul> <li>SalMar Farming AS</li> </ul>	100 %
<ul> <li>Reistad Eiendom AS</li> </ul>	100 %
<ul> <li>Rauma Gruppen AS</li> </ul>	75,5 %
<ul> <li>Vikenco AS</li> </ul>	51 %
<ul> <li>Rauma Stamfisk AS</li> </ul>	75,5 %
<ul> <li>Rauma Sætre AS</li> </ul>	75,5 %
<ul> <li>Rauma Eik AS</li> </ul>	75,5 %
<ul> <li>Rauma Misund AS</li> </ul>	75,5 %
<ul> <li>Marius Eikremsvik AS</li> </ul>	100 %
<ul> <li>Krifo Havbruk AS</li> </ul>	100 %
<ul> <li>Bringsvor Laks AS</li> </ul>	100 %
<ul> <li>Villa Miljølaks AS</li> </ul>	100 %
<ul> <li>Fjord Salmon AS</li> </ul>	100 %
<ul> <li>SalMar Nord AS</li> </ul>	100 %
<ul> <li>Troms Stamfiskstasjon AS</li> </ul>	100 %
<ul> <li>SalMar Processing AS</li> </ul>	100 %
<ul> <li>SalMar Japan K.K</li> </ul>	100 %
• Frøyas AS	66 %
• SalMar Sales AS	100 %
<ul> <li>Volstad Seafood AS</li> </ul>	100 %

#### **Non-controlling interests**

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

Transactions with non-controlling interests in subsidiaries are recognised as equity transactions. In connection with acquisition of shares from non-controlling interests, the difference between the consideration paid and the shares' relative portion of carrying amount of the subsidiary's net assets is recognised in the parent company's equity. Gains and losses deriving from the sale of shares to non-controlling interests are recognised correspondingly in equity.

When the Group no longer has control any remaining shareholding is measured at fair value, with changes recognised in profit and loss. Fair value subsequently represents acquisition cost in future accounting periods, either as an investment in an associated company, joint venture or financial asset. Amounts previously recognised in comprehensive income relating to this company are treated as if the Group had divested underlying assets and liabilities. This may involve that amounts previously recognised in comprehensive income are reclassified to profit and loss.

#### Critical accounting estimates and assumptions

Preparation of the financial accounts in conformity with IFRS requires that management make judgments, estimates and assumptions that affect the application of accounting principles and the recognised value of assets and liabilities in the balance sheet, as well as revenue and expenses for the financial year. Estimates and their underlying assumptions are based on historical experience and other factors deemed relevant and probable at the time the estimates are made. These estimates affect the recognised value of the assets and liabilities where the valuation is not based on other sources. Estimates are reviewed continuously and final values and final values and results may deviate from these estimates. Changes in accounting estimates are included in the period the changes occur.

The judgments and estimates considered to be the most critical to the Group are as follows:

#### Fair value adjustment of the biomass

In accordance with IAS 41 the Group values living 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 operating result.

#### Goodwill and intangible assets

The value recognised in the balance sheet of goodwill and intangible assets that have indefinite useful life is tested for impairment at least once a year, and more frequently if there are indications that impairment may be necessary. This requires an estimate of the value in use of the cash-flow generating entities to which goodwill and intangible assets can be ascribed. To determine the value in use the Group must make an assessment of the expected future cash flows from the cash-flow generating entity and,

moreover, select an adequate discount for calculation of the present value of these cash flows. Anticipations regarding future cash flows will vary over time. Changes in market conditions and anticipated cash flows may result in future write-downs. The most important assumptions with an impact on the present value of cash flows associated with the investments are the discount rate applied, the estimated price of salmon in the Group's markets, production costs, production volume for salmon and a continued market for salmon in the geographical areas in which the Group 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 can be reliably measured. To capitalise fair values the cost price is allocated between the acquired assets and liabilities, which may involve 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 could implied balance sheet reclassifications and could have an impact on depreciation in subsequent periods.

Any management judgments 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 adjustments in the next financial year, are described in separate notes. This applies specifically to the valuation of the biomass (Note 11) and the valuation of goodwill and licences (Note 4).

#### Revenues

Revenues from the sale of goods are recognised in the income statement as they accrue, ie when both risk and control mainly have been transferred to the customer. The time for transfer of risk will depend on the delivery terms stated in the sales contract. This will normally be the case when the goods are delivered to the relevant forwarding agents (FCA Plant). In some cases the risk is considered transferred when the goods have been delivered to the address specified by the customer, ie CIF. Revenue is recognised at the value of the consideration at the transaction date. Operating revenues are recognised less public charges, discounts, bonuses and other sales costs.

Dividend is recognised in the income statement when the shareholders' right to receive a dividend has been adopted by the annual general meeting.

#### **Government grants**

Operating grants are accrued and classified together with the revenue they are intended to increase or the expense they are intended to reduce.

#### Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, is defined as the group management. Internal reporting is based on the Group having fundamentally one business activity: the farming of salmon and trout.

#### **Classification principles**

Liquid assets consist of cash and bank deposits.

Assets that are part of the trading cycle or fall due for payment within 12 months are classified as current assets. Other assets are classified as non-current assets. Liabilities that are part of the trading cycle or fall due for payment within 12 months are classified as current liabilities. Other liabilities are classified as non-current.

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 adopted by the annual general meeting.

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

#### Foreign currencies

The consolidated accounts are presented in Norwegian kroner (NOK), which is also the Group's functional currency. All companies, with the exception of the wholly owned subsidiary SalMar Japan KK, use NOK as their functional currency. All transactions in foreign currencies are translated into NOK at the transaction date. Realised foreign exchange gains/losses deriving from the settlement and translation of monetary items in foreign currencies at the exchange rate on the balance sheet date are recognised in the income statement. Translation differences on monetary items that are part of net investment in foreign entity are incorporated as part of comprehensive income.

The Group makes use of forward contracts to hedge against currency fluctuations. If the foreign currency position is deemed to represent cash flow hedge, ie the effective portion of the change in the fair value of derivatives earmarked and qualified as hedging instruments in a cash flow hedging scheme, gains and losses are recognised in comprehensive income. Gains and losses on the ineffective portion are recognised as a finance item. As at 31 December 2011 no financial instruments were recognised in comprehensive income. The reversal of items that historically have been posted temporarily to comprehensive income has been recognised as part of comprehensive income during the period.

The fair value of currency hedging instruments is calculated at the market price for contracts with a similar maturity profile on the balance sheet date. Changes in the fair value of such instruments are recognised in the income statement 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.

The income statement and balance sheet for group companies (none with hyperinflation) with a functional currency other than

the presentation currency are translated as follows:

- a) The balance sheet is translated at the exchange rate in on the balance sheet date.
- **b)** The profit and loss account is translated at the average exchange rate (if the average does not give provide a generally reasonable estimate of the exchange rate on the transaction date, the actual transaction date exchange rate is used).
- **c)** Translation differences are recognised in comprehensive income and are specified as a separate item under equity.

Translation differences relating to net investments in foreign activities and financial instruments designated as hedging of such investments are recognised in comprehensive income and as a separate item under equity. If all or parts of a foreign entity are sold the associated translation difference is reclassified from comprehensive income to profit and loss as part of the gain/loss from the sale.

Goodwill and excess values from the acquisition of foreign entities are treated as assets and liabilities in the acquired entity and are translated at the exchange rate on the balance sheet date.

#### Intangible assets

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

Intangible assets with a limited useful life are depreciated according to plan. Intangible assets are written down to their recoverable value if the expected financial benefits do not cover carrying value and any remaining production costs.

Costs relating to research and development are recognised as expenses in the income statement as accrued. R&D costs are capitalised when specific criteria are met. Capitalised R&D costs are recognised in the balance sheet at acquisition cost less accumulated depreciation and write-downs. Capitalised R&D costs are depreciated in a straight line over the asset's estimated useful life.

Breeding nuclei are capitalised at acquisition cost, less accumulated depreciation and write-downs.

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

Prepaid leasing costs associated with partnership agreements are deemed to confer the right to use of an intangible asset and are classified as an intangible

asset. Leasing costs are recognised as expenses over the period of the lease.

When a business entity is acquired for a consideration that exceeds the value of the individual assets, the difference is recognised as goodwill in the balance sheet. Goodwill arising from the acquisition of subsidiaries is included under intangible assets, while goodwill arising from the acquisition of associates is included under the item shares in associates. Goodwill is recognised at historical cost less accumulated depreciation up to 2004.

Goodwill is not depreciated (after 1 January 2005), but is tested annually for impairment, or more frequently if there are indications that its value is lower than carrying value. When assessing the need for impairment of goodwill, goodwill is allocated to each of the cash generating units or groups of cash generating units that are to benefit from the synergies of the acquisition. Write-downs are made 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 for which separate and independent cash flows may be identified. Recoverable amount is calculated on the basis of value in use. The value in use is calculated 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 carrying value of the cash flow-generating unit, a write-down is made of goodwill and subsequently of other assets as required.

#### Property, plant & equipment

Property, plant and equipment are capitalised at acquisition cost, less accumulated depreciation and write-downs. Interest on building loans is part of acquisition cost. When assets are sold or disposed of, the carrying value is derecognised and any loss or gain is recognised in the income statement. Ordinary depreciation commences from the date on which the asset is put in normal operation, and is calculated on the asset's useful life. Depreciation is straight line over the expected useful life of the asset, estimated residual value taken into account. Major components of assets that have different depreciation period are decomposed and depreciated separately. The residual value of the property, plant and equipment, as well as depreciation period and depreciation method, are reviewed annually.

Plant in progress is not depreciated. Depreciations are recognised as expense when the plant is ready for use. The need for writedown of carrying value of plant and equipment is assessed when the situation or circumstances indicate that the carrying value of an asset cannot be recovered. If the recoverable amount of a noncurrent asset is lower than the carrying value and the drop in value is not expected to be temporary, the asset is written down to recoverable amount. The recoverable amount is the higher of net selling price and value in use. Value in use is the present value of the future cash flows which the asset will generate. Assets which will no longer be used after the transition to the Group's new InnovaMar factory were written down in 2010.

#### **Financial instruments**

In accordance with IAS 39, financial instruments within the scope

of IAS 39, are classified in the following categories: fair value with changes in value over profit and loss, hold until maturity, loans and receivables, available for sale, and other liabilities.

Financial instruments at fair value through profit and loss Financial instruments at fair value through profit and loss are financial assets held for trading purposes. A financial asset is classified in this category if it has been acquired primarily for the purpose of generating a gain from short-term price fluctuations. Derivatives are classified as held for trading unless they are part of a hedging scheme. Assets in this category are classified as current assets.

Financial assets at fair value through profit and loss are recognised at fair value upon acquisition and the transaction costs are recognised as expenses. Subsequently financial assets are recognised at fair value through profit and loss.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments which are not traded in an active market. They are classified as current assets unless they fall due for payment more than 12 months after the balance sheet date. Loans and receivables are presented in the balance sheet as trade receivables and other receivables, as well as cash and cash equivalents.

Loans and receivables are capitalised initially at fair value plus transaction costs. In subsequent periods loans and receivables are valued at amortised cost using the effective interest method, less any losses impairment losses. Due to immaterial transaction costs and short credit times, amortised cost equals nominal value less provisions for bad debts.

#### Borrowings and liabilities

Borrowings are recognised at fair value when payment has been received, less transaction costs. In subsequent periods borrowings are recognised at amortised cost calculated using the effective interest method. The difference between the amount of the borrowings received (less transaction costs) and its redemption value is recognised through profit and loss over the term of the borrowings as part of the effective interest rate. Borrowing expenses are recognised as deductions from the loan.

#### Financial assets available for sale

Financial assets available for sale are non-derivative financial assets which have been placed in this category by choice or because they do not belong in any other category. They are classified as non-current assets unless the investment falls due or management does not intend to sell the investment within 12 months of the balance sheet date. Financial assets available for sale are measured at fair value, with any changes in fair value over profit and loss, apart from with the exception of impairment loss, being recognised in comprehensive

income. When securities classified as available for sale are sold or written down, the entire change in value that has been recognised in comprehensive income is reclassified and recognised through to ordinary profit and loss as a finance item.

Financial assets and liabilities are offset and presented net in the balance sheet when an enforceable offsetting right exists and there is an intention to settle net or realise the asset and settle the liability at the same time.

#### Derivatives

Derivatives are capitalised at fair value at the transaction date, and at fair value in subsequent periods. The recognition of associated gains or losses depends on whether the derivative is designated as a hedging instrument, and if so what kind of hedging instrument.

The Group classifies derivatives designated as hedging instruments as fair value hedging of a carrying asset, liability or not recognised binding pledge (fair value hedging).

Derivatives not designated as hedging instruments are recognised at fair value in through profit and loss.

Realised Fish Pool contracts are classified as finance item (previously classified as operating item) and unrealised value changes of Fish Pool contracts are classified as part of value adjustment biomass.

The fair value of a hedging derivative is classified as a non-current asset or non-current liability if the remaining term of the hedged object exceeds 12 months. If the remaining term is less than 12 months it is classified as a current asset or current liability. Derivatives held for trading purposes are classified as current assets or current liabilities.

#### Receivables

Trade receivables and other receivables are recorded at nominal value less provision for bad debts. Provision for bad debts is made based on an individual assessment of each receivable. Due to insignificant transaction costs and the short credit time, amortised cost equals nominal value less anticipated loss.

#### 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 net realisable value. The cost price of self-produced goods is the full production cost. The FIFO principle is used for accrual of inventory cost. Net realisation value is estimated sales price less variable finishing and sales costs. Live fish in the sea are recognised at fair value. Stocks of finished goods/frozen fish are valued at the lower of cost (fair value at harvesting) and net realisable value.

#### **Biomass**

Biological assets (biomass) comprise salmon fry/smolt and fish in the sea.

In accordance with IAS 41 biological assets are normally recognised at their estimated fair value. 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 harvestable. The used

sales prices are based on external forward-prices and/ or the most relevant price information available for the period in which the fish is to be harvested. There is larger uncertainty connected to fair value of not harvestable fish than harvestable fish as a consequence of the period till harvesting. Fish ready for harvesting is defined as fishing from 4 kg live weight and up. See note 11 for further description of applied principles.

In the profit and 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 adjustment 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 and loss account, "excess value of inventory obtained through acquisitions". Biomass farmed as part of partnership agreements is accounted for as the Group's own fish, since the Group carries the risk connected with farming of the fish.

#### **Fixed-price contracts**

The Group enters into sales contracts for salmon products on an ongoing basis. The contracts involve physical settlement, and deliveries related to 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.

A provision for liability is made for fixed-price contracts involving that the Group is committed to sell harvestable fish at a lower price than that forming the basis for the market valuation of biomass. The impact on the result for the year is recognised on a separate line, onerous contracts.

#### Share capital and share premium

Ordinary shares are classified as equity. Expenses directly related to the issue of new shares with deduction of tax are recognised in equity as a reduction of the contribution received. If a group company purchases shares in the parent company, the consideration paid for such treasury shares, including any transaction costs – less tax – is recognised as a reduction in equity (attributed to the parent company's shareholders) until the shares are cancelled or resold. If treasury shares are subsequently sold, the consideration received, less direct marginal transaction costs and related tax effects, is recognised as an increase in equity attributed to the parent company's shareholders.

#### Tax

The tax expense is matched against the profit/loss before tax and comprises tax payable (tax on the year's direct taxable income) and changes in net deferred tax. Tax is recognised in the income statement unless it refers to items which are recognised in comprehensive income or directly to equity. In this case tax is included

in the net amount recognised in comprehensive income or directly to equity.

Tax payable for the period is calculated in accordance with the tax legislation and regulations adopted, or principally adopted, by the tax authorities on the balance sheet date.

Deferred tax in the balance sheet is a nominal amount calculated on the basis of temporary differences between accounting and tax values, as well as any taxable loss carried forward at the end of the financial year.

Deferred tax assets are capitalised when a future taxable income is substantiated against which the asset can be utilised.

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

Deferred tax assets and liabilities are presented net in the balance sheet.

#### **Pensions**

The net pension costs for the period are included under wages and other payroll costs. Pensions are recognised on the basis of a linear vesting profile and expected maximum pay. Changes in pension plan and estimate deviations are amortised over the anticipated remaining vesting period.

In connection with the transition to IFRS, the Group made use of the option to recognise accumulated estimate deviations against equity as at 1 January 2005. Employers' national insurance contributions are included in the figures.

The Group changed from a defined benefit to a defined contribution pension scheme with effect from May 2006. The effects related to the change were recognised through profit and loss. Pension premiums payable in connection with the defined contribution scheme are charged to expenses as they accrue. The Group has no liability other than the annual contribution.

#### Share-based compensation

The Group operates a share-based incentive compensation scheme in which the companies receive services from the employees in return for equity instruments (options) in the Group. The fair value of the services the entities received from employees in return for the options granted is recognised as a cost in the income statement. The fair value of share options is set on the date they are granted, using accepted valuation models adapted to the characteristics of the actual options. The value of the options established on the day they are granted are accrued in the income statement over the vesting time of the options with corresponding increase in paid-in equity. The vesting period is the period from the establishment of the scheme until the options are fully vested.

The option scheme awarded in 2010 and 2011 is based on settlement in shares, although the company may choose to make a cash payment instead. The company is not considered to have assumed any liability with respect to the option scheme.

#### **Provisions**

A provision is recognised when, and only when, the company has a current obligation (legal or self-imposed) as a consequence of an

occured event, and it is probable (more likely than not) that a financial settlement will take place as a result of that obligation, and the amount can be reliably measured. Provisions are reviewed on each balance sheet date, and the level reflects the best estimate for the liability.

#### **Leasing contracts**

Operating assets which are leased on terms which principally transfer 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 non-current liabilities at the present value of the leasing payments. The asset is depreciated systematically 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 recognised through to profit and loss on a straight line over the term of the contract.

#### **Exceptional items**

Exceptional items are disclosed separately in the financial statement (as separate lines in the income statement under operational result or in notes) where it is necessary to do so to provide futher understanding of the financial performance of the group. They are material items of income or expenses that have been shown separately due to the significance of their nature or amount. Exceptional items are fair value adjustment of biomass (note 11), provision for onerous contracts and exceptional biological items (note 24).

#### 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 accounted for in the year-end financial statements. 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. Cash flow relating to acquisition and sale of businesses is presented under investing activities.

#### Financial risk

Through its activities the Group is exposed to various kinds of financial risk: market risk, credit risk and liquidity risk. The company's management assesses these risks on an ongoing basis and draws up guidelines for dealing with them. The Group makes use of financial derivatives to hedge against certain risks.

#### NOTE 2

#### FINANCIAL RISK MANAGEMENT

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 trade receivables, trade payables, 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.

#### Market risk

Interest rate risk

Since the Group has no material interest-bearing assets its profit and loss and cash flow from operating activities are largely independent of changes in market rates.

The Group's interest rate risk derives from long-term borrowings. Borrowing at floating interest rates represents an interest rate risk for the Group's cash flow, which is partly reduced by the opposite effect on cash equivalents which earn floating interest. Fixed-rate loans expose the Group to fair value 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 2011, a 0.5% rise in the rate of interest would reduce the Group's profit by NOK 13,519 thousand (NOK 9,603 thousand in 2010), all other variables remaining constant.

#### Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk in several currencies. This risk is particularly relevant with respect to the USD, EUR, GBP and JPY. Foreign exchange risk arises from future trading transactions, capitalised assets and liabilities, and net investments in foreign business operations.

Revenues and assets denominated in foreign currencies are partly hedged through the use of forward contracts. The Group's currency exposure relating to operations has risen in 2010 the acquisition of Volstad Seafood AS (now SalMar Sales AS), which has led to a growing percentage of sales being made in foreign currencies. The use of forward currency contracts is described in Note 9.

Given the financial instruments in effect on 31 December 2011, a 5% fall in the value of NOK would reduce the Group's profit by TNOK -14.174 i 2011 in 2011 (TNOK -7,207 in 2010).

#### 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. Cash flow forecasts are drawn up on a regular basis and the Accounts Dept monitors rolling forecasts of the Group's liquidity requirements to ensure that the Group has sufficient cash equivalents to meet operational liabilities, as well as at all times maintaining adequate flexibility in the form of unused credit facilities (see Statement of Cash Flow), such that the Group does not infringe borrowing limits or specific borrowing conditions (if relevant). 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. See Note 14 for details of the Group's available credit facilities.

The table below details the Group's non-derivative financial liabilities and derivative financial liabilities to be settled net, classified by maturity structure. The classification is determined with respect to the maturity date stipulated in the contract. Derivative financial liabilities are included in the analysis when the maturity date in the contract is important for an understanding of the periodisation of cash flows. The figures presented in the table are undiscounted contractual cash flows.

REMAINING TERM					
31.12.2011	1-3 months	3-12 months	1-5 years	5 years +	Total
Interest-bearing bank loans	39 180	117 541	916 730	1 456 839	2 530 291
Finance lease liabilities	5 486	16 457	130 243	21 275	173 460
Accounts payables	412 802				412 802
31.12.2010					
Interest-bearing bank loans	11 969	35 907	1 701 789	62 333	1811998
Finance lease liabilities	6 444	19 333	82 774	54	108 606
Accounts payables	351 042				351 042

#### Capital structure and equity

The objective of the Group's capital management is to safeguard the Group's continued operations by ensuring the return on investment for shareholders and other stakeholders, and maintaining an optimal structure for reducing capital costs. 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 treasury shares, capital reduction or issue of new shares. No changes were made in the guidelines covering this area in 2011.

The Group monitors its capital structure based on the covenants requirement. These are based on equity ratio, and a ratio between NIBD and EBIT DA. See Note 14 for details of the Group's covenants.

As at 31 Dec 2011 the Group had an equity ratio of 35.1% (42.5% as at 31 Dec 2010). Net Interest Bearing Debt for the Group at the end of 2011 is MNOK 2.651 (MNOK 1.814 in 2010)

#### Assessment of fair value

With effect from 1 January 2009 the Group has implemented the changes in IFRS 7 relating to financial instruments measured at fair value in the balance sheet date. The changes require the presentation of fair value measured according to the following scale:

- Quoted price in an active market for an identical asset or liability (level 1)
- Valuation based on observable factors, either direct (price) or indirect (deduced from price), other than a quoted price (used in level 1) for the asset or liability concerned (level 2)
- Valuation based on factors which are not derived from observable markets (non-observable assumptions) (level 3)

The table below presents the Group's assets and liabilities measured at fair value as at 31 Dec 2011.

#### 31.12.2011 (NOK 1000)

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	-	-	-
- Securities held for trading	-	-	-	-
Derivatives	-	-	-	-
Financial assets available for sale				
- Equity instruments	-	-	762	762
- Debt instruments	-	-	-	
TOTAL assets	-	-	762	762
Liabilities				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	-	-	-
Derivatives used for hedging	-	28 317	-	28 317
TOTAL liabilities	-	28 317	-	28 317

#### 31.12.2010 (NOK 1000)

5 <u>2.25 . 5 ( )</u>				
Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	-	-	-
- Securities held for trading	-	-	-	-
Derivatives used for hedging	-	27 355	-	27 355
Financial assets available for sale				
- Equity instruments	-	-	1 426	1 426
- Debt instruments	-	-	-	
TOTAL assets	-	27 355	1 426	28 781
Liabilities				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	-	-	_
Derivatives used for hedging	-	-	-	-
TOTAL liabilities	-	-	-	-

The fair value of trade receivables and trade payables is practically identical to book value. The fair value of debt is practically identical to book value. The Group has "pt interest terms" which are considered to be identical to the market rate on the balance sheet date. See Note 14 for details of interest terms.

The table below presents change in instruments classified in level 3 at 31.12.2011					
Financial assets at fair value in	n profit and loss	Total			
Opening balance	1 426	1 426			
Sales i period	-391	-391			
Gains or losses recognized in profit	-273	-273			
Closing balance	762	762			
Total gains or losses in the period included in the results of assets					
held on the balance	-	-			
The table below presents change in instruments classified in level 3 at 31.12.2010					
Financial liabilities at fair value ir	n profit and loss	Total			
Opening balance	1 025	1 025			
Purchases i period	401	401			
Gains or losses recognized in profit	-	-			
Closing balance	1 426	1 426			
Total gains or losses in the period included in the results of assets					

## NOTE 3 SEGMENT INFORMATION AND GEOGRAPHIC BREAKDOWN

Operating segments are reported in the same way as for internal reporting to the company's highest decision-making body. The company's highest decision-making body, which is responsible for allocating resources to and evaluating the earnings of the operating segments, is defined as group management. Internal reporting is drawn up on the basis that the Group has one business activity, the farming of salmon and trout. The Group has production facilities in central and northern Norway and in the Rauma district of Romsdal. The Group's segment reporting is therefore divided geographically based on production location. Group management evaluates the segments' performance on the basis of operating profit before fair value adjustment of the biomass. Depreciation and the realisation of excess value from tangible and intangible assets deriving from acquisitions are not allocated to the segments. Costs relating to employee options and the results of the subsidiary SalMar Japan K.K are also included in the column for eliminations.

held on the balance

Sales between segments are carried out in accordance with the arm's length principle. When revenues from external parties are reported to group management they are measured in accordance with their measurement in profit and loss. Sums reported to group management as total assets are evaluated in the same way as in the annual financial statements. Assets are allocated on the basis of segment operations, as well as the asset's physical location. The Group's investments in associates are largely independent of geographical production and are not counted as segment assets.

Total liabilities are reported to group management and are evaluated in the same way as in the annual financial statements. These liabilities are allocated on the basis of segment operations.

<b>2011</b> NOK 1000	Central Norway	Northern Norway	Rauma	Other / eliminations	Group
External operating revenues	3 515 542	386	339 115	-25 999	3 829 044
Internal operating revenues	16 414	543 571	248 464	-808 449	-
TOTAL operating revenues	3 531 956	543 957	587 579	-834 448	3 829 044
Depreciation and amortisation	on 83 936	23 156	23 976	932	132 000
Impairment losses	-	-	-	543	543
Operating expenses	2 990 351	414 446	491 972	-801 607	3 095 162
Operational EBIT	457 668	106 355	71 631	-34 315	601 340
Fair value adj. of the biomass	-223 075	-93 508	-45 319	5 2 1 0	-356 693
Onerous contracts	3 635	-	-	-	3 635
Exceptional biological items	-60 070	-	-	-	-60 070
Earnings before interest					
and taxes (EBIT)	178 158	12 847	26 312	-29 105	188 212
Share of profit/loss from asso	ciates 3 435	-	-	94 564	97 999
Net financial items	-110 479	-1 858	-9 846	-3 550	-125 733
Profit before tax	71 114	10 988	16 466	61 909	160 478
Tax	29 204	2 252	3 999	-22 349	13 106
Net profit for the year	41 910	8 737	12 467	84 258	147 372
Assets	3 085 566	1 040 063	1 219 699	971 097	6 316 425
- Investments in associates	27 639	-	-	891 229	918 868
Liabilities	3 227 243	341 248	446 856	86 468	4 101 815
Investments					
- Tangible operating assets	256 891	58 043	82 078	0	397 012
- Intangible operating assets		6 500	195 639	0	230 422
Depreciation and amortisation	on 83 936	23 156	23 976	932	132 000

<b>2010</b> NOK 1000	<b>Central Norway</b>	Northern Norway	Rauma	Other / eliminations	Group
External operating revenue	s 2 984 188	-	257 188	188 056	3 429 432
Internal operating revenues	153 040	505 979	-	-659 019	-
TOTAL operating revenue	s 3 137 228	505 979	257 188	-470 963	3 429 432
Depreciation and amortisat	ion 64 415	20 248	8 402	896	93 962
Impairment losses	1 668	-	-	-	1 668
Operating expenses	2 337 508	274 482	182 015	-432 993	2 361 012
Operational EBIT	733 637	211 249	66 772	-38 866	972 791
Fair value adj. of the bioma:	ss 74 910	69 994	7 1 2 6	32 628	184 658
Onerous contracts	-3 635				-3 635
EBIT	804 912	281 243	73 898	-6 239	1 153 813
Share of profit/loss from ass	ociates -	-	-	147 365	147 365
Net financial items	-31 230	-7 494	-1 891	221	-40 393
Profit before tax	773 682	273 749	72 007	141 348	1 260 785
Tax	204 576	77 344	19 937	810	302 667
Net profit for the year	569 106	196 405	52 070	140 538	958 118
Assets	2 903 982	1 077 618	942 027	883 690	5 807 317
- Investments in associates	s 23 498	-	-	843 311	866 809
Liabilities	2 653 030	346 102	281 111	57 707	3 337 950
Investments					
- Tangible operating assets	286 041	24 440	128 655	0	439 135
- Intangible operating asse	ets 9 3 1 6	0	563 692	0	573 008
Depreciation and amortisat	ion 64 415	20 248	8 402	896	93 962

## NOTE 4 INTANGIBLE ASSETS

			Other intangible	
NOK 1000	Licences	Goodwill	assets	TOTAL
Acquisition cost 1 Jan 10	938 116	223 848	3 000	1 164 965
Additions	437 151	101 541	34 316	573 008
Disposals	0	0	0	0
Reallocation of previous acquisitions	-91 265	65 711	0	-25 554
Acquisition cost 31 Dec10	1 284 003	391 100	37 316	1 712 418
Additions	28 500	0	0	28 500
Self development	0	0	5 283	5 283
Additions subsidiaries	135 000	60 639	1 000	196 639
Acquisition cost 31 Dec11	1 447 503	451 738	43 599	1 942 840
Acc. dep. & write-downs 1 Jan 10	5 000	18 390	200	23 590
Year's depreciation	0	0	900	900
Acc. dep. & write-downs 31 Dec 10	5 000	18 390	1 100	24 490
Year's depreciation	0	0	1 250	1 250
Acc. dep. & write-downs 31 Dec 11	5 000	18 390	2 350	25 740
Book value 31 Dec 11	1 442 503	433 348	41 249	1 917 100
Book value 31 Dec 10	1 279 003	372 710	36 216	1 687 928
Book value 1 Jan 10	933 116	205 458	2 800	1 141 375
Economic life	Unlimited	Unlimited	5-50 years	
Depreciation plan			straight-line	

Other intangible assets are amortized related to the purchase on breeding genetics over 50 years. Cost of this was NOK 30 million and residual book value of the breeding genetics is NOK 28.8 million. Other depreciation and amortization of other intangible assets are depreciated in all material over 5 years. Residual book value of these is NOK 12.5 million

Based on new information relating to synergies associated with the acquisitions undertaken in recent years, a final review of the fair value of assets and liabilities on the date of the various acquisitions was performed during the year. This has resulted in a reclassification of NOK 91.3 million from licences to goodwill. Deferred tax has thus been reduced by NOK 25.6 million. The reallocation has not resulted in any changes in the profit and loss account.

Salmon farming licences 2010 NOK 1000	No. of licences	Acquisition cost	Book value 31.12.10
Northern Norway	13	409 620	404 620
Central Norway	43	533 496	533 496
Rauma	10	432 151	340 887
	66	1 375 268	1 279 003
Salmon farming licences 2011 NOK 1000	No. of licences	Acquisition cost	Book value 31.12.11
	<b>No. of licences</b>	•	
NOK 1000		cost	31.12.11
NOK 1000 Northern Norway	13	<b>cost</b> 416 120	<b>31.12.11</b> 411 120

The Group has, moreover, joint operating agreements/time-limited licences linked to 10 licences.

Spesifikasjon av goodwill 2010 NOK 1000	Year of acquisition	Acquisition cost	Book value 31.12.10
Northern Norway	2006	95 114	95 114
Central Norway	1999-2009	116 811	110 344
Rauma	2010	167 251	167 251
		379 177	372 710

Specification of goodwill 2011 NOK 1000	Year of acquisition	Acquisition cost	Book value 31.12.11
Northern Norway	2006	95 114	95 114
Central Norway	1999-2011	117718	111 251
Rauma	2011	226 983	226 983
		439 815	433 348

Following the implementation of IFRS goodwill is no longer depreciated, but is assessed for impairment annually, or more frequently 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 deprecation of goodwill before the implementation of IFRS. Other acquired goodwill, which was written down to NOK 0 before 2005, has an acquisition cost of NOK 14,505,420.

#### Impairment test

SalMar has identified segments such as cash generating units. On acquisition goodwill and intangible assets are assigned to the cash-flow generating units within the Group to which they are associated. The cash generating units is the lowest level one can identify cash flows and are not at a level higher than the Group's business segments based on geographic distribution of production in the sea, the segments mid-Norway, Northern Norway and Rauma. Goodwill that is independent of the production site is considered as common property by the assignment of cost. Total deemed NOK 58,591 thousand of the total goodwill as a common asset. For an overview of the book value of licenses and goodwill allocated to segments, see above.

The book value of the cash-flow generating units is tested for impairment annually, or more frequently 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, ie growth is stipulated at expected rate of inflation. Value in use is calculated on the basis of a 8.5% 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
- EBIT (DA) / margin
  - Salmon price
  - Production costs
- Future production

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

flow generating entity. The discount rate is set using the 10-year government bond rate in effect at the time of the assessment. The discount rate is before tax.

EBIT (DA) / Margin, EBIT per kg is highly volatile, relative to changes in salmon prices and has in recent years been higher than the historical average. Estimates of salmon price is based on the experience long-term price levels in the fish markets traded. Estimates of production costs based on historical data taking into account known changes. Long-term net margin used in the assessment are considered lower than last year's EBIT per kg and a normalized long-term EBIT per kg is used.

Future production: future production are estimated on the basis of current production and harvest plan, 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 the book value of each cash-flow

generating units. It is also carried out sensitivity analyzes to assess the estimated present value by looking at changes in salmon prices, production costs and thus net margins and discount rates. Book value per license is the highest for the segment Rauma so that the evaluation of segment Rauma is least robust. Break-even level of EBIT per kg of segment Rauma is 2.70 which is the industry's historic average EBIT per kg. The discount rate must increase by 1.3% points or 15% of the calculated value should result in impairment.

The Group assesses the performance trends compared with the long-term assumptions used to determine whether the assumptions in the basic model is still present.

The impairment test resulted in no requirement to write down the book value of fish farming licences and goodwill as at 31 December 2011.

## NOTE 5 PROPERTY, PLANT & EQUIPMENT

NOK 1000         other real property         equipment & fixtures, etc         assets         TOTAL         assets           Acquisition cost 1 Jan 10         151 320         693 553         43 457         888 330         155 767           Additions         70 428         235 653         1 814         307 895         16 258           Additions subsidiaries         19 857         79 541         31 843         131 240         38 447           Disposals         0         4 409         699         5 107         1 177           Acquisition cost 31 Dec 10         241 604         1 004 339         76 415         1 322 358         209 295           Additions         31 707         316 561         25 300         373 568         98 717           Additions subsidiaries         1 872         21 456         116         23 444         21 337		Land, buildings &	Plant, operating	Vessels & other		of which leased
Acquisition cost 1 Jan 10       151 320       693 553       43 457       888 330       155 767         Additions       70 428       235 653       1 814       307 895       16 258         Additions subsidiaries       19 857       79 541       31 843       131 240       38 447         Disposals       0       4 409       699       5 107       1 177         Acquisition cost 31 Dec 10       241 604       1 004 339       76 415       1 322 358       209 295         Additions       31 707       316 561       25 300       373 568       98 717			• •			-
Additions     70 428     235 653     1 814     307 895     16 258       Additions subsidiaries     19 857     79 541     31 843     131 240     38 447       Disposals     0     4 409     699     5 107     1 177       Acquisition cost 31 Dec 10     241 604     1 004 339     76 415     1 322 358     209 295       Additions     31 707     316 561     25 300     373 568     98 717						
Additions subsidiaries         19857         79541         31843         131240         38447           Disposals         0         4409         699         5107         1177           Acquisition cost 31 Dec 10         241604         1004339         76415         1322358         209295           Additions         31707         316561         25300         373568         98717						
Disposals         0         4 409         699         5 107         1 177           Acquisition cost 31 Dec 10         241 604         1 004 339         76 415         1 322 358         209 295           Additions         31 707         316 561         25 300         373 568         98 717						
Acquisition cost 31 Dec 10         241 604         1 004 339         76 415         1 322 358         209 295           Additions         31 707         316 561         25 300         373 568         98 717						
Additions 31 707 316 561 25 300 373 568 98 717	·					
Additions subsidiaries 1 872 21 456 116 23 444 21 337						
		1 872		116		21 337
<u>Disposals</u> 0 11 660 0 11 660 4 593						
Acquisition cost 31 Dec 11 275 183 1 330 696 101 831 1 707 710 324 756	Acquisition cost 31 Dec 11	275 183	1 330 696	101 831	1 707 710	324 756
Acc. dep. & write-downs 1 Jan 10 48 696 289 575 16 773 355 045 51 847	Acc. dep. & write-downs 1 Jan 10					
Year's depreciation 2010 13 544 76 378 4 040 93 962 17 507	Year's depreciation 2010	13 544	76 378	4 040	93 962	17 507
Year's write-downs 0 1 668 0 1 668 0	Year's write-downs	0	1 668		1 668	0
Reversed depreciation 0 0 349 349 0	Reversed depreciation	0	•	349	349	0
Acc. dep. & write-downs 31 Dec 10 62 240 367 620 20 464 450 325 69 354	Acc. dep. & write-downs 31 Dec 10	62 240	367 620	20 464	450 325	69 354
Acc. dep. acquired subsidiaries 0 0 0 0	Acc. dep. acquired subsidiaries	0	0	0	0	0
Year's depreciation 2011 6 454 117 384 6 912 130 750 25 644	Year's depreciation 2011	6 454	117 384	6 912	130 750	25 644
Year's write-downs 80 464 0 543 0	Year's write-downs	80	464	0	543	0
Reversed depreciation 0 353 0 353 0	Reversed depreciation	<del>-</del>				0
Acc. dep. & write-downs 31 Dec 11 68 774 485 114 27 376 581 264 94 998	Acc. dep. & write-downs 31 Dec 11	68 774	485 114	27 376	581 264	94 998
Book value 31 Dec 11 206 409 845 581 74 455 1 126 446 229 757	Book value 31 Dec 11		845 581	74 455	1 126 446	229 757
Book value 31 Dec 10 179 364 636 720 55 951 872 035 139 941	Book value 31 Dec 10	179 364	636 720	55 951	872 035	139 941
Book value 1 Jan 10 102 623 403 978 26 684 533 285 103 919	Book value 1 Jan 10	102 623	403 978	26 684	533 285	103 919
Gain/loss on sale non-current assets 0 -93 473 380	Gain/loss on sale non-current assets	0			380	
Ann. rental non-cap. op. assets 51 404 4 313 237 55 953	Ann. rental non-cap. op. assets	51 404	4 313	237	55 953	
Capitalised interest 0 2 602 0 0	Capitalised interest	0	2 602	0	0	
Economic life 0-20 years 3-10 years 5-15 years	Economic life		3-10 years			
Depreciation plan straight-line straight-line straight-line	Depreciation plan	straight-line	straight-line	straight-line		

Capitalised leasing liabilities as at 31 Dec 2011 totalled NOK 173,460 thousand.

Of the leased operating assets is NOK 143,365 thousand Plant, operating equipment & fixtures, and NOK 85,712 thousand are Vessels & other operating assets, as well as NOK 681 thousand is land and buildings.

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## NOTE 6 SUBSIDIARIES, ASSOCIATES, ETC

	(yes/no)	office	share	SalMar ASA
SalMar Settefisk AS	YES	Kverva	100 %	28 597
- Langsteinfisk AS	YES	Kverva	60 %	0
- Straumsnes Settefisk AS	YES	Kverva	100 %	0
SalMar Farming AS	YES	Kverva	100 %	87 947
- Reistad Eiendom AS	YES	Ørskog	100 %	0
- Rauma Gruppen AS	YES	Ørskog	75,5 %	0
- Rauma Stamfisk AS	YES	Ørskog	75,5 %	0
- Rauma Sætre AS	YES	Ørskog	75,5 %	0
- Rauma Eik AS	YES	Ørskog	75,5 %	0
- Rauma Misund AS	YES	Ørskog	75,5 %	0
- Vikenco AS	YES	Aukra	51 %	0
- Marius Eikremsvik AS	YES	Skodje	100 %	0
- Krifo Havbruk AS	YES	Roan	100 %	0
- Bringsvor Laks AS	YES	Sande	100 %	0
- Villa Miljølaks AS	YES	Ørskog	100 %	0
- Fjord Salmon AS	YES	Kverva	100 %	0
SalMar Nord AS	YES	Senja	100 %	316 136
- Troms Stamfiskstasjon AS	YES	Senja	100 %	0
SalMar Processing AS	YES	Kverva	100 %	76 971
- SalMar Japan KK	YES	Japan	100 %	0
- Frøyas AS	YES	Kverva	66 %	0
SalMar Sales AS	YES	Kverva	100 %	33 496
- Volstad Seafood AS	YES	Kverva	100 %	0
Astamarin AS	YES	Kverva	100 %	5 0 1 5
SalMar-Tunet AS	YES	Kverva	100 %	7 071
TOTAL subsidiaries				555 233
Norskott Havbruk AS	NO	Bergen	50 %	162 787
Bakkafrost P/F	NO	Glyvrar	24,8 %	563 170
Nordskag Næringspark AS	NO	Kverva	42,5 %	23 375
Trøndersk Kystkompetanse AS	NO	Dyrvik	20 %	103
TOTAL associates	INU	Dyrvik	20 70	749 435

Norskott Havbruk AS is deemed to be an associate, as there are none of the investors who has an controlling influence.

#### Acquisition of subsidiaries in 2011

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.

# The following businesses were acquired during the year. All company acquisitions are recognised in accordance with the acquisition method.

NOK 1000	Acquisition date	Acquisition cost
Bringsvor Laks AS (100 %)	14.03.2011	140 946
Villa Miljølaks AS (100%)	12.07.2011	14 000
Frøyas AS (66%)	03.10.2011	3 300
Krifo Havbruk AS (100%)	08.03.2011	120

Bringsvor Laks AS operates two fish farming licences outside of Sandsøya in Møre & Romsdal. Villa Miljølaks AS has two licences for the production of organic salmon, as well as two R&D licences. For accounting purposes the acquisition of shares in Krifo Havbruk AS is treated as the acquisition of individual assets. Frøyas AS is a company established for the purpose of developing and marketing high-quality salmon products.

The acquisitions have been financed through draw-downs on the long-term borrowing facility, with settlement paid in cash. An analysis of excess values is presented below.

Purchase Price Allocation for the significant acquisitions are presented below. Purchase Price Allocation for the acquisition of Frøyas AS is omitted when the acquisition is not considered significant for the Group. Goodwill allocated from the acquisition of Frøyas is NOK 1 million

The acquisitions' effect on the balance sheet was as follows:	Bringsvor Laks AS book	Bringsvor Laks AS fair	Villa Miljø- laks AS book	Villa Miljø- laks AS fair
NOK 1000	value	value	value	value
Intangible assets	5 000	70 000	25 397	65 000
Property, plant & equipment	1 799	1 799	35 646	21 646
Financial assets	-	-	-	-
Current assets	26 395	41 443	54 227	54 227
Liabilities	-6 394	-28 808	-20 836	-21 239
Interest-bearing debt	-	-	-	
Other current liabilities	-3 128	-3 128	-105 725	-105 725
Net identifiable assets and liabilities	23 672	81 307	-11 292	13 908
Goodwill from acquisition		59 640		92

Goodwill comprises deferred tax on licences and synergies with other production segments. The Purchase Price Allocation is temporary based on uncertain values ascribed to specific acquired assets. Following its acquisition, Bringsvor Laks AS caused a net change in operating profit before fair value adjustment of the biomass of NOK 4,971 thousand, and a net change in sales revenues of NOK 20,194 thousand. Bringsvor Laks AS had an sales revenues before the acquisition of NOK 22,813 thousand and an operating profit before fair value adjustment of biomass was NOK 2,045 thousand. This is taken into account in the Purchase Price Allocation. Following its acquisition, Villa Miljølaks AS caused a net change in operating profit before fair value adjustment of the biomass of NOK -15,513 thousand, and a net change in sales revenues of NOK 65,472 thousand. Villa Miljølaks AS had an sales revenues before the acquisition of NOK 32,643 thousand and an operating profit before fair value adjustment of biomass was NOK -5,838 thousand. This is taken into account in the Purchase Price Allocation. Receivables taken over in connection with the acquisitions are recognised at fair value, which is the same as book value.

After the close of the 2011 accounting period, the Group has acquired 10 production licences and a site in Laksefjorden with associated operating assets, as well as 50 per cent of the biomass at this location, from Villa Arctic AS. Furthermore, SalMar has agreed to engage in joint operations with Villa Arctic AS in Laksefjorden with effect from 1 April 2012 until the 2015 generation has been harvested.

#### Acquisition of subsidiaries in 2010

The following businesses were acquired during the year. All company acquisitions are recognised in accordance with the acquisition method.

NOK 1000	Acquisition date	Acquisition cost
Rauma Gruppen (75,5%)	08.07.2010	312 589
Marius Eikremsvik AS / AS Stettefisk (100%)	11.11.2010	110 000

Rauma Gruppen is an integrated producer of salmon, controlling the entire value chain from roe to fillets. In 2009 the company generated sales revenues of NOK 366,200 thousand, and made a net profit of NOK 16,900 thousand. Marius Eikremsvik AS / AS Stettefisk has two fish farming licences.

The acquisitions were financed through draw-downs on the long-term borrowing facility. Purchase Price Allocation for the significant acquisitions are presented below.

The acquisitions' effect on the balance sheet was as follows:  NOK 1000	Rauma- Gruppen book value	Rauma- Gruppen fair value	Marius Eikremsvik AS book value	Marius Eikremsvik AS fair value
Intangible assets	146 589	300 887	8 000	70 000
Property, plant & equipment	109 067	112513	3 379	5 761
Financial assets	525	525	-	-
Current assets	195 689	195 689	21 936	21 936
Liabilities	-68 240	-112 409	-2 701	-20 727
Interest-bearing debt	-152 363	-152 363	-	-
Other current liabilities	-55 005	-55 005	-5 672	-5 672
Net identifiable assets and liabilities	176 262	289 837	24 943	71 298
Goodwill from acquisition		128 549		38 703
Additions non-controlling interests		105 797		

Goodwill comprises deferred tax on licences and synergies with other production segments, as well as expected synergies relating to smolt and the harvesting/processing business. The Purchase Price Allocation was teporary based on uncertain values ascribed to specific acquired assets.

It is in 2011 conducted a re-allocation of the purchase price as a result of new information about the synergies associated with the acquisitions. Value of intangible assets from acquisitions was reduced by NOK 69 923 thousand for the Rauma Group and NOK 21,342 thousand for Marius Eikremsvik AS. Goodwill from the acquisition has increased by NOK 50,344 thousand for RaumaGruppen and NOK 15,367 thousand for Marius Eikremsvik AS.

Following its acquisition, Rauma Gruppen caused a net change in operating profit before fair value adjustment of the biomass of NOK 30,100 thousand, and a net change in sales revenues of NOK 257,200 thousand. Marius Eikremsvik AS did not have any impact on profits during the period.

NOK 1000  Companies recognised using the equity method	Norskott Havbruk AS	Trøndersk Kyst- kompetanse	Nordskag Næringspark	Bakkafrost	TOTAL
Type of company	AS	AS	AS	P/F	
Original acquisition cost Attributable excess value Goodwill	162 826 0 0	103 0 0	23 375 0 0	533 406 319 395 13 910	719 710 319 395 13 910
Opening balance 1 Jan 11 Purchase of shares/investments Share of profit/loss Items of comprehensive income Items taken directly to equity Dividend received Closing balance 31 Dec 11	303 154 0 13 725 4 718 0 -28 521 <b>293 076</b>	103 0 0 0 0 0	23 395 0 3 435 0 706 0	540 158 29 764 80 839 -6 237 0 -46 370	866 809 29 764 97 999 -1 519 706 -74 891 918 868

The associate Bakkafrost P/F is a listed company and its share price is therefore publicly quoted. Market value at.31.12.2011 based on stock prices is NOK 443,475 thousand. It its made an assessments of the carrying value of the share price. The assessmentes concluded there is no write-down obligation related to the shareholding. None of the other associates have listed share prices. Revenues from associates are recognised on a separate line in the income statement as the Group's share of net profit/loss. The table below shows key figures for material investments which were still held at the close of the year.

	Operating revenues 2011	Total assets 31.12.2011	Total liabilities 31.12.11	Net profit 2011
Norskott Havbruk Group	797 421	1 201 329	615 210	27 450
Bakkafrost Group	1 263 115	2 206 878	1 189 610	301 366
Nordskag Næringspark AS	34 696	366 285	289 752	8 456

# NOTE 7 FINANCIAL INSTRUMENTS BY CATEGORY

The following principles for subsequent measurement have been applied to all financial instruments in the balance sheet:

NOK 1000		044-6-1-	Derivatives		
As at 31. Dec 2011 Assets	Loans and receivables	Assets at fair value in profit & loss	used for hedging purposes	Available for sale	TOTAL
Investments in shares and other	securities -	-	-	762	762
Derivatives	-	-	-	-	-
Trade & other receivables	603 467	-	-	-	603 467
Financial assets at fair value					
in profit & loss	-	-	-	-	-
Cash & cash equivalents	47 621	-	=	-	47 621
TOTAL	651 088	-	-	762	651 850

As at 31 Dec 2011 Liabilities	Liabilities at fair value in profit & loss resultat	Derivatives used for hedgin purposes	Other financial liabilities at amortised cost	TOTAL
Borrowings	-	-	2 530 291	2 530 291
Financial leasing contracts	-	-	173 460	173 460
Derivatives	28 317	-	-	28 317
Trade and other payables, ex. statutory liabilities	-	-	538 997	538 997
TOTAL	28 317	-	3 242 748	3 271 065

As at 31 Dec 2010 Assets	Loans and fordringer	Assets at fair value in profit & loss	Derivatives used for hedging purposes	Available for sale	TOTAL
Investments in shares					
and other securities	-	-	-	1 426	1 426
Derivatives	-	27 355	-	-	27 355
Trade & other receivables	495 791	-	-	-	495 791
Financial assets at fair					
value in profit & loss	-	-	-	-	-
Cash & cash equivalents	107 062	-	-	-	107 062
TOTAL	602 853	27 355	-	1 426	631 635

As at 31 Dec 2010 Liabilities	Liabilities at fair value in profit & loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	TOTAL
Borrowings	-	=	1 811 998	1 811 998
Financial leasing contracts	-	-	108 607	108 607
Derivatives	-	-	-	-
Trade and other payables,				
ex. statutory liabilities	-	-	457 887	457 887
TOTAL	-	-	2 378 492	2 378 492

# NOTE 8 FINANCIAL ASSETS AVAILABLE FOR SALE

Shares in other companies		Book value	Book value
NOK 1000	Shareholding	2011	2010
I.B.F AS	30,30 %*	46	46
Akva Kompetanse AS	33,40 %*	0	175
Wibstad Transport AS	10,57 %	117	117
Senja Fiskehelsetjeneste AS	40,90 %*	95	95
Aquagen AS	0,66 %	281	281
Aqua Service AS	25,00 %*	0	203
Romsdal Processing AS	3,33 %	0	300
Other shares		224	211
TOTAL		762	1 426

Shares in other companies are classified as available for sale. Investments in other shares are measured at cost, since this is considered to be the best esitmat at fair value. Investment in Akva Kompetanse AS, Aqua Service AS and Romsdal Processing AS have been realized in 2011.

## NOTE 9 DERIVATIVES

### Forward currency contracts

The table below shows the company's forward currency contracts as at 31 Dec 2011. All contracts relate to the purchase and sale of foreign currencies against NOK. Forward contracts are entered into to maximise coverage of the foreign exchange risk on outstanding trade receivables and sales contracts. Forward currency contracts are recognised at fair value in the balance sheet. Group does not use hedge accounting in accounting for foreign currency forward contracts.

			Amount			Book/ market
Product	Туре	Currency	(1000)	Term	Rate interval	value TNOK
Forward	Sale	EUR	18017	Q1 2012 - Q2 2012	7,7013-8,0468	1 233
Forward/Swap	Sale	JPY	3 539 954	Q1 2012 - Q2 2013	0,069-0,079	-12 162
Forward	Sale	GBP	1 195	Q1 2012	8,765-9,290	-377
Forward/Swap	Sale	USD	28 146	Q1 2012	5,66-6,20	-4018
Forward/Swap	Buy	EUR	5 123	Q1 2012	7,734-7,787	-15
Forward	Buy	USD	18 173	Q1 2012	5,46-5,53	1 611
Total						-13 727

### Financial sales contracts fish (Fish Pool contracts)

Financial sales contracts (derivatives) for fish have been entered into on Fish Pool. The derivatives are measured at fair value in profit and loss. The contracts are due for settlement in 2012. The fair value of the contracts (unrealised gains) is estimated at NOK -14,590 thousand based on the market price at the close of the period.

Realized Fish Pool contracts are classified in the income statement as finance costs (previously classified as operating cost) and unrealized changes in the Fish Pool contracts are classified as part of the value adjustment biomass. Realized Fish Pool contracts classified as financial items for 2011 is NOK 8,677 thousand.

<sup>\*</sup> Not treated as an associate on the basis of materiality.

# NOTE 10 RECEIVABLES, PROVISIONS FOR BAD DEBTS

The Group's receivables are valued at amortised cost. Receivables in foreign currencies are valued at the day's rate. Book values are equal to fair value.

2011	2010
508 207	411 112
-2 926	-1 405
144 993	136 266
6 632	16 177
656 905	562 150
53 438	39 004
0	27 355
52 524	17 511
4 178	11 940
2 023	3 901
	508 207 -2 926 144 993 6 632 656 905 53 438 0 52 524 4 178

Bad debts are classified as other operating expenses in the income statement.

The change in provisions for bad debts breaks down as follows:

Closing balance	2 926	1 405
Change in provisions for bad debts due to acquisition/sale of businesses	0	394
Reversal of previous provisions	-2 596	-94
Actual bad debts	2 596	0
Provisions for bad debts	1 521	369
Opening balance	1 405	736
NOK 1000	2011	2010

Credit and foreign exchange risks relating to trade receivables are discussed in more detail in Note 2.

As at 31 Dec the company had the following due but as yet unpaid trade receivables:

NOK 1000	Total	Not due	<30 d	30-45d	45-90d	>90d
2011	508 207	313 168	137 525	21 778	32 533	3 202
2010	411 112	314 388	71 930	10 564	11 945	2 285

# NOTE 11 INVENTORY AND BIOLOGICAL ASSETS

NOK 1000	2011	2010
Raw materials	58 453	54 368
Goods in progress (entirely biological assets)	1 420 788	1 580 934
Finished goods	169 482	74 605
Total	1 648 724	1 709 907

Raw materials consist largely of feed for smolt and farmed fish, as well as 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

Live fish are accounted for in accordance with 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.

The best estimate of fair value for fish less than 1 kg live weight is accumulated cost, while the harvest of fish over 4 kg live weight are valued at expected net realizable value taking into account the actual cumulative cost. For fish between 1 kg and 4 kg live

weight biomass valued to the proportionate share of the expected net profit at harvesting. Consequently, this can lead to a negative value adjustment of biological assets.

The fair value of the biomass is assessed based on market prices at balance sheet date for the actual weight size adjusted for cost of sales includes costs of harvesting and gutting loss. The market price is adjusted for quality differences. Used sales prices are based on remote forward prices and / or the most relevant cost information available for the period of the fish to be harvesting.

Smolt are valued at self-cost.

NOK 1000	2011	2010
Biological assets 1 Jan	1 580 934	1011518
Increase due to production/purchase	2 406 167	1 753 852
Increase due to acquisitions	63 228	116 183
Reduction due to sale/harvesting	-2 294 590	-1 479 860
Fair value adjustment 1 Jan(reversed)	-391 416	-212 174
Fair value adjustment 31 Dec (new)	56 465	391 416
Biological assets 31 Dec	1 420 788	1 580 934
Biomass fish < 4 kg live weight (tonnes)	41 882	31 740
Biomass fish > 4 kg live weight (tonnes)	15 481	21 683
Change in fair value fish < 4 kg live weight (NOK 1,000)	44 795	113 826
Change in fair value fish > 4 kg live weight (NOK 1,000)	11 670	277 590
Total change in fair value of biological assets (NOK 1,000)	56 465	391 416
Cost price biological assets (NOK 1,000)	1 364 323	1 189 518
Book value of biological assets (NOK 1,000)	1 420 788	1 580 934
Change in fair value adjustments	-355 759	140 129
Fair value adjustments from acquisition	5 210	35 843
Changes in internal profit	15 599	2613
Unrealized change in value of Fish Pool contracts	-21 742	6 073
Recognised fair value adjustment biomass	-356 693	184 658

## NOTE 12 BANK DEPOSITS

As at 31 December 2011 the item "Bank deposits, cash & cash eqivalents" included NOK 26,985 thousand in restricted employee tax deductions. The corresponding figure for last year was NOK 27,320 thousand.

## NOTE 13 SHARE CAPITAL AND SHAREHOLDERS

As at 31 Dec 2011, the parent company's share capital comprised:

NOK 1000	No. of shares	Face value verdi	Book value
Ordinary shares	103 000 000	0,25	25 750

### Ownership structure

As at 31 Dec 2011, the company's 20 largest shareholders were:

	No. of shares	Shareholding	Voting share
KVERVA AS	55 000 000	53,40 %	54,08 %
FOLKETRYGDFONDET	8 448 731	8,20 %	8,31 %
JPMORGAN CHASE BANK	6 740 800	6,54 %	6,63 %
PARETO AKSJE NORGE	5 711 237	5,54 %	5,62 %
ODIN NORGE	3 809 233	3,70 %	3,75 %
PARETO AKTIV	2 621 693	2,55 %	2,58 %
LIN AS	2 500 000	2,43 %	2,46 %
ODIN NORDEN	2 307 078	2,24 %	2,27 %
PARETO VERDI	1 441 703	1,40 %	1,42 %
SALMAR ASA	1 300 000	1,26 %	0,00 %
VERDIPAPIRFONDET DNB NORGE (IV)	507 033	0,49 %	0,50 %
FORSVARETS PERSONELLSERVICE	435 400	0,42 %	0,43 %
VITAL FORSIKRING ASA	422 172	0,41 %	0,42 %
PARETO SICAV	353 263	0,34 %	0,35 %
KLP AKSJE NORGE INDEKS VPF	325 870	0,32 %	0,32 %
CENTRA INVEST AS	322 541	0,31 %	0,32 %
STOREBRAND VERDI	317 257	0,31 %	0,31 %
MP PENSJON PK	311 531	0,30 %	0,31 %
VERDIPAPIRFONDET DNB NORGE	259 766	0,25 %	0,26 %
KAS DEPOSITARY TRUST COMPANY	236 653	0,23 %	0,23 %
Total 20 largest shareholders	93 371 961	90,65 %	90,53 %
Total other shareholders	9 628 039	9,35 %	9,47 %
Total no. of shares	103 000 000	100,00 %	100,00 %

### Shares owned by board members and the CEO:

Name	Office	No. of shares	Shareholding	Voting share
Bjørn Flatgård *	Chair	2 052 411	1,99 %	2,02 %
Gustav Witzøe **	Director	52 947 589	51,41 %	52,06 %
Synnøve G. Ervik	Director	5 000	0,00 %	0,00 %
Leif Inge Nordhammer ***	CEO(1/1-5/6)	2 500 000	2,43 %	2,46 %
Yngve Myhre ****	CEO (6/6-31/12)	30 000	0,03 %	0,03 %

<sup>\*</sup> indirect ownership through the family-owned company GloMar AS, which owns shares in the Kverva Group. Own shares in Kverva AS taken into consideration.

The board has been granted two authorisations to raise the share capital by up to NOK 3,075 thousand by issuing up to 12,300 thousand shares. The board's authorisation is valid until the 2012 AGM, or 30 June 2012 at the latest.

The board is further authorised to buy back the company's own shares to a face value totalling NOK 2,214.5 thousand. The board's authorisation is valid until the 2012 AGM, or 30 June 2012 at the latest.

### Dividend

No dividend payment has been proposed for the year ending 31 December 2011.

<sup>\*\*</sup> indirect ownership through the Kverva Group's parent company; includes shares owned by companies controlled by related parties. Own shares in Kverva AS taken into consideration.

<sup>.</sup> \*\*\* indirect ownership through LIN AS.

<sup>\*\*\*\*</sup> indirect ownership through Rosøy AS

## NOTE 14 INTEREST-BEARING DEBT

### NOK 1000

Long-term interest-bearing debt	2011	2010
Debt to credit institutions	2 185 259	1 807 804
Next year's repayment on long-term debt	-156 722	-47 238
Leasing liabilities	173 460	108 606
Total long-term interest-bearing debt at 31 Dec	2 201 997	1 869 174
Short-term interest-bearing debt  Debt to credit institutions	345 032	4 193
Next year's repayment on long-term debt	156 722	47 238
Total short-term interest-bearing debt at 31 Dec	501 754	51 431
Total interest-bearing debt	2 703 751	1 920 605
Cash & cash equivalents	47 621	107 062
Net interest-bearing debt	2 656 130	1 813 542

### Interest-bearing debt in more detail

SalMar ASA's main source of financing is a credit facility arrangement of up to NOK 4,500 million, which was established in 2011. Loan Agreement term is 5 years and a repayment schedule corresponding to 15 years, with outstanding debt redeemed in full on due date. As at 31 December 2011, NOK 2,530,291 thousand had been drawn on this facility. The loan agreement is divided into four facilities. Facilities A, with a balance of NOK 1,500 million, is repayable over 15 years. Facilities B, with a balance of S63,764 thousand, is repayable over 15 years. The final facilities is a revolving credit facility, with a balance of NOK 345,032 thousand as at 31 December 2011. Repayments are paid half yearly. 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 Vikenco AS and SalMar Japan K.K.

Estimated annual instalments on leasing liabilities amount to NOK 21,942 thousand . 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 35% (down to 30% 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. To increase the Group's freedom of action SalMar has reached an agreement with its banks that the terms of the loan agreement associated with NIBD/EBITDA, with effect from the first quarter 2012 shall be as follows:

### 2012

First quarter: 4.5 Second quarter: 6.0 Third quarter: 6.0 Fourth quarter: 5.25

### 2013

First quarter: 4.5 Second quarter: 4.5 Third quarter: 4.5

With effect from the fourth quarter 2013 the terms revert to their original level in the loan agreement.

# NOTE 15 DEFERRED TAX ASSETS, LIABILITIES AND TAX EXPENSES

NOV 1000		
NOK 1000  The tax expense for the year breaks down as follows:	2011	2010
Tax payable	141 264	221 300
Change in deferred tax	-128 580	86 392
Capitalisation of deferred tax assets from acquisitions resulting from substantiation	0	-5 178
Shortfall/excess tax provisions	422	153
Tax expense on ordinary profit	13 106	302 667
Tax payable in the balance sheet		
Tax payable	141 264	221 300
Reduction in tax payable as a result of group contributions	-74 865	-73 254
Change in tax payable in previous years	0	42
Tax payable in the balance sheet	66 399	148 088
Specification of temporary differences		
Intangible assets	1 150 378	1 066 284
Property, plant & equipment	48 529	46 245
Non-current financial assets	3 167	3 655
Inventory	1 498 539	1 571 774
Receivables	-40 551	754
Current liabilities	-16 176	22 955
Non-current liabilities	-61	-2 665
Gains/losses account	7 442	11 117
Losses carried forward	-13 857	0
TOTAL temporary differences	2 637 409	2 720 119
D. C	720 475	764.633
Deferred tax liabilities (+) / assets (-)	738 475	761 633
Reconciliation from nominal to actual tax rates		
Profit before tax	160 478	1 260 785
Expected tax at nominal tax rate	44 934	353 020
Permanent differences (28%)	-32 250	-50 506
Shortfall/excess tax provisions	422	153
Calculated tax expense	13 106	302 667
Effective tax rate	8,2 %	24,0 %

# NOTE 16 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 1 (1) remaining member. In addition, there are 10 (10) remaining pensioners in the defined-benefits scheme. The effect of the switch was posted to profit and loss in 2006. Certain companies within the Group also operate

an early retirement scheme (AFP) for their employees. 622 (620) employees are covered by the AFP scheme. Liabilities with respect to this scheme are not included in the Group's overall pension calculations.

Premiums paid in connection with the defined-contribution scheme are charged to expenses as they accrue. In 2011 NOK 8,024 thousand gross was charged to expenses in connection with the defined-contribution pension scheme (NOK 8,283 thousand in 2010).

NOK 1000		2011	2010
Present value of the year's pension accruals		19	18
Interest expense on pension liabilities		251	343
Return on pension assets		342	412
Expenses		53	50
Accrued employers' national insurance contributions		8	13
Recognised losses/(gains) on estimates		-179	-825
Recognised plan changes		-191	-1 981
Net pension cost after employers' national insurance contribution	15	-191	-2 794
Accrued pension liabilities		7 920	7 657
Pension fund assets (fair value)		7 838	7717
Accrued employers' national insurance contributions		24	50
Unrecognised effect of differences in estimates		-583	72
Net pension liabilities		-476	61
2011	Secured	Unsecured	Tatal
Accrued pension liabilities	<b>(OPS)</b> 7 324	(AFP)	<b>Total</b> 7 920
Pension fund assets (fair value)	7 838	596 0	7 920 7 838
Accrued employers' national insurance contributions	7 0 3 0	24	24
Unrecognised effect of differences in estimates	-1 176	593	-583
Net pension liabilities	-1 689 *)	1 213	-476
	,		
	Secured	Unsecured	
2010	(OPS)	(AFP)	Total
Accrued pension liabilities	6716	940	7 657
Pension fund assets (fair value)	7717	0	7 717
Accrued employers' national insurance contributions	0 -652	50 725	50 72
Unrecognised effect of differences in estimates  Net pension liabilities	-1 653 *)	1 714	61
Net pension habilities	-1055 )	1 / 14	
* Deviations from book value are ascribable to capitalised contribution	n fund.		
, , , , , , , , , , , , , , , , , , ,		2011	2010
Pensions paid already taken into account in the above liability		646	888
Investments in pension fund assets already taken into account in the	above liability	125	122
Financial assumptions:			
Discount rate		2,60 %	3,50 %
Expected salary adjustment		3,50 %	3,5-3,75%
Expected pension adjustment		0,60 %	1,00 %
Expected adjustment of National Insurance Scheme's basic unit (G)		3,75 %	3,75 %
Expected return on pension assets		4,10 %	4,50 %
Expected take-up rate for AFP		0,00 %	0,00 %
Voluntary exit (all ages)		5-10%	5-10%

# NOTE 17 MORTGAGE AND GUARANTEES, ETC

NOK 1000

Recognised debt secured through liens, etc:	2011	2010
Short-term debt to credit institutions	345 032	4 193
Long-term debt to credit institutions	2 185 259	1 807 804
Other long-term debt	173 460	108 607
Total	2 703 751	1 920 605
Book value of assets pledged as security for recognised debt	2011	2010
		_0.0
Property, plant & equipment and intangible assets		
	2 568 948	2 242 303
Shares	2 568 948 563 170	2 242 303 0
Shares Inventory		
- · · · · · ·	563 170	0

Leasing liabilities account for NOK 173,460 thousand of capitalised long-term liabilities. SalMar ASA stands surety for a total of NOK 17,000 thousand 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 thousand to NordTrøndelag E-verk on behalf of SalMar Settefisk AS. The guarantee agreement was entered into 1 January 2004 and is reduced

by NOK 250 thousand per year. As at 31 December 2011 the remaining amount guaranteed totalled NOK 3,000 thousand.

SalMar ASA has further issued a guarantee for NOK 10,000 thousand in connection with unused credit facilities granted to the subsidiary SalMar Japan K.K.

# NOTE 18 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, floor space (m2) 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.

Furthermore a leasing contract has been entered into with Nordskag Næringspark AS in connection with the InnovaMar processing plant, which was partially taken over in 2010 and has been completed in 2011. The lease has a term of 15 years from takeover, with an option for the lessee to renew the lease for an additional 5 + 5 years. The lessee may terminate the contract before its expiry upon 12 months' notice being given. The final lease will be determined on the basis of a fixed part and a variable part that depends on production volume.

NOK 1000	< 1 year	2-5 years	> 5 years	Total
Total future leasing payments	39 648	154 825	470 615	665 088

### NOTE 19 OTHER CURRENT LIABILITIES

### Other current liabilities comprise:

NOK 1000	2011	2010
Accrued holiday pay	26 980	28 868
Accrued costs	99 214	77 977
TOTAL other current liabilities	126 195	106 845

# NOTE 20 SALES REVENUES

## Geographic breakdown of sales revenues by customer location

The bulk of the Group's sales revenues are generated through the subsidiary SalMar Sales AS.

	2011	2010
Asia	26 %	26 %
Russia	7 %	7 %
USA / Canada	4 %	7 %
Europa	64 %	60 %
Total	100 %	100 %

# NOTE 21 SALARY & PAYROLL COSTS, WORKFORCE, REMUNERATIONS, EMPLOYEE LOANS, ETC

Salary & payroll costs NOK 1000	2011	2010
Salaries, incl. holiday pay and bonuses	330 884	271 241
Employers' national insurance contributions	23 276	18 474
Pension costs (see Note 16)	8 250	2 446
Options	10 317	5 660
Other benefits	19017	15 470
Total	391 745	313 290
No. of people employed (full-time equivalent) in the financial year	616	568

The SalMar Group has a management team comprising the CEO, CFO and the leaders of the largest business areas.

		Bonus, incl.		Accrued	
<b>2011</b> NOK 1000		extraord.	Benefits-	pension	Exercised
Senior management	Salary	bonus	in-kind	costs	options
Yngve Myhre, CEO *	1 360	200	3	18	0
Leif Inge Nordhammer, former CEO *	* 1318	0	6	35	0
Roar Husby,CFO	1 628	100	8	38	1 289
Bjørn Larsen, Mngr Farming	1619	100	10	47	8 473
Gustav Witzøe, Business Devel.	1012	100	165	39	0
Dag Nikolai Ryste, Mngr Sales	1 064	100	170	22	360
Roger Sørensen, Mngr Factory	1 068	50	8	34	0

<sup>\*</sup> Employed with effect from June 2011. Bonuses earned in 2011, but paid in 2012. \*\* Hired to June 2011.

2010 NOK 1000 Senior management	Salary	Bonus, incl. extraord. bonus	Benefits- in-kind	Accrued pension costs	Exercised options
Leif Inge Nordhammer, CEO	1 863	0	9	27	0
Roar Husby,CFO	1 471	250	7	25	945
Bjørn Larsen, Mngr Farming	1 377	250	9	23	0
Gustav Witzøe, Business Devel.	993	0	163	18	0
Dag Nikolai Ryste, Mngr Sales	1 018	250	181	18	0
Roger Sørensen, Mngr Factory	1 033	250	7	22	0

# The remuneration paid to the CEO and other senior executives 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.

### Benefits-in-kind

The company does not offer benefits-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 are 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.

A statement relating to the determination of salaries and other benefits to senior executives at SalMar ASA has been approved by the board. For further details, please see the chapter on Corporate Governance.

### Directors' fee NOK 1000

The board of directors	2011	2010
Bjørn Flatgård, Chair	280	280
Gustav Witzøe	90	90
Synnøve G. Ervik	180	180
Marit Rolseth (until May 2010)	0	75
Randi E. Reinertsen (elected May 2010)	180	105
Kjell A. Storeide	180	180
Bjørn Ivan Espnes, employee rep.	0	90
Alf Jostein Skjærvik,employee rep. (elected February 2011)	90	0
Monica Seternes, employee rep. (elected February 2011)	90	0

The remuneration paid to the board of directors is not performance-based.

### Loans and guarantees to senior management and members of the board

NOK 1000		Amount	Interest rate	Repayment plan
CEO	Loan	1 007	2,75 %	20 years

### Loans and guarantees to employees

NOK 1000	Loans	Sureties
Employees	3 048	-

### Options:

In 2010 group management and 60 other employees received a total of 1,505,000 options to purchase company shares. Of these, 257,500 options was discontinued due to employees leaving. A further 220,000 options were granted to the CEO in 2011. Members of the board of directors do not have options. Group management has the following options:

Senior management	Options granted	Options exercised	No. of options CB	Average strike price A	Average term
Leif Inge Nordhammer, CEO 1/1-5/6	-	-	-	-	-
Yngve Myhre, CEO 6/6-31/12	220 000	-	220 000	-	2,5 year
Roar Husby,CFO	160 000	50 000	110 000	54,3	2,5 year
Bjørn Larsen, Mngr Farming	435 000	325 000	110 000	54,3	1,25 year
Gustav Witzøe, Business Devel.	-	-	-	-	-
Dag Nikolai Ryste, Mngr Sales	110 000	36 666	73 334	54,3	3,5 year
Roger Sørensen, Mngr Factory	110 000	-	110 000	54,3	3,5 year

A - average strike price for options held at the end of the financial year.

See announcements regarding mandatory notification of trade for more information

1/3 of the options granted may be exercised from the date of the company's annual general meeting in 2011/2012 until one week after the publication of the company's first quarter report 2014/2015. 1/3 of the options granted may be exercised from the date of the company's AGM in 2012/2013 until one week after the publication of the first quarter report 2014/2015. 1/3 of the options granted may be exercised from the date of the company's AGM in 2013/2014 until one week after the publication of the first quarter report 2014/2015. Options may only be exercised if the holder is an employee of the company at the start of the relevant exercise period.

The most important input data when calculating the value of the options granted in 2010 were the share price when the option was granted (NOK 52), the strike price (NOK 54.3), volatility at 50%, risk-free interest of 2.5% and the term of the option. The most important input data when calculating the value of the

options granted in 2011 were the share price when the option was granted (NOK 60), the strike price (NOK 54.3), volatility at 50%, risk-free interest of 2.5% and the term of the option.

Employers' national insurance contributions are included in the provisions made to cover this liability.

Of the options for taking awarded in 2007, was last redeemed in 2011. A total of 790,000 options were exercised for a total equity effect of 3,027 thousand, – For Further options granted in 2010 it was in 2011 a total of 44.799 options were exercised by a total of 1,505,000 options. The company chose cash settlement of exercised options.

#### **Auditor**

The fees paid to the Group's auditor PwC (ex. VAT) break down as follows:

NOK 1000	2011	2010
Statutory auditing	2 064	1 402
Other certification services	89	57
Tax advisory services	206	121
Other services	449	144
Total	2 808	1 725

NOK 60,300 paid to other auditors was also recognised as an expense under auditing fees.

### **NOTE** 22 OPERATING EXPENSES

### Specification of other operating expenses:

NOK 1000	2011	2010
	94 780	67 022
Operating equipment	24 508	15 025
Direct input factors	44 173	45 976
Delivery costs	301 089	228 399
Other operating expenses	241 341	160 646
TOTAL	705 891	517 067

### R&D costs:

R&D costs include expenses relating to research and administrative personnel, technical equipment and facilities, and sums paid for external research services. The criteria for capitalisation are deemed to have been met with respect to the Group's wrasse project. Other R&D costs are not deemed to have met the criteria for capitalisation, and those costs have therefore been charged to expenses. A total of NOK 6,860 thousand in R&D costs was charged to expenses in 2011.

# NOTE 23 GOVERNMENT GRANTS

Group companie has in 2011 has book income of NOK 1,235 thousand related to SkatteFUNN, related to fiscal year 2010.

# NOTE 24 EXCEPTIONAL BIOLOGICAL ITEMS

The financial statements for 2011 contain exceptional biological items with a total of NOK. 60.070 thousand. Exceptional biological items is defined as destruction of salmon required by authority due to outbreak of Pancreas Disease (PD) and single event of escaped fish with a significant number of salmon. Cost related to destruction of salmon due to the outbreak of PD totals to NOK. 50,000 thousand. The cost is measured at full production cost as well as costs related to cleanup and shutdown of the site. Cost related to escaped fish totals to NOK 10,070 thousand. The cost is measured at full production cost of the escaped biomass as well as costs related to recapture of fish. In February 2012 the PD-virus was detected on of SalMar Northern Norway facilities. SalMar had to order the destruction for all fish on the effected facility. The event is regarded as a specific biological event and the financial effects will be integrated in the 2012 financial statements.

# NOTE 25 NET GAINS/(LOSSES) ON FOREIGN EXCHANGE

NOK 1000	2011	2010
Financial income	4 694	14 728
Financial expenses	13 545	13 965
Net	-8 851	763

## NOTE 26 EARNINGS PER SHARE

NOK 1000	2011	2010
Net profit (majority share)	144 855	946 818
IAS 41 Fair value adjustment of the biomass	345 589	-181 023
Tax on changes in value	-96 765	50 686
Adjusted net profit (majority share)	393 680	816 481
Ordinary shares as at 1 Jan	103 000 000	103 000 000
Average no. of shares outstanding through the year	103 000 000	103 000 000
Effect of options granted	=	-
Average no. of diluted shares outsdanding through the year	103 000 000	103 000 000
Earnings per share		
Basic	1,41	9,19
Diluted	1,41	9,19
Earnings per share before fair value adjustment of the biomass		
Basic	3,82	7,93
Diluted	3,82	7,93



# NOTE 27 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. The ultimate parent company is Kvarv AS, which prepares its own consolidated accounts in accordance with N-GAAP.

### Transactions with related parties:

## NOK 1000

Related party	Type of transaction	Size of transaction	Outstanding balance
	40.5	5.40	
Overall parent company	(1) Size of transaction	540	O
Entities under same control	(2) Size of transaction and		
	outstanding balance	34 625	-7 343
Group subsidiaries	(3) Internal reinvoicing by SalMar ASA	37 271	
	(4) Intra-group interest charges	48 218	
	(5) Size of internal outstanding balance		1 587 527
Senior management and board	See Note 21		

Receivables and costs from parent company on the balance sheet date.

Amount is outstanding against the associate Nordskag Næringspark AS per the balance sheet date, and rent paid to Nordskag Næringspark AS for 2011.

Internal reinvoicing by SalMar ASA of costs relating to services provided to subsidiaries. The amount is eliminated in consolidation.

Interest charges incurred by group companies for use of group credit facilities.

The amount is eliminated in consolidation.

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

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# FINANCIAL ACCOUNTS SALMAR ASA 2011

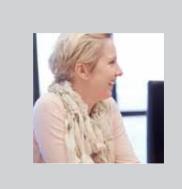


















# Income Statement NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2011	2 010
Sales revenues	2	37 271	32 826
Other operating revenues		665	200
Total operating revenues		37 936	33 026
Salary & payroll costs	3, 10, 15	23 056	21 718
Depreciation PP&E and intangible assets	4	539	452
Other operating expenses	3	22 230	16 876
Total operating expenses		45 825	39 045
Earnings before interest and taxes (EBIT)		-7 889	- 6 019
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from investment in subsidiaries	5	50 271	800 000
Income from investment in associates	5	74 936	50 000
Interest received from group companies		59617	20 732
Other interest income		755	1 286
Interest paid to group companies		2 475	0
Other interest expenses		81 307	29 283
Other financial expenses		8 675	562
Net financial items		93 122	842 173
Profit before tax		85 233	836 154
Tax	12	184	126 531
NET PROFIT FOR THE YEAR		85 049	709 623
ALLOCATIONS			
To dividend		0	406 400
To/from other equity		85 049	303 223
TOTAL allocations	9	85 049	709 623
		E0 271	000.000
Group contributions received before tax		50 271	800 000
Group contributions paid before tax		0	129 757

# Balance Sheet NOK 1000

Property, plant & equipment         4         2 159         541           Plant, equipment and operating consumables         4         2 832         1 705           Vehicles and other means of transport         4         4 22         532           Total property, plant & equipment         4, 14         5 412         2 778           NON-CURRENT FINANCIAL ASSETS         Investments in subsidiaries         5, 14         555 233         548 515           Loans to group companies         7, 11, 14         1 566 999         1 045 272           Investments in associates         5, 14         749 435         719 671           Investments in shares and other securities         6         193         193           Pension fund assets         10         148         62           Other receivables         7         2 706         10 034           Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS         11, 14         118 991         829 249           Other receivables         11, 14         118 991         829 249           Other receivables         119 706         829 269           Bank deposits, cash & cash equi	ASSETS	NOTE	2011	2 010
Plant, equipment and operating consumables         4         2832         1705           Vehicles and other means of transport         4         422         532           Total property, plant & equipment         4, 14         5 412         2778           NON-CURRENT FINANCIAL ASSETS         Investments in subsidiaries           Investments in subsidiaries         5, 14         555 233         548 515           Loans to group companies         7, 11, 14         1 566 999         1 045 272           Investments in associates         5, 14         749 435         719 671           Investments in shares and other securities         6         193         193           Pension fund assets         1         148         62           Other receivables         7         2 706         10 034           Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS         ECECEIVABLES           Trade receivables         14         715         28           Other receivables         11, 14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash e	Property, plant & equipment			
Vehicles and other means of transport         4         422         532           Total property, plant & equipment         4, 14         5 412         2 778           NON-CURRENT FINANCIAL ASSETS         Investments in subsidiaries         5, 14         555 233         548 515           Loans to group companies         7, 11, 14         1 566 999         1 045 272           Investments in associates         5, 14         749 435         719 671           Investments in shares and other securities         6         193         193           Pension fund assets         10         148         62           Other receivables         7         2 706         10 034           Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS         ECCEIVABLES           Trade receivables         14         715         28           Other receivables         11, 14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149 <td>Land, buildings and other real property</td> <td>4</td> <td>2 159</td> <td>541</td>	Land, buildings and other real property	4	2 159	541
Total property, plant & equipment         4, 14         5 412         2 778           NON-CURRENT FINANCIAL ASSETS         Investments in subsidiaries         5, 14         555 233         548 515           Loans to group companies         7, 11, 14         1 566 999         1 045 272           Investments in associates         5, 14         749 435         719 671           Investments in shares and other securities         6         193         193           Pension fund assets         10         148         62           Other receivables         7         2 706         10 034           Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS         2         2 880 127         2 326 527           CURRENT erceivables         14         715         28           Other receivables         11, 14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149	Plant, equipment and operating consumables	4	2 832	1 705
NON-CURRENT FINANCIAL ASSETS           Investments in subsidiaries         5, 14         555 233         548 515           Loans to group companies         7, 11, 14         1 566 999         1 045 272           Investments in associates         5, 14         749 435         719 671           Investments in shares and other securities         6         193         193           Pension fund assets         10         148         62           Other receivables         7         2 706         10 034           Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS           RECEIVABLES         14         715         28           Other receivables         14         715         28           Other receivables         11, 14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149	Vehicles and other means of transport	4	422	532
Investments in subsidiaries         5, 14         555 233         548 515           Loans to group companies         7, 11, 14         1 566 999         1 045 272           Investments in associates         5, 14         749 435         719 671           Investments in shares and other securities         6         193         193           Pension fund assets         10         148         62           Other receivables         7         2 706         10 034           Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS         SECEIVABLES         Trade receivables         14         715         28           Other receivables         11, 14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149	Total property, plant & equipment	4, 14	5 412	2 778
Loans to group companies       7, 11, 14       1 566 999       1 045 272         Investments in associates       5, 14       749 435       719 671         Investments in shares and other securities       6       193       193         Pension fund assets       10       148       62         Other receivables       7       2 706       10 034         Total non-current financial assets       2 874 715       2 323 748         Total non-current assets       2 880 127       2 326 527         CURRENT ASSETS         RECEIVABLES       14       715       28         Other receivables       14       715       28         Other receivables       11, 14       118 991       829 241         Total receivables       119 706       829 269         Bank deposits, cash & cash equivalents       17       7 177       5 880         Total current assets       126 882       835 149	NON-CURRENT FINANCIAL ASSETS			
Investments in associates       5, 14       749 435       719 671         Investments in shares and other securities       6       193       193         Pension fund assets       10       148       62         Other receivables       7       2 706       10 034         Total non-current financial assets       2 874 715       2 323 748         Total non-current assets       2 880 127       2 326 527         CURRENT ASSETS         RECEIVABLES       14       715       28         Other receivables       11, 14       118 991       829 241         Total receivables       119 706       829 269         Bank deposits, cash & cash equivalents       17       7 177       5 880         Total current assets       126 882       835 149	Investments in subsidiaries	5, 14	555 233	548 515
Investments in shares and other securities       6       193       193         Pension fund assets       10       148       62         Other receivables       7       2 706       10 034         Total non-current financial assets       2 874 715       2 323 748         Total non-current assets       2 880 127       2 326 527         CURRENT ASSETS         RECEIVABLES       14       715       28         Other receivables       11, 14       118 991       829 241         Total receivables       119 706       829 269         Bank deposits, cash & cash equivalents       17       7 177       5 880         Total current assets       126 882       835 149	Loans to group companies	7, 11, 14	1 566 999	1 045 272
Pension fund assets         10         148         62           Other receivables         7         2 706         10 034           Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS           RECEIVABLES         7         7 15         28           Other receivables         11, 14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149	Investments in associates	5, 14	749 435	719671
Other receivables         7         2 706         10 034           Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS           RECEIVABLES           Trade receivables         14         715         28           Other receivables         11,14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149	Investments in shares and other securities	6	193	193
Total non-current financial assets         2 874 715         2 323 748           Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS         RECEIVABLES           Trade receivables         14         715         28           Other receivables         11, 14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149	Pension fund assets	10	148	62
Total non-current assets         2 880 127         2 326 527           CURRENT ASSETS           RECEIVABLES         Trade receivables         14         715         28           Other receivables         11,14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149	Other receivables	7	2 706	10 034
CURRENT ASSETS         RECEIVABLES         Trade receivables       14       715       28         Other receivables       11,14       118 991       829 241         Total receivables       119 706       829 269         Bank deposits, cash & cash equivalents       17       7 177       5 880         Total current assets       126 882       835 149	Total non-current financial assets		2 874 715	2 323 748
RECEIVABLES         Trade receivables       14       715       28         Other receivables       11,14       118 991       829 241         Total receivables       119 706       829 269         Bank deposits, cash & cash equivalents       17       7 177       5 880         Total current assets       126 882       835 149	Total non-current assets		2 880 127	2 326 527
RECEIVABLES         Trade receivables       14       715       28         Other receivables       11,14       118 991       829 241         Total receivables       119 706       829 269         Bank deposits, cash & cash equivalents       17       7 177       5 880         Total current assets       126 882       835 149	CURRENT ASSETS			
Trade receivables         14         715         28           Other receivables         11,14         118 991         829 241           Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149				
Total receivables         119 706         829 269           Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149		14	715	28
Bank deposits, cash & cash equivalents         17         7 177         5 880           Total current assets         126 882         835 149	Other receivables	11,14	118 991	829 241
Total current assets         126 882         835 149	Total receivables		119 706	829 269
Total current assets         126 882         835 149	Bank deposits, cash & cash equivalents	17	7 177	5 880
			126 882	835 149
	TOTAL ASSETS			

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# Balance Sheet NOK 1000

EQUITY AND LIABILITIES	NOTE	2011	2 010
EQUITY			
Paid-in equity			
Share capital	8, 9	25 750	25 750
Treasury shares	9	-325	-350
Share premium fund	9	112 880	112 880
Other paid-in equity	9	37 676	27 743
Total paid-in equity		175 981	166 023
RETAINED EARNINGS			
Other equity	9	442 601	352 410
Total retained earnings		442 601	352 410
Total equity	9	618 582	518 434
Total equity	9	010 302	310 434
LIABILITIES			
Provisions			
Deferred tax liabilities	12	399	243
Total provisions		399	243
Other non-current liabilities			
Long term bank borrowing	13,14	2 183 764	1 529 752
Total other non-current liabilities		2 183 764	1 529 752
Current liabilities			
Short term bank borrowing	13,14	121 989	359 801
Trade payables	,	1 707	989
Tax payable	12	0	91 379
Dividend	8, 9	0	406 400
Public charges payable		31 145	58 470
Other current liabilities	11	49 423	196 208
Total current liabilities		204 264	1 113 247
Total liabilities		2 388 427	2 643 242
TOTAL EQUITY AND LIABILITIES		3 007 009	3 161 676

Frøya, 29 March 2012

Bjørn Flatgård *Chair* 

latgård Gustav Witzøe air Director

Randi C. Runurloun

Randi E. Reinertsen

Director

Alf Jostein Skjærvik

Director/Employee representative

Synnove G. Enril

Synnøve G. Ervik *Director* 

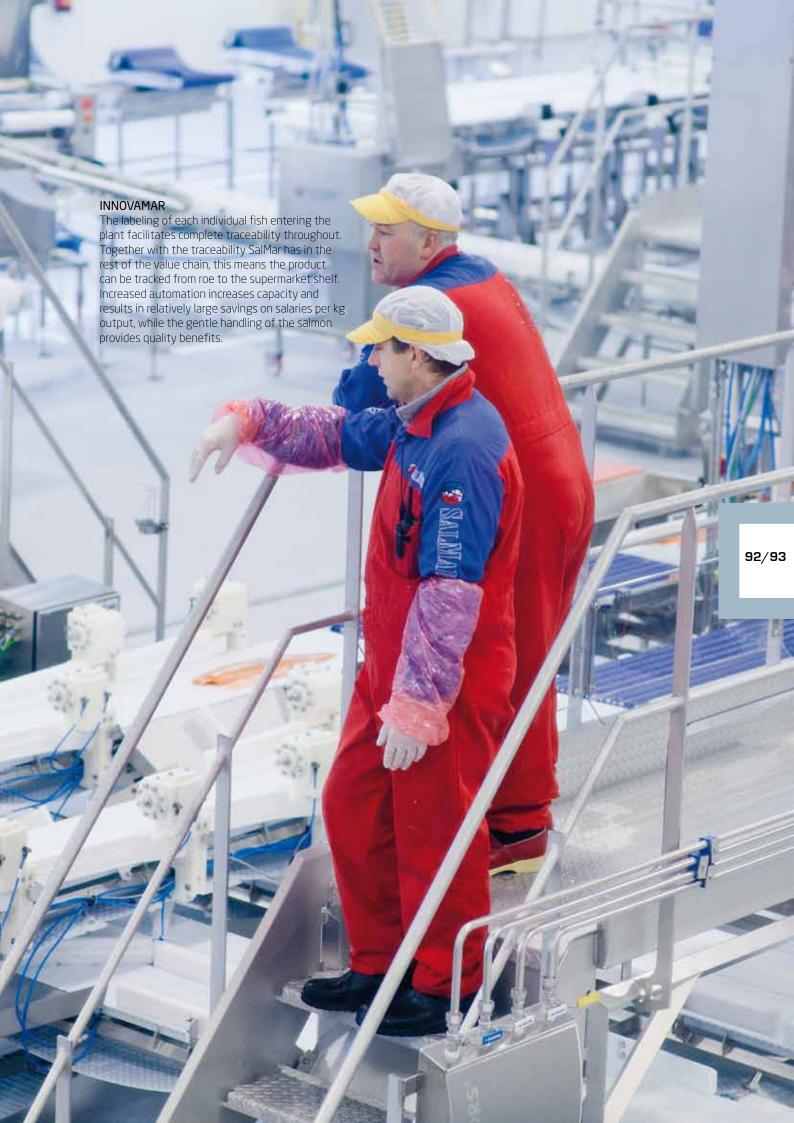
Monicha Seternes Director/Employee representative (Absent due to illness) Kjell A. Storeide Director

Yngve Wyhre
President & CEO

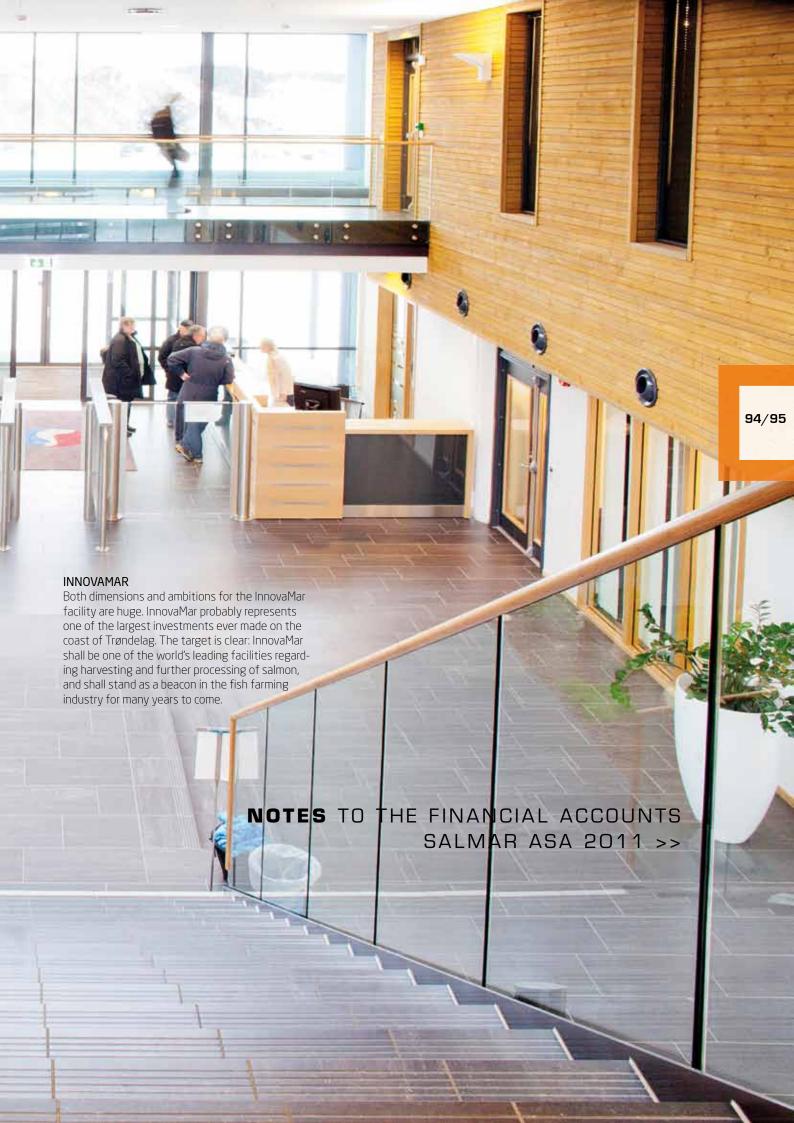
# Statement of Cash Flow NOK 1000

CASH FLOW FROM OPERATING ACTIVITIES	2011	2010
Profit before tax	85 233	836 154
Tax paid during the period	-91 352	-113017
Depreciation	539	452
Recognised dividend from associates	-74 936	-50 000
Group contributions recognised	-50 271	-800 000
Group contributions received	800 000	410 000
Options charged to expenses	4 189	5 231
Options reclassified as liabilities	0	-19888
Change in trade receivables	-687	-5
Change in trade payables	718	-365
Change in other time-limited items	-111 627	156 086
Net cash flow from operating activities	561 805	424 648
CASH FLOW FROM INVESTING ACTIVITIES:	2.472	500
Payments for purchase of property, plant & equipment	-3 173	-500
Change in intra-group balances	-521 727	-614 474
Payments for purchase of non-current financial assets	-29 764	-533 593
Net cash flow from investing activities	-554 664	-1 148 567
CASH FLOW FROM FINANCING ACTIVITIES:		
Long-term debt raised	670 562	955 952
Long-term debt repaid	-16 550	-33 100
Net change in overdraft	-237 812	51 632
Options redemed	-19 146	-22 297
Sale of treasury shares	3 900	0
Dividend (paid)	-406 800	-223 520
Net cash flow from financing activities	-5 846	728 667
Net change in bank deposits, cash & cash equivalents	1 296	4 748
Bank deposits, cash & cash equivalents as at 1 Jan	5 880	1 131
Bank deposits, cash & cash equivalents as at 31 Dec	7 177	5 880
Unused drawing rights	1 957 166	465 788

Of the total unused credit facilities at MNOK 1 957.2 pr. 31.12.2011 are 390.9 MNOK related to a revolving credit facility for use in the ongoing funding of the groups operations. Other unused credit facilities are reserved for investments.







# **NOTE** 1 ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting principles in Norway. The accounting principles described below apply only to the parent company SalMar ASA. The notes relating to the SalMar Group are presented along with the Group's consolidated financial statements.

#### Use of estimates

Preparation of the financial statements in accordance with generally accepted accounting principles requires that management make assessments, estimates and assumptions that affect the application of accounting principles, the recognised value of assets and liabilities in the balance sheet, revenues and expenses for the financial year, as well as information relating to uncertain assets and liabilities on the balance sheet date. Estimates and their underlying assumptions are based on historic experience and other factors which are deemed to be relevant and probable at the time the assessment is made. These assessments affect the book value of assets and liabilities where the valuation is not based on other sources. Estimates are assessed continually, and final values and results may deviate from these estimates. Changes in accounting estimates are recognised in the period in which the change takes place.

### Classification and valuation of balance sheet items

Liquidity is defined as cash and bank deposits.

Assets intended for permanent ownership or use are classified as non-current assets. Other assets are classified as current assets and normally include items falling due for payment within one year, as well as items associated with the production cycle. The classification of current and non-current liabilities is based on the same criteria.

Non-current assets are valued at acquisition cost. If the recoverable portion of the non-current asset is lower than its book value, and the impairment is not expected to be temporary, the asset is written down to its recoverable value. Non-current assets with a limited economic life are depreciated systematically.

Current assets are valued at the lower of acquisition cost and fair value.

Other non-current liabilities are valued at par.

#### Revenues

Revenue from the sale of goods is recognised when it is earned, ie when the majority of both the risk and control of the item sold has been transferred to the customer. This will normally be when the item has been delivered to the customer. Revenues are recognised at the value of the consideration payable at the time the transaction took place. Services are taken to income as they are performed. Operating revenues are recognised less public charges, discounts, bonuses and other sales costs.

#### **Public funding**

Operating subsidies are periodised and classified along with the revenues they are intended to augment or the costs they are intended to reduce.

#### Receivables

Trade receivables and other receivables are recognised at par less provisions for bad debts. Provisions for bad debts are determined on the basis of an assessment of the individual receivable.

### Property, plant & equipment

Items of property, plant and equipment are capitalised at historic cost price and are depreciated over the asset's expected lifespan. Costs directly relating to maintenance of property, plant and equipment are charged to expenses as they arise, while enhancements or improvements are added to the asset's cost price and depreciated in line with the asset itself. If the recoverable portion of an item of property, plant and equipment is lower than its book value, the asset is written down to its recoverable value. The recoverable value is the higher of net sales value or value in use. Value in use is the present value of future cash flows which the asset will generate.

#### Shares

Subsidiaries, associates and other shares classified as non-current assets are valued in accordance with the cost method. Subsidiaries are companies in which SalMar ASA has a controlling influence, as a result of either legal or actual control. In principle, a controlling influence is deemed to exist when the company's direct or indirect shareholding exceeds 50 per cent of the voting capital. Associates are companies in which SalMar has a considerable influence. Considerable influence is normally deemed to exist when the company owns 20-50 per cent of the voting capital. Investments are valued at the shares' acquisition cost unless a write-down has been necessary. Write-downs to fair value are performed when the impairment is due to reasons that are not deemed to be of a temporary nature and are required under generally accepted accounting principles. Write-downs are reversed when the reason for the write-down is no longer applicable.

Dividend and other payouts are recognised as other financial income. If the dividend exceeds the share of withheld profit/loss after acquisition, the surplus amount represents a repayment of invested capital, and the payouts are deducted from the value of the investment in the balance sheet.

#### **Pensions**

The company switched its occupational pension scheme to a defined contribution plan in 2006. Pension premiums are charged to expenses as they arise, and the Group has no other liabilities over and above this annual payment.

### Share-based remuneration

The fair value of share options is determined at the date of issue. The valuation is based on recognised valuation models adapted to the properties of the options concerned. The value as determined at the date

of issue is periodised in the income statement over the options' 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 profit/loss before tax. Tax relating to equity transactions is recognised in equity. The tax expense comprises tax payable (tax on the company's taxable income for the year as it appears in the income statement), and any change in net deferred tax. Deferred tax is calculated at the rate of 28 per cent on the temporary differences between accounting and tax values, as well as tax losses 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 cash flow by operating, investing and financing activity. The statement shows the individual activity's impact on liquidity. The statement of cash flow has been drawn up in accordance with the indirect method.

# Changes in accounting principles and comparable figures

The figures presented for the previous year's accounts are comparable.

# NOTE 2 SALES REVENUES

The parent company SalMar ASA is a holding company primarily engaged in the provision of administrative services to subsidiaries. Consequently, the parent company's revenues derive solely from one business area.

# NOTE 3 PAYROLL COSTS, NO. OF EMPLOYEES, REMUNERATION, EMPLOYEE LOANS, ETC

PAYROLL COSTS NOK 1000	2011	2010
Salary, incl. holiday pay and bonuses	17 430	17 083
Employers' national insurance contributions	1 485	1 829
Pension costs	409	430
Options	3 298	1 788
Other benefits	434	588
Total	23 056	21 718
No. of people employed (full-time equivalents) during the financial year	19	21

### REMUNERATION PAID TO SENIOR COMPANY OFFICERS AND THE AUDITOR

Please see Note 21 to the consolidated financial statements for details of the remuneration paid to senior executives.

#### OPTIONS

Seven company employees have received a total of 392,500 options to acquire company shares. In addition, the CEO has received 220,000 options to acquire company shares. Members of the company's board of directors have no options. A further 57 people employed by subsidiaries received a total of 1,112,500 options to acquire shares in the company. The option cost relating to employees of subsidiaries is charged to expenses by the respective subsidiaries. Please see Note 21 to the consolidated financial statements for further details regarding the option scheme.

### **AUDITOR**

The fee paid to the auditor, excl. VAT, breaks down as follows

NOK 1000	2011	2010
Statutory auditing services	279	337
Other certification services	9	11
Tax advisory services	29	7
Other services	240	113
Total	557	468

# NOTE 4 PROPERTY, PLANT & EQUIPMENT

NOK 1000	Real property	Operating equipment, fixtures, etc	Vehicles & other means of transport	TOTAL
Acquisition cost 1 Jan 2011	541	3 274	1 338	5 153
Additions	1618	1 555	0	3 173
Disposals	0	0	0	0
Acquisition cost 31 Dec 2011	2 159	4 829	1 338	8 325
Acc. depreciation & write-downs 1 Jan 2011	0	1 568	806	2 374
Year's depreciation	0	429	110	539
Reversed write-downs	0	0	0	0
Acc. depreciation & write-downs 31 Dec 2011	0	1 997	916	2 913
Acc. dep., write-downs & reversed				
write-downs 31 Dec 2011	0	1 997	916	2 913
Book value as at 31 Dec 2011	2 159	2 832	422	5 412
Economic lifespan Depreciation plan		7-20 years straight-line	5-14 years straight-line	
Gains/losses on sale of non-current assets	-	-	-	-
Annual leasing of off-balance sheet op. assets	742	180	0	922

# NOTE 5 SUBSIDIARIES, ASSOCIATES, ETC

Subsidiaries and associates are recognised in accordance with the cost method.

COMPANY	Consolidated	Registered	Voting share/	Book value in
COMPANY	yes/no	office	shareholding	SalMar ASA
SalMar Settefisk AS	YES	Kverva	100 %	28 597
SalMar Farming AS	YES	Kverva	100 %	87 947
SalMar Nord AS	YES	Senja	100 %	316 136
SalMar Processing AS	YES	Kverva	100 %	76 971
Astamarin AS	YES	Kverva	100 %	5 015
SalMar - Tunet AS	YES	Kverva	100 %	7 071
SalMar Sales AS	YES	Kverva	100 %	33 496
TOTAL subsidiaries				555 233
Norskott Havbruk AS	NO	Bergen	50 %	162 787
Bakkafrost PF	NO	Glyvrar	24,8 %	563 170
Nordskag Næringspark AS	NO	Kverva	42,5 %	23 375
Trøndersk Kystkompetanse AS	NO	Dyrvik	20 %	103
TOTAL associates		-		749 435

COMPANY	Recognised	Equity as per latest financial	Profit/loss as per latest
COMPANY	dividend	statement	financial st.
Norskott Havbruk AS	28 521	586 120	27 450
Bakkafrost P/F	46 370	1 106 634	337 772
Nordskag Næringspark AS	0	76 533	8 456
Trøndersk Kystkompetanse AS	0	627	42
SalMar ASA recognised group contributions			
from the following subsidiaries NOK 1000		2 011	2 010
- SalMar Farming AS		50 271	800 000
TOTAL		50 271	800 000
SalMar ASA has paid group contributions to the			
following subsidiaries NOK 1000		2 011	2 010
- SalMar Settefisk AS		0	9 724
- SalMar Processing AS		0	95 070
- SalMar Sales AS		0	24 865
- SalMar Tunet AS		0	98
TOTAL		0	129 757

# NOTE 6 OTHER FINANCIAL ASSETS

NON-CURRENT ASSETS
SHARES IN OTHER COMPANIES

Specification of all shareholdings of less		Book
than 20 per cent as at 31 December 2011 NOK 1000	Shareholding	value
Aquagen AS	0,19 %	181
Hitra Frøya Fastlandssamband AS	· -	3
Frøya Flyplass DA	-	10
Total		193

# NOTE 7 RECEIVABLES FALLING DUE MORE THAN ONE YEAR HENCE

NOK 1000	2011	2010
Other receivables	143	8 143
Loans to employees	2 563	1 891
Loans to group companies	1 566 999	1 045 27

# NOTE 8 SHARE CAPITAL AND SHAREHOLDERS

NOK 1000

As at 31 December 2011 the company's

share capital comprised:	No.	Face value	Book value
Ordinary shares	103 000 000	0,25	25 750

Please see Note 11 to the consolidated financial statements for details of the largest shareholders and senior executives' holdings of company shares.

#### Dividend

The board has proposed no dividend payout for 2011.

## NOTE 9 EQUITY

NOK 1000 Paid-in equity	<b>Share</b> capital	Treasury shares	Share premium fund	Paid-in other equity
Equity as at 1 Jan 2011	25 750	-350	112 880	27 743
Year's change in equity				
Options	0	0	0	9 933
Sale of treasury shares	0	25	0	0
Equity as at 31 Dec 2011	25 750	-325	112 880	37 676

	Fund for		
	valuation	Other	Total retained
Retained earnings	differences	equity	earnings
Equity as at 1 Jan 2011	0	352 410	352 410
Net profit for the year	0	85 049	85 049
Redeemed options	0	-1 008	-1 008
Sale of treasury shares	0	6 550	6 550
Dividend	0	-400	-400
Equity as at 31 Dec 2011	0	442 601	442 601

Please see Note 21 to the consolidated financial statements for further details of options redeemed and reclassified.

## **NOTE** 10 PENSION COSTS

The company has a statutory obligation to provide an occupational pension scheme under the Compulsory Occupational Pensions Act, and has a pension scheme which meets the Act's requirements.

The company has no defined-benefits pension schemes.

Premiums under the defined-contribution scheme are charged to expenses as they fall due. NOK 703,000 was charged to expenses in connection with the defined-contribution scheme in 2011 (NOK 648,000 in 2010).

# NOTE 11 INTRA-GROUP BALANCES, ETC

	Loans		Other receivable	25
NOK 1000	2011	2010	201	1 2010
Group companies	1 566 999	1 045 272	98 83	855 061
Associates	0	0	31	0 2 560
Total	1 566 999	1 045 272	99 14	17 857 621

Other current liabilities			
NOK 1000	2 011	2 010	
Group companies	21 308	200 623	
Associates	166	0	
Total	21 474	200.623	

Other receivables from group companies totalling NOK 98,837,000 includes a receivable of NOK 50,271,000 relating to group contributions.

# NOTE 12 TAX

BREAKDOWN OF THE YEAR'S TAX EXPENSE: - NOK 1000	2011	2010
Tax payable	0	127 711
Change in deferred tax	156	-95
Tax provisions (shortfall/excess)	28	-1 085
Tax on ordinary profit	184	126 531
BREAKDOWN OF THE YEAR'S TAXABLE INCOME	2011	2010
Profit before tax	85 233	836 154
Permanent differences	-84 675	-380 382
Change in temporary differences	-558	338
Group contributions received/paid	0	-129 757
Taxable income for the year	0	326 353
TAX PAYABLE IN THE BALANCE SHEET	2011	2010
Tax payable for the year	0	127 711
Tax on group contributions paid	0	-36 332
Tax payable in the balance sheet	0	91 379
BREAKDOWN OF TEMPORARY DIFFERENCES	2011	2010
Operating assets, incl. goodwill	944	877
Non-current financial assets	148	62
Receivables	0	-75
Current liabilities	0	-414
Profit & loss account	334	418
TOTAL temparary differences	1 427	868
Deferred tax liabilities (+) / deferred tax assets (-)	399	243
RECONCILIATION FROM NOMINAL TO ACTUAL TAX RATE	2011	2010
Profit before tax	85 233	836 154
Expected tax on income at nominal tax rate	23 865	234 123
Permanent differences (28%)	-23 709	-106 507
Tax provisions (shortfall/excess)	28	-1 085
Estimated tax expense	184	126 531
Effective tax rate	0,2 %	15,1 %

## NOTE 13 DEBT

DEBT FALLING DUE MORE THAN FIVE YEARS

AFTER THE CLOSE OF THE FINANCIAL YEAR: NOK 1000	2011	2010
Debt to credit institutions	0	0
Other long-term liabilities	0	0
Total long-term debt	0	0

### REPAYMENT PROFILE

In 2011 SalMar entered into a new 5-year loan agreement with a 15-year repayment profile. The loan agreement is divided into four facilities with semi-annual instalments. Interest rates are based on so-called 'current terms'.

### 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 35% (down to 30% 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. To increase the Group's freedom of action SalMar has reached an agreement with its banks that the terms of the loan agreement associated with NIBD/EBITDA, with effect from the first quarter 2012 shall be as follows:

### 2012

First quarter: 4.5 Second quarter: 6.0 Third quarter: 6.0 Fourth quarter: 5.25

### 2013

First quarter: 4.5 Second quarter: 4.5 Third quarter: 4.5

With effect from the fourth quarter 2013 the terms revert to their original level in the loan agreement.



# NOTE 14 MORTGAGE, GUARANTEES, ETC

RECOGNISED DEBT SECURED THROUGH MORTGAGE, ETC NOK 1000	2011	2010
Short-term debt to credit institutions	121 989	359 801
Long-term debt to credit institutions	2 183 764	1 529 752
Total	2 305 753	1 889 553

BOOK VALUE OF ASSETS PLEDGED AS SECURITY FOR RECOGNISED DEBT	2 011	2 010
Operating assets	5 412	2 778
Shares	1 118 403	548 515
Trade receivables	715	28
Receivables	1 685 990	1 867 558
Total	2 810 520	2 418 879

SalMar ASA stands surety for a total of NOK 17,000,000 with respect to a credit facility granted by SG 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 SalMar Settefisk AS. The guarantee agreement was entered into 1 January 2004 and is reduced by NOK 250,000 per year. As at 31 December 2011 the remaining amount guaranteed totalled NOK 3,000,000.

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 15 GOVERNMENT GRANTS

The company has not recognised any R&D projects entintled to financial incentives under the SkatteFUNN scheme in 2011.

# NOTE 16 FINANCIAL RISK

Please see Note 2 to the consolidated financial statements for details relating to the management of the financial and market risks to which the company and Group are exposed.

## NOTE 17 BANK DEPOSITS

As at 31 December 2011 the item Bank deposits, cash & cash equivalents included NOK 5,229,000 in restricted funds relating to employee tax deductions. The corresponding figure for 2010 was NOK 4,867,000.

# SALMAR CELEBRATES 20 YEARS

SalMar was founded on 12 February 1991 by Gustav Witzøe and Karstein Måsøval, who had acquired a licence for the production of farmed salmon and a whitefish harvesting/processing plant from a company that had gone into liquidation. These events took place during one of the most turbulent periods in the history of the Norwegian fish farming industry, which subsequently also led to the collapse of the fish farmers' own sales organisation (Fiskeoppdretternes Salgslag AL) in November that same year. It was precisely this company's failure, and the so-called salmon mountain, that helped lay the foundations for the secondary processing operations which are a cornerstone of the SalMar story. Up until then the vast majority of Norwegian salmon had been exported as fresh or frozen round gutted fish. This was also the start of a substantial restructuring of the Norwegian fish farming industry and a transition to a more industrial operation.

Demand for processed salmon rose sharply, and as early as 1992 SalMar acquired two new production licences to secure access to raw materials. The company then bought up numerous fish farming licences in central Norway in the 1990s and 2000s, partly to secure sufficient volume of fish for its own harvesting and processing facilities. In its 20th anniversary year (2011) SalMar operates 81 licences for the production of farmed salmon and trout.

Today, SalMar is a fully vertically integrated aquaculture company, with production stretching from roe/broodstock to the sale of finished products. On the road to integration, two important decisions were made in the mid-1990s. In 1995 the company acquired its first hatchery: Follasmolt AS in Nord-Trøndelag. At the same time SalMar entered into a leasing agreement with the smolt producer Kjørsvikfisk in Aure, Nord-Møre. In its anniversary year SalMar owns six hatcheries and operates one more. In 1996 SalMar decided to expand its secondary processing business, and signed an agreement with the Industrial Development Corporation of Norway (SIVA) to build a new processing plant at Nordskaget.

Until 2000 the SalMar Group had concentrated its salmon farming activities in central Norway. In that year, however, it acquired a 49 per cent stake in Senja Sjøfarm in Troms. At that time Senja Sjøfarm had nine licences for the production of farmed salmon and trout, its own hatchery and well-boat operations. In 2006 SalMar became sole owner of Senja Sjøfarm AS, which is now called SalMar Nord AS and has a total of 13 production licences in Troms.

In 2001 SalMar turned its attention westward, and through the company Norskott Havbruk AS – a 50/50 joint venture with Lerøy – acquired 100 per cent of the shares in Scottish Sea Farms Ltd.

Throughout the early 2000s many of its competitors closed their secondary processing plants in Norway and moved their operations abroad. SalMar on the other hand became increasingly convinced of the benefits a ground-breaking new harvesting and processing plant at Nordskaget in Frøya could bring. Construction of this plant, later named InnovaMar, was completed in 2010. With a floor space of some 17,500 m2, InnovaMar is, today, the world's most innovative and efficient salmon processing plant. InnovaMar consists of a harvesting plant, which went into operation in November 2010, and a secondary processing plant that started up in March 2011.

In 2009-2010 the last elements in SalMar's vertical integration were put in place. After having collaborated with many exporters, SalMar acquired Volstad Seafood in Ålesund in 2009. The following year it changed its name to SalMar Sales. The company currently has sales and marketing activities in Norway (Frøya and Ålesund), Japan and South Korea. Through its acquisition of 75.54 per cent of Rauma Gruppen in 2010, SalMar became a roe producer, with its own broodstock.

The company's international activities were further expanded in 2010 through the acquisition of 23.29 per cent of the shares in the Faroe Islands fish farming company Bakkafrost. This shareholding was subsequently increased to 24.8 per cent.

In 2011, its 20th year in operation, SalMar harvested 104,000 tonnes gutted weight of salmon, including 50 per cent of the volume from Scottish Sea Farms, and acquired seven new licences in central Norway. As a result the Group as at 31 december 2011 owned 71 licences itself and operates 10 further licences on behalf of partners.

In an industry that is barely 40 years old, to have reached 20 is quite an achievement. These two eventful decades were celebrated in style at the beginning of January 2012, when SalMar commemorated its 20th anniversary in Trondheim with 620 employees and their guests, and close business associates. After 20 years of doing business, SalMar is today one of the world's largest and most preeminent fish farming companies. While that in itself is something to celebrate, it also represents an obligation to continue working hard to be the

LOWEST COST SUPPLIER OF FARMED SALMON.



From the left: Frode Måsøval, Kjellrun Edvardsen, Knut Måsøval, Geir Nekstad, Frode Avløs, Rolf Martinsen, Henrikke Måsøval, Gustav Witzøe, Unni Måsøval, Anita Espnes, Jørn Erling Larsen og Per Måsøval.



### INNOVAMAR

INNOVAMAR
We in SalMar have always had an absolute focus on sustainability regarding our operations. This commits. Strong biological control, constantly seeking new and better business models, and a strong ecological focus are just some of the areas we are working with to ensure sustainability in everything we do.





To the Annual Shareholders' Meeting of Salmar ASA

### Independent auditor's report

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Salmar ASA, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2011, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2011, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Salmar ASA as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Salmar ASA as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

### **Report on Other Legal and Regulatory Requirements**

Opinion on the Board of Directors' report and statement of corporate governance principles and practices

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report and statement of corporate governance principles and practices concerning the financial statements and the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Trondheim, 20 April 2012 **PricewaterhouseCoopers AS** 

Kjetil Smørdal State Authorised Public Accountant (Norway)

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

# **CONFIRMATION FROM THE** BOARD OF DIRECTORS AND THE CEO

We confirm, to the best of our knowledge, that

- the group financial statements for the period from 1 January to 31 December 2011 have been prepared in accordance with IFRS, as adopted by the EU,
- the financial statements of SalMar ASA for the period from January to 31 December 2011 have been prepared in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the financial statements give a true and fair view of the Group and the Company's consolidated assets, liabilities, financial position and results of operations.
- the Report of the Board of Directors provides a true and fair view of the development and performance of the business and the position of the Group and the Company, together with a description of the key risks and uncertainty factors that the company is facing.

Frøya, 29th of March 2011

Bjørn Flatgård Chair Randi C. Renertoen

Director/Employee representative

Synnove G. Cruil. Synnøve G. Ervik

Monicha Seternes Director/Employee representative (Absent due to illness)

Kjell A. Storeide
Director

Nave Vely

Yngve Myhre

President & CEO





