

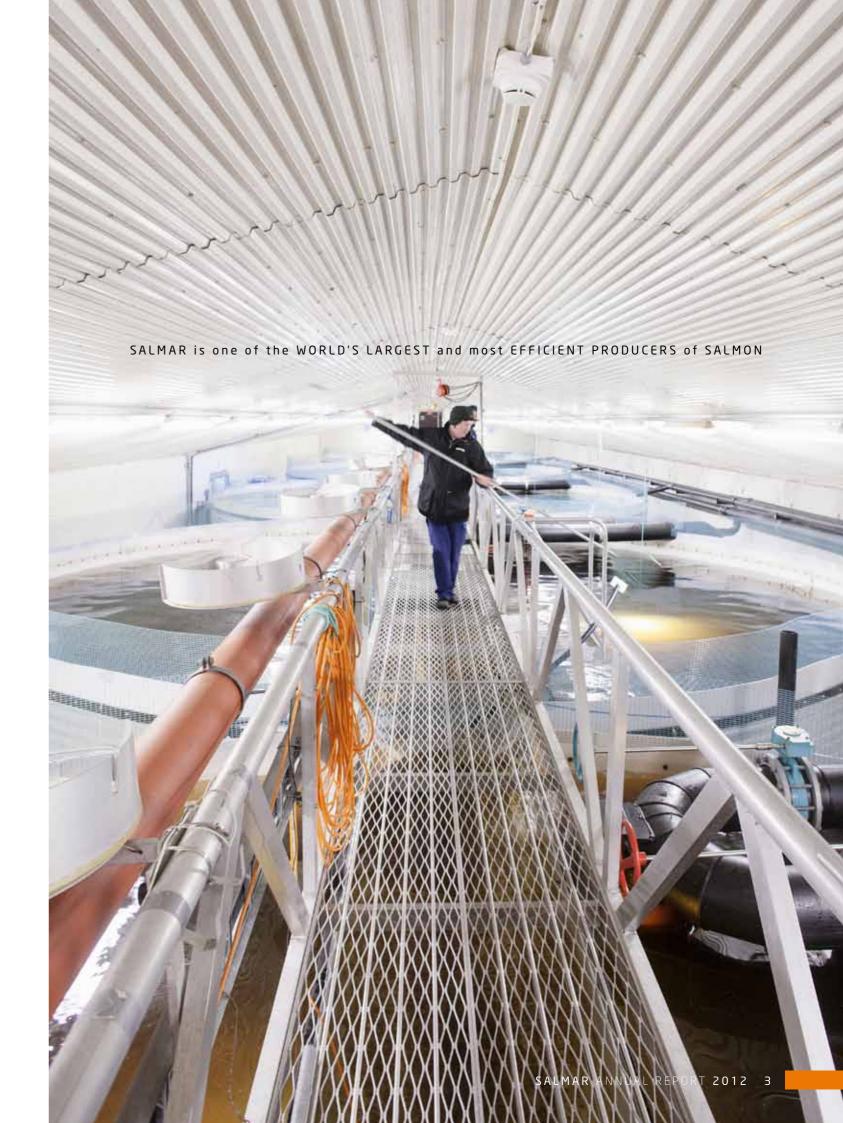


The job we do today IS VITAL to THE SUCCESS OF US ALL



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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 25,2 % (+4,66 % TRS) ownership in Bakkafrost. SalMar also operate a comprehensive harvesting and VAP facility in Central Norway at the company's headquarter at InnovaMar

Learn more about SalMar at www.salmar.no

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

The annual general meeting will be held at Frøya.

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

- 4th Quarter 2012 results
  - 28.02.2013

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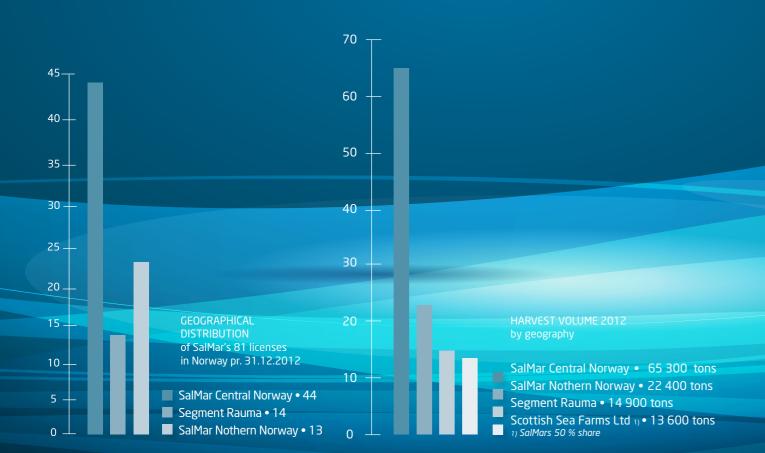
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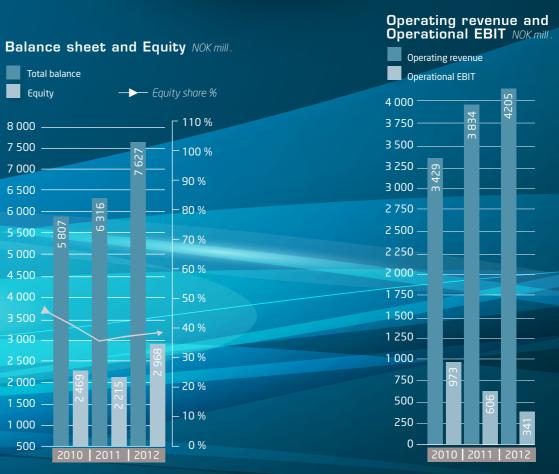
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- - 29.05.2013
- Annual General Meeting
  - 05.06.2013
- 3rd Ouarter 2013 result • 14.11.2013





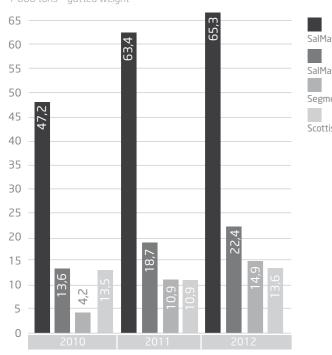


# HARVEST VOLUME VALUE ADDED

# KEY FIGURES 2012

#### HARVEST VOLUME

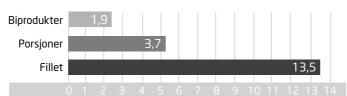
1 000 tons – gutted weight





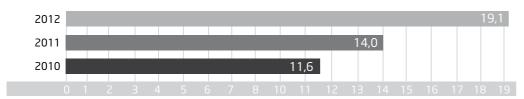
#### VALUE ADDED PRODUCTS 2012

1 000 tons – product weight



#### VOLUME VALUE ADDED PRODUCTS

1 000 tons – product weight



#### OPERATING REVENUES AND OPERATING PROFIT

	2012	2011	2010	
Operating revenues	4 205	3 834	3 429	
Operational EBIT	341	606	973	
Operating margin	8 %	16 %	28 %	
Operating profit	639	178	1 154	
Profit before tax	609	160	1 261	
Profit margin	14 %	4 %	37 %	
Profit for the year	481	147	958	
Earnings per share before fair value adjustment of biomass	2,5	3,8	7,9	
Earnings per share after fair value adjustment of biomass	4,2	1,4	9,2	

#### **BALANCE SHEET**

	2012	2011	2010	
Non-current assets	4 3 7 5	3 970	3 444	
Current assets	3 252	2 347	2 363	
Total assets	7 627	6 316	5 807	
Equity	2 968	2 2 1 5	2 469	
Debt	4 659	4 102	3 338	
Total Equity and debt	7 627	6 316	5 807	
Net interest bearing debt	2 764,4	2 656,1	1 813,5	
Equity share	39 %	35 %	43 %	

## TO NEW HEIGHTS

The global supply of Atlantic salmon reached historic heights in 2012. Never before have we seen a similar growth in salmon production, an increase of over 300 million kg. Salmon strengthened its competitive position compared with other sources of protein. There was strong demand for our products, and we achieved acceptable sales prices. SalMar is now well positioned for further growth, and the anticipated development in prices, combined with the operational improvement measures we have initiated, strengthen the outlook for higher profits in 2013.

The global output of farmed salmon rose by 22 per cent in 2012. All the major producing nations increased their output, with the two largest – Norway and Chile – growing by 18 per cent and 65 per cent respectively. However, since salmon is much sought after as a healthy and delicious foodstuff, the market absorbed this volume at satisfactory prices.

SalMar increased the volume of fish harvested by around 10 per cent, and for the first time in history we harvested and sold over 100 million kg of salmon. Collaboration with other companies in the areas of harvesting and secondary processing gave good results through the year and increased capacity utilisation at the InnovaMar plant. In fact we set a new world record when, this autumn, the volume of salmon harvested at InnovaMar passed the 100 million kg mark. It was an achievement all of us at SalMar are proud of.

At the same time we laid a strong foundation for further growth through the acquisition of 10 new licences in Finnmark, northern Norway. We have great faith in the northern fish farming regions, and the acquisition of these licences gives us a solid foothold in this region.

We at SalMar have a clear and extremely ambitious goal: to be the world's most cost-effective producer of farmed salmon.

Historically, that is just what we have been. We have been one of the world's largest and most efficient producers of salmon, and we have posted market-leading margins. In the second half of 2011 and in 2012 our margins were lower than in the past. This can be attributed partly to salmon prices, over which we have no control, but also to the biological challenges we experienced, which resulted in higher costs and lower fish quality. In the second half of 2012, however, we were pleased to once again be posting higher margins on salmon production than any other listed Norwegian aquaculture company.

Salmon prices increased steadily through 2012, rising to NOK 32.42 per kg (NOS spot) at the end of the year. This gives us better margins. But even though the price is expected to remain higher than NOK 30 per kg in both 2013 and 2014, we continue to work steadfastly to secure more optimal biological operations and cost-effectiveness.

At SalMar we control the entire value chain, from selectively bred broodfish, via fry, smolt and full-grown fish to harvesting, secondary processing and sales. We know that every single process is critical to a good outcome, and we know that we will always have considerable potential for improvement in all areas. For this reason, we are also working strenuously every single day to live by our tenet: 'The job we do today is vital to the success of us all'. Among other things, the mea-

sures being implemented to secure cost-effectiveness focus on increasing smolt quality, reducing mortality rates, optimising the fish farms and feeding strategies, and improving the operating performance of the harvesting and processing plants. Underpinning this is the continuous development of SalMar's excellent corporate culture and the SalMar Standards, well-defined procedures and standards for all our processes.

Our long-term efforts to increase the quality of our smolt have been encouraging, and produced good results in 2012. The survival rate for the smolt transferred to the sea in the autumn of 2012 now stands at over 98 per cent, an accomplishment we are extremely pleased with.

There were several outbreaks of Pancreas Disease (PD) at our sites in 2012. These had an impact on our biological – and therefore also our financial – performance. However, last summer the Norwegian Food Safety Authority changed its PD strategy for the Central Norway region, a change we welcomed wholeheartedly. Its immediate impact was that we were no longer obliged to cull all the fish that had contracted PD, thereby substantially reducing the risk of incurring extraordinary PD-related costs.

Increased biological control, which includes monitoring fish health and combatting disease, is naturally high on SalMar's agenda. Our fish farming licences are located in areas which are endowed by nature with extremely good conditions for sustainable and cost-effective salmon production. This makes us even more aware of our duty to care for – and further develop – the inherent potential of these fantastic resources.

And talking about resources... At the close of 2012 the volume of the biomass (stocks of live salmon) held at Norway's fish farms totalled almost 690,000 tonnes round weight. This is around 3 per cent more than at the start of the year. Independent forecasts for 2013 indicate, however, that the growth in salmon output is coming to a halt (a global rise of 2 per cent, a decrease in Norway of 3 per cent). This explains much of the growth in salmon prices we have seen so far in 2013, and the continued excellent outlook for salmon farming.

Today, aquaculture is one of the fastest-growing food production sectors worldwide, accounting, says the UN Food & Agriculture Organisation (FAO), for almost 50 per cent of the world's edible fish production. According to FAO forecasts, the world's population will rise from today's level of just over 7 billion people to 9 billion people by 2050. Combined with rising disposable incomes, this is expected to push up the global requirement for high-quality proteins by around 70 per cent in the years to 2050. Such an increase will be a key driver for growth in demand for, among other things, farmed salmon in the years to come.

The report entitled 'Value creation based on the productive ocean in 2050', published by the Royal Norwegian Society of Sciences and Letters (DKNVS) and the Norwegian Academy of Technological Sciences (NTVA), states that there is room for a considerable increase in production volume in Norway. The report estimates that the Norwegian seafood industry could increase its volume five-fold over the next 40 years. This is underpinned by the government's ambition that Norway should become the



world's foremost seafood-producing country. The realisation of this growth potential places heavy demands on sustainable production, which must take place through close cooperation between the aquaculture industry and the regulatory authorities. For its part, the government, in 2012, has announced it will be awarding 45 'green licences', which will probably set clear new and higher standards with respect to environment-friendly solutions. SalMar intends to part icipate actively in this development. We already have the world's largest and most innovative salmon processing plant, and we work closely with key R&D environments to participate in the ongoing development of new and forward-looking technologies.

Consumer trends are also helping to push up demand for salmon. Sushi consumption has risen dramatically in recent years, for example. Sushi has gone from being an unfamiliar, exotic and exclusive

gourmet product to a volume consumable with large quantities of ready-prepared sushi trays being sold in supermarkets. This trend places heavy demands on freshness, fish quality, logistics, food preparation and hygiene. We are seeing that young consumers in particular are drawn to salmon products through the sushi trend that is growing worldwide. Our most important contribution here has been the launch of the Frøyas brand in the Norwegian market, which has been a great success.

In our view, therefore, there is considerable growth potential in both established and new markets, as a result partly of changing consumer trends and partly of a rapidly growing, more affluent middle class. As a producer of first-class Atlantic salmon, SalMar fits perfectly into this scenario. We are therefore continuing to work in accordance with our tenet: 'What we do today, we do better than yesterday', as we gear ourselves up to carry SalMar to new heights.

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## SALMARASA

#### HISTORICAL DEVELOPMENT OF THE SALMAR GROUP

Since its inception in 1991 SalMar has developed into a vertically integrated aquaculture enterprise, whose production stretches from roe/broodfish to the sale of finished products. SalMar has gone from a single company with one licence for the production of farmed salmon in Norway, to an international concern with 81 fish farming licences in Norway and considerable shareholdings in the UK and the Faeroe Islands. Today, SalMar is Norway's third largest producers of Atlantic salmon. During the same period the number of employees has risen from 25 to around 800. In short, SalMar has made spectacular progress over the past 21 years, and is looking forward to an equally exciting period of development in the years to come.

#### The key milestones in the company's development from 1991 to 2012:



SalMar is founded in Frøya in Sør-Trøndelag following the acquisition of one licence for the production of farmed salmon and a harvesting/processing plant from a company that had gone into liquidation.

The company's primary business was the processing of frozen salmon.

This was the start of a major restructuring of the Norwegian aquaculture sector, which gradually led to a substantial increase in its level of industrialisation.



Acquisition of two licences for the production of farmed salmon in central Norway.



Acquisition of Folla-smolt in Verran, Nord-Trøndelag. Start of smolt production.

Lease of Kjørsvik Settefisk's hatchery in Aure.



Extension of the plant at Nordskaget in Frøya to increase processing capacity.

Kverva Holding AS becomes sole owner of SalMar.



Total volume harvested: 11,000 tonnes gutted weight.

Establishment of operations outside of central Norway through the acquisition of 49% of the shares in Senja Sjøfarm AS in Troms. At that time Senja Sjøfarm had nine production licences and its own hatchery.

Total volume harvested: 15,000 tonnes gutted weight.

Establishment of operations outside Norway through Norskott Havbruk AS, a 50/50 joint venture with Lergy Seafood Group.

Norskott Havbruk AS is sole owner of Scottish Sea Farms Ltd, the UK's second largest salmon producer.

#### 2005

Total volume harvested: 35,000 tonnes gutted weight.

Divestment of operations SalMar does not consider to be core businesses, including the production of herring, herring oil and fish meal.

Greater focus on core business activities, ie the farming, harvesting and processing of salmon.

2006

Total volume harvested: 44,000 tonnes gutted weight.

Kverva Holding AS sells 42.5% of the company's shares to a limited number of Norwegian and international investors.

Acquisition of three new licences in Nordmøre.

Acquisition of the remaining 51% of the shares in Senja Sjøfarm AS, making SalMar sole owner of the company.











#### 2007

Total volume harvested: 64,000 tonnes gutted weight.

SalMar shares floated on the Oslo Stock Exchange on 8 May Acquisition of Halsa Fiskeoppdrett AS (two licences) and Henden Fiskeoppdrett AS (two licences) in Møre & Romsdal.

Acquisition of Arctic Salmon AS (four licences) in Nordreisa, Troms.

#### 2008

Total volume harvested: 65,000 tonnes gutted weight.

Acquisition of one licence in central Norway (Møre & Romsdal) and one in northern Norway (Troms).

Senja Sjøfarm AS is renamed SalMar Nord AS. The company now includes all SalMar's operations in Troms.

Acquisition of 34% of the shares in Volstad Seafood AS.

Total volume harvested: 77,000 tonnes gutted weight.

Acquisition of the remaining 66% of the shares in Volstad Seafood AS, making SalMar sole owner of the company.

Total volume harvested: 79,000 tonnes gutted weight.

Acquisition of 75.54% of RaumaGruppen AS. Broodfish, two hatcheries and eight fish farming licences in central Norway (Møre & Romsdal).

Acquisition of 23.29% of the shares in the listed Faeroe Islands company P/F Bakkafrost.

Acquisition of Stettefisk AS with two licences in central Norway (Møre & Romsdal).

#### 2011

Total volume harvested: 104,000 tonnes gutted weight.

Acquisition of Bringsvor Laks AS with two licences in central Norway (Møre & Romsdal).

Acquisition of Krifo Havbruk AS with one licence in central Norway (Trøndelag).

Leif Inge Nordhammer steps down as CEO and is replaced by Yngve Myhre on 6 June.

Completion of the world's most innovative and efficient salmon harvesting and processing plant – InnovaMar.

Acquisition of Villa Miljølaks with four licences in central Norway (Møre & Romsdal).

Acquisition of a further 1.5% of the shares in P/F Bakkafrost, bringing SalMar's total shareholding to 24.8%.

Total volume harvested: 116,100 tonnes gutted weight.

Acquisition of 10 licences in northern Norway (Finnmark) from Villa Arctic AS.

Acquisition of additional shares in P/F Bakkafrost, bringing SalMar's total shareholding to 25.21%.

\*Total volume harvested is the aggregate figure for the entire SalMar Group, including 50% of the volume harvested by Norskott Havbruk.



## THE ABC OF SALMON FARMING



#### BROODSTOCK

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

#### **EYED SALMON EGGS**

After 25-30 days in the incubator

the eggs have developed to the stage where the eyes of the salmon are clearly visible as two black dots inside the egg.

#### FRY

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

#### **INITIAL FEEDING**

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

**CENTRAL NORWAY** is the region in which the SalMar Group first established its business. Initially this was based on assets acquired from a company that had gone into liquidation, and which had one licence for the production of farmed salmon and a harvesting and processing plant in Frøya that was designed to handle white fish. Since then both the Group as a whole and the segment have gone from strength to strength. Today SalMar Central Norway controls 44 production licences: 29 in Trøndelag and 15 in Nordmøre. In addition, the segment operates several R&D licences, three of which in association with the research firm ACE (Sintef). The purpose of these licences is to develop more sustainable technologies. The segment also cooperates with VESO on the operation of two licences associated with improved fish health, and is proud of its educational licence, which it operates in conjunction with Frøya Upper Secondary School.

The bulk of SalMar's marine-phase fish farming operations are organised in SalMar Farming AS, and are located in central Norway, stretching from Nordmøre to the Namdal coast. SalMar Central Norway is divided into three regions, south (Nordmøre), central (Frøya – Hitra) and north (Fosen – Nord–Trøndelag). The environmental conditions for salmon farming in this region are extremely good, with favourable sea temperatures all year round thanks to the Gulf Stream, a high water replacement rate and plenty of suitable locations.

Salmon from this segment is harvested at InnovaMar, the SalMar Group's main salmon harvesting and processing facility. It is an ultra-modern building covering some 17,500 m2, with an advanced equipment park that fills the building's entire floor area. InnovaMar has the capacity to harvest 70,000 tonnes of salmon a year in one shift, of which a significant portion goes on to further processing before being shipped to customers and consumers worldwide. Through innovative use of production technology, the quality of the final product is enhanced, costs are reduced and the working environment for staff is improved.

SalMar's fish farms focus on cost-effective operation and maintain a high ethical standard with respect to animal husbandry. In order to contribute to SalMar reaching its goal of being the most cost-effective producer of farmed salmon, there is a continuous focus on sub-goals, such as achieving the fastest possible growth, it also has sites in several districts in Sunnmøre. with the lowest feed factor. The company was quick to intro-

duce its own standards and 'best practices' in order to secure increased efficiency. This involves, among other things, concentrating marine-phase production at large, sustainable facilities with the correct capacity.

SALMAR NORTHERN NORWAY currently holds 23 licences for the production of farmed salmon. Following the acquisition of 10 licences in Finnmark, SalMar Northern Norway has operations in 8 districts, stretching from Harstad in southern Troms to Lebesby in Finnmark. The bulk of the fish farms are located around Senja. Today the workforce numbers approx. 75 permanent employees, but a further 14 new employees are currently being recruited due to increased activity and output in the region. SalMar Northern Norway has many college-educated employees, who have built up a great deal of experience over the years.

The company's hatchery is located in Gjørvika, on the Sør-Senja peninsula. Its staff of four permanent employees oversees an annual output in excess of 1.7 million smolt. Permission to expand annual output to 8-10 million smolt has been sought. The plan is for a new hatchery with fresh water recirculation to go into operation in the winter of 2015.

SalMar Northern Norway is headquartered in Finnsnes. We know that it is possible to produce more salmon in Norway, and Northern Norway has a strong potential for further growth. This region poses fewer challenges with respect to disease and salmon lice, has excellent environmental conditions for sustainable production, and plenty of good sites with the potential to increase the maximum allowable biomass (MAB).

THE RAUMA SEGMENT owns and operates 14 marine-phase production licences. These include conventional, organic and broodfish licences. The Rauma segment has operations in 10 districts. Although the bulk of its fish farms are located in the Romsdal region,

**FARMING** CENTRAL NORWAY (Trøndelag and Nordmøre) No. of production licences: 44 Harvested volume in 2012: 65 300 tonnes gutted weight **FARMING** NORTHERN NORWAY (Troms and Finnmark) No. of licences: 23 Harvested volume in 2012: 22 400 tonnes gutted weight **FARMING RAUMA** (Møre & Romsdal) No. of licences: 14 Harvested volume in 2012: 14 900 tonnes gutted weight

The Rauma segment has highly skilled and competent employees, with wide-ranging experience stretching from broodfish production to processing and sales.

SalMar is currently the world's largest producer of organic farmed salmon. Organic farmed salmon has been produced in both Trøndelag and Romsdal, but with effect from 2013 will be brought together in the Rauma segment. In 2013 the segment expects to harvest 17,000 tonnes (gutted weight) of salmon at Vikenco AS in Aukra. A large proportion of this will be organic salmon. In 2014 organic salmon will account for almost 50 per cent of the segment's total salmon production.

SalMar Organic AS has been granted a new R&D licence, which, over the next few years, will undertake a project aimed at improving the health and welfare of cleaner fish. The project is being undertaken in close cooperation with the research institution Møreforskning, Ålesund University College and the Institute of

Marine Research. The Rauma segment is also working closely with Ålesund University College to resolve challenges associated with organic fish farming, and the college's R&D licence is operated alongside the segment's own licences.

Including the R&D licences, the Rauma segment operates a total of 16 licences.

Romsdal and Sunnmøre have excellent environmental conditions for sustainable and profitable fish farming, and SalMar has many sites with the potential for expansion and further growth. The Norwegian Food Safety Authority has, in consultation with the aquaculture industry, established a series of infection-control zones, within which all salmon farmers synchronise the fallowing of their sites. This is one of the most important elements in combatting the spread of disease.

# SALMAR'S CULTURAL TENETS

SalMar's company culture is constantly under development, and is built on success factors which have gradually evolved within the company from its inception in 1991 and up to today. To further reinforce the company's vision and overall objectives, a number of cultural tenets have been drawn up, which describe the behaviors and actions expected of all employees. Below are two of SalMar's total of six cultural tenets:

## 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.

# 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.



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### **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.

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

Although SalMar as a whole numbers more than 800 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.

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### **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.

### 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.

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## 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 environ-mental 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 2012 have been collated and analysed, and form the basis for identifying new focus areas and relevant measures to be implemented in 2013. Our analyses include a thorough assessment of the chain of events, the actions of individuals and the work processes involved. The quality of its internal analytical competence is assured through collaboration with external expertise (Ledelse på norsk). Competence enhancement programmes have been undertaken at several levels in SalMar, with assistance from Ledelse på norsk. These include management development, as well as training for internal consultants and in the use of complete analytical tools. 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

climate-friendly solutions. SalMar has, for example, been certified in accordance with several HSE-related standards (GlobalGap, IWAY, organic salmon production, etc) for many years.

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 HSE action plans are thus embedded in the overall needs of the organisation and are directly linked to short-term strategic 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 2012 SalMar achieved many of its objectives with regard to the external environment, working environment and personal safety. Important measures implemented in 2012 included a focus on HSE in our own SalMar Standard inspections, in addition to traditional safety inspections. Furthermore, HSE is always an important issue that is addressed in internal information channels and fora (eg the SalMar School). Emphasis has been placed on the registration of non-compliances at all levels, and key figures and non-compliance trends are monitored and addressed at company management meetings. Training and education courses have been undertaken to meet individual needs. Furthermore, great efforts have been made to embed day-to-day HSE activities throughout the organisation and assure the quality of the company's systematic review of its HSE performance.

## RISK ASSESSMENT AND ENVIRONMENT MANAGEMENT

The Group's structured risk assessment activities were once again subject to review and further development in 2012. Efforts were also made in 2012 to implement a new uniform quality assurance/HSE platform and a new electronic system. The implementa-

tion of a comprehensive management and governance model for the Group, which commenced in 2011, continued through 2012. And the entire organisation is fully aware of the need to focus on improvement measures. 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. A number of key individuals participated in risk assessment courses in 2012, which has provided line management with access to a larger pool of relevant specialist expertise. 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 non-compliances 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. In addition, the competence enhancement achieved in conjunction with Ledelse på norsk has substantially raised the quality of management follow-up at many levels (from the individual site to group management). Furthermore, HSE is discussed by the board of directors at two meetings a 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 2013. Some targets are site-specific, while others relate to the Group as a whole. One important measure to achieve the 2013 targets will be the completion of a new electronic platform for the quality assurance systems in place at all SalMar units, and the active use of

internal consultants to further boost the quality of the improvement effort.

#### DISCRIMINATION

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

Last year saw a pleasing fall in the overall sickness absence rate, which came to 4.74 per cent in 2012, compared with 5.46 per cent the year before. Although the short-term sickness absence rate in 2012 was 2.20 per cent, compared with 2.08 per cent in 2011, the long-term sickness absence rate had dropped to 2.54 per cent from 3.38 per cent in 2011. 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 15 lost time injuries were reported during 2012, compared with 17 the year before. Important measures to further reduce the number of injuries in 2013 will be a continued emphasis on the active engagement of SalMar's health and safety organisation, and the involvement of all employees in the systematic HSE effort. In addition, the overall management structure will be developed to strengthen quality assurance and the focus on tracking key figures and analysing non-compliances.



#### 1. CORPORATE GOVERNANCE

#### Regulation and compliance

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, to which the company is subject, SalMar 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 on 23 October 2012. 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 2012.

#### Core values and code of conduct

SalMar has always operated its business in line with core values which have been communicated fully to the organisation, not least through the employees' participation in the SalMar School, which was set up in 2002. The SalMar School is constantly being developed, and has made an important contribution to SalMar's strong corporate culture. SalMar's values are based on principles such as equality, quality, care for the environment, focus on work tasks and continuous improvement.

SalMar has drawn up a code of conduct that covers both ethical standards and corporate social responsibility. The aim of the code 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 have a duty to comply with the code of conduct. Notification of suspected wrongdoing, etc, is covered by specific procedures, which also allow employees to report their concerns anonymously by means of an external channel. The guidelines are available from the company's website.

SalMar is very aware of its diverse corporate social responsibilities. The company has a presence in many local communities, and has a major responsibility as employer, production facility, producer of healthy food, custodian of financial and intellectual capital, and a user of the natural environment. Increased control of the biology is a strategic priority for the company, as this is a critical long-term success factor. The company is, among other things, actively working to secure fish welfare and to prevent escape of fish.

One of the company's most important tenets is 'We care'. This The second authorisation enables the board to increase

permeates the SalMar culture and helps raise employee awareness both with respect to internal matters and externally in the locations in which the company operates.

#### 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."

SalMar's board has set out clear targets and strategies for the Group. Each business area has drawn up its own objectives in line with these, and strategic priorities have been defined. Within the framework of the article cited above, 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 "CEOs report" and "Board of directors' statement" in the annual report.

#### 3. EQUITY AND DIVIDEND

As at 31 December 2012 the company's equity totalled NOK 2,968 million, equivalent to an equity ratio of 39 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 2012. The company is emerging from a period of low salmon prices and the interval during which the company's borrowing terms have been rescheduled by its banking syndicate has yet to run its course.

#### **Board authorisations**

The Annual General Meeting of 31 May 2012 granted the board two authorisations to increase the company's share capital. Both authorisations were extensions of authorisations granted at the 2011 AGM, and since they have different objectives they were treated separately, as required by the Code of Practice on Corporate Governance. The first authorisation enables the board to increase the company's share capital by up to NOK 2 829 650 by issuing up to 11 318 600 shares in order to finance investments and the acquisition of businesses through cash issues and contributions in kind.

the company's share capital by up to NOK 500,000 by issuing a maximum of 2,000,000 new shares to honour option schemes for senior management. 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 authorisations.

The AGM also authorised the board of directors to acquire the company's own (treasury) shares in an amount such that the total holding of treasury shares does not at any time exceed 10 per cent of the outstanding 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.

All authorisations granted to the board remain valid until the 2013 AGM, which will be held on 5 June.

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

In March 2012 SalMar undertook a NOK 309 million rights issue. in which each share was priced at NOK 30. As at 31 December 2012, and including this share issue, SalMar had a registered share capital of NOK 28,324,999.75, divided between 113,299,999 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 2012 SalMar ASA owned 1.3 million treasury shares, which is the equivalent of 1.15 per cent. Treasury shares are bought and sold on the stock exchange or otherwise at the market price.

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

Should existing shareholders' rights be waived in connection with a capital increase undertaken pursuant to an authorisation issued by the General Meeting of Shareholders, the reason for the waiver will be explained 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. Board members are also obliged to comply with the company's code of conduct. 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. The documentation shall contain the information necessary for the shareholder to take a position on all the matters to be addressed.

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 Board Chair will normally chair the AGM. In the event of any disagreement on individual agenda items where the Board Chair 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

The deadline for notification of attendance at the AGM shall be no more than five days before the date of the meeting. In matters relating to the preparation of, invitation to and staging of the company's AGM the company seeks to comply with the Norwegian Code of Practice for Corporate Governance. The 2013 AGM will take place on 5 June at the company's head office 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 for a term of two years. The remuneration payable to Nomination Committee members is also determined by the AGM. The 2012 AGM re-elected Endre Kolbjørnsen for a further 2-year term. In addition, Helge Moen was elected as the committee's chair.

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. 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. Sal-Mar's articles of association stipulate that the board of directors shall comprise five to nine members, to be elected

by the Annual General Meeting. The Board Chair 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. An overview of the individual director's competence and background may be obtained from the company website, www.salmar.no. SalMar's board of directors is composed such that it can act independently of any special interests.

Gustav Witzøe is SalMar's founder, as well as being a senior executive and a member of the board of SalMar ASA. This does not conform to the Norwegian Code of Practice for Corporate Governance's recommendations that senior employees should not sit on the board of directors. Nevertheless, it is the opinion of the board that 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. Gustav Witzøe is also the company's largest shareholder through his company Kverva AS, which owns 53.4 per cent of SalMar's shares. The Board Chair, Fjørn Flatgård, is also chair of Kverva AS, and is therefore deemed not to be independent. In matters of material importance in which the Board Chair is, or has been, actively engaged, another director is appointed to chair the board's deliberations.

The board's other members are deemed to be independent of senior management, material business associates and the company's main shareholders.

#### 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. The board determines the Group's overall objectives and strategy, including the composition of the Group's portfolio and the business strategies of the individual business areas. 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, 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 2012. The board meets as often as necessary to performits duties. In 2012 the board held 12 meetings. The attendance rate at board meetings was 93 per cent.

Pursuant to the provisions of the Public Limited Companies Act, SalMar has established 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. The Audit Committee held five meetings in 2012, at which the attendance rate was 100 per cent.

As at 31 December 2012 the Audit Committee comprises:

- Kjell Storeide
- Tove Nedreberg
- Alf Jostein Skjærvik

## 10. RISK MANAGEMENT AND INTERNAL CONTROL

SalMar's board of directors is responsible for ensuring that the company's risk management and 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. Within the internal control, specific targets are defined and annually evaluated by the management of SalMar.

The largest risk facing SalMar relates to the biological development within fish stocks and farming. The company has an internal control system including systematic planning, organizing, implementation and evaluation of the group's activities in accordance with regulations as well as internal ambitions for a continuous improvement. The group has established common goals for the internal control of work environment and HSE, fish escape, fish welfare, pollution, food safety and water resources. 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. 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 audit committee's monitoring. Non-conformances 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.

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 finan-cial and risk management systems. The most important risk factors for the company include financial risk associated with foreign exchange, 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 company's AGM sets the annual remuneration payable to members of the board of directors on the basis of a recommendation by the Nomination Committee. 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 25 to the financial statements.

Gustav Witzøe is both a director and a member of SalMar's group management. Gustav Witzøe receives the same compensation as the board's employee-elected members.

#### 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 each year. 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 a half year's salary), and a share option scheme in line with the board's authorisation.

The board's declaration, as well as further details relating to the salary and benefits payable to the CEO and other senior executives can be found in Note 25 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 Oslo Stock Exchange has issued a recommendation with respect to the reporting of information to investors on company websites. The recommendation came into effect on 1 January 2012, and SalMar seeks to abide by its terms. The company has adopted an "IR policy" which is available from its website.

The company holds presentations in association with the publication of its year-end and interim results. These presentations are open to all, and provide an overview of the Group's operational and financial performance in the previous quarter, as well as an overview of the general market outlook and company's own future prospects. The 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, and a complete set of financial statements, including an annual report, shall be made available at least three weeks before the AGM, and no later than the end of April each year. The company's quarterly results are published no more than 60 days after the close of the quarter concerned, in line with the Oslo Stock Exchange's regulations.

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 before 31 December each year.

#### 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.

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YNGVE MYHRE
President and CEO

Mr. Myhre joined SalMar ASA in June 2011. Mr. Myhre has extensive experience from the seafood industry. He was the CEO of Aker Seafoods ASA in the years 2001 to 2010. Mr. Myhre has previously been the CEO of the salmon farming company Nova Sea AS. He has also served as a member of the Board of Directors at Norway Royal Salmon AS and has hold a number of other similar roles in the Norwegian seafood industry. Mr. Myhre holds a Master of Science in Business from Bodø Graduate School of Business.

Holding as at 31.12.2012: Shares: 77.425 Options: 130.000

# **EXECUTIVE**MANAGEMENT



**ULRIK STEINVIK**Chief Financial Officer

Mr. Steinvik joined SalMar ASA in June 2006. Mr. Steinvik has extensive experience from both the accounting and seafood industry. He served with Arthur Andersen Norway and Ernst & Young AS from 1998 to 2006. Mr. Steinvik served as the Head of Finance and Accounting in SalMar ASA in the period from June 2006 until March 2012. From 1 March 2012 Steinvik was appointed new CFO in SalMar ASA. Mr. Steinvik holds the title as Norwegian state authorized public accountant. He graduated from the Norwegian School of Economics and Business Administration in 2002.

Holding as at 31.12.2012: Shares: 5.800 Options: 80.000



**BJØRN LARSEN** Manager farming

Mr.Larsen has held the position as head of SalMar's Farming division since 1997. Prior to his employment at SalMar ASA, Mr. Larsen held various positions in companies within the salmon farming industry, including Frøya Lakseslakteri og Fiskeoppdrett AS, Timar AS and Frøya Holding AS..

Holding as at 31.12.2012: Shares: 130.000 Options: 110.000



**EVA HAUGEN** Head of Quality Management

Eva Haugen has held the position as Head of Quality Management in 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 salmonid

Holding as at 31.12.2012: Shares: 800 Options: 30 000

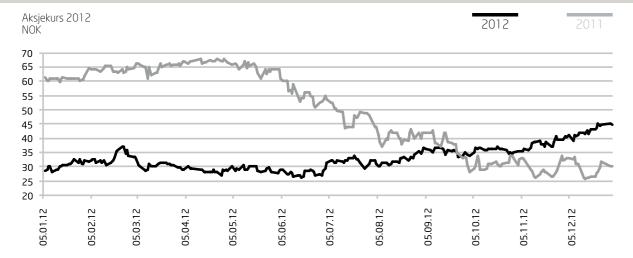


**GUSTAV WITZØE**Business development / Manager processing

Mr Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer 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 31.12.2012: 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

## SHAREHOLDER NFORMATIO



#### SHARE PRICE DEVELOPMENT

Share price per 01.01.2012 was NOK 30,00 thus valuing SalMar at NOK 3 090 million. At year end the share price was NOK 44,70 valuing SalMar at NOK 5 065 millioner.

#### TECHNICAL INFORMATION

At the start of the year SalMar ASA had 103 million shares outstanding, with each share having a face value of NOK 0.25. In March 2012 SalMar ASA raised NOK 309 million through a rights issue. The new share capital deriving from this rights issue was recorded in the Register of Business Enterprises on 6 March 2013, since then SalMar ASA's registered share capital has totalled NOK 28,324,999.75, distributed between 113,299,999 shares, with each share having a face value of NOK 0.25.

As at 31 December 2012 SalMar ASA had 113,299,999 shares outstanding, with each share having a face value of NOK 0.25. As at 31 December 2012 the company had approx. 1,900 shareholders.

The company's VPS number is ISIN NO 001-0310956

Account operator is Nordea Bank

The company's ticker on the Oslo Stock Exchange is SALM.

#### TOP 20 SHAREHOLDERS

Name	Shareholding. 31.12.12	Shareholding (%)
KVERVA AS	60 500 000	53,4 %
FOLKETRYGDFONDET	9 447 809	8,3 %
JPMORGAN CHASE BANK	6 746 025	6,0 %
PARETO AKSJE NORGE	5 687 669	5,0 %
ODIN NORGE	4 093 706	3,6 %
LIN AS	2 500 000	2,2 %
PARETO AKTIV	2 427 675	2,1 %
PARETO VERDI	1 303 819	1,2 %
SALMAR ASA	1 300 000	1,1 %
CENTRA INVEST AS	705 819	0,6 %
FORSVARETS PERSONELLSERVICE	695 000	0,6 %
VERDIPAPIRFONDET DNB NORGE (IV)	519 550	0,5 %
THE BANK OF NEW YORK MELLON	500 000	0,4 %
DNB LIVSFORSIKRING ASA	481 393	0,4 %
KAS DEPOSITARY TRUST COMPANY	446 059	0,4 %
STOREBRAND VERDI	441 799	0,4 %
KLP AKSJE NORGE INDEKS VPF	420 590	0,4 %
PARETO SICAV	417 876	0,4 %
MP PENSJON PK	374 031	0,3 %
KAS DEPOSITARY TRUST COMPANY	373 000	0,3 %
Total 20 largest shareholders	99 381 820	87,7 %
Total other shareholders	13 918 179	12,3 %
Total no. of shares	113 299 999	100,0 %

4th Quarter 2012 results • 28.02.2013

1st Quarter 2013 results • 29.05.2013

Annual General Meeting • 05.06.2013 2nd Quarter 2013 results • 28.08.2013

3rd Quarter 2013 results • 14.11.2013

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 2012 to the General Assembly.





## THE BOARD OF DIRECTORS



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 Norweaian 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 2,38 % of the shares in Kverva AS, which in turn owns 53,4%



GUSTAV WITZØE

Mr Witzøe is the co-founder of SalMar ASA. He holds a degree in engineering. After several years as an engineer 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.



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.



TOVE NEDREBERG
Director

Ms. Nedreberg holds the position as CEO of Adresseavisen Gruppen AS and Adresseavisen AS. She has extensive experience at executive level from positions in large corporations, including board positions. Nedreberg has served on the board of SalMar since 31.05.2012.

#### **SALMAR ASA 2012**

The SalMar Group generated gross operating revenues of NOK 4,205 million in 2012, 10 per cent more than in 2011. The Group also increased its harvested volume by 10 per cent, which rose from 93,000 tonnes in 2011 to around 103,000 tonnes in 2012.

At NOK 341 million, Operational EBIT in 2012 was lower than in 2011, largely as a result of lower salmon prices.

SalMar's results are closely aligned with movements in the price of salmon. Measured week by week the spot price of Atlantic salmon fluctuated between NOK 21.78 per kg and NOK 32.42 per kg. The average price in the second half, when SalMar harvests the bulk of its volumes, was NOK 25.86.

The board is pleased with the Group's performance through the year. After a number of challenging quarters, in which several of the Group's sites suffered outbreaks of disease, the two largest segments, SalMar Central Norway and SalMar Northern Norway, improved their operating margins in the second half of 2012. In 2012 InnovaMar harvested a record volume. Over 100,000 tonnes of own-produced and

externally sourced fish were harvested during the year. The Rauma segment, on the other hand, experienced a challenging year due to outbreaks of Pancreas Disease (PD). However, its results are expected to improve substantially in the time ahead. The strong growth in output volume in the industry as a whole resulted, moreover, in a challenging market situation for the Group's sales operations in 2012.

Following two years of double-digit growth in the global supply of Atlantic salmon (12 per cent in 2011 and 22 per cent in 2012), the expansion rate is expected to tail off in 2013. Preliminary forecasts indicate an overall growth in the market of 2 per cent, including a decline of approx. 3 per cent in Norway.

Looking ahead, SalMar expects demand to remain strong in the most important salmon markets, with a correspondingly good salmon price. The Group expects to harvest a total of 116,000 tonnes of salmon in 2013, an increase of 13 per cent over 2012.

The board is not proposing the payment of any dividend on the basis of the 2012 financial statements.





NINA UDNES TRONSTAD

Ms. Tronstad holds the position as senior vice president procurement at Kvaerner. Tronstad is a Chemical Engineer with extensive experience at executive level from positions in large corporations and as Board Member in listed companies. Ms. Tronstad has served on the board of SalMar since 31.05.2012.



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.



MONICHA SETERNES

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.

#### **BUSINESS AND STRATEGY**

SalMar ASA is a Norwegian public limited company, whose shares are quoted on the Oslo Stock Exchange under the ticker SALM.

The Group is one of the world's largest and most efficient producers of Atlantic salmon, and is vertically integrated through the entire value chain from broodfish, roe and smolt to harvesting, processing and sales. At the close of 2012 SalMar had a total of 81 licences for the production of Atlantic salmon in Norway: 58 in central Norway (Møre & Romsdal, Sør-Trøndelag and Nord-Trøndelag), and 23 in northern Norway (Troms and Finnmark), 10 of which were acquired in February 2012. In addition, the Group has a substantial harvesting and processing capacity at InnovaMar in Frøya and Vikenco in Aukra.

SalMar owns 50 per cent of Scottish Sea Farms Ltd (through Norskott Havbruk AS), the UK's second largest producer of farmed salmon, and controls 29.86 per cent of the listed Faeroe Islands aquaculture company P/F Bakkafrost.

SalMar is headquartered in Frøya, and the Group's registered address is 7266 Kverva.

#### STRATEGIC FOCUS AREAS

SalMar's board of directors has clearly defined the Group's strategic focus areas. The Group's vision is to be 'the most cost-effective producer of farmed salmon'. To achieve this the business must focus particularly on the following:

- Continuous development of the Group's corporate culture and operating model (the "SalMar Standard") in all parts of its operations. All group facilities will be operated in accord ance with the same principles and objectives, based on the same values.
- Increased biological control. This is a precondition for longterm success, and SalMar will focus continuously on improving its husbandry, with key focus areas being increased smolt survival rates, reduced levels of lice infestation and efforts to prevent the escape of fish.
- Increased output volume through improved exploitation of existing licences.
- Increased level of processing. This 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.
- Further development of capacity and competence with respect to sales and distribution.
- Self-sufficiency in high-quality smolt.
- Sustainable development of the aquaculture industry.

#### IMPORTANT EVENTS IN 2012

Change in borrowing terms. To strengthen the Group's financial flexibility SalMar reached agreement with its bankers in January 2012 on a temporary change in the borrowing terms for a loan that was entered into in 2011. The borrowing terms pegged to NIBD/EBITDA stipulated originally that net interest-bearing debt was not to exceed the 12-month rolling EBITDA by more than a factor of four. However, from the first quarter 2012 until the third quarter 2013 the Group has the flexibility to increase this to six times the 12-month rolling EBITDA in accordance with

specific quarterly limits. With effect from the fourth quarter 2013 the terms revert to their original level.

Harvesting and processing agreement with Lerøy.

Iln February 2012 SalMar entered into an industrial collaboration with the listed company Lerøy Seafood Group ASA (Lerøy). Under the terms of the agreement Lerøy will use SalMar's InnovaMar facility for the harvesting and processing of salmon from its fish farms in Møre and Trøndelag. The collaboration commenced immediately and led to substantially improved capacity utilisation at InnovaMar.

An extended collaboration between SalMar Nord AS (a wholly owned subsidiary of SalMar ASA) and Lerøy Aurora AS (a wholly owned subsidiary of Lerøy Seafood Group ASA) at Skjærvøy was also entered into. Under this agreement Lerøy Aurora started, with immediate effect, harvesting all SalMar Nord's salmon. The agreement is beneficial for SalMar since it reduces the distance salmon farmed in Troms have to be transported. This in turn reduces harvesting and well-boat costs, as well as improving the quality of the fish.

Acquisition of 10 licences in Feburary. In February SalMar reached agreement with Villa Arctic AS, a wholly owned subsidiary of Villa Organic AS, on the acquisition of 10 licences, a site in Laksefjord with associated operating assets, as well as 50 per cent of the biomass at this location. Agreements on joint operation of the site in Laksefjord were also entered into.

The overall purchase price came to NOK 167 million. It was agreed that the purchase price could be adjusted upward if the average NOS salmon price should exceed NOK 30.50 per kg in 2013.

The investment has substantially strengthened SalMar's position in northern Norway, increasing the segment's total MAB in northern Norway by as much as 77 per cent to 21,735 tonnes.

**Rights issue in March.** In March 2012 SalMar undertook a rights issue aimed at Norwegian and international investors. The emission raised a total of NOK 309 million in new equity. The price per share was NOK 30, and a total of 10,299,999 new shares were issued. The funds were raised partly to finance the abovementioned acquisition from Villa Arctic AS, as well as other potential acquisitions, and partly for day-to-day operations.

New PD regulations. New regulations to combat PD were adopted on 11 June 2012. From that date it was no longer compulsory to cull all fish stocks infected with the Pancreas Disease virus SAV2 at farms located south of the border with Nord-Trøndelag. The bulk of SalMar's fish stocks are located within this region. The establishment of the SAV2 virus in SalMar Central Norway's area of operation is leading to changes in

working methods, but at the time of writing it is too early to quantify its financial consequences. History has shown that the industry has succeeded in finding good solutions when new diseases have established a presence.

For SalMar the regulatory change means that the risk of particular PD-related costs being charged to expenses in future financial statements has been considerably reduced. Notwithstanding, SalMar continues to work just as hard to limit the spread of the disease.

#### EVENTS AFTER THE BALANCE SHEET DATE

In March 2013 SalMar reached agreement for the acquisition of the remaining 24.4 per cent of the shares in SalMar Rauma AS. The non-controlling interest was acquired for a total consideration of NOK 69.7 million. Following this move SalMar owns 100 per cent of the companies that undertake biological production in the Rauma segment.

In February 2013 SalMar signed a letter of intent with Codfarmers ASA for the acquisition of Atlantic Cod Farms AS and its subsidiaries (ACF), with the exception of Festøy Eiendom AS. The parties have agreed that ACF's assets and rights should be valued at NOK 40 million, and that ACF's liabilities should be deducted when setting the price of ACF's shares. The transaction will give SalMar access to seven sites, in the same region in which the Rauma segment has its operations, as well as equipment and other entitlements.

Finalisation of the transaction is conditional on, among other things, the outcome of due diligence on ACF, that the parties agree on a final share purchase agreement, and that the transaction is approved by the parties' boards and relevant regulatory authorities. It is uncertain if and when the transaction will be completed.

#### FINANCIAL PERFORMANCE

Income statement for the SalMar Group

The SalMar Group generated gross operating revenues of NOK 4,204.8 million in 2012 as a whole, an increase of NOK 371.3 million from 2011.

The Group harvested a total of 102,600 tonnes in 2012, an increase of just over 10 per cent from the 93,000 tonnes harvested in 2011 (excluding Norskott Havbruk). The amount harvested in 2012 was slightly less than previously indicated, since the company elected to push back some of the volume from the fourth quarter 2012 to the first quarter 2013 due to expectations of more favourable prices. Including SalMar's 50 per cent share of the output from Norskott Havbruk, the harvested volume for 2012 totalled 116,100 tonnes, up from 103,900 tonnes in 2011.

The average price of salmon (NOS spot) in 2012 came to NOK 26.20, compared with NOK 31.27 in 2011. Prices held relatively steady through the year, from NOK 24.12 in January to NOK 28.58 in May, only to fall back to NOK 23.97 in October and then pick up again to NOK 29.68 in December.

SalMar harvested 35 per cent of its annual volume in the third quarter, when prices were at their lowest, and 29 per cent in the fourth quarter.

Operational EBIT for the SalMar Group came to NOK 340.7 million for 2012 as a whole, compared with NOK 605.8 million in 2011. This is SalMar's most important measure of its performance under IFRS, since it shows the results of underlying operations during the period. Specific items not associated with underlying operations are presented on separate lines.

Fair value adjustments increased operating profit in 2012 by a total of NOK 290.4 million, while they decreased profit by NOK 368.1 million in 2011. Fair value adjustments comprise changes in the fair value of the biomass, including unrealised effects of forward currency contracts associated with future contract deliveries and Fish Pool contracts, as well as provisions for bad debts. Fair value adjustment of the biomass accounted for NOK 268.7 million in 2012. This is the result partly of an increase in salmon prices from January to December, and partly of an increase in SalMar's biomass (inventory) through the year.

Particular biological events resulted in NOK 54.6 million in expenses being charged to profit and loss. The expenses relate to three outbreaks of PD in the first and second quarters: one in SalMar Northern Norway and two in SalMar Central Norway, as well as costs related to a PD outbreak in 2011. The Group has recognised NOK 62.4 million in non-recurring income relating to a business takeover in Finnmark in 2012.

Income from investments in associates (P/F Bakkafrost, Norskott Havbruk og Nordskag Næringspark) totalled NOK 93.9 million.

Net financial items for the year came to NOK -124.3 million, compared with NOK -115.1 million in 2011. Financial income totalling NOK 50.2 million is primarily associated with unrealised gains on the Group's TRS contracts (treated as a financial derivative) with respect to P/F Bakkafrost. SalMar's interest expenses totalled NOK 150.2 million.

The tax expense for 2012 as a whole has been calculated at NOK 127.1 million, compared with NOK 13.1 million for 2011. This gives SalMar a net profit for the year of NOK 481.4 million for 2012 as a whole, compared with NOK 147.4 million in 2011.

#### Cash flow for the SalMar Group

SalMar generated a positive cash flow from operating activities of NOK 186.8 million in 2012, compared with NOK 294.9 million in 2011. The largest positive items of profit and loss with no effect on cash flow are fair value adjustments of NOK 290.4 million, SalMar's share of the profit from associates totalling NOK 93.9 million, as well as non-recurring income from a business takeover in Finnmark. The largest negative items of profit and loss with no effect on cash flow are depreciation of NOK 170.2 million, as well as a NOK 54.6 million write-down of the biomass deriving from particular

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biological events. During the period SalMar increased its working capital (change in trade receivables, inventory, trade payables, etc) by NOK 120.1 million. In 2012 SalMar paid NOK 80.7 million in tax.

Cash flow from investing activities was negative in the amount of NOK 399.7 million in 2012, compared with a negative cash flow of NOK 501.9 million in 2011. SalMar invested a total of NOK 276.4 million in operating equipment in 2012, the bulk of which in connection with biological production at facilities both on land and in the sea. This investment has been necessary to exploit the biomass's growth potential and comply with higher standards for equipment and technology. The acquisition of 10 licences with associated equipment and biomass is part of SalMar's strategy for growth in northern Norway. Consideration of NOK 145.7 million was paid for the acquisition. Dividend received from associates totalled NOK 28.4 million.

Cash flow from financing activities totalled NOK 221.3 million in 2012, up from NOK 147.7 million in 2011, NOK 303.4 million of this amount comprised the net receipt of equity from the Group's share issue in March. In addition, SalMar's long-term debt increased by NOK 37.3 million, while its overdraft rose by NOK 58.2 million. A total of NOK 150.2 million was paid in interest in 2012.

In all, this gave SalMar a net cash flow of NOK 8.4 million in 2012, The increase in the Group's assets during 2012 which increased the Group's holding of cash and cash equivalents to NOK 55.3 million at the close of the period.

At the close of the year SalMar had unused credit facilities totalling NOK 1,546.4 million, of which NOK 322.8 million is made up of revolving drawing rights intended for the financing of day-to-day operations. Other drawing rights are reserved for investments and strategic growth.

#### Balance sheet for the SalMar Group

As at 31 December 2012 SalMar's total balance sheet stood at NOK 7.626.8 million, an increase of NOK 1.310.4 million since the close of 2011.

The Group's intangible assets have risen by NOK 218.4 million, largely as a result of the acquisition of 10 licences in Finnmark. In all the Group had capitalised intangible assets worth NOK 2,135.5 million at the close of 2012.

Investments in property, plant and equipment, over and above depreciation, totalled NOK 142.4 million in 2012. The overall book value of property, plant and equipment came to NOK 1,268.8 million. Upgrading and investments in new technology will continue in the years ahead.

The Group's non-current financial assets totalled NOK 970.9 million at the close of 2012. The vast majority of this relates to investments in P/F Bakkafrost (NOK 630.2 million), and Norskott Havbruk (NOK 293.5 million).

The largest increase in the Group's capitalised assets is in current A total of 65,300 tonnes was harvested by SalMar assets, which rose by NOK 905.1 million from 2011 to 2012. Biological assets have increased both as a consequence of a larger volume of marine-phase biomass, as well as an adjustment in its fair value resulting from higher prices at the close of 2012 than expecting to benefit from more favourable prices

at the close of 2011. The credit period granted to customers has risen, which - combined with higher prices at the close of 2012 compared with 2011 – has resulted in a rise in trade receivables.

At the close of 2012 the company's equity stood at NOK 2,967.7 million, up from NOK 2,214.6 million at the close of 2011. Correspondingly, the equity ratio rose from 35.1 per cent to 38.9 per cent.

Net interest-bearing debt (interest-bearing debt less liquid assets) totalled NOK 2,764.4 million at the close of the year, up from NOK 2,656.1 million at the close of 2011. Next year's instalments on interest-bearing debt total NOK 193.0 million. Leasing liabilities totalled NOK 171.4 million at the close of 2012. The Group's main source of financing is with a consortium of Nordic banks and runs until the first half of 2016. The financing agreement covers both an overdraft facility for day-to-day operations and an acquisition framework. The overdraft has an upper limit of NOK 750 million. The unused portion of the other drawing facility stood at NOK 1,223.6 million at the close of 2012.

can be attributed to a NOK 753.1 million increase in equity, a NOK 115.9 million increase in interest-bearing debt, and a NOK 441.3 million increase in interest-free liabilities.

#### The reporting segments

With effect from the third quarter 2012 SalMar has changed the way it reports its business segments. Sales & Processing is now reported as a separate segment. Comparable figures for 2011 in the descriptions below have therefore been restated with respect to previous years.

#### Fish farming – SalMar Central Norway

SalMar Central Norway generated gross operating revenues of NOK 1,727.7 million in 2012, compared with NOK 1,854.5 million in 2011. Operational EBIT totalled NOK 202.6 million in 2012, compared with NOK 453.0 million in 2011.

Operating profit per kg gutted weight came to NOK 3.10 for the year as a whole, down from NOK 7.15 in 2011. The segment experienced challenges with respect to production of the 2010 generation, which has had a negative impact on results. The performance of the 2011 generation has been better, and contributed to an improvement in profits in the second half of 2012. The biological status at the close of the year

Central Norway in 2012, compared with 63,400 tonnes in 2011. SalMar pushed back the harvesting of some volumes from the fourth quarter 2012 to 2013

and ensure a steadier inflow of fish to InnovaMar. As a result of a change in the regulatory requirements, the segment was able to maintain a larger than normal volume of biomass in the sea at the close of the year to compensate for production losses earlier in 2012 resulting from the culling of PD-infected fish as ordered by the authorities.

SalMar expects to harvest around 71,000 tonnes in this segment in 2013, an increase of some 9 per cent from 2012.

#### Fish farming – SalMar Northern Norway

SalMar Northern Norway generated gross operating revenues of NOK 692.0 million in 2012, compared with NOK 544.0 million in 2011. Operational EBIT totalled NOK 83.3 million in 2012, compared with NOK 106.4 million in 2011.

Operating profit per kg gutted weight came to NOK 3.73 in 2012, down from NOK 5.68 in 2011. The operating profit in the first quarter was affected by a low average weight per fish harvested, which resulted in higher production costs and a lower sales price compared with other segments. SalMar Northern Norway's results improved in the second quarter, through some of the fish were affected by winter sores. In the second half, however, SalMar Northern Norway has achieved substantially better results, since the fish harvested came from high-performing sites.

A total of 22,400 tonnes was harvested by SalMar Northern Norway in 2012, up from 18,700 tonnes in 2011. The acquisition of licences from Villa Arctic AS in February 2012 increased the segment's MAB in this region by a substantial 77 per cent to 21,735 tonnes. Although full capacity utilisation is not expected until 2014, SalMar expects to harvest around 28,000 tonnes in this region in 2013, an increase of 25 per cent form 2012.

#### Fish farming – Rauma segment

The Rauma segment generated gross operating revenues of NOK 419.4 million in 2012, compared with NOK 342.2 million in 2011. Operational EBIT totalled NOK 0.8 million in 2012, compared with NOK 66.7 million in 2011.

Operating profit per kg gutted weight came to NOK 0.06 in 2012, down from NOK 6.13 in 2011. The fish harvested by the Rauma segment in 2012 were infected with PD. In addition, the segment destroyed broodfish due to operational challenges and were ordered to cull whole stocks of broodfish due to ISA. The PD-infected fish were all culled in the fourth quarter. The segment's results are therefore expected to improve strongly in the time ahead.

A total of 14,900 tonnes was harvested by the Rauma segment in 2012, an increase of 37 per cent from 2011. Around 17,000 tonnes is expected to be harvested in 2013, up a further 14 per cent.

#### Sales & Processing

The Sales & Processing segment sells the entire Group's volume of harvested fish, and generated gross operating revenues of NOK 4.231.3 million in 2012, up from NOK 3.947.6 million in 2011. Operational EBIT totalled NOK 55.0 million in 2012, compared with NOK 9.5 million in 2011.

The substantial growth in global supply, both in 2011 (12 per cent) and 2012 (22 per cent) has affected the sales business through 2012. However, the rate of expansion slowed down towards the end of the year, and the continued tailing off of global volume growth in 2013 is expected to have a positive effect on this part of the business. The contract volume was low throughout 2012, and had little impact on the margins in the segment.

InnovaMar performed well in 2012. A total of 100,200 tonnes of fish were harvested at InnovaMar in 2012, up from 78,200 tonnes in 2011. Externally sourced fish accounted for almost 34,300 tonnes of the overall volume. Efficiency at the plant has been high, maintaining the target rate of 110 fish per minute for almost the entire year. Processing activity has been rising, but there are still room for improvements in operational target figures.

#### Associates

#### Norskott Havbruk

Norskott Havbruk generated gross operating revenues of NOK 936.6 million in 2012, up from NOK 797.4 million in 2011. Operational EBIT totalled NOK 55.3 million in 2012, down from NOK 124.0 million in 2011. Operating profit per kg gutted weight totalled NOK 2.04 in 2012, down from NOK 5.67 in 2011. The company harvested 27,100 tonnes in 2012 as a whole, up from 21,900 tonnes the year before. Around 25,000 tonnes is expected to be harvested in 2013.

#### P/f Bakkafrost

P/F Bakkafrost made an Operational EBIT of DKK 323 million in 2012. SalMar owns 25.2 per cent of the company's shares, and has recognised NOK 70.6 million as its share of the company's profit. As announced on 27 March 2012, SalMar has also entered into TRS agreements for a further 4.66 per cent of the shares in P/F Bakkafrost. The TRS agreement is, for accounting purposes, treated as a financial derivative. NOK 50.0 million in unrealised gains have been recognised with respect to 2012.

The parent company's financial statements and allocation of the profit for the year

The parent company SalMar ASA made a net profit for the year of NOK 699.9 million (NOK 85.0 million). The board is proposing that no dividend be paid out for the 2012 financial year.

The board proposes the following allocation of the year's profit:

• Dividend provision NOK 0 million

• Transferred to other equity NOK699.9 million NOK 699.9 million

At the close of the year the company had distributable reserves of NOK 1.174.8 million.

#### GOING CONCERN

The financial statements for 2012 have been prepared on the assumption that the company is a going concern, as stipulated in Section 3.3a of the Norwegian Accounting Act. In the assessment of the board of directors, the Group's financial position and performance are sound. On this basis, and with further reference to financial forecasts for the years to come, the board hereby confirms that SalMar meets the criteria for consideration as a going concern.

#### 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. 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.

No dividend was paid for the 2011 financial year, nor is the board proposing payment of a dividend on the basis of the financial statements for 2012. This is because the Group has just emerged from a period of low salmon prices combined with challenges prompted by outbreaks of disease, and has not yet reached the end of the period in which its bank syndicate has agreed to ease its borrowing terms. Furthermore, the Group has invested in new licences and access to new locations in order to position itself for further growth.

#### 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.

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, including the Norwegian Food Safety Authority's absolute threshold for the initiation of remedial measures. SalMar has good control of lice numbers at its facilities. SalMar is convinced that salmon lice can be controlled and kept at

acceptable levels. 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 first in-house produced wrasse were released into the net pens in 2012. The level of salmon lice infestation at Norwegian fish farming operations has fallen steadily through both 2011 and 2012.

In general terms SalMar's uncompromising focus on biological quality 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.

SalMar experienced three serious incidents involving the escape of fish from its farms in 2011. These incidents were thoroughly investigated and measures implemented to limit their negative impact, secure the facilities against extreme weather conditions and ensure compliance with internal routines for escape prevention. In 2012 SalMar experienced two small incidents involving the escape of fish from its farms at Kattholmen and Kvitfloget. Just under 180 fish escaped in total. The incident at Kattholmen was caused by a floating log which tore a hole in the net pen during a storm. Remedial measures were immediately implemented.

At Kvitfloget the net pen collapsed when a well-boat failed to manoeuvre properly in the strong current. Here, too, measures were immediately implemented and the number of escaped fish was limited.

It is the CEO's responsibility to ensure that the Group operates in compliance with all relevant legislation and operating guidelines for group entities. 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 monitoring by the Audit Committee. Non-conformances 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 Notes 2 and 11 to the financial statements.

#### Interest rate risk

The borrowing 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 with the increased financial turmoil, it is a need for focusing more strongly on the follow up of trade receivables.

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 limits. The bulk of the Group's trade receivables is insured against bad debts.

#### Liauidity 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 Group's liquidity risk is considered to be low.

#### RESEARCH AND DEVELOPMENT

The Norwegian aquaculture industry has grown dramatically over the past 40 years. Around 100 tonnes of farmed salmon was produced in the early 1970s. By 2012 that figure had leapt to almost 1.2 million tonnes. This growth has been made possible by the industry's unfailing desire to improve and create new, more secure and more efficient ways of producing salmon. Research and development has been an essential part of that effort. The industry has depended on close cooperation with public authorities as well as other commercial, academic and research centres. In a short space of time this collaboration has transformed fish farming from a small niche activity on the shoreline into a modern aquaculture industry that employs thousands of people along the entire Norwegian coast. The aquaculture industry is still young, and a great deal of

R&D is required to lift the sector to new heights.

SalMar is Norway's third largest producer of farmed salmon, and the Group is an important contributor to the development of the industry. SalMar gives a high priority to the development of specialist knowledge and production skills within its business areas. Knowledge and 'best practices' are developed and disseminated to the entire organisation through the SalMar School. Management in each business area is responsible for identifying and initiating projects and initiatives that can help further develop the Group's competence and strengthen its technical and practical solutions, including those used in the new InnovaMar facility.

In 2012 SalMar continued existing and implemented a number of new development projects linked to biological production and secondary processing. The projects are a combination of in-house initiatives and projects undertaken in partnership with other fish farming companies, theresearch establishment Sintef, the veterinary institute and certain other competence communities.

SalMar has over 20 R&D projects underway, and is continuously initiating new ones. The projects relating to biological production focus on feed composition/ feeding strategies, various methods for combatting salmon lice, ways to get more out of the production licences and optimal use of equipment in bad weather, which in turn increases fish wellbeing and reduces the risk of escape.

Since the early 2000s the Group has operated a number of R&D licences in partnership with Sintef and VESO (a research centre for veterinary medicine), among others. The purpose of the collaboration with Sintef has been to develop better technologies for sustainable fish farming, while the collaboration with VESO aims to research measures to improve fish health, including the development of better vaccines.

In the area of processing SalMar is working continuously to increase the efficiency of work processes to ensure cost-effective operations and develop ever better products for its customers. Furthermore, SalMar is very conscious of its environmental responsibility, and works constantly to protect the environment by, among other things, reducing the amount of packaging used and need for transport.

SalMar devotes considerable resources to stay at the forefront in the development of 'best practices' and new, environment-friendly solutions throughout the value chain.

#### **ORGANISATION**

SalMar employed a total of 822.5 full-time equivalents in 2012. This is an increase of 206.5 full-time equivalents compared with 2011, around half of which can be attributed to the inclusion of Vikenco.

The Group strives for equality at the various levels of the organisation on the assumption that a relatively even gender balance and ethnic diversity contributes to a better working environment, greater adaptability and stronger results in the long run.

Women made up 23.8 per cent of the workforce in 2012. SalMar's group management team comprises five people, of whom one is a woman. The proportion of women is considerably higher at the Group's harvesting and processing plants (InnovaMar and Vikenco) than at its fish farms and hatcheries.

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 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.

#### SALMAR CULTURE

SalMar's corporate culture is constantly evolving, and builds on the success factors that have been cultivated within the company since its inception in 1991. Although the company's culture is affected by both external and internal framework conditions, it remains firmly anchored in a few overarching principles, in particular a strong focus on good husbandry, operational efficiency and safe food production.

Having a shared culture and a shared set of values is vital if the company is to be a leading player in the aquaculture industry. Biological production is a continuous process, so if quality is not maintained in all its various phases the consequences can be serious, both in the short and long term.

Overarching all business operations and actions at SalMar is the Group's vision: to be the most cost-effective producer of farmed salmon. This vision and ambition demand a winning mentality throughout the organisation. Underpinning the development of the company's corporate culture and guiding the actions of staff in all areas of the production process, are a set of SalMar Standards that have been drawn up for each department within the Group.

A set of tenets have also been created to describe desired behaviours and foster a shared awareness among all employees of how they should act. It is the employees who embody and develop the SalMar culture as it stands at any given time. Their positive attitudes and spirit have always made a substantial contribution to SalMar's success. The SalMar School and daily exposure to the Group's performance-oriented corporate culture provides all members of the workforce with constant stimulation and opportunities ards, such as GlobalGap, for several years. The business to develop themselves.

SalMar is working continuously to further develop the SalMar School, and to ensure the various divisions can share information and learn from each other. In 2012, for example, an internal newspaper was established, to which all members of group management have a responsibility to contribute updates on trends and developments within their respective areas.

Systematic efforts are being made to recruit qualified personnel at all levels in the organisation. The company places great emphasis on providing every employee with a good working environment, a meaningful job content, and fair and competitive terms and conditions. The workforce at the Frøya plant is made up of people from some 16 different countries. As a result, ensuring that all employees understand the SalMar culture and perform their dayto-day duties correctly places additional demands on management. To facilitate communication on all sides, SalMar arranges Norwegian language tuition for its foreign workers.

SalMar invested heavily in management development in 2012. Focus on this area will continue unabated in the time to come. Since 2009 the Group has worked closely with Ledelse på norsk (LPN), a firm of Norwegian management consultants. The objective of this collaboration has been to develop better working practices and results, as well as provide staff training and development. In 2012 several SalMar employees underwent training as in-house LPN consultants. Armed with their new LPN competence, these individuals have now been given particular responsibility for assisting line management with process improvements.

#### HEALTH. SAFETY AND ENVIRONMENT (HSE)

Consideration for health, safety and the environment is one of SalMar's core values. The Group works continuously to prevent incidents which could harm staff, tangible and intangible assets, or the external environment.

Overarching targets, covering both HSE issues and sustainability as a whole, have been drawn up in connection with activities and action plans. Some targets encompass the entire Group, and form the starting point for the development of individual sub-goals by each specific division.

2012 saw the introduction of SalMar Standard inspections focusing particularly on HSE issues, in addition to traditional health and safety inspections. Registered nonconformances were – and are – followed up carefully at all levels, with key figures and non-conformance trends being monitored and dealt with at management meetings. Training is provided to meet individual needs.

Strenuous efforts were also made in 2012 to embed day-to-day HSE practices throughout the organisation, and verify the quality of various work processes in the Group's systematic review of its HSE performance. SalMar has been certified in accordance with HSE-related standalso makes active use of external partners with respect to identification and training. Although SalMar's working environment is considered good, the Group works systematically to implement further improvement measures.

That SalMar's employees are in good health and work in safe and healthy surroundings is a competi-tive 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 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

The overall sickness absence rate in 2012 was 4.74 per cent. down from 5.46 per cent in 2011. Short-term sickness absence came to 2.20 per cent, compared with 2.08 per cent in 2011, while long-term sickness absence totalled 2.54 per cent, a considerable drop from the 3.38 per cent of the year before. 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 15 lost-time injuries were recorded during the year, compared with 17 recorded injuries in 2011.

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 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 that are not suitable for consumption 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.

#### SHARES AND SHAREHOLDERS

SalMar's shares traded at prices ranging from NOK 45.00 to NOK 26.20 in 2012. The final closing price before the end of 2012 was NOK 44.70 per share on 28 December 2012.

In March 2012 SalMar undertook a rights issue which raised NOK 309 million in new equity. The subscription price per share was NOK 30, and a total of 10,299,999 new shares were issued. The total number of shares outstanding after the issue was 113,299,999.

The Annual General Meeting of 31 May 2012 granted the board two authorisations to increase the company's share capital. Both authorisations were extensions of authorisations granted at the 2011 AGM, and since they have different objectives they were treated separately, as required by the Code of Practice on Corporate Governance.

The first authorisation enables the board to increase the company's share capital by up to NOK 2,829,650 though the issue of up to 11,318,600 shares in order to finance investments and the acquisition of businesses through cash issues and contributions in kind.

The second authorisation enables the board to increase the company's share capital by up to NOK 500,000 by issuing a maximum of 2,000,000 new shares to honour option schemes for senior management.

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 authorisations.

The AGM also authorised the board of directors to acquire the company's own (treasury) shares in an amount such that the total holding of treasury shares does not at any time exceed 10 per cent of the outstanding 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.

All authorisations granted to the board remain valid until the 2013 AGM, which will be held on 5 June.

SalMar ASA has one main shareholder, Kverva AS, which owns 53.40 per cent of the company's shares. Kverva AS is controlled by SalMar's founder Gustav Witzøe, who is also a member of the board of directors and of group management in his capacity as business development/ processing manager.

The company's 20 largest shareholders own a total of 87.72 per cent of the shares. As at 31 December 2012 SalMar ASA was the ninth largest shareholder with a holding of 1.3 million shares or 1.15 per cent. SalMar acquired no treasury shares in 2012.

The articles of association contain no stipulations limiting the transferability of the company's shares. Furthermore, the company is not aware of any agreements between shareholders that limit the possibility of trading in or exercising voting rights with respect to shares.

#### CORPORATE GOVERNANCE

SalMar has carried out a thorough review of its principles for corporate governance. The Group complies with the legislation, regulations and recommendations to which a public limited company is subject, including Section 3-3b of the Norwegian Accounting Act on corporate governance, day-to-day obligations of a company listed on the Oslo Stock exchange and the current version of the Norwegian Code of Practice for Corporate Governance. These principles are discussed in detail in a separate chapter of the annual report.

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

#### CHANGES IN BOARD MEMBERSHIP

At the Group's AGM on 31 May 2012 Kjell Storeide was



re-elected as a board member for a period of two years, while Nina Udnes Tronstad and Tove Nedreberg were elected to the board for a period of two years in place of Synnøve Ervik and Randi Reinertsen. Information relating to the competence and background of the various board members is available from SalMar's website www.salmar.no.

At the same AGM Endre Kolbjørnsen was re-elected to the Nomination Committee, while Helge Moen was elected as the committee's new chair. Both were elected for a period of two years.

#### 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's tenet 'We care' contributes to increased awareness, both within the company and externally in the locations in which the Group operates.

SalMar wishes to help all its employees, their families and local communities to benefit from the Group's presence and financial success. SalMar therefore contributes financial and organisational resources in the 18 local authority areas in which it has a presence in Norway.

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.

#### MARKETS

Following a 12 per cent increase from 2010 to 2011, the global supply of Atlantic salmon continued to grow in 2012. Almost 2 million tonnes were harvested in 2012, a 22 per cent rise compared with 2011. In Norway and Chile, which contribute respectively 60 per cent and 18 per cent of the global supply, output rose by 177,500 tonnes (up 18 per cent) and 143,000 tonnes (up 65 per cent). In addition to these markets, there was particularly strong growth in salmon production in the Faeroes, where 70,100 tonnes were harvested in 2012. This was 25 per cent higher than in 2011 and a substantial 68 per cent up on 2010.

Exports of Norwegian Atlantic salmon totalled approx. 1,136,900 tonnes round weight in 2012, a rise of 18 per cent from 2011. However, the monetary value of these exports rose by just 2 per cent, with salmon worth NOK 29.6 billion being exported from Norway in 2012.

Despite the economic downturn in many countries around the world, demand for and consumption of Norwegian salmon rose in several of the most important markets. Norway exports 66 per cent of its volume to the EU, where overall volume grew by 17 per cent. France and Poland, which are the two largest markets, increased by 12 per cent and 33 per cent respectively. Volume growth in Russia totalled 26 per cent, while exports to the USA fell by 16 per cent (down 27 per cent in 2011) due to higher volumes coming from Chile. Exports to China/Hong Kong/Vietnam rose by 13 per cent.

The price of Atlantic salmon changed less dramatically in 2012 than in 2011. In January the price of salmon (NOS spot) averaged NOK 24.12. The price rose to NOK 28.58 in May, fell back to NOK 23.97 in October and picked up again to NOK 29.68 in December. The average price for 2012 as a whole was NOK 26.20, compared with NOK 31.27 in 2011.

The Norwegian krone (NOK) strengthened by 4.1 per cent against the EUR in 2012, which put pressure on the price of salmon measured in NOK. Although the NOK weakened by 3.8 per cent against the USD, and by 2.6 per cent against the GBP, these markets account for a relatively small proportion of total Norwegian exports.

SalMar sold directly to over 40 different countries in 2012. As in 2011 Europe was SalMar's most important market, with Poland, France and Sweden as the largest consumer nations. The second largest market was Asia, with Japan, Vietnam and Singapore as major individual consumers, while China remains challenging. Russia, which was Sal-Mar's third largest market, imported by itself around 5 per

cent of SalMar's 2012 volumes. The fourth largest market was North America, with the USA as the largest individual consumer nation

At the close of the year Norwegian fish farms held 689,400 tonnes round weight of live fish stocks (biomass). This is around 20,500 tonnes or 3 per cent higher than at the close of 2011.

As at 31 December 2012 Chile's overall biomass was 35 per cent higher than 12 months before, while the UK's total biomass was 15 per cent lower than the year before.

Preliminary forecasts (Kontali) indicate a growth rate of just 2 per cent in 2013, with output falling in Norway by 3 per cent, and by 12 per cent in the UK and North America. Output in Chile, on the other hand, is expected to rise by a further 31 per cent.

#### 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 its strong competitive position and financial strength the SalMar Group aims to retain its position as one of the world's leading aquaculture companies, with further growth and improved profitability in 2013. The board is of the opinion that this is something SalMar is well positioned to achieve.

Although considerable uncertainty attaches to an assessment of future circumstances, both on the market and production sides, the board considers the Group's outlook to be extremely bright.

The acquisition of 10 new licences in Finnmark and the company's systematic efforts to exploit its existing licences even more effectively will help ensure that SalMar's fish farming business continues to grow in 2013. In all, SalMar expects to harvest some 116,000 tonnes of salmon in 2013, an increase of 13 per cent from the 102,600 tonnes harvested in 2012. 9 per cent of this increase will come in SalMar Central Norway, 25 per cent in SalMar Northern Norway and 14 per cent in the Rauma segment. To this must be added SalMar's share of the volume harvested by Norskott Havbruk, which is expected to total some 12,500 tonnes in 2013.

The Group expects to harvest around 35 per cent of its overall volume in the first half of the year, while the remaining 65 per cent will be harvested in the second half. Because sea temperatures in recent months have been lower than in previous years the board expects only limited fish growth in the first half of the year.

SalMar is working continuously to implement measures that will improve the company's biological performance and derive higher margins from harvesting, processing and sales. SalMar has a higher survival rate for fish transferred to the sea in 2011 and 2012. This is expected to have a positive impact on margins in 2013.

Costs are expected to be higher in the first six months of 2013 than in the second half. This is partly related to lower volumes and a higher share of fixed costs. A large proportion of the fish harvested by SalMar Northern Norway in the first half-year will come from newly acquired licences in Finnmark. This biomass is expected to have a higher cost than the segment achieved on average in the second half of 2012.

Feed is the most important cost factor in salmon farming, accounting for 45-50 per cent of overall expenses. Feed prices rose in 2012, and there are so far no indications that feed prices will decrease in 2013.

Based on operational improvement projects and stronger generations of fish, the Group expects production costs per kg to fall in 2013. This will help ensure that SalMar will continue to deliver market-leading margins in the future, as well.

SalMar expects to invest around NOK 250 million in new equipment in 2013, the bulk of which in connection with biological production.

The SalMar culture permeates the entire business, making the continuous development of the SalMar School an important focus area for the Group. The board would like to thank all the company's employees for their dedicated efforts, on which the SalMar Group's long-term success is based.

Frøya, 4 April 2013

Bjørn Flatgård

Town Nedreborg

Tove Nedreberg Director Gustav Witzøe

Alf Jostein Skjærvik
Director/Employee representative

Jina Udnes Tronstad

Director

Arnt Mjønes
Deputy director/
Employee representative

yll A Lovida Kjell A. Storeide

Yngve Myhre
President & CEO

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### CONSOLIDATED INCOME STATEMENT NOK 1000

OPERATING REVENUES AND OPERATING EXPENS	es note	2012	2011
Sales revenues	24	4 180 414	3 800 204
Other operating revenues		24 377	33 299
Total operating revenues		4 204 791	3 833 502
Change in stocks of goods in progress			
and finished goods (cost principle)		-390 297	-395 900
Excess value of inventory from acquisitions		0	20 259
Cost of goods sold		2 715 056	2 373 168
Payroll costs	20,25	483 215	391 745
Depreciation	4,5	169 621	132 000
Write-downs of PP&E and intangible assets	5	547	543
Other operating expenses	5,12,22,25, 26	885 983	705 891
Total operating expenses		3 864 125	3 227 705
Operational EBIT		340 666	605 798
Fair value adjustments	14	290 417	-368 098
Non-recurring gains on acquisitions	7	62 390	0
Particular biological events	15	-54 614	-60 070
Operating profit		638 859	177 630
Income from investments in associates	8	93 909	97 999
Interest income		2 956	5 276
Financial income	8,28	50 177	2 774
Interest expenses	18	150 224	98 791
Financial expenses	28	27 173	24 410
Net financial items		-124 264	-115 151
Profit before tax		608 504	160 478
Tax	19	127 062	13 106
Net profit for the year		481 442	147 372
OTHER COMPREHENSIVE INCOME			
Translation differences and comprehensive income items in	associates	-42 044	-1519
Translation differences in subsidiaries		-719	398
Total comprehensive income for the year		438 679	146 251
Controlling interact's chara of not profit for the year		14072	2 5 1 7
Controlling interest's share of net profit for the year		14 072 467 370	2517
Non-controlling interests' share of net profit for the year		40/ 5/0	144 855
Controlling interest's share of total comprehensive income		14 072	2517
Non-controlling interests' share of total comprehensive inco	ome	424 607	143 734
Earnings per share/diluted earnings per share	29	4,20	1,41

### CONSOLIDATED BALANCE SHEET 31 DECEMBER NOK 1000

ASSETS	NOTE	2012	2011
NON-CURRENT ASSETS			
INTANGIBLE ASSETS			
Licences, patents, etc	4,21	1 702 152	1 483 752
Goodwill	4	433 348	433 348
Total intangible assets		2 135 500	1 917 100
PROPERTY, PLANT & EQUIPMENT			
Land, buildings & other real property	5,21	233 732	206 409
Plant, equipment & operating consumables	5,21	947 824	845 581
Vessels, vehicles, etc	5,21	87 247	74 455
Total property, plant & equipment		1 268 803	1 126 445
NON-CURRENT FINANCIAL ASSETS		0.40.575	010000
Investments in associates	6,8,21	948 575	918 868
Investments in shares & securities	9,10	15 760	762
Pension assets	9,12	2 492	2 023
Other receivables	9,12	4 029	4 609
Total non-current financial assets		970 856	926 262
Total non-current assets		4 375 159	3 969 807
CURRENT ASSETS			
Biological assets	13,21	1 986 213	1 420 788
Other inventory	13,21	303 682	227 935
Total inventory		2 289 895	1 648 724
RECEIVABLES			
Trade receivables	9,12,21	660 944	505 280
Other receivables	9,11,12	245 501	144 993
Total receivables	5,11,16	906 445	650 273
Total receivables		500 445	030 273
Bank deposits, cash & cash equivalents	9,16,18	55 336	47 621
Total current assets		3 251 676	2 346 618
TOTAL ASSETS		7 626 835	6 316 425

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### CONSOLIDATED BALANCE SHEET 31 DECEMBER NOK 1000

EQUITY AND LIABILITIES	NOTE	2012	2011
EQUITY			
PAID-IN EQUITY			
Share capital	17	28 325	25 750
Treasury shares		-325	-325
Share premium fund		415 286	112 880
Other paid-in equity		49 957	38 337
Total paid-in equity		493 243	176 642
Retained earnings		2 338 170	1 915 741
Total retained earnings		2 338 170	1 915 741
Non-controlling interests		136 300	122 228
Total equity		2 967 713	2 214 610
LIABILITIES			
OTHER NON-CURRENT LIABILITIES			
Pension liabilities	20	528	1 213
Deferred tax liabilities	19	872 398	738 475
Debt to credit institutions	9,18	2 098 240	2 028 537
Leasing liabilities and other non-current liabilities	5,9,18	125 188	173 460
Total other non-current liabilities		3 096 354	2 941 685
CURRENT LIABILITIES			
Debt to credit institutions	9,18	596 288	501 754
Trade payables	9	762 765	412 802
Tax payable	19	7 008	66 399
Public charges payable	9	43 192	52 980
Other current liabilities	7,9,10,11, 23	153 515	126 195
Total current liabilities	, ,5,1.0,1.1,25	1 562 768	1 160 130
Total liabilities		4 659 122	4 101 815
TOTAL EQUITY AND LIABILITIES		7 626 835	6 316 425

Frøya, 4. april 2013

Bjørn Flatgård Chair

Director

Gustav Witzøe

Director

Alf Josten Skjærvik
Director/Employee representative

Nina Udnes Tronstad

Director

Arth Mignes

Arnt Mignes

Deputy director/

Employee representative

Kjell A. Storeide
Director

Yngve Myhre
President & CEO

### CONSOLIDATED STATEMENT OF CASH FLOW

#### NOK 1000

CASH FLOW FROM OPERATING ACTIVITIES: NOTE	2012	2011
Profit before tax	608 504	160 478
Tax paid in the period 19	-80 739	-146 817
Non-recurring gains from acquisition 7	-62 390	0
Depreciation and write-downs 4, 5	170 168	132 543
Options charged to expenses 25	2 840	10317
Share of profit/loss from associates 8	-93 909	-97 999
Gains/lossses on sale of non-current assets 5	-1 728	-450
Fair value adjustments 14	-290 418	368 098
Write-down of biomass resulting from particular biological events 15	54 614	60 070
Change in inventory/biological assets	-410 485	-269 515
Change in trade receivables	-152 664	-91 459
Change in trade payables	349 963	-29 288
Change in other time-limited items	93 038	198 893
Net cash flow from operating activities	186 794	294 871
CASH SLOW SPOM IN USSTING ASTIVITIES		
CASH FLOW FROM INVESTING ACTIVITIES:	1 705	2.462
Receipts from sale of property, plant & equipment 5	1 785	3 463
Payments for purchase of property, plant & equipment and intangible assets 4, 5		-407 351
Payments for acquisition of businesses, net after cash holdings acquired 7	-145 703	-184 352
Dividend from associates 8	28 399	74 937
Net receipts/payments from change in non-current financial assets	-7 704	11 426
Net cash flow from investing activities	-399 664	-501 877
CASH FLOW FROM FINANCING ACTIVITIES:		
New long-term borrowings 18	234 565	478 942
Repayment of long-term borrowings 18	-197 259	-150 277
Net change in overdraft 18	58 236	346 161
Interest received	2 956	5 276
Interest paid 18	-150 224	-98 791
Financing expenses 18	-27 174	-8 675
Payments for redemption of options	-291	-19 146
Sale of treasury shares	0	3 900
Dividend paid	-2 940	-409 740
Net receipts of equity	303 417	0
Net cash flow from financing activities	221 286	147 650
Net change in bank deposits, cash & cash equivalents	8416	-59 357
Foreign exchange effects	-699	-82
Bank deposits, cash & cash equivalents held as at 1 Jan	47 621	107 062
Bank deposits, cash & cash equivalents held as at 31 Dec	55 336	47 621
Unused drawing rights 18	1 546 406	1 967 166

Of the NOK 1,546.4 million in unused drawing rights as at 31 December 2012, NOK 322.8 million relates to credit facilities used to fund day-to-day operations. The remaining unused drawing rights are reserved for investment purposes.



## EQUITY NOK 1000

	25 750	-350	112 880	25 685	416	2186 975		
					410	21003/5	118 011	2 469 367
						144 855	2517	147 372
_								
6						1 544		1 544
_								
6						-3 063		-3 063
								398
					398			-1 121
e year					398	143 337	2 517	146 251
RS								
21				12 653				12 653
21		25				-3 027		-3 002
21						-2 606		-2 606
						-409 740		-409 740
							1 700	1 700
						-12		-12
rs	0	25	0	12 653	0	-415 385	1 700	-401 007
	25 750	-325	112 880	38 338	814	1 914 927	122 228	2 214 610
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				Share premium	Other paid-in	Translation	Retained	Non-con- trolling	Total
2012	NOTE	capital	shares	fund	equity	reserve	earnings	interests	equity
Equity as at 1 Jan 2012		25 750	-325	112 880	38 338	814	1 914 927	122 228	2 214 610
Net profit for the year							467 370	14 072	481 442
COMPREHENSIVE INCOME									
Translation differences									
in associates	6						-40 197		-40 197
Equity transactions									
in associates	6						-1 847		-1 847
Translation differences									
in subsidiaries						-719	0		-719
Other comprehensive income						-719	-42 044	0	-42 763
Total comprehensive income fo	r the year	<u> </u>				-719	425 326	14 072	438 679
TRANSACTIONS WITH SHAREHO	LDERS								
Net share issue		2 575		302 406					304 981
Options granted	21				11619				11619
Dividend for 2011							-2 940		-2 940
Other equity transactions							765		765
Total transactions with shareho	olders	2 575	0	302 406	11 619	0	-2 175	0	314 425
Equity as at 31 Dec 2012		28 325	-325	415 286	49 957	93	2 338 076	136 300	2 967 713



#### NOTE 1 ACCOUNTING PRINCIPLES

#### General

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 4 April 2013.

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 the periods presented unless otherwise indicated by the description concerned.

#### Principles underlying the financial statements

The consolidated financial statements have been drawn up in accordance with IFRS and interpretations determined by the International Accounting Standards Board that have been approved by the EU.

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

- Biological assets (Note 13)
- Derivatives (Note 11)

#### New and amended standards applied by the Group

No new or amended IFRSs or IFRIC interpretations have come into force with respect to the 2012 year-end financial statements that are deemed to have or expected to have any material impact on the Group.

## Standards, amendments to and interpretations of existing standards that have not come into force and that the Group has elected not to implement ahead of time

#### The impact of these changes is expected to be:

- IAS 1 Presentation of Financial Statements has been amended. The amendment means that items recognised in comprehensive income are divided into two groups: those that are subsequently reclassified in profit and loss, and those that are not. The amendment does not affect which items are recognised in comprehensive income.
- IAS 19 Employee Benefits was amended in June 2011. The amendment means 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 accounting for financial assets. The standard continues the classification rules for financial liabilities, but changes the presentation of adjustments in value associated with own credit risk for liabilities that are voluntarily classified at fair value in profit and loss. The standard is compulsory with effect from 1 January 2015.
- IFRS 10 Consolidated Financial Statements is based on current crease or decrease in future tax payable when these

principles for applying the matter of control as the decisive criteria for determining if 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 standard is compulsory with effect from 1 January 2014.

- IFRS 12 Disclosure of Interest in Other Entities contains new disclosure requirements with respect to financial interests in subsidiaries, jointly controlled entities, 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 later.
- IFRS 13 Fair Value Measurement defines what is meant by 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 all the consequences of IFRS 13.

#### Consolidation principles

The consolidated financial statements include SalMar ASA and those subsidiaries over which SalMar ASA has the power to govern the entity's financial and operational strategy, normally where ownership, directly or indirectly, exceeds 50 per cent of the voting capital. Newly acquired subsidiaries are included from the date on which a controlling interest is secured, and divested subsidiaries are included up until the date of on which control is ceded. 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 in accordance with the acquisition method. This means that the acquired company's assets and liabilities are reported at fair value on the date of acquisition, with any excess value being classified as goodwill. IAS 27 and IFRS 3 build largely on the entity perspective in connection with acquisitions where control is established. The exception is goodwill, where for each acquisition it is optional whether to recognise only the controlling owner's share or 100 per cent. For acquisitions undertaken by the Group to date, only SalMar's share of goodwill is included in the balance sheet. With respect to future acquisitions, the allocation of goodwill will be assessed on an individual basis. In those cases where the fair value of the acguired assets exceeds the amount paid, the difference is treated as income in profit and loss. Deferred tax is capitalised to the extent to which identifiable excess values ascribed to assets and liabilities lead to an indifferences are reversed in future periods. Deferred tax is capitalised and calculated using a nominal, undiscounted tax rate.

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

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

Investments in companies in which the Group has a considerable but not controlling interest (associates) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist when the Group owns 20-50 per cent of the voting capital. The Group's share of the profits in such companies is based on their profit after tax, less internal gains and depreciation on excess value due to the cost price of the shares being higher than the acquired portion of book equity. In the income statement the profit share is shown on a separate line after operating profit/loss, while the assets are shown in the balance sheet under non-current financial assets. The accounting principles used by associates have been changed where necessary to achieve consistency with the principles used by the Group as a whole.

#### The SalMar ASA Group

See Note 6 for information on the consolidated companies.

#### **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 profit for the year. The share of equity attributable to non-controlling interests is presented on a separate line under group equity.

Transactions with non-controlling interests in subsidiaries are recognised as equity transactions. In connection with the purchase of shares from non-controlling interests, the difference between the consideration paid and the shares' relative share of the book value 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 is 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, jointly controlled entity or financial asset. Amounts which were previously recognised in comprehensive income relating to this company are treated as if the Group had divested the underlying assets and liabilities. This may mean that amounts which have previously been recognised in comprehensive income are reclassified to profit and loss.

#### Important accounting estimates and evaluations

Preparation of the financial accounts in accordance with IFRS requires that management make evaluations, estimates and assumptions that affect the application of accounting principles and

the book value of assets and liabilities in the balance sheet, as well as figures for revenue and expenses for the financial year. Estimates and their underlying assumptions are based on historical experience and other factors deemed relevant and probable at the time the evaluations are made. These evaluations affect the book value of the assets and liabilities where the valuation is not based on other sources. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period in which the changes occur.

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

#### Fair value adjustment of the biomass

In accordance with IAS 41 the Group measures live fish at fair value. The difference between the fair value of the biological assets at the start of the period and at its close is recognised as a positive or negative adjustment. 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 EBIT.

Other biological assets (roe and smolt) are valued at cost price, since little biological transformation has occurred.

A sensitivity analysis of the price of Atlantic salmon as at 31 December 2012 shows the following effect on the Group's operating profit (NOK 1,000):

Price change + NOK 1 per kg + NOK 43,458 Price change - NOK 1 per kg - NOK 43,458

See Note 13 Inventory and biological assets for further details

#### Goodwill and intanaible assets

The book value of goodwill and intangible assets with an indeterminate lifespan is tested for impairment at least once a year, and more frequently if there are indications that a write-down may be necessary. This requires an estimate of the utility value of the cash-flow generating entity to which goodwill and intangible assets can be ascribed. To determine the utility value the Group must estimate the expected future cash flows from the cash-flow generating entity and, moreover, select a suitable discount rate with which to calculate the present value of these cash flows. Expectations regarding future cash flows will vary over time. Changes in market conditions and expected cash flows may result in future write-downs. The most important

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assumptions with an impact on the present value of cash flows associated with investments are the applicable discount rate, the estimated price of salmon in the Group's markets, production costs, production volume of Atlantic Salmon and that there will continue to be a market for salmon in the geographical areas in which it operates.

See Note 4 Intangible assets for further details.

#### Fair value at acquisition

In connection with an acquisition the cost price of the acquired entity must be allocated such that the opening balance in the Group's accounts reflects the estimated fair value of the acquired assets and liabilities. To determine the fair value at acquisition alternative methods are used to determine the fair value of assets for which there is no active market. Value in excess of that which can be attributed to identifiable assets and liabilities is recognised in the balance sheet as goodwill. If the fair value of equity in the acquired entity exceeds the consideration paid, the excess is immediately recognised as income. The allocation of cost price in connection with business combinations changes if new information is obtained with respect to the fair value on the date of takeover and assumption of control, no later than 12 months after the acquisition took place.

See Note 7 Business combinations for further details.

#### Leasing agreements

The Group classifies leasing agreements in accordance with IAS 17. Operating assets which are leased on terms which transfer the bulk of the financial risk and control to the company (financial leasing) are recognised 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 Group's most important leasing agreement is that with Nordskag Næringspark for the InnovaMar fish landing facility (see Note 22). Important factors relating to an assessment of those elements in the agreement of significance to its classification for accounting purposes are the present value of the minimum rent payable, including the discount rate applied, as well as various stipulations in the leasing agreement concerning the extent to which the bulk of risk and benefits associated with ownership lie with the lessor or the lessee.

#### Revenues

Revenues from the sale of goods are taken to income when both risk and control have been largely transferred to the customer. This will normally occur at the moment of delivery. Revenue is recognised at the value of the consideration when the transaction takes place. Operating revenues are recognised less public charges, discounts, bonuses and other sales costs. The timing of the transfer of risk to the customer depends on the delivery terms stipulated in the sales contract. Delivery terms vary from country to country and from customer to customer.

Dividend is taken to income when the shareholders' right to receive a dividend has been approved by the annual general meeting.

#### **Government grants**

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

#### Segment reporting

Operating segments are reported in the same way as they are reported internally to the company's highest decision-making bodies. The company's highest decision-making body, which is responsible for the allocation of resources and the evaluation of the operating segments' earnings, is defined as group management. As a result of an internal reorganisation and changes in the internal reporting structure used as the basis for group management's operating decisions, the Group amended the way it reports segment information in the third quarter 2012. Comparable figures have been recalculated accordingly. Internal reporting is now based on the premise that the Group has two business activities: the farming of salmon and trout on the one hand, and its processing and sale on the other. The fish farming segment is divided into three regions: fish farming in central Norway (SalMar Central Norway), fish farming in northern Norway (SalMar Northern Norway) and fish farming elsewhere (Rauma segment). These three are defined as separate segments which report and are administered as separate internal business areas. In addition, a Sales & Processing segment reports separately. The Group's reporting is thus divided into a total of four segments.

#### Classification principles

Liquid assets consist of cash and bank deposits.

Assets which form part of the production cycle or fall due for payment within 12 months are classified as current assets. Other assets are classified as non-current assets. Liabilities which form part of the production cycle or fall due for payment within 12 months are classified as current liabilities. Other liabilities are classified as 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 approved by the annual general meeting.

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

Changes in the fair value of biological assets are presented on a separate line under operating profit/loss, along with the unrealised value of Fish Pool contracts and any change in the unrealised value of forward currency contracts that have been entered into to hedge future deliveries. Operational EBIT is reported before fair value adjustment of the biomass in order to show the Group's underlying sales performance during the period.

In 2012 the Group altered the way it classifies unrealised gains/losses on Fish Pool contracts, as well as gains and losses on foreign currencies. See Note 31 for further details of the changes and their impact on the financial statements.

#### Foreign currencies

The consolidated financial statements are presented in Norwegian kroner (NOK), which is also the parent company's functional currency and the Group's presentation 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 time the transaction takes place. Realised foreign exchange gains/losses deriving from the settlement and translation of monetary items in foreign currencies at the rate in effect on the balance sheet date are recognised in oprational EBIT.

Any foreign exchange differences on monetary items that are part of the net investment in a foreign entity are recognised in comprehensive income.

The Group endeavours to hedge against fluctuations in the foreign exchange market by using forward contracts. If the foreign currency position is deemed to represent cash hedging, 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 financial item in profit and loss. As at 31 December 2012 no financial instruments were recognised in comprehensive income. The reversal of items that have, historically, 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 on the balance sheet date at the market price for contracts with a similar maturity profile. Changes in the fair value of such instruments are recognised in the profit and loss account under operational EBIT when they do not meet the requirements for hedge accounting. The exception is a change in the fair value of forward currency contracts which have been entered into to hedge future deliveries. These are recognised in profit and loss on the line for fair value adjustments. Financial derivatives are classified as current assets or current liabilities in the balance sheet.

The profit and loss account and balance sheet for group companies (none with hyperinflation) with a functional currency other than the presentation currency are translated thus:

- **a)** The balance sheet is translated at the exchange rate in effect on the balance sheet date.
- **b)** The profit and loss account is translated at the average exchange rate (if the average does not give generally reasonable estimate of the transaction rate, the actual transaction 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 non-Norwegian businesses and financial instruments designated as hedging instruments are recognised in comprehensive income and as a separate item under equity. In connection with the sale of all or part of a foreign business the associated translation difference is reclassified from comprehensive income to ordinary profit and loss as part of the gain/loss from the sale. Goodwill and excess values deriving from the acquisition of foreign entities are treated as assets and liabilities in the acquired entity and are translated at the exchange rate in effect 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 purchase of a business entity are capitalised at acquisition cost when the criteria for separate posting are met.

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

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

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

Licences are capitalised at cost. 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 charged as expenses over the period of the lease.

When another business entity is taken over for a consideration that exceeds the value of the individual assets, the difference is entered as goodwill in the balance sheet. Goodwill deriving from the purchase of subsidiaries is included under intangible assets, while goodwill deriving from the acquisition of associates is included under shares in associates. Goodwill is entered at historic cost less accumulated depreciation up to 2004.

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

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

Facilities under construction are not depreciated. Depreciation is charged to expenses when the facilities are ready for use.

If the situation or circumstances indicate that the book value of an asset cannot be recovered, an assessment is made about whether to write down its value. If the recoverable value of a non-current asset is lower than its book value and the impairment is not expected to be temporary, the asset is written down to recoverable value. The recoverable value is the higher of net sales price and value in use. Value in use is the present value of the future cash flows which the asset will generate.

#### Financial instruments

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

#### Financial instruments at fair value in profit and loss

Financial instruments at fair value in 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 being held for sale unless they are part of a hedging scheme. Assets in this category are classified as current assets.

Financial assets at fair value in profit and loss are recognised at fair value upon acquisition and the transaction costs charged as expenses. Following their initial capitalisation financial assets are recognised at fair value in 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 deriving from impairment. 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 loan received (less transaction costs) and its redemption value is posted to profit and loss over the term of the loan as part of the effective interest rate. Borrowing expenses are posted 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 recognised at fair value, with any changes in fair value, apart from 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 as a financial item and posted to ordinary profit and loss.

Financial assets and liabilities are offset and presented net in the balance sheet when an enforceable offsetting entitlement 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 on the date the derivative contract was entered into, and thereafter at the fair value in effect in subsequent periods. The way associated gains or losses are accounted for depends on the extent to which 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 hedging of the fair value of an asset, liability or unrecognised binding pledge (fair value hedging).

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

Realised Fish Pool contracts are classified as operating items and unrealised changes in the value of Fish Pool contracts are classified as part of the fair value adjustment.

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 is longer than 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 are classified as current assets or current liabilities.

#### Receivables

Trade receivables and other receivables are recognised at face value less a provision for anticipated bad debts. Provisions for bad debts are made on the basis of an individual assessment of each receivable. Due to immaterial transaction costs and the short credit term, amortised cost equals face value less provisions for anticipated bad debts.

#### 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 realisation value. The cost price of goods produced in-house is the full production cost. The FIFO principle is used in connection with the periodic assignment of inventory costs. 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 less sales costs) and net realisation value.

#### Biomass

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

The way live fish are accounted for is regulated by IAS 41 Agriculture. IAS 41 contains a hierarchical method for the recognition of biological assets for accounting purposes. The main rule is that such assets are recognised at fair value.

The best estimate of the fair value of fish with a live weight of under 1 kg is accumulated cost, while for harvestable fish with a live weight of more than 4 kg the fair value adjustment of the biomass is set to expected net profit/loss. For fish of between 1 kg and 4 kg live weight the fair value adjustment of the biomass is set to the proportional share of expected net profit/loss at harvest. As a result, this may lead to a downward adjustment in the fair value of biological assets.

The fair value of the biomass is calculated on the basis of market price for the relevant weight class on the balance sheet date, corrected for sales costs, including harvesting costs and wastage. The market price is adjusted for quality variations. The sales prices used are based on external forward prices and/or the most relevant price information available for the period in which the fish will be harvested.

Roe and fry/smolt are valued at cost.

Changes in the fair value of the biomass are recognised in profit and loss on the line for fair value adjustments.

Biomass farmed as part of partnership agreements is treated for accounting purposes as the Group's own fish, since the Group bears the risk associated with farming 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 associated with the contracts form part of the Group's normal business activities. The contracts are therefore not financial instruments under IAS 39. The contracts contain no built-in derivative elements.

A liability is recognised with respect to fixed-price contracts re-

sulting in an obligation on the part of the Group to sell harvestable fish at a lower price than that which forms the basis for an estimation of the fair value of the biomass. The impact on profit and loss for the year is posted to Fair value adjustments.

#### Share capital and share premium

Ordinary shares are classified as equity.

Expenses deriving directly from the issue of new shares or tax-deductible options are recognised as a reduction in receipts of paid-in equity.

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 (allocated 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 associated tax effects, is recognised as an increase in equity allocated 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 profit and loss unless it refers to items which are posted in comprehensive income or are taken directly to equity. In this case tax is included in the net amount posted in comprehensive income or taken directly to equity.

Tax payable for the period is calculated in accordance with the tax legislation and regulations issued, or largely issued, 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 the probability that a taxable income will be made, which will allow the asset to be utilised, can be documented.

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

In connection with the transition to IFRS, the Group made use of a permitted option to charge accumulated estimate differences to equity as at 1 January 2005.

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Employers' national insurance contributions are included in the figures.

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

#### Share-based incentives

The Group operates a share-based incentive 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 profit and loss.

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

See Note 25 for further details of the Group's option schemes.

#### **Provisions**

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

#### Leasing contracts

Operating assets which are leased on terms which transfer the bulk of the financial risk and control to the company (financial leasing) are recognised in the balance sheet as property, plant and equipment, and the corresponding leasing liability is included under noncurrent 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 posted to profit and loss in a straight line over the term of the contract.

#### Particular biological events

The Group classifies particular biological events on a separate line in profit and loss. Particular biological events means the culling of the entire salmon stock at sites suffering an outbreak of Pancreas Disease (PD), as ordered by the authorities, and individual incidents involving the escape of substantial numbers of salmon. The amount charged to expenses is a provision corresponding to the full production cost of the culled stock, and costs incurred in connection with the clean-up and closure of the site. In the event of escaped fish, the amount charged to expenses corresponds to the full production cost of the escaped fish, and costs incurred in connection with their recapture.

#### Events after the balance sheet date

New information regarding the company's financial position on the balance sheet date which is received after the balance sheet date has been recognised in the 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 deriving from the acquisition and sale of businesses is presented under investing activities.

#### NOTE 2 FINANCIAL RISK

#### 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.

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 2912, a 0.5% rise in the rate of interest would

reduce the Group's profit by NOK 14,099,000 (NOK 13,519,000 in 2011), 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 and currency accounts. The use of forward currency contracts is described in Note 11.

Given the financial instruments in effect on 31 December 2012, a 5% fall in the value of the NOK would decrease the Group's profit by NOK 24,691,000 (a decrease of NOK 14,174,000 in 2011).

#### 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 12.

#### 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 having 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 requirements in the short term.

See Note 18 for details of the Group's available credit facilities.

The table below details the Group's non-derivative financial liabilities classified by maturity structure. The figures presented in the table are undiscounted contractual cash flows. See Note 18 for details of the maturity structure.

#### Maturity structure for financial liabilities

Maturity	Total	2 013	2 014	2 015	2 016	2 017	After 2017
Long-term debt	2 244 649	146 409	162 402	162 147	1 695 028	9 092	69 571
Interest on long-term debt	268 587	96 846	70 596	64 917	32 416	2 594	1 217
Financial leasing agreements	171 397	46 611	43 361	36 951	19 630	10 675	14 170
Interest on financial leasing							
agreements	16 142	6 368	4 434	2 707	1 490	839	305
Other long-term liabilities	402	-	-	-	-	-	402
Short-term credit facilities	403 268	403 268	-	-	-	-	-
Interest on short-term debt	8 993	8 993	-	-	-	-	-
Trade payables	762 765	762 765	-	-	-	-	-
Total liabilities	3 876 204	1 471 260	280 793	266 722	1 748 565	23 200	85 664

#### 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 2012.

The company monitors its capital management on the basis of the covenants stipulated. These are based on equity ratio and the ratio of net interest-bearing debt to EBITDA. See Note 18 for further details.

As at 31 December 2012 the Group had an equity ratio of 38.9% (35.1% as at 31 December 2011). The Group's interest-bearing debt at the close of 2012 totalled NOK 2,764,000 (NOK 2,618,000 in 2011).

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#### Assessment of fair value

The table below shows financial instruments at fair value in ac- 1) for the asset or liability concerned (level 2) cordance with the valuation method. The various levels are defined

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

The table below presents the Group's assets and liabilities measured at fair value on the balance sheet date.

#### 31.12.2012 (NOK 1000)

Assets	Level 1	Level 2	Level 3	Total
Financial assets at fair value in profit and loss				
- Derivatives held for trading	-	65 032	-	65 032
Financial assets available for sale				
- Equity instruments	-	-	15 760	15 760
TOTAL assets	-	65 032	15 760	80 792
Liabilities				
Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	-	-	
TOTAL liabilities	-	-	-	-

#### 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	-	-	-	-
Financial assets available for sale				
- Equity instruments	-	-	762	762
TOTAL assets	-	-	762	762
<b>Liabilities</b> Financial liabilities at fair value in profit and loss				
- Derivatives held for trading	-	-28 317	-	-28 317
TOTAL liabilities	-	-28 317	-	-28 317

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 'current interest terms', which are considered to be identical to the market rate on the balance sheet date. See Note 18 for details of interest terms.

The following table shows changes in the instruments classified as level 3 as at 31 Dec 2012.	Equity instruments available for sale	Total
Opening balance	762	762
Investments during the period	15 000	15 000
Sales during the period	-2	-2
Gains/lossses taken to profit and loss		-
Closing balance	15 760	15 760

The following table shows changes in the instruments classified as level 3 as at 31 Dec 2011.	Equity instruments available for sale	Total
Opening balance	1 426	1 426
Investments during the period	-391	-391
Gains/lossses taken to profit and loss	-273	-273
Closing balance	762	762

### NOTE 3 SEGMENT INFORMATION AND GEOGRAPHIC BREAKDOWN

Operating segments are reported in the same way as they are re- Group management evaluates the segments' perported internally to the company's highest decision-making bodies. The company's highest decision-making body, which is responsible for the allocation of resources and the evaluation of the operating segments' earnings, is defined as group management. As a result of an internal reorganisation and changes in the internal reporting structure used as the basis for group management's operating decisions, the Group amended the way it reports segment information in the third quarter 2012. Comparable figures have been recalculated accordingly. Internal reporting is now based on the premise that the Group has two business activities: the faming of salmon and trout on the one hand, and its processing and sale on the other. The fish farming segment is divided into three regions: fish farming in central Norway (SalMar Central Norway), fish farming in northern Norway (SalMar Northern Norway) and fish farming elsewhere (Rauma segment). These three are defined as separate segments which report and are administered as separate internal business areas. In addition, a Sales & Processing segment reports separately. The Group's reporting is thus divided into a total of four segments.

formance on the basis of Operational EBIT, as well as particular biological events. Depreciation and the realisation of excess value from tangible and intangible assets deriving from acquisitions are not allocated to segments. Cost relating to employee options and the results of the subsidiary SalMar Japan K.K. are also included in the column for eliminations.

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 at the same amount recognised in profit

Assets and liabilities allocated to segments are not reported to group management.

	Central	Northern	Rauma	Sales &	Other/	Salmar
<b>2012</b> NOK 1000	Norway	Norway	segment	Processing	eliminations	Group
External operating revenues	45 572	106 988	13 389	4 038 842	-	4 204 791
Internal operating revenues	1 682 128	585 012	406 011	192 459	-2 865 610	
TOTAL operating revenues	1 727 700	692 000	419 400	4 231 300	-2 865 610	4 204 791
Depreciation	79 891	33 854	25 485	29 661	730	169 621
Write-downs	-	-	547	-	-	547
Operating expenses	1 445 208	574 846	392 567	4 146 640	-2 865 305	3 693 956
Operational EBIT	202 600	83 300	800	55 000	-1 035	340 666
Fair value adjustments	178 889	30 954	59 449	24 735	-3610	290 417
Non-recurring gains on acquisitio		-	-	-	62 390	62 390
Particular biological events	-13 217	-41 399	-	-		-54 616
Operating profit	368 272	72 855	60 249	79 735	57 747	638 859
Share of profit/loss from associat	tes					93 909
Net financial items						-124 264
Profit before tax						608 504
Tax						127 062
Net profit for the year						481 442
Investments in PP&E	123 021	58 391	44 962	47 691	692	274 757
Investments in business entities	-	145 703	-	-	-	145 703
<b>2011</b> NOK 1000						
External operating revenues	21 866	410	22	3 811 205		3 833 502
Internal operating revenues	1 832 634	543 590	342 178	136 395	-2 854 797	-
TOTAL operating revenues	1 854 500	544 000	342 200	3 947 600	-2 854 797	3 833 502
Depreciation	62 650	23 156	19 151	26 112	932	132 000
Write-downs	-	-	-	-	543	543
Operating expenses	1 338 850	414 444	256 349	3 911 988	-2 826 469	3 095 162
Operational EBIT	453 000	106 400	66 700	9 500	-29 803	605 798
Fair value adjustments	-201 333	-93 508	-45 319	-21 742	-6 196	-368 098
Particular biological events	-50 000	-10 070	-	-	-	-60 070
Operating profit	201 667	2 822	21 381	-12 242	-35 999	177 628
Share of profit/loss from associa	tes					97 999
Net financial items						-115 148
Profit before tax						160 479
Tax						13 106
Net profit for the year						147 372
Investments in PP&E	203 605	57 570	47 933	61 266	3 194	373 568
Investments in business entities	120		154 946	3 300	25 986	184 352

# **NOTE** 4 INTANGIBLE ASSETS

			Other intangible	
NOK 1000	Licences	Goodwill	assets	Total
Acquisition cost 1 Jan 2011	1 284 003	391 100	37 316	1 712 418
Additions	28 500	0	5 283	33 783
Additions subsidiaries	135 000	60 639	1 000	196 639
Disposals	0	0	0	0
Acquisition cost 31 Dec 2011	1 447 503	451 738	43 599	1 942 840
Additions	0	0	1 684	1 684
Additions through business takeover	220 000	0	0	220 000
Disposals	0	0	0	0
Acquisition cost 31 Dec 2012	1 667 503	451 738	45 283	2 164 524
Acc. dep. & write-downs 1 Jan 2011	5 000	18 390	1 100	24 490
Year's depreciation	0	0	1 250	1 250
Year's write-downs	0	0	0	0
Acc. dep. & write-downs 31 Dec 2011	5 000	18 390	2 350	25 740
Year's depreciation	0	0	3 287	3 287
Year's write-downs	0	0	0	0
Book value 31 Dec 2012	1 662 503	433 348	39 649	2 135 500
Book value 31 Dec 2011	1 442 503	433 348	41 249	1 917 100
Book value 1 Jan 2011	1 279 003	372 710	36 216	1 687 928
Economic life	Unlimited	Unlimited	5-50 years	
Depreciation plan			Straight-line	

Excess value linked to the acquisition of breeding nuclei is depreciated over 50 years. The cost price of this was NOK 30 million. The residual book value of breeding nuclei totals NOK 28.5 million. Other intangible assets are depreciated over 5 years.

In 2011, based on new information received, a final review of the fair value of assets and liabilities associated with acquisitions

made in 2011 and 2010 was performed within the 12-month deadline for the acquisitions concerned. This resulted in the reallocation of NOK 91.3 million from Licences to Goodwill. Deferred tax was thereby reduced by NOK 25.6 million. The reallocation resulted in no changes in profit and loss.

Specification of fish farming licences 2011	No. of	Acquisition	Book value
NOK 1000	licences	cost	31.12.11
SalMar Northern Norway	13	416 120	411 120
SalMar Central Norway	44	555 496	555 496
Rauma	14	475 887	475 887
	71	1 447 503	1 442 503

Specification of fish farming licences 2012	No. of	Acquisition	Book value
NOK 1000	licences	cost	31.12.12
SalMar Northern Norway	23	636 120	631 120
SalMar Central Norway	44	555 496	555 496
Rauma	14	475 887	475 887
	81	1 667 503	1 662 503

Furthermore, the Group has joint operating agreements/time-limited licences linked to 11 licences.

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

Specification of Goodwill 2012	Year of	Acquisition	<b>Book value</b>
NOK 1000	acquisition	cost	31.12.12
SalMar Northern Norway	2006	95 114	95 114
SalMar Central Norway	1999-2011	117718	111 251
Rauma	2011	226 983	226 983
		439 815	433 348

Following the introduction of IFRS goodwill is no longer depreciated, but 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 depreciation of goodwill before the introduction of IFRS.

Other acquired goodwill, which was depreciated to NOK 0 before 2005, has an acquisition cost of NOK 14,505,000.

#### Impairment test

SalMar has identified the Group's segments as cash-generating entities. On acquisition goodwill and intangible assets are assigned to the cash-flow generating entities within the Group to which they are associated. Cash-generating entities are the lowest level at which independent cash flows can be identified, and are not at a higher level than the segments into which the Group divides its operations based on the geographic distribution of its marine-phase fish farms, ie SalMar Central Norway, SalMar Northern Norway and the Rauma segment, as well as Sales & Processing. For a specification of the book value of licences and goodwill by segment, see over.

The book value of the cash-flow generating entities 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 in 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 real growth is assumed when calculating the terminal value, ie growth his stipulated at the expected rate of inflation. Value in use is calculated on the basis of a 6.2% return on investment after tax. 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) marginsSalmon price
- Production costs
- Future output levels

Discount rate: the discount rate used reflects management's estimate of the risk specified for each cash-flow generating entity. The discount rate is set using the 10-year government bond rate in effect at the time of the assessment. The discount rate after tax is calculated at 6.2%. This corresponds to a pre-tax requirement of 8.6%.

EBIT(DA) margins: EBIT per kg is highly volatile with respect to changes in salmon prices, and has been higher than the historic average in recent years. Salmon price estimates are based on historic figures, adjusted for known changes. Since the long-term net margin used in the assessment is deemed to be lower than last year's EBIT per kg, a normalised long-term EBIT per kg has been used.

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

The assessment is based on a comparison of estimated future cash flows and the book value of each cash-flow generating entity. Sensitivity analyses are also carried out to assess estimated present values by looking at the change in salmon prices, production costs and discount rates. The book value per licence is highest for the Rauma segment, such that the assessment for the Rauma segment is the least robust. The break-even level for EBIT per kg for the Rauma segment is NOK 2.95, which is less than the industry's historic average EBIT per kg. The discount rate must increase by 1.4 percentage points before the calculated value would lead to the need for a write-down.

The Group continuously monitors its financial performance with respect to the long-term assumptions used to determine whether the assumptions in the basic model are still valid.

The impairment test resulted in no requirement to write down the book value of fish farming licences and goodwill as at 31 December 2012.

# NOTE 5 PROPERTY, PLANT & EQUIPMENT

	Land, buildings & other real	Plant, operating equipment,	Vessels and other operating		of which leased operating
NOK 1000	property	fixtures, etc	assets	TOTAL	assets
Acquisition cost 1 Jan 2011	241 604	1 004 339	76 415	1 322 358	209 295
Additions	31 707	316 561	25 300	373 568	98 717
Additions through business takeove	ers 1872	21 456	116	23 444	21 337
Disposals	0	11 660	0	11 660	4 593
Acquisition cost 31 Dec 2011	275 183	1 330 696	101 831	1 707 710	324 756
Additions	43 120	207 589	24 048	274 757	27 981
Additions through business takeove		34 849	0	34 849	26 947
Disposals	222	1 956	0	2 178	1 166
Acquisition cost 31 Dec 2012	318 081	1 571 178	125 879	2 015 139	378 518
Acc. dep & write-downs 1 Jan 2011	62 240	367 620	20 464	450 324	69 354
Year's depreciation 2011	6 454	117 384	6 912	130 750	25 644
Year's write-downs	80	464	0	544	0
Reversed depreciation	0	353	0	353	0
Acc. dep & write-downs 31 Dec 2		485 115	27 376	581 265	94 998
Year's depreciation 2012	15 548	139 530	11 255	166 333	36 239
Year's write-downs	28	520	0	547	0
Reversed depreciation	0	1 811	0	1811	704
Acc. dep & write-downs 31 Dec 2	012 84 349	623 354	38 631	746 335	130 533
D. d. d. 21 D. 2012	222 722	0.47.024	07.247	1 200 002	247.004
Book value 31 Dec 2012	233 732	947 824	87 247	1 268 803	247 984
Book value 31 Dec 2011	206 409	845 581	74 455	1 126 445	229 757
Book value 1 Jan 2011	179 364	636 720	55 951	872 035	139 941
Gains/losses on sale of non-current		1 728	0	1 728	
Annual leasing costs non-capitalise		11 276	1 700	71.001	
operating assets	58 106	11 276	1 709	71 091	
Capitalised interest	0	0	0	0	
Economic life Depreciation plan	0-20 years Straight-line	3-10 years Straight-line	5-15 years Straight-line		

Capitalised leasing liabilities as at 31 Dec 2012 totalled NOK 171,798,000.

Plant and machinery accounted for NOK 149,415,000 of the capitalised operating assets, vessels and other operating assets for NOK 96,249,000, while land and buildings accounted for NOK 2,319,000. All leasing agreements have been entered into on standard terms.

# **NOTE** 6 GROUP COMPANIES

The consolidated financial statements for 2012 cover the following subisiaries and associates:

NOK 1000 Subsidiaries	Consolidated (yes/no)	Registered office	Voting share/ shareholding
SalMar Settefisk AS	YES	Kverva	100 %
- Langstein Fisk AS	YES	Kverva	60 %
- Straumsnes Settefisk AS	YES	Kverva	100 %
SalMar Farming AS	YES	Kverva	100 %
- Reistad Eiendom AS	YES	Ørskog	100 %
- Rauma Gruppen AS	YES	Ørskog	75,5 %
- Rauma Stamfisk AS	YES	Ørskog	75,5 %
- Rauma Sætre AS	YES	Ørskog	75,5 %
- Rauma Eik AS	YES	Ørskog	75,5 %
- Rauma Misund AS	YES	Ørskog	75,5 %
- Vikenco AS	YES	Aukra	51 %
- Salmar Organic AS	YES	Ørskog	100 %
- Fjord Salmon AS	YES	Kverva	100 %
SalMar Nord AS	YES	Senja	100 %
- Troms Stamfiskstasjon AS	YES	Senja	100 %
- Salmar Finnmark AS	YES	Senja	100 %
SalMar Processing AS	YES	Kverva	100 %
- SalMar Japan KK	YES	Japan	100 %
- Frøyas AS	YES	Kverva	66 %
SalMar Sales AS	YES	Kverva	100 %
- Volstad Seafood AS	YES	Kverva	100 %
Astamarin AS	YES	Kverva	100 %
SalMar-Tunet AS	YES	Kverva	100 %
		Registered	Voting share/
Associates		office	shareholding
Norskott Havbruk AS		Bergen	50 %
Bakkafrost PF		Glyvrar	25,2 %
Nordskag Næringspark AS		Kverva	42,5 %
Trøndersk Kystkompetanse AS		Dyrvik	20 %
Marinetech AS		Frøya	39 %

Norskott Havbruk AS is deemed to be an associate. Associates are recognised in accordance with the equity method. See Note 8 for further details.

# **NOTE** 7 BUSINESS COMBINATIONS

Analyses of excess value are based to a certain extent on management's experience and good judgement, with the underlying assumptions being verified through operations in the subsequent period. In this way the analyses of excess value that have been performed must be considered preliminary in accordance with IFRS 3.

### Business acquisitions in 2012

On 29 February 2012 SalMar Nord AS signed an agreement with Villa Arctic AS to acquire 10 licences, one production facility in Laksefjord, with associated operating assets, as well as 50% of the biomass at this location. Furthermore, an agreement was entered

into for joint operation of the Laksefjord facility with Villa Arctic AS, with effect from 1 April 2012 until the 2015 generation has been harvested. The transaction is recognised for accounting purposes as a business takeover. The takeover is subject to a contingent liability which would result in an adjustment in the consideration payable if the salmon price exceeds a certain level in 2013. As at 31 December 2012 a provision of NOK 15.0 million has been made in connection with this liability. The fair value of this liability on the date of the takeover was stipulated at NOK 0.

NOK 1000	Aquisition date	<b>Acquisition cost</b>
Business in Laksefjord	29.02.2012	145 704

No material transaction costs have been incurred in connection with this acquisition.

# The acquisition had the following

effect on the balance sheet: NOK 1000	Book	Adjustmen	
	value	to fair value	Fair value
Intangible assets	110 000	110 000	220 000
Property, plant & equipment	34 856	-	34 856
Biological assets	20 869	-2 513	18 356
Deferred tax	-	-30 096	-30 096
Interest-bearing debt	-20 021	-	-20 021
Net identifiable assets and liabilities	145 704	77 390	223 094
Non-recurring gains deriving from acquisition			-77 390
Cash consideration			145 704
Non-recurring gains deriving from acquisition			-77 390
Provision for contingent consideration			15 000
Net recognised non-recurring gains			-62 390

An analysis of the business acquisition has been performed, in which the assets and liabilities taken over have been measured at fair value. The fair value of the licences has been calculated on on exceeds a certain level in 2013. On the date the acthe basis of recognised valuation methods in addition to an assessment of the market value of the licences. Our assessments estimated at NOK 0. Developments in prices through indicates that the acquisition has been made on favourable terms, 2012 and the price level at 31 December 2012 have such that NOK 77.4 million has been taken to income in this regard.

Furthermore, a provision totaling NOK 15.0 million has been made as at 31 December 2012 to cover any contingent consideration.

The purchase agreement stipulates that the consideration payable shall be adjusted in for the price of salmresulted in the fair value of this liability as at 31 December 2012 being recognised at NOK 15.0 million.

#### Business acquisitions in 2011

The following business acquisitions were made during the year.

All business 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

No material transaction costs have been incurred in connection Frøyas AS is a company that has been founded for with these acquisitions.

Bringsvor Laks AS operates two licences outside Sandsøya in Møre & Romsdal.

Villa Miljølaks AS has two licences for the production of organic Analyses of excess value for the most important acsalmon, as well as two R&D licences.

The acquisition of shares in Krifo Havbruk AS is treated for accounting purposes as the acquisition of a single asset. The company has one licence.

the pupose of developing and marketing high-quality salmon products. The acquisitions have been financed through drawdowns on a long-term borrowing facility, and settlement was made in cash.

quisitions are presented below. An analysis of excess value for the acquisition of Frøyas AS has been omitted since the acquisition is not deemed to be of material significance for the Group. Goodwill allocated from the acquisition of Frøyas AS totals NOK 1 million.

#### The acquisitions had the following effect on the balance sheet:

NOK 1000	Bringsvor Laks	Bringsvor Laks	Villa Miljølaks AS	Villa Miljølaks AS
	book	fair	book	fair
	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 and synergies from acquisition		59 640		92
Total consideration		140 946		14 000

Goodwill comprises deferred tax on licences and synergy effects for other product segments. The analyses of excess value are preliminary and are based on uncertain factors relating to the value of the individual assets acquired.

Following its acquisition of Bringsvor Laks AS affected the operating profit before fair value adjustment of the biomass by NOK 4,971,000 net, and sales revenues by NOK 20,194,000. Before its acquisition Bringsvor Laks AS generated sales revenues of NOK 22,813,000, and made an operating profit before fair value adjustment of the biomass of NOK 2,045,000. This has been taken into account in the acquisition analysis.

In the period following its acquisition Villa Miljølaks negatively affected the operating profit before fair value adjustment of the biomass by NOK 15.513.000, and contributed sales revenues of NOK 65.472.000. Before its acquisition Villa Miliølaks generated sales revenues of NOK 32,643,000 and made an operating loss before fair value adjustment of the biomass of NOK 5,838,000. This has been taken into account in the acquisition analysis.

Receivables taken over in connection with the acquisitions are recognised at fair value, which is the same as book value.

# NOTE 8 ASSOCIATES

### NOK 1000

Companies recognised	Norskott	Nordskag			
using the equity method	Havbruk	Næringspark	Bakkafrost	Other	Total
Type of company	AS	AS	P/F		
Original acquisition cost	162 826	23 375	533 406	142	719 749
Attributable excess value	0	0	319 395	0	319 395
Goodwill	0	0	13 910	0	13 910
Opening balance 1 Jan 2012	293 076	27 536	598 154	103	918 868
Purchase of share/deposit	0	0	7 665	39	7 703
Share of year's profit/loss	17 605	5 664	70 641	0	93 909
Items recognised in comprehensive income	-8 182	0	-33 987	0	-42 169
Direct equity transfers	0	0	0	0	0
Dividend received	-9 000	-8 500	-12 237	0	-29 737
Closing balance 31 Dec 2012	293 499	24 700	630 236	142	948 574
Included in book value:					
- Undepreciated excess value on licences	0	0	304 282	0	304 282
- Goodwill	0	0	12 800	0	12 800
	0	0	317 082	0	317 082

The Group has also entered into TRS agreements for a further The associate Bakkafrost P/F is a listed company, and 4.66% of the shares in Bakkafrost P/F, over and above the share- therefore has a listed share price. As at 31 December holding recognised in the balance sheet. As at 31 December 2012 2012 its had a market capitalisation of NOK 744.9 mil-Pareto Bank ASA stands as the formal owner of the shares. Unlion, based on the listed share price. der the terms of the agreement the Group has an option to purchase 2,077,600 shares at a price of NOK 38.0 each, and 200,000 None of the other associates have listed shares. Inshares at a price of NOK 39.92 each. The agreement runs until 15 come from associates is recognised on a separate line July 2013, with an option to extend. The TRS agreement is treated in profit and loss, as the Group's share of profit/loss for accounting purposes as a financial derivative. The fair value after tax. of the derivative as at 31 December 2012 was NOK 50,024,000, which is included in the balance sheet on the balance sheet date and recognised as financial income in profit and loss.

The key figures for material investments which were still owned by the Group at year-end are presented below:

	Total assets	Total liabilities	Operating I	Operating Profit for the	
	31.12.12	31.12.12	revenues 2012	year 2012	
Norskott Havbruk konsern	1 187 185	600 222	936 605	35 208	
Bakkafrost konsern	2 529 776	1 287 071	1 863 152	282 490	
Nordskag Næringspark AS	311 501	249 883	41 274	11 932	

# NOTE 9 FINANCIAL INSTRUMENTS BY CATEGORY

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

NOK 1000 <b>As at 31 December 2012</b>	Loans and	Assets at fair value in profit	Derivatives used for hedging	Available	
Assets	receivables	& loss	purposes	for sale	TOTAL
Investments in shares and other	r securities -	-	-	15 760	15 760
Derivatives	-	65 032	-	-	65 032
Trade and other receivables	773 170	-	-	-	773 170
Financial assets at fair value					
in profit & loss					
Bank deposits, cash & cash equi	ivalents 55 336	-	-	-	55 336
TOTAL	828 506	65 032	-	15 760	909 299

As at 31 December 2012 Liabilities	Liabilities at fair value in profit & loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	TOTAL
Loans	-	-	2 647 917	2 647 917
Financial leasing agreements	-	-	171 397	171 397
Derivatives	-	-	-	-
Trade and other payables, ex statutory liabilities	-	-	916 280	916 280
TOTAL	-	-	3 735 594	3 735 594

NOK 1000 As at 31 December 2011 Assets	Loans and receivables	Assets at fair value in profit & loss	Derivatives used for hedging purposes	Available for sale	TOTAL
Investments in shares and other	r securities -	-	-	762	762
Derivatives	-	-	-	-	-
Trade and other receivables	603 467	-	-	-	603 467
Financial assets at fair value					
in profit & loss	-	-	-	-	
Bank deposits, cash & cash equ	ivalents 47 621	-	-	-	47 621
TOTAL	651 088	-	-	762	651 850

Danimations

As at 31 December 2011 Liabilities	Liabilities at fair value in profit & loss	Derivatives used for hedging purposes	Other financial liabilities at amortised cost	TOTAL
Loans	-	-	2 530 291	2 530 291
Financial leasing agreements	-	-	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

# NOTE 10 FINANCIAL ASSETS AVAILABLE FOR SALE

Shares in other companies		Book	Book
NOK 1000	Shareholding	value 2012	value 2012
Villa Organic AS	8,37 %	15 000	-
Senja Fiskehelsetjeneste AS	40,90 %*	95	95
Aquagen AS	0,66 %	281	281
Other shares		385	387
Total		15 760	762

Shares in other companies are clasified as available for sale. Investments in other shares are valued at cost, since this is considered the best estimate of fair value.

In 2012 SalMar ASA acquired a total of 11,999,785 shares in Villa Organic AS, which corresponds to a shareholding of 8.37%. 11,911,920 of these shares were sold on forward contract to DNB. SalMar ASA has an obligation to buy back these shares. SalMar has recognised the shares at cost as at 31 December 2012. A provision of NOK 15.0 million has been recognised as at 31 December 2012 in connection with the buyback.

# **NOTE** 11 DERIVATIVES

Derivatives are capitalised at fair value. On the balance sheet date these were recognised in the balance sheet as follows:

	2	2012	2011		
	Other	Other current	Other	Other current	
Recognised fair value as at 31 Dec	receivables	liabilities	receivables	liabilities	
Forward currency contracts	14 759	0	0	-13 727	
Financial fish sales contracts (Fish Pool)	249	0	0	-14 590	
TRS agreement	50 024	0	0	0	
Total	65 032	0	0	-28 317	

#### Forward currency contracts

The table below shows the company's forward currency contracts as at 31 Dec 2012. All contracts are for the purchase and sale of currency against NOK. Forward contracts are entered into to cover as far as possible any currency risk on outstanding trade receivables and purchase and sales contracts. Forward contracts are recognised at fair value in the balance sheet. The Group does not use hedge accounting with respect to forward currency contracts.

						book value/
<b>-</b>	_		Currency	_	Exchange	fari value
Product	Туре	Currency	amount (1.000)	Term	rate interval	TNOK
Forward	Salg	EUR	32 263	Q1 2013 - Q1 2014	7,3169-7,7670	2 468
Forward	Salg	JPY	1 133 270	Q1 2013 - Q3 2013	0,0663-0,0789	10 450
Forward	Salg	GBP	1 258	Q1 2013	9,0524-9,1885	100
Forward	Salg	USD	22 694	Q1 2013	5,5480-5,7967	1 741
Total						14 759

# Financial fish sales contracts (Fish Pool contracts)

Financial fish sales contracts (derivatives) have been entered into on Fish Pool. The derivatives are recognised at fair value in profit and loss. Settlement of the contracts is due to take place in 2013. The fair value of the contracts is calculated at NOK 249,000, based on the market price in effect on the balance sheet date.

Realised Fish Pool contracts are classified in profit and loss under Operational EBIT, while unrealised changes in the value of the Fish Pool contracts are classified as part of the fair value adjustment.

Realised Fish Pool contracts classified under operations came to NOK -6,681,000 in 2012. The corresponding figure for 2011 was NOK -8,677,000.

### TRS agreement

The TRS agreement relates to shares in Bakkafrost P/F. See Note 8 for further details.

# NOTE 12 RECEIVABLES, PROVISIONS FOR BAD DEBTS

The Group's receivables are valued at amortised cost. Receivables in foreign currencies are valued at the daily rate. Book value is the same as fair value.

NOK 1000	2012	2011
Trade receivables	664 944	509 945
Provisions for bad debts	-4 000	-4 665
Other short-term receivables	245 501	144 993
Other long-term receivables	6 521	6 632
Total	912 966	656 905
Included in the item Other short-term receivables above are prepaid expenses in the amount of	74 763	53 438
Included in the item Other short-term receivables above are derivatives in the amount of	65 032	0
Included in the item Other short-term receivables above are VAT refunds due in the amount of	82 971	52 524
Included in the item Other long-term receivables above are the following,		
falling due for payment in more than one year	4 029	4 609
Included in the item Other long-term receivables above are pension assets in the amount of	2 492	2 023

Bad debts are classified as other operating expenses in profit and loss.

Changes in provisions for bad debts and bad debts charged to expenses in the period are presented below:

NOK 1000	2012	2011
Provisions for bad debts 1 Jan	4 665	1 405
Provisions for bad debts 31 Dec	4 000	4 665
Change in provisions for bad debts during the period	-665	2 596
Actual bad debts	3 298	1 521
Change in provisions for bad debts	-665	2 596
Bad debts charged to expenses during the period	2 633	4 117

See Note 2 for further details of credit risk and foreign exchange risk.

As at 31 December the company had the following trade receivables that had fallen due, but had not yet been paid:

NOK 1000	Total	Not due	<30 d	30-45d	45-90d	>90d
2012	664 944	500 446	97 782	13 736	34 355	18 625
2011	509 945	314 906	137 525	21 778	32 533	3 202

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

# NOTE 13 INVENTORY AND BIOLOGICAL ASSETS

NOK 1000	2012	2011
Raw materials	103 554	58 453
Goods in progress (entirely biological assets)	1 986 213	1 420 788
Finished goods	200 128	169 482
Total	2 289 895	1 648 724

Raw materials comprise primarily feed for fry/smolt and marine-phase fish production. Aslo included are raw materials for use in processing, as well as packaging materials. Stocks of biological assets relate to SalMar's fish farming operations on land and at sea. Finished goods comprise whole salmon, fresh and frozen, as well as processed salmon products.

# Biological assets in more detail

The treatment of live fish for accounting purposes is regulated by IAS 41 Agriculture. IAS 41 contains a method hierarchy for the measurement of biological assets for accounting purposes. The main rule is that such assets shall be measured at fair value.

The best estimate for the fair value of fish under 1 kg live weight is accumulated cost, while for harvestable fish over 4 kg live weight the fair value adjustment of the biomass is set to expected net profit/loss. For fish between 1 kg and 4 kg live weight the fair value adjustment of the biomass is set to the proportional share of expected profit/loss at harvesting. Consequently, this may result in a downward adjustment in the fair value of biological assets.

The fair value of the biomass is measured on the basis of the market price on the balance sheet date for the specific weight category, corrected for sales costs, including harvesting costs and wastage. The market price is adjusted for quality variations. The sales prices used 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.

Smolt are valued at cost.

NOK 1000	2012	2011
Biological assets 1 Jan	1 420 788	1 580 934
Increase due to production/purchase	3 101 882	2 406 167
Increase deriving from acquisitions	20 869	63 228
Reduction resulting from sale/harvesting	-2 824 270	-2 294 590
Fair value adjustments 1 Jan (reversed)	-56 465	-391 416
Fair value adjustments 31 Dec (new)	323 410	56 465
Biological assets 31 Dec	1 986 213	1 420 788
Biomass fish < 4 kg live weight (tonnes)	36 226	41 882
Biomass fish > 4 kg live weight (tonnes)	24 471	15 481
Total biomass (tonnes)	60 697	57 363
Fair value adjustment fish < 4 kg live weight (NOK 1,000)	149 189	44 795
Fair value adjustment fish > 4 kg live weight (NOK 1,000)	174 221	11 670
TOTAL fair value adjustment of biological assets (NOK 1,000)	323 410	56 465
Cost price biological assets (NOK 1,000)	1 662 803	1 364 323
Book value of biological assets (NOK1,000)	1 986 213	1 420 788

# NOTE 14 FAIR VALUE ADJUSTMENTS

Fair value adjustments are part of the Group's operating profit/loss, but changes in fair value are presented on a separate line to provide a greater understanding of the Group's profit/loss on sold goods. The item comprises:

	2012	2011
Change in fair value of the biomass	268 749	-340 160
Change in fair value of the biomass from acquisitions	0	5 2 1 0
Change in provisions for onerous contracts	-1 805	3 635
Unrealised change in value of Fish Pool contracts	8 634	-21 742
Unrealised change in value of forward currency contracts	14 838	-15 041
Recognised fair value adjustments	290 417	-368 098

# NOTE 15 PARTICULAR BIOLOGICAL EVENTS

The Group classifies particular biological events on a separate line in profit and loss. Particular biological events means the mandatory culling of the entire salmon stock at sites suffering from an outbreak of Pancreas Disease (PD), and individual incidents involving the escape of substantial numbers of salmon. The amount charged to expenses is a provision corresponding to the full production cost of the culled stock, and costs incurred in connection with the clean-up and closure of the site. In the event of escaped fish, the amount charged to expenses corresponds to the full production cost of the escaped fish, plus costs incurred in connection with their recapture.

In 2012 the SalMar Group experienced three outbreaks of PD at sites where the complete culling of stocks was ordered by the regulatory authorities. One such event related to SalMar Northern Norway and two to SalMar Central Norway. The amount charged to expenses in relation to PD outbreaks in SalMar Central Norway in 2011 is a provision for costs associated with the culling of stocks that took place in January 2012, but which was ordered in 2011.

	2012	2011
Costs deriving from the compulsory culling of stocks following PD outbreaks in SalMar Central Norway	13 217	50 000
Costs deriving from the compulsory culling of stocks following PD outbreaks in SalMar Northern Norway	41 398	0
Costs deriving from the escape of salmon from sites belonging to SalMar Central Norway	0	10 070
Costs classified as particular biological events	54 614	60 070

# **NOTE** 16 BANK DEPOSITS

As at 31 December 2012 the item Bank deposits, cash and cash equivalents included NOK 20,114,000 in restricted tax deductions (NOK 26,985,000) in 2011). In addition, a total of NOK 23,500,000 of the Group's liquid assets were restricted in connection with Fish Pool contracts (NOK 17,944,000 in 2011).

# NOTE 17 SHARE CAPITAL AND SHAREHOLDERS

As at 31 December 2012 the parent company's share capital comprised:

NOK 1000	No.	Face value	Book value
Ordinary shares	113 299 999	0,25	28 325

#### Shareholders

The company's 20 largest shareholders as at 31 December 2012 were:

	No. of shares	Shareholding	Voting share
KVERVA AS	60 500 000	53,40 %	54,02 %
FOLKETRYGDFONDET	9 447 809	8,34 %	8,44 %
JPMORGAN CHASE BANK	6 746 025	5,95 %	6,02 %
PARETO AKSJE NORGE	5 687 669	5,02 %	5,08 %
ODIN NORGE	4 093 706	3,61 %	3,66 %
LIN AS	2 500 000	2,21 %	2,23 %
PARETO AKTIV	2 427 675	2,14 %	2,17 %
PARETO VERDI	1 303 819	1,15 %	1,16 %
SALMAR ASA	1 300 000	1,15 %	0,00 %
CENTRA INVEST AS	705 819	0,62 %	0,63 %
FORSVARETS PERSONELLSERVICE	695 000	0,61 %	0,62 %
VERDIPAPIRFONDET DNB NORGE (IV)	519 550	0,46 %	0,46 %
THE BANK OF NEW YORK MELLON	500 000	0,44 %	0,45 %
DNB LIVSFORSIKRING ASA	481 393	0,42 %	0,43 %
KAS DEPOSITARY TRUST COMPANY	446 059	0,39 %	0,40 %
STOREBRAND VERDI	441 799	0,39 %	0,39 %
KLP AKSJE NORGE INDEKS VPF	420 590	0,37 %	0,38 %
PARETO SICAV	417 876	0,37 %	0,37 %
MP PENSJON PK	374 031	0,33 %	0,33 %
BKK PENSJONSKASSE	373 000	0,33 %	0,33 %
Total 20 largest shareholders	99 381 820	87,72 %	87,57 %
Total remaining shareholders	13 918 179	12,28 %	12,43 %
Total no. of shares	113 299 999	100,00 %	100,00 %

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

Name	Office	No. of shares	Share-holding	Voting share
Bjørn Flatgård *	Chair	1 528 054	1,35 %	1,36 %
Gustav Witzøe **	Director	58 971 946	52,05 %	52,65 %
Monicha Seternes	Director	2 500	0,00 %	0,00 %
Yngve Myhre ***	CEO	77 425	0,07 %	0,07 %

<sup>\*</sup> owned indirectly through the family-owned company GloMar AS, which has shares in the Kverva Group. Account taken of own shares in Kverva AS.

# **Board authorisations**

The board has been granted two authorisations to raise the share capital by a maximum of NOK 3,330,000, through the issue of up to 13,318,600 shares.

The board's authorisations are valid until the 2013 AGM or 30 June 2013 at the latest.

The board has also been authorised to acquire treasury shares with a face value of NOK 2,507,500, a total of 10,029,999 shares. The board's authorisation is valid until the 2013 AGM, or 30 June 2013 at the latest.

### Dividend

As at 31 December 2012 no dividend has been proposed.

# NOTE 18 INTEREST-BEARING DEBT

#### NOK 1000

Long-term interest-bearing debt	2012	2011
Debt to credit institutions	2 244 649	2 185 259
Leasing liabilities	171 397	173 460
Next year's instalments on long-term debt	-193 020	-156 722
Other long-term liabilities	402	0
Total long-term interest-bearing debt 31 Dec	2 223 428	2 201 997
Short-term interest-bearing debt  Debt to credit institutions  Next year's instalments on long-term debt	403 268 193 020	345 032 156 722
Total short-term interest-bearing debt 31 Dec	596 288	501 754
Total interest-bearing debt	2 819 716	2 703 751
Cash & cash equivalents	55 336	47 621
Net interest-bearing debt	2 764 380	2 656 130

The book value of long-term debt is practically the same as fair value. Next year's instalments on bank loans and leasing agreements are classified as current liabilities in the balance sheet. See Note 2 for details of the maturity profile of the Group's liabilities.

#### Interest-bearing debt in more detail

SalMar's main source of financing is a framework loan agreement of up to NOK 4,500 million, which was established in 2011. The loan agreement has a 5-year term and an instalment profile corresponding to repayments over 15 years. The outstanding amount borrowed is repayable in full when the loan's fixed period expires. As at 31 December 2012 NOK 2,144,554 had been drawn on this facility. The loan agreement is divided into four tranches. Tranche A, with a balance of 1,400 million and a repayment profile of 15 years. Tranche B, with a balance of NOK 218,337,000 and a repayment profile of 15 years. Tranche C, with a balance of NOK 526,217,000 and a repayment profile of 15 years. The final tranche is a revolving credit facility, with a balance of NOK 403,268,000 as at 31 December 2012. Instalments are paid quarterly. Interest terms are based on so-called 'current terms' relating to NIBOR and a margin depending on the ratio between the Group's EBITDA and NIBD. The margin may vary between 1.25% and 4.50% depending on the Group's ratios.

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 in 2013 amount to NOK 46,611,000. 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 Group's recognised 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 reached agreement with its banks in 2011 that the terms of the loan agreement associated NIBD/EBITDA, with effect from the first quarter 2012 would 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.

<sup>\*\*</sup> owned indirectly through the parent company in the Kverva Group, and includes shares owned by companies controlled by related parties. Account taken of own shares in Kverva AS.

<sup>\*\*\*</sup> owned indirectly through Rosøy AS.

# NOTE 19 DEFERRED TAX ASSETS AND LIABILITIES, AND TAX EXPENSE

The year's tax expense breaks down as follows:	2012	2011
Tax payable	7 009	141 264
Change in deferred tax	106 918	-128 580
Adjustment i respect of prior years	13 135	422
Tax on ordinary profit	127 062	13 106
Tax payable in the balance sheet	2 012	2 011
Tax payable	7 009	141 264
Reduction in tax payable as a result of group contributions	0	-74 865
Tax payable abroad	0	C
Change in tax payable in previous years	0	0
Tax payable in the balance sheet	7 009	66 399
Breakdown of temporary differences	2 012	2 011
Intangible and operating assets	1 162 057	1 150 378
Financial leasing	65 856	48 529
Non-current financial assets	999	3 167
Inventory	2 240 540	1 498 539
Receivables	-29 588	-40 551
Other	-3 836	-16 237
Non-current liabilities	0	
Profit & loss account	6 787	7 442
Losses carried forward	-327 109	-13 857
Unused share dividend payments	0	0
TOTAL temporary differences	3 115 706	2 637 409
Deferred tax liabilities (+) / deferred tax assets (-)	872 398	738 475
Deferred tax recognised directly in equity:		
- Deferred tax associated with acquisitions	30 096	
- Deferred tax associated with equity transactions	-3 091	
Reconciliation from nominal to actual		
tax rates	2 012	2 011
Profit before tax	608 504	160 478
Expected tax at nominal tax rate	170 381	44 934
Permanent differences (28%)	-56 454	-32 250
Adjustment i respect of prior years	13 135	422
Calculated tax expense	127 062	13 106
Effective tax rate	20,9 %	8,2 %
Permanent differences in 2012 apply primarily to the following:		
Option expenses	1 592	
Share of profit/loss from associates	-26 295	
Derivatives (TRS agreement)	-14 007	
Non-recurring gains deriving from acquisitions	-17 469	
Other	-276	
Total	-56 454	

# NOTE 20 PENSION COSTS, ASSETS AND LIABILITIES

The enterprise has a duty to provide an occupational pension ers, remain in the defined-benefits scheme. As at 31 scheme, under the Mandatory Occupational Pensions Act, and has a pension scheme that meets the requirements of this legislation. In 2006 the Group switched from a defined-benefits pension plan to a defined-contribution pension scheme. Only those assets and liabilities associated with employees who were on sick leave or in receipt of disability benefits, in addition to the residual pension-

December 2012 the pension liability associated with the defined-benefits plan derives in its entirety from 10 pensioners. Certain group companies have, in addition, an early retirement (AFP) scheme as part of their collective wage agreement. Liabilities associated with this scheme are not included in the Group's pension calculations.

Total pension costs for the Group break down into two parts, one contribution-based and one benefits-based, as follows:

NOK 1000	2012	2011
Premiums paid into the defined-contribution scheme	11 484	8 441
Costs relating to the defined-benefits plan	-123	-191
Accrued employers' national insurance contributions	613	446
Year's pension costs, incl. employers' national insurance contributions	11 974	8 696
Pension assets and liabilities recognised in the Group's balance sheet break down as follows:		
Capitalised pension assets associated with secured scheme	2 492	2 023
Capitalised pension liaiblities associated with unsecured scheme (AFP)	528	1 213
Net pension assets	1 964	810

# NOTE 21 LIENS, GUARANTEES, ETC.

NOK 1000		
Recognised liabilities secured through liens, etc:	2 012	2 011
Short-term debt to credit institutions	403 268	345 032
Long-term debt to credit institutions	2 244 649	2 185 259
Leasing liablities and other long-term liabilities	171 799	173 460
Total	2 819 716	2 703 751
Book value of assets plaged as security for recognised liabilities		
Property, plant & equipment and licences	2 931 305	2 568 948
Shares in Bakkafrost PF	630 236	598 154
Inventory and biological assets	2 289 895	1 648 724
Trade receivables	660 944	505 280
Total	6 512 380	5 321 107

As at 31 December 2012 the Group had not issued guarantees with respect to third parties.

# NOTE 22 OTHER OFF-BALANCE SHEET LIABILITIES

### Material operational leasing agreements

A leasing agreement has been entered into with Norskag Næringspark for the InnovaMar landing facility, final possession of which was taken over in 2011. The lease runs for a term of 15 years after takeover, with the lessee having the option to renew the lease for a further 5 + 5 years. The lessee may terminate the lease during the leasing period at 12 months' notice. The final rental payment is divided into a fixed portion and a variable portion.

A leasing agreement has also been entered into with Wessel Invest AS, with the right to extend on unaltered terms. The contract

is for the lease of the Kjørsvik Settefisk hatchery, and includes the lease of water rights. This contract expires on 1 January 2014. The right of first refusal has been agreed in the event of a sale.

The Group has also entered into a 10-year leasing contract with Romsdalsfisk AS, which expires on 1 April 2017. The contract is for the lease of Vikenco's harvesting plant. The Group has the preferential right to continue leasing the premises. The rental payment is divided into a fixed portion and a variable portion, which is capped at NOK 300,000.

NOK 1000	Less than 1 year	2-5 years	More than 5 years	Total
Total future leasing payments	43 122	173 377	428 299	644 797

# NOTE 23 OTHER CURRENT LIABILITIES

#### Other current liabilities comprise:

NOK 1000	2012	2011
Accrued holiday pay	36 065	26 980
Accrued interest	28 917	22 121
Derivatives	0	28 317
Contingent consideration	15 000	0
Other accrued costs and provisions	73 533	48 777
TOTAL other current liabiliteis	153 515	126 195

# NOTE 24 SALES REVENUES

### Geographic breakdown of sales revenues based on the location of the customer

The Group's sales are primarily made through the subsidiary SalMar Sales AS and Vikenco AS.

Group revenues by geographic market:	2012	2011
Asia	24,4 %	25,6 %
Russland	5,3 %	6,6 %
USA / Canada	2,1 %	3,6 %
Europa, inkl. Norge	68,2 %	64,2 %
Total	100,0 %	100,0 %

# **NOTE** 25 PAYROLL COSTS, NO. OF EMPLOYEES, REMUNERATIONS, EMPLOYEE LOANS, ETC.

Payroll costs NOK 1000	2012	2011
Salaries, incl. holiday pay and bonuses	425 116	330 884
Employers' national insurance contributions	27 719	23 276
Pension costs (see Note 16)	11 361	8 250
Options	2 840	10 317
Other benefits	16 179	19017
Total	483 215	391 745
No. of full-time equivalents employed during the financial year.	823	616

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

<b>2012</b> NOK 1000		Bonus, incl. extraordinary	Benefits-	Accrued pension	Exercised
Senior executives	Salary	bonus	in-kind	costs	options
Yngve Myhre, CEO	2 917	250	8	17	0
Ulrik Steinvik, CFO *	1 526	150	8	17	0
Bjørn Larsen, Director, Fish Farming	1 626	110	17	16	0
Gustav Witzøe, Director,					
Business Development	1 040	110	165	16	0
Dag Nikolai Ryste, Director, Sales	1 063	0	171	17	0
Eva Haugen,					
Group Quality Assurance Manager	838	140	8	14	0

<sup>\*</sup> Took over the position on 1 March 2012

		Bonus, incl.		Accrued	
<b>2011</b> NOK 1000		extraordinary	Benefits-	pension	Exercised
Senior executives	Salary	bonus	in-kind	costs	options
Yngve Myhre, CEO *	1 360	200	3	18	0
Leif Inge Nordhammer, former CEO**	1 318	0	6	35	0
Roar Husby, CFO	1 628	100	8	38	1 289
Bjørn Larsen, Director, Fish Farming	1619	100	10	47	8 473
Gustav Witzøe, Director,					
Business Development	1012	100	165	39	0
Dag Nikolai Ryste, Director, Sales	1 064	100	170	22	360
Roger Sørensen, Director, VAP	1 068	50	8	34	0

<sup>\*</sup> Employed since June 2011. Bonus was accrued in 2011, but paid in 2012.

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-kin

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.

<sup>\*\*</sup> Employed until June 2011.

#### **Directors fees** NOK 1000

Board of directors	2012	2011
Bjørn Flatgård, Chair	280	280
Gustav Witzøe	90	90
Synnøve G. Ervik (until May 2012)	180	180
Randi E. Reinertsen (until May 2012) *	180	180
Kjell A. Storeide *	180	180
Alf Jostein Skjærvik, employee representative *	90	90
Monica Seternes, employee representative	90	90

<sup>\*</sup> Has received an additional NOK 15,000 in remuneration as a member of the Audit Committee. Directors' fees are not performance-related.

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

NOK 1000		Amount	Interest rate	Term
CEO	Loan	1 031	2,42 %	20 ÅR

The loan has been made to Rosøy AS, which is wholly owned by CEO Yngve Myhre. The shares in Rosøy AS have been pledged as surety for the loan.

### Loans and guarantees to employees

NOK 1000	Loans	Sureties	
Employees	3 357	-	

### Options:

In 2010 64 company employees, including the entire group management team, received a total of 1,505,000 options to purchase shares in the company. Furthermore, a total of 220,000 options were granted to the CEO in 2011, and 110,000 in 2012. A condition is attached to part of the CEO's options. This condition was not met by the end of the prescribed period, and 90,000 of the options granted were therefore lapsed during the year. Members of the board do not have options.

The group management team's options are listed below. Movement in the number of outstanding options for the active option scheme has been as follows:

	2 012 Average strike		2 011 Average strike	
	price per share	Options	price per share	Options
As at 1 Jan	54,30	1 406 668	54,30	1 505 000
Granted during the year	54,30	110 000	54,30	220 000
Lapsed during the year	54,30	-191 668	54,30	-257 500
Exercised	54,30	-	54,30	-60 832
Expired	54,30	-	54,30	-
As at 31 Dec	53,65	1 325 000	54,30	1 406 668

### Group management has the following options:

Options held 01.01	Lapsed during the year	Options held 31.12	strike price per share	Average term
220 000	-90 000	130 000	53,7	2,5 years
80 000	-	80 000	53,7	3,5 years
110 000	-	110 000	53,7	3,5 years
-	-	-	-	-
73 334	-73 334	-	53,7	3,5 years
30 000	-	30 000	53,7	3,5 years
	01.01 220 000 80 000 110 000 - 73 334	01.01 the year  220 000 -90 000 80 000 - 110 000 -  73 334 -73 334	01.01         the year         31.12           220 000         -90 000         130 000           80 000         -         80 000           110 000         -         110 000           -         -         -           73 334         -73 334         -	Options held 01.01         Lapsed during the year         Options held 31.12         strike per share price per share           220 000         -90 000         130 000         53,7           80 000         -90 000         80 000         53,7           110 000         53,7         110 000         53,7           73 334         -73 334         -73 334         53,7

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1/3 of the options granted may be exercised from the date of The most important input data when calculating the 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 guarter 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 guarter 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.

Fair value per option on the date it was awarded is calculated using the Black & Scholes option pricing model. The most important input data when calculating the value of options granted in 2010 were the share price when the option was granted (NOK 52.0), the strike price (NOK 39), volatility at 50%, risk-free interest of 2.5% and the term of the option.

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.

The most important input data when calculating the value of the options granted in 2012 were the share price when the option was granted (NOK 28.6), the strike price (NOK 54.3), volatility at 50%, risk-free interest of 1.5% and the term of the option.

The option agreement stipulates that the strike price and the number of options be adjusted if a capital increase is performed during the period. In 2012 new capital was raised by means of a rights issue. This resulted in the strike price being adjusted from NOK 54.30 to NOK 53.65, and the number of options increased by 1.2%.

#### **Auditor**

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

NOK 1000	2012	2011
Statutory auditing services	2 041	2 064
Other certification services	107	89
Tax advisory services	86	206
Other services	236	449
Total	2 470	2 808

# **NOTE** 26 OPERATING EXPENSES

#### Specification of other operating expenses:

NOK 1000	2012	2011
Maintenance	133 940	94 780
Operating equipment	39 728	24 508
Direct input factors	58 751	44 173
Delivery costs	322 495	301 089
Other operating costs	331 069	241 341
Total	885 983	705 891

### Research and development 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 3,324,000 in R&D costs was charged to expenses in 2012 (NOK 6,860,000 in 2011).

# NOTE 27 GOVERNMENT GRANTS

Group companies took to income NOK 598,200 in SkatteFUNN contributions in 2012. The corresponding figure for 2011 was NOK 1,235,000.

# NOTE 28 FINANCIAL ITEMS

NOK 1000	2012	2011
Unrealised gain on TRS agreement	50 024	0
Gains on shares	0	275
Other financial income	153	2 499
Financial income	50 177	2 774
Stand-by and establishment fees	18 860	8 675
Other financial expenses	8313	15 735
Financial expenses	27 173	24 410

# NOTE 29 EARNINGS PER SHARE

NOK 1000	2012	2011
Net profit (controlling interest's share)	467 370	144 855
Ordinary shares 1 Jan	103 000 000	103 000 000
Effect of share issue	10 299 999	-
Effect of buyback of treasury shares	-	-
Average no. of shares outstanding through the year	111 583 333	103 000 000
Effect of options granted	-	-
Average no. of diluted shares outstanding through the year	111 583 333	103 000 000
Earnings per share		
Basic	4,20	1,41
Diluted	4.20	1 4 1

The Group has an option scheme for certain company employees (see Note 25). Some of the options granted may be exercised, but the average share price has been lower than the strike price in 2012. The options therefore have had no diluting effect.

# NOTE 30 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 NGAAP

### Transactions with related parties:

#### NOK 1000

		Sales	Purchases	Receivables	Liabilities
Kverva AS	Owns 53.4% of Salmar ASA	0	659	0	0
Nordskag Næringspark AS *	Associate	2 251	43 426	144	-2 194
Total		2 251	44 085	144	-2 194

<sup>\*</sup> The Group leases the landing facility InnovaMar from the associated company Nordskag Næringspark AS. Furthermore, Kverva AS holds 42.5% of the company's shares. See Note 22 for further details.

Transactions between the Group and related parties are undertaken on market terms and conditions.

Dividends have also been received from associates. See Note 8 for further details.

# NOTE 31 CHANGE IN ACCOUNTING PRINCIPLE - CLASSIFICATION OF FISH POOL CONTRACTS AND FOREIGN CURRENCIES

In 2012 SalMar changed the principle by which it classifies gains and losses on foreign currencies and Fish Pool contracts. The comparable figures have been recalculated accordingly.

Gains and losses on foreign currencies are recognised under Operational EBIT. This also includes changes in forward currency contracts. Changes in forward currency contracts that have been entered into to hedge future deliveries are, however, classified on the line for fair value adjustments. Previously, both realised and unrealised gains and losses were, in their entirety, classified as financial items.

SalMar has to some extent reduced its price risk by entering into salmon derivatives on Fish Pool. Realised gains and losses from these commodity derivatives are recognised in Operational EBIT. This is a change from previous periods when realised gains and losses were classified as financial items. Changes in the fair value of commodity derivatives are classified as before on the line for fair value adjustments.

The effect on the financial statements of the change in classification is as follows:

NOK 1000	2012	2011
Operational EBIT	1 547	4 458
Fair value adjustments	10 586	-15 041
Net financial items	-12 133	10 583
Total	0	0

# NOTE 32 EVENTS AFTER THE BALANCE SHEET DATE

#### Buyout of non-controlling interests

In March 2013 SalMar entered into an agreement for the acquisition of the remaining shares (24.4%) in SalMar Rauma AS. The non-controlling shareholding was acquired for a total consideration of NOK 69.7 million. SalMar now owns 100% of the companies that undertake biological production in the Rauma segment.

#### Letter of intent

In February 2013 SalMar signed a letter of intent with Codfarmers ASA for the acquisition of Atlantic Cod Farms AS and its subsidiaries (ACF), with the exception of Festøy Eiendom AS. The parties have reached agreement on the value of ACF's assets and rights (NOK 40 million), and that ACF's liabilities shall be deducted when setting the price for the company's shares. The transaction will give SalMar access to seven sites in the same geographic area as the Rauma segment operates its business, as well as equipment and other entitlements.

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# INCOME STATEMENT NOK 1000

OPERATING REVENUES AND OPERATING EXPENSES	NOTE	2012	2 011
Sales revenues	2	39 838	37 936
Total operating revenues		39 838	37 936
Salary and payroll costs	3	25 045	23 056
Depreciation of non-current assets	4	713	539
Other operating expenses	3	16 027	22 230
Total operating expenses		41 785	45 825
Operating profit/loss		-1 947	-7 889
FINANCIAL INCOME AND FINANCIAL EXPENSES			
Income from investments in subsidiaries	5	720 293	50 271
Income from investments in associates	6	29 737	74 936
Interest received from group companies		105 871	59617
Other interest income		1 345	755
Interest paid to group companies		9 263	2 475
Other interest expenses		125 628	81 307
Other financial expenses		25 892	8 675
Net financial items		696 464	93 122
Ordinary profit/loss before tax		694 516	85 233
Tax	13	-5 398	184
PROFIT/LOSS FOR THE YEAR		699 914	85 049
ALLOCATIONS			
To/from other equity	10	699 914	85 049
TOTAL allocations		699 914	85 049
	_	20.272	
Group contributions received before tax	5	20 273	50 271
Group contributions paid before tax		0	0

# BALANCE SHEET NOK 1000

ASSETS	NOTE	2012	2 011
NON-CURRENT ASSETS			
Intangible assets			
Deferred tax assets	13	6 9 1 9	0
Total intangible assets		6 9 1 9	0
Property, plant & equipment			
Land, buildings and other real property	4	2 159	2 159
Plant, equipment and operating consumables	4	3 137	3 254
Total property, plant & equipment	4, 15	5 296	5 412
NON-CURRENT FINANCIAL ASSETS			
Investments in subsidiaries	5, 15	557 495	555 233
Loans to group companies	8, 12, 15	1 785 000	1 566 999
Investments in associates	6, 15	757 139	749 435
Investments in shares and other securities	7	15 191	193
Pension fund assets	11	172	148
Other receivables	8	1719	2 706
Total non-current financial assets		3116715	2 874 715
Total non-current assets		3 128 930	2 880 127
Current assets			
Receivables			
Trade receivables	15	146	715
Short-term receivables from group companies	12	1 122 671	98 837
Other receivables	12, 15	16 764	20 154
Total receivables	, -	1 139 581	119 706
Bank deposits, cash & cash equivalents	17	3 264	7 177
Total current assets		1 142 845	126 882
TOTAL ASSETS		4 271 775	3 007 009

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# BALANCE SHEET NOK 1000

EQUITY AND LIABILITIES	NOTE	2012	2 011
EQUITY			
Paid-in equity			
Share capital	9, 10	28 325	25 750
Treasury shares	10	-325	-325
Share premium fund	10	415 285	112 880
Other paid-in equity	10	41 441	37 676
Total paid-in equity		484 726	175 981
RETAINED EARNINGS			
Other equity	10	1 141 590	442 601
Total retained earnings		1 141 590	442 601
Total equity	10	1 626 317	618 582
LIABILITIES			
Provisions			
Deferred tax liabilities	13	0	399
Total provisions		0	399
Other non-current liabilities			
Debt to credit institutions	14, 15	2 144 554	2 183 764
Total other non-current liabilities		2 144 554	2 183 764
Current liabilities		424 545	
Debt to credit institutions	14, 15	431 615	121 989
Trade payables		1 689	1 707
Public charges payable	1.5	4 242	31 145
Short-term payables to group companies	12	13 660	21 308
Other current liabilities	7,12	49 699	28 114
Total current liabilities		500 904	204 263
Total liabilities		2 645 458 4 271 775	2 388 426 3 007 009
TOTAL EQUITY AND LIABILITIES		4 4 / 1 / / 5	5 007 009

Frøya, 4. april 2013

Gustav Witzøe Director

Alf Jostein Skjærvik Tove Nedreberg Director Director/Employee representative Director

And S. Mjongs Arnt Mjønes Deputy director/ Employee representative Kjell A. Storeide Director

> ngue lly Yngve Myhre President & CEO

# STATEMENT OF CASH FLOW NOK 1000

CASH FLOW FROM OPERATING ACTIVITIES	Note	2012	2011
Ordinary profit before tax		694 516	85 233
Tax paid during the period	13	0	-91 352
Depreciation	4	713	539
Income from investments in subsidiaries	5	-720 293	-50 271
Income from investments in associates	6	-29 737	-74 936
Options charged to expenses	3	1 463	4 189
Options reclassified as liabilities		0	0
Change in inventory		0	0
Change in trade receivables		568	-687
Change in trade payables		-18	718
Change in other time-limited items		-15 517	-186 563
Net cash flow from operating activities		-68 305	-313 131
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts from sale of property, plant & equipment		0	0
Payments for purchase of property, plant & equipment	4	-597	-3 173
Change in intra-group balances	12	-579 716	-521 727
Receipts of group contributions and dividends from subsidiaries	5	50 271	800 000
Receipts of dividends from associates	6	28 250	74 936
Net payments for purchase of non-current financial assets	6,7	-7 651	-29 764
Net cash flow from investing activities		-509 442	320 272
CASH FLOW FROM FINANCING ACTIVITIES			
Long-term debt raised		110 000	670 562
Long-term debt repaid		-149 210	-16 550
Net change in overdraft		309 625	-237 812
Options redeemed		0	-19 146
Net receipts from share issue		303 417	0
Sale of treasury shares		0	3 900
Dividend (paid)		0	-406 800
Net cash flow from financing activities		573 833	-5 846
Not shange in bank deposits such 8 such equivalents		-3 914	1 296
Net change in bank deposits, cash & cash equivalents Bank deposits, cash & cash equivalents as at 1 Jan		-5 914 7 177	5 880
Bank deposits, cash & cash equivalents as at 1 Jan  Bank deposits, cash & cash equivalents as at 31 Dec		3 264	7 177
Dank deposits, cash & cash equivalents as at 51 Dec		5 204	/ 1//
Unused drawing rights		1 538 621	1 957 166

Of the total unused credit facilities of NOK 1,538.6 million as at 31 December 2012, NOK 315.0 million relate to a revolving credit facility for day-to-day funding of the Group's operations. Other unused credit facilities are reserved for investments.

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## **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 Subsidiaries, associates and other shares classified as the book value of assets and liabilities where the valuation is not unnon-current assets are valued in accordance with the 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

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.

### Receivables

Trade receivables and other receivables are recognised at par less in paid-in equity. The accrual period is the period from provisions for bad debts. Provisions for bad debts are determined

on the basis of an assessment of the individual receiv-

#### 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

cost method. Subsidiaries are companies in which Sal-Mar 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 writedown 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 has a defined-contribution occupational pension scheme. 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 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.

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

A change has been made in the way the statement of cash flow is prepared. Group contributions and dividends received from subsidiaries, as well as dividends received from associates are now classified as cash flow from investing activities. Previously they were classified as cash flow from operating activities. Comparable figures have been revised accordingly. Apart from this, no other changes have been made to the accounting principles used, and the figures presented in the financial statements are all comparable.

# NOTE 2 SALES REVENUES

The parent company SalMar ASA is a holding company primarily engaged in the provision of administrative services to its subsidiaries. Consequently, the parent company's revenues derive solely from one business area, and are divided between revenues from intra-group services and other revenues as specified below.

NOK 1000	2012	2011
Revenues from provision of administrative services to group companies	39 643	37 271
Revenues from provision of adminstrative services to associates	102	0
Other revenues	93	665
Total	39 838	37 936

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

PAYROLL COSTS NOK 1000	2012	2011
Salaries, incl. holiday pay & bonuses	19 427	17 430
Employers' national insurance contributions	1 037	1 485
Pension costs	616	409
Options	1 463	3 298
Other benefits	2 502	434
Total	25 045	23 056
No. of people employed (full-time equivalents) during the financial year	19	19

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

Please see Note 25 to the consolidated financial statements for details of the remuneration paid to senior executives.

Eight company employees have received a total of 502,500 options to acquire company shares. Two employees who had received options left the company during the period. At the close of 2012 there were 380,000 remaining employee options. In addition, the CEO received 220,000 options to purchase company shares. Of these, 90,000 were lapsed during the year. Members of the board of directors do not have share options. Apart from this, 57 people employed at subsidiaries received a total of 1,112,500 options to purchase company shares. The option cost relating to employees of subsidiaries is charged to expenses by the respective subsidiaries.

The option agreement stipulates that the strike price and number of options be adjusted if a capital increase is undertaken during the period. In 2012 new share capital was raised through a rights issue. As a result, the strike price was adjusted from NOK 54.30 to NOK 53.65, and the number of options increased by 1.2%.

Please see Note 25 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:

	2012	2011
Statutory auditing services	364	279
Other certification services	17	9
Tax advisory services	8	29
Other services	88	240
Total	476	557

# NOTE 4 PROPERTY, PLANT & EQUIPMENT

THOILINI, I LANT & Lat	SII IVILIVI	Operating	
	Real	equipment,	
NOK 1000	property	fixtures, etc	TOTAL
	2.450		0.005
Acquisition cost 1 Jan 2012	2 159	6 166	8 325
Additions	0	597	597
Disposals	0	0	0
Acquisition cost 31 Dec 2012	2 159	6 762	8 921
Acc. depreciation & write-downs 1 Jan 2012	0	2 913	2 913
Year's depreciation	0	713	713
Acc. depreciation disposals	0	0	0
Acc. depreciation 31 Dec 2012	0	3 626	3 626
Book value 31 Dec 2012	2 159	3 137	5 296
Economic lifespan		7-20 years	
Depreciation plan		straight-line	
Annual leasing of off-balance sheet operating assets	801	48	848

# NOTE 5 SUBSIDIARIES

Subsidiaries are recognised in accordance with the cost method.

	Registered	Voting share/	Book value	Book value
COMPANY	office	shareholding	2012	2011
SalMar Settefisk AS	Kverva	100 %	28 968	28 597
SalMar Farming AS	Kverva	100 %	88 671	87 947
SalMar Nord AS	Senja	100 %	316 373	316 136
SalMar Processing AS	Kverva	100 %	78 540	76 971
Astamarin AS	Kverva	100 %	5 0 1 5	5 0 1 5
SalMar - Tunet AS	Kverva	100 %	7 071	7 071
SalMar Sales AS	Kverva	100 %	32 857	33 496
TOTAL subsidiaries			557 495	555 233
SalMar ASA has recognised group contributions f	rom the followir	ng subsidiaries (TNOK):	2 012	2 011
- SalMar Farming AS			0	50 271
- SalMar Processing AS			19842	0
- Astamarin AS			451	0
TOTAL			20 293	50 271

SalMar ASA has recognised dividends received from the following subsidiaries (TNOK):	2 012	2 011
- SalMar Farming AS	500 000	0
- SalMar Nord AS	200 000	0
TOTAL	700 000	0
Total recognised income from investments in subsidiaries	720 293	50 271

# NOTE 6 ASSOCIATES

Associates are recognised in accordance with the cost method.

COMPANY	Registered office	Voting share/ shareholding	value 2012	value 2011
Norskott Havbruk AS	Bergen	50 %	162 787	162 787
Bakkafrost PF	Glyvrar	25,2 %	570 835	563 170
Nordskag Næringspark AS	Kverva	42,5 %	23 375	23 375
Trøndersk Kystkompetanse AS	Dyrvik	20 %	103	103
Marintech AS	Frøya	39 %	39	0
TOTAL associates			757 139	749 435

COMPANY	Recognised dividend	Equity as per latest year-end financials	Profit/loss per latest year-end fin
Norskott Havbruk AS	9 000	586 963	35 208
Bakkafrost PF	12 237	1 242 705	282 490
Nordskag Næringspark AS	8 500	61 618	11 932
Trøndersk Kystkompetanse AS	0	1 547	-246
Marintech AS	0	77	-13
	29 737		

Furthermore, in 2012 SalMar ASA signed a TRS agreement for a further 4.66 per cent of the shares in P/F Bakkafrost over and above the holding recognised in the balance sheet. As at 31 December 2012 Pareto Bank ASA is registered as the formal owner of these shares. The agreement gives SalMar ASA an option to purchase 2,077,600 shares at NOK 38.0 each, and 200,000 shares at NOK 39.92 each. The agreement runs until 15 July 2013, with an option to extend. The TRS agreement is recognised as a financial derivative. The derivative is not included in SalMar ASA's balance sheet. As at 31 December 2012 it represented an unrealised gain of NOK 50,024,000. Please see Note 8 to the consolidated financial statements for further details.

# NOTE 7 OTHER FINANCIAL ASSETS

# Non-current assets Shares in other companies

Specification of all shareholdings of less than 20 per cent as at 31 December 2012

NOK 1000		Shareholding	Book value
Villa Organic AS		8,37 %	15 000
Aquagen AS		0,19 %	181
Frøya Flyplass DA		-	10
Total			15 191

In 2012 SalMar ASA acquired a total of 11,999,785 shares in Villa Organic AS, which amounts to a shareholding of 8.37 per cent. 11,911,920 of these shares were sold on forward contract to DNB. SalMar ASA has an obligation to buy back these shares. SalMar ASA has recognised the shares at their cost price as at 31 December 2012. A total of NOK 15.0 million relating to the buyback is recognised as a liability in the financial statements as at 31 December 2012.

# NOTE 8 RECEIVABLES FALLING DUE MORE THAN ONE YEAR HENCE

	2 012	2 011
Other receivables	143	143
Loans to employees	1 576	2 563
Loans to group companies	1 785 000	1 566 999

# NOTE 9 SHARE CAPITAL AND SHAREHOLDERS

The company's share capital as at 31 December 2012 comprises:

NOK 1000	No.	Face value	Book value
Ordinary shares	113 299 999	0,25	28 325

Please see Note 17 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 2012.

# NOTE 10 FQUITY

Innskutt egenkapital	Share capital	Treasury shares	Share premium fund	Other paid-in equity	Other equity	Total equity
Equity as at 31 Dec 2011	25 750	-325	112 880	38 601	441 676	618 582
Year's change in equity:						
Profit/loss in the period	0	0	0	0	699 914	699 914
Share issue	2 575	0	306 425	0	0	309 000
Net share issue						
expenses after tax	0	0	-4 020	0	0	-4 020
Options	0	0	0	2 840	0	2 840
Equity as at 31 Dec 2012	28 325	-325	415 285	41 441	1 141 590	1 626 317

On 29 February 2012 SalMar ASA undertook a rights issue of 10,299,999 new shares at a subscription price of NOK 30 per share. A total of NOK 309.0 million in new capital was raised in connection with the share issue.

An option agreement has been entered into with senior company executives. Please see Note 3 for further details.

# **NOTE** 11 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 does not have any defined-benefits pension schemes.

Premiums under the defined-contribution scheme are charged to expenses as they fall due. NOK 686,800 was charge to expenses in connection with the defined-contribution scheme in 2012 (NOK 702,600 in 2011).

The company has established a deposit fund which is recognised in the balance sheet. As at 31 December 2012 the fund had a book value of NOK 172,000 (NOK 148,000 in 2011).

# NOTE 12 INTRA-GROUP BALANCES, ETC

	Non-curre	nt receivables	Other current receivables	
NOK 1000	2 012	2 011	2 012	2 011
Group companies	1 785 000	1 566 999	1 122 671	98 837
Associates	0	0	144	310
Total	1 785 000	1 566 999	1 122 815	99 147

	Other c	urrent liabilities
NOK 1000	2 012	2 011
Group companies	13 660	21 308
Associates	0	166
Total	13 660	21 474

The NOK 1,122,671,000 in other current receivables from group companies as at 31 December 2012 includes NOK 720,293,000 in dividends and group contributions receivable from subsidiaries. In addition, NOK 381,369,000 in receivables from group companies is included as part of the group account scheme. Over and above this, other current receivables comprise ordinary trade receivables.

The NOK 98,387,000 in other receivables from group companies in 2011 includes NOK 50,271,000 in group contributions receivable.

# NOTE 13 TAX

Breakdown of the year's tax expense:	2 012	2 011
Tax payable	0	0
Change in deferred tax	-5 766	156
Adjustment in respect of prior years	368	28
Tax on ordinary profit	-5 398	184
Breakdown of the year's taxable income	2 012	2 011
Profit before tax	694 516	85 233
Permanent differences	-720 692	-84 675
Change in temporary differences	88	-558
Year's taxable income	-26 087	0
Tax payable in the balance sheet	2 012	2 011
Tax payable for the year	0	0
Tax on group contributions paid	0	0
Tax payable in the balance sheet	0	0
Breakdown of temporary differences	2 012	2 011
Operating assets, incl. goodwill	936	944
Non-current financial assets	172	148
Profit & loss account	267	334
Losses carried forward	-26 087	0
TOTAL temporary differences	-24 712	1 426
Deferred tax liabilities (+) / deferred tax assets (-)	-6 919	399
Deferred tax recognised in equity	1 563	0
Reconciliation from nominal to actual tax rate	2 012	2 011
Profit before tax	694 516	85 233
Expected tax on income at nominal tax rate	194 465	23 865
Permanent differences (28%)	-201 794	-23 709
Tax recognised in equity	1 563	0
Adjustment in respect of prior years	368	28
Estimated tax expense	-5 398	184
Effective tax rate	-0,8 %	0,2 %

# NOTE 14 DEBT

Debt falling due more than five years

after the close of the financial year:	2 012	2 011
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 loan agreement with a 5-year term and a 15-year repayment profile. The loan agreement is divided into 4 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 Group's recognised 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 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 the original level in the loan agreement.

# NOTE 15 LIENS, GUARANTEES, ETC

Recognised debt secured through liens, etc	2 012	2 011
Short-term debt to credit institutions	431 615	121 989
Long-term debt to credit institutions	2 144 554	2 183 764
Other long-term liabilities	0	0
Total	2 576 169	2 305 753
Book value of assets pledged as security for recognised debt	2 012	2 011
Operating assets	5 296	5 412
Shares	1 128 330	1 118 403
Trade receivables	146	715
Receivables	2 924 435	1 685 990
Total	4 058 207	2 810 520

With respect to a group bank overdraft scheme, SalMar assumed joint and several liability limited upwards to NOK 366,667,000.

SalMar ASA has issued guarantees totalling NOK 17,000,000 on behalf of SalMar Processing AS and NOK 80,000,000 on behalf of SalMar Farming AS with respect to a credit facility granted by SG Finans AS.

SalMar ASA has issued a guarantee totalling NOK 95,000,000 with respect to a long-term loan to SalMar Processing AS from Innovation Norway.

SalMar ASA has issued a guarantee totalling NOK 5,000,000 to Nord-Trøndelag E-verk on behalf of SalMar Settefisk AS. The guarantee agreement was entered into on 1 January 2004, and is reduced by NOK 250,000 per year. As at 31 December 2012 the remaining amount guaranteed totalled NOK 2,750,000.

SalMar ASA has issued a guarantee to Nordskag Næringspark AS for any and all amounts which SalMar Processing AS owes Nordskag Næringspark AS under the leasing agreement between SalMar Processing AS and Nordskag Næringspark AS. The guarantee is valid during the leasing period, as stipulated in the leasing agreement, plus a further three months.

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

SalMar ASA has issued a guarantee to DnB Bank ASA in the amount of NOK 15,200,000. The guarantee relates to the obligation SalMar ASA has to buy back the shares in Villa Organic AS. Please see Note 7 for further details.

SalMar ASA has issued a guarantee to Pareto Bank in the amount of NOK 12,000,000. The guarantee relates to the TRS agreement entered into with respect to the purchase of shares in Bakkafrost P/F. Please see Note 6 for further details.

# NOTE 16 FINANCIAL RISK

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

# NOTE 17 BANK DEPOSITS

As at 31 December 2012 the item Bank deposits, cash & cash equivalents included NOK 1,615,000 in restricted funds relating to employee tax deductions. The corresponding figure for 2011 was NOK 5,229,000.





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 2012, 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 2012, 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.

PricewaterhouseCoopers AS, Postboks 3984 - Dreggen, NO-5835 Bergen T: 02316, org. no.: 987 009 713 MVA, www.pwc.no

Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap



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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 2012, 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 2012, 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.

Bergen, 4 April 2013 PricewaterhouseCoopers AS

Jon Haugervåg State Authorised Public Accountant (Norway)

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

# **STATEMENT** BY THE BOARD OF DIRECTORS AND CEO

We hereby declare that, to the best of our knowledge, the financial statements for the period 1 January to 31 December 2012 have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations thereof, established by the International Accounting Standards Board and adopted by the EU with effect as at 31 December 2012, and that the information contained in the said year-end financial statements provides a true and fair picture of the overall assets, liabilities, financial position and results of the parent company and the Group, as well as a true and fair overview of the information stipulated in Section 5-6, paragraph 4 of the Norwegian Securities Trading Act. We further declare that, to the best of our knowledge, the annual report provides a true and fair picture of important events in the accounting period and their impact on the year-end financial statements, as well as the most important areas of risk and uncertainty facing the business in the forthcoming accounting period.

Frøya, 4. april 2013

Tove Nedreberg Director

Your Nedrebery

Gustav Witzøe

Director

Director/Employee representative

Arts. Miones Deputy director/ Employee representative

have bly Yngve Myhre President & CEO



