

# Prospectus



## **Listing of SalMar ASA's Shares on Oslo Børs and Offering of Shares**

### **Total New Shares Offered:**

3,000,000 Shares

### **Subscription price Public Offering:**

NOK 39.- per Share

### **Subscription price Employee Offering:**

NOK 36.- per Share

### **Subscription Period:**

19 April – 26 April at 16:30 hrs (Norwegian time), both dates inclusive

*Manager*

**FIRST securities ASA**

17 April 2007

## Important Notice

This Prospectus has been prepared in connection with the application for listing (the “Listing”) of the shares of SalMar ASA (the “Company” or “SalMar”) on Oslo Børs and the employee offering and public offering of 3,000,000 new shares (the “Offer Shares”) in connection with the Listing (the “Offering”). This Prospectus has been prepared to comply with the Norwegian Securities Trading Act and related secondary legislation including the EC Commission Regulation EC/809/2004. The Prospectus has been prepared solely in the English language. Oslo Børs has reviewed and approved this Prospectus in accordance with the Norwegian Securities Trading Act Section 5-7.

The Company has furnished the information in this Prospectus. The Manager makes no representation or warranty, express or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Manager.

Neither the delivery of this Prospectus nor any sale of Offer Shares made hereunder shall under any circumstances imply that there has been no change in the Company’s affairs or that the information set forth herein is correct as of any date subsequent to the date hereof.

All inquiries relating to this Prospectus should be directed to the Company or the Manager. No other person has been authorised to give any information about, or make any representation on behalf of, the Company in connection with the Listing and the Offering and, if given or made, such other information or representation must not be relied upon as having been authorised by the Company or the Manager.

The information contained herein is as of the date hereof and subject to change, completion and amendment without notice. In accordance with section 5-15 of the Norwegian Securities Trading Act, every significant new factor, material mistake, or inaccuracy relating to the information included in the Prospectus, which is capable of affecting the assessment of the Shares between the time when the Prospectus is approved and the expiry of the Subscription Period will be included in a supplement to the Prospectus. Neither the publication nor distribution of this Prospectus nor any sale made hereunder shall under any circumstances create any implication that the information herein is correct as of any date subsequent to the date of the Prospectus.

In the ordinary course of their respective businesses, the Manager and certain of its affiliates have engaged, and may continue to engage, in investment and commercial banking transactions with the Company.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each reader of this Prospectus should consult with its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser.

The distribution of this Prospectus and the offering and sale of the Offer Shares in certain jurisdictions may be restricted by law. The Company and the Manager require persons in possession of this Prospectus to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of Shares to occur outside of Norway.

The Offering and this Prospectus are subject to Norwegian law. Any dispute arising in respect of or in connection with the Offering or this Prospectus is subject to the exclusive jurisdiction of the Norwegian courts with Oslo District Court as legal venue.

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# 1. Executive summary

*This summary should be read as an introduction to the Prospectus and is qualified in its entirety, by the more detailed information and the appendices appearing elsewhere in this Prospectus. Any decision to invest in the Shares of the Company should be based on consideration of the Prospectus as a whole by the investor, including the risks of investing in the Shares set out in Chapter 2.*

*Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff might under the applicable legislation have to bear the costs of translating the Prospectus before the legal proceedings are initiated.*

*Civil liability attaches to the Board of Directors of SalMar who has tabled this summary, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.*

## 1.1 Description of the Company

### 1.1.1 Business Description

SalMar is one of the world's largest salmon producers. The Company operates 46 ordinary licences for marine production of Atlantic salmon in Norway; 37 licences in SalMar Farming AS located in the Company's principal producing region in Mid-Norway (Trøndelag, Nord-Møre) and 9 licences in Troms through SalMar's wholly owned subsidiary Senja Sjøfarm AS. In addition, SalMar owns 50% of Norskott Havbruk AS, which owns 100% of Scottish Sea Farms Ltd. Scottish Sea Farms is Great Britain's second-largest salmon farmer with production capacity in excess of 25,000 tonnes gutted weight. SalMar also operates a comprehensive VAP activity, co-located with the Company's main office at Frøya in Sør-Trøndelag.

According to the articles of association, the objective of the Company is seafarming, processing and trade of all type of fish and shellfish, including financial activities in this connection. The Company may further, in accordance with guidelines from the authorities, conduct ordinary investment activities, including participation in other companies with similar or related purposes.

### 1.1.2 History

SalMar was incorporated in 1991. The start-up was based on one farming licence and a small processing plant acquired from the bankruptcy estate of Nordskagfisk AS. The Company's initial business proposition was the processing of farmed salmon based on frozen raw materials. In 1992 the Company acquired 2 local farming licences, and in 1995 the Company entered smolt/fry production through the purchase of Follasmolt and the management and leaseing agreement for Kjørsvik Settefisk. In 1996 the Company decided to invest in increased processing capacity and signed an agreement with SIVA to build the current facility at Kverva. In the same year Leif Inge Nordhammer was appointed managing director. In 1997 the new processing plant was completed, and Kverva Holding became the sole owner of SalMar. In 2000 SalMar acquired a 49% ownership interest in Senja Sjøfarm, and in 2001 the Company acquired 50% of Scottish Sea Farms through Norskott Havbruk AS. In 2006 all non-core companies and holdings were sold to Kverva Holding, so that the Company's operations became focused around salmon-related activities.

In 2006 Kverva Holding completed a private placement of 42.5% of the shares in SalMar to a consortium of financial investors. In 2006 SalMar also carried out a comprehensive refinancing of the Company's bank loans. In October 2006 SalMar entered into an agreement to acquire the remainder of the shares in Senja Sjøfarm. Also in October 2006 SalMar, as one of only eight Norwegian salmon slaughtering/packing facilities, was approved by the Russian food authority for the production and export of salmon to Russia.

In January 2007 SalMar acquired Halså Fiskeoppdrett and Straumsnes Settefisk.

From the start-up with one farming licence in 1991 the Company now has 46 farming licences. In 2006, SalMar (excluding Senja Sjøfarm, which until October 2006 was an associated company of SalMar) produced in excess of 44,000 tonnes (live weight) of salmon and harvested close to 29,800 tonnes gutted weight.

In the first quarter of 2007 SalMar harvested a total of 12,501 (Q1 '06: 2,912) tonnes gutted weight, of which Senja Sjøfarm harvested 834 (Q1 '06: 2,493) tonnes gutted weight.<sup>1</sup>

### **1.1.3 Goals and Strategy**

SalMar's strategic objective is to be the lowest cost producer and supplier of farmed salmon products to the European market. The Company regards whole, gutted farmed salmon as a pure commodity, i.e. that buyers and consumers alike consider whole farmed salmon as a relatively homogenous product, whose market price is relatively insensitive to factors such as brands, production location, etc. There is considerable competition in the market for farmed salmon, hence relatively low production costs is the most important parameter for obtaining a competitive profit and return on capital.

### **1.1.4 Board of Directors, Senior Management and Employees**

#### ***Board of Directors***

The Board of Directors consists of Bjørn Flatgård (chairman), and board members Gustav Witzøe, Øystein Stray Spetalen, Synnøve G. Ervik, Anne Strøm Nakstad and Bjørn Ivan Espenes.

#### ***Management***

The Company's senior Management consists of Leif Inge Nordhammer (CEO), Bjørn Erik Nilsen (CFO), Ulrik Steinvik (Head of Finance and Accounting), Karl Christian Aag (Manager Freshwater), Bjørn Larsen (Manager Farming), Gustav Witzøe (Manager Processing) and Pål Georg Storø (Manager VAP).

#### ***Employees***

As of the date of the Prospectus, SalMar had 422 full-time employees.

## **1.2 Advisors and Auditors**

### **1.2.1 Manager**

First Securities ASA has acted as the Company's Manger in connection with the IPO.

### **1.2.2 Legal counsel**

The Company's legal counsel in connection with the Listing is Wiersholm, Mellbye & Bech..

### **1.2.3 Auditor**

The Company's auditor is Systemrevisjon AS.

## **1.3 Major shareholders and Related Party Transactions**

### **1.3.1 Shareholders**

As of 21 March 2007 SalMar had 489 shareholders, of whom 485 (99%) were Norwegian and 4 (1%) were non-Norwegian, registered in the VPS.

Prior to the Offering Kverva Holding AS, Simask AS, J.P. Morgan and Odin Norge I/II have positions in SalMar which give ultimate beneficial ownerships (consisting of direct and indirect shareholdings including shares held by nominees) that requires notifications under Norwegian law. Kverva Holding AS will after the Offering have an ownership stake of more than 50%, i.e. over the 40% threshold which normally triggers the requirement to make a mandatory takeover bid (see also section 10.19, "Mandatory takeover bids and squeeze-out rules").

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<sup>1</sup> In Q1 '06 Senja Sjøfarm was an associated company of SalMar; hence this volume was not consolidated.

### 1.3.2 Related Party Transactions

Since 2004 the Company has had the following agreements with related parties:

- SalMar has entered into an agreement regarding book-keeping for the Company's principal shareholder, Kverva Holding AS. SalMar has entered into a similar agreement with NutriMar AS, which is wholly owned by Kverva Holding AS.
- Salmar Processing AS (being a subsidiary of SalMar) has entered into an agreement with Ervik Laks og Ørret AS, partly owned by the husband and children of board member Synnøve G. Ervik. She is also the CEO of the company.
- In 2006 SalMar sold shares in the associated companies, Egersund Fisk AS and Frøyfisk AS, to Kverva Holding AS. The transactions have been completed at actual values. The sales gave the Company a net profit of approx. MNOK 30.6.
- Kverva Holding AS has entered into a long-term agreement with Salmar Processing AS, whereby Salmar Processing AS has undertaken to deliver free of charge waste products to Kverva Holding AS which has undertaken to dispose of the waste products.

All related party agreements have been entered into on commercial terms. See also section 10.12.

### 1.3.3 Research and development, patents and licences

The table below gives an overview of the Company's marine farming licences as of the date of the Prospectus.

#### SALMAR'S FARMING LICENCES

	County / region	Municipality	No. of licences	MAB per licence
SalMar Farming AS	Nord-Trøndelag	Flatanger	4	780
	Nord-Trøndelag	Frosta	1	780
	Nord-Trøndelag	Namsos	3	780
	Sør-Trøndelag	Frøya	6	780
	Sør-Trøndelag	Roan	7	780
	Sør-Trøndelag	Ørland	1	780
	Sør-Trøndelag	Åfjord	3	780
	Sum Trøndelag		25	19 500
	Møre	Aure	4	780
	Møre	Halsa	2	780
	Møre	Smøla	3	780
	Møre	Tustna	3	780
Sum Møre		12	9 360	
<b>Sum SalMar Farming</b>		<b>37</b>	<b>28 860</b>	
Senja Sjøfarm AS	Troms	Tranøy *	5	876
	Troms	Dyrøy	4	900
	<b>Sum Senja Sjøfarm</b>		<b>9</b>	<b>7 980</b>
<b>TOTAL SalMar</b>		<b>46</b>	<b>36 840</b>	

\* 4 licences of 900, 1 of 780 tonnes MAB. The licence with MAB of 780 tons is owned by a local branch of The Norwegian Seafood Federation (Nordnorsk Havbrukslag), but operated by Senja Sjøfarm. The licence, which is given for breeding purposes, is subject to special conditions by the Directorate of Fisheries and may be withdrawn without compensation paid to Senja Sjøfarm,

The Company has no patents and conducts no research and development material to its business or profitability.

## 1.4 Key Financial Information

### 1.4.1 Key financial data

The table below lists the key financial data for SalMar for 2005 and 2006 according to IFRS, and for 2004 according to NGAAP. The annual accounts for 2004 to 2006 have been audited.

(NOK 1 000)	2006 IFRS	2005 IFRS	2004 NGAAP
Operating income	1 248 564	871 451	790 292
Operating profit before deprec. and fair value biological adj.	485 247	236 954	146 269
Operating profit	511 049	250 472	122 761
Profit for the period	445 085	252 220	83 476
Earnings per share (NOK)	4.45	2.52	0.83
Total non-current assets	1 346 437	749 946	674 137
Total current assets	923 065	453 712	358 445
Total assets	2 269 502	1 203 658	1 032 582
Total liabilities	1 384 288	796 073	822 578
Total shareholders' equity	885 214	407 585	210 004
Total shareholders' equity and liabilities	2 269 502	1 203 658	1 032 582
Equity ratio (%)	39.0%	33.9%	20.3%

For complete financial statements, accounting policies, management discussion and analysis and other financial information see chapter 9.

### 1.4.2 Significant Changes after 31 December 2006

Except for the Company's purchase of Halså Fiskeoppdrett AS and Straumsnes Settefisk AS in January 2007, there have been no significant changes in the financial or trading position of the Company after 31 December 2006.

The Company has not experienced any other changes or trends outside the ordinary course of business that are significant to the Company after 31 December 2006 and to the date of this Prospectus, other than those described in this Prospectus. See also chapter 2, 6, 7 and 9.

### 1.4.3 Capitalization and Indebtedness

The following table is a summary of the consolidated capitalisation and indebtedness of SalMar as at 31 December 2006. The capitalisation and indebtedness statement for SalMar is based on the Company's unaudited accounts as of 28 February 2007.

	(NOK 1 000)
Total current debt	261 147
Total Non-Current Debt	1 062 190
Capital and Reserves	885 214
<b>Total Capitalisation and Indebtedness</b>	<b>2 208 551</b>
<b>Net Indebtedness</b>	
Total liquidity	30 124
Current financial debt	150 226
<b>Net current financial indebtedness</b>	<b>150 226</b>
Non-current financial indebtedness	726 088
<b>Net financial indebtedness</b>	<b>842 996</b>

For a complete and detailed description of the consolidated capitalisation and indebtedness of SalMar, see section 9.9, "Capitalisation and Indebtedness".

## 1.5 Share Capital

The Company's share capital as of the date of this Prospectus is NOK 25,000,000 divided into 100,000,000 Shares, each with a par value of NOK 0.25. The share capital has been paid in full.

The Company's share capital after the completion of the Offering will be NOK 25,750,000 divided into 103,000,000 Shares, each with a par value of NOK 0.25.

## 1.6 Purpose of the Stock Exchange Listing, Background for the Offering and Use of Proceeds

The main purpose of the Listing is to facilitate the further growth and development of the Company. As a listed company, SalMar ASA will have better access to the equity capital markets to raise further equity, and the Listing will simplify the use of its Shares as consideration in mergers and acquisitions.

The main purpose of the Offering is to obtain a sufficient number of new shareholders to qualify for a listing on Oslo Børs as well as to obtain funding for further growth.

## 1.7 The Offering and Stock Exchange listing

### 1.7.1 Overview

In conjunction with the Listing, SalMar plans to carry out the Offering consisting of:

- A Public Offering of 2,600,000 Offer Shares, divided into an Institutional Offering of 2,000,000 Offer Shares and a Retail Offering of 600,000 Offer Shares at a subscription price of NOK 39 per Offer Share subject to a lower limit per subscription of 25,000 Offer Shares in the Institutional Offering and 400 Offer Shares in the Retail Offering; and
- an Employee Offering of up to 400,000 Offer Shares at a subscription price of NOK 36 per Offer Share subject to a lower limit per subscription of 200 and a maximum subscription of depending on how long Eligible Employees have worked for the Company;
- Offer Shares not subscribed for in the Employee Offering will be offered in the Public Offering.

The Offering has been guaranteed fully subscribed by an underwriting syndicate established by First Securities ASA.

The main details of the Offering are listed below.

<b>Number of Shares in the Offering:</b>	The Offering comprises 3,000,000 Offer Shares to be issued, out of which 2,000,000 Offer Shares will be offered in the Institutional Offering, 600,000 Offer Shares in the Retail Offering and up to 400,000 Offer Shares in the Employee Offering.
<b>Subscription Price in the Offering:</b>	NOK 39 per Offer Share in the Public Offering and NOK 36 in the Employee Offering
<b>Subscription Period:</b>	The Subscription Period will last from and including 19 April to 16:30 (Norwegian time) on 26 April 2007, subject to possible extension.
<b>Minimum Order of Shares in the Retail Offering:</b>	400 Offer Shares (two round lots)
<b>Minimum Order of Shares in the Institutional Offering:</b>	25,000 Offer Shares
<b>Minimum/Maximum Order of Shares in the Employee Offering:</b>	Depending on how long the Eligible Employee has worked for the Company, but minimum 1 round lot (200 Shares) and maximum 12 round lots (2,400 Shares)
<b>Allocation date:</b>	The final allocation will be decided on or about 30 April 2007. Allocation letters will be distributed on or about 30 April 2007.
<b>Payment date:</b>	3 May 2007
<b>Settlement:</b>	The Offer Shares are expected to be delivered to the subscribers' VPS accounts on 8 May 2007.
<b>First day of trading on Oslo Børs:</b>	Expected to be 8 May 2007
<b>Number of Shares before the Share Issue:</b>	100,000,000 Shares, each nominal value NOK 0.25.
<b>Number of Shares after the Share Issue:</b>	103,000,000 Shares each of nominal value of NOK 0.25.
<b>Gross proceeds of the Share Issue:</b>	Minimum 115.8 mill. and maximum NOK 117 million.

### 1.7.2 Admission to trading

SalMar has filed an application for the admission of the Company's Shares on Oslo Børs. The application will most likely be considered for listing in Oslo Børs' board meeting 25 April 2007. If the

Company is approved for listing, and barring unforeseen circumstances, the first day of trading for the Shares on Oslo Børs is expected to be 8 May 2007. The Shares are not listed, and no application has been filed for listing, on any other stock exchange or authorized market place.

### *1.7.3 Dilution*

The percentage of immediate dilution resulting from the Offering for SalMar's shareholders is expected to amount to approximately 2.91%.

### *1.7.4 Costs*

The estimated transaction costs of the Company related to the Initial Public Offering will be approximately NOK 3.9 million, meaning that the net proceeds of the Share Issue will be up to approximately NOK 111.9 million.

No expenses or taxes are charged to the Subscribers in the Offering by the Company or the Manager.

## **1.8 Summary of Risk Factors**

Below is a brief summary of some of the most relevant risk factors described in chapter 2. Additional risks not presently known to the Company or that the Company currently deems immaterial, may also impair the Company's business operations and adversely affect the price of the Company's Shares. See chapter 2 for a more comprehensive presentation of risk factors that may affect the Company's operations and results.

### *Prices and the demand for farmed salmon*

The Company's financial position and future development depend to a considerable extent on the price of farmed salmon, which has historically been subject to substantial fluctuations. Farmed salmon is a raw material, and it is therefore reasonable to assume that the market price in the foreseeable future will continue to follow a cyclical pattern. Supply and demand may from time to time become imbalanced for farmed salmon. The price cyclicity has historically been significant and may negatively affect the Company's revenues.

### *Feed costs*

Feed costs account for a significant proportion of total production costs within the salmon farming industry (about 50% of the total production cost in the sea), and fluctuations in feed prices could therefore have a major impact on profitability within the industry. Feed prices are affected both by the global market for fish meal and marine/animal/vegetable oils, and the fact that the feed industry is dominated by a small number of large, global producers.

### *Diseases*

The operation of fish farming facilities involves not inconsiderable risk with regard to disease. In case of an outbreak of serious disease, the farmer will, in addition to the direct loss of fish, incur substantial costs in the form of lost growth on biomass, accelerated harvesting, loss of quality of harvested fish and subsequent periodic reduced production capacity.

### *Retention of key personnel*

The Company's business and prospects depend to a significant extent on the continued services of its key personnel in various business areas.

### *Volatility of share price*

The Company's share price may experience substantial volatility. The trading price of the Shares could fluctuate significantly in response to quarterly variations in operation results, adverse business developments, interest rate changes, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors or changes to the regulatory environment in which the Company operates.

*Trade restrictions*

International trade restrictions from, e.g. the EU and Russia, may restrict the sale of salmon farmed in Norway.

*Environmental risk*

Fish farming is operated in open net cage systems located in marine environment and is hence exposed to changing weather conditions as well as pollution of open seas.

**1.9 Additional information**

The Company's articles of association is included as Appendix 1 to this Prospectus. The Company's annual reports for 2004, 2005 and 2006 are included as Appendix 2 – 4 in this Prospectus.

The Memorandum of Incorporation will be available for inspection at the Company's office for the life of this Prospectus.

## 2. Risk Factors

Before investing in the Company, investors should carefully consider all of the information contained in this Prospectus, and in particular the following risk factors, which may affect some or all of the Company's activities, the industry in which it operates and the securities being offered. The risk factors described below are not the only ones that will be faced by the Company. Other risks and uncertainties, including those not currently considered material by the Company's management, may impair the Company's business. The risk factors discussed below may materially adversely affect the business, financial condition, operating results or cash flow of the Company. The order in which risk factors appear is not intended as an indication of the relative weight or importance thereof. Such information is presented as of the date hereof and is subject to change without notice.

An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or a part of the investment. Such information is presented as of the date hereof and is subject to change, completion or amendment without notice.

### 2.1 Market Risks

#### 2.1.1 Prices

The Company's financial position and future development depend to a considerable extent on the price of farmed salmon, which has historically been subject to substantial fluctuations. Farmed salmon is a commodity, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern.

The balance between the total supply and demand for farmed salmon is a key parameter. Over-production may cause prices to decline, as was the case in 2001 – 2003. This could in turn have a significant impact on the Company's profitability and liquidity.

#### 2.1.2 Demand

The demand for farmed salmon is affected by a large number of factors, over which the Company has no control. A relative change in demand could lead to lower sales prices, which would have a negative impact on the Company's revenues and profits.

#### 2.1.3 Feed costs

Feed costs account for a significant proportion of total production costs within the salmon farming sector (about 50% of total production costs), and fluctuations in feed prices could therefore have a major impact on profitability within the industry. Feed prices are affected both by the global market for fishmeal and marine/animal/vegetable oils, and the feed industry is dominated by a small number of large, global producers. Natural limitations in the marine resource base could lead to global shortages of fish meal and oil for fish feed production. The feed producers have, however, come a long way in their efforts to replace some of the marine-based input factors with vegetable raw materials.

Prices for fishmeal and fish oil have recently risen to record high levels, pushed up by strong global demand for fishmeal and fish oil as a main ingredient in the production of fish feed, mainly driven by increased health consciousness of consumers, which have led to increased demand for seafood products.

#### 2.1.4 Health concerns and food safety issues

Perceived health concerns or food safety issues may have a negative impact on the reputation of farmed salmon, even if there is no direct risk to human health. Such concerns may consequently have a negative impact on the demand for farmed salmon. In the past various perceived health concerns, e.g. the PCB levels in farmed salmon, have attracted negative attention in the media. Although such concerns have decreased, new perceived health concerns or food safety issues relating to farmed salmon, which may arise in the future could affect the Company's ability to market and distribute the Company's products.

SalMar's products are for human consumption, and it is therefore of critical importance that attention and resources are dedicated to food safety. The product quality is subject to internal control, food authority monitoring programme and testing carried out by the Company's customers. Increased quality demands from customers and legislators in the future, may adversely affect the Company's results.

Guidelines and legislation with tougher requirements are expected. Hence, higher costs for the food industry (e.g. traceability, level of documentation, testing variables, etc.) are expected. This may impact the Company's activities.

## **2.2 Operational Risks**

Operational risk is largely reflected in budgets by means of estimates for mortality and the percentage of fish whose quality is down-graded in connection with primary processing. To a certain extent, certain extraordinary events are also taken into consideration. The salmon farming industry is associated with a high level of biological risk, and the Company aims to reduce that risk through the entire production cycle by means of systematic group-wide biosecurity auditing.

### **2.2.1 Disease**

Operation of fish farming facilities involves not inconsiderable risk with regard to disease. In the case of an outbreak of disease, the farmer will, in addition to the direct loss of fish, incur substantial costs in the form of premature harvesting, loss of quality of harvested fish and subsequent periodic reduced production capacity. Salmon farming has historically been through several periods with extensive disease problems. Common for all of these is that a solution has been found through breeding, better operating routines, increased know-how regarding the fish's biological requirements and the development of effective vaccines. During the 1990s the health situation in salmon farming improved dramatically. For example, the development of effective vaccines against the most important diseases, as well as generally better operating routines, have led to a reduction in antibiotic use of more than 99% in Norway. Antibiotic use in Norwegian salmon farming is now much lower than for intensive meat production, with which it is natural to make comparisons.

The economic importance of disease is measured in the form of waste percentages (mortality), reduced growth or reduced quality for the end product. In addition, disease entails suffering for the fish. The percentage of waste per generation varies, both between generations and producing countries/regions, but an average for the industry would be around 8-15% per generation. Over half of this is fish that is taken out of the sea before it reaches 500g, with correspondingly limited costs associated with it. Farmed fish are particularly vulnerable when they are released into the sea, since they are subject to stress and must become accustomed to a new environment. The risk of disease is reduced through high quality smolt, sound "husbandry", and the selection of good production sites.

Here follows a description of the most common diseases affecting the aquaculture industry in Norway and northern Europe in particular.

ISA (infectious salmon anaemia) is the disease which currently has the largest potential "downside" for the aquaculture industry in Norway, both in absolute terms and in relation to other diseases. Although there have been few outbreaks in recent years, if the disease is confirmed at a site it will prompt the compulsory slaughter of the entire stock under the provisions of national disease control plans. A production halt for the whole site may also be ordered. If this happens before the fish have reached marketable size (around 1.2 kg), the entire biomass will be destroyed. The virus, which is widespread in a number of wild marine fish species, was first discovered in Norway in 1984, and led to substantial losses of fish in and around 1990. The virus is also prevalent in Scotland, Ireland, the Faeroes, the east coast of Canada and the USA, and Chile.

The risk of an outbreak increases strongly with proximity to the source of infection, suboptimal operation, not allowing the facilities to lie fallow for an adequate length of time and poor quality smolt. There has been a significant geographic concentration of outbreaks in areas with a high density

of aquaculture facilities. The disease is subject to government control measures, with harvesting and fallow periods as the most important methods. Fish from an infected facility are transported to a processing plant for slaughter in a closed well boat and all waste from the slaughtering process is handled in order to avoid infecting neighbouring facilities. The fish itself represents no health risk for humans and is sold on the open market.

There hasn't been any outbreaks in Norway since January 2002. In the Faeroes an ISA epidemic broke out in 2001, spreading steadily until, by 2004, the industry had been brought to a virtual standstill. In Norway it is now possible to insure against the disease.

In Norway and the Faeroes the authorities have developed national control plans involving vaccination in high-risk areas. Effective vaccines have been approved by the European Commission and are ready for use. The Faeroes and Norway have the same statutory authority to use vaccinations to combat ISA. The crisis experienced by fish farmers in the Faeroes resulted in the European Commission sanctioning a project in which ISA vaccination is permitted as part of a carefully supervised field trial. All smolt that are transferred to the sea in the Faeroes are now vaccinated against ISA.

IPN (Infectious pancreatic necrosis) is a virus found throughout the world in a number of wild fish species, both in freshwater and in seawater. Previously, IPN was mainly considered a problem in salmon in freshwater, but since 1994 outbreaks in juveniles in seawater have been common. Vaccination is available, but it provides only partial protection and then only in the marine phase. IPN can still lead to substantial mortality in salmon fry. It is the general view today that IPN can mainly be prevented through a good water environment and a robust fish, as well as avoiding taking roe from facilities where IPN has been found. In addition, it is important to avoid stress and maintain good routines for hygiene in the facility. A promising new IPN vaccine is currently being tested in Scotland.

Caligus (cod lice) and Lepeophtheirus (salmon lice) are external parasites which can attack all fish species in seawater. In salmon production, lice infection leads to reduced health and growth for the fish, as well as additional costs for treatment and during harvesting. The parasite is treated with pharmaceutical de-licing agents or biologically by using sucker fish. The sucker fish is caught wild and released in the salmon cages, where it eats the lice directly from the fish. The control of lice in Norway, the UK and Canada is regulated by statutory measures, which, among other things, cover synchronised regional de-licing at the end of winter to protect the migrating wild smolt. In addition, requirements for systematic lice counting and boundary values through the summer have been established, in places where de-licing is to take place.

Heart and skeletal muscle inflammation (HSMI) has occurred sporadically in southern Norway in recent years. The disease affects fish in the first half of the marine phase, with reduced growth and moderate mortality rates being the most important loss factors. It is assumed that the disease is infectious and therefore may be combated through vaccination.

Pancreas disease (PD) is another viral disease that is frequently diagnosed in Norway, Scotland and Ireland. The disease became more widespread in Norway through 2005. PD virus can occur in the spring or autumn at any fish size. It attacks heart and skeletal muscle and pancreatic tissue. Mortality may vary from 0 – 15%, but more important is the chronic damage imparted on the survivors in terms of reduced growth capacity and scars in skeletal muscle. These scars appear as patches of depigmentation and make the product unsuitable for smokehouses. A PD vaccine is available, but it provides only limited protection. The disease is fought in the same manner as HSMI above.

### *2.2.2 Production related disorders*

As the aquaculture industry has evolved and developed, the biological limits for how fast fish can grow have also been challenged. As with all other forms of intensive food production, a number of production-related disorders arise, i.e. disorders caused by intensive farming methods. As a rule, such disorders appear infrequently, but certain populations can be severely affected. The most important production-related disorders relate to physical deformities and cataracts. These invariably cause

financial loss by way of reduced growth and inferior health, reduced quality on harvesting and damage to the industry's reputation. Research has shown that deformities can be caused by

- a. Excessively high temperatures during the fish's early life.
- b. Too little phosphorous in the diet.
- c. Light management to speed up the rate of growth, particularly in combination with b.
- d. Acidic water, as well as too much carbon dioxide in the water during the freshwater phase.

Exceedingly rapid growth in the freshwater phase is unnatural for the salmon. In the marine phase salmon has evolved to grow rapidly. However, growth should ideally be steadily incremental, allowing all tissue types to develop in parallel.

### 2.2.3 *Algae*

Of the approximately 4,000 described types of algae in the world, approximately 75 have been identified as harmful to living marine organisms. Algae represent a risk in fish farming because the fish in the cages cannot escape as they normally would in the wild. Algae kill fish through three main mechanisms:

- A local concentration of algae becomes so dense that the amount of available oxygen falls dramatically. The fish die from a lack of oxygen.
- Algae which are basically harmless irritate the gills of the fish and in high concentrations can cause them to close completely, which results in asphyxiation. This particularly affects smaller fish.
- Algae which, under certain environmental conditions or as a function of high concentration levels, produce algae toxins which have a neurotoxic effect on the fish.

Blooms of noxious algae are largely dependent on local marine and weather conditions. Generally, algae have from time to time led to losses at individual sites, and represent a general threat to any open net cage facility.

It should be noted that algae hitherto has not represented a problem in the areas where the Company operates.

### 2.2.4 *Other operational risks*

The rate at which farmed salmon grows depends, among other things, on weather conditions. Unexpected warm or cold temperatures can have a significant negative impact on growth rates and feed consumption.

SalMar's facilities are located in areas where the weather conditions are well known and the facilities well secured, though other weather conditions, such as storms or floods, could also lead to unexpected losses at facilities.

The Company does not tolerate the escape of farmed salmon. Procedures and new technological solutions in this respect are constantly monitored.

Terrorism is a term applied to considerably more serious problems than aquaculture. However, it cannot be denied that environmental organisations exist, both in Europe and North America, whose aim is to abolish all fish farming. The degree of fundamentalism varies from group to group, and the majority limit themselves to spreading disinformation and untruths about fish farming in general. However, a certain risk of bioterrorism (i.e. damage to production facilities with the intention of hurting both the Company and the industry in general financially and/or exposing it to negative media coverage) cannot be ruled out.

### 2.2.5 *Retention of key personnel*

The Company's business and prospects depend to a significant extent on the continued services of its key personnel in its various business areas. Financial difficulties and other factors could negatively

impact the Company's ability to retain key employees. The loss of any of the members of its senior management or other key personnel or the inability to attract a sufficient number of qualified employees could adversely affect its business and results of operations.

### **2.2.6 Operational risks in brief**

The farming of salmon is still a very young industry. Considerable capital and efforts have been and still are being invested to build up expertise and fund research, and these efforts have largely produced very good results. All the factors listed above have been addressed proactively and, with few exceptions, sound and effective solutions have been found: solutions which secure the basis for cost-effective operations, at the same time as ensuring good animal health. New problems will however, undoubtedly emerge to test the Company's expertise.

The basis for all biological production will, however, be proximity to the living animal, an understanding of how the biological processes function and a fundamental respect for these.

Disease-prevention and practical efforts to improve the fish's living conditions are now being heavily emphasised. It is the belief and intention of the Company's Board of Directors and Management that this will contribute to SalMar remaining a best-in-class producer. The Company is highly motivated to continually address these issues.

## **2.3 Risk Factors relating to the Shares**

### **2.3.1 Volatility of share price**

The Company's share price may experience substantial volatility. The trading price of the Shares could fluctuate significantly in response to variations in operation results, adverse business developments, interest rate changes, changes in financial estimates by securities analysts, matters announced in respect of major customers or competitors or changes to the regulatory environment in which the Company operates.

The market price of the Shares could decline due to sales of a large number of Shares in the Company in the market or perception that such sales could occur. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and at a price that are deemed appropriate.

### **2.3.2 Shareholders not participating in future offerings may be diluted**

Unless otherwise resolved or authorised by the general meeting, shareholders in Norwegian public companies such as the Company have pre-emptive rights proportionate to the aggregate amount of the shares they hold with respect to new shares issued by the Company. For reasons relating to US securities laws (and the laws in certain other jurisdictions) or other factors, US investors (and investors in such other jurisdictions) may not be able to participate in a new issuance of shares or other securities and may face dilution as a result.

## **2.4 Other risks**

### **2.4.1 Regulatory framework**

SalMar's aquaculture business is subject to a comparatively extensive statutory framework. In addition, there are detailed limits and requirements relating to saleability and quality. International and multilateral trading agreements regulate saleability and market access for the Company's products. These agreements are administered by authorities, organisations and agencies outside the Company's control. Changes in the regulatory framework detailed in trading agreements, legislation and regulations, could affect the basis on which Company operates and thus also the Company's ability to produce and sell its products profitably in the markets where the Company operates (see section 12.3 and 12.4.1 for further information on current agreements relating to the export of salmon to the EU). Furthermore, the authorities' management of licensing terms and conditions could have an impact on production capacity.

#### *2.4.2 Restrictions on international trade*

Participants in the fish farming industry operate in highly regulated markets in which price levels and production volumes are closely monitored and at times significantly restricted. Since important production locations of the Company are located outside its principal geographical markets, the Company is subject to the effect of international trade regulations and disputes. The European Commission has, for example, since 1996, had in place a series of provisional anti-dumping measures on farmed salmon originating in Norway in order to reduce the volume of Norwegian farmed salmon for sale in the European market, and thus protect the Scottish and Irish salmon farming industries. Following an extensive investigation the European Commission announced on 17 February 2006 that it had adopted definite anti-dumping measures in the form of a minimum import price for Norwegian salmon at EUR 2.80 per kilo for whole fish (fresh, chilled or frozen). In addition, in 1991 the U.S. imposed a special tax on gutted salmon from Norway, which was reviewed and upheld in 1999. Additionally, ongoing disputes between Norway and Russia over imports of Norwegian salmon into Russia may also have an adverse impact on the value of the Company's exports of Norwegian salmon to Russia. Such monetary trade barriers and other non-monetary barriers, including extensive public health requirements, imposed in the future on sales of salmon originating from Norway or other production locations by countries into which the Company sells its products, could have a material adverse effect on the Company's business, operations and financial condition.

#### *2.4.3 Economic developments*

Exports account for a considerable proportion of the Company's total sales. Lower economic growth or a downturn in the Company's main export markets could have a negative effect on the Company's business and profitability. This could take the form of reduced demand, losses on receivables resulting from customers' inability to pay their debts, etc. Furthermore, changes in consumer habits and patterns of consumption could affect demand for fish in the Company's main markets. This could have a negative impact on the Company's sales and profitability.

#### *2.4.4 Financial risk*

The Company's future development and growth may depend on access to external capital, in the form of loans and/or equity capital. A lack of access to such capital or material changes in the terms and conditions relating to the same, could limit the Company's future growth and strategy. There is no guarantee that the share capital increase described in this Prospectus will be sufficient to avoid such loan and capital requirements in the future.

#### *2.4.5 Currency and interest rate risk*

One of SalMar's main objectives is to minimise the Company's total foreign exchange and interest rate exposure.

The foreign exchange risk which is generated in the Norwegian business through the sale of products abroad is covered by hedging instruments and financing in the currencies that reflect the markets which the Company sells to. The Company is considering hedging its net foreign exchange exposure, which, to a large degree, reflects variations in sales volumes and prices, by means of forward contracts or currency options.

#### *2.4.6 Insurance*

The Company maintains a level of insurance cover on its production facilities and fish stocks that is in line with industry standards. The structure of such cover and the premiums payable are different for fry facilities and marine farming facilities. Insurance will primarily act as catastrophe coverage. All such coverage involves a significant deductible in the form of an insurance excess or requirements regarding mortality per net cage or site. There will always be a risk that certain events may occur for which only partial or no indemnity is payable. Coverage may, moreover, be dependent on the insurance value of the fish, which may be at positive or negative variance with their book value. Situations may arise in which it is difficult, for longer or shorter periods of time, to obtain insurance coverage for known and unknown fish diseases at premiums which are considered commercially viable. In such situations the Company may have to self-insure.

#### *2.4.7 The impact on the environment from operations*

The operation impact on the environment is linked to discharge of organic material (feces from fish and over-feeding), the fish population potential shedding of sealice, and the risk of fish escape. The tangible risk associated with discharge of organic material is thoroughly assessed during consent application of sites to governmental bodies. The recipient capacity must adhere to the planned biomass on site. Secondly, benthic sampling are undertaken on a yearly basis to ensure compliance with recipient capacity and tolerance. Between each production cycle following of the sites basis to ensure compliance with recipient capacity and tolerance. Between each production cycle following of the sites is mandatory. Sealice is closely monitored, reported, and treated in line with national contingency plans. Under the provision that the Company adhere to legislation, there is no risk to become liable for shedding sealice from fish farms.

### **3. Statement of Responsibility**

#### **3.1 Responsibility Statement**

The Board of Directors of SalMar ASA is responsible for the information of this Prospectus and is also responsible for meeting the requirements for the content and format of this Prospectus.

The members of the Board of Directors of SalMar ASA confirm that to the best of their knowledge, after having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

Kverva/Oslo, 17 April 2007

The Board of Directors of SalMar ASA

Bjørn Flatgård (chairman)

Synnøve G. Ervik

Gustav Witzøe

Anne Strøm Nakstad

Øystein Stray Spetalen

Bjørn Ivan Espenes

#### **3.2 Third-party information**

The information in this Prospectus that has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All information included herein as provided by Kontali Analyse, has been produced at the Company's request when preparing this Prospectus. This information is included in this Prospectus with Kontali Analyse's expressed consent.

## **4. Cautionary note regarding forward-looking statements**

Certain statements in chapter 1 “Executive Summary”, chapter 2 “Risk Factors”, chapter 6 “Presentation of SalMar”, chapter 7, “The market for farmed salmon”, and elsewhere in this Prospectus are forward-looking. Such forward-looking statements and information are based on the beliefs of the Company’s Management or assumptions based on information available to the Company. When used in this document, the words “anticipate”, “believe”, “estimate” and “expect” and similar expressions, as they relate to the Company or its Management, are intended to identify forward-looking statements. Such forward-looking statements reflect the current views of the Company or its Management with respect to future events and are subject to certain risks, uncertainties and assumptions. The Company can give no assurance as to the correctness of such forward-looking statements. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, risks or uncertainties associated with the Company’s products, technological development, growth management, relations with customers and, more generally, general economic and business conditions, changes in domestic and foreign laws and regulations (including those of the European Union), taxes, changes in competition and pricing environments, and other factors referenced in this document. Some of these factors are discussed in more detail under chapter 2 “Risk Factors”. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this document as anticipated, believed, estimated or expected. Except as required by applicable law, the Company does not intend, and does not assume any obligation, to update the forward-looking statements included in this Prospectus as at the date hereof.

## 5. Terms of the Offering

### 5.1 Purpose of the Listing and background for the Offering

The main purpose of the Listing is to facilitate the further growth and development of the Company. As a listed company, SalMar will have better access to the equity capital markets to raise further equity, and the Listing will simplify the use of its Shares as consideration in mergers and acquisitions.

The main purpose of the Offering is to obtain a sufficient number of new shareholders to qualify for a listing on Oslo Børs as well as to obtain funding for further growth.

### 5.2 Overview of the Offering

Through the Offering the Company offers to issue 3,000,000 Offer Shares on the terms and subject to the conditions described in this Prospectus. The Offering has been guaranteed fully subscribed by an underwriting syndicate, see section 5.7.2.

The Offering will be structured as:

- a Public Offering of 2,600,000 Offer Shares at a subscription price of NOK 39 per Offer Share divided into an institutional offering of 2,000,000 Offer Shares towards institutional investors in Norway and certain other jurisdictions subject to a minimum subscription of 25,000 Offer Shares (the “Institutional Offering”), and a public offering of 600,000 Offer Shares at a subscription price of NOK 39 to the retail segment in Norway subject to a minimum subscription of 400 Offer Shares (equal to two round lots (in Norwegian: one “børspost”)) (the “Retail Offering”); and
- an offering of up to 400,000 Offer Shares at a subscription price of NOK 36 per Offer Share to the Company’s Employees subject to a minimum subscription of 200 Offer Shares and a maximum subscription of 2,400 Offer Shares (the “Employee Offering”).

Offer Shares not subscribed for in the Employee Offering will be offered and subscribed for in the Public Offering.

This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Offer Shares in any jurisdiction in which such offer or sale would be unlawful. No one has taken any action that would permit a public offering of Shares to occur outside of Norway.

The Offering towards the retail segment will be marketed only in Norway. The Offering towards institutional investors and other professional investors will be marketed in Norway and in certain other jurisdictions. For a description of the guidelines for allotment of the Offer Shares, see section 5.11, “Allocation of Offer Shares in the Offering”.

### 5.3 Share Capital prior to the Offering

The Company’s share capital as of the date of this Prospectus is NOK 25,000,000 divided into 100,000,000 Shares, each with a par value of NOK 0.25. The share capital has been paid in full.

### 5.4 Increase of Share Capital in connection with the Offering

The Board of Directors of SalMar was authorised to increase the share capital of the Company with up to NOK 12,500,000 by issuance of up to 50,000,000 shares, each with a par value of NOK 0.25 at the ordinary general meeting on 21 March 2007, please see section 10.2 for a more detailed description of the authorisation.

Based on this authorisation the Board of Directors made the following resolution to increase the Company’s share capital at a board meeting on 17 April 2007:

1. *The share capital shall be increased by NOK 750,000 by issuance of 3,000,000 shares, each with a par value of NOK 0.25.*
2. *Up to 400,000 of the shares to be issued shall be offered to the Company's eligible employees (the "Employee Offering"), while the remaining 2,600,000 shares will be offered to professional and institutional investors (the "Institutional Offering"), and to retail investors in Norway (the "Retail Offering") through a public offering (the "Public Offering"). Reserved shares not subscribed for or allotted in the Employee Offering, will be offered to investors in the Public Offering.*
3. *The subscription price for each share shall be NOK 39 per share in the Public Offering NOK 36 in the Employee Offering.*
4. *The lower limit for subscription in the Retail Offering is 400 shares. The lower limit for subscription in the Institutional Offering is 25,000 shares while the lower limit in the Employee Offering is 200 shares. Additional allotment criteria shall be determined by the Company's Board of Directors.*
5. *The preferential rights of the existing shareholders are set aside in accordance with Section 10-5 of the Public Limited Companies Act.*
6. *Subscription of the shares in the Public Offering and Employee Offering shall take place from and including 19 April 2007 to and including 26 April 2007. The investors who have guaranteed full subscription of the Offering will be allowed to subscribe for shares which have not been subscribed for after the expiry of the subscription period and up to 3 May 2007. The Board of Directors may resolve to extend the subscription period.*
7. *Subscription of the shares shall take place on a specific subscription form.*
8. *Payment of the subscription amounts shall be made to a bank account established for this purpose no later than 3 May 2007.*
9. *The aggregate share premium shall be allocated to the Company's share premium fund after deductions of the cost in connection with the share capital increase.*
10. *The new shares shall be entitled to dividend as from the date of registration of the share capital increase in the Norwegian Register of Business Enterprises ("Foretaksregisteret").*
11. *Shares not subscribed for and allotted in the Public Offering and in the Employee Offering are guaranteed fully subscribed for by guarantors pursuant to a subscription guarantee agreement for a guarantee fee of 1% of the guaranteed amount.*
12. *Completion of the Public Offering and the Employee Offering is conditional upon that the Board of Directors of Oslo Børs approves the listing of the Company's shares at its board meeting on 25 April 2007 and that any conditions set are met.*
13. *Article 4 of the Articles of Association shall be amended to read as follows:*  
  
*"§ 4  
The Company's share capital is 25,750,000 divided into 103,000,000 shares, each with a par value of NOK 0,25. The shares shall be registered in VPS".*

The purpose of the Offering is inter alia to obtain a sufficient number of new shareholders to qualify for a listing on Oslo Børs as well as to obtain funding for the purposes described in 5.1, "Purpose of the Listing and Background for the Offering". Consequently, it is necessary for the Board to use its authorisation to waive the existing shareholders' pre-emption rights in the Offering.

## 5.5 Share Capital after the Offering

The Company's share capital after the completion of the Offering will be NOK 25,750,000 divided into 103,000,000 Shares, each with a par value of NOK 0.25.

## 5.6 Dilution

The percentage of immediate dilution resulting from the Offering for SalMar shareholders is expected to amount to approximately 2.91%.

## 5.7 The Offering – Share price and offer period

The Offering will be structured as a Public Offering and an Employee Offering.

The Public Offering will be structured as a public offer of Offer Shares to institutional investors and other professional investors in Norway and certain other jurisdictions and an offer to retail investors in Norway, and will initially comprise of 2,600,000 Offer Shares, of which 2,000,000 Offer Shares are reserved for allocation in the Institutional Offering, and 600,000 Offer Shares are reserved for the Retail Offering. The number of Offer Shares in the Public Offering will in addition comprise offered Shares not subscribed for in the Employee Offering. Subscriptions from investors outside Norway will only be accepted in the Institutional Offering and only if the Manager is satisfied that the subscription is not in violation of the laws of any jurisdiction.

The minimum subscription in the Retail Offering is 400 Offer Shares, corresponding to two round lots. The minimum subscription in the Institutional Offering is 25,000 Offer Shares.

The Employee Offering will comprise of up to 400,000 Offered Shares. The minimum subscription in the Offering is 200 Offer Shares, corresponding to one round lot and the maximum subscription is 2,400 Offer Shares. Allocation in the Retail Offering will depend on how long Eligible Employees have worked for the Company. See section 5.7.4 for more details regarding the Employee Offering.

### 5.7.1 Subscription Price

The Subscription Price in the Public Offering has been set at NOK 39 per Offer Share by the Board after consultation with the Manager.

The Subscription Price has been determined on the basis of an overall evaluation, including the Company's historical and expected earnings and future market prospects and a comparison of these factors with the market valuation of comparable companies, the expected demand for Offer Shares as well as a wider assessment of the stock market in general.

The Subscription Price in the Employee Offering has been set at NOK 36 per Offer Share. See also section 4.7.4.

### 5.7.2 Underwriting Syndicate

An underwriting syndicate, which guarantees for the subscription of up to 3,000,000 Offer Shares, corresponding to an underwritten amount of NOK 117 million, has been established by First Securities.

The underwriting syndicate will receive an underwriting fee of 1% of the underwritten amount. The underwriting fee is to be covered by the Company.

The participants in the underwriting syndicate are listed in the table below.

#### UNDERWRITING SYNDICATE IN THE OFFERING

<b>Name:</b>	<b>Address:</b>	<b>City/country:</b>	<b>Amount (NOK):</b>
Kverva Holding AS		7266 Kverva, Norway	97 500 000
Simask AS	Sjølyst plass 2	0278 Oslo, Norway	19 500 000
<b>Total:</b>			<b>117 000 000</b>

According to the underwriting agreement entered into around 17 April 2007, each underwriter is pro rata responsible for subscribing for the new Shares as set out in the table above. The underwriting obligation does not include a guarantee for the payment for the Shares subscribed and allocated in the Offering. The underwriting commitment will be reduced by the amount subscribed for and allocated to other Investors than the underwriters in the Offering. Each underwriter's commitment will be further reduced on a share for share basis for the number of Shares subscribed for and allocated to the underwriter in the Offering.

The underwriters' obligations expire upon the earlier of (i) payment from the underwriters according to their underwriting commitment, or (ii) the Offering being fully subscribed and allocated. The underwriters' obligations will in any event expire in the event that the Underwriter has not been notified of any allocation under the underwriting agreement within 16:30 hrs, Norwegian time, on 30 May 2007.

### 5.7.3 *Subscription Period*

The Subscription Period in the Offering will last from and including 19 April 2007 to 16:30 hrs (Norwegian time) on 26 April 2007. All subscriptions in the Institutional Offering must be made on the Subscription Form attached as appendix 7 and all subscriptions in the Retail Offering must be made on the Subscription Form attached as appendix 6. All subscriptions in the Employees Offering must be made on a separate Employee Subscription Form in order to be entitled to the employee discount. Subscription Forms together with this Prospectus can be obtained from the Manager or on the following Internet site: [www.first.no](http://www.first.no). Multiple subscriptions are not allowed. Properly completed Subscription Forms must be received by the Manager by 16:30 hours (Norwegian time) on 26 April 2007. Subscription Forms that are incompletely or incorrectly completed, or which are received after the expiry of the Subscription Period, may be disregarded without further notice to the Investor. The Investor bears the risk of any delay in the postal communication, busy fax lines and data problems preventing Subscription Forms from being received by the Manager.

The Manager reserves the right to extend the Subscription Period at any time, provided that the Subscription Period may not be extended beyond 10 May 2007. Any such extension of the Subscription Period will be announced through the information system of Oslo Børs. A decision to extend the Subscription Period will be announced no later than 14:00 hrs (Norwegian time) on the last day of the Subscription Period.

In the event of an extension of the Subscription Period, the allocation date, payment date, date of delivery of Offer Shares, Listing and first day of trading will be extended correspondingly.

**Any subscription in the Offering is irrevocable and legally binding on the subscriber once received by the Subscription Office or made over the Internet.**

### 5.7.4 *Employee Offering*

Employees of the Company and the Company's subsidiaries, which have been acquired 100% more than 6 months prior to the start of the subscription period, who have worked for the Company or for the Company's subsidiaries after the acquisition, for a minimum of 6 months prior to the start of the Subscription Period (the "Eligible Employees"), will be invited to participate in the Employee Offering. Eligible Employees will be entitled to subscribe for and be allocated Shares based on how long they have worked for the Company. Eligible Employees will be able to subscribe for Shares as follows:

<b>Length of employment:</b>	<b>May subscribe for and be allocated:</b>
8 years or more	maximum 12 round lots (2,400 shares)
>= 5 to < 8 years	maximum 8 round lots (1,600 shares)
6 months to < 5 years	maximum 4 round lots (800 shares)

For the employees of the subsidiaries the length of employment is counted from the date the subsidiaries was acquired 100% by the Company.

The minimum subscription in the Employee Offering is one round lot, i.e. 200 Offer Shares.

Employees subscribing for Offer Shares must use a subscription form designated for the employees in order to participate in the Employee Offering. Subscriptions must be made in whole round lots, and the minimum subscription for Eligible Employees is one round lot. Allocations will be made in round lots. Oversubscription is not allowed in the Employee Offering.

The Subscription Price in the Employee Offering has been set at NOK 36 per Offer Share by the Board, and represents a discount of approximately 7.7% to the Subscription Price set in the Public Offering. Any discount in excess of NOK 1,500 is subject to salary income taxation, please see section 11.1.4 for further details.

All subscribers in the Employee Offering must have a valid VPS account in order to subscribe for shares. If an employee who have subscribed for Shares in the Employee Offering, does not have a valid VPS account at the time of payment, the Board reserves the right to cancel the subscription.

A total of 400,000 Offer Shares have been reserved for allocation in the Employee Offering. If the Employee Offering is not fully subscribed, the remaining Offer Shares will be allocated among subscribers in the Public Offering based on the allocation principles described in section 5.10, "Allocation of Offer Shares in the Offering".

#### *5.7.5 Subscriptions by major shareholders or the Company's Management*

The Company does not have any indication as to whether any of the Company's major shareholders (other than possibly under the underwriting guarantee), members of the Company's Management, supervisory or administrative bodies intend to subscribe in the Offering. Neither has the Company any indication as to whether any investor intends to subscribe for more than 5% of the Offering. The Company's Management may subscribe for Offer Shares in the Employee Offering.

### **5.8 Subscription Office**

The Subscription Office in the Offering is:

First Securities ASA  
Fjordalléen 16, Aker Brygge  
P.O. Box 1441 Vika  
NO-0115 Oslo  
Norway  
Telephone: +47 23 23 80 00  
Fax: +47 23 23 80 11

Norwegian subscribers in the Public Offering can also apply for Offer Shares through the Internet at the address [www.first.no](http://www.first.no) where they will be able to download this Prospectus and the attached Subscription Form once they have confirmed that they reside in Norway and have a valid VPS account.

### **5.9 Conditions for completion of the Offering**

The completion of the Offering is conditional upon that the Board of Directors of Oslo Børs approves the listing of the Company's shares at its board meeting on 25 April 2007 and that any conditions set are met. If the admission to listing is declined, the Offering will be withdrawn and Investors will no longer be bound by their subscription for Offer Shares in the Offering.

### **5.10 Allocation of Offer Shares in the Offering**

The Board, in collaboration with the Manager, will determine the allocation of Offer Shares in the Public Offering.

No Shares have been reserved for any specific national market, but the Retail Offering will only be marketed in Norway.

In the *Institutional Offering*, the Board will determine the allocation of Offer Shares after consultation with the Manager. An important aspect of the allocation principles is the desire to create an appropriate long-term shareholder structure for the Company. The allocation principles will, in accordance with normal practice for institutional placements, include factors such as marketing participation and feedback, relative order size and sector knowledge. The Company and the Manager further reserve the right, at their sole discretion, to take into account the credit-worthiness of any subscriber. The Company and the Manager may set a maximum allocation to any subscriber.

In the *Retail Offering*, no allocation will be made for a number of Shares less than 400, which is expected to represent two round lots. For the part of subscriptions exceeding 400 Shares, allocations will be made on a pro rata basis using the VPS automated standard allocation procedure. Smaller subscriptions may be given a larger relative allotment than larger subscriptions, due to the minimum allocation of two round lots. The Company will as far as possible seek to allocate the Offer Shares in whole round lots. In the event of oversubscription, allocations for the part of the subscriptions exceeding the minimum allocation of 400 Shares per subscriber, will be reduced. Reductions will be made on a pro rata basis, but the Company will seek to allocate the Offer Shares in whole round lots as far as possible. In the event that further reductions need to be made, the Company reserves the right to limit the total number of Investors to whom Shares will be allotted if it deems this to be necessary in order to keep the number of shareholders in the Company at an appropriate level. If the Company should decide to limit the total number of Investors to whom Offer Shares will be allocated, the identity of the Investors to whom Shares will be allocated will be determined by drawing lots or applying similar mechanisms.

See section 5.7.4 for the allocation principles in the Employee Offering.

The allocation of Offer Shares will take place after the expiry of the Subscription Period and is expected to take place on or about 30 April 2007, and notifications of the allocation will be issued to all subscribers on or about 30 April 2007. General information on allocation in the Offering will be published pursuant to Section 5.15, "Publication of information in respect of the Offering". Investors who want to know their precise allotments from the morning of 2 May 2007 may contact the Manager. Those with access to investor services through their VPS account manager will be able to check the number of Shares that have been allotted to them from and including 2 May 2007. Upon an extension of the Subscription Period, the indicated dates will be adjusted accordingly.

### **5.11 Payment and Delivery of the allocated Offer Shares in the Offering**

Each investor applying for Offer Shares in the Retail Offering and the Employee Offering will by signing the Subscription Form give the Manager a one-time authorisation to charge a specified bank account for the payment amount for the number of Offer Shares the person is allotted. The specified bank account is expected to be debited on or around 3 May 2007. Please note that it typically takes at least one business day to transfer money from one Norwegian bank account to another (international bank transfers may take a longer period to complete). The allocated Offer Shares are expected to be delivered on or about 8 May 2007. There must be cover for the full amount on the specified bank account before it can be debited. Subscribers who do not have a bank account in Norway must contact the Manager well ahead of the payment date in order to arrange for payment by other means as the Manager may instruct.

Payment in the Institutional Offering will take place on or about 3 May 2007. Subscribers in the Institutional Offering must be made in accordance with payment instructions which will be detailed in the allocation letters.

If payment for allocated Offer Shares is not made when due, the Offer Shares will not be delivered to the Investor. The Company and the Manager reserve the right to cancel the allotted Offer Shares or re-allot, sell or otherwise dispose of all or parts of the allocated Offer Shares on such terms and such manner as the Company and the Manager may decide in accordance with Section 10-12 fourth paragraph cf. 2-13 third and fifth paragraph of the Public Limited Companies Act. The Investor will be liable for any loss, cost and expenses suffered or incurred by the Company or the Manager as a result of or in connection with such disposal.

The original subscriber will remain liable for payment of the entire amount due plus accrued interest and costs incurred, and the Company may enforce payment of any such amount outstanding. Interest will accrue on late payments at the applicable rate on overdue payment at the date of this Prospectus is 10.5% per annum.

### **5.12 The rights conferred by the Offer Shares**

The Offer Shares may not be transferred until they have been fully paid for and the share capital has been registered in the Norwegian Register of Business Enterprises. Such registration is expected to take place on or about 7 May 2007.

The Offer Shares will carry full shareholders' rights in the Company from the time of registration of the share capital increase with the Norwegian Register of Business Enterprises. The Offer Shares carry right to dividends, if any, from the time the share capital increase has been registered in the Norwegian Register of Business Enterprises. Each Offer Share will confer the right to one vote at the Company's general meetings. For a further description of rights attaching to Shares in the Company, see chapter 10, "Share capital and shareholder matters" of this Prospectus.

### **5.13 Listing application**

The Board of SalMar has filed an application for the admission to trading of the Shares on Oslo Børs. The Company expects the application to be considered at Oslo Børs' board meeting 25 April 2007. If the application is approved, and barring unforeseen circumstances, the first day of trading for the Shares on Oslo Børs is expected to be on 8 May 2007. The Shares are expected to trade in round lots of 200 Shares under ticker symbol "SALM".

The Shares are not listed, and no application has been filed for listing, on any other stock exchange or authorized market place than Oslo Børs.

### **5.14 Publication of information in respect to the Offering**

The Shares are expected to be listed on Oslo Børs after the completion of the Offering. In addition to press releases on the Company's web site, SalMar intends to use the Oslo Børs information system to publish information in respect to the Offering, such as any changes in the Subscription Period, allotment percentages and first day of trading on Oslo Børs.

The result of the Offering is expected to be published on or about 2 May 2007.

### **5.15 Gross proceeds from the Offering**

The gross proceeds from the Offering to the Company will be minimum NOK 115.8 million and maximum NOK 117 million.

### **5.16 VPS Registration**

The Offer Shares will be registered in the Norwegian Central Securities Depository (VPS) with the securities number ISIN no. 001 0310956, which is the same as the Shares in the Company issued prior to the Offering. The Offer Shares will be issued pursuant to the Norwegian Public Limited Companies Act.

The Company's account manager is Nordea Bank Norge ASA, Issuer Service.

### **5.17 Manager**

The Offering is being managed by First Securities ASA, Fjordalléen 16, P.O. Box 1441 Vika, 0115 Oslo, Norway, tel. +47 23 23 80 00/fax: +47 23 23 80 01.

As of the date of the Prospectus neither First Securities nor any employees of First Securities own any Shares in SalMar.

### **5.18 Legal counsel and auditors**

Wiersholm, Mellbye & Bech, advokatfirma AS, Ruseløkkvn. 26, Postboks 1400 Vika, 0115 Oslo, has acted as the Company's legal counsel in connection with the Offering and the Listing on Oslo Børs.

PricewaterhouseCoopers, Beddingen 10, 7492 Trondheim, has been the Company's auditor in connection with the Offering.

The Company's auditor is Systemrevisjon AS.

### **5.19 Costs**

Provided that the Public Offering and the Employee Offering are fully subscribed, the estimated transaction costs for the Company related to the Initial Public Offering will be approximately MNOK 3.9, meaning that the net proceeds of the Share Issue will be up to approximately NOK 111.9.

No expenses or taxes are charged to the subscribers in the Offering by the Company or the Manager.

### **5.20 Mandatory anti-money laundering procedures**

The Offering is subject to the Norwegian Money Laundering Act No. 41 of 20 June 2003 and the Norwegian Money Laundering Regulations No. 1487 of 10 December 2003 (collectively the "Anti-Money Laundering Legislation").

All subscribers who are not registered as existing customers with the Manager must verify their identity to the Manager in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Subscribers that have designated an existing Norwegian bank account and an existing VPS-account on the Subscription Form are exempted, provided the aggregate subscription price is less than NOK 100,000, unless verification of identity is requested by the Manager. The verification of identification must be completed prior to the end of the Subscription Period. Investors that have not completed the required verification of identification will not be allocated Shares.

Further, in participating in the Offering, each subscriber must have a VPS account. The VPS account number must be stated on the Subscription Form. VPS accounts can be established with authorised VPS registrars, which can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the Norwegian Ministry of Finance. Establishment of VPS account requires verification of identification before the VPS registrar in accordance with the Anti-Money Laundering Legislation.

## 5.21 Time-table for the Offering

The following table sets forth the approximate time-table for the Offering and the Listing of the Company's Shares at Oslo Børs.

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First day of the subscription period:	19 April 2007
Meeting at the Board of Oslo Børs:	25 April 2007
Last day of the subscription period:	26 April at 16:30 hrs. Norwegian time
Allocation:	30 April 2007
Notification of allocation:	30 April 2007
Settlement:	3 May 2007
Registration of the Offering in the Norwegian Register of Business Enterprises:	7 May 2007
Delivery of allocated Offer Shares to subscribers:	8 May 2007
First day of trading at Oslo Børs:	8 May 2007

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## 6. Presentation of SalMar

SalMar is one of the world's largest salmon producers. The Company operates 46 ordinary licences for marine production of Atlantic salmon in Norway; 37 licences in SalMar Farming AS located in the Company's principal producing region in Mid-Norway (Trøndelag, Nord-Møre) and 9 licences in Troms through SalMar's wholly owned subsidiary Senja Sjøfarm AS. In addition, SalMar owns 50% of Norskott Havbruk AS, which owns 100% of Scottish Sea Farms Ltd. Scottish Sea Farms is Great Britain's second-largest salmon farmer with production capacity in excess of 25,000 tonnes gutted weight. SalMar also operates a comprehensive VAP activity, co-located with the Company's main office at Frøya in Sør-Trøndelag.

### 6.1 History

Set out below is a summary of the main events and milestones in the development of the Company.

1991	<ul style="list-style-type: none"> <li>- The Company is established / incorporated by Kverva Holding AS (majority-owned by Gustav Witzøe) and Måsøval Fiskeoppdrett AS.</li> <li>- The start-up was based on one farming licence and a small processing plant acquired from the bankruptcy estate of Nordskagfisk AS (which originally produced / processed wild catch).</li> <li>- Initial business proposition: Processing of farmed salmon based on frozen raw materials (The FOS<sup>2</sup> bankruptcy; 37,460 tonnes of frozen salmon).</li> <li>- Operating income NOK 25.1 million, result before tax NOK -0.5 million.</li> </ul>
1992	<ul style="list-style-type: none"> <li>- Increased processing production, as well as the acquisition of 2 local farming licences.</li> <li>- The reason for acquiring farming licences was originally to secure raw materials as input for VAP production, as the stocks of FOS frozen fish were largely exhausted.</li> <li>- Operating income NOK 51.7 million, result before tax NOK 1.0 million.</li> </ul>
1995	<ul style="list-style-type: none"> <li>- SalMar enters smolt/fry production (upstream integration) through the purchase of Follasmolt and the management and leasing agreement for Kjørsvik Settefisk.</li> <li>- Operating income NOK 153.5 million, result before tax NOK 14.7 million.</li> </ul>
1996	<ul style="list-style-type: none"> <li>- Total of 9 licences 100% owned in 1996.</li> <li>- Decided to invest in increased processing capacity; entered into an agreement with SIVA to build the current facility at Kverva (SIVA Frøya AS).</li> <li>- Leif Inge Nordhammer appointed managing director.</li> <li>- Operating income NOK 144.6 million, result before tax NOK 5.1 million.</li> </ul>
1997	<ul style="list-style-type: none"> <li>- New processing plant completed in August.</li> <li>- Kverva Holding became the sole owner of SalMar.</li> <li>- Total production volume, farming: 8,043 tonnes live weight.</li> <li>- Operating income NOK 241.3 million, result before tax NOK 25.7 million.</li> </ul>
1999	<ul style="list-style-type: none"> <li>- Total 20 farming licences 100% owned by 1999; total production volume, farming: 11,433 tonnes live weight.</li> <li>- Product weight, VAP: 3,000 tonnes.</li> <li>- Operating income NOK 443 million, result before tax NOK 74.0 million.</li> </ul>
2000	<ul style="list-style-type: none"> <li>- Acquired 49% interest in Senja Sjøfarm; 9 farming licences plus freshwater production (September).</li> <li>- Total production volume, farming: 14,924 tonnes live weight.</li> </ul>

<sup>2</sup> Fiskeoppdretternes Salgslag

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	– Operating income NOK 498 million, result before tax NOK 152.1 million.
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2001	<ul style="list-style-type: none"> <li>– Acquired 50% of Scottish Sea Farms (formerly Hydro Seafood GSP); Lerøy Seafood Group ASA purchased the remaining 50%, total ownership held in a single-purpose company Norskott Havbruk AS (August).</li> <li>– Total production volume, farming: 14,897 tonnes live weight.</li> <li>– Operating income NOK 496.3 million, result before tax NOK 36.9 million.</li> </ul>
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2005	<ul style="list-style-type: none"> <li>– Total production volume, farming: 28,399 tonnes live weight.</li> <li>– Operating income NOK 871.5 million, result before tax NOK 250.1 million (NGAAP).</li> </ul>
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2006	<ul style="list-style-type: none"> <li>– All non-core companies and holdings sold to Kverva Holding. The divestment served both to focus SalMar’s operations around its core salmon-related activities, as well as prepare the Company for the opening up to external ownership and possible subsequent stock exchange listing.</li> <li>– In April Kverva Holding, SalMar’s long-time sole owner, carried out a private placement of 42.5% of the shares in SalMar to a consortium of financial investors, both Norwegian and international.</li> <li>– Concurrently with the private placement SalMar’s Board of Directors resolved to apply for a public listing of the Company’s shares on Oslo Børs within the first half of 2007. A new Board of Directors was also elected. The composition of the Board intended both to reflect SalMar’s new ownership structure, as well as impart on the Company new and relevant competencies with regard to the implementation of the Company’s financial strategy, of which the planned public listing is an integral part.</li> <li>– In 2006 SalMar also carried out a comprehensive refinancing of the Company’s bank loans. The refinancing involved improved terms and conditions, as well as providing increased funding for the Company’s growth strategy.</li> <li>– In June SalMar acquired 3 new ongrowth licences located in Aure, Møre og Romsdal, in close proximity to SalMar’s other marine farming operations in the region.</li> <li>– In October SalMar entered into an agreement to acquire the remainder of the shares in Senja Sjøfarm, making the company a wholly owned subsidiary of SalMar.</li> <li>– As one of only 8 Norwegian salmon slaughtering/packing facilities, in October SalMar was approved by the Russian food authority for the production and export of salmon (fresh and frozen) to Russia.</li> <li>– Total production volume, farming: 44,092 tonnes live weight.</li> <li>– Operating income NOK 1,248.6 million, result before tax NOK 474.6 million (NGAAP).</li> </ul>
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2007	– Acquires Halså Fiskeoppdrett (2 licences) and Straumsnes Settefisk with effect from end of January.
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## 6.2 Business idea, goals and strategy

SalMar’s strategic objective is to be the lowest cost producer and supplier of farmed salmon products to the European market. The Company regards whole, gutted farmed salmon as a pure commodity, i.e. that buyers and consumers alike consider whole farmed salmon as a relatively homogenous product, whose market price is relatively insensitive to factors such as brands, production location etc. There is considerable competition in the market for farmed salmon, hence relatively low production costs is the most important parameter for obtaining a competitive profit and return on capital.

Based on the Company’s self regard as a commodity producer, SalMar places particular focus on efficient production and high capacity utilisation, the development and implementation of best practices and the realisation of cost reductions. At the same time, the Company does not compromise with regard to obtaining the highest product quality and the maintenance of sustainable animal husbandry, sound fish health and biological safety.

In addition, SalMar’s goal is to continue to grow and develop its farming and processing business within the Company’s profitable and sustainable business model. The Company will continue to invest in biological development in a manner that involves a further industrialisation of the biology. Such industrialisation requires, among other things, processing an increasingly larger part of the farmed fish, so that both a greater share of the value creation is captured by the Company (in Norway) and that farmed salmon, to an increasingly lesser extent is sold and exported whole, with a corresponding reduction in the transport and export of heads and bones.

SalMar will create and maintain secure, challenging and rewarding jobs for its employees. Training and further development in and of the work place shall occur continuously. Within and under the guidelines of the “SalMar School” know-how, competencies and a strong corporate culture shall be developed, disseminated and maintained.

As an integral part of the Company’s overall objective, SalMar shall maintain a strong local basis and commitment. In particular, SalMar shall remain a driving force behind the continued growth and development of the fish farming industry in Mid-Norway.

### *6.2.1 Operational strategy*

SalMar’s strategic goals shall be achieved through the following main operational strategies:

- i The Company shall exploit its favourable relative cost position “provided”, in part, by nature.
  - There are particularly favourable natural conditions for salmon farming in the Mid-Norway region, both in terms of a favourable temperature regime, further enhanced by the presence of the Gulf Stream and large sea water replacement. Historically, wild salmon has thrived in the region, providing further indications that the natural conditions also for farmed salmon are advantageous.
- ii The Company shall maintain a strong focus on production and cost efficiencies, while upholding an unyielding focus on sustainable husbandry.
  - Key parameters in this context include: (i) farming market sized fish “as soon as possible”, (ii) developing and maintaining optimal feeding regimes and routines, (iii) a continuous focus on the implementation of “best practices”, e.g. focusing on production on few(er) units and increasing production per unit, per site and per man-hour, and (iv) best possible utilisation of the MAB-regime, herein a coordinated smolt and marine production, differentiated releases and more even sized and parsed releases.
- iii Farming/production clusters; realising economies of scale within processing and handling.
  - It is fundamental to SalMar’s operational strategy that marine production sites and localities are situated within a radius of a half-day’s well boat journey (approx. 26 nautical miles) from the Company’s processing facilities. This provides for maximum utilisation of economies of scale within well boat, slaughter and packing, i.e. handling in general.
  - The focus on farming clusters is based on SalMar’s conviction that there are few economies of scale to the pooling of ownership or management of multiple ongrowing units, if such pooling does not afford more rational or cost-efficient ways of processing and handling the fish.
- iv The Company shall continue to invest in and focus on value added production (“VAP”)
  - SalMar’s both historical and current performance is partly due to the Company’s strong emphasis on processing and low-grade VAP.
  - The VAP activity affords the Company greater flexibility and opportunity to make optimal use of its total marine farming production volume. The end-product from biological production such as salmon farming cannot be altered, after the fact. The Company’s emphasis on VAP is founded in an ambition of wanting to make the best possible use of this end-product. Based on prevailing market conditions and the qualities achieved, SalMar’s VAP operations provides flexibility to evaluate and choose how to utilise the biological end-product in the best possible manner in order to maximise returns.

## 6.3 Business description

### 6.3.1 Core business

SalMar is one of the world's largest salmon producers. The Company operates 46 wholly-owned ordinary licences for marine production of Atlantic salmon in Norway; 37 licences (each of 780 tonnes MAB) in SalMar Farming AS located in the Company's principal producing region in Mid-Norway (Trøndelag, Nord-Møre) and 9 licences in Troms (eight of 900 tonnes, one of 780 tonnes MAB) through SalMar's wholly owned subsidiary Senja Sjøfarm AS.

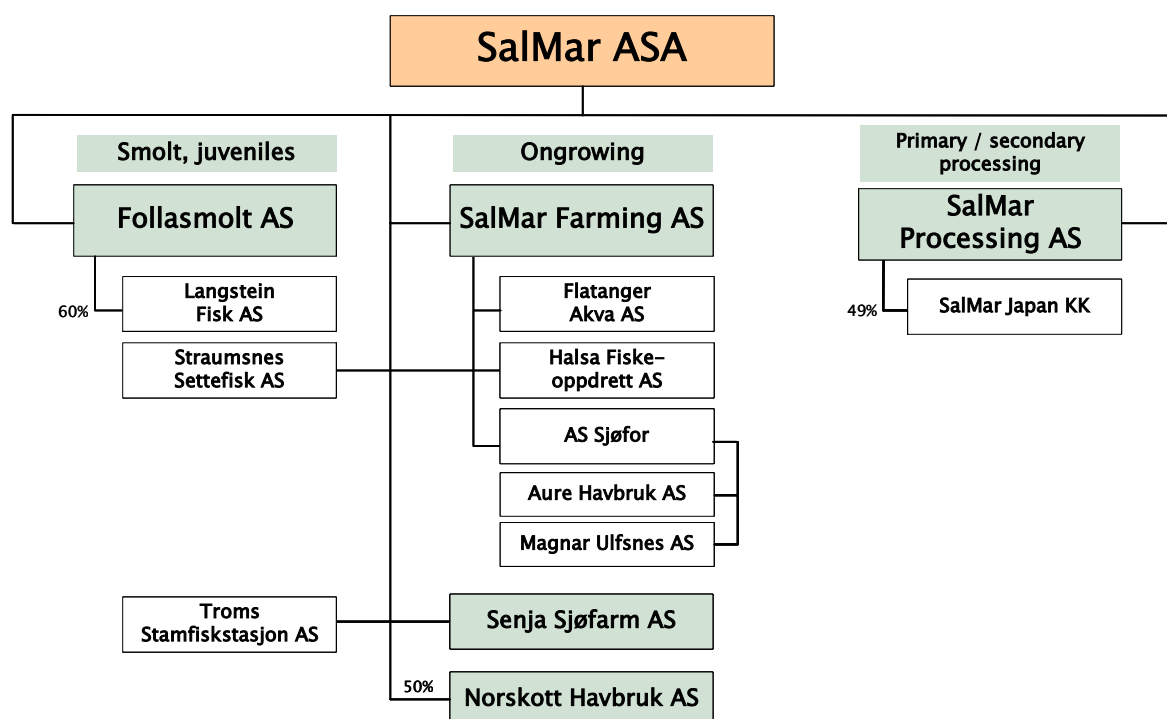
SalMar also owns 50% of Norskott Havbruk AS, which owns 100% of Scottish Sea Farms Ltd. Scottish Sea Farms is the second largest salmon farmer in the UK with production capacity in excess of 25,000 tonnes gutted weight. SalMar also operates a comprehensive VAP activity, co-located with the Company's main office at Frøya in Sør-Trøndelag

In 2006 SalMar (excluding Senja Sjøfarm, which until October 2006 was an associated company of SalMar) produced in excess of 44,000 tonnes (live weight) of salmon and harvested close to 29,800 tonnes gutted weight. Aggregate production in 2006 from SalMar's wholly- and partly-owned farming operations was approximately 80,500 tonnes. SalMar produced approximately 9,600 tonnes of fillets and various portion products within its VAP business.

### 6.3.2 Company overview

The organisational structure of SalMar is built around the Company's main business areas (i) smolt/fry production, (ii) fish farming and (iii) processing. The figure below gives an overview of the main group and associated companies for the SalMar group. All companies are wholly-owned unless otherwise stated.

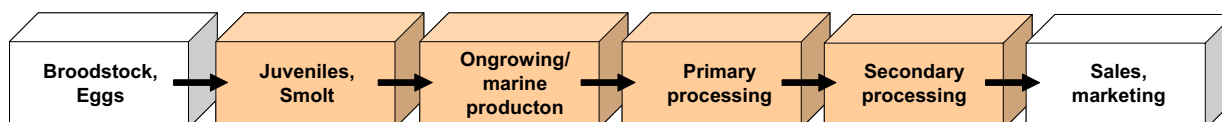
ORGANISATION OF SALMAR



### 6.3.3 SalMar in the value chain

The figure below serves as an illustration of the value chain for the production of farmed salmon products. SalMar is an integrated producer of farmed salmon products with businesses in several parts/links in the value chain. The coloured boxes indicate where SalMar has its core business. The Company's core business areas are described in more details in the following sections.

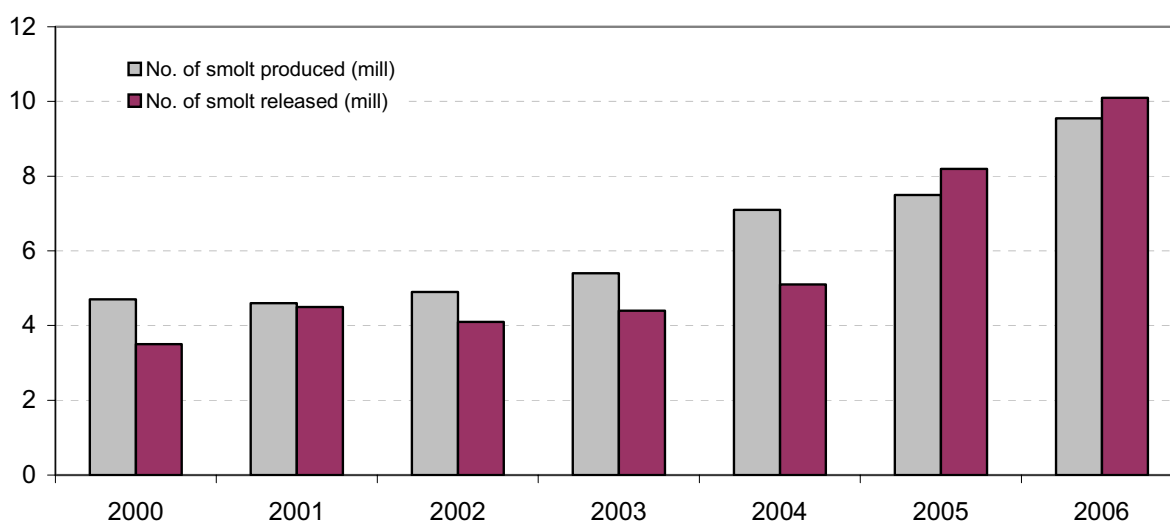
## SALMAR IN THE VALUE CHAIN

***Fry and smolt – freshwater production***

SalMar considers the in-house production of fry and smolt to be a very important part of the Company's business. In many ways aquaculture and fish farming can be regarded as agriculture at sea, where the fry and smolt correspond to the seed corn. The quality of this seed corn is of fundamental importance to the aggregate farmed production; it is impossible to produce a low cost, high quality salmon if the smolt quality is anything but first class. Moreover, in order to achieve high capacity utilisation at the marine production stage under the MAB regime, it is important to have access to smolt over a greater part of the year, compared to the former regulatory arrangement with feed quotas.

An ample supply of high quality smolt is essential for a leading producer of farmed fish such as SalMar. Hence an integral part of the Company's operational strategy has to rely on external smolt producers only in exceptional circumstances. SalMar today has 6 fry and smolt plants and licences and is essentially self-sufficient. 2 of these were obtained through the consolidation and acquisition of Senja Sjøfarm (2006) and Halså Fiskeoppdrett (2007). In 2006 SalMar produced at its (mainly 4) wholly-owned freshwater plants approximately 9.55 million smolt. In 2007 SalMar plans to produce approx. 11.8 million smolt at 6 plants. The figure below illustrates the development in SalMar's own smolt production, as well as the number of smolt released in the Company's marine farming operations.

## SALMAR SMOLT PRODUCTION AND RELEASE



Year	2000	2001	2002	2003	2004	2005	2006
No. of smolt produced (mill)	4.7	4.6	4.9	5.4	7.1	7.5	9.6
No. of smolt released (mill)	3.5	4.5	4.1	4.4	5.1	8.2	10.1

Source: The Company

Through the Company's capacity for fry and smolt production, combined with substantial access to fresh water at and around its fry and smolt plants, SalMar finds itself in a favourable position in relation to the Company's future growth plans. For the most part the fresh water is obtained directly from reservoirs (in contrast to river intake), which in a biological context is important for minimising the risk of disease.

**SalMar Farming; ongrowing/marine production (seawater)**

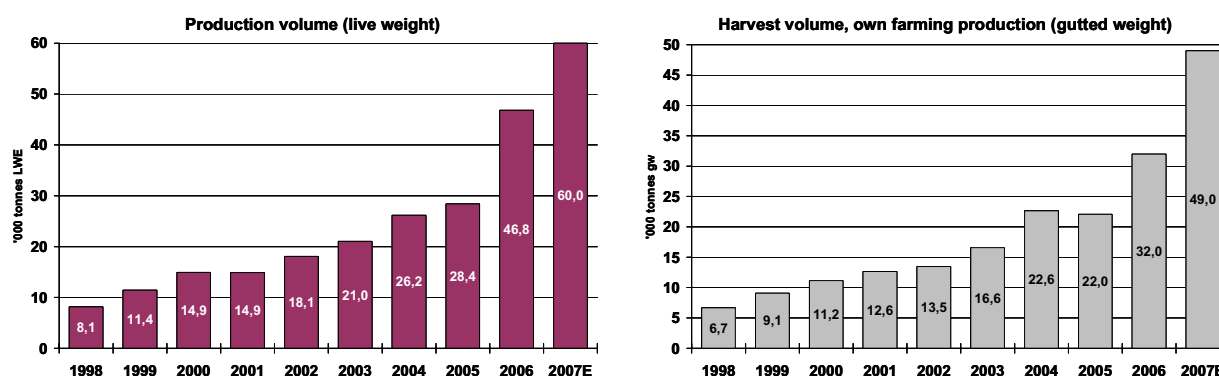
The greatest part of the value creation in SalMar, as in most every integrated salmon farming operations, takes place in the marine farming phase. This is the phase where the fish is held for feeding and ongrowing, reared in sea cages to marketable sizes. The by far largest part of SalMar's farming production takes place in the Company's primary geographic business area in Mid-Norway, i.e. Trøndelag and Nord-Møre.

The reason for this location is in part historical, but for SalMar the geographic location of its main operations is key to the Company's operational strategy. There are particularly advantageous natural conditions for Atlantic salmon production, perhaps the best anywhere. A favourable temperature regime, very good water replacement and the Gulf Stream are factors which contribute positively in this regard. Several of Norway's best salmon rivers are found in the region (Orkla, Gaula, Namsen, Stjørdalselva) and before it was halted by the fisheries authorities, Norway's by far richest floating net fishery of wild salmon was carried out in the Mid-Norway region. The fact that wild salmon thrives in the region provides further indications that the natural conditions also for farmed salmon are advantageous.

Profitable production of commodity products is often based on favourable natural conditions, and it is SalMar's objective and strategy to continue to exploit the relative cost advantage nature provides for salmon farming in the Mid-Norway region. SalMar believes that going forward, the importance of favourable natural and biological conditions is unlikely to diminish in a competitive industry such as salmon farming. For this reason, Mid-Norway shall remain the Company's main geographic production and business area in the future.

Based on this natural advantage, SalMar's marine production is strongly focused on cost-efficient production and high standards of fish husbandry. In order to realise the Company's goal of cost leadership, SalMar strives to achieve such intermediate targets as growing the fish to marketable sizes as fast as possible, with the lowest possible feed factor. SalMar began at an early stage to develop and implement "best practices" with the general objective of increasing efficiency. These best practices involve the concentration of production on the fewest possible (operating) units and increased production per production unit and per working hour. As an example, SalMar very early began employing large 157 metre (circumference) pens on a large scale.

The transition from feed quotas to MAB involves great opportunities, but also imposes stricter requirements and demands on the organisation, administration and operation of the salmon farming activities. SalMar both has invested and is continuing to invest considerable resources in exploiting the opportunities to increase and optimize production afforded by the MAB regime.

**PRODUCTION AND HARVEST VOLUMES – SALMAR FARMING DIVISION**

Source: The Company

The figure above shows the total volume development in SalMar's wholly owned marine farming operations, both produced (left) and harvested (right). Senja Sjøfarm was consolidated from the fourth quarter of 2006. Total harvest volume in 2006 was approx. 32,000 tonnes gutted weight, an increase of approx. 45% on 2005. Kontali Analyse estimates that Norwegian farmers harvested approx. 496,000

tonnes gutted weight in total in 2006, hence SalMar's harvest volume constituted approx. 6.5% of the total Norwegian output.

In the first quarter of 2007 SalMar harvested a total of 12,501 (Q1'06: 2,912) tonnes gutted weight, of which Senja Sjøfarm harvested 834 (Q1'06: 2,493) tonnes gutted weight.<sup>3</sup>

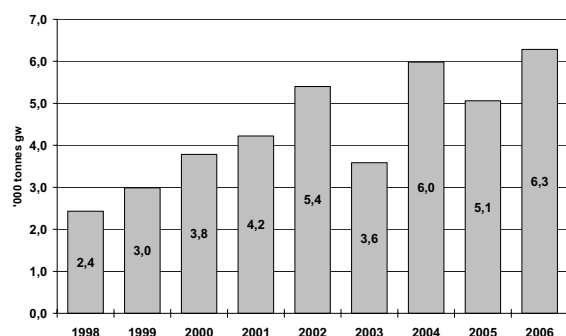
In 2007 SalMar plans to harvest a total of approx. 49,000 tonnes gutted weight. With an actual production volume in 2006 of approx. 46,800 tonnes live weight on an average of 36 licences, and a planned production of approximately 60,000 tonnes at 46 licences in 2007, SalMar is one of Norway's major producers of farmed salmon.

#### *Senja Sjøfarm AS*

Effective October 2006 former associated company Senja Sjøfarm is a wholly owned subsidiary of SalMar, and hence consolidated into SalMar's group accounts, following SalMar's acquisition of the remainder of the shares. Senja Sjøfarm operates 9 marine farming licences (eight of 900 tonnes, one of 780 tonnes MAB) in Troms, plus in-house freshwater production.

SalMar has since 2000 owned 49.05% of the shares in Senja Sjøfarm. The investment failed to provide SalMar with the expected return, in part due to the adverse market development in the years following the initial investment, as well as Senja Sjøfarm being faced with biological obstacles by way a major outbreak of disease (ILA) in 2003. SalMar's main ambition when acquiring the remainder of the shares in Senja Sjøfarm is to operate the company's farming activities as well as SalMar's existing operations in the Mid-Norway region.

#### SENJA SJØFARM HARVEST VOLUMES



Source: The Company

Senja Sjøfarm harvested approx. 6,300 tonnes gutted weight in 2006 (2005: 5,100 tonnes gutted weight). As above mentioned, Senja Sjøfarm harvested 834 (Q1'06: 2,493) tonnes gutted weight in the first quarter of 2007. In 2007 Senja Sjøfarm plans to harvest a total of approx. 8,000 tonnes gutted weight. This volume is included in the figure for SalMar's total planned harvest volume for 2007 as discussed above.

The table below sets out the total harvest volumes for the SalMar Group, including its share of the harvest volumes of associated company (see also the subsequent description of Norskott Havbruk AS/Scottish Sea Farms Ltd.).

<sup>3</sup> In Q1'06 Senja Sjøfarm was an associated company of SalMar; hence this volume was not consolidated.

## TOTAL HARVEST VOLUME SALMAR GROUP, INCL. SHARE OF ASSOCIATED COMPANIES

Company	Owner-ship	2004		2005		2006		2007E	
		Total YTD	SalM share	Total YTD	SalM share	Total YTD	SalM share	Total	SalM share
SalMar Farming AS	100%	22,65	<b>22,65</b>	22,05	<b>22,05</b>	29,78	<b>29,78</b>	41,00	<b>41,00</b>
Senja Sjøfarm AS*	100%	5,98	<b>2,93</b>	5,06	<b>2,48</b>	6,28	<b>4,19</b>	8,00	<b>8,00</b>
<b>Sum - Norway</b>		28,63	<b>25,58</b>	27,11	<b>24,53</b>	36,06	<b>33,97</b>	49,00	<b>49,00</b>
Norskott Havbruk AS	50%	24,10	<b>12,05</b>	20,67	<b>10,33</b>	20,12	<b>10,06</b>	25,00	<b>12,50</b>
<b>Total</b>		<b>52,73</b>	<b>37,63</b>	<b>47,78</b>	<b>34,86</b>	<b>56,18</b>	<b>44,03</b>	<b>74,00</b>	<b>61,50</b>

\* Consolidated from 1 October 2006

Source: The Company

In transition toward discussing SalMar's land based handling and VAP operations, it is central to underline the "cluster principle" as a further important element to SalMar's overall operational strategy. SalMar places great emphasis on the bulk of its marine farming sites and plants being located within a relatively confined are, in general within a radius of a half day's well-boat journey (approx. 26 nautical miles) from the Company's packing and processing facilities. This to achieve maximum economies of scale within the "down-stream" logistical operation, that is well-boat, slaughter, packing, processing, i.e. handling in general.

It can be derived from this regional organisational and operational approach that SalMar sees few advantages to the mere pooling of ownership or operation of many licences and farming plants unless such pooling affords a more cost efficient post-seawater handling of the fish.

***Processing; slaughter, packing and value added production (together: processing).***

SalMar has over a sustained period achieved a level of profitability and return on capital that both Management and owners consider to be strong, both in absolute and relative terms. SalMar's investment in processing and value added production has made a significant contribution to the Company's profitability, particularly in periods of low and very low salmon prices such as 2002 - 2004, where the profit contribution from VAP more than compensated for the reduced contribution from the farming division.

The starting point for SalMar as a salmon farmer sets the Company aside from most others, as discussed also in the historic review above, in that the Company's initial objective was the production of low-grade value added products based on (frozen) farmed salmon. The Company's subsequent integration into salmon farming was originally motivated by the need to secure raw materials as input for the VAP production.

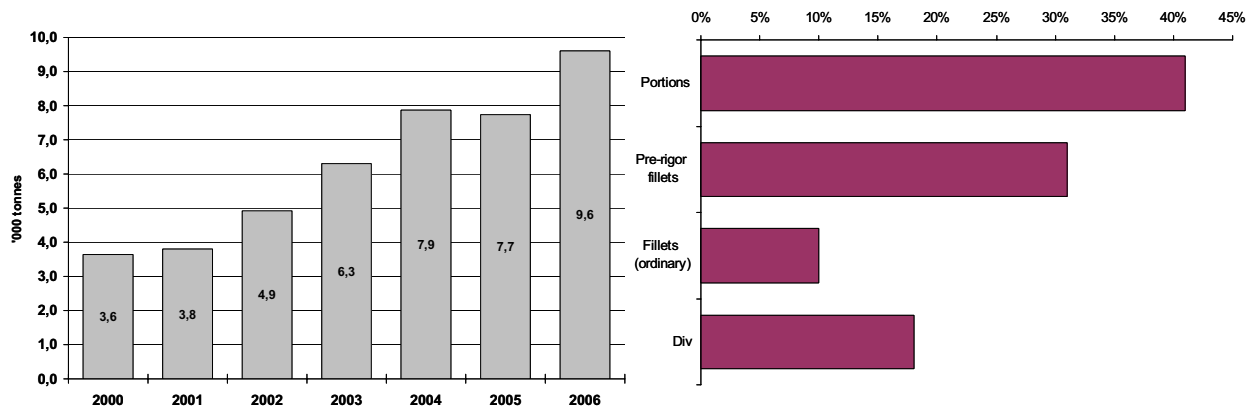
The main reason and motive for SalMar's considerable and sustained investment and focus on processing and VAP is that it increases the yield and the Company's ability to optimise the end use of the total farmed production volume. In large scale production the value added and financial gain derived can be considerable. Through landing large volumes of farmed salmon at a slaughter and packing plant which also holds efficient VAP and freezing capacity, SalMar is afforded great flexibility to adjust and align its total business activities both to the de facto biological end-result (varying qualities, etc.) and the prevailing market conditions for various farmed salmon products. Through co-location and integration of slaughter, packing and VAP SalMar is also able to realise "simple" cost savings such as, for example, reduced packaging costs for fish that is used as raw material in value added production.

SalMar is planning a further investment and expansion of its efforts within VAP and the realisation of scale economies within handling and processing, under the project name InnovaMar. SalMar's ambition is that InnovaMar shall become one of the world's largest and most efficient processing plants; a "salmon terminal". The overall operations and activities at InnovaMar are planned in accordance with an "extended slaughter concept", wherein a substantial part of whole, gutted salmon is replaced by pre-rigour fillets (same-day processing and filleted). In general, SalMar expects that today's whole fish market segment to a large extent will be replaced by pre-rigour fillet products. This both in order to be able to provide the market with salmon products of an even higher degree of

freshness (and hence longer shelf-life) than today, as well as obtaining further cost savings relating to transport and packaging.

At InnovaMar SalMar plans to employ new technology and generally increase the degree of automation. When combined with a higher processing percentage/ratio – eventually SalMar’s ambition is that no more than 20% of its total farming output should be sold as whole fish – resulting in reduced transport and export of heads and bones, as well as reduced packaging costs, SalMar’s long-term objective is to produce low-grade VAP farmed salmon products as cost efficiently as producers in low-wage countries such as Chile and in Eastern-Europe.

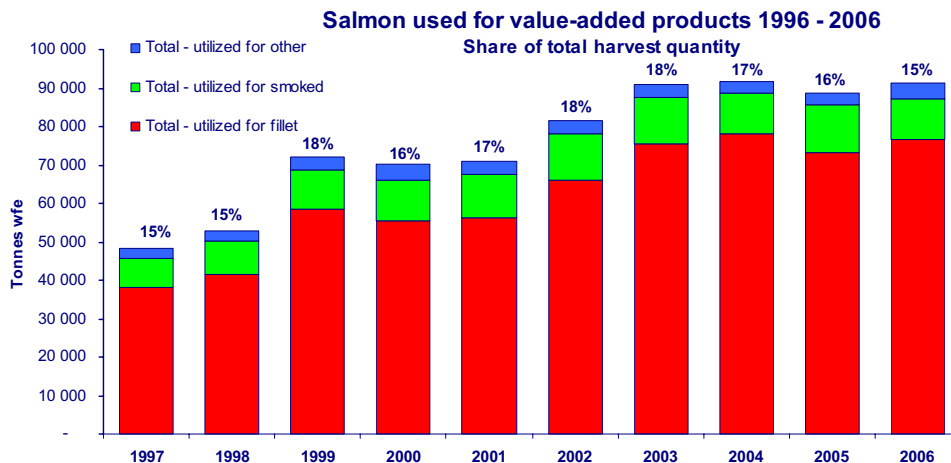
VAP PRODUCT WEIGHT, FILLETS AND PORTIONS (‘000 TONNES) AND 2006 PRODUCT MIX (%)



Source: The Company

In 2006 SalMar produced fillets and various portion products with an aggregate product weight of approx. 9,600 tonnes, of which 43% was sold as fresh and 57% was sold as frozen products. Approx. 42% of SalMar’s total harvest volume was used as raw materials in value added production. In 2007 SalMar plans for only a small increase in its VAP activities.

SALMON USED FOR VALUE ADDED PRODUCTS - NORWAY (‘000 TONNES)



Source: Kontali Analyse<sup>4</sup>

A total of 91,200 tonnes live weight was used by Norwegian producers as raw materials in VAP production in 2006. Assuming an average yield of some 60% (from the gutted fish), this corresponds to an aggregate production of roughly 50,000 tonnes product weight. SalMar’s 2006 VAP production of 9,600 tonnes would then imply that the Company is one of the major Norwegian VAP producers, with a market share of close to 20%.

<sup>4</sup> See section 3.2 and chapter 13

### 6.3.4 Licences

The table below gives an overview of the Company's marine farming licences as of the date of the Prospectus.

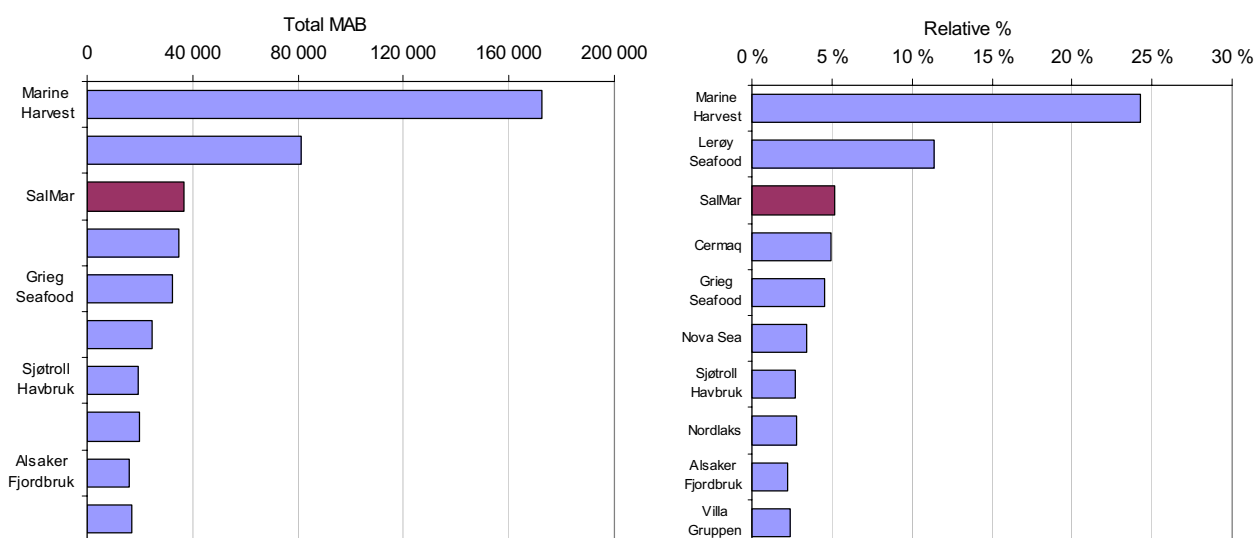
#### SALMAR'S FARMING LICENCES

	County / region	Municipality	No. of licences	MAB per licence	
SalMar Farming AS	Nord-Trøndelag	Flatanger	4	780	
	Nord-Trøndelag	Frosta	1	780	
	Nord-Trøndelag	Namsos	3	780	
	Sør-Trøndelag	Frøya	6	780	
	Sør-Trøndelag	Roan	7	780	
	Sør-Trøndelag	Ørland	1	780	
	Sør-Trøndelag	Åfjord	3	780	
	Sum Trøndelag			25	19 500
	Møre	Aure	4	780	
	Møre	Halsa	2	780	
	Møre	Smøla	3	780	
	Møre	Tustna	3	780	
	Sum Møre			12	9 360
	<b>Sum SalMar Farming</b>			<b>37</b>	<b>28 860</b>
Senja Sjøfarm AS	Troms	Tranøy *	5	876	
	Troms	Dyrøy	4	900	
	<b>Sum Senja Sjøfarm</b>			<b>9</b>	<b>7 980</b>
<b>TOTAL SalMar</b>			<b>46</b>	<b>36 840</b>	

\* 4 licences of 900, 1 of 780 tonnes MAB. The licence with MAB of 780 tons is owned by a local branch of The Norwegian Seafood Federation (Nordnorsk Havbrukslag), but operated by Senja Sjøfarm. The licence, which is given for breeding purposes, is subject to special conditions by the Directorate of Fisheries and may be withdrawn without compensation paid to Senja Sjøfarm,

A licence issued by the Directorate of Fisheries is required for marine salmon farming production in Norway. Each licence affords the holder a perpetual right, i.e. there are no time limits to the licences. As per 31 December 2006 a total of 921 such farming licences were issued<sup>5</sup>, with a corresponding total licensed biomass of 737,460 tonnes. Hence SalMar's total MAB of 36,960 tonnes corresponds to approx. 5% of the total licensed biomass in Norway. The table below shows Norway's largest salmon farmers in terms of their total licensed biomass.

#### MAIN NORWEGIAN SALMON FARMERS; TOTAL LICENCES BIOMASS (MAB), AND RELATIVE



Source: Kontali Analyse

<sup>5</sup> Source: the Directorate of Fisheries

In terms of total MAB SalMar is Norway's third largest salmon farmer, with Marine Harvest Group following the 2006 amalgamation of Pan Fish, Marine Harvest, Fjord Seafood and Stolt Seafarm, being by far the largest, both in Norway and globally.

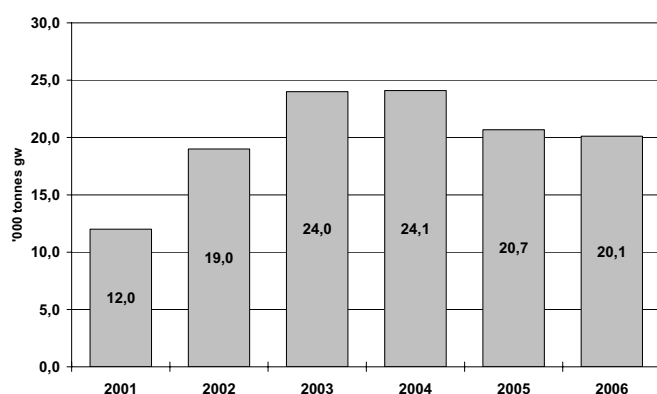
## 6.4 Associated companies – shareholdings

### 6.4.1 Norskott Havbruk AS

SalMar has since 2001 owned 50% av Norskott Havbruk, a company whose single purpose is the 100% ownership of Scottish Sea Farms Ltd. Norskott is co-owned with Lerøy Seafood Group ASA. Scottish Sea Farms is the UK's second largest salmon farming company with a production capacity in excess of 25.000 tonnes gutted weight Atlantic salmon. Scottish Sea Farms has operations on the west coast of Scotland and the northern isles of Shetland.

Scottish Sea Farms has 3 hatcheries, operates 4 loch-based freshwater plants and is self sufficient in terms of smolt. In total Scottish Sea Farms has 37 marine farming sites in Scotland and on the Shetlands. The company also owns and operates two modern slaughter and packing plants, one in Scotland and one on the Shetlands. Scottish Sea Farms has approx. 300 employees.

#### NORSKOTT HAVBRUK / SCOTTISH SEA FARMS HARVEST VOLUMES



Source: The Company

Scottish Sea Farms harvested approx. 20,100 tonnes gutted weight in 2006 (2005: 20,700 tonnes gutted weight). In 2007 Scottish Sea Farms plans to harvest approx. 25,000 tonnes gutted weight.

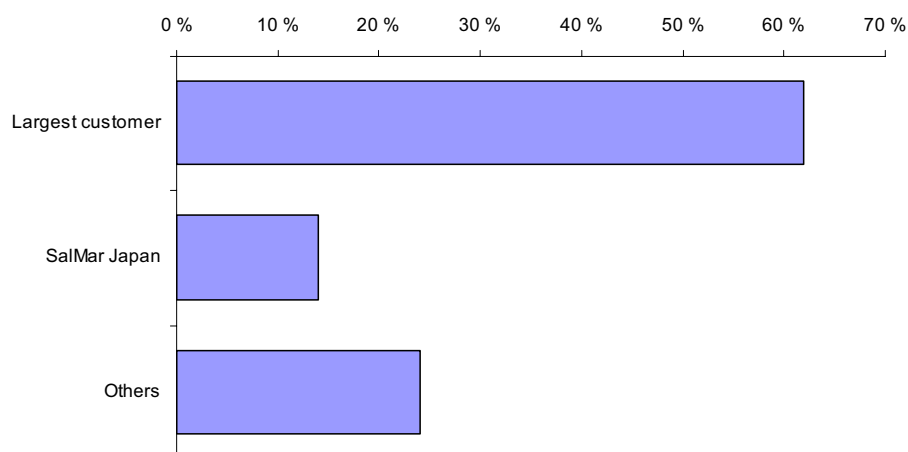
#### MAIN FINANCIAL FIGURES, NORSKOTT HAVBRUK AS

(in NOK mill.)	IFRS	IFRS	NGAAP
Norskott Havbruk AS	2006	2005	2004
Revenues	790,8	774,8	706,1
Operating result bef. depreciation & amortisation	238,1	135,5	78,2
Operating result bef. fair value adjustment	212,0	110,1	48,8
Operating result	236,9	145,3	48,8
Profit before tax	219,5	121,0	18,9
SalMar's profit share	75,1	53,0	9,5
Harvest vol. ('tgw)	20,12	20,67	24,10
<b>Norskott Havbruk AS - Balance sheet</b>	<b>31.12.06</b>	<b>31.12.05</b>	<b>31.12.04</b>
Licences, goodwill	379,3	389,2	372,7
Tangible fixed assets	140,4	110,7	92,1
Inventories	499,8	333,6	304,3
Current assets	107,2	132,5	84,4
<b>Total assets</b>	<b>1 126,6</b>	<b>966,0</b>	<b>853,5</b>
Equity	523,2	359,0	334,3
Debt	603,4	607,0	519,2
<b>Total equity and debt</b>	<b>1 126,6</b>	<b>966,0</b>	<b>853,5</b>
Net interest bearing debt	286,0	272,8	406,6

## 6.5 Sales and distribution

The Company does not have its own distribution network. Most of the salmon sold as whole fish is sold to Norwegian distributors and exporters. The sale of VAP products, which accounted for approx. 40% of SalMar’s total revenues in 2006, was sold in accordance with the following figure:

### VAP PRODUCTS



Source: The Company

Sales and distribution of VAP products into the Japanese market is undertaken through associated company SalMar Japan KK, whose major asset is the management’s market familiarity and longstanding relations with major local buyers. Also, in terms of distribution and market access, SalMar holds the advantage of being one of only eight Norwegian salmon slaughtering / packing facilities approved by the Russian food authority for the production and export of salmon to the increasingly important and rapidly growing Russian market.

## 6.6 Other matters

### 6.6.1 Regulation

In the fishing industry there are extensive governmental regulations relating to technical and safety issues. These regulations apply to all participants and do not present any particular challenge for SalMar. See chapter 12, “Legal Matters”, for more information.

### 6.6.2 Patents

SalMar has currently no patents material for its business or profitability.

### 6.6.3 Research & Development (R&D)

The Company does not undertake any significant research and development activities.

### 6.6.4 Industrial, commercial or financial contracts

Other than contracts entered into in the ordinary course of business, the Company and its subsidiaries have not entered into material contracts or contracts which contain any provision under which any member of the group has any obligation or entitlement which is material to the Company as of the date of the Prospectus.

### 6.6.5 The environment

As of the date of the Prospectus the Company is in compliance with all environmental regulations in Norway and is not involved in any proceedings or investigation related to environmental issues.

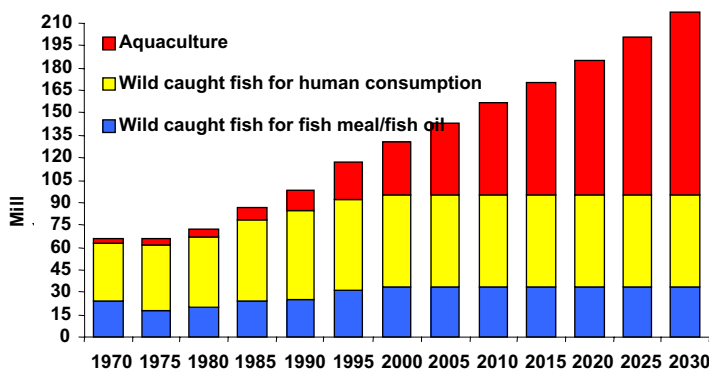
## 7. The market for farmed salmon

### 7.1 Introduction

This section provides a general overview of the market for farmed salmon, including a brief description of the historical development and main characteristics, herein main producing regions and major markets. A discussion of the current, prevailing market conditions is provided in the following section.

The starting point for this market overview is that SalMar is a Norwegian producer of farmed salmon which markets its products mainly in the European market. Although the market for farmed salmon is in many ways a global one, particularly in the sense that the general market forces will work to prevent large and enduring product price differentials between the major markets, the following market discussion will focus on SalMar's main market, which in a global context is also by far the largest (and most developed).

GLOBAL SEAFOOD PRODUCTION (MILL. TONNES)



Aquaculture constitutes one of the world's fastest growing food sectors. And within aquaculture, the Atlantic salmon farming industry is among the most rapidly growing, with an annual volume growth in excess of 8% over the past 10 years.

Source: FAO<sup>6</sup>

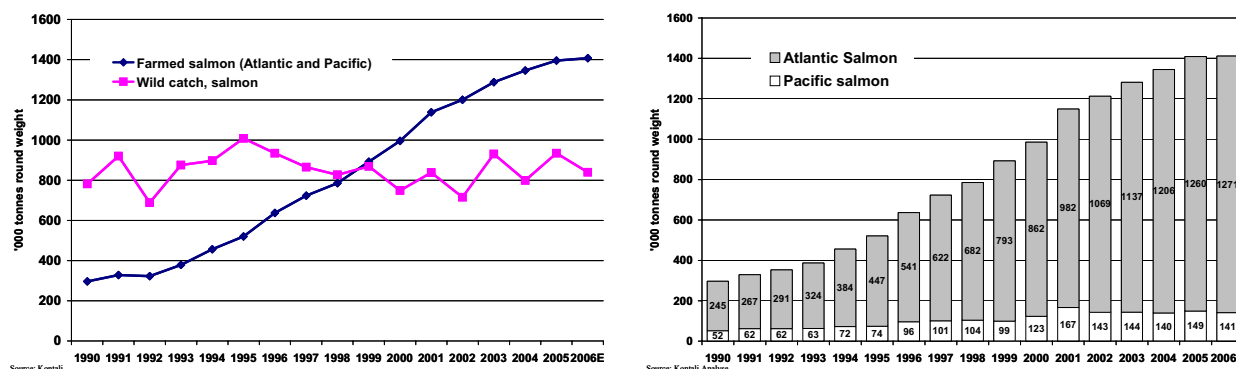
For much of this period the salmon farming industry has been characterised by consolidation, vertical integration and internationalisation, at the same time as there has been a steady improvement in product qualities and falling production costs. Concurrently with the growing output, the market for farmed salmon has shown strong and continuous growth. Historically, there was never a large unsatisfied, pent up demand for salmon awaiting the farmers. Total catch of wild Atlantic salmon has never exceeded 17.000 tonnes in any one year. In 1974 Norwegian farmers harvested a total of 611 tonnes of salmon. This volume was far too much for the market to absorb, and caused it to collapse. Today's market for farmed salmon has to a great extent been developed by the industry itself, which, considering that close to 1.3 million tonnes of farmed Atlantic salmon was consumed in 2006, is no small feat.

#### 7.1.1 Wild catch

1999 was the first year the total volume of farmed salmon exceeded the wild catch. Wild catch of salmon is mainly Pacific salmon. USA (Alaska) is the major salmon fishery nation, followed by Russia and Japan. As illustrated in the figure below (left side) the volume of wild catch has for a lengthy period been fairly stable around 850,000 tonnes. Like most of the global wild fish resources, the wild salmon populations appear close to fully exploited for consumption purposes and cannot sustain heavier taxation than at present.

<sup>6</sup> FAO – The state of world Fisheries and Aquaculture, 2006, see <http://www.fao.org/docrep/009/A0699e/A0699e00.htm>

## FARMED VS WILD CATCH AND FARMED SALMON 1990-2006



Source: Kontali Analyse

Fluctuations in the wild catch have historically had little long-term impact on the prices for farmed Atlantic salmon. In the short term wild catch may yet result in seasonal price fluctuations, mainly in the US market. The wild catch of salmon is undertaken in the second half of the year only. To some extent this leads to lower prices for farmed salmon in the fall and higher in the spring, everything else being equal.

There are two main farmed salmon species: Atlantic salmon and coho, the latter being a variety of Pacific salmon. In addition there is widespread farming of rainbow trout, as well as small amounts of the Pacific salmon specie chinook. As shown in the figure above (right side), Atlantic salmon accounts for by far the largest volume of farmed salmon. Atlantic salmon is superior to the Pacific salmon with regard to feed utilisation and growth and is therefore more attractive for industrial and commercial farming.

### 7.1.2 The main producing countries

The table below shows the annual supply (harvesting) of Atlantic farmed salmon since 1997. Norway is the world's largest producing country, followed by Chile, the UK (Scotland) and Canada. Gradually, Norwegian farmers have surrendered market shares to their Chilean counterparts, a trend which becomes even more evident when looking at a longer period. The reason for this is not found in more favourable natural conditions for salmon farming in the waters off Chile. Rather, the relative production development is largely the result of Norwegian Fisheries Authorities' self-imposed production restrictions and regulations, mainly to secure access to the EU market (confer the discussion in chapter 12 of this Prospectus).

#### HARVEST, ATLANTIC SALMON (1000 TONNES ROUND WEIGHT)

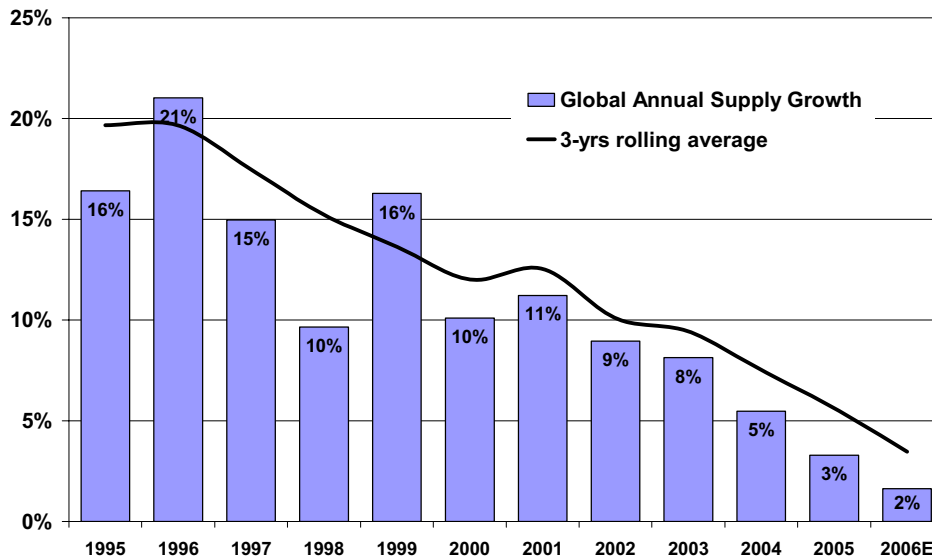
('000 tonnes)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006E	Average growth	
											97-06E	00-06E
Norway	316	343	411	422	411	444	508	537	572	597	7 %	8 %
UK	94	104	122	120	132	140	162	150	120	128	3 %	-2 %
Faroe Islands	21	19	36	30	41	42	47	37	17	12	-6 %	-27 %
Others	19	20	22	22	26	26	22	19	19	19	0 %	-8 %
<b>Sum Europe</b>	<b>450</b>	<b>486</b>	<b>591</b>	<b>594</b>	<b>610</b>	<b>652</b>	<b>739</b>	<b>743</b>	<b>728</b>	<b>756</b>	<b>6 %</b>	<b>4 %</b>
Chile	97	107	102	167	229	268	281	346	385	369	16 %	8 %
Canada	48	59	67	79	99	112	92	89	108	115	10 %	1 %
Others	27	30	33	33	33	26	32	29	26	27	0 %	1 %
<b>Sum Americas</b>	<b>172</b>	<b>196</b>	<b>202</b>	<b>279</b>	<b>361</b>	<b>406</b>	<b>405</b>	<b>464</b>	<b>518</b>	<b>511</b>	<b>13 %</b>	<b>6 %</b>
<b>Total harvest</b>	<b>622</b>	<b>682</b>	<b>793</b>	<b>873</b>	<b>971</b>	<b>1058</b>	<b>1144</b>	<b>1207</b>	<b>1246</b>	<b>1267</b>	<b>8 %</b>	<b>5 %</b>

Source: Kontali Analyse

The total harvest of farmed salmon in 2006 was approx. 1267 thousand tonnes round weight, an increase of only 1.6% on 2005. This is the lowest growth since 1992. The figure below illustrates that the annual growth rate has steadily been decreasing for the better part of a decade. As the later

discussion on the current market situation and outlook will reflect, however, this downward growth trend is likely to be broken in 2007.

#### GLOBAL ANNUAL SUPPLY GROWTH



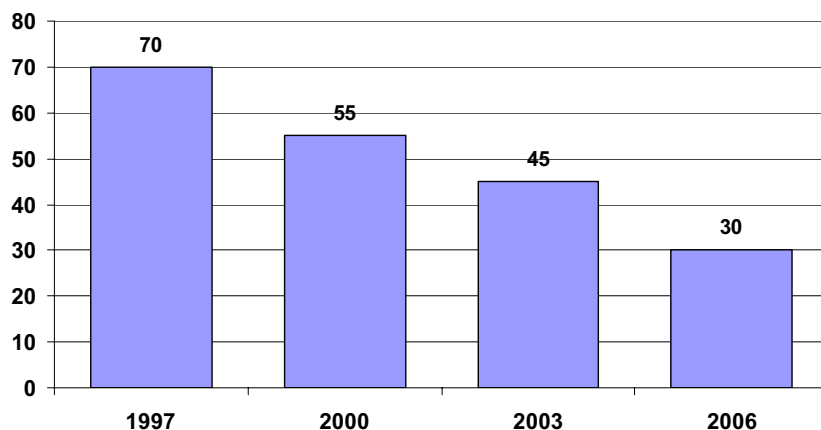
Source: Kontali Analyse, First Securities Team Research

The table above shows that the total supply of Atlantic salmon grew on average by some 8% from 1997 to 2006. Over the whole period Chilean production exhibited by far the strongest growth. The rightmost column of the table tells of a changing trend in latter years; the overall growth has come down and Norwegian output growth has equalled the Chilean. In 2006 alone Norwegian harvest growth was close to 9%, more than double the growth of 2005. This is likely the effect of Norwegian farmers taking advantage of the increased production opportunities afforded by the transition from feed quotas to the MAB regulatory regime, effective 1 January 2005.

#### 7.1.3 Industry structure

As mentioned in the introduction to this chapter, great and far-reaching structural changes and consolidation have taken place within the salmon farming industry, both at a national and international level, in latter years. The major change and event being of course the evolvement of the Marine Harvest Group, an amalgamation of Pan Fish, Marine Harvest, Fjord Seafood and Stolt Sea Farm, the world's in terms of size undisputed industry leader. It also deserves mentioning that Lerøy Seafood Group has undertaken several substantial acquisitions over the past year, attaining the no. 2 position in Norway in terms of MAB and production capacity (confer also the discussion under section 6.3.4, "Licences").

## INDUSTRY STRUCTURE, NORWEGIAN SALMON FARMERS – 80% OF TOTAL SUPPLY



Source: Kontali Analyse

The figure above illustrates the significant consolidation that has taken place in the Norwegian industry. In 1997 some 70 companies accounted for 80% of the total production; by 2006 only 30 companies made up the same relative production volume.

#### 7.1.4 Main markets for Atlantic salmon

The table below shows annual consumption of Atlantic salmon in the most important markets since 1997.

##### CONSUMPTION OF ATLANTIC SALMON (1000 TONNES ROUND WEIGHT)

('000 tonnes)	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006E	Average growth	
											97-06E	00-06E
EU-25	370	396	445	462	494	522	579	603	634	651	6 %	6 %
USA	127	147	170	202	250	295	311	301	302	294	10 %	0 %
Japan	40	37	60	56	66	65	50	66	61	52	3 %	-6 %
Others	95	104	121	151	173	188	198	234	267	273	12 %	10 %
<b>Total</b>	<b>631</b>	<b>683</b>	<b>797</b>	<b>871</b>	<b>983</b>	<b>1071</b>	<b>1139</b>	<b>1204</b>	<b>1264</b>	<b>1269</b>	<b>8 %</b>	<b>4 %</b>

Source: Kontali Analyse

The most important consumer markets for Atlantic salmon are the EU and USA. Japan has traditionally also constituted a major market, and still does, in many respects, but Russia is in the process of overtaking Japan as the third largest market, see the following discussion.

#### **EU**

The EU both has been and remains by far the largest market for farmed salmon products. EU consumption of farmed salmon in 2006 was approximately 651,000 tonnes round weight, making up more than half the total global consumption. Norwegian and Scottish salmon farmers accounted for the bulk of the supply to this market. France is the largest individual market for Atlantic salmon within the EU. In France there is a particularly large market for smoked salmon during the Christmas season, as a result of which consumption of salmon in the EU is normally highest in the fourth quarter.

The eastward expansion of the EU includes countries which do not have the same salmon consuming tradition as those in Western Europe, but which offer considerable market potential with regard to both private consumption and the region's steadily growing seafood processing industry.

#### **USA**

In 2006 approx. 294,000 tonnes round weight of farmed Atlantic salmon were consumed in the US market. Chile and Canada are the main suppliers of salmon to the American market. Both the USA and Japan catch substantial amounts of Pacific salmon. For much of the 1990s, the US was the single

fastest growing market. Consumption of farmed Atlantic salmon grew both as a result of a general increase in fish consumption, a decline in the volume of wild caught Pacific salmon, and an increase in the availability of farmed salmon.

As mentioned, the USA was the long-time single fastest growing market for farmed Atlantic Salmon. Still, as the table shows, when looking at the whole focal period the US market has exhibited a tremendously strong growth. Again, much like the supply side, the rightmost column of the table tells of a changing trend in latter years; the growth in the US market has abated, the Japanese market is exhibiting substantial negative growth, while the EU market, often and by many observers berated as mature and saturated, upholds a strong growth.

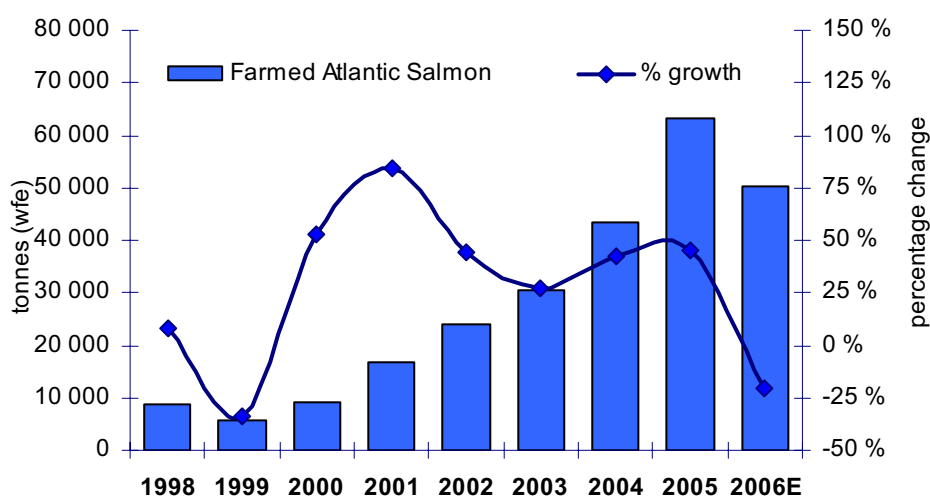
### ***Other markets/Russia***

Still referring to the table above regarding the consumption of Atlantic salmon, within “Others” or “Other markets” Russia constitutes the largest, while other important countries include Canada, China, Norway, Brazil, Australia, Thailand and South Korea. The markets east of the EU are fairly undeveloped as far as farmed salmon is concerned, but many, like the Ukraine, are expected to have considerable potential.

In Asia, markets for farmed salmon include countries such as China (incl. Hong Kong), Taiwan, South Korea, Singapore, Malaysia and Indonesia and the United Arab Emirates. Exports to these countries are growing rapidly, but volumes are relatively small. Many of these Asian markets are characterised by high population density, a tradition for seafood consumption, as well as increasing purchasing power. South America constitutes a further region with great potential. The rapidly growing market for farmed salmon in Brazil in particular, provides a positive indication of this. The increased demand is expected to be met mainly by Chilean exports.

Within “Other markets” farmed salmon consumption is growing most rapidly in Russia, Brazil and China. The Russian market deserves special mentioning as it is in the process of taking on particular importance for the Norwegian farming industry. The figure below illustrates the development in the Russian market. Russian consumption of farmed salmon in 1997 were 8,200 tonnes; in 2006 this had grown to 49,300 tonnes, a total increase of more than 500% and an average annual growth of approx. 22%.

RUSSIAN MARKET FOR FARMED ATLANTIC SALMON



Source: Kontali Analyse

The lowered consumption in 2006 was a result of a greatly reduced supply, as imports of Norwegian salmon was severely restricted for most of 2006 due to expressed food safety concerns on the part of Russian authorities. These restrictions were partially lifted towards the end of the year, resulting in resumed growth in the Russian market (more on this later).

## 7.2 Current market situation, 2007 outlook

The figure below shows the development in the FHL price – the average price per kilo (NOK) of fresh, gutted salmon of superior quality, ready packed and delivered from the packing plant – on a weekly basis – for the period January 1997 until March 2007. The graph shows both how much the salmon price has fluctuated during this period, the particularly low prices experienced for most of 2001 - 2003, the incredible both rise and fall of 2006, and the recent resurgence.

FHL PRICE PER KG FRESH SUPERIOR ATLANTIC SALMON  
(GUTTED, PACKED AND DELIVERED FCA IN OSLO, AVERAGE ALL SIZES)



Source: Norske Sjømatbedrifters Landsforening (NSL), Fiskeri- og Havbruksnæringens Landsforening (FHL)<sup>7</sup>

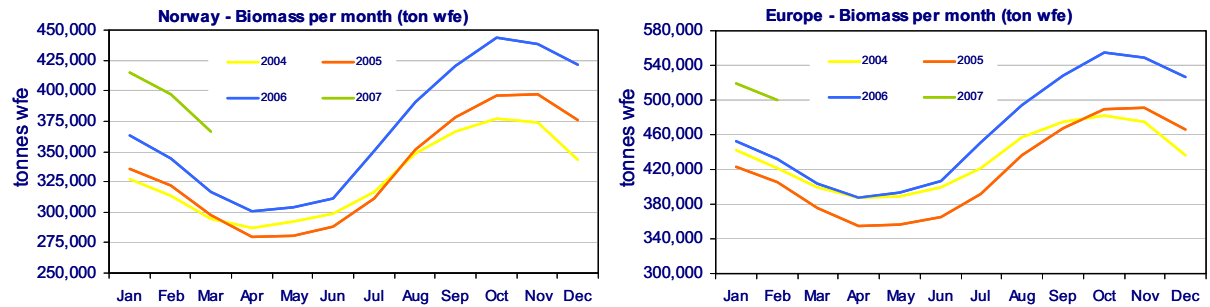
The great fall in salmon prices in the European market of the latter half of 2006 was the result both of growing harvest volumes, the Russian ban on Norwegian imports, lower demand in the EU market resulting from the earlier exceedingly high prices, as well as growing market uncertainty regarding the biomass and hence underlying supply growth, both in Chile and Europe.

Following a period of moderate increases, biomass growth in Norway has been double digit (monthly, year-on-year) throughout the second half of 2006 and into 2007. In general this growth can be attributed to the aforementioned transition from feed quotas to MAB, vastly improved financial positions on the part of Norwegian farmers in general, and the very high salmon prices of the first half of 2006. Seasonally high water temperatures for most of the traditionally cold winter months provided better than ordinary feeding conditions this recent winter, resulting in further increased production and harvest volumes from Norwegian farmers.

The figure below shows the biomass development since 2005, both for Norway and all European producers. Per February 2007 the total biomass for the European producing countries (Norway, UK, Faeroe Islands, Ireland) is estimated at 499,500 tonnes, an increase of 16% on February 2006. The total biomass in Norway per February 2007 is estimated at 397,200 tonnes, corresponding to an increase of 15% on February 2006.

<sup>7</sup> <http://www.akvafakta.no/>, April 2007

BIOMASS DEVELOPMENT PER FEBRUARY 2007, NORWAY AND EUROPE

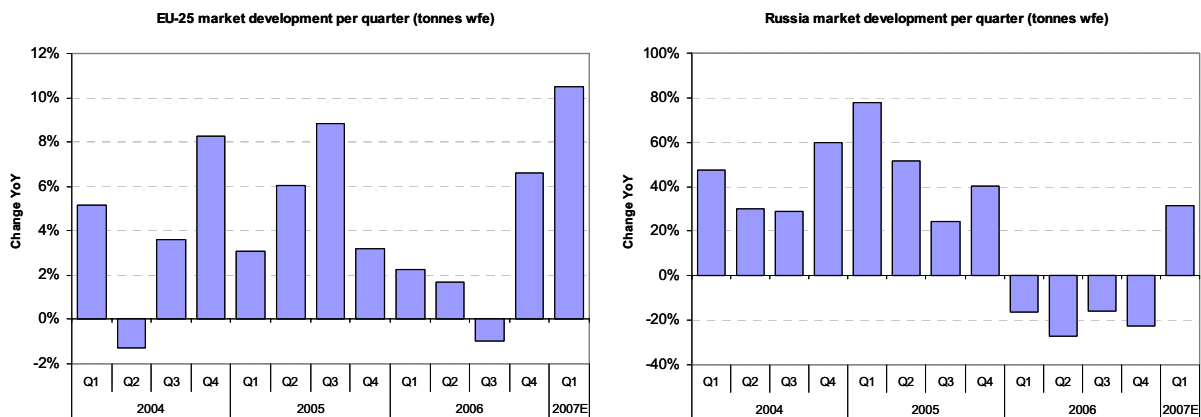


Source: Kontali Analyse

The February 2007 biomass figure was the eight consecutive monthly observation implying double-digit growth. Several consecutive months of such high growth hasn't occurred since early 2003. Ordinarily, and perhaps rightfully so, this would be the cause of some, or even grave concern, regarding the market impact.

Prices for farmed salmon, which fell rapidly for much of the third quarter, came to a halt in the fourth. The early part of 2007 has seen a strengthening market with prices again on the increase, as reflected in the figure above. This is partly caused by a resurgence of growth in the Russian market, following a partial lifting of their self imposed restrictions on Norwegian imports. The right hand side of the figure below shows the quarterly development in the Russian market since 2004, illustrating both the effect of the import restrictions in 2006, and the exceptional growth in the first quarter of 2007.

DEVELOPMENT IN THE EU AND RUSSIAN MARKETS FOR FARMED ATLANTIC SALMON



Source: Kontali Analyse

The price decrease of the second half of 2006 from the very high levels of the past spring and summer, appears to have spurred demand in the EU. The left hand side of the figure above shows the quarterly development in the EU market since 2004. Demand grew by 11% in the first quarter of 2007, which is also fairly exceptional for a large, mature market like the EU. The demand growth has hence coincided with high export growth out of Norway and this year's hitherto positive price development. In sum, the EU and Russian markets combine to absorb the growing output from Norwegian farmers in particular.

Again, some uncertainty and caution must however be bestowed upon the underlying growth in supply, both in Chile and Europe. The following table provides an estimate for the total global output and supply of farmed Atlantic Salmon in 2007.

## GLOBAL HARVEST, ATLANTIC SALMON 2006-2007 ('000 TONNES ROUND WEIGHT)

('000 tonnes)	2006E	2007E	Growth
Norway	597	650	9 %
UK	128	138	8 %
Faroe Islands	12	17	38 %
Others	19	19	3 %
<b>Sum Europe</b>	<b>756</b>	<b>824</b>	<b>9 %</b>
Chile	369	440	19 %
Canada	115	117	2 %
Others	27	29	9 %
<b>Sum Americas</b>	<b>511</b>	<b>587</b>	<b>15 %</b>
<b>Total harvest</b>	<b>1267</b>	<b>1411</b>	<b>11 %</b>

Source: Kontali Analyse, Lerøy Seafood Group ASA Q406 report<sup>8</sup>

SalMar has no opinion, nor does the Company deem itself qualified, with reference to the Company largely being a local salmon farmer without an in-house international sales, marketing and distribution operation, to opine on this year's aggregate volume growth. It appears certain that the previously mentioned long-term trend of declining global output volume growth will be broken in 2007. Market and marketing observers and companies, as given reference to in relation to the above table, reflect that the greatest uncertainty with regards to this year's output growth relates to Chilean production. Kontali Analyse are yet to provide a precise estimate for the 2007 Chilean production, referring instead to a range of 400 - 440 tonnes live weight. At the low end of this range, everything else being equal, total output growth would be approx. 8 percent, as compared to the 11% growth as referred to in the table above, both growth estimates implying a significantly faster growth than seen in latter years.

<sup>8</sup> <http://www.leroy.no/Default.aspx?tabid=705&subtabid=768>

## 8. Organisation, Board and Management, Corporate Governance

### 8.1 About the Company

SalMar ASA is a public limited company incorporated in accordance with the Norwegian Public Limited Companies Act and subject to Norwegian law. The Company was incorporated on 8 February 1991. The Company's shares are registered in VPS under securities no. ISIN NO 001 0310956. The Company's account manager is Nordea Bank Norge ASA, Issuer Service.

The registered business and postal address of SalMar ASA is at the Company's production office:

SalMar ASA  
7266 Kverva  
Norway

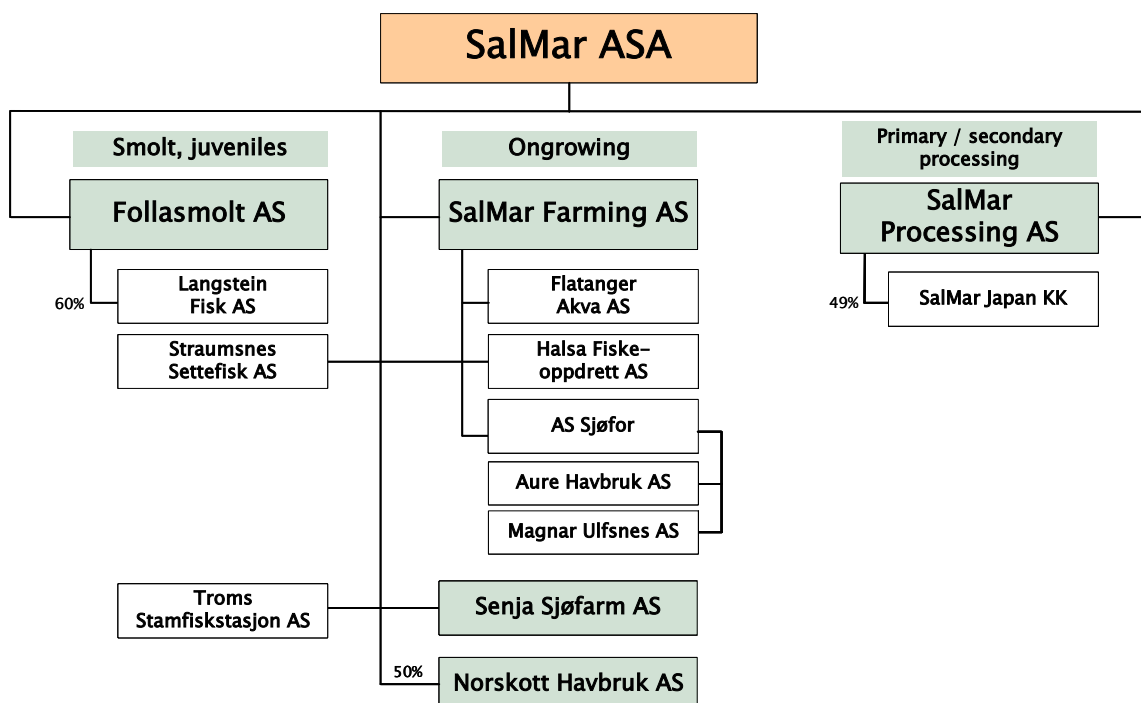
The Company is registered with the Norwegian Register of Business Enterprises under the organisation number 960 514 718. The Company's telephone number is +47 72 44 79 00, the fax number is +47 72 44 79 01 and the Company's webpage is <http://www.salmar.no>.

### 8.2 Legal Structure

The figure below shows the Company's legal structure as of the date of the Prospectus. SalMar is the holding company and the parent company in the group.

The figure gives an overview of the most important group companies and associated companies for the SalMar group. All companies are wholly-owned, unless otherwise stated.

SALMAR ASA – LEGAL STRUCTURE



SalMar Farming's subsidiary, Flatanger Akva AS and AS Sjøfor, will be merged into SalMar Farming in 2007. The chart does not show SalMar's subsidiary Astamarin AS, or Senja Sjøfarm's subsidiaries Tranøy Fiskekjøp AS and Senja Bulk AS, all companies where there is today no activity.

Below is an overview of the Company’s subsidiaries, including the ownership interests and voting rights as of the date of the Prospectus. All subsidiaries operate within the fishfarming industry.

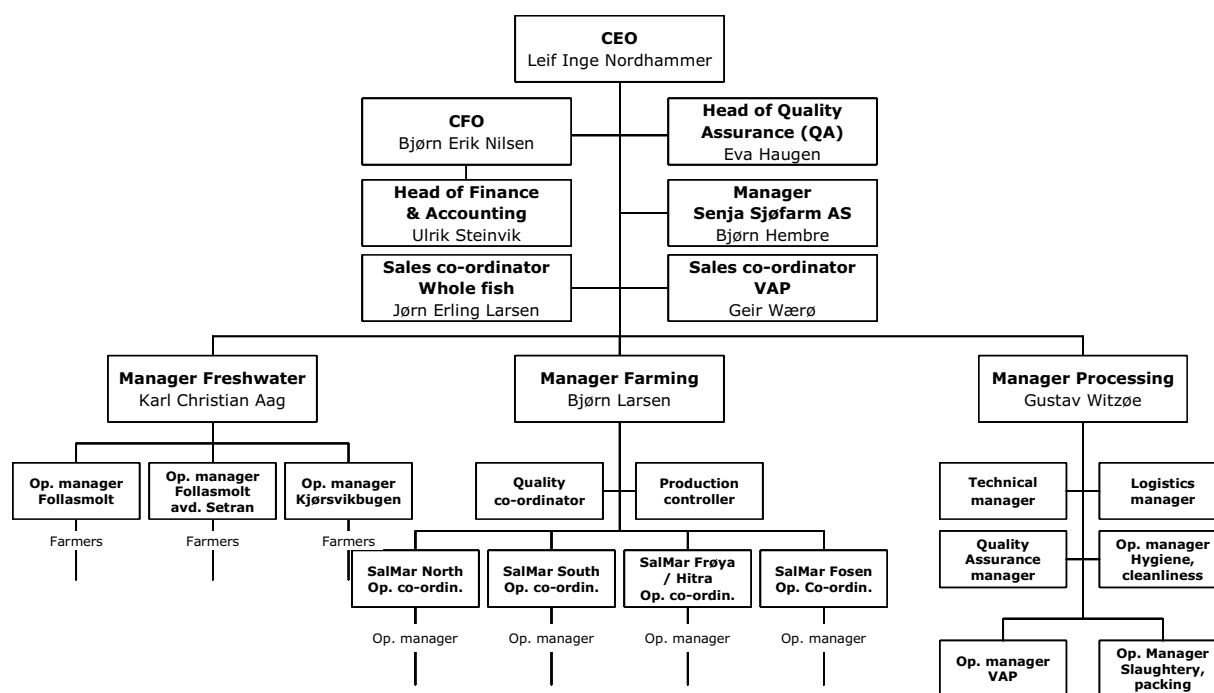
#### SUBSIDIARIES OF SALMAR PER 17 APRIL 2007

Subsidiary	Country	Ownership share/voting rights
Follasmolt AS	Norway	100%
Langsteinfisk AS	Norway	60%
SalMar Farming AS	Norway	100%
Flatanger Akva AS	Norway	100%
Senja Sjøfarm AS	Norway	100%
Salmar Processing AS	Norway	100%
Astamarin AS	Norway	100%
Norskott Havbruk AS	Norway	50%
Halsa Fiskeoppdrett AS	Norway	100%
Straumsnes Settefisk AS	Norway	100%

### 8.3 Organisational Structure

The figure below shows the organisation structure of SalMar ASA as of the date of the Prospectus.

#### ORGANISATION CHART FOR SALMAR ASA



### 8.4 Corporate Governance

The Company shall be managed based on principles that seek to ensure openness, integrity and equal treatment of the shareholders. With the exceptions as explained in this section, SalMar complies with the Norwegian Code of Practice for Corporate Governance (the “Code”).

Gustav Witzøe is the managing director of Salmar Processing and a member of the Board of Directors of the Company. On this point the Company does not comply with the Code. The Company is of the opinion that it is in the Company’s interest to take advantage of Gustav Witzøe’s vast experience both within the Company and the fish farming industry both as a member of the Management team and as a board member.

## 8.5 Founders

The Company was incorporated on 8 February 1991 under the name SalMar AS. The founders of the Company were Kverva Holding AS (majority-owned by Gustav Witzøe) and Måsøval Fiskeoppdrett AS. The address of both Kverva Holding AS and Måsøval Fiskeoppdrett is 7266 Kverva, Norway.

## 8.6 Board of Directors

The Board of Directors of SalMar currently has 6 members. The articles of association states the number of boards member to be between 3 and 7. The election period for the board members is not limited in the articles of association. Directors may be re-elected and there is no limit on the number of terms that any one director may serve. Chairman and directors are elected at the general meeting of the Company. Re-election of the directors is due on the annual general meeting of the shareholders or otherwise as decided by the general meeting.

The following serve on the Board of directors of SalMar as of the date of the Prospectus:

### **Bjørn Flatgård, Chairman (born: 1949)**

Bjørn Flatgård is President & CEO of Elopak ASA (on 17 April 2007 Mr. Flatgård announced his resignation from Elopak ASA), the Norway-based international packaging company that supplies packaging systems for non-carbonated liquid foods, a position held since 1996. Previously he has held the positions of President & CEO of Nycomed Pharma and Executive Vice President of Hafslund Nycomed. Mr. Flatgård holds an M.Sc in Chemical Engineering from the Norwegian University of Science and Technology in 1973 and a degree in economics and Business Administration from the Norwegian School of Management BI in 1981. He has extensive management experience, both at the management and corporate management level. Mr. Flatgård is deputy chairman of the Board of Aker Kværner ASA, and a board member of Aker ASA. He joined SalMar's Board of Directors in August 2002. His business address is Elopak ASA, Industriveien 30, 3430 Spikkestad, Norway.

### **Gustav Witzøe, Board member (born: 1953)**

Gustav Witzøe is the co-founder of SalMar and the main shareholder of Kverva Holding AS. Witzøe holds a degree in engineering. After several years of working as an engineer he founded BEWI AS, a company producing styrofoam boxes to the fishing industry. Witzøe held the position as managing director of BEWI AS until 1990. Since Witzøe founded SalMar in 1991 he has gained extensive experience in fish farming and processing. In addition to being a board member of SalMar, Witzøe chairs Egersund Fisk AS as well as being a board member of Norskott Havbruk AS, Scottish Sea Farms Ltd, Grøntvedt Pelagic AS and Hitramat AS. His business address is SalMar ASA, 7266 Kverva, Norway.

### **Øystein Stray Spetalen, Board member (born: 1962)**

Øystein Stray Spetalen owns and manages several and wide-ranging investment companies and activities. Spetalen holds a BSc in petroleum technology from NTNU (1986). Spetalen is chairman of the board and owns Ferncliff Tih AS, Tycoon Industrier AS, among others. He also owns and is CEO of Simask AS, where he is also a board member. Spetalen joined SalMar's Board of Directors in April 2006. His business address is Tycoon Industrier AS, Sjølyst Plass 2, 0278 Oslo, Norway.

### **Synnøve G. Ervik, Board member (born: 1956)**

Synnøve G. Ervik is CEO of the fisheries company Erviks Laks og Ørret AS. Ervik attained this position in 2000, after having been an employee of the company for more than 20 years. Ervik is chairman of the Board of KSE Ervik AS. She joined SalMar's Board of Directors in April, 2006. Her business address is Erviks Laks og Ørret AS, 7270 Dyrvik, Norway.

### **Anne Nakstad, Board member (born: 1962)**

Anne Nakstad is the majority owner of and manages investment and real estate companies Trondhjem Preserving AS og TPC Eiendom AS, as well as chairing their boards of directors. Nakstad is a former manager of Sparebank 1 Midt-Norge. She holds a degree in economics and business administration

from the University of Denver. Nakstad joined SalMar's Board of Directors in December 2006. Her business address is Trondhjem Preserving AS, Østmarkv 4, 7040 Trondheim, Norway.

#### **Bjørn Ivan Espenes, Board member (born: 1969) (employee representative)**

Bjørn Ivan Espenes has been an employee of SalMar since 1993; initially as a farmer in marine production, from 1997 onwards as an operative unit manager. From June 2006 Espenes has been Technical Manager of SalMar Farming. Espenes holds certificates of apprenticeship both in industrial mechanics and aquaculture (freshwater and ongrowing). He has been the employee's representative on SalMar's board since 1996. His business address is SalMar ASA, 7266 Kverva, Norway.

#### **8.6.1 Remuneration of the Board of Directors**

The remuneration of the members of the Board of Directors is determined annually by the annual general meeting of the Company. The annual general meeting in 2007 approved the following board fees for the financial year 2006:

<b>Position</b>	<b>Annual Retainer – NOK</b>
Bjørn Flatgård	125 000
Gustav Witzøe	125 000
Øystein Stray Spetalen	80 000
Synnøve G. Ervik	80 000
Anne Strøm Nakstad	25 000
Bjørn Ivan Espenes	60 000

For the year of 2006 the combined contribution to the chairman and board members were NOK 495,000. None of the board members have service contracts that provide for benefits upon termination of their office.

#### **8.6.2 Additional services and remuneration**

As described in section 8.4 Gustav Witzøe is, in addition to being a member of the Board of Directors of the Company, the managing director of Salmar Processing and the remuneration he receives is set out in section 8.8.2.

#### **8.6.3 Independence from Management and Large Shareholders**

The composition of the Board of Directors is in compliance with the independence requirements of the Code. All board members are independent of the Company's significant business relations and large shareholders (shareholders holding more than 10% of the shares in the Company), except for Gustav Witzøe, who holds 85.93% of the shares in Kverva Holding AS, Bjørn Flatgård who indirectly owns 3.3% of Kverva Holding AS, and Øystein Stray Spetalen, who holds 100% of the shares in Simask AS. All of the board members other than Gustav Witzøe are independent from the Company's Management.

#### **8.6.4 Directors' Shareholdings and Options**

The following of the Company's directors and employees have direct or indirect ownership interests in the Company. The following table sets forth information concerning ownership of the Company's shares, as of the date of this Prospectus, by each of the directors.

<b>Name</b>	<b>Board Position</b>	<b>SalMar Shares owned*</b>
Bjørn Flatgård <sup>1)</sup>	Chairman	1 914 750
Gustav Witzøe <sup>1)</sup>	Board Member	49 409 750
Øystein Stray Spetalen <sup>2)</sup>	Board Member	11 500 000
Synnøve G. Ervik	Board Member	-
Anne Strøm Nakstad	Board Member	-
Bjørn Ivan Espenes	Board Member	-

\*Calculated if indirect ownerships

1) indirect ownership through Kverva Holding, which is owned by Gustav Witzøe with 85.93%, Leif Inge Nordhammer with 6.44% and Bjørn Flatgård with 3.33%.

2) indirect ownership through his wholly owned company, Simask AS (10,600,000 shares) and Gross Management AS (900,000 shares), of which he owns 50%.

There exists no share option programme for the Board of Directors.

### 8.6.5 Loans or Guarantees to the Board of Directors

SalMar has no outstanding loans or guarantees to any board members.

## 8.7 Board practices

### 8.7.1 Term of office

The table below sets forth the position, the date of beginning and expiration of the current term of office for each Board member for SalMar:

<b>Name:</b>	<b>Position:</b>	<b>Served on Board since:</b>	<b>Expiration of term:</b>
Bjørn Flatgård	Chairman	2002	Ordinary general meeting in 2009
Gustav Witzøe	Board Member	1991	Ordinary general meeting in 2009
Bjørn Ivan Espenes	Board Member	1996	-
Øystein Stray Spetalen	Board Member	2006	Ordinary general meeting in 2008
Synnøve G. Ervik	Board Member	2006	Ordinary general meeting in 2008
Anne Strøm Nakstad	Board Member	2006	Ordinary general meeting in 2008

### 8.7.2 Board committees

The articles of association does not provide for board committees.

#### *Election Committee*

At the Company's ordinary general meeting on 21 March 2007 it was resolved that the Company shall have an election committee which shall consist of three members which will be appointed at the ordinary general meeting in 2008. The election committee shall nominate the shareholder elected members of the Board of Directors and propose remuneration to the board members.

## 8.8 Management and Key Employees

### 8.8.1 Executive management

As of the date of publication of this Prospectus, SalMar's Management comprises the following people:

#### **Leif Inge Nordhammer, Chief Executive Officer (born: 1958)**

Leif Inge Nordhammer has held the position as CEO of SalMar since October 1996. Nordhammer holds a business degree from Trondheim Business College and University of Trondheim. He has extensive experience from leadership positions in different companies and has worked in the fish farming industry since 1985. Previous employers include Sparebanken Midt-Norge and Frøya Holding AS/Hydro Seafood AS. Nordhammer is chairman of Norskott Havbruk AS, as well as being a board member of Scottish Sea Farms Ltd and Senja Sjøfarm AS. Pending a demerger of Kverva Holding AS Nordhammer will own approximately 2.5% of the shares in SalMar (not adjusted for the Share Offering described in this Prospectus). His business address is SalMar ASA, 7266 Kverva, Norway.

#### **Bjørn Erik Nilsen, CFO (born: 1964)**

Bjørn Erik Nilsen has held the position as CFO of SalMar since March 2007. Nilsen holds a business degree from Oslo Business College (Oslo Handelshøyskole), where he graduated in 1989. Nilsen has held various management positions for listed companies, including that of financial manager for EDB MaXware AS, a part of EDB Business Partner ASA, and as CFO for Q-Free ASA from 2001 - 2005. From 2005 until he assumed his current position in SalMar, Nilsen worked as a business developer for SINTEF in Trondheim. His business address is SalMar ASA, 7266 Kverva, Norway.

#### **Ulrik Steinvik, Head of Finance and Accounting (born: 1974)**

Ulrik Steinvik joined SalMar in July 2006 as Head of Finance and Accounting. He served with Arthur Andersen Norway and Ernst & Young AS from 1998 to 2006, qualifying as a Norwegian state authorized public accountant in 2002. He graduated from the Norwegian School of Economics and Business Administration in 2002. His business address is SalMar ASA, 7266 Kverva, Norway.

**Karl Christian Aag, Manager Freshwater (born: 1959)**

Karl Chr. Aag has held the position as head of SalMar's Freshwater/Smolt division since 1995. Aag holds an M.Sc. from the Norwegian University of Agriculture at Ås, where he graduated in 1985. That same year he founded Follasmolt AS, where he stayed as General Manager until the company was acquired by SalMar in 1995. His business address is SalMar ASA, 7266 Kverva, Norway.

**Bjørn Larsen, Manager Farming (born: 1962)**

Bjørn Larsen has held the position as head of SalMar's Farming division since 1997. He has extensive experience from many parts of the salmon farming industry. Prior to his employment at SalMar in 1997, Larsen held various positions in companies within the farming industry, including Frøya Lakeslakteri og Fiskeoppdrett AS, Timar AS and Frøya Holding AS. His business address is SalMar ASA, 7266 Kverva, Norway.

**Gustav Witzøe, Manager Processing (born: 1953)**

See section 8.6.

**Pål Georg Storø, Manager VAP production (born: 1959)**

Pål Georg Storø is Manager for SalMar's VAP production. He joined the Company in 1991. Prior to joining SalMar, Storø was area manager for Felleskjøpet Trondheim, department for fish feed (1989 – 1991). He was operations manager at Valen Klekkeri/Storø Fiskeoppdrett in the period 1984 – 1989. From 1977 – 1981 Storø holds a Bachelor's degree from Statens Næringsmiddeltekniske Høyskole (1981 – 1984). He is a board member of Frøya Nye Næringsforening and Gunnar Espnes Fiskeoppdrett AS and chairman/managing director of Yttervåg AS. His business address is SalMar ASA, 7266 Kverva, Norway.

**8.8.2 Compensation to executive management**

The table below states the compensation to the Company's CEO and executive management for the past financial year.

## COMPENSATION TO THE MANAGEMENT FOR 2006

Name and Principal Positions	Salary, bonus and other remuneration (NOK)
Leif Inge Nordhammer, CEO	1 439 945
Bjørn Erik Nilsen, CFO <sup>1)</sup>	-
Ulrik Steinvik, Head of Finance and Accounting <sup>2)</sup>	371 267
Karl Christian Aag, Manager Freshwater	1 027 414
Bjørn Larsen, Manager Farming	1 109 857
Gustav Witzøe, Manager Processing	1 199 402
Pål Georg Storø, Manager VAP	1 038 381

1) Joined the Company in March 2007

2) Joined the Company in July 2006

See the Company's annual report for 2006 for more details.

**8.8.3 Management Shareholding and Options**

The following tables set forth information concerning direct and indirect ownership of the Company's shares, as of the date of this Prospectus, by each of the senior management.

The figure below shows an overview of Shares held by the Company's executive Management as of the date of the Prospectus.

<b>Name</b>	<b>Position</b>	<b>Number of shares *</b>
Leif Inge Nordhammer <sup>1)</sup>	Chief Executive Officer	3 703 000
Bjørn Erik Nilsen	CFO	-
Ulrik Steinvik	Head of Finance and Accounting	-
Karl Christian Aag	Manager Freshwater	-
Bjørn Larsen	Manager Farming	-
Gustav Witzøe <sup>*)</sup>	Manager Processing	49 392 500
Pål Georg Storø	Manager VAP	-

\*Indirect ownership through Kverva Holding AS, which is owned by Gustav Witzøe with 85.93%, Leif Inge Nordhammer with 6.44% and Bjørn Flatgård with 3.33%.

1) Indirect ownership through Kverva Holding, but it has been resolved to demerge Kverva Holding, and Leif Inge Nordhammer will after the demerger hold the shares through a company which will be 100% owned by him. Gustav Witzøe and Bjørn Flatgård will still hold Shares indirectly through Kverva Holding AS.

There exists no share option programme for the Management of the Company. See also section 8.14.

#### 8.8.4 Loans or Guarantees to the Management

The Company has no outstanding loans or guarantees to members of the Management, except for a loan to Leif Inge Nordhammer for the amount of NOK 1,066,323.

#### 8.8.5 Severance payment etc.

No members of the senior management have service contracts with the Company or any of its subsidiaries that provide for benefits upon termination of employment.

#### 8.8.6 Bonus arrangement for senior management

The Company does not have a bonus programme for the Management. However, the members of the Company's executive management have in recent years received annual bonuses subject to achieving certain objectives for the relevant year. The conditions for any distribution of bonus are laid down each year by the CEO, or in the case of CEO, by the Board of Directors.

### 8.9 Share price to Board of Directors and Management the past year

No members of the Board of Directors and executive management have acquired Shares at a price lower than the fair market value during the past year.

### 8.10 Background of the Management and Board of Directors

A presentation of the current and previous administrative, management and supervisory positions held by the Management is included in the table below (excluding positions within the SalMar group).

<b>Current administrative, management or supervisory positions held</b>		<b>Administrative, management or supervisory positions held within previous 5 years</b>	
<b>Leif Inge Nordhammer</b>			
<i>Company</i>	<i>Position</i>	<i>Company</i>	<i>Position</i>
Kverva Holding AS	Owner, board member	Frosta Laksefarm AS	Board member
Lerøy Quality Group AS	Board member	Kråkøyfisk AS	Board member
Borettslaget Havheim	Chairman	Namsenlaks AS	Board member
Stiftelsen Sparebank1			
Næringsutvikling Sør-Trøndelag	Board member	Aurelaks AS	Board member
North Holding AS	Chairman	Setransmolt AS	Board member
Kerrera Fisheries Ltd		Uthaug Lakselakteri AS	Board member
Seafresh Salmon Ltd		Hitramat AS	Board member
<b>Karl Christian Aag</b>			
<i>Company</i>	<i>Position</i>		
Coop Follafoss Ba	Chairman		
Follafoss Barnehagebygg As	Chairman		
Malm Røde Kors Ambulanse As	Chairman		

<b>Current administrative, management or supervisory positions held</b>		<b>Administrative, management or supervisory positions held within previous 5 years</b>	
<b>Bjørn Larsen</b>			
<i>Company</i>	<i>Position</i>		
Havbruksjtenesten As	Chairman		
<b>Gustav Witzøe</b>			
<i>Company</i>	<i>Position</i>		
Design Ace As	Board member		
Eger Holding As	Chairman		
Egersund Fisk As	Chairman		
Egersund Isfabrikk As	Board member		
Egersund Nor As	Board member		
Egersund Seafood As	Board member		
Egersund Sildoljefabrikk As	Chairman		
Frøyfisk As	Board member		
Frøyviking As	Chairman		
Grøntvedt Pelagic As	Board member		
Hitramat As	Board member		
Kvarv As	Chairman		
Kverva Holding As	CEO, Owner, Board member		
Laksetransport As	Chairman		
Nutrimar As	Chairman		
Tordenskjold Cod Farm As	Board member		
<b>Bjørn Erik Nilsen</b>			
<i>Company</i>	<i>Position</i>	<i>Company</i>	<i>Position</i>
Beni AS	Owner	Sintef	Bus.dev.
		Q-Free ASA	CFO
		Team Video AS	Board member
<b>Ulrik Steinvik</b>			
		<i>Company</i>	<i>Position</i>
		Ernst&Young	CPA
<b>Pål Georg Storø</b>			
<i>Company</i>	<i>Position</i>	<i>Company</i>	<i>Position</i>
Frøya Nye Næringsforening	Board member		
Gunnar Espnes Fiskeoppdrett AS	Board member		
Yttervåg AS	Chairman/managing director		

A presentation of the current and previous administrative, management and supervisory positions held by the board members is included in the table below (excluding positions within the SalMar group).

<b>Current administrative, management or supervisory positions held</b>		<b>Administrative, management or supervisory positions held within previous 5 years</b>	
<b>Bjørn Flatgård</b>			
<i>Company</i>	<i>Position</i>	<i>Company</i>	<i>Position</i>
Aker ASA	Deputy chairman	Aker ASA	Board member
Aker Kværner ASA	Vice-President	Aker Kværner ASA	Board member
Glomar AS	Owner, Chairman		
TRG Holding AS	Board member		
Elopak AS	CEO		
Elopak Plastic Systems As	CEO, Chairman		
Navigator Shipping 2005 Da	Owner		
Skandinavisk Handelseiendom Da	Owner		
The Resource Group Trg As	Board member		
<b>Gustav Witzøe – see above table</b>			

<b>Current administrative, management or supervisory positions held</b>	<b>Administrative, management or supervisory positions held within previous 5 years</b>
<b>Bjørn Ivan Espenes</b>	
<i>N/A</i>	
<b>Øystein Stray Spetalen</b>	
<i>Company</i>	<i>Position</i>
Allum Marine As	Board member
As Ferncliff	Chairman
As Simask	CEO, board member
B2 Holding Asa	Board member
B2kreditt As	Board member
Bank2 Asa	VP
Bygdøynesveien 33-37 As	Chairman
Connect Venture As	Chairman
Dasut As	Chairman
Ferncliff Tih As	Owner, Chairman
Ferndrill Management As	Board member
Gardermoen Media As	CEO, owner, board member
Gjeldsmegling As	Board member
Globus Små Mellomstore Bedrifter As	Chairman
Gross Management As	Chairman
Ht Lufttransport As	Board member
Krøs As	Chairman
Kullerød Eiendomsinvest As	Chairman
Sirius Simask As	Chairman
Sjølyst Investering As	Chairman
Sjølyst Kontorfellesskap As	Board member
Standard Drilling Asa	Chairman
Standard Holding As	Board member
Strata As	Chairman
Televekst As	Chairman
Tycoon Industrier As	Chairman
Tymar As	Chairman
Unified As	Owner, chairman
Vallhall Fotballhall As	Owner, VP
Vallhall Fotballhall Drift As	Owner, VP
Vallhall Fotballhall Ks	VP
<b>Synnøve G. Ervik</b>	
<i>Company</i>	<i>Position</i>
Bud og Hustad Forsikring Gjensidig	Board member
Dyrvik Grendalag	Board member
Erviks Laks og Ørret As	CEO
Kse Ervik As	CEO, chairman
<b>Anne Strøm Nakstad</b>	
<i>Company</i>	<i>Position</i>
Foki As	CEO, Owner, Chairman
Matpartner As	Chairman
Sparebank 1 Boligkreditt As	Board member
Tpc Eiendom A/S	CEO, Owner, Chairman
Trondhjem Preserving As	Chairman
Allegro ASA	Board member

## 8.11 Conflicts of Interest etc.

There are no potential conflicts of interest between any duties to the Company of the members of the Board of Directors or the Company's Management, and their private interests or other duties, other than the very limited conflict of interest Synnøve G. Ervik and Gustav Witzøe would have if any dispute were to arise in connection with the agreements described in section 10.12.

There are no arrangements or understandings with major shareholders, customers or suppliers, pursuant to which a member of the Company's Board or Management has been selected to their positions.

There are no family relationships between any of the members of the Company's Board or Management.

During the last five years preceding the date of this Prospectus, no member of the Board of Directors or the senior management has:

- any convictions in relation to indictable offences or convictions in relation to fraudulent offences;
- received any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company; or
- been declared bankrupt or been associated with any bankruptcy, receivership or liquidation in his capacity as a founder, director or senior manager of a company, except for Mr. Nordhammer who, in his capacity as board member, has been associated with bankruptcy in Hitramat AS.

## 8.12 Employees

As of the date of the Prospectus, SalMar has 422 full-time employees. The table below illustrates the development in number of employees over the last three financial years, as per the end of each calendar year, and at the date of the Prospectus.

NUMBER OF EMPLOYEES IN SALMAR 2004 - 2007 - BY FUNCTION\*

<b>Employees by function</b>	<b>March 2007</b>	<b>per 31.12.2006</b>	<b>per 31.12.2005</b>	<b>per 31.12.2004</b>
Freshwater	27	26	21	21
Farming	126	127	82	69
Processing	255	261	231	215
SalMar/administration	14	12	11	11
<b>Total</b>	<b>422</b>	<b>426</b>	<b>345</b>	<b>316</b>

\*Number of employees in the SalMar group. Senja Sjøfarm included from 31 December 2006, Halså included in the figure for March 2007.

## 8.13 Pensions and Other Obligations

No members of the Company's Board or Management have any individual pension agreements. The total amounts set aside or accrued by the Company to provide pension, retirement or similar benefits for the Management for each of the past three accounting years are as follows:

2006: NOK 812 366

2005: NOK 552 488

2004: NOK 309 829

No amounts for pension, retirement or similar benefits have been set aside for the Board during this period.

## 8.14 Share option programme

As of the date of the Prospectus the Company has no share option programme for any of the employees or the Company's Board.

At the Company's general meeting 21 March 2007 the Board was given an authorisation to issue new Shares in connection with a share option programme for leading employees in the Company for a maximum of 3% of the Company's current share capital. The Board plans to resolve on the details of a share option programme during 2007.

## 9. Financial Information

Consolidated figures for the Company for the years 2004, 2005 and 2006 are presented below. International Financial Reporting Standards (IFRS) have been applied as the accounting principles for listed companies in Norway with effect as of 1 January 2005. On the conversion to IFRS, historical accounting figures for 2006 and 2005 were revised to be comparable with the new accounting standards. The annual reports for previous years are presented in accordance with Norwegian accounting rules (NGAAP).

The financial statements for the last three years are audited and give a true and fair view of the financial position of the Company. Consolidated figures for SalMar ASA for the years 2004 to 2006 are presented in this section.

For further comments regarding the Company's accounts and explanatory notes, see the annual reports for 2004, 2005 and 2006, in Appendix 2 to 5 in this Prospectus. The annual reports have been issued in Norwegian and translated to English for information purposes only.

### 9.1 Accounting Policies

#### *Basis of preparation*

The consolidated accounts for SalMar ASA for the financial year ending 31 December 2006 with comparative figures for 2005 have been prepared in accordance with IFRS and interpretations by the International Accounting Standards Board as adopted by the EU. The 2006 and 2005 financial statements have originally been prepared in accordance with NGAAP. Due to the scheduled listing at the Oslo Stock Exchange during 2007 the Company has prepared consolidated accounts in accordance with IFRS. This is the first year of IFRS accounts and the Company has applied IFRS 1. The comparative figures for 2005 are based on the same accounting principles used in the consolidated 2006 accounts. Profit and loss for 2004 is prepared in accordance with NGAAP. The accounting principles for the 2004 and 2005 accounts, which were prepared in accordance with NGAAP, can be found in Appendix 5 and 4.

The impact on the Company's financial performance is shown in section 9.6. The Company's cash-flow is not impacted by the IFRS conversion.

The consolidated group accounts have been prepared under the historical cost convention, except for the following items which are based on fair value:

- Biological assets
- Currency future contracts

#### *Accounting estimates*

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates which have an effect on the value of the assets, liabilities and contingent liabilities on the balance sheet and the revenue and expenses for the accounting year. It also requires management to exercise its judgement in the process of applying the Company's accounting policies.

Estimates and the underlying assumption based on experience and other factors considered relevant and probable at the time of the valuation. The assessment affects the values of debt and assets where the valuation is not based on other factors. Estimates are continuously reviewed and final values and results might differ from the estimates. Changes in accounting estimates are included in the period they occur.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are the following:

*Adjustments of fair value of biomass*

In accordance with IAS 41 the Company considers live fish at fair value. The fair value estimate is made using market prices at balance sheet date in the respective markets where the Company has operations. The fair value calculations comprise estimates of volumes, quality and costs incurred when slaughtering and selling the fish. Fair value adjustments from these estimates are not affecting the group's cash flow and do not affect the operating results before the value adjustment of biomass.

*Goodwill and intangible assets*

Assets that have an indefinite useful life are not subject to amortisation and are tested minimum annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

This implies the estimation of the utility value of the cash generating units that the goodwill and the immaterial assets refer to. In order to establish the utility value the group has to estimate expected future cash flows from the cash generating unit, and choose a suitable discount rate to calculate the present value of the cash flows. The expectations of future cash-flows will vary over time. Changes in markets and expected cash flows may cause impairments in the future. The most important assumptions for the present value of cash flows from investments are discount rate, estimated price for salmon in the group's markets, production costs, production volumes and the assumption of continuous markets in the geographical areas where the group operates.

*Fair value at acquisitions*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. In order to determine fair values of acquisitions, the reliability of the information on acquired assets, liabilities and contingent liabilities must be assessed. There is usually no active market for assets and liabilities acquired, and alternative methods must be used to determine the fair values.

Management estimates made with respects to application of IFRS standards with impact on the financial statements, as well as estimates with considerable risk for significant adjustments in the consecutive accounting period are accounted for in detail in specific disclosures. This is relevant in particular for the biomass estimates and goodwill and licence estimates.

**Consolidation**

Subsidiaries are all entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases. The consolidated financial accounts are prepared using uniform accounting principles for similar transactions in all entities included in the consolidated accounts. All significant transactions between group companies have been eliminated.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. Only SalMar's share of the goodwill is included in the consolidated statements for partly owned subsidiaries. Where the fair value of the assets acquired exceeds the compensation, the difference is treated as income in the profit and loss account. Deferred tax is recognised to the extent that excess value is assigned to assets and liabilities that result in an obligation to pay more tax in the future or a right to pay less tax in the future when the differences is reversed. Deferred tax is recognised and calculated using nominal tax rates without discounting.

For successive stock purchases the value of assets and liabilities at the time of establishment of the group is used. Later purchases of shares in existing subsidiaries will not impact the valuation of assets and liabilities, with the exception of goodwill, which is calculated at each acquisition date.

Acquisitions made prior to 1 January 2005 are not restated as a consequence of the conversion to IFRS.

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Group's investment in associates includes goodwill (net of any accumulated impairment loss) identified on acquisition.

The Company's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Company.

### ***The SalMar ASA group***

The SalMar ASA group has made in the following acquisitions during 2006:

- 100 % of the shares in AS Sjøfôr with the subsidiaries Aure Havbruk AS and Magnar Ulfsnes AS.
- Purchase of remaining shares from the previous associated company Senja Sjøfarm AS with the subsidiaries Troms Stamfiskstasjon AS, Tranøy Fiskekjøp AS and Senja Bulk AS.

Group consolidated accounts include:

	Parent company
- SalMar ASA	100 %
- Astamarin AS	100 %
- Follasmolt AS	100 %
- Langsteinfisk AS	60 %
- SalMar Farming AS	100 %
- Flatanger Akva AS	100 %
- AS Sjøfôr	100 %
- Aure Havbruk AS	100 %
- Magnar Ulfsnes AS	100 %
- Senja Sjøfarm AS	100 %
- Troms Stamfiskstasjon AS	100 %
- Tranøy Fiskekjøp AS	100 %
- Senja Bulk AS	100 %
- Salmar Processing AS	100 %

### ***Minority interests***

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

### ***Revenue recognition***

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Company's activities. Revenue is recognised when risk and control is transferred to the customer. This will usually be when the goods are delivered to the client, normally FCA Plant. Revenue is shown net of value-added tax, returns, discounts, bonuses and other costs of sales.

### ***Government grants***

Government grants are recognised and classified in the same period as the revenue it is intended to increase or the cost it is intended to reduce.

***Segment reporting***

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. The Company's primary segment is the geographical segment which is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments. The farming and processing activities are both secondary segments. Financial information regarding the segments is presented in section 9.2.2.

***Classification principles***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Assets which are expected to be a part of the normal operating cycle or are expected to be realised within twelve months after the balance sheet date, are classified as current assets. Other assets are classified as non-current assets. Liabilities which are expected to be a part of the normal operating cycle or are expected to be due to be settled within twelve months after the balance sheet date are classified as current liabilities. Other liabilities are classified as non-current liabilities.

Proposed dividends and group contribution are not classified as debt until the group has an irrevocable liability to pay the dividend, usually after approval at the shareholders meeting.

Next year's instalment on long term debt is classified as short term debt.

Changes in biological assets' fair value are presented on a separate line within the profit and loss statement.

***Foreign currencies***

The consolidated financial statements are presented in Norwegian kroner, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions and at the balance sheet date respectively. The group is using currency forwards to protect itself against fluctuations in the currency markets. Currency forwards are recognised at fair value with changes in value recognised in the profit and loss statement.

***Borrowing costs***

Costs with respects to loans are charged when they incur. Interest bearing loans are measured at amortised cost using the effective interest rate method.

***Accounts receivable***

Trade debtors and other receivables are shown at nominal value after deduction of provision for expected losses. Provisions for losses on accounts receivable are made based on an individual assessment of trade debtors. Due to insignificant transaction costs and the short credit period amortised cost equals nominal value minus deductions for foreseeable losses.

***Inventory***

Inventory comprises feed, packaging, spawn, live fish in sea and refined fish. Inventory is valued at the lowest of cost price and expected sales value less costs of sales. Cost price for produced goods is full production cost. The FIFO principle is used for periodisation of cost of inventory. A provision is made for expected obsolescence.

***Biomass***

In accordance with IAS 41 live fish is valued at fair value. The estimate of fair value is based on reported sales prices for slaughtered salmon of identical size, less point of sale costs. Costs of sales

include costs necessary in order to sell the assets, but exclude costs necessary to bring the assets to the market. Fair value for live, unripe salmon is the price for live, ripe salmon adjusted. If the cost price of live unripe salmon exceeds the price of live ripe salmon, the fair value used is that of unripe live salmon, unless there is an identified need for impairment.

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

The Company continuously enters sales contracts on salmon related products. Deliveries according to these contracts are part of the normal operating cycle. These contracts are therefore not treated as financial instruments according to IAS 39. These contracts do not include elements of embedded derivatives. Fixed-price contracts resulting in the group selling ripe salmon at a lower price than the market price of live, ripe salmon are accrued for as provisions.

### ***Fixed assets***

Property, plant and equipment is stated at historical cost less depreciation and amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. When assets are sold the residual between the sales value and booked value is taken to the profit and loss account. Depreciations are calculated from the moment the asset is operational, and is calculated using the economic life of the asset. The depreciation costs are spread linearly across the expected economic life. Significant parts of the asset with different economic lives are decomposed and depreciated separately. The scrap value, depreciation period and depreciation method is assessed on an annual basis.

Assets under construction are not depreciated. Depreciations are charged when the construction is ready for use.

Direct maintenance of assets is charged when incurred as operational costs, whilst improvements expected to yield future economic benefits are added to the asset's cost price and is depreciated as the assets itself.

The need for amortisation is considered when the situation or the circumstances indicate that the value can not be recovered. If the recoverable amount is lower than book value, and the loss in value is expected not to be temporary, the asset value will be adjusted to the recoverable amount. Recoverable amount is the highest of net sales value and value in use. Value in use is the present value of future cash flows the asset will generate.

### ***Leasing***

Leases in which a significant portion of the risks and rewards of ownership are transferred to the lessee (financial leasing) are classified as fixed assets and corresponding leasing commitment is included in rent bearing long term debts as the present value of rent payments. The assets are depreciated according to the depreciation schedule, and the liability is reduced with rent paid after deduction of calculation interest charges. The depreciation rate used is consistent with depreciation rate used for similar assets owned by the group or shorter if the period of leasing is shorter.

Other leases are treated as operational leasing. The rent paid is classified as operational cost and is booked linearly over the contract period.

### ***Intangible assets***

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific asset. Intangible assets acquired through acquisitions of subsidiaries are capitalised only if meeting the criteria for separate capitalisation.

Intangible assets with limited economic life are depreciated according to schedule depreciation. Intangible assets are amortised to recoverable amount if the expected economic benefits are less than capitalised value and possible remaining production costs.

Costs in relation to research activities are expensed as they incur. Development costs are capitalised at acquisition cost less accumulated depreciation and amortisation and depreciated linearly over the asset's useful economic life.

Acquired licences are capitalised on the basis of the costs incurred to acquire net of accumulated amortisations. Licences are not depreciated but are tested for impairment on an annual basis. Leasing agreements for licences in which a significant portion of the risks and rewards are transferred to the Company are capitalised as intangible assets.

Goodwill represents the excess of the cost of an acquisition over the fair value of the Company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "intangible assets". Goodwill on acquisitions of associates is included in "investments in associates". Goodwill is shown at historical cost minus accumulated depreciations until 2004.

Goodwill is not depreciated (after 1 January 2005), but is tested for impairment annually, or more often if there are indications that the value is lower than book value. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. A cash-generating unit is assets grouped based on the lowest level of identifiable and independent cash flows. Recoverable amount is estimated with basis in value in use. It is assessed by estimating future cash flows based on the approved budgets and forecasts for the next three years. Cash flows after three years are assumed fixed without any growth factor. The cash flows are discounted with an interest rate before tax, adjusted for relevant market risk. Estimated value in use lower than the book value of the cash generating unit lead to impairment of goodwill, and thereafter other assets when necessary.

### ***Shares***

Shares in companies other than subsidiaries and associates are valued at fair value at the balance sheet date if the fair value can be recognised. Shares not expected to be sold in the following 12 months are classified as non-current assets. Shares held for trade, which are expected sold within 12 months are classified as current assets. Changes in value regarding shares recognised to fair value are taken directly to equity.

### ***Pension benefits***

Net pension costs for the period are included in salary and wages. The linear contribution profile and expected terminal pay are used as basis for the contribution. Changes to the plan and estimate variances are amortised over the expected remaining contribution period.

In connection with the conversion to IFRS the Company has reduced equity at 1 January 2005 with accumulated estimate variances. Payroll tax is included in the figures.

The Company changed from defined benefit to contribution based pension benefits as of May 2006. The effects from the change are booked to the profit and loss account. The pension premium of the contribution benefit program is charged to the profit and loss account as it incurs.

### ***Taxes***

Tax payable is matched to accounting profits before taxation. Taxes arising from equity transactions are charged to equity. Income tax expense is composed of tax payable (tax on the imposable income of the year) and changes in net deferred tax. Deferred tax and deferred tax advantage are netted in the balance sheet.

Deferred tax in the balance sheet is a nominal figure, calculated on the basis of temporary differences between accounting and taxation values, and the tax related deficit carried forward at the end of the accounting year.

Deferred tax is calculated on the difference between taxation and accounting value of licences.

### ***Provisions***

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events and it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are reviewed at balance sheet date and reflect the group's best estimate of the obligations.

### ***Subsequent events***

Subsequent events impacting the Company's financial position are considered in the consolidated financial accounts. Events that do not impact the Company's financial position at the balance sheet date, but will have an impact in the future, are mentioned when significant.

### ***Cash flow statement***

The cash flow statement presents the Company's cash flows from operating, investment and financial activities. The statement presents each separate activity's impact on the cash and cash equivalents. Cash flows from acquisitions and disposals of operations are presented under investment activities.

### ***Group reorganisations***

Frosta Laksefarm Invest AS and Frosta Laksefarm AS have merged with the acquiring company SalMar Farming AS with accounting effect as of 1 January 2006. The companies were wholly owned subsidiaries of SalMar Farming AS. The merger is carried out in accordance with simplified rules for group mergers, cf Aksjelovens §13-23. The merger is carried out according to the principle of continuity. SalMar Farming AS is a wholly owned subsidiary of the group parent company and the merger does not have an impact on the consolidated group accounts.

### ***Interpretations to existing standards that are not yet effective and have not been early adopted by the Company***

IAS 1 (changes). Presentation of the financial accounts – information of capital management. The change demands further information to make the readers of the financial accounts capable of evaluating the Company's goals, guidelines, and processes for capital management. The Company will apply the change from 1 January 2007.

IFRS 7 – Financial Instruments: Disclosures - IFRS 7 introduces new requirements to improve the information related to financial instruments. The Company will apply the change from 1 January 2007.

IFRS 8 – Business segments. IFRS 8 replace IAS 14. The standard demands that the Company use a management approach to identifying the business segments. In general, the reported information shall be the same as the management use to evaluate the results of the segments and to decide how resources should be allocated to segments.

IFRIC 7 – Use of method for inflation adjustments according to IAS 29, financial reporting in economies with hyperinflation. IFRIC 7 gives guidance to the use of the requirements in IAS 29 in a reporting period where the Company can demonstrate that there is hyperinflation in the economy which is basis for the Company's functional currency in circumstances where this economy not had hyperinflation in the previous period. The Company will apply IFRIC 7 as of 1 January 2007.

IFRIC 8 – Range of application for IFRS 2. IFRIC 8 deals with the question of whether IFRS 2 Share based payment should be used on transactions which deal with emission of equity instruments where the Company not can identify the specific goods or services received. The Company will apply IFRIC 8 as of 1 January 2007.

IFRIC 9 – Revaluation of built-in derivatives. IFRIC 9 requires that the Company have to assess if a built-in derivative shall be separated from the main contract and accounted for as a derivative when the Company becomes a part of the contract. Subsequent revaluation is prohibited, if not the value of

the contract have been changed in a way that in a material way changes the cash flows which generally would have been necessary according to the contract; if for instance, required revaluated. The Company will apply IFRIC 9 as of 1 January 2007.

IFRIC 10 – Interim reporting and depreciation. Depreciation of loss of goodwill, investments in equity instruments and investments in financial assets activated at cost done in an interim report, can not according to IFRIC 10 be reversed in subsequent periods. The Company will apply IFRIC 10 as of 1 January 2007.

IFRIC 11 – Payment with own or the groups equity instruments. IFRIC gives guidance of how IFRS 2 Share based payment shall be applied by payment with the Company's own equity instruments or equity instruments belonging to other Companies in the Group. The interpretation requires that an agreement regarding share based payment, where a Company receives goods or services as payment for the Company's equity instruments, shall be accounted for as a share based payment transaction settled with equity instruments, regardless of how the equity instrument will be acquired. The Company will apply IFRIC 11 as of 1 January 2008.

IFRIC 12 – Accounting for licences. The interpretation deals with how private operators shall use existing IFRS standards to account for the liabilities and rights in the licence agreements. The Company will apply IFRIC 12 as of 1 January 2008.

The Company expects not that the implementation of the proposals listed above will have any effect in the Company accounts at the implementation date, beyond new disclosure requirements.

## 9.2 Income Statement

	Years ended 31 December		Years ended 31 December	
	2006 IFRS	2005 IFRS	2005 NGAAP	2004 NGAAP
<i>(NOK 1000)</i>				
Operating income	1 248 564	871 451	871 451	790 929
Operating expenses	(763 317)	(634 497)	(633 604)	(644 660)
<b>Operating profit before deprec. and fair value adj. biological assets</b>	<b>485 247</b>	<b>236 954</b>	<b>237 847</b>	<b>146 269</b>
Depreciation and amortisation	(37 874)	(27 267)	(28 497)	(23 508)
Impairment				
<b>Operating profit before fair valueadj. of biomass</b>	<b>447 373</b>	<b>209 687</b>	<b>209 350</b>	<b>122 761</b>
Fair value adjustment of biological assets	63 676	40 785		
<b>Operating profit</b>	<b>511 049</b>	<b>250 472</b>	<b>209 350</b>	<b>122 761</b>
Income from associated companies	91 752	73 711	45 760	4 784
Financial income	12 961	16 844	16 844	5 248
Financial costs	(38 446)	(21 841)	(21 841)	(22 624)
Net financials	66 267	68 714	40 763	(12 592)
Profit before income tax	577 316	319 186	250 113	110 169
Income tax (expense) / income	(132 231)	(66 966)	(55 796)	(26 693)
<b>Profit for the period</b>	<b>445 085</b>	<b>252 220</b>	<b>194 317</b>	<b>83 476</b>
Minority interest	65	(5)	(5)	120
<b>Earnings per share</b>	<b>4.45</b>	<b>2.52</b>	<b>1.94</b>	<b>0.83</b>
<b>Earnings per share fully diluted</b>	<b>4.45</b>	<b>2.52</b>	<b>1.94</b>	<b>0.83</b>

Earnings per share is based on 100 million shares for all years.

### 9.2.1 Management discussion and analysis

#### ***The year ended 31 December 2005 and 31 December 2006 (IFRS)***

The Company achieved total revenues of MNOK 1,248.6 in 2006, compared with MNOK 871.5 in 2005.

Employee compensation and benefit expenses increased with MNOK 12.1 from MNOK 119.8 in 2005 to MNOK 131.9 in 2006. Other expenses increased with MNOK 25.7 from MNOK 85.2 in 2005 to MNOK 110.9 in 2006.

The operating result increased by MNOK 260.5 from MNOK 250.5 in 2005 to MNOK 511.0 in 2006. Net financial items in 2006 were MNOK 66.3 relative to MNOK 68.7 in 2005.

The Company had a total profit in 2006 of MNOK 445.1, compared with a profit of MNOK 252.2 in 2005.

#### ***The year ended 31 December 2004 and 31 December 2005 (NGAAP)***

The Company achieved total revenues of MNOK 871.5 in 2005, compared to MNOK 790.9 in 2004.

The operating profit increased with MNOK 86.5 from MNOK 122.8 in 2004 to MNOK 209.3 in 2005. The operating result ended at MNOK 209.3.

Net financial items amounted to MNOK 40.8 in 2005, compared to MNOK -12,6 in 2004.

The Company had a total profit of MNOK 194.3 in 2005, compared to a profit of MNOK 83.5 in 2004.

#### ***Overall comments to the figures in the period 1 January 2004 – 31 December 2006***

The Company has experienced a strong increase in the activity during this period. The main reason for this increase is the regulatory change as of 1 January 2005 when the Norwegian authorities introduced a new regime based on a maximum allowed biomass (MAB) which replaced a regime based on feed quotas. The change implied possibilities for major changes in the yearly production volumes. The Company started early the process of adapting to the new regime. This implied increased volumes of fish put out in the sea during 2005 and investments in increased capacity in smolt and farming. The increased volumes put in sea during 2005 resulted in a strong increase in the production and harvesting during 2006. Combined with an increase in the price of harvested salmon and continuous improvements in production, this led to a major increase in operating income, operating result and profit for the period.

In addition the Company has invested in new licences, including the acquisition of Flatanger Akva AS in 2004 and AS Sjøfor in 2006. These licences were not fully utilised based on the new regime, making it possible for the Company to have an even stronger growth under the new regime. The effect of the acquisition of licences in 2006 and January 2007 will not have any material effect before 2007/2008.

### 9.2.2 Segment information

#### ***Revenues per geographic market***

The table below shows the distribution of the Company's revenues per geographic market, in which the Company operates.

	2006	2005	2004
Japan	5 %	1 %	6%
Russia	4 %	0 %	0%
EU	20 %	8 %	0%
Norway	71 %	91 %	94%
<b>Total</b>	<b>100 %</b>	<b>100 %</b>	<b>100%</b>

The main parts of the Company's products are sold to Norwegian exporters who resell the products in both Japan and the EU.

The Company operates within two primary segments in relation to geographic activities. The different segments are divided into North Norway and Mid Norway. Set out below is the consolidated primary segment information for the Company for 2004 to 2006.

Primary segments	Year ended 31 December 2006			
	Mid Norway IFRS	North Norway IFRS	Other/elimination IFRS	Group IFRS
<i>(NOK 1000)</i>				
Operating income	1 238 431	56 920	(46 787)	1 248 564
EBIT before fair value adjustment	446 036	7 724	(6 386)	447 374
EBIT	533 649	(3 445)	(19 154)	511 050

Primary segments	Year ended 31 December 2005			
	Mid Norway IFRS	North Norway IFRS	Other/elimination IFRS	Group IFRS
<i>(NOK 1 000)</i>				
Operating income	871 451	-	-	871 451
EBIT before fair value adjustment	209 687	-	-	209 687
EBIT	250 472	-	-	250 472

Primary segments	Year ended 31 December 2004			
	Mid Norway NGAAP	North Norway NGAAP	Other/elimination NGAAP	Group NGAAP
<i>(NOK 1 000)</i>				
Operating income	790 929	-	-	790 929
EBIT before fair value adjustment	122 761	-	-	122 761
EBIT	122 761	-	-	122 761

Notes:

(1) North Norway includes Senja Sjøfarm from October 1, 2006

### ***Revenues per Business segment***

The Group operates within two secondary business segments, farming and processing. Set out below is the consolidated secondary segment information for the Company for 2006.

	Year ended 31 December 2006			
	Farming IFRS	Processing IFRS	Other/elimination IFRS	Group IFRS
<i>(NOK 1000)</i>				
Operating income	1 144 982	498 322	(394 740)	1 248 564
EBIT before fair value adjustment	477 169	(27 498)	(2 298)	447 374
EBIT	572 030	(27 498)	(33 483)	511 049

	Year ended 31 December 2005			
	Farming IFRS	Processing IFRS	Other/elimination IFRS	Group IFRS
<i>(NOK 1000)</i>				
Operating income	722 674	365 475	(216 698)	871 451
EBIT before fair value adjustment	230 961	(24 676)	3 402	209 687
EBIT	265 040	(24 676)	10 108	250 472

	Year ended 31 December 2004			
	Farming NGAAP	Processing NGAAP	Other/elimination NGAAP	Group NGAAP
<i>(NOK 1000)</i>				
Operating income	501 271	369 500	(79 842)	790 929
EBIT before fair value adjustment	75 968	43 962	2 831	122 761
EBIT	75 968	43 962	2 831	122 761

### 9.2.3 Property, plant and equipment

The following table gives an overview of the Company's material tangible fixed assets.

<i>(NOK 1 000)</i>	Years ended 31 December			
	2006 IFRS	2005 IFRS	2005 NGAAP	2004 NGAAP
Licences	711 503	221 403	222 403	221 403
Other intangible assets	0	667	667	1 334
Goodwill	56 155	5 823	4 594	5 823
Property, plant and equipment	306 609	162 121	162 121	128 188
<b>Sum fixed assets</b>	<b>1 074 267</b>	<b>390 014</b>	<b>388 785</b>	<b>357 414</b>
<b>Of this, leased equipment</b>	<b>110 940</b>	<b>38 411</b>	<b>38 411</b>	<b>27 959</b>

#### *Main fixed assets*

In the smolt production the main fixed assets are buildings, and equipment related to the production of smolt and are located at the production facilities in Folla, Kjørsvikbugen and Setran. Within farming the main assets are licences and equipment related to the fish farms in the sea. The fish farms are located in the counties Nord-Trøndelag, Sør-Trøndelag, Møre og Romsdal and Troms. In the processing activities the main fixed assets are related to machines in the plant at Frøya. The Company does not own the buildings, only the equipment related to the processing activities.

Leased assets are mainly related to the farming activities, such as fleets, boats, nets and net cages. The contracts run for 60 - 84 months.

The following table shows the book value of assets held as collateral for debt.

<i>(NOK 1 000)</i>	Years ended 31 December			
	2006 IFRS	2005 IFRS	2005 NGAAP	2004 NGAAP
Property, plant and equipment	1 018 112	123 710	123 710	90 878
Shares	0	350 458	350 458	305 672
Inventory	754 416	364 037	286 925	279 846
Receivables	110 156	111 630	111 630	90 287
<b>Total</b>	<b>1 882 684</b>	<b>949 835</b>	<b>872 723</b>	<b>753 602</b>

See also section 9.7 regarding planned investments, and 9.9.1 and 9.9.2 regarding capitalisation/collateral.

### 9.3 Balance Sheet

Set out below is the consolidated balance sheet for the Company for the periods ending 31 December 2006, 2005 and 2004:

(NOK 1000)	Years ended 31 December		Years ended 31 December	
	2006 IFRS	2005 IFRS	2005 NGAAP	2004 NGAAP
<b>Assets</b>				
Intangible assets	767 658	227 893	226 664	229 226
Property, plant and equipment	306 609	162 121	162 121	128 188
Investment in associated companies	262 552	339 562	350 985	295 863
Non-current receivables	9 618	20 370	24 919	20 860
<b>Total non-current assets</b>	<b>1 346 437</b>	<b>749 946</b>	<b>764 689</b>	<b>674 137</b>
Inventories	754 415	364 037	286 925	264 524
Accounts receivable	110 156	72 629	72 629	60 222
Other current receivables	51 544	14 082	14 082	9 205
Available for sale financial assets				16 354
Cash and cash equivalents	6 950	2 964	2 964	8 140
<b>Total current assets</b>	<b>923 065</b>	<b>453 712</b>	<b>376 600</b>	<b>358 445</b>
<b>Total assets</b>	<b>2 269 502</b>	<b>1 203 658</b>	<b>1 141 289</b>	<b>1 032 582</b>
<b>Liabilities and shareholders' equity</b>				
Share capital and share premium	25 000	1 000	1 000	1 000
Retained earnings	860 214	406 585	407 435	209 004
<b>Total shareholders' equity</b>	<b>885 214</b>	<b>407 585</b>	<b>408 435</b>	<b>210 004</b>
Deferred taxes	336 102	127 075	77 302	85 223
Pension liabilities	3 364	13 445		
Long-term debt	622 737	355 098	444 632	457 851
<b>Total long-term liabilities</b>	<b>962 203</b>	<b>495 618</b>	<b>521 934</b>	<b>543 074</b>
Trade payables	148 380	110 995	110 995	91 822
Tax and excise liabilities	79 007	55 350	55 350	2 867
Interest-bearing short-term debt	149 474	82 785	21 945	72 269
Other liabilities	45 224	51 325	22 630	112 546
Total short-term liabilities	422 085	300 455	210 920	279 504
<b>Total liabilities</b>	<b>1 384 288</b>	<b>796 073</b>	<b>732 854</b>	<b>822 578</b>
<b>Total shareholders' equity and liabilities</b>	<b>2 269 502</b>	<b>1 203 658</b>	<b>1 141 289</b>	<b>1 032 582</b>

In the annual report for 2005, the Company changed the accounting principle related to valuation of inventory from standard cost to a fully absorbed costing method, with effect from 1 January 2005. In addition, the Company reversed depreciation of goodwill from prior years, related to a change of principle in 2004 where goodwill was reclassified as licences but depreciation was not reversed. The corresponding figures in the 2005 annual report, however, were not changed, but the effects were described in the notes. In the table above, the revised figures are included. The table below explains the corrections made in the figures as of 31 December 2004.

	Annual report 31 December 2004		31 December 2004
	NGAAP	Corrections	NGAAP
Intangible assets	218 299	10 927	229 226
Inventories	279 846	(15 322)	264 524
Total shareholders' equity	207 829	2 175	210 004
Deferred taxes	91 793	(6 570)	85 223

#### 9.3.1 Management discussion and analysis

##### *The year ended 31 December 2005 and 31 December 2006 (IFRS)*

The Company had total assets of MNOK 2,269.6 at the end of 2006, compared with MNOK 1,203.7 in 2005. The increase in total assets is mainly due to the acquisition of the Senja Sjøfarm group in Q4 2006 and the Sjøfor group in June 2006, but there has also been an increase in inventory due to

increased volumes of biomass in the sea. Before Q4 2006 Senja Sjøfarm group was regarded as an associated company, owned 49.04% by SalMar ASA.

The Company's book equity amounted to MNOK 885.2 at year-end 2006, compared to MNOK 407.6 in 2005. The increase in book equity is mainly related to the profit for the period.

The net interest-bearing debt was MNOK 771.7 at year-end 2006 compared with 465.4 at year-end 2005.

Trade payables, tax and excise liabilities and other short-term liabilities have increased due to higher activities for the company in general.

The equity ratio was 39.0% as of 31 December 2006, compared to 33.9% as of 31 December 2005.

Deferred taxes calculated on book value of licenses have been included in the balance sheet when implementing IFRS, even though these will not materialise in the foreseeable future, and as such has fair value of nil. IFRS requires deferred taxes to be calculated without considering fair value of it.

***The year ended 31 December 2004 and 31 December 2005 (NGAAP)***

The Group had total assets of MNOK 1,141.3 at the end of 2005, compared to MNOK 1,032.6 in 2004.

The Company's book equity amounted to MNOK 408.4 at year-end 2005, compared to MNOK 210.0 in 2004. The Company's equity ratio was at year-end 2005 at 35.8% compared to an equity ratio of 20.3% in 2004.

The net interest-bearing debt amounted to MNOK 465.4 in 2005 compared to MNOK 559.0 in 2004.

Trade payables and other short-term liabilities have increased due to higher activities for the Company in general.

## 9.4 Cash Flow Statement

Set out below is the consolidated cash flow statement for the Company for the periods ending 31 December 2006, 2005 and 2004.

(NOK 1 000)	Years ended 31 December		Years ended 31 December	
	2006 IFRS	2005 IFRS	2005 NGAAP	2004 NGAAP
<b>Cash Flow from Operations</b>				
Profit for the period	533 485	318 240	249 167	109 185
Depreciation	37 874	27 267	28 496	23 508
Profit from sale of fixed assets	(2 335)	(1 744)	(1 744)	(313)
Result from associated companies	(91 752)	(73 711)	(45 760)	(1 003)
Capital gains/losses	(11 165)	(16 460)	(16 460)	5 651
Change in inventories, trade receivables, trade payables	(208 778)	(57 337)	(15 635)	(20 153)
Change in other balances	(11 927)	(13 990)	(15 799)	25 599
<b>Net cash flow from operations</b>	<b>245 402</b>	<b>182 265</b>	<b>182 265</b>	<b>142 474</b>
<b>Cash Flow from investment activities</b>				
Purchase of property, plant and equipment (PPE)	(136 187)	(47 331)	(46 804)	(94 274)
Purchase of shares	(348 562)	(29 245)	(29 245)	(2 018)
Proceeds from sale of shares	64 538	527		
Proceeds from sale of PPE	6 691	2 868	2 868	7 278
<b>Net cash flow from investment activities</b>	<b>(413 520)</b>	<b>(73 181)</b>	<b>(73 181)</b>	<b>(89 014)</b>
<b>Cash Flow from financing activities</b>				
Group contribution				(27 583)
Reduction in minority interest		(1 228)	(1 228)	
Proceeds from borrowings	185 348			
Repayments of borrowings	(13 243)	(113 032)	(113 032)	(21 634)
Equity part of convertible bond				
Proceeds from share issue				
<b>Net Cash Flow from financing activities</b>	<b>172 105</b>	<b>(114 260)</b>	<b>(114 260)</b>	<b>(49 217)</b>
<b>Net change in cash and cash equivalents</b>	<b>3 987</b>	<b>(5 176)</b>	<b>(5 176)</b>	<b>4 243</b>
Cash and cash equivalents as at 1 January	2 964	8 140	8 140	3 897
Cash and cash equivalents as at 31 December	6 951	2 964	2 964	8 140
Restricted cash as at 31 December				
<b>Cash and cash equivalents adjusted for restricted cash</b>	<b>6 951</b>	<b>2 964</b>	<b>2 964</b>	<b>8 140</b>

There are no restrictions regarding transfer of cash from subsidiaries to parent company.

### 9.4.1 Management discussion and analysis

#### *The year ended 31 December 2005 and 31 December 2006 (IFRS)*

Net cash flow from operations increased from MNOK 182.3 in 2005 to MNOK 245.4 in 2006. The net cash from investment activities decreased from MNOK -73.2 in 2005 to MNOK -413.5 in 2006. At year-end 2006, the Company had MNOK 7 in available cash in addition to MNOK 376.6 in unused drawing rights.

The strong increase in operating profit has also led to an increase in cash-flow from operating activities, but not as much as the result indicates. This is due to an increase in inventory during 2006 and results from associated companies not leading to any change in cash. The inventory level will not most likely be increased through 2007 leading to an even stronger increase in cash flow during this year.

The Company has invested heavily in especially the smolt and farming activities of the Company in 2006, see also comments in section 9.7. In addition, the Company in Q4 2006 bought the rest of the

shares in the Senja Sjøfarm group and the shares in AS Sjøfor in June 2006. The investments were financed by cash-flow from operating activities and from increased loan financing.

## 9.5 Changes in shareholders' equity

The table below shows the changes in the Company's shareholders' equity over the past three accounting years.

### CHANGES IN SHAREHOLDERS' EQUITY 2004 – 2006

<i>(NOK 1000)</i>	Attributable to equity holders		
	2006	2005	2004
Shareholders' equity as at 1 January	408 435	210 005	146 242
Profit from acquisition of shares in subsidiaries	30 333		6 176
Reduction in minority interest in subsidiary		(1 229)	
Remission of debt Senja Sjøfarm AS		6 658	
Group contribution			(28 661)
Change in accounting principle financial lease			530
Conversion difference			(58)
Conversion differences in associated companies	4 033		
Other equity transactions in associated companies	5 502	(1 315)	124
Adjustment of licences			10 927
Adjustment of deferred tax on licences			2 280
Adjustment of biomass value as of 01.01.05			(11 031)
Profit for the period	366 569	194 316	83 476
Shareholders' equity as at 31 December based on NGAAP	814 873	408 435	210 004
Transition to IFRS			
Deferred tax on licences	-33 220	-33 220	-33 220
Adjustments in biomass value	156 216	75 541	34 756
Adjustments in other inventory	10 262	1 571	653
Adjustments in pension liabilities	-3 778	-17 995	-16 186
Adjustments in value of associated companies	-8 817	-11 423	-32 716
Reversal of goodwill depreciation	4 523	1 229	
Reclassification of group contribution			32 446
Currency future contract	-310		
Excess value analyses			
- Goodwill	- 9 065		
- Licences	100 100		
- Deferred tax on licences	-100 100		
Tax on adjustments	-45 469	-16 553	-5 382
Sum effects of transition to IFRS	70 341	-850	-19 649
Shareholders' equity as at 31 December based on IFRS	885 214	407 585	190 355

## 9.6 Transition from NGAAP to IFRS

Both 2005 and 2006 consolidated accounts were prepared according to NGAAP. However, in connection with the planned listing on Oslo Børs in 2007, the Company has also prepared both the 2005 and 2006 financial statements in accordance with IFRS. The 2005 comparable figures shown in the 2006 consolidated financial statements are based on the same principles applied in the 2006 consolidated financial statements. The accounting principles summarised in section 9.1 are applied on both 2005 and 2006 consolidated accounts prepared according to IFRS

### 9.6.1 Presentation and explanation of transition to IFRS

#### **Goodwill**

Under NGAAP goodwill was amortized over a period of 10 years. However under IFRS, goodwill is not depreciated but evaluated annually for impairment to ensure that the carrying amounts do not exceed fair value. Consequently, in transitioning from NGAAP to IFRS depreciation of goodwill for 2005 and 2006 is reversed.

***Restatement of acquisitions***

Acquisitions after 1 January 2005 have been restated and accounted for according to IFRS.

***Investments in associated companies***

Investments in associated companies have been accounted for using the equity method (no changes from accounting towards previous GAAP). However, the results in the associated companies have been restated according to IFRS, to reflect correct value in the Company's accounts.

***Fair value adjustment on biological assets***

Under NGAAP biological assets were accounted for using the lowest of production cost and net realisable value based upon future sales prices.

However, under IFRS fish in sea with a live weight above 4 kg at balance sheet date is considered as mature fish ready for harvest. For weight categories above 4 kg live weight there exist an active market for slaughtered fish. As slaughtered fish for these weight categories are considered as similar assets, fair value is calculated based on the market price on slaughtered fish at balance sheet date. The market price used is the prices for the various weight categories for fish above 4 kg live weight. The price is adjusted for quality differences (superior, ordinary and prod.) and for freight. Further, estimated slaughtering expenses are subtracted.

For fish in sea at balance sheet date with live weight below 4 kg, the Company considers the market for slaughtered fish at these weight categories not to be active. Further, the Company considers fish with live weight below 4 kg not to be commercial ready for harvest, i.e. immature. Hence, fair value for immature fish is calculated with basis on market prices on mature fish. Immature fish in sea has a potential of growing to mature sizes, normally bringing the average production cost per kg below levels for immature fish. Further, slaughtering expenses per kg for mature fish are lower compared with immature fish. In the Company's valuation of immature fish, these aspects are considered.

Book value of finished goods has been adjusted with the effect of fair value adjustment of the related raw material.

***Group contribution***

Group contributions to parent company have been restated from short term debt to equity according to IFRS.

***Borrowings***

First year payments of long term debt according to repayment plan have been reclassified to short term debt.

***Deferred tax***

Under NGAAP, deferred tax provision was calculated by using net present value of deferred tax related to assets with indefinite lives (mainly licenses). However, under IFRS deferred tax provision are based upon nominal values.

In addition, deferred tax is also influenced by other changes due to IFRS-implementation.

***Pensions***

The Company has in line with IFRS elected to recognised all cumulative actuarial gains and losses as of 1 January 2005 in equity. This creates difference towards previous GAAP.

***Company income statement***

Set out below are the consolidated income statements for the Company for the periods 2005 and 2006, showing the effects of the transition from NGAAP to IFRS for both years:

**For the year ended 31 December 2005**

<i>(NOK 1000)</i>	<b>NGAAP 2005</b>	<b>Adjustment</b>	<b>IFRS 2005</b>
Revenue	871 451	-	871 451
Inventory used	(456 871)	-	(456 871)
Change in inventories of finished goods and work in progress	26 444	918	27 362
Employee compensation and benefit expense	(117 957)	(1 809)	(119 766)
Depreciation, amortisation and impairment charges	(28 496)	1 229	(27 267)
Other expenses	(85 220)		(85 220)
<b>Profit from operations before biomass adj.</b>	<b>209 351</b>	<b>338</b>	<b>209 689</b>
Biomass adjustment		40 785	40 785
<b>Operating profit</b>	<b>209 351</b>	<b>41 213</b>	<b>250 474</b>
Income from associated companies	45 760	27 951	73 711
Other financials	-4 997		-4 997
<b>Profit before income tax</b>	<b>250 114</b>	<b>69 071</b>	<b>319 185</b>
Income tax (expense) / income	(55 796)	(11 170)	(66 966)
<b>Profit for the period</b>	<b>194 318</b>	<b>57 901</b>	<b>252 219</b>

**For the year ended 31 December 2006**

<i>(NOK 1000)</i>	<b>NGAAP 2006</b>	<b>Adjustment</b>	<b>IFRS 2006</b>
<b>Revenue</b>	1 248 564		1 248 564
Inventory used	(652 164)		(652 164)
Change in inventories of finished goods and work in progress	122 921	8 691	131 612
Employee compensation and benefit expense	(146 129)	14 216	(131 913)
Depreciation, amortisation and impairment charges	(41 168)	3 294	(37 874)
Other expenses	(110 852)		(110 852)
<b>Profit from operations before biomass adj.</b>	<b>421 172</b>	<b>26 201</b>	<b>447 373</b>
Biomass adjustment		63 676	63 676
<b>Operating profit</b>	<b>421 172</b>	<b>89 877</b>	<b>511 049</b>
Income from associated companies	78 646	13 105	91 751
Other financials	-25 175	-309	-25 484
<b>Profit before income tax</b>	<b>474 643</b>	<b>102 674</b>	<b>577 317</b>
Income tax (expense) / income	(108 075)	(24 157)	(132 232)
<b>Profit for the period</b>	<b>366 568</b>	<b>78 517</b>	<b>445 085</b>

***Company balance sheet***

Set out below are the consolidated balance sheets for the Company as at 1 January 2005, 1 January 2006 and 31 December 2006 showing the effects of the transition from NGAAP to IFRS for the years.

**As at 1 January 2005**

<i>(NOK 1 000)</i>	<b>NGAAP</b>	<b>Adjustment</b>	<b>IFRS</b>
<b>Assets</b>			
Intangible assets	229 226		229 226
Property, plant and equipment	128 188		128 188
Investment in associated companies	295 863	(32 716)	263 147
Non-current receivables	20 860	(4 162)	16 698
<b>Total non-current assets</b>	<b>674 137</b>	<b>(36 878)</b>	<b>637 259</b>
Inventories	264 524	35 409	299 933
Accounts receivables	60 222		60 222
Other current receivables	9 205		9 205
Available for sale financial assets	16 354		16 354
Cash and cash equivalents	8 140		8 140
<b>Total current assets</b>	<b>358 445</b>	<b>35 409</b>	<b>393 854</b>
<b>Total assets</b>	<b>1 032 582</b>	<b>(1 469)</b>	<b>1 031 113</b>
<b>Liabilities and shareholders' equity</b>			
Share capital and share premium	1 000		1 000
Other equity			-
Retained earnings	209 004	(19 649)	189 355
<b>Total shareholders' equity</b>	<b>210 004</b>	<b>(19 649)</b>	<b>190 355</b>
Deferred taxes	85 223	38 603	123 826
Long-term debt	457 851	(49 420)	408 431
<b>Total non-current liabilities</b>	<b>543 074</b>	<b>(10 817)</b>	<b>532 257</b>
Trade payables	91 822		91 822
Tax and excise liabilities	2 867		2 867
Interest-bearing short-term debt	72 269	61 443	133 712
Provisions			-
Other liabilities	112 546	(32 446)	47 138
<b>Total current liabilities</b>	<b>279 504</b>	<b>28 997</b>	<b>308 501</b>
<b>Total liabilities</b>	<b>822 578</b>	<b>18 180</b>	<b>840 758</b>
<b>Total shareholders' equity and liabilities</b>	<b>1 032 582</b>	<b>(1 469)</b>	<b>1 031 113</b>

**As at 31 December 2005**

<i>(NOK 1 000)</i>	<b>NGAAP</b>	<b>Adjustment</b>	<b>IFRS</b>
<b>Assets</b>			
Intangible assets	226 664	1 229	227 893
Property, plant and equipment	162 121		162 121
Investment in associated companies	350 985	(11 423)	339 562
Non-current receivables	24 919	(4 549)	20 370
<b>Total non-current assets</b>	<b>764 689</b>	<b>(14 743)</b>	<b>749 946</b>
Inventories	286 925	77 112	364 037
Accounts receivables	72 629		72 629
Other current receivables	14 082		14 082
Available for sale financial assets	-		-
Cash and cash equivalents	2 964		2 964
<b>Total current assets</b>	<b>376 600</b>	<b>77 112</b>	<b>453 712</b>
<b>Total assets</b>	<b>1 141 289</b>	<b>62 369</b>	<b>1 203 658</b>
<b>Liabilities and shareholders' equity</b>			
Share capital and share premium	1 000		1 000
Other equity			-
Retained earnings	407 435	(850)	406 585
<b>Total shareholders' equity</b>	<b>408 435</b>	<b>(850)</b>	<b>407 585</b>
Deferred taxes	77 302	49 773	127 075
Long-term debt	444 632	(76 088)	368 544
<b>Total non-current liabilities</b>	<b>521 934</b>	<b>(26 315)</b>	<b>495 619</b>
Trade payables	110 995		110 995
Tax and excise liabilities	55 350		55 350
Interest-bearing short-term debt	21 945	60 841	82 786
Provisions		28 693	28 693
Other liabilities	22 630		22 630
<b>Total current liabilities</b>	<b>210 920</b>	<b>89 534</b>	<b>300 454</b>
<b>Total liabilities</b>	<b>732 854</b>	<b>63 219</b>	<b>796 073</b>
<b>Total shareholders' equity and liabilities</b>	<b>1 141 289</b>	<b>62 369</b>	<b>1 203 658</b>

**As at 31 December 2006**

<i>(NOK 1 000)</i>	<b>NGAAP</b>	<b>Adjustment</b>	<b>IFRS</b>
<b>Assets</b>			
Intangible assets	672 099	95 558	767 657
Property, plant and equipment	306 609		306 609
Investment in associated companies	271 369	(8 817)	262 552
Non-current receivables	10 033	(415)	9 618
<b>Total non-current assets</b>	<b>1 260 110</b>	<b>86 326</b>	<b>1 346 436</b>
Inventories	587 937	166 478	754 415
Accounts receivables	110 156		110 156
Other current receivables	51 544		51 544
Available for sale financial assets	-		-
Cash and cash equivalents	6 950		6 950
<b>Total current assets</b>	<b>756 587</b>	<b>166 478</b>	<b>923 065</b>
<b>Total assets</b>	<b>2 016 697</b>	<b>252 804</b>	<b>2 269 501</b>
<b>Liabilities and shareholders' equity</b>			
Share capital and share premium	25 000		25 000
Other equity			-
Retained earnings	789 872	70 342	860 214
<b>Total shareholders' equity</b>	<b>814 872</b>	<b>70 342</b>	<b>885 214</b>
Deferred taxes	157 312	178 790	336 102
Long-term debt	656 776	(30 676)	626 100
<b>Total non-current liabilities</b>	<b>814 088</b>	<b>148 114</b>	<b>962 202</b>
Trade payables	148 381		148 381
Tax and excise liabilities	79 006		79 006
Interest-bearing short-term debt	115 436	34 039	149 475
Provisions			-
Other liabilities	44 914	309	45 223
<b>Total current liabilities</b>	<b>387 737</b>	<b>34 348</b>	<b>422 085</b>
<b>Total liabilities</b>	<b>1 201 825</b>	<b>182 462</b>	<b>1 384 287</b>
<b>Total shareholders' equity and liabilities</b>	<b>2 016 697</b>	<b>253 804</b>	<b>2 269 501</b>

***Company equity reconciliation*****For the year ended 31 December 2006**

See section 9.5 for the transition details regarding the Company's equity.

**9.7 Investments**

The Company is organized in three main value chain activities, smolt production, farming and processing. In the table below the investments during the last three years are grouped into these activities. The investments in other companies are not included in the figures.

### 9.7.1 Investments past 3 years

The table below gives an overview of the Company's investments for the past three accounting years.

#### CAPITAL INVESTMENTS BY VALUE CHAIN ACTIVITY

(MNOK)	2006	2005	2004
<b>Smolt production</b>			
Water supply	1.8	7.2	0.3
Operating equipment	17.6	1.5	2.0
Sundry	5.0	0.6	0.2
<b>Smolt production</b>	<b>24.4</b>	<b>9.3</b>	<b>2.5</b>
<b>Farming</b>			
Sea equipment	66.8	30.8	14.6
Boats	15.2	4.2	4.8
Sundry	9.2	13.4	0.3
<b>Farming</b>	<b>91.2</b>	<b>48.4</b>	<b>19.7</b>
<b>Processing</b>			
Machinery	1.6	10.7	13.2
Sundry	1.5	1.7	2.9
<b>Processing</b>	<b>3.1</b>	<b>12.4</b>	<b>16.1</b>
<b>Total expenditures– Production and sales</b>	<b>118.7</b>	<b>70.1</b>	<b>38.3</b>

All investments have been located to Mid Norway, except for MNOK 12.5 of the investments in sea equipment in 2006.

27 June 2006 the Company acquired 100% of the shares in AS Sjøfor for MNOK 150.9. 23 October 2006 the Company acquired the remaining 50.96% of the shares in Senja Sjøfarm AS for MNOK 197.6.

The increased investments in 2006 are a result of both postponed investments budgeted for 2005 and investments planned for 2007 but started in 2006, in addition to a generally high level of investments in 2006. These effects amount to approximately MNOK 20 mill in 2006. In addition, investments in equipment at Senja Sjøfarm AS in Q4 2006, after the acquisition, are included with MNOK 12.5.

### 9.7.2 Investments in progress and future investments

The Company continues to invest in all activities to adjust the capacity. It will be invested approximately MNOK 35 during 2007 and 2008 in smolt production. The investments in farming for 2007 are estimated to be approximately MNOK 43 including MNOK 13 at Senja Sjøfarm AS.

Approximately MNOK 11 of the planned investments in the smolt production is related to water supply equipment in Mid Norway. The residual amount relates to different kind of operating equipment in Mid and North Norway.

Farming investments in 2007 relates to sea equipment (approx. MNOK 27), boats (approx. MNOK 11) and other farming equipment. All these investments will be located in Mid and North Norway.

All described investments will be financed through existing credit facility (see section 9.9.1) and cash generated by the business.

The Company has started the groundwork for a new processing plant. It is planned to be in operation ultimo 2008. The plant will be built by an external part, and SalMar will enter into a long term rental contract. However, SalMar will invest in the machinery in the plant.

## 9.8 Significant changes after 31 December 2006

Except from the Company's purchase of Halså Fiskeoppdrett AS (2 licences) and Straumsnes Settefisk AS in January 2007, there have been no significant changes in the financial or trading position of the Company after 31 December 2006.

The Company has not experienced any changes or trends outside the ordinary course of business that are significant to the Company after 31 December 2006 and to the date of this Prospectus, other than those described elsewhere in the Prospectus. The Company does not know of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year other than those described elsewhere in the Prospectus. Please see chapter 6, "Presentation of SalMar" and chapter 7, "The market for farmed salmon" as well as chapter 2, "Risk factors" for more information about significant recent trends in the Company's business and relevant markets.

For any governmental, economic, fiscal, monetary or political policies or other factors that could materially affect the Company's future operations, please refer to chapter 2, "Risk factors", chapter 7, "The market for farmed salmon" and chapter 12, "Legal Matters".

## 9.9 Capitalisation and Indebtedness

The following table sets out the consolidated capitalisation and indebtedness of SalMar ASA as of 28 February 2007.

The capitalisation and indebtedness statement for SalMar ASA is based on the Company's unaudited accounts as at 28 February 2007:

TABLE: TOTAL CAPITALISATION AND INDEBTEDNESS PER 28 FEBRUARY 2007

<b>Based on unaudited accounts</b>	(NOK 1000)
<b>Total current debt</b>	
Guaranteed	-
Secured (1)	150 226
Unguaranteed/unsecured	110 921
Sum	261 147
<b>Total Non-Current Debt</b>	
Guaranteed	
Secured (1)	726 088
Unguaranteed/unsecured	336 102
Sum	1 062 190
<b>Capital and Reserves</b>	
Share Capital	25 000
Other reserves (5)	860 214
Sum	885 214
<b>Total Capitalisation and Indebtedness</b>	<b>2 208 551</b>
Cash (6)	30 124
Cash equivalent	0
Trading securities	0
<b>Total liquidity</b>	<b>30 124</b>
<b>Current financial receivables</b>	<b>3 194</b>
Current bank debt	116 187
Current portion of non current debt	34 039
Other current financial debt (2)	-
<b>Current financial debt</b>	<b>150 226</b>
<b>Net current financial indebtedness</b>	<b>116 908</b>
Non current bank loans	664 668
Bond Issued	0
Other non-current borrowings (3)	70 420
<b>Non-current financial indebtedness</b>	<b>726 088</b>
<b>Net financial indebtedness</b>	<b>842 996</b>

Notes:

- (1) Secured current and non-current debt relates to bank borrowing and finance lease obligations.
- (2) Other current financial debt includes finance lease obligations.
- (3) Other non-current financial debt includes finance lease obligations
- (4) Deferred tax at 31 December 2006
- (5) Exclusive Profit & Loss reserve for 2007
- (6) The cash is held in NOK, EUR and JPY

The indebtedness amounts have been extracted from SalMar ASA's unaudited accounts for February 2007.

### *9.9.1 Borrowing requirements and funding structure*

On 21 December 2006 the Company entered into a loan agreement for a total loan facility of NOK 930 million with a bank syndicate established by Nordea Bank Norge ASA. This loan facility is structured as follows:

Facility A: An interest-only loan of NOK 170 million

Facility B: A revolving overdraft facility of NOK 200 million

Facility C: An instalment loan of NOK 160 million

Facility D: An instalment loan of NOK 400 million

The interest is NIBOR<sup>9</sup> plus the current margin, which is calculated on the basis of the Company's NIBD<sup>10</sup>/EBITDA<sup>11</sup> ratio on a 4 quarter continuous basis. The margin may vary between 0.350% p.a. and 1.350% p.a. The maturity for the total loan facility is 7 years. The loan facility is secured both in SalMar ASA and shares in the Company's present and future subsidiaries in addition to security in the Company's property, plants and other material fixed assets as well as stock, water rights, farming licences, insurance policies and bank accounts.

The unused long-term facility at 31 December 2006 amounted to MNOK 200.

The unused revolving facility at 31 December 2006 amounted to MNOK 154.

### *9.9.2 Restrictions on the use of capital*

#### ***Covenants***

The loan facility described in section 9.9.1 has the following covenants:

To the extent the Company has loans outstanding relating to the loan facility, there can be no changes in the legal form of the Company or the Company's subsidiaries, ownership structure or articles of association without the prior approval of the bank syndicate.

The Company may not undertake or participate in any merger or de-merger with companies outside the SalMar group or make other changes in the company structure without the prior approval of the bank syndicate. The Company may not make investments for more than NOK 100 million on an accumulated basis per accounting year.

There are certain restrictions with respect to the Company's use of any further collateral. This does not, however, apply for (i) collateral in relation to other assets than those used as collateral in the loan facility described in sections 9.9.1 and 9.9.2, and (ii) the collateral of assets belonging to companies in the Senja group and for the financing of the Senja companies.

In addition, the Company may not raise other interest-bearing debt or enter into agreements for further use of collateral, except for (i) a total of NOK 100 million for other debt/leasing/guarantee obligations, (ii) subordinated loans and other loans to lenders from Kverva Holding/shareholders, for which there are no collateral or other security, and (iii) the financing of the Senja companies.

No loans or other cash contributions or transfer of assets from other parts of the SalMar group to the Senja group for more than NOK 50 million may be made without a prior approval from the bank syndicate, except for (i) the supply of new share capital/equity to the Senja group following a share

<sup>9</sup> NIBOR = Norwegian InterBank Offered Rate; the reference interest rate for NOK quoted between Norwegian banks.

<sup>10</sup> NIBD = The Company's total consolidated interest-bearing debt less (i) interest-bearing subordinated loan(s), (ii) short-term interest-bearing loan from Kverva Holding AS/shareholders, and (iii) available cash and bank deposits.

<sup>11</sup> EBITDA = The Company's consolidated result before interests, taxes, depreciations and amortisations

capital increase in the Company of the same size, and (ii) group contributions from other parts of the SalMar group to the Senja group without any effect on the Company's liquidity (i.e. no cash payment).

The Company may not complete or permit the sale/purchase of businesses, material fixed tangible assets or other material assets without the prior written consent from the bank syndicate.

### ***Financial covenants***

The Company's equity/asset ratio shall be equal to or higher than 25% till 31 December 2007, and thereafter equal to or higher than 30% until the final term of payment under the loan agreement. The equity/asset ratio may, however, be reduced to 25% for a period of up to 12 months during the remainder of the loan agreement.

The NIBD/EBITDA ratio shall be maximum 4.50.

#### ***9.9.3 Changes in the financial structure***

There have been no major changes in the financial structure of the Company subsequent to 31 December 2006.

#### ***9.9.4 Working capital statement***

SalMar ASA has sufficient capital for the Company's present requirements.

### **9.10 Use of Financial Instruments**

SalMar's major sales transactions are in Norwegian kroner. However, to be able to lower the risk of foreign exchange exposure on turnover, SalMar has a policy to hedge currency on some of the fixed contracts. Except for these contracts, the Company has a limited use of financial instruments. See also the financial statement, disclosure note 19 and 20.

### **9.11 Financial Risk Management**

#### ***9.11.1 Foreign exchange risk***

The Company's major sales transactions are in NOK. In addition the Company has some sales transactions in both Euro and JPY, and is therefore exposed for changes in foreign exchange rates. These transactions have partly been hedged by use of forward contracts.

#### ***9.11.2 Credit and liquidity risk***

The Company has focus on maintaining a prudent and sufficient cash situation through adequate credit facilities. Management considers the cash situation in the Company to be good. The Company has not entered into any financial instrument contracts to reduce the credit or liquidity risk.

#### ***9.11.3 Floating rate - and fixed rate risk***

The entire loan portfolio is at the moment based on floating rate contracts. The Company assesses on a running basis the need to enter into fixed interest rate contracts.

See also the financial statement, disclosure note 19 and 20.

### **9.12 The Company's Auditor**

Systemrevisjon AS was appointed as the Company's auditor in 1995 (financial year ended 31 December 1995). The auditor's address is:

Systemrevisjon AS  
Kløbuveien 125  
7031 Trondheim

Systemrevisjon AS is a member of the Norwegian Institute of Public Accountants.

## 10. Share Capital and Shareholder Matters

### 10.1 Current Share Capital

The Company's Share Capital prior to the Offering is NOK 25,000,000 divided into 100,000,000 Shares each with a par value of NOK 0.25.

The Company has only one class of Shares, which are equal in all respects. The share capital is fully paid. The Company's articles of association do not provide for limitations on the transferability or ownership of Shares.

There are no outstanding rights to subscribe for Shares in the Company or require the Company to issue shares.

### 10.2 Authorization to increase the Share Capital

At the ordinary general meeting on 21 March 2007, the Board of Directors were given the following authority to increase the Company's share capital:

- (i) The Board of Directors is given the authority to increase the Company's share capital with up to NOK 12,500,000 by issuance of up to 50,000,000 shares, each with a par value of NOK 0.25.
- (ii) The authorisation is effective until the ordinary general meeting in 2008, but not later than 30 June 2008.
- (iii) The Board of Directors may resolve that the existing shareholders' preferential right to the new shares may be set aside.
- (iv) The authorisation also includes capital increase against contributions in kind, cf. the Norwegian Public Limited Companies Act § 10-2 and capital increase through merger in accordance with the Norwegian Public Limited Companies Act § 13-5.
- (v) This authorisation replaces all previously issued authorisations.

The authorisation may be used to issue up to 7 million shares in a public offering in connection with the planned stock exchange listing, to finance new investments, including acquisitions of companies through issue of shares. The authorisation may also be used for issue of shares in connection with a possible option programme to key employees within a frame of 3% of the present number of shares in the Company.

### 10.3 Share Capital Development for the latest 3 financial years

Below is a table with the Company's development in Share Capital since 1 January 2004 until the date of the Prospectus.

Date	Type of change in Share Capital	Change in Share Capital (NOK)	Par Value (NOK)	Subscription price per Share (NOK)	Share Capital (NOK)	No of Shares
31.12.2004	Share capital year-end	-	1 000	-	1 000 000	1 000
31.12.2005	Share capital year-end	-	1 000	-	1 000 000	1 000
07.04.2006	Capitalization issue	24 000 000	25 000	-	25 000 000	1 000
07.04.2006	Share split 1:100 000	-	0.25	-	25 000 000	100 000 000
31.12.2006	Share capital year-end	-	0.25	-	25 000 000	100 000 000

### 10.4 Shareholder Structure and Major Shareholders

SalMar's 10 largest shareholders registered in the VPS as of 13 April 2007 are shown in the table below.

## SHAREHOLDER STRUCTURE OF SALMAR PER 13 APRIL 2007

	No. of shares (1000)	Owner- ship (%)
Kverva Holding AS	57 500	57.50
Simask AS	10 600	10.60
JPMorgan Chase Bank	6 500	6.50
Odin Norge I, Odin Norge II	5 772	5.77
Odin Norden I, Odin Norden II	4 072	4.07
Goldman Sachs International	3 985	3.99
Borea AS, Borea Noterte II AS	1 670	1.67
Centragruppen, Centra Invest	1 430	1.43
Sparebanken Midt-Norge	1 300	1.30
Gross Management AS	900	0.90
<b>Total 10 largest shareholders</b>	<b>93 730</b>	<b>93.73</b>
Others	6 270	6.27
<b>Total</b>	<b>100 000</b>	<b>100.00</b>

As of 21 March 2007 SalMar had 489 shareholders, of whom 485 (99%) were Norwegian and 4 (1%) were non-Norwegian, registered in the VPS.

Kverva Holding AS, Simask AS, J.P. Morgan and Odin Norge I/II have, prior to the Offering, positions in SalMar which give ultimate beneficial ownerships (consisting of direct and indirect shareholdings including shares held by nominees) that requires notifications under Norwegian law. Kverva Holding AS will after the Offering have an ownership stake of more than 50%, i.e. over the 40% threshold and the new proposed 50% threshold, which triggers the requirement to make a mandatory takeover bid (see also section 10.19, “Mandatory takeover bids and squeeze-out rules”). As a result Kverva Holding AS may increase their ownership stake in the Company without having to make a mandatory takeover bid.

SalMar is not aware of any other shareholder or group of shareholders who’s direct and/or indirect shareholdings gives rise to a influence that requires notifications under Norwegian law. None of SalMar’s major shareholders have different voting rights than other SalMar’s Shareholders.

SalMar is not aware of any situation that may cause a change of control in SalMar.

### 10.5 Share price development and share trading

The Company’s Shares are currently not traded in any regulated market-place and has not been subject to regular trading.

### 10.6 Share Registrar and Securities Number

SalMar is a Norwegian public limited company, and the Shares have been issued pursuant to the Norwegian Public Limited Companies Act.

SalMar Shares are registered in the Norwegian Central Securities Depository (VPS). The Shares’ securities number is ISIN 001 0310956. The Company’s registrar is Nordea Bank Norge ASA, Issuer Service, Middelthuns gt. 17, P.O. Box 1166 Sentrum, 0107 Oslo, Norway.

### 10.7 Own shares

As of the date of this Prospectus, SalMar does not hold any own Shares.

At the ordinary general meeting on 21 March 2007, the Board of Directors were given the following authority to acquire the Company’s own shares:

- (i) The Board of Directors is, in accordance with the Norwegian Public Limited Companies Act, given authority to acquire the Company’s own shares for up to a nominal value of NOK 2,500,000, which corresponds to 10% of the Company’s share capital as per 7 March 2007.

- (ii) The price which may be paid for each share shall be minimum NOK 1 and maximum NOK 100.
- (iii) The Board of Directors may freely decide how to acquire and dispose of the shares.
- (iv) The authorisation is effective until the ordinary General Meeting of 2008, but not later than 30 June 2008.

### **10.8 Shareholder policy**

The Company will seek to assist the market and the Company's shareholders with reliable and consistent information in order to secure that the market is able to access the most correct pricing of the Company's Shares. The Company intends to carry out regular reporting of financial statements and presentations to the market, investors and analysts in Norway. All financial reports and presentations will be distributed through Oslo Børs' electronic message system.

### **10.9 Dividend Policy**

SalMar aims to give its shareholders a competitive return on their investment over time, given the Company's risk profile. The return shall be achieved through a combination of a positive share price development and the payment of dividends from the Company. The Company aims to pay any excess liquidity (liquidity not necessary for the Company's daily operations) either as dividends or through capital decreases with distributions to the shareholders. In addition, the Company will on a consecutive basis evaluate the need to use any available liquidity for further investments or for the payment of debt instead of dividends. Subject to the approval of the Company's general meetings the Company plan to distribute dividends on an annual basis. The Company has not paid any dividends for the past 3 years.

### **10.10 Warrants and other rights to acquire shares**

The Company has not issued any options, warrants, convertible bonds or other rights to subscribe for Shares in the Company or require the Company to issue shares.

### **10.11 Shareholder Agreements**

The Company is not aware of any shareholders agreements relating to the Company's shares.

### **10.12 Transactions with Related Parties**

Since 2004 the Company has had the following agreements with related parties:

- SalMar has entered into an agreement regarding book-keeping for the Company's principal shareholder, Kverva Holding AS. This agreement came into force 1 April 2006, and the Company paid Kverva Holding AS NOK 24,500 for services rendered in connection with this agreement in 2006. SalMar has entered into a corresponding agreement with NutriMar AS, which is wholly owned by Kverva Holding AS. This agreement came into force 1 July 2006. The Company paid NutriMar AS NOK 28,700 in connection with this agreement for 2006. Both agreements are entered into on commercial terms.
- Salmar Processing AS (being a subsidiary of SalMar) has entered into an agreement with Ervik Laks og Ørret AS which is described above. The agreement came into force 1 January 2005 and expires 31 December 2007. The agreement has been entered into on commercial terms. This agreement is included because Ervik Laks og Ørret AS is partly owned by Synnøve G. Ervik's husband and children, and Synnøve G. Ervik is the CEO of the company. Synnøve G. Ervik is a member of the Board of Directors of SalMar.
- In 2006 SalMar sold shares in the associated companies, Egersund Fisk AS and Frøyfisk AS, to Kverva Holding AS. The transactions have been completed at actual values. The sales gave the Company a net profit of approx. MNOK 30.6.

- Kverva Holding AS has entered into a long-term agreement with Salmar Processing AS, whereby Salmar Processing AS has undertaken to deliver free of charge waste products to Kverva Holding AS which has undertaken to dispose of the waste products. The agreement is with the present market conditions favourable for Kverva Holding AS.

Other than as described above, the Company has not had any recent related party transactions.

### **10.13 General meetings**

Under Norwegian law, a company's shareholders are to exercise supreme authority in the company through the general meeting.

A shareholder may attend the general meeting either in person or by proxy. Although Norwegian law does not currently require the Company to send proxy forms to its shareholders for general meetings, the Company plans to include a proxy form with notices of general meetings.

In accordance with Norwegian law, the annual general meeting of the Company's shareholders is required to be held each year on or prior to June 30. The following business must be transacted and decided at the annual general meeting:

- approval of the annual accounts and annual report, including the distribution of any dividend; and
- any other business to be transacted at the general meeting by law or in accordance with the Company's articles of association.

Norwegian law requires that written notice of general meetings are sent to all shareholders whose addresses are known at least two weeks prior to the date of the meeting, unless a company's articles of association stipulate a longer period. The Company's Articles do not include any such provision. The notice must set forth the time and date of the meeting and specify the agenda of the meeting. It must also name the person appointed by the Board of Directors to open the meeting.

A shareholder is entitled to have an issue discussed at a general meeting if such shareholder provides the Board of Directors with notice of the issue so that it can be included in the written notice of the general meeting.

In addition to the annual general meeting, extraordinary general meetings of shareholders may be held if deemed necessary by the Company's Board of Directors. An extraordinary general meeting must also be convened for the consideration of specific matters at the written request of the Company's auditors or shareholders representing a total of at least 5% of the share capital.

### **10.14 Voting Rights**

Subject to the terms of a company's articles of association to the contrary, Norwegian law provides that each outstanding share shall represent a right to one vote. All of the Company's Shares have an equal right to vote at general meetings. No voting rights can be exercised with respect to any treasury shares held by a company.

In general, decisions that shareholders are entitled to make under Norwegian law or the Company's articles of association may be made by a simple majority of the votes cast. In the case of elections, the persons who obtain the most votes cast are elected. However, certain decisions, including, but not limited to, resolutions to:

- increase or reduce the Company's share capital,
- waive preferential rights in connection with any share issue,
- approve a merger or demerger, and
- amend the Company's Articles of Association,

must receive the approval of at least two-thirds of the aggregate number of votes cast at the general meeting at which any such action is before the shareholders for approval, as well as at least two-thirds of the share capital represented at the meeting. There are no quorum requirements for general meetings.

In general, in order to be entitled to vote, a shareholder must be registered as the owner of shares in the share register kept by the Norwegian Central Securities Depository (“VPS”), or, alternatively, report and show evidence of the shareholder’s share acquisition to the Company prior to the general meeting. Under Norwegian law, a beneficial owner of shares registered through a VPS-registered nominee is not able to vote the beneficial owner’s shares unless ownership is re-registered in the name of the beneficial owner prior to the relevant general meeting.

### **10.15 Amendments to the Company’s articles of association**

The affirmative vote of two-thirds of the votes cast at a general meeting as well as at least two-thirds of the share capital represented at the meeting, is required to amend the Company’s articles of association. Certain types of changes in the rights of the Company’s shareholders require the consent of all shareholders or 90% of the votes cast at a general meeting.

### **10.16 Additional issuances and preferential rights**

If the Company issues any new shares, including bonus share issues (involving the issuance of new shares by a transfer from the Company’s share premium reserve or distributable equity to the share capital), the Company’s articles of association must be amended, which requires a two-thirds majority of the votes cast at a general meeting of shareholders. In connection with an increase in the Company’s share capital by a subscription for shares against cash contributions, Norwegian law provides the Company’s shareholders with a preferential right to subscribe to the new shares on a pro rata basis in accordance with their then-current shareholdings in the Company.

The preferential rights to subscribe to an issue may be waived by a resolution in a general meeting passed by a two-thirds majority of the votes cast at a general meeting of shareholders required to approve amendments to the Company’s articles of association.

The general meeting may, with a vote as described above, authorize the Board of Directors to issue new shares. Such authorization may be effective for a maximum of two years, and the par value of the Shares to be issued may not exceed 50% of the nominal share capital as at the time the authorisation was granted. The preferential right to subscribe for shares in consideration against cash may be set aside by the Board of Directors only if the authorization includes such possibility for the Board of Directors.

To issue of shares to holders of the Company’s shares who are citizens or residents of the United States upon the exercise of preferential rights, the Company may be required to file a registration statement in the United States under U.S. securities laws. If the Company decides not to file a registration statement, these holders may not be able to exercise their preferential rights.

Under Norwegian law, bonus shares may be issued, subject to shareholder approval and provided that, amongst other requirements, the company does not have an uncovered loss from a previous accounting year, by transfer from the company’s distributable equity or from the company’s share premium reserve. Any bonus issues may be effected either by issuing shares or by increasing the par value of the shares outstanding. If the increase in share capital is to take place by new shares being issued, these new shares must be allotted to the shareholders of the company in proportion to their current shareholdings in the company.

### **10.17 Minority Rights**

Norwegian law contains a number of protections for minority shareholders against oppression by the majority, including but not limited to those described in this and preceding paragraphs. Any shareholder may petition the courts to have a decision of the Company’s Board of Directors or general

meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the Company itself. In certain grave circumstances, shareholders may require the courts to dissolve the company as a result of such decisions. Shareholders holding in the aggregate 5% or more of the Company's share capital have a right to demand that the Company holds an extraordinary general meeting to discuss or resolve specific matters. In addition, any shareholder may demand that the Company places an item on the agenda for any general meeting if the Company is notified in time for such item to be included in the notice of the meeting.

## **10.18 Change of control**

There are no provisions in the articles of association which would have an effect of delaying, deferring or preventing a change of control of the Company, or which require disclosure of ownership above any thresholds. Below is a description of the requirements under the Securities Trading Act for the mandatory take-over bids and disclosure of transactions which cause certain thresholds to be passed.

### *10.18.1 Mandatory takeover bids and squeeze-out rules*

Pursuant to the Norwegian Securities Trading Act, a mandatory offer has to be made in the event an acquirer (together with any concert parties) acquires more than 40% of the shares having right to vote in the Company. The requirement to make a mandatory offer is triggered when a purchaser becomes the owner of such percentage of the shares. A mandatory offer must be made within four weeks after the threshold was passed. The only alternative to a mandatory offer at this stage is to sell a sufficient number of shares to fall below the 40% threshold. In the mandatory offer, all shareholders must be treated equally and the price to be paid is the higher of (i) the highest price paid by the purchaser during the last 6 months, and (ii) the market price when the 40% threshold was passed. The offer must be made in cash or contain a cash alternative at least equal in value to any non-cash offer.

As a consequence of the EU Takeover-Directive, there is currently an ongoing process to amend the Norwegian Securities trading Act Chapter 4. According to the proposed new regulation, the threshold for the mandatory bid requirement will be lowered to 1/3 of the shares having right to vote in the Company, with a repeated obligation at 40% and 50%.

Pursuant to the Norwegian Public Limited Liability Companies Act, compulsory acquisition ("squeeze out") of the remaining shares may be initiated by a purchaser who owns more than 90% of the shares (and corresponding voting rights). Such squeeze out is initiated through a decision by the board of directors of the 90% owner and payment of the price offered. Failing agreement between the parties, the price shall be determined through a valuation by the court, but the acquirer will obtain title to the shares immediately.

### *10.18.2 Disclosure Obligations*

A person, entity or group acting in concert that acquires shares, options for shares or other rights to shares resulting in its beneficial ownership, directly or indirectly, in the aggregate meeting or exceeding the respective thresholds of 1/20, 1/10, 1/5, 1/3, 1/2, 2/3 or 9/10 of the share capital or the voting rights in the Company has an obligation under Norwegian law to notify the Oslo Børs immediately. The same applies to disposal of shares (but not options or other rights to shares) resulting in a beneficial ownership, directly or indirectly, in the aggregate meeting or falling below said thresholds.

As a consequence of the EU Transparency Directive, there is currently an ongoing process to amend the rules regarding disclosure of holdings in the Norwegian Securities Trading Act. After the directive has been implemented, investors will be obliged to notify also when they exceed the threshold of 15% and 25%.

### *10.18.3 Rights of redemption and repurchase of shares*

The Company has not issued redeemable shares (i.e., shares redeemable without the shareholder's consent). The Company's share capital may be reduced by reducing the par value of the Shares. Such

a decision requires the approval of two-thirds of the votes cast at a general meeting. Redemption of individual Shares requires the consent of the holders of the shares to be redeemed.

A Norwegian company may purchase its own shares if an authorisation for the board of directors of the company to do so has been given by the shareholders at a general meeting with the approval of at least two-thirds of the aggregate number of votes cast at the meeting. The aggregate par value of treasury shares so acquired and held by the company is not permitted to exceed 10% of the company's share capital, and treasury shares may only be acquired if the company's distributable equity, according to the latest adopted balance sheet, exceeds the consideration to be paid for the shares. The authorization by the shareholders at the general meeting cannot be given for a period exceeding 18 months. At the date of this Prospectus, the Company will not have any treasury shares.

#### **10.18.4** *Shareholder vote on certain reorganisations*

A decision to merge with another company or to demerge requires a resolution of the Company's shareholders at a general meeting passed by two-thirds of the aggregate votes cast, as well as two-thirds of the aggregate share capital represented, at the general meeting. A merger plan or demerger plan signed by the Company's Board of Directors along with certain other required documentation, would have to be sent to all shareholders at least one month prior to the shareholders' meeting.

#### **10.18.5** *Distribution of assets on liquidation*

Under Norwegian law, a company may be wound-up by a resolution of the company's shareholders in a general meeting passed by the same vote as required with respect to amendments to the articles of association. The shares rank equally in the event of a return on capital by the company upon a winding-up or otherwise.

### **10.19 Articles of Association**

The Company's articles of association are set out in Appendix 1 to the Prospectus. The following is a summary of provisions of the articles of association some of which have not been addressed in the preceding discussions.

**Objectives of the Company:** According to the Articles, clause 2, the objective of the Company is seafarming, processing and trade of all type of fish and shellfish, including financial activities in this connection. The Company may further, in accordance with guidelines from the authorities, conduct ordinary investment activities, including participation in other companies with similar or related purposes.

**Registered Office:** According to the Articles the Company's registered office is in Kverva municipality in Norway. The general meeting may be also be convened in Oslo municipality.

**Share Capital and nominal value:** According to the Articles the Company's share capital is NOK 25,000,000 divided into 100,000,000 shares each with a par value of NOK 0.25.

**Board of Directors:** According to the Articles the Company's Board of Directors shall have no less than 3 and no more than 7 members.

**Restrictions on transfer of Shares:** The Articles do not provide for any restrictions on transfer of Shares. Share transfers are not subject to Board approval.

**Right of First Refusal:** According to the Articles the shareholders do not have any right of first refusal in connection with Share transfers.

**Rights, preferences or restrictions:** The articles of association do not provide for any rights, preferences and restrictions attaching to the Shares. Rights, preferences and restrictions attaching to the Shares are set out in the Norwegian Public Limited Liability Companies Act.

**Shareholder rights:** Under Norwegian law, all shares provide equal rights in a company. However, Norwegian law permits a company's articles of association to provide for different classes of shares. In such case, a company's articles of association must specify the different rights, preferences and privileges of the classes of shares and the total par value of each class of shares. The Articles provide for a single class of shares with equal rights. The articles of association do not lay down more significant conditions necessary to change the rights of shareholders than required by the Norwegian Public Limited Liability Companies Act.

## 11. Norwegian Taxation of Shareholders

*Set out below is a summary of certain Norwegian tax matters related to investments in SalMar. The summary is based on Norwegian laws, rules and regulations applicable as of the date of this Prospectus, and is subject to any changes in law occurring after such date. Such changes could possibly be made on a retroactive basis. The summary does not address foreign tax laws. The summary is of a general nature and does not purport to be a comprehensive description of all the Norwegian tax considerations that may be relevant for a decision to acquire, own or dispose of shares in SalMar. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisers. Shareholders resident in jurisdictions other than Norway should consult with and rely upon local tax advisors with respect to the tax position in their country of residence.*

*Please note that for the purpose of the summary below, a reference to a Norwegian or foreign shareholder refers to the tax residency rather than the nationality of the shareholder.*

### 11.1 Tax consequences related to the ownership and disposal of shares – Norwegian shareholders

This section summarizes Norwegian tax rules relevant to shareholders that are residents of Norway for Norwegian tax purposes (“Norwegian shareholders”).

#### 11.1.1 Taxation of dividends

##### Personal shareholders

Dividends distributed to Norwegian personal shareholders (i.e. shareholders who are individuals) are taxable as general income at a rate of 28% to the extent the dividends exceed a calculated tax-free allowance. The allowance is calculated on a share by share basis, and is equal to the cost price of the share (including RISK-adjustments per 1 January 2006) multiplied with a determined risk free interest rate based on the effective rate after tax of interest on treasury bills (Norwegian: “statskasseveksler”) with three months maturity. Any part of the calculated allowance one year exceeding the dividend distributed on the share the same year (“unused allowance”) is added to the cost price of the share and included in the basis for calculating the allowance the following year, and may also be carried forward and set off against future dividends received on the same share.

##### Corporate shareholders

Norwegian corporate shareholders (i.e. limited liability companies and similar entities) are exempt from tax on dividends received on shares in Norwegian limited liability companies and similar entities.

##### Shares owned through partnerships

Partnerships are as a general rule transparent for Norwegian tax purposes. Taxation occurs at partner level, and each partner is taxed on a current basis for its proportional share of the net income generated by the partnership at a rate of 28%, regardless of whether such income is distributed to the partners or not. However, dividends received by the partnership are not taxed on a current basis. For partners who are Norwegian personal shareholders taxation occurs when the dividends received are distributed from the partnership to such partners. Such distributions will be taxed as general income at a rate of 28%. The Norwegian personal shareholders will be entitled to deduct a calculated allowance when calculating their taxable income, cf. the description of tax issues related to personal shareholders above. Norwegian corporate shareholders holding shares through a partnership will be exempt from taxation of their proportional part of dividends received and distributed by the partnership.

#### 11.1.2 Taxation upon realisation of shares

##### Personal shareholders

Sale or other disposal of shares is considered a realisation for Norwegian tax purposes. A capital gain or loss generated by a Norwegian personal shareholder through a realisation of shares is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the shareholder’s general income in the year of disposal. The tax rate for general income is currently 28%. The gain is

subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares realised.

The taxable gain/deductible loss on the realisation of shares is calculated per share as the difference between the consideration received and the cost price of the share, including any RISK-adjustments up to 1 January 2006 and costs incurred in relation to the acquisition or realisation of the share. Any unused allowance on a share (see above) may be set off against capital gains related to the realisation of the same share, but this may not lead to or increase a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realisation of a share will be annulled.

If the shareholder owns shares acquired at different points in time, the shares that were acquired first will be regarded as the first to be disposed of, on a first-in first-out basis.

A Norwegian personal shareholder who moves abroad and ceases to be tax resident in Norway as a result of this, will be deemed taxable in Norway for any potential gain on the shares held at the time the tax residency ceased, as if the shares were realised at this time. Gains of NOK 500,000 or less are not taxable. However, cf section 11.2.2 regarding realisation of shares within 5 years after the shareholder ceased to be resident in Norway for tax purposes.

If the gains are more than NOK 500,000, a deferral of the payment of the taxes will be granted, provided that satisfactory guarantee is given. If the personal shareholder moves to a jurisdiction within the EEA, a deferral of the payment of the taxes will be granted without such a guarantee, provided that Norway pursuant to a treaty can request information from the other jurisdiction regarding the person's income- and wealth, and assistance in relation to the collection of taxes. The right to deferral of taxes ceases if the personal shareholder gives away the shares as a gift to a person not resident in Norway. If the personal shareholder moves to a jurisdiction within the EEA, losses on shares held at the time tax residency ceases will be tax deductible, to the extent a gain would be taxable. In such a case the loss is determined in the year of the emigration, but the taxation (loss deduction) will occur at the time the shares are actually sold or otherwise disposed of. The tax liability calculated under these provisions may be reduced if the value of the shares at the time of the realisation is less than at the time of the emigration or if the gain is taxable in another jurisdiction. If the shares are not realised within five years after the shareholder ceased to be resident in Norway for tax purposes, the tax liability calculated under these provisions will not apply. Any tax treaty in force between Norway and the state to which the shareholder has moved may influence the application of these rules.

### **Corporate shareholders**

Norwegian corporate shareholders are exempt from tax on capital gains upon the realisation of shares in Norwegian limited liability companies and similar entities. Losses upon the realisation and costs incurred in connection with the purchase and realisation of such shares are not deductible for tax purposes.

### **Shares owned through partnerships**

Partnerships are as a general rule transparent for Norwegian tax purposes, and taxation occurs at partner level on a current basis, cf section 11.1.1 above. However, capital gains received by the partnership are not taxed on a current basis. For partners who are Norwegian personal shareholders taxation occurs when the capital gains received are distributed from the partnership to such partners. Such distributions will be taxed as general income at a rate of 28%. The Norwegian personal shareholders will be entitled to deduct a calculated allowance when calculating their taxable income, cf. the description of tax issues related to personal shareholders above. Norwegian corporate shareholders holding shares through a partnership will be exempt from taxation of their proportional part of capital gains received and distributed by the partnership.

#### **11.1.3 Net Wealth Tax**

Norwegian limited liability companies and certain similar entities are exempt from Norwegian net wealth tax. For other Norwegian shareholders, shares will form part of their basis for calculation of

Norwegian net wealth tax. Listed shares are valued at 85% of their stock value as of 1 January in the assessment year. The current marginal wealth tax rate is 1.1%.

#### *11.1.4 Tax Aspects for Employees*

Employees who acquire Shares in the Company are subject to salary income taxation on possible difference (discount) between fair market value of the shares at the time of acquisition and the purchase price. The salary income is subject to taxation at a marginal tax rate of 40%. In addition employee's social security contribution is imposed with 7.8% of gross salary income. The Company is obliged to pay employer's social security contribution at applicable rates.

A certain favourable Norwegian tax rule is applicable to general company schemes, offering all employees purchasing shares in the company below fair market value. Such scheme may be considered as general, even if there e.g. exists a minimum employment period requirement, the number of shares available is linked to the employees length of service or the number of shares is set proportional to level of salary income.

Under the tax rules applicable for such share plans the taxable benefit is set to fair market value of the shares reduced with 20% minus cost price of the shares. The maximum income reduction under this rule is NOK 1,500 per employee per year.

## **11.2 Tax consequences related to the ownership and disposal of shares – Foreign shareholders**

This section summarizes Norwegian tax rules relevant to shareholders that are not residents of Norway for Norwegian tax purposes ("foreign shareholders"). The potential tax liabilities for foreign shareholders in the jurisdiction where they are resident for tax purposes or other jurisdictions will depend on tax rules applicable in the relevant jurisdiction.

### *11.2.1 Taxation of dividends*

#### ***General***

Dividends paid by Norwegian limited liability companies and similar entities to foreign shareholders, both corporate and personal shareholders, are as a general rule subject to withholding tax in Norway at a rate of 25%, unless otherwise provided for in an applicable income tax treaty or the recipient is covered by the specific regulations for shareholders resident within the EEA (see below). The withholding obligation lies with the company distributing the dividends.

#### ***Personal shareholders resident within EEA***

Foreign personal shareholders who are resident within the EEA for tax purposes are subject to Norwegian withholding tax on dividends received from Norwegian companies at the regular rate or at a reduced rate determined in an applicable tax treaty. However such shareholders may apply individually to the tax authorities for a refund of an amount corresponding to the calculated tax-free allowance on each individual share (see above). Any unused allowance may be carried forward and set off against future dividends received on the same share. However if the shareholders do not apply the tax authorities for such a refund, the calculated allowance that is less than the dividend distributed on the share, will disappear. The same apply if the withholding tax is less than the calculated tax on the dividend exceeding the allowance.

#### ***Corporate shareholders resident within EEA***

Foreign corporate shareholders that are tax resident within the EEA are exempt from Norwegian withholding tax on dividends distributed from Norwegian limited liability companies and similar entities, provided that the shareholder is the beneficial owner of the dividends.

#### ***Shares owned through partnerships***

Dividends distributed to foreign partnerships are subject to withholding tax at a rate of 25%. However, the partners in the partnership may be entitled to a reduced withholding tax rate (or a zero

rate) based on their tax residency and/or applicable tax treaties. However, this depends on each partner's specific situation, and each investor is advised to consult with their tax advisors in this respect.

### ***Refund of withholding tax***

In accordance with the present administrative system in Norway, a distributing company will normally deduct withholding tax at the applicable reduced rate when dividends are paid directly to an eligible foreign shareholder based on the information registered with the VPS as to the tax residence of the foreign shareholder. Dividends paid to foreign shareholders in respect of nominee registered shares will be subject to withholding tax at the general rate of 25 % unless the nominee, by agreeing to provide certain information regarding beneficial owners, has obtained approval for reduced rate from the Central Office for Foreign Tax Affairs (in Norwegian: "Sentralskattekontoret for utenlandssaker"). Foreign shareholders who have suffered a higher withholding tax than set out by an applicable tax treaty may apply to the Norwegian tax authorities for a refund of the excess withholding tax deducted.

### ***Shares connected with business activities in Norway***

If a foreign shareholder is carrying on business activities in Norway, and the relevant shares are effectively connected with such business activities, dividends distributed to such shareholder will be subject to the same taxation as Norwegian shareholders, as described above.

Foreign shareholders should consult their own advisers regarding the availability of treaty benefits in respect of dividend payments including the ability to effectively claim refunds withholding tax.

## ***11.2.2 Taxation of capital gains upon the realisation of shares***

### ***Personal shareholders***

Capital gains on the realisation of shares in Norwegian companies by a foreign personal shareholder will not be subject to taxation in Norway unless the personal shareholder (i) holds the shares in connection with the conduct business activities in Norway or (ii) has been a tax resident of Norway within the five calendar years preceding the year of the sale or disposition (and whose gains are not exempt pursuant to the provisions of an applicable income tax treaty).

### ***Corporate shareholders***

Capital gains on the realisation of shares in Norwegian companies by foreign corporate shareholders are not subject to taxation in Norway.

## ***11.2.3 Net Wealth Tax***

Foreign shareholders are not subject to net wealth tax in Norway on shares in Norwegian companies unless the shareholder is an individual and the shareholding is effectively connected with business activities carried out by the shareholder in Norway.

## **11.3 Duties on the transfer of shares**

No stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares in Norwegian companies.

## **11.4 Inheritance tax**

When shares are transferred either through inheritance or as a gift, such transfer may give rise to inheritance or gift tax in Norway if the decedent, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway, or if the shares are effectively connected with a business carried out through a permanent establishment in Norway. However, in the case of inheritance tax, if the decedent was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied if inheritance tax or a similar tax is levied by the decedent's country of residence.

## 12. Legal Matters

### 12.1 Regulatory framework

Aquaculture in all countries is subject to an extensive regulatory framework, both nationally and internationally, part of which is updated/amended on a continuous basis in line with the industry's development. This includes legislation specific to aquaculture, including that related to the licence system and the control of fish diseases, as well as other public regulation which also affects aquaculture activities, including anti-pollution legislation, harbour and coastal water legislation, planning and building legislation, and requirements regarding food safety, labelling of food products, food hygiene and food additions. International regulations within the EU/EEA and WTO are also of particular importance in this context. Several treaties governing international trade provide for the possibility to take anti-dumping measures, countervailing measures against specific (product related export) subsidies and the safeguards against a sudden overflow by an unforeseen increase in imports. Furthermore, bilateral and multilateral free trade agreements provide for free trade of goods. This regulatory framework places clear limits on the industry's growth and method of operation, but is also intended to ensure that the industry operates and develops in a sustainable manner. A number of authorities and government departments are involved in the regulation of the industry in the individual countries.

This Prospectus includes only a brief description of the regulatory framework in force in Norway as well as a short presentation of individual issues associated with the EU and WTO which are of major importance to the export of salmon from Norway.

### 12.2 International trade

#### 12.2.1 *Treaties governing international trade*

International trade between many countries is governed by the Agreement Establishing the World Trade Organization (the "WTO Agreement"). The WTO Agreement serves as an umbrella for other agreements, amongst which: the General Agreement on Tariffs and Trade ("GATT"), the Agreement on Anti-Dumping Measures, the Agreement on Subsidies and Countervailing Measures and the Agreement on Safeguards. Both the European Union and the 27 member states of the European Union are party to the WTO agreement.

Pursuant to these agreements, countries are allowed to take measures when imports have caused injury to a domestic industry due to dumping practices or specific (product related export) subsidies granted by other countries. These measures in general consist of an additional levy. In the event an unforeseen increase in imports seriously injures domestic industry, countries may restrict imports of that product temporarily. In general this consists of introducing a cap on the imports, by fixing quotas. Anti-dumping, safeguard or countervailing measures are currently affecting, or may potentially affect, exports of farmed salmon from the various areas where the Company is operating.

At the 2001 Doha Ministerial Conference of the World Trade Organization ("WTO") in Qatar, the following relevant issues were identified as issues to be subject to negotiations between the WTO member countries: tariffs on fish and fishery products, fisheries subsidies and more general antidumping measures, measures against subsidies and countervailing measures. Although set to end by January 2005, the negotiations are still going on. Unofficially it is aimed to finish the negotiations by the end of 2007. The outcome of the negotiations may have an impact on the market for fish products, especially on the access to the market. The outcome of these negotiations may potentially affect exports of farmed salmon from the various areas where the Company is operating.

Furthermore, international trade between many countries is governed by free trade agreements ("FTAs"). Although these developments tend towards removing tariffs, there is a risk for technical trade barriers becoming more important. Norway has through the EFTA entered into free trade agreements with Chile, Croatia, Egypt, Israel, Jordan, Lebanon, Macedonia, Mexico, Morocco, the Palestinian Authority, Singapore, Southern African Customs Union (South Africa, Namibia,

Botswana, Lesotho and Swaziland), South Korea, Tunisia and Turkey. Currently FTAs with Canada, Columbia, Gulf Cooperation Council, Peru and Thailand are negotiated.

Norway had FTAs with eight of the ten states which became member of the European Union on 1 May 2004. These FTAs gave free market access for Norwegian fish. Upon the accession of these countries to the European Union, Norway's access to the markets in these countries is restricted (see below on imports to the European Union). The restricted market access is in part alleviated by quotas granted. The quotas will be reviewed in 2009.

### **12.3 Imports into the European Union**

The 27 member states of the European Union and Norway, Liechtenstein and Iceland constitute a free trade area as a result of the Agreement on the European Economic Area (the "EEA Agreement"). The EEA Agreement does not apply to fish products. Fish exports from Norway to the European Union are subject to custom duties (protocol 9) and may be made subject to trade sanctions as quotas and minimum prices.

After having imposed tariff quotas combined with a minimum price (safeguard measures) for salmon exported from Norway to the European Union in the past and more recently an antidumping duty, Norway and the European Union concluded a "Framework of Understanding". This framework is laid down in Regulation (EC) No 1010/2005 of 30 June 2005, which provided for a minimum import price for all farmed salmon originating in Norway. This regulation was, pursuant to article 9 of Regulation (EC) No 384/96, substituted by Regulation (EC) No 85/2006 of 18 January 2006, which imposed definitive anti-dumping duties on all imports of farmed salmon (wild salmon is not subject to the anti dumping duty) originating in Norway, by introducing a fixed anti-dumping duty of EUR 0.40/kilogram on imports below the minimum import price (MIP) of EUR 2.80/kilogram for whole fish (fresh, chilled or frozen). In addition, specific minimum import prices for different salmon products (small fillets, large fillets, etc.) have been set. On 22 February 2006, the Norwegian Government announced that it would bring the EU decision to impose definitive anti-dumping measures before the WTO Dispute Settlement Body. On 2 August 2006, the Director-General composed the Panel and the case is now pending.

### **12.4 Local regulation**

#### *12.4.1 European Union*

The Company's operations in the European Union are governed by Community law. In addition, products imported into the European Union must comply with Community law.

Community law is implemented by European Union-member states into national legislation. Due to the fact that Norway takes part in EEA- and EFTA-agreements, Community law is, to a certain extent, also implemented in Norwegian national legislation. Therefore, farming and processing operations in Norway, Scotland and the Faroes, as well as all exports to the European Union as a whole, are subject of Community law. Certain aspects of Community law relevant to our activities in the European Union are commented on below.

Community law sets forth extensive requirements regarding food safety, labelling of food products, food hygiene, food additions and public control. Community law requirements regarding these matters are being tightened and may be tightened by legislative measures in the future.

In February 2002, a General Food Law regulation was adopted. First of all, the regulation provides general principles of food law. European Union member states should have adapted their food laws to these principles at the latest by 1 January 2007. The principles are aimed at the protection of human life and health, consumer protection, animal health and welfare, facility health and the environment. The principles establish furthermore that risk analysis provides the basis for food law as appropriate to the measure under consideration. In addition, the principles outline the need for transparency of legislation and effective public consultation.

Secondly, the General Food Law regulation sets requirements regarding the traceability of food and feed products, responsibility of operators, withdrawal of unsafe food or feed from the market and notification to the competent authorities. National legislation should already have been adapted to these requirements. Areas governed by other Community legislation include the use of chemicals, restrictions to the use of medicines in food-producing animals, feed additives, packaging materials, labelling, food traceability and the sale of genetically modified products.

The movement of fish farming animals and products across national borders, the movement between European Union member states included, is restricted by a directive which should be implemented by the European Union member states. Because the animal health situation is not the same throughout the territory of the community, movement regulations are based on a concept of disease free zones and farms. The directive lays down the criteria and the procedures for assignment or withdrawal of approval of such zones and farms. The directive also sets forth rules governing import from non European Union-countries (third countries).

As of 1 January 2006 a new regulation regarding official controls applies. This regulation requires member states to designate competent authorities to verify business compliance with feed and food laws and animal health and welfare laws. The designated competent authorities will be subject to control and inspection under the regulation.

#### *12.4.2 Norway*

##### ***Basic legislation***

Fish farming activities in Norway are regulated by the Aquaculture Act of 17 June 2005 (together with related regulations, the “Aquaculture Act”). The Aquaculture Act is administered by the Ministry of Fisheries and Coastal Affairs and the Directorate of Fisheries, and regulates management, control and operation of fish farming.

The Aquaculture Act includes a license system for the establishment and operation of fish farming business. All aquaculture facilities must also meet certain technical standards and all new facilities must be approved by the relevant authorities. In addition, the Aquaculture Act sets stringent rules on the control of working operations, disease control and environmental surveillance and requires all fish farming companies to establish internal control systems to ensure compliance with the relevant requirements set by the authorities.

##### ***Hygiene***

The Fish Quality Regulation of 14 June 1996 addresses the trade, production and transport of fish and fish products and also contains, inter alia, requirements for premises, sanitation, harvesting and processing procedures and handling of animal waste. Under the Fish Quality Regulation, licences can be withdrawn upon breach of permit conditions, violation of orders or regulations concerning the treatment of waste and outlet.

There are additional applicable regulations and laws, including the Animal Welfare Act, the Medication Act, the Protection of Water systems Act and the Preservation of Nature Act, that must be complied with when undertaking fish farming and processing business.

##### ***Food safety and animal welfare***

The Food Safety Act addresses all aspects of food and feed production, cultivation and distribution. The Food Safety Act applies to fish farming, processing and fish health. The Food Safety Act is administered by the Ministries of Health and Care Services, but the Norwegian Food Safety Authority is given management and enforcement powers related to this act. The Food Safety Act provides a general obligation to take due care to avoid the development or spread of contagious animal diseases. The Ministry of Health and Care Services and the Food Safety Authority can issue legislation with regard to the prevention, monitoring and control of animal diseases, including bans on import, export or trade, withdrawal from the market and isolation, culling or destruction of fish. The Food Safety Act also prohibits the sale or distribution of food that can be considered injurious to human health or

unsuitable for consumption. The Norwegian Food Safety Authority is also given management and enforcement powers related to the Animal Welfare Act. The Animal Welfare Act includes provisions that are also relevant for fish farming business, i.e provisions regarding disease control and slaughtering procedures.

Pursuant to Regulations on Export of Fish and Fish Products all exports of fish and fish products must be registered with the Norwegian Seafood Export Council. All registered exporters must pay annual fees to the Norwegian Seafood Export Council. The fees are calculated on basis of the export value of the fish that are to be exported and funds the activities by the Norwegian Seafood Export Council, including international marketing of Norwegian seafood.

### ***Environmental protection***

The Pollution Control Act prohibits the discharge or disposal of waste into the environment, unless permitted by law or in accordance with a permit granted by the County Governor (in Norwegian: “fylkesmannen”). To apply for a fish-farming license, it is also necessary to obtain permission for the discharge of wastewater and other possible sorts of pollution. Furthermore, a regulation adopted under the Food Safety Act sets forth requirements to the disinfection of intake water and wastewater and the validation of methods and technical equipment.

### ***Authorisations required for fish farming operations***

The Aquaculture Act includes a license system for the establishment and operation of fish farming businesses. The total number of issued salmon and trout licenses (sea water licenses) is limited. Such licenses can only be acquired upon particular announcements and under specific procedures, with allotment to qualified applicants. The government may set a price for new licences to be issued. A standard license limit the total amount of biomass at all times on each license to 780 ton (MAB). There are approximately 921 food production licenses for salmon and trout in Norway. In addition there are approximately 77 licences for salmon and trout producing that are given for research and breeding purposes. No further licensing rounds have been scheduled for 2007, but the Ministry of Fisheries and Coastal Affairs may issue new licences in the future. The authorities may withdraw licences if they are not in use or if the requirements set out in the Aquaculture Act or in the license are not fulfilled.

The Aquaculture Act makes licenses transferable without government consent. Ownerships and assignments of licenses are registered in the Aquaculture Register that is administrated by the Company Register and the Directorate of Fisheries. In addition, licenses may be pledged, which shall also be registered in the Aquaculture Register. In case of transfer of licenses, the new owner undertakes the obligations to fulfil the conditions of the license. Some licenses, i.a. licenses given in the 2002/2003 licensing rounds, may have restrictions with regard to location of the production facilities or other conditions that may restrict the commercial utilization of the licenses.

In addition to the fish farming licenses, all fish farming sites require a permit from the Directorate of Fisheries and the relevant local authorities. The Construction and Planning Act and associated regulations define requirements with regard to environmental impact assessments (EIAs), which also apply to fish farming operations. Under the Aquaculture Act and the Construction and Planning Act, the authorities may make legally binding decisions within the limits of the national and regional frameworks. Certain local authorities adopted plans in relation to coastal zones which do not allocate any areas to aquaculture. Furthermore, according to the Harbours and Coastline Act, a permit from the local harbour authorities is required to obtain consent to new localities for fish farming business.

In February of 2003, the designation of 21 fjords as National Salmon Fjords was approved. In these fjords, restrictions on salmon farming are put in place to protect wild salmon. No new licences will be granted for these fjords and for two of the fjords, existing concessions will have to be moved out by 2011. The Parliament is now considering a proposal from the Government to designate another 8 fjords as National Salmon Fjords.

The feed quota regime was abandoned by the Norwegian government at the end of 2004. As of 1 January 2005, regulations in relation to maximum allowed biomass (MAB) per license applies, which limit the total amount of biomass at all times on each license and each site respectively. In addition, each Norwegian region has set its own local limitations on MAB.

In the salmon and trout fish farming sector, maximum ownership limitations apply. Any acquisition leading to the acquirer controlling more than 15% of the total licensed biomass in Norway is subject to approval of the Ministry of Fisheries and Coastal Affairs. The maximum allowed ownership of total licensed biomass is 25%. In addition, nobody is allowed to control more than 50% of the relevant license volume in five defined geographical regions. In this context, control means the direct or indirect ownership of more than 50% of the ownership interest in the entity holding the license and other arrangements implying equal control. SalMar controls approximately 5% of the total licensed biomass in Norway, 17% of the total licensed biomass in the Trøndelag Region, 12% of the licensed biomass in Møre og Romsdal, and 9% of the licensed biomass in Troms.

### **12.5 Legal proceedings**

The Company is not involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) which may have significant effects on the Company's financial position or profitability, nor has the Company been involved in any such proceedings during the previous 12 months.

## 13. Definitions and Glossary of Terms

The following definitions and glossary apply in this Prospectus unless otherwise dictated by the context, including the foregoing pages of this Prospectus.

Articles	The Company's Articles of Association
Board	The board of directors of the Company
Board of Directors	The board of directors of the Company
Code	See: Norwegian Code of Practice for Corporate Governance
EEA	European Economic Area
Employee Offering	The offering of up to 400,000 Offer Shares to the Company's Eligible Employees resolved by the Board at the board meeting on 13 April 2007
Eligible Employees	Employees who have worked for SalMar ASA or any of the subsidiaries for more than 6 months
Employee Subscription Form	The subscription form to be used by Eligible Employees for subscription of Offer Shares
FHL	Fiskeri- og Havbruksforeningens Landsforening
IFRS	International Financial Reporting Standards
Institutional Offering	The offering of 2,000,000 Offer Shares with a minimum subscription of 25,000,000 Shares to institutional investors in Norway and certain other jurisdictions, resolved by the Board at the board meeting on 13 April 2007.
Investor	An investor subscribing for Shares in the Offering
Kontali Analyse	Kontali Analyse AS, Industriveien 18, 6517 Kristiansund, Norway
Listing	The listing of the Shares on Oslo Børs
Manager	First Securities ASA
MNOK	Million Norwegian kroner
MAB	Maximum Allowed Biomass
NGAAP	Norwegian Generally Accepted Accounting Principles
NOK or Norwegian kroner	The lawful currency of Norway
Norwegian Code of Practice for Corporate Governance	Norwegian Code of Practice for Corporate Governance dated 8 December 2005
NGAAP	Norwegian Generally Accepted Accounting Principles
Norwegian Public Limited Companies Act	The Norwegian Public Limited Companies Act of 19 June 1997 no. 45
Offer Shares	3,000,000 new Shares to be issued as part of the Offering
Offering	The offering of 3,000,000 Shares, through the Public Offering and the Employee Offering
Subscription Price	The subscription price per Offer Share in the Public offering of NOK 39 and the subscription price of NOK 36 per Offer Share in the Employee Offering, as determined by the Board
Oslo Børs	Oslo Børs ASA, the Oslo Stock Exchange
Prospectus	This document, including all appendices hereto.
Public Offering	The offering of 2,600,000 Offer Shares to professional and to retail investors in Norway resolved by the Board at the board meeting on 13 April 2007 through the Institutional Offering and the Retail Offering
R&D	Research & Development
Register of Business Enterprises	The Norwegian Register of Business Enterprises, in Norwegian "Foretaksregisteret"
Retail Offering	The offering of up to 600,000 Offer Shares with a minimum subscription of 400 Shares to retail investors in Norway, resolved by the Board at the board meeting on 13 April 2007.
SalMar	SalMar ASA, 7266 Kverva, reg.no. 960 514 718
Securities Act	The United States Securities Act of 1933
Securities Trading Act	The Norwegian Securities Trading Act of 19 June 1997 no. 79
Senja companies	Senja Sjøfarm AS and subsidiaries
Senja group	Senja Sjøfarm AS and subsidiaries
Share Capital	The total amount of registered and outstanding Shares in SalMar ASA
Share Issue	The issue of Shares as described in chapter 5
Shares	Ordinary shares of the Company

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Stock Exchange Listing	The listing of SalMar’s Shares on Oslo Børs
Subscription Form	The application form for application for Offer Shares in the Institutional Offering, the Retail Offering and the Employee Offering. See Appendix 6 and 7.
Subscription Period	From and including 19 April to and including 26 April 2007
The Company	SalMar ASA, including subsidiaries, unless otherwise indicated by the context
USD	American dollar
VAP	Value Added Production
VPS	The Norwegian Central Securities Depository (“Verdipapirsentralen”)

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## **14. Appendices and documents on display**

### **14.1 Appendices**

Appendix 1: Articles of Association

Appendix 2: Annual Report 2006 (Office translation)

Appendix 3: Auditor Statement for the 2006 financial statements

Appendix 4: Annual Report 2005 (Office translation)

Appendix 5: Annual Report 2004 (Office translation)

Appendix 6: Subscription Form Retail Offering

Appendix 7: Subscription Form Institutional Offering

### **14.2 Documents on display**

For the life of the Prospectus all reports, letters and other documents, historical financial information, valuations, etc. which are included or referred to in the registration document, may be inspected at the Company's main office.

The below listed documents will be available for inspection for the life of this Prospectus:

- Memorandum of Incorporation for SalMar
- Annual Report 2006
- Annual Report 2005
- Annual Report 2004

The documents will be available for inspection on the internet and can be obtained at the Company's office at the following addresses:

The Company's office:

SalMar ASA  
7266 Kverva  
Norway  
Tel.: +47 72 44 79 00  
Fax: +47 72 44 79 01

The annual reports can also be found at the Company's web site at [www.salmar.no](http://www.salmar.no).

## Appendix 1: Articles of Association for SalMar ASA

(as per 21 March 2007)

### § 1

The name of the company is SalMar ASA. The company shall be a public limited company.

### § 2

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.

### § 3

The company's business address is: 7266 Kverva.

### § 4

The company's share capital is NOK 25 000 000 divided into 100 000 000 shares with a nominal value of NOK 0.25. The shares shall be registered in the VPS.

### § 5

The company shall be managed by a Board of Directors consisting of between 3 to 7 members, in accordance with resolution made by the general meeting.

### § 6

Two directors shall jointly sign for the firm. The Board of Directors may grant powers of attorney.

### § 7

The ordinary general meeting shall be held each year no later than 30 July. Notice of ordinary, as well as extraordinary, general meetings shall be made in writing at least 14 days prior to the date of each meeting. General meetings may be held in Oslo.

### § 8

The nomination committee shall consist of 3 members who shall be shareholders or representatives of shareholders. The members of the nomination committee, including its chairman, shall be nominated by the general meeting for a period of two years.

The nomination committee makes a recommendation of nominees for board members and remuneration for the board of directors. Remuneration to the members of the nomination committee is resolved by the general meeting.

### § 9

The ordinary general meeting shall discuss:

1. The board of directors' annual report
2. The company's profit and loss accounts and balance
3. Distribution of the company's annual profit or cover of loss in accordance with the balance, and distribution of dividend
4. Remuneration to the board of directors and auditor's consideration
5. Other matters which, according to law or the articles of association falls under the general meeting.



**Group Accounts**  
**SalMar ASA**  
**Balance Sheet as at 31 December**

	NOK 1 000 2006	NOK 1 000 2005
<b>EQUITY CAPITAL AND LIABILITIES</b>		
<b>Equity</b>		
Paid-in equity	25 000	1 000
Share capital	25 000	1 000
<b>Total paid-in equity</b>		
11	25 000	1 000
<b>Earned equity</b>	859 516	405 953
Reserves	859 516	405 953
<b>Total earned equity</b>	859 516	405 953
Minority interests	698	633
<b>Total equity</b>	<b>885 214</b>	<b>407 585</b>
<b>Liabilities</b>		
<b>Provisions for liabilities</b>		
Pension liabilities	3 364	13 445
Deferred tax	336 102	127 075
<b>Total provisions for liabilities</b>	<b>339 466</b>	<b>140 520</b>
<b>Other long-term liabilities</b>		
Debt to credit institutions	525 498	283 290
Other long-term liabilities	97 239	71 808
13,15	97 239	71 808
<b>Total other long-term liabilities</b>	<b>622 737</b>	<b>355 098</b>
<b>Short-term liabilities</b>		
Debt to credit institutions	149 474	82 785
Due to suppliers	148 380	110 995
Tax payables	79 007	55 350
14	79 007	55 350
Debt parent company	0	28 693
Government duties due	11 364	0
13	11 364	0
Other short-term liabilities	33 860	22 630
<b>Total short-term liabilities</b>	<b>422 085</b>	<b>300 454</b>
<b>Total liabilities</b>	<b>1 384 288</b>	<b>796 072</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2 269 502</b>	<b>1 203 657</b>
Kverva 26 March 2007		
Bjorn Flaiggjard Chairman	Gustav Wilzoe Board member	Synneve G Ervik Board member
Oystein Stray Spetsten Board member	Anne Strom Naksrud Board member	Bjorn Ivan Espnes Board member
Leif Inge Nordhammer Chief Executive Officer		

**Group Accounts**  
**SalMar ASA**  
**Balance Sheet as at 31 December**

	NOK 1 000 2006	NOK 1 000 2005
<b>ASSETS</b>		
<b>Fixed assets</b>		
<b>Intangible assets</b>		
Licenses, patents and similar	711 503	222 070
14	711 503	222 070
Deferred tax receivable	0	0
15	0	0
Goodwill	56 155	5 823
15	56 155	5 823
<b>Total intangible assets</b>	<b>767 658</b>	<b>227 893</b>
<b>Long-term operating assets</b>		
Land, buildings and other real estate	50 674	35 038
6	50 674	35 038
Machinery, plant and chattels	224 681	119 600
6	224 681	119 600
Vessels, vehicles and similar	31 234	7 483
6,15	31 234	7 483
Total long-term operating assets	<b>306 609</b>	<b>162 121</b>
<b>Financial fixed assets</b>		
Investments in associated companies	261 790	339 035
8,15	261 790	339 035
Investments in shares	762	527
8,15	762	527
Pension funds	301	0
3,10	301	0
Other receivables	9 317	20 370
<b>Total financial fixed assets</b>	<b>272 170</b>	<b>359 932</b>
<b>Total fixed assets</b>	<b>1 346 436</b>	<b>749 946</b>
<b>Current assets</b>		
Biological assets	701 017	344 319
9,15	701 017	344 319
Other inventories	53 398	19 718
9,15	53 398	19 718
<b>Total inventories</b>	<b>754 416</b>	<b>364 037</b>
<b>Receivables</b>		
Accounts receivables	110 156	72 629
10,15	110 156	72 629
Receivables parent company	295	0
15	295	0
Other receivables	51 249	14 082
<b>Total receivables</b>	<b>161 700</b>	<b>86 711</b>
<b>Bank deposits, cash and similar</b>	<b>6 950</b>	<b>2 964</b>
<b>Total current assets</b>	<b>923 066</b>	<b>453 712</b>
<b>TOTAL ASSETS</b>	<b>2 269 502</b>	<b>1 203 657</b>

**Group Accounts  
SalMar ASA  
Cash flow analysis**

	NOK 1 000 2005	NOK 1 000 2004
<b>CASH FLOW FROM OPERATIONS</b>		
Ordinary result before tax	577 316	319 185
Tax paid for the period	-43 831	-945
Ordinary depreciation	37 874	27 267
Result from associated companies	-91 752	-73 711
Loss/gain on sale of shares	-11 165	-16 460
Loss/gain on sale of fixed assets	-2 335	-1 744
Change in goods/biological assets	-204 101	-64 104
Change in accounts receivables	1 308	-12 407
Change in debt to suppliers	-5 984	19 173
Change in other current assets and other liability items	-11 928	-13 990
<b>Net cash flow from operations</b>	<b>245 401</b>	<b>182 266</b>
<b>CASH FLOW FROM INVESTMENTS</b>		
Receipts on sale of operating assets	6 691	2 868
Payments on purchase of operating assets	-136 187	-47 331
Receipts on sale of financial fixed assets	64 538	527
Payments on purchase of financial fixed assets	-348 562	-29 246
<b>Net cash flow from investments</b>	<b>-413 520</b>	<b>-73 182</b>
<b>CASH FLOW FROM FINANCING</b>		
Change in long-term receivables	185 348	-55 572
Net change in overdraft	15 745	-50 325
Purchase of minority	0	-1 228
Change in debt to parent company	-28 988	-7 136
<b>Net cash flow from financing</b>	<b>172 105</b>	<b>-114 261</b>
Net change in bank deposits, cash and similar	3 987	-5 177
Holding of bank deposits, cash and similar at 01.01	2 964	8 140
<b>Holding of bank deposits, cash and similar at 31.12</b>	<b>6 950</b>	<b>2 964</b>
Unutilised drawing facilities	376 565	108 486

**Group Accounts  
SalMar ASA  
Change in equity**

	Share capital	Reserves	Minority interests	NOK 1 000 Total equity
<b>2005</b>				
Equity at 31.12.04 (NGAAP)	1 000	205 057	1 772	207 829
Change in equity 01.01.05 (NGAAP)		2 175		2 175
Equity at 01.01.05 (NGAAP)	1 000	207 232	1 772	210 004
Adjustment opening balance sheet IFRS (note 23)		-19 649		-19 649
<b>Equity at 01.01.05 (IFRS)</b>	<b>1000</b>	<b>187 583</b>	<b>1 772</b>	<b>190 355</b>
Annual result to equity		252 224	-5	252 219
Conversion differences in associated companies		-1 315		-1 315
Aggregate result for the period		250 909	-5	250 904
Purchase of minority / new minority		-94	-1 135	-1 228
Net group contribution to parent company		-32 446		-32 446
<b>Equity at 31.12.05</b>	<b>1000</b>	<b>405 953</b>	<b>633</b>	<b>407 585</b>
<b>2006</b>				
	Share capital	Reserves	Minority interests	Total equity
<b>Equity at 01.01.06</b>	<b>1 000</b>	<b>405 953</b>	<b>633</b>	<b>407 585</b>
Annual result to equity		445 019	65	445 085
Conversion difference in associated companies		3 239		3 239
Group formation - Effect of phased purchases		28 785		28 785
Aggregate result for the period		477 043	65	477 108
Equity transactions in associated companies		521		521
Bonus issue	24 000	-24 000		0
<b>Equity at 31.12.06</b>	<b>25 000</b>	<b>859 517</b>	<b>698</b>	<b>885 215</b>

## Group Accounts SalMar ASA Notes to the accounts 2006

### Note 1: Accounting principles

SalMar ASA is a private company whose shares are freely transferable. The company's head office is located in Trøya municipality, Norway.

The group accounts for SalMar ASA for the accounting year 2006 with comparative figures for 2005 have been prepared in accordance with IFRS and interpretations set by the International Accounting Standards Board as adopted by the EU and the Norwegian Accounting Act. Both the accounts for 2005 and 2006 have been prepared originally in accordance with NGAAP. As part of the planned listing on the Oslo Stock Exchange during 2007, SalMar ASA has also prepared group accounts for 2006 in accordance with IFRS. These are the company's first IFRS group accounts and IFRS has been applied. The comparative figures for 2005, which are part of the group accounts for 2006, are based on the same accounting principles used in the 2006 group accounts. Profit and loss statement for 2004 is prepared in accordance with NGAAP. Note 23 sets out how the transition to IFRS has affected the group's financial position and financial results. The group's cash flows are unaffected by the transition to IFRS (at the main line level).

The group accounts are based on the principles of historical cost accounting, with the exception of the following accounting items that are posted at fair value:

- \* Biological assets (note 9)
- \* Forward foreign exchange contracts (note 20)

### Important accounting estimates and approximate evaluations

Preparation of the financial accounts in accordance with IFRS requires that management make evaluations and estimates and make assumptions that affect the application of accounting principles and posted amounts for assets and liabilities in the balance sheet, income and costs for the accounting year. Estimates and the underlying assumptions are based on historical experience and other factors that have been assessed as being relevant and probable at the time the evaluations are made. These evaluations affect the balance sheet value of the assets and liabilities where the valuation is not based on other sources. Estimates are reviewed continuously and final values and results may differ from these estimates. Changes in accounting estimates are included in the period the changes occur.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are the following:

#### Adjustment of fair value of biomass

In accordance with IAS 41, the group values live fish at fair value. The estimate of fair value is based on market prices at the balance sheet date in the respective markets where the group operates. Calculations of fair value also include estimates of volumes, quality and normal costs for slaughtering and selling the fish. The adjustment of fair value based on these assessments has no relevance for cash flow and does not affect the operating result before value adjustment of biomass.

#### Goodwill and intangible assets

Carrying amounts of goodwill and intangible assets with an indeterminate lifetime is tested for impairment at least once a year and more frequently if there are indications that the carrying amount may not be recoverable. This requires an estimate of the use utility value of the cash flow generating units to which goodwill and the intangible assets relate. In order to determine the utility value, the group must estimate expected future cash flows from the cash flow generating unit and then choose an appropriate discount rate in order to calculate the present value of these cash flows. Expectations as to future cash flows will vary over time. Changes in market conditions and expected cash flows may cause write-downs in the future. The most important assumptions relevant to the present value of cash flows relating to investments are the discount rate applied, the estimated salmon price in the group's markets, production costs, production volume for salmon, and the assumption of continuous markets for salmon in the geographical areas where the group operates.

#### Fair value at acquisitions

When a business is acquired the group capitalises the business's assets, liabilities and contingent liabilities, subject to it being possible to measure the fair value of these in a reliable manner. In order to capitalise fair values, the cost price is allocated between the acquired assets and liabilities and this can lead to posting an amount for goodwill. In order to determine fair values on acquisition, an evaluation must be made as to the reliability of the information that exists on the acquired asset's liabilities and contingent liabilities. Normally no active market exists for assets and liabilities acquired in connection with an acquisition. One must therefore use alternative measures in order to determine the fair values. Changes in estimates would involve balance sheet reclassifications and possibly an effect on subsequent periods' depreciation.

Evaluations management have made in applying the IFRS standards that are material to the accounts, together with estimates that involve a significant risk of material adjustments in the next accounting year are reported in separate notes. This applies in particular to the valuation of the biomass (note 9) and valuation of goodwill and intangibles (note 5).

#### Consolidation principles

The group accounts consist of SalMar ASA and subsidiaries where SalMar ASA has controlling influence as a result of legal or actual control. Controlling influence is regarded as normally existing on ownership directly or indirectly of more than 50% of the voting capital. Newly-acquired subsidiaries are included from the date controlling influence is obtained and disposed-of subsidiaries are included up to the date of disposal. The group accounts have been prepared on the basis of uniform accounting principles for similar transactions in all companies included in the group accounts. All material transactions and receivables between companies in the group have been eliminated.

Shares in subsidiaries are eliminated in the group accounts using the purchase method. This means that the purchased company's assets and liabilities are valued at fair value at the time of purchase and any additional amount over this is included as goodwill. For partly-owned subsidiaries, only

SalMar's share of goodwill is included in the balance sheet. Where the fair value of the acquired assets exceeds the consideration that has been paid, the difference is treated as income in the profit and loss account. Deferred tax is capitalised to the extent that identifiable excess values can be attributed to assets and liabilities that involve an increase or reduction in future tax payable when these differences reverse in future periods. Deferred tax is capitalised and calculated using a nominal tax rate, without discounting.

On the phased purchase of shares, the value of assets and liabilities at the time of establishment of the group is used. Subsequent purchases of assets in existing subsidiaries will not affect the valuation of assets or liabilities, with the exception of goodwill, which is calculated on each purchase.

Purchases made prior to 01.01.2005 have not been adjusted for as a result of the transition to IFRS (permitted option used).

Investments in subsidiaries where the group has considerable influence (associated companies) are recorded using the equity method in the group accounts. Considerable influence normally exists where the group owns from 20-50% of the voting capital. The share the result is based on the result after tax in the company which one has invested, with a deduction for internal gains and depreciation of excess value that is attributed to the cost price of these shares being higher than the acquired part of capitalised equity. In the profit and loss account the share of the result is shown under financial items, while assets in the balance sheet are shown under financial fixed assets. Accounting principles for associated companies have been changed where this is necessary to ensure consistency with principles used in the group.

### SalMar ASA group

The SalMar ASA group has acquired the following shares in subsidiaries in 2006:

- 100% of the shares in AS Sjøfor, with subsidiaries Aure Havbruk AS and Magnar Ulfbæst AS acquired by SalMar Farming AS
- Purchase of the remaining shares in the former associated company Senja Sjøfarm AS with subsidiaries Troms Stamfiskstasjon, Tamøy Fiskekjøp AS and Senja Bulk AS.

See note 7 for further information.

### The group accounts consist of:

	Parent company
- SalMar ASA	100%
- Astmann AS	100%
- Follasmølt AS	100%
- Langseth AS	60%
- SalMar Farming AS	100%
- Flatanger Akva AS	100%
- AS Sjøfor	100%
- Aure Havbruk AS	100%
- Magnar Ulfbæst AS	100%
- Senja Sjøfarm AS	100%
- Troms Stamfiskstasjon AS	100%
- Tamøy Fiskekjøp AS	100%
- Senja Bulk AS	100%
- SalMar Processing AS	100%

### Minority interests

The share of the profit or loss after tax attributable to minority interest is presented on a separate line after the Company's profits for the year. The share of the equity attributable to minority interests is presented on a separate line in group equity.

### Income

Income from the sales of goods is accounted for as it is earned, similarly when both risk and control has mainly been transferred to the customer. This will normally be the case when the goods are delivered to the customer, i.e. FCA Plant. Income is accounted for using the value of the consideration at the time of the transaction.

Operating income is after deduction of duties, discounts, bonuses and other sales costs.

Dividends are posted to income when the shareholders' right to receive the dividend has been determined by the general meeting.

### Government grants

Operating grants are accrued and classified together with the income they are to increase or the costs they are to reduce.

### Segment reporting

The primary segment of the group is a geographical breakdown. The breakdown is based on the geographical areas where the business carries on production. The secondary segments of the group are the business areas farming and processing. Financial information regarding the segments is presented in note 2.

#### Classification principles

Liquid assets consist of cash, bank deposits and other liquid investments that can be converted to cash within three months.

Other assets that are included in the stock cycle or have a maturity within 12 months are classified as current assets. Remaining assets are classified as fixed assets. Liabilities that are included in the stock cycle or have a maturity within 12 months are classified as short-term liabilities. Other liabilities are classified as long-term.

Dividends proposed and group contributions are not capitalised as liabilities before the group has an irrevocable obligation to pay the dividend, normally after approval at the annual general meeting.

The next year's instalment of long-term debt is classified as short-term debt.

Changes in the fair value of biological assets are shown on a separate line in the operating result.

#### Foreign exchange

The group accounts are presented in Norwegian kroner, which is the group's functional currency. All transactions in foreign currencies are converted to NOK at the time of the transaction. Monetary items in foreign currencies in the balance sheet are converted at the rate as at the balance sheet date. The group endeavours to hedge against fluctuations in the foreign exchange market using forward transactions. Forward transactions are capitalised at fair value with value changes posted to the result.

#### Borrowing costs

Borrowing costs are expensed when they are incurred. Expenses on raising loans are posted as a reduction in the loan. Interest-bearing loans are measured at amortised cost using the effective interest method.

#### Receivables

Receivables from customers and other receivables are entered at par value after deducting a provision for expected losses. The provision for losses is made on the basis of an individual assessment of the respective receivables. Due to the immaterial transaction costs and the short credit period, the amortised cost is the same as the par value, with a deduction for estimated losses.

#### Goods

The goods inventory consists of feed, packaging, fry, live fish in the sea and processed fish. The inventory of feed, packaging, fry and processed fish is valued at the lower of cost and expected sales value, less sales costs. The cost price of self-produced goods is the full production cost. The FIFO principle is used when amortising the cost of goods. A write-down is made for estimated obsolescence.

#### Biomass

The group values live fish at fair value. The estimate of fair value is based on reported sales prices for slaughtered salmon of the same size, reduced for estimated sales expenses. Sales expenses include costs that will be necessary to get the fish sold, but exclude costs that are necessary in order to get to market. The fair value of live salmon not ready for slaughtering is adjusted, based on the fair value for salmon ready for slaughtering, in order to reflect the difference between how far they have come in the growth cycle. In cases where the cost price for live salmon not ready for slaughtering exceeds the fair value, then the cost price for live salmon not ready for slaughtering is used, unless there is a need to make a write-down. There is greater uncertainty attaching to the fair value of fish not ready for slaughtering than for fish that are ready for slaughtering as a result of the period forward to slaughtering. See note 9 for further details concerning the principles applied.

#### Fixed price contracts

The group enters into sales contracts for salmon products on an ongoing basis. The contracts involve physical settlement and deliveries relating to the contracts form part of the group's normal business. The contracts are therefore not financial instruments in accordance with IAS39. The contracts contain no elements of built-in derivatives. Fixed price contracts that involve the group being obliged to sell fish ready for slaughtering at a lower price than that which forms the basis for market valuations of live fish are provided for as a liability.

#### Long-term operating assets

Long-term operating assets are capitalised at acquisition cost with a deduction for accumulated depreciation and write-downs. When an asset is sold or disposed of, the capitalised value is deducted and any loss or gain posted to the result. Ordinary depreciation is charged from the time the operating asset is set in ordinary use and is calculated based on the economic lifetime of the asset. Depreciation is allocated on a straight line basis over the expected economic life. Significant parts of operating assets that have different depreciation periods are deconstructed and depreciated separately. The operating assets' residual value, depreciation period and depreciation methods are assessed annually.

Plant under construction is not depreciated. Depreciation is charged when the plant is ready for use.

Direct maintenance of operating assets is expensed on an ongoing basis under operating costs, while additions or improvements that are expected to give future economic benefits are added to the operating assets' cost price and depreciated in line with the assets.

The need for a write-down of the capitalised value of plant and equipment is evaluated when the situation or circumstances indicate that the value cannot be recovered. If the recoverable amount of fixed assets is lower than the balance sheet value and the fall in value is not expected to be

temporary, then a write-down is made to the recoverable amount. The recoverable amount is the higher of the net sales value and the value in use. The value in use is the present value of the future cash flows that the asset will generate.

#### Lease agreements

Operating assets that are leased on terms where, in all material respects, economic risk and control is transferred to the company (financial leasing) are capitalised under long-term operating assets and the associated lease liability is included as a liability under interest-bearing long-term debt at the present value of the lease payments. The operating asset is depreciated as scheduled and the liability reduced by the lease payment after deducting the estimated interest cost. The depreciation period is consistent for equivalent assets that are owned by the group or shorter if the lease period is shorter. Lease payments on operational leasing are classified as an operating cost and posted to the result on a straight line basis over the contract period.

#### Intangible assets

Intangible assets that are purchased individually are capitalised at acquisition cost. Intangible assets taken over on the purchase of businesses are capitalised at acquisition cost when the criteria for separate posting are fulfilled.

Intangible assets with a limited economic life are depreciated systematically. Intangible assets are depreciated to the recoverable amount if the expected economic benefits do not cover the capitalised value and any remaining production costs.

Expenses relating to research activities are posted to the result as they are incurred. Expenses relating to development activities are capitalised when specific criteria are fulfilled. Capitalised development costs are posted in the balance sheet at acquisition cost, less accumulated depreciation and write-downs. Capitalised development costs are depreciated on a straight line basis over the asset's estimated period of use.

Licences are capitalised at cost price, less accumulated write-downs. Licences are not depreciated but are tested annually for a fall in value. Lease agreements for licences where the group is considered to have taken over most of the risk and benefits are capitalised as an intangible asset.

In the event of an acquisition of another business for a consideration that exceeds the value of the individual assets, the difference is posted to the balance sheet as goodwill. Goodwill on the purchase of subsidiaries is included in intangible assets, while goodwill on the purchase of associated companies is included in the item shares in associated companies. Goodwill is entered at historical cost with a deduction for accumulated depreciation up to 2004.

Goodwill is not depreciated (after 01.01.2005) but tested annually for a fall in value or, more frequently, if there are indications that the value is lower than the capitalised value. When assessing the need for a write-down of goodwill, this is allocated to the relevant cash flow generating entities or the groups that are expected to obtain benefits from the acquisition. Write-downs are made in accordance with an evaluation of the recoverable values of each cash flow generating unit to which the goodwill relates. In order to determine which are the group's cash flow generating entities, the assets are grouped in accordance with the lowest level at which separate and independent cash flows can be identified. The recoverable amount is calculated on the basis of the use value. This is calculated by estimating future cash flows for the next three years based on the budget and forecasts adopted. Cash flows after three years are assumed to be constant without a growth factor. Cash flows are discounted at an interest rate before tax that takes account of the relevant market risk. If the use value calculated is lower than the capitalised value of the cash flow generating unit, a write-down of goodwill is made first and then other assets as required.

#### Shares

Shares that are not subsidiaries or associated companies are valued at fair value on the balance sheet date if the fair value can be measured reliably. Shares that are not expected to be sold within 12 months of the balance sheet date are classified as fixed assets. Shares held for trading purposes and that are expected to be sold within 12 months of the balance sheet date are classified as current assets. Value changes for shares measured at fair value are posted directly against equity.

#### Pensions

The period's net pension costs are included in wages and other personnel costs. In accounting for pensions, a linear earnings profile and the expected final salary are used as an earnings base. Plan changes and estimate differences are amortised over the expected remaining earnings period.

In connection with the transition to IFRS, the group has used a permitted option to change accumulated estimate differences against equity capital as at 01.01.2005. Employment tax is not included in the figures.

The group switched from a benefit-based to a contribution-based pension scheme with effect from May 2006. The effects relating to the transition have been posted to the result. Pension premiums relating to the contribution scheme are expensed as they are incurred.

#### Taxes

The tax charge is collated against the accounting result before tax. Tax relating to equity capital transactions is entered against equity capital. The tax charge consists of tax payable (tax on the year's direct taxable income) and the change in net deferred tax. Deferred tax and deferred tax receivables are presented net in the balance sheet.

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

Deferred tax is calculated on the differences between the taxable and accounting value of licences.

**Note 2 – Segment information and geographical breakdown****Primary reporting format – geographic segments**

2006 – figures in thousands	Mid-Norway	North-Norway	Others / elimination	Group
External operating income	1 238 431	10 133	-	1 248 564
Internal operating income	-	46 787	-46 787	-
<b>Total operating income</b>	<b>1 238 431</b>	<b>56 920</b>	<b>-46 787</b>	<b>1 248 564</b>
Depreciation	33 178	5 601	-905	37 874
Operating costs	759 217	43 595	-39 496	763 316
<b>Operating result before value adjustment biomass</b>	<b>446 036</b>	<b>7 724</b>	<b>-6 386</b>	<b>447 374</b>
Value adjustment biomass	87 613	-11 169	-12 768	63 676
<b>Operating result</b>	<b>533 649</b>	<b>-3 445</b>	<b>-19 154</b>	<b>511 050</b>
Result from associated companies	3 475	12 237	76 040	91 752
Net financial items	-22 554	-2 931	-25 485	-50 970
<b>Result before tax</b>	<b>514 570</b>	<b>5 861</b>	<b>56 886</b>	<b>577 317</b>
Tax charge	139 316	-1 721	-5 363	132 232
<b>Annual result</b>	<b>375 254</b>	<b>7 582</b>	<b>62 249</b>	<b>445 085</b>
Assets	1 976 060	350 154	-56 713	2 269 502
- investments in associated companies	103	-	261 687	261 790
Liabilities	1 135 717	270 876	-22 305	1 384 288
Investments	98 194	12 638	-	110 832
- Tangible operating assets	150 433	389 999	0	540 432
- Intangible operating assets	33 178	5 601	-905	37 874
Depreciation	-	-	-	-
2005 – figures in thousands	Mid-Norway	North-Norway	Others / elimination	Group
External operating income	871 451	-	-	871 451
Internal operating income	-	-	-	-
<b>Total operating income</b>	<b>871 451</b>	-	-	<b>871 451</b>
Depreciation	27 267	-	-	27 267
Operating costs	634 497	-	-	634 497
<b>Operating result before value adjustment biomass</b>	<b>209 687</b>	-	-	<b>209 687</b>
Value adjustment biomass	-40 785	-	-	-40 785
<b>Operating result</b>	<b>250 472</b>	-	-	<b>250 472</b>
Result from associated companies	-4 309	21 089	56 931	73 711
Net financial items	-4 997	-	-	-4 997
<b>Result before tax</b>	<b>241 166</b>	<b>21 089</b>	<b>56 931</b>	<b>319 186</b>
Tax charge	66 966	-	-	66 966
<b>Annual result</b>	<b>174 200</b>	<b>21 089</b>	<b>56 931</b>	<b>252 220</b>
Assets	1 203 657	-	-	1 203 657
- investments in associated companies	9 250	11 678	213 057	339 035
Liabilities	796 072	-	-	796 072
Investments	51 125	0	0	51 125
- Tangible operating assets	0	0	0	0
- Intangible operating assets	27 267	0	0	27 267
Depreciation	-	-	-	-

**Provisions**

A provision is made in the accounts when, and only when, the company has an applicable obligation (legal or self-imposed) as a result of events that have occurred and it can be demonstrated (more likely than not) that an economic settlement will take place as a result of the obligation and the size of the amount can be measured reliably. Provisions are reviewed at each balance sheet date and the level reflects the best estimate of the obligation.

**Post balance sheet events**

New information after the balance sheet date regarding the company's financial position on the balance sheet date is taken into account in the annual accounts. Events after the balance sheet date that do not affect the company's financial position on the balance sheet date but which would affect the company's financial position in the future are reported if material.

**Cash flow analysis**

The group's cash flow analysis shows the group's aggregate cash flow broken down between operations, investment and financing activities. The analysis shows the individual activity's effect on liquid assets. Cash flow in connection with the purchase and sale of businesses is presented under investment activities.

**Internal group reorganisations**

Fresta Lakseferm Invest AS and Fresta Lakseferm AS have merged with the acquiring company, SalMar Farming AS, with accounting effect from 01.01.06. The companies were wholly-owned subsidiaries of SalMar Farming AS. The merger has been carried out in accordance with the modified rules on internal group mergers. See sections 13-23 of the Companies Act. The merger has been accounted for using the continuity method. SalMar Farming AS is a wholly-owned subsidiary of the group's parent company, and the merger has no effect on the group accounts.

**IFRS and IFRIC interpretations are not yet effective and have not been early adopted by the Company**

IAS 1 (change) – Presentation of financial accounts – capital information. The change requires further additional information so that users of the financial accounts have the ability to evaluate the group's goals, guidelines and processes for capital management. The group will apply the change to IAS 1 with effect from 1 January 2007.

IFRS 7 – Financial Instruments: Information – IFRS 7 introduces new details in order to improve information on financial instruments. The group will apply IFRS 7 with effect from 1 January 2007.

IFRS 8 – Business segments. IFRS 8 replaces IAS 14 – Segment reporting. The standard requires that the company/group uses a management assessment for the identification of segments. In general the information to be reported should be that which management uses internally to evaluate the segments' results and to determine how resources are to be allocated to the segments. IFRS 8 requires information on the basis from which segment information is prepared and from what types of products and services each segment derives income. The group will apply IFRS 8 with effect from 1 January 2009.

IFRIC 7 – Application of the method for inflation adjustment in accordance with IAS 29. Financial reporting in economies with high inflation. IFRIC 7 gives guidance on how the requirements in IAS 29 shall be applied in a reporting period where a company can show that high inflation exists in the economy that is the basis for the company's functional currency in cases where this economy did not have high inflation in the previous period. The group will apply IFRIC 7 with effect from 1 January 2007.

IFRIC 8 – Area of application of IFRS 2. IFRIC 8 deals with the extent to which IFRS 2 Share-based Payment is to be applied on transactions which deal with the issue of equity capital instruments where the company cannot identify the specific goods or services that have been received. The group will apply IFRIC 8 with effect from 1 January 2007.

IFRIC 9 – Re-evaluation of built-in derivatives. IFRIC 9 requires that the company shall evaluate whether a built-in derivative should be separated from the host contract and accounted for as a derivative when the company first becomes party to the contract. A subsequent re-evaluation is forbidden unless the contract's terms have been changed in a manner that materially changes the cash flows that otherwise would have been required in accordance with the contract; if this is the case, a re-evaluation is required. The group will apply IFRIC 9 with effect from 1 January 2007.

IFRIC 10 – Periodic reporting and write-downs. Write-downs of losses on goodwill, investments in equity capital instruments and investments in financial assets capitalised at cost that have been made in periodic reporting cannot, in accordance with IFRIC 10, be reversed in a subsequent period. The group will apply IFRIC 10 with effect from 1 January 2007.

IFRIC 11 – Payment with own or the group's equity capital instruments. IFRIC 11 gives guidance on how IFRS 2 Share-based Payment shall be applied on payment with the company's own equity capital instruments or equity capital instruments of other companies in the group. The interpretation requires that an agreement on share-based payment where a company receives goods and services as payment for the company's equity capital instrument shall be accounted for as a share-based payment transaction which is posted against equity capital, irrespective of how the equity capital instrument will be acquired. The group will apply IFRIC 11 with effect from 1 January 2008.

IFRIC 12 – Accounting for licence rights. The interpretation deals with how private operators will apply existing IFRS standards in order to account for obligations and rights under licence agreements. The group will apply IFRIC 12 from 1 January 2008.

The group does not expect that implementation of the proposals listed above will have any effect on the group accounts at the time of implementation, apart from new note information.

The SalMar Group has a management group consisting of the managing director and heads of the main business areas.

	2006	2006	2006	2006	2006
	Salary	Bonus	Normal benefits	Accrued pension cost	Total remuneration
<b>Senior management</b>					
Leif Inge Nordhammer, CEO	1 010	400	16	15	1 440
Karl Chr Aug, Manager, Smolt	699	300	16	12	1 027
Bjorn Larsen, Manager, Farmed fish	784	300	12	14	1 110
Gustav Wizaøe, Manager, Plant	980	0	204	15	1 199
Pål Stora, Manager, Processing	716	300	8	15	1 038
Ulrik Steinvik, Manager, Finance	350	20	1	0	371

	2005	2005	2005	2005	2005
	Salary	Bonus	Normal benefits	Accrued pension cost	Total remuneration
<b>Senior management</b>					
Leif Inge Nordhammer, CEO	980	250	13	15	1 257
Karl Chr Aug, Manager, Smolt	673	225	11	10	919
Bjorn Larsen, Manager, Farmed fish	785	225	12	11	1 032
Gustav Wizaøe, Manager, Plant	967	0	118	15	1 100
Pål Stora, Manager, Processing	689	225	3	10	928
Halvor Hansen, Manager, Finance	637	225	2	11	875

The bonus amount is determined based on the position and the additional value that the employee or group of employees has created. There are no fixed bonus agreements.

No agreements have been entered into on termination compensation or subsequent remuneration for any of the group's employees other than salary during the ordinary notice period.

	2006	2005
	Board fees	Board fees
<b>Board</b>		
Bjorn Flaetgard, Chairman	125	250
Gustav Wizaøe	125	-
Symøve G Ervik	80	-
Øystein Stray Spetalen	80	-
Anne Strom Nakstad	25	-
Bjorn Ivan Espnes, Employee representative	60	50

**Loans and provision of security for senior management**

	Amount	Interest rate	Instalment plan
CEO	1 066	3%	20 years
Chairman	-	-	years
Provision of security	-	-	years
Provision of security	-	-	years

**Loans and provision of security to benefit of:**  
Senior management and members of the Board  
Persons connected with members of the Board

**Options**

SalMar ASA has since the end of the financial year worked on an option scheme for employees and management.

**Secondary reporting format – business areas**

	2006	2005
<b>2006 – figures in thousands</b>		
External operating income	1 248 564	1 248 564
Internal operating income	-	-
Operating costs	-394 740	801 191
Operating result before value adjustment biomass	853 824	447 373
Value adjustment biomass	-2 298	-2 298
Operating result	851 526	445 075
Result from associated companies	511 049	511 049
Net financial items	91 752	91 752
Other benefits	-25 487	-25 487
<b>Result before tax</b>	<b>577 314</b>	<b>577 314</b>
Assets	1 824 563	2 269 501
Liabilities	974 692	1 384 288
Investments	107 688	110 832
- Tangible assets	540 432	540 432
- Intangible assets	0	0

	2006	2005
<b>2005 – figures in thousands</b>		
External operating income	871 451	871 451
Internal operating income	-	-
Operating costs	-220 100	661 764
Operating result before value adjustment biomass	651 351	209 687
Value adjustment biomass	-3 402	-3 402
Operating result	647 949	206 285
Result from associated companies	250 472	250 472
Net financial items	73 711	73 711
Other benefits	-4 998	-4 998
<b>Result before tax</b>	<b>319 185</b>	<b>319 185</b>
Assets	864 581	1 203 657
Liabilities	389 698	796 072
Investments	37 743	51 125
- Tangible assets	0	0
- Intangible assets	0	0

**Geographical breakdown of sales income**

Most of the group's sales take place through the wholly-owned subsidiary SalMar Processing AS.

By geographical market group:	2006	2005
Japan	1%	1%
Russia	4%	0%
EU	20%	8%
Norway	71%	92%
<b>Total</b>	<b>100%</b>	<b>100%</b>

**Note 3 Wage costs, total employees, remuneration, loans to employees etc**

**Wage costs**

	2006	2005
Wages	128 511	104 763
Social Security contributions	7 973	6 560
Pension costs (see note 12)	-8 307	3 800
Other benefits	3 737	4 642
<b>Total</b>	<b>131 913</b>	<b>119 766</b>

Total employed (man-years) in the accounting year

280

**Specification of goodwill**

	Acquisition – Year	Acquisition – cost	Book value 31.12.06
North Norway	2006	32 899	32 899
Mid Norway	1999-2006	27 141	23 256
		60 040	56 155

Following the introduction of IFRS goodwill is no longer depreciated, but assessed for write-downs annually or more frequently if there are indications that a write-down may be necessary. The difference between the acquisition cost and the book value of goodwill is due to the depreciation of goodwill before the introduction of IFRS.

Other acquired goodwill which had been written-down to zero before 2005 has an acquisition cost of NOK 14 505 420.

*Assessment of write-down requirement*

On acquisitions, goodwill and intangible assets are allocated among those of the group's cash flow generating units to which they relate. Cash flow generating units are the operative businesses in the group, i.e. farming and processing.

The balance sheet value of the cash flow generating unit is subject to a write-down test on an annual basis or more frequently if there is an indication of a write-down requirement. The estimated use value is used as a basis when calculating the recoverable amount. A write-down is made if the balance sheet value is lower than the recoverable amount.

In estimates for future net cash flows the group's budget and forecasts for the next three years are used as a basis. No growth is assumed when calculating the terminal value. When calculating the use value a yield requirement of 9% is used. As with all estimates, the cash flow forecasts are sensitive to changes in the underlying assumptions.

The estimated use value will be affected most by the following assumptions:

- Discount rate
- Salmon price
- Production costs
- Future production

Discount rate: the discount rate used reflects management's estimate of the specified risk on each of the cash flow generating units. In determining the discount rate, the 10-year government bond yield is used as a starting point at the time of the assessment. The discount rate is before tax.

Salmon price: the estimate of the salmon price is based on the long-term price level that experience indicates in the markets where the fish is sold.

Production costs: the estimate of production costs is based on historical figures after taking into account known changes.

Future production volume: the estimate of future production is based on current production and adjusted for future expected production increases based on current licences.

The starting point for the write-down test is to take at the outset capital employed, including licences and goodwill, for the unit assessed and subsequently compare this against the price thresholds that are acceptable before a need for write-downs arises. In our estimates of the future salmon price and production costs there is no indication of a need to make write-downs. Even with significant changes in the parameters given above, the need for a write-down of goodwill or licences will not arise.

The test for a fall in value did not provide a basis for write-downs of balance sheet values of aquaculture licences and goodwill as at 31 December 2006.

**Auditor**

Remuneration to the auditor breaks down as follows:

	2006	2005
Statutory audit	633	633
Other certification services	38	60
Tax advice	31	0
Other support	636	315
<b>Total</b>	<b>1 433</b>	<b>1 008</b>

The fees stated are exclusive of VAT.

**Note 4 Operating costs**

Specification of other operating costs

	2006	2005
Maintenance	24 790	16 312
Operating equipment	13 655	12 249
Director input factors	37 659	27 600
Other operating costs	34 748	29 060
<b>Total</b>	<b>110 851</b>	<b>85 220</b>

**Note 5 Intangible assets**

	Licences	Goodwill	Other intangible assets	Total
Acquisition cost 01.01.05	221 403	24 213	2 000	247 616
Additions on business mergers	0	0	0	0
Acquisition cost 31.12.05	221 403	24 213	2 000	247 616
Additions on business mergers	490 100	50 332	0	540 432
Acquisition cost 31.12.06	711 503	74 545	2 000	788 048
Depreciation and write-downs as at 01.01.05	0	18 390	666	19 056
Year's depreciation	0	0	667	667
Year's write-downs	0	0	0	0
Accumulated depreciations and write-downs as at 31.12.05	0	18 390	1 333	19 723
Year's depreciation	0	0	667	667
Year's write-downs	0	0	0	0
Accumulated depreciation and write-downs as at 31.12.06	0	18 390	2 000	20 390
<i>Of which accumulated write-downs as at 31.12.06</i>	<i>0</i>	<i>0</i>	<i>0</i>	<i>0</i>
<b>Balance sheet value as at 31.12.06</b>	<b>711 503</b>	<b>56 155</b>	<b>0</b>	<b>767 658</b>
Balance sheet value as at 31.12.05	221 403	5 823	667	227 893
Balance sheet value as at 01.01.05	221 403	5 823	1 334	228 560

	Total licences	Acquisition cost	Book value 31.12.06
North Norway	8 (9)	357 100	357 100
Mid Norway	36 (37)	354 403	354 403
	44 (46)	711 503	711 503

The group has lease agreements relating to two licences.

**Note 6 Long-term operating assets**

	Machinery, plant, operating equipment and fittings etc	Vessels and other operating assets	Land, buildings and other real estate	Total	of which leased operating assets
Acquisition cost 01.01.05	196 120	18 568	51 122	265 610	32 304
Net additions/disposals	40 334	3 061	7 730	51 125	13 510
Acquisition cost 31.12.05	236 454	21 629	58 852	316 735	45 814
Additions	90 145	293	4 502	110 832	43 875
Disposals	47 495	23 374	7 701	75 371	35 872
Acquisition cost 31.12.06	366 392	45 097	83 747	495 236	125 561
Written up before 01.01.99	0	0	0	0	0
Accumulated depreciation and write-downs 01.01.05	101 577	11 462	24 383	137 422	4 345
Year's depreciation 2005	20 439	1 254	4 241	25 934	3 140
Reverse depreciation	-7 705	-1 038	0	-8 743	-82
Year's write-downs	0	0	0	0	0
Accumulated depreciation and write-downs 31.12.05	114 311	11 679	28 624	154 614	7 403
Year's depreciation 2006	24 477	1 570	4 832	30 879	6 074
Year's depreciation acquired subsidiaries	5 494	594	240	6 329	1 144
Year's write-downs	0	0	0	0	0
Reverse depreciation	2 571	0	623	3 194	0
Accumulated depreciation and write-downs 31.12.06	141 711	13 843	33 073	188 627	14 621
<i>Of which accumulated write downs at 31.12.06</i>	0	0	0	0	0
<b>Balance sheet value at 31.12.06</b>	<b>224 681</b>	<b>31 254</b>	<b>50 674</b>	<b>306 609</b>	<b>110 940</b>
Balance sheet value at 31.12.05	119 600	7 483	35 038	162 121	38 411
Balance sheet value at 01.01.05	94 542	6 907	26 739	137 422	4 345
Gain/loss on sale of fixed assets	2 335	0	0	2 335	0
Annual rental of non-capitalised operating assets	28	0	4 280	4 308	0
Economic lifetime	3-10 years	5-15 years	0-20 years		
Depreciation schedule	linear	linear	linear		
Capitalised leasing liability at 31.12.06 is NOK 93 512 503.					

**Note 7 Subsidiaries, associated companies etc**

Company	Consolidated (yes/no)	Registered office	Registered interest	Book value in SalMar ASA
Follsmølt AS	Yes	Kverva	100%	20 100
Langesand AS	Yes	Kverva	60%	0
SalMar Farming AS	Yes	Kverva	100%	81 402
Flutanger Akva AS	Yes	Kverva	100%	0
Senja Sjøfarm AS	Yes	Senja	100%	314 153
SalMar Processing AS	Yes	Kverva	100%	1 309
Asamarin AS	Yes	Kverva	100%	5 015
<b>Total subsidiaries</b>				<b>421 980</b>
Norskott Høybruk AS	No	Bergen	50%	162 787
Trøndersk Kystkompetanse AS	No	Dryvik	20%	103
<b>Total associated companies</b>				<b>162 890</b>

**Purchase of subsidiaries in 2006**

During 2006 the SalMar Group has bought shares in certain companies and consolidated these from the month of acquisition. The valuations in the excess value analyses are based to some extent on judgement and experience and the underlying assumptions have been verified through operation in the subsequent period. As a result the excess value analyses that have been made can be regarded as temporary in accordance with IFRS 3.

The following significant purchase of businesses took place during the year. All purchases of companies are accounted for using the purchase method from the purchase date.

Amounts in NOK 1 000	Purchase date	Acquisition cost	of which purchase expenses
AS Sjøfarm (100%)	27.06.2006	150 856	96
Senja Sjøfarm AS (51%)	23.10.2006	197 603	103

The acquisition cost consists of the cash payment and purchase expenses.

**The effects on the balance sheet of the purchases was:**

Amounts in NOK 1 000	AS Sjøfarm – capitalised values	AS Sjøfarm – fair values	Senja Sjøfarm – capitalised values	Senja Sjøfarm – fair values
Intangible assets	23 291	133 000	45 201	357 100
Long-term operating assets	3 460	4 000	36 926	45 865
Financial assets	5	5	272	272
Inventories	40 350	40 350	145 927	145 927
Receivables from customers	2 639	2 639	38 845	38 845
Other short-term receivables	1 154	1 154	14 301	14 301
Cash	-11 361	-35 511	1 774	1 774
Liabilities	-	-	-39 696	-107 924
Interest-bearing debt	-	-	-128 421	-128 421
Other short-term debt	-	-	-44 764	-44 764
<b>Net identifiable assets and liabilities</b>	<b>47 230</b>	<b>133 328</b>	<b>70 365</b>	<b>322 975</b>
<b>Goodwill from acquisition</b>		<b>17 432</b>		<b>32 899</b>

Following the purchase AS Sjøfarm has affected the operating result before value adjustment biomass in a net amount of NOK 2 355 000. Senja Sjøfarm AS has affected the operating result before the value adjustment biomass in a net amount of NOK 337 000.

If the acquisitions had taken place at the beginning of 2006, the sales income for the group would have been NOK 1 330 367 000 and the operating result before the value adjustment of biomass would have been NOK 487 956 000.

NOK 1.000

**Companies accounted for using the equity method**

	Norskott Havbruk AS	Senja Sjøfarm AS	Kyst- kompetanse	Salmar Japan KK
Original acquisition cost	162 826	116 550	103	276
Capitalised equity at time of acquisition	162 826	16 233	100	276
Attributable excess value	0	100 317	0	0
Goodwill	0	0	0	0
Opening balance sheet 01.01.06	183 292	116 728	0	241
- of which undepreciated excess value	0	90 698	0	0
- of which undepreciated goodwill	0	0	0	0
Purchase of interest / contribution	0	0	103	0
Share of year's result	75 057	12 237	0	-141
Depreciation excess values	0	0	0	0
Depreciation goodwill	0	0	0	0
Direct equity items	3 239	521	0	0
Sale of interests	0	-129 486	0	0
Transition to subsidiary	0	0	0	0
<b>Closing balance sheet 31.12.06</b>	<b>261 587</b>	<b>0</b>	<b>103</b>	<b>99</b>

**Companies accounted for using the equity method**

	Froyfisk	Utvaug Lakselakteri	Egersund Fisk	Total
Original acquisition cost	3 973	1 410	20 000	276
Capitalised equity at time of acquisition	5 549	1 986	23 698	276
Attributable excess value	-1 576	-576	-3 698	0
Goodwill	0	0	0	0
Opening balance sheet 01.01.06	8 338	912	29 524	339 035
- of which undepreciated excess value	135	0	0	90 832
- of which undepreciated goodwill	0	0	0	0
Purchase of interest / contribution	0	0	0	103
Share of year's result	3 522	-47	1 125	91 752
Depreciation excess values	0	0	0	0
Depreciation goodwill	0	0	0	0
Direct equity items	0	0	0	3 759
Sale of interests	-11 861	-864	-30 649	-43 374
Transition to subsidiary	0	0	0	-129 486
<b>Closing balance sheet 31.12.06</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>261 790</b>

None of the associated companies has listed share prices. Income from associated companies is entered on a separate line in the profit and loss account as the group's share of the annual result after tax. Shown below are the main figures for significant investments that continued to be owned at the year end.

	Operating income 2006	Total assets 31.12.2006	Total liabilities 31.12.2006	Result 2006
Norskott Havbruk	790 800	1 126 600	603 400	150 155

**Note 8 Other financial assets**

**Fixed assets**  
**Shares in other companies**

	Interest	Capitalised value 2006	Capitalised value 2005
Havbruksjennesten AS	5.888%	10	10
LEF. AS	30.30%*	30	30
Alva Kompetanse AS	33.40%*	175	175
Wibstad Transport AS	16.55%	67	67
Senja Fiskehelsetjeneste AS	40.90%*	95	95
Aquagen AS	0.66%	281	181
Other shares		106	66
<b>Total</b>		<b>762</b>	<b>527</b>

Investments in other shares are measured at cost, since the fair value cannot be reliably measured.

\* Not treated as an associated company based on materiality considerations.

**Note 9 Goods and biological assets**

	2006	2005
Raw materials	10 820	13 316
Goods in production (entirely biological assets)	701 317	344 319
Finished goods	33 569	47 402
<b>Total</b>	<b>734 416</b>	<b>364 037</b>

Raw materials consist mainly of feed for smolt and farmed fish production. In addition, it includes raw materials used in processing as well as packaging. The holding of biological assets relates to SalMar's aquaculture business on land and at sea. Finished goods consists of whole salmon, fresh and frozen, as well as processed salmon products.

**Further details on biological assets**

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

Fish in the sea (biomass) with a live weight above 4 kg on the balance sheet date are valued as fish that could be ready for slaughtering. In the case of weight sized above 4 kg live weight, there is an active market for slaughtered salmon. This part of the biomass is valued as equivalent assets to slaughtered salmon. The fair value of the biomass is valued based on the market price on the balance sheet date for the relevant weight size adjusted for sales costs including slaughtering costs and slaughtering wastage. Adjustments are made in the market price for quality differences.

In the case of fish not ready for slaughtering, ie fish in the sea with a live weight below 4 kg, in SalMar's opinion there is no active market. This fish is commercially not ready for slaughtering. For this reason the fair value of fish not ready for slaughtering is calculated based on the market value for fish ready for slaughtering on the balance sheet date, taking into account adjustments for sales costs. Further adjustments are then made to reflect that the fish in its current condition is not ready for slaughtering. This adjustment is made on the basis of the fish's relative size in relation to fish ready for slaughtering. If the fair value adjustments reduce the value of the fish below self-cost, the biomass is measured at the outset at self-cost, unless there is a need to make a write-down. A write-down is made if the actual net sale price is lower than the accumulated cost price.

Smolt are valued at self-cost.

**Note 11 Share capital and shareholder information**

Share capital in the parent company as at 31.12.06 consists of:

Book value	Number	Par value	Book value
Ordinary shares	100 000	0.25	25 000

**Ownership structure**

The main shareholders in the company as at 31.12.06 were:

	Number	Ownership	Voting interest
Kverva Holding AS	57 500	57.50%	57.50%
Simask AS	10 600	10.60%	10.60%
JP Morgan Chase Bank	6 500	6.50%	6.50%
Vertipapirfond Odin	5 073	5.07%	5.07%
Vertipapirfond Odin	3 560	3.56%	3.56%
Statensbanken Midt Norway	1 300	1.30%	1.30%
UBS AG	1 250	1.25%	1.25%
<b>Total owners with at least 1% interest</b>	<b>85 783</b>	<b>85.78%</b>	<b>85.78%</b>
Total other owners	14 217	14.22%	14.22%
<b>Total number of shares</b>	<b>100 000</b>	<b>100.00%</b>	<b>100.00%</b>

**Shares owned by members of the Board and Managing Director:**

Name	Position	Number of shares	Interest
Gustav Wilzoe *	Board member	49 410	49.41%
Oystein Stray Spetalen	Board member	10 600	10.60%
Bjørn Flatgard *	Chairman	1 915	1.91%
Leif Høge Nordhammer *	Managing Director	3 703	3.70%

\* owns indirectly through the parent company in the Kverva group and includes shares owned by companies controlled by connected persons.

The board has authority to increase the share capital by up to NOK 12 500 000 through the issue of up to 50 000 000 shares.

The board authority applies until the Annual General Meeting in 2008, and in no event longer than until 30 June 2008.

The board also has authority to acquire the company's own shares with a par value totaling NOK 2 500 000.

The board authority applies until the Annual General Meeting in 2008, and in no event longer than until 30 June 2008.

TONNES

NOK 1 000

	2006	2005	2006	2005
<b>Biological assets at 01.01</b>	17 163	14 744	344 319	276 897
Increase as a result of production/purchases	47 199	29 064	727 140	465 291
Increase relating to acquisitions	7 616	-	168 927	0
Reduction as a result of sales/slaughtering	-38 521	-26 645	-620 044	-438 636
Fair value adjustments 01.01 (reversed)	N/A	N/A	-75 541	-34 756
Fair value adjustments 31.12 (new)	N/A	N/A	156 216	75 541
<b>Biological assets 31.12</b>	<b>33 458</b>	<b>17 163</b>	<b>701 017</b>	<b>344 319</b>

	Biomass (tonnes)	Historical cost	Fair value adjustment	Balance sheet value
<b>Biomass status 31.12.06</b>				
Fish < 4 KG live weight	20 128	357 533	65 948	423 481
Fish > 4 KG live weight	14 421	187 268	90 268	277 536
<b>Total</b>	<b>34 549</b>	<b>544 801</b>	<b>156 216</b>	<b>701 017</b>

	Biomass (tonnes)	Historical cost	Fair value adjustment	Balance sheet value
<b>Biomass status 31.12.05</b>				
Fish < 4 KG live weight	15 292	241 210	62 797	304 008
Fish > 4 KG live weight	2 225	27 568	12 743	40 311
<b>Total</b>	<b>17 516</b>	<b>268 778</b>	<b>75 541</b>	<b>344 319</b>

**Note 10 Receivables, provision for losses**

The group's receivables are valued at par value with a deduction for expected losses. Receivables in foreign currencies (euro) are valued at the forward foreign exchange rate.

NOK 1 000

	2006	2005
Receivables from customers	110 456	72 629
Provision for losses on customer receivables	-300	0
Other receivables	51 249	14 082
Receivable on parent company	295	0
Other long-term receivables	9 317	20 370
<b>Total</b>	<b>171 017</b>	<b>107 081</b>

The item other receivables above includes the following with the maturity after one year

2 637

16 290

**Note 12 Pension costs, funds and liabilities**

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

In 2006 the group switched from a benefit-based pension scheme to a contribution-based contribution scheme, but funds and liabilities relating to sick or disabled employees were retained. The number of remaining members in the benefit-based scheme is seven. The effect of the transition has been recorded in the profit and loss account in 2006. Certain of the companies in the group also have a tariff-based early retirement pension scheme (APP) for their employees. The number of members in the APP scheme is 250. The liabilities related to this scheme are included in the group's pension calculation.

Premiums in the contribution scheme are expensed as incurred.

	2006	2005
Net pension cost after employment tax	-10 230	4 975
Present value of the year's pension earning	3 660	4 211
Interest cost on pension liability	1 456	1 319
Return on pension funds	1 240	1 114
Expenses	237	184
Accrued employment tax	-307	265
Expensed estimate loss/(gain)	-28	110
Closure of benefit scheme	-14 007	0

	2006	2005
Net pension liability	3 364	13 445
Pension liabilities incurred	9 894	36 427
Pension funds (market value)	7 440	22 532
Liability taken over on acquisition	644	0
Accrued employment tax	183	799
Effect of estimate difference not posted to result	83	-1 249

	2006	2005
Net pension liability	3 364	13 445
Insured (collective)	6 857	10 417
Uninsured (AFP)	3 559	7 440
Pension liabilities incurred	7 440	210
Pension funds (market value)	0	78
Accrued employment tax	99	177
Effect of estimate difference not posted to result	-483	3 364

Pensions paid already taken into account in the liability above

Investment in pension funds already taken into account in the liability above

	2006	2005
Discount rate	4.75%	4.25%
Expected salary adjustment	3.75-4.0%	3.75-4.0%
Expected pension increase	1.0-1.25%	1.25%
Expected adjustment of social security base amount (G)	5.75%	5.25%
Expected return on fund assets	50-70%	50-70%
Expected withdrawal frequency APP	5-10%	1-10%
Voluntary departures (all ages)		

**Note 13 Interest-bearing debt**

NOK 1000

	2006	2005
<b>Long-term interest-bearing debt</b>		
Debt to credit institutions	559 537	344 131
Next year's instalment on long-term debt	-34 039	-60 841
Leasing debt	93 512	31 281
Other long-term debt	3 727	40 527
Total long-term interest-bearing debt 31.12	622 737	355 098
<b>Short-term interest-bearing debt</b>		
Debt to credit institutions	115 435	21 945
Debt to parent company (Kserva Holding AS)		28 693
Next year's instalment long-term debt	34 039	60 841
Total short-term interest-bearing debt 31.12	149 474	111 476
<b>Total interest-bearing debt</b>	<b>772 212</b>	<b>466 576</b>
Debt which falls due more than five years after the end of the accounting year	367 407	0
Other long-term debt	1 613	0
Total other long-term debt	369 020	0

**Further details on interest-bearing debt**

SalMar ASA signed a new loan agreement in December 2006. The loan agreement is divided into four facilities. Facility A, of NOK 170 million, is instalment-free with a final maturity after 7 years. Facility B, of NOK 200 million, is a revolving drawing facility. Facility C, of NOK 160 million, has an instalment period of 7 years. Facility D, of NOK 200 million, has an instalment profile over 20 years with a final maturity after 7 years. Interest and instalments are paid quarterly. The interest terms are set quarterly and are based on so-called "current terms" relating to NIBOR and a margin in the range 0.35-1.35%, depending on a ratio between the group's EBITDA and net interest-bearing debt. This financing covers all companies in the group, other than companies in the Senja Sjøfarm group.

The subsidiary Astamarni has a long-term loan from Innovasjon Norge of NOK 0.8 million.

The Senja Sjøfarm group has its own financing. Long-term debt to credit institutions in Senja Sjøfarm amounts to NOK 28.8 million, of which a foreign currency loan in JPY amounts to NOK 3.3 million. Leasing debt amounts to NOK 26.8 million. In addition the company has a feed credit of NOK 3.3 million.

The estimated annual lease instalments for leasing debt amount to NOK 23.0 million. The leasing agreements have a 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 requires the group's book equity capital ratio to be in excess of 25% (increasing to 30% after 31.12.2007) and a profitability requirement that requires the group's interest-bearing debt on average in relation to the group's EBITDA to not exceed 4.5 times.

**Note 14 Tax charge**

NOK 1000

	2006	2005
<b>The year's tax charge is arrived at as follows:</b>		
Tax payable	67 488	43 966
Change in deferred tax	64 743	19 917
Shortfall/excess provision tax	0	0
Tax effect debt release	0	3 591
Refund tax	0	-508
Tax charge ordinary result	132 231	66 966

Tax payable in the balance sheet	2006	2005
Tax payable for the year	67 488	43 966
Tax on group contribution made	0	0
Refund tax	0	1 414
Prepaid tax on tax dispute	0	-1 261
Change in tax payable previous years	11 519	11 231
Tax payable in balance sheet	79 007	55 350

Summary of temporary differences	2006	2005
Intangible assets	476 144	118 644
Operating assets	28 382	5 685
Financial fixed assets	19 546	900
Goods	675 237	329 642
Receivables	2 817	0
Short-term debt	0	0
Long-term debt	-227	0
Gains and losses account	-579	207
Loss carried forward	-861	-1 238
Unutilised credit share dividends	-95	0
Total temporary differences	1 200 363	453 840
Deferred tax (+) / tax receivable (-)	336 102	127 075

Reconciliation from nominal to actual tax rate	2006	2005
Profit before tax	577 316	319 185
Expected income tax at nominal tax rate	161 648	89 372
Permanent differences (28%)	-29 417	-25 489
Shortfall/excess tax provided	0	0
Tax effect debt release	0	3 591
Refund tax	0	-508
Calculated tax charge	132 231	66 966
Effective tax rate	22.9%	21.0%

**Note 15 Mortgages and guarantees etc**

Book debt that is secured through mortgages etc:	2006	2005
Short-term debt	115 435	21 945
Debt to credit institutions	559 537	344 131
Other long-term debt	97 239	40 125
Total	772 212	406 201

Book value of assets provided as security for book debt	2006	2005
Operating assets	1 018 112	123 710
Shares	0	350 458
Goods	754 416	364 037
Receivables	110 156	111 630
Total	1 882 684	949 835

Leasing debt amounts to NOK 93 512 503 of long-term debt on the balance sheet.

In connection with the financing of the associated company Norskott Havbank AS's subsidiary Scottish Sealarms Ltd, SalMar ASA has provided a guarantee to the lenders. As at 31.12.06 the guarantee amount was GBP 1.5 million.

SalMar ASA has provided an unconditional guarantee of NOK 20 million for any amount due to Fokus Bank from Flatanger Akva AS. The guarantee was terminated in January 2007.

SalMar ASA has provided an unconditional guarantee totalling NOK 17 million on behalf of SalMar Processing AS for a credit facility provided by Eikon Finans AS.

SalMar ASA has provided a guarantee of NOK 5 million in favour of Nord-Trøndelag E-verk on behalf of Follasmoth AS. The guarantee agreement was signed on 1.1.04 and reduces by NOK 250,000 per year. The remaining guarantee amount as at 31.12.06 was NOK 4 250 000.

**Note 16 Information on connected parties / individual transactions**

The group's parent company is SalMar ASA. The overall parent company is Kverva Holding AS which owns 57.5% of the shares in SalMar ASA. Kverva Holding AS prepares its own group accounts in accordance with NGAAP. Remuneration to key individuals in the management is set out in aggregate in note 3.

**Transactions with connected parties**

Connected party	Type of transaction	Transaction size	Receivables
Overall parent company	(1) Sale of shares from SalMar ASA	52 759	3
Companies under the same control	(2) Extent of receivables	18 397	-251
Group subsidiaries	(3) Intra-group interest charges	5 570	
	(4) Extent of internal receivables		341 733

(1) SalMar ASA has during 2006 sold shares in associated companies to the parent company Kverva Holding AS. The transactions have been carried out at fair value. The sales involved a net gain of NOK 10 250 064 in the group accounts and are presented as other financial income.

**Realised shares**  
Egersund Frisk AS  
Froyfrisk AS

**Interest Seller**  
SalMar ASA  
SalMar ASA

**Buyer**  
Kverva Holding AS  
Kverva Holding AS

(2) The amount relates to on-invoiced costs from SalMar ASA with regard to services provided to subsidiaries. No margin has been added. The amount has been eliminated in the consolidation.

(3) The amount relates to interest charges in the group accounts based on utilisation of the group financing. The amount is eliminated in the consolidation.

(4) The amount relates to totally eliminated receivables and liabilities in the group on the balance sheet date.

**Note 17 Other off-balance sheet liabilities**

The wholly-owned subsidiary Flananger Akva AS was notified of a change in the tax assessment for 2004 alleging that the merger that took place in 2004 was taxable. The company and former shareholders have appealed the case, which is now being considered by the Namdal Tax Office.

**Operational lease agreements**

The group has signed agreements for leasing premises. The basis for these agreements is primarily the investment cost, the number of square metres and the interest rate. In the contract with SVA the group has a preferential right to enter into a new lease contract for two new lease periods, each of five years, on market terms. The contract expires on 01.07.2012. There is a current purchase option relating to this agreement. A lease contract has also been signed with Wessel Invest AS with a right to a 10-year extension on unchanged terms. The contract relates to the lease of the plant Kjorsvik Seterisk and includes a lease of water rights. This contract expires on 01.01.2014. A pre-emption right has been agreed in the event of a sale.

Total future lease payments	Within 1 year	From 2-5 years	Later than 5 years	Total
	4 680	18 710	3 650	27 040

**Note 18 Government grants**

During 2006 companies in the group have had research and development projects which give the right to SkatteFUNN funds. SkatteFUNN funds earned are entered in the accounts net against the cost to which they relate. Total SkatteFUNN funds entered in the profit and loss account of the group in 2006 amount to NOK 2,820,000. In addition NOK 1,440,000 of SkatteFUNN funds have been posted to the profit and loss account relating to the income year 2005.

**Note 19 Financial risk**

The group has bank loans raised for the purpose of providing capital for investments in the company's business. In addition, the company has financial instruments such as customer receivables, debt to suppliers etc, that are directly related to the business's daily operations. For hedging purposes, the company has certain forward foreign exchange contracts. The company does not use financial instruments, including financial derivatives, for speculative purposes. The most important financial risks to which the company is exposed relate to interest risk, liquidity risk, currency risk and credit risk. The company's management undertakes an ongoing evaluation of these risks and sets guidelines as to how they should be managed.

**Interest risk**

The loan portfolio today has a floating interest rate, which means that the group is affected by changes in interest rate levels.

**Liquidity risk**

The liquidity risk is managed in order to maintain a flexible financing structure that is secured through established loan facilities. The group's objective is to have sufficient cash, cash equivalents or credit facilities in the medium term in order to cover loan requirements in the short term. Unutilised credit facilities are referred to under the cash flow statement.

**Currency risk**

Developments in exchange rates present both a direct and indirect economic risk for the company. Currency income and assets denominated in foreign currencies are partly hedged through the use of forward contracts. Currency exposures relating to operations are however limited, in that both the purchase of input factors and the sale of products is mainly in NOK. The use of forward foreign exchange contracts is commented on in note 20.

**Credit risk**

The risk that counterparties do not have the financial ability to fulfil their obligations is considered to be low, since historically losses on receivables have been small. The group has no material credit risk relating to a single counterparty or several counterparties that can be viewed as a group due to similarities in the credit risk. The group has guidelines to ensure that sales are only made to customers that have not had significant problems with payments previously and that outstanding amounts do not exceed fixed credit limits.

The gross credit risk on the balance sheet date corresponds to the group's receivables portfolio on the balance sheet date.

**Note 20 Foreign exchange**

The table below shows the company's forward foreign exchange contracts as at 31.12.06. All the contracts relate to the sale of currencies against Norwegian kroner. Forward contracts are entered into as far as possible in order to cover the currency risk on outstanding customer receivables and sales contracts entered into. Forward foreign exchange contracts are posted at fair value in the balance sheet. The rules for hedge accounting have not been utilised.

Product	Type	Currency	Currency amount	Currency period	Rate range	Book
						value/market value
Forward	Sale	EUR	6 800	1st quarter 07	8.2380-8.2395	NOK -68
Forward	Sale	EUR	7 000	2nd quarter 07	8.2397-8.2441	-86
Forward	Sale	EUR	6 000	3rd quarter 07	8.2454-8.2534	-110
Forward	Sale	EUR	2 000	4th quarter 07	8.2550-8.2563	-46
Sum			21 800			-309

**Note 21 Bank deposits**

The item bank deposits, cash and similar, includes as at 31.12.2006 restricted tax deduction funds of NOK 359 786 in the parent company and NOK 6 630 911 in the group. The corresponding figures for last year were respectively NOK 329 500 and NOK 4 590 958.

**Note 22 Earnings per share**

	2006	2005
Annual result (majority interest)	445 019	252 219
Number of shares on the balance sheet date	100 000	100 000
Average number of shares	100 000	100 000
Earnings per share	4.45	2.52

In 2006 SalMar ASA made a bonus issue with a subsequent split of a number of shares. The new number of shares is 100 000 000. No equity capital has been raised by the group in the period. In order to obtain comparable figures, the number of shares after the split has been used in calculating earnings per share for 2005. There are no outstanding subscription rights or other instruments with a potential dilution effect.

**Note 23 Implementation of IFRS**

As mentioned under the group's accounting principles, these are the first consolidated accounts of the group that have been prepared in accordance with IFRS. The accounting principles that are described earlier have been applied in preparation of the accounts as at 31 December 2006, for comparative information for 2005 and in preparation of the IFRS opening balance sheet as at 1 January 2005 (the group's date for the transition to IFRS).

In preparing the IFRS opening balance sheet, figures from the accounts which previously have been presented in the accounts using the old accounting principles (NGAAP) have been adjusted. In the table below and associated notes there is an explanation on how the transition from NGAAP to IFRS has affected the group's financial position and financial earnings.

IFRS balance sheet as at 31.12.2005		31.12.2005	Effect of transition	31.12.2005
Assets		N-GAAP		IFRS
Intangible assets	Note e	226 664	1 229	227 893
Long-term operating assets		162 121		162 121
Financial fixed assets	d	375 904	-11 423	364 481
<b>Total fixed assets</b>		<b>764 689</b>	<b>-10 194</b>	<b>754 495</b>
Inventories	b	286 925	364 037	650 962
Customer receivables		72 629	77 112	149 741
Other short-term receivables		14 082		14 082
Cash and cash equivalents		2 964		2 964
<b>Total current assets</b>		<b>376 600</b>	<b>77 112</b>	<b>453 712</b>
<b>Total assets</b>		<b>1 141 289</b>	<b>66 918</b>	<b>1 208 207</b>
<b>Equity capital and liabilities</b>				
Share capital		1 000		1 000
Other equity capital		406 802	-850	405 952
Minority interests		633		633
<i>Total other equity capital</i>		<i>407 435</i>	<i>-850</i>	<i>406 585</i>
<b>Total equity capital</b>	a,f	<b>408 435</b>	<b>-850</b>	<b>407 585</b>
Deferred tax		77 302	49 773	127 075
Other long-term liabilities	c,j	415 939	-42 846	373 093
<b>Total long-term liabilities</b>		<b>493 241</b>	<b>6 927</b>	<b>500 168</b>
Interest-bearing short-term liabilities	j	50 638	60 841	111 479
Other short-term liabilities		188 975		188 975
<b>Total short-term liabilities</b>		<b>239 613</b>	<b>60 841</b>	<b>300 454</b>
<b>Total liabilities and equity</b>		<b>1 141 289</b>	<b>66 918</b>	<b>1 208 207</b>
<b>IFRS profit and loss account</b>	Note	<b>2005 N-GAAP</b>	<b>Effect of transition</b>	<b>2005 IFRS</b>
<b>Operating income</b>		<b>871 451</b>		<b>871 451</b>
Cost of goods	b	430 427	-918	429 509
Wage costs	c	117 957	1 809	119 766
Depreciation	e	28 496	-1 229	27 267
Other operating costs		85 220		85 220
<b>Operating result before value adjustment biomass</b>		<b>209 349</b>	<b>338</b>	<b>209 687</b>
Value adjustment biomass	b		40 785	40 785
<b>Operating result</b>		<b>209 349</b>	<b>41 122</b>	<b>250 471</b>
Result from associated companies	d	45 760	27 951	73 711
Other net financial items		-4 997		-4 997
Write-down financial assets				0
<i>Net financial items</i>		<i>-4 997</i>	<i>0</i>	<i>-4 997</i>
<b>Ordinary result before tax</b>		<b>250 112</b>	<b>69 073</b>	<b>319 185</b>
Tax on ordinary result	b	55 796	11 170	66 966
<b>Annual result</b>		<b>194 316</b>	<b>57 903</b>	<b>252 219</b>

Change in equity		31.12.2006	31.12.2005	01.01.2005
Equity capital N-GAAP		814 873	408 435	210 004
<b>IFRS adjustments</b>	Note			
Defined tax licenses	a	-33 220	-33 220	-33 220
Value adjustment biomass	b	156 216	75 541	34 756
Other changes in inventory	c	10 262	1 571	653
Pension liabilities	d	-3 778	-17 905	-16 186
Associated companies	e	-8 817	-11 423	-32 716
Goodwill depreciation	f	4 523	1 229	0
Forward foreign exchange contracts	g	-310	0	0
Excess value analyses			0	0
- Goodwill		-9 065	0	0
- Licences		100 100	0	0
- Deferred tax licenses		100 100	0	0
Tax on adjustments	h	-45 469	-16 553	-5 382
Group contribution to parent company	i	0	0	32 446
<b>Total IFRS consequences</b>		<b>70 342</b>	<b>-850</b>	<b>-19 649</b>
<b>Equity according to IFRS</b>		<b>885 214</b>	<b>407 585</b>	<b>190 355</b>
<b>IFRS opening balance sheet</b>	Note	<b>01.01.2005 N-GAAP</b>	<b>Effect of transition</b>	<b>IFRS</b>
<b>Assets</b>				
Intangible assets		229 226		229 226
Long-term operating assets		128 188		128 188
Financial fixed assets	d	316 723	-36 878	279 845
<b>Total fixed assets</b>		<b>674 137</b>	<b>-36 878</b>	<b>637 258</b>
Inventories	b	264 524	35 409	299 933
Customer receivables		60 222		60 222
Other short-term receivables		9 205		9 205
Market-based shares		16 354		16 354
Cash and cash equivalents		8 140		8 140
<b>Total current assets</b>		<b>358 445</b>	<b>35 409</b>	<b>393 855</b>
<b>Total assets</b>		<b>1 032 582</b>	<b>-1 469</b>	<b>1 031 113</b>
<b>Equity capital and liabilities</b>				
Share capital		1 000		1 000
Other equity capital		207 112	-19 649	187 463
Minority interests		1 892		1 892
<i>Total other equity capital</i>		<i>209 004</i>	<i>-19 649</i>	<i>189 355</i>
<b>Total equity capital</b>	a,h	<b>210 004</b>	<b>-19 649</b>	<b>190 355</b>
Deferred tax	c,j	48 825	38 603	123 826
Other long-term liabilities		457 851	-40 319	408 452
<b>Total long-term liabilities</b>		<b>548 074</b>	<b>-10 316</b>	<b>532 257</b>
Interest-bearing short-term liabilities	j	105 230	11 443	166 673
Other short-term liabilities	g	174 274	-52 446	141 828
<b>Total short-term liabilities</b>		<b>279 504</b>	<b>28 997</b>	<b>308 501</b>
<b>Total liabilities and equity</b>		<b>1 032 582</b>	<b>-1 469</b>	<b>1 031 113</b>

IFRS balance sheet as at 31.12.2006		31.12.2006	Effect of transition	31.12.2006
Assets		N-GAAP		IFRS
	Note			
Inangible assets		672 099	95 558	767 657
Long-term operating assets	e,g	306 609		306 609
Financial fixed assets	d	281 402	-8 817	272 585
<b>Total fixed assets</b>		<b>1 260 110</b>	<b>86 741</b>	<b>1 346 851</b>
Inventories	b	587 937	166 478	754 415
Customer receivables		110 156		110 156
Other short-term receivables		51 544		51 544
Cash and cash equivalents		6 950		6 950
<b>Total current assets</b>		<b>756 587</b>	<b>166 478</b>	<b>923 065</b>
<b>Total assets</b>		<b>2 016 698</b>	<b>253 219</b>	<b>2 269 917</b>
<b>Equity capital and liabilities</b>				
Share capital		25 000		25 000
Other equity capital		789 174	70 342	859 516
Minority interests		698		698
<i>Total other equity capital</i>		<i>789 873</i>	<i>70 342</i>	<i>860 215</i>
<b>Total equity capital</b>		<b>814 873</b>	<b>70 342</b>	<b>885 215</b>
Deferred tax	a,g,h	157 312	178 790	336 102
Other long-term liabilities	c,i	656 776	-30 260	626 516
<b>Total long-term liabilities</b>		<b>814 088</b>	<b>148 530</b>	<b>962 618</b>
Interest-bearing short-term liabilities	j	115 435	34 039	149 474
Other short-term liabilities	f	272 302	309	272 611
<b>Total short-term liabilities</b>		<b>387 737</b>	<b>34 348</b>	<b>422 085</b>
<b>Total liabilities and equity</b>		<b>2 016 698</b>	<b>253 220</b>	<b>2 269 917</b>
<b>IFRS profit and loss account</b>				
	Note	2006	Effect of transition	2006
		N-GAAP		IFRS
<b>Operating income</b>		<b>1 248 564</b>		<b>1 248 564</b>
Cost of goods	b	529 243	-8 691	520 552
Wage costs	c	146 129	-14 216	131 913
Depreciation	e	41 168	-3 294	37 874
Other operating costs		110 851		110 851
<b>Operating result before value adjustment biomass</b>		<b>421 172</b>	<b>26 201</b>	<b>447 373</b>
Value adjustment biomass	b		63 676	63 676
<b>Operating result</b>		<b>421 172</b>	<b>89 877</b>	<b>511 049</b>
Result from associated companies	d	78 646	13 105	91 751
Other net financial items	f	-25 175	-309	-25 484
Write-down financial assets				0
<i>Net financial items</i>		<i>-25 175</i>	<i>-309</i>	<i>-25 484</i>
<b>Ordinary result before tax</b>		<b>474 643</b>	<b>102 673</b>	<b>577 316</b>
Tax on ordinary result	h	108 075	24 157	132 232
<b>Annual result</b>		<b>366 569</b>	<b>78 516</b>	<b>445 085</b>
<b>Note a – deferred tax on licences</b>				
Previously no provision has been made for deferred tax on licences due to the fact that the present value of the tax liability is virtually zero. No plans exist to sell licences with tax effect. IAS 12 (income taxes) does not permit a present value calculation of deferred tax. At the time of implementation, therefore, a provision has been made for deferred tax on the difference between the accounting value and the tax value of licences. A tax rate of 28% has been used. For licences acquired before 01.01.2005, the calculation basis for deferred tax is the capitalised group values. The effect of deferred tax has been entered against equity capital. For licences acquired after 01.01.2005, the licence values have been grossed up by the deferred tax.				

**Note b – value adjustment biomass**

IAS 41 requires that biological assets are measured at fair value with a deduction for sale expenses. Farmed salmon are a biological asset. The existing biomass at the date of implementation and subsequent balance sheet dates has been valued in accordance with IAS 41. For details of the principles, see note 1 – accounting principles, and note 9 – biological assets. Under N-GAAP an adjustment is made, among other things, for internal gains on stocks of slaughtered fish. According to IAS 41 Point 13, the fair value shall represent the acquisition cost for this type of goods (agricultural products). Internal gains on stocks of raw materials and finished goods must therefore be reversed.

**Note c – pensions**

In connection with the implementation, SalMar has made changes in the assumptions used for calculating the net pension liability in accordance with IAS 19. Accumulated actuarial differences on the date of implementation are entered directly against equity capital in accordance with IFRS 1. Subsequent estimate differences are allocated over the expected average remaining earnings period 01.01.05.

**Note d – associated companies**

The IFRS rules have been implemented for associated companies that have material differences in relation to NGAAP. This applies to the companies Norskott Hobrok and Senjs Sjøfarm. Both these companies are aquaculture companies where adjustments of biomass and deferred tax on licences will have a material impact on balance sheet values.

**Note e – goodwill**

In accordance with IAS 38, with effect from 01.01.05 no systematic depreciation of goodwill has taken place. In subsequent periods, annual write-down tests have been made based on the cash flow generating unit to which the goodwill relates.

**Note f – forward foreign exchange contracts**

The forward foreign exchange contracts are accounted for at fair value. The rules on hedging accounting have not been used.

**Note g – excess value analyses**

Excess value analyses are affected by grossing up of licence values by the provision for deferred tax. Goodwill is affected by a portion of the net effect of other changes in excess values.

**Note h – tax on adjustments**

28% tax has been calculated on all the above-mentioned adjustments, with the exception of the reversal of goodwill depreciation and adjustments in the value of associated companies.

**Note i – dividend**

The group contribution provided for at 31.12.04 has been reversed. The account entry is made in the period when the general meeting approves the group contribution.

**Note j – first year's instalment on long-term debt**

The first year's instalment on long-term debt has been re-classified as short-term debt.

**Note k – IAS 39**

There are no changes as a result of the implementation of IAS 39 as at 01.01.05.

**Note 24 Post-balance sheet events**

On 23 January 2007 SalMar Farming AS acquired 100% of the shares in Halså Fiskeoppdrett AS, including the wholly-owned subsidiary Straumnes Settefisk AS, for NOK 112 000 000. Halså Fiskeoppdrett AS has two aquaculture licences and its own slaughtering business. Halså Fiskeoppdrett AS is self-sufficient in smolt through the wholly-owned subsidiary Straumnes Settefisk AS. The slaughtering business will be closed following the acquisition.

The following key figures (based on NGAAP) are given for Halså Fiskeoppdrett AS for 2006 (NOK 1000):

Sales	43 108
Operating result	17 604
Annual result	12 741
Total assets	36 668
Equity	27 206
Interest-bearing debt	-

A final excess value analysis relating to this purchase has not yet been made. The figures are preliminary and have not been converted to IFRS due to the short period since the purchase and a materiality assessment.

## Appendix 3: Auditor's report for 2006



To the Board of Directors of SalMar ASA

### AUDITOR'S REPORT FOR 2006

We have audited the group accounts of SalMar ASA as of 31 December 2006, showing a profit of TNOK 445 085. The group accounts comprise the balance sheet, the statements of income, cash flows, the statement of changes in equity and the accompanying notes. The rules of the International Financial Reporting Standards as adopted by the EU have been applied to produce the group accounts. The group account is the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on the group account and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the group accounts is prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Group as of December 31, 2006, and the results of its operations, and the changes in equity and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway

Trondheim, 26 March 2007  
**SYSTEMREVISJON AS**

Trond Tuvstein  
 State Authorised Public Accountant (Norway)  
 Note: This translation from Norwegian has been prepared for information purposes only

**SYSTEMREVISJON AS**  
 Statsautoriserte Revisorer

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 Medlemmer av Den norske Revisorforening

## Appendix 4: Annual report for 2005

<p>Annual Accounts 2005 SalMar Group</p> <hr/> <h1 style="text-align: center;">Annual Accounts 2005 for SALMAR AS</h1>	<p>Annual Accounts 2005 SalMar Group</p> <hr/> <h3 style="text-align: center;">ANNUAL REPORT SALMAR AS FOR THE FINANCIAL YEAR 2005</h3> <p><b>Introduction</b></p> <p>SalMar AS has been established with subsidiaries that carry on business within smolt production, farming and processing of salmon products. The group has its head office in Frøya municipality and in 2005 has carried on business in Nord-Trøndelag, Sør-Trøndelag and Nord-Møre. In addition, the company is involved in associated businesses of which Senja Sjøfarm in Troms and Norskott Havbruk, with fish farming activity in Scotland, are the largest investments.</p> <p>The results of the SalMar group are considered to be good and the share of profits from associated companies has made a particularly positive contribution compared with previous years. There has been an improvement in efficiency and success has been achieved in reducing costs in the group's business areas in line with greater volumes.</p> <p>The situation in Senja Sjøfarm has improved during 2005 in that production has been built up again after the ILA outbreak in 2004. The Scottish business is continuing to show a positive development, with improved operations. Further adjustments have been made to the organisation and to operational measures, which we expect will have a positive impact in the future.</p> <p>In 2005 SalMar AS sold shares in associated companies and other companies to the holding company Kverva Holding AS. The group has established a position in Japan with a 49% interest in the new company, SalMar Japan, which will sell the group's products in Asia.</p> <p><b>Result, cash flow, investments, financing and liquidity</b></p> <p>SalMar AS is a subsidiary of Kverva Holding AS. SalMar AS is the parent company and management company for the other companies in the group and owns the associated companies. The accounts for the SalMar group show turnover of NOK 871.5 million. Internal sales, internal gains and receivables are eliminated in the group accounts. The profit before tax was NOK 250.1 million.</p> <p>Aggregate cash flow from operations in the group amounted to NOK 155.1 million. The group's operating result was NOK 209.3 million. The difference is mainly due to ordinary depreciation and payments of previously accrued tax. The group's aggregate investments in 2005 were NOK 47.3 million.</p> <p>The group's total assets amount to NOK 1,141.3 million. The group's book equity is NOK 408.4 million, which corresponds to an equity ratio of 36%. This is an increase of almost 16% from 2004.</p> <p>The group has interest-bearing debt of NOK 463.2 million. This is a reduction of NOK 66.9 million from 2004.</p> <p>The group's liquidity is satisfactory and at the end of 2005 the group had unutilised drawing facilities with credit institutions of NOK 113.5 million.</p>
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Annual Accounts 2005 SalMar Group

Turnover in SalMar AS in 2005 was NOK 23.9 million and the profit before tax was NOK 6.9 million. The company's book equity was NOK 34.8 million.

The board considers that the report gives an accurate presentation of the assets and liabilities of SalMar AS, its financial position and result.

In accordance with Section 3-3a of the Accounting Act, it is confirmed that the conditions for continued operation are present. The annual accounts and group accounts for 2005 have been prepared based on this assumption. The assumption is also based on the result forecasts for 2006 and the group's long-term strategic forecasts for the coming years. The group is in a sound economic and financial position.

#### **Financial market risk**

The group has sales transactions in EUR and JPY. These transactions have been partly hedged in 2005. The group manages the liquidity risk with internal control routines, which ensure the maintenance of customer and supplier terms.

#### **External environment**

The group's business is carried on in accordance with the fixed licence conditions and permits. The company has approved routines for its own controls and health, environment and safety.

#### **Equal Opportunities**

The group's employees total around 65% men and 35% women. In the parent company there are 64% men and 36% women. There are no women on the company's board. Continuous encouragement is given to women to apply for vacant positions and the company's board continues to evaluate measures to promote equal opportunities.

#### **Working environment**

The working environment is considered to be good and is in accordance with current laws and regulations. The group spends relatively large sums on social measures for employees and particular attention is given to a good working environment. The group has collective pension and group life insurance schemes. Total sick leave in the group last year was 8.9%, of which short-term sick leave 3.05%.

#### **Future prospects**

Demand for salmon so far this year has shown an increase both in volume and prices compared with 2005. The significant increase in the salmon price which we have seen during the second half of the winter and the spring surprised most people. Contracts which were entered into before the year end have been renegotiated and we have been able to raise prices on some of these contracts.

Annual Accounts 2005 SalMar Group

Growth in the sea and slaughtered volumes so far this year have been less than expected, due to low sea temperatures. High salmon prices and raw material prices have made it difficult to obtain additional profits on processed products. However, we see a clearly positive trend in which we are able to price in a higher raw material price than last year. The market is paying more for finished products and, together with a generally positive trend in recent years for fish prices overall, the processing of salmon will, over time, provide additional profits.

The planning of InnovaMar continues after Nordskaget was selected as the location. A considerable amount of planning work remains and the facility will be completed in mid 2008. In connection with the sale by Kverva Holding AS of some of its shares in SalMar AS, SalMar will have several financial investors as shareholders. The company will be converted to an ASA.

#### **Application of the profit**

The board proposes that the company's profit of NOK 6.9 million is added to equity capital. The proposal is based on the owners' wish to strengthen the company's capital structure. The company's free equity as at 31.12.2005 was:

Other equity	NOK	31 693 875
Free equity	NOK	31 693 875

Froya 31 December 2005  
Froya 7 April 2006

Gustav Witzoe Chairman	John Thoresen Board member	Bjorn Flatgård Board member
Andre Kolbjørnsen Board member	Bjorn Ivan Espenes Board member	Leif Inge Nordhammer Managing Director

Annual Accounts 2005		SalMar AS	
Annual Accounts 2005		SalMar Group	SalMar AS
<b>Profit and Loss Account 2005</b>		<b>Balance Sheet as at 31.12. 2005</b>	
	2005	Note	31.12.2005
<b>OPERATING INCOME AND OPERATING COSTS</b>			
<b>Operating income</b>			
Sales income	23 951 430		540 833
Other operating income	0		1 244 000
Total operating income	23 951 430		209 400
<b>Operating costs</b>			
Wage costs	9 683 605	3	1 994 233
Depreciation on fixed assets	318 983	3	107 826 762
Other operating costs	8 461 818	3	0
Total operating costs	18 464 406		277 067 596
<b>OPERATING RESULT</b>	<b>5 487 024</b>		<b>1 300 000</b>
<b>FINANCIAL INCOME AND FINANCIAL COSTS</b>			
<b>Financial income</b>			
Income on investments and subsidiaries	6 671 229	7	203 410
Interest income from companies in same group	4 480 000	10	300 657
Other interest income	56 770	8	13 220 315
Other financial income	15 329 457	9	399 918 740
Total financial income	26 537 456	6,7	401 912 973
<b>Financial costs</b>			
Change in value of market-based financial assets	0		49 324
Write-down of financial fixed assets	4 900 000	7	28 527 258
Interest cost to companies in same group	2 727 102		30 310 453
Other interest costs	14 470 880		0
Other financial costs	3 647 340	5	16 353 832
Total financial costs	25 745 322		16 353 832
<b>NET FINANCIAL ITEMS</b>	<b>792 134</b>		<b>0</b>
<b>RESULT BEFORE TAX</b>	<b>6 279 158</b>		<b>8 115 874</b>
Tax on ordinary result	-618 143	11	8 115 874
<b>ANNUAL RESULT</b>	<b>6 897 301</b>		<b>38 426 327</b>
Transfers to other equity	6 897 301		440 339 300
			<b>68 308 631</b>
			<b>475 093 849</b>
<b>ASSETS</b>			
<b>FIXED ASSETS</b>			
<b>Long-term operating assets</b>			
Land, buildings and other real estate	540 833	3	540 833
Ships, rigs, vehicles and similar	1 244 000	3	600 000
Chateaus, fittings, tools, office machinery	209 400	3	402 800
Total long-term operating assets	1 994 233		1 543 633
<b>Financial fixed assets</b>			
Investments in subsidiaries	107 826 762	7	107 826 762
Investments in companies in same group	0	10	3 000 000
Investments in associated companies	277 067 596	8	284 020 046
Loans to associated companies	1 300 000		6 970 680
Investments in shares and interests	203 410	9	203 410
Pension funds	300 657	2	177 614
Bonds and other receivables	13 220 315	6,7	3 043 073
Total financial fixed assets	399 918 740		405 241 585
<b>TOTAL FIXED ASSETS</b>	<b>401 912 973</b>		<b>406 785 218</b>
<b>CURRENT ASSETS</b>			
<b>Receivables</b>			
Receivables from customers	1 783 195		49 324
Other receivables	28 527 258	7	34 529 567
Total receivables	30 310 453		34 578 891
<b>Investments</b>			
Market-based shares	0	5	16 353 832
Total investments	0		16 353 832
<b>Bank deposits, cash and similar</b>			
Bank deposits	8 115 874	11	17 375 908
Total bank deposits, cash and similar	8 115 874		17 375 908
<b>TOTAL CURRENT ASSETS</b>	<b>38 426 327</b>		<b>68 308 631</b>
<b>TOTAL ASSETS</b>	<b>440 339 300</b>		<b>475 093 849</b>

Annual Accounts 2005		SalMar Group	
<b>Balance Sheet as at 31.12. 2005</b>			
Annual Accounts 2005		SalMar Group	
<b>Balance Sheet as at 31.12. 2005</b>			
<b>SalMar AS</b>			
EQUITY CAPITAL AND LIABILITIES	Note	31.12.2005	31.12.2004
<b>EQUITY CAPITAL</b>			
<b>Paid-in equity capital</b>			
Share capital		1 000 000	1 000 000
Other paid-in equity capital	12	2 066 287	2 066 287
Total paid-in equity capital		3 066 287	3 066 287
<b>Earned equity capital</b>			
Other equity capital	12	31 693 875	24 796 574
Total earned equity capital		31 693 875	24 796 574
<b>TOTAL EQUITY CAPITAL</b>		<b>34 760 162</b>	<b>27 862 861</b>
<b>LIABILITIES</b>			
<b>Provisions for liabilities</b>			
Deferred tax	4	693 084	803 071
Total provisions for liabilities		693 084	803 071
<b>Other long-term liabilities</b>			
Debt to credit institutions	13	337 577 234	371 279 058
Other long-term liabilities	13	38 731 797	67 809 019
Total other long-term liabilities		376 309 031	439 088 077
<b>Other short-term liabilities</b>			
Due to suppliers		1 367 933	1 715 277
Tax payable	4	1 418 178	2 870 960
Government duties due		682 831	444 336
Other short-term liabilities	2	25 108 081	2 309 267
Total other short-term liabilities		28 577 023	7 339 840
<b>TOTAL LIABILITIES</b>		<b>405 579 138</b>	<b>447 230 988</b>
<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>		<b>440 339 300</b>	<b>475 093 849</b>
Frøya, 7 April 2006			
Gustav Witzøe Chairman	John Thoresen Board member	Bjørn Flatgård Board member	
Endre Kolbjørnsen Board member	Bjorn Ivan Espenes Board member	Leif Inge Nordhamner Managing Director	

Annual Accounts 2005		SalMar Group	
<b>Cash flow analysis</b>			
Annual Accounts 2005		SalMar Group	
<b>Cash flow analysis</b>			
	2005	2004	
<b>Cash flow from operations :</b>			
Result before tax	6 279 158	14 003 249	
Tax paid for the period	-944 626	-878 222	
Ordinary depreciation	318 983	395 503	
Write-downs of fixed assets	4 900 000	6 530 000	
Gains on the sale of fixed assets	0	-877 465	
Losses on the sale of operating assets	36 417	0	
Group contributions posted to income	-6 671 229	-25 386 785	
Group contributions paid	25 386 785	45 889 308	
Value adjustment market shares	0	-523 661	
Share gains	-11 471 996	0	
Change in receivables from customers	-1 733 861	-30 724	
Change in debt to suppliers	-347 344	481 189	
Change in other accruals	5 245 279	4 407 307	
<b>Net cash flow from operations</b>	<b>20 997 566</b>	<b>44 009 699</b>	
<b>Cash flow from investments :</b>			
Receipts on sale of operating assets	0	1 311 465	
Receipts on sale of shares	29 578 278	0	
Payments on purchase of operating assets	-1 100 000	-237 903	
Receipts on loans	593 438	0	
Investment in shares	-1 800 000	-7 033 333	
<b>Net cash flow from investment activities</b>	<b>27 271 716</b>	<b>-5 959 771</b>	
<b>Cash flow from financing activities :</b>			
Change in short-term and long-term receivables	0	2 539 630	
Change in debt to parent company	-3 764 823	0	
Change in long-term liabilities	-53 764 493	-61 094 668	
<b>Net cash flow from financing</b>	<b>-57 529 316</b>	<b>-58 555 038</b>	
Net change in liquid assets	-9 260 034	-20 505 110	
Liquid assets at start of period	17 375 908	37 881 018	
Liquid assets at end of period	<b>8 115 874</b>	<b>17 375 908</b>	

Annual Accounts 2005 SalMar Group

**Note 1: Accounting principles**

The annual accounts have been prepared in accordance with the Accounting Act and good accounting practice. The company has also followed relevant provisions of the Norwegian Accounting Standards prepared by the Norwegian Accounting Foundation.

**Operating Income**

Income on the sale of goods is recognised at the time of delivery. Services are posted to income as they are delivered.

**Current assets and short-term liabilities**

Current assets and short term liabilities normally include items that fall due for payment within one year of the last date of the accounting year, together with items related to the stock cycle. Current assets are valued at the lower of acquisition value and estimate fair value (lowest value principle).

**Fixed assets and long-term liabilities**

Fixed assets include assets intended for long term ownership and use by the business. Fixed assets are valued at acquisition cost. Long-term operating assets are entered in the balance sheet and depreciated over the asset's expected economic life. Long-term operating assets are written down to fair value in the event of a fall in value that is not expected to be temporary. Write-downs are reversed when the basis for the write-down is no longer considered to be present.

**Shares**

Shares and interests are valued at cost price, apart from market-based shares that are valued at the day's rate. Shares owned over 50% are classified as subsidiaries. Shares owned between 20% and 50% are classified as associated companies.

**Receivables**

Receivables from customers and other receivables are entered in the balance sheet at par value after a deduction for a provision for estimated losses. The provision for estimated losses is made on the basis of an individual assessment of the respective receivables. In addition, an unspecified provision is made to cover estimated losses on other customer receivables.

Other receivables are also subject to a corresponding assessment.

**Tax**

The tax charge in the profit and loss account covers tax payable for the period which is assessed and falls due for payment in the next accounting year in addition to the change in deferred tax. Deferred tax is calculated at the tax rate at the end of the accounting year (28%) on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values. Also included in the calculation is the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net.

**Pension liabilities**

Pension costs and pension liabilities are calculated on the basis of linear earning, based on the expected final salary. The calculation is based on a number of assumptions, including the discount rate, future salary adjustments, pensions and benefits from state social security, the future return on pension funds and actuarial assumptions as to mortality and voluntary departures. Pension funds are valued at fair value and deducted from net pension liabilities in the balance sheet. The change in the liability that is due to changes in pension plans is allocated over the expected remaining earnings period. Changes in the liability and pension funds that are due to changes in and differences in the calculation assumptions (estimate changes) are allocated over the expected average remaining earnings period.

**Group contributions**

Group contributions received from subsidiaries are treated in the same manner as dividends received, i.e. the gross group contribution received is included under "Income from investment in subsidiaries" under financial income. Group contributions made to subsidiaries are regarded as an increase in the capital that has been paid into the subsidiary. The book value of the shares in subsidiaries is increased by the net group contribution.

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**Note 2: Information on employees and remuneration to employees and management etc**

The average number of employees in the accounting year was 11 people

Specification of salary costs	2005	2004
Salary	8 096 300	7 018 626
Employment tax	648 672	523 261
Pension costs	338 196	311 117
Other salary-related benefits	600 437	105 717
<b>Total</b>	<b>9 683 605</b>	<b>7 958 721</b>

**Remuneration to senior management and auditor**

Salary, bonus and other benefits to Managing Director	Remuneration and other benefits
Board members	1 244 854
Audit and audit-related services, excluding VAT	550 000
Assistance and preparation of financial information, excluding VAT	140 000
	315 025

**Tax grants**

The company has not posted refunds in 2005 relating to research and development projects that carry the right to tax grant funds.

**Pension liabilities / funds**

The pension schemes provide the right to defined future benefits. These are dependent on the number of years' earnings, the salary level when the individual reaches pension age and the size of future benefits from state social security. The liabilities are insured with an insurance company. Assumptions of an actuarial nature are based on the assumptions customarily used in this type of insurance and the preliminary Norwegian Accounting Standard on pension costs.

	2005	2004
Present value of year's pension earnings	334 812	290 624
Interest cost on pension liability	182 476	145 599
Expected return on pension funds	-170 583	-138 275
Employment tax	0	16 091
Administration costs	17 627	17 553
<b>Net pension cost</b>	<b>364 331</b>	<b>331 593</b>

**Present value of future pension liabilities**

Pension funds	-3 558 546	-2 862 881
Employment tax	2 718 629	2 128 678
	0	-37 444
<b>Net pension liability</b>	<b>-839 917</b>	<b>-771 647</b>

**Unamortised estimate differences**

	1 140 574	949 261
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**Capitalised pension funds**

	300 657	177 614
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**Economic assumptions**

Discount rate	6%	6%
Expected return on pension funds	7%	7%
Salary adjustment	2%	2%
Average expected remaining service period	20.05	20.77
Number of employees covered by pension scheme	12	12

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**Note 3: Intangible assets and long-term operating assets****Long-term operating assets**

	Land, buildings and other real estate	Machinery, plant, operating equipment and fittings etc	Ships and other vehicles	Total
Acquisition cost 01.01	540 833	1 015 940	887 903	2 444 676
Additions	0	0	1 100 000	1 100 000
Disposals	0	0	-650 000	-650 000
Acquisition cost 31.12	540 833	1 015 940	1 337 903	2 894 676
Accumulated depreciation 01.01	0	613 140	287 903	901 043
Ordinary depreciation	0	193 400	125 583	318 983
Reversed depreciation	0	0	-319 583	-319 583
Accumulated depreciation 31.12	0	806 540	93 903	900 443
Book value 31.12	540 833	209 400	1 244 000	1 994 233
Depreciation rate	1-10%	1-20%	14-20%	

**Note 4: Tax****Year's tax charge:**

	2005	2004
Tax payable	0	0
Change in deferred tax	-109 987	9 016 008
Refund tax	-508 156	1 946 399
Tax charge on ordinary result in group	-618 143	10 962 407

**Tax payable in balance sheet:**

	2005	2004
Tax payable on the result for the year	0	0
Refund tax	1 418 178	2 870 960
Total tax payable in balance sheet	1 418 178	2 870 960

The tax effect of temporary differences and the loss carried forward, which has given the basis for deferred tax and deferred tax receivables specified by type of temporary difference:

	2005	2004	Change
Deferred tax in balance sheet			
Operating assets including business value	900 266	1 097 527	-197 261
Gains and losses account	1 274 376	1 592 970	-318 594
Pension funds	300 657	177 614	123 043
Basis for calculation of deferred tax	2 475 299	2 868 111	-392 812
Tax rate used	28%	28%	
Deferred tax	693 084	803 071	-109 987
Total deferred tax in company's balance sheet 31.12	693 084	803 071	

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**Note 5: Market-based shares**

The company uses the market value principle in valuing market-based portfolio investments. The company's market-based shares have been sold in 2005, at the market price.

	2005	2004
Balance sheet value 31.12	0	16 353 832
Acquisition cost at 31.12	0	9 400 239

**Note 6: Receivables with a maturity over 1 year**

	2005	2004
Total receivables with a maturity later than one year after the balance sheet date	12 695 314	1 361 000

NOK 10 million of this represents a receivable on the associated company GloMar AS.

**Note 7: Subsidiaries and intra-group items**

The subsidiaries are booked in the accounts using the cost method. The company has the following subsidiaries:

Subsidiary	Interest	Voting rights	Annual result	Book equity 31.12	Book value
Follsmølt AS	100%	100%	1 940 331	21 173 990	20 100 000
SalMar Farming AS	100%	100%	123 052 544	311 547 432	81 402 492
SalMar Processing	100%	100%	183 928	14 652 938	1 309 088
Asamarin AS	100%	100%	-889 989	5 302 954	5 015 182
Frosta Laksefarm AS	100%	100%	2 922 092	7 574 493	0
Frosta Laksefarm Invest AS	100%	100%	81 360	6 057 711	0
Flanger Akva AS	100%	100%	13 356 651	46 293 107	0
Langstein Fisk AS	100%	100%	-11 349	1 241 291	0
<b>Total</b>					<b>107 826 762</b>

Receivables and liabilities to group companies are included with the following amounts in the accounting entries:

	31.12.2005	01.01.2005
<b>Receivables</b>		
Year's group contribution received	6 671 229	25 386 785
Other short-term receivables	8 031 204	1 278 386
<b>Total receivables</b>	<b>14 702 433</b>	<b>26 665 171</b>

NOK 10 million of the year's other short-term receivables consists of a receivable on the associated company GloMar AS.

	31.12.2005	01.01.2005
<b>Liabilities</b>		
Short-term liabilities	111 270	418 200
Other long-term liabilities	28 693 068	37 707 621
<b>Total receivables</b>	<b>28 804 338</b>	<b>38 125 821</b>

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**Note 8: Investments in associated companies**

The specification includes all shares where the interest is more than 20% or the investment represents more than 50% of the equity in accordance with the closing balance sheet this year in our accounts.

Company	Interest	Annual result	Book equity 31.12	Book value
Froyfisk AS	46.33%	1 795 524	14 968 543	2 173 390
Uthaug Lakseslakteri AS	47.00%	-2 008 531	1 939 459	1 410 000
Senja Sjøfarm AS	49.03%	17 833 146	24 670 545	90 697 610
Egersund Fisk AS	26.81%	15 392 515	110 123 018	20 000 000
Norskott AS	50.00%	74 473 000	408 280 000	162 786 596
<b>Total</b>				<b>277 067 596</b>

**Note 9: Shares in other companies**

The specification includes all shares where the interest is less than 20% as at 31.12.2005.

Company	Interest	Book value
Aqua Gen AS	0.19%	180 910
Havbruksjenseien AS	5.88%	10 000
Hitra Froya Fastlandssamband AS		2 500
Froya Flyplass DA		10 000
<b>Total book value</b>		<b>203 410</b>

**Note 10: Transactions with connected parties / major individual transactions**

In 2005 SalMar AS sold shares in associated companies and other companies to the holding company Kverva Holding AS and the associated company GloMar AS. The transactions have taken place at fair value. The sales involved a net gain of NOK 11 471 997.

Shares sold	Interest	Seller	Buyer
Kverva Holding AS	3.33%	SalMar AS	GloMar AS
Egersund Fiskeri Investering AS	34.00%	SalMar AS	Kverva Holding AS
Gronvetti Pelagis AS	49.14%	SalMar AS	Kverva Holding AS
Leroy Seafood Group ASA	1.13%	SalMar AS	Kverva Holding AS

**Note 11: Restricted bank deposits**

Tax deduction deposits amount at 31.12.2005 to NOK 329 500 and at 31.12.2004 amounted to NOK 275 600.

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**Note 12: Share capital, shareholders and equity**

The company has 1,000 shares each of NOK 1,000 par value, and the aggregate share capital amounts to NOK 1,000,000. The company only has one share class.

Shareholders name: Kverva Holding AS  
Total shares: 1,000

The Managing Director, Leif Inge Nordhammer, indirectly owns 6.67% of the company through ownership in Kverva Holding AS. The chairman, Gustav Witzoe, owns indirectly 88.89% through ownership in Kverva Holding AS.

	Share capital	Other paid in equity	Other equity	Total
Equity capital at 01.01	1 000 000	2 066 287	24 796 574	27 862 861
Added from result 2005			6 897 301	6 897 301
<b>Equity capital at 31.12</b>	<b>1 000 000</b>	<b>2 066 287</b>	<b>31 693 875</b>	<b>34 760 162</b>

**Note 13: Liabilities, mortgages and guarantee liabilities**

Liability items with a maturity later than 5 years from the balance sheet date

	2005	2004
<b>Secured debt:</b>		
Long-term debt to credit institutions	337 577 234	371 279 058
Other long-term debt	10 038 729	30 101 398
<b>Total debt secured by mortgages</b>	<b>347 615 963</b>	<b>401 380 456</b>

**Mortgaged assets (balance sheet values):**

Receivables	45 131 425	38 325 392
Operating assets	1 994 233	1 543 633
Shares	385 097 768	411 404 050
<b>Total mortgaged assets</b>	<b>432 223 426</b>	<b>451 273 075</b>

The assets are provided as security for overdraft debt in wholly-owned companies in the group. The limit on the overdraft facility is NOK 110 000 000 and net drawings as at 31.12.2005 are NOK 1 513 576.

In connection with the financing of the subsidiary Scottish Sealarms Ltd of the associated company Norskott Havbruk AS, SalMar AS has provided a guarantee to the lenders. As at 31.12.05 the guarantee amount was GBP 2.5 million.

In connection with the financing of the associated company Gronvetti Pelagis AS, SalMar AS has provided an unconditional guarantee for a bank overdraft of NOK 2 250 000, together with an unconditional guarantee of NOK 10 000 000 for a promissory note loan from the bank. The shares in Gronvetti Pelagis AS have been sold to Kverva Holding AS. Measures have been commenced to cancel the guarantee liability.

SalMar AS has provided an unconditional guarantee for NOK 20 000 000 for amounts outstanding to Fokus Bank from Flatanger Akva AS.

SalMar AS has provided an unconditional guarantee totalling NOK 17 000 000 for a credit facility provided by Eicon Finans AS to SalMar Processing AS.

SalMar AS has provided a guarantee of NOK 5 000 000 to Nord-Trøndelag E-verk on behalf of Follsmolt AS. The guarantee agreement was signed on 1.1.04 and is being reduced by NOK 250 000 per year. The remaining guarantee amount as at 31.12.05 was NOK 4 500 000.

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**Profit and Loss Account 2005**

SalMar Group

	Note	2005	2004
<b>OPERATING INCOME AND OPERATING COSTS</b>			
<b>Operating income</b>			
Sales income		866 583 610	784 173 378
Other operating income		4 867 040	6 755 919
Total operating income		871 450 650	790 929 297
<b>Operating costs</b>			
Purchase of goods and materials		456 871 495	431 177 002
Change in inventories		-26 444 124	17 847 358
Wage costs	2	117 957 278	119 840 308
Depreciation on long-term operating assets and intangible assets	3	28 496 415	23 507 989
Other operating costs		85 220 384	75 795 492
Total operating costs		662 101 448	668 168 149
<b>OPERATING RESULT</b>		<b>209 349 202</b>	<b>122 761 148</b>
<b>FINANCIAL INCOME AND FINANCIAL COSTS</b>			
<b>Financial income</b>			
Other interest income		383 969	455 984
Result from investment in associated companies	8	45 760 012	4 783 831
Other financial income		16 459 611	4 792 357
Total financial income		62 603 592	10 032 172
<b>Financial costs</b>			
Interest costs parent company		2 727 104	1 991 632
Other interest costs		18 670 918	20 632 253
Other financial costs		442 706	0
Total financial costs		21 840 728	22 623 885
<b>NET FINANCIAL ITEMS</b>		<b>40 762 864</b>	<b>-12 591 713</b>
<b>RESULT BEFORE TAX</b>		<b>250 112 066</b>	<b>110 169 435</b>
Tax on ordinary result	4	55 795 810	26 693 001
<b>ANNUAL RESULT</b>		<b>194 316 256</b>	<b>83 476 434</b>
Minority's share of result		-4 540	120 021
Allocated to dividend		0	0
Transferred to group reserve		194 320 796	83 356 413

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**Balance Sheet as at 31.12. 2005**

SalMar Group

ASSETS	Note	31.12.2005	31.12.2004
<b>FIXED ASSETS</b>			
<b>Intangible assets</b>			
Licences and other intangible assets	3	222 069 710	212 476 175
Goodwill	3	4 594 214	5 823 260
Total intangible assets		226 663 924	218 299 435
<b>Long-term operating assets</b>			
Land, buildings and other real estate	3	35 037 796	26 738 782
Machinery and plant	3	119 600 042	94 542 108
Ships and other vehicles	3	7 483 000	6 906 900
Total long-term operating assets		162 120 838	128 187 790
<b>Financial fixed assets</b>			
Shares in parent company	9	0	3 000 000
Investments in associated companies	8	350 457 975	292 336 204
Other shares		526 942	526 942
Pension funds	2	4 549 148	4 162 090
Other receivables	7	20 370 288	16 697 424
Total financial fixed assets		375 904 353	316 722 660
<b>TOTAL FIXED ASSETS</b>		<b>764 689 115</b>	<b>663 209 885</b>
<b>CURRENT ASSETS</b>			
Goods	5	286 925 137	279 845 865
<b>Receivables</b>			
Receivables from customers		72 628 944	60 222 149
Other receivables		14 082 102	9 205 096
Total receivables		86 711 046	69 427 245
Market-based shares	6	0	16 353 832
Bank deposits, cash and similar	10	2 963 691	8 140 335
<b>TOTAL CURRENT ASSETS</b>		<b>376 599 874</b>	<b>373 767 277</b>
<b>TOTAL ASSETS</b>		<b>1 141 288 989</b>	<b>1 036 977 162</b>

Annual Accounts 2005		SalMar Group	
<b>Balance Sheet as at 31.12. 2005</b>			
Annual Accounts 2005		SalMar Group	
<b>EQUITY CAPITAL AND LIABILITIES</b>	Note	31.12.2005	31.12.2004
<b>EQUITY CAPITAL</b>			
<b>Paid-in equity capital</b>			
Share capital		1 000 000	1 000 000
Group reserve	13	406 802 657	205 057 461
Minority interests	13	632 718	1 771 930
Total earned equity		407 435 375	206 829 391
<b>TOTAL EQUITY</b>		<b>408 435 375</b>	<b>207 829 391</b>
<b>LIABILITIES</b>			
<b>Provision for liabilities</b>			
Deferred tax	4	77 302 002	91 792 609
Total provision for liabilities		77 302 002	91 792 609
<b>Other long-term liabilities</b>			
Debt to credit institutions	12	344 130 914	393 995 573
Debt to parent company		28 693 068	32 960 891
Other long term liabilities	12	71 807 787	63 855 241
Total other long-term liabilities		444 631 769	490 811 705
<b>Short-term liabilities</b>			
Debt to credit institutions	12	21 944 579	72 269 106
Due to suppliers		110 995 358	91 822 210
Tax payable	4	55 349 674	2 867 096
Group contributions		0	32 446 171
Other short-term liabilities	13	22 630 232	47 138 875
Total short-term liabilities		210 919 843	246 543 457
<b>TOTAL LIABILITIES</b>		<b>732 853 614</b>	<b>829 147 771</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 141 288 989</b>	<b>1 036 977 162</b>
Frøya, 7 April 2006			
Gustav Witzøe Chairman	John Thoresen Board member	Bjorn Flatgård Board member	
Endre Kolbjørnsen Board member	Bjorn Ivan Espenes Board member	Leif Inge Nordhammer Managing Director	

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<b>Cash flow analysis</b>			
<b>Cash flow from operations :</b>		<b>2005</b>	<b>2004</b>
Result before tax		250 112 066	110 169 436
Tax paid for the period		-944 626	-984 145
Ordinary depreciation		28 496 415	23 507 989
Gain on sale of fixed assets		-1 744 106	-313 852
Loss on sale of fixed assets		-	505
Share of result and adjustment from associated companies		-45 760 012	-1 003 404
Loss / gain on acquisition / disposal subsidiaries		-	6 175 943
Share gains		-16 459 611	-523 661
Change in stocks		-22 401 227	2 764 559
Change in customer receivables		-12 406 795	-20 083 293
Change in debt to suppliers		19 173 148	-2 835 473
Change in other accruals		-15 799 247	25 599 026
<b>Net cash flow from operations</b>		<b>182 266 005</b>	<b>142 473 630</b>
<b>Cash flows from investment activities :</b>			
Receipts on sale of operating assets		2 867 784	7 278 483
Payments on purchase of operating assets		-47 330 762	-94 273 777
Receipt of dividends from share investments		526 563	-
Payment on investment in shares		-29 245 530	-2 018 151
<b>Net cash flow from investment activities</b>		<b>-73 181 945</b>	<b>-89 013 445</b>
<b>Cash flow from financing activities :</b>			
Group contribution paid		-1 228 350	-27 583 000
Purchase of minority interests		-	4 238 779
Change in short-term and long-term receivables		-7 135 716	-
Change in debt to parent company		-55 572 111	-10 092 146
Change in long-term debt		-50 324 527	-15 780 661
Change in overdraft		-114 260 704	-49 217 028
<b>Net cash flow from financing activities</b>		<b>-51 176 644</b>	<b>4 243 157</b>
Net change in liquid assets		8 140 335	3 897 178
Liquid assets at start of period		<b>2 963 691</b>	<b>8 140 335</b>
<b>Liquid assets at end of period</b>			

Annual Accounts 2005 SalMar Group

### Note 1: Accounting principles

The group accounts have been prepared in accordance with the Companies Act, the Accounting Act and good accounting practice. The company has followed relevant provisions of the Norwegian Accounting Standards prepared by the Norwegian Accounting Foundation.

#### Consolidation principles

The group accounts include companies where the parent companies and subsidiaries directly or indirectly have controlling influence. The group accounts show the company's financial position, result of the year's activities and cash flows as a single economic entity. Controlling influence is regarded initially to exist with ownership directly or indirectly of more than 50% of the voting capital. Companies that are owned for a temporary period are not consolidated. Newly-acquired subsidiaries are included from the date that controlling influence is obtained, and disposed of subsidiaries are included until the time of disposal. The group accounts have been prepared using uniform principles in that subsidiaries follow the same accounting principles as the parent company.

Subsidiaries acquired are entered in the group accounts based on the parent company's acquisition cost. The acquisition cost is allocated to identifiable assets and liabilities in the subsidiary that are posted in the group accounts at fair value at the time of acquisition. Any additional value or under-value beyond what can be attributed to identifiable assets and liabilities is capitalised as goodwill. Goodwill in the group accounts is depreciated on a straight line basis over the expected lifetime of the assets acquired.

The equity method is used in the group accounts for associated companies. The share of the result is based on the result after tax in the company in which one has invested, less internal gains and any depreciation of goodwill that is due to the cost price of the shares being higher than the acquired share of capitalised equity. The share of the results is shown in the profit and loss account under financial items.

All significant transactions and receivables between companies in the group have been eliminated.

Interests in subsidiaries are eliminated in the group accounts using the purchase method. The difference between the cost price of the assets and the book value of net assets at the time of acquisition is analysed and attributed to the individual balance sheet items in relation to fair value. Any further additional price which is due to expectations as to future earnings is capitalised as goodwill and depreciated in the profit and loss account in line with the underlying conditions and expected economic lifetime.

The minority interests' share of the result after tax, and equity, are shown as separate items in the profit and loss account and balance sheet.

#### Treatment of associated companies

By associated company is meant a company where the group has an interest of 20-50% where the investment is long-term and of a strategic nature and where the group can exercise significant influence. Associated companies are included using the equity method. The group's share of the result in an associated company is based on the result after tax in the associated company. In the profit and loss account the share of the result of the associated company is shown under financial items. In the balance sheet interests in associated companies are entered under fixed assets.

A write-down to fair value is made when there is a fall in value which is due to causes that cannot be regarded as temporary and it must be considered necessary in accordance with good accounting practice. Write-downs are reversed when the basis for the write-down is no longer present.

#### Operating Income

Income is recognised on sales at the time of delivery. Services are posted to income as they are delivered.

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### Classification and valuation of balance sheet items

Current assets and short-term liabilities normally include items that fall due for payment within one year of the last day of the accounting year, together with items related to the stock cycle. Current assets are valued at the lower of acquisition value and estimated fair value (lowest value principle). Short-term debt is capitalised at the nominal amount at the time it is raised. Other items are classified as fixed assets / long-term liabilities.

### Fixed assets and long term liabilities

Fixed assets include assets intended for long-term ownership and use by the business. Fixed assets are valued at acquisition cost. Long-term operating assets are entered in the balance sheet and depreciated over the asset's expected economic life. Long-term operating assets are written down to fair value, in the event of a fall in value that is not expected to be temporary. Write-downs are reversed when the basis for the write-down is no longer considered to be present. Long-term debt is capitalised at the nominal amount at the time of establishment.

### Shares

Market shares are valued at market value. Other shares are valued at cost price.

### Goods

The inventory of goods consists of feed, packaging, fry, living fish in the sea and processed fish. The inventory is valued at the lower of cost price and expected sale value. The cost price of fry, fish in the sea and processed fish is the full production cost (direct materials, direct wages plus a share of indirect production costs, including interest and depreciation). The acquisition cost is valued using the FIFO principle. A write-down is made for estimated obsolescence.

### Receivables

Receivables from customers and other receivables are entered in the balance sheet at par value after a deduction for a provision for estimated losses. The provision for estimated losses is made on the basis of an individual assessment of the respective receivables. In addition, an unspecified provision is made to cover estimated losses on other customer receivables. Other receivables are also subject to a corresponding assessment.

### Long-term operating assets

Long-term operating assets are capitalised and depreciated over the asset's expected lifetime. Direct maintenance of operating assets is expensed on an ongoing basis under operating costs, while additions or improvements are added to the asset's cost price and depreciated in line with the asset. If the recoverable amount of the asset is lower than the balance sheet value, a write-down is made to the recoverable amount. The recoverable amount is the higher of the net sales value and the value in use. The value in use is the present value of the future cash flows that the asset will generate.

Financial leases are capitalised from the date of the agreement. Capitalised leases are included in the fixed assets note in a separate column. The remaining leasing debt is classified under other long-term debt.

Additional values on the purchase of businesses, shares or assets are treated in accordance with the new legal practice in full as licences without a limited economic life, both for accounting and tax purposes. The adjustment of the group's previously implemented depreciation has been made for both accounting and tax values against the group's opening balance sheet.

### Research and development

Expenses on research and development are capitalised to the extent they can be identified as a future economic benefit relating to the development of identifiable intangible assets. In the opposite case, such costs are expensed as they are incurred. Capitalised research and development is depreciated on a straight line basis over its economic lifetime.

### Tax

The tax charge in the profit and loss account covers tax payable for the period which is assessed and falls due for payment in the next accounting year in addition to the change in deferred tax. Deferred tax is calculated at the tax rate at the end of the accounting year (28%) on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net.

Annual Accounts 2005 SalMar Group

**Note 2: Information on employees and remuneration to employees and management etc**

The average number of employees in the accounting year was 279 people

Specification of salary costs	2005	2004
Salaries	104 763 412	107 646 602
Employment tax	6 560 348	6 867 763
Pension costs	1 991 235	1 857 819
Other salary-related benefits	4 642 283	3 414 123
<b>Total</b>	<b>117 957 278</b>	<b>119 786 308</b>

**Remuneration to senior management and auditor**

Salary, bonus and other remuneration to Managing Director	Salary and other benefits
550 000	1 244 854
632 607	
60 000	
315 025	

**Pension liabilities / funds**

The pension funds give the right to defined future benefits. These are dependent on the number of years' earnings, the salary level when the individual reaches pension age and the size of future benefits from state social security. The liabilities are insured through an insurance company. Assumptions of an actuarial nature are based on assumptions normally used in this type of insurance and the preliminary Norwegian Accounting Standard on pension costs.

	2005	2004
Present value of year's pension earnings	2 705 583	2 377 989
Interest cost on pension liability	1 240 117	1 028 745
Expected return on pension funds	1 484 786	1 255 065
Employment tax	146 758	117 879
Administration costs	184 027	159 691
<b>Net pension cost</b>	<b>2 791 699</b>	<b>2 429 239</b>

Present value of future pension liability	24 487 832	20 456 312
Pension funds	22 901 755	19 052 707
Employment tax	51 551	71 584
<b>Net pension liability</b>	<b>1 637 628</b>	<b>1 475 189</b>
Result of changes in principle	0	0
Unamortized estimate differences	-6 186 776	-5 637 279
<b>Capitalised pension funds</b>	<b>4 549 148</b>	<b>4 162 090</b>

**Economic assumptions**

Discount rate	6%
Expected return on pension funds	7%
Salary adjustment	2%
Turnover	5%

Annual Accounts 2005 SalMar Group

**Pension liabilities**

Pension costs and pension liabilities are calculated on the basis of linear earning, based on the expected final salary. The calculation is based on a number of assumptions, including the discount rate, future salary adjustments, pensions and benefits from state social security, the future return on pension funds and actuarial assumptions as to mortality and voluntary departures. Pension funds are valued at fair value and deducted from net pension liabilities in the balance sheet. The change in the liability that is due to changes in pension plans is allocated over the expected remaining earnings period. Changes in the liability and pension funds that are due to changes in and differences in the calculation assumptions (estimate changes) are allocated over the expected average remaining earnings period.

**Use of estimates**

The preparation of the annual accounts in accordance with good accounting practice requires management to use estimates and assumptions that affect the profit and loss account and valuation of assets and liabilities as well as information on uncertain assets and liabilities at the balance sheet date.

Contingent losses that are likely and quantifiable are expensed on an ongoing basis.

**Internal group reorganisations**

Krakøyfisk AS has merged with the acquiring company SalMar Farming AS with accounting effect from 01.01.05. Krakøyfisk AS was a wholly-owned subsidiary of SalMar Farming AS. The merger has been carried out in accordance with the simplified rules for internal group mergers, see Companies Act Section 13-23. The merger has been entered in the accounts using the continuity principle. SalMar Farming AS is a wholly-owned subsidiary of the group's parent company SalMar AS and the merger has no effect on the group accounts.

**Comparative figures**

The figures for the previous accounting year are comparable. Pro forma profit and loss figures have not been prepared for the 2004 accounting year as a result of the acquisition of minority interests in underlying subsidiaries since these are considered not to have a material effect on the result figures for 2004.

**SalMar AS Group**

The SalMar AS Group has acquired the following shares in subsidiaries in 2005:

- Frosta Laksefarm Invest AS: 8.2%. Purchased by SalMar Farming AS, the company was 91.8% owned by SalMar Farming AS as at 31.12.04.

**The group accounts consist of:**

SalMar AS	Parent company
Follsmolt AS	100.0%
SalMar Farming AS	100.0%
Frosta Laksefarm AS	100.0%
Frosta Laksefarm Invest AS	100.0%
SalMar Processing AS	100.0%
Astamarin AS	100.0%
Flatanger AKva AS	100.0%
Langstein Fisk AS	60.0%

**Cash flow statement**

The cash flow statement has been prepared during the indirect method. Cash and cash equivalents include cash, bank deposits and other short-term liquid investments.

Annual Accounts 2005 SalMar Group

**Note 3: Intangible assets and long-term operating assets****Long-term operating assets**

	Land, buildings and other real estate	Machinery, plant, operating equipment and fittings etc	Vessels and other vehicles	Total	Of which leased operating assets
Acquisition cost 01.01	51 122 048	196 119 541	18 368 496	<b>265 610 085</b>	32 304 019
Additions	8 080 113	48 744 705	4 165 944	<b>60 990 762</b>	13 660 000
Disposals	-350 532	-8 410 647	-1 105 000	<b>-9 866 179</b>	-150 000
Reclassification	4 810 071	-2 542 170	-2 267 900	<b>0</b>	
Acquisition cost 31.12	63 661 700	233 911 429	19 161 540	<b>316 734 668</b>	45 814 019
Accumulated depreciation 01.01	24 383 266	101 577 433	11 461 596	<b>137 422 295</b>	4 345 019
Ordinary depreciation	4 240 638	20 439 287	1 254 444	<b>25 934 369</b>	3 140 000
Reversed depreciation	0	-7 705 333	-1 037 500	<b>-8 742 833</b>	-82 000
Accumulated depreciation 31.12	28 623 904	114 311 387	11 678 540	<b>154 613 831</b>	7 403 019
Book value 31.12	35 037 796	119 600 042	7 483 000	<b>162 120 838</b>	38 411 000
Depreciation rate	5-7%	10-33%	10-20%		6-20%

**Intangible assets**

	Licences	Goodwill	Other intangible assets	Total
Acquisition cost 01.01	221 402 710	24 213 427	2 000 000	<b>247 616 137</b>
Additions	0	0	0	<b>0</b>
Disposals	0	0	0	<b>0</b>
Reclassification	0	0	0	<b>0</b>
Acquisition cost 31.12	221 402 710	24 213 427	2 000 000	<b>247 616 137</b>
Accumulated depreciation 01.01	18 390 167	0	0	<b>18 390 167</b>
Ordinary depreciation	1 229 046	1 229 046	1 333 000	<b>2 562 046</b>
Reversed depreciation	0	0	0	<b>0</b>
Accumulated depreciation 31.12	0	19 619 213	1 333 000	<b>20 952 213</b>
Book value 31.12	221 402 710	4 594 214	667 000	<b>226 663 924</b>
Depreciation rate		10%	33%	

In the case of historical acquisitions up to 2001, the group classified most excess values as goodwill. This goodwill has been subject to accounting depreciation. In 2002 the goodwill was reclassified as licence values. Historical depreciation has not been reversed. Depreciation has been reversed this year and adjusted directly against opening equity, see note 11 for further information.

Annual Accounts 2005 SalMar Group

**Note 4: Tax****Tax charge for the year:**

	2005	2004
Tax payable	43 966 241	0
Change in deferred tax	8 746 612	24 221 445
Refund tax	-508 156	1 946 399
Tax effect group contributions made	0	3 782 423
Tax in acquired group companies up to acquisition date	0	-993 271
Non-capitalised deferred tax receivable posted to result	0	-2 263 995
Tax effect of debt release	3 591 113	0
Tax charge on ordinary result in group	55 795 810	26 693 001
<b>Tax payable in balance sheet</b>	<b>2005</b>	<b>2004</b>
Tax payable on the year's result	43 966 241	0
Prepaid tax on assessment case	-1 261 419	0
Refund tax	1 414 315	2 870 960
Tax on reversed tax depreciation on licences	11 230 537	0
Total tax payable in balance sheet	55 349 674	2 870 960

**The tax effect of temporary differences and the loss carried forward that has given rise to deferred tax and deferred tax receivables specified by types of temporary differences:**

	2004	2005	Change
Operating assets including business value	65 088 797	-1 445 097	-66 533 894
Inventory	263 591 430	281 376 088	17 784 658
Customer receivables	-1 500 000	0	1 500 000
Leasing assets and leasing debt	4 205 157	7 130 243	2 925 086
Gains and losses account	441 655	206 960	-234 695
Other provisions for liabilities	-40 000	0	40 000
Pension funds	4 162 089	4 471 874	309 785
Loss carried forward	-1 318 377	-1 238 487	79 890
Basis for calculation of deferred tax	334 630 751	290 501 581	-44 129 170
Tax rate used	28%	28%	
Deferred tax	93 696 609	81 340 442	-12 356 167
Tax on unrealised internal gain on sale of goods	-1 904 000	-4 038 440	-2 134 440
<b>Total deferred tax in group balance sheet 31.12</b>	<b>91 792 609</b>	<b>77 302 002</b>	<b>-14 490 607</b>
Reclassification of deferred tax relating to tax depreciation on goodwill	-16 666 802		
Reversed deferred tax related to licences	-2 280 270		
Deferred tax adjustment of value of biomass 01.01.05	-4 290 147		
<b>Total deferred tax in group balance sheet</b>	<b>68 555 390</b>	<b>77 302 002</b>	<b>8 746 612</b>

The group has on historical acquisitions up to 2001 classified most excess value as goodwill. This goodwill has been subject to tax depreciation. As a result of new legal practice the group has chosen to reverse the depreciation made. This has resulted in a reclassification from deferred tax to tax payable of NOK 16 666 802. NOK 5 436 265 has already been paid so that the tax payable due at the end of the year amounts to 11 230 537. The group has further changed its practice in relation to the treatment of deferred tax on licences. No provision is made now for deferred tax on licences. The effect of this has been adjusted directly against equity.

Annual Accounts 2005 SalMar Group

**Note 8: Shares in associated companies**

Company	Froyfisk AS	Uthaug Lakseslakteri AS	Senja Sjøfarm AS	Norskott Havbruk AS	Egersund Fisk AS	Egersund Fiskeri Investerings AS	Grøntvedt Pelagic AS	SalMar Japan KK	
Formal information									
Year of acquisition	1999	1999	2000	2001	2001	2001	2001	2005	
Registered office	Frøya	Orland	Senja	Bergen / Skottland	Eigersund	Eigersund	Orland	Japan	
Interest	46.33%	47.00%	49.05%	50.00%	26.81%	34.00%	49.14%	49.00%	
Voting share	46.33%	47.00%	49.05%	50.00%	26.81%	34.00%	49.14%	49.00%	
Information related to date of acquisition									
Acquisition cost	2 173 390	1 410 000	116 550 000	162 825 500	20 000 000	252 450	9 000 000	275 787	
Capitalised equity at time of acquisition	3 749 150	1 986 474	16 233 006	162 825 500	23 697 724	338 973	2 174 005	275 787	
Excess values / under-values	-1 575 760	-576 474	100 316 994	-	-3 697 724	-86 523	6 825 995	-	
Goodwill									
Information related to the year's figures									Total
Opening balance sheet 01.01	5 740 227	1 837 368	82 663 839	167 128 500	26 493 147	449 674	8 023 449	0	292 336 205
+ purchase of interest / deposit	1 800 000							275 787	2 075 787
+/- direct equity transfers			15 892 200	-225 000	-1 095 899			6 069	14 577 370
+/- share of year's result	831 866	-925 822	8 747 158	37 236 500	4 126 733		-3 669 775	-41 003	46 305 658
- depreciation goodwill									-
- depreciation excess value	-33 696						-511 950		-545 646
- sale of assets						-449 674	-3 841 724		-4 291 398
Closing balance sheet 31.12	8 338 398	911 546	107 303 197	204 140 000	29 523 982	-	-	240 853	350 457 975
Remaining excess values at 31.12	134 784	0	90 697 610	0	0	0	0	0	

Annual Accounts 2005 SalMar Group

**Note 5: Inventories**

Inventories consist of the following:

Raw materials	2005	2004
	12 316 004	8 735 900
Goods in production	2 687 778	2 574 444 873
Finished goods	5 831 375	13 665 090
<b>Total</b>	<b>286 925 137</b>	<b>279 845 863</b>

The group has changed its method for the valuation of fish in the sea. Previously fish in the sea were valued on the basis of standard cost. Now fish in the sea are valued at actual cost. The opening holding has been adjusted downwards by NOK 15 321 955. The effect has been adjusted directly against equity.

**Note 6: Market-based shares**

The company uses the market value principle when valuing market-based portfolio investments. The company sold its market-based shares in 2005 at the market price.

Balance sheet value 31.12	2005	2004
	0	16 353 832
Acquisition cost at 31.12	0	9 400 239

**Note 7: Receivables with a maturity above 1 year**

Aggregate receivables with a maturity of more than one year after the balance sheet date

2005	2004
16 290 000	2 480 000

NOK 10 million of this relates to a receivable on the associated company GloMar AS.

Annual Accounts 2005 SalMar Group

**Note 9: Transactions with connected parties / major individual transactions**

In 2005 SalMar AS sold its shares in associated companies and other companies to the holding company Kverva Holding AS and the associated company GloMar AS. The transactions took place at fair value.

Realised shares	Interest	Seller	Buyer
Kverva Holding AS	3.33%	SalMar AS	GloMar AS
Egersund Fiskeri Investering AS	34.00%	SalMar AS	Kverva Holding AS
Grøntvedt Pelagic AS	49.14%	SalMar AS	Kverva Holding AS
Lerøy Seafood Group ASA	1.13%	SalMar AS	Kverva Holding AS

The sales involved a gain of NOK 15 933 048 which has been posted as other financial income.

**Note 10: Restricted bank deposits**

Restricted bank deposits relate to tax deduction funds and amount as at 31.12.2005 to NOK 4 590 958.

**Note 11: Share capital and shareholders and equity**

The company has 1 000 shares, each of NOK 1 000 par value, giving a total share capital of NOK 1 000 000. The company has only one share class. All shares are owned by Kverva Holding AS.

The Managing Director Leif Inge Nordhammer owns indirectly 6.67% of the company through ownership in Kverva Holding AS. The Chairman, Gustav Witze, owns indirectly 88.89% through ownership in Kverva Holding AS.

**Equity capital movements**

	Share capital	Group reserve	Minority	Total
Group capital 31.12.2004	1 000 000	205 057 461	1 771 930	207 829 391
Added from result 2005		194 320 797	-4 540	194 316 257
Purchase of minority in subsidiaries		-93 678	-1 134 672	-1 228 350
Adjustment of licence values		10 926 534		10 926 534
Adjustment of deferred tax on licences		2 280 270		2 280 270
Change in value of biomass in sea 01.01.05		-11 031 808		-11 031 808
Effect of debt release in Senja Sjøfarm AS		6 657 914		6 657 914
Other equity transactions in associated companies		-1 314 833		-1 314 833
<b>Group capital 31.12.2005</b>	<b>1 000 000</b>	<b>406 802 657</b>	<b>632 718</b>	<b>408 435 375</b>

Annual Accounts 2005 SalMar Group

**Note 12: Liabilities, mortgages and guarantee liability**

	2005	2004
<b>Debit items with a maturity later than 5 years from the balance sheet date:</b>		
Debt to credit institutions	0	0
<b>Secured debt:</b>		
Long-term debt	344 130 914	393 995 573
Debt to credit institutions	40 125 030	40 000 000
Other long-term debt		
Short-term debt	21 944 579	72 269 106
Debt to credit institutions		
<b>Total debt secured by mortgages</b>	<b>406 200 523</b>	<b>506 264 679</b>
<b>Mortgaged assets (balance sheet values):</b>		
Receivables	111 630 482	90 286 759
Inventory	286 925 137	279 845 865
Operating assets	123 709 838	90 877 566
Shares	350 457 975	305 671 762
<b>Total mortgaged assets</b>	<b>872 723 432</b>	<b>753 601 997</b>

NOK 31 280 757 of other long-term debt in the balance sheet represents leasing debt. The remaining period is 3-5 years.

Assets are provided as security for overdraft debt in wholly-owned companies in the group. The limit on the overdraft from the main bank relationship is NOK 110 million, and net drawings as at 31.12.2005 were NOK 1 513 576.

In connection with the financing of the subsidiary Scottish Seafarms Ltd of the associated company Norskott Habruk AS, SalMar AS has provided a guarantee to the lenders. As at 31.12.05 the guarantee amount was GBP 2.5 million.

In connection with the financing of the associated company Grøntvedt Pelagic AS, SalMar AS has provided an unconditional guarantee for a bank overdraft of NOK 3 250 000, together with an unconditional guarantee of NOK 10 000 000 for a promissory note loan from the bank. The shares in Grøntvedt Pelagic AS have been sold to Kverva Holding AS. Measures have been commenced to cancel the guarantee liability.

SalMar AS has provided an unconditional guarantee for NOK 20 000 000 for amounts outstanding to Fokus Bank from Flatanger Akva AS.

SalMar AS has provided an unconditional guarantee totalling NOK 17 000 000 for a credit facility provided by Elcon Finans AS to SalMar Processing AS.

SalMar AS has provided a guarantee of NOK 5 000 000 to Nord-Trøndelag E-verk on behalf of Follasmolt AS. The guarantee agreement was signed on 1.1.04 and is being reduced by NOK 250 000 per year. The remaining guarantee amount as at 31.12.05 was NOK 4 500 000.

**Note 13: Government grants****Tax grants**

In 2005 the group has not had research and development projects that give a right to tax grant funds.

Annual Accounts 2005 SalMar Group

**Note 14: Financial market risk**

The company does not use financial instruments in connection with the management of financial risk.

**Interest risk**

Interest risk arises in the short and medium term as a result of the company's debt having a floating interest rate. No maximum limits have been set for the proportion of debt with a floating interest rate.

**Currency risk**

The development in exchange rates involves both direct and indirect economic risks for the company. No agreements have been established that reduce this risk as at 31.12.2005. The volume of transactions in foreign currencies is not regarded as material.

**Raw material price risk**

The risk of fluctuations in raw material prices is secured through long-term agreements on purchasing, as well as the establishment of strategic agreements with suppliers and other participants in the market.



## To the Annual Shareholders' Meeting of SalMar AS

### AUDITOR'S REPORT FOR 2005

We have audited the annual financial statements of SalMar AS as of 31 December 2005, showing a profit of NOK 6 897 301 for the parent company and a profit of NOK 194 316 256 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income, cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income, cash flows and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to produce the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and of the Group as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Trondheim, 7 April 2006  
**SYSTEMREVISJON AS**

Ingebrigt Eidsmo  
 State Authorised Public Accountant (Norway)

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

**SYSTEMREVISJON AS**  
 Statsautoriserte Revisorer

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 Medlemmer av Den norske Revisorforening

## Appendix 5: Annual report for 2004

Annual Accounts 2004 SalMar

### ANNUAL REPORT SALMAR AS FOR THE FINANCIAL YEAR 2004

#### Introduction

SalMar AS has been established with subsidiaries that carry on business within smolt production, farming and processing of salmon products. The group has its head office in Frøya municipality and in 2004 has carried on business in Nord-Trøndelag, Sør-Trøndelag and Nord-Møre. In addition, the company is involved in associated businesses, of which Senja Sjøfarm in Troms and Norskott Havbruk, with fish farming activity in Scotland, are the largest investments.

The results of the SalMar group are considered to be good compared with the rest of the industry. There has been a clear improvement in efficiency and success has been achieved in reducing costs in the group's business areas. Combined with greater volumes this has contributed to the group's positive result for the year.

The financial situation in Senja Sjøfarm has improved in 2005. The company has received funding from its shareholders and banks and a positive result is expected in 2005. The company suffered an outbreak of ILA in 2004 and the effects will also have an impact on 2005. The Scottish business is continuing to show a positive development, and the result was positive in 2004. Further adjustments have been made to the organisation and to operational measures, which we expect will have a positive impact in the future. Otherwise the results from the remaining associated companies are positive.

Preliminary work has begun on a project to build a new factory - Innovamar, with the objective of establishing the world's most efficient plant for slaughtering and processing salmon. A decision on this will be taken in the autumn.

#### Accounts

SalMar AS is a subsidiary of Kverva Holding AS. SalMar AS is the parent company and management company for the other companies in the group and owns the associated companies. The accounts for the SalMar group show turnover of NOK 791 million. Internal sales, internal gains and receivables are eliminated in the group accounts. The operating profit was NOK 122.7 million and the profit before tax was NOK 110.2 million.

The group's total assets amount to NOK 1,036.9 million. The group's book equity is NOK 207.8 million, which corresponds to an equity ratio of 20%. This is an increase of almost 5% from 2003.

The group has interest-bearing debt of NOK 530.1 million. This is a reduction of NOK 17.5 million from 2003.

The group's liquidity is satisfactory and at the end of 2004 the group had unutilised drawing facilities with credit institutions of NOK 82.5 million.

Turnover in SalMar AS in 2004 was NOK 13.9 million and the profit before tax was NOK 3.0 million. The company's book equity was NOK 27.9 million.

Annual Accounts 2004 SalMar

## Annual Accounts 2004 for SALMAR AS

Annual Accounts 2004 SalMar

The conditions for continued operation are therefore present and the annual accounts for 2004 have been prepared on this basis.

**Financial market risk**

The group has sales transactions in EUR. These transactions have not been hedged in 2004. At year-end the group had no credit insurance, but this will be considered by the company's management in 2005.

The group manages the liquidity risk with internal control routines, which ensure the maintenance of customer and supplier terms.

**External environment**

The group's business is carried on in accordance with the fixed licence conditions and emission permits. No special measures were implemented on the environmental side in 2004. The company has approved routines for its own controls and health, environment and safety.

**Equal Opportunities**

The group's employees total around 65% men and 35% women. In the parent company there are 64% men and 36% women. There are no women on the company's board. Continuous encouragement is given to women to apply for vacant positions and the company's board continues to evaluate measures to promote equal opportunities.

**Working environment**

The working environment is considered to be good and is in accordance with current laws and regulations. The group spends relatively large sums on social measures for employees and particular attention is given to a good working environment. The group has collective pension and group life insurance schemes. Total sick leave in the group last year was 8.24%, of which short-term sick leave 3.71%.

Annual Accounts 2004 SalMar

**Future prospects**

Demand for salmon so far this year has shown an increase both in volume and prices compared with 2004. SalMar has purchased less salmon from other farmers than we usually do at the start of the year, and this has contributed to a slight reduction in turnover, together with a lower level of processing activity.

Following a period in which the EU operated protective measures with quotas, a penalty toll was introduced from 27 April, which for SalMar was set at 16%. This led to a period with very high whole fish prices and problems in covering the toll in the market. This, among other things, affected the level of processing activity and profitability. The penalty toll has now been replaced by a minimum price arrangement which is the same for all producers until 22 January 2006. The arrangement is better than a penalty toll and gives a breathing space for the industry until it is possible to establish long-term solutions with the EU, which we regard as our home market.

The level of activity and profitability in the group has been better so far this year than at the same stage last year.

**Application of the profit**

The board proposes that the company's profit of NOK 3.0 million is added to equity capital.

The company is not able to distribute a dividend as equity is less than 10% of the company's total capital

Frøya 31 December 2004  
Frøya, 22 June 2005

Gustav Witzøe	Bjorn Flatgård	John Thoresen
Chairman	Board member	Board member

Endre Kolbjørnsen	Bjorn Ivan Espenes	Leif Inge Nordhammer
Board member	Board member	Managing Director

Annual Accounts 2004		SalMar	
<b>Profit and Loss Account 2004</b>			
OPERATING INCOME AND OPERATING COSTS	Note	2004	2003
<b>Operating income</b>			
Sales income		13 091 880	14 369 000
Other operating income		877 465	0
Total operating income		13 969 345	14 369 000
<b>Operating costs</b>			
Wage costs	1	7 958 721	7 601 753
Depreciation on fixed assets	2	395 503	464 469
Other operating costs		4 959 533	5 842 820
Total operating costs		13 313 756	13 909 041
<b>OPERATING RESULT</b>		<b>655 589</b>	<b>459 959</b>
<b>FINANCIAL INCOME AND FINANCIAL COSTS</b>			
<b>Financial income</b>			
Income on investments and subsidiaries		25 386 785	44 864 465
Interest income from companies in same group		6 138 000	12 050 000
Other interest income		63 973	77 782
Other financial income		268 096	232 096
Total financial income		31 856 854	57 224 343
<b>Financial costs</b>			
Change in value of market-based financial assets		(488 474)	3 437 136
Write-down of financial fixed assets		0	25 852 390
Interest cost to companies in same group		1 616 000	2 093 100
Other interest costs		17 276 219	31 552 100
Other financial costs		105 450	108 850
Total financial costs		18 509 194	63 023 576
<b>NET FINANCIAL ITEMS</b>		<b>13 347 660</b>	<b>(5 799 233)</b>
<b>ORDINARY RESULT BEFORE TAX</b>		<b>14 003 249</b>	<b>(5 339 275)</b>
<b>Tax on ordinary result</b>			
Tax on ordinary result	3	10 962 407	(609 419)
<b>ORDINARY RESULT</b>		<b>3 040 842</b>	<b>(4 729 856)</b>
<b>ANNUAL RESULT</b>		<b>3 040 842</b>	<b>(4 729 856)</b>
<b>TRANSFERS</b>			
Transfers to other equity		3 040 842	(4 729 856)
TOTAL TRANSFERS		3 040 842	(4 729 856)
<b>Balance Sheet as at 31.12. 2004</b>			
ASSETS	Note	31.12.2004	31.12.2003
<b>FIXED ASSETS</b>			
Intangible assets			
Deferred tax receivable	3	0	8 212 936
<b>Long-term operating assets</b>			
Land, buildings and other real estate		540 833	590 833
Machinery and plant		390 000	455 000
Vessels, rigs, aircraft and similar	2	210 000	489 000
Chattels, fittings, tools, office machinery	2	402 800	600 400
<b>Financial fixed assets</b>			
Investments in subsidiaries	4	1 07 826 762	102 811 580
Investments in companies in same group	5	3 000 000	3 000 000
Investments in associated companies	6	284 020 046	290 550 046
Loans to associated companies		6 970 680	4 900 000
Investments in shares and interests	7	203 410	203 410
Bonds and other receivables	8,9	3 220 686	3 142 730
<b>TOTAL FIXED ASSETS</b>		<b>406 785 218</b>	<b>414 955 936</b>
<b>CURRENT ASSETS</b>			
Customer receivables		49 324	18 600
Other receivables		34 529 567	64 606 762
Market-based shares	10	16 353 832	13 812 020
Bank deposits, cash etc	11	17 375 908	37 881 018
<b>TOTAL CURRENT ASSETS</b>		<b>68 308 631</b>	<b>116 318 401</b>
<b>TOTAL ASSETS</b>		<b>475 093 849</b>	<b>531 274 336</b>

Annual Accounts 2004	SalMar	Annual Accounts 2004	SalMar
<b>Balance Sheet as at 31.12. 2004</b>		<b>Profit and Loss Account 2004</b>	
<b>EQUITY CAPITAL AND LIABILITIES</b>	Note	31.12.2004	01.01.2004
<b>Equity capital</b>			
<b>Paid-in equity capital</b>			
Share capital	12,13	1 000 000	1 000 000
Other paid-in equity capital	13	2 066 287	2 066 287
Total paid-in equity capital		3 066 287	3 066 287
<b>Earned equity capital</b>			
Other equity capital	13	24 796 574	21 755 732
Total earned equity capital		24 796 574	21 755 732
<b>TOTAL EQUITY CAPITAL</b>		<b>27 862 861</b>	<b>24 822 019</b>
<b>Liabilities</b>			
<b>Provisions for liabilities</b>			
Deferred tax	3	803 071	0
Total provisions for liabilities		803 071	0
<b>Other long-term liabilities</b>			
Other long-term liabilities	14	439 088 077	500 182 745
Total other long-term liabilities		439 088 077	500 182 745
<b>Other short term debt</b>			
Short-term debt	3	7 339 840	6 269 572
Total other short-term debt		7 339 840	6 269 572
<b>TOTAL EQUITY CAPITAL AND LIABILITIES</b>		<b>475 093 849</b>	<b>531 274 336</b>
Kvæva, 13 May 2005			
Gustav Witzøe Chairman	John Thoresen Board member	Bjørn Flatgård Board member	
Endre Kolbjørnsen Board member	Bjorn Ivan Espenes Board member	Leif Inge Nordhammer Managing Director	
<b>OPERATING INCOME AND OPERATING COSTS</b>		<b>SalMar Group</b>	
<b>Operating income</b>	Note	31.12.2004	01.01.2004
Sales income		784 173 378	563 547 609
Other operating income		6 755 919	4 969 761
Total operating income		790 929 297	568 517 370
<b>Operating costs</b>			
Purchase of goods and materials		431 177 002	327 280 215
Change in inventories		17 847 358	-22 537 922
Wage costs	2	119 840 308	103 689 990
Depreciation on long-term operating assets and intangible assets	3	23 507 989	19 162 600
Other operating costs		75 795 492	67 139 239
Total operating costs		668 168 149	494 734 122
<b>OPERATING RESULT</b>		<b>122 761 148</b>	<b>73 783 248</b>
<b>FINANCIAL INCOME AND FINANCIAL COSTS</b>			
<b>Financial income</b>			
Other interest income		455 984	239 497
Gain on investment in associated companies, net	8	4 783 831	
Other financial income		4 792 357	2 576 311
Total financial income		10 032 172	2 815 808
<b>Financial costs</b>			
Interest costs parent company		1 991 632	2 093 103
Loss on investments in associated companies, net		7 448 370	7 448 370
Other interest costs		20 632 253	31 707 125
Other financial costs		22 623 885	3 437 136
Total financial costs		22 623 885	44 685 734
<b>NET FINANCIAL ITEMS</b>		<b>-12 591 713</b>	<b>-41 869 926</b>
<b>RESULT BEFORE TAX</b>		<b>110 169 436</b>	<b>31 913 322</b>
Tax on ordinary result	4	2 693 001	1 168 072
<b>ANNUAL RESULT</b>		<b>83 476 435</b>	<b>20 745 250</b>
Minority's share of result		-120 021	-234 119
Allocated to dividend			
Transferred to group reserve		83 356 414	20 979 369

Annual Accounts 2004 – SalMar		Annual Accounts 2004 – SalMar	
<b>Balance Sheet as at 31.12. 2004 SalMar Group</b>			
<b>ASSETS</b>	Note		01.01.2004
<b>Fixed assets</b>			
Licences and other intangible assets	3	212 476 175	172 783 099
Goodwill	3	5 823 260	5 403 904
Land, buildings and other real estate	3	26 738 782	27 605 913
Machinery and plant	3	94 542 108	73 689 172
Ships and other vehicles	3	6 906 900	3 983 481
Shares in parent company	9	3 000 000	3 000 000
Other shares	8	292 863 146	291 859 742
Other receivables	7	20 859 514	11 522 209
<b>Total fixed assets</b>		<b>663 209 885</b>	<b>589 847 520</b>
<b>Current assets</b>			
Goods	5	279 845 865	282 610 424
Customer receivables		60 222 149	40 138 856
Other receivables		9 205 096	22 781 180
Market-based shares	6	16 353 832	13 812 020
Bank deposits, cash and similar	10	8 140 335	3 897 178
<b>Total current assets</b>		<b>373 767 277</b>	<b>363 239 658</b>
<b>TOTAL ASSETS</b>		<b>1 036 977 162</b>	<b>953 087 178</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Equity</b>			
Share capital	11	1 000 000	1 000 000
Group reserve	13	205 057 461	144 120 068
Minority interests	13	1 771 930	1 651 909
<b>Total equity</b>		<b>207 829 391</b>	<b>146 771 977</b>
<b>Long-term liabilities</b>			
Deferred tax	4	91 792 609	69 846 690
Debt to credit institutions	12	393 995 573	425 031 882
Debt to parent company		32 960 891	41 349 439
Other long-term liabilities	12	63 855 241	34 522 530
<b>Total long-term liabilities</b>		<b>582 604 314</b>	<b>570 750 541</b>
<b>Short-term liabilities</b>			
Debt to credit institutions	12	72 269 106	88 049 767
Due to suppliers		91 822 210	94 657 683
Tax payable	4	2 867 096	1 904 842
Group contributions	13	32 446 171	27 583 000
Other short-term liabilities		47 138 875	23 369 368
<b>Total other short-term liabilities</b>		<b>246 543 458</b>	<b>235 564 660</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1 036 977 162</b>	<b>953 087 178</b>
Gustav Witzøe Chairman		Bjørn Flaigård Board member	
Endre Kolbjørnsen Board member		John Thoresen Board member	
		Bjørn Ivan Espenes Board member	
		Leif Inge Nordhammer Managing Director	

**Notes 2004**

**Accounting principles:**  
The annual accounts have been prepared in accordance with the Accounting Act and good accounting practice. The company has also followed relevant provisions of the Norwegian Accounting Standards prepared by the Norwegian Accounting Foundation.

**Operating Income**  
Income on the sale of goods is recognised at the time of delivery. Services are posted to income as they are delivered.

**Current assets and short-term liabilities**  
Current assets and short-term liabilities normally include items that fall due for payment within one year of the last day of the accounting year, together with items related to the stock cycle. Current assets are valued at the lower of acquisition value and estimated fair value (lowest value principle).

**Fixed assets and long-term liabilities**  
Fixed assets include assets intended for long-term ownership and use by the business. Fixed assets are valued at acquisition cost. Long-term operating assets are entered in the balance sheet and depreciated over the asset's expected economic life. Long-term operating assets are written down to fair value in the event of a fall in value that is not expected to be temporary. Write-downs are reversed when the basis for the write-down is no longer considered to be present.

**Shares**  
Shares and interests are valued at cost price, apart from market-based shares that are valued at the day's rate. Shares owned over 50% are classified as subsidiaries. Shares owned between 20% and 50% are classified as associated companies.

**Receivables**  
Receivables from customers and other receivables are entered in the balance sheet at par value after a deduction for a provision for estimated losses. The provision for estimated losses is made on the basis of an individual assessment of the respective receivables. In addition, an unspecified provision is made to cover estimated losses on other customer receivables.

Other receivables are also subject to a corresponding assessment.

**Tax**  
The tax charge in the profit and loss account covers tax payable for the period which is assessed and falls due for payment in the next accounting year in addition to the change in deferred tax. Deferred tax is calculated at the tax rate at the end of the accounting year (28%) on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values. Also included in the calculation is the tax loss carried forward at the end of the accounting year. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net.

**Pension liabilities**  
Pension costs and pension liabilities are calculated on the basis of linear earning, based on the expected final salary. The calculation is based on a number of assumptions, including the discount rate, future salary adjustments, pensions and benefits from state social security, the future return on pension funds and actuarial assumptions as to mortality and voluntary departures. Pension funds are valued at fair value and deducted from net pension liabilities in the balance sheet. The change in the liability that is due to changes in pension plans is allocated over the expected remaining earnings period. Changes in the liability and pension funds that are due to changes in and differences in the calculation assumptions (estimate changes) are allocated over the expected average remaining earnings period.

**Group contributions**  
Group contributions received from subsidiaries are treated in the same manner as dividends received, ie the gross group contribution received is included under "Income from investment in subsidiaries;" under financial income. Group contributions made to subsidiaries are regarded as an increase in the capital that has been paid into the subsidiary. The book value of the shares in subsidiaries is increased by the net group contribution

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**Note 1: Information on employees and remuneration to employees and management etc**

Average number of employees in the accounting year was 11 people

Specification of salary costs	This year	Last year
Salary	7 018 626	6 963 857
Employment tax	523 261	525 686
Pension costs	311 117	303 903
Other salary-related benefits	105 717	-191 693
<b>Total</b>	<b>7 958 721</b>	<b>7 601 753</b>

**Tax grants**

In 2004 the company received approval from the Norwegian Research Council for a research and development project which gives the company the right to require a deduction from tax for costs on the approved research and development project. The total research and development costs are NOK 4 671 645. The company has a right to a deduction for 18% of a maximum of NOK 4 000 000, which gives NOK 720 000.

The tax deduction has been treated for accounting purposes in line with NAS 4 – Government grants. The costs of research and development have been expensed. The tax deduction thus relates to the relevant operating costs and has been treated as a cost refund. The amount has been entered as a short-term receivable from the tax authorities.

**Remuneration to senior management and auditor**

Managing Director	974 860
Board members	390 000
Audit fees	145 000
Other remuneration to auditor	234 000

**Note 2: Depreciation of long-term operating assets****Depreciation table for long term operating assets**

	Chateaux, fittings etc	Land, buildings and other real estate	Ships, rigs, aircraft and similar	Machinery and plant	Total
Acquisition cost as at 1/1	1 306 244	825 893	1 460 384	650 000	4 251 521
+ additions	0	0	237 903	0	237 903
- disposals	290 303	285 060	1 469 384	0	2 044 747
Acquisition cost as at 31.12	1 015 940	540 833	237 903	650 000	2 444 677
Accumulated depreciation / write-downs as at 1/1	705 844	235 060	980 384	195 000	2 116 287
+ ordinary depreciation	197 600	0	132 903	65 000	395 503
+ depreciation of revaluation	0	0	0	0	0
- reversed depreciation	290 303	235 060	1 085 384	0	1 610 747
+ extraordinary write-downs	0	0	0	0	0
accumulated depreciation / write-downs at 31.12	613 140	0	27 903	260 000	901 043
Balance sheet value at 31.12	402 800	540 833	210 000	390 000	1 543 633
Percentage rate for ordinary depreciation	1-20	1-10	14-20	10-10	

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**Note 3 – Tax****Specification of the year's tax base:**

Result before tax	14 003 249
+ permanent and other differences	-36 421 761
+ change in temporary differences	254 086
+ group contributions received (share which is to be taxed)	25 386 785
= income before application of loss carried forward	3 222 359
- application of tax loss carried forward	2 259 700
= income	<b>962 659</b>

**Specification of the year's tax charge:**

Estimated tax on the year's result	269 544
- credit carried forward for share dividends from previous years	269 544
= total tax payable	0
+ refund tax under the Taxes Act Section 16-40	1 418 178
+ insufficient provision for refund earlier	528 221
+ change in deferred tax (booked)	803 071
+ change in deferred tax receivable (receivable)	8 212 936
= ordinary tax charge	<b>10 962 407</b>

**Tax rate 31.12**

28

**Tax payable in the balance sheet consists of**

1 802 782

Refund tax under the Taxes Act Section 16-30  
(The amount is included under other short-term debt)

**Deferred tax / deferred tax receivable**

	2003	2004
+ operating assets including goodwill	1 228 114	1 007 527
+ gains and losses account	1 372 759	1 592 970
+ pension premiums / liabilities	521 324	177 614
+ shares and other securities	-9 765 034	0
- tax loss carried forward which is set off	2 259 700	0
- unutilised credit converted to negative difference	962 654	0
+ other differences	-9 657 424	0
= basis for deferred tax	-19 522 615	2 868 111
<b>Deferred tax</b>	<b>0</b>	<b>803 071</b>

Negative basis deferred tax	19 522 615	0
= basis for deferred tax receivable	19 522 615	0
<b>Deferred tax receivable</b>	<b>8 212 936</b>	<b>0</b>

**Note 4 – Subsidiaries and intra-group items**

The subsidiaries are booked in the accounts using the cost method.  
The company has the following subsidiaries.

Subsidiary	Interest %	Voting %	Annual Result	Book equity 31.12	Total assets
Follaaslett AS	100%	100%	7 179 441	19 233 659	20 100 000
SalMar Farming AS	100%	100%	42 592 013	187 373 218	81 402 492
SalMar Processing AS	100%	100%	34 481 411	13 820 618	1 309 088
Asstamm AS	100%	100%	1 245 799	5 301 429	5 015 182
<b>Total</b>				<b>311 12</b>	<b>107 826 762</b>

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Receivables and liabilities to group companies are included in the following amounts in the accounting entries:

	As at 31.12	As at 01.01
<b>Receivables</b>		
The year's group contributions received	25 386 785	45 889 308
Other short-term receivables	1 278 386	6 310 363
<b>Total receivables</b>	<b>26 665 171</b>	<b>52 199 671</b>
<b>Liabilities</b>		
The year's group contributions made	0	1 000 000
Other long-term liabilities	37 919 121	54 221 749
<b>Total liabilities</b>	<b>37 919 121</b>	<b>55 221 749</b>

**Note 5 – Shares in parent company**

At the extraordinary general meeting of SalMar AS on 21.12.1999, the board was authorised to purchase up to 10% of the shares in the parent company, Kverva Holding AS.

On 27.12.1999 SalMar AS purchased 5 shares (10%) in Kverva Holding AS for NOK 600 000 per share for an aggregate amount of NOK 3 000 000.

The background to the purchase is to position the group in connection with possible future acquisitions.

**Note 6 – Investment in associated companies**

The specification contains all shares where the interest is above 20% or the investment amounts to more than 50% of the equity under the closing balance sheet this year in our accounts.

Company / office	Interest / voting rights	Balance sheet value	Annual result	Book equity 31.12
Froyfisk AS	34%	68 000	3 404 671	15 787 896
Froyhav AS	34%	305 390	1 408	1 095 122
Ulthaug Laksestakeri AS	47%	1 410 000	699 400	3 909 295
Senja Sjøferm AS	49.05%	111 650 000	-16 378 738	-25 562 601
Egersund Fisk AS	26.81%	20 000 000	5 587 825	98 818 153
Norskott AS	50%	162 786 596	18 849 000	334 257 000
Egersund Fiskinvestering AS	34%	252 450	33 613	1 322 572
Greitvedt Pelagic AS	49%	8 500 000	3 724 590	7 711 353
<b>Total balance sheet value</b>		<b>309 872 436</b>		

**Note 7 – Shares in other companies**

The specification contains all shares where the interest is more than 20% this year in our accounts.

Company / office	Interest	Balance sheet value
Aqua Gen AS	0.19%	180 910
Havbruksfjensesten AS	5.88%	10 000
Hftra Froyva Fagstlandsband AS		2 500
Froyva Flyplass DA		10 000
<b>Total balance sheet value</b>		<b>203 410</b>

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**Note 8 – Receivables with a maturity over 1 year**

	This year	Last year
Total receivables with a maturity later than one year after the balance sheet date	1 361 000	2 413 409

**Note 9 – Pension liabilities / funds**

The pension schemes give the right to defined future benefits. These are both dependent on a number of years' earnings, the salary level when the individual reaches pension age and the size of future benefits from state social security.

The liabilities are insured with an insurance company. Assumptions of an actuarial nature are based on the assumptions customarily used in this type of insurance and the preliminary Norwegian Accounting Standard on pension costs.

	This year	Last year
Number of employees covered by the pension scheme	12	11
Discount rate used in calculating the pension liability	6%	6%
Annual adjustment of pension (*)	2%	2%
Expected return of pension funds	7%	7%

Present value of year's pension earnings	290 624	280 018
Interest cost on pension liability	145 599	126 734
Expected return on pension funds	-138 275	-132 183
Administration costs	17 553	14 472
Employment tax	16 091	14 741
= Pension cost	<b>331 593</b>	<b>303 782</b>
Earned pension liabilities as at 31.12	-2 862 881	-2 518 988
- pension funds at 31.12 (market value)	2 128 678	2 026 697
+ employment tax	-37 444	-25 107
= Net pension liability at 31.12	<b>-771 647</b>	<b>-517 398</b>

Amortisation of estimate differences

	949 261	1 038 724
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**Capitalised net pension funds**

Average expected remaining service period	20.77	20.75
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**Note 10 – Market-based shares**

The company uses the market value principle in valuing investments in other companies.

	This year	Last year
Balance sheet value at 31.12	16 353 832	13 812 020
Acquisition cost at 31.12	9 400 239	7 382 088

**Note 11 – Restricted bank deposits**

Tax deduction deposits amount at 31.12 this year to NOK 275 600 and amounted at 31.12 last year to NOK 260 621.

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#### Note 12 – Share capital and shareholders

The company has 1,000 shares each of NOK 1,000 par value, and the aggregate share capital amounts to NOK 1,000,000. The company only has one share class.

**Shareholders name:**  
Kverva Holding AS

**Total shares:**  
1,000

The Managing Director, Leif Inge Nordhammer, indirectly owns 6.67% of the company through ownership in Kverva Holding AS. The Chairman, Gustav Witze, owns indirectly 88.89% through ownership in Kverva Holding AS. Board member Olav Klumgreseth owns indirectly 4.44% via ownership in Kverva Holding AS.

#### Note 13 – Change in equity

	Share capital	Other paid in equity	Other equity
Equity at 01.01	1 000 000	2 066 287	21 755 732
Application of result for the year			3 040 842
<b>Equity at 31.12</b>	<b>1 000 000</b>	<b>2 066 287</b>	<b>24 796 574</b>

#### Note 14 – Liabilities, mortgages and guarantee liabilities

Liability items with a maturity later than 5 years from the balance sheet date	Last year	This year
Debt to credit institutions	0	0
<b>Mortgage debt</b>		
Long-term debt	425 031 882	371 279 058
Debt to credit institutions	20 857 759	30 101 598
Debt to others		
<b>Total</b>	<b>445 889 641</b>	<b>401 380 456</b>

#### Mortgaged assets (balance sheet values):

Receivables	10 775 904
Operating assets	2 135 233
Shares	433 229 426
<b>Total mortgaged assets</b>	<b>446 140 563</b>

The assets are provided as security for overdraft debt in wholly-owned companies in the group. The limit on the overdraft facility is NOK 110 000 000 and net debt as at 31.12.2004 is NOK 27 542 115.

In connection with the financing of the subsidiary Scottish Sea Farms Ltd of the associated company Norskott Havbruk AS, SalMar AS has provided a guarantee to the lenders of GBP 5.0 million.

In connection with the financing of the associated company Grøntvedt Pelagie AS SalMar AS has provided an unconditional guarantee for a promissory note loan from the bank of NOK 10 million.

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#### Note 1: Accounting principles

##### Group accounting principles

The group accounts have been prepared in accordance with the Companies Act, the Accounting Act and good accounting practice. The company has followed relevant provisions of the Norwegian Accounting Standards prepared by the Norwegian Accounting Foundation.

##### Consolidation principles

The group accounts include companies where the parent company and subsidiaries directly or indirectly have controlling influence. The group accounts show the company's financial position, result of the year's activities and cash flows as a single economic entity. Controlling influence is regarded initially to exist with ownership directly or indirectly of more than 50% of the voting capital. Companies that are owned for a temporary period are not consolidated. Uniform accounting principles have been applied for all companies included in the group. Newly-acquired subsidiaries are included from the date that controlling influence is obtained, and disposed of subsidiaries are included until the time of disposal.

##### Elimination of internal transactions

All significant transactions and receivables between companies in the group have been eliminated.

##### Elimination of interests in subsidiaries

Interests in subsidiaries are eliminated in the group accounts using the purchase method. The difference between the cost price of the assets and the book value of net assets at the time of acquisition is analysed and attributed to the individual balance sheet items in relation to fair value. Any further additional price which is due to expectations as to future earnings is capitalised as goodwill and depreciated in the profit and loss account in line with the underlying conditions and expected economic lifetime.

##### Minority interests

The minority interests' share of the result after tax and equity is shown as separate items in the profit and loss account and balance sheet.

##### Treatment of associated companies

By associated company is meant a company where the group has an interest of 20-50%, where the investment is long-term and of a strategic nature and where the group can exercise significant influence. Associated companies are included using the equity method. The group's share of the result in an associated company is based on the result after tax in the associated company. In the profit and loss account the share of the result of the associated company is shown under financial items. In the balance sheet interests in associated companies are entered under fixed assets.

##### Operating income

Income is recognised on sales at the time of delivery. Services are posted to income as they are delivered.

##### Current assets and short-term liabilities

Current assets and short-term liabilities normally include items that fall due for payment within one year of the last day of the accounting year, together with items related to the stock cycle. Current assets are valued at the lower of acquisition value and estimated fair value (lowest value principle).

##### Fixed assets and long-term liabilities

Fixed assets include assets intended for long-term ownership and use by the business. Fixed assets are valued at acquisition cost. Long-term operating assets are entered in the balance sheet and depreciated over the asset's expected economic life. Long-term operating assets are written down to fair value, in the event of a fall in value that is not expected to be temporary.

Write-downs are reversed when the basis for the write-down is no longer considered to be present.

##### Shares

Market shares are valued at sale value. Other shares are valued at cost price.

##### Goods

The inventory of goods consists of feed, packaging, fry, living fish in the sea and processed fish. The inventory is valued at the lower of cost price and expected sale value. The cost price of fry, fish in the sea and processed fish is the full production cost (direct materials, direct wages plus a share of indirect production costs, including interest and depreciation).

##### Receivables

Receivables from customers and other receivables are entered in the balance sheet at par value after a deduction for a provision for estimated losses. The provision for estimated losses is made on the basis of an individual

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assessment of the respective receivables. In addition, an unspecified provision is made to cover estimated losses on other customer receivables. Other receivables are also subject to a corresponding assessment.

**Tax**

The tax charge in the profit and loss account covers tax payable for the period which is assessed and falls due for payment in the next accounting year in addition to the change in deferred tax. Deferred tax is calculated at the tax rate at the end of the accounting year (28%) on the basis of tax-reducing and tax-increasing temporary differences that exist between accounting and tax values. Tax-increasing and tax-reducing temporary differences that reverse or may reverse in the same period are set off and entered net.

**Pension liabilities**

Pension costs and pension liabilities are calculated on the basis of linear earning, based on the expected final salary. The calculation is based on a number of assumptions, including the discount rate, future salary adjustments, pensions and benefits from state social security, the future return on pension funds and actuarial assumptions as to mortality and voluntary departures. Pension funds are valued at fair value and deducted from net pension liabilities in the balance sheet. The change in the liability that is due to changes in pension plans is allocated over the expected remaining earnings period. Changes in the liability and pension funds that are due to changes in and differences in the calculation assumptions (estimate changes) are allocated over the expected average remaining earnings period.

**Financial leasing**

The company has changed the principle for accounting for lease agreements. In previous years all contracts have, as a result of materiality considerations, been treated as operational lease agreements. In 2004 the extent of lease contracts has increased and a new evaluation has been made of all agreements with regard to whether they should be classed as operational or financial. Financial lease agreements entered into before 2004 have been re-stated and capitalised from the date of the agreement. The implementation effect has been accounted for against the opening balance sheet 2004. Capitalised lease agreements have been included in the fixed assets note in a separate column. The remaining lease debt is classified under other long-term liabilities.

SalMar Marine AS has merged with SalMar Farming AS and SalMar Settefisk AS with Follasmolt AS with accounting effect from 01.01.04. Both companies are wholly-owned subsidiaries of SalMar AS and the merger has been accounted for using the continuity method.

**Comparative figures**

Comparative figures for the previous year's accounts are comparable. Pro forma profit and loss figures have not been prepared for the accounting year 2003, as a result of acquisitions in 2004, since these are not considered to have a material effect on the result figures for 2003.

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**The SalMar Group**

The SalMar Group has purchase the following companies in 2004:

- Krikøysfisk AS, formerly an associated company. Excess values identified in the purchase have been attributed to licences. The company has been consolidated with effect from 01.01.04.
- Flåtanger Aqua AS. Additional values identified on the purchase have been attributed to licences. The company has been consolidated with effect from 31.12.04.
- Astamarin AS. A additional values identified on the purchase have been attributed to goodwill. The company has been consolidated with effect from 31.12.04.

The group accounts consist of:

SalMar AS	Parent company
Follasmolt AS	100.0%
Langstein Fisk AS	60.0%
SalMar Farming AS	100.0%
Frosta Laksefarm AS	100.0%
Frosta Laksefarm Invest AS	91.8%
SalMar Processing AS	100.0%
Astamarin AS	100.0%
Krikøysfisk AS	100.0%
Flåtanger Akva AS	100.0%

**Note 2: Information on employees and remuneration to employees and management etc**

The average number of employees in the accounting year was 284 people

Specification of salary costs	This year	Last year
Salaries	107 646 602	94 827 987
Employment tax	6 867 763	6 108 872
Pension costs	1 857 819	1 227 779
Other salary-related benefits	3 414 123	1 525 352
<b>Total</b>	<b>119 786 307</b>	<b>103 689 990</b>

**Tax grant**

In 2004 the company received approval from the Norwegian Research Council for a research and development project which gives the company the right to require a deduction from tax for costs on the approved research and development project. The total research and development costs are NOK 22 123 763. The company has a right to a deduction for 18% of a maximum of NOK 4 000 000 per company, which gives NOK 2 880 000.

The tax deduction has been treated for accounting purposes in line with NAS 4 Government grants. The costs of research and development have been expensed. The tax deduction thus relates to the relevant operating costs and has been treated as a cost refund. The amount has been entered as a short-term receivable from the tax authorities.

Remuneration to senior management and auditor	Remuneration	and other benefits
Salary to Managing Director	974 860	
Board fees	390 000	
Audit fees	507 800	
Advice	360 000	

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**Note 3: Depreciation table for long-term operating assets**

	Licenses and other intangible assets	Goodwill	Ships and other vehicles	Machinery, operating equipment, fittings and similar	Leasing	Buildings	Total
Acquisition cost at 01.01	183 705 710	21 630 974	15 482 348	159 947 653	15 552 767	49 398 251	445 717 703
Additions	39 693 076	2 582 453	4 632 900	28 182 976	16 751 252	2 431 120	94 273 777
Disposals			1 746 752	24 315 107		707 323	26 769 182
Acquisition cost at 31.12	223 398 786	24 213 427	18 368 496	163 815 522	32 304 019	51 122 048	513 222 298
Accumulated depreciation 01.01	10 922 611	16 227 070	11 498 867	100 698 477	1 891 767	21 792 338	163 031 130
+ ordinary depreciation		2 163 097	1 162 171	14 903 481	2 453 252	2 825 988	23 507 989
Reversed depreciation			1 199 442	18 369 544		238 060	19 804 046
Accumulated depreciation 31.12	10 922 611	18 390 167	11 461 596	97 232 414	4 345 019	24 383 266	166 735 363
Book value 31.12	212 476 175	5 823 260	6 906 900	66 583 108	27 959 000	26 738 782	346 487 225
Percentage rate for depreciation	0	10	10-20	10-33	6-20	5-20	

Goodwill consists of additional value for rights and established production capacity at the smolt facilities. This additional value is considered to continue for 10 years and is therefore depreciated annually by 10%.

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**Pension liabilities / funds**

The pension schemes give the right to defined future benefits. These are dependent on the number of years' earnings, the salary level when the individual reaches pension age and the size of future benefits from state social security.

The liabilities are insured through an insurance company.

Assumptions of an actuarial nature are based on assumptions normally used in this type of insurance and the preliminary Norwegian Accounting Standard on pension costs.

	2004	2003
Present value of year's pension earnings	2 377 989	1 608 060
Interest cost on pension liability	1 028 745	743 912
Expected return on pension funds	1 255 065	1 147 738
Employment tax	117 879	68 336
Administration costs	159 691	135 677
<b>Net pension cost</b>	<b>2 429 239</b>	<b>1 408 247</b>
Present value of future pension liability	20 456 312	14 689 894
Pension funds	19 052 707	17 551 327
Employment tax	71 584	145 934
<b>Net pension liability</b>	<b>1 475 189</b>	<b>3 007 367</b>
Result of changes in principle		
Unamortized estimate differences	5 637 279	3 710 582
<b>Outgoing balance, net</b>	<b>4 162 090</b>	<b>6 717 949</b>

**Economic assumptions**

Discount rate	6%	6%
Expected return on pension funds	7%	7%
Salary adjustment	2%	2%
Turnover	1%	1%

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**Note 4 – Tax**

**The year's tax charge**

	2004	2003
Tax payable	0	102 060
Change in deferred tax	25 789 445	11 255 617
Refund tax	1 946 339	153 351
Tax effect group contributions made	3 782 423	0
Tax in acquired group companies up to acquisition date	-993 271	0
Non-capitalised deferred tax receivable posted to result	-2 263 995	0
Tax effect group contributions received	0	-286 956
Tax charge on ordinary result	28 261 001	11 511 028
Assessed tax on internal profits	-1 568 000	-56 000
Tax charge on ordinary result in the group	26 693 001	11 168 072
<b>Tax payable in balance sheet:</b>	<b>2004</b>	<b>2003</b>
Tax payable on the result for the year	0	102 060
Tax refund	2 870 960	1 802 782
Excess paid in previous years		0
Total tax payable in balance sheet	2 870 960	1 904 842

**The tax effect of temporary differences and the loss carried forward that has given rise to deferred tax and deferred tax receivables specified by types of temporary differences:**

	Proforma 2003	2004	Change
<b>Deferred tax in balance sheet</b>			
Operating assets including business value	102 334 777	65 088 797	
Inventory	292 060 887	263 591 430	
Customer receivables	-1 500 000	-1 500 000	
Leasing assets and leasing debt	1 236 316	4 205 157	
Gains and losses account	-66 384	441 655	
Other provisions for liabilities	-67 000	-40 000	
Pension liabilities	6 713 161	4 162 089	
Shares and other securities (exemption method)	-38 103 731	0	
Loss carried forward	-1 160 808	-1 318 377	
Credit utilised	-1 527 320	0	
Unutilised adjustment income	242 525 591	334 630 751	
Basis for calculation of deferred tax			
Tax rate used	28%	28%	
Deferred tax	67 907 165	93 696 610	25 789 445
Deferred tax in companies acquired during the year	2 275 525		
Principle change leased operating assets	-206 144		
Tax on internal gain on sale of goods	-336 000		
<b>Total deferred tax in group balance sheet</b>	<b>69 640 546</b>	<b>91 792 609</b>	

The SalMar group has an ongoing dispute relating to the tax depreciation right on goodwill/licenses, together with the right to carry forward a tax loss in connection with mergers of companies in the group. Legal proceedings have now been commenced in these cases. This will not involve a result effect for the group additional to what might be related to penalty tax and additional interest.

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**Note 5: Inventories**

Inventories consist of the following:

	2004	2003
Raw materials	8 735 900	12 771 097
Goods in production	257 444 873	263 663 054
Finished goods	13 665 090	6 176 273
<b>Total</b>	<b>279 845 863</b>	<b>282 610 424</b>

**Note 6: Market-based shares**

The company uses the market value principle in valuing investments in other companies.

	This year	Last year
Balance sheet value 31.12	16 353 832	13 812 020
Acquisition cost 31.12	9 400 239	7 382 088

**Note 7: Receivables with a maturity over 1 year**

Total receivables with a maturity later than one year after the balance sheet date

This year	Last year
2 480 000	4 080 935

**Note 8: Shares in associated and other companies**

	2004	2003
Uhang Lakshalehi	47,00%	47,00%
Sema Spharm	49,05%	49,05%
Egersund Fisk	26,81%	26,81%
Norskun	50,00%	50,00%
Egersund Fiskinvestering	34,00%	34,00%
Comvohol Norge	49,14%	49,14%
Total	15 921 769	15 921 769

**Specification of additional value and depreciation as at 31.12.04**

Value adjusted previous years as at 01.01.2004	-27 075 774
Value correction Norskot directly against equity	-57 500
Value correction Frøyfisk on merger Provisoria	70 193
Result share Astamarin transition to subsidiary 31.12.04)	-354 460
Depreciation excess values Astamarin	-396 411
Reversed accumulated results and other adjustment Astamarin and Kråkøyfisk	4 743 018
Depreciation excess values remaining companies	-682 600
Share of result remaining companies	6 217 302
	-17 556 232
Book value shares in associated companies	292 336 204
Book value shares in other companies	526 942
Total financial fixed assets	292 863 146

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**Note 9: Shares in parent company**

SalMar owns 10,000 shares (3.33%) in Kverva Holding AS.

**Note 10: Restricted bank deposits**

Restricted bank deposits relate to tax deduction deposits and amount at 31.12.2004 to NOK 4 102 204.

**Note 11: Share capital and shareholders**

The company has 1,000 shares, each of NOK 1,000 par value, giving a total share capital of NOK 1 000 000. The company has only one share class. All shares are owned by Kverva Holding AS.

The Managing Director Leif Inge Nordhammer owns indirectly 6.67% of the company through ownership in Kverva Holding AS. The chairman, Gustav Witze, owns indirectly 88.89% through ownership in Kverva Holding AS.

**Note 12: Liabilities, mortgages and guarantee liability**

Debt items with a maturity later than 5 years from the balance sheet date:

Debt to credit institutions	2004	2003
	0	0
<b>Secured debt:</b>		
Long-term debt	393 995 573	425 031 882
Other long-term debt	40 000 000	20 857 759
Short-term debt		
Debt to credit institutions	72 269 106	88 049 767
<b>Total debt secured by mortgages</b>	<b>506 264 679</b>	<b>533 939 408</b>
<b>Mortgaged assets (balance sheet values):</b>		
Receivables	90 286 759	74 442 245
Inventory	279 845 865	282 610 424
Operating assets	128 187 790	90 877 566
Shares	292 863 146	305 671 762
<b>Total mortgaged assets:</b>	<b>791 183 560</b>	<b>753 601 997</b>

Leasing debt totals NOK 23 753 840 of other long-term debt in the balance sheet. The remaining lease period is 3-5 years.

Assets are provided as security for overdraft debt in wholly-owned companies in the group. The limit on the overdraft from the main bank relationship is NOK 110 million, and net debt at 31.12.2004 is NOK 27 542 115.

In connection with the financing of the subsidiary Scottish Seafarms Ltd of the associated company Norskott Habrik AS, SalMar AS has provided a guarantee to the lenders totalling GBP 5.0 million.

In connection with the financing of the associated company Grøntvedt Pelagic AS, SalMar AS has provided an unconditional guarantee for a promissory note loan from the bank of NOK 10 million.

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**Note 13: Equity capital movements 2004**

As at 31.12.03	Share capital	Group reserve	Minority	Total
Provided from the result 2004	1 000 000	143 589 983	1 651 909	146 241 892
Gain on staged purchase of shares in subsidiary		83 356 414	120 021	83 476 435
Group contributions made		6 175 943	0	6 175 943
Change in principle financial lease agreements		(28 661 643)		(28 661 643)
Conversion difference		530 085		530 085
Other equity transactions in associated companies		(57 500)		(57 500)
		124 179		124 179
<b>Group capital 31.12.2004</b>	<b>1 000 000</b>	<b>205 057 461</b>	<b>1 771 930</b>	<b>207 829 391</b>

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**Cash flow analysis**

	2004	2003
<b>Cash flow from operations :</b>		
Result before tax	14 003 249	-5 339 275
Tax paid for the period	-878 222	0
Losses/Gains on the sale of fixed assets	-877 465	0
Ordinary depreciation	395 503	464 469
Write-downs of fixed assets	6 530 000	25 852 390
Value adjustment market shares	-523 661	-6 262 079
Group contributions and dividends posted to income	-25 386 85	-44 864 465
Change in receivables from customers	-30 724	295
Change in debt to suppliers	481 189	629 956
Change in pension allocations	342 710	183 603
Change in other accruals	4 063 597	-2 423 126
<b>Net cash flow from operations</b>	<b>-1 879 609</b>	<b>-31 758 232</b>
<b>Cash flow from investments :</b>		
Payments on purchase of operating assets	-237 903	-176 469
Receipts on sale of operating assets	1 311 465	0
Payments on purchase of shares and interests	-7 033 333	0
Receipts on sale of shares	0	5 580 015
<b>Net cash flow from investment activities</b>	<b>-5 959 771</b>	<b>5 403 546</b>
<b>Cash flow from financing activities :</b>		
Payments on repayment of long-term debt	-61 094 668	-26 534 765
Change in short-term and long-term receivables	2 539 630	-8 122 139
Receipts of group contributions	45 889 308	1 845 000
Payments of group contributions	0	-1 000 000
<b>Net cash flow from financing</b>	<b>-12 665 730</b>	<b>-33 811 904</b>
Net change in liquid assets	-20 505 110	-60 166 590
Liquid assets 01.01	37 881 018	98 047 608
<b>Liquid assets 31.12</b>	<b>17 375 908</b>	<b>37 881 018</b>
<b>Liquid assets are made up as follows:</b>		
Cash and bank deposits at 31.12	17 100 308	37 620 397
Tax deduction funds etc at 31.12	275 600	260 621
<b>Liquid assets at 31.12</b>	<b>17 375 908</b>	<b>37 881 018</b>

Annual Accounts 2004 SalMar

**Cash flow analysis**

	2005	2004
<b>Cash flow from operations :</b>		
Result before tax	110 169 436	31 913 322
Tax paid for the period	-984 145	-1 156 470
Ordinary depreciation	23 507 989	19 162 600
Gain on sale of fixed assets	-313 852	-1 345 010
Loss on sale of fixed assets	505	0
Share of result and adjustment from associated companies	-1 003 404	13 128 385
Losses / gain on acquisition / disposal subsidiaries	6 175 943	0
Value adjustment market shares	-523 661	-6 262 079
Change in stocks	2 764 559	-32 738 762
Change in customer receivables	-20 083 293	-4 655 184
Change in debt to suppliers	-2 835 473	29 251 589
Change in other accruals	25 599 026	2 463 587
<b>Net cash flow from operations</b>	<b>142 473 630</b>	<b>49 761 978</b>
<b>Cash flows from investment activities :</b>		
Receipts on sale of operating assets	7 278 483	4 808 000
Payments on purchase of operating assets	-94 273 777	-14 106 344
Net receipts/payments on trading in market based shares	-2 018 151	0
<b>Net cash flow from investment activities</b>	<b>-89 013 445</b>	<b>-9 298 344</b>
<b>Cash flow from financing activities :</b>		
Group contributions received	0	1 845 000
Group contributions paid	-27 583 000	0
Change in short-term and long-term receivables	4 238 779	- 8320 982
Change in long-term debt	-10 092 146	-26 631 698
Change in overdraft	-15 780 661	-6 998 372
<b>Net cash flow from financing activities</b>	<b>-49 217 028</b>	<b>-40 106 052</b>
Net change in liquid assets	4 243 157	357 582
Liquid assets at start of period	3 897 178	3 539 596
<b>Liquid assets at end of period</b>	<b>8 140 335</b>	<b>3 897 178</b>



## To the Annual Shareholders' Meeting of SalMar AS

## Systemrevisjon AS

Statsautoriserte revisorer

Lerkendal Stadion  
Klæbuveien 125  
7031 Trondheim  
Telefon 73 96 04 00  
Telefaks 73 96 04 01  
E-post [systemrevisjon@systemrevisjon.no](mailto:systemrevisjon@systemrevisjon.no)  
Internett [www.systemrevisjon.no](http://www.systemrevisjon.no)  
Org.nr. 929 202 163

### AUDITOR'S REPORT FOR 2004

Medlemmer av Den norske Revisorforening

We have audited the annual financial statements of SalMar AS as of 31 December 2004, showing a profit of NOK 3 040 842 for the parent company and a profit of NOK 83 476 435 for the group. We have also audited the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the parent company's financial statements and the group accounts. The parent company's financial statements comprise the balance sheet, the statements of income, cash flows and the accompanying notes. The group accounts comprise the balance sheet, the statements of income, cash flows and the accompanying notes. The rules of the Norwegian accounting act and good accounting practice in Norway have been applied to produce the financial statements. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on the other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company and of the Group as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, in accordance with good accounting practice in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Trondheim, 22 June 2005  
**SYSTEMREVISJON AS**

Ingebrigt Eidsmo  
State Authorised Public Accountant (Norway)

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

## Appendix 6: Subscription form Retail Offering

### Subscription Form – Retail Offering SalMar ASA

First Securities ASA, fax no: +47 23 23 80 11

**TRANSACTION:** SalMar (the “Company”) is offering a total of up to 3,000,000 shares at a price of NOK 39 (the “Subscription Price”) per share each with a par value of NOK 0.25 (the “Offer Shares”) in connection with its listing on Oslo Børs and initial public offering on the terms and conditions set out in the prospectus dated 17 April 2007 (the “Prospectus”) (hereinafter referred to as the “Offering”). The Company has appointed First Securities ASA as manager (the “Manager”) for the Offering.

**SUBSCRIPTION PERIOD AND SUBSCRIPTION OFFICE:** The Subscription Period will be from 19 April to 16:30 (Norwegian time) on 26 April 2007, subject to extension as set out in the Prospectus. The Subscription Form must be properly executed and delivered by mail or fax to: First Securities ASA, Fjordalléen 16, Aker Brygge, P.O. Box 1441 Vika, NO-0115 Oslo, Norway, [www.first.no](http://www.first.no), facsimile: + 47 23 23 80 11, telephone: +47 23 23 80 00 **no later than at 16:30 (Norwegian time) on 26 April 2007**, in order to be valid and binding. The subscriber bears the risk of any delay in the postal communication, busy facsimiles or data problems preventing orders from being received by the Manager.

**IMPORTANT INFORMATION:** This subscription is made on the basis of the information and the terms set forth in the Prospectus and this Subscription Form. The subscriber confirms by signing this Subscription Form to have received and duly reviewed the Prospectus.

**OFFER PRICE:** The Offer Price is NOK 39 per Offer Share.

**MINIMUM SUBSCRIPTION:** The minimum subscription in the Retail Offering is 400 Shares, corresponding to two round lots.

**ALLOCATION:** Allocation will be made on a pro-rata basis using the VPS automated standard allocation procedure. The minimum allocation will be 400 Offer Shares (two round lots). In case of over-subscription, allotments will be made as set out in the Prospectus. Notifications of allotments will be issued on or about 30 April 2007.

**PAYMENT, DELIVERY AND TRADING:** The subscriber hereby grants the Manager a one-time authorisation to debit a specified bank account with a Norwegian bank for the amount (in NOK) payable for the Offer Shares allotted to the subscriber (the “Allocated Amount”) as specified below. The relevant Allocated Amount will be debited the subscriber’s specified bank account on or about 3 May 2007, and sufficient funds must be available on the said account from and including 1 May 2007. The Manager reserves the right to make up to three debits through May 2007 if there are insufficient funds in the account on the debiting date. Subscribers not having a Norwegian bank account must ensure that payment for their Offer Shares with cleared funds is made on or before 12:00 (Norwegian time) on 3 May 2007 and should contact the Manager in this respect. If the Allocated Amount is not received by the Manager when due, the Offer Shares will not be delivered to the subscriber. The Manager reserves the right to cancel the subscription and to re-allot or otherwise dispose of the allocated Shares, on such terms and in such a manner as the Manager may decide in accordance with Norwegian law. The subscriber will be liable for any loss, cost and expenses suffered or incurred by the Company and the Manager as a result of or in connection with such disposals. The subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued, and the Company and the Manager may enforce payment for any such amount outstanding. In the event of any delay in payment, interest will be charged at 10.50% p.a. on overdue amounts. Delivery of the Offer Shares is expected to take place on or about 8 May 2007. The first day of trading the Offer Shares is expected to be on or about 8 May 2007.

#### SPECIFICATION OF SUBSCRIPTION:

Subscriber’s VPS-account no <sup>(1)</sup>	No. of Shares subscribed for (minimum 400 shares):	(For official use: Serial no.)
	Amount to be paid per Share NOK 39	Total amount to be paid NOK

(1) The applicant must have a VPS account. Such an account can only be established by personal appearance with sufficient identification at a VPS book-entry agent or an authorised investment firm.

On the terms and conditions set forth in the Prospectus and this Subscription Form, I/we hereby irrevocably subscribe for the number of Offer Shares for the amount stated above.

I/We hereby give a one-time power of attorney to the Manager for the direct debit of my/our bank account with a Norwegian bank for payment of the aggregate Allocated Amount (no. of requested and allocated Offer Shares x NOK 39).

(Norwegian bank account no. 11 digits)

Subscription place and date

Binding signature. The subscriber must be of age.  
When signing per procura, documentation in form of company certificate or power of attorney must be enclosed.

#### DETAILS OF SUBSCRIBER (MUST BE COMPLETED)

Subscriber’s VPS account no.	<b>PLEASE NOTIFY THE REGISTRAR OF ANY CHANGES:</b>
Subscriber’s full name/Company name	
Street address etc.	
Postal code, city/state/country	
Organization number/Date of birth and national ID number (11 digits)	
Bank account no. (11 digits)	
Telephone (day time)	
Telefax/e-mail	

## Appendix 7: Subscription form Institutional Offering

### Subscription Form Institutional Offering SalMar ASA

First Securities ASA, fax no: +47 23 23 80 21

**TRANSACTION:** SalMar (the “Company”) is offering a total of up to 3,000,000 shares at a price of NOK 39 (the “Subscription Price”) per share each with a par value of NOK 0.25 (the “Offer Shares”) in connection with its listing on Oslo Børs and initial public offering on the terms and conditions set out in the prospectus dated 17 April 2007 (the “Prospectus”) (hereinafter referred to as the “Offering”). The Company has appointed First Securities ASA as manager (the “Manager”) for the Offering.

**SUBSCRIPTION PERIOD AND SUBSCRIPTION OFFICE:** The Subscription Period will be from 19 April to 16:30 (Norwegian time) on 26 April 2007, subject to extension as set out in the Prospectus. The Subscription Form must be properly executed and delivered by mail or fax to: First Securities ASA, Fjordalléen 16, Aker Brygge, P.O. Box 1441 Vikta, NO-0115 Oslo, Norway, facsimile: + 47 23 23 80 21, telephone: +47 23 23 80 00 **no later than at 16:30 (Norwegian time) on 26 April 2007**, in order to be valid and binding. The subscriber bears the risk of any delay in the postal communication, busy facsimiles or data problems preventing orders from being received by the Manager.

**IMPORTANT INFORMATION:** This subscription is made on the basis of the information and the terms set forth in the Prospectus and this Subscription Form. The subscriber confirms by signing this Subscription Form to have received and duly reviewed the Prospectus.

**OFFER PRICE:** The Offer Price is NOK 39 per Offer Share.

**MINIMUM SUBSCRIPTION:** The minimum subscription in the Institutional Offering is 25,000 Shares.

**ALLOCATION:** Allocation will be based on the Company’s desire to create an appropriate long-term shareholder structure for the Company. The allocation principles will include factors such as marketing participation and feedback, relative order size and sector knowledge. Notifications of allotments will be issued on or about 30 April 2007.

**PAYMENT, DELIVERY AND TRADING:** Payment must be made on 3 May 2007 for the amount (in NOK) payable for the Offer Shares allotted to the subscriber (the “Allocated Amount”) as specified in the allocation letter. If the Allocated Amount is not received by the Manager when due, the Offer Shares will not be delivered to the subscriber. The Manager reserves the right to cancel the subscription and to re-allot or otherwise dispose of the allocated Shares, on such terms and in such manner as the Manager may decide in accordance with Norwegian law. The subscriber will be liable for any loss, cost and expenses suffered or incurred by the Company and the Manager as a result of or in connection with such disposals. The subscriber remains liable for payment of the entire amount due; interest, costs, charges and expenses accrued, and the Company and the Manager may enforce payment for any such amount outstanding. In the event of any delay in payment, interest will be charged at 10.50% p.a. on overdue amounts. Delivery of the Offer Shares is expected to take place on or about 8 May 2007. The first day of trading the Offer Shares is expected to be on or about 8 May 2007.

#### SPECIFICATION OF SUBSCRIPTION:

Subscriber’s VPS-account no <sup>(1)</sup>		No. of Shares subscribed for (minimum 25,000 Shares):	(For official use: Serial no.)
		Amount to be paid per Share NOK 39	Total amount to be paid NOK

(1) The applicant must have a VPS account. Such an account can only be established by personal appearance with sufficient identification at a VPS book-entry agent or an authorised investment firm.

On the terms and conditions set forth in the Prospectus and this Subscription Form, I/we hereby irrevocably subscribe for the number of Offer Shares for the amount stated above.

Subscription place and date

Binding signature. The subscriber must be of age.  
When signing per procura, documentation in form of company certificate or power of attorney must be enclosed.

#### DETAILS OF SUBSCRIBER (MUST BE COMPLETED)

Subscriber’s VPS account no.	PLEASE NOTIFY THE REGISTRAR OF ANY CHANGES:
Subscriber’s full name/Company name	
Street address etc.	
Postal code, city/state/country	
Organization number/Date of birth and national ID number	
Norwegian bank account no. (11 digits)	
Telephone (day time)	
Telefax/e-mail	



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