
ANNUAL REPORT 2008
Austevoll Seafood ASA

# COMPANY OVERVIEW

**AUSTEVOLL SEAFOOD ASA**

**CHILE**
- FOODCORP S.A.
- CHILEFOOD S.A.

**NORWAY**
- AUSTEVOLL EIENDOM AS
- LERØY SEAFOOD GROUP ASA
- EPAX AS
- WELCON AS
- ATLANTIC PELAGIC AS
- SIR FISH AS
- AUSTEVOLL FISKEINDUSTRI AS
- MODOLV SJØSET AS
- NORTH CAPELIN HONNINGSVÅG AS

**PERU**
- AUSTRAL GROUP S.A.A

# FINANCIAL CALENDAR 2009

| | |
|---|---|
| 27.05.2009 | Ordinary general meeting 2009 |
| 15.05.2009 | 1st Quarter 2009 |
| 27.08.2009 | 2nd Quarter 2009 |
| 16.11.2009 | 3rd Quarter 2009 |
| 26.02.2010 | 4th Quarter 2009 |

Dates are given with reservation in case of changes.

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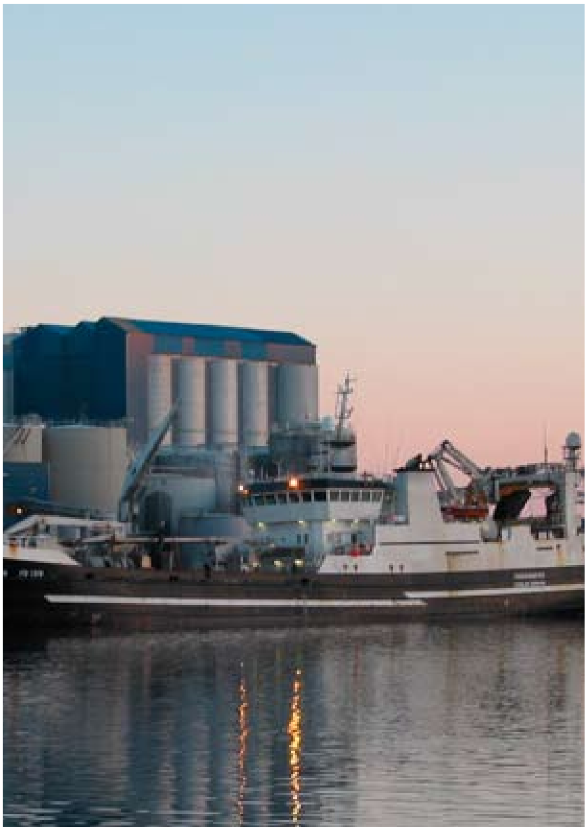
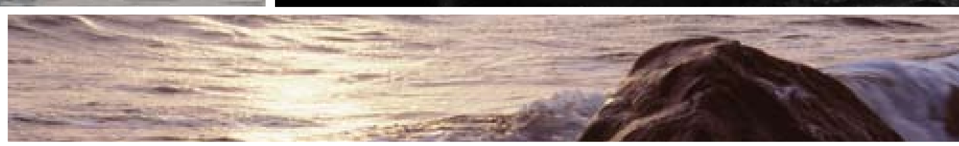
CFO Britt Kathrine Drivenes + 47 916 61 037


# CONTENT



# HISTORY



Austevoll Seafood ASA (AUSS) was created based on Austevoll Havfiske AS, one of the top pelagic fishery and salmon farming companies in Norway, with subsequent acquisitions of business units in Norway, Chile and Peru. The main shareholder of the company is Laco AS, a company under joint control by Helge and Ole Rasmus Møgster.

Austevoll Havfiske AS was incorporated in 1981, but the fishing activities were small-scale up until 1991, when the Møgster family purchased their second fishing vessel, including fishing license, in Norway. In 1991 the Møgster family (through their jointly controlled company Laco AS) also entered into the pelagic wild catch in Chile after being invited by Cermaq ASA to operate their fishing vessels. The Chilean operation were gradually expanded and AUSS now controls approx. 9,1% of the Chilean horse mackerel quotas in the South of Chile and have production of fishmeal and oil, canned and frozen products for human consumption, through its Chilean subsidiaries.

Through a contribution in kind by Laco AS in May 2006 the Norwegian company Welcon Invest AS and the Peruvian company Austral Group S.A.A became part of the AUSS Group. By this transaction AUSS entered into fishmeal and oil production in Norway through Welcon Invest AS. And through Austral Group S.A.A the Group entered into pelagic wild catch and production of fishmeal and oil and canned products in Peru. Late 2006 Welcon Invest AS expanded it business by acquiring Karmsund Fiskemel AS, one of the most efficient and modern fishmeal factories in Norway.

In January 2007 AUSS acquired Epax AS and by this entered into production of High concentrate Omga-3 oils. Epax AS is one of the leading producers of high-concentrate Omega-3 oils that are increasingly used as an ingredient in pharmaceutical products, as additives to make food healthier, and as dietary supplements.

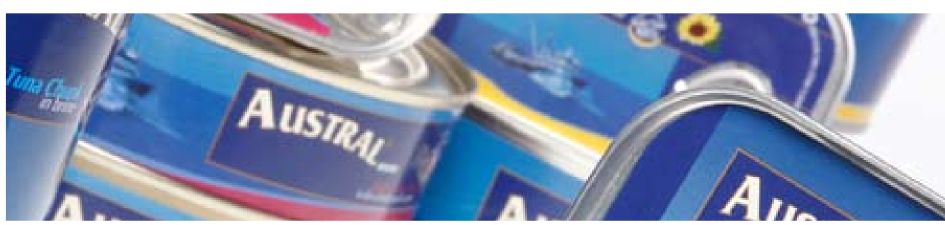
In November 2007 the Group acquired 50% of the Peruvian fishing company CORMAR and by this expanded its business in Peru. The Group increased its fleet by 6 vessels and increased the production capacity for production of fishmeal and oil in the strategically important area of Chimbote and Chicama.

In March 2007 AUSS took up its shareholding in Lerøy Seafood Group ASA (LSG) in connection with the sales of the salmon company, Veststar Holding AS, to LSG. During 2007 AUSS increased its ownership in LSG to 33,34%, and in November 2008 AUSS increased the ownership in LSG to 74,93% through a mandatory offer.

In February 2009, AUSS and Origin Enterprises plc (Origin) merged their respective activities related to fishmeal and fish oil in Norway, Ireland and Great Britain. AUSS' wholly-owned Norwegian subsidiary, Welcon Invest AS, owns fishmeal and fish oil activities in Norway. Origin's wholly-owned subsidiaries, United Fish Industries (UK) Ltd and United Fish Ltd (the UFI companies) own Origin's fishmeal and fish oil activities in Great Britain and Ireland.

# IMPORTANT
## STRATEGIC EVENTS
## THE LAST 10 YEARS

| | |
|---|---|
| 2000 | Acquisition of 35.8% of the shares in Br. Birkeland AS, Norway |
| 2001 | Acquisition of 100% of Veststar AS, Norway |
| 2003 | Acquisition of 100% of FoodCorp S.A. in Chile |
| 2006 | Acquisition of 89.26% of Austral Group S.A.A. in Peru |
| 2006 | Acquisition of 100% of Welcon Invest AS in Norway |
| 2006 | Increased ownership in Br. Birkeland AS to 40.2% |
| 2006 | Infusion of approx NOK 2.3 billion of new capital through a share issue |
| 2006 | Listed on the Oslo Stock Exchange's main list |
| 2006 | Acquisition of 100% of the shares in Karmsund Fiskemel AS, Norway |
| 2007 | Acquisition of 100% of Epax AS, Norway |
| 2007 | Sale of the salmon business to Lerøy Seafood Group ASA (LSG) |
| 2007 | Increased ownership in Sir Fish, Norway, to 60% |
| 2007 | Acquisition of 25% of the share capital in Shetland Catch Ltd, Shetland |
| 2007 | Acquisition of 50% of Corporacion del Mar S.A. (Cormar), Peru |
| 2008 | Acquisition of 40% of Bodø Sildoljefabrikk AS, Norway |
| 2008 | Increased ownership in Modolv Sjøset from 49.88% to 66% |
| 2008 | Increased ownership in Lerøy Seafood Group ASA to 74.93% |
| 2009 | AUSS and Origin Enterprises plc combined their Norwegian (Welcon Group) and UK/Irish (UFI Group) fishmeal- and oil business. |
| 2009 | Increased ownership in North Capelin Honningsvåg AS to 50% |





## AUSTRAL GROUP S.A.A.
## CERTIFIED BY FRIEND OF THE SEA

The Friend of the Sea audit, conducted by an independent accredited certification body with in-depth knowledge of the audited fishery, has certified all Austral products. The certification given to Austral covers fishmeal, fish oil and canned or frozen products from Peruvian anchovy and canned or frozen products from pacific mackerel. Certification ascertains that the fishery is managed according to sustainable criteria and stocks are not overfished.

FRIEND OF THE SEA
Sustainable Seafood
Certification of Products from Sustainable Fisheries and Aquaculture

# QUALITY FOR THE WORLD

2008 was a good but challenging year for the Austevoll Seafood Group. Despite an unsatisfactory harvesting year for Jack mackerel in South America  the Group's operating result shows a significant positive development with an EBITDA of MNOK 788, the best operating result in our history,  compared with MNOK 482 in 2007. We have seen good production of fishmeal and fishoil with high oil prices and increasing fishmeal prices during the year. The human consumption segment has been characterised by lower than expected fisheries volumes. However, efficient utilisation of fish for human consumption has, together with good prices for both canned and frozen products, contributed to a satisfactory result in this field. We have also seen a positive development in our trading segment after increasing our participation in a facility for frozen products in Northern Norway. We expect the positive trend to continue throughout 2009 as well.

During the year we have made considerable investments to maintain a leading position within the Seafood industry with our increased shareholding in Lerøy Seafood Group ASA. We are of the opinion that LSG is well positioned for further growth, and we will to the best of our ability continue to develop the activities of Lerøy.

We are continuously seeking benefits from synergies created by close cross - border cooperation within our Group. We have during the year achieved our aim to maintain our position as a major supplier within the human consumption segment in South America, and have to some extent managed to utilize cooperational synergies. However, we are of the opinion that there is still more potential; enhanced communications and a greater degree of common understanding in respect of the activities within the various Group companies will further contribute to mutual benefits.

Since the establishment of the Group the management has been working with our defined mission: "Quality for the world". We have during the year received awards in respect of product development, and our subsidiary EPAX AS has two years in a row received a price given by Banner Pharmacaps in recognition of being a top quality supplier. In Peru the Ministry of the Environment named Austral Group S.A.A: the winner of the national contest of responsible management for handling solid residues and providing the cleanest, most ecologically efficient production.

Sustainable harvesting is of great importance for our Group, and we are and will remain advocates of sensible and sustainable operations and fisheries in the regions in which we are present and represented.

To conclude I would like to thank all our employees for their great contributions in 2008. A motivated and highly skilled workforce provides a great foundation for future results.  2009 will be a challenging but interesting year for the Group adapting to a new quota system in Peru, and to the current financial environment. We have made significant and good investments over the last few years, and look to the future with optimism and great expectations. I sincerely hope and believe that 2009 will be a year in which to enjoy rewards of our investments and preparations made in the previous years.

Arne Møgster - CEO
Austevoll Seafood ASA


# AUSTRAL GROUP AWARDED PERUVIAN NATIONAL AWARD

Peruvian Ministry of the Environment has named Austral Group winner in the National Contest of Responsible Management of Handling of Solid Residua and Cleanest, most Eco-efficient Production 2008. The purpose of the award is to promote appropriate environmental management in all public and private entities of Peru.

After a rigorous evaluation of the contesting institutions by the qualifying jury, Austral Group won the Award for the Cleanest, Most Eco-efficient Production in the Large-Company category. In the awards ceremony it was specially pointed out that Austral Group is the only fishing company in South America and one of the very few of the whole Americas which certifies their Integrated Environmental Management System in accordance with the requirements of the International Regulation on Environmental Management ISO 14001:2004.

PERÚ Ministerio del Ambiente

# CORPORATE GOVERNANCE

## CODE OF PRACTICE DOCUMENT

## AUSTEVOLL SEAFOOD ASA

## 1. INTRODUCTION

### 1.1 Background

AUSTEVOLL SEAFOOD ASA (“AUSS” or the “Company”), is the parent company in AUSS’ group of companies (”The Group”), is established and registered in Norway and subject to Norwegian law, hereunder corporate and other laws and regulations. The Company’s aim is to observe all relevant laws and regulations, and the Norwegian recommendation for corporate governance. This also applies for all other companies within the Group, and consequently this document applies to the extent reasonable for all companies therein.

The Company’s Board of Directors adopted in its meeting held on 29 August 2006 a document which largely and in principle adhered to the then applicable Corporate Governance standard, with a few deviations. The Board of Directors have examined a revised version of the current Corporate Governance standard, published by the Norwegian Committee for Corporate Governance (NUES) on 4 December, 2007. The Board has approved and adopted this document as the Company’s Corporate Governance Policy to reflect the will of AUSS to fully comply with the current corporate governance standards recommendations from NUES. The Company will act in compliance with laws and regulations as applicable from time to time in respect of handling and control of insider trading rules and information to the shareholders and the market.

### 1.2 Objective

This governing document contains measures which have been and will be implemented to secure efficient management and control of the activities of the Company. The main objective is to establish and maintain systems for communication, surveillance and incentives which will increase and maximize the financial results of the Company, its long term soundness and overall success, and investment return for its shareholders. The development and improvement of the Company’s Corporate Governance is a continuous and important process which the Board of Directors and the Executive Management keep a keen focus on.

### 1.3 Rules and regulations

The Company is a public limited company listed on the Oslo Stock Exchange. In that respect the Company is subject to the corporate governance regulations contained in the Public Limited Companies Act 1997 (asal.), the Securities Trading Act 2007 (vhpl), the Stock Exchange Act with regulations (børsreg) and other applicable legislation.

### 1.4 Management of the Company

Management of and control over the Company is divided between the shareholders, represented through the general meeting of the shareholders, the Board of Directors and the Managing Director (CEO) in accordance with applicable legislation. The Company has an external and independent auditor.

### 1.5 Implementation and reporting on Corporate Governance

The Board of Directors must ensure that the company implements sound corporate governance.

The Board of Directors must provide a report on the company’s corporate governance in the annual report. The report must cover every section of the Code of Practice. If the company does not fully comply with this Code of Practice, this must be explained in the report.

The Board of Directors should define the company’s basic corporate values and formulate ethical guidelines in accordance with these values.

The Board has decided to follow the Norwegian Recommendation for Corporate Governance and the Group has drawn up a separate policy for Corporate Governance.

**Departures from the Recommendations: None**

## 2. Business

The Company’s business shall be clearly defined in its Articles of Association.

The Company shall aim at securing and developing the Company’s position as a leading actor within its business activities, to the benefit of its owners, and based on strategies founded on ethical behaviour within applicable laws and regulations.

The annual report should include the objectives clause from the Articles of Association and contain descriptions of the company’s principal objectives and strategies.

The objective of the company is to be engaged in production, trade and service industry, including fish farming, fishing operations and ship owning business and any business related thereto, including investments in other companies with similar objects.

These statements appear in § 3 of Austevoll Seafood ASA’s articles of associations.

**Departures from the Recommendations: None**

## 3. Equity and dividends

The company should have an equity capital at a level appropriate to its objectives, strategy and risk profile.

The aim of the Company is to produce a competitive return on the investment of its shareholders, through distribution of dividends and increase in share prices. The Board of directors shall in its assessment of the scope and volumes of dividend emphasize security, predictability and stability, dividend capacity of the Company, the requirement for healthy and optimal equity as well as adequate financial resources to create a basis for future growth and investment, and considering the wish to minimize capital costs.

Mandates granted to the Board of Directors to increase the Company’s share capital shall be subject to defined purposes and frames and shall be limited in time to no later than the date of the next annual general meeting. This should also apply to mandates granted to the Board for the Company to purchase own shares.

Equity:
The company's need for financial strength is considered at any time in the light of its objective, strategy and risk profile.
The Board of Directors considers consolidated equity to be satisfactory.

Dividend policy:
The goal is, over time, to pay out 20% to 40% of the Group's net profit as dividends.

Capital Increase:
The Board has the authority until the ordinary general meeting in 2009 to increase the share capital by issuing 18.431.736 shares.

Purchase of treasury shares:
The Board has the authority, until the ordinary general meeting in 2009, to purchase treasury shares in Austevoll Seafood ASA limited to 10% of the company's share capital. Shares may not be purchased for less than NOK 20 pr. share, and no more than NOK 100 pr. share.

At 31 December 2008, the Group owned no treasury shares.

**Departures from the Recommendations: None**

## 4. Equal treatment of shareholders and transactions with close associates

The company shall only have one class of shares.

Any decision to waive the pre-emption right of existing shareholders to subscribe for shares in the event of an increase in share capital must be justified.

Any transactions the company carries out in its own shares shall be carried out either through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

In the event of any not immaterial transactions between the Company and shareholders, members of the Board of Directors, members of the Executive Management or close associates of any such parties, the Board shall arrange for valuation to be obtained from an independent third party. This will not apply if the transaction requires the approval of the general meeting pursuant to the requirements of the Public Limited Companies Act. Independent valuation should also be arranged in respect of transactions between companies in the same group where any of the companies involved have minority shareholders.

Members of the Board of Directors and the Executive Management are obliged to notify the Board if they have any material direct or indirect interest in any transaction entered into by the Company.

Class of shares:
Austevoll Seafood ASA has only one class of shares.
The articles of associations place no restrictions on voting rights.
All shares are equal.

Trading in treasury shares:
The Board's authorisation to acquire treasury shares is based on the assumption that the acquisition will take place in the open market. Acquired shares may be disposed in the market or used as payments for acquisitions.

Transactions between related parties:
See note 32 for related party transactions.

**Departures from the Recommendations: None**

## 5. Freely negotiable shares

Shares in listed companies must, in principle, be freely negotiable. Therefore, no form of restriction on negotiability of the Company's shares should be included in a company's articles of association.

The articles of association place no restrictions on negotiability.
The shares are freely negotiable.

**Departures from the Recommendations: None**

## 6. General meetings

The Board of Directors should take steps to ensure that as many shareholders as possible may exercise their rights by participating in general meetings of the company, and that general meetings are an effective forum for the views of shareholders and the board. Such steps should include:

- making the notice calling the meeting and the support information on the resolutions to be considered at the general meeting, including the recommendations of the nomination committee, available on the company's website no later than 21 days prior to the date of the general meeting, and sending this information to shareholders no later than two weeks prior to the date of the general meeting
- ensuring that the resolutions and supporting information distributed are sufficiently detailed and comprehensive to allow shareholders to form a view on all matters to be considered at the meeting
- setting any deadline for shareholders to give notice of their intention to attend the meeting as close to the date of the meeting as possible
- ensuring that shareholders who cannot attend the meeting in person can vote by proxy
- ensuring that the members of the Board of Directors and the nomination committee and the auditor are present at the general meeting
- making arrangements to ensure an independent chairman for the general meeting

The notice calling the general meeting shall provide information on the procedures shareholders must observe in order to participate in and vote at the general meeting.
The notice should also set out:

- the procedure for representation at the meeting through a proxy, including a form to appoint a proxy
- the right for shareholders to propose resolutions in respect of matters to be dealt with by the general meeting
- the web pages where the notice calling the meeting and other supporting documents will be made available

The company should, at the earliest possible opportunity, make available on its website:

- information on the right of shareholders to propose matters to be considered by the general meeting
- proposals for resolutions to be considered by the general meeting, alternatively comments on matters where no resolution is proposed
- a form for appointing a proxy

The Board of Directors and the chairman of the general meeting should ensure that the general meeting is given the opportunity to vote separately for each candidate nominated for election to the company's corporate bodies.

By virtue of the Annual General Meeting, the shareholders are guaranteed participation in the Groups supreme governing body. The following matters shall be discussed and resolved at the annual general meeting:

- Adoption of the annual financial statement and the annual report, including distribution of dividends.
- Any other matters which by virtue of law or the articles pertain to the general meeting

Notification:
The annual general meeting shall be held each year no later than six months after the end of each financial year. Notification was sent out within the deadlines in the Code of practice and relevant documentation is available on the Group's website at least 21 days prior to the general meeting. The Financial Calendar is published on the internet and through a notification to Oslo Stock Exchange. The 2009 AGM is scheduled May 27th.

Participation:
It is possible to register by post, telefax or e-mail.
Shareholders who cannot attend the meeting can authorise a proxy, and the system facilitates the use of proxies on each individual item for discussion.

**Departures from the Recommendations: None**

## 7. Nomination committee

The company should have a nomination committee, and the general meeting should elect the chairperson and members of the nomination committee and should determine the committee's remuneration.

The nomination committee should be included in the Company's Articles of Association.

The members of the nomination committee should be elected to take into account the interests of shareholders in general.
The majority of the committee should be independent of the Board of Directors and the executive management. No more than one member of the nomination committee should be a member of the Board of Directors, and any such member should not offer him/herself for re-election. The nomination committee should not include the company's chief executive or any other member of the company's executive management.

The nomination committee's duties are to propose candidates for election to the Board of Directors and to propose the remuneration to be paid to members of these bodies.

The nomination committee should give arguments for its recommendations.

The company should provide information on the membership of the committee and any deadlines for submitting proposals to the committee.

According to the Articles of Association § 6 the company shall have a nomination committee. The nomination committee shall issue a proposal to the general meeting regarding the election of shareholder elected Board members. The nomination committee shall consist of three members. The members of the committee shall be elected by the company's annual general meeting, which also appoints the committee's chairman.
The members of the nomination committee are elected by the general meeting for terms of two years at a time. The general meeting determines the remuneration of the committee's members.

Composition:
The current committee was elected on the AGM on May 23rd 2008 and consists of:

**Helge Møgster.** Mr. Møgster has long experience from the fish harvesting and offshore supply market. Mr. Møgster is one of the main shareholders of Laco AS, which is the main shareholder of Austevoll Seafood ASA.

**Jarl Ulvin.** Mr. Ulvin holds an MBA and is also a Certified Financial Analyst. Mr. Ulvin is the Director of Investment at ODIN; an Oslo based Asset Management Company. He has extensive experience as analyst and portfolio manager within insurance companies and asset management companies.

**Anne Sofie Utne.** Mrs. Utne holds a Master of Economy from the Norwegian University of Life Science (Universitetet for Miljø- og Biovitenskap). Mrs. Utne is currently self employed, and works as an independent advisor. Her recent position was head of the Aquaculture department of a branch specialist unit in DnB NOR Bank ASA, and she has extensive experience in financial transactions related to national and international corporations within the business.

Two of the members are independent of Austevoll Seafood's main shareholder(s) and the executive management.

**Departures from the Recommendations: None**

## 8. Board of Directors: composition and independence

The composition of the Board of Directors should ensure that the Board can attend to the common interests of all shareholders and meets the company's need for expertise, capacity and diversity. Attention should be paid to ensuring that the Board can function effectively as a collegiate body.

The composition of the Board of Directors should ensure that it can operate independently of any special interest. The majority of the shareholder-elected members of the board should be independent of the company's executive management and material business contacts. At least two of the members of the board elected by shareholders should be independent of the company's main shareholder(s). In the assessment of independency the following criteria shall be considered:

- whether the relevant person has been employed with the Company during the foregoing three years
- whether the relevant person has received or is receiving other kinds of remuneration from the Company other than the Director's remuneration, or participates in a share option program or result based remuneration arrangement
- whether the relevant person has had major business relation with the Company over the three foregoing years.

The Board of Directors shall not include representatives of the Company's executive management. With a view to effective Group management, representatives from the Executive Management may however serve as Directors in Group subsidiaries.

The Chairman of the Board of Directors shall be elected by the general meeting.

Members of the Board of Directors shall not be elected for more than two years at a time.

The annual report shall provide information to illustrate the expertise and capacity of the members of the Board of Directors and identify which members are considered to be independent.

Members of the Board of Directors shall be encouraged to own shares in the Company.

Composition of Board of Directors:
According to the Articles of Association § 6 The Company's Board of Directors shall consist of 5 – 7 directors elected by the shareholders. Austevoll Seafood ASA has endeavoured to adapt directors' backgrounds, competence, capacity and affiliation to the Group's business activities and its need for diversity.

The Board of Directors consists of the following persons:

**Ole Rasmus Møgster, Chairman.** Mr. Møgster was previously the CEO of Austevoll Havfiske AS and has long experience from fish harvesting, fish processing and salmon farming. Mr. Møgster is one of the main owners in Laco AS, which is the main shareholder of Austevoll Seafood ASA. Mr. Møgster is holding board positions in several companies.

**Helge Singelstad, deputy chairman.** Mr. Singelstad is CEO in Lerøy Seafood Group ASA. Mr. Singelstad is educated in engineering from Bergen Ingeniørskole, he is business school graduate from NHH, and he has a degree from the first year of law school at UIB. Singelstad has experience from different types of businesses: oil companies, ship equipment and the seafood sector. Mr. Singelstad has had executive positions in Lerøy Seafood Group ASA since 1993 with exception of one year as CEO in Laco AS.

**Oddvar Skjegstad.** Mr. Skjegstad has a degree as Master of Business and Administration from NHH. Mr. Skjegstad is self employed and has wide experience from executive positions in public administration, bank and industrial activity and holds board positions in companies within several different business sectors.

**Hilde Waage.** Mrs Waage is educated MBA/CEMS Master from NHH. She has the position as Chief Financial Officer/Deputy CEO in Ocea Group. Mrs. Waage holds a wide experience from bank, fishing and industry, and was working in Chile for 4 years.

**Inga Lise L. Moldestad.** Mrs. Moldestad is educated as MBA and State Authorised Public Accountant. Mrs. Moldestad holds the position as Executive Vice President and partner in Holberg Fondsforvaltning, a Bergen based asset Management Company. She has extensive experience from securities trading from Holberg, Unibank, Skandia and Vesta and experience from auditing and consulting from Arthur Andersen and Ernst & Young.

The Boards autonomy:
Except for the Chairman Ole Rasmus Møgster and the Deputy Chairman Helge Singelstad, all members of the Board are independent of the Company's major shareholders, the Company's management and the Company's main business relations. There are no conflicts of interest between any duties to the Company of the members of the Board or the Company's management, and their private interests or other duties.

No members of Group management are directors.

Directors are elected by the general meeting for a term of two years.

Directors' ownership of shares:

Ole Rasmus Møgster owns indirectly, through Laco AS, 45.042.350 shares in the company.

Oddvar Skjegstad owns, through Rehua AS, 55.000 shares in the company.

Helge Singelstad owns 50.000 shares in the company.

Inga Lise L. Moldestad owns, through Ingasset AS, 40.000 shares in the company.

**Departures from the Recommendations: None.**

## 9. The work of the Board of Directors

The Board of Directors shall produce an annual schedule for its work, with particular emphasis on objectives, strategy and implementation.

The Board of Directors shall from time to time issue instructions for its own work as well as for the executive management with particular emphasis on clear internal allocation of responsibilities and duties. The CEO, CFO and Director of Legal Affairs/Counsel of the Company shall have an obligation and a right to participate in the meetings of the Board of Directors as long as anything to the contrary has not been decided. A deputy chairman should be elected for the purpose of chairing the Board in the event that the chairman cannot or should not lead the work of the Board.

The Board of Directors shall consider appointing board committees in order to help ensure thorough and independent preparation of matters relating to financial reporting and compensation paid to the members of the executive management. Membership of such sub-committees should be restricted to members of the Board who are independent of the company's Executive Management.

The Board of Directors shall provide details in the annual report of any board committees appointed.

The Board of Directors shall evaluate its performance and expertise annually.

Board responsibilities:
Norwegian law lays down the tasks and responsibilities of the Board of directors. These include overall management and supervision for the company. Towards the end of each year the Board adopts a detailed plan for the following financial year. This plan covers the follow-up of the company's operations, internal control, strategy development and other issues. The company complies with the deadlines issued by Oslo Stock Exchange with regards to interim reports.

Instructions to the Board of Directors:
The Board's instructions are extensive and were last revised on 28.03.2008. The instructions cover the following points: the Boards responsibly and obligations, CEO's information requirement to the Board, the Board's procedures.

Use of Board committees:
The use of Nomination Committee is stipulated in the Articles of Association. Moreover, the Board set up an Audit Committee by the end of 2008. The committee prepare items for consideration by the Board. They are solely responsible to the full corporate Board and their authority is limited to making recommendations to the Board.

Audit committee:
The Audit committee has responsibilities related to financial reporting, the independent auditor and risk management and consists of two Board members. The independent auditor usually attends the meetings. The CEO and other directors are entitled to attend if the audit committee so desire.

Members: Oddvar Skjegstad and Inga Lise L. Moldestad

The Board's self-evaluation:
Each year, a special Board meeting shall be organised on topics related to the Groups operations and the Board's duties and working methods. The Board's working methods and interaction are discussed on an ongoing basis. The Board has not yet had a formal self-evaluation; however this item is on the annual schedule for its work in 2009.

**Departures from the Recommendations: None, the first formal self-evaluation is in the annual schedule for 2009.**

## 10. Risk management and internal control

The Board of Directors must ensure that the company has sound internal control and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. Internal control and the systems should also encompass the company's corporate values and ethical guidelines.

The Board of Directors should carry out an annual review of the Company's most important areas of exposure to risk and its internal control arrangements.

The Board of Directors should provide an account in the annual report of the main features of the Company's internal control and risk management systems as they relate to the Company's financial reporting.

The Board of directors and internal control:
The Board of directors regularly receives reports that cover financial status and important KPI for the operating companies within the Group. The quarterly financial statements and management reports are also subject to review at quarterly Board meetings.

The Board's annual review:
The Board holds a yearly meeting with the auditor where the auditor gives an assessment on important internal control areas. The directors present a review of the company's financial status in the Directors report.

**Departures from the Recommendations: None**

## 11. Remuneration of the Board of Directors

The remuneration of the Board of Directors should reflect the Board's responsibility, expertise, time commitment and the complexity of the Company's activities.

The remuneration of the Board of Directors should not be linked to the Company's performance. The company should not grant share options to members of its board.

Members of the Board of Directors and/or companies with which they are associated should not take on specific assignments for the company in addition to their appointment as a member of the board. If they do nonetheless take on such assignments this should be disclosed to the full board. The remuneration for such additional duties should be approved by the board.

The annual report should provide information on all remuneration paid to each member of the Board of Directors. Any remuneration in addition to normal directors' fees should be specifically identified.

The Directors fees are decided by the AGM. The Directors' fee are not linked to the company's performance.

None of the Board members have during 2008 had assignments for the company in addition to being members of the board.

**Departures from the Recommendations: None**

## 12. Remuneration of the executive management

The Board of Directors is required by law to establish guidelines for the remuneration of the members of the executive management. These guidelines shall be communicated to the annual meeting.

The guidelines for the remuneration of the executive management shall set out the main principles applied in determining the salary and other remuneration of the executive management. The guidelines should help to ensure convergence of the financial interests of the executive management and the shareholders.

Performance-related remuneration of the executive management in the form of share options, bonus programmes or the like should be linked to value creation for shareholders or the Company's earnings performance over time. Such arrangements, including share option arrangements, should incentivise performance and be based on quantifiable factors over which the employee in question can have influence.

The remuneration policy for the executive management is determined by the Board of Directors and communicated to the annual general meeting. The guidelines regarding the remuneration are approved by the AGM. See note 12 for guidelines for remuneration to executive management.

The existing remuneration policy, approved by the 2008 AGM, allowes performance- related remuneration. The executive management has currently no performance-related remuneration.

**Departures from the Recommendations: None**

## 13. Information and communications

The Board of Directors should establish guidelines for the company's reporting of financial and other information based on openness and taking into account the requirement for equal treatment of all participants in the securities market.

The company should publish an overview each year of the dates for major events such as its annual general meeting, publication of interim reports, public presentations, dividend payment date if appropriate etc.

All information distributed to the company's shareholders should be published on the company's web site at the same time as it is sent to shareholders.

The Board of Directors should establish guidelines for the company's contact with shareholders other than through general meetings.

A calendar containing certain important reporting dates is published on the Oslo Stock Exchange and the company's website. Information to the company's shareholders is distributed via the Oslo Stock Exchange and the company's website on an ongoing basis, immediately after decisions have been made. There have not yet been established guidelines for the company's contact with shareholders other than through general meeting.

**Departures from the Recommendations: There have not yet been established guidelines for the company's contact with shareholders other than that all shareholders should be treated equally.**

### 14. Take-overs

The Board of Directors should establish guiding principles for how it will act in the event of a take-over bid.

During the course of a take-over process, the Board of Directors and management of both party making the offer and the target company have an independent responsibility to help ensure that shareholders in the target company are treated equally, and that the target company's business activities are not disrupted unnecessarily. The Board of the target company has a particular responsibility to ensure that shareholders are given sufficient information and time to form view of the offer.

The Board of Directors should not seek to hinder or obstruct take-over bids for the Company's activities or shares unless there are particular reasons for this.

In the event of a take-over bid for the Company's shares, the Company's Board of Directors should not exercise mandates or pass any resolutions with the intention of obstructing the take-over bid unless this is approved by the general meeting following announcement of the bid.

If an offer is made for a Company's shares, the Company's Board of Directors shall issue a statement evaluating the offer and making a recommendation as to whether shareholders should or should not accept the offer. If the Board finds itself unable to give a recommendation to shareholders on whether or not to accept the offer, it should explain the background for not making such a recommendation. The Board's statement on a bid should make it clear whether the views expressed are unanimous, and if this is not the case it should explain the basis on which specific members of the Board have excluded themselves from the Board's statement. The board should consider whether to arrange a valuation from an independent expert. If any member of the Board or executive management, or close associates of such individuals, or anyone who has recently held such position, is either the bidder or has a particular personal interest in the bid, the board should arrange an independent valuation in any case. This shall also apply if the bidder is a major shareholder. Any such valuation should be either appended to the Board's statement, be reproduced in the statement or be referred to in the statement.

Any transaction that is in effect a disposal of the Company's activities should be decided by a general meeting.

Austevoll Seafood ASA's Articles of Association contain no limitation with regard to share acquisition. The shares are freely transferable. Transparency and equal treatment of shareholders is a fundamental policy. Should a bid be made for the company, the Board of Directors will make a thorough evaluation of the bid.

**Departures from the Recommendations: None**

### 15. Auditor

The auditor should submit the main features of the plan for the audit of the company to the Boards of Directors annually.

The auditors should participate in meetings of the Board of Directors that deal with the annual accounts. At these meetings the auditor should review any material changes in the Company's account principles, comment on any material estimated accounting figures and report all material matters on which there has been disagreement between the auditor and the executive management of the company.

The auditor should at least once a year present to the Board of Directors a review of the company's internal control procedures, including identified weaknesses and proposals for improvement.

The Board of Directors shall hold a meeting with the auditor at least once a year at which neither the CEO nor any other member of the executive management is present.

The Board of Directors shall establish guidelines in respect of the use of the auditor by the Company's executive management for services other than the audit. The Board should receive annual written confirmation from the auditor that the auditor continues to satisfy the requirements for independence. In addition, the auditor should provide the Board with summary of all services in addition to audit work that have been undertaken for the Company.

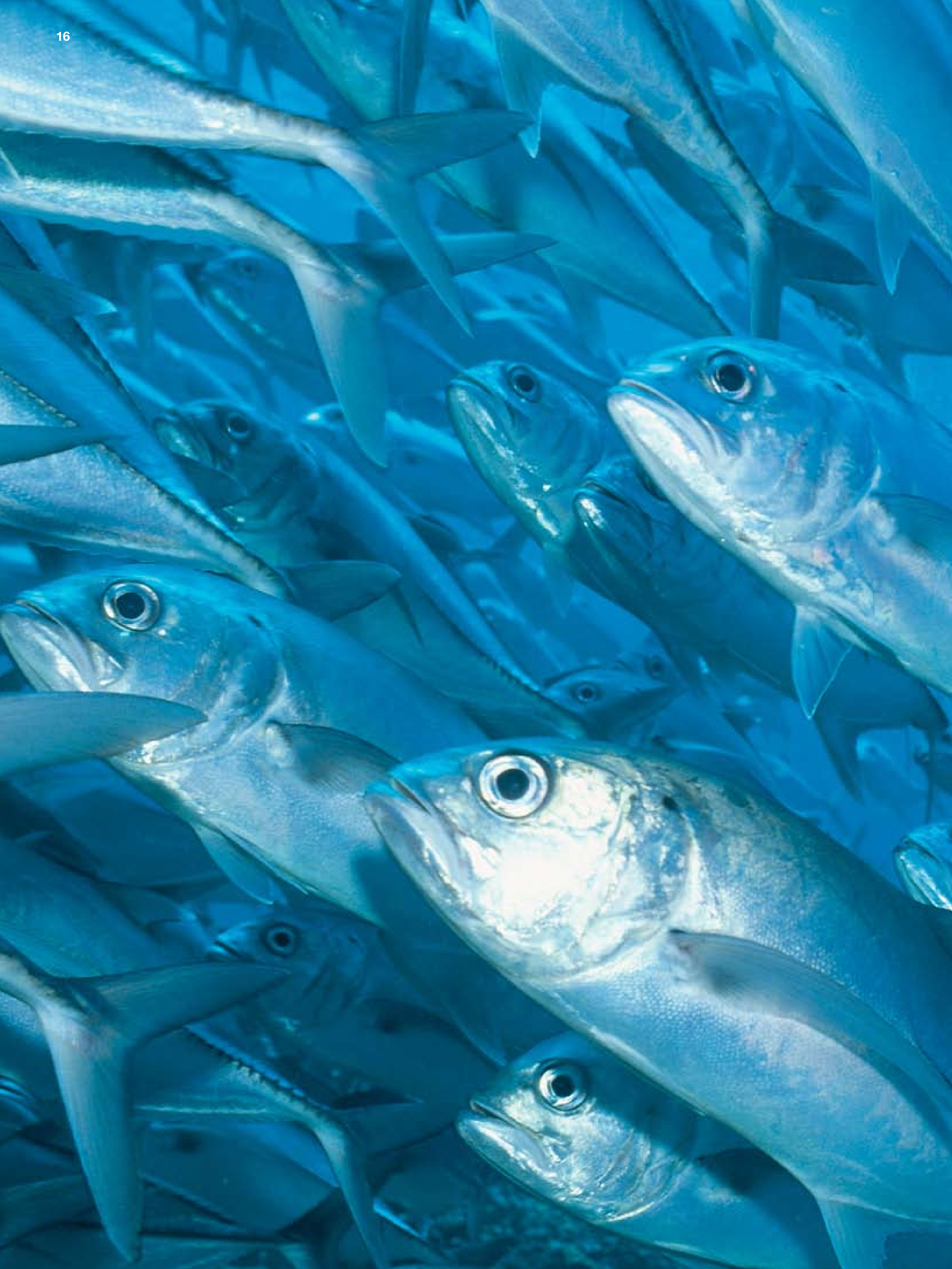
The Board of Directors must report the remuneration paid to the auditor at the annual general meeting, including details of the fee paid for audit work and any fees paid for other specific assignments, provided such information is available at the time of the general meeting.

The auditor will each autumn prepare a plan for auditing activities in the coming year. The Board will from time to time consider if the auditors should participate in the Board meetings during the year. At the third quarter meeting the auditor presents risk areas and an evaluation of the company's internal control routines.

The Board of Directors have not yet held a meeting with the auditor at which neither the chief executive nor any other member of the executive management are present. The audit committee has held a meeting with the auditor at which neither the chief executive nor any other member of the executive management were present.

In addition to ordinary audit, the auditing company has provided consultancy services related to accounting. Reference is made to the notes to the consolidated financial statements.

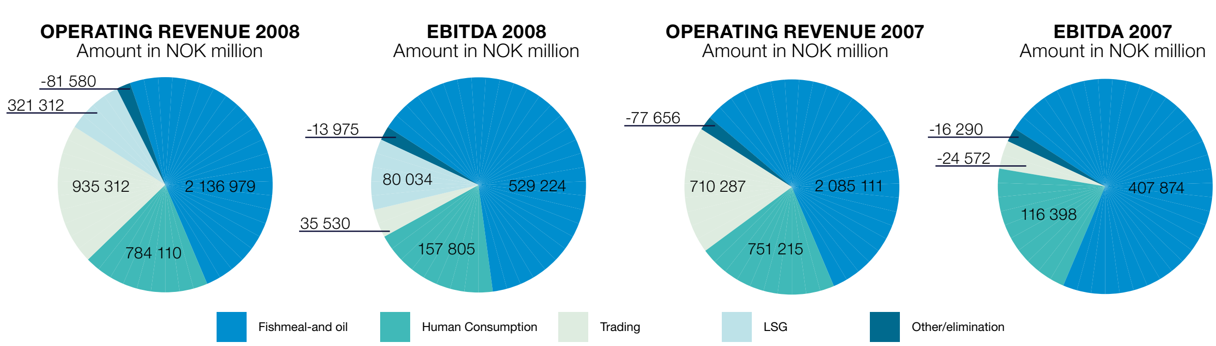
**Departures from the Recommendations: None**



# KEY FIGURES AUSTEVOLL SEAFOOD

| Amounts in NOK 1.000 | | 2008 | 2007 | 2006 |
|---|---|---|---|---|
| **Profit and loss account** | | | | |
| Operating income | | 4 088 395 | 3 468 957 | 2 732 629 |
| Operating expenses | | (3 299 778) | (2 985 547) | (2 250 264) |
| **EBITDA** | | **788 617** | **483 410** | **482 365** |
| Depreciation, amortisation, impairment and depreciation of excess value | | (310 026) | (204 940) | (257 002) |
| **EBIT (before fair value adj.biological assets)** | | **478 591** | **278 470** | **225 363** |
| Fair value adjustment of biological assets | | 116 953 | - | - |
| **OPERATING PROFIT** | | **595 544** | **278 470** | **225 363** |
| Income from associated companies | | 24 988 | 65 758 | 16 072 |
| Net financial items | | (336 730) | (128 613) | (47 687) |
| Profit before tax | | 283 802 | 215 615 | 193 748 |
| **Net profit** | | **183 272** | **183 272** | **158 327** |
| **Net profit including discontinued operations** | | **162 951** | **507 545** | **266 665** |
| Profit to minority interests | | 40 460 | 8 563 | 2 273 |
| **Balance sheet** | | | | |
| Intangible assets | | 5 842 801 | 1 624 499 | 1 385 260 |
| Vessels, other property, plant and equipment | | 4 385 335 | 2 575 774 | 2 520 097 |
| Other non current assets | | 706 259 | 2 451 590 | 241 946 |
| Current assets | | 5 050 258 | 2 161 167 | 2 699 003 |
| **Total assets** | | **15 984 653** | **8 813 030** | **6 846 306** |
| Equity | | 5 619 768 | 4 228 611 | 3 637 000 |
| Long term liabilities | | 7 571 457 | 2 933 904 | 2 022 676 |
| Short term liabilities | | 2 793 428 | 1 650 515 | 1 186 630 |
| **Total equity and liabilities** | | **15 984 653** | **8 813 030** | **6 846 306** |
| **Cash flow** | | | | |
| **Net cash flow from operating activities** | | **413 783** | **277 166** | **935 647** |
| Key ratios | | | | |
| Liquidity ratio | 1 | 1,81 | 1,31 | 2,27 |
| Equity-to-asset ratio | 2 | 35% | 48% | 53% |
| EBITDA margin | 3 | 19% | 14% | 18% |
| Return on equity | 4 | 2% | 12% | 7% |
| **Average no. of shares (thousands)** | | **184 317** | **183 302** | **145 550** |
| Earnings pr. share | 5 | 0,66 | 2,72 | 1,82 |

1) Current assets/short term liabilities
2) Equity/total capital
3) Operating profit/loss before depreciaton expressed as a percentage of operating income
4) Net profit after tax (incl. Discontinued operations) expressed as a percentage of book equity
5) Net profit after tax (incl. Discontinued operations)/average no. of shares
* Average no. of shares in 2005 are made equivalent to the split of shares done in 2006



# AUSTEVOLL SEAFOOD (GROUP)

**Harvesting**
650-700.000 tons of fish
- 45 vessels

**Primary Processing**
28 processing plants
Handling over 1.45 mill tons of fish annually

**Secondary Processing**
6500 mt of crude fish
i = 2000 mt of HCO3

**Sales & Distribution**
Wholesales with global distribution

## PERU

**Harvesting capacity**
15.794 $m^3$ of anchovy hold capasity
- 38 vessels

**Primary Processing**
9 meal & oil plants
2 canning plants
2 freezing plants

**Sales & Distribution**
Own sales organisation

**Companies**
- Austral Group S.A.A.
- Corporacion del Mar S.A. (Cormar)

## CHILE

**Harvesting capacity**
9.1% of pelagic fishing quota
- 5 vessels

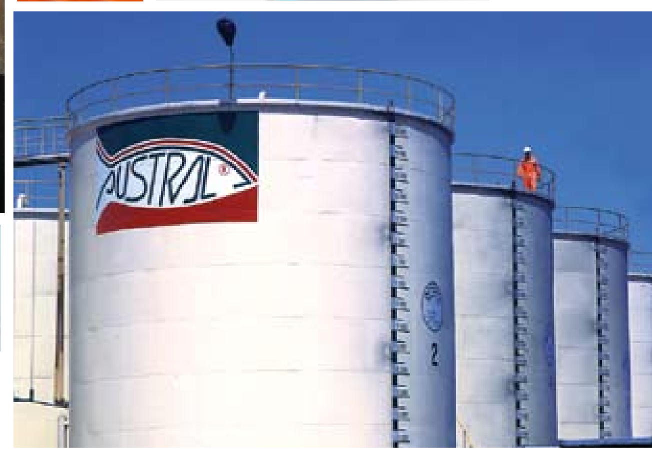
**Primary Processing**
2 meal & oil plants
2 canning plants
1 freezing plant

**Sales & Distribution**
Own sales organisation

**Companies**
- FoodCorp S.A.
- Chilefood S.A.


Sales offices
Main area of operations
NORTH ATLANTIC
Harvesting capacity
- 2 vessels (2 licenses)
Thru' (Br Birkeland AS)
+ 7 salmon licenses
Primary Processing
5 meal & oil plants
1 storage/blending
1 meal & oil plant (associated)
2 freezing plants
1 freezing plant (associated)
Secondary Processing
High Concentrate
Omega-3 Fish Oil Plant
Sales & Distribution
Own sales organisation
Companies
- Austevoll Seafood ASA
- Epax AS
- Modolv Sjøset AS
- Austevoll Fiskeindustri AS
- Atlantic Pelagic AS
- Br. Birkeland AS
- Lerøy Seafood Group ASA

# ABOUT


# AUSTEVOLL SEAFOOD ASA

The Austevoll Seafood Group (AUSS) is a global seafood company operating a full value chain integration model from harvesting, processing, fish oil refinery, salmon farming and sales/marketing and distribution.

The company's operations are located in Europe, Chile and Peru. The head office is located in Austevoll, Norway.

Group activities are divided into four main areas – production of fishmeal and oil, products for direct human consumption, salmon farming and trading activities.

## FISHMEAL AND FISH OIL PRODUCTION

The Group's fish meal and fish oil production activities are operated by the following subsidiaries;
**FoodCorp S.A, Chile;**
2 factories located in Coronel.
**Austral Group S.A.A, Peru;**
9 factories located in Paita, Chicama, Coishco, Huarmey, Chancay, Pisco and Ilo.
**Welcon Invest AS, Norway;**
5 factories located in Vadsø, Moltustranda, Måløy, Karmøy and Egersund. In addition Welcon owns 40% in Bodø Sildoljefabrikk AS located in Bodø.

Fish meal is one of the main ingredients in fish feed and other animal feed. This product is priced on the level of its protein content. Given the growth in aquaculture worldwide, the demand for fish meal is believed to remain high.

Fish oil is mainly used as an ingredient feed for aquaculture. In 2007 about 83 % of the fish oil went for this purpose. The latest years there has been a rapidly increasing demand for fish oil from the producers of high concentrate Omega-3 oils, with expected continuing growth in the future.

The main sources for fish meal and fish oil production differ according to geographic area for the Group.

In Norway blue whiting, herring and trimmings from herring for human consumption are the main sources for fish meal and fish oil. The main season for fishmeal and fish oil production is between September and May, with peaks from November to March.

In Norway, all raw materials are purchased through an auction system run by Norges Sildesalgslag (the Norwegian Fishermen's Sales Association for Pelagic Fish), except trimmings from the human consumption industry. These are purchased directly from the production plants.

In Chile, the main sources for production of fishmeal and fish oil are anchoveta and trimmings from the human consumption industry. Anchoveta is mainly purchased from the coastal fleet, while trimmings are supplied from our own plants processing fish for human consumption. The fishing season for anchoveta is principally from February to July, and the main season for trimmings is from January to September.

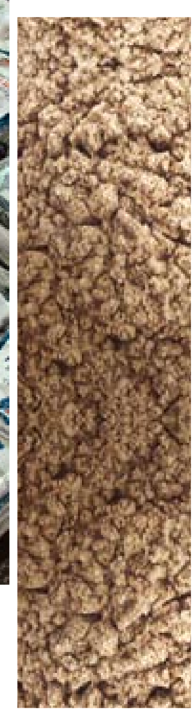
In Peru, the main sources for production of fishmeal and fish oil are anchoveta and trimmings. The Group’s company, Austral Group S.A.A, in Peru has a quota for anchoveta fishing. Anchoveta fishing has historically been based on an “Olympic system”, whereby a total quota is established for the entire Peruvian fleet. Fishing is only permitted at certain times of the year, and in recent years these have been from April to June and from November to December. In 2008, fishing was permitted for a total of 50 days. Trimmings are supplied from our own plants processing fish for human consumption, and mainly take place from January to April and from August to October.

In June 2008 the Peruvian authorities decided to implement a new legislation which will regulate the anchovy fishing industry through the application of maximum boat catch limits (individual quotas). This is a major contribution bringing order to the industry and will generate important economic, environmental and social benefits. The new system will allow the industry to move from an expensive way of harvesting with the “Olympic race”, to maximising product value through economies of scale and improvements in the quality of both raw material and finished products. The new legislation will be efficient from the first fishing season in 2009.

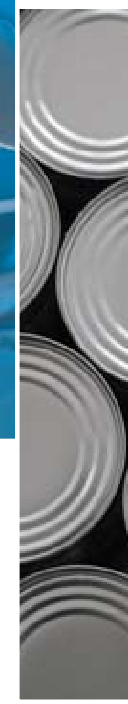
Austral Group S.A.A obtained “Friend of the Sea” certification in 2009. This audit conducted by an independent accredited certification body with in-depth knowledge of the fishery, focusing on anchovies, horse and pacific mackerel. Certification is given to products from anchovies and pacific mackerel and may only be given at the end of a comprehensive audit process. The certification given to Austral covers fishmeal, fish oil, canned and frozen products from Peruvian anchovy as well as canned and frozen products from pacific mackerel. The Certification also witness that the fishery is managed according to sustainable criteria and stocks are not overfished.

The Peruvian anchovy (Engraulis ringens) current status is that it is not overexploited, according to data from the Peruvian Institute IMARPE. The reference point used is spawning biomass, which must be at least 5 million MT. Latest estimates indicate a biomass level of 9,38 million tons, almost the double the Reference Point.

In 2008, the IFFO 6 countries produced 3 231 900 tons of fishmeal and fish oil, and the Group sold a total of 310 000 tons of fishmeal and fish oil which is about 10%. The IFFO countries are Peru, Chile, Norway, Iceland, Denmark, Ireland, UK and Faroe Island.



# FISHMEAL AND OIL PRODUCTION



# HUMAN CONSUMPTION

The Group's human consumption production is operated by the following subsidiaries;

**FoodCorp S.A, Chile;**
2 canneries located in Coronel and Puerto Montt,
1 freezing plant located in Coronel.

**Austral Group S.A.A., Peru;**
2 canneries/freezing plants
located in Paita and Coishco,
one plant for processing fresh fish in Pisco.

**Epax AS, Norway;**
1 plant for processing high concentrated
Omega-3 oil in Ålesund

The group's human consumption products are high concentrated Omega-3 oils, canned horse mackerel, mackerel, sardines, tuna fish, salmon and mussels and frozen horse mackerel and mackerel.

Epax AS bases its business concept on refining marine fats to high value concentrated Omega-3 products. The products are sold in the global market for dietary supplements and food additives/functional food. Countless medical studies have shown that the Omega-3 fatty acids EPA and DHA are very important for human health. They are included in the body's cell membranes and are essential for the neurological system. The human organism is unable to produce Omega-3, and an Omega-3 rich diet is therefore very important. The richest source of Omega-3 is fatty fish. The marine raw materials used to produce EPAX products come primarily from South America.

Epax products have been included in medical clinical studies for more than 10 years and probably are the world's best documented Omega-3 products. In addition, the products are recognised as the best on the market both with respect to purity and quality. They are therefore often selected by experts for medical studies. Epax AS is one of the few Omega-3 producers in the world approved by the drugs authority for production of active pharmaceutical substances. Epax AS is also certified in accordance with the quality control system GMP (Good Manufacturing Practice). Epax AS has during 2008 increased the production capacity for high concentrate Omega-3 oils from 1.500 tons to 2.000 tons.

The Group produces canned products from various species such as horse mackerel, mackerel, sardines, tuna fish, salmon and mussels. The shelf life of canned fish is up to 5 years, and logistics are very simple as these products do not require refrigeration. Canned fish is a tasty and affordable source of protein.

Frozen fish is packed in 20 kg cartons and then blast-frozen to minus 20 degrees core temperature. Freezing food prevents bacterial growth by turning water to ice. Frozen fish has a shelf life of up to 12 months, and can easily be transported around the globe. Frozen fish is a value-added product to serve a higher level in the market, and is a good source of protein. The products are exported to different markets and different segments from processor to wholesale markets. The Group provides frozen fish as whole round frozen, head-off gutted or fillets.

Austral Group S.A.A obtained "Friend of the Sea" certification in 2009. The "Friend of the Sea" audit, conducted by an independent accredited certification body with in-depth knowledge of the audited fishery, focuses on anchovies, horse and pacific mackerel. Certification is given to products from anchovies and pacific mackerel and may only be given at the end of a comprehensive audit process. The certification given to Austral covers fishmeal, fish oil and canned and frozen products from Peruvian anchovy and canned and frozen products from pacific mackerel. Certification ascertains that the fishery is managed according to sustainable criteria and stocks are not overfished.

Pacific Mackerel (scomber japonicus) is considered as moderately to fully exploited by FAO 2005. Distribution and abundance of pelagic resources in Peru have been assessed by IMARPE through acoustic surveys since 1975. According to the FAO, discards in the Peruvian seine fisheries are near 2,5% - much lower than the average worldwide – and do not include endangered species.

## AUSTRAL GROUP S.A.A REBUILDS HOMES FOR THEIR WORKERS IN PISCO

Jointly with their collaborators, Austral Group S.A.A has finished with the second stage of the project of reconstruction of homes for its workers from Pisco in Peru, who suffered the effects of the earthquake of 15 August 2007.

This comprised the construction of new homes in brick and concrete for those collaborators whose homes collapsed as a result of that earthquake. The first stage of the integral support project carried out by the company comprised donations of tents, blankets, clothes, food, orientation consults and psychological support.

AFTER EARTHQUAKE

RECONSTRUCTED BY AUSTRAL

AUSTRAL Setting a course for innovation

In recognition of an uncompromising commitment towards ensuring the highest product quality in the Omega-3 marketplace, and for demonstrating "Purity Beyond Expectation," a technology concept that has set a new quality benchmark for the industry.

EPAX®
MARINE OMEGA-3 FORMULA

EPAX is awarded the

FROST & SULLIVAN

2008 BEST PRACTICES AWARD

**2008 EXCELLENCE IN PRODUCT QUALITY AWARD IN THE EUROPEAN OMEGA-3 INGREDIENTS MARKET**

Founded in 1961, Frost & Sullivan is a market consulting company with 31 global offices in 21 countries. Their Best Practices Awards recognize companies in a variety of markets for demonstrating outstanding achievement and superior performance in areas such as leadership, technological innovation, customer service and strategic product development.


## EPAX AWARDED BY PRESTIGIOUS FROST & SULLIVAN FOR EXCELLENCE IN PRODUCT QUALITY

"EPAX has consistently delivered high-quality products that exceed global quality and purity regulatory standards. Through the inventive "Purity Beyond Expectation" approach, it has demonstrated leadership abilities in offering the best-quality fish oils in the Omega-3 ingredients market. Fixing maximum limits for environmental pollutants and oxidation parameters far below global standards has attributed to EPAX's position as a consistent supplier of safe and pure products. Its wide range of products with varying EPA/DHA concentrations and ratios target specific health issues. Strict focus on ensuring quality control in addition to the company's active participation in numerous promotional activities has generated strong brand awareness and wide acceptance of its products. All the above factors clearly indicate the competitive edge the company has exhibited over other participants in the market by developing an oil-purification technology, which significantly contributes to the industry growth, thereby making EPAX AS the worthy recipient of the 2008 Frost & Sullivan Excellence in Product Quality Award in the European Omega-3 ingredients market."

Frost & Sullivan


## SOCIAL RESPONSIBILITY IN CHILE

FoodCorp's social responsibility program continues, with constant focus in its works and the community of Coronel, with special aim in creating a great place to work by encouraging education, sports and culture, and a strong environmental concern.

In order to promote its long term commitment towards the industry development in a sustainable environment, FoodCorp was the first fishing company in Chile to subscribe The UN Global Compact, an initiative of United Nations that asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption. The UN Global Compact is both a policy platform and a practical framework for companies that are committed to sustainability and responsible business practices. It is not a regulatory instrument, but rather a voluntary initiative that relies on public accountability, transparency and disclosure to complement regulation and to provide a space for innovation.

UNITED NATIONS
GLOBAL
COMPACT

THE GLOBAL COMPACT

# SALMON

In October 2008 AUSS bought 5.403.342 shares in Lerøy Seafood Group ASA (LSG) and made mandatory bid for the remaining shares in (LSG). The acceptance period under the Offer lapsed on November 17th and the total AUSS shareholding is now 74,93% of LSG.

The Lerøy Seafood Group can trace its operation back to the end of the 19th century, when the fisherman/farmer Ole Mikkel Lerøen started selling live fish on the Bergen fish market. Over time, Ole Mikkel Lerøen`s operation gradually came to include retail sales in Bergen, the sale of live shellfish and a budding export business. In 1939, two of his employees, Hallvard Lerøy sr. and Elias Fjeldstad, established Hallvard Lerøy AS. Since its establishment, Hallvard Lerøy AS, has been a pioneering enterprise in a number of fields in the Norwegian fishing industry. The main focus has always been on developing markets for seafood products, and the company has frequently led the way into new markets or been the first to commercialise new species. The pioneering spirit is still very much alive in the company.

Since 1999, LSG has acquired substantial interests in various domestic and international enterprises. Late in 2003 LSG acquired all the shares in Lerøy Midnor AS and bought Lerøy Aurora AS in 2005. Lerøy Fossen AS and Hydrotech AS were acquired in 2006. In 2007 LSG continued expanding the aquaculture activity by acquiring the company Lerøy Austevoll AS. LSG`s investment in downstream activities the last years have established the company as a national and international distributor of fresh fish. Because of these and similar investments over the last ten years, the company has now developed into a totally integrated seafood group with a solid foundation for further development.

Up to 1997, LSG was a traditional family company. In 1997, a private placement with financial investors was carried out for the first time. In connection with this placing in 1997, the Company was reorganized as a public limited company. LSG was listed on the stock market in June 2002. Since then LSG has introduced several stock issues, most recently in March 2007.

LSG`s vision is to be the leading and most profitable global supplier of quality seafood. The company's core activities are distribution, sale and marketing of seafood, processing of seafood, production of salmon, trout and other species, as well as product development.

LSG operates through subsidiaries in Norway, Sweden, France and Portugal and through a network of sales offices that ensure its presence in the most important markets. LSG task is to satisfy the customer's requirements for cost-effective and continuous supplies of a wide range of high-quality seafood products. LSG global sales network allows it to act as en efficient supplier with good product

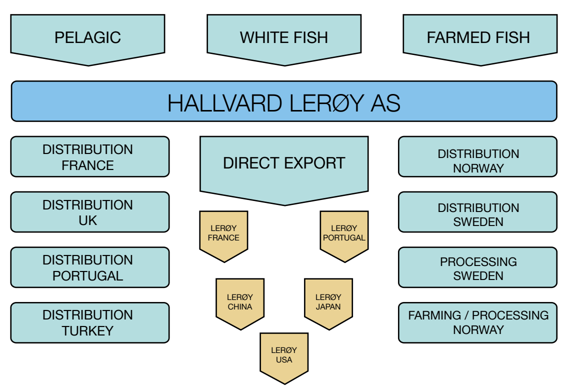
# SALMON FARMING


range dispersal, thus reducing risk for LSG and its partners. LSG divides its products into the main sectors of salmon products, whitefish, pelagic fish and shellfish. The distinction between farmed species and wild fish is significant and requires different logistics and work methods. These products are distributed on the Norwegian market and more than 65 other markets worldwide. The broad range of products offered by LSG provides sales advantages in most market areas. LSG strategy is to meet the market's ever-increasing demands for food safety, quality, product range, cost efficiency and continuity of supply. This is achieved by coordinating the various elements in the value chain – LSG`s sales network with established strategic alliances and the sea farms, fishing vessels and fish processing plants primarily along the coast of Norway.

LSG primary business segments are Sale & Distribution and Production. Sales and distribution together with LSG production activities constitute an efficient and profitable seafood group with considerable growth potential.

The production clusters in the various regions will be further developed through harvesting synergies in several areas and the various production environments will draw on each other's competence through extensive exchange of know-how.

At the beginning of 2009 LSG is well situated for continued strengthening of its position as a central actor in the international seafood industry.




| Company | Ownership share | Licenses No. | Mill. smolt individuals | 2007 GWT | 2008 GWT | 2009 E GWT |
|---|---|---|---|---|---|---|
| Lerøy Midnor AS | 100% | 30 | 9,5 | 29 200 | 29 100 | 35 000 |
| Lerøy Aurora AS | 100% | 17 | 5 | 17 100 | 17 200 | 20 500 |
| Lerøy Fossen AS | 100% | 7 | 4,2 | 9 100 | 6 500 | 10 000 |
| Lerøy Hydrotech AS | 100% | 24 | 7 | 20 100 | 23 000 | 22 000 |
| Lerøy Austevoll AS* | 100% | 27 | 10 | 13 400 | 16 900 | 22 500 |
| Total Norway | | 105 | 35,7 | 88 900 | 92 700 | 110 000 |
| Norskott Havbruk AS (UK) | 50% | | 6 | 12 000 | 11 400 | 13 000 |
| TOTAL | | | 41,7 | 100 900 | 104 100 | 123 000 |

CONSOLIDATED, FARMING    AFFILIATED, FARMING    * Acquisition 2007, consolidated from 01.04.07

# TRADING

The subsidiary, Austevoll Fisk AS, is the main shareholder of the Norwegian fish sales and processing companies. The sales company Atlantic Pelagic AS' primary activity is purchase and sale of pelagic fish.

Austevoll Fiskeindustri AS, Sir Fish AS, Modolv Sjøset AS and North Capelin AS are the Group's pelagic processing companies in Norway.

The main species sold from the Group's Norwegian trading segment are mackerel, jack mackerel, capelin and herring (both NVG herring and North Sea herring). There has been an increase in quotas for NVG herring since 2003. The increase in quotas between 2006 and 2008 were 55%. Several strong year-classes has increased the biomass to 10 million tons. The institute for Marine Research measured a record number of NVG herring larvae of 107,9 billion in April 2008, relative to the old record from 2006 of 98,9 billion ( www.imr.no/_data/page/8113/Nr.5_2008.pdf ). The capelin stock has varied significantly over the past 35 years due to natural ecosystem changes. In 2009 the capelin fishery in the Barents Sea opened again, and the season for this fishery is February and March.

The most important markets for pelagic fish were Japan and Far East, Russia and Eastern Europe. Traditionally Russia and Eastern Europe are the most important market for herring, however in 2008 sales of roundfrozen herring have been turned towards Africa. The most important market for mackerel is Japan and Far East.

Chilefood S.A. is also part of our trading segment. Chilefood S.A. is our Chilean marketing company selling our canned brand Angelmo.

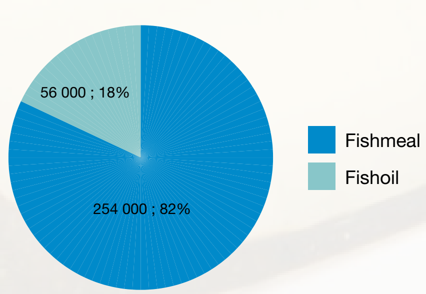
## THE EUROPEAN PART TO THE TRADING SEGMENT;

| Production | | Sales | Market |
|---|---|---|---|
| North Capelin AS 50 % | Sir Fish AS 60 % | Atlantic Pelagic | Customers |
| Modolv Sjøset AS 66 % | Shetland Catch Ltd 25 % (seperate sales org.) | | |
| Austevoll Fiskeindustri AS 100 % | Nordborg (3rd Party) | | |

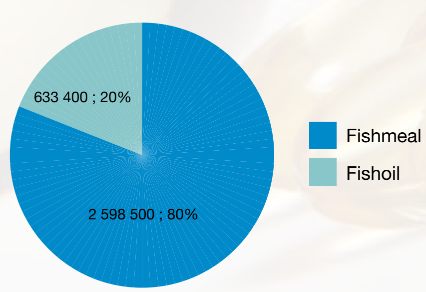
- Purchase 2008: approx 123 000 tons (191 000 tons including Shetland Catch)
- Budget 2009: approx 177 000 tons (245 000 tons including Shetland Catch)

# MARKET OUTLOOK

Fishmeal and Fishoil sales 2008




IFFO-6 Fishmeal and Fishoil production 2008




AUSS sold 310,000 mt of fishmeal and Fishoil in 2008. This is about 10% of the total Iffo-6 production at 3,231,900 mt.

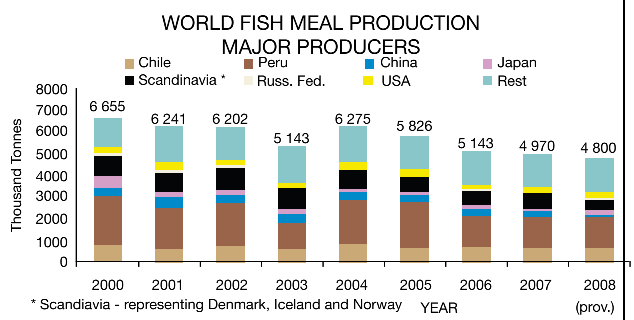
## Fishmeal

The global production is estimated to be about 4,8 million tons of fishmeal and 1,0 million tons of fishoil, a slightly decrease from latest years.

The supply for fishmeal and fishoil has been relatively stable the last years. The fishery for anchoveta in the water of Peru and Chile is still the main source for this industry. In the North Atlantic Ocean a strong growing stock of Norwegian Spring Spawning Herring bring good volumes of trimmings from the human consumption industry, and is amongst the most important sources in Europe.

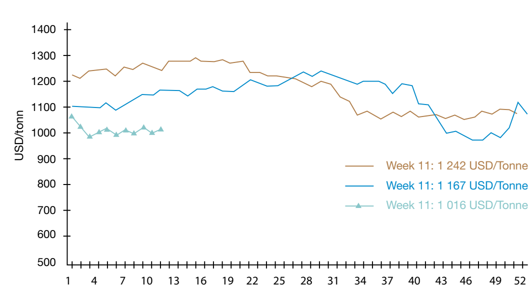
The fishmeal market in 2008 was all over good. China came back into the market importing 1,35 million tons, with Peru as the largest supplier.

For 2009 we see signs of a good year, with still strong demand in China. On accounts of decreased supply from Europe, a necessary increased import of fishmeal from South America for the Norwegian fishfeed industry will partly cover the reduced fishfeed production in Chile.




* Scandiavia - representing Denmark, Iceland and Norway

Source: IFFO



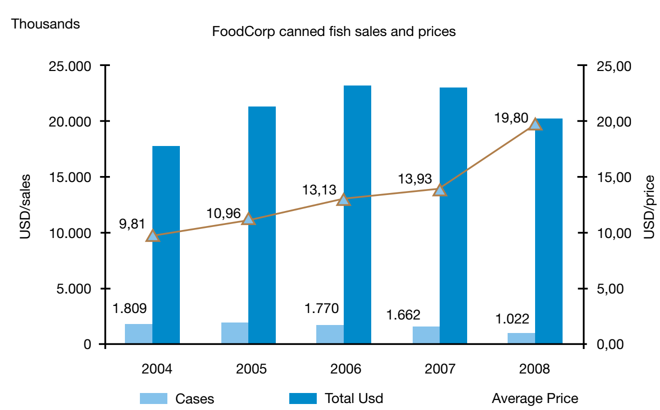

Source: Weekly Newsletter OIL WORLD, ISTA, Hamburg, Germany www.oilworld.de

## Canned Fish

In 2008, due to limitation in supply coupled with increased demand, canned fish prices in South America has been pushed to higher levels.

2009 started with prices at high level. Most markets reflects very strong demand due to limitations in supply of canned fish and the overall outlook is firm for the rest of the year.

As one of the world leading producers of canned fish, Austevoll Seafood group has seen a good development both in demand for our products and increased prices during the past years.




## Frozen Fish

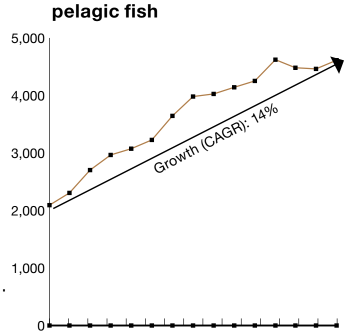
Export of frozen pelagic fish for human consumption has in average increased with 5.8% pr. annum in the last decade. Russia, Nigeria, Japan and Ukraine are the main markets.

In 2008 the average prices of frozen horse mackerel from South America was sold at the level of about USD 912/MT FOB against USD 540/MT FOB in 2007, with prices stabilizing at the end of the year.

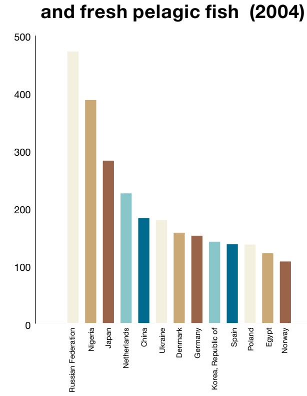
In the beginning of 2009 the prices have stabilized at a high level and the demand from our major markets remain strong.

The North Atlantic region experienced an increase in quotas for Mackerel and Herring.

**Export of frozen and fresh pelagic fish**



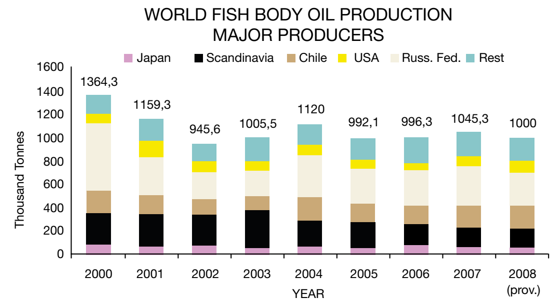

**Main markets of frozen and fresh pelagic fish (2004)**

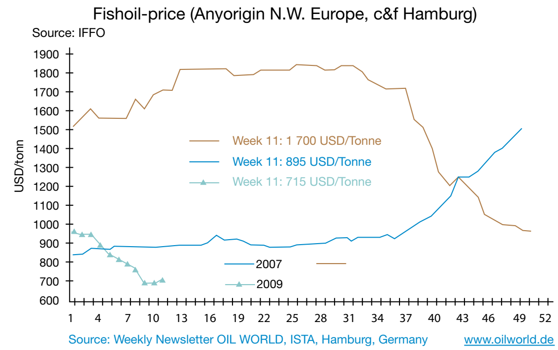


## Fish Oil

The first nine months of 2008 gave significant fishoil prices with USD 1800/mt over a longer period. Along with the development on mineral oil both fishoil and vegetable oils dropped dramatically in the end of the year. However a stronger US currency kept good profit, especially in Europe.

For 2009 lager stocks for all oils have put pressure on the prices, including fishoil. We expect stabilization and later a gradually price increase within this year.




## High Concentrate Omega-3

EPAX has a very strong position in the market and is recognized as a trustable supplier of premium quality products. This, in addition to an efficient vertically integrated supply chain, makes EPAX well positioned to meet the challenges in an turbulent market.

Experienced no negative economic impact of the Financial crisis through 2008, however the market has through 2008 been nervous and reacted to the crisis by lowering inventories throughout the value chain, requesting reduction of deliverytimes and reducing risks related to financial credit.

Expecting 2009 businessvise to be similar to our experience through last year.

Supplement business is in general expected to remain strong although some segments are slowing down.

Omega3 sector of the supplement business is expected to remain strong or hold its present position, specially within EPAX main sector consisting of condition specific products.

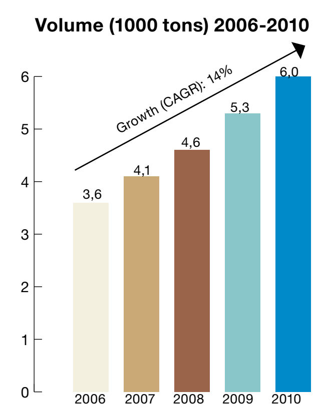
EPAX is involved in several new product launches both in the EU and North American marked. New launches indicates strong believe in the market despite the financial turbulence which is expected to remain throughout 2009.

LIPROMEGA ® is EPAX new Marine Phospholipid product rich in DHA. LIPROMEGA ® will be launched in H2 and the interests for the product has so far been overwhelming.

Raw materials of Crude Fishoil is secured for the whole 2009 ensuring products to meet the new EU legislation of Health as well as premium quality of EPA and DHA.

Investment program to increase capacity and improve efficiency has been finalized and in operation.

R&D programs running and bringing new innovations to the market in H2.



# DIRECTORS OF THE BOARD

Behind from left: Hilde Waage, Inga Lise L. Moldestad, Ole Rasmus Møgster
In front from left: Helge Singelstad and Oddvar Skjegstad

### Ole Rasmus Møgster
Chairman of the Board

A main owner in LACO AS, which is the Main Shareholder of DOF ASA and Austevoll Seafood ASA.

Mr Møgster was previously CEO of Austevoll Havfiske AS and has long experience from fish harvesting, fish processing and salmon farming. Holding board positions in several companies.

### Helge Singelstad
Deputy Chairman of the Board

CEO in Lerøy Seafood Group ASA

Helge Singelstad is educated in engineering from Bergen Ingeniørskole, he is business school graduate from NHH, and he has a degree from the first year of law school at UIB.

Singelstad has experience from different types of businesses: oil companies, ship equipment and the seafood sector.

Mr. Singelstad has had executive positions in Lerøy Seafood Group ASA since 1993 with exception of one year as CEO in Laco AS.

### Oddvar Skjegstad
Member of the Board

Master of Business and Administration.

Self employed, with a wide experience from executive positions in public administration, bank and industrial activity.

Engaged in board activities within several different business sectors.

### Hilde Waage
Member of the Board

MBA / CEMS Master

Chief Financial Officer/Deputy CEO in Ocea Group.

Mrs. Waage holds a wide experience from bank, fishing and industry, and was working in Chile for 4 years.

### Inga Lise L. Moldestad
Member of the Board

MBA and State Authorised Public Accountant

Executive Vice President and partner in Holberg Fondsforvaltning, a Bergen based asset management company.

Extensive experience from securities trading from Holberg, Unibank, Skandia, Vesta. Wide experience from auditing, and consulting from Arthur Andersen, and Ernst & Young.

# DIRECTORS' REPORT 2008

## Introduction

Austevoll Seafood ASA (AUSS) is a vertically integrated fisheries group which is involved in activities within pelagic fisheries, production of fishmeal and oil, processing of pelagic products for consumption, farming of salmon and trout and sales activities in Norway, Europe and South-America.

The company's head office is located at Storebø, Austevoll Municipality, Norway.

## Important events in 2008

In 2008, AUSS completed acquisitions of businesses in Europe which were related to the company's core area of activity. In the autumn of 2008, the company made a bid for all the shares in Lerøy Seafood Group ASA (LSG) and now owns 74.93% of LSG's shares. With effect of 1 December 2008, LSG has been wholly consolidated in AUSS.

Below is a point by point and chronological summary of significant events that have occurred in the last year and of significant transactions carried out after 31 December 2008:

- In January 2008, AUSS acquired a 40% shareholding in Bodø Sildoljefabrikk AS via its subsidiary Welcon Invest AS. The acquisition was partly settled by the purchase of existing shares and partly by a private placement in Bodø Sildoljefabrikk AS. Bodø Sildoljefabrikk is involved in the production of fishmeal and oil, and is located in Bodø in Nordland county.

- In August 2008, AUSS acquired 40% of the shares in North Capelin Honningsvåg AS (NCH) via its subsidiary Austevoll Fisk AS. The acquisition was settled by a private placement in NCH. NCH has a production facility for pelagic fish and is located in Honningsvåg in Finnmark county.

- In October 2008, AUSS increased its holding in Modolv Sjøset AS from 49.98% to 66% via its subsidiary Sea Star International AS. The acquisition was settled by a private placement in Modolv Sjøset AS. Modolv Sjøset has a production facility for pelagic fish and white fish and is located in Træna in Nordland county.

- In September and October 2008, AUSS acquired 5,403,342 shares in Lerøy Seafood Group ASA, after which it presented a statutory bid for all the shares in the company. AUSS' shareholding at year-end 2008 is 74.93% and LSG was wholly consolidated in AUSS with effect from 1 December 2008.

- In February 2009, AUSS and Origin Enterprises plc (Origin) merged their respective activities related to fishmeal and fish oil in Norway, Ireland and Great Britain. AUSS' wholly-owned Norwegian subsidiary, Welcon Invest AS, owns fishmeal and fish oil activities in Norway. Origin's wholly-owned subsidiaries, United Fish Industries (UK) Ltd and United Fish Ltd (the UFI companies) own Origin's fishmeal and fish oil activities in Great Britain and Ireland. Origin has transferred its share (hundred %) of the UFI companies to Welcon Invest AS together with a cash contribution of EUR 16 million in return for a shareholding of 50% in the activities of the merged companies. With effect of February 2009, Welcon Invest AS' activities will be recognised as jointly controlled activities in the AUSS consolidated accounts, i.e. that 50% of all items on the profit & loss account and balance sheet from Welcon Invest AS will be consolidated in AUSS.

## Group activities

In 2008, Group activities were divided into three areas of activity – Production of fishmeal and oil, Human Consumption and Trading activities. With the acquisition of LSG in December 2008, the Group's activities will now be expanded to include Production and Sale and distribution.

***Production of fishmeal and oil***
The company's fishmeal and oil production activities are run by the subsidiaries Welcon AS in Norway, FoodCorp S.A in Chile and Austral Group S.A.A in Peru.

In 2008, production in Norway took place at Welcon's factories in Egersund, Karmøy, Måløy and Moltustranda. In addition, Welcon owns 40% of Bodø Sildoljefabrikk AS. This company has had exceptionally good access to raw materials and high production in 2008. In the autumn of 2008, the company decided to close down activities in Moltustranda. Furthermore, a decision by the authorities to allow fishing of capelin has resulted in the reopening of Welcon's facilities in Vadsø in 2009. Blue whiting and cut-offs from pelagic production for consumption are the main constituents included in production. In Norway, raw materials must be purchased via the Norges Sildesalgslag auction system. Cut-offs, however, can be purchased directly from production plants.

In Chile, the Group has two factories located in Coronel. Anchoveta and cut-offs from pelagic production for consumption are the primary production constituents. The raw material anchoveta is primarily purchased from the coastal fleet.

In Peru, the Group has nine factories located in Paita, Chicama, Coishco, Huarmey, Chancay, Pisco and Ilo. The Group also owns 50% of a jointly controlled company which has factories located in Paita and Tambo de Mora. Anchoveta and cut-offs from pelagic production for consumption are the primary production constituents at these plants also. The company has anchoveta quota, and a large proportion of the raw material is therefore obtained from the company's own fleet. Raw materials are also purchased from other players in the industry.

In June 2008, the Peruvian authorities adopted a new legislation regarding the regulation of anchoveta fishing. The new legislation involves a quota system with maximum quotas for fishing vessels, so-called individual quotas, and will come into effect in the 2009 fishing season.

310,000 tons of fishmeal and oil were sold in 2008. The corresponding volume for 2007 was 300,000 tons. This area of activity reported sales of NOK 2,137 million for 2008 compared with NOK 2,085 million for 2007. Operating profit before depreciation and amortization (EBITDA) was NOK 529 million in 2008, as opposed to NOK 408 million in 2007. Included in these figures are non-recurring items totalling NOK 32 million which relate to insurance settlement and compensation for loss of revenue.

Fish oil prices were significantly higher in 2008 compared with 2007, while the price for fishmeal has remained stable yet somewhat lower in 2008 when compared with 2007.

***Human Consumption***
Production for human consumption is run by the subsidiaries Epax AS in Norway, FoodCorp S.A in Chile and Austral Group S.A.A in Peru. The segment's products are high concentrate and low concentrate Omega 3 oils, canned horse mackerel, mackerel, sardines, tuna fish, salmon and mussels. Horse mackerel is also processed for freezing.

Epax AS is located in Ålesund and is one of the world's leading players within the production of high concentrate Omega 3 oils. These oils are used as an ingredient in pharmaceutical products, additives in food and as a dietary supplement. In 2008, Epax increased its annual production capacity for high concentrate Omega 3 oils from 1,500 tons to 2,000 tons. Sales of high concentrate Omega 3 oils totalled 1,517 tons in 2008 compared with 1,130 tons in 2007. For low concentrate Omega 3 oils, sales figures were 255 tons in 2008 compared with 283 tons in 2007.

The Group has two canning plants in Chile: in Coronel and Puerto Montt. There is also a factory for processing pelagic fish for freezing in Coronel. The Group has two canning plants in Peru: in Paita and Coishco. The factory in Coishco also processes pelagic fish for freezing.

In 2008, the area of activity reported sales of approximately 3 million cases of canned products (Chile and Peru) and approximately 22,000 tons of frozen products (Chile). Comparison figures for 2007 are approximately 4 million cases of canned products (Chile and Peru) and 28,000 tons of frozen products (Chile).

The sales figure for 2008 was NOK 784 million, compared with NOK 751 million in 2007. Operating result before depreciation and amortisation (EBITDA) for 2008 amounted to NOK 158 million as opposed to NOK 116 million in 2007. A non-recurring item totalling NOK 13 million which relates to compensation for loss of revenue is included in these figures.

Production of canned and frozen products in 2008 was lower than in 2007. This is due to a decrease in the volumes of fish for consumption fished in both Chile and Peru in 2008 when compared with 2007. The fishing situation in Chile has been difficult in 2008, the fishery did not start until March and located from 700 to 900 nautical miles from our processing plants. Despite this, we fished approximately 67% of our quota in 2008 compared to 53% of the total quota for the comparable fleet in Chile. Our activities in Peru have sustained a share of well over 20% of the Peruvian fishing of fish for consumption in 2008, while the total fishing activities for the entire Peruvian fleet fishing for consumption was lower than in 2007.

The Group's long-term strategy comprises a gradual trend towards utilising more raw materials for human consumption, to the extent possible in terms of technology and marketing.

***Trading***
Trading comprises the sales company Atlantic Pelagic AS in Norway and the sales company Chilefood S.A. in Chile. Atlantic Pelagic AS is responsible for all sales activities for the production plants Austevoll Fiskeindustri AS, Sir Fish AS and Modolv Sjøset AS. Trading also comprises the results of the above-mentioned production plants and trading of requirement specified fish oils with other companies within this branch. In Q4 2008, the Group increased its shareholding in Modolv Sjøset AS to 66%.

Trading reported sales of NOK 935 million for 2008 compared with NOK 710 million for 2007. In 2008, the area of activity achieved an operating profit before depreciation and amortisation (EBITDA) of NOK 35 million, compared with a loss of NOK 25 million in 2007.

Structural changes within the Group were carried out in 2007 and 2008 to strengthen this area of activity. These changes, combined with stable stocks of resources – in particular NVG herring – have resulted in excellent access to raw materials for the Norwegian trading segment.

## Shareholder structure

AUSS had 3,148 shareholders as at 31 December 2008. The share price was NOK 11.00 at the end of December 2008 and the share capital as at 31 December 2008 was NOK 92,158,687 distributed across 184,317,374 shares with a nominal value of NOK 0.50.

The Board of Directors has the authority to increase share capital by issuing 18,431,736 shares until the ordinary general meeting in 2009. The Board of Directors furthermore has the authority to buy back up to 10% of AUSS' shares at a price in the range of NOK 20 to NOK 100. This authority is also valid until the ordinary general meeting in 2009. At the close of the financial year, AUSS owned zero own shares.

AUSS' goal is to maximize value generation for shareholders through good results and, in time, to pay 20% to 40% of the Group's net profits as dividends.

The Board of Directors complies with The Norwegian Code of Practice for Corporate Governance of 4 December 2007, and has accordingly carried out inspections of AUSS' management, control and monitoring of AUSS' financial situation in 2008. The Board of Directors has ensured that AUSS is suitably organised and that its activities are carried out in accordance with relevant legislation and regulations and with the company's purpose and articles of association. We refer to the separate chapter in the annual report on Corporate Governance.

AUSS has paid a dividend in 2008 of NOK 0.30 pr. share. The board has not recommended payment of a divided in 2009.

## Health, Safety and the Environment

The total number of man-years in the Group in 2008 was 4,610, of which 4,182 are man-years outside Norway. With the acquisition of activities during the year, a proportional share of man-years for the period of ownership will be taken into consideration in the total number of man-years for the Group. Female employees are underrepresented on the Group's vessels and are overrepresented in the processing plants. There are 2 women on the company's board of 5 board members. The company therefore complies with the requirement that 40% of the board members elected by shareholders are women.

The Group places great emphasis on managing and developing all elements which can contribute to increasing expertise on and awareness of health, safety and the environment. High levels of financial and technical resources are invested in ensuring that the Group's activities are operated in accordance with guidelines which promote the interests of the company and the environment. The planning and implementation of new technical measures make vessels and the shore-based industry more efficient, simpler to operate and more environmentally friendly. The health and safety risks which employees are exposed to are therefore reduced. The processing plants in Norway have implemented a quality assurance system which complies with The Directorate of Fisheries' regulations. The Group's production of fishmeal and oil in Norway requires a licence and is subject to The Norwegian Pollution Control Authority's (SFT) regulations. All of the Group's Peruvian factories, which are owned by Austral Group S.A.A, are ISO 14001 certified.

AUSS maintains a constant focus on the sustainable development of fishery resources and actively follows up employee and management compliance with regulations and quota conditions in order to ensure that resources are preserved for future generations.

In 2009, Austral Group S.A.A. achieved certification by "Friends of the Sea". This was granted by an independent certification body with detailed knowledge of fishing, particularly anchovy, horse and Pacific mackerel.
The certificate relates to products based on anchovy and Pacific mackerel and requires a comprehensive certification process. The certificate granted to Austral Group S.A.A. covers fishmeal and fish oils, canned and frozen products based on Peruvian anchovy, and canned and frozen products based on Pacific mackerel. The certificate confirms that the fish resources are utilised in accordance with criteria for sustainable fishing, and that the resources are not over-fished (www.friendofthesea.com).

The Group's fish farming activities are closely linked to natural conditions in Norwegian and international fresh water sources and sea areas. Based on a long-term perspective, the Group is involved in efforts to protect and safeguard the environment in the areas utilised for fish farming. Environmental aspects are a part of the Group's quality policy and an integral part of the internal control system for the Group's fish farming company. This applies to the entire value chain, from breeding to smolt, fish for consumption, slaughtering, processing and distribution.

The Group's vessels are not considered to pollute the external environment with the exception of minor emissions of exhaust gases. The Group's shore-based facilities have purification systems linked to the production process and the company is regulated within the requirements set for this type of activity. The Group focuses on the reduction of energy and water consumption and it is the board's opinion that the Group's processing activities do not result in significant emissions to the external environment and do not harm the external environment to any significant extent.

Sickness absence in 2008 was 5.96% of shore-based working hours in the Norwegian part of the Group. Sickness absence in 2007 was 4.91%. The acquisition and sale of companies in the course of 2008 means that sickness absence in 2008 is not directly comparable with sickness absence in 2007. The Group implements a number of measures to continuously reduce sickness absence.

The Group's activities in Norway are linked to the local company health service. Personal injuries within the Group were registered in 2008. All undesired incidents are registered on an ongoing basis along with near accidents, in order to prevent damage or injury. This focus on reporting and processing undesired incidents will help create a safer working environment.

## Group accounts

The consolidated accounts are prepared in accordance with IFRS as adopted by the EU.

The Group's income was NOK 4,019 million in 2008 as opposed to NOK 3,452 million in 2007. Lerøy Seafood Group ASA, formerly an affiliated company, was wholly consolidated as a subsidiary with effect from December 2008 after the Group's acquisition of the company.

Operating profit before depreciation (EBITDA) and prior to adjustment for biomass was NOK 788 million in 2008 as opposed to NOK 483 million in 2007. In comparison with 2007, there has been a very positive development in the prices for canned and frozen products and fish oils in 2008. The fishmeal prices remained at a stable high in 2008 while prices in total have been lower in 2008 when compared with 2007.

Operating result (EBIT) prior to adjustment for biomass was NOK 479 million in 2008 and NOK 278 million in 2007. The operating result after adjustment for biomass was NOK 596 million in 2008 compared with NOK 278 million in 2007.

Profits from associated companies were NOK 25 million in 2008 compared with NOK 66 million in 2007. The majority of the 2007 figure relates to profits from Lerøy Seafood Group ASA.

Net financial expenses were NOK 337 million in 2008, compared to NOK 129 million in 2007. The increase in net financial expenses is a result of a combination of increased liabilities and higher interest rates in 2008, in addition to currency items, mainly unrealised loss on foreign exchange caused by fluctuations in the USD and EUR.

Profit for the year after tax in 2008 was NOK 163 million as opposed to a profit of NOK 508 million in 2007, including a gain on sales of NOK 314 million.

The Group's net cash flow from operating activities was NOK 414 million in 2008 compared with NOK 277 million in 2007. December is the peak season for sale and distribution of salmon, bringing a higher amount of bound capital for the Group at the end of 2008, when compared with 2007.

Net cash flow from investment activities was minus NOK 1,448 million in 2008. Investments consisted primarily of the acquisition of Lerøy Seafood Group ASA. Necessary investments in maintenance have also been made in the course of year, in addition to investments in increasing production capacity at Epax AS. In 2007, the Group had a net cash flow from investment activities of minus NOK 2,195 million.

The net cash flow for the year from finance was NOK 614 million and comprises new liabilities in connection with the acquisition of Lerøy Seafood Group ASA, an amendment in the withdrawal right from the overdraft facility and downpayment of ordinary instalments on long-term liabilities. In 2007, the Group had a net cash flow from financing activities of NOK 1,552 million. At the start of year, the Group had cash holdings of NOK 1,040 million and at the end of year the Group's cash holdings were NOK 644 million.

The Group has a consolidated balance sheet totalling NOK 15,985 million. Equity was NOK 5,620 million, giving an equity ratio of 35%. The Group had net interest-bearing liabilities at year-end of NOK 6,554 million. Lerøy Seafood Group ASA is wholly consolidated in the Group with effect from 1 December 2008, representing a significant increase in the consolidated balance sheet.

## Financial risk

The Group is exposed to risk associated with the value of investments in subsidiaries in the event of price changes on the raw material and finished goods market, to the extent such changes have an impact on the companies' competitive power and earnings potential over time. Operating factors and the development in prices for the Group's input factors are also central elements.

The Group's activities are in the main global and will therefore always be exposed to some degree to the trends in global economy. The recent crisis on the financial markets is expected in time to have an impact on the majority of market economies. However, the Group believes that its core activities are founded on long-term sustainable values within the seafood industry.

Changes in fishing patterns and quota regulations result in fluctuations in volumes from quarter to quarter, impacting the exploitation of the Group's production plants. The seasonal fluctuations in fishing volumes generate corresponding fluctuations in the end-period key figures. The Group's production of Atlantic salmon and trout is naturally exposed to a constant biological risk.

The Group is exposed to changes in interest rate levels, as the majority of the Group's liabilities have floating interest rates. The exposure to risk as a result of changes in interest rate levels is therefore continuously identified and evaluated.

The Group operates with a strategy for long-term cooperation with financial partners. The Group therefore has satisfactory financing, including so-called financial covenants which are adapted to suit Group activities. In March 2009, AUSS renegotiated its bond loan which totals NOK 1 billion, originally due for payment 29 March 2010. The loan will be repaid on 30 March 2009 whereby NOK 300 million will be paid to the bondholders on redemption and the remaining NOK 700 million will be distributed into 3 new loans where NOK 100 million is due for payment on 29 March 2010, NOK 300 million due on 29 June 2011 and NOK 300 million due on 29 March 2012. The terms for this loan have been amended to 3 month NIBOR + 6.5% margin.

The Group is exposed to changes in currency rates, particularly the Euro, USD, Chilean Pesos and Peruvian Soles. Attempts are made to reduce this risk by entering into forward/future contracts and multi-currency overdrafts. Parts of the long-term liabilities are also adapted to earnings in the same currency.

The risk that counterparties do not have the financial capability to meet their obligations is considered to be low. This is based on the company's history of very few bad debts. The Group has also taken out credit insurance for parts of the total receivables. Letters of credit are also utilised and these, in principal, secure fulfilment of customer commitments.

The board of AUSS considers liquidity in the company to be satisfactory. Due dates for accounts receivable are upheld and other long-term receivables do not require re-negotiation or redemption.

## Going concern assumption

The Group has a satisfactory financial position. This provides the basis for the continued operation and development of the company. The Group's accounts are prepared under the going concern assumption.

## Company accounts for Austevoll Seafood ASA

Austevoll Seafood ASA is the Group's holding company and has 10 employees. Sickness absence in the company in 2008 was 1.72% compared with 0.93% in 2007.
The Company's primary activity is owning shares in underlying companies and carrying out strategy processes, board work, accounting and finance services and technical operation services for underlying subsidiaries.

The parent company accounts are prepared in accordance with simplified IFRS.

Parent company income was NOK 6 million in 2008 as opposed to NOK 7 million in 2007.

The operating result before depreciation (EBITDA) was minus NOK 19 million in 2008, as opposed to minus NOK 23 million in 2007.

Net financial income was NOK 311 million in 2008 compared with NOK 407 million in 2007. Profit for the year after tax was NOK 217 million as opposed to a profit after tax of NOK 384 million in 2007. The figure for 2007 includes a gain on sales of NOK 377 million.

The parent company's net cash flow from operating activities was minus NOK 525 million in 2008 compared with NOK 171 million in 2007. Net cash flow from investment activities was minus NOK 1,417 million in 2008. This figure reflects items such as the acquisition of Lerøy Seafood Group ASA. In 2007, the parent company had a net cash flow from investment activities of minus NOK 1,472 million. In 2008, the parent company had a net cash flow from financing activities of NOK 1,361 million, the main part of which is the new liability in connection with the acquisition of Lerøy Seafood Group ASA. In 2007, the parent company had a net cash flow from financing activities of NOK 1,262 million, mainly comprising a new bond loan of NOK 1 billion. At the start of the year, the parent company had cash holdings of NOK 870 million, and cash holdings of NOK 288 million at year-end.

The parent company had a balance sheet total of NOK 7,134 million. Equity was NOK 3,894 million giving an equity ratio of 55%. The company had net interest-bearing liabilities totalling NOK 422 million at the end of the year.

The parent company annual accounts show a profit of NOK 217 million. The board recommends that this amount be transferred to other equity. After the profit allocation has been completed, the company's non-restricted shareholders' equity was NOK 718 million.

The parent company has a satisfactory financial position which provides the basis for continued operation and development of the company. The parent company accounts have been prepared on the going concern assumption.

## Future prospects

***Fishmeal/fish oil***
The recent decline in the prices for fishmeal and fish oil presented by public statistics is partly based on the general decline in other raw materials. The price for fishmeal at the start of 2009 has shown an upwards trend, and the market is registering a stable level of high demand for fishmeal from the most important markets, with an outlook for this to continue. The price for fish oil is still weak and no price increase for fish oil is expected in the near future.

***Human consumption***
The Board of Directors expects to see a stable good demand and price range in the near future. An increased focus on health among consumers provides grounds to expect a positive development in the market for the Group's high-concentrate Omega 3 products.

***Fish farming***
The development in demand for salmon and expectations of a reduction in the global offering of Atlantic salmon in the years to come give grounds to project a satisfactory development in results. The above-mentioned factors, considered in combination with the expectations of improved productivity for the Group, including organic growth, allows for a positive attitude towards the development of fish farming.

The Board of Directors is of the opinion that the recent investments in fishing and production rights, the fleet and the industrial facilities will ensure the Group a robust platform for future earnings.

**Storebø, 30th March 2009**

Ole Rasmus Møgster
Chairman

Helge Singelstad

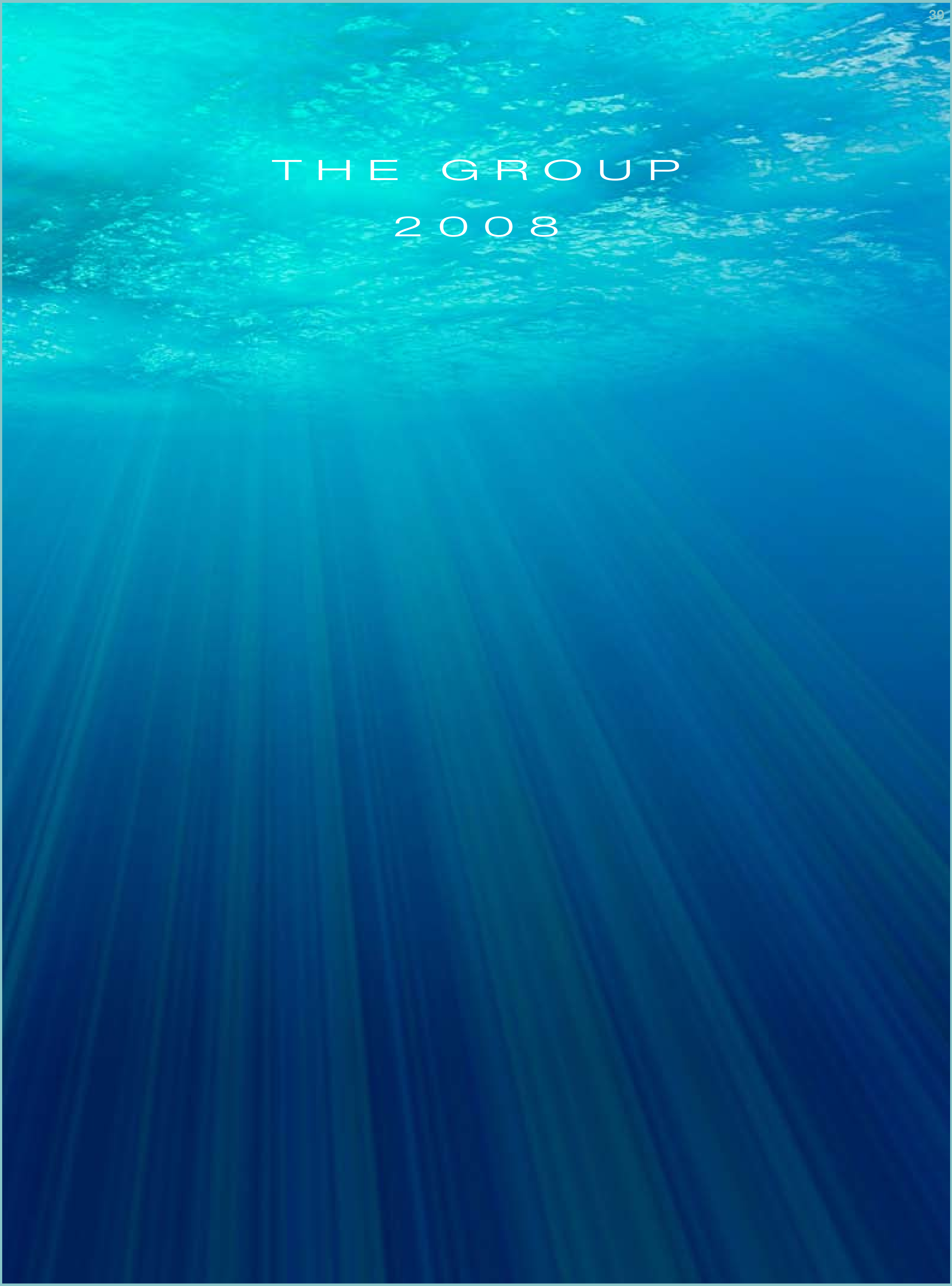
Hilde Waage

Inga Lise L. Moldestad

Oddvar Skjegstad

Arne Møgster
President & CEO

# THE GROUP
# 2008



# CONSOLIDATED INCOME STATEMENT

Amounts in NOK 1 000

| | Note | 2008 | 2007 |
|---|---|---|---|
| **Sales revenue** | **3,10,11,32** | **4 019 190** | **3 451 985** |
| Other income | 11 | 24 193 | 8 786 |
| Other gains and losses | 11 | 45 012 | 8 186 |
| Raw materials and consumables used | | -2 291 768 | -2 174 352 |
| Salaries and personnel expenses | 12,27 | -473 280 | -342 924 |
| Other operating expenses | 12,30,32 | -534 730 | -468 271 |
| **Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets** | | **788 617** | **483 410** |
| Depreciation | 16 | -250 029 | -200 601 |
| Amortisation of intangible assets | 15 | -194 | -14 |
| Depreciation of excess value inventory | | 0 | -3 000 |
| Impairments/reversal of impairments | 15,16 | -59 803 | -1 325 |
| **Operating profit before fair value adjustment of biological assets** | | **478 591** | **278 470** |
| Fair value adjustment of biological assets | 21 | 116 953 | 0 |
| **Operating profit** | **10** | **595 544** | **278 470** |
| Income from associated companies | 17 | 24 988 | 65 758 |
| Financial income | 13 | 258 161 | 135 991 |
| Financial expenses | 13 | -594 891 | -264 604 |
| **Profit before taxes** | | **283 802** | **215 615** |
| Income tax expense | 26 | -120 851 | -32 343 |
| **Profit for the year from continuing operations** | | **162 951** | **183 272** |
| Net profit from discontinued operations | | 0 | 324 273 |
| **Profit for the year** | | **162 951** | **507 545** |
| Profit attributable to minority interests | | 40 460 | 8 563 |
| Profit attributable to equityholders of Austevoll Seafood ASA | | 122 491 | 498 982 |
| Average no. of shares (thousands) | 14 | 184 317 | 183 302 |
| Earnings pr. share (NOK) | 14 | 0,66 | 2,72 |
| Earnings pr. share - diluted (NOK) | 14 | 0,66 | 2,72 |

# CONSOLIDATED BALANCE SHEET

Amounts in NOK 1 000

| Assets | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| Goodwill | 15 | 1 885 051 | 686 880 |
| Deferred tax asset | 26 | 20 497 | 12 252 |
| Licenses | 15 | 3 735 816 | 773 916 |
| Brand/trademarks | 15 | 201 437 | 151 451 |
| Vessels | 16 | 811 401 | 708 906 |
| Other property, plant and equipment | 16 | 3 573 932 | 1 866 868 |
| Associated companies | 17 | 540 477 | 2 352 440 |
| Investments in other shares | 18 | 40 967 | 32 124 |
| Non-current receivables | 19 | 124 815 | 67 026 |
| **Total non-current assets** | | **10 934 394** | **6 651 863** |
| Inventories | 20 | 878 379 | 528 055 |
| Biological assets | 21 | 1 676 164 | 0 |
| Trade receivable | 3,19,22,32 | 1 406 178 | 390 218 |
| Other current receivables | 19 | 446 001 | 201 983 |
| Cash and cash equivalents | 3,24,29 | 643 536 | 1 040 911 |
| **Total current assets** | | **5 050 258** | **2 161 167** |
| **Total assets** | | **15 984 653** | **8 813 030** |
| **Equity and liabilities** | **Note** | **31/12/2008** | **31/12/2007** |
| Share capital | 25 | 92 159 | 92 159 |
| Share premium | | 3 083 918 | 3 083 918 |
| Retained earnings and other reserves | | 1 451 974 | 965 313 |
| Minority interest | | 991 717 | 87 221 |
| **Total equity** | | **5 619 768** | **4 228 611** |
| Deferred tax liabilities | 26 | 1 666 258 | 514 762 |
| Pension obligations | 27 | 34 323 | 18 089 |
| Borrowings | 3,29 | 5 432 917 | 2 380 534 |
| Other non-current liabilities | 29,32 | 437 960 | 20 519 |
| **Total non-current liabilities** | | **7 571 457** | **2 933 904** |
| Borrowings | 3,29 | 1 451 768 | 1 215 205 |
| Trade payable | 3,32 | 721 756 | 267 967 |
| Tax payable | 26 | 28 340 | 11 715 |
| Other current liabilities | 31 | 591 564 | 155 628 |
| **Total current liabilities** | | **2 793 428** | **1 650 515** |
| **Total liabilities** | | **10 364 886** | **4 584 419** |
| **Total equity and liabilities** | | **15 984 653** | **8 813 030** |

**Storebø, 30th March 2009**

Ole Rasmus Møgster
Chairman

Helge Singelstad

Hilde Waage

Inga Lise L. Moldestad

Oddvar Skjegstad

Arne Møgster
President & CEO

# CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK 1 000

| | Note | 2008 | 2007 |
|---|---|---|---|
| Profit before income taxes | | 283 802 | 215 615 |
| Fair value adjustment on biological assets | 21 | -116 953 | 0 |
| Taxes paid for the period | 26 | -91 245 | -129 024 |
| Depreciation and amortisation | 15, 16 | 250 223 | 200 601 |
| Depreciation of excess value inventory | 15, 16 | 0 | 3 000 |
| Impairments | 15, 16 | 59 803 | 1 339 |
| (Gain) on sale of property, plant and equipment | | 1 092 | 4 014 |
| (Gain) on investments | | 0 | -8 119 |
| Unrealised exchange gains and losses | | 36 958 | 0 |
| Share of (profit) from associates | 17 | -24 988 | -65 758 |
| Interest expense | | 279 599 | 226 694 |
| Interest income | | -52 125 | 0 |
| Dividend income | | 0 | -261 |
| Change in inventories | | -124 017 | -34 462 |
| Change in accounts receivables and other receivables | | -286 776 | 36 511 |
| Change in accounts payables and other payables | | -36 894 | -72 800 |
| Change in other accruals | | 187 978 | -35 207 |
| Exchange (gains) | | 47 324 | -74 798 |
| Net operating cash flow from discontinued operations | | 0 | 9 821 |
| **Net cash flow from operating activities** | | **413 783** | **277 166** |
| | | | |
| Proceeds from sale of fixed assets | | 4 789 | 13 089 |
| Proceeds from sale of shares and other equity instruments | | 0 | 33 435 |
| Purchase of fixed assets | | -297 631 | -362 342 |
| Purchase of shares and equity investments in other companies | | -1 165 198 | -1 943 290 |
| Dividend received (incl dividends from associates) | | 36 969 | 64 335 |
| Movements in long term loans granted | | -27 123 | 0 |
| Net investing cash flow from discontinued operations | | -0 | -685 |
| **Net cash flow from investing activities** | | **-1 448 194** | **-2 195 459** |
| | | | |
| Proceeds from issuance of long-term interest bearing debt | | 1 574 614 | 1 209 200 |
| Repayment of long-term interest bearing debt | | -667 176 | -215 750 |
| Movement in short-term interest bearing debt | | -57 217 | 783 593 |
| Interest paid net | | -206 607 | -226 694 |
| Dividends paid | | -55 295 | 0 |
| Cash contribution minority interests | | 26 394 | 1 440 |
| **Net cash flow from financing activities** | | **614 713** | **1 551 789** |
| | | | |
| **Net change in cash and cash equivalents** | | **-419 699** | **-366 504** |
| | | | |
| **Cash and cash equivalents at 01.01.** | **24** | **1 040 911** | **1 411 493** |
| Currency exchange gains on opening balance of cash and cash equivalents | | 22 324 | -4 079 |
| **Cash and cash equivalents at 31.12.** | **24** | **643 536** | **1 040 911** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK 1 000

| | Note | Share capital | Share premium | Currency translation differences | Retained earnings | Minority interests | Total equity |
|---|---|---|---|---|---|---|---|
| **Equity 01.01.07** | | **89 112** | **2 798 795** | **19 417** | **646 476** | **83 200** | **3 637 000** |
| **Profit for the period** | | **0** | **0** | **0** | **498 982** | **8 563** | **507 545** |
| Currency translation differences | | 0 | 0 | -180 333 | 0 | -7 608 | -187 941 |
| Other gains and losses charged directly to equity | | 0 | 0 | 0 | -153 | 0 | -153 |
| **Total gains and losses charged directly to equity** | | **0** | **0** | **-180 333** | **-153** | **-7 608** | **-188 094** |
| **Total recognised income for the period** | | **0** | **0** | **-180 333** | **498 829** | **955** | **319 452** |
| Acquisition of minorities | | 0 | 0 | 0 | 666 | -666 | 0 |
| Minority interests arising from business combinations | | 0 | 0 | 0 | 0 | 2 291 | 2 291 |
| Revaluation of existing interests related to business comb. | | 0 | 0 | 0 | -579 | 0 | -579 |
| New equity from cash contributions and contrib. in kind | | 3 047 | 292 500 | 0 | -19 163 | 1 440 | 277 824 |
| Expenses related to share issues (net of tax) | | 0 | -7 377 | 0 | 0 | | -7 377 |
| **Total equity from shareholders in the period** | | **3 047** | **285 123** | **0** | **-19 076** | **3 065** | **272 159** |
| **Total change of equity in the period** | | **3 047** | **285 123** | **-180 333** | **479 753** | **4 021** | **591 611** |
| **Equity 31.12.07** | | **92 159** | **3 083 918** | **-160 916** | **1 126 229** | **87 221** | **4 228 611** |
| **Profit for the period** | | **0** | **0** | **0** | **122 491** | **40 460** | **162 951** |
| Currency translation differences | | 0 | 0 | 455 514 | 0 | 16 833 | 472 346 |
| Reserve adjustment associated companies | | 0 | 0 | 0 | -34 271 | | -34 271 |
| Other changes | | 0 | 0 | 0 | -1 962 | 0 | -1 962 |
| **Total gains and losses charged directly to equity** | | **0** | **0** | **455 514** | **-36 233** | **16 833** | **436 114** |
| **Total recognised income for the period** | | **0** | **0** | **455 514** | **86 258** | **57 293** | **599 065** |
| Dividends | | 0 | 0 | 0 | -55 295 | 0 | -55 295 |
| Acquisition of minorities | | 0 | 0 | 0 | 184 | -692 | -508 |
| New equity from cash contributions and contrib. in kind | | 0 | 0 | 0 | 0 | 36 366 | 36 366 |
| Equity and minority interests - business combinations | | 0 | 0 | 0 | 0 | 811 529 | 811 529 |
| **Total equity from shareholders in the period** | | **0** | **0** | **0** | **-55 111** | **847 203** | **792 092** |
| **Total change of equity in the period** | | **0** | **0** | **455 514** | **31 148** | **904 495** | **1 391 157** |
| **Equity 31.12.08** | | **92 159** | **3 083 918** | **294 598** | **1 157 377** | **991 716** | **5 619 768** |

## Note 1 GENERAL

Austevoll Seafood ASA is a public limited company registered in Norway. The Company's main office is located on Storebø in the municipality of Austevoll, Norway. Laco AS is the Company's major shareholder and ulitmate parent (see note 25).

The Company is listed on the Oslo Stock Exchange.

The annual, statutory accounts, based upon International Financial Reporting Standards (IFRS) as adopted by EU, were approved by the Board of Directors at March 30th, 2009.
In the following "Group" is used to describe information related to Austevoll Seafood ASA Group whilst "Company" is used for the parent company itself.

All amounts in the notes are in NOK thousands, if not specified differently.

## Note 2 ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### Basis of preparation

The consolidated financial statements of Austevoll Seafood Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

The consolidated financial statements have been prepared under the historical cost convention, as modified by biological assets, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

***(a) Standards, amendment and interpretations effective in 2008, but does not have any impact on the Group's financial statements***
- IFRIC 14, 'IAS 19
- IFRIC 11, 'IFRS 2

***(b) Standards, amendments and interpretations effective in 2008 but not relevant for the Group's operations***
- IFRIC 12, 'Service concession arrangements'

***(c)Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group***
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 8, 'Operating segments ' (effective from 1 January 2009).
- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment),
- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).
- IAS 27 (Revised), 'Consolidated and separate financial statements', (effective from 1 July 2009).
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations'
- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009).
- IAS 19 (Amendment), 'Employee benefits' (effective from 1 January 2009).
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).
- IAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009).
- IFRIC 16, 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008).
- IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).
- IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). None of the changes that require retrospective implementation are expected to have any significant impact on the Group's financial statements.

***(d) Interpretations to existing standards that are not yet effective and not relevant for the Group's operations***
- IFRIC 13, 'Customer loyalty programmes' (effective from1 July 2008).
- IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).
- IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- IAS 31 (Amendment), 'Interests in joint ventures' (effective from 1 January 2009).
- IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).
- IAS 40 (Amendment), 'Investment property' effective from 1 January 2009).
- IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

### Consolidation

*Subsidiaries*

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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 up, 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, irrespective of the extent of any minority interest. 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. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated, but also considered as an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

*Transactions with minority interests*
The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to minority interests are also recorded in equity.

*Associates*
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 Group'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. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been translated where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the equity.

The fair value of the Group's investments in associated companies may vary over time, and is therefore reviewed for potential impairment. Fair value assessment will be affected by many factors, such as expectations of future earnings, specific branch conditions, owner shares, shareholder structure, but also macro conditions which are not directly related to the individual company. If the impairment test indicates that fair value is significantly lower than carrying amount and the situation is expected to persist, an impairment loss is recognised for the amount the carrying value exceeds the fair value (recoverable amount). Impairments may be reversed at a later reporting date.

*Joint ventures*
The Group's interests in jointly controlled entities are accounted for by proportionate consolidation. The Group combines its share of the joint ventures individual income and expenses, assets and liabilities and cash flows on a line-by-line basis with similar items in the Group's financial statements. The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that it is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the Group's purchase of assets from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets, or an impairment loss.

**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. A geographical segment provides 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.

**Foreign currency**
Functional and presentation currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Norwegian Kroner (NOK), which is the parent company's functional and presentation currency.

*Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

*Group companies*
The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet date presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at closing rate.

**Property, plant and equipment**
Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land and buildings comprise mainly of factories and offices. Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate cost less residual value over estimated useful lives, as follows:
– Buildings 20 - 50 years
– Vessels 20 - 25 years
– Machinery 3 - 11 years
– Vehicles 7 years
– Furniture, fittings and equipment 3 -5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement as other gains and losses.

**Intangible assets**
Internally generated intangible assets are not recognised in the accounts.

*Goodwill*
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group'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' and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated

impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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.

*Licenses*
Fishing and fish farming licenses that have an indefinite useful life are not amortized but reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may have decreased. Licenses with indefinite useful lives are distributed to the Company by the Government, and the licenses are at all time subject to each country fishing quota regulations.

Licenses that have a definite useful life are amortized over this definite time period. Depreciated licenses are tested for impairment only if indications of impairment exist.

*Brands*
Brands acquired, separately, or as part of a business combination are capitalised as a brand if the meets the definition of an intangible asset and the recognition criteria are satisfied. Brand acquired as part of a business combination are valued at fair value based on valuation done by external valuation experts.

**Impairment of non-financial assets**
Assets that have an indefinite useful life are not subject to amortisation and are tested 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that have been impaired are reviewed for possible reversal of the impairment at each reporting date.

**Financial assets**
The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*(a) Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading (see section 'Derivative financial instruments and hedging activities'). Assets in this category are classified as current assets.

*(b) Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Group's loans and receivables comprise 'trade and other receivables' and cash and cash equivalents in the balance sheet (note 19).

*(c) Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

*Recognition and measurement*
Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.
Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available for sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other financial income. Dividends on available-for sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a Group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described below.

**Derivative financial instruments and hedging activities**
Derivative financial instruments are registered in the balance sheet with fair value at the time of contract and are subsequently adjusted to current fair values. Registration of associated gains/losses depends on whether the derivative is regarded as a hedging instrument, and if so, what type of hedging. The Group classifies derivatives as hedging of a fair value of a capitalised asset, liability or a binding commitment not booked (fair value hedging).

Fair values of derivative instruments used for hedging are shown on Note 22. Fair value of a hedging derivative is classified as fixed assets or long-term liability if the hedging object matures in more than 12 months, and as current assets or short-term liabilities if the hedging object matures in less than 12 months.
Changes in fair value of derivatives qualifying for fair value hedging, are booked in the P&L together with the change in the fair value of the associated hedged asset or liability. The Group uses fair value hedging

for securing net receivables in foreign currency, net deposits on currency accounts and signed sales contracts in foreign currency.

**Inventories**
Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**Biological assets**
Accounting of live fish in companies listed on the stock exchange is regulated by IAS 41 Agriculture. IAS 41 contains a methodological hierarchy for accounting-related valuation of biological assets. The main rule is that such assets, including live fish, shall be valued at market price less estimated sales costs.
Biological assets (fish in sea) are assessed at fair value based on the market prices of gutted salmon and trout on the balance sheet day. The prices are adjusted for quality differences (superior, ordinary and production) and for logistical costs. The volume is adjusted for gutting wastage. Valuation of fish in sea with an average weight under 4 kg is based on the same principles, but the price is adjusted for progress in the growth cycle. The price is not adjusted below cost price unless a loss is anticipated in future sales.
Other biological assets (roe, fry, smolt) are valued at cost since little biological transformation has occurred (IAS 41.24).

**Accounts receivable**
Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

**Cash and cash equivalents**
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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Accounts payable**
Accounts payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Borrowings**
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**Current and deferred income tax**
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulations is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full at nominal values, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**Employee benefits**
Pension obligations
Group companies operate various pension schemes. The schemes are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The schemes are either a defined benefit plan or a defined contribution plan.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of governance bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In such case, the past-service costs are amortised on a straight-line basis over the vesting period.

*Termination benefits*
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal; or providing termination benefits as a result

of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the balance sheet date are discounted to present value.

*Profit-sharing and bonus plans*
The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

*Share based remuneration*
A subsidiary in the Group has a share-based remuneration scheme with settlement in the form of shares. Actual value of services performed by employees for the Group to balance the allocated options, is entered as a cost. The total amount to be charged to cost over the earning period, is based on the market value of the options at the time of allocation (Black & Scholes/ Hull & White).

**Provisions**
Provisions (e.g. environmental restoration, restructuring costs and legal claims) are recognised when:
- the Group has a present legal or constructive obligation as a result of past events;
- 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.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**Revenue recognition**
Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts and after eliminated sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*Sales of goods*
Sales of goods are recognised when a Group entity has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured. The sales income is recognised when the risks and rewards related to the goods have been transferred to the customer.

*Interest income*
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

*Dividend income*
Dividend income is recognised when the right to receive payment is established.

**Leases**
*Finance leases*
Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term obligations. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the useful life of the asset, but the expiry dates of the leases are considered when determining useful life.

*Operating leases*
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**Dividend distribution**
Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements when the dividends are approved by the Company's shareholders.

**Borrowing costs**
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

**Contingent assets and liabilities**
Contingent liabilities are defined as
(i) possible obligations resulting from past events whose existence depends on future events
(ii) obligations that are not recognised because it is not probable that they will lead to an outflow of resources
(iii) obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent liabilities acquired upon the purchase of operations are recognised at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognised in the income statement.

A contingent asset is not recognised in the financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Group.

**Cash flow statement**
The Group's cash flow statement shows the overall cash flow broken down to operating, investing and financing activities. The cash flow statement illustrates the effect of the various activities on cash and cash equivalents. Cash flows resulting from the disposal of operations are presented under investing activities.

**Events after the balance sheet date**
New information after the balance sheet date concerning the Group's financial position at the balance sheet date is considered in the financial statements. An event after the balance sheet date that does not affect the Group's financial position on the balance sheet date, but will affect the Group's financial position in the future is reported where material.

**Earnings pr. share**
Earnings pr. share is calculated by the profit attributable to equity holders of the Company of the result for the period being divided by a time-weighted average of ordinary shares for the period.

Diluted earnings pr. share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

## Note 3 FINANCIAL RISK MANAGEMENT

**Financial risk factors**
The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow and fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses to some degree derivative financial instruments to reduce certain risk exposures.

**Market risk**
**(i) Foreign currency risk**
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, Euro, CLP and PEN. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, entities in the Group, use forward contracts and use withdrawels and deposits on multicurrency accounts as well, in order to hedge as far as possible the currency risks on trade receivables, executed sales contracts and on-going contract negotiations. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group does not make use of financial instruments for management of financial risk regarding long-term financing, with the exception of parts of the Group's loan denominated in foreign currency.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. The Group has no formal hedging strategy to reduce this exposure.

Entities within the Group have different functional currencies, i.e. NOK, USD, CLP and PEN. Changes in exchange rates that affects accounts receivable, other receivables, and liabilities nominated in other currencies than the entities functional currency will have a direct effect on the Groups income statement as pr. year end.

The Group has interest risk in both the short-term and medium to long term as a result of the floating interest rate for the Company's liabilities.

The Group has a significant part of its turnover in different currencies while a major part of the costs payable are in NOK, CLP and PEN. As a result of international activities, the Group is exposed to fluctuations in exchange rates. The table below indicates the Group's turnover, accounts receivable, accounts payable and interest bearing debt to Norwegian kroner on balance sheet date:

## Note 3 FINANCIAL RISK MANAGEMENT (CONT.)

| | | 2008 | | | 2007 | |
|---|---|---|---|---|---|---|
| | Currency | NOK | Share % | Currency | NOK | Share % |
| **Turnover:** | | | | | | |
| NOK | | 1 142 373 | 28% | | 1 128 731 | 33% |
| USD | 385 908 | 2 176 136 | 54% | 298 813 | 1 751 344 | 51% |
| CLP | 18 829 077 | 204 672 | 5% | 24 972 700 | 280 443 | 8% |
| PEN | 88 482 | 173 075 | 4% | 39 924 | 76 520 | 2% |
| EUR | 30 579 | 251 573 | 6% | 21 201 | 169 933 | 5% |
| SEK | 46 478 | 39 727 | 1% | 0 | 0 | 0% |
| Other currency | | 31 635 | 1% | | 45 013 | 1% |
| **Total** | | **4 019 190** | **100%** | | **3 451 985** | **100%** |
| **Trade receivable** | | | | | | |
| NOK | | 407 715 | 29% | | 44 754 | 11% |
| USD | 56 501 | 395 442 | 28% | 25 591 | 138 471 | 35% |
| CLP | 6 722 286 | 72 937 | 5% | 5 405 037 | 58 861 | 15% |
| PEN | 8 934 | 19 805 | 1% | 0 | 0 | 0% |
| EUR | 34 726 | 342 572 | 24% | 18 166 | 144 622 | 37% |
| SEK | 112 339 | 101 577 | 7% | 0 | 0 | 0% |
| Other currency | | 66 131 | 5% | | 3 511 | 1% |
| **Total** | | **1 406 178** | **100%** | | **390 218** | **100%** |
| **Cash and cash equivalents** | | | | | | |
| NOK | | 519 999 | 81% | | 850 462 | 82% |
| USD | 9 393 | 65 742 | 10% | 31 386 | 169 832 | 16% |
| CLP | 3 155 633 | 34 239 | 5% | 421 849 | 4 594 | 0% |
| PEN | 1 676 | 3 716 | 1% | 1 370 | 2 528 | 0% |
| EUR | 395 | 3 895 | 1% | 1 300 | 10 346 | 1% |
| SEK | 15 450 | 13 970 | 2% | 0 | 0 | 0% |
| Other currency | | 1 976 | 0% | | 3 150 | 0% |
| **Total** | | **643 536** | **100%** | | **1 040 911** | **100%** |
| **Trade payable** | | | | | | |
| NOK | | 473 015 | 66% | | 82 669 | 31% |
| USD | 7 390 | 51 720 | 7% | 19 511 | 105 576 | 39% |
| CLP | 3 478 511 | 37 742 | 5% | 3 107 474 | 33 840 | 13% |
| PEN | 10 615 | 23 533 | 3% | 24 262 | 44 760 | 17% |
| EUR | 4 356 | 42 976 | 6% | 69 | 546 | 0% |
| GBP | 2 837 | 28 714 | 4% | 0 | 0 | 0% |
| SEK | 60 737 | 54 918 | 8% | 0 | 0 | 0% |
| Other currency | | 9 138 | 1% | | 576 | 0% |
| **Total** | | **721 756** | **100%** | | **267 967** | **100%** |

## Note 3 FINANCIAL RISK MANAGEMENT (CONT.)

| | 2008 | | | 2007 | | |
|---|---|---|---|---|---|---|
| | Currency | NOK | Share % | Currency | NOK | Share % |
| **Interest bearing debt** | | | | | | |
| NOK | | 6 178 565 | 84% | | 2 378 764 | 66% |
| USD | 157 937 | 1 105 384 | 15% | 228 700 | 1 237 495 | 34% |
| PEN | 3 408 | 7 555 | 0% | 0 | 0 | 0% |
| EUR | 1 314 | 12 966 | 0% | 0 | 0 | 0% |
| SEK | 20 056 | 18 135 | 0% | 0 | 0 | 0% |
| **Total** | | **7 322 606** | **100%** | | **3 616 259** | **100%** |

(ii) Price risk
The Group is exposed to equity securities price risk because of investments held by the Group and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk
As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. However a immaterial part of the Group`s loans are issued at fixed rates.

The following table demostrate the sensitivity to a reasonable possible change in interest, all other variables held constant, of the Group`s profit before tax (through the impact on floating rate borrowings). The sensitivity analyses is based on the level of net interest bearing debt by end year 2008 and 2007.

| Amounts in NOK 1.000 | Increase/reduction in basis points | 2008 | 2007 |
|---|---|---|---|
| Impact on profit before tax | +/- 50 | +/- 32 500 | +/- 12 200 |

**Credit risk**
The Group has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Normally the Company sells only based upon letter of credit or payments in advance for new customers. Credit insurances are being used when this is deemed appropriate. For customers with a reliable track record in the Group, sales within certain agreed-upon levels are done without any security.

**Liquidity risk**
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Group aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Group's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (note 29) on the basis of expected cash flow. This is generally carried out at local level in the operating companies of the Group.

For information of the Group`s financial liabilities see note 29.

**Capital risk management**
The Group`s objectives when managing capital are to safeguard the Group`s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

## Note 3 FINANCIAL RISK MANAGEMENT (CONT.)

| | 2008 | 2007 |
|---|---|---|
| Total borrowings (note 29) | 7 322 606 | 3 616 259 |
| Less: cash and cash equivalents (note 24) | 768 350 | 1 107 937 |
| Net debt | 6 554 255 | 2 508 321 |
| Total equity | 5 619 768 | 4 228 611 |
| **Capital employed** | **12 174 023** | **6 736 932** |
| | | |
| **Gearing ratio** | **54%** | **37%** |

**Fair value estimation**
The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group is the current bid price.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are also used in certain cases. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date. The Group has to a limited degree such financial instruments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

### FINANCIAL INSTRUMENTS BY CATEGORY

| 31 December 2008<br>Assets as pr. balance sheet | Loans and receivables | Assets at fair value through the profit and loss | Derivates used for hedging | Available for sale | Total |
|---|---|---|---|---|---|
| Investment in other shares | 0 | 0 | 0 | 40 967 | 40 967 |
| Trade and other receivables exc.prepayments* | 1 865 427 | 0 | 19 617 | 0 | 1 885 044 |
| Cash and cash equivalents | 643 536 | 0 | 0 | 0 | 643 536 |
| **Total** | **2 508 963** | **0** | **19 617** | **40 967** | **2 569 547** |

* Prepayments are excluded from the trade and other receivables balance sheet as this analysis is required only for financial instruments.

| 31 December 2008<br>Liabilities as pr. balance sheet | Liabilities at fair value through the profit and loss | Derivates used for hedging | Other financial liabilites | Total |
|---|---|---|---|---|
| Borrowings exc. finance lease liabilities* | 0 | 0 | 7 041 679 | 7 041 679 |
| Finance lease liabilities* | 0 | 0 | 280 926 | 280 926 |
| Trade and other payables exc.statutory liabilities* | 0 | 44 067 | 1 188 187 | 1 232 254 |
| **Total** | **0** | **44 067** | **8 510 792** | **8 554 859** |

* The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7.

Therefore finance leases have been shown separately. Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

Forward currency exchange contracts are presented as other short term liabilities in the balance sheet

## Note 3 FINANCIAL RISK MANAGEMENT (CONT.)

| 31 December 2007<br>Assets as pr. balance sheet | Loans and receivables | Assets at fair value through the profit and loss | Derivates used for hedging | Available for sale | Total |
|---|---|---|---|---|---|
| Investment in other shares | 0 | 0 | 0 | 32 124 | 32 124 |
| Trade and other receivables exc.prepayments* | 613 122 | 0 | 0 | 0 | 613 122 |
| Cash and cash equivalents | 1 040 911 | 0 | 0 | 0 | 1 040 911 |
| **Total** | **1 654 033** | **0** | **0** | **32 124** | **1 686 157** |

* Prepayments are excluded from the trade and other receivables balance sheet as this analysis is required only for financial instruments.

| 31 December 2007<br>Liabilities as pr. balance sheet | Liabilities at fair value through the profit and loss | Derivates used for hedging | Other financial liabilites | Total |
|---|---|---|---|---|
| Borrowings exc. finance lease liabilities* | 0 | 0 | 3 506 940 | 3 506 940 |
| Finance lease liabilities* | 0 | 0 | 109 319 | 109 319 |
| Trade and other payables exc.statutory liabilities* | 0 | 0 | 388 825 | 388 825 |
| **Total** | **0** | **0** | **4 005 083** | **4 005 083** |

* The categories in this disclosure are determined by IAS 39. Finance leases are mostly outside the scope of IAS 39, but they remain within the scope of IFRS 7.

Therefore finance leases have been shown separately. Statutory liabilities are excluded from the trade payables balance, as this analysis is required only for financial instruments.

## Note 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

**Critical accounting estimates and assumptions**
The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

*Estimated impairment of goodwill and licenses*
The Group tests annually whether goodwill and licenses with indefinite lives have suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates and are further described in note 15.

*Income taxes*
The Group is subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*Inventory*
Finished goods of fish is measured at the lowest of cost and net realisable value. Material fluctuations in sales prices do occur for such inventory, and might rapidly outdate the assessments made by the Group at a given date.

*Trade receivable*
Accounting for receivables requires use of judgmental estimates for quantification of provisions for bad debt. Provisions are being made when e.g. balances are falling due or material worsening in the customer's financial situation takes place, given that repayment of the balances are considered uncertain.

*Value adjustment of biological assets*
Value adjustment of biological assets according to IAS 41 has caused the book value of inventories to vary more than it did with the earlier valuation principles. The variations arise for several reasons including volatility in pricing of Atlantic salmon and factors of production, unpredictability in biological production and changes in the composition of inventories (size distribution, etc.).

A sensitivity analysis for the prices of Atlantic salmon and trout at 31.12.08, shows the following impact on the Group's operating result (NOK 1 000).

| Price reduction pr. kilo | NOK 1.00/kg | NOK 2.00/kg | NOK 5.00/kg |
|---|---|---|---|
| Reduced operating result LSG * consolidated | -37 031 | -72 978 | -160 438 |

* LSG are fully consolidated in AUSS from 01.12.08

## Note 5 GROUP COMPANIES

The consolidated financial statements include Austevoll Seafood ASA and the following subsidiaries:

| Company | Note | Country | Parent company | Ownership % |
|---|---|---|---|---|
| Lerøy Seafood Group ASA | b | Norway | Austevoll Seafood ASA | 74,93% |
| Lerøy Hydrotech AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Midnor AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Austevoll Holding AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Aurora AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Fossen AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy & Strudshavn AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Sigerfjord Aqua AS | | Norway | Lerøy Seafood Group ASA | 90,55% |
| Nordvik SA | | France | Lerøy Seafood Group ASA | 90,00% |
| Inversiones Seafood Ltda | | Chile | Lerøy Seafood Group ASA | 100,00% |
| Portnor Lda | | Portugal | Lerøy Seafood Group ASA | 60,00% |
| Sandviktsomt 1 AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Smøgen Seafood AB | | Sweden | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Sverige AB | | Sweden | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Alfheim AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Delico AS | | Norway | Lerøy Seafood Group ASA | 75,00% |
| Lerøy Trondheim AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Fisker'n AS | | Norway | Lerøy Seafood Group ASA | 70,00% |
| Hallvard Lerøy AS | | Norway | Lerøy Seafood Group ASA | 100,00% |
| Lerøy Quality Group AS | | Norway | Hallvard Lerøy AS | 100,00% |
| Lerøy Sjømatgruppen AS | | Norway | Hallvard Lerøy AS | 100,00% |
| Hallvard Lerøy SAS | | France | Hallvard Lerøy AS | 100,00% |
| Fish Cut SAS | | France | Hallvard Lerøy SAS | 100,00% |
| Eurosalmon ASA | | France | Hallvard Lerøy SAS | 100,00% |
| Epax Holding AS | | Norway | Austevoll Seafood ASA | 100,00% |
| Epax AS | | Norway | Epax Holding AS | 100,00% |
| Epax Lipro AS | | Norway | Epax Holding AS | 100,00% |
| Austevoll Fisk AS | | Norway | Austevoll Seafood ASA | 100,00% |
| Austevoll Fiskeindustri AS | | Norway | Austevoll Fisk AS | 100,00% |
| Atlantic Pelagic AS | | Norway | Austevoll Fisk AS | 100,00% |
| North Capelin Honningsvåg AS | | Norway | Austevoll Fisk AS | 40,00% |
| Sea Star International AS | | Norway | Austevoll Fisk AS | 90,10% |
| Sea Star International AS | | Norway | Austevoll Seafood ASA | 9,90% |
| Moreproduct Llc, Td | | Ukraine | Sea Star International AS | 50,00% |
| Ltd. Moretrans-N | | Ukraine | Moreproduct Llc, Td | 100,00% |
| Modolv Sjøset AS | b | Norway | Sea Star International AS | 66,00% |
| Sir Fish AS | | Norway | Sea Star International AS | 60,00% |
| Sirevåg Isanlegg AS | | Norway | Sir Fish AS | 100,00% |
| Sirevåg Fryselager AS | | Norway | Sir Fish AS | 66,67% |
| Aumur AS | | Norway | Austevoll Seafood ASA | 100,00% |
| Murman Fishing Company Ltd. | | Cyprus | Aumur AS | 100,00% |
| Austevoll Eiendom AS | | Norway | Austevoll Seafood ASA | 100,00% |
| Laco IV AS | | Norway | Austevoll Seafood ASA | 100,00% |
| Welcon Invest AS | | Norway | Laco IV AS | 100,00% |
| Welcon AS | | Norway | Welcon Invest AS | 100,00% |

## Note 5 GROUP COMPANIES (CONT.)

| Company | Note | Country | Parent company | Ownership % |
|---|---|---|---|---|
| Måløy Sildoljefabrikk AS | | Norway | Welcon AS | 100,00% |
| Welcon Moldtustranda AS | | Norway | Welcon AS | 100,00% |
| Welcon Egersund AS | | Norway | Welcon AS | 100,00% |
| Karmsund Fiskemel AS | | Norway | Welcon AS | 100,00% |
| Vadsø Sildoljefabrikk AS | | Norway | Welcon AS | 96,28% |
| Welcon Protein AS | | Norway | Welcon AS | 100,00% |
| Mat Miljø- Laboratoriet AS | | Norway | Welcon AS | 100,00% |
| KW Protein Technologies Limited | a | Ireland | Welcon AS | 50,00% |
| Vadsø Maritime Næringspark AS | | Norway | Welcon Invest AS | 16,67% |
| Vadsø Maritime Næringspark AS | | Norway | Vadsø Sildoljefabrikk AS | 41,66% |
| Gateport Ltd | | Panama | Laco IV AS | 100,00% |
| Andean Opportunities Funds Ltd. | | Caymen Island | Gateport Ltd. | 100,00% |
| Dordogne Holdings Ltd. | | Panama | Gateport Ltd. | 66,67% |
| Dordogne Holdings Ltd. | | Panama | Andean Op. Funds | 33,33% |
| Austral Group S.A.A | | Peru | Dordogne Holdings Ltd. | 89,35% |
| Corporacion del Mar S.A. (Cormar) | a | Peru | Austral Group S.A.A | 50,00% |
| Inversiones Pacfish Ltda. | | Chile | Austevoll Seafood ASA | 100,00% |
| A-Fish AS | | Norway | Austevoll Seafood ASA | 100,00% |
| Aconcagua Ltd | | Jersey | A-Fish AS | 100,00% |
| Consortium Enterprises (Jersey) Ltd. | | Jersey | Aconcagua Ltd | 100,00% |
| Beechwood Ltd. | | Panama | Consortium Enterprises (Jersey) Ltd. | 100,00% |
| P. Nuevo Horizonte | | Chile | Beechwood Ltd. | 99,00% |
| Pesquera Caldera Ltd. | | Chile | Consortium Enterprises (Jersey) Ltd. | 99,00% |
| FoodCorp S.A. | | Chile | Consortium Enterprises (Jersey) Ltd. | 72,98% |
| FoodCorp S.A. | | Chile | Inversiones Pacfish Ltda. | 22,91% |
| Pesquera Cazador Limitada | | Chile | FoodCorp Chile S.A. | 99,73% |
| Pemesa S.A | | Chile | FoodCorp Chile S.A. | 100,00% |
| Pesquera del Cabo S.A. | | Chile | FoodCorp Chile S.A. | 99,99% |
| FoodCorp Chile S.A. | | Chile | FoodCorp S.A. | 65,00% |
| FoodCorp Chile S.A. | | Chile | Pesquera del Cabo S.A. | 35,00% |
| Pesquera Austral S.A. | | Chile | FoodCorp Chile S.A. | 100,00% |
| Chilefood S.A. | | Chile | FoodCorp Chile S.A. | 100,00% |
| Pesquera Del Norte Dos S.A. | | Chile | Consortium Enterprises (Jersey) Ltd. | 73,00% |
| Pesquera Del Norte Dos S.A. | | Chile | Inversiones Pacfish Ltda. | 22,00% |
| Cultivos Pacfish S.A. | | Chile | Inversiones Pacfish Ltda. | 100,00% |
| Alumrock Overseas S.A. | | Chile | FoodCorp Chile S.A. | 100,00% |
| Aladino | | Panama | Alumrock Overseas S.A. | 50,00% |
| Emberg | | Panama | Alumrock Overseas S.A. | 50,00% |

Note:

a Business under jointly control, see note 17.

b Acquisition 2008, see note 7

## Note 6 INTRAGROUP TRANSACTIONS

Austevoll Fiskeindustri AS rents a major part of its property and buildings from Austevoll Eiendom AS. The annual rental cost for 2008 and 2007 was NOK 4 mill. Other Group companies rents offices from Austevoll Eiendom AS. The rent was NOK 0,7 mill in 2008 and NOK 0,4 mill for 2007.

Welcon AS (and its subsidiaries) bought fish oil and fish meal from other Group companies. The value of these transactions was NOK 45 mill in 2008 and NOK 115 mill. in 2007.

Epax AS bought fish oil from other Group companies. The value of these transactions was NOK 55 mill in 2008 and NOK 6 mill. in 2007.

Sea Star International AS and Atlantic Pelagic AS bought pelagic products from several other Group companies. The intragroup transactions amounted to NOK 396 mill in 2008 and NOK 56 mill in 2007.

Lerøy Seafood Group ASA (and it subsidiaries) bought services as slaughtering, packaging and storage of salmon from a Group company . The terms and rates for these services are negotiated annually between the parties. These services amounted to NOK 6 mill in 2008.

All transactions within the Group are based upon commercial terms.

## Note 7 BUSINESS COMBINATIONS

**Acquisition of Lerøy Seafood Group ASA**
The acquisition of 31,51 % of Lerøy Seafood Group ASA (LSG) was completed 1st of December after AUSS 14th of October submitted a mandatory offer to purchase the outstanding shares in LSG at a price of NOK 59.00 pr. share. AUSS received acceptances for 16,880,639 shares representing 31.51 % of the total number of LSG shares. Prior to the acquisition AUSS owned 23,263,642 shares in LSG representing 43,42 % of the total number of shares. After the acquistion AUSS owns 40,144,281 shares in LSG representing 74,93% of the total number of shares.

The Lerøy Group's core activities are distribution, sale and marketing of seafood, processing of seafood, production of salmon, trout and other species, as well as product development. The Lerøy Group operates through subsidiaries in Norway, Sweden, France and Portugal and through a network of sales offices that ensure its presence in the most important markets. The Lerøy Group divides its products into the main sectors of salmon products, whitefish, pelagic fish and shellfish. The distinction between farmed species and wild fish is significant and requires different logistic solutions and work methods. These products are distributed on the Norwegian market and more than 40 other markets worldwide.The Lerøy Group's core activities are distrubtion

**Acquisition of Modolv Sjøset AS**
The acquisition of 16,12 % of the shares of Modolv Sjøset AS was completed 7th October by a private placement of new shares. The acqusition was executed via AUSS's subsidiary Sea Star International AS. After the acquisition Sea Star International AS owns 66% of the shares in the Company.

Modolv Sjøset AS has a processing plant for pelagic fish with a processing capacity of approx. 700 tons pr. day, and an annual raw material intake of 60 000 - 70 000 tons.

**Other aquisitions**
The Group has carried through some aquisitions which is determined immaterial for separate disclosure.

| **Purchase consideration:** | **Lerøy Seafood Group ASA** | **Modolv Sjøset AS** |
|---|---:|---:|
| Cash paid | 2 189 511 | 25 787 |
| Contribution in kind* | 1 018 655 | 0 |
| Fair value of shares issued** | 276 750 | 0 |
| Direct costs relating to acquisition | 17 329 | 0 |
| **Total purchase consideration** | **3 502 245** | **25 787** |

* The contribution in kind reflects a partial elimination of an internal gain when Veststar Holding AS was sold to LSG in 2007, with settlement in shares in LSG.

**AUSS aquired 2.250.000 shares in LSG in 2007 with settlement in AUSS shares.

## Note 7 BUSINESS COMBINATIONS (CONT.)

| The assets and liabilities as of transaction date arising from the acquisition are as follows: | Preliminary | | Final | |
|---|---|---|---|---|
| **Company name** | **Lerøy Seafood Group ASA** | | **Modolv Sjøset AS** | |
| **ASSETS** | **Book Value** | **Fair Value** | **Book Value** | **Fair Value** |
| Goodwill* | 1 660 560 | 1 105 359 | 0 | 1 052 |
| Licenses | 1 304 961 | 2 800 000 | 0 | 0 |
| Brand | 0 | 50 000 | 0 | 0 |
| Deferred tax asset | 0 | 0 | 10 215 | 10 299 |
| Other property, plant and equipment | 1 297 391 | 1 297 391 | 74 640 | 74 640 |
| Investments in associtated companies | 304 513 | 338 481 | 0 | 0 |
| Available for sale financial assets | 23 548 | 23 548 | 375 | 375 |
| Other long-term receivables | 29 645 | 29 645 | 726 | 726 |
| **Total non-current assets** | **4 620 618** | **5 644 424** | **85 956** | **87 092** |
| Inventories | 255 675 | 255 675 | 25 584 | 25 584 |
| Biological assets | 1 504 259 | 1 504 259 | 0 | 0 |
| Trade receivable | 794 253 | 794 253 | 24 487 | 24 487 |
| Other receivables | 147 956 | 147 956 | 6 505 | 6 505 |
| Cash and cash equivalents | 243 068 | 243 068 | 16 211 | 16 211 |
| **Total current assets** | **2 945 211** | **2 945 211** | **72 788** | **72 788** |
| **Total assets** | **7 565 829** | **8 589 635** | **158 744** | **159 881** |
| **Equity and liabilities** | **Book Value** | **Fair Value** | **Book Value** | **Fair Value** |
| Majority interests | 3 642 518 | 3 459 458 | 16 504 | 17 339 |
| Minority interests | 19 822 | 794 077 | 14 701 | 14 701 |
| **Total equity** | **3 662 340** | **4 253 535** | **31 205** | **32 040** |
| Deferred tax liabilities | 594 798 | 1 027 409 | 0 | 0 |
| Pension obligations | 12 562 | 12 562 | 52 | 353 |
| Borrowings | 1 674 122 | 1 674 122 | 45 165 | 45 165 |
| Other long-term liabilities | 88 098 | 88 098 | 0 | 0 |
| **Total non-current liabilities** | **2 369 580** | **2 802 191** | **45 218** | **45 518** |
| Borrowings | 811 378 | 811 378 | 50 519 | 50 519 |
| Trade payable | 468 188 | 468 188 | 22 496 | 22 496 |
| Tax payable | 43 478 | 43 478 | 9 | 9 |
| Accrued salary expense and public tax payable | -3 539 | -3 539 | 3 225 | 3 225 |
| Other current liabilities | 214 404 | 214 404 | 6 074 | 6 074 |
| **Total current liabilities** | **1 533 909** | **1 533 909** | **82 322** | **82 322** |
| **Total liabilities** | **3 903 489** | **4 336 100** | **127 540** | **127 841** |
| **Total equity and liabilities** | **7 565 829** | **8 589 635** | **158 744** | **159 881** |

* Fair value of goodwill in the table above is only shown for the majority interests. Both acquisitions was achieved in stages, and goodwill has been measured at the different stages in accordance with IFRS 3. The purchase price allocation of Lerøy Seafood Group ASA is preliminary. Goodwill for the acquisition of Lerøy Seafood Group ASA is attributable to an assembled workforce, excisting sales organization, customer base and the fact that deferred tax related to fish farming lisenses is recognised at nominal amount. Goodwill relating to the acquisition of Modolv Sjøset AS is attributable to an assembled workforce and synergies with other companies in the Austevoll Fisk Group.

## Note 7 BUSINESS COMBINATIONS (CONT.)

| | Lerøy Seafood Group ASA | Modolv Sjøset AS |
|---|---|---|
| Purchase consideration settled in cash | 2 189 511 | 25 787 |
| Cash and cash equivalents in subsidiary acquired | -243 068 | -16 211 |
| **Cash outflow on acquisition** | **1 946 443** | **9 576** |

## Note 8 PRO FORMA RESULT

**Pro forma result**

The statement below display the pro forma figueres as if Lerøy Seafood Group ASA was wholly consolidated for the entire 2008.

| | 2008 |
|---|---|
| Operating income | 9 823 874 |
| Operating expenses | -8 581 064 |
| **Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets** | **1 242 810** |
| Depreciation and amortisation | -488 497 |
| **Operating profit before fair value adjustment of biological assets** | **754 313** |
| Fair value adjustment of biological assets | -36 369 |
| **Operating profit** | **717 944** |

## Note 9 EVENTS AFTER BALANCE SHEET DATE

### BUSINESS COMBINATIONS

**Welcon Invest AS/United Fish Industries Ltd**

On 4 February 2009, the Company announced that Austevoll Seafood ASA and Origin Enterprises had signed an agreement for the merger of their respective activities within fishmeal and fish oil in Norway, Ireland and Great Britain. This merger will strengthen the Group's position in the global sector for marine proteins and oils. Austevoll's wholly-owned subsidiary, Welcon Invest AS ('Welcon' or 'the Company') is Europe's leading manufacturer of fishmeal and fish oil, and has operations in Norway. Austevoll has a comprehensive protein business in Chile and Peru via its subsidiaries. With its activities related to marine protein ('United Fish Industries' or 'UFI'), Origin is a leading manufacturer of fishmeal and fish oil in Ireland and Great Britain.

Origin has transferred its holding in UFI to Welcon along with a cash contribution of EUR 16 million in return for a shareholding of 50% in the merged business. Pro forma turnover for the extended Group in 2008 is approximately EUR 175 million. Welcon will be run by a solid management team, comprising managers from both companies. Arne Stang will continue as CEO while current CEO of UFI, Tom Tynan, has been assigned the position of COO in the Company. The Board of Directors in Welcon will have equal representation from both shareholders.

In terms of accounting, the transaction will result in the deletion of a subsidiary. The merged unit will be classified as a joint controlled business with proportional consolidation in accordance with shareholding (gross method). This implies that the transaction has little impact on the consolidated balance sheet.

### REFINANCING OF BOND ISSUE 2007/2010

On 19th March, the bondholders of Austevoll Seafood ASA's NOK 1,000 million FRN Austevoll Seafood ASA Bond Issue 2007/2010 (ISIN NO 001036010.0) (the "Loan") approved the proposed mandatory early redemption.

The bondholders have agreed to amend the bond loan agreement where after the Company on 29 March 2009 will execute a mandatory early redemption of the Loan at 100 % of par value (plus accrued interest on the whole Loan amount) with settlement partial in cash and partial as payment-in-kind in the form of three new loans (the "New Loans") with maturity date on 29 March 2010 (the "2010 Bond Issue"), on 29 June 2011 (the "2011 Bond Issue") and on 29 March 2012 (the "2012 Bond Issue").

The cash settlement will amount to 30 % of the nominal value (in aggregate NOK 300 million) plus interests falling due on 29 March 2009. The payment-in-kind settlement in form of the New Loans will amount to 70 % (in aggregate NOK 700 million) – allocated as 10 % (in aggregate NOK 100 million) in the 2010 Bond Issue, 30 % (in aggregate NOK 300 million) in the 2011 Bond Issue, and 30 % (in aggregate NOK 300 million) in the 2012 Bond Issue. As compensation to the bondholders, the margin of the New Loans' coupon will increase to 6.50 percentage points above 3 months Nibor p.a. with effect from and including 29 March 2009 onwards.

## Note 10 SEGMENT INFORMATION

**Business segments**
The Austevoll Seafood Group operates within four segments in relation to strategic types of activities. The different business segments are divided into Fishmeal/Oil, Human Consumption, Trading and Lerøy Seafood Group.

*Fishmeal/oil (FMO)*
The fishmeal/oil business is operated through the Group company FoodCorp S.A. in Chile, Austral Group S.A.A in Peru and Welcon Group in Norway. FoodCorp S.A. operates two plants in Chile, Austral Group S.A.A operates nine plants in Peru and Welcon AS operates four fishmeal/oil plants in Norway.

*Human Consumption (HC)*
The operations within the human consumption segment are operated by FoodCorp S.A. (Chile), Austral Group S.A.A (Peru) and Epax AS (Norway). In Chile the Group has two canning plants and two freezing plants. In Peru the Group operates two canning plants and two freezing plants. In Norway Epax AS is one of the world's leading producers of high concentrated Omega 3 based on fish oil.

*Trading*
The trading segment consists of Austevoll Fisk AS (Group) and ChileFood S.A. Both Austevoll Fisk AS (Group) and ChileFood S.A. are selling pelagic fish for the international market. Austevoll Fisk AS (Group) also operates three plants for pelagic processing (fillet, packing and freezing), and one combined plant for pelagic and salmon processing (fillet, packing and freezing).

*Lerøy Seafood Group ASA (LSG)*
Lerøy Seafood Group ASA is involved in fish farming (salmon and trout) and sale and distribution of different fish species and prosessed fish products.

**Geographical segment**
The Group divides its activities into two geographical regions based on location of fishing and production facilities; South America and North Europe.
As of December 31, 2008 South America consists of Chile and Peru.

### Segment information

| 2008 | FMO | HC | TRADING | LSG | OTHER/ ELIM. | GROUP |
|---|---|---|---|---|---|---|
| External segment income | 2 050 904 | 722 879 | 935 312 | 321 572 | 12 715 | 4 043 382 |
| Inter-segment income | 54 259 | 48 036 | 0 | 0 | -102 295 | 0 |
| Other gains and losses | 31 816 | 13 195 | 0 | 0 | 0 | 45 012 |
| **Total segment income** | **2 136 979** | **784 110** | **935 312** | **321 572** | **-89 580** | **4 088 394** |
| Operating expenses | -1 607 756 | -626 305 | -899 782 | -241 538 | 75 605 | -3 299 777 |
| **Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets** | **529 224** | **157 805** | **35 530** | **80 034** | **-13 975** | **788 617** |
| Depreciation and amortisation | -145 363 | -66 569 | -16 943 | -18 553 | -2 601 | -250 029 |
| Impairment/Reversal of impairments | -39 997 | 0 | -20 000 | 0 | 0 | -59 997 |
| **Operating profit before fair value adjustment of biological assets** | **343 864** | **91 236** | **-1 414** | **61 481** | **-16 576** | **478 591** |
| Fair value adjustment of biomass | 0 | 0 | 0 | 116 953 | 0 | 116 953 |
| **Operating profit** | **343 864** | **91 236** | **-1 414** | **178 434** | **-16 576** | **595 544** |
| For information regarding impairments, see note 15 and 16 | | | | | | |
| Segment assets * | 2 915 411 | 1 816 147 | 167 317 | 5 244 583 | 64 180 | 10 207 638 |
| Segment liabilities ** | 274 758 | 182 732 | 151 770 | 831 459 | -93 077 | 1 347 642 |
| Investments in property and equipment in the period | 128 280 | 141 396 | 107 368 | 1 294 818 | 9 519 | 1 681 381 |
| Investments in intangible assets in the period *** | 1 455 | 1 929 | 1 695 | 3 949 922 | 0 | 3 955 000 |

* Segment assets consist of tangible and intangible fixed assets
** Segment liabilities consist of pension obligations, trade payable and other short term liabilities
*** Investments in PPE and intangible assets includes business combinations

## Note 10 SEGMENT INFORMATION (CONT.)

| 2007 | FMO | HC | TRADING | LSG | OTHER/ ELIM. | GROUP |
|---|---|---|---|---|---|---|
| External segment income | 2 076 009 | 679 101 | 710 287 | 0 | 13 959 | 3 479 356 |
| Inter-segment income | 9 102 | 72 114 | 0 | 0 | -91 615 | -10 399 |
| **Total segment income** | **2 085 111** | **751 215** | **710 287** | **0** | **-77 656** | **3 468 957** |
| Operating expenses | -1 677 237 | -634 817 | -734 859 | 0 | 61 366 | -2 985 547 |
| **Operating profit before depreciation, amortisation, impairment and fair value adjustment of biological assets** | **407 874** | **116 398** | **-24 572** | **0** | **-16 290** | **483 410** |
| Depreciation and amortisation | -126 917 | -59 315 | -15 201 | 0 | -3 507 | -204 940 |
| Impairment/Reversal of impairments | 0 | 0 | 0 | 0 | 0 | 0 |
| **Operating profit before fair value adjustment of biological assets** | **280 957** | **57 083** | **-39 773** | **0** | **-19 797** | **278 470** |
| Fair value adjustment of biomass | 0 | 0 | 0 | 0 | 0 | 0 |
| **Operating profit** | **280 957** | **57 083** | **-39 773** | **0** | **-19 797** | **278 470** |
| Segment assets * | 2 622 822 | 1 429 762 | 74 428 | 0 | 61 009 | 4 188 021 |
| Segment liabilities ** | 280 967 | 97 695 | 92 350 | 0 | -29 328 | 441 684 |
| Investments in property and equipment in the period | 298 851 | 287 452 | 26 958 | 0 | 0 | 613 261 |
| Investments in intangible assets in the period *** | 368 245 | 454 030 | 1 733 | 0 | 0 | 824 008 |

* Segment assets consist of tangible and intangible fixed assets
** Segment liabilities consist of pension obligations, trade payable and other short term liabilities
*** Investments in PPE and intangible assets includes business combinations

Inter-segment sales consists of
- Fish oil from fish meal/oil segment are sold to the human consumption segment (Epax AS)
- Bi-products from the human consumption business is used in the fish meal/oil operations.

The basis for inter-segment pricing is based on normal commercial conditions available to third parties.

| Geographical segments | Segment income | | Segment assets | | Investments in property and equipment | | Investments in intangible assets | |
|---|---|---|---|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 | 2008 | 2007 |
| Northern Europe | 2 361 585 | 1 911 932 | 6 663 670 | 1 288 472 | 1 514 433 | 198 743 | 3 951 617 | 455 737 |
| South America | 1 814 748 | 1 680 075 | 3 543 968 | 2 899 549 | 166 948 | 414 518 | 3 383 | 368 271 |
| Other/eliminations | -87 939 | -123 050 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **4 088 394** | **3 468 957** | **10 207 638** | **4 188 021** | **1 681 381** | **613 261** | **3 955 000** | **824 008** |

Intersegment sales consist of fish oil sold from South America segment to the North Europe.

## Note 11 INCOME

| | 2008 | 2007 |
|---|---:|---:|
| **Sales revenue** | | |
| Sale of goods and services | 4 019 189 | 3 451 985 |
| **Other income** | | |
| Other operating income | 24 193 | 8 786 |
| **Other gains and losses** | | |
| Gains and losses on sale of property, plant and equipment | 84 | 1 455 |
| Interruption compensation | 25 376 | 0 |
| Insurance compensation | 20 706 | 0 |
| Other gains and losses | -1 154 | 6 731 |
| **Total other gains and losses** | **45 012** | **8 186** |

## Note 12 PAYROLL, FEES, NO. OF EMPLOYEES ETC.

| | 2008 | 2007 |
|---|---:|---:|
| Salary and holiday pay | 374 794 | 264 380 |
| Hired personnel | 21 508 | 20 157 |
| Other remunerations | 45 | 2 707 |
| National insurance contribution | 37 880 | 23 387 |
| Pension costs (inc. national insurance contribution) - note 27 | 13 851 | 10 008 |
| Share option cost (inc. national insurance contribution) | 206 | 0 |
| Other personnel costs | 24 996 | 22 285 |
| **Total** | **473 280** | **342 924** |
| Average man-labour year* | 4 610 | 4 605 |

* Average man-labour year includes Modolv Sjøset AS in 3 months and Lerøy Seafood Group ASA in 1 month.

**Guidelines for remuneration to executive management**

The main principles of the remuneration policy to executive management are based on the policy that the member of executive management shall have a competitive pay program, that include salary, bonuses, pensions and other remuneration. Austevoll Seafood ASA shall offer a total remuneration to its executive management that is on level with comparable companies. However, the Company's need for well qualified personnel should always be considered.

Executive management may be entitled to a bonus in addition to basic salary. An eventual bonus to CEO is determined by the Chairman of the Board. Bonus to other members of the executive management is determined by the CEO having consulted the Chairman of the Board.

Executive management participates in a standard pension and insurance schemes, applicable to all employees in the Company. The Company practice standard employment contracts and standard terms and conditions regarding notice period for its executive management. The Company does not offer share option programmes to any employees.

Salary, pension cost and other remuneration to CEO and other Group executives and members of the parent company's board were:

## Note 12 PAYROLL, FEES, NO. OF EMPLOYEES ETC. (CONT.)

| 2008 - Remunerations to the Company's officers | Wages | Pension cost | Director's fee | Other remuneration | Total |
|---|---|---|---|---|---|
| Arne Møgster*, CEO | 1 533 | 57 | 0 | 187 | 1 777 |
| Britt Kathrine Drivenes, CFO | 930 | 158 | 0 | 156 | 1 243 |
| Ole Rasmus Møgster, Chairman of the Board | 0 | 0 | 180 | 11 | 191 |
| Helge Singelstad, Deputy Chairman of the Board | 0 | 0 | 0 | 0 | 0 |
| Helge Møgster, former Member of the Board | 0 | 0 | 150 | 0 | 150 |
| Oddvar Skjegstad, Member of the Board | 0 | 0 | 150 | 6 | 156 |
| Inga Lise Moldestad, Member of the Board | 0 | 0 | 150 | 5 | 155 |
| Hilde Waage, Member of the Board | 0 | 0 | 150 | 0 | 150 |
| **Total** | **2 463** | **214** | **780** | **365** | **3 822** |

* Wages: NOK 210 is related to 2007

| 2007 - Remunerations to the Company's officers | Wages | Pension cost | Director's fee | Other remuneration | Total |
|---|---|---|---|---|---|
| Arne Møgster, CEO | 941 | 56 | 0 | 155 | 1 152 |
| Britt Kathrine Drivenes, CFO | 878 | 152 | 0 | 150 | 1 181 |
| Ole Rasmus Møgster, Working Chairman of the Board | 1 172 | 160 | 180 | 93 | 1 605 |
| Helge Møgster, former Member of the Board | 0 | 0 | 150 | 0 | 150 |
| Oddvar Skjegstad, Member of the Board | 0 | 0 | 150 | 6 | 156 |
| Inga Lise Moldestad, Member of the Board | 0 | 0 | 150 | 0 | 150 |
| Hilde Waage, Member of the Board | 0 | 0 | 150 | 0 | 150 |
| **Total** | **2 991** | **368** | **780** | **405** | **4 544** |

No loans or securities have been issued in 2008 or 2007 to the CEO, board members, members of the corporate management or other employees or closely related parties.

The CEO has a term of notice of 3 months. On resignation, the CEO has no right to extra compensation. Pension age is 67, and pension payments up to 70% of salary (12 times the base amount) on retirement.

**Options - Lerøy Seafood Group ASA (LSG)**
Share options are granted to directors and selected employees in the subsidiary LSG. In 2006 the Board of LSG decided to allocate a new option programme of up to 700 000 options with a price of NOK 125,- pr. option. The options were fully allocated on 29.02.08. 96 000 options lapsed/expired in 2008, and pr. 31.12 there are 604 000 options outstanding.

According to IFRS, options must be booked at real value. The fair value of the 700 000 options allocated in 2008 are calculated according to the Black&Scholes/Hull&White option pricing model. The most important parameters were the share price on the date of allocation (29.02.2008) of NOK 109.-, the exercise price of NOK 125, volatility of 34.3% (average), risk free interest at 4.63% (average), and the option's duration. 1/3 of the options have a duration to and including 01.06.09, 1/3 to and including 01.06.10 and 1/3 to and including 01.06.11.

Fair value of the 700 000 options is estimated at NOK 8 821 (including employer's contribution), which corresponds to an average of NOK 12.60 pr. option. The amount is booked as wage cost over the duration of the option programme. The cost is regulated to account for any lapsed or expired options. In the balance sheet the cost is booked directly against equity (positive effect). Option costs booked in 2008 amounted to NOK 206.

| Specification of auditor's fee | 2008 | 2007 |
|---|---|---|
| Audit fee | 3 893 | 2 857 |
| Audit fee to other auditors | 65 | 369 |
| Other auditing services | 3 105 | 12 |
| Tax advice | 264 | 90 |
| Other services | 1 315 | 1 313 |
| **Total** | **8 641** | **4 641** |

## Note 13 OTHER FINANCIAL INCOME AND EXPENSES

| | 2008 | 2007 |
|---|---|---|
| Interest income from related parties | 0 | 420 |
| Other interest income | 52 125 | 77 041 |
| Dividends | 18 233 | 0 |
| Currency gains (unrealised and realised) | 139 954 | 57 763 |
| Other financial income | 47 850 | 767 |
| **Total other financial income** | **258 161** | **135 991** |
| | | |
| Interest expenses (note 29) | 279 599 | 218 863 |
| Currency losses (unrealised and realised) | 281 034 | 31 107 |
| Other financial expenses | 34 257 | 14 634 |
| **Total other financial expenses** | **594 891** | **264 604** |
| | | |
| **Net finance cost** | **-336 730** | **-128 613** |

## Note 14 EARNINGS PR. SHARE AND DIVIDEND PR. SHARE

**Basic**
Basic earnings pr. share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| **Basis for calculation of earnings pr. share** | **2008** | **2007** |
|---|---|---|
| The year's earnings | 122 491 | 498 982 |
| No. of shares at the balance sheet date (thousands) | 184 317 | 184 317 |
| Average no. of shares (thousands) | 184 317 | 183 302 |
| | | |
| **Earnings pr. share** | **0,66** | **2,72** |
| **Diluted earnings pr. share** | **0,66** | **2,72** |
| | | |
| **Suggested dividend pr. share** | **0,00** | **0,30** |

## Note 15 INTANGIBLE ASSETS

| 2007 | Goodwill | Licenses fishfarming Norway | Licenses pelagic fisheries South America | Brand/ Trademarks | Total |
|---|---|---|---|---|---|
| **Pr. 01.01.** | | | | | |
| Acquisition cost | 267 735 | 412 119 | 714 105 | 0 | 1 393 960 |
| Accumulated amortisation | 0 | -8 699 | 0 | 0 | -8 699 |
| **Balance sheet value at 01.01.** | **267 735** | **403 420** | **714 105** | **0** | **1 385 261** |
| Balance sheet value at 01.01. | 267 735 | 403 420 | 714 105 | 0 | 1 385 261 |
| Currency translation differences | -24 177 | 0 | -73 321 | 0 | -97 499 |
| Reclassification | 78 559 | 0 | -78 559 | 0 | 0 |
| Acquisitions through business combinations | 457 820 | 0 | 204 706 | 150 111 | 812 637 |
| Intangible assets acquired | 234 | 0 | 9 782 | 1 354 | 11 370 |
| Intangible assets sold/demerged | -93 292 | -403 420 | -2 796 | 0 | -499 508 |
| Amortisation | 0 | 0 | -0 | -14 | -14 |
| **Balance sheet value at 31.12.** | **686 880** | **0** | **773 917** | **151 451** | **1 612 248** |
| **Pr. 31.12.** | | | | | |
| Acquisition cost | 686 880 | 0 | 773 917 | 151 465 | 1 612 262 |
| Accumulated amortisation | 0 | 0 | 0 | -14 | -14 |
| **Balance sheet value at 31.12.** | **686 880** | **0** | **773 917** | **151 451** | **1 612 248** |

| 2008 | Goodwill | Licenses fishfarming Norway | Licenses pelagic fisheries South America | Brand/ Trademarks | Total |
|---|---|---|---|---|---|
| Balance sheet value at 01.01. | 686 880 | 0 | 773 917 | 151 451 | 1 612 248 |
| Currency translation differences | 81 226 | -1 242 | 194 967 | 0 | 274 951 |
| Acquisitions through business combinations | 1 113 562 | 2 828 063 | 0 | 50 000 | 3 991 625 |
| Intangible assets acquired | 3 383 | 0 | 0 | 0 | 3 383 |
| Intangible assets sold/demerged | 0 | -40 000 | 0 | 0 | -40 000 |
| Amortisation | 0 | -157 | -23 | -14 | -194 |
| Impairment | 0 | 0 | -19 708 | 0 | -19 708 |
| **Balance sheet value at 31.12.** | **1 885 051** | **2 786 664** | **949 152** | **201 437** | **5 822 305** |
| **Pr. 31.12.** | | | | | |
| Acquisition cost | 1 885 051 | 2 786 821 | 968 884 | 201 465 | 5 842 221 |
| Accumulated amortisation | 0 | -157 | -23 | -28 | -180 |
| Accumulated impairment | 0 | 0 | -19 708 | 0 | -19 708 |
| **Balance sheet value at 31.12.** | **1 885 051** | **2 786 664** | **949 153** | **201 437** | **5 822 305** |
| - of which assets with indefinite lives | 1 885 051 | 2 786 664 | 949 153 | 200 000 | 5 820 868 |
| - of which assets with definite lives | 0 | 0 | 0 | 1 437 | 1 437 |
| - remaining years for assets with definite useful lives (years) | - | - | - | 6 | |

Included in licenses fishfarming above is a privilege for utilisation of waterfalls with definite useful lives.

Goodwill is allocated to the Group's cash-generating units (CGU) identified according to country of operation and business segment.

## Note 15 INTANGIBLE ASSETS (CONT.)

| | | | 2008 | | 2007 | |
|---|---|---|---|---|---|---|
| **Cash generating units** | **Segment** | **Location** | **Carrying amount of allocated goodwill** | **Carrying amount of allocated licenses/ brands with indefinite useful lives** | **Carrying amount of allocated goodwill** | **Carrying amount of allocated licenses with indefinite useful lives** |
| FoodCorp S.A. (1) | Human consumption | Chile | 75 729 | 230 481 | 25 906 | 71 152 |
| | Fish meal/oil | Chile | 40 164 | 58 825 | 60 238 | 165 929 |
| Epax Holding AS (2) | Human consumption | Norway | 302 577 | 150 000 | 302 577 | 150 000 |
| Austral Group S.A.A. (3) | Human consumption | Peru | 20 088 | 75 423 | 15 530 | 99 674 |
| | Fish meal/oil | Peru | 239 859 | 584 425 | 189 774 | 437 144 |
| Welcon AS (4) | Fish meal/oil | Norway | 91 400 | 0 | 91 400 | 0 |
| Lerøy Seafood Group ASA (5) | LSG | Norway | 1 113 101 | 2 836 664 | 0 | 0 |
| Others | Trading | | 2 133 | 0 | 1 455 | 0 |
| **Total** | | | **1 885 051** | **3 935 817** | **686 880** | **923 899** |

1) Identified partly through the acquisition of Chilefood S.A. in 2004. Both goodwill and licenses are allocated between human consumption and fish meal/oil on a pro rata basis.

2) Identified partly through the acquisition of Epax Holding AS in 2007.

3) Identified partly through the acquisition of Austral Group S.A.A (Dordogne) in 2006 and through the acquisition of 50% of the shares in Corporacion del Mar in 2007. Both goodwill and licenses are allocated between human consumption and fish meal/oil on a pro rata basis. Approximately 126 MNOK of the goodwill relates to deferred tax on excess values related to licenses with indefinite useful lives.

4) Identified through the acquisition of Welcon Invest AS and Karmsund Fiskemel AS in 2006.

5) Identified through the aquisition of 74,93 % of Lerøy Seafood Group ASA in December 2008. Approximately 544 MNOK of the goodwill relates to deferred tax on excess value related to licenses with indefinite useful lives. Lerøy Seafood Group ASA consists of two cash generating units (CGU); Production, and Sales & Distribution. Since the purchase price allocation is not final, goodwill has not been allocated to the different cash generating units.

## Note 15 INTANGIBLE ASSETS (CONT.)

| Business segments 2008 | FMO | HC | TRADING | LSG | OTHER | GROUP |
|---|---|---|---|---|---|---|
| Carrying amount of allocated goodwill | 371 423 | 398 394 | 2 133 | 1 113 101 | 0 | 1 885 051 |
| Carrying amount of allocated licenses and brands with indefinite useful lives | 643 250 | 455 903 | 0 | 2 836 664 | 0 | 3 935 817 |

| Business segments 2007 | FMO | HC | TRADING | LSG | OTHER | GROUP |
|---|---|---|---|---|---|---|
| Carrying amount of allocated goodwill | 341 412 | 344 013 | 1 455 | 0 | 0 | 686 880 |
| Carrying amount of allocated licenses and brands with indefinite useful lives | 603 076 | 322 291 | 0 | 0 | 0 | 925 367 |

**Impairment tests for cash-generating units containing goodwill, licenses and brands**

The Group has defines the following cash generating units with goodwill, licenses and brand: FoodCorp Group, Chile, Austral Group (including Cormar), Peru, Epax Holding Group, Norway, Welcon Group, Norway and Lerøy Seafoods Group, Norway. There have been performed impairment tests for each cash generating unit by 31. December 2008. There has been identified impairment need for fishmeal production licenses in Peru in 2008 resulting from the implementation of the quota system for anchoveta fishing in 2009, totaling to NOK 19,7 mill.

The recoverable amount of the entities has been determined based on value in use calculation. Value in use is calculated on estimated present values of future cash flow. The analyses are based on the financial budgets for 2009, and estimated results for the years 2010 to 2013. After 2013 a terminal value is calculated based on the estimated result for 2013. The growth rate used in the analyses does not exceed the long term expected average growth rate (2,5%) for the business in which the cash generating units operates. The budgets are mainly based on weighted historical performance and expectations that the Global and national quota allocations for 2009 and onwards will be within the range as for the resent years. The discount rate applied to cash flow range between 9–13 percent before tax. The value in use calculations satisfactorily exceeds the booked value for goodwill, licenses and brand in the different cash generating units.

| Catch and purchase (figures in 1.000 tons) | 2009 E | 2008 | 2007 |
|---|---|---|---|
| FoodCorp own catch | 133 | 102 | 139 |
| FoodCorp purchase raw material | 77 | 73 | 59 |
| Austral Group own catch | 469 | 462 | 415 |
| Austral Group purchase raw material | 248 | 194 | 191 |
| Welcon Group purchase raw material * | 600 | 371 | 487 |

| Volumes sold (figures in 1.000 tons/ 1.000 cases) | 2009 E | 2008 | 2007 |
|---|---|---|---|
| Fishmeal and oil (tons) * | 360 | 310 | 300 |
| Frozen products (tons) | 45 | 22 | 28 |
| Canning (cases) | 4 300 | 2 999 | 4 022 |
| High and low consentrate Omega-3 oils (tons) | 2,10 | 1,77 | 1,41 |
| Salmon (tons) | 110 | 0 | 0 |

* reflects 100% of Welcon Group purchase and sales

## Note 16 TANGIBLE FIXED ASSETS

| 2007 | Land | Projects in progress | Buildings/ property | Plant, equipment and other fixtures | Vessels | Total |
|---|---|---|---|---|---|---|
| **Pr. 01.01.** | | | | | | |
| Acquisition cost | 203 006 | 54 357 | 694 477 | 1 367 979 | 888 817 | 3 208 636 |
| Accumulated depreciation | 0 | 0 | -93 360 | -403 341 | -191 840 | -688 541 |
| Accumulated impairment | 0 | 0 | 0 | 0 | 0 | 0 |
| **Balance sheet value at 01.01.** | **203 006** | **54 357** | **601 117** | **964 639** | **696 977** | **2 520 096** |
| | | | | | | |
| Balance sheet value at 01.01. | 203 006 | 54 357 | 601 117 | 964 639 | 696 977 | 2 520 096 |
| Other changes | 1 273 | 0 | 3 321 | -4 361 | 0 | 234 |
| Currency translation differences | -8 660 | -9 206 | -25 645 | -77 726 | -53 703 | -174 941 |
| Reclassification | 598 | -52 989 | 20 766 | 31 386 | 240 | -0 |
| Acquisitions through business combinations | 12 275 | 6 348 | 65 929 | 116 450 | 71 337 | 272 339 |
| Tangible fixed assets acquired | 4 220 | 130 104 | 15 502 | 134 433 | 56 664 | 340 923 |
| Tangible fixed assets sold | -4 084 | -264 | -45 616 | -121 586 | -9 401 | -180 950 |
| Depreciation | 0 | 0 | -32 055 | -115 339 | -53 207 | -200 601 |
| Impairment | 0 | 0 | 0 | -1 325 | 0 | -1 325 |
| **Balance sheet value at 31.12.** | **208 628** | **128 349** | **603 318** | **926 571** | **708 907** | **2 575 774** |
| | | | | | | |
| **Pr. 31.12.** | | | | | | |
| Acquisition cost | 208 628 | 128 349 | 728 734 | 1 446 575 | 953 954 | 3 466 240 |
| Accumulated depreciation | 0 | 0 | -125 415 | -518 679 | -245 047 | -889 142 |
| Accumulated impairment | 0 | 0 | 0 | -1 325 | 0 | -1 325 |
| **Balance sheet value at 31.12.** | **208 628** | **128 349** | **603 318** | **926 571** | **708 907** | **2 575 774** |
| | | | | | | |
| **Balance sheet value of finance lease included above** | **0** | **0** | **795** | **41 486** | **63 173** | **105 454** |
| | | | | | | |
| **Depreciation on finance lease included above** | **0** | **0** | **276** | **8 409** | **5 265** | **13 950** |

## Note 16 TANGIBLE FIXED ASSETS (CONT.)

| 2008 | Land | Projects in progress | Buildings/ property | Plant, equipment and other fixtures | Vessels | Total |
|---|---|---|---|---|---|---|
| Balance sheet value at 01.01. | 208 628 | 128 349 | 603 318 | 926 571 | 708 907 | 2 575 774 |
| Currency translation differences | 23 801 | 30 897 | 72 605 | 177 258 | 137 442 | 442 002 |
| Reclassification | 0 | -43 685 | -20 077 | 61 360 | 2 402 | 0 |
| Acquisitions through business combinations | 17 355 | 0 | 471 540 | 901 878 | 0 | 1 390 773 |
| Tangible fixed assets acquired | 1 194 | 78 472 | 44 017 | 139 042 | 38 584 | 301 310 |
| Tangible fixed assets sold/ demerged | 0 | -85 | -3 028 | -30 555 | -733 | -34 401 |
| Depreciation | -54 | 0 | -33 229 | -151 587 | -65 159 | -250 029 |
| Impairment | -840 | 0 | -320 | -28 891 | -10 043 | -40 095 |
| **Balance sheet value at 31.12.** | **250 084** | **193 948** | **1 134 825** | **1 995 076** | **811 401** | **4 385 334** |
| | | | | | | |
| **Pr. 31.12.** | | | | | | |
| Acquisition cost | 250 978 | 193 948 | 1 293 790 | 2 695 558 | 1 131 650 | 5 565 925 |
| Accumulated depreciation | -54 | 0 | -158 644 | -670 266 | -310 206 | -1 139 171 |
| Accumulated impairment | -840 | 0 | -320 | -30 216 | -10 043 | -41 419 |
| **Balance sheet value at 31.12.** | **250 084** | **193 948** | **1 134 825** | **1 995 076** | **811 401** | **4 385 334** |
| | | | | | | |
| **Balance sheet value of finance lease included above** | **0** | **0** | **0** | **203 709** | **64 936** | **268 645** |
| | | | | | | |
| **Depreciation on finance lease included above** | **0** | **0** | **745** | **7 224** | **9 592** | **17 562** |

An asset carrying amount is written down only if indicators of impairment exists. There has been identified impairment need for equipment related to fishmeal production in Peru and to production equipment within the pelagic production in Norway, totalling to NOK 28,9 mill. There has been identified impairment need for fishing vessel in Peru, totalling to NOK 10 mill.

The recoverable amount of the tangible fixed assets has been determined based on value in use calculation. Value in use is calculated on estimated present values of future cash flow and explained in note 15 Intangible assets.

## Note 17 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES

| Associated companies | 2008 | 2007 |
|---|---|---|
| Beginning of year | 2 352 440 | 151 658 |
| Acquisitions | 87 544 | 2 143 066 |
| Business combinations | -1 824 821 | 0 |
| Share of profit/(loss)* | 24 988 | 65 758 |
| Exchange differences | -28 250 | 0 |
| Other equity movements | -71 241 | -8 042 |
| **End of year** | **540 659** | **2 352 440** |

* Share of profit/(loss) is after tax and minority interest in associates.

## Note 17 ASSOCIATED COMPANIES AND INVESTMENTS IN JOINT VENTURES (CONT.)

The results of the significant associates, its aggregated assets and liabilities, on a 100% basis, are as follows:

| Name | Country of incorporation | Assets | Liabilities | Revenues | Profit/loss | % interest held |
|---|---|---|---|---|---|---|
| **2007** | | | | | | |
| Br. Birkeland AS | Norway | 641 595 | 498 556 | 257 510 | 10 953 | 40,20% |
| Modolv Sjøset AS | Norway | 182 971 | 157 067 | 267 457 | -8 922 | 49,88% |
| Lerøy Seafood Group ASA | Norway | 7 506 110 | 3 727 267 | 6 290 898 | 279 564 | 33,34% |
| Shetland Catch Ltd. | Great Britain | 330 399 | 220 103 | 425 051 | -20 981 | 25,00% |

| Name | Country of incorporation | Assets | Liabilities | Revenues | Profit/loss | % interest held |
|---|---|---|---|---|---|---|
| **2008** | | | | | | |
| Br. Birkeland AS | Norway | 631 821 | 531 329 | 288 624 | -27 734 | 40,20% |
| Shetland Catch Ltd. | Great Britain | 296 142 | 171 981 | 577 535 | 6 112 | 25,00% |
| Bodø Sildoljefabrikk AS | Norway | 167 340 | 78 633 | 174 154 | 20 558 | 40,00% |
| Norskott Havbruk AS | Norway | 1 204 764 | 696 393 | 771 954 | 24 091 | 50,00% |
| Alfarm Alarko Lerøy | Turkey | 55 707 | 21 916 | 91 530 | 6 190 | 50,00% |

**Financial year**
All the associated companies except Shetland Catch Ltd follow the same financial year as the Group. Shetland Catch Ltd. has financial year 01.04 - 30.03.

| Investments in joint venture | Period | Location | Business | Voting share |
|---|---|---|---|---|
| KW Protein Technologies Limited | year | Ireland | Fish oil/ fish meal | 50% |
| JV Cormar | year | Peru | Fish oil/ fish meal | 50% |
| Atlantic Pelagic Faroe | 01.07.-31.12. | Faroe | Trading | 50% |

The following amounts represent the Group's 50% share of the assets and liabilities, and sales and results of the joint venture.

They are included in the balance sheet and income statement:

| **Assets** | **2008** | **2007** |
|---|---|---|
| Non-current assets | 419 345 | 573 039 |
| Current assets | 47 493 | 45 435 |
| **Total assets** | **466 838** | **618 474** |
| | | |
| **Liabilities** | | |
| Non-current liabilities | 37 617 | 128 408 |
| Current liabilities | 89 969 | 473 422 |
| **Total liabilities** | **127 586** | **601 831** |
| | | |
| **Total equity** | **339 253** | **16 643** |
| | | |
| Income | 61 046 | 27 365 |
| Expenses | -89 030 | -30 224 |
| **Net result** | **-27 985** | **-2 859** |

## Note 18 INVESTMENTS IN OTHER SHARES

| 2008<br>Company | Business location | Ownership/<br>voting share | Acquisition cost | Fair value |
|---|---|---|---|---|
| Odra Industries ASA | Bergen, Norway | 18,48% | 22 202 | 15 766 |
| Aqua Gen AS | Trondheim, Norway | 2,52% | 21 558 | 21 558 |
| Others | | | 3 643 | 3 643 |
| **Total non-current** | | | **47 403** | **40 967** |

| 2007<br>Company | Business location | Ownership/<br>voting share | Acquisition cost | Fair value |
|---|---|---|---|---|
| Odra Industries ASA | Bergen, Norway | 18,48% | 19 675 | 13 239 |
| TD Moreproduct | Mykolajiv, Ukraina | 50,00% | 14 986 | 14 986 |
| Others | | | 3 899 | 3 899 |
| **Total non-current** | | | **38 560** | **32 124** |

| Reconsiliation of the carrying amount of investments in other shares | 2008 | 2007 |
|---|---|---|
| Beginning of year | 32 124 | 30 192 |
| Business combinations | 8 175 | -3 179 |
| Additions | 668 | 15 539 |
| Net gains/losses | 0 | -10 428 |
| **End of year** | **40 967** | **32 124** |
| Less: non-current portion | -40 967 | -32 124 |
| **Current portion** | **0** | **0** |

There were no impairment provisions on investments in other shares in 2008.

| Investments in other shares are denominated in the following currencies: | 2008 | 2007 |
|---|---|---|
| NOK | 40 967 | 31 449 |
| USD | 0 | 675 |
| **Total** | **40 967** | **32 124** |

## Note 19 TRADE AND OTHER RECEIVABLES

| | 2008 | 2007 |
|---|---|---|
| Trade receivables | 1 427 546 | 398 099 |
| Less: provision for impairment of trade receivables | -21 367 | -7 880 |
| **Trade receivables - net** | **1 406 178** | **390 219** |
| **Other current receivables** | | |
| Public fees and taxes receivable | 121 346 | 62 684 |
| Customer contracts (see note 22) | 44 067 | 0 |
| Prepayments | 43 050 | 46 106 |
| Short-term loans | 99 692 | 29 544 |
| Balance on sale of equipment | 2 239 | 34 375 |
| Other current receivables | 135 608 | 29 274 |
| **Total other current receivables** | **446 001** | **201 983** |
| **Total current** | **1 852 179** | **592 202** |

## Note 19 TRADE AND OTHER RECEIVABLES (CONT.)

| | 2008 | 2007 |
|---|---|---|
| **Non-current receivables** | | |
| Loans to third parties | 98 885 | 53 764 |
| Reimbursement rights under escrow accounts | 14 320 | 10 874 |
| Other non-current receivables | 11 610 | 2 388 |
| **Total non-current receivables** | **124 815** | **67 026** |

| **The ageing of the trade receivables, past due but not impaired:** | **2008** | **2007** |
|---|---|---|
| 0 to 3 months | 223 183 | 35 787 |
| 3 to 6 months | 8 816 | 7 350 |
| Over 6 months | 12 759 | 9 348 |
| **Total** | **244 758** | **52 485** |

The Group's trade receivables of NOK 1.406.178 are partly covered by credit insurance and other types of security. Trade receivables pr. 31.12 were nominally NOK 1.427.546 while provisions for bad debts were amounted to NOK 21.367. Net trade receivables are booked in the balance sheet at NOK 1.406.178 pr. 31.12.

Trade receivables, past due but not impaired was NOK 244.758 pr. 31.12. The main part of the trade receivables, past due but not impaired are related to the subsidiary Lerøy Seafood Group ASA (LSG) with NOK 193.016 of the amount overdue. Pr. mid March 2009, more than 97% of the customer receivables related to LSG are paid.

| **The ageing of the trade receivables, past due and impaired:** | **2008** | **2007** |
|---|---|---|
| 0 to 3 months | 8 013 | 0 |
| 3 to 6 months | 958 | 0 |
| Over 6 months | 12 396 | 7 880 |
| **Total** | **21 367** | **7 880** |

| **The carrying amounts of the trade and other receivables are denominated in the following currencies:** | | |
|---|---|---|
| **Currency** | **2008** | **2007** |
| US dollar | 539 818 | 154 481 |
| Euro | 351 364 | 13 186 |
| NOK | 661 794 | 305 313 |
| CLP | 157 757 | 145 594 |
| PEN | 85 875 | 37 184 |
| SEK | 114 254 | 0 |
| Other | 66 130 | 3 469 |
| **Total** | **1 976 993** | **659 228** |

| **Movements on the provision for impairment of trade receivables are as follows:** | **2008** | **2007** |
|---|---|---|
| Pr 01.01 | -7 880 | -12 983 |
| Business combinations | -13 187 | 0 |
| This years provision for receivables impairment | -1 677 | 2 434 |
| Receivables written off during the year as uncollectable | 2 575 | 2 669 |
| Currency translation differences | -1 198 | 0 |
| **Pr 31.12** | **-21 367** | **-7 880** |

## Note 20 INVENTORIES

| | 2008 | 2007 |
|---|---|---|
| Raw materials | 265 826 | 157 493 |
| Work in progress | 11 270 | 6 849 |
| Finished goods | 639 798 | 385 326 |
| Obsoleteness | -38 515 | -21 613 |
| **Total** | **878 379** | **528 055** |
| Write-down of inventories expensed | 19 847 | 15 989 |

## Note 21 BIOLOGICAL ASSETS

| | 2008 | 2007 |
|---|---|---|
| Biological assets pr. 01.01. | 0 | 224 771 |
| Increases due to production | 204 275 | 0 |
| Increase/decrease due to business combinations | 1 504 259 | -224 771 |
| Decreases due to sales / harvesting | -149 323 | 0 |
| Fair value adjustment of fish at period end | 116 953 | 0 |
| **Biological assets pr. 31.12.** | **1 676 164** | **0** |

Value estimates of fish in sea are based on the market prices of gutted salmon and trout on the balance sheet day. The prices are adjusted for quality differences (superior, ordinary and production) and for logistical costs. The volume is adjusted for gutting wastage. Valuation of fish in sea with an average weight under 4 kg is based on the same principles, but the price is adjusted for progress in the growth cycle. The price is not adjusted below cost price unless a loss is anticipated in future sales. Other biological assets (roe, fry and smolt) are valued at cost price since little biological transformation has taken place (IAS 41.24).

The table below shows the total volume of fish in sea as well as the volume of harvestable salmon and trout (> 4 kg). The volume of char is not included in the total volume of harvestable fish, but the inventory of char is included in the book value of capitalised biological assets. The balance sheet values of char were NOK 16 060 in 2008.

| | 2008 | 2007 |
|---|---|---|
| Total fish in sea (LWT) | 69 499 | 0 |
| Harvestable fish (> 4kg LWT) | 13 308 | 0 |
| Value adjustment harvestable fish (< 4kg) | 90 065 | 0 |
| Value adjustment immature fish (< 4kg) | 145 887 | 0 |
| Total value adjustment biological assets | 235 952 | 0 |
| Cost price of biological assets | 1 440 212 | 0 |
| **Balance sheet value of biological assets** | **1 676 164** | **0** |
| **Value adjustment biological assets** | **2008** | **2007** |
| Value adjustment pr. 01.01 | 0 | 0 |
| Acquistions due to business combinations | 119 000 | 0 |
| The year's profit impact of value adjustments | 116 953 | 0 |
| **Value adjustments pr. 31.12** | **235 953** | **0** |

## Note 22 DERIVATIVE FINANCIAL INSTRUMENTS

**Currency forward contracts**

The table below shows the Group's currency forward contracts as of 31.12.2008. The contracts are for purchase/sale against NOK.

| Currency | Currency amount | Exchange rate at maturity | Amounts in NOK | Est. real NOK value currency futures |
|---|---|---|---|---|
| EURO | 60 000 | 9,102 | 546 129 | -45 867 |
| JPY | 1 750 000 | 0,068 | 118 838 | -16 943 |
| SEK | 150 000 | 0,870 | 131 156 | -4 520 |
| USD | 21 000 | 6,930 | 145 587 | -1 394 |
| CHF | 150 | 585,400 | 878 | -116 |
| AUD | 600 | 4,810 | 2 888 | -28 |
| GBP | 900 | 10,520 | 9 466 | 351 |
| **Total** | | | | **-68 517** |

| | |
|---|---|
| Of which classified as other current liabilities | -44 067 |
| Of which classified as trade receivable | -24 450 |
| **Total** | **-68 517** |

| | |
|---|---|
| **Recognised currency gains related to sales contracts (other receivables)** | **44 067** |

The Group classifies derivative instruments as hedging of fair value of a recognised asset, liability or not booked sales contract in foreign currency (fair value hedging).

Currency futures together with negative and positive balances on multi-currency accounts, are used to hedge, as far as possible, against the currency risk in trade receivables, binding sales contracts, as well as on-going contract negotiations. When a binding sales contract in foreign currency is covered by a currency forward contract as fair value hedge, the currency element of the sales contract (hedge object) is recognised as an asset or liability (fair value hedge). Trade receivables, debts, deposits, currency forward contracts and currency gains and losses related to binding sales contracts are measured at fair value at the balance sheet date.

The Company seeks to keep the net exposure associated with monetary assets and liabilities in foreign currency on an acceptable level by buying and selling foreign currency at day-rates whenever necessary to counter any short term imbalances.

## Note 23 GUARANTEE OBLIGATIONS

| | 2008 | 2007 |
|---|---|---|
| Other guarantees | 31 786 | 2 124 |
| **Total** | **31 786** | **2 124** |

## Note 24 RESTRICTED BANK DEPOSITS

| | 2008 | 2007 |
|---|---|---|
| Restricted deposits related to employee` tax deduction | 25 980 | 5 709 |
| Other restricted deposits | 7 951 | 7 667 |
| **Total** | **33 930** | **13 376** |

## Note 25 SHARE CAPITAL AND SHAREHOLDERS

**Share capital:**
As of December 31, 2008 the Company has 184.317.374 shares at nominal value of NOK 0,50 pr. share.
None of the shares are owned by any Group company.

| | Nominal value pr. share (NOK) | Total share capital | Number of ordinary shares |
|---|---|---|---|
| Pr. 01.01. | 0,50 | 92 158 687 | 184 317 374 |
| **Pr. 31.12.** | | | **184 317 374** |

| The shareholders in Austevoll Seafood ASA, were as of 31.12.: | Number of shares | Shareholding |
|---|---|---|
| Laco AS | 112 605 876 | 61,09% |
| Verdipapirfond Odin | 7 434 587 | 4,03% |
| Verdipapirfond Odin | 5 887 900 | 3,19% |
| Pareto Aksje Norge | 4 271 000 | 2,32% |
| Credit Suisse Securi Special Custody A/C | 3 141 950 | 1,70% |
| State Street Bank AC | 2 697 763 | 1,46% |
| Pareto Aktiv | 2 503 200 | 1,36% |
| Mitsui and Co Ltd | 1 782 236 | 0,97% |
| Odin Europa SMB | 1 776 000 | 0,96% |
| Br. Birkeland AS | 1 722 223 | 0,93% |
| State Street Bank AC | 1 593 200 | 0,86% |
| Goldman Sachs Int. | 1 543 603 | 0,84% |
| Folketrygdfondet JP Morgan Chase Bank | 1 512 200 | 0,82% |
| Deutsche Bank AG | 1 486 600 | 0,81% |
| Credit Suisse Securi Prime Broke | 1 474 072 | 0,80% |
| Holberg Norge | 1 345 220 | 0,73% |
| Holberg Norden | 1 301 090 | 0,71% |
| MP Pensjon | 1 040 000 | 0,56% |
| Nordea Bank Plc | 1 021 000 | 0,55% |
| Vital Forsikring ASA | 909 558 | 0,49% |
| **Total 20 largest** | **157 049 278** | **85,21%** |
| Total others | 27 268 096 | 14,79% |
| **Total numbers of shares** | **184 317 374** | **100,00%** |

| Shares controlled by Board members and management: | Number of shares | Shareholding |
|---|---|---|
| | | |
| **Board of Directors:** | | |
| Ole Rasmus Møgster (Laco AS) | 45 042 350 | 24,44% |
| Oddvar Skjegstad (Rehua AS) | 55 000 | 0,03% |
| | | |
| **Management Group:** | | |
| CEO Arne Møgster (Laco AS) | 5 630 294 | 3,05% |
| CFO Britt Kathrine Drivenes (Lerkehaug AS) | 125 367 | 0,07% |
| | | |
| **Total shares controlled by Board members and management** | **50 853 011** | **27,59%** |

## Note 26 TAX

| | 2008 | 2007 |
|---|---|---|
| **Specification of the tax expense** | | |
| Tax payable (excluding tax effect of Group contributions) | 96 087 | 102 963 |
| Change in deferred tax | 24 764 | -70 619 |
| **Taxes** | **120 851** | **32 343** |
| | | |
| **Tax reconciliation** | | |
| Profit before tax | 283 802 | 215 623 |
| Taxes calculated with the nominal tax rates* | 100 821 | 67 675 |
| Income from associated companies | -6 997 | -14 789 |
| Tax-free gain on sale of shares | 0 | -4 058 |
| Exchange loss on investment financing | 6 254 | 0 |
| Adjustment of tax values on fixed assets and leasing liabilities | 22 928 | 0 |
| Other differences | -2 154 | -403 |
| Utilisation of loss carried forward, previously not recognized | 0 | -16 081 |
| **Taxes** | **120 851** | **32 343** |
| | | |
| **Weighted average tax rate** | **42,58%** | **15,00%** |

* Nominal tax rates for the Group, varies between 17% and 37%.

| **The gross movement on the deferred income tax account is as follows:** | **2008** | **2007** |
|---|---|---|
| Opening balance 01.01. | 502 510 | 621 381 |
| Booked to income in the period | 24 764 | -70 619 |
| Emission costs | 0 | -2 868 |
| Currency translation differences | 70 979 | -35 867 |
| Effect of business combinations | 1 047 507 | -9 517 |
| **Balance sheet value 31.12.** | **1 645 761** | **502 510** |

## Note 26 TAX (CONT.)

**The movement in deferred income tax assets and liabilities during the year is as follows:**

| Deferred tax liabilities | Intangible assets | Fixed assets | Biological assets | Total |
|---|---|---|---|---|
| **2007** | | | | |
| Opening balance 01.01. | 270 099 | 389 714 | 65 147 | 724 960 |
| Booked to income in the period | 19 485 | -44 039 | 0 | -24 554 |
| Currency translation differences | -20 180 | -20 017 | 0 | -40 196 |
| Effect of business combinations | -45 413 | 89 722 | -65 147 | -20 838 |
| **31.12.** | **223 992** | **415 380** | **0** | **639 372** |
| **2008** | | | | |
| Booked to income in the periode | -6 680 | -2 282 | 46 336 | 37 374 |
| Currency translation differences | 47 123 | 66 064 | 0 | 113 187 |
| Effect of business combinations | 785 509 | -34 033 | 421 193 | 1 172 669 |
| **31.12.** | **1 049 944** | **445 129** | **467 529** | **1 962 602** |

| Deferred tax asset | Inventory | Pensions | Receiv-ables | Lia-bilities | Profit and loss account | Loss carried forwards | Other | Total |
|---|---|---|---|---|---|---|---|---|
| **2007** | | | | | | | | |
| Opening balance 01.01. | -206 | -4 734 | -62 | -8 522 | -3 452 | -86 604 | 0 | -103 579 |
| Booked to income in the period | -4 022 | -409 | -223 | 1 222 | -12 069 | -30 563 | 0 | -46 065 |
| Emission costs | 0 | 0 | 0 | 0 | 0 | -2 868 | 0 | -2 868 |
| Currency translation differences | -97 | 0 | 0 | 1 343 | 2 838 | 245 | 0 | 4 329 |
| Effect of business combinations | 2 988 | 779 | 285 | -543 | -911 | 8 724 | 0 | 11 321 |
| **31.12.** | **-1 337** | **-4 364** | **-1** | **-6 501** | **-13 594** | **-111 065** | **0** | **-136 862** |
| **2008** | | | | | | | | |
| Booked to income in the periode | -1 844 | -977 | 618 | 3 378 | -2 008 | -10 202 | -1 575 | -12 610 |
| Currency translation differences | 226 | 0 | -1 293 | -38 856 | -1 686 | -1 954 | 1 355 | -42 208 |
| Effect of business combinations | 0 | -129 | -9 658 | 0 | 2 629 | -111 111 | -6 893 | -125 162 |
| **31.12.** | **-2 955** | **-5 470** | **-10 334** | **-41 979** | **-14 659** | **-234 332** | **-7 113** | **-316 842** |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

| Deferred tax assets | 2008 | 2007 |
|---|---|---|
| Deferred tax asset to be recovered after more than 12 months | -254 461 | -129 024 |
| Deferred tax asset to be recovered within 12 months | -62 380 | -7 838 |
| **Total** | **-316 842** | **-136 862** |

| Deferred tax liabilities | 2008 | 2007 |
|---|---|---|
| Deferred tax liabilities to be recovered after more than 12 months | 1 495 073 | 639 372 |
| Deferred tax liabilities to be recovered within 12 months | 467 529 | 0 |
| **Total** | **1 962 602** | **639 372** |

| | | |
|---|---|---|
| **Deferred tax liabilities (net)** | **1 645 761** | **502 510** |

## Note 27 PENSIONS AND PENSION COMMITMENTS

The Group entities operates various pension schemes. Some Group entities have pension schemes which provide the employees the right to established future pension payments (defined benefit). The collective schemes comprises a total of 108 employees and 27 retired people as of 31 December 2008. The Group's funded pension schemes is secured, and administered by a pension company. Some of the entities also have a contractual early retirement scheme (AFP) for their employees. These schemes comprise a total of 506 employees and 17 retired person as of 31 December 2008. According to the scheme, employees are on certain conditions entitled to leave the Company after reaching the age of 62, being entitled to a pension covered partly by the Company and partly by the Government. The Group's financial commitments associated with this scheme are included in the pension calculations below. The early retirement pension scheme is unfunded.

| **Net pension cost** | **2008** | **2007** |
|---|---|---|
| Current service cost | 5 870 | 5 475 |
| Interest cost | 3 026 | 2 807 |
| Expected return on plan assets | -2 488 | -2 264 |
| Administration costs | 184 | 198 |
| Net actuarial losses recognised during the year | 3 307 | 902 |
| Social security tax | 1 058 | 770 |
| **Net pension cost related to defined benefit plan** | **10 956** | **7 887** |
| | | |
| Pension costs related to defined contribution plan | 2 538 | 1 858 |
| Social security on defined contribution plan | 358 | 262 |
| **Net pension cost** | **13 851** | **10 007** |

The amounts recognised in the balance sheet are determined as follows:

| **Capitalised commitments are determined as follow** | **2008** | **2007** |
|---|---|---|
| Present value of funded secured obligations | 66 831 | 62 435 |
| Fair value of plan assets | -50 416 | -41 819 |
| Present value of unfunded obligations | 18 445 | 3 728 |
| Social security tax | 3 060 | 3 270 |
| Unrecognised actuarial losses | -3 598 | -9 525 |
| **Net pension commitment on the balance sheet pr. 31.12.** | **34 323** | **18 089** |

| **The principal actuarial assumptions** | **31/12/2008** | **1/1/2008** | **31/12/2007** |
|---|---|---|---|
| Discount rate | 3,8%/4,3% | 4,70% | 4,70% |
| Anticipated yield on pension assets | 5,80% | 5,75% | 5,75% |
| Anticipated regulation of wages | 4,00% | 4,50% | 4,50% |
| Anticipated regulation of pensions | 1,50% | 2,00% | 2,00% |
| Anticipated regulation of national insurance | 3,75% | 4,25% | 4,25% |
| Employee turnover | 0 - 20 % | 0 % - 2 % | 0 % - 2 % |
| Social security tax rate | 10,6 % - 14,1% | 14,10% | 14,10% |
| Utilisation percentage AFP: | 0 - 70 % | 30,00% | 30,00% |

## Note 27 PENSIONS AND PENSION COMMITMENTS (CONT.)

| The movement in the defined benefit obligation over the year is as follows: | 2008 | 2007 |
|---|---|---|
| Pr. 01.01 | 66 163 | 75 349 |
| Current service cost | 5 870 | 5 475 |
| Interest cost | 3 026 | 2 807 |
| Actuarial losses/(gains) | -5 827 | -3 542 |
| Benefits paid | -1 562 | -1 537 |
| Effect of business combinations | 17 607 | -12 390 |
| **Defined benefit obligation pr. 31.12** | **85 276** | **66 163** |

| The movement in the fair value of plan assets of the year is as follows: | 2008 | 2007 |
|---|---|---|
| Pr. 01.01 | 41 819 | 44 108 |
| Expected return on plan assets | 2 488 | 2 264 |
| Actuarial (losses)/gains | -1 860 | -2 157 |
| Administration costs | -184 | -117 |
| Employer contributions | 4 452 | 4 139 |
| Benefits paid | -975 | -941 |
| Effect of business combinations | 4 675 | -5 477 |
| **Fair value of plan assets pr 31.12** | **50 415** | **41 819** |

## Note 28 CONTINGENCIES

The Group has recognised a contingent liability related to the acquisition of Cormar in 2007. The amount (in USD) is unchanged since last year. If the contingent liabilties materialises, the Group will have reimbursement rights for some of the liabilities. See note 31 for the liabilities and note 18 for the reimbursement rights. The Group has no other significant contingent liabilities.

## Note 29 INTEREST BEARING DEBT

| Non-current | 2008 | 2007 |
|---|---|---|
| Bank borrowings | 4 198 545 | 1 300 217 |
| Bond loan | 1 000 000 | 1 000 000 |
| Other loans | 437 921 | 20 519 |
| Leasing liabilities | 234 372 | 80 317 |
| **Total non-current** | **5 870 838** | **2 401 053** |
| | | |
| **Current** | **2008** | **2007** |
| Bank overdrafts | 906 747 | 284 538 |
| Bank borrowings | 498 466 | 901 666 |
| Leasing liabilities | 46 554 | 29 001 |
| **Total current** | **1 451 768** | **1 215 205** |
| | | |
| **Total non-current and current** | **7 322 606** | **3 616 259** |
| | | |
| **Net interest-bearing debt** | **2008** | **2007** |
| Cash and cash equivalents | 643 535 | 1 040 911 |
| Other interest-bearing assets - non-current | 124 815 | 67 026 |
| **Net interest-bearing debt** | **6 554 255** | **2 508 321** |

## Note 29 INTEREST BEARING DEBT (CONT.)

| Repayment profile interest bearing debt | 2009* | 2010 | 2011*** | 2012 | 2013 | Subsequent | Total* |
|---|---|---|---|---|---|---|---|
| Mortgage loan | 498 463 | 635 969 | 1 548 230 | 429 336 | 393 157 | 1 191 857 | 4 697 012 |
| Bond loan ** | 0 | 1 000 000 | 0 | 0 | 0 | 0 | 1 000 000 |
| Leasing liabilities | 46 558 | 67 649 | 26 420 | 22 955 | 16 105 | 101 238 | 280 926 |
| Other non-current liabilities | 0 | 0 | 0 | 0 | 0 | 437 921 | 437 921 |
| **Total** | **545 021** | **1 703 619** | **1 574 650** | **452 291** | **409 262** | **1 731 016** | **6 415 859** |

* Repayments of non-current liabilities which mature in 2009 are classified as current liabilities in the balance sheet.
** Bond loan is renegotiated in March 2009, and MNOK 300 is due in March 2009, MNOK 100 is due in 2010, MNOK 300 is due 2011 and MNOK 300 in 2012 (see note 9).
*** The Lender has given a statement of comfort to the effect that the credit facility of MNOK 1,000 will be renewed for three years in 2009, and further prolonged at each annual review thereafter so that the facility will have a term of between two and three years. The prolongations will be confirmed without cost to AUSS.

| Liabilities secured by mortgage | 2008 | 2007 |
|---|---|---|
| Current liabilities | 1 451 768 | 1 221 677 |
| Non-current liabilities | 4 432 917 | 1 380 534 |
| **Liabilities to credit institutions incl. leasing liab.** | **5 884 685** | **1 968 831** |
| | | |
| **Assets provided as security** | | |
| Fixed assets, inventory, biological assets, shares and receivables | 7 268 514 | 4 790 049 |
| **Total assets provided as security** | **7 268 514** | **4 790 049** |

| The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are as follows: | 2008 | 2007 |
|---|---|---|
| 6 months or less | 6 977 077 | 3 326 083 |
| 6-12 months | 78 871 | 55 192 |
| 1-5 years | 266 658 | 179 375 |
| Over 5 years | 0 | 62 080 |
| **Total** | **7 322 605** | **3 622 730** |

| The carrying amounts and fair value of the non-current liabilities are as follows: | Carrying amount | | Fair value | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Mortgage loan | 4 198 545 | 1 300 217 | 4 198 545 | 1 300 217 |
| Bond loan | 1 000 000 | 1 000 000 | 950 700 | 1 000 000 |
| Leasing liabilities | 234 372 | 80 317 | 234 372 | 80 317 |
| Other non-current liabilities | 437 921 | 20 519 | 437 921 | 20 519 |
| **Total** | **5 870 838** | **2 401 053** | **5 821 538** | **2 401 053** |

Based on contractual terms the non current borrowings (ex bond loan), the fair value of the loans are estimated to be equal to book value as of 31. December 2008.

The bond loan are listed on Oslo Stock Exchange, and fair value is calculated using the last traded rate in 2008 (september) for the bond.

| The carrying amounts of the Group's borrowings are denominated in the following currencies: | 2008 | 2007 |
|---|---|---|
| NOK | 6 090 601 | 2 385 235 |
| USD | 1 212 734 | 1 237 495 |
| Other currencies | 19 271 | 0 |
| **Total** | **7 322 606** | **3 622 730** |

**Financial "covenants"**
Financial covenant requirements for Austevoll Seafood ASA (the parent company) are measured on the Group`s consolidated level, and requires a minimum book equity ratio of 30% and a debt service ratio not less than 1,05.

## Note 30 LEASE CONTRACTS

| Overview of future minimum operating leases | Within 1 year | 1-5 years | Subsequent | Total |
|---|---|---|---|---|
| Minimum lease amount, operating leasing contracts maturing: | 47 229 | 4 055 | 103 | 51 387 |
| Present value of future minimum lease (discount rate 5%) | 47 193 | 3 210 | 76 | 50 479 |

| Overview of future minimum financial leases | Within 1 year | 1-5 years | Subsequent | Total |
|---|---|---|---|---|
| Minimum lease amount, financial leasing contracts maturing: | 67 784 | 205 519 | 102 491 | 375 794 |
| Interest component | 14 413 | 51 582 | 5 813 | 71 808 |
| Present value of future minimum lease | 46 558 | 139 303 | 95 065 | 280 926 |

Leased assets booked as finance lease is specified in note 16, whilst maturities and balances of financial leases are specified in note 29.

## Note 31 OTHER CURRENT LIABILITIES

| Specification of other current liabilities | 2008 | 2007 |
|---|---|---|
| Salary and other personel expenses | 131 096 | 41 873 |
| Public taxes payable | 81 067 | 17 385 |
| Balance on purchase of shares | 2 000 | 0 |
| Accrued expenses | 220 028 | 54 493 |
| Forward contracts | 44 067 | 0 |
| Contingent liabilities (from the acquistions of Cormar) | 26 561 | 20 535 |
| Other short-term liabilities | 86 745 | 21 343 |
| **Other current liabilities** | **591 564** | **155 629** |

## Note 32 RELATED PARTIES

The Group is controlled by Laco AS which owns 61,09 % of the Company's shares. The remaining 38,91 % of the shares are widely held. The ultimate parent of the Group is Laco AS.

The Group has transactions with related parts such as Br. Birkeland AS, Modolv Sjøset AS (01.01.-30.09), Shetland Catch Ltd and Lerøy Seafood Group ASA (01.01.-30.11.). Modolv Sjøset AS (from 01.10.) and Lerøy Seafood Group ASA (from 01.12) is pr. 31.12 a part of the Group.

All transactions with related parties are entered into on ordinary terms and conditions for such type of agreements, and are based on the principle of "arm's length" pricing.

**The following transactions were carried out with related parties:**

| a) Sales of goods and services | 2008 | 2007 |
|---|---|---|
| Sales of goods: | | |
| - associates | 13 966 | 30 719 |
| Sales of services | | |
| - associates | 65 884 | 41 154 |
| - the ultimate parent and its subsidiary (administration services) | 4 086 | 1 560 |
| **Total** | **83 936** | **73 433** |

All goods and services are sold based on the market price and terms that would be available for third parties.

Group companies has sold services as slaughtering, packaging and storage of salmon to associated companies, and goods as filleted salmon to associated companies. The Group has also sold administrative services to associated companies.

## Note 32 RELATED PARTIES (CONT.)

| b) Purchase of goods and services | 2008 | 2007 |
|---|---|---|
| Purchase of goods: | | |
| - associates | 198 918 | 67 166 |
| Purchase of services | | |
| - an entity controlled by key management personell | 0 | 1 419 |
| - the immediate parent and its subsidiary (management services) | 10 224 | 3 032 |
| **Total** | **209 142** | **71 617** |

All goods and services are bought based on the market price and terms that would be available for third parties.

The Group has bought fish and fish products from associated companies. The Group has bought administrative services such as IT, reception, catering, accounting and secretary- and financial from associated companies.

| c) Year-end balances arising from sales/purchase of goods/services | 2008 | 2007 |
|---|---|---|
| Receivables from related parties: | | |
| - ultimate parent | 26 | 0 |
| - associates | 1 476 | 1 024 |
| Payables to related parties | | |
| - immediate parent | 611 | 1 944 |
| - associates | 19 236 | 0 |

The receivables from related parties arise mainly from sale transactions and are due one month after date of sale. The receivables are unsecured in nature and bear no interest.

The payable to related parties arise mainly from purchase transactions and are due one month after the date of purchase. The payable bear no interest.

| d) Loans from related parties | 2008 | 2007 |
|---|---|---|
| **Total loans from related parties:** | | |
| Beginning of the year | 0 | 0 |
| Loans during year | 320 000 | 0 |
| **End of the year** | **320 000** | **0** |

Laco AS has granted a loan of NOK 320 million in connection with the acquisition of LSG at the beginning of December 2008. The transaction are entered into ordinary terms and conditions. Pr. 31.12. the borrowing rate was Nibor + 1,75 %.


PARENT COMPANY
2008

# INCOME STATEMENT

Amounts in NOK 1 000

| | Note | 2008 | 2007 |
|---|---|---|---|
| Sales revenue | 4,19 | 6 450 | 6 530 |
| **Total income** | | **6 450** | **6 530** |
| Salaries and personnel expenses | 5,16 | -11 778 | -13 670 |
| Other operating expenses | 5,19 | -13 606 | -15 631 |
| **Operating profit before depreciation** | | **-18 934** | **-22 771** |
| Depreciation | 7 | -53 | -595 |
| **Operating profit** | | **-18 987** | **-23 366** |
| Financial income | 6 | 514 518 | 559 016 |
| Financial expenses | 6 | -203 321 | -151 822 |
| **Profit before taxes** | | **292 210** | **383 828** |
| Income tax expense | 15 | -74 915 | 454 |
| **Net profit for the year** | | **217 296** | **384 282** |

# BALANCE SHEET

Amounts in NOK 1 000

| Assets | Note | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| Other property, plant and equipment | 7 | 276 | 358 |
| Shares in subsidiaries | 8 | 4 259 129 | 592 013 |
| Shares in associated companies | 9 | 143 592 | 2 369 220 |
| Shares in other companies | 10 | 7 018 | 6 125 |
| Long terms receivables on Group companies | 11,17,20 | 2 124 038 | 1 315 265 |
| Non-current receivables | 11,17 | 0 | 1 826 |
| **Total non-current assets** | | **6 534 052** | **4 284 807** |
| Trade receivable | 12 | 6 549 | 3 611 |
| Short term receivable on Group companies | 17,20 | 301 926 | 156 060 |
| Other current receivables | 11 | 3 153 | 7 972 |
| Cash and cash equivalents | 14,17 | 288 368 | 870 160 |
| **Total current assets** | | **599 995** | **1 037 804** |
| **Total assets** | | **7 134 048** | **5 322 610** |

| Equity and liabilities | Note* | 31/12/2008 | 31/12/2007 |
|---|---|---|---|
| Share capital | 25 CFS | 92 159 | 92 159 |
| Share premium | | 3 083 918 | 3 083 918 |
| Retained earnings and other reserves | | 718 259 | 500 963 |
| **Total equity** | | **3 894 335** | **3 677 040** |
| Deferred tax liabilities | 15 | 79 810 | 4 895 |
| Pension obligations | 16 | 3 393 | 2 652 |
| Borrowings | 17 | 2 438 379 | 1 089 720 |
| Other non-current liabilities to Group companies | 17,20 | 326 252 | 15 482 |
| **Total non-current liabilities** | | **2 847 834** | **1 112 749** |
| Borrowings | 17 | 283 991 | 463 867 |
| Trade payable | | 3 738 | 2 077 |
| Accrued salary expense and public tax payable | | 846 | 1 124 |
| Other current liabilities to Group companies | 17,20 | 87 519 | 2 610 |
| Dividends | 14 CFS | 0 | 55 295 |
| Other current liabilities | 18 | 15 785 | 7 848 |
| **Total current liabilities** | | **391 878** | **532 821** |
| **Total liabilities** | | **3 239 712** | **1 645 570** |
| **Total equity and liabilities** | | **7 134 048** | **5 322 610** |

* If note reference contains the characters CFS, the reference refers to notes in the consolidated financial statement

**Storebø, 30th March 2009**
**Board of Directors**
**of Austevoll Seafood ASA**

Ole Rasmus Møgster
Chairman

Helge Singelstad

Hilde Waage

Inga Lise L. Moldestad

Oddvar Skjegstad

Arne Møgster
President & CEO

# CASH FLOW STATEMENT

Amounts in NOK 1 000

| | 2008 | 2007 |
|---|---|---|
| Profit before income taxes | 292 210 | 383 828 |
| Depreciation and amortisation | 53 | 595 |
| (Gain) on investments | 0 | -377 801 |
| Fair value losses on financial assets/instruments through profit or loss | 12 061 | 0 |
| Interest paid | 137 463 | 78 321 |
| Dividend income | -36 970 | -8 302 |
| Change in accounts receivable and other receivables | -151 543 | -55 655 |
| Change in accounts payable and other payables | 1 661 | -964 |
| Change in other accruals | 28 397 | 137 |
| Exchange (gains/losses) | -251 111 | 65 629 |
| **Net cash flow from operating activities** | **32 222** | **85 788** |
| | | |
| Proceeds from sale of fixed assets | 30 | 0 |
| Proceeds from sale of shares and other equity instruments | 110 | 15 335 |
| Purchase of shares and equity investments in other companies | -1 434 328 | -1 551 399 |
| Change in non-current receivables | -577 653 | 85 330 |
| Dividend income | 36 970 | 64 074 |
| **Net cash flow from investing activities** | **-1 974 871** | **-1 386 660** |
| | | |
| Net change in long-term interest bearing debt | 1 369 715 | 1 307 111 |
| Movement of short-term interest bearing debt | 119 222 | 33 567 |
| Interest paid | -128 079 | -78 321 |
| **Net cash flow from financing activities** | **1 360 857** | **1 262 358** |
| | | |
| **Net change in cash and cash equivalents** | **-581 792** | **-38 514** |
| | | |
| **Cash and cash equivalents at 01.01.** | **870 160** | **908 675** |
| | | |
| **Cash and cash equivalents at 31.12.** | **288 368** | **870 160** |

# STATEMENT OF CHANGES IN EQUITY

| | Note | Share capital | Share premium | Retained earnings | Total equity |
|---|---|---|---|---|---|
| **Equity pr. 01.01.07** | | **89 112** | **2 798 795** | **191 140** | **3 079 047** |
| Profit for the year | | 0 | 0 | 384 282 | 384 282 |
| **Total recognised income** | | **0** | **0** | **384 282** | **384 282** |
| Dividends | | 0 | 0 | -55 295 | -55 295 |
| New equity from cash contributions and contrib. in kind | | 3 047 | 285 123 | -19 164 | 269 006 |
| **Total equity to/from shareholders** | | **3 047** | **285 123** | **-74 459** | **213 711** |
| **Total change of equity** | | **3 047** | **285 123** | **309 823** | **597 993** |
| **Equity pr. 31.12.07** | | **92 159** | **3 083 918** | **500 963** | **3 677 040** |
| Profit for the year | | | | 217 296 | 217 296 |
| **Total recognised income** | | **0** | **0** | **217 296** | **217 296** |
| **Total equity to/from shareholders** | | **0** | **0** | **0** | **0** |
| **Total change of equity** | | **0** | **0** | **217 296** | **217 296** |
| **Equity pr. 31.12.08** | | **92 159** | **3 083 918** | **718 258** | **3 894 335** |

## Note 1 GENERAL

The separate financial statements of Austevoll Seafood ASA (parent company) have been prepared in accordance with simplified IFRS. Preparation of separate financial statements are required by law.

For a description of the applied accounting principles, see note 2 to the consolidated financial statements.

## Note 2 ACCOUNTING PRINCIPLES

The principal accounting policies applied in the preparation of the separate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

**Basis of preparation**
The separate financial statements of Austevoll Seafood ASA (Company) were approved by the board of Directors of Austevoll Seafood ASA March 30th 2009. The statutory accounts have been prepared in accordance to the Regulations of January 21th 2008 regarding "simplified" IFRS as determined by the Ministry of Finance. Preparation of separate financial statements for the parent company is required by law.

The separate financial statements have been prepared under the historical cost convention, as modified by available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with simplified IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the separate financial statements, are disclosed in note 4 in the consolidated financial statements.

For a description of new standards and interpretations and amendments to existing standards, please refer to note 2 to the consolidated financial statements.

**Subsidiaries and associates**
Investment in subsidiaries and associates are accounted for at cost, c.f. IAS 27 nr. 37a.

The fair value of the Company's investments in associated companies may vary over time, and is therefore reviewed for potential impairment. Fair value assessment will be affected by many factors, such as expectations of future earnings, specific branch conditions, owner shares, shareholder structure, but also macro conditions which are not directly related to the individual company. For quoted investments, current bid prices will be considered as one of several objective criteria in the fair value assessment. If the impairment test indicates that fair value is significantly lower than carrying amount and the situation is expected to persist, an impairment loss is recognised for the amount the carrying value exceeds the recoverable amount. Impairments may be reversed at a later reporting date.

**Foreign currency translation**
*Functional and presentation currency*
The separate financial statements are presented in Norwegian Kroner (NOK), which is the functional and presentation currency of Austevoll Seafood ASA.

*Transactions and balances*
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

**Property, plant and equipment**
Property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the cost will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation of fixed assets is calculated using the straight-line method to allocate cost less residual value over estimated useful lives.

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount.

**Financial assets**
The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

*Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*Loans and receivables*
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as 'other receivables' in the balance sheet (note 11).

Loans and receivables are carried at amortised cost using the effective interest method.

*Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other

categories. They are included in the non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are subsequently carried at fair value.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'other financial income/losses'. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques.

Regular purchases and sales of investments are recognised on trade-date – the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit and loss are subsequently carried at fair value.

The Company has applied the exceptions for IFRS 7 no.32, 34-42 and B6-B28.

**Derivative financial instruments and hedging activities**
The Company does not apply hedge accounting according to IAS 39. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re measured at fair value. Changes in the fair value of any derivative instruments are recognised immediately in the income statement within 'other financial income/losses'.

**Accounts receivable**
Account receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of account receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the account receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within 'other operating expenses'.

When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

**Cash and cash equivalents**
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. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

**Share capital**
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**Accounts payable**
Account payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**Borrowings**
Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

**Current and deferred income tax**
The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date.

Deferred income tax is provided in full at nominal values, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

**Employee benefits**
*Pension obligations*
The Company has a defined benefit plan. The scheme is generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of Norwegian governance bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to income over the employees' expected average remaining working lives.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In such case, the past-service costs are amortised on a straight-line basis over the vesting period.

**Provisions**
Provisions (e.g. environmental restoration, restructuring costs and legal claims) are recognised when:
- the Company has a present legal or constructive obligation as a result of past events;
- 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.

Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

**Revenue recognition**
Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services, shown net of value-added tax, returns, rebates and discounts.

Revenue is recognised when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

*Services*
The Company sells administrative services to other companies. These services are based on accrued time.

*Interest income*
Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

*Dividend income*
The Company uses the right to derogate from the regulations in IAS 10 no. 12 and 13 in simplified IFRS, according to which dividend may be recognised as income in accordance with Norwegian Accounting Act. Dividends from subsidiaries are recognised in the period they relate to. Dividends from other companies are recognised when the right to receive payment is established.

**Leases**
*Operating leases*
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**Borrowing costs**
Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

**Contingent assets and liabilities**
Contingent liabilities are defined as
(i) possible obligations resulting from past events whose existence depends on future events
(ii) obligations that are not recognised because it is not probable that they will lead to an outflow of resources
(iii) obligations that cannot be measured with sufficient reliability.

Contingent liabilities are not recognised in the annual financial statements apart from contingent liabilities which are acquired through the acquisition of an entity. Significant contingent liabilities are disclosed, with the exception of contingent liabilities where the probability of the liability occurring is remote.

Contingent liabilities acquired upon the purchase of operations are recognised at fair value even if the liability is not probable. The assessment of probability and fair value is subject to constant review. Changes in the fair value are recognised in the income statement.

A contingent asset is not recognised in the financial statements, but is disclosed if there is a certain level of probability that a benefit will accrue to the Company.

**Cash flow statement**
The Company must apply IAS 7 even though the financial statements are prepared according to simplified IFRS. The Company's cash flow statement shows the overall cash flow broken down to operating, investing and financing activities. The cash flow statement illustrates the effect of the various activities on cash and cash equivalents. Cash flows resulting from the disposal of operations are presented under investing activities.

**Events after the balance sheet date**
New information after the balance sheet date concerning the Company's financial position at the balance sheet date is considered in the financial statements. An event after the balance sheet date that does not affect the Company's financial position on the balance sheet date, but will affect the Company's financial position in the future is reported where material.

**Earnings pr. share**
The Company must apply IAS 33 even though the financial statements are prepared according to simplified IFRS. Earnings pr. share is calculated by the profit attributable to equity holders of the Company of the result for the period being divided by a time-weighted average of ordinary shares for the period.

Diluted earnings pr. share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

## NOTE 3 FINANCIAL RISK MANAGEMENT

**Financial risk factors**
The Company's activities expose it to a variety of financial risks: market risk (including currency risk, price risk, cash flow and fair value interest rate risk), credit risk, liquidity risk and cash flow interest rate risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The Company uses to some degree derivative financial instruments to reduce certain risk exposures.

**Market risk**
(i) Foreign exchange risk
The Company operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

To manage their foreign exchange risk arising from future commercial transactions and recognised assets and liabilities, the Company, in a limited degree, use forward contracts. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The Company does not make use of financial instruments for management of financial risk regarding long-term financing.

The Company has interest risk in both the short-term and medium to long term as a result of the floating interest rate for the Company's liabilities.

(ii) Price risk
The Company is exposed to price risk because of investments held by the Company and classified on the consolidated balance sheet either as available-for-sale or at fair value through profit or loss.

(iii) Cash flow and fair value interest rate risk
As the Company has no significant interest-bearing assets, the Company's income and operating cash flows are substantially independent of changes in market interest rates.

The Company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk.

**Credit risk**
The Company has policies in place to ensure that sales of products are made to customers with an appropriate credit history. Normally the Company sells only based upon letter of credit or payments in advance for new customers. Credit insurances are being used when this is deemed appropriate. For customers with a reliable track record in the Company, sales within certain agreed-upon levels are done without any security.

**Liquidity risk**
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the Company aims to maintain flexibility in funding by keeping committed credit lines available.

Management monitors rolling forecasts of the Company's liquidity reserve (comprises undrawn borrowing facility and cash and cash equivalents (note 17) on the basis of expected cash flow.

For information of the Company`s financial liabilities see note 17.

**Capital risk management**
The Company`s objectives when managing capital are to safeguard the Company`s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

| | 2008 | 2007 |
|---|---|---|
| Total borrowings (note 16) | 3 136 141 | 1 571 679 |
| Less: cash and cash equivalents | 288 368 | 870 160 |
| Net debt | 2 847 773 | 701 519 |
| Total equity | 3 894 335 | 3 677 040 |
| **Capital employed** | **6 742 109** | **4 378 560** |
| | | |
| **Gearing ratio** | **42%** | **16%** |

**Fair value estimation**
The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets is the current bid price; for financial liabilities is the current sales price used.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date. Other techniques, such as estimated discounted cash flows, are also used in certain cases. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the balance sheet date.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

## Note 4 INCOME

| | 2008 | 2007 |
|---|---|---|
| Rendering of services | 6 450 | 6 530 |
| **Total sales revenue** | **6 450** | **6 530** |

## Note 5 PAYROLL, FEES, NO. OF EMPLOYEES ETC.

| | 2008 | 2007 |
|---|---|---|
| Salary and holiday pay | 8 453 | 8 976 |
| Hired personnel | 133 | 645 |
| National insurance contribution | 1 243 | 1 457 |
| Pension costs (note 15) | 1 536 | 2 108 |
| Other personnel costs | 412 | 484 |
| **Total** | **11 778** | **13 670** |
| Average no. of employees | 10 | 12 |

Pension costs are described in detail in note 15.

Accumulated expenses for wages, pension premiums and other remuneration to managing director, other executives and members of the parent company's board accordingly were:

| 2008 - Remunerations to the Company's officers | Wages | Pension cost | Director's fee | Other remuneration | Total |
|---|---|---|---|---|---|
| Arne Møgster*, CEO | 1 533 | 57 | 0 | 187 | 1 777 |
| Britt Kathrine Drivenes, CFO | 930 | 158 | 0 | 156 | 1 243 |
| Ole Rasmus Møgster, Chairman of the Board | 0 | 0 | 180 | 11 | 191 |
| Helge Singelstad, Deputy Chairman of the Board | 0 | 0 | 0 | 0 | 0 |
| Helge Møgster, former Member of the Board | 0 | 0 | 150 | 0 | 150 |
| Oddvar Skjegstad, Member of the Board | 0 | 0 | 150 | 6 | 156 |
| Inga Lise L. Moldestad, Member of the Board | 0 | 0 | 150 | 5 | 155 |
| Hilde Waage, Member of the Board | 0 | 0 | 150 | 0 | 150 |
| **Total** | **2 463** | **214** | **780** | **365** | **3 822** |

* Wages: NOK 210 is related to 2007.

| 2007 - Remunerations to the Company's officers | Wages | Pension cost | Director's fee | Other remuneration | Total |
|---|---|---|---|---|---|
| Arne Møgster, CEO | 941 | 56 | 0 | 155 | 1 152 |
| Britt Kathrine Drivenes, CFO | 878 | 152 | 0 | 150 | 1 181 |
| Ole Rasmus Møgster, Working Chairman of the Board | 1 172 | 160 | 180 | 93 | 1 605 |
| Helge Møgster, former Member of the Board | 0 | 0 | 150 | 0 | 150 |
| Oddvar Skjegstad, Member of the Board | 0 | 0 | 150 | 6 | 156 |
| Inga Lise L. Moldestad, Member of the Board | 0 | 0 | 150 | 0 | 150 |
| Hilde Waage, Member of the Board | 0 | 0 | 150 | 0 | 150 |
| **Total** | **2 991** | **368** | **780** | **405** | **4 544** |

## Note 5 PAYROLL, FEES, NO. OF EMPLOYEES ETC. (CONT.)

No loans or securities have been issued in 2008 or 2007 to the CEO, board members, members of the corporate management or other employees or closely related parties.

The CEO has a term of notice of 3 months. On resignation, the CEO has no right to extra compensation. Pension age is 67, and pension payments up to 70% of salary (12 times the base amount) on retirement.

See note 12 in Group notes for the guidelines for remuneration to executive management.

| **Specification of auditor's fee** | **2008** | **2007** |
|---|---|---|
| Audit fee | 650 | 600 |
| Other assurance services | 235 | 0 |
| Other services | 384 | 733 |
| **Total** | **1 269** | **1 333** |

## Note 6 FINANCIAL INCOME AND FINANCIAL EXPENSES

| | **2008** | **2007** |
|---|---|---|
| Interest income from companies within the Group | 117 524 | 71 538 |
| Other interest income | 31 962 | 59 657 |
| Dividends and Group contributions | 82 118 | 49 130 |
| Currency gains | 282 877 | 768 |
| Sale of shares | 0 | 377 711 |
| Other financial income | 38 | 212 |
| **Total financial income** | **514 518** | **559 016** |
| | | |
| Loss on shares | 0 | 40 |
| Interest expenses to companies within the same Group | 541 | 810 |
| Other interest expenses | 136 922 | 77 512 |
| Currency losses | 48 396 | 65 962 |
| Impairment non-current financial assets | 12 061 | 0 |
| Other financial expenses | 5 402 | 7 499 |
| **Total financial expenses** | **203 321** | **151 822** |
| | | |
| **Net financial items** | **311 197** | **407 194** |

## Note 7 TANGIBLE FIXED ASSETS

| 2007 | Plant, equipment and other fixtures | Total |
|---|---|---|
| **Pr. 01.01.** | | |
| Acquisition cost | 2 219 | 2 219 |
| Accumulated depreciation | -1 265 | -1 265 |
| **Balance sheet value at 01.01.** | **954** | **954** |
| | | |
| Balance sheet value at 01.01. | 954 | 954 |
| Depreciation | -595 | -595 |
| **Balance sheet value at 31.12.** | **358** | **358** |
| | | |
| **Pr. 31.12.** | | |
| Acquisition cost | 2 219 | 2 219 |
| Accumulated depreciation | -1 861 | -1 861 |
| **Balance sheet value at 31.12.** | **358** | **358** |

| 2008 | Plant, equipment and other fixtures | Total |
|---|---|---|
| Balance sheet value at 01.01 | 358 | 358 |
| Tangible fixed assets sold | -30 | -30 |
| Depreciation | -53 | -53 |
| **Balance sheet value at 31.12.** | **276** | **276** |
| | | |
| **Pr. 31.12.** | | |
| Acquisition cost | 564 | 564 |
| Accumulated depreciation | -289 | -289 |
| **Balance sheet value at 31.12.** | **276** | **276** |

## Note 8 SHARES IN SUBSIDIARIES

| 2007 - Subsidiaries | Gross numbers (100%) | | | | |
|---|---|---|---|---|---|
| **Company name** | **Net profit** | **Equity** | **Share capital** | **Carrying value** | **Voting share** |
| Austevoll Eiendom AS | (160) | 15 002 | 9 370 | 54 277 | 98,96% |
| Austevoll Fisk AS | (32 735) | (8 738) | 12 311 | 52 372 | 99,61% |
| Sea Star International AS* | (25 348) | (4 489) | 10 231 | 10 000 | 9,90% |
| Atlantic Pelagic AS | (254) | (81) | 100 | 110 | 100,00% |
| A-Fish AS | (23 228) | 81 728 | 1 100 | 60 100 | 100,00% |
| Inv. Pacfish Ltda | 18 865 | 131 151 | 36 048 | 58 709 | 100,00% |
| Laco IV AS | (13 130) | (14 096) | 100 | 5 436 | 100,00% |
| Aumur AS | 258 | 5 575 | 100 | 15 391 | 100,00% |
| Epax Holding AS | 4 | 64 182 | 1 000 | 335 618 | 100,00% |
| **Total** | | | | **592 013** | |

| 2008 - Subsidiaries | Gross numbers (100%) | | | | |
|---|---|---|---|---|---|
| **Company name** | **Net profit** | **Equity** | **Share capital** | **Carrying value** | **Voting share** |
| Austevoll Eiendom AS | (213) | 14 203 | 9 370 | 55 627 | 100,00% |
| Austevoll Fisk AS | (19 735) | 11 527 | 52 311 | 92 695 | 100,00% |
| Sea Star International AS* | (6 431) | 4 080 | 25 231 | 10 000 | 9,90% |
| Lerøy Seafood Group ASA | 106 019 | 3 745 233 | 53 577 | 3 557 713 | 74,93% |
| A-Fish AS | (23 627) | 58 101 | 1 100 | 60 100 | 100,00% |
| Inv. Pacfish Ltda | (107) | 169 506 | 40 335 | 58 709 | 100,00% |
| Laco IV AS | (12 688) | (6 884) | 20 000 | 25 336 | 100,00% |
| Aumur AS | (2 245) | 3 330 | 100 | 3 330 | 100,00% |
| Epax Holding AS | 0 | 124 182 | 10 000 | 395 618 | 100,00% |
| **Total** | | | | **4 259 129** | |

* Sea Star International AS: 90,10 % of the shares are owned through Austevoll Fisk AS.

All subsidiaries have the same accounting year as Austevoll Seafood ASA.

## Note 9 SHARES IN ASSOCIATED COMPANIES

| 2007 | Gross numbers (100%) | | | | |
|---|---|---|---|---|---|
| **Company name** | **Net profit** | **Equity** | **Share capital** | **Carrying value** | **Voting share** |
| Br. Birkeland AS | 10 953 | 143 040 | 19 224 | 125 808 | 40,20% |
| Lerøy Seafood Group ASA | 279 564 | 3 778 843 | 53 577 | 2 225 629 | 33,34% |
| Shetland Catch Ltd. | -20 981 | 110 296 | 13 845 | 17 784 | 25,00% |
| **Total** | | | | **2 369 220** | |

| 2008 | Gross numbers (100%) | | | | |
|---|---|---|---|---|---|
| **Company name** | **Net profit** | **Equity** | **Share capital** | **Carrying value** | **Voting share** |
| Br. Birkeland AS | -27 734 | 100 492 | 19 224 | 125 808 | 40,20% |
| Shetland Catch Ltd. | 6 112 | 124 162 | 13 845 | 17 784 | 25,00% |
| **Total** | | | | **143 592** | |

The associated companies except Shetland Catch Ltd follow the same financial year as the Group.
Shetland Catch Ltd. has financial year 01.04 - 30.03.

## Note 10 INVESTMENTS IN OTHER SHARES

| 2007<br>Company name | Geographical location | Number of shares | Owner-/ voting share | Fair value |
|---|---|---|---|---|
| Euro-Terminal AS | Bergen | 1 526 025 | 6,60% | 4 727 |
| Austevoll Notverksted AS | Austevoll | 822 | 5,60% | 1 233 |
| Other shares | | | | 165 |
| **Total** | | | | **6 125** |

| 2008<br>Company name | Geographical location | Number of shares | Owner-/ voting share | Fair value |
|---|---|---|---|---|
| Euro-Terminal AS | Bergen | 1 749 454 | 6,60% | 5 621 |
| Austevoll Notverksted AS | Austevoll | 822 | 5,60% | 1 233 |
| Other shares | | | | 164 |
| **Total** | | | | **7 018** |

## Note 11 OTHER RECEIVABLES

| Other non-current receivables | 2008 | 2007 |
|---|---|---|
| Intragroup non-current receivables | 2 124 246 | 1 315 265 |
| Other non-current receivables | 0 | 1 826 |
| **Other non-current receivables pr. 31.12.** | **2 124 246** | **1 317 091** |
| | | |
| Impairment losses expensed | 0 | 0 |

| Other current receivables | 2008 | 2007 |
|---|---|---|
| Prepayments | 2 702 | 6 506 |
| Other current receivables | 451 | 1 466 |
| **Other current receivables pr. 31.12.** | **3 153** | **7 972** |
| | | |
| Impairment losses expensed | 1 960 | 0 |

## Note 12 TRADE RECEIVABLE

| | 2008 | 2007 |
|---|---|---|
| Trade receivable at nominal value | 6 549 | 3 611 |
| Provision for bad debts | 0 | 0 |
| **Trade receivable pr. 31.12.** | **6 549** | **3 611** |

| The ageing of these trade receivables are as follows: | 2008 | 2007 |
|---|---|---|
| 0 to 3 months | 6 549 | 3 611 |
| **Total** | **6 549** | **3 611** |

| The carrying amounts of the trade receivables are denominated in the following currencies:<br>Currency | 2008 | 2007 |
|---|---|---|
| NOK | 6 549 | 3 611 |
| **Total** | **6 549** | **3 611** |

## Note 13 GUARANTEE OBLIGATIONS

| | 2008 | 2007 |
|---|---|---|
| Guarantee Eksportfinans | 65 244 | 70 392 |
| Guarantee Nordea | 79 500 | 50 000 |
| **Total** | **144 744** | **120 392** |

## Note 14 RESTRICTED BANK DEPOSITS

| | 2008 | 2007 |
|---|---|---|
| Restricted deposits related to employee` tax deduction | 446 | 568 |
| **Total** | **446** | **568** |

## Note 15 TAX

| | | 2008 | 2007 |
|---|---|---|---|
| **Specification of the tax expense** | | | |
| Change in deferred tax | | 74 915 | -454 |
| **Taxes** | | **74 915** | **-454** |
| | | | |
| **Tax reconciliation** | | | |
| Profit before tax | | 292 210 | 383 828 |
| Taxes calculated with the nominal tax rate | 28% | 81 819 | 107 472 |
| Tax-free gain on sale of shares | | 0 | -105 748 |
| Other differences | | -10 281 | -2 178 |
| Impairment non-current financial assets | | 3 377 | 0 |
| **Taxes** | | **74 915** | **-454** |
| | | | |
| **Weighted average tax rate** | | **25,64%** | **-0,12%** |
| | | | |
| **Change in book value of deferred tax** | | | |
| Opening balance 01.01. | | 4 895 | 8 218 |
| Booked to income in the period | | 74 915 | -454 |
| Effect of business combinations/emission costs | | 0 | -2 869 |
| **Balance sheet value 31.12.** | | **79 810** | **4 895** |

## Note 15 TAX (CONT.)

| Deferred tax | Fixed assets | Shares | Profit and loss account | Non current liabilities | Total |
|---|---|---|---|---|---|
| **2007** | | | | | |
| Opening balance 01.01. | -180 | 26 249 | 9 711 | 2 215 | 37 995 |
| Booked to income in the period | -71 | 0 | -1 942 | -20 591 | -22 605 |
| **31.12.** | **-251** | **26 249** | **7 769** | **-18 376** | **15 390** |
| **2008** | | | | | |
| Booked to income in the periode | 57 | 0 | -1 554 | 73 602 | 72 106 |
| **31.12.** | **-194** | **26 249** | **6 215** | **55 226** | **87 496** |

| Deferred tax asset | Loss carried forwards | Current liabilities | Pensions | Other differences | Total |
|---|---|---|---|---|---|
| **2007** | | | | | |
| Opening balance 01.01. | -29 472 | 0 | -305 | 0 | -29 777 |
| Booked to income in the period | 9 693 | 1 462 | -436 | 0 | 10 718 |
| Emission costs | -2 869 | 0 | 0 | 0 | -2 869 |
| Group contribution | 11 432 | 0 | 0 | 0 | 11 432 |
| **31.12.** | **-11 216** | **1 462** | **-742** | **0** | **-10 495** |
| **2008** | | | | | |
| Booked to income in the periode | 3 465 | -449 | -209 | 0 | 2 808 |
| **31.12.** | **-7 751** | **1 014** | **-950** | **0** | **-7 687** |

| | 2008 | 2007 |
|---|---|---|
| Current | 1 014 | 1 462 |
| Non-current | 78 796 | 3 433 |
| **Total** | **79 810** | **4 895** |

## Note 16 PENSIONS AND PENSION COMMITMENTS

The Company has a pension scheme in Nordea Liv Norge ASA. In 2008 the scheme comprises a total of 10 employees.
The scheme comprises retirement-, disability and child's pension. The retirement pension starts from 67 years and remains until death.
The law with regards to mandatory occupational pension applies for the Company, and the Company's scheme complies with the rules.

| Net pension cost | 2008 | 2007 |
|---|---|---|
| Current service cost | 1 018 | 1 328 |
| Interest cost | 365 | 383 |
| Expected return on plan assets | -236 | -188 |
| Administration costs | 29 | 27 |
| Net actuarial losses recognised during the year | 101 | 286 |
| Social security tax | 166 | 219 |
| **Net pension cost related to defined benefit plan** | **1 444** | **2 055** |
| | | |
| Pension costs related to defined contribution plan | 81 | 46 |
| Social security on defined contribution plan | 11 | 6 |
| **Net pension cost** | **1 536** | **2 108** |

## Note 16 PENSIONS AND PENSION COMMITMENTS (CONT.)

| Capitalised commitments are determined as follow | 2008 | 2007 |
|---|---|---|
| Present value of future pension commitments | 5 756 | 7 774 |
| Fair value of plan assets | 2 857 | 3 939 |
| Unrecognised actuarial losses | 85 | -1 725 |
| Social security tax | 409 | 541 |
| **Net pension commitment on the balance sheet 31.12.** | **3 393** | **2 652** |

| Financial premises for the Group | 31/12/2008 | 1/1/2008 | 31/12/2007 |
|---|---|---|---|
| Discount rate | 4,30% | 4,70% | 4,70% |
| Anticipated yield on pension assets | 6,30% | 5,75% | 5,75% |
| Anticipated regulation of wages | 4,50% | 4,50% | 4,50% |
| Anticipated regulation of pensions | 2,80% | 2,00% | 2,00% |
| Anticipated regulation of national insurance | 4,25% | 4,25% | 4,25% |
| Employee turnover | 0,00% | 0,00% | 0,00% |
| Social security tax rate | 14,10% | 14,10% | 14,10% |

| Change in carrying amount of net pension commitments | |
|---|---|
| Balance sheet value at 01.01 | 2 652 |
| Net pension cost | 1 444 |
| Pension payments and payments of pension premiums | -703 |
| **Balance sheet value at pr. 31.12** | **3 393** |

## Note 17 INTEREST BEARING DEBT

The Company and its norwegian subsidiaries is jointly and severally liable for liabilities to financial institutions held by the Company and its norwegian subsidiaries.

| Net interest-bearing assets/debt(-) | 2008 | 2007 |
|---|---|---|
| Liabilities to financial institutions - non-current | 1 438 379 | 89 720 |
| Bond loan | 1 000 000 | 1 000 000 |
| Liabilities to financial institutions - current | 52 000 | 351 098 |
| Liabilities to financial institutions - overdraft | 231 991 | 112 769 |
| Other interest-bearing debt - current | 87 519 | 2 610 |
| Other interest-bearing debt - non-current | 326 252 | 15 482 |
| **Total interest-bearing debt** | **3 136 141** | **1 571 679** |
| Cash and cash equivalents | 288 368 | 870 160 |
| Other interest-bearing assets - current | 301 926 | 156 060 |
| Other interest-bearing assets - non-current | 2 124 038 | 1 315 265 |
| **Net interest-bearing assets/debt(-)** | **-421 809** | **769 806** |

## Note 17 INTEREST BEARING DEBT (CONT.)

| Repayment profile interest bearing debt | 2009* | 2010 | 2011*** | 2012 | 2013 | Subsequent | Total* |
|---|---|---|---|---|---|---|---|
| Mortgage loan | 52 000 | 52 000 | 1 052 000 | 52 000 | 52 000 | 230 379 | 1 490 379 |
| Bond loan ** | 0 | 1 000 000 | 0 | 0 | 0 | 0 | 1 000 000 |
| Other non-current liabilities | 0 | 0 | 0 | 0 | 0 | 326 252 | 326 252 |
| **Total** | **52 000** | **1 052 000** | **1 052 000** | **52 000** | **52 000** | **556 631** | **2 816 631** |

* Repayments of non-current liabilities which mature in 2009 are classified as current liabilities in the balance sheet.
** Bond loan is renegotiated in March 2009, and MNOK 300 is due in March 2009, MNOK 100 is due in 2010, MNOK 300 is due 2011 and MNOK 300 in 2012.
*** The Lender has given a statement of comfort to the effect that the credit facility of MNOK 1,000 will be renewed for three years in 2009, and further prolonged at each annual review thereafter so that the facility will have a term of between two and three years. The prolongations will be confirmed without cost to AUSS.

| Liabilities secured by mortgage | 2008 | 2007 |
|---|---|---|
| Current liabilities | 283 991 | 463 867 |
| Non-current liabilities | 1 438 379 | 89 720 |
| **Liabilities to credit institutions incl. leasing liab.** | **1 722 370** | **553 587** |
| | | |
| **Assets provided as security** | | |
| Shares | 3 683 520 | 125 808 |
| Trade receivables | 6 549 | 3 611 |
| **Total assets provided as security** | **3 690 069** | **129 419** |

**Bond loan**
For further information, se note 9 and 29 in the consolidated financial statement.

**Fair value of non-current liabilities**
Based on contractual terms the non current borrowings (ex bond loan), the fair value of the loans are estimated to be equal to book value as of 31. December 2008. For further information about the bond loan, se note 29 in the consolidated financial statement.

## Note 18 OTHER CURRENT LIABILITIES

| Specification of other current liabilities | 2008 | 2007 |
|---|---|---|
| Salary and other personnel expenses | 1 555 | 1 536 |
| Accrued interests | 12 635 | 3 251 |
| Other short-term liabilities | 1 595 | 3 061 |
| **Other current liabilities** | **15 785** | **7 848** |

## Note 19 RELATED PARTIES

| 2007 | Operating income | Operating expenses | Net finance exp. | Net balance |
|---|---|---|---|---|
| Møgster Management AS | 1 971 | 3 032 | 0 | -976 |
| Br. Birkeland AS | 744 | 0 | 0 | 333 |
| Lerøy Austevoll AS | 1 344 | 0 | 0 | 0 |
| Eikelie Invest AS | 0 | 1 419 | 0 | 0 |
| **Total** | **4 058** | **4 451** | **0** | **-643** |

Møgster Management AS is owned by the Company's major shareholder, Laco AS, and delivers administrative services (IT, legal advice, catering, secretary, accounting) to the Company.

For further description of equity transactions with related parties, see note 32 in the consolidated financial statements.

## Note 19 RELATED PARTIES (CONT.)

| 2008 | Operating income | Operating expenses/fee | Net finance exp. | Net balance |
|---|---|---|---|---|
| Møgster Management AS | 3 608 | 4 891 | | -603 |
| Laco AS | 0 | 0 | -2 133 | -320 000 |
| **Total** | **3 608** | **0** | **0** | **-320 603** |

Møgster Management AS is owned by the Company's major shareholder, Laco AS, and delivers administrative services (IT, legal advice, catering, secretary, accounting) to the Company.

Laco AS has granted a loan of NOK 320 million in connection with the acquisition of LSG at the beginning of December 2008.
The transaction are entered into ordinary terms and conditions. Pr. 31.12. the borrowing rate was Nibor + 1,75 %.

For further description of equity transactions with related parties, see note 32 in the consolidated financial statements.

## Note 20 INTERCOMPANY BALANCES

| | 2008 | | 2007 | |
|---|---|---|---|---|
| **Specification of intercompany balances** | **Current** | **Non-current** | **Current** | **Non-current** |
| Loans to Group companies | 263 198 | 2 124 038 | 156 061 | 1 315 265 |
| **Total intercompany receivables** | **263 198** | **2 124 038** | **156 061** | **1 315 265** |
| | | | | |
| Liabilities to Group companies | 87 519 | 6 252 | 2 610 | 15 482 |
| **Total intercompany liabilities** | **87 519** | **6 252** | **2 610** | **15 482** |
| | | | | |
| **Net intercompany balances** | **175 678** | **2 117 787** | **153 451** | **1 299 782** |

## Note 21 EARNINGS PR. SHARE AND DIVIDEND PR. SHARE

**Basic**

Basic earnings pr. share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

| **Basis for calculation of earnings pr. share** | **2008** | **2007** |
|---|---|---|
| The year's earnings | 217 296 | 384 282 |
| No. of shares at the balance sheet date (thousands) | 184 317 | 184 317 |
| Average no. of shares (thousands) | 184 317 | 183 302 |
| | | |
| **Earnings pr. share** | **1,18** | **2,10** |
| Diluted earnings pr. share | 1,18 | 2,10 |
| | | |
| **Suggested dividend pr. share** | **0,00** | **0,30** |

AUDITOR'S REPORT

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To the Annual Shareholders' Meeting of Austevoll Seafood ASA

## Auditor's report for 2008

We have audited the annual financial statements of Austevoll Seafood ASA as of December 31, 2008, showing a profit of NOK 217 296 000 for the parent company and a profit of NOK 162 951 000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The annual financial statements comprise the financial statements of the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows, the statement of changes in equity and the accompanying notes. Simplified IFRS according to the Norwegian accounting act § 3-9 have been applied in the preparation of the financial statements of the parent company. International Financial Reporting Standards as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the parent company have been prepared in accordance with the law and regulations and give a true and fair view of the financial position of the Company as of December 31, 2008, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with simplified IFRS according to the Norwegian accounting act § 3-9
- the financial statements of the group have been 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, 2008,and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information in accordance with the law and good bookkeeping practice in Norway
- the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations

Bergen, March 30, 2009
PricewaterhouseCoopers AS

Hallvard Aarø
State Authorised Public Accountant (Norway)

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

Alta Arendal Bergen Bodø Drammen Egersund Florø Fredrikstad Førde Gardermoen Gol Hamar Hammerfest Hardanger Harstad Haugesund Kongsberg Kongsvinger Kristiansand Lyngseidet Mandal Mo i Rana Molde Mosjøen Måløy Namsos Oslo Sandefjord Sogndal Stavanger Stryn Tromsø Trondheim Tønsberg Ulsteinvik Ålesund
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**Responsibility Statement**

We confirm, to the best of our knowledge, that the financial statements for the period 1 January to 31 December 2008 have been prepared in accordance with current applicable accounting standards, and give a true and fair view of the assets, liabilities, financial position and profit or loss of the entity and the group taken as a whole.

We also confirm that the management report includes a true and fair review of the development and performance of the business and the position of the entity and the group, together with a description of the principal risks and uncertainties facing the entity and the group.

**Storebø, 30th March 2009 - Board of Directors in Austevoll Seafood ASA**

| | | |
|---|---|---|
| Ole Rasmus Møgster<br>Chairman | Inga Lise L. Moldestad | Oddvar Skjegstad |
| Helge Singelstad | Hilde Waage | Arne Møgster<br>President & CEO |

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