cermaq

ANNUAL REPORT 2002

Content

Key Financial Figures 2002

Amounts in NOK 1000

CERMAQ ASA 2001	CERMAQ ASA 2002			GROUP 2002	GROUP 2001
		Profit and loss account			
26 956	10 041	Sales and other income		6 737 454	7 054 873
12 965	-70 734	Operating profit		45 982	323 265
117 913	79 462	Net profit for the year		-139 513	99 182
		Balance sheet			
2 478 019	2 668 114	Fixed assets		3 545 000	4 375 125
412 657	214 829	Current assets		2 899 867	3 566 317
2 890 676	**2 882 942**	**Total assets**		**6 444 867**	**7 941 442**
2 688 614	2 768 079	Equity		2 483 471	2 760 384
-	-	Minority interests		158 840	123 389
150 492	41 273	Long-term liabilities		2 435 350	3 338 293
51 570	73 591	Current liabilities		1 367 207	1 719 373
2 890 676	**2 882 942**	**Total equity and liabilities**		**6 444 867**	**7 941 442**
		Financial strength			
93.0%	96.0%	Equity share	1	41.0%	36.3%
		Profit			
48.1%	-704.5%	Operating margin	2	0.7%	4.6%
3.1%	2.9%	Return on equity	3	-5.0%	3.4%
16.0%	5.4%	Return on total assets	4	1.9%	6.0%
-	-	Earnings pr. share	5	-18.74	10.22
		Cash flow			
356 809	71 609	Bank deposits, other short term receivables	6	340 667	431 563
8.0	2.9	Current ratio	7	2.1	2.1

1) Equity/Total assets, in %
2) Operating profit/Net revenues, in %
3) Profit before tax - taxes/Average equity, in %
4) Profit before tax + intrest charged/Average total asset, in %
5) Earnings pr. share, in kroner
6) Cash and bank deposits
7) Current assets/Current liabilities

This is Cermaq as of 01.04–2003

EWOS Canada
Main office: **Surrey, BC Canada**
Revenue 2002 (NOK mill): **424**
Employees as of 31.12.2002: **89**
Cermaq ASA's ownership share: **100%**
Type of business: **Fish feed**

Pacific National Aquaculture
Main office: **Victoria, BC Canada**
Revenue 2002 (NOK mill): **231**
Employees as of 31.12.2002: **226**
Cermaq ASA's ownership share: **100%**
Type of business: **Fish farming**

EWOS Chile
Main office: **Coronel, Chile**
Revenue 2002 (NOK mill): **1043**
Employees as of 31.12.2002: **312**
Cermaq ASA's ownership share: **100%**
Type of business: **Fish feed**

Mainstream
Main office: **Puerto Montt, Chile**
Revenue 2002 (NOK mill): **633**
Employees as of 31.12.2002: **945**
Cermaq ASA's ownership share: **100%**
Type of business: **Fish farming**

EWOS Scotland
Main office: **Westfield,Scotland**
Revenue 2002 (NOK mill): **275**
Employees as of 31.12.2002: **62**
Cermaq ASA's ownership share: **100%**
Type of business: **Fish feed**

Aquascot
Main office: **Inverness, Scotland**
Revenue 2002 (NOK mill): **270**
Employees as of 31.12.2002: **434**
Cermaq ASA's ownership share: **100%**
Type of business: **Fish farming**

IMPORTANT EVENTS IN 2002

January 2002

With effect from January 1, Cermaq ASA sells 34% of the shares in Unikorn for NOK 29 million

February 2002

To meet demands of efficient and rational operations, the Board of Directors in EWOS AS decides to close down the feed factory at Vestnes with effect from April 2002

March 2002

The Board of Directors in Cermaq ASA, Fjord Seafood ASA and Domstein ASA sign a letter of intent to merge the aquaculture businesses in the three companies

Ownership structure

Today, Cermaq ASA is owned 79.4 % by the Norwegian state represented by the Ministry of Trade and Industry. The remaining shares are owned by almost 100 private investors. The Norwegian Parliament has decided that the Norwegian government can reduce its ownership share to 34%.

Cermaq ASA
Main office: **Oslo, Norway**
Revenue 2002 (NOK mill): **5**
Employees as of 31.12.2002: **32**
Cermaq ASA's ownership share: **100%**
Type of business: **Head office**

EWOS Norge
Main office: **Bergen, Norway**
Revenue 2002 (NOK mill): **2 231**
Employees as of 31.12.2002: **255**
Cermaq ASA's ownership share: **100%**
Type of business: **Fish feed**

EWOS Innovation AS
Main office: **Dirdal, Norway**
Revenue 2002 (NOK mill): **9**
Employees as of 31.12.2002: **58**
Cermaq ASA's ownership share: **100%**
Type of business: **R&D**

Unikorn
Main office: **Oslo, Norway**
Revenue 2002 (NOK mill): **878**
Employees as of 31.12.2002: **43**
Cermaq ASA's ownership share: **66%**
Type of business: **Grain trading**

Hordafôr
Main office: **Austevoll, Norway**
Revenue 2002 (NOK mill): **115**
Employees as of 31.12.2002: **50**
Cermaq ASA's ownership share: **35%**
Type of business: **Processing of biproducts from salmon and trout**

Vaksdal Industrier AS
Main office: **Vaksdal, Norway**
Revenue 2002 (NOK mill): **3**
Employees as of 31.12.2002: **0**
Cermaq ASA's ownership share: **100%**
Type of business: **Power production**

Norsk Lossekontroll
Main office: **Oslo, Norway**
Revenue 2002 (NOK mill): **5**
Employees as of 31.12.2002: **15**
Cermaq ASA's ownership share: **80%**
Type of business: **Control services**

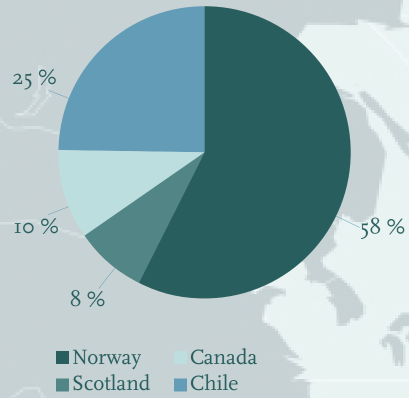
AS Balsfjord Kornsilo
Main office: **Balsfjord, Norway**
Revenue 2002 (NOK mill): **2**
Employees as of 31.12.2002: **3**
Cermaq ASA's ownership share: **50%**
Type of business: **Silo rentals**

Fiskå Mølle (Group)
Main office: **Strand, Norway**
Revenue 2002 (NOK mill): **503**
Employees as of 31.12.2002: **43**
Cermaq ASA's ownership share: **49%**
Type of business: **Grain feed, concentrates**

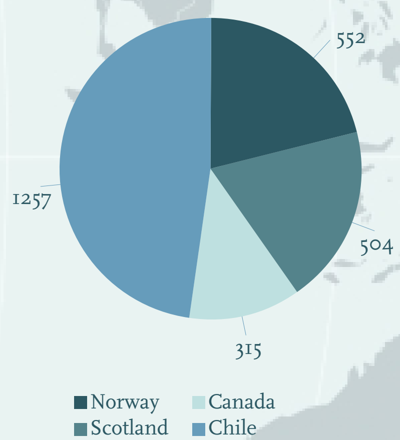
AS Trondheim Kornsilo
Main office: **Trondheim, Norway**
Revenue 2002 (NOK mill): **4**
Employees as of 31.12.2002: **1**
Cermaq ASA's ownership share: **34%**
Type of business: **Silo rentals**

(Revenue 2002 is after internal eliminations)

Revenues by country (in %)



Employees by country



June 2002

The merger process between Cermaq ASA and Fjord Seafood is abandoned as the proposal does not get the necessary two-thirds majority in Fjord Seafood's general meeting

November 2002

Cermaq ASA, Skiens Aktiemølle ASA and Fritzøe Møller AS enter into an agreement with Felleskjøpet Øst Vest to sell all the shares in Norgesmøllene DA with effect from January 2003

November 2002

To meet demands of efficient and rational operations, the Board of Directors in EWOS AS decides to close down the feed factory in Stavanger with effect from March 2003

Cermaq Central Management Team

Cermaq Central Management Team. From left to right: Kjell Bjordal, Peter C. Williams, Geir Isaksen, Francisco Ariztia and Geir Sjaastad

Geir Isaksen
CEO

Geir Sjaastad
Deputy CEO

Peter C. Williams
CFO

Kjell Bjordal
COO Feed

Francisco Ariztia
COO Farm

EWOS AS
EWOS Ltd
EWOS Chile S.A.

EWOS Canada Ltd
EWOS Innovations AS

Mainstream Salmones
Pacific Nat. Aquaculture
Aquascot Group Ltd

Unikorn AS
Vaksdal Industrier AS
Norsk Lossekontroll AS
AS Balsfjord Kornsilo
Fiskå Mølle AS
AS Trondheim Kornsilo
Hordafôr AS

Fish Feed
Fish Farming
Other Activities

Sustainable Aquaculture

The aquaculture industry has experienced its most difficult year since the early 1990s. The Cermaq Group is presenting a negative result for the first time in its history. Our losses are primarily associated with fish farming activities in Canada and Scotland. We are not alone. The fish farming industry has suffered considerable losses in 2002. Many people are questioning whether the industry has a future.

Our answer is clear. Aquaculture is an industry of the future.

Salmon is in worldwide demand. Trade policy problems have either been solved or are about to be solved. Markets for other species of farmed fish will also increase. Financial sustainability in the fish farming industry is not threatened by lack of demand but by extremely fragmented and unstructured production and sales activities. The current crisis will lead to changes in this structure and provide a foundation for a more balanced development in the future. The companies that survive will be characterised by their financial strength, their solid research and development activities, and their sense of cost awareness.

We believe in a production of farmed fish that is in balance with nature – a long-term, sustainable food production.

The fish disease situation on the west coast of Canada has had a particularly serious effect on our company this year. However, similar problems have been solved in the past. Vaccines and improved operating routines have led to better disease control in Norwegian fish farming. The same thing will happen in Canada, but it will require co-operation between the companies in the industry, research communities and the authorities. We believe that the west coast of Canada will play an important role in the future of aquaculture. The current situation, however, demonstrates the importance of implementing preventative measures against fish disease in this industry.

The fish farming industry is currently being accused of over-stretching the resources of the ocean by using large amounts of fishmeal and fish oil in salmon feed. We know that we can increase salmon production without placing too much of a strain on the resources of the ocean. On the contrary, we would insist that by using a sensible combination of raw materials from the sea and land we can produce meat from salmon in a more environmentally friendly manner than meat from any farm animals. The same will be true for other species of farmed fish.

We do not believe in simple solutions. We will work hard and systematically in order to strengthen the position of the company. In this difficult year we have made improvements to our balance sheet and implemented necessary changes to our operating routines and organisation. We are firmly convinced that we will get through this difficult period in a positive manner and that we will be a sustainable aquaculture farming company in a more balanced industry in the future.

Geir Isaksen
Managing Director

Fish Feed Activities

The fish feed activities at Cermaq comprise EWOS AS (Norway), EWOS Ltd (UK), EWOS Canada Ltd and EWOS Chile SA. The four companies collaborate on purchasing, product development, R&D, marketing, information systems and supporting international customers, but operate independently in their local markets.

During the course of 2002 EWOS consolidated its role as a leading international player in the fish feed industry with a global market share in excess of 36%. In 2002 the EWOS companies produced a total of 650 700 tonnes of fish feed for salmon and trout.

Over the years the EWOS Group has seen that an increasing use of vegetable raw materials is necessary in order to ensure a sustainable development of the industry. In 2002, together with the R&D company EWOS Innovation, EWOS has continued to develop its extensive knowledge on the use of alternative raw materials in the fish feed industry. This has earned EWOS a leading position in terms of the potential to use new and more sustainable materials without reducing the stringent requirements for technical quality and nutritional content.

The Group's overall turnover for fish feed in 2002 was NOK 4,415 million – a fall of 9% compared with 2001. This decline arose as a consequence of the reduction in the overall Chilean market, and a slight decline in market share in Norway and Chile. Canada and the UK managed to increase their market shares in a difficult year for the entire industry.

The 2002 fish farming year was characterised by poor financial performances of the key players and an uncertain market situation. This put pressure on margins in the feed activities. The combination of increased raw material prices and a small reduction in sales volume led to the operating result in the EWOS Group being reduced from NOK 406.9 million in 2001 to NOK 163.4 million in 2002. The result for 2002 includes costs associated with the closure of the feed plant at Vestnes and the decision to close down production in Stavanger in early 2003. Provisions have been made for costs associated with the closure in Stavanger and, together with the costs for closing Vestnes, the one-off expenditure associated with changes in production structure in Norway amounts to NOK 49 million. These measures have streamlined the production structure from five to three installations and will lead to greater efficiency in production and logistics.

During the course of 2002, EWOS's plants in Chile (Concepcion), Canada (Surrey, BC) and in the UK (Westfield) were upgraded at a cost of NOK 30.9 million in order to further strengthen both production quality and product quality. In Norway the largest single investment is linked to the establishment of a new starter feed line at Florø, giving

EWOS Norway, the ability to produce extruded micropellets as small as 0.6 millimetres in size.

Traditionally, fish feed producers have extended significant credit to fish farming customers in order to finance the long production cycle. This has led to high levels of receivables from farmers and consequent exposure to the risk of bad debt. During the course of 2002, despite difficult sales conditions in the fish farming industry, EWOS has reduced its total receivables from NOK 1181 million at the end of 2001 to NOK 949 million at the end of 2002.

Fish feed will continue to be the most important input factor in salmon farming. The challenges will be to ensure high quality nutritional feed at stable prices – based on sustainability principles in terms of raw materials. Food safety, traceability and sustainability are of increasing importance for all food industries. EWOS is at the forefront of ensuring that the salmon farming industry is well placed to meet the exacting standards of today's markets.

Key figures	**2002**	**2001**
Sales in tonnes	650 700	723 100
Operating revenues	4 415 315	4 848 684
Operating result	163 436	406 961
Operating margin	3.70%	8.39%

Fish Farming Activities

2002 was a very difficult year for the fish farming industry worldwide. Oversupply meant that the price of salmon was at an all-time low in all the relevant markets.

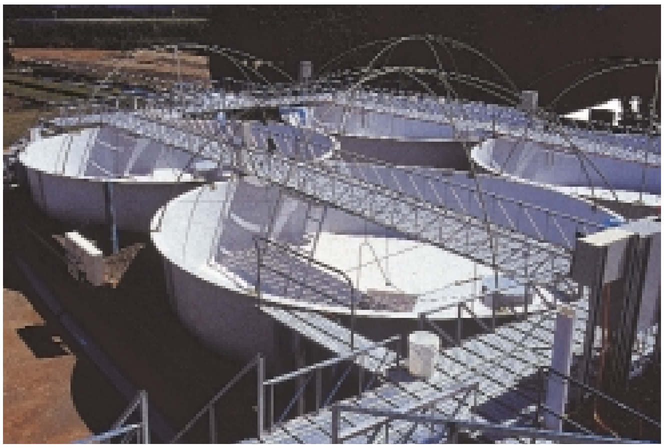
In the US market, the most important market for the Cermaq Group's fish farming activities, a slight recovery started during the third quarter. The Japanese market improved during the fourth quarter, but this had only a limited effect on the results of the Cermaq Group in 2002. The market in Europe has not yet shown any significant signs of improvement.

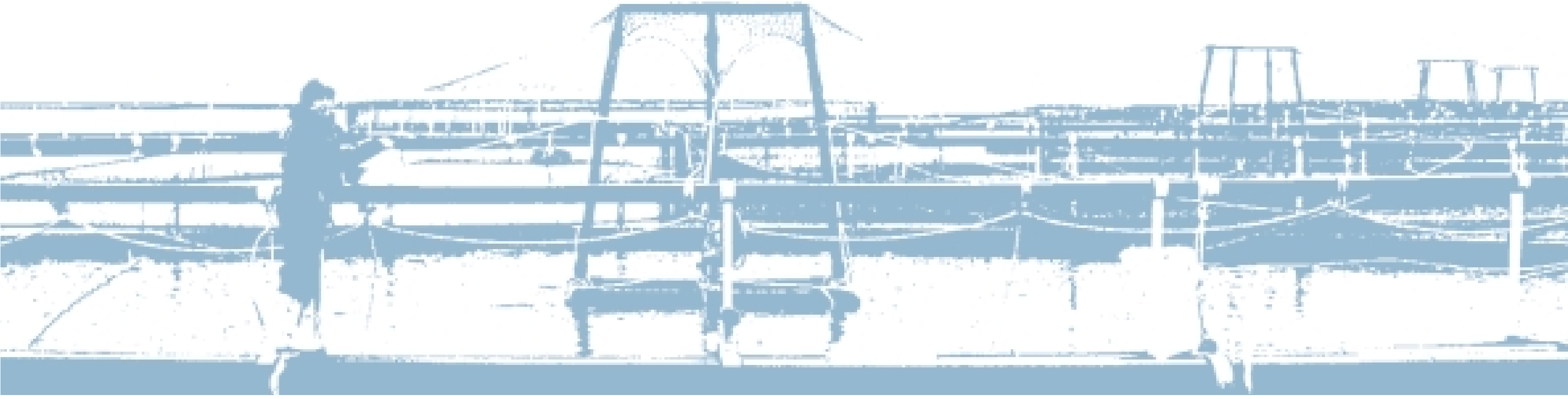
There were two main issues that had a negative effect on the Cermaq Group's production costs in 2002: the outbreaks of the IHN virus in the province of British Columbia in Canada, which led to more significant fish losses than normal for all players in the region, and price increases for fish feed, a result of the low availability of the principal raw materials, fishmeal and fish oil.

The fish farming industry also experienced an increasing number of trade disputes between producer countries, which led to accusations against Chile and the Faeroe Islands of dumping Atlantic salmon in the EU zone. This matter came in addition to the case in progress against Chile regarding the American market. The EU also objected to the export of Norwegian sea trout. While these cases are clearly of concern to the industry, preliminary investigations by the relevant authorities suggest that they are not likely to be successful.

There is a significant geographic concentration in salmon farming. Four countries account for close to 90% of worldwide production. Even so, the industry must be regarded as being relatively fragmented, with a large number of individual fish farmers. Many of the problems that the industry faces today are related to this fragmented structure. When salmon prices were at their highest in 1999–2000 there were many fish farmers who took the decision to increase production in order to benefit from the high margins. At an individual level these decisions did not affect the market to any significant degree but, seen as a whole, production was increased to a level that far exceeded demand. The trend in recent years, however, has been towards a consolidation of the markets and this should lead to more responsible growth plans in the future. In 1997 the six largest fish farming companies accounted for 22% of world production – a proportion that increased to 35% in 2002. Cermaq believes this to be a trend that will continue, which may lead to a more sustainable industry in the future.

In 2002 Cermaq harvested 47.8 thousand tonnes RWE of salmon and trout (RWE = Round Weight Equivalent) and sold 56.3 thousand tonnes. This represents a growth of around 30% compared with 2001 and places the Cermaq Group in fifth place among the world's largest fish farming companies. Sales revenues in USD (the USA is the Group's most important market), however, increased by only 17.3% from USD 108.6 million to USD 127.4 million based on a price drop of 10% in unit prices. As a result of this, our gross profit was negative by 10 cents per kilogramme sold.





The Cermaq Group's Chilean fish farming company, Mainstream, had a relatively good year in 2002, considering the external framework conditions. Despite low selling prices they achieved a reasonably good result through the ability to keep costs under control. The Cermaq Group sees it as a significant achievement to show positive results in 2001 and 2002 – two years that can be considered the worst for global salmon farming since the start of the industry. The US Trade Department has investigated Mainstream three years in a row as a consequence of the dumping allegations against Chilean fish farmers. Subsequent investigation has resulted in the rejection of all allegations of dumping against the company.

Pacific National Aquaculture (PNA), the Cermaq Group's Canadian fish farming company, had an especially difficult year in 2002. The company, like the rest of the fish farming industry in British Columbia in Canada, was affected by the IHN virus, which led to much higher mortalities than normal. Work was still in progress in February 2003 to gain control over the virus. Around NOK 24 million was set aside to cover the extraordinary costs as a consequence of the high mortality. As a result of these problems, and a need to have more direct control over activities, the corporate management decided to undertake a restructuring of the company with effect from early 2003. Several changes were made in the senior management and production plans were downsized. It is already possible to see operational results of these changes, but because of the long production cycle the full effect will not be apparent in the accounts before the year 2004.

2002 was also a difficult year for Aquascot, the Cermaq Group's Scottish fish farming company. Both fish disease and problems with the quality of smolt led to higher production costs. Neither did sales of processed products rise as quickly as expected. This resulted in a greater proportion of harvested fish being sold directly to the commodity market, which in turn meant greater exposure to the low prices in the salmon market throughout the year. Several improvements have recently been introduced with the aim of improving the company's operational activities. The most important of these was to establish two independent units for farmed products and processed products in order to achieve a clearer operational focus.

The Cermaq Group is faced with major challenges in the fish farming industry. Restructuring of the major players will probably be necessary in order for the industry to progress. Cermaq feels that by operating in the most cost-effective manner it will be possible both to survive and to deliver while the restructuring of the industry is in progress.

Key figures	**2002**	**2001**
Sales in tonnes	56 300	43 345
Operating revenues	1 132 966	1 086 145
Operating result	-185 417	-64 627
Operating margin	-16.37%	-5.95%

Agriculture and Other Activities

Agricultural activities had a good year in 2002 with improved margins in the main companies. In total these activities contributed with a pre-tax profit of NOK 103 million.

In recent years Cermaq has worked towards a division of the Group into an aquaculture area and an agricultural area. The intention has been to secure operational focus and financial resources in both areas, and the establishment of a pure aquaculture section has been part of preparations leading up to an initial public offering (IPO). Cermaq wishes to concentrate its activities on the aquaculture sector in the future. The Group received approximately NOK 180 million as its share of the sales proceeds of Norgesmøllene.

UNIKORN

Turnover and profit

Unikorn had a turnover of 709 000 tonnes of grain and other raw materials in 2002. 411 000 tonnes (58%) of this was Norwegian corn and oil seed, while 298 000 tonnes (42%) was made up of imports and other goods. Sales amounted to NOK 1.27 billion compared with NOK 1.73 billion in 2001, a drop of 26.6%. The operating result was NOK 50.2 million compared to NOK 58.2 million in 2001. Profit after tax was NOK 29 million compared with NOK 29.9 million in 2001. The operating margin improved from 3.4% in 2001 to 4% in 2002.

Sales revenue fell as expected in 2002. This was attributed to Unikorn no longer selling Norwegian grain used in the corresponding installations after the restructuring of the market from 1 July 2001. Imports showed good growth and Unikorn also produced a positive result from the sale of silo services, with income at the same level as the previous year. The changes to business operations that were made in order to reduce cost levels in early summer 2001 were fully reflected in this year's accounts. This included a reduction in payroll costs of 24% from 2001 to 2002.

The early and concentrated grain harvest resulted in extraordinary challenges for Unikorn. Previous year's stocks were still being held when the 2002 crop was harvested in August. Unikorn had to store greater quantities of grain than normal in Stavanger in order to handle the Norwegian grain harvest, and in September the total stock of Norwegian grain in Stavanger was 75 000 tonnes.

Changes to the market structure

Since 1995 Unikorn and Felleskjøpet Øst Vest (FKØV) have been the two players who have purchased grain from corn dealers for onward sale. A new player, Nordisk Korn AS was established in the summer of 2002. This is a third grain trader, which is owned by Brødrene Nordbø AS. Nordisk Korn buys primarily Norwegian grain from farmers and grain dealers for onward sale to Fiskå Mølle AS and Cerealia AS.

Nordisk Korn's entry into the market has increased the competition for purchasing Norwegian grain in East Norway. Increased freight subsidies combined with the increased competition have resulted in a higher grain prices for the farmer in inland Norway.

Future prospects

2002 was a profitable year for Unikorn. Much of the basis for this good result was laid in the first half of the year, while in the second half of the year there was much tougher competition in the market. In the short term Unikorn will endeavour to strengthen working relations with the local mills and search for operational solutions that can make grain logistics more efficient. The more intense competitive situation will remain in 2003, which may result in a fall in profits. However, the fact that Unikorn is well established in the market, should allow it to withstand such pressure.

Key figures – Unikorn

	2002	2001
Operating revenues	1 266 552	1 729 610
Operating result	50 220	58 173
Operating margin	4.00%	3.30%
Profit for the year	28 964	29 857

NORGESMØLLENE DA

In 2002 Norgesmøllene had an overall turnover of 212 000 tonnes with a total value of NOK 768.7 million. The corresponding figures for 2001 were 221 000 tonnes and NOK 755.5 million. Several factors enabled the company to keep both raw material costs and other operating costs down and this led to an improvement in the operating result from NOK 12.2 million to NOK 52.7 million. The result before tax was NOK 32.1 million – an improvement of NOK 5.4 million.

According to an agreement made in November 2002, Cermaq and the two other co-owners sold their shares in Norgesmøllene to Felleskjøpet Øst Vest. After completing due diligence the change of ownership took place on 6 January 2003.

OTHER ACTIVITIES:

(See the table below for operating revenue and result)

Vaksdal Industrier AS owns two power stations. The company is 100%-owned by Cermaq

Norsk Lossekontroll AS carries out a variety of control services during loading and unloading of grain and other feed products in Norway. Cermaq owns 80% of the shares in the company.

AS Balsfjord Kornsilo is a property company that owns the grain silo in Balsfjord. Cermaq owns 50% of the shares in the company. The silo is currently leased to Unikorn AS.

Fiskå Mølle AS produces and sells grain feed for domestic animals as well as trading in fertilizer and other products used in agriculture. Cermaq owns 49% of the shares in the company.

Hordafôr AS refines by-products from salmon and trout harvesting to produce oil and protein concentrate. The Cermaq Group owns 35% of the shares in the company.

AS Trondheim Kornsilo is a property company that owns the grain silo in Trondheim. Cermaq owns 34% of the shares in the company. The silo is currently leased to Felleskjøpet Trondheim.

	Revenues	Profit / loss for the year
Vaksdal Industrier AS	4 843	2 526
Norsk Lossekontroll AS	5 027	-79
Fiskå Mølle (Group)	503 237	3 650
AS Balsfjord Kornsilo	2 100	268
Hordafôr AS	114 520	12 521
AS Trondheim Kornsilo	4 410	1 880

Research and Development

The Cermaq Group's subsidiary EWOS Innovation is a world leader in aquaculture R&D and constitutes an important knowledge base for the Group's international operations in fish farming and fish feed. In 2002 Cermaq invested NOK 75 million in research and development through EWOS Innovation.

EWOS Innovation has 64 employees of which 20 are internationally qualified researchers. They are responsible for developing strategies related to research areas as well as for initiating and leading trials both internally at EWOS Innovation and externally through research institutions, universities and other collaborating companies. The current staff includes employees from the United Kingdom, Chile, Canada and Norway. The employees also have a variety of backgrounds, providing the company with a useful combination of people with international academic experience and general industry experience.

EWOS Innovation has facilities at three locations. The head office is at Dirdal close to Stavanger where most of the researchers are located. The research centre has installations for trials in tanks and in seawater as well as a complete trial centre for feed production. There is also a research centre for fish farming with tank and seawater facilities at Lønningdal near Bergen. The research station in Chile located in Colaco near Puerto Montt has a research facility in the sea. Important investments were made during the course of 2002 to improve the sea installations in Dirdal and Colaco.

EWOS Innovation has defined three areas that will be the core of the company's R&D work:

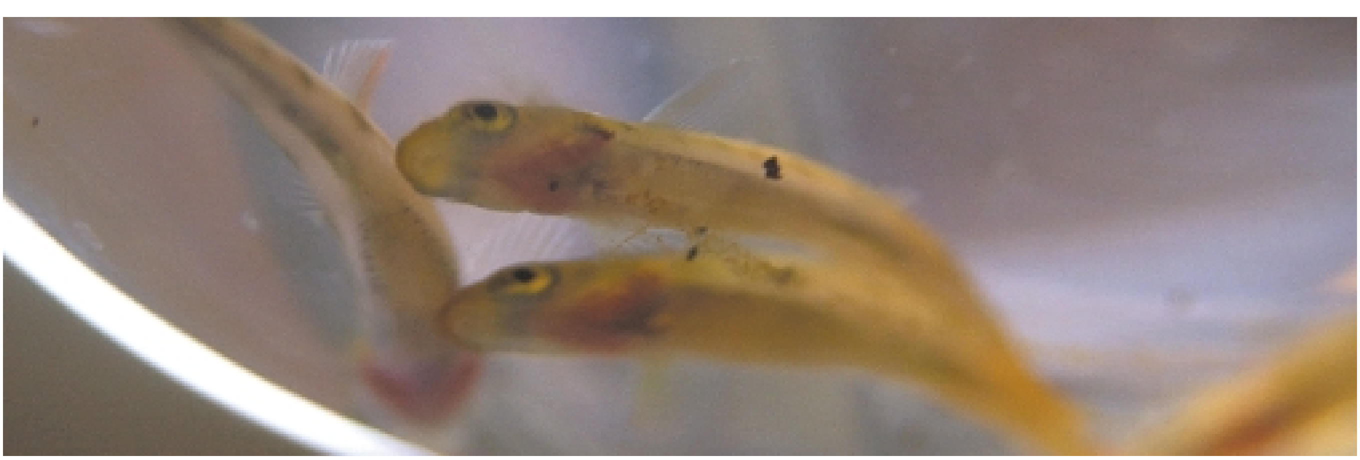
- development and compilation of knowledge
- dissemination of knowledge
- direct support for operations

The development and compilation of knowledge will concentrate on the principal areas of nutrition, fish health (prevention and control of disease outbreaks), physical feed quality, formulation possibilities for feed, functionality (adding value to feed, with properties beyond simple nutrition, such as with the EWOS Boost product), and sustainability (for both feed production and fish farming). The company has placed particular emphasis on sustainability as an area where expertise will be further strengthened in 2003.

Research areas

In organisational terms the research resources are divided into three main areas:

- nutrition
- feed technology
- fish farming



In 2002 the Nutrition group at EWOS Innovation concentrated on the potential for using alternative raw materials in production. Both in Norway and Chile, the trial installations were used for testing alternative ingredients and for controlling the quality of and optimising the use of raw materials under local conditions. A new formulation model and a database of raw materials were also developed and are now in use internationally at EWOS. This offers greater flexibility in the compilation of diets. This is increasingly important, as the availability of marine raw materials is unlikely to increase as global aquaculture continues to grow, threatening the sustainability of the business. This theme is discussed in more detail later in this annual report under the heading “Future availability of raw materials”.

The work on “Boost” (a stress resistance product) continued in 2002 and has now extended its scope to include products suitable for marine species and brood stock. Furthermore, EWOS Innovation prepared and co-ordinated the joint statement from the industry to the proposal from the EU on maximum limits for mineral elements in animal feed.

The Feed technology group supported the operating companies in 2002, mainly related to issues concerning the quality of feed but also in the launch of the “Micro” product. In addition, the Feed technology group provided support for the EWOS factories in the development and implementation of efficient energy usage, bulk handling of feed, and the reduction of odour pollution. On the research side the Feed technology group worked closely with the Nutrition group to quality assure how changes in formulation affect technical quality. The work of predicting the physical quality parameters on the basis of different ingredients is an important sub-group of the company’s focus on strengthening the long-term sustainability of fish feed production.

The Nutrition group and the Feed technology group have also worked together on the development of formulated feed for marine fish at the larval stage. The purpose of this is being able to substitute today’s live feed, the algae Artemia, with a more sustainable source. Continued support from EWOS Innovation will be required during the final development of the product.

The Fish farming group worked in 2002 on improving operations at the Cermaq Group’s fish farming companies. In Chile, EWOS Innovation worked on fish health by assisting with the introduction of co-ordinated cures against salmon lice and through vaccination trials aimed at reducing the level of disease. This work is considered strategically important to the Cermaq Group and will continue to be given priority in 2003.

In addition to fish health the R&D group has performed extensive work on the control of feed consumption, and fish quality. EWOS Innovation has considerable expertise in these areas, which are important for the running of fish farming operations. It will continue to be an important focus of improvement in the operation of Cermaq farming companies and for our feed customers. Work in this area includes a combination of standardisation, direct training and the preparation of manuals.

Fish Health and the Environment

There are many health and environmental challenges in aquaculture. Health and the environment must therefore be an integral part of the activities at Cermaq. In 2002 Cermaq experienced how devastating fish disease problems can be to our financial results.

But even though the problems are serious, the industry has previously demonstrated that it is possible to combat disease by developing new vaccines and good operating procedures. Much can be done in the individual companies, but many measures must be based on collaboration between companies who operate in the same region. Cermaq plans to increase its investment in environmental and health work and will campaign for the industry as a whole to do the same.

Fish diseases

In Canada the Pacific National Aquaculture (PNA) fish farming company experienced an outbreak of the Infectious Hematopoietic Necrosis virus (IHN), which led to a considerable loss of fish. IHN is a virus that can affect Atlantic salmon throughout their life cycle. The virus attacks the pancreas, intestines and kidneys, and can be fatal even at relatively low concentrations. The disease is limited to the west coast of the USA and Canada. A number of control measures have been initiated to prevent further outbreaks. These include the daily removal of dead fish plus improved breeding and nutrition. In the future all smolt will be vaccinated against IHN. Other preventive measures are being prepared and include fallowing, co-ordinated restocking, and reduced production cycles.

Mainstream and Aquascot in Chile and Scotland respectively also had to cope with fish losses as a consequence of disease in 2002. Infectious Pancreatic Necrosis Virus (IPN) caused the principal damage. This virus is less pathogenic than IHN but can still cause mortality among small fish (<5 g) and smolt. However, measures and control functions such as better breeding, daily removal of dead fish, low-stress transfers, and ensuring that only disease-free smolt are transferred to the sea have produced good results in terms of reduced mortality and reduced contagion.

In addition to IHN and IPN fish farming activities are also faced with challenges from the diseases Furunculosis (Aeromonas salmonicida) and Piscirickettsia salmonis (SRS) as well as sea lice and algal blooms. Water treatment systems based on both ozone and UV disinfection were installed in Canada in 2002, as part of the efforts to deal with these problems. This reduces the potential for disease being spread from freshwater sources to hatcheries. There are plans to install such systems in all regions in 2003. Mortality is further reduced with the help of control functions and monitoring. To reduce infection from sea lice, trials were conducted with co-ordinated treatment programmes in Colaco in Chile in 2002. Good results were achieved. Corresponding trials will be further developed and tested in all regions in 2003.

The danger of disease outbreaks will continue to be present in the future. Cermaq will continue to work on measures that have already been implemented to prevent contagion and reduce mortality. In addition, action is being undertaken through EWOS Innovation and in collaboration with other players in order to develop new vaccines and procedures that can reduce the outbreak of disease and other environmental problems.

Escapes

Escaped fish are a financial concern for farmers, but an even greater burden on the fish farming industry's relationship with other countryside interests. This is based on the assumption that escapees compete with wild salmon in looking for places to spawn in rivers and thus weaken the wild salmon stocks. It is also feared that escaped salmon spread disease to wild salmon.

The cause of escapes is principally equipment damaged in bad weather. Cermaq invested heavily in 2002 in order to improve equipment so that it can withstand such stresses. This included the purchase of new nets, anchor systems and storm-resistant cages. In Canada they also improved the protection against predators.

Other health and environmental measures

Considerable resources were used in Chile in 2002 to move individual freshwater facilities in order to improve operations and care of the fish, as well as to reduce inconvenience to permanent residents with regard to the view, heavy traffic and other engine noise. An office building was also built in order to improve conditions for the employees, and a department for quality assurance was set up to contribute to the environmental work.

In Canada and Scotland investments were made in new cleaning systems for waste water from slaughtering.

In 2002 EWOS worked on improvements in environmental work in and around the plants. A number of measures were implemented to improve conditions for the employees, increase safety for the products being produced and physically secure the plant areas.

EWOS Canada installed a new deodorising system. EWOS Chile upgraded and further improved its water-cleansing installation. EWOS UK invested in equipment to reduce dust problems. EWOS Norway invested in automatic packaging equipment at the Halsa plant, and a general improvement in working conditions has led to a reduction in the physical workload for employees.

An understanding of risks is important for justifiable risk assessment and risk management. At EWOS food safety is a central consideration. This means that raw materials, production premises and equipment must be continuously evaluated on the basis of biological, chemical and physical risks associated with the fact that EWOS' products are part of the food chain. Implementation and continuous upgrading of HACCP (Hazard Analysis and Critical Control Points) is therefore fundamental to EWOS. Increasing demands from consumers and the authorities mean that changes and adjustments must be made quickly in order to ensure continued competitiveness.

Energy usage

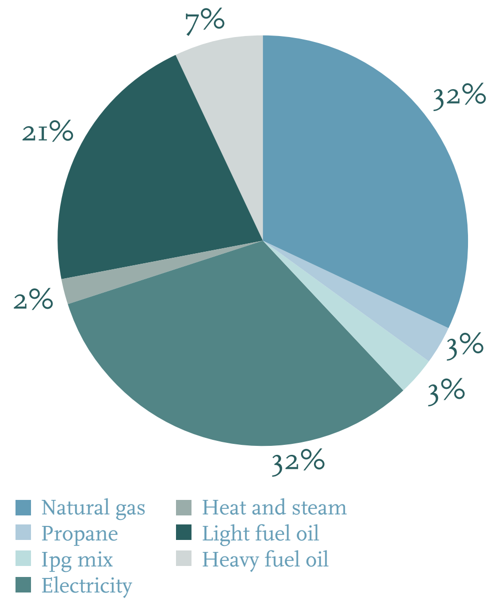
The production of fish feed is relatively energy intensive. An objective for EWOS is to use the best possible environmentally-friendly energy and use this energy in the best possible way. The top figure shows the distribution between the different energy sources used by EWOS in 2002.

EWOS AS entered into an agreement in 2003 to change to the natural gas product LNG (Liquefied Natural Gas) as the main source for all energy consumption at the company's plant in Florø. The change from fuel oil to natural gas will result in a significant reduction of gases that are harmful to the environment.

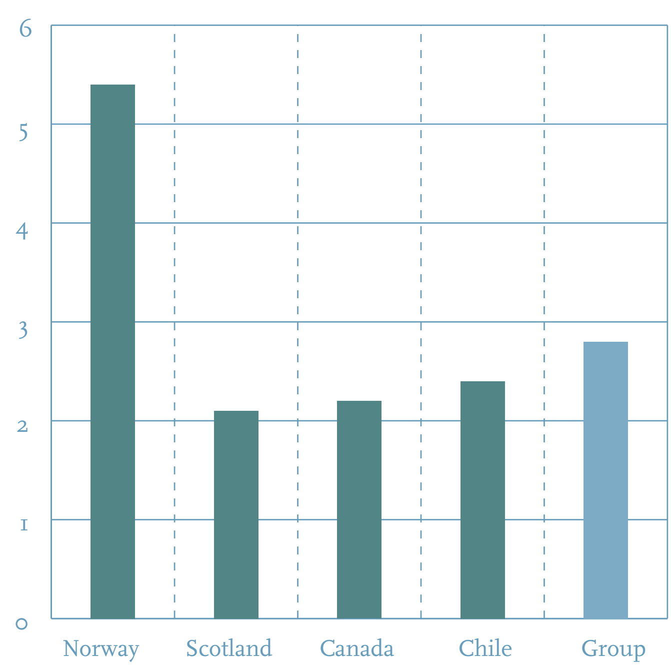
Absenteeism

The Cermaq Group is actively engaged in creating a good working environment for its employees. Increased well-being and safety in the workplace normally results in less sickness and a reduced number of injuries, which in turn leads to less absenteeism through sickness and better productivity. Absenteeism through sickness for the Cermaq Group as a whole in 2002 was 2.8%. The bottom figure illustrates how absenteeism is distributed across the various production countries.

Energy consumption 2002 EWOS feed production



Percentage absenteeism 2002 by country and total for the Cermaq group

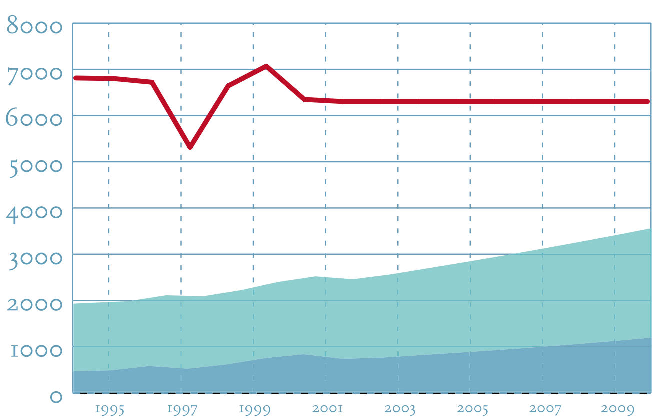


Future Availability of Raw Materials

Current raw material resources for salmon farming

The fish feed industry is currently based on two interdependent raw materials, fishmeal and fish oil. It takes approximately 4 kg of marine raw material to obtain enough fish oil to produce 1 kg farmed salmon. Using these raw materials for fish farming is a far better utilisation than many alternatives, such as using fish-oil for fuel. However, as these are limited resources, the fish farming industry is well prepared to include a higher level of alternative raw materials as soon as it is required. The figures below show the availability of fish oil and fishmeal, demonstrating clearly that the use of fish oil is already beginning to exceed production. The situation is not quite as critical for fishmeal, but a new El Niño similar to 1997–1998 will bring consumption and production much nearer each other.

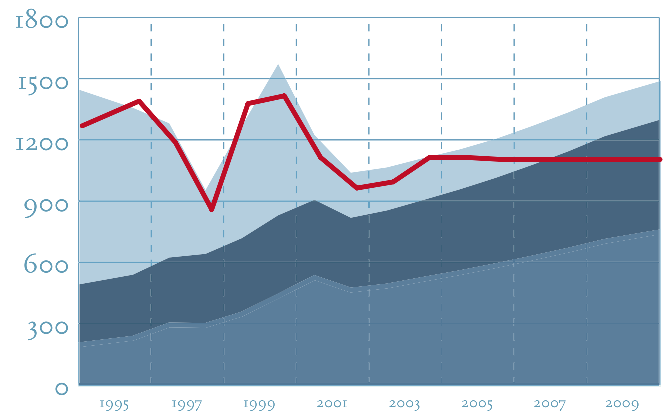
World fishmeal production and demand for fish farming purposes. No substitution in feed for salmonoids



World Fishmeal Production
Use in Salmon Feed
Use in other Aqua Feed

Fishmeal and fish oil are produced mostly from small bony species that are unsuitable for human consumption. These are known as industrial species. This is not always the case, however. Some of the species used in the production of fishmeal and fish oil can likely be used for human consumption in the future and it is probable that the future trend will be to increase the proportion that goes directly to the consumer. The sustainability of the use of species, which currently cannot be profitably prepared for human consumption, is also questionable. Many of these species are important components in the ecosystem and function as prey for

World fish oil production and demand for fish farming purposes. No substitution in feed for salmonoids.



World fish oil Production
Edible & Technical
Use in other Aqua Feed
Use in Salmon Feed

other marine species. Excess usage can therefore have serious consequences with the result that stricter catch regulations will be introduced in the future. Given these probable limitations for the future there is an expectation of a slow decline in the supply of fishmeal from industrial fish. This can be compensated for to some degree by better use of waste from processed fish, but in the best case would mean that supplies remain stable.

The use of other oils

Against the background of an expected decline in the supply of raw materials it is clear that the development of alternative raw materials will be given high priority at Cermaq, since this is an economic necessity and because of our obligation to ensure the sustainability of the ecosystem. Finding substitutes for oil is in some ways simpler than for fishmeal, and since the problem is clearly greatest in this context there already exists a limited use of vegetable oil as a substitute for fish oil. Extensive research has shown that to replace fish oil with a series of vegetable oils does not have any negative effect on fish growth or the quality of the flesh.

Health benefits of eating salmon

When fish oil is replaced by vegetable oil there is a change in the composition of the fat in the fish flesh. Questions have therefore been asked as to whether this reduces the positive health benefits that salmon is known to have for the consumer. Fish oil contains large quantities of Omega-3, a group of fatty acids that are known to reduce the probability of cardiovascular diseases. Plant oils do not have these benefits. Trials recently carried out by EWOS Innovation, Akvaforsk and Haukeland Hospital in Bergen show, however, that changing the fat profile in farmed fish does not appear to reduce the health benefit from regularly eating farmed salmon.

Middle-aged women were put on a diet containing a high level of farmed salmon. One group ate fish that had been fed with fish oil while another group ate fish that had been fed with vegetable oil. Half way through the trial, after eight weeks, the women took a break of five weeks before the two groups swapped. A number of parameters were regularly checked to show how the health of these women had been affected by the diet. Many of these parameters showed clear improvements and, in all cases, this was irrespective of whether the fish they had eaten had been fed with fish oil or vegetable oil. This is the first trial but it gives reason to believe that farmed salmon will remain one of the healthiest elements in people's diet even with the change in the oil composition in the fish feed.

New protein sources

As for all animals, the dietary requirement of salmon and trout does not necessarily contain a special ingredient but rather a composition of nutrients. Fishmeal is the main source of protein in a salmon's diet even though EWOS already includes a limited number of different plant proteins. Replacing fishmeal with a vegetable raw material is not an equally simple process as substituting the fish oil, mainly because of the high protein content of fishmeal. With a protein content of around 70% it is much higher than pulses whose protein content is normally about 40%.

EWOS Innovation has worked very closely with key suppliers of raw materials to develop concentrates with high protein content at competitive prices. Some of these products are now reaching the stage where they can be commercialised and will be introduced in feed from EWOS in the near future. Replacement of fishmeal will still be limited since some of the alternative raw materials have undesirable effects on digestion, absorption and growth at excessive inclusion levels. In the years to come EWOS Innovation will continue to focus on alternative proteins to provide the best feed for the fish, the farmer and the environment. It is probable that the proportion of vegetable proteins in fish feed will continue to increase in the future.

Technological improvements

The shortfall in raw materials can also be improved by reducing waste during the process. The focus on improving production technology has led to, and will continue to lead to, a reduction in waste and re-work produced in EWOS feed factories.

The future

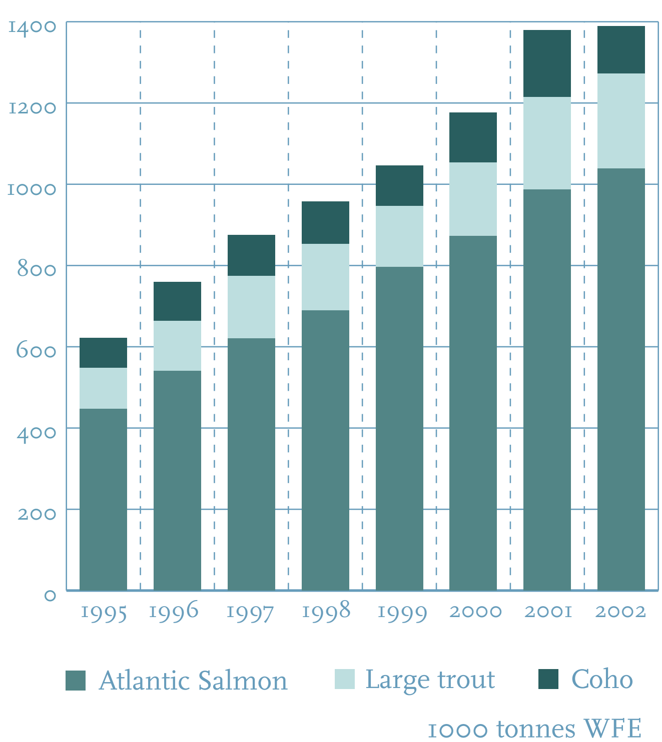
The future of the salmon industry depends on sustainable supplies of raw materials. The Cermaq Group is of the opinion that the replacement of fishmeal and fish oil is an important criterion for further improving the industry's sustainability and for securing future growth.

The Market Conditions for Fish Farming

2002 – The past year

At the start of 2002 all the important salmon markets were characterised by the large increase in supply that took place during the course of 2001. This led to a historically low price level for Atlantic salmon, trout and coho. As a consequence of a far more moderate increase in supply in 2002, prices have generally increased during the year. A comparison between the prices in January and those in December show a strong price increase in salmon markets. In Norway much of the price growth was counteracted by the increased strength of the Norwegian krone, which reduced the price actually received by the farmers.

Supply of farmed salmon

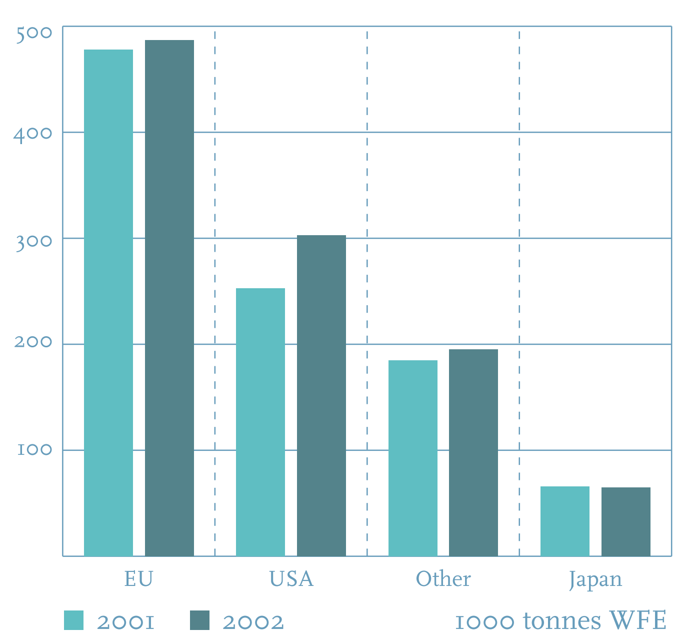


Source: Kontali Analyse

While the supplies of Atlantic salmon on a worldwide basis increased by around 14% in 2001, the corresponding growth rate in 2002 was 7%. At the same time the supplies of farmed large trout and coho increased for all markets by approximately 35% from 2000 to 2001, whereas in 2002 there was an increase of only 7%.

With an estimated increase in consumption of 20% in 2002 (measured in tonnes wfe – whole fish equivalents), and following the pattern of the two previous years, the US market for Atlantic salmon can in many ways be considered the power house behind the growth in demand. In the EU, which with a consumption of almost 500 000 tonnes wfe is clearly still the biggest market for Atlantic salmon, the growth in 2002 is estimated at approximately 2%. The markets outside the EU, the USA and Japan, have also shown formidable growth in recent years, from approximately 100 000 tonnes wfe in 1998 to around 200 000 tonnes in 2002. In the latter half of last year, however, there was a fall in volume attributable to "Other markets". The only principal market for Atlantic salmon that did not have any volume growth in 2002 was the Japanese market. Japan is also clearly the most important market for red salmon (salmonoids with bright red flesh), including large rainbow trout and coho. Almost 70% of the total world farmed production of these two species is sold in Japan. Furthermore, a large proportion of the wild Pacific species of sockeye is distributed to Japan where it competes principally with frozen trout and frozen coho. Including sockeye the volume growth for red salmon in 2002 was approximately 3% compared with 26% in 2001 and 4% in 2000.

Market development – Atlantic salmon 2001–2002

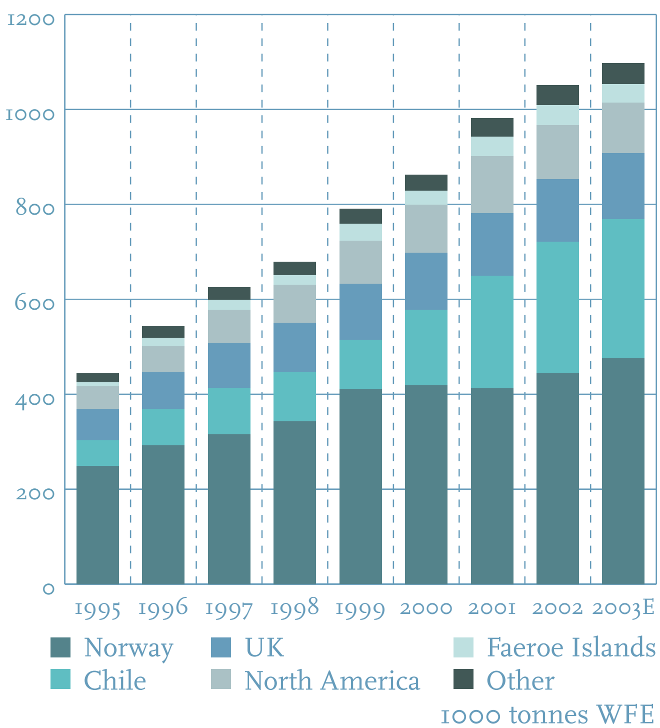


Source: Kontali Analyse

2003 – A new exciting year?

In 2003 the expectation is that growth in supply will be further reduced in comparison with last year. The analysis company Kontali has estimated that supplies of Atlantic salmon to the world's markets will increase by just under 5%, from 1 050 000 to around 1 100 000 tonnes wfe. Production problems and a deteriorating disease picture in North America and the Faeroe Islands during 2002 will lead to a decline in quantities from these regions in 2003. The growth in production of Atlantic salmon will in all probability come from the two largest producer countries Norway and Chile. Given the natural transport barriers between the principal markets, the growth in production in Europe will probably lead to a much more evenly distributed sales growth among the main markets of the EU, USA and Japan in 2003, despite the fact that both the US market and "Other markets" have been much stronger relative to the growth in demand over recent years.

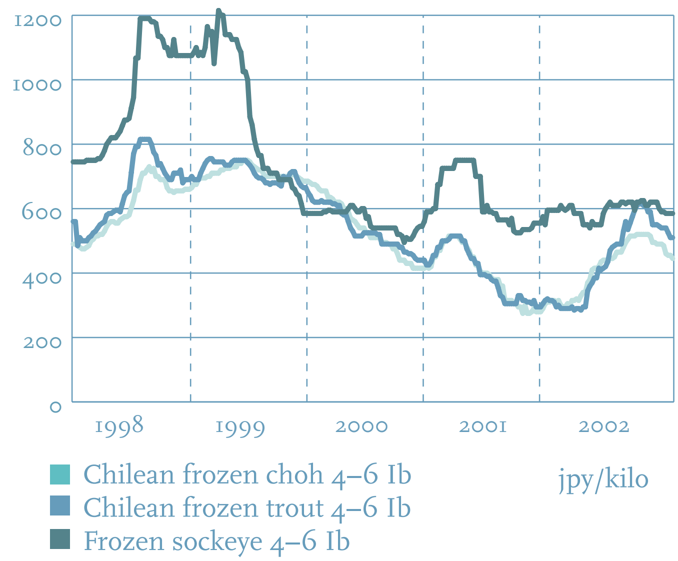
Supply of farmed salmon



Source: Kontali Analyse

In the case of farmed large trout and coho the expectation is for lower supplies in 2003 than 2002. For these species the best picture is normally achieved by following growth during the "salmon year" (July – June). While the increase in supplies from the 2000/2001 season to 2001/2002 was around 11%, the 2002/2003 season is expected to show a decrease in supplies of around 14–15%. This has already had an effect on the price level of frozen trout and coho in Japan where the level of wholesale prices in February 2003 was more than 50% above the corresponding price for the same period in 2002.

Wholesale prices in Japan



Source: Kontali Analyse

Board of Directors' Report 2002

The activities of Cermaq ASA during 2002 have been characterised by the extremely demanding situation faced by the aquaculture industry. Low salmon prices, problems with fish disease, reduced volumes and smaller margins in the fish feed sector, have resulted in a considerable weakening of the Group's results compared to the previous year. Given this background situation, the Board of Directors has prioritised the stabilisation of the company's finances, by reducing the amount of debt and by introducing measures to improve the cash flow in the Group. Meanwhile, the Group's agricultural activities have contributed with a positive result and the net operational cash flow for the Group improved in 2002. Despite a difficult year in 2002, Cermaq is still a solid company.

In addition to dealing with the operational challenges facing the Group, the Board has also spent a lot of its time on merger negotiations with Fjord Seafood, negotiations with the banks regarding new loan terms, and the sale of Norgesmøllene.

Turnover and profitability

The Board of Directors confirms that the annual accounts have been prepared on the assumption of continued operations.

The Cermaq Group had a turnover of NOK 6,737 million in 2002. This is a decrease of 4.5% compared to the previous year and is mainly due to a lower turnover of fish feed.

The fish feed companies had a combined turnover of NOK 4,415 million in 2002, which is a decrease of NOK 433 million, or approximately 9%, compared to the year before. In terms of volume the turnover decreased by 72,400 tonnes, or approximately 10%, mainly in Chile and Norway. The downturn is a result of both loss of market share due to tougher competition and lower feed consumption due to climatic conditions and fewer fish being released.

The fish farming companies had a combined turnover of NOK 1,133 million, which is an increase of NOK 47 million, or approximately 4%, compared to the previous year. In terms of volume the turnover increased by 12,963 tonnes, or almost 30%. Low salmon prices and a strong Norwegian currency meant that the turnover in NOK did not reflect the size of this increase.

The agriculture-related activities, represented primarily by Norgesmøllene and Unikorn, had a combined turnover after eliminations of NOK 1,664 million, which is an increase of NOK 73 million, or 4.6%.

The Group's pre-tax result was reduced from a profit of NOK 137 million in 2001 to a loss of NOK 108 million in 2002. The downturn in profits was primarily due to considerable losses on the fish farming activities in Canada and Scotland, as well as a lower turnover of fish feed in Norway and Chile. The fish farming company in Chile showed a positive result.

The agriculture-related activities showed a positive development during 2002 and made a combined pre-tax contribution of NOK 103 million.

The accounts for 2002 have been charged with NOK 31 million in expenses associated with the abandoned Fjord Seafood merger, as well as NOK 47 million in write downs and winding-up costs connected to the closing of the feed plants in Stavanger and Vestnes. PNA's stock in Canada was also written down by a total of NOK 28 million at the end of the year.

Abandoned merger

On 20 March 2002 the boards of directors of Fjord Seafood ASA, Cermaq ASA and Domstein ASA agreed to a letter of intent to merge the aquaculture activities of the three companies. After extensive negotiations and mutual due diligence, the parties accepted a merger agreement on 8 May 2002. This agreement involved a merger between Fjord Seafood and the aquaculture activities of Cermaq, as well as a 100% takeover of Pieters NV, which was owned by Fjord Seafood and Domstein (50% each). According to the agreement Cermaq's shareholders would have a 62% ownership share in the merged company.

As an integrated part of the merger it was decided to issue shares for NOK 1,175 million in Fjord Seafood ASA. The share issue was fully subscribed at a price of NOK 4.50 per share, but at Fjord Seafood's annual general meeting on 10 June 2002 the two-thirds majority necessary in order to implement the share issue was not achieved and the merger was thus abandoned.

Sale of Norgesmøllene

On the initiative of Felleskjøpet Øst Vest (FKØV) negotiations were started in autumn 2002 regarding the sale of Norgesmøllene to FKØV. These negotiations led to Cermaq, Fritzøe Møller and Skiens Aktiemølle reaching an agreement with FKØV to transfer the shares in Norgesmøllene to FKØV as from 3 January 2003. The effect of this sale on results will be apparent in the accounts for the first quarter of 2003.

For Cermaq, owner of 60% of the shares in Norgesmøllene, the sale was primarily motivated by the development opportunities represented by Norgesmøllene and Cermaq's current financial situation. Cermaq has decided to concentrate on aquaculture and there will therefore not be enough capital available in the company over the next few years to invest in, and at the same time further develop Norgesmøllene. Furthermore, Cermaq's negotiations with the banks regarding new loan terms are based on it selling activities that fall outside the future core areas of the company. The company will be developed as an international aquaculture company.

Financing

In the course of the year it became clear that the Cermaq Group would probably breach the terms of the bank loan that was negotiated towards the end of 2001. The main reason for this was low turnover from the Group's fish farming activities.

Given this background situation, new negotiations were entered into with the Group's banks. As a result of these negotiations an exception from the terms of the loan agreement was granted until September 2003. This is the point in time when, on the basis of the current market situation, the Board expects the Group to be ready to fulfil the original terms of the loan.

The Cermaq Group has activities in a variety of countries and currencies. With the intention of balancing debt and investments, the Group's debt is primarily in currencies other than the Norwegian krone. This provides a natural hedge in that the cash flow in different currencies is used to cover interest and instalments on local debt. During 2002 the value of the Norwegian krone increased considerably in relation to all other relevant currencies, with the consequence that the recorded value of the Group's interest-bearing debt was reduced by almost NOK 705 million compared to December 2001. Furthermore, NOK 343 million of interest-bearing debt was paid off, which means that the recorded interest-bearing debt was reduced by NOK 1048 million, or approximately 28%, compared to 2001. At the same time, exchange rate movements resulted in the equity capital of the Group being reduced by NOK 115 million. The distribution of the Group's profitability shows that a large proportion of the operational profit was generated in Norway this year, with the consequence that the currency effect on Group profit was not as significant as the currency effect on Group debt.

In 2002 the Group had a net operational cash flow of NOK 417 million compared to NOK 86 million in 2001. This improvement was mainly due to a reduction in working capital, including reduced feed credits. In 2002 net investments worth NOK 260 million were made in tangible fixed assets, which is a reduction of NOK 159 million compared to the previous year. The sale of tangible fixed assets and other assets gave a positive cash flow of NOK 46 million, which meant that the net cash flow to investments totalled NOK 215 million. Cash reserves at the end of the year amounted to NOK 341 million, which is a reduction of NOK 91 million compared to the previous year.

The total balance for the Group decreased by NOK 1,497 million. Of this, approximately NOK 1,100 million resulted from currency effects, while the rest stemmed from general improvements in the balance sheet. Despite the weak result, equity capital increased from 36.3% to 40.8%. The Board places great emphasis on the importance of equity capital and has made it an objective to increase the proportion of equity capital to a minimum of 45%.

Balance sheet appraisal

The Board has evaluated the effect of the introduction of a new Norwegian accounting standard on the balance sheet values of tangible and intangible assets. On account of the current difficult market situation, the primary focus of attention was on the recorded values of fish farming licences and goodwill.

A thorough evaluation of the value of these assets was carried out, based on the present value of an expected future cash flow from the assets relative to their recorded value. The best possible estimate for the cash flow over the next five years was used, together with an estimated final value for the investment and a suitably risk adjusted discount rate.

The most important assumptions of significance to the current value of expected future cash flow are the discount rate, the estimated price of salmon, production costs, production volume and future demand for salmon produced in geographical areas in which the assets are located. A variety of scenarios for current value were prepared in order to test its sensitivity. These were based on salmon prices, production costs and discount rates.

On the basis of this analysis the Board is of the opinion that there is no need to write down the balance sheet values for goodwill and fish farming licences as per 31.12.02.

Personnel and working environment

There were 2,612 employees in the Cermaq Group as per 31.12.02. The Norwegian companies employed a total of 538 employees, 25 of whom are in the parent company Cermaq ASA. Compared to the previous year, the number of employees at Cermaq ASA increased by 11 people. This is mainly due to the transfer of IT staff from EWOS AS and the setting up of a head office for fish farming activities in Bergen. The total number of employees in the Norwegian companies decreased by 20 people.

Absence due to illness in Cermaq ASA is still very low. In 2002 a total of 30 days of absence were recorded as a result of illness or injury. This constitutes 0.4% of possible working days and is on the same level as the previous year.

A total of 16,872 days of absence due to illness or injury were registered for the Group as a whole. This constitutes 2.8% of possible working days. Absence due to illness in the subsidiary companies varies from 0.5% to 5.8%. The highest rate of absence was recorded in the Norwegian companies, a fact that can be partially explained by several cases of long-term illness.

Of the total absence for the Group in 2002, 1,906 days were associated with 196 minor accidents at work. 21 minor accidents at work were registered for the Norwegian companies, with a total absence of 108 days. There were no major accidents or loss of human life in any of the Group's companies during 2002.

There were two incidents of fire in the Group in 2002; one in Scotland and one in Chile. No one was injured and the total material damage was small.

The Board considers it important to maintain a good working environment in all the companies in the Group. Considerable amounts have thus been invested in recent years in order to improve the physical working environment. The Group also prioritises the training of its employees in order to prevent working accidents and injuries.

External environment

The burden on the external environment in the fish feed sector is relatively limited. Discharges into the air and water are clearly within the limits defined by the authorities in the respective countries and no hazardous substances are used in production.

The production of fish feed involves a certain amount of odour. Considerable investments have therefore been made in recent years to install cleansing systems and other measures to reduce odorous discharges. In 2002 a new odour cleansing system was installed at the plant in Canada. In Norway investments of around NOK 10 million are planned at the Florø plant in order to reduce the odour.

There have been some minor oil leaks at the feed plants in Chile, Canada and Florø in Norway. These leaks have not had any significant negative effect on the environment. The causes of the leaks have been repaired and measures have been implemented in order to prevent further leaks.

Fish feed production is a relatively energy intensive process. Of a total energy consumption in 2002 of 243 GWh, 32% was electric power, 32% natural gas, 21% light fuel oil and 7% heavy fuel oil. The rest came from smaller energy sources. One of the objectives of the Cermaq Group is to use as environmentally friendly energy sources as possible and to utilise the energy in the best possible manner. EWOS AS has thus entered into an agreement to replace fuel oil with the natural gas product LNG as the main source for all energy consumption at the Florø plant. This will be a considerable gain for the environment.

One of the challenges in fish farming is the loss of fish due to disease or escape. In 2002 the Cermaq Group suffered a total loss of fish worth almost NOK 110 million (full cost). The most significant loss of fish was due to disease, particularly in Canada. Other losses were mostly due to natural mortality and damage to the fish during harvesting. Only a small proportion of the losses (under 2%) were due to escaped fish.

The prevention and combating of fish disease is a highly prioritised area in the Cermaq Group, and considerable resources are made available for this purpose. During 2002 a number of controlling measures and new routines were introduced in the production process. These included reducing the density of fish in the cages, restricting the movement of fish from farm to farm, shortening production time and implementing a more efficient feeding regime. Considerable changes were also made with regard to the removal and handling of dead fish. A prioritised task for the industry is to develop an effective vaccine against the fish diseases IHN, IPN and SRS.

The formidable challenges faced by the fish farming companies with regard to fish disease have resulted in EWOS Innovation initiating a series of research programmes on the issue. EWOS Innovation has also increased its direct support to the Group's fish farming activities.

Over the last few years considerable investments have been made in new net and anchor systems for the cages. New storm-resistant cages have also been installed at the Group's fish farms. In Canada improvements have been made to protect the farms from predators. These initiatives have gradually resulted in fewer escaped fish.

New environmental regulations have been introduced over the last few years in all countries where the Cermaq Group is involved in fish farming activities. Most of these regula-

Board of directors in Cermaq ASA. Back row from left; Robert Alvestad, Kjell Frøyslid, Aud Sakshaug, Stein Annexstad, Jim Egil Hansen, Jan Petter Hagalid. Front row from left; deputy chairperson Bjørg Ven and chairman Sigbjørn Johnsen.

tions involve a tightening up of existing legislation. The Board considers it important that the Cermaq Group abides by the rules valid in any country in which it is represented. None of the Group's fish farming companies has incurred problems with the authorities for breaching environmental regulations.

The agriculture-related activities in the Group (Norgesmøllene and Unikorn) have little effect on the external environment. Any discharges into the air and water or noise pollution from these companies are well within the limits set by the authorities.

Shareholders
The ownership of the company has only undergone minor changes in the course of 2002. The company's principal shareholder is the Government (Ministry of Trade and Industry) with an ownership share of 79.4%. The rest of the shares are owned by 87 private shareholders, the largest of which are NorgesInvestor II AS and the Odin funds with ownership shares of 11.96% and 2.05% respectively. Cermaq ASA owns 54,400 shares that were acquired through the sale of Staur Gård and shares in Norsk Kornforedling AS. The Norwegian parliament has decided that the Government can reduce its ownership to 34%. The plan has been that this should happen in connection with an initial public offering of the company. However, the current market situation has resulted in a postponement of the planned stock exchange listing.

Future prospects
There is currently a degree of uncertainty with regard to the future development of the fish farming industry. Low salmon prices throughout 2002 and disease problems have led to considerable losses in the industry. Insufficient capital is a significant problem for many companies and further structural changes in the industry can therefore be expected.

The worldwide consumption of farmed salmon and trout continued to increase during 2002 and there is all reason to believe that this consumption will continue to grow in the future. The stagnating availability of protein from agriculture and the decrease in wild fish stocks appear to support this view.

The problems in the fish farming industry over the last two years are mainly due to the huge increase in supplies of salmon and trout that took place during 2001. The increase in supplies in 2002 was somewhat more moderate and it is expected that the growth in 2003 will be further reduced. This gives reason to believe that there will be a better balance between supply and demand in 2003 and that there will thus be a slight rise in prices.

Regardless of the price development, it is vital to reduce production costs. The Cermaq Group has initiated a number of measures in this area over the last two years, and the Board believes that these measures will yield results in the near future.

The future prospects for fish feed activities are very dependent on the development in the fish farming industry. The availability and price of raw materials will also play an important role. It must be expected that marine raw materials such as fishmeal and fish oil will gradually become a scarcity in the global fish feed industry, but there is nothing to indicate that the supply situation will be difficult over the next 2–3 years. The situation can change, however, if there is a new El Niño equivalent to the one we experienced in 1997/98. A possible increase in demand for fish oil for other purposes also makes it necessary to continue the search for alternative raw materials.

The strategic situation for the grain trading company, Unikorn, has changed after the sale of Norgesmøllene to FKØV. An effort is therefore being made to find structural solutions that can secure competition in the market and a stable business foundation for Unikorn. Cermaq's ownership share in the company might be reduced during this process.

The Cermaq Group is an international group with income and debt in a variety of currencies, exposing it to exchange rate fluctuations. An important aspect of the company's financial administration is thus to use currency transactions to provide the best possible protection against such fluctuations.

The aim of the Cermaq Group is still to be a world leader in the production of fish feed and the farming of salmon and trout. In the short term the primary task is to strengthen the Group's financial position and ensure a positive development in the activities owned by Cermaq. This is a pre-requisite in order to be able to meet the challenges faced by the aquaculture industry and to be as well equipped as possible to make the correct strategic decisions in the future.

Distribution of annual profit/loss in Cermaq ASA
The Board suggests that Cermaq ASA's annual profit of NOK 79,462 million is transferred to other equity.

Oslo, 21 March 2003

Sigbjørn Johnsen
Chairman of the Board

Bjørg Ven
Deputy Chairperson

Stein Annexstad
Member of the Board

Aud Sakshaug
Member of the Board

Kjell Frøyslid
Member of the Board

Robert Alvestad
Member of the Board

Jim Egil Hansen
Member of the Board

Jan Petter Hagalid
Member of the Board

Geir Isaksen
Managing Director

Profit and loss account for the year ended 31 december

Amount in NOK 1000

CERMAQ ASA				GROUP	
2001	**2002**		**Notes**	**2002**	**2001**
26 956	10 041	Operating revenues	5	6 737 454	7 054 873
291	0	Cost of materials		4 813 765	4 904 244
18 731	24 672	Payroll expense	6	524 916	525 969
3 233	3 240	Depreciation and write off of fixed assets and intangible assets	13,14	343 263	318 846
-8 264	52 863	Other operating expenses	8	1 009 528	982 549
12 965	**-70 734**	**Result of operations**		**45 982**	**323 265**
51 279	50 552	Income from subsidiaries	9	0	0
0	1 960	Income from associates	16	1 610	12 267
85 149	111 234	Financial items, net	10	-155 653	-198 416
149 394	**93 012**	**Ordinary result before tax**		**-108 061**	**137 116**
31 481	13 550	Tax on ordinary result	11	31 452	37 934
117 913	**79 462**	**Result for the year**		**-139 513**	**99 182**
0	0	Result for the year, majority interest		-162 947	89 155
0	0	Result for the year, minority interest	12	23 434	10 027
117 913	79 462	Allocated to other equity			
117 913	**79 462**	**Total allocation of result for the year**			
369	5 071	Allocation to group contribution after tax			
204	468	Received group contribution after tax			
		Earnings per share/diluted earnings per share		-18.74	10.22

Balance sheet as of 31.12.2002

Amounts in NOK 1000

CERMAQ ASA				GROUP	
2001	2002		Notes	2002	2001
		Assets			
0	0	Concessions, patents, licences, trademarks and similar rights	13	892 007	1 154 269
0	0	Goodwill	13	879 713	1 093 714
0	0	Deferred tax assets	11	0	0
0	0	Total intangible fixed assets		1 771 720	2 247 983
37 303	27 523	Tangible fixed assets	14	1 575 930	1 799 759
1 065 684	1 035 300	Investments in subsidiaries	15	0	0
1 324 828	1 553 554	Loans to group companies	19	0	0
17 190	17 190	Investments in associates	16	75 104	81 356
32 515	32 515	Investments in shares	17	23 671	14 986
500	2 032	Other long-term receivables	18	98 575	231 041
2 440 716	2 640 591	Total financial fixed assets		197 350	327 383
2 478 019	**2 668 114**	**Total fixed assets**		**3 545 000**	**4 375 125**
0	0	Stock of goods	20	1 296 275	1 573 522
209	26	Accounts receivables from customers	21	1 142 254	1 353 125
18 152	17 900	Other short-term receivables		120 671	208 107
37 486	125 294	Short-term intercompany receivables		0	0
356 809	71 609	Bank deposits, cash in hand, etc.	22	340 667	431 563
412 657	**214 829**	**Total current assets**		**2 899 867**	**3 566 317**
2 890 676	**2 882 942**	**Total assets**		**6 444 867**	**7 941 442**

BALANCE SHEET AS OF 31.12.2002

Amounts in NOK 1000

CERMAQ ASA 2001	CERMAQ ASA 2002		Notes	GROUP 2002	GROUP 2001
		Equity and liabilities			
875 000	875 000	Share capital	23	875 000	875 000
-5 440	- 5 440	Company's own shares	23	-5 440	-5 440
1 524 424	1 524 424	Share premium reserve	23	1 524 424	1 524 424
2 393 984	2 393 984	Total paid-in capital		2 393 984	2 393 984
294 630	374 095	Other equity	23	89 486	366 400
0	0	Minority interests	12,23	158 840	123 389
294 630	374 095	Total other equity		248 326	489 789
2 688 614	**2 768 079**	**Total equity**		**2 642 311**	**2 883 773**
2 765	0	Pension liabilities	7	14 546	10 641
34 403	41 273	Deferred tax	11	5 365	19 915
37 168	41 273	Total provisions		19 911	30 556
113 324	0	Interest bearing long-term debt	24	2 415 439	3 307 737
150 492	**41 273**	**Total long-term liabilities**		**2 435 350**	**3 338 293**
0	0	Interest bearing short-term debt	24	234 354	390 527
50 892	28 124	Other short-term liabilities	26	1 132 853	1 328 846
678	45 467	Short-term intercompany liabilities		0	0
51 570	**73 591**	**Total current liabilities**		**1 367 207**	**1 719 373**
2 890 676	**2 882 942**	**Total equity and liabilities**		**6 444 867**	**7 941 442**

Oslo, 21. March 2003

Sigbjørn Johnsen
Chairman of the Board

Bjørg Ven
Deputy Chairman

Stein Annexstad
Board member

Aud Sakshaug
Board member

Kjell Frøyslid
Board member

Robert Alvestad
Board member

Jim Egil Hansen
Board member

Jan Petter Hagalid
Board member

Geir Isaksen
Managing Director

Cash Flow Statement

Amounts in NOK 1000

CERMAQ ASA 2001	CERMAQ ASA 2002		GROUP 2002	GROUP 2001
		Cash flows from operating activities		
149 394	93 013	Result before taxes	-108 061	137 116
-20 314	-9 383	Gain/loss on tangible fixed assets	7 614	21 418
3 233	3 240	Depreciation	343 263	318 846
-5 488	-18 531	Taxes paid	-29 404	-105 539
-60	-4 297	Difference between pension premiums paid and pension expense	8 128	-5 626
0	0	Difference between income from and dividends received from associates	3 981	-7 575
-9 632	-19 882	Items classified as investing and financing activities	-19 882	0
700	435	Change in stock, accounts receivables and accounts payables	76 950	-74 415
-46 558	-10 917	Change in other short-term operating assets and liabilities	134 614	-198 181
71 275	**33 678**	**Net cash flows from operating activities**	**417 203**	**86 044**
		Cash flows from investing activities		
-13 472	-1 623	Purchase of tangible fixed assets	-260 519	-419 264
37 350	13 976	Proceeds received from sale of tangible fixed assets	16 828	11 918
-44 118	-500	Purchase of share and companies, net of purchased cash and cash equivalents	0	-282 453
12 767	54 070	Proceeds received from sale of companies, net of sold cash and cash equivalents	29 070	0
133 977	-291 359	Change in loans to group companies	0	0
126 504	**-225 436**	**Net cash flows from investing activities**	**-214 621**	**-689 799**
		Cash flows from financing activities		
0	0	Proceeds from long-term debt	0	1 047 107
0	-93 442	Payment of long-term debt	-263 608	-127 082
-25 977	0	Change in short-term interest bearing debt	-79 582	-204 738
0	0	Proceeds from share issue	0	0
0	0	Payment of dividends and group contribution	-20 824	0
-25 977	**-93 442**	**Net cash flows from financing activities**	**-364 014**	**715 287**
		Foreign exchange effect [1)]	**70 536**	**-6 540**
171 802	**-285 200**	**Net change in cash and cash equivalents for the period**	**-90 896**	**104 992**
185 007	356 809	Cash and cash equivalents at the beginning of the period	431 563	326 571
356 809	71 609	Cash and cash equivalents at the end of the period	340 667	431 563

[1)] Foreign exchange effect includes positive cash effect from hedge contracts and NOK 2.8 million related to cash and cash equivalents.

Notes

Note 1 Accounting principles

The annual accounts have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles.

Consolidation principles

The consolidated accounts include the parent company Cermaq ASA and limited liability and general partnership companies where Cermaq ASA has a direct or indirect ownership of more than 50% of the voting capital and/or a controlling influence. Norgesmøllene DA has been fully consolidated in the consolidated accounts, as the company's articles of association imply that Cermaq ASA has control.

Companies where Cermaq ASA has a significant influence (ownership interest of between 20 and 50% in the voting capital) over operations and financial transactions have been incorporated into the accounts by means of the equity method. In accordance with this principle, the share of the profit/loss after tax in these companies is stated as profit/loss attributable to associated companies. The amortisation of excess value and goodwill on these investments is also included in this heading.

Companies that have been acquired during the year have been consolidated as of the date of acquisition. Companies that have been sold during the year have been consolidated into the accounts up until the date of transfer. Consolidated accounts have been prepared on the basis of uniform principles, and the subsidiaries follow the same accounting policies as the parent company. All significant transactions and receivables between group companies have been eliminated.

When subsidiaries are acquired the cost price of the shares in the parent company is eliminated against the equity of the subsidiary at the time of the acquisition. Excess value beyond book equity of the subsidiary is allocated to identifiable assets and liabilities at their actual value at the time of the acquisition. Any excess value beyond that allocated to assets and liabilities is recorded on the balance sheet as goodwill. Deferred tax is taken into account and entered on the balance sheet when excess value is assigned to assets and liabilities, while goodwill is recorded as a residual amount. Goodwill and excess value associated with foreign subsidiaries is converted to the relevant currency in accordance with the exchange rate at the time of the acquisition.

For the successive acquisition of shares, the value of the assets and liabilities at the time of consolidation is applied. The subsequent acquisition of ownership interests in existing subsidiaries will not affect the valuation of assets and liabilities with the exception of goodwill, which is analysed in connection with each acquisition.

Minority interests

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

Investments in subsidiaries, joint ventures and associated companies

In Cermaq ASA investments in subsidiaries, joint ventures and associated companies are recorded in accordance with the cost method.

Recognition of income

The sale of all goods is taken to income at the time of delivery. Discounts, other price reductions, taxes, etc., are deducted from operating revenues.

Classification principles

Liquid assets are defined as cash, bank deposits and other investments that can be converted into cash within 3 months.

Other assets intended for permanent ownership or use and receivables that mature more than one year after the end of the accounting year are identified as fixed assets. Other assets are classified as current assets.

Liabilities that fall due later than one year after the end of the accounting year are classified as long-term liabilities. Other liabilities are classified as short-term liabilities.

Conversion of foreign subsidiary accounts

Profit and loss account items of foreign subsidiaries are converted into Norwegian kroner (NOK) according to the average exchange rate for the accounting period. Balance sheet items are translated at the closing rate. Excess values and goodwill are converted to Norwegian kroner at the same rate as the subsidiary it relates to. Translation differences arising are entered directly against the Group's equity.

Transactions in foreign currency and hedging

Currency transactions related to the flow of goods and services are recorded according to the underlying hedging strategy. Unhedged transactions are converted to NOK at the actual exchange rate on the date of the transaction, while hedged transactions are recorded at the underlying hedging rate. Gains and losses on such foreign currency transactions are recorded as part of the contribution arising from that transaction.

Balance items that create natural hedging positions are recorded at the exchange rate on the balance-sheet date. Balance items that are hedged using off-balance-sheet financial instruments are stated at the underlying hedging rate.

Off-balance-sheet financial instruments

The Cermaq Group solely deals in off-balance-sheet financial instruments for hedging purposes. The accounting records following from the hedging transactions are therefore always connected to the underlying commercial transaction or balance sheet item.

Forward contracts are used to hedge future expected operational cash flows and certain balance sheet items. Transactions that are hedged using currency forwards are recorded at the actual exchange rate, while the difference between the hedging rate and the actual rate is recorded as part of the contribution arising from that transaction. Balance items are recorded at the hedging rate, using currency swaps to roll over the position. Forward margins are accrued and classified according to the underlying balance item.

Long-term floating rate debt is partly hedged using interest rate swaps or interest rate collars. Income and expenses in connection with interest rate hedging are accrued and classified according to the underlying balance sheet item.

Accounts receivables from customers
Receivables from customers are recorded at their nominal value less deductions for any expected losses.

Stocks
Raw materials and purchased commodities are valued at historical cost in accordance with the FIFO principle, with the addition of any processing costs that have been incurred. The processing costs consist of logistics, handling and storage costs.

Self-manufactured finished goods are valued at the full production cost. The production cost includes the direct and indirect, variable and fixed production costs. Interest expenses are not included. In cases where the actual value (net projected sales value) can reasonably be determined to be below the value indicated by the valuation principles described above, inventories are written down to the net realisable value.

Tangible fixed assets and depreciation
Tangible fixed assets are listed on the balance sheet at the historical cost less ordinary depreciation.

Allowances are made for ordinary depreciation from the point in time when the asset is placed in ordinary operation, and depreciation is calculated based on the economic/technical life in accordance with the following guidelines.

Asset Group	*Depreciation Rate*
Fixtures	33%
Computer equipment	33%
Vehicles	15–20%
Machinery and production equipment	15%
Plant	3-5%
Office buildings and dwellings	2-5%

Plant under construction is not depreciated.

Fixed assets are written down if its Net Present Value (NPV) of the anticipated future cash flows related to the asset can be demonstrated to be lower than the recorded value of the asset and that this impairment in value can reasonably be expected to be permanent.

Gains or losses from the sale of fixed assets are calculated as the difference between the sales price and the book value at the date of sale. Gains and losses from the sale of tangible fixed assets are recorded as operating revenues or losses.

Intangible assets
Costs related to research and development are expensed as incurred.

Payments for licences, rights and other intangible assets are depreciated over the period such licences or rights are in effect. Fish farming licences that are not time limited are not subject to depreciation. Leases for fish farming licences where the Group is regarded as having taken over a majority of the risks and benefits are recorded on the balance sheet as intangible assets and liabilities.

If a business is acquired and the consideration for the acquisition exceeds the value of the individual assets, then the difference, provided it represents a commercial value, is identified as goodwill on the balance sheet. Goodwill is amortised over an expected economic life of 20 years, which is documented by acquisition calculations.

Goodwill and licences are written down if its Net Present Value (NPV) of the anticipated future cash flows related to that goodwill or licence can be demonstrated to be lower than the recorded value and that this impairment in value can reasonably be expected to be permanent.

Pension costs and obligations
Pension costs are calculated and recorded in accordance with the Norwegian accounting standard for pension costs. The net pension costs for the period are included in wages and other personnel expenses.

Pension obligations are calculated on the basis of long-term expectations for the future discount rate, yield, wage increases, price inflation and pension adjustment. Pension funds are valued net of their actual value and the pension obligations to which they relate. Overfunding is recognised to the extent that it can reasonably be utilised.

Changes in calculated pension obligations due to changes in pension plans are accrued over the remaining contribution period or expected lifetime. Changes in the underlying obligations and assets of pension funds as a result of changes in estimates are accrued over the remaining contribution period for the portion of the deviations that exceed 10% of the gross pension obligations.

Taxation
Tax accounted for considers both the tax payable for the period and the movement in deferred tax. Movement in deferred tax reflects future tax payable as a result of the company's operations during the year.

Deferred tax is recognised in respect of all temporary differences at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Temporary differences are differences between the company's taxable profits and its results as stated in the financial statements that occurs in one period and reverse in a later period.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Extraordinary items

Items that are uncommon, occur infrequently and are significant in relation to the overall operations are recorded as extraordinary.

Cash flow statement

The Group's cash flow statement illustrates the Group's overall cash flow broken down by operating, investment and financing activities. The acquisition of subsidiaries is dealt with as an investment activity for the Group and is presented separately with deductions for the cash reserves in the company that has been acquired. The statement illustrates the effect of the activities on the Group's liquid asset balances.

Use of estimates

Preparation of the accounts in accordance with the generally accepted accounting principles requires the management to make estimates and assumptions that have an effect on the value of the assets and liabilities on the balance sheet and the reported revenues and expenses for the accounting year. Ultimate values that are realised may deviate from these estimates.

Note 2 Companies in the Group

The consolidated accounts for 2002 include the following companies of significant size:

Amounts in NOK 1000

	Registered		Nominal capital share	Group's ownership and voting share
Parent Company Cermaq ASA	Norway	NOK	875 000	
Statkorn Aqua AS	Norway	NOK	180 000	100%
Statkorn Aqua Invest AS	Norway	NOK	10 333	100%
Ewos AS	Norway	NOK	300 028	100%
Florø Fiskefôr AS	Norway	NOK	43 000	100%
Ewos Innovation AS	Norway	NOK	23 363	100%
Ewos Ltd.	Scotland	GBP	500	100%
Aquascot Ltd.- group	Scotland	GBP	534	100%
Ewos Canada Ltd.- group	Canada	CAD	50 000	100%
Statkorn Fish Feed Chile s.a.	Chile	USD	17 000	100%
Ewos Chile s.a.	Chile	USD	182 661	100%
Mainstream Alimentos y Salmones s.a.- group	Chile	USD	6 924	100%
Norgesmøllene DA [1)]	Norway	NOK	252 000	60%
Unikorn AS	Norge	NOK	75 000	66%
Vaksdal Industrier AS	Norge	NOK	22 167	100%

1) The subsidiary is sold with effect from January 3, 2003, see note 3.

Note 3 Changes in the corporate structure/significant individual transactions

Year 2002
In 2002, 34% of the shares in Unikorn AS were sold with effect from January 1. In Cermaq ASA, the sale resulted in a gain of 3.6 million kroner. No profit or loss was recorded as a result of the sale in the Group accounts.

In March 2002, the Board of Directors in Cermaq ASA decided to enter negotiations with Fjord Seafood ASA on a possible merger. On June 10th, the merger was abandoned, as the proposal did not get the necessary two-thirds majority in Fjord Seafood's general meeting. Consultancy fees of 26.5 million kroner and finance costs of 4.5 million kroner arising from the process is recognised in the Profit and Loss Accounts.

In March 2002 EWOS AS's factory in Vestnes was closed. In December 2002 the decision was taken to close the factory in Stavanger. Total closure costs of 47 million kroner is charged in the Profit and Loss Accounts.

During the autumn 2002, Cermaq ASA entered into negotiations regarding the sale of its ownership share in Norgesmøllene DA for 151.2 million kroner. The sale was effective from January 3rd 2003. A gain from the sale will appear in the Group Accounts in 2003.

Year 2001
The following significant acquisitions were made in 2001. All company acquisitions are accounted for in accordance with the purchase method as of the date of acquisition.

In June and August 2001, Cermaq ASA sold the property Staur and the shares in Norsk Kornforedling AS respectively to the Norwegian Ministry of Agriculture. The gains on these sales totalled 21.4 million kroner in the company accounts and 12.1 million kroner in the consolidated accounts. Settlement was in Cermaq shares, see note 23. The gains from these sales are stated as other operating revenues.

Company name	Date of aquisition / sale	Aquisition cost (sales price) for purchase (sale) of shares
Mainstream Alimentos Y Salmones s.a. group (7.2%)	31.01.2001	102 677
Fitz Roy (100%)	21.06.2001	29 730
Oxseavision AS (24.2%)	01.02.2001	6 090
Unikorn AS (remaining 50%)	01.04.2001	127 536
Norsk Kornforedling AS (sale, 51.1%)	31.08.2001	-13 004

Note 4 Financial market risks

The Cermaq Group has Norwegian kroner as its base currency, but it has considerable operations outside Norway that give rise to exposure to fluctuations in currency exchange rates. All major investments outside Norway are hedged, either wholly or in part, through currency loans in the respective currencies or through currency swaps. Currency exposure arising from operational cash flows is hedged as soon as it is identified. For EWOS, the exposure is mainly due to raw material purchases in currencies other than that of the local operation, while the majority of sales are in local currency. For the fish farming division the situation is largely the opposite, as the majority of purchases are made locally, while sales are dominated by export in foreign currencies.

EWOS Chile uses USD as its functional currency. However, some of its assets and liabilities are denominated in chilean pesos. Local management hedge the USD/CLP exposure in the forward market and by matching assets and liabilities in USD. On a group basis, the investments in Chile are financed through USD loans.

The Cermaq Group is exposed to interest rate fluctuations since the Group's debt is only partially hedged. As Cermaq finances its investments abroad through loans in local currencies (with the exception of Chile) it creates an interest rate diversification, which reduces the overall exposure.

Note 5 Information on segments and geographic distribution

The Cermaq Group has two strategic business areas; Aquaculture and Agriculture. The Cermaq Group's operating segments are managed separately since each individual division represents a strategic business area. Separate reports are prepared for the operating segments, and the corporate management evaluates the results and resource allocation continuously. Segmental information has been presented since 1999 so that an information summary can be given for each business area. Aquaculture consists of Fish Feed and Fish Farming. Fish Feed encompasses the production of fish feed and the processing of by-products from the fish farming industry. Fish Farming encompasses the on-growing of salmon and trout from smolts, as well as the slaughtering, processing, sale and distribution of trout and salmon. Agriculture includes Milling Operations, Grain trading and other operations. Milling Operations include the production and sale of flour, pasta and other cereal products, in addition to the marketing and sale of baking aids through Norgesmøllene. Grain Trading and other operations primarily consist of grain trading through the subsidiary Unikorn AS, as well as the production of animal feed and other agricultural activities carried out through associated companies.

The Group evaluates operations based on the operating profit/loss, and cash flows of the individual segments. Inter company sales and transfers between the segments take place at market prices.

Group operating revenues by the location of the individual customers

Amounts in NOK 1000

Country	2002	2001
Norway	3 759 376	3 523 254
Chile	1 068 694	1 573 742
UK	461 459	423 358
Rest of Europe	222 257	312 063
Canada	329 363	346 626
Japan	294 808	353 091
Other countries	601 497	522 741
Total operating revenues	6 737 454	7 054 873

Amounts in NOK 1000

	External sales		Internal sales		Operating revenues	
	2002	2001	2002	2001	2002	2001
Fish feed	3 935 426	4 328 505	479 889	520 179	4 415 315	4 848 684
Fish farming	1 132 966	1 086 145	0	0	1 132 966	1 086 145
Eliminations	0	0	-479 889	-520 179	-479 889	-520 179
Aquaculture	**5 068 392**	**5 414 650**	**0**	**0**	**5 068 392**	**5 414 650**
Milling operations	768 660	755 515	0	0	768 660	755 515
Grain trading and other activities	895 479	831 516	371 637	438 813	1 267 116	1 270 329
Eliminiations	0	0	-371 637	-435 112	-371 637	-435 112
Agriculture	**1 664 139**	**1 587 031**	**0**	**3 701**	**1 664 139**	**1 590 732**
Group activities	4 923	53 191	5 118	9 745	10 041	62 936
Eliminiations	0	0	-5 118	-13 446	-5 118	-13 446
Total	**6 737 454**	**7 054 873**	**0**	**0**	**6 737 454**	**7 054 873**

	Operating profit/loss		Ordinary depreciation		Profit/loss attributable to associated companies	
	2002	2001	2002	2001	2002	2001
Fish feed	163 436	406 961	207 541	174 767	-1 331	-2 351
Fish farming	-185 417	-64 627	89 730	89 357	-2 717	2 660
Eliminations	23 936	-60 036	0	0	0	0
Aquaculture	**1 955**	**282 298**	**297 271**	**264 124**	**-4 048**	**309**
Milling operations	62 044	45 769	21 458	21 392	1 047	1 372
Grain trading and other activities	47 131	42 102	10 448	19 376	639	3 593
Eliminations	645	-5 258	0	0	0	0
Agriculture	**109 820**	**82 613**	**31 906**	**40 768**	**1 686**	**4 965**
Group activities	-65 793	-12 946	14 087	13 955	3 973	6 993
Eliminations	0	-28 700	0	0	0	0
Total	**45 982**	**323 265**	**343 263**	**318 846**	**1 610**	**12 267**

Note 6 Wages and other personnel expenses

Amounts in NOK 1000

CERMAQ ASA 2001	CERMAQ ASA 2002		GROUP 2002	GROUP 2001
9 816	14 658	Wages, including holiday pay	445 729	462 527
2 052	2 705	National insurance contributions	43 025	38 070
4 308	1 530	Pension costs	28 230	14 237
2 555	5 779	Other personnel expenses	7 932	11 135
18 731	**24 672**	**Total**	**524 916**	**525 969**

Number of employees in Cermaq ASA as at 31 December 2002: 25 (2001:14)
Number of employees in the Cermaq Group as at 31 December 2002: 2,612 (2001:2,583)

Remuneration paid to the Board of Directors totalled NOK 1,010,000 (2001: NOK 560,000). It was decided at the General Assembly in 2002 to pay extra remuneration to The Board of Directors for 2002 to reflect the time and effort put into the intended merger with Fjord Seafood ASA. The standard remuneration for the current period is the same as in 2001.

Bonus and pension schemes, etc., for key management personnel

Group Chief Executive Geir Isaksen received a salary and other remuneration of NOK 1,623,092. (2001: NOK 1,615,002). Isaksen does not have any special agreements regulating the conditions if he should resign. He is entitled to retirement on attaining the age of 62. Up until his ordinary pension he is entitled to 66% of his salary upon his retirement. The Group chief executive does not have any bonus arrangements.

Terms of payments to the corporate management

Person	Options	Severance pay	Bonus of salary	Loans
Geir Isaksen	18 000	-	-	-
Geir Sjaastad	15 000	-	-	-
Peter Williams	15 000	1 year [1]	30% [2]	-
Francisco Ariztia	-	1 year	30%	-
Kjell Bjordal	15 000	1 year [1]	30% [2]	-

[1] Agreement of one years pay from the date of withdrawal if the company brings the conditions of employment to an end.
[2] Based on a ROCE target (Return on capital employed). Targets are set annually.

Stay on bonus

In connection with the acquisition of the Ewos Group in 2000, agreements were made with the management of these companies entitling them to a bonus for further employment in Ewos or in other companies within the Cermaq Group. During 2002 bonuses were given totalling NOK 2.6 million. Remaining bonuses as of December 31, 2002 total NOK 2.6 million and will be paid in May 2003 in the event that the individuals concerned continue to work for the Group at that date.

No other members of the corporate management have any bonus or special termination agreements.

Option scheme

In March 2001, an option scheme was established for the top management of the Group companies. As at December 31, 2002, 102,000 options are effective with a strike price of NOK 400 per share. No premium is to be paid. The options are associated with employment and are rewarded by one third on May 1, 2001, one third on May 1, 2002 and one third on May 1, 2003. The options may be executed from the date they are earned until July 1, 2006.

Note 7 Pension costs and obligations

Cermaq ASA has group pension insurance for its employees through Vital Forsikring ASA. It is a defined benefit pension scheme and is accounted for as such. There were 17 members in the scheme as of December 31, 2002 (2001: 12 members). In addition Cermaq has responsibility for 52 pensioners. These were transferred to Cermaq as an element in the final clarification of the sale of Stor-møllen to Felleskjøpet in 1999.

Some of the other companies in the Cermaq Group have differently defined benefit pension schemes. In the Group, 682 persons are in pension schemes, 60 of these are located in Scotland, the remaining 622 in Norwegian companies. See also the description under accounting principles.

CERMAQ ASA			GROUP	
2001	**2002**		**2002**	**2001**
6.0 %	6.0%	Discount rate	6.0%	6.0%
7.1 %	7.1%	Expected return on pension funds	7.1%	7.1%
3.0 %	3.0%	Wage adjustment	3.0%	3.0%
3.0 %	3.0%	Basic amount adjustment / inflation	3.0%	3.0%
3.0 %	3.0%	Pension adjustment	3.0%	3.0%

Amounts in NOK 1000

CERMAQ ASA			GROUP	
2001	**2002**		**2002**	**2001**
1 015	1 832	NPV of current year's pension benefit earned	22 931	21 755
1 545	1 738	Interest cost of pension liability	16 390	15 447
-1 478	-1 727	Expected return on pension funds	-17 684	-17 225
27	106	Amortisation of discrepancies	1 020	-1 735
-141	-217	Employee contributions deducted	-1 143	-151
26	79	Administration expenses	549	294
140	0	Accrued National Insurance contributions	2 446	1 260
3 170	-281	Adjustments fo circumstancesf rom earlier years	3 722	-5 410
4 308	1 530	Net accrued pension costs	28 230	14 237

Amounts in NOK 1000

CERMAQ ASA			GROUP	
31.12.2001	**31.12.2002**		**31.12.2002**	**31.12.2001**
-29 623	-31 743	Projected benefit obligations (PBO)	-300 181	-279 915
23 825	28 297	Estimated pension funds	262 505	253 966
-5 797	-3 446	Estimated net pension funds / obligations(-)	-37 676	-25 949
3 374	5 078	Unrecorded gain(-) / loss on pension funds	24 310	15 672
-2 424	1 632	Net pension funds / obligations(-)	-13 366	-10 277
-342	0	Accrued National Insurance contributions	-1 182	-364
-2 765	1 632	Pension funds / obligations(-)	-14 546	-10 641

Note 8 Other operating expenses

Amounts in NOK 1000

CERMAQ ASA 2001	CERMAQ ASA 2002		GROUP 2002	GROUP 2001
0	0	Production cost [1)]	316 272	294 109
0	0	Logistics costs [2)]	381 338	380 418
2 902	4 867	Sales and administration expenses	232 175	255 609
-11 166	47 996	Other operating expenses [3), 4)]	79 744	52 414
-8 264	**52 863**	**Total**	**1 009 528**	**982 549**

1) Production costs include all costs associated with production of goods and other maintenance costs.
2) Logistics costs include all costs associated with transporting goods from production site to the customer.
3) Research and development costs of NOK 65.8 million have been charged against income in 2002 (2001 NOK 68.7 million)
4) In other operating expenses in Cermaq ASA, a significant share of the costs relates to consultancy fees and travelling expenses, besides wages and other personell costs. In 2002 consultancy fees of NOK 26.5 million were charged related to the attempted merger with Fjord Seafood ASA.

Auditor

The company's auditor, Ernst & Young invoiced the following fees in 2002:

Amounts in NOK 1000

	CERMAQ ASA	GROUP
Auditor fees regarding Annual Accounts	420	3 666
Auditor fees regarding other financial audit	747	1 782
Total audit fees	1 167	5 448
Additional services	1 213	2 893
Total auditor's fees	**2 380**	**8 341**

Auditors' fees other than in respect of the Annual Accounts mainly involves limited reviews regarding quarterly reporting and work related to the failed merger with Fjord Seafood ASA.

Note 9 Income on investments in subsidiaries

Income on investments in subsidiaries includes share of the profit for the year from general partnership companies, dividends and group contribution received.

Note 10 Financial income/expenses

Amounts in NOK 1000

CERMAQ ASA 2001	CERMAQ ASA 2002		GROUP 2002	GROUP 2001
151 553	156 344	Interest income	83 602	103 281
12 401	4 282	Other financial income	6 389	2 418
163 954	160 625	Total financial income	89 991	105 699
103 111	127 101	Of which are group related items	0	0
64 536	37 840	Interest expenses	201 424	264 066
10 692	3 062	Net foreign exchange loss	16 388	16 173
3 577	8 489	Other financial expenses	27 832	23 877
78 805	49 391	Total financial expenses	245 644	304 116
85 149	**111 234**	**Net financial items**	**-155 653**	**-198 417**

Note 11 Taxation

Amounts in NOK 1000

CERMAQ ASA			GROUP	
2001	**2002**		**2002**	**2001**
28 426	8 773	Tax payable	50 265	72 010
3 055	4 777	Change in deferred tax	-18 813	-34 076
31 481	**13 550**	**Tax for the year on ordinary profit / loss**	**31 452**	**37 934**

Distribution of corporate tax

Amounts in NOK 1000

	CERMAQ ASA	
Norway	41 012	32 360
Abroad	-9 560	5 574
Total	**31 452**	**37 934**

After making deductions for the tax effect of group contributions paid, non-deductible expenses and non-taxable income, the tax payable on the balance sheet of Cermaq ASA totals NOK 5.2 million and the tax payable on the consolidated balance sheet amounts to NOK 74.9 million.

Amounts in NOK 1000

CERMAQ ASA			GROUP	
31.12.2001	**31.12.2002**	**Deferred tax - effect of temporary differences**	**31.12.2002**	**31.12.2001**
36 207	19 491	Total short-term items	33 031	22 514
-1 804	21 782	Total long-term items	22 075	10 539
0	0	Tax loss carry forward and other tax credits	-137 898	-71 993
0	0	Negative ground rent income	1 938	237
0	0	Not recognised deferred tax asset	86 218	58 618
34 403	**41 273**	**Deferred tax / tax assets (-)**	**5 365**	**19 915**

Based on the Group's accounting principles, deferred tax assets arising from tax loss carried forward in Ewos Canada Ltd. Group and Aquascot Group, have not been recognised in the balance sheet.

Amounts in NOK 1000

Expiring dates of tax credits and tax losses carried forward:

	GROUP	
	31.12.2002	**Expiring date**
Norway	13 256	2012
Scotland	56 293	Without expiration
Canada	66 719	Without expiration
Chile	1 630	Without expiration
Total	**137 898**	

Amounts in NOK 1000

CERMAQ ASA			GROUP	
2001	**2002**	**Reconciliation of the tax or the year**	**2002**	**2001**
41 830	26 044	28 % tax on the profit for the year	-30 257	38 392
1 884	-12 402	28 % tax of permanent differences	12 147	12 057
0	0	Differences in nominal rate for foreign companies [1)]	49 711	-12 515
-2 848	0	Tax effect on sale of subsidiaries	0	1 965
-9 385	-92	Other differences	-149	-1 965
31 481	**13 550**	**Actual tax**	**31 452**	**37 934**

[1)] The effect of not recognising the deferred tax asset related to results in 2002 is NOK 27.6 million.

Note 11 continued

The permanent differences in Cermaq ASA's accounts for 2002 primarily relates to non taxable income (dividend from subsidiaries and associates) and taxable losses on sale of shares.

Amortisation of goodwill is the most significant permanent difference for the Group's Accounts.

The tax effect of the sale of subsidiaries is the result of the difference between the tax-related gain and financial gain/loss associated with the sale of subsidiaries.

NOKUS-taxation

Taxes totalling NOK 1.7 million are expensed in the 2002 accounts (2001: NOK 40 million) related to NOKUS-taxation (Norwegian taxation on income from companies in low-tax countries) on income in Chile. Total provision for NOKUS-tax at December 31, 2002 is NOK 41.7 million.

In 2000 a total of NOK 45 million was paid related to NOKUS-taxation. In the opinion of the Cermaq Group, Chile should not be considered a low-tax country. The Group has therefore appealed the tax assessment for 2000. The issue is complex and an appeal could result in an increase in taxes assessed, though the potential for additional tax payable is not considered to be material.

Note 12 Minority interests

Amounts in NOK 1000

	Group	
Minority interests' share of :	**2002**	**2001**
Ordinary depreciation	16 821	13 650
Operating profit/loss	38 150	16 204
Profit/loss before tax	26 638	10 688
Tax	3 951	661

	Group	
Development of minority interests	**2002**	**2001**
Minority interests as at January 1	123 389	202 276
Profit/loss for the year attributed to minority interests	23 434	10 027
Increase related to acquisitions	0	1 114
Reduction in connection with acquisitions of minority interests	0	-80 565
Reduction in connection with distributions to owners	-20 824	0
Reduction in connection with the sale of subsidiaries	0	-9 463
Increase in connection with sale of minority interests	32 841	0
Minority interests as at December 31	158 840	123 389

	Group	
Specification of minority interests	**2002**	**2001**
Norgesmøllene DA	114 392	121 511
Unikorn AS	40 901	0
Other Norwegian companies	336	383
Farm Control Ltd., Scotland	1 869	0
Aquascot, Scotland	1 327	1 477
Mainstream, Chile	15	18
Minority interests as at December 31	158 840	123 389

Note 13 Intangible assets

Amounts in NOK 1000

Group	Fish farming licences etc.	Goodwill
Historical cost as at January 1, 2002	1 180 757	1 222 062
Effect of foreign currencies	-249 871	-187 415
Transfers	-5 048	12 368
Historical cost as at December 31, 2002	**925 838**	**1 047 015**
Accumulated depreciations as at January 1, 2002	-26 487	-128 347
Ordinary depreciation for the year	-18 586	-55 932
Effect of foreign currencies	6 497	16 977
Transfers	4 745	0
Accumulated depreciations as at December 31, 2002	**-33 831**	**-167 302**
Book value as at January 1, 2002	**1 154 270**	**1 093 715**
Book value as at December 31, 2002	**892 007**	**879 713**

Financial lease

Leases recorded on the balance sheet related to fish farming licences in Canada represent NOK 89.6 million of the book value as at 31 December 2002. Leasing commitments constitute NOK 97.2 million.

Renewal of licenses

Licences have to be renewed every 5 years in Canada. This process is ongoing, and as per January 2003, 15 of 18 licenses had been renewed. One is still to be renewed and two are in a provincial park and applications have been made to relocate them to a new area.

Impairment

The management have considered the implications of the introduction of the new Norwegian accounting standard regarding impairment of tangible and intangible fixed assets. Because of the current difficult trading conditions the main consideration has been related to the book value of fish farming licenses and goodwill.

A review of the value of these assets has been carried out, based on comparing the Net Present Value (NPV) of the projected future cash flows from those assets, with the book value of the assets. Best estimates of cash flows for the next 5 years have been used, plus a terminal value using a multiple based on the inverse of the discount rate used. The discount rate is the medium term pre-tax cost of debt finance for each currency in which group assets are denominated, plus a risk premium of 6%.

The major assumptions, which impact on the present value of these projected cash flows, are the discount rate, the estimated price of salmon, cost of production, salmon production volumes and that there will continue to be a market for salmon produced in the geographical areas where the assets are located. Different NPV scenarios have been developed, using varying salmon prices, production costs and discount rates, to test the sensitivity of the NPV to these variables.

On the basis of this analysis, the management believe that the there is no need for impairment of book value of goodwill and fish farm licences as at December 31, 2002.

Specification of fish farming licences etc.

Amounts in NOK 1000

Company / grouping	Acquisition year	Historical cost	Book value 31.12.2002	Depreciation period
Fish farming licences in Chile	2000	771 120	605 864	0
Fish farming licences in Canada	2000	202 403	132 744	20 years
Fish farming licences in Scotland	2000	176 917	150 535	0
Other intangible assets	2000	24 420	2 865	2.5 years
Total fish farming licences etc.			**892 007**	

Specification of goodwill from acquisition of businesses

Amounts in NOK 1000

Company / grouping	Acquisition year	Original goodwill	Book value 31.12.2002	Depreciation period
Companies in EWOS Group	2000	594 839	438 418	20 years
Mainstream Salmones Y Alimentos s.a. Group	2000/2001	367 330	248 790	20 years
Fish farming companies in Scotland	2000	90 016	69 034	20 years
Noraqua AS	1999/2000	67 905	58 977	20 years
Norgesmøllene DA	1996	89 276	64 494	20 years
Total			**879 713**	

NOTE 14 TANGIBLE FIXED ASSETS

Amounts in NOK 1000

Cermaq ASA	Machinery, fixtures, vehicles, etc.	Buildings	Land	Total
Historical cost as at January 1, 2002	15 213	29 985	2 619	47 817
Additions, cost price	1 503	120	0	1 623
Disposals, cost price	-1 642	-8 626	-518	-10 786
Historical cost as at December 31, 2002	**15 074**	**21 479**	**2 101**	**38 654**
Accumulated depreciation as at 1 January, 2002	-2 301	-8 213	0	-10 514
Ordinary depreciation for the year	-733	-2 507	0	-3 240
Depreciation on disposals for the year	398	2 225	0	2 623
Accumulated depreciation as at December 31,2002	**-2 636**	**-8 495**	**0**	**-11 131**
Book value as at January 1, 2002	**12 912**	**21 772**	**2 619**	**37 303**
Book value as at December 31, 2002	**12 438**	**12 984**	**2 101**	**27 523**

Group	Machinery, fixtures, vehicles, etc.	Buildings	Land	Plant under construction	Total
Historical cost as at January 1, 2002	2 184 145	547 743	59 883	42 209	2 833 980
Additions, cost price	201 976	22 588	7 955	28 000	260 519
Disposals, cost price	-26 095	-8 835	-518	0	-35 448
Foreign currency effect, hist. cost	-234 709	-49 868	-10 615	-3 179	-298 371
Transferred from plant under construction	40 904	3 183	1 070	-44 495	662
Historical cost as at December 31, 2002	**2 166 221**	**514 811**	**57 775**	**22 535**	**2 761 342**
Acc. depreciation as at January 1, 2002	-896 060	-138 162	0	0	-1 034 222
Depreciation and write off [1)]	-243 505	-25 241	0	0	-268 746
Foreign curr. effect, changes for the year	94 678	11 873	0	0	106 551
Depreciation on disposals for the year	9 022	1 984	0	0	11 006
Acc. depreciation as at December 31, 2002	**-1 035 865**	**-149 546**	**0**	**0**	**-1 185 411**
Book value as at January 1, 2002	**1 288 085**	**409 582**	**59 883**	**42 209**	**1 799 759**
Book value as at December 31, 2002	**1 130 356**	**365 265**	**57 775**	**22 535**	**1 575 930**

Financial leasing

Leasing agreements in the balance regarding buildings, machinery, inventory etc. amount to NOK 99.5 million for the Group. Leasing commitments amount to NOK 55.4 million.

[1)] Write off: Total write offs of fixed assets in 2002 amounted to NOK 26.3 million and relates to the closure of EWOS AS' factories in Vestnes (March 2002) and Stavanger (Board decision in December 2002).

Note 15 Investments in subsidiaries

Amounts in NOK 1000

Limited companies	Ownership interest Cermaq ASA	Equity as at 31.12.2002	Profit / loss 2002	Book value as at 31.12.2002	Office location
Statkorn Aqua AS	100%	145 912	-34 087	209 239	Oslo
Statkorn Aqua Invest AS	100%	17 309	3 112	15 510	Oslo
Ewos AS	62% [1)]	549 737	54 296	257 600	Bergen
Ewos Ltd.	100%	53 331	569	83 115	Scotland
Noraqua AS	100%	3 050	165	13 102	Bergen
Florø Fiskefôr	100%	98 335	7 530	199 877	Florø
Statkorn Fish Feed Chile	1% [1)]	372 835	97 061	1 580	Chile
Unikorn AS	66%	120 280	28 966	50 100	Oslo
Norsk Lossekontroll AS	80%	1 690	-79	40	Oslo
Cernova AS	100%	530	-2 897	500	Bergen
Vaksdal Industrier AS	100%	29 114	2 526	53 437	Vaksdal
Total limited companies				**884 100**	
Other companies					
Norgesmøllene DA	60%	284 096	32 095	151 200	Bergen
Total investments in subsidiaries				**1 035 300**	

[1)] The Cermaq Group wholly owns the companies. Statkorn Aqua owns the remaining interests.

Note 16 Investments in associated companies

Cermaq ASA	Ownership interest	Voting share	Equity as at 31.12.2002	Profit / loss 2002	Book value as at 31.12.2002	Office location
Fiskå Mølle AS	49%	49%	57 286	3 650	17 150	Fiskå
AS Balsfjord Kornsilo	40%	40%	1 713	268	40	Oslo
Total investments in associated companies					**17 190**	

Amounts in NOK 1000

Group	Book value as at 31.12.2001	Share of profit / loss for the year	Amortisation of excess value	Additions / disposals during period	Dividend	Book value as at 31.12.2002
Fiskå Mølle AS	26 600	1 788	0	0	-1 960	26 428
Senter for Forteknologi AS	1 164	-613	0	-551	0	0
AS Balsfjord kornsilo	723	134	0	0	0	857
Trondheim Kornsilo AS	2 640	639	0	0	0	3 279
Hordafôr AS	23 803	4 382	-1 167	0	-3 509	23 509
Food Manufacturing Services AS	10 015	2 168	-1 036	0	0	11 147
Havrehuset AS	2 672	-85	0	0	0	2 587
Oxseavision AS	3 739	-206	-1 125	0	0	2 408
Salmones Llanquihue / Gentec	10 000	-2 717	0	-2 394	0	4 889
Total investments in associated companies	**81 356**	**5 491**	**-3 328**	**-2 945**	**-5 469**	**75 104**

Note 17 Investments in other companies

Amounts in NOK 1000

Company	Cermaq ASA	Group ownership interest	No. of shares owned	Total par value	Share capital	Book value 31.12.2002
Bioparken AS	1.52%	1.52%	5	50	3 300	50
Risørfisk AS	7.93%	7.93%	150	356	4 494	1 350
AquaGen AS	11.75%	11.75%	311 068	311	2 648	31 107
Other						8
Total Cermaq ASA						**32 515**
Eliminations of internal gains on shares						-19 610
Norwegian Royal Salmon AS		3.16%	544 573	545	17 307	7 412
Other						3 354
Total investments in other companies – group						**23 671**

Note 18 Other long-term receivables

Amounts in NOK 1000

CERMAQ ASA			GROUP	
31.12.2001	**31.12.2002**		**31.12.2002**	**31.12.2001**
500	400	Long-term loans to customers	46 727	148 582
0	1 632	Other long-term receivables	51 848	82 459
500	**2 032**	**Total**	**98 575**	**231 041**

Note 19 Long-term inter company receivables

Amounts in NOK 1000

Cermaq ASA	Currency	Currency amount	Value at rate on 31.12.2002	Book value 31.12.2002	Book value 31.12.2001
EWOS Canada Ltd.	CAD	85 666	378 471	393 789	403 899
EWOS Ltd., UK	GBP	6 589	73 765	75 422	14 186
Aquascot, UK	GBP	15 729	176 082	183 719	12 896
EWOS Chile SA, Chile	USD	4 102	28 575	29 392	0
Receivables from Norwegian companies			871 231	871 231	893 847
Total long-term intercompany receivables			**1 528 124**	**1 553 554**	**1 324 828**

All inter company loans denominated in foreign currencies from Cermaq ASA to subsidiaries are hedged in the forward market and booked at the relevant hedge rate.

Note 20 Stocks

Amounts in NOK 1000

CERMAQ ASA			GROUP	
31.12.2001	**31.12.2002**		**31.12.2002**	**31.12.2001**
0	0	Raw materials	513 007	596 266
0	0	Fish in the sea	434 279	528 016
0	0	Work in progress	17 551	13 304
0	0	Finished good	391 509	473 706
0	0	Net realiseable value provision	-60 071	-37 770
0	**0**	**Total stocks**	**1 296 275**	**1 573 522**

Note 21 Accounts receivables from customers

Accounts in NOK 1000

CERMAQ ASA			GROUP	
31.12.2001	31.12.2002		31.12.2002	31.12.2001
209	26	Receivables from customers	1 253 299	1 469 893
0	0	Provisions for doubtful receivables	-111 045	-116 768
209	**26**	**Total receivables from customers**	**1 142 254**	**1 353 125**

Note 22 Liquid assets

Accounts in NOK 1000

CERMAQ ASA			GROUP	
31.12.2001	31.12.2002		31.12.2002	31.12.2001
45 220	71 609	Cash in hand, bank and postal giro deposits [1)]	340 667	119 974
60 000	0	Bonds	0	60 000
101 589	0	Money market	0	101 589
150 000	0	Cash market	0	150 000
356 809	**71 609**	**Total liquid assets**	**340 667**	**431 563**
698	0	Of which are restricted deposits	7 701	12 783

1) Cash is comprised of the net group account balances in the Cermaq Group account system with Danske Bank, as well as other cash reserves within the Group. The group account system, which was established in January 2002, includes feed and farm companies in Norway and UK in addition to Cermaq ASA.

Note 23 Equity

Amounts in NOK 1000

Cermaq ASA	Share capital	Own shares	Share premium reserves	Other reserves	Total equity
Equity as at January 1, 2002	875 000	-5 440	1 524 424	294 634	2 688 614
Profit/loss for the year	0	0	0	79 462	79 462
Equity as at December 31, 2002	**875 000**	**-5 440**	**1 524 424**	**374 096**	**2 768 079**

Group	Share capital	Own share	Share premium reserves	Other reserves	Minority interests	Total equity
Equity as at January 1, 2002	875 000	-5 440	1 524 424	366 400	123 389	2 883 773
Sale of minority interests	0	0	0	0	29 070	29 070
Paid to minority shareholders	0	0	0	0	-20 824	-20 824
Change in conversion differences	0	0	0	-115 279	0	-115 279
Profit/loss for the year	0	0	0	-162 948	23 434	-139 514
Other changes	0	0	0	1 314	3 771	5 085
Equity as at December 31, 2002	**875 000**	**-5 440**	**1 524 424**	**89 486**	**158 840**	**2 642 311**

Number of shares: 8,750,000, face value NOK 100. All the shares in the company have equal status.

NOTE 23 CONTINUED

Shareowners	Number of shares	%-age ownership
Norwegian Government represented by the Ministry of Trade and Industry	6 945 600	79.38%
Norgesinvestor II AS	1 046 250	11.96%
Odin Norge	124 060	1.42%
Annexstad Hartvig Wenneberg AS	78 750	0.90%
Odin Norden	55 290	0.63%
Cermaq ASA (own shares)	54 400	0.62%
Total	8 304 350	94.91%
Other (82 owners)	445 650	5.09%
Total	**8 750 000**	**100%**

The following board members have shares in the company: Stein H. Annexstad: 4,500

Annexstad also owns 34% of Annexstad Hartvig Wenneberg AS, which owns 78,750 shares in Cermaq ASA, as well as 33.33% of Trinity Capital, which owns 7,500 shares in Cermaq ASA.

Authorisation

The board had a valid authorisation until February 2, 2003 from the general assembly to increase Cermaq ASA's equity by an amount of up to NOK 437,500,000 distributed over 4,375,000 shares, face value NOK 100, in one or more share issues, with no preference for existing shareholders. The authorisation is not automatically renewable.

Until November 11, 2002, the Board had an authority from the general assembly to acquire Cermaq ASA's own shares. The authority was used in 2001 for the acquisition of 54,400 own shares when Staur Farm and Norsk Kornforedling was sold to the Norwegian Ministry of Agriculture. The authorisation is not automatically renewable.

NOTE 24 FINANCING

Amounts in NOK 1000

CERMAQ ASA			GROUP	
31.12.2001	31.12.2002		31.12.2002	31.12.2001
113 324	0	Syndicated loan [1]	1 852 630	2 508 518
0	0	Mortgage loan [2]	158 983	232 680
0	0	Financial leases [3]	143 493	250 304
0	0	Other liabilities [4]	260 333	316 235
113 324	**0**	**Total interest bearing long-term liabilities**	**2 415 439**	**3 307 737**
0	0	Short term bank loans [5]	216 900	373 435
0	0	Other short-term liabilities [6]	17 454	17 092
0	**0**	**Total interest bearing short-term liabilities**	**234 354**	**390 527**
113 324	**0**	**Total interest bearing liabilities**	**2 649 793**	**3 698 264**

[1] The syndicated loan is a "Multi Currency Revolving Credit Facility" with a total credit limit of USD 300 million (originally USD 340 mill.). As at December 31, 2002 the equivalent of USD 266 million of the facility is utilized. The facility was established 21. December 2000 and has a term of 5 years. Repayments are due at the end of 2003, 2004 and 2005, being USD 25 million, 75 million and thereafter the remaining balance respectively. In January 2003 the facility was reduced by further 15 million USD to a total credit limit of 285 million USD. The interest rate is linked to LIBOR plus a margin of originally 65-115 basis points depending on the Group's earnings. The key financial terms (covenants) for the syndicated loan facility are:
A) Group's equity ratio must not be lower than 40% (incl. goodwill)
B) Ratio between Group's net liabilities and EBITDA must not exceed 3.75:1
During the year the financial situation of the Cermaq Group caused a breach of both of these covenants. Based on management projections, and proposals to dispose of non-core assets of the Group, the participating syndicate banks have granted a waiver on the above-mentioned financial covenants. The current waiver acceptance is based on the following conditions:

- The Group's equity ratio must be no lower than 35% (incl. goodwill) up to and including 1. Quarter 2003 reporting. Thereafter the original equity covenant of minimum 40% is applicable.
- The ratio between the Group's net debt and EBITDA must not exceed 6.75:1 up to and including the 4. Quarter 2002 report. For the reporting of 1. and 2. Quarter in 2003 the ratio between net debt and EBITDA must not exceed 5.00:1. With effect from 3. Quarter 2003 the original covenant in the facility is applicable (maximum 3.75:1).

Based on the current market position, group management expects to fulfil the original covenant conditions at the end of the current waiver agreement.

[2] Mortgage loan relates to the financing of Unikorn.

[3] Financial leases are primarily comprised of commitments related to recorded fish farming licences in Canada totalling NOK 88 million (CAD 20 mill.) and by plant leases in EWOS Chile totalling NOK 54 million (USD 7.7 mill.).

[4] Other long-term liabilities primarily include the financing of Norgesmøllene of NOK 200 million. As a result of the sale of Norgesmøllene this liability is removed from the Group balance sheet with effect January 3, 2003. Other than this, long term liabilities include deferred payment arrangements related to purchases of fish farming operations in Scotland.

[5] Short-term bank loans comprise of present drawings under credit facilities with local banks in Chile (USD 21.7 mill.), Canada (CAD 4.6 mill.) and Norway (NOK 2 mill.).

[6] Other short-term liabilities include invoice discounting in the UK and the 2003 instalment on financial leases in Canada (CAD 2 mill.).

Note 24 continued

The maturity plan of the Group's interest bearing debt is as follows:

Amounts in NOK 1000

	31.12.2002	Maturity 2003	2004	2005	2006	2007	After 2007
Syndicated loan	1 852 630	174 095	522 285	1 156 250			
Mortgage loan [1)]	158 983	158 983					
Financial leasing	143 493	32 771	22 113	88 405	68	68	68
Other long-term liabilities	260 333	201 800	19 425	56 886	1 800	1 800	4 329
Short-term credit lines [2)]	216 900	216 900					
Other short-term liabilities	17 454	17 454					
Gross Interest bearing debt	**2 649 793**	**802 003**	**563 823**	**1 301 541**	**1 868**	**1 868**	**4 397**
Available credit lines [3)]	470 309						

[1)] Mortgage loan relate to long-term funding of Unikorn, rolled over on an annual basis.

[2)] Short-term credit lines primarily concern overdraft facilities with local bank loans in Chile, rolled over every 1-12 months.

[3)] Available overdraft facility does not include unutilised capacity under the syndicated loan (USD 34 million)

Note 25 Currency- and interest rate management

Debt portfolio split by currencies

The table below shows the Group's interest bearing debt split by currency, as well as average interest rates and the average amount of time until the next interest adjustments.

Debt in NOK 1000	Amount in 1000 NOK 31.12.2002	Average fixing of interest rates	Average interest rates
USD [1)]	1 568 030	16 months	5.01 %
CAD	102 089	26 months	11.26 %
GBP	458 708	3 months	6.61 %
CLP	96 400	4 months	1.77 %
JPY	23 885	1 months	1.16 %
NOK	400 681	2 months	7.63 %
Interest bearing debt	2 649 793	11 months	5.80 %
Cash and bank [2)]	-340 662		
Net interest bearing debt	2 309 131		

[1)] Average fixing of USD interest rates include the interest rate hedges totalling USD 75 million (see specification of interest rate hedges below)

[2)] Cash and bank is the net sum of cash at hand minus utilised overdraft for those companies making use of their short-term credit facilities.

The Group's assets denominated in foreign currency are to a large extent hedged by borrowings in the same currencies, as reflected in the above table. Currency swaps are also used to hedge translation exposure of overseas assets. Cermaq Group has a policy of partially hedging interest rate risk through the use of interest rate swaps and options, to achieve a balance between fixed and floating rate debt.

Note 25 continued

Currency hadging

Forward contracts/currency swaps as at 31.12.2002

Amounts in 1000

Cermaq buys	Net amount	Cermaq sells	Net amount
NOK	28 950	USD	4 000
NOK	264 652	GBP	22 500
NOK	421 054	CAD	90 000
USD	3 270	NOK	24 126
USD	17 036	CLP	12 141 988
USD	500	JPY	60 540
EUR	661	CAD	1 019
EUR	5 424	NOK	43 043
CLP	1 340 830	USD	1 900

In addition to translation exposure related to balance items the Cermaq Group has operational exposures linked to both sales and purchases in foreign currencies. Group policy is to hedge all known exposures upon identification. Hedging of operational exposures is generally by the use of forward contracts, while currency swaps are used to hedge internal loans. Cermaq ASA executes all external currency hedging on behalf of the operations in Norway and the UK, while hedging in Canada and Chile is executed using local banks.

Interest rate hedging

Interest rate swaps/options as at 31.12.2002

Instrument	Currency	Amount (NOK 1000)	Cermaq receives	Cermaq pays	Maturity
Swap	USD	50 000	LIBOR 6 months	5.60%	Jan 2006
Swap [1]	USD	15 000	LIBOR 6 months	5.14%	Oct 2007
Collar	USD	10 000	LIBOR 6 months	4.7%–7%	Mar 2006
Swap [2]	USD	50 000	LIBOR 3 months	1.285%	Nov 2005

[1] The counter party has the right to cancel the agreement in October 2005.

[2] "Optimized funding swap transaction" which implies that the counter party has the right to cancel the agreement at each roll-over date.

Long-term floating rate liabilities are partly hedged through interest rate swaps or interest rate collars. Cermaq ASA executes all interest rate hedging on behalf of the Group. As of December 31, 2002 approximately 28% of the Group's drawings under the syndicated loan facility were hedged. The Group's interest exposure within the aquaculture segment relates to USD, CAD and GBP, while the agriculture operations are exposed to NOK rates exclusively.

Note 26 Non-interest bearing short-term liabilities

Amounts in NOK 1000

CERMAQ ASA			GROUP	
31.12.2001	**31.12.2002**		**31.12.2002**	**31.12.2001**
1 692	2 708	Unpaid taxes and holiday pay	48 685	27 650
601	4 634	Accounts payable to suppliers	778 830	941 358
27 705	5 209	Tax payable	74 838	72 572
20 892	15 573	Other short-term liabilities	230 501	287 266
50 890	**28 124**	**Total non-interest bearing short-term liabilities**	**1 132 853**	**1 328 846**

Note 27 Off-balance sheet leases Cermaq ASA and Group

Amounts in NOK 1000

Lessee	Assets	Annual rent	Duration of agreement
Cermaq ASA	Rent	2 694	30.06.2005
Ewos Canada Ltd.- group	Rent	14 346	31.12.2004
Ewos Canada Ltd.- group	Machinery and equipment	1 579	30.09.2005
Ewos Ltd. Scotland	Machinery and equipment	2 775	31.12.2005
Ewos AS	Machinery and equipment	1 500	31.12.2022
Ewos AS	Rent	1 250	31.12.2022

Note 28 Mortgages and guarantees

Amounts in NOK 1000

CERMAQ ASA		Mortgages	GROUP	
31.12.2001	**31.12.2002**		**31.12.2002**	**31.12.2001**
0	0	Debt to credit institutions	158 983	232 680
0	**0**	**Total mortgage debt**	**158 983**	**232 680**

		Book value of mortgaged assets		
31.12.2001	**31.12.2002**		**31.12.2002**	**31.12.2001**
0	0	Stock	247 316	214 777
0	0	Receivables from customers and other short-term receivables	117 999	138 911
0	**0**	**Total book value of mortgaged assets**	**365 315**	**353 688**

		Guarantee liability		
31.12.2001	**31.12.2002**		**31.12.2002**	**31.12.2001**
363 661	390 292	Guarantee liability	390 292	363 661
363 661	**390 292**	**Total guarantee liability**	**390 292**	**363 661**

The Group’s syndicated loan is based on a negative pledge, which gives only limited potential to mortgage assets as security on other loans. Cermaq ASA is liable for withdrawals by the subsidiaries from the Group's corporate account system with Danske Bank. The parent company's guarantee liability also includes guarantees for the debt of other group companies.

Auditor's report

ERNST & YOUNG

■ Statsautoriserte revisorer

Ernst & Young AS
Drammensveien 165
Postboks 228 Skøyen
N-0213 Oslo

Medlemmer av Den norske Revisorforening

■ Foretaksregisteret:
NO 984 328 745 MVA

Tel. +47 22 92 80 00
Fax +47 22 92 89 00
www.ey.no

To the Annual Shareholders' Meeting of
Cermaq ASA

Auditor's report for 2002

We have audited the annual financial statements of Cermaq ASA as of 31 December 2002, showing a profit of NOK 79.462.000 for the parent company and a loss of NOK 139.513.000 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 profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. 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 Norwegian Act on Auditing and Auditors and auditing standards and practices generally accepted in Norway. Those standards and practices require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. To the extent required by law and auditing standards, an audit also comprises a review of the management of the Company's financial affairs and its accounting and internal control systems. We believe that our audit provides a reasonable basis for our opinion.

In our opinion,

- the financial statements have been prepared in accordance with law and regulations and present the financial position of the Company and of the Group as of 31 December 2002, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted In Norway
- the Company's management has fulfilled its duty to properly register and document the accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the appropriation of the profit is consistent with the financial statements and comply with law and regulations.

Oslo, 21. mars 2003
ERNST & YOUNG AS

Eirik Tandrevold (sign.)
State Authorised Public Accountant (Norway)

Note: The translation to English has been prepared for information purposes only.

■ Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Holmestrand, Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sortland, Stavanger, Steinkjer, Trondheim, Tønsberg, Vikersund, Ålesur

Addresses – Norway

Cermaq ASA
Grev Wedels Plass 5
P.O.Box 144 Sentrum
N-0102 Oslo, Norway
Tel: +47 22 31 75 80
Fax: +47 22 31 75 99

AS Balsfjord Kornsilo
c/o Cermaq ASA
P.O.Box 144 Sentrum
N–0102 Oslo, Norway
Tel: +47 22 31 75 80
Fax: +47 22 31 75 99

AS Trondheim Kornsilo
Nedre Ila 58
N–7018 Trondheim, Norway
Tel: +47 73 52 72 20
Fax: +47 73 50 91 19

EWOS AS
C. Sundtsgt. 17/19
P.O.Box 4 Sentrum
N–5803 Bergen, Norway
Tel: +47 55 54 84 00
Fax: +47 55 54 84 01

EWOS Innovation AS
N–4335 Dirdal, Norway
Tel: +47 51 61 17 00
Fax: +47 51 61 61 12

Fiskå Mølle AS
N–4120 TAU, Norway
Tel: +47 51 74 42 17
Fax:: +47 51 74 42 13

Hordafôr AS
Salthella
N–5397 Bekkjarvik, Norway
Tel: +47 56 18 18 50
Fax: +47 56 18 18 70

Norsk Lossekontroll AS
Kongens gt. 2
P.O.Box 67 Sentrum
N–0101 Oslo, Norway
Tel: +47 22 42 63 53
Fax:: +47 22 41 42 96

Unikorn AS
Utstikker 3, Vippetangen
P.O.Box 472 Sentrum
N–0105 Oslo, Norway
Tel: +47 23 31 84 00
Fax:: +47 23 31 84 29

Vaksdal Industrier AS
Sandbrekketoppen 30, Midtun
P.O.Box 293 Nesttun
N–5853 Bergen, Norway
Tel: +47 55 22 49 00
Fax:: +47 55 22 49 48

Addresses – Canada

EWOS Canada Limited
7721-132nd Street
Surrey BC
V3W 4M8
Canada
Tel: +1 604 591 6368
Fax:: +1 604 591 7232

Pacific National Aquaculture
Suite 300, 101 Wharf Street
Victoria BC
V8W 1E1
Canada
Tel: +1 250 386 0866
Fax:: +1 250 386 0860

Addresses – Scotland

EWOS Limited
Westfield, Bathgate
West Lothian
EH48 3BP
Scotland
Tel: +44 1506 633966
Fax:: +44 1506 632730

Aquascot Group Limited
Fyrish Way
Alness
Highland
IV17 OPJ
Scotland
Tel: +44 1349 884481
Fax:: +44 1349 882176

Addresses – Chile

EWOS Chile S.A.
Parque Industrial Escuadron
KM 20 Camino a Concepcion
Coronel
Chile
Tel: +56 41 205 700
Fax:: +56 41 751 033

Mainstream Salmones Y Alimentos S.A.
Benavante 550 P, 11
Puerto Montt
Chile
Tel: +56 65 270 224
Fax:: +56 65 270 223

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Cermaq ASA
Grev Wedels Plass 5
P.O.Box 144 Sentrum
N–0102 Oslo, Norway
Tel: +47 22 31 75 80
Fax: +47 22 31 75 99