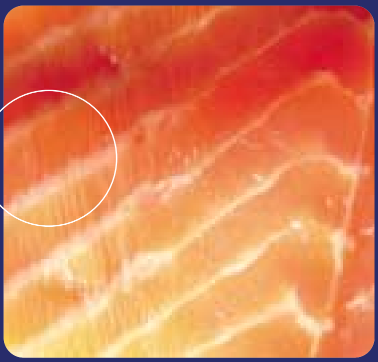
Annual report 2003

cermaq

Content

Key financial figures Cermaq Group

Cermaq ASA 2002	Cermaq ASA 2003	*Amounts in NOK 1000*	Note	Group 2003	Group 2002
		Profit and loss account			
10 041	25 114	Operating revenues		6 041 039	6 737 454
-70 734	-29 476	Operating result pre write downs		254 345	45 982
-70 734	-490 819	Operating result		23 350	45 982
79 462	-247 286	Result for the year		-56	-139 513
		Balance sheet			
2 668 114	2 388 212	Fixed assets		3 094 822	3 545 000
214 828	219 370	Current assets		1 949 126	2 899 867
2 882 942	**2 607 582**	**Total assets**		**5 043 948**	**6 444 867**
2 768 079	2 520 793	Equity		2 436 913	2 483 470
0	0	Minority interests		367	158 840
41 273	0	Long-term liabilities		1 543 134	2 435 350
73 591	86 789	Current liabilities		1 063 534	1 367 207
2 882 942	**2 607 582**	**Total equity and liabilities**		**5 043 948**	**6 444 867**
		Financial strength			
96.0%	96.7%	Equity share	1	48.3%	41.0%
		Profit			
-704.5%	-1954.4%	Operating margin	2	0.4%	0.7%
2.9%	-9.4%	Return on equity	3	0.0%	-5.0%
4.8%	-9.7%	Return on total assets*	4	2.4%	1.8%
-	-	Earnings pr. share	5	-0.72	-18.74
		Cash flow			
71 609	97 587	Cash and cash equivalents		403 389	340 667
2.9	2.5	Current ratio	6	1.8	2.1

1) Equity/Total assets, in %
2) Operating profit/Net revenues, in %
3) Net profit for the year/Average equity, in %
4) Result before tax + financial expenses/Average total asset, in %
5) Result for the year, majority interest/number of shares
6) Current assets/Current liabilities

* The 2002 comparatives have been re-stated in line with the disclosure in note 10, financial income/expenses, to present foreign exchange gains/losses separately from financial expenses.

Central Management Team

Cermaq central management team. Back row from left: Peter Williams, Geir Isaksen and Geir Sjaastad. In front from left: Kjell Bjordal and Francisco Ariztia

Cermaq Central Management Team (CCMT)

Geir Isaksen, CEO

Peter Williams, CFO

Geir Sjaastad, Dep. CEO

Kjell Bjordal, COO FEED

Francisco Ariztia, COO FARM

Fish Feed

- EWOS AS
- EWOS Canada Ltd
- EWOS Ltd
- EWOS Chile S.A.
- EWOS Innovation AS

Fish Farming

- Mainstream Salmones SA
- Mainstream Canada Ltd.
- Mainstream Scotland Ltd.

Other Activities

- Vaksdal Industrier AS
- Norsk Lossekontrol AS
- Unikorn AS
- AS Balsfjord Kornsilo
- AS Trondheim Kornsilo
- Hordafôr AS

Towards the stock exchange

The year 2003 was a contrast filled year for the aquaculture industry.

In the USA and Japan, market prices for salmon and trout were good, which led to good results for Chilean fish farmers. The Chilean companies are characterized by solidity, and there is optimism in the industry. On the west coast of Canada, optimism is also growing after two years of losses due to disease problems. The diseases are under control and growth conditions for the fish are good in a market that is showing remunerative prices.

In Europe, salmon prices have been low, leading to weak results among fish farmers in Norway and Scotland. Many companies are struggling. Bankruptcies and debt rescheduling have caused losses among banks and feed producers.

The political environment is also different in Norway and Chile. In the EU market, Norway is experiencing a continued threat of anti-dumping sanctions against the Norwegian fish farming industry. This leads to further insecurity among Norwegian farmers. In Chile's most important markets, the USA and Japan, this is not a current threat.

There was sharp focus on food safety, fish health and environmental considerations during 2003. In a broad article in the Economist, the aquaculture industry was praised for its ability to produce food in an efficient and sustainable manner. A few months later, the periodical Science created fear among consumers by claiming that farmed salmon may contain too high levels of dioxin and PCB.

During these volatile periods, Cermaq has managed to strengthen its operations and financial position. Our operating profit improved by more than NOK 200 million in 2003 against the previous year. Our net interest bearing debt has been reduced by NOK 2 billion since the end of 2001, and is now below NOK 1.3 billion. We have en equity ratio that is approaching 50%.

Cermaq is in good shape for taking further initiatives in the aquaculture industry. We firmly believe that the possibilities in this young industry are great and that the problems mentioned above can be solved. The industry will mature; a consolidation of the Norwegian industry will follow the ones we have seen in Chile and Canada. Supply, demand and production developments will be more predictable. The consideration of environmental issues and food safety is in our opinion one of the strengths of fish farming. Trade issues will be solved, although we may see some major or minor setbacks on the way.

Our ambition is to develop the industry in this direction. We believe we are well equipped to do so:

- The company already has a leading position in the salmon industry
- The company has proved its ability to carry out acquisitions and mergers
- The company has a healthy balance sheet
- The company has management capacity to expand its operation
- The company has strong decentralized competence within fish farming and feed production

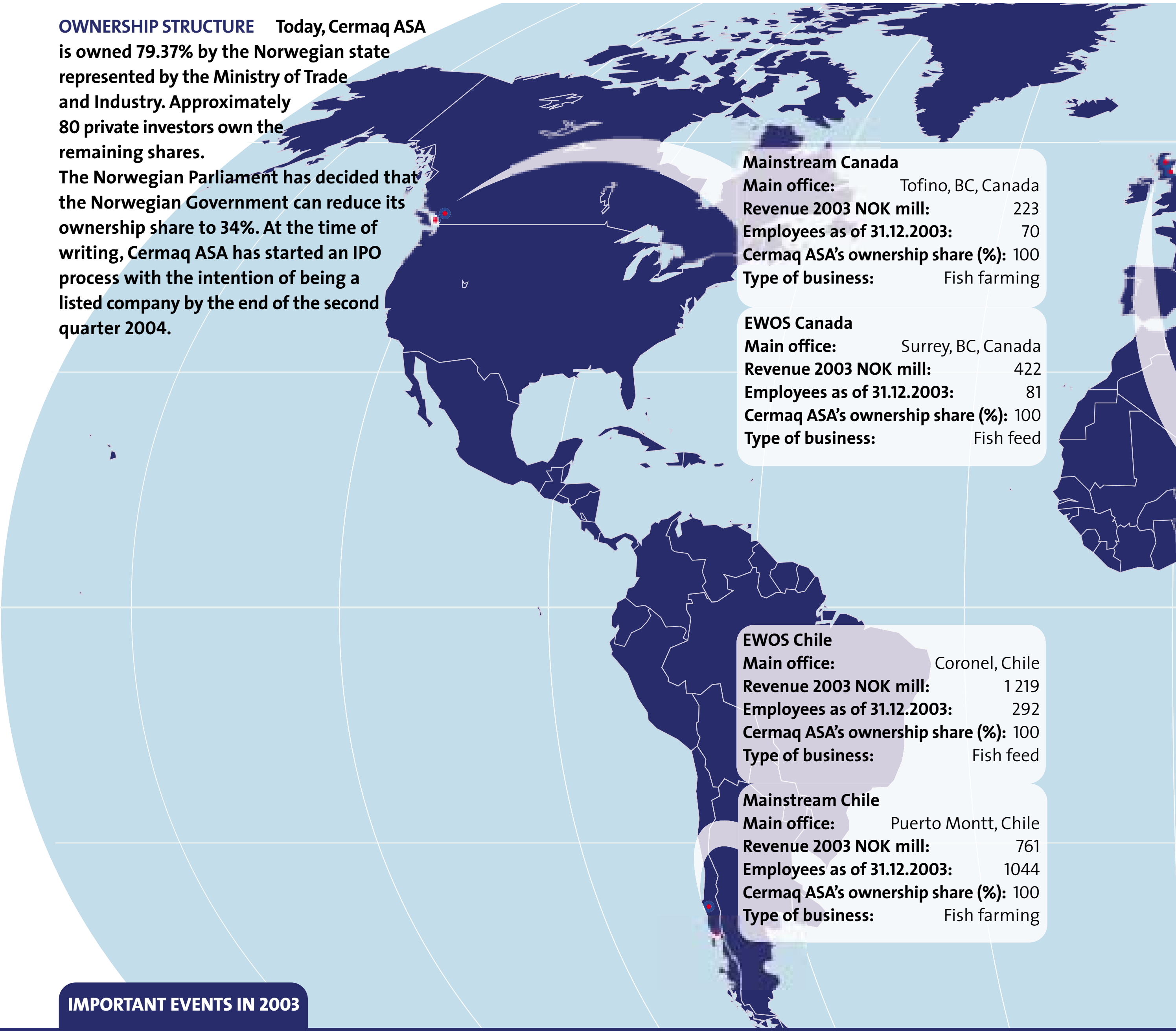
Cermaq has now started an initial public offering process with the intention of being listed during the second quarter of 2004. In this connection, we wish to appear as an exciting and ambitious participant in the aquaculture industry, but with financial and operational solidity as a basis. We have chosen "Sustainable Aquaculture" as our motto, because we want to be a leading company.

Geir Isaksen
CEO

Cermaq Group

OWNERSHIP STRUCTURE **Today, Cermaq ASA is owned 79.37% by the Norwegian state represented by the Ministry of Trade and Industry. Approximately 80 private investors own the remaining shares.**

The Norwegian Parliament has decided that the Norwegian Government can reduce its ownership share to 34%. At the time of writing, Cermaq ASA has started an IPO process with the intention of being a listed company by the end of the second quarter 2004.



Mainstream Canada	
Main office:	Tofino, BC, Canada
Revenue 2003 NOK mill:	223
Employees as of 31.12.2003:	70
Cermaq ASA's ownership share (%):	100
Type of business:	Fish farming

EWOS Canada	
Main office:	Surrey, BC, Canada
Revenue 2003 NOK mill:	422
Employees as of 31.12.2003:	81
Cermaq ASA's ownership share (%):	100
Type of business:	Fish feed

EWOS Chile	
Main office:	Coronel, Chile
Revenue 2003 NOK mill:	1 219
Employees as of 31.12.2003:	292
Cermaq ASA's ownership share (%):	100
Type of business:	Fish feed

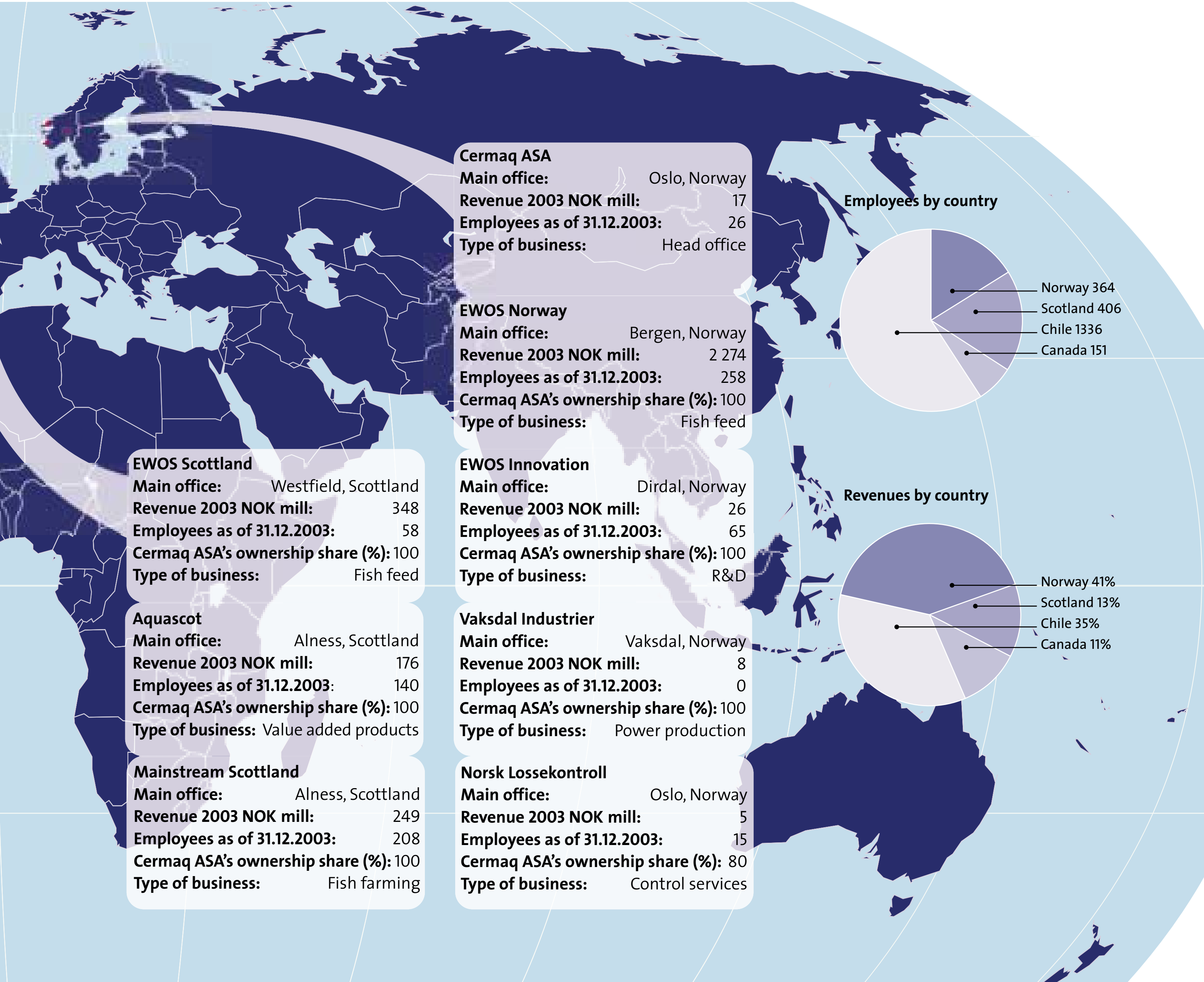
Mainstream Chile	
Main office:	Puerto Montt, Chile
Revenue 2003 NOK mill:	761
Employees as of 31.12.2003:	1044
Cermaq ASA's ownership share (%):	100
Type of business:	Fish farming

IMPORTANT EVENTS IN 2003

March
Cermaq ASA decided to split the farm and processing division in the subsidiary company Aquascot Group Ltd in two independent companies/units

April
Cermaq ASA sells 66% of the shares in Unikorn AS to its wholly owned subsidiary Cernova AS

May
The Cermaq Group decided to join together their farming industry under one common name, Mainstream. Pacific National Aquaculture (PNA) in Canada and farming division of Aquascot Group in Scotland change their names to Mainstream Canada and Mainstream Scotland respectively.



Cermaq ASA	
Main office:	Oslo, Norway
Revenue 2003 NOK mill:	17
Employees as of 31.12.2003:	26
Type of business:	Head office

EWOS Norway	
Main office:	Bergen, Norway
Revenue 2003 NOK mill:	2 274
Employees as of 31.12.2003:	258
Cermaq ASA's ownership share (%):	100
Type of business:	Fish feed

EWOS Scottland	
Main office:	Westfield, Scottland
Revenue 2003 NOK mill:	348
Employees as of 31.12.2003:	58
Cermaq ASA's ownership share (%):	100
Type of business:	Fish feed

Aquascot	
Main office:	Alness, Scottland
Revenue 2003 NOK mill:	176
Employees as of 31.12.2003:	140
Cermaq ASA's ownership share (%):	100
Type of business:	Value added products

Mainstream Scottland	
Main office:	Alness, Scottland
Revenue 2003 NOK mill:	249
Employees as of 31.12.2003:	208
Cermaq ASA's ownership share (%):	100
Type of business:	Fish farming

EWOS Innovation	
Main office:	Dirdal, Norway
Revenue 2003 NOK mill:	26
Employees as of 31.12.2003:	65
Cermaq ASA's ownership share (%):	100
Type of business:	R&D

Vaksdal Industrier	
Main office:	Vaksdal, Norway
Revenue 2003 NOK mill:	8
Employees as of 31.12.2003:	0
Cermaq ASA's ownership share (%):	100
Type of business:	Power production

Norsk Lossekontroll	
Main office:	Oslo, Norway
Revenue 2003 NOK mill:	5
Employees as of 31.12.2003:	15
Cermaq ASA's ownership share (%):	80
Type of business:	Control services

Employees by country

Revenues by country

September
Cernova AS sells 16.2% of the shares in Unikorn to Bygdemøllenes Investeringsselskap AS. Cernova AS becomes minority shareholder in the company.

September
Cermaq ASA sells its 49% share in Fiskå Mølle AS to Brødrene Nordbø AS

September
Cermaq ASA decides to sell the processing company Aquascot Ltd.

Fish feed operation

EWOS Group is a leading international player in the production of feed for the fish farming industry. The Group, which mainly produces feed for salmon and trout, has production facilities and solid market positions in all four of the major salmon producing countries: Norway, Chile, Canada, and the UK.

Feed is the largest single element in the cost of producing a salmon, representing a crucial factor in our customers' productivity and financial results. Feed is of major significance to the health and quality of the fish, and an important factor in ensuring the safety of our customers' end products. A salmon is what it eats!

EWOS group's strategy is to be the most confident choice for fish farmers. Confidence in a low feed ratio and optimum growth, confidence in an end product that maintains high quality, and confidence that with intensive testing of raw materials and full traceability, food safety standards are being rigorously adhered to. To support this strategy, the EWOS group has placed considerable and increasing emphasis on research and development. This work largely takes place through EWOS Innovation.

The sustainability of the aquaculture industry with regard to available feed resources and their utilisation is paramount to EWOS. Through its ongoing research work, and detailed knowledge of the industry, EWOS has established a database on the conversion of available feed resources, particularly those with marine origins. Other applications of marine raw materials are industrial use, animal feed, direct consumption of industrial fish, and the natural ocean food chain. Compared to these the conversion of marine raw materials via salmon feed into high-value food demonstrates a high degree of sustainability. EWOS has an on-going program of promoting salmon has a healthy and environmentally sustainable food source. This program includes lectures, information materials, the press, and above all the AquaNor growers' fair.

Organisation/Management

The aquaculture industry is characterised by several major international groups. To strengthen international management and co-ordination in EWOS, a head office was set up in 2003 in Bergen, led by Kjell Bjordal. The EWOS group has developed a close partnership across national borders in functions such as procurement, product development, R & D, technology, marketing and information systems, and stands out in the market as a complete global player.

The Markets

Norway Growth on the previous year increased in the Norwegian feed market where EWOS has been defending its market position of approx. 40%.

EWOS Norway has continued a major structural and rationalisation programme, which has seen reductions in both production costs and overheads. Following the closure of EWOS' smaller and older factories in Vestnes (2002) and Stavanger (2003), EWOS Norway now has an optimum factory structure, consisting of three modern factories with good capacity utilisation. In 2003, EWOS Norway suffered losses on accounts outstanding and provisions for bad debts, which were far higher than previous years, but still relatively lower than the industry average. Despite this, the company continued its reduction of accounts outstanding and other customer financing.

Scotland In 2003, the Scottish fish feed market was relatively stable. EWOS has a market share of approx. 20%. Over the years, EWOS has developed a profile as a supplier of added-value products giving better profits than more standard fish feed. In 2003, the fish feed industry in Scotland took significant losses on accounts outstanding due to a generally weak financial position among salmon farmers. For its part, EWOS avoided significant losses due to good credit management.

Chile In the past 2 years, the Chilean feed market has been characterised by significant excess capacity and relatively low margins. Despite this pressure of excess capacity in the market during 2003, EWOS Chile defended its market position as the leading feed supplier in Chile and continued to improve its results. The Chilean farming industry appears to be growing strongly, which should lead to a more balanced feed capacity in the market.

Canada In 2003, the Canadian farming industry was characterised by difficult biological conditions within farming, particularly the incidence of IHN disease in fish, and the market declined as a result. EWOS Canada defended its position as market leader, and it is anticipated that improved biological conditions will provide new growth in the Canadian market from and including the second half of 2004.

Finances

The four EWOS companies had a total sales volume of 661,600 tonnes of fish feed in 2003, representing a 1.7 percent increase over 2002. The operating profits for the EWOS group increased from NOK 163.4 million in 2002 to NOK 195 million in 2003. At the end of 2003, the EWOS group had a global market share of 35 percent.

In recent years, the EWOS group has concentrated on reducing accounts receivable from customers. These have historically been high throughout the entire fish feed industry, as farmers have looked to the feed companies to provide a significant portion of their working capital needs. During the course of 2003, the EWOS group reduced its total debts outstanding with external customers from NOK 1,001 million to NOK 700 million. In conjunction with other capital rationalisations, and the year's positive receipts, this has given the EWOS group a positive operating cash flow of NOK 648 million, as compared with NOK 293 million in 2002.

EWOS will continue to give priority to the work of reducing accounts receivable, to limit the risk of losses and reduce working capital.

KEY FIGURES

	2003	2002	2001
Sales in tonnes	661 600	650 700	723 100
Operating revenues	4 272 332	4 415 315	4 848 684
Operating result	195 063	163 436	406 961
Operating margin (%)	4.57	3.72	8.39

Fish farming Operations

Following a difficult 2002, the salmon industry saw improvements in some areas in 2003. The American market, which is the most significant one for Cermaq operations, continued its recovery from 2002 and remained strong. The European market also improved over the historic lows of 2002, but remained weak throughout the year, against most expectations. Prices in Japan remained high for most of the year, contributing well to the results.

Due to the long production cycle, the aftermath of the IHN virus in the Canadian province of British Columbia in 2001 and 2002, which produced significantly higher than normal mortalities for all companies operating there, had a major negative impact on production costs. In Scotland, the operational measures taken in 2002 and 2003 to improve efficiency and costs have not yet made a significant impact, although improvements have been achieved.

During the year, the ongoing trade disputes between the different producing countries continued. Many Chilean producers, among them Mainstream Chile, were revoked of the dumping case in the United States in 2003, while in Europe, the minimum import price arrangement for Norwegian exports to the EU was terminated. However Norwegian trout producers were accused of dumping in the European market, and a near 20% levy was proposed. At the time of writing the British government has asked for safeguard measures against non-EU producers of salmon.

Despite the industry's problems in some of the most important geographical areas over the last three years, remarkable little restructuring and consolidation took place during 2003. While most players have had to review growth plans, many of the weaker players survived through the co-operation of their creditors. During 2003 we saw an increasing number of players being effectively run, and in some instances, owned by their banks. However, despite the expectation that the banks are not long-term fish farmers, this has not yet resulted in major restructuring. The industry in Europe and Canada is drained for cash, and we expect that short-term cash replenishment will be a main decision driver. We believe that restructuring will gain momentum, and that the industry will develop larger, stronger and more sustainable units.

The Mainstream Group (excluding Aquascot) sold 58.6 thousand tons of salmon and trout in 2003, based on a round weight equivalent (RWE). This represents an increase of 6% from 2002, and leaves Cermaq among the top five salmon producers in the world. Revenues in USD (the USA is the Group's most important market) grew by 36.4% from 115.8 million (excluding Aquascot) in 2002 to 158 million in 2003, reflecting an increase of 28% in unit prices. Based on the above, the overall gross margin was USD 0.27 per kilo sold.

Mainstream Chile performed well considering the overall business environment. The ability to control costs of production and favourable markets in the USA and Japan ensured a good result in 2003. Mainstream was revoked of all dumping accusations from the US, as was the case with most of the Chilean industry.

Mainstream Canada had another difficult year in the aftermath of the devastating IHN losses in 2002. We are pleased to see that structural changes made in 2002 and 2003 have shown promising results, and we are on a clear path to get back to a position of long-term sustainability, both from a financial and environmental perspective. The first results of these changes can already be seen, however, due to the long production cycle the impact of the measures taken will not be reflected in the financial figures until 2004.

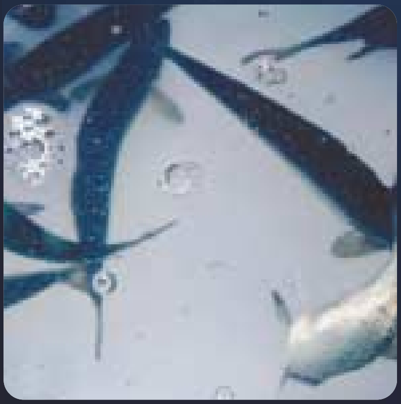
The year has also been challenging for our Scottish operation. Despite the operational improvements implemented in 2002 and 2003, production problems, diseases and inefficient sites adversely impacted costs of production. In addition the adverse market conditions in European markets throughout the year have reduced revenue per kilo of fish sold. Splitting the Scottish operation in one farming unit (Mainstream Scotland) and one unit for value added products (Aquascot Group) created better operational focus in both areas. During the year, we decided to divest Aquascot Group, based on our assessment that the value added business needed to grow considerably to become a central player in the seafood market. We found that this could be better achieved outside the Cermaq Group. An agreement for the sale of the business to the existing management has been entered into in 2004.

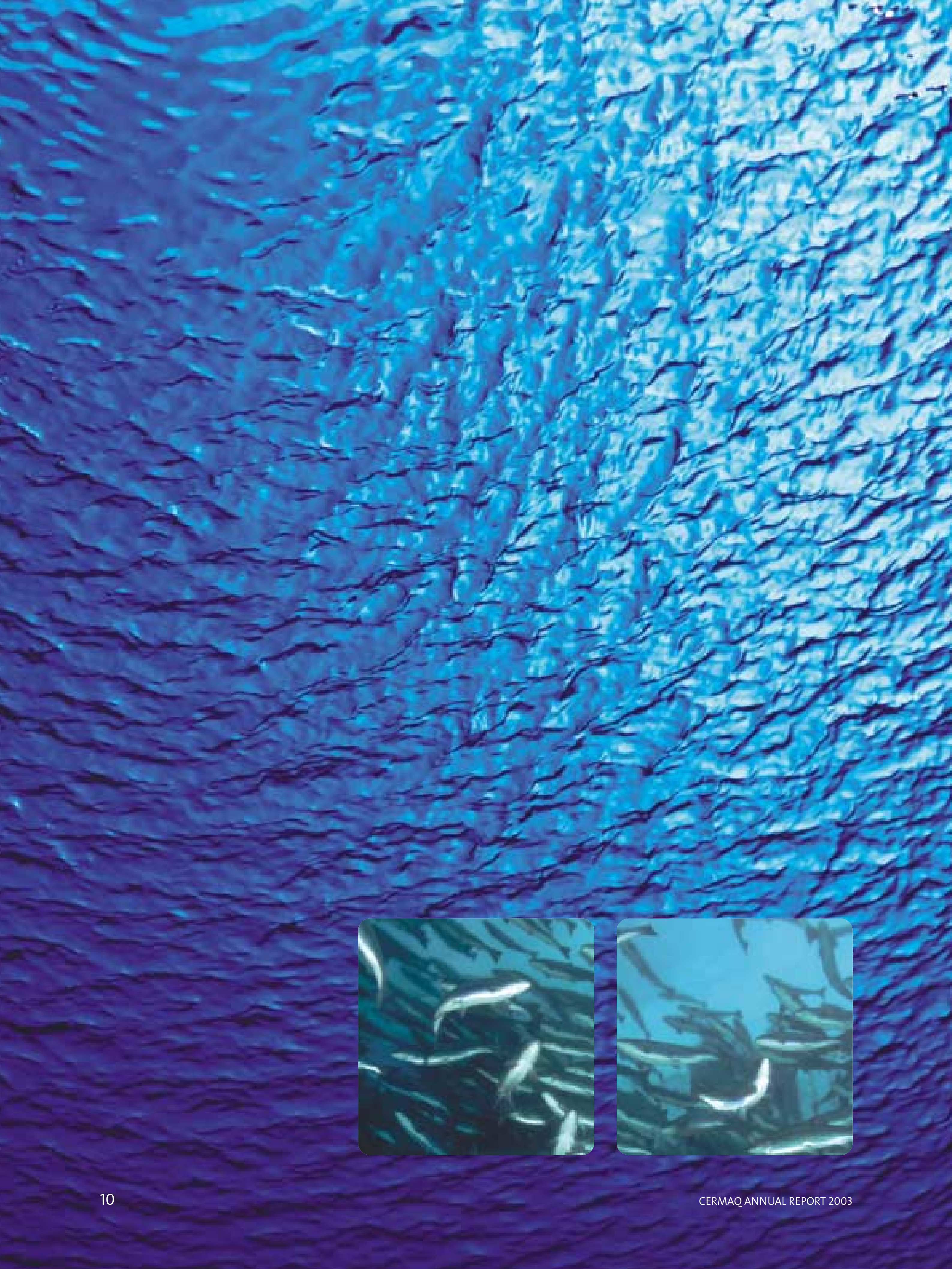
The industry will continue to present us with challenges. Restructuring into fewer and larger players is probable and indeed necessary if progress is to be made in developing the industry. Cermaq believes that by concentrating our efforts on producing salmon at the most effective cost possible, the company can be an interesting and natural player in the restructuring process.

KEY FIGURES

	2003	2002	2001
Sales in tonnes	59 900	56 300	43 300
Operating revenues	1 382 441	1 132 966	1 086 145
Operating result	-1 574	-185 417	-64 627
Operating margin (%)	-0.11	-16.37	-5.95

The numbers include Aquascot Group





Research and Development

Through EWOS Innovation, the Cermaq group has continued its strong focus on research and development (R & D). EWOS Innovation is a world leader in R & D in aquaculture, and is an important knowledge base for the group's international operation. With 65 employees and an annual budget of NOK 90 million, EWOS Innovation is the largest privately owned research and development facility in the industry. The R & D operation is run from its headquarters in Dirdal (Norwegian county of Rogaland) and there are departments in Lønningdal (county of Hordaland), Risør (county of Aust-Agder) and in Chile (Puerto Montt).

Through a strategic process, EWOS Innovation has defined three functions for further development of the company as a resource centre:
• development and accumulation of knowledge
• dissemination of knowledge
• direct operational support.

Important focus areas within the R & D work are sustainability in the aquaculture industry, increased productivity and better food safety. Sustainability for the industry means further developing flexibility of raw materials in the production of fish feed, since marine feed resources are limited. Food safety is paramount and is being focussed on through the monitoring of raw materials. Further work is being concentrated on studies of absorption and excretion of extraneous material.

The work of developing knowledge and building up experience in the use of alternative raw materials is necessary to ensure that the industry grows on a sustainable footing. This gives opportunities to counter the negative effects of future fluctuations in the marine raw materials market. The environmental impact of effluents from new feeds and feedstuffs is also an important research criterion.

A key factor in ensuring the sustainability of the salmon industry will be the ability to use vegetable raw materials. In recent years, vegetable raw materials have comprised a natural part of the standard recipe in most fish feed products, and this has helped create new standards for the industry. Experience from practical use confirms the research, and has given both growers and consumers confidence in the involvement of vegetable raw materials in maintaining the unique qualities of salmon. In this regard, EWOS Innovation has taken part in a major research project monitoring fish from farm to table, with a full health check on consumer/patient groups. The research shows that vegetable oils do not reduce the positive health effects of salmon. In fact, some results indicate the opposite.

During 2003, there were many instances of EWOS Innovation providing EWOS factories with know how related to feed quality, implementation of economical energy consumption, bulk treatment of feed, and reduction of odour pollution. EWOS Innovation has in collaboration with the factory at Florø developed a revolutionary small fish feed. This factory can now produce fish feed from the smallest micro pellets of 0.5–0.6 mm, up to grower feed of 15 mm in diameter.

Mainstream also received support from EWOS Innovation scientists in several operational areas . Significant advances were also made last year in trials of the addition of oxygen under varying temperatures in the sea. In the autumn of 2003, work commenced for the construction of a new research building at Dirdal. This made it possible to control and carry out checks on vital environmental factors relating to the effect on growth, feed utilisation, quality of stock, and the state of health of fish in various summer sea temperatures.

Another innovation in 2003 was the scaled up production of a feed formula for marine fish at the larvae stage. With the Promal marine starter feed, the current live feed of the *Artemia* crustacean is replaced by a predictable and stable diet. Promal has shown promising results on growth, survival rate, and low incidence of deformities in several species of marine fry. Promal is patented, and will be launched worldwide in 2004.

In December 2003, the EWOS group commenced the launch of a Modular Feed for Atlantic salmon and trout in all markets, with Great Britain first among them. EWOS Pyramid, the salmon feed programme, is based on the latest developments in nutritional research. Sustainability and cost-effectiveness are axioms of EWOS Pyramid. The modules provide the flexibility for producing salmon in several grades. EWOS Modular Feed is described at greater length later in this report.

Other activities

Cermaq retains certain shareholdings in a number of non-core activities. Considerable steps were taken during 2003 to dispose of these assets, realising cash to be invested in core activities, and reducing debt. Net proceeds from the sale of these assets amounted to NOK 200 million during the year. Most of the remaining assets in this category will be disposed of as market conditions permit.

In total these activities contributed an operating profit of NOK 97 million, which included a gain arising on the sale of Norgesmøllene of NOK 58 million. This gain related to an intercompany profit, which had previously been eliminated on consolidation, the sale of NM allowed the realisation of that gain, which had no cash effect.

The non-core assets represent 3% of the Cermaq consolidated balance sheet as at 31st December 2003.

Disposals in 2003

January: Sale of Norgesmøllene Through an agreement of November 2002 Cermaq and the two co-owners sold their shares in Norgesmøllene to Felleskjøpet Øst Vest. The takeover took place on 6th January 2003. The sale of Cermaq's 60% share resulted in a gain of NOK 58 million in the Cermaq Group's consolidated accounts for the first quarter of 2003, as explained above.

September: Sale of shares of Fiskå Mølle Through an agreement with the co-owners in Fiskå Mølle AS, Cermaq sold back its 49% of the shares to Brødrene Nordbø AS. The proceeds from the sale were NOK 28.9 million with a minor capital gain.

September: De-consolidation of Unikorn Cermaq reduced the ownership share from 66% down to 49.8% through a combination of pay back of shares from Unikorn AS and sale of shares to the majority shareholder Bygdemøllenes Investeringsselskap. Trough these transactions Cermaq collected net cash of NOK 21 million and reduced its balance sheet net debt by NOK 142 million on removing Unikorn from the consolidated accounts.

Unikorn

Unikorn had a turnover of 712,000 tonnes of grain and other raw material in 2003. 430,000 tonnes (60%) were Norwegian grain and oil seeds, while 282,000 tonnes (40%) were imports of other goods. Revenue was NOK 1.27 billion, the same as the previous year. The result was NOK 47.2 million against NOK 50.2 million in 2002. Result after tax was NOK 23.6 million against NOK 29 million in 2002. The operating margin for the year was 3.7% against 4.0% the previous year.

Unikorn's result was achieved despite reduced margins from Norwegian grain. The trend of falling margins is expected to continue in 2004 as a result of increased competition for purchase of Norwegian grain in the eastern parts of Norway. This development in competition has contributed to structural changes in the industry. The sale of Norgesmøllene to FKØV and the sale of the shares in Unikorn to Bygdemøllenes Investeringsselskap have created new constellations in the grain market. In addition, Unikorn has been part of the establishment of Vestfold Korn AS, which is a grouping of 4 local mills in Vestfold in co-operation with Unikorn's grain silo in Melsomvik. Unikorn will own 16% of the company's shares.

KEY FIGURES UNIKORN

	2003	2002	2001
Operating revenues	1 270 737	1 266 552	1 729 610
Operating result	47 205	50 220	58 173
Operating margin (%)	3.70	4.00	3.30
Profit for the year	23 557	28 964	29 857

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 ASA owns 50% of the shares in the company. The silo is currently leased to Unikorn AS.

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.

OxSeaVision AS develops and sells equipment for providing oxygen to fish farms. Cermaq owns 45% of the company.

COMPANY (2003)

	Revenues	Profit/loss for the year
Vaksdal Industrier AS	7 955	2 163
Norsk Lossekontroll AS	5 343	33
AS Balsfjord Kornsilo	2 427	669
Hordafôr AS	99 505	1 045
AS Trondheim Kornsilo	4 475	1 704
OxSeaVision AS	5 609	-1 363

EWOS Modular Feed

During 2003, the EWOS feed concept has taken a major new step towards customer-adapted solutions. In a unique partnership between the EWOS companies in Chile, Canada, Great Britain, and Norway and with solid help from EWOS Innovation, an entirely new feeding concept was developed in 2003. As a result, a new feeding program for salmon will be launched globally during 2004.

The feed concept is based on growers' individual needs arising from cost strategies and various quality requirements of salmon farming customers. The farming industry is becoming increasingly sophisticated, and customer adaptation means there is no longer one feed solution to suit all customers.

The technical platform for the feed program is based on many years of scientific research, and acknowledges that different fish have differing nutritional needs, largely based on differing environmental conditions and stages in the growth cycle.

The new feed concept builds on a Basic Feed, which, in combination with one or more modules, assists the grower in attaining defined production targets. The new concept gives greater freedom of choice, making it easier to steer production towards targets such as lowest possible production cost, lowest feed factor, preferred quality, or strengthened immune defences. The Basic Feed in the module concept is designed to provide the lowest cost per kg salmon produced, at any time.

EWOS Modular Feed brings together all EWOS' long experience and latest research in one new feed concept.

- EWOS transfer: an advancement of EWOS' globally renowned feed for salmon and trout being transferred to the sea.
- EWOS pyramid: a new grower feed for salmon, which, in combination with one or more modules, provides all the options from the current range. EWOS pyramid replaces well-known products such as EWOS nova, EWOS pro, and EWOS dynamic red.
- EWOS silva: a continuation of EWOS' highly successful trout grower feed.

Technical background

In the current situation of low salmon prices and poor returns for many growers, it is particularly important to concentrate on the lowest possible production costs. EWOS' contribution is to guarantee its customers a feed of optimum composition throughout the entire life cycle of the fish, thereby assuring the best possible feed utilisation. When using EWOS module feed, customers will be able to achieve the lowest production cost for salmon through an optimal combination of the feed conversion ratio (FCR) and feed price.

The protein content of salmon remains almost constant as it grows, whilst the fat content increases the larger the fish becomes, see figure 1. This is an important consideration in developing the correct feed for different stages of the salmon's life. The researchers at EWOS Innovation have studied the nutritional needs of salmon over many years and have identified the optimum fat and protein content for each size of fish. The larger the fish, the more energy it requires, whilst the proportion of energy that comes from protein diminishes, see figure 2. This curve is called the salmon's protein/energy curve (or P/E requirement), and is central to all livestock nutrition. EWOS Innovation has found the optimum values for salmon using advanced mathematical modelling based on many feeding trials conducted with large salmon in the sea.

EWOS Modular Feed utilises this knowledge to adjust the content of the feed, its fields of application, and the pellet size. The Basic Feed in EWOS Modular Feed for salmon and trout has been designed to achieve the lowest possible production cost based on adaptation to the particular stage of life of the fish.

Modules in EWOS Module Feed:

In order to meet customers' wishes for a feed that fits in with their own production and marketing strategies, a range of

Protein and fat content in salmon in relation to fish size

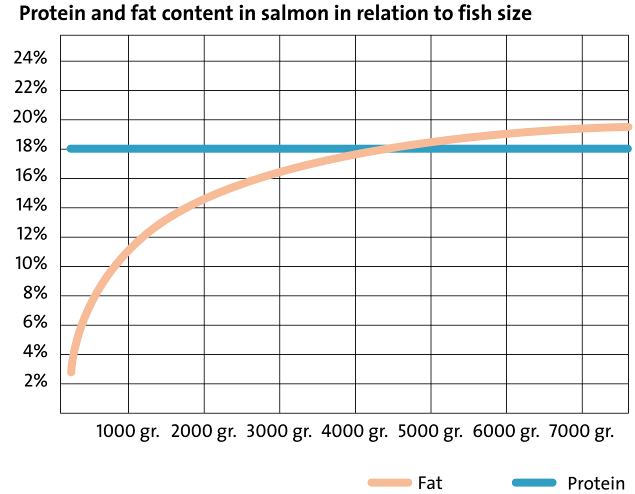


Figure 1. The percentage protein content is stable, whilst the fat content increases with increasing fish size. EWOS utilises this knowledge to compose a feed optimally adapted to fish size. Source: EWOS Innovation.

additional modules have been developed for the Basic Feed. These modules differ in the various markets in which EWOS operates, but chiefly cover requirements relating to:

- Feed with an even lower feed ratio
- Requests from the market for varying raw materials profiles
- Feed for a particular end quality
- Health modules for use in specific risk periods

The various modules are based on the latest R & D and accompanied by thorough user guides.

With a modular strategy, products can be rapidly adapted to meet customers' requirements. Our ability to reap the benefits of our own R & D means we achieve better value for money for the customer. R & D breakthroughs can, based on the same concept, be transferred to the customer more quickly, as new modules are introduced. This revolutionary new feed concept also reduces the need for a complex product range. To further facilitate our customers, our web-based feed ordering system has been enhanced as part of an all-inclusive customer marketplace. Here, customers can design their own feed using combinations of Basic Feed plus modules, while having access to all necessary documentation and guidance at the time the order is placed.

EWOS Modular Feed is a step into a new era, in which adaptation to customer requirements and customer communication are central.

Optimum proportion of protein in fish feed in relation to fish size

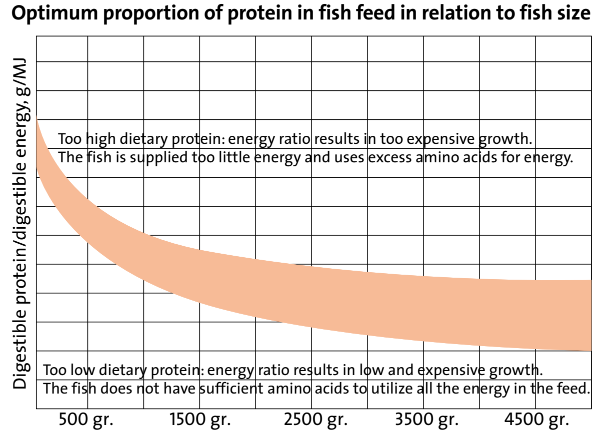
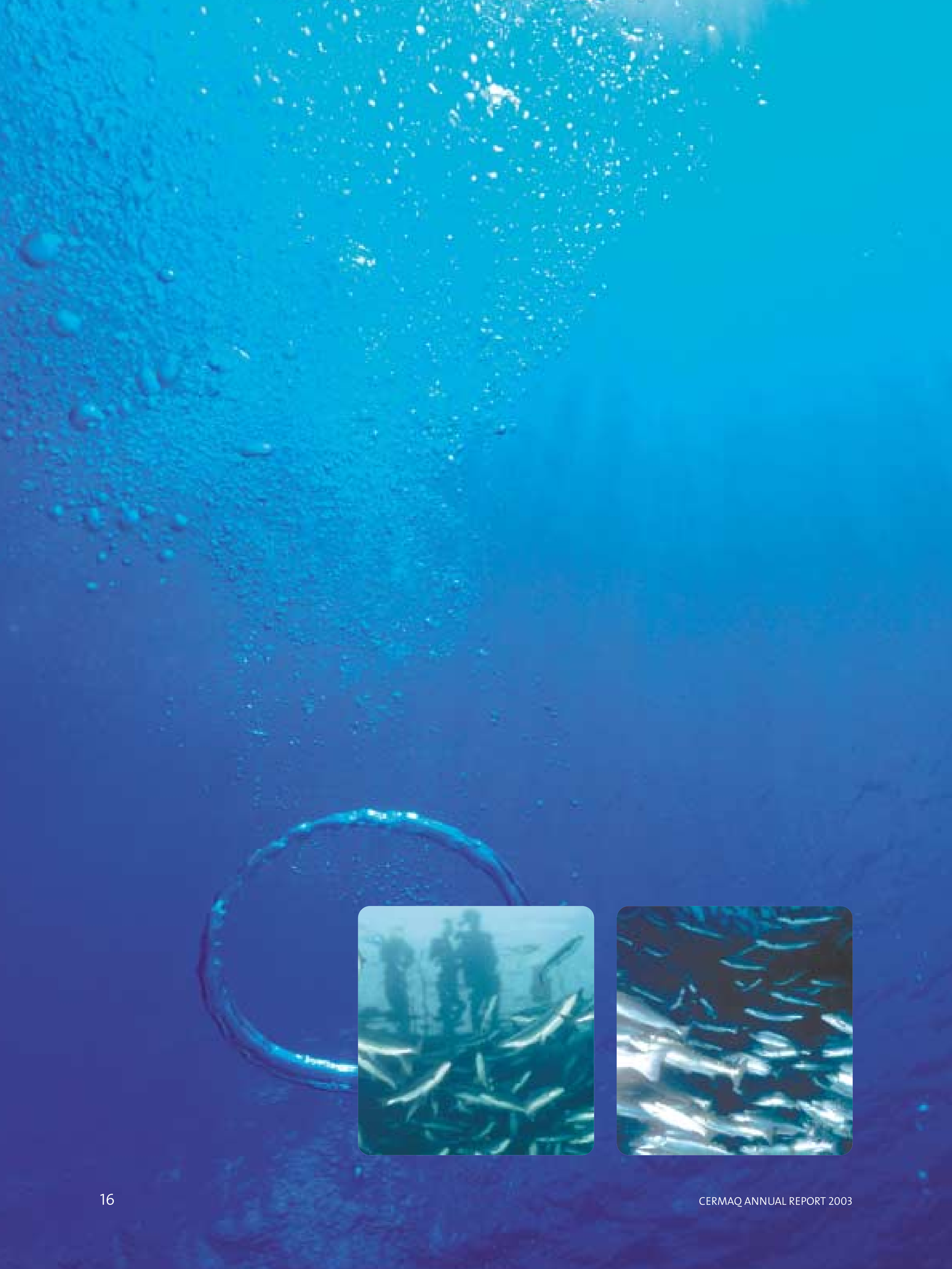


Figure 2. The optimum protein content in salmon and trout feed decreases with increasing fish size. EWOS utilises this knowledge to compose a feed optimally adapted to fish size. Reducing excess protein lowers both the cost of feed and nitrogen emissions into the environment. Source: EWOS Innovation.



Sustainability

During 2003 Cermaq continued the process of ensuring that our operations comply with our overall business philosophy of sustainable aquaculture. This includes incorporating routines and measures to ensure that long-term sustainability governs all our activities. In addition to satisfying customers and consumers, we strive to maintain the quality of our products and co-operate as good suppliers. We endeavour at all times to respect the society and the environments in which we operate, and take care of our employees and for the fish we have in the sea.

As a first step towards a formalisation of our mission statement, the Board of Directors have approved sustainability policy statements in the fields of "Natural and social environment" and "Farmed fish". These state that awareness of the natural and social environment, strict management of the environmental aspects resulting from our activities, and care for the health, well-being and quality of the fish, are vital in our effort to reach the goal of sustainable aquaculture.

In this process we have attached particular importance to setting measurable goals and to having regular reporting on key sustainability measures. These measures relate to fish loss, fish diseases, use of vaccines, medicines and chemicals, and energy. In addition, we continue to place emphasis on the measurement of sound working environment, and health and safety in the workplace.

Fish diseases
Further outbreaks of Infectious Hematopoietic Necrosis Virus (IHNV) were encountered in Mainstream Canada during 2003 resulting in severe losses at some sites. Effective disease control was achieved in the third quarter and mortalities are currently under 5%. A number of health related controls have been successfully implemented including improved husbandry methods, disease free high quality smolts, reduced production cycles and efficient mortality removal systems. Vaccines are being developed against IHN and these are currently being assessed in trials in Canada. These vaccines could significantly reduce the incidence of IHN outbreaks in future production cycles.

At Mainstream Scotland sites Infectious Pancreatic Necrosis Virus (IPNV) has also continued to cause significant mortalities in smolts transferred during 2003 and control has been difficult. Problems with IPNV continue due to the lack of effective coordination within the industry to transfer disease free fish and work in a coordinated manner. Cermaq is making strenuous efforts in this area to implement effective control measures and is collaborating with Government and other producers. Effective vaccines have also been developed against IPNV and these will be deployed during the 2004 smolt transfers. Significantly lower mortalities from IPNV are expected in smolt populations transferred during 2004.

In Chile the bacteria *Piscirickettsia salmonis* has caused increasing mortalities in Coho salmon and trout stocks. Cermaq is planning cooperation with other companies to address this problem through improved monitoring, management practices and vaccine development programmes. Improved cooperation with the rest of the industry has continued to show good effects with the *Caligus* controls in the Colaco area.

Freshwater health has improved during 2003 with further investment in hatchery systems, dispersing smolt production and elimination of major diseases at a number of sites. Also extensive training of freshwater personnel has been implemented. Further programmes will continue during 2004 and will focus on sound husbandry practices to avoid stress and related health issues.

Increasingly it has been shown that health challenges in the aquaculture industry cannot be dealt with in isolation. They must be tackled in a coordinated and proactive manner along with the rest of the producers in any given region. Vaccination programmes and area management are seen as key factors for best practice sustainable aquaculture. This will be a primary focus for 2004.

Loss of fish
There are no reports on escaped fish for 2003, but we had substantial losses due to diseases. These diseases constitute 65% the loss of fish, while the remaining losses are due to damaged fish through handling, predatory animals such as seals, deformities and other natural causes. The total financial cost arising from the loss of fish, from all causes is estimated to be NOK 112 million, the same as 2002. Reducing this cost is a prime focus of the Mainstream management.

Other health and environmental measures
Considerable measures were taken with regard to environmental monitoring. In Chile, substantial benthic work was undertaken to better understand site interaction with the immediate environmental surrounds and to ensure compliance with increasingly demanding regulatory requirements. Similar work was undertaken in Scotland to increase quality and risk awareness and maintain a methodical approach to sustainability. In Canada, sea lice monitoring of

wild fish populations were carried out to help identify and quantify areas of potential public concern. Wastewater cleaning systems to control effluent from processing facilities have been improved.

During autumn 2003 Salmones Mainstream entered into a process with the Chilean authorities of accreditation of its processing plant and marine sites as to safety, sanitary, labour issues, accident prevention and the collective rights of workers. Mainstream has actively worked with the authorities and workers to implement the recommendations arising from this process, which is on-going, and will be completed during 2004. These improvements are based on our response to the Governmental Labour Auto Verification Process, which will provide certification of compliance with Chilean Labour law.

In Scotland, 2003 the government introduced a Strategic Framework for Scottish Aquaculture. This document highlights the importance of the industry to Scotland and sets out clear action points to ensure that the industry moves forward in a sustainable manner both in terms of environment, employment and rural community.

EWOS Canada spent considerable resources in 2003 on improving the deodorising system and thereby reducing emissions of fish odours to a minimum. In EWOS Scotland old forklift trucks were replaced, which significantly improved the factory's indoor environment. In addition maintenance was carried out on the bio filter to reduce odour emissions. At the factory in Florø odour emissions were reduced by recycling a greater proportion of the air. In addition a chimney was built that dilutes the air leaving the factory. As a consequence, odour pollution was significantly reduced in 2003. EWOS Norway also invested in a fire extinguishing system in Halsa and rebuilt the raw material terminal in Florø. The latter reduces the employees' exposure to dust from raw materials that arrive in sacks.

Energy usage

The Group's total energy consumption for 2003 was 252 GWh. This was about 9 GWh higher than the previous year, and was largely due to higher production. As figure 1 shows the energy usage was split between electricity (32%), natural gas (30%), light fuel oil (26%), heavy fuel oil (6%) and some other smaller energy carriers. Compared to 2002 the proportion of natural gas was reduced in 2003, while the proportion of light fuel oil increased slightly. This was mainly due to different production patterns between the factories. One of the most significant changes was that Florø, which uses light fuel oil, took over most of the production from Stavanger, where they only used electricity and steam. Further EWOS Chile, which uses gas, had a lower growth of production relative to the factory in Florø, and EWOS Canada, which also uses gas, reduced their production in 2003 as compared to 2002. In Florø the plan was to change the energy source from light fuel oil to natural gas in 2003. However, due to problems at the supplier of natural gas, this has been postponed to 2004.

Absenteeism

The Cermaq Group works actively to create a positive and healthy working environment. In Chile a particular effort has been made to update and upgrade the employees as regards to health, environment and security. On average, absenteeism through sickness was 2.35% for the Group in 2003 against 2.8% in 2002, see figure 2. The group registered 142 minor work related accidents with personal injuries as compared to 196 the previous year.

Energy consumption 2003 EWOS feed production

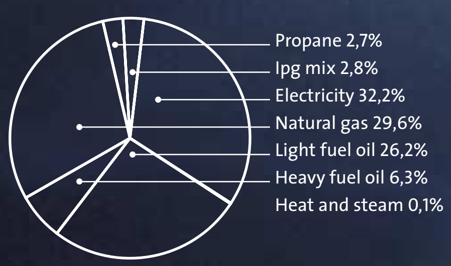


fig. 1

Percentage absenteeism 2003 by country and total for the Cermaq group

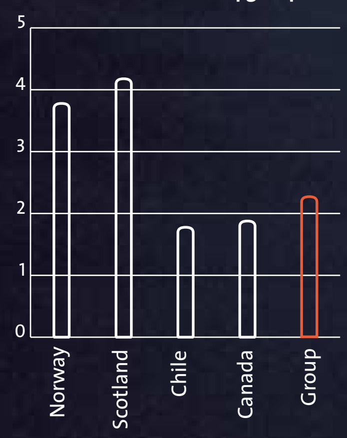


fig.2

Directors' report 2003

A strong focus on operating routines and the use of capital in 2003 has given positive results and a significant reduction in Group net debt. The Group has sold Norgesmøllene DA, its majority shareholding in Unikorn AS and its minority shareholding in Fiskå Mølle AS. This has further contributed to reducing Group debt and has liberated resources for the continued development of the Group's core activity, aquaculture.

The Group's fish feed activities have continued to demonstrate stable and positive profitability despite large losses resulting from bankruptcies in the Norwegian fish farming industry. Its main fish farming undertaking in Chile has had one of its best years, while activities in Canada and Scotland are still suffering large losses.

The Group's turnover and profitability

The Board confirms that the annual accounts have been prepared under the assumption of continued operation.

The Cermaq Group had a turnover of NOK 6,041 million in 2003. This is a fall of 10% compared to the previous year, mainly due to the sale of Norgesmøllene DA in January 2003, as well as the fact that Unikorn AS is no longer included in the consolidated Group accounts after the sale of the majority shareholding in August 2003. Furthermore, the Norwegian currency has increased in strength throughout 2003, which has reduced the turnover measured in Norwegian kroner. Sales revenues from aquaculture constituted about 85% of the total turnover in 2003, compared to 75% the year before.

In 2003 the Group had an operating profit of NOK 254 million before depreciation of goodwill and licenses. This is an increase of NOK 208 million from the previous year and is mainly due to a better result in the aquaculture segment. After depreciations, finance costs and taxes, the Group had a loss of NOK 56,000 (2002: a loss of NOK 139.5 million).

Business segments

The fish feed companies (EWOS) had a combined turnover of NOK 4,272 million in 2003, which is a decrease of 2.8% compared to the previous year. The fall in sales revenues is a result of lower sales prices due to lower raw material costs and a stronger Norwegian currency. In terms of volume, sales increased by a total of 10,000 tonnes. The greatest increase was in Norway and Chile, while the largest decrease was experienced in Canada due to disease problems in the fish farming industry.

The feed companies had a combined operating profit of NOK 195 million in 2003, which is an improvement of NOK 32 million compared to the previous year. Norwegian customer receivables worth NOK 90 million have been written off as a result of bankruptcies in the fish farming industry. In addition, provisions for losses on receivables in Norway have been increased by 18 million. The previous year, these numbers were NOK 6 million and NOK 2 million respectively.

The fish farming companies (Mainstream) had an overall turnover of NOK 1,382 million in 2003, which is an increase of 22% compared to the year before. The increase in sales revenues results from a 4.2% increase in sales volume, as well as better prices in the USA and Japan.

In 2003 the fish farming companies had a combined operating loss of NOK 8 million before depreciation of goodwill and licenses. This is an improvement of NOK 177 million compared to the year before. The improved result is mainly due to a very good result in Chile and a small improvement in the result in Canada. However, the Group is still suffering considerable losses on its fish farming activities in Canada and Scotland.

Agricultural activities in 2003 contributed NOK 876 million in sales revenue. This is NOK 788 million less than in the previous year and is a result of the sale of Norgesmøllene and the sale of the majority shareholding in Unikorn. The operating result from the agri businesses was NOK 96.6 million in 2003 against 109.8 million in 2002. A gain on the sale of Norgesmøllene of NOK 58 million is included in the operating result for 2003.

Sale of agriculture-related assets

In autumn 2002 the Board decided to sell the company's interest (60%) in Norgesmøllene DA to FKØV. The sale was implemented with effect from January 2003 and was part of the effort to focus Cermaq's activities on aquaculture. The company has subsequently sold its major shareholding in Unikorn AS and its shares in Fiskå Mølle AS. Both sales were carried out with effect from September 2003. After the sale of these agricultural undertakings, Cermaq can now almost be described as a pure aquaculture company.

Financing

Having spent some time in breach of the terms of its syndicate loan, Cermaq entered into a new agreement with its bankers in January 2003 concerning an exception from the original terms until the 3rd quarter 2003. When the accounts for the 3rd quarter were submitted, all the original terms of the loan were fulfilled.

The company has reduced its net interest-bearing debt by

NOK 1,044 million or approximately 45% in 2003. The decrease is mainly due to increased operating income and lower working capital, as well as the sale of Norgesmøllene DA and the sale of the majority shareholding in Unikorn AS. The decrease in net interest-bearing debt, lower interest rates and an extraordinary currency gain in the 1st half of 2003 have resulted in financing costs being reduced from NOK 156 million in 2002 to NOK 52 million in 2003.

Balance sheet appraisal

On submitting the accounts for 2003, the Board has undertaken an analysis of the Group's fixed assets values. On the basis of this analysis, the Board has decided to depreciate a number of assets in the fish farming companies by a total of NOK 231 million. Depreciation of assets in Mainstream Scotland and Aquascot constitutes almost NOK 206 million of this amount, NOK 177 million of which is related to goodwill and licenses. The rest is depreciation of goodwill and licenses in Mainstream Canada.

As a result of the depreciations in Mainstream Scotland and Aquascot and the accumulated losses from these two companies, the value of the shares in EWOS Ltd. have been written down by NOK 441.7 million in Cermaq ASA's accounts. This brings the book equity in Cermaq ASA to a level that is in accordance with the Group's book capital.

The feed companies' customer receivables have been reduced by approximately NOK 200 million from 2002 to 2003. Although customer receivables are still high, the Board believes that enough provision has been made in the accounts to cover any losses. Efforts to reduce customer receivables will still be given high priority.

Personnel and working environment

There were 2251 employees in the Cermaq Group as per 31.12.2003. The Norwegian companies employed a total of 357 employees, 26 of whom are in Cermaq ASA. The number of employees in the Group was reduced by 361 persons in 2003 as compared to 2002. There has been a reduction in the number of employees in Norway, Canada and Scotland, while Chile has had a small increase. In Norway the reduction is primarily a result of the sale of Norgesmøllene and the majority shareholding in Unikorn, while in Canada and Scotland cuts have been made in the fish farming companies' workforce.

107 days of sick leave were registered in Cermaq ASA in 2003. This is equivalent to 1.78% of possible working days, compared to 0.4% in 2002. Sick leave in the subsidiary companies varies from 1.54% to 4.57%. Average sick leave in the Group was 2.4%, compared to 2.8% in 2002. In the Group as a whole 142 minor accidents with personal injury were registered in 2003, compared to 196 in 2002. Total leave as a result of injury was 978 days (2002: 1906 days), or 0.17% of possible working days.

Six minor fires were registered at the feed plants in Canada, Chile and Scotland in 2003. No one was injured, but material damage amounted to NOK 540,000.

Cermaq is cooperating with Chilean authorities on an accreditation program regarding the working environment in the Chilean farming industry. Cooperation with the Norwegian labour movement has also been established regarding employees' rights in Cermaq's businesses in Chile.

For the Cermaq Group, human resources development is an important means for reaching business objectives. The human resources development includes skill training, exchange programs, transfer of knowledge from EWOS Innovation to the operational companies and training in health, environment and safety.

Equal opportunities

The Board of Directors at Cermaq ASA currently consists of five members chosen by the shareholders; three men and two women. The employees in the Group have three representatives on the Board, all of whom are men. Cermaq ASA currently has 26 employees, 18 of whom are men and 8 women. At top management level there are only men, while there are three men and one woman at middle management level.

The company's personnel policy states among other things that: "Cermaq shall demonstrate through its recruitment, employment, salary settlement, follow-up and career development policies that it offers equal opportunities to women and men". The Board is of the opinion that men and women have equal opportunities at Cermaq. There has been increased recruitment of women in recent years and the Board assumes that more women in leading positions will reflect this in the long term.

External environment

The Group's fish feed production places little burden on the external environment. Discharges into the air and water are clearly within the limits defined by the authorities in the respective countries. There are no regulations from the authorities that have not been fulfilled, nor are there any hazardous substances used in the production process.

Considerable investments in air cleansing installations were also made to reduce odorous discharges from the feed plants in 2003. NOK 6 million was invested in the plant in Canada in order to complete the air cleansing installation that was begun in 2002. At the plant in Florø the amount of odorous discharge has been reduced by recycling a large amount of the air. A chimney that thins the air discharged from the plant was also built in 2003. Investments so far have cost approximately NOK 6 million. At the plant in Scotland investments were also made to improve the air cleansing system.

The Group's total energy consumption in feed production in 2003 was 252GWh. This is approximately 9GWh higher than in the previous year and is mainly due to increased production. There was, however, a small per unit reduction in energy consumption compared to 2002. Total energy consumption comprised 32% electric power, 30% natural gas, 26% light fuel oil, 6% heavy fuel oil, as well as several smaller energy sources. Compared to the previous year, the proportion of natural gas was somewhat lower, while the proportion of light fuel oil was higher. This was due to increased production at the plant in Florø (where light fuel oil is used) as well as a reduction in production at the plant in Canada (where natural gas is used). There is a plan to replace light fuel oil with natural gas at the plant in Florø, but problems with the supplier of natural gas has meant that this plan has been postponed until the first half of 2004.

At the plants in Chile, Scotland and Halsa in Norway there have been a total of six minor leakages of oil and chemicals in 2003. These leakages had no major effect on the environment.

In 2003 the Cermaq Group experienced a loss of around 3,800 tonnes of fish worth almost NOK 65 million as a result of fish disease. In addition, around 2000 tonnes of fish worth approximately NOK 40 million were lost as a result of natural mortality, damage to the fish through handling, seal problems, deformities etc. These losses are about the same as in 2002. No fish escapes were registered in 2003.

Disease among fish farm fish is still a major problem for the fish farming industry. In Canada the IHN virus has led to huge losses of fish. At Cermaq's farms, however, disease problems are now assumed to be under control as a result of better handling, the use of high quality and healthy smolt, a shorter production cycle and the efficient removal of dead fish. Mortality was reduced to below 5% in the 3rd quarter of 2003. A vaccine has now been developed to combat IHN and is being tested at certain farms.

In Chile the *Piscirikettsia salmonis* bacterium has caused increased mortality among the Coho salmon species and trout. Cermaq is eager to co-operate with other parties in order to strengthen efforts towards combating the disease, through better monitoring and operating routines, as well as increased efforts in the development of vaccines.

In Scotland the IPN virus has led to a high level of mortality among smolt released in 2003. One of the reasons for the problems incurred with IPN is insufficient co-ordination and co-operation among the parties involved. Cermaq is thus willing to increase efforts to co-operate with the authorities and other involved parties in order to establish efficient measures against the spreading of IPN. A vaccine against IPN has now been developed and should be able to be implemented in connection with the release of smolt in 2004. Mortality resulting from IPN should thus be considerably reduced in 2004.

Shareholders

As per 31.12.03 there were 76 shareholders in Cermaq ASA; 12 fewer than last year. The State (Norwegian Ministry of Trade and Industry) is still the largest shareholder with 79.38% of the shares. Other major shareholders are Norgesinvestor II (11.96%), Odin Norge (1.78%) and Annexstad Hartvig Wenneberg AS (0.90%).

Cermaq ASA owns 54,400 shares that were acquired through the sale of Staur Gård farm and shares in Norsk Kornforedling AS.

The Board has decided to apply for stock exchange listing for Cermaq ASA during the first half of 2004. The Norwegian parliament (Stortinget) has agreed that the State can reduce its ownership to 34% when conditions are suitable.

Allocation of annual profit/loss

The Board suggests that the loss of NOK 247,286,000 in Cermaq ASA for 2003 is transferred from other reserves.

Future prospects

Consumption of salmon in the USA and Europe has continued to increase in 2003, while it appears to be stable in Japan. In Europe, consumption is increasing in particular in the East European countries. Prices in Europe have been extremely low for most of 2003, while prices in the USA and Japan have improved.

In a global context, it is expected that the production of Atlantic salmon in 2004 will be about the same as in 2003, but there are large variations between the most important production areas. A fall in production is expected in North America and Europe, while production in Chile continues to increase. On this basis, there is reason to believe that there will be a better balance between supply and demand in 2004 and thus a small increase in prices in Europe. Prices in the USA are expected to remain stable. A global reduction of about 20% in the production of trout is expected, while production of Coho is expected to remain at the same level as in 2003. This should have a positive influence on prices in 2004.

The prices of raw materials in feed production are expected to remain relatively high in 2004. Increased demand from China for vegetable fat and proteins has led to increasing prices for these raw materials over the last few months, and it is expected that these prices will remain high in 2004. In the case of marine raw materials, the largest ingredient in fish feed, fewer fish mean that a small price increase is expected for fish oil, while the price of fishmeal is expected to remain relatively stable. In general, a small increase in the cost of raw materials for fish feed production is expected.

1 Sigbjørn Jonsen
Chairman of the Board

2 Bjørg Ven
Deputy Chairperson

3 Stein H. Annexstad
Member of the Board

4 Wenche Kjølås
Member of the Board

5 Kjell Frøyslid
Member of the Board

6 Jim-Egil Hansen
Member of the Board

7 Karl Tore Mæland
Member of the Board

8 Jan Helge Førde
Member of the Board

9 Geir Isaksen
Managing Director

It is the opinion of the Board that the demand for farmed fish, and thus feed for such fish, will continue to increase in the future. This provides a basis for optimism in terms of the company's future earnings. Despite the fluctuating earnings experienced in the fish farming industry over the last few years, it has been possible for Cermaq to strengthen and develop its position in the market.

Cermaq aims to continue its growth in fish feed through upgrading and expanding its existing production facilities and increasing emphasis on research and development.

There are only a few major players in the fish farming industry, as well as a multitude of small ones, in particular in Norway. The threshold for establishing a small-scale fish farm is not particularly high, and there are a large number of small and medium-sized units. This can make the industry appear fragmented. Important factors for competitiveness are cost efficiency and healthy fish. These in turn require stable operating conditions and a long-term business perspective.

On the other hand, the fish farming industry is exposed to fluctuations in salmon prices and thus in earning potential. Very few of those involved have a capital base that reflects the risk involved in the business or have adjusted the activities of the business in relation to the capital base available. Operations and sales are thus often characterised by the need for short-term liquidity.

The EU is an important market for the Norwegian fish farming industry. The year 2003 was characterized by low prices and an ongoing discussion regarding Norwegian fish farmers' access to this market. The 10-nation expansion of the EU in May 2004 will increase the importance of this market. A longer-term and lasting clarification of the Norwegian fish farming industry's access to this market is therefore of great significance.

Cermaq aims to grow organically and through acquisitions of existing fish farming businesses, as well as through a controlled participation in the rationalization of structure, primarily in Chile and Norway. In Cermaq's opinion, Chile and Norway are the most appropriate locations for fish farming in terms of both operating conditions and market access.

Cermaq's expansion in fish farming will be based on the capital resources available, its management resources and its research and development activities, which will provide a long-term perspective for the business. Over time Cermaq expects to be able to establish a pattern of provisions and sales channels within the framework of the Group that will provide a buffer against the fluctuations in salmon prices on the spot market.

In the next few years Cermaq's fish feed production will be much greater than can be sold to its own fish farming activities. However, Cermaq will still benefit from the reduced risk and synergy effect of having both fish feed and fish farming undertakings within the same Group. The reduced risk is based on the fact that the margins in fish feed production have historically been more stable than the margins in fish farming. The synergies come into play through a joint knowledge that secures an optimal utilisation of the feed in fish farming and through R&D projects aimed at improving the results for the Group.

Through the continued development of its aquaculture activities, Cermaq thus aims to provide both value and a competitive dividend for its investors. An important objective for continued operation and development is to achieve a stable income and broad access to all parts of the capital markets.

The Board has decided to suggest to the General Meeting that an application is made to list the company on the Oslo Stock Exchange during the first half of 2004. The objectives for the initial public offering are to make the share more marketable, increase the company's access to the capital market and to make the share more attractive as means of payment for an acquisition or in a merger.

Oslo, 19 March 2004

Sigbjørn Johnsen *Chairman of the Board*	Bjørg Ven *Deputy Chairperson*	Stein H. Annexstad *Member of the Board*
Wenche Kjølås *Member of the Board*	Kjell Frøyslid *Member of the Board*	Jim-Egil Hansen *Member of the Board*
Jan Helge Førde *Member of the Board*	Karl Tore Mæland *Member of the Board*	Geir Isaksen *Managing Director*

Profit and loss account for the year ended 31 December

Cermaq ASA				Group	
2002	**2003**	*Amounts in NOK 1000*	Notes	**2003**	**2002**
10 041	25 114	Operating revenues	5	6 041 039	6 737 454
0	0	Cost of materials		4 090 802	4 813 765
24 672	30 536	Payroll expense	6	473 961	524 916
3 240	3 025	Depreciation	13,14	280 352	343 263
52 863	21 029	Other operating expenses	8	941 579	1 009 528
0	461 343	Write downs	13,14,15,17	230 995	0
-70 734	**-490 819**	**Operating result**		**23 350**	**45 982**
50 552	68 468	Income from subsidiaries	9	0	0
1 960	0	Income from associates	16	14 365	1 610
111 234	113 788	Financial items, net	10	-52 019	-155 653
93 012	**-308 563**	**Ordinary result before tax**		**-14 304**	**-108 061**
13 550	-61 277	Tax on ordinary result	11	-14 248	31 452
79 462	-247 286	Result for the year		-56	-139 513
0	0	Result for the year, majority interest		-6 248	-162 947
0	0	Result for the year, minority interest	12	6 192	23 434
79 462	-247 286	Allocated to/ from (-) other equity			
79 462	**-247 286**	**Total allocation of result for the year**			
5 071	0	Allocation to group contribution after tax			
468	49 297	Received group contribution after tax			
		Earnings per share/diluted earnings per share		-0.72	-18.74

Balance sheet as of 31 December

Cermaq ASA 2002	Cermaq ASA 2003	*Amounts in NOK 1000*	Notes	Group 2003	Group 2002
		Assets			
0	0	Concessions, patents, licences, trademarks and similar rights	13	775 677	892 007
0	0	Goodwill	13	701 432	879 713
0	17 964	Deferred tax assets	11	59 821	0
0	17 964	Total intangible fixed assets		1 536 930	1 771 720
27 523	25 801	Tangible fixed assets	14	1 295 241	1 575 930
1 035 300	816 856	Investments in subsidiaries	15	0	0
		Investeringer i deltakerliknende selskaper			
1 553 554	1 473 692	Loans to group companies	19	0	0
17 190	40	Investments in associates	16	142 390	75 104
32 515	25 255	Investments in shares	17	60 411	23 671
2 032	28 604	Other long-term receivables	18	59 850	98 575
2 640 591	2 344 447	Total financial fixed assets		262 651	197 350
2 668 114	**2 388 212**	**Total fixed assets**		**3 094 822**	**3 545 000**
0	0	Stock of goods	20	842 184	1 296 275
26	1 529	Accounts receivables from customers	21	695 170	1 142 254
17 900	72 766	Other short-term receivables		8 383	120 671
125 294	47 488	Short-term intercompany receivables		0	0
71 609	97 587	Cash and cash equivalents	22	403 389	340 667
214 829	**219 370**	**Total current assets**		1 949 126	2 899 867
2 882 942	**2 607 582**	**Total assets**		**5 043 948**	**6 444 867**

Balance sheet as of 31 December

Cermaq ASA				Group	
2002	**2003**	*Amounts in NOK 1000*	Notes	**2003**	**2002**
		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
374 095	126 809	Other equity	23	42 929	89 486
0	0	Minority interests	12,23	367	158 840
374 095	126 809	Total other equity		43 296	248 326
2 768 079	**2 520 793**	**Total equity**		**2 437 280**	**2 642 310**
0	0	Pension liabilities	7	18 068	14 546
41 273	0	Deferred tax	11	0	5 365
41 273	0	Total provisions		18 068	19 911
0	0	Interest bearing long-term debt	24	1 525 066	2 415 439
41 273	**0**	**Total long-term liabilities**		**1 543 134**	**2 435 350**
0	31 068	Interest bearing short-term debt	24	143 606	234 354
28 124	13 655	Other short-term liabilities	26	919 928	1 132 853
45 467	42 066	Short-term intercompany liabilities		0	0
73 591	**86 789**	**Total current liabilities**		**1 063 534**	**1 367 207**
2 882 942	**2 607 582**	**Total equity and liabilities**		**5 043 948**	**6 444 867**

Oslo, 19. march 2004

Sigbjørn Johnsen
Chairman of the Board

Bjørg Ven
Deputy Chairman

Stein H. Annexstad
Board Member

Wenche Kjølås
Board Member

Kjell Frøyslid
Board Member

Jim-Egil Hansen
Board Member

Jan Helge Førde
Board Member

Karl Tore Mæland
Board Member

Geir Isaksen
Managing Director

Cash Flows Statement

Cermaq ASA 2002	Cermaq ASA 2003	*Amounts in NOK 1000*	Group 2003	Group 2002
		Cash flows from operating activities		
93 012	-308 563	Result before taxes	-14 304	-108 061
-9 382	-5 374	Gain/loss on tangible fixed assets	-75 208	7 614
3 240	3 025	Depreciation	280 352	343 263
0	461 343	Write downs	230 995	0
-18 531	15 771	Taxes paid	-54 735	-29 404
-4 297	492	Difference between pension premiums paid and pension expense	-5 243	8 128
0	0	Difference between income from and dividends received from associates	3 956	3 981
-19 882	0	Items classified as investing and financing activities	0	-19 882
435	-86 602	Change in stock, accounts receivables and accounts payables	335 367	76 950
-10 917	-24 255	Change in other short-term operating assets and liabilities	64 055	134 614
33 678	**55 837**	**Net cash flows from operating activities**	**765 235**	**417 203**
		Cash flows from investing activities		
-1 623	-1 303	Purchase of tangible fixed assets	-187 116	-260 519
13 976	5 374	Proceeds received from sale of tangible fixed assets	24 315	16 828
-500	-13 126	Purchase of share and companies, net of purchased cash and cash equivalents [2]	-8 607	0
0	0	Purchase of shares & investments in associated undertakings	-35 411	0
54 070	218 450	Proceeds received from sale of companies, net of sold cash and cash equivalents	200 099	29 070
-291 359	-270 322	Change in loans to group companies [2]	0	0
-225 436	**-60 927**	**Net cash flows from investing activities**	**-6 720**	**-214 621**
		Cash flows from financing activities		
-93 442	0	Payment of long-term debt	-514 132	-263 608
0	31 068	Change in short-term interest bearing debt /loan	-82 642	-79 582
0	0	Payment of dividends and group contribution (incl. payments to minorities)	-4 924	-20 824
-93 442	**31 068**	**Net cash flows from financing activities**	**-601 698**	**-364 014**
		Foreign exchange effect [1]	**-94 095**	**70 536**
-285 200	**25 978**	**Net change in cash and cash equivalents for the period**	**62 722**	**-90 896**
356 809	71 609	Cash and cash equivalents at the beginning of the period	340 667	431 563
71 609	97 587	Cash and cash equivalents at the end of the period	403 389	340 667

[1] Foreign exchange effect includes cash impact from hedge contracts and negative NOK3.4m related to cash and cash equivalents (2002: positive N2.8m)

[2] The parent company's cash flows on purchase of shares have been netted against changes in loans to group companies following debt to equity transfers

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.

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 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. Bal-

Note 1 Accounting principles cont.

ance 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 deals in off-balance-sheet financial instruments solely for hedging purposes. The accounting effect from the hedging transactions is 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.

Notes

Note 1 Accounting principles cont.

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 taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

Cash flow statement
The Group's cash flow statement analyses the Group's overall cash flow by operating, investment and financing activities. The acquisition of subsidiaries is shown as an investment activity for the Group and is presented separately with deductions for the cash reserves in the company acquired. The statement shows the effect of the operations on the Group's liquid asset balances.

Use of estimates
Preparation of the accounts in accordance with the generally accepted accounting principles requires that management make estimates and assumptions which 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. The ultimate values realised may deviate from these estimates.

Notes

Note 2 Companies in the Group

The consolidated accounts for 2003 include the following companies of significant size:

Amounts in 1000 of local currency	**Registered**		**Nominal capital share**	**Group's ownership interest 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%
Ewos Innovation AS	Norway	NOK	23 363	100%
Ewos Ltd.	Scotland	GBP	45 313	100%
Farm Control	Scotland	GBP	1 667	100%
Mainstream Scotland	Scotland	GBP	92	100%
Aquascot Value Added	Scotland	GBP	439	100%
Ewos Canada Ltd. – group	Canada	CAD	128 715	100%
Statkorn Fish Feed Chile s.a.	Chile	USD	17 000	100%
Ewos Chile s.a.	Chile	USD	212 661	100%
Mainstream Alimientos y Salmones s.a. – group	Chile	USD	6 924	100%
Vaksdal Industrier AS	Norway	NOK	22 167	100%

Note 3 Changes in the corporate structure/significant individual transactions

År 2003

The following significant acquisitions of companies were made during the year. All company acquisitions and sales are accounted using the purchase method as of the date of acquisition

Amounts in NOK 1000 **Company name**	**Date of acquisition/ sale**	**Cost of shares/ sales price**
Salmones Llanquihue S.A. (75%) *	31 May 2003	8 730
Gentec S.A. (22.5%) *	31 May 2003	67
Gentec acquisition of remaining (35%) *	31 Oct 2003	3
Norgesmøllene DA (sale of 60%)	3 Jan 2003	-151 200
Unikorn AS (sale of 17%)	1 Sep 2003	-21 000
Salmones Andes (30%) – transfer of debt to equity *	1 Jan 2003	-37 012

* These acquisitions were made as part of the Mainstream Alimientos y Salmones s.a. – group

During the year the group sold its remaining interest in Norgesmøllene DA realising a profit of NOK 58 million. In September the group sold 17% of it's holding in Unikorn AS at book value. The transaction takes the remaining holding in Unikorn AS below 50% (49.8%).

In 2003 Cermac acquired 30% of the shares in Salmones Andes. The transaction took place by converting accounts receivables into equity. A capital increase was also made in Salmon Andes on a proportionate basis with other shareholders.

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 NOK 3.6 million. 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. The merger failed on June 10, as the General Assembly in Fjord Seafood ASA turned the proposal down. Consultancy fees of NOK 26.5 million and finance costs of NOK 4.5 million arising from the process is recognised in the Profit and Loss.

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 NOK 47 million are charged in the Profit and Loss.

During the autumn 2002, negotiations regarding sale of Cermaq ASA's share in Norgesmøllene DA for NOK 151.2 million was entered. The negotiations resulted in a sale with effect from January 3, 2003. There was a gain in the Group Accounts in 2003 related to the sale.

Notes

Note 3 Changes in the corporate structure/significant individual transactions cont.

Pro forma profit and loss figures (not audited)
The pro forma profit and loss figures have been prepared to give a basis for comparison based on the group's composition at the end of 2003. There is a greater degree of uncertainty associated with pro forma figures than with actual comparison figures, and these figures will not necessarily reflect the results that would have been achieved if the acquisitions and sales had been made at an earlier point in time.

The pro forma profit and loss account has been prepared under the assumption that the transactions listed below had been carried out as of January 1, 2002.

The following significant transactions are adjusted for in the pro forma figures:
– The sale of Norgesmøllene DA in January 2003.
– The sale of the majority share in Unikorn in September 2003
– The purchase of majority stakes in Salmones Llanquihue S.A. and Gentec S.A. in May 2003 (previously associated investments) and the purchase of the remaining minority in Gentec S.A. in October 2003

Group *(Amounts in NOK 1000)*	**2003**	**2002**
Total Operating Revenue	5 195 628	5 130 250
Cost of Materials	-3 383 729	-3 624 499
Total Wages and Salaries	-459 787	-428 248
Total Depreciation	-274 572	-312 557
Total Other Operating expenses	-923 196	-838 358
Write off of tangible & intangible fixed assets	-230 995	0
Operating profit	**-76 651**	**-73 412**
Income from Investments – Assoc. Coys	15 325	3 281
Net Financial Items	-42 726	-130 794
Pre tax profit	**-104 052**	**-200 925**
Taxes on Ordinary Profit	37 821	-8 883
Net Result	**-66 231**	**-209 808**
Result for the period, majority interest	-66 247	-209 792
Result for the period, minority interest	16	-16

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 Division, 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 and Mainstream Chile use USD as their functional currency, but certain of their assets and liabilities are denominated in Chilean pesos. Local management hedge the USD/peso 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 one main strategic business area: Aquaculture. During 2003, Cermaq sold almost all of its interest in the Agriculture sector through the sale of Norgesmøllene and the Group's majority stake in Unikorn AS.

Aquaculture consists of Fish Feed and Fish Farming. Fish Feed involves the production of fish feed and the processing of by-products from the fish farming industry. Fish farming involves the on-growing of salmon and trout from smolts, as well as the slaughtering, processing, sale and distribution of trout and salmon.

Fish Feed and Fish Farming are managed separately because each individual division is a strategic business unit. Separate reports are prepared for the operating segments, and corporate management evaluates the results and resource allocation continuously. Segmental information is presented in these accounts.

Agriculture included Milling operations, Grain trading and other operations. Milling operations included the production and sale of flour, pasta and other cereal products, in addition to the marketing and sale of baking aids through Norgesmøl-

Note 5 Information on segments and geographic distribution cont.

lene. Grain trading and other operations primarily consisted of grain trading through 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 strategic business units. Inter company sales and transfers between the segments take place at market prices.

	External sales		Internal sales		Operating revenues	
Amounts in NOK 1000	**2003**	**2002**	**2003**	**2002**	**2003**	**2002**
Fish feed	3 848 265	3 935 426	424 067	479 889	4 272 332	4 415 315
Fish farming	1 302 432	1 132 966	80 009	0	1 382 441	1 132 966
Eliminations	0	0	-504 076	-479 889	-504 076	-479 889
Aquaculture	**5 150 697**	**5 068 392**	**0**	**0**	**5 150 697**	**5 068 392**
Milling operations	0	768 660	0	0	0	768 660
Grain trading and other activities	876 111	895 479	9 757	371 637	885 868	1 267 116
Eliminations	0	0	-9 757	-371 637	-9 757	-371 637
Agriculture	**876 111**	**1 664 139**	**0**	**0**	**876 111**	**1 664 139**
Group activities	14 231	4 923	2 981	5 118	17 212	10 041
Eliminations	0	0	-2 981	-5 118	-2 981	-5 118
Total	**6 041 039**	**6 737 454**	**0**	**0**	**6 041 039**	**6 737 454**

	Operating profit/loss		Ordinary depreciation		Profit/loss attributable to associated companies	
	2003	**2002**	**2003**	**2002**	**2003**	**2002**
Fish feed	195 063	163 436	172 454	207 541	2 714	-1 331
Fish farming	-238 744	-185 417	92 813	89 730	543	-2 717
Eliminations	21 697	23 936	0	0	0	0
Aquaculture	**-21 984**	**1 955**	**265 267**	**297 271**	**3 257**	**-4 048**
Milling operations	0	62 044	0	21 458	0	1 047
Grain trading and other activities	96 683	47 131	6 976	10 448	5 454	639
Eliminations	0	645	0	0	0	0
Agriculture	**96 683**	**109 820**	**6 976**	**31 906**	**5 454**	**1 686**
Group activities	-51 349	-65 793	8 109	14 086	5 654	3 973
Eliminations	0	0	0	0	0	0
Total	**23 350**	**45 982**	**280 352**	**343 263**	**14 365**	**1 610**

Group operating revenues by the location of the individual customers

Country *(Amounts in NOK 1000)*	**2003**	**2002**
Norway	2 991 219	3 759 376
Chile	1 043 867	1 068 694
UK	487 376	461 459
Rest of Europe	248 137	222 257
Canada	342 627	329 363
Japan	288 433	294 808
Other countries	639 380	601 497
Total operating revenues	**6 041 039**	**6 737 454**

Notes

Note 6 Wages and other personnel expenses

Cermaq ASA			Group	
2002	2003	*Amounts in NOK 1000*	2003	2002
14 658	20 261	Wages, including holiday pay	410 151	445 729
2 705	3 650	National insurance contributions	28 321	43 025
1 530	3 718	Pension costs	24 146	28 230
5 779	2 907	Other Personnel expenses	11 343	7 932
24 672	**30 536**	**Total**	**473 961**	**524 916**

Number of employees in Cermaq ASA as at 31 December 2003: 26 (2002:25)
Number of employees in the Cermaq Group as at 31 December 2003: 2,251 (2002:2,612)

Remuneration paid to the Board of Directors totalled NOK 940,000 (2002: NOK 1,010,000).

Bonus and pension schemes, etc., for key management personnel
Group Chief Executive Geir Isaksen received a salary and other remuneration of NOK 1,629,261. (2002: NOK 1,623,092). 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 payment 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 år[1]	30%[2]	-
Francisco Ariztia	-	1 år[1]	30%[2]	-
Kjell Bjordal	15 000	1 år[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 (Return on capital employed) target, targets are set annually. No bonuses have been paid on these agreements in 2003.

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 2003 bonuses were given totalling NOK 2.6 million. No bonus is outstanding as of December 31, 2003.

Option scheme
In March 2001, an option scheme was established for the top management of the Group companies. As at December 31, 2003, 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 have been 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 exercised from the date they are earned until July 1, 2006. None of the options have been exercised to date.
The option scheme has not been recorded in the financial statements.

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 21 members in the scheme as of December 31, 2003 (2002: 17 members). In addition Cermaq ASA has responsibility for 51 pensioners. These were transferred to Cermaq as an element in the final clarification of the sale of Stormøllen to Felleskjøpet in 1999.

Some of the other companies in the Cermaq Group have different defined benefit pension schemes. In the Group, 494 persons are in pension schemes, 58 of these are located in Scotland, and 81 in Canada, the remaining 355 in Norwegian companies. See also the description under accounting principles.

Cermaq ASA			Group	
2002	2003		2003	2002
6.0%	6.0%	Discount rate	6.0%	6.0%
7.1%	6.5%	Expected return on Pension Funds	6.5%	7.1%
3.0%	4.5%	Wage Adjustment	3.0%	3.0%
3.0%	2.5%	Basic amount adjust/ inflation	3.0%	3.0%
3.0%	3.0%	Pension adjustment	3.0%	3.0%

Note 7 Pension costs and obligations cont.

Cermaq ASA 2002	Cermaq ASA 2003	*Amounts in NOK 1000*	Group 2003	Group 2002
1 832	2 966	Net present value of current year's pension benefit earned	13 416	22 931
1 738	2 107	Interest cost of pension funds	8 606	16 390
-1 727	-1 950	Expected return on pension funds	-7 920	-17 684
106	383	Amortisation of discrepancies	819	1 020
-217	-277	Employee contributions deducted	-277	-1 143
79	165	Administrative expenses	267	549
0	296	Accrued National Insurance contributions	1 319	2 446
-281	0	Adjustment of circum-stances from earlier years	-277	3 722
1 530	3 690	Net accrued pension costs pensjonskostnad	15 953	28 230

Cermaq ASA 31.12.02	Cermaq ASA 31.12.03	*Amounts in NOK 1000*	Group 31.12.03	Group 31.12.02
-31 743	-37 954	Projected Benefit Obligation	-168 715	-300 180
28 297	31 554	Estimated Pension Funds	130 418	262 505
-3 446	-6 400	Estimated net pension funds/obligations(-)	-38 297	-37 675
5 078	8 950	Unrecorded gain(-)/loss on Pension Funds	21 473	24 310
1 632	2 550	Net pension funds/ obligations (-)	-16 824	-13 365
0	0	Accrued National Insurance contributions	-1 244	-1 181
1 632	2 550	Pension funds/ obligations (-)	-18 068	-14 546

Note 8 Other operating expenses

Cermaq ASA 2002	Cermaq ASA 2003	*Amounts in NOK 1000*	Group 2003	Group 2002
0	0	Production cost [1]	339 980	316 272
0	0	Logistic cost [2]	284 262	381 338
4 867	6 765	Sale and administration expenses	238 276	232 174
47 996	14 264	Other operating expenses [3), 4)]	79 061	79 744
52 863	**21 029**	**Total**	**941 579**	**1 009 528**

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 75.7 million for the Group have been charged against income in 2003 (2002:NOK 65.8 million)

4) Other operating costs relates to consultancy fees and travelling expenses. In 2002 consultancy fees of NOK 26.5 million were charged related to the proposed merger with Fjord Seafood ASA.

Auditor

The company's auditor, Ernst & Young have invoiced the following fees in 2003:

Amounts in NOK 1000	Cermaq ASA	Group
Audit fees	390	2 822
Fees other audit services	0	104
Total audit fees	**390**	**2 926**
Tax advice	932	1 492
Other services	177	280
Total fees	**1 498**	**4 698**

Note 9 Income on investments in subsidiaries

No income on investments in subsidiaries was recognised in Cermaq ASA for 2003. Cermaq ASA will receive a KNOK 68 468 Group contribution from it's subsidiary EWOS AS. Income on investment in subsidiaries recognised in other Group company is eliminated at the consolidated level.

Notes

Note 10 Financial income/expenses

Cermaq ASA 2002	Cermaq ASA 2003	*Amounts in NOK 1000*	Group 2003	Group 2002
156 344	133 525	Interest income	54 988	83 602
4 282	7 580	Other financial income	140	6 389
160 626	141 105	Total financial income	55 128	89 991
127 101	114 460	Of which are group related items	0	0
37 840	38 162	Interest expenses	143 796	201 424
8 489	2 752	Other financial expenses	8 611	34 150
46 329	40 914	Total financial expenses	152 704	235 574
-3 063	13 597	Net foreign exchange gains/(losses)	45 260	-10 070
111 234	**113 788**	**Net financial items**	**-52 019**	**-155 653**

Note 11 Taxation

Cermaq ASA 2002	Cermaq ASA 2003	*Amounts in NOK 1000*	Group 2003	Group 2002
8 773	-2 040	Tax payable	86 395	50 265
4 777	-59 237	Change in deferred tax	-100 643	-18 813
13 550	**-61 277**	**Tax for the year on ordinary profit/loss**	**-14 248**	**31 452**

Distribution of corporate tax *Amounts in NOK 1000*	Group 2003	Group 2002
Norway	-3 777	41 012
Abroad	-10 471	-9 560
Total	**-14 248**	**31 452**

There is no taxable income for Cermaq ASA for 2003. There is a tax payable in the balance sheet of net NOK 20 million, primarily related to tax on liquidation of the wholly owned subsidiary Florø Fiskefôr AS during December 2003. Tax payable on the consolidated balance sheet amounts to NOK 28 million.

Cermaq ASA 2002	Cermaq ASA 2003	**Deferred tax – tax effect of temporary differences**	Group 2003	Group 2002
19 491	-2 805	Total short-term items	-30 071	-33 031
21 782	4 945	Total long-term items	12 327	22 075
0	-20 104	Tax loss carry forward and other tax credits	-196 571	-137 898
0	0	Negative ground rent income	0	1 938
0	0	Deferred tax asset not recognised	154 494	86 218
41 273	**-17 964**	**Deferred tax/deferred assets (-)**	**-59 821**	**5 365**

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

Expiring dates of tax credits and tax losses carried forward

Amounts in NOK 1000	Group 31.12.2003	Expiring date
Norway	36 231	2013
Scotland	98 860	Without expiration
Canada	51 855	2009–2010
Chile	9 626	Without expiration
Total	**196 571**	

Note 11 Taxation cont.

Cermaq ASA			Group	
2002	**2003**	**Reconciliation of tax for the year**	**2003**	**2002**
26 044	-86 398	28% tax on profit before tax for the year	-4 006	-30 257
-12 494	27 161	28% tax on permanent differences	6 585	11 998
0	0	Differences in nominal tax rate for foreign companies [1]	-675	49 711
0	-2 040	Change in tax from previous years	-16 152	0
13 550	**-61 277**	**Tax for the year on ordinary profit/loss**	**-14 248**	**31 452**

[1] The effect of not recognising the deferred tax asset related to results in 2003 is NOK 70 million.

The permanent differences in Cermaq ASA's accounts for 2003 primarily relates to non taxable income (dividend from subsidiaries and associates), loss on conversion of inter company receivables to equity and taxable losses on sale and liquidation of shares.

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

NOKUS-taxation (Norwegian taxation of income from low tax jurisdictions)

The tax appeal board at the central office for large enterprises decided in December 2003 to maintain the taxation as of the year 2000 of the Chilean companies in the group who are not involved in farming.

Pending the claim obtaining its final clarification, the group has provided for estimated NOKUS tax in the consolidated accounts since 2000. The group has, after the decision was received, been working to calculate the final NOKUS income for the four year period commencing 2000. These calculations have resulted in reversal of deferred tax from prior periods of 15 million. The calculations are complicated and the tax payable from the tax settlement for the 4 year period may deviate from our provision. However, we do not expect such deviations to be material.

It is still the opinion of the group that Chile should not be considered a low tax jurisdiction. The group are now working to present the case to the Tax Inspectorate (of the Inland Revenue) so that they can raise the issue on an independent basis. We expect a clarification from the Tax Inspectorate during the second half of 2004.

Note 12 Minority interests

Minority interests' share of:	**Group**	
Amounts in NOK 1000	**2003**	**2002**
Ordinary depreciation	1 967	16 821
Operating profit/loss	11 975	38 150
Profit/loss before tax	8 618	26 638
Tax	2 426	3 951

Development of minority interests	**Group**	
Amounts in NOK 1000	**2003**	**2002**
Minority interests as at January 1	158 840	123 389
Profit/loss for the year attributed to minority interests	6 192	23 434
Reduction in connection with distributions to owners	-4 924	-20 824
Reduction in connection with the sale of subsidiaries	-159 741	0
Increase in connection with sale of minority interests	0	32 841
Minority interests as at December 31.	367	158 840

Specification of minority interests	**Group**	
Amounts in NOK 1000	**2003**	**2002**
Norgesmøllene DA	0	114 392
Unikorn AS	0	40 901
Other Norwegian companies	343	336
Farm Control, Scotland	0	1 869
Aquascot, Scotland	0	1 327
Mainstream, Chile	24	15
Minority interests as at December 31	367	158 840

Note 13 Intangible assets

Group *Amounts in NOK 1000*	**Goodwill**	**Licenses**
Historical costs as of 1 January	**1 047 015**	**925 838**
Additions, new companies	-4 880	10 481
Additions 2003, cost price	0	15 000
Disposals 2003, cost price	-119 695	0
Transfers	2 503	-2 503
Other charges	214	1 382
Foreign Currency effect, hist.cost 2003	6 445	11 091
Historical costs as of 31 December	**931 602**	**961 289**
Acc. Depreciation as of 1 January	**-167 302**	**-33 831**
Additions, new companies	0	0
Ordinary depreciations for the year	-45 656	-12 679
Write downs	-70 754	-131 339
Foreign Currency effect, changes for the year	-1 663	-7 763
Depreciation on disposals for the year	55 205	0
Acc. depreciations as of 31 December	**-230 170**	**-185 612**
Book value as of 1 January	**879 713**	**892 007**
Book value as of 31 December	**701 432**	**775 677**

Financial lease
Leases recorded on the balance sheet related to fish farming licences in Canada represent NOK 103.3 million of the book value as at 31 December 2003. Leasing commitments constitute NOK 124.4 million.

Renewal of licenses
Licenses have to be renewed every 5 years in Canada. As per November 2003 17 of 18 licenses have been renewed. One is still to be renewed, awaiting clarification from the local government.

Impairment
Management have considered the question of impairment of intangible fixed assets with focus on the book value of fish farming licenses and goodwill because of the difficult trading conditions in Scotland and Canada.

A review of the value of these assets was 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. The discount rate is the long 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 at 31 December 2003, intangible fixed assets were written down by NOK 202.1 million. Details of the write downs are given in the tables below.

Specification of fish farming licences

Company/grouping *Amounts in NOK 1000*	**Acquisition year**	**Historical cost**	**Write-down**	**Book Value 31.12.2003**	**Depreciation period**
Fish farming licences in Chile	2000	771 120	-	590 147	-
Fish farming licences in Canada	2000	202 403	-10 422	134 648	20 år
Fish farming licences in Scotland	2000	176 917	-120 917	35 882	-
Fish farming licences in Norway	2003	15 000	-	15 000	
Total fish farming licences etc.			**-131 339**	**775 677**	

Specification of goodwill

Company/grouping *Amounts in NOK 1000*	**Acquisition felsesår**	**Original goodwill**	**Write-down**	**Book Value 31.12.2003**	**Depreciation-period**
Companies in the EWOS Group	2000	594 839	0	411 824	20 år
Mainstream Salmones Y Alimentos s.a. - Group	2000/2001	367 330	0	222 570	20 år
Fish farming companies in Scotland	2000	90 016	-56 333	11 457	20 år
Fish farming companies in Canada	2000	16 894	-14 421	0	20 år
Noraqua AS	1999/2000	67 905	0	55 581	20 år
Total		**1 136 984**	**-70 754**	**701 432**	

Note 14 Tangible fixed assets

Cermaq ASA

Amounts in NOK 1000	Machinery, fixtures, vehicles, etc.	Buildings	Land	Total
Historical cost as at January 1, 2003	15 074	21 479	2 101	38 654
Additions, cost price	1 303	0	0	1 303
Transfers	3	70	-71	2
Historical cost as at December 31, 2003	**16 380**	**21 549**	**2 030**	**39 959**
Accumulated depreciation as at January 1, 2003	-2 636	-8 495	0	-11 131
Ordinary depreciation for the year	-2 075	-950	0	-3 025
Transfers	-1 349	1 347	0	-2
Accumulated depreciation as at December 31,2003	**-6 060**	**-8 098**	**0**	**-14 158**
Book value as at January 1, 2003	**12 438**	**12 984**	**2 101**	**27 523**
Book value as at December 31, 2003	**10 320**	**13 451**	**2 030**	**25 801**

Group

Amounts in NOK 1000	Machinery, fixtures, vehicles, etc.	Buildings	Land	Plant under construction	Total
Historical cost as at January 1, 2003	2 166 221	514 811	57 775	22 535	2 761 342
Additions, new companies	17 167	14 861	3 023	32	35 083
Additions, cost price	117 657	3 021	1 575	49 863	172 116
Disposals, cost price	-12 618	-1 391	-592	-1 556	-16 157
Sale of companies	-419 994	-89 667	-1 800	-5 075	-516 536
Foreign currency effect, hist. cost	45 720	1 604	2 440	-308	49 456
Transferred from plant under construction	23 713	5 501	-674	-28 536	4
Historical cost as at December 31, 2003	**1 937 866**	**448 740**	**61 747**	**36 955**	**2 485 308**
Acc. depreciation as at January 1, 2003	-1 035 865	-149 547	0	0	-1 185 412
Additions, new companies	-6 292	-3 644	0	0	-9 936
Ordinary depreciations for the year	-198 671	-23 346	0	0	-222 017
Write downs [1]	-28 902	0	0	0	-28 902
Foreign curr. effect, changes for the year	-15 158	-577	0	0	-15 735
Depreciation on disposals for the year	8 039	0	0	0	8 039
Acc depr on sold companies	233 231	30 665	0	0	263 896
Transfers from/to other categories	1 603	-1 603	0	0	0
Acc. depreciation as at December 31, 2003	**-1 042 015**	**-148 052**	**0**	**0**	**-1 190 067**
Book value as at January 1, 2003	**1 130 356**	**365 264**	**57 775**	**22 535**	**1 575 930**
Book value as at December 31, 2003	**895 851**	**300 688**	**61 747**	**36 955**	**1 295 241**

Financial leasing
Leasing agreements in the balance regarding buildings, machinery, inventory etc. amount to NOK 94.7 million for the Group. Leasing commitments amount to NOK 22.2 million.

1) Write downs
Write offs of tangible fixed assets in 2003 amounted to NOK 28.9 million and relate to assets identified as obsolete following reorganisation plans in Mainstream Scotland.

Notes

Note 15 Investments in subsidiaries

Limited companies *Beløp i 1000 kroner*	**Ownership interest Cermaq ASA**	**Equity as of 31.12.2003**	**Profit/loss for 2003**	**Book value as of 31.12.2003**	**Office location**
Statkorn Aqua AS	100.0%	142 930	-36 653	209 239	Oslo
Statkorn Aqua Invest AS	100.0%	18 715	1 407	15 510	Oslo
Ewos AS	62.0%[1]	595 339	79 688	354 083	Bergen
Ewos Ltd.	100.0%	140 506	1 356	169 365	Skottland
Noraqua AS	100.0%	3 188	138	13 102	Bergen
Statkorn Fish Feed Chile	1.0%[1]	308 538	-51 549	1 580	Chile
Norsk Lossekontroll AS	80.0%	1 723	33	40	Oslo
Cernova AS	100.0%	4 281	3 751	500	Bergen
Vaksdal Industrier AS	100.0%	29 621	2 163	53 437	Vaksdal
Total – limited companies				**816 856**	

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

The investment in the subsidiary EWOS Ltd has been written down by NOK 441.7 million. The Board has decided to charge the investment in the parent company accounts to reflect the write down of assets in Mainstream Scotland and Aquascot in the Group accounts, together with accumulated losses following the acquisitions of those businesses at the end of 2000.

Note 16 Investments in associated companies

Cermaq ASA *Amounts in NOK 1000*	**Ownership interest**	**Voting share**	**Equity as of 31.12.2003**	**Profit/loss 2003**	**Book value as of 31.12.2003**	**Office location**
AS Balsfjord Kornsilo	40.00%	40.00%	2 382	669	40	Oslo
Total investments in associates					**40**	

Group	**Book value as of 31.12.2002**	**Share of profit/loss for the year**	**Amortisation of excess value**	**Additions/ disposals during period**	**Dividend**	**Book value as of 31.12.2003**
Fiskå Mølle AS	26 428	5 038	0	-31 466		0
AS Balsfjord kornsilo	857	358	0	0	0	1 215
Trondheim Kornsilo AS	3 279	1 006	0	0	-204	4 081
Hordafôr AS	23 509	1 425	-1 167	0	-1 401	22 366
Unikorn AS	0	4 448	0	49 889		54 337
Food Manufacturing Services AS	11 147	0	0	-11 147	0	0
Havrehuset AS	2 587	0	0	-2 587	0	0
Oxseavision AS	2 408	-330	-1 125	5 040	0	5 993
Salmones Llanquihue/Gentec	4 889	-961	0	-3 928	0	0
Salmones Andes	0	6 292	-620	48 726	0	54 398
Total investments in associates	**75 104**	**17 276**	**-2 912**	**54 527**	**-1 605**	**142 390**

Notes

Note 17 Investments in other companies

Group *Amounts in NOK 1000*	**Cermaq ASA**	**Group ownership interest**	**No. of share owned**	**Total par value**	**Share capital**	**Book value**
Bioparken AS	1.52%	1.52%	5	50	3 300	50
Risørfisk AS	7.67%	9.38%	384 464	384	5 010	575
AquaGen AS	11.75%	11.75%	311 068	311	2 648	11 497
Lerøy Seafood ASA	1.34%	1.34%	460 200	13 116	34 441	13 116
Other						18
Total Cermaq ASA						**25 255**
Norwegian Royal Salmon AS		3.98%	692 573	693	17 307	30 417
Other						4 739
Total investments in other companies – group						**60 411**

Based on the estimated market value on the company, the investment in AquaGen AS has been written down by NOK 19,6 million in the parent company's accounts. The book value after the write down is equal to the book value in the Group's accounts.

Note 18 Other long-term receivables

Cermaq ASA			**Group**	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
400	26 054	Long-term loans to customers	41 918	46 727
1 632	2 550	Other long-term receivables	17 932	51 848
2 032	**28 604**	**Total**	**59 850**	**98 575**

Note 19 Long-term inter company receivables

Cermaq ASA *Amounts in 1000*	**Currency**	**Currrency amount**	**Value at rate on 31.12.2003**	**Book value 31.12.2003**	**Book value 31.12.2002**
EWOS Canada Ltd.[1)]	CAD	7 224	37 294	36 841	393 789
EWOS Ldt., Storbritannia	GBP	15 713	186 918	186 918	75 422
Aquascot Ltd.	GBP	188	2 231	2 231	0
Mainstream Scotland Ltd.	GBP	1 889	22 477	22 477	183 719
Statkorn Fish Feed Chile Ltda.	USD	10 105	67 454	67 454	0
EWOS Chile S.A.	USD	0	0	0	29 392
Receivables from Norwegian companies		0	1 157 771	1 157 771	871 232
Total long-term inter company receivables			**1 474 145**	**1 473 692**	**1 553 554**

[1)] Inter company loan to EWOS Canada is hedged in the forward market and booked at the relevant hedge rate. All other inter company loans denominated in foreign currencies are being booked at the market rate on the balance sheet date.

Notes

Note 20 Stocks

Cermaq ASA			Group	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
0	0	Raw materials	290 462	513 007
0	0	Fish in the sea	398 962	434 278
0	0	Work in progress	13 432	17 551
0	0	Finished goods	180 142	391 510
0	0	Net realisable value provision	-40 814	-60 071
0	**0**	**Total stocks**	**842 184**	**1 296 275**

Note 21 Accounts receivables from customers

Cermaq ASA			Group	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
26	1 529	Receivables from customers	799 473	1 253 299
0	0	Provisions for doubtful receivables	-104 303	-111 045
26	**1 529**	**Total receivables from customers**	**695 170**	**1 142 254**

Note 22 Liquid assets

Cermaq ASA			Group	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
71 609	97 587	Cash in hand, bank and postal giro deposits [1]	402 960	340 667
0	0	Money market	429	0
71 609	**97 587**	**Total liquid assets**	**403 389**	**340 667**
0	0	Of which are restricted deposits	1 238	7 701

[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

Cermaq ASA *Amounts in NOK 1000*	**Share capital**	**Own shares**	**Share premium reserve**	**Other reserves**	**Total equity**
Equity as at January 1, 2003	875 000	-5 440	1 524 424	374 095	2 768 079
Profit/loss for the year	0	0	0	-247 286	-247 286
Equity as at December 31, 2003	**875 000**	**-5 440**	**1 524 424**	**126 809**	**2 520 793**

Note 23 Equity cont.

Group *Amounts in NOK 1000*	Share capital	Own shares	Share premium reserve	Other reserves	Minority interest	Total equity
Equity as at January 1, 2003	875 000	-5 440	1 524 424	89 486	158 840	2 642 310
Change in minority interests	0	0	0	0	-159 741	-159 741
Paid to minority shareholders	0	0	0	0	-4 924	-4 924
Change in conversion difference	0	0	0	-40 286	0	-40 286
Profit/loss for the year	0	0	0	-6 248	6 192	-56
Other changes	0	0	0	-23	0	-23
Equity as at December 31, 2003	**875 000**	**-5 440**	**1 524 424**	**42 929**	**367**	**2 437 280**

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

Shareowners	Numer of shares	%-age ownership
Norwegian Government represented by the Ministry of Agriculture	6 945 600	79.38%
Norgesinvestor II AS	1 046 250	11.96%
Odin Norge	155 866	1.78%
Annexstad Hartvig Wenneberg AS	78 750	0.90%
Odin Norden	55 290	0.63%
Cermaq ASA (egne aksjer)	54 400	0.62%
Total	8 336 156	95.27%
Other (82 owners)	413 844	4.73%
Total	**8 750 000**	**100%**

The following board members have shares in the company:

Stein H. Annexstad	4.500
Karl Tore Mæland	1.000

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 was not used.

The board has a valid authorisation until May 9, 2005 from the general assembly to increase Cermaq ASA's equity by an amount of up to NOK 10,200,000 distributed over 102,000 shares, face value NOK 100, in one or more share issues.

Note 24 Financing

Cermaq ASA			Group	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
0	0	Syndicated loan [1]	1 355 140	1 852 630
0	0	Mortgage loan [2]	0	158 983
0	0	Financial leases [3]	124 424	143 493
0	0	Other liabilities [4]	45 502	260 333
0	**0**	**Total interest bearing long-term liabilities**	**1 525 066**	**2 415 439**
0	0	Short-term bank loans [5]	106 628	216 900
0	31 068	Other short-term liabilities [6]	36 978	17 454
0	**31 068**	**Total interest bearing short-term liabilities**	**143 606**	**234 354**
0	**31 068**	**Total interest bearing liabilities**	**1 668 672**	**2 649 793**

[1] The syndicated loan is a "Multi Currency Revolving Credit Facility" with a total credit limit of USD 255 million (originally USD 340mill). As at December 31, 2003 USD 203 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, and in 2004, being USD 25 million and 75 million respectively and in June 2005, USD 50 million, with the remaining balance payable in December 2005. The interest rate is linked to LIBOR plus a margin of between 65-115 basis points depending on a ratio of the Group's earnings to net debt.

Note 24 Financing cont.

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 interest bearing debt and EBITDA must not exceed 3.75:1

[2] Due to the sale of the group's majority stake of Unikorn in 2003 the mortgage loan in Unikorn is no longer consolidated.

[3] Financial leases are primarily comprised of commitments related to recorded fish farming licences in Canada totalling NOK 103 million (CAD 20 million) and by plant leases in EWOS Chile totalling NOK 21 million (USD 3.1 million, 2002: USD 7.7 million).

[4] Other long-term liabilities primarily include deferred payment arrangements related to purchases of fish farming operations in Scotland NOK 35 million (GBP 2.9 million, 2002: GBP 6.5 million).

[5] Short-term bank loans comprise of present drawings under credit facilities with local banks in Chile (USD 12 million, 2002: USD 21.7 million) and within the group account system in Danske Bank (GBP 2.2 million, 2002: NOK 2 million)

[6] Other short-term liabilities include invoice discounting in the UK and the impact of revaluing the outstanding FX hedges in Cermaq ASA to market rates at the balance sheet date.

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

Amounts in NOK 1000	31.12.2003	Maturity 2004	2005	2006	2007	2008	After 2008
Syndicated loan [1]	1 355 140	500 670	854 470				
Financial leasing	124 424	21 142	103 282				
Other long-term liabilities	45 502	1 947	36 302	1 853	1 800	1 800	1 800
Short-term credit lines	106 628	106 628					
Other short-term liabilities	36 978	36 978					
Gross interest bearing debt	**1 668 672**	**667 365**	**994 054**	**1 853**	**1 800**	**1 800**	**1 800**
Available credit lines [2]	318 987						

[1] The syndicated loan facility is being reduced by 75 million during 2004 and matures in December 2005.

[2] Available overdraft facility does not include unutilised capacity under the syndicated loan (USD 52 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

Amounts in NOK 1000	31.12.2003	Average fixing of interest rates	Average interest rates
USD [1]	1 457 023	11 months	3.76%
CAD	103 258	9 months	4.50%
GBP	66 219	12 months	5.32%
NOK	41 879	1 months	2.75%
CLP	293	1 months	8.06%
Interest bearing debt	1 668 672	11 months	3.85%
Cash and bank [2]	-403 389		
Net interest bearing debt	**1 265 283**		

[1] Average fixing of USD interest rates include 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 currencies 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 Currency – and interest rate management cont.

Currency hedging

Forward points are included in forward contracts/currency swaps as at 31.12.2003

Cermaq buys *Amounts in 1000*	**Net amount**	**Cermaq sells**	**Net amount**
NOK	239 678	GBP	20 620
NOK	203 920	CAD	40 000
GBP	1 237	NOK	14 672
USD	116 889	NOK	813 209
USD	8 150	CAD	11 280
USD	5 386	CLP	3 232 190
USD	10 000	JPY	1 163 430
USD	1 356	GBP	775
EUR	4 000	USD	4 806
EUR	1 400	CAD	2 143
EUR	11 370	NOK	93 228
EUR	1 269	GBP	898
CLP	1 461 679	USD	2 300
DKK	4 374	GBP	416

In addition to translation exposure related to balance items Cermaq Group has operational exposures linked to both sales and purchases in foreign currencies. Group policy is to minimize the risk related to foreign exchange. Hedging of operational exposure 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 locally.

Interest rate hedging

Interest rate swaps/options as at 31.12.2003

Instru-ment	**Cur-rency**	**Amount**	**Cermaq receives**	**Cermaq pays**	**Maturity**
Swap	USD	50 000	LIBOR 6 mos	5.60%	Jan 2006
Swap [1]	USD	15 000	LIBOR 6 mos	5.14%	Oct 2007
Collar	USD	10 000	LIBOR 6 mos	4.7 –7.0%	Mar 2006
Swap [2]	USD	50 000	LIBOR 3 mos	1.285%	Nov 2005
ARS [3]	USD	50 000	LIBOR 6 mos	LIBOR 6 mos	Jun 2005
ARS [3]	USD	50 000	LIBOR 6 mos	LIBOR 6 mos	Aug 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 rollover date.

[3] Arrears Reset Swaps which implies that the interest rate paid is being set at the end of the 6 months period while the interest received is based on the rate at the beginning of the period.

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, 2003 approximately 30% of the Group's interest bearing debt was hedged by swaps and which convert floating interest rates to fixed. The Group's interest exposure primarily relates to USD, CAD and GBP.

Note 26 Non-interest bearing short-term liabilities

Cermaq ASA			**Group**	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
2 708	1 949	Unpaid taxes and holiday pay	22 954	48 685
4 634	1 656	Accounts Payable to suppliers	733 009	778 830
5 209	20 982	Taxes payable	28 348	74 838
15 573	-10 932	Other short-term liabilities	135 617	230 501
28 124	**13 655**	**Total non-interest bearing short-term liabilities**	**919 928**	**1 132 853**

Note 27 Off-balance sheet leases Cermaq ASA and Group

Lessee *Amounts in NOK 1000*	**Asset**	**Annual rent**	**Duration of agreement**
Cermaq ASA	Rent	2 698	30.06.2005
Ewos Canada Ltd. - group	Machinery and equipment	527	31.12.2008
Ewos Ltd.	Machinery and equipment	2 344	31.01.2009
Ewos AS	Machinery and equipment	1 551	31.12.2022
Ewos AS	Rent	1 510	31.12.2022
Mainstream Canada	Rent	14 404	30.09.2009
Mainstream Canada	Rent	372	31.12.2007
Mainstream Canada	Machinery and equipment	1 038	31.12.2006

Notes

Note 28 Mortgages and guarantees

The Group's syndicated loan is based on a negative pledge, which allows 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 guarantee liabilities also include guarantees for the debt of other group companies.

Cermaq ASA		Mortgages	Group	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
0	0	Debt to credit institutions	0	158 983
0	**0**	**Total mortgage debt**	**0**	**158 983**

Cermaq ASA		Book value of mortgaged assets	Group	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
0	0	Stock	0	247 316
0	0	Receivables from customers and other short-term receivables	0	117 999
0	**0**	**Total book value of mortgaged assets**	**0**	**365 315**

Cermaq ASA		Guarantee liabilities	Group	
31.12.2002	**31.12.2003**	*Amounts in NOK 1000*	**31.12.2003**	**31.12.2002**
390 292	423 382	Guarantee liabilities	423 382	390 292
390 292	**423 382**	**Total guarantee liabilities**	**423 382**	**390 292**

Note 29 Subsequent events

Sale of Aquascot Value Added Business
In January 2004 Cermaq management entered into an agreement to sell the business and assets of Aquascot, the value added division. The effect of the sale has been considered in reviewing the groups' goodwill values for the year ended 31 December 2003. On the date of the issue of the annual report, the transaction has not been finalized.

Initial Public Offering
On February 6th 2004 the board of directors of Cermaq ASA decided to apply for a listing of the company at the Oslo Stock Exchange. The listing is planned to take place in the second quarter of 2004.

Note 30 Contingent liabilities

The Norwegian Competitive Authority resolved on the 3rd of July 2003 to challenge Felleskjøpet Øst Vests acquisition of Norgesmøllene DA. Felleskjøpet Øst Vest has filed a complaint with the Ministry of Labour and Government Administration. A decision is expected within 1st half of 2004. The agreement between the sellers of Norgesmøllene (Cermaq 60%), Fritzøe Møller AS (20%) and Skiens Aktiemølle ASA (20%), and the wholly owned subsidiaries Felleskjøpet Øst Vest used for the acquisition, states that the buyer is responsible for any implications of a negative ruling from Competitive Authorities' treatment of the acquisition. However, the buyer has a counterclaim against the sellers for half of the potential loss resulting from intervention by the Competitive Authority, if this decision is based on certain premises. Cermaq is of the opinion that it is unlikely that this situation could lead to financial loss for the company.

In an additional case, Norgesmøllene is under investigation by Økokrim, the financial crime unit, following notification by the Competitive Authority of illegal price collaboration. In the agreement regarding sale of Norgesmøllene, the sellers have agreed to cover all claims that might arise in relation to any penalties arising. This could also include confiscation of excess profits earned and, on certain stated conditions, claims from customers. It is the opinion of Cermaq that it is unlikely that the company will be faced with any financial liability arising from this investigation.

Auditor's report

ERNST & YOUNG

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To the Annual Shareholders' Meeting of
Cermaq ASA

Auditor's report for 2003

We have audited the annual financial statements of Cermaq ASA as of 31 December 2003, showing a loss of NOK 247.286.000 for the parent company and a loss of NOK 56.000 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 coverage of the loss. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the consolidated accounts. These financial statements and the Directors' report 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 2003, 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 coverage of the loss is consistent with the financial statements and comply with law and regulations.

Oslo, 19 March 2004
ERNST & YOUNG AS

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

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