Annual report 2004

cermaq

KEY FINANCIAL FIGURES 2004

Cermaq ASA 2003	Cermaq ASA 2004	*Amounts in NOK 1000*	Group 2004	Group 2003
		Profit and loss account		
25 114	6 833	Sales and other income	4 997 307	6 041 039
-26 451	-45 030	EBITDA pre write downs	538 398	534 697
-26 451	-45 030	EBITA pre write downs	310 504	300 001
-29 476	-48 147	Operating profit pre write downs	266 417	254 345
-490 819	-48 147	Operating profit	266 417	23 350
-247 286	39 115	Net profit for the year	184 960	-56
		Balance sheet		
2 388 212	2 379 713	Fixed assets	3 087 832	3 094 822
219 370	217 310	Current assets	1 892 151	1 949 126
2 607 582	**2 597 024**	**Total assets**	**4 979 983**	**5 043 948**
2 520 793	2 455 561	Equity, excluding minority interests	2 472 327	2 436 913
0	0	Minority interests	130	367
0	5 025	Long-term liabilities	1 391 985	1 543 134
86 789	136 438	Current liabilities	1 115 541	1 063 534
2 607 582	**2 597 024**	**Total equity and liabilities**	**4 979 983**	**5 043 948**
		Financial strength		
96,7%	94,6%	Equity ratio [1])	49,6%	48,3%
		Profit		
-1954,4%	-704,6%	Operating margin [2])	5,3%	0,4%
-9,4%	1,6%	Return on equity [3])	7,5%	0,0%
-9,7%	4,6%	Return on total assets [4])	6,2%	2,4%
-	-	Earnings pr. share [5])	2,13	-0,07
		Liquidity/cash flow		
97 587	113 516	Cash and cash equivalents	455 001	403 389
2,5	1,6	Current ratio [6])	1,7	1,8

[1]) Equity/Total assets, in %

[2]) Operating profit/Net revenues, in %

[3]) Net profit for the year/Average equity, in %

[4]) (Profit before tax + interest charged)/Average total assets, in %

[5]) Result for the year majority interest/Number of shares

[6]) Current assets/Current liabilities

SUMMARY

summary

■ **Sustainable aquaculture** is the vision that underlies all of Cermaq's operations.

■ **Cermaq made an operating profit of NOK 266.4 million in 2004.** This is an improvement of NOK 243.1 million from 2003. Net debt was reduced by NOK 226.8 million, to NOK 1,038.5 million as at 31 December 2004.

■ **Mainstream (farming) increased turnover by 7%** from 2003, giving an operating profit of NOK 97.4 million.

■ **Turnover in EWOS (fishfeed) declined by 6%,** but the overall operating profit grew by NOK 8.6 million to NOK 203.7 million in 2004.

■ **In summer 2004, Cermaq acquired the remaining shares in the Salmones Andes group.** This acquisition expanded farming capacity in the Mainstream Group with approximately 25 thousand tonnes.

■ **The listing of Cermaq was postponed in 2004** due to the insider position of the Norwegian Government in negotiations with the EU on possible safeguard measures on EU markets.

■ **Cermaq makes substantial investments in Research and Development** and is at the forefront of product and environmental innovations.

■ **Salmon has become a product that is widely available and widely consumed.** The continuing challenge is to provide consumers with more "user friendly" products which will encourage further increases in consumption. The positive effects salmon has on human health is secured through carefully balanced fishfeed.

CONTENT

content

ON SOLID GROUND

Cermaq delivered good results in 2004. The Group's profits are good, it has a sound balance sheet with considerable financial freedom of action and is able to pay a decent dividend to its owners. The company is standing on solid ground. The best starting point for further development.

In the spring of 2003, when Cermaq chose its slogan, "sustainable aquaculture", the Group found itself in a demanding situation. We had an interrupted merger with Fjord Seafood behind us, and we were in breach of the terms and conditions of our bank loans. The fish farming industry was in one of its most difficult years ever, with low prices and considerable losses for many fish farmers.

We had to emphasise the financial sustainability of everything we did. We had to regain our financial freedom by focusing on operations, cautious stewardship of our assets – and the sale of businesses no longer defined as core activities.

The 2004 financial statements show we have succeeded. Aquaculture operating profits have improved by 45%. We are particularly encouraged by the progress made by Mainstream, our fish farming business. In Chile we have maintained the earnings level in a year with falling prices. The turnarounds in Canada and Scotland are extensive. We are still not satisfied, but we can see that things are going in the right direction. We expect further improvements in Mainstream Canada and Scotland in 2005.

In the feed business, competition is tough and the margins are constantly under pressure. EWOS does not shy away from competition. We are trimming costs, there is extensive product development and professional follow-up of those developments in practice. EWOS is generating profits even in this demanding competitive situation. The industry is characterised by relatively short contracts, usually one or two years, and frequent change of suppliers. We have to live with fluctuating market shares, but have clearly stated our ambition to increase the EWOS market share this year.

Trade policy has prevented Cermaq from being listed in 2004. In the spring of 2004, the EU Commission began a process of introducing protectionist measures for Scottish and Irish salmon production, so-called safeguard measures. Norwegian authorities are engaged in negotiations regarding this issue, making them insiders, and are not able to sell shares in Cermaq before this process is finally clarified. Clarification regarding the safeguard measures is expected in the spring of 2005, but the EU Commission has now

IMPORTANT EVENTS 2004

FEBRUARY
Cermaq's Board of Directors decides to apply for a listing of the company on the Oslo Stock Exchange.

MARCH
EWOS AS sells its fish feed facilities at Kvalaberget in Stavanger to Felleskjøpet Rogaland Agder BA.

APRIL
Cermaq carried out a restructuring of its fish farming operations in Scotland. The head office is moved from Alness in Scotland to Kirkwall in the Orkney Islands. The value added business in AquaScot Ltd. is sold.

APRIL
Through a restructuring of Follalaks AS, Cermaq obtains a 34% equity share in the company.

MAY
The Norwegian Government decides it can no longer participate in transactions with Cermaq shares, due to

stated that it also intends to introduce preliminary anti-dumping measures against Norwegian salmon farmers. Currently, it is not clear what these measures might be.

For Cermaq, these trade policy measures, if they remain in force, have little direct negative impact. Mainstream, for the time being, has no business activity in Norway. Indirectly, they will have a negative impact through EWOS, which has significant operations in Norway, and which is dependent on Norwegian fish farmers being profitable. Similarly, there may be a negative impact on Mainstream in Chile, through restrictions on frozen Chilean salmon to the European market. In the short term, safeguard measures may have a positive impact on the Scottish businesses of Mainstream and EWOS.

Cermaq is ready to be listed on the stock exchange when conditions allow. At the time of writing, it is not possible to say when the Government will be able to participate in the listing of the company. Other strategic opportunities for the company that entail public listing, will also be more difficult to implement as long as the Government perceives itself as a possible insider. However, Cermaq still has many opportunities to develop as an organisation, through acquisitions or strategic alliances which would not necessitate a stock exchange listing. Our acquisition of Salmones Andes in Chile in the summer of 2004 is a good example of this. This acquisition has expanded our fish farming capacity by 25 thousand tonnes annually, and the company is already well integrated in Mainstream. The 2004 profits of Salmones Andes have proven to be better than expected at the time of acquisition.

Our vision of Sustainable Aquaculture is significant for the way we operate. We take the long-term view and act responsibly with respect to nature and society. We place great emphasis on environmental sustainability as detailed in this annual report. However, sustainability also means running a profitable business, where we balance risks and opportunities based on our recognized strengths. In general, the Norwegian aquaculture industry has handled its environmental challenges better than the economical and financial. Cermaq will continue to emphasise sustainability in every sense, environmental, operational, and not least financial to allow it to stand on solid ground during shifting regulatory frameworks and changing operating conditions.

Geir Isaksen
CEO

ongoing and future dialogue with the EU on the framework for Norwegian exports of aquaculture products to the EU. The Board of Directors decides to postpone the planned stock exchange listing.

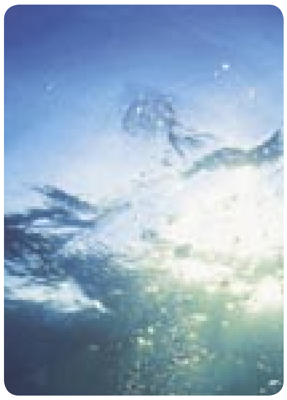
JUNE
The power plant at Buvika in Skaun Municipality, Sør-Trøndelag County, is sold to Grønnkraft AS.

JULY
Cermaq buys the remaining 70% of the Chilean fish farming company Salmones Andes, thereby acquiring full ownership. Cermaq becomes one of the largest producers in Chile, the fastest growing salmon region. Salmones Andes is fully integrated into Mainstream Chile by the end of the year.

DECEMBER
The contract that was agreed in May on the sale of Vaksdal Industrier AS to Norsk Grønnkraft AS, is concluded following endorsement from the Ministry of Petroleum and Energy. Vaksdal Industrier AS owns and operates two power plants in Vaksdal Municipality.

WORLD LEADER IN AQUACULTURE

CERMAQ IS A GLOBAL LEADER IN FISH FEED AND RANKS AMONG THE WORLD'S LARGEST FISH FARMING COMPANIES.



Statkorn Holding AS (today Cermaq ASA) was formed in December 1994. The first years represented a period of acquisitions and restructurings. Statkorn AS (today Unikorn AS) was formed in May 1995. NorAqua AS, where the Statkorn Group owned 41%, was established in May 1996. The interest in NorAqua created an opportunity for the development of the aquaculture business. In March 2000, Statkorn Holding bought the EWOS Group of companies, and in August 2000, the remaining shares in NorAqua. In 2000 fish farming companies were also purchased in Canada, Chile and Scotland; these have now been combined and are included in the Mainstream Group. In February 2001, Statkorn Holding changed its name to Cermaq.

Since 2000 Cermaq has disposed of the bulk of its interests in agricultural businesses, including Norgesmøllene and part of the investment in Unikorn. Today the Group is focused on fish feed production and fish farming. The company's strategic aim is to be listed on the stock exchange as soon as conditions permit.

MARKET OVERVIEW

Cermaq is a major player in the aquaculture industry with activities in each of the big four salmon producing areas of: Norway, Chile, Canada and Scotland.

The production of fish feed exceeded 2 million tonnes in 2004, leaving EWOS with a global market share of 31% in the relevant markets. There are a number of players operating in only one or two of the four markets. The industry is characterised by considerable economies of scale in utilisation of production capacities.

R & D spending is high to enable use of alternative raw material resources, to improve performance of the feed and hence to improve the performance of the customer's fish.

Our farming activities Mainstream is represented in Chile, Scotland and Canada. The farming industry is a fragmented industry. Alongside a few international players, there are many small producers, especially in Norway. The industry is characterised by high levels of risk due to price volatility, and exposure to weather conditions and diseases. The consumption of Atlantic salmon amounted to 1.14 million tonnes in 2004, an increase of 4.4% over 2003. *(Source: Kontali Analyse A.S)*.

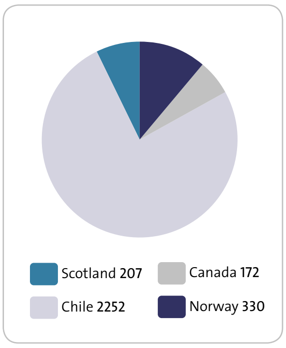
As of 31 December 2004 the Cermaq Group does not have any majority owned farming operations in Norway, but holds three minority positions in Norwegian farming companies. We believe that Norway will continue to be the leading salmon producing country together with Chile, and it is our strategic intent to increase our presence in Norway. Major uncertainty related to the market access into the EU is still however a major disadvantage to the further development of the Norwegian industry.

OWNERSHIP STRUCTURE

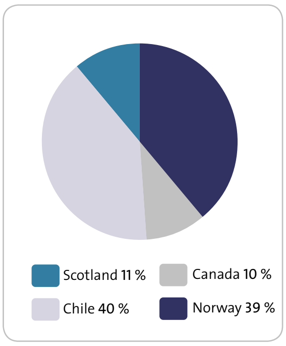
OWNERSHIP STRUCTURE

At the 31 December 2004, the Norwegian State, represented by the Ministry of Trade and Industry, owned 79.38% of the shares in Cermaq ASA. The Norwegian Parliament (The Storting) has supported the Government's proposal to reduce its equity interest to 34%. The remaining shares in the company were owned by, approximately, 80 private investors. In February 2005, Fjord Seafood ASA aquired 12,9% of the shares. (See also note 28 subsequent events)

EMPL. PER COUNTRY



REVENUES PER COUNTRY



ETHICAL VALUES

Global leadership requires that standards for best practice in operations are set and adhered to. Sustainable aquaculture is the mission that underlies all of Cermaq's operations. Cermaq makes substantial investments in Aquaculture Research and Development every year. This focus on R&D puts Cermaq at the forefront of product and environmental innovations and ensures that Sustainability is always prioritised in the development of new technologies.

Employees in the Cermaq Group work according to a set of values that are identified and shared throughout the organisation. Applying those values in an organisation that is widely dispersed geographically is a challenge. Nevertheless open communication between the different business units and our common sense of purpose show that the values are working in the Group's operations every day.

STRATEGIC CHOICES

Strong operations and management focus are the basis for future growth. Cermaq's current focus is to continue to develop the core aquaculture business. Sharing know-how within the Group and implementing best practices will contribute to this success. As our competences increase so will our opportunities to drive down costs and improve competitiveness, making Cermaq well placed to take advantage of future opportunities as they arise.

ETHICAL VALUES IN PRACTICE

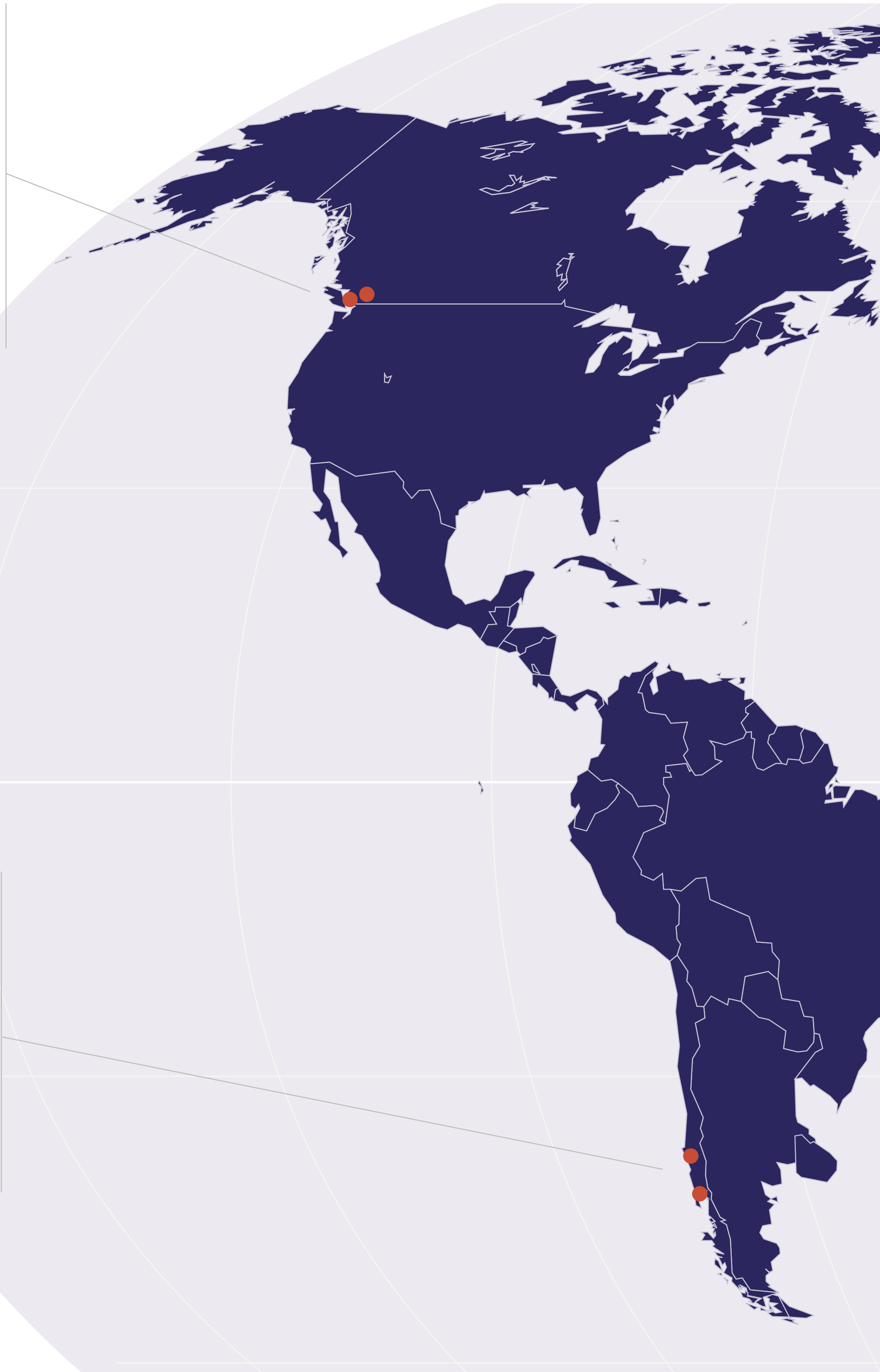
Cermaq has invested in quality, service and reliability. This focus will continue in the future. A current example of this is a program to educate operators on the fish feed boats of EWOS's Norwegian customers about EWOS values and standards of conduct. The 70 operators involved represent an important operational link between the company and its customers.

Cermaq organisation

CERMAQ ASA

FISH FEED	FISH FARMING
EWOS AS	Mainstream Salmones S.A.
EWOS Ltd	Mainstream Scotland Ltd
EWOS Canada Ltd	Mainstream Canada Ltd
EWOS Chile S.A.	
EWOS Innovation AS	

CERMAQ GROUP 31.12.2004



MAINSTREAM CANADA
- **Main office:** Tofino, BC
- **Revenues 2004:** NOK 81 mill
- **Employees 31.12.2004:** 104
- **Type of business:** Fish farming

EWOS CANADA
- **Main office:** Surrey, BC
- **Revenues 2004:** NOK 447 mill
- **Employees 31.12.2004:** 73
- **Type of business:** Fish feed

MAINSTREAM CHILE
- **Main office:** Puerto Montt
- **Revenues 2004:** NOK 997 mill
- **Employees 31.12.2004:** 1970
- **Type of business:** Fish farming

EWOS CHILE
- **Main office:** Coronel
- **Revenues 2004:** NOK 1 222 mill
- **Employees 31.12.2004:** 282
- **Type of business:** Fish feed

MAINSTREAM SCOTLAND

- **Main office:** Orkney Islands
- **Revenues 2004:** NOK 272 mill
- **Employees 31.12.2004:** 148
- **Type of business:** Fish farming

CERMAQ ASA

- **Main office:** Oslo, Norway
- **Revenues 2004:** NOK 6,8 mill
- **Employees 31.12.2004:** 26
- **Type of business:** Headquarter

EWOS INNOVATION

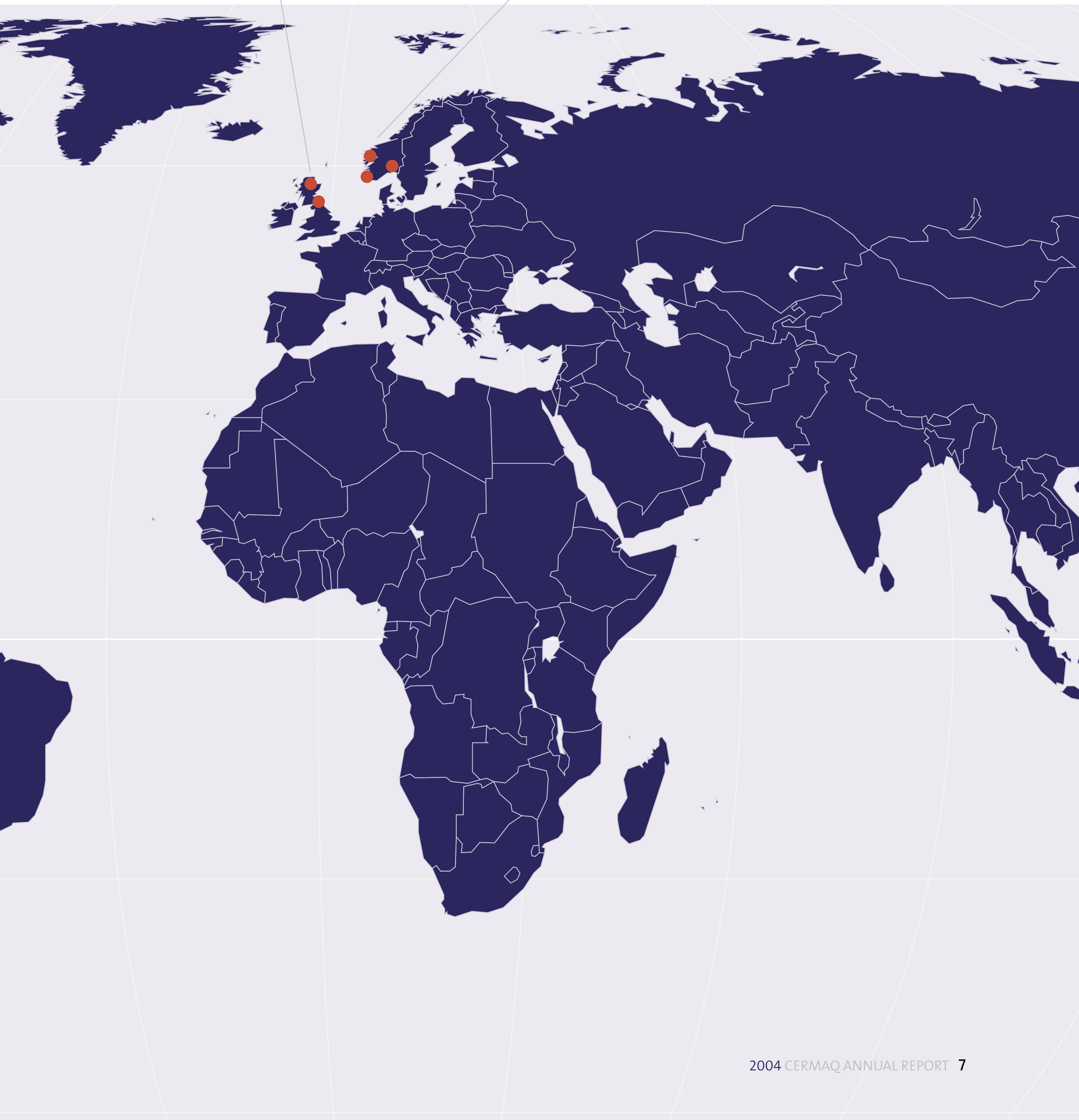
- **Main office:** Dirdal, Norway
- **Revenues 2004:** NOK 20 mill
- **Employees 31.12.2004:** 57
- **Type of business:** R&D

EWOS SCOTLAND

- **Main office:** Westfield
- **Revenues 2004:** NOK 297 mill
- **Employees 31.12.2004:** 58
- **Type of business:** Fish feed

EWOS NORWAY

- **Main office:** Bergen
- **Revenues 2004:** NOK 2 072 mill
- **Employees 31.12.2004:** 231
- **Type of business:** Fish feed



THE EWOS GROUP, FISH FEED

WITH TURNOVER OF NOK 4,034 MILLION IN 2004, THE EWOS GROUP IS ONE OF THE TWO LEADING GLOBAL SUPPLIERS OF FISH FEED.

EWOS has production facilities and well-established market shares in all of the four large salmon-producing countries: Norway, Chile, Canada and Scotland. Currently, practically all EWOS sales are to salmon and trout farmers. However, EWOS is also a full-range supplier for marine species and in a position to take part in the expected growth within these species.

EWOS' FINANCIAL POSITION IN 2004

The sales volume of the four EWOS companies reached 636 thousand tonnes of fish feed in 2004, against 662 thousands tonnes the year before. The Group's operating profit was NOK 204 million in 2004, compared to NOK 195 million the previous year. There was no recurrence of bad debt write-offs made in Norway in 2003.

Historically feed suppliers have had high outstanding accounts receivable and other financing with their customers. As a result of the company's objective of reducing tied-up capital, EWOS has in 2004 focused more on reducing credit risks than on market shares. Total customer accounts were reduced to NOK 519 million at year-end, from NOK 729 as at December 2003. As a result of this, other reductions of working capital and a positive result, the EWOS Group achieved a positive cash flow from operations of NOK 337 million against NOK 648 million in 2003.

STRATEGY

The EWOS Group has focussed on cutting-edge research and development work for a long period of time. This has greatly contributed to the progress achieved in the aquaculture sector in feed conversion, productivity, fish health and the environment. EWOS will continue to invest in research, traceability and innovation, to maintain its position as a leader in this area. This will provide the company's customers with the greatest possible safety in their choice of feed, and allow for competitive advantages as new products and technologies are constantly being developed. This strategy has given EWOS a particularly strong position with farmers who believe their profitability is driven by best biological results.

PRODUCT LAUNCHES

The company's substantial research effort has led to several new products being launched in 2004, of which Pyramid Modular Feed was one of the most significant. The Pyramid concept ▷

KEY FIGURES FEED

(Amounts in NOK 1000)	2004	2003	2002	2001
Sales in tonnes	635 900	661 600	650 700	723 100
Operating revenues	4 034 236	4 272 332	4 415 315	4 848 684
Operating result	203 651	195 063	163 436	406 961
Operating margin (%)	5.05	4.57	3.72	8.39

fish feed

Ewos modular feeds

The modular feeds from EWOS cover all life stages and quality demands of salmon and trout. EWOS micro is developed for large scale production of smolts whilst EWOS transfer, pyramid or silva covers the on-growing phase. A wide choice of modules makes special adaptation of the feeds to local environmental and growing conditions simple.

Micro 015

- **Diameter:** 0,6 mm
- **Length:** 0,6 mm
- **Weight of fish:** 0,15-0,5 g

Micro 1

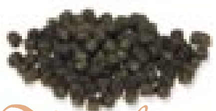
- **Diameter:** 1,3 mm
- **Length:** 1,3 mm
- **Weight of fish:** 1–10 g

Micro 30

- **Diameter:** 2,8 mm
- **Length:** 2,8 mm
- **Weight of fish:** 30–100 g

Transfer 50

- **Diameter:** 3,5 mm
- **Length:** 3,5 mm
- **Weight of fish:** 50 g



Transfer 200

- **Diameter:** 4,8 mm
- **Length:** 4,8 mm
- **Weight of fish:** 200 g

Pyramid 500

- **Height:** 4,6 mm
- **Length:** 7,6 mm
- **Width:** 7,6 mm
- **Weight of fish:** 500 g

Pyramid 2500

- **Height:** 8,1 mm
- **Length:** 13,5 mm
- **Width:** 13,5 mm
- **Weight of fish:** 2500 g

gives fish farmers considerably more freedom to optimise production on the basis of their own production philosophy, local operating conditions and the finished product's desired qualities. After several years of intensive research, EWOS also launched an industrial feed for the spawning of marine species. This feed replaces the costly and risky live feed and has been very well received, not only in our established markets, but also where EWOS was not previously active. This feed has reduced the risks in spawn production, one of the chief restrictions for growth and predictability in the breeding of marine species.

OUR MARKETS

The competitive scenario in 2004 was marked by an increasing fight for market share, with corresponding pressure on margins. Although the company's global market share was reduced by roughly 2-3 percentage points in the course of the year, the company achieved a higher operating result in 2004. A key element of this was the non-recurrence of bad debt write-offs made in Norway in 2003.

NORWAY

The Norwegian feed market increased by approximately 6% in 2004. The company's market share was reduced by 3-4%, to 36.5%, below the company's defined objective. EWOS Norway operates three factories, supplying the Norwegian and Faroese markets.

CHILE

The Chilean feed market has in recent years been characterised by considerable over-capacity, low margins and high credits. Market growth in 2004 reduced this over-capacity somewhat. EWOS Chile has a market share slightly under 30 percent, lower than the company's defined objective for the Chilean market.

Margins have been strengthened, but are still at a historical low level and may be expected to increase as the growth in the Chilean market takes up available capacity. EWOS Chile focused in 2004 on reducing credit exposure and on other capital efficiency measures, and has therefore achieved good cash flows while reducing risks.

CANADA

After suffering a setback in 2003 due to disease, the fish-farming business on Canada's west coast showed positive developments in 2004. EWOS Canada has defended its leading position in the market.

fish and human health

■ Trout and salmon are normally sold as whole fish, fillets or portions. ■ Both species are important sources of Omega 3 and vitamins A and D. ■ Omega 3 can help to prevent heart and cardiovascular problems, diabetes and other ailments. In addition Omega 3 can help in the development of the brain and spine in unborn babies.

The EWOS Group places a heavy emphasis on research through EWOS Innovation, which has research centres in Dirdal, Lønningdal (pictured) and Colaco, near Puerto Montt.

SCOTLAND

EWOS Scotland increased its market share in 2004 to approximately 22%, corresponding to a growth of 2% in an otherwise weakened market. The company is developing its profile as supplier of value-added products, which produce higher yields than the more standard grower feeds.
Due to low profitability in the fish-farming segment, the risk of bad debts is still high in the Scottish feed market.

SUSTAINABILITY

In line with Cermaq's overriding business aim, "sustainable aquaculture", EWOS has defined indicators and established management tools to monitor key sustainability parameters for feed production. Sales of the preventive health feed "Boost" have become well established in all markets, and the product is now being used by close to 100% of our customers for transfer of smolt to seawater. Raw material consumption for 2004 shows a continued reduction in the use of marine raw materials, where Chile in particular finally seems to have obtained market acceptance for diets with alternative feed ingredients. Last autumn, EWOS Chile was certified pursuant to ISO 9001:2000. Our investment in quality is reflected in a low level of customer complaint costs. The EWOS Group by establishing a joint electronic traceability system is also providing the market with improved traceability potential.

PROSPECTS FOR 2005

For 2005, continued growth is expected in Chile and Norway, a stable market in Canada and a slight decrease in the Scottish market. Strong competition for market shares is still expected, but EWOS is well positioned to take a share of the expected growth in Chile and Norway. Through its research and development efforts, EWOS has been able to develop new products that will be launched in the course of 2005, and which is expected to contribute to positive developments in the company's market shares.

THE MAINSTREAM GROUP, FISH FARMING

2004 WAS A VERY CHALLENGING YEAR FOR THE MAINSTREAM GROUP. SEVERAL SIGNIFICANT CHANGES WERE MADE IN OPERATIONAL UNITS, WHICH CONTRIBUTED TO THE FINANCIAL RESULTS OF THE GROUP.

Volume sold grew by 15% to 67.5 thousand tonnes round weight equivalent (RWE), while average price decreased to NOK 20.00/kg from NOK 21.49/kg in 2003. This price fall was more than offset by a strong reduction in costs of production, which was reduced from NOK 21.30/kg to NOK 18.36/kg, resulting in a positive EBITA of NOK 110.7 million.

MARKET SITUATION

The Japanese and American markets are by far the most significant for Mainstream. They have shown price decreases compared with 2003, while the European market showed a recovery from the very poor levels obtained in 2003. The current price levels will allow efficient competitors in each market to obtain reasonable profits. We do not expect a dramatic movement in sales prices in the immediate future unless significant changes occur in volumes offered. Volumes could be impacted in the short term by increases in production, or by trade barrier constraints.

Salmon has become a product that is widely available and widely consumed. Our continuing challenge is to provide consumers with more "user friendly" products which will encourage further increases in that consumption. Chilean individually packed frozen portions that have been successfully introduced into the American market is a prime example of the development of new "user friendly" products. During 2004, demand for traditional fresh fillets remained stable, while the sale of frozen portions grew by 68%. A further advantage for the salmon producers, was that these sales were achieved with almost no price variation during the year.

BUSINESS ENVIRONMENT

2004 was a very challenging year for the global industry. As expected, consolidation into bigger units by acquisitions and mergers has continued. In Chile, the number of salmon producers was reduced as 7 companies were acquired by larger players. These included three companies within the Salmones Andes Group which was acquired by Mainstream Chile. The largest Canadian farming company has recently announced that they wish to sell the company. Several of the smaller Scottish farms have gone into receivership. Marine Harvest and Stolt Seafarms, two of the largest producers worldwide, are in the process of merging.

Mainstream sees this trend as positive for the industry, as it should lead to better market development, improved balance between supply and demand, resulting in more stable prices. The success of this consolidation process will depend

KEY FIGURES FARMING

(Amounts in NOK 1000)	2004	2003	2002	2001
Sales in RWE tonnes	**67 500**	59 900	56 300	43 300
Operating revenues	**1 350 344**	1 259 193	1 132 966	1 086 145
Operating result before writedowns	**97 435**	-1 574	-185 417	-64 627
Operating margin (%)	**7.22**	-0.13	-16.37	-5.95

on the ability of the new entities to extract synergies, and to ensure operational control.

CHILE

In July, 2004, Mainstream Chile acquired the Salmones Andes Group, incorporating Salmones Andes, Salmones Chillehue and Marine Farms Chile. These companies had a combined production capacity in the range of 25 thousand tonnes and were located in the same geographical areas in which Mainstream Chile operates. They contributed significantly to the increase in total production from the 34.6 thousand tonnes in 2003, to 52.8 thousand tonnes in 2004. The integration of these companies into Mainstream Chile represented an important challenge for local management and we have been very pleased with the speed and efficiency with which this challenge has been met.

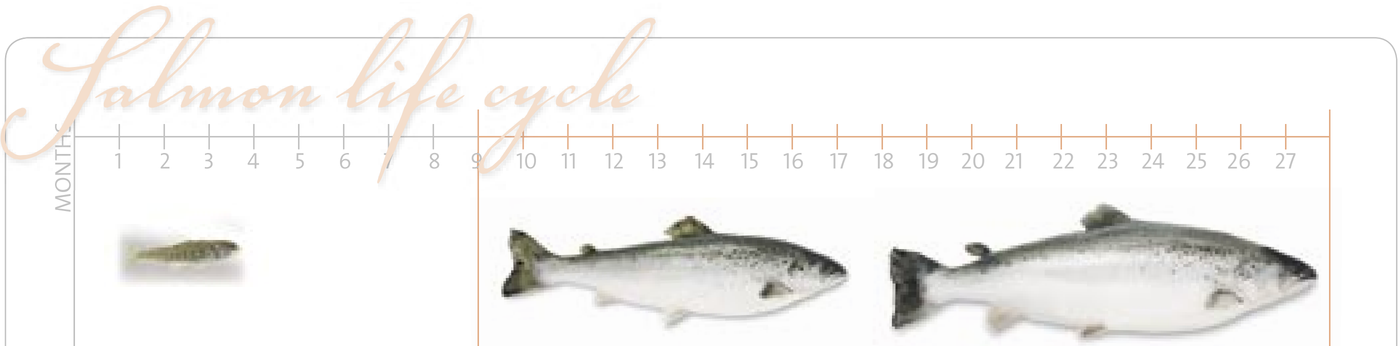
We continued to achieve better results from production during 2004, with lower mortalities and antibiotic consumption, and better feed conversion rates for all species grown. These improvements allowed us to keep the overall increase in production costs by 2%, to USD 1.69 per kilo RWE, FOB, despite higher feed prices and significant appreciation of the local currency against the USD during the year.

CANADA AND SCOTLAND

A reduction in production was planned and implemented in both Mainstream Canada and Mainstream Scotland in the course of 2004, allowing local management to regain control over the operations and put in place a full reorganisation of the activities of the companies. New management teams have been appointed in both businesses, and the administrative offices moved closer to operations.

Besides the planned reduction in production, Mainstream Canada suffered a heavy algae bloom with a total cost of NOK 15 million, decreasing harvests by 1.000 tonnes in that company, to a final level of 3.9 thousand tonnes. Despite the 8% appreciation of the Canadian currency against the American dollar during the year, Mainstream managed to decrease production cost of sales by 4% to CAD 4.46 per kilo. Although this cost reduction was not big enough to produce positive results, it is a clear sign that the adopted measures were moving in the correct direction. For 2005, production is expected to increase significantly.

Mainstream Scotland reduced its production costs by 14%, which together with a price increase of 9% produced an EBITA improvement of NOK 77.5 million compared with 2003.



In Chile it takes around 8–9 months (10–15 in Norway) from when the eggs are produced until the salmon smolts can be transferred into pens in the sea.

The proportion of protein in salmon remains constant throughout the life of the fish.

In Chile salmon are on average 15.5 months in the sea before the normal slaughter weight of 4,1 kg is reached. The equivalent figures for Norway is 18 months and 4,7 kg.

fish species

Salmon salmo salar

- **Origin:** North Atlantic Ocean
- **Distinctions:** Long body, steel blue back and spotted gill cover
- **Normal slaughterweight:** 4-5 kg.

Atlantic salmon is harvested all year round and represents 25% of the world's production of salmon.

Trout Oncorhynchus mykiss

- **Origin:** Pacific Ocean and North America
- **Distinctions:** Round abdomen, spotted back and fins
- **Normal slaughterweight:** 3-4 kg.

Adapts willingly and grows fast, which makes rainbow trout well fitted for farming.

During 2004 an increase in the approved discharge consents of 2.500 tonnes in the current sea sites was obtained, making them viable for commercial scale operations. A continuing problem for the Scottish operations is the high level of IPN infection at the smolt stage of fish production. This is an industry problem which calls for a common approach from all farmers.

SUSTAINABILITY

Enhanced farming husbandry practices have raised health standards and fish welfare throughout Mainstream operating companies. Mortality rates were on average at a record low during the year, despite a sharp decrease in medicine consumption.

All operating companies work within local environmental rules, ensuring that licenses do not exceed their sustainable capacities. Continuing close communication with customers and authorities in all export countries is translated into better monitoring practices of live fish stocks and final products, ensuring food safety and customer satisfaction.

The number of employees increased by 755, primarily due to the Andes acquisition. Although the number of employees increased, the number of accidents occurring per employee went down compared to 2003, reflecting work undertaken to enhance safety programs. Mainstream Chile participated as the first Chilean salmon company in the Self Auditing program of Labour law compliance promoted by the Chilean government, and has received public recognition for this participation.

During the course of the year, the aquaculture industry faced criticism from different environmental organisations. These were widely covered in the media, and caused a degree of anxiety to consumers. The industry considers that many of the arguments used by the environmental organisations were without scientific foundation and that aquaculture products are a healthy and a valuable food source. For its part, Cermaq accepts that it has a responsibility not only to ensure sustainable farming operations, but also to provide adequate documentation which clearly demonstrates this. Mainstream has a clear remit to operate within all applicable laws and regulations, and to produce food products of the highest quality.

Mainstream Chile has several farms within the area of Chiloe, south of Puerto Montt.

OTHER ACTIVITIES

CERMAQ OWNS SHARES IN SOME NONE-AQUACULTURE COMPANIES THAT ARE NOT REGARDED AS PART OF THE CORE BUSINESS. DURING 2004 THIS PORTFOLIO WAS FURTHER REDUCED THROUGH THE SALE OF THE ELECTRICAL POWER UTILITY VAKSDAL INDUSTRIER AS, AS WELL AS THE POWER GENERATION PLANT IN BUVIKA IN THE MUNICIPALITY OF SKAUN.

These disposals realised a total of NOK 45 million during the year. Most of the remaining portfolio will be disposed of when the conditions are favourable.

In total, other activities contributed profits before taxes of NOK 33.2 million, of which NOK 16.8 million was a capital gain on the sale of Vaksdal and the Buvika power generation plant. After the disposals, none-aquaculture assets defined as other activities amount to 2.8% of the Group's total assets as at 31st Dec 2004.

SALE OF THE POWER GENERATION BUSINESSES

Through agreements entered into with Norsk Grønnkraft AS in May and June, 2004, all shares in Vaksdal Industrier AS, as well as all assets related the power generation plant in Buvika, were sold. The sale of these assets resulted in a capital gain of NOK 16.8 million in the consolidated Group financial statements of the Cermaq Group for 2004.

UNIKORN

Unikorn sold 730 thousand tonnes of grain and other raw materials during 2004. Of this quantity, 476 thousand tonnes (65%) were Norwegian grain and oilseed, whereas 254 thousand tonnes (35%) were imports and other goods. Turnover was NOK 1.36 billion, an increase of 7.1% compared to the turnover in 2003. Operating profits were NOK 27.8 million, compared to NOK 47.2 million in 2003. Net profits after taxes were NOK 14.7 million, compared to NOK 24.0 million in 2003. The operating margin went down from 3.7% in 2003 to 2.0% in 2004. Cermaq's share of Unikorn's profit before tax amounted to NOK 10.0 million in 2004.

During 2004, Unikorn searched for activities that may help to maintain and strengthen its position as a leading importer of goods to Norway for the production of feed for livestock and fish. As a part of this process, in January 2005 the company made a strategic decision to enter into soya bean processing. Unikorn is participating with the ownership of 40% of the shares in a newly formed company that will continue the operation of Denofa's soya extraction plant in Fredrikstad. The new company has been named Denofa AS, and the other owners are the Orkla Group (20%) and Inlogs (40%). Inlogs is a Brazilian company with which Denofa will cooperate to acquire GMO free soybeans from Brazil.

UNIKORN (49,8% share)

(Amounts in NOK 1000)	2004	2003
Operating revenues	1 361 511	1 270 737
Operating result	27 805	47 205
Operating margin	2.0%	3.7%
Net result	14 700	24 025
Number of employees	37	41

OTHER SHAREHOLDINGS:

NORSK LOSSEKONTROLL AS is engaged in various control services related to the loading and unloading of grain and other feedstuffs in Norway. Cermaq owns 80% of the shares in the company.

AS BALSFJORD KORNSILO is a real estate company owning a grain silo in Balsfjord. Cermaq owns 50% of the shares in the company. Today the silo is rented to Unikorn AS.

AS TRONDHEIM KORNSILO is a real estate company owning a grain silo in Trondheim. Cermaq owns 34% of the shares in the company. The silo is rented to Felleskjøpet Trondheim.

HORDAFÔR AS is engaged in the processing of by-products from salmon and trout processing into oil and protein concentrates. The Cermaq owns 35% of the shares in the company.

OXSEAVISION AS develops and sells equipment for adding oxygen to fish farming plants. Cermaq owns 45% of the company.

SHAREHOLDINGS IN FARMING ASSETS:

FOLLALAKS AS is a company engaged in salmon farming. The company's operating location and headquarters are in Steigen in Nordland County, but the company also has significant activities in Finnmark County. Cermaq bought into the company as a part of a refinancing solution during the spring of 2004, and owns 34% of the shares. Operating profit for 2004 was NOK 21.5 million. Cermaq's share of profit before tax in Follalaks AS amounted to NOK 4.0 million in 2004.

SEASTAR SALMON FARMING HOLDING AS (previously Rong Laks AS) is engaged in salmon farming in areas west of Bergen. The company has continuously struggled with poor operations and financial results, and underwent a refinancing exercise in December of 2004. After the latest refinancing, Cermaq's ownership increased from 17.6% to 22.9%.

OTHER SHAREHOLDINGS

(Amounts in NOK 1000)	Revenues	Net result	Shareholding
Norsk Lossekontroll AS	5 215	-264	80%
AS Balsfjord Kornsilo	2 939	902	50%
AS Trondheim Kornsilo	4 638	2 004	34%
Hordafor AS	107 562	9 175	35%
OxSeaVision AS	7 200	396	45%
Follalaks AS	342 314	-1 417	34%
Seastar Salmon Farming Holding AS	96 004	-57 553	22.9%

SUSTAINABILITY, RESEARCH AND CONSUMER CONFIDENCE

EWOS INNOVATION IS A LEADER IN INTERNATIONAL AQUACULTURE RESEARCH. "OUR RESEARCH ACTIVITIES ARE VERY MUCH INFLUENCED BY OUR CLEAR OBJECTIVE OF SECURING SUSTAINABLE GROWTH AND DEVELOPMENT FOR THE INDUSTRY", SAYS THE MANAGING DIRECTOR, DR PER OLAV SKJERVOLD.

The R&D company's boss is actively interested in ensuring that his research establishments contribute knowledge and documentation that will benefit the whole value chain.

"Our customers demand a sharp focus on cost effective production. One of the most important roles EWOS Innovation can play, is as a facilitator to enable the desired outcome in a way that is sustainable and which will generate increased consumer confidence in the market", says Skjervold.

REDUCED FEED CONVERSION RATIO (FCR) WITH LESS EMISSIONS

One of the biggest challenges through the years has been to reduce the FCR. In this respect the industry has been successful and during the past 20 years the FCR has been almost halved, from 1.9 kg feed per kg salmon produced, to a little over 1 kg feed.

"The introduction of feed quotas was in itself an important incentive for the industry to reduce the FCR. As a leading industry R&D player we want to contribute to the further reduction of the FCR. It is about strengthening both financial and environmental sustainability", Skjervold points out.

Another important research objective for EWOS Innovation is to improve the way the fish utilize the feed. A high degree of digestibility will help minimize local emissions.

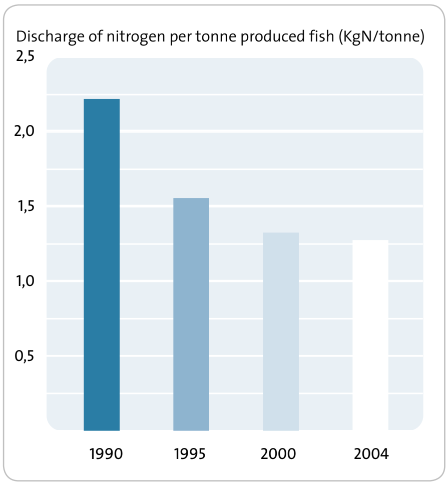
"This is a project that has yielded good results. Since the middle of the 1970's, nitrogen emissions per fish have been reduced by 80% and phosphorus emissions per fish have been more than halved. We have managed to combine strong growth with steadily cleaner and more environmentally friendly fish farming", declares Skjervold.

"Salmon farming is marine production – not marine consumption. Today, fish farmers are harvesting more marine protein than they put in. We have also come a long way with respect to consumption of oils, but still have some way to go before farming will enable us to harvest as much or more than the quantity that is consumed during production."

CONSUMER CONFIDENCE AND HEALTH

By uniting technology and biology research knowledge we are continuously moving the boundaries for feed performance, and at the same time reducing costs. Utilization of new

DISCHARGE OF NITROGEN



From 1990 to 2004, the discharge of nitrogen per kilo of produced fish has been reduced by 45%. EWOS Innovation has been at the forefront of this improvement, by continuing research into the protein and amino acid requirements of the fish, and by optimising the mix of feed ingredients and energy levels.

“As a central ingredient provider in the fish farming industry we wish to participate and assume responsibility for ensuring that the salmon is in the best possible position in the end-user markets.”
Adm. dir. Per Olav Skjervold

raw materials and process technology are important elements. However, in this continuous process of change we have an important and fixed point of reference: the feed must provide the fish with the correct composition of the beneficial fatty acids that improves the position of salmon as healthy food.

“As a central ingredient provider in the fish farming industry we wish to participate and assume responsibility for ensuring that the salmon is in the best possible position in the end-user markets. More and more scientific papers and public nutrition recommendations emphasize the salmon’s positive health effects. We direct our research efforts to ensure that these positive health effects from salmon are secured by thoroughly balancing the fish feed. In cooperation with others, we are not only ensuring that the positive characteristics are not impaired, but are in fact improved so that they may be used in the marketing of salmon as healthy and tasty food”, Skjervold points out.

”EWOS Innovation has developed solid competence in this area. We are an international company with unique lab and research facilities. A dedicated staff of 65 highly qualified employees provide us with a very good knowledge base to be used in different areas of the aquaculture value chain”, says Skjervold.

COLLABORATION AND NETWORKING

Throughout the years, EWOS Innovation has established a strong international network both within and outside the industry. Beside extensive R&D activities for its own account, the company participates in various research projects with public and industrial research establishments around the world.

“As an industrial R&D institution we have a highly commercial focus. Our slogan: ”Knowledge makes the difference” shall result in actual competitive advantages for our customers. Increasingly, unique knowledge is being protected by patents and other measures concerning intellectual property rights. Accordingly, we are increasingly collaborating on the basis of the licensing of exclusive rights, which enables unique product advantages. We are particularly concerned about developing knowledge in the interface with other industries and sciences under rapid development. That way we are challenging and developing our own knowledge base as the basis for practical innovation”, explains Per Olav Skjervold.

IS AQUACULTURE A THREAT TO WILD FISH SPECIES?

ARE WILD FISH SPECIES THREATENED BECAUSE INTENSIVE FISH FARMING LEADS TO GREATER TAXATION OF STOCKS USED IN THE PRODUCTION OF FISHMEAL AND FISH OIL? ARE WE REACHING THE LIMIT WITH RESPECT TO HOW MUCH FARMED FISH WE CAN PRODUCE IN INTENSIVE FISH FARMING BECAUSE MORE FISHMEAL AND FISH OIL ARE NO LONGER AVAILABLE FOR FEED PRODUCTION?

Frank Asche, Professor at the Norwegian School of Economics and Business Administration and the University of Stavanger, and one of Norway's leading researchers in fisheries economics, considers these issues important. However, he believes that the relationship between intensive aquaculture production and marine-based ingredients for fish feed is by all accounts considerably less dramatic for the growth of intensive fish farming than the scenarios often presented.

Figures from the UN Food and Agriculture Organisation (FAO) indicate that most of the world's fish stocks are either fully exploited or overfished. As more fish farming will mean a growing need for raw materials for the production of fish feed, some have assumed that this will lead to greater overfishing. *"This argument is not correct,"* Professor Asche maintains, *"to be correct, three assumptions must hold: – the relevant fish stocks must be so poorly managed that catches above sustainable levels are possible, – fish farmers must be without adequate alternatives to marine raw materials, – and other fishmeal and fish oil users must be unwilling to reduce their consumption."*

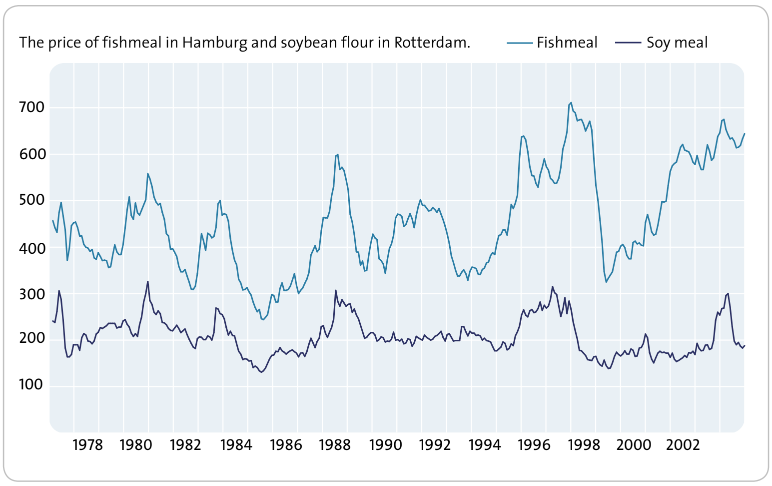
The first obstacle for whether increased fish farming represents a threat to wild species is the management regime for stocks in question. If the management system is reasonably efficient and enforces a maximum quota, overfishing will be prevented. In this case, increased demand for raw materials for fish feed will not have any negative effect on the stocks because the catches would not be increased.

Unfortunately, all fish stocks are not well managed. So how will an increasing demand from aquaculture affect these stocks? *"That depends on the markets for fish meal and fish oil"*, professor Asche says. *"25 years ago, the lion's share of the world's production of fishmeal and fish oil was used for fodder in agriculture, and agriculture is still a big fishmeal consumer. However, agriculture also uses much larger quantities of soya and other types of vegetable protein and oil. In recent years vegetable protein and oil have also constituted an increasing part of the ingredients in fish feed. The key issue in relation to market structures is thus whether fishmeal and fish oil are in demand primarily because of their unique qualities or because they are inexpensive."*

An indication that agriculture could, at least partly, replace marine raw material with vegetable raw materials, is that the growth of global aquaculture production, and thereby global fish feed production, has taken place without any clear effects on the price of fishmeal, and without any increase in the quantities harvested of the marine ingredients used in the production of fishmeal and fish oil.

Frank Asche, professor at the Norwegian School of Economics and Business Administration and the University of Stavanger, and one of Norway's leading researchers in fisheries economics.

PRICE DEVELOPMENT OF FISHMEAL AND SOY MEAL (USD/TONNE)



The prices of fishmeal and soy meal have the same variations, although the price level of fishmeal is higher because of its higher protein contents.

■ If fishmeal and fish oil are primarily in demand because of their unique qualities, price formation would not depend on the price of vegetable meals, and an increased demand for fishmeal and fish oil would lead to increased pressure on fish stocks.

■ If, on the other hand, fishmeal and fish oil are primarily demanded because they are reasonable protein and oil sources, they would be a part of the global protein and oil market. A growing demand from aquaculture would then primarily make other consumers use alternative meals and oils without causing an increased overall demand. In this case, an increased demand for fishmeal and fish oil would not lead to greater pressure on stocks.

Thus, the crux of the matter is whether fishmeal and fish oils are unique or inexpensive alternatives for other meals and oils. *"Several scientific studies on the relationship between the markets for vegetable and marine protein sources have been carried out. The results clearly show that the marine raw material is part of the global protein and oil market,"* says Professor Asche (see fig.) *"So far, increased production due to intensive fish farming has not led to greater pressure on wild fish stocks, thus causing environmental damage. For this reason, we have so far seen no signs indicating that a shortage of marine raw materials might restrain growth in fish farming."*

Whether this situation will continue, depends on how feed formulas will develop in the future. If aquaculture feed is to have a substantial component of vegetable ingredients, marine raw materials would still form part of the global protein and oil market.

"With the knowledge we currently have about the use of vegetable raw materials for fish feed, we have every reason to believe that marine raw material will continue to be a part of the global protein and oil market", Professor Asche concludes, *"therefore, an increase in fish-farming production would neither be limited by nor represent a threat to the fish stocks used in the production of fishmeal and fish oil."*

SUSTAINABLE AQUACULTURE

In order to deliver the concept of Sustainable Aquaculture Cermaq has defined six key areas:

- Sustainable raw material resources
- Healthy fish in healthy farming
- Awareness of environmental impact
- Local community acceptance
- Consumer satisfaction
- Employee satisfaction

During 2004 Cermaq has concentrated efforts on establishing improved systems for reliable reporting on sustainability issues. A coordinating body, Cermaq Sustainability Team, was established in 2004 and is headed by the Deputy CEO. The team will oversee functions within sustainability and has the mandate to:

- Coordinate development related to fulfilment of the Sustainable Aquaculture mission
- Identify new issues and define what Sustainable Aquaculture means in practice
- Secure reporting on sustainability parameters by establishing reporting routines, initiating reports and position papers and suggesting applicable policies
- Initiate internal and external communication

CORPORATE GOVERNANCE IN CERMAQ

CORPORATE GOVERNANCE WITHIN THE CERMAQ GROUP IS ESTABLISHED BY BUILDING ON THE COMPANY'S VISION AND CORE VALUES: SUSTAINABLE AQUACULTURE THROUGH COMMITMENT TO INTEGRITY, BUSINESS MINDEDNESS, PRUDENCE AND PREPAREDNESS. THESE VALUES UNDERLIE THE FRAMEWORK FOR ETHICAL CONDUCT WITHIN THE CERMAQ GROUP.

Cermaq believes that the basis for good corporate governance is a sound and transparent relationship between the owners, the Board of Directors and the management. Good corporate governance will ensure credibility and trust amongst all stakeholders and will provide a basis to promote sustainable value creation and enhanced performance.

A review of corporate governance in Cermaq was carried out by the Board of Cermaq in spring 2004. Group policy requires that standards of corporate governance should be in compliance with recommended best practice in Norway.

A complete version of the principles for corporate governance in Cermaq adopted by the Board on 27 April 2004 is presented on **www.cermaq.com**

COMPANY OBJECTIVE

Cermaq's objective is to be one of the global leaders in the aquaculture industry, with principal focus on sustainable production of feed to, and the responsible farming of salmon and trout. The company is committed to creating value for the shareholders through sustainable aquaculture. Our business ethos is based on long-term sustainable industrial development, where respect for the environment, the community, consumers and our own employees are central themes.

It is expected that the employees in Cermaq possess high integrity, show prudence in the use of the company's resources, are able to manage change well and have the ability to co-operate to achieve positive solutions.

The company objectives as worded in the Articles of Association are as follows (re. article 3):

"The objectives of the Company are to carry on all or any of the businesses of fish feed production, fish farming and other marine or oceanic farming, and any other business related thereto. The Company shall have an active role linked to research and development in the marine sector and the fish farming industry."

A complete version of the Articles of Association for Cermaq ASA is to be found on **www.cermaq.com.**

SHARE CAPITAL AND DIVIDEND

In recognition of the historic volatility of the markets in which Cermaq operates, the Board of Directors has stated that it is their current objective to maintain an equity ratio of at least 45%.

The Board of Directors' principal objective is to maximise return on equity both in terms of increase in dividend and growth in the share price. Dividend payments will be dependent upon Cermaq's earnings, financial situation and cash flow. The Board believes that the payment of dividends should show a gradual development in line with the increase in Cermaq's results and, at the same time, take into consideration possibilities for further value creation through profitable investments. The Board of Directors has stated that the dividend will initially be set at approximately 30% on average of the Company's annual profits after tax.
For the year 2004 the Board has proposed a dividend of 1,20 NOK per share, corresponding to a payout ratio of 56,4%.
The Board has authorisations valid up until May 20. 2005, to increase the share capital in Cermaq ASA by a maximum amount of 50 million NOK distributed over 5.000.000 shares, face value NOK 10.

SHAREHOLDER RIGHTS

Cermaq's registered share capital is NOK 875,000,000, comprising 87,500,000 shares, each with a nominal value of NOK 10. Cermaq has one share class only, and all shares are equal in all respect. Each share carries one vote.

Pursuant to the articles of association, the Board of Directors of Cermaq shall decline approval of transfer of shares that will result in the ownership share of the Norwegian state being reduced to below 34%. In all other respects, the shares of the company are freely transferable.

GENERAL MEETING

All shareholders with known addresses are invited to attend general meetings by written notification, and the proposed resolutions and necessary supporting information is distributed to the shareholders at least two weeks in advance of the proposed general meeting. The shareholders may be required to give advance notice of their intention to attend a general meeting, the deadline for such an advance notice cannot be earlier than three days before the date set for the relevant shareholder's meeting.

The articles of association states that the annual general meeting is presided over by the Chairman of the Board or, in his absence, by the deputy Chairman of the Board.

ELECTION COMMITTEE

Instructions for the election committee in Cermaq ASA are approved by the General Assembly on 16. April 2004 in accordance with §9 in the articles of association for Cermaq ASA. The election committee consists of 3 members elected by the shareholders in general meeting. The committee is responsible for presenting nominations for Directors to be elected at the general meeting. The committee also makes recommendations with respect to the fees payable to members of the Board of Directors.

The members of the nomination committee shall be shareholders or shareholders' representatives and the committee should be composed so that it represents a wide range of the shareholders' interests. Having both sexes represented in the committee shall be an aim. The term of office for the committee shall be two years. The annual general meeting shall elect the chairman and lay down instructions for the nomination committee.
Information regarding the members of the election committee is to be found on **www.cermaq.com.**

BOARD OF DIRECTORS
Cermaq's Board of Directors consists of eight members, three of whom are elected by and among the employees in the Norwegian companies. Term of office for members of the Board of Directors is two years. The members of the Board of Directors receive no remuneration other than director's fees, and none of them have any share-based compensation in the company. They are all independent of the executive management of the company.

The members of the Board of Directors elected by the shareholders, or persons closely connected with them, shall not be consultants for any company in the Cermaq Group, not be employed by any company in the Cermaq Group, nor have any other agreements of economic significance with any Group company. The Cermaq Group cannot, without specific approval by the Board of Directors of Cermaq ASA, buy any consultancy services from a company in which any of the members of the Board of Directors is an owner, employee or otherwise has an interest in. This extends to any company that according to the Companies Act §1-3 is in the same Group of companies. Further information regarding the members of the Board of Cermaq is to be found in the annual report.

The Work of the Board of Directors
The responsibility of the Board of Directors is to comply with legislation, and with the company's articles of association, authorisations and instructions approved by the general meeting. The responsibility of the Board of Directors is also to ensure that the instructions issued by the Board of Directors are complied with.

The Board of Directors' main responsibilities are to:
- Produce an annual plan for its work, with particular emphasis on objectives, strategy and implementation;
- Ensure the adequacy of the company's executive management, and that areas of responsibility and duties are clearly defined also with respect to the relationship between the executive management and the Board of Directors;
- Approve budgets, projects and investments with a value in excess of NOK 15 million;
- Agree on dividend policy;
- Ensure the Board of Directors are well informed about the company's and Group's financial position, that there is established and maintained a system of direction and control so as to ensure that the company's activities are conducted in accordance with its corporate values, ethical guidelines and applicable rules and regulations;
- Evaluate its work and that of the CEO on a yearly basis.

The Chairman of the Board carries a particular responsibility for ensuring that the Board performs its duties in a satisfactory manner. There is an elected deputy Chairman who takes over the Chairman's responsibility in the absence of the Chairman.

REMUNERATION OF THE BOARD
The remuneration to the members of the Board of Directors is determined annually by the general meeting. The remuneration is not linked to the company's performance.

REMUNERATION OF SENIOR EMPLOYEES
The CEO's remuneration is determined by the Board of Directors. Remuneration for the other members of the Cermaq Central Management Team (CCMT) is determined by the CEO following consultations with the Board of Directors. The CCMT's salary consists of a fixed amount and a variable part related to the return on capital employed (ROCE).

INFORMATION AND COMMUNICATION
Cermaq will ensure that shareholders receive accurate, clear, relevant and timely information, related to all matters of financial significance to shareholders. The medium used for publication will be selected to ensure simultaneous and equal access for all equity shareholders to the information.

TAKE-OVERS
Pursuant to the articles of association, the Board of Directors of Cermaq shall decline approval of transfer of shares that will result in the ownership share of the Norwegian state being reduced to below 34%. Apart from this, the Board and/or the general management will not seek to hinder or obstruct take-over bids for the company's activities or shares. In the event of any possible take-over or restructuring situation the Board must take particular care to protect shareholder value and the interests of all shareholders.

AUDITOR
The auditor will submit the main features of the plan for the audit to the Board annually. The Board will receive annual written confirmation from the auditor that the requirements of independence and objectivity have been satisfied. The auditor will participate in any meetings of the Board that deal with the annual report and the annual accounts. The Board will evaluate carefully any possible conflicts of interest related to additional services that may from time to time be offered by the audit firm. With the exception of tax advice, any services contracted from the audit firm in addition to the statutory audit will require to be approved by the Board.

CERMAQ'S MANAGEMENT TEAM

PETER WILLIAMS (1952) – CHIEF FINANCIAL OFFICER

Mr. Williams was appointed Chief Financial Officer in May 2002. He joined the EWOS Division in 1997, as Finance Director. He is a Chartered Accountant and Fellow of the Association of Corporate Treasurers. His previous employment includes Finance Director of Pringle of Scotland (1995 – 96), Courtaulds Textiles International Fabrics (1990 – 95), and BICC plc (1984 – 90). He trained as a Chartered Accountant with Coopers & Lybrand (1975 – 83).

GEIR ISAKSEN (1954) – CHIEF EXECUTIVE OFFICER

Mr. Isaksen was appointed Chief Executive of Statkorn AS in 1995 and became Group Executive of Cermaq (previously Statkorn Holding ASA) in September 1996. He holds a Dr. Scient degree in Agricultural Economics from the Agricultural University of Norway (1982). Isaksen has previously been a Research Fellow of the Agricultural University of Norway (1984-1986), and later the Trade Manager of AL Gartnerhallen (1986-1993). He was the Brussels representative of the Norwegian Farmers Association in 1993-94. Isaksen has been a member of a number of official commissions and enquiries.

KJELL BJORDAL (1953) – CHIEF OPERATING OFFICER FEED

Mr. Bjordal was appointed global director of the EWOS Group and COO of Cermaq feed in 2002. He was formerly chief executive officer of NorAqua, which he joined in 1998. He is a business studies graduate from the Norwegian School of Economics and Business Administration and has also pursued legal studies. In addition he has attended the Advanced Management Programme at Wharton Business School. Mr. Bjordal's previous employment includes President and chief executive officer of the Glamox Group (1989-98) and chief financial officer of Glamox Group (1985-89).

FRANCISCO ARIZTÍA (1961) – CHIEF OPERATING OFFICER FARMING

Mr. Ariztía was appointed global director of the Mainstream Group and COO of Cermaq farming in 2002, from his previous position as Managing Director of Mainstream Chile, which he held since 1997. He holds an engineering degree from Universidad de Chile in Santiago. Ariztía's previous employment includes Marketing Director of Hatfield International (1984-87) and Managing Director of Salmones Ventisqueros (1987-1997).

GEIR SJAASTAD (1953) – DEPUTY CEO

Mr. Sjaastad joined Cermaq ASA (previously Statkorn Holding AS) in 1996. He is a business studies graduate from the Norwegian School of Economics and Business Administration and has also pursued legal studies. Sjaastad's previous employment includes periods as manager/partner of Gemini Consulting and IKO Strategi (1988 – 1996), as well as finance director and company secretary of Bjølsen Valsemølle AS (1981 – 1988).

CERMAQ'S BoD

JAN HELGE FØRDE (1967)
EMPLOYEE REPRESENTATIVE

Mr. Førde works as Maintenance Manager at the EWOS factory in Florø, where he has been working since 1989 in various positions. He is the leader of EWOS employees organised in the labour union Lederne, and is also member of the Board of EWOS Norway. Mr. Førde is a Board member of Cermaq since May 2003.

BJØRG VEN (1946)
VICE-CHAIRMAN

Mrs. Ven is a law graduate from the University of Oslo. She is a partner of the law-firm Haavind Vislie. Ven was elected Vice-Chairman of the Board of Statens Kornforretning in 1993, and took on the same position when Statkorn Holding ASA was established in 1995. Ven is an ad hoc judge at the EFTA court in Luxembourg, Chairman of the Stock Exchange Appeals Committee, Chairman of the Public Procurement Appeals Committee, Vice-Chairman of Telenor ASA and Board member of Vital Forsikring ASA and AS Avishuset Dagbladet.

KARL TORE MÆLAND (1951)
EMPLOYEE REPRESENTATIVE

Mr. Mæland is a M.Sc. in animal nutrition and works with EWOS AS as Director of Business Processes. In 2002-2003 Mæland worked as Business Development Manager in the Mainstream Group. He previously held positions in the meat processing industry, animal feed industry in Norway, shrimp culture in Thailand, organisational development in the BP Group (London), as MD in Felleskjøpet Fiskefor and as Marketing Director in NorAqua. Mr. Mæland is a Board member of Cermaq since May 2003.

WENCHE KJØLÅS (1962)

Mrs. Kjølås is a business studies graduate from the Norwegian School of Economics and Business Administration. She is the CFO of Kavli Holding AS. Kjølås' previous positions include MD of O. Kavli AS, Financial Director of Kavli Holding AS, Business Manager of Hakon-Group AS in Bergen and Manager and Management Consultant of Touche Ross. She is member of the Board of O.Kavli AS, Q-Meieriene AS, Gausdalsmeieriet AS and Jæren Gårdsmeieri AS and member of the Shareholders Committee in Vesta Forsikring AS. Mrs. Kjølås is a Board member of Cermaq since May 2003.

JIM-EGIL HANSEN (1966)
EMPLOYEE REPRESENTATIVE

Mr. Hansen has been working for EWOS since 1995. He works as production operator at the factory in Halsa. He has been employee representative for the past four years, and was recently elected as main employee representative. Mr. Hansen is a Board member of Cermaq since May 2003, and is also member of the Board of EWOS Norway.

KJELL FRØYSLID (1943)

Mr. Frøyslid is a Business Economist with Radio & TV and technical higher education qualifications. He is the Chief Executive of CargoNet AS. Frøyslid's previous positions include Chief Executive of Arcus, Managing Director of Vinmonopolet and Divisional Director of Tandberg Data. He is Chairman of the Board of CargoNet AB. Mr. Frøyslid is a Board member of Cermaq since May 1996.

STEIN HOLST ANNEXSTAD (1944)

Mr. Annexstad is a business studies graduate from the Norwegian School of Economics and Business Administration. He is a major shareholder and Director of Annexstad Hartvig Wennberg AS, the Management Company of NorgesInvestor II AS. Annexstad's previous positions include Partner and CEO of AS ISCO Group, Managing Director of Nycomed AS, Deputy CEO of Hafslund Nycomed AS, Executive Director of Dyno Industrier ASA. Mr. Annexstad is a Board member of Cermaq since June 2000.

SIGBJØRN JOHNSEN (1950)
CHAIRMAN OF THE BOARD

Mr. Johnsen is a technical graduate with further qualifications from the Norwegian School of Management. He is the County Governor of Hedmark County. Johnsen was elected to the Board in 1997. He has been a Member of Parliament and Finance Minister, and has previous experience as a lecturer and accountant. Johnsen was a member of the Board of Norges Bank (1999 – 2004). He is chairman of the board of SOS Children Villages, Norway. He headed the Pension commission, which published its report to the Government in 2004.

BOARD OF DIRECTORS' REPORT FOR 2004

A CONTINUED FOCUS ON OPERATIONS AND THE MANAGEMENT OF CAPITAL HAS ENABLED CERMAQ TO REPORT GOOD RESULTS FOR 2004 AND A FURTHER STRENGTHENING OF THE GROUP BALANCE SHEET. BOTH EWOS AND MAINSTREAM CONTRIBUTED TO IMPROVED RESULTS AND STRONG CASHFLOWS. IN ADDITION, CERMAQ ACQUIRED SALMONES ANDES IN EARLY JULY, INCREASING FARMING CAPACITY IN CHILE FROM 45 THOUSAND TONNES TO 70 THOUSAND TONNES, FURTHER STRENGTHENING CERMAQ'S POSITION FOR FUTURE GROWTH IN THAT REGION.

GROUP TURNOVER AND PROFITABILITY
The Board of Directors confirms that the annual financial statements have been prepared under the going concern assumption.

In 2004 the Cermaq Group had a turnover of NOK 4,997 million. This is a decline of over 17% compared to the year before. The decline is primarily due to the sale of agricultural assets in 2003. In 2004, sales revenues from the aquaculture business comprised 99% of Group turnover, compared to 85% in 2003.

In 2004 the operating profit of the Cermaq Group was NOK 266.4 million. This is an improvement of NOK 243.1 million from the year before and is due to a profit increase of NOK 323.4 in the operation of Cermaq's aquaculture activities and a reduction in the profits from other activities by NOK 80.3 million. The improved aquaculture performance is mainly due to the fact that the 2003 figures included write-downs of fixed assets amounting to NOK 231 million.

The Group's result for the year was NOK 185 million (2003: loss of NOK 56 thousand).

BUSINESS AREAS
The fish feed companies (EWOS) had a total turnover in 2004 of NOK 4,034.2 million, which represents a decline of NOK 238 million, or close to 6% compared to 2003. The decline in sales revenue is primarily due to loss of market share and lower sales prices in tough market conditions.
In 2004, the EWOS Group achieved an operating profit of NOK 203.7. In spite of tough pressure on volumes and margins, this is NOK 8.6 million more than in 2003. In 2003 the EWOS Group suffered a loss due to write-downs of accounts receivable of NOK 90.0 million. There were no such losses in 2004. A continued period with improved salmon prices in Europe has strengthened the cash flow of the salmon farmers. This, together with close management of working capital, has enabled EWOS to reduce its credit risk and maintain a solid cash flow throughout 2004.

The fish farming companies (Mainstream) had a total turnover in 2004 of NOK 1,350.3 million, which is an improvement of NOK 91.1 million, or close to 7% compared to 2003. The increased sales revenues is explained by increased volumes resulting from the acquisition of Salmones Andes in July of 2004 and early harvest of the season's coho and trout output. Lower prices in the U.S. and the Far East, and the weak US dollar decreased turnover measured in Norwegian kroner.

In 2004, the Mainstream Group achieved operating profits of NOK 97.4 million, which is NOK 273.6 million more than in 2003. The main reason behind the improved profits is that the 2003 figures included write-downs of fixed assets amounting to NOK 174.7 million. Mainstream Chile achieved similar profits in 2004 as in 2003, with higher volumes at lower prices. Both Mainstream Canada and Mainstream Scotland have reduced their losses from prior years through cost reductions from improvements in production and fish growth and quality.

In 2004, the agriculture business contributed sales revenue of NOK 27.1 million, which is a decline of NOK 858.8 million compared to the previous year. The decline is due to the sale of a part of the Group's holding in Unikorn during 2003.

ACQUISITION OF SALMONES ANDES
Cermaq has held a 30% shareholding from January 2003, following a conversion of outstanding receivables to equity. In early July 2004 Cermaq acquired the remaining 70% of shares in Salmones Andes, the Chilean farming Group. The acquisition was financed from within the Group's existing loan and cash facilities, with a total net interest bearing debt impact of NOK 219.6 million. The acquisition increases Mainstream Chile's capacity from 45,000 tonnes to 70,000 tonnes and has contributed an operating profit of NOK 26.8 million in the second half of 2004.

FINANCING
In 2004, Cermaq reduced its net debt by NOK 226.8 million, to NOK 1,038.5 million as of 31 December 2004. This reduction was achieved in spite of the Salmones Andes acquisition. The reduction of net debt is a result of continued profitability, good management of working capital, as

well as the depreciation of the currency exchange rate between the U.S. dollar and the Norwegian krone. The impact of the change in foreign currency exchange rates on the value of the Group's net interest bearing debt compared to the end of the prior year was a reduction in debt of NOK 156 million during 2004. The USD/NOK rate at year end was 6,04.

Through a supplemental agreement entered into on 17 December 2004, the Group's original syndicated loan agreement (dated 21.12.00) was extended and now matures on 17 December 2009. The credit facility is a "Multi Currency Revolving Credit Facility" up to a total loan of USD 250 million (originally USD 340 million). As of 31 December 2004, USD 203 million of the loan had been drawn.

The Group's net finance cost in 2004 was NOK 97.9 million. This is an increase of NOK 45.9 million compared to 2003. The increase in net finance cost is mainly due to the preparation of the IPO in 2004, write-downs of shares as well as lower interest income from deposits and accounts receivable.

BALANCE SHEET CONSIDERATIONS

The Board has undertaken an analysis of Cermaq's fixed asset values as at 31 December 2004 on a consistent basis with the 2003 review that led to write downs of NOK 231,0 million in that year. On the basis of this analysis, the Board has decided not to write down any of the Group's tangible or intangible assets in 2004.

Group financial fixed assets were written down by NOK18,6 million during the year, due to fair values being lower than book values.

As part of a refinancing arrangement Cermaq obtained a 34% interest in Follalaks, a Norwegian farming company. The company's operating result in 2004 was NOK 21.5 million. Cermaq's share of pre-tax profit was NOK 4 million.

Cermaq's balance sheet was strengthened in 2004. The Group's equity ratio has increased from 48.3% at the end of 2003, to 49.6% in December 2004, after proposed dividend for 2004 of NOK 104.3 million.

CORPORATE GOVERNANCE IN CERMAQ

A thorough review of corporate governance in Cermaq was carried out by the Board of Directors in 2004. On 27 April 2004, the Board of Directors adopted "Principles for corporate governance in Cermaq" based on this review. Group policy requires that the Group's corporate governance standards shall conform to applicable laws and recommended best practice in Norway.

Corporate governance in the Cermaq Group is built on the company's vision of sustainable aquaculture, through commitment to the core values of integrity, business mindedness, prudence and preparedness. The framework for ethical conduct in the Cermaq Group is based on these values. Cermaq is of the opinion that the basis for good corporate governance is a clear and transparent relationship between the owners, the Board of Directors and management. Good corporate governance will ensure credibility and confidence among all stakeholders and will provide a sound basis for promoting sustainable value creation and improved earnings and cash flows.

PERSONNEL AND WORKING ENVIRONMENT

As of 31.12.2004 the Cermaq Group had a total of 2,961 employees. The Norwegian companies have 330 employees, of which Cermaq ASA employs 26. Compared to 2003, the number of employees in the Group has increased by 710 people. The number of employees in Norway and Scotland was reduced by a total of 227 people, whereas Chile and Canada had an increase of 916 and 21 respectively. The reduction is primarily due to the sale of the processing activities in Aquascot in Scotland. The increase is due to the purchase of the fish farming company Salmones Andes in Chile as well as increased farming activity in Canada.

In 2004 Cermaq ASA registered 42 days of absence due to illness. This corresponds to 0.72% of possible man-days, compared to 1.78% in 2003.

Absence due to illness in the subsidiaries varied from 0.9% to 6.9%. The average rate of absence due to illness for the Group was 2.4% in 2004 (2003: 2.4%). Group-wide there were 188 minor work related accidents resulting in injuries registered in 2004, compared to 142 in 2003. Total absence due to injury was 1490 days (2003: 978 days) or 0.2% of all possible man-days.

In 2004, a small number of fire incidents were registered at EWOS feed factories. There were no injuries and material damage was not significant.

In 2004 a scheme was introduced by the authorities in Chile to certificate fish farming companies in connection with environmental standards. Mainstream Chile is the first Chilean company to introduce a self regulation program under the new scheme.

The objective of Cermaq's personnel policy is to ensure that the Group at all times has the right staffing in terms of motivated and conscientious employees. Personnel policy in Cermaq is built upon ▷

principles related to leadership, business culture, values and workplace safety. An important part of the personnel policy is to strengthen the skills of the employees in line with work place requirements. Annual performance interviews are aimed at clarifying the employee's need for skill development and include a plan to cover these needs. Skill development may consist of professional training, personal development programs and job exchanges across companies within the Group.

EQUAL OPPORTUNITIES

The Board of Directors of Cermaq ASA consists of five members elected by the shareholders, of which three are men and two are women, and three members elected by the Group's employees, who are all men.

The proportion of women working in the Norwegian companies in the Cermaq Group is 25%. It is expected that a law will be introduced in Norway autumn 2005 which will require that both sexes should be represented among the employee elected board members if the proportion of women in the company is above 20%. The Cermaq Group intends to work for increased female representation throughout the Group including among the employee elected board members.

Currently Cermaq ASA has 26 employees, of which 19 are men and seven are women. Group management consists of five men. There is one woman among the corporate vice presidents and one woman at middle management level. In the rest of the Group, there are no women represented among the general managers, whereas there are a total of four female mid-level managers.

The company's personnel policy states: "Through recruitment, hiring, wage determination, follow-up and career development Cermaq shall show that the company practices equal opportunities for men and women. It is the opinion of the Board of Directors that men and women in Cermaq have equal opportunities. Cermaq is affiliated with the NHO (Confederation Of Norwegian Business And Industry) project "Female Future", and one employee is currently going through this management development program, particularly directed at women.

EXTERNAL ENVIRONMENT

The Group's fish feed production activities have only a minor impact on the external environment. Air and water emissions are well within the limits set by the authorities in the respective countries, and the company is in compliance with all directives from the authorities.

In 2004, the Group's total energy consumption related to the production of fish feed was 225 GWh. This is 11% under the 2003 level (252 GWh) and represents a 6% decline in the energy consumed per produced unit. Of the total energy consumed, 45% was natural gas, 37% electric power, 5.5% light heating oil, 6% heavy heating oil and the remainder several smaller energy carriers. Compared to prior years, the natural gas share has increased from 30% to 45% at the expense of light heating oil. The most important reason for this is that steam production at the Florø factory has been converted from light heating oil to natural gas.

The EWOS Group has implemented a number of health, safety and environmental measures. In total, investments related to health, safety and environmental measures amounted to NOK 31 million in 2004. In recent years, considerable amounts have been invested in the installation of cleaning systems and other measures to reduce air emissions from the fish feed factories in Scotland, Norway and Canada. Air quality tests implemented in 2004 indicate that these investments have resulted in a lower proportion of odorous emissions than indicated by similar measurements in 2003. In 2004, EWOS Canada has focused on improving fire safety and the working environment for operators. EWOS Chile has invested in more efficient cleaning of wastewater, whereas in Scotland investments have primarily been directed at measures to comply with the new IPPC regulations (Integrated Pollution Prevention and Control). The most significant area of investment in EWOS Norway has been in a new system for handling of bulk ship transportation.

EWOS is at all times subject to checking and monitoring by different bodies responsible for food safety, emissions to water, air and ground as well as the use of pharmaceutical products. With the exception of a single case, EWOS has been in compliance with all environmental requirements set for its activities. However, one case of wastewater handling in Chile resulted in the imposition of a minimum fine of USD 5,000. An environmental project for testing of a system for subsea discharge of wastewater has been initiated to eliminate this problem.

During 2004 the Cermaq Group lost approximately 1000 tonnes of fish with a value of around NOK15 million due to sickness. In addition approximately 2000 tonnes of fish with a value of around NOK 29 million were lost due to natural causes, predators, injuries to the fish in processing and deformities.

In Mainstream Chile, increased use of vaccination has led to a reduction in the use of antibiotics. Mainstream Chile is now vaccinating 100% of all Atlantic salmon and 27% of coho and trout. In particular, the vaccination is aimed at the SRS decease (Salmon Rickettsial Septicaemia).

Mainstream Chile is now investing in a new harvesting and transportation system that will ensure improved fish welfare in the harvesting process. The fish are being cooled down and transported alive in a well boat to the harvesting point, significantly reducing stress for the fish. This investment also has an important environmental effect, since the consumption of water, and thus the output of wastewater per processed kg of fish will be significantly reduced. In general, improved procedures have contributed to further reduction of emissions of organic waste, fatty substances and spillage from the processing plant in Chile.

Mainstream Scotland is working on relocating facilities from shallow water to areas with deeper water in order to be able to use larger netpens with lower concentration of fish, provide increased water circulation and reduce the visual impact on natural areas.

All Mainstream plants have installed systems for monitoring and control of seabed pollution. This ensures, among other things, compliance with local environmental requirements regarding utilization of licences.

SHAREHOLDERS

As of 31.12.04 Cermaq ASA had 77 shareholders (31.12.03: 76 shareholders). The Norwegian Government, through the Ministry of Trade and Industry, is still the largest shareholder, with 79.38% of the shares. At the turn of the year, other major shareholders were Norgesinvestor II (11.96%), Odin Norge (1.87%), Odin Norden (1.06%) and Annexstad Hartvig Wennberg AS (0.90%). Cermaq ASA owns 544,000 (0.62%) of its own shares, which were acquired in 2001 in connection with the sale of the Staur farm and the shares in Norsk Kornforedling AS to the Norwegian Government. The Norwegian parliament has resolved that the Government may sell its share down to 34%.

On 18 February this year, Fjord Seafood ASA purchased shares in Cermaq ASA from Norgesinvestor II AS and Annexstad Hartvig Wennberg ASA. In the process, they became the second largest shareholder in the company, with a total of 12.9% of the shares.

In February 2004 the Board of Directors decided to apply for a stock exchange listing of Cermaq ASA during the spring of the same year. In this context the stock was split 1:10 so that each share, which originally had a nominal value of NOK 100, was split into 10 shares, each with a face value of NOK 10. In May 2004 the Board of Directors decided to delay the planned listing of Cermaq AS, because the Norwegian government, through the Ministry of Trade and Industry, was put in a position where it could not participate in a sale of shares in Cermaq ASA. This was due to the Norwegian authorities' involvement in discussions with the EU Commission regarding terms for the import of Norwegian farmed salmon to the European Union.

PROSPECTS

2004 was a challenging year for the fish farming industry. Consolidation through acquisitions and mergers has been a trend in all the major farming regions. In general, Cermaq believes that this trend is positive for the industry. It leads to further development of existing and new markets, improves the balance between supply and demand and should thus result in less volatile prices. Through the acquisition of Salmones Andes in Chile, Mainstream has taken part in the consolidation of the industry. Good business management and the ability to utilize synergies is vital in determining whether such processes will succeed and result in increased value creation.

Cermaq's objective is to be a leading player in the farming of salmonid species in the two main farming areas, Norway and Chile. Norway and Chile are, in Cermaq's opinion, the areas best suited for fish farming with respect to operating conditions and market access. Cermaq has solid equity capital, good management resources and strong research and development. These together provide a good basis for growth in fish farming, both through acquisitions and through further development of existing businesses.

Japan and the U.S. are the two major markets for the Mainstream Group. Compared to 2003, the market price of salmon, coho and trout in the U.S. and Japan has fallen, whereas prices in European markets have increased from the very low levels in 2003. Current price levels will enable efficient producers to achieve acceptable profits in each individual market. No dramatic changes to the price picture are expected in the next six months, unless there are significant changes in the supply volume as a consequence of productivity improvements or the implementation of barriers to trade.

Salmon is currently a product that is widely available. A challenge for the future will be to deliver more user-friendly products to consumers, and increase demand. Frozen portion packs of salmon from Mainstream Chile have been successfully introduced on the U.S. market. Whereas the demand for traditional, fresh fillets has not increased in the U.S. market, Mainstream's sale of frozen portion packs increased by 68% during 2004. Prices for frozen product have been more stable than for fresh product in 2004.

The objective of EWOS is to be a leading global supplier of feed for salmonid species. In 2004, the fish feed market was characterized by tough competition and intensified fight for market shares. This has lead to further margin pressure in the feed sales.

During the year, EWOS' global market share was reduced by an estimated 2-3 percentage points. The Norwegian feed market grew by approximately 6% ▷

during the past year. At the turn of the year, EWOS' market share in Norway was 36.5%, which indicates a decline of 3-4% compared to 2003. Recently, the Chilean feed market has been characterized by many suppliers, overcapacity, weak margins and high levels of credit. However, as the available production capacity is being reduced, we expect the margins in Chile to improve. During 2004 the credit exposure of EWOS Chile was reduced and the cash flow improved. At the end of 2004, EWOS' market share in Chile was just under 30%. EWOS is also maintaining its position as the market leader in Canada after the farming activities rebounded during 2004. In Scotland EWOS increased its market share by 2%, to around 22%, in a market that was somewhat weakened from 2003.

In 2005, the expectations are continued growth in Chile and Norway, a stable market in Canada and a minor decline in the Scottish market. Continued strong contest for market shares is expected, but EWOS is well positioned to take its share of the expected growth in Chile and Norway. Through its research and development, EWOS has developed new products that will be launched during 2005. This is expected to counteract margin pressure, and contribute positively to the development of the company's market shares.

In line with Cermaq's overall business objective: "Sustainable aquaculture", EWOS has defined indicators and established management tools for those aspects of feed production that are particularly significant for sustainability. In 2004, raw material consumption showed continuous decline in the proportion of marine raw materials used. Chile, in particular, has received acceptance in the market for diets consisting of alternative feed ingredients. In late 2004, EWOS Chile was certified according to ISO 9001:2000. The EWOS Group is in the process of establishing a common electronic tracing system for fish feed.

The EU Commission has initiated safeguard measures in order to protect its own fish farming industry. However, the Commission's decision has been appealed to the EU Council by two of the EU member states. Norwegian authorities are in close contact with EU member countries in this case, and will thus receive information that it cannot share with the public. Therefore, the Norwegian government will not take part in a stock exchange listing of Cermaq until the EU has finalized the safeguard issue. In addition, the EU Commission has stated that it will introduce preliminary anti-dumping measures against Norwegian salmon farmers.

These trade policy measures, if they remain in force, have little direct negative impact for Cermaq. This is because Mainstream, for the time being, has no business activity in Norway. Indirectly, they will have a negative impact through EWOS, which has a significant operation in Norway, and which is dependent on Norwegian fish farmers being profitable. Similarly, there may be a negative impact on Mainstream in Chile, through restrictions on the European market for frozen Chilean salmon if the safeguard restrictions remain in place. In the short run it may have a positive impact on the Scottish business of Mainstream and EWOS.

Cermaq is ready to be listed on the stock exchange when conditions allow.

ALLOCATION OF THE YEAR'S PROFIT OF CERMAQ ASA

Net profits for the year for Cermaq ASA were NOK 39,115,000. The Board of Directors is proposing that the Annual General Meeting resolve to pay a dividend for the 2004 financial year of NOK 104,347,200, i.e. NOK 1.20 per share. It is propsed that NOK 65,232 be transferred from other reserves to cover the dividend payment.

Oslo, 14th March 2005

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

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER

Cermaq ASA 2003	Cermaq ASA 2004	*Amounts in NOK 1000*	Notes	Group 2004	Group 2003
25 114	6 833	Operating revenues	4	4 997 307	6 041 039
0	0	Cost of materials		3 285 299	4 090 802
30 536	28 381	Payroll expense	5	396 526	473 961
3 025	3 117	Depreciation	12,13	271 981	280 352
21 029	23 482	Other operating expenses	7	777 084	941 579
461 343	0	Write downs	12,13	0	230 995
-490 819	**-48 147**	**Result of operations**		**266 417**	**23 350**
68 468	70 216	Income from subsidiaries	8	0	0
0	0	Income from associates	15	17 348	14 365
113 788	41 799	Financial items, net	9	-97 934	-52 019
-308 563	**63 868**	**Ordinary result before tax**		**185 831**	**-14 304**
-61 277	24 753	Tax on ordinary result	10	871	-14 248
-247 286	**39 115**	**Result for the year**		**184 960**	**-56**
0	0	Result for the year, majority interest		185 013	-6 248
0	**0**	**Result for the year, minority interest**	11	**-53**	**6 192**
0	104 347	Proposed dividend			
-247 286	-65 232	Allocated to/ from (-) other equity			
-247 286	**39 115**	**Total allocation of result for the year**			
49 297	50 556	Received Group contribution after tax			
		Earnings per share/diluted earnings per share [1)]		2.13	-0.07

[1)] Following an increase in the number of shares in Cermaq ASA, the EPS figure is diluted by 10 for the 2003 comparative.

BALANCE SHEET AS OF 31 DECEMBER

Cermaq ASA 2003	Cermaq ASA 2004	*Amounts in NOK 1000*	Notes	Group 2004	Group 2003
		Assets			
0	0	Concessions, patents, licences, trademarks and similar rights	12	856 946	775 677
0	0	Goodwill	12	613 996	701 432
17 964	0	Deferred tax assets	10	50 825	59 821
17 964	0	Total intangible fixed assets		1 521 767	1 536 930
25 801	23 374	Tangible fixed assets	13	1 239 241	1 295 241
816 856	920 390	Investments in subsidiaries	14	0	0
1 473 692	1 341 674	Loans to Group companies	18	0	0
40	50 680	Investments in associates	15	134 417	142 390
25 255	12 130	Investments in shares	16	54 384	60 411
28 604	31 465	Other long-term receivables	17	138 023	59 850
2 344 447	2 356 339	Total financial fixed assets		326 824	262 651
2 388 212	**2 379 713**	**Total fixed assets**		**3 087 832**	**3 094 822**
0	0	Stocks	19	840 965	842 184
1 529	2 864	Accounts receivable from customers	20	513 475	695 170
72 766	3 118	Other short-term receivables		82 710	8 383
47 488	97 812	Short-term intercompany receivables		0	0
97 587	113 516	Bank deposits, cash in hand, etc.	21	455 001	403 389
219 370	**217 310**	**Total current assets**		**1 892 151**	**1 949 126**
2 607 582	**2 597 024**	**Total assets**		**4 979 983**	**5 043 948**

BALANCE SHEET AS OF 31 DECEMBER

Cermaq ASA 2003	Cermaq ASA 2004	*Amounts in NOK 1000*	Notes	Group 2004	Group 2003
		Equity and liabilities			
875 000	875 000	Share capital	22	875 000	875 000
-5 440	-5 440	Company's own shares	22	-5 440	-5 440
1 524 424	1 524 424	Share premium reserve	22	1 524 424	1 524 424
2 393 984	2 393 984	Total paid-in capital		2 393 984	2 393 984
126 809	61 577	Other equity	22	78 341	42 929
0	0	Minority interests	11,22	130	367
126 809	61 577	Total other equity		78 471	43 296
2 520 793	**2 455 561**	**Total equity**		**2 472 457**	**2 437 280**
0	0	Pension liabilities	6	22 262	18 068
0	5 025	Deferred tax	10	0	0
0	5 025	Total provisions		22 262	18 068
0	0	Interest bearing long-term debt	23	1 369 723	1 525 066
0	**5 025**	**Total long-term liabilities**		**1 391 985**	**1 543 134**
31 068	0	Interest bearing short-term debt	23	123 730	143 606
13 655	133 159	Other short-term liabilities	25	991 811	919 928
42 066	3 279	Short-term intercompany liabilities		0	0
86 789	**136 438**	**Total current liabilities**		**1 115 541**	**1 063 534**
2 607 582	**2 597 024**	**Total equity and liabilities**		**4 979 983**	**5 043 948**

Oslo, 14 March 2005

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 FLOW STATEMENT

Cermaq ASA 2003	Cermaq ASA 2004	*Amounts in NOK 1000*	Group 2004	Group 2003
		Cash flow from operating activities		
-308 563	63 868	Ordinary result before tax	185 831	-14 304
-5 374	2 882	Gain/loss on tangible and intangible assets	-21 738	-75 208
3 025	3 117	Depreciation	271 981	280 352
0	0	Write downs tangible and intangible assets	0	230 995
461 343	11 472	Write downs financial assets	18 926	0
15 771	-20 982	Taxes paid, net	-9 751	-54 735
492	-63	Difference between pension premiums paid and pension expense	6 253	-5 243
0	0	Difference between income from and dividends received from associates	-278	3 956
-86 602	68 061	Change in stock, accounts receivable and accounts payable	-103 582	335 367
-24 255	-57 282	Change in other short-term operating assets and liabilities	78 743	64 055
55 837	**71 073**	**Net cash flow from operating activities**	**426 385**	**765 235**
		Cash flow from investing activities		
-1 303	-743	Purchase of tangible fixed assets	-172 828	-187 116
5 374	2 890	Proceeds received from sale of tangible fixed assets	55 342	24 315
-13 126	0	Purchase of share and companies, net of purchased cash and cash equivalents	-219 647	-8 607
0	-62 112	Purchase of shares & investments in associated undertakings	-74 054	-35 411
218 450	60 842	Proceeds received from sale of companies, net of sold cash and cash equivalents	57 278	200 099
-270 322	-24 953	Change in loans to Group companies [2]	0	0
-60 927	**-24 076**	**Net cash flow from investing activities**	**-353 909**	**-6 720**
		Cash flow from financing activities		
0	0	Payment of long-term debt	-20 519	-514 132
31 068	-31 068	Change in short-term interest bearing debt /loan	15 853	-82 642
0	0	Payment of dividends and Group contribution (incl. payments to minorities)	-160	-4 924
31 068	**-31 068**	**Net cash flow from financing activities**	**-4 826**	**-601 698**
0	0	Foreign exchange effect [1]	-16 038	-94 095
25 978	**15 929**	**Net change in cash and cash equivalents for the year**	**51 612**	**62 722**
71 609	97 587	Cash and cash equivalents at the beginning of the year	403 389	340 667
97 587	113 516	Cash and cash equivalents at the end of the year	455 001	403 389

[1] Foreign exchange effect includes cash impact from hedge contracts and negative NOK 22.2 million related to cash and cash equivalents (2003: negative NOK 3.4 million)

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

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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 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 Group accounts by means of the equity method. In accordance with this principle, the share of the profit/loss in these companies is stated as income from associates. 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 fair 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 and 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 occured. Deferred tax liabilities arising from the acquisition of fish farming licences have not been recognised as there is no decision to divest or in any other way dispose of the licences. 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 reporting date. Exchange rate differences that result are reported as exchange rate movements in equity until the disposal of the foreign subsidiary.

For successive acquisitions of shares in the same company, the fair value of the assets and liabilities at the time of majority acquisition is applied to the initial consolidation. Increased ownership interests will not affect the initial valuation of assets and liabilities consolidated with the exception of goodwill, which is calculated at 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's 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.

FOREIGN CURRENCY TRANSLATION

The financial statements of foreign operations, including any excess values, are translated into Norwegian kroner (NOK) using exchange rates at the year-end for the balance sheet and average exchange rates for the profit and loss account. Translation gains and losses are included in other equity. Subsidiaries in Chile use the US dollar as their functional currency.

FOREIGN CURRENCY TRANSACTIONS

Currency transactions related to the flow of goods and services are recorded according to the underlying hedging strategy. Transactions that are not hedged are converted to NOK at the exchange rate prevailing on the date of the transaction, while hedged transactions are recorded together with the cash flow that are being hedged, at the underlying hedging rate.

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

DERIVATIVE FINANCIAL INSTRUMENTS OFF BALANCE SHEET

The Cermaq Group deals in derivative financial instruments solely for hedging purposes. The accounting effects from hedging transactions are always recorded together with the underlying commercial transaction or balance sheet item.

Forward contracts are used to hedge future expected operational cash flow and certain balance sheet items. Transactions that are hedged using currency forwards are recorded at the exchange rate at the date of transaction, while the difference between the hedging rate and the exchange rate at the date of transaction is recorded as part of the contribution arising from that transaction. Balance sheet 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 sheet 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 RECEIVABLE 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 further costs that have been incurred. Further costs are logistics, handling and storage costs.

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

TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are carried at cost less accumulated depreciation and impairment write downs.

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

Asset Group	Depreciation Rate
Furniture and fixtures	20-33%
Computer equipment	20-33%
Vehicles	15-20%
Machinery and production equipment	10-20%
Plant	3-5%
Office buildings and dwellings	2-5%

Plant under construction is not depreciated.

Fixed assets are written down if the Net Present Value (NPV) of the anticipated future cash flow related to the asset can be demonstrated to be lower than the recorded value of the asset.

Gains or losses from the sale of tangible 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 in accordance with the effective life of such licences or rights. 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.

Where a business is acquired and the consideration for the business exceeds the value of the individual assets, the difference, provided it represents a commercial value, is identified as goodwill on the balance sheet. Goodwill is carried at cost less accumulated amortisation and impairment write downs. Goodwill is amortised over an expected economic life of 20 years.

Goodwill and licences are written down if the Net Present Value (NPV) of anticipated future cash flow related to that goodwill or licence can be demonstrated to be lower than the recorded value.

PENSION COSTS AND OBLIGATIONS

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

Pension obligations are calculated on the basis of long-term discount rate and long term expected yield, wage increases, price inflation and pension adjustment. Pension funds are valued net of their fair 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 gross pension obligations.

TAXATION

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

Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or less tax in the future have occurred. Temporary differences are differences between taxable profits and results, as stated in the financial statements, that occur in one period and reverse in a later period.

Deferred tax is calculated applying the nominal tax rates (enacted by the balance sheet date in each country) to temporary differences and accumulated tax losses carried forward.

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 any cash reserves and interest bearing debt in the acquired company. The statement shows the effect of 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.

Note 2 Companies in the Group

The consolidated accounts for 2004 include the following companies of significant size:

Amounts in 1000 of local currency	**Registered**	**Currency**	**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	58 018	100%
Mainstream Scotland Ltd.	Scotland	GBP	92	100%
Mainstream Scotland Holding Ltd.	Scotland	GBP	439	100%
EWOS Canada Ltd. - Group	Canada	CAD	128 715	100%
EWOS Chile Ltda.	Chile	USD	17 000	100%
EWOS Chile s.a.	Chile	USD	59 942	100%
Mainstream Chile s.a	Chile	USD	154 719	100%

Note 3 Changes in the corporate structure/significant individual transactions

Year 2004
The following significant acquisitions and sales of companies were made during the year. All company acquisitions and sales are accounted for using the purchase method as of the date of acquisition/sale.

Amounts in NOK 1000 **Company name**	**Date of acquisition/ sale**	**Acquisition cost/(sales price) for purchase/(sale) of shares**
Salmones Andes SA (70%)	04.07.2004	188 074
Follalaks AS (34%)	27.04.2004	40 000
Seastar Salmon Farming Holding AS (22.93%)	27.04.2004/07.12.2004	19 498
Marine Farms ASA (14.89%)	28.07.2004/15.09.2004	13 266
Aquascot Value Added (100%)	02.07.2004	-29 796
Vaksdal Industrier AS (100%)	03.12.2004	-43 144

In 2003 Cermaq converted outstanding receivables into 30% of the shares in Salmones Andes. The remaining 70% of shares were acquired on 4 July 2004. The balance sheet impact from the acquistion was consolidated from Q2 2004. Salmones Andes has been merged into the Mainstream Chile s.a. Group.

The shares in Follalaks AS were acquired by converting receivables into equity.

The shares in Seastar Salmon Farming Holding AS (previously Rong Laks AS) were acquired by converting receivables of NOK 15 million into equity and a capital increase of NOK 4.5 million in late December 2004. The shares in Seastar Salmon Farming Holding AS have been written down by NOK 11.5 million.

The shares in Marine Farms ASA were acquired by converting receivables into equity.
The value added business in Aquascot Ltd. was sold in July 2004. The sale gave rise to a loss in the Group accounts at NOK 1.5 million.
The shares in Vaksdal Industrier AS were sold in December 2004, realising a profit of NOK 14.9 million in the Group accounts.

YEAR 2003
The following significant acquisitions and sales of companies were made during 2003. All company acquisitions and sales are accounted for using the purchase method as of the date of acquisition/sale.

Amounts in NOK 1000 **Company name**	**Date of acquisition/ sale**	**Acquisition cost/(sales price) for purchase/(sale) of shares**
Salmones Llanquihue S.A. (75%)*	31.05.2003	8 730
Gentec S.A. (22.5%)*	31.05.2003	67
Gentec (remaining 35%)*	31.10.2005	3
Norgesmøllene DA (sale of 60%)	03.01.2003	-151 200
Unikorn AS (sale of 17%)	01.09.2003	-21 000
Salmones Andes (30%)*	01.01.2003	37 012

* These acquisitions were made by the Mainstream Chile s.a. – Group.

During Q1 2003 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 took the remaining holding in Unikorn AS below 50% (49.8%).

In Q1 2003 Cermaq acquired 30% of the shares in Salmones Andes. The transaction took place by converting accounts receivable into equity. A capital increase was also made in Salmon Andes on a proportionate basis with other shareholders in Q4 2003.

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 2004. There is a greater degree of uncertainty associated with pro forma figures than with actual comparative figures. 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 1 January 2003.

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
- The acquisition of Salmones Andes in early July 2004
- The sale of Aquascot Value Added in early July 2004
- The sale of Vaksdal Industrier AS in December 2004

Group *(Amounts in NOK 1000)*	**2004**	**2003**
Operating revenues	5 108 358	5 106 332
Cost of materials	3 371 956	3 256 049
Payroll expense	397 196	436 805
Depreciation	270 739	267 588
Other operating expenses	804 211	953 258
Write downs	0	230 995
Result of operations	**264 257**	**-38 363**
Income from associates	17 348	20 292
Financial items, net	-107 462	-34 152
Ordinary result before tax	**174 142**	**-52 223**
Tax on ordinary result	-159	-19 965
Result for the year	**174 301**	**-32 259**
Result for the year, majority interest	**174 354**	**-32 275**
Result for the year, minority interest	**-53**	**16**

Note 4 Information on segments and geographic distribution

The Cermaq Group has one main strategic business area: Aquaculture.

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 salmon and trout.

Fish Feed and Fish Farming are managed separately as each division is considered to be 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.

The remaining Agriculture businesses largely consist of grain trading and other operations carried out through associated companies.

The Group evaluates operations based on the operating profit/loss and cash flow 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	**2004**	**2003**	**2004**	**2003**	**2004**	**2003**
Fish feed	3 578 805	3 848 265	455 431	424 067	4 034 236	4 272 332
Fish farming [1]	1 384 286	1 302 432	0	0	1 384 286	1 302 432
Eliminations	0	0	-455 431	-424 067	-455 431	-424 067
Aquaculture	**4 963 091**	**5 150 697**	**0**	**0**	**4 963 091**	**5 150 697**
Grain trading and other activities	27 110	876 111	0	9 757	27 110	885 868
Eliminations	0	0	0	-9 757	0	-9 757
Total	**27 110**	**876 111**	**0**	**0**	**27 110**	**876 111**
Group activities	7 106	14 231	0	2 981	7 106	17 212
Eliminations	0	0	0	-2 981	0	-2 981
Total	**4 997 307**	**6 041 039**	**0**	**0**	**4 997 307**	**6 041 039**

	Operating profit/loss		Ordinary depreciation		Income from associates	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Fish feed	203 651	195 063	168 972	172 454	-1 487	2 714
Fish farming [1]	91 803	-238 744	98 855	92 813	0	543
Eliminations	-5 426	21 697	0	0	0	0
Aquaculture	**290 028**	**-21 984**	**267 827**	**265 267**	**-1 487**	**3 257**
Grain trading and other activities	16 380	96 683	1 170	6 976	9 956	5 454
Eliminations	0	0	0	0	0	0
Agriculture	**16 380**	**96 683**	**1 170**	**6 976**	**9 956**	**5 454**
Group activities	-39 991	-51 349	2 984	8 109	8 879	5 654
Total	**266 417**	**23 350**	**271 981**	**280 352**	**17 348**	**14 365**

[1] Fish farming includes Aquascot (Value Added), disposed of in early July 2004.

Group operating revenues by the location of the individual customers

Amounts in NOK 1000		
Country	**2004**	**2003**
Norway	2 003 277	2 991 219
Chile	988 726	1 043 867
Japan	556 747	288 433
United Kingdom	445 884	487 376
USA	439 756	594 916
Canada	330 417	342 627
Rest of Europe	187 485	248 137
Other countries	45 015	44 465
Total operating revenues	**4 997 307**	**6 041 039**

Note 5 Wages and other personnel expenses

Cermaq ASA			Group	
2003	2004	*Amounts in NOK 1000*	2004	2003
20 261	18 769	Wages, salaries incl. holiday pay	343 147	410 151
3 650	3 246	National insurance contributions	21 886	28 321
3 718	3 149	Pension costs	18 995	24 146
2 907	3 217	Other staff expenses	12 498	11 343
30 536	**28 381**	**Total wages and other personnel costs**	**396 526**	**473 961**

Number of employees in Cermaq ASA as at 31 December 2004: 26 (2003:26)
Number of employees in the Cermaq Group as at 31 December 2004: 2,961 (2003:2,251)

Remuneration paid to the Board of Directors totalled NOK 770,000 (2003: NOK 665,000).

BONUS AND PENSION SCHEMES, ETC., FOR KEY MANAGEMENT PERSONNEL
Group Chief Executive Geir Isaksen received a salary and other remuneration of NOK 1,904,493. (2003: NOK 1,629,261). He is entitled to retirement on attaining the age of 62. On attaining his ordinary pension age he is entitled to 66% of his salary upon his retirement. The Group Chief Executive's bonus is described below.

Terms of payments to the corporate management

Person	Options	Severance pay	Bonus of salary	Loans
Geir Isaksen	180 000	1 year [1]	30% [2]	-
Geir Sjaastad	150 000	9 months [1]	30% [2]	-
Peter Williams	150 000	1 year [1]	30% [2]	-
Francisco Ariztia	150 000	1 year [1]	30% [2]	-
Kjell Bjordal	150 000	1 year [1]	30% [2]	-

[1] Agreement of one years/9 months 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. NOK 362 thousand has been paid in total on these agreements in 2004.

OPTION SCHEME
In March 2001, an option scheme was established for the top management of the Group companies. As at December 31, 2004, 1,020,000 options are effective with a strike price of NOK 40 per share, and carry no premium. The options are associated with employment and were awarded 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 6 Pension costs and liabilities

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 at 31 December 2004 (2003: 21 members). In addition Cermaq ASA has responsibility for 52 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, 380 persons are in such pension schemes. 58 of these are located in Scotland, the remaining 322 in Norwegian companies. See also the description under accounting principles.

Cermaq ASA			Group	
2003	**2004**		**2004**	**2003**
6.0%	5.5%	Discount rate	5.5%	6.0%
6.5%	6.0%	Expected return on pension funds	6.0%	6.5%
4.5%	3.0%	Wage adjustment	3.0%	3.0%
2.5%	3.0%	Basic amount adjust/inflation	3.0%	3.0%
3.0%	3.0%	Pension adjustment	3.0%	3.0%

Cermaq ASA			Group	
2003	**2004**	*Amounts in NOK 1000*	**2004**	**2003**
2 966	2 658	Net present value of current year's pension benefit earned	16 257	13 416
2 107	1 935	Interest cost of pension liability	9 157	8 606
-1 950	-1 986	Expected return on pension funds	-9 119	-7 920
383	309	Amortisation of discrepancies	982	819
-277	-276	Employee contributions deducted	-276	-277
165	119	Administrative expenses	463	267
296	389	Accrued National Insurance contributions	1 535	1 319
0	0	Adjustment of circumstances from earlier years	0	-277
3 690	**3 149**	**Net accrued pension costs**	**18 995**	**15 953**

Cermaq ASA			Group	
2003	**2004**	*Amounts in NOK 1000*	**2004**	**2003**
-37 954	-38 233	Projected benefit liabilities	-186 210	-168 715
31 554	33 419	Estimated pension funds	141 384	130 418
-6 400	-4 813	Estimated net pension funds/liabilities(-)	-44 826	-38 297
8 950	7 427	Unrecorded gain(-)/loss on pension funds	24 183	21 473
2 550	2 613	Net pension funds/liabilities (-)	-20 643	-16 824
0	0	Accrued National Insurance contributions	-1 619	-1 244
2 550	**2 613**	**Pension funds/liabilities(-)**	**-22 262**	**-18 068**

Note 7 Other operating expenses

Cermaq ASA			Group	
2003	2004	*Amounts in NOK 1000*	2004	2003
0	0	Production cost [1]	282 802	339 980
0	0	Logistic cost [2]	315 884	284 262
14 787	12 540	Sales and administration expenses	141 412	238 276
6 242	10 942	Other operating expenses [3]	36 986	79 060
21 029	**23 482**	**Total other operating expenses**	**777 084**	**941 579**

[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] Other operating expenses in Cermaq ASA mainly includes a loss on sale of shares in Vaksdal Industrier AS of NOK 8.9 million (gain in Group accounts of NOK 14.9 million).

Research and development costs

Net research and development costs of NOK 61.7 million for the Group have been charged against income in 2004 (2003: NOK 75.7 million).

Auditor

The company's auditor, Ernst & Young have invoiced the following fees in 2004:

Amounts in NOK 1000	Cermaq ASA	Group
Audit fees	434	3 616
Fees other audit services	0	212
Total audit fees	**434**	**3 828**
Tax advice	1 202	1 883
Other services	420	1 267
Total fees	**2 056**	**6 978**

Note 8 Income on investments in subsidiaries

Cermaq ASA will receive NOK 70.2 million in Group contribution from it's subsidiaries EWOS AS and NorAqua AS. Income from investments in subsidiaries is eliminated at the consolidated level.

Note 9 Financial income/expenses

Cermaq ASA			Group	
2003	2004	*Amounts in NOK 1000*	2004	2003
133 525	62 433	Interest income	26 831	54 988
7 580	4 112	Other financial income	3 676	140
141 105	66 546	Total financial income	30 507	55 128
114 460	56 496	Of which related to Group items	0	0
-38 162	-26 670	Interest expenses	-84 356	-143 796
0	-11 472	Write down of financial assets [1]	-18 926	0
-2 752	-17 681	Other financial expenses	-23 052	-8 612
-40 914	-55 823	Total financial expenses	-126 335	-152 407
13 597	31 077	Net foreign exchange gains/losses	-2 107	45 260
0	26 155	Of which related to Group items	0	0
113 788	**41 799**	**Net financial items**	**-97 934**	**-52 019**

[1] In Cermaq ASA, shares in Seastar Salmon Farming Holding AS have been written down by NOK 11.5 million. In the Group accounts, an additional NOK 7.5 million has been written off on other financial investments due to fair values being lower than book values.

Note 10 Taxation

Cermaq ASA 2003	Cermaq ASA 2004	*Amounts in NOK 1000*	Group 2004	Group 2003
0	0	Tax associated companies	-9 342	-1 876
2 040	-1 764	Tax payable	15 620	-84 519
59 237	-22 989	Change in deferred Tax	-7 148	100 643
61 277	**-24 753**	**Tax on ordinary result**	**-871**	**14 248**

Distribution of corporate tax

Amounts in NOK 1000	Group 2004	Group 2003
Norway	-24 591	3 777
Abroad	23 721	10 471
Tax on ordinary result	**-871**	**14 248**

There is no taxable income for Cermaq ASA for 2004. Tax payable on the consolidated balance sheet amounts to NOK 70 million, of which NOK 45 million is related to NOKUS-taxation and NOK 23 million is related to Mainstream Chile.

Cermaq ASA 2003	Cermaq ASA 2004	*Amounts in NOK 1000* **Deferred tax - tax effect of temporary differences**	Group 2004	Group 2003
-2 805	-2 172	Total short-term items	2 894	-30 071
4 945	11 519	Total long-term items	-3 049	12 327
-20 104	-4 322	Tax loss carry forward and other tax credits	-214 090	-196 571
0	0	Deferred tax asset not recognised	163 418	154 494
-17 964	**5 025**	**Deferred tax/deferred tax assets (-)**	**-50 825**	**-59 821**

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

Expiring dates of tax credits and tax losses carried forward

Amounts in NOK 1000	Group 2004	
Norway	37 916	2013
Scotland	108 240	Without expiration
Canada	55 178	2009-2011
Chile	12 756	Without expiration
Total	**214 090**	

Cermaq ASA 2003	Cermaq ASA 2004	*Amounts in NOK 1000* **Reconciliation of tax for the year**	Group 2004	Group 2003
86 398	-17 883	28% tax on profit before tax for the year	-52 033	4 006
-27 161	-5 106	28% tax on permanent differences	73 569	-6 585
0	0	Differences in nominal tax rate for foreign companies [1)]	-27 563	675
2 040	-1 764	Change in tax from previous years	4 702	16 152
0	0	Other differences	454	0
61 277	**-24 753**	**Tax on ordinary result**	**-871**	**14 248**

[1)] The effect of not recognising deferred tax assets related to losses in 2004 is NOK 17 million (2003: NOK 70 million).

Tax impact of permanent differences

Tax impact of permanent differences for the Group for 2004 are primarily related to a merger between the fish farming operations of Mainstream Chile and its parent company Comercializadora EWOS Ltda. Mainstream was acquired by Comercializadora EWOS with taxable excess values. The merger enabled the Group to obtain tax deductions for a share of the tax excess values which was realised in 2004.

In addition, tax impacts of permanent differences are primarily related to amortisation of goodwill which are not deductible for tax purposes.

Permanent differences for Cermaq ASA for 2004 are primarily related to write down of financial assets and other non tax deductible costs.

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

It remains the opinion of the Group that Chile should not be considered a low tax jurisdiction.

In July 2004, the Group resolved to subpoena the central tax office for large enterprises for its decision to perform NOKUS-taxation from 2000 of Chilean companies who are not engaged in fish farming. The case was presented to Oslo Tingrett (Court of Appeal) in January 2005. Cermaq has so far not received any resolution from the court and the outcome remains uncertain.

Since 2000, the Group has provided for estimated NOKUS tax in the consolidated accounts. The Group has still not received the final assessment of NOKUS income and applicable NOKUS-taxes for the years 2000 to 2003. Due to the complicated nature of this case and the related uncertainties, any tax payable as a result of the outcome of the case may deviate from the provisions made. Any such deviations are not expected to be material.

Note 11 Minority interests

Amounts in NOK 1000	Group	
Minority interests' share of:	**2004**	**2003**
Ordinary depreciation	5	1 967
Operating profit/loss	-74	11 975
Profit/loss before tax	-72	8 618
Tax	19	-2 426

	Group	
Development of minority interests	**2004**	**2003**
Minority interests as at 1 January	367	158 840
Profit/loss for the year attributed to minority interests	-53	6 192
Reduction in connection with acquisitions of minority interests	-24	0
Reduction in connection with distributions to owners	-160	-4 924
Reduction in connection with the sale of subsidiaries	0	-159 741
Minority interests as at 31 December	**130**	**367**

	Group	
Specification of minority interests	**2004**	**2003**
Norsk Lossekontroll AS	130	343
Mainstream, Chile	0	24
Minority interests as at 31 December	**130**	**367**

Note 12 Intangible assets

Amounts in NOK 1000

Group	Goodwill	Licences
Historical costs as at 1 January	**931 602**	**961 289**
Additions, new companies	0	149 499
Additions, cost price	0	7 017
Disposals, cost price	-80 046	0
Transfers and other charges	2 935	-4 924
Foreign currency effect	-49 653	-64 942
Historical costs as at 31 December	**804 838**	**1 047 938**
Accummulated depreciation as at 1 January	**-230 170**	**-185 612**
Ordinary depreciation for the year	-44 087	-9 915
Accumulated depreciation and write down on disposals in the year	12 578	4 535
Foreign currency effect	70 837	0
Accumulated depreciation as at 31 December	**-190 842**	**-190 992**
Book value as at 1 January	**701 432**	**775 677**
Book value as at 31 December	**613 996**	**856 946**

FINANCIAL LEASE

Leases recorded on the balance sheet related to fish farming licences in Canada represent NOK 95.4 million (CAD 19 million) of the book value as at 31 December 2004. Total leasing commitments amount to NOK 100.5 million.

RENEWAL OF LICENCES

Licences have to be renewed every 5 years in Canada. 17 of 19 licences were renewed in 2003 and 2004. The remaining 2 are to be renewed in 2005.

IMPAIRMENT

Management have reviewed the valuation of intangible fixed assets with focus on the book value of fish farming licences and goodwill because of the difficult trading conditions in Canada and Scotland.

A review of the value of these assets was carried out, based on comparing the Net Present Value (NPV) of the projected future cash flow from those assets, with their book value. Best estimates of cash flow 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 flow, 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, management believe that the there is no need for any impairment of the book value of goodwill and fish farming licences as at 31 December 2004.

Specification of fish farming licences

Amounts in NOK 1000 **Company/Group**	Aquisition year	Historical cost	Book Value 31.12.2004	Depreciation period
Fish farming licences in Chile	2000/2004	938 117	686 014	-
Fish farming licences in Canada	2000	202 403	121 404	20 years
Fish farming licences in Scotland	2000	176 786	34 528	-
Fish farming licences in Norway	2003	15 000	15 000	-
Total		**1 332 306**	**856 946**	

Specification of goodwill

Amounts in NOK 1000 **Company/Group**	Aquisition year	Historical cost	Book Value 31.12.2004	Depreciation period
Companies in the EWOS Group	2000	594 839	369 512	20 years
Mainstream Chile s.a. - Group	2000/2001	369 993	192 300	20 years
NorAqua	1999/2000	67 905	52 184	20 years
Total		**1 032 737**	**613 996**	

Note 13 Tangible fixed assets

Cermaq ASA *Amounts in NOK 1000*	Machinery, fixtures vehicles, etc.	Buildings	Land	Plant under construction	Total
Historical cost as at 1 January	16 380	21 549	2 030	0	39 959
Additions, cost price	743	0	0	0	743
Disposals, cost price	-267	0	-53	0	-320
Historical cost as at 31 December	**16 856**	**21 549**	**1 977**	**0**	**40 382**
Accumulated depreciation as at 1 January	-6 060	-8 098	0	0	-14 158
Ordinary depreciation for the year	-2 141	-976	0	0	-3 117
Accumulated depreciation on disposals in the year	267	0	0	0	267
Accumulated depreciation as at 31 December	**-7 934**	**-9 074**	**0**	**0**	**-17 009**
Book value as at 1 January	**10 320**	**13 451**	**2 030**	**0**	**25 801**
Book value as at 31 December	**8 922**	**12 475**	**1 977**	**0**	**23 374**

Group *Amounts in NOK 1000*	Machinery, fixtures vehicles, etc.	Buildings	Land	Plant under construction	Total
Historical cost as at 1 January	1 937 866	448 740	61 747	36 955	2 485 308
Additions, new companies	49 209	34 867	2 138	0	86 214
Additions, cost price	105 503	22 744	894	36 670	165 811
Disposals, cost price	-179 374	-26 452	-132	-229	-206 187
Sale of companies	-35 374	-9 325	-4 954	0	-49 653
Transfers	12 234	3 945	6	-14 873	1 312
Foreign currency effect	-64 129	-15 295	-974	-463	-80 861
Historical cost as at 31 December	**1 825 935**	**459 224**	**58 724**	**58 060**	**2 401 943**
Accumulated depreciation as at 1 January	-1 042 014	-148 053	0	0	-1 190 067
Ordinary depreciation for the year	-195 363	-22 614	0	0	-217 978
Accumulated depreciation on disposals in the year	155 475	10 358	0	0	165 833
Accumulated depreciation on sale of companies	24 350	9 325	0	0	33 675
Transfers	603	-875	0	0	-272
Foreign currency effect	40 798	5 308	0	0	46 107
Accumulated depreciation as at 31 December	**-1 016 152**	**-146 551**	**0**	**0**	**-1 162 703**
Book value as at 1 January	**895 852**	**300 687**	**61 747**	**36 955**	**1 295 241**
Book value as at 31 December	**809 783**	**312 672**	**58 724**	**58 060**	**1 239 241**

FINANCIAL LEASING
There are no significant leasing agreements in the balance sheet regarding buildings, machinery, inventory etc.

Note 14 Investments in subsidiaries

Amounts in NOK 1000	Ownership interest Cermaq ASA	Equity as at 31.12.2004	Profit/loss for 2004	Book value as at 31.12.2004	Office location
Statkorn Aqua AS	100.0%	113 677	-26 112	209 239	Oslo
Statkorn Aqua Invest AS	100.0%	21 579	2 870	15 510	Oslo
EWOS AS	62.0% [1]	553 976	76 782	354 083	Bergen
EWOS Ltd.	100.0%	143 184	6 026	326 336	Scotland
NorAqua AS	100.0%	3 040	72	13 102	Bergen
EWOS Chile Ltda.	1.0% [1]	252 295	-30 765	1 580	Coronel, Chile
Norsk Lossekontroll AS	80.0%	657	-264	40	Oslo
Cernova AS	100.0%	17 159	4 029	500	Bergen
Total investment in subsidiaries				**920 390**	

[1] The Cermaq Group wholly owns the companies. Statkorn Aqua AS owns the remaining interests not owned by Cermaq ASA.

Note 15 Investments in associates

Cermaq ASA *Amounts in NOK 1000*	Ownership interest	Voting share	Equity as at 31.12.2004	Profit/loss 2004	Book value as at 31.12.2004	Office location
AS Balsfjord Kornsilo	40.00%	40.00%	2 827	902	40	Oslo
AS Trondheim Kornsilo	34.00%	34.00%	10 360	2 004	2 615	Trondheim
Follalaks AS	34.00%	34.00%	73 518	-2 004	40 000	Norfold
Seastar Salmon Farming Holding AS	22.93%	22.93%	-9 541	-57 553	8 025	Rong
Total investments in associates					**50 680**	

Group *Amounts in NOK 1000*	Book value as at 31.12.2004	Share of profit/loss for the year	Amortisation of excess value	Tax	Dividend	Additions or deductions	Book value as at 31.12.2004
AS Balsfjord Kornsilo	1 215	627	0	-175	0	-100	1 567
AS Trondheim Kornsilo	4 081	944	0	-263	0	-224	4 538
Hordafôr AS [3]	22 366	4 460	-1 167	-1 249	-2 876	-399	21 135
Unikorn AS	54 337	9 956	0	-2 788	-4 854	-1 245	55 406
Follalaks AS [1]	0	4 016	0	-4 967	0	40 000	39 049
Seastar Salmon Farming Holding AS [2]	0	0	0	0	0	8 025	8 025
OxSeaVision AS [3]	5 993	-362	-1 125	101	0	92	4 699
Salmones Andes	54 398	0	0	0	0	-54 398	0
Total investments in associates	**142 390**	**19 641**	**-2 292**	**-9 341**	**-7 730**	**-8 249**	**134 417**

[1] The shares in Follalaks AS were acquired by converting receivables into equity.

[2] The shares in Seastar Salmon Farming Holding AS were acquired by converting receivables into equity and through a capital increase in December 2004. The ownership after the conversion was 17.6%, and the company first became an associated company after the capital increase in December 2004. No share of result has been recognised in the Group accounts. The shares in Seastar Salmon Farming Holding AS has been written down by 11.5 million.

[3] The remaining excess values on the investments in Hordafôr AS and OxSeaVision AS are 3.5 million and 1.6 million respectively.

Note 16 Investments in shares

Amounts in NOK 1000	Cermaq ASA	Group ownership interest	No. of shares owned	Total par value	Share capital	Book value
Bioparken AS	1.52%	1.52%	5	50	3 300	50
Risørfisk AS	6.58%	8.03%	472 595	384	5 010	575
AquaGen AS	11.75%	11.75%	311 068	311	2 648	11 497
Other						8
Total investments in shares - Cermaq ASA						**12 130**
Norway Royal Salmon AS		3.85%	692 573	693	18 004	23 971
Marine Farms ASA		14.89%	6 209 723	6 210	41 716	12 420
Other						5 863
Total investments in shares - Group						**54 384**

Shares in other companies have been written off by 7.5 million in total in the Group accounts due to fair values being lower than book values.

Note 17 Other long-term receivables

Cermaq ASA			Group	
31.12.2003	**31.12.2004**	*Amounts in NOK 1000*	**31.12.2004**	**31.12.2003**
26 054	28 852	Long-term loans	46 597	41 918
2 550	2 613	Other long term receivables	91 426	17 932
28 604	**31 465**	**Total other long-term receivables**	**138 023**	**59 850**

Note 18 Loans to Group companies

Amounts in NOK 1000	Currency	Currency amount	Book value as at 31.12.2004	Book value as at 31.12.2003
EWOS Canada Ltd	CAD	7 459	37 478	36 841
EWOS Scotland Ltd	GBP	1 242	14 456	186 918
Mainstream Scotland Ltd	GBP	3 984	46 383	22 477
Mainstream Scotland Holding Ltd	GBP	0	0	2 231
EWOS Chile Ltda.	USD	10 105	61 023	67 454
Receivables from Norwegian companies	NOK	1 182 335	1 182 335	1 157 771
Total loans to Group companies			**1 341 674**	**1 473 692**

All inter company loans denominated in foreign currencies are recorded at the market rate on the balance sheet date.

Note 19 Stocks

	Group	
Amounts in NOK 1000	**31.12.2004**	**31.12.2003**
Raw materials	247 549	290 462
Fish in the sea	450 180	398 962
Work in progress	43 412	13 432
Finished goods	109 269	180 142
Net realisable value provision	-9 445	-40 814
Total stocks	**840 965**	**842 184**

Note 20 Accounts receivable from customers

Cermaq ASA			Group	
31.12.2003	31.12.2004	*Amounts in NOK 1000*	31.12.2004	31.12.2003
1 529	2 864	Receivables from customers	583 284	799 473
0	0	Provisions for doubtful receivables	-69 809	-104 303
1 529	**2 864**	**Total accounts receivable**	**513 475**	**695 170**

Note 21 Bank deposits, cash in hand etc.

Cermaq ASA			Group	
31.12.2003	31.12.2004	*Amounts in NOK 1000*	31.12.2004	31.12.2003
97 587	113 516	Bank and postal giro deposits, cash in hand	445 105	402 960
0	0	Money market	9 895	429
97 587	**113 516**	**Total bank deposits, cash in hand etc.**	**455 001**	**403 389**
0	0	Of which restricted deposits	10 199	1 238

Note 22 Equity

Cermaq ASA *Amounts in NOK 1000*	Share capital	Own shares	Share premium reserves	Other reserves	Minority interest	Total equity
Equity as at 1 January	875 000	-5 440	1 524 424	126 809	0	2 520 793
Result for the year	0	0	0	39 115	0	39 115
Dividend	0	0	0	-104 347	0	-104 347
Equity as at 31 December	**875 000**	**-5 440**	**1 524 424**	**61 577**	**0**	**2 455 561**

Group *Amounts in NOK 1000*	Share capital	Own shares	Share premium reserves	Other reserves	Minority interest	Total equity
Equity as at 1 January	875 000	-5 440	1 524 424	42 929	367	2 437 280
Change in minority interest	0	0	0	0	-24	-24
Paid to minority shareholders	0	0	0	0	-160	-160
Change in conversion differences	0	0	0	-45 252	0	-45 252
Result for the year	0	0	0	185 013	-53	184 960
Dividend	0	0	0	-104 347	0	-104 347
Equity as at 31 December	**875 000**	**-5 440**	**1 524 424**	**78 341**	**130**	**2 472 457**

Number of shares: 87,500,000, face value NOK 10. All the shares in the company have equal status.

Shareholders as at 31 December 2004	Number of shares	%-age ownership
Norwegian Government represented by the Ministry of Trade and Industry	69 456 000	79.38%
Norgesinvestor II AS	10 462 500	11.96%
Odin Norge	1 639 769	1.87%
Odin Norden	924 480	1.06%
Annexstad Hartvig Wenneberg AS	787 500	0.90%
Cermaq ASA (own shares)	544 000	0.62%
Total	83 814 249	95.79%
Other (71 owners)	3 685 751	4.21%
Total	**87 500 000**	**100.00%**

The following board members have shares in the company:

Stein H. Annexstad	45.000
Karl Tore Mæland	10.000

Annexstad also owns 34% of Annexstad Hartvig Wenneberg AS, which owns 787,500 shares in Cermaq ASA, as well as 33.33% of Trinity Capital, which owns 75,000 shares in Cermaq ASA.

The following key management personnel have shares in the company:

Kjell Bjordal	210.000
Geir Isaksen	35.000
Geir Sjaastad	35.000

AUTHORISATION

The board has a valid authorisation until 20 May 2005, from the General Assembly, to increase Cermaq ASA's equity by an amount of up to NOK 50 million distributed over 5,000,000 shares, face value NOK 10, in one or more share issues.

Note 23 Financing

Cermaq ASA			Group	
31.12.2003	31.12.2004	*Amounts in NOK 1000*	31.12.2004	31.12.2003
0	0	Credit facility [1]	1 225 847	1 355 140
0	0	Financial leases [2]	100 482	124 424
0	0	Other long-term debt [3]	43 394	45 502
0	**0**	**Total interest bearing long-term debt**	**1 369 723**	**1 525 066**
31 068	**0**	**Short-term debt [4]**	**123 730**	**143 606**
31 068	**0**	**Total interest bearing debt**	**1 493 453**	**1 668 672**

[1] The credit facility is a "Multi Currency Revolving Credit Facility" with a total credit limit of USD 250 million (originally USD 340 million). As at 31 December 2004 USD 203 million of the facility was utilised. The facility was established 21 December 2000 with a term of 5 years. The facility was extended by an amendment and restatement agreement dated 17 December 2004, with repayment of credit drawn under the facility by 17 December 2009. The interest rate is linked to LIBOR plus a margin of 95 basis points up to 31 December 2005, and from 1 January 2006 the margin will be between 65-110 basis points depending on a ratio of the Group's EBITDA to Interest Payable.

The key financial terms (covenants) for the credit facility are:

a) The Group's equity ratio must not be lower than 40% (including goodwill)

b) The ratio of the Group's EBITDA to Interest Payable must not be:

- less than 2.5:1 for the period 31.12.2004 to 31.12.2005
- less than 3.5:1 after 31.12.2005

[2] The Financial lease is a commitment related to fish farming licences in Canada (CAD 20 million)

[3] Other long-term liabilities primarily include deferred payment arrangements related to purchase of fish farming operations in Scotland amounting to NOK 33.8 million (GBP 2.9 million) and a long-term loan for EWOS Innovation of NOK 9.5 million

[4] Short-term liabilities comprise primarily of present drawings under credit facilities with local banks in Chile (USD 11.4 million), Canada (CAD 2.6 million), and related to the Group account system in Danske Bank/Fokus Bank (GBP 3.6 million)

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

		Maturity				
Amounts in NOK 1000	31.12.2004	2005	2006	2007	2008	2009
Credit facility	1 225 847					1 225 836
Financial leasing	100 482	100 482				
Other long-term debt	43 394	1 881	35 662	1 800	1 800	2 250
Short-term debt	123 730	123 730				
Total interest bearing debt	**1 493 453**	**226 094**	**35 662**	**1 800**	**1 800**	**1 228 086**
Available credit lines of the credit facility	283 814					
Other available credit lines	432 195					
Total available credit lines	**716 009**					

Note 24 Financial market risk management

FOREIGN CURRENCY RISK

The Cermaq Group is exposed to fluctuations in various foreign currencies through its subsidiaries in Norway, Chile, Canada and Scotland.

Currency exposure arising from operational cash flow is hedged, wholly or in part, through forward exchange contracts. For the EWOS Group, the exposure is mainly related to raw material purchases in foreign currencies, while the majority of sales are in local currency. For the Mainstream Group the situation is largely the opposite, as the majority of purchases are made in local currencies, while sales are dominated by export in foreign currencies, predominantly US dollar and Japanese yen.

Subsidiaries in Chile use US dollar as their functional currency, but certain assets and liabilities are denominated in Chilean pesos. Local management hedge the net Chilean pesos exposure in the forward market and by matching assets and liabilities in US dollar.

The Group's assets denominated in foreign currencies are to a large extent hedged by borrowings in the same functional currencies. The Group's foreign exchange exposure related to the equity of its foreign subsidiaries is normally not hedged and translation gains or losses are included in other equity.

Currency hedging

Forward contracts as at 31 December 2004:

Amounts in 1000 of local currency

Cermaq Group buys		Cermaq Group sells	
USD	15 996	NOK	102 121
USD	9 100	CAD	11 279
USD	7 000	JPY	761 312
EUR	7 777	NOK	64 207
EUR	600	GBP	415
CLP	4 342 400	USD	7 450

Fair value of currency hedging derivatives at 31 December 2004 was negative with NOK 9 million.

INTEREST RATE RISK

The Cermaq Group is exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and to fund its business operations in different currencies. At year-end, the Cermaq Group maintained 87 per cent of its interest bearing debt in US dollar to hedge its investments in Chile and its US dollar revenues.

The Group maintains a high ratio of long-term debt as a proportion of its total interest bearing debt. Long- term floating rate debt denominated in US dollar is partly hedged through interest rate swaps and interest rate collars. As at 31 December 2004, 37 per cent of the long-term debt denominated in US dollar was hedged.

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	**31.12.2004**	**Average fixing of interest rates**	**Average interest rates**
USD [1]	1 294 764	8 months	4.11%
CAD	113 304	8 months	12.45%
GBP	75 936	5 months	5.65%
NOK	9 450	3 months	3.19%
Interest bearing debt	**1 493 453**	**8 months**	**4.82%**
Cash and bank	-455 001		
Net interest bearing debt	**1 038 452**		

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

Interest rate hedging

Interest rate swaps/options as at 31 December 2004:

Amounts in USD 1000

Instrument	Currency	Amount	Cermaq receives	Cermaq pays	Maturity
Swap	USD	50 000	LIBOR 6 m	5.60%	Jan 2006
Swap [1]	USD	15 000	LIBOR 6 m	5.14%	Oct 2007
Collar	USD	10 000	LIBOR 6 m	4.7%-7%	Mar 2006
Total interest rate hedges	**USD**	**75 000**			

Interest rate instruments	Currency	Amount	Cermaq receives	Cermaq pays	Maturity
ARS [2]	USD	50 000	LIBOR 6 m	LIBOR 6 m	Jun 2005
ARS [2]	USD	50 000	LIBOR 6 m	LIBOR 6 m	Aug 2005
Total interest rate instrument	**USD**	**100 000**			

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

[2] Arrears Reset Swaps 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.

Fair value of interest rate derivatives as at 31 December 2004 was negative with NOK 14 million.

CREDIT RISK

Credit risk represents the accounting loss that would have to be recognised if other parties fail to perform as contracted and is related to financial instruments such as cash and cash equivalents, customer receivables and derivative financial instruments.

Concentration of credit risk is not considered significant since the Cermaq Group's customers represent various industries and geographic areas. The Group does not have any significant exposure to any individual customer or any other party as at 31 December 2004.

Note 25 Other short-term liabilities

Cermaq ASA			Group	
31.12.2003	**31.12.2004**	*Amounts in NOK 1000*	**31.12.2004**	**31.12.2003**
1 949	1 615	Unpaid taxes and holiday pay	23 878	22 954
1 656	4 201	Accounts payable	641 422	733 009
20 982	1 764	Taxes payable	70 209	28 348
0	104 347	Dividend	104 347	0
-10 932	21 231	Other short-term liabilities	151 955	135 617
13 655	**133 159**	**Total other short-term liabilities**	**991 811**	**919 928**

Note 26 Off-balance sheet leases Cermaq ASA and Group

Lessee	Asset	Annual rent	Duration of agreement
Cermaq ASA	Rent	1 400	01.10.2009
Ewos Canada Ltd. - Group	Machinery and equipment	512	30.09.2005
Ewos Ltd.	Machinery and equipment	2 282	31.01.2009
Ewos AS	Machinery and equipment	1 375	31.12.2022
Ewos AS	Rent	1 375	31.12.2022
Ewos AS	Rent	1 200	31.12.2008
Mainstream Canada	Rent	13 314	31.12.2011
Mainstream Canada	Rent	563	31.03.2006
Mainstream Canada	Machinery and equipment	950	31.12.2006

Note 27 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/Fokus Bank. The parent company also guarantees the debt of other Group companies.

Cermaq ASA			Group	
31.12.2003	**31.12.2004**	*Amounts in NOK 1000*	**31.12.2004**	**31.12.2003**
423 382	431 252	Guarantee liabilities	431 252	423 382
423 382	**431 252**	**Total guarantee liabilities**	**431 252**	**423 382**

Note 28 Subsequent events

On 18 February 2005, Fjord Seafood ASA acquired shares in Cermaq ASA from Norgesinvestor II AS and Annexstad Hartvig Wennberg ASA and consequently became the second largest shareholder in the Group with an ownership interest of 12,9%.

Note 29 Contingent liabilities

The Norwegian Competitive Authority resolved on the 3 July 2003 to challenge Felleskjøpet Øst Vests' acquisition of Norgesmøllene DA. The acquisition has subsequently been approved in 2004, on the basis that Felleskjøpet Øst Vest sells 34% of the shares in Norgesmøllene DA.

The agreement between the sellers of Norgesmøllene DA (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 obligation will give rise to a financial loss for the company.

Note 30 International Financial Reporting Standards (IFRS)

In line with International Financial Reporting convergence, Cermaq will commence reporting under IFRS from 1 January 2005. The Group is in an advanced stage of progress in assessing the areas and likely magnitude of impacts to the accounts and will report more details in this regard in future reports. The areas where most significant differences are expected between IFRS and current accounting standards are the following:

1. Biomass valuations, where mature or harvestable fish inventories will be valued at a fair market value rather than the lower of cost and net realisable value;
2. Reversal of goodwill amortisation for the year ended 31 December 2004, with annual impairment testing and no future amortisation charges;
3. Financial hedge contract accounting, where the fair value impact of certain financial hedge instruments are likely to be reported in the Group's profits and losses;
4. The recognition of pension fund actuarial gains and losses in the Group's balance sheet;
5. Deferred tax provisions on farm licences where the acquisition price is not reflected in the individual company accounts;
6. Proposed dividends not being recognised as a liability under IFRS until approved at the general shareholders' meeting.

ERNST & YOUNG

Statsautoriserte revisorer

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Medlemmer av Den norske Revisorforening

To the Annual Shareholders' Meeting of
Cermaq ASA

Auditor's report for 2004

We have audited the annual financial statements of Cermaq ASA as of 31 December 2004, showing a profit of NOK 39.115.000 for the parent company and a profit of NOK 184.960.000 for the Group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The 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 2004, and the results of the operations and 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 allocation of the profit is consistent with the financial statements and complies with law and regulations.

Oslo, 14 March 2005
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

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

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