

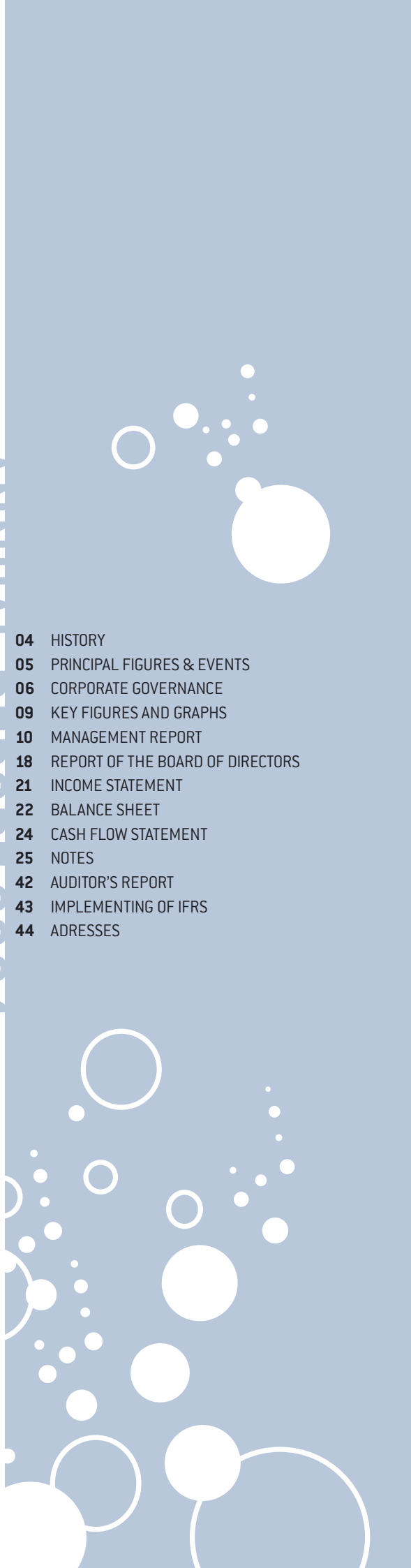


ANNUAL REPORT 2004





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# History

**The Lerøy Seafood Group can trace its operations back to the end of the 19th century, when the fisherman-farmer Ole Mikkel Lerøyen started selling live fish at Bergen's fish market. This was fish he had either caught himself or had bought from other fishermen. The fish was hauled to market in a corf behind Ole Mikkel Lerøyen's rowing boat, a journey that could take between six and twelve hours, depending on prevailing winds and currents.**



Over time, Ole Mikkel Lerøyen's operations gradually came to include retail sales in Bergen, the sale of live shellfish and a growing export business. In 1939, two of his employees, Hallvard Lerøy sr and Elias Fjeldstad, established the company that today is one of the Group's principal companies - Hallvard Lerøy AS. Since its establishment, the company has been a pioneering enterprise within a number of fields in the Norwegian fishing industry. The main focus has always been on developing markets for fresh and frozen seafood products, and the company has frequently led the way into new markets or been the first to commercialise new species. The pioneering spirit is still very much alive in the Group, which was the first to export fresh salmon to the USA, and to establish direct air-borne deliveries of fresh salmon to Japan.



Since 1999, the Group has acquired substantial interests in various domestic and international enterprises. At the end of 2003, the Group took control of all the shares in Lerøy Midnor AS. Through this acquisition, the number of employees in Norway once again exceeds those in the Group's overseas companies.

# Principal figures and strategic events



## Principal figures from the Income Statement

<i>Amounts in NOK 1.000</i>	<b>2004</b>	2003	2002
Operating revenues	3 559 399	2 914 873	2 555 606
EBITDA*	172 022	98 517	66 252
Operating profit	123 074	84 367	55 045
Profit before tax	117 545	54 659	40 184
<b>Profit for the year</b>	<b>81 342</b>	<b>34 083</b>	<b>29 521</b>
Earnings per share	2,36	1,15	1,13
Diluted earnings per share	2,35	1,15	1,13

\*Operating profit before depreciation and amortization.

Up to 1997, the Group was a traditional family company. In 1997, a private placement with financial investors was carried out for the first time. In connection with this placement, the company was reorganised as a public limited company. The company was floated on the stock market in June 2002. Since then, the company has introduced several stock issues, most recently in January 2005. Stock exchange listing of the parent company Lerøy Seafood Group ASA provides access to risk capital. This has facilitated considerable investments, which already have contributed towards a significant strengthening of the Group.

At the beginning of 2005 the Group is well situated for continued profitable development and growth.

## Important strategic events the last 10 years

Product and market development,  
logistics and distribution.

1995	Sale of Bremanger Havbruk AS
1996	Settlement with the administrator of the FOS liquidation
1996	Reorganisation of Hallvard Lerøy AS
1997	Today's group model is established
1997	Private placement
1998	Sale of Portnor Lda.
1999	Investment in HTG
2000	Private placement
2001	Investment in Egersund Fisk AS
2001	Investment in Scottish Sea Farms Ltd.
2001	Investment in distribution in Sweden (Lerøy Sverige AB)
2002	Private and public placement
2002	Listed on the stock exchange
2002	Investment in salmon smoking in Sweden (Lerøy Smøgen Seafood AB)
2003	Acquisition of Lerøy Midnor AS
2003	Private placement
2004	Acquisition of 60% of shares in Portnor Lda.

# Corporate Governance

Corporate Governance is an international concept which tentatively may be translated to Norwegian as Shareholder Management and Control. We understand the concept to be a collective term covering the company's behaviour and customary practices within several areas, such as governing and monitoring mechanisms, management, steering customs and shareholder policies. Several of these sectors are governed by business law representing a minimum of what the company's various partners may expect from the company. The company's own goals, seen together with the demands of international and national partners for lastingly profitable commercial activities mean that Lerøy Seafood Group is to be recognised for exercising Corporate Governance beyond the minimum requirements.

We share the view that Corporate Governance is not of recent date and that the concept probably has not yet found its final meaning. For this reason our review of the company's Corporate Governance is also under development and has not yet found its final form and content. We will continue to work on the content and presentation of our Group's Corporate Governance in coming years. Additionally, we must point out that this chapter is not a complete description of the company's Corporate Governance. Rather, it is a review of some specific and central matters based on that part of the Corporate Governance concept related to the interface between the company's present and future owners.

We believe the recent focus on several of the areas encompassed by the term Corporate Governance will over time reveal the need for separate roles and corresponding reallocation of responsibility in the performance of commercial activity. This will improve the ability of investors in all companies to form independent and accurate views of companies and thus to assess which companies have the highest earnings potential.

## \* THE BOARD OF DIRECTORS

In its central position between owners and management, the Board of Directors is the

corporate body that safeguards the needs of the shareholders for strategic governance and operational control. The function and focus of the Board will always vary somewhat depending on circumstances within the company and on developments in the external business environment.

The transformation of the Lerøy Group from a family company to a listed public limited company has been marked by the owners' clear awareness of the type of Board the company needs. The owners' process of establishing a Board made up of members with various fields of expertise, independent of the Group's management and the company's largest shareholders, started already at the end of the 1980s. Since the early 1990s, the majority of the members of the Lerøy Group Board have not been part of the Group's management; this is to safeguard the Board's ability to challenge the Group's management.

When recruiting board members, the company's owners have already for many years considered the company's need for varied competency, continuity, renewal and changes in ownership structure. It will always be in the owners' interest that the composition of the Board varies in line with the demands made on the company and the Group's expectations. In this respect we mention that at the Shareholders' Meeting on 25 May 2005, an amendment to the company's Articles of Incorporation will be proposed, providing that Lerøy Seafood Group shall establish a nomination committee of three persons to submit candidates' names when the company's Board is elected.

### **The Board today is composed of:**

Chairman of the Board, Svein Milford, was first elected to the Group's Board by the Shareholders' Meeting on 24.04.95. Milford was subsequently elected to the chairmanship by the Shareholders' Meeting on 12.05.00. Milford is 61 years old and has a degree in electronic engineering (1965), a diploma in economics from the Norwegian School of Management - BI (1970) and an MBA from the University of Oregon (1971). Milford has

considerable experience from leading positions in Norwegian and international business enterprises. In recent years, Milford has run his own consultancy business and is chairman of the boards of several companies. At 31.12.04, Svein Milford owned – directly or indirectly – 5,700 shares in the company.

Board Member Hallvard Lerøy jr first gained board membership in the Group in 1967. Lerøy jr is 68 years old and has university qualifying examinations in business studies from Bergen Business College - Bergens Handelsgymnasium (1955), visited France for work/study purposes in 1955 and 1957 and attended studies in business economics at the Norwegian School of Economics and Business Administration - NHH in Bergen. Lerøy jr has been employed in the Group for long periods of his working life and became Managing Director in 1967. Lerøy jr retired as Managing Director in 1992 when his son and current Group Managing Director and Chief Executive Ole-Eirik Lerøy took over. Lerøy jr currently holds positions on official committees and in fisheries organisations, on various boards and on some of the Group company boards. At 31.12.04, Hallvard Lerøy jr owned – directly or indirectly – 1,606,470 shares in the company.

Board member Fons Brusselmans has been a member of the Board since the 1998 ordinary Shareholders' Meeting. Fons Brusselmans is 55 years old and a graduate in business economics from the Norwegian School of Management - BI (1978). Brusselmans is Group Managing Director of Kuoni Scandinavia and has held management positions in international service industries for a number of years. In addition, he has broad experience in working on the boards of international commercial enterprises. At 31.12.04, Fons Brusselmans owned 5,400 shares in the company.

Board Member Leif O. Strand was elected onto the company's Board of Directors by the Shareholders' Meeting on 12.05.00. Strand is 56 years old and has attended studies at the Norwegian School of Management BI in Oslo. Strand has many years of experience in Norwegian businesses and is a company

director in Ferd AS. Strand is also a member of the board of several companies within the group owned by his employer Ferd AS. At 31.12.04, Leif O. Strand owned no shares in the company, but through its subsidiary Ferd Private Equity his employer Ferd AS controlled 3,281,307 shares at year's end.

Board Member Joyce Falkenberg was elected to the company's Board of Directors by the Shareholders' Meeting on 25.05.04. Falkenberg has experience from leading positions in business enterprises and teaching. She was with the Norwegian School of Economics and Business Administration from 1985-2003. Current research and teaching areas are international strategy, strategic change and implementation at the Høgskolen i Agder as Professor of Business Strategy. Falkenberg holds a PhD in Organizational Studies from 1984 at the University of Oregon.

Board Member Hans Petter Vestre was elected to the Board as the employees' representative at the Shareholders' Meeting on 24.04.95. Vestre is 38 years old and a graduate of the Norwegian College of Fishery, University of Tromsø (1991). Vestre was employed by Hallvard Lerøy AS as sales manager in 1992 and is today departmental head in Hallvard Lerøy AS. Vestre is also a member of the Board of Directors of Hallvard Lerøy AS. At 31.12.04, Hans Petter Vestre owned 6,120 shares in the company.

#### \* DIVIDEND POLICY

Based on continued growth and improved profitability, Lerøy Seafood Group aims to create financial values for its shareholders, staff and the community in general. Lerøy Seafood Group aims to provide a satisfactory rate of return from all its activities. The yield to shareholders in the form of dividend and share price performance ought to reflect the company's value generation. Distributed dividend payments should develop in line with the company's financial strength, growth and profitability.

The company's dividend policy implies that over time, dividends should represent 30%

to 40% of net profits after tax. However, care must be taken throughout to ensure that the Group operates in line with good financial contingency planning as a guarantee for new and profitable investments. In the long run, value generation will be more in the form of higher share prices rather than in declared dividend.

#### \* FINANCIAL GOALS

On-going structural changes in the global industry in which the company operates, seen in conjunction with the cyclical nature of the industry, demand that the company at all times must maintain adequate financial contingency plans. This in turn requires a close relationship with the company's shareholders and equity markets. The company has always stressed the importance of maintaining the confidence of its financial partners and thus also access to necessary loan capital on favourable terms. The financial goals of the Board of Directors and the Group's management are reflected in established financial strength and return requirements. The financial strength requirement demands that the Group's equity capital ratio should be at least 25% over time. The Group's long term earnings goal is to maintain an annual return on the Group's average employed capital of 18% before tax. It will be necessary to assess and adjust the Group's financial goals from time to time as a result of changes in significant external parameters such as interest levels, but also as a result of significant changes in the Group's spheres of activity.

#### \* SHAREHOLDERS' MEETING

##### Liquidity and voting rights

As from 03.06.02, the shares in Lerøy Seafood Group ASA were quoted on the Oslo Stock Exchange main listings and are freely negotiable within the provisions of Norwegian law. The company has only one class of shares, and each share carries one vote at the Shareholders' Meeting. Shareholders rights are governed by the Public Limited Companies Act (Norway), cp. in particular Chapter 4 of the Public Limited Companies Act (Norway).

##### Attendance by proxy

Shareholders may cast their votes at the

Shareholders' Meeting either by attending in person or by proxy.

#### Authorities granted to the Board of Directors

Authorities are granted to the Board of Directors in accordance with the Public Limited Companies Act (Norway), cp. in particular Chapters 9 and 10 of the Act.

The first time the Board was authorised to acquire the company's own shares was at the Shareholders' Meeting on 12.05.00. This authority has subsequently been renewed, most recently at the Shareholders' Meeting on 22.05.04, and is to remain valid for 18 months from the date on which the resolution was adopted. The authority has been exercised. An extension of the authority will be recommended to the Shareholders' Meeting on 25.05.05. At 31.12.04, the company owned 65,823 of its own shares.

The Board is authorised to increase the share capital by up to NOK 1,200,000.- by issuing up to 1,200,000 shares, each with a face value of NOK 1.- through one or more private placements with employees of Lerøy Seafood Group ASA and its subsidiaries. The Board's authority must be seen in conjunction with the company's established option programme, see below. This type of authority was first established by the extraordinary Shareholders' Meeting on 10.12.97 and has subsequently been renewed, most recently by the Shareholders' Meeting on 22.05.04. This authority is valid for two years from the time the resolution was adopted. It has not been exercised. An extension of the authority will be recommended to the Shareholders' Meeting on 25.05.05.

The Board had authority to increase the share capital by up to NOK 5,000,000.- by issuing up to 5,000,000 shares in Lerøy Seafood Group ASA, each with a face value of NOK 1.-, through one or more private placements with the company's shareholders and/or external investors. This type of authority was first established by the Shareholders' Meeting of 04.05.99 and subsequently renewed by the Shareholders' Meeting on 22.05.04. The Board



did not exercise this authority in 2004, but it was used for a cash issue of 3,444,000 shares at NOK 38.- each, which was effected on 31.01.05. It will be recommended that a new authority is granted at the General Shareholders' meeting on 25.05.05.

#### Options

Since the spring of 1999, the Board has issued a total of 792,000 options entitling the holder to subscribe to one new share per option, cp. the Board's authority described above. In its meeting on 23.02.05 the Board decided to establish a new options programme of up to 600,000 options at NOK 40.- each. No final agreements in this options programme have been signed at this time.

Of the 792,000 options, 452,000 options were issued in July 1999. The options could be exercised in stages, the first time for 30% of the options after the Shareholders' Meeting in 2000 and then for 40% and 30% after the Shareholders' Meeting in 2001 and 2002, respectively. The exercise price is NOK 12.00 per option. At 31.12.04, 289,000 of these options had been exercised, and the number of this type of option still outstanding is 163,000. Exercised options have been honoured with shares purchased by the company in the market, cp. the Board's authority to acquire the company's own shares.

Moreover, the Board allocated 320,000 options in the spring of 2001 and the spring of 2002. These options may be exercised in stages, with one third at each stage, the first time after the Shareholders' Meeting in 2002. The exercise price is NOK 27.50 per share. At 31.12.04, 60,000 of these options had been exercised, and the number of this type of option still outstanding is 260,000.

In addition, the Board allocated 20,000 options with an exercise price of NOK 32.- per share. The right to exercise these options follows the same model as that in the programme described above.

Common to all the option programmes is that if the option holder leaves the company, any

options not exercised will lapse. Moreover, the exercise price for the various option programmes reflects the market price (or higher) at the time of allocation.

#### Share issues with discount

In connection with public share issues, first time in 1998, the company's employees have been granted the right to subscribe to a limited number of shares at a discounted price (20%).

#### \* INFORMATION

Lerøy Seafood Group ASA strongly emphasises correct and open information to shareholders, potential shareholders and other interested parties. Since 1997, the company has presented quarterly reports containing financial information. Timely, relevant, consistent and current information is the basis upon which all interested parties will assess the value of the company's shares. The company's most important medium for distributing information will be the Oslo Stock Exchange reporting system, but the company will also present such information directly to investors and analysts. Lerøy Seafood Group will inform its shareholders through the annual report, quarterly reports and at presentations when this is appropriate. In addition, press releases will be sent out in relation to important events in the markets in which the company operates or concerning other circumstances that may be relevant. The company has been awarded the so-called "Information Badge" by the Oslo Stock Exchange.

The company's Internet home page will also be updated with relevant information. The company's Internet address is: [www.leroy.no](http://www.leroy.no).

#### \* TECHNICAL INFORMATION

At 31.12.04, Lerøy Seafood Group ASA had 34,440,767 shares outstanding, each with a face value of NOK 1.-. With the share issue on 31.01.05 the number of shares increased by 3,444,000 to a total of 37,884,767 shares. At 31.12.04, the company had 3,115 shareholders. The company's register of shareholders, cp. S. 4-4 of the Public Limited Companies Act (Norway), was registered with

the Norwegian Central Securities Depository (Verdipapirsentralen – VPS) on 28.11.97 and carries the VPS registration number ISIN NO-000-3096208. DnBNOR Bank ASA, Oslo, is the account manager. The share's Ticker Code on the Oslo Stock Exchange is LSG. The company's enterprise number in the Register of Business Enterprises is 975 350 940.

The overview below shows the so-called RISK\* values for the company's shares:

\* Adjustment of original costs (Norwegian shareholders) of the shares by tax profit.

01 January 1996	NOK 0,0
01 January 1997	NOK 1.592,60
01 January 1998	NOK 3,50
01 January 1999	NOK 1,14
01 January 2000	NOK 0,83
01 January 2001	NOK 0,89
01 January 2002	NOK 1,69
01 January 2003	NOK -0,02
01 January 2004	NOK -0,59

The following adjustment factors are used when redistributing RISK amounts after share splits:

Share split on 11.05.1998, factor 0,10000  
Share split on 30.06.1997, factor 0,00100

#### \* FINANCIAL CALENDAR

**24.02.05** Preliminary results for 2004

**13.05.05** Report 1st. quarter 2005

**25.05.05** Annual general meeting

The annual general meeting will be held the 25th of May at 10:00 am at the company's office at Bontelabo 2, 5003 Bergen.

Shareholders wishing to attend the Annual general meeting must notify the company by returning the proxy form attached to the summon notice before Wednesday 18th of May 2005. The board proposes that the dividend payment for year 2004 should be NOK 0.80 per share. If the Annual general meeting accepts the proposal, dividends will be paid to the shareholders the 09.06.04. The share will be noted ex-dividend on the 26th of May 2005.

**12.08.05** Report 2nd. quarter 2005

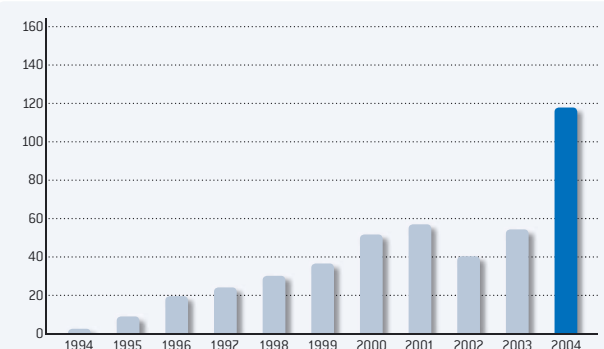
**10.11.04** Report 3rd. quarter 2005

**24.02.06** Preliminary results for 2005

# Key figures and graphs

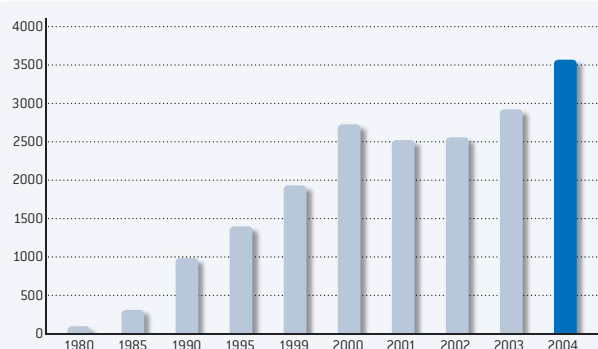
## PRE-TAX EARNINGS

(mill. NOK)



## OPERATING REVENUES

(mill. NOK)

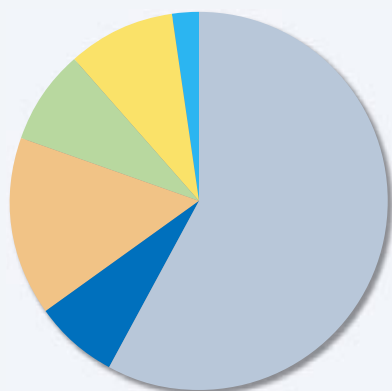


## KEY FINANCIAL RATIOS

	2004	2003	2002	2001	2000
Pre-tax profit margin <sup>1)</sup>	<b>3,30%</b>	1,88%	1,57%	2,24%	1,90%
Operating margin <sup>2)</sup>	<b>3,46%</b>	2,89%	2,15%	2,56%	1,50%
Earnings per share <sup>3)</sup>	<b>2,36</b>	1,15	1,13	2,10	2,30
ROCE <sup>4)</sup>	<b>11,76%</b>	9,55%	8,75%	15,89%	18,53%
Equity ratio	<b>46,01%</b>	44,01%	53,50%	41,31%	43,64%

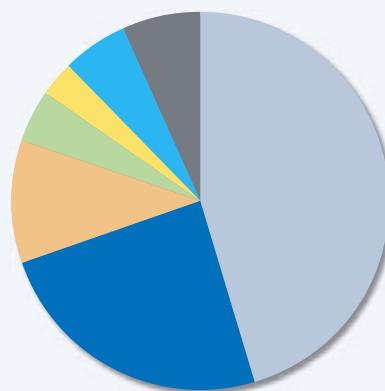
1) Profit before tax / Operating revenues. 2) Operating margin = Operating profit / Operating revenues.  
 3) Average numbers of shares. 4) ROCE = (Profit before tax + Net financial items) / (Net interest bearing debt + Total owners' equity)

## SALES PER MARKET YEAR 2004



- WESTERN EUROPE 57,9 %
- EASTERN EUROPE 7,2 %
- ASIA 15,3 %
- USA AND CANADA 8,1 %
- NORWAY 9,2 %
- OTHERS 2,3 %

## SALES PER PRODUCT YEAR 2004



- WHOLE SALMON 45,3 %
- PROCESSED SALMON 24,3 %
- WHITE FISH 10,5 %
- PELAGIC FISH 4,5 %
- OTHER/OTHER SPECIES 3,0 %
- SHELLFISH 5,6 %
- SALMONTROUT 6,7 %

# Management report – 2004

## \* CONSOLIDATED ACTIVITIES

Lerøy Seafood Group is in the business of satisfying the demand for food and culinary experiences in Norway and internationally by supplying seafood products through selected distributors to producers, food service providers and consumers. Lerøy Seafood Group has a clear focus on delivering products of high quality and on developing binding, long term, profitable and cost effective collaborations both with suppliers and in the market. Lerøy Seafood Group's **vision** is to be the leading and most profitable Norwegian supplier of quality seafood. To attain this goal it is important that the Group works to achieve profitability in all its activities and operational units.

The Group's **core activities** encompass production, product development and the sale, marketing and distribution of seafood. The Group operates through subsidiaries in Norway, Sweden, France and Portugal, as well as through a network of sales offices that ensures its presence in the most important markets. The Group's task is to satisfy the customer's requirements for cost effective and continuous supplies of a wide range of high-quality seafood products. The Group's global sales network allows it to act as an efficient supplier with a **wide product range**, thus reducing risks for the Group and its partners. Lerøy Seafood Group will also maintain strategic range in geographic markets, but will continue to use its resources to focus on selected markets with a view to maintaining or expanding substantial market shares.

Developments in the world's food markets demonstrate the increasing demands on marketing and the need for different approaches, depending on the geographic markets and the products with which one is working. Lerøy Seafood Group will therefore also in the future strive to provide its customers with cost-effective, individual and forward-looking solutions, thus providing the Group and its partners with the

best possible opportunities for growth. It is vital that the interaction between businesses in the value chain making up this network takes its point of departure in the requirements and wishes of the end user. The network must ensure the mutual exchange of expertise between performers. Businesses within the network, regardless of ownership, must be given good opportunities to focus on their own core activities and to capitalise on scale advantages and reduced risks.

The Group divides its products into the main areas of salmon products, whitefish, pelagic fish and shellfish. The distinction between farmed species and wild fish is significant and requires different logistic solutions and work methods. Products are distributed in the Norwegian market and more than 40 other markets worldwide. The broad range of products offered by the company provides sales advantages in most market areas. The company's strategy is to meet the market's ever-increasing demands for quality, product range, cost efficiency and continuity of supply. This is achieved by coordinating the Group's sales network with established strategic alliances of sea farms, fishing vessels and fish processing plants primarily along the coast of Norway. The Group's business systems are under constant review.

The Group works actively to ensure that systems and routines support the attainment of profitability targets. As the industry is undergoing such rapid changes, the demands for risk management are particularly stringent in certain areas. Traditionally, the Norwegian and large parts of the international seafood industry have been seriously undercapitalised, with an corresponding high level of financial risk. This is not compatible with the cyclical nature of the industry. Lerøy Seafood Group has always emphasised the need to secure the confidence of its financial partners, thereby gaining access to necessary outside capital on

good terms. The company's financial contingency planning, both now and in the future, will allow the Group to take part in the value-generating structural reorganisations that will be necessary in the future. On 31.01.05, Lerøy Seafood Group ASA issued a private placement in which the Board of Directors, by authority, issued 3,440,000 shares at NOK 38.- per share. The placement is an affirmation of the Group's desire to maintain adequate financial preparedness.

There is very considerable potential in the seafood industry, but if this is to be exploited to the full, new products will have to be created and developed in line with the evolution of new markets. Lerøy Seafood Group is active in the development of new products and markets under the slogan "what can be sold will be produced". The political trade barriers imposed on the Norwegian fish farming industry by the dominating political forces represented by the EU also underline the need to open up new markets.

In 1996, action taken by Scottish and Irish fish farmers with a view to setting up trade barriers against Norwegian fish farmers led to the EU's Fisheries Commission opening an enquiry into dumping allegations levelled at the Norwegian fish farming industry. The outcome of this enquiry was an agreement signed by the European Commission and the Norwegian export companies in 1997. This agreement expired in the summer of 2003. The same parties have continued their process, which has resulted in the introduction of so-called "safeguard measures" against non-member countries where Atlantic salmon is produced. The European Commission's resolution to introduce a penal tariff on trout produced in Norway demonstrates the dominating political force represented by the EU. If the Norwegian fish farming industry is to continue value generation in line with its inherent potential, the Norwegian authorities too will have to take firm steps to en-

sure that conditions are favourable in the long-term perspective. Over time, the fish farming industry in Norway will not be able to survive with such costly one-sided conditions. Norway as a producing nation has lost market shares for several years now, and is constantly being challenged by countries that provide a much better political framework. Political authorities and others determining the conditions under which we work must accept that the industry is global and that we all have to act accordingly.

quality and long-term commitment through continuity of supplies will increase in both the production and marketing areas. In addition, a high level of processing also requires closeness to the market and good logistic solutions. The Group works with high demands on cost efficiency and continuous product development.

After Atlantic salmon, whitefish is the second largest product area for Lerøy Seafood Group. In recent years, this

whitefish will to a large extent have to be satisfied by the aquaculture industry.

The Group foresees good prospects for stable and acceptable earnings in the area of pelagic fish provided solvency continues to improve in the main markets for pelagic products. In the long term, the company envisions that there will be opportunities to improve on the utilisation of pelagic products by focusing more strongly on product development combined with improved market diversification. This work will have to take place over several years.

Lerøy Seafood Group is a leading supplier of fresh pelagic fish to both Norwegian and European markets. This sale of fresh pelagic products represents a small but interesting niche product.

Throughout the year 2004, Norway has succeeded in sustaining its position as the world's leading producer nation of the company's main product, farmed Atlantic salmon. Even when the figures include wild salmon, Norway remains the largest supplier of Atlantic salmon. However, Norway is now in danger of losing this position.

Measured in value, the Group remained the largest exporter of Norwegian fish from Norway also in 2004.



In its product range, Lerøy Seafood Group has a large portion of fresh seafood products. At present this product share is more than 75 % and will be maintained in coming years. In addition, there is a clear trend towards a higher level of processing throughout our range of products. Through many years with systematic marketing of value-added salmon, Lerøy Seafood Group has built up a strong position for itself within this product area. As the degree of processing rises, regardless of the type of raw material, more and more stringent demands are made on those involved. Standards of cost efficiency,

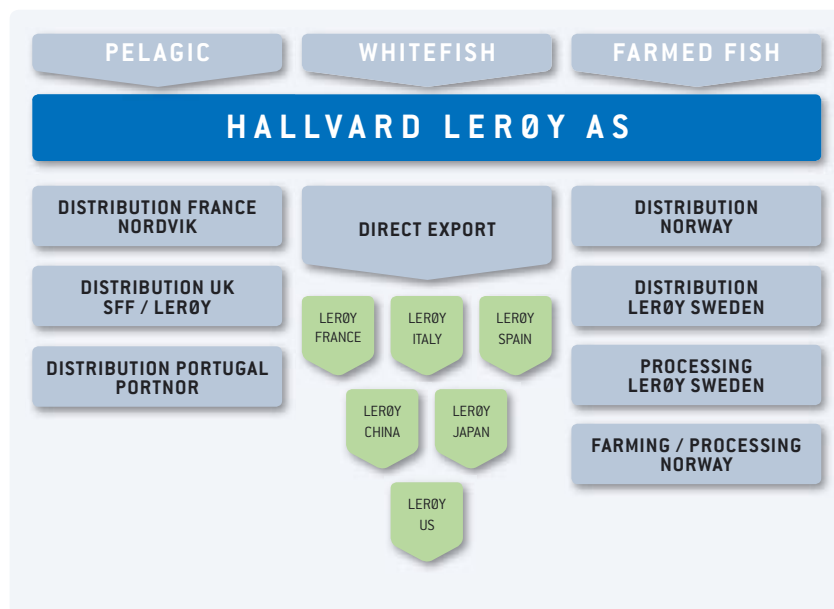
product group has developed favourably and involves cooperation with a number of small and medium-sized companies. Our association with these businesses will continue to expand, and it is hoped this will provide many interesting opportunities in the future. Whitefish farming continues to be a relatively modest business area, but one that is expected to show positive growth in coming years, thanks to the industry's ability and will to be innovative. The Group believes that in the long run, the production volume of cod and halibut farming will be substantial. In future, the increased demand for

The Group's position in the Swedish market is good as the subsidiaries in Stockholm and Gothenburg, acquired in 2001, allow for a cost-effective distribution of seafood. In addition, the Group's production unit in Smøgen, Lerøy Smøgen Seafood, represents a very exciting element within the Group. In the summer of 2003, Lerøy Seafood Group ASA assumed control over all the shares in this company. The work of organising the Group's activities in Sweden efficiently has proceeded satisfactorily, and it is foreseen that the Swedish structure will create interesting opportunities in coming

years. With the acquisition of Portnor Lda, the Group has again established its presence in Portugal. This ensures our representation on the Iberian Peninsula, which is an important market for Norwegian seafood.

have been a serious impediment for the company, and 2004 was the first year in recent times when the company could operate without trade barriers in its main market - the EU. Hallvard Lerøy AS, located at the Group's head office in Bergen,

employees meet these requirements. The employees are dedicated to improving the company's competitive skills and results and to making sure that the company will be able to satisfy future demands and thus the company's long-term strategies and profit targets.



The purpose of acquiring all the shares in Nye Midnor AS, now Lerøy Midnor AS, was to affirm the company's strategy of being able to offer seafood products of a high standard to quality-conscious customers in the global seafood market. Lerøy Midnor AS is situated in one of the districts that pioneered the farming of Norwegian salmon and trout. The Group has great expectations of this company and is looking forward to continuing its development in close cooperation with management and staff. The financial result for the year 2004 does not reflect the underlying productivity improvements implemented after the acquisition of the enterprise in December 2003.

### Hallvard Lerøy AS

Measured in sales, Hallvard Lerøy AS is the largest company in the Group, reaching a turnover of NOK 3,083 million in 2004. During the year under review, results were good, with pre-tax results amounting to NOK 67.8 million. For several years now, political trade barriers

has had a market oriented organisation since 01.01.96. This form of organisation focuses on customers and their needs, and forms the basis for cost-effective handling of the individual customer. The market's need for a broad selection of products is satisfied through the Group's wide product range.

International sales and marketing demand various forms of expertise and a high degree of adaptability. For this reason, our organisation is made up of people from different sectors of trade and industry with a wide range of formal backgrounds and experience. As the company is engaged in a global industry in which framework conditions are constantly changing and developing, it is important that our staff maintain and extend their skills and competence. Our organisation may be described as young but experienced. Constant changes in the company's business environment require dynamic and flexible co-workers who are willing to learn, and Hallvard Lerøy AS's

With the aim of meeting future developments in the world food market, the company is seeking to develop its organisation through projects linked to the company's strategic goals. Against the background of the company's central position in the value chain, development and maintenance of interaction between its partners is a priority area.

The Group's global sales network is represented by Hallvard Lerøy AS sales offices in a number of countries. The company has sales offices in France, Spain, Italy, China, Japan, Portugal and the USA and thus covers various parts of the Group's international markets. The Group's presence in central markets allows it to follow up its key customers closely and to establish new customer relationships. The Group will work to establish a presence in new markets in the years ahead.

Apart from international sales and marketing, Hallvard Lerøy AS is also engaged in two other sectors, one for the distribution of fresh fish to parts of the Norwegian market, Division Norway, and the other a modern processing plant with cold storage facilities, Lerøy Fryseri.

Fresh fish is distributed primarily to the West Norwegian counties, but also to the important Oslo market, either directly to fresh product outlets (Western Norway) through the firmly established "Lerøy counter", or via fresh fish wholesalers in Oslo. The "Lerøy counter" is often used as a display window for Hallvard Lerøy AS's international customers who are here presented with ideas they can take back to their domestic markets. The concept of the "Lerøy counter" originated in the early

90's and means that Hallvard Lerøy AS is responsible for supplying the products and training the staff serving behind the counter.

Lerøy Fryseri is an efficient and modern processing plant located in Bergen and mainly engaged in the processing and freezing of trout for the Japanese market. This work requires a high degree of efficiency and precision as Japanese customers place very strict requirements on end products. Lerøy Fryseri has a core of skilled and motivated co-workers. Still, Lerøy Fryseri has difficulties in meeting its earnings targets because it operates in a part of the value chain affected by over-capacity and a corresponding need for restructuring.

#### **Nordvik SA**

Nordvik SA is located in Boulogne in France and is one of France's largest importers of fresh fish. Nordvik SA is a well-run company with fifteen employees. The company's sales amounted to NOK 97.5 million, giving a pre-tax profit of NOK 1.6 million.

#### **Lerøy Sverige AB**

Lerøy Sverige is a holding company for the two Swedish companies Lerøy Allt i Fisk AB and Lerøy Fiskgrossisterna AB. These companies have been owned by the Group since 2001. The company's sales amounted to NOK 354.1 million in 2004. The pre-tax result was NOK 5.5 million.

Lerøy Allt i Fisk AB is located in Gothenburg and is a full-range seafood company holding a particularly strong position in the Swedish catering and food service market. Lerøy Fiskgrossisterna AB is located in Stockholm and is Stockholm's largest distributor of seafood, with a particularly high level of expertise in the retail trade. Sweden is an important market for the Group, and these two companies have for several years been close partners of Hallvard Lerøy AS. Further development of the two companies continues in close

cooperation with their very able local management and the companies' motivated and competent staff.

#### **Lerøy Smøgen Seafood AB**

Sales in 2004 amounted to NOK 197.4 million, giving pre-tax results of NOK 17.6 million.

Lerøy Smøgen Seafood is a Swedish seafood group involved in production of various types of smoked seafood products. It also produces and distributes seafood salads and marinated products based on shellfish in brine.

After France and Japan, Sweden is the Lerøy Seafood Group's largest market. The acquisition of the three companies in

Together the companies have developed a range of hot and cold-smoked seafood products sold in the catering market in a range of countries. Development of Lerøy Smøgen Seafood AB will continue in close cooperation with its very competent management and the company's motivated and competent staff.

#### **Lerøy Midnor AS**

Lerøy Midnor AS is situated on Hitra on the central Norwegian coast. The organisation consists of motivated and competent employees. Lerøy Midnor AS is one of Norway's largest fish farming companies with a total of 28 wholly owned licenses for sea-based production of fish. Two of the fish licenses and a license for production of smolt with associated equip-



this Swedish group is part of the Lerøy Seafood Group's long-term strategy of strengthening its presence in the company's main markets.

The alliance with Strannes Røkeri AB has for many years been one of Lerøy Seafood Group's most important collaborations.

ment and biomass were acquired in the autumn of 2004. The company also has licenses for the production of smolt for its own production of fish for consumption. The company processes practically all its own biomass in its processing facilities. Lerøy Midnor AS also has a division for the value-added production of salmon.

The company was established on 11.07.03 and took over the assets from the company Midnor Group AS. The shares in Lerøy Midnor AS were acquired on 16.12.03. The company's balance sheet is consolidated in the Group's balance sheet at 31.12.03. The year 2004 is the first year that this company was a part of the Lerøy Seafood Group.

#### **Sigerfjord Aqua AS**

Sales in the year 2004 amounted to NOK 7.3 million. Pre-tax results showed a profit of NOK 0.1 million. The company's result is not satisfactory, but is a marked improvement from 2003. The company is Norway's largest Arctic char farm. Production this year will exceed 200 tonnes of Arctic char, while total production



If future growth is to be secured for the Norwegian fish farming industry, of which Lerøy Midnor AS is a part, it is essential that political authorities end all costly and uniquely Norwegian regulatory conditions. The company may be negatively influenced by the EU's decisions regarding penal tariffs for non-member producers of Atlantic salmon.

of Arctic char in Norway will be less than 400 tonnes. The company is still in the process of building up its resources, but substantial benefits from economies of scale are expected from the production of portion-sized Arctic char. The company's own production has risen sharply in recent years, and production efficiency has improved substantially. Close cooperation with Hallvard Lerøy AS on the marketing side provides good opportunities for

steady and cost-effective distribution of the company's still modest volumes. Arctic char is an important article in the Swedish market and is therefore providing the Group's Swedish companies with additional sales arguments.

#### **Lerøy Quality Group AS**

The 2004 Lerøy Quality Group AS had revenues of NOK 1.5 million and a pre-tax profit of NOK 1.5 million. The result is strongly influenced by realised gains in the share market. Lerøy Quality Group AS is a continuation of the interest organisation Lerøy Quality Group (LQG), established in 1993. The company is owned by Hallvard Lerøy A/S and several leading Atlantic salmon farmers. Lerøy Quality Group AS is a long-term financial investor in listed shares and since its establishment in 1997 it has provided its shareholders with good results. This year the company's board of directors has recommended to distribute a significant part of the equity to the owners in the form of dividend. The company's activity will be significantly reduced in the coming year.

#### **Breivoll Marine AS**

In 2004 Breivoll Marine AS recorded a turnover of NOK 2.0 million and pre-tax results of NOK 1.9 million. The result is in part strongly influenced by singular events. Breivoll Marine AS is a property company which owns a fish processing plant on the island of Rolløya near Harstad. All production (processing of salmon and trout) is in the hands of Breivoll Marine Produkter AS in which Lerøy Seafood Group ASA is a minority shareholder.

#### **\* AFFILIATED BUSINESSES**

Lerøy Seafood Group ASA has substantial ownership interests in several companies. Total investments in affiliates at 31.12.04 amounted to NOK 280.1 million. These investments did not provide a satisfactory yield in 2004. The total share in profits after amortization of goodwill gave a profit NOK 10.4 million. Still, the

result in 2004 is as expected a marked improvement compared with 2003, which showed a loss of 20.5 million. In the long term, the company's investments in financial assets are expected to provide a satisfactory return. The company's cost price for these fixed assets indicates that a satisfactory return will be achieved when the company can obtain what in a historic perspective may be considered "normal prices" for Atlantic salmon.

The most significant share of the capital invested in affiliates is allocated to the farming of salmon and trout in Norway through Hydrotech-Gruppen AS and in the UK, Scottish Sea Farms Ltd through Norskott Havbruk AS. The Group is therefore exposed to the risks naturally inherent in this type of operation. The political risks include everything from access to markets (particularly for producers in Norway), changes in operating permits, emission permits linked to licenses, etc. Though there will always be uncertainty about developments in the world market for Atlantic salmon and trout, prices are expected to improve in 2005 compared to 2004. However, prices may be negatively influenced by trade barriers implemented by EU authorities. Competition from Chilean farming operations has been keen in recent years and will likely continue.

Pelagic operations, under certain conditions, is an interesting product area. Ownership interests in Egersund Fisk AS allow the Group to be represented also on the production side within this product area, though only to a limited extent. The greatest challenges related to the processing and distribution of pelagic products are, respectively, considerable overcapacity in the industry on the processing side, and major challenges related to credit risks in the main markets for herring, ie Russia, the Ukraine and other Eastern European countries. Steps are being taken to restructure the industry's processing capacity by having the producers adjust to the prevailing market conditions.

The Group has several criteria for the selection of possible alliance partners/investment objects, some of which will be commented on here. The Group always considers what qualifications the alliance partner has that will ensure satisfactory operations. These are considered in terms of management expertise, but equally important is the expertise within the organisation in general. It is important that the object's balance sheet with adjustments is acceptable in terms of the Group's risk profile. Similarly, any alliance partners must show an awareness of the significance of continuous, quality-assured, market-oriented production.

#### **Norskott Havbruk AS**

Fifty percent of Norskott Havbruk AS is owned by Lerøy Seafood Group ASA together with the fish farming company SalMar AS. Norskott Havbruk AS was set up in 2001 for the sole purpose of acquiring the company today bearing the name Scottish Sea Farms Ltd. Norskott Havbruk AS owns 100% of Scottish Sea Farms Ltd, the second largest fish farming company in the UK. Scottish Sea Farms Ltd has operations in Scotland and in the Shetlands. The company has a production capacity for Atlantic salmon of more than 25,000 tonnes gutted weight (GWT). In 2004 the company processed 24,000 GWT. In addition, the company produces smolt, which after acquisition of additional capacity covers its own needs. The company also has two modern land-based plants for processing salmon in Scotland and in the Shetlands. Scottish Sea Farms Ltd, together with the company's highly skilled management and staff, is to be developed into a leading and cost-effective producer of Atlantic salmon within the EU. The company already holds a strong position in several high-quality market segments, for instance under the respected brand name Label Rouge.

#### **Hydrotech-Gruppen AS**

Hydrotech-Gruppen AS is a medium-sized fish farming company located in Kristian-

sund (N). Lerøy Seafood Group ASA first became a shareholder in the company through a private placement (23 %) in 1999. Lerøy Seafood Group ASA has since acquired shares bringing its holdings up to the present figure of 39 %.

Hydrotech-Gruppen AS has 17 wholly-owned licenses for the farming of salmon and trout. In addition, the company has licenses for the production of smolt and supplies smolt to other fish farming companies in Norway. The company's plant for processing salmon and trout in Kristiansund is a modern plant capable of handling the company's total volume. In addition, the company has its own well boat company with two well boats. Hydrotech-Gruppen AS has for some years been one of Norway's largest producers of trout, but has now decided to reduce its production of trout. Both as shareholders and as a partner through the joint venture agreement between Hallvard Lerøy AS and Hydrotech-Gruppen AS, Lerøy Seafood Group together with the company's founder and management will do their best to ensure that Hydrotech-Gruppen AS again will show positive results.

#### **Egersund Fisk AS**

The shares in Egersund Fisk AS were acquired in January 2001. This investment underlines the Group's desire to be involved also in the field of pelagic products. Egersund Fisk AS is located in Egersund, Norway's foremost fisheries port. The main companies in Egersund Fisk AS are Egersund Seafood AS and Egersund Sildoljefabrikk AS. Egersund Seafood AS is a processing plant for pelagic fish. The plant is well run and receives more than 30,000 tonnes of herring and mackerel.

Egersund Sildoljefabrikk AS produces meal and oil used mainly as raw materials for farmed fish feeds. The company receives between 130,000 and 150,000 tonnes of marine raw materials every year.



## \* PRIORITY TASKS

Lerøy Seafood Group's vision is to be the leading, most profitable Norwegian supplier of seafood. To achieve this, the company must continue to focus particularly on :

### Alliances

- Generating values by businesses forming a network in the value chain. Businesses in the network must have good opportunities to focus on own core activities and to capitalise on large-scale benefits and reduced risks. We must constantly improve the Group's core operations including the development of long-term and committed alliances with both suppliers and customers. This will ensure that our solutions are cost effective and adapted to the various markets, and therefore also profitable.

### Market orientation

- Emphasising market orientation and forward-looking solutions that will ensure profitability.

### Quality

- Cooperating with and being among the leading companies within quality assurance to ensure customer satisfaction and thus also profitability.

### Risk management

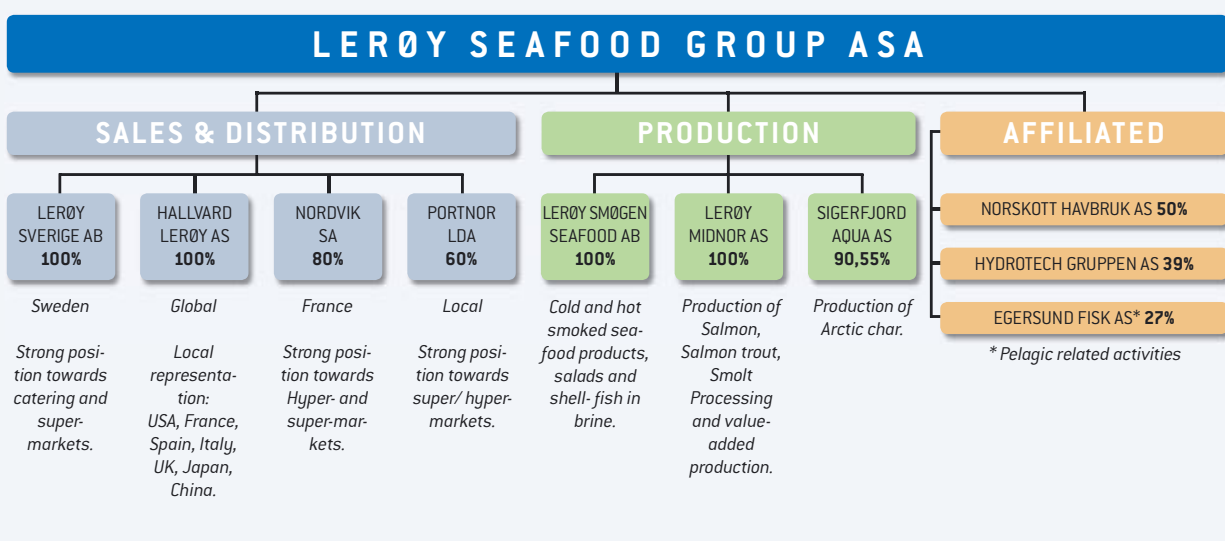
- Continuing to develop systems for exposing risks in order to avoid an imbalance between commercial risks and the demand for profitability. The Group's risk profile and its strategies for economic growth are to be coordinated with the Group's available resources.

### Know-how

- Giving priority to the development of expertise in all sectors and at all levels. Profitable growth requires improved competence in the fields of management, improved operations, strategic commercial development, the development of incentive systems, financial management, exploitation of new technology, product and market knowledge and systematic marketing.

This will ensure the best possible utilisation of the Group's resources to provide optimum value generation for the company's shareholders, employees and its important partners.

## \* CORPORATE STRUCTURE



## Group management



Øyvind Fossøy  
Managing Director  
Hallvard Lerøy AS



Ole-Eirik Lerøy  
Group Managing Director  
Lerøy Seafood Group



Helge Singelstad  
Vice Group Managing Director  
Lerøy Seafood Group

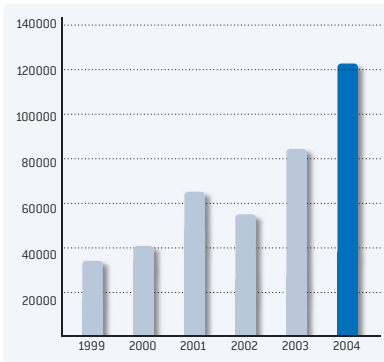


# Report of the Board of Directors for 2004

## FINANCIAL SITUATION

In 2004 the Lerøy Seafood Group had operating revenues of NOK 3,559.4 million, reflecting a growth of 22.1% from 2003. This expansion is seen as satisfactory and provides the Group with a good foundation for further development of its position. The Group's operating result before depreciation (EBITDA) in the year 2004 was NOK 172.0 million as compared with NOK 98.5 million in the year 2003. In 2004 the Group achieved an operating result of NOK 123.1 million against NOK 84.4 million in 2003.

OPERATING PROFIT (NOK mill.)



Improved prices for Atlantic salmon and more efficient operations in the affiliated companies make the Group's result from affiliated companies significantly better in 2004 than in 2003. In 2004 the result from affiliated companies was NOK 10.4 million as compared with a loss of NOK -20.5 million in 2003. The Group's net financial items in 2004 amount to NOK -16.0 million against NOK -9.2 million (including write-down of shares of NOK 11.0 million) in 2003. The Group's pre-tax profit for 2004

was NOK 117.5 million against NOK 54.7 million in 2003. The Board of Directors is satisfied with the development of earnings.

The year's net earnings correspond to a profit of NOK 2.36 per share compared with NOK 1.15 per share in 2003. The return on the Group's capital employed was 11.61% against 9.55% in 2003. The Group is solid, with equity capital amounting to NOK 838.8 million, which corresponds to an equity ratio of 46.1%. At the end of 2004 the Group's interest-bearing debt amounted to NOK 277.0 million. In line with the company's dividend policy, the Board recommends to the company's Shareholders' General Meeting that dividend for the year 2004 be set to NOK 0.80 per share.

The acquisitions in the last few years, most recently Portnor Lda and Lerøy Midnor AS, have in the Board's view strengthened the Group's position and improved the prospects for future growth and earnings. The Group must be continuously developed in order to become an even more valuable contributor for its important alliance partners in all segments of the value chain.

The Group's ownership interests in fish-farming companies in Norway and the UK have, like other operators, experienced difficult market conditions for some years, particularly in the years 2002 and 2003. As expected, the development in the world's salmon markets in the year 2004 has resulted in better earnings than in 2003. However, the future market environment

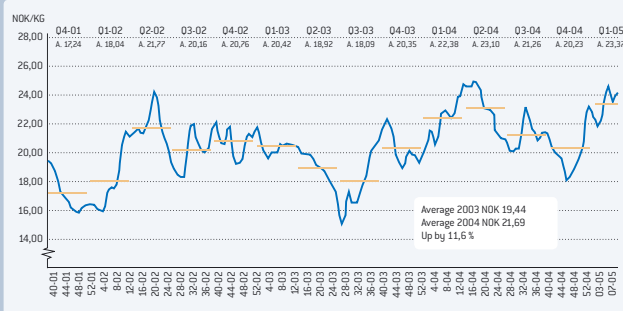
will sharpen the requirements for economic management, productivity improvement, quality standards, food safety and market oriented production. It is of vital importance to the development of a forward looking Norwegian aquaculture industry that it is not impeded by special Norwegian cost-generating regulations. It is important that Norwegian authorities continue to work for framework conditions contributing to the maintenance of the Norwegian fish-farming industry's international competitive ability.

## Fixed financial assets

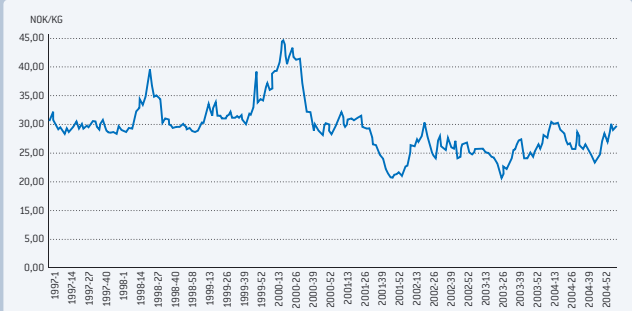
The market situation for Atlantic salmon and trout was considerably better in 2004 than in the previous two years. Price developments 2004 clearly reflected an improvement throughout the year. Official price statistics show a price increase of over 11% in 2004 compared with the bottom year 2003. There are also grounds for satisfaction with the registered growth in demand for Atlantic salmon. This gives us reasons to expect improved earnings for competitive operators in the coming year. However, future political and commercial market conditions will sharpen the requirements for economic management, improved productivity, quality, food safety and market oriented production.

The Group's engagement in the UK aquaculture gave the Group a positive profit contribution of NOK 9.5 million in the year 2004, against NOK 2.3 million in 2003. In view of the market conditions, the Board regards this result as satisfactory. The Group's

## SALMON EXPORT FROM NORWAY AS OF WEEK 08-05 FRESH ATLANTIC SALMON, CROSS-SECTION, FCA OSLO



## FRESH ATLANTIC SALMON NORWAY (4-5 KGS) PRICE DEVELOPMENT 1997 - YTD (FHL/NSL)

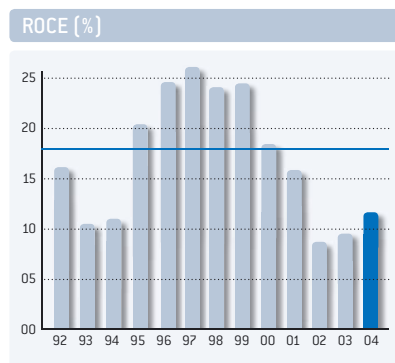


ownership interest in Hydrotech-Gruppen has contributed negatively with a loss of NOK -1.0 million against a corresponding loss of NOK -23.0 million in 2003. The Board is satisfied with the development, but still sees a need for further improvements in the company's earnings.

The Group's investment in Egersund Fisk gave a profit contribution of NOK 2.4 million in 2004 as compared with NOK 0.2 million in 2003.

### STRUCTURAL CONDITIONS

The Group is a performer in a young industry with high demands on risk management and the ability to engage in long-term development of strategic business processes.



The seafood industry has a considerable potential, but to develop it will require an increasingly higher degree of market orientation than what we have seen until now. The Board is of the view that the Group's financial flexibility, together with continuing positive earnings will allow the Group to be an active participant in the coming global and national value-generating structural

changes within the seafood industry. Lerøy Seafood Group will therefore continuously consider possible future investments and merger alternatives, as well as possible alliances that can improve the basis for future profitable growth. Profitable growth requires a constant focus on further development of the Group's marketing organisation.

Seen against the background of the Group's many years of work on network cooperation, the development of quality products, market development, quality assurance and brand building, the Board feels that the possibilities for generating increased value for the company's shareholders and the Group's important partners are good. In coming years, the Group will continue its long-term work on strategic commercial development combined with improving the efficiency of the Group's operations. Based on the customer's requirements, this work will ensure continuity of deliveries, quality and cost-efficiency, and consequently, increased profitability. Improving operational efficiency is an on-going process that will further develop and improve the efficiency of the Group's international market organisation and production interests.

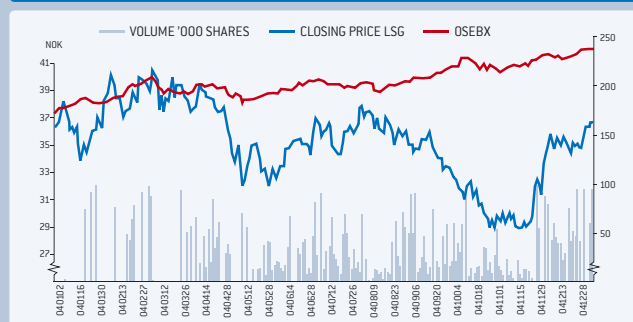
Being listed on the stock exchange gives the company a marketplace for its shares, improved access to future risk capital, as well as possibilities for using the company's shares as means of payment in future acquisitions or mergers. As per 31.12.04 the company had 3,115 shareholders against a total of 2,302 shareholders at the end of

2003. On 31.01.05 the company completed a private placement at NOK 38.- per share. As a result of the share issue the number of shares increased by 3,444,000 to a total of 37,884,767. The share issue was carried out in order to strengthen the Group's financial flexibility. The group's financial leverage is to be used in the Group's core activity areas, which are distribution, sale and marketing of seafood, value-added seafood production and production of salmon and trout.

### Employees

The parent company Lerøy Seafood Group ASA has its main offices in Bergen, Norway. In addition to the Group's managing director the parent company has two employees. Administratively, all personnel functions are handled by the wholly owned subsidiary Hallvard Lerøy AS. At the end of the year there were 576 employees in the Group including 235 women and 341 men. At the same time in 2003 the total number of employees was 534. Of the Group's total number of employees, 379 work in Norway and 197 of them work abroad. Regardless of the demand for equal opportunities for men and women, the Group has always placed decisive emphasis on the skills and performance of the individual in its recruitment policy and salary systems. As in earlier years, the Board wishes to express its appreciation for the contributions made by the Group's employees throughout 2003. Individual flexibility and effort when adjusting to new situations have been vital throughout the year.

### LERØY SEAFOOD GROUP AND OSEBX IN 2004



### LERØY SEAFOOD GROUP ASA



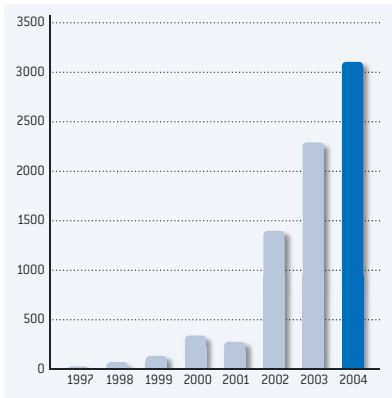
**Health, safety and the work environment**

Only minor incidents were registered among the Group's employees in 2004. Total time lost due to illness in the Norwegian subsidiaries amounted to 6.00%, 2.5% short-term and 3.6% long-term absences. Sick-leave statistics are not available from the foreign subsidiaries. However, the organisation of the individual subsidiaries is under continuous review to ensure that they will be able to deal with any new challenges and changes in the frame-work conditions. The working environment and cooperative atmosphere is good.

**External environment**

The company works constantly to keep up with the changing requirements of its own activities and those of the authorities regarding environmental investments. The company's operations are closely linked to natural conditions in Norwegian and international fresh and salt waters.

**SHAREHOLDERS**



**Results and allocations in**

**Lerøy Seafood Group ASA**

In 2004 Lerøy Seafood Group ASA had a

net result of NOK 72.9 million against a comparable result of NOK 42.0 million in 2003. Distributable reserves at 31.12.03 amounted to NOK 60.2 million.

The Board proposes that the profits for 2004 be allocated as follows:

Dividends, NOK 0.80 per share	30,307,814.-
Transferred to other equity capital	19,254,328.-
Total allocation	49,562,142.-

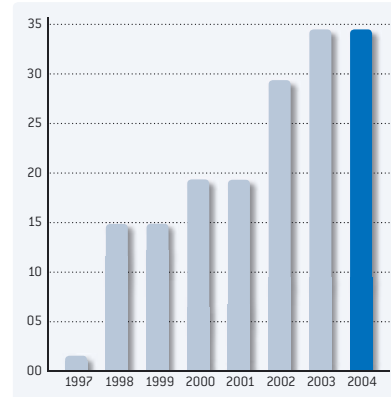
**Market situation / future prospects**

The Group's level of activity is good and the Board of Directors considers future prospects for the Group to be favourable. Based on the international character of the Group's operations, the situation in the global economy will always have an impact on the Group's development. The subsidiaries Hallvard Lerøy AS and Lerøy Midnor AS are as before particularly exposed to the risk posed by constant threats of political trade barriers from the EU Commission.

The EU Commission's decision to introduce a temporary penal tariff in order to limit the import of Norwegian salmon to the EU market is a negative and disturbing element in the global salmon market. The company is critical to EU's ongoing processes against salmon producers outside the EU and is satisfied with the decision by Norwegian authorities to bring the case before the WTO. The processes initiated by the EU are unfair and the decision to introduce penal tariffs is based on faulty information. Political trade barriers are only negative for the development of a forward looking European aquaculture industry. UK authorities should instead intensify all processes aimed at improving the regulatory framework conditions

and thereby ensuring that the UK has an internationally competitive and financially sound aquaculture industry. There is still great uncertainty associated with the further development of the EU's political and penal trade barriers aimed at impeding the importation of salmon to the EU. Quite independently of EU's trade politics, Lerøy Seafood Group must at all times seek to adjust to the prevailing market climate.

**TOTAL NUMBER OF SHARES** In millions



In 2003 the Group exported a broad range of seafood products from Norway to more than 40 countries, the largest being France, Japan and Sweden. The demand for the Group's products is good. Competition in the international market for foods requires the Group to constantly seek more cost-efficient and market-oriented solutions in their striving to satisfy their customers, and thus to ensure profitable growth in the future. Based on available information, the Board expects a somewhat better result for the Group in 2005 than in 2004.

**Bergen, 31.03.05**

**The Board of Directors in Lerøy Seafood Group ASA.**



*Svein Milford*  
Svein Milford  
Chairman



*Hallvard Lerøy jr.*  
Hallvard Lerøy jr.



*Joyce Falkenberg*  
Joyce Falkenberg



*Leif O. Strand*  
Leif O. Strand



*Fons Brusselmans*  
Fons Brusselmans



*Hans Petter Vestre*  
Hans Petter Vestre  
Employees' representative



*Ole-Eirik Lerøy*  
Ole-Eirik Lerøy  
Group Managing Director  
Lerøy Seafood Group ASA

# Income statement

All figures in NOK 1,000

LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED				
2002	2003	2004		Notes	2004	2003	2002
<b>OPERATING REVENUES AND EXPENSES</b>							
2 422	2 376	<b>2 278</b>	Operating revenues	12	<b>3 559 399</b>	2 914 873	2 555 606
			Cost of materials		<b>3 033 920</b>	2 614 210	2 326 928
			Salaries and other personnel expenses	10,13	<b>201 255</b>	116 472	91 979
699	1 623	<b>2 279</b>	Other operating expenses		<b>152 202</b>	85 674	70 447
1 175	836	<b>836</b>	Ordinary depreciation and amortization	2,3	<b>48 948</b>	14 150	11 207
1 874	2 459	<b>3 115</b>	Total operating expenses		<b>3 436 325</b>	2 830 506	2 500 561
548	-83	<b>-837</b>	Operating profit		<b>123 074</b>	84 367	55 045
<b>FINANCIAL INCOME AND EXPENSES</b>							
14 500	61 500	<b>73 500</b>	Income from investments in subsidiaries	8			
			Income from affiliated companies	4	<b>10 429</b>	-20 511	-12 753
2 737	-4 483	<b>196</b>	Net financial items	14	<b>-15 958</b>	-9 196	-2 108
17 785	56 933	<b>72 859</b>	<b>Profit before tax</b>		<b>117 545</b>	54 659	40 184
-20	-14 890	<b>-23 297</b>	Taxation	11	<b>-36 203</b>	-20 577	-10 663
17 765	42 043	<b>49 562</b>	<b>PROFIT FOR THE YEAR</b>		<b>81 342</b>	34 083	29 521
17 765	42 043	<b>49 562</b>	Majority interests		<b>79 627</b>	30 518	25 650
			Minority interests		<b>1 716</b>	3 565	3 871
Information regarding:							
101	21 378	<b>19 254</b>	Allocation to other equity	1			
17 664	20 665	<b>30 308</b>	Allocation to dividends payable				
<b>Earnings per share</b>					<b>2,36</b>	1,15	1,13
Diluted earnings per share					<b>2,35</b>	1,15	1,13

# Balance sheet

All figures in NOK 1,000

LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP CONSOLIDATED			
2003	2004		Notes	2004	2003
		<b>FIXED ASSETS</b>			
3 697	<b>644</b>	Deferred tax assets	11		251
		Licenses	2	<b>205 000</b>	195 000
		Goodwill	2	<b>72 887</b>	77 206
3 697	<b>644</b>	Total intangible assets		<b>277 887</b>	272 457
		Operating equipment		<b>127 572</b>	111 444
19 067	<b>17 571</b>	Buildings and real estate		<b>65 567</b>	71 973
19 067	<b>17 571</b>	Total tangible fixed assets	3	<b>193 139</b>	183 417
1 672	<b>505</b>	Investments in shares	4	<b>2 232</b>	4 636
336 397	<b>403 698</b>	Shares in subsidiaries	4		
283 791	<b>284 615</b>	Shares in affiliated companies	4	<b>280 090</b>	268 835
		Pension assets	10	<b>1 932</b>	1 592
621 860	<b>688 818</b>	Total financial assets		<b>284 254</b>	275 063
<b>644 624</b>	<b>707 033</b>	<b>TOTAL FIXED ASSETS</b>		<b>755 280</b>	730 937
		<b>CURRENT ASSETS</b>			
		Inventories	7	<b>322 601</b>	274 823
135	<b>223</b>	Accounts receivable	5,8	<b>418 468</b>	437 551
76 827	<b>91 537</b>	Accounts receivable, Group	8		
1 691	<b>5 336</b>	Other receivables	8	<b>63 020</b>	67 323
78 653	<b>97 096</b>	Total receivables		<b>481 488</b>	504 874
		Shares and securities		<b>744</b>	1 042
255 455	<b>167 420</b>	Cash and equivalents	6	<b>260 236</b>	292 749
<b>334 108</b>	<b>264 516</b>	<b>TOTAL CURRENT ASSETS</b>		<b>1 065 068</b>	1 073 489
<b>978 732</b>	<b>971 549</b>	<b>TOTAL ASSETS</b>		<b>1 820 348</b>	1 804 426

# Balance sheet

All figures in NOK 1,000

LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP CONSOLIDATED			
2003	2004		Notes	2004	2003
<b>EQUITY</b>					
34 441	<b>34 441</b>	Share capital	9	<b>34 441</b>	34 441
-126	<b>-66</b>	Own shares		<b>-66</b>	-126
621 728	<b>621 728</b>	Share premium reserve		<b>621 728</b>	621 728
656 043	<b>656 103</b>	Total equity contributions	1	<b>656 103</b>	656 043
39 962	<b>60 857</b>	Other equity			
		Other consolidated capital		<b>177 380</b>	127 781
39 962	<b>60 857</b>	Total earned equity		<b>177 380</b>	127 781
		Minority interests		<b>4 106</b>	10 325
<b>696 005</b>	<b>716 960</b>	<b>TOTAL EQUITY</b>	<b>1</b>	<b>837 589</b>	794 149
<b>LIABILITIES</b>					
		Pension liabilities	10	<b>2 461</b>	2 193
		Total accrued liabilities		<b>2 461</b>	2 193
		Deferred tax	11	<b>35 817</b>	6 454
154 687	<b>133 981</b>	Long term debt	6	<b>374 647</b>	412 195
154 687	<b>133 981</b>	Total other long-term liabilities		<b>410 464</b>	418 649
<b>154 687</b>	<b>133 981</b>	<b>Total long-term liabilities</b>		<b>412 925</b>	420 842
2 108	<b>1 586</b>	Accounts payable		<b>293 556</b>	248 368
		Short-term loans	6	<b>162 547</b>	242 898
103 012	<b>87 162</b>	Accounts payable, Group	8		
		Public duties payable		<b>10 760</b>	12 296
124	<b>9</b>	Taxes payable	11	<b>4 612</b>	2 132
20 665	<b>30 308</b>	Dividends payable		<b>33 960</b>	20 865
2 131	<b>1 542</b>	Other short-term liabilities		<b>64 399</b>	62 876
<b>128 040</b>	<b>120 607</b>	<b>Total short-term liabilities</b>		<b>569 834</b>	589 435
<b>978 732</b>	<b>971 549</b>	<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1 820 348</b>	1 804 426

Bergen, 31.03.05

The Board of Lerøy Seafood Group ASA

  
Svein Milford  
Chairman


  
Hallvard Lerøy jr.

  
Joyce Falkenberg

  
Leif O. Strand

  
Fons Brusselmans

  
Hans Petter Vestre  
Employees' representative

  
Ole-Eirik Lerøy  
Group Managing Director  
Lerøy Seafood Group ASA



# Cash flow statement

All figures in NOK 1,000

LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP CONSOLIDATED	
2003	2004	2004	2003
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
56 933	<b>72 859</b>	<b>117 546</b>	54 659
-129	<b>-101</b>	<b>-7 867</b>	-11 278
		<b>-2 419</b>	-133
-86		<b>-234</b>	-1 922
836	<b>836</b>	<b>48 948</b>	14 150
11 272			11 330
		<b>-47 133</b>	26 026
80	<b>-88</b>	<b>33 606</b>	-65 615
2 108	<b>-522</b>	<b>33 665</b>	-1 281
-2 186	<b>-4 234</b>	<b>2 076</b>	9 629
		<b>-72</b>	-735
-61 500	<b>-73 500</b>		
		<b>-10 429</b>	20 511
<b>7 328</b>	<b>-4 750</b>	<b>167 687</b>	<b>55 340</b>
<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>			
	<b>791</b>	<b>5 655</b>	224
-194	<b>-131</b>	<b>-50 294</b>	-13 864
		<b>-14 639</b>	
436	<b>1 167</b>	<b>4 229</b>	6 473
-10 488		<b>-2 430</b>	-12 443
-106 962	<b>-93 332</b>	<b>-9 850</b>	-115 078
-37 827	<b>-2 710</b>		
<b>-155 035</b>	<b>-94 215</b>	<b>-67 329</b>	<b>-134 687</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
		<b>-80 351</b>	-44 958
		<b>7 042</b>	2 271
8 005	<b>-10 900</b>		
-10 313	<b>-20 706</b>	<b>-44 590</b>	-14 226
85 128			85 128
111	<b>1 701</b>	<b>1 701</b>	111
-17 664	<b>-20 665</b>	<b>-20 865</b>	-17 864
14 500	<b>61 500</b>		
<b>79 767</b>	<b>10 930</b>	<b>-137 063</b>	<b>10 463</b>
<b>-67 940</b>	<b>-88 035</b>	<b>-36 705</b>	<b>-68 884</b>
323 395	<b>255 455</b>	<b>296 941</b>	361 634
<b>255 455</b>	<b>167 420</b>	<b>260 235</b>	<b>292 749</b>
This consists of:			
255 455	<b>167 420</b>	<b>260 235</b>	292 749
		<b>6 286</b>	6 557
		<b>145 711</b>	79 637

1) Corrected for cash reserves received through acquisitions during the fiscal year.

# Notes - Annual Accounts 2004

## Accounting principles

The annual accounts have been drawn up in accordance with the Accounting Act of 1998 and generally accepted accounting principles.

All figures in the notes are given in NOK 1,000.

## Principles of consolidation

The consolidated accounts comprise the parent company Lerøy Seafood Group ASA and the subsidiaries Hallvard Lerøy AS, Lerøy Midnor AS, Timar Seafood AS, Lerøy & Strudshavn AS, Lerøy Quality Group AS, Sigerfjord Aqua, Breivoll Marine AS and the overseas subsidiaries Nordvik SA, Portnor Lda, Lerøy Sverige AB and Lerøy Smøgen Seafood AB. Lerøy Midnor AS was consolidated as a subsidiary as of 31.12.03 to show in the consolidated income statement from 01.01.04. Portnor Lda was consolidated as a subsidiary with result impact from 01.09.04.

The consolidated accounts are drawn up according to uniform principles in that the subsidiaries apply the same accounting principles as the parent company. Intercompany transactions, accounts receivable and payable are eliminated. Profit and loss transactions in overseas subsidiaries are converted at the average rate of exchange during the consolidation period. The balance sheets of overseas subsidiaries are converted at the rate of exchange on 31.12. Conversion differences are booked against the Group's equity capital.

Upon acquisition of subsidiaries, the acquisition price of shares in the parent company is eliminated against the equity in the subsidiaries at the time of acquisition. The difference between acquisition price and net book value of the assets in the subsidiaries at the time of acquisition is assigned to the assets to which the premium is linked within the market value of these assets. That part of the acquisition price that cannot be ascribed to specific assets represents goodwill. Goodwill is amortised linearly over assumed economic life.

## Minority interests

The minority share of the year's results after taxes is shown as a separate item in the consolidated accounts after the year's profits. The minority share of the group's equity capital is shown as a separate item in the consolidated equity capital.

## Affiliates

Affiliates are companies in which the Group holds an interest of between 20% and 50%, and where investment is long-term and of a strategic nature. In the consolidated accounts, affiliates are valued according to the equity method. The consolidated account share of the results is based on the profits of the companies after tax, less internal profits and any amortisation on premium due to the fact that the acquisition price of the shares was higher than the acquired proportion of the booked equity. In the Income Statement, this profit is shown under Financial Items, while the assets are shown in the Balance Sheet under Financial Assets.

## Operating revenues

Operating revenues are booked when earned. Sales of goods and services are therefore normally booked at the time of delivery. Fees, discounts, bonuses and other sales costs are deducted from the operating revenues.

## Classification and evaluation of Balance Sheet items

Current assets and short-term liabilities comprise items due for payment within one year of the end of the fiscal year, as well as items related to the production cycle. Other items are classified as fixed assets/long-term liabilities.

Current assets are valued at the lower of acquisition cost and market value. Short-term liabilities are entered in the Balance Sheet at their nominal value at the time of establishment.

Fixed assets are valued at acquisition cost, but written down to real value if the

decline in value is not considered to be temporary. Long-term liabilities are booked in the Balance Sheet at their nominal value at the time of establishment.

## Accounts receivable

Accounts receivable and other receivables are booked in the Balance Sheet at face value less allocations for anticipated loss. Loss allocations are made on the basis of individual assessments of the various items. In addition, an unspecified allocation is made to cover anticipated loss.

## Inventories

Inventories are valued at acquisition cost or assumed sales value less sales expenses. Own production and work in process are valued at full production cost. Financial costs are not included in full production costs. An allocation for anticipated obsolescence is made.

## Foreign currency

Accounts receivable and payable in foreign currency are valued at the rate of exchange at the end of the financial year. The company seeks to protect itself against fluctuations in exchange rates by means of various instruments, mainly forward contracts, which are also valued at the rate of exchange at the end of the fiscal year and booked against accounts receivables in the Balance Sheet.

## Short-term investments

Short-term investments (shares assessed as current assets) are valued at the lower of average acquisition costs and market value at the Balance Sheet date. Dividends and other distributions received from the companies are booked as other financial items.

## Long-term investments

Long-term investments (shares assessed as fixed assets) are booked in the Balance Sheet at acquisition cost. The investments are written down to market value if the decrease in value is not considered to be temporary. Dividends

# Notes

and other distributions received from the companies are booked as other financial items.

## Tangible fixed assets

Tangible fixed assets are booked in the accounts at acquisition cost less accumulated depreciation. This depreciation is distributed linearly over assumed economic life. Similar principles are applied to intangible assets.

## Pensions

The figures used for booking pensions for the subsidiaries Hallvard Leløy AS and Lerøy Midnor AS are based on a linear earnings profile and anticipated final salary. Plan changes are accrued over the anticipated remaining earnings period. The same applies to deviations from the estimate to the degree these exceed 10% of the higher of either pension commitments or pension funds (corridor). The employer's tax contribution is included in these figures. Figures are based on actu-

arial calculations. The subsidiaries Lerøy Sverige AB and Lerøy Smøgen Seafood AB have a contribution-based pension scheme. The subsidiary Sigerfjord Aqua AS has an early retirement scheme for three of its employees; the scheme is not capitalized.

## Taxation

Tax payable in the Income Statement includes both the tax payable during the period and changes in deferred tax. Deferred tax is calculated at a rate of 28% on the basis of the temporary differences that exist between accounting and tax values, as well as the assessed deficit to be carried forward at the end of the financial year. Temporary tax-increasing and tax-decreasing differences which reverse or may reverse the figures in the same period have been assessed and booked at net value. The foreign subsidiaries do not assess deferred tax assets and the figures for these companies are therefore presented as gross deferred tax.

## Cash flow

The consolidated cash flow statement shows the total consolidated cash flow broken down by operating, investment and financing activities. Acquisitions of subsidiaries are considered an investment activity for the Group and are shown separately with the deduction of cash reserves in the company acquired. The statement shows how the various activities affect cash reserves. For cash flows in foreign currency, the average rate of exchange is used in the statement. To the extent differences between 2003 and 2004 in balance sheet figures do not match the corresponding figures in the cash flow statement, this is a result of conversion differences linked to changes in the SEK/NOK and EUR/NOK rates of exchange.

## NOTE 1 EQUITY

(All figures in NOK 1,000)

### LERØY SEAFOOD GROUP ASA

The year's change in equity

	Share capital	Own shares	Share premium reserve	Other equity	Total
Equity at 01.01.	34 441	-126	621 728	39 962	<b>696 005</b>
Own shares		60		1 641	<b>1 701</b>
Year's profit transferred to equity				19 254	<b>19 254</b>
<b>Equity at 31.12.</b>	<b>34 441</b>	<b>-66</b>	<b>621 728</b>	<b>60 857</b>	<b>716 960</b>

(Continued on next page)

# Notes

	LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP CONSOLIDATED	
	2004	2003	2004	2003
Equity at 01.01.	<b>696 005</b>	523 837	<b>783 824</b>	618 472
Year's profit transferred to equity	<b>19 254</b>	21 378	<b>49 319</b>	9 853
Share issue		153 300		153 300
Cost of share issue		-2 621		-2 621
Gain/loss from sale of own shares	<b>1 701</b>	111	<b>1 701</b>	111
Foreign exchange difference			<b>-1 361</b>	4 709
<b>Equity before minority interests 31.12.</b>	<b>716 960</b>	696 005	<b>833 483</b>	783 824
Minority interests			<b>4 106</b>	10 325
<b>Equity after minority interests 31.12.</b>			<b>837 589</b>	794 149

## Own shares

At 31.12.04 the company held 65,823 of its own shares at an average price per share of NOK 22.44. The shares have been used in part to honour option programme commitments, cp also note 13.

The number of own shares is derived as follows:

At hand 01.01.	125 823
Used to honour option commitments	-60 000
<b>At hand 31.12.</b>	<b>65 823</b>

## NOTE 2 INTANGIBLE ASSETS

(All figures in NOK 1,000)

### LERØY SEAFOOD GROUP CONSOLIDATED

	Goodwill	Konsesjoner	Sum
Acquisition value at 01.01.	85 368	195 000	<b>280 368</b>
Acquisition of subsidiaries	524		<b>524</b>
Intangible assets acquired	4 639	10 000	<b>14 639</b>
Conversion differences	-132		-132
Acquisition value at 31.12.	90 399	205 000	295 399
Accumulated amortization	-17 512		<b>-17 512</b>
<b>Book value at 31.12.</b>	<b>72 887</b>	<b>205 000</b>	<b>277 887</b>
Year's amortization	9 350		<b>9 350</b>

Goodwill is linked to the last stage of the acquisition of the subsidiary Hallvard Lerøy AS in 1997, the acquisition of Timar Seafood AS i 2000, Lerøy Sverige AB i 2001, Sigerfjord Aqua AS, stage 1 of the acquisition of Lerøy Smøgen Seafood AB in 2002, stage 2 in 2003 and the acquisition of Lerøy Midnor AS in 2003. Acquisition of goodwill in 2004 is linked to the acquisition of 60% of Portnor Lda and purchase of the remainder of Lerøy Sverige AB (20%). Goodwill is amortized over anticipated life as rendered probable through acquisition analysis, but limited upwards to 10 years. The value of licenses is tied to the acquisition of Lerøy Midnor AS in 2003 and later acquisition of licenses acquired by Lerøy Midnor AS in 2004.

# Notes

## NOTE 3 TANGIBLE FIXED ASSETS

(All figures in NOK 1,000)

### LERØY SEAFOOD GROUP ASA

Tangible fixed assets	Real estate	Buildings	Total fixed assets
Acquisition value at 01.01.	2 090	34 439	<b>36 529</b>
Tangible fixed assets acquired		131	131
Tangible fixed assets sold		791	791
Acquisition value at 31.12.	2 090	33 779	<b>35 869</b>
Accumulated depreciation at 31.12.		18 298	<b>18 298</b>
<b>Book value at 31.12.</b>	<b>2 090</b>	<b>15 481</b>	<b>17 571</b>
Year's depreciation		836	<b>836</b>

### LERØY SEAFOOD GROUP CONSOLIDATED

Tangible fixed assets	Real estate	Buildings	Machinery, prod. equipment	Fittings, furnishing, computers	Transport equipment	Total fixed assets
Acquisition value at 01.01.	7 437	113 105	129 890	63 118	3 617	<b>317 166</b>
Acquired subsidiaries			2 573			<b>2 573</b>
Operating equipment acquired		2 524	42 571	5 199		<b>50 293</b>
Operating equipment sold		9 676	1 271	2 968		<b>13 915</b>
Conversion differences 1)	-30	-142	-40	-99		<b>-311</b>
Acquisition value at 31.12.	7 407	105 811	173 723	65 250	3 617	<b>355 806</b>
Accumulated depreciation at 31.12.		34 885	63 257	48 236	2 371	<b>148 749</b>
Accumulated amortization at 31.12.		2 675				<b>2 675</b>
Accumulated write-downs at 31.12.		10 090	30	1 124		<b>11 244</b>
<b>Book value at 31.12.</b>	<b>7 407</b>	<b>58 161</b>	<b>110 436</b>	<b>15 890</b>	<b>1 246</b>	<b>193 139</b>
Year's depreciation		6 785	27 424	4 905	484	<b>39 598</b>
Year's amortization, intangible assets (cp. Note 2)						<b>9 350</b>
<b>Total year's depreciation and amortization</b>						<b>48 948</b>

Both the parent company and the Group depreciate all tangible assets according to the linear method.

The economic life of the assets is calculated as follows:

- Buildings and other real estate 20 - 25 år
- Machinery and fittings 2,5 -15 år
- Real estate Not depreciated

1) Effect of changes in rates of exchange between NOK, SEK and Euro.

# Notes

## NOTE 4 SUBSIDIARIES, AFFILIATES, ETC.

(All figures in NOK 1,000)

### LERØY SEAFOOD GROUP CONSOLIDATED

Subsidiary	Place of business	Ownership/ voting share	Acquisition price/ book value	Consolidated value subsidiary	Consolidated result for 2004
Lerøy Midnor AS *)	Hitra, Norway	100 %	261 645	271 456	<b>15 364</b>
Hallvard Lerøy AS	Bergen, Norway	100 %	36 657	110 534	<b>67 081</b>
Lerøy Smøgen Seafood AB	Smøgen, Sweden	100 %	36 016	58 984	<b>16 246</b>
Lerøy Sverige AB **)	Göteborg, Sweden	100 %	30 857	36 032	<b>4 443</b>
TiMar Seafood AS	Trondheim, Norway	100 %	21 214	21 577	<b>-162</b>
Portnor Lda ***)	Lisboa, Portugal	60 %	4 600	4 951	<b>435</b>
Sigerfjord Aqua AS	Sigerfjord, Norway	90,55 %	9 753	7 536	<b>-44</b>
Nordvik SA	Boulogne, France	80 %	2 523	6 298	<b>1 578</b>
Breivoll Marine AS	Hamnvik, Norway	52 %	200	1 645	<b>1 311</b>
Lerøy & Strudshavn AS	Bergen, Norway	100 %	233	-541	<b>-17</b>
<b>Total Lerøy Seafood Group ASA</b>			<b>403 698</b>	<b>518 472</b>	<b>106 235</b>
SAS Hallvard Lerøy	Boulogne, France	70 %	109	109	<b>26</b>
Lerøy Quality Group AS	Bergen, Norway	55 %	557	7 582	<b>1 497</b>
<b>Total Lerøy Seafood Group Consolidated</b>			<b>404 364</b>	<b>526 163</b>	<b>107 758</b>
Result Lerøy Seafood Group ASA (before Group contribution)					<b>-641</b>
Result from affiliates (see below)					<b>10 429</b>
<b>Consolidated profit</b>					<b>117 545</b>
Residual value to depreciation at 31.12. (ref. note 2)					

\*) Consolidated as subsidiary from 31.12.2003, consolidated in the income statement from 01.01.2004

\*\*\*) Acquired remaining 20% 01.07.2004

\*\*\*) Consolidated as a subsidiary from 31.8.2004, consolidated in the income statement from 01.09.2004

**(Continued on next page)**

# Notes

**Affiliates are valued according to the equity method in the consolidated accounts.**

Calculation of changes in book value	Hydrotech-Gruppen AS	Egersund Fisk AS	Norskott Havbruk AS	Others	Total value
Place of business	Kristiansund	Egersund	Bergen		
Ownership / voting share	39 %	27 %	50 %		
Balance sheet equity at acquisition/establishment	49 366	20 000	163 273	823	
Intangible assets 1)	51 153				
Acquisition value	100 519	20 000	163 273	823	<b>284 615</b>
<b>Calculation of share in year's profit</b>					
Share in year's profit	2 525	2 220	9 500	-534	
Share in earlier period's profit		212			
Amortization of intangible assets	3 494				
Share in year's profit	-969	2 432	9 500	-534	<b>10 429</b>
<b>Calculation of book value at 31.12.</b>					
Opening balance at 01.01.	91 099	22 624	155 112		
Acquisitions				823	
Share in year's profit	-969	2 432	9 500	-534	
<b>Closing balance at 31.12.</b>	<b>90 130</b>	<b>25 056</b>	<b>164 612</b>	<b>292</b>	<b>280 090</b>

1) Residual value for amortization at 31.12. 20 070 20 070

Intangible assets consisting of licenses and goodwill, where goodwill is amortized according to the linear method at a rate of 10% pa.

Other shares	Place of business	Number of shares	Ownership/ Voting shares	Acquisition price	Book value
Breivoll Marine Produkter AS	Hamnvik	245	37,14 %	245	245
Misc. minor shareholdings				260	260
<b>Total shares in Lerøy Seafood Group</b>				<b>505</b>	<b>505</b>
Bulandet Eiendom AS	Bulandet	625	12,67 %	625	625
Misc. minor shareholdings				1 238	1 102
<b>Total shares in Lerøy Seafood Group Consolidated</b>				<b>2 368</b>	<b>2 232</b>

# Notes

## NOTE 5 FORWARD EXCHANGE CONTRACTS

(All figures in NOK 1,000)

### LERØY SEAFOOD GROUP CONSOLIDATED

The following table shows the company's forward exchange contracts at 31.12.04. All contracts concern the sale of currency against Norwegian kroner.

	Forward value in currency	Forward exchange rate	Forward amount in NOK
USD	10 000	6,195	61 954
EURO	18 800	8,209	154 321
JPY	970 000	0,060	58 017
DKR	5 000	1,107	5 533
SEK	9 000	0,916	8 243
<b>TOTAL</b>			<b>288 068</b>

Forward contracts, together with drawing rights/deposits in multi-currency accounts, have been arranged in order to, as far as possible, hedge risk on outstanding customer receivables, existing sales contracts and contracts under negotiation.





# Notes

## NOTE 6 LIABILITIES, MORTGAGES AND GUARANTEES

[All figures in NOK 1,000]

	LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP CONSOLIDATED	
	2004	2003	2004	2003
<b>Long-term, interest-bearing loans</b>				
Loans from credit institutions 1a, 1b)	133 981	154 687	350 127	389 792
Loans linked to capitalized leases, etc.			24 520	22 403
<b>Total long-term, interest-bearing loans at 31.12</b>	<b>133 981</b>	<b>154 687</b>	<b>374 647</b>	<b>412 195</b>
<b>Short-term, interest-bearing loans</b>				
Loans from credit institutions (multi-currency credits)			162 547	242 898
<b>Total short-term, interest-bearing loans at 31.12.</b>	<b>-</b>	<b>-</b>	<b>162 547</b>	<b>242 898</b>
<b>Total interest-bearing loans at 31.12.</b>	<b>133 981</b>	<b>154 687</b>	<b>537 194</b>	<b>655 093</b>
Bank deposits	167 420	255 455	260 236	292 749
<b>Net interest-bearing loans at 31.12</b>	<b>-33 439</b>	<b>-100 768</b>	<b>276 958</b>	<b>362 344</b>
<b>Loans secured by mortgages</b>				
Long-term loans from credit institutions 1a, 1b)	133 981	154 687	374 647	412 195
Short-term loans from credit institutions (multi-currency credits)			162 547	242 898
<b>Total loans secured by mortgages at 31.12.</b>	<b>133 981</b>	<b>154 687</b>	<b>537 194</b>	<b>655 093</b>
<b>Mortgaged assets</b>				
Accounts receivable			390 859	381 183
Inventories			296 929	264 478
Shares in affiliates	163 273	163 273	171 054	155 112
Buildings and operating equipment			131 656	137 653
<b>Total</b>	<b>163 273</b>	<b>163 273</b>	<b>990 498</b>	<b>938 426</b>
<b>Long-term loans due for payment after more than five years</b>				
Loans from credit institutions 1a, 1b)	30 857	51 563	167 076	203 692
<b>Total</b>	<b>30 857</b>	<b>51 563</b>	<b>167 076</b>	<b>203 692</b>
<b>Guarantees made on behalf of the Group 2a, 2b, 2c</b>	<b>98 705</b>	<b>109 450</b>	<b>103 468</b>	<b>111 450</b>

(Continued on next page)

# Notes

## Repayment schedule for loans

1a) Lerøy Seafood Group ASA:

The first repayment was made in August 2003; thereafter the loan is to be repaid over 8 years in equal half-yearly instalments. Interest conditions for the loan are currently so-called "pro-tem" conditions (133.9 mill.)

1b) Lerøy Midnor AS:

The first repayment was made in June 2004; thereafter the loan is to be repaid over 15 years in equal half-yearly instalments. Interest on the loan is currently charged at NIBOR plus margin (204.8 mill.).

## Guarantees

2a) In connection with the funding of Scottish Sea Farms Ltd, subsidiary of the affiliate Norskott Havbruk AS, Lerøy Seafood Group ASA has submitted a guarantee to the lenders in the amount of GBP 5,0 mill.

2b) Similarly, Lerøy Seafood Group ASA has submitted a guarantee to lenders to Lerøy Midnor AS of NOK 50 million.

2c) In connection with Lerøy Midnor AS' acquisition of two licences in the fall of 2004, Lerøy Seafood Group submitted a guarantee which was adjusted down to NOK 8 million at 31.12.04.

Moreover, guarantees have been submitted within the Group for a total of NOK 1 million to various fish marketing boards in Norway. The guarantees have been given on behalf of the subsidiary Hallvard Lerøy AS. The subsidiary Lerøy Sverige AB has given guarantees for a total of NOK 1 million and the subsidiary Lerøy Seafood Smøgen AB has guaranteed for a total of NOK 1.4 million.

## Financial covenants

Financial covenants for long-term funding in Lerøy Seafood Group ASA (the parent company) comprise both a capital adequacy requirement that the Group's booked equity capital share is to be more than 25 % and a profitability requirement entailing that the company's interest-bearing liabilities shall on average not exceed five in relation to EBITDA.

Financial covenants linked to short-term drawing rights in Hallvard Lerøy AS provide facilities for up to 65 % of the so-called borrowing base (accounts receivable, inventories, etc). The borrowing base for the subsidiary Hallvard Lerøy AS linked to this type of credit amounted to about NOK 400 million at the turn of the year; established absolute drawing rights amount to NOK 90 million.

Financial covenants linked to short-term drawing rights in Lerøy Midnor AS provide facilities for up to 70 % of the so-called borrowing base (accounts receivable, inventories, etc). The borrowing base for the subsidiary Lerøy Midnor AS linked to this type of credit amounted to about NOK 300 million at the turn of the year; established absolute drawing rights amounted to NOK 200 million.

## NOTE 7 INVENTORIES

(Alle figures in NOK 1,000)

LERØY SEAFOOD GROUP CONSOLIDATED	2004	2003
Lerøy Midnor AS	253 133	228 750
Hallvard Lerøy AS	33 959	17 621
Lerøy Smøgen Seafood AB	14 391	11 474
Lerøy Sverige AB	11 101	7 913
Sigerfjord Aqua AS	9 838	8 607
Nordvik SA	99	458
Others	80	
<b>Total consolidated value of inventories</b>	<b>322 601</b>	<b>274 823</b>

Inventories in Lerøy Midnor AS and Sigerfjord Aqua AS consist for the most part of biomass in the sea. Remaining inventories are goods for export. Inventories at 31.12.04 are written down for obsolescence.

# Notes

## NOTE 8 GROUP INTERCOMPANY ACCOUNTS AND OTHER RECEIVABLES

(All figures in NOK 1,000)

### LERØY SEAFOOD GROUP ASA

Accounts receivable	2004	2003
Hallvard Lerøy AS	91 537	76 827
<b>Total</b>	<b>91 537</b>	<b>76 827</b>

#### Of which, group contributions received:

Hallvard Lerøy AS	73 500	61 500
-------------------	--------	--------

#### Liabilities

Hallvard Lerøy AS	14 812	25 712
Lerøy Midnor AS	70 000	75 000
Sigerfjord Aqua AS	2 350	2 300
<b>Total</b>	<b>87 162</b>	<b>103 012</b>

#### Of which, group contributions made:

Lerøy Midnor AS	70 000	75 000
Sigerfjord Aqua AS	2 350	2 300
<b>Total</b>	<b>72 350</b>	<b>77 300</b>

	LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP KONSERN	
Receivables due in less than one year	2004	2003	2004	2003
Other short-term receivables	<b>5 137</b>	1 179	<b>6 123</b>	1 989
<b>Total</b>	<b>5 137</b>	1 179	<b>6 123</b>	1 989

Other receivables (NOK 63 mill. ) in the Group balance sheet consist mainly of VAT receivables in Norway.

The Group customer accounts receivable (NOK 418.5 mill) are for the most part secured by credit insurance or other forms of guarantees.



# Notes

## NOTE 9 SHARE CAPITAL AND SHAREHOLDER INFORMATION

### LERØY SEAFOOD GROUP ASA

The share capital consists of:	No.	Face value	Book value
Shares	34 440 767	1,00	34 440 767
<b>Total</b>	<b>34 440 767</b>		<b>34 440 767</b>

At 31.12.04, Lerøy Seafood Group ASA has 3.115 shareholders. All shares carry the same rights in the company. Number of shares has increased by 3.444.000 by share issue at 31.01.2005. Total number of shares is after this 37.884.767.

### Shareholders holding more than 1% of the shares at 31.12.04:

	No. Of shares	Ownership share
Ole-Eirik Lerøy *	4 685 000	13,60 %
Ferd AS Invest	3 281 307	9,53 %
Skagen Vekst	1 825 200	5,30 %
MP Pensjon	1 615 984	4,69 %
Knut Halvard Lerøy	1 253 210	3,64 %
Hallvard Lerøy Jr **	1 190 900	3,46 %
Verdipapirfond Pareto Aksje Norge	909 800	2,64 %
DnB Nor Bank ASA	884 200	2,57 %
Vital Forsikring ASA	743 173	2,16 %
Lime AS *	610 573	1,77 %
DnB Nor Norge	503 800	1,46 %
Alsaker Fjordbruk AS/Sunnhordland Fjordbruk AS	483 240	1,40 %
George Harald Lerøy	470 000	1,36 %
SalMar AS	446 826	1,30 %
Sparebanken Rogaland	416 830	1,21 %
KOS Bergen AS **	406 640	1,18 %
Inma AS *	400 000	1,16 %
Firstnordic Norge Vekst	385 400	1,12 %
Verdipapirfond Pareto Aktiv	364 400	1,06 %
Others	13 563 223	39,38 %
	<b>34 440 767</b>	<b>100 %</b>

\* Through direct and indirect ownership, Group managing Director and Chief Executive Officer Ole-Eirik Lerøy controls a total of 5,695,573 shares.

\*\* Through direct and indirect ownership, Board Member Hallvard Lerøy jr. controls 1,606,470 shares.

The Chairman of the Board, Svein Milford, controls 5,700 shares.

Board Members Alfons Brusselmans and Hans Petter Vestre own 5,400 and 6,120 shares respectively.

# Notes

## NOTE 10 PENSIONS

[All figures in NOK 1,000]

The subsidiary Hallvard Lerøy AS has a group retirement pension scheme for its employees. In addition, Hallvard Lerøy AS has an uninsured scheme for two of its former employees. This scheme is charged directly to operations. The group scheme entitles beneficiaries to defined future benefits. These depend mainly on the number of contributing years, salary level on retirement and the benefits payable by the national insurance scheme. The commitments are secured through an insurance company. Lerøy Midnor AS has a contractual early retirement pension scheme (AFP) for its employees. The liability linked to this scheme is included in the group's pension calculations. Sigerfjord Aqua AS has an AFP scheme for three of its employees. The scheme is not capitalized. The subsidiaries Lerøy Sverige AB and Lerøy Smøgen Seafood AB have a contribution-based pension scheme for their employees. Below calculations apply to the subsidiaries Hallvard Lerøy AS and Lerøy Midnor AS.

	2004	2003	2002
Present value of year's pension earnings	785	621	388
Interest expense on pension liability	488	377	247
Yield on pension funds	-442	-398	-362
Deviation from estimate booked to income	312	169	75
Employment tax contribution	12	-4	-24
<b>Net pension expense</b>	<b>1 155</b>	<b>766</b>	<b>324</b>

	2004	2003	2002
Present value of future pension liabilities	9 982	7 166	4 708
Pension assets	-7 685	-6 527	-5 750
Effect of deviation from estimate not booked to income	-1 887	-154	282
Employment tax contribution	119	117	38
<b>Net pension liabilities (assets)</b>	<b>529</b>	<b>601</b>	<b>-722</b>

The balance sheet presents gross pensions, as net pension liabilities for one group company can not be set off against net pension assets for another group company.

	2004	2003	2002
Pension assets	-1 932	-1 592	-1 032
Pension liabilities	2 461	2 193	310
	<b>529</b>	<b>601</b>	<b>-722</b>

Actuarial assumptions are based on those generally employed in insurance with regard to demographic factors and mortality rates.

### Financial assumptions

Anticipated yield on pension schemes	6,5 %	7 %	7 %
Discount rate	5,5 %	6 %	6 %
Anticipated annual rate of increase in wages, pensions and national insurance base rates	2-3%	2-3%	2 %
Turnover	0 - 20%	0 - 20%	0 %
Utilization percentage AFP	0 - 30%	0 - 30%	

# Notes

## NOTE 11 TAXATION

(All figures in NOK 1,000)

The year's taxation is calculated as follows:	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
	2004	2003	2002	2004	2003	2002
Tax payable	20 267	18 017	151	4 612	2 197	7 785
Credits on dividends		-29	-15		-65	-20
Deferred tax assets from acquisitions					11 792	300
Insufficient/surplus allocation to taxation	-24	-7	-18	-91	99	-20
Tax overseas companies, incl. conversion difference				2 068	1 358	-1 029
Change in deferred tax	3 053	-3 090	-98	29 614	5 196	3 647
<b>Total taxation</b>	<b>23 297</b>	<b>14 890</b>	<b>20</b>	<b>36 203</b>	<b>20 577</b>	<b>10 663</b>

Calculation of the base for the year's taxation	LERØY SEAFOOD GROUP ASA		
	2004	2003	2002
Pre-tax profits	72 859	56 933	17 785
Interest on tax		40	32
Cost of share issue, booked to equity		-2 622	-16 553
Dividend	-571		
Permanent differences	11 000		
Tax loss/profit on sale of shares		-1 043	-1 077
Change in temporary differences	-10 905	11 037	352
<b>Basis for this year's taxation</b>	<b>72 383</b>	<b>64 346</b>	<b>539</b>

Temporary differences	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
	2004	2003	2002	2004	2003	2002
Accounts receivable				-6 830	-2 234	-3 880
Inventories				232 463	214 059	7 189
Buildings and operating equipment	-2 299	-2 204	-2 167	-14 898	-7 471	-1 152
Other differences				29 943	19 574	15 712
Tax loss carry forward *)				-114 692	-190 964	-13 234
Shares	-	-11 000			-12 269	-1 766
Pension				1 932	1 457	722
<b>Total</b>	<b>-2 299</b>	<b>-13 204</b>	<b>-2 167</b>	<b>127 917</b>	<b>22 152</b>	<b>3 591</b>
28 % deferred tax ( - tax advantage )	-644	-3 697	-607	35 817	6 203	1 006
Deferred balance sheet tax asset					-251	-3 393
Deferred balance sheet tax liability				35 817	6 454	4 399
<b>Total</b>				<b>35 817</b>	<b>6 203</b>	<b>1 006</b>

\*) Tax loss carry forward is for the most part a result of the tax treatment of live fish in the sea.

(Continued on next page)

# Notes

Explanation of why the year's tax costs do not amount to 28% of the profit before tax:

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
	2004	2003	2002	2004	2003	2002
28 % of profit before tax	20 401	15 941	4 980	32 913	15 305	11 250
Permanent differences (28%)	3 080	11	9	3 619	226	249
Cost of share issue booked to equity (28%)		-734	-4 635		-734	-4 635
Share of profit of affiliated company (28%)				-2 920	5 743	3 571
Deferred tax advantage at takeover					-	300
Credits on dividends received	-160	-29	-15	-193	-65	-20
Loss/gain on sale of shares (28%)		-292	-302	-18	-318	-302
Insufficient/surplus allocation to tax	-24	-7	-18	-91	99	-20
Conversion differences				2 893	322	269
<b>Estimated taxation</b>	<b>23 297</b>	<b>14 890</b>	<b>20</b>	<b>36 203</b>	<b>20 577</b>	<b>10 663</b>
Effective rate of taxation	31,97 %	26,15 %	0,00 %	30,80 %	37,65 %	26,54 %

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
	2004	2003	2002	2004	2003	2002
Tax payable on year's profit before tax	20 267	17 988	136	4 612	2 132	7 765
Tax payable on group contribution made	-20 258	-17 864				
<b>Tax payable, booked in balance sheet</b>	<b>9</b>	<b>124</b>	<b>136</b>	<b>4 612</b>	<b>2 132</b>	<b>7 765</b>



# Notes

## NOTE 12 OPERATING REVENUES

(All figures in NOK 1,000)

### LERØY SEAFOOD GROUP CONSOLIDATED

Products	2004	%	2003	%	2002	%
Whole salmon	1 613 097	45 %	1 274 887	44 %	985 140	39 %
Processed salmon	864 625	24 %	681 356	23 %	533 163	21 %
Whitefish	374 075	11 %	385 925	13 %	381 500	15 %
Salmontrout	238 931	7 %	168 534	6 %	184 437	7 %
Shellfish	199 881	6 %	164 084	6 %	105 786	4 %
Pelagic	160 972	5 %	135 177	5 %	279 270	11 %
Others	107 818	3 %	104 910	4 %	86 309	3 %
<b>Total</b>	<b>3 559 399</b>	<b>100 %</b>	<b>2 914 873</b>	<b>100 %</b>	<b>2 555 605</b>	<b>100 %</b>

Geographic distribution	2004	%	2003	%	2002	%
Western Europe	2 060 936	58 %	1 741 344	60 %	1 409 150	55 %
Asia	544 618	15 %	469 305	16 %	475 479	19 %
Norway	327 533	9 %	208 722	7 %	216 970	8 %
USA & Canada	287 002	8 %	271 835	9 %	183 633	7 %
Eastern Europe	257 221	7 %	191 448	7 %	249 915	10 %
Others	82 089	2 %	32 219	1 %	20 459	1 %
<b>Total</b>	<b>3 559 399</b>	<b>100 %</b>	<b>2 914 873</b>	<b>100 %</b>	<b>2 555 606</b>	<b>100 %</b>

## NOTE 13 PAYROLL EXPENSES, NO. OF EMPLOYEES, REMUNERATION, AUTHORIZATIONS, LOANS TO STAFF, ETC.

(All figures in NOK 1,000)

### LERØY SEAFOOD GROUP CONSOLIDATED

Payroll expenses	2004	2003	2002
Wages and salaries	163 167	91 505	78 522
Employment tax	28 143	20 152	10 448
Pension expenses	3 996	2 878	2 589
Other expenses	5 949	1 936	420
<b>Total</b>	<b>201 255</b>	<b>116 471</b>	<b>91 979</b>

At the end of the financial year, the Group had 576 employees compared to 331 in 2003. Lerøy Midnor AS was consolidated as a subsidiary at 31.12.03, and had 203 employees at that time.

Remuneration to executives	Group Managing Director	Chairman of the Board	Board of directors
Salaries	1 166	99	265
Other payments	154	162	0



# Notes

## **Authorisations granted to the Board of Directors**

Authorisations are granted to the Board of Directors in accordance with the Act relating to Public Limited Companies (Norway), cp. in particular Chapters 9 and 10 of the Act.

The first time the Board was authorised to acquire the company's own shares was at the Shareholders' Meeting on 12 May 2000. This authority was subsequently renewed at the Shareholders' Meeting on 25 May 2004 and is to remain valid for 18 months from the date on which the resolution was adopted. The authority has been exercised. At 31 December 2004, the company owned 65,823 shares.

The Board is authorised to increase the share capital by up to NOK 1,200,000.- by issuing up to 1,200,000 shares, each with a face value of NOK 1.00 through one or more private placements with employees of Lerøy Seafood Group ASA and its subsidiaries. The Board's authority must be seen in conjunction with the option programme established by the company, see below. This type of authority was first established by the Extraordinary Shareholders' Meeting of 10 December 1997 and subsequently renewed, most recently by the Shareholders' Meeting of 25 May 2004. The authority is valid for two years from the date on which the resolution was adopted. It has not been exercised.

The Board was authorised to increase the share capital by up to NOK 5,000,000.- by issuing up to 5,000,000 shares in Lerøy Seafood Group ASA, each with a face value of NOK 1.-, through one or more private placements with the company's shareholders and/or external investors. This type of authority was first established

by the Shareholders' Meeting of 4 May 1999 and subsequently renewed by the Shareholders' Meeting of 25 May 2004. The board did not exercise this authority in 2004, but it was used for the issue of 3,440,000 shares at NOK 38.- each in a cash issue implemented on 31.01.05. It will be recommended that a new authority be granted by the Shareholders' Meeting on 25.05.05.

## **Options**

Since the spring of 1999, the Board has issued a total of 792,000 options entitling the holder to subscribe to one new share per option, cp. the Board's authority described above. In its meeting on 23.02.05 the Board decided to establish a new options programme for up to 600,000 options at a price of NOK 40.- per option. No final agreements in this options programme are as yet executed.

Of the 792,000 options, 452,000 options were issued in July 1999. The options could be exercised in stages, the first time for 30 % of the options after the Shareholders' Meetings in 2000 and then for 40 % and 30 % after the Shareholders' Meeting in 2001 and 2002. The exercise price is NOK 12.- per option. At 31.12.04, a total of 289,000 options had been exercised and the number of these options remaining outstanding is 163,000. Exercised options have up to now been honoured exclusively by shares purchased by the company in the market, cp. the Board's authority to acquire the company's own shares. The difference between market price and option price at the time the options were exercised amounted in all to NOK 1.6 million. This amount has been booked direct to the company's equity.

Moreover, the Board allocated 320,000 options in the spring of 2001 and the

spring of 2002. These options may be exercised in stages with one third at each stage, the first time after the Shareholders' Meeting in 2002. The exercise price is NOK 27.50 per share. At 31.12.04 a total of 60,000 of these options had been exercised, leaving 260,000 options of this type still outstanding. The difference between market price and option price at the time the options were exercised amounted to NOK 0.35 million in 2004. This amount has been booked direct to the company's equity.

Moreover, the Board allocated 20,000 options with an exercise price of NOK 32.00 per share. The right to exercise these options follows the same model as that in the programme described above.

Common to all option agreements is that if the option holder leaves the company, any options not exercised will lapse. Moreover, the exercise price for the various option programmes reflects the market price (or higher) at the time the options are allocated.

Allocations have been made in the accounts to cover future employer's national insurance contributions linked to the option programmes.

## **Loans to staff**

At 31.12.04, loans to staff amounted in all to NOK 0.4 million. These loans are to be repaid over at most 5 years. The rate of interest is the ruling normative interest as laid down by the authorities at any time. No loan/guarantee has been granted to the Group Managing Director or other members of the Group's management, the Chairman of the Board or other closely related parties. No individual loans/guarantees have been granted for more than 5% of the company's equity.

**(Continued on next page)**

# Notes

## Auditor

In 2004, invoiced fees for the Group's auditor PricewaterhouseCoopers DA, the law firm PwC DA and other auditors have been as follows:

	LERØY SEAFOOD GROUP ASA	LERØY SEAFOOD GROUP CONSOLIDATED
	2004	2004
Group auditor	238	896
Other auditors		224
Tax advisory services, group auditor	60	90
Other certification services, group auditor		11
Other services, group auditor	371	744
Other services, other auditors		389
<b>Total</b>	<b>669</b>	<b>2 354</b>

## NOTE 14 FINANCIAL ITEMS COMBINED IN THE ACCOUNTS

(All figures in NOK 1,000)

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
Financial revenues	2004	2003	2002	2004	2003	2002
Interest revenues from Group companies	1 200	1 190	1 200			
Other interest revenues	3 617	14 511	14 592	5 334	16 277	17 797
Profit on sale of shares		86		234	86	
Dividends	571	104	52	25	169	
<b>Total financial revenues</b>	<b>5 388</b>	<b>15 891</b>	<b>15 844</b>	<b>5 593</b>	<b>16 532</b>	<b>17 797</b>

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
Financial expenses	2004	2003	2002	2004	2003	2002
Interest expenses from Group companies						
Other interest expenses	4 895	8 973	12 969	20 062	13 356	18 851
Loss on shares 1)		11 272			11 330	
Other financial expenses	298	129	138	1 489	1 042	1 055
<b>Total financial expenses</b>	<b>5 193</b>	<b>20 374</b>	<b>13 107</b>	<b>21 551</b>	<b>25 728</b>	<b>19 906</b>
<b>Net financial items</b>	<b>196</b>	<b>-4 483</b>	<b>2 737</b>	<b>-15 958</b>	<b>-9 196</b>	<b>-2 108</b>

1) Written down value of Hjaltland Seafarms AS (NOK 11.0 million) and loss related to the bankruptcy of Åfjord Skjell AS (NOK 0,3 million)



**PricewaterhouseCoopers AS**  
Postboks 3984 - Dreggen  
5835 Bergen  
Telephone +47 02316  
Telefax +47 23 16 10 00

To the Annual Shareholders' Meeting of Lerøy Seafood Group ASA

## Auditor's report for 2004

We have audited the annual financial statements of Lerøy Seafood Group ASA as of December 31, 2004, showing a profit of NOK 49 562 142 for the parent company and a profit of NOK 81 342 000 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 group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 2004, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information given in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Bergen, March 31, 2005

**PricewaterhouseCoopers AS**

Per Henrik Gillesvik

State Authorised Public Accountant (Norway)

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

Offices: Oslo Arendal Bergen Drammen Fredrikstad Førde Hamar Kristiansand Mo i Rana Molde Måløy Stavanger Tromsø Trondheim Tønsberg Ålesund  
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# Implementation of IFRS

All publicly listed companies in Norway and the rest of Europe are required to report in accordance with international financial reporting standards (IFRS) from 2005. IFRS shall be implemented in the consolidated Group accounts, which means that all subsidiaries and associates will be consolidated using the new reporting standard. The 01.01.04 opening balance will be established, and the effect of the implementation will be charged against owners' equity. The most important Lerøy Seafood Group (LSG) balance sheet items affected by the changes are:

## Deferred tax on licenses

Contrary to earlier accounting principles, we are required to estimate deferred tax on the difference between tax and book value of licenses. Deferred tax must be computed using the nominal tax rate.

## Deferred tax/tax advantage on shares in associated companies

In the same way as with licenses, we are required to estimate deferred tax on the difference between book and tax value of shares in associated companies in the Group. The difference must be computed using the nominal tax rate.

## Inventories

The main principle of IFRS (IAS 41) is that all fish in the sea should be valued at market value. This means that the fish shall be valued as if it had been slaughtered, but with the costs related to the production process subtracted. Market value at the balance sheet reporting date should be used when valuing fish in the sea. Inventories will therefore be very sensitive to random fluctuations in prices. Compared to earlier reporting practices, this main principle means an immediate recording of any gains in the value of fish in the sea.

The seafood industry has been seeking clarification of the reporting principles related to the valuation of fish in the sea. The preliminary conclusion is to value fish ready to be slaughtered at market value, which means fish over 4 kg (round weight). Fish in the sea below 4 kg (round weight) will be valued at the lowest of historic cost and fair value. The main argument for this "cut-off" limit is that below this weight it is difficult to make a reliable fair value measurement, which is one of the requirements according to IAS 41.

## Dividends

Allocation for dividends payable for 2003 will not be recognized as a payable according to IFRS. This is because the dividend was not formally approved before the ordinary general shareholders meeting in 2004.

## Equity based remuneration (options)

IFRS requires that option awards be booked at market value. At 31.12.03 LSG had a total of 503 000 options outstanding.

Previously, only accruals for future employment tax related to outstanding options have been booked.

## Effect of the implementation on the opening balance at 01.01.2004 and 31.12.2004

Estimated effect of implementation on the opening balance 1.1.2004 is a reduction of the Group's owners' equity of approximately MNOK 44. This estimated effect is based on present IFRS standards and a preliminary interpretation of these standards. For the time being there exists some uncertainty about how these standards will be put into practice, and the figures below may thus be altered.

Figures in MNOK	1.1.04	31.12.04	Change
Deferred tax on licenses	-37,1	-37,1	0,0
Goodwill amortization	0,0	9,4	9,4
Inventory of fish in the sea	9,3	9,5	0,2
Dividends	20,9	34,0	13,1
Equity based remuneration (options)	-6,3	-6,5	-0,2
Pension liabilities	-2,2	-1,9	0,3
Shares in associated companies	-47,6	-38,0	9,6
Tax on IFRS corrections (excl. licences)	18,9	-0,3	-19,2
<b>Net effect on equity</b>	<b>-44,1</b>	<b>-31,1</b>	<b>13,1</b>

Profit before tax for 2004 vil according to IFRS be adjusted by MNOK +19.2, while profit for the year will be adjusted by MNOK 0. The difference against the above shown change in equity is due to change in dividends of MNOK 13.1.

At the end of 2004 a new set of tax rules was adopted in Norway ("Exemption model") which resulted in profit (loss) on disposal of shares becoming tax free (non tax deductible) for private and public limited companies. The effect of this was that one could no longer book deferred tax / deferred tax advantage on temporary differences regarding shares in associated companies. Reversal of deferred tax advantage on shares in associated companies in 2004 amounted to MNOK -19.1.

# Addresses

Main office in Bergen, Norway. Lerøy internet: [www.leroy.no](http://www.leroy.no)

## Lerøy Seafood Group ASA

Bontelabo 2  
Postboks 7600  
N-5020 Bergen, Norway  
Phone: + 47 55 21 36 50  
Fax: + 47 55 31 00 76  
E-mail: [hallvard@leroy.no](mailto:hallvard@leroy.no)

## Hallvard Lerøy AS

Bontelabo 2  
Postboks 7600  
N-5020 Bergen, Norway  
Phone: + 47 55 21 36 50  
Fax: + 47 55 32 80 62  
E-mail: [hallvard@leroy.no](mailto:hallvard@leroy.no)

## Hallvard Lerøy China

Legend Garden Villas 2-31  
No. 89 Beijing Capital Airport Road  
Shun Yi District  
Beijing, China  
Phone: + 86 106 252 7585  
Fax: + 86 106 252 2285  
Mobile: + 86 1390 122 2362  
E-mail: [luluschjerven@sohu.com](mailto:luluschjerven@sohu.com)

## Hallvard Lerøy Italy

Via Marlunghe 12,  
35032 Padova, Italia  
Phone: + 39 04 29 77 79 20  
Fax: + 39 04 29 77 61 82  
E-mail: [csa@leroy.it](mailto:csa@leroy.it)

## Hallvard Lerøy Japan

3-23-3 Kouyama, Nerima-ku  
176-0022 Tokyo, Japan  
Phone: + 81 (0) 359 713 015  
Fax: + 81 (0) 359 713 016  
Mobile: + 81 904 435 0533  
E-mail: [h.leroy@jcom.home.ne.jp](mailto:h.leroy@jcom.home.ne.jp)

## Hallvard Lerøy USA Inc.

274 Summer Street  
Boston, MA 02210, USA  
Phone: + 1 617 574 8190  
Fax: + 1 617 574 8199  
Mobile: + 1 617 270 3400  
E-mail: [scott.drake@leroy.no](mailto:scott.drake@leroy.no)

## Lerøy Midnor AS

7247 Hestvika, Norway  
Phone: + 47 72 46 50 00  
Fax: + 47 72 46 50 01  
E-mail: [post@midnor.com](mailto:post@midnor.com)

## Sigerfjord Aqua AS

Sigerfjord  
8400 Sortland, Norway  
Phone: + 47 76 12 73 77  
Fax: + 47 76 12 74 44  
Mobile: + 47 90 62 66 69  
E-mail: [sigerfjordfisk@aktivepost.no](mailto:sigerfjordfisk@aktivepost.no)

## Lerøy Allt i Fisk AB

Fiskhamnen  
41458 Göteborg, Sweden  
Phone: + 46 31 85 75 00  
Fax: + 46 31 42 59 55  
E-mail: [info@leroy.se](mailto:info@leroy.se)

## Lerøy Fiskgrossisterna AB

Fiskhallsvägen 18  
12044 Årsta, Sweden  
Phone: + 46 88 11 400  
Fax: + 46 88 11 504  
E-mail: [info@leroy.se](mailto:info@leroy.se)

## Lerøy Smøgen Seafood AB

Postboks 44  
SE-45043 Smøgen, Sweden  
Phone: + 46 52 33 71 75  
Fax: + 46 52 33 83 43  
E-mail: [info@leroy.se](mailto:info@leroy.se)

## Scottish Sea Farms Ltd.

Laurel House  
Laurel Hill Business Park  
Sterling FK79JQ, Scotland, UK  
Phone: + 44 1786 445 521  
Fax: + 44 1786 451 563  
E-mail: [scottishseafarms@scottishseafarms.com](mailto:scottishseafarms@scottishseafarms.com)

## Nordvik SA

Rue Vanheeckoe  
F-62200 BOULOGNE-SUR-MER, France  
Phone: + 33 (0)3 21 87 46 18  
Fax: + 33 (0)3 21 30 36 36

## Hallvard Lerøy France

No. 2, Terrasse Bât 1  
Rue Huret Lagache  
F-62200 BOULOGNE-SUR-MER, France  
Phone: + 33 (0)3 21 87 59 58  
Fax: + 33 (0)3 21 87 59 65  
E-mail: [henri.lapeyrere@h-leroy.com](mailto:henri.lapeyrere@h-leroy.com)

## Breivoll Marine AS

N-9450 Hamnvik, Norway  
Phone: + 47 77 09 51 16  
Fax: + 47 77 09 56 11



# Notes

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**LERÖY**

Lerøy Seafood Group ASA  
Bontelabo 2  
P.o.Box 7600  
N-5020 Bergen