cermaq
Annual Report 2013

Content

CEO Message

2013 can be characterised as exceptionally eventful, and not least a year of transformation for Cermaq. Although now smaller, the company is still the world's third largest producer of salmonids, with a prominent global presence. Cermaq is well equipped to continue advancing toward its target of becoming the world's second largest producer of salmonids, whilst remaining at the forefront in developing preventive fish health.

Plan for upstream integration

During the New Year the company's Board of Directors and management worked on cementing the strategy for upstream integration for the feed operation EWOS in order to secure access to marine ingredients. These are important raw materials for salmonid feed, which also contain marine Omega 3, which could become a growth-restricting factor for this segment of the aquaculture industry. When Copeinca's Board of Directors, one of the principal suppliers in the world of fishmeal and oils, sought new owners it was a given to consider this opportunity. Cermaq first acquired 20 percent of the shares in the company, with the option and commitment to purchase a further 31 percent providing the General Meeting lent its support to implementing a rights issue to partially finance the purchase. However, the General Meeting did not provide the Board of Directors with the necessary support to carry out the rights issue, and consequently Cermaq's obligation to carry out the acquisition of Copeinca ceased to apply. Cermaq sold its shares in Copeinca in August, making a profit of NOK 114 million.

Bid made for Cermaq

Prior to Cermaq's General Meeting the aquaculture company Marine Harvest (MHG) had announced they would make an offer for all the shares in Cermaq if the General Meeting voted down the rights issue for the acquisition of Copeinca. Accordingly, Marine Harvest put in a voluntary bid for all the shares in Cermaq with settlement in cash and shares in MHG. Cermaq's Board of Directors recommended the shareholders to not accept this offer, as the Board was of the opinion that the offer did not reflect the underlying values in Cermaq. Also in this instance, Cermaq's shareholders did not provide Marine Harvest with the required acceptance percentage and the bid failed. In the dialogue Cermaq management had with the company's shareholders in the processes around possible transactions, it emerged that overall the shareholders wanted transactions that could both expose and free up values in Cermaq.

Sale of EWOS

In order to accommodate the shareholders' wish on value-creating transactions, the Board of Directors decided to seek a sale of the feed activity EWOS. Such a transaction would free up substantial shareholder value. During this period the Norwegian State increased its holding in Cermaq from 43.5 percent to 59.2 percent. The General Meeting was widely supportive of the Board of Director's proposal to give power of attorney to the sale of EWOS, and after a concentrated process with several interested parties Cermaq signed an agreement to this effect in July with the private equity firms Altor and Bain Capital, where EWOS' company value was estimated at NOK 6.5 billion. Implementation of the agreement enabled Cermaq to pay out an extraordinary dividend of NOK 51/share, in January 2014.

Purely an aquaculture company

Since completing the sale of the feed activity Cermaq is now a smaller company, but still the world's third largest producer of salmonids, with a global presence on three continents. As a consequence of the EWOS sale, Cermaq management initiated an organisational process to exemplify that Cermaq is undergoing transformation: from being an active owner of two larger areas of activity in feed and aquaculture, to becoming exclusively an integrated aquaculture company. One element in this change is that top executives in the operative companies have now become a part of group management. Furthermore, the aquaculture activity has changed its name from "Mainstream" to "Cermaq", further emphasising that Cermaq is now a single entity.

Given the structural processes the company has been through in 2013, it has been a demanding task for group management, also in the following up of progress in the operative companies. Despite a turbulent time for the company it can be stated unequivocally that the organisation has displayed an admirable ability to focus on the day-to-day tasks whilst maintaining a high standard of operational performance.

Solid global salmon market

It is first and foremost the dynamic development in the market for salmonids that set the tone for the 2013-results. The operating result for the aquaculture division amounted to NOK 611 million for the year, an improvement of NOK 787 million compared to 2012. Operating revenue for the aquaculture division totalled NOK 5.1 billion based on sales volume of 142 thousand tonnes.

Fish health is the foundation

Cermaq was the organiser for a comprehensive extended Capital Markets Day, held in Chile in November, attended also by a wide variety of Norwegian analysts and investors. Management stressed the importance of reducing costs in Chile through improvements in fish health, particularly for Atlantic salmon and trout. The fish health situation in Chile deteriorated significantly in the first quarter of 2013. A hefty increase in numbers of fish lice (caligus) with appropriate intensive treatment, higher rate of mortality and lower average harvest weight, resulted in a heavy increase in production costs. Cermaq is of the opinion that there is a clear correlation in the cause between the alarming increase in the number of lice, degraded fish health and increased production costs. Against this background the company therefore took the initiative early in 2013 in contacting other aquaculture companies and local authorities to collectively intensify efforts to reduce lice levels. This was done, partially through the organisation Global Salmon Initiative (GSI) and through the local industry organisation SalmonChile. It would now appear that the work initiated in April 2013 has had a positive effect. There is in particular improved coordination of lice treatments between producers in the same area, and not least the exchange of technology and procedures between Norwegian and Chilean producers under the regime of GSI.

This is just one example of the possibilities and power inherent in a coordinated effort in the global industry. GSI has 15 companies under its wings and represents 70 percent of the world's salmon production.

Growth in new markets

The market for Atlantic salmon has shown positive development in all markets during the year, and it's worth noting that growth in demand in relatively new markets in Asia, Russia and Brazil has been especially high. Prices for coho and trout, where the main market has traditionally been Japan, also reached record-high levels towards the close of the year.

Cermaq destined to grow

Cermaq's declared strategy is to seek growth, both organic and through strategic acquisitions in regions where the company operates. Growth in Chile is primarily expected to take place in the far south (Region XII), where at present Cermaq has a limited presence. In Norway new licences are limited to "green licences", which in turn are linked to the company's ability to demonstrate technology and aquaculture procedures that limit lice and escapes to a minimum. Cermaq has applied for 11 of in total 45 advertised "green licences".

Also in Canada and Chile the authorities have taken a restrictive stance toward new licences due to the issue concerning the industry's capability to ensure sustainable operation. It is thus imperative that in these regions the industry and industry's participants are welcomed by the local environment. A conscious and active attitude toward social responsibility is therefore also a prerequisite to enable further growth.

Improvement target for OHS

Cermaq has considerable potential to improve in the areas of occupational health and safety. After several years with no fatalities, in 2013 Cermaq suffered two fatal accidents in Chile where divers lost their lives. The company will therefore reduce the scope of diving operations through the increased use of underwater robots and other initiatives. In a broader perspective the company will intensify OHS efforts at all levels of the organisation, and have stipulated company objectives for significant improvements in this area.

Organisation and the future

I would like to thank my colleagues who have been involved in the structural change processes for the exceptional and strenuous work they have done throughout the year, and also my colleagues in the operation that have managed to remain firmly focused on the day-to-day tasks in an exemplary manner.

Cermaq now stands well equipped to continue its advance in becoming the world's second largest producer of salmonids, whilst remaining at the forefront in developing preventive fish health. Through sustainable growth and sound operational principles, the management will continue to contribute toward creating shareholder value in the future.

Jon Hindar

Board of directors' report

2013 was a year notable for bringing significant changes to Cermaq. The fish feed division EWOS was sold to Altor and Bain Capital, and Cermaq established itself as a dedicated farming company. The sale of EWOS provided the basis for payment of an extraordinary dividend to the company's shareholders of NOK 51 per share. In 2013 Cermaq achieved an operating result from the continued activities of NOK 495 million before fair value adjustment of biomass, adjusted for sales gains. This reflects a good year for Cermaq's farming division, where high salmon prices together with cost-reducing measures have resulted in improved revenue in all regions. The Board of Directors proposes an ordinary dividend of NOK 1.80 per share, equal to 42 percent of adjusted net result for the continued segment of Cermaq.

Operations and locations

Cermaq's operation consists of the sustainable production of salmonids (salmon and trout). In 2013 Cermaq sold the feed division EWOS to Altor and Bain Capital, subsequently making the transition into a dedicated farming company.

Cermaq is the world's third largest producer of salmon and trout, with a global market share of around six percent. The company's activities are concentrated in Chile, Canada and Norway, and the head office is located in Oslo, Norway.

Overview of 2013: A year of transformation for Cermaq

2013 was an eventful year for Cermaq, accentuated by Marine Harvest's attempt to acquire Cermaq and the Board's efforts in evaluating alternatives to maximise value creation for the shareholders. The manner in which events developed through the year resulted in an outcome that deviated from the strategy the Board had devised in the New Year.

During the first part of 2013 the Board worked on an upstream strategy for Cermaq, where the Board concluded that there was considerable potential for value creation in integrating the fish feed division EWOS with a supplier of marine raw materials. At the same time this would ensure access to crucial raw materials for EWOS. With this strategy as the basis Cermaq announced in April 2013 that the company had entered into agreements that would secure Cermaq future control of the shares in the Peruvian fishmeal and fish oil producer Copeinca. The agreements were conditional on adoption of a proposal for a share issue by Cermaq's General Meeting.

On 30th April 2013 Marine Harvest announced that the company would present an offer for acquisition of all outstanding shares in Cermaq. The offer would however only be tabled if Cermaq did not go through with the acquisition of Copeinca. Cermaq's Board considered a possible bid from Marine Harvest to be an industrially interesting proposition, and with a synergy potential that would make such a solution attractive to Cermaq shareholders providing the price offered was acceptable.

Meanwhile, the Board was at this point in time committed through the agreements entered into on the purchase of shares in Copeinca, and the price indicated by Marine Harvest did not appear to be at a relevant level. At Cermaq's General Meeting in May the proposal for a share issue to carry out the Copeinca transaction was not adopted. During the discussions at the General Meeting, it emerged that many shareholders in Cermaq were eager for a realisation of the values in the company. The Board considered it natural to enter into a dialogue with Marine Harvest, but at the same time also explore alternative value-creating transactions to create value for the shareholders.

In June, Marine Harvest presented an upwardly adjusted offer for Cermaq. After a thorough scrutiny of the offer, including assistance from external advisors, the Board's conclusion was that the offer did not reflect the underlying values in the company or the synergy potential in a transaction between Cermaq and Marine Harvest. The offer from Marine Harvest gained little acceptance from Cermaq's shareholders and thus failed. Subsequently the Board continued to work on several alternatives with the potential to increase value. Cermaq's shareholders had not provided sufficient support to the Board's strategy for further development of the feed division. This situation presented an ideal opportunity for value creation by selling the feed division so that this could be further developed as a separate company, while at the same time Cermaq could realise values that were not reflected in the current price level of the Cermaq share.

An extraordinary general meeting in Cermaq was called where more than a two-thirds majority adopted a proposal to award power of attorney to the Board to implement the sale of EWOS. After a process with bids from several players for the fish feed division EWOS, Cermaq announced in July 2013 that a Letter of Intent on the sale of EWOS had been entered into with the private equity funds Altor and Bain Capital. The private equity funds valued EWOS at NOK 6.5 billion. The transaction was completed on 31st October. Completion of the transaction provided the basis for the distribution of an extraordinary and record-high dividend to Cermaq's shareholders of NOK 51 per share. An Extraordinary General Meeting approved the dividend in December 2013.

Following the sale of EWOS, a primary task for the Board and group management in Cermaq was to adapt the organisation to the new situation as a dedicated farming company. A strategy was developed during the autumn of 2013, and a new strategy was presented at the company's Capital Markets Day in Chile in November 2013. The new strategy encompasses close monitoring of operations and costs, and further development of the company in its objective of becoming the second largest global producer of salmonids.

The name of the farming division was changed from Mainstream to Cermaq, so that the entire enterprise now has the same name and identity. Group management was reorganised, so that management staff responsible for the farming activity were included in the group management.

At the same time that Cermaq was significantly affected by external events in 2013, it was crucial to maintain focus on the operation of activities during the year. Salmon prices remained high throughout 2013. Good market conditions combined with cost-cutting initiatives contributed toward a good result for the farming division. Fish health in Chile still presents a challenge, but positive progress is being made. In the fourth quarter of 2013, Cermaq Chile was able to report a positive operating result after six consecutive negative quarters. Sales volume for the group is expected to improve by seven percent in 2014, to 153 thousand tonnes.

Other events that incurred in the company in 2013

- In April Cermaq Chile sold the processing plant in Calbuco to Australis Seafoods.
- In June Cermaq sold its shares in Copeinca, earning a profit of NOK 114.3 million
- In August Cermaq participated in the launch of the new global Global Salmon Initiative (GSI), which will play an important role in coordinating and ensuring that high standards of sustainability are maintained
- In September Cermaq's partially owned subsidiary Norgrain sold its holding in Denofa to the Brazilian company Amaggi, earning profits of NOK 7 million
- In December Cermaq refinanced its outstanding debts.

Explanation of the accounts

Cermaq announced 18 July 2013 that a sales agreement for the Feed business area, EWOS, had been entered into with Altor Fund III GP Limited and Bain Capital Europe LLP for a total enterprise value of NOK 6.5 billion. The transaction was completed on 31 October 2013. A gain of NOK 2.7 billion, that includes a contingent consideration of NOK 180 million, is recognised in 2013.

Cermaq reported a net income after discontinued operations of NOK 3 887.0 million in 2013. This was an increase of NOK 3 646.6 million from previous year. Net income after discontinued operations for 2013 includes the gain from the sale of EWOS and a positive fair value adjustment of biological assets of NOK 668.8 million. Operating revenues for 2013 are also positively impacted by the surge in salmon prices compared to 2012. In addition, the net income in 2012 includes a negative fair value adjustment of biological assets of NOK 173.7 million and a biomass write-down of NOK 78.7 million.

EWOS is included in the Cermaq Group accounts until 31 October 2013. Net income from discontinued operations, which also includes gain from sale, is presented on a separate line in the income statement for 2013. Comparative figures for 2012 have been re-presented accordingly. External income and expenses have been reclassified to discontinued operations and transactions between discontinued and continued operations are eliminated. This implies that the presented profit and loss financial information for both continued and discontinued operations in the income statement will not represent the activities as if they were stand alone entities. See note 5 in the Annual Report for further details.

Profit and loss statement – continued operations

For the purpose of providing relevant information in the Directors report, the profit and loss comments are based on financial information for the continued operations. The unaudited financial information for continued operations is defined as the Cermaq farming companies and other activities, including Cermaq ASA. This information is exclusive of EWOS results for the year 2013 and 2012 and the corresponding accounting effects related to the sale. Although this presentation seeks to represent the activities as if they were stand alone entities in normal operations, they do not necessarily include all elements in such a situation.

Operating revenues were NOK 5 155.3 million in 2013. This was an increase of NOK 1 874.7 million, or 57 percent, from previous year. The growth in operating revenues was essentially coming from a surge in market prices for all salmonid species during the year, in particular in the second half, while higher volumes sold in the Cermaq farming companies also contributed positively. Volumes sold of 142.3 thousand tonnes were 19 percent, or 22.7 thousand tonnes, higher than in 2012. Chile contributed with 26.3 thousand tonnes, to 76.1 thousand tonnes in 2013, additional volumes sold mainly explained by the full year effect from the consolidation of Cultivos Marinos Chiloé (CMC) from fourth quarter 2012. CMC was in October 2012 acquired for a total enterprise value of USD 110 million. Sales volumes in Norway of 51.0 thousand tonnes were in line with last year, although the Finnmark region increased the volumes sold from the capacity expansion investments during the last three years. In Canada there was as expected a volume reduction to 15.1 thousand tonnes due to the IHN outbreaks experienced the year before. Operating revenues in Chile were NOK 2 470.3 million (2012: NOK 1 310.0 million), in Norway NOK 2 005.3 million (2012: NOK 1 367.6 million) and in Canada NOK 656.1 million (2012: NOK 589.5 million).

Operating profit before fair value adjustment of biological assets and non-recurring items was NOK 494.9 million (2012: loss of NOK 270.6 million), which was an improvement of NOK 765.5 million compared with

2012. The increased market prices also explain the improved operating result. Operating profit in Chile was NOK 30.8 million (2012: loss of NOK 164.2 million), in Norway NOK 445.3 million (2012: NOK 42.9 million) and in Canada NOK 133.8 million (2012: loss of NOK 54.5 million).

The change in fair value adjustment of biological assets was an income of NOK 651.6 million (2012: expense of NOK 207.2 million) as a result of significantly higher salmon prices at the end of 2013 compared to 2012. Operating profit totalled NOK 1 193.7 million (2012: loss of NOK 403.9 million) after including non-recurring items, primarily a gain of NOK 46.1 million from the sale of a processing plant in Chile. The 2012 operating loss included biomass write-downs, net of received IHN compensation, of NOK 63.3 million. A bargain purchase gain of NOK 137.2 million was recognised as an income as part of the operating loss in 2012 related to completing the purchase price allocation from the acquisition of CMC. The share of net income from associated companies amounted to NOK 11.1 million in 2013, compared with NOK 12.6 million in prior year. The 2013 figure includes a gain of NOK 7.0 million from the sale of Denofa AS.

Net financial expenses was NOK 39.8 million (2012: NOK 19.2 million). In 2013 the Group recognised a gain of NOK 114.3 million from the sale of the shareholding in Copeinca ASA that was acquired earlier the same year, while in 2012 a NOK 57.0 million gain was recognised from the sale of shareholding in Aqua Gen AS. Net interest expenses increased to NOK 166.9 million from NOK 64.3 million in 2012 as a consequence of higher average net interest bearing debt throughout the year combined with increased margins on the Group's credit facilities.

Net tax expense for the year was NOK 257.4 million (2012: income of NOK 88.8 million). The effective tax rate was 24.5 percent (2012: 21.8 percent). The Group's net income for 2013 was NOK 1 165.0 million (2012: loss of NOK 407.6 million).

Cermaq ASA's net income in 2013 was NOK 5 021.1 million (2012: NOK 190.0 million). The positive result in 2013 was mainly due to the gain of NOK 4 720.8 million related to the sale of EWOS, gain from sale of shares in Copeinca ASA of NOK 114.3 million, group contributions and net interest income from loans given to subsidiaries. The positive result in 2012 was mainly due to gain from sale of shares in Aqua Gen AS of NOK 57.0 million, dividend from Statkorn Aqua AS of NOK 153.0 million, group contributions and net interest income from loans given to subsidiaries.

Financial position

The book value of the Group's assets was NOK 13 796.3 million as at 31 December 2013, compared with NOK 12 087.0 million at the end of 2012. The increase is essentially explained by the sales proceeds from the sale of EWOS.

The equity book value at the end of 2013 was NOK 9 624.9 million (2012: NOK 5 678.6 million). The increase is mainly due to the gain from the sale of EWOS. The equity ratio increased to 69.8 percent at the end of 2013, from 47.0 percent at the end of 2012, explained by the EWOS gain. Taking into consideration the dividend payment of NOK 4.7 billion on 17 January 2014, the estimated equity ratio would have been approximately 53 percent.

The book value of the parent company's assets was NOK 6 614.3 million as at 31 December 2013, an increase of NOK 3 602.9 million from NOK 3 011.4 million at the end of 2012. The increase is mainly related to the sales proceeds from the sale of EWOS. The equity ratio for the parent company was 18.6 percent at 31 December 2013 (2012: 36.1 percent). The decrease was mainly due to accrued dividend.

Financing

The Group's net interest bearing debt decreased by NOK 5 613.2 million, from NOK 2 999.9 million at 31 December 2012, to NOK cash positive 2 613.3 million at 31 December 2013. The decrease is to a large extent explained by the proceeds from the sale of EWOS. Cermaq ASA distributed an extraordinary dividend of NOK 4 717.5 million on 17 January 2014. Adjusted for this dividend, the estimated net interest bearing debt would have been approximately NOK 2.1 billion.

In December 2013, Cermaq ASA successfully refinanced the Group's outstanding debt and secured funds corresponding to NOK 3 000.0 million with a tenor of 5 years. The syndicate consist of Danske Bank, DNB, Svenska Handelsbanken and Rabobank. In addition, Cermaq ASA secured a short-term overdraft and guarantee facility of NOK 250.0 million through Danske Bank.

As of 31 December 2013, adjusted for the dividend payment of NOK 4.7 billion in January 2014, Cermaq ASA had total available credit lines and cash of around NOK 1.3 billion. NOK 1.1 billion of that amount is committed long-term facilities.

Cash flow

The Group's net cash flow from operational activities increased by NOK 1 010.9 million from a cash outflow of NOK 527.8 million in 2012 to a cash inflow of NOK 483.1 million in 2013. This was primarily due to increased EBITDA and reduced working capital build-up compared with the previous year. Taxes paid totalled NOK 75.7 million in 2013, a decrease of NOK 63.2 million on 2012.

Net cash flow from investment activities was an inflow of NOK 4 751.7 million (2012: outflow of NOK 449.8 million), of which payments relating to fixed assets amounted to NOK 574.9 million (2012: NOK 449.3 million). Net proceeds from purchases and sale of businesses was an inflow on NOK 5 218.6 million (2012: outflow of NOK 72,5 million) and relates to the sale of EWOS and the associated company Denofa AS. Last year's outflow relates primarily to the acquisition of CMC. Net proceeds from purchases and proceeds of shares and other investments was an inflow on NOK 108.0 in 2013 and relates primarily to the sale of shares in Copeinca ASA. Net cash flow from financing activities was an outflow of NOK 1 034.1 million (2012: NOK inflow of 1 054.2 million). Repayment of the Group's bond financing of NOK 900 million and refinancing of the Cermaq Group's credit facilities were the main reason for the outflow. Payment of net interest expenses and other financial items was NOK 206.7 million. The change in cash and cash equivalents for the period was an inflow of NOK 4 221.9 million (2012: NOK 50.9 million).

The parent company reported a net cash inflow of NOK 4 179.4 million in 2013 (2012: NOK 109.2 million). Proceeds from sale of subsidiaries were partly offset by repayment of loan and refinancing of the Group's credit facilites.

Going concern

Based on the above report of the Group's profit and loss account, the Board confirms that the annual financial statements have been prepared under the assumptions that the company is a going concern and that this prerequisite has been met in accordance with the Norwegian Accounting Act § 3-3a.

Allocation of net income for the year in Cermaq ASA

The Cermaq Board of Directors decided in December 2010 that the annual dividend policy, over time, should be in the range of 30 to 50 percent of the Group's adjusted profit after tax. Dividend proposals are reviewed every year in relation to earnings, cash flows, the financial position, market condition and strategy. Some years dividends may therefore deviate from the long-term target.

The Board proposes to pay a dividend of NOK 1.8 per share for the fiscal year 2013. This implies a dividend level of 42 percent of the Group's adjusted profit after tax. For this purpose the Group's profit is adjusted for the fair value of biological assets and certain other items and amounts to NOK 394.7 million.

Net income for the parent company Cermaq ASA totalled NOK 5 021 069 421 after tax. An extraordinary dividend of NOK 4 717 500 000 was approved by the Extraordinary General Meeting on 7 January 2014. The Board proposes to the Annual General Meeting to allocate the remaining profit of NOK 303 569 421 as follows:

Net income	303 569 421
Allocated to dividends	166 500 000
Transferred to other equity	137 069 421

Risk management

The Board and group management have set as an objective to establish risk management where there is a clear connection between strategic objectives, the risk that the objectives cannot be reached, and related risk reducing measures. The largest exposures and the measures taken to manage and minimize the risk, are presented in the figure at the bottom of this page, and will be commented further in the following.

Operational risk

Market risk related to salmon prices

Salmon prices have historically been subject to large fluctuations due to lack of balance between supply and demand, and long production cycles in farming makes it difficult to adapt production to these fluctuations. Cermaq reduces market risk primarily by producing and selling Atlantic salmon in various markets globally and by diversifying production with three species of salmonides in Chile (Atlantic salmon, Coho and trout).

Cermaq Chile also reduces the price risk through value added processing of parts of its production and as such increasing the product portfolio. The Group has no firm policy on hedging of market prices, but enters into physical or financial forward contracts to fix the market price when this is assumed profitable and/or risk reducing.

Biological risk

Biological risk is, together with market risk, the area of risk which has the largest impact on the Group's profitability and cash flow. Biological risk includes factors such as infectious and non-infectious diseases, environmental conditions (e.g. contagious algae blooms and jelly fish, low dissolved oxygen levels, fluctuations in sea temperatures) and especially the attack of sea lice (Caligus) in Chile. This has among other resulted in significant costs for the Group related to mortality on fresh water smolt and fish in sea, culling of infected fish, lower harvest weight, and poorer fish quality, which again can lead to lower prices and potential claims from customers.

The Group produces Atlantic salmon in Nordland and Finnmark in Norway, in region X, XI and XII in Chile, and in British Columbia on the west coast of Canada. The Board considers that this geographical diversification is an important element in reducing the biological risk. Cermaq decided in 2013 to strengthen research and development (R&D) related to farming, by approving a new R&D strategy, and by strengthening its own organisation in the R&D area. Cermaq has now one of the largest R&D teams in the farming industry, working primarily with four areas of competence; fish health and fish welfare, technology, feed and nutrition and breeding

Operational risks

- Salmon prices
- Biology
- Raw material prices in feed & fedd utilization
- Regulatory issues

Other risks

- Reputation
- OHS
- Environment
- Biodiversity
- Corruption

Financial risks

- Liquidity
- Currensy
- Interest rates
- Credit

Examples of risk mitigating activies:

Diversification by geography and species — Preventive fish health
Finance policy — Husbandry practices — Investment policy — Insurance
R&D (preventive fish health, technology, breeding and genetics, and feed and nutrition)
ISO and other management standards — Code of ethics
KPIs and sustainability indicators

and genetics. R&D in Cermaq plays an important role related to reducing the biological risk, working with long-term strategies for preventive fish health, which will be fundamental for reducing the risk and the corresponding production costs. Cermaq has built a global fish health team focusing on implementing preventive measures across the operating regions in areas such as monitoring of pathogens, implementing policies for use of vaccines, antibiotics, functional feeds and for lice treatment, neighbourhood area management etc.

Cost related to smolt is one of the largest cost components for production of salmon, and it is crucial for profitable production that the smolt does not carry any contagious diseases and with good health and quality. In order to meet these requirements and to ensure that the Group has sufficient smolt available for organic growth, a strategy has been put in place to become self-sufficient with smolt. The Group is self-sufficient in Chile and Canada, while parts of the smolt in Norway need to be purchased from third party suppliers. Various alternatives to increase own smolt production in Norway is currently considered. This may lead to substantial investments for the Group over the next years.

Cermaq has, as for the farming industry in general, limited insurance coverage for incidents caused by biological risks.

The Board is being kept up-to-date on an ongoing basis of the general fish health situation in all areas where we operate and for each company in the Group, with particular emphasis on Chile. The risk is continually assessed in connection with decisions for stocking of smolts and with future investments.

For further comments to the fish health situation in the group, see paragraph fish health and the effects on wild salmon below.

Risk related to feed prices and feed utilization

Feed constitutes around 50 percent of the production cost and is the largest cost component for production of salmon. As an integrated feed and farming company, Cermaq used only feed from EWOS. Following the sale of EWOS Cermaq has entered into a long term agreement with EWOS that will secure a continued close relationship with this large supplier to our farming business.

A significant part of the raw materials for feed production, such as marine raw materials (fish meal and fish oil), soya beans, corn and wheat, are internationally traded commodities. Price and availability will fluctuate, especially on raw marine materials, which is a scarce resource. Feed agreements are structured so that Cermaq carry the risk for price fluctuations. This is a considerable exposure that Cermaq would not normally hedge against. However, Cermaq work closely with EWOS to reduce the feed cost, by using alternative raw materials without affecting growth, health condition or fish quality.

Feed cost is to a large extent dependent upon the effectiveness of the feeding. Feed conversion ratio "FCR" (kilogram feed used to produce one kilogram of fish) is higher in Chile than in Norway and Canada, due to higher mortality and many challenges related to fish health. FCR is therefore, together with mortality, two of the most important KPIs that are monitored by the Board.

Regulatory risk

In order to secure sustainable production, salmon farming is subject to a number of laws and regulations relating amongst others to licenses, quality, environment, food safety, and HSE. Changes to and new laws and other requirements from the authorities, have therefore significant consequences for the farming industry, and can lead to considerable increase in cost related to investments in fixed assets as well as other operating risk reducing measures.

Licenses for salmon farming are not time-restricted in Norway and Chile, but are currently subject to annual renewal in Canada. The risk that licenses will be revoked when due for renewal is considered to be low, but Cermaq is working on persuading the authorities in Canada to extend the license period as a way to improve predictability.

In order, amongst other to reduce risk related to non-compliance, the group has determined that operational risks should be governed and controlled by way of management systems certified according to ISO or equivalent standards. The Group has defined key areas to be quality (ISO 9001), environment (ISO 14001), food safety (ISO 22000) and health, environment and safety (HES) (OHSAS 18001) and all operating units are now certified according to these standards.

In Chile, Cermaq has been a driving force for changes in legislation as well as actively working with the industry and regulators to enforce existing regulations, to secure a more sustainable development in the region. Such initiatives have led to changes that limit production within a defined area (fewer sites and lower density of fish in the cages) and a stricter regime for establishing larger production zones to prevent spread of disease between larger areas. The authorities have now also the statutory authority to take licenses away from companies which does not operate according to the new farming regulations. Also, there is a positive development related to sea lice treatment, as the authorities allows use of new treatment methods to reduce lice infestation, see more detailed commentary related to fish health below.

Other significant risks related to the aquaculture industry

Cermaq is also exposed to other significant risks, where the effect on profitability and cash flows are more difficult to quantify, such as reputation risk, biodiversity and effect on the external environment, corporate responsibility and not least HES for our employees. For comments related to the situation during last year and measures that have been taken, please see paragraphs related to corporate responsibility, impact on external environment, fish health and the effects on wild salmon and personnel, below.

Cermaq is mainly exposed to corruption through sale of products to some countries that are ranked high on the transparency corruption index. Cermaq has implemented a policy for zero tolerance for corruption as part of the code of ethics and procedures related to whistleblowing, and are also a member of Transparency International. For more details related to internal procedures, see GRI reporting on at our website.

Every quarter the Board reviews a report on development in the risk factors assumed to have the largest financial impact should they occur and on key measures that have been implemented to manage these risks. The effect on reputation is also reviewed for operational risks relating to the environment and corporate responsibility issues.

It's important that the Group has the financial strength to carry significant fluctuations in profitability and cash flows as a result of price volatility or substantial production challenges such as major outbreaks of disease. The Board considers a high equity ratio, diversification in risks as outlined and a strong focus on preventive fish health, to be the primary foundations of the Group's financial risk management. The Board has decided that the Group's equity ratio should normally be at least 45 percent. At the end of 2013, the equity ratio was approximately 53 percent if taking into consideration the extraordinary dividend of NOK 4.7 billion distributed 17 January 2014.

Financial risk

Following the recent disposal of the feed business, the Group is increasingly exposed to fluctuations in profitability and cash flow generation due to volatility in salmon prices. The Board and the management believe that the best way to face this volatility is to sustain a solid balance sheet and maintain a good funding structure.

Risk management activities focus on regular assessments of exposure and where deemed appropriate on risk mitigating activities by means of operational or financial hedges. This approach is in line with the Group's finance policy.

A more detailed description of each risk category follows below. For further information about financial risks (currency, interest rate, credit and liquidity), please refer to note 23 in the Annual Report.

Currency risk

Upon translating foreign subsidiaries' income statements and statements of financial position, the Group's largest exposure is to the US Dollar. Assets and revenues recognised in US Dollar are predominantly hedged by loans in the same currency.

At the end of 2013, 99.4 percent (2012: 58.6 percent) of the Group's interest bearing debt was in US Dollar. This provided a natural hedge for investments in Chile.

Currency exposure in relation to future operational cash flows is primarily linked to export sales from Norway and Canada denominated in EUR and USD. At a Group level this exposure is mitigated by diversification, as companies within the Group have individual exposures that to a certain extent offset each other. In those cases where exposure is deemed significant and the cash flow is predictable, hedging instruments are purchased in the financial market.

Interest rate risk

The Group is exposed to interest rate risk through its funding activities and only to a limited extent through management of any excess liquidity, as cash is either reinvested in operations or used to pay down existing debt.

According to the Group's finance policy, the main objective of interest rate risk management is to minimize the risk of breaching debt covenants and avoid situations of financial distress that might jeopardize operational and strategic flexibility. Trading in interest derivatives is limited to hedge existing exposures.

As of 31 December 2013 the Group had interest rate swap agreements effectively swapping 35 percent of the Group's USD denominated long term borrowings to fixed interest rates, thereby reducing interest rate exposure.

Credit risk

The customer base for the farming business is geographically diversified and no single account represents an exposure deemed to be material for the Group as a whole. Credit insurance is purchased if appropriate. The counterparty risk in relation to financial institutions is also limited. The Group limits its volume of liquid assets at all times, rarely trades in derivatives and predominantly uses a small number of solid relationship banks for financing.

Liquidity risk

The refinancing of the Group credit facilities performed in December 2013 secured the business with long term committed funding with a tenor of five years.

After adjusting for the extraordinary dividend distribution of NOK 4.7 billion, the Group can still rely upon substantial available financial headroom, approximately NOK1.3 billion in cash and unused credit limits as of 31 December 2013. The Board and management have elected to retain a high equity ratio to be well positioned for financial and operational challenges and reap benefits of growth opportunities.

Corporate responsibility

Transparency and documentation of results are important elements of Cermaq's corporate responsibility, and also in 2014 Cermaq will present a sustainability report using the Global Reporting Initiative (GRI) standard. For a complete account of corporate social responsibility, cf. the Accounting Act Section 3-3c and the accompanying regulations on transitional rules, the Board therefore refers to this year's GRI report and reporting in relation to the United Nation's (UN) Global Compact. Both documents are available as part of the company's digital integrated annual and sustainability report www.report2013.cermaq.com which can now also be accessed from the company's website, www.cermaq.com

This year's report follows the new GRI guidelines (G4), is at comprehensive level and will be externally certified by the company's auditor. The sustainability report for 2012 was deemed by Seafood Intelligence to be the industry's best sustainability report on a global basis.

In developing the sustainability report for 2013 Cermaq sent letters to a number of stakeholders and issued an open invitation on the (company) website to submit input with regard to what is of import for inclusion in Cermaq's reporting on sustainability. Cermaq's stakeholders laid emphasis on key environmental topics such as escapes, disease and sealice, discharge from farm facilities and marine raw materials in feed. All these topics are discussed in more detail in the company's sustainability report.

Cermaq's work in connection with corporate responsibility form part of the Board's basic tasks and is described in the company guidelines for ethics and corporate responsibility. The starting point for the Board is that Cermaq has a responsibility toward people, the community at large and environment that is affected by our activities. Through sustainable farming, Cermaq contributes to efficient production of wholesome food, employment and economic activity in many rural areas.

Corporate responsibility is an integrated part of Cermaq's business operations. Cermaq has established a set of sustainability principles that apply to all companies in the Group. Cermaq's sustainability principles include healthy fish in healthy farming, a reduction in the impact of Cermaq's activities' on the environment, good working conditions, acceptance in the local community and product responsibility. Cermaq measures its compliance to the sustainability principles and achieved improvements through quarterly internal reporting. The quarterly reports are discussed and monitored by the Group's management and the Board.

Cermaq also participates in other external reporting and is a member in selected organisations supporting the effort to promote sustainable solutions. In 2013 the company reported to the Carbon Disclosure Project for the fourth time. Cermaq is a member of the UN's Global Compact and Transparency International (TI) Norway. The principles for the UN's Global Compact form part of Cermaq's guidelines for ethics and corporate responsibility. Cermaq has zero tolerance for corruption, and through membership in Transparency International Cermaq supports the organisation's international anti-corruption efforts. In a survey carried out by TI Norway in 2013, Cermaq was ranked third best in Norway for transparency with regard to anti-corruption measures. The survey encompassed the 50 largest listed companies in Norway.

Observance of the guidelines for ethics and corporate social responsibility shall be secured through integration in our management systems, internal information and training, and monitoring of company results by measuring non-financial indicators.

Both the parent company and the operative companies maintain contact and dialogue with stakeholders. Contact with the local community is a key element for Cermaq. This is referred to in greater detail in Cermaq's GRI-rapport, section 4.15 and 4.24-27.

Company activity in the area of research and development (R&D) is an important basis in preparing for continued sustainable development in aquaculture. Important areas of investment for Cermaq's R&D operation are fish health and animal welfare, technology, brood stock production and genetics, and feed and nutrition. R&D is the core factor for disease prevention and sound fish health, correct choice and use of feed and new technology, and optimisation of salmon production with regard to economic and environmental sustainability.

Impact on the external environment

Aquaculture has, like all industrial activity, an ecological footprint that shall be within the boundaries the community at large has established as acceptable. After the end of each cycle, on-growing farms will be fallowed for a period to ensure that temporary environmental imbalances are rectified, and thus provide the basis for sound fish health and biological diversity.

Complaints from neighbours relating to Cermaq's activities occur and are reported to Cermaq. The company received seven such complaints in 2013. All the complaints concerned activities in Norway and measures have been initiated and implemented to improve conditions relating for example to noise emissions. Cermaq reports to the Carbon Disclosure Project, which confirms that Cermaq's activities are not carbon-intensive compared with other marine and land-based food production.

One case was closed in 2013 that originated from a breach of the regulations in 2011 concerning the external environment, with a fine totalling NOK 23 159. This is described in further detail in the sustainability report. Cermaq's declared objective is to ensure that no breaches of the regulations incur.

With Cermaq's sustainability report for 2013 as the basis for the evaluation, the Board finds that the Group's farming activities pollute the external environment to a limited degree. Emissions to the air and water lie within the boundaries stipulated by the authorities.

Fish health and the effects on wild salmon

The Board's ambition is that Cermaq shall be a leading force in preventive fish health. Fish health is the foundation for long-term, profitable, sustainable aquaculture, and in 2013 Cermaq intensified its efforts in research and development by establishing new projects for major challenges such as sea lice and the fish disease SRS (Salmon Rickettsial Syndrome), and by strengthening the unit working with research and fish health within the company itself.

The situation concerning fish health in the company has been challenging in Chile, but excellent in the areas in Canada and Norway where Cermaq has its farming activities. In Chile the main challenges in 2013 were high lice levels and the disease Salmon Rickettsial Syndrome (SRS). Atlantic salmon and trout have been especially vulnerable to SRS and sea lice, while Coho-salmon have so far been less exposed. In the effort to combat sea lice many new measures have been introduced. One important step forward is that the Chilean aquaculture industry has improved its coordination of lice treatments, which has furnished good results. In addition new methods of treatment have been permitted by the Chilean authorities, reducing the risk for resistance to existing treatment methods.

Non-chemical preventive measures such as lice skirts have also been tested with good results. The Board notes that Cermaq Chile had lower sea lice levels in the second half of 2013 than in the first half of 2013. They also had fewer outbreaks of SRS. However, SRS still presents a challenge, and Cermaq's research team has given top priority to the development of an SRS vaccine. Antibiotics are as of today's date now the most important weapon in combating SRS, and usage of antibiotics increased in 2013.

In Norway, sanitary conditions were excellent in 2013, especially in Nordland County. Nonetheless, an increase in sea lice levels posed a challenge in the second half of 2013 due to higher sea temperatures than usual in northern Norway. The effect of treatments implementing anti-sea lice feed has also been challenging, but not to the same extent as in southern Norway. Sea lice can have a negative effect on emigrating smolt, and large numbers of sea lice can affect stocks of Norwegian sea trout, which unlike salmon inhabit fjords and coastal stretches in the proximity of farming sites.

In the battle against sea lice, non-chemical methods have been employed in order to reduce the need for treatments, for example lice skirts and lumpfish, both with highly encouraging results.

Cermaq Norway had two outbreaks of Pancreas Disease (PD) in Finnmark County in 2013. In both instances stock was removed immediately from farm pens to prevent the disease from spreading.

Sanitary conditions in both Norway and Canada have been first-class, with low numbers of sea lice. Temperatures were higher in the second half of 2013, resulting in algae blooming and low oxygen levels, which proved a challenge during summer.

The Board closely monitors developments in all regions, and assesses measures for Cermaq's activities and for the aquaculture industry accordingly.

In Norway and Canada there is debate concerning the extent to which the fish farming industry affects wild salmon. Key discussion topics are the potential spread of sea lice and disease, and in Norway also how escaped farmed salmon affect wild salmon genetically.

Cermaq has a stated goal of zero escapes. In 2013 Cermaq had three regrettable instances of escapes, all in Chile. Two of the instances occurred in connection with difficult weather conditions that caused damage to equipment, and one occurred in connection with to a sea lice treatment.

The three instances resulted in a net loss of fish of 59 085 individuals. All net pens in Chile have now been upgraded with double netting along the bottom of the pen to reduce the risk of escapes.

Employees

As at 31 December 2013, the Group employed 4 361 persons (2012: 5 993). 1 039 employees globally were transferred as part of the EWOS sale. Of the Group's employees, 607 were employed in Norway and 3 754 outside Norway. Cermaq ASA employed 51 persons.

Cermaq's employees shall have a high level of safety in their working environment. All of the operative companies in the Group are certified to the international occupational health and safety standard OHSAS 18001.

In 2013 the Board paid considerable attention to occupational health and safety and work-related injuries. The Board is not satisfied with the level of injuries resulting in absence in the company, and improvements in this area will be given high priority in 2014. Consequently, the bonus programme for both management and employees in 2014 will include targets for halving the number of injuries resulting in absence.

In 2013 there were 24 injuries resulting in absence per million working hours, compared with 13 injuries per million working hours in 2012 (exclusive EWOS). For the entire Group in 2013 there were 423 work-related injuries (with and without absence) registered, while corresponding figures in 2012 totalled 228. Sick leave in the Group in 2013 was 2.8 percent (2012: 2.4 percent). Sick leave in Cermaq ASA was 2.9 percent, as opposed to 2.3 percent in 2012.

In 2013 Cermaq Chile suffered two diving accidents with fatal outcomes; one that involved a Cermaq employee, and one that involved a subcontracted diver. As a consequence of this Cermaq Chile has initiated a programme that involves a reduction of the number of dives carried out, intensified and improved training of diving personnel, and increased attention throughout the organisation on safety and reducing the risk of accidents incurring. The company has also invested in technical equipment that reduces the number of dives necessary, and a Norwegian company has been engaged to carry out an external evaluation of the procedures and safety routines for diving in Cermaq Chile.

In 2013 training accounted on average for 1.1 percent of the working hours for all employees. This varied from 0.7 percent in Cermaq Norway to 1.9 percent in Cermaq ASA.

The Board has set guidelines that state the companies in the Group shall lay the foundation for a good and mutual cooperation with employees and trade unions, and that employees are free to join the trade union of their choice. In 2013 31 percent of the employees in the Cermaq group had collective wage agreements (2012: 34 percent). The percentage of employees with collective wage agreements in Chile was 24 percent (2012: 25 percent).

There were two instances of a breach of the regulations connected to work regulations, with fines totalling NOK 51 877 in 2013. Additionally, four instances from 2012 were closed. This is discussed in more detail in the sustainability report. Cermaq's clear-cut objective is to achieve zero breaches of the regulations.

As a part of the company's GRI reporting Cermaq reports the level of wages above the minimum wage that are paid to employees at Cermaq Chile processing plants (indicator EC5). The report is published in its entirety on the company's website www.cermaq.com

Diversity

Cermaq has an inclusive working environment. Discrimination due to ethnic background, nationality, language, gender, sexual orientation or religious beliefs is unacceptable. The Group's companies actively promote equal employment opportunities and the fair treatment of all employees.

The ratio of women in the Cermaq group was 27 percent at the close of 2013. The ratio for women in Cermaq ASA was 33 percent. At the close of 2013 Group management comprised six persons; five men and one woman.

Two members of Group management were Chilean, and four Norwegian. There were no women amongst the Group's managing directors. In total ten percent of the Group's managerial groups are women (including all managers that report to the Managing Directors in the Group's companies).

Cermaq's Board of Directors consists of seven members, of which four are men and three are women. All the board members are Norwegian. Of the four shareholder-elected board members, there are two men and two women. Among the employee-elected board members, there are two men and one woman.

The Board is of the opinion that in the long term it would be preferable to increase the percentage of female leaders in the Group. One means of achieving this would be through in-house talent development.

The Board regularly receives updates on Cermaq's sustainability indicators, which include indicators related to discrimination, equal opportunity and diversity. No breaches of guidelines as set by the Board in this area were identified in 2013.

Cermaq Chile frequently holds meetings with the trade unions where discrimination, equal opportunity and diversity are topics for discussion. None of these topics were raised at these meetings in 2013. The company has safeguards designed to combat discrimination, and among other initiatives has held courses at its processing plants to combat conduct that could conceivably be perceived as discriminatory.

Apart from the above no specific measures have been implemented or planned to ensure anti-discrimination, accessibility or equal opportunity in 2013.

Cermaq Canada has a protocol agreement with the indigenous peoples of the Ahousaht First Nation on the terms and conditions for the company's farming activities in the Ahousaht's territory. The agreement also covers employment of members of the Ahousaht. Cermaq Canada currently employs around 80 members of the First Nations (indigenous peoples), of which many are from the Ahousaht.

In 2013 NomoGaia (a U.S. based non-profit research and policy organisation), carried out a study of human rights' influence on Cermaq Chile's activities in Region XII in Chile. The study found no instances of breaches of indigenous people's rights or other forms of discrimination of Cermaq's employees. Futuro Sostenible completed a study in Region X on the relationship between Cermaq Chile and their stakeholders in Region X. This study did not identify any instances of discrimination against the region's indigenous people. However, both of the studies pointed out several other areas needing improvement for Cermaq Chile, and Cermaq Chile has prepared an improvement plan based on the studies. Information about the Futuro Sostenible study and its findings are available on Cermaq Chile's website.

Shareholder matters

As at 31 December 2013, Cermaq ASA had 2 628 shareholders (2 518 at the end of 2012). The Norwegian State, represented by the Ministry of Trade, Industry and Fisheries, is the largest shareholder with a 59.2 percent stake. 13.9 percent of the shares are held by foreign investors. As at 31 December 2013, Cermaq ASA held 3 656 treasury shares.

Corporate governance

The Group's principles for corporate governance comply with the Norwegian recommendation for corporate governance (NUES), without exception. An account of corporate governance and corporate management is available at www.cermaq.com.

With reference to the Accounting Act Section 3-3a, fourteenth paragraph, cf. Securities Trading Act Section 5-8a, the following is stated:

An amendment to the company's Articles of Association has resulted in that the company's shares are now freely transferable.

Rights to shares under the company's arrangements for employee-owned shares are invoked by employees encompassed under the arrangement. No shares were issued to employees in 2013.

The company is not aware of any agreements between shareholders that restrict the opportunity to sell or exercise voting rights for shares.

Future prospects

Cermaq expects to sell 152 thousand tonnes of salmon in 2014, compared with 142 thousand tonnes in 2013. This is an increase of 8 percent. The key driver behind the increased volume is better capacity utilisation in Norway and Canada following volume reductions in 2013 from specific biological challenges in these two regions. Sales in Chile will also grow somewhat as the harvest of Atlantics picks up following changes in the stocking plan after the acquisition of CMC in October 2012.

Recent estimates from Kontali, the Norwegian independent aquaculture data and research provider, indicate a growth in the harvest of Atlantic salmon of 5 percent in 2014. This compares with a growth of 2 percent in 2013. Although the growth rate picks up, it remains below historic average supply growth levels and below historic underlying demand growth.

Trend growth in demand is believed to be some 6 to 7 percent per annum, and even higher in recent years. Supply growth of 5 percent should hence imply a continued good market balance and favourable salmon prices during the year. Growth will however pick up during the year, which may have some impact on market prices.

Norway and Chile are the dominant producers of farmed salmon globally, and have historically been the key drivers of growth. Currently Norway is close to full capacity utilisation from a licensing point of view which limits growth. The government is considering issuing 45 new licenses which would lift capacity by 4 to 5 percent, but the impact would mainly come in 2015. In Chile growth is held back by financial and biological limitations amongst farmers.

Cermaq is well prepared for the future. Cermaq Norway and Cermaq Canada perform well from an operational point of view. Sales volumes from Cermaq Chile will still continue to carry too high production cost caused by the biological challenges experienced during the last two years. Increased industry coordination and more proactive government involvement have helped improve sanitary conditions however. The recovery will take time, and the current biomass has a cost base which is too high, but the company expects to see a gradual improvement in unit cost during 2014. The ex-cage cost per kilogram gutted weight in 2013 was USD/kg 4.49 for Atlantic salmon. Cermaq has announced a target ex-cage cost of USD/kg 3.8 by 2015 for Atlantic salmon in Chile. In addition the company targets a USD/kg 0.2 improvement in relative price performance on Atlantic salmon in the same period from improved quality.

The company has maintained a solid financial structure also after the divestment of EWOS and the payment of an extraordinary dividend of NOK 4.7 billion. In relation to this the Board believes that it is important for the company to maintain an equity ratio of no less than 45 percent.

The Board would like to thank all employees in the Cermaq Group for their good work and solid effort in 2013 and for how they kept focus on daily operations during a stressful period of major corporate changes. The Board looks forward to working together with our highly valued staff to continue to generate results in the years to come.

Oslo, 25th March 2014

Bård Mikkelsen
Chair

Rebekka Glasser Herlofsen
Deputy Chair

Helge Midttun
Director

Åse Aulie Michelet
Director

Lise C. Mortensen
Director (employee elected)

Jan Robert Røli Gjervik
Director (employee elected)

Ketil Olsen
Director (employee elected)

Jon Hindar
Chief Executive Officer

Corporate Governance

Cermaq's goal is to create value for its owners and the community by operating sustainably in the aquaculture sector. Corporate governance was central in 2013 as Cermaq both experienced an attempted take-over and sold a substantial part of its business.

Long-term value creation based on good corporate governance

The Board of Directors of Cermaq has prepared this corporate governance statement in accordance with the Norwegian Code of Practice for Corporate Governance, dated 23 October 2012, available on www.nues.no. The structure adheres to the code of practice, using the same section headings and numbering. Cermaq has no deviations from the code.

The company's articles of association, guidelines and routines referred to in this statement can be found on the company's web site www.cermaq.com.

1. Implementation and reporting on corporate governance

Deviation: None.

Cermaq's Board of Directors is of the opinion that good understanding of the roles in corporate governance is essential for long term value creation for the owners. In accordance with this Cermaq's Board of Directors has adopted guidelines for corporate governance at Cermaq ASA. Corporate responsibility and sustainability constitutes a core platform for Cermaq's business and the Board has laid down ethical and corporate responsibility guidelines that apply to all the companies and all employees within the Cermaq Group.

These guidelines clarify the ethical values and social responsibility guidelines underlying the work of employees and how that work is carried out. Each line manager is responsible for securing implementation of the guidelines, and corporate responsibility, sustainability and ethics are topics in all global management meetings.

Cermaq's largest owner is the Norwegian state through the Ministry of Trade and Fishery. In Report no. 13 (2010 – 2011) to the parliament, the Ministry of Trade and Fishery published 10 principles for good ownership. These principles are based on, among others, equal treatment of shareholders, openness and respecting that owner's decisions should be made at the general assembly.

2. Business

Deviation: None.

Cermaq's vision is to be a global leader within sustainable aquaculture, with farming of salmon and trout. The vision of sustainable aquaculture implies that managing Cermaq put great demands on managing the business with a long term perspective and in such a manner that the company also in the future can be based on the same natural resources and receive the society's support for this.

In 2013 Cermaq's business was changed by the sale of the fish feed business EWOS. Cermaq used to have two equally important business areas, but is now purely focused on fish farming. This significantly changes the principles for management and governance of the company. A more integrated management of the different entities in the company, increased coordination and efficiency and increased focus on creating a common group identity. Therefore, after completing the sale of EWOS, the group management was changed in late 2013. The operational entities' managers are now part of the group management. To strengthen the common group identity and coordination, the farm business changed name from Mainstream to Cermaq.

After completing the sale of EWOS, the object of the company in the articles of association was amended by the general meeting's resolution of 7 January 2014. The company's business is now specified as sustainable fish farming, and any other business related thereto. It is the first time the company's dedication to sustainability is included in the object of the company. This reflects the company's corporate governance, which is based on sustainability as a condition to create long-term shareholder values. The company defines sustainability to include three dimensions; environment, social conditions and economy. Sustainability in all three dimensions is necessary for the company to succeed and thus create current and future shareholder return.

The company's goals and overall strategies are discussed in the annual report. The vision, goals and core values are laid out in the company's adopted guidelines for corporate governance and in the ethical and social responsibility guidelines.

3. Equity and dividends

Deviations: None.

Equity

Cermaq's registered share capital is NOK 925 million, distributed across 92.5 million shares, each with a face value of NOK 10. As of 31 December 2013, total equity was NOK 9,625 million, producing an equity ratio of 69.8 percent. Taking the extraordinary dividend payment in January 2014 into account, the pro forma equity ratio by year end would have been 53 percent. This is in line with the Board's goal for the Group to have an equity ratio of at least 45 percent in order to secure the company's stability and negotiating position in the long term.

Dividend

The company's dividend policy shall ensure good return to the owners and make the share attractive.

The dividend policy is established by the Board in the guidelines for corporate governance. The dividend policy states that the average dividend over a period of several years should comprise between 30 to 50 percent of the company's net profit (adjusted for the effect of fair value and financial instruments).

The sale of the fish feed business EWOS in 2013 enabled a record large dividend to the shareholders. At the general meeting held 7 January 2014, it was resolved to pay a dividend of NOK 51 per share, in total NOK 4,717.5 million.

The Board proposes payment of a dividend for 2013 of NOK 1.80 per share, in total NOK 166.5 million, equal to approximately 42 percent of the company's adjusted net profit. The Group's result is for this purpose adjusted for fair value on biological assets and other non-recurring items and calculated to be NOK 394.7 million. In 2011 and in 2012, ordinary dividends of approximately 40 percent of the company's adjusted net profit were paid.

Power of attorney to the Board

At the annual general meeting in May 2013, the Board of Directors was granted power of attorney to acquire treasury shares, provided that no more than 5 percent of the outstanding shares may be acquired at any time. This authority is valid until 30 June 2014, and clearly states the purpose for which it may be used.

The Board of Directors does not have power of attorney to increase the company's share capital.

4. Equal treatment of shareholders and transactions with close associates

Deviations: None.

Equal treatment of shareholders is a core principle for our communication with shareholders and investor relations. Information management and execution of transactions are based on this.

Contact with shareholders was central when Cermaq in 2013 experienced an attempted take-over and the company's Board of Directors and senior management assessed various potential transaction alternatives. In this situation, Cermaq considered it central to receive opinions from various owners without providing them with information not already publically known. The company arranged meetings with both larger and smaller owners to receive opinions regarding value creation and future strategy for the company. In these processes, ABG Sundal Collier Norge ASA and Deutsche Bank was engaged by the company and assisted in providing the company with the shareholders' opinions.

The company has one class of shares, and each share has one vote.

No increases in the company's capital were made during 2013.

The company did not acquire any treasury shares in 2013, as the share acquisition program that applies to all employees was not utilized.

There were no significant transactions between the company and shareholders, Board members, senior employees or close associates of any of these in 2013. Transactions with close associates of companies within the Group are reported in note 27 of the Group's annual accounts.

According to the Norwegian Code of Practice for Corporate Governance, the companies should have guidelines to ensure that directors of the Board and senior employees report to the Board if they, directly or indirectly, have a material interest in an agreement that is being entered into by the company. This requirement is clearly stated in the instructions for the Board of Directors of Cermaq. The company's ethical guidelines, which apply to all employees, contain guidelines for handling potential conflicts of interest.

5. Freely negotiable shares

Deviations: None.

According to the Norwegian Code of Practice for Corporate Governance, no form of restriction on ownership should be included in a company's articles of association. Cermaq previously deviated from this in one respect. The company's articles of association stated that Cermaq's Board of Directors could not approve a transfer of shares that would result in the ownership interest of the Norwegian government falling below 34 percent. At the extraordinary general meeting held 7 January 2014, this provision was revoked.

The shares of the company are thus freely negotiable.

6. General meetings

Deviations: None

In 2013, Cermaq held one ordinary general meeting and one extraordinary general meeting. Further, one extraordinary general meeting was held in January 2014 to resolve the payment of extraordinary dividend.

The ordinary general meeting was held 21 May 2013. Attendance slip and letter of attorney were distributed to all shareholders with known addresses more than three weeks before the general meeting. The notice and the attachments were simultaneously published as a stock market announcement and on the company's website. The 2012 Annual Report and the nomination committee's recommendations were made available on Cermaq's website, and sent to shareholders upon request.

The notice contained a description of the issues that were to be discussed as well as the Board's recommendations for resolutions. The case documents were prepared with the aim of providing shareholders with an opportunity to form an opinion on the items on the agenda. The registration deadline was set two business days before the general meeting, in accordance with the company's articles of association. The notice specified procedures for attending and voting at the general meeting, and for attending by proxy.

The chair of the Board and six board members were present at the annual general meeting in 2013. The chair of the nomination committee attended on behalf of the committee and presented the committee's recommendation. The company's auditor was also present.

The general meeting was chaired by attorney-at-law Sverre Tysland as independent chair.

An extraordinary general meeting was held 11 July 2013. The chair of the Board was present and the general meeting was chaired by attorney-at-law Sverre Tysland as independent chair. The general meeting resolved to authorize the Board to conduct a sale of all of or parts of the company's fish feed business.

7. Nomination committee

Deviations: None.

The company's nomination committee is regulated by article 9 of the articles of association. Pursuant to the articles of association, the general meeting has adopted instructions for the nomination committee. The instructions were last modified during the ordinary general meeting of 2007.

The nomination committee consists of three to four members. The committee and its chair are elected by the general meeting, which also decides on the remuneration of the committee. The current nomination committee consists of:

- Gunnar Bjørkavåg, NHST Media Group (Chair)
- Morten Strømgren, Norwegian Ministry of Trade and Fishery
- Ottar Haugerud
- Kari Olrud Moen, DNB ASA

All members of the committee are independent of the Board of Directors and the senior management.

Pursuant to the company's articles of association, the members of the nomination committee must be shareholders or shareholders' representatives and the committee should be composed in such a way that it represents a wide range of shareholders' interests. It should also be strived for both sexes being represented in the committee. Committee members are elected for two years. In accordance with the instructions for the nomination committee, the committee itself proposes new members of the committee.

The nomination committee recommends candidates for election to the Board of Directors in the general meeting, as well as recommending remuneration for members of the Board. The nomination committee should state the reasons for the recommendations in accordance with instructions.

In connection with the nomination committee's work during 2013, information was published on the company's website concerning the work of the committee, who the members were and the deadline for submitting proposals to the committee. A letter was also sent to the company's largest shareholders, inviting them to provide input or suggestions.

8. Corporate assembly and Board of Directors: composition and independence

Deviations: None.

Cermaq does not have a corporate assembly.

Cermaq's Board of Directors consists of seven members, of which three are elected from and by the employees of the Norwegian companies. Three board members are women and five are men. The Board elects its own chair. This is a requirement due to an agreement with the employees regarding not having a corporate assembly. None of the board members has special interests that prevent them from acting independently. All the board members are independent of the company's principal shareholders, executive management and material business associates.

Information about the year of birth, work experience and current position of the members of the Board has been provided in the company's annual report. Those board members who are judged to be independent are not stated explicitly. This is because all board members are considered as independent. Three board members owned shares in the company at the end of 2013.

The Board would like to see the members of the Board owning shares in the company, and in the guidelines for corporate governance includes a request to the board members to own shares in the company.

9. The work of the Board of Directors

Deviations: None.

The Board prepares an annual meeting schedule that shall ensure an adequate balance between the Board's strategic role and the Board's control and supervisory role. In addition to the scheduled board meetings in 2013, several extraordinary board meetings were necessary in connection with the attempted take-over of the company and the company's sale of the fish feed business. Altogether, 30 board meetings were held in 2013. The Board kept close contact during the processes in 2013 and all board members were held continuously up to date by the chair of the Board and senior management of the company.

Each year a two days strategy meeting is held. In this meeting goals and priorities for strategic development are made, constituting the foundation for the Board's and the management's work on strategic matters throughout the year. The Board wants to have an active role in strategic development and focuses on having this on the Board's agenda throughout the year.

In order to obtain the best possible understanding of the company's operational activities in various regions, the Board undertakes an annual trip. It is the Board's opinion that this trip is meaningful in order to obtain deep knowledge about the business and to meet employees and stakeholders. In September 2013, the Board visited Cermaq's operations in Finmark. The Board visited Cermaq's harvesting facility in Hammerfest and several fish farming facilities.

A set of instructions for the Board's work have been made, which amongst others describe the Board's functions, tasks and responsibility, in addition to the Group managing director's duties and obligations towards the Board. The Board's instructions were last amended in June 2011 when the Board established a remuneration committee.

The Board has established two sub-committees to the Board. This is the audit committee and the remuneration committee. Separate instructions have been prepared for both committees, available on www.cermaq.com. According to the instruction the audit committee shall follow up on the process for audit reporting and systems for internal control and risk management, in addition to, amongst other, assess the auditor's independence and nominate to the Board on election of auditor based on tenders at least every five years. The remuneration committee shall, according to the instruction, be an advisory and preparing body for the Board's work on matters regarding remuneration systems and on remuneration to senior management.

Each committee consists of three members of the Board who are all independent of the company's management. One member of the remuneration committee is elected by and among the employees.

Each year, the Board of Directors carries out an assessment of its own work and competence. The Board uses a questionnaire as a basis for its evaluation in the meeting. A report is produced based on the questionnaire, and this forms the basis of the discussion during the Board meeting. Matters to be followed up after the Board evaluation are added to the Board minutes. The nomination committee receives a copy of the written report of the evaluation, and the chairman of the Board also presents the results to the nomination committee in a meeting.

A deputy chairman of the Board has been elected. This person takes over the tasks of the chairman when the latter cannot or should not direct the Board's work.

10. Risk management and internal control

Deviations: None.

The Board ensures the company has good internal control and suitable systems for risk management appropriate to the scope and the nature of the company's activities, including the company's core values and ethical and social responsibility guidelines. As a part of the supervision process, the Board makes a quarterly review of the development in the company's most important risk areas and the changes in the established framework for risk management and internal control. The audit committee has a particular responsibility to supervise the risk management and internal control. The audit committee's tasks in connection with this have been detailed in the instructions for the committee.

The executive management puts emphasis on establishing good control routines in areas of material importance for financial reporting. The control routines are based on an authority structure that defines roles and responsibilities for the individual management levels as well as guidelines as to how to ensure good internal control, e.g. through satisfactory distribution of work. The company performs its business based on rolling forecasts and financial and operational key performance indicators. In addition, the Board adapts investment limits for the year. It is the Board's opinion that rolling forecasts for each quarter strengthens the control with the underlying development in the business.

The Group's finance policy is to safeguard management of the most material financial risks that the company is facing, and this is followed up by the finance department in Cermaq. Principles have also been prepared for currency and interest hedging. The company has also established routines and control procedures in connection with deciding investment limits, quarterly estimates and monthly accounts reporting from operational units, which are examined and analysed by the central financial staff. Accounting issues are analysed on an on-going basis, and the auditor is consulted when necessary. A review of current accounting issues is presented to the Board of Directors in connection with the submission of quarterly accounts.

11. Remuneration of the Board of Directors

Deviations: None.

The remuneration of the Board of Directors is determined each year by the general meeting. The nomination committee provides recommendations for the remuneration. The remuneration of the Board of Directors was adjusted by the ordinary general meeting in 2013.

The remuneration to the Board is independent of the company's performance and the members of the Board do not have options in the company.

Information about the remuneration of the Board of Directors for the period up to the ordinary general meeting in 2014 has been included in note 7 of the Group's annual accounts. None of the board members has carried out tasks on behalf of the company beyond directorship and participation in the sub-committees of the Board.

12. Remuneration of executive personnel

Deviations: None.

Each year, the Board of Directors lays down guidelines for the remuneration of executive management in accordance with the provisions of the Norwegian Public Limited Liability Companies Act. The Board's statement on remuneration of senior management can be be found on page 22, and information about the remuneration to the Group managing director and the senior management in 2013 has been included in note 7 to the Group's annual accounts.

The CEO's remuneration is decided by the Board of Directors following the recommendation from the remuneration committee. The same is the case for decisions regarding bonus scheme and other remuneration schemes for the senior management in general.

Before determining the remuneration to the senior management a bench mark study is obtained from an external consultant where senior management's salary are compared with senior management salary in similar companies and positions. Such report is obtained for Norway, Scotland, Canada and Chile. Moreover, the Board's instruction and the Board's report on senior management's remuneration states that all schemes regarding awarding of shares, subscription rights, options and other means of remuneration linked to shares or to the development of the share price shall be determined by the general assembly.

An upper limit has been set for variable salary (bonus) to the senior management at 30 percent of their annual base salary. In addition to the ordinary bonuses, agreements were entered into with six members of the senior management regarding particular stay on-bonuses in connection with the announcement of an offer on all shares of the company in 2013. This is further explained in the Board's report on senior management's remuneration. This particular bonus arrangement instigated coverage in the media and opinions from Cermaq's largest owner. The bonus arrangement was considered by the Board, which deemed such an extraordinary bonus arrangement necessary to provide the Board with assurance as to a proper management of the company in the processes the company was facing. The Board has later apologized to the company's largest owner that the owner was not informed of this arrangement until it was announced in July in a stock market announcement. The Board is of the opinion that the arrangement was justified by the extraordinary circumstances, which implied an exception from the company's generally modest senior management salary policy.

13. Information and communications

Deviations: None.

As a listed company Cermaq is determined to provide the market with precise, consistent and relevant information. Principles securing this are implemented in the company's guidelines for corporate governance. Based on the principle of equal treatment for market players, these guidelines cover financial reporting and investor relations. Quarterly reports are provided in English only. All other information is provided in both Norwegian and English.

In 2013 Cermaq arranged a Capital Markets Day in Santiago and Puerto Montt area in Chile. The program included thorough presentations of Cermaq's business and strategic development in addition to a tour of one of the company's fish farming, harvesting- and smolt facility. Each quarter Cermaq arranges a meeting program with investors and owners. These meetings are based on information made public through the company's stock report for the quarter.

In 2013 Cermaq was awarded the Farmand-price in gold for the company's annual report in the category for listed companies. The Board is particularly pleased that Cermaq for the third time was awarded as the company with the best sustainability reporting in the global fish farming industry by Seafood Intelligence. This is consistent with the company's dedication to sustainable fish farming.

The Board of Directors ensure that the company's quarterly reports provide a true and complete picture of the Group's financial and business position, as well as information on progress towards the company's operational and strategic objectives. The Board also discusses the expectations regarding business and performance development.

Cermaq publishes an annual overview of the dates of important events such as the general meeting and publication of quarterly reports.

Information that is sent to shareholders or published as a stock market announcement is simultaneously placed on the company's website.

The Norwegian Code of Practice for Corporate Governance recommends that the company should establish guidelines for contact with the shareholders outside of the general meeting. Cermaq's guideline for contact with shareholders is published on the company's web-site.

Cermaq communicates with shareholders based on the principle that all shareholders should have equal access to information. There are quarterly meetings with the company's biggest shareholder, which is the Norwegian government through the Norwegian Ministry of Trade and Fishery. These meetings take place after the public quarterly presentations, and the government receives information equal to the information that has been communicated to the market. In addition a number of meetings are held with investors both in Norway and abroad.

14. Take-overs

Deviations: None.

The company's corporate governance guidelines contain provisions to the effect that in case of a potential takeover or restructuring situation, the Board is to exercise particular care to safeguard the values and interests of all shareholders. According to Cermaq ASA's corporate governance guidelines, the Norwegian Code of Practice for Corporate Governance shall be observed. The Board followed the more detailed recommendations in this document when a potential take-over situation arose in 2013.

In May 2013, Marine Harvest ASA announced an offer to acquire all shares of Cermaq. In the situation that followed, the Board particularly emphasised to be open and to treat all shareholders equally. After a thorough consideration by the Board, which also included advice from external advisors, the Board unanimously concluded that the offer did not reflect the underlying values of the company or the potential synergies of a transaction between Cermaq and Marine Harvest. A fairness opinion from ABG Sundal Collier Norge ASA was obtained and published together with the stock market announcement regarding the Board's recommendation dated 10 June 2013. The Board actively searched for alternative solutions to demonstrate and realize shareholders values, and considered the sale of the company's fish feed production as a more value adding alternative for the shareholders. The approval ratio from the shareholders was low. The offer was later withdrawn and the take-over was not carried through.

15. Auditor

Deviations: None.

Ernst & Young has been Cermaq's auditor since the general meeting in 2012. The Board has decided that audit services should be subject to a tender process every five years.

The auditor participates in the board meeting in connection with the annual accounts and in the meetings of the Board's audit committee. At least once a year, a meeting is to be held between the auditor and the Board without the CEO or anyone else from the senior management being present. Every year, the auditor presents an audit plan to the Board of Directors.

In accordance with the company's corporate governance guidelines, the auditor is to provide the Board with an annual statement confirming that he fulfils the requirements for independence and objectivity. The guidelines also state that assignments beyond the mandatory audit and closely related work must be reviewed by the Board of Directors or audit committee before being granted.

The auditor has provided the Board with a summary of non-audit services provided to the Group during 2013. The ordinary general meeting in 2013 was provided with information regarding the auditor's remuneration, split between auditing and other services.

The auditor's remuneration for 2013 has been included in note 9 of the Group's annual accounts.

Oslo, 12 March 2014

The Board of Directors of Cermaq ASA

Senior Management Remuneration

Statement regarding the determination of senior management's salary and additional remuneration in Cermaq ASA

1. Main principles for remuneration to senior management

Remuneration to senior management is determined based on the following main principles:

- Senior management remuneration should be competitive, enabling Cermaq to attract and keep good managers.
- Total compensation to managers should normally be at a level corresponding to remuneration received for similar positions in comparable enterprises in the country where the manager is acting.
- Senior management remuneration should be motivating. The remuneration should be structured to give incentives for continuous improvement of the company's operations and performance.
- The principal element of the remuneration is the basic salary, but additional variable elements of remuneration should be provided to motivate the managers' performance. The variable elements of remuneration should appear reasonable with respect to the company's results and the individual manager's performance during the relevant year.
- The remuneration system should be flexible. It should be modified when necessary.
- To be able to offer competitive salaries, Cermaq should have a remuneration system with room for special adaptations.

2. Basic salary and additional remuneration

2.1 The basic salary

The basic salary is the main element of the managers' remuneration packages. The basic salary should reflect market conditions and Cermaq annually obtains external annual surveys on remuneration of similar manager positions, exercised by external consultants.

2.2 Additional remuneration elements

Bonus scheme

The Cermaq Group has a bonus scheme that applies to the senior management teams of the Group. The Board conducts a yearly assessment of the bonus scheme and decides the bonus criteria for the next year.

In the current bonus scheme, the variable supplementary payment can be a maximum of 30 percent of fixed salary. For 2013 the Board divided the bonus criteria in two. One half of the bonus was related to return on employed capital (ROCE) of the Group. The other half of the bonus was based on individual criteria for each individual. The Board has resolved that the maximum limit for bonus shall continue to be 30 percent of each employee's basic salary, but has changed the bonus scheme so that ROCE no longer is a criterion. The Board has selected four company criteria that will apply to all employees participating in the scheme together with individual criteria. 16 percent bonus will be based on the company criteria and 14 percent bonus will be based on the individual criteria, together a maximum of 30 percent bonus. The company criteria are based on achieved cash flow, operating profits per kilogram relative to the biggest competitor, reduction of occupational injuries that are followed by sick leave and reduced fish mortality. The Board has emphasized to establish a bonus scheme that awards the management's long term efforts to foster the company's results. The operating profits relative to competitors are an example of a bonus criterion that is chosen as it measures the management's efforts with an indicator that is less influenced by the price of salmon or other external factors that management cannot influence. Further, the reduction of fish mortality is an example of a crucial factor for profitability that the management can influence through systematic efforts of preventive fish health and implementation of good routines.

Options

The company has no option scheme, nor any outstanding options. Some outstanding options from a previously closed option scheme were, however, exercised in 2013.

Employee share purchase program

The annual general meeting in 2006 adopted a share purchase programme for all employees in the Cermaq Group Because of the transactions the company was involved in, no shares were offered to the employees under the program in 2013.

Pension schemes

Senior management in the Norwegian group companies with salary exceeding 12G (G= Basis Amount as defined by the Norwegian National Insurance) participates in the general pension scheme for pensionable income exceeding 12G. The company's current pension scheme for pensionable income above 12G is a deposit scheme with deposit of 15 percent of the pensionable income exceeding 12G. The deposit scheme is organised over the company's operations. The CEO participates in this pension scheme but with a deposit of 20 per cent of the pensionable income exceeding 12G.

One of the senior directors participates in a closed pension scheme for pensionable income exceeding 12G. The scheme was closed in 2005 and is based on 30 years contribution time and pension coverage of 66 percent.

The company does not enter into agreements for early retirement pension and none of the senior directors are entitled to such.

Severance pay
Cermaq's CEO has an agreement entitling him to a severance pay of 12 months' salary, including salary and remuneration in the notice period, if he is dismissed by the company. The compensation is reduced if the CEO receives income from other sources in the period.

The CEO should normally have a contract that considers the potential need for termination of employment if this is considered to be in the company's best interest. The severance pay must therefore be sufficiently favourable to secure the CEO acceptance of an agreement with limited dismissal protection.

Agreements regarding severance pay have been and can be entered into with other senior managers, in order to secure the company's need for a team of managers that will fulfil the company's need at all times. However, pursuant to the Working Environment Act, agreements limiting the dismissal protection will not be enforceable for other senior manager than the CEO.

When entering into new employment contracts with members of the senior management team, severance pay shall as a starting point be limited to 12 months' salary compensation, including salary and remuneration in the notice period.

Payment in kind
Senior management will as a rule receive payment in kind considered normal for comparable positions. This includes telephone, broadband connection and participation in the company's insurance schemes, newspapers, car arrangement and parking.

Other supplementary payment
Other variable elements of remuneration may be used or other special supplementary payments may be awarded than those mentioned above if this is considered appropriate in order to attract and/or retain a manager.

3. Senior management remuneration agreements in 2013

3.1 Senior management remuneration policy and implementation of the Board's statement in 2013

The senior management remuneration policy for 2013 was generally implemented in accordance with the Board's executive statement for 2013 that was included in the annual report for 2012.

In May 2013, the Board approved entering into agreements regarding stay on-bonuses with key employees that were crucial to keep in the company in a potential transaction involving the company. The agreements were caused by the company's need to ensure that key employees did not leave the company when a bid on the company's the shares was announced and the Board simultaneously were working with various alternatives to maximize the shareholders' values. Further, the agreements aimed to ensure that the management was incentivized to stay in the company until a potential transaction was completed. In order to avoid a situation where management was incentivized by a particular transaction that was not necessarily the most value-maximizing for the shareholders, the stay on-bonuses was designed to include material transactions.

The stay on-bonuses included two elements; a general stay on-bonus of three months' salary to be paid six months after the date of the agreement, and a stay on-bonus of six months' salary in the event of a material transaction (potentially a long time after entering into the bonus agreements). Both elements in the agreements were achieved and all members of the senior management received stay on-bonuses. The stay on-bonuses were achieved in addition to ordinary bonuses that were limited to 30 percent of the basic salary.

A severance pay scheme of one year salary (including the notice period) was also introduced for senior management in the event a senior director's employment agreement should be terminated after a transaction. The severance pay scheme was not actualized and no payment under this particular severance pay scheme has been made.

3.2 Effect of remuneration agreements or modifications in 2013

The Chief Operating Officer (COO) for Cermaq's feed division stepped down from his position in 2013. According to historical agreements entered into with the COO he was entitled to severance pay, compensation for competition prohibitions and earned early retirement pension.

In February 2014 an agreement was entered into with the CFO of the company regarding termination of employment and final remuneration. The CFO receives salary and severance pay of six months, which also includes compensation for a one year competition prohibition.

Furthermore, no new agreements regarding senior management salary and remuneration have been entered into or amended in 2013 with effect other than as described above in relation to the stay on-bonuses.

Oslo, 12 March 2014

The Board of Directors of Cermaq ASA

Responsibility statement

Statement from the Board of Directors and the CEO

We confirm that, to the best of our knowledge, the financial statements for the period for 2013 for the group and the parent company have been prepared in accordance with applicable accounting standards, and that the accounts give a true and fair view of the group and the company's consolidated assets, liabilities, financial position and results of the operations per 31 December 2013.

We also confirm, to the best of our knowledge, that the Director's report provides a true and fair view of the development and performance of the business and the position of the group and the company including description of key risks and uncertainty factors pertaining to the group going forward.

Oslo 12 March 2014
The Board of Directors of Cermaq ASA

Bård Mikkelsen
Chair

Rebekka Glasser Herlofsen
Deputy Chair

Helge Midttun
Director

Åse Aulie Michelet
Director

Lise C. Mortensen
Director (employee elected)

Jan Robert Røli Gjervik
Director (employee elected)

Ketil Olsen
Director (employee elected)

Jon Hindar
Chief Executive Officer

CERMAQ GROUP

Statement of income 01.01–31.12

Amounts in NOK 1 000

	Notes	2013	2012 restated
Operating revenues	6	**5 155 315**	**3 280 605**
Cost of raw materials	17	(495 108)	(7 967)
Write-down of biological assets	17	–	(78 736)
Personnel expenses	7.8	(774 381)	(633 745)
Other operating expenses	9	(1 472 192)	(1 021 833)
Gain/(loss) from sale of fixed assets	14	46 107	–
Depreciations and amortisations	13.14	(251 752)	(196 543)
Bargain purchase gain	5	–	137 227
Operating result before fair value adjustments of biological assets		**2 207 989**	**1 479 007**
Fair value adjustments of biological assets	18	668 811	(173 745)
Operating result		**2 876 800**	**1 305 262**
Share of net income from associates	15	11 083	12 567
Financial income	10	23 812	3 909
Financial expenses	10	(190 747)	(68 160)
Net foreign exchange gain/(loss)	10	12 931	(9 478)
Net gain/(loss) on financial assets and liabilities	10	114 218	54 566
Financial items. net	10	**(39 785)**	**(19 162)**
Net income/(loss) before taxes		**2 848 098**	**1 298 667**
Income taxes	11	(711 326)	(295 927)
Net income/(loss) from continuing operations		**2 136 773**	**1 002 740**
Discontinued operations			
Net income/(loss) from discontinued operations	5	1 750 220	(762 393)
Net income/(loss) from total operations		**3 886 992**	**240 347**
Net income/(loss) from total operations attributable to:			
Owners of the parent		3 885 972	242 651
Non-controlling interests	12	1 019	(2 304)
Net income/(loss) from continuing operations attributable to:			
Owners of the parent		2 132 678	1 000 579
Non-controlling interests		4 095	2 161
Net income/(loss) from discontinued operations attributable to:			
Owners of the parent		1 753 295	(757 928)
Non-controlling interests	5	(3 076)	(4 465)

Earnings per share (NOK)	Notes	2013	2012 restated
Basic and diluted EPS continuing operations	21	23.1	10.8
Basic and diluted EPS discontinued operations	21	19.0	(8.2)
Basic and diluted EPS total operations	21	**42.0**	**2.6**
Adjusted basic and diluted EPS continuing operations	21	16.1	10.8
Adjusted basic and diluted EPS discontinued operations	21	(10.2)	(8.4)
Adjusted basic and diluted EPS total operations	21	**5.9**	**2.4**

CERMAQ GROUP

Statement of comprehensive income

Amounts in NOK 1 000

	Notes	2013	2012 restated
Net income/(loss) from total operations		**3 886 992**	**240 347**
Other comprehensive income, net of tax			
Items to be reclassified to profit or loss in subsequent periods:			
Currency translation differences		**150 641**	**(194 672)**
– currency translation taken to equity		*201 103*	*(194 672)*
*– transferred to profit/loss**		*(50 462)*	–
Change in fair value of cash flow hedge instruments		**11 330**	**(19 636)**
– fair value adjustment taken to equity		*11 330*	*1 685*
*– transferred to profit/loss***		–	*(21 321)*
Available-for-sale investments - change in fair value	**10**	**–**	**(57 919)**
– fair value adjustment taken to equity		–	*(956)*
*– transferred to profit/loss****		–	*(56 963)*
Items not to be reclassified to profit or loss in subsequent periods:			
Actuarial gains/(losses) on defined benefit plans	**8**	**5 679**	**(20 767)**
Disposal of actuarial gains/(losses) on defined benefit plans	**8**	**13 312**	**–**
Total other comprehensive income from total operations		**180 962**	**(292 994)**
Total comprehensive income from total operations		**4 067 954**	**(52 647)**
Attributable to			
Owners of the parent		4 068 139	(49 522)
Non-controlling interests		(185)	(3 125)

* Currency translation differences transferred to profit/loss affected discontinued operations in the statement of income.

** Change in fair value of cash flow hedge instruments - transferred to profit/loss affected operating revenues in the statement of income.

*** Available-for-sale investments - transferred to profit/loss affected net gain/(loss) on financial assets in the statement of income.

CERMAQ GROUP

Statement of Financial Position

Amounts in NOK 1 000

	Note	31.12.13	31.12.12 restated	01.01.12
ASSETS				
Fish farming licences	13	1 574 016	1 483 665	1 483 665
Goodwill	13	356 377	786 299	786 299
Deferred tax assets	11	95 830	105 881	100 016
Other intangible assets	13	14 746	10 425	10 425
Total intangible assets		**2 040 969**	**2 386 271**	**2 380 406**
Property, plant and equipment	14	**1 947 826**	**3 103 806**	**3 103 806**
Investments in associates	15	56 338	155 095	155 095
Investments in other companies		1 189	8 966	8 966
Other non-current receivables	16	8 364	11 592	11 592
Total financial fixed assets		**65 892**	**175 654**	**175 654**
Total non-current assets		**4 054 687**	**5 665 730**	**5 659 865**
Inventories	17	336 865	1 367 579	1 367 579
Biological inventories	18	3 459 595	2 320 160	2 320 160
Accounts receivables	19	725 341	1 929 172	1 929 172
Prepaid income taxes	11, 16	43 585	35 489	35 489
Other current receivables	16	438 821	258 724	258 724
Assets held for sale		5 305	–	–
Cash and cash equivalents	20	4 732 063	510 181	510 181
Total current assets		**9 741 575**	**6 421 305**	**6 421 305**
TOTAL ASSETS		**13 796 262**	**12 087 035**	**12 081 170**
EQUITY AND LIABILITIES				
Total equity attributes to the shareholders in Cermaq ASA	21	9 601 373	5 637 018	5 656 182
Non-controlling interests	12	23 540	41 626	41 626
Total equity		**9 624 913**	**5 678 644**	**5 697 808**
Pension liabilities	8	38 654	79 019	52 972
Deferred taxes	11	918 468	774 922	775 940
Total provisions		**957 122**	**853 941**	**828 912**
Interest bearing non-current liabilities	22	1 911 453	3 234 546	3 234 546
Other non interest bearing non-current liabilities		155	2 177	2 177
Total non-current liabilities		**2 868 731**	**4 090 664**	**4 065 635**
Interest bearing current liabilities	22	207 296	275 489	275 489
Accounts payables		647 453	1 667 727	1 667 727
Income taxes	11, 24	91 762	42 107	42 107
Other non interest bearing current liabilities	24	356 107	332 403	332 403
Total current liabilities		**1 302 618**	**2 317 726**	**2 317 726**
TOTAL EQUITY AND LIABILITIES		**13 796 262**	**12 087 035**	**12 081 170**

Oslo, 25th March 2014

Bård Mikkelsen
Chair

Rebekka Glasser Herlofsen
Deputy Chair

Lise C. Mortensen
Director (employee elected)

Jan Robert Røli Gjervik
Director (employee elected)

Helge Midttun
Director

Åse Aulie Michelet
Director

Ketil Olsen
Director (employee elected)

Jon Hindar
Chief Executive Officer

CERMAQ GROUP

Statement of Cash Flow

Amounts in NOK 1 000

	Note	2013	2012
Income/(loss) before taxes continuing operations		2 848 098	1 298 667
Income/(loss) before taxes discontinued operations		1 485 951	(989 898)
Net income/(loss) before taxes		**4 334 048**	**308 769**
(Gain)/loss on sale of tangible and intangible assets		(54 355)	(1 291)
Depreciations and amortisations	13, 14	337 493	353 930
Bargain purchase gain	5	–	(137 227)
Fair value adjustments of financial items and gain of shares sold	10	(2 889 426)	(57 823)
Net interest expense		192 135	93 709
Changes in fair value of biological assets	18	(659 964)	152 090
Write-down of biological assets		–	78 736
Income taxes paid		(75 736)	(138 940)
(Income)/loss from associated companies	15	(12 559)	(13 939)
Dividends received from associated companies	15	9 609	9 928
Change in inventory, accounts receivable and accounts payable		(872 189)	(1 108 831)
Change in other current operating assets and liabilities		174 080	(66 873)
Net cash flow from operating activities		**483 137**	**(527 763)**
Proceeds from sale of property, plant, equipment (PPE) and intangible assets	13, 14	62 772	5 140
Purchases of PPE and intangible assets	13, 14	(574 909)	(449 268)
Proceeds from sale of operations, net of cash disposed	5, 15	5 155 822	–
Purchases of operations, net of cash acquired	5, 15	–	(77 610)
Proceeds from sale of shares and other investments		942 027	72 369
Purchases of shares and other investments		(834 009)	(457)
Net cash flow from investing activities		**4 751 703**	**(449 825)**
Proceeds from borrowings	22	3 802 489	3 310 952
Repayment of borrowings	22	(4 457 425)	(1 712 615)
Net change in drawing facilities	22	(62 142)	(21 731)
Interest received	22	23 228	5 431
Interest paid	22	(167 737)	(77 424)
Received/(paid) other financial items	22	(62 194)	(13 770)
Acquisition of non-controlling interests		(17 773)	(7 355)
Paid dividends, including distribution to non-controlling interests		(92 496)	(429 359)
Change in treasury shares	21	–	29
Net cash flow from financing activities		**(1 034 051)**	**1 054 159**
Foreign exchange effect		21 094	(25 655)
Net change in cash and cash equivalents for the period		**4 221 882**	**50 915**
Cash and cash equivalents at the beginning of the period		**510 181**	**459 263**
Cash and cash equivalents at the end of the period	20	**4 732 063**	**510 181**
Net cash flows related to the Group`s discontinued operations			
Net cash flow from operating activities in discontinued operations		**381 845**	**351 448**
Net cash flow from investing activities in discontinued operations		**(436 804)**	**(167 694)**
Net cash flow from financing activities in discontinued operations		**(231 621)**	**(19 810)**

CERMAQ GROUP

Statement of changes in Equity

Amounts in NOK 1000

	Share Capital	Treasury shares	Retained earnings	Actuarial gains and losses reserve	Available-for-sale reserve	Cash flow hedge reserve	Translation differences	Total to ASA's owners	Non-controlling interests	Total equity
Equity 1 January 2012	**925 000**	**(37)**	**5 112 245**	**1 603**	**57 919**	**21 321**	**(3 282)**	**6 114 769**	**45 853**	**6 160 622**
Net income/ (loss) from total operations	–	–	242 651	–	–	–	–	242 651	(2 304)	240 347
Other comprehensive income	–	–	–	(20 767)	(57 919)	(19 636)	(193 850)	(292 173)	(822)	(292 994)
Total comprehensive income	–	–	*242 651*	*(20 767)*	*(57 919)*	*(19 636)*	*(193 850)*	*(49 522)*	*(3 125)*	*(52 647)*
Change in treasury shares	–	0	29	–	–	–	–	29	–	29
Dividends paid	–	–	(428 258)	–	–	–	–	(428 258)	(1 101)	(429 359)
Equity 31 December 2012	**925 000**	**(37)**	**4 926 667**	**(19 164)**	**–**	**1 685**	**(197 132)**	**5 637 018**	**41 626**	**5 678 644**
Equity 1 January 2013	**925 000**	**(37)**	**4 926 667**	**(19 164)**	**–**	**1 685**	**(197 132)**	**5 637 018**	**41 626**	**5 678 644**
Net income/ (loss) from total operations	–	–	3 885 972	–	–	–	–	3 885 972	1 019	3 886 992
Other comprehensive income	–	–	–	18 991	–	11 330	151 846	182 166	(1 204)	180 962
Total comprehensive income	–	–	*3 885 972*	*18 991*	–	*11 330*	*151 846*	*4 068 138*	*(185)*	*4 067 953*
Share based payments	–	–	(5 252)	–	–	–	–	(5 252)	–	(5 252)
Dividends paid	–	–	(92 497)	–	–	–	–	(92 497)	–	(92 497)
Transactions with non-controlling interests	–	–	(6 038)	–	–	–	–	(6 038)	(17 901)	(23 939)
Equity 31 December 2013	**925 000**	**(37)**	**8 708 853**	**(173)**	–	**13 017**	**(45 287)**	**9 601 372**	**23 540**	**9 624 913**

CERMAQ GROUP

NOTE 1

Corporate information

Cermaq ASA is a company incorporated and domiciled in Norway whose shares are publicly traded on the Oslo Stock Exchange (OSE). The Group has one strategic business area; Sustainable sea farming, as well as any other business related thereto. The company shall have an active role linked to research and development in the sea farming industry. Other non-reportable activities of the group are reported as "Other activities" and include the subsidiary Norgrain AS and the activity in the parent company Cermaq ASA.

Fish farming involves the breeding and on-growing, harvesting, processing, sale and distribution of salmonid species.

The consolidated financial statements of Cermaq ASA for the year ended 31 December 2013 were authorised for issue in accordance with the Board of Directors' resolution on 25 March 2014.

NOTE 2

Accounting principles

2.1 Basis of preparation

Statement of compliance

The consolidated financial statements of Cermaq ASA and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union, relevant interpretations and the additional Norwegian disclosure requirements following the Norwegian Accounting Act applicable as at 31 December 2013.

Basis of measurement

The consolidated financial statements are prepared under the historical cost convention except for the following:

- derivative financial instruments are measured at fair value
- available-for-sale financial assets are measured at fair value
- biological assets are measured at fair value less costs to sell

The methods used to calculate fair values are discussed in the principles below and in the relevant notes.

The accounting principles are applied consistently for all years presented.

Presentation currency

Figures are presented in Norwegian Kroner and all values are rounded to the nearest thousand, except where otherwise indicated. Applied currency rates for translation into Norwegian Kroner in the financial statements are retrieved from Norges Bank, or based on quoted rates from one of the larger Nordic banks if Norges Bank does not publish currency rates for a specific currency. The income statement is translated by average currency rates for the year based on weighted daily rates. The Group's applied currency rates are shown in the table below:

Relevant currency rates	Closing rate 31 December		Average rate	
	2013	**2012**	**2013**	**2012**
USD/NOK	6.0837	5.5664	5.8768	5.8210
GBP/NOK	10.0527	8.9958	9.1968	9.2199
CAD/NOK	5.7160	5.5968	5.7031	5.8229
VND/NOK	0.0003	0.0003	0.0003	0.0003

2.2 Adoption of new and amended standards and interpretations

The following standards have been adopted by the Group for the first time for the financial year beginning on or after 1 January 2013 and have a material impact on the Group:

Amendments to IAS 1, "Financial statement presentation" regarding other comprehensive income. The main change from these amendments is a requirement to group items presented in "Other Comprehensive Income" (OCI) on the basis of whether they are to be reclassified to profit or loss in subsequent periods or not. The amendment only affected the presentation of the total comprehensive income.

IAS 19, "Employee Benefits" was amended with effect from 1 January 2013. The amendments include removing the corridor method. Due to the discharge of the corridor method the actuarial gains and losses now have to be recognised through other comprehensive income in the period they arise. The amendments will all else equal impact the net defined benefit expense as the expected return on plan assets will be calculated using the same interest rate as applied for the purpose of discounting the benefit obligation. IAS 19R has been applied retrospective and the comparative figures have been changed. The effects of the implementation were as followed:

Amounts in NOK 1 000

	As at 31 December 2012	As at 1 January 2012	Movement in the period
Impact on net defined benefit plan obligation	(26 047)	2 222	(28 269)
Impact on deferred taxes	6 883	(619)	7 502
Net impact on equity (OCI)	**(19 164)**	**1 603**	**(20 767)**

Amendment to IFRS 7, "Financial instruments. Disclosures", on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 13, "Fair value measurement", aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The standard does not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The implementation of IFRS 13 has not had a significant impact on the consolidated financial statements. For the consolidated financial statements, the implementation of the standard required further disclosures regarding the fair value measurements of biological assets. Please refer to 2.3 and note 18 for further information.

Please refer to the end of the principles section for approved IFRSs and IFRICs with future effective dates.

2.3 Summary of significant accounting policies

Consolidation principles and non-controlling interests

The consolidated financial statements include the parent company Cermaq ASA and companies where Cermaq ASA has a direct or indirect ownership of more than 50 percent of the voting capital and/or a controlling influence.

Companies where Cermaq ASA has a significant influence (normally defined as ownership interest between 20 and 50 percent of the voting capital) over operations and financial decisions have been incorporated into the consolidated financial statements by means of the equity method. In accordance with this principle, the share of the profit or loss from these companies for periods where significant influence is effective is included on the line "Share of net income from associates". Under the equity method, investments in associated companies are carried in the statement of financial position at cost and adjusted for post-acquisition changes in the Group's share of the net assets of the associated companies (i.e. comprehensive income and equity adjustments), less any impairment in the value of the investments. Any goodwill is included in the carrying amount of the investment and is assessed for impairment as part of the investment.

The purchase method is applied when accounting for business combinations. Companies that have been acquired during the year have been consolidated from date of acquisition. Companies that have been sold during the year have been consolidated up until the date of transfer.

Consolidated financial statements have been prepared on the basis of uniform principles, and the accounting principles of subsidiaries are consistent with the policies adopted by the Group.

All transactions and balances between Group companies have been eliminated. Unrealized internal profit related to feed used in the production of goods of biological assets are eliminated.

The share of the profit or loss after tax attributable to non-controlling interests is presented on a separate line after the Group's profit for the year. Non-controlling interests in subsidiaries are presented within equity separately from the equity attributable to the owners of Cermaq ASA. Non-controlling interests consist either of the proportionate fair value of net identifiable assets or of fair value of those interests at the date of the business combination and the non-controlling interests' share of changes in equity since the date of the business combination. The principle for measuring non-controlling interests is determined separately for each business combination.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group looses control over a subsidiary it derecognises the assets, liabilities, non-controlling interests and any accumulative translation differences in relation to the subsidiary. Any investment retained at the date when control is lost is measured at fair value and a gain/loss is recognised.

Classification principles

Cash and cash equivalents are defined as cash and bank deposits. The Group's cash pool systems are offset, with cash and overdrafts within the same cash pool system presented net.

Other assets which are expected to be realised within the entity's normal operating cycle or within 12 months from the balance sheet date, are classified as current assets. Other assets are classified as non-current assets.

Liabilities that are expected to be settled in the entity's normal operating cycle or are due to be settled within 12 months after the balance sheet date, are classified as current liabilities. Other liabilities where the Group has an unconditional right to defer settlement for at least 12 months after the reporting period are classified as non-current liabilities.

Proposed dividend is not recognised as liability until the Group has an irrevocable obligation to pay the dividend, which is normally after approval by the annual general assembly.

The Group's key figure for measurement of income under IFRS is the operating result before fair value adjustments of biological assets. Fair value changes of biological assets are presented on a separate line within the income statement. The Group reports operating result before fair value adjustments of biological assets to show the result from sales in the period.

Foreign currency translation

Functional and presentation currency

Assets and liabilities in foreign entities, including goodwill and fair value adjustments related to business combinations are translated to NOK at the exchange date at the balance sheet date. Revenues, expenses, gains and losses are translated using the average exchange rate during the period. Translation adjustments are recognized in the statement of other comprehensive income.

Transactions and balance sheet items

Transactions in foreign currencies are initially recorded in the functional currency rate at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised as financial items in the income statement.

Revenue recognition

Sale of goods

The sale of all goods is recorded as operating revenue at the time of delivery, which is the point where risk and control is transferred to the customer. Revenue is measured at the fair value of the consideration received or receivable. Discounts, other price reductions, taxes etc. are deducted from operating revenues.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale or terms with the specific customer.

- Feed companies

Risk is transferred to the customer at delivery or at the customer's premises, depending on the terms of the sales agreement.

- Farm companies

The point when risk passes to the customer depends on the delivery terms specified in the sales agreement. Delivery terms vary between countries and between customers. Normally where delivery is made by vehicle owned or hired by the farm companies, delivery is complete and risk passes once delivery has been made to the buyer's specified address. Where delivery is made by other means, risk normally passes when the goods are handed over to the relevant carrier.

Interest income

Interest income is recognised as it accrues, using the effective interest method.

Dividend

Dividend income is recognised in the income statement on the date that the Group's right to receive payment is established.

Fair value on biological assets

Live fish is measured at fair value. For fish where little biological transformation has taken place since initial cost was incurred or the transformation is not expected to impact the price materially, cost is used as an approximation for fair value. This approximation is used up to 1 kilo of live weight.

Harvestable fish is measured using the most relevant selling price available at the reporting date for harvested fish less cost to sell. Harvestable fish is defined as 4 kilo and higher live weight for Atlantic salmon.

Atlantics in the interval from 1 to 4 kilo live weight is defined as non-harvestable fish. The corresponding sizes for Coho and trout are from 1 to 2.5 kilo live weight. No efficient market exists for non-harvestable fish. Measurement for fair value is performed using a fair value model. The model uses the most relevant price assumptions at balance sheet date, preferably quoted forward prices where those are available and/or the most relevant prices at the expected time of harvest. Estimated actual cost per site at completion is used to measure the expected margin at the time the fish is defined as mature. The expected margin is recognised gradually based on weight sizes with the starting point being from 1 kilo live weight, where biological transformation is taking place. As an example, an Atlantic salmon of 2 kilo live weight will include one third of the expected margin. If the expected margin at the point of harvest is a loss, the full amount will be included as a negative fair value adjustment. In note 19, the biological assets are specified showing both the incurred cost and the fair value adjustment.

Changes in estimated fair value on biological assets are recognised in the income statement on a separate line "Unrealised fair value adjustments" within the operating result.

Fixed price contracts

The Group enters into long-term sale contracts for delivery of salmon products. The contracts are signed based on the assumption that delivery of salmon products will take place. These contracts are not tradable. Provisions are made for onerous fixed price contracts to the extent where the Group is obliged to sell salmon products at a lower price than the market price used for the fair value adjustments of biological assets.

Derivative financial instruments

The Group holds a limited number of financial derivative instruments used to hedge its foreign currency risk exposures. Derivatives are initially recognised at fair value. Changes in fair value of derivatives are recognised in the income statement, unless they qualify for hedge accounting.

The Group's criteria for classifying a derivative as a hedging instrument for accounting purposes follows specific guidance in IAS 39 and is as follows:

(1) there is adequate documentation at the inception that the hedge is effective, (2) the hedge is expected to be highly effective in that it counteracts changes in the fair value or cash flows from an identified asset or liability, (3) for cash flow hedges, the forthcoming transaction must be highly probable, (4) the effectiveness of the hedge can be reliably measured, and (5) the hedge is evaluated regularly and has proven to be effective.

Hedging instruments that are classified as cash flow hedges offset exposure to variability in cash flows that is attributable to interest-, currency- and market price rates. For cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the contract that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in the income statement.

All financial instruments are recognised in the balance sheet at fair value when the entity becomes a party to the contractual provisions of the instrument. The instrument is derecognised when the contractual rights expire or contractual rights and obligations mainly are transferred.

Financial derivates are classified based on maturity, and hedging instruments are classified consistent with the underlying hedged item.

Non-derivative financial instruments
Other financial assets and liabilities of the Group are classified into the following categories: loans and receivables, available-for-sale financial assets and other liabilities. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. When financial assets of financial liabilities are recognised initially, they are measured at fair value, except for derivatives, plus directly attributable transaction cost. The purchases and sales of financial assets or financial liabilities are recognised at the date of trade.

Other financial assets and liabilities are initially recognised at fair value, with subsequent measurement as described below (only those that are relevant to the Group are listed):

Loans and receivables
Loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Borrowing cost
Borrowing cost directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense when incurred. Interest bearing loans are measured at amortised cost using the effective interest method.

Inventories
Raw materials and purchased commodities are valued at the lower of historical cost and net realisable value in accordance with the FIFO principle.

Finished goods in feed companies are feed ready for deliverance to customer, valued at the lower of cost and net realisable value. The cost of finished goods includes any processing costs that have incurred. Processing costs consist of logistics, handling and storage costs.

The Group values all live biological assets (fish) inventory at fair value less costs to sell. Finished goods/frozen inventory within the farming division is recognised at the lower of cost (fair value at the point of harvest) and net realisable value.

Property, plant and equipment
Property, plant and equipment are recognised at cost less accumulated depreciation and any accumulated impairment losses.

Allowances are made for depreciation from the point in time when an asset is placed in operation, and depreciation is calculated based on useful life of the asset considering estimated residual value. The straight-line depreciation method is used as this best reflects the consumption of the assets.

Different depreciation rates are applied to an asset where components of the asset are characterised by having different useful economic lives. Land and plant under construction are not depreciated. For asset under construction, depreciation is charged once the asset is ready for its intended use.

Gains or losses from sale of property, plant and equipment are calculated as the difference between sales price and carrying value at date of sale. Gains and losses from sale of property, plant and equipment are recorded in the income statement.

Carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that carrying amount may not be recoverable. If any such indication exists and where the carrying value exceeds the estimated recoverable amount, the assets or cash generating units are written down to their recoverable amount.

Depreciation methods, residual values and estimated useful life are reviewed annually.

Intangible assets
All internal research is expensed as incurred. Development cost are only capitalised if the criteria are met. In 2013, all development cost have been expensed.

Payments for fish farming licences, rights and other intangible assets are depreciated in accordance with the useful life of such licences or rights. The substance of fish farming licences in the Group's major markets is that they have an indefinite life. The uncertainty related to renewal of existing fish farming licences by the authorities in each region is not considered to alter the indefinite useful life of these assets and therefore fish farming licences are not amortised. Fish farming licences that are obtained as part of an acquisition, are valued using valuations established by similar transactions in similar locations.

Where a business is acquired and the consideration for the business exceeds the net fair values of the identifiable assets, liabilities and contingent liabilities, the difference, provided it represents a commercial value, is identified as goodwill on the balance sheet. Goodwill is carried at cost less accumulated impairments losses.

Goodwill is not amortised. At the acquisition date, goodwill and fish farming licenses are allocated to each of the cash generating units expected to benefit from the synergies. Impairment is determined by assessing the recoverable amounts of the cash generating unit to which the goodwill relates. In order to determine the Group's cash generating units, assets are grouped together at the lowest levels for which there are separately identifiable, mainly independent, cash flows. Recoverable amounts are calculated using a value in use approach, rather than fair value less costs to sell.

Carrying value of goodwill and fish farming licenses with an indefinite life is reviewed for impairment annually or more frequently if there are indicators of a fall in value below carrying amount.

Pensions
Group companies operate various pension schemes and these include both defined benefit schemes and defined contribution plans.

Defined benefit plans
Defined benefit plans are valued at the present value of accrued future pension benefits at the end of the reporting period. Pension plan assets are valued at their fair value.

In 2007, the parent company and all 100 percent owned Norwegian companies in the Group transferred from funded to unfunded defined benefit plans for Top Hat-schemes (salary above 12G) for employees in the scheme at 31 December 2006. New employees/employees with a salary above 12G after 1 January 2007 have a defined Top Hat-contribution scheme. Pension obligations financed through operations are calculated and included in the carrying amount of pension obligations.

The current service cost and net interest income/costs are recognised immediately. The service costs are recognised in the salary and personnel cost line in the income statement. Changes in value, both in assets and liabilities are recognised through other comprehensive income.

In defined benefit plans, the pension commitments and pension expenses are determined using a linear accrual formula. This method distributes pension obligations in a straight line over the accrual period. The employees' accrued pension rights during a period are defined as the pension expenses for the year. All pension expenses are recognised in the income statement as personnel expenses.

Pension obligations are calculated on the basis of long-term discount rates and long-term expected yield, wage increases, price inflation and pension adjustment.

Defined contribution plans
In 2006, the parent company and all 100 percent owned Norwegian companies in the Group transferred to defined contribution plans for "kollektiv tjenestepensjon". The Group therefore has a defined contribution plan in addition to the defined benefit plan described. The companies' payments to defined contribution schemes are recognised in the income statement the year the contribution applies, with no further liability for the Group.

Income tax
Income tax expense consists of taxes payable and changes in deferred tax.

Taxes payable is recognised at the amount expected to be paid out of taxable income in the consolidated financial statements. Share of net income from associated companies are recognised after tax and therefore does not affect the Group's income tax expense. Taxes payable is calculated based on enacted or substantially enacted tax rates as at the balance sheet date.

Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date, which implies increased or decreased tax payable when these differences reverse in future periods. Temporary differences are differences between taxable profits and results that occur in one period and reverse in a later period.

Deferred tax is calculated applying the nominal tax rates (at the balance sheet date for each relevant tax jurisdiction) to temporary differences and accumulated tax losses carried forward.

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

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Discontinued operations
A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier.

Assets related to discontinued operations and directly attributable liabilities are presented gross in the financial position as "Assets held for sale" and "Liabilities held for sale", respectively, from the time the criteria for discontinued operation are met. When an operation is classified as discontinued operation, the comparative statement of income and comprehensive income is re-presented as if the operation had been discontinued from the start of the comparative period. Intragroup transactions are eliminated in the consolidated financial statements until the date of disposal. This means that only income and expenses from external transactions are attributable to continuing and discontinued operations. Consequently, neither continued nor discontinued operations represent the activities as if they were standalone entities.

Share capital

Ordinary shares
Ordinary shares are classified as equity. Costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

Repurchase of share capital (treasury shares)
When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs,

is recognised as a deduction from equity net of tax effects. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity. When treasury shares are sold or reissued, the amount received is recognised as an increase in equity, and the resulting surplus or deficit of the transaction is transferred to/from retained earnings.

Cash flow statement

The Group presents the statement of cash flows using the indirect method. The Group's cash flow statement analyses the Group's overall cash flow by operating, investment and financing activities. The acquisition of subsidiaries is shown as an investment activity for the Group and is presented separately net of cash and cash equivalents in the acquired company. The statement shows the effect of operations on the Group's cash and cash equivalents.

Approved IFRSs and IFRICs with future effective dates

Standards and interpretations that might impact the Group and are issued up to the date of issuance of the consolidated financial statements, but not yet effective, are disclosed below. The Group will adopt the relevant new and amended standards and interpretations when they become effective, subject to EU approval before the consolidated financial statements are issued.

IFRS 9 Financial Instruments: Classification and Measurement

IFRS 9, as issued, reflects the first phase of IASB's work on the replacement of IAS 39, which are classification and measurement of financial assets and financial liabilities and hedge accounting. IFRS 9 requires financial assets to be classified into two measurements categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The standard was initially effective for annual periods beginning on or after 1 January 2013, but amendments to IFRS 9 issued in December 2011 postponed the effective date to 1 January 2015. Subsequent phases of this project will address hedge accounting and impairment of financial assets. The Group will evaluate potential effects of IFRS 9 in accordance with the other phases when the final standard is issued.

IFRS 10 Consolidated Financial Statements

IFRS 10 replaces the parts of IAS 27 that contain consolidated financial statements and is based on one single control model to be applied on all investments. IFRS 10 is effective for annual periods starting on or after 1 January 2014 within the EU/EEA area. The Group expects to apply IFRS 10 as of 1 January 2014. The implementation of IFRS 10 is expected to have no impact on the consolidated financial statements.

IFRS 11 Joint Arrangements

IFRS 11 replaces IAS 31 Interests in Joint Ventures and removes the option to account joint operations based on the proportionate consolidation method. Within the EU, IFRS 11 is effective for annual periods beginning on or after 1 January 2014. The Group expects to apply IFRS 11 as of 1 January 2014. As of today, the Group do not have any joint arrangements.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 applies for enterprises with interests in subsidiaries, joint arrangements, associates and structured entities and replaces the disclosure requirements that were previously included in IAS 27 Consolidated and Separate Financial Statements, IAS 28 Investments in Associates and IAS 31 Interests in Joint Ventures. In addition, further disclosures are required. The implementation of IFRS 12 is expected to have no impact on the consolidated financial statements.

NOTE 3

Critical accounting judgements and estimates

Preparation of the financial statements requires that management makes judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities and contingent liabilities in the financial position, and income and expenses for the year. The final values realised may deviate from these estimates.

3.1 Critical judgements in applying the Group's accounting policies

The judgements which are considered to be most significant for the Group are set out below:

Fish farming licences

The substance of fish farming licences in the Group's major markets is that they have indefinite useful lives. The uncertainty related to renewal of existing licences by the authorities in each region is not considered to alter the indefinite useful life of these assets and therefore licences are not amortised.

3.2 Key sources of estimation uncertainty – critical accounting estimates

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised. The estimates which are considered to be most significant for the Group are set out below:

Goodwill and intangible assets

Carrying value of goodwill and intangible assets with indefinite lives is reviewed for impairment annually or more frequently if there are indicators of a decrease in value below carrying amount. This requires an estimation of value in use of the cash generating units to which the goodwill and intangible assets are allocated. Identifying the value in use requires the Group to make an estimate of the expected future cash flows from the cash generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Expectations about future cash flows will vary between periods. Changes in market conditions, biological conditions and expected cash flows in general may cause impairments in the future. The major assumptions which have an impact on present value of projected cash flows, are the discount rate, the estimated price of salmon in each of the Group's markets, cost of production for each product, salmon production volumes and that there will continue to be a market for salmon produced in the geographical areas where the assets are located. Further details in note 13, Intangible assets.

Deferred tax assets
Deferred tax assets related to tax losses carried forward are recognised to the extent that expected future income for the respective company will be sufficient over the medium term to utilise those tax losses. This requires an estimate to be made of the expected future income of the company concerned. Estimates of future income may change over time and this could result in changes to the carrying value of deferred tax assets. Further details of unrecognised deferred tax assets are given in note 11.

Fair values on acquisitions
The cost price for acquired shares is allocated to identifiable assets and liabilities at their estimated fair values at the time of acquisitions. Any excess value beyond that allocated to assets and liabilities is recognised in the financial position as goodwill. To determine fair values on acquisition, estimates must be made. Commonly, an active market does not exist for assets and liabilities obtained through acquisitions and therefore alternative methods must be used to determine fair values. If fair value of assets acquired exceeds the consideration paid, the difference is recognised in the income statement. The allocation of the consideration to identifiable assets and liabilities is made on a provisional basis. The values allocated are reviewed based on improved knowledge of operations in subsequent periods, but no later than the 12 months after the acquisition.

Gain/loss calculation from disposal of businesses
As part of the disposal of businesses, a gain/loss calculation must be performed and recognized in the income statement based on the consideration less the Group's carrying amount of the disposed businesses at the date of disposal. In some cases, the consideration may have to be estimated due to contingent consideration. Further details concerning the calculation of the gain from disposal of EWOS can be found in note 5.

Fair value of biological assets
The Group recognises inventories of live fish at fair value less costs to sell. Change in fair value of biological assets is recognised in the income statement on a separate line, "Fair value adjustments of biological assets", within operating profit. The estimated fair value is based on the most relevant forward prices for salmon at the balance sheet date in the respective markets in which the Group operates. The fair value calculation also includes estimates of volumes, quality, production cost, mortality and normal cost of harvest and sale. The income or loss that will be recognised at the time of sale may differ significantly from what was implied by the fair value adjustment at the end of a reporting period. The fair value adjustment of biological assets has no cash impact and does not affect the Group's key earnings measure operating profit before fair value adjustments of biological assets.

Fair value is measured using a valuation model which uses the most relevant price assumptions at the reporting date. This means that the valuation of biological assets is classified at level 3 in the valuation hierarchy in IFRS 13 Fair value measurement. The model used is the same for all farming companies in the Group. The model is defined at Group level and communicated to all operating companies together with criteria to determine the critical assumptions. The operating companies are making the actual calculations based on various input regarding prices, volumes and biological conditions. The Group performs a quality review of the calculations. In note 19, both the historical cost and fair value adjustment of biological assets are specified.

NOTE 4

Companies in the Group

The consolidated financial statements for 2013 include the following subsidiaries and associated companies of significant size:

Amounts in 1 000 (local currency)

	Registered office	Currency	Nominal share capital	The Group's ownership interest and voting share
Company name				
Parent company Cermaq ASA	Norway	NOK	925 000	
Subsidiaries				
Mainstream Holding AS	Norway	NOK	81 000	100 %
Cermaq Norway AS	Norway	NOK	5 440	100 %
Cermaq Canada Ltd	Canada	CAD	15 000	100 %
Mainstream Inversiones Ltda	Chile	USD	8 087	100 %
Mainstream Chile S.A	Chile	USD	154 719	100 %
Cultivos Marinos Chiloé S.A	Chile	USD	95 231	100 %
Norgrain AS	Norway	NOK	7 675	72.5 %

NOTE 5

Discontinued operations and business combinations

Year 2013 – Discontinued operations

EWOS Group

On 18 July 2013, Cermaq announced that the company had entered into an an agreement concerning the disposal of the EWOS business area with Altor Fund III GP Limited and Bain Capital Europe LLP, for a total enterprise value of NOK 6.5 billion. Cermaq entered into a long-term feed contract with EWOS at market terms. The duration of the contract is six years, and will be exclusive for the first two years of the contract.

The transaction was completed on 31 October 2013. A gain of NOK 2.7 billion, that includes a contingent consideration of NOK 180 million at the time of preparing the financial statements, has been recognised in the income statement in 2013 and is presented as part of discontinued operations. EWOS is included in the consolidated financial statements until 31 October 2013. Net income/(loss) from discontinued operations, which also includes the gain on disposal, is presented on a separate line in the income statement for 2013. The comparative figures for 2012 are re-presented. External income and expenses for EWOS have been reclassified to discontinued operations, and transactions between continuing and discontinued operations have been eliminated in the consolidated financial statements.

The contingent consideration will be received when EWOS receives outstanding payments from two customers in Chile. Based on the ongoing processes and the agreement EWOS Chile has entered into with these customers Cermaq expects to receive these payments in full, but the timing of when the expected payments will be received is not known when preparing the financial statements.

The gain includes transaction costs of approximately NOK 35 million, of which approximately NOK 20 million are related to financial advisors.

Amounts in NOK 1 000

	Discontinued operations 2013	Discontinued operations 2012
Operating revenues	7 261 085	8 501 316
Cost of raw materials	(7 232 783)	(8 030 870)
Personnel expenses	(332 024)	(379 352)
Other operating expenses	(833 264)	(934 560)
Depreciations and amortisations	(179 812)	(157 386)
Operating result pre fair value adjustments of biological assets	**(1 316 799)**	**(1 000 851)**
Fair value adjustments of biological assets	(8 847)	21 655
Operating result	**(1 325 646)**	**(979 196)**
Share of net income from associates	1 476	1 371
Financial items, net	19 103	(12 073)
Gain on disposal of discontinued operations	2 696 946	–
Income/(loss) before taxes	**1 391 879**	**(989 898)**
Income taxes	358 341	227 505
Net income/(loss) from discontinued operations	**1 750 220**	**(762 393)**

Effective tax rate for discontinued operations

Amounts in NOK 1 000

Effective tax rate	2013	2012
Net income/(loss) before taxes from discontinued operations	1 391 879	(989 898)
Income tax expense at corporate income tax rate in Norway (28%) from discontinued operations	(389 726)	277 171
28% tax effect on permanent differences	769 752	(2 208)
Withholding tax on dividends	(11 551)	–
Other differences	(10 134)	(47 458)
Income tax expense from discontinuing operations	**358 341**	**227 505**

Net income/(loss) from discontinued operations includes the gain on the sale of the shares in EWOS. This gain explains the main tax effect from the permanent differences as the sale of shares in EWOS is not taxable income, and thus not included in taxable profit.

In the table below, continued operations are presented separately and without elimination of transactions with discontinued operations:

Amounts in NOK 1 000

	Continued operations		Discontinued operations/ Eliminations		Cermaq Group	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Operating revenues	5 155 315	3 280 605	–	–	5 155 315	3 280 605
Cost of raw materials	(2 197 544)	(1 744 803)	1 702 436	1 736 835	(495 108)	(7 967)
Write-down of biological assets	–	(78 736)	–	–	–	(78 736)
Personnel expenses	(774 381)	(633 745)	–	–	(774 381)	(633 745)
Other operating expenses	(1 435 628)	(960 710)	(36 564)	(61 122)	(1 472 192)	(1 021 833)
Gain/loss sale of assets	46 107	–	–	–	46 107	–
Depreciations, amortisations and bargain purchase gain	(251 752)	(59 316)	–	–	(251 752)	(59 316)
Operating result pre fair value adjustments of biological assets	**542 117**	**(196 705)**	**1 665 872**	**1 675 713**	**2 207 989**	**1 479 007**
Fair value adjustments of biological assets	651 582	(207 200)	17 229	33 455	668 811	(173 745)
Operating result	**1 193 699**	**(403 905)**	**1 683 101**	**1 709 168**	**2 876 800**	**1 305 262**
Share of net income from associates	11 083	12 567	–	–	11 083	12 567
Financial items, net	**(39 785)**	**(16 252)**	**–**	**(2 911)**	**(39 785)**	**(19 163)**
Income/(loss) before taxes	**1 164 997**	**(407 591)**	**1 683 101**	**1 706 257**	**2 848 098**	**1 298 667**
Income taxes	(257 416)	88 787	(453 910)	(384 714)	(711 326)	(295 927)
Net income/(loss)	**907 581**	**(318 804)**	**1 229 192**	**1 321 543**	**2 136 773**	**1 002 740**

Year 2012 – Business combinations

Cultivos Marinos Chiloé

On 1 October 2012, Cermaq entered into an agreement with the shareholders of Cultivos Marinos Chiloé S.A (CMC) to acquire 100 percent of the shares in the company, a medium sized salmon farming company with production of Atlantic salmon and trout in the regions Los Lagos and Aysén. The company owns 12 smolt facilities and 2 processing plants with value added product capacity. The farming capacity is in the range of 32 000 tonnes (gwe) per year by controlling a total of 29 licenses, out of which 20 in region Los Lagos (X) and 9 in region Aysén (XI). Except for net 3 licenses that are rented from other farmers, the remaining licenses are owned by the company. In addition to the existing production, CMC has applied for 4 new licenses in region XI and 58 licenses in region XII. There is no knowledge as to if and when such applications may be approved. At the time of acquisition, the company had approximately 1 500 employees.

The transaction was completed on 5 October 2012. The total Enterprise Value was USD 110 million (NOK 627 million), of which a cash consideration of USD 15.4 million (NOK 88 million) was paid to the shareholders.

Acquiring CMC enabled Cermaq's production capacity in Chile to increase by almost 50 percent and strengthened Mainstream Chile's ability to control neighbourhoods where the company is present. After the acquisition, Mainstream Chile and CMC combined are operating in three new neighbourhoods, out of which two are fully controlled. Balancing the company's operations between all three regions is one of the four cornerstones in Cermaq's strategy for sustainable farming operations in Chile. Furthermore, the transaction will increase the group's activity within value added processing as more than 90 percent of CMC's production is supplied as portions, filets and smoked salmon to its customers. This will support Mainstream's strategy to increase the product flexibility as well as realising synergies in Chile through increased value added processing, improved capacity utilisation and by combining administrative functions.

The purchase price allocation is deemed final. The carrying values are revised in accordance with IFRS at the date of acquisition. The fair value of net assets acquired in the transaction and the bargain purchase gain arising are shown in the table to the right:

Amounts in NOK 1 000

	Total fair values at transaction date
ASSETS	
Intangible assets	320 449
Property, plant and equipment	459 619
Financial fixed assets	46 645
Total non-current assets	**826 712**
Inventories	291 740
Accounts receivable	85 173
Other current receivables	8 464
Cash and cash equivalents	14 762
Total current assets	**400 139**
Total assets	**1 226 852**
LIABILITIES	
Provisions	–
Non-current interest bearing liabilities	2 257
Total non-current liabilities	**2 257**
Current interest bearing liabilities	536 591
Accounts payable [1)]	384 027
Other current liabilities	78 978
Total current liabilities	**999 595**
Total liabilities	**1 001 852**
Net assets required	**224 999**
Bargain purchase gain	(137 227)
Total consideration for shares	**87 772**

1) NOK 182 million of the accounts payable at acquisition date is related to EWOS Chile and will be eliminated in the consolidated financial statements.

The excess value allocated to Intangible assets is related to farming licenses and determined by analyses of the most recent market acquisitions in Chile adjusted for an internal risk evaluation due to market and industry development. The other adjustments are alignments to Cermaq's accounting principles and fair value assessments of assets and liabilities. Consequently, based on the purchase price allocation, a bargain purchase gain of NOK 137.2 million has been recognised on the line "Bargain purchase gain" in the income statement. The main reason for the bargain purchase gain was that CMC experienced a challenging financial situation. Expenses related to the transaction have been expensed as incurred and amounted to NOK 3.4 million.

CMC was consolidated in the Cermaq consolidated financial statements from 5 October 2012. CMC contributed with NOK 294 million in revenues and had a net loss of NOK 9 million in the period between the date of consolidation and 31 December 2012. If CMC had been included from the beginning of the year, the effect on revenues would have been NOK 838 million and a net loss of NOK 166 million. This does not include the Group's interest expenses related to the financing of the acquisition and is not adjusted for any intercompany effects. The numbers are not necessarily indicative of the result of operations which actually would have been the result had the acquisition been effective from the beginning of the annual reporting period or of future results.

NOTE 6

Information on segments and geographic distribution

The segment reporting is consistent with the financial information which is regularly reviewed by the Group management for assessing performance and allocating resources. The Group management is defined as the chief operating decision makers.

As a consequence of the sale of EWOS in 2013 and changes in the composition of the Group management, the operating segments in the Group have been changed to be farming operations by geographic regions. The composition of the Group management has been changed, where executive officers for farming in each region are included with effect from 2 December 2013. Historical comparative figures have been prepared.

The operating result, investments, assets and liabilities related to fish farming are reported to and evaluated by corporate management. The segments result is defined as operating result before fair value adjustment of biological assets. The segments reported assets include all assets.

Amounts in NOK 1 000

	Cermaq Norway		Cermaq Chile		Cermaq Canada	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Operating revenues	**2 005 304**	**1 367 607**	**2 470 320**	**1 310 003**	**656 117**	**589 542**
Cost of raw materials	(937 382)	(821 128)	(993 878)	(565 268)	(265 792)	(344 970)
Write-down of biological assets	–	(19 517)	–	–	–	(59 219)
Depreciations and amortisations	(70 509)	(65 062)	(133 291)	(82 452)	(42 112)	(44 737)
Bargain purchase gain	–	–	–	137 227	–	–
Operating result before fair value adjustments of biological assets	**445 343**	**23 367**	**76 933**	**(26 988)**	**134 935**	**(98 273)**
Fair value adjustments of biological assets	182 764	76 820	222 337	(170 730)	246 481	(113 290)
Operating result	**628 107**	**100 187**	**299 270**	**(197 718)**	**381 416**	**(211 562)**
Profit/(loss) before taxes	**611 582**	**77 422**	**235 638**	**(215 733)**	**670 979**	**(212 552)**
Income taxes	(156 365)	(20 374)	(46 303)	59 980	(101 344)	39 916
Net income/(loss)	**455 216**	**57 047**	**189 334**	**(155 753)**	**569 635**	**(172 636)**
Total assets	2 907 125	2 387 490	5 188 619	4 000 372	1 189 494	775 224
Intangible assets	514 976	514 217	1 402 511	1 286 580	110 325	107 783
Biological inventory at cost	783 489	767 957	1 467 985	1 003 867	450 198	366 311
Accounts receivable	307 082	165 701	389 138	214 023	17 154	17 456
Total liabilities	1 195 418	1 234 499	3 793 424	2 138 823	292 796	509 678
Capital expenditures	127 345	142 122	219 463	114 209	37 070	34 710
Capital employed last 12 months	1 652 420	1 619 594	3 496 384	2 261 007	557 603	634 767
Investments in businesses	–	3 047	–	89 644	–	–

Amounts in NOK 1 000

	Other/Eliminations		Consolidated	
	2013	**2012**	**2013**	**2012**
Operating revenues	**23 574**	**13 452**	**5 155 315**	**3 280 605**
Cost of raw materials	1 701 944	1 723 399	(495 108)	(7 967)
Write-down of biological assets	–	–	–	(78 736)
Depreciations and amortisations	(5 840)	(4 292)	(251 752)	(196 543)
Bargain purchase gain	–	–	–	137 227
Operating result before fair value adjustments of biological assets	**1 550 778**	**1 580 900**	**2 207 989**	**1 479 007**
Fair value adjustments of biological assets	17 229	33 455	668 811	(173 745)
Operating result	**1 568 007**	**1 614 355**	**2 876 800**	**1 305 262**
Profit/(loss) before taxes	**1 329 900**	**1 649 530**	**2 848 098**	**1 298 667**
Income taxes	(407 313)	(375 448)	(711 326)	(295 927)
Net income/(loss)	**922 587**	**1 274 082**	**2 136 773**	**1 002 740**
Total assets	4 511 023	4 923 949	13 796 262	12 087 035
Intangible assets	13 157	477 690	2 040 969	2 386 271
Biological inventory at cost	–	(41 785)	2 701 672	2 096 349
Accounts receivable	11 968	1 531 991	725 341	1 929 172
Total liabilities	(1 110 289)	2 525 389	4 171 348	6 408 390
Capital expenditures	198 326	183 146	582 204	474 186
Capital employed last 12 months	(1 858 046)	(2 510 771)	3 848 361	2 004 597
Investments in businesses	–	7 824	–	100 515

Other activities/Eliminations consists of activities in parent company Cermaq ASA, subsidiaries Mainstream Holding AS and Norgrain AS and group eliminations. This group also includes some EWOS items which are classified as discontinued operations, see Note 5 for further details.

Group operating revenues by the location of the individual customers

Amounts in NOK 1 000

Country	2013	2012
Norway	506 311	689 299
Chile	341 771	194 197
USA	930 732	634 477
Japan	739 357	490 705
France	406 716	251 236
Poland	232 287	122 147
Canada	225 621	201 634
Rest of Europe	1 057 153	326 581
Other countries	715 366	370 328
Total operating revenues	**5 155 315**	**3 280 605**

Total assets per country

Amounts in NOK 1 000

Country	2013	2012
Norway	7 418 817	7 422 245
Chile	5 187 572	3 887 479
Canada	1 189 871	777 312
Total assets	**13 796 262**	**12 087 035**

The assets in Norway include proceeds from the EWOS transaction as at 31 December 2013. At the Extraordinary General Meeting on 7 January 2014, it was decided to pay an extraordinary dividend of NOK 4 717.5 million. The payment was distributed at 17 January 2014.

Total capital expenditure per country

Amounts in NOK 1 000

Country	2013	2012
Norway	240 864	268 399
Chile	268 381	138 726
Canada	51 328	45 541
Other countries	21 631	21 520
Total capital expenditure	**582 204**	**474 186**

The investments in fixed assets in the table above include investments made in the EWOS Group until the sales date on 31 October 2013.

NOTE 7

Wages and other personnel expenses

Amounts in NOK 1 000

	2013	2012
Wages and salaries including holiday pay	688 540	537 519
National insurance contributions	34 526	27 086
Pension costs	17 640	38 938
Other personnel expenses	33 675	30 202
Total wages and other personnel expenses	**774 381**	**633 745**

The number of employees in the Cermaq Group at 31 December 2013 was 4 361 persons (2012: 5 993 persons). The number of man-years during the year in the Group was 3 744 (2012: 5 324 man-years). The reduction in the number of employees and man-years is mainly due to the disposal of EWOS.

Remuneration – key management personnel

The Cermaq Central Management Team (CCMT) and the Cermaq Board of Directors were entitled to the following remuneration:

Amounts in NOK 1 000

2013	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost [8]
Jon Hindar [1]	3 480	3 049	154	6 684	539
Geir Sjaastad [4]	1 744	1 591	546	3 881	477
Tore Valderhaug [2]	2 445	1 990	149	4 583	252
Kjell Bjordal [3]	271	242	481	994	287
Synne Homble	1 993	1 688	155	3 836	193
Geir Molvik [5]	2 328	1 906	467	4 701	815
Einar Wathne [6]	1 953	1 626	404	3 984	372
Francisco Miranda Morales [7]	202	–	–	202	–
Fernando Villarroel [7]	104	–	–	104	–
Total	**14 520**	**12 092**	**2 357**	**28 969**	**2 935**

Amounts in NOK 1 000

2012	Salary	Bonus	Other remuneration	Total paid remuneration	Pension cost [8]
Jon Hindar [1]	2 485	–	124	2 609	331
Geir Sjaastad	1 904	431	116	2 451	414
Tore Valderhaug [2]	2 562	802	155	3 518	245
Kjell Bjordal [3]	2 334	540	184	3 057	6 710
Synne Homble	1 885	453	161	2 500	188
Geir Molvik	2 312	483	160	2 955	764
Total	**13 481**	**2 708**	**900**	**17 090**	**8 653**

1) Jon Hindar assumed his position as Chief Executive Officer (CEO) 19 March 2012.

2) Tore Valderhaug was appointed acting CEO from 25 July 2011 and combined it with his CFO position until 19 March 2012. Tore Valderhaug resigns from his position as CFO on 11 April 2014.

3) Kjell Bjordal resigned from his position as Chief Operating Officer (COO) for the EWOS Group on 15 February 2013. Recognised pension cost in 2012 is related to updated calculation of pension assumptions due to the resignation.

4) Geir Sjaastad left the Cermaq Central Management Team from 2 December 2013. Geir Sjaastad will be appointed as acting CFO from 12 April 2014 until the position as CFO has been appointed.

5) Geir Molvik assumed his position as Chief Operating Officer (COO) for Cermaq Norway on 2 December 2013.

6) Einar Wathne assumed his position as Chief Operating Officer (COO) for the EWOS Group on 15 February 2013. He was part of the Cermaq Central Management Team until the sale of EWOS on 31 October 2013.

7) Franscisco Miranda Morales and Fernando Villarroel, respectively COO Cermaq Chile and Cermaq Canada, became members of the Cermaq Central Management Team on 2 December 2013.

8) Pension cost is this year's service cost and payments to defined contribution schemes.

Amounts in NOK 1 000

The Board of Directors	Board fee 2013	Board fee 2012
Bård Mikkelsen - Chairman of the Board [1) 7)]	422	421
Rebekka Glasser Herlofsen - Deputy Chairman [2) 3) 4)]	293	275
Helge Midttun [3) 4)]	245	231
Jan Erik Korssjøen [4) 7) 11)]	108	221
Åse Aulie Michelet [3) 6)]	245	231
Reidun Karlsen - employee elected [4) 8)]	98	191
Terje Rekdal - employee elected [5)]	3	8
Ted Andreas Mollan - employee elected [4) 8)]	98	191
Jan Helge Førde - employee elected [6) 7) 10)]	175	221
Lise C. Mortensen - employee elected [9)]	102	–
Jan Robert Røli-Gjervik - employee elected [9)]	102	–
Ketil Olsen - employee elected [10)]	44	–
Total	**1 933**	**1 990**

1) Chair of the Board from Annual General Meeting in May 2009.

2) Deputy Chair from Annual General Meeting in May 2011.

3) Included in the total Board fee for 2013 is compensation related to Audit Committee meetings. Annual Audit Committee fee is NOK 47 000. For the chairman of the Audit Committee yearly fee is NOK 68 000.

4) Board member from Annual General Meeting in May 2009.

5) Resigned from the Board in May 2011. Board fee in 2013 is related to Board meetings as deputy employee elected.

6) Board member from Annual General Meeting in May 2011.

7) Included in the total Board fee for 2013 is compensation related to Remuneration Committee meeting. Annual Remuneration Committee fee is NOK 21 000. For the chairman of the Remuneration Committee yearly fee is NOK 32 000.

8) Resigned from the Board from Annual General Meeting in May 2013.

9) Board member from Annual General Meeting in May 2013.

10) Resigned from the Board in connection with the sale of EWOS in October 2013. Deputy member, Ketil Olsen, replaced Jan Helge Førde as employee elected from October 2013.

11) Resigned from the Board in May 2013.

Employee elected directors have in addition received ordinary salaries from the companies where they are employed.

Deputies in the Board and members of the Nomination Committee receive NOK 2 700 for each meeting they attend.

None of the directors have any share-based remuneration in the company. The following Board members and key management personnel have shares in the company as of 31 December:

	Position	2013	2012
Bård Mikkelsen	Chairman	3 000	3 000
Rebekka Glasser Herlofsen	Deputy chairman	5 000	5 000
Åse Aulie Michelet	Director	4 000	4 000
Jon Hindar	CEO	6 200	3 200
Tore Valderhaug [1)]	CFO	5 600	5 600
Synne Homble [1)]	Director Legal and Corporate Functions	3 600	3 600
Geir Molvik	COO Norway	1 400	1 400
Francisco Miranda Morales	COO Chile	–	2 808
Fernando Villarroel	COO Canada	–	1 738
Geir Sjaastad [1)]	Project Director	44 627	44 627

1) Number of shares held includes shares held by companies or other related parties with whom the persons can be identified with according to the law.

For 2013, the Board determined a bonus scheme for CCMT based on Return on capital employed (ROCE) between 7 and 13 percent and individual criteria. Each element counts for half of the maximum bonus and is independent of each other. The total bonus is limited to 30 percent of the fixed salary. There will be bonus payments in 2014 for the financial year 2013 when this is approved. The bonus has been provided for in the 2013 financial statements.

Beside the ordinary bonus described above, the Board approved to determine a specific bonus scheme for the Group Management on the basis of the take over offer from Marine Harvest to secure key competences in a challenging period for the company. The scheme consisted of two parts. One part contained three months of salary compensation that was earned if the relevant person was employed six months after grant date. The other part contained six months of salary compensation that was earned if the relevant person was employed at the time any significant transaction took place. The transaction was completed 31 October 2013 and therefore both parts were fulfilled in 2013. This payment is included in the bonus payment above.

There was also implemented a compensation scheme for the Group Management in 2013, if the CCMT members were deemed redundant due to a business transaction, with rights to one year compensation, including salary in the termination notice period. Such compensation was not triggered by the transactions in 2013 and consequently there has not been any payments made under this scheme.

Included in the bonus paid in 2013 was also ordinary bonus related to the financial year 2012. For 2012, the Board determined a bonus scheme for CCMT based on ROCE between 7 and 13 percent and individual criteria. Each element counted for half of the maximum bonus and was independent of each other. The total bonus was limited to 30 percent of the fixed salary.

CCMT members are members of the Group's pension schemes described in note 8. Kjell Bjordal had in addition a pension scheme which entitled him to retire at the age of 60. His early retirement scheme provides pension payment up to a maximum of 66 percent of basic salary from retirement date. The pension calculation was, as a consequence of Bjordal's resignation as COO of the EWOS group on 15 February 2013, updated in 2012, primarily related to the work contribution assumption for the Cermaq Group during the early retirement period. A total pension cost of NOK 6.7 million was expensed in 2012.

Except for the specific bonus scheme in 2013, there has not been remuneration paid during the year beyond what is considered normal for management. Jon Hindar, Geir Molvik and Geir Sjaastad are entitled to twelve months salary compensation if the company terminates the employment. The compensation is reduced by ordinary remuneration during the period. The Norwegian members of CCMT have three to six months termination notice. The foreign members of CCMT have locally adapted termination compensation schemes. In Chile, employees with one year or longer employment have the right to receive one month compensation for every year of employment, limited to a maximum of 11 months. This also applies for the COO. A similar scheme applies for the COO in Canada. Tore Valderhaug has handed in his resignation notice as CFO and will leave the company on 11 April 2014. He is entitled to receive remuneration during his resignation period and six additional months, which is also a compensation for a one year non-competition clause.

The Chair of the Board, other members of the Board as well as other CCMT members have no salary compensation rights.

None of the Board members or in the Group Management have company loans from Cermaq ASA at the end of 2013.

Report to shareholders on directors' remuneration

The main principles for the Group's wage policies for key management personnel are: management wages should be competitive, motivating, understandable, acceptable and flexible. In addition to fixed salary, bonus, pensions and other fringe benefits which are common for similar positions, are considered. The terms of the CEO are set by the Board. General programs for variable pay to CCMT are also set by the Board. With respect to remuneration linked to shares or share price development, guidelines are approved by the general assembly. The report to shareholders on directors' remuneration is approved by the Board and is available on the Group's website www.cermaq.com

Option scheme

In 2006, an option scheme was established. Fair value per option and established cost in the financial statements was calculated using Monte Carlo simulation. The vesting period ended in June 2008. The accumulated option costs for the program was NOK 12.7 million.

At the beginning of 2013, 38 persons were included in the scheme with a total of 346 667 outstanding options. The employees included in the scheme vested options in three tranches with different exercise periods; Options vested at 26 October 2006 could be exercised in the period 1 June 2009–1 June 2012, options vested at 1 June 2007 could be exercised in the period 1 June 2010–1 June 2013 and options vested at 1 June 2008 could be exercised in the period 1 June 2011–1 June 2014.

The share price was lower than strike price at the time of expiration on 1 June 2012 and 1 June 2013, hence no options were exercised. All outstanding options in the tranche expiring 1 June 2014 were exercised during 2013. At the end of 2013, there are zero outstanding options (2012: 346 667).

Overview of Cermaq Central Management Team members' options:

	Ingoing balance 01.01.13	Vested/ Expired in 2013	Outgoing balance 31.12.13
Geir Sjaastad	23 333	(23 333)	–
Geir Molvik	16 667	(16 667)	–
Francisco Miranda Morales	6 667	(6 667)	–
Fernando Villarroel	6 667	(6 667)	–

NOTE 8

Pension costs and pension obligations

Of the 4 361 employees at 31 December 2013, 843 are members of pension schemes within the Group. 236 of these are located in Canada and the remaining 607 in Norwegian companies.

In Norway, the Group is required by law (Act relating to mandatory service pensions) to have a service pension plan. The schemes in Norwegian companies meet the requirements of the law.

All Norwegian fully owned subsidiaries have defined contribution schemes for active members. Contributions are given in steps of 0, 3 and 6 percent of salary for salaries below 12G (which is equivalent to annual salary of around NOK 1 010 000). Contributions to these schemes in 2014 are expected to be at approximately the same level as in 2013 given the scheme structures as at year-end 2013.

Top Hat-schemes in Norwegian companies (benefits for salary above 12G), are non-funded defined benefit schemes for employees within the scheme at 31 December 2006. Persons entering the Top Hat-scheme after this date have a defined contribution scheme. The annual contribution is 15 percent of salary above 12G, while the contribution is 20 percent of salary above 12G for the CEO.

Early retirement schemes and schemes for pensioners are defined benefit schemes. Under defined benefit schemes, the Group is responsible for providing pensions to employees who are members of the schemes. These responsibilities are funded by making contributions to insurance schemes. There is no guarantee that the amounts funded will be sufficient to meet the Group's pension liabilities.

Pension funds are mainly invested in various bonds, mutual funds, real estate, stocks and money market funds. Actual return on pension fund was 5.3 percent in 2013 (2012: 5.6 percent).

In the calculation of the discount rate, covered bonds (OMF) have been used as at 31 December 2013. Covered bond are bonds with very good security in property issued by housing credit companies. The market for covered bonds has the necessary sales and maturities to reflect the market's discount rate. Pension assets are valued at fair value and deducted from net pension liabilities.

As at 31 December 2013, there was a deficit of NOK 38.7 million in pension scheme funding which primarily relates to the Norwegian companies. This deficit will be made up by increased ongoing contributions.

Assumptions	2013	2012
Financials		
Discount rate/expected return on funds	4.1 %	2.2 %
Wage adjustment	3.5 %	3.0 %
Basic amount adjustment/inflation	3.5 %	3.0 %
Pension adjustment	1.5 %	1.5 %
Demographic		
Mortality	K-2013	K-2005
Early retirement	50% at 62 years	50% at 62 years

Amounts in NOK 1 000

Pension cost	2013	2012
Net present value of current year's pension benefit earned	2 835	26 858
Interest cost of pension liability	1 114	1 051
Expected return on pension funds	(108)	(402)
Effect of closing pension scheme	1 517	–
Administrative expenses	133	217
Accrued National Insurance contributions	868	572
Other adjustment on pension funds	(241)	169
Net accrued pension cost defined benefit schemes	**6 118**	**28 466**
Cost defined contribution scheme and other pension costs	11 522	10 472
Total pension cost	**17 640**	**38 938**

Amounts in NOK 1 000

Pension liability	Funded 2013	Non-funded 2013 [1]	Total 2013	Total 2012
Projected benefit liabilities	(8 616)	(36 444)	(45 060)	(195 954)
Estimated pension funds	9 272	2 056	11 328	124 112
Estimated net pension funds/(liabilities)	**656**	**(34 388)**	**(33 732)**	**(71 843)**
Accrued National Insurance contributions	(124)	(4 798)	(4 922)	(7 176)
Pension funds/(obligations)	**532**	**(39 186)**	**(38 654)**	**(79 019)**

1) Non-funded schemes relates to AFP, Top-hat and early retirement schemes.

Amounts in NOK 1 000

Changes in the present value of the defined benefit liability	2013	2012
Opening defined benefit liabilites at 1 January	195 954	160 341
Interest cost	1 114	6 460
Current service cost	2 835	10 318
Benefits paid	(882)	(4 562)
Effect of closing of pension scheme	(1 750)	–
Actuarial gains and losses recognized in other comprehensive income	(8 458)	26 623
Currency effect	–	(3 225)
Effects from companies disposed	(143 752)	–
Projected benefit liabilites at 31 December	**45 060**	**195 954**

Amounts in NOK 1 000

Changes in estimated pension funds	2013	2012
Estimated pension funds at 1 January	124 112	120 418
Expected return	108	5 267
Contributions paid	(5 522)	5 044
Benefits paid	(902)	(3 956)
Actuarial gains and losses recognized in other comprehensive income	424	(62)
Currency effect	–	(2 599)
Effects from companies disposed	(106 891)	–
Estimated pension funds at 31 December	**11 328**	**124 112**

Sensitivities

The pension cost and pension liabilities related to defined benefit schemes, are based on the assumptions outlined above. The actuarial calculations are sensitive to any changes in these assumptions. Normally, a 1 percent change in discount rate would imply a 20 percent change in the pension liability and pension cost (defined benefit schemes) and a 1 percent change in wage adjustment would imply a 10 percent change in the pension liability and pension cost (defined benefit schemes).

NOTE 9

Other operating expenses

Amounts in NOK 1 000

	2013	2012
Operational leasing	362 625	232 468
Sales and administration	198 009	159 650
Professional fees	137 890	91 229
Bad debt 1)	1 622	(30)
Audit fees	8 377	5 262
Customer freight	197 875	126 017
Operation and maintenance	543 996	372 837
Other operating expenses	21 798	34 400
Total other operating expenses	**1 472 192**	**1 021 833**

1) The Group's exposure to credit risks related to accounts receivable is disclosed in note 23.

Auditor

Expensed fees from the Group`s auditor have been as followed (excluding VAT):

Amounts in NOK 1 000

	2013	2012
Ordinary audit fees	2 577	3 008
Other audit related services 1)	1 368	320
Total audit fees	**3 945**	**3 328**
Tax services	347	343
Other services 2)	4 085	1 499
Total fees	**8 377**	**5 169**
Audit fees to other auditors 3)	**–**	**93**

1) Includes fees for limited review and assurance services in connection with prospectus, other assurance services and audit of interim statement of financial position of Cermaq ASA.

2) Includes fees for services related to the sale of EWOS. These services consist of assurance services by company law and reports on tax laws and consequences of intragroup demergers, business combinations, capital structure and dividend. The amounts related to restructuring cost are including VAT due to no deduction rights.

3) Includes audit fees to PWC in Cultivos Marinos Chilóe in 2012.

NOTE 10

Financial income/expenses

Amounts in NOK 1 000

Recognised in profit and loss	2013	2012
Interest income on cash and cash equivalents	20 538	1 941
Dividend income on available-for-sale financial assets	2 764	139
Other financial income	510	1 829
Total financial income	**23 812**	**3 909**
Interest expenses on financial liabilities measured at amortised cost	(129 345)	(48 922)
Other financial expenses	(61 402)	(19 238)
Total financial expenses	**(190 747)**	**(68 160)**
Net foreign exchange gains/(losses)	**12 931**	**(9 478)**
Net gains on financial assets and liabilities	**114 218**	**54 566**
Net financial items	**(39 785)**	**(19 162)**

Total financial income in 2013 is higher than in 2012. This is largely explained by higher interest income on the cash deposits following the sale of EWOS.

Total financial expenses are higher in 2013 than in 2012, mainly due to higher average interest bearing debt during the year and increased margins on the Group's credit facilities.

Other financial expenses are mainly related to an early redemption premium paid to the bondholders of Cermaq ASA and amortisation of upfront fees incurred in connection with the refinancing of the Group's credit facilities. The amortisation of upfront fees is higher in 2013 due to the completed refinancing of the Group s credit facilities.

Net gains on financial assets and liabilities are mainly explained by the sale of the shares in Copeinca, upon which the Group recognised a gain of NOK 114.3 million. In December 2012, the shares in Aqua Gen AS were sold for NOK 70.0 million, resulting in a recognised gain of NOK 57.0 million.

NOTE 11

Income taxes

Amounts in NOK 1 000

Income tax expense continuing operations	2013	2012
Taxes payable	(52 708)	41 525
Change in deferred tax	(658 617)	(337 452)
Income tax expense from continuing operations	**(711 326)**	**(295 927)**

Amounts in NOK 1 000

Distribution of income tax expense continuing operations	2013	2012
Norway	(262 392)	(259 730)
Abroad	(448 934)	(36 197)
Income tax expense from continuing operations	**(711 326)**	**(295 927)**

Taxes payable in the consolidated balance sheet amounts to NOK 91.8 million, and is mainly related to Cermaq Norway.

Effective tax rate for continuing operations

The income tax expense differs from the amount that would have been recognised using the weighted average nominal tax rate of the consolidated companies. The table below provides a reconciliation of the recognised income based on a nominal tax rate of 28 percent in Norway.

Amounts in NOK 1 000

Effective tax rate	2013	2012
Income tax expense at corporate income tax rate in Norway (28%)	(797 467)	(363 627)
Tax rates outside Norway different from 28%	46 784	42 669
28% tax effect on permanent differences	37 411	36 313
Effects of changes in nominal tax rate	14 499	(2 841)
Withholding tax on dividends	–	(4 293)
Valuation allowances tax losses carried forward	–	(6 151)
Change in previously not recognised deferred tax assets	1 664	–
Adjustment of prior year's income taxes	(768)	(1 182)
Other differences	(13 448)	3 184
Income tax expense from continuing operations	**(711 326)**	**(295 927)**
Effective tax rate in %	**25.0 %**	**22.8 %**

Nominal tax rate for companies resident in Norway is 28 percent. Cermaq's operations in countries with different tax rates than 28 percent contribute to the net of tax cost to be reduced. The most important effect was from Chile which has a nominal rate of 20 percent. An analysis of effective tax rate for discontinued operations is presented in note 5.

Permanent differences in 2013 mainly consist of gain from the sale of shares in Copeinca ASA of NOK 114.3 million and share of net income from associated companies. Gain on shares held by Cermaq ASA in Norway is not a taxable income. Share of net income from associated companies of NOK 11.1 million are recognised after tax and therefore does not affect the Group's income tax expense.

Permanent differences in 2012 mainly consist of the bargain purchase gain resulting from the acquisition of Cultivos Marinos Chiloé of NOK 137.2 million, gain from the sale of shares in Aqua Gen AS of NOK

57.0 million and share of net income from associated companies. Gain on shares held by Cermaq ASA in Norway is not a taxable income. Share of net income from associated companies of NOK 12.6 million are recognised after tax and therefore does not affect the Group's income tax expense.

Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities to the same fiscal authority. The table below outlines the Group's net deferred tax liability:

Amounts in NOK 1 000

Tax effect of temporary differences	2013	2012
Intangible assets	187 773	188 829
Tangible assets	126 764	180 473
Inventories	615 050	412 387
Accounts receivables	15 027	496
Provision	(10 422)	(21 211)
Other	87 192	76 460
Deferred tax losses	(203 303)	(176 583)
Not recognised deferred tax asset	4 552	8 190
Net deferred tax liability/(deferred tax assets)	**822 638**	**669 042**

Amounts in NOK 1 000

Net deferred tax liability/(deferred tax assets)	2013	2012
Deferred tax liabilities	918 468	774 922
Deferred tax assets	95 830	105 881
Net deferred tax liability/(deferred tax assets)	**822 638**	**669 042**

Amounts in NOK 1 000

Changes in net deferred taxes	2013	2012
As of 1 January	669 042	720 442
Recognised in the income statement from continuing operations	658 617	337 452
Recognised in the income statement from discontinuing operations	(460 930)	(312 174)
Aquistions of companies/(disposals)	(62 146)	(45 881)
Recognised in other comprehensive income/equity	2 798	(7 389)
Other effects	(954)	(6 172)
Currency effects	16 211	(17 236)
As of 31 December	**822 638**	**669 042**

The Group has a net deferred tax liability of NOK 822.6 million at year-end 2013. Deferred tax assets are recognised for tax losses carried forward and other net deductible temporary differences to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Tax losses carried forward in Cultivos Marinos Chiloé (CMC) equals NOK 198.6 million (tax effect), of which NOK 102.7 million is booked against deferred tax liability. The tax losses carried forward in CMC has no expiration date.

Amounts in NOK 1 000

Tax losses carried forward	2013	2012
Norway	13 819	18 684
Abroad	996 862	857 199
Total	**1 010 681**	**875 883**

Amounts in NOK 1 000

Tax losses carried forward expire as follows	2013	2012
2015 or earlier	116	268
2018 and later	3 915	10 604
No expiration	1 006 650	865 011
Total tax losses carried forward	**1 010 681**	**875 883**

NOTE 12

Non-controlling interests

Amounts in NOK 1 000

Movement of non-controlling interests	2013	2012
Non-controlling interests 1 January	41 626	45 852
Share of net income/(loss)	1 019	(2 304)
Increase/(decrease) related to acquisitions/(disposals)	(17 901)	–
Dividend paid/capital distributed to non-controlling interests	–	(1 101)
Currency effects	(1 204)	(822)
Non-controlling interests 31 December	**23 540**	**41 626**

Specification of non-controlling interests	2013	2012
EWOS Vietnam JSC	–	22 181
Norgrain AS	23 540	19 445
Non-controlling interests 31 December	**23 540**	**41 626**

The decrease in the non-controlling interests at the end of 2013 is explained by the sale of EWOS, where the non-controlling interest in EWOS Vietnam was a part of the transaction.

NOTE 13

Intangible assets

Amounts in NOK 1 000

	Goodwill	Fish farming licences	Other Intangible assets
Historical cost 01.01.12	**818 574**	**1 255 793**	**24 912**
Additions, new companies		327 151	93
Additions, cost price	–	1 729	5 101
Disposals, cost price	–	(17)	–
Transfers [1]	–	–	3 225
Currency effect	(32 275)	(74 656)	(1 526)
Historical cost 31.12.12	**786 299**	**1 510 000**	**31 806**
Historical cost 01.01.13	**786 299**	**1 510 000**	**31 806**
Additions, cost price	–	8 019	7 064
Disposals, cost price	–	(846)	–
Disposals, companies	(459 493)	(10 000)	(19 312)
Transfers [1]	(6)	–	254
Currency effect	29 577	95 979	1 177
Historical cost 31.12.13	**356 377**	**1 603 152**	**20 990**
Accumulated amortisation and impairment 01.01.12	**–**	**(30 683)**	**(21 193)**
Depreciation	–	–	(551)
Depreciation reclassified to discontinued operations	–	–	(812)
Transfers [1]	–	–	(247)
Currency effect	–	4 348	1 422
Accumulated amortisation and impairment 31.12.12	**–**	**(26 335)**	**(21 381)**
Accumulated amortisation and impairment 01.01.13	**–**	**(26 335)**	**(21 381)**
Depreciation	–	–	(1 457)
Depreciation reclassified to discontinued operations	–	–	(652)
Disposals, companies	–	–	17 975
Transfers [1]	–	–	402
Currency effect	–	(2 801)	(1 131)
Accumulated amortisation and impairment 31.12.13	**–**	**(29 136)**	**(6 243)**
Useful life	Indefinite	Indefinite	3 to 7 years
Carrying value 31 December 2012	**786 299**	**1 483 665**	**10 425**
Carrying value 31 December 2013	**356 377**	**1 574 016**	**14 746**

1) Includes transfer from construction in progress and reclassifications to/from property, plant and equipment

Amounts in NOK 1 000

Specification of goodwill	Acquisition year	Carrying value 31.12.2013	Carrying value 31.12.2012
Company/group			
EWOS Norway	2000	–	189 748
EWOS Chile	2000	–	132 169
EWOS Canada group	2000	–	111 975
EWOS UK	2000	–	11 991
Cermaq Chile group	2000/2001	231 392	213 323
Cermaq Norway	2005/2006/2007	124 985	124 985
Other	2011	–	2 109
Total		**356 377**	**786 299**

Amounts in NOK 1 000

Specification of fish farming licenses	Ongrowing licenses	Acquisition year 2)	Carrying value 31.12.2013
Country			
Chile	90	2000/2004/2007/2008/2009/2010/2011/2012	1 074 613
Canada	27	2000/2005	110 170
Norway 1)	44	2003/2005/2006/2007	389 232
Total	**161**		**1 574 016**

Specification of fish farming licenses	Ongrowing licenses	Acquisition year 2)	Carrying value 31.12.2012
Country			
Chile 3)	90	2000/2004/2007/2008/2009/2010/2011/2012	976 650
Canada	27	2000/2005	107 783
Norway	48	2003/2005/2006/2007	399 232
Total	**165**		**1 483 665**

1) 4 fish farming licenses were disposed through the sale of the EWOS Group.

2) Acquisition year is the Group's acquisition year.

3) 27 fish farming licenses were acquired through the acquisition of Cultivos Marinos Chiloé. Mainstream Chile had 63 on-growing licenses as of 31 December 2012.

Identification of possible loss on impairment

At acquisition, goodwill and fish farming licenses are allocated to the cash generating units to which they relate to, as specified above.

Cash generating units are the different operating companies within each region, except in Chile where Mainstream Chile and Cultivos Marinos Chiloé are considered as one cash generating unit due to a common management group and closely integrated production.

Group management reviews carrying value of cash generating units annually or more frequently if there is an indication that an asset may be impaired. A value in use approach is used to determine recoverable amount.

Reviews are based on comparing the net present value (NPV) of projected future cash flows with the carrying value of assets taking into account circumstances which could affect asset value. The NPV is calculated by discounting estimated cash flows for the next four years on the basis of the companies' updated forecast for the coming year and the management's projection for the next three years based on economic prognoses. Due to cyclic nature of the industry the estimated cash flows can deviate significantly from the actual realised cash flows. The terminal value is calculated as the net present value of the expected net cash flow in year five over the remaining useful life of the assets, adjusted for growth.

For the years 2013 and 2012 the value in use for the cash generating units are based on the following key assumptions:

	Discount rate after tax (WACC) in %		Discount rate pre tax (WACC) in %		Nominal growth in terminal value in %	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Norway	8.4	9.1	11.6	12.6	3.0	3.0
Chile	9.6	9.8	12.0	12.3	3.0	3.0
Canada	8.4	8.9	11.3	11.8	2.0	2.0

The changes to the WACC compared to 2012 are mainly due to somewhat lower equity risk premium. The Group has in the calculations applied estimated cash flows after tax and corresponding discount rate after tax. The recoverable amounts would not change significantly if pre-tax cash flows and pre-tax discount rates had rather been applied.

Sensitivities

The Group has carried out sensitivity analyses by considering changes in volume, operating profit via salmon prices and production cost and discount rates. These are considered the most important assumptions for the long-term expectations about the industry in general and the cash generating units in particular. The management's present plans and forecasts as well as the market's expectations have also been taken into consideration.

Volume – The assumptions are based on present production capacity and planned capacity utilization.

Operating profit – The margin is defined as operating profit before fair value adjustments of biological assets. The salmon prices and the company's own production costs are the significant factors that impact the operating profit. This profit is reflected by estimating the operating profit per kilogram which is based on the companies' long-term expectations of production costs and future market development. These may vary from achieved margins in the short-term mainly due to price fluctuations.

Discount rate – Discount rates are based on Weighted Average Cost of Capital (WACC) derived from the Capital Asset Pricing Model (CAPM) methodology. The company's weighted capital cost intends to reflect its targeted long-term capital structure of equity and debt, typically 70 and 30 percent respectively. In Chile, where a local risk-free yield does not exist, the WACC rate used in discounting the future cash flows are based on a US 10-year risk-free interest rate adjusted for inflation differential and country risk premium. The discount rates also take into account the debt premium, market risk premium, gearing, corporate tax rate and asset beta.

The long-term assumptions are assessed on an ongoing basis and the assumptions applied in future impairment tests may vary from those applied in 2013. The Group has a continuously review process, which includes sensitivity analysis and analysis of actual results achieved compared to long-term assumptions, to assess whether the long-term base case assumptions continue to correctly reflect expectations.

On the basis of this analysis, management believes that there is no need for impairment of the carrying value of goodwill and fish farming licenses at 31 December 2013.

NOTE 14

Property, plant and equipment

Amounts in NOK 1 000

	Machinery, fixtures, vehicles, etc.	Buildings	Land	Plant under construction	Total
Historical cost 01.01.12	**3 897 187**	**1 285 539**	**137 491**	**129 100**	**5 449 318**
Additions, new companies	658 545	109 762	13 778	7 247	789 332
Additions, cost price	214 948	27 843	958	223 722	467 472
Disposals, cost price	(16 945)	(797)	(339)	–	(18 081)
Transfers [1]	174 006	36 677	1	(173 463)	37 220
Currency effect	(140 215)	(38 829)	(6 960)	(8 067)	(194 071)
Historical cost 31.12.12	**4 787 526**	**1 420 194**	**144 929**	**178 540**	**6 531 190**
Historical cost 01.01.13	**4 787 526**	**1 420 194**	**144 929**	**178 540**	**6 531 190**
Additions, cost price	104 142	7 177	14 543	263 495	389 357
Disposals, cost price	(23 860)	(29 543)	(1 099)	–	(54 501)
Disposals, companies	(2 128 439)	(838 301)	(63 673)	(35 600)	(3 066 013)
Transfers [1]	(49 417)	186 824	1 603	(139 775)	(764)
Transfer to assets held for sale	(68 024)	(40 329)	(1 611)	–	(109 963)
Currency effect	148 364	48 733	7 229	13 188	217 514
Historical cost 31.12.13	**2 770 293**	**754 756**	**101 922**	**279 848**	**3 906 818**
Accumulated depreciation 01.01.12	**(2 367 668)**	**(459 512)**	**(669)**	**–**	**(2 827 849)**
Additions, new companies	(296 815)	(23 109)	–	–	(319 924)
Depreciation continuing operations	(169 490)	(26 504)	–	–	(195 994)
Depreciation reclassified to discontinued operations	(126 755)	(29 313)	(510)	–	(156 578)
Accumulated depreciation on disposals	14 249	–	–	–	14 249
Transfers [1]	(16 285)	(31 241)	–	–	(47 526)
Currency effect	91 639	14 575	25	–	106 239
Accumulated depreciation 31.12.12	**(2 871 124)**	**(555 105)**	**(1 155)**	**–**	**(3 427 384)**
Accumulated depreciation 01.01.13	**(2 871 124)**	**(555 105)**	**(1 155)**	**–**	**(3 427 384)**
Depreciation continuing operations	(209 072)	(41 224)	–	–	(250 296)
Depreciation reclassified to discontinued operations	(110 305)	(24 465)	(436)	–	(135 206)
Accumulated depreciation on disposals	21 862	17 877	–	–	39 739
Accumulated depreciation on disposed companies	1 501 466	333 201	1 384	–	1 836 051
Transfers [1]	35 643	(34 879)	–	–	764
Transfer to asset held for sale	55 975	32 076	–	–	88 050
Currency effect	(92 861)	(17 810)	(40)	–	(110 711)
Accumulated depreciation 31.12.13	**(1 668 417)**	**(290 329)**	**(246)**	**–**	**(1 958 992)**
Useful life [2]	3 to 10 years	25 to 50 years	50 years	–	
Depreciation Method	Linear	Linear	Linear	N/A	
Carrying value 31 December 2012	**1 916 402**	**865 090**	**143 774**	**178 540**	**3 103 806**
Carrying value 31 December 2013	**1 101 876**	**464 427**	**101 676**	**279 848**	**1 947 826**

1) Includes transfer from construction in progress and reclassifications to/from intangible assets.

2) For assets under construction, depreciation is charged when the asset is ready for its intended use.

Significant restrictions on titles, pledges or other contractual commitments related to property, plant and equipment is described in note 26.

NOTE 15

Investments in associated companies

Amounts in NOK 1 000

2013	Equity interest 31.12.2013	Carrying value 01.01.2013	Share of net income for the year [1]	Dividend	Additions or deductions	Currency effect	Carrying value 31.12.2013
Fish farming							
Ballangen Sjøfarm AS	30,00 %	18 530	6 711	(1 800)	–	–	23 441
Silver Seed AS	50,00 %	8 854	(6 739)	–	–	–	2 115
Helnessund Bøteri AS	33,00 %	2 388	(637)	–	(1 751)	–	–
Ranfjord Fiskeprodukter AS	37,35 %	21 870	(2 288)	–	–	–	19 582
Nordnorsk Stamfisk AS	25,00 %	546	(286)	–	2 200	–	2 460
Total fish farming		**52 188**	**(3 239)**	**(1 800)**	**449**	**–**	**47 598**
Other activities							
Denofa AS	49,00 %	90 270	2 454	(4 173)	(88 551)	–	–
Artic Ocean AS	40,00 %	617	290	–	(907)	–	–
Feed Tromsø AS	40,00 %	8 453	1 185	(800)	(8 838)	–	–
Myre Bedriftsbarnehage	34,00 %	265	66	–	–	–	331
San Francisco Trading Japan	30,77 %	3 302	4 779	–	–	328	8 409
Total other activities		**102 907**	**8 774**	**(4 973)**	**(98 296)**	**328**	**8 740**
Total investment in associates		**155 095**	**5 535**	**(6 773)**	**(97 847)**	**328**	**56 338**

Share of net income for the year reclassified to discontinued operations			(1 474)
Gain from sale of Denofa			7 022
Sum share of net income from associates			**11 083**

1) Share of net income is based on preliminary reporting from associated companies, adjusted for any final share of net result from previous year.

In April 2013, Cermaq declared via its subsidiary Norgrain AS the option to sell the remaining 49 percent shareholding in the associated company Denofa AS to the Brazilian majority shareholder Amaggi. A gain of NOK 7.0 million has been included in the Cermaq consolidated financial statements in 2013. The shares were sold for a consideration of NOK 99 million.

The investments in Artic Ocean AS and Feed Tromsø AS were held via the subsidiary EWOS AS. The ownerships in these companies were a part of the EWOS sale that was completed 31 October 2013. The share of net income until the sales date is reclassified to discontinued operations in the Cermaq consolidated financial statements in 2013 and 2012.

None of the associated companies are listed. The Group's share of income from associates is recognised in the profit and loss statement net of tax as "Share of net income from associates". Please refer to note 27 for transactions with related parties.

Amounts in NOK 1 000

2012	Equity interest 31.12.2012	Carrying value 01.01.2012	Share of net income for the year [1]	Dividend	Additions or deductions	Currency effect	Carrying value 31.12.2012
Fish farming							
Ballangen Sjøfarm AS	30.00 %	18 432	1 598	(1 500)	–	–	18 530
Silver Seed AS	50.00 %	5 842	468	–	2 544	–	8 854
Helnessund Bøteri AS	33.00 %	2 473	(48)	–	(37)	–	2 388
Ranfjord Fiskeprodukter AS	37.35 %	22 057	(187)	–	–	–	21 870
Nordnorsk Stamfisk AS	25.00 %	45	(2)	–	503	–	546
Total fish farming		**48 849**	**1 829**	**(1 500)**	**3 010**	**–**	**52 188**
Other activities							
Denofa AS	49.00 %	89 440	8 082	(7 252)	–	–	90 270
Artic Ocean AS	40.00 %	540	77	–	–	–	617
Feed Tromsø AS	40.00 %	8 158	1 295	(1 000)	–	–	8 453
Myre Bedriftsbarnehage	34.00 %	228	37	–	–	–	265
San Francisco Trading Japan	30.77 %	–	2 619	–	1 727	(1 044)	3 302
Total other activities		**98 366**	**12 110**	**(8 252)**	**1 727**	**(1 044)**	**102 907**
Total investment in associates		**147 216**	**13 939**	**(9 752)**	**4 737**	**(1044)**	**155 095**
Share of net income for the year reclassified to discontinued operations			(1 372)				
Sum share of net income from associates			**12 567**				

1) Share of net income was based on preliminary reporting from associated companies, adjusted for any final share of net result from previous year.

Summary of preliminary financial information for material associated companies, not adjusted for the percentage equity interest held by the Group:

Amounts in NOK 1 000

2013	Total assets 31.12.2013	Total liabilities 31.12.2013	Total equity 31.12.2013	Operating revenues	Result for the year
Ballangen Sjøfarm AS	79 475	14 605	64 870	87 238	22 369
Silver Seed AS	36 976	33 093	3 883	24 594	(13 477)
Ranfjord Fiskeprodukter AS	58 470	43 223	15 247	36 860	(6 125)
Nordnorsk Stamfisk AS	6 222	5 212	1 010	–	(1 146)
Myre Bedriftsbarnehage	2 474	1 487	988	–	193
San Francisco Trading Japan	121 120	96 676	24 438	498 969	15 532

Amounts in NOK 1 000

2012	Total assets 31.12.2012	Total liabilities 31.12.2012	Total equity 31.12.2012	Operating revenues	Result for the year
Ballangen Sjøfarm AS	64 236	28 201	36 035	42 940	5 417
Silver Seed AS	52 739	34 749	17 990	29 028	880
Helnessund Bøteri AS	21 769	14 722	7 047	19 298	967
Ranfjord Fiskeprodukter AS	67 132	44 157	22 975	41 013	649
Denofa AS konsern	302 455	166 749	135 706	1 754 517	16 493
Artic Ocean AS	20 879	19 449	1 430	14 320	193
Feed Tromsø AS	71 188	50 071	21 117	10 822	3 236
Myre Bedriftsbarnehage	2 055	1 261	794	–	112
San Francisco Trading Japan	155 047	144 437	10 615	193 286	8 516

NOTE 16

Other receivables

Amounts in NOK 1 000

	2013	2012
Other non-current receivables	**8 364**	**11 592**
Prepaid expenses	58 173	86 342
Prepaid public duties	122 989	105 410
Advance income tax	43 585	35 489
Other current receivables	257 659	66 972
Total current receivables	**482 405**	**294 213**
Total other receivables	**490 770**	**305 805**

Other receivables are measured at amortised cost using the effective interest method, less any impairment.

The line "Other current receivables" includes prepaid rentals, accrued revenues and miscellaneous other receivables. Non-current receivables are mainly related to upfront fees in connection with the refinancing of the Group's credit facilities. The contingent consideration of NOK 180 million, described in note 5, is included in other current receivables and categorized as loans and receivables.

Other receivables include financial instruments such as derivatives designated in hedge relationships (NOK 14.1 million). These instruments are measured at fair value based on level 2 inputs (yield curves observable at commonly quoted intervals).

The Group's exposure to credit risks related to other receivables is disclosed in note 23.

NOTE 17

Cost of raw material and inventories

Amounts in NOK 1 000

Cost of raw materials	2013	2012
Cost of raw materials - fish farming operations	491 827	230
Other material cost	3 280	7 737
Cost of raw materials	**495 108**	**7 967**
Write-down of biological assets	–	78 736
Total cost of materials	**495 108**	**86 703**

Cermaq's fish farming entities purchase feed from EWOS. These intercompany transactions are eliminated in the consolidated financial statements in the period until the sale at 31 October 2013. The feed cost is the largest cost component in the fish farming industry. Following the principle of reporting discontinued operations, as described in notes 2.3 and 5, the external costs will be reclassified to discontinued operation. This means that the external cost of goods sold in EWOS is reclassified while Cermaq's fish farming companies primarily shows an internal cost of goods sold, which are eliminated in the consolidated financial statements. The table above will therefore not reflect the real cost for Cermaq's fish farming operations in the relevant periods as if they had been separate activities.

The write-down of biological assets of NOK 78.7 million in 2012 is related to the IHN and PD outbreaks in Canada and Norway.

Amounts in NOK 1 000

Inventories in the statement of financial position at 31 December	2013	2012
Raw materials	140 284	972 990
Work in progress	–	18 010
Finished goods - feed operations	–	143 039
Finished goods - fish farming operations	196 581	238 650
Inventory provisions	–	(5 110)
Total inventories	**336 865**	**1 367 579**

Finished goods include processed fish and frozen inventories within farming and feed within the feed division (applicable for 2012). Finished goods related to fish farming operations are recognised at historical cost in accordance with IAS 2 Inventories, which include fair value less estimated costs to sell at the time of harvest. For fair value adjustment of biological assets, see note 18.

NOTE 18

Biological assets

Biological assets are inventories of live fish held in tanks, cages and pens at locations in Norway, Chile and Canada. The table below shows the biological assets held at year-end split between harvestable and non-harvestable fish.

Tonnes (live weight)

	2013	2012
Non-harvestable fish	53 492	44 792
Harvestable fish	46 831	54 914
Total	**100 323**	**99 706**

In practice, the average weight at harvest varies from site to site and period to period. The designations shown in the table above represent typical minimum harvest weights defined as > 4.0 kilo for Atlantics and > 2.5 kilo for Coho and trout. Fish below these weights are defined as non-harvestable. Non-harvestable fish also comprise brood stock, smolts and fry. There is more uncertainty related to the valuation of small fish than harvestable fish, due to time to harvest.

Amounts in NOK 1 000

	2013	2012
Cost of biological assets	2 701 672	2 096 349
Fair value adjustments	757 924	223 811
Total biological assets	**3 459 595**	**2 320 160**

The decrease in fair value adjustment of biological assets is due to decreased prices and changes in the composition of biological assets.

Movement in carrying value of biological assets in the year

Amounts in NOK 1 000

	2013	2012
Biological assets at 01.01	**2 320 160**	**2 026 003**
Increase due to production	3 818 822	3 251 020
Increase due to business acquisitions	46 427	206 966
Decrease due to sales/harvest/mortality	(3 415 589)	(2 930 857)
Decrease due to business disposals	(87 828)	–
Fair value adjustments on biological assets	668 811	(173 745)
Effect on fair value adj. due to bus. acquisitions	(8 847)	21 655
Currency effect	117 639	(80 882)
Biological assets at 31.12	**3 459 595**	**2 320 160**

Tonnes (live weight)

	2013	2012
Biological assets at 01.01	**99 706**	**73 254**
Increase due to production	176 788	167 091
Increase due to business acquisitions	–	12 620
Decrease due to sales/harvest/mortality	(173 394)	(153 259)
Disposals through sale of companies	(2 777)	–
Biological assets at 31.12	**100 323**	**99 706**

Valuation

The valuation of biological assets is carried out separately for each operating region. Fair value is measured using a valuation model which uses the most relevant price assumptions at the reporting date. This means that the valuation of biological assets is classified at level 3 in the valuation hierarchy in IFRS 13 Fair value measurement. The model used is the same for all farming companies in the Group.

In 2013, the total effect in the income statement from changes in the unrealised fair value adjustments of biological assets was NOK 668.8 million (2012: negative NOK 173.7 million).

Sensitivities

The estimate of unrealised fair value adjustment is based on several assumptions. Changes in these assumptions will impact the fair value calculation. In practice, the realised profit which is achieved on the sale of inventory will differ from the calculations of fair value because of changes in the final market destinations of sold fish, changes in price and cost levels, differences in quality etc. A 10 percent increase in sales prices would increase fair value of biological assets by NOK 233.6 million. A change in own production costs will generally have a less impact on the fair value effect than the same change in sale price. Changes in biology might affect the quality of harvested fish, which may be reflected in profit margins via both achieved sales price and own production costs.

NOTE 19

Accounts receivable

Amounts in NOK 1 000

	2013	2012
Accounts receivable	726 964	1 941 773
Provisions for doubtful receivables	(1 623)	(12 602)
Total accounts receivable	**725 341**	**1 929 172**

The Group's exposure to credit risks related to accounts receivable is disclosed in note 23.

NOTE 20

Cash and cash equivalents

Amounts in NOK 1 000

	2013	2012
Cash and cash equivalents	4 732 063	510 181
Total cash and cash equivalents	**4 732 063**	**510 181**

As of 31 December 2013, total cash and cash equivalents amounted to NOK 4 732.1 million were held in cash deposit in Cermaq ASA's relationship banks. The large cash holding is a consequence of the disposal of EWOS and was paid out to shareholders in connection with the extraordinary dividend of NOK 4 717.5 million distributed on 17 January 2014.

As of 31 December 2013, the Group has NOK 7.6 million in restricted cash. This consists mainly of the consideration received in connection with the sale of EWOS Vietnam and is temporarily deposited in an escrow account (NOK 7.3 million). The remaining amount of NOK 0.3 million is related to rental payments deposits, employee tax deduction and Fish Pool. As an alternative to restricted cash deposits, the Group has purchased bank guarantees to cover the employees' tax deductions. In 2012 restricted cash was NOK 2.0 million.

In order to optimise liquidity management in Norway, the Group relies upon a multi-currency cash pool solution. Under this agreement, it is only the group account holder Cermaq ASA that has the net position against the bank. Because overdrafts can be offset against deposits, the net position represents the balance between the account holder and the bank. As of 31 December 2013, the Group has an overdraft and guarantee facility of NOK 250.0 million at Danske Bank.

The Group's exposure to foreign exchange and interest rate risk is disclosed in note 23.

NOTE 21

Share information

20 largest shareholders 31. desember 2013	Citizenship	Number of shares held	Ownership
Norwegian Ministry of Trade, Industry and Fisheries	NOR	54 731 604	59.2 %
Folketrygdfondet	NOR	5 190 349	5.6 %
Skandinaviska Enskilda Banken	NOR	2 318 850	2.5 %
The Bank of New York	DEU	1 950 000	2.1 %
Pareto Aksje Norge	NOR	1 577 941	1.7 %
The Bank of New York	GBR	1 378 249	1.5 %
Verdipapirfondet DNB NORGE (IV)	NOR	929 545	1.0 %
Fondsfinans Spar	NOR	800 000	0.9 %
DZ Privatbank Investment Funds	LUX	767 800	0.8 %
Pareto Aktiv	NOR	668 163	0.7 %
Kverva AS	NOR	627 531	0.7 %
Verdipapirfondet Handelsbanken Norge	NOR	550 000	0.6 %
Statoil Pensjon	NOR	451 900	0.5 %
MP Pensjon	NOR	439 117	0.5 %
BNP Paribas	DEU	402 847	0.4 %
PIMCO EQS Pathfinder	IRL	401 337	0.4 %
Rathbone Global Opportunities Fund	GBR	400 000	0.4 %
Clearstream Banking	LUX	396 034	0.4 %
DNB Livsforsikring	NOR	362 633	0.4 %
York European Focus Master Fund LP	USA	360 000	0.4 %
Total 20 largest shareholders		**74 703 900**	**80.8 %**
Other shareholders		17 796 100	19.2 %
Total number of shares		**92 500 000**	**100.0 %**

The names duplicated in the list of shareholders above may represent different investors.

The shares have a face value of NOK 10 each. All shares in the company have equal rights.

Shares owned by the company may be used in connection with the employee share program.

Amounts in NOK 1 000

Reconciliation of outstanding shares	2013	2012
Outstanding shares at 1 January	**92 496 344**	**92 496 344**
Purchase of own shares to cover the employee share program	–	(35 000)
Sale of own shares to cover the employee share program	–	35 000
Outstanding shares at 31 Desember	**92 496 344**	**92 496 344**
Own shares at 31 December	3 656	3 656

The share program allows the employees to purchase up to 200 Cermaq shares at a 20 percent discount, calculated based on the average closing price at the stock exchange the three last days of the offer period. The employee share program was suspended in 2013 due to the strategic processes the company was involved in during 2013. Consequently, no purchases or sales of treasury shares were made in 2013.

In 2012, 35 000 treasury shares were sold to employees in connection with the employee share program.

Dividend

The Board has proposed a dividend per share of NOK 1.8 for 2013. Dividend paid for 2012 was NOK 1.0 per share. The dividend proposed is to be approved at the Annual General Meeting and if approved, the total dividend payment will amount to NOK 166.5 million. The dividend is not accounted for as a liability at 31 December 2013.

On 7 January 2014, the Extraordinary General Meeting approved an extraordinary dividend payment of NOK 51 per share, corresponding to a total of NOK 4 717.5 million, related to the disposal of EWOS. The payment was made on 17 January 2014.

Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share

Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The potential dilutive effect is share options. The Group's share-based compensation scheme had at year-end no dilutive effect.

Adjusted earnings per share

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table below, as it is Cermaq's view that this figure provides a more reliable measure of the underlying performance. This adjusted earning might deviate from the basis used for the annual dividend calculation. In connection with the dividend proposal for 2013, the Group has based its dividend policy on the financial result from continuing operations. This was due to the fact that the extraordinary dividend which was approved at the Extraordinary General Meeting on 7 January was related to the sale of EWOS. For 2013, the adjusted dividend basis was NOK 394.7 million.

Amounts in NOK 1 000

	2013	2012
Net income/(loss) after tax and non-controlling interests from total operations	3 885 972	242 651
Fair value adjustments of biological assets	(659 964)	152 090
Write-down of biological assets	–	78 736
Bargain purchase gain	–	(137 227)
Fair value adjustments on financial instruments	2 194	(346)
Other non-recurring items	(1 146)	(15 404)
Gains from sale of assets, shares and operations	(2 857 271)	(57 477)
Tax impact of fair value adjustments	172 853	(41 845)
Adjusted net income/(loss) from total operations	**542 638**	**221 178**
Shares issued 1 January	92 500 000	92 500 000
Effect of own shares held	(3 656)	(3 645)
Average number of outstanding shares	**92 496 344**	**92 496 355**
Adjusted for share options	–	8 517
Average diluted number of outstanding shares	**92 496 344**	**92 504 872**
Earnings per share (NOK)		
Basic and diluted EPS continuing operations	23.1	10.8
Basic and diluted EPS discontinued operations	19.0	(8.2)
Basic and diluted EPS total operations	**42.0**	**2.6**
Adjusted basic and diluted EPS continuing operations	16.1	10.8
Adjusted basic and diluted EPS discontinued operations	(10.2)	(8.4)
Adjusted basic and diluted EPS total operations	**5.9**	**2.4**

NOTE 22

Interest bearing liabilities

This note provides information about the contractual terms of the Group's interest bearing liabilities. For an analysis of the Group's exposure to interest rates, foreign currency and liquidity risk, see note 23. For information about secured debt and book value of pledged assets, see note 26.

Amounts in NOK 1 000

	2013	2012
Credit facilities	1 864 641	2 592 418
Bonds	–	595 824
Non-current financial leases	46 812	46 305
Total interest bearing non-current liabilities	**1 911 453**	**3 234 546**
Current financial leases	18 363	18 829
Current liabilities	188 933	256 660
Total interest bearing current liabilities	**207 296**	**275 489**
Total interest bearing liabilities	**2 118 749**	**3 510 036**

The Group's interest bearing debt is classified as financial liabilities measured at amortised cost. As of 31 December 2013, fair value of interest bearing debt is NOK 2 395.7 million. As the loan margin was set on 20 December 2013 and remained unaltered at the following interest rate fixing, the credit standing of the Group is deemed to be unchanged. Further, the movement in the yield curve over the period from 20 to 31 December is not deemed material. For these reasons the fair value of the Group's interest bearing liabilities does not differ from the nominal value of the debt.

In connection with the sale of EWOS, Cermaq performed a full refinancing of the Group's debt during the fourth quarter in 2013. As a part of this refinancing process, Cermaq's listed bond was subject to an early redemption, and on 5 November 2013 all outstanding CEQ01 notes were bought back at a premium of 2 percent for a total of NOK 918 million. At the same time Cermaq secured the equivalent of NOK 3 billion in 5 years committed funds provided by a syndicate of four equal banks consisting of Danske Bank, DNB, Svenska Handelsbanken and Rabobank. These credit facilities are available for both Cermaq ASA and subsidiaries, and are regulated by a Senior Facilities Agreement (SFA) and related bilateral ancillary facilities agreements. All debt under these facilities is senior in ranking and secured in the Group's assets (for further information see note 26).

Following the refinancing, the Cermaq Group is subject to the following financial covenants:

- Equity Ratio shall not be less than 40.0 %
- Leverage Ratio should not exceed 4.0x during the first three years of the life of the facilities, 3.75x during the fourth year and 3.5x during the fifth year. Up to three times over the life of the facilities a breach of up to 0.50x is allowed.

As of 31 December 2013, the company was in compliance with all financial covenants.

As of 31 December 2013, the average time left to maturity of the Group's debt portfolio is 4.6 years, including finance lease liabilities (2012: 3.5 years). As of 31 December 2013, adjusted for the dividend payment of NOK 4.7 billion in January 2014, Cermaq ASA has total available credit lines and cash of around NOK 1.3 billion. NOK 1.1 billion of that amount is committed long-term facilities.

Current liabilities relate mainly to borrowings under uncommitted short-term lines in Chile, as well as the short term portion of financial lease.

Amounts in NOK 1 000

The maturity plan of the Group's interest bearing debt is as follows	Carrying amount	Contractual payments
Credit facilities	1 864 641	2 141 625
Non-current financial leases	46 812	46 812
Current liabilities	207 296	207 296
Total interest bearing liabilities	**2 118 749**	**2 395 733**
Available credit lines of the credit facilities		1 145
Other available credit lines		142
Total available credit lines		**1 287**

Amounts in NOK 1 000

Maturity analysis - contractual payments	2014	2015	2016	2017	2018	After 2018
Credit facilities	51 097	51 290	51 097	51 097	1 937 044	–
Non-current financial leases	–	12 777	16 164	7 187	4 938	5 746
Current liabilities	207 296	–	–	–	–	–
Total interest bearing liabilities	**258 393**	**64 067**	**67 261**	**58 284**	**1 941 982**	**5 746**

The difference between carrying amount and total expected payments in the table above is due to interest liability over the period, upfront arrangement and legal fees, incurred in connection with the refinancing of the credit facilities. All long-term bank borrowings are drawn from revolving credit facilities, under which the Group may draw and pay down any amount at intervals of one, three or six months. The contractual payments illustrated in the table above do not reflect roll-overs dates of loans drawn, but are based on the maturity date of the credit facilities, and include the corresponding interest liability over the period.

NOTE 23

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments; market risk, liquidity risk and credit risk. This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and procedures for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The main objective of Cermaq's financial risk management policies is to ensure the ongoing liquidity of the Group, defined as being at all times in a position to meet the liabilities of the Group as they fall due. This also includes being able to meet financial covenants on Group debt under normal circumstances.

Financial risk management is carried out by Group Treasury under financial risk management policies approved by the Board of Directors. These policies cover areas such as funding, foreign exchange risk, interest rate risk, credit risk, insurance coverage, use of derivative and non-derivative financial instruments and investment of excess liquidity.

The Board of Directors believe that maintaining a strong financial position is the most important measure against any risk the Group is exposed to. The Board aims at maintaining a minimum equity ratio of 45 percent to ensure the Group's solidity and operational flexibility. At 31 December 2013, the Group's equity ratio was 69.8 percent, before any adjustment for the approved extraordinary dividend of NOK 4 717.5 million distributed on 17 January 2014 (the estimated adjusted equity ratio is approximately 53 percent).

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

Market risk

Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will fluctuate because of changes in market prices of financial instruments.

Currency risk

Because of the international nature of its operations, the Group is exposed to fluctuations of foreign currency rates. For risk management purposes, three types of currency exposure have been identified:

Translational exposure

Being a multinational group, Cermaq faces currency risk arising from the translation of subsidiaries whose functional currency differs from the presentation currency of the Group. Translational exposure does not give rise to an immediate cash effect, however as it may impact the Group's financial covenants, it is closely monitored. The Group seeks to mitigate balance sheet exposure by funding assets with borrowing denominated in the same currency. The exposure related to equity of foreign subsidiaries is generally not hedged.

Transactional exposure

Most of the operating companies in the Group are exposed to changes in the domestic value received or paid under foreign currency denominated committed transactions. Exposure arises mainly from export sales from Norway and Canada where future operational cash flows are denominated in EUR and USD. At a Group level this exposure is mitigated by diversification, as companies within the Group have individual exposures that to a certain extent offset each other. Transaction risk exposure is hedged when the exposure is considered significant and the cash flow is predictable. The residual effect of adverse movements in foreign currency rates on transaction streams could negatively impact the results and financial position of the Group, thus affecting covenants based on accounting measures.

The table below summarises the foreign currency exposure on the net monetary position of all Group entities against their functional currency. The exposure on translating the financial statements of subsidiaries into the presentation currency is not included in the analysis.

Amounts in NOK 1000

Exposure to currency risk	Currency				
2013	NOK/EUR	NOK/USD	USD/CLP	CAD/USD	JPY/USD
Cash and cash equivalents	10 621	1 643	5 364	10 829	7 290
Accounts Receivable	69 139	94 553	76 313	79 842	–
Accounts payable	(168)	(754)	(123 005)	(554)	–
Borrowing (interest bearing debt) 1)	–	–	–	–	–
Forward Contracts	(113 859)	–	–	–	–
Net Exposure	**(34 267)**	**95 442**	**(41 328)**	**90 117**	**7 290**
2012	NOK/EUR	NOK/USD	USD/CLP	CAD/USD	JPY/USD
Cash and cash equivalents	21 076	12 218	4 816	18 876	8 554
Accounts Receivable	58 912	34 027	67 939	35 046	8 147
Accounts payable	(139)	(941)	(155 310)	(250)	–
Borrowing (interest bearing debt) 1)	–	–	–	–	–
Forward Contracts	–	–	–	–	–
Net Exposure	**79 848**	**45 305**	**(82 554)**	**53 671**	**16 701**

1) The loan portfolio by currency is specified below under interest rate risk and is included in the net exposure upon which the following sensitivity analysis is based

Amounts in NOK 1000

Sensitivity analysis	Currency					
2013	NOK/EUR	NOK/USD	USD/CLP	CAD/USD	JPY/USD	Result
Net exposure	(34 267)	95 442	(41 328)	90 117	7 290	
Historical volatility	4 %	3 %	4 %	2 %	4 %	
Total effect on Profit of + movements	**(1 457)**	**3 146**	**(1 677)**	**1 757**	**291**	**2 060**
Total effect on Profit of - movements	**1 457**	**(3 146)**	**1 677**	**(1 757)**	**(291)**	**(2 060)**

2012	NOK/EUR	NOK/USD	USD/CLP	CAD/USD	JPY/USD	Result
Net exposure	79 848	45 305	(82 554)	53 671	16 701	
Historical volatility	2 %	3 %	2 %	1 %	3 %	
Total effect on Profit of + movements	**1 236**	**1 190**	**(1 910)**	**799**	**426**	**1 741**
Total effect on Profit of - movements	**(1 236)**	**(1 190)**	**1 910**	**(799)**	**(426)**	**(1 741)**

The analysis is based on the currencies the Group is most exposed to at the end of 2013.

The reasonable shifts in exchange rates in the table above are based on historical volatility. If the relevant cross foreign exchange rates moved by the amounts showed in the table above, the effect on the Group's net income would be NOK 2.1 million (2012: NOK 1.7 million). The Group does not hedge transaction exposure in the financial markets as a general rule. Currency protection measures may be allowed to prevent situations of financial distress, in those cases where the exposure cannot be effectively reduced by use of operational hedges.

Amounts in 1 000 of local currency

Currency forward contracts as at 31 December 2013			
Cermaq Group buys		**Cermaq Group sells**	
NOK	113 797	EUR	13 583

The fair value of all currency hedging derivatives as of 31 December 2013 was negative on all instruments and amounted to minus NOK 1.5 million (2012: NOK 0 million). These financial instruments are subject to using hedge accounting and the outstanding maximum tenors are approximately one year.

Economic currency exposure

The Group is exposed to the risk that medium/long-term trend shifts in exchange rates might affect its competitive position. This strategic currency exposure is regularly monitored, but as the exposure is currently considered limited it is not actively hedged.

Significant exchange rates applied during the year	Average Rate		Reporting Rate mid-spot rate	
	2013	**2012**	**2013**	**2012**
1 USD	5.877	5.821	6.084	5.566
1 GBP	9.197	9.220	10.053	8.996
1 EUR	7.809	7.474	8.383	7.341
1 CAD	5.703	5.823	5.716	5.597
100 CLP	1.187	1.197	1.155	1.162
100 JPY	6.027	7.308	5.792	6.465

Interest rate risk

The Group is exposed to increase in interest rates as a result of having debt with floating interest rate terms. An increased cost of borrowing might adversely affect the Group's profitability. The Group does not have fixed interest rate debt.

According to the Group's finance policy, the main objective of interest rate risk management activities should be to minimise the risk of breach of the Group's debt covenants, and to avoid situation of financial distress that might jeopardize strategic flexibility. Trading in interest rate derivatives is limited to hedge existing exposures and purely speculative transactions are not allowed.

As per 31 December 2013, the Group had two interest rate swap agreements with an underlying total of USD 120 million, thus reducing interest rate exposure on USD denominated liabilities. The interest rate swaps qualify for hedge accounting, and changes in fair value of these instruments are reported in Other Comprehensive Income. Fair value amounted to NOK 14.1 million as of 31 December 2013. Both interest rate swaps have quarterly settlements that match the roll-overs of the Group's USD denominated interest bearing liabilities.

Interest rate Swaps

Currency	Amount (million NOK)	Cermaq pays	Cermaq receives	Start	Maturity	Fair value (million NOK)
USD	60	fixed 0.799%	3M libor	March 2013	December 2017	6.8
USD	60	fixed 0.765%	3M libor	March 2013	December 2017	7.3

The Group has no fixed rate liabilities and is therefore not exposed to the risk that changes in interest rates might drive significant changes in the fair value of outstanding debt.

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

Amounts in NOK 1 000

Loan portfolio by currency	2013	2012	Average fixing of interest rates	Average interest rates
USD	2 083 943	2 056 323	3 months	2.62 %
NOK	34 783	1 453 433	2 months	3.07 %
Other	23	280		
Interest bearing debt	2 118 749	3 510 036	3 months	2.62 %
Cash and cash equivalents	4 732 063	510 181		
Net interest bearing debt	**(2 613 314)**	**2 999 855**		

Amounts in 1000 NOK

Sensitivity analysis for variable rate instruments	Income statement		Other comprehensive income	
2013	100 BPS increase	100BPS decrease	100 BPS increase	100BPS decrease
Variable rate instruments	(21 187)	21 187	–	–
Interest rate swap	7 300	(7 300)	27 366	(27 366)
Interest Rate Sensitivity	**(13 887)**	**13 887**	**27 366**	**(27 366)**
2012	100 BPS increase	100BPS decrease	100 BPS increase	100BPS decrease
Variable rate instruments	(35 098)	35 098	–	–
Interest rate swap	–	–	32 199	(32 199)
Interest Rate Sensitivity	**(35 098)**	**35 098**	**32 199**	**(32 199)**

A 100 basis points increase in interest rate at the reporting date would have a negative impact on profit and loss amounting to NOK 13.9 million (2012: NOK 35.1 million), and at the same time increased the market value of outstanding interest rate derivatives by NOK 27.4 million (2012: NOK 32.2 million). The latter would impact Other Comprehensive Income due to hedge accounting. This analysis assumes that all other variables remain constant.

Other price risk

The farming business is sensitive to fluctuations in the spot prices of salmon, which is determined by global supply and demand. The impact of changes in salmon prices is normally mitigated by specie mix, long-term contracts and financial contracts, however due to long production cycles it is difficult to respond quickly to global trends in market prices. Salmon is to a large extent traded based on spot price, although this would vary with different markets and with the market position of the company.

In order to partially mitigate the price risk arising from spot sales of Atlantic salmon, Cermaq Norway entered into financial salmon contracts at the regulated market place Fish Pool. During 2013, contracts for a total of 6 595 tonnes were settled by Cermaq Norway with a net realised loss of NOK 44.9 million. The Group had no open position at Fish Pool as at year-end 2013.

Liquidity risk

Liquidity risk arises from the Group's potential inability to meet its financial obligations towards suppliers and debt capital providers. The Group's liquidity situation is closely monitored and rolling forecasts of cash flows and cash holdings are prepared regularly.

Liquidity risk is managed through maintaining flexibility in funding by securing available committed credit lines provided by relationship banks with good credit rating and through maintaining sufficient liquid assets with the same banks. During 2013, Cermaq ASA successfully refinanced the Group's outstanding debt and secured funds corresponding to NOK 3 000.0 million with a tenor of five years. The syndicate consist of Danske Bank, DNB, Svenska Handelsbanken and Rabobank. In addition, Cermaq ASA secured a short-term overdraft and guarantee facility NOK 250.0 million through Danske Bank.

The refinancing has provided the Group with significant financial flexibility to grow and to continue to pay dividends within the levels indicated under the current dividend policy.

The Group seeks to maintain medium term committed facilities to cover forecast borrowings for the next 12 months, plus financial headroom to cover medium sized acquisitions and unforeseen movements in cash requirements.

The committed credit facilities are supplemented by short-term overdrafts and borrowing lines in the operating companies. These credit lines are generally callable on demand, so while they are useful for flexibility, they cannot be relied upon in times of financial difficulties. Please also refer to note 22 for information on committed credit facilities, available credit lines and maturity of interest bearing debt. Other short-term debt is specified in note 24.

In addition to the above described sources of liquidity, Cermaq monitors funding options available in the capital markets, as well as trends in the availability and cost of such funding with a view to maintain financial flexibility and limiting refinancing risk. Cermaq's overall liquidity as of 31 December 2013 and 2012 (see note 20) included NOK 4 732.1 million and NOK 510.2 million, respectively, of cash and cash equivalents held in various currencies.

Credit risk

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

The Board has approved a Group-wide credit management policy governed by Cermaq credit committee. Cermaq credit committee is responsible for approving credit limits to large customers with credit limits above a NOK 50 million threshold, or payment terms exceeding 90 days. Below the authorisation level of Cermaq credit committee, the Managing Directors of each operating company are responsible for granting credit limits to the individual operating units.

To mitigate credit risk the operating companies demand cash settlements on their export sales, and if this solution is not commercially viable, credit insurance is purchased, thus reducing the actual risk on outstanding receivables significantly. Recoverable VAT included in the balance also reduces the risk. In addition to such risk mitigating measures, the Group focus on detailed credit management in operating companies, supported by regular follow up by central functions.

Concentration of credit risk is at the outset not considered significant since the Group's customers operate in different market segments and geographic areas. Counterparty risk against financial institutions is not considered significant due to limited liquid assets and low traded volume in derivatives. For these transactions, the Group relies mostly upon relationship banks.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Amounts in NOK 1 000

Exposure to credit risk	Note	2013	2012
Accounts receivable	19	725 341	1 929 172
Other receivables	16	490 770	305 805
Cash and cash equivalents	20	4 732 063	510 181
Total		**5 948 174**	**2 745 158**

Amounts in NOK 1000

The ageing of accounts receivables at year end was	2013	2012
Not past due	439 425	1 649 810
Past due	285 916	279 362
0-3 months	254 324	265 831
more than 3 months	37 117	7 288
more than 1 year	11 954	6 245
Total accounts receivables	**725 341**	**1 929 172**

Amounts in NOK 1000

Specification of provision for bad debt	2013	2012
Provision as of 1 January	**(12 602)**	**(15 119)**
Change in provision during the year from continuing operations	(1 623)	30
Change in provision during the year from discontinued operations	(688)	1 538
Other changes [1)]	13 961	–
Currency effects	(671)	949
Provision as of 31 December	**(1 623)**	**(12 602)**
Realised losses during the year	–	(436)

1) Includes effects from acquisitions and disposals of businesses, mainly related to the disposal of the EWOS operations in 2013.

Cermaq has implemented a Group-wide cash management policy with the overall objective of minimising cash holdings while ensuring sufficient liquidity to meet business needs, avoid shortage of cash and limit the need for borrowing. The policy allows cash management investments in securities having a credit rating equal to or better than A+/A1 or equivalent, with a limit to how much can be invested in each security.

The Group does not make extensive use of financial derivatives and in those cases where it is deemed appropriate to hedge an existing exposure on the financial markets, agreements are entered into with one of the Group's relationship banks. Salmon futures are traded at the regulated market place Fish Pool and no bilateral positions are taken as all contracts are cleared by NOS.

Capital management

The Group's objective when managing capital is to maintain a capital structure able to support the operations and maximise shareholder value. The farming business is characterized by price volatility and challenging production dynamics. The Group must be financially solid in order to be able to cope with fluctuations in profits and financial position and for this reason the Board of Directors have established as policy that the consolidated equity ratio shall at no time be lower than 45 percent. At 31 December 2013, the Group's equity ratio was 69.8 percent.

According to the Group's dividend policy, under normal circumstances, average dividend over several years should be 30 to 50 percent of the adjusted net profit. The Board has proposed a dividend of NOK 1.8 per share for the financial year 2013, corresponding to a distribution to shareholders of NOK 166.5 million.

At 31 December 2013, net interest bearing debt amounted to cash positive NOK 2 613.3 million. Adjusted for the extraordinary dividend of NOK 4 717.5 million, the adjusted estimated net interest bearing debt would have been approximately NOK 2.1 billion.

Note 22 provide an overview of the debt's maturity profile and information on the debt's financial covenants. The Group are currently mainly financed by bank loans, and developments in the availability of bank finance or alternative funding sources are evaluated in dialogue with the Group's relationship banks.

There were no changes in the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

Categories and fair value of financial instruments

Fair value of financial instruments

The estimated fair values of the Group's financial instruments are based on market prices and the valuation methodologies per category as described below. The Group's financial instruments are classified in the category «loans and receivables», «available for sale», «financial liabilities at amortised cost» and «fair value through profit or loss» (derivatives).

The Group uses the fair value hierarchy with levels as defined below and that reflects the input used in the preparation of the measurements.

Level 1: Input is quoted prices in active markets for identical financial instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for assets or liabilities, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs for assets of liabilities that are note based on observable market data (unobservable inputs).

Fair values of financial assets classified as «available for sale» are estimated using accepted valuation models (discounting of future cash flows).

The fair value of cash and cash equivalents is assessed to be equal to the nominal amount.

Similarly, the carrying amount of accounts receivable, other receivables, other long-term receivables and other current liabilities are considered to be a reasonable approximation of fair value. Discounting is not expected to have any significant effect on this class of financial instruments.

Fair value of the Group's interest bearing debt has been measured based on level 2 inputs (inputs other than quoted prices that are observable for the liability such as interest rates and credit spreads).

Fair value of interest rate swaps and currency forwards is estimated based on calculating the net present value of future cash flows, using relevant observed swap curves and currency rates (level 2 inputs).

NOTE 24

Other non-interest bearing current liabilities

Amounts in NOK 1000

	2013	2012
Social security taxes and VAT	13 974	40 384
Taxes payable	91 762	42 107
Accrued expenses	258 786	288 387
Other current liabilities	83 347	3 632
Total other current liabilities	**447 869**	**374 510**

Accrued expenses are mainly related to holiday pay and bonuses as well as other operational accruals.

Other non-interest bearing current liabilities are classified as financial liabilities measured at amortised cost.

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

NOTE 25

Commitments

The Group has entered into agreements with fixed payment commitments in respect of the following as of 31 December 2013 and 2012:

Amounts in NOK 1000

Commitments as at 31 December 2013	2013	2014	2015	2016	2017	2018	After 2018
Total minimum operating leases	(362 625)	(34 846)	(30 756)	(30 683)	(19 516)	(7 566)	(14 249)
Total contractual purchases of goods and services	–	(873 307)	(833 110)	(579 719)	(607 181)	(522 395)	(399 705)
Total contractual Investments	–	(31 515)	(30 828)	(31 667)	(32 530)	(33 419)	(60 795)
Total commitments	**(362 625)**	**(939 668)**	**(894 694)**	**(642 069)**	**(659 227)**	**(563 380)**	**(474 749)**

Commitments as at 31 December 2012	2012	2013	2014	2015	2016	2017	After 2017
Total minimum operating leases	(255 379)	(176 163)	(133 894)	(119 913)	(72 768)	(10 957)	(3 826)
Total contractual purchases of goods and services	–	(1 796 797)	(91 500)	(44 800)	–	–	–
Total contractual Investments	–	(58 142)	(29 478)	(30 068)	(30 669)	(31 282)	(80 803)
Total commitments	**(255 379)**	**(2 031 102)**	**(254 872)**	**(194 781)**	**(103 437)**	**(42 239)**	**(84 629)**

The overview does not include agreements without binding minimum purchase. Contractual purchases of goods and services are related to deliveries of smolt and contractual investments are mainly related to a future financial lease of well boat. The overview of contractual purchase of goods and services for 2012 have been amended with updated information related to contractual purchase of raw material, as well as a reclassification from contractual purchases of goods and services to minimum of operating leases.

NOTE 26

Pledges and guarantees

In connection with the refinancing of the loan facilities in December 2013, Cermaq have agreed to pledge assets in favour of the Syndicated banks (see also note 22). The security package includes share pledges, assignment of intercompany loans and charges over real estate, licenses, biomass, operating assets, receivables and inventory.

Amounts in NOK 1 000

	2013	2012
Liabilities secured by mortgage		
Liabilities to financial institutions	1 864 449	83
Total liabilities secured by mortgage	**1 864 449**	**83**
Book value of assets pledged as security		
Property, Plant and Equipment		
operating assets	480 457	–
freehold real estate	48 853	–
Inventories	32 032	–
Biological assets	1 127 701	–
Accounts receivables	329 155	1 131
Fish farming licenses	389 230	–
Total assets pledged as security	**2 407 428**	**1 131**

As of 31 December 2013 security in relevant assets was established for the Norwegian entities with a corresponding total book value of NOK 2 407.4 million. Furthermore, the relevant Norwegian entities established pledge of shares in subsidiaries and assignment of intercompany loans. The Group will establish the remaining security in relevant assets for the entities in Canada and Chile in early 2014.

The loan agreement also contain negative pledge clauses that prevent Cermaq ASA and its subsidiaries from allowing security on their assets in favour of other lenders that in aggregate exceed USD 25.0 million. Group companies have also restrictions for providing financial support to third parties, including the granting of loans or issuance of guarantees.

Purchased bank guarantees amount at year-end to NOK 112.7 million and are issued by Danske Bank under the Group's overdraft and guarantee facility (see also note 20).

NOTE 27

Transactions with related parties

The table below provides details of transactions with related parties:

Amounts in NOK 1 000

		2013		2012	
Related party	Transaction	Sales to	Purchases from	Sales to	Purchases from
Helnessund Bøteri AS [1]	Nets and services	–	(4 500)	–	(20 679)
Silver Seed AS	Smolt	207	(9 452)	4 254	(14 803)
Ballangen Sjøfarm AS	Processing services	67 292	(84 812)	47 710	(33 290)
Ranfjord Fiskeprodukter AS	Smolt	–	(13 834)	–	(20 403)
Artic Ocean AS [2]	Services	–	(11 768)	–	(14 455)
Feed Tromsø AS [2]	Services	–	(6 867)	–	(11 261)
SFTJ (San Francisco Trading Japan) [3]	Sale of goods	184 772	–	88 206	–

1) Transactions with Helnessund Bøteri AS in the period as associated company until 1 July 2013.

2) Transactions with Artic Ocean AS and Feed Tromsø AS in the period as associated company until 31 October 2013. Artic Ocean AS changed its corporate name from Artic Fjell AS on 5 October 2013.

3) Transactions with SFTJ in the period as associated company from 5 October 2012.

The Group had no significant liabilities or receivables to/on associated companies as of 31 December 2013 and 2012. All transactions with related parties are priced on an arm's length basis and there are no specific conditions.

Transactions with subsidiaries have been eliminated in the consolidated financial statements and do not represent related party transactions.

NOTE 28

Subsequent events

On 7 January 2014, the Extraordinary General Meeting approved an extraordinary dividend payment of NOK 51 per share, corresponding to a total of NOK 4 717.5 million, related to the disposal of EWOS. The payment was made on 17 January 2014.

On 10 March 2014, Cermaq ASA announced that the company had entered into an agreement with Felleskjøpet Agri for the disposal of Stavanger havnesilo. The disposal is expected to be completed on 30 June 2014 and payment will be received at the same date. The transaction will be included in Cermaq's consolidated financial statements for the second quarter of 2014 and will result in a recognized gain of approximately NOK 40 million.

CERMAQ ASA

Income statement 01.01.–31.12.

Amounts in NOK 1 000

	Notes	2013	2012
Operating revenues	20	72 891	64 885
Personnel expenses	2, 3	(103 469)	(80 759)
Depreciations and amortisations	7, 8	(5 537)	(3 999)
Other operating expenses	4	(76 087)	(53 208)
Operating result		**(112 202)**	**(73 081)**
Net financial income/(expense)	5	301 420	207 803
Net foreign exchange gain/(loss)	5	3 729	(9 902)
Gain on sale of financial instruments	5	4 835 004	57 520
Financial items, net		**5 140 153**	**255 421**
Net income/(loss) before taxes		**5 027 952**	**182 340**
Income tax	6	(6 882)	7 622
Net income/(loss)		**5 021 069**	**189 961**
Proposed dividend		4 884 000	92 500
Allocated to other equity		137 069	97 461
Total allocation of net income/(loss) for the period	14	**5 021 069**	**189 961**

CERMAQ ASA

Financial position

Amounts in NOK 1 000

	Notes	31.12.13	31.12.12 restated	01.01.12
ASSETS				
Deferred tax asset	6	5 667	7 697	4 712
Other intangible assets	7	13 158	8 247	8 247
Total intangible fixed assets		**18 824**	**15 944**	**12 958**
Property, plant and equipment	8	**23 228**	**13 358**	**13 358**
Investments in subsidiaries	9	424 423	1 073 186	1 073 186
Investments in other companies		11	10	10
Long term receivables on group companies	11	1 209 043	1 354 249	1 354 249
Total financial fixed assets		**1 633 477**	**2 427 445**	**2 427 445**
Total non-current assets		**1 675 529**	**2 456 747**	**2 453 761**
Accounts receivables	12	9 749	75	75
Other current receivables		224 113	33 354	33 354
Current intercompany receivables	10	416 257	411 898	411 898
Cash and cash equivalents	13	4 288 645	109 290	109 290
Total current assets		**4 938 764**	**554 607**	**554 607**
TOTAL ASSETS		**6 614 293**	**3 011 354**	**3 008 369**
EQUITY AND LIABILITIES				
Share capital	14	925 000	925 000	925 000
Treasury shares	14	(37)	(37)	(37)
Other paid-in capital	14	–	4 968	4 968
Total paid-in capital		**924 963**	**929 931**	**929 931**
Other equity	14	302 799	157 210	164 887
Total equity		**1 227 762**	**1 087 141**	**1 094 818**
Pension liabilities	3	38 226	39 470	28 808
Total provisions		**38 226**	**39 470**	**28 808**
Interest bearing non-current liabilities	15, 19	–	1 428 873	1 428 873
Non-current intercompany liabilities	11	159 929	312 943	312 943
Total non-current liabilities		**198 155**	**1 781 286**	**1 770 624**
Accounts payables		23 424	16 465	16 465
Other current liabilities	17	5 013 049	115 058	115 058
Current intercompany liabilities	10	151 902	11 405	11 405
Total current liabilities		**5 188 375**	**142 928**	**142 928**
TOTAL EQUITY AND LIABILITIES		**6 614 293**	**3 011 354**	**3 008 369**

Oslo, 25th March 2014

Bård Mikkelsen Chair	**Rebekka Glasser Herlofsen** Deputy Chair	**Lise C. Mortensen** Director (employee elected)	**Jan Robert Røli Gjervik** Director (employee elected)
Helge Midttun Director	**Åse Aulie Michelet** Director	**Ketil Olsen** Director (employee elected)	**Jon Hindar** Chief Executive Officer

CERMAQ ASA

Cash flow statement 01.01.–31.12.

Amounts in NOK 1 000

	Notes	2013	2012 restated
Net income/(loss) before taxes		**5 027 952**	**182 340**
(Gain)/loss on sale of tangible and intangible assets		(106)	–
Depreciations and amortisations	7, 8	5 537	3 999
Change in fair value of financial assets and gain of shares sold	5	(4 835 004)	(57 477)
Finance items, net		96 486	(15 690)
Recognised dividend and group contribution	5, 6	(397 907)	(192 155)
Dividend received		154 147	–
Change in account receivables and account payables		19 767	4 049
Change in other current operating assets and liabilities		49 315	(6 059)
Net cash flows from operating activities		**120 187**	**(80 993)**
Proceeds from sale of property, plant and equipment (PPE) and intangible assets		135	30
Purchases of PPE and intangible assets	7, 8	(20 346)	(10 129)
Proceeds from sales of businesses, net of cash disposed		5 293 120	–
Proceeds from sale of shares and other investments		928 509	71 619
Purchases of shares and other investments		(814 257)	–
Change in loans to group companies	11	944 635	(305 705)
Net cash flows from investing activities		**6 331 796**	**(244 184)**
Proceeds from borrowings		2 050 321	1 980 006
Payment of borrowings		(4 298 496)	(1 035 412)
Net change in interest bearing debt from group companies		(164 261)	74 209
Net change in drawing facilities		305 901	(220 822)
Interest received		17 443	59
Interest paid		(72 852)	(53 841)
Paid in other financial items		73 475	96 419
Paid out other financial items		(113 046)	(13 186)
Acquisition of non-controlling interests		(17 773)	(7 355)
Received group contribution	6	39 155	42 585
Dividend paid		(92 496)	(428 275)
Change in treasury shares		–	29
Net cash flow from financing activities		**(2 272 628)**	**434 415**
Net change in cash and cash equivalents for the period		**4 179 355**	**109 237**
Cash and cash equivalents at the beginning of the period	13	109 290	53
Cash and cash equivalents at the end of the period	13	**4 288 645**	**109 290**

CERMAQ ASA

NOTE 1

Accounting principles
Annual accounts for Cermaq ASA have been prepared in accordance with the Norwegian Accounting Act and Norwegian generally accepted accounting principles.

The accounting principles described in this section are applied to Cermaq ASA only and do not describe the principles applied in the Cermaq Group consolidated financial statements.

Investments in subsidiaries

Investments in subsidiaries are valued in accordance with the cost method in Cermaq ASA. The investments are valued as cost of the shares in the subsidiary, less any impairment losses. An impairment loss is recognised if the impairment is not considered temporary, in accordance with generally accepted accounting principles. Impairment losses are reversed if the cause for the impairment loss ceases subsequent.

Dividends, group contributions and other distributions from subsidiaries are recognised in the same year as they are recognised in the financial statement of the provider. If dividends / group contribution exceed withheld profits after the acquisition date, the excess amount represents repayment of invested capital, and the distribution will be deducted from the recorded value of the acquisition in the balance sheet for the parent company.

Revenue recognition

Services are taken to income at time of delivery. Cermaq ASA operates the cash pooling arrangements in the Group. Further, Cermaq ASA provides loans to subsidiaries at terms and conditions reflecting prevailing markets conditions for corresponding services, allowing for a margin to cover administration and risk. In addition, Cermaq ASA allocates cost for corporate staff services and shared services to subsidiaries.

Rental income is recognised when it is earned.

Classification principles

Cash and cash equivalents are defined as cash and bank deposits.

Current assets and current liabilities consist of receivables and payables due within one year. Other balance sheet items are classified as property, plant and equipment / non-current liabilities.

Current assets are valued at the lower of cost and fair value. Current liabilities are recognised at nominal value.

Fixed assets are valued at cost, less depreciation and impairment losses. Long-term liabilities are recognised at nominal value.

Foreign currency translation

Transactions in foreign currency are translated at the rate applicable at the transaction date. Monetary items in a foreign currency are translated into NOK using the exchange rate applicable on the balance sheet date. Non-monetary items that are measured at their historical price expressed in a foreign currency are translated into NOK using the exchange rate applicable on the transaction date. Non-monetary items that are measured at their fair value expressed in a foreign currency are translated at the exchange rate applicable on the balance sheet date. Changes to exchange rates are recognised in the income statement as they occur during the accounting period.

Accounts receivables

Receivables from customers are recorded at their nominal value less deductions for any incurred losses.

Property, plant and equipment

Property, plant and equipment is capitalized and depreciated linearly over the estimated useful life. Property, plant and equipment are carried at cost less accumulated depreciation and impairment write-downs.

Depreciations commence from the point in time when an asset is ready for its intended use. Depreciation is calculated based on the useful life of the asset.

Costs for maintenance are expensed as incurred, whereas costs for improving and upgrading property, plant and equipment are added to the acquisition cost and depreciated with the related asset. If carrying value of a non-current asset exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the greater of the net realisable value and value in use. In assessing value in use, the discounted estimated future cash flows from the asset are discounted are used.

Gains or losses from the sale of property, plant and equipments are calculated as the difference between sales price and carrying value at the date of sale. Gains and losses are recognised as operating revenues or losses.

Pension costs and pension obligations

Norwegian companies are required by law to have a service pension plan according to the mandatory occupational pensions act. Cermaq ASA's pension schemes are in compliance with the law.

Defined benefit plans
In accordance with NRS 6, the company has chosen to book pension obligations in accordance with IAS 19 R. Cermaq ASA has booked it's pension liabilities in accordance with IFRS since the Group's transition to IFRS in 2005.

Please refer to note 2 in the Cermaq Group accounts disclosures for a further description of the defined benefit plans.

Defined contribution plans
In 2006, the company transferred to defined contribution plans for "kollektiv tjenestepensjon". The contributions are given to the pension plan for all full-time employees, and represent 3% to 6% of salary.

The company's premiums to the defined contribution plans are recognised in the income statement for the year to which the contribution applies, with no further liability for the company.

Financial assets and liabilities
Cermaq ASA implemented in 2009 the preliminary standard on Financial assets and liabilities. According to the standard, companies can choose between recognising financial instruments at fair value or off balance sheet-accounting. Cermaq ASA has chosen to follow the latter.

Taxation
Income tax expense consists of taxes payable and changes in deferred tax.

Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date which implies increased or decreased taxes payable when these differences reverse in future periods. Temporary differences are differences between taxable profits and results that occur in one period and reverse in a later period. Deferred tax assets are recorded in the balance sheet when it is more likely than not that the tax assets will be utilised.

Deferred tax is calculated applying the nominal tax rate to temporary differences and accumulated tax losses carried forward.

Taxes payable and deferred taxes are recognised directly in equity to the extent that they relate to equity transactions.

Cash flow statement
The cash flow statement is presented using the indirect method. The cash flow statement analyses the company's overall cash flow by operating, investment and financing activities. The statement shows the effect of operations on cash and cash equivalents.

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

NOTE 2

Wages and other personnel expenses

Amounts in NOK 1 000

	2013	2012
Wages and salaries including holiday pay	78 515	54 498
National insurance contributions	10 882	7 508
Pension costs	8 891	13 996
Other personnel expenses	5 181	4 757
Total wages and other personnel expenses	**103 469**	**80 759**

The number of employees at year end is 51 persons (2012: 52 persons). Number of man-years during the year was 52 (2012: 50).

For details regarding salary for key management, please refer to note 7 in the group accounts.

NOTE 3

Pension costs and obligations

In November 2006, the company changed from a defined benefit plan to a defined contribution plan for active members. The pension premiums are expensed when paid, and there is no additional obligation for the company beyond the annual premium. Contributions are given in steps of 3 and 6 percent of salary. New employees/employees with salaries above 12G after 1 January 2007 have a defined Top Hat-contribution scheme with annual contribution of 15 percent of salary above 12G. Top-hat schemes for employees in the scheme at 31 December 2006, early retirement schemes and schemes for pensioners are defined benefit schemes.

Under a defined benefit scheme, the company is responsible for providing pensions to employees who are members of the schemes. These responsibilities are funded by making contributions to insurance schemes. As at 31 December 2013, there was a deficit of NOK 38,2 million related to the funding of the pension obligations.

In addition Cermaq ASA has responsibility for 25 pensioners. These were transferred to Cermaq ASA as a part of the final agreement related to the sale of Stormøllen to Felleskjøpet in 1999.

Amounts in NOK 1 000

Assumptions	2013	2012
Discount rate /expected return on funds	4.1 %	2.2 %
Wage adjustment	3.5 %	3.0 %
Basic amount adjustment/inflation	3.5 %	3.0 %
Pension adjustment	1.5 %	1.5 %

Demographic		
Mortality	K-2013	K-2005
Early retirement	50% at 62 years	50% at 62 years

Amounts in NOK 1 000

Pension cost	2013	2012
Net present value of current year's pension benefit earned	3 694	10 787
Interest cost of pension liability	999	955
Expected return on pension funds	–	(297)
Effect of closing of pension scheme	1 517	–
Administrative expenses	91	165
Other adjustment on pension funds	(241)	169
Accrued National Insurance contributions	851	556
Net accrued pension cost defined benefit schemes	**6 912**	**12 336**
Cost defined contribution scheme and other pension costs	1 978	1 659
Total pension cost	8 891	13 996

Amounts in NOK 1 000

Pension liability	2013	2012
Projected benefit liabilities	(39 802)	(46 224)
Estimated pension funds	6 430	12 485
Net pension funds/(liabilities)	**(33 372)**	**(33 739)**
Accrued National Insurance contributions	(4 854)	(5 731)
Pension funds/(liabilities)	**(38 226)**	**(39 470)**

NOTE 4

Other operating expenses

Auditor

Expensed fees from the Group`s auditor have been as followed (excluding VAT):

Amounts in NOK 1 000

	2013	2012
Ordinary audit fees	690	727
Assurance services 1)	951	320
Other services 2)	4 757	–
Sum honorar	**6 398**	**1 047**

1) Includes fees for limited review and assurance services in connection with prospectus, other assurance services and audit of interim statement of financial position of Cermaq ASA.

2) Includes fees for services related to the sale of EWOS. These services consist of assurance services by company law and reports on tax laws and consequences of intragroup demergers, business combinations, capital structure and dividend. The amounts related to restructuring cost are including VAT due to no deduction rights.

NOTE 5

Financial income/(expenses)

Amounts in NOK 1 000

	2013	2012
Interest income	88 597	54 537
Gain on sale of financial instruments	4 835 004	57 520
Dividend received	181 147	153 000
Group contribution received	217 907	39 155
Other financial income	5 968	37 866
Total financial income	**5 328 623**	**342 078**
Of which related to group items	475 025	284 539
Interest expenses	(84 176)	(51 611)
Other financial expenses	(108 022)	(25 145)
Total financial expenses	**(192 199)**	**(76 756)**
Of which related to group items	(62 723)	(21 738)
Net foreign exchange gains/losses, external	6 666	1 941
Net foreign exchange gains/losses, group	(2 937)	(11 843)
Net financial items	**5 140 153**	**255 421**

Gain on sale of financial instruments is related to the sale of shares in EWOS and Copeinca ASA. In 2012 the gain was related to the sale of shares in Aqua Gen AS.

Other financial income is mainly related to commissions received for parent company guarantees issued on behalf of Group companies (see note 19).

Other financial expenses include amortisation of upfront fees and cost incurred upon refinancing of credit facilities and issue of bonds, as well as commitment fees on undrawn funding commitments.

NOTE 6

Income tax

Amounts in NOK 1000

Income tax expense	2013	2012
Tax payable	(7 626)	–
Tax effect on group contribution	(1)	–
Changes in deferred tax	955	7 622
Deferred taxes on posts against equity	(210)	–
Total	**(6 882)**	**7 622**

Tax base calculation	2013	2012
Net income/(loss) before tax [1]	5 027 952	182 340
Permanent differences [2]	(5 031 725)	(209 559)
Changes in temporary differences	4 160	27 220
Of which booked directly against equity	(383)	–
Group contribution	(3)	–
Tax base	**–**	**–**
Taxes payable, 28 %	**–**	**–**

Temporary differences	2013	2012
Non current assets	1 195	1 358
Financial instruments	–	9 733
Pensions	38 226	28 808
Gains and losses	(18 550)	(23 188)
Net temporary differences	**20 871**	**16 711**
Tax losses carried forward and other tax credits	117	117
Actuarial gains and losses against equity due to implementation of IAS 19R [3]	–	10 662
Total	**20 987**	**27 490**
27%/28% deferred tax asset/(liability)	**5 667**	**7 697**

Reconciliation of the tax of the year	2013	2012
28% tax on net income/(loss)	(1 407 827)	(51 055)
28% tax effect on permanent differences [2]	1 408 883	58 677
With holding tax	(7 626)	–
Change in nominal tax rate	(210)	–
Of which is change in nominal tax rate related to posts against equity	(103)	–
Total tax expense recorded in income statement	**(6 882)**	**7 622**

1) Recognised income related to group contribution for 2013 is NOK 217.9 million (2012: NOK 39.2 million).

2) In 2013 tax effect of permanent differences is mainly related to gain of sales of shares in EWOS and Copeinca, and dividend from subsidiaries. In 2012 tax effect of permanent differences is mainly related to dividend from subsidiaries and gain of sale of shares in Aqua Gen AS. Gain on shares held by Cermaq ASA in Norway is not taxable income.

3) Actuarial gains and losses booked directly against equity in 2013 is included in the line "Pensions" in the overview of the temporary differences.

NOTE 7

Intangible assets

Amounts in NOK 1 000

Amounts in NOK 1 000	Software	Construction in progress	Total
Historical cost 01.01.12	**–**	**–**	**–**
Additions, cost price	–	5 766	5 766
Transfers [1]	4 995	(1 962)	3 033
Historical cost 31.12.12	**4 995**	**3 804**	**8 799**
Historical cost 01.01.13	**4 995**	**3 804**	**8 799**
Additions, cost price	–	5 993	5 993
Transfers [1]	4 925	(4 925)	–
Historical cost 31.12.13	**9 920**	**4 872**	**14 792**
Accumulated amortisation and impairment 01.01.12	**–**	**–**	**–**
Depreciation	(306)	–	(306)
Transfers [1]	(247)	–	(247)
Accumulated amortisation and impairment 31.12.12	**(553)**	**–**	**(553)**
Accumulated amortisation and impairment 01.01.13	**(553)**	**–**	**(553)**
Depreciation	(1 082)	–	(1 082)
Transfers [1]	–	–	–
Accumulated amortisation and impairment 31.12.13	**(1 634)**	**–**	**(1 634)**
Useful life [2]	3 to 7 years	–	
Depreciation Method	Linare	N/A	
Carrying value 31.12.12	**4 442**	**3 804**	**8 247**
Carrying value 31.12.13	**8 285**	**4 872**	**13 158**

1) Includes transfer from construction in progress and reclassifications to/from intangible assets from property, plant and equipment.

2) For construction in progress, depreciation is charged once asset is ready for its intended use.

NOTE 8

Property, plant and equipment

Amounts in NOK 1 000

	Machinery, fixtures, vehicles, etc.	Buildings	Land	Asset under construction	Total
Historical cost 01.01.12	**30 541**	**16 139**	**974**	**909**	**48 563**
Additions, cost price	3 527	–	–	563	4 090
Disposals, cost price	(246)	–	–	–	(246)
Transfers [1]	(2 124)	–	–	(909)	(3 033)
Historical cost 31.12.12	**31 697**	**16 139**	**974**	**563**	**49 373**
Historical cost 01.01.13	**31 697**	**16 139**	**974**	**563**	**49 373**
Additions, cost price	5 685	–	–	8 669	14 354
Disposals, cost price	(343)	–	–	–	(343)
Transfers [1]	563	–	–	(563)	–
Historical cost 31.12.13	**37 602**	**16 139**	**974**	**8 669**	**63 384**
Accumulated depreciation 01.01.12	**(21 864)**	**(10 949)**	**–**	**–**	**(32 813)**
Depreciation	(2 921)	(772)	–	–	(3 693)
Accumulated depreciation on disposals	246	–	–	–	246
Transfers [1]	247	–	–		247
Accumulated depreciation 31.12.12	**(24 292)**	**(11 721)**	**–**	**–**	**(36 013)**
Accumulated depreciation 01.01.13	**(24 292)**	**(11 721)**	**–**	**–**	**(36 013)**
Depreciation	(3 683)	(772)	–	–	(4 455)
Accumulated depreciation on disposals	314	–	–	–	314
Accumulated depreciation 31.12.13	**(27 662)**	**(12 493)**	**–**	**–**	**(40 155)**
Useful life [2]	3 to 10 years	25 to 50 years	–	–	
Depreciation Method	Linear	Linear	N/A	N/A	
Carrying value 31.12.12	**7 405**	**4 418**	**974**	**563**	**13 358**
Carrying value 31.12.13	**9 940**	**3 645**	**974**	**8 669**	**23 228**

1) Includes transfer from asset under construction and reclassifications to/from intangible assets.

2) For assets under construction, depreciation is charged once asset is ready for its intended use.

NOTE 9

Investments in subsidiaries

Amounts in NOK 1 000

	Ownership interest Cermaq ASA	Equity 31.12.2013	Profit/(loss) for 2013	Carrying value 31.12.2013	Office location
Mainstream Holding AS [1)]	100 %	184 152	65 780	194 558	Oslo, Norway
NorAqua AS [2)]	100 %	150	(2)	150	Oslo, Norway
Inversiones Mainstream Ltda. [3)]	1 %	4 716	(4 286)	689	Coronel, Chile
Cermaq Norway AS [4)]	100 %	1 711 708	455 216	229 024	Steigen, Norway
Total investment in subsidiaries				**424 423**	

1) Newly formed in 2013 via the de-merger of Statkorn Aqua AS and the following sale of the EWOS Group in the end of October 2013.

2) Written off to share of net booked equity as of 31.12.2013. Impairment in 2013 amounted to NOK 10 051 867.

3) The Cermaq Group wholly owns the companies. Mainstream Holding AS owns the remaining interests not owned by Cermaq ASA.

4) Changed name from Mainstream Norway AS to Cermaq Norway AS.

NOTE 10

Intercompany receivables and liabilities

Amounts in NOK 1 000

	2013	2012
Group Contribution	217 904	39 155
Dividend from subsidiaries	180 000	153 000
Cash pool receivables	–	155 308
Financial assets [1)]	–	22 662
Other short-term intercompany receivables	18 353	41 772
Total short-term intercompany receivables	**416 257**	**411 898**

Amounts in NOK 1 000

	2013	2012
Financial liabilities [1)]	–	9 733
Cash pool liabilities	150 622	29
Other short-term intercompany liabilities	1 281	1 643
Total short-term intercompany liabilities	**151 902**	**11 405**

1) Specified and commented below.

Amounts in NOK 1 000

	2013	2012
Financial assets	–	22 662
Financial liabilities	–	(9 733)
Other financial assets/(liabilities)	**–**	**12 929**

The financial assets and liabilities in 2012 are mainly related to internal currency hedges with EWOS AS and Norgrain AS.

NOTE 11

Non-current intercompany loans and receivables

Amounts in NOK 1 000

Loans to group companies	Currency	Currency amount	2013	2012
EWOS Vietnam [1]			–	33 398
Inversiones Mainstream	USD	131 000	796 965	–
Loan to Norwegian companies	NOK	412 078	412 078	1 320 851
Long term receivables on group companies			**1 209 043**	**1 354 249**

Amounts in NOK 1 000

Liabilities to group companies	Currency	Currency amount	2013	2012
Liabilities to norwegian companies	NOK	159 929	159 929	312 943
Total non-current intercompany liabilities			**159 929**	**312 943**

1) EWOS Vietnam is no longer a part of the Group.

All intercompany items are due later than one year. Intercompany items in foreign currency are translated at the exchange rate at the balance sheet date.

The interest rate charged to by Cermaq ASA to the subsidiaries is based on the applicable market rate (3M Libor or 3M Nibor) supplemented by a margin calculated with reference to the Group's cost of funds.

NOTE 12

Accounts receivables

Amounts in NOK 1 000

	2013	2012
Accounts receivables	9 749	75
Total accounts receivable	**9 749**	**75**

There are no provisions for bad debt. The increase in accounts receivables compared to last year is mainly explained by transition service agreement after the sale of EWOS.

NOTE 13

Cash and cash equivalents

Amounts in NOK 1 000

	2013	2012
Cash and cash equivalents	4 288 645	109 290
Total cash and cash equivalents	**4 288 645**	**109 290**

As of 31 December 2013 NOK 7.3 million is restricted cash. This is related to the sale of EWOS Vietnam.

The Group has established a multi-currency cash pool solution with Danske Bank. Under this agreement, Cermaq ASA is the group account holder and other group companies are sub-account holders or participants. The bank can offset overdrafts against deposits, so that the net position represents the net balance between the bank and the Group account holder.

NOTE 14

Equity

Amounts in NOK 1 000

	Share Capital	Treasury shares	Other paid capital	Actuarial gains and losses	Other reserves	Total equity
Equity 31.12.2012	**925 000**	**(37)**	**4 967**	**–**	**164 888**	**1 094 818**
Change in accounting principles (IAS 19R)	–	–	–	(7 677)	–	(7 677)
Corrected equity 01.01.2013	**925 000**	**(37)**	**4 967**	**(7 677)**	**164 888**	**1 087 141**
Share based payment	–	–	(4 967)	–	1 012	(3 954)
Net income/(loss) for the year	–	–	–	–	5 021 069	5 021 069
Actuarial gains and losses against equity	–	–	–	7 504	–	7 504
Dividend	–	–	–	–	(4 884 000)	(4 884 000)
Difference between proposed and paid dividend for 2012	–	–	–	–	4	4
Equity 31.12.2013	**925 000**	**(37)**	**–**	**(173)**	**302 973**	**1 227 762**

Number of shares in the company is 92 500 000. The shares have a face value of NOK 10 each. All the shares in the company have equal rights.

For details regarding largest shareholders and shareholdings of key management personnel, please refer to note 21 and 7 in the Group accounts.

Detail about the dividend is shown in note 17.

NOTE 15

Interest bearing liabilities

As of 31 December 2013, Cermaq ASA has no non current interest bearing liabilities. (2012: NOK 1 428.9 million, non-current).

Cermaq ASA had no current interest-bearing liabilities at 31 December 2013 (2012: 0 million).

For an analysis of the interest cost on the Group's Credit Facilities, please see note 23 in the Group Notes.

NOTE 16

Financial risk management

Please refer to note 23 in the Group accounts for further details related to financial risk management in the company and within the group.

NOTE 17

Other current liabilities

Amounts in NOK 1 000

	2013	2012
Social security taxes and VAT	20 131	5 326
Dividend	4 884 000	92 500
Other short-term liabilities	108 918	17 232
Total other current liabilities	**5 013 049**	**115 058**

Allocated dividends for the year-end contains of extra ordinary dividend on NOK 4 717.5 million approved by the general meeting on 7 January 2014 and proposed dividend for 2013 by the board of directors of NOK 166.5 million.

NOTE 18

Property rental agreement

Amounts in NOK 1 000

Renter	Rent	Annual rent	Duration of agreement
Cermaq ASA	Rent - Oslo	5 727	31.12.2020
Cermaq ASA	Rent - Florø	1 075	31.01.2015
Cermaq ASA	Rent - Kristiansund	289	31.03.2014

All property rental aggreements above are operational.

NOTE 19

Pledges and guarantees

In connection with the refinancing of the Group's loan facilities, Cermaq ASA has agreed to pledge assets in favour of the syndicated banks. The loan agreement limits the group companies' ability to pledge assets to other third parties.

Amounts in NOK 1 000

	2013	2012
Guarantees	110 550	1 161 323
Total guarantee liabilities	**110 550**	**1 161 323**

The table above does not include purchased bank guarantees that at year-end amount to NOK 29.7 million and the parent company guarantee issued in relation with Cermaq Norway's application for new fish farming licences. The guarantee liabilities consist of parent company guarantees issued by Cermaq ASA on behalf of subsidiaries.

Cermaq ASA has issued a parent company guarantee in favour of the Ministry of Trade, Industry and Fisheries in relation with Cermaq Norway's application for new fish farming licences.

NOTE 20

Transactions with related parties

See note 9 Investments in subsidiaries for identification of subsidiaries and primary relationships with those parties.

Cermaq ASA operates the cash pooling arrangements in the Group. Further, Cermaq ASA extends loans to subsidiaries, associates at terms and conditions reflecting prevailing markets conditions for corresponding services, allowing for a margin to cover administration and risk.

Cermaq ASA charge overheads and costs for services rendered by corporate staff to subsidiaries.

Amounts in NOK 1 000

2013	Fish farming operation	Feed operation [1]	Other operation	Total
Operation				
Management Fee	25 249	20 960	–	46 209
Recharged IT services	14 086	13 544	–	27 630
Rent / other rental income	932	–	2 500	3 432
Finance				
Financial income	34 682	42 384	52	77 118
Dividend	–	–	180 000	180 000
Group contribution	206 675	–	11 232	217 907
Total financial revenue	**241 357**	**42 384**	**191 284**	**475 025**
Total financial expenses	**(776)**	**(50 660)**	**(11 287)**	**(62 723)**

1) Until the sale of EWOS 31. oktober 2013.

Amounts in NOK 1 000

2012	Fish farming operation	Feed operation	Other operation	Total
Operation				
Management Fee	20 600	28 453	–	49 053
Recharged IT services	10 265	14 805	–	25 070
Rent / other rental income	697	–	2 500	3 197
Finance				
Financial income	24 749	67 566	69	92 384
Dividend	–	–	153 000	153 000
Group contribution	–	27 895	11 261	39 155
Total financial revenue	**24 749**	**95 461**	**164 329**	**284 539**
Total financial expenses	**(46)**	**(13 126)**	**(8 566)**	**(21 738)**

There have been no material purchasing services in Cermaq ASA from its subsidiaries in 2012 or 2013.

Principal of arms length are used in all transactions with subsidiaries.

NOTE 21

Subsequent events

See note 28 in the Group Notes.

Building a better working world

Statsautoriserte revisorer
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To the Annual Shareholders' Meeting of
Cermaq ASA

AUDITOR'S REPORT

Report on the financial statements

We have audited the accompanying financial statements of Cermaq ASA, comprising the financial statements for the Parent Company and the Group. The financial statements of the Parent Company comprise the statement of financial position as at 31 December 2013, the statements of income and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information. The financial statements of the Group comprise the statement of financial position as at 31 December 2013, the statements of income, comprehensive income, cash flows and changes in equity for the year then ended as well as a summary of significant accounting policies and other explanatory information.

The Board of Directors' and Chief Executive Officer's responsibility for the financial statements

The Board of Directors and Chief Executive Officer are responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the Parent Company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as the Board of Directors and Chief Executive Officer determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the financial statements for the Parent Company and the Group.

Opinion on the financial statements of the Parent Company

In our opinion, the financial statements of Cermaq ASA have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Company as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the Group

In our opinion, the financial statements of the Group have been prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the Group as at 31 December 2013 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and the proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and Chief Executive Officer have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 25 March 2014
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)

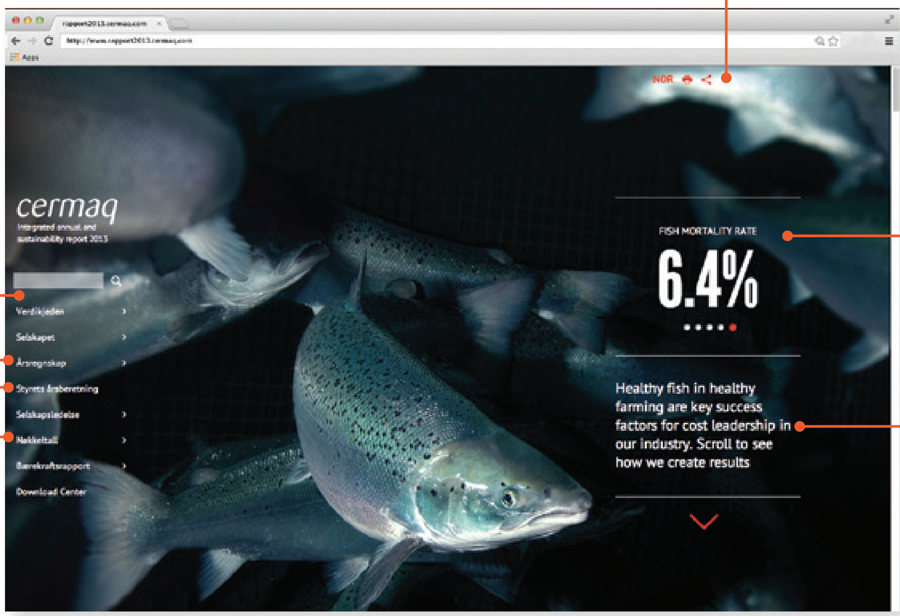
(This translation from Norwegian has been made for information purposes only.)

Cermaq's integrated annual and sustainability report 2013 on web

The complete annual and sustainability report is available online at www.report2013.cermaq.com

Here you will find all content in an ordinary annual report and in addition a complete sustainability report based on the Global Reporting Initiative (GRI) standard as well as more exhaustive information about the company and its operations.

From the download center you may select the parts of the report you would like to download.



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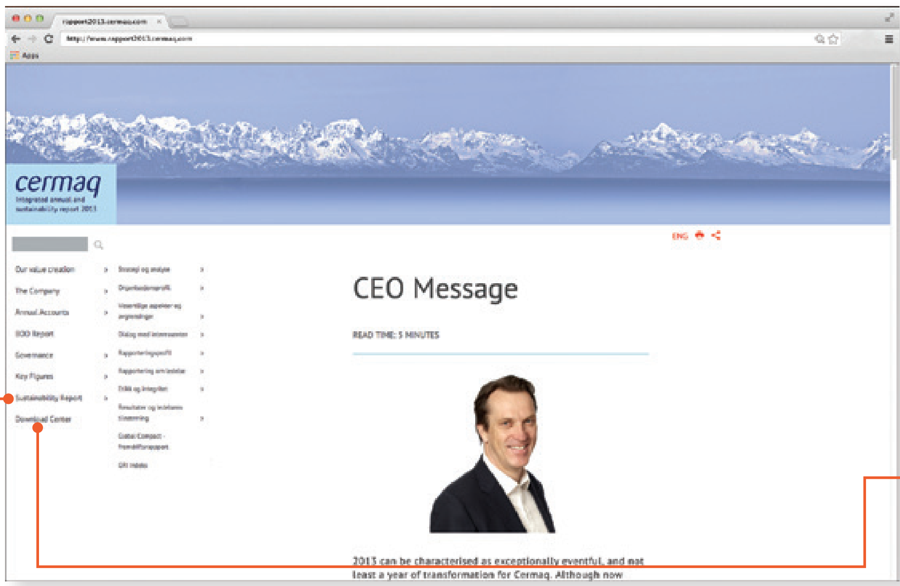

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