



ANNUAL REPORT 2003





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History

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



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

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

Up to 1997, the Group was a traditional family company. In 1997, a private placement with financial investors was issued for the first time. In connection with this placement in 1997, the company was reorganised as a public limited company. The company was floated on the stock market in June 2002. The company has introduced several placements, most recently in December 2003. Listing the parent company Lerøy Seafood Group ASA has already contributed towards a significant strengthening of the Group.



Principal figures from the Income Statement

<i>Amounts in NOK 1,000</i>	2003	2002	2001
Operating revenues	2 914 873	2 555 606	2 530 457
EBITDA*	98 517	66 252	71 791
Operating profit	84 367	55 045	64 785
Profit before tax	54 659	40 184	56 630
Profit for the year	34 083	29 521	40 877
Earnings per share	1,15	1,13	2,10
Diluted earnings per share	1,15	1,13	2,08

*Operating profit before depreciation and amortization

Corporate Governance

■ Corporate Governance

Corporate Governance is an international concept for which there is not yet a good and accurate term in Norwegian. We understand the concept to be a collective term covering the company's behaviour and customary practices within several sectors, such as governing and monitoring mechanisms, management, board customs and shareholder policies. Several of these sectors are governed by business law representing a minimum of what the company's various partners may expect from the company. The company's own goals, seen in conjunction with the demands of international and national partners for lastingly profitable commercial activities, mean that Lerøy Seafood Group is to be recognised for exercising Corporate Governance beyond the minimum requirements.

We share the view which maintains that Corporate Governance is not something new and that the concept probably has not yet found its final meaning, and our review of the company's Corporate Governance has therefore not yet found its final form and content either. We will continue to work on our Group's Corporate Governance and the way in which it will be presented in coming years. For the sake of good order, we must point out that this chapter is not a complete description of the company's Corporate Governance. Rather, it is a review of some specific and central matters based on that part of the Corporate Governance concept related to the interface between the company's present and future owners.

We believe the recent focus on several of the areas encompassed by the term Corporate Governance will in time show the need for various roles and related distribution of responsibility in the performance of commercial activity. This will improve the possibility of all partner companies to form an independent and accurate view of the companies and thus to assess which companies have the best

prerequisites for generating the greatest wealth.

■ The Board of Directors

With its central position between owners and management, the Board of Directors will act as the corporate body that safeguards the needs of the shareholders for strategic governance and operational control. The function and focus of the Board will always vary somewhat depending on circumstances within the company and the development of external framework conditions.

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

For several years now, see above, the company's owners have considered the need for a variety of skills, continuity, renewal and change in the company's ownership structure in conjunction with the composition of the Board of Directors. It will always be in the interest of the company's partners for the composition of the Board to vary in line with the demands made on the company and the Group's expectations. In this connection we would mention that at the Shareholders' Meeting on 25 May 2004, a proposal regarding the composition of the Board will be submitted, and if this is adopted, women will be represented on the Board.

The Board today is composed of:

Chairman of the Board, Svein Milford, was first elected onto the Group's Board by

the Shareholders' Meeting on 24.04.95. Milford was subsequently elected to the chairmanship by the Shareholders' Meeting on 12.05.00. Milford is 60 years old and has a degree in electronic engineering (1965), a diploma in economics from the Norwegian School of Management - BI (1970) and an MBA from the University of Oregon (1971). Milford has considerable experience from leading positions in Norwegian and international business enterprises. In recent years, Milford has run his own consultancy business and is chairman of the boards of several companies. At 31.12.03, Svein Milford owned – directly or indirectly – 5,700 shares in the company.

Board Member Hallvard Lerøy jr first gained board membership in the Group in 1967. Lerøy jr is 67 years old and has university qualifying examinations in business studies from Bergen Business College - Bergens Handelsgymnasium (1955), visited France for work/study purposes in 1955 and 1957 and attended studies in business economics at the Norwegian School of Economics and Business Administration - NHH in Bergen. Lerøy jr has been employed in the Group for long periods of his working life and became Managing Director in 1967. Lerøy jr retired as Managing Director in 1992 when his son and current Group Managing Director and Chief Executive Ole-Eirik Lerøy took over. Lerøy jr currently holds positions on official committees and in fisheries organisations, on various boards and on some of the Group company boards. At 31.12.03, Hallvard Lerøy jr owned – directly or indirectly – 1,606,470 shares in the company.

Board member Fons Brusselmans has been a member of the Board since the 1998 Shareholders' Meeting. Fons Brusselmans is 54 years old and a graduate in business economics from the Norwegian School of Management - BI (1978). Brusselmans is Group Managing Director of Kuoni Scandinavia and has held management positions

in international service industries for a number of years. In addition, he has broad experience in working on the boards of international commercial enterprises. At 31.12.03, Fons Brusselmans owned 5,400 shares in the company.

Board Member Leif O. Strand was elected onto the company's Board of Directors by the Shareholders' Meeting on 12.05.00. Strand is 55 years old and has attended studies at the Norwegian School of Management BI in Oslo. Strand has many years of experience in Norwegian businesses and is a company director in Ferd AS. Strand is also a member of the board of several companies within the group owned by his employer Ferd AS. At 31.12.03, Leif O. Strand owned no shares in the company, but his employer, Ferd AS, through Ferd Private Equity, owned 5,781,07 shares.

Board Member Hans Petter Vestre was elected to the Board as the employees' representative at the Shareholders' Meeting on 24.04.95. Vestre is 37 years old and a graduate of the Norwegian College of Fishery, University of Tromsø [1991]. Vestre was employed by Hallvard Lerøy AS as sales manager in 1992 and is today departmental head in Hallvard Lerøy AS. Vestre is also a member of the Board of Directors of Hallvard Lerøy AS. At 31.12.04, Hans Petter Vestre owned 6,120 shares in the company.

■ Dividend policy

With the help of continued growth and improved profitability, the Lerøy Seafood Group aims to create financial values for their shareholders, staff and the community in general. Lerøy Seafood Group aims to provide a satisfactory rate of return from all their activities. The yield to shareholders in the form of dividends and share price performance in the stock market ought to reflect the wealth generated by the company. The dividends paid should reflect the company's growth and profitability.

The company's dividend policy implies that over time, dividends should lie in the region of 30 and 40 % of the net profits after tax. However, care must be taken throughout to ensure that the Group operates in line with good financial contingency planning as a guarantee for new and profitable investments. In the long run, wealth will be generated more in the form of a rise in share values rather than in declared dividends.

■ Financial goals

On-going structural changes in the global industry in which the company operates, seen in conjunction with the cyclical nature of the industry, make it essential for the company at all times to maintain adequate financial contingency plans. This in turn requires a close relationship with the company's shareholders and equity capital markets. The company has always stressed the importance of maintaining the confidence of its financial partners and thus also access to necessary loan capital on favourable terms. The financial goals of the Board of Directors and the Group's management are reflected in an established requirement to soundness as well as in a yield requirement. The requirement to soundness means that the Group's equity capital ratio over time should not be less than 25 %. The Group's earnings over time are to generate an annual yield on the Group's average capital employed of 18 % before tax. It will be necessary to assess and adjust the Group's financial goals both as a result of significant external parameters, including interest levels, and also as a result of significant changes in the Group's spheres of activity.

■ Shareholders' meeting, negotiability and voting rights

On 03.06.02, the shares in Lerøy Seafood Group ASA were quoted in the Oslo Stock Exchange main list and are freely negotiable within the provisions of Norwegian law. The company has only one class of shares, and each share carries one vote at the Shareholders' Meeting. Shareholders rights are governed

by the Act relating to Public Limited Companies (Norway), cp. in particular Chapter 4 of the Act.

Attendance or voting by proxy

Shareholders may cast their votes at the Shareholders' Meeting either by attending in person or through proxies.

Authorities granted to the Board of Directors

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

The first time the Board was authorised to acquire the company's own shares was at the Shareholders' Meeting on 12.05.00. This authority was subsequently renewed at the Shareholders' Meeting on 22.05.03 and is to remain valid for 18 months from the date on which the resolution was adopted. The authority has been exercised. At 31.12.03, the company owned 125,823 shares.

The Board is authorised to increase the share capital by up to NOK 1,200,000.- by issuing up to 1,200,000 shares, each with a face value of NOK 1.- through one or more private placements with employees of Lerøy Seafood Group ASA and its subsidiaries. The Board's authority must be seen in conjunction with the company's established option programme, see below. This type of authority was first established by the extraordinary Shareholders' Meeting on 10.12.97 and subsequently renewed by the Shareholders' Meeting on 22.05.03. This authority is valid for two years from the time the resolution was adopted. It has not been exercised.

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

investors. This type of authority was first established by the Shareholders' Meeting of 04.05.99 and subsequently renewed by the Shareholders' Meeting on 22.05.03. In 2003 the Board has exercised this authority on two occasions. The authority was used in connection with the acquisition of Lerøy Midnor AS. The Board issued 2,300,000 shares as part payment for taking over all the shares in Lerøy Midnor AS on 15.12.03. Moreover, the Board has issued 2,700,000 shares in connection with a cash issue on 04.12.03. The authority has been exercised in full.

Options

Since the spring of 1999, the Board has issued a total of 792,000 options entitling the holder to subscribe to one new share per option, cp. the Board's authority described above. Of these, 452,000 options were issued in July 1999. The options could be exercised in stages, the first time for 30 % of the options after the Shareholders' Meeting in 2000 and then for 40% and 30% after the Shareholders' Meeting in 2001 and 2002, respectively. The exercise price is NOK 12.00 per option. At 31.12.03, 289,000 of these options had been exercised, and the number of this type of option still outstanding is 163,000. Exercised options have been honoured with shares purchased by the company in the market, cp. the Board's authority to acquire the company's own shares. Moreover, the Board allocated 320,000 options in the spring of 2001 and the spring of 2002. These options may be exercised in stages, with one third at each stage, the first time after the Shareholders' Meeting in 2002. The exercise price is NOK 27.50 per share. At 31.12.03, none of these options had been exercised.

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

company, any options not exercised will lapse. Moreover, the exercise price for the various option programmes reflects the market price [or higher] at the time of allocation.

Share issues with discount

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

Information

Lerøy Seafood Group ASA places great weight on correct and open information to shareholders, potential shareholders and other interested parties. Since 1997, the company has presented quarterly reports containing financial information. Current, relevant, consistent and up-to-date information is to form the basis for all interested parties' assessment of the share value of the company. The company's most important medium for distributing information will be the Oslo Stock Exchange reporting system, but the company will also present such information directly to investors and analysts. Lerøy Seafood Group will inform their shareholders through the annual report, quarterly reports and at presentations when this is appropriate. In addition, press releases will be sent out in relation to important events in the markets in which the company operates or concerning other circumstances that may be relevant. The company's Internet home page will also be updated with relevant information. The company's Internet address is: www.leroy.no.

Technical information

At 31.12.03, Lerøy Seafood Group ASA had 34,440,767 shares, each with a face value of NOK 1.-. At 31.12.03, the company had 2,302 shareholders. The company's register of shareholders, cp. S. 4-4 of the Act relating to Public Limited Companies (Norway), was registered with the Norwegian Central Securities Depository (Verdipapirsentralen – VPS) on 28.11.97 and carries the VPS registr-

ation number ISIN NO-000-3096208. DnBNOR Bank ASA, Oslo, is the account manager. The share's so-called Ticker Code on the Oslo Stock Exchange is LSG. The company's business enterprise number is 975 350 940.

The overview below shows the so-called RISK¹ values for the company's shares:

01 January 1996 NOK 0.0
 01 January 1997 NOK 1,592.60
 01 January 1998 NOK 3.50
 01 January 1999 NOK 1.14
 01 January 2000 NOK 0.83
 01 January 2001 NOK 0.89
 01 January 2002 NOK 1.69
 01 January 2003 NOK -0.02

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

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

¹ RISK is an abbreviation for Regulering av Inngangsverdi med Skattlagt Kapital, or adjustment of original costs of the shares by tax profit, RISK adjustment. *Translator's note.*

Financial calendar

26.02.04 Preliminary results for 2003
13.05.04 Report 1st. quarter 2004
25.05.04 Annual general meeting

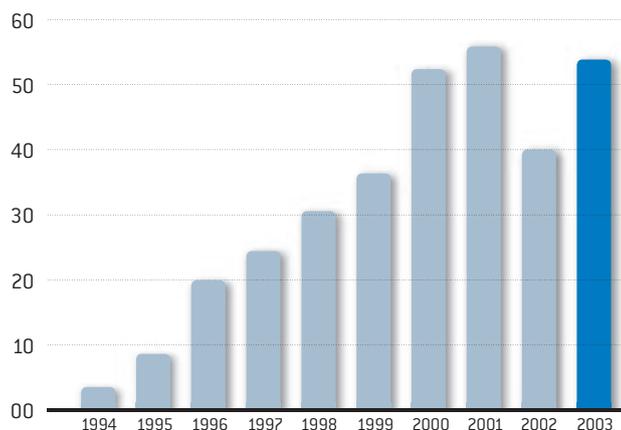
The Annual general meeting will be held the 25th of May at 10:00 am at the company's office at Bontelabo 2, 5003 Bergen. Shareholders wishing to attend the Annual general meeting must notify the company by returning the proxy form attached to the summon notice before Wednesday 19th of May 2004.

The board proposes that the dividend payment for year 2003 should be NOK 0.60 per share. If the Annual general meeting accepts the proposal, dividends will be paid to the shareholders on 10.06.04. The share will be noted ex-dividend on the 26th of May 2004.

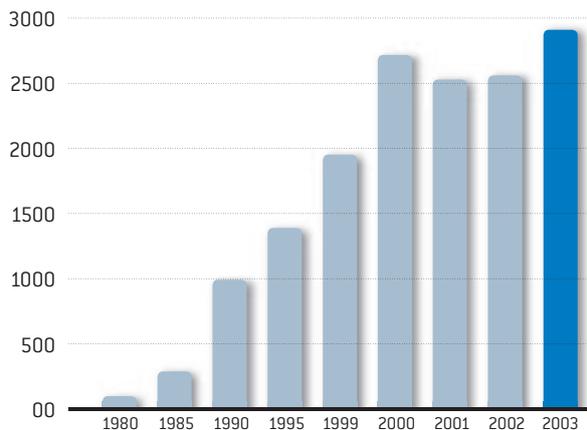
26.08.04 Report 2nd. quarter 2004
25.11.04 Report 3rd. quarter 2004
24.02.05 Preliminary results for 2004

Key figures and graphs

Pre-tax profits (NOK mill.)



Operating revenues (NOK mill.)



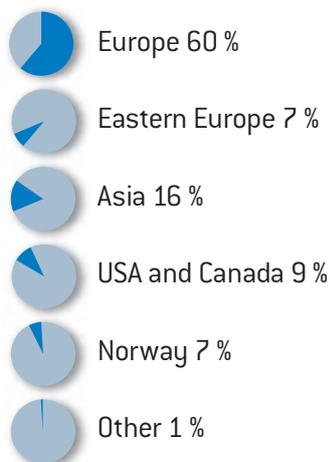
Financial key ratios

	2003	2002	2001	2000	1999
Pre-tax profit margin	1,88%	1,57%	2,24%	1,90%	1,87%
Operating margin	2,89%	2,15%	2,56%	1,50%	1,72%
Earnings per share ¹⁾	1,15	1,13	2,10	2,30	1,89
ROCE ²⁾	9,55%	8,75%	15,89%	18,53%	24,49%
Equity ratio	44,01%	53,50%	41,31%	43,64%	32,93%

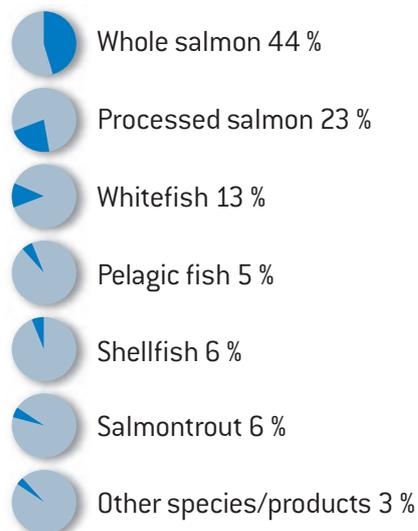
1) Average number of shares.

2) Return on average capital employed.

Operating revenues by market



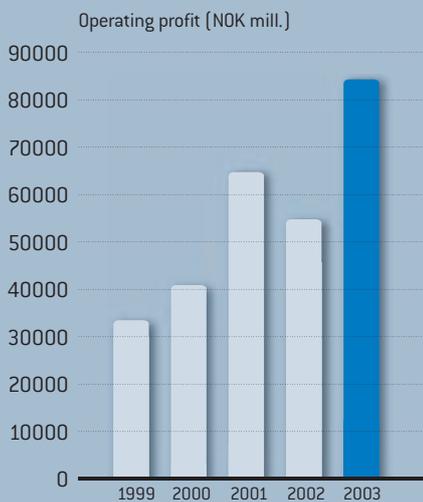
Operating revenues by product group



Report of the Board of Directors for 2003

Financial situation

In 2003, operating revenues for the Lerøy Seafood Group amounted to NOK 2,915 million, reflecting a satisfactory growth of NOK 359 million or 14,1 %. Consolidated operating profit amounted to NOK 84.4 million in 2003, compared to NOK 55.0 million the year before. The Group's operating margin in 2003 was 2.89 %, compared to 2.15 % in 2002. Recent years' acquisitions of down-stream activities, along with a constant focus on the Group's productivity, have resulted in a positive margin growth. The Board is satisfied with the growth in the consolidated operating results.



As expected, due to weak prices for Atlantic salmon and trout, the Group failed to achieve a satisfactory yield on financial assets. In 2003, the Group's share in the results of affiliated companies thus led to a loss of NOK 20.5 million, compared to a corresponding loss of NOK 12.8 million the year before. The Group's net financial items, including the write down of Hjaltland Seafarms AS shares in the amount of NOK 11.0 million, amounted to minus NOK 9.2 million against minus NOK 2.1 million in 2002. Profit before tax was NOK 54.7 million compared to NOK 40.2 million in 2002, or a growth in profits corresponding to 36.0 %.

The year's surplus corresponds to a profit of NOK 1.15 per share in the year 2003, compared to NOK 1.13 per share in 2002.

Throughout 2003, the number of shares increased from 29,440,767 shares to 34,440,767 shares. The return on the Group's capital employed 2003 was 9.55 % compared to 8.75 % the year before. The Board is not satisfied with the yield achieved, but nevertheless considers the consolidated results to be acceptable in a relatively difficult year. The Group is sound, with equity capital amounting to NOK 794.1 million, giving an equity ratio of 44.01 %. The Board proposes that the dividend payment for 2003 should be, as in 2002, NOK 0.60 per share.

The Group's acquisition of Lerøy Midnor AS is consolidated in the income statement with effect from 01.01.04, while the Group's balance sheet at 31.12.03 contains consolidated figures for Lerøy Midnor AS. In the view of the Board, the acquisition of Lerøy Midnor AS provides the Group with improved opportunities for future growth and earnings. Through the acquisition, the Group has become a better partner for important alliance partners throughout the value chain. The Board has great expectations for the future development of the Group's interests in Central Norway.

Fixed financial assets

The year 2003 has been difficult for producers of salmon and trout in Europe. Prices throughout 2003 reflect the poor levels achievable for salmon and trout in recent times. Nevertheless, there is reason to be satisfied with the growth in the demand for Atlantic salmon. This provides grounds for expecting an improvement in earnings for competitive performers in the coming year. Future framework conditions will, however, intensify demands for financial control, growth in productivity, quality requirements, food safety and market-oriented production.

Like other performers, the Group's ownership shares in fish farming enterprises in the UK and Norway have had difficult market conditions to contend with throughout 2003. Nevertheless, the

Group's fish farming interests in the UK made a positive contribution of NOK 2.3 million to the consolidated results in the year under review. Taking these market conditions into account, the Board feels these results are satisfactory. The Group's ownership interests in Hydrotech-Gruppen, on the other hand, resulted in a loss of NOK 23.0 million. This does not meet with the Board's satisfaction.

Fresh atlantic salmon Norway (4-5 kg)
Price development 1997 - YTD (FHL/NSL)

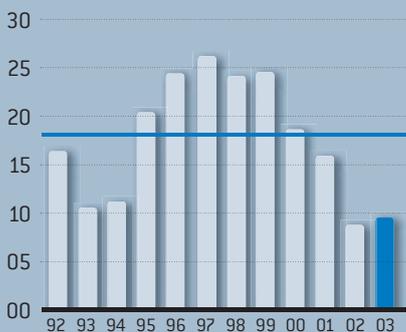


Structural situation

The Group is a performer in an immature industry, where requirements to risk management and ability to engage in the long-term development of strategic business processes are stringent. In the view of the Board, the Group's strategic freedom of action in connection with long-term earnings allows the Group to be an active participant in the coming global and national wealth-generating structural changes within the seafood industry. The acquisition of down-stream activities in Sweden in recent years and the purchase of Lerøy Midnor at the end of 2003 are indicators of the opportunities the Group are seeking to exploit. The Group envisages further growth in the form of acquisitions or mergers. Lerøy Seafood Group will thus consider possible future investments and merger alternatives, as well as possible alliances that can improve the basis for future profitable growth. The seafood industry has great potential, but making use of this potential will require a substantially higher degree of market orientation than that seen today. More resources will have to be allocated to product development, and down-stream activities will have to be developed further.

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

ROCE (%)



The floatation of the company in June 2002 has provided it with a market place for its shares, better access to risk capital and improved opportunities for using the company's shares in future acquisitions and mergers. The Board is pleased with the strong rise in interest in the company's share – today the company has around 2,700 shareholders, compared to 1,397 a year ago.

Employees

The head office of the parent company Lerøy Seafood Group ASA is situated in Bergen. Apart from the Group Managing

Director, the parent company has one employee. Administratively, all personnel functions are handled by the wholly owned subsidiary Hallvard Lerøy AS. At the end of the year, there were 331 employees in the Group, 80 women and 251 men, compared to a total of 314 employees at the same time last year. The wholly owned subsidiary Lerøy

in its recruitment policy and salary systems. As in earlier years, the Board wishes to express its appreciation of the contributions made by the Group's employees throughout 2003. Individual flexibility and effort when adjusting to new situations have been vital throughout the year.



Midnor AS, consolidated in the Group's income statement from 01.01.04, has 203 employees, of which 69 are women and 134 men. The acquisition of Lerøy Midnor AS thus means that the total number of employees in the Group rises from 331 to 534. Regardless of its wish for equal opportunities for men and women, the Group has always placed decisive emphasis on the skills and performance of the individual

Health, safety and the environment

Only minor incidents were registered among the Group's employees in 2003. Total time lost due to illness in the Norwegian subsidiaries amounted to 6.13 % distributed on 2.5 % short-term absences and 3.6 % long-term absences. The foreign subsidiaries do not keep statistics on time lost due to illness. The organisation of the individual subsidiaries is under continuous review to ensure that

they will be able to deal with any new challenges and changes in the framework conditions. The working environment and cooperative atmosphere is good.

Growth in number of shareholders



External environment

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

Results and allocations in Lerøy Seafood Group ASA

In 2003, Lerøy Seafood Group ASA made a profit of NOK 42.0 million against a comparable result of NOK 17.8 million in 2002. Distributable reserves at 31.12.03 amounted to NOK 36.1 million.

The Board proposes that the profits for 2003 be distributed as follows:

Dividends, NOK 0.60 per share	20,664,460.-
Transferred to other equity capital	21,378,361.-
Total allocation	42,042,821.-

Market situation/future prospects

The accounts have been submitted on the assumption of continued operations. The Group's level of activity is good, and the Board of Directors considers future prospects for the Group to be favourable. Based on the international character of the Group's operations, the situation in the global economy will always have an impact on the Group's development.

Somewhat better framework conditions for the Group's overall activities are expected in 2004. However, as in recent years, Hallvard Lerøy AS and Lerøy Midnor AS remained exposed to the risk represented by the continued threats of political trade barriers from the EU Commission. This type of trade barrier was most recently exhibited in the Commission's decision to impose a penal tariff on trout produced in Norway.

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

Bergen, March 30TH 2004 The Board of Lerøy Seafood Group ASA



Svein Milford
Svein Milford
Chairman



Hallvard Lerøy jr.
Hallvard Lerøy jr.



Leif O. Strand
Leif O. Strand



Fons Brusselmans
Fons Brusselmans



Hans Petter Vestre
Hans Petter Vestre
Employees' representative



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



Management Report 2003

■ Consolidated activities

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

Developments in the world's food markets demonstrate the increasing demands on marketing and the need for different approaches, depending on the geographic markets and the products with which one is working. Lerøy Seafood Group will therefore also in the future strive to provide its customers with cost-effective, individual and forward-looking solutions, thus providing the Group and its partners with the best possible opportunities for growth. It is vital that the interaction between businesses in the value chain making up this network takes its point of departure in the requirements and wishes of the end user. The network must ensure the mutual exchange of expertise between performers. Businesses within the network, regardless of ownership, must be given good opportunities to focus on their own core activities and to capitalise on scale advantages and reduced risks.

The Group divides its products into the main sectors of salmon products, whitefish, pelagic fish and shellfish. The distinction between farmed species and wild fish is significant and requires different logistic solutions and work

methods. These products are distributed in the Norwegian market and more than 40 other markets worldwide. The **broad range of products** offered by the company provides sales advantages in most market areas. The company's strategy is to meet the market's ever-increasing demands for quality, range of products, cost efficiency and continuous supply. This is achieved by coordinating the Group's sales network with established strategic alliances of sea farms, fishing vessels and fish processing plants primarily along the coast of Norway. The Group's business systems are under constant review.

The Group works actively to ensure that systems and routines safeguard profitability requirements. As the industry is in such rapid growth, the demands for **risk management** are particularly stringent in several areas. Traditionally, the Norwegian and large parts of the international seafood industry have been seriously undercapitalised, with a correspondingly high level of financial risk. This is not compatible with the cyclical nature of the industry. Lerøy Seafood Group has always emphasised the need to secure the confidence of its financial partners, thereby gaining access to necessary outside capital on good terms. The company's financial contingency planning, both now and in the future, will allow the Group to take part in the value-generating structural reorganisations that will be necessary in the future. On 04.12.03, Lerøy Seafood Group ASA issued a private placement in which the Board of Directors, by authority, issued 2,700,000 shares at a rate of NOK 32.50 per share. The placement is an affirmation of the Group's desire to maintain adequate financial contingency plans.

There is very considerable potential in the seafood industry, but if this is to be exploited to the full, new products will have to be created and developed in line with the evolution of new markets. Lerøy Seafood Group is active in the

development of new products and markets under the motto "what can be sold will be produced". The political trade barriers imposed on the Norwegian fish farming industry by superior political forces represented by the EU also underline the need to open up new markets.

In 1996, action taken by Scottish and Irish fish farmers with a view to setting up **trade barriers** against Norwegian fish farmers led to the EU's Fisheries Commission opening an enquiry into dumping allegations levelled at the Norwegian fish farming industry. The outcome of this enquiry was an agreement signed by the European Commission and the various Norwegian export companies in 1997. This agreement was wound up in the summer of 2003. The European Commission's resolution this winter to introduce a penal tariff on salmontrout produced in Norway demonstrates the superior political force represented by the EU. If the Norwegian fish farming industry is to continue generating wealth in line with its inherent potential, the Norwegian authorities too will have to take firm steps to ensure that conditions are favourable in the long-term perspective. In the long run, the fish farming industry in Norway will not be able to survive with such costly one-sided conditions. Norway as a producing nation has lost market shares for several years now and is constantly being challenged by countries that provide their industries with a much better political framework. Political authorities and others determining the conditions under which we work must accept that the industry is global and that we all have to act accordingly.

More than 75 % of the sales of Lerøy Seafood Group are **fresh seafood products**, and expects to sustain this share in coming years. In addition, there is a clear trend towards a higher level of processing throughout our range of products. Lerøy Seafood Group has built up a sound position for itself within this

product area. As the degree of **processing** rises, regardless of the type of raw material, more and more stringent demands are made on those involved. Standards of cost efficiency, quality and long-term commitment through continuity of supplies will increase in both the production and marketing sectors. In addition, a high level of processing also requires closeness to the market and good logistic solutions. The Group works with stringent demands to cost efficiency and continuous product development.

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

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

Lerøy Seafood Group is a leading supplier of fresh pelagic fish to both Norwegian and European markets. This sale of

fresh pelagic fish represents a small but interesting niche product.

Throughout the year 2003, Norway has succeeded in sustaining its position as the world's leading producer nation of the



company's main product, farmed Atlantic salmon. Even when the figures include wild salmon, Norway remains the largest supplier of Atlantic salmon. However, Norway is now in danger of losing this position.

Measured in value, the Group remained the largest exporter of Norwegian fish from Norway also in 2003.

The Group's position in the Swedish market is good as the subsidiaries in Stockholm and Gothenburg, acquired in 2001, allow for a cost-effective distribution of seafood. In addition, the production unit in Smøgen, Lerøy Smøgen Seafood, represents a very exciting element within the Group. In the summer of 2003, Lerøy Seafood Group ASA

assumed control over all the shares in this company. The work of organising the Group's activities in Sweden efficiently has proceeded satisfactorily, and it is foreseen that the Swedish structure will create interesting opportunities in

coming years. The establishment of representation in Italy in 2003 ensures the Group's presence in a market of considerable importance for Norwegian fish.

The purpose of **acquiring** of all the shares in Nye Midnor AS, now Lerøy Midnor AS, was to affirm the company's strategy of being able to offer seafood products of a high standard to quality-conscious customers in the global seafood market. Lerøy Midnor AS is situated in one of the districts that pioneered the farming of Norwegian salmon and trout. The Group has great expectations of this company and is looking forward to continuing its development in close cooperation with management and staff.

Acting on the authority granted by the Shareholders' Meeting, the Board of Directors in Lerøy Seafood Group ASA issued 2,300,000 new shares in Lerøy Seafood Group ASA as part payment for the shares in Lerøy Midnor AS.

International sales and marketing demand various forms of **expertise** and a high degree of flexibility. For this reason, our organisation is made up of people from different sectors of trade and industry with a wide range of formal

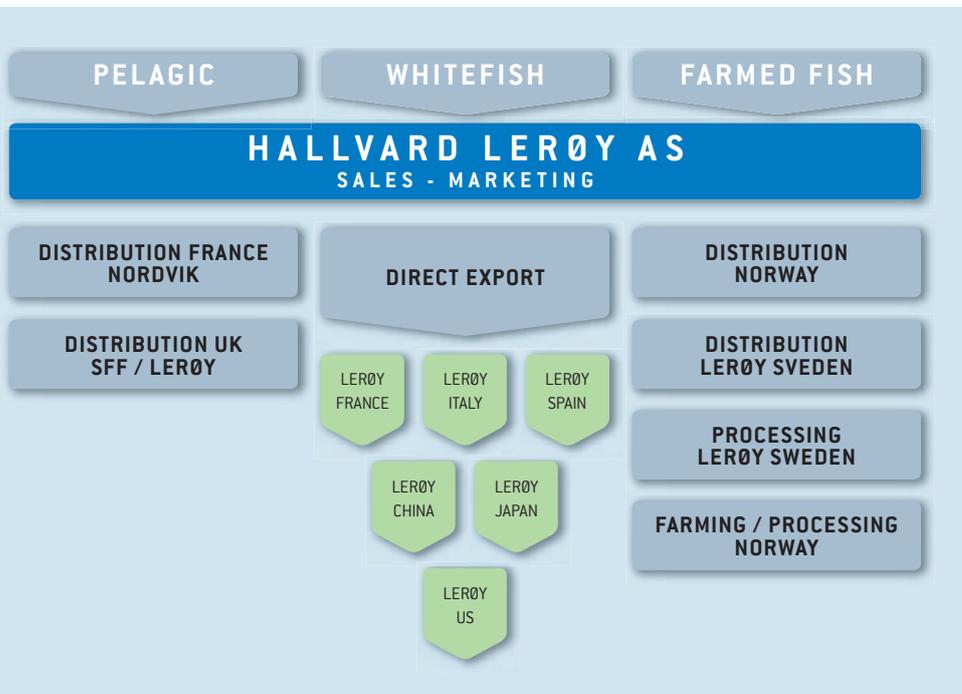
the background of the company's central position in the value chain, development and maintenance of interaction between its partners is a priority area.

The Hallvard Lerøy AS sales offices in a number of countries represent the Group's global sales network. Such sales offices have been set up in France, Spain, Italy, China, Japan and the USA, and thus cover various parts of the Group's international markets. The Group's presence in central markets allows it to follow up its key customers closely and to establish new customer relationships. As planned, the Group opened a sales office in Italy in the spring of 2003, and new sales offices will be established in coming years.

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

Fresh fish is distributed primarily to the West Norwegian counties, but also to the important Oslo market, either directly to fresh product outlets (Western Norway) through the firmly established "Lerøy counter", or via fresh fish wholesalers in Oslo. The "Lerøy counter" is often used as a display window for Hallvard Lerøy AS's international customers who are here presented with ideas they can take back to their domestic markets. The concept of the "Lerøy counter" originated in the early 90's and means that Hallvard Lerøy AS is responsible for supplying the products and training the staff serving behind the counter.

Lerøy Fryseri is an efficient and modern slaughter plant located in Bergen and is mainly engaged in the slaughter and freezing of trout for the Japanese market. This work requires a high degree of efficiency and precision as Japanese customers place very stringent demands on end products. Lerøy Fryseri has a



Hallvard Lerøy A/S

Measured in sales, Hallvard Lerøy A/S is the largest company in the Group, with operating revenues of NOK 2,496 million in 2003. During the year under review, results were good, with profit before tax amounting to NOK 62.9 million. For several years now, the political trade barrier established by the European Commission through the so-called minimum price agreement has been a serious impediment for the company. This barrier was removed in the summer of 2003, once more making competition on equal terms possible. Hallvard Lerøy A/S, located at the Group's head office in Bergen, has been organised in accordance with market segments since 01.01.96. This form of organisation focuses on customers and their needs, and forms the basis for cost-effective handling of the individual customer. The market's need for a broad selection of products is satisfied through the Group's wide product range.

backgrounds and experience. As the company is engaged in a global industry in which framework conditions are constantly changing and developing, it is important that our staff maintain and extend their skills and competence. Our organisation may be described as young but experienced. Constant changes in the company's framework conditions require dynamic and flexible co-workers who are willing to learn, and Hallvard Lerøy AS's employees meet these requirements. The employees are dedicated to improving the company's **competitive skills and results** and to making sure that the company will be able to satisfy future demands and thus also the company's long-term strategies and profit targets.

With the aim of meeting future developments in the world food market, the company is seeking to develop its organisation through projects linked to the company's strategic goals. Against

core of skilled and motivated co-workers. Lerøy Fryseri operates in a niche plagued by over-capacity and thus finds it difficult to achieve its earnings targets.

Nordvik SA

Nordvik SA is located in Boulogne in France and is one of France's largest importers of fresh fish. Nordvik SA is a well-run company with fifteen employees. The company's sales amounted to NOK 109.5 million, giving a pre-tax profit of NOK 0.6 million.

Lerøy Sverige AB

Lerøy Sverige is a holding company for the two Swedish companies Lerøy Allt i Fisk AB and Lerøy Fiskgrossisterna AB. These companies have been owned by the Group since 2001. The company's sales amounted to NOK 341.3 million in 2003. Pre-tax results were NOK 4.9 million.

Lerøy Allt i Fisk AB, located in Gothenburg, is a full-range seafood company holding a particularly strong position in the Swedish catering and large-scale household market. Lerøy Fiskgrossisterna AB is located in Stockholm and is Stockholm's largest distributor of seafood, with a particularly high level of expertise in the grocery trade. Sweden is an important market for the Lerøy Group, and these two companies have been close partners of Hallvard Lerøy AS. The integration of these two companies into the Lerøy Group has proceeded according to plan. Further development of the two companies continues in close cooperation with their very able local management and the companies' motivated and competent staff.

Lerøy Smøgen Seafood AB

Lerøy Smøgen Seafood was first consolidated into the Group's accounts from 01.07.02. As agreed, the Group took control of all the shares in the company in the summer of 2003. Sales in 2003 amounted to NOK 142.5 million, giving pre-tax results of NOK 13.4 million.

Lerøy Smøgen Seafood is a Swedish seafood group organised according to the areas of activity of the three companies Strannes Røkeri AB, Strannes Delikatesser AB and Smøgen Seafood AB.

After Japan and France, Sweden is the Lerøy Seafood Group's largest market. The take-over of the three companies is part of the Lerøy Seafood Group's long-term strategy for strengthening its presence in the company's main markets. Priority areas for the companies in Lerøy Smøgen Seafood AB are hot and cold-smoked seafood products, seafood salads and products based on seafood in brine.

Strannes Røkeri AB has for many years been one of Lerøy Seafood Group's important alliance partners. Together the companies have developed a range of hot and cold-smoked seafood products sold on the catering market in a range of countries. Development of Lerøy Smøgen Seafood AB will continue in close cooperation with its very competent management and the company's motivated and competent staff.

The take-over of all the shares in Lerøy Smøgen Seafood AB during the summer of 2003 complements the acquisition of Lerøy Sverige, see above, in 2001.

Lerøy Midnor AS

Lerøy Midnor AS is situated on Hitra and at the take-over in December had just over 200 employees. The organisation has a staff of motivated and competent employees. Lerøy Midnor AS is one of Norway's largest fish farming companies with a total of 26 wholly owned licenses for the production of fish in the sea.

Moverover, the company also has licenses for the production of young fish for its own production of fish for consumption. The company processes practically all its own biomass in its slaughtering facilities. Lerøy Midnor AS also has a division for the processing of salmon.

The company (Nye Midnor AS) was established on 11.07.03 and took over assets from the Midnor Group AS company. The shares in Lerøy Midnor AS were taken over on 16.12.03. The company's balance sheet is consolidated in the Group's balance sheet at 31.12.03. The company will be consolidated into the Group's income statement from 01.01.04.

If future growth in the Norwegian fish farming industry, of which Lerøy Midnor AS is a part, is to be secured, it is essential that political authorities end all costly and uniquely Norwegian regulatory conditions.

Sigerfjord Aqua AS

The company became part of the Group from 01.01.03. Sales in the year 2003 amounted to NOK 7.0 million. Profit before tax showed a deficit of NOK 2.8 million. The production problems experienced by the company during the summer of 2003 have had a strong impact on the company's profits. The company is Norway's largest Arctic char farm. Production this year will exceed 200 tonnes of Arctic char, while total production of Arctic char in Norway will be about 400 tonnes. The company is still in the process of building up its resources, but substantial large-scale benefits are expected from the production of portion-sized Arctic char. The company's own production has risen sharply in recent years, and production efficiency has improved substantially. Close cooperation with Hallvard Lerøy AS on the marketing side provides good opportunities for steady and cost-effective distribution of the company's still modest volumes. Arctic char is an important article in the Swedish market and will therefore provide the Group's Swedish companies with further sales arguments.

Lerøy Quality Group AS

The 2003 income of Lerøy Quality Group AS amounted to NOK 2.7 million, giving a pre-tax profit of NOK 2.8 million. Realised gains in the stock market have made a clear impact on the company's results.

Lerøy Quality Group AS is a continuation of the interest organisation Lerøy Quality Group (LQG), established in 1993. The company is owned by Hallvard Lerøy A/S and several leading Atlantic salmon farmers. Lerøy Quality Group AS is a long-term financial investor in listed shares and since its establishment in 1997 it has provided its shareholders with good results despite its exposure to the stock market.

Breivoll Marine AS

In 2003, Breivoll Marine AS recorded a turnover of NOK 0.6 million and pre-tax results of NOK 0.5 million. Breivoll Marine AS is a property company owning a fish processing plant on the island of Rolløya near Harstad. All production (slaughter of salmon and trout) is in the hands of Breivoll Marine Produkter AS in which Lerøy Seafood Group ASA is a minority shareholder.

Affiliated businesses

Lerøy Seafood Group ASA has substantial ownership shares in several companies. Total investment in affiliates at 31.12.03 amounted to NOK 268.8 million. These investments did not provide a satisfactory yield in 2003. The total share in profits after amortization of goodwill gave a loss of NOK 20.5 million. The most significant reason for this was that the results of Hydrotech-Gruppen AS were badly affected by the very weak prices for Atlantic salmon and trout throughout the year. The year 2003 was in general a difficult year for the European fish farming industry, and it is therefore gratifying to register that Norskott Havbruk AS made a profit. In the long term, the company's investments in financial assets are expected to provide a satisfactory yield. The company's cost price for these fixed assets indicate that a satisfactory yield will be achieved when the company can obtain what in a historic perspective may be considered "normal prices" for Atlantic salmon.

The most significant share of the capital invested in affiliates is allocated to the

farming of salmon and trout in Norway through Hydrotech-Gruppen AS and in the UK through Scottish Sea Farms Ltd owned by Norskott Havbruk AS. The Group is therefore exposed to the risks, be these biological risks or political (regulatory) risks naturally inherent in this type of operation. The political risks include everything from access to markets (particularly for producers in Norway), changes in operating permits, emission permits related to licenses, etc. Though there has always been uncertainty about developments in the world market for Atlantic salmon and trout, prices are expected to improve in 2004 compared to 2003. The Group does not expect there to be negative developments in other framework conditions. Competition from Chilean farming operations has been keen in recent years and will probably continue.

Pelagic operations, under certain conditions, are an interesting product area. Ownership interests in Egersund Fisk AS allow the Group to be represented also on the production side within this product area, though only to a limited extent. The greatest challenges linked to the reception and distribution of pelagic fish for consumption are considerable overcapacity in the industrial sector/reception side, and major challenges linked to credit risks in the main markets for herring, ie Russia, the Ukraine and other Eastern European countries. Steps are being taken to restructure the industrial sector/reception side by having the performers adjust to ruling framework conditions.

The Group has several criteria for the selection of possible alliance partners/investment objects, some of which will be commented on here. The Group always considers what qualifications the alliance partner has that will ensure satisfactory operations. These are considered in terms of management expertise, but equally important is the expertise within the organisation in general. It is important that the object's balance sheet with

adjustments is acceptable in terms of the Group's risk profile. Similarly, any alliance partners must show an awareness of the significance of continuous, quality-assured, market-oriented production.

Norskott Havbruk AS

Fifty percent of Norskott Havbruk AS is owned by Lerøy Seafood Group ASA together with the fish farming company SalMar AS. Norskott Havbruk AS was set up in 2001 for the sole purpose of acquiring the company today bearing the name Scottish Sea Farms Ltd. Norskott Havbruk AS today owns 100% of Scottish Sea Farms Ltd, the second largest fish farming company in the UK. Scottish Sea Farms Ltd has operations in Scotland and in the Shetlands. The company has a production capacity for Atlantic salmon of more than 25,000 tonnes gutted weight (GWT). In 2003, the company slaughtered 24,000 GWT. In addition, the company's smolt production covers much of its own needs. The remainder of the company's needs is covered by agreements with independent smolt producers. The company also has two modern land-based plants for processing salmon in Scotland and in the Shetlands. Scottish Sea Farms Ltd, together with the company's highly skilled management and staff, is to be developed into a leading and cost-effective producer of Atlantic salmon within the EU. The company already holds a strong position in several high-quality market segments, for instance under the respected brand name Label Rouge.

Hydrotech-Gruppen AS

Hydrotech-Gruppen AS is a medium-sized fish farming company located in Kristiansund (N). Lerøy Seafood Group ASA first became a shareholder in the company through a private placement (23 %) in 1999. Lerøy Seafood Group ASA has since acquired shares bringing its holdings up to the present figure of 39 %. In the late autumn of 2003, Hydrotech-Gruppen AS issued a private placement with existing owners. The amount of the placement was NOK 25 million, and Lerøy

Seafood Group ASA participated with its pro rata share.

Hydrotech-Gruppen AS has 17 wholly-owned licenses for the farming of salmon and trout at sea. In addition, the company has licenses for the production of smolt and for supplying smolt to other fish farms in Norway. The company supplies smolt to other fish farming companies in Norway. The company's plant for processing salmon and trout in Kristiansund is a modern plant capable of handling the company's total volume. In addition, the company has its own well boat company with two well boats.

Hydrotech-Gruppen AS is one of Norway's largest producers of trout. Both as shareholders and as a partner through the joint venture agreement between Hallvard Lerøy AS and Hydrotech-Gruppen AS, Lerøy Seafood Group together with the company's founder and management will do their best to ensure that Hydrotech-Gruppen AS continues its favourable development.

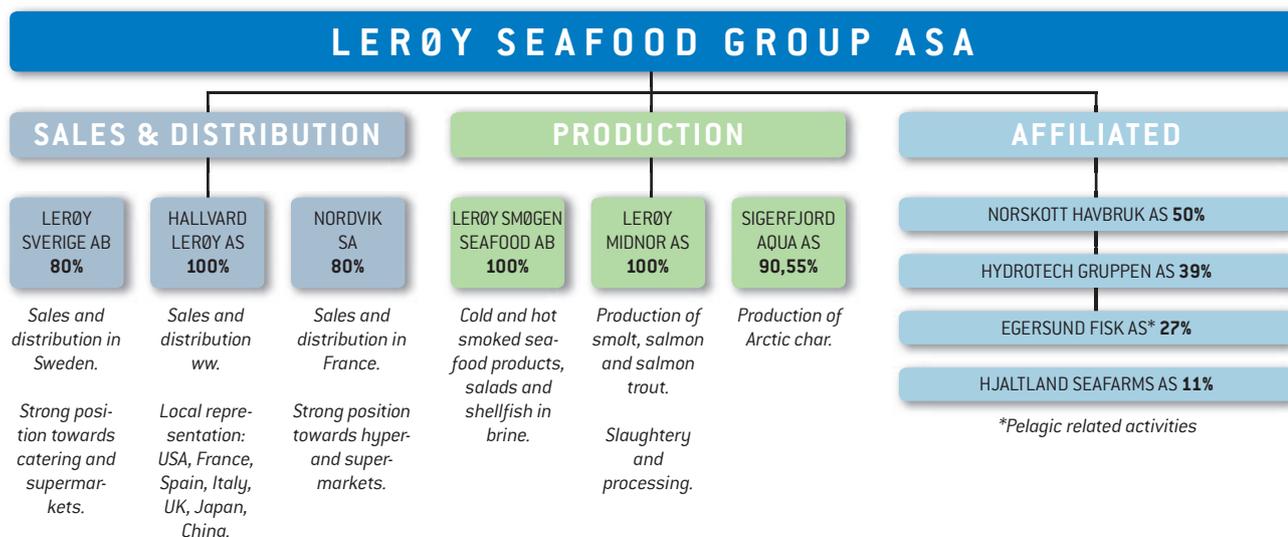
Egersund Fisk AS

The shares in Egersund Fisk AS were acquired in January 2001. This investment underlines the Group's desire to be involved also in the field of pelagic

fish. Egersund Fisk AS is located in Egersund, Norway's foremost fisheries port. The main companies in Egersund Fisk AS are Egersund Seafood AS and Egersund Sildoljefabrikk AS. Egersund Seafood AS is a consumer plant for pelagic fish. The plant is well run and receives more than 30,000 tones of herring and mackerel.

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

■ Corporate Structure



■ Priority tasks

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

Alliances

- Values generated by businesses forming a network in the value chain. Businesses in the network must have good opportunities to focus on own core activities and to capitalise on large-scale benefits and reduced risks. We depend on constantly developing and improving our core operations on the basis of long-term and committed alliances with both suppliers and customers to ensure profitable solutions that are cost effective and adapted to the various markets.

Market orientation

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

Quality

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

Risk management

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

Know-how

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

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

Group Management



Øyvind Fossøy
Managing Director
Hallvard Lerøy AS



Ole-Eirik Lerøy
Group Managing Director
Lerøy Seafood Group



Helge Singelstad
Group Financial Director
Lerøy Seafood Group

Income statement

All figures in NOK 1,000

LERØY SEAFOOD GROUP ASA

LERØY SEAFOOD GROUP CONSOLIDATED

2001	2002	2003		Notes	2003	2002	2001
OPERATING REVENUES AND EXPENSES							
2 391	2 422	2 376	Operating revenues	12	2 914 873	2 555 606	2 530 457
			Cost of materials		2 614 210	2 326 928	2 332 845
			Salaries and other personnel expenses	10,13	116 472	91 979	67 563
1 782	699	1 623	Other operating expenses		85 674	70 447	58 258
1 473	1 175	836	Ordinary depreciation and amortization	2,3	14 150	11 207	7 006
3 255	1 874	2 459	Total operating expenses		2 830 506	2 500 561	2 465 672
-864	548	-83	Operating profit		84 367	55 045	64 785
FINANCIAL INCOME AND EXPENSES							
25 000	14 500	61 500	Income from investments in subsidiaries	8			
			Income from affiliated companies	4	-20 511	-12 753	-1 643
-109	2 737	-4 483	Net financial items	14	-9 196	-2 108	-6 512
24 027	17 785	56 933	Profit before tax	4	54 659	40 184	56 630
-5 842	-20	-14 890	Taxation	11	-20 577	-10 663	-15 753
18 185	17 765	42 043	PROFIT FOR THE YEAR		34 083	29 521	40 877
18 185	17 765	42 043	Majority interests		30 518	25 650	39 281
			Minority interests		3 565	3 871	1 596
			Allocation:				
6 521	101	21 378	Allocated to other equity	1			
11 664	17 664	20 665	Allocated to dividends payable				
Earnings per share					1,15	1,13	2,10
Diluted earnings per share					1,15	1,13	2,08

Balance sheet

All figures in NOK 1,000

LERØY SEAFOOD GROUP ASA

LERØY SEAFOOD GROUP CONSOLIDATED

2002	2003		Notes	2003	2002
		FIXED ASSETS			
607	3 697	Deferred tax assets	11	251	3 393
		Licenses	2	195 000	
		Goodwill	2	77 206	20 307
607	3 697	Total intangible assets		272 457	23 700
		Operating equipment		111 444	27 196
19 709	19 067	Buildings and real estate		71 973	39 518
19 709	19 067	Total tangible fixed assets	3	183 417	66 714
12 945	1 672	Investments in shares	4	4 636	14 710
104 449	336 397	Shares in subsidiaries	4		
273 653	283 791	Shares in affiliated companies	4	268 835	279 209
		Pension assets	10	1 592	1 032
391 047	621 860	Total financial assets		275 063	294 951
411 363	644 624	Total fixed assets		730 937	385 365
		CURRENT ASSETS			
		Inventories	7	274 823	69 068
215	135	Accounts receivable	5,8	437 551	329 978
39 000	76 827	Accounts receivable, Group	8		
2 051	1 691	Other receivables	8	67 323	50 012
41 266	78 653	Total receivables		504 874	379 990
		Shares and securities		1 042	4 348
323 395	255 455	Cash and equivalents	6	292 749	359 484
364 661	334 108	Total current assets		1 073 489	812 889
776 024	978 732	TOTAL ASSETS		1 804 426	1 198 254

Balance sheet

All figures in NOK 1,000

LERØY SEAFOOD GROUP ASA

LERØY SEAFOOD GROUP CONSOLIDATED

2002	2003		Notes	2003	2002
		EQUITY			
29 441	34 441	Share capital	9	34 441	29 441
-148	-126	Own shares		-126	-148
476 049	621 728	Share premium reserve		621 728	476 049
505 342	656 043	Total equity contributions		656 043	505 342
18 495	39 962	Other equity			
		Other consolidated capital		127 781	113 130
18 495	39 962	Total earned equity		127 781	113 130
		Minority interests		10 325	22 604
523 837	696 005	TOTAL EQUITY	1	794 149	641 076
		LIABILITIES			
		Pension liabilities	10	2 193	310
		Total accrued liabilities		2 193	310
		Deferred tax	11	6 454	4 399
165 000	154 687	Long-term debt	6	412 195	182 432
165 000	154 687	Total other long-term liabilities		418 649	186 831
165 000	154 687	Total long-term liabilities		420 842	187 141
	2 108	Accounts payable		248 368	220 131
		Short-term loans	6	242 898	80 549
64 707	103 012	Accounts payable, Group companies	8		
		Public duties payable		12 296	6 343
136	124	Taxes payable	11	2 132	7 765
17 664	20 665	Dividends payable		20 865	17 864
4 680	2 131	Other short-term liabilities		62 876	37 386
87 187	128 040	Total short-term liabilities		589 435	370 038
776 024	978 732	TOTAL EQUITY AND LIABILITIES		1 804 426	1 198 254

Bergen, March 30TH 2004
The Board of Lerøy Seafood Group ASA

Svein Milford
Chairman

Hallvard Lerøy jr.

Leif O. Strand

Fons Brusselmans

Hans Petter Vestre
(Employee representative)

Ole-Eirik Lerøy
Group Managing Director
Lerøy Seafood Group

Cash flow statement

All figures in NOK 1,000

LERØY SEAFOOD GROUP ASA

LERØY SEAFOOD GROUP CONSOLIDATED

2002	2003		2003	2002
		CASH FLOWS FROM OPERATING ACTIVITIES		
17 785	56 933	Profit before tax	54 659	40 179
-6 123	-129	Tax paid during the period	-11 278	-20 467
-	-	Profit/loss from sale of fixed assets	-133	-143
-	-86	Profit/loss for sale of shares	-1 922	-218
1 175	836	Ordinary depreciation and amortization	14 150	10 986
-	11 272	Write-down of stocks and shares	11 330	856
-	-	Changes in inventories	26 026	-3 086
-215	80	Changes in accounts receivable	-65 615	-66 120
-	2 108	Changes in accounts payable	-1 281	14 593
2 752	-2 186	Changes in other accrued items	9 629	30 060
-	-	Changes in capitalized pension fund	-735	-545
-14 500	-61 500	Income from investments in subsidiaries	-	-
-	-	Changes in results of affiliated companies (equity method)	20 511	12 753
874	7 328	Net cash flows from operating activities	55 340	18 848
		CASH FLOWS FROM INVESTMENT ACTIVITIES		
-	-	Payments received from sale of fixed assets	224	732
-845	-194	Payments made for acquisition of fixed assets	-13 864	-8 965
-	436	Payments received from sale of shares in other businesses	6 473	955
-	-10 488	Payments made for acquisition of shares in other businesses	-12 443	-4 621
-22 391	-106 962	Payments made for acquisition of Group companies	-115 078	-18 372
-	-37 827	Payments made on short-term Group loans outstanding	-	-
-23 236	-155 035	Net cash flows from investment activities	-134 687	-30 271
		CASH FLOWS FROM FINANCING ACTIVITIES		
-	-	Net payments received from overdraft facilities	-	62 486
-	-	Net payments made on overdraft facilities	-44 958	-
-	-	Payments received from acquisition of new long-term liabilities	2 271	92
29 707	8 005	Payments received from acquisition of new short-term liabilities	-	-
-	-10 313	Payments made for repayment of long-term loans	-14 226	-6 507
302 123	85 128	Paid-in equity	85 128	302 123
-2 901	111	Payments received/made on sale/acquisition of own shares	111	-2 901
-11 664	-17 664	Dividend payments	-17 864	-11 664
25 000	14 500	Payments of group contributions received	-	-
342 265	79 767	Net cash flows from financing activities	10 463	343 629
319 903	-67 940	Net cash flows for period	-68 884	332 206
3 492	323 395	Cash position at beginning of period 1)	361 634	27 278
323 395	255 455	Cash position at end of period	292 749	359 484
		This consists of:		
3 492	255 455	Bank deposits, etc.	292 749	359 484
		Of which committed funds	6 557	3 321
		Unused overdraft facilities (see also Note 6)	79 637	22 857

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

Notes - Annual Accounts 2003

Accounting principles

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

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

Principles of consolidation

The consolidated accounts comprise the parent company Lerøy Seafood Group ASA and the subsidiaries Hallvard Lerøy AS, Timar Seafood AS, Lerøy & Strudshavn AS, Lerøy Quality Group AS, Sigerfjord Aqua AS, Breivoll Marine AS and the foreign subsidiaries Nordvik SA, Lerøy Sverige AB and Lerøy Smøgen Seafood AB. Lerøy Midnor AS was consolidated as a subsidiary as of 31.12.03, with effect on the consolidated income statement from 01.01.04.

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

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

Minority interests

The minority share of the profit for the year is shown as a separate item in the consoli-

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

Affiliates

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

IFRS

From 2005, the Group will be submitting its accounts in accordance with International Financial Reporting Standards (IFRS). The consolidated accounts for 2004 will therefore be the last to be submitted in accordance with Norwegian accounting principles. The consolidated accounts at 31.12.05 will be submitted with figures comparable to those at 31.12.04.

The Group is at an early stage of identifying the differences between Norwegian accounting principles and IFRS. No final overview of the consequences of introducing IFRS has therefore been drawn up yet. Work will continue on this in 2004.

Operating revenues

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

Classification and evaluation of Balance Sheet items

Current assets and short-term liabilities comprise items due for payment within one

year of the end of the fiscal year, as well as items related to the trading cycle. Other items are classified as fixed assets/long-term liabilities.

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

Fixed assets are valued at acquisition cost, but written down to real value if the decline in value is not considered to be temporary. Long-term liabilities are booked in the Balance Sheet at their nominal value at the time of establishment.

Accounts receivable

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

Inventories

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

Foreign currency

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

Short-term investments

Short-term investments (shares assessed as current assets) are valued at the lower of average acquisition costs and market value at the end of the fiscal year. Dividends

Notes

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

Long-term investments

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

Tangible fixed assets

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

Pensions

The figures used for booking pensions for the subsidiaries Hallvard Lerøy AS and Lerøy Midnor AS are based on a linear earnings profile and anticipated final salary.

Planned changes are accrued over the anticipated remaining earnings period. The same applies to deviations from the estimate to the degree these exceed 10% of the higher of either pension commitments or pension funds (corridor). The employment tax contribution is included in these figures. Figures are based on actuarial calculations. The subsidiaries Lerøy Sverige AB and Lerøy Smøgen Seafood AB have a contribution-based pension scheme. The subsidiary Sigerfjord Aqua AS has an early retirement scheme for three of its employees; the scheme is not capitalized.

Taxation

Taxation in the Income Statement includes both taxation during the period and changes in deferred tax. Deferred tax is calculated at a rate of 28% on the basis of the temporary differences that exist between book and taxable values, as well as the assessed deficit to be carried forward at the end of the financial year. Temporary tax-increasing and tax-decreasing differences which reverse or may reverse the figures in the same

period have been assessed and booked at net value. The foreign subsidiaries do not assess deferred tax assets and the figures for these companies are therefore presented as gross deferred tax.

Cash flow statement

The consolidated cash flow statement shows the total consolidated cash flows broken down by operating, investment and financing activities. Acquisitions of subsidiaries are considered an investment activity for the Group and are shown separately with the deduction of cash reserves in the company acquired. The statement shows how the various activities affect cash reserves. For cash flows in foreign currency, the average rate of exchange is used in the analysis. To the extent differences between the 2002 and 2003 balance sheet figures do not match the corresponding figures in the cash flow statement, this is a result of conversion differences linked to changes in the SEK/NOK and EUR/NOK rates of exchange.

Note 1 Equity

(All figures in NOK 1,000)

LERØY SEAFOOD GROUP ASA

The year's changes in equity

	Share capital	Own shares	Share premium reserve	Other equity	Total
Equity at 01.01.	29 441	-148	476 049	18 495	523 837
Own shares		22		89	111
Share issue	5 000		148 300		153 300
Cost of share issue			-2 621		-2 621
Year's profit transferred to equity				21 378	21 378
Equity at 31.12.	34 441	-126	621 728	39 962	696 005

Notes

	LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP CONSOLIDATED	
	2003	2002	2003	2002
Equity at 01.01.	523 837	224 469	618 472	312 515
Year's profit transferred to equity	21 378	101	9 853	7 986
Share issue	153 300	320 000	153 300	320 000
Cost of share issue	-2 621	-17 877	-2 621	-17 877
Gain/loss from sale of own shares	111	-2 856	111	-2 856
Foreign exchange differences			4 709	-1 296
Equity before minority interests at 31.12	696 005	523 837	783 824	618 472
Minority interests			10 325	22 604
Equity after minority interests at 31.12			794 149	641 076

Own shares

In the year 2003, Lerøy Seafood Group ASA acquired 54,000 shares in the market for NOK 0.9 million, giving an average price per share of NOK 17.00. At 31.12.03, the company held 125,823 of its own shares at the average price per share of NOK 22.44. The shares have been used in part to honour option commitments, cp also note 13.

The number of own shares appears as follows:

At hand 01.01	147 723
Acquired in 2003	54 000
Used to honor option programme commitment	-75 900
At hand 31.12.	125 823

Note 2 Intangible assets

(All figures in NOK 1,000)

LERØY SEAFOOD GROUP CONSOLIDATED

	Goodwill	Licenses	Total
Acquisition value at 01.01.	25 146		25 146
Intangible assets acquired	60 028	195 000	255 028
Conversion differences	194		194
Acquisition value at 31.12.	85 368	195 000	280 368
Accumulated amortization	-8 162		-8 162
Book value at 31.12.	77 206	195 000	272 206
Year's amortization	3 323		3 323

Goodwill is linked to the last stage of the acquisition of the subsidiary Hallvard Lery AS in 1997, the acquisition of TiMar Seafood AS in 2000, Lerøy Sverige AB in 2001 and Sigerfjord Aqua AS, as well as stage 1 of the acquisition of Lerøy Smøgen Seafood AB in 2002. The increase in goodwill is linked to stage 2 of the acquisition of Lerøy Smøgen Seafood AB, as well as the acquisition of Lerøy Midnor AS in 2003. Goodwill is amortized over anticipated life as rendered probable through acquisition analysis, but limited upwards to 10 years. The value of licenses is tied to the acquisition of Lerøy Midnor AS.

Notes

Note 3 Tangible fixed assets

[All figures in NOK 1,000]

LERØY SEAFOOD GROUP ASA

Tangible fixed assets	Real estate	Buildings	Total fixed assets
Acquisition value at 01.01.	2 090	34 245	36 335
Tangible fixed assets acquired		194	194
Acquisition value at 31.12.	2 090	34 439	36 529
Accumulated depreciation at 31.12.		17 462	17 462
Book value at 31.12.	2 090	16 977	19 067
Year's depreciation		836	836

LERØY SEAFOOD GROUP CONSOLIDATED

Tangible fixed assets	Real estate	Buildings	Machinery, prod. equipment	Fittings, furnishings, computers	Transport equipment	Total fixed assets
Acquisition value at 01.01.	7 168	64 992	33 799	54 293	3 059	163 312
Acquired subsidiaries		45 412	88 076	554		134 042
Operating equipment acquired		560	5 655	6 520	1 129	13 864
Operating equipment sold			393	1 445	571	2 409
Conversion differences 1)	269	2 141	2 753	3 196		8 358
Acquisition value at 31.12.	7 437	113 105	129 890	63 118	3 617	317 168
Accumulated depreciation at 31.12.		36 139	36 846	45 294	1 887	120 166
Accumulated amortization at 31.12.		2 338				2 338
Accumulated write-downs 31.12.		10 090	30	1 124		11 244
Book value at 31.12.	7 437	64 538	93 014	16 700	1 730	183 417
Year's depreciation		1 990	3 594	4 702	540	10 827
Year's amortization, intangible assets (cp. note 2)						3 323
Total year's depreciation and amortization						14 150

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

The economic life of the assets is calculated as follows:

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

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

Notes

Note 4 Subsidiaries, affiliates, etc.

(All figures in NOK 1,000)

LERØY SEAFOOD GROUP CONSOLIDATED

Subsidiary	Place of business	Ownership/voting share	Acquisition price/book value	Consolidated value subsidiary	Operating profit	Consolidated profit before tax for 2003
Lerøy Midnor AS *)	Hitra	100%	211 245	211 245	-	-
Hallvard Lerøy AS	Bergen	100%	36 657	116 087	66 438	62 257
Lerøy Smøgen Seafood AB	Smøgen, Sweden	100%	36 016	47 899	13 608	13 258
Lerøy Sverige AB	Göteborg, Sweden	80%	20 248	33 352	3 864	4 099
TiMar Seafood AS	Trondheim	100%	21 214	21 830	-648	-463
Sigerfjord Aqua AS	Sigerfjord	90,55%	8 061	5 687	-2 271	-3 177
Nordvik SA	Boulogne, France	80%	2 523	5 275	367	608
Brevoll Marine AS	Hamnvik	52%	200	2 078	467	351
Lerøy & Strudshavn AS	Bergen	100%	233	-528	-15	-14
Total Lerøy Seafood Group ASA			336 397	442 925	81 810	76 919
Lerøy Quality Group AS	Bergen	55%	557	5 674	2 640	2 818
Total Lerøy Seafood Group Consolidated			336 954	448 599	84 450	79 737
Result Lerøy Seafood Group ASA (before group contribution)					-83	-4 567
Result from affiliates (see below)					-	-20 511
Consolidated profit before tax					84 367	54 659
Residual value intangible assets at 31.12. (ref. note 2)						77 206

*) Consolidated as subsidiary from 31.12.2003, consolidated in the income statement from 01.01.04.

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

Calculation of changes in book value	Hydrotech-Gruppen AS	Egersund Fisk AS	Norskott Havbruk AS	Total value
Place of business	Kristiansund	Egersund	Bergen	
Ownership/voting share	39%	27%	50%	
Balance sheet equity at time of acquisition/establishment	39 228	20 000	163 273	
Intangible assets 1)	51 153			
Share issue Hydrotech-Gruppen AS	10 138			
Acquisition value	100 519	20 000	163 273	283 791
Calculation of share in year's profit				
Share in year's profit	-19 530	188	2 325	
Amortization of intangible assets	3 495			
Share in year's profit	-23 025	188	2 325	-20 511
Calculation of book value at 31.12.				
Opening balance 01.01.	103 986	22 436	152 787	
Share issue Hydrotech-Gruppen AS	10 138			
Share in year's profit	-23 025	188	2 325	
Closing balance at 31.12.	91 099	22 624	155 112	268 835
1) Residual value for amortization at 31.12.	23 654			23 654

Intangible assets consist of licenses and goodwill, where goodwill is amortized according to the linear method at a rate of 10% p.a., license values will not be depreciated.

(Continued on next page)

Notes

Other shares	Place of business	Ownership/ voting shares	Acquisition price	Book value
Hjaltland Seafarms AS	Austevoll	11,00%	11 000	0
Breivoll Marine Produkter AS	Hamnvik	37,14%	245	245
Misc. minor shareholdings			1 427	1 427
Total shares in Lerøy Seafood Group			12 672	1 672
Bulandet Eiendom AS	Bulandet	12,67%	625	625
Misc. minor shareholdings			3 389	2 338
Total shares in Lerøy Seafood Group Consolidated			16 686	4 636

Note 5 Forward exchange contracts

[All figures in NOK 1,000]

LERØY SEAFOOD GROUP CONSOLIDATED

The following table shows the company's forward exchange contracts at 31.12.03. All contracts concern the sale of currency against Norwegian kroner.

	Value of forward contract in currency	Forward exchange rate	Forward amount in NOK
EURO	28 300	8,251	233 500
USD	13 000	6,950	90 350
JPY	870 000	0,064	55 845
DKR	8 000	1,114	8 914
SEK	5 000	0,913	4 563
CHF	350	5,350	1 873
AUD	200	4,923	985
Total			396 029

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



Notes

Note 6 Liabilities, mortgages and guarantees

(All figures in NOK 1,000)

	LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP CONSOLIDATED	
	2003	2002	2003	2002
Long-term, interest-bearing loans				
Loans from credit institutions 1)	154 687	165 000	389 792	181 300
Loans linked to capitalized leases			22 403	1 132
Total long-term, interest-bearing loans at 31.12.	154 687	165 000	412 195	182 432
Short-term interest-bearing loans				
Total short-term interest-bearing loans at 31.12		-	242 898	80 549
Total short-term interest-bearing loans at 31.12.	-	-	242 898	80 549
Total interest-bearing loans at 31.12.	154 687	165 000	655 093	262 981
Bank deposits	255 455	323 395	292 749	359 484
Net interest-bearing loans at 31.12.	-100 768	-158 395	362 344	-96 503
Loans secured by mortgages				
Long-term loans from credit institutions 1a, 1b)	154 687	165 000	412 195	182 432
Short-term loans from credit institutions (multi-currency overdraft facilities)			242 898	80 549
Total loans secured by mortgages at 31.12.	154 687	165 000	655 093	262 981
Mortgaged assets:				
Accounts receivable			381 183	291 158
Inventories			264 478	56 529
Shares in affiliates	163 273	163 273	155 112	152 787
Buildings/operating equipment			137 653	25 833
Total	163 273	163 273	938 426	526 307
Long-term loans due for repayment after more than 5 years				
Loans from credit institutions 1a, 1b)	51 563	72 188	203 692	77 659
Total	51 563	72 188	203 692	77 659
Guarantees made on behalf of the Group 2a, 2b)	109 450	68 700	111 450	70 200

Repayment schedule for loans

1 a) Lerøy Seafood Group ASA:

The first repayment was made in August 2003; thereafter the loan is to be repaid over 8 years in equal half-yearly instalments. Interest conditions for the loan are currently so-called "pro-tem" conditions (154,7 mill.).

(Continued on next page)

Notes

1 b) Lerøy Midnor AS :

The first repayment is to be made in June 2004; thereafter the loan is to be repaid over 15 years in equal half-yearly instalments. Interest on the loan is currently charged at NIBOR plus margin (220 mill.).

Guarantees

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

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

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

Financial "covenants"

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

Financial "covenants" linked to short-term drawing rights in Hallvard Lerøy AS provide facilities for up to 65 % of the so-called borrowing base (accounts receivable, inventories, etc.). The borrowing base for the subsidiary Hallvard Lerøy AS linked to this type of credit amounted to about NOK 360 million at the turn of the year; established absolute drawing rights amount to NOK 90 million.

Financial "covenants" linked to short-term drawing rights in Lerøy Midnor AS provide facilities for up to 70 % of the so-called borrowing base (accounts receivable, inventories, etc.). The borrowing base for the subsidiary Lerøy Midnor AS linked to this type of credit amounted to about NOK 260 million at the turn of the year; established absolute drawing rights at 31.12.03 amounted to NOK 220 million. It has been agreed that these would be reduced to NOK 200 million starting from 15.01.04 (Lerøy Midnor AS received a group contribution of NOK 75 million from the parent company).

Note 7 Inventories

(All figures in NOK 1,000)

LERØY SEAFOOD GROUP CONSOLIDATED

	2003	2002
Lerøy Midnor AS	228 750	
Hallvard Lerøy AS	17 621	39 644
Lerøy Smøgen Seafood AB	11 474	6 333
Sigerfjord Aqua AS	8 607	10 884
Lerøy Sverige AB	7 913	8 443
Nordvik SA	458	3 764
Total consolidated value of inventories	274 823	69 068

The group's inventories have increased as a result of the acquisition of Lerøy Midnor AS. The most substantial value therefore consists of biomass in the sea. The remainder of the inventories consists of goods for export. Inventories at 31.12.03 has been written down for obsolescence with NOK 1.5 million.

Notes

Note 8 Intercompany accounts between Group companies and other receivables

(All figures in NOK 1,000)

LERØY SEAFOOD GROUP CONSOLIDATED

Accounts receivable	2003	2002
Hallvard Lerøy AS	76 827	39 000
Total	76 827	39 000
Of which, group contributions received:		
Hallvard Lerøy AS	61 500	14 500
Liabilities		
Hallvard Lerøy AS	25 712	64 707
Lerøy Midnor AS	75 000	-
Sigerfjord Aqua AS	2 300	-
Total	103 012	64 707
Of which, group contributions made:		
Lerøy Midnor AS	75 000	-
Sigerfjord Aqua AS	2 300	-
Total	77 300	

	LERØY SEAFOOD GROUP ASA		LERØY SEAFOOD GROUP CONSOLIDATED	
	2003	2002	2003	2002
Receivables due in less than one year				
Other short-term receivables	1 179	1 296	9 889	2 474
Total	1 179	1 296	9 889	2 474

Other receivables (NOK 67.3 million) in the Group balance sheet consist mainly of VAT receivables in Norway. The Group customer accounts (NOK 437.6 million) receivable are for the most part secured by credit insurance or other forms of guarantees.



Notes

Note 9 Share capital and shareholder information

[All figures in NOK 1,000]

LERØY SEAFOOD GROUP ASA

The share capital consists of:	No.	Face value	Book value
Shares	34 440 767	1	34 440 767
Total	34 440 767		34 440 767

At 31.12.03, Lerøy Seafood Group ASA has 2,302 shareholders. All shares carry the same rights in the company.

Shareholders holding more than 1% of the shares at 31.12.03:

	No. of shares	Ownership share
Ferd Private Equity **	5 781 307	16,79%
Ole-Eirik Lerøy	4 685 000	13,60%
Sparebanken Midt-Norge	1 768 010	5,13%
Skagen Vekst	1 700 000	4,94%
Tine Pensjonskasse	1 317 300	3,82%
Knut Hallvard Lerøy	1 253 210	3,64%
Hallvard Lerøy Jr.	1 190 900	3,46%
Deutsche Bank AG London	1 175 000	3,41%
Den norske Bank ASA	884 320	2,57%
LIME AS *	610 573	1,77%
Alsaker Fjordbruk AS/Gerhard Alsaker	483 240	1,40%
George Harald Lerøy	475 000	1,38%
Sparebanken Rogaland	430 500	1,25%
KOS Bergen AS	406 640	1,18%
Inma AS *	400 000	1,16%
SalMar AS	386 826	1,12%
Gjensidige Nor Spareforsikring	381 473	1,11%
Verdipapirfondet Avanse Norden	370 000	1,07%
JP Morgan Chase Bank	363 887	1,06%
Other	10 377 581	30,13%
	34 440 767	100%

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

**Ferd Private Equity sold out a substantial part of their shares in January 2004, and holds 9.5 % of the company's shares per 30.03.04.

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

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

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

Notes

Note 10 Pensions

(All figures in NOK 1,000)

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

	2003	2002	2001
Present value of year's pension earnings	621	388	500
Interest expense on pension commitments	377	247	258
Yield on pension funds	-398	-362	-372
Deviation from estimate booked to income	169	75	-23
Employment tax contribution	-4	-24	5
Net pension expense	766	324	368

	2003	2002	2001
Present value of future pension commitments	7 166	4 708	4 917
Pension assets	-6 527	-5 750	-5 910
Effect of deviation from estimate not booked to income	-154	282	718
Employment tax contribution	117	38	98
Net pension commitment (assets)	601	-722	-177

As the group retirement pension scheme is overfunded, the Balance Sheet presents gross pensions.

	2003	2002	2001
Pension assets	-1 592	-1 032	-970
Pension commitments	2 193	310	793
	601	-722	-177

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

Financial assumptions

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

Notes

Note 11 Taxation

[All figures in NOK 1,000]

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
The year's taxation is calculated as follows:	2003	2002	2001	2003	2002	2001
Tax payable	18 017	151	6 201	2 197	7 785	19 111
Credits on dividends	-29	-15	-61	-65	-20	-73
Deferred tax assets from acquisitions				11 792	300	347
Insufficient/surplus allocation to taxation	-7	-18		99	-20	7
Tax, overseas companies, incl. conversion difference				1 358	-1 029	-1 018
Change in deferred tax	-3 090	-98	-299	5 196	3 647	-2 621
Total taxation	14 890	20	5 842	20 577	10 663	15 753

LERØY SEAFOOD GROUP ASA			
Calculation of the base for the year's taxation:	2003	2002	2001
Pre-tax profits	56 933	17 785	24 027
Interest on tax	40	32	-8
Cost of share issue, booked to equity	-2 622	-16 553	
Tax loss/profit on sale of shares	-1 043	-1 077	-2 941
Change in temporary differences	11 037	352	1 070
Basis for this year's taxation	64 346	539	22 148

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
Temporary differences:	2003	2002	2001	2003	2002	2001
Accounts receivable				-2 234	-3 880	-4 796
Inventories				214 059	7 189	-3 426
Buildings/operating equipment	-2 204	-2 167	-1 815	-7 471	-1 152	109
Other differences				19 574	15 712	-51
Tax loss carry forward				-190 964	-13 234	
Shares	-11 000			-12 269	-1 766	-1 444
Pensions				1 457	722	177
Total	-13 204	-2 167	-1 815	22 152	3 591	-9 431
28 % deferred tax [- tax advantage]	-3 697	-607	-508	6 203	1 006	-2 641
Deferred balance-sheet tax asset				-251	-3 393	-2 641
Deferred balance-sheet tax liability				6 454	4 399	
Total				6 203	1 006	-2 641

Notes

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

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
	2003	2002	2001	2003	2002	2001
28 % of profit before tax	15 941	4 980	6 728	15 305	11 250	15 856
Permanent differences (28 %)	11	9	-2	226	249	307
Costs of share issue, booked to equity	-734	-4 635		-734	-4 635	
Share in results of affiliates (28%)				5 743	3 571	460
Deferred tax advantage at takeover				-	300	347
Credits on dividends received	-29	-15	-61	-65	-20	-73
Loss/gain on sale of shares (28%)	-292	-302	-823	-318	-302	-823
Insufficient/surplus allocation to tax	-7	-18		99	-20	
Conversion differences				322	269	-321
Estimated taxation	14 890	20	5 842	20 577	10 663	15 753
Effective rate of taxation	26,15%	0,00%	24,31%	37,65%	26,54%	27,80%

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
	2003	2002	2001	2003	2002	2001
Tax payable on year's profit before tax	17 988	136	6 141	2 132	7 765	19 038
Tax payable on group contributions made	-17 864					
Tax payable, booked in Balance Sheet	124	136	6 140	2 132	7 765	19 038



Notes

Note 12 Operating revenues

[All figures in NOK 1,000]

LERØY SEAFOOD GROUP CONSOLIDATED

Products	2003	%	2002	%	2001	%
Whole salmon	1 274 887	44 %	985 140	39 %	1 261 161	50 %
Processed salmon	681 356	23 %	533 163	21 %	487 087	19 %
Whitefish	385 925	13 %	381 500	15 %	338 232	13 %
Salmontrout	168 534	6 %	184 437	7 %	85 850	3 %
Shellfish	164 084	6 %	105 786	4 %	34 539	1 %
Pelagic	135 177	5 %	279 270	11 %	252 317	10 %
Others	104 910	3 %	86 309	3 %	71 271	3 %
Total	2 914 873	100 %	2 555 605	100 %	2 530 457	100 %

Geographic distribution	2003	%	2002	%	2001	%
Western Europe	1 741 344	60 %	1 409 150	55 %	1 325 471	52 %
Asia	469 305	16 %	475 479	19 %	576 546	23 %
USA & Canada	271 835	9 %	183 633	7 %	139 538	6 %
Norway	208 722	7 %	216 970	8 %	240 454	10 %
Eastern Europe	191 448	7 %	249 915	10 %	210 620	8 %
Others	32 219	1 %	20 459	1 %	37 828	1 %
Total	2 914 873	100 %	2 555 606	100 %	2 530 457	100 %

Note 13 Payroll expenses, no. of employees, remunerations, authorizations, loans to staff, etc

[All figures in NOK 1,000]

LERØY SEAFOOD GROUP CONSOLIDATED

Payroll expenses	2003	2002	2001
Wages and salaries	91 505	78 522	58 305
Employment tax	20 152	10 448	8 316
Pension expenses	2 878	2 589	589
Other expenses	1 936	420	353
Total	116 471	91 979	67 563

At the end of the financial year, the group had 331 employees compared to 314 in 2002. In addition, Lerøy Midnor AS had 203 employees at the end of the financial year. Lerøy Midnor was consolidated as a subsidiary at 31.12.03.

Remuneration to executives	Group Managing Director	Chairman of the Board	Board of Directors
Salaries	1 261	99	210
Other payments	137	154	

Notes

Authorisations granted to the Board of Directors

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

The first time the Board was authorised to acquire the company's own shares was at the Shareholders' Meeting on 12 May 2000. This authority was subsequently renewed at the Shareholders' Meeting on 22 May 2003 and is to remain valid for 18 months from the date on which the resolution was adopted. The authority has been exercised. At 31 December 2003, the company owned 125 823 shares.

The Board is authorised to increase the share capital by up to NOK 1,200,000.- by issuing up to 1,200,000 shares, each with a face value of NOK 1.00 through one or more private placements with employees of Lerøy Seafood Group ASA and its subsidiaries. The Board's authority must be seen in conjunction with the option programme established by the company, see below. This type of authority was first established by the Extraordinary Shareholders' Meeting of 10 December 1997 and subsequently renewed, most recently by the Shareholders' Meeting of 22 May 2003. The authority is valid for two years from the date on which the resolution was adopted. It has not been exercised.

The Board is authorised to increase the share capital by up to NOK 5,000,000.- by issuing up to 5,000,000 shares in Lerøy Seafood Group ASA, each with a face value of NOK 1.00, through one or more private placements with the company's shareholders and/or external investors. This type of authority was first established by the Shareholders' Meeting of 4 May 1999 and subsequently renewed by the Shareholders' Meeting of 22 May 2003. In the year 2003, the Board has exercised this authority on two occasions. The authority was used in connection with the acquisition of Lerøy Midnor AS. The Board issued 2,300,000 shares as part payment for taking over all of the shares of Lerøy Midnor AS on 15 December 2003. Moreover, the Board has issued 2,700,000 shares in connection with a private placement on 4 December 2003. The authority has been exercised in full.

Options

Since the spring of 1999, the Board has issued a total of 792,000 options entitling the holders to subscribe to one new share per option, cp. the Board's authority described above.

Of these, 452,000 options were issued in July 1999. The options could be exercised in stages, the first time for 30 % of the options after the Shareholders' Meeting in 2000 and then for 40 % and 30 % after the Shareholders' Meetings in 2001 and 2002. The exercise price is NOK 12.- per option. In 2003, 75,900 options were exercised, so that at 31.12.03 a total of 289,000 options had been exercised and the number of these options remaining outstanding is 163,000. Exercised options have up to now been honoured exclusively by shares purchased by the company in the market, cp. the Board's authority to acquire the company's own shares. The difference between market price and option price at the time the options were exercised in 2003 amounted in all to NOK 1.6 million. This amount has been booked directly to the company's equity.

Moreover, the Board allocated 320,000 options in the spring of 2001 and the spring of 2002. These options may be exercised in stages with one third at each stage, the first time after the Shareholders' Meeting in 2002. The exercise price is NOK 27.50 per share. At 31.12.03 none of these options had been exercised.

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

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

Allocations have been made in the accounts to cover future employment tax liabilities linked to the option programmes.

Loans to staff

At 31.12.03, loans to staff amounted in all to NOK 0.4 million. These loans are to be repaid over at most 5 years. The rate of interest is the ruling normative interest as laid down by the authorities. No loan/guarantee has been granted to the Group Managing Director or other members of the Group's management, the Chairman of the Board or other closely related parties. No individual loans/guarantees have been granted for more than 5% of the company's equity.

(Continued on next page)

Notes

Auditor

In 2003, invoiced fees for the Group's auditor, PricewaterhouseCoopers DA, the law firm PwC DA and other auditors have been as follows:

	LERØY SEAFOOD GROUP ASA	LERØY SEAFOOD GROUP CONSOLIDATED
	2003	2003
Group auditor	666	1 104
Other auditors		332
Tax advisory services, group auditor	18	188
Other certification services, group auditor	400	431
Other services, group auditor	745	819
Other services, other auditors		104
Totalt	1 829	2 978

Note 14 Items combined in the accounts

[All figures in NOK 1,000]

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
	2003	2002	2001	2003	2002	2001
Financial revenues						
Interest revenues from Group companies	1 190	1 200	1 638			
Other interest revenues	14 511	14 592	423	16 277	17 797	2 017
Profit on sale of shares	86		2 508	86		2 508
Dividends	104	52	217	169		
Total financial revenues	15 891	15 844	4 787	16 532	17 797	4 525

	LERØY SEAFOOD GROUP ASA			LERØY SEAFOOD GROUP CONSOLIDATED		
	2003	2002	2001	2003	2002	2001
Financial expenses						
Other interest expenses	8 973	12 969	4 842	13 356	18 851	9 832
Loss on shares 1)	11 272			11 330		
Other financial expenses	129	138	54	1 042	1 055	1 206
Total financial expenses	20 374	13 107	4 896	25 728	19 906	11 038
Net financial items	-4 483	2 737	-109	-9 196	-2 108	-6 512

1) Written down value of Hjaltland Seafarms AS (NOK 11.0 million) and loss related to the bankruptcy of Åfjord Skjell AS (NOK 0.3 million).

Auditor's report



PricewaterhouseCoopers DA
Postboks 3984 - Dreggen
N-5835 Bergen
Telephone 02316

To the Annual Shareholders' Meeting of Lerøy Seafood Group ASA

Auditor's report for 2003

We have audited the annual financial statements of Lerøy Seafood Group ASA as of 31 December 2003, showing a profit of NOK 42.042.821 for the parent company and a profit of NOK 34.083.000 for the group. We have also audited the information in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the balance sheet, the statements of income and cash flows, the accompanying notes and the group accounts. These financial statements are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements have been prepared in accordance with the law and regulations and present the financial position of the Company and of the Group as of December 31, 2003, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the company's management has fulfilled its duty to produce a proper and clearly set out registration and documentation of accounting information as required by law and accounting standards, principles and practices generally accepted in Norway
- the information given in the directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit are consistent with the financial statements and comply with the law and regulations.

Bergen, March 30, 2004

PricewaterhouseCoopers DA

Per Henrik Gillesvik

State Authorised Public Accountant (Norway)

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

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