



Corporate Social  
**Responsibility**  
**2010**

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## We must all accept responsibility



Lerøy Seafood Group is a leading, global seafood company with a total of 2,200 employees, including associated companies, with 1,400 employees in Norway and 800 abroad. In Lerøy Seafood Group, we must all accept responsibility for preventing a negative impact on our environment. Our environmental vision is "take action today, for a difference tomorrow". This vision is easy to relate to and will encourage us to act/react proactively every time we make a choice which influences or impacts on our surroundings.

We have seen a dramatic increase in the global population. There are currently 7 billion people living on this earth. By

2050, there will be 9 billion of us, which means 2 billion more mouths to feed. This implies a drastic increase in the demand for food. We may well be facing a global food shortage in the future. According to international experts, production of food will have to increase by a total 70% in order to cover the increased demand. With such prognoses, it will be essential to produce foodstuffs which represent optimal exploitation of the raw materials/resources we manage. In Norway, we currently produce 1 million tons of salmon and trout which are sold to over 70 different countries worldwide. Salmon is a product which efficiently exploits its raw materials while having a low carbon footprint when compared with other animal proteins. Fish farming will

therefore play an important role in meeting the worldwide demand for food in the future.

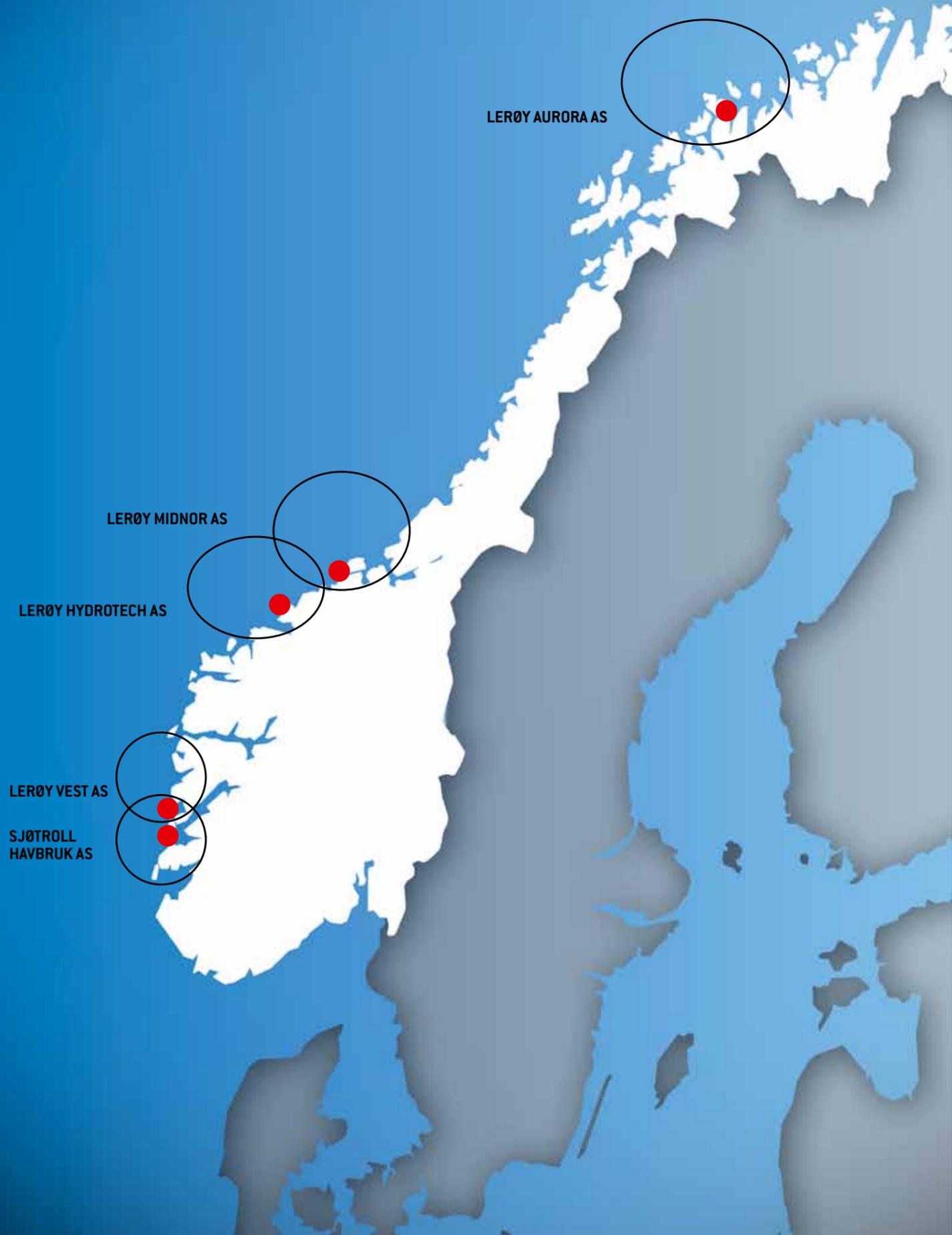
If we are to further improve, we must maintain a strong focus on innovation and technological developments. At Lerøy Seafood Group, we follow a strategy of continuously developing methods and systems to improve the efficiency of the entire value chain, from egg/sea to consumer. We know that we can achieve major environmental and financial savings by reviewing every part of the value chain. In order to do so, it is essential that all our partners, such as suppliers, transport companies and customers, help us lay a firm foundation on the road we have to take. Lerøy Seafood Group will play a leading role in such processes.

If we want to improve, we need to know where we stand. We are currently working on the development of a reporting/measurement tool which will provide us with the answer to this question. This will involve measurement of every part of the value chain, forming the foundation for future improvements. This report provides a detailed insight into the work we have introduced. We will accept our responsibility today - not tomorrow, in order to solve the challenges we are facing.

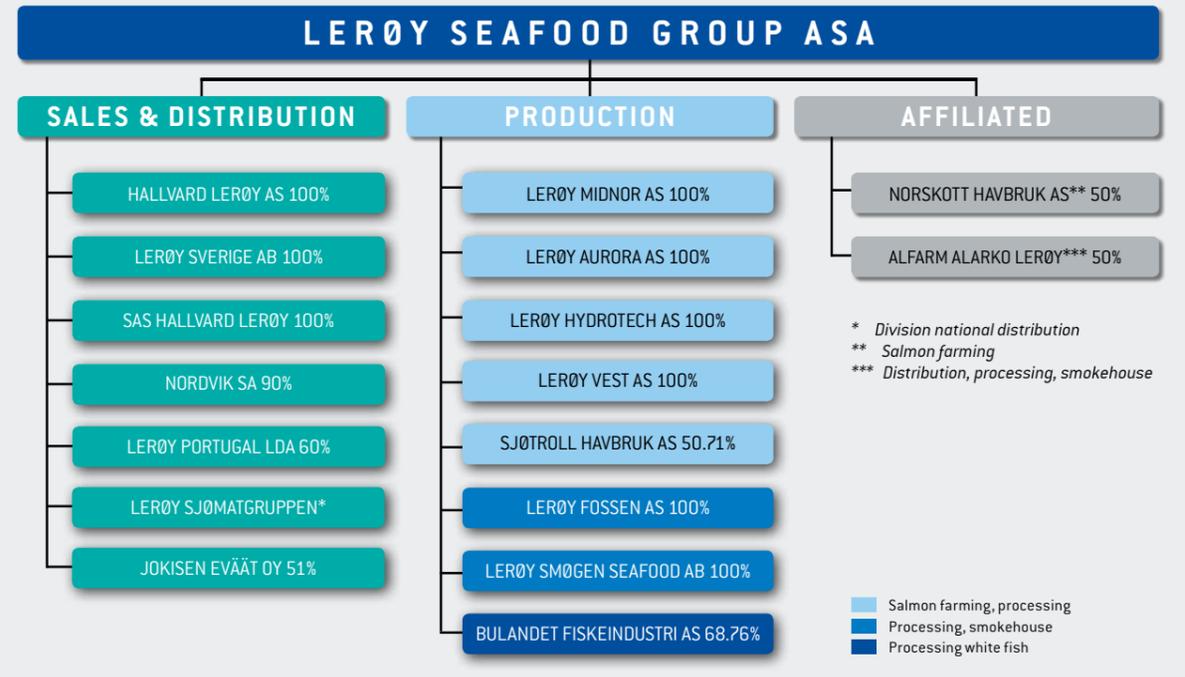
We hope you will find the material interesting!

Henning Beltestad  
Chairman of the Board  
Lerøy Seafood Group

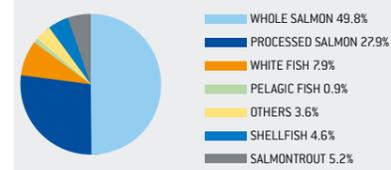
# Farming Norway



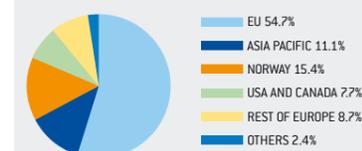
## CORPORATE STRUCTURE



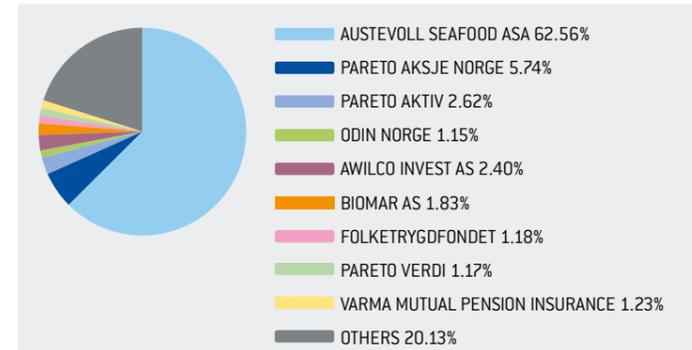
### SALES PER PRODUCT



### SALES PER MARKET



### THE 10 LARGEST SHAREHOLDERS



Company	Ownership share	Licences No	Mill. smolt individuals	2009 GWT	2010 GWT	2011E GWT
Lerøy Midnor AS	100%	30	9.5	35 000	34 000	36 500
Lerøy Aurora AS	100%	17	6.0	19 300	20 300	20 500
Lerøy Hydrotech AS	100%	24	7.0	21 500	25 200	24 000
Lerøy Vest AS	100%	34	14.2	32 700	34 300	37 000
Sjøtroll Havbruk AS*	50.71%	25	8.4		3000	26 000
<b>Total Norway</b>		<b>130</b>	<b>45.1</b>	<b>108 500</b>	<b>116 800</b>	<b>144 000</b>
Norskott Havbruk AS (UK)**	50%		6.0	13 200	13 500	11 500
<b>Total</b>			<b>51.1</b>	<b>121 700</b>	<b>130 300</b>	<b>155 500</b>

Consolidated, farming    Affiliated, farming

\*Acquired and consolidated as from November 2010

\*\*LSG's share

” Take action today - for a difference tomorrow



# Lerøy Seafood Group

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 on the Bergen fish market. This was fish he either had 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 6 and 12 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 budding export business. In 1939, two of his employees, Hallvard Lerøy sr. and Elias Fjeldstad, established what today has become one of the Group's principal sales companies - Hallvard Lerøy AS. Since its establishment, the company has been a pioneering enterprise in a number of fields in the Norwegian fishing industry. The main focus has constantly been on development of markets for seafood. The company has very

frequently been the first to launch on new markets, or to commercialise new species of fish. This pioneering spirit is still very much alive in the Group.

Since 1999, the Group has acquired substantial interests in various domestic and international enterprises. Late in 2003 the Group acquired all the shares in Lerøy Midnor AS and acquired Lerøy Aurora AS in 2005. The companies Lerøy Fossen AS and Hydrotech AS were acquired in 2006, whereas Lerøy Vest AS was acquired in 2007. In 2010 the Group continued expanding its fish farming activities by acquiring 50.71 % of the company Sjøtroll Havbruk AS. The Group's investments in downstream activities over this period have established it as a national and international distributor of fresh fish. Because of these and similar investments over the last ten years, the Group has now developed into a totally integrated seafood group with solid foundations for further development. At year-end 2010, the Group had 1 794 employees.

Up to 1997, the Group was a traditional family company. In 1997, a private placing with financial investors was carried out for the first time. In connection with this placing in 1997, the company was reorganised as a public limited company. The company was listed on the stock exchange in June 2002. Since then, the company has introduced several cash issues, most recently in March 2007. The availability of capital has been an essential ingredient in the Group's development from a seafood exporter to a wholly integrated seafood group.

Stock exchange listing of the parent company Lerøy Seafood Group ASA provides access to venture capital and, in selected cases, the shares are used as payment in kind in connection with acquisitions, most recently with the acquisition of shares in Sjøtroll Havbruk AS. At the beginning of 2011, the Group is well situated to further strengthen its position as a central actor in the international seafood industry.



## CONSOLIDATED ACTIVITIES

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

The Group's core activities are distribution, sale and marketing of seafood, processing of seafood, production of salmon, trout and other species in addition to product development. The Group operates through subsidiaries in Norway, Sweden, Finland, France and Portugal 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 supply of a wide range of high-quality seafood products. The Group's global sales network allows it to act as an efficient supplier with good product range dispersal, thus reducing risks for the Group and its partners. Lerøy Seafood Group will continue to maintain strategic geographical market dispersal, but will also make use of its resources to focus on selected markets with a view to maintaining or developing significant market shares. Developments in the world's food markets make increasing demands on our marketing work and require differentiated approaches depending on the respective market area and on the products being marketed. Therefore, in the future, Lerøy Seafood Group will also 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 which makes up the network is based upon the requirements and wishes of the end user. Lerøy Seafood Group and its collaborators form a commercial network, which must strive to ensure mutual exchange of expertise between network members. Businesses within the network, regardless of ownership, must be given ample opportunities to focus on their own core activities and to capitalise on economies of scale and reduced risk.

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 logistics and working methods. These products are distributed on the Norwegian market and more than 65 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 food safety, quality, product range, cost efficiency and continuity of supply. This is achieved by coordinating the various elements in the value chain - the production units, the Group's sales network and established strategic alliances with sea farms, fishing vessels and fish processing plants primarily along the coast of Norway. The Group's business systems are under constant review and development.

The Group works actively to develop systems and routines that safeguard and support its requirements for profitability. In an industry in rapid growth, the demand for risk management is particularly stringent in certain areas.

Traditionally, the Norwegian and large parts of the international seafood industry have been seriously under-capitalised, with an ensuing 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 viable terms. The company's financial contingency planning, both present and future, will allow the Group to take part in the value-generating structural reorganisation now taking place.

The seafood industry harbours a considerable potential, but if this potential is to be realised and 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". It is important that trade between Norway and other nations can take place according to international regulations. Lerøy Seafood Group and its partners and colleagues will therefore work systematically to improve the reputation of Norwegian seafood both nationally and internationally.

The Lerøy Seafood Group has a large portion of fresh fish products in its product range. At present the share of fresh fish products is more than 80% and this will be maintained in coming years. In addition, there is a clear trend towards a rising level of processing for our full range of products. Through many years of systematic marketing of processed salmon, Lerøy Seafood Group has built up a sound position within this product area. As the degree of processing rises, regardless of the type of raw material, increasingly stringent demands are made on the players involved. Standards of food safety, cost efficiency, quality



and long-term commitment through continuity of supplies will increase in both the production and marketing sectors. Moreover, a high level of processing also requires proximity to the market and good logistics solutions. The Group makes stringent demands on food safety, cost efficiency and continuous product development.

Throughout 2010, Norway succeeded in sustaining its position as the world's leading producer of the Group's main product, farmed Atlantic salmon. Even when including the catch of wild salmon, Norway is still the largest supplier of Atlantic salmon. Moreover, it seems that Norway may be able to consolidate this position in the next few years, despite the second largest producer nation, Chile, having now recovered from major biological problems.

Lerøy Seafood Group has through a number of acquisitions over recent years

become the world's second largest producer of Atlantic salmon and trout, and this product area is therefore crucial for the Group's further development.

After Atlantic salmon and trout, whitefish is the largest product area for Lerøy Seafood Group. In recent years, this product area has developed favourably through cooperation with a number of small and medium-sized companies. Our association with these businesses will continue to expand and is expected to provide us many interesting opportunities in the future. Lerøy Seafood Group is also a supplier of shellfish and fresh pelagic fish to Norwegian and European markets. The sale of shellfish and fresh pelagic fish represents a small but interesting niche product area.

The Group has several criteria for the selection of potential alliance partners and investment objects, placing an emphasis on factors such as the alliance

partner's qualifications for ensuring satisfactory operations. These criteria apply among other things to management competency and, equally important, to the expertise within the organisation as a whole. It is important that the investment object's balance sheet with adjustments is acceptable in terms of the Group's risk profile. Similarly, any potential alliance partner or investment object must understand the significance of continuous, quality-assured, market-oriented production.

The Group's core activities demand various forms of expertise and a high degree of adaptability. For this reason, our organisation is made up of people from different sectors of trade and industry with a wide range of formal backgrounds and practical experience from different fields. As the Group is involved in a global industry which experiences continuous fluctuations in general conditions, it is paramount that



our employees remain up to date and expand their knowledge and areas of expertise. The Group is made up of a young yet highly experienced group of people. With the constant rate of change in general conditions for the Group, we rely on employees who are dynamic, willing to learn and flexible. The Group has employees who meet these requirements. Our employees work hard to improve the Group's competitive edge and earnings and display a burning desire to see the individual companies fulfil future requirements and thereby achieve the Group's long-term strategic goals and performance requirements. In order to meet future challenges in the world's food markets, the Group will continue to develop its organisation through projects linked to the Group's strategic goals. The Group's rapid development in recent years has been made possible by capable people who have found the Group to be an attractive place of work. One of several important prerequisites for the Group's continued positive development is its ability to offer attractive jobs to as many capable employees as possible. The Group must maintain a strong focus on leading the competition for result-oriented and competent personnel with higher than average capacities for work and change.

In Norway the Group had activities in 9 counties and 38 municipalities at year's end. The Group is a major employer in several of these municipalities and is grateful for the good support provided by both local and central public authorities. It is of decisive importance that public authorities maintain an interest in and understand the need for continuity and predictability in the development of general conditions for our industry. The national importance of the fish farming industry for employment and value creation is considerable, but it is essential that the bodies which stipulate general conditions adopt a long-term

philosophy and base their decision-making on facts if the industry is to develop further. It is also of decisive importance to avoid inflicting special Norwegian fees and duties on the Norwegian fish farming industry which would hamper any opportunities for businesses to succeed in this international and extremely competitive industry. We hope that the businesses, together with the public authorities, can work together to ensure a set of general conditions for the industry which substantiate the development of an internationally competitive industry.

In countries outside Norway, the Group is most active in Sweden and is well established in Stockholm, Gothenburg, Malmö and on the west coast in Smøgen. In other countries, the Group has established activities in Finland, France, Portugal and Turkey. Finally, the Group has sales offices in several important seafood markets such as Japan, USA and China. The Group is also represented in Scotland through the affiliated company Norskott Havbruk AS.

#### BUSINESS SEGMENTS

The Group's primary business segments are Sales & Distribution and Production. This segmentation is chosen according to type of organisation and commercial risk. The Production segment comprises the following companies: Lerøy Midnor AS, Lerøy Vest AS, Lerøy Hydrotech AS, Lerøy Aurora AS, Sjøtroll Havbruk AS, Lerøy Fossen AS, Bulandet Fiskeindustri AS, Lerøy Smøgen Seafood AB, SAS Fish Cut, SAS EuroSalmon and Inversioens Seafood Ltda. Sales & Distribution consists of all other subsidiaries apart from Lerøy Seafood Group ASA (parent company). Lerøy Seafood Group ASA is not assigned to either of the segments.

Lerøy Seafood Group is experiencing significant growth and has already established major activities in many countries.

While headquartered in Bergen, Norway, the Group's global sales and distribution activities are established in the most important seafood markets in the world. Sales and distribution together with the Group's production activities constitute an efficient and profitable seafood group with considerable growth potential. The production clusters in the various regions shall be further developed by harvesting synergy effects in several areas, and the various production environments will draw on each other's expertise through extensive exchange of know-how. The Group's decentralised operation model in the production segment makes such exchange possible. The Group's regional focus creates, in our opinion, a basis for interesting industrial developments in that it forms alliances and collaborations beyond those of direct ownership. The Group's market orientation, with well-managed sales and distribution activities, makes it possible to benefit from economies of scale within

**«The Group's core activities are distribution, sale and marketing of seafood, processing of seafood, production of salmon, trout and other species in addition to product development.»**

logistics and distribution in collaboration with our future customers. The wholly integrated operations comprise a totality of decisive importance for our competitive ability when providing the Group's central customers with continuity in supply of quality products of fresh seafood.

#### Sales and Distribution

In 2010, the Sales and Distribution

segment generated a turnover of NOK 8,670 million and an operating profit of NOK 255 million compared with NOK 7,361 million and NOK 217 million respectively in 2009. This positive development is generated by a number of factors, including good exploitation of capacity, a good market for the segment's products – Atlantic salmon and trout – and improved return from the segment's strong position on the main global fish markets.

In its central position between owners and management, it is the Board of Directors' function to safeguard the shareholders' need for strategic governance and operational control. The function and focus of the Board will always vary somewhat depending on circumstances within the company and on developments in the external business environment.

The transformation of the Lerøy Group from a family company to a listed public limited company has been guided by the owners' clear awareness of the type of Board the company needs. The process to establish a Board with members from various fields of expertise and independent of the Group's management team and largest shareholders was initiated by the owners already at the end of the 1980s. Since the early 1990s, the majority of the members of the Lerøy Group Board have been independent of the Group's management team precisely in order to protect the Board's ability to challenge management practices.

For several years, as well as in its eight meetings in 2010, the Board has maintained a particular focus on the connection between practical operations and strategic business development. The Board and company management has since 1997 worked purposefully to develop the Group into a wholly integrated leading and profitable seafood group.

The Group's activities are varied, depending on each unit's position in the value chain, and consequently require differentiated forms of management and follow-up. Good internal management systems are essential for success, but these must be continuously developed in order to accommodate fluctuating economic conditions. The Group's regional structure with independent units, also in respect of short-term reporting, facilitates good control and a powerful focus. The internal control is based on daily and weekly reports that are summarised into monthly reports tailored to the individual company, while at the same time providing satisfactory reporting at group level.

When recruiting board members, the company's owners have already for many years considered the company's needs for varied expertise, continuity, renewal and changes in ownership structure. It will always be in the company's interest to ensure that the composition of the Board varies in line with the demands made on the company and with expectations regarding Group performance. The Board's assessment of itself and of Group management must of necessity be seen in conjunction with the Group's performance. To date, the Board has not issued reports on its assessment of its own work; this is a conscious priority decision and must be viewed in connection with other announcements in the company's communications to the public. Moreover, external assessments of the Board's work are probably the most influential and are likely to remain so in the future.

Chairman of the Board, **Helge Singelstad**, was appointed to the Board by the extraordinary general shareholders' meeting on 26 November 2009. Helge Singelstad is 48 years old and holds a degree in computer engineering, a degree in Business Administration from

the Norwegian School of Economics and Administration (NHH) and a 1st degree of law from the University of Bergen. Helge Singelstad was previously CEO, Vice CEO and CFO of Lerøy Seafood Group over a number of years. Consequently, he has broad knowledge of the Group and the industry. Helge Singelstad is Chairman of Austevoll Seafood ASA and Member of the Board of DOF ASA. In addition, he is the Managing Director of Laco AS. Helge Singelstad owns no shares or options in Lerøy Seafood Group ASA as per 31 December 2010, but as a shareholder in Austevoll Seafood ASA he indirectly owns shares in the Group.

The Group structure, with autonomous units in different regions, is supervised through participation by Group staff in the administrative bodies in the various companies. Also the employees, through their representatives on the boards of the subsidiaries, contribute to satisfactory operational development.

The audit committee performs a quality audit of the internal control and reporting system and is responsible for the Board's dialogue with and monitoring of the external auditor. The audit committee held three meetings in 2010.

The ordinary shareholders' meeting on 25 May 2005 voted to change Article 5 of the company's articles of association to give the company a permanent nomination committee consisting of three members elected by the shareholders' meeting for a period of two years. The company's nomination committee is charged with preparing suggestions for the composition of an owner elected board of directors and to submit recommendations to the shareholders' meeting for appointments to the board.

Based on continued growth and improved profitability, Lerøy Seafood Group aims to create financial values for

its shareholders, staff and society in general. Lerøy Seafood Group aims to provide a satisfactory rate of return from all its activities.

As Lerøy Seafood Group is an international seafood corporation with decentralised operations and a significant volume of biological production, the company is exposed to a number of risk factors. The Board of Directors therefore works hard to ensure that the group implements all measures required to control risk, limit individual risk and keep risk as a whole within acceptable constraints.

## Vision

Lerøy Seafood Group shall be the leading and most profitable global supplier of quality seafood.

## Environmental policy

Lerøy Seafood Group is one of the largest seafood corporations in the world. We live off the natural resources produced in the sea and rely on these resources being properly managed so that we can continue to sell seafood in the future. The management of Lerøy Seafood Group will do their utmost to ensure that the products manufactured and purchased comply with the prevailing rules and regulations of our industry.

We will furthermore strive to find the most environmentally friendly and sustainable systems for our products via a close cooperation with our customers and suppliers of fish feed and transport.

Lerøy Seafood Group will continuously seek to introduce improvements which will reduce pollution and help protect the environment.

Our employees will focus on the company's environmental targets. In fact, Lerøy Seafood Group will include the environment as one of its main focus areas in the future, in terms of both employees and our products.

## Environmental Vision

Take action today – for a difference tomorrow



# Environmental goals

As previously mentioned, Lerøy Seafood Group is actively involved in every part of the value chain. Key performance indicators are established for comparable companies. However, we have chosen to

allow individual companies to set their own company targets. Lerøy Seafood Group has not established any common environmental goals in 2010 and 2011 for individual key performance indicators.

All indicators are measured on a monthly basis and utilised internally in order to achieve improvements within individual companies and for benchmarking between comparable companies.

We have measured the following key performance indicators in 2010 and will measure the same in 2011												
	Young fish		Fish		Slaughter		Processing		Wholesale		Sale	
	Goal for 2010	Status										
Accidental release	0	0	0	15	0	0						
Energy kwt/kg produce	Ind.	Ind.										
Biological feed			Ind.	Ind.								
Water m3/tonn produce	Ind.	Ind.			Ind.	Ind.	Ind.	Ind.	Ind.	Ind.	Ind.	Ind.
Packaging kg/tonn produce					Ind.	Ind.	Ind.	Ind.	Ind.	Ind.		
Transport goal							Ind.	Ind.	Ind.	Ind.	Ind.	Ind.

## Focus areas for 2010 :

- We shall cooperate with our suppliers of water, energy and packaging to introduce specification of quantities purchased, enabling us to measure these parameters more closely.

- We shall take active measures to ensure that all our young fish facilities shall introduce secondary safeguards on outlet areas in 2010 in order to prevent accidental release of fish from the facilities.

- We shall utilise biological delousing in the form of Wrasse in all 2010G facilities where we have problems with lice. The facilities in Troms county do not have problems with lice. The goal is to use Wrasse as a biological delousing method to reduce the use and development of resistance to anti-parasitic medication.

- We shall reduce our consumption of water by minimum 10% for all shore-based production plants.

## Status for focus areas for 2010:

- This process has generated improvements, but we will continue to focus on this area in 2011.

- Secondary safeguards have been installed in all facilities with the exception of 1. This facility will introduce such measures in 2011.

- Delousing method to reduce the use and development of resistance to anti-parasitic medication. Wrasse have been utilised for delousing in practically all the 2010G facilities, with the exception of a few facilities at one of our production plants.

- We have only achieved this goal at one of our companies. There are various reasons for why this goal has not been

reached within the individual companies. However, inaccurate figures for 2009 resulted in an incorrect starting point for this goal. Moreover, there has been a reduction in the number of shifts from 2009 to 2010, resulting in lower volumes over which to distribute consumption.



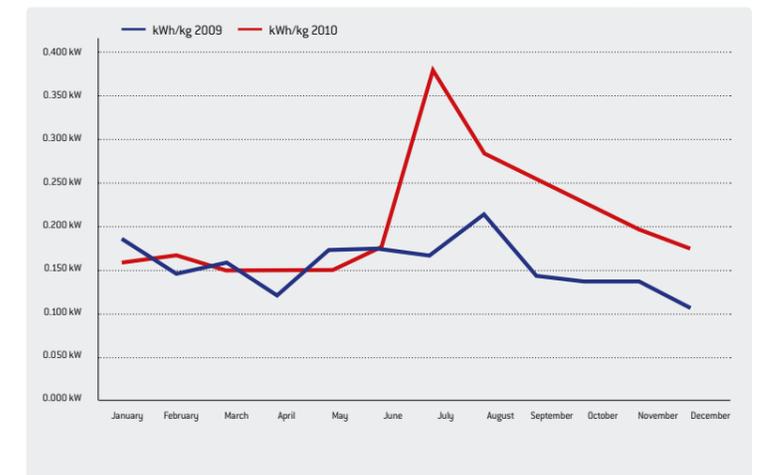
## Environmental goals 2010-2011

	Target 2010	Achieved 2010	Target 2011
Feed factor	1.13	1.18	1.15
Accidental release	0	15	0
No. direct vehicles sold from HL AS	75%	74%	75%
Increase in sale of processed fish HL AS	25%	23.50%	20% from 2010

- Lerøy Hydrotech reported an accident on 4 February 2010 which occurred during vaccination of fish. 15 fish were anaesthetized in a vessel which overturned and fell into the sea. Such incidents shall be reported as accidental release of fish as the fish may awaken after the sedation has worn off and swim away.

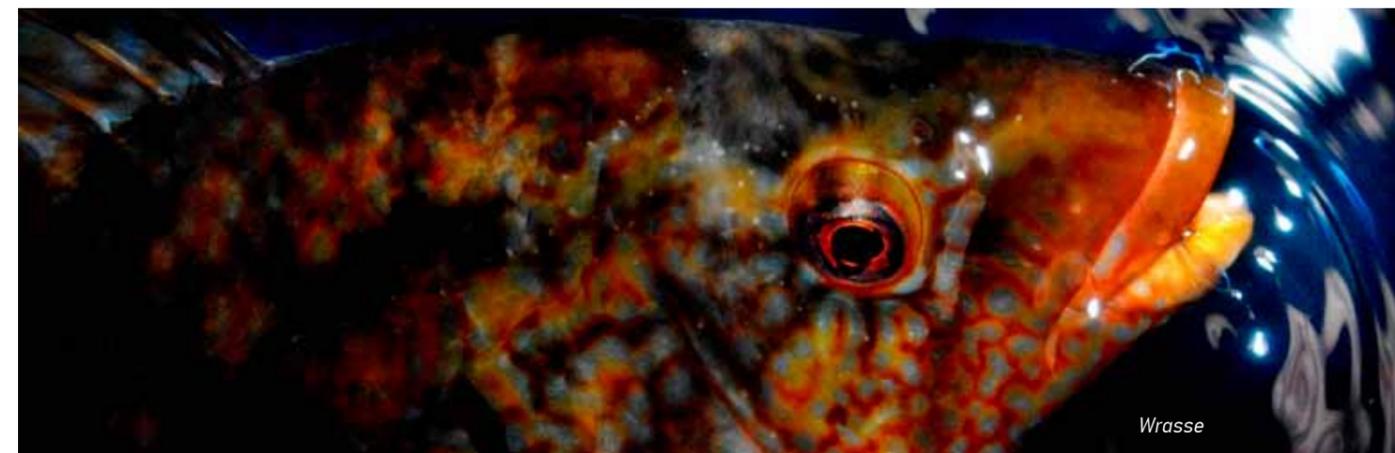
## An example of measurement of energy at one of our production facilities in France.

### ENERGY (kWh) USED TO PRODUCE 1KG SALMON IN EUROSALMON PER MONTH IN 2010



Target 2011	Short-term measures	Long-term measures
<b>Accidental release</b>		
The target for accidental release shall be 0	Follow established procedures  Improve procedures	Innovation
<b>Dyrevelferd</b>		
All operations shall comply with requirements from the authorities regarding fish welfare	Internal audits	
All employees shall have completed a course on fish welfare in 2010 and 2011	Completion of courses	
Increase survival rate from release to slaughter	Continual optimisation of operations  Reduction of mortality on release via quality assurance of release procedure.  Avoid release of high-risk groups	New, larger young fish facilities  Fight PD using long-term strategy (LV)
<b>Lice</b>		
0 female lice of reproductive age during emigration period for wild salmon	Coordination of delousing	
Reduce number of treatments for lice in 2011 when compared with 2010	Optimal utilisation of Wrasse  Strategic utilisation of treatments  Strategic utilisation of lice inhibitors in feed	Farming of Wrasse
Control of lice without deviation from requirements of louse regulation	Use of Wrasse July to December  Optimise treatment methods (bathing with tarp, hydrogen peroxide, oral delousing)	Use of Wrasse all year round, farming of Wrasse  Improved unison rotation use of medication over larger areas
Stay within the louse limits by less than 14 days	Strategic utilisation of treatments  Introduce new methods  Limit infestation pressure by preventing longer periods with female lice of reproductive age in the facilities also when using Wrasse	Increase range of coordination of delousing  Introduce new methods
<b>Medication</b>		
Keep use of medication to a minimum, with careful consideration of use	All use of medication shall be subject to thorough evaluation in relation to fish welfare	Further development of vaccines

Target 2011	Short-term measures	Long-term measures
Keep use of medication to a minimum, with careful consideration of use	Optimise conditions in cages and vessels  Optimise operating conditions  Strategic utilisation of preventive factors or health in feed	Gain control of bacterial problems in young fish facilities
<b>Biodiversity</b>		
Use of medication shall take place in a manner which prevents negative impact on species surrounding the fish farms	Take into consideration premises for approval of medication utilised	
Limit negative impact on stocks of Wrasse	Prevent fishing of fish of reproductive age when undertaking test fishing prior to start-up	Chart data for overview of stock of Wrasse - introduce requirement that fishers keep log of catches including data regarding area, species, size etc.  Develop farming of Wrasse
Prevent damaging impact on species as result of intervention in natural resources in fjords, including sediments/fjord beds	Monitoring of environment with MOM  No facilities with a score of below 3	Phase-out facilities with score of below 2 in the long term
<b>Fish feed</b>		
Use of raw materials which are certified according to a standard of sustainability	Introduce requirements for feed suppliers  Enter agreements with a focus on sustainability  Cooperate with feed suppliers regarding a progress plan on this item	



Wrasse

# Organisation of environmental and sustainability factors

In Lerøy Seafood Group, environmental and sustainability factors are organised as illustrated below. The person in charge is the CEO. CSR is responsible for coordination of the work for all companies within the Group. Responsibility is also delegated to the Managing Director of each subsidiary, while the Quality Manager is responsible for daily follow-up within the companies. A number of competency groups have been set up in Lerøy Seafood Group. The different Quality Managers make up a competency group for quality and the environment.

This is led by the CSR Supervisor. The CSR Supervisor holds regular meetings with representatives from the other competency groups, where quality and the environment are on the agenda.

The competency groups report to the EVP for Farming.

Lerøy Seafood Group has established competency groups within:

- Quality and the environment
- Production of fish for consumption
- Production of young fish
- Fish health
- Industry
- Economy



## Value chain

### What are our focus areas?

For Lerøy Seafood Group as a corporation, it is essential to maintain a constant focus on areas where we have the

greatest influence in terms of sustainability. We have therefore carried out a critical evaluation of our processes and reached the conclusion that we currently have the

greatest influence within the area of fish farming. A major share of our efforts related to the environment and sustainability will therefore focus on fish farming.

## Fish farming

Lerøy Seafood Group is involved in fish farming activities in close interaction with the environment. The Group companies all place a significant emphasis on the role they play when exploiting coastal areas, and take an active approach towards promoting good attitudes towards the environment among management and employees. Lerøy Seafood Group shall take a leading role in constantly improving the interaction between fish farming and the environment, aiming at generating positive and lasting environmental gains. Four main areas related to fish farming receive particular focus:

- Work to prevent accidental release of fish
- Measures to reduce salmon lice
- Reduction of discharge of nutritional salt from facilities
- Raw materials for fish feed, requirement for sustainability and regulated fishing

The Group's operating procedures developed within each fish farming company focus particularly on ensuring achievement of goals within these important environmental areas. These form the foundations for environmental management and are subject to annual internal and external audits. The Group has implemented advanced technology to secure and monitor operations and has developed requirement specifications for our suppliers which shall contribute towards active participation by the suppliers in our efforts to achieve our environmental goals. Successful environmental work is a question of sound and clearly defined management. The Group's environmental work therefore has strong roots via a decentralised management structure, where proximity to the environmental challenges is a major feature. Our environmental vision, "Take action today for a difference tomorrow" is reinforced and defined by the efforts made daily by the operating organisation to ensure a good understanding

via: Attitudes - Action - Responsibility throughout the entire value chain, from roe to market.



Stig Nilsen  
EVP Farming  
Lerøy Seafood Group



## The production value chain within fish farming

Lerøy Seafood Group plays an active role in all parts of the value chain for production of salmon and trout.

### **Roe production**

Lerøy Seafood Group has capacity to produce 100 million fertilised eggs per year.

Group production is Global Gap certified and roe production is subject to particularly stringent requirements on fish health and the environment. Roe production involves taking parent fish ashore in May prior to stripping.

Production of roe takes place mainly in October, November and December.

Roe is delivered from the breeding facilities to the young fish facilities during the hatched larvae stage. The development of hatched larvae takes place at defined temperatures, allowing for flexible delivery times within certain limits. This allows the Group to adapt production, allowing for optimal utilisation of capacity in the young fish facilities.

### **Smolt production**

Lerøy Seafood Group can produce

45 million smolt per year in its own subsidiaries. Smolt production takes place in an onshore facility in fresh water, where hatched larvae are delivered from producer to each young fish facility. The roe hatch and the fry receive start feed in the young fish facilities. The first smolt are delivered from the young fish facilities to the production facilities 8 to 12 months after hatching. Lerøy Seafood Group has regionalised its production of smolt in order to ensure optimal adaption of smolt quality. Lerøy Seafood Group is mainly self-sufficient with smolt within the three production regions.

### **Farmed fish**

Production of salmon in the sea takes place in carefully selected locations. An optimum environment must have good flow of water and the correct temperature range, topography, oxygen content and exposure. The location must be approved by the fisheries authorities, environmental authorities and the coastal authorities before cages and fish can be set out. All parts of the production equipment are certified in accordance with a specified standard in order to ensure that the facilities can withstand exposure to the prevailing environment.

Once the smolt have been carefully assessed to determine whether they are ready for sea water, they are released to sea. Production in these facilities takes from 12 to 20 months, depending on temperature, genetic potential and the quality of the farming and care of the fish during the period. Production is monitored at cage level, where cameras and sensors ensure optimal feed and control to ensure optimum growth, fish health and welfare.

### **Production**

Slaughtering and processing take place

in modern factories designed for production of food and approved by the proper authorities. The fish is anaesthetized and put to death in accordance with applicable rules to avoid unnecessary suffering and to ensure top product quality. Lerøy Seafood Group currently has five bytes to seven own facilities for full-range production, from whole gutted salmon to processed products within all categories. The facilities meet applicable requirements regarding discharges to the external environment.



Stripping (autumn)

## From roe to plate

### Stripping

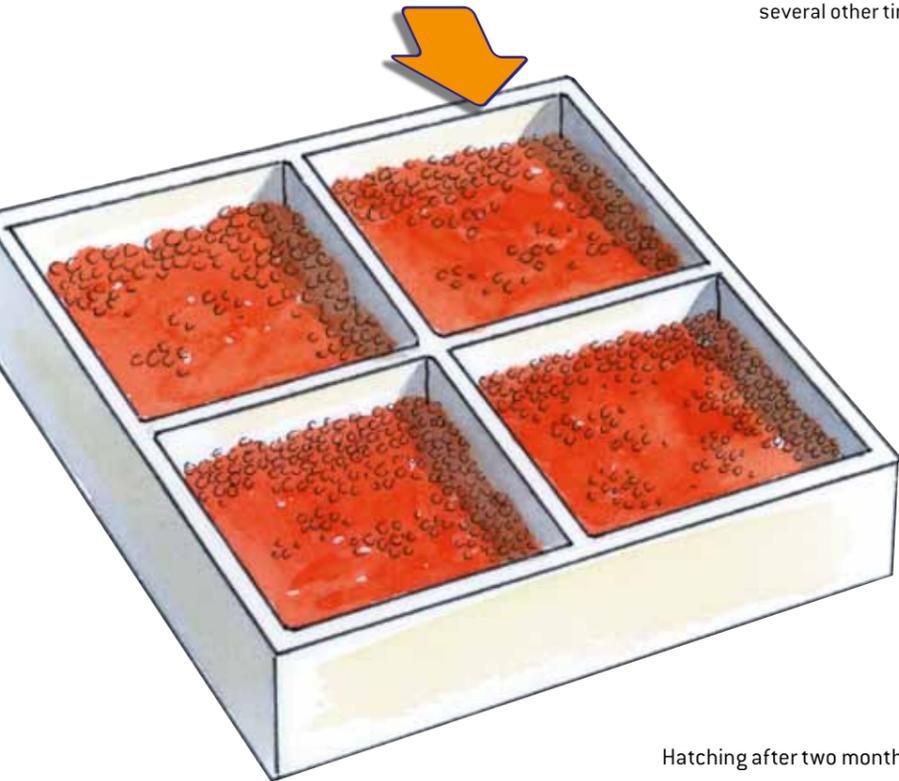
The broodstock fish are stripped of their roe and milt. The inseminated roe are placed in the hatchery, where they take 60 days at a maximum water temperature of 80C to hatch out.

### Hatching

When the eggshell breaks the eggs hatch out, yielding fry with yolk-sacs on their stomachs. The yolk-sac is the fry's "lunch-box" for the first few weeks of its life before start-feeding, when it gradually begins to take dry feed.

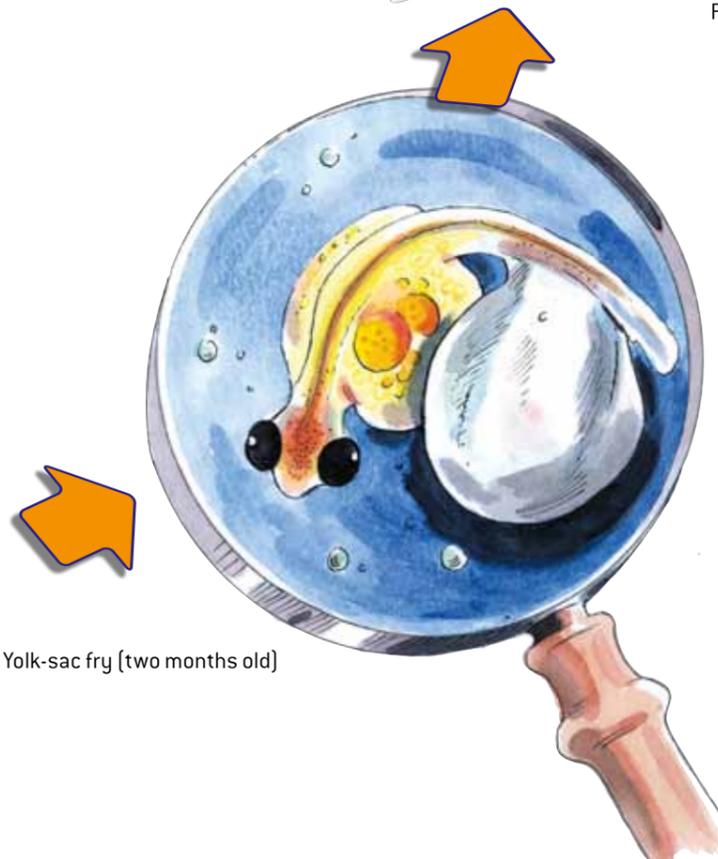
### Smolt

After about one year in a hatchery tank, the salmon have grown enough to be set out in seawater. At this point they have already undergone physiological changes that enable them to live in the sea. An average smolt weighs 80-100 g when it is released into the sea. Smolt used to be set out in the spring, but this now also takes place at several other times of the year.



Insemination: roe + milt + water

Hatching after two months



Yolk-sac fry (two months old)



Smolt, released into seawater (8-12 months old)



Fingerling



Fry at start-feeding (3-4 months old)



On-growing in sea-cages (5kg after 12-16 months)



Slaughtering, processing, packing and export.

### On-growing in the sea

After just over a year in the sea the salmon have grown to a weight of about 5 kg. The rate of growth depends, among other factors, on the water temperature.

### Well-boats

Well-boats are used to transport both smolt from the hatchery to the on-growing farms and fully grown live salmon from farms to the slaughterhouse. All salmon are

slaughtered in specialised fish-processing plants. They are anaesthetised before they are slaughtered and are then immediately cleaned, sorted, chilled and processed for further transport. Some fish are smoked or turned into fillets or "table-ready" products, but most are sold as cleaned whole salmon.

# FOU – Fish farming

## Research & development

Research & development are central factors in the work to further develop the entire value chain in Lerøy Seafood Group. The Group has a history of active participation in R&D projects via our subsidiaries in order to ensure proximity to and ownership of the projects and maximum exploitation of the input factors.

The Group's R&D efforts in 2010 have focused on 4 main subjects.

- a) Fighting salmon lice
- b) Feed / Feed utilisation / Feeding strategies
- c) Fish health
- d) Technology

## Salmon lice

The company has a significant and principal focus on fighting salmon lice, in the form of the principle for "Integrated Pest Management", i.e. the implementation of a number of measures to prevent and fight salmon lice, wherein treatment with medication is the very last measure utilised. Central elements of the principle include an extensive utilisation of functional feed which makes salmon less attractive as a host for lice and which stimulates the salmon's own natural defences in order to fight off lice which attach to fish. The use of Ballan Wrasse and Goldsinny Wrasse are among other measures with which Lerøy Seafood Group has had major success in 2010. Lerøy Seafood Group is involved in a number of comprehensive research projects involving the fight against salmon lice. As one of two fish farming companies, Lerøy Seafood Group is part of the prestigious research program entitled "SFI Salmon Louse Research Centre", an 8-year program with a total financial framework of NOK 200 million. The focus in this programme is to strengthen both the unspecific and specific natural defences of fish against salmon lice,

the development of precise methods for resistance testing, development of new medicinal methods of treatment and the utilisation of salmon lice genomics in order to develop more precise research tools and treatment techniques.

The use of Wrasse is an important element in Lerøy Seafood Group's strategy to fight salmon lice. To date, we have purchased wild Wrasse from professional fishermen. Experience indicates that wild Wrasse are very vulnerable in terms of handling and injury. Lerøy Seafood Group has therefore implemented a programme of close follow-up with our suppliers, in order to ensure the best possible quality for the Wrasse. To date, the use of Wrasse has been very successful and Lerøy Seafood Group aims to extend its utilisation of this method. In order to ensure a regular and reliable availability and to prevent unnecessary impact on the natural stocks of Wrasse, Lerøy Seafood Group has in 2010 invested heavily in 2 (of 4 existing) projects aiming to develop farming of Wrasse. In cooperation with SalMar ASA, we have recruited the company Profunda AS to develop a protocol for production of Wrasse. Through Lerøy Vest, Lerøy Seafood Group is also a 25% owner of the company Cleanfish AS, which is involved in developing a protocol for and commercial production of Wrasse. The majority of R&D work within farming of Wrasse is coordinated via a control group appointed by FHF (The Fishery and Aquaculture Industry Research Fund). Lerøy Seafood Group chairs this control group in addition to 2 of the group's 4 members, via Profunda AS/ Cleanfish AS.

## Feed and feed utilisation

Feed is the largest individual input factor utilised by Lerøy Seafood Group and the Group places a significant focus

on optimal and cost efficient utilisation of feed. Lerøy Seafood Group works closely together with our feed suppliers and takes an active and influential role in the further development of feed composition in order to ensure that it is as highly adapted as possible to our fish farming environment and fish material. There is also an active strategy to further optimise the feeding phase, both in the form of optimal use of feeding equipment and the development of knowledge and equipment to allow improved control of the actual feeding process.

## Fish health

Lerøy Seafood Group maintains a constant focus on fish health and control of health at our facilities. The fish farming industry is faced with challenges related to health, which cannot be solved by vaccination or medication. One of these challenges is Pancreas Disease (PD), a viral illness. In 2010, Lerøy Vest implemented a very successful package of measures comprising an intensive monitoring programme of fish using PCR analyses (for detection of the presence of the virus) and active utilisation of functional feed once detection has been occurred. The result was only 3 instances of enforced slaughter of fish mature for slaughter. Consequently, Lerøy Vest did not have any measurable financial losses in 2010 caused by PD. Lerøy Seafood Group has also actively taken part in other R&D projects involving the viral illnesses CMS (heart lesions) and HSMB (heart and musculoskeletal infection) as central elements. One result is the newly developed PCR analysis method to detect the CMS virus, providing hope that the treatment of the PD virus can also be used to fight the CMS virus. The results of the work on the HSMB virus are also promising.



Wrasse

## New fish farming technology

The current production practice, with the use of open cages located in waters close to the coast, represents the greatest advantage for the Norwegian fish farming industry, but the concept brings certain challenges, for example the risk of accidental release. Lerøy Seafood Group is actively involved in the work to challenge current technology in order to further develop the industry to become as environmentally and financially sustainable as possible.

This involves projects which aim to increase the security in existing concepts and projects developing technology for fish farming in more open waters - offshore. Moreover, Lerøy Seafood Group is involved in a project assessing the use of closed fish farming technology for extended smoltphase at sea. The latter involves projects with a longer time scale and where all aspects of this new form of production need to be charted thoroughly before being applied at a commercial level.

” Target for accidental release of fish: 0



# The Environment

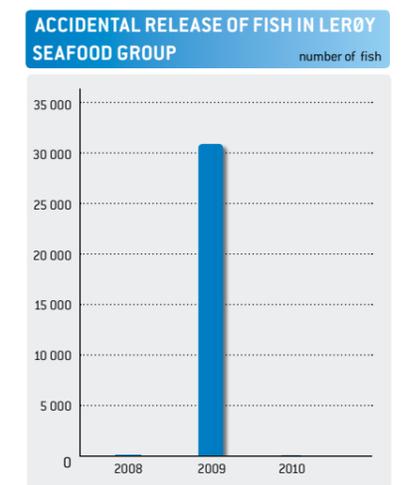
## Accidental release of fish

Prevention of accidental release of fish is an important and high priority area for Lerøy Seafood Group. Lerøy Seafood Group invests a considerable amount of work into optimising equipment and routines to avoid accidental release of fish. Actual incidents of accidental release and all events that can lead to accidental releases are reported to the Fisheries Authorities. Securing against accidental release is a question of maintaining a focus on execution/action, good planning of all operations in order to ensure safe execution and efficient re-examination of operations. Key elements are: ATTITUDE, ACTION and RESPONSIBILITY. However, these have no impact if not clearly defined by management. Moreover, it is essential that all employees are made aware of their responsibility for ensuring zero accidental release of fish within our company.

In 2010, one incident of accidental release was registered by Lerøy Seafood Group at Lerøy Hydrotech. During a vaccination procedure at Lerøy Hydrotech on 4 February, fish were sedated and transferred to vessels for vaccination. One of the vessels overturned and the fish fell into the sea. There were 15 fish in the vessel.

None of our young fish facilities reported accidental release in 2010. Following accidents that could have caused, or actually did cause, accidental release of fish, it is of utmost importance that all circumstances surrounding the episode are made known to everybody in the organisation. Such events are used actively in personnel training and for optimising routines and equipment. The focus of accidental release in 2010

have already led to several amendments in our facilities in order to avoid similar events in the future.



Such changes include:

- Replacement of nets
- Modernisation of equipment
- No nets in sea without drawings
- Never assembling a haul rope where there is no cross rope
- Marking of nets
- Extensive use of camera/divers during/ after work on nets
- New procedures for net handling
- New log form for all work involving nets

We can increase our:

- Continual work on attitudes
- Control/re-examination - always
- Continual revision of procedures
- Assessment of suppliers
- Use of new technology for monitoring

It is important that incidents which result in accidental release of fish result in exchanges of experience between fish farming companies. The companies in the Lerøy Seafood Group participate in groups where experience and expertise are shared among the players, and competency are shared among the actors. In order to improve our preparedness we also collaborate with other fish-farming companies in our vicinity and participate

actively in activities coordinated by FHL (Norwegian Seafood Federation). Moreover, our fish-farming companies maintain close contact and communication with the authorities regarding prevention of accidental release of fish.

In addition to public requirements in respect of accidental release of fish, we have also implemented the following measures:

- Established a common preparedness stock of 500 retrieval nets in Kristiansund that are ready for deployment by a trained team when needed
- Established a collaboration agreement with other large players in Central Norway where each company is committed to keep a central preparedness stock of 500 retrieval nets to be used by all companies when helping the company experiencing an accidental release situation
- Established a comprehensive internal control system with a high frequency and scope of internal inspections
- Routine diver inspections of cages after deployment in sea, as well as through the entire production phase

- Increased requirements for maintenance inspections between each accidental release

The fish-farming companies in Lerøy Seafood Group will also in the future maintain a firm focus on prevention of accidental releases. The goal for 2011 is zero accidental releases from our fish-farming facilities.

## Lice

Salmon lice have coexisted with salmon fish for a long time. The first written record of salmon lice is from the 17th Century and in 1837 the zoologist Henrik Nikolai Krøyer described the species and gave it the Latin name *Lepeophtheirus salmonis*. Salmon lice have a natural co-existence with salmon.

Male and female salmon lice develop at slightly different rates; the male louse grows somewhat faster than the female. The growth rate is influenced by temperature; a higher temperature leads to faster growth.

At 5 °C it takes 11 weeks from Copepodite to fully developed female lice.

Important background information when combating salmon lice infestations:

- Some areas present greater challenges than others in lice control
- Some salmon farmers have good control, while others have poor control
- Some rivers have a good salmon return rate, while others have a low rate
- Some companies achieve good results with Wrasse while others fail

### Lice conditions in the company's facilities in 2010

Salmon lice are practically absent from our facilities in the north. In our facilities further south conditions have seen an improvement in 2010 when compared with 2009. The number of moving salmon lice and fully grown female lice with eggs is measured and reported to the Food Safety Authorities on a regular basis.

Lerøy Seafood Group aims to utilise Wrasse instead of medication when fighting salmon lice. In 2010, the Group has achieved very positive results using Wrasse in our facilities in the south. In order to succeed with the use of Wrasse, the following points should be noted:

- Plenty of shelter in the cages - Lerøy Seafood Group has made use of sports clubs and school children to create shelters for Wrasse in the cages.
- Cleaning of nets - demanding work but necessary. The cages are hosed down every 10th day - The nets are cleaned using 3 (4 where necessary) cleaning boats. Start-up in early July.
- Release of Wrasse from 24 June took place simultaneously in all cages.
- Goal of 5% Wrasse in all cages.
- Reduction of mesh size in nets.

This means that we can use somewhat smaller Wrasse for larger fish.

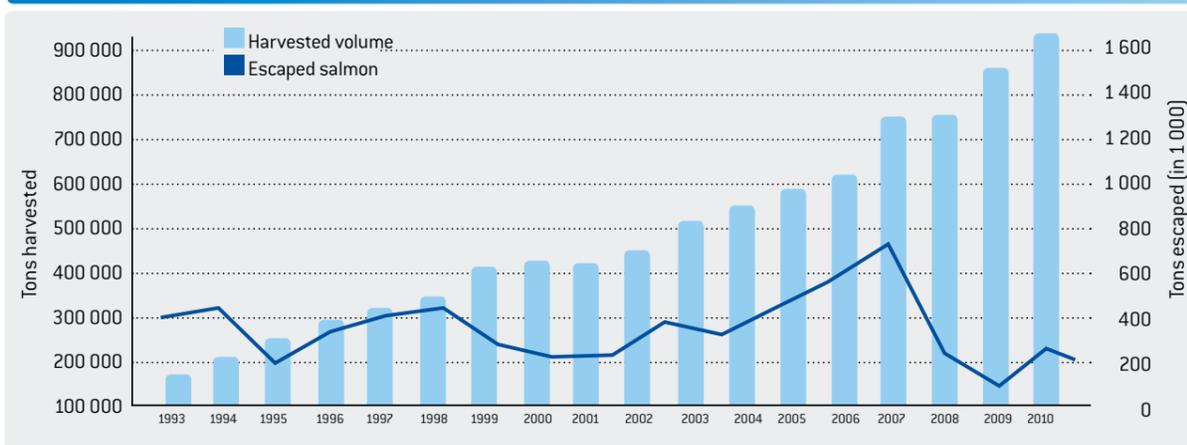
- Registration of dead Wrasse and refilling throughout the season. The delousing substance emamectin has only been utilised in North Norway due to resistance in the rest of the country. Both management and production technicians have maintained a strong focus on salmon lice treatment and will continue to do so in the future. We have met all public requirements as to counting, registration and treatment.

The following areas will be focused on in the time ahead:

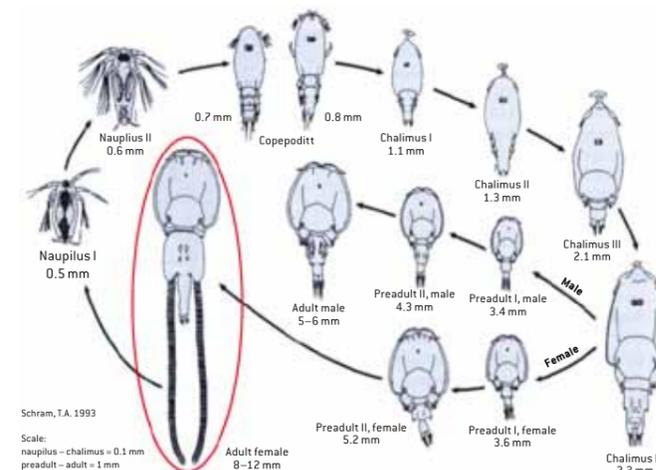
- More intensive use of Wrasse than before
- Use of alternative deployment patterns and locality structures
- Continuous monitoring of deployment and localities
- Treatment with approved treatment agents
- Coordination among facilities

**Main goal: "We aim to avoid salmon lice of reproductive age".**

### VOLUME OF SLAUGHTERED (HARVESTED) SALMON AND ESCAPES



The table shows accidentally released salmon compared with the total volume of harvested salmon in Norway.



Sea lice: *Lepeophtheirus salmonis*

### DEVELOPMENT OF LICE POPULATION IN NORWAY FULLY DEVELOPED FEMALE LICE



2010 had the lowest lice population in 6 years in the important summer period when smolt of wild salmon migrates out.

**We aim to achieve this goal by focusing on four main areas:**

**1. Prevention:**

- Good locations
- Good smolt
- Clean nets
- Common plan for fallow areas

**2. Monitoring:**

- Counting of lice
- Notification of lice counts to neighbouring facilities
- Better communication between neighbouring facilities
- Effectuate good monitoring for correct and timely treatments in order to reduce treatment frequency

**3. Treatment:**

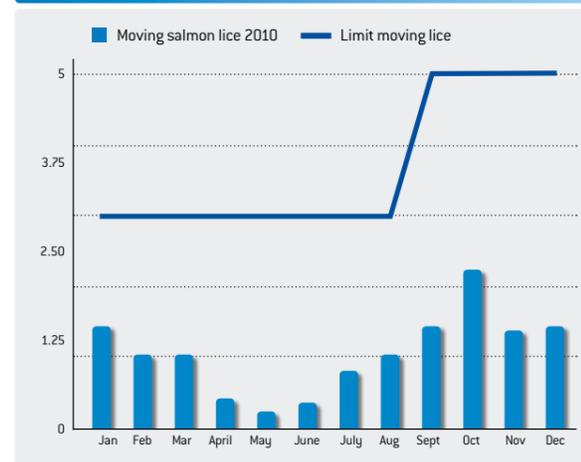
- Use of delousing bath – skirt, tarp and well boat
- Feed
- Wrasse
- Rotation of medicines
- Common treatment in certain areas correctly timed to suit emigration of wild smolt

- Treatment during optimum weather conditions
- 4. Follow-up and corrective action.

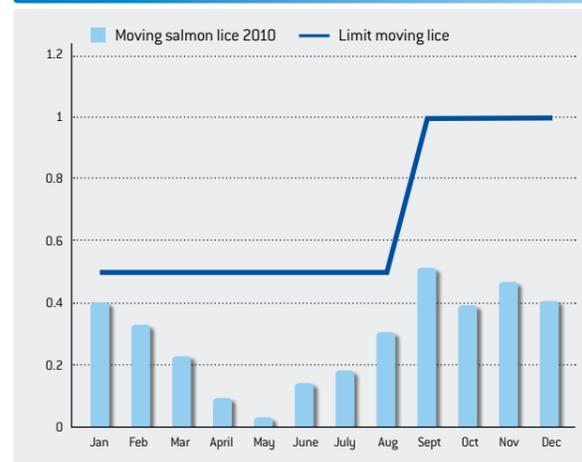
**Plans and goals for 2011**

- Coordination of delousing
- Optimal utilisation of Wrasse
- Strategic utilisation of treatments
- Introduce new methods
- Limit infestation pressure
- Farming of Wrasse
- Improved rotation of use of medication over larger areas
- Large Wrasse for parent fish and in areas with more than one generation
- The capacity to execute treatments within authority deadlines in all locations and coordinated throughout generations
- Compliance with authority requirements in the regulations regarding lice and zone regulations
- Participation in collaborative work

**DEVELOPMENT OF MOVING SALMON LICE LERØY SEAFOOD GROUP** average number of lice per fish



**DEVELOPMENT OF FULLY DEVELOPED FEMALE LICE WITH EGG STRINGS, LERØY SEAFOOD GROUP** average number of lice per fish



**Number of cages deloused in Lerøy Seafood Group**

	Alphamax	Betamax	Salmosan	Releeze	Emamektin	Alphamax/ Betamax	Alphamax/ Salmosan	H202	Ektobann
2009	408	56	94	5	92				
2010	223	88	215	15	29	13	88	12	3

**Use of Chitin inhibitors 2009 and 2010**

	Number of cages deloused in 2009	Number of cages deloused using chitin inhibitors	% of cages which are deloused using chitin inhibitors
	655	5	0.76
	Number of cages deloused in 2010	Number of cages deloused using chitin inhibitors	% of cages which are deloused using chitin inhibitors
	686	18	2.62

## Bacterial treatment

**Use of anti-parasitic agents**

Salmon is by far the healthiest “farmed animal” among the species from which food is produced here in Norway. In 2010, 164 000 tons of fish feed were utilised in Lerøy Seafood Group. Of this volume, 266.1 kg were medicines. This represents 0.000163% of total feed consumption. Our goal is to restrict the use of medicines.

The consumption of anti-parasitic agents in 2009 was 0.00034% and the goal for 2010 was to restrict use of medicines to below 300 kg. This goal has therefore been achieved.

The goal for use of anti-parasitic agents in Lerøy Seafood Group for 2011 is a reduction of 10% from 2010.

We aim to achieve this goal using experience gained, an increased focus on fish health, production patterns, quality of locations and the assessment and optimal use of vaccines.

**Medication for bacterial treatment, added to feed 2010**

	Consumption in 2010 of active substances kg
Oxalic acid	17.1
Florfenicol	0.2
Floraqpharma	142.4
<b>Total consumption</b>	<b>266.1</b>



## Locations

All the locations utilised by Lerøy Seafood Group are approved for fish farming by a number of Norwegian bodies. Before starting operations at a location, approval is required from a number of official and private bodies. Furthermore, approval requires compliance with numerous analyses, requirements and local conditions.

One of the assessments carried out both prior to approval for operations at a location and during fish farming at the facility is a so-called MOMB evaluation.

MOM-B stands for:

- M - matfiskanlegg (production facility)
- O - overvåkning (monitoring)
- M - modellering (models)

A MOMB evaluation is carried out by a third party enterprise and involves extraction of samples from the seabed under cages and around the cages in a facility.

- The samples are taken in accordance with Norwegian Standard 9410. A trend investigation of the seabed conditions under a facility.
- The investigation has 3 parts:
  - Fauna investigation
  - Chemical investigation (pH and oxidation-reduction potential)

- Sensory investigation (gas, colour, odour, consistency, dredge volume and mud depth)

All parameters are allocated points according to how much sediment is impacted by organic materials.

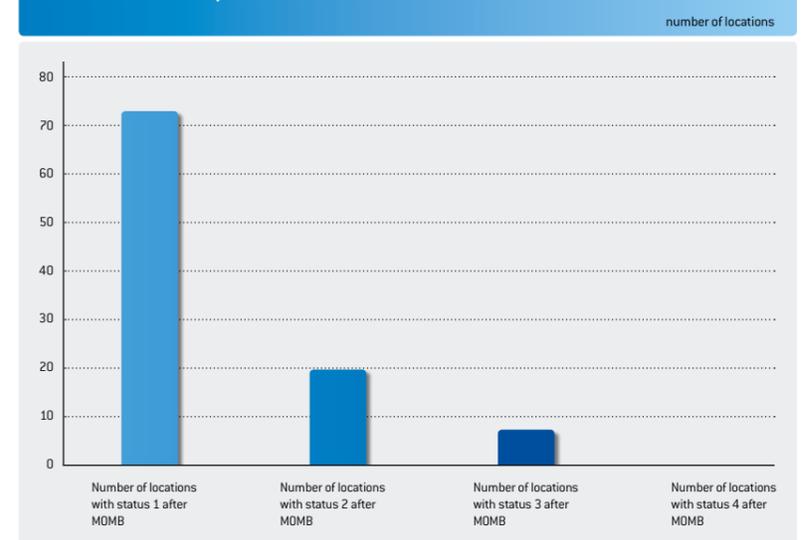
The difference between acceptable and unacceptable sediment condition is established as the largest accumulation which allows for survival of digging bottom fauna in the sediment. The investigation is carried out is executed when production of one generation is at peak.

On the basis of these investigations, the individual location receives a score from 1 to 4, where 1 is the most positive.

The score achieved also provides an indication of when the next MOMB investigation should be carried out. A poor score often requires more frequent seabed investigations than a good score.

Lerøy Seafood Group has a target in 2011 to achieve a score under 3 for all locations. In the long term, the aim is to achieve a score of less than 2 at all locations.

STATUS OF LOCATIONS, LERØY SEAFOOD GROUP AS OF 31.12.10





## Fish feed

### Exploitation

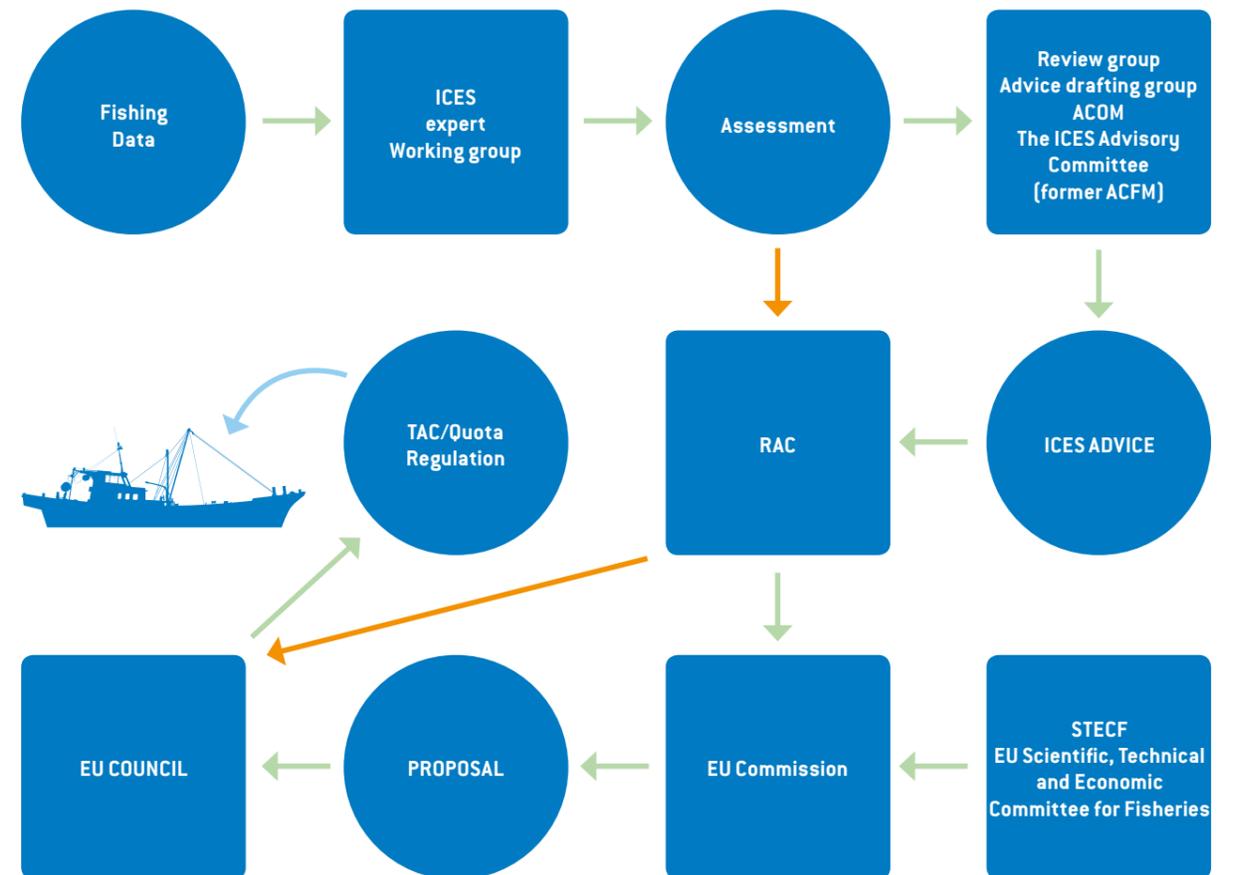
In the years to come Lerøy Seafood Group together with its feed suppliers will assume an active role in ensuring that the raw materials used in our feed are:

- fished/harvested in an ethically sound manner
- fished/harvested in compliance with legal frameworks
- based on sustainable fishing

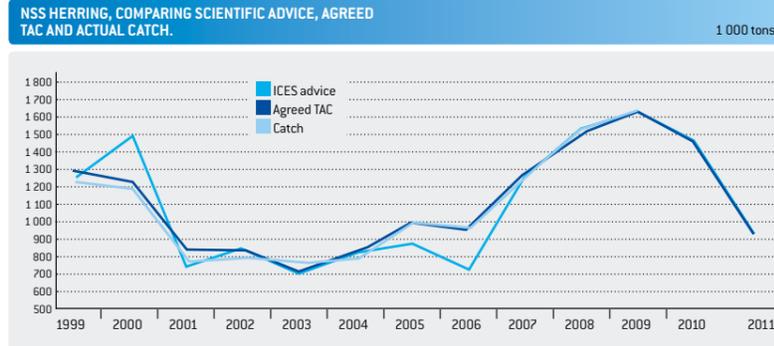
Lerøy Seafood Group has established

requirements for its suppliers of fish feed to make sure that raw materials for the fish feed are managed in a satisfactory manner. Moreover, in the time ahead Lerøy Seafood Group will require its suppliers to closely monitor how quotas are established and respected, and how the catch is used. Lerøy Seafood Group requires that the raw materials in its fish feed must come from geographic areas regulated by national quotas for the respective species, and where the

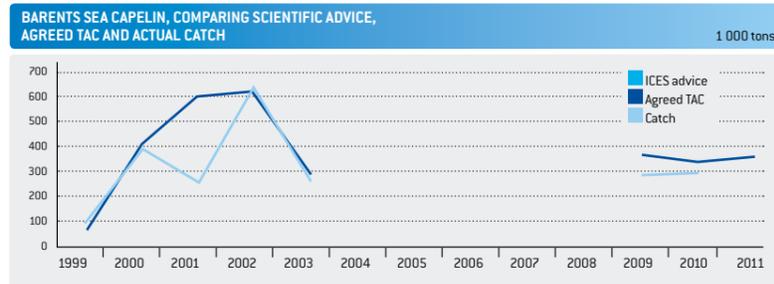
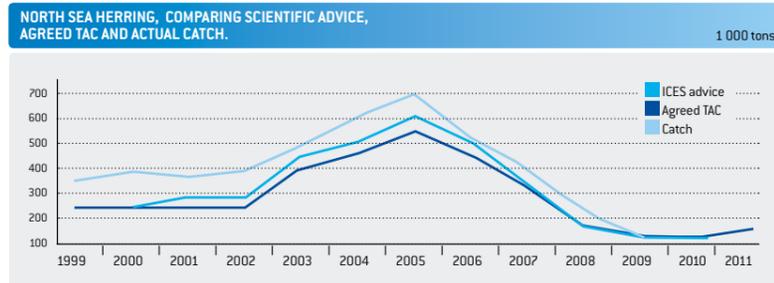
quotas are allocated as far as possible in conformance with accepted scientific recommendations, (reference is made to ICES, FAO, IMARPE, CERNAPESCA, etc.) We require that all our feed suppliers make use of raw materials which have been certified in accordance with IFFO's standard for sustainability or raw materials with MSC certification. The process for determining annual quotas for wild fish in the North-East Atlantic is managed as follows:



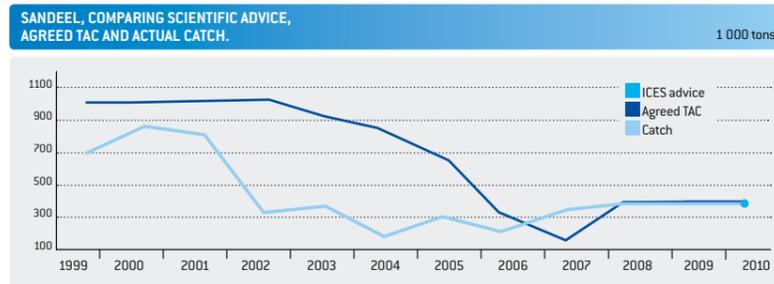
## Management of different species used in fish feed



There was no agreement on the TAC from 2003 till 2006. The number is the sum of quotas from the individual parties.



The fishing of Barents Sea Capelin was stopped between 2004–2009.



## Fish feed

Fish feed is the most important input factor for production and quality assurance is absolutely essential. In 2010, Lerøy Seafood Group purchased most of its fish feed from EWOS and Skretting, in addition to a minor volume from Biomar. Lerøy Seafood Group continuously benchmarks the commercial feed utilised. This process is carried out by an institution on contract (Helgeland Forsøksstasjon in 2010) which provides independent feeding and sampling. Lerøy Seafood Group has introduced a comprehensive sampling programme for re-examination of feed in terms of chemical content, dust, presence of foreign agents etc. The feed supplier carries out audits of own suppliers and Lerøy Seafood Group executes annual audits of the feed companies. These measures, combined with the internal control by feed suppliers and traceability allow us to maintain control of feed content and quality.

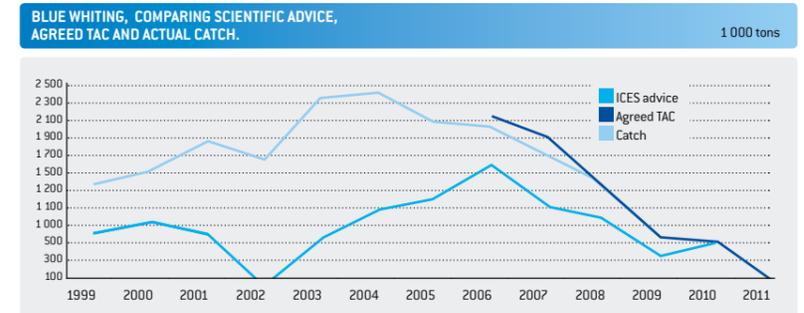
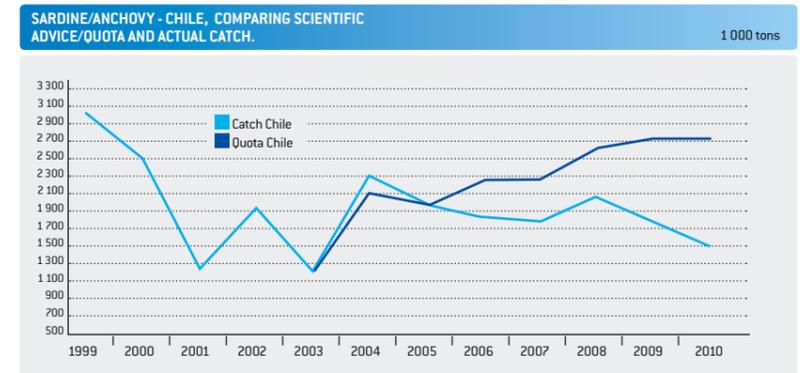
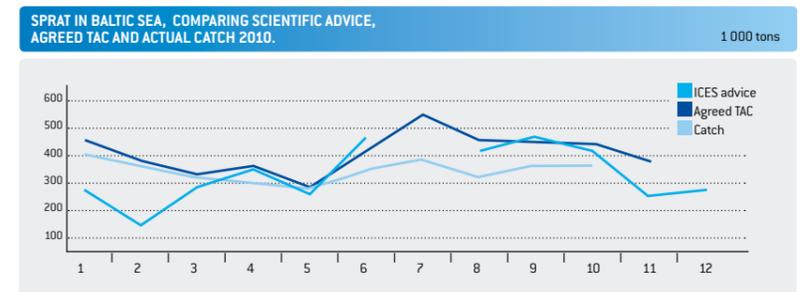
Access to feed raw materials is good, despite a number of external factors which impact on supply. There are no requirements for use of special raw materials for fish feed (e.g. fishmeal) but there are clearly defined nutritional requirements for the content of raw materials. Supply of fishmeal was good in 2010, despite considerable pressure from the chicken and pork market in Asia. By introducing a cost-efficient optimisation of recipes, the volume of fishmeal in fish feed saw a slight reduction in 2010, without this having a measurable impact on growth or fish health. Fish oil is the only Omega 3 rich source of oil available when it comes to the essential fatty acids, EPA and DHA. The aquaculture industry currently uses 70-75% of the worldwide production of fish oil. The continued growth in global aquaculture production combined with a standstill in the worldwide stocks of wild fish and an increasing level of direct consumption

will require us to further optimise our utilisation of fish oil in fish feed. The Omega 3 fatty acid requirement for fish is more than amply covered by current feed. However, a reduction in the mix of Omega 3 rich fish oil will result in a reduction in the level of Omega 3 in the fish. Irrespective of this, fish such as Atlantic salmon will have a level of Omega 3 which is several times higher than any other high-volume foodstuff.

In recent years, a new major consumer of Omega 3 rich fish oils has emerged on the market - the Omega 3 industry producing pills and capsules. In 2010, this industry utilised approx. 19% of the worldwide supply of fish oil for production. The retention and biological value of Omega 3 fatty acids will in the majority of cases be higher in the use of fish feed than via capsules.

Rapeseed oil is used in combination with fish oil as a source of oil/energy in fish feed. Demand for rapeseed oil has also seen an increase in 2010. This is primarily due to the fact that rapeseed oil is utilised for biodiesel production. Higher oil prices have resulted in higher profitability from production. Moreover, a number of countries have increased their requirement for the volume of biodiesel in standard diesel, resulting in an increase in demand for rapeseed oil for technical purposes. In the EU, 65-70% of all rapeseed oil is currently utilised for biodiesel production.

Lerøy Seafood Group maintains an active approach to and continuous assessment of the raw materials market, closely monitoring the impact of decisions made on our end product. A strong focus on sustainability and optimal utilisation of limited feed resources combined with the size of our production implies that we do not produce special products such as salmon with extra high levels of Omega 3. This type of product would have a very



limited supplementary value in connection with nutrition for humans and cannot be justified in relation to sustainability.

There are many ways of assessing sustainability and a number of interest groups have compiled their own definitions of this subject. The WWF has introduced a process known as Salmon Aquaculture Dialogue (SAD) which has gathered together Stakeholders from the global industry, with the aim of preparing a uniform standard which will define items such as measurement parameters

for sustainability. The concept of "fish in - fish out (FIFO)" is very common in relation to fish feed, i.e. how much wild fish it takes to produce one kilo of farmed salmon. The SAD programme is reaching its final stages and the formula for calculation of FIFO has been defined. It is natural to calculate one value for FIFO protein and one value for FIFO oil, as these two raw materials have very different characteristics. For 2010, the FIFO value for protein at Lerøy will be approx. 0.8 (kg wild fish per kg farmed salmon), while the FIFO value for fish oil

will be approx. 3.1. The targets set in the SAD standard are: FIF0protein lower than 1.31 and FIF0 oil lower than 2.85. Lerøy Seafood Group has established a goal to be fully in compliance with these figures in 2011.

#### Feed factor

The feed factor is an important indicator of how efficiently we convert feed into fish. Salmon farming is exceptionally efficient compared with domestic animals. The feed factor for chickens is approx. 2, for pork approx. 3.5 while for salmon in 2010, Lerøy Seafood Group's fish farming companies reported a feed factor of 1.18.

The following actions have been initiated in order to reduce the feed factor:

- Investment in better monitoring equipment
  - Training of personnel
  - Implementing new location structures
- Improved fish health with special focus on salmon lice  
Oxygen adapted feeding

In 2010, the largest input factor among raw materials in fish feed was anchoveta and fish cuttings. The highest input factor among vegetable materials was soya and rape.

In recent years, there has been a marked

increase in vegetable sources of raw materials for fish feed. This leads to a reduction in the utilisation of marine raw materials and, in turn, reduced utilisation of different fish species.

Within the farming of salmon and trout, fish feed is the most important individual component in relation to environmental accounting and in terms of costs. Lerøy Seafood Group relies on sustainable production of the fish used in fish feed in order that the Group can continue to produce tasty and healthy seafood in the foreseeable future. In principle, it is desirable that all fish suitable for consumption is used as human food, but in practice this is not always possible.

Wild fish needed for fishmeal	Lerøy 2010 2010(1)	Skretting 2010 2010(2)	Skretting 2009 2009(2)
<b>Wild fish needed for fishmeal</b>			
Fishmeal	14.63	16.03	34.70
Yield fishmeal	23%	23%	23%
FCR	1.1	1.1	1.1
Grams fishmeal per kg feed	146	160	347
Grams fishmeal per kg salmon	161	176	382
<b>FFDR fishmeal</b>	<b>0.71</b>	<b>0.78</b>	<b>1.68</b>

Wild fish needed for fish oil	2010(1)	2010(2)	2009(2)
<b>Wild fish needed for fish oil</b>			
Fishoil	13.53	13.53	14.70
Yield fishoil	8%	8%	8%
FCR	1.1	1.1	1.1
Grams fishmeal per kg fish	135	135	147
Grams fishmeal per kg salmon	149	149	162
<b>FFDR fish oil</b>	<b>1.86</b>	<b>1.86</b>	<b>1.97</b>

1. Data based on products purchased by Lerøy 2010
2. Data based on average figures for Skretting's purchase of raw materials

Protein used from wild forage fish (gram)	109	120	260
Protein produced per kg salmon (gram)	180	180	180
Net fish protein producer	165%	150%	69%

Fish feed in Lerøy Seafood Group	2010	2009	2008
Tons of feed used	163 738	166 178	148 037
Produced volume of salmon / trout	113 000	108 267	92 560
Feed factor	1.18	1.16	1.18

Goal for feed factor 2011 is 1.15

Content in fish feed supplied to Lerøy Seafood Group in 2010		Feed supplier 1				Feed supplier 2			
Fishmeal	Latin	2010	2009	2008	2007	2010	2009	2008	2007
Anchovy	<i>Engraulis ringens</i>	16%	8%	4%	13%	23%	45%	33%	23%
Blue whiting	<i>Micromesistius poutassou</i>	7%	9%	24%	38%	5%	8%	23%	33%
Capelin	<i>Mallotus villosus</i>	6%	2%	1%	4%	10%	2%	1%	2%
Herring	<i>Clupea harengus harengus</i>	6%	15%	17%	14%	11%	19%	20%	18%
Sand eel	<i>Ammodytes sp.</i>	18%	14%	24%	3%	12%	6%	5%	3%
Herring cuttings	<i>Clupea harengus harengus</i>	11%	16%	6%	5%	14%	8%	6%	3%
Sprat	<i>Sprattus sprattus sprattus</i>	10%	14%	7%	8%	5%	5%	2%	5%
Trimmings		16%	7%			3%	4%	2%	2%
Mackerel	<i>Scomber scombrus</i>	1%				2%		3%	2%
Horse mackerel	<i>Trachurus trachurus</i>								
Jack mackerel	<i>Trachurus sp.</i>	3%	14%	17%	15%	1%	2%	4%	5%
Pacific Mackerel									
Boarfish	<i>Capros aper</i>					9%	2%		
Norway Pout	<i>Trisoperus esmarklii</i>	4%				4%			
Pilchard		2%							
Annet			3%		3%		1%		
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Fish oil		Feed supplier 1				Feed supplier 2			
	Latin	2010	2009	2008	2007	2010	2009	2008	2007
Anchovy	<i>Engraulis ringens</i>	9%	11%	10%	19%	15%	32%	36%	24%
Blue whiting	<i>Micromesistius poutassou</i>		2%	8%	8%	1%	1%	7%	12%
Capelin	<i>Mallotus villosus</i>	2%		3%	3%	2%	1%		1%
Herring	<i>Clupea harengus harengus</i>	8%	8%	15%	17%	16%	33%	25%	35%
Sand eel	<i>Ammodytes sp.</i>	10%	4%	10%	9%	10%	1%	5%	3%
Herring cuttings	<i>Clupea harengus harengus</i>	22%	13%	5%	4%	11%	16%	7%	4%
Sprat	<i>Sprattus sprattus sprattus</i>	18%	18%	14%	17%	28%	7%	8%	17%
Trimmings		7%	3%			5%	2%		
Mackerel	<i>Scomber scombrus</i>	1%				3%			
Horse mackerel	<i>Trachurus trachurus</i>						2%		
Jack mackerel	<i>Trachurus sp.</i>		1%	3%	2%		2%		
Boarfish	<i>Capros aper</i>								
Norway Pout	<i>Trisoperus esmarklii</i>					1%			
Pilchard		6%	18%	15%	9%				
Menhaden	<i>Brevoortia patronus</i>	17%	20%	1%	11%	7%		6%	
Capelin	<i>Mallotus villosus</i>					2%	1%		
Pearlside	<i>Argyripnus iridescens</i>					1%			
Unknown								5%	
Other species			2%	2%	1%				4%
<b>Total</b>		<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>



# Greenhouse gas emissions

Below is a brief summary of the general framework and assumptions made when calculating greenhouse gas emissions for Lerøy Seafood Group in 2010.

The framework selected for calculating emissions includes emissions from combustion processes required for the operation of the Group's fish farming companies and the related processing activities. This is referred to in total as Direct Emissions. The Group also wanted to gain an overview of the indirect influence on global warming from the company's activities and has therefore included CO2 emissions from the production of electricity consumed by the company's production units in Norway.

Significant sources of greenhouse gas emissions from Lerøy Seafood Group's core activities in Norway have been included in the calculations.

The purchase of products and services, of which fish feed and transport services make up a major share, have not been included in the calculations. Lerøy Seafood Group is currently working on obtaining a good basis for calculating the above.

The table below provides a summary of consumption of fossil fuels, electricity and greenhouse gas emissions.

### Direct emissions

Direct emissions of CO2, CH4, and N2O are calculated on the basis of available data and information.

CO2 emissions are only calculated for combustion of diesel, heating oil and undefined fossil fuels. Undefined fossil fuels are defined as diesel/heating oil.

Emissions from combustion of petrol are assumed to come from passenger vehicles and this has allowed for calculation of CO2, CH4, and N2O-emissions.

Emissions from combustion of marine gas oil are assumed to come from boats and this has allowed for calculation of CO2, CH4, and N2O-emissions.

All CH4, and N2O emissions are converted to CO2 equivalents in order to allow total reporting.

All factors and densities have been taken

from Statistics Norway's publication, The Norwegian Emission Inventory 2010.

### Indirect emissions

Consumption of electricity also results in the emission of greenhouse gases. We have calculated our emissions of CO2 based on a Norwegian mix of electricity. This includes Norwegian production and import. The source of data for emission factors is the Norwegian Climate and Pollution Agency. The consumption of electricity is classified as indirect emissions.

### Global warming potential (GWP)

Different greenhouse gases have a different potential when it comes to global warming. GWP provides an indicator with which to weigh all greenhouse gas emissions in comparison with each other and to produce total potential CO2 equivalents. Over the perspective of the next 100 years for example, the emission of 1 ton CH4 will have just as large an effect on global warming as the emission of 25 tons of CO2. To find out more, go to <http://www.ipcc.ch/pdf/assessment-report/ar4/wg1/ar4-wg1-chapter2.pdf>

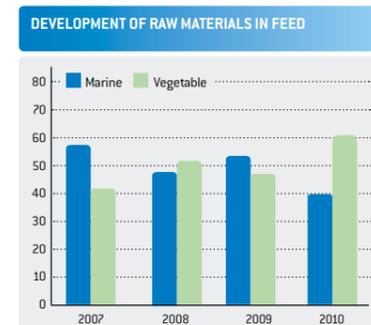
Fishermen will first try to deliver their catch for human consumption. However, capacity onshore to process the fish is often insufficient. A large volume of the parts of the fish used for fish feed come from by-products from the actual fish. Demand for raw materials is a prerequisite for sale of fish for human consumption. In this context it is important to remember that fish not suited for direct human consumption is best used in production of other fish species. It is paradoxical to maintain that salmon farming is a problem in the use of industrial fish as long as we know that 50% of all fish meal is used for raising other domestic animals such as pigs, chickens and other warm-blooded species. Salmon and trout

are champions when it comes to recycling of industrial fish. At the same time they bring the healthy and vital fatty acids into human consumption. In nature, fish is a part of the salmon's diet and farmed salmon is therefore a fantastic vector for introducing valuable marine proteins and oils into the human diet. We feel privileged to be part of this, and to be able to participate in its future development.

### Other raw materials

Salmon feed contains both fishmeal and fish oil. These raw materials mainly come from wild fish which is not suited for human consumption or not in demand. Salmon farming has traditionally

depended on a supply of wild fish since a lot of fish oil is consumed. In recent years this dependency has been significantly reduced, since much of the fish oil has been replaced with vegetable oils. Today approx. half of the oil used comes from vegetable sources.



Consumption of fossil fuels and purchase of electricity					
Lerøy Seafood Group	Diesel (litres)	Petrol (litres)	Oil (litres)	Marine gas oil (litres)	Purchase of electricity Kwh
Total farming LSG	2 552 064	793 964	224 330	567 185	49 447 901

Total consumption of fossil fuels and greenhouse gas emissions				
Lerøy Seafood Group	Fossil fuels (litres)	CO2e emissions direct (tons)	CO2e emissions indirect (tons)	CO2e emissions total (tons)
Total farming LSG	3 425 699	9 114	1 632	10 746

# Environmental Accounting

Lerøy Seafood Group has until further notice decided not to prepare separate accounting for CO2 equivalents discharged into the environment from our production by means of the LCA method. We have, however, participated in various projects for analysing discharges of environmental gases from production of salmon, both as whole fish and as fillets.

In 2009, on assignment from FHL (Norwegian Seafood Federation) and the Norwegian Fishermen's Association, SINTEF Fisheries and Aquaculture, together with SIK, the Swedish Institute for Food and Biotechnology, carried out a study of Norwegian seafood under the heading "Carbon footprint and energy use of Norwegian seafood products". This study is representative of the products we produce.

The result from this study shows that climate gas emission for whole salmon is 2.0 kg CO2e per kilo live weight.

Lerøy Seafood Group has decided to focus on processed products with an emphasis on processing in Norway. One of our environmental goals for 2009 was to increase our share of processed products by 25%. We exceeded the goal with an increase of 26.4%.

One of the reasons for setting this goal was to achieve a reduction in climate gas emissions per kg edible seafood.

## Environmental marking

A few countries have started to mark a number of products with their CO2 footprint. However, as of today there is no established standard for how this is to be implemented. As we see it, without a standardised marking for CO2, we risk confusing the consumer when trying to compare the various CO2 markings on different products. For this reason we have decided to postpone the marking of our products until a standard procedure is established.

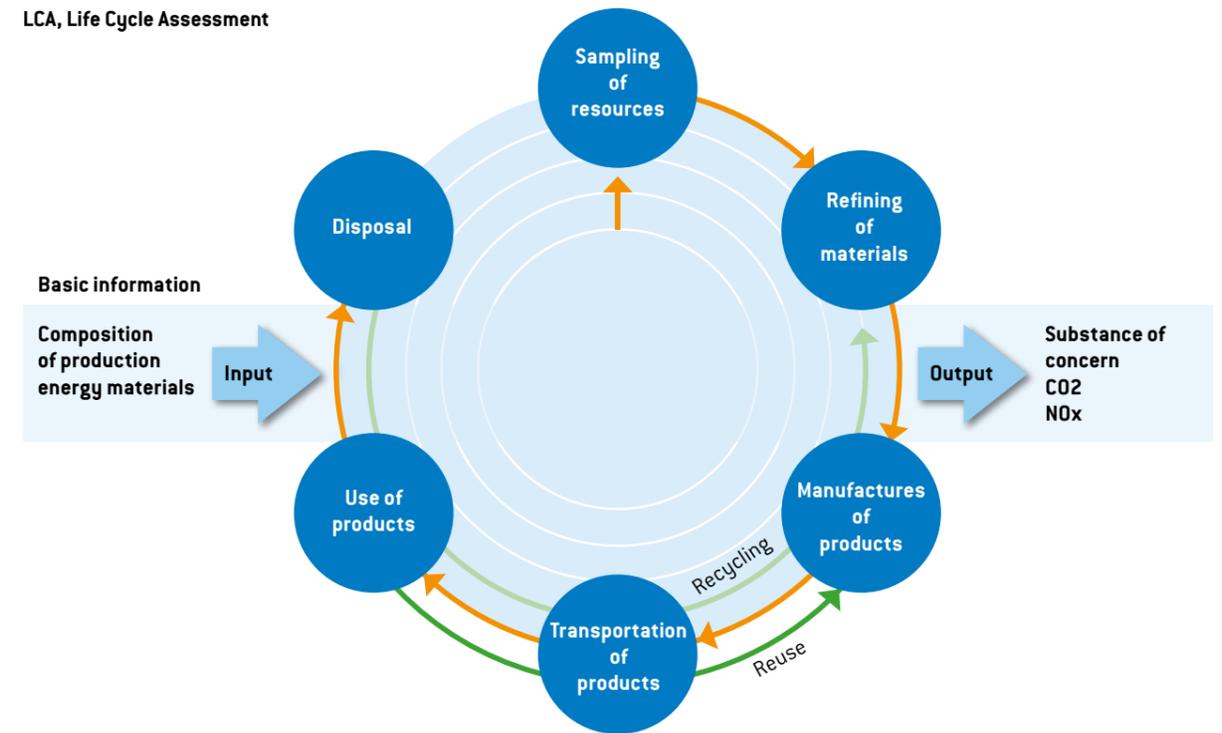
We input various resources to the value chain and at the same time climate gases are emitted from the production chain. The resources used and the gas emissions are converted to CO2 equivalents that are used in the environmental accounting. The amount of CO2 influencing the environment depends on where in the cycle we are. It is important to keep in mind that the product influences the environment with the sum total of CO2 equivalents throughout the entire cycle.

For example: if we mark a product as it is taken out of the shop, a raw portion of salmon will be marked with a lower CO2 value than a heated salmon portion taken from the warm counter. However, if we look at the entire cycle, the warm salmon portion will normally score better than the cold one because it is probably heated in an industrial oven in the shop. If you bring a cold salmon portion home to the kitchen and heat it in an average

household baking oven, the CO2 value will be higher. The average consumer will probably not be able to consider these factors. It will therefore be to everybody's advantage if a standard is established for how far in the cycle we should go when calculating the CO2 value that subsequently will be entered on the product.

In 2010 a committee was appointed in Norway to formulate a standard for climate labelling of seafood. Lerøy Seafood Group is participating in this work, together with the Norwegian Seafood Federation. The aim is to have a standard ready by summer 2012. The standard will be submitted as an ISO standard and the objective is for this to be an international standard for climate labelling of all types of food products.

## LCA, Life Cycle Assessment

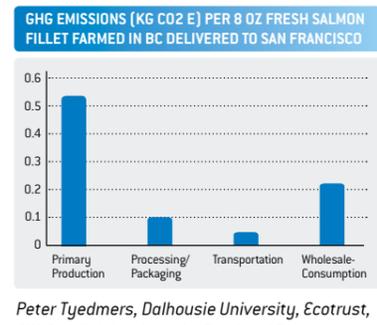
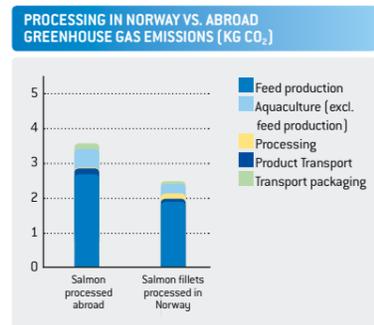
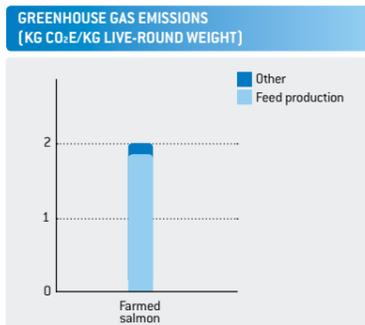


The majority of products and services do not, in themselves, contaminate to any great degree. However, it is the manufacturing plants that produce them, the lorries that transport them, the consumers who consume them, as well as waste incineration plants, which are responsible for the greatest amount of emissions. Life-cycle assessments will help a

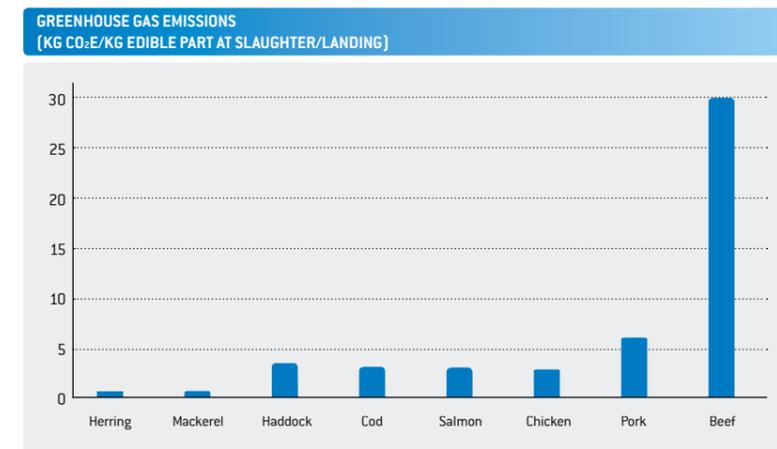
company understand how its products and services contribute to climate change and which parts of the process should be focused on in order to reduce climate impact. A life-cycle assessment of a product may help a company to:

- Reduce greenhouse gas emissions
- Identify cost saving options

- Include climate impact as a factor when selecting suppliers, materials, product development and production processes
- Show environmental and social responsibility
- Provide customers and consumers with information regarding the product's/service's climate impact



Peter Tyedmers, Dalhousie University, Ecotrust, SIK-Swedish Institute for Food and Biotechnology.





## By-products

### By-products

Lerøy Seafood Group works to achieve the highest possible rate of utilisation of raw materials produced or caught. This implies a goal of 100% utilisation of all nutritious raw material not used in the main production. The by-product share depends on the type and specification of our main processed products and their specification. The most important processed

products are fillet and salmon and trout portions with or without skin.

The utilisation rate for fillet is between 55% and 74%, which means that between 55% and 74% of the salmon (gutted weight) becomes main products while the rest becomes by-products. For portions the utilisation rate is between 45% and 68% depending on the specification.

### Most important by-products

Backbone	11-13% of gutted weight
Head	10-12% of gutted weight
Belly cuts	8-15% of gutted weight
Portions	45-68% of gutted weight
Cuts of skin without bone	Depends on main product
Rest cuts with skin	Depends on main product

### Use of by-products

By-products	Sale where by-products are used for	Internal processing	Alternative
Salmon heads	Production of soup, juice		External use*)
Backbone	Production of soup, juice, forcemeat, scraped meat	Scraped meat, forcemeat for burgers, fish food and sandwich spreads	External use*)
Belly cuts	Processing for sushi		External use*)
Skin			External use*)
Cuts of skin and boneless slivers	Ingredients in other food	Ingredients in burgers and sandwich spreads	External use*)

*\* By-products which are not utilised in our own facilities or sold to other industrial customers as food products, are divided into two groups: End products for human consumption, for example Omega 3 pills, oils or other nutritional concentrates. End products which are not used for human consumption, for example fishmeal, animal feed etc.*

# Distribution

## Distribution

How can we contribute to environmental protection by thinking green for all our logistics?

By being environmentally conscious in our choices of logistics solutions, we will contribute to reduction of CO2 emissions. Carbon dioxide is a colourless and odourless gas. It is produced naturally by humans and animals and in connection with human activities such as combustion of petrol, diesel oil, coal, fuel oil and wood.

In our day-to-day activities we face requirements to both the environment and to profitability. Expensive transport which at the same time damages the environment is, of course, a solution we do not want. If the solution is kind to the environment but not profitable for the company, the environment is protected but the solution is bad for the company. The optimal transportation solution is good for the environment while at the same time contributing to the company's earnings. Such solutions will also be strongly motivating and therefore easier to implement. Often we discover that environmentally friendly solutions do not cost as much as we thought, and that a focus on the environment in fact contributes to increased profitability.

Hallvard Lerøy AS is the largest sales and distribution company within the Lerøy Seafood Group. In 2010, transport was distributed as illustrated below.

## Road transport

The majority of distribution still takes place by road. This is mainly due to the logistic systems currently available for transport in regional areas. A number of our customers choose to provide transport themselves and therefore pick up products directly from our facilities. We work closely together with our transport suppliers, reinforcing the importance of environmental protection for all transport. All told, the vehicles we use in our distribution are far younger and better than those our customers have been using so by switching some of the transportation to our distribution network we achieve a reduction in total CO2 emissions.

We continuously look for new distribution solutions that still are price competitive and generate the same level of service as before. For example, in 2009 we altered our most heavily used route to France. Earlier we had transported salmon fillets in fully loaded trucks from Norway to Arras in France, while we now use rail transport for part of the journey. This has reduced our costs as well as our CO2 emissions. Solutions like this will make it easier for us to contribute positively to environmental protection.

By making use of rail transport on parts of the route between Trondheim and Rotterdam, we have achieved a reduction in CO2 of 68.5%. Our CO2 emissions have been reduced from 3.91 to 1.23 tons. The fact that the major transport

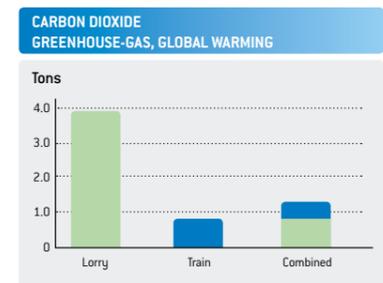
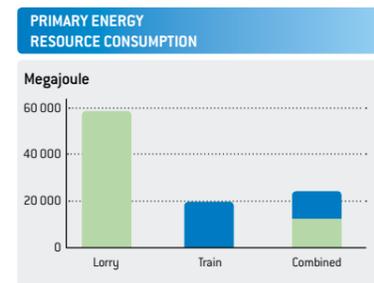
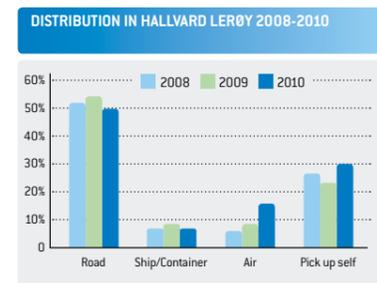
companies have developed services involving rail transport of entire articulated trailers to Germany and Holland provides us with new potential to make extensive use of rail transport.

## Air transport

The volume of fish transported by air has seen an increase in the past year, due to increased sales to Asia, Australia and the USA. We work closely with our air transport supplier in order to identify the best air freight systems and the best solutions for the environment. For our distribution by air we have worked closely with a large airline company that has scheduled passenger flights covering all our markets. We make use of the cargo capacity on these planes, which are modern and mainly fly the shortest distance possible from A to Z. By consciously focusing on this type of air freight, we are able to meet our market demands using the most modern and least polluting planes. Conscious choices and an emphasis on environmental attitudes enable us to fly less of our products with dedicated cargo planes.

## Rail transport

Our products from Northern Norway are transported to Southern Norway mostly by rail. This system works well during the summer months. During the winter we sometimes experience delays of varying magnitude that force us into uneconomical solutions that may also be less than optimal for the environment.



## Sea transport

Our frozen seafood is currently transported by ship. We will maintain our focus on environmentally friendly logistics in the years ahead and will collaborate closely with our main suppliers of distribution services in order to contribute to reduced environmental impact in this area.

Our increased focus on processed fish and the fact that we process the main part of our products in Norway allow us to make positive contributions to environmental protection.

## Customers

We aim to achieve closer cooperation with our customers so that we can work

together to maintain a sustainable industry. Our goal for the future remains "Lerøy in every kitchen".

# Input from our partners

## Skretting

Skretting is the leading manufacturer of feed for farmed fish in Norway. The name and brand also enjoy a leading position internationally with production and sales in more than 40 countries. Aquaculture is a primary industry, where added value is generated from natural resources. As such, Skretting and the entire fish farming industry are fully reliant on sustainability and long-term perspectives in their management of these natural resources. If we are not able to run our business in harmony with nature, we have absolutely no grounds for existence.

Skretting is committed to:

1. Reducing discharges, specifically energy consumption, via systematic improvements to energy efficiency, optimised utilisation of energy sources and increased utilisation of renewable energy sources.
2. Minimising the impact on the external environment, preventing pollution and ensuring that our business is sustainable by maintaining a continuous focus on improvements.
3. Doing our utmost to ensure a safe working environment by maintaining a constant focus on improvements and welfare measures to prevent injuries, accidents and unnecessary strain or illness.

### Certificates

Skretting Norway has achieved the following certification:

- NS-EN ISO 14001–2004 (the Environment)
- NS-EN ISO 9001:2008 (quality)
- ISO 22000. (Food Safety)

Skretting is an approved feed supplier, in accordance with the GLOBAL G.A.P. feed standard. With effect from and including 2010, it is now possible to gain certification in accordance with updated GLOBAL G.A.P. standards, a new target for Skretting.

All Skretting's facilities carry out risk analyses according to the HACCP principles (Hazard Analysis and Critical Control Points).

### Skretting's sustainability programme (SEA)

Skretting views sustainable development as an absolute condition for continued growth within fish farming. Our work to contribute towards the above covers a number of areas. All such activities are covered by the SEA programme (Sustainable Economic Aquafeeds).

Fishmeal and fish oil are important components in feed for farmed fish. As the fish farming industry has grown, the requirement for these marine raw materials has also increased. Skretting aims only to utilise materials such as fishmeal and fish oil, produced from fish stocks which are managed according to a long-term perspective and which are not overfished. Together with the entire fish farming industry, we have a collective responsibility to ensure sustainable exploitation of these resources.

Fish feed manufacturers and fish farmers must make efficient use of the marine raw materials, so that we can provide the highest levels possible of fish protein for human consumption, without increasing the use of fishmeal and fish oil. Our final target is to be a net producer of fish protein, i.e. that we provide more fish protein in the form of fish for consumption than we use in the form of fishmeal.

Sustainability and long-term perspectives also involve finances. Skretting makes significant contributions to research and development. As such, we are able to identify financially sound alternatives to raw materials which may be seen as questionable from a sustainability perspective. We also make investments in production equipment, allowing us to make use of a wider range of raw

materials. Further, we encourage our partners to invest, for example, in new cargo boats which can supply feed at lower energy costs.

For several years now, Skretting has established its own sustainability targets and worked hard to achieve these targets. Skretting's annual environmental report provides an overview of all such activities.

## EWOS

EWOS products are based on a sustainable resource management, in line with the Group's main principles of sustainability. As an integral part of this work, EWOS gives priority to the utilisation of raw materials as by-products, and other raw materials which are normally not used for human consumption, where possible.

EWOS currently purchases marine resources exclusively from fish stocks which are monitored and are covered by management recommendations from recognised international organisations (e.g. ICES and IMARPE, Peru).

Based on the limited availability of marine resources, EWOS has followed a strategy over several years of reducing the input of marine ingredients in its products, a project which receives high priority within the company's research and development programme, in order to further reduce the marine quota in the future.

Raw material purchases are based on approved raw material specifications with an emphasis on nutritional content and micro biologically and chemically safe substances.

Raw materials are purchased from approved suppliers who are able to deliver goods in accordance with our specifications and in line with our quality systems and approval from authorities.

EWOS works on a regular basis with the development and maintenance of suppliers and raw materials, in order to ensure flexible and sound availability of raw materials.

## DB Schenker

### DB Schenker in Norway

Number of terminals/offices in Norway: 31

No. employees: 1 400

No. drivers: 1 100

### The DB Schenker Group

The Schenker Group is a global corporation with strong local roots in over 130 countries. The Group generates annual turnover of EUR 19 billion, has 91,000 employees and around 2,000 offices. Schenker is part of the transport and logistics division of Deutsche Bahn AG. In terms of competition within the industry, the Schenker Group is the absolute market leader within European land transport, has second place within global air freight and third place within global ocean freight.

### Certification

In 1994, Schenker's inland business unit was the first consolidated shipper in Norway to gain certification in accordance with NS-EN ISO 9002:1996. This involved certification of the company for all aspects of business, including thermal transport.

For our customers and Schenker, this certification is confirmation of the high international standard which we hold. We have now integrated NS-EN ISO 9001:2000 into daily operations. Quality assurance allows us to provide our customers with a guarantee and the assurance of safe transportation of all types of goods.

### Environmental certification

The inland business unit was the first

transport company in Norway to gain environmental certification in accordance with NS-EN ISO 14001. The main terminal in Alnabru in Oslo received certification on 6 March 1998. The other 20 terminals in Norway gained certification that same year. The entire Schenker AS Group had full certification by 1 January 2007. Schenker AS now has certification according to NS-EN ISO-9001:2000 and NS-EN ISO 14001:2004. The certificates are valid until 29 November 2013.

### DB Schenker's Environmental Policy

Schenker AS shall contribute towards sustainable development by ensuring efficient transport with minimal environmental impact. By regularly charting our activities, we aim to cooperate with our suppliers to further develop efficient systems for minimising our impact on the environment.

### DB Schenker's Environmental Organisation

All terminals have their own environmental coordinator who is responsible locally for environmental measures. There is also a central unit which has overall responsibility for systems, certification, reporting and professional support to local environmental coordinators.

### Environmental control and follow-up

The purpose of environmental control and follow-up is to ensure that Schenker remains in compliance with all internal and external environmental requirements.

Environmental control and follow-up is a line responsibility. The environmental coordinators at the terminals carry out assignments related to the environment, described in "Tasks for the environmental coordinators". These include reporting, using a specific reporting tool developed for Schenker's Intranet. The Quality and Environment Department is responsible for systems and coordination of environmental activities.

### Terminal operations

Schenker's environmental work comprises control, reporting and follow-up of:  
Emissions to air, drainage and ground  
Water consumption  
Energy consumption  
Noise  
Source separation/Recycling

### Transport

Target: 50% reduction in CO2 by 2020

### DB Schenker's 4-point climate strategy

1. The driver
  - a) Eco-driving course, potential to reduce consumption by 10%
2. The fuel
  - a) Where possible, use environmentally friendly and sustainable fuels which are available
3. The vehicle
  - a) Minimum Euro IV engine in vehicles in scheduled traffic
4. Means of conveyance and exploitation
  - a) Module-based HGV 25.25 m
  - b) Use of rail where possible
  - c) Full vehicles and round trips where both outgoing and return journeys have full cargo

### Environmental certification of transport companies and drivers

Transport companies which provide transport services for DB Schenker shall have environmental certification.

90% of the transport companies' drivers who provide services for DB Schenker shall have completed courses in eco-friendly driving. Vehicles in scheduled traffic shall have minimum Euro IV engines and not lower than Euro II. Fuel used shall be as environmentally-friendly, traceable and sustainable as possible.

### DB Schenker North Rail Express

Introduced own train route between Oslo and Narvik in January 2011.

” The customer shall have full confidence in products from Lerøy

## Food Safety

Lerøy Seafood Group is actively involved in all parts of the value chain in order to ensure supply of safe products to the consumer. Based on experience gained over many years, we have developed a quality system which contains routines and procedures to ensure supply of safe products.

As a part of our quality assurance routines, we carry out control and monitoring of our manufacturers and partners. This involves making requirements on their quality systems and procedures, and making analyses and monitoring operations. Our quality team carries out between 150 to 200 external quality audits every year. This is required so that we can feel safe that the products we purchase are in compliance with the requirements we place on our own products. Moreover, the products are controlled by Lerøy Seafood Group at different stages throughout the entire production process, from egg/process-

ing plants to finished product in a box and, in certain cases, up to delivery to the customer.

Lerøy Seafood Group currently has a large number of manufacturers of fish and shellfish. Our audit system includes a risk analysis of manufacturers in order to determine how often the individual manufacturer is to be audited. The analysis covers risk related to product, volume purchased, customer requirements, history of complaints and results of audits.

A specific audit form is utilised during an audit, based on Lerøy Seafood Group's requirements. An audit involves auditing the manufacturer in relation to: HACCP, legislation, traceability, marking, hygienic design, fish welfare and bacteriological analyses of equipment, product and water. After the audit, the manufacturer receives a deviation report, based upon which the

manufacturer is obliged to prepare a plan for measures. The deviations are to be resolved within a specified deadline.

All products are marked in relation to prevailing marking regulations in Norway/EU and customer requirements from import countries.

Experience from individual cases of poor food safety within different protein groups in different parts of the world over recent years has resulted in an increased focus on food safety. Lerøy Seafood Group takes this work very seriously and has invested significant resources in developing satisfactory procedures and systems in order to ensure that we are in compliance with the strict requirements we have established and the requirements we must fulfil from bodies responsible for food safety.



**Feedback detail overview**

Claim no.	25361	Team	Quality
Source	Production	Claim Type	Recall test
Producer	Austevoll Fiskeindustri AS		

**Case history**

Description	Registered by	Date	Status
Annual recall test H 72	RUJ@leroy.no	13.04.2010 14:48:50	New

Drill starts at 13:30

The authorities in Vietnam have identified medicine residue in a batch of frozen salmon heads cut and packaged at H-72 on 22 October 2009. The customer, A&D Co. Ltd. has purchased 50 boxes, total weight 1,027.1 kg.

The authorities have ordered the customer and ourselves to recall all fish corresponding with this batch.

On this basis, it is important for us to find out which facility the fish come from so that we can trace who has received the same fish.

The test started on 13 April 2010 at 13:30. The batch was identified and traced by 13:51.

The batch contained a total of 2,840 kg of salmon heads, all delivered to the same customer in Vietnam (Sojitz). The salmon originated from Sauøy, cages 8 and 14, batch number 121129.

The Norwegian Food Safety Authority has been notified of the test.

Automatically approved when closed.

Tracing test took 21 minutes - the batch number was controlled and corresponds with Sauøy Cages 8 and 14. Success.

RUJ@leroy.no	13.04.2010 14:48:50	New
RUJ@leroy.no	13.04.2010 14:48:50	New
RUJ@leroy.no	13.04.2010 14:48:50	Approved
RUJ@leroy.no	13.04.2010 14:48:50	Closed

# Preparedness

**Recall**  
Lerøy Seafood Group has full traceability for all products from boat/cage to customer. Every year, recall tests are carried out in relation to our major manufacturer. In 2010, Hallvard Lerøy carried out 5 recall tests. These involve contacting a manufacturer about a fictional matter and tracing the products from production, identifying which customers have received the product. A risk assessment is carried out to determine whether the product should

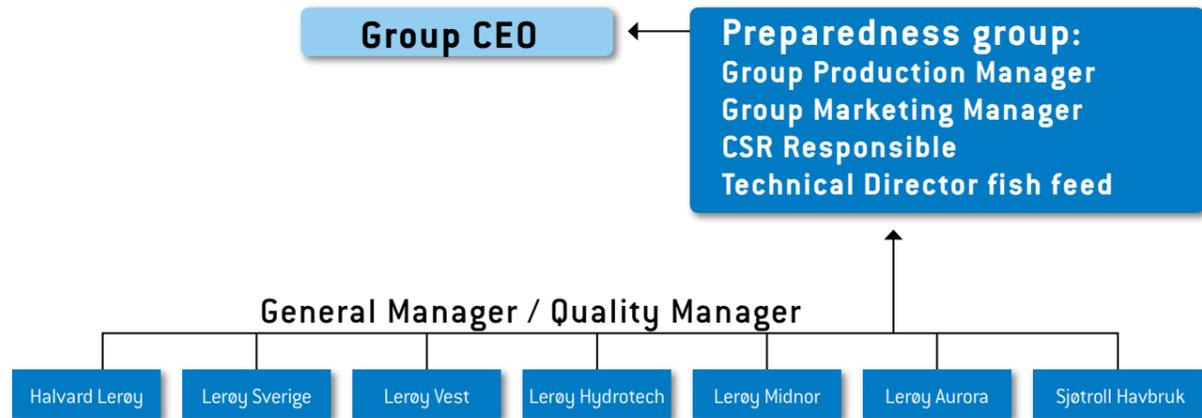
be recalled and which bodies are to be notified.

**Preparedness group**  
The preparedness group comprises representatives from management, production, market, quality and environment. The group has primary responsibility, both internally and externally, for communications, handling and execution of relevant challenges/crises which occur in relation to different bodies which enforce requirements on the Group.

- These may be:
- Media
  - Customers
  - Authorities
  - Organisations
  - Consumers
  - In-house, accident/crises which affect employees

A separate directive has been compiled for preparedness and recall of products.

**Organisation of the preparedness group**





## Traceability

Lerøy Seafood Group aims for 100% traceability of all products. For species related to fish farming, such as salmon trout, cod etc. the customer can go to Lerøy Seafood Group's website, [www.leroy.no](http://www.leroy.no), to download traceability information for products sold via Hallvard Lerøy AS.

The current traceability system follows a fish from roe stage to finished, packaged product. When customers log on to the system, they receive detailed information on the product throughout the entire value chain. All data is entered in the Group's database and can subsequently be downloaded on request via the traceability system. Individual customers are allocated user accounts where they have access to traceability in relation to specific invoices. Each LOT provides the customer with traceability information from parent fish to slaughter, regarding factors such as location, treatments and quality information such as fat, colour and condition.

Lerøy Seafood Group has for many years worked towards the goal of quality assurance and has developed a control system based on Global Gap, MSC\*\*\*\*, HACCP\*\*\*, BRC\*\* and ISO 9001\*.

Our fish farming companies, in addition to Sjøtroll Havbruk, have Global Gap certification. Our production plants have BRC certification and the sales department at the Bergen headquarters is certified in accordance with ISO 9001, MSC and Global Gap.

\*ISO 9001 - Quality Management Systems - Requirements  
 \*\*BRC (British Retail Consortium) - Quality standard with focus on food safety.  
 \*\*\*HACCP – (Hazard Analytical Critical Control Point) – Risk analysis containing critical control points  
 \*\*\*\*MSC (Marine Stewardship Council) a standard for sustainability for fish caught in the wild



Lot: 125381

Specie: Norwegian Atlantic Salmon

### Trace Information

Broodstock	
Broodstock Centre	Aakvik
Licence	GGN: 4049929544451
Strain	Aquagen

Juvenile			
Hatchery	Skorild	Smolt Plant	Skorild
License	GNN: 4049929914780	License	GNN: 4049929914780
Hatching Period	2009-06-11	Wellboat	
Smolt weight	63 g		

Farm			
Fish Farm	1912 Tusøy	Last day of feeding	2011-01-23
Farm License	GNN: 4050373034542	Temp. last day of feeding	3.8 C
Location License	25855	Date of sea transfer	2009-06-10
Name of Fjord		Wellboat	
Cage Density	15 kg/m3	Duration of transport	0 hours
Cage Number	9215		

Packing Station			
Packing Station	Lerøy Aurora AS T126	Packing Date	2011-02-14
License	T-126	Core Temperature	2.0 C

Processing	
Processing Plant	Lerøy Aurora AS Skjervøy
License	T-125
Processing Date	2011-02-14



## Global Gap

Global Gap is primarily a standard for environmental conditions in our production activities and our employees' working environment.

- The Global Partnership for Safe and Sustainable Agriculture

Scope of the standard:  
Roe - Smolt - Fish for consumption - Production

The standard covers the production process from roe stage to fish slaughter

The Global Gap standards relate to the following areas:

- Fruit and vegetables
- Flower and ornamental shrubs
- Integrated agriculture, module for sheep, pigs, cattle, poultry and dairy produce
- Coffee
- Integrated aquaculture - salmon and trout
- In the pipeline: pangasius, shrimp, tilapia

Focus areas:

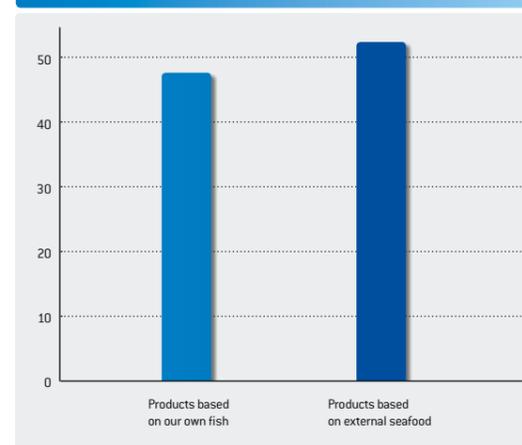
- **Food Safety:** The standard is based on criteria for food safety developed from the application of generic HACCP principles
- **Environment:** The standard is in two parts, one for environmental protection and one for Good Aquaculture Practices (GAP) developed to minimise negative environmental impacts of aquaculture
- **Employees' health, safety and welfare:** The standard sets forth global criteria for working environments and for workers' health and safety in the production facilities. The standard also contains guidelines for increased awareness and responsibility for social relations in the workplace. However, this should not be seen as a substitute for local company audits of internal and external social policies
- **Fish welfare:** The standard sets forth global criteria for a minimum level of fish welfare in production facilities

### The road ahead

With the establishment of Global Gap, Lerøy Seafood Group has introduced further improvements to their procedures and systems. As an organisation, we have achieved significant advances as a result of this process. We are now evaluating whether to gather forces yet again to take us up to another level. Our goal is to be the leading company in terms of the environment and sustainability, and therefore aim to introduce even more stringent routines regarding certain key performance indicators for the environment and sustainability in our facilities. We have yet to choose which path to follow. There is an ISO 22000 standard which relates to food safety and a completely new standard currently being developed - ASC or Aquaculture Stewardship Council - as an alternative to MSC for fish farming. We intend to wait for the outcome of this standard before making a final decision about the road ahead. The final draft of the ASC standard for Salmon is expected in the autumn of 2011.

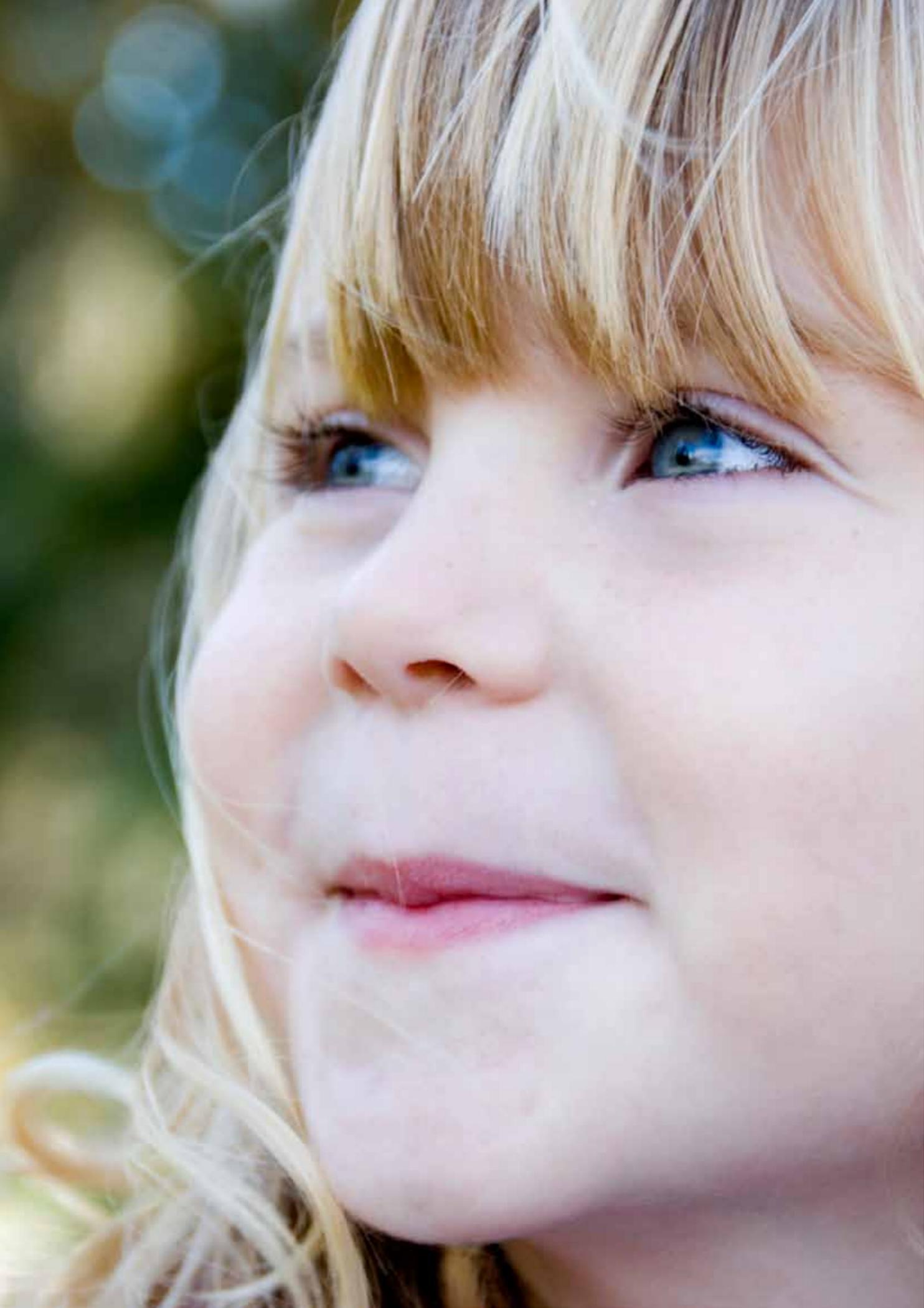
## Product information

### SALE OF PRODUCTS BASED ON OUR OWN RAW MATERIAL % of turnover



KRAV marked products sold via Swedish companies	Volume kg	KRAV marked products sold by Norwegian companies	Sales from LSG	
			Volume kg	Volume kg
KRAV Salmon Norwegian	1 614.2	Haddock fresh with head III		
KRAV Cod	383.09	KRAV 1-1.5 kg	129.60	
KRAV Haddock	102.88	Haddock fresh fillet with bones without skin KRAV 5 kg	37 019	
KRAV salmon fillet	5 780.74	Cod fresh whole without head		
KRAV Cod fillet	7 999.04	KRAV 1-2 Kg, 10 kg	596.50	
KRAV Haddock fillet	36 513.09	Cod fresh fillet with bones without skin KRAV 5 kg	3 020	
KRAV Mussels NATURAL	110 785.70			
KRAV Herring in mustard in pieces PK x 1.2kg	746.80			
KRAV Herring in onion in pieces PK x 1.2kg	733.24			
Herring marinated in vinegar in pieces KRAV barrel	1			
KRAV Fresh shrimp	85			
<b>Total</b>	<b>164 744.70</b>		<b>40 635.50</b>	<b>205 380.20</b>

MSC products sold via Swedish companies	Volume kg	MSC products sold via Norwegian companies	MSC products sold via LSG	
			Volume kg	Volume kg
MSC Hjalmar Zander 0.7-2 kg	12 610.48	MSC saithe fillet	3 260	
MSC Hjalmar Zander fillet with skin	1 508.46	MSC saithe without head	1 511 625.70	
MSC saithe fillet	33 849.66	MSC haddock without head	843 067.81	
MSC Atlantic halibut Canada 20/40 lb	69.13	MSC cod without head	273 964	
MSC Cape hake fillet 110-170g frozen	219 980			
MSC saithe loin frozen	2 750			
MSC Atlantic halibut fillet frozen	882.95			
MSC Blue hake fillet frozen	4975			
MSC shrimp in brine x 1kg Lerøy	7 828			
MSC smoked matie	20.8			
MSC deep-fried fillet of cod frozen	10			
MSC-PL plaice fillet MAP	1 511.89			
<b>Total</b>	<b>285 996.40</b>		<b>2 631 917.51</b>	<b>2 917 913.88</b>



## Eat fish – stay healthy!

“Fish is good for your health, all year round”. This Norwegian saying has repeatedly been confirmed by research in recent years. It has been shown that eating seafood lowers the risk of cardiovascular diseases. Norwegian health authorities and WHO, the World Health Organisation, recommend that everybody should eat more seafood. The Directorate of Health in Norway has published new dietary advice where they recommend eating seafood 2-3 times a week.

### Key advice for a healthy diet

What you eat and drink has a direct influence on your health. The Directorate of Health recommends a varied diet with a lot of vegetables, fruit, berries, whole-grain corn products and fish, and limited amounts of processed meat, red meat, salt and sugar. Products carrying the keyhole symbol are also recommended.

- You should eat at least five portions of vegetables, fruit and berries every day
- You should eat whole-grain corn products every day
- Your daily diet should also include low-fat dairy products
- **Eat fish for dinner two to three times a week.** Fish is also recommended as sandwich fillings. This corresponds to a total 300-450 grams of pure fish a week.
- Six portions of sandwich filling with fish equals around one dinner portion
- At least 200 grams of this should be fatty fish such as salmon, trout, mackerel or herring
- We recommend fish products carrying the keyhole symbol
- Choose lean meat and lean meat products. Limit the amount of processed and red meat you eat

- Choose cooking oils, liquid and soft margarine instead of hard margarine and butter
- Choose foods with low salt levels and limit the use of salt when cooking and on food
- Avoid daily intake of food and drink with a high sugar content
- Drink water to quench your thirst
- Keep a good balance between your energy intake in the form of food and drink, and the energy you use in various activities



### Look for products with the keyhole symbol!

The keyhole symbol makes it easier for customers to choose healthy products. The Directorate of Health and the Norwegian Food Safety Authority are behind the keyhole system. When compared with other foods of the same type, products with the keyhole symbol fulfil one or more of the following requirements:

- Lower and healthier fat content
- Less sugar
- Less salt
- More fibre and whole-grain

Sale of products carrying the keyhole symbol in 2010.

Lerøy Seafood Group focuses on the keyhole symbol when developing new

products. We aim to provide our customers with healthy and safe products which also have health-related benefits.

Fish is rich in protein and Omega 3, and does not contain sugar. There is a current trend for diets rich in sugar and excessive levels of Omega 6. By replacing parts of your diet with seafood, you gain a double benefit. You eat less sugar and less Omega 3 while at the same time consuming more Omega 3 and other important nutrients. Omega 3 and Omega 5 are different types of fatty acids. It is generally believed that it is the marine n-3 fatty acids - such as Omega-3 - that play an important role in generating positive health benefits. We find a lot of these fatty acids in fat fish such as salmon and trout.

The most important Omega-3 fatty acids are Docosahexaenoic Acid (DHA) and Eicosapentaenoic Acid (EPA). These are essential fatty acids, meaning that the body needs them for the maintenance of several vital functions. These essential fatty acids are only found in seafood and, moreover, the Omega-3 type of fatty acid can only be obtained through the food we eat since the body does not produce it. It is therefore vitally important to supply the body with enough of the right type of fatty acids such as Omega-3.

A lack of essential fatty acids will manifest as skin ailments, nerve disorders and reduced growth in children. Present day discussion about nutrients focuses to a considerable degree on the importance of fatty acids in preventing, for example, cardiovascular diseases and arteriosclerosis. Imbalance between Omega 3 and Omega-6 fatty acids contributes to

### Sales of products with keyhole symbol 2010

Swedish companies	Volume in kg	HLS AS	Volume in kg	Total sales via LSG in kg
Various products	240 000	Various products	3 304 501	3 544 501

lifestyle diseases such as heart disease, diabetes 2, cancer and mental ailments. The ratio of these two acids in the blood should be 2:1, i.e. more Omega 3 than Omega-6. There is also a growing body of evidence indicating that people with rheumatic ailments, such as inflammation of the joints, are able to reduce the inflammation reaction with ingestion of fish oils - preferably together with vitamin E and the trace element Selenium.

EFSA, the European Food Safety Authority, recommends that healthy people have a daily intake of 0.25 grams EPA and DHA, 1.75 grams per week, in order to prevent cardiovascular disease. On average, 100 grams of salmon contains 2.1 grams of EPA and DHA. So by eating 100 grams of salmon, you consume the recommended volume and more.

A varied diet with different types of seafood is the best guarantee for providing your body with essential nutrients. Eating fish is a good investment in your own health. What's more, it is delicious and can be prepared in a whole number of different ways - on the barbecue, in the oven, boiled, fried or just raw.

Research has shown that a combination of fat and sugar may lead to obesity. And of interest to weight watchers, the data indicates that it makes a difference if the fat in your food is combined with sugar rather than with protein. An investigation carried out at the National Institute for Nutrition and Seafood research shows that diets composed of sugar in combination with fat resulted in significantly more obesity than a diet composed of protein and fat. The diet composed of protein and fat also resulted in less weight gain than a diet with less calories. The reason is probably that when limiting the supply of sugar, production of sugar for energy to the brain and other organs must come from consumption of fatty tissue.

**Lifestyle diseases will probably constitute a global challenge in coming years.**

<b>WHO has estimated that:</b> 80% of all heart attacks 90% of all type 2 diabetes cases 30% of all cancer cases	<b>Can be prevented by:</b> Improved nutrition Physical activity Not smoking						
<b>Cardiovascular diseases</b> Obesity Diabetes Osteoporosis	<table border="1"> <tr> <td><b>1999:</b></td> <td><b>2025:</b></td> </tr> <tr> <td>60% of all deaths</td> <td>73% of all deaths</td> </tr> <tr> <td>43% of all illness</td> <td>60% of all illness</td> </tr> </table>	<b>1999:</b>	<b>2025:</b>	60% of all deaths	73% of all deaths	43% of all illness	60% of all illness
<b>1999:</b>	<b>2025:</b>						
60% of all deaths	73% of all deaths						
43% of all illness	60% of all illness						

The increasing incidence of obesity will be one of our greatest challenges in the years ahead, in part because it may cause diabetes. Diabetes is a growing health problem both nationally and globally and it has been estimated that 300 million people will suffer from type 2 diabetes in 2025. Meanwhile, other studies suggest that fish protein can protect against the risk of diabetes.

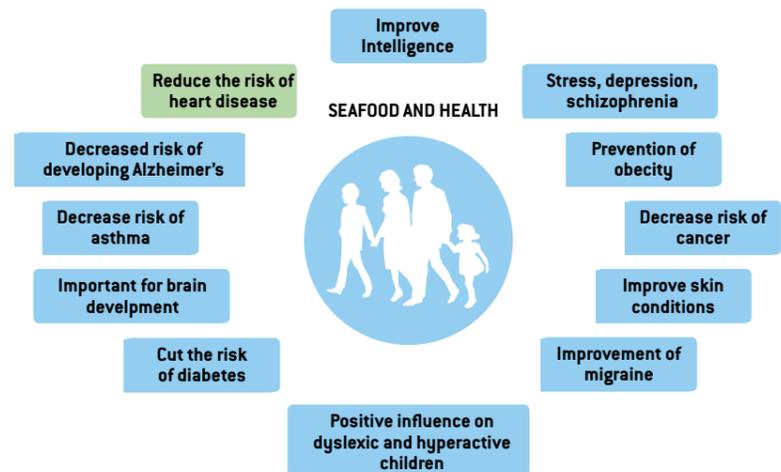
Correct food intake is extremely important in the prevention of disease.

There is overwhelming documentation that, generally, eating fish is good for our health. Also, there are strong indications that consumption of fat fish slows and

prevents the development of heart and cardiovascular diseases. Consumption of fish and other seafood is also important for development of the foetus, particularly as regards weight gain and neurological development. Other investigations have shown positive effects on illnesses such as dementia, post-partum depression, osteoporosis, skin disease, migraine and hyperactivity.

What eventually could limit the consumption of fat fish is its content of dioxins and similar substances like PCB, but with today's control of raw materials in fish feed and the fish itself, the limits for environmental toxins in fish are far below recommended values. Tolerable, weekly

**BENEFICIAL EFFECTS OF MARINE OMEGA-3 POLYUNSATURATED FATTY ACIDS (N-3 PUFAS) ON CONSUMER'S HEALTH**



intake (TWI) of dioxin and dioxin equivalents like PCB is 14pg TE per kg bodyweight per week. This means that a person weighing 70 kg can eat 980 pg TE per week, (TE - toxic equivalents/ pg= Pico gram).

Tests of Lerøy Seafood Group's salmon

show that in 2009 the fish contained approx. 0.81pg TE/g. A portion of salmon normally weighs 200 grams. This means that when eating a salmon meal with 200 grams of fish, the intake is approx. 162 pg TE. In other words, we can eat 6 salmon meals with 200 grams fish each without exceeding the recommended

maximum values of TE. Recommended limits are usually set with a considerable safety margin. With seafood we also cover the daily needs for other vital nutrients such as vitamins B12, D and E.

Nutrient content in salmon, (NIFES):						
Product	Ash g/100g	Energy g/100g	Fat g/100g	Protein g/100g	Carbohydr. g/100g	Solids g/100g
Salmon	0.9-1.3	784-1 202	9-23	14-26.1	0	30-42

Water-soluble vitamins	Fat-soluble vitamins	Minerals	Trace elements	Amino acids
Biotin	Alpha tocopherol (Vitamin E)	Phosphorus (P)	Fluoride (F)	Alanine
Folate acid	Gamma tocopherol (Vitamin E)	Potassium (K)	Iron (Fe)	Arginine
Cobalamin (B12)	Vitamin A1 (Sum retinol)	Calcium (Ca)	Iodine (I)	Aspartic acid
Niacin	Vitamin A2 (3,4 dihydro-all-trans-retinol)	Magnesium (Mg)	Copper (Cu)	Glutamine acid
Pantothenic acid	Vitamin D (D3)	Sodium (Na)	Selenium (Se)	Glycine
Pyridoxine (B6)			Zinc (Zn)	Histidine
Riboflavin (B2)				Hydroxyproline
Thiamine (B1)				Isoleucine
				Leucine
				Lysine
				Methionine
				Phenylalanine
				Proline
				Serine
				Taurine
				Threonine
				Tryptophane
				Tyrosine
				Valine

Content of the essential fatty acids EPA+DHA in Salmon from Lerøy Seafood Group				g/100g
	2008	2009		2010
EPA + DHA	1.8	1.7		1.9

Content of dioxins and dioxin-like PCB in salmon from Lerøy Seafood Group					TE (WHO)
	2006	2007	2008	2009	pg/g
					2010
Dioxins and dioxin-like PCB	1.56	1.07	1.41	0.81	0.95

” Procedural improvements -  
generate increased earnings

## Economy

2010 will go down in history as the best year ever for Lerøy Seafood Group.

The Group has enjoyed continual growth over the past two decades, reaching a total turnover in 2010 of NOK 8.9 billion. Lerøy Seafood Group is now a leading global seafood group, in which the employees are the Group's most important resource.

Lerøy Seafood Group aims to invest in processing of seafood in Norway, in combination with processing facilities in areas close to our customers in order

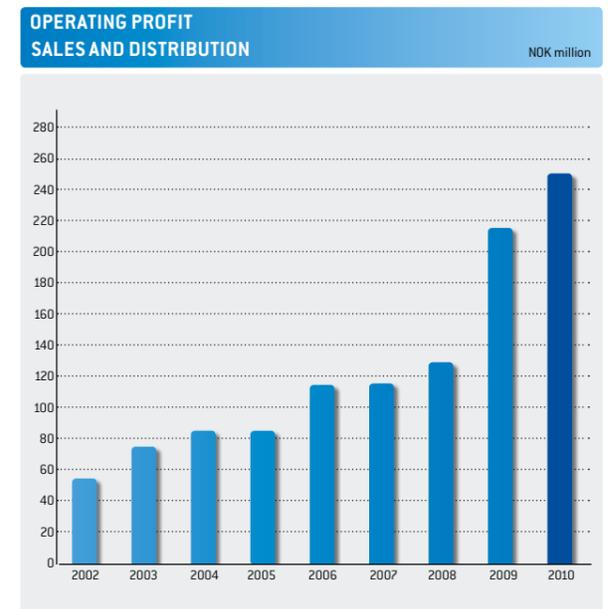
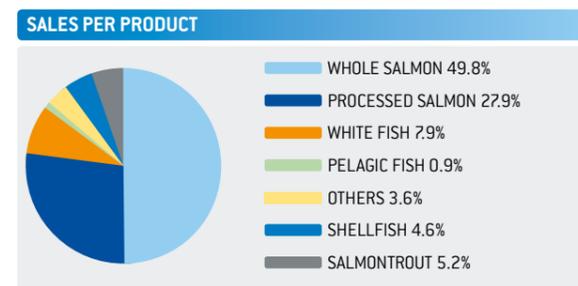
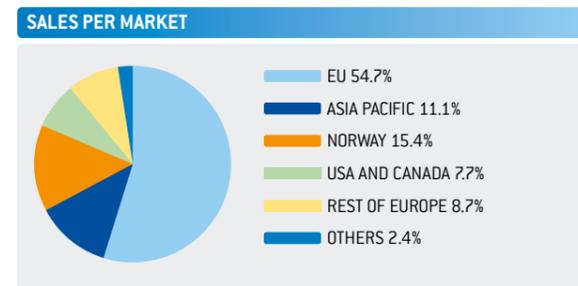
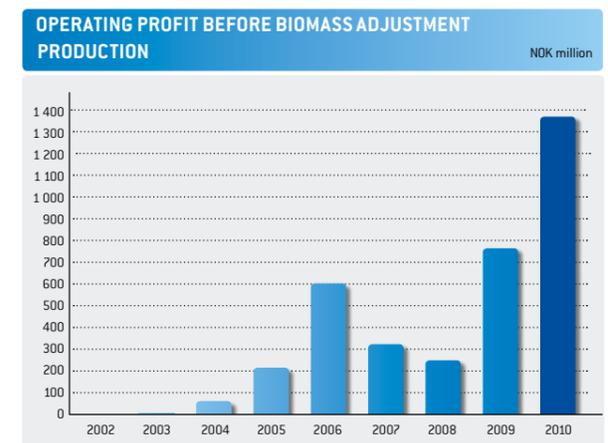
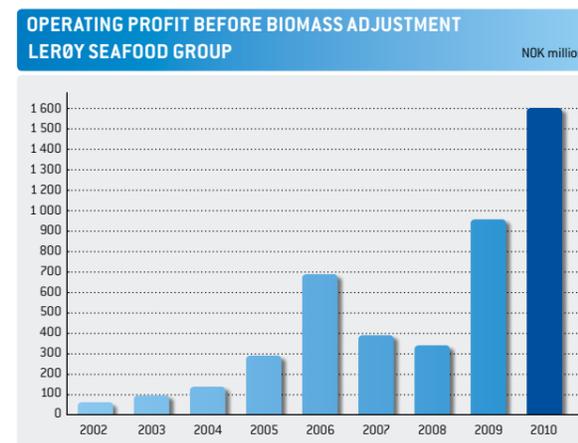
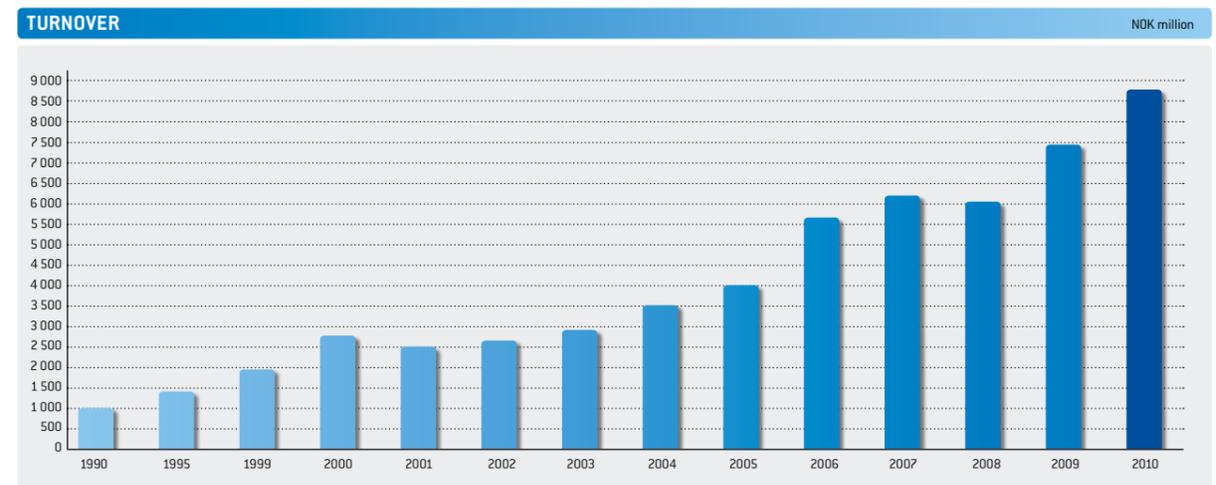
to ensure cost-efficiency, availability and flexibility. Our aim is to process fish to the highest degree possible before transport to the customer. This provides both environmental and social benefits, including increased employment and value creation in coastal communities, in line with our ambition to be at the forefront of developments within our field.

An expansion in innovation is increasingly underlined as a fundamental element for the future of Norway. Lerøy Seafood Group is recognised for its

innovative efforts over the past century. We aim to continue in this way, and have a target is to be at the very forefront in terms of innovation within every part of our value chain.

For more detailed information, please refer to the company's annual report.

# Key figures and graphs for the Group



” Lerøy - we care

## Social Factors

### Employees

The parent company Lerøy Seafood Group ASA has its main offices in Bergen, Norway. In addition to the Group's CEO, the parent company has six employees. Administratively, all personnel functions are handled by the wholly-owned subsidiary Hallvard Lerøy AS. At the end of the year there were 1,794 employees in the Group including 542 women and 1,252 men, compared with a total of 1,563 at the same time in 2009. Of the Group's total number of employees, 1,415 work in Norway and 379 abroad. Independently of the demand for equal opportunities for men and women, the Group has always placed decisive emphasis on individual skills, performance and responsibility in its recruitment policy and salary systems. Furthermore, the Group ensures at all times equal employment opportunities and rights for all employees and works hard to prevent discrimination based on national origin, ethnicity, colour, language, religion or personal philosophy. One of the company's goals is to provide a workplace without discrimination due

to disabilities. For employees or work applicants with disabilities, the company will arrange for individually adapted work tasks and environments.

The company is a player in a global industry and the company's working environment changes continuously. This requires flexible employees who are dynamic, willing to adapt and learn.

In 2010, only minor injuries were reported for employees. Furthermore, our Norwegian subsidiaries have reported an accumulated sick leave of 4.5%, down from the 5.9% reported in 2009. Sick leave comprises 2.3% long-term sick leave and 2.2% short-term sick leave. The Board is pleased to observe that the Group works actively to keep sick-leave as low as possible. Comparable sick leave statistics are not available from our foreign subsidiaries. However, the organisations in the individual subsidiaries are continuously being developed to ensure that they can deal with new challenges and changes in framework conditions. The working

environment and cooperative atmosphere are good.

The different companies in Lerøy Seafood Group have their own employee representatives who take care of the formal cooperation between company and employee. With regard to the rest of the organisation, Lerøy Seafood Group aims for an open organisation with the best possible working environment for its employees.

Lerøy Seafood Group is made up of a group of people with high levels of expertise, a good sense of humour and who enjoy working hard. They are a very capable team who all experience the "Lerøy spirit" from time to time.

Each company has different types of events they organise. These may be family days, social gatherings, motivation meetings or events involving sports. The majority of our subsidiaries offer different types of sports for their employees.



Sick leave*	2008	2009	2010	Target for 2010	Target for 2011
Short-term sick leave	2.7	2.5	2.2	2.3	2.1
Long-term sick leave	3.6	3.1	2.3	2.9	2.3

Accidents*	2008	2009	2010	Target for 2010	Target for 2011
Accidents resulting in absence	40	37	26	25	20
Number of near-accidents registered	471	542	397	705	500

\* only Norwegian companies, as the foreign companies do not have a similar overview

#### Ethical guidelines

Lerøy Seafood Group is very much aware of its social responsibility. Our goal is to combine healthy business management with a clear responsibility for society and the environment.

Employees shall behave in a manner which displays social consciousness, professionalism and respect for colleagues and other partners.

As a general rule, Lerøy Seafood Group together with its suppliers and sub-contractors shall fully comply with the legislation in the respective country and the company's own/Lerøy Seafood

Group's quality systems/procedures. The Group has a principal rule that the strictest requirements shall be met.

In the event of deviations, measures shall be implemented to improve the situation. Our goal is to contribute towards improving human rights, labour rights and environmental protection, both within our own Group, in relation to our suppliers and subcontractors and in relation to our trading partners.

Lerøy Seafood Group's business information will be precisely and elaborately communicated, both inter-nally and externally. All accounting

information shall be correct, fully registered and presented in accordance with laws and regulations, including relevant accounting standards. In relation to prevailing laws regarding securities and standards for stock exchange listing, Lerøy Seafood Group ASA is obliged to ensure complete, precise, accurate and understandable information in interim financial statements and other documents.

## Conditions at the workplace

Lerøy Seafood Group is involved in business and working relationships all over the world. In order to safeguard all our activities, we have prepared a set of ground rules which apply to us and our partners on a daily basis. They are intended as guidelines. The ground rules are:

Any form of forced labour, slave labour or involuntary labour is strictly prohibited. Employees shall not be obliged to submit a deposit or identity papers to the employer and shall be free to terminate their employment with a reasonable period of notice.

Employees shall be entitled to join or establish trade unions as they choose, and the employer shall not discriminate against trade union representatives, or prevent them from carrying out their trade union tasks.

We have a particular responsibility in relation to children and the young,

to ensure good guidance and follow-up, helping avoid accidents or other negative incidents. We shall pave the way for children and youth to attend school and gain an education.

All forms of discrimination at work based on ethnicity, religion, age, disability, gender, marital status, sexual orientation, trade union membership or political beliefs are strictly prohibited. Measures shall be established to safeguard against sexual harassment, threatening, insulting or exploitative behaviour and to prevent discrimination or dismissal on unfair grounds, e.g. marriage, pregnancy, parental status or status as HIV infected.

Physical cruelty or punishment or threats of physical cruelty are strictly forbidden. The same applies to sexual or other abuse or different types of humiliation.

Lerøy Seafood Group does not accept

purchase of or acceptance of sexual favours on occupational trips or other assignments on the company's account. This also applies to employees' leisure time when on such assignments.

Employees shall have a safe and healthy working environment. Necessary measures shall be implemented to prevent and minimise accidents and damage to health as a result of, or in relation to, conditions at the workplace. Employees shall complete regular and documented training in health and safety. Health and safety training shall be repeated for new recruits.

Employees shall have access to clean sanitary facilities and clean drinking water. If the employer provides accommodation, this shall be clean, safe and sufficiently ventilated and with access to clean sanitary facilities and clean drinking water.

Salaries paid to employees shall as a minimum comply with the national provisions regarding minimum wage or the industry standard, and shall always be sufficient to cover basic needs. Payroll conditions and payment of salary shall be agreed upon in writing before employment starts.

This agreement shall be in a format which the employer can understand. Disciplinary deductions from salary are not permitted. Working hours shall comply with national legislation or the industry standard, and shall not exceed working hours in accordance with prevailing international conventions.

Employees shall have a minimum of 1 day off a week. Overtime work shall be voluntary and should be limited to a maximum of 12 hours per week. Employees shall always receive overtime pay, at the minimum rate in compliance with prevailing agreements and legislation.

Obligations in relation to the employees, in line with international conventions and/or national regulations and regulations regarding regulatory

employment shall not be evaded via utilisation of short-term positions (such as use of contract workers, casual workers and day workers), subcontractors or other employment relationships.

All employees are entitled to an employment contract in a language they understand. The apprenticeship programme shall be clearly defined in terms of duration and content.

Lerøy Seafood Group encourages employees to show moderation when travelling, entertaining etc. Transactions entered into on behalf of Lerøy Seafood Group shall be documented in line with good business practice. Employees must be able to explain and document any expenses, and these must be signed by a supervisor.

All employees have a duty of confidentiality regarding information of a sensitive, private or confidential nature which relates to Lerøy Seafood Group' business. All employees shall protect sensitive and confidential information and shall store documents, data and telephony in a safe manner. No individual shall use, or help others use, information regarding Lerøy

Seafood Group or other companies which is of a sensitive, private or confidential nature, to subscribe to or trade securities, whether on a private basis or on behalf of Lerøy Seafood Group.

Lerøy Seafood Group does not accept payments/other remuneration which contravenes Norwegian legislation, whether directly or via an intermediate – section 276 of the General Civil Penal Code. Gifts, payments or offers of entertainment which may affect the integrity of the recipient shall not be accepted or offered.

Participation in social gatherings is a part of the company's activities and a natural part of courteous business relationships. The extent of such gatherings must not be allowed to develop to a stage where they may impact decision-making processes or give an impression of such to external parties.

Lerøy Seafood Group encourages all employees to notify the company of conditions they find worthy of criticism.

into consideration throughout the production and distribution chain, from production of raw material to sales, and shall not be delimited to the company's own activities. All attempts shall be made to safeguard local, regional and global environmental aspects.

Aspects regarding animal ethics shall also be taken into full consideration.

## Conditions outside the workplace

The employees shall refrain from all types of environmental crime or ruthless exploitation of resources in the local environment. The local environment surrounding the production facilities shall not be damaged by pollution. Hazardous chemicals and other substances shall be properly and safely managed. Production and selection of raw materials for production shall be organised such that it avoids destruction of resources.

Lerøy Seafood Group shall not directly or

indirectly contribute to the removal of the basis of income for marginalised communities, for example by exploiting vast areas of land or other natural resources on which these communities rely.

Lerøy Seafood Group shall make a positive contribution to sustaining a good environment in the local communities where our companies are located. Lerøy Seafood Group does not support individual political parties or individual politicians. Lerøy Seafood Group has the

right to take part in the public debate, when in the interests of the Group.

All communication which is not of a local nature shall be communicated to the media/press etc. by the company CEO.

Production shall not conflict with national or international legislation and regulations related to the environment. Relevant permits shall be obtained where necessary.

Environmental aspects shall be taken



## Contributions to the local community



Our companies are often located in decentralised areas, making significant contributions to employment and income in the local communities.

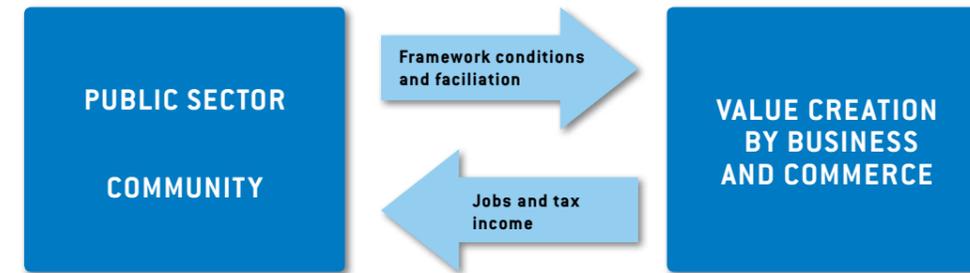
We aim for positive, close cooperation with these communities and make contributions to many areas of the communities in which we are located. We sponsor and support local sports clubs and sponsor a number of local festivals/various events, serving salmon to visitors and participants. We hold "environmental days" in several municipalities. These involve a number of activities where our employees cooperate with the local community to make contributions to the environment by tidying beaches, picking up rubbish etc.

As yet another consequence of our decentralised locations, we make contributions to investments in buildings, infrastructure, quays, floating quays and modern equipment in small, local communities. These form the grounds for local commerce. For certain suppliers in the municipalities in which we have facilities, we represent between 25 to 80% of their economical basis.

### Spin-off effect from Lerøy Aurora (Made by NHO)



### Mutual dependence



Social accounts show business contribution to public sector and the community in the form of jobs and taxes and fees. Businesses are on their side dependent on public sector organization the framework for a sustainable and competitive business.

### Sources utilised

Lerøy Aurora AS:  
Annual accounts 2009  
Statistics Norway:  
National accounting figures for 2004-2009  
Statistics Norway:  
Input-output analysis for 2007  
Statistics Norway:  
Accounting statistics for 2004-2006  
Statistics Norway:  
KOSTRA (Municipality-State-Reporting) 2009  
Ministry of Finance:  
Tax and duties 2009

## RESULT SOCIAL ACCOUNTING

The figure shows the tax contribution arising from corporate activities, from business and from suppliers and how much public welfare equivalent within three key areas of public welfare. Costs that are the basis for public welfare services is taken from KOSTRA and the average cost for the entire country in 2009.

### Lerøy Aurora AS

Branch Fish farming  
Municipality Tromsø, Skjervøy, Lyngen, Karlsøy and Kåfjord  
Year 2009

Production	574 470
- Consumption of goods and services (incl. capital goods)	372 290
<b>= Value creation</b>	<b>202 180</b>

Tax contribution from employees	24 390
+ Tax on profit	35 340
<b>= Total tax contribution</b>	<b>59 720</b>

Man-years	150
Value creation per man-year	1 350
Tax contribution per man-year	400
Tax as percentage of value creation	30%

### Norwegian subcontractors

Value creation	312 600
Tax contribution from company and employees	108 700
Man-years	480
Tax as percentage of value creation	35%

### Company and subcontractors, total

+ Production	574 470
- Share from import	10%
<b>= Norwegian value creation</b>	<b>514 800</b>
{Foreign value creation}	59 670

Tax contribution	168 500
Employment	630
Tax contribution as percentage of value creation	33%

### Public sector

Tax income	168 500
Man-years in public sector	318
Number of nursery places	1 264
Number of primary school children	2 032
Number of hospital beds	209



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