

Annual Report 2006



Going for Global Growth

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# Food safety and traceability in the aquaculture value chain

**1** The first link in the value chain is catching industrial fish and harvesting vegetable raw materials. Small pelagic fish which are unattractive for human consumption are primarily used as industrial fish, such as anchovies, jack mackerel and sardines.

**2** The second link is manufacture of fishmeal and oil from the industrial fish. 1 kg industrial fish yields an average of around 3-5 % fish oil and 20-25 % fishmeal, the rest is water. The main producers are Peru, Chile, Norway, Iceland and Denmark, which combined accounted for a little over half of world production of marine raw materials in 2006.

**3** The third link in the chain is development and production of fish feeds, described in detail elsewhere in this report. The manufacturing process is illustrated in the back of this report.



Traceability for raw materials used in the production of fishmeal and oils is good. A series of data on the catch is recorded, including area, boat, catch date and temperature until it reaches the factory.

The meal/oil producer analyses the raw materials for undesirable substances such as dioxins and similar PCBs to ensure they fulfil official standards for maximum permitted values.

BioMar has documented procedures and instructions to ensure traceability up and down the value chain. When raw materials are purchased, details of the vendor and all documents related to the product are recorded (e.g. transport documents, analysis certificates, certificate of origin etc). Each batch of materials received is given a unique reference number. During production, each ingredient used is recorded by a reference number, and the final product is given a production number to ensure that each ingredient in any production process can be traced.

The authorities apply special requirements to the level of undesirable substances in raw materials and finished products, and BioMar has therefore drafted a detailed plan for routine analysis of a range of such substances in raw materials and feeds.

Food safety is a vital aspect of food production, and involves in-depth control and inspection at all stages of production from raw material manufacture to delivery to the consumer to ensure farmed fish are safe to eat.

BioMar applies risk analysis to produce a list of potentially

critical areas in the production and processing of fish feeds in accordance with the principals of the internationally recognised Hazardous Analysis of Critical Control Point (HACCP) standard. BioMar's procedures and records give full traceability up and down the aquaculture value chain.

4 The fourth link is farming in sea farms, recirculation systems and ponds.

5 The fifth link is processing the fish to produce fillets, marinated products and convenience foods.

6 The last link is when the final product is eaten by the consumer after buying it in supermarkets or specialist fishmongers. Fish products are also used by the catering industry and a growing market is farm shops.



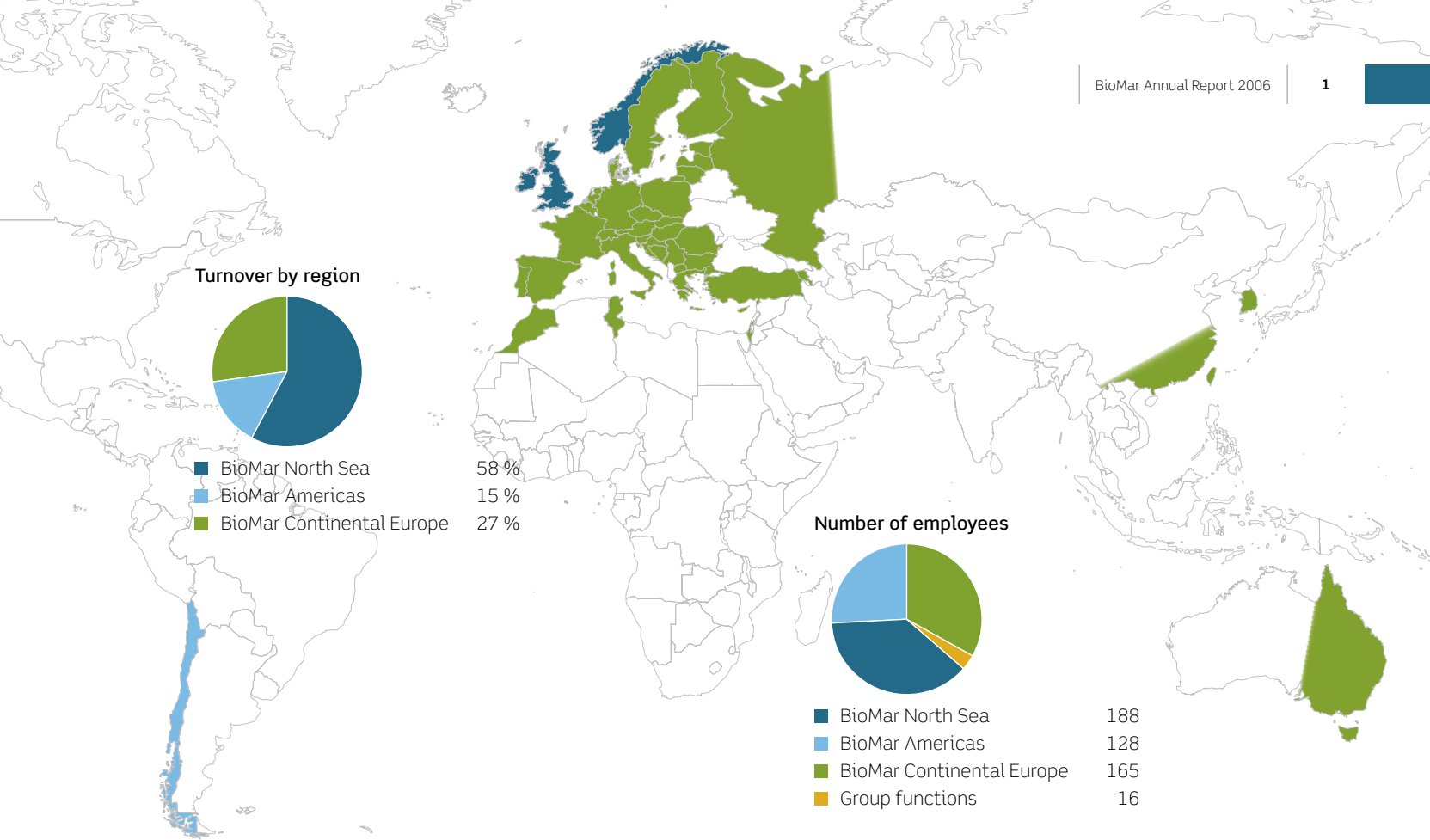
The local authorities perform regular tests of farmed fish for undesirable substances to ensure the level is lower than the maximum permitted value.

Fish farmers also have their own analysis programs to measure the levels of dioxin, PCBs, pesticides and heavy metals in their fish.

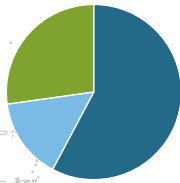
Processing companies have their own analysis programs to measure the levels of dioxin, PCBs, pesticides and heavy metals. Their analyses are stored in a database for complete evaluation of levels in relation to permitted values.

Carefully devised food safety programs also ensure that the fish produced are healthy and safe to eat.

Food safety is a vital aspect of food production, and involves in-depth control and inspection at all stages of production from raw material manufacture to delivery to the consumer to ensure farmed fish are safe to eat.

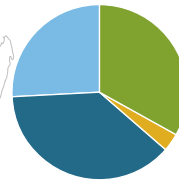


Turnover by region



- BioMar North Sea 58 %
- BioMar Americas 15 %
- BioMar Continental Europe 27 %

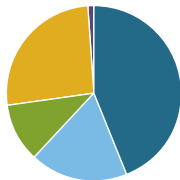
Number of employees



- BioMar North Sea 188
- BioMar Americas 128
- BioMar Continental Europe 165
- Group functions 16

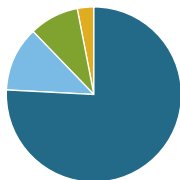
# Introduction to the BioMar group

Volume by geographic area



- Norway 44 %
- Chile 18 %
- UK 11 %
- Rest of Europe 26 %
- Rest of world 1 %

Volume by species



- Salmon 76 %
- Freshwater trout 12 %
- Sea-bass and sea-bream 9 %
- Other species 3 %

## Who we are

The BioMar group is the third-biggest supplier of fish feed to the aquaculture industry. Our main business areas are feed for salmon and trout in Norway, the UK and Chile, and for freshwater trout, sea-bass and sea-bream in the rest of Europe. The BioMar group supplies feed to around 50 countries and for over 25 different fish species (Please refer to page 100), which in addition to the above include organic salmon, organic cod, cod, eel, turbot, halibut and sturgeon.

## BioMar in numbers

The group turns over approx. DKK 3.3 billion and produces approx. 500,000 tons of feed from its modern production facilities in 6 different countries. We have approx. 500 employees, of which around 100 are in Denmark.

## BioMar's history

BioMar Holding A/S was formerly known as A/S Korn- og Foderstof Kompagniet (KFK) and Treka A/S. The company changed name after the disposal of its agricultural, trading

and energy activities in 2002 and 2003. Current core activities consists of the BioMar group, established in 1962 under the name Dansk Ørredfoder A/S and acquired by A/S Korn- og Foderstof Kompagniet (KFK) in 1988. Aktieselskabet Schouw & Co. owns 68.82% of the shareholding after the acquisition of Norsk Hydro's shareholding in November 2005.

## Organization

BioMar Holding A/S is the group's parent company, listed on the Copenhagen Stock Exchange. BioMar is organised with a group function and 3 regions. The group headquarters in Aarhus, Denmark employs 16 people within finance and accounting, Research & Development, raw material sourcing, food safety and Investor Relations. BioMar North Sea includes activities and factories in Norway and the UK, BioMar Americas includes activities and factories in Chile and BioMar Continental Europe includes factories and activities in Continental Europe.



# Selected main and key figures

## BIOMAR HOLDING A/S KONCERNEN

<b>Income statement, DKK million</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Net revenue	3,274	2,622	2,603	2,661	8,623
EBITDA	313	210	145	(210)	205
EBIT	232	124	27	(424)	(61)
Profit/loss of financial items, net	(21)	3	5	(34)	(132)
Profit/loss before tax	285	175	34	(458)	(201)
Net profit/loss for the year	241	166	(9)	(390)	(246)
<b>Balance sheet, DKK million</b>					
Long term assets	843	756	713	622	1,098
Short term assets	1,107	1,005	1,170	1,513	3,578
Total assets	1,950	1,761	1,883	2,135	4,676
Equity capital	967	836	1,255	1,275	2,204
Invested capital (ave.)	920	959	1,114	1,682	3,237
<b>Key figures</b>					
ROIC before tax	25.2 %	12.9 %	2.4 %	(25.2) %	(1.9) %
Operating profit margin (EBIT margin)	7.1 %	4.7 %	1.0 %	(15.9) %	(0.7) %
ROIC before tax adjusted for non-recurring items	22.0 %	14.1 %	11.3 %	-	-
EBIT adjusted for non-recurring items	202	135	126	-	-
EBIT margin adjusted for non-recurring items	6.2 %	5.1 %	4.8 %	-	-
Volume (tons)	513,067	466,887	440,078	-	-
Gross profit per kilo (DKK)	1,69	1,61	1,73	-	-
Cash flows from operating activities	242	235	365	-	-
Purchase of tangible fixed assets	121	49	53	-	-
Receivables	510	470	522	-	-
Fixed costs	310	311	319	-	-
No. of employees	497	499	503	517	770
Equity ratio	49.6 %	47.5 %	66.6 %	59.7 %	47.1 %
Return on equity	26.7 %	15.9 %	(0.7) %	(22.4) %	(10.6) %
<b>Share-related key figures</b>					
Number of shares (final)	10,999	10,999	10,999	10,999	10,999
Share price (end of year)	246	137	110	93	154
Book value per share	88	76	114	116	200
Share price/book value (end of year)	2.80	1.80	0.96	0.80	0.77
Earnings per share (EPS)	21.9	15.1	(0.8)	(35.5)	(22.4)
Price Earnings Ratio (P/E)	11.2	9.1	neg.	neg.	neg.

Main- and key figures for 2004, 2005 and 2006 have been prepared in accordance with IFRS. Comparative data for 2002-2003 has not been adapted to the changed accounting policies, but prepared in accordance with the previous accounting policy based on the provisions of the Danish Annual Accounts Act and Danish Accounts Guidelines. Please also refer to "Definition of financial key figures" under "Accounting policies".

## Highlights of the year 2006

Highlights of the year for the BioMar Holding A/S group:

- Climatic conditions were favourable in 2006 compared to prior years. In particular, water temperatures were higher in the last few months of the year especially in Norway and the UK, which lead to increased feed consumption. Consequently, BioMar's volume sold was a record.
- Fish prices – and salmon prices in particular – were high throughout 2006, which meant better profitability and solvency for BioMar's customers, including BioMar's associated company Sjøtroll. BioMar therefore realised relatively low losses and provisions for the year and a high return on investment in Sjøtroll.
- The price of raw materials – in particular fishmeal – rose considerably during the course of the year. The price of fishmeal at the end of the year was approx. 40% higher by the end of 2005, which emphasises the need for BioMar to focus on substituting marine raw materials with alternatives, such as vegetable raw materials.
- In November 2005, Aktieselskabet Schouw & Co. acquired a shareholding of 68.82% in BioMar Holding A/S from Norsk Hydro ASA. An extraordinary general meeting was held in January 2006 to elect a new Supervisory Board. Jens Bjerg Sørensen, CEO Schouw & Co., Jørn Ankær Thomsen, Chairman of Schouw & Co. and Asbjørn Reinkind CEO Rieber & Søn were elected to the Supervisory Board and Per Møller was re-elected.
- BioMar was close to full capacity utilisation in the high season. Consequently, BioMar decided to invest in Chile, Norway and the UK. Increased capacity is expected to become operational mid-2007. BioMar's investment in material fixed assets was therefore increased from DKK 49 million in 2005 to 121 million in 2006.
- BioMar launched a wide ranging strategy process in the spring, involving over 100 employees in the six countries where BioMar has production facilities. The Supervisory Board approved the new strategy at the end of the year.
- The Danish Financial Supervisory Authority notified BioMar Holding A/S in December that it had reversed its earlier decision concerning the company's liabilities regarding KFK's supplementary pensions. This means the reversion of approx. DKK 30 million of a previous set-aside provision.

## New Strategy »Going for Global Growth«

'Hot on the heels' of the purchase by Schouw & Co. of the Norsk Hydro 68.8% stake in BioMar, came the decision to embark upon a detailed strategy process.

The strategy process commenced in the spring of 2006 with final approval by the Board at the end of 2006, closely followed by a communications and implementation phase including a new organizational structure.

Being actively involved throughout the process Guy Mace, managing director BioMar UK comments "Strategy reviews can be conducted in many different ways ranging from the relatively quick process undertaken by a few at board/top management level, through to wide ranging, detailed and more inclusive processes which penetrates deeper into the organisation... it was this latter model BioMar chose to adopt."

To facilitate and expedite the process, BioMar chose 'Valcon' a widely respected firm of management con-

sultants based in Copenhagen. "I was most impressed by the management, scope and thoroughness of the whole process, which via a logical series of steps and a wide ranging consultation within the BioMar organisation, delivered rational well researched series of options and recommendations. During the strategy process, over 100 or ca.20% of the workforce were directly consulted for their views and inputs thus ensuring a high level of knowledge input, and commitment to the final strategy conclusions." Guy Mace adds.

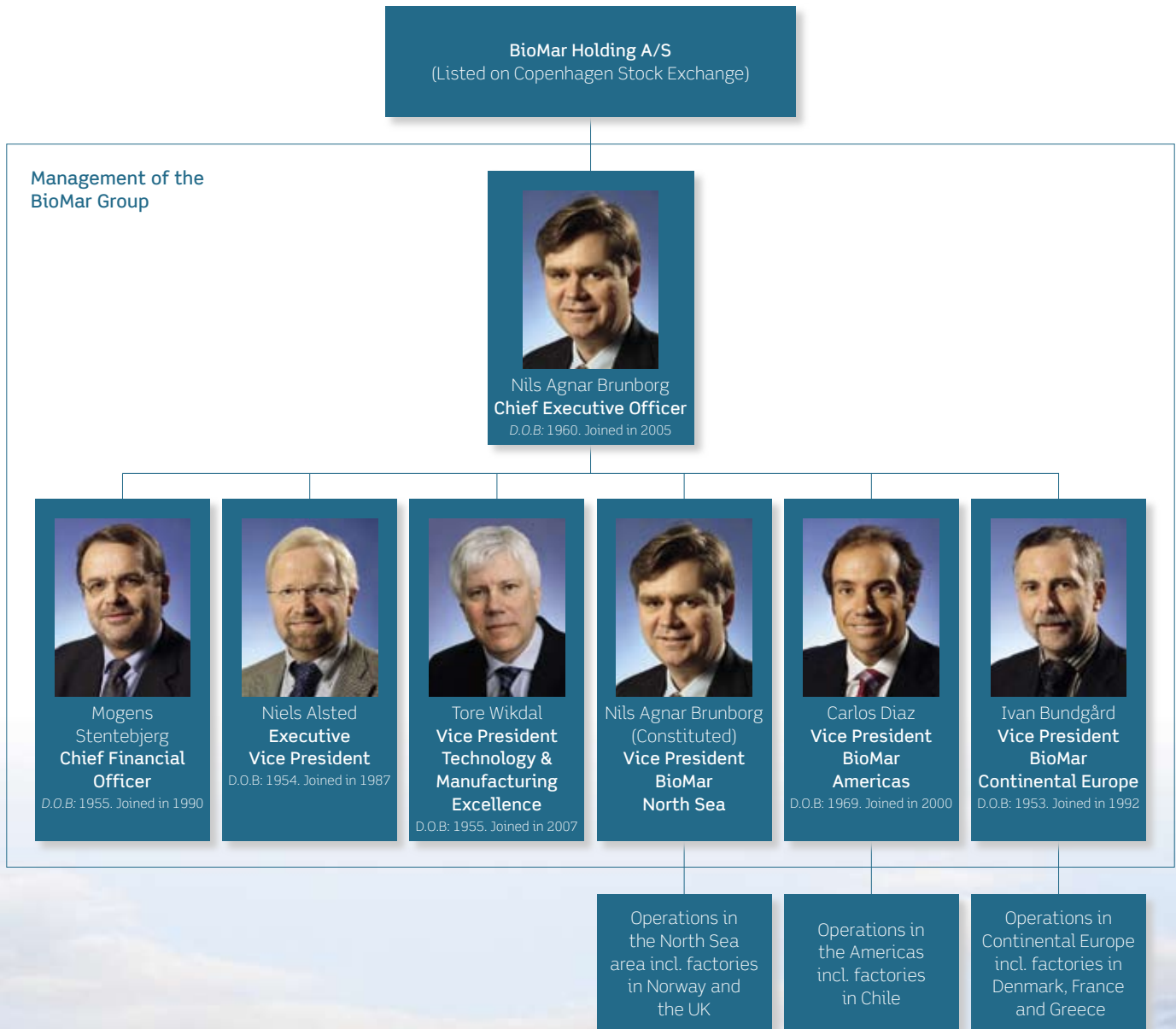
"We all also understand that the relatively 'easy' part has now been completed and the hard work of the delivering on a demanding but exciting new future has now commenced. Wish us luck!" Guy Mace concludes.



Guy Mace, managing  
director BioMar UK.



# Organization of BioMar Group



Here the management of the BioMar Group discuss the future strategy »Going for Global Growth«



CEO, Nils Agnar Brunborg



EVP, Niels Alsted



## »Going for Global Growth«

### Q: Why should the BioMar Group have a new strategy?

A: There are really two key reasons why we should have a new strategy.

- First of all at the end of 2005 we had a new owner. Schouw & Co. acquired the 68.8 % ownership stake in BioMar from Norsk Hydro. Schouw & Co. acquired BioMar because they spotted an unexplored potential for enhanced growth – both organic and through acquisitions.
- Secondly it is a question of ambitions. We think we are doing quite well, but we want to do even better. At BioMar, we really want to create healthy and sustainable growth for both our customers and shareholders.

### Q: Financially BioMar is doing very well, is it necessary to do better?

A: It is true that BioMar is doing well at the moment, but we cannot lean back and stop here. Many companies that have success sometimes forget to pay attention to their customers, and forget to improve processes, products, services – and one day find themselves left behind by competitors. At BioMar, we want to be leading

the development of the aquaculture industry world-wide.

### Q: What are the ambitions of the new strategy?

A: We have defined long term ambitions using financial measures such as Return on Invested Capital, Turnover, EBIT and cash flow. In the end it comes down to creating shareholder value by focusing on customers, internal processes and development of the people of BioMar.

### Q: What is the core of the future strategy?

A: We call the new strategy »Going for Global Growth« and growth is what the new strategy is about. It is a two step strategy:

- The first step is building the foundation for growth. A new regional organization has been implemented. Furthermore we are in the process of increasing dedicated functional expertise within areas such as Business Development, R&D, manufacturing excellence and sourcing.
- The second step is putting increased focus and resources to busi-

ness development and R&D in order to enhance competitiveness of the BioMar and unleashing the growth potential of the BioMar Group.

### Q: Could you explain why a new regional organization is a foundation for growth?

A: First of all it is important that group management is close to the marketplace and have operational responsibility in order for the management to make speedier decisions that can be more swiftly implemented. As a consequence the vice presidents of the 3 regions are now part of the group management. Secondly the establishment of dedicated functional expertise will not only enable BioMar to realise synergies, but also facilitate growth through acquisitions and make organic growth more scalable.

### Q: Do you have an example of what realising synergies means?

A: BioMar group used to consist of six very independent business units and a lean corporate function. This organizational structure did not facilitate collaboration and sharing of knowledge. Today we have a global mindset and



CFO, Mogens Stentebjerg

VP, BioMar Continental Europe,  
Ivan Bundgaard

VP, BioMar Americas, Carlos Diaz

share best practices across the organization. As an example the strong feed performance concept "Ytelse 2" from BioMar Norway has very successfully been applied in BioMar Chile. This kind of global collaboration will enable us to realise synergies.

**Q: Why are you highlighting that you will be putting increased resources into R&D?**

A: Research & Development has always been one of the cornerstones of the business model of BioMar. We believe in creating innovative feed solutions to our customers by improving the performance of our products. Simplified you could say that performance is defined as growth of the fish compared to the price of the feed. We believe that R&D will become even more important in the future. This is because marine raw materials are increasingly being substituted with alternative raw materials like vegetable raw materials supporting the sustainability of the aquaculture industry. Prices of vegetable raw materials vary significantly over time. In order to have the most optimal recipe at all times, meaning the recipe with the best performance, requires world-class R&D. We believe that by putting additional resources into R&D we will strongly enhance competitiveness of BioMar and support the sustainable development of the aquaculture industry.

**Q: Growth seems to be a key word in the new strategy – where is growth going to come from?**

A: We will achieve growth from four different areas:

- Organic growth from existing markets. It is important to bear in mind that the aquaculture industry is a growing industry fuelled by consumers growing appetite for healthy eating and stagnating or even declining catches of wild fish.
- New species with a very high long term potential are increasingly being farmed both in the markets that BioMar are in today and in new markets.
- New geographies. In the longer term BioMar will enter selected new markets where the aquaculture industry has solid development potential and where BioMar is able to utilize its core competencies and global scale.
- Acquisitions. BioMar will participate in industry consolidation in existing markets if and when the possibility arise and will seek acquisitions in order to enter new markets.

**Q: You use the term "profitable growth" – what do you mean by that?**

A: When we say profitable growth we are really saying that we will not grow just for the sake of growth. We will only grow if it is profitable to BioMar in the longer term. Thus the term

"profitable growth" implies that the return on a new investment should exceed the return that shareholders would expect from investing in a company like BioMar.

**Q: Who have made the new strategy?**

A: The strategy has been prepared by Group Management and approved by our Board of Directors. But it has been based on a very open process where more than 100 BioMar employees have been involved in a number of workshops, meetings, interviews, data-analysis and more. Moreover, a team of 22 managers has been closely involved and all fully support the strategy. Openness is one of our values and in this process we have lived the value. And we shall continue to be an open and inclusive company.

**Q: How important are the employees of BioMar in this strategy?**

A: Schouw & Co. was founded more than 125 years ago as a company that produced paper bags and has developed into an industrial conglomerate with more than 3,000 employees and a turnover of 7 billion DKK. If there is one thing to be learned from the history of Schouw & Co. it is that "results are created by people". In short you can say that the employees are imperative to putting the strategy into practice.

# Core parts of »Going for Global Growth«

## The strategy execution

The strategy may be written on paper, but it is worth nothing unless it is brought to life by the actions of the employees of BioMar. The illustration shows the steps involved in translating the overall Mission and Values of BioMar into Financial Targets, Strategy Map and ultimately into our Performance Management system.



## Mission

We believe the Mission of BioMar provides a meaningful description of “why we exist” as a company. The Mission will remain relatively stable over time even as the world around us may change significantly.

### Mission of BioMar

The people of BioMar provide healthy and sustainable growth for customers and shareholders by creating innovative feed solutions to develop aquaculture world-wide



Attractively presented eel, healthy to eat with a high omega-3 content.

Fish restaurants all over the world have experienced major growth in demand for fish in recent years. Nils Agnar Brunborg, BioMar group CEO enjoying a dish featuring eel as the main ingredient. BioMar has carved a strong niche within eel feeds.

### Values of BioMar

The Values of BioMar describes “what we believe in” as employees of BioMar. The management of the BioMar Group seeks to conduct a management style that is open and honest. We value personal responsibility and initiative, which is made possible by the Values of BioMar that provide guidelines for our behaviour.

Respect	Courage	Innovation	Execution	Openness
<p>We act with integrity based on mutual trust and recognize the inherent value of all people and the environment.</p> <p>We take pride in developing people and teams.</p>	<p>We like challenges and take measured risks.</p> <p>We drive change and improvement.</p> <p>We strive for being winners.</p>	<p>We seek opportunities and strive for innovative business solutions internally and externally on behalf of our customers.</p>	<p>Based on skills and insights we act and get things done.</p> <p>We value personal responsibility and initiative.</p>	<p>We work with others in an open and inclusive way.</p> <p>We are reliable and trustworthy.</p> <p>We work and act global.</p>

## Financial Targets and Strategy Map

The Financial Targets of BioMar describe what “we want to achieve” and the Strategy Map provides an illustration of “how the strategy links together”.

The Strategy Map illustrates a cause and effect relationship between the Financial Targets at the top that is driven by development in

Customers & Markets, the driver of which are key business processes that again is driven by the People & Organization of BioMar.

The foundation for growth is the regional organization and key business processes: Business Development, R&D, manufacturing excellence and sourcing.

This is the driver of »Going for Global Growth« which involves putting increased focus and resources to R&D in order to enhance competitiveness of the BioMar and unleashing the growth potential of the BioMar Group by organic growth and growth from new species and geographies and through acquisitions.

### Financial Targets

Return on Invested Capital above 15 %. The target is to create shareholder value by achieving a ROIC in excess of the cost of capital (WACC).

EBIT level that is always best in class. We want to prove that we are the most profitable company in the industry with the most innovative employees.

Turnover in 2010 of DKK 5-6 Billion

Cash flow from operations in excess of 250 MDKK each year

Going for  
Global Growth

### Customers & Markets

Organic growth from existing markets

Value to customers through innovative solutions and feed performance

New species with high long term potential

New geographies

Acquisitions

### Key Business Process

Research & Development

Sourcing

Manufacturing Excellence

Business Development

Building the  
foundation  
for Growth

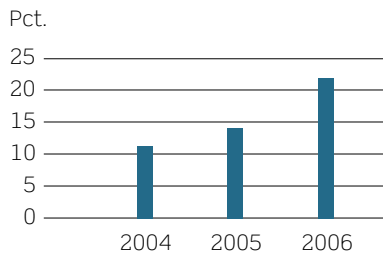
### People & Organization

Regional organization

## Performance Management

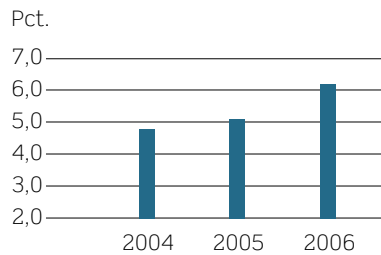
Performance Management is about “how we measure success” of the new strategy. We will use the existing Performance Management system of BioMar to measure the success of the new strategy, but additional measures may be implemented over time. The Performance Management system of BioMar includes the measures, listed in the table below.

### ROIC before tax



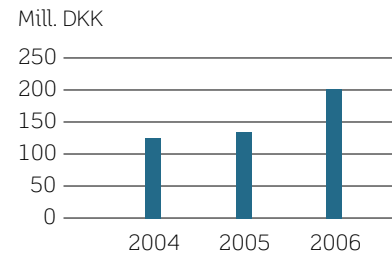
In the stock market ROIC is considered one of the most important indicators of whether a company create shareholder value.

### EBIT-margin



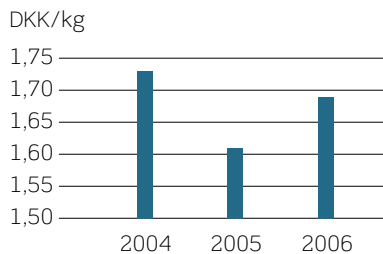
EBIT-margin shows how efficient BioMar is run

### EBIT



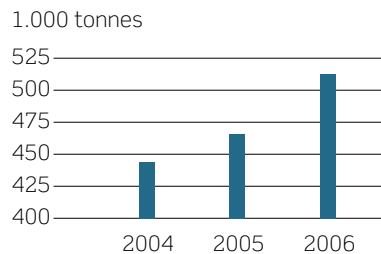
EBIT is important because it constitutes an important part of ROIC, where ROIC is defined as EBIT divided by invested capital.

### Gross profit per kilo



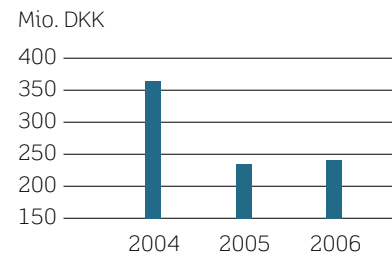
Gross profit per kilo is very important because it is a key driver of EBIT.

### Volume



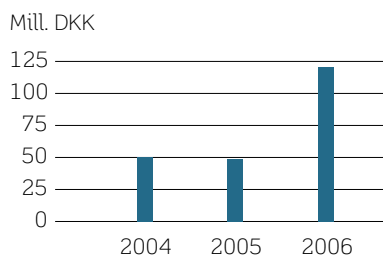
Volume sold is important because it is another key driver of EBIT.

### Cash flow before financing



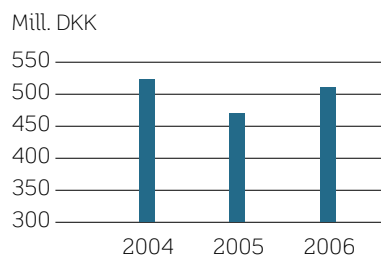
High cash flow from existing operations will enable investments to make acquisitions

### Purchase of tangible fixed assets



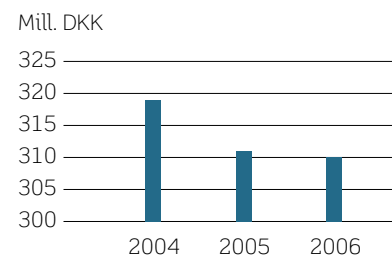
Growth will partly be driven by capital expenditure.

### Receivables



Receivables is a key driver of net working capital that again is an important part of cash flow.

### Fixed Cost



To build the foundation for growth we will build functional expertise within areas such as Business Development etc. as a consequence fixed cost will increase.

# Aquaculture - a growth industry

## Fish is healthy and trendy

It's become trendy to eat fish in recent years, thanks to its reputation for being healthy and an important part of low-fat diets. Fish restaurants all over the world are experiencing rapid growth as a result.

## Fish is a vital source of protein

Fish is a vital source of protein, and represents around 5% of protein intake in the EU and USA. However, it is a significantly smaller source of protein than others, as can be seen below.

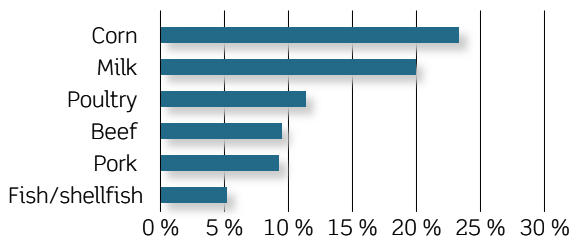
In recent years, fish and shellfish have begun to increase in significance as a source of protein, due partly to the health-related benefits they give thanks to their content of Omega 3 fatty acids, vitamin D, iodine and selenium.

## Aquaculture provides efficient production of proteins for humans

Aquaculture is a very efficient way of manufacturing proteins for human nutrition for several reasons, including:

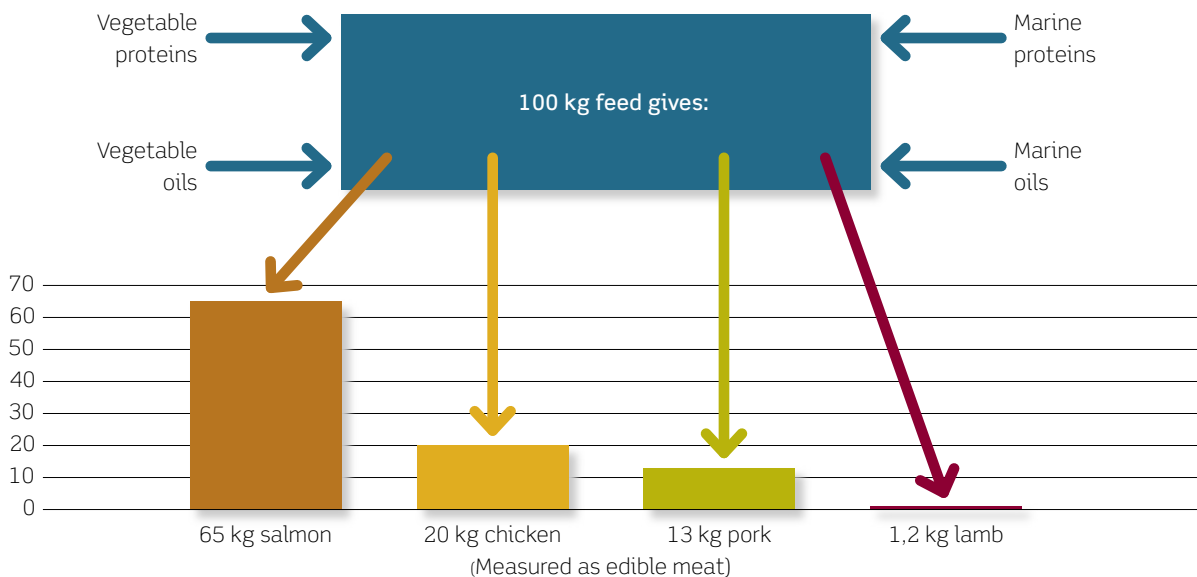
- **A low Feed Conversion Ratio.** The feed conversion ratio is defined as the amount of feed needed to produce a kilo of fish. The ratio is relatively low in the aquaculture industry, e.g. for salmon and trout

Breakdown of nutrition by protein sources



Source: FAO and Kontali (Protein intake in the 15 EU countries and the USA in 2002)

## Efficient production of proteins



Source: Kontali



it is around 1.0-1.2 - i.e., an average of around 11 kg feed to produce 10 kg of fish. Please note that the ratio varies from species to species and farmer to farmer.

- **Efficient energy use.** Farming in water means that fish use less energy to counter the effects of gravity than animals that breed on the land. Fish are also heat-adaptable animals, which is why they

do not use energy to regulate their own temperature, but can adapt efficiently to the water temperature.

- **High yield.** As there is a relatively high amount of meat and relatively little bone and fins in fish, the yield in relation to weight is high; this is in contrast to farm animals where the yield of edible meat is sharply reduced by bones, hooves, coat, feathers etc.

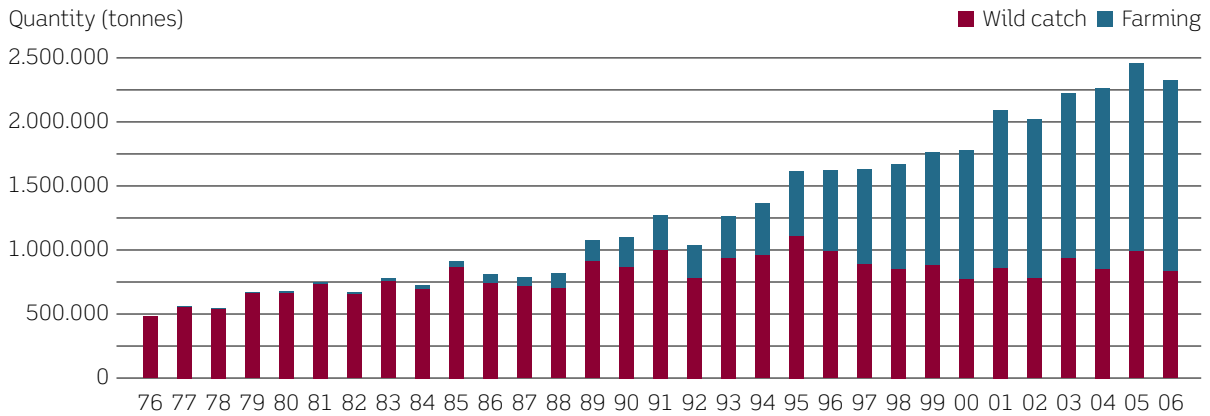
#### **The aquaculture industry in growth**

Aquaculture is an industry on the way up. And this escalation is due to a range of circumstances such as:

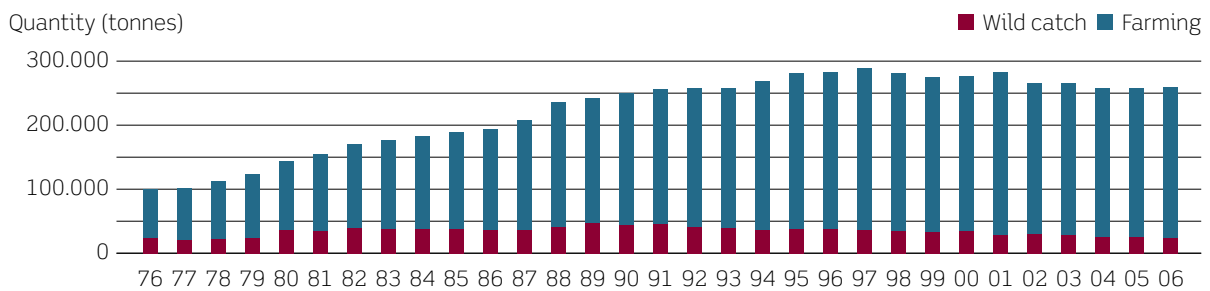
- **Stable supplies.** Supplies of farmed fish are stable and predictable, in sharp contrast to those of wild catch fish, where supplies are affected by such aspects as weather and quotas. The predictability of



### Global wild catch and farming of salmonids



### Global wild catch and farming of freshwater trout



supplies is vital for major buyers of fish, such as restaurants and the catering industry.

- **Quotas for wild catch fish.** Quotas have been imposed on catching various species of fish in different areas. This is because stocks of several species have fallen below the level at which reproduction can naturally counterbalance catches. The catch of many wild species has consequently been sharply reduced over the many years, and demand for fish cannot be catered for from wild sources.

- **Aquaculture replacing wild catch fish.** As demand for fish cannot be adequately met by wild catch fish, the aquaculture industry makes up market needs. The illustrations above and on the opposite page shows how farming has replaced wild catch fish within a range of different species.

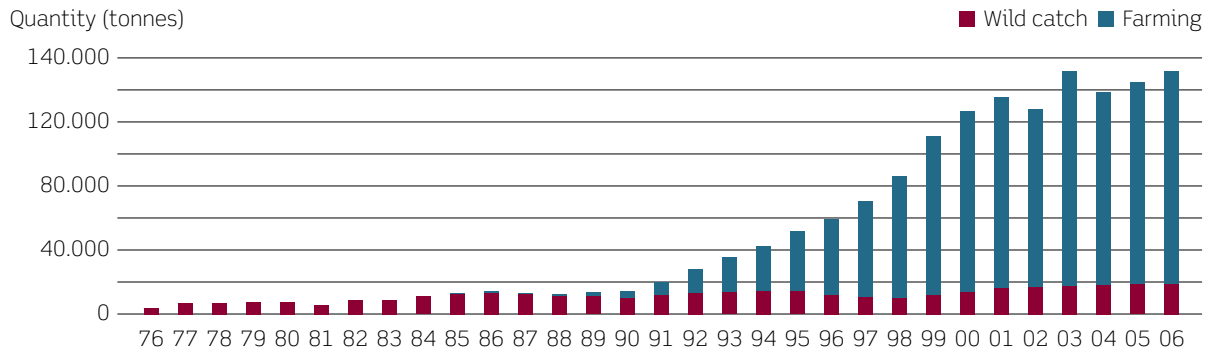
*Farmed salmon* (incl. Pacific salmon and trout) represented less than 10% of the global catch 20 years ago, whereas they now account for over 60% of the salmon market. During this period, wild catch salmon has stagnated, and growth has been achieved by farming salmon, reaching a volume of around 1,500,000 tons.

The farming of *freshwater trout* has been common since the early 1950s, yet the total volume in 2006 was still less than 250,000 tons.

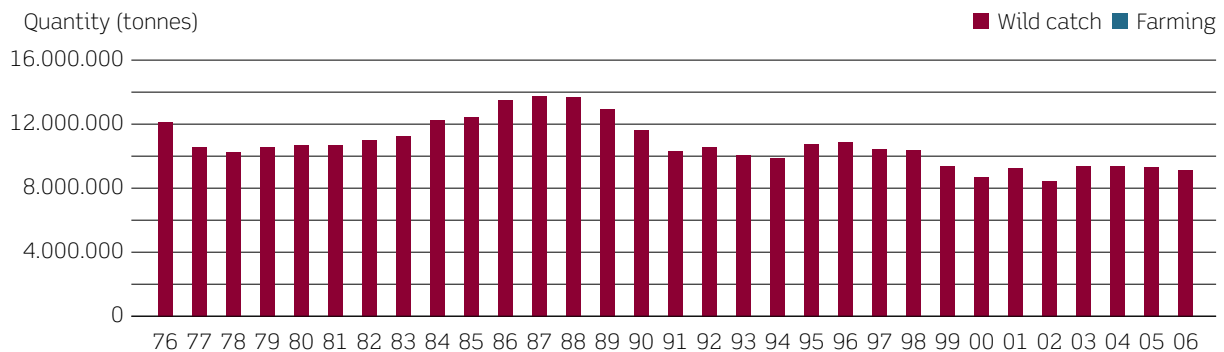
Farming of *sea-bass* and *sea-bream* has become commercialised over the last 15 years, with volume exceeding 100,000 tons in 2006.

Many fish farming companies are investing heavily in the commercialisation of farmed *cod*. However, farmed cod only accounted for an insignificant part of the very large market for wild catch cod species in 2006, which was around 10,000,000 tons.

### Global wild catch and farming of sea-bass and sea-bream



### Global wild catch and farming of cod

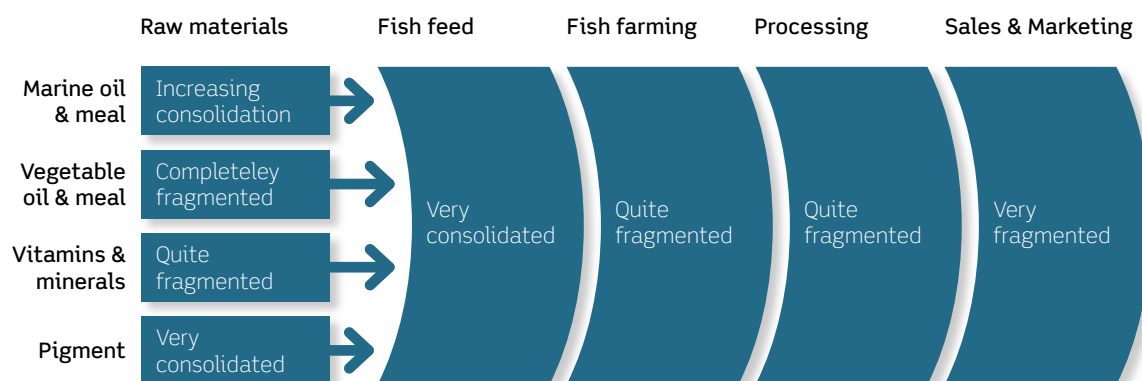


Source: FAO og BioMar

## Brief facts on aquaculture – efficient production with a lot of potential

- 70% of the surface of the world is water - there is massive unexploited potential in aquaculture.
- Within industrialised aquaculture, Norway and Chile are the 2 biggest producers in the world, with combined production of around 600,000 tons fish per year.
- The fjords of these two countries enable efficient use of deep water for fish farming. The nets used for fish farming are on average 20 metres deep.
- Around 900 concessions have been granted in Norway for salmon and trout farming. Each concession has an average volume of 10,000 m<sup>3</sup>. 9 million m<sup>3</sup> is therefore used by Norwegian fish farmers.
- Annual farming output in Norway can be produced within an area of 450,000 m<sup>2</sup>. This is equivalent to a square of less than 700 x 700 metres, corresponding to around 65 football pitches. A very small area for annual production of around 600,000 tons!

## BioMar's value chain



### The value chain

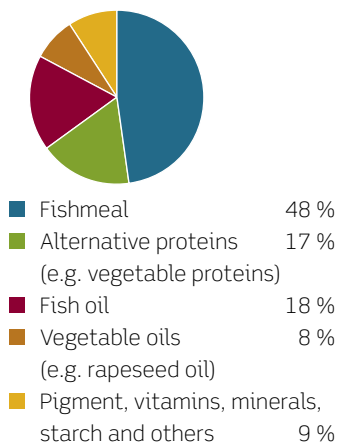
Production of fish feed is part of a value chain, which includes raw materials, production of fish feed, fish farming, processing, sales and marketing.

### Raw materials

#### - major price fluctuations

BioMar uses a wide range of raw materials for the production of optimum fish feed. Pictures of the main raw materials are shown on the inside back cover of this report. Costs for the various types of raw materials breakdown roughly as shown below.

### Breakdown of costs



Traditionally, the most important raw materials have been marine by-products (fish meal and oil). Marine raw materials are derived from the small-boned pelagic fish species which are rarely used for human consumption. Further raw materials come from parting fish used for human consumption.

Marine raw materials represent around 66% of total raw material costs. Increasing consolidation is occurring amongst suppliers of marine raw materials, primarily based in Peru, Chile, Denmark, Norway and Iceland.

One of BioMar's long-term aims is to have the most flexible selection of raw materials in order to, at any time, to deliver products with the best performance. By using alternative raw materials like e.g. vegetable proteins and oils the dependency of marine raw materials is reduced, and the sustainable development of the aquaculture industry is supported. Many resources are used and we have succeeded in reducing the content of marine raw materials in our fish feed without affecting fish growth and health, feed performance or - most important - quality.

Alternative raw materials like e.g. vegetable proteins and oils today

account for around 25 % of the raw material costs.

Fish derive pigment in nature mainly from eating animal plankton and invertebrates as they cannot produce pigment themselves. Feed for salmon, coho and trout includes varying amounts of pigment to ensure the red colour of the flesh. The pigment is synthetically produced but is chemically identical with naturally-occurring pigment.

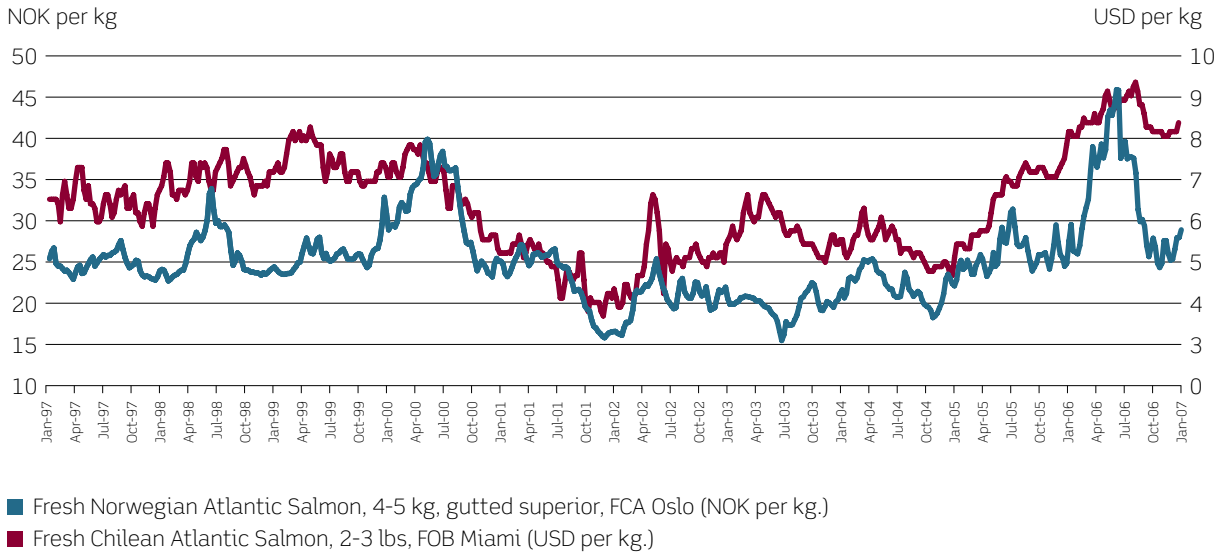
There are some suppliers of synthetic pigment in the world.

Vitamins, minerals and starch are also added.

### Farming - a cyclic industry

BioMar's customers are fish farmers and in Norway, the UK and Chile our feed is primarily used for farming salmon, whilst in the rest of Europe they are primarily used for freshwater trout, sea-bass and sea-bream. Salmon farming in Norway, the UK and Chile, plus sea-bass and sea-bream in the Mediterranean takes place at sea, whilst farming of freshwater trout uses traditional fish ponds. The BioMar group supplies feed to around 50 countries and for more than 25 different fish species, which in addition to the above include cod, eel,

**Salmon prices (1997-2006)**



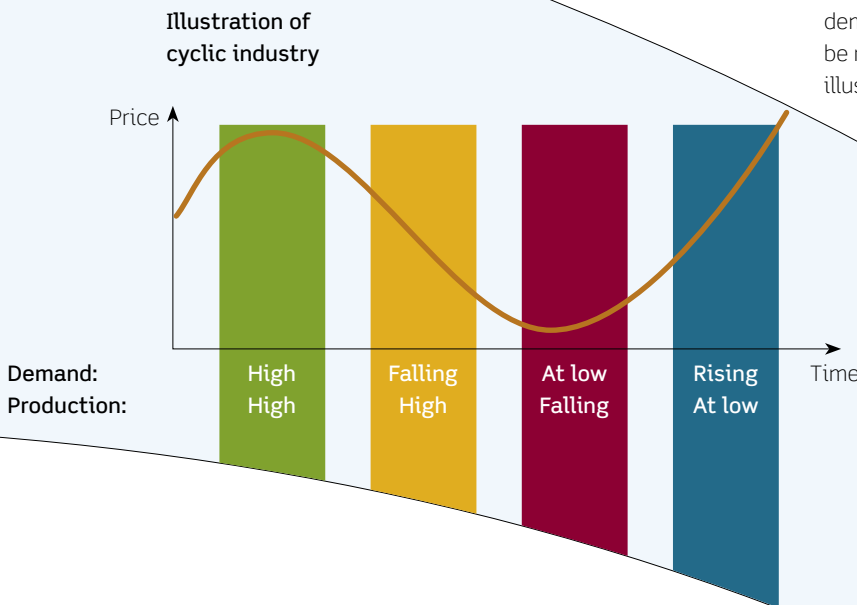
turbot, halibut, sturgeon, etc. Over the years, there have been major fluctuations in the prices paid to farmers for the fish they sell.

Salmon price fluctuations are illustrated above. Salmon feed represents 76% of BioMar's volume sold in 2006.

The huge fluctuations is due to the lack of balance between supply and demand which often occur because fish farming is basically a biological production process, which makes short term adjustment of fish supply difficult. For example, it takes approx. 6-9 months to breed a small salmon of around 100 grams (smolt). The smolt is released into the sea nets and after around 14-18 months harvested with a weight of

4 kg or more. The supply of salmon is thus determined 18-24 months in advance. Production and release of smolt is not necessarily based on projected demand, and demand cannot always be predicted with accuracy. For instance, it can be affected by new regulations, consumer and retail perceptions of food safety, and by any one of the general economic factors, such as developments within the catering and restaurant industries, which account for a large part of the demand.

Due to the discrepancy between demand and supply, fish farming can be regarded as a cyclic industry, as illustrated below.



### Price development of Fish oil and meal (1997-2006)



#### Fish feed – stable link in the value chain

Despite the cyclic nature of fish farming, sales of fish feed are not correspondingly cyclic. This is because BioMar's gross profit is not significantly affected by short term and minor changes to fish prices. Extended periods of low fish prices and poor profitability can however affect our customers' ability to service debt and their solidity, causing BioMar's credit risk to increase. Furthermore, our customers' ability to finance operations and growth can also be negatively affected.

#### The balance between sourcing of raw materials and selling feed

BioMar's ability to strike a balance between sourcing of raw materials and selling feed is thus vital to gross profit per ton. The balance between sourcing and use must be seen in relation to the availability of raw materials and their price.

- **The balance with regards to availability.** The fish used for marine raw materials are usually subject to quota, and caught in

limited periods. Availability of marine raw materials is thus unevenly spread through the year.

- **The balance with regards to prices.** BioMar tries to strike a balance between the price of raw materials and sales prices by regulating list prices and building-in price regulation mechanisms into major contracts. In our Continental Europe region, standard price lists are used to a wide extent, traditionally adjusted in relation to fluctuations in raw material prices. In the North Sea and Americas regions, individual contracts with major customers are common. Individual contracts are typically for a period of 1 to 2 years, but often include price regulation mechanisms that lead to price adjustment every 3 months for example. BioMar tries to minimise its exposure to fluctuations in raw material prices by setting the purchase price at the same time as the price to customers is set. By doing so, we can reduce our exposure to fluctuations in raw material prices by linking them wholly or partly to the sales price in customer contracts.

Furthermore, BioMar focuses strategically on reducing dependence on marine raw materials by continuing its efforts within Research & Development, where one of our central aims is substitution of marine ingredients by alternatives, such as vegetable proteins and oils.

Gross profit per ton is to a large degree governed by our ability to achieve a balance between purchase of raw materials and sales of feed. The gross profit we earn per ton is vital to the profitability of the BioMar Group, and is used instead of gross margin (in %), as the latter is affected by fluctuations in raw material prices without affecting BioMar's profitability - all things being equal. For example; if the price of raw materials rises and is passed on to our customers, BioMar's turnover will increase, but the gross profit will remain unchanged whilst gross margin (in %) will fall. Rising raw material prices will result in lower gross margins (in %), but not necessarily affect our gross profit per ton - and BioMar's underlying profitability.



# Description of the competitive situation

BioMar is the world's third largest producer of feed for the aquaculture industry, with a market share of approx. 18% of the markets we address.

The largest producer - Skretting - has a market share of approx. 32% and is a subsidiary of Nutreco, a listed Dutch company. Nutreco also produces feed for other animals, such as pigs, cattle, poultry, horses, sheep and pets. Skretting is active on all the major markets where industrial aquaculture takes place, including those in North America, Asia and Australia. The second largest producer - EWOS - has a market share of approx. 24% and is a subsidiary of Cermaq, a listed Norwegian company. Cermaq also owns Mainstream, one of the world's biggest fish farming companies. EWOS is only active on the salmon-producing markets in Norway, the UK, North America and Chile. The fourth largest producer is Provimi, a listed French company which also produces feed for other animals, such as pigs, cattle, poultry, horses, sheep and pets. Aquaculture only accounts for a minor part of the company's activities

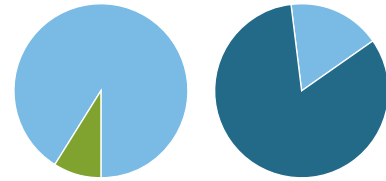
and is spread across various markets, primarily in Chile, Denmark and Spain.

These 4 largest suppliers have a combined market share of approx. 80% of the overall market we address. The other producers are primarily active within limited national or regional areas.

The structure of the various markets we are active in vary enormously. The next few pages contain a review of each of the 3 regions in the BioMar group and as an example of the difference between markets, the consolidation of each region is shown in the form of market share for the 4 biggest producers along with BioMar's estimated market share.

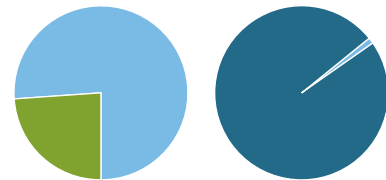
Despite the relative consolidation of the feed producers' link in the value chain - in relation to the suppliers of raw materials and fish farmers - competition is intense between them. BioMar's strategic response is continued focus on Research & Development. Pressure on BioMar's margins from competition can be reduced in the long term by improving product performance and

**BioMar's market share and combined market share of the 4 largest producers**



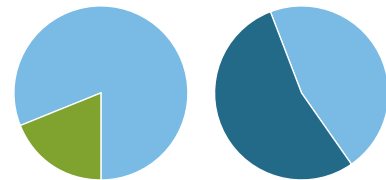
**Region Americas**

■ BioMar market share: approx. 9 %  
■ Combined market share of the 4 largest producers: approx. 83 %



**Region North Sea**

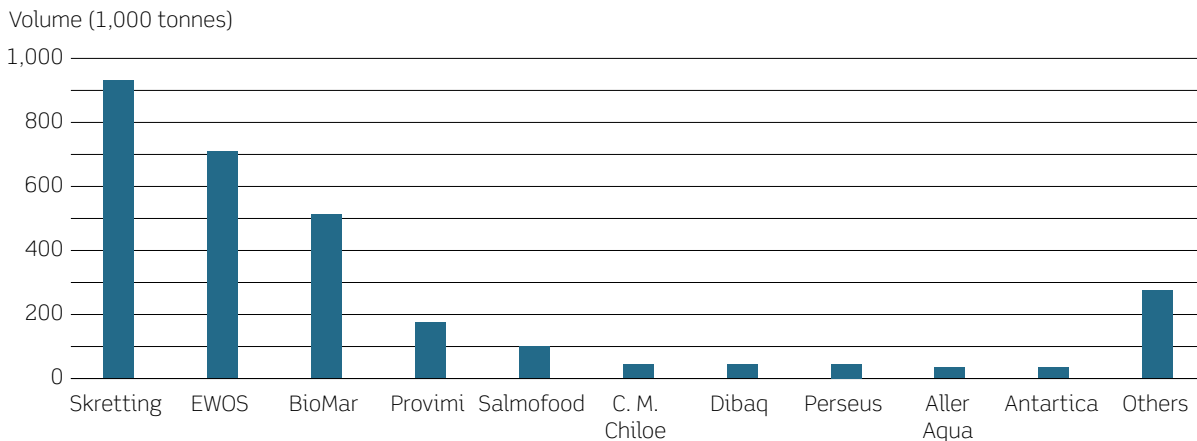
■ BioMar market share: approx. 24 %  
■ Combined market share of the 4 largest producers: approx. 99 %



**Region Continental Europe**

■ BioMar market share: approx. 19 %  
■ Combined market share of the 4 largest producers: approx. 54 %

**Volume of feed producing companies in markets addressed by BioMar**



Source: BioMar





Mogens Stentebjerg, BioMar Group CFO, dining a dish with turbot. Turbot farming often takes place in large recirculation facilities in the West Mediterranean area. Turbot feed is a fast-growing niche in which BioMar has established a strong position.

recipe optimisation to achieve higher gross profit per ton. Please see the explanatory comments in “Research & Development”. The 3 biggest producers allocate more resources to Research & Development every year - resources the minor producers do not have. The 3 major producers are thus constantly increasing their lead with regard to feed performance and use of more cost-effective raw material compositions.

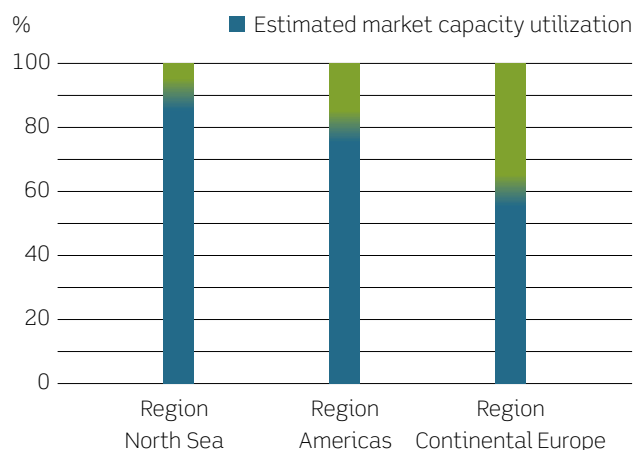
The high costs of Research & Development represent a high barrier to entry into the industry which will get higher each year, as feed performance is constantly improved.

Seasonally adjusted capacity utilisation in the region shows how much of production capacity for the whole region is used in relation to BioMar’s estimates. Seasonally adjusted capacity utilisation is highly significant when there is intense competition in the market. Low capacity utilisation can often lead to pressure on prices and margins in a given market. Seasonally adjusted capacity utilisation is relatively low in the Continental

Europe region, as illustrated below. This applies even more pressure to the minor producers and on some markets can lead to the need for consolidation in the course of the next few years. Capacity is generally expanded (or reduced) by one factory or one production line at a time, i.e. capacity will typically be adjusted in

relatively large jumps. If one producer on a given market expands capacity, it can have a relatively large impact on that of the rest of the industry, which in turn can have a major impact on the competitive situation.

Estimated seasonally adjusted market capacity utilization



Source: BioMar

# BioMar North Sea

## Production locations

The North Sea region includes BioMar's factory in Scotland and two in Norway.

## Regional markets

BioMar's largest markets in the region are Norway and the UK, plus minor markets in Ireland and the Faeroe Islands.

## Fish species in the region

The major fish species in the region for which BioMar produces feed are Atlantic salmon and trout. We also produce feed for the fast-growing new species such as halibut and cod.

## Fish price trends

In geographical terms, Norway is close to the main EU market and the important Russian market. Norwegian salmon and trout are primarily sold fresh and whole for processing in countries within the EU.

The majority of Scots production goes to the domestic market in the UK, where the industry has managed to position its products as high quality. The British retail industry is often regarded as one of the best-developed in Europe, which is why UK farmers concentrate increasingly on niche segments, such as cod and organic fish farming.

The price for salmon and trout in 2006 was exceptionally good compared to 2005 and the farmers' production costs. Profitability and financial position amongst most of the farmers has therefore been exceptionally good.

## Biological conditions for farming

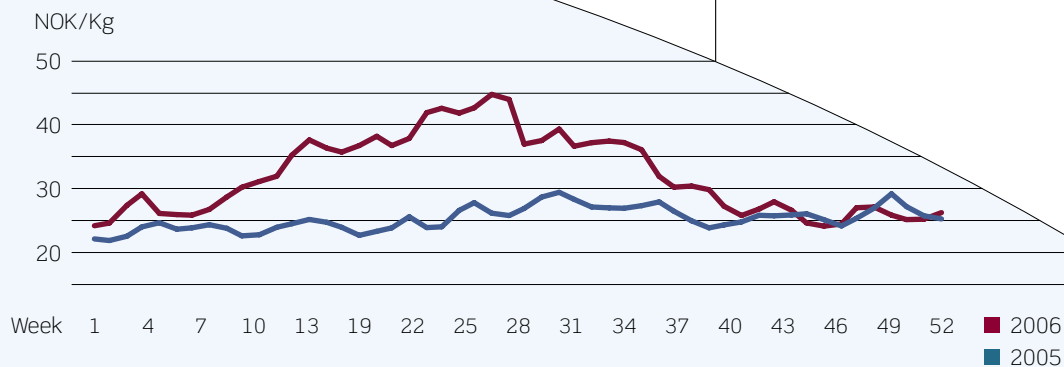
Atlantic salmon is the primary fish farmed in Norway and the UK, with trout to a lesser extent in the Norwegian and Scottish fjords, the Shetland- and Orkney islands. The biological conditions for farming salmon, trout and cod are particularly good here, as the deepwater fjords are ideal for these types of fish. Optimum water temperature for intake of feed and growth for salmon and trout is around 12-15 degrees Celsius, and a little lower for cod, at around 6-12 degrees.

The water temperatures in the region can generally be categorised as good, but not optimum, as summer temperatures can be too high and winter/spring too low for salmon and trout. The water temperature is often too warm for cod in the summer, with the exception of the northern part of Norway.

It takes an average of 16-18 months from releasing Atlantic salmon and trout in a fish farm until they reach a typical harvesting weight of 4-6 kg. The feed conversion ratio (the number of kilos of feed needed to produce one kilo of fish) is typically 1.0-1.2.

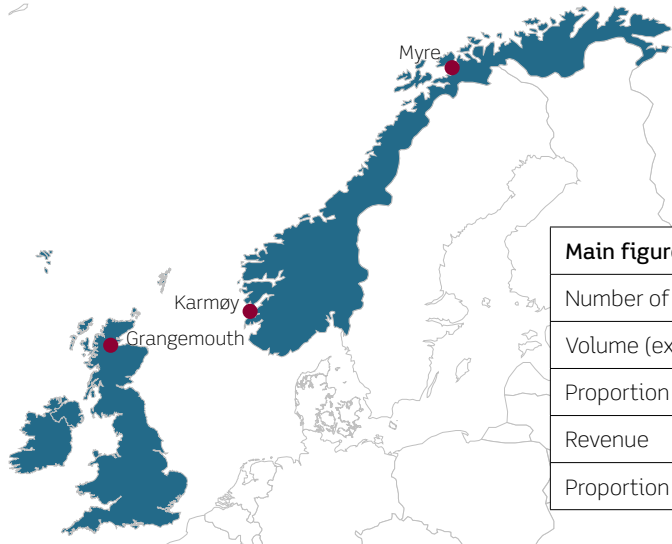
It takes an average of 18-24 months from releasing cod in a fish farm until they reach a typical harvesting weight of 3-3.5 kg. The feed conversion ratio is typically 1.1-1.3.

## Fish prices Atlantic Salmon from Norway



Source: Kontali/FHL

Fresh Norwegian Atlantic Salmon, 4-5 kg, gutted superior, FCA Oslo (NOK per kg)



Main figures for BioMar North Sea	
Number of employees	188
Volume (external sales)	290,034 tonnes
Proportion of group volume in 2006	56 %
Revenue	1,917 mill. DKK
Proportion of group revenue in 2006	58 %

**Industry structure amongst farmers**

Significant consolidation has been a feature of recent years amongst the fish farming companies, and is a trend expected to continue. There are over 200 companies in Norway, of which 140 account for 2/3rds of production. Major consolidation has taken place in the UK, resulting in only around 15 companies left on the market.

**Customer concentration**

The 5 biggest customers supplied from the two factories in Norway and the one in the UK account for approx. 55 % and 90 % of volume respectively.

**Capacity utilisation amongst feed producers**

Seasonally adjusted capacity utilisation is estimated to be around 90 % in 2006, with the highest degree of utilisation on the Norwegian market. Capacity is expected to be expanded in 2007 to an extent equivalent to expected market growth.

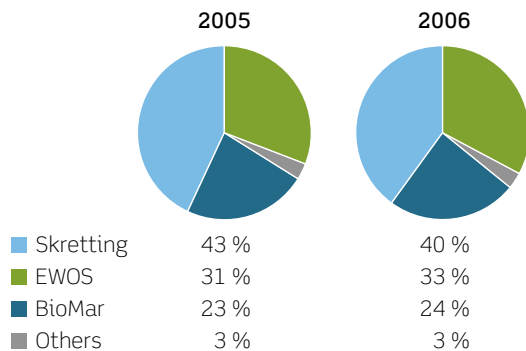
**Market growth**

Growth in feed consumption in the region was approx. 8 % in 2006, with growth between 5-8 % expected in 2007. The highest growth is expected in Norway.

**Market share and size**

The market for fish feed in the region is relatively consolidated, with Skretting, EWOS and BioMar as the major suppliers. The 4 biggest suppliers have a combined market share of approx. 99 %.

*Estimated market size  
1,250,000 tonnes 2006.*



# BioMar Americas

## Production locations

BioMar's Americas region includes two factories in Chile.

## Regional markets

BioMar's largest market in the region is Chile itself, with export sales to China.

## Fish species in the region

The major fish species in the region which BioMar produces feed for, are atlantic salmon, coho and trout, plus to a lesser extent turbot.

## Fish price trends

Chilean fish farming companies are generally perceived as being very market-oriented with focus on meeting market demand in large scale. The Chilean aquaculture industry has therefore built up a strong market position in the form of fresh fillets, flown to the USA, and the very popular red Pacific salmon and trout for the Japanese sushi industry. The price for salmon and trout in 2006 was exceptionally good compared to 2005 and farmers' production costs. Profitability and financial position amongst the farmers is therefore generally exceptionally good.

## Biological conditions for farming

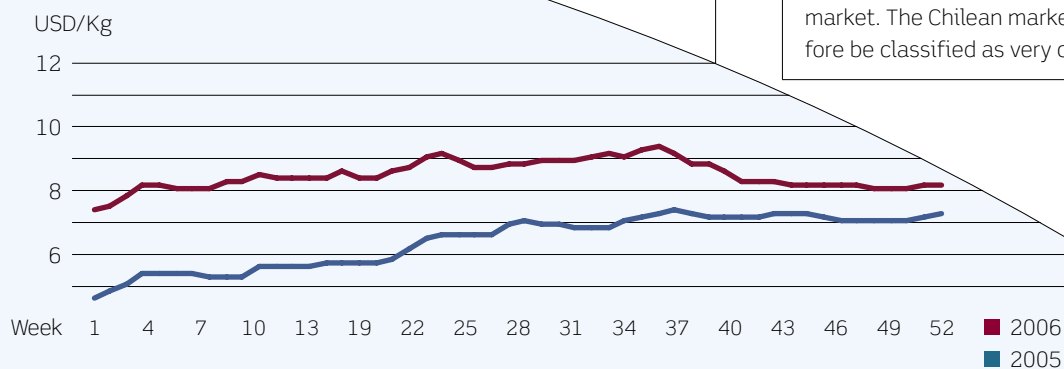
In Chile, the primary species are atlantic salmon, pacific coho salmon and trout. The biological conditions are very good for farming salmon, with sheltered areas and significant tidewater which provide healthy conditions for the fish. Water temperature in the fjords are relatively stable all year round at approx. 12-15 degrees Celsius - the optimum for farming salmon. And due to the excellent biological conditions, a generally low level of wages and low logistics costs for the purchasing of marine raw materials, the total costs for production of salmon in Chile are the lowest in the world.

It takes an average of 14-16 months from releasing Atlantic salmon and trout in a fish farm until they reach a typical harvesting weight of 4-5 kg. The feed conversion ratio (the number of kilos of feed needed to produce one kilo of fish) is typically 1.0-1.2.

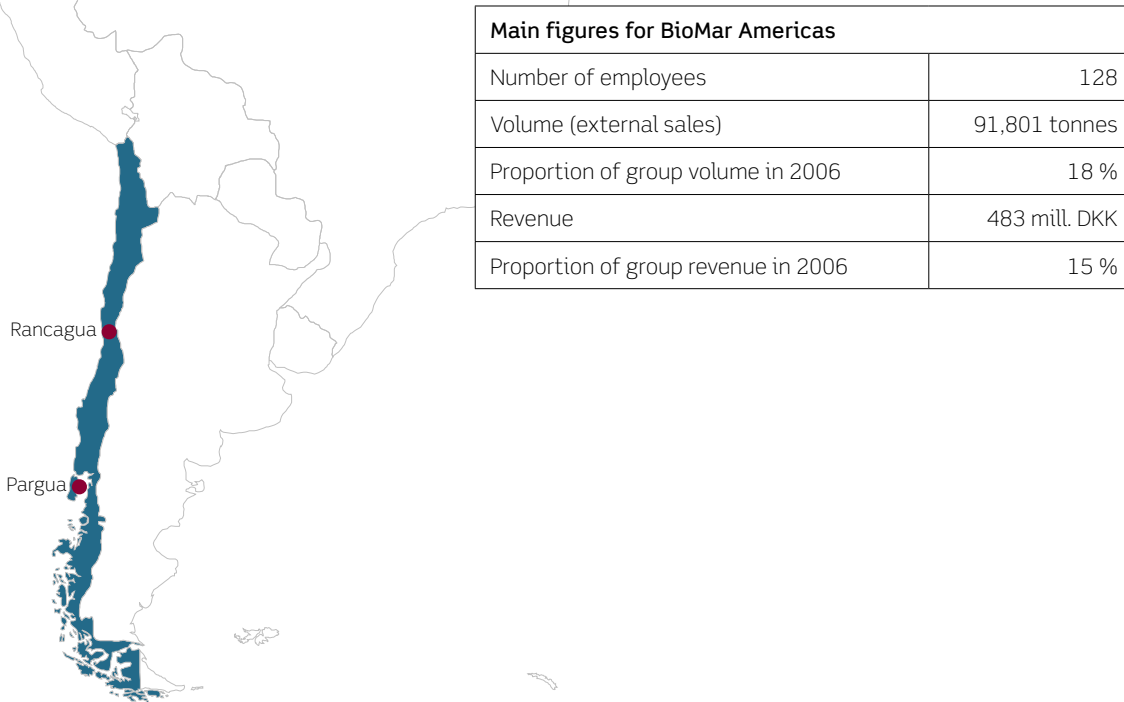
## Industry structure amongst farmers

Chilean farming is often performed by large companies, which integrate the entire process from farming, through processing to sales and marketing. There are around 20 companies running fish farming operations in Chile, of which 10 account for approx. 80% of the total market. The Chilean market can therefore be classified as very consolidated.

**Fish prices**  
**Salmon from Chile**



Source: Kontali/Urner Barry  
Fresh Chilean Atlantic salmon, 2-3 lbs, FOB Miami (USD per kg)



### Capacity utilisation amongst feed producers

Seasonally adjusted capacity utilisation was estimated to be around 80% in 2006. A slight expansion ahead of projected market growth is expected for 2007.

### Customer concentration

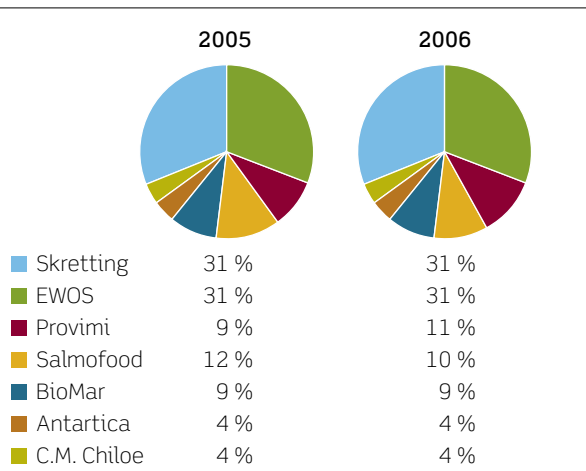
The 5 biggest customers supplied from the two factories in Chile account for approx. 83 % of the volume.

### Market growth

Growth in feed consumption in the region was approx. 12 % in 2006, with growth between 10-15 % expected in 2007.

### Market share and size

The Chilean market for feed is dominated by Skretting and EWOS, each with a market share of over 30 %, whilst Salmofood, Provimi (incl. their joint venture with AquaChile) and BioMar each have a market share of approx. 10 %. 3 farming companies also produce their own feed and another has announced plans to start its own feed production. Seasonally adjusted capacity utilisation in recent years has been between 60 and 80 % despite high market growth. This is because capacity has been constantly expanded. The structure of the market means that gross profit per ton is relatively low in Chile. The 4 biggest suppliers have a combined market share of approx. 83 %.



Estimated market size 1,000,000 tonnes 2006.

# BioMar Continental Europe

## Production locations

BioMar's three factories located in Denmark, France and Greece are part of the Continental Europe region.

## Fish species in the region

The major fish species in the region for which BioMar produces feed are freshwater trout, sea-bass and sea-bream.

We also produce feed for many other species, including perch, pohan, turbot, red drum, pike-perch, sturgeon, sole and eel.

## Regional markets

BioMar's biggest markets in the region are Denmark, Finland, France, Greece, Italy, Poland, Spain, Sweden, Turkey and Germany.

The region also services other markets in Australia, Bosnia-Herzegovina, Bulgaria, Czech Republic, Estonia, Iran, Israel, Korea, Kosovo, Croatia, Latvia, Lithuania, Macedonia, Morocco, Mauritius, Romania, Russia, Switzerland, Slovakia, Slovenia, Taiwan, Tunisia and Austria.

## Biological conditions for farming

The biological conditions for farming vary significantly from area to area in the region.

Around the Mediterranean, sea-bass and sea-bream are primarily farmed along the coasts and on the many islands in the area. Fish farming in the Mediterranean has become highly industrialised over the last 10 years. Sea-bass and sea-bream generally prefer a water temperature of around 25 degrees. The water temperature in the Mediterranean is colder in the winter and spring, which is why feed sales are generally lower in this period. It takes 16-18 months on average from when sea-bass and sea-bream are released until they achieve a harvesting weight of approx. 400 gram. The feed conversion ratio (the number of kilos of feed needed to produce one kilo of fish) is typically 1.8-2.2.

Freshwater trout are primarily farmed in the northern, western and eastern market areas in fish ponds and recirculation ponds on land, plus trout in sea farms. There are decades of tradition in several countries of fish farming in fish ponds, which has traditionally taken place where supplies of fresh water could be found - such as springs or rivers. Over the years, the environmental demands applied to fish ponds have been tightened considerably, causing costs to rise significantly.

BioMar's feed is constantly developed to meet environmental standards for fish ponds and recirculation systems by low emission of nitrogen and phosphates for example.

Trout prefer a water temperature of around 12-15 degrees Celsius, and since it can be lower in the winter and spring, feed sales are generally lower during these times. It takes 16-18 months on average for freshwater trout to reach a harvesting weight of around 400 gram. The feed conversion ratio is typically 1.0-1.2.

## Fish price trends

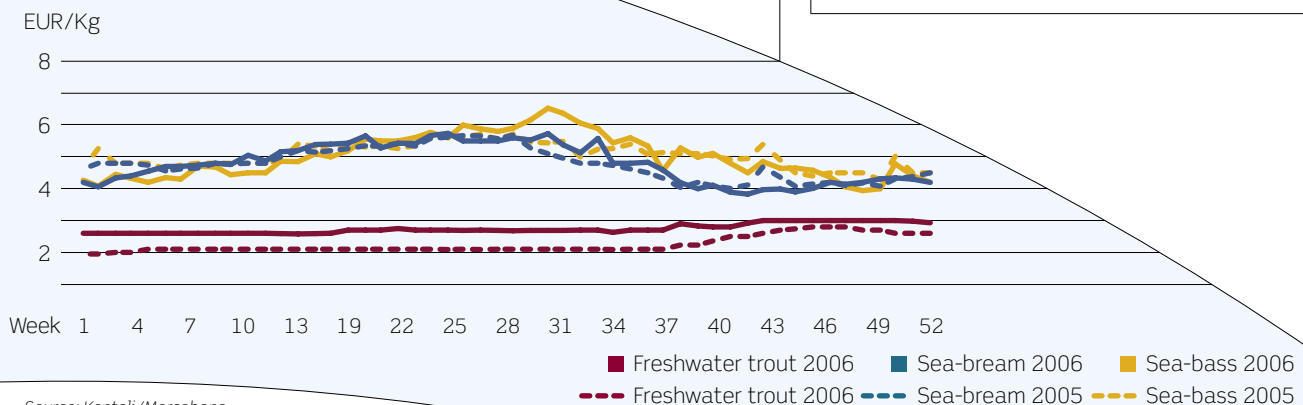
Sea-bass and sea-bream are primarily sold to the markets around the Mediterranean, including Italy, Spain, Greece, Turkey and France.

Freshwater trout are primarily sold as fresh fish, with a growing proportion processed into products such as smoked trout. Primary markets are Germany, France, Italy and Spain.

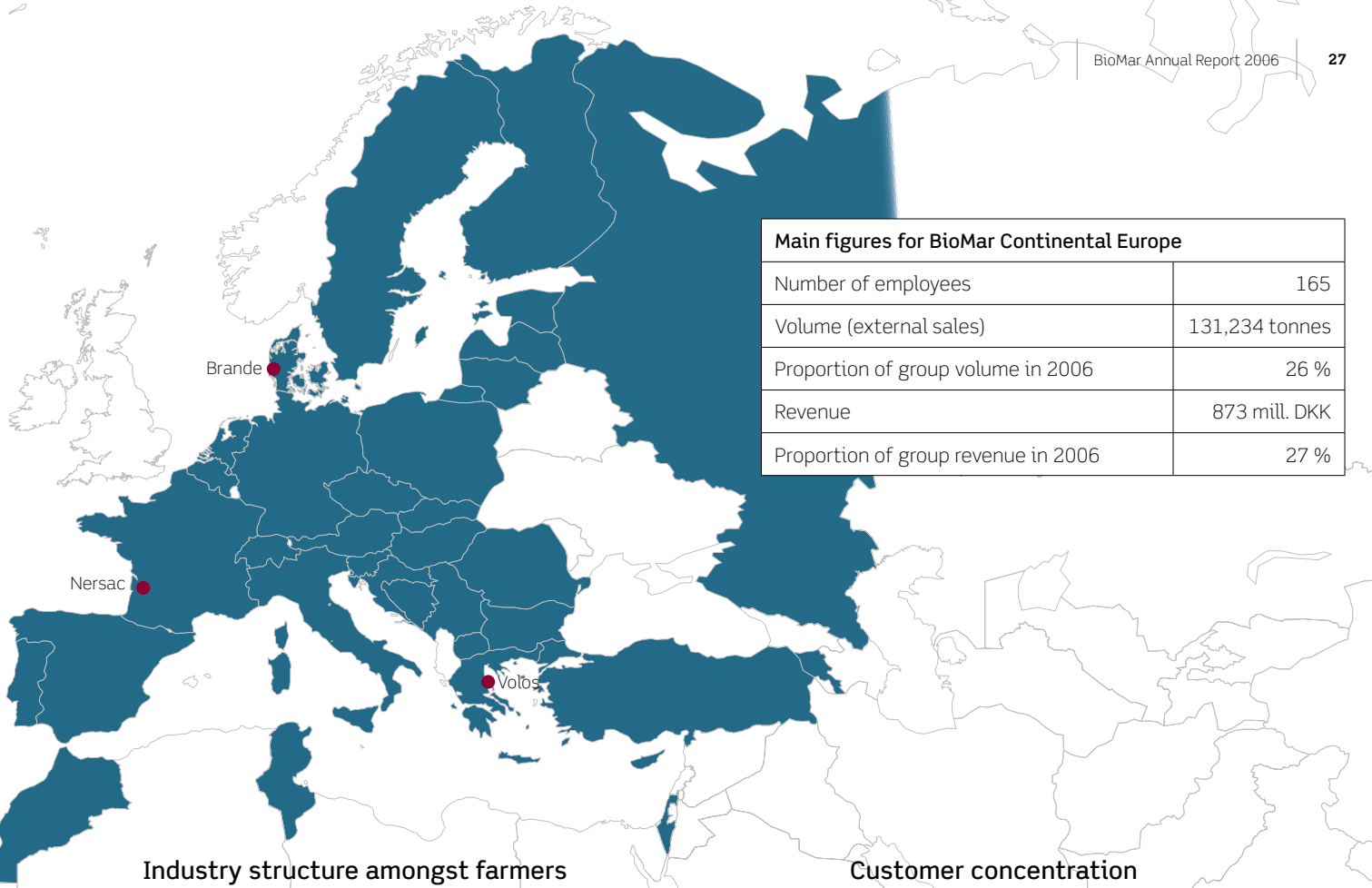
The prices of freshwater trout, sea-bass and sea-bream have generally been higher in 2006 compared to the preceding year.

Fish prices have generally been satisfactory in relation to the farmers' production costs. Profitability and financial position amongst the majority of farmers has therefore been reasonable, even though there have been major variations from one market area to another and between companies.

## Fish prices Freshwater trout, sea-bream and sea-bass



Source: Kontali/Mercabana



Main figures for BioMar Continental Europe	
Number of employees	165
Volume (external sales)	131,234 tonnes
Proportion of group volume in 2006	26 %
Revenue	873 mill. DKK
Proportion of group revenue in 2006	27 %

### Industry structure amongst farmers

The industry structure amongst farmers varies greatly from one area to another in the region.

The major part of the Eastern Mediterranean market is dominated by large farms and can therefore be classified as partly consolidated.

There are several hundred farmers in the northern, western and eastern market areas, of which most are small scale. The market can therefore be classified as very fragmented.

### Customer concentration

The 5 biggest customers supplied from the factories in Denmark, France and Greece account for approx. 30 %, 38 % and 54 % of volume in the factories respectively.

### Capacity utilisation amongst feed producers

Seasonally adjusted capacity utilisation was estimated to be around 60 % in 2006. Capacity will continue to be expanded in the eastern end of the Mediterranean, where market growth is the highest.

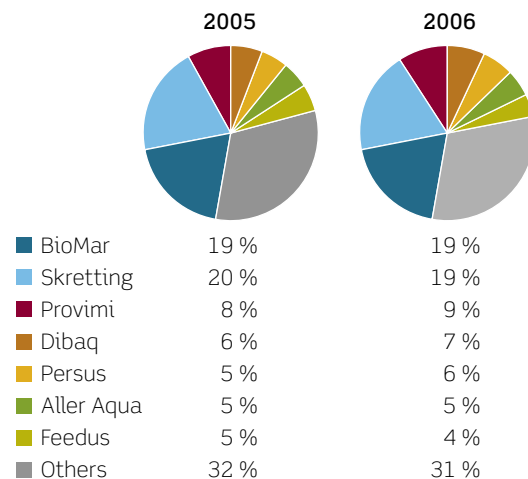
### Market growth

Growth in feed consumption in the region was approx. 3 % in 2006, with growth between 2-5 % expected in 2007. The highest growth is expected in the Mediterranean area.

### Market share and size

BioMar and Skretting are the two biggest vendors in the region. BioMar has a strong market position in the northern part of the area, whilst Skretting dominates the western part. The area around the Mediterranean is much more fragmented, with over 20 producers. Several farmers have their own feed production. The 4 biggest suppliers have a combined market share of approx. 54 %.

Estimated market size  
675,000 tonnes 2006.



# Research & Development

BioMar intends to be recognised as an innovative company supplying competitively priced products and related technical services to its customers through Research & Development. BioMar invests around 4 % value-added on Research & Development, a proportion expected to be increased over the next few years. This is expected to boost BioMar's competitiveness and support sustainable development of the aquaculture industry.

Our overall goal is for Research & Development to achieve:

## • Improved product performance.

BioMar constantly seeks to improve the economics of fish farming by improving product performance. Feed costs often account for 50-60 % of the production cost of fish, which is why feed performance is a major competitive parameter for BioMar. The feed conversion ratio, defined as the amount of feed needed to produce a kilo of fish, is a major aspect of feed performance. We also put a lot of emphasis on the fish being able to 'like' the feed (e.g. measured as rate of growth), its effect on the environment, fish quality and health, improved technical aspects (e.g. sinking speed and how much the pellets crumble).

## • Recipe optimisation.

Recipe optimisation is closely related to product performance, as it can improve performance in relation to raw material costs. As around 75 % of the feed price stems from raw material costs, recipe optimisation plays a major role in achieving the most cost-effective raw material composition. Testing and implementation of

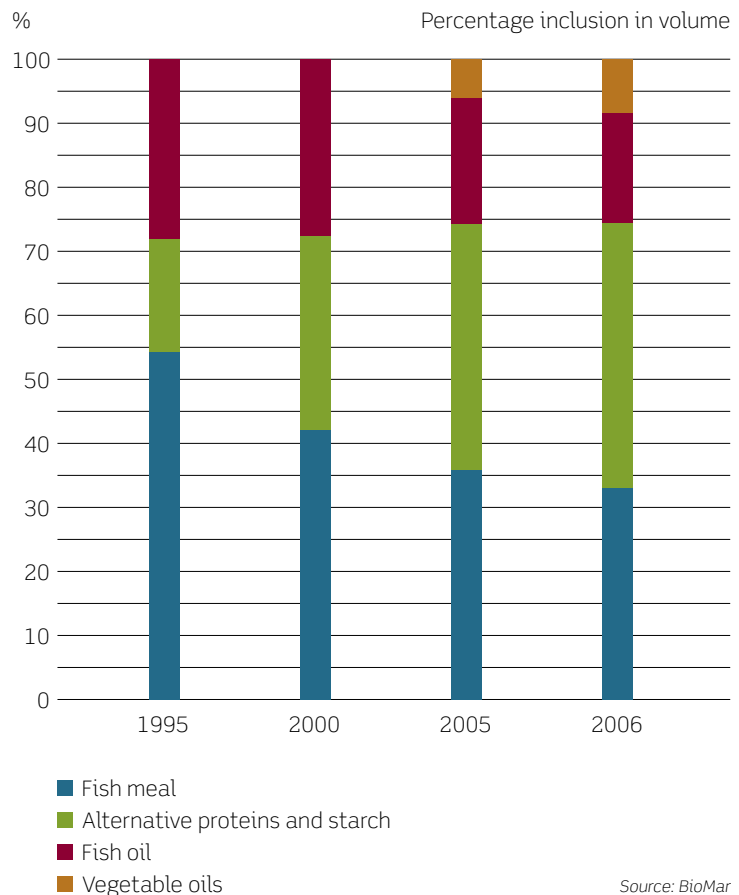
new raw materials are therefore vital aspects.

## • Sustainability.

Sustainability is closely related to recipe optimisation, which often involves substitution of marine ingredients with alternatives, such as vegetable proteins and oils. By reducing our dependence on marine ingredients, and using alternatives, we will support the sustainability of the industry - see "Corporate Responsibility".

The illustration below shows how BioMar has substituted the content of fish meal and oils with alternatives, such as vegetable proteins and oils by focused Research & Development. This has meant that feed prices have remained largely unchanged during the period, despite major rises in the price of marine ingredients. As the feed conversion ratio in the same period has not been negatively affected but actually improved for several products, product performance has been significantly improved

Increased substitution of marine raw materials





whilst the sustainability of the aquaculture industry has been supported.

#### **BioMar's organisation of Research & Development**

BioMar has around 20 highly-qualified specialists employed within Research & Development backed by our long tradition of working closely with research institutions in several countries, and the active involvement of fish farmers. Research & Development identifies targets and the overall strategies needed for the development of new feed types, and testing of potential new raw materials in consultation with our management and account managers. The procedures for development work are laid down in a quality assurance system in accordance with the international ISO 9001:2000 standard. This means that there is extensive documentation of the properties of not only new feed types taken into use, but also new raw materials, helping to reassure the fish farmers. The development of feed normally starts at a desk, where desk research and international databases create the foundation for the design of a new product. Hundreds of recipes are developed with the aim of testing the effect of different levels of such elements as new raw materials to find the optimum composition. The next step is manufacture of prototype feed.

#### **Tech-Center**

BioMar has its own facility for the production of prototype feed - the Tech-Center. This is a fully-equipped mini-factory at a scale of 1:10 compared to a normal feed factory. The Tech-Center has the same equipment as BioMar's other production facili-

ties, but can handle small quantities making it much cheaper to produce prototypes, and it can therefore try out many different recipes - A total of around 425 different recipes were tried out at the Tech-Center in 2006. The Tech-Center can be also be used for much more than producing prototype feeds; e.g. testing new production technology on a small, and therefore cheap scale. Doing so means that investment in new technology yielding the expected benefits can be assured, and the risk of expensive mistakes is minimised. This relatively cheap form of experiment also gives us the chance to try out more technical solutions than we would otherwise be able to do. Last but not least, the Tech-Center is used as a training centre where production personnel from all BioMar factories can take part in courses on which they can learn how to run commercial production facilities. The small scale allows experimentation without costing a fortune in unusable products and raw materials. When prototype feed is produced, it will be tested.

#### **Testing facilities**

Testing new feed types is carried out at BioMar's own testing facilities and by outsourcing to partners. Our test facility - one of the largest privately-owned in Europe - is on the shores of the North Sea in the fishing port of Hirtshals, in Northern Denmark and is part of the international research environment based at the North Sea Centre. BioMar's facility owns over 98 tanks with 7 separate water systems and a section for performing infection experiments, where the effects of immune-stimulating substances such as vaccines and medicines can be

tried out. Finally, there is a section for performing digestion measurements on fish, which is also designed for parallel trials using feeds for recirculation farming systems. Thanks to its location on the shores of the North Sea, the test facility has access to salt water and makes it ideal for tests on sea fish. Once a feed has been tested in the trial facility, it goes for further tests in a commercial facility.

#### **Commercial testing**

Final testing of new feed types is performed in consultation with farmers in commercial farming facilities, where the feed can be tested in practice. When commercial trials are completed, a concluding R&D report is written and the feed is then ready for marketing.

# Corporate Responsibility

## Sustainability

Sustainability is decisive for the continued long-term development of the aquaculture industry. It entails that the industry is run on a commercial basis which meets the needs of the present without compromising the needs of the future.

For production of an optimum fish feed, BioMar uses several types of raw materials. Traditionally, the most important raw materials have been marine raw materials (fish meal and oil).

BioMar makes an active contribution to sustainability by using ingredients from sustainable resources. This entails that marine ingredients are manufactured from sustainable raw materials, and BioMar insists that its suppliers of marine raw materials must be based on sustainable fisheries. Sustainable fish species are regulated by accredited national and international organisations such as the International Council for the Exploration of the Sea (ICES) and the Food and Agriculture Organization of the United Nations (FAO).

Total world production of fish meal and fish oil is relatively stable at just over 6 million tons of meal and 1 million tons of oil.

Marine raw materials are derived from the small-boned pelagic fish species which are rarely used for human consumption. Further raw materials come from parting fish used for human consumption, which makes good use of the entire fish. In all, the by-products from the process industry for human consumption account for 17 % of world production of marine raw materials.

One of BioMar's long-term goals is to reduce our dependence on marine raw materials by switching to alternatives, such as vegetable

proteins and oils, thus supporting the sustainability of aquaculture. This is a very important factor and major challenge for BioMar's employees within Research & Development, and for BioMar's external partners. Many resources are needed, but we have succeeded in reducing the content of marine raw materials in our fish feed without affecting fish growth and health, feed performance or - most important - quality.

Fish oil is expected to be the first raw material in short supply for the aquaculture industry, as more than 77 % of world production of fish oil is used in fish feed, and to ensure the continued sustainable development of the aquaculture industry, it will be necessary to find alternatives to fish oil. BioMar's long-term R&D program has already achieved much in this field, making it possible to produce feed with the best ratio between fish and vegetable oils with the optimum effect for the fish. Several external studies have also shown that even with a mix of fish and vegetable oil, salmon and trout retain the beneficial health effect for humans through their healthy fatty acid profile.

Sustainability is - and will continue to be - a central theme for BioMar, and we are prepared to commit many resources to ensure a healthy and secure aquaculture industry.

## Food safety

A lot of attention has been paid by the authorities and consumers recently to traceability due to the introduction on 1 January 2005 of an EU statute forcing companies producing feed to take traceability one step forward and one step back in the value chain. As of 1 January 2006 the requirement has been made tougher, calling for internal tracea-

bility within the company. The new EU rules has ensured that a foodstuff can be tracked all the way from soil to table and back again - or from water to table and back again.

One of BioMar's policies is to ensure food safety throughout the production chain applicable to fish farming. One way of protecting the consumer is to have full traceability, which all group subsidiaries already have, via internal quality assurance procedures. These include ISO 9001:2000 and the HACCP principles. Written procedures and instructions ensure that BioMar can track right back from fish feed delivered to storage, production, raw materials and their suppliers, allowing us to quickly and easily identify a product's origin at any point in the production flow and at any time.

## Environment and the surrounding area

The BioMar Holding group is environmentally-conscious, and implements a policy of reducing environmental impact from production of fish feed. In those countries where the group owns modern production facilities, they fulfil all official standards for environmentally-friendly production. Furthermore, BioMar has developed and improved its product ranges over the years to reduce the environmental impact of fish farming.

Health and safety conditions at group factories, offices and other facilities comply with all official requirements and a high standard is regarded as essential.



Andy Jackson, Technical Director of the International Fishmeal and Fish Oil Organisation (IFFO)



## Sustainable fish feed

In 1987 the World Commission on Environment & Development defined sustainable development as “Development that meets the needs of the present without compromising the needs of the future”. This applies to all industries, but it is of particular importance to the aquaculture industry.

The aquaculture industry is developing very fast partly due to the replacement of wild caught fish with farmed fish, as quotas are put on wild catch and some stocks are over-exploited.

However, some of the farmed fish are carnivorous, and as a consequence fish feed has been based upon fishmeal and fish oil. Fish meal and fish oil have been the most attractive source of proteins and oil. Fish meal and fish oil is produced from industrial fish like for example Anchovy, Jack Mackerel, Sardine etc. Also by-catches and trimmings (head, backbone, entrails) are utilized in

fishmeal and oil production. The catch of industrial fish is a finite resource, which in the long term could become a limiting factor for the growth of the aquaculture industry without substitution occurring.

Fishmeal and fish oil remain an important source of protein and oil but it is of great importance for the entire value chain that these resources are utilized in a sustainable way. BioMar strongly support regulation of these resources based on best scientific and practical knowledge that support sustainable long-term use.

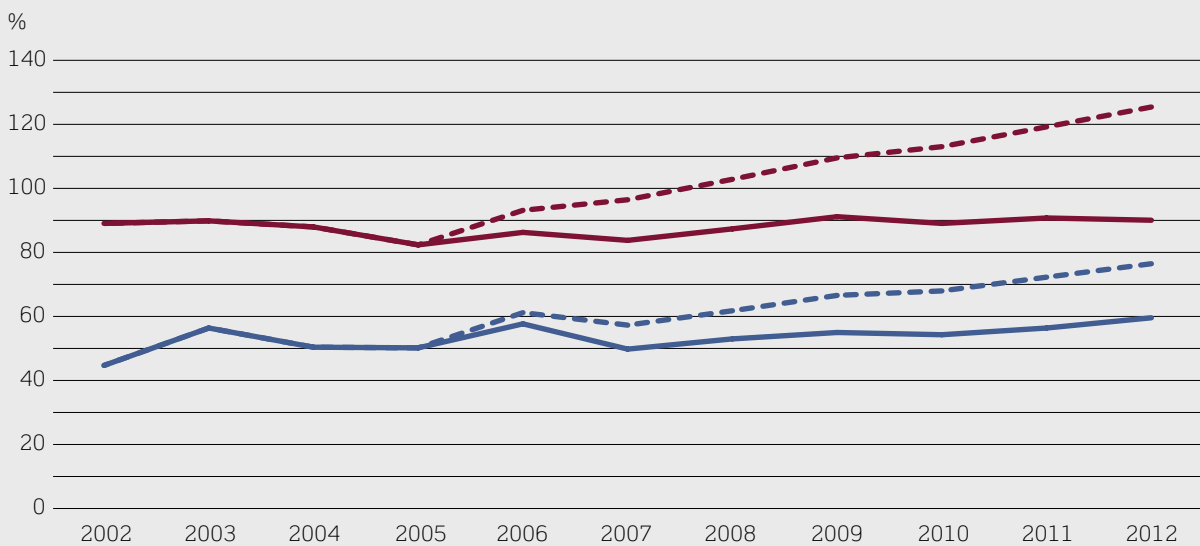
During just 3 months of 2006 the price of fishmeal increased by approx. 50 %, to double the price a year earlier. This was mainly due to increasing demand in China and a reduction in the quota for fish used for fishmeal production.

This led to significant increases in fish feed prices, and had a tremendous effect on the aquaculture industry.

“This sharp price rise has inevitably led to feed producers and farmers looking to substitute some of the fishmeal and fish oil with alternatives” says Andy Jackson, Technical Director of the International Fishmeal and Fish Oil Organisation (IFFO). “But it must be done with care and based on sufficient nutritional knowledge, to avoid compromising performance (quality, fish health, growth and feed conversion).”

IFFO has calculated that careful use of complementary ingredients (e.g. vegetable oils) in combination with marine raw materials can play a role in sustainable aquaculture. “Whilst we used to think that soon the aquaculture industry would need more fish oil than was available, we now believe that responsible fishing and limited substitution will help to ensure the sustainable development of the aquaculture industry” Dr Jackson concludes.

### Aquaculture usage of marine raw materials



Source: IFFO

Fish oil - 2005 inclusion levels      ■ Fish oil - Increased substitution levels  
 Fishmeal - 2005 inclusion levels      ■ Fishmeal - Increased substitution levels



# Risk management

The Board of Directors and the management of the BioMar Group regularly review which risk factors the company is exposed to and how to control them. Risk factors are defined as the risk of the company failing to achieve its short and long term targets. Risk management is defined as the establishment and maintenance of procedures and policies to identify, measure and control risk.

Risks the group is exposed to include strategic, operational and financial risks. Strategic risks relate primarily to failure to achieve long term targets, but can also influence the achievement of short term targets. Operational and financial risks primarily relate to the risk of failing to achieve the company's short term targets. The group risk profile is defined, and measures introduced to hedge any risks exceeding it where possible and where deemed to be financially advantageous.

Group risks are usually classified by 2 criteria; the likelihood that a given situation may occur, and the financial consequences if it does. Based on overall assessment of these 2 criteria, risk factors are prioritised and are described below. The prioritisation below naturally includes subjective evaluations.

## Strategic risk

The most important strategic risks can be broken down into regulative, sustainability, food safety and fish price fluctuations.

### Regulative risk

Regulative risk relates to such aspects as political initiatives designed to regulate supply and/or demand of farmed fish on BioMar's

markets. During the last 25 years of the industrialisation of aquaculture, various authorities have introduced a range of different regulative measures. For example, Norwegian farmers have from time to time with varying consequences had imposed restrictions on the sale of their fish to the EU, USA and Russia. From time to time, regulative measures – or rumours of them – can occur, which create uncertainty for future trading conditions and their consequences. Regulations can have a negative effect on BioMar and fish farmers, and thus for BioMar's sales and the financial position of customers.

### Sustainability

Sustainability is decisive for the continued long-term development of the aquaculture industry. It entails that the industry is run on a commercial basis which meets the needs of the present without compromising the needs of the future. There are several important aspects for the aquaculture industry, but for feed manufacturers, it is vital that our ingredients come from sustainable resources. This entails that marine ingredients are manufactured from sustainable raw materials, and if sufficient quantities of sustainable raw materials are unobtainable, it can hinder development of the aquaculture industry. In the long term, this will lead to a growing need to substitute marine ingredients with alternatives, such as vegetable proteins and oils. BioMar's strategic focus on sustainability entails continued investment in R&D in which one of the central themes will be substitution of marine ingredients with alternatives, such as vegetable proteins and oils. Please

refer to the explanatory notes in "Research & Development" and "Corporate responsibility".

### Food safety

Food safety is vital for continued, long term development of the aquaculture industry, as demand for farmed fish is influenced by its acceptance by consumers and retailers. The argument has been put forward on a regular basis – especially in the UK and USA – by scientists, the media and consumer groups that farmed fish are of a poorer quality than wild fish, and in some instances can even be harmful to health. This perception is often due to the fact that farmed carnivorous fish species – such as salmon – are at the top of the food chain, which can mean that contaminants and minerals absorbed by them from raw materials are retained throughout the food chain. This is a specific risk for raw materials caught in polluted waters, which is why ingredients such as fish meal and oil from such areas are increasingly processed to remove toxins and minerals. BioMar has established and maintains a quality assurance system with full traceability throughout the value chain designed to ensure food safety from raw materials right through to the consumer. Please refer to the explanatory notes in "Corporate responsibility".

### Fluctuations in fish prices

Over the years, the prices paid to farmers have fluctuated considerably as there is not always a balance between supply and demand, and because fish farming is basically a biological process, which means that it is difficult to adjust the supply of

fish at short notice. For example, it takes approx. 6-9 months to breed a small salmon of around 100 grams (smolt). The smolt is released into the sea nets and after around 14-18 months is harvested with a weight of 4 kg or more. The salmon stocks available will thus be determined 18-24 months in advance. Production and release of smolt is not necessarily based on projected demand, as this cannot be predicted with accuracy. For instance, it can be affected by new regulations, consumer and retailer perception of food safety as described above and the general economic conditions prevailing - e.g. catering and restaurant industry trends, which account for a large share of the demand. Fish farming can therefore be described as a cyclic industry, which means that the profitability of BioMar's customers will fluctuate through the economic cycle, affecting their ability to finance their business. Extended periods of low prices and poor profit can affect the ability of our customers to service debt and their solidity, which is why

BioMar's credit risk can rise. Thanks to its geographical spread and diversity of fish species, BioMar gains a degree of protection against the risk of price fluctuations on individual species.

#### Operational risk

The competitive situation and its influence on gross profit per ton.

The likelihood of BioMar achieving its short and long term targets is dependent on the gross profit per ton, which is particularly sensitive to the competitive situation. Achieving targets is therefore affected by BioMar's ability to retain and expand its market position and profit margins in each country it operates in. Horizontal- and vertical integration of various links in the aquaculture chain can also influence the competitive situation. Competition is deemed to be intense on all the markets the company operates on - please refer to the explanatory notes in "Description of the competitive situation". BioMar's strategic response to intense competition is continued focus on

Research & Development, where one of the central themes is optimising feed recipe costs.

#### The climate

BioMar's short and long term targets can be highly sensitive to climatic changes, as fish are heat-adaptable, which means their body temperature adjusts to the water they live in. Water temperature therefore determines to a large degree fish health and their food intake. If it is too low, their metabolism is naturally reduced and feed consumption is reduced. If it is too high, fish become stressed and feed consumption is also reduced. The optimum water temperature varies from species to species, e.g. a salmon prefers a water temperature of 12-15 degrees Celsius.

The water temperature at the coast of Chile is relatively stable at around 12-15 degrees Celsius all year round, whilst it can vary significantly in the Norwegian fjords. Cold winters and hot summers will have a negative effect on fish feeding throughout nearly the whole of Europe, which

#### Average seawater temperature in Norway



Guy Mace, Managing Director of BioMar UK enjoying the fruits of BioMar UK's development work in the form of the UK's most exclusive organic cod and chips at the award-winning Champany's restaurant.



"No Catch Just Cod" is Johnson Seafarms' brand for organic cod. Johnson Seafarms breed organic cod on the Shetland Islands, with BioMar as sole supplier. Their organic cod has won several awards and favourable reviews from leading chefs at several of the UK's leading restaurateurs, and is sold via high quality retailers.

can have a major impact on BioMar's profit.

During the latter half of 2006, water temperatures were advantageous for BioMar throughout most of Europe, and in particular in the North Sea. During the last 4 months of the year, average water temperatures around Norwegian fish farming areas were approx. 1% higher than the average for the previous 5 years. The resulting sales of feed were extremely good.

If water temperatures during the warm months of July, August and September are higher than the optimum, or lower from October to June compared to the average for the previous years, feed sales can be negatively affected.

#### *Availability of- and price fluctuations for raw materials*

BioMar's ability to achieve its short- and long term targets is particularly sensitive to fluctuations in the gross profit per ton, which in turn is influenced by the company's ability

to strike a balance between sourcing of raw materials and their use in the company's products. This balance has to be seen in relation to availability of raw materials and their price.

Marine raw materials (fish meal and oils) comprise approx. 66 % of total raw materials purchases for the BioMar group. The fish used for marine raw materials are usually subject to quota, and caught in limited periods. Availability of marine raw materials is thus unevenly spread through the year.

BioMar tries to strike a balance between the price of raw materials and sales prices, by regulating list prices and building-in price regulation mechanisms into major contracts. In our Continental Europe region, standard price lists are used to a wide extent, traditionally adjusted in relation to fluctuations in raw material prices. In the North Sea and Americas regions, individual contracts with major customers are common. Individual contracts are typically for a period of 1 to 2 years, but often include price

regulation mechanisms that lead to price adjustment every 3 months for example. BioMar tries to minimise its exposure to fluctuations in raw material prices by setting the purchase price at the same time as the price to customers is set. By doing so, we can reduce our exposure to fluctuations in raw material prices by linking them wholly or partly to the sales price in customer contracts.

#### *El Niño*

A special problem related to availability and price fluctuation for raw materials is the weather phenomenon, El Niño. El Niño affects fish catches used for producing marine raw materials in South America by causing the Pacific water temperature to rise off the coast of South America, destroying nutrition in the water and forcing the fish to move away from the area. Catches from South America account for just under half of world production of fish meal, which is strongly reduced by El Niño. The availability of raw materials can thus be seriously

restricted and prices can be expected to rise dramatically. El Niño last occurred in 1997/98, and scientists are in general agreement that it occurs every 5-10 years. When it does occur, it does so suddenly, and it is more or less impossible for feed producers to protect themselves effectively against its negative consequences. BioMar tries to minimise the risk of poor availability in the event of an El Niño by strategic sourcing of some of its marine raw material needs in the Northern Hemisphere. Furthermore, BioMar focuses strategically on reducing dependence on marine raw materials by continuing its efforts within Research & Development, where one of our central aims is substitution of marine ingredients by alternatives, such as vegetable proteins and oils.

#### Customer concentration

BioMar is exposed to the loss of individual customers. The loss of one or more of our biggest customers would have a major impact on profits. The formulation of our customer contracts varies from market to market and customer to customer. In the Continental Europe region, most customers are small or medium-sized companies, whilst in the North Sea and Americas regions, individual contracts with major customers are common. Individual contracts typically run for 1 to 2 years. The relatively high frequency of renegotiation with

major customers means that competition is intense, and represents a recurring risk of losing big contracts and market share. At group level, the 5 biggest customers account for around 25 % of volume, but in several of the subsidiaries, the 5 biggest customers account for a much larger share of their volume, as shown in the table below.

#### Credit risk

BioMar's risk from losses and provisions for receivables consists of the size of receivables and the credit risk they represent. The company has significantly reduced outstanding receivables from customers over the last few years. At the end of 2006, net receivables in the form of short- and long-term customer receivables comprise DKK 527 million and 11 million respectively and receivables from the 5 biggest debtors comprise approx. 26 % of net group receivables.

Credit risk is measured as risk of impairment of the value of receivables due to non-payment or late payment. It is actively managed, and there are predetermined policies and procedures for granting credit and follow-up. At portfolio/national level, BioMar tracks developments in fish prices and the fish farming industry. Thanks to its geographical spread and diversity of fish species, BioMar gains a degree of protection against credit risk.

At customer level, BioMar evaluates individual debtor's financial situation based on solvency, debt service ability and profitability. The evaluations are used to determine and monitor lines of credit for each country and each customer. Credit risk management is coordinated by a credit committee which projects market trends and functions as a sparring partner for account managers.

To ensure the value of outstanding amounts, BioMar covers credit risk where possible and beneficial by taking out credit insurances and security on the assets of the fish farm in question. It is generally difficult to achieve effective credit insurances as a result of seasonal variation and unpredictability associated with the biological production of fish farming. Furthermore, it is often difficult to obtain security against assets of which the value is non-correlated to fish prices, as most fish farming company assets are in the form of fish stocks and production licenses. This means it is essential to perform thorough credit risk evaluation on the customer, and to ensure the feed contract is adapted to suit.

BioMar has granted credit limits to several customers, but because their liquidity situation at the end of 2006 was advantageous, they have not made use of the facility. BioMar can thus risk that both size of receivables and credit risk on receivables can

#### Customer concentration at BioMar

	BioMar Group	BioMar Norway	BioMar UK	BioMar Chile	BioMar Denmark	BioMar France	BioMar Greece
Volume share by % accounted for by the 5 biggest customers	Approx. 25 %	Approx. 47 %	Approx. 91 %	Approx. 85 %	Approx. 30 %	Approx. 30 %	Approx. 76 %

Source: BioMar



increase significantly if fish prices develop to the disadvantage of customers, a trend that can be accelerated by concurrent increases in raw material prices.

On a group basis, we evaluate the overall credit risk, and believe that our credit risk throughout 2006 was reduced.

#### *Other operational risks*

The BioMar Holding group is involved in a small number of legal actions, which are not deemed to have any negative consequences on the company's financial circumstances in the event of losing them.

The group is also exposed to risk from other normal commercial activities including, but not limited to, events related to product liability, environmental pollution, distorted financial reporting, swindle, fire, legal disputes, insufficient provisions for pensions etc. The group takes out insurance against operational risk where deemed to be financially beneficial. The Board believes that current insurance cover accords with actual risk exposure.

#### **Financial risk**

Financial risk involves factors such as fluctuating energy prices, interest and exchange rates, and liquidity risk.

#### *Fluctuating energy prices*

The group is exposed to fluctuating energy prices (primarily gas, oil, electricity and environmental duties), as energy is used for the production of fish feed, amongst other things. Furthermore, the group is indirectly exposed to fluctuations in energy prices in the form of the effect they would have on group transport costs. Fluctuations in transport costs are expected to be passed on in whole or part to our trade partners. The group is perceived to have a certain risk exposure to fluctuating energy prices.

#### *Currency rate fluctuations*

A large amount of group turnover is generated in currencies which are the functional currency used by its subsidiaries, which means in practice that group exposure to currency risk is limited.

As a rule, the group seeks to cover currency risk from in- and outgoing payments in foreign currencies. For example; currency exposure related to raw materials bought in a foreign currency other than the functional currency for a group subsidiary will usually be covered.

The group takes a position on financial instruments (primarily forward contracts) to insure gross currency payments from subsidiaries related to loans taken out. As a rule, currency risk on equity capital investments in foreign subsidiaries is not covered.

#### *Fluctuating interest rates*

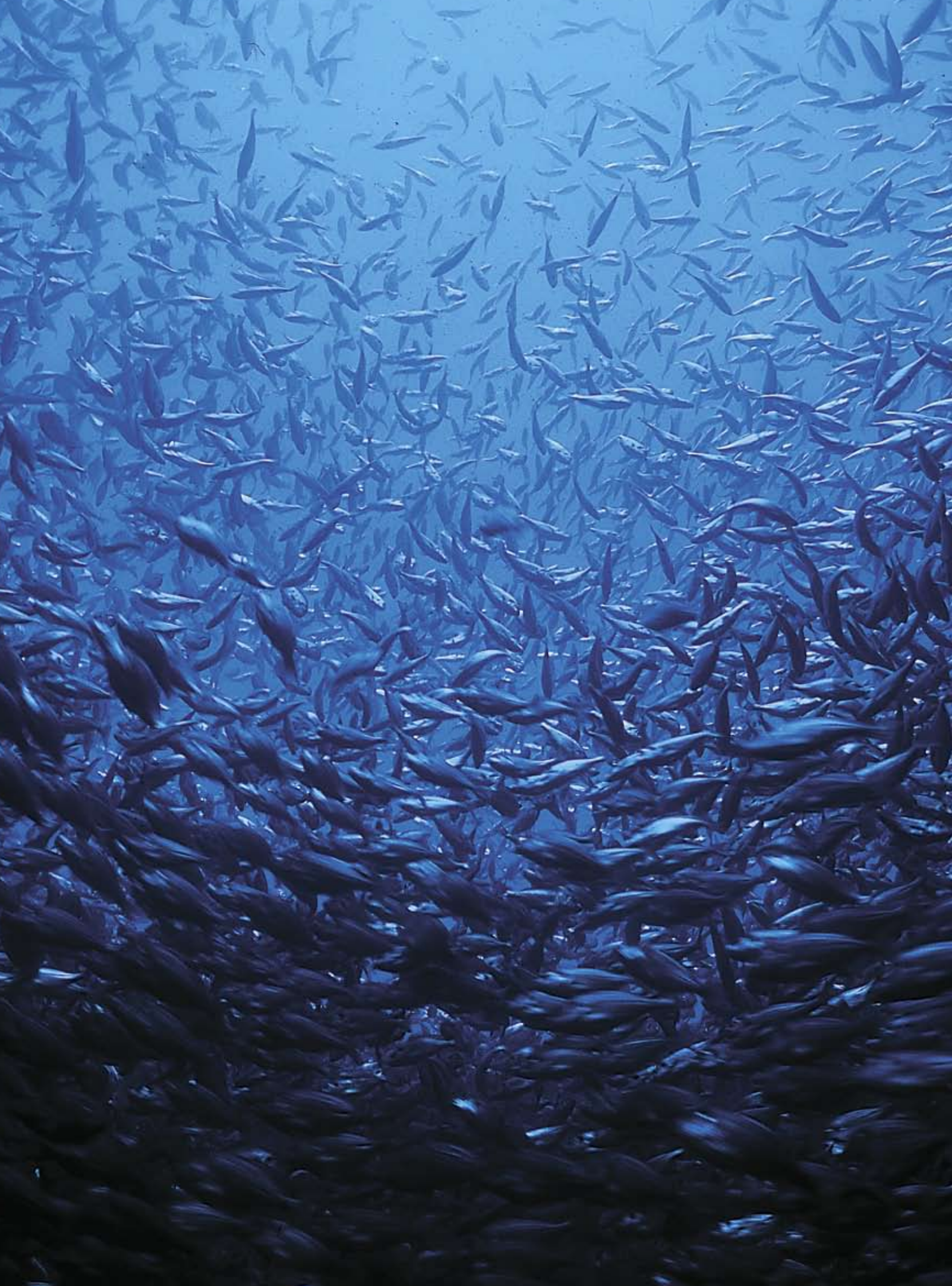
At the end of 2006, the group had gross interest-bearing debt of DKK 461 million and interest-bearing debt less cash and cash equivalents and securities of DKK 178 million. Interest-bearing debt is subject to variable interest, adjusted quarterly for the majority of the debt. Cash and cash equivalents and securities are usually placed short term at variable interest rates. As the group has a relatively low interest-bearing debt after cash and cash equivalents and securities are deducted, the Board believes that actual interest risk is limited.

#### *Liquidity risk*

Liquidity risk includes the risk of the group becoming short of liquidity and is related to its financial position. There are relatively large seasonal swings in group activities, which can mean periodical fluctuations in group liquidity requirements. Group interest-bearing debt is DKK 461 million, of which DKK 407 million is due

for repayment in over 1 year. Cash and cash equivalents and securities represent DKK 283 million, in addition to which the group had unused credit facilities of DKK 254 million at the end of 2006, valid for over 1 year.

The majority of group credit agreements (loans, credit facilities and other credits) are subject to covenants, which primarily define the limits of net interest-bearing debt in relation to EBITDA and the least permissible degree of equity ratio. Failure to conform to the covenants will entail breach of the credit agreements. At the end of 2006, the group fulfilled all covenants, and its capital reserves made up of confirmed credit facilities plus cash and cash equivalents plus securities comprised approx. DKK 537 million, which is deemed to be sufficient in relation to the current operational and solvency situation.



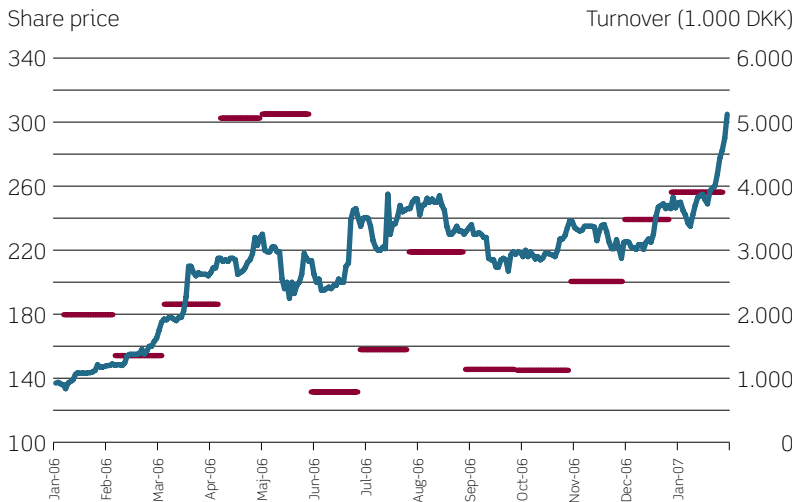
# Shareholder information

## Why invest in BioMar?

There are many good reasons why our investors have bought shares in BioMar Holding A/S, but they generally name the following reasons as being the most important:

- The aquaculture industry is one of the fastest-growing sectors within the food and beverage industry
- Feeds are a stable, and attractive place to invest within the aquaculture industry
- BioMar is well positioned with a clear strategy and focus on growth
- BioMar creates value for its shareholders, by high returns on capital invested in relation to capital costs

## BioMar Holding A/S share price development and share trading



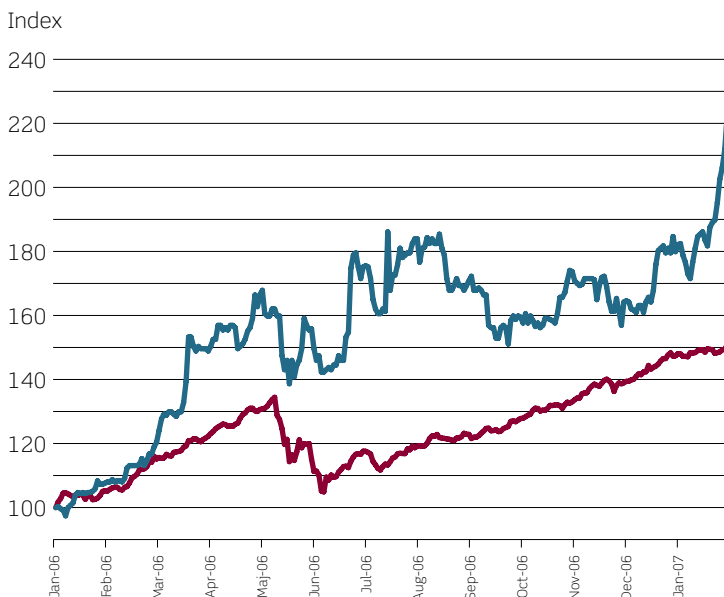
## BioMar Holding A/S share price

The BioMar Holding A/S share rose from 137 at year end 2005 to 246 at year end 2006, an increase of just under 80%. The company also paid DKK 9 per share in dividends in April.

The average daily turnover of BioMar's shares in 2006 was just under DKK 2.4 million, peaking in April and May, as illustrated in the graph on the left.

■ Share price (DKK per share)  
■ Average daily turnover for the month (1.000 DKK)

## BioMar Holding A/S share price development relative to the MidCap+ index



With an increase of just under 80% in 2006, the BioMar Holding A/S share increased significantly more than the MidCap+ index of comparative companies despite MidCap+ itself showing a strong increase of just under 47% in 2006.

■ Share price (DKK per share)  
■ MidCap+

**Financial calendar 2007**

Annual report 2006	14 March 2007
Ordinary General Meeting	10 April 2007
Quarterly report, 1st quarter 2007	7 May 2007
Half year report 2007	14 August 2007
Quarterly report, 3rd quarter 2007	6 November 2007

**Investor Relations contact**

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**Key data for investors in BioMar Holding A/S**

Stock exchange	The Copenhagen Stock Exchange/OMX The Nordic Exchange
ID code/ISIN code	DK0010215243
Share classes	One share class
Voting rights restrictions	None
Included in index	Nordic MidCap index
Share price (year end 2006)	DKK 246 per share
Total number of shares	10,999,038
Market value at year end	DKK 2,706 million
Markedsværdi af free float <sup>*)</sup>	DKK 844 million
Free float % <sup>*)</sup>	31.18 %
Value per item, DKK	20
Nominal share capital, DKK	219,980,760

<sup>\*)</sup> Market value of shares excl. Schouw & Co.'s shareholding

Niels Alsted, Executive Vice President for the BioMar group shows off a handsome salmon during a customer visit. BioMar is the world's 3rd biggest supplier of salmon feed, and market leader within marine fish farming of trout.



### Ownership

The BioMar Holding A/S group is a member of the Aktieselskabet Schouw & Co. group, Chr. Filtenborgs Plads 1, 8000 Aarhus C, Denmark. Neither BioMar Holding A/S nor any of its subsidiaries own shares in the

parent company. At the end of 2006, BioMar Holding A/S had just under 1,000 named shareholders, representing a total of 95.0 % of the total share capital. Shareholders owning more than 5% comprise:

Shareholder	Ownership	
	Ultimo 2005	Ultimo 2006
Aktieselskabet Schouw & Co., Århus	68,8 %	68,8 %
ATP, Hillerød	6,2 %	5,4 %
Total	75,0 %	74,2 %

International investors increased their ownership of BioMar Holding A/S from 4.1% to 9.5% during 2006. Danish

institutional investors on the other hand have reduced their ownership in accordance with the table below.

Shareholder	Ownership	
	Ultimo 2005	Ultimo 2006
Aktieselskabet Schouw & Co., Århus	68,8 %	68,8 %
Danish Institutional Investors	17,2 %	13,8 %
International Investors	4,1 %	9,5 %
Other investors (incl. individual investors)	3,4 %	2,9 %
Not registered in shareholders register	6,5 %	5,0 %
Total	100,0 %	100,0 %

BioMar Holding A/S had roughly the same number of shareholders at year end 2006 as the preceding year. Shareholders with between 10,000 and 100,000 shares in BioMar Holding A/S

have increased their share ownership. The ownership of BioMar has thus become more widely spread during 2006, according to the table below.

Number of shares	Ultimo 2005		Ultimo 2006	
	Number of shareholders	Percentage owned	Number of shareholders	Percentage owned
Above 550,000 shares	2	75.0 %	2	74.2 %
Above 100,000 & below 550,000 shares	6	11.3 %	5	9.6 %
Above 10,000 & below 100,000 shares	12	4.3 %	29	8.0 %
Above 1,000 & below 10,000 shares	80	1.5 %	82	1.8 %
Below 1,000 shares	850	1.4 %	870	1.4 %
Not registered on name		6.5 %		5.0 %
Total	950	100.0 %	988	100.0 %

### Capital- and share structure

The Supervisory Board regularly assesses whether the company's capital- and share structure remains in the interests of shareholders and the company.

BioMar Holding A/S has only one share class with equal voting rights for all shareholders. The share structure is therefore deemed to be suitable.

The BioMar Holding group periodically evaluates the group's liquidity and capital structure, including opportunities to pay out available funds to shareholders in the form of dividends and/or share buy-back, providing the operating and liquidity situation permits it. Evaluation is performed with regard to such aspects as the company's financial strength, risk exposure and liquidity

needs for operating and development in accordance with targets. Should the capital base exceed needs, the group will pay out excess capital to the shareholders.

At the end of 2006, the group capital reserves made up of confirmed credit facilities plus cash and cash equivalents plus securities comprised approx. DKK 537 million. This capital reserve is deemed to be sufficient in relation to the current operating and liquidity situation. The group's financial strength and capital reserves are also deemed to contain significant potential for the continued development of the company. On this basis, the Supervisory Board recommends the payout of a dividend of DKK 4 per share, equal to DKK 44 million.

### General meeting

The company's ordinary general meeting will be held on 10.04.07, at 3 pm, at the company's address of: BioMar Holding A/S, Værkmestergade 25, 8000 Aarhus C.

The Board recommends the following to the general meeting:

- That a dividend for 2006 of DKK 4 per share is paid.
- Authority to acquire own shares within 10 percent of the share capital at the going share price on day of purchase +/- 10% for the period up to next year's general meeting.

It's becoming increasingly popular to buy fish direct from the breeder.  
Farm shop at Forellenzucht Klaus Kröger run by Klaus and Irmgard Kröger  
seen here with BioMar Account Manager Hans Jørn Holm.



## Stock exchange announcements in 2006

Date	No.	Ref.:
11.01.2006	1	Supervisory Board's report for Schouw & Co.'s mandatory tender offer
11.01.2006	2	Notice of extraordinary general meeting
13.01.2006	3	Announcement of the Supervisory Board's report
24.01.2006	4	Schouw & Co.'s Supervisory Board candidates
26.01.2006	5	Extraordinary general meeting held <i>Jens Bjerg Sørensen, CEO Schouw &amp; Co., Jørn Ankær Thomsen, Chairman of Schouw &amp; Co. and Asbjørn Reinkind CEO Rieber &amp; Søn elected to the Supervisory Board and Per Møller was re-elected</i>
27.01.2006	6	Financial calendar 2006
09.02.2006		Supplementary report from the Supervisory Board
14.02.2006	7	Supplementary report from the Supervisory Board
15.03.2006	8	Introduction to the 2005 Annual Report <i>Expectations for 2006 published:</i> <ul style="list-style-type: none"> <li>• Net sales expected to be between DKK 2.8 - 3.0 billion.</li> <li>• EBIT expected to be around DKK 140 - 160 million.</li> <li>• Profit before tax to be around DKK 150 - 180 million.</li> </ul>
15.03.2006		Annual report 2005
20.03.2006	9	Insider dealings
31.03.2006	10	Notice of ordinary general meeting
18.04.2006	11	Ordinary general meeting held <i>The board of directors resolved to pay the shareholders an extraordinary dividend of DKK 9 per share, equivalent to approx. DKK 99 million.</i>
02.05.2006	12	Interim report, 1st quarter 2006 <i>Previously announced Expectations for 2007 maintained at unchanged levels</i>
14.08.2006	13	Interim report, 1st half 2006 <i>Expectations for result adjusted:</i> <ul style="list-style-type: none"> <li>• Net sales expected to be between DKK 3.0 - 3.2 billion compared to the forecast 2.8 - 3.0 billion.</li> <li>• EBIT expected to be between DKK 170 - 190 million compared to the forecast 140 - 160 million.</li> <li>• Profit before tax expected to be between DKK 210 - 240 billion compared to the forecast 150 - 180 million.</li> </ul>
30.10.2006	14	Interim report, 3rd quarter 2006 <i>Previously announced Expectations for 2007 maintained at unchanged levels</i>
21.11.2006	15	Financial calendar 2007
04.12.2006	16	Adjustment to pension provision <i>Notification on carryback of pension provision of DKK 30 million, and consequent adjustment to forecast for 2006:</i> <ul style="list-style-type: none"> <li>• Net sales expected to remain unchanged between DKK 3.0 - 3.2 billion.</li> <li>• EBIT expected to be around DKK 200 - 220 million.</li> <li>• Profit before tax to be around DKK 240 - 270 million.</li> </ul>

# Corporate Governance

The Executive and Supervisory Boards of BioMar Holding group periodically evaluate group practice of Corporate Governance in accordance with recognised principals. To follow is a review by the Copenhagen Stock Exchange Committee for Good Corporate Governance. The review was based on the “comply or explain” principal relating to the eight main sections in the recommendations.

The back row from left members of the board Jørn Ankær Thomsen and Asbjørn Reinkind. In the front row from left Vice-Chairman Per Møller and Chairman Jens Bjerg Sørensen.



Recommendations in accordance with the Copenhagen Stock Exchange Committee for Good Corporate Governance	The BioMar Holding group's evaluation according to the “comply or explain” principle
<p><b>I. The role of the shareholders and their interaction with the management of the company</b>  <i>Group companies, their shareholders and society have a common interest in companies being able to comply with ever-changing circumstances, and thus remain competitive and able to create value. Good corporate governance entails the Supervisory and Executive Boards understanding that a close relationship between management and shareholders is of vital importance to the company. As company owners, shareholders can actively exercise their rights and influence to ensure that management protects their interests in the best possible way and ensure effective use of corporate resources in the short- and long term. Good corporate governance therefore requires an appropriate set of standards which encourage shareholders to enter into dialogue with the management and with each other. This can be achieved by expanding the role of the annual general meeting as a forum for communication and decision-making.</i></p>	<p>We believe that the BioMar Holding group complies with this principle. There is however no possibility for shareholders providing proxy to the Supervisory Board to address each point on the agenda.</p>
<p><b>II. The role of stakeholders and their importance to the company</b>  <i>A company must have a good relationship with its stakeholders for the sake of its prosperity and future. A stakeholder can be anyone directly affected by the company's decisions and activities. The ability of the company's management to run and develop the company with appropriate regard to its stakeholders is therefore desirable, and to stimulate dialogue between them. A fruitful relationship between the company and its stakeholders will thus require openness and mutual respect.</i></p>	<p>We believe that the BioMar Holding group complies with this principle.</p>
<p><b>III. Openness and transparency</b>  <i>Shareholders – including potential shareholders – and other stakeholders need information on the company to varying degrees. Their understanding of and relationship to the company will depend on the amount- and quality of the information the company publishes or releases. Openness and transparency are vital conditions for a company's shareholders and stakeholders to be able to assess and relate to the company and its perspectives for the future, and thus contribute to a constructive relationship with the company.</i></p>	<p>We believe that the BioMar Holding group complies with this principle.</p>



Recommendations in accordance with the Copenhagen Stock Exchange Committee for Good Corporate Governance	The BioMar Holding group's evaluation according to the "comply or explain" principle
<p><b>IV. The tasks and responsibilities of the Supervisory Board</b></p> <p><i>The Supervisory Board is charged with protecting the interests of shareholders with care and under due consideration to other stakeholders. With regard to the delegation of responsibility between the Supervisory and Executive Boards, the former is charged with providing overall management of the company and laying down guidelines for and exercising control over the work of the Executive Board. Development and determination of appropriate strategies for the company is a major management responsibility. It is essential that the two boards cooperate to ensure continuous development and appliance of the necessary strategies.</i></p>	<p>We believe that the BioMar Holding group complies with this principle.</p>
<p><b>V. Composition of the Supervisory Board</b></p> <p><i>Group companies, their shareholders and society have a common interest in companies being able to comply with ever-changing circumstances, and thus remain competitive and able to create value. Good corporate governance entails the Supervisory and Executive Boards understanding that a close relationship between management and shareholders is of vital importance to the company. As company owners, shareholders can actively exercise their rights and influence to ensure that management protects their interests in the best possible way and ensure effective use of corporate resources in the short- and long term. Good corporate governance therefore requires an appropriate set of standards which encourage shareholders to enter into dialogue with the management and with each other. This can be achieved by expanding the role of the annual general meeting as a forum for communication and decision-making.</i></p>	<p>We believe that the BioMar Holding group complies with this principle. See the explanatory notes in "How the Board of Directors creates value". However, 3 out of 4 of the Supervisory Board members have more board memberships than recommended, however each of them believes that they can devote sufficient time to their duties with BioMar Holding A/S. Furthermore BioMar applies no age limit for its board members.</p>
<p><b>VI. Supervisory- and Executive Board remuneration</b></p> <p><i>Competitive remuneration is essential to attract and retain competent board members and directors, and should be reasonable in relation to the tasks and responsibilities related to such positions. Performance-related pay linked to results can contribute to a convergence of interest between shareholders and board members, and encourage the company management to focus on increasing value within the company.</i></p>	<p>We believe that the BioMar Holding group does not comply with the principle, as the company has chosen to not publish its remuneration policy. This is because the Supervisory Board does not believe it appropriate to publish individual earnings details.</p>
<p><b>VII. Risk management</b></p> <p><i>Effective risk management is essential to ensure the Supervisory Board can perform the tasks it is charged with to the best of its capabilities. The Board must therefore ensure that appropriate systems for risk management are in place and that such systems can always fulfil the company's needs.</i></p>	<p>We believe that the BioMar Holding group complies with this principle. See the explanatory notes in "Risk management".</p>
<p><b>VIII. Audit</b></p> <p><i>Provision of competent and independent auditing is a major element of the Board's work. The contractual basis and parameters of the audit should be agreed between the Supervisory- and Executive Boards.</i></p>	<p>We believe that the BioMar Holding group complies with this principle.</p>

# How the Board of Directors creates value

## BioMar's Supervisory Board – how it works

The ultimate objective of the Supervisory Board of BioMar Holding A/S is to create value for the shareholders, but it must also ensure that the company fulfils all regulations and laws on such aspects as risk management and accounting standards. It has to ensure the right balance between time spent on control, short-term reporting and compliance with regulations and laws in relation to that spent on the company's strategic development and future performance.

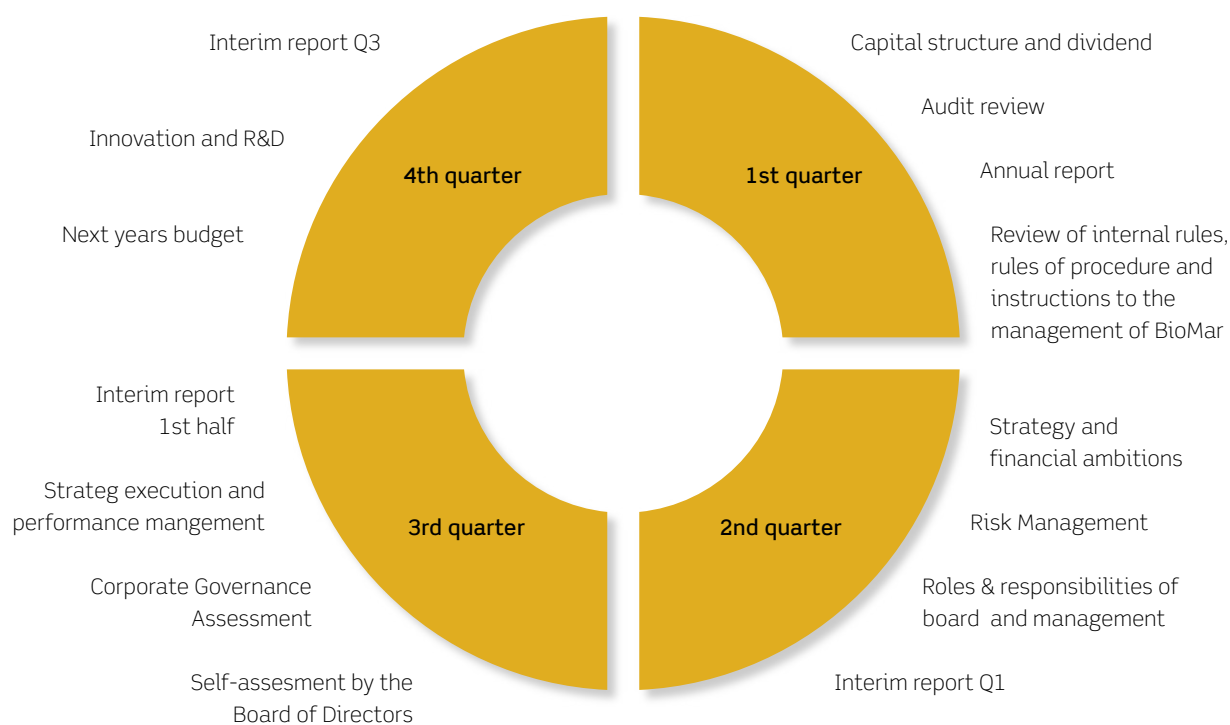
To ensure the right balance, the board lays down an annual plan as illustrated below, showing the quarterly timetable.

Apart from the aspects illustrated below, the board focuses heavily on the quality of the information received from the company's senior management to ensure the right subjects are covered with sufficient detail and structured in an easily accessible way. Similarly, it encourages constructive and open debate on the subjects covered, in which everyone concerned is given the opportunity to express their opinion.

## Supervisory Board meetings in 2006

12 meetings were held in 2006, of which 2 were composed of the outgoing board, 2 concerned constitution of the new board after General Meetings, and 2 were held as telephone conferences. All 4 Supervisory Board members took part in all 10 meetings, with the exception of one member unable to take part in one of the constitutional meetings. No Supervisory Board meetings were held in 2006 without the participation of the BioMar Holding A/S Executive Board.

## Annual plan for the Board of Directors



### Independence

Jens Bjerg Sørensen, CEO for Schouw & Co. and Jørn Ankær Thomsen Chairman of Schouw & Co. are deemed to have close links with the main shareholder Schouw & Co. Asbjørn Reinkind and Per Møller are deemed to be independent of Schouw & Co.

### Competencies

The Supervisory Board is deemed to be composed such that its members complement each others competencies and that it possesses the following competencies: International experience, an understanding of produc-

tion, familiarity with the aquaculture industry, strategic insight, financial understanding and substantial board experience from listed companies.

### Composition and size

The Supervisory Board performs periodic evaluation of its own composition, size and results, with the aim of improving its work. The Supervisory Board is currently deemed to have a composition that allows it to work efficiently and competently for the continued strategic development of the company. A size of 3-5 members is thus deemed to be appropriate.

### Election period

The Supervisory Board is elected for a period of one year.

### Committees

Tasks related to decisions in relation to nomination, remuneration and audit are deemed to be best undertaken by the entire Supervisory Board. As such, the board does not make use of committees for nominations, remuneration or auditing.



From left CFO Mogens Stentebjerg, Executive Vice President Niels Alsted, CEO Nils Agnar Brunborg, Chairman Jens Bjerg Sørensen, member of the Board Jørn Ankær Thomsen, Vice-Chairman Per Møller and member of the Board Asbjørn Reinkind.

# Board of Directors



## Chairman Jens Bjerg Sørensen

Initially elected by the general meeting held January 2006.

*Shares in BioMar Holding A/S:*  
0 (ultimo 2006).

*Options in BioMar Holding A/S:*  
none (ultimo 2006).

*D.O.B.:* 1957.

*Position:* CEO, Aktieselskabet Schouw & Co. since 2000.

*Previous employment:*  
1995-2000 CEO BioMar A/S,  
1989-1995 Director B-S PET Products A/S,  
1986-1989 Managing Director Ancher Iversen A/S.

*Education:*  
Insead Executive Programme (IEP) 1986  
HD in marketing economics, Copenhagen 1984  
Academic economist, Niels Brocks Handels-  
akademi 1980.

*Representative positions in  
Danish limited companies:*  
Chairman of the Board in: A/S P. Grene,  
Chr. C. Grene A/S, Hydra-Grene A/S and Xergi A/S.

Vice-Chairman of the Board in:  
Fibertex A/S and Martin Professional A/S.

Board member in: Aida A/S, Aktieselskabet af 26. november 1984, Dansk Moler Industri A/S, DB 2001 A/S, FAA Holding A/S, F. M. J. A/S, Incuba A/S, Incuba Venture I K/S and Schouw Finans A/S.



## Vice-Chairman Per Møller

Initially elected by the general meeting held April 2005.

*Shares in BioMar Holding A/S:*  
1.350 (ultimo 2006).

*Options in BioMar Holding A/S:*  
none (ultimo 2006).

*D.O.B.:* 1943.

*Previous employment:*  
2002-2006 Managing Director Højgaard Holding A/S.  
1999-2001 Managing Director Superfos A/S.  
1989-1999 CFO Superfos A/S.  
1986-1989 Group Director FDB.

*Education:*  
MA Economics from Århus University 1968.

*Representative positions in  
Danish limited companies:*  
Chairman of the Board in: Atrium Partners A/S, Det Danske Klasselotteri A/S, Glunz & Jensen Fonden, Højgaard Holding A/S and MT Højgaard A/S.

Vice-Chairman of the Board in: Glunz & Jensen A/S and RTX Telecom A/S.



**Board member Jørn Ankær Thomsen**

Initially elected by the general meeting held January 2006.

*Shares in BioMar Holding A/S:*  
0 (ultimo 2006).

*Options in BioMar Holding A/S:*  
none (ultimo 2006).

*D.O.B.:* 1945.

*Position:* Attorney at law (H) Gorrissen Federspiel Kierkegaard.

*Education:*  
MA law. Copenhagen University 1970.

*Representative positions in Danish limited companies:*  
Chairman of the Board in: Aida A/S, Aktieselskabet af 26. november 1984, Aktieselskabet Schouw & Co., Bodilsen Holding A/S, Carlsen Byggecenter Løgten A/S, Carlsen Supermarked Løgten A/S, Th. C. Carlsen Løgten A/S, Danish Industrial Equipment A/S, Danske Invest Administration A/S, DB 2001 A/S, Fibertex A/S, F. M. J. A/S, Frima Vafler A/S, GAM Holding A/S, GFKJURA 883 A/S, Ghana Impex A/S, Givesco A/S, Investeringsforeningen BG Invest, Investeringsforeningen Danske Invest, Kildebjerg Ry A/S, Krone Erhvervsinvestering A/S, Krone Kapital A/S, Løgten Midt A/S, Martin Professional A/S, K. E. Mathiasen A/S, Ortopædisk Hospital Aarhus A/S, Pipeline Biotech A/S, Scanad Udviklingsbureau A/S, Schouw Finans A/S, Søndergaard Give A/S and T-V-Holding A/S.

Vice-Chairman of the Board in: A/S P. Grene, Carletti A/S and Elopak Denmark A/S.

Board member in: Krone Kapital I A/S, Krone Kapital II A/S, Krone Kapital III A/S, Valor Denmark A/S and Vestas Wind Systems A/S.



**Board member Asbjørn Reinkind**

Initially elected by the general meeting held January 2006.

*Shares in BioMar Holding A/S:*  
0 (ultimo 2006).

*Options in BioMar Holding A/S:*  
none (ultimo 2006).

*D.O.B.:* 1960.

*Position:* Group Manager/CEO Rieber & Søn ASA since 2002.

*Tidligere ansættelser:*  
1997-2001 CEO, Hydro Seafood.  
1995-1997 Divisional Director TORO.  
1985-1995 Managing Director DENJA.

*Education:*  
INSEAD AMP Program 2001.  
MSc business economics, Norges Handelshøyskole 1980-1984.

*Representative positions in Danish limited companies:*  
Chairman of the Board in:  
Rieber & Søn Danmark A/S.

## Management financial review

The management financial review contains comments to the consolidated accounts for the BioMar Holding A/S group for 2006. The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for annual reports of listed companies. The key figures for the income statement are shown in the table on the next page.

### Description of non-recurring items

Some of the items in the income statement for 2005 and 2006 are non-recurring. The figures are adjusted in the table for non-recurring items with the intention of giving the reader a better understanding of the financial progress of the BioMar Holding group. The subsequent review of the income statement has been performed based on the adjusted figures. The adjustments concern the following:

- In 2005 DKK 11 million was accounted for as administration costs arising from BioMar UK switching from defined benefit pension schemes to contribution-based. An adjustment has been made in the table for a non-recurring amount of DKK 11 million in the income statement for 2005.
- DKK 6 million has been recognised in 2005 as the share of profit from associated company arising from



the recapitalisation of Hjalmland Seafarms, which is 24.3 % owned by Sjøtroll Havbruk AS. BioMar received a non-recurring book value profit from this of DKK 6 million. An adjustment has been made for a non-recurring amount of DKK 6 million in the income statement for 2005.

- BioMar Holding A/S recognised an income of DKK 30 million by the reversion of a previously recognised provision for pension obligations in 2006, concerning KFK supplementary pensions, after the Danish Financial Supervisory Authority revised its previous ruling.

An adjustment has been made in the table for a non-recurring amount of DKK 30 million in the income statement for 2006.

	Prepared in accordance with IFRS		Adjustments		Adjusted figures		Percentage change
	2005	2006	2005	2006	2005	2006	
<b>Income statement</b>							
Key figures, DKK million ( ) = negative amount	<b>2005</b>	<b>2006</b>			<b>2005</b>	<b>2006</b>	
<b>Net revenue</b>	<b>2,622</b>	<b>3,274</b>			<b>2,622</b>	<b>3,274</b>	<b>25 %</b>
- of which BioMar North Sea	1,466	1,923			1,466	1,923	31 %
- of which BioMar Americas	383	483			383	483	26 %
- of which BioMar Continental Europe	802	940			802	940	17 %
- group internal (elimination)	(29)	(72)			(29)	(72)	-
Direct production costs	(1,870)	(2,408)			(1,870)	(2,408)	29 %
<b>Gross profit margin</b>	<b>752</b>	<b>866</b>			<b>752</b>	<b>866</b>	<b>15 %</b>
Other production costs	(303)	(336)			(303)	(336)	11 %
<b>Gross profit</b>	<b>449</b>	<b>530</b>			<b>449</b>	<b>530</b>	<b>18 %</b>
Sales- and distribution costs	(188)	(209)			(188)	(209)	11 %
Admin. costs	(129)	(84)	+11	-30	(118)	(114)	(3) %
Gain on provisions for receivables	(11)	(6)			(11)	(6)	-
- Other operating income	3	1			3	1	-
<b>Operating profit/loss</b>	<b>124</b>	<b>232</b>	<b>+11</b>	<b>-30</b>	<b>135</b>	<b>202</b>	<b>50 %</b>
Share of profit/loss of associated company <sup>1</sup>	40	65	-6		34	65	91 %
Fair value adjustment of biomass <sup>2</sup>	8	9			8	9	-
Financial items, net	3	(21)			3	(21)	-
<b>Profit/loss before tax</b>	<b>175</b>	<b>285</b>	<b>+5</b>	<b>-30</b>	<b>180</b>	<b>255</b>	<b>42 %</b>
Tax on the year's result	(10)	(45)			(10)	(45)	-
<b>Profit/loss after tax</b>	<b>165</b>	<b>240</b>	<b>+5</b>	<b>-30</b>	<b>170</b>	<b>210</b>	<b>24 %</b>
Net profit/loss of discontinued activities <sup>3</sup>	1	0			1	0	
<b>Group profit/loss</b>	<b>166</b>	<b>240</b>	<b>+5</b>	<b>-30</b>	<b>171</b>	<b>210</b>	<b>23 %</b>
<b>EBIT</b>	<b>124</b>	<b>232</b>	<b>+11</b>	<b>-30</b>	<b>135</b>	<b>202</b>	<b>50 %</b>
<b>Depreciation</b>	<b>86</b>	<b>81</b>			<b>86</b>	<b>81</b>	<b>(6) %</b>
<b>EBITDA</b>	<b>210</b>	<b>313</b>	<b>+11</b>	<b>-30</b>	<b>221</b>	<b>283</b>	<b>28 %</b>
<b>Volume, (1,000 tons)</b>	<b>467</b>	<b>513</b>			<b>467</b>	<b>513</b>	<b>10 %</b>
<b>Profit margin (EBIT margin), %</b>	<b>4.7 %</b>	<b>7.1 %</b>			<b>5.2 %</b>	<b>6.2 %</b>	

1) Includes 37.2% of profit/loss (excluding fair value adjustment of biomass) in Sjøtroll Havbruk AS after payment of 28% tax.

2) Includes 37.2% of the fair value adjustment of biomass in accordance with IAS 41 in Sjøtroll Havbruk AS after payment of 28% tax.

3) Includes UK fish farms, sold in 2005.

### Review of major factors affecting results in 2006

Several factors have had a positive effect on the financial results of BioMar in 2006. EBIT thus shows an increase of 50 % and profit before tax an increase of 42 %. The factors described below have had a highly positive effect on BioMar's results during 2006:

- Climatic conditions were beneficial in 2006. Water temperatures in the last few months of the year were higher than usual in most of Europe, and in particular in Norway and the UK. This led to increased fish growth, and BioMar's volume sold exceeded expectations.
- Fish prices – and salmon prices in particular – were high throughout 2006, which meant better profitability and solvency for BioMar's customers. BioMar therefore realised relatively low losses and provisions during the year, and customer receivables were at a low level at the end of 2006 despite higher turnover. Furthermore, the share of profits from associated company Sjøtroll Havbruk AS were also at a high level.
- The price of raw materials – in particular fishmeal – rose considerably during the course of the year.

The price of fishmeal at the end of the year was approx. 40 % higher than at the end of 2005. Most of BioMar's customer contracts include clauses where changes in raw material prices can be passed on to the customer in whole or part in the form of revised feed prices. BioMar managed raw material price increases well in 2006, and even limited increases in raw material cost by escalating substitution of marine raw materials with alternatives. BioMar was therefore able to maintain its margins despite it being difficult to raise prices on several markets to the same extent as the rise in raw material prices.

- BioMar North Sea and BioMar Americas were close to full capacity utilisation in the peak season. This was a major contributor to high efficiency at several of BioMar's factories. To enable BioMar to take part in continued market growth, the group will invest in increased capacity in Chile, Norway and the UK in 2007, which will reduce factory efficiency in the short term. There is also a certain amount of risk of increased competition if several market participants increase capacity at the same time.

A starter with lobster and chestnut dressing, decorated with caviar.

Denis Franc, of Pavillon des Boulevards, one of the best restaurants in Bordeaux, creates a starter made from caviar, whilst Francois Loubère, Area Director for BioMar West Mediterranean watches. Denis uses caviar extensively as its taste can be used in all sorts of exciting combinations, and it creates visually-interesting colour contrasts. He prefers to combine caviar with other ingredients without mixing them, to retain its salty and pure taste. BioMar is the market leader within feeds for sturgeon farming. Caviar is the salted, processed roe of sturgeon.



### Review of the adjusted income statement

Net turnover in 2006 was DKK 3,274 million, which is an increase of DKK 652 million compared to 2005, equivalent to a rise of approx. 25 %. Of which, volume growth (amount sold) represents approx. 10 %, and the remainder primarily higher sales prices. The latter are due to the price of marine raw materials (fish oil and fishmeal), which represent a large proportion of BioMar's raw material costs, rising significantly in 2006. The overall trends in BioMar's 3 regions are described below.

*BioMar North Sea* (including factories in Norway and UK). BioMar's turnover in the North Sea region, where salmon sales dominate, was DKK 1,923 million in 2006, an increase of DKK 457 million, equivalent to an increase of 31% compared to 2005. The increase is a combination of higher sales prices resulting from rising raw material prices, and higher volume primarily due to market growth in Norway and the UK.

*BioMar Americas* (including 2 factories in Chile). BioMar turned over DKK 483 million in 2006 in Chile, where farming primarily centres on salmon. This is an increase of approx. 26 % compared to 2005 and is due to higher sales prices arising from rising raw material prices and high market growth.

*BioMar Continental Europe* (including factories in Denmark, France and Greece). Turnover in Continental Europe was DKK 940 million in 2006, an increase of approx. 17 % compared to 2005. BioMar achieved a minor increase in volume compared to the previous year.

*Gross profit* was DKK 866 million in 2006, an increase of 15 % compared to the previous year. The increase in gross profit is due to the higher vo-

lume and that the company was able to pass on rises in raw material prices to the customers in the form of higher feed prices. The increase in raw material costs has been further limited by escalating substitution of marine raw materials with alternatives.

*Other production costs* increased by DKK 33 million to DKK 336 million, equivalent to an increase of 11%. This increase is primarily due to rising energy costs and higher volume.

*Sales and distribution costs* increased by DKK 21 million to DKK 209 million, equivalent to an increase of 11 %. This increase is due to rising transport costs as a consequence of higher volume and increased fuel prices.

*Administration costs* comprise DKK 114 million, a minor reduction compared to 2005.

*Losses and provisions on receivables* comprise DKK 6 million in 2006, which is DKK 5 million lower than in 2005. This trend should be regarded against a background of salmon prices remaining at a high level for a long period. The profitability and financial position of most of BioMar's customers has thus improved.

*EBIT* (operating profit/loss) comprises DKK 202 million in 2006, which is an improvement of DKK 67 million compared to 2005 and equivalent to an increase of 50 %. The improvement is primarily due to a higher gross profit due to high capacity utilisation and thus higher efficiency at several of BioMar's factories. The profit margin (defined as EBIT as a percentage of net sales) was thus improved to 6.2 % in 2006 from 5.2 % in 2005.

*The share of profit/loss in associated companies* concerns the 37.2 %-owned Sjøtroll Havbruk AS in Norway.

A profit effect from associated companies of DKK 65 million was realised in 2006, an improvement of DKK 31 million, primarily due to salmon prices in 2006 being over 25 % higher than the preceding year. Fair value adjustment of Sjøtroll's fish stocks (biomass) must be added which comprised DKK 9 million in 2006.

*Financial items* comprise net DKK -21 million in 2006, a decline of DKK 24 million compared to 2005. This is due to higher average debt after payment of DKK 550 million in extraordinary dividends in August 2005, realised currency gains on securities in 2005 and lower interest earnings from customer receivables in 2006.

*Profit before tax* comprises DKK 255 million in 2006, an increase of DKK 75 million compared to 2005. The increase is a combination of the improvement in operating profit (EBIT) and increased share of profits in associated company Sjøtroll Havbruk AS. The decline in financial items has a negative effect.

*Tax on profits for the year* comprises DKK -45 million in 2006 compared to DKK -10 million in 2005. Please note that the share of profits from associated company Sjøtroll Havbruk AS is realised after payment of 28 % tax and "tax on profit/loss for the year" and therefore does not include tax on "share of profits of associated company". If this is adjusted, the tax percentage is just under 25 % in 2006.

*Profit after tax* comprises DKK 210 million in 2006, an increase of DKK 39 million compared to 2005. The increase is a combination of the improvement in operating profit (EBIT) and increased share of profits in associated company Sjøtroll Havbruk AS. The decline in financial items and higher level of tax has had a negative effect.

**Balance sheet**

Key figures, DKK million ( ) = negative amount

Long term assets, total

Short term assets, total

- of which short term receivables

**Total assets**

Equity capital

Debt and liabilities, total

Interest-bearing debt, gross

Interest-bearing debt less cash and cash equivalents,  
securities and deposits at the parent company.

Equity ratio

**As at  
end  
2005**

756

1,005

500

**1,761**

836

925

470

204

47.5 %

**As at  
end  
2006**

843

1,107

527

**1,950**

968

982

461

178

49.6 %

**Balance sheet**

The key figures for BioMar Holding A/S group balance sheet are stated in the table to the left. The accounting section contains the full balance sheet at the end of 2006.

*Long term assets* comprise DKK 843 million at the end of 2006, an increase of DKK 87 million compared to the end of 2005 primarily due to Sjøtroll Havbruk AS being included at a higher value as a result of the ongoing recognition of share of profit from Sjøtroll Havbruk AS.

*Short term receivables* comprise DKK 527 million at the end of 2006, an increase of DKK 27 million compared to the end of 2005, which must be seen against the background of higher raw material prices and increased volume.

*Assets* comprise a total of DKK 1,950 million at the end of 2006, an increase of DKK 189 million compared to the end of 2005 and primarily due to increased inventory and inclusion of investment in Sjøtroll Havbruk AS at a higher value.

*Interest-bearing debt, less cash and cash equivalents, securities and deposits at the parent company* comprise DKK 178 million at the end of 2006. This net interest-bearing debt has been reduced by DKK 26 million compared to the end of 2005, despite payment of DKK 99 million in dividends in Q2 2006 and investment of DKK 119 million net in fixed assets in 2006.



### Cash flow statement

The key figures for BioMar Holding A/S cash flow statement are stated in the figure to the right. The accounting section contains the full cash flow statement for 2006.

*Profit/loss of primary operations plus depreciations collectively comprise EBITDA*, which in 2006 was DKK 313 million, an increase of DKK 103 million compared to 2005. EBITDA is often regarded as the company's basic ability to generate cash flow from its operations. BioMar's EBITDA comprises a considerable amount in relation to net interest-bearing debt of DKK 178 million and the company's current investment level of DKK 119 million in 2006. BioMar's EBITDA thus gives the opportunity for a major expansion of our scope of business in the form of organic growth and acquisitions.

*Changes in working capital* consisting of overall changes in inventory, receivables, trade creditors and other liabilities comprises DKK -5 million in 2006 against a positive cash flow of DKK 62 million in 2005.

Funds tied up in working capital usually peak in Q3, which is the high season for the industry when water temperatures in most of Europe reach a level at which fish growth conditions are close to optimum. The BioMar group's working capital (inventory and receivables less trade creditors and other debt liabilities) comprised DKK 407 million at the end of 2006 against DKK 412 million at the end of 2005. This decrease must be seen against a background of rising raw prices, which - all things being equal - should lead to higher working capital.

*The price of raw materials* - in particular fishmeal - rose considerably during the course of the year. The price of fishmeal at the end of the year was 40 % higher than at the

### Cash flow statement

Key figures, DKK million ( ) = negative amount

	2005	2006
<b>Operating profit/loss</b>	<b>124</b>	<b>232</b>
Depreciation	86	81
<b>EBITDA</b>	<b>210</b>	<b>313</b>
<i>Changes in inventory</i>	(16)	(65)
<i>Changes in receivables</i>	62	(29)
<i>Changes in trade creditors and other liabilities</i>	16	89
Changes in working capital, total	62	(5)
Changes in pensions and similar liabilities	(14)	(33)
Financial items, net	3	(21)
Non- cash operational items, net	(26)	18
Corporation tax paid	0	(29)
<b>Cash flows from operating activities</b>	<b>235</b>	<b>242</b>
Purchase/sale of tangible assets, net	(46)	(119)
Sale of companies	79	0
Sale of securities	85	0
<b>Cash flows from investing activities</b>	<b>118</b>	<b>(119)</b>
<b>Cash flows from financing activities</b>	<b>(308)</b>	<b>(109)</b>
<b>Cash flow for the year</b>	<b>45</b>	<b>14</b>

end of 2005. The number of credit days for customer receivables was however reduced in 2006, which to a certain extent can be ascribed to the good salmon prices, leading to good liquidity for many customers.

*Cash flow from operating activities* comprises DKK 242 million in 2006 compared to DKK 235 million in 2005.

*Cash flow from investment activity* comprises DKK 119 million in 2006, which is due to investment in fixed assets.

*Cash flow from financing activities* comprises DKK -109 million in 2006, which is primarily due to a payment in Q2 2006 of approx. DKK 99 million in dividends.

## Expectations for 2007

The expectations for the financial year 2007 appear below:

- The net revenue is expected to be approx. DKK 3.6 billion compared to DKK 3.3 billion in 2006.
- EBIT is expected to be approx. DKK 200 million compared to an adjusted EBIT in 2006 of DKK 202 million.
- Profit before tax of **continuing activities** is expected to be approx. DKK 175 million kr. Sjøtroll Havbruk AS is not classified as a continuing activity consequently the share of profits from Sjøtroll Havbruk AS is not included in the expectations. The profit share of the associated company Sjøtroll Havbruk AS was DKK 74 million in 2006 out of an adjusted profit before tax of DKK 255 million.

In addition BioMar will recognise 100 % of the profit share from Sjøtroll

Havbruk AS plus eventual value adjustments in a separate income statement line item as "Profit/loss after tax of discontinued activities". Upon the distribution of the results for the year, the minority shareholders of Sjøtroll Havbruk AS (49.1 %) will receive a portion thereof. It is expected that Sjøtroll Havbruk AS in 2007 will realise results at least at the same level as in 2006. However, this expectation is subject to significant uncertainty, as the result of Sjøtroll Havbruk AS is extremely sensitive to changes in the prices of salmon and trout.

The expectations to revenue and results of BioMar should be viewed in the light of very favourable market conditions during 2006 concerning climatic conditions, fish prices, changes in raw material prices and capacity utilization. The market conditions may change in 2007 to less favourable conditions for BioMar,

furthermore it is not to be assumed that BioMar will be able to handle changes in market and internal conditions to the same satisfaction as in 2006. The expectations to revenue and results in 2007 are based upon normal climatic conditions as well as continued stable fish prices.

The expectations to revenue are based upon average raw material prices in 2007 at the same level as at the end of 2006. The expectations to 2007 are in addition dependent upon the ability of BioMar to maintain and develop its market position and margins in each of the counties that BioMar operates in. The development in the competitive environment and the effect of operational initiatives are subject to uncertainty. The most important factors that in addition could cause results to vary significantly from expectations include the development in raw material prices, energy prices, the interest level, exchange rates and the general economic conditions. Please refer to the section »Risk management«.



Erik Hansen, Director and owner of Danforel A/S and Ivan Bundgård, Vice President Continental Europe with smoked trout fillets. BioMar is the market leader within feeds for freshwater trout.



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# Accounting policies applied

## Accounting policies applied

The annual report for BioMar Holding A/S for 2006 has been prepared in accordance with the International Financial Reporting Standards (IFRS) as approved by the EU and additional Danish disclosure requirements for annual reports of listed enterprises, cf. the requirements of the Copenhagen Stock Exchange for listed companies, and the IFRS directive issued in accordance with the Danish Annual Accounts Act.

Compared to 2006 changes have been made to IAS21 and IAS 39 and a new IFRIC 4 has been approved. These have no significance to BioMar Holding A/S.

## Basis for preparation

The annual report is presented in DKK rounded up/down to the nearest 1,000 DKK.

It has been prepared on the historic cost principle, apart from the following assets and liabilities measured at fair value: biological stocks and certain financial instruments.

Long-term assets and disposal groups intended for sale are measured at the lowest value of their book value before changed classification or fair value less cost of sales.

The accounting policies applied as described below are consistently used throughout the financial year and for comparative figures.

The accounting policies applied are unchanged in relation to the preceding financial year.

## Description of accounting policies applied

### *Consolidated accounts*

The consolidated accounts include the parent company BioMar Holding A/S and subsidiaries in which BioMar Holding A/S has controlling interest in financial and operational policies to achieve dividend or other benefits from their activities. Controlling interest is achieved by direct or indirect ownership or control of over 50% of voting rights or in some other way exercising control over the company concerned.

Companies in which the group has a significant but not controlling interest are classed as associated companies. Significant interest is usually achieved by direct or indirect ownership or control over more than 20% of voting rights, but less than 50%.

Determining whether BioMar Holding A/S has decisive or significant interest took into account potential voting rights valid at the date the balance was made.

The consolidated accounts have been prepared as a summary of the parent company's and individual subsidiaries' accounts according to group accounting policies, with group earnings and costs, share ownership, internal

intercompany balances and dividends, plus realised and non-realised profits on transactions between the consolidated companies. Non-realised losses have been stripped out in the same way as realised profits, where no negative effect on value occurred.

## Mergers

Newly-acquired or established companies are recognised in the consolidated accounts from the date of acquisition or establishment. Sold or wound-up companies are recognised in the consolidated income statement up to the date they were sold or closed. Comparative data is not adjusted for newly-acquired companies.

Wound-up activities are presented separately, see below. When acquiring companies in which the parent company achieves controlling interest, the acquisition method is used. The identifiable assets, liabilities and possible liabilities of acquired companies are measured at their fair value at the time of acquisition.

Identifiable intangible assets are recognised where they can be separated or arise from a contractual right, and the fair value can be accurately calculated. Deferred tax on re-evaluations performed is recognised.

For mergers concluded on 1 January 2004 or after, a positive difference (goodwill) between the cost price for the company and fair value of identifiable assets, liabilities and possible liabilities is recognised as goodwill under intangible assets. Goodwill is not depreciated, but is tested annually for capital loss. The first test is performed at the end of the year of acquisition. At the time of acquisition, goodwill is attributed to the cash flow generating units, which subsequently form the basis for capital loss testing.

Goodwill and fair value adjustment related to acquisition of a foreign unit with another functional currency than BioMar Holding A/S group's presentation currency are treated as assets and liabilities belonging to that unit and converted to the currency it uses at the exchange rate applicable on the day of the transaction. A negative difference (negative goodwill) is recognised in the income statement on the date of acquisition.

For mergers concluded prior to 1 January 2004, account classification is retained in accordance with former accounting policy. Goodwill is recognised on the basis of the cost price used for the former accounting policy (Danish Annual Accounts Act and Danish Accounts Guidelines) less amortisation and impairment up to 31 December 2003. Goodwill is not depreciated after 1 January 2004. Accounting for mergers prior to 1 January 2004 is not revised for the opening balance as of 1 January 2004. Goodwill recognised

in the opening balance has been tested for capital loss as of 1 January 2004

If there was any uncertainty as to measurement of acquired identifiable assets, liabilities and possible liabilities, incorporation will first occur based on provisional fair values. Should it subsequently transpire that identifiable assets, liabilities and possible liabilities had a different fair value on the date of acquisition to that envisaged, it can be adjusted up to 12 months after acquisition. The effects of adjustments are recognised in the primary equity capital and comparative data adjusted. Goodwill is subsequently adjusted only as a result of revised estimates for conditional purchase price, unless there are major errors involved. However, subsequent realisation of the acquired company's deferred tax assets not recognised at the date of acquisition will entail incorporation of the tax advantages in the income statement and simultaneous depreciation of the book value of goodwill to the amount that would have been recognised if the deferred tax asset had been recognised as an identifiable asset at the date of acquisition.

Gain or loss made at the time of sale or winding up of subsidiaries and associated companies is stated as the difference between sale or winding-up value and that of net assets including goodwill at the time of sale, plus costs for sale or winding-up. To the extent that goodwill from acquisitions made prior to 1 January 2004 is immediately depreciated in the equity capital, the bookkept value of goodwill at the time of sale will be DKK 0.

### Conversion of foreign currencies

A functional currency is designated for each of the reporting companies in the group, which is used in the primary financial environment in which that company operates. Transactions in other currencies than the functional currency are those in foreign currencies.

Transactions in foreign currencies are converted when first recognised to the functional currency at the exchange rate on the day of transaction. Currency differences arising between the rate on the day of transaction and payment are recognised into the income statement under financial income or expenses.

Receivables, debt and other financial items in foreign currencies are converted to the functional currency at the rate applicable on the day of balance. The difference between the balance day rate and that at the time the receivables or debt arose or the rate in the most recent annual report are recognised in the income sheet under financial income and expenses.

When companies with a functional currency other than DKK are recognised into the consolidated accounts, the income statement is converted to the rate on the transaction day and balance sheet items are converted to exchange rates valid on the day the statement was prepared.

The exchange rate used for transaction day is that valid at the end of each month providing this does not give too much distortion. Exchange rate differences occurring when converting such companies' equity capital at the start of the year to that on the balance sheet day and when converting income statements from transaction day to balance sheet day rates, are recognised directly into equity capital under a special reserve for currency exchange rate adjustments.

Exchange rate adjustment of intercompany balances regarded as a part of the overall net investment in companies with a functional currency other than DKK, are recognised into the consolidated accounts directly in the equity capital under a special reserve for exchange rate adjustments. Similarly, currency exchange rate gains and losses on that part of a loan and derived financial instruments used for hedging net investment in such companies, and which effectively insure against corresponding exchange rate gains/losses on net investment in the company, are recognised directly into the equity capital under a special reserve for exchange rate adjustments.

When incorporating an associated company into the consolidated accounts with a functional currency other than DKK, the share of annual profit is converted at the average exchange rate, and share of equity capital including goodwill is converted at the rate valid on balance sheet day. Exchange rate differences occurring when converting the share of foreign associated companies' equity capital at the start of the year to that on the balance sheet day and when converting the share of the annual result from average exchange rates to balance sheet day rates, are recognised directly into equity capital under a special reserve for currency exchange rate adjustments.

### Derived financial instruments

Derived financial instruments are recognised and measured in the balance sheet at fair value. Positive and negative fair values in derived financial instruments are recognised in other receivables or other debt, and set-off of positive and negative values is performed only when the company is entitled to and intends to settle several financial instruments net. Fair values for derived financial instruments are calculated on the basis of current market data and approved capital valuation methods.

Changes to the fair value of derived financial instruments classified as and which fulfil the criteria for hedging the fair value of a recognised asset or liability, are recognised in the income statement along with changes to the value of the hedged asset or liability for the element hedged. Hedging future payment flow in accordance with an agreement – apart from exchange rate hedging – is treated as hedging the fair value of a recognised asset or liability.

Changes to that part of the fair value of derived financial instruments classified as and fulfilling the conditions for hedging future payment flow, and which effectively hedge changes in the value of the item hedged, are recognised in the equity capital under a special reserve for hedging transactions. When a hedged transaction is realised, the gain or loss made is transferred from the equity capital and recognised in the same accounting item as the hedged transaction. When hedging the proceeds from future borrowing, the gain or loss arising from hedged transactions is however transferred from the equity capital during the loan term.

For derived financial instruments which do not fulfil the conditions for hedged instruments, the changes in fair value are recognised periodically into the income statement under financial items.

Changes to the fair value of derived financial instruments used for hedging net investments in foreign subsidiaries or associated companies, and which effectively hedge against currency fluctuations in such companies, are recognised directly into the equity capital under a separate reserve for currency adjustments.

Some contracts include terms corresponding to derived financial instruments. Such built-in financial instruments are recognised separately and measured periodically at fair value, so that they are significantly different from the contract concerned, unless the overall contract is recognised and periodically measured at fair value.

### The income statement

#### *Net revenue*

Revenue derived from sales of trade goods and finished goods, including fish feed, is recognised into the income statement providing risk transfer to the buyer has taken place before the end of the year and the income can be accounted for reliably and is expected to be received.

Revenue is measured exclusive of VAT and duties collected on behalf of a third party. All forms of discount given are recognised in revenue.

#### *Public subsidies*

Public subsidies include subsidies and financing of development and for investment etc, subsidies for Research & Development costs recognised directly into the income statement are recognised under other operating income.

#### *Cost of sales*

Cost of sales includes costs incurred to achieve the year's net revenue.

They are broken down into direct- and indirect cost of sales. Direct costs recognise costs of raw materials and ancillary goods. Indirect production costs recognise costs for wages and remuneration, rental and leasing plus depreciation on production machinery.

Research costs and development costs which do not fulfil the criteria for capitalisation of and depreciation of capitalised development costs are also recognised under cost of sales.

#### *Sales- and distribution costs*

Distribution costs recognise costs incurred for distribution of goods sold and for sales campaigns etc during the year, including for sales personnel, advertising and exhibitions and amortisation and impairment.

#### *Administration costs*

Administration costs recognise costs incurred during the year for management and administration, including for administrative personnel, office premises and running costs, plus amortisation and impairments.

#### *Gain/loss on provisions for receivables*

Periodic provision is made for loss on customer receivables where deemed unlikely that the receivables will be paid.

#### *Other operating income and costs*

Other operating income and costs contain items of secondary character in relation to activities, including gains and losses from regular sales and replacement of intangible and tangible assets and public subsidies. Gains or losses from disposal of intangible and tangible assets are recognised as the difference between the sales price less sales costs and the book value at time of sale.

#### *Share of profit in associated company in the consolidated accounts*

Comprises the proportionate share of an associate company after tax.

#### *Financial income and costs*

Financial income and costs contain interest, exchange rate gains and losses plus depreciation on securities, debt and transactions in foreign currencies, amortisation of financial assets and liabilities plus supplements and receivables under the prepaid tax scheme etc. Realised and unrealised gains and losses are also included, concerning derived financial instruments which cannot be classified as hedging agreements.

Dividends from share of capital in subsidiaries and associated companies are recognised as income in the parent company's income statement in the financial year they were declared. Where paid dividends exceed accumulated income after the time of acquisition however, the dividend is recognised as amortisation of the capital share cost price.

#### *Tax on the year's result*

BioMar Holding A/S is jointly taxed with the parent



company's other Danish subsidiaries. Current Danish corporation tax is shared between the jointly taxed companies in proportion to their taxable incomes. Companies exploiting tax losses in other companies pay a joint tax contribution to the parent group's administration company equivalent to the tax value of the loss to be used, whilst those companies with a loss being used by other companies receive a joint tax contribution from the parent group's administration company equivalent to the tax value of the loss (full distribution). Jointly taxed companies are subject to the prepaid tax scheme

The foreign companies of the BioMar Holding A/S group are not covered by joint taxation, which means that their corporation tax payable is booked according to local taxation rules and they must generate the taxable profit to be able to offset any tax loss.

Tax for the year, consisting of tax payable for that year plus any changes in deferred tax, is recognised in the income statement by that part that can be attributed to the year's result, and directly in the equity capital by the element that can be attributed to items direct in the equity capital.

## The balance sheet

### *Intangible assets*

#### *Goodwill*

Goodwill is recognised initially in the balance sheet at cost price as described under "Mergers".

Subsequently, it is measured at cost price less accumulated depreciations. No amortisation of goodwill is performed.

The book value of goodwill is allocated to the group's cash flow generating units at the time of acquisition. Identification of cash flow generating units follows the management structure and internal financial control.

The book value of goodwill as of 1 January 2004 comprises DKK 0.

#### *Development projects, patents and licenses etc.*

Development projects cover wages, depreciations and other costs that can be attributed to the company's development activities. Clearly defined and identifiable development projects in which the degree of technical exploitation, sufficient resources and a potential market or possible use can be demonstrated, and where there is an intention to manufacture, sell or use the project, are recognised as intangible assets, providing the cost price can be accurately calculated, and there is sufficient certainty that future earnings or net sales price can cover production, sales and administration costs, plus development costs. Other development costs are recognised in the income statement as and when costs are incurred.

The BioMar Holding A/S group has not activated development costs, as those costs incurred for Research & Devel-

opment are not deemed to fulfil the criteria for recognising in the balance sheet.

Patents and licenses are measured at cost price less accumulated amortisations and impairments. Patents and licenses are linearly depreciated over the remaining patent- or agreement period or service life if shorter.

#### *Other intangible assets*

Other intangible assets (e.g. concessions), including those acquired due to company mergers, are measured at cost price less accumulated amortisations and impairments. Other intangible assets are linearly depreciated over expected service life.

Intangible assets with an indefinable service life are not depreciated however, but are tested annually for capital loss.

#### *Tangible assets*

Ground and buildings, plant and machinery plus other machinery, operating equipment and fixtures are measured at cost price less accumulated amortisation and impairment.

Cost price includes sourcing price plus costs directly related to sourcing up to the time at which the asset was taken into use. The present value of estimated liabilities for removal and disposal of the asset, plus re-establishment of the site are added to cost price. The cost price of a composite asset is broken down into the separate components which are depreciated individually, providing their service lives are deemed to vary significantly.

For financially leased assets, the cost price is booked at the lowest fair value or present value of the future minimum lease payments. When calculating present value, the internal interest rate for the leasing agreement is used as discount factor or an approximate value for the same.

Subsequent costs, e.g. for replacement of components of a material asset, are recognised at the book value of the asset concerned when it is likely that defrayment will incur future financial benefits for the group. Recognition of the components replaced in the balance sheet will cease and the book value will be entered as income or cost in the income statement. All other costs for general repair and maintenance are recognised in the income statement upon defrayment.

Material assets are linearly depreciated over the expected service life of the asset,

- Buildings 20-25 years
- Plant and machinery 8-12 years
- Other plant, operating materials and fixtures 4-7 years
- Ground is not depreciated

The basis for depreciation is made up with regard to the asset's scrap value and reduced by write-downs if relevant. Scrap value is determined at the time of acquisition and

reviewed annually. Should the scrap value exceed the book value of the asset, depreciation will cease.

The effect of depreciations is recognised forward-looking for changes in the depreciation period or scrap value as a change in the book valuation.

Depreciations are recognised in the income statement under indirect production-, distribution and administration costs respectively.

#### *Share of capital in associated companies in the consolidated accounts*

Share of capital in associated companies is measured by the equity method, in which share of capital in the income statement is measured as the proportionate share of the company's equity made up according to the group accounting policy less or plus a proportionate share of unrealised group internal profit or loss plus book value of goodwill.

Associate companies with negative book equity are measured at DKK 0. If the group has a legal or actual obligation to cover balance sheet losses for an associated company, they are recognised under liabilities.

Any receivables from associated companies are written-down where they are deemed irrecoverable.

Biological assets are valued at sales price less realisation costs. Biological assets consist of fish.

#### *Share of capital in subsidiaries in the parent company's annual accounts*

Capital shares in subsidiaries are measured at cost price. Where the cost price exceeds the recovery value, it is written-down to a lower value. The cost price is reduced by dividends received exceeding the accumulated earnings after the acquisition date.

#### *Impairment of long term assets*

Goodwill and intangible assets with indefinable service life are tested annually for impairment, initially at the end of the acquisition year. Development projects in progress are similarly tested annually for impairment.

The book value of goodwill is tested for impairment along with the other long term assets in cash flow generating units; goodwill is allocated and depreciated to recovery value in the income statement, providing the book value is higher. The recovery value is usually made up as the present value of the expected future net cash flow from the company or activity (cash flow generating unit) the goodwill is related to. Write-down of goodwill is recognised on a separate line in the income statement.

Deferred tax assets are evaluated annually and recognised only if it is likely they will not be used.

The book value of other long term assets is evaluated annually to determine if there is any indication of impair-

ment. If there is, the asset's recovery value is calculated. This will be the highest of the asset's fair value less expected disposal costs or the capital value.

A loss of capital value will be recognised when the book value of an asset or cash flow generating unit exceeds the recovery value of the asset or cash flow generating unit respectively. Impairment is recognised in the income statement under indirect production-, distribution and administration costs respectively.

#### *Inventory*

Inventory is measured at cost price according to the FIFO method. A net realisation value less than the cost price is written-down to the lower value.

Cost price for trade goods, raw materials and ancillary goods comprises sourcing price plus transport costs. Cost price for finished goods plus work in progress comprises cost price for raw materials, ancillary goods, direct wages and indirect production costs. Indirect production costs include indirect materials and wages plus maintenance and depreciation of machines used in the production process, factory buildings and equipment, plus costs for factory administration and management.

The net realisation value for inventory is made up of the sales value less completion costs and costs incurred for executing the sale, and is determined with regard to transferability, obsolescence and fluctuation in expected sales price.

#### *Receivables*

Receivables are measured at amortised cost price. Write-down is performed to account for loss.

#### *Deferred income*

Prepayments recognised under assets include costs paid related to the subsequent financial year and are measured at cost price.

#### *Securities*

Securities recognised under short term assets, are measured at market value and changes to valuation are recognised in the income statement (fair value option), if the securities are listed and management continuously monitors the market value.

Securities, recognised under long term assets, are valued at cost price as it is not possible to measure the market value.

#### **Equity capital**

##### *Dividend*

Proposed dividend is recognised as a liability at the time of resolution at the ordinary general meeting (time of declaration). Dividend expected to be paid for the year is shown as a separate item under equity capital.

Interim dividend is recognised as a liability at the time of decision.

#### *Reserve for exchange rate adjustment*

A reserve for exchange rate adjustment in the consolidated accounts comprises exchange rate difference arising during conversion of the accounts for foreign companies from their functional currency to the BioMar Holding A/S group's presentation currency (Danish kroner). For full or part realisation of net investments, exchange rate adjustments are recognised in the income statement.

The reserve for exchange rate adjustment was set to zero on 1 January 2004 in accordance with IFRS 1

### **Employee benefits**

#### *Incentive schemes*

The BioMar Holding A/S group's incentive schemes include a share option scheme.

#### *Share option scheme*

The value of services received in return for allocated options is measured at the fair value of the options.

The share option scheme, which entails cash difference calculation, is measured at fair value when first recognised at the time of allocation, and recognised in the income statement under personnel costs over the period in which the final right to the options is attained. Subsequently, the fair value of share options is measured every balance sheet day and upon final settlement. Changes in share option values are recognised in the income statement under personnel costs in relation to the part of the period in which the employee will attain the final rights to the options. The counter-item will be recognised under liability.

The fair value of allocated options is estimated using an option price model. Calculation takes into account the terms and conditions applicable to share options allocated.

#### *Pension liabilities and similar long term liabilities*

The group has entered into pension agreements and similar agreements with the majority of its employees.

Liabilities concerning contribution-based pension schemes are recognised in the income statement in the period they are earned and payments due are recognised in the balance sheet under other debt.

For payment-based schemes, an annual actuarial calculation is made of the capital value of future payments to be paid out in accordance with the scheme. The capital value is calculated based on preconditions for future trends of such aspects as wage levels, interest, inflation and mortality rates. Calculation of the capital value is solely based on payments the employee has earned entitlement to during employment to date in the group. The actuarial calculated capital value less fair value of any assets related to the

scheme is recognised in the balance sheet under pension liabilities.

Annual pension costs are recognised in the income statement based on the actuarial estimate and financial expectations at the start of the year. The difference between expected development of pension assets and liabilities and realised values is defined as actuarial gains or losses and recognised directly in the equity capital. In conjunction with the transition to the IFRS the accumulated actuarial gains and losses have been fully integrated into the opening balance as of 1 January 2004

In the event of payments related to an employee's previous employment by the group, a change is made to the actuarial calculated capital value defined as a historic cost. Historic costs are entered immediately if the employee has already attained the right to the changed payment, or are recognised in the income statement for the period in which the employee attains the right to the changed payment.

If a pension scheme is a net asset, it is recognised solely if it equates to non-recognised actuarial loss, future repayments from the scheme or will lead to reduced future payments to the scheme.

Other long term personnel payments are correspondingly recognised by use of actuarial calculation but without use of the corridor method. Actuarial gain and loss are recognised immediately in the income statement. Other long term personnel liabilities include such aspects as anniversary gifts.

#### *Payable- and deferred tax*

Current tax liabilities and receivable current tax are recognised in the balance sheet as projected tax on the year's taxable income adjusted for tax on previous years' taxable income and for prepaid taxes.

Deferred tax is measured using the balance-oriented debt method on all temporary differences between book and tax values of assets and liabilities. However, deferred tax on temporary differences concerning non-depreciable taxable goodwill plus other items for which temporary differences - other than from company acquisitions - arose at the time of sourcing with no effect on the ordinary result or taxable earnings is not recognised. In instances where tax value can be calculated using different taxation rules, deferred taxation is measured on the basis of use of the asset planned by the management or repayment of the liability.

Deferred tax assets, including the tax value of presentable tax losses, are recognised under other long term assets at a value they are expected to be used at, either in settlement of tax on future earnings or counterbalancing deferred tax liabilities within the same legal tax unit.

Adjustment of deferred tax for eliminated non-realised internal group gains and losses is performed.

Deferred tax is measured on the basis of the tax rules and rates applicable on balance day for the respective countries, when deferred tax is expected to become tax payable. Changes to deferred tax as a result of changed tax rates are recognised in the income statement.

#### *Deferred liabilities*

Deferred liabilities are recognised when the group has a legal or factual liability arising from an event before or on the balance day, and it is likely that some financial benefit will have to be given as payment for the liability.

Deferred liabilities are measured at the management's best estimate of the amount required to pay off the liability.

Retrospective discounting has to be performed of the costs necessary to pay off deferred liabilities when measuring, if it will have a significant effect on measurement. A pre-tax discount factor is used. Set-asides for the financial year are recognised under financial costs at current values.

When the group is obliged to either remove or dispose of an asset or re-establish the site it has been used upon, a liability equivalent to the current value of expected future costs will be recognised.

#### *Financial liabilities*

Debt to credit institutions etc is recognised as borrowing at the amount received less transaction fees. In subsequent periods, financial liabilities are measured at amortised cost price using the "effective interest method" such that the difference between the amount and the nominal value are recognised in the income statement under financial costs over the loan period.

Other liabilities are measured at net realisation value.

#### *Deferred income*

Deferred income recognised under liabilities covers payments received concerning income in subsequent years.

#### **Assets intended for sale**

Assets intended for sale include long term assets and disposal groups intended for sale. Disposal groups are groups of assets to be disposed of together by sale or the like in a single transaction. Liabilities concerning assets intended for sale are those directly linked to the assets to be transferred by the transaction. Assets are classified as "intended for sale" when their book value will be primarily realised through sale within 12 months in accordance with a formal plan, as opposed to continued use.

Assets or disposal groups intended for sale are measured at the lowest value of their book value or fair value less sales costs.

No depreciation and amortisation is performed on assets from the time at which they are classified as "intended for sale".

Loss of capital value arising from initial classification as "intended for sale" and gains or losses from subsequent measurement to the lowest value of the book value less sales costs, is recognised in the income statement under the relevant items. Gains and losses are stated in the notes.

Assets and associated liabilities have separated onto separate lines in the balance sheet and main items specified in the notes.

#### *Presentation of discontinued activities*

Discontinued activities represent a sizeable unit if activities and cash flow can be clearly distinguished from the rest of the company in terms of operations and accounting and where the unit has either been sold or designated as intended for sale, and the sale is expected to be transacted within one year according to a formal plan. They can also refer to companies classified as "intended for sale" in conjunction with an acquisition.

Profit/loss after tax on discontinued activities, plus value adjustments after tax of associated assets and liabilities are presented on a separate line in the income statement. Turnover, costs, value adjustments and tax details for discontinued activities are stated in the notes. Assets and their related liabilities for discontinued activities are on separate lines in the balance sheet, see "Assets intended for sale" and the main items specified in the notes.

Cash flow from operating, investing and financing activities for the discontinued activities is stated in a note.

#### **Cash flow statement**

The cash flow statement shows cash flow broken down into operating, investing and financing activities for the year, cash and cash equivalent set-asides and cash and cash equivalents at the start and end of the year.

The cash flow impact of the acquisition and sale of companies is shown separately under cash flow from investment activity. The cash flow statement recognises cash flow from acquisitions from the date of acquisition and cash flow from companies sold is recognised up to the date of sale.

Cash flow from operational activities is stated as profit/loss before tax adjusted for non-cash operating items, change in operating capital, interest paid and corporation tax paid.

Cash flow from investment activities includes payments related to acquisition and sales of companies and assets, purchase and sale of intangible, tangible and other long term assets and purchase and sale of securities not booked as cash or cash equivalents.

Cash flow from financing activities includes changes in size or composition of share capital and related costs, plus borrowing, payment of interest-bearing debt, purchase and sale of own shares and dividends paid.

Cash and cash equivalents include cash at bank and in hand plus securities valid for less than 3 months at the time of purchase, and that can be freely converted to cash and for which there is an insignificant risk of value changes. In addition are receivables from BioMar Holding A/S group's main shareholder, A/S Schouw & Co. Such receivables are recognised under cash and cash equivalents as they are payable on demand which can be converted to cash and are therefore part of ongoing cash management.

Cash flows in other currencies than the functional currency are converted using mean currency rates, unless they differ significantly from transaction day rates.

#### Segment data

Details of business segments - the group's primary segmentation format - and geographic markets - the secondary format. These segments are governed by group risk management, general management and internal financial management. Segment data is prepared in accordance with group accounting policies.

Segment earnings, costs, assets and liabilities include all the items that can be directly related to each segment plus those that can be allocated to each segment on a reliable basis. Non-allocated items primarily comprise assets and liabilities plus earnings and costs concerning group administrative functions, investing activities, income taxes etc.

Long term assets in the segment comprise the long term assets used directly in the segment operations, including intangible and tangible assets, plus capital share in associated companies.

Short term assets in the segment comprise those used directly in the segment operations, including inventory, receivables from sales, other receivables, prepayments and cash or cash equivalents in hand.

Segment liabilities comprise those incurred in segment operations, including vendors of goods and services plus other debt.

#### Definition of financial ratios

ROIC before tax (%)	$\frac{\text{Earnings before interest and tax}}{\text{Invested capital (average)}}$
Invested capital	Tangible assets + inventory + receivables deducting trade creditors and other debt and pensions and similar liabilities
EBITDA	Earnings before interest, tax, depreciation and amortisation
EBIT	Group profit/loss
Operating profit margin (EBIT margin)	$\frac{\text{Group profit/loss}}{\text{Net revenue}}$
Return on equity (%)	$\frac{\text{Group profit/loss}}{\text{Equity capital (average)}}$
Equity ratio (%)	$\frac{\text{Equity capital}}{\text{Total assets (as at end of year)}}$
Share price/book value (end of year)	$\frac{\text{Share price (end of year)}}{\text{Equity divided by number of shares}}$
Earnings per share	$\frac{\text{Group profit/loss}}{\text{Number of shares}}$
Price Earnings Ratio (P/E)	$\frac{\text{Price per share (as at end of year)}}{\text{Earnings per share}}$

Key figures have been prepared in accordance with The Financial Analysts' Association's "Recommendations and Financial Ratios 2005".



# Income statement

1 January - 31 December

	Note	GROUP		PARENT COMPANY	
		2006	2005	2006	2005
Amounts in DKK 1,000 ( ) = negative amount					
<b>Net revenue</b>		<b>3,273,847</b>	<b>2,622,064</b>	<b>2,585</b>	<b>3,879</b>
Direct production costs	3	(2,407,876)	(1,870,544)	0	0
Gross profit margin		865,971	751,520	2,585	3,879
Other production costs	3	(335,664)	(302,578)	0	0
<b>Gross profit</b>		<b>530,307</b>	<b>448,942</b>	<b>2,585</b>	<b>3,879</b>
Sales- and distribution costs	3	(208,799)	(187,591)	0	0
Admin. costs	3	(84,343)	(129,044)	25,868	(13,418)
Gain/loss on provisions for receivables	8	(6,434)	(10,841)	258	0
Other operating income	5	1,189	2,848	0	24
<b>Operating profit/loss</b>		<b>231,920</b>	<b>124,314</b>	<b>28,711</b>	<b>(9,515)</b>
Share of profit/loss of associated company	7	74,526	47,664	0	0
Financial earnings	9	15,332	30,100	38,677	48,549
Financial costs	9	(36,442)	(26,995)	(317)	(3,782)
<b>Profit/loss before tax</b>		<b>285,336</b>	<b>175,083</b>	<b>67,071</b>	<b>35,252</b>
Tax on profit/loss	10	(44,745)	(9,970)	(8,492)	35,303
<b>Profit/loss after tax</b>		<b>240,591</b>	<b>165,113</b>	<b>58,579</b>	<b>70,555</b>
Net profit/loss of discontinued activities	27	0	1,157	0	0
<b>Net profit/loss for the year</b>		<b>240,591</b>	<b>166,270</b>	<b>58,579</b>	<b>70,555</b>
<b>Proposed distribution of profit for the year</b>					
Proposed dividend, 20.0 % (45.0 %)				43,996	98,991
Retained earnings				14,583	(28,436)
				<b>58,579</b>	<b>70,555</b>
<b>Earnings per share</b>					
	11				
Earnings per share DKK		21.87	15.12		
Diluted earnings per share, DKK		21.87	15.12		
Earnings for continuing activities per share, DKK		21.87	15.01		
Diluted earnings for continuing activities per share, DKK		21.87	15.01		
<b>Dividend per share, DKK</b>				<b>4.00</b>	<b>9.00</b>

# Balance sheet

As of 31. December

	Note	GROUP		PARENT COMPANY	
		2006	2005	2006	2005
Amounts in DKK 1,000 ( ) = negative amount					
<b>ASSETS</b>					
<b>Long term assets</b>					
<b>Intangible assets</b>					
Goodwill	12	0	0	0	0
<b>Tangible assets</b>					
Land and buildings	13	245,249	268,324	0	0
Plant and machinery	13	264,025	277,992	0	0
Other plant, operating equipment and fixtures	13	13,997	15,846	222	296
Tangible assets under construction and prepayments for tangible assets	13	60,685	3,979	60	0
<b>Tangible assets total</b>		<b>583,956</b>	<b>566,141</b>	<b>282</b>	<b>296</b>
<b>Other long term assets</b>					
Share of capital in subsidiaries	6	0	0	342,235	342,235
Share of capital in associated companies	7	182,543	113,673	0	0
Long term receivables	15	10,851	9,310	0	0
Other securities		11,975	10,695	37	37
Deferred tax asset	20	53,497	56,170	25,730	32,324
<b>Other long term assets</b>		<b>258,866</b>	<b>189,848</b>	<b>368,002</b>	<b>374,596</b>
<b>Long term assets, total</b>		<b>842,822</b>	<b>755,989</b>	<b>368,284</b>	<b>374,892</b>
<b>Short term assets</b>					
Inventory	14	296,444	231,033	0	0
Receivables	15	526,716	499,612	566,556	587,006
Receivables, deposit at parent company		191,772	0	0	0
Corporation tax receivable	23	430	6,530	0	1,911
Deferred income		0	854	0	0
Securities	16	3,319	1,428	3,319	1,428
Cash at bank and in hand		88,133	265,568	213	57,053
Assets intended for sale	27	0	0	0	0
<b>Short term assets, total</b>		<b>1,106,814</b>	<b>1,005,025</b>	<b>570,088</b>	<b>647,398</b>
<b>TOTAL ASSETS</b>		<b>1,949,636</b>	<b>1,761,014</b>	<b>938,372</b>	<b>1,022,290</b>



# Balance sheet

As of 31. December

	Note	GROUP		PARENT COMPANY	
		2006	2005	2006	2005
Amounts in DKK 1,000 ( ) = negative amount					
<b>LIABILITIES</b>					
<b>Equity capital</b>					
	17				
Share capital		219,981	219,981	219,981	219,981
Reserve for hedging transactions		(2,094)	2,007	0	0
Reserve for exchange rate adjustment		711	6,760	0	0
Retained earnings		704,781	508,186	618,920	604,337
Proposed dividend		43,996	98,991	43,996	98,991
<b>Equity capital, total</b>		<b>967,375</b>	<b>835,925</b>	<b>882,897</b>	<b>923,309</b>
<b>Long term liabilities</b>					
Deferred tax	20	13,353	20,287	0	0
Pensions and similar liabilities	19	47,941	80,788	47,941	77,941
Bank loans	21	406,735	412,395	0	0
<b>Long term liabilities, total</b>		<b>468,029</b>	<b>513,470</b>	<b>47,941</b>	<b>77,941</b>
<b>Short term liabilities</b>					
Short term element of long term debt	21	54,447	57,305	0	0
Bank loans	21	81	961	0	253
Trade creditors and other debt	22	415,583	318,879	7,534	20,787
Corporation tax	23	44,121	34,474	0	0
Liabilities ref. assets for sale	27	0	0	0	0
<b>Short term liabilities, total</b>		<b>514,232</b>	<b>411,619</b>	<b>7,534</b>	<b>21,040</b>
<b>Total liabilities</b>		<b>982,261</b>	<b>925,089</b>	<b>55,475</b>	<b>98,981</b>
<b>TOTAL LIABILITIES</b>		<b>1,949,636</b>	<b>1,761,014</b>	<b>938,372</b>	<b>1,022,290</b>

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# Statement of changes in equity

Amounts in DKK 1,000 ( ) = negative amount	Share capital	Reserve for hedging transactions	Reserve for exchange rate adjustment	Retained earnings	Proposed dividend	Total
<b>GROUP</b>						
<b>Equity capital as of 1/1 2006</b>	<b>219,981</b>	<b>2,007</b>	<b>6,760</b>	<b>508,186</b>	<b>98,991</b>	<b>835,925</b>
Exchange rate adjustment for foreign companies			(6,049)			(6,049)
Value adjustment of hedging instruments carried forward to income statement.		(2,970)				(2,970)
Value adjustment of hedging instruments		(2,705)				(2,705)
Pensions, actuarial changes				0		0
Tax on equity capital movements		1,574				1,574
Net profit/loss for the year				240,591		240,591
<b>Total earnings</b>	<b>0</b>	<b>(4,101)</b>	<b>(6,049)</b>	<b>240,591</b>	<b>0</b>	<b>230,441</b>
Distribution of dividend				0	(98,991)	(98,991)
Proposed dividend				(43,996)	43,996	0
<b>Equity capital movements in 2006, total</b>	<b>0</b>	<b>(4,101)</b>	<b>(6,049)</b>	<b>196,595</b>	<b>(54,995)</b>	<b>131,450</b>
<b>Equity capital as of 31/12 2006</b>	<b>219,981</b>	<b>(2,094)</b>	<b>711</b>	<b>704,781</b>	<b>43,996</b>	<b>967,375</b>
<b>Equity capital as of 1/1 2005</b>	<b>219,981</b>	<b>(843)</b>	<b>2,761</b>	<b>994,125</b>	<b>38,497</b>	<b>1,254,521</b>
Exchange rate adjustment for foreign companies			3,999			3,999
Value adjustment of hedging instruments carried forward to income statement.		1,705				1,705
Value adjustment of hedging instruments		2,970				2,970
Pensions, actuarial changes				(3,266)		(3,266)
Tax on equity capital movements		(1,825)				(1,825)
Net profit/loss for the year				166,270		166,270
<b>Total earnings</b>	<b>0</b>	<b>2,850</b>	<b>3,999</b>	<b>163,004</b>	<b>0</b>	<b>169,853</b>
Distribution of dividend				(549,952)	(38,497)	(588,449)
Proposed dividend				(98,991)	98,991	0
<b>Equity capital movements in 2005, total</b>	<b>0</b>	<b>2,850</b>	<b>3,999</b>	<b>(485,939)</b>	<b>60,494</b>	<b>(418,596)</b>
<b>Equity capital as of 31/12 2005</b>	<b>219,981</b>	<b>2,007</b>	<b>6,760</b>	<b>508,186</b>	<b>98,991</b>	<b>835,925</b>

Amounts in DKK 1,000  
( ) = negative amount

	Share capital	Reserve for hedging transactions	Reserve for exchange rate adjustment	Retained earnings	Proposed dividend	Total
<b>PARENT COMPANY</b>						
<b>Equity capital as of 1/1 2006</b>	<b>219,981</b>	<b>0</b>	<b>0</b>	<b>604,337</b>	<b>98,991</b>	<b>923,309</b>
Net profit/loss for the year				58,579		58,579
<b>Total earnings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>58,579</b>	<b>0</b>	<b>58,579</b>
Distribution of dividend				0	(98,991)	(98,991)
Proposed dividend				(43,996)	43,996	0
<b>Equity capital movements in 2006, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,583</b>	<b>(54,995)</b>	<b>(40,412)</b>
<b>Equity capital as of 31/12 2006</b>	<b>219,981</b>	<b>0</b>	<b>0</b>	<b>618,920</b>	<b>43,996</b>	<b>882,897</b>
<b>Equity capital as of 1/1 2005</b>	<b>219,981</b>	<b>0</b>	<b>0</b>	<b>1,182,725</b>	<b>38,497</b>	<b>1,441,203</b>
Net profit/loss for the year				70,555		70,555
<b>Total earnings</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>70,555</b>	<b>0</b>	<b>70,555</b>
Distribution of dividend				(549,952)	(38,497)	(588,449)
Proposed dividend				(98,991)	98,991	0
<b>Equity capital movements in 2005, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(578,388)</b>	<b>60,494</b>	<b>(517,894)</b>
<b>Equity capital as of 31/12 2005</b>	<b>219,981</b>	<b>0</b>	<b>0</b>	<b>604,337</b>	<b>98,991</b>	<b>923,309</b>

# Cash flow statement

1 January - 31 December

	Note	GROUP		PARENT COMPANY	
		2006	2005	2006	2005
Amounts in DKK 1,000 ( ) = negative amount					
<b>Operating profit/loss</b>		<b>231,920</b>	<b>124,314</b>	<b>28,711</b>	<b>(9,515)</b>
Amortisation and impairment	3	81,005	86,068	74	105
Changes in stockholding		(65,411)	(16,377)	0	0
Changes in receivables		(29,071)	61,988	20,450	372,096
Changes in trade creditors and other liabilities		88,617	16,458	(13,253)	(5,805)
Changes in pensions and similar liabilities		(32,846)	(14,318)	(30,000)	(2,273)
Financial earnings	9	15,332	30,100	38,677	48,549
Financial costs	9	(36,442)	(26,995)	(317)	(3,782)
Exchange rate adjustment etc.		18,078	(26,200)	(1,891)	0
Corporation tax paid	23	(29,273)	(220)	13	12,487
<b>Cash flows from operating activities</b>		<b>241,909</b>	<b>234,818</b>	<b>42,464</b>	<b>411,862</b>
Purchase of tangible fixed assets	13	(120,790)	(48,913)	(60)	(370)
Sale of tangible fixed assets	13	1,607	3,113	0	174
Sale of group companies	27	0	79,069	0	0
Sale of securities		0	84,850	0	84,850
<b>Cash flows from investing activities</b>		<b>(119,183)</b>	<b>118,119</b>	<b>(60)</b>	<b>84,654</b>
Loan financing:					
Instalments on long term bank loan		(8,518)	0	(253)	0
Raising long term bank loan		0	230,665	0	0
Increase of (payment of) debt to credit institutions		(880)	49,610	0	(247)
Dividends paid to shareholders		(98,991)	(588,449)	(98,991)	(588,449)
<b>Cash flows from financing activities</b>		<b>(108,389)</b>	<b>(308,174)</b>	<b>(99,244)</b>	<b>(588,696)</b>
<b>Cash flow for the year</b>		<b>14,337</b>	<b>44,763</b>	<b>(56,840)</b>	<b>(92,180)</b>
Cash and cash equivalents at beginning of year		265,568	220,805	57,053	149,233
<b>Cash and cash equivalents at year end</b>		<b>279,905</b>	<b>265,568</b>	<b>213</b>	<b>57,053</b>
<b>Specification of cash and cash equivalents in hand as at 31/12</b>					
Receivables, parent group		191,772	0	0	0
Cash at bank and in hand		88,133	265,568	213	57,053
Cash and cash equivalents as at 31/12 in total		279,905	265,568	213	57,053

# Notes

## 1 Accounting estimate and valuations

### Uncertainty of estimates

Stating the book value of certain assets and liabilities requires an estimate of whether future events could affect the value of such assets and liabilities on the balance day. Estimates essential to financial reporting, performed in the form of such items as amortisation and impairments, pensions and similar liabilities, deferred liabilities and other liabilities and assets.

The estimates used are based on assumptions deemed by the management to be reasonable, but that by their nature can be uncertain and unforeseeable. Such assumptions can be incomplete or imprecise, and unexpected events or circumstances can occur. Furthermore, the company is subject to risk and uncertainties which can cause actual results to deviate from these estimates. Special risks to the BioMar Holding A/S group are defined under 'risk management' in the annual report.

The notes include details of whether assumptions on the future and other uncertain estimates made on the balance day entailing significant risk of changes, which can lead to major adjustment of the book value of assets or liabilities within the next financial year.

### Accounting policies applied

As part of the accounting policies applied, the management makes estimates - apart from those above - which can have a major impact on the amounts recognised in the annual report.

Such estimates include determining the value of biological stocks, provisions against loss on receivables and assessment of pension liabilities.

### Biological stockholdings

In accordance with IAS 41, BioMar is obliged to recognise in the income statement the company's stocks of fish relevant in relation to associated company Sjøtroll Havbruk AS. Accordingly, BioMar has opted to value fish over 0.5 kg at market price less realisation costs, whilst fish less than 0.5 kg are valued at cost price. This means that fluctuations in the number of fish weighing over 0.5 kg and their market price will have a lot of influence on valuing the fish.

### Pension liabilities

As of 31 December 2006, pension liabilities in the parent company have been recognised of DKK 48 million related to insurance cover of the right to receive supplementary pension in accordance with KFK pension fund's former practice. This liability is an expression of the group management's estimate of the risk present at the time of completion. There is a significant degree of uncertainty concerning the size of this liability. The uncertainty can mainly be attributed to the legal basis for stating the liabilities, and method used for statement.

The calculated liability can prove to be different to actual liabilities.

DKK 30 million has been recognised in the financial year 2006 concerning the aforementioned liability as the Danish Financial Supervisory Authority revised its opinion on the scope of BioMar Holding A/S' liabilities for cover.

**2 Segment details - Group****Breakdown by business area (Primary segment)**

Amounts in DKK 1,000 ( ) = negative amount

	Salmon	Other Species	Group function	Group
<b>2006</b>				
Revenue	2,406,073	939,452	392	<b>3,345,917</b>
- Internal revenue	(6,209)	(65,860)	0	<b>(72,069)</b>
Net revenue	2,399,863	873,592	392	<b>3,273,847</b>
EBITDA	234,530	76,257	2,138	<b>312,925</b>
EBIT	176,949	53,712	1,259	<b>231,920</b>
Profit/loss before tax	227,086	44,367	13,883	<b>285,336</b>
Net profit/loss for the year	190,119	30,301	20,171	<b>240,591</b>
Share of associated company	74,526	0	0	<b>74,526</b>
Assets	1,122,594	547,347	279,695	<b>1,949,636</b>
- of which long term assets	634,190	149,625	59,007	<b>842,822</b>
Capital expenditure	88,007	31,522	1,261	<b>120,790</b>
Depreciation	57,368	22,704	933	<b>81,005</b>
Total liabilities	311,450	121,891	548,920	<b>982,261</b>
No. of employees, end of year	316	165	16	<b>497</b>
<b>2005</b>				
Revenue	1,849,478	802,340	3,879	<b>2,655,697</b>
- Internal revenue	0	(29,754)	(3,879)	<b>(33,633)</b>
Net revenue	1,849,478	772,586	0	<b>2,622,064</b>
EBITDA	156,054	82,837	(28,509)	<b>210,382</b>
EBIT	97,554	56,254	(29,494)	<b>124,314</b>
Profit/loss before tax	136,765	39,465	(1,147)	<b>175,083</b>
Net profit/loss for the year	96,042	23,340	45,731	<b>165,113</b>
Share of associated company	47,664	0	0	<b>47,664</b>
Assets	1,055,095	540,284	165,635	<b>1,761,014</b>
- of which long term assets	553,614	164,317	38,058	<b>755,989</b>
Capital expenditure	25,787	22,216	910	<b>48,913</b>
Depreciation	58,500	26,583	985	<b>86,068</b>
Total liabilities	328,537	99,755	496,797	<b>925,089</b>
No. of employees, end of year	312	171	16	<b>499</b>

**Geographical breakdown (Secondary segment)**

	BioMar Americas	BioMar North Sea	BioMar Continental Europe	Group function	Group
<b>2006</b>					
Net revenue	482,603	1,917,260	873,592	392	<b>3,273,847</b>
Assets	250,785	871,809	547,347	279,695	<b>1,949,636</b>
- of which long term assets	107,227	526,963	149,625	59,007	<b>842,822</b>
Capital expenditure	28,750	59,257	31,522	1,261	<b>120,790</b>
Total liabilities	244,045	67,405	121,891	548,920	<b>982,261</b>
No. of employees, end of year	128	188	165	16	<b>497</b>
<b>2005</b>					
Net revenue	383,128	1,466,350	772,586	0	<b>2,622,064</b>
Assets	202,886	852,209	540,284	165,635	<b>1,761,014</b>
- of which long term assets	79,788	473,826	164,317	38,058	<b>755,989</b>
Capital expenditure	12,066	13,721	22,216	910	<b>48,913</b>
Total liabilities	92,440	236,097	99,755	496,797	<b>925,089</b>
No. of employees, end of year	122	190	171	16	<b>499</b>

### 3 Costs

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Cost of sales				
Cost of sales	2,407,875	1,870,542	0	0
Write-down of stockholding for the year	1	2	0	0
<b>Direct production costs</b>	<b>2,407,876</b>	<b>1,870,544</b>	<b>0</b>	<b>0</b>
<b>Personnel costs</b>				
Fees for parent company Supervisory Board	983	770	983	770
Salaries and wages	148,330	153,169	(623)	7,411
Pensions, see note 19	(18,152)	21,685	(29,709)	240
Other costs for social security	32,112	17,451	13	19
Share-based remuneration	513	40	0	0
	<b>163,786</b>	<b>193,115</b>	<b>(29,336)</b>	<b>8,440</b>
Average number of employees	501	510	2	3
No. of employees, end of year	497	499	1	2
<b>Personnel costs in the income statement are broken down as follows:</b>				
Production	98,338	85,969	0	0
Distribution	44,796	44,100	0	0
Administration	20,652	63,046	(29,336)	8,440
<b>Total</b>	<b>163,786</b>	<b>193,115</b>	<b>(29,336)</b>	<b>8,440</b>

	GROUP					
	2006			2005		
	Parent company Supervisory Board	Parent company Executive Board	Other senior personnel	Parent company Supervisory Board	Parent company Executive Board	Other senior personnel
Salaries and wages	983	2,335	9,451	770	2,147	8,211
Bonus	0	525	1,262	0	1,750	2,990
Pension (contribution based)	0	0	752	0	19	582
Share-based remuneration	0	513	0	0	40	0
	<b>983</b>	<b>3,373</b>	<b>11,465</b>	<b>770</b>	<b>3,956</b>	<b>11,783</b>

	PARENT COMPANY					
	2006			2005		
	Supervisory Board	Executive Board	Other senior personnel	Supervisory Board	Executive Board	Other senior personnel
Salaries and wages	983	0	0	770	0	0
Bonus	0	(1,750)	0	0	1,750	0
Pension (contribution based)	0	0	0	0	0	0
Share-based remuneration	0	0	0	0	0	0
	<b>983</b>	<b>(1,750)</b>	<b>0</b>	<b>770</b>	<b>1,750</b>	<b>0</b>

### 3 Costs (continued)

#### Notes on share-based remuneration

BioMar Holding A/S group granted share-based options to the Managing Director in 2005. The aim of the share option program is to give the Managing Director an incentive to protect the long term interest of the shareholders.

The options concern a total of 10,000 shares with an entitlement to a cash difference payment of the difference between BioMar Holding A/S share price at time of granting and exercising.

The grant was effected at the time of the Managing Director joining the company in 2005.

The options were issued at an exercise price equivalent to the stock exchange price of the company's shares at the time they were granted. Exercising the share options is conditional on the option owner being employed by the company at the time and undertaking to invest the difference payment in company shares. Shares acquired as a result of the scheme cannot be sold before the director leaves his post.

No other conditions apply to the acquisition of rights. An upper limit has been set for the gains possible from exercising the options. The limit is equivalent to the accumulation of one year's basic salary in the year in which the gain is realised. Special provisions apply for sickness, death changes to the company's capital distribution etc.

The options can be used after at least 3 and no longer than 5 years from the time they were allocated, i.e. from July 2008 to July 2011 and only in a 3 week period after publishing of annual or interim reports.

Fair value calculated at the time options were granted are based on the Black-Scholes model

Conditions applicable to calculating fair value of outstanding share options at the time they were granted are:

	Allocation time 2005	End of 2005	End of 2006
Share price on the balance day	189	137	246
Exercise price	190	140	140
Expected volatility	36.00%	33.60%	53.40%
Expected term	3.08	2.67	1.67
Expected dividend per share	2.39%	2.55%	1.83%
Expected dividend per share	2.88%	3.29%	4.24%
Fair value in TDKK	0	40	553

Expected volatility is based on historical volatility adjusted for expected changes arising from information available in the public domain.

#### Bonus schemes

Incentive schemes have been established for the Executive Board and senior group personnel linked to achieving financial and operational targets. If the personnel concerned reach their targets, 3 months' salary is paid.



**3 Costs (continued)**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
<b>Research and development costs are recognised in production costs as follows:</b>				
R&D costs incurred	31,760	27,284	0	0
<b>Total</b>	<b>31,760</b>	<b>27,284</b>	<b>0</b>	<b>0</b>
<b>Afskrivninger</b>				
Goodwill	0	0	0	0
Buildings	19,318	19,845	0	0
Plant and machinery	55,600	59,122	0	0
Operating equipment and fixtures	6,087	7,101	74	105
<b>Afskrivninger på langfristede aktiver</b>	<b>81,005</b>	<b>86,068</b>	<b>74</b>	<b>105</b>
<b>Amortisation and impairment are broken down in the income statement as follows:</b>				
Production	73,002	76,125	0	0
Distribution	2,429	2,420	0	0
Administration	5,574	7,523	74	105
<b>Total</b>	<b>81,005</b>	<b>86,068</b>	<b>74</b>	<b>105</b>

**4 Auditor's fees**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Total auditor's fees for the accountants appointed by the general meeting:				
KPMG C. Jespersen	2,705	2,300	633	886
Deloitte	198	970	112	234
Other	1,113	894	0	0
Of which, auditors fees:				
KPMG C. Jespersen	1,927	1,572	270	305
Deloitte	0	724	0	175
Other	474	563	0	0
Of which, fees for other services than ordinary accounting:				
KPMG C. Jespersen	778	728	363	581
Deloitte	198	246	112	59
Other	639	331	0	0

**5 Other operating income**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Gain/(loss) on sale of operating equipment	(54)	479	0	24
Public subsidies	1,243	2,369	0	0
<b>Total</b>	<b>1,189</b>	<b>2,848</b>	<b>0</b>	<b>24</b>
<b>Total public subsidies received</b>	<b>1,243</b>	<b>2,369</b>	<b>0</b>	<b>0</b>

Public subsidies are received in relation with various development projects. No special conditions are attached to the subsidiaries received.

**6 Capital share in group companies**

Amounts in DKK 1,000 ( ) = negative amount

**PARENT COMPANY 2006**

Acquisition sum as at 1/1 2006	342,235
Additions during the year	0
Disposals during the year	0
<b>Acquisition sum as at 31/12 2006</b>	<b>342,235</b>
Revaluations/write-downs as at 1/1 2006	0
Adjustments during the year	0
<b>Revaluations/write-downs as at 31/12 2006</b>	<b>0</b>
<b>Book value as at 31/12 2006</b>	<b>342,235</b>

Capital share in group companies comprise:  
comprise:

	Percentage owned	Book value
BioMar A/S, Brande	100%	341,935
Granumin A/S, Århus	100%	300
<b>Total</b>		<b>342,235</b>

**PARENT COMPANY 2005**

Acquisition sum as at 1/1 2005	342,235
Additions during the year	0
Disposals during the year	0
<b>Acquisition sum as at 31/12 2005</b>	<b>342,235</b>
Revaluations/write-downs as at 1/1 2005	0
Adjustments during the year	0
<b>Revaluations/write-downs as at 31/12 2005</b>	<b>0</b>
<b>Book value as at 31/12 2005</b>	<b>342,235</b>

Capital share in group companies comprise:

	Percentage owned	Book value
BioMar A/S, Brande	100%	341,935
Granumin A/S, Århus	100%	300
<b>Total</b>		<b>342,235</b>

## 7 Share of capital in associated companies

Amounts in DKK 1,000 ( ) = negative amount

### GROUP 2006

Acquisition sum as at 1/1 2006	62,485
Additions during the year	0
Disposals during the year	0
<b>Acquisition sum as at 31/12 2006</b>	<b>62,485</b>
Revaluations/write-downs as at 1/1 2006	51,188
Share of profit/loss	74,526
Exchange rate adjustments	(5,656)
<b>Revaluations/write-downs as at 31/12 2006</b>	<b>120,058</b>
<b>Book value as at 31/12 2006</b>	<b>182,543</b>

Share of capital in associated companies comprise:

Sjøtroll Havbruk AS, Aestival, Norway

#### Total

Percentage owned	Book value
37 %	182,543
	<b>182,543</b>
	647,027
	200,177
	1,033,464
	543,165
	182,543

Revenue

Profit/loss

Total assets

Liabilities

Share of equity capital

The main figures referred to above have been compiled according to BioMar Holding A/S group accounting policy

### GROUP 2005

Acquisition sum as at 1/1 2005	62,485
Additions during the year	0
Disposals during the year	0
<b>Acquisition sum as at 31/12 2005</b>	<b>62,485</b>
Revaluations/write-downs as at 1/1 2005	1,555
Share of profit/loss	47,664
Exchange rate adjustments	1,969
<b>Revaluations/write-downs as at 31/12 2005</b>	<b>51,188</b>
<b>Book value as at 31/12 2005</b>	<b>113,673</b>

Share of capital in associated companies comprise:

Sjøtroll Havbruk AS, Aestival, Norway

#### Total

Percentage owned	Book value
37 %	113,673
	<b>113,673</b>
	543,771
	128,026
	917,158
	611,132
	113,673

Revenue

Profit/loss

Total assets

Liabilities

Share of equity capital

The main figures referred to above have been compiled according to BioMar Holding A/S group accounting policy

**8 Gain/loss on provisions for receivables**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Ascertained loss	(28,541)	(104,686)	258	0
Of which, provision 1/1	31,932	117,114	0	0
New provisions	(9,825)	(23,269)	0	0
<b>Total</b>	<b>(6,434)</b>	<b>(10,841)</b>	<b>258</b>	<b>0</b>

**9 Financial items**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
<b>Financial earnings</b>				
Interest earnings from group companies	2,983	0	34,906	34,700
Interest, receivables	6,318	14,861	0	0
Capital gains on securities	1,891	8,990	1,891	8,990
Other financial items	4,140	6,249	1,880	4,859
<b>Financial earnings</b>	<b>15,332</b>	<b>30,100</b>	<b>38,677</b>	<b>48,549</b>
<b>Financial costs</b>				
Interest costs, bank etc	(23,356)	(26,616)	(264)	(377)
Interest charges, group companies	0	0	(53)	(88)
Exchange rate adjustments	(13,086)	(379)	0	(3,317)
<b>Financial costs</b>	<b>(36,442)</b>	<b>(26,995)</b>	<b>(317)</b>	<b>(3,782)</b>
<b>Financial items, net</b>	<b>(21,110)</b>	<b>3,105</b>	<b>38,360</b>	<b>44,767</b>

**10 Tax on the year's result**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
<b>Tax</b>				
Tax for the year comprises:				
Tax on the year's result	(44,745)	(9,970)	(8,492)	35,303
Tax on equity capital movements	1,574	(1,825)	0	0
<b>Total</b>	<b>(43,171)</b>	<b>(11,795)</b>	<b>(8,492)</b>	<b>35,303</b>
Tax on the year's result is recognised as:				
Current tax	(46,321)	(36,454)	(1,898)	1,912
Deferred tax	1,576	27,088	(6,594)	32,324
Reduction of Danish corporation tax from 30% to 28%	0	(1,671)	0	0
Adjustment of tax for previous years	0	1,067	0	1,067
	<b>(44,745)</b>	<b>(9,970)</b>	<b>(8,492)</b>	<b>35,303</b>
Tax on the year's result is recognised as:				
28% tax calculated on profit/loss before tax	(79,894)	(49,023)	(18,780)	(9,871)
Adjustment of calculated tax in foreign group companies in relation to 28%	1,807	2,314	0	0
Reduction of Danish corporation tax	0	(1,671)	0	0
Tax effect of:				
Non-taxable earnings	3,164	3,737	963	2,653
Non-deductible costs in general	(3,493)	(1,481)	0	(437)
Adjustment of the value of tax losses not previously recognised	12,804	21,741	9,325	41,891
Share of profit/loss after tax in associated companies	20,867	13,346	0	0
Adjustment of tax for previous years	0	1,067	0	1,067
	<b>(44,745)</b>	<b>(9,970)</b>	<b>(8,492)</b>	<b>35,303</b>
<b>Effective tax rate</b>	<b>15.7%</b>	<b>5.7%</b>	<b>-</b>	<b>-</b>

**11 Earnings per share**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP	
	2006	2005
<b>Net profit/loss for the year</b>	<b>240,591</b>	<b>166,270</b>
Average number of shares	10,999,038	10,999,038
Average number of own shares	0	0
<b>Average number of shares issued</b>	<b>10,999,038</b>	<b>10,999,038</b>
Calculation for 2005 of profit/loss per share for continuing or discontinued activities respectively is based on corresponding main figures as for profit/loss per share:		
<b>BioMar shareholders' share of:</b>		
Profit/loss of discontinued activities	0	1,157
Profit/loss of continuing activities	240,591	165,113
<b>Net profit/loss for the year</b>	<b>240,591</b>	<b>166,270</b>
Earnings per share DKK	21.87	15.12
Profit/loss on continuing activities per share, DKK	21.87	15.01

**12 Intangible assets**

Amounts in DKK 1,000 ( ) = negative amount

	<b>2006 GROUP</b>		
	Goodwill	Concessions	Total
Acquisition sum as at 1/1 2006	0	0	0
Transfer, activity for sale	0	0	0
Disposals during the year	0	0	0
<b>Acquisition sum as at 31/12 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>
Write-downs as at 1/1 2006	0	0	0
Transfer, activity for sale	0	0	0
Disposals during the year	0	0	0
<b>Write-downs as at 31/12 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Book value as of 31/12 2006</b>	<b>0</b>	<b>0</b>	<b>0</b>
	<b>2005 GROUP</b>		
	Goodwill	Concessions	Total
Acquisition sum as at 1/1 2005	2,369	19,563	21,932
Transfer, activity for sale	0	(19,563)	(19,563)
Disposals during the year	(2,369)	0	(2,369)
<b>Acquisition sum as at 31/12 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>
Write-downs as at 1/1 2005	(2,369)	(19,563)	(21,932)
Transfer, activity for sale	0	19,563	19,563
Disposals during the year	2,369	0	2,369
<b>Write-downs as at 31/12 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Book value as of 31/12 2005</b>	<b>0</b>	<b>0</b>	<b>0</b>

### 13 Tangible assets - Group

Amounts in DKK 1,000 ( ) = negative amount

	<b>2006 GROUP</b>				<b>Tangible total assets</b>
	Land and buildings	Plant and machinery	Other machinery operating equipment and fixtures etc.	Machinery under construction	
Acquisition sum as at 1/1 2006	424,810	757,737	71,783	3,979	1,258,309
Exchange rate adjustments etc	(15,117)	(13,462)	402	0	(28,177)
Additions during the year	9,325	49,432	5,327	56,706	120,790
Disposals during the year	(804)	(2,877)	(1,886)	0	(5,567)
<b>Acquisition sum as at 31/12 2006</b>	<b>418,214</b>	<b>790,830</b>	<b>75,626</b>	<b>60,685</b>	<b>1,345,355</b>
Depreciations as at 1/1 2006	(156,486)	(479,745)	(55,937)	0	(692,168)
Exchange rate adjustments etc	2,839	6,070	(1,095)	0	7,814
Depreciations ref. disposals during the year	0	2,470	1,490	0	3,960
Depreciations for the year	(19,318)	(55,600)	(6,087)	0	(81,005)
<b>Depreciations as at 31/12 2006</b>	<b>(172,965)</b>	<b>(526,805)</b>	<b>(61,629)</b>	<b>0</b>	<b>(761,399)</b>
<b>Book value as of 31/12 2006</b>	<b>245,249</b>	<b>264,025</b>	<b>13,997</b>	<b>60,685</b>	<b>583,956</b>
	<b>2005 GROUP</b>				
	Land and buildings	Plant and machinery	Other machinery operating equipment and fixtures etc.	Machinery under construction	<b>Tangible total assets</b>
Acquisition sum as at 1/1 2005	392,966	743,595	68,695	7,493	1,212,749
Transfer, activity for sale	0	(36,936)	0	0	(36,936)
Exchange rate adjustments etc	21,375	24,375	1,688	0	47,438
Additions during the year	11,785	27,559	5,590	3,979	48,913
Transferred/reclassification	1,260	5,378	855	(7,493)	0
Disposals during the year	(2,576)	(6,234)	(5,045)	0	(13,855)
<b>Acquisition sum as at 31/12 2005</b>	<b>424,810</b>	<b>757,737</b>	<b>71,783</b>	<b>3,979</b>	<b>1,258,309</b>
Depreciations as at 1/1 2005	(132,929)	(447,119)	(51,806)	0	(631,854)
Transfer, activity for sale	0	31,774	0	0	31,774
Exchange rate adjustments etc	(3,712)	(12,125)	(925)	0	(16,762)
Depreciations ref. disposals during the year	0	6,847	3,895	0	10,742
Depreciations for the year	(19,845)	(59,122)	(7,101)	0	(86,068)
<b>Depreciations as at 31/12 2005</b>	<b>(156,486)</b>	<b>(479,745)</b>	<b>(55,937)</b>	<b>0</b>	<b>(692,168)</b>
<b>Book value as of 31/12 2005</b>	<b>268,324</b>	<b>277,992</b>	<b>15,846</b>	<b>3,979</b>	<b>566,141</b>

As of 31. December 2006, investment agreements for 2007 total DKK 75 million., (31. december 2005: DKK 0 million)

**13 Tangible assets - Parent company** (continued)

Amounts in DKK 1,000 ( ) = negative amount

	<b>2006</b>				<b>Tangible total assets</b>
	<b>PARENT COMPANY</b>				
	Land and buildings	Plant and machinery	Other machinery operating equipment and fixtures etc.	Machinery under construction	
Acquisition sum as at 1/1 2006	0	0	370	0	370
Additions during the year	0	0	0	60	60
Disposals during the year	0	0	0	0	0
<b>Acquisition sum as at 31/12 2006</b>	<b>0</b>	<b>0</b>	<b>370</b>	<b>60</b>	<b>430</b>
Depreciations as at 1/1 2006	0	0	(74)	0	(74)
Depreciations ref. disposals during the year	0	0	0	0	0
Depreciations for the year	0	0	(74)	0	(74)
<b>Depreciations as at 31/12 2006</b>	<b>0</b>	<b>0</b>	<b>(148)</b>	<b>0</b>	<b>(148)</b>
<b>Book value as of 31/12 2006</b>	<b>0</b>	<b>0</b>	<b>222</b>	<b>60</b>	<b>282</b>
	Land and buildings	Plant and machinery	Other machinery operating equipment and fixtures etc.	Machinery under construction	<b>Tangible total assets</b>
Acquisition sum as at 1/1 2005	0	0	909	0	909
Additions during the year	0	0	370	0	370
Disposals during the year	0	0	(909)	0	(909)
<b>Acquisition sum as at 31/12 2005</b>	<b>0</b>	<b>0</b>	<b>370</b>	<b>0</b>	<b>370</b>
Depreciations as at 1/1 2005	0	0	(704)	0	(704)
Depreciations ref. disposals during the year	0	0	735	0	735
Depreciations for the year	0	0	(105)	0	(105)
<b>Depreciations as at 31/12 2005</b>	<b>0</b>	<b>0</b>	<b>(74)</b>	<b>0</b>	<b>(74)</b>
<b>Book value as of 31/12 2005</b>	<b>0</b>	<b>0</b>	<b>296</b>	<b>0</b>	<b>296</b>



**14 Inventory**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Raw materials	177,124	123,997	0	0
Packaging	6,782	5,914	0	0
Finished goods and trade goods	112,538	101,122	0	0
<b>Total</b>	<b>296,444</b>	<b>231,033</b>	<b>0</b>	<b>0</b>

Book value of stockholdings recognised at net sales value comprises TDKK 0 in 2006 (2005: TDKK 0)

**15 Receivables**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Long term receivables	10,851	9,310	0	0
Short term receivables	526,716	499,612	566,556	587,006
<b>Total</b>	<b>537,567</b>	<b>508,922</b>	<b>566,556</b>	<b>587,006</b>
Short-term receivables include:				
Receivables from sales	498,893	461,067	0	0
Receivables from associated companies	0	0	566,446	586,290
Receivables, associated companies	14,834	10,229	0	0
Other receivables	12,989	28,316	110	716
Total	<b>526,716</b>	<b>499,612</b>	<b>566,556</b>	<b>587,006</b>
Fair value of group long term receivables does not deviate from the book value				
Write-downs against losses on receivables contained in the receivables above as of 31. December comprise				
	81,923	105,181	300	558

**16 Securities**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Listed shares	3,319	1,428	3,319	1,428
<b>Total</b>	<b>3,319</b>	<b>1,428</b>	<b>3,319</b>	<b>1,428</b>

**17 Equity capital**

Amounts in DKK 1,000 ( ) = negative amount

**Share capital**

	Quantity		Nominal value (TDKK)	
	2006	2005	2006	2005
1 January	10,999,038	10,999,038	219,981	219,981
31 December	10,999,038	10,999,038	219,981	219,981

Share capital comprises 10,999,038 shares at a nominal DKK 20. No shares have special rights.

The company does not own any of its own shares.

**Reserve for hedging transactions**

The reserve for hedging transactions contains the accumulated net changes to the fair value of hedging transactions fulfilling the criteria for hedging future payment flows and where the hedged transaction has not yet been realised.

**Reserve for exchange rate adjustment**

The reserve for exchange rate adjustment contains all adjustments occurring from the conversion of accounts for units with a functional currency other than Danish kroner, exchange rate adjustments for assets and liabilities comprising a part of the group net investments in such units, plus exchange rate adjustments for hedging actions intended to hedge the group's net investments in such units.

**18 Statement of recognised earnings and costs**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Exchange rate adjustments for conversion of foreign units	(6,049)	3,999	0	0
Value adjustment of hedging instruments:				
Value adjustment transferred to the income statement	(2,970)	1,705	0	0
Value adjustments at year end	(2,705)	2,970	0	0
Actuarial gain/(loss) on performance-based pension schemes	0	(3,266)	0	0
Tax on items recognised directly in equity capital	1,574	(1,825)	0	0
<b>Net earnings recognised directly in equity capital</b>	<b>(10,150)</b>	<b>3,583</b>	<b>0</b>	<b>0</b>
Net profit/loss for the year	240,591	166,270	58,579	70,555
<b>Total recognised earnings and costs</b>	<b>230,441</b>	<b>169,853</b>	<b>58,579</b>	<b>70,555</b>

## 19 Pensions and similar liabilities

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Current value of performance-based schemes	(47,941)	(81,868)	(47,941)	(77,941)
Fair value of scheme assets	0	1,080	0	0
<b>Total</b>	<b>(47,941)</b>	<b>(80,788)</b>	<b>(47,941)</b>	<b>(77,941)</b>
<b>Development in recognised liability</b>				
Net liability/net asset 1 January	(80,788)	(95,106)	(77,941)	(80,214)
Exchange rate adjustments	0	(1,018)	0	0
Pension costs ref. current financial year	0	2,273	0	2,273
Recognised actuarial loss on scheme assets and liabilities	0	(3,266)	0	0
Loss on repayments	2,847	(10,887)	0	0
Repayment	30,000	27,216	30,000	0
<b>Net liability 31 December</b>	<b>(47,941)</b>	<b>(80,788)</b>	<b>(47,941)</b>	<b>(77,941)</b>
<b>Recognised in the income statement</b>				
Pension costs ref. current financial year	0	(2,823)	0	0
Loss on curtailments and repayments	32,847	(10,887)	30,000	0
<b>Recognised in total for performance-based schemes</b>	<b>32,847</b>	<b>(13,710)</b>	<b>30,000</b>	<b>0</b>
Recognised in total for contribution-based schemes	(14,695)	(7,975)	(291)	(240)
<b>Recognised in the income statement, total</b>	<b>18,152</b>	<b>(21,685)</b>	<b>29,709</b>	<b>(240)</b>
Costs are recognised in the following items in the income statement:				
Cost of sales	(2,761)	(6,778)	0	0
Distribution costs	(1,924)	(3,080)	0	0
Administration costs	22,837	(11,827)	29,709	(240)
	<b>18,152</b>	<b>(21,685)</b>	<b>29,709</b>	<b>(240)</b>
Assumptions for the actuarial calculations on balance day can on average be stated as follows:				
Average discount rate used	-	4,75 %	-	-
Expected return on scheme assets	-	3,25 %	-	-
Future salary increase rate	-	3,75 %	-	-

Pension liabilities for the BioMar Holding A/S group as at 31 December 2006 can be attributed in full to the parent company's obligation to provide insurance cover of the right to receive supplementary pension according to the previous practice of the KFK pension fund. The liability is related in full to those in active employment as at 30 September 2002, who took employment with the Consortium's companies.

As cover was to continue on 30 September 2002, no actuarial gains or losses are recognised. DKK 30 million has been recognised in the financial year 2006 concerning the aforementioned liability as the Danish Financial Supervisory Authority revised its opinion on the scope of BioMar Holding A/S' liabilities for cover.

**20 Deferred tax**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Deferred tax asset 1 January	35,883	13,379	32,324	0
Exchange rate adjustment	1,111	(1,088)	0	0
Deferred tax for the year recognised in profit/loss for the year	1,576	27,088	(6,594)	32,324
Reduction of Danish corporation tax from 30% to 28%	0	(1,671)	0	0
Deferred tax for the year recognised in the equity capital	1,574	(1,825)	0	0
<b>Deferred tax 31 December</b>	<b>40,144</b>	<b>35,883</b>	<b>25,730</b>	<b>32,324</b>
Deferred tax is recognised in the balance sheet as follows:				
Deferred tax (asset)	53,497	56,170	25,730	32,324
Deferred tax (liability)	(13,353)	(20,287)	0	0
<b>Deferred tax 31 December, net</b>	<b>40,144</b>	<b>35,883</b>	<b>25,730</b>	<b>32,324</b>
<i>Deferred tax relates to:</i>				
Intangible fixed assets	3,643	3,643	0	0
Tangible fixed assets	7,416	2,142	13,213	13,192
Short term assets	13,598	10,131	84	156
Other liabilities	8,124	10,046	5,070	9,104
Tax loss allowed for carryforward	7,363	9,921	7,363	9,872
	<b>40,144</b>	<b>35,883</b>	<b>25,730</b>	<b>32,324</b>

All tax liabilities for the BioMar Holding A/S group are included in the balance sheet.

The BioMar Holding A/S group has deferred tax assets as of 31. December 2006 of approx. DKK 81 million (31 December 2005: DKK 80 million) not included in the balance sheet. It is not deemed likely at this time that the tax assets referred to can be realised.

**Changes to provisional differences during the year:**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP 2006					
	Balance sheet 1/1 2006	Exchange rate adjustment	Additions from acquisitions	Recognised in profit/loss for the year	Recognised in equity capital	Balance sheet 31/12 2006
Intangible fixed assets	3,643	0	0	0	0	3,643
Tangible fixed assets	2,142	1,354	0	3,920	0	7,416
Short term assets	10,131	(82)	0	3,396	153	13,598
Other liabilities	10,046	(112)	0	(3,231)	1,421	8,124
Tax loss	9,921	(49)	0	(2,509)	0	7,363
	<b>35,883</b>	<b>1,111</b>	<b>0</b>	<b>1,576</b>	<b>1,574</b>	<b>40,144</b>

	GROUP 2005					
	Balance sheet 1/1 2005	Exchange rate adjustment	Additions from acquisitions	Recognised in profit/loss for the year	Recognised in equity capital	Balance sheet 31/12 2005
Intangible fixed assets	3,903	0	0	(260)	0	3,643
Tangible fixed assets	(10,217)	(1,264)	0	13,623	0	2,142
Short term assets	4,419	(343)	0	7,880	(1,825)	10,131
Other liabilities	1,936	21	0	8,089	0	10,046
Tax loss	13,338	498	0	(3,915)	0	9,921
	<b>13,379</b>	<b>(1,088)</b>	<b>0</b>	<b>25,417</b>	<b>(1,825)</b>	<b>35,883</b>

**20 Deferred tax (continued)**

Amounts in DKK 1,000 ( ) = negative amount

	<b>PARENT COMPANY 2006</b>					
	Balance sheet 1/1 2006	Exchange rate adjustment	Additions from acquisitions	Recognised in profit/loss for the year	Recognised in equity capital	Balance sheet 31/12 2006
Tangible fixed assets	13,192	0	0	21	0	13,213
Receivables	156	0	0	(72)	0	84
Other liabilities	9,104	0	0	(4,034)	0	5,070
Tax loss	9,872	0	0	(2,509)	0	7,363
	<b>32,324</b>	<b>0</b>	<b>0</b>	<b>(6,594)</b>	<b>0</b>	<b>25,730</b>

	<b>PARENT COMPANY 2005</b>					
	Balance sheet 1/1 2005	Exchange rate adjustment	Additions from acquisitions	Recognised in profit/loss for the year	Recognised in equity capital	Balance sheet 31/12 2005
Tangible fixed assets	0	0	0	13,192	0	13,192
Receivables	0	0	0	156	0	156
Other liabilities	0	0	0	9,104	0	9,104
Tax loss	0	0	0	9,872	0	9,872
	<b>0</b>	<b>0</b>	<b>0</b>	<b>32,324</b>	<b>0</b>	<b>32,324</b>



**21 Bank loans**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Debt liabilities are recognised in the balance sheet as follows:				
Long term liabilities	406,735	412,395	0	0
Short term element of long term debt	54,447	57,305	0	0
Short term loans/credits	81	961	0	253
	<b>461,263</b>	<b>470,661</b>	<b>0</b>	<b>253</b>
Fair value	461,263	470,661	0	253
Nominal value	461,263	470,661	0	253

The group has made the following long term borrowing:

Loan	Term	Fixed/variable	Effective interest rate		Book value		Fair value	
			2006	2005	2006	2005	2006	2005
			%	%	TDKK	TDKK	TDKK	TDKK
DKK	2010	Variable	4.4%	2.8 %	450,000	450,000	450,000	450,000
USD	2009	Variable	6.4%	5.4 %	11,182	19,700	11,182	19,700
					<b>461,182</b>	<b>469,700</b>	<b>461,182</b>	<b>469,700</b>
Weighted average effective interest rate			4.4%	2.9 %				



**22 Trade creditors and other debt**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Trade creditors	345,160	230,119	0	0
Debt to group companies	32	0	553	2,046
Other debt	70,391	88,760	6,981	18,741
	<b>415,583</b>	<b>318,879</b>	<b>7,534</b>	<b>20,787</b>

**23 Corporation tax payable**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Corporation tax payable 1 January	27,944	(7,009)	(1,911)	(11,419)
Exchange rate adjustment, beginning of year	(1,301)	(214)	0	0
Current tax for the year, incl. jointly-taxed subsidiaries	46,321	35,387	1,898	(2,979)
Corporation tax paid in the year	(29,273)	(220)	13	12,487
<b>Corporation tax payable 31 December</b>	<b>43,691</b>	<b>27,944</b>	<b>0</b>	<b>(1,911)</b>
Comprises:				
Corporation tax receivable	430	6,530	0	1,911
Corporation tax payable	(44,121)	(34,474)	0	0
	<b>(43,691)</b>	<b>(27,944)</b>	<b>0</b>	<b>1,911</b>

**24 Miscellaneous liabilities, assets and collateral**

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
<b>Collateral</b>				
<i>The following assets are provided as collateral for credit institutes:</i>				
Ground and buildings with a book value of	54,235	58,855	0	0
Plant and machinery with a book value of	23,021	18,572	0	0
Financial fixed assets	385,470	346,947	0	0

**GROUP****Collateral pledged**

The BioMar Holding A/S group has provided collateral in long term shares to banks and other credit institutes.

**Other liabilities and assets***Pension liabilities*

Please refer to note 1 and the management statement.

*Pending legal actions*

The BioMar Holding group is involved in a small number of legal actions. The management believes that any negative consequences of these cases will not have significant negative on the group's financial circumstances.

**PARENT COMPANY****Collateral pledged**

BioMar Holding A/S has not provided any collateral.

**Other liabilities and assets***Pension liabilities*

Please refer to note 1 and the management statement.

## 25 Currency and interest rate risks and use of derived financial instruments

### Group risk management policy

Due to its operations, investments and financing, the group is exposed to changes in exchange- and interest rates. Group policy is not to actively speculate in financial risks. Group financial management is thus solely directed at management of financial risks related to operations and financing. For a description of accounting policies used and methods, including recognition criteria and basis of measurement used, please refer to "accounting policies".

### Exchange rate risk

The group's foreign companies are not affected to any degree by currency rate fluctuations as their earnings and costs are primarily transacted in local currencies. The group income statement is also influenced by changes in exchange rates, as the foreign group companies profit/loss for the year is converted to Danish kroner based on the exchange rate at the end of the month.

Group exchange rate risks are primarily hedged by earnings and costs being in the same currency.

### Group currency risks on the balance sheet

Amounts in DKK 1,000 ( ) = negative amount

#### 31 December 2006

Currency	Securities and cash and cash equivalents	Receivables	Debt	Hedged by forward exchange contracts and exchange swaps	Net position
EUR	13,405	238,263	(302,600)	0	(50,932)
USD	0	78,216	(79,056)	0	(840)
PLN	1,612	10,132	(3,140)	0	8,604
GBP	355	79,250	(2,993)	0	76,612
NOK	10,434	107,008	(91,748)	0	25,694
CHP	20,004	4,436	(7,875)	0	16,565
SEK	563	49	(8,465)	0	(7,853)
DKK	57,054	95,300	(466,491)	0	(314,137)
	<b>103,427</b>	<b>612,654</b>	<b>(962,368)</b>	<b>0</b>	<b>(246,287)</b>

As of 31. December 2006, non-realised net gain on derived financial instruments for foreign currency hedging comprised DKK 1.6 million, recognised in the income statement.

#### 31 December 2005

Currency	Securities and cash and cash equivalents	Receivables	Debt	Hedged by forward exchange contracts and exchange swaps	Net position
EUR	46,960	260,423	(57,327)	0	250,056
USD	37,243	60,803	(71,932)	0	26,114
PLN	196	251		0	447
GBP	12,202	59,880	(28,115)	0	43,967
NOK	23,637	82,872	(119,995)	0	(13,486)
CHP	13,863	14,657	0	0	28,520
SEK	4	0	(76)	0	(72)
DKK	143,586	30,036	(647,644)	0	(474,022)
	<b>277,691</b>	<b>508,922</b>	<b>(925,089)</b>	<b>0</b>	<b>(138,476)</b>



## 25 Currency and interest rate risks and use of derived financial instruments (continued)

### Parent company currency risks on the balance sheet

Amounts in DKK 1,000 ( ) = negative amount

#### 31 December 2006

Currency	Securities and cash and cash equivalents	Receivables	Debt	Hedged by forward exchange contracts and exchange swaps	Net position
DKK	3,569	566,556	(55,475)	0	514,650
	<b>3,569</b>	<b>566,556</b>	<b>(55,475)</b>	<b>0</b>	<b>514,650</b>

Moderelskabet har pr. 31. december 2006 ingen valuta- eller renterisici, udover indregningen af tilknyttede virksomheder. Pr. 31. december 2006 udgør urealiserede nettotab på afledte finansielle instrumenter til valutasikring 0 kr.

#### 31 December 2005

Currency	Securities and cash and cash equivalents	Receivables	Debt	Hedged by forward exchange contracts and exchange swaps	Net position
DKK	58,518	587,006	(98,981)	0	546,543
	<b>58,518</b>	<b>587,006</b>	<b>(98,981)</b>	<b>0</b>	<b>546,543</b>

### Foreign currency hedging for future transactions

Amounts in DKK 1,000 ( ) = negative amount

The following forward exchange contracts as of 31 December for the group are used for and fulfil the conditions for accounting hedging of future transactions:

Cur- rency	2006				2005			
	Calculated principal amount	Exchange rate gains/loss recognised in equity capital	Fair value	Remain- ing term (month)	Calculated principal amount	Exchange rate gains/loss recognised in equity capital	Fair value	Remain- ing term (month)
EUR	35,334	(297)	(297)	1	68,558	149	149	3
USD	152,063	(1,391)	(1,391)	1	269,947	1,481	1,481	3
GBP	3,697	33	33	1	(54,214)	(297)	(297)	3
NOK	26,054	(339)	(339)	1	(247,159)	1,418	1,418	3
Øvrige	36,047	(711)	(711)	1	(40,102)	219	219	3
	<b>253,196</b>	<b>(2,705)</b>	<b>(2,705)</b>		<b>(2,970)</b>	<b>2,970</b>	<b>2,970</b>	

Nedenstående valutaterminskontrakter pr. 31. december 2006 for koncernen der ikke opfylder betingelserne for regnskabsmæssig sikring, specificeres således:

Cur- rency	2006			2005		
	Calculated principal amount	Fair value	Remain- ing term (month)	Calculated principal amount	Fair value	Remain- ing term (month)
USD	-	-	-	16,190	(114)	3
USD	126,720	638	1	141,027	(1,318)	1
GBP	160,753	(51)	1	151,900	(211)	1
NOK	115,321	1,289	1	145,751	(907)	1
	<b>402,794</b>	<b>1,876</b>		<b>454,868</b>	<b>(2,550)</b>	

Forward exchange contracts are not classified as fulfilling the terms for accounting hedging as the group hedges receivables in foreign currency at the subsidiaries. Such intercompany balances are eliminated in the group accounts. The company has not entered into any forward exchange transactions in 2005 and 2006.

**25 Currency and interest rate risks and use of derived financial instruments (continued)**

Amounts in DKK 1,000 ( ) = negative amount

**Interest rate risks**

The BioMar Holding A/S group does not hedge interest rate risk on group borrowing.

The following contractual review and repayment times can be stated for group and parent company interest-bearing assets and liabilities, depending on the first due date occurring.

Category	GROUP				Effective interest rate %
	Review- and due dates			Total TDKK	
	0-1 years TDKK	1-5 years TDKK	> 5 years TDKK		
Mortgage credit- and credit institutes	54,447	406,735	0	461,182	4.4%
Credit institutes, short term	81	0	0	81	-
<b>31 December 2006</b>	<b>54,528</b>	<b>406,735</b>	<b>0</b>	<b>461,263</b>	
Mortgage credit- and credit institutes	57,305	412,395	0	469,700	2.9 %
Credit institutes, short term	961	0	0	961	8.1 %
<b>31 December 2005</b>	<b>58,266</b>	<b>412,395</b>	<b>0</b>	<b>470,661</b>	

The effective interest rates are stated based on current interest rates as of 31 December 2006.

**Credit risks**

In a number of instances, the group receives collateral for credit sales, which is recognised in evaluation of necessary write-downs for compensation of loss.

GROUP Category	Balance sheet value		Maximum credit risks with no regard to collateral provision	
	31/12 2006	31/12 2005	31/12 2006	31/12 2005
Receivables from sales	524,578	480,606	458,273	353,626
Other receivables	12,989	28,316	12,989	28,316

MODERSELSKAB Category	Balance sheet value		Maximum credit risks with no regard to collateral provision	
	31/12 2006	31/12 2005	31/12 2006	31/12 2005
Other receivables	110	716	110	716

## 26 Operational leasing

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Irrevocable operational leasing commitments are as follows:				
0-1 years	34,760	29,386	0	0
1-5 years	78,856	41,026	0	0
> 5 years	61,220	9,711	0	0
	<b>174,836</b>	<b>80,123</b>	<b>0</b>	<b>0</b>
The income statement recognises the following items for rental and leasing	35,578	31,654	200	201

The BioMar Holding A/S group leases warehouse facilities and operating equipment under operational leasing contracts. The leasing period is typically between 2 and 8 years. BioMar Norway has during 2006 entered into a major rental agreement of a transportship.

## 27 Discontinued activities

Amounts in DKK 1,000 ( ) = negative amount

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Net revenue	0	106,958	0	0
Costs	0	(122,810)	0	0
<b>Profit/loss before tax</b>	<b>0</b>	<b>(15,852)</b>	<b>0</b>	<b>0</b>
Tax on net profit/loss	0	0	0	0
<b>Profit/loss after tax</b>	<b>0</b>	<b>(15,852)</b>	<b>0</b>	<b>0</b>
Reversal of previous reserves	0	17,009	0	0
Tax effect on write-downs	0	0	0	0
Capital adjustments after tax	<b>0</b>	<b>17,009</b>	<b>0</b>	<b>0</b>
<b>Profit/loss for the year of discontinued activities</b>	<b>0</b>	<b>1,157</b>	<b>0</b>	<b>0</b>
Cash flow from operations	0	37,881	0	0
Cash flow from investing	0	(6,631)	0	0
Cash flow from financing	0	(32,999)	0	0
<b>Cash flow, total</b>	<b>0</b>	<b>(1,749)</b>	<b>0</b>	<b>0</b>
<b>Assets intended for sale, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Liabilities related to assets intended for sale, total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Accumulated recognition direct to equity capital	0	0	0	0
Earnings from discontinued activities per share (EPS), DKK	0	0,11	0	0
Diluted earnings from discontinued activities per share (EPS), DKK	0	0,11	0	0

Discontinued activities refer solely to the sale of the two fish farms Johnson Seawell Ltd and Unst Salmon in 2005.

## 28 Related parties

Aktieselskabet Schouw A/S owns 68.82% of the shares of BioMar Holding A/S.

BioMar Holding A/S' related parties with significant influence include the companies' Supervisory Board, Executive Board and senior employees, plus their related family members. Related parties also includes companies in which the aforementioned persons have major interests.

They also include group and associated companies, cf. notes 6 and 7, in which BioMar Holding A/S has the controlling or significant influence.

Group- and associated companies plus the BioMar Holding A/S group share ownership of the same appear in the group chart, cf. note 32.

There have been transactions between BioMar Holding A/S group and other companies in the Aktieselskabet Schouw A/S group in 2006.

### Group- and associated companies

Amounts in DKK 1,000

Trade with group- and associated companies has involved the following:

	GROUP		PARENT COMPANY	
	2006	2005	2006	2005
Purchase of finished- and trade goods from associated companies	243	0	0	0
Sale of finished- and trade goods to associated companies	234,603	217,343	0	0
Management fee	0	0	2,585	3,879
Interest earnings from the parent group	2,984	0	212	0
Interest earnings from subsidiaries	0	0	34,906	34,700
Interest expenses to subsidiaries	0	0	53	88
As of 31/12, there are the following balance sheet items:				
Receivables from the parent group	191,772	0	0	0
Receivables at group companies	0	0	566,446	586,290
Receivables at associated companies	14,834	10,229	0	0
Debt to group companies	32	0	553	2,046

Transactions with consolidated group companies are eliminated in the group. Receivables from the parent company are subject to interest at market rates. At the end of 2006 the interest rate was 4.08%.

## 29 Subsequent events

On 2 March 2007 BioMar acquired 13.7 % of the shares of Sjøtroll Havbruk AS from North Sea Invest AS for the amount of NOK 200 million. In doing so BioMar obtained an ownership stake of 50.9 % of the voting capital in Sjøtroll Havbruk AS. The agreement is conditional on adequate approvals from relevant authorities. Please refer to Stock Exchange Announcement no. 1 - 2007 from 2 march 2007.

## 30 New IFRS standards

A number of new IFRS standards have been adopted which are not compulsory for BioMar Holding A/S for the purposes of its 2006 annual report. None of the new standards and interpretations are deemed to have an influence on the realisation and measurement of the consolidated accounts.

### 31 Group chart

Company name	Registered office	Group ownership interest in %
BioMar Holding A/S	Brande, Denmark	
BioMar A/S *)	Brande, Denmark	100.00
BioMar AS	Myre, Norway	100.00
Sjøtroll Havbruk AS **)	Austevoll, Norway	37.23
BioMar A/S Chile Holding Ltda.	Puerto Montt, Chile	100.00
BioMar Chile SA	Puerto Montt, Chile	100.00
BioMar S.A.S.	Nersac, France	100.00
BioMar Hellenic S.A.	Volos, Greece	100.00
BioMar Ltd.	Grangemouth, United Kingdom	100.00
Johnson Seawell Ltd. ***)	Vidlin, United Kingdom	100.00
Unst Salmon Ltd. ***)	Aberdeen, United Kingdom	100.00
Granumin A/S ***)	Århus, Denmark	100.00

\*) Only production companies related to BioMar are shown. There are subsidiaries in Italy, Spain, Sweden, Finland and Poland.

\*\*\*) The BioMar Holding A/S group owns 40.11% of the shares in Sjøtroll Havbruk AS and 37.23% of voting rights

\*\*\*) Dormant companies



# Statement by the Executive and Supervisory Boards

Today the Executive and Supervisory Boards have discussed and approved the annual report of BioMar Holding A/S for the financial year 2006.

The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional

Danish disclosure requirements for annual reports of listed companies. We consider the accounting policies used to be appropriate. Accordingly, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2006 and of the results of

the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2006.

We recommend that the annual report be approved at the annual general meeting.

*Brande, the 14th of march 2007*

## Executive Board:



Nils Agnar Brunborg  
Managing Director

## Supervisory Board:



Jens Bjerg Sørensen  
Chairman



Per Møller  
Vice-chairman



Jørn Ankær Thomsen



Asbjørn Reinkind

# Independent auditors' report

## To the shareholders of BioMar Holding A/S

We have audited the annual report of BioMar Holding A/S for the financial year 1 January - 31 December 2006, which comprises the statement by the Executive and Supervisory Boards on the annual report, Management's review, accounting policies, income statement, balance sheet, statement of changes in equity, cash flow statement and notes for the Group as well as for the parent company. The annual report has been prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

## The Executive and Supervisory Boards' responsibility for the annual report

The Executive and Supervisory Boards are responsible for the preparation and fair presentation of this annual report in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies. This responsibility includes: designing, implementing and maintaining internal control relevant to the

preparation and fair presentation of an annual report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditors' responsibility and basis of opinion

Our responsibility is to express an opinion on this annual report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual report. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Company's preparation and fair presentation of the annual report in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive and Supervisory Boards, as well as evaluating the overall presentation of the annual report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit did not result in any qualification.

## Opinion

In our opinion, the annual report gives a true and fair view of the Group's and the parent company's financial position at 31 December 2006 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January - 31 December 2006 in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of listed companies.

*Brande, the 14th of march 2007*



E. Black Pedersen  
State Authorised Public Accountant

KPMG C.Jespersen  
State Authorised Accounting Partnership



Ivan Berthelsen  
State Authorised Public Accountant

# Aquaculture species

BioMar produces feed for more than 25 different aquaculture species, below you will find a selection of some of these species.



Laks (DK) Laks (N)  
Salmón (E)  
Atlantic salmon (UK)  
Saumon atlantique (F)  
*Salmo salar* (Latin)



Laks (DK) Laks (N)  
Salmón coho (E)  
Coho (UK)  
Saumon coho (F)  
*Oncorhynchus kisutch* (Latin)



Regnbueørred (DK) Regnbueørret (N)  
Trucha arco iris (E)  
Rainbow trout - seawater large (UK)  
Truite arc-en-ciel (F)  
*Oncorhynchus mykiss* (Latin)



Regnbueørred (DK) Regnbueørret (N)  
Trucha arco iris (E)  
Rainbow trout - freshwater/portion (UK)  
Truite arc-en-ciel (F)  
*Oncorhynchus mykiss* (Latin)



Bækørred (DK) Ørret (N)  
Trucha Café (E)  
Brown Trout (UK)  
Truite fario (F)  
*Salmo trutta* (Latin)



Fjeldørred (DK) Røye (N)  
Trucha alpina (E)  
Artic Char (UK)  
Omble chevalier (F)  
*Salvelinus alpinus* (Latin)



Kildeørred (DK) Bekkerøye (N)  
Trucha de Fontana (E)  
Brook trout (UK)  
Saumon de fontaine (F)  
*Salvelinus fontinalis* (Latin)



Hav-aborre (DK) Havabbor (N)  
Robaliza (E)  
European sea bass (UK)  
Bar européen (F)  
*Dicentrarchus labrax* (Latin)



Hav-bras (DK) Havkaruss (N)  
Dorado (E)  
Gilthead sea bream (UK)  
Daurade royale (F)  
*Sparus aurata* (Latin)



Sergentfisk (DK) Cobia (N)  
Cobia (E)  
Cobia (UK)  
Cobia (F)  
*Rachycentron canadum* (Latin)



Rød trommefisk (DK) Uer (N)  
Corvinón ocelado (E)  
Red Drum (UK)  
Ombrine tropicale (F)  
*Sciaenops ocellatus* (Latin)



Ål (DK) Ål (N)  
Anguilla (E)  
European Eel (UK)  
Anguille (F)  
*Anguilla anguilla* (Latin)



Torsk (DK) Torsk (N)  
Bacalao (E)  
Atlantic cod (UK)  
Morue (F)  
*Gadus morhua* (Latin)



Tunge (DK) Tunge (N)  
Lenguado (E)  
Dover sole (UK)  
Sole (F)  
*Solea solea* (Latin)



Ørnefisk (DK) Ørnefisk (N)  
Corvina (E)  
Meagre (UK)  
Maigre (F)  
*Argyrosomus regius* (Latin)



Pighvar (DK)  
Piggvar (N)  
Rodaballo (E)  
Turbot (UK)  
Turbot (F)  
*Scophthalmus maximus* (Latin)



Helt (DK) Sik (N)  
Lavaret (E)  
Powan (UK)  
Lavaret (F)  
*Coregonus lavaretus* (Latin)



Sandart (DK) Gjørs (N)  
Lucioperca (E)  
Pikeperch (UK)  
Sandre (F)  
*Sander lucioperca* (Latin)



Aborre (DK) Abbor (N)  
Perca (E)  
Perch (UK)  
Perche européenne (F)  
*Perca fluviatilis* (Latin)



Stør (DK) Sibirsk stør (N)  
Esturión siberiano (E)  
Siberian Sturgeon (UK)  
Esturgeon sibérien (F)  
*Acipenser baeri* (Latin)

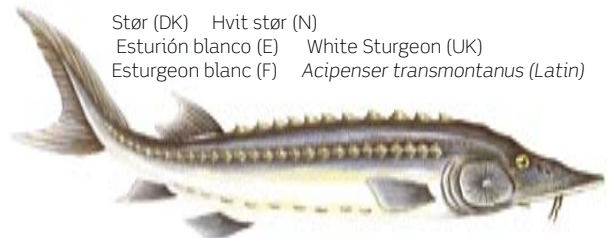
Helleflynder (DK) Kveite (N)  
Halibut (E) Atlantic Halibut (UK)  
Flétan (F) *Hippoglossus hippoglossus* (Latin)



Malle (DK)  
Steinbit (N)  
Siluro (E)  
European Catfish (UK)  
Silure (F)  
*Silurus glanis* (Latin)



Stør (DK) Hvit stør (N)  
Esturión blanco (E) White Sturgeon (UK)  
Esturgeon blanc (F) *Acipenser transmontanus* (Latin)





# Raw materials

## Marine raw materials



## Vegetable raw materials



## Other ingredients



# Overview of manufacturing process



The BioMar fish feed production secures the right nutritional ingredients in the finished product together with the physical criteria's linked to the different BioMar products.

The main ingredients are marine raw materials, vegetable raw materials and other ingredients such as starch, pigment, vitamins and minerals.

The BioMar plants do have advanced operating systems and the process is controlled from a central control room from where process data are monitored.

The product size of the extruded fish feed varies from 0.3 mm to 22 mm.

### Dry raw material storage

The dry raw materials are mainly stored in silos to keep the ingredients cool and dry.

### Oil storage

The oil fish oil and vegetable oil are stored in storage tanks.

### Dry powder dosing

The dry ingredients are dosed from dosing silos down into a batch scale according to recipe.

### Grinding

To secure a homogenous product even in the

smallest products it is necessary to grind the products.

The equipment used is hammer mills.

### Mixing

To be sure of a homogenous product the batch is mixed in a mixer.

### Extrusion

The dry powder is transferred to the extruder where water steam and mechanical energy are transferred to the product. The temperature at the end of the extruder increases to 115 to 120 °C. The high temperature and the mechanical work melt the

# Pellets



starch. In the extrusion process the powder becomes a high viscose liquid. Passing the dies at the end of the extruder the product expands due to the pressure drop at the dies. The microstructure in the pellet is formed by this expansion and makes space for further oil dosing.

## **Drying**

The water added into the extruder is removed by drying.

The pellets are dried in dryers with a drying time from 40 to 90 minutes.

The product temperature drops from 90 °C to about 50 °C in the drying process.

## **Coating of oil**

In most of the feed recipes oil is added to the pellets. The dried pellets are coated with oil in a batch vacuum coater. The oil content of the finished product may exceed 40 % after coating.

## **Cooling**

To secure and stabilize the products the products are cooled to room temperature.

## **Bagging**

After cooling the product is sifted and taken out in 25 to 50 kg bags, big bags of 500 kg to 1 ton or in bulk.

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Reg. no. 41 95 18 18

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