



**Austevoll Seafood ASA**

Q4 2008



As expected, the Group's operating result for Q4 2008 showed a significant increase when compared with Q4 2007. Correspondingly, the Group's operating result for 2008 shows a significant development with an EBITDA of MNOK 788 compared with MNOK 482 in 2007.

## Q4 2008

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\* Group income in the fourth quarter 2008 totalled MNOK 1,552.1 compared with MNOK 720.0 in Q4 2007.

\* Operating result before depreciation (EBITDA) in the fourth quarter 2008 totalled MNOK 295.6 compared with MNOK 22.6 in Q4 2007.

\* Prices for fish oil, canned and frozen products have been stable in the quarter. The price for fishmeal was lower in the fourth quarter compared with the third quarter.

\* Fishing for anchoveta started in Peru in mid November and was divided into two seasons, November and December.

\* Austevoll Seafood ASA (AUSS) increased its shareholding in Lerøy Seafood Group ASA (LSG) to 74.93% in Q4. LSG, once an associated company, is now a subsidiary with effect from December 2008, and was wholly consolidated as of 1 December 2008. This implies that the result for Q4 and the result for 2008 as a whole include LSG's result for December. The consolidated balance sheet as of 31 December 2008 reflects full consolidation of LSG.

## Key figures

All figures in NOK 1.000	Q4 08	Q4 07	2008	2007
Operating income	1.552.147	719.978	4.088.394	3.468.957
EBITDA	295.609	22.629	788.617	483.411
EBITDA %	19 %	3 %	19 %	14 %
Earnings per share	0,38	0,29	0,66	2,72
Total assets	15.984.653	8.813.030	15.984.653	8.813.030
Equity	5.619.768	4.228.611	5.619.768	4.228.611
Equity ratio	35 %	48 %	35 %	48 %
Net interest bearing debt (NIBD)	-6.554.295	-2.514.792	-6.554.295	-2.514.792



## Group results

### Q4 2008

AUSS reported operating income of MNOK 1,552.1 for the quarter (Q4 2007 MNOK 720.0). EBITDA in the fourth quarter totalled MNOK 295.6 (Q4 2007 MNOK 22.6). The fourth quarter has also shown good prices for fish oil, canned and frozen products, and significantly higher prices compared with the same quarter in 2007. The Q4 sales price for fishmeal was lower than in the same quarter of 2007, and somewhat lower than Q3 2008.

EBIT prior to biomass adjustment in the fourth quarter totalled MNOK 149.5 (Q4 2007 - MNOK 30.6). Ordinary depreciation saw an increase as a result of the acquisition of businesses in 2007 and 2008. After the execution of impairment tests, write-downs totalling MNOK 60 million were implemented. This applies in the main to write-downs in Peru, resulting from the implementation of the new quota system for anchoveta fishing in 2009.

EBIT after biomass adjustment in the fourth quarter totalled MNOK 266.4 (Q4 2007 - MNOK 30.6). As of December 2008, LSG (formerly an associated company) was consolidated as a subsidiary, with consolidation wholly effected as of 1 December 2008. This implies that the result for 2008 as a whole includes LSG's result for December.

Income from associated companies for Q4 totalled MNOK 46.1 (Q4 2007 MNOK 51.3).

The increase in net interest costs is a result of a combination of increased liabilities and higher interest. Net other financial costs are mainly unrealised loss on foreign exchange and total - MNOK 72.7 in Q4 2008, reflecting the fluctuations in the USD recorded in the quarter (Q4 2007 MNOK 15.4).

The result after tax for the quarter totalled MNOK 102.7 (Q4 2007 MNOK 54.2).

### 2008 as a whole

AUSS reported operating income of MNOK 4,088.4 at the end of December 2008 (MNOK 3,469.0 as of 31.12.07). EBITDA at the end of December 2008 was MNOK 788.6 (MNOK 483.4 at 31.12.07). On comparison with 2007, there has been a very positive development in canned and frozen products and in fish oil in 2008. Fishmeal prices have remained at a stable high in 2008, but prices in total have been lower in 2008 compared with 2007.

EBIT before adjustment for biomass at the end of December 2008 was MNOK 478.6 (MNOK 278.5 at 31.12.07). EBIT after adjustment for biomass at the end of December 2008 was MNOK 595.5 (Q4 2007 MNOK 278.5).

Income from associated companies as of 31. December 2008 totalled MNOK 25.0 (MNOK 65.8 as of 31.12.07).

Net interest costs at the end of December totalled - MNOK 227.5 (-MNOK 141.4 as of 31.12.07). The increase in net interest costs is a combination of increased liabilities and a higher interest rate in 2008. Net other financial costs are mainly unrealised loss on foreign exchange and total - MNOK 109.3 (MNOK 12.8 on 31.12.2007).

The result after tax at the end of December totalled MNOK 163.0 (MNOK 507.5 as of 31.12.07, including a sales gain of MNOK 313.6).



## Balance sheet as of 31.12.08

At the end of December 2008, the group had a total balance sheet of MNOK 15,984.7 compared with MNOK 8,813.0 at the end of 2007. The group equity at the end of December was MNOK 5,619.8 compared with MNOK 4,228.6 at the end of 2007. The equity ratio was 35% as of 31 December 2008 compared with 48% as of 31 December 2007.

Lerøy Seafood Group ASA was wholly consolidated as of 1 December 2008 and the consolidated balance sheet has therefore seen a significant increase.

Net interest-bearing liabilities were MNOK 6,554.3 as of 31 December 08 compared with MNOK 2,514.8 as of year-end 2007. The group's cash reserves as of 31 December 2008 totalled MNOK 643.5 compared with MNOK 1,040.9 as of year end 2007. The group's cash reserves do not include unutilised withdrawal rights.

## Cash flow

Cash flow from operating activities for the fourth quarter 2008 was MNOK 202.7 (MNOK 33.4 in Q4 2007). Cash flow from investment activities for the fourth quarter 2008 amounted to - MNOK 1,228.9 (- MNOK 668.6 in Q4 2007) and mainly comprises the acquisition of LSG. Cash flow from financing in Q4 2008 totalled MNOK 1,126.9 (Q4 2007 MNOK 259.6), and comprises new liabilities in connection with the acquisition of LSG, a change in withdrawals from the overdraft facility and ordinary downpayments on long-term liabilities. Net change in cash in the fourth quarter 2008 was MNOK 100.8 (- MNOK 375.6 in Q4 2007).

## Business segments

### Fishmeal and fish oil

Operating income in Q4 2008 totalled MNOK 522.0 (MNOK 328.0 in Q4 2007) and EBITDA amounted to MNOK 110.0 (MNOK 36.2 in Q4 2007).

The fourth quarter returned sales of approx. 53,000 tons of fishmeal and fish oil compared with approx. 50,000 tons in the Q4 2007. The prices for fish oil were good in the fourth quarter and significantly higher than the same quarter last year. The prices for fishmeal were somewhat lower in the fourth quarter compared with the last quarter and also lower than the same quarter last year.

The season for anchoveta fishing in Peru started in mid November and is distributed over one period in November and one period in December, with a total quota for the entire Peru fleet of 2 million tons. The Group's fleet in Peru fished approx. 154,000 tons on their own quotas during this period.

Norway reported significant figures for NVG herring in the fourth quarter, and cuts from this production have been an important input factor for the Norwegian production of fishmeal and fish oil.



## Consumer products

Operating income in Q4 2008 totalled MNOK 197.1 (MNOK 130.6 in Q4 2007) and EBITDA amounted to MNOK 28.6 (- MNOK 5.8 in Q4 2007).

The total volume sold for consumption is distributed as follows; approx. 2,500 tons frozen products (Chile and Peru), a decline of approx. 2,500 tons compared with the same period in 2007, when sales were approx. 5,000 tons. Approx. 542,000 boxes of canned products were sold, compared with approx. 889,000 boxes for the same period in 2007 (Chile and Peru). For high and low concentrate Omega 3 oils, Q4 sales were approx. 446 tons compared with approx. 361 tons for the same period in 2007. Annual production capacity for high-concentrate Omega 3 oils at year-end was increased to 2,000 tons.

Realised prices for canned and frozen products have remained at a stable high for the fourth quarter and are considerably higher compared with the same quarter last year. The volume of fish for consumption fished in Chile and Peru during the quarter was lower than expected, resulting in a corresponding reduction in production volumes. This results in a lower operating margin for this segment in Q4.

## Lerøy Seafood Group ASA

As a result of the acquisition of LSG in December, the company is now a subsidiary with 100% consolidation from 1 December 2008. In December, operating income totalled MNOK 321.6, EBITDA MNOK 80.0, EBIT before biomass adjustment MNOK 61.5 and EBIT after biomass adjustment MNOK 178.4.

## Trading

Operating income in Q4 2008 totalled MNOK 466.5 (MNOK 261.0 in Q4 2007) and EBITDA amounted to MNOK 35.7 (- MNOK 6.2 in Q4 2007).

Trading activities comprise the companies Chilefood and Atlantic Pelagic AS, which carry out all sales activities for the production companies Austevoll Fiskeindustri AS, Sir Fish AS and Modolv Sjøset AS. The results from the production activities Austevoll Fiskeindustri AS, Sir Fish AS and Modolv Sjøset AS are also included, in addition to the trading of fish oil to other parties in the branch.

In Q4, AUSS increased its shareholding in Modolv Sjøset AS to 66% and the company has been wholly consolidated as of 1 October 2008.

The fourth quarter is normally a good quarter for Norwegian pelagic fishing due to the season for mackerel and NVG herring. There was a high level of activity in the plant in the quarter, reflected by the good result for the segment as a whole.



## Risk factors and uncertainty factors

The group's risk exposure is described in the consolidated annual report for 2007. Operating conditions within the group have seen no significant change throughout the year. Group activities are mainly global and will always be more or less impacted by developments in world economy. Although the recent turbulence in the financial markets will, in time, have an impact on market economies worldwide, AUSS believes that its core activities are founded on long-term sustainable values within an interesting seafood industry.

The group is exposed to risk related to the value of investments in subsidiaries in the event of price changes in the raw materials and finished goods markets, to the extent that these changes impact on the company's competitive edge and earnings potential over time. Operating conditions and price developments for the group's input factors are also central parameters.

Changes in fishing patterns and quota regulations result in fluctuating catch volumes from quarter to quarter, and subsequently in the utilisation of the company's production facilities. The seasonal fluctuations in catch volumes create similar fluctuations in the periodic key figures. The Group's production of Atlantic salmon and trout will naturally always be exposed to biological risk.

The Group has always placed a focus on long-term cooperation with financial partners. The Group's subsidiaries and the Group as a whole therefore have satisfactory financing, including covenants adapted to the Group's activities. With a view to the recent changes on the international financial market, the Group will place a focus on re-financing long-term liabilities which mature in 2010. The main part of the Group's liabilities have a floating rate of interest, and the Group carries out a continual assessment and identification of risk resulting from changes in interest rates.

The Group is exposed to fluctuations in exchange rates, particularly for the EURO, USD, Chilean Peso and Peruvian Soles. Measures to reduce this risk include forward contracts and multi-currency overdraft facilities. Furthermore, parts of the long-term liabilities are adapted in relation to earnings in the same currency.

## Company shareholders

As of 31 December 2008, the company had 3,148 shareholders. The share price was NOK 11.00 at the end of December 2008.

## Market and outlook

### Fishmeal and fish oil

The recent decline in the price for fishmeal and fish oil presented in official statistics is partly attributed to a general decline in other raw materials. The price for fishmeal at the start of 2009 has seen an upward trend. The company has recorded a regular demand for fishmeal from the most important markets for the product, and expects to see demand remain stable in the future. The pricing of fish oil is still weak and we do not expect to see any increase in fish oil prices in the near future.



## Consumption

The prices for all canned and frozen fish products have remained high in the fourth quarter, and the Board of Directors expects to see a continued high demand and stable price level in the future. With an increased consumer focus on health, the market for the group's high-concentrate Omega 3 products is expected to continue on a positive trend.

## Fish farming

The development in demand for salmon and an expected reduction in the global supply of Atlantic salmon in the near future provides grounds for expectations of a satisfactory development in result. The above-mentioned factors, combined with expectations for improved productivity for the Group, including organic growth, gives grounds for a positive attitude towards the development of this segment.

## Summary

The Board of Directors is of the opinion that the recent investments in fishing, fish farming, the fleet and industrial sector and sales and distribution, will ensure the Group a solid platform for future earnings.

## About this report

Pursuant to section 5-6 of the Securities Trading Act, the Board of Directors confirms that this report has been prepared in accordance with prevailing accounting standards in IFRS, and in particular in accordance with IAS 34 – Interim financial reporting. The Board of Directors furthermore confirms that the information in the report provides a true illustration of the Group's assets, liabilities, financial position and result for 2008 as a whole and for comparison periods, and that the report describes the most central factors related to risk and uncertainty which the Group faces in the next accounting period.

Storebø, 27 February 2009

The Board of Directors in Austevoll Seafood ASA



# FINANCIAL REPORT Q4 2008

## Condensed Consolidated Income Statement (unaudited)

All figures in NOK 1.000	Q4 08	Q4 07	31.12.2008	31.12.2007
Operating income	1 552 147	719 978	4 088 394	3 468 957
Raw material and consumables used	855 930	461 018	2 291 768	2 174 352
Salaries and personnel expenses	198 670	122 242	473 280	342 924
Other operating expenses	201 939	114 088	534 730	468 271
Operating profit before depreciation (EBITDA)	295 609	22 629	788 617	483 411
Depreciation and amortisation	86 160	53 181	250 029	201 939
Depreciation of excess value inventory	-	-	-	3 000
Impairment	59 997	-	59 997	-
Operating profit (EBIT)	149 452	-30 552	478 591	278 471
Fair value adjustment biomass	116 953	-	116 953	-
Operating profit	266 405	-30 552	595 544	278 471
Income from associated companies	46 095	51 276	24 988	65 758
Net interest expenses	-76 077	-43 048	-227 458	-141 413
Net other financial items (incl agio/disagio)	-72 674	15 391	-109 255	12 800
Profit before tax	163 748	-6 933	283 819	215 616
Income tax expenses	-61 057	50 527	-120 851	-32 343
Net profit	102 691	43 594	162 968	183 273
Net profit from discontinued operations	-	10 623	-	324 273
Net profit including discontinued operations	102 691	54 217	162 968	507 546
Profit to minority interests	33 090	1 552	40 460	8 563
Profit attribut.to equity holder of parent	69 601	52 664	122 508	498 983
Earnings per share	0,38	0,29	0,66	2,72
Diluted earnings per share	0,38	0,29	0,66	2,72





## Condensed Consolidated Balance sheet (unaudited)

All figures in NOK 1.000	31.12.2008	31.12.2007
<b>Assets</b>		
Intangible assets	5 842 802	1 624 499
Vessels	811 401	708 906
Property, plant and equipment	3 573 932	1 866 867
Investments in associated companies	540 477	2 352 440
Investments in other shares	40 967	32 124
Other long term receivables	124 815	67 026
Total non-current assets	10 934 394	6 651 863
Inventories	2 554 543	528 055
Accounts receivables	1 406 178	390 218
Other current receivables	446 001	201 983
Cash and cash equivalents	643 536	1 040 911
Total current assets	5 050 258	2 161 167
Total assets	15 984 653	8 813 030
<b>Equity and liabilities</b>		
Share capital	92 159	92 159
Share premium fund	3 083 918	3 083 918
Retained earnings and other reserves	1 451 974	965 313
Minority interests	991 717	87 221
Total equity	5 619 768	4 228 611
Deferred tax liabilities	1 666 258	514 762
Pension obligations	34 323	18 089
Borrowings	5 432 918	2 380 534
Other long-term liabilities	437 960	20 519
Total non-current liabilities	7 571 458	2 933 904
Short term borrowings	530 940	937 140
Overdraft facilities	920 827	284 537
Account payable	721 756	267 967
Other current liabilities	619 903	160 872
Total current liabilities	2 793 427	1 650 515
Total liabilities	10 364 885	4 584 419
Total equity and liabilities	15 984 653	8 813 030

## Condensed Consolidated Cash flow statement (unaudited)

All figures in NOK 1.000	Q4 2008	Q4 2007	31.12.2008	31.12.2007
Net cash flow from operating activities	202 740	33 415	413 783	277 166
Net cash flow from investing activities	-1 228 895	-668 626	-1 448 194	-2 195 459
Net cash flow from financing activities	1 126 932	259 572	637 037	1 547 710
Net change in cash and cash equivalents	100 777	-375 639	-397 374	-370 583
Cash and cash equivalents at beginning of period	542 760	1 416 549	1 040 910	1 411 493
Cash and cash equivalents at period end	643 537	1 040 910	643 536	1 040 910



## Condensed Consolidated Statement of changes in Equity (unaudited)

All figures in NOK 1.000	31.12.2008	31.12.2007
Equity period start	4 228 611	3 637 000
Profit for the period	162 968	507 546
Dividends	-55 295	
Currency translation differences	472 309	-187 941
Other gains and losses charged directly to equity	-37 764	-153
Minority interests arising from business combinations	812 572	2 291
Revaluation of existing interests related to business combinations		-579
New equity from cash contribution and contribution in kind	36 366	277 824
Expenses related to share issues (net of tax)	-	-7 377
Total changes of equity in the period	1 391 156	591 611
Equity at period end	5 619 767	4 228 611

### Selected notes to the accounts

#### Note 1 Accounting principles applied

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related standard for interim reports (IAS 34). The interim report, including historical comparison figures, is based on current IFRS standards and interpretation. Changes in the standard and interpretations may result in changes to the result. The quarterly report is prepared in accordance with the same principles applied to the previous annual report, but does not contain all the information and notes required for an annual report.

This report must therefore be read in the context of the last annual report from the company (2007). Amendments to standards and interpretations may result in changes to the figures.



## Note 2

Segment information		(all figures in NOK 1.000)			
<b>Fishmeal and oil</b>	<b>Q4 08</b>	<b>Q4 07</b>	<b>31.12.2008</b>	<b>2007</b>	
Operating revenue	521 933	328 011	2 105 163	2 085 111	
EBITDA	109 952	36 198	497 407	407 874	
EBITDA %	21 %	11 %	24 %	20 %	
EBIT	68 105	1 344	352 044	280 957	
EBIT %	13 %	0 %	17 %	13 %	
Volumes sold fishmeal (tons)	44 544	46 584	254 173	242 593	
Volumes sold fishoil (tons)	8 244	2 972	56 310	57 436	
<b>Human Consumption</b>	<b>Q4 08</b>	<b>Q4 07</b>	<b>31.12.2008</b>	<b>2007</b>	
Operating revenue	197 103	130 614	770 915	751 215	
EBITDA	28 606	-5 793	144 610	116 398	
EBITDA %	15 %	-4 %	19 %	15 %	
EBIT	10 132	-19 363	78 041	57 083	
EBIT %	5 %	-15 %	10 %	8 %	
Volumes sold;					
Canning (cases)	542 181	889 256	2 998 708	4 022 570	
Frozen fish (tons)	2 542	4 910	21 726	28 223	
HC and LC Omega 3 products (tons)	446	361	1 773	1 413	
<b>Lerøy Seafood Group</b>	<b>Dec 08</b>		<b>Dec 08</b>		
Operating revenue	321 572		321 572		
EBITDA	80 034		80 034		
EBITDA %	25 %		25 %		
EBIT before fair value adj.biomass	61 481		61 481		
EBIT %	19 %		19 %		
EBIT after fair value adj.biomass	178 434		178 434		
<b>Trading</b>	<b>Q4 08</b>	<b>Q4 07</b>	<b>31.12.2008</b>	<b>2007</b>	
Operating revenue	466 470	260 977	935 312	710 287	
EBITDA	35 741	-6 210	35 530	-24 572	
EBITDA %	8 %	-2 %	4 %	-3 %	
EBIT	29 303	-11 317	18 586	-39 773	
EBIT %	6 %	-4 %	2 %	-6 %	
<b>Not allocated/elimination</b>	<b>Q4 08</b>	<b>Q4 07</b>	<b>31.12.2008</b>	<b>2007</b>	
Operating revenue*	45 070	376	-44 568	-77 656	
EBITDA	41 276	-1 566	31 036	-16 290	
EBIT **	-19 569	-1 186	-31 561	-19 797	
<b>Total Group</b>	<b>Q4 08</b>	<b>Q4 07</b>	<b>31.12.2008</b>	<b>2007</b>	
Operating revenue	1 552 148	719 978	4 088 394	3 468 957	
EBITDA	295 609	22 629	788 617	483 410	
EBITDA %	19 %	3 %	19 %	14 %	
EBIT before fair value adj.biomass	149 452	-30 522	478 591	278 470	
EBIT %	10 %	-4 %	12 %	8 %	
EBIT before fair value adj.biomass	266 405	-30 522	595 544	278 470	

\* includes one off impact of NOK 44 mill

\*\* includes write down of NOK 60 mill



### Note 3 Transactions with closely related parties

Laco AS has granted a loan of NOK 320 million in connection with the acquisition of LSG at the start of December 2008.

### Note 4 Pro forma result

The statement below displays the pro forma figures as if Lerøy Seafood Group ASA was wholly consolidated for the entire fourth quarter and 2008.

#### Proforma Cond. Consolidated Income Statement (unaudited)

All figures in NOK 1.000	Q4 08	31.12.2008
Operating income	2 933 995	9 823 874
Operating expenses	2 569 347	8 581 064
Operating profit before depreciation (EBITDA)	364 648	1 242 810
Depreciation and amortisation	176 383	488 497
Operating profit (EBIT) before adj.biomass	188 265	754 313
Fair value adj. Biomass	-148 327	36 369
Operating profit (EBIT) after adj.biomass	336 592	717 944

### Note 5 Acquisitions in Q4 2008

2<sup>nd</sup> December 2008 AUSS completed the acquisition of 75,25% of Lerøy Seafood Group ASA. Below is a preliminary purchase price allocation. Fair value at acquisition date in the table below is the preliminary purchase price allocation.

Samlet vederlag inkl. transaksjonskostnader / Consideration transferred, incl transaction costs	3 505 245
Andel virkelig verdi av netto identifiserbare eiendeler og gjeld / Share of net identifiable assets and liabilities*	2 354 086
Goodwill**	1 105 359

\* Adjusted for booked minority interests in LSG

\*\* The acquisition of LSG was achieved in stages. Goodwill is measured at the different stages.



Identifiserbare eiendler og gjeld / Identifiable assets and liabilities	Bokført verdi på oppkjøpstidspunkt / Carrying amount at acquisition date	Merverdier foreløbig allokering / Excess values, prelim. allocation	Virkelig verdi på oppkjøpstidspunkt / Fair values at acquisition date
Konsesjoner / Licenses	1 304 961	1 495 039	2 800 000
Merkevarer / Brand	0	50 000	50 000
Varige driftsmidler / Other property, plant and equipment	1 297 391	0	1 297 391
Øvrige anleggsmidler / Other non current assets	357 706	33 968	391 674
Omløpsmidler / Current assets	2 945 211	0	2 945 211
<b>Sum eiendeler / Total assets</b>	<b>5 905 269</b>	<b>1 579 007</b>	<b>7 484 276</b>
Langsiktig gjeld og forpliktelser / Non current debt and liabilities	2 369 580	432 611	2 802 191
Kortsiktig gjeld / Current debt	1 533 909	0	1 533 909
<b>Sum gjeld / Total debt and liabilities</b>	<b>3 903 489</b>	<b>432 611</b>	<b>4 336 100</b>
<b>Netto identifiserbare eiendler og gjeld / Net identifiable assets and liabilities</b>	<b>2 001 780</b>	<b>1 146 396</b>	<b>3 148 176</b>
Minoritetens andel/The minorities share	490 535	283 733	794 090

## Note 6 Events after balance sheet date

On 4 February, the company announced that Austevoll Seafood and Origin Enterprises had signed an agreement for the merger of their respective activities within fishmeal and fish oil in Norway, Ireland and Great Britain. This merger will strengthen the Group's position in the global sector for marine proteins and oils. Austevoll's wholly-owned subsidiary, Welcon Invest AS ('Welcon' or 'the company') is Europe's leading manufacturer of fishmeal and fish oil, and has operations in Norway. Austevoll has a comprehensive protein business in Chile and Peru via its subsidiaries. With its activities related to marine protein ('United Fish Industries' or 'UFI'), Origin is a leading manufacturer of fishmeal and fish oil in Ireland and Great Britain.

Origin has transferred its holding in UFI to Welcon along with a cash contribution of EUR 16 million in return for a shareholding of 50% in the merged business. Pro forma turnover for the extended group in 2008 is approximately EUR 175 million. Welcon will be run by a solid management team, comprising managers from both companies. Arne Stang will continue as CEO while current CEO of UFI, Tom Tynan, has been assigned the position of COO in the company. The Board of Directors in Welcon will have equal representation from both shareholders.

In terms of accounting, the transaction will result in the deletion of a subsidiary. The merged unit will be classified as a joint controlled business with proportional consolidation in accordance with shareholding (gross method). This implies that the transaction has little impact on the consolidated balance sheet.