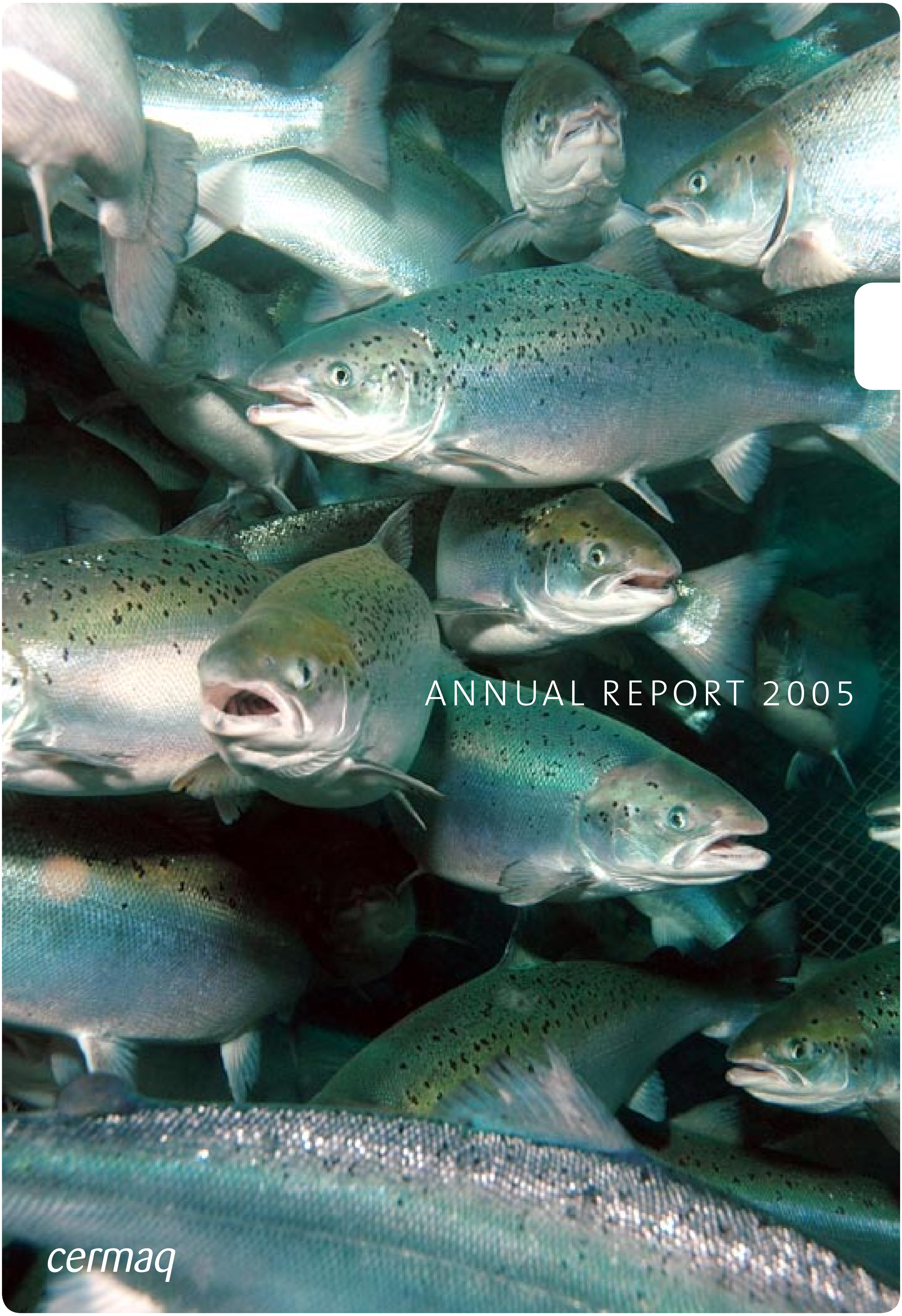


ANNUAL REPORT 2005

cermaq

CONTENTS

Financial calendar 2006

Interim reports:

1st quarter 2006	3 May
2nd quarter 2006	4 Aug
3rd quarter 2006	27 Oct
4th quarter 2006	16 Feb 2007

Annual General Meeting
3 May 2006

IMPORTANT EVENTS 2005

July: Purchased Heritage in Canada

Cermaq announced that it had entered into an agreement with George Weston Limited of Canada to purchase the west coast assets of the Heritage fish farming company. The transaction added 15 000 tonnes of capacity to the existing operations of Cermaq's Mainstream Canada subsidiary.

August: Entered Norwegian farming

As an important step in the development of Cermaq's strategy to become a significant player in salmon farming in all major markets, the company increased its shareholding in Follalaks to 85 percent when DnB NOR decided to sell out. This increased Cermaq's total global production to more than 100 000 tonnes. In October, Cermaq acquired the remaining 15 percent of the shares. The company, which has now changed its name to Mainstream Norway, has 22 farming licences with operations in Norway's northern counties of Nordland and Finnmark.

August: Towards the stock market

The board of Cermaq ASA resolved to apply for a listing of the company on the Oslo Stock Exchange. This application was approved by the stock exchange's board in September.

September: Authorised share issue

The General Meeting of Cermaq ASA authorised the board to increase the share capital by up to NOK 100 million through the issue of new shares in an initial public offering (IPO) to strengthen the Group's balance sheet and provide flexibility for strategic transactions.

October: Successful IPO

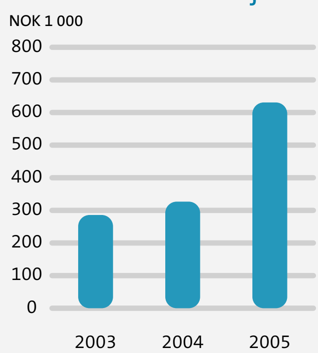
Cermaq successfully completed the IPO, including a share issue which raised NOK 220 million. The Norwegian government also sold shares in Cermaq with a total value of NOK 1 100 million. The final price per share was set at NOK 44.

KEY FIGURES

NOK 1 000	Group 2005	2004	2003[8]
Profit and loss account			
Operating revenues	5 367 139	5 014 554	6 072 195
EBITDA	845 024	554 654	565 853
Operating profit before unrealised fair value adjustment	635 849	326 754	285 501
Operating profit	784 936	333 480	54 506
Net profit/(loss)	660 557	235 570	(56)
Balance sheet			
Fixed assets	3 733 498	3 176 866	3 094 822
Current assets	2 902 086	1 957 254	1 949 126
Total assets	6 635 584	5 134 120	5 043 948
Equity excluding minority	3 522 123	2 551 757	2 436 913
Minority	415	130	367
Long-term liabilities	1 630 475	1 468 781	1 543 134
Current liabilities	1 482 571	1 113 452	1 063 534
Total equity and liabilities	6 635 584	5 134 120	5 043 948
Capital adequacy			
Equity ratio[1]	53.1%	49.7%	48.3%
Profitability			
Operating margin[2]	14.6%	6.7%	0.9%
Return on equity[3]	21.7%	9.5%	0.0%
Return on total capital[4]	14.2%	7.1%	2.4%
Earnings per share[5]	7.49	2.71	(0.07)
Liquidity/cash flow			
Liquid assets[6]	389 718	454 997	403 389
Current ratio[7]	2.0	1.8	1.8
Net cash flow	(65 278)	51 611	62 722
Sales feed in tonnes	669.7	635.9	661.6
Sales fish in tonnes	88.7	67.5	58.6

[1] Equity/total assets, in percent
[2] Operating profit/turnover, in percent
[3] Net result/average equity, in percent
[4] (Pre-tax result + financial expenses)/average total assets, in percent
[5] Net result (after tax and minority)/number of shares
[6] Cash, bank deposits and postal giro + current placements (certificates)
[7] Current assets/current liabilities
[8] 2003 figures are presented under NGAAP. For information on the effects of the transition to IFRS see note 27.

Operating profit before unrealised fair value adjustment



THIS IS CERMAQ

International aquaculture business

Cermaq is an international fish farming and fish feed company with a diversified presence in the major salmon farming markets worldwide. Presence in both farming and feed is seen as important to diversify risk, and to create a broad knowledge base within the aquaculture industry. Through Mainstream, the company has salmon farming operations in Norway, Chile, Canada and Scotland. Through EWOS, Cermaq has a presence within fish feed in the same countries, serving all the four major salmonid fish feed markets.

Cermaq was incorporated in 1995 when activities were focused on grain trading and the production of flour. Following a strategic review in 1998, the company targeted aquaculture as its key focus area for future growth, and in 2000 a significant expansion within aquaculture took place. Cermaq was organised into three business areas; EWOS, comprising its fish feed operations, Mainstream, comprising its fish farming operations, and Agri Businesses, comprising the Company's agricultural and other non-aquaculture assets. Since 2000, the majority of agricultural and other non-aquaculture assets have been divested, and Cermaq aims to divest the remaining assets over time in line with the Company's strategic focus on the aquaculture industry.

Focusing on sustainable operations

Cermaq will take part in the expected strong growth of the aquaculture industry by focusing on sustainable salmon farming and feed production. The company will continue to develop its position as a leading global supplier of fish feed to the salmon farming industry with operations in all the four major salmon growing regions and as a major salmon farmer focused on product quality and cost efficiency. By maintaining focus on a strong balance sheet and effective operational management, Cermaq is well positioned to take advantage of growing demand for aquaculture products as well as of continued consolidation in the farming industry.

Global leadership requires that standards for best practice in operations are set and adhered to. Sustainable aquaculture is the mission that underlies all of Cermaq's operations. Cermaq makes substantial investments in aquaculture research and development every year through EWOS Innovation. This focus on R&D puts Cermaq at the forefront of product and environmental innovations and ensures that sustainability is always prioritised in the development of new technologies. One of the most important roles EWOS Innovation can play is to help ensure that the focus on cost effective production happens in a way that is sustainable and which will generate increased consumer confidence in the market.

Paramount objectives for Cermaq

- Cermaq will be one of the leading global suppliers of feed for salmon and trout, with a complete product range and operations in all four main salmon-producing regions of the world.
- Cermaq will be a significant player in farming of salmonid species in the two main farming regions, Norway and Chile.
- Cermaq will be among the best players in research and development on fish feed and salmon farming.
- Cermaq will maintain a strong operational focus as a basis for success and future growth.

Core values in Cermaq

Business-minded
We are always thinking of generating cash and opportunities for profit. All other goals come to naught if we fail.

Prudence
We are disciplined and reasoned. We depend on skill and good judgement in use of resources, and we manage risk proactively.

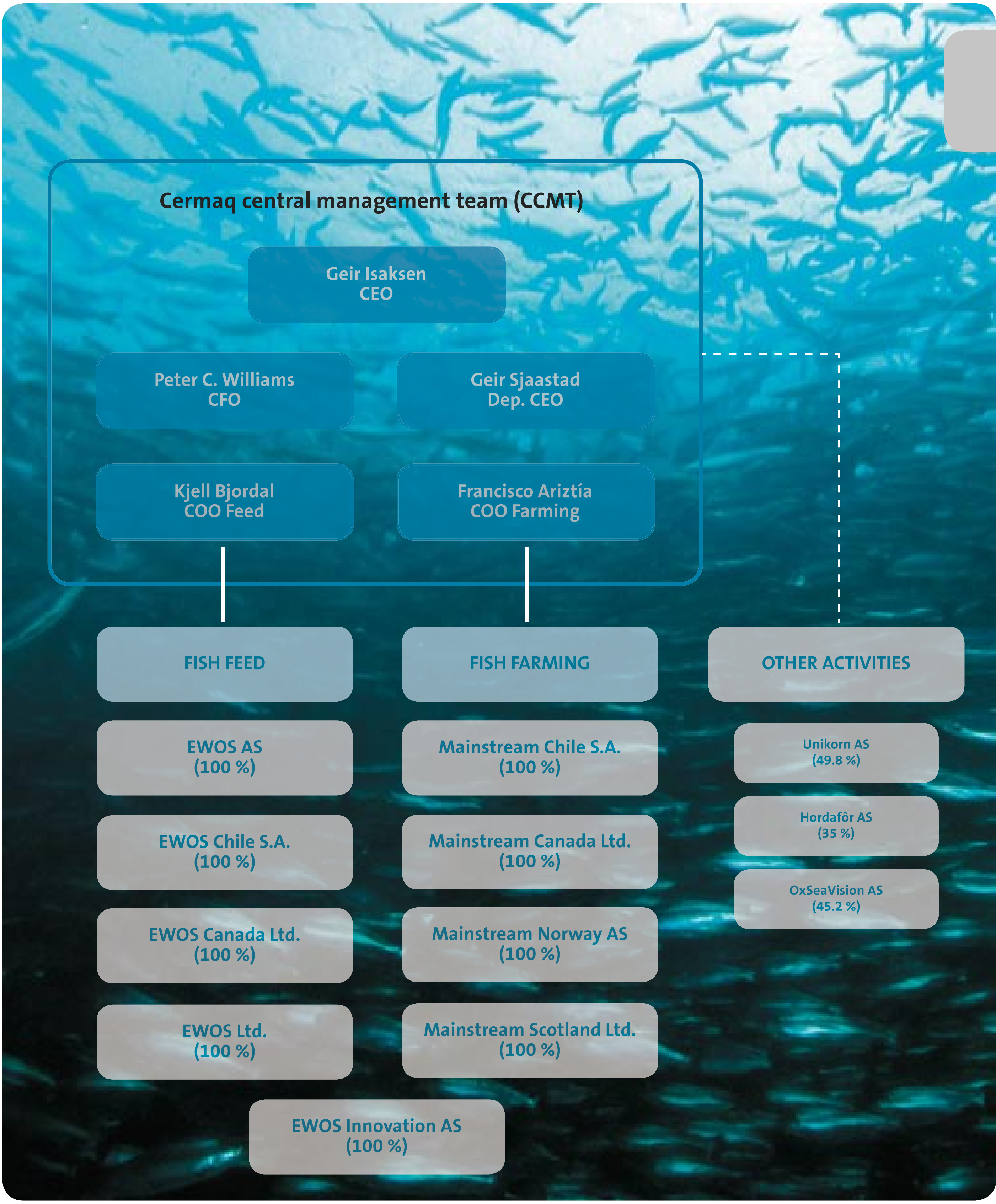
Integrity
We adhere to a code of ethical values such as fairness, loyalty and respect so that we maintain our pride and earn trust.

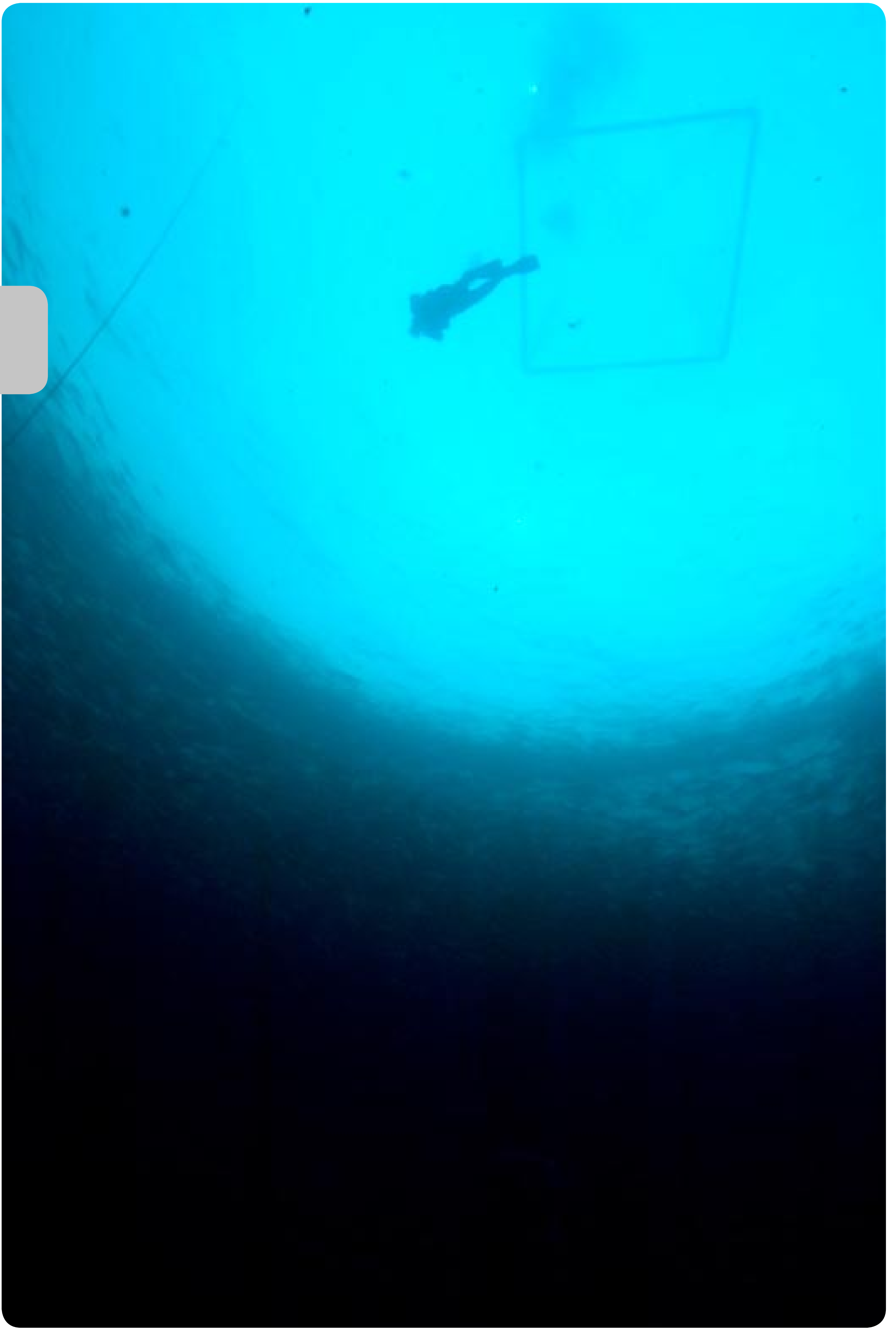
Preparedness
We anticipate change and capitalise on growth opportunities through hard work and creative thinking.

Sharing success and concerns
In order to create a positive working environment where success is shared and problems are solved, we encourage networking, personal development, teamwork and open communication.

Our vision

Cermaq's vision is to be one of the global leaders in the aquaculture industry, with our main focus on sustainable farming of salmon and trout and the production of feed for these species. We are committed to creating value for our shareholders through sustainable aquaculture. To achieve this objective, we will remain focused on our customers and suppliers and on maintaining the quality of our product. We also recognise that the key to achieving improved revenues through sustainable aquaculture is to demonstrate our respect for each other, the consumer, and the communities and environment in which we operate.





BRIGHTER OUTLOOK AND A TOUGHER ENVIRONMENT

Cermaq delivered its best-ever result in 2005. We increased our operating profit before fair value adjustment by NOK 309 million from the previous year, and achieved a pre-tax profit of NOK 723.6 million. The improvement in operating profit was achieved in fish farming. That can be attributed to good operations and improved salmon prices in all our markets, but favourable acquisitions also had a positive effect. If prices in our principal markets remain at their present level throughout 2006, our results for fish farming will be further strengthened.

Results declined somewhat in the feed business compared with 2004, but we have strengthened our market share and are well positioned for 2006. At the same time, we see that the feed industry is approaching full capacity utilisation in both Norway and Chile. This means that we foresee a tighter market for the feed business as a whole in 2006, and better margins than in 2005.

Viewed overall, we expect further progress in 2006. And we are better positioned than a year ago. I would like to make particular mention of the following events:

- We acquired the fish farming business of Weston Group (Heritage) on the Canadian west coast in July. We have doubled our capacity in this region, and Mainstream will produce 27 000 tonnes of salmon in Canada during 2006. After an extensive turnaround operation over the past four years, we now have good margins in and earnings from fish farming in Canada.
- At the end of August, we acquired the Norwegian fish farming company, Follalaks, which has now changed its name to Mainstream Norway. This company will produce 14 000 tonnes of salmon in 2006, and is delivering good results.
- We obtained a listing on the Oslo Stock Exchange in October. Our share attracted great interest, and we received a very positive reception from the market. This has given us better access to the equity market, and means we can participate more actively in the expected restructuring of the industry.

The economic outlook for 2006 is bright, but demands on the industry are getting tougher. Salmon has attracted growing attention from the media and the authorities. As a food producer, we must expect stricter standards. Food must be safe. The fish must be treated properly. We will protect the environment in terms of both discharges and concern for wild salmon. And we will make fish feed from raw materials produced in a sustainable manner. We agree with all this – indeed, we are a prime mover for achieving these goals.

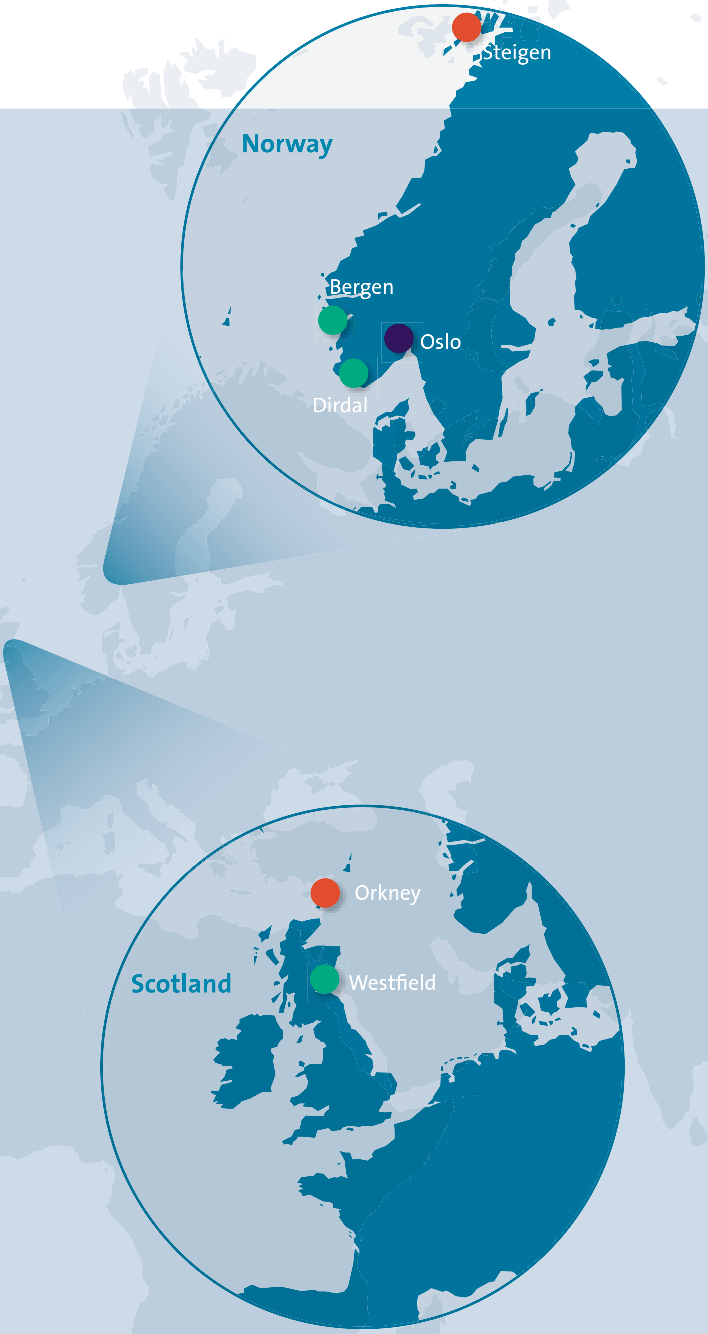
But we will also make demands. We expect scientists to present their results in an honest and testable way. We expect the authorities to set standards based on knowledge and insight, and allow us to cooperate over the further development of such requirements. We expect the press and the rest of the media to exert themselves to provide a balanced picture of our sector. And we believe that the industry and individual companies must contribute to a far greater extent to ensuring that this happens. It can be achieved in part through good practice, credible documentation and close monitoring of scientists, the authorities and the media. That calls for a change in pace by the companies and their organisations, and we will work for this in 2006.

Our business in Cermaq is global. We produce salmon and salmon feed in Norway, Chile, Canada, and the UK, and sell this fish to most markets in the world where it is consumed. We are unable to comprehend the trade restrictions faced by Norwegian salmon in the USA, the EU and Russia. We believe in free trade, also for salmon. That in turn makes demands on the industry and the relevant authorities for systematic and long-term work to promote open borders. Cermaq will participate in this work.

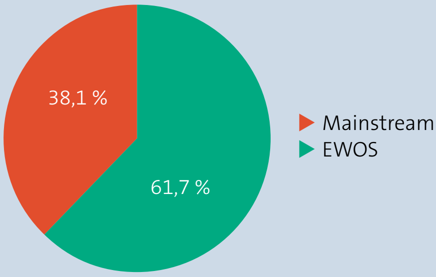
We had our best-ever year in 2005, and 2006 augurs well. We would take this opportunity to thank our employees, who have made such a strong contribution to our success. A motivated and knowledgeable workforce is the best foundation for future results. On that basis, the outlook is bright – also beyond 2006.

Geir Isaksen
CEO

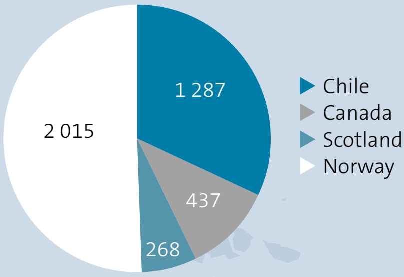
CERMAQ-GROUP
31 DECEMBER 2005



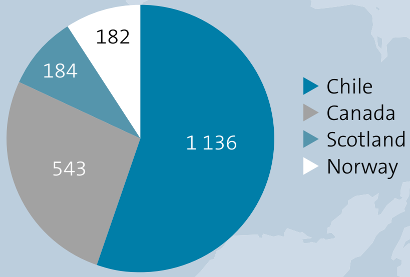
Turnover Group



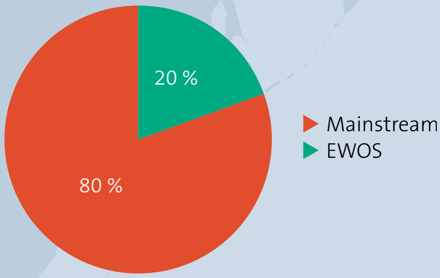
Turnover EWOS



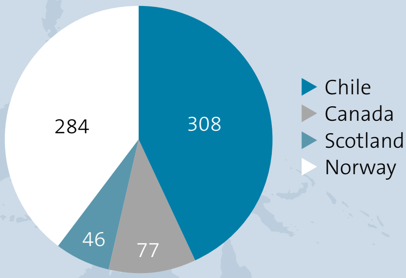
Turnover Mainstream



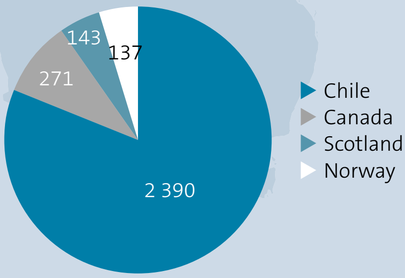
Employees Group



Employees EWOS



Employees Mainstream



MAINSTREAM – FARMING BUSINESS

Fully integrated farming business from egg to market

Cermaq's fish farming operations are organised in the Mainstream Group, which is fully integrated from egg to market in the farming of Atlantic salmon, coho and trout. The Company has fish farming operations in four geographical areas through Mainstream Chile, Mainstream Canada, Mainstream Norway and Mainstream Scotland. The four companies operate independently under a common Group management.

Mainstream had a global market share of around seven percent in 2005, being among the largest salmon farming companies worldwide.

Mainstream Chile

Mainstream Chile is the third largest Chilean fish farming company, with activities located primarily in the Puerto Montt area and on Chiloé Island, in Region X. The company owns and operates three hatcheries and three lake licences for smolt production, with a total capacity of around 20 million smolts, and has one of Chile's most successful broodstock programs. It has 46 on-growing sites located in three geographic areas of Region X, with an annual production capacity in the order of 98 000 tonnes. Further capacity could be added in Region XI, where Mainstream Chile has five licences not yet used, plus ten additional licence applications. Mainstream Chile operates 3 - 4 processing facilities at peak, of which two are owned by Mainstream, processing more than 76 percent of the total harvest. The additional facilities are operated under seasonal contracts.

During the year 2005, the company sold 52 296 tonnes of fish RWE, of which 29 680 were Atlantic salmon, 13 135 coho and 9 481 trout.

Mainstream Canada

Mainstream Canada's operations are located on Vancouver Island in British Columbia. The company owns four hatcheries, and has a contract with one additional hatchery, providing a total capacity of 5.7 million smolts, all on Vancouver Island. The business has 30 on-growing sites located both in Tofino, on the west coast of the island and in the Campbell River area, with an annual production in the order of 25 000 RWE tonnes. The company has one primary processing facility located in Tofino, while the North East of the Island fish are processed at third party plants. In July 2005, Cermaq expanded its fish farming operations in British Columbia by acquiring the assets of the west coast business of Heritage, a subsidiary of Canadian company George Weston. This acquisition added about 15 000 tonnes of capacity to the Mainstream Canada operation, and brought total capacity in the region to 32 500 tonnes.

During 2005, the company sold 21 601 tonnes of fish RWE, of which 19 572 tonnes were Atlantic salmon and the remaining 2 029 tonnes Chinook. 2005 was the last year in which Mainstream Canada produced Chinook, since it was decided to concentrate solely on Atlantic salmon.

Mainstream Norway

During the autumn of 2005, Cermaq bought the remaining 66 percent of the Follalaks company, in which it had been a minority shareholder since 2004. This company changed its name to Mainstream Norway. This company has 12 farming licences in Nordland county and 10 in Finnmark. In addition, come three wholly owned and two partly owned freshwater licences, and two slaughterhouses in Nordland and Finnmark respectively. The maximum production capacity in the existing licences is about 20 000 tonnes.

Total sales for 2005 came to 15 234 tonnes of Atlantic salmon and 735 tonnes of trout. Of that volume, 7 974 tonnes RWE has been sold since September, when Cermaq began to consolidate the results from Mainstream Norway (Follalaks).

Mainstream's value chain with approximately current annual capacities is outlined below.

Mainstream Scotland

Mainstream Scotland has operations on Scotland´s west coast as well as in Shetland and Orkneys. Its main focus is on the last two of these areas. Mainstream Scotland has three operating fresh water locations in operation, all on the Scottish mainland, with a total capacity of 2.2 million smolts. Furthermore, the company has 16 on-growing sites in operation with a total capacity of 11 000 tonnes. Two primary processing plants are operated in Shetland and Orkney respectively.

Key figures

Million kroner	2005	2004
Operating revenues	2 044.4	1 350.4
EBITDA	576.5	192.8
EBITDA %	28.2	14.3
EBIT pre fair value	503.9	110.8
EBIT pre fair value %	24.6	8.2
EBIT (operating profit)	648	116.3
Sales in 1 000 tonnes	88 729	67 548

Region	EBIT (million kroner) pre fair value		EBIT/kg (kroner) pre fair value	
	2005	2004	2005	2004
Chile	345.4	201.1	6.6	3.8
Canada	123.3	(58.0)	5.7	(14.8)
Norway	48.8	n/a	6.1	n/a
Scotland	(13.6)	(32.3)	(2.0)	(3.0)
Total	503.9	110.8	5.7	1.6

The company sold 6 860 tonnes of fish RWE in 2005, including 6 258 tonnes of Atlantic salmon, 602 tonnes of trout.

Mainstream Sales Department

All Mainstream sales activities are coordinated by a single team, with offices in North and South America and Europe. A coordinated sales organisation permits a more unified approach and better customer service both globally and locally, allowing also a better utilisation of the sales resources of the Group. Through good interaction in the sales team, good and rapid access to global markets is secured for our products. Salmon and trout from any possible origin in any form, are offered to our customers, optimising the returns of the Group.

Employees

Employees at December 31 2005, totalled 2 941 people, distributed regionally as shown in the table below:

Country	Number of employees
Chile	2 390
Canada	271
Norway	137
Scotland	143
Total	**2 941**

This represents an increase of 32 percent from the year before, mainly as a result of the acquisitions in both Norway and Canada, and the new processing plant in Chile. Working days lost due to professional accidents was 2 556, 0.30 percent of total working days (2004: 0.19 percent). 25 percent of the employees are female. Close to 30 percent of the work force is working in marine farms and 46 percent at processing plants. Employee training programs are continuously high priority, with main focus on security at work, environmental care consciousness, and good farming husbandry practices. Mainstream Chile is continuing a special scholarship upgrading program involving 210 low educated workers.

2005 operations

Sales in 2005 totalled 88 729 tonnes RWE, an increase of 31 percent from 2004. This mainly reflected acquisitions during the year. Revenues increased by 51 percent to NOK 2 044.4 million, as a result of both larger volumes and better prices in all the markets, while operating result before fair value adjustment reached NOK 503.9 million. The corresponding figures for 2004 were revenues of NOK 1 350.4 million and operating result before fair value adjustment of NOK 110.8 million respectively.

Mainstream Chile

Chilean operations made very positive progress during the year. Biological performance was good, resulting in low production costs for all species. Operating result before fair value adjustment per kilogram RWE averaged USD 1.02, ranging from USD 0.97 to USD 1.37 depending on species.

Mainstream Chile opened a new slaughtering and freezing plant in 2005 with a capacity of 70 000 fish per day, as well as new processing facilities which increased its filleting and portioning capacity.

Mainstream Canada

Mainstream Canada also had a very good year, with record low mortalities and feed conversion rates driving costs down significantly from previous years and reaching an operating result before fair value adjustment per kilogram of CAD 1.14, similar to Chile. The Heritage assets acquisition led to several organisational changes during the year, including transfer of the head office from Tofino to Campbell River. The process of integrating the new company into the Group has been completed.

Mainstream Norway

Sales by Mainstream Norway since acquisition in August 2005 generated an EBIT per kilogram RWE of NOK 6.15. Biological performance has been very positive, confirming that improved smolt quality is a key success factor for top biological performance. During 2005, Mainstream Norway has changed the smolt input program to secure full year processing in Nordland, following the Group strategy of year round supply of fresh Atlantics.

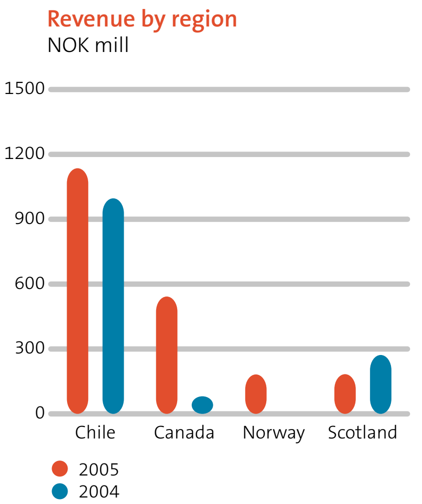
Mainstream Scotland

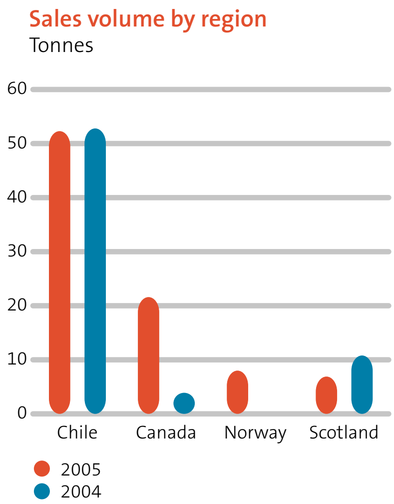
The Scottish division had another disappointing year, with a negative operating result

Present production capacities

Region	Smolts (mill)	Farming in operation (tonnes)	Extra farming potential (tonnes)	Total farming capacity	Processing (tonnes)
Mainstream Chile	20.0	60 000	38 550	98 550	60 000
Mainstream Canada	5.7	25 000	7 500	32 500	23 000
Mainstream Norway	5.0	20 000	0	20 000	22 000
Mainstream Scotland	2.2	11 000	0	11 000	14 000
EWOS Innovation (Norway)	0.6	2 400	700	3 100	0
Mainstream total	33.5	118 400	46 750	162 250	119 000

Capacities shown above reflect theoretical levels, which may be limited by operational constraints such as season abilities, fallow periods, the harvesting size of fish and investments requirements to fully use licence allowance.





before fair value adjustment per kilogram of GBP -0.17. Although this was an improvement from the negative 2004 figure of GBP -0.24 it is certainly below management expectations. The figure includes GBP 400 000 in provisions taken for poor performance of stocks to be harvested during 2006. These poor results reflect a bad performance by the fish in the sea, mainly owing to bad smolts which suffered from disease from their transfer to salt water and other operational problems.

Innovation and development

Product development of frozen portions has been a significant growth driver in the salmon market. Mainstream will continue to be at the forefront of this trend. The development of frozen portions from Chile, which accounted for more than 20 percent of the total Mainstream Atlantic salmon output in 2005, provides a good example of this focus and gives the consumer ready and easy-to-use salmon products.

Market

Industry structure

The trend towards consolidation into bigger/fewer players started some years ago and continued during 2005, especially in the Chilean and Canadian industries. While the 10 largest producers in Chile account for more than 80 percent of the total output, only five operating companies now remain on the Canadian west coast. This process has been driven by the economies of scale obtained and the expectation of a better balance between demand and supply. Cermaq sees it as a natural development and has played an active role. It plans to continue increasing its market share in those areas where the above-mentioned economies of scale can be obtained.

For several years the industry has been engaged in trade disputes involving different producing countries, and 2005 was not an exception. At the beginning of the year, a provisional minimum import price (MIP) for sales to the EU was imposed on Norwegian producers. This was later confirmed by the European Commission to run for a period of five years. The long-term impact of this administrative measure remains to be seen, but significant distortions could be created in the market-place were prices to drop below the defined MIP. Cermaq, being a multinational producer is in a good position to face these challenges.

Market position

With a turnover of NOK 2 044.4 million in 2005, and production now more than 100 000 tonnes per year, the Mainstream Group is among the leading global suppliers of salmon and trout.

Important markets

The EU, the USA and Japan are the main markets for Atlantic salmon. While the US market has shown the strongest growth among these larger markets in recent years, the EU is still much larger in volume terms. These main markets seem to be partly independent of each other in terms of prices and demand. Other markets include east European countries outside the EU and Asian countries other than Japan. Russia grew strongly in 2005. These markets are considered to have a significant potential for further growth.

The USA accounts for 47 percent of Cermaq sales and was the company´s largest market in 2005. The wholesale price of Cermaq´s main products in the USA –fresh whole and filleted Atlantic salmon- rose by 26 percent and 19 percent respectively compared with 2004. The wholesale price of Cermaqs main products in the EU, represent 22 percent of our sales.

Goals and strategies

Mainstream aims to continue strengthening its position as one of the major global salmon farming companies, with the focus on product quality and cost efficiency. It will target further production growth in areas which offer the largest potential for profitable expansion. At present, Chile and Norway are the most attractive areas for such growth. Cermaq sees several opportunities for expansion through the availability of operationally well-run farming assets which are sufficiently large and geographically attractive.

Risk management and sustainability

The main risks in the fish farming business are associated with natural problems related to fish stocks (diseases, storms and so forth), and particular market conditions and constraints. By having operations in the main geographical areas for the industry, together with portfolio management of species and destinations, Mainstream is able to minimise the negative impact such events would have.

Cermaq continued to focus on strict management of the environmental aspects of farming activities, as well as caring for the health, well-being and quality of the fish. These are critical success factors for securing long-term sustainability of the salmon industry. Salmon farming is particularly demanding in terms of hands-on management, because of the constant need to monitor fish health, feeding regimes and so forth.

As a part of this process Mainstream Chile participated in a voluntary governmental programme called the Clean Production Agreement, which aims to promote good practices across the various industrial activities developed in that country. This results in a certification of all the production units involved. Mainstream Chile is also in the process of securing ISO 9 000 and 14 000 certifications, which are expected to be in place by the first quarter of 2007.

Mainstream Canada secured ISO 14 001 certification in November for its Tofino operations, while certification is set to be granted to the former Heritage area in the course of 2006. Both Mainstream Norway and Mainstream Scotland will be engaged in the certification process during 2006.

Prospects

Current inventory levels in the industry allow us to predict that prices will remain high, at least in the course of 2006. Furthermore, the consolidation trend in the industry that started some years ago and has been significantly accelerated in the last few months - a process we expect to continue - should create a more stable business environment.

In these circumstances Mainstream expects to maintain its current position as the most efficient producer among its peers, by focusing most of our energy in operations.


EWOS

EWOS – FISH FEED BUSINESS

A full-range supplier for marine species

Cermaq's fish feed operations are organised in the EWOS Group. Currently, practically all EWOS sales are to salmon and trout farmers. However, EWOS is also a full-range supplier for marine species and in position to take part in the expected growth within this sector.

EWOS has production facilities and well established market shares in all of the four large salmon-producing countries: Norway, Chile, Canada and Scotland. The four feed companies, EWOS Norway, EWOS Chile, EWOS Canada and EWOS Scotland, operate independently in their markets, but co-operate extensively within areas such as production, purchasing, research and development, product development, marketing and IT systems. Large international customers are followed up through central coordination.

EWOS is one of two major salmonid fish feed companies globally, with a market share of around 34 percent at the end of 2005.

EWOS Norway

EWOS Norway is one of three main feed suppliers in Norway and in 2005 the company had a market share of approximately 36 percent. The company has its headquarters in Bergen. It currently has three manufacturing facilities in the western and northern parts of Norway.

EWOS Norway mainly supplies feed for Atlantic salmon, with a small percentage to trout and other marine species.

EWOS Chile

EWOS Chile's manufacturing facility is one of the largest and most efficient fish feed plants in the world, with significant economies of scale in its production. In 2005, EWOS Chile had a market share of 31 percent. EWOS Chile has its headquarters and manufacturing facility in Coronel about 20 km south of the city of Concepción. In addition, the company has sales offices in Puerto Montt and Castro (Region X), and Aysen (Region XI). The facility has six production lines for grower diets and one for fresh water diets. The business supplies feed for Atlantic salmon, coho and trout.

EWOS Canada

EWOS Canada is one of two main fish feed suppliers to the Pacific Northwest coast of the USA and Canada. In 2005, the company had a market share in this area of approximately 44 percent. EWOS Canada has its headquarters and manufacturing facility in Surrey, near Vancouver, British Columbia. In addition, the company has a sales office in Campbell River on Vancouver Island.

EWOS Canada mainly supplies feed for Atlantic salmon, but also produces feed for Pacific salmon, sturgeon, and trout in North America. In addition, EWOS Canada has a niche position in selling feed to the yellowtail market in Japan.

EWOS Scotland

In 2004, EWOS had a market share in Scotland and Ireland of approximately 19 percent. EWOS Scotland has its headquarters and manufacturing facility in Westfield, near Edinburgh.

EWOS Scotland supplies mainly feed for Atlantic salmon, with a small percentage to trout, cod and halibut. EWOS UK also supplies the Mediterranean area with special hatchery feeds for warm water marine species.

Employees

Total employees at December 31 2005, were 715, regionally distributed according to the following table:

Country	Number of emplyees
Norway	284
Chile	308
Canada	77
Scotland	46
Total	**715**

Working days lost due to professional accidents was 323 (0.18 percent of total workdays (2004: 0.23 percent)).

2005 operations

In 2005, EWOS sold a total of 669 676 tonnes of feed against 635 932 tonnes the year before. The increase in sales volumes are partly a result of a general increase in the market, but is also due to increased market shares during the year after a relatively weak position in the second half of 2004.

The feed business is characterised by seasonal changes in volumes. The main feeding season for salmon on the northern hemisphere is the third quarter due to higher average sea temperatures which affects the appetite of the fish. More than 30 percent of volumes in the EWOS business arise in the third quarter in a typical year. This seasonality is less noticeable in Chile which benefits from more stable temperatures throughout the year.

EWOS currently has six production facilities, three in Norway, and one in each

Key figures

Million kroner	2005	2004
Operating revenues	4 007.0	4 051.4
EBITDA	315.9	390.6
EBITDA %	7.9%	9.6%
EBIT pre fair value	182.2	250.3
EBIT pre fair value %	4.5%	6.2%
EBIT (operating profit)	187.1	251.5
Sales in 1 000 tonnes	669.7	635.9

of Chile, Canada and Scotland. EWOS has during the last year regained its global position, with an international market share of approximately 34 percent at the end of 2005.

In the short term, EWOS has sufficient manufacturing capacity to meet foreseeable customer demand for feed. Investments in new feed manufacturing capacity will be considered based on clearly identified sustainable growth in the demand for feed.

Revenues decreased 1.1 percent to NOK 4 007 million, due to stronger competition and lower prices. EBIT reached NOK 182.2 million in 2005. The corresponding figures for 2004 were revenues of NOK 4 051 million and EBIT of NOK 250.3 million. The reduced operating profit comes as a consequence of weakened results in EWOS Norway. EWOS Norway faced one-off items related to recall and destruction of 8 500 tonnes of feed, as well as margin pressure because of tougher competition.

Innovation and development

Research and development (R&D) is an important factor in maintaining and enhancing EWOS' position as a leading global feed supplier, and contributing to the sustainable development of the aquaculture industry. EWOS expects R&D to increase in importance due to the continued drive to reduce feed costs, the single largest cost element in salmon production, and due to increasing demand from salmon consumers for traceability, and other health assurance and quality measures.

The necessity to deliver this level of R&D will increasingly become a barrier to entry in the feed business. EWOS considers it important that the R&D operation is run as part of the feed business to ensure that the benefits are available to all feed customers.

One of the main focus points of R&D spending is the partial substitution of marine raw materials with vegetable alternatives, which is important to the continued sustainable development of salmon farming. The R&D efforts have also been successful in developing new products - for example Boost, which is exclusively supplied by EWOS. This is a type of salmon feed which contains a unique immune-system enhancing compound. This compound has significantly improved survival and maintained growth rates through periods of stress in the lifecycle of the salmon, as for example during the transfer from fresh to salt water. New developed applications have lead to an increase in sales of Boost by more than 20 percent in 2005 compared to 2004.

Market

With turnover of NOK 4 007 million in 2005, the EWOS Group is one of the two leading global suppliers of fish feed. Demand development in the feed market is a function of the growth in salmon fish farming and the development in the feed conversion ratio. The salmon market has seen significant growth over the past 20 years, and the feed business has grown with it. Further growth in demand for salmon is expected and this will be the major source of growth in the aquaculture industry in the future.

Feed conversion ratio has improved considerably, with farmed fish outperforming any other farmed animal in feed efficiency, twice as efficient as the second most efficient animal, chicken.

Norway

The Norwegian feed marked has in recent years been characterised by strong competition for market share, which also has resulted in margin pressure. EWOS market share increased significantly during 2005, reaching more that 38 percent in the fourth quarter. This is close to the company's defined goal for marked share. EWOS Norway operates three factories, supplying the Norwegian and Faroese markets.

Chile

The Chilean feed market showed a smaller growth during 2005 than expected and this kept pressure on margins due to the existing overcapacity in the feed business. Expected growth for 2006 in the Chilean market will result in a total market capacity utilisation above 80 percent.

During 2005 EWOS Chile was able to recover market share lost during 2004, and by year end had a market share of 31 percent.

Canada

The fish-farming industry continued its recovery from the disease setback of 2003 and became a healthy market during 2005. EWOS Canada has maintained a leading market position within a now modestly growing and strengthened industry.

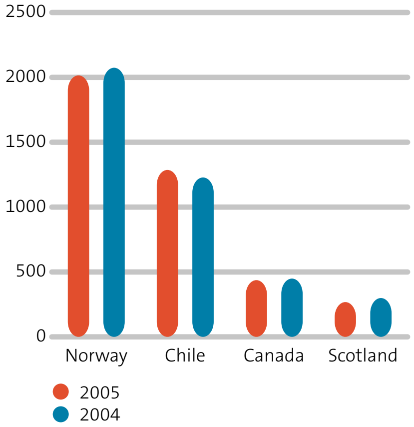
Scotland

The feed market in the UK has declined by 14 percent in 2005 compared to 2004. The reduction in the feed market follows several years of losses for UK fish farmers struggling with lower fish prices. The decline in the total market leave a substantial overcapacity in feed production and hence a fierce competition among the players. EWOS has kept its market share of 20 percent in 2005 despite reduced sales volume, and compensated some of the sales volume through increased sales of value added products.

Goals and strategies

Historically, EWOS supplied feed both for farming of salmonid fish and for other marine species, and for freshwater trout. In 1996, a decision was taken to focus the business on the salmonid industry. It was believed that this offered the most attractive growth potential, coupled with a relatively high degree of industrialisation compared to other aquaculture species, offering opportunities for a sustainable economic return. EWOS' current focus on the four main salmon farming markets reflects that strategy. The sale of feed from EWOS Canada to Japan for yellowtail and other warm water species are a notable and profitable exception to this strategy. EWOS monitors and is prepared to follow developments within new marine species.

Revenue by region
NOK mill



EWOS' strategic focus is on maintaining and enhancing its position as a leading global feed supplier with operations in the main salmon farming areas. Key to achieving this is continued world class research and development efforts, rapid response and ensuring low cost production of quality products for salmon farmers.

The Company seeks to combine the lowest costs and increased value creation by:

- Being the most cost efficient producer of a broad range of feeds for all phases of the life cycle of the fish
- Maintaining a strong reputation for products with extra value creation such as starter feed and other specialist feed types
- Minimising fixed costs per tonne produced
- Focusing on control of capital employed, particularly receivables
- Employing internationally recognised methods for quality and risk management that ensure safe and healthy products for our customers.

Risks and sustainability

The production of fish feed is more technically demanding than for most other types of animal feed, mainly due to:

- Need for stability in water and for particular flotation properties
- Need to withstand rough treatment through pneumatic automatic feeding systems
- Specifics of energy and protein density, up to 40 percent of pellet is oil
- Large variation in pellet sizes from smolt feed through to grower
- Limited shelf life of certain ingredients, e.g. fat and pigment.

The production process for formulated salmonid feed is one of the most advanced production processes for commercially formulated feeds. The high-energy salmon feeds (high level of fat and protein) need special development and designed production lines to ensure good technical quality. The strong demand for specific technical qualities of feed (mechanical durability, water stability, floating properties) can be achieved only by using specially developed production lines with high level of knowledge and skills to achieve such characteristics.

With the focus recent years on presence of contaminants in feed ingredients, EWOS has improved internal control routines and supplier approval systems. EWOS will maintain its high focus on new available technologies for improved food safety.

Consumers are demanding increasingly more information and management of food safety issues. R&D is also of growing importance in ensuring that these demands are met. The ability to trace the origin of foodstuffs, where they were produced, and what they were fed is crucial to be able to manage retail chains and consumer expectations. Cermaq has in place systems and control procedures which give the ability to offer traceability through the value chain from raw material in the feed, through all stages of production and processing of the fish, and to the consumer. EWOS registers the origin of all marine feed ingredients by fish species and geographical catch area.

Wild fisheries appear to have reached their maximum sustainable level at around 90 million tonnes per year, of which one third goes to oil and meal production, currently the main ingredients in salmonid feed. Limited supply of fish oil and meal will represent a limitation for further growth in aquaculture production unless alternative raw materials are successfully developed and used as substitutes. Despite the growth in production of fish feed, EWOS has not increased the use of marine ingredients. The inclusion level in EWOS feed were reduced by another five percent from 2004 to 2005.

The limited supply of fish oil and meal is one of the main drivers for significant spending in R&D to develop high quality fish feed based on marine raw materials from sustainable fisheries only, in combination with increased inclusion of alternative nutrients from non-marine resources. It is important that this substitution is done in a controlled way without compromising fish performance, fish health, nor salmon quality, and maintaining the necessary levels of Omega 3 fatty acids in the fish. With its intensive expertise in R&D developed over many years, EWOS is confident that it can meet all those requirements, while being able to source raw materials to support the continuing growth of the industry.

HSE

EWOS has to comply with legislation regarding health, environment and safety, and focuses on health and safety for its employees, in addition to reducing polluting emissions. During 2006/2007 the focus will, in addition, be on integrated pollution prevention and control ("IPPC"), ref. Council Directive 96/61 EC. EWOS will pursue its long-term investment program relating to IPPC by making additional investments in the amount of NOK 15-20 million in 2006/2007 rather than at a later stage. This additional amount will primarily be spent on reducing offensive odours, and will be additional to the annual amount spent on health, security and safety measures.

Prospects

The production as well as the market for farmed salmon is expected to continue its growth, both in Norway, Chile, Canada and Scotland. For 2006 and 2007 EWOS estimates a yearly international volume increase of four to six percent in the marked of fish feed for salmonids.

EWOS will have strong focus on maintaining its leading international position in a growing market – as well as using our extensive R&D knowledge to ensure that future growth is based on sustainability. This is important as we know that the international supply of marine raw materials is not expected to follow the increased demand for fish feed.

OTHER BUSINESSES

Cermaq owns shares in non-aquaculture companies that are not regarded as part of the core business. During 2005 this portfolio was further reduced through the sale of an 80 percent stake in Norsk Lossekontroll AS, as well as a 34 percent stake in Trondheim Kornsilo AS. As a part of the latter transaction, Cermaq acquired the remaining 50 percent of Balsfjord Kornsilo AS, which is now a wholly owned subsidiary of EWOS AS. These disposals realised a total of NOK 3,4 million during the year. Most of the remaining portfolio will be disposed of when the conditions are favourable.

In total, other activities contributed profits before taxes of NOK 33.2 million, of which NOK 3.3 million was a capital gain on the sale of Norsk Lossekontroll AS and Trondheim Kornsilo AS. After the disposals, non-aquaculture assets amount to 2.8 percent of the Group's total assets as at 31 December 2005.

Unikorn

Unikorn sold 671 000 tonnes of grain and other raw materials during 2005. Of this quantity, 492 000 tonnes (73 percent) were Norwegian grain and oilseed, whereas 179 000 tonnes (27 percent) were imports and other goods. Turnover was NOK 1.25 billion, a reduction of 8.2 percent compared to the turnover in 2004. Operating profits were NOK 23.2 million, compared to NOK 27.8 million in 2004. Net profits after taxes were NOK 11.4 million, compared to NOK 14.7 million in 2004. The operating margin was reduced from 2.0 percent in 2004 to 1.9 percent in 2005. Cermaq's share of Unikorn's profit before tax amounted to NOK 7.80 million in 2005.

In 2005 Unikorn acquired a 40 percent ownership position in Denofa AS, a soya bean extraction plant in Fredrikstad. The other owners are the Orkla Group (20 percent) and Inlogs (40 percent). The first year of operation in 2005 resulted in an operating profit of NOK 4 million.

Shareholdings in farming assets

Seastar Salmon Farms Holding AS (previously Rong Laks AS) is engaged in salmon farming in areas west of Bergen. The company has been merged with Veststar Holding AS, thus diluting Cermaq's ownership down to 5.4 percent. The operating performance has improved in 2005, resulting in a profit before tax of NOK 9,5 million. The company now operates 27 licences and four freshwater sites, and expects an annual production of 20-25 000 tonnes (RWE).

Follalaks was until August 2005 an associated company in the Group. From August to October 2005 Cermaq acquired the remaining shares in Follalaks. The company was renamed Mainstream Norway AS, and is now included in the farming business area.

Other shareholdings

Hordafôr AS is engaged in the processing of by-products from salmon and trout processing into oil and protein concentrates. Cermaq owns 35 percent of the shares in the company.

OxSeaVision AS develops and sells equipment for adding oxygen to fish farming plants. Cermaq owns 45 percent of the company.

Other businesses comprise Cermaq's remaining interests in the agricultural sector and some other holdings. The main asset is the 49.8 percent shareholding in Unikorn.
In addition, Cermaq has shareholdings in the companies Risørfisk, Marine Farms, Norwegian Royal Salmon, Aquagen and Seastar Salmon Farms Holding AS with a total book value of NOK 98.5 million.

Other businesses

	Cermaq share-holding	Book value (million kroner)[1]	Annual profit/loss
Unikorn AS	49.8 %	58	11.3
Hordafôr AS	35.1 %	23	4.3
OxSeaVision AS	45.2 %	0	0.5
Total		87	

[1] At 31 December 2005

Unikorn

Amounts in 1 000 kroner	2005	2004
Revenues	1 250 265	1 361 511
Operating profit (loss)	23 175	27 805
Operating margin	1.90%	2.0 %
Net profit (loss)	11 214	14 700
Employees	37	37

EWOS Innovation

Cermaq's fish feed and fish farming research and development is carried out by EWOS Innovation which is one of the world's largest private R&D operations for the fish feed and fish farming industries. EWOS Innovation has three research centres, two in Norway, in Dirdal near Stavanger and in Lønningdal near Bergen, and one in Chile, in Colaco near Puerto Montt. The staff includes internationally highly qualified research scientists and specialised technicians.

The headquarter and the largest facility is in Dirdal. The facility comprises a highly advanced pilot factory for research and trial production of feed. The pilot plant is an important part of the work to improve and develop new production technology, and for training of production personnel.

The facilities in Dirdal and Lønningdal have modern on-shore and seawater research installations for salmonids and other marine species. The on-shore research installations include indoor and outdoor tanks and bio-labs. Advances in biotechnology are applied to increase speed of research and product development. The off-shore facilities include a total of four R&D salmonids sites, based on research farm licences, and equipped with specifically designed trial cages. Full scale research has been increased by the use of three new commercial farm licenses obtained by EWOS Innovation in 2004.

The R&D operation in Chile was established in 2001 to strengthen Cermaq's position in the Chilean market. The operation is aimed at developing and testing concepts tailor-made for Chilean conditions, and to facilitate the transfer of knowledge from EWOS Innovation to Cermaq's feed and farming operations in Chile. The facility in Chile comprises a seawater research installation, including a trial farm for salmon. The trial farm is run in co-operation with Mainstream.

EWOS Innovation has a widespread collaboration with academic and industrial research partners. Outputs from EWOS Innovation are continuously transferred to Cermaq operational companies and as products and competence to EWOS' feed customers. EWOS Innovation holds several patents (and pending patents), and certain IPRs are protected by agreements with strategic R&D partners.

Cermaq's R&D activities are focused in three areas of innovation: Feed processing, Formulation and Product development

The Feed processing area focuses on innovations in the area of production technologies, to improve the physical quality of feed and cost efficiency in full scale feed production. This area develops and produces prototypes and experimental feed for trials with improved feed and new products. Developments in process technology are key elements in the strategy of replacing marine raw materials as the major source of fish feed.

The Formulation area focuses on nutritional research and innovations by the use of alternative and sustainable raw materials for feed production. Research and development is performed to optimise feed diets, and minimise raw material costs. One of the focused areas has been the potential for cost reduction through increasing the retention of pigments by the fish. This work has successfully been implemented during 2005, allowing both major reduction of pigment cost in feeds and improved pigment deposition in fish muscle.

The Product development area develops new feed products as incremental or breakthrough innovations. The major contribution is the continuous improvements of grower feed performance, and reduced feed cost. New products are launched as special feeds for the different stages in the lifecycle of fish, improved pigmentation systems, functional feed, as well as feed for the growing market for other marine species. Examples of product innovations are "EWOS Boost", a functional feed increasing stress resistance and survival rates, "Silva" reducing fat gulping in trout and coho salmon, and "Promarin" a new formulated marine weaning feed. Within the Product Development area, EWOS innovation has developed tools for its customers to benchmark the performance of their fish within their own company, against other producers and across time. EWOS provides these tools as part of its service package. The indices cover growth, feed conversion and most recently pigmentation (EGI, EFI, and EPI respectively). Sustainable aquaculture is also a Product Development focus area for EWOS Innovation to support Cermaq's efforts to establish more sustainable development for the farming industry. R&D is performed to increase monitoring, traceability and purity of raw materials.

RISK MANAGEMENT

The aquaculture sector is characterised by a high level of risk. That reflects high price volatility, exposure to weather conditions and disease, and challenges relating to environmental conservation through sustainable operation. Identification and management of the various risks affecting the business is among the most important tasks for the board and corporate management, both on a daily basis and in the strategic development of the Group.

Systematised risk management

In addition to the corporate management, a number of Group employees are involved in the work of studying, identifying and managing risk. A framework for sustainable development and monitoring risk management has been established. This includes an audit committee which reports directly to the board on conditions relating to risk management, auditing and observance of legislation and statutory regulations.

Risk management through quality assurance systems and observance of routines and guidelines also represents an important element in everyday operation. Cermaq's operations at all stages of the production chain will be characterised by profitable operation, safe, high-quality products, and observance of prevailing legislation and statutory regulations. This is considered fundamental for combating reputational risk.

The Group has invested in its own Enterprise Resource Planning (ERP) system, which embraces all the operational subsidiaries. This solution is intended to help standardise the in-house information technology infrastructure in the Group and the necessary support systems, including those for production management, quality control, Hazard Assessment Critical Control Point (HACCP), traceability and maintenance.

Operational risk

The aquaculture industry in general is concerned to produce products which consumers perceive as healthy and safe to eat. Awareness is growing within the industry of the link between traces of pollutants and environmental toxins in farmed fish and the market's perception of good and healthy food.

Cermaq's business depends entirely on consumer confidence in its end product, and maintaining food safety has top priority in the Group's work on risk management. Risk management systems will ensure that farmed salmon from Cermaq is healthy and safe to eat for consumers, and that the latter have the necessary confidence that this is the case.

A number of controls are applied by EWOS to reduce the risk of environmental toxins in fish feed and the farmed fish. These measures include supplier audits as well as strict procurement routines and specifications for the raw materials used. Regular analyses are also conducted to check the quality of the raw materials and the finished fish feed. In addition, guidelines have been adopted for the purchase of treated fish oil, and strict safety rules apply to the Group's premises and plants. All the companies in Mainstream work in accordance with local environmental regulations, which ensures that licences are operated in a sustainable manner. Improved monitoring practices for live fish stocks and for end products ensure high food safety.

Traceability of products through all phases of salmon development is becoming a significant element in food safety standards. Meeting traceability requirements is essential for being able to say with certainty where a fish has grown, what feed it consumed and when it was slaughtered. Cermaq has the necessary systems and control procedures in place to offer customers traceability throughout the value chain, from the raw material in the fish feed through all production and processing stages leading to the dinner table.

Cermaq's aquaculture business is affected by natural phenomena such as fish diseases, parasites, algae, environmental toxins, escaping fish, tough weather conditions, oxygen deficiencies and predator attacks. Managing this type of risk is demanding, but also raises the threshold for new entrants. The geographical spread of Cermaq's business reduces the risk that a single incident will be significantly negative for the Group.

Smolt quality has a big influence on the quality of farmed fish. Poor quality or small smolts can yield deformities, lower weight or other reductions in fish quality. The bulk of the smolts used by Cermaq are produced in-house, and the need to buy smolts in the open market is accordingly limited.

Improved farming practices have improved standards of fish health and welfare at the Group's farms and fish mortality has been reduced.

Fish escapes are normally associated with predators invading fish nets and storm and high currents destroying cage moorings. Every farming company within the Group uses predator nets with size and strengths in proportion to existing predator threats. Moorings and cage designs are selected after thorough current, waves and exposure studies, Nets are tested for rupture strengths before instalment, nets and

mooring systems are regularly inspected by divers. Contingency escape plans have been developed to ensure minimum impact in case an escape is detected.

Cermaq and the EWOS Group give great weight to research through EWOS Innovation. EWOS sees a big potential from staying at the forefront of research, documentation and innovation. This gives its customers the best possible security in choosing a feed supplier, while new competitive advantages are constantly developed.

Commercial risk

The aquaculture industry has historically been cyclical in terms of slaughtered volumes and prices for farmed fish. This represents a significant profit risk for both EWOS and Mainstream. Possible trade sanctions on the sale of fish feed and farmed fish also represent a substantial risk for Cermaq. Trade sanctions will affect all players in the industry, and often yield a sub-optimal trading pattern. The relative competitiveness of farmed fish could also be weakened in relation to alternative products.

The European Union represents the principal market for farmed salmon from Norway. Trade sanctions by the EU will have a direct impact on Cermaq's Norwegian aquaculture business. They could also have some impact on the business in Chile, even though only a small proportion of Chilean farmed fish is exported to the EU. In addition, the EWOS business could be indirectly affected through reduced sales of feed to Norwegian fish farmers.

Other conditions which could affect Cermaq's competitiveness and profitability include structural changes in the industry, which might lead to fewer and larger competitors with greater purchasing power, other changes in the competitive picture and changes in consumer preferences.

CORPORATE GOVERNANCE

Corporate governance in the Cermaq Group builds on its vision and core values – sustainable aquaculture rooted in the values of integrity, business mindedness, prudence and preparedness. These values underpin the framework for ethical behaviour in the Cermaq Group.

Cermaq believes that the basis for good corporate governance is a clear and comprehensible relationship between owners, board and management. Good governance will ensure credibility and trust among all stakeholders, and will provide a good foundation for promoting sustainable value creation and good results.

The board carried out a review of corporate governance in Cermaq during the spring of 2004. Group policy calls for its standards in this area to accord with "The Norwegian code of practice for Corporate Governance".

A complete version of the guidelines for corporate governance in Cermaq, adopted by the board on 27 April 2004 and with changes subsequently approved by the board meeting of 30 September 2005, can be found at www.cermaq.com.

The Group's vision, objectives and business

Cermaq's vision is to be a leading international company in the aquaculture sector, with the principal emphasis on sustainable farming of and production of feed for salmon and trout.

A presence in both fish farming and feed production is regarded as important for diversifying risk as well as for maintaining a broad knowledge base in the aquaculture business, in order thereby to increase the return to shareholders over time.

Cermaq's main objective is to continue developing its position as:

- a leading global supplier of feed for farming red fish, with a full product range and operations in the four principal aquaculture regions of the world
- a substantial player in the farming of red fish, with the focus on product development, quality and cost effectiveness, and with access to all principal markets.

The Group's main goals and strategies are presented in greater detail on page 4 of the annual report.

Group employees are expected to have a high level of personal integrity, use the Group's resources prudently, be adaptable and have the ability to cooperate in finding solutions. Cermaq's core values are described in more detail on page 4 of the annual report. Ethical guidelines for the Group were adopted by the board on 30 September 2005. These can be found at www.cermaq.com.

Cermaq's object is stated as follows in article 3 of the articles of association:
"The objectives of the company are to carry on all or any of the businesses of fish feed production, fish farming and other marine or oceanic farming, and any other business related thereto. The company will have an active role linked to research and development in the marine sector and the fish farming industry."

A complete version of the articles of association for Cermaq ASA can be found at www.cermaq.com.

Share capital and dividend

Share capital

Fish farming and fish feed production are capital intensive activities. This partly reflects the long production cycles in fish farming, and extensive use of credit in feed sales. The industry is also exposed to substantial fluctuations in profitability. The board's goal is that the Group will have an equity ratio of at least 45 percent in order to ensure its viability over time.

Dividend

The board of Cermaq has an overriding goal of giving the shareholders a return in the form of dividend and appreciation of the Group's shares which is at least at the same level as for other companies with comparable risk. Dividend payments will depend on Cermaq's results, financial position and cash flow. The board believes that dividends should show a steady development in line with the growth in Cermaq's results, while taking account of opportunities for value creation through new profitable investments. The board regards it as appropriate that dividend should average 30 percent of the company's net profit over a period of several years.

For 2005, the board has proposed a dividend of NOK 1.85 per share, which corresponds to a payout ratio of about 30 percent, of adjusted profits.

Share issue authorities

Existing authorities given to the board to increase the share capital are restricted to defined purposes. Board authorities relating to capital increases or the purchase of the company's own shares normally remain valid until the next annual General Meeting.

The General Meeting of 20 May 2005 extended the existing authority to the board to increase the share capital of Cermaq ASA by a maximum of NOK 50 million in the form of five million shares with a nominal value of NOK 10 each. This authority will be used to meet the company's obligations under option agreements. It is valid until the General Meeting in May 2006.

An extraordinary General Meeting in September 2005 authorised the board, on behalf of the company, to buy up to five percent of the company's outstanding shares at any given time. This authority is valid until the General Meeting in May 2006.

Equal treatment and transferability

Cermaq's registered share capital is NOK 925 million, spread over 92.5 million shares with a nominal value of NOK 10 each. The company has only one share class, and all the shares carry equal rights. Each share has one vote.

The company's articles of association specify that the board may not approve any transfer of shares which would reduce the Norwegian government's shareholding below 34 percent. The company's shares are otherwise freely transferable.

Cermaq will treat all its shareholders equally. This is ensured by providing investors with equal and simultaneous access to information, by giving shareholders the opportunity to participate in share issues and the like in accordance with their relative shareholding, unless differential treatment is justified for objective reasons, and by conducting transactions with close associates in accordance with the arms-length principle. No transactions are conducted in 2005 between the company and its shareholders, board members, executive management or close associates of any of these, that may be considered material.

In order to improve the liquidity of the share, the pre-emption right of existing shareholders was disregarded (see section 10-4 of the Norwegian Act on Public Limited Companies) for the initial public offering implemented in connection with the stock market listing of the company in October 2005. However, existing shareholders – with the exception of the Norwegian government – were given a reasonable opportunity to maintain their pre-issue shareholding in connection with the transaction. The IPO is described in more detail in the listing prospectus (section 2.3). Transactions in own shares should be carried out either through Oslo Børs or at prevailing stock exchange prices if carried out in any other way.

Cermaq's ethical guidelines include general provisions for dealing with possible conflicts of interest. These guidelines apply to the company's directors and employees. In addition, the rules of procedure for the board contain guidelines for directors and the chief executive officer on declaring conflicts of interest over issues considered by the board.

General Meeting

All shareholders with a known address receive written notice of General Meetings, and proposed resolutions with necessary background information must be sent to the shareholders at least two weeks before the proposed General Meeting. The notice specifies that shareholders who are unable to attend in person can vote by proxy. Shareholders can be required to provide written notice of their intention to attend a General Meeting. The deadline for such advance notice cannot be set to more than three days before the date specified for the relevant General Meetings.

The company's articles specify that the General Meeting will be Chaired by the Chair of the Board or, in the event of his/her absence, the deputy Chair of the board. The Chair of the election committee must attend the General Meeting to present the committee's recommendations. Representatives from the board and accountant are present at the General Meeting. The CEO and CFO are also present at the General Meeting.

Election committee

Instructions for the election committee in Cermaq ASA were adopted by the General Meeting on 16 April 2004 pursuant to article 9 in the company's articles of association. The election committee comprises three members elected by the General Meeting. Its job is to recommend candidates for election as directors by the General Meeting. The committee also proposes the remuneration of directors. Its recommendations must be submitted to shareholders before the General Meeting, preferably together with the notice of the meeting.

Members of the election committee must be shareholders or shareholder representatives. Their term of office is for two years. The General Meeting elects the committee's Chair and issues instructions to the committee.

The election committee of Cermaq has the following membership until the annual General Meeting in May 2006:

- Reier Søberg, Ministry of Trade and Industry, representing the government, Chair
- Jarl Ulvin, Odin Norge
- Gunnar Bjørkavåg, president, Norges Handels- og Sjøfartstidende

The election committee's instructions can be found at www.cermaq.com

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Composition of the Board

The articles of association specify that the board will comprise six to eight members, including three elected by and from among the employees in the Norwegian companies. According to the election committee's instructions, weight will be given to ensuring that the directors are adequately qualified to make independent assessments of the issues submitted by management and of the company's operations. Weight will also be given to a reasonable representation of each gender and to the independence of directors from the company. Each director is elected for a two-year term. The board elects is own Chair and deputy Chair.

Shareholder-elected directors or their related parties must not perform advisory or consultative assignments for the company, be employed by the Group or have contracts of substantial financial significance with the Group. Nor can the Group – without prior approval from the board of Cermaq ASA – award advisory or consultative contracts to a company which is owned by or employs a director, or from a company which is in the same Group as such a company pursuant to section 1-3 of the Norwegian Companies Act.

The present board of Cermaq has eight members, including three elected by and from among the employees. Directors receive no remuneration other than their director's fees, nor do they have any form of share-based remuneration from the company. They are all independent of the company's top management. Further information on the directors and their shareholdings in Cermaq can be found in a separate section of the annual report and in the notes to the accounts.

Work of the board

The board will attend to the common interests of all shareholders, but does also have a responsibility to attend to the company's other stakeholders.

The board has the ultimate responsibility for the management of the company and for supervising its day-to-day management. The board is responsible for ensuring that the company observes prevailing legislation, the company's articles of association, and authorities and instructions adopted by the General Meeting. It is also responsible for ensuring that the instructions it issues are obeyed. Rules of procedures have been prepared for the board, which include an overview of its functions, duties and responsibilities as well as defining the chief executive officer's duties and obligations to the board. The rules of procedure can be found at www.cermaq.com.

The board's main duties are to:

- prepare an annual plan for its work, with particular emphasis on goals, strategies and execution
- ensure an acceptable organisation of the business and see that areas of responsibility and duties are clearly defined with respect to the relationship between senior management and the board
- approve budgets, projects and investment above a specified value
- adopt a dividend policy
- keep itself informed about the financial position of the company and the Group, and see that its operations, accounting procedures and asset management are subject to satisfactory routines and controls in accordance with the company's values and ethical guidelines as well as prevailing rules and regulations

- make an annual assessment of its own work, which will be discussed with the election committee, and an assessment of the chief executive officer's work.

The Chair has a special responsibility for ensuring that the board performs its duties in a satisfactory manner. A deputy Chair has been elected who takes over the duties of the Chair in the absence of the latter.

Two board committees have been appointed:

- The compensation committee prepares matters for the board relating to the assessment and compensation of the chief executive officer and the company's other senior executives. This committee comprises three directors and is elected for two years at a time.
- The audit committee will monitor the company's processes relating to financial reporting, systems for internal control, management of financial risk, the external auditing process, the company's routines for observing legislation and statutory regulations, and the observation of the company's own ethical guidelines. The committee comprises three directors and is elected for two years at a time.

The Group does not have special unit for internal control. A Group control manual sets out limits and authorities, plus guidelines for best practice in internal control, and division of duties. Monthly reporting is subject to review by central accounting staff. Financial risk management is handled by the Group's central financial service and financial risk is offset using financial instruments where appropriate. The responsibility for the commercial content of contracts and agreements rests with the individual business areas.

Remuneration of directors

Director's fees are approved every year by the General Meeting. The size of this remuneration is not related to the company's results. Further details on the remuneration of directors can be found in note 6 to the accounts.

Remuneration of senior executives

The chief executive officer's remuneration is determined by the board after its compensation committee has prepared the matter. In its work, the compensation committee will assess the results achieved by the chief executive officer. Remuneration for other members of Cermaq's senior management is determined by the chief executive officer in consultation with the board's compensation committee. The pay of senior executives comprises a fixed sum and a variable component related to the return on capital employed. Further details of compensation for senior executives can be found in the guidelines on corporate governance for Cermaq ASA, which is accessible on the company's web site. Information on remuneration for the chief executive officer and other senior executives is provided in note 6 to the accounts.

Possible new or amended option schemes and arrangements for allocating shares to employees must be approved in advance by the General Meeting.

Information and communication

Cermaq will ensure that shareholders receive accurate, clear, relevant and timely information on all matters of financial significance for shareholders. Financial information is published through the stock exchange's reporting system (www.newsweb.no, ticker CEQ), as well as on the company's own web site and in press releases. Presentations open to all interested parties will be held in connection with interim reporting. The presentation of interim results for the second and fourth quarters will be published directly by webcast. All information will be published in both Norwegian and English.

During the final month of each quarter and before the presentation of interim results, Cermaq will keep its contacts with analysts, investors and financial journalists to a minimum in order to avoid leaks of information and potential variations in the information provided to the market.

The financial calendar will be published annually.

The board will ensure that interim reports from the company provide an accurate and complete picture of the Group's financial and commercial position, and the extent to which the company's operational and strategic goals are being reached. Financial reporting will also include the management's realistic forecasts of business and financial developments.

Acquisitions

Pursuant to the company's articles of association, the board may not approve any transfer of shares which would reduce the Norwegian government's shareholding below 34 percent, which in practice prevents the acquisition of all the company's shares. Apart from that reservation, the board and/or senior management will not seek to prevent or create difficulties for anyone presenting an offer for the company's business or shares. In the event of possible take-overs or restructurings, the board has a duty to show particular care in safeguarding the assets and interests of all shareholders.

Auditor

Every year, the auditor presents the main features of the audit for the company to the board. The auditor attends board meetings which discuss the directors' report and annual accounts. An audit plan is drawn up each year by the company's auditor. This will be discussed by the board's internal audit committee together with plans for the company's internal control. At least once a year, the auditor will meet the board/audit committee without the chief executive officer or other members of the senior management being present. The board will receive written confirmation every year from the auditor that the requirements for independence and objectivity have been fulfilled. The board is required to assess whether possible conflicts of interest could arise in connection with additional services which the audit company might offer to provide from time to time. With the exception of tax advice, a board decision is required for all purchases of services from the audit company other than legally-required audit work. The board reports on the auditor's fees to the General Meeting. Auditor's fee for 2005 is provided in note 8 to the accounts.

The board will regularly assess whether satisfactory control is exercised by the auditor.

BOARD OF DIRECTORS

Sigbjørn Johnsen (1950)
Chairman of the Board
Mr. Johnsen is a technical graduate with further qualifications from the Norwegian School of Management. He is the County Governor of Hedmark County. Johnsen was elected to the Board in 1997. He has been a Member of Parliament and Minister of Finance, and has previous experience as a lecturer and accountant. Johnsen was a member of the Board of Norges Bank (1999 – 2004). He is Chairman of the Board of SOS Children Villages, Norway. He headed the Pension commission, which published its report to the Government in 2004. He lives in Ringsaker, Norway.

Finn Jebsen (1950)
Deputy Chairman of the Board
Mr. Jebsen is a business studies graduate from the Norwegian School of Economics and Business Administration and has a Master's degree in Business Administration from University of California, Los Angeles. He was with the Orkla Group from 1980, as member of the Group's corporate executive management from 1984. Jebsen was president and CEO of Orkla from 2001 to 2005. He is Chairman of the Board of Kongsberg Gruppen ASA and Vice-Chairman of KLP. Jebsen is a Board member of Cermaq since May 2005. He lives in Oslo, Norway.

Astrid Sørgaard (1960)
Mrs. Sørgaard has a degree in Business Administration from the Norwegian School of Management. She currently holds the position as Managing Partner of Jebsen Asset Management AS, a company in the shipping Group of companies, Kristian G. Jebsen-Group. She was three years with Benefit Network ASA in managerial positions, and prior to that 16 years in different managerial positions in Christiania Bank Group (Nordea). Mrs. Sørgaard is also a member of the Board of Kverneland ASA, E-CO Energi AS, Sparebank1 Livsforsikring AS, Viken Fjernvarme AS and L.Gill Johannessen. Mrs Sørgaard was elected to the Board of Directors of Cermaq AS in May 2005. She lives in Bærum

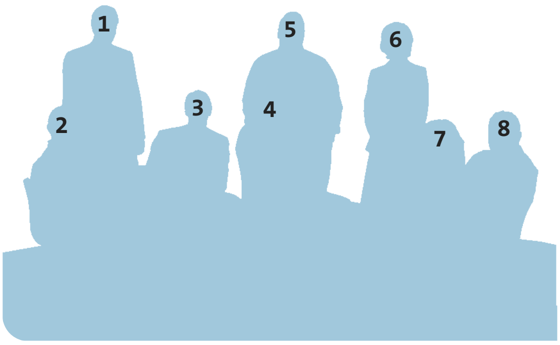
Kjell Frøyslid (1943)
Mr. Frøyslid is a Business Economist with technical and managerial higher education qualifications. He was the Chief Executive Officer of CargoNet AS from 2002 to 2006. Frøyslid's previous positions include Chief Executive Officer of Arcus, Managing Director of Vinmonopolet, Divisional Director of NSB and Divisional Director of Tandberg Data. After his retirement 1st January 2006, Mr. Frøyslid is working as a consultant and project manager for several companies. Mr. Frøyslid is a Board member of Cermaq since May 1996. He lives in Skedsmo, Norway

Wenche Kjølås (1962)
Mrs. Kjølås is a business studies graduate from the Norwegian School of Economics and Business Administration. She is the CFO of Grieg Logistics. Kjølås' previous positions include Group Director Finance of Kavli Holding AS, MD of O. Kavli AS, Financial Director of Kavli Holding AS, Business Manager of Hakon-Group AS in Bergen and Manager and Management Consultant of Touche Ross. She is member of the Board of Fossen AS, Bognøy Fiskeoppdrett AS and member of the Shareholders Committee in Vesta Forsikring AS. Mrs. Kjølås is a Board member of Cermaq since May 2003. She lives in Bergen, Norway.

Jan Helge Førde (1967)
Employee representative
Mr. Førde works as Maintenance Manager at the EWOS factory in Florø, where he has been working since 1989 in various positions. He is a certified industry mechanic. He is the leader of EWOS employees organised in the labour union Lederne. Mr. Førde is a Board member of Cermaq since May 2003. He lives in Florø, Norway.

Jim-Egil Hansen (1966)
Employee representative
Mr. Hansen has been working for EWOS since 1995. He works as production operator at the factory in Halsa. He is a trained process operator in the food industry. He has been employee representative for the past four years, and was recently elected as main employee representative. Mr. Hansen is a Board member of Cermaq since May 2003, and is also member of the Board of EWOS Norway. He lives in Halsa, Norway.

Nils Inge Hitland (1958)
Employee representative
Mr. Hitland has been working for EWOS since 1988, the last four years as sales manager. He is an agricultural college graduate. His previous employment was with Felleskjøpet Vestlandet, also within sales of compound feed and fish feed. Hitland is a Board member of Cermaq since May 2005. He lives in Bergen, Norway.



1. Sigbjørn Johnsen
2. Nils Inge Hitland
3. Finn Jebsen
4. Kjell Frøyslid
5. Jim-Egil Hansen
6. Wenche Kjølås
7. Astrid Sørgaard
8. Jan Helge Førde

DIRECTORS' REPORT FOR 2005

Cermaq had an eventful year in 2005. The Group achieved a record pre fair value operating profit of NOK 635.8 million (operating profit after fair value adjustment: NOK 784.9 million). Earnings per share before and after value adjustment came to NOK 6.09 and NOK 7.49 respectively, compared with NOK 2.84 and NOK 2.71 respectively in 2004. Because of this substantial progress, a dividend per share of NOK 1.85 is proposed for 2005 compared with NOK 1.20 the year before. Through the acquisition of fish farming activities in Canada and Norway, Cermaq positioned itself as a leading global company in the aquaculture sector. Cermaq ASA was listed on the Oslo Stock Exchange in October, after a successful IPO.

Business and location

Cermaq is an international fish farming and fish feed Group with activities in the most important salmon farming areas in the world. Covering both farming and feed is important for diversifying risk and creating a broad knowledge base in aquaculture.

Fish farming operations are carried out by Mainstream, with activities in Chile, Canada, Norway and Scotland. Mainstream is the world's second-largest company in the business of farming salmon and trout. Feed production is carried out by EWOS, which has operations in the four main markets for salmon and trout feed – Norway, Chile, Canada and Scotland. EWOS is one of the world's two major suppliers of feed for salmon and trout farming, with a global market share of around 34 percent.

Cermaq places great emphasis on research and development (R&D). These activities are mainly pursued through EWOS Innovation, one of the world's leading private R&D operations for fish feed and farming. Priority areas include flexibility in the use of marine raw materials and vegetable alternatives. Such flexibility is considered to be very important for continued sustainable development of the fish farming industry.

Events in 2005

Acquisition of Heritage

Cermaq acquired the fish farming operations of Heritage on the Canadian west coast from George Weston Limited in July 2005. This acquisition formed part of Cermaq's strategy of positioning itself as a leading global aquaculture company. The acquired business has 14 fish farms in operation and three additional licence applications under consideration by the authorities. Three freshwater licences produce three million smolt annually. The biomass at the acquisition date was 13 000 tonnes (RWE), and total salmon production from these facilities in 2005 was 15 000 tonnes. Together with existing production in Mainstream Canada, this gave Cermaq a total annual output of more than 25 000 tonnes in British Columbia. The Group paid CAD 33.6 million for the Heritage business, drawn from existing financial reserves.

Acquisition of Follalaks

Cermaq acquired 34 percent of the shares in Follalaks in connection with a refinancing in the spring of 2004. In August 2005, the Group acquired a further 51 percent of Follalaks from DnB Nor after exercising a pre-emptive right. The remaining 15 percent of the Follalaks shares were purchased in October 2005. This share acquisition was part of the long-term strategy of making a commitment to fish farming in all the principal markets, including Norway. Follalaks is now a fully integrated part of Mainstream and operates under the name Mainstream Norway. This business has 22 fish farming licences, with an output of roughly 14 000 tonnes for 2005. Its fish farming activities are concentrated in Norway's Nordland and Finnmark counties. The Group paid NOK 186.8 million for the remaining 66 percent of the shares that were acquired in 2005. The acquisition was partly financed through a credit facility of NOK 300 million.

Stock market listing

The Cermaq share was first listed on the Oslo Stock Exchange on 24 October 2005 following a successful initial public offering of NOK 220 million and a dispersal sale of NOK 1 100 million, a total of NOK 1 320 million. The share was well received in the market. Five million new shares were issued in the IPO, while the government's dispersal sale covered 25 million shares. A total of 332 million shares were ordered within the offer's price interval (37-44), implying that the transaction was over-subscribed eleven times at this price. The company was valued at NOK 4 070 million at the date of its listing and after the IPO.

Securing a stock market listing was an important element in the Group's strategy. The main purpose of the listing and the associated dispersal sale was to facilitate a regulated trade in the company's shares, ensure the liquidity of the share and thereby make the company's share more attractive as an investment object. The listing has given Cermaq access to the equity capital market, and has helped to make the company's shares more attractive as a means of payment for strategic transactions.

The equity raised through the IPO will be used to implement the Group's long-term strategy to strengthen its position even further as a leading global aquaculture company. Cermaq expects that the salmon business will continue to expand, and that opportunities will exist for the Group to grow further both organically and through acquisitions.

Since its listing on the Oslo Stock Exchange on 24 October, the Cermaq share has made very positive progress after the IPO and dispersal sale at NOK 44 per share. The share price rose 24 percent from the start of trading up to 31 December, and the increase has continued into 2006. On average, the other listed salmon companies have achieved a similar improvement over this period, with a continued rise since the New Year. The consolidation process currently under way in the industry recently has had a big impact on the share price picture. The liquidity of the share has been satisfactory, with an average daily traded volume of 1.9 million shares in 2005.

Annual accounts

Cermaq has reported in accordance with the International Financial Reporting Standards (IFRS) since 1 January 2005. In connection with the conversion to IFRS, historical accounting figures for 2004 have been restated for comparative purposes.

Equity at 31 December 2004 in accordance with the Norwegian Accounting Act and Norwegian generally-accepted accounting principles (NGAAP) was NOK 2 472 million. At 1 January 2005, equity in accordance with the IFRS totalled NOK 2 552 million, corresponding to a rise of NOK 80 million. This increase comprises a combination of positive and negative effects relating to such factors as deferred tax in Chile, an unrealised increase in the value of fish stocks, pensions, reversal of goodwill amortisation and dividend proposed but not approved.

IAS 39/32 (see note 27) was implemented in Cermaq's accounts with effect from 1 January 2005, leading to a reduction of NOK 18 million in equity at 1 January 2005. The historical figures for 2004 have not been restated to take account of the implementation of these standards.

The transition to IFRS has been described in detail in a separate conversion document available on the company's web site at www.cermaq.com.

Profit and loss

The Group's operating revenues totalled NOK 5 367.1 million in 2005, an increase of NOK 352.5 million from the year before. Revenues at Mainstream rose as a result of increased volume and higher prices for farmed fish. Part of the volume improvement derived from the acquisition of Canada's Heritage and Follalaks in Norway. Although EWOS also achieved an increase in volume during 2005 compared with the year before, revenues declined as a result of lower prices. The fall in prices reflected stronger competition in the market for fish feed.

Payroll expenses came to NOK 474.78 million (2004: NOK 415.3 million). This increase primarily reflects the consolidation of Heritage and Follalaks with effect from August and September respectively.

Other operating expenses were NOK 815.1 million (2004: NOK 739.2 million). Substantial improvements in the underlying cost position were offset by increased costs from the consolidation of Heritage and Follalaks and costs of NOK 20 million in connection with the cadmium issue where delivered feed was recalled from customers and destroyed following an incidence of cadmium contamination in raw materials.

Cermaq's main indicator for earnings under IFRS is operating profit before fair value adjustments. This is consistent in all material respects with the Group's previous indicator under NGAAP, which was operating profit before goodwill amortisation (EBITDA). The fair value adjustment relates to the valuation of harvestable fish. Pre fair value operating profit provides a measure of earnings from goods sold in the period.

Operating profit before fair value adjustments in 2005 was the best in Cermaq's history, NOK 635.8 million compared with NOK 326.8 million in 2004. Higher profitability in the Mainstream business was partly offset by reduced profitability for the EWOS business. Operating profit before fair value adjustments included a gain of NOK 27 million relating to the acquisition of assets in Canada during the year.

The change in the fair value adjustments in 2005 represented an unrealised gain of NOK 149.1 million (2004: NOK 6.7 million). The change in the fair value adjustments relate primarily to the valuation of harvestable fish at fair value instead of cost price. The rise from 31 December 2004 to 31 December 2005 reflects a rise in average size and increased volume of harvestable fish as well as higher market prices for salmon. The Group's operating profit was NOK 784.9 million (2004: NOK 333.5 million).

Income from associates came to NOK 18.9 million, up from NOK 10.3 million in 2004. Net financial expenses amounted to NOK 80.3 million (2004: NOK 115.2 million). Shares were written down by NOK 5 million (2004: NOK 18.9 million). A NOK 15.5 million adjustment to the value of financial instruments relates primarily to a fair value adjustment of the Group's interest hedging. The value adjustment was made in accordance with IAS 39. No corresponding adjustment was made in 2004, since IAS 39 had not been implemented at that date.

The tax expense for 2005 totals NOK 63.1 million, which relates to deferred tax (2004: income of NOK 7.0 million). Norwegian, Canadian, Chilean and UK tax rates were 28, 35, 17 and 30 percent respectively. The tax-related restructuring begun in Chile during 2004 has had a positive impact on the Group's effective tax rate. This restructuring will provide a substantially reduced tax base in Chile for the 2004-06 period.

Net profit for the Group was NOK 660.6 million (2004: NOK 235.6 million), corresponding to an increase of 180 percent.

Uncertainty related to valuation of fish in the sea

Following practice established in the Norwegian fish farming sector, Cermaq has valued mature or harvestable fish at fair value and immature fish at cost (mature fish are defined as >4kg for Atlantics and >2.5kg for Coho and trout) The Group's use of cost price for part of its biological assets is based on the view that it is not possible to determine a reliable estimate for the fair value of that part of the biological assets not yet ready for harvesting.

The Financial Supervisory Authority of Norway is responsible for supervising financial reporting by listed companies. The authority has indicated that it does not agree with the fish farming industry's interpretation of IAS 41 with regard to the use of cost when valuing fish weighing less than four kilograms. In a decision of 3 February 2006 sent to the other listed fish farming companies, the authority has specified an alternative valuation method for immature fish, based on market statistics for sales of slaughtered fish. The companies affected by this decision have appealed to the Ministry of Finance.

The outcome of this dispute is not yet certain. Should the authority's initial decision be allowed to stand after an appeal, a change could be required to the unrealised fair value adjustments on biomass line in the profit and loss account. This would affect the result for the period, and results for earlier periods would have to be restated accordingly. The reported operating profit before fair value adjustments on biomass would be unaffected by such a change and there would be no impact on cash flows from any adjustment.

Business areas

EWOS

The fish feed business had a total turnover of NOK 4 007 million in 2005, corresponding to a reduction of NOK 44.4 million compared with 2004 despite an increase of almost 5.3 percent in the volume sold to 669 700 tonnes over the period. The reduction in sales revenues primarily reflects a fall in prices, as a result of stronger competition in the feed market and lower raw material costs passed on to customers.

Major seasonal fluctuations characterise the feed business. The volume is relatively low during the first quarter, whilst the third quarter is the best season. This is because the temperature of the water is higher during these three months in the northern hemisphere, which affects fish appetite. More than 30 percent of the volume is sold during the third quarter. Seasonal fluctuations are less noticeable in Chile, where water temperatures are more stable during the year.

Raw materials account for about 80 percent of total production costs of fish feed. The price of fish meal rose sharply towards the end of 2005 as a result of reduced supplies and growing demand from sectors other than aquaculture. The feed business is dependent on prices in the global market for fish meal and oil. There is a growing trend towards replacing fish meal and oil with vegetable oils and meal, such as soya. Through EWOS Innovation, Cermaq is continuously assessing input factors which can serve as alternatives to fish meal and oil.

Historically, margins in the feed business have increased when the price of raw materials falls. This is because it has taken some time for changes in raw material prices to be reflected in feed prices. In recent times, contracts which allow increases in raw materials costs to be passed on to the customer have become normal. This reduces the risk for the feed manufacturer and makes margins less volatile. Nevertheless, a certain time lag still exists between changes in raw material prices and corresponding changes in feed prices. By the end of 2005, EWOS' global market share was 34 percent.

EWOS incurred a charge of NOK 20 million in 2005 because one of Cermaq's suppliers delivered contaminated raw materials for feed production. These materials contained excess levels of cadmium. This was identified in a routine check, but only after feed containing the polluted ingredients had been produced and distributed to customers. The feed was recalled and destroyed.

Operating profit before fair value adjustments for the EWOS Group came to NOK 182.2 million, a decline of 27.2 percent from 2004. The change in the fair value adjustment in 2005 amounted to an unrealised gain of NOK 4.9 million, compared with NOK 1.2 million for 2004. The fair value adjustment for EWOS relates primarily to the valuation of harvestable fish produced as part of activities at EWOS Innovation. Operating profit came to NOK 187.1 million in 2005 as against NOK 251.5 million in 2004.

Mainstream

The fish farming business had overall sales of NOK 2 044.4 million in 2005, corresponding to an increase of NOK 694 million from the year before. Volume rose by 31.4 percent over the same period. Sold volume totalled 88 729 tonnes in 2005. This improvement reflects a combination of increased volume and higher prices for farmed fish. On average, prices were 15 percent higher than in 2004. Part of the volume increase in Mainstream followed from the acquisition of Canada's Heritage and Follalaks in Norway.

Mainstream's business has produced very good results over the past couple of years. The Mainstream Group is one of the few fish farming companies to have shown positive results for each of the past three years. Its production costs are among the lowest in the industry. The most important cost elements in the fish farming industry relate to feed, smolts, pay, insurance and financing.

The Mainstream Group's pre fair value operating profit was NOK 503.9 million in 2005, up by 354.8 percent from the year before. The change in the fair value adjustment in 2005 amounted to an unrealised gain of NOK 144.1 million, compared with NOK 5.6 million for 2004. The improvement from 31 December 2004 to 31 December 2005 reflected a rise in average size and increased volume for harvestable fish as well as higher market prices for salmon. The operating profit came to NOK 648 million compared with NOK 116.3 million in 2004.

Balance sheet

The company's total balance sheet at 31 December was NOK 6 635.6 million as against NOK 5 134.1 million at the same date in 2004. This increase mainly reflects the accounting effect of Heritage and Follalaks, which were acquired in 2005.

The balance sheet shows a net deferred tax liability of NOK 121.7 million (2004: NOK 69.3 million), an increase of NOK 52.4

million. This rise primarily reflects provisions for deferred tax on fair value adjustments as well as net deferred tax related to acquired businesses.

Equity at 31 December was NOK 3 522.5 million, compared with NOK 2 551.9 million a year earlier. This increase mainly reflects the good result in 2005 and the IPO in connection with the stock market listing. The issue increased equity by NOK 213.2 million net. These proceeds have strengthened the company's balance sheet and given it ability to make further strategic commitments. The conversion difference at 31 December 2005 also had a positive effect on equity, while dividend approved and paid in 2005, based on the accounts for 2004, reduced equity by NOK 104.3 million.

The equity ratio was strengthened to 53.1 percent at 31 December, compared with 49.7 percent a year earlier. Cermaq's board has set a target of 45 percent for the equity ratio in the medium term. A healthy financial position is considered to be a crucial element in the company's strategy for achieving success in the relatively volatile aquaculture business. The board will continue to give weight to this goal.

Financing

Net interest-bearing debt at 31 December was NOK 1 422.1 million, compared with NOK 1 038.5 million a year earlier. This change of NOK 383.6 million partly reflects the acquisitions of Heritage and Follalaks. The IPO in connection with the stock market listing had a positive effect on net interest-bearing debt. The rise in the US dollar against the Norwegian krone had a negative impact on net interest-bearing debt. The total currency effect for the year ended 31 December amounted to NOK 151.0 million. The USD/NOK exchange rate at 31 December was 6.77.

Cermaq's principal source of finance is a multi-currency revolving credit facility with a ceiling of USD 250 million, which runs to December 2009. At 31 December, USD 203 million of this facility had been drawn down. The interest rate is based on Libor plus a margin of 95 basis points until March 2006, and thereafter a margin of 65-110 basis points depending on a ratio between EBITDA for the Group and interest costs.

Cash flow

Cash flow from operating activities totalled NOK 541.8 million in 2005, compared with NOK 426.4 million the year before. Cash flow from investment activities was negative at NOK 541.1 million as against a negative cash flow of 353.9 million in 2004. The negative cash flow from investing activities in 2005 related primarily to the acquisitions of Heritage and Follalaks.

Cash flow from financing activities was negative at NOK 89.5 million in 2005 and NOK 4.8 million in 2004.

Cash and cash equivalents in hand declined from NOK 455 million at 31 December 2004 to NOK 389.7 million at 31 December 2005.

Going concern

Based on the above presentation of the Group's results and position, the board confirms that the accounts have been prepared on a going concern basis.

Financial risk

The Cermaq Group's activities expose it to various types of financial risk. The primary objective of its financial management is to be in a position at all times to meet obligations as they fall due. This includes staying within the prevailing financial terms (covenants) specified for loans under normal circumstances. Financial management is based on the requirement for a sound balance sheet, with an equity ratio of 45 percent in the medium term.

Financial risk management is the responsibility of the Group's finance department, based on the financial strategy and guidelines determined by the board.

Market risk

Currency risk

The Group is exposed to currency risk through its business activities in Norway, Chile, Canada and the UK. Its biggest exposure is to USD, and assets and revenues recorded in USD are largely hedged through loans in the same currency. The Group's currency exposure relating to equity in its subsidiaries is not normally hedged.

In many cases, currency exposure relating to future operational cash flows is effectively hedged through contracts with customers and netting of currency positions between Group companies where practical. The remaining currency risk is regarded as moderate. As a result, only a limited amount of hedging is undertaken through forward contracts.

Interest rate risk

Due to the currency hedging described above, 81 percent of the Group's interest bearing debt was denominated in USD and 18 percent was denominated in NOK.

Long-term debt in US dollars with floating interest rates is partly hedged through interest swaps or interest collars established before 2005. At 31 December 2005, about 28 percent of the Group's interest-bearing debt was hedged through swaps from USD floating interest rates to USD fixed rates.

Credit risk

See the presentation in note 23. The Group does not regard credit risk as significant, since its customers represent different industries and geographical areas. The Group was not significantly exposed to a single customer or contractual counterparty at 31 December 2005.

Liquidity risk

Aquaculture is a relatively capital-intensive industry. Should Cermaq fail to secure sufficient working or investment capital, or is in breach of prevailing loan covenants, its business opportunities could be curtailed.

The Group's high equity ratio, prospects of positive future results and existing credit facilities mean, in the board's view, that the liquidity risk is moderate.

Allocation of the net profit for Cermaq ASA

The board of Cermaq has a goal of maintaining a stable annual level of dividend over time of 30 percent of the Group's net profit. Each year's proposed dividend will be assessed in relation to factors such as earnings, cash flows and overall financial position. Dividend in an individual year can deviate from the long-term goal.

On this basis, the board of Cermaq has proposed a dividend of NOK 1.85 per share for fiscal 2005, corresponding to an increase of 54 percent from 2004. The proposed dividend amounts to NOK 170.5 million and will be paid to shareholders registered at 3 May 2006, the date of the annual General Meeting.

Net profit for Cermaq ASA amounted to NOK 138 239 000. The board proposes to the General Meeting that this profit be allocated as follows:

Dividend	NOK 170 466 000
Distributable equity	(NOK 32 207 000)
Total allocated	NOK 138 239 000

Distributable equity at 31 December 2005 available for payment as dividend totalled NOK 190 645 000. Reduced by the board's proposed dividend, this amount will be NOK 20 179 000.

Corporate governance in Cermaq

The board carried out a review of corporate governance in Cermaq in the spring of 2004. Based on this review, principles for corporate governance in Cermaq were adopted by the board on 27 April 2004 with amendments adopted 30 September 2005. The Group's policy requires that standards for corporate governance in the business are in accordance with recommended best practice in Norway. A more detailed review of corporate governance in Cermaq is provided on page 24 of this annual report.

Corporate governance in Cermaq builds on the company's vision of sustainable aquaculture rooted in the core values of integrity, business mindedness, prudence and preparedness. These values underpin the framework for ethical conduct in the Cermaq Group. Cermaq believes that the foundation for good corporate governance is clear and comprehensible relationships between the owners, the board and the management. Good corporate governance will ensure credibility and trust among all stakeholders, and provide a good basis for promoting sustainable value creation and improved results.

Human resources and working environment

The Cermaq Group had 3 681 employees at 31 December 2005. The Norwegian companies had 445 employees, including 24 in Cermaq ASA. Employment in the Group rose by 720 people from the end of 2004. This increase reflects the acquisition of the Heritage and Follalaks fish farming companies in Canada and Norway respectively, and the opening of a new slaughtering and freezing plant in Chile.

Cermaq ASA registered 185 days of sickness absence in 2005, corresponding to 3.24 percent of possible work-days compared with 0.72 percent in 2004. Sickness absence in the subsidiaries varied from 1.9 to 6.9 percent. Average sickness absence in the Group was 2.7 percent (2004: 2.4 percent). A total of 346 minor work accidents involving personal injury were recorded for the whole Group in 2005, compared with 188 the year before. Overall lost time because of injuries came to 2 580 days or 0.27 percent of possible work-days (2004: 1 490 days/0.20 percent).

The Cermaq Group's subsidiaries are working on or in accordance with various certification schemes, such as the ISO 9000 quality management system, the ISO 14000 environment management system, the SSHAS 18000 labour safety and health management system and the Sieages (Intesal) integrated management system.

Equal opportunities

The board of Cermaq ASA has five shareholder-elected directors, of whom three are men and two women. Employees in the Group have three worker directors on the board, all of whom are men. The female proportion of employees in the Norwegian companies within the Cermaq Group is 23 percent. Pursuant to Proposition no 97 (2002-2003) to the Odelsting, which came into force on 1 January 2006, the requirement that both genders should be represented also applies to employee-elected directors providing that the female share of the company's workforce exceeds 20 percent. The company will work to ensure that women are also represented among the worker directors.

Cermaq ASA had 24 employees at 31 December 2005, of whom 16 were men and eight were women. The corporate management team comprises five men, while one woman is employed at middle manager level. In the Group as a whole, no women are presented among the general managers, whilst a total of five females are employed at middle manager level.

The company's human resources policy states: "Cermaq will demonstrate through recruitment, employment, pay determination, follow-up and career development that the company gives equal opportunities to women and men in practice." The board takes the view that men and women do enjoy equal opportunities in Cermaq.

Natural environment

The Group's production of fish feed causes little pollution of the natural environment. Emissions to the air and discharges to the sea are clearly within the limits set by the authorities in the respective countries, and all requirements set by regulatory authorities have been met.

Energy consumption associated with the Group's feed production totalled 232 GWh in 2005, up by 3.3 percent from 225 GWh in 2004. The production increase was more than five percent, which means Cermaq reduced energy consumption per unit produced by 1.7 percent. Of overall energy consumption, natural gas accounted for 48 percent, electricity for 37 percent, heavy heating oil for seven percent, light heating oil for one percent, and various minor energy bearers for the remainder.

Compared to earlier years, the share of natural gas has risen from 30 percent in 2003 to 48 percent in 2005 at the expense of light heating oil. The most important reason is that the Florø plant has converted from light heating oil to natural gas for steam production.

NOK 2.3 million was invested in health, safety and environmental measures in Norway during 2005, and NOK 10.3 million in production optimisation to reduce energy consumption and greenhouse gas emissions. CAD 500 000 was invested in Canada during the year to improve the internal climate in plants, cut water consumption and reduce odours in the air emitted. EWOS Scotland also made investments in 2005 which have yielded significant improvements to the internal climate in the plant and strengthened the cleaning system to reduce the threat of discharges. EWOS Chile invested USD 120 000 during 2005 in a new filter and treatment system relating to the production line for medicinal feed.

The Cermaq Group lost around 4 000 tonnes of fish in 2005 or roughly four percent of total production, with an estimated value of NOK 53 million. This is regarded inside the limits of normal loss figures for the industry. These losses primarily reflect problems with transferring smolts to salt water and the salmon rickettsial septicaemia (SRS) disease. All dead fish are collected and sent to fish meal plants in Chile and for composting in Canada, Scotland and Norway.

Reducing the use of antibiotics remains a primary focus for the research effort in the Chilean aquaculture business, where such medication is used mainly to control SRS.

Mainstream Chile inaugurated a new processing plant on Chiloé island for slaughtering and freezing fish. This facility has minimised discharges of waste water per kilogram of fish, and thereby improved local water quality. Mainstream Scotland has moved fish farms from shallow areas to deeper water in order to utilise larger cages with a lower concentration of fish. This provides improved water circulation and reduces the visual impact on the environment. Mainstream Canada has secured ISO 14001 certification for all Tofino saltwater and freshwater plants, in line with the Group's focus on pursuing environment-friendly and sustainable operations. All Mainstream businesses have installed units for monitoring and control of seabed pollution and discharges. These meet not only local environmental regulations but will also give early warning of possible abnormal conditions should they arise.

Shareholders

Cermaq ASA had 2 420 shareholders at 31 December (2004: 77). The Norwegian government via the Ministry of Trade and Industry remains the largest shareholder, with 43.54 percent of the shares. At 31 December 2005, Cermaq ASA owned 495 596 (0.54 percent) of its own shares. These were acquired in 2001 in connection with the sale of the Staur estate and the shares in Norsk Kornforedling AS to the government. A total of 86 767 shares were sold to employees in connection with the stock exchange listing. Foreign investors own 32.5 percent of the shares. The Storting (parliament) has resolved that the government can reduce its shareholding to 34 percent if the conditions are right.

Prospects

Cermaq had an eventful year in 2005. Through the acquisition of fish farming operations in Canada and Norway, it positioned itself as a leading global company in fish farming. In October, Cermaq ASA was listed on the Oslo Stock Exchange after a successful introductory process. These measures leave the Group well placed to play an active role in the consolidation which we expect in the aquaculture industry over the next few years.

The Group intends to secure its share of the expected growth in the aquaculture business through a focus on sustainable salmon farming and production of fish feed. Cermaq has a solid balance sheet, good management resources and a strong research and development base. Taken together, these provide a good basis for expansion in fish farming both through acquisitions and through further development of existing operations.

Mainstream's objective is to strengthen its position even further as one of the leading global salmon farming companies, with the focus on product quality and efficient production. This business will focus on expansion in those fish farming regions with the greatest potential for profitable growth. At present, Chile and Norway present the most attractive opportunities. The acquisition of Follalaks in August ensured that the Group was positioned in the Norwegian fish farming sector. Cermaq sees a number of opportunities for growth through the acquisition of well-managed fish farming businesses of sufficient size and with a geographically-attractive location.

The aquaculture business is characterised by a high risk level. This is because of price volatility, exposure to weather conditions and disease together with challenges connected to protecting the environment through sustainable operations. Identifying and dealing with the different risks which impact the business are among the most important tasks facing the board as was illustrated by the cadmium issue in EWOS Norway. Cermaq's business is entirely dependent on the consumer's confidence in the final product. The board views food safety as a very important issue, and a project is underway within the Group to identify and deal with factors which can pose a threat to it. Cermaq's risk control systems shall ensure that farmed fish from Cermaq is healthy and safe to eat, and that consumers have confidence that this is the case. Work carried out by EWOS Innovation and the ongoing quality control project in feed production will contribute to ensuring that EWOS delivers safe feed of the highest quality.

Demand for seafood is growing faster than for any other category of food. It is regarded as a good and healthy source of protein, and developments in processing have also made it easier to prepare. Increased demand must be met by the fish farming industry. The FAO (the UN

Food and Agriculture Organisation) has estimated that the growth rate for fish farming will be around 5-7 percent in the period up to 2015. However, expanding demand has put increased pressure on stocks of wild fish, and certain stocks are being overfished. Against that background, Cermaq will continue to devote substantial research resources to producing a salmon feed based on raw materials other than fish meal and oil.

The strategic focus at EWOS is on retaining and strengthening its position as a leading global supplier of fish feed, with operations in the most important markets for salmon and trout feed. Key factors in achieving this are maintaining world-leading R&D activities, adapting quickly to market changes, and cost-efficient production of quality products for salmon farmers. EWOS expects R&D on fish feed to become more important because of the persistent need to reduce feed costs, which represents the largest single expense in fish farming. This must involve enhanced flexibility on raw materials while simultaneously meeting the growing demand from salmon consumers for traceability and other measures to ensure food safety and quality.

Developments in the feed market are closely related to the growth of the fish farming sector and progress on the feed factor. The salmon market has expanded substantially over the past 20 years, and demand is expected to continue growing. This will mean improved utilisation of production capacity in the industry, and we accordingly expect earnings for EWOS to rise during 2006.

2005 was another year of much turbulence over trade terms for the salmon industry. The USA renewed its 26 percent import toll for fresh salmon from Norway for another five years. After fruitless negotiations between the EU and the Norwegian salmon industry on a scheme to replace the temporary minimum price regime introduced in June 2005, the EU resolved in January 2006 to make this scheme permanent for salmon imports from Norway. At the end of February, the Norwegian government resolved to take the EU's anti-dumping measures against Norway to the World Trade Organisation. Cermaq's well-balanced production portfolio means that it is less exposed to such individual measures. However, regulation of this kind increases costs for the industry and the consumer, and Cermaq supports free trade in salmon across national boundaries in all circumstances.

Salmon prices have remained high during early 2006 in both the USA and Europe. We expect prices to remain high during the present year, with good margins for the fish farming sector. Cermaq will continue to focus on developing new markets for its products and on further strengthening its results.

Oslo, 15 March 2006

Sigbjørn Johnsen
Chair

Finn Jebsen
Deputy Chair

Astrid Sørgaard
Director

Wenche Kjølås
Director

Kjell Frøyslid
Director

Jim-Egil Hansen
Director

Jan-Helge Førde
Director

Nils Inge Hitland
Director

Geir Isaksen
CEO

CONSOLIDATED PROFIT AND LOSS ACCOUNT

Amounts in NOK 1 000	*Notes*	**2005**	**2004**
Operating revenues	*5*	**5 367 139**	**5 014 554**
Cost of materials	*17*	3 232 192	3 305 459
Payroll expense	*6*	474 780	415 283
Depreciation	*12, 13*	236 174	227 900
Other operating expenses	*8*	815 142	739 158
Excess value on inventory	*4*	26 998	-
Result of operations before unrealised fair value adjustments		**635 849**	**326 754**
Unrealised fair value adjustments	*18*	149 087	6 726
Result of operations		**784 936**	**333 480**
Income from associates	*14*	18 934	10 300
Interest income	*9*	7 146	9 578
Other financial income	*9*	3 534	3 676
Financing fair value impacts	*9*	15 502	-
Interest expenses	*9*	100 545	84 356
Write down of financial assets	*9*	4 973	18 926
Other financial expenses	*9*	5 013	23 052
Net foreign exchange gains/losses	*9*	4 090	(2 107)
Financial items, net	*9*	**(80 259)**	**(115 188)**
Result before tax		**723 611**	**228 592**
Tax on result	*10*	63 055	(6 978)
Result for the year		**660 557**	**235 570**
Result for the year, majority interest		658 176	235 623
Result for the year, minority interest	*11*	2 381	(53)
Earnings per share		7.49	2.71
Diluted earnings per share		7.48	2.71

CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER

Amounts in NOK 1 000	*Notes*	2005	2004
ASSETS			
Concessions, patents, licences, trademarks and similar rights	*12*	1 065 388	856 946
Goodwill	*12*	897 109	678 852
Deferred tax assets	*10*	47 245	72 714
Total intangible fixed assets		**2 009 742**	**1 608 512**
Tangible fixed assets	*13*	**1 480 246**	**1 239 230**
Investments in associates	*14*	86 938	136 710
Investments in other companies	*15*	98 551	54 384
Other long-term receivables	*16*	58 021	138 030
Total financial fixed assets		**243 510**	**329 124**
Total fixed assets		**3 733 498**	**3 176 866**
Inventory	*17*	611 401	405 284
Biological inventory	*18*	1 076 523	500 787
Accounts receivable from customers	*19*	716 731	513 473
Other short-term receivables		107 713	82 713
Bank deposits, cash in hand, etc.	*20*	389 718	454 997
Total current assets		**2 902 086**	**1 957 254**
TOTAL ASSETS		**6 635 584**	**5 134 120**
EQUITY AND LIABILITIES			
Share capital	*21*	925 000	875 000
Company's own shares	*21*	(4 956)	(5 440)
Share premium reserve	*21*	1 685 534	1 524 424
Total paid-in capital		**2 605 578**	**2 393 985**
Other equity	*21*	916 545	157 772
Minority interests	*11,21*	415	130
Total equity		**3 522 538**	**2 551 887**
Pension liabilities	*7*	68 593	59 283
Deferred tax	*10*	168 951	142 055
Total provisions		**237 544**	**201 338**
Interest bearing long-term debt	*22*	1 392 931	1 267 443
Total long-term liabilities		**1 630 475**	**1 468 781**
Interest bearing short-term debt	*22*	418 918	226 006
Other financial liabilities	*23*	1 768	-
Other short-term liabilities	*24*	1 061 885	887 446
Total current liabilities		**1 482 571**	**1 113 452**
TOTAL EQUITY AND LIABILITIES		**6 635 584**	**5 134 120**

Oslo, 15 March 2006

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Chair

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Deputy Chair

Astrid Sørgaard
Director

Wenche Kjølås
Director

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Jim-Egil Hansen
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Director

Nils Inge Hitland
Director

Geir Isaksen
CEO

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Amounts in NOK 1 000	Share capital	Own shares	Share premium reserves	Other reserves	Conversion differences	Minority Interest	Total equity
Equity 31.12.2003 NGAAP	**875 000**	**(5 440)**	**1 524 424**	**83 213**	**(40 284)**	**367**	**2 437 280**
IFRS impacts:							
IAS 12 Deferred tax on licences in Chile				(100 325)			
IAS 41 Inventory unrealised fair value adjustments				65 187			
IAS 19 Pension				(38 143)			
IFRS 1 Cumulative conversion differences				(40 284)	40 284		
Other				(3 654)			
Equity 01.01.2004 IFRS	**875 000**	**(5 440)**	**1 524 424**	**(34 007)**	-	**367**	**2 360 344**
Change in minority interest						(24)	(24)
Paid to minority shareholders						(160)	(160)
Change in conversion differences					(43 840)		(43 840)
Result for the year				235 623		(53)	235 570
Equity 31.12.2004 IFRS	**875 000**	**(5 440)**	**1 524 424**	**201 616**	**(43 840)**	**130**	**2 551 890**
Effect of adopting IAS 39 1 January 2005				(17 933)			(17 933)
Equity 1 January post IAS 39 adoption	**875 000**	**(5 440)**	**1 524 424**	**183 683**	**(43 840)**	**130**	**2 533 957**
Change in conversion differences					188 052		188 052
Change in fair value of financial assets				25 463			25 463
Cash flow hedges				7 712			7 712
Total income and expenses for the year recognised directly in equity				33 175	188 052		221 227
Profit/loss for the period				658 176		2 381	660 556
Total income and expense for the year				**691 351**	**188 052**	**2 381**	**881 783**
Share issue	50 000		170 000				220 000
Changes in own shares		484		1 646			2 130
Transaction costs			(8 889)				(8 889)
Change in minority interest						(2 096)	(2 096)
Dividend paid				(104 347)			(104 347)
Closing equity	**925 000**	**(4 956)**	**1 685 535**	**772 333**	**144 212**	**415**	**3 522 538**

CONSOLIDATED CASH FLOW STATEMENT

Amounts in NOK 1 000	**2005**	**2004**
Cash flow from operating activities		
Ordinary result before tax	723 611	228 592
Gain/loss on tangible and intangible assets	(4 556)	(21 738)
Depreciation	236 174	227 900
Change in value of financial assets	(2 311)	18 926
Taxes paid, net	(28 906)	(9 751)
Difference between pension premiums paid and pension expense	21 090	5 131
Difference between income from and dividends received from associates	(7 195)	6771
Change in inventories, accounts receivable and accounts payable	(394 852)	(109 721)
Change in other short-term operating assets and liabilities	(1 232)	80 274
Net cash flow from operating activities	**541 823**	**426 384**
Cash flow from investing activities		
Purchase of tangible fixed assets	(185 868)	(172 828)
Proceeds received from sale of tangible fixed assets	4 932	55 342
Purchase of share and companies, net of purchased cash and cash equivalents	(360 646)	(219 647)
Purchase of shares & investments in associated undertakings	(7 722)	(74 054)
Proceeds received from sale of companies, net of sold cash and cash equivalents	8 200	57 278
Net cash flow from investing activities	**(541 104)**	**(353 909)**
Cash flow from financing activities		
Payment of long-term debt	(253 495)	(20 519)
Change in short-term interest bearing debt /loan	55 068	15 853
Payment of dividends and Group contribution (incl. payments to minorities)	(104 347)	(160)
Net proceeds from the issue of common shares	213 241	-
Net cash flow from financing activities	**(89 533)**	**(4 826)**
Foreign exchange effect [1]	23 536	(16 038)
Net change in cash and cash equivalents for the year	**(65 278)**	**51 611**
Cash and cash equivalents at the beginning of the year	455 000	403 389
Cash and cash equivalents at the end of the year	**389 722**	**455 000**

[1] Foreign exchange effect includes cash impact from hedge contracts and positive NOK 23.6 million related to cash and cash equivalents (2004 negative NOK 22.2 million)

NOTES TO THE CONSOLIDATED FINANCIAL ACCOUNTS

Note 1 Corporate information

The consolidated financial statements of Cermaq ASA for the year ended 31 December 2005 were authorised for issue in accordance with a resolution of the board on 15 March 2006. Cermaq ASA is a company incorporated and domiciled in Norway whose shares are publicly traded on the Oslo Stock Exchange.

Note 2 Accounting principles

2.1 BASIS OF PREPARATION

The consolidated financial statements are prepared under the historical cost convention, except as disclosed in the accounting principles below. Figures are presented in Norwegian kroner and all values are rounded to the nearest thousand, except where otherwise indicated.

Statement of compliance
The consolidated financial statements of Cermaq and its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Norwegian accounting Act.

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

Companies where Cermaq ASA has a significant influence (ownership interest between 20 and 50 percent in the voting capital) over operations and financial decisions have been incorporated into the Group accounts by means of the equity method. In accordance with this principle, the share of the profit or loss from these companies for the period is included as income from associates.

Companies that have been acquired during the year have been consolidated at the date of acquisition. Companies that have been sold during the year have been consolidated up until the date of transfer. Consolidated accounts have been prepared on the basis of uniform principles, and the subsidiaries follow the same accounting policies as the parent company. All significant transactions and balances between Group companies have been eliminated.

When subsidiaries are acquired the cost price of the shares in the parent company is eliminated against the equity of the subsidiary at the time of acquisition. Excess value beyond the book equity of subsidiaries is allocated to identifiable assets and liabilities at their fair values at the time of the acquisition. Any excess value beyond that allocated to assets and liabilities is recorded on the balance sheet as goodwill. Where the fair value of the assets acquired exceeds the consideration paid the difference is treated as income in the profit and loss account. Deferred tax is taken into account and entered on the balance sheet when excess value is assigned to assets and liabilities and where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred. Deferred tax liabilities are recognised and calculated using the nominal tax rate, without discounting.

Book values including goodwill and excess value associated with foreign subsidiaries are converted to the relevant currency in accordance with the exchange rate at the reporting date. Exchange rate differences that result are reported in exchange rate movements in equity until the disposal of a foreign subsidiary.

For successive acquisitions of shares in the same company, the fair value of the assets and liabilities at the time of majority acquisition is applied to the initial consolidation. Increased ownership interests beyond this will not affect the valuation of assets and liabilities with the exception of goodwill, which is calculated at each acquisition date.

Minority interests
The share of the profit or loss after tax attributable to minority interests is presented on a separate line after the Group's profit for the year. The share of the equity attributable to minority interests is presented on a separate line in Group equity.

2.2 SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Preparation of the accounts in accordance with generally accepted accounting principles requires that management make estimates and assumptions which have an effect on the value of the assets, liabilities and contingent liabilities on the balance sheet and the revenue and expenses for the accounting year. The judgements and estimates which are considered to be most significant for the Group are set out below:

Goodwill and intangible assets – the carrying value of goodwill and intangible assets with indefinite lives is reviewed for impairment at least once a year and more frequently if there is an indication of impairment. This requires an estimation of the value in use of the cash-generating units to which the goodwill and intangible assets are allocated. Identifying the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Expectations about the future cash flows will vary over time. Changes in market conditions and expected cash flows may cause impairments in the future. The major assumptions which have an impact on the present value of projected cash flows, are the discount rate, the estimated price of salmon in each of the Groups markets, cost of production for each product, salmon production volumes and that there will continue to be a market for salmon produced in the geographical areas where the assets are located. More details are given in note 12, Intangible assets.

Deferred taxation - deferred tax assets in respect of past losses are recorded to the extent that expected future income for the respective company will be sufficient over the medium term to utilise those past losses. This requires an estimation to be made of the expected future income of the company concerned. Estimates of future income may change over time which, may result in changes to the book value of deferred tax assets. Details of unrecognised deferred tax assets are given in note 10.

Fair values on acquisition – where a business has been acquired the Group recognises the assets, liabilities and contingent liabilities acquired providing that the fair value of these can be measured reliably. To recognise fair values an allocation of the purchase price is made against the assets and liabilities acquired which may result in the recognition of goodwill. To determine fair values on acquisition an estimate of information reliability must be made, taking into account the type of asset, liability and contingent liability concerned. Commonly, an active market does not exist for assets and liabilities obtained through acquisitions and therefore alternative methods must be used to determine fair values.

Fair value adjustment on inventories – in accordance with IAS 41 the Group records inventories of live fish which have reached harvestable weight at market value less estimated costs to point of sale. The difference compared to the cost of inventory is recognised as an income or loss in the period. The estimate of fair value is based on spot prices at the balance sheet date in the respective markets in which the Group operates. The fair value calculation includes estimates of volumes, quality, mortality and the normal cost of harvest and sale. The income or loss which will be recognised on sale may differ materially from that implied by the fair value adjustment at the end of a period. The fair value adjustment on inventories has no cash impact and does not affect the result of operations before unrealised fair value adjustments.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Revenue recognition

The sale of all goods is recorded as operating revenue at the time of delivery which is the point at which risk passes to the customer. Discounts, other price reductions, taxes, etc., are deducted from operating revenues.

Classification principles

Liquid assets are defined as cash, bank deposits and other investments that can be converted into cash within 3 months.

Other assets intended for permanent ownership or use and receivables that mature more than one year after the end of the accounting year are identified as fixed assets. Other assets are classified as current assets.

Liabilities that fall due later than one year after the end of the accounting year are classified as long-term liabilities. Other liabilities are classified as short-term liabilities.

Proposed dividends are not recognised as liabilities until the Group has an irrevocable obligation to pay the dividend, normally after approval at the Annual General Assembly.

Fair value changes on biological assets are presented on a separate line within the profit and loss statement. This alternative has been elected as in Cermaq's view this gives a fair presentation taking into consideration the nature of the adjustment.

Foreign currency translation

The presentation currency of the Cermaq Group is Norwegian kroner (NOK). The functional currency of the subsidiary companies is the local currency in the country in which they are based, except for the subsidiaries in Chile which use the US dollar (USD) as their functional currency. On consolidation the financial statements of foreign operations, including any excess values, are translated into Norwegian kroner using exchange rates at the year end for the balance sheet and average exchange rates over the year for the profit and loss account. Translation gains and losses are included in other equity.

Foreign currency transactions

All foreign currency transactions are converted to NOK at the date of the transaction. For cash flow hedges, gains and losses recognised directly in equity are taken to the income statement in the same period in which the cash flow arising from the hedged object is recognised in the income statement.

All balance sheet items denominated in foreign currency are translated at the exchange rate at the balance sheet date.

Financial instruments

The Cermaq Group deals in derivative financial instruments solely for hedging purposes. Not all hedging relationships comply with the detailed requirements of IAS 39, and thus some derivative financial instruments are not accounted for using hedge accounting.

The Group's criteria for classifying a derivative as a hedging instrument for accounting purposes is as follows: (1) the hedge is expected to be effective in that it counteracts changes in the fair value or cash flows from an identified asset – a hedging efficiency within the range of 80-125 percent is expected, (2) the effectiveness of the hedge can be reliably measured, (3) there is adequate documentation when the hedge is entered into that the hedge is effective, (4) for cash flow hedges, the forthcoming transaction must be probable, and (5) the hedge is evaluated regularly and has proven to be effective.

(i) Fair value hedges

Derivatives designated as hedging instruments are measured at fair value and changes in fair value are recognised in the income statement. Correspondingly, a change in the fair value of the hedged object is recognised in the income statement, as is the net gain or loss. The hedge accounting is discontinued if:

(a) The hedging instrument expires or is sold, terminated or exercised, or

(b) The hedge no longer meets the criteria for hedge accounting stated above

Once the hedge accounting is discontinued, the adjustments made to the carrying amount of the hedged object are amortised through profit and loss over the remaining term to maturity in accordance with the accounting treatment of the hedged object.

(ii) Cash-flow hedges

Changes in the fair value of a hedging instrument that meet the criteria for cash flow hedge accounting are taken directly to equity. The ineffective part of the hedging instrument is recognised directly in the income statement.

If the hedge of a cash flow results in an asset or liability being recognised, all former gains and losses recognised directly in equity are transferred from equity and included in the initial measurement of the asset or liability. For other cash-flow hedges, gains and losses recognised directly in equity are taken to the income statement in the same period as the cash flow which comprises the hedged object is recognised in the income statement.

If the hedge no longer meets the criteria for hedge accounting, the hedge accounting is discontinued. The cumulative gain or loss on the hedging instrument recognised directly in equity remains separately recognised in equity until the forecast transaction occurs.

If the hedged transaction is no longer expected to occur, any previously accumulated gain or loss on the hedging instrument that has been recognised directly in equity will be recognised in profit and loss.

Forward contracts are used to partly hedge future expected operational cash flows. Transactions that are hedged using currency forwards are recorded at the exchange rate at the date of transaction, while the difference between the hedging rate and the exchange rate at the date of transaction is recorded as part of the contribution arising from that transaction. Forward margins are accrued and classified according to the underlying balance sheet item.

Long-term floating rate debt is partly hedged using interest rate swaps or interest rate collars. These derivatives are not treated as accounting hedges and gains and losses in connection with interest rate hedging are recorded in the profit and loss account.

All financial instruments are recognised in the balance sheet at their fair value. Financial instrument are recognised in the balance sheet when the entity becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised when the contractual rights expire or substantially all risks and rewards are transferred.

The fair value of currency hedges are calculated based on quoted market rates at the balance sheet date for contracts with similar maturity profiles. Interest rate hedges are valued by using discounted cash flow analyses, based on market values for similar instruments.

Changes in the fair value of these instruments are reported in the profit and loss account except to the extent that they qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as cash flow hedges where they hedge exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction.

For cash flow hedges which meet the conditions for hedge accounting, any gain or loss on the contract that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in the profit and loss account. At 31 December the Group had no hedging instruments with gains or losses recognised directly in equity.

Borrowing cost

Borrowing costs are recognised as an expense when incurred. Interest bearing loans are measured at amortised cost using the effective interest method.

Accounts receivables from customers

Receivables from customers are recorded at their nominal value less deductions for any expected losses. Due to immaterial transaction costs and the short credit period the amortised cost equals the nominal value less deductions for any expected losses.

Inventories

Raw materials and purchased commodities are valued at historical cost in accordance with the FIFO principle, with the addition of any processing costs that have been incurred. Processing costs consist of logistics, handling and storage costs.

Cermaq has valued mature or harvestable fish at fair value and immature fish at the lower of cost or net realisable value, following industry practice (mature fish are defined for this purpose as >4kg for Atlantics and >2.5kg for Coho and trout). Cermaq's use of the cost basis for a proportion of biological assets is based on the Group's view, and that of the industry in general, that a fair value estimate will be clearly unreliable for the immature portion of our fish held as inventory. Frozen inventory is recorded at the lower of cost (fair value at the point of harvest) or net realisable value in accordance with IAS 2.

Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost less accumulated depreciation and impairment write downs. Residual values are taken into account in determining depreciation rates. Different depreciation rates are applied to an asset where components of the asset are characterised by having different useful economic lives.

Allowances are made for ordinary depreciation from the point in time when an asset is placed in ordinary operation, and depreciation is calculated based on the economic life of the asset in accordance with the following guidelines:

Asset Group	Depreciation Rate
Furniture and fixtures	20-33%
Computer equipment	20-33%
Vehicles	15-20%
Machinery and production equipment	10-20%
Plant	3-5%
Office buildings and dwellings	2-5%

Plant under construction is not depreciated. Depreciation is charged once the Plant is available for use.

Gains or losses from the sale of tangible assets are calculated as the difference between the sales price and the book value at the date of sale. Gains and losses from the sale of tangible fixed assets are recorded as operating revenues or losses.

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

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

Intangible assets

All internally generated research costs are expensed as incurred. Development costs are only capitalised if specific criteria are met. In 2005 all development costs have been expensed.

Payments for licences, rights and other intangible assets are depreciated in accordance with the useful life of such licences or rights. Fish farming licences that are not time limited are not subject to depreciation. Leases for fish farming licences where the Group is regarded as having taken over a majority of the risks and benefits are recorded on the balance sheet as intangible assets and liabilities.

Where a business is acquired and the consideration for the business exceeds the fair values of the individual assets, the difference, provided it represents a commercial value, is identified as goodwill on the balance sheet. Goodwill is carried at cost less impairment writedowns and accumulated amortisation up to 2003.

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

The carrying value of goodwill and licences with an indefinite life is reviewed for impairment annually or more frequently, if there are indicators of a fall in value below carrying amount.

Pension costs and obligations

Pension costs are calculated and recorded following the requirements of IAS 19. The net pension costs for the period are included in wages and other personnel expenses.

The pension commitments and pension costs are determined using a linear accrual formula. A linear accrual formula distributes the accrual of future pension benefits in a straight line over the accrual period, and regards the employees' accrued pension rights during a period as the pension costs for the year.

Pension obligations are calculated on the basis of long-term discount rates and long term expected yield, wage increases, price inflation and pension adjustments. Pension funds are valued net of their fair value and the pension obligations to which they relate. A surplus is recognised to the extent that it can reasonably be utilised.

Changes in calculated pension obligations due to changes in pension plans are accrued over the remaining contribution vesting period. Changes in the underlying obligations and assets of pension funds as a result of changes in estimates are accrued over the average remaining useful working life of employees for the portion of the deviations that exceed 10 percent of gross pension obligations or pension assets.

The discount rate used in calculations is determined based on the 10 year government bond rate in each country where the Group has pension obligations.

Share based payments

The fair value of share options at the allocation date are charged against profit and loss over the vesting period of the options. Options vested before 1 January 2005 or granted before 7 November 2002 are not subject to the requirements of IFRS 2 (transition rule).

Taxation

The tax expense consists of the tax payable and changes to deferred tax. Deferred tax assets are calculated on all temporary differences.

Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date where transactions or events occur that result in an expectation to pay more or less tax in the future. Temporary differences are differences between taxable profits and results that occur in one period and reverse in a later period.

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

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

Cash flow statement

The Group's cash flow statement analyses the Group's overall cash flow by operating, investment and financing activities. The acquisition of subsidiaries is shown as an investment activity for the Group and is presented separately with deductions for any cash reserves and interest bearing debt in the acquired company. The statement shows the effect of operations on the Group's liquid asset balances.

Statement of changes in equity

IFRS requires that all gains and losses including those recognised directly in equity be disclosed in the reconciliation of equity which is presented as a primary statement after the cash flow statement. The statement also includes other equity transactions.

IFRSs not yet effective

IAS 19 (Amendment), Employee Benefits – The amendment introduces the option of an alternative recognition approach for actuarial gains or losses and adds new disclosure requirements. The Group will apply this amendment for annual periods beginning 1 January 2006, this is expected to impact only on the format and disclosures presented in the accounts.

IAS 39 (Amended), The fair value option – The amendment changes the definition of financial instruments classified at fair value through the profit or loss and restricts the option to designate financial instruments as part of this category. The Group will apply this amendment to annual periods beginning 1 January 2006, but it is not expected to have a significant impact on the Group's classification of financial instruments.

IAS 39 and IFRS4 (Amended), Financial guarantee contracts – This amendment is not expected to be relevant for activities of the Group. The amendment applies from 1 January 2006.

IFRS 6, Exploration for and Evaluation of mineral resources – not relevant for the Group

IFRS 7, Financial Instrument: Disclosures – IFRS 7 introduces new disclosures to improve information published on financial instruments. Cermaq will apply IFRS 7 and the amendment to IAS 1, for annual periods beginning 1 January 2006.

Note 3 Companies in the Group

The consolidated accounts for 2005 include the following companies of significant size:

Amounts in 1 000 of local currency	Registered	Currency	Nominal Capital Share	Group's ownership interest and voting share
Company name				
Parent Company Cermaq ASA	Norway	NOK	925 000	
Statkorn Aqua AS	Norway	NOK	180 000	100%
Statkorn Aqua Invest AS	Norway	NOK	10 333	100%
EWOS AS	Norway	NOK	300 028	100%
EWOS Innovation AS	Norway	NOK	23 363	100%
Mainstream Norway AS	Norway	NOK	5 440	100%
EWOS Ltd.	Scotland	GBP	58 018	100%
Mainstream Scotland Ltd.	Scotland	GBP	92	100%
Mainstream Scotland Holding Ltd.	Scotland	GBP	439	100%
EWOS Canada Ltd. – Group	Canada	CAD	130 715	100%
Mainstream Canada Ltd	Canada	CAD	25 000	100%
EWOS Chile Ltda.	Chile	USD	17 000	100%
EWOS Chile S.A.	Chile	USD	59 942	100%
Mainstream Chile S.A.	Chile	USD	154 719	100%

Note 4 Changes in corporate structure

YEAR 2005

The following significant acquisitions and sales of companies took place during the year. All company acquisitions and sales are accounted for using the purchase method as at the date of acquisition or sale.

Amounts in NOK 1 000	Date of acquisition/sale	Transaction value costs/(proceeds)
Company name		
Follalaks AS (66%)	29.08.2005/12.10.2005	187 653
Balsfjord Kornsilo AS (50%)	27.05.2005	5 500
Marine Farms ASA (14.68%)	02.11.2005	6 875
Trondheim Kornsilo AS (34%)	27.05.2005	(7 000)

In July 2005 the Group purchased the west coast assets of the fish farming company Heritage for NOK 176.7 million. The results from the acquired business were consolidated in the Cermaq Group accounts from 1 August 2005. The acquisition has contributed approximately NOK 100 million to the Group's operational result before unrealised fair value adjustment in the period to 31 December 2005. Following the acquisition a process took place to allocate the price paid to identifiable assets, liabilities and contingent liabilities; this gave rise to a negative goodwill (excess value) of NOK 27 million which has been recognised in the profit and loss account.

In 2004 the Group converted outstanding receivables into 34 percent of the shares in Follalaks AS. The remaining 66 percent of the shares were acquired in two transactions on 29 August 2005 (51 percent), and 12 October 2005 (15 percent), respectively. The total consideration paid was higher than the book value of the net assets. Following the acquisition a process took place to allocate the price paid to assets acquired and this gave rise to a goodwill of NOK 156.7 million. There were no other intangible assets were recognised as part of the transaction. The results of Follalaks were consolidated in the Cermaq Group from 1 September 2005, and the business made a positive contribution of NOK 48.8 million to the Group's operational result before unrealised fair value adjustment in the period to 31 December 2005. Follalaks AS changed its name to Mainstream Norway in 2005.

In May 2005 Cermaq ASA acquired the remaining 50 percent of the shares in Balsfjord Kornsilo AS to bring this holding to 100 percent. The results were consolidated into the Group accounts from May 2005. The sale of 34 percent of the shares in Trondheim Kornsilo AS gave rise to a gain of NOK 2.8 million. The shares in Marine Farms ASA were acquired through a capital issue in November 2005.

The balance sheet impacts from the acquisition of Follalaks were:

Amount in NOK million	Fair value
Intangible fixed assets	114.2
Tangible fixed assets	135.7
Financial fixed assets	7.7
Inventory	177.3
Accounts receivables	31.7
Other short term receivables	0.9
Cash	6.0
Provisions	(17.3)
Interest bearing debt	(328.5)
Other short term liabilities	(50.7)
Net identifiable assets and liabilities	**77.0**
Goodwill recognised	**156.7**

The balance sheet impacts from the Heritage acquisition were:

Amount in NOK million	
Tangible fixed assets	44.0
Inventory	139.3
Other short term receivables	0.8
Other short term liabilities	7.4
Net	**176.7**

The allocation of the consideration to identifiable assets and liabilities is provisional. The values will be reviewed based on improved knowledge of operations in subsequent periods. The transaction costs related to acquisitions amounted to NOK 1.4 million, all of which was capitalised during the year.

YEAR 2004

The following significant acquisitions and sales of companies were made in 2004.

Amounts in NOK 1 000	Date of acquisition/sale	Transaction value cost/(sales proceeds)
Company name		
Salmones Andes S.A. (70%)	04.07.2004	188 074
Follalaks AS (34%)	27.04.2004	40 000
Seastar Salmon Farms Holding AS (22.93%)	27.04.2004/07.12.2004	19 498
Marine Farms ASA (14.89%)	28.07.2004/15.09.2004	13 266
Aquascot Value Added (100%)	02.07.2004	(29 796)
Vaksdal Industrier AS (100%)	03.12.2004	(43 144)

In 2003 Cermaq converted outstanding receivables into 30 percent of the shares in Salmones Andes. The remaining 70% of shares were acquired on 4 July 2004. The balance sheet impact from the acquistion was consolidated from Q2 2004. Salmones Andes has been merged into the Mainstream Chile S.A. Group.

The shares in Follalaks AS were acquired by converting receivables into equity. The shares in Seastar Salmon Farms Holding AS (previously Rong Laks AS) were acquired by converting receivables of NOK 15 million into equity and through a capital increase of NOK 4.5 million in late December 2004. The shares in Seastar Salmon Farms Holding AS were written down by NOK 11.5 million. The shares in Marine Farms ASA were acquired by converting receivables into equity. The value added business in Aquascot Ltd. was sold in July 2004. The sale gave rise to a loss in the Group accounts at NOK 15 million. The shares in Vaksdal Industrier AS were sold in December 2004, realising a profit of NOK 14.9 million.

Pro forma profit and loss figures (unaudited)

Pro forma profit and loss figures have been prepared to give a basis for comparison based on the Group's composition at the end of 2005. There is a greater degree of uncertainty associated with pro forma figures than with actual comparative figures. These figures will not necessarily reflect the results that would have been achieved if the acquisitions and sales had been made at an earlier point in time.

The pro forma profit and loss account has been prepared under the assumption that the transactions listed below had been carried out as of 1 January 2004

The following significant transactions are adjusted for in the pro forma figures:

- The acquisition of Salmones Andes in early July 2004
- The sale of Aquascot Value Added in early July 2004
- The sale of Vaksdal Industrier AS in December 2004
- The acquisition of Mainstream Norway AS (former Follalaks AS) in August and October 2005
- The purchase of assets from Heritage in July 2005.
- The acquisition of Balsfjord AS in May 2005.
- The sale of Trondheim Kornsilo AS in May 2005.

Amounts in NOK 1 000	2005	2004
Operating revenues	**5 597 896**	**5 581 556**
Cost of materials	3 308 041	3 614 827
Payroll expense	514 038	473 982
Depreciation	253 210	254 543
Other operating expenses	845 820	843 069
Excess value on inventory	26 998	-
Result of operations before unrealised fair value adjustments	**703 784**	**395 134**
Unrealised fair value adjustments	137 149	31 987
Result of operations	**840 933**	**427 121**
Income from associates	15 218	14 255
Financial items, net	(85 697)	(158 012)
Ordinary result before tax	**770 454**	**283 364**
Tax on ordinary result	68 905	11 128
Result for the year	**701 549**	**272 236**
Result for the year, majority interest	699 177	271 309
Result for the year, minority interest	2 372	927

Note 5 Information on segments and geographic distribution

The Cermaq Group has one main strategic business area: Aquaculture.

Aquaculture consists of Fish Feed and Fish Farming. Fish Feed involves the production of fish feed and the processing of by-products from the fish farming industry. Fish farming involves the breeding and on-growing of salmon and trout, as well as the slaughtering, processing, sale and distribution of salmon and trout.

Fish Feed and Fish Farming are managed separately as each division is considered to be a strategic business unit. Separate reports are prepared for the operating segments, and corporate management evaluates the results and resource allocation continuously. Segmental information is presented in these accounts.

The remaining Agriculture businesses largely consist of grain trading and other operations carried out through associated companies.

The Group evaluates operations based on the operating profit/loss and cash flows of the strategic business units. Inter company sales and transfers between operations take place at market prices.

	Fish farming		Fish feed		Agriculture	
Amounts in NOK 1000	2005	2004	2005	2004	2005	2004
External sales	2 044 418	1 384 326	3 335 306	3 595 941	2 433	27 181
Internal sales	-	-	671 697	455 431	-	-
Total revenue	**2 044 418**	**1 384 326**	**4 007 004**	**4 051 372**	**2 433**	**27 181**
Ordinary depreciation	(99 609)	(83 442)	(133 759)	(140 305)	(18)	(1 170)
Operating profit pre fair value	**503 135**	**105 131**	**182 185**	**250 321**	**(227)**	**16 452**
Fair value adjustments	144 152	5 581	4 935	1 145	-	-
Operating profit / loss	**647 287**	**110 712**	**187 120**	**251 466**	**(227)**	**16 452**
Income from associates	167	-	163	(261)	5 556	7 168
Tax	(24 108)	29 726	(43 234)	(39 637)	216	1 385
Net result	**582 615**	**84 558**	**72 412**	**158 526**	**5 001**	**24 380**
Assets	3 972 493	2 433 454	3 826 285	3 183 046	61 522	60 787
Intangible assets	1 465 105	1 071 632	497 392	464 166	-	-
Liabilities	2 578 294	1 849 943	2 668 893	2 309 211	16 853	20 416
Capital investment	100 174	46 410	84 761	125 732	-	43
Acquisition of companies	357 522	219 647	3 124	-	-	-

Group operating revenues by the location of the individual customers

Amounts in NOK 1000	2005	2004
Country		
Norway	1 935 341	2 009 492
Chile	995 203	995 359
USA	993 146	439 756
Japan	433 102	556 747
United Kingdom	335 740	448 048
Canada	273 548	332 653
Rest of Europe	344 338	187 485
Other countries	56 721	45 015
Total operating revenues	**5 367 139**	**5 014 554**

Total assets by location

Amounts in NOK 1 000	2005	2004
Country		
Norway	2 141 280	1 627 697
Chile	3 217 360	2 502 835
United Kingdom	389 867	439 150
Canada	1 054 012	698 885
Group eliminations	(166 934)	(134 447)
Total assets	**6 635 584**	**5 134 120**

Total capital expenditure by location

Amounts in NOK 1 000	2005	2004
Country		
Norway	73 222	96 148
Chile	90 280	56 709
United Kingdom	5 593	9 616
Canada	16 773	10 355
Total capital expenditure	**185 868**	**172 828**

Group activities		Eliminations		Consolidated	
2005	2004	2005	2004	2005	2004
7 444	7 106	(22 461)	-	5 367 139	5 014 554
331	-	(672 028)	(455 431)	-	-
7 774	**7 106**	**(694 489)**	**(455 431)**	**5 367 139**	**5 014 554**
(2 787)	(2 984)	-	-	(236 174)	(227 900)
(38 412)	**(39 724)**	**(10 831)**	**(5 426)**	**635 849**	**326 754**
-	-	-	-	149 087	6 726
(38 412)	**(39 724)**	**(10 831)**	**(5 426)**	**784 936**	**333 480**
13 048	3 393	-	-	18 934	10 300
305	14 250	3 766	1 254	(63 055)	6 978
9 146	**(27 723)**	**(8 618)**	**4 172**	**660 557**	**235 570**
2 579 273	2 211 113	(3 803 990)	(2 754 280)	6 635 584	5 134 120
-	-	-	-	1 962 497	1 535 798
1 631 303	1 132 564	(3 782 296)	(2 729 903)	3 113 046	2 582 231
933	643	-	-	185 868	172 828
-	-	-	-	360 646	219 647

Note 6 Wages and other personnel expenses

Amounts in NOK 1 000	2005	2004
Wages, salaries incl. holiday pay	414 045	363 034
National insurance contributions	24 952	21 886
Pension costs	26 291	17 865
Other staff expenses	9 494	12 498
Total wages and other personnel costs	**474 780**	**415 283**

Number of employees in the Cermaq Group as at 31 December 2005: 3 681 (2004:2 961). The average number of employees in the Group was 3 246 (2004: 2 628). Remuneration paid to the Board of Directors totalled NOK 1 078 000 (2004: NOK 770 000).

Remuneration - key management personnel
The Group Chief Executive, Geir Isaksen, was entitled to the following remuneration:

Amounts in NOK 1 000	2005	2004
Salary	2 053	1 792
Bonus	342	-
Pension premiums paid	799	416
Other remuneration	53	112
Total remuneration	**3 247**	**2 320**

Geir Isaksen is entitled to retirement on attaining the age of 62. During 2005 Cermaq paid 434 000 kroner in premiums for this pension scheme (2004: 434 000 kroner). He is entitled to 66 percent of his salary upon his retirement. The Group Chief Executive's bonus is described below:

Terms of payments to the corporate management

Person	Options	Severance pay	Bonus of salary	Loans
Geir Isaksen	180 000	1 year [1]	30% [2]	70
Geir Sjaastad	150 000	9 months [1]	30% [2]	-
Peter Williams	150 000	1 year [1]	30% [2]	-
Francisco Ariztía	150 000	1 year [1]	30% [2]	-
Kjell Bjordal	150 000	1 year [1]	30% [2]	-

1 Agreement of one years/9 months pay from the date of withdrawal if the company brings the conditions of employment to an end.
2 Based on a ROCE (Return on capital employed) target, targets are set annually. NOK 1 524 062 was paid in total on these agreements in 2005.

Option scheme
In March 2001, an option scheme was established for the top management of the Group. As at December 31 2005, 1 110 000 options are effective with a strike price of NOK 40 per share, and carry no premium. The options are associated with employment and were awarded one third on May 1 2001, one third on May 1 2002 and one third on May 1 2003. The options may be exercised from the date they are earned until June 1 2006. None of the options have been exercised to date.

At the time the option scheme was granted, Cermaq ASA was not listed and the fair value of the scheme could not be estimated reliably. The economic benefits for the members of the option scheme were considered to be zero, and no recognition was made in the profit and loss.

Following an accounting treatment allowed under the provisions of IFRS 1, first time adoption, no recognition has been made of the costs of the option scheme on first time application of the standard as at 1 January 2005.

Note 7 Pension costs and obligations

Of the 3 681 employees at 31 December 2005, 380 are members of Group defined benefit pension schemes. 58 of these are located in Scotland, the remaining 322 in Norwegian companies.

Cermaq ASA funds its pension liability under the defined benefit pension scheme by way of a Group insurance policy with Vital Forsikring ASA. There were 19 members in the scheme as at 31 December 2005 (2004: 21 members). In addition Cermaq ASA has responsibility for 47 pensioners. These were transferred to Cermaq as an element in the final clarification of the sale of Stormøllen to Felleskjøpet in 1999.

EWOS AS, EWOS Innovations AS and Mainstream Norway AS, members of the Cermaq Group, have defined benefit pension schemes for their employees. These are funded through a Group insurance policy with Vital Forsikring ASA. There were 301 members in the defined benefit schemes of these companies at 31 December 2005.

EWOS Limited, a member of the Cermaq Group, also has a defined benefit pension scheme, which is funded by contributions to an independent trust fund. There were 58 members in the scheme at the 31 December 2005.

Under these schemes the Group is responsible for providing pensions to employees who are members of the schemes. These responsibilities are funded by making contributions to insurance schemes or in the case of Scotland, to an independent trust fund. There is no guarantee that the amounts funded will be sufficient to meet the Group's pension liabilities. As at 31 December 2005, there was a deficit of NOK 64.7 million in such funding, which will be made up of increasing ongoing contributions.

	2005	2004
Discount rate	4.0%	5.5%
Expected return on pension funds	5.0%	6.0%
Wage adjustment	3.0%	3.0%
Basic amount adjust/inflation	3.0%	3.0%
Pension adjustment	3.0%	3.0%

Amounts in NOK 1 000	2005	2004
Net present value of current year's pension benefit earned	22 601	16 525
Interest cost of pension liability	10 094	9 157
Expected return on pension funds	(7 707)	(9 119)
Amortisation of discrepancies	78	14
Employee contributions deducted	(279)	(276)
Administrative expenses	470	471
Accrued national insurance contributions	1 558	1 093
Net accrued pension costs	**26 815**	**17 865**
Projected benefit liabilities	(251 975)	(197 827)
Estimated pension funds	159 413	141 383
Estimated net pension funds/liabilities(-)	**(92 562)**	**(56 444)**
Unrecorded actuarial gain(-)/losses	27 861	730
Net pension funds/liabilities (-)	**(64 702)**	**(55 715)**
Accrued National Insurance contributions	(3 891)	(3 568)
Pension funds/obligations(-)	**(68 593)**	**(59 283)**

Changes in the present value of the defined benefit liability during the year are detailed below:

Amounts in NOK 1000	
Opening defined benefit liabilities 1 January 2005	197 827
Effect of sold/acquired companies	(1 290)
Interest cost	10 094
Current service cost	22 276
Benefits paid	(2 528)
Actuarial (gains)/losses on liabilities	25 596
Closing defined benefit liabilities 31 December 2005	**251 975**

Changes in the fair value of plan assets during the year were:

Amounts in NOK 1000	
Fair value of plan assets 1 January 2005	141 383
Effect of sold/acquired companies	(3 493)
Expected return	7 707
Contributions paid	17 288
Benefits paid	(2 528)
Actuarial gains/(loss)	(944)
Fair value of plan assets, 31 December 2005	**159 413**

The Group's pension funds are invested in the following instruments:

Amounts in NOK 1 000	2005	2004
Current obligations	14.8%	15.3%
Long-term obligations	28.3%	28.9%
Moneymarket funds	20.1%	22.8%
Stocks	22.3%	18.9%
Real estate	11.5%	11.1%
Various	3.0%	3.0%
Total	**100.0%**	**100.0%**
Actual return on pension funds	**7.3%**	**6.5%**

Note 8 Other operating expenses

Amounts in NOK 1 000	2005	2004
Production cost [1]	223 330	242 756
Logistic cost [2]	342 004	315 884
Sales and administration expenses	153 819	141 412
Other operating expenses	95 988	39 106
Total other operating expenses	**815 142**	**739 158**

1 Production costs include all costs associated with production of goods and other maintenance costs.
2 Logistics costs include all costs associated with transporting goods from production site to the customer.

Research and development costs

Research and development costs are expenditure on research projects related to aquaculture and include costs of employing scientists and administrators, costs of technical equipment, premises and contractors. IAS38 sets detailed conditions governing whether or not R&D expenditure can be capitalised including the requirement that expenditure will generate probable future economic benefits and can be specifically attributed to an intangible asset. The detailed conditions set out in IAS 38 with respect to capitalisation of R&D have not been met, and R&D costs have been charged against the profit and loss account. Net R&D costs were NOK 47.5 million in 2005 (2004: NOK 61.7 million).

Auditor
The company's auditor, Ernst & Young has invoiced the following fees in 2005:

Amounts in NOK 1 000	
Audit fees	3 443
Fees other audit services	826
Total audit fees	**4 269**
Tax advice	829
Other services	1 029
Total fees	**6 127**

Note 9 Financial income/expenses

Amounts in NOK 1 000	2005	2004
Interest income	7 146	9 578
Other financial income	3 534	3 676
Total financial income	**10 680**	**13 254**
Interest expenses	(100 545)	(84 356)
Write down of financial assets [1]	(4 973)	(18 926)
Other financial expenses	(5 013)	(23 052)
Total financial expenses	**(110 531)**	**(126 335)**
Financing fair value impacts [2]	15 502	-
Net foreign exchange gains/losses	4 090	(2 107)
Net financial items	**(80 259)**	**(115 188)**

1 The net write down in shares is primarily due to a write down of shares in OxSeaVision AS NOK 5.9 million and Norwegian Royal Salmon for NOK 0.9 million. An impairment in respect of shares in Polarlaks was reversed in the period which provided a positive impact of NOK 1.9 million.
2 Financing fair value impacts in 2005 arise mainly due to interest rate hedges related to the Group's borrowings, see note 23 for further information.

Note 10 Taxation

Income tax expense

Amounts in NOK 1 000	2005	2004
Tax payable	(5 941)	(15 620)
Change in Deferred Tax	68 996	8 642
Tax on ordinary result	**63 055**	**(6 978)**

Distribution of income tax expense

Amounts in NOK 1 000	2005	2004
Norway	17 834	16 743
Abroad	45 221	(23 721)
Tax on ordinary result	**63 055**	**(6 978)**

Tax payable in the consolidated balance sheet amounts to NOK 51.7 million, of which NOK 45 million is a provision related to NOKUS taxation. NOK 6 million is related to Mainstream Chile, Cermaq ASA and EWOS AS each with a liability of NOK 2 million.
Current income tax of NOK 2.5 million for costs related to Cermaq's initial public offering in October 2005 has been charged to equity.

Reconciliation of the tax for the year
The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profit of the consolidated companies as follows:

Amounts in NOK 1 000	2005	2004
Reconciliation of the tax of the year		
28% tax on profit before tax for the year	204 672	66 621
28% tax effect on permanent differences [1]	(110 285)	(96 005)
Differences in nominal tax rate for foreign companies [2]	4 203	27 563
Change in tax from previous years	(42 516)	(4 702)
Other differences	6 982	(454)
Tax on ordinary result	**63 055**	**(6 978)**

1 Tax impact of permanent differences for the Group for 2005 are primarily related to a merger between the fish farming operations of Mainstream Chile and its parent company Comercializadora EWOS Ltda that took place in 2004. Mainstream was acquired by Comercializadora EWOS with taxable excess values. The merger enabled the Group to obtain tax deductions for a share of the tax excess values which was realised both in 2004 and 2005. Other permanent differences are costs related to the Company's initial public offering in October 2005 which have been charged to equity.
2 The effect of not recognising deferred tax assets related to losses in 2005 is NOK 0.5 million (2004: NOK 17 million)

The weighted average applicable tax rate was 10 % (2004: 0.5 %). The increase is caused by a change in the profitability of the Group's subsidiaries.

Deferred income tax
Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

Amounts in NOK 1 000	2005	2004
Deferred tax-tax effect of temporary differences		
Total Short Term Items	168 246	14 005
Total Long Term Items	78 157	106 007
Tax loss carried forward and other tax credits	(204 084)	(214 090)
Deferred tax asset not recognised	79 287	163 418
Deferred tax/deferred tax assets (-)	**121 606**	**69 341**

Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through the future taxable profits is probable. For 2005, the Group did not recognise deferred income tax assets of NOK 79.4 million (2004: 163.4 million) in respect of losses amounting to NOK 264.7 million (2004: NOK 515.7 million) that can be carried forward against future taxable income.

Expiring dates of tax credits and tax losses carried forward

Amounts in NOK 1 000	2005	
Norway	76 331	Without expiration
Scotland	79 387	Without expiration
Canada	48 366	2009-2011
Total	**204 084**	

NOKUS-taxation (Norwegian taxation of income from low tax jurisdictions)
Cermaq ASA and Statkorn Aqua AS are currently in a dispute with the Central Tax office for Large Enterprises in Norway with regards to whether the companies shall be subject to controlled foreign company taxation.

In January 2005, the Group resolved to subpoena the Central Tax Office for Large Enterprises for its decision to perform NOKUS-taxation from 2000 on Chilean companies who are not engaged in fish farming. 1 April 2005, Cermaq received a favourable resolution from Oslo Tingrett (court of first instance). The ruling was appealed by the tax authorities later the same month, and the Court of Appeal (Borgarting Lagmannsrett) is scheduled for end of June 2006. The outcome of this dispute remains uncertain.

Since 2000, the Group has provided for estimated NOKUS tax in the consolidated accounts. The Group has still not received the final assessment of NOKUS income and applicable NOKUS-taxes for the years 2000 to 2004. Due to the complicated nature of this case and the related uncertainties, any tax payable as a result of the outcome of the case may deviate from the provisions made, such deviations are not expected to be material. At 31 December 2005 the Group held a provision against the risk of losing the case.

Note 11 Minority interests

Amounts in NOK 1 000	2005	2004
Minority interests' share of:		
Ordinary depreciation	312	5
Operating profit/loss	1 960	(74)
Profit/loss before tax	3 307	(72)
Tax	**(926)**	**19**
Development of minority interests		
Minority interests as at 1 January	130	367
Profit/loss for the year attributed to minority interests	2 381	(53)
Increase related to acquisitions	415	-
Reduction in connection with acquisitions of minority interests	(2 372)	(24)
Reduction in connection with distributions to owners	-	(160)
Reduction in connection with the sale of subsidiaries	(139)	-
Minority interests as at 31 December	**415**	**130**
Specification of minority interests		
Norsk Lossekontroll AS	-	130
Mainstream Norway AS	415	n/a
Minority interests as at 31 December	**415**	**130**

Note 12 Intangible assets

Amounts in NOK 1 000	Goodwill	Licences
Historical costs as at 1 January	**830 255**	**1 047 938**
Additions, new companies	168 516	135 316
Additions, cost price	-	627
Transfers and other charges	-	2 993
Foreign currency effect	75 202	110 375
Historical costs as at 31 December	**1 073 972**	**1 297 249**
Accumulated depreciation as at 1 January	**(151 403)**	**(190 992)**
Additions, new companies	(11 251)	(21 680)
Ordinary depreciation for the year	-	(10 067)
Foreign currency effect	(14 209)	(9 122)
Accumulated depreciation as at 31 December	**(176 863)**	**(231 861)**
Book value as at 1 January	**678 852**	**856 946**
Book value as at 31 December	**897 109**	**1 065 388**

Impairment

At acquisition goodwill and intangible assets are allocated to the cash generating units to which they relate. The cash generating units correspond to operating companies within the Group.

Management review the carrying value of the cash generating units at the end of each period and more often where there is an indication that an asset may be impaired. This review also includes cash generating units where impairment write downs have been recognised in earlier periods. A value in use approach is used to determine recoverable amount. Reviews are based on comparing the Net Present Value (NPV) of projected future cash flow with the book value of assets taking into account all circumstances which could affect asset value. Management's best estimates of cash flows for the next 5 years are used, plus a terminal value. The terminal value is calculated as the net present value of the expected net cash flow in year five over the remaining useful life of the assets, assuming no growth.

Different NPV scenarios have been developed, using varying salmon prices, production costs and discount rates, to test the sensitivity of the NPV calculation to these variables with reference to existing management plans plus forecasts and current market conditions. As with any estimate the cash flow projections are sensitive to changes in underlying assumptions. The discount rate used is the long term pre-tax cost of debt finance for each currency in which Group assets are denominated, plus a risk premium of 6 percent. A 1 percent increase in the risk premium used (increasing the discount rate) would result in impairment (a non cash accounting write down) of approximately NOK 30 million keeping other assumptions constant.

On the basis of this analysis, management believe that there is no need for impairment of the book value of goodwill and fish farming licenses as at 31 December 2005.

Specification of fish farming licences

Amounts in NOK 1 000	**Ongrowing licences**	**Aqaisition year**	**Historical cost**	**Book Value 31.12.05**
Company/Group				
Chile	46	2000/2004	938 733	772 567
Canada	30	2000	202 403	129 625
Scotland	24	2000	176 786	34 560
Norway	25	2003/2005	128 636	128 636
Total	**125**		**1 446 558**	**1 065 388**

Fish farming licences in Canada are depreciated over a 20 year period. In most jurisdictions fish farming licences are issued without limitation of time however, in Canada licenses have to be renewed every 5 years. 2 licences were renewed in 2005. Licences in Scotland were impaired in 2003, despite the positive developments in the Scottish market no reversal has been made in 2005 due to disappointing results in that business.

36 licences were acquired during the year through the acquisitions of the west coast Canada assets of Heritage and Mainstream Norway (Follalaks).

Specification of goodwill

Amounts in NOK 1 000	**Aqaisition year**	**Historical cost**	**Book value 31.12.2005**
Company/Group			
EWOS Norway AS	2000	232 072	189 748
EWOS Chile S.A.	2000	256 458	158 434
EWOS Chile Ltda	2000	3 676	2 281
EWOS Canada Ltd	2000	147 898	116 398
EWOS UK Ltd	2000	22 785	15 532
Mainstream Chile S.A. - Group	2000/2001	369 993	257 452
Mainstream Norway SA	2005	156 485	157 265
Total		**1 189 368**	**897 109**

Following the introduction of IFRS goodwill is no longer amortised but is reviewed for impairment annually and where there is an indication of impairment. The difference between the historical cost above and the book value of goodwill is due to amortisation charges on goodwill and impairments relating to the periods prior to the introduction of IFRS.

Note 13 Tangible fixed assets

Amounts in NOK 1 000	Machinery, fixtures, vehicles, etc.	Buildings	Land	Plant under construction	Total
Historical cost as at 1 January	**1 831 323**	**460 543**	**58 724**	**51 056**	**2 401 646**
Additions, new companies	209 663	88 791	10 743	-	309 197
Additions, cost price	136 294	29 365	1 339	62 870	229 868
Disposals, cost price	(25 317)	(870)	(596)	-	(26 783)
Transfers	38 992	5 322	-	(44 313)	-
Foreign currency effect	120 787	24 898	8 558	3 704	157 947
Historical cost as at 31 December	**2 311 742**	**608 047**	**78 768**	**73 317**	**3 071 874**
Accumulated depreciation as at 1 January	**(1 016 458)**	**(145 958)**	**-**	**-**	**(1 162 416)**
Additions, new companies	(109 678)	(39 541)	-	-	(149 219)
Ordinary depreciation for the year	(200 608)	(25 499)	-	-	(226 107)
Accumulated depreciation on disposals in the year	22 056	617	-	-	22 673
Foreign currency effect	(68 555)	(8 004)	-	-	(76 559)
Accumulated depreciation as at 31 December	**(1 373 243)**	**(218 385)**	**-**	**-**	**(1 591 628)**
Book value as at 1 January	**814 865**	**314 585**	**58 724**	**51 056**	**1 239 230**
Book value as at 31 December	**938 499**	**389 662**	**78 768**	**73 317**	**1 480 246**

There are no significant restrictions on titles, pledges or other contractual commitments related to tangible fixed assets. Note 22 includes details of finance leases related to fixed assets.

Note 14 Investments in associated companies

Amounts in NOK 1 000	Equity interest as at 31.12.05	Book value as at 01.01.2005	Share of profit/loss for the year	Tax	Dividend	Additions or deductions	Book value as at 31.12.2005
AS Balsfjord Kornsilo [1]		1 567	189	(53)	(100)	(1 603)	-
AS Trondheim Kornsilo [1]		4 538	-	-	(306)	(4 232)	-
Silver Seed AS [2]	50.00%	-	215	(60)	-	4 162	4 317
Helnessund Bøteri AS [2]	33.00%	-	16	(4)	-	1 911	1 922
Hordafôr AS [3]	35.15%	22 302	2 738	(767)	(9 293)	7 533	22 513
Unikorn AS	49.78%	55 406	7 716	(2 160)	(2 776)	-	58 186
Follalaks AS [4]		39 049	15 197	(4 255)	-	(49 991)	-
Seastar Salmon Farms Holding AS [5]		8 025	-	-	-	(8 025)	-
OxSeaVision AS [3]	45.20%	5 825	226	(63)	-	(5 988)	-
Total investments in associates		**136 710**	**26 296**	**(7 362)**	**(12 475)**	**(56 233)**	**86 938**

None of the associate companies have published share price quotations. Associate income is recognised on one line of the profit and loss statement as the Group's share of net result of the associates after taxation.

1 An agreement with Felleskjøpet in May 2005 resulted in the acquisition of the remaining 50 percent of the shares in Balsfjord Kornsilo and the sale of Trondheim Kornsilo AS. Balsfjord AS is at 31 December a 100 percent owned subsidiary.
2 The investments in Helnessund Bøteri AS and Silver Seed AS were acquired in connection with the acquisition of Mainstream Norway AS.
3 The remaining excess values on the investments in OxSeaVision of NOK 1.6 million have been written down. The remaining excess value related to Hordafôr is NOK 3.5 million.
4 Mainstream Norway (former Follalaks) became a subsidiary when the remaining shares (66 percent) were acquired in August/October 2005
5 The merger between Veststar Holding og Seastar Salmon Farms Holding AS in August 2005 reduced Cermaq`s ownership to 5.4 percent which results in classification as other investment rather than as investment in an associate.

Amounts in NOK 1 000	Operating revenues 2005	Total assets 31.12.2005	Total liabilities 31.12.2005	Result for the year
Helnessund Bøteri AS	18 735	13 820	10 555	93
Silver Seed AS	17 801	24 245	15 983	1 281
Hordafôr AS	94 207	76 946	40 946	4 392
Unikorn AS	1 250 948	463 256	341 194	11 377
OxSeaVision AS	9 568	8 963	4 439	496

Note 15 Investments in other companies

Amounts in NOK 1 000	Group ownership interest	No.of shares owned	Total par value	Share capital	Book value
AquaGen AS	11.75%	311 068	311	2 648	11 497
Seastar Salmon Farms Holding AS	5.40%	112 789	113	2 089	8 026
Norway Royal Salmon AS	3.85%	692 573	693	18 004	23 078
Marine Farms ASA	14.68%	7 459 723	7 460	50 816	44 758
Other	-	-	-	-	11 192
Total investments in shares					**98 551**

Investments in other companies are classified as available for sale and are held at cost or impairment value as fair value cannot be measured reliably. The shares in Marine Farms ASA were written up by NOK 25.5 million following a share issue which established a reliable fair value for the share. The impact of the write up is taken directly through equity. The investments in NRS AS has been written down in the profit and loss account by NOK 0.9 million during the year following an impairment.

Note 16 Other long-term receivables

Amounts in NOK 1 000	31.12.2005	31.12.2004
Long-term loans	23 222	46 597
Other long term receivables	34 799	91 433
Total other long-term receivables	**58 021**	**138 030**

Note 17 Inventory

Amounts in NOK 1 000	31.12.2005	31.12.2004
Raw materials	342 627	247 549
Work in progress	2 337	43 412
Finished goods	276 391	123 768
Depreciation of obsolete inventory	(9 954)	(9 445)
Total inventory	**611 401**	**405 284**

The total cost of materials in the year was NOK 3 232 million (2004: NOK 3 285 million). The cost of stock written down in the period was NOK 5.9 million (2004: an income of NOK 6.2 million). Finished goods include frozen inventory recorded at historic fair value (cost) of NOK 84.4 million (2004: NOK 14.5 million).

Note 18 Biological assets

Biological assets are inventories of live fish held in cages and pens at locations in Norway, Chile, Canada and Scotland. The table below shows the volume of biological assets (biomass) held at the end of the period.

Tonnes	2005	2004
Biological assets valued at cost	39 202	26 195
Biological assets valued at fair value	24 653	10 198
Total	**63 855**	**36 393**

Fair value adjustments are the difference between fair value and accumulated cost of fish in the sea. The profit and loss account is impacted by the fair value adjustment in the period plus the reversal of the prior period adjustment.

Based on industry practice Cermaq has valued mature or harvestable fish at fair value in the period and immature fish at cost (mature fish are defined as >4kg for Atlantics and >2.5kg for coho and trout). Following a project to review the implication and application of IAS 41, the decision to adopt this accounting treatment was taken because of the uncertainties inherent in the fair value measurement of immature fish due to the long production cycle and a variety of environmental and industry factors, making any estimate of fair value, highly unreliable. The use of the cost basis for a proportion of biological assets is an exercise of the clause IAS 41.30 in the accounting standard IAS 41.

Amounts in NOK 1 000	31.12.2005	31.12.2004
Biological assets at cost	685 017	327 889
Fair value adjustments	391 506	172 898
Total biological assets	**1 076 523**	**500 787**

The fair value adjustment included in biological inventory held at fair value was NOK 160.3 million (2004: NOK 50.6 million). IAS 41 provides that where biological inventory is held at cost due to the unreliability of other methods of calculating fair value, an estimate must be given of the range of values within which fair value is expected to lie. At 31 December Cermaq estimates that the fair value of biological inventory held at cost lies in the range between NOK 685 million and NOK 900 million, with the lower limit for this range being cost.

The table below shows the movement in the carrying value of biological assets between the beginning and the end of the current period.

Amounts in NOK	2005
Biological assets as at 1 January 2005	**500 787**
Impact of Heritage acquisition	173 478
Impact of Follalaks acquisition	124 589
Fair value adjustments	149 087
Foreign currency effect	58 552
Net harvesting/purchases	70 030
Biological assets as at 31 December 2005	**1 076 523**

Tonnes	2005
Opening as at 1 January 2005	**36 393**
Heritage acquisition	11 420
Follalaks acqusition	8 872
Harvested	(94 949)
Biological transformation and purchases	102 119
Closing as at 31 December 2005	**63 855**

The increase in the fair value adjustment on inventory in 2005 is due to a combination of higher prices, higher inventories of mature or harvestable fish and changes in cost. The prices used in the fair value calculation are an estimate of the price which would be received by the farms assuming that all fish were sold at period end at market index prices less cost to point of sale. Market index prices are published market statistics on prices achieved on actual sales in the key markets in which the Group operates. It is assumed in the calculations that all mature fish in inventory could be sold without affecting market prices. In practice the realised profit which is achieved on the sale of inventory will differ from the market index because of changes in the final market destinations of sold fish, changes in price levels, changes in cost levels and differences in quality.

The fair value less estimated point of sale costs of volumes harvested during the year was approximately NOK 1,943 million . The Group measures fair value on a monthly basis using average prices and costs.

The aggregate gain or loss arising on intial recognition of biological assets and from changes in the fair value less estimated point-of-sale costs of biological assets was NOK 149.1 million (2004: NOK 6.7 million). The increase in the profit and loss credit arising from movements in the fair value of inventory is mainly due to an increase in market prices for the mature or harvestable portion of the Group's biological assets.

The body responsible for reviewing the accounts of public companies in Norway, Kredittilsynet has issued a notice requiring other listed companies to change their accounting policies for biological inventory. These companies have appealed against Kredittilsynets decision to the Norwegian Ministry of Finance. At the date of this report the outcome of the dispute is uncertain. Should Kredittilsynet's determination be upheld following an appeal, this may result in a restatement of the unrealised fair value adjustments line in the profit and loss account, including for comparison periods. Reported operating result before unrealised fair value adjustments would be unaffected by any such change and there would be no cash effect from any adjustment.

Note 19 Accounts receivables from customers

Amounts in NOK 1 000	31.12.2005	31.12.2004
Receivables from customers	783 655	583 283
Provisions for doubtful receivables	(66 924)	(69 810)
Total accounts receivable	**716 731**	**513 473**

Note 20 Liquid assets

Amounts in NOK 1 000	31.12.2005	31.12.2004
Bank and postal giro deposits, cash in hand	389 718	445 105
Money market	-	9 892
Total bank deposits, cash in hand etc.	**389 718**	**454 997**

As at 31 December 2005 there were no restricted deposits included in liquid assets (2004: NOK 10.2 million).

Note 21 Share information

20 largest shareholders as at 31 December 2005

Shareholders	Nationality	Number of shares held	Ownership
NÆRINGS- OG HANDELSDEPARTEMENTET	NOR	40 271 600	43.54%
GOLDMAN SACHS & CO EQUITY NONTREATY CUS	GBR	4 458 809	4.82%
GOLDMAN SACHS INTERN EQUITY NONTREATY CUS	GBR	2 086 135	2.26%
BANK OF NEW YORK	USA	2 000 000	2.16%
ISLANDSBANKI	ISL	2 000 000	2.16%
ODIN NORGE	NOR	1 974 800	2.13%
EUROCLEAR BANK S.A.	BEL	1 840 235	1.99%
MORGAN STANLEY AND CO CLIENT EQUITY ACCOUNT	GBR	1 493 227	1.61%
ODIN NORDEN	NOR	1 440 550	1.56%
BANK OF NEW YORK, BR S/A EQUITY TRI-PARTY	GBR	1 425 000	1.54%
BANK OF NEW YORK, BR S/A MSF-MUTUAL DISCO	USA	1 368 728	1.48%
MORGAN STANLEY & CO. CLIENT EQUITY ACCOUNT	GBR	1 366 100	1.48%
BEAR STEARNS SECURITY	USA	1 320 718	1.43%
AVANSE NORGE	NOR	1 293 802	1.40%
JPMORGAN CHASE BANK S/A ESCROW ACCOUNT	GBR	1 225 786	1.33%
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	SWE	1 142 100	1.23%
VITAL FORSIKRING ASA DNB NOR KAPITALFORVALTNING	NOR	1 046 607	1.13%
STATE STREET BANK & CLIENT OMNIBUS	USA	836 700	0.90%
DNB NOR NORGE	NOR	678 482	0.73%
DNB NOR NORGE SELEKT VPF	NOR	651 858	0.70%
Total 20 largest shareholders		**69 921 237**	**75.59%**
Total other shareholders		22 578 763	24.41%
Total number of shares		**92 500 000**	**100%**

The shares have face value of NOK 10. All the shares in the company have an equal status.

Reconciliation of outstanding shares	Number of shares
Outstanding shares at 1 January	**86 956 000**
Share issue Initial Public Offering	5 000 000
Own shares sold to employees as part of Initial Public Offering	48 404
Outstanding shares at 31 December	**92 004 404**
Own shares at 31 December	**495 596**

Shares owned by the company may be used in connection with share sales to employees and for partial payment of share option agreements with senior executives. The board has proposed a dividend per share of 1.85 kroner (2004: 1.20 kroner per share)

The following board members and key management personnel have shares in the company:

	Position	No of shares held
Sigbjørn Johnsen	Chairman of the Board	400
Finn Jebsen [1]	Deputy Chairman of the Board	20 000
Astrid Sørgaard [1]	Board member	1 000
Kjell Frøyslid	Board member	1 000
Wenche Kjølås	Board member	2 000
Jan Helge Førde	Board member	227
Jim Egil Hansen	Board member	227
Nils Inge Hitland	Board member	2 227
Geir Isaksen	CEO	55 227
Geir Sjaastad	Deputy CEO	38 227
Peter Williams [1]	CFO	36 227
Francisco Ariztía [1]	COO Farming	178 675
Kjell Bjordal [1]	COO Feed	250 227

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

Earnings per share calculation

	2005	2004
Earnings per share		
Basic	**7.49**	**2.71**
Diluted	**7.48**	**2.71**
Adjusted EPS		
Basic	**6.09**	**2.84**
Diluted	**6.09**	**2.84**
Result	658 176	235 581
IAS 41 fair value adjustments	(149 087)	(6 726)
Financial instruments fair value adjustment	(15 502)	-
Financial assets fair value adjustment	4 973	18 926
Tax impact of fair value adjustment	36 904	(531)
Adjusted result	**535 464**	**247 250**
Number of shares	87 917 737	86 956 000
Diluted number of shares	87 960 672	86 956 000
Net result majority interest	658 176	235 581

Cermaq presents above earnings per share as required by IAS 33 including the basis of the calculation. Adjusted EPS is also shown as it is Cermaq's view that this figure provides a more reliable measure of performance. Number of shares is calculated using the weighted average number of shares outstanding in the period. The result in the calculation above is the result attributable to the majority owners of the Group. The dilution shown above is due to outstanding share options.

Authorisation

The board has a valid authorisation until General Assembly 2006 from the general assembly to increase Cermaq ASA's equity by an amount of up to NOK 50 million distributed over 5 million shares, face value NOK 10, in one or more share issues.

Note 22 Financing

Amounts in NOK 1 000	31.12.2005	31.12.2004
Credit facility [1]	1 374 035	1 225 847
Long-term financial leases [2]	11 230	-
Other long-term liabilities [3]	7 666	41 597
Total interest bearing long-term liabilities	1 392 931	1 267 443
Short-term liabilities [4]	418 918	226 006
Total interest bearing liabilities	**1 811 849**	**1 493 450**

1 The main source of debt financing for the Cermaq Group is the syndicated facility established in 2000 with maturity in 2009. This is a "Multi Currency Revolving Credit Facility" with a total credit limit of USD 250 million. As of 31 December 2005 USD 203 million (NOK 1 374 million) of the facility was utilised. The facility was extended by an amendment and restatement agreement dated 17 December 2004, with repayment of credit drawn under the facility by 17 December 2009. The interest rate is linked to LIBOR plus a margin of 95 basis points up to March 2006, and from then the margin will be between 65 and 110 basis points depending on a ratio of Group's EBITDA to Interest Payable. The key financial terms (covenants) for the credit facility are:
a) The Group's equity ratio must not be lower than 40 percent (including goodwill)
b) The ratio of the Group's adjusted EBITDA to Interest Payable must not be:
- Less than 2.5:1 for the one year period to 31.12.2005
- Less than 3.5:1 after 31.12.2005

As at 31 December the Group's equity ratio was 53.1 percent and the adjusted EBITDA ratio to interest payable was 9.7 times.

2 The Financial lease is related to a property held by Mainstream Norway of NOK 10 million and fixed assets for Mainstream Chile amounting to NOK 1.2 million (USD 175 000).

3 Other long-term liabilities primarily include a long-term loan for EWOS Innovation of NOK 5.9 million and a loan for Balsfjord Kornsilo of NOK 1.2 million.

4 Short-term liabilities comprise primarily of a drawing facility of NOK 300 million entered into by Cermaq ASA in connection with refinancing of Mainstream Norway which will be repaid or refinanced during 2006. The NOK 300 million is lent by Cermaq ASA to Mainstream Norway as internal loan. Additional short term liabilities are in respect of drawings under credit facilities with local banks in Chile amounting to NOK 70.4 million, and drawings under the Group facility with Danske/Focus Bank amounting to NOK 26.5 million. Finally, NOK 19.5 million of the financial lease held by Mainstream Chile related to fixed assets matures in 2006 and is classified as short-term debt according to IFRS accounting rules.

The maturity plan of the Group's interest bearing debt is as follows:

Amounts in NOK 1 000	31.12.2005	Maturity 2006	2007	2008	2009	2010
Credit facility	1 374 035	-	-	-	1 374 035	-
Long-term financial leasing	11 230	-	1 587	402	402	8 839
Other long-term liabilities	7 666	-	2 022	2 022	2 022	1 600
Short-term liabilities	418 918	418 918	-	-	-	-
Gross interest bearing debt	**1 811 849**	**418 918**	**3 609**	**2 424**	**1 376 459**	**10 439**
Available credit lines of the credit facility	318 126	-	-	-	-	-
Other available credit lines	736 408	-	-	-	-	-
Total available credit lines	**1 054 534**	**-**	**-**	**-**	**-**	**-**

Note 23 Financial risk management

The Group's activities create exposure to a variety of financial risks: market risk (including currency risk and interest rate risk), liquidity risk and credit risk. The Group's financial risk management programme focuses on ensuring the ongoing liquidity of the Group, defined as being at all times in a position to meet the liabilities of the Group as they fall due. This also includes being able to meet debt financial covenants under normal circumstances.

The Board of Directors believes that the most important measure against any risk the Group is exposed to is to have a strong balance sheet. Therefore, it has been determined that the Group under normal circumstances should have a medium term equity ratio of not less than 45 percent.

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

Foreign currency risk

Cermaq Group is exposed to fluctuations in various foreign currencies through its subsidiaries in Norway, Chile, Canada and Scotland. The most important foreign currencies to the Group are US dollar, Canadian dollar, Euros, and Japanese Yen. Subsidiaries in Chile use US dollar as their functional currency, but certain assets and liabilities are denominated in Chilean pesos.

Balance sheet exposure

Balance sheet exposure arises from recognised assets and liabilities and net investments in foreign subsidiaries. Exposure is limited by aligning a portfolio of debt with the relative importance of the respective currencies and countries to the Group's operating activities. However, assessing the foreign exchange exposure on a continuous basis and consistent with the achievement of optimum cost of funds, the Group may convert the debt to equity, repay the debt or move the borrowing to other currencies. The Group's exposure related to the net investment in foreign subsidiaries is generally not hedged and translation gains or losses are included in other equity.

Exposure related to operations

Foreign exchange rate arises from future commercial transactions. For the EWOS Group, the exposure is mainly related to raw material purchases in foreign currencies, while the majority of sales are in local currency. For the Mainstream Group the situation is largely the opposite, as the majority of purchases are made in local currencies, while sales are dominated by export in foreign currencies, predominantly US dollar and Japanese yen.

In many cases exposure to an exchange rate is effectively internally hedged by contracts with customers. In addition, revenue and costs in the same currency are netted on a Group basis where this is considered feasible. Net remaining exposure is reviewed by Group Treasury, who will authorise any hedging requirement. The Hedging period is limited to 12 months.

Periodically the Group enters into forward exchange contracts to hedge against foreign currency exchange risks associated with certain firm commitments and forecast exposures. This hedging minimises the impact of foreign exchange rate movements on the Group's results. The following forward contracts for hedging of future commercial transactions existed as at 31 December 2005:

Amounts in 1 000 of local currency

Cermaq Group buys		Cermaq Group sells	
USD	4 950	CAD	5 856
DKK	661	USD	107
CHF	230	USD	175
CLP	5 827 693	USD	11 180

The Fair value of currency hedging derivatives as at 31 December 2005 was negative and valued at NOK 585 000. In 2005 NOK 7.7 million has been taken out of equity and recognised in the profit and loss account, the amount relates to losses recognised on cashflow hedges and is taken out of equity due to the winding up of the hedging relationship.

Interest rate risk

The Cermaq Group is exposed to changes in interest rates primarily as a result of borrowing and investing activities used to maintain liquidity and to fund its business operations in different currencies. At year end, 81 percent of the Group's interest bearing debt was denominated in US dollar which provided a hedge against investments in Chile and US dollar revenues. 18 percent of the Group's interest bearing debt was in Norwegian kroner.

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

Amounts in NOK 1 000	31.12.2005	Average fixing of interest rates	Average interest rates
USD [1]	1 465 101	2 months	5.36%
NOK	330 412	1 month	2.90%
GBP	16 336	1 month	5.10%
Interest bearing debt	**1 811 849**	**2 months**	**4.91%**
Cash and bank [2]	389 718	-	-
Net interest bearing debt	**1 422 131**	**-**	**-**

[1] Average fixing of USD interest rate does not include interest rates hedges totalling USD 75 million (see specification of the interest rate hedges below). Taking into account the interest rate hedges, the average fixing of the USD interest rates and the total interest rates is 3 months.
[2] Cash and bank is the net sum of cash at hand minus utilised overdrafts for those companies making use of short-term credit facilities.

Loans are recorded at amortised cost, due to the short time period to the next interest rate adjustment there is an immaterial difference between fair value and amortised cost.

The following interest rate swaps/options existed as at 31 December 2005:

Instruments in USD 1 000	Currency	Amount	Cermaq receives	Cermaq pays	Maturity
Swap	USD	50 000	LIBOR 6 m	5.60%	Jan 2006
Swap	USD	15 000	LIBOR 6 m	5.14%	Oct 2007
Collar	USD	10 000	LIBOR 6 m	4.7%–7%	Mar 2006
Total interest rate hedges	**USD**	**75 000**			

The fair value of interest rate derivatives as at 31 December 2005 was negative and valued at NOK 1.2 million. Changes in the fair value of the interest rate derivates during the year has resulted in a profit of NOK 13.3 million recognised in the profit and loss accounts. Movements in the fair value of hedges are recorded in the profit and loss account.

Liquidity risk
Liquidity risk is managed through maintaining flexibility in funding by keeping committed credit lines available, and through maintaining sufficient liquid assets. The Group seeks to maintain medium term committed facilities to cover forecast borrowings for the next 12 months, plus financial headroom to cover medium sized acquisitions, and unforeseen movements in cash requirements.

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

Concentration of credit risk is not considered significant since the Cermaq Group's customers represent various industries and geographic areas. The Group does not have any material exposure to any individual customer or any other party as at 31 December 2005.

Note 24 Non-interest bearing short-term liabilities

Amounts in NOK 1 000	31.12.2005	31.12.2004
Unpaid taxes and holiday pay	27 406	23 878
Accounts payable	822 229	641 422
Taxes payable	51 674	70 209
Other short-term liabilities	160 575	151 936
Total other short-term liabilities	**1 061 885**	**887 446**

Note 25 Off-balance sheet leases Cermaq ASA and Group

At 31 December 2005 the Group had a number of leases outstanding which are accounted for as operational leases. There were no material conditions covering subleasing, purchase, escalations or restrictions in the operating lease agreements at 31 December 2005.

Lessee	Asset	Annual rent	Duration of agreement
Cermaq ASA	Rent offices	1 400	01.10.2009
EWOS Canada Ltd. – Group	Machinery and equipment	529	31.12.2008
EWOS Ltd.	Machinery and equipment	2 179	31.12.2008
EWOS AS	Machinery and equipment	1 534	21.12.2022
EWOS AS	Rent buildings	1 496	31.12.2022
EWOS AS	Rent offices	1 246	31.12.2008
Mainstream Canada	Machinery and equipment	919	31.12.2006
Mainstream Norway	Rent land	647	30.06.2031
Total		**9 950**	

Note 26 Mortgages and guarantees

The Group's syndicated loan is based on a negative pledge, which allows only limited potential to mortgage assets as security on other loans. Cermaq ASA guarantees the overdrafts of the subsidiaries which use the Group's corporate account system with Danske Bank/Fokus Bank. The parent company guarantee liabilities also include guarantees for the debt of other Group companies.

Amounts in NOK 1 000	31.12.2005	31.12.2004
Guarantee liabilities	317 175	431 252
Total guarantee liabilities	**317 175**	**431 252**

Note 27 Transition NGAAP to IFRS

From 1 January 2004 ("the date of transition") the financial statements for the Group are presented in accordance with International Financial Reporting Standards (IFRS) as applicable at each balance sheet date. These accounting standards are subject to ongoing review or possible amendment by interpretative guidance from the International Accounting Standards Board (IASB) and are therefore still subject to change. Prior year comparative figures for the year to 31 December 2004 are presented under IFRS with specific exceptions which are explained in the accounting policies and notes.

IFRS 1 – first time adoption of International Financial Reporting Standards permits certain optional exemptions from full retrospective application of IFRS accounting policies and the following options have been adopted as at the date of transition:

- Business combinations: Business combinations prior to the date of transition have not been restated onto an IFRS basis
- Cumulative translation differences: The cumulative translation difference arising on consolidation has been deemed to be zero at the date of transition
- Actuarial gains and losses in respect of pension schemes are recognised at the date of transition through equity

The Group is adopting the provisions of *IAS 39 – Financial instruments: recognition and measurement* and *IAS 32 – Financial Instruments: Disclosure and Presentation* from 1 January 2005. Financial instruments in the year ended 31 December 2004 remain recorded in accordance with Norwegian GAAP and the adjustment to IFRS is reflected in the balance sheet at 1 January 2005.

A detailed description of the impacts from the transition to IFRS, is given in the document *Transition to IFRS* which is available on the Group's website, www.cermaq.com, under Investor Relations. The most significant impacts on the Cermaq Group from the transition are briefly explained below:

Operating revenue
Cermaq has presented interest from customers as operating revenue rather than as part of net finance costs

Goodwill
Under IFRS goodwill is not amortised. If there are indicators that the investment may be impaired, the entire carrying amount of the investment is reviewed for impairment.

Deferred tax
Under IFRS deferred tax on fish farming licences will be recognised and calculated using the nominal tax rate, without any discounting.

Loans and borrowing costs
Under IFRS, interest bearing loans are measured at amortised cost using the effective interest method. Under N-GAAP prepaid commitment fees were expensed on a straight line basis in the income statement. The change in accounting policy had in 2004 immaterial impact on Cermaq's financial statements under IFRS. Borrowing costs are recognised as an expense when incurred in accordance with the benchmark accounting treatment in IAS 23.

Dividends
Under N-GAAP proposed dividends are classified as short

term liabilities. Under IFRS, dividends are not recognised as liabilities until the Group has an irrevocable obligation to pay the dividend, normally after approval at the Annual General Assembly.

Foreign currency
Under IFRS cumulative translation differences were set to zero as of 1 January 2004, but are reported for later periods. All transactions are recognised at the relevant exchange rate on the date of the transaction.

Derivative financial instruments
Under IFRS, all financial instruments are recognised in the balance sheet at their fair value. The financial instrument is recognised in the balance sheet when the entity becomes a party to the contractual provisions of the instrument. Financial instruments are derecognised from the balance sheet when the contractual rights expires or substantially all risks and rewards are transferred.

Fair value of currency hedges are calculated based on quoted market rates at the balance sheet date for contracts with similar maturity profiles. Interest rate hedges are valued by using discounted cash flow analyses, based on market values for similar instruments.

Changes in fair value on these instruments are reported in the profit and loss account except to the extent they qualify for hedge accounting.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability; or as cash flow hedges where they hedge exposure to variability in cash flows that is attributable to a particular risk associated with a forecast transaction. At 31 December 2005, the Group only held cash flow hedges.

In relation to cash flow hedges (forward foreign currency contracts and interest rate swaps) to hedge a forecast transaction which meet the conditions for special hedge accounting, any gain or loss on the contract that is determined to be an effective hedge is recognised directly in equity and the ineffective portion is recognised in profit and loss.

Inventory
Under IFRS, the Group's stock of live fish should be measured in accordance with IAS 41. This implies valuation at fair value if that can be reliably measured. Cermaq and other large fish farming companies have adopted as an industry practice that mature or harvestable fish (Atlantic > 4 kg and coho and trout > 2.5 kg) will be measured at fair value, while immature fish are measured at the lower of cost and net realisable value. Following a project to review the implication and application of IAS 41, the decision to adopt this accounting treatment was taken because of the uncertainties inherent in the fair value measurement of immature fish due to the long production cycle and a variety of environmental and industry factors, making any estimate of fair value, highly unreliable.

The estimate of fair value measurement is based on spot prices at the balance sheet date in the respective markets in which the Group operates. The fair value estimate also includes expectations in volumes, quality, mortality and normal cost of harvest and sale.

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

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

Under IFRS, all internally generated research costs are expensed as incurred. Development costs are only capitalised if specific criteria are met. In 2005 all development costs were expensed. The carrying value of goodwill and licences with indefinite life is to be reviewed for impairment annually or more frequently if indicators of fall in value below carrying amount exist.

Share based payments
Under IFRS, the fair value of share options at the allocation date are charged against profit and loss over the vesting period of the options. Options vested before 1 January 2005 or granted before 7 November 2002 will not be subject to the requirements of IFRS 2 (transition rule).

Equity

Amounts in NOK 1 000	**01.01.2004**	**31.12.2004**
Equity N-GAAP	**2 437 280**	**2 472 457**
IFRS impacts:		
IAS 12 Deferred tax on licenses in Chile	(100 325)	(90 700)
IAS 41 Inventory unrealised fair value adjustments	65 187	65 106
IAS 19 Pension	(38 143)	(37 017)
IFRS 3 Reversal of goodwill amortisation	-	39 444
Other	(3 654)	(1 700)
Proposed dividend	-	104 300
Total impacts	**(76 936)**	**79 433**
Equity IFRS	**2 360 344**	**2 551 890**

Profit and loss

Amounts in NOK 1 000	**2004**
Result N-GAAP	**185 013**
IFRS impacts:	
Pension	1 122
Goodwill amortisation	44 054
Fair value inventory impacts	6 726
Goodwill amortisation associates	2 292
Other	(2 145)
Tax	(1 492)
Total impacts	**50 557**
Result IFRS	**235 570**

Note 28 2003 annual result reported under NGAAP

Profit and loss account

	2003
Operating revenues	6 072 195
Cost of materials	4 090 802
Payroll expense	473 961
Depreciation	280 352
Other operating expenses	941 579
Write downs	230 995
Result of operations	**54 506**
Income from associates	11 077
Interest income	23 832
Other financial income	140
Interest expenses	143 796
Other financial expenses	8 612
Net foreign exchange gains/losses	45 260
Financial items, net	(83 175)
Result before tax	**(17 592)**
Tax on result	(17 536)
Result for the year	**(56)**
Result for the year, majority interest	(6 248)
Result for the year, minority interest	**6 192**

Balance sheet

	2003
Assets	
Concessions, patents, licences, trademarks and similar rights	775 677
Goodwill	701 432
Deferred tax assets	59 821
Total intangible fixed assets	1 536 930
Tangible fixed assets	**1 295 241**
Investments in associates	142 390
Investments in shares	60 411
Other long-term receivables	59 850
Total financial fixed assets	262 651
Total fixed assets	**3 094 822**
Inventory	842 184
Accounts receivable from customers	695 170
Other short-term receivables	8 383
Bank deposits, cash in hand, etc.	403 389
Total current assets	**1 949 126**
Total assets	**5 043 948**
Equity and liabilities	
Share capital	875 000
Company's own shares	(5 440)
Share premium reserve	1 524 424
Total paid-in capital	2 393 984
Other equity	42 929
Minority interests	367
Total equity	2 437 280
Pension liabilities	18 068
Total provisions	18 068
Interest bearing long-term debt	1 525 066
Total long-term liabilities	1 543 134
Interest bearing short-term debt	143 606
Other short-term liabilities	919 928
Total current liabilities	**1 063 534**
Total equity and liabilities	**5 043 948**

Cashflow statement

	2003
Cash flow from operating activities	
Ordinary result before tax	(17 592)
Gain/loss on tangible and intangible assets	(75 208)
Depreciation	280 352
Write downs tangible and intangible assets	230 995
Taxes paid, net	(54 735)
Difference between pension premiums paid and pension expense	(5 243)
Difference between income from and dividends received from associates	7 244
Change in stock, accounts receivable and accounts payable	335 367
Change in other short-term operating assets and liabilities	64 055
Net cash flow from operating activities	**765 235**
Cash flow from investing activities	
Purchase of tangible fixed assets	(187 116)
Proceeds received from sale of tangible fixed assets	24 315
Purchase of share and companies, net of purchased cash and cash equivalents	(8 607)
Purchase of shares & investments in associated undertakings	(35 411)
Proceeds received from sale of companies, net of sold cash and cash equivalents	200 099
Net cash flow from investing activities	**(6 720)**
Cash flow from financing activities	
Payment of long-term debt	(514 132)
Change in short-term interest bearing debt /loan	(82 642)
Payment of dividends and Group contribution (incl. payments to minorities)	(4 924)
Net cash flow from financing activities	**(601 698)**
Foreign exchange effect	(94 095)
Net change in cash and cash equivalents for the year	**62 722**
Cash and cash equivalents at the beginning of the year	340 667
Cash and cash equivalents at the end of the year	403 389

PROFIT AND LOSS ACCOUNT

Cermaq ASA

Amounts in NOK 1 000	*Notes*	2005	2004
Operating revenues		**5 397**	**6 833**
Payroll expense	2	31 766	28 381
Depreciation	9	3 055	3 117
Other operating expenses	4	9 871	23 482
Result of operations		**(39 295)**	**(48 147)**
Income from subsidiaries	5	5 703	70 216
Income from associates	6	306	-
Interest income	7	53 909	62 433
Other financial income	7	134 906	4 112
Interest expenses	7	20 507	26 670
Write down of financial assets	7	575	11 472
Other financial expenses	7	2 984	17 681
Net foreign exchange gains/losses	7	5 545	31 077
Financial items, net	7	**170 294**	**41 799**
Ordinary result before tax		**137 008**	**63 868**
Tax on ordinary result	8	(1 231)	24 753
Result for the year		**138 239**	**39 115**
Proposed dividend		170 446	104 347
Allocated to/ from (-) other equity		(32 207)	(65 232)
Total allocation of result for the year		**138 239**	**39 115**
Received Group contribution after tax		4 049	50 556

BALANCE SHEET AS AT 31 DECEMBER

Cermaq ASA

Amounts in NOK 1 000	*Notes*	2005	2004
ASSETS			
Tangible fixed assets	*9*	**20 191**	**23 374**
Investments in subsidiaries	*10*	1 148 003	920 390
Loans to Group companies	*14*	1 902 824	1 341 674
Investments in associates	*11*	-	50 680
Investments in shares	*12*	19 584	12 130
Other long-term receivables	*13*	5 804	31 465
Total financial fixed assets		**3 076 215**	**2 356 339**
Total fixed assets		**3 096 406**	**2 379 713**
Accounts receivable from customers	*15*	2 156	2 864
Other short-term receivables		9 468	3 118
Short-term intercompany receivables		32 646	97 812
Bank deposits, cash in hand, etc.	*16*	-	113 516
Total current assets		**44 270**	**217 310**
TOTAL ASSETS		**3 140 676**	**2 597 024**
EQUITY AND LIABILITIES			
Share capital	*17*	925 000	875 000
Company's own shares	*17*	(4 956)	(5 440)
Share premium reserve	*17*	1 685 535	1 524 424
Total paid-in capital		**2 605 579**	**2 393 984**
Other equity	*17*	26 801	61 577
Total equity		**2 632 380**	**2 455 561**
Pension liabilities	*3*	2 119	-
Deferred tax	*8*	2 155	5 025
Total provisions		**4 273**	**5 025**
Long-term intercompany debt	*14*	**5 760**	**-**
Total long-term liabilities		**10 033**	**5 025**
Interest bearing short-term debt	*18*	301 412	-
Other short-term liabilities	*20*	195 840	133 159
Short-term intercompany liabilities		1 011	3 279
Total current liabilities		**498 263**	**136 438**
TOTAL EQUITY AND LIABILITIES		**3 140 676**	**2 597 024**

CASH FLOW STATEMENT

Cermaq ASA

Amounts in NOK 1 000	2005	2004
Cash flow from operating activities		
Ordinary result before tax	137 009	63 868
Gain/loss on tangible and intangible assets	(10 582)	2 882
Depreciation	3 055	3 117
Change in value of financial assets	583	11 472
Taxes paid, net	-	(20 982)
Difference between pension premiums paid and pension expense	(1 123)	(63)
Change in stock, accounts receivable and accounts payable	13 988	68 061
Change in other short-term operating assets and liabilities	61 487	(57 282)
Net cash flow from operating activities	**204 417**	**71 073**
Cash flow from investing activities		
Purchase of tangible fixed assets	(1 065)	(743)
Proceeds received from sale of tangible fixed assets	1 818	2 890
Purchase of shares & investments in associated undertakings	(193 113)	(62 112)
Proceeds received from sale of companies, net of sold cash and cash equivalents	18 100	60 842
Change in loans to Group companies [1]	(561 150)	(24 953)
Net cash flow from investing activities	**(735 410)**	**(24 076)**
Cash flow from financing activities		
Changes in long-term debt	5 760	-
Change in short-term interest bearing debt /loan	301 412	-
Payment of dividends and Group contribution (incl. payments to minorities)	(104 347)	(31 068)
Net proceeds from issuance of common shares	213 241	-
Net cash flow from financing activities	**416 066**	**(31 068)**
Foreign exchange effect [1]	-	-
Net change in cash and cash equivalents for the year	**(114 927)**	**15 929**
Cash and cash equivalents at the beginning of the year	113 516	97 587
Cash and cash equivalents at the end of the year	**(1 411)**	**113 516**

[1] The parent company's cash flows on purchase of shares have been netted against changes in loans to Group companies following debt to equity transfers

NOTES

Cermaq ASA

Note 1 Accounting principles

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

The accounting principles described in this section are as applied to Cermaq ASA company only and do not describe the principles applied to the Cermaq Group accounts. The notes for the Cermaq Group are presented with the consolidated accounts for the Group.

Investments in subsidiaries, joint ventures and associated companies

In Cermaq ASA, investments in subsidiaries, joint ventures and associated companies are recorded in accordance with the cost method.

Recognition of income

The sale of all goods is taken to income at the time of delivery. Discounts, other price reductions, taxes, etc., are deducted from operating revenues.

Classification principles

Liquid assets are defined as cash, bank deposits and other investments that can be converted into cash within 3 months.

Other assets intended for permanent ownership or use and receivables that mature more than one year after the end of the accounting year are identified as fixed assets. Other assets are classified as current assets.

Liabilities that fall due later than one year after the end of the accounting year are classified as long-term liabilities. Other liabilities are classified as short-term liabilities.

Foreign currency transactions

All foreign currency transactions are converted to NOK at the date of the transaction.

All balance sheet items denominated in foreign currency are translated at the exchange rate at the balance sheet date. Derivatives designated as hedging instruments in fair value hedges are measured at fair value and changes in fair value are recognised in the income statement. Correspondingly, a change in the fair value of the hedged object is recognised in the income statement, as is the net gain or loss.

Accounts receivables from customers

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

Tangible fixed assets and depreciation

Tangible fixed assets are carried at cost less accumulated depreciation and impairment write downs.

Allowances are made for ordinary depreciation from the point in time when an asset is placed in ordinary operation, and depreciation is calculated based on the economic/technical life of the asset in accordance with the following guidelines:

Asset Group	Depreciation Rate
Furniture and fixtures	20-33%
Computer equipment	20-33%
Vehicles	15-20%
Machinery and production equipment	10-20%
Plant	3-5%
Office buildings and dwellings	2-5%

Plant under construction is not depreciated.

Fixed assets are written down if the Net Present Value (NPV) of the anticipated future cash flows related to the asset can be demonstrated to be lower than the recorded value of the asset.

Gains or losses from the sale of tangible assets are calculated as the difference between the sales price and the book value at the date of sale. Gains and losses from the sale of tangible fixed assets are recorded as operating revenues or losses.

Pension costs and obligations

Pension costs are calculated and recorded in accordance with IAS 19, Employee Benefits. The net pension costs for the period are included in wages and other personnel expenses.

Pension obligations are calculated on the basis of long-term discount rate and long term expected yield, wage increases, price inflation and pension adjustment. Pension funds are valued net of their fair value and the pension obligations to which they relate. A surplus is recognised to the extent that it can reasonably be utilised.

Changes in calculated pension obligations due to changes in pension plans are accrued over the remaining contribution period or expected lifetime. Changes in the underlying obligations and assets of pension funds as a result of changes in estimates are accrued over the remaining contribution period for the portion of the deviations that exceed 10 percent of gross pension obligations.

At 1 January 2005 (the date of transition to IFRS) all actuarial gains and losses have been recognised in equity, following the voluntary exemption permitted under IFRS 1. In the future Cermaq will continue to use the corridor approach in determining the accounting treatment of pension obligations. The discount rate used in calculations is determined based on the 10-year Norwegian government bond rate.

Taxation

Tax accounted for includes both tax payable for the period and the movement in deferred tax. Movement in deferred tax reflects future tax payable as a result of the company's activities during the year.

Deferred tax is recognised in respect of all temporary differences and accumulated tax losses carried forward at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or less tax in the future have occurred. Temporary differences are differences between taxable profits and results, as stated in the financial statements, that occur in one period and reverse in a later period.

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

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

Exceptional items
Items that are uncommon, occur infrequently and are significant in relation to the overall operations are recorded as exceptional.

Cash flow statement
The cash flow statement analyses the company's overall cash flow by operating, investment and financing activities. The statement shows the effect of operations on liquid asset balances.

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

Note 2 Wages and other personnel expenses

Amounts in NOK 1 000	2005	2004
Wages, salaries incl. holiday pay	20 648	18 769
National insurance contributions	5 930	3 246
Pension costs	2 802	3 149
Other staff expenses	2 385	3 217
Total wages and other personnel costs	**31 766**	**28 381**

Number of employees in Cermaq ASA as at 31 December 2005: 24 (2004: 26)
For details regarding salary for key management, please see the Group notes section of this report.

Note 3 Pension costs and obligations

Cermaq ASA has pension insurance for its employees through Vital Forsikring ASA. It is a defined benefit pension scheme and is accounted for as such. There were 19 members in the scheme as at 31 December 2005 (2004: 21 members). In addition Cermaq ASA has responsibility for 47 pensioners. These were transferred to Cermaq as an element in the final clarification of the sale of Stormøllen to Felleskjøpet in 1999.

	2005	2004
Discount rate	4.0%	5.5%
Expected return on pension funds	5.0%	6.0%
Wage adjustment	3.0%	3.0%
Basic amount adjust/inflation	3.0%	3.0%
Pension adjustment	3.0%	3.0%

Amounts in NOK 1 000	2005	2004
Net present value of current year's pension benefit earned	2 547	2 658
Interest cost of pension liability	2 054	1 935
Expected return on pension funds	(2 020)	(1 986)
Amortisation of discrepancies	23	309
Employee contributions deducted	(279)	(276)
Administrative expenses	131	119
Accrued national insurance contributions	346	389
Net accrued pension costs	**2 802**	**3 149**
Projected benefit liabilities	(47 616)	(38 233)
Estimated pension funds	35 294	33 419
Estimated net pension funds/liabilities(-)	**(12 322)**	**(4 814)**
Unrecorded actuarial gain(-)/losses	10 204	7 427
Net pension funds/liabilities (-)	**(2 119)**	**2 613**
Pension funds/obligations(-)	**(2 119)**	**2 613**

The Norwegian Accounting Board has adopted a new standard, NRS 6A, which allows companies that apply Norwegian generally accepted accounting standards to apply IAS 19, Employee Benefits, when it comes to recognition of pension costs. According to IFRS 1.20, First-time Adoption, we have recognised cumulative actuarial gains and losses through equity, leaving our pension obligation at 1 January 2005 according to IFRS to NOK 3.2 million.

Note 4 Other operating expenses

Amounts i NOK 1 000	**2005**	**2004**
Sales and adminstration expenses	9 871	12 540
Other operating expenses	-	10 942
Total other operating expenses	**9 871**	**23 482**

Auditor

The company's auditor, Ernst & Young has invoiced the following fees in 2005 for Cermaq ASA:

Amounts i NOK 1 000	
Aduit fees	524
Fees other audit services	-
Total audit fees	**524**
Tax advice	412
Other services	985
Total fees	**1 921**

Note 5 Income from investments in subsidiaries

In 2005, Cermaq ASA will receive NOK 5.6 million in contribution from EWOS AS. Cermaq ASA has an direct equity interest in EWOS AS of 62 percent. The remaining 38 percent are owned through other subsidiaries. Cermaq also received 80 000 kroner in dividend from Balsfjord Kornsilo.

Note 6 Income from associated companies

In 2005, Cermaq ASA received 306 000 kroner in dividend from Trondheim Kornsilo AS (0 in 2004).

Note 7 Financial income/expenses

Amounts in NOK 1 000	**2005**	**2004**
Interest income	53 909	62 433
Other financial income [1]	134 906	4 112
Total financial Income	**188 815**	**66 545**
Of which related to Group items	*51 086*	*56 496*
Interest expenses	(20 507)	(26 670)
Write down of financial assets [2]	(575)	(11 472)
Other financial expenses	(2 984)	(17 681)
Total financial expenses	**(24 066)**	**(55 823)**
Net foreign exchange gains/losses, external	(3 379)	4 922
Net foreign exchange gains/losses, Group	8 924	26 155
Net financial items	**170 294**	**41 799**

1 Cermaq ASA received NOK 125 million in dividend from EWOS AS in 2005. The sale of Norsk Lossekontroll AS, Trondheim Kornsilo AS and Balsfjord Kornsilo AS (sold to EWOS AS)realised a profit of NOK 9.9 million.

2 Shares in Risørfisk have been written down by 575 000 kroner.

Note 8 Taxation

Amounts in NOK 1 000	2005	2004
Tax payable	-	1 764
Change in Deferred Tax	(1 231)	22 989
Tax on ordinary result	**(1 231)**	**24 753**
Deferred tax-tax effect of temporary differences		
Total short term items	(1 762)	(2 172)
Total long term items	8 099	11 519
Tax loss carried forward and other tax credits	(4 182)	(4 322)
Deferred tax/deferred tax assets (-)	**2 155**	**5 025**
Reconciliation of the tax of the year		
28% tax on profit before tax for the year	38 363	17 883
28% tax effect on permanent differences	(41 168)	5 106
Change in tax from previous years	-	1 764
Other differences	1 575	-
Tax on ordinary result	**(1 231)**	**24 753**

Permanent differences for Cermaq ASA for 2005 are primarily related to received dividend, cost in relation to the initial public offering and gain on sale of shares.

Cermaq ASA applied IAS 19, Employee Benefits, as from 1 January 2005. The transition from NGAAP meant recognition of all cumulative actuarial gains and losses through equity. This also affected deferred tax, leaving the deferred tax obligation at 1 January at NOK 3 385.

Note 9 Tangible fixed assets

Amounts in NOK 1 000	Machinery, fixtures, vehicles, etc.	Buildings	Land	Total
Historical cost as at 1 January	**16 856**	**21 549**	**1 977**	**40 382**
Additions, cost price	1 055	-	-	1 055
Disposals, cost price	(1 534)	-	(596)	(2 130)
Historical cost as at 31 December	**16 377**	**21 549**	**1 381**	**39 307**
Accumulated depreciation as at 1 January	**(7 934)**	**(9 074)**	**-**	**(17 009)**
Ordinary depreciation for the year	(2 115)	(940)	-	(3 055)
Accumulated depreciation on disposals in the year	949	-	-	949
Accumulated depreciation as at 31 December	**(9 101)**	**(10 014)**	**-**	**(19 116)**
Book value as at 1 January	**8 922**	**12 475**	**1 977**	**23 374**
Book value as at 31 December	**7 276**	**11 535**	**1 381**	**20 191**

Financial leasing

There are no significant leasing agreements in the balance sheet regarding buildings, machinery, inventory etc.

Note 10 Investments in subsidiaries

Amounts in NOK 1 000	Ownership interest Cermaq ASA	Equity as at 31.12.2005	Profit/loss for 2005	Book value as at 31.12.2005	Office location
Statkorn Aqua AS	100.0%	90 609	(24 645)	209 239	Oslo
Statkorn Aqua Invest AS	100.0%	31 988	10 480	15 510	Oslo
EWOS AS	62.0% [1]	457 331	6 661	354 083	Bergen
EWOS Ltd.	100.0%	152 581	21 007	326 336	Westfield
NorAqua AS	100.0%	3 114	74	13 102	Bergen
EWOS Chile Ltda.	1.0% [1]	356 024	69 981	1 580	Coronel
Cernova AS	100.0%	19 334	2 174	500	Bergen
Mainstream Norway	100.0%	106 612	31 553	227 653	Steigen
Total investment in subsidiaries				**1 148 003**	

[1] The Cermaq Group wholly owns the companies. Statkorn Aqua AS owns the remaining interests not owned by Cermaq ASA.

Note 11 Investments in associates

Amounts in NOK 1 000	Ownership interest as at 31.12.2004	Voting share as at 31.12.2004	Book value as at 31.12.2004	Additions/ deduction	Book value as at 31.12.2005
Follalaks AS [1]	34.00%	34.00%	40 000	(40 000)	-
Balsfjord Kornsilo AS [2]	40.00%	40.00%	40	(40)	-
Trondheim Kornsilo AS [2]	34.00%	34.00%	2 615	(2 615)	-
Seastar Salmon Farms Holding [3]	22.93%	22.93%	8 025	(8 025)	-
Total			**50 680**	**(50 680)**	-

[1] Cermaq ASA acquired the remaining 66 percent of the shares in the company during 2005.
[2] An agreement with Felleskjøpet in May 2005, who was co-owner in both companies, resulted in the acquisition of the remaining 50 percent of the shares in Balsfjord Kornsilo AS from Felleskjøpet and the sale of Trondheim Kornsilo AS to Felleskjøpet. Balsfjord Kornsilo AS was resold to EWOS AS, realising a gain of NOK 4.4 million for Cermaq ASA.
[3] The merger between Veststar Holding og Seastar Salmon Farms Holding AS in August 2005 reduced Cermaq`s ownership interest to 5.4 percent which results in classification as other investment rather than as investment in an associate.

Note 12 Investments in other companies

Amounts in NOK 1 000	Cermaq ASA	Group ownership interest	No.of shares owned	Total par value	Share capital	Book value
Seastar Salmon Farms Holding	5.40%	5.40%	112 789	112 789	2 089	8 026
Aqua Gen AS	11.75%	11.75%	311 068	311	2 648	11 497
Other	-	-	-	-	-	60
Total investments in shares						**19 584**

Note 13 Other long-term receivables

Amounts in NOK 1 000	31.12.2005	31.12.2004
Long-term loans	5 804	28 852
Other long-term receivables	-	2 613
Total other long-term receivables	**5 804**	**31 465**

Note 14 Long term inter-company loan

Amounts in NOK 1000	Currency	Curreny amount	Book value as at 31.12.05	Book value as at 31.12.04
Loans to Group companies:				
EWOS Canada Ltd	CAD	3 130	18 208	37 478
EWOS UK Ltd	GBP	4 217	49 133	14 456
Mainstream Scotland Ltd	GBP	4 403	51 302	46 383
EWOS Chile Ltda.	USD	-	-	61 023
Receivables from Norwegian companies	NOK	1 784 181	1 784 181	1 182 335
Total loans to Group companies			**1 902 824**	**1 341 674**
Loans from Group companies:				
Statkorn Aqua Invest AS	NOK	5 760	5 760	-
Total loans from Group companies			**5 760**	**-**

All intercompany loans denominated in foreign currencies are recorded at the exchange rate on the balance sheet date.

Note 15 Accounts receivables from customers

Amounts in NOK 1 000	31.12.2005	31.12.2004
Receivables from customers	2 156	2 864
Total accounts receivable	**2 156**	**2 864**

Note 16 Liquid assets

Amounts in NOK 1 000	31.12.2005	31.12.2004
Bank and postal giro deposits, cash in hand	-	113 516
Total bank deposits, cash in hand etc.	**-**	**113 516**

As at 31 December 2005 there were no restricted deposits included within liquid assets. (2004: NOK 0)

Note 17 Equity

Number of shares: 92 500 000, face value NOK 10. All the shares in the company have equal status.

Amount in NOK 1 000	Share capital	Own shares	Share premium reserves	Other reserves	Total equty
Equity as at 31.12.2004	**875 000**	**(5 440)**	**1 524 424**	**61 577**	**2 455 561**
Equity effects when applying IAS 19	-	-	-	(4 216)	(4 216)
Equity as at 1 January 2005	**875 000**	**(5 440)**	**1 524 424**	**57 362**	**2 451 346**
Share issue	50 000	484	161 111	1 646	213 241
Result for the year	-	-	-	138 239	138 239
Proposed dividend	-	-	-	(170 446)	(170 446)
Equity as at 31.12.2005	**925 000**	**(4 956)**	**1 685 535**	**26 801**	**2 632 380**

Shareholder	Nationality	Number of shares held	Ownership
NÆRINGS- OG HANDELSDEPARTEMENTET	NOR	40 271 600	43.54%
GOLDMAN SACHS & CO EQUITY NONTREATY CUS	GBR	4 458 809	4.82%
GOLDMAN SACHS INTERN EQUITY NONTREATY CUS	GBR	2 086 135	2.26%
BANK OF NEW YORK	USA	2 000 000	2.16%
ISLANDSBANKI	ISL	2 000 000	2.16%
ODIN NORGE	NOR	1 974 800	2.13%
EUROCLEAR BANK S.A.	BEL	1 840 235	1.99%
MORGAN STANLEY AND CO CLIENT EQUITY ACCOUNT	GBR	1 493 227	1.61%
ODIN NORDEN	NOR	1 440 550	1.56%
BANK OF NEW YORK, BR S/A EQUITY TRI-PARTY	GBR	1 425 000	1.54%
BANK OF NEW YORK, BR S/A MSF-MUTUAL DISCO	USA	1 368 728	1.48%
MORGAN STANLEY & CO. CLIENT EQUITY ACCOUNT	GBR	1 366 100	1.48%
BEAR STEARNS SECURITY	USA	1 320 718	1.43%
AVANSE NORGE	NOR	1 293 802	1.40%
JPMORGAN CHASE BANK S/A ESCROW ACCOUNT	GBR	1 225 786	1.33%
SKANDINAVISKA ENSKIL A/C CLIENTS ACCOUNT	SWE	1 142 100	1.23%
VITAL FORSIKRING ASA DNB NOR KAPITALFORVALTNING	NOR	1 046 607	1.13%
STATE STREET BANK & CLIENT OMNIBUS	USA	836 700	0.90%
DNB NOR NORGE	NOR	678 482	0.73%
DNB NOR NORGE SELEKT VPF	NOR	651 858	0.70%
Total 20 largest shareholder		**69 921 237**	**75.59%**
Total other shareholders		22 578 763	24.41%
Total number of shares		**92 500 000**	**100%**

For details regarding shares of key management personnel, please refer to the Group notes section of this report.

Note 18 Financing

Cermaq ASA has short-term liabilities amounting to NOK 301.4 million. The short-term liabilities comprise primarily of a drawing facility of NOK 300 million entered into by Cermaq ASA in connection with refinancing of Mainstream Norway's debt. The NOK 300 million is lent by Cermaq ASA to Mainstream Norway as internal loan. In addition, the short-term liabilities are present drawings for Cermaq ASA as of 31.12.2005 related to the Group account system in Danske Bank /Fokus Bank amounting to NOK 1.4 million. The short-term liabilities for Cermaq ASA mature in 2006.

Note 19 Financial market risk management

Foreign currency risk
The Group's foreign exchange exposure related to the equity of its foreign subsidiaries is normally not hedged and translation gains or losses are included in other equity.

Interest rate risk
The Group maintains a high ratio of long-term debt as a proportion of its total interest bearing debt. Long- term floating rate debt denominated in US dollar are partly hedged through interest rate swaps and interest rate collars. As at 31 December 2005, 37 percent of the long-term debt denominated in US dollar was hedged.

Interest rate hedging
Interest rate swaps/options as at 31 December 2005:

Amounts in NOK 1 000

Instrument	Currency	Amount	Cermaq receives	Cermaq pays	Maturity
Swap	USD	50 000	LIBOR 6 m	5.60%	Jan 2006
Swap	USD	15 000	LIBOR 6 m	5.14%	Oct 2007
Collar	USD	10 000	LIBOR 6 m	4.7%-7%	Mar 2006
Total interest rate hedges	**USD**	**75 000**			

Fair value of interest rate derivatives as at 31 December 2005 was negative with NOK 1.2 million.

Credit risk

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

Concentration of credit risk is not considered significant since the Cermaq Group's customers represent various industries and geographic areas. The Group does not have any significant exposure to any individual customer or any other party as at 31 December 2005

Note 20 Non-interest bearing short-term liabilities

Amounts in NOK 1 000	31.12.2005	31.12.2004
Unpaid taxes and holiday pay	1 241	1 615
Accounts payable	6 356	4 201
Taxes payable	1 764	1 764
Dividend	170 446	104 347
Other short-term liabilities	16 034	21 231
Total other short-term liabilities	**195 840**	**133 159**

Note 21 Off-balance sheet leases Cermaq ASA and Group

Lessee	Asset	Annual rent	Duration of agreement
Cermaq ASA	Rent	1 400	01.10.2009

Note 22 Mortgages and guarantees

The Group's syndicated loan is based on a negative pledge, which allows only limited potential to mortgage assets as security on other loans. Cermaq ASA is liable for withdrawals by the subsidiaries from the Group's corporate account system with Danske Bank/Fokus Bank. The parent company guarantee liabilities also include guarantees for the debt of other Group companies.

Amounts in NOK 1 000	31.12.2005	31.12.2004
Guarantee liabilities	317 175	431 252
Total guarantee liabilities	**317 175**	**431 252**

ERNST & YOUNG

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Medlemmer av Den norske Revisorforening

To the General Meeting of
Cermaq ASA

Auditor's report for 2005

We have audited the annual financial statements of Cermaq ASA as of 31 December 2005, showing a profit of NOK 138.239.000 for the parent company and a profit of NOK 660.557.000 for the group. We have also audited the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit. The financial statements comprise the financial statements for the parent company and the group. The financial statements of the parent company comprise the balance sheet, the statements of income, cash flows, and the accompanying notes. The financial statements of the group comprise the balance sheet, the statements of income and cash flows, the statement of equity and the accompanying notes. The regulations of the Norwegian Accounting Act and accounting standards, principles and practices generally accepted in Norway have been applied in the preparation of the financial statements of the parent company. IFRSs as adopted by the EU have been applied in the preparation of the financial statements of the group. These financial statements and the Directors' report are the responsibility of the Company's Board of Directors and Managing Director. Our responsibility is to express an opinion on these financial statements and on other information according to the requirements of the Norwegian Act on Auditing and Auditors.

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

In our opinion,

- the financial statements of the parent company are prepared in accordance with laws and regulations and present fairly, in all material respects the financial position of the company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in accordance with accounting standards, principles and practices generally accepted in Norway
- the financial statements of the group are prepared in accordance with laws and regulations and present fairly, in all material respects, the financial position of the group as of 31 December 2005, and the results of its operations and its cash flows and the changes in equity for the year then ended, in accordance with IFRSs as adopted by the EU
- the company's management has fulfilled its duty to properly record and document the accounting information as required by law and bookkeeping practice generally accepted in Norway
- the information in the Directors' report concerning the financial statements, the going concern assumption, and the proposal for the allocation of the profit is consistent with the financial statements and complies with law and regulations.

Besøksadresse:
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Christian Frederiks plass 6
0154 Oslo

Arendal, Bergen, Bø, Drammen, Fosnavåg, Fredrikstad, Holmestrand, Horten, Hønefoss, Kongsberg, Kragerø, Kristiansand, Larvik, Levanger, Lillehammer, Moss, Måløy, Notodden, Oslo, Otta, Porsgrunn/Skien, Sandefjord, Sortland, Stavanger, Steinkjer, Tromsø, Trondheim, Tønsberg, Vikersund, Ålesund

ERNST & YOUNG

Without qualifying our opinion above, we draw attention to the fact that the Company, as outlined in note 18, has prepared the accompanying financial statements based on applying the cost method to live fish below 4 kg. The main principle of IAS 41 is that estimated fair value should be applied in accounting for biological assets. The rationale behind applying the cost method under the provisions of IAS 41 is that the Company argues that fair value cannot be measured with sufficient reliability. The Norwegian regulatory body (Kredittilsynet) which has responsibility for reviewing the accounts of public companies has concluded that they disagree with applying the cost method in relation to live fish below 4 kg. The matter has been appealed to the Ministry of Finance by the fish farming industry. At the date of this report the outcome of this appeal is uncertain. Depending on, amongst others, the outcome of this appeal the Company might have to change the accounting policy in this area.

Oslo, 15 March 2006
ERNST & YOUNG AS

Eirik Tandrevold
State Authorised Public Accountant (Norway)
(sign)

Note: The translation to English has been prepared for information purposes only.

MANAGEMENT GROUP

Geir Isaksen (1954)
Chief Executive Officer
Mr. Isaksen was appointed Chief Executive Officer of Statkorn AS in 1995 and became Chief Executive Officer of Cermaq (previously Statkorn Holding ASA) in September 1996. He holds a Dr. Science degree in Agricultural Economics from the Agricultural University of Norway (1984). Isaksen has previously been a Research Fellow of the Agricultural University of Norway (1984-1986), and later the Trade Manager of AL Gartnerhallen (1986-1993). He was the Brussels representative of the Norwegian Farmers Association in 1993-94. Isaksen has been a member of a number of official commissions and enquiries. He lives in Oppegård, Norway.

Geir Sjaastad (1953)
Deputy CEO
Mr. Sjaastad joined Cermaq ASA (previously Statkorn Holding AS) in 1996. He is a business studies graduate from the Norwegian School of Economics and Business Administration and has also pursued legal studies. Sjaastad's previous employment includes periods as manager/partner of Gemini Consulting and IKO Strategi (1988 – 1996), as well as finance director and company secretary of Bjølsen Valsemølle AS (1981 – 1988). He lives in Oslo, Norway.

Peter Williams (1952)
Chief Financial Officer
Mr. Williams was appointed Chief Financial Officer in May 2002. He joined the EWOS Division in 1997, as Finance Director. He is a Chartered Accountant and Fellow of the Association of Corporate Treasurers. His previous employment includes Finance Director of Pringle of Scotland (1995 – 96), Courtaulds Textiles International Fabrics (1990 – 95), and senior financial positions with BICC plc (1984 – 90). He trained and worked as a Chartered Accountant with Coopers & Lybrand (1975 – 83). He lives in Oslo, Norway.

Francisco Ariztía (1961)
Chief Operating Officer farming
Mr. Ariztía was appointed global director of the Mainstream Group and COO of Cermaq farming in 2002, from his previous position as Managing Director of Mainstream Chile, which he held since 1997. He holds an engineering degree from Universidad de Chile in Santiago. Ariztía's previous employment includes Marketing Director of Hatfield International (1984-87) and Managing Director of Salmones Ventisqueros (1987-1997). He lives in Santiago, Chile.

Kjell Bjordal (1953)
Chief Operating Officer feed
Mr. Bjordal was appointed global director of the EWOS Group and COO of Cermaq feed in 2002. He was formerly CEO of NorAqua, which he joined in 1998. He is a business studies graduate from the Norwegian School of Economics and Business Administration and has also pursued legal studies. In addition he has attended the Advanced Management Programme at Wharton Business School. Mr. Bjordal's previous employment includes President and CEO of the Glamox Group (1989-98) and CFO of Glamox Group (1985-89). He lives in Molde, Norway.

SHAREHOLDER INFORMATION

Shareholder structure
Cermaq ASA had 2 420 shareholders at 31 December 2005. Foreigners owned 32.5 percent of the shares. The 20 largest shareholders owned 76 percent of the shares at 31 December, with foreigners accounting for 32.3 percent.

Share capital
Cermaq ASA had 92 500 000 ordinary shares with a nominal value of NOK 10 per share at 31 December 2005. The company has only one share class, and each share has one vote.

The company's articles of association specify that the board may not approve any transfer of shares which would reduce the Norwegian government's shareholding below 34 percent. The company's shares are otherwise freely transferable.

Prevailing board authorities
The board has been given the authority to increase the share capital by up to five million shares. This authority relates to capital expansions with settlement in cash or other non-monetary considerations, and for mergers. The authority can otherwise be used to meet obligations under option agreements. It remains valid until the annual General Meeting in 2006.

At the company's extraordinary General Meeting, the board was authorised to purchase the company's own shares up to a total nominal value of NOK 43 750 000. The company may not own more than five percent of its outstanding shares at any given time. The lowest and highest price which can be paid for the shares is NOK 10 and NOK 100 respectively. When purchasing shares, the board must ensure that general principles for the equal treatment of shareholders are observed. The authority remains valid until the annual General Meeting in 2006.

Option schemes
The board has concluded option agreements with employees. Information about these can be found in note 6.

Stock market listing
The company's shares were listed on the Oslo Stock Exchange on 24 October 2005 (ticker code: CEQ).

An initial public offering and a dispersion sale were implemented in connection with the listing. The issue price was set at NOK 44 per share. At 31 December, the share price was NOK 54.75 per share, corresponding to an increase of 24 percent from the IPO/dispersal sale price. In the period from the listing until 31 December, 94 047 008 shares were traded. This corresponded to 102 percent of the company's shares.

Dividend policy
The overriding object of the Cermaq board is to give the shareholders a return in the form of dividend and higher share price which is at least on a par with other companies offering a comparable level of risk. Over time, the increase in value is expected to find expression to a greater extent through a rising share price rather than dividend payments. Future dividend will depend on Cermaq's earnings, financial position and cash flow. The board takes the view that the dividend paid should show a steady development in line with the growth in Cermaq's results, while taking account of opportunities for value creation through profitable new investments. The board considers it appropriate that dividend should average 30 percent of the company's net profit over a period of several years.

Year	Dividend (per share)
2005	(proposed) 1.85
2004	1.20
2003	0.00
2002	0.00

Information policy
Cermaq endeavours to provide the market with precise, consistent and relevant information about the company in accordance with its core values of integrity, prudence, preparedness and business mindeness.

The company is concerned to ensure that investors and other players in the market are treated equally, and that everyone has rapid access to all relevant information. Speedy and precise information is necessary if the market is to assess the company on the best possible basis.

At the end of each quarter, Cermaq will hold a presentation of financial information open to all interested parties. The annual accounts and accounting figures for the second quarter will be published directly via a webcast. Important information about Cermaq will be continuously presented on the company's web sites – www.cermaq.com and www.cermaq.no – in conformity with prevailing legislation and statutory regulations.

During the last month in each quarter and before the presentation of interim results, Cermaq will keep its contact with analysts, investors and financial journalists to a minimum in order to avoid leaks of information and the potential provision of unequal information to the market.

Risk regulation

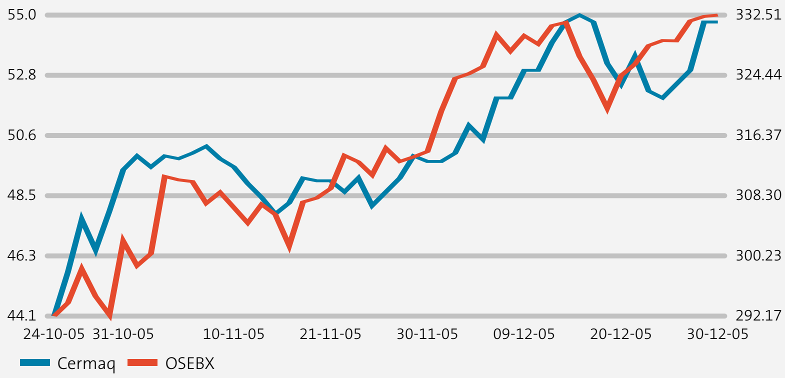
Year	Amount (per share)
Risk 2005 (1 Jan 06)	(estimate)(1.84)
Risk 2004 (1 Jan 05)	(1.20)
Risk 2003 (1 Jan 04)	8.36
Risk 2002 (1 Jan 03)	8.04

The Risk model is being abolished with effect for 2006 as a consequence of the reform of the Norwegian tax system. In accordance with the "shielded" model, gain on shares will be taxable at a flat rate of 28 percent after of a calculated shielding deduction.

General Meeting
The annual General Meeting will take place on 3 May 2006 at Grev Wedels plass 5, 0151 Oslo. Possible changes will be announced on Cermaq's web sites, and notice will be sent to each shareholder two weeks before the meeting.

Share price development

From the listing until 31 Dec 05



Shareholder distribution

No of shares	No of owners	Percent
1-50	65	-
51-100	100	0.01
101-1000	1 573	0.79
1001-10000	753	2.57
10001-100000	133	4.97
over 100000	75	91.67
Total	2 699	100.00

20 largest shareholders at 15 March 2006

Name	Holding	Percent
NÆRINGS- OG HANDELSDEPARTEMENTET	40 271 600	43.54
ISLANDSBANKI HF PROPRIETARY	4 505 000	4.87
GOLDMAN SACHS & CO	3 085 087	3.34
BANK OF NEW YORK, BRUSSELS BRANCH	3 084 000	3.33
MORGAN STANLEY AND CO.INTL.LIMITED	2 634 853	2.85
BANK OF NEW YORK, BRUSSELS BRANCH	2 000 000	2.16
SKANDINAVISKA ENSKILDA BANKEN	1 467 600	1.59
BROWN BROTHERS HARRIMAN AND CO	1 387800	1.50
BANK OF NEW YORK, BRUSSELS BRANCH	1368 728	1.48
JPMORGAN CHASE BANK	1 326 820	1.43
ODIN NORGE	1 214 600	1.31
JPMORGAN CHASE BANK	1 170 511	1.27
STATE STREET BANK & TRUST CO.	1 110 215	1.20
AVANSE NORGE (II)	1 078 224	1.17
ODIN NORDEN	1 012 198	1.09
BANCA MONTE DEL PASHI DI SIENNA	888 090	0.96
JPMORGAN CHASE BANK	854 872	0.92
JPMORGAN CHASE BANK	724 373	0.78
BEAR STEARNS SECURITIES CORP.	714 633	0.77
CLEARSTREAM BANKING S.A.	710 101	0.77

Shareholders by nationality

Nationality	Holding	Percent
Norway	58 773 527	63.54
Foreign	**33 726 473**	**36.44**
Austria	49 550	0.05
Belgium	7 667 135	8.29
Bermuda	514	-
Canada	31 212	0.03
Chile	51 545	0.06
Denmark	212 926	0.23
Faroes	1 600	-
Finland	299 054	0.32
France	134 336	0.15
Germany	261 853	0.28
Iceland	3 500	-
Israel	1 400	-
Italy	1 000	-
Luxembourg	1 515 156	1.64
Monaco	1 200	-
Netherlands	250 093	0.27
Portugal	40 000	0.04
Romania	1 000	-
Singapore	1 200	-
Spain	1 000	-
Sweden	2 045 990	2.21
Switzerland	367 550	0.40
UK	15 477 106	16.73
USA	5 310 553	5.74

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