

# Fourth quarter and Annual Results 2005



PAN FISH  
[www.panfish.com](http://www.panfish.com)

## **Strong closing of the year 2005**

*Fourth quarter 2005 was a strong quarter for Pan Fish, showing continued improvement of the financial results. The quarter also marks a turning point where volume is concerned, with a 34% increase in harvesting volumes compared with the corresponding quarter 2004. The progress is a result of lower costs and a strong market for salmon, both in terms of volume and price. Costs continue to fall for the company's fish farming business, and the ambitious objectives determined for the years to come are undoubtedly within reach.*

*Through the acquisition of Kritsen and Aalesundfisk Pan Fish has gained a stronger position in the VASP business (Value Added Seafood Products) for salmon. The company's ownership in Pan Fish France and Kritsen makes Pan Fish one of Europe's leading integrated VASP businesses for salmon produced for the consumer market. Together with Aalesundfisk, which has been one of Norway's leading quality marketers of Norwegian salmon for many years, and a substantial production of high-quality fillet products in Norway and Scotland, this will constitute the backbone of Pan Fish's new focus on the VASP business.*

### **Highlights from the fourth quarter 2005**

- **Gross operating revenues totalled NOK 655.5 million in the fourth quarter 2005, compared with NOK 550.0 million in the corresponding period in 2004.**
- **Pan Fish made an operating profit (EBITDA) of NOK 143.6 million in the fourth quarter 2005, compared with NOK 6.6 million in the corresponding quarter 2004.**
- **Operating results before changes in the valuation of biomass (IFRS) shows an increase of NOK 203.6 million compared with the corresponding quarter 2004.**
- **The net result for the Group in the fourth quarter 2005 was NOK 76.5 million, compared with a net loss of NOK 141.3 million in the fourth quarter 2004.**
- **At the end of the fourth quarter 2005, Pan Fish's net interest bearing debt amounted to NOK 1,549.7 million and the company had an equity ratio of 40.4 per cent.**
- **Earnings per share were NOK 0.05 for the fourth quarter 2005 vs. NOK -0.27 in the fourth quarter 2004 (fully diluted).**

### **Operational and financial performance for the fourth quarter 2005**

The company's operating revenues totalled NOK 655.5 million in the fourth quarter 2005, compared with NOK 550.0 million in the corresponding period in 2004. The improved operating revenues are largely a result of a 34% increase in harvesting volumes, corresponding to 5,433 tonnes round weight (trw), in addition to higher salmon prices compared with the fourth quarter 2004. There was a fall in operating revenues for the VASP business of 61.9 million in the fourth quarter 2005 compared with the corresponding 2004, caused by the winding up of Vestlax Hirtshals. Operating revenues for Pan Fish France increased by approximately 4% compared with the corresponding period in 2004.

Pan Fish made an operating result (EBITDA) of NOK 143.6 million in the fourth quarter 2005, compared with NOK 6.6 million in the corresponding quarter 2004. Operating results before the changes in the valuation of biomass (IFRS) in the fourth quarter 2005 amounted to NOK 97.1 million, compared with NOK -106.5 the fourth quarter 2004.

In the fourth quarter 2005, the changes in the valuation of biomass (in accordance with IFRS) amounted to NOK -13.5 million, compared with NOK 4.1 million in the fourth quarter 2004. The changes in the valuation of biomass according to IFRS were previously reported as adjustment of unrealised revenues, but are now reported as adjustment of operating results.

The company's net financial items totalled NOK -27.5 million in the fourth quarter 2005, compared with NOK -35.6 million in the corresponding period in 2004. The table below shows a detailed breakdown of the financial items.

<i>(NOK mill)</i>	<b>4Q-05</b>	<b>4Q-04</b>
Net interest expenses	-30,5	-39,5
Fair value adjustment fixed-interest contracts	10,2	4,3
Currency and other financial items	-7,2	-0,4
<b>Net financial items</b>	<b>-27,5</b>	<b>-35,6</b>

Profits before tax totalled NOK 56.0 million in the fourth quarter 2005, compared with a loss before tax of NOK 138.2 million in the corresponding quarter 2004. The net result for the Group in the fourth quarter 2005 was NOK 76.5 million, compared with at net loss of NOK 141.3 million in the fourth quarter 2004.

Earnings per share amounted to NOK 0.06 for the fourth quarter 2005, compared with NOK -0.28 in the corresponding quarter the year before. Diluted earnings per share amounted to NOK 0.05 for the fourth quarter 2005, compared with NOK -0.27 in the corresponding quarter 2004<sup>1</sup>.

### **Operational and financial performance in 2005 as a whole**

Pan Fish generated operating revenues of NOK 1,969.0 million, compared with NOK 2,336.4 in 2004. The reduction in revenues is largely due to an 8,415 trw (12.7%) drop in the volume of harvested fish compared with the previous year. At the start of the year 2006, the biomass volume is 5,964 tonnes higher than at the start of 2005, indicating that the company's production and harvesting volumes will increase in the times ahead. The gross operating revenues for the VASP business have been reduced by NOK 198.9 million.

Operating result before changes in the valuation of the biomass for 2005 amounted to NOK 130.2 million, compared with NOK -78.2 million for 2004. Total operating result (EBIT) for 2005 as a whole amounted to NOK 180.6 million, compared with an operating loss of NOK 79.2 million in 2004. Adjusted for write-downs and provisions amounting to NOK 17.9 million and 63.0 million respectively, this constitutes an improvement of NOK 214.7 million. The improvement is primarily driven by higher prices and a systematic reduction in production costs. The table below shows a breakdown of financial items for 2005 compared with 2004.

<sup>1</sup> Adjusted for a convertible subordinated loan amounting to NOK 45.9 million from Nordea, convertible at a rate of NOK 2.25 per share, corresponding to 20.4 million shares.

<i>(NOK mill)</i>	<b>2005</b>	<b>2004</b>
Net interest expenses	-133,5	-170,7
Recognised gain on sale of financial assets (Østerbris)	18,6	0,0
Change in book value of financial assets (Austevoll Havfiske)	30,0	33,0
Change in recognised market value of fixed interest contracts	7,3	3,5
Currency and other financial items	-5,0	-14,0
<b>Net financial items</b>	<b>-82,7</b>	<b>-154,2</b>

The Group's net profit for 2005 amounted to NOK 118.2 million, compared with a net loss of NOK 236.3 million the year before, corresponding to a net profit per share of NOK 0.09 for 2005 and a net loss per share of NOK 0.47 for 2004.

The diluted profit per share was NOK 0.08 for 2005, compared with a diluted loss per share of NOK 0.45 in 2004

### **Balance sheet for the Pan Fish Group per fourth quarter 2005**

The Group's total balance sheet was NOK 3,835.5 million at the end of the fourth quarter 005, compared with NOK 3,035.4 million at the same time in 2004. As at 31 December 2005, the Pan Fish Group booked NOK 191.2 million in excess values relating to acquisitions, primarily of Aqua Farms. Of this, NOK 146.3 million is entered as goodwill.

#### *Debt*

The Group's net interest bearing debt amounted to NOK 1,549.7 million at the end of the fourth quarter 2005, compared with NOK 1,284.3 million in the third quarter 2005 and NOK 1,964.8 million in the fourth quarter 2004. The increase in the quarter is related to acquisitions.

<b>Interest-bearing debt (NOK 1,000)</b>	<b>31.12.2005</b>
Long-term interest-bearing debt to financial institutions	1.432.523
Bond loans (not interest-bearing until 2008) *	73.059
Capitalised leasing liabilities	196.867
<b>Total interest-bearing debt</b>	<b>1.702.449</b>
Cash and cash equivalents	152.701
<b>Net interest-bearing debt</b>	<b>1.549.748</b>

\*) The face value of the loan is NOK 78,248. Its treatment in the accounts complies with IFRS

#### *Equity*

The Pan Fish Group had book equity of NOK 1,496.9 at the end of the fourth quarter 2005, corresponding to an equity ratio of 40.4% (including NOK 52.1 million in subordinated loans). The parent company Pan Fish ASA had book equity of NOK 1,549.3 million at the same date.

<b>Equity reconciliation for the Pan Fish Group</b>	<b>4Q 2005</b>	<b>YTD 2005</b>
<i>(NOK million)</i>	<i>(1.10-31.12)</i>	<i>(1.1-31.12)</i>
<b>Equity at start of period</b>	<b>1158,7</b>	<b>366,8</b>
Net profit after minority interests	76,5	118,2
Debt conversion/share issues	246,4	997,3
Currency and other adjustments	15,3	14,6
<b>Equity at end of period</b>	<b>1496,9</b>	<b>1496,9</b>

## **Events after the balance sheet date**

### *Acquisition of 100% of Kritsen Holding AS*

In connection with the acquisition of Aqua Farms in October 2005, Pan Fish indirectly acquired a 33.33% ownership in Kritsen SA, France's third largest smokery. January 2 2006, Pan Fish announced the acquisition of the remaining 66.66% of the shares in Kritsen Holding, at a price of NOK 20 million.

The Kritsen Group, which consists of the operational units Kritsen Landivisiau, Kritsen Châteaulin og Kritsen Pontivy, is one of the leading value added producers of salmon in Europe, with a significant market position in among others France and Italy. Kritsen has an extensive product portfolio of smoked salmon and other seafood delicacies, and has a solid position both in the retail and restaurant/catering segments of its main markets.

### *Increased ownership in Aalesundfisk AS*

At the same time, Pan Fish announced that it had entered into an agreement with the other shareholders in Aalesundfisk AS to commit NOK 9.75 million in a share issue in the company. After the share issue Pan Fish will own 44.2% of the outstanding shares in the company. Aalesundfisk has been considered one of the primary Norwegian quality marketers of Norwegian salmon for many years, and together with Pan Fish France, Kritsen and a considerable production of high-quality fillet products, the company will constitute the backbone of Pan Fish's new focus on VASP.

### *Imposition from the Kredittilsynet (The Financial Supervisory Authority of Norway)*

Pan Fish ASA, Fjord Seafood ASA and Lerøy Seafood Group ASA have been imposed by the Kredittilsynet to change their accounting principles relating to the valuation of live fish, taking effect as at the fourth quarter 2005 and through the adjustment of the corresponding figures for 2004. The principle adopted by the companies is to enter all fish larger than 4 kg into the accounts at the reported sales price for harvested salmon of the same size, whereas smaller fish is entered into the accounts at cost. The decision made by the Kredittilsynet implies that fish weighing less than 4 kg must be entered into the accounts at the reported sales price for harvested salmon of the same size. Preliminary analyses indicate that based on the Kredittilsynet's interpretation, it is highly likely that this would have increased the entered valuation of biomass as at December 12, 2005. The affected parties intend to appeal against the decision made by the Kredittilsynet, which has suspensive effect until the Ministry of Finances presents a final ruling on the matter.

## **Cash flow for the Pan Fish group**

Operating activities during the quarter generated a cash flow of NOK 15.1 million, of which change in working capital constituted NOK -140.1 million. The equivalent figure was NOK -92.9 million the year before. Cash and cash equivalents totalled NOK 152.7 million at the end of the fourth quarter 2005.

## **Segment information**

*Pan Fish reports segment information for its fish farming business as a whole, and for its geographic production regions separately. Information on Value Added Seafood Products (VASP) is also reported separately.*

### Production and sale of farmed fish

The fish farming business is organised into four regions: Pan Fish Norway, Pan Fish Faeroes, Pan Fish Scotland and Pan Fish Canada.

Key Figures Farming 4Q-05 (NOKm)	Norway		Faeroes		Scotland		North-Am.		Total Farming	
	4Q05	4Q04	4Q05	4Q04	4Q05	4Q04	4Q05	4Q04	4Q05	4Q04
Operating income	345,9	211,5	0,3	-0,9	111,5	82,6	89,8	74,4	547,5	367,6
EBITDA	104,5	27,4	0,6	-3,5	6,7	-9,6	16,1	-25,6	127,8	-11,3
EBIT before valueadj. biomass	85,2	11,2	-2,0	-6,4	1,1	-14,5	1,1	-102,0	85,4	-111,7
Valueadj. Biomass	-31,9	10,0	0,0	0,0	-0,3	1,8	18,7	-7,7	-13,5	4,1
EBIT	53,3	21,2	-2,0	-6,4	0,8	-12,7	19,8	-109,7	71,9	-107,6
Harvesting, trw	13 741	8 971	0	0	4 317	3 943	3 153	2 864	21 211	15 778
Production, trw	11 318	7 996	792	0	5 657	5 688	4 532	3 190	22 299	16 874
Fixed Assets	1176,4	760,3	118,9	130,3	246,0	134,1	578,1	555,5	2119,4	1580,2
Inventory *	467,3	329,8	34,2	6,7	249,0	208,8	295,8	180,7	1046,3	726,0
Total Assets	1837,4	1197,8	154,1	138,2	554,2	379,1	947,2	792,2	3492,9	2507,3

Key Figures Farming 2005 (NOKm)	Norway		Faeroes		Scotland		North-Am.		Total Farming	
	2005	2004	2005	2004	2005	2004	2005	2004	2005	2004
Operating income	959,4	950,4	1,1	220,2	385,9	349,1	331,3	430,3	1677,7	1950,0
EBITDA	242,5	106,2	1,0	10,6	34,3	16,4	34,8	24,9	312,5	158,1
EBIT before valueadj. biomass	179,1	46,2	-9,8	-5,2	17,6	0,2	-21,2	-101,1	165,7	-59,9
Valueadj. Biomass	-2,6	11,9	0,0	0,0	6,6	1,7	46,5	-14,7	50,5	-1,1
EBIT	176,5	58,1	-9,8	-5,2	24,2	1,9	25,3	-115,8	216,2	-61,0
Harvesting, trw	34 860	33 139	0	1 970	15 559	15 910	7 544	15 359	57 963	66 378
Production, trw	36 374	31 250	1 199	0	15 376	16 961	13 822	13 110	66 771	61 321
Fixed Assets	1176,4	760,3	118,9	130,3	246,0	134,1	578,1	555,5	2119,4	1580,2
Inventory *	467,3	329,8	34,2	6,7	249,0	208,8	295,8	180,7	1046,3	726,0
Total Assets	1837,4	1197,8	154,1	138,2	554,2	379,1	947,2	792,2	3492,9	2507,3

\*) The biomass is valued in accordance with IAS 41

As planned, no harvesting of the company's own farmed fish took place in the Faeroes in the fourth quarter. Harvesting of own farmed fish will resume in the Faeroes at the end of the second quarter 2006/beginning of third quarter 2006.

Production costs 4Q-05 (guttet weight, local currency)	Norway (NOK)		Scotland (GBP)		North-Am. (CAD)		Faeroes (DKK)	
	4Q05	3Q05	4Q05	3Q05	4Q05	3Q05	4Q05	3Q05
Biological cost	14,24	14,90	1,92	1,98	3,72	n/m	n/m	n/m
Harvesting/transport	2,72	3,17	0,32	0,27	1,00	n/m	n/m	n/m
SG&A	0,93	1,10	0,19	0,13	0,47	n/m	n/m	n/m
<b>Total EBIT cost*</b>	<b>17,89</b>	<b>19,17</b>	<b>2,43</b>	<b>2,38</b>	<b>5,19</b>	<b>n/m</b>	<b>n/m</b>	<b>n/m</b>
of which depreciation	1,17	1,13	0,10	0,10	1,05	n/m	n/m	n/m
<b>2007/2008 cost target</b>	<b>15,50 - 16,00</b>		<b>1,37 - 1,45</b>		<b>3,33 - 3,53</b>		<b>14,50 - 15,50</b>	

\*) Total production cost, incl. depreciation, of gutted fish, packed in boxes and ready for delivery at the processing plant.

The cost of harvested fish is showing a very positive trend in Norway. As previously announced costs have been reduced for both the spring and autumn generations of 2004 in Scotland, and harvesting season for these generations began in the fourth quarter 2005 and continues into the first half of 2006. In Canada and in the Faeroes the costs of marine-phase fish are falling as planned.

Production costs 2005 (guttet weight, local currency)	Norway (NOK)		Scotland (GBP)		North-Am. (CAD)		Faeroes (DKK)	
	2005	2004	2005	2004	2005	2004	2005	2004
Biological cost	14,91	15,73	1,85	1,82	3,71	3,96	n/m	n/m
Harvesting/transport	3,21	3,66	0,26	0,20	0,92	1,24	n/m	n/m
SG&A	1,00	0,96	0,13	0,15	0,49	0,22	n/m	n/m
<b>Total EBIT cost*</b>	<b>19,12</b>	<b>20,35</b>	<b>2,24</b>	<b>2,16</b>	<b>5,12</b>	<b>5,42</b>	<b>n/m</b>	<b>n/m</b>
of which depreciation	1,34	1,75	0,10	0,08	1,05	1,15	n/m	n/m
<b>2007/2008 cost target</b>	<b>15,50 - 16,00</b>		<b>1,37 - 1,45</b>		<b>3,33 - 3,53</b>		<b>14,50 - 15,50</b>	

\*) Total production cost, incl. depreciation, of gutted fish, packed in boxes and ready for delivery at the processing plant.

For 2005 as a whole, production costs are falling as planned in both Norway and Canada. In Scotland the cost reduction will take full effect from 2006 and onwards, because of the expected marginal increase in 2005 caused by weak biological results for the 2003 generation. The main reason for this is a lack of smolt produced by the company at this time. A range of measures have been taken to improve operations throughout the year, and the expected result of these efforts is a cost reduction in 2006. Eventually, the effects of increased volumes as well as a considerable reduction in the cost of smolt as a result of the acquisition of Corrie Mhor are expected to contribute positively.

#### *Value Added Seafood Products (VASP)*

The VASP business consists of Pan Fish France, which is France's fourth largest smokery. (The figures for the fourth quarter 2004 also include Vestlax Hirtshals).

Key Figures VASP (NOKm)	VASP Total		VASP Total	
	4Q05	4Q04	2005	2004
Operating income	142,5	204,4	374,2	573,1
EBITDA	21,4	25,2	3,9	16,8
EBIT	21,0	20,0	-25,9	-5,1
Fixed Assets	47,7	118,6	47,7	118,6
Inventory	26,9	29,3	26,9	29,3
Total Assets	188,6	315,4	188,6	315,4

High raw material prices throughout the year have placed enormous pressure on margins in the VASP business. The operating loss of NOK 25.9 million includes NOK 17.9 million in write-downs and provisions in Pan Fish Denmark. Pan Fish France has taken a number of measures to increase efficiency in the production, including reductions in the workforce, expected to take effect in 2006.

#### **Strategy, organisation and development**

Pan Fish shall supply the global market with quality salmon at the lowest cost. The second cornerstone of the company's strategy is that Pan Fish shall produce and supply salmon that meets the stringent quality, food safety and traceability standards set by the world's leading salmon buyers. The result of Pan Fish's adopted sales and marketing strategy is that the company is mainly operating outside the trading market and engages in long-term relations with some of the world's most attractive salmon buyers. In 2005, Pan Fish has moved from being a company in a demanding restructuring process, to refocusing on growth, both organisation-wise and strategically, eg. by acquiring the fish farming business Aqua Farms and the VASP business Kritsen.

The Board of Directors expects a continued consolidation of the fish farming and seafood industry, and according to the Board, Pan Fish has both the financial resources and qualifications needed to realise its potentials through these processes. The fundamental prerequisite for this, however, is that the aim of becoming the lowest cost producer lies as a foundation for the continued development of the company. Through the acquisition of Kritsen and Aalesundfisk, Pan Fish has gained a stronger position in the VASP business for salmon. Together with Pan Fish France, Kritsen will be one of Europe's largest value added producers of salmon for the consumer market, and the largest producer of smoked salmon in France. Aalesundfisk will be a supplement to Pan Fish's own distribution strategy, and contribute to a broader and more productive distribution of the increased production from Pan Fish in 2006 and the years to come.

According to the Board, a stronger focus on the VASP business is important to remain attractive and secure a wide range of products to offer large and professional customers on the one hand, and to secure a profitable sale of Pan Fish's own products on the other hand. The timing is also considered favourable as the VASP business is experiencing a period of recession characterised by very high raw material cost and low profitability.

### **Market and outlook<sup>2</sup>**

The EU market remained strong throughout the fourth quarter, and the total supply of salmon was higher for each month compared with previous years. In the fourth quarter 2005, the supply of salmon increased by 8% compared with the corresponding quarter 2004. The total supply of Atlantic salmon for the EU-25 market is estimated at 634,500 wfe<sup>3</sup> in 2005, of which Norway and Scotland represent 65% and 17% of the volume, respectively. Prices remained high throughout the quarter, and the average FHL/NSL price for 4-5 kg gutted, superior Atlantic salmon delivered in Oslo was NOK 25.93/kg in the fourth quarter 2005, compared with NOK 20.28/kg in the corresponding quarter 2004. For 2005 as a whole, the price was 25.79/kg, compared with NOK 21.99/kg in 2004. Prices have remained high into 2006.

The American market also remained strong throughout the fourth quarter 2005. The total supply of Atlantic salmon for the US market in 2005 is estimated at 301,000 wfe, which is on a par with the 2004 level. A 2% reduction in the export of fresh Atlantic salmon fillet from Chile to the US as at November 2005 is expected compared with the corresponding date 2004. At the same time, the average price of imported salmon increased from USD 6.38/kg to USD 6.88/kg. Since November, the spot price quotation for fresh fillet in the US has continued to increase. At the end of November 2005, the import of fresh Atlantic salmon in the US had increased by 16% compared with the corresponding period the year before. This market segment is dominated by Canada, where a 34% increase is reported. The average import price went from USD 4.88/kg to USD 5.05/kg in the period.

Global production is set to remain stable or grow only moderately in the next few years. The biggest area of uncertainty in terms of supplies is Chile, which looks likely to achieve a lower growth than previously forecast. In the short run, the uncertain political situation relating to the Russian market represents an area of particular risk when it comes to the trading of Norwegian salmon. At the same time, there are no indications so far to suggest that the underlying increase in the demand deviates from its fundamentally positive trend. Pan Fish plans to produce between 100,000 and 108,000 trw and to harvest volumes in the region of 70,000 to 75,000 tgw in 2006.

Oslo, 13 February 2006

The Board of Directors  
of Pan Fish ASA

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<sup>2</sup> Source: Kontali Analyse and Pan Fish

<sup>3</sup> Wfe = whole fish equivalent (live weight, adjusted for blood loss and starvation).

## Financial statements for the fourth quarter 2005

The quarterly report is in accordance with IFRS, cf. IAS 34 Interim Financial Reporting

Konsernet Pan Fish ASA (tall i mill)/Pan Fish ASA Group (figures in NOK mill)

	1.10-31.12.	1.10-31.12.	1.1.-31.12	1.1.-31.12
	2005	2004	2005	2004
<b>Resultatregnskap/Profit and Loss Account</b>				
Driftsinntekter/Operating income	655,5	550,0	1 969,0	2 336,4
Driftskostnader/Operating expenses	-511,9	-543,4	-1 660,5	-2 165,1
<b>Driftsresultat før avskrivninger/Operating profit before depreciation (EBITDA)</b>	<b>143,6</b>	<b>6,6</b>	<b>308,5</b>	<b>171,3</b>
Avskrivning/Depreciation	-46,5	-50,0	-160,4	-186,5
Nedskrivninger og avsetninger/Write downs and provisions	0,0	-63,0	-17,9	-63,0
<b>Driftsresultat før verdijustering biomasse/Operating profit before value adj. Biomass</b>	<b>97,1</b>	<b>-106,5</b>	<b>130,2</b>	<b>-78,2</b>
Verdijustering biomasse/Value adjustment biomass	-13,5	4,1	50,5	-1,0
<b>Driftsresultat/Operating profit (EBIT)</b>	<b>83,5</b>	<b>-102,4</b>	<b>180,6</b>	<b>-79,2</b>
Resultat tilknyttede selskap/Income from associates	1,7	2,4	1,4	1,8
Netto finansposter/Net financial items	-29,2	-37,9	-84,0	-156,0
Nedskrivninger og avsetninger finansielle poster/Write downs and provisions financial items	0,0	0,0	0,0	0,0
<b>Sum finansposter/Total financial items</b>	<b>-27,5</b>	<b>-35,6</b>	<b>-82,7</b>	<b>-154,2</b>
<b>Resultat før skatt/Profit before taxes</b>	<b>56,0</b>	<b>-138,2</b>	<b>98,0</b>	<b>-233,5</b>
Skattekostnad/Taxes	20,4	-3,1	20,2	-3,1
<b>Resultat for videreført virksomhet/Net income for ongoing operations</b>	<b>76,5</b>	<b>-141,3</b>	<b>118,2</b>	<b>-236,6</b>
Resultat for ikke videreført virksomhet*/Income non-ongoing operations*	0,0	0,0	0,0	0,2
<b>Konsernets resultat/Net profit</b>	<b>76,5</b>	<b>-141,3</b>	<b>118,2</b>	<b>-236,3</b>
Minoritetsinteresser/Minority interest	-1,9	-2,0	-5,0	-16,1

\*) Virksomhet som var avhendet/besluttet avhendet før regnskapsavleggelse, presenteres netto under linjen for Resultat for ikke videreført virksomhet/  
Companies that were sold/or were intended to be sold are presented as net amounts under Income non-ongoing operations.

		31.12	31.12
		2005	2004
<b>Balanse/Balance Sheet</b>			
<b>Anleggsmidler/Fixed assets</b>			
Konsesjoner/Licences		759,8	575,6
Utsatt skattefordel/Deferred tax asset		0,0	0,0
Goodwill		146,3	0,0
Maskiner, bygninger/Machinery, buildings etc.		1 216,1	1 110,9
Aksjer, andre eiendeler/Shares, other assets		72,8	97,1
<b>Sum anleggsmidler/Total fixed assets</b>		<b>2 195,0</b>	<b>1 783,5</b>
<b>Omløpsmidler/Current assets</b>			
Varebeholdning/Inventory		1 072,4	755,3
Fordringer/Receivables		415,5	328,8
Likvider/Cash and equivalents		152,7	167,7
<b>Sum omløpsmidler/Total current assets</b>		<b>1 640,5</b>	<b>1 251,9</b>
<b>Sum eiendeler/Total assets</b>		<b>3 835,5</b>	<b>3 035,4</b>
<b>Aksjekapital/Share capital</b>		1 037,6	1 004,6
Annen egenkapital/Other equity		444,7	-660,5
Minoritetsinteresser/Minority interest		14,6	22,4
<b>Sum egenkapital/Total equity</b>		<b>1 496,9</b>	<b>366,5</b>
<b>Gjeld/Liabilities</b>			
Ansvarlig lån/Subordinated loan		52,1	45,9
Konvertible lån/Convertible loan		73,9	78,2
Annen langsiktig gjeld/Other long-term liabilities		1 548,1	2 086,1
Kortsiktig gjeld/Short-term liabilities		664,8	458,4
<b>Sum gjeld/Total liabilities</b>		<b>2 367,9</b>	<b>2 668,6</b>
<b>Sum EK og gjeld/Total Equity and Liabilities</b>		<b>3 835,5</b>	<b>3 035,4</b>

	1.10-31.12.	1.10-31.12.	1.1.-31.12.	1.1.-31.12.
	2005	2004	2005	2004
<b>Nøkkeltall/Key Figures</b>				
Utgående antall aksjer / Number of shares end of period (mill)	1 383	502	1 383	502
Resultat pr. aksje/Earnings per share	0,06	-0,28	0,09	-0,47
Utvannet resultat pr. aksje/Diluted earnings per share	0,05	-0,27	0,08	-0,45
Driftsmargin før avskrivninger/EBITDA margin	21,9 %	1,2 %	15,7 %	7,3 %
Driftsmargin/EBIT margin	14,8 %	neg.	6,6 %	neg.
Egenkapitalandel/Equity ratio			40,4 %	13,6 %
Netto rentebærende gjeld/Net interest bearing debt			1 549,7	1 964,8

## Statement of Cashflows

<b>Statement of cash flow</b>				
<b>NOK million</b>	<b>1.10-31.12 2005</b>	<b>1.10-31.12 2004</b>	<b>1.1-31.12 2005</b>	<b>1.1-31.12 2004</b>
<b>Cash flow from operation activities</b>				
Result before tax	56,0	-138,1	98,0	-233,5
Reversal of unrealised income biomass	13,5	-4,1	-50,5	1,0
Paid taxes	0,0	-1,6	0,0	-1,6
Adjustment for depreciation and write-downs	46,5	71,3	178,3	186,5
Adjustment for paid interests	19,5	29,6	96,7	137,9
Adjustment for gains/losses on sale of fixed assets	-1,2	-13,0	-3,6	-11,2
Adjustment for income associated companies	-1,7	-2,3	-1,4	-1,8
Change in inventories, receivables and payables	-140,1	-19,9	-292,1	166,5
Change in accruals	22,6	-14,8	40,9	-123,0
<b>Net cash flow from operating activities</b>	<b>15,1</b>	<b>-92,9</b>	<b>66,3</b>	<b>120,8</b>
<b>Cash flow from investing activities</b>				
Receipts from sale of property, plant and equipment (pp&e)	6,2	1,0	21,7	5,6
Payments for purchase of pp&e	-28,0	-21,6	-99,7	-92,4
Receipts from sale of shares/parts in other companies	5,0	2,5	180,0	50,9
Payments for purchase of shares/parts in other companies	-294,6	0,1	-358,5	0,1
<b>Net cash flow from investing activities</b>	<b>-311,4</b>	<b>-18,1</b>	<b>-256,5</b>	<b>-35,8</b>
<b>Cash flow from financing activities</b>				
Receipts from new interest-bearing debt (short and long term)	52,1	0,0	52,1	0,0
Repayment of interest-bearing debt (short and long term)	-10,1	0,0	-181,0	-7,6
Change in financial leasing liabilities	-11,4	-18,6	-45,3	-65,4
Paid interests	-19,5	-29,6	-96,7	-137,9
Equity paid-in (share issue and sale of own shares)	202,5	0,0	449,3	165,1
<b>Net cash flow from financing activities</b>	<b>213,6</b>	<b>-48,2</b>	<b>178,4</b>	<b>-45,7</b>
<b>Effect of currency translations</b>	<b>1,1</b>	<b>-11,6</b>	<b>-3,3</b>	<b>-8,2</b>
<b>Net change in cash &amp; cash equivalents</b>	<b>-81,5</b>	<b>-170,7</b>	<b>-15,0</b>	<b>31,1</b>
Cash & cash equivalents - opening balance	234,2	338,4	167,7	136,6
Net change in cash and cash equivalents	-81,5	-170,7	-15,0	31,1
<b>Cash &amp; cash equivalents - closing balance</b>	<b>152,7</b>	<b>167,7</b>	<b>152,7</b>	<b>167,7</b>

## Statement of equity

<b>Equity statement</b>				
<b>NOK million</b>	<b>1.10-31.12 2005</b>	<b>1.1-31.12 2005</b>	<b>1.10-31.12 2004</b>	<b>1.1-31.12 2004</b>
<b>Majority equity 30.09.2005</b>				
Majority's share of result	78,4	123,2	83,2	44,8
Share issue	246,4	997,3	19,9	750,8
Implementation effects IFRS financial instruments	0,0	13,6	0,0	13,6
Adjustment Equity after acquisition	0,0	4,0	4,0	4,0
Currency translation differences	15,4	-0,1	-7,1	-15,3
<b>Majority equity 31.12.2005</b>	<b>1 482,5</b>	<b>1 482,4</b>	<b>1 142,3</b>	<b>1 142,3</b>
<b>Minority equity 30.09.2005</b>				
Minority's share of result	-1,9	-5,0	-1,4	-3,1
Other changes in minority interests	0,0	-2,9	0,0	-2,9
<b>Minority equity 31.12.2005</b>	<b>14,5</b>	<b>14,5</b>	<b>16,3</b>	<b>16,3</b>
<b>Group equity 31.12.2005</b>	<b>1 496,9</b>	<b>1 496,9</b>	<b>1 158,7</b>	<b>1 158,7</b>

## Segment figures fourth quarter 2005

4Q 2005 (IFRS)	Op. Income	Hereof int.l sales	EBITDA	EBIT before valueadj. biomass	Valueadj. biomass	EBIT	Capex.	Fixed Assets	Inven- tory	Total Assets
Farming Norway	345,9	46,9	104,5	85,2	-31,9	53,3	15,0	1176,4	467,3	1837,4
Farming Faroes	0,3	0,0	0,6	-2,0	0,0	-2,0	3,6	118,9	34,2	154,1
Farming Scotland	111,5	17,7	6,7	1,1	-0,3	0,8	4,4	246,0	249,0	554,2
Farming North Am.	89,8	0,0	16,1	1,1	18,7	19,8	1,2	578,1	295,8	947,2
<b>Total Farming*</b>	<b>547,5</b>	<b>64,6</b>	<b>127,8</b>	<b>85,4</b>	<b>-13,5</b>	<b>71,9</b>	<b>24,2</b>	<b>2119,4</b>	<b>1046,3</b>	<b>3492,9</b>
<b>VASP*</b>	<b>142,5</b>	<b>0,0</b>	<b>21,4</b>	<b>21,0</b>	<b>0,0</b>	<b>21,0</b>	<b>3,8</b>	<b>47,7</b>	<b>26,9</b>	<b>188,6</b>
Other	32,3	2,3	-0,7	-0,8	0,0	-0,8	0,0	2400,9	0,2	2556,4
Elim.*	-66,9	66,9	-4,9	-8,5	0,0	-8,5	0,0	-2373,0	-1,0	-2402,4
<b>Sum</b>	<b>655,4</b>	<b>0,0</b>	<b>143,6</b>	<b>97,1</b>	<b>-13,5</b>	<b>83,5</b>	<b>28,0</b>	<b>2195,0</b>	<b>1072,4</b>	<b>3835,5</b>

\*) eliminations and group adjustments taken under Farming / VAP are booked under eliminations

4Q 2004 (IFRS)	Op. Income	Hereof int.l sales	EBITDA	EBIT before valueadj. biomass	Valueadj. biomass	EBIT	Capex.	Fixed Assets	Inven- tory	Total Assets
Farming Norway	211,5	37,6	27,4	11,2	10,0	21,2	11,9	760,3	329,8	1197,8
Farming Faroes	-0,9	-0,4	-3,5	6,4	0,0	-6,4	0,0	130,3	6,7	138,2
Farming Scotland	82,6	14,2	-9,6	-14,5	1,8	-12,7	4,3	134,1	208,8	379,1
Farming North Am.	74,4	0,0	-25,6	102,0	-7,7	-109,7	1,3	555,5	180,7	792,2
<b>Total Farming*</b>	<b>367,6</b>	<b>51,4</b>	<b>-11,3</b>	<b>-111,7</b>	<b>4,1</b>	<b>-107,6</b>	<b>17,5</b>	<b>1580,2</b>	<b>726,0</b>	<b>2507,3</b>
<b>VASP*</b>	<b>204,4</b>	<b>0,0</b>	<b>25,6</b>	<b>20,0</b>	<b>0,0</b>	<b>20,0</b>	<b>4,1</b>	<b>118,6</b>	<b>29,3</b>	<b>315,4</b>
Other	32,2	2,9	-7,7	-15,0	0,0	-15,0	0,0	1755,6	0,6	2048,1
Elim.*	-54,3	-54,3	0,0	0,0	0,0	0,0	0,0	1670,9	-0,7	1835,4
<b>Sum</b>	<b>550,0</b>	<b>0,0</b>	<b>6,6</b>	<b>-106,5</b>	<b>4,1</b>	<b>-102,4</b>	<b>21,6</b>	<b>1783,5</b>	<b>755,3</b>	<b>3035,4</b>

\*) eliminations and group adjustments taken under Farming / VAP are booked under eliminations

## Segment figures 2005

2005 (IFRS)	Op. Income	Hereof int.l sales	EBITDA	EBIT before valueadj. biomass	Valueadj. biomass	EBIT	Capex.	Fixed Assets	Inven- tory	Total Assets
Farming Norway	959,4	152,6	242,5	179,1	-2,6	176,5	54,9	1176,4	467,3	1837,4
Farming Faroes	1,1	0,0	1,0	-9,8	0,0	-9,8	8,0	118,9	34,2	154,1
Farming Scotland	385,9	29,5	34,3	17,6	6,6	24,2	24,1	246,0	249,0	554,2
Farming North Am.	331,3	0,0	34,8	-21,2	46,5	25,3	5,5	578,1	295,8	947,2
<b>Total Farming*</b>	<b>1677,7</b>	<b>182,1</b>	<b>312,5</b>	<b>165,7</b>	<b>50,5</b>	<b>216,2</b>	<b>92,6</b>	<b>2119,4</b>	<b>1046,3</b>	<b>3492,9</b>
<b>VASP*</b>	<b>374,2</b>	<b>0,0</b>	<b>3,9</b>	<b>-25,9</b>	<b>0,0</b>	<b>-25,9</b>	<b>7,1</b>	<b>47,7</b>	<b>26,9</b>	<b>188,6</b>
Other	109,5	10,0	-0,2	-0,8	0,0	-0,8	0,0	2400,9	0,2	2556,4
Elim.*	-192,1	-192,1	-7,8	-8,8	0,0	-8,8	0,0	-2373,0	-1,0	-2402,4
<b>Sum</b>	<b>1969,0</b>	<b>0,0</b>	<b>308,5</b>	<b>130,2</b>	<b>50,5</b>	<b>180,6</b>	<b>99,7</b>	<b>2195,0</b>	<b>1072,4</b>	<b>3835,5</b>

\*) eliminations and group adjustments taken under Farming / VAP are booked under eliminations

2004 (IFRS)	Op. Income	Hereof int.l sales	EBITDA	EBIT before valueadj. biomass	Valueadj. biomass	EBIT	Capex.	Fixed Assets	Inven- tory	Total Assets
Farming Norway	950,4	189,8	106,2	46,2	11,9	58,1	34,1	760,3	329,8	1197,8
Farming Faroes	220,2	60,2	10,6	-5,2	0,0	-5,2	0,0	130,3	6,7	138,2
Farming Scotland	349,1	38,0	16,4	0,2	1,7	1,9	18,2	134,1	208,8	379,1
Farming North Am.	430,3	0,0	24,9	-101,1	14,7	-115,8	12,4	555,5	180,7	792,2
<b>Total Farming*</b>	<b>1950,0</b>	<b>288,0</b>	<b>158,1</b>	<b>-59,9</b>	<b>-1,0</b>	<b>-61,0</b>	<b>64,7</b>	<b>1580,2</b>	<b>726,0</b>	<b>2507,3</b>
<b>VASP*</b>	<b>573,1</b>	<b>0,0</b>	<b>16,8</b>	<b>-5,1</b>	<b>0,0</b>	<b>-5,1</b>	<b>9,8</b>	<b>118,6</b>	<b>29,3</b>	<b>315,4</b>
Other	150,8	49,4	-3,7	-13,1	0,0	-13,1	0,0	1755,6	0,6	2048,1
Elim.*	-337,4	-337,4	0,0	0,0	0,0	0,0	17,9	1670,9	-0,7	1835,4
<b>Sum</b>	<b>2336,4</b>	<b>0,0</b>	<b>171,3</b>	<b>-78,2</b>	<b>-1,0</b>	<b>-79,2</b>	<b>92,4</b>	<b>1783,5</b>	<b>755,3</b>	<b>3035,4</b>

\*) eliminations and group adjustments taken under Farming / VAP are booked under eliminations

## IFRS (International Financial Reporting Standard)

With effect from 1 January 2005, the International Financial Reporting Standards (IFRS) have become the valid accounting standards for listed companies in Norway and Europe. The report for the fourth quarter 2005 has therefore been prepared in accordance with IFRS. Comparable figures for 2004 as a whole and the fourth quarter 2004 have also been calculated. In connection with the transition to IFRS, the standards applicable as at 31 December 2005 shall be applied. Changes in the standards up to 31 December 2005 or changes in their interpretation may, therefore, have an impact on the figures. In the most areas Norwegian accounting standards are in accordance with IFRS, but the transition to the new standards has had a particular impact on Pan Fish's valuation of its biomass (live fish stock) since the IFRS stipulate that, as a rule, the biomass shall be recorded at market value in the balance sheet.

### Valuation of the company's biomass – IAS 41

How fish farming companies enter stocks of live fish into their accounts is regulated by IAS 41, Agriculture. IAS 41 contains a hierarchy of methods for the valuation of biological property for accounting purposes. As a main rule, such property, including stocks of live fish, shall be valued at fair value. The principle adopted by the companies is that all fish larger than 4 kilos shall be entered into the accounts at the reported sales price for harvested salmon of the same size, whereas smaller fish is entered into the accounts at cost.

This principle is based on a common interpretation of IAS 41 arrived at by Pan Fish ASA, Fjord Seafood ASA, Lerøy Seafood Group ASA, Cermaq ASA and Marine Harvest N.V. following in-depth studies of IAS 41 assisted by external consultants. The Kredittilsynet suggests that also stocks of smaller live fish (ie. fish weighing less than 4 kg) shall be entered into the accounts on the basis of the reported sales prices for harvested salmon of the same size. Harvested small fish is primarily fish from generations that are ready for harvesting, but which failed to grow as expected, and the sales price for this fish does not reflect the value of live fish of the same size that are left to grow until it can be harvested.

The purpose of entering biological property at fair value in the accounts is to reflect the continuous productivity through the entire growth process. If the companies were to apply IAS 41 pursuant to the imposition from the Kredittilsynet, the small fish stock would be entered below cost and the first growth phase would result in a loss in the accounts. As the fish grows, this scenario would be reversed when the balance sheet value based on the sales price for harvested fish of the same size exceeded costs. Such a misrepresentation in the income formation process in the financial accounts would reduce the relevance of the accounts and complicate comparisons between companies with different generations of live fish.

## The impact on the financial results is presented in more detail below:

### Accounting of biomass (MNOK)

	Fair value adjustment 31.12.2004	Fair value adjustment 31.03.2005	Fair value adjustment 30.06.2005	Fair value adjustment 30.09.2005	Fair value adjustment 31.12.2005
Norway	21,9	16,0	14,8	51,2	35,0
Scotland	1,8	5,8	14,1	8,8	8,5
North America	3,7	13,0	0,0	31,5	50,2
<b>TOTAL</b>	<b>27,5</b>	<b>34,8</b>	<b>28,9</b>	<b>91,5</b>	<b>93,7</b>
		P&L effect 1. kvartal	P&L effect 2. kvartal	P&L effect 3. kvartal	P&L effect 4. kvartal
Norway		-5,9	-1,2	36,4	-31,9
Scotland		4,0	8,2	-5,3	-0,3
North America		9,3	-13,0	31,5	18,7
<b>TOTAL</b>		<b>7,3</b>	<b>-5,9</b>	<b>62,6</b>	<b>-13,5</b>

Fair value adjustments are the difference between fair value and the accumulated cost on fish in sea. The P&L effects arise as the net figure between the fair value adjustment of the quarter and the reversal of last quarter's fair value adjustment. The fair value adjustment for Norway per 31.12.2005 is positively influenced by the purchase of Aqua Farms with NOK 15.7 million. NOK 1.6 million of the total P&L effect in 4Q of NOK -31,9 can be attributed by Aqua Farms.

### Fish above 4 kg round weight (tonnes)

	31.12.2004	31.03.2005	30.06.2005	30.09.2005	31.12.2005	Share of total biomass above 4kg per 31.12.2005
Norway	4 698	3 347	2 773	9 938	6 449	25 %
Scotland	1 073	2 505	2 500	1 961	1 420	13 %
North America	3 021	3 670	0	6 052	5 586	55 %
<b>TOTAL</b>	<b>8 791</b>	<b>9 522</b>	<b>5 272</b>	<b>17 951</b>	<b>13 456</b>	<b>29 %</b>

Fish above 4 kg round weight is the part of the biomass that is fair value adjusted in the financial statements.

Variations in the size distribution contribute to increase the volatility in the P&L.

### Calculated price round weigh fish in sea (NOK)

	Price SUP per kg gw	Calculated price round weighth
Norway	24,76	17,66
Scotland	29,01	20,74
North America	33,17	23,38

The price of superior per kg gutted weight is an estimate of the market price back to farm on the closing date. This price may deviate from achieved prices. Calculated price round weight is adjusted for the price-effect of expected downgrade, market price of processing services and weight losses from gutting.

### Fair value adjustment 31.12.2005

	Biomass above 4 kg (tonnes)	Calculated price round weighth	Fair value (MNOK)	Historic cost (MNOK)	Fair value adjustment (MNOK)
Norway	6 449	17,66	113,9	78,9	35,0
Scotland	1 420	20,74	29,5	21,0	8,5
North America	5 586	23,38	130,6	80,4	50,2
<b>TOTAL</b>	<b>13 456</b>	<b>20,36</b>	<b>274,0</b>	<b>180,3</b>	<b>93,7</b>

On those localities where the fish is bigger than 4 kg on average, an estimation of fair value is made based on the assumption that the fish will be harvested immediately. Fair value is calculated by multiplying the biomass in question with the calculated price round weight fish in sea.