

Marine Farms ASA – Consolidated report 1st Q 2006 (NGAAP)

Marine Farms achieved total sales in the amount of NOK 118 mill in the 1st quarter of 2006, an increase of some NOK 17 mill compared to the same period last year. EBIT before provisions ended at NOK 16.4 mill, compared to NOK 4.5 mill last year. The good result is mainly due to continued high salmon prices together with a more efficient production.

Consolidated Marine Farms ASA	1 st Q 06	1 st Q 05	Yr 2005	Yr 2004	Yr 2003
Income	118.250	101.304	449.500	435.189	440.122
EBITDA before provisions *	24.448	13.439	87.084	31.632	31.400
EBIT before provisions *	16.362	4.518	49.526	-4.047	-4.163
EBIT	9.003	4.518	40.152	-4.047	-4.163
Result before tax	4.786	65	27.843	-31.509	-26.529
Tax	4.283	-510	-2.331	11.574	4.456
Result after tax	503	575	30.175	-43.083	-31.105
<i>Net interest-bearing debt</i>	<i>205.000</i>	<i>319.000</i>	<i>221.000</i>	<i>315.000</i>	<i>342.000</i>

* NOK 7.4 mill provision 1st quarter 2006 for stock price related employee bonus program.

Operations

Marine Farms ASA has been involved in the fish farming business since 1976 and has considerable knowledge of all aspects of fish farming, from broodfish to the finished product. The operation today mainly consists of salmon farming in the U.K. and seabass / seabream in Spain. These activities are run through the 100% owned companies Lakeland (U.K.) and Culmarex (Spain), both being fully integrated companies and among the most profitable in their respective markets. In addition, Marine Farms ASA is engaged in farming of the fast growing marine species cobia in America (Florida and Belize) and in Vietnam, as well as a cod hatchery in the U.K. Revenue for 2005 ended at approximately NOK 450 mill and the company had some 260 employees at the end of the year. The company is listed on the OTC-list under the ticker MAFA and will apply for a stock listing on the Oslo Stock Exchange in 2006.

Salmon (Lakeland)

Lakeland was one of the most profitable salmon producers in the UK in 2005, with an EBIT/kg gwt sold fish of NOK 5.9. In the first quarter of 2006, the group generated some NOK 7.4/kg gwt sold fish, an improvement of some NOK 3.6 compared to the same period in 2005. Lakeland's salmon operations on the mainland Scotland average a production cost of some £1.75-1.80/kg gwt sold fish (incl. box costs). The salmon operation in Shetland has somewhat higher production costs compared to the mainland operation. At the beginning of 2006 the company had entered into fixed priced contracts for approximately 40% of its 2006 volumes. The group will therefore not fully benefit from today's high salmon price.

Lakeland has entered into an agreement to acquire the remaining 50% of Sea Products of Scotland Ltd (SPoS), a company located in Glasgow and which over the past few years has sold all Lakeland's salmon production. After this acquisition, Lakeland will own 100% in SPoS. SPoS owns 2,000,000 shares in Marine Farms ASA. In addition, the company owns some salmon which is planned to be harvested in the autumn of 2006 (about 650 tons gwt). Lakeland has also entered into an agreement to increase its shareholdings in Marine Products Ltd to 80% from today's 20%. Marine Products is operating a filleting factory just outside Glasgow.

Historic development

<i>NOK mill</i>	2000	2001	2002	2003	2004	2005	1.Q 2005	1.Q 2006
Sale of salmon gwt (tons)	2 663	3 331	5 270	7 009	7 742	7 674	1 805	2 353
Revenue Lakeland Group	97,6	115,5	150,4	171,2	191,0	231,3	55,9	68,6
EBIT	9,2	7,5	5,2	(24,9)	8,3	45,3	6,8	17,3
EBIT/kg gwt sold fish (NOK)	3,5	2,3	1,0	-3,6	1,1	5,9	3,8	7,4

NOK/GBP: 11,696

Lakeland is planning to sell about 9,200 tonn gwt salmon in 2006, of which about 2,900 tonn is planned to be sold in 2nd quarter, about 1,900 tonn in 3rd quarter and about 2,000 tonn in 4th quarter. Production capacity is approximately 9,500 tons gwt salmon.

Seabass/seabream (Culmarex)

The Culmarex group was one of the largest and most profitable seabass/seabream producers in Spain in 2005. EBIT/kg sold fish for Culmarex S.A. (the parent company in Spain) was approximately NOK 7.4, while the Culmarex group as a whole obtain on average about NOK 8.5/kg sold fish. In the 1st quarter of 2006, Culmarex S.A. obtained about NOK 9.0/kg sold fish, an improvement of NOK 1.5 compared to the same period in 2005.

The table below shows historic development for Culmarex S.A., the parent company in Spain. This company has been operating on full capacity since 2002 and therefore best illustrates the profitability potential for our seabass/seabream business in Spain.

Historic development

<i>NOK mill</i>	2000	2001	2002	2003	2004	2005	1.Q 2005	1.Q 2006
Sale of fish (tons) - Culmarex S.A.	962	1 089	1 400	1 373	1 183	1 496	227	282
Sale of fish (tons) - 3. party (partly owned)	-	-	598	1 439	1 687	1 692	367	719
<i>Total sales seabream/-bass (tons)</i>	<i>962</i>	<i>1 089</i>	<i>1 998</i>	<i>2 812</i>	<i>2 870</i>	<i>3 188</i>	<i>594</i>	<i>1 001</i>
Revenue - Culmarex S.A.	58,0	62,4	65,5	68,3	64,8	77,8	13,3	14,0
EBIT - Culmarex S.A.	13,9	15,9	5,7	8,6	13,0	11,0	1,7	2,5
EBIT/kg sold fish (NOK) - Culmarex S.A.	14,4	14,6	4,0	6,3	10,9	7,4	7,5	9,0

** In 2005 the Culmarex group averaged an EBIT/kg sold fish of NOK 8,5 (incl. companies owned more than 51%)
NOK/EUR: 8,02*

The businesses in Spain which are included in the consolidated EBIT figures for Marine Farms Group is expected to sell about 2,800 tons of seabass/seabream in 2006, of which about 700 tons in the 1st quarter, about 500 tons in the 2nd quarter, about 700 tons in 3rd quarter and about 900 tons in the 4th quarter. Total seabass/seabream sale in 2006 is expected to be about 4,100 tons of seabass/seabream. Production capacity, including subsidiaries and associated companies, is approximately 6,000 tonnes

Cobia (Belize and Vietnam)

Cobia is a white meat fish that lives in tropical waters (20C°-30C°). It grows from 1 gram to 5-6 kg in less than one year and the fillets are popular in sushi and other dishes. Cobia is a relatively unknown species in the fish farming industry. Marine Farms have operated a hatchery in Florida since 2002 and are in the process of building up fully integrated operations for cobia in Belize in Central America (for export to the American market) and in Vietnam (for export to the Asian market). Production capacity is conservatively estimated to be about 4,000 tons.

Cod (Scotland)

Marine Farms owns 51% of Machrihanish Marine Farms Ltd. Sterling University owns the remaining 49%. The cod hatchery in Scotland has an annual production capacity of approximately 3 mill juveniles. All production for 2006 is already sold.

Balance sheet and capital structure

Normally, 1st quarter is the weakest quarter for Marine Farms, with low seawater temperatures to grow the fish. Total assets per 31.03.06 amounted to NOK 546 mill, which is NOK 10 mill less than 31.03.2005. Inventory amounted to NOK 215 mill, an increase of NOK 3 mill compared to the same period last year. Net interest-bearing debt per 31.03.2006 amounted to NOK 205 mill, a decrease of NOK 16 mill compared to year end 2005.

The liquidity situation is good. As per 29.05.2006 the group had NOK 79 mill in free cash and available credit facilities. Together with a good cash flow, the group should have enough free liquidity to finance its planned organic growth over the next few years.

Equity per 31.03.2006 was NOK 175 (32.0% equity ratio), compared to NOK 176 mill (31.5%) at year end 2005. The total number of shares per 31.03.2006 was 50.816.005.

Going forward

Marine Farms ASA combines farming of salmon with profitable farming of marine species. In addition the Company is exploiting opportunities within new marine species such as cobia and to a lesser extent cod. The Company's geographical diversification and the diversity of species, plus having most of its production inside the EU, makes Marine Farms less susceptible to political risk and cyclic fluctuations. The Company is well positioned for further growth.

The Board of Directors of Marine Farms ASA has decided to apply for a stock listing on the Oslo Stock Exchange. The plan is to be listed in the autumn of 2006. Parallel to this process, the Board of Directors of Marine Farms ASA will continuously evaluate possible acquisitions or other strategic initiatives that may increase shareholders value going forward.

Bergen, 2nd of June 2006

The Board of Directors
Marine Farms ASA

Marine Farms Konsern pr.31.03. 2006 / Consolidated per 31.03.2006

Resultat / Income statement	Pr 31.03.2006	Pr 31.03.2005	Endring / Change	Pr. 31.12.2005
<i>(Alle tall i 1.000 NOK / All number in 1.000 NOK)</i>				
Salgsinntekter / Revenue	118 250	101 304	16 946	449 500
Beholdningsendringer / Changes work in progress	3 858	10 090	6 232	3 262
Varekjøp / Raw materials	44 404	38 945	-5 459	191 686
Lønnskostnad / Payroll expenses	17 651	16 919	-732	72 275
Aksjebasert avlønning (avsetning) / Equity based remuneration (provision)	7 359	-	-7 359	9 374
Annen driftskostnad / Other operating	27 889	21 911	-5 978	95 193
Sum driftskostnader / Total operating expenses	101 161	87 865	-13 296	371 790
Driftsoverskudd før avskrivninger / EBITDA	17 089	13 439	3 650	77 710
Avskrivning / Depreciation	8 086	8 921	835	37 557
Driftsoverskudd / EBIT	9 003	4 518	4 485	40 152
Inntekt (-tap) på invest. i tilknyttede selskap / Income from ass. Companies	60	-927	-987	12
Andre finansposter netto / Other financial net	4 277	3 526	-751	12 321
Netto finansposter / Financial net	4 217	4 453	236	-12 309
Resultat før skattekostnad / Operating profit before tax	4 786	65	4 721	27 843
Skattekostnad / Tax on ordinary result	4 283	-510	-4 793	-2 331
Resultat / Net profit	503	575	-72	30 175
Minoritetsinteresser / Minority interests	-937			-2 401
Konsernresultat / Group result	1 440			32 576

Balanse / Balance sheet	Pr 31.03.2006	Pr 31.03.2005	Endring / Change	Pr. 31.12.2005
<i>(Alle tall i 1.000 NOK / All number in 1.000 NOK)</i>				
Anleggsmidler / Fixed assets:				
Goodwill	16 070	16 157	-87	16 365
Konsesjoner / Concessions	21 223	22 538	-1 315	21 614
Utsatt skattefordel / Deferred tax	8 087	3 148	4 939	7 923
Varige driftsmidler / Tangible fixed assets	169 655	201 856	-32 201	171 540
Finansielle anleggsmidler / Financial fixed assets	10 633	9 660	973	12 804
Sum anleggsmidler / Total fixed assets	225 668	253 359	-27 691	230 247
Omløpsmidler / Current assets:				
Varebeholdning / Inventories	215 148	211 761	3 387	222 400
Fordringer / Accounts receivables	73 486	82 962	-9 476	81 729
Bankinnskudd, kontanter / Cash and bank deposits	31 606	8 310	23 296	23 114
Sum Omløpsmidler / Total current assets	320 240	303 033	17 207	327 243
Sum eiendeler / Total assets	545 908	556 392	-10 484	557 490
Sum egenkapital / Equity	174 560	99 350	75 210	175 742
Langsiktig gjeld / Long term liabilities	-0		-0	174 839
Utsatt skatt / Deferred tax	196 246	215 709	-19 463	-
Kortsiktig gjeld / Current liabilities	175 102	241 333	-66 231	206 910
Sum gjeld / Total liabilities	371 348	457 042	-85 694	381 749
Sum egenkapital og gjeld / Total equity and liabilities	545 908	556 392	-10 484	557 490
Netto rentebærende gjeld / Net interest bearing debt	205 000	319 000	-114 000	221 000
Egenkapital andel / Capital ratio (%)	32,0 %	17,9 %	14,1 %	31,5 %

Transition from NGAAP to IFRS

Introduction to IFRS

In February 2001 the EU commission decided that all publicly listed companies within the EU were to report in accordance with IFRS (International Financial Reporting Standards). Financial report for the first quarter 2005 was to be the first financial statement prepared in accordance with IFRS. The first complete annual report to be produced in accordance with IFRS will be the annual report for 2005.

New Norwegian accounting principles allow Norwegian listed companies to report in accordance with IFRS. Even non-listed Norwegian companies can do so. With effect from 1st of January 2006, Marine Farms ASA has decided to adapt to IFRS as its applicable accounting principles. The official 1st quarter 2006 report for Marine Farms ASA will therefore be according to IFRS (will be published somewhat later than this NGAAP report).

As for other fish farming companies, there are especially two accounting principles that might be affected when Marine Farms ASA adheres to the IFRS: the valuation of biomasse (fish) and the valuation of farming licences.

Biomasse (fish)

The company's stocks of live fish will be valued in accordance with IAS 41 and shall, as a rule, be valued at fair value. This represents a significant change in relation to current accounting practice, in which the biomasse is valued in accordance with the lowest value principle (lowest value of acquisition cost and fair value). The new rules described in IAS 41 introduce a significant element of volatility to the determination of Marine Farm's financial status. However, the standard does permit an exception to the fair value rule if this cannot be reliably measured. In such cases the lowest value principle shall be applied.

Salmon

The industry has worked out a provisional conclusion as to how IAS 41 should be interpreted: all fish larger than 4 kilo shall be valued at fair value, while smolt and fish weighting less than 4 kilo shall be valued in accordance with the lowest value principle. However, these are only temporary conclusions and changes in valuation principles may occur during the course of 2006.

Seabass/seabream

Marine Farms produces seabass and seabream in Spain. When harvested, the size of the fish ranges from 350 gr and 2 kilo and the prices obtained in the marked varies significantly with fish size. The growth cycle for seabass/seabream is more or less similar to salmon. Based on the industry standards for salmon, we have temporarily concluded how IAS 41 should be interpreted for seabass/seabream: all fish larger than 350 gr shall be valued at fair value, while juveniles and fish smaller than 350 gr shall be valued in accordance with the lowest value principle. However, these are only temporary conclusions and changes in valuation principles may occur during the course of 2006.

Farming licences

When establishing the opening balance, IFRS 1 allows companies to value intangible assets (farming licences etc.) at fair value. To be able to do this, however you must document that there exists an active marked for such intangible assets, i.e. there exists a reference market where such assets can be prices correctly.

As of 31.03.2006, Marine Farms ASA had valued its farming licences to MNOK 21.2 (GBP 1 855 000) in the UK and MNOK 0 in Spain. The Board of directors is of the opinion that there are substantial surplus values in the company's farming licences if fair value were the basis of valuation. However, strict IFRS documentation requirements make it difficult to document these fair values in the market. The provisional conclusion is therefore that the company will continue valuing its fish licences at cost. However, changes in these valuation principles may occur during the course of 2006.

The table below shows the adjustments that will have to be made to the reported results when the above-mentioned principles are applied:

<i>NOK'000</i>	NGAAP 31.12.05	Effect IFRS	IFRS 01.01.06	NGAAP 31.03.06	Effect IFRS ⁽¹⁾	IFRS 31.03.06
<i>Balance sheet:</i>						
Inventory	222 400	32 894	255 294	215 148	33 253	248 401
Deferred tax	-	10 872	10 872	-	10 257	10 257
Equity	175 742	22 022	197 764	174 560	22 996	197 556
<i>P&L:</i>						
Result after tax	30 175	22 022	52 197	503	974	1 477

(1) Balance sheet items show accumulated numbers while P&L items show effect per.1st quarter 2006.

We want to emphasize once again that introducing IFRS might result in other effects than what is reported here.