

# Consolidated Report

2<sup>nd</sup> Quarter 2007



**MARINE FARMS ASA**

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## HIGHLIGHTS / BOARD OF DIRECTORS COMMENT'S

### Highlights

- Marine Farms continues to perform well. In 2<sup>nd</sup> quarter 2007, sales increased by 16% compared to the same period last year. EBIT before fair value was NOK 20.8 mill in 2<sup>nd</sup> quarter 2007, compared to NOK 38.6 mill last year (exceptionally high salmon prices in 2<sup>nd</sup> quarter 2006). The result for 2007 includes NOK -9.6 mill in provisions (NOK 0.3 mill in 2006).
- For the first 6 months of 2007, EBIT before fair value was NOK 41.5 mill, compared to NOK 48.1 mill last year. The result for 2007 includes NOK -14.7 mill in provisions (NOK -5.0 mill in 2006).
- Lakeland obtained an EBIT/kg gwt sold salmon of NOK 9.6 in the 2<sup>nd</sup> quarter. For the first 6 months the figure was NOK 10.1/kg gwt sold fish, which is similar to the figure for 2006. Volumes will increase in 2<sup>nd</sup> half 2007 compared to 1<sup>st</sup> half.
- Culmarex obtained an EBIT/kg sold seabass/seabream of NOK 7.6 in 2<sup>nd</sup> quarter 2007. For the first 6 months the figures was NOK 9.9/kg sold fish, which is an improvement of NOK 0.5 compared to 2006. Volumes will increase in 2<sup>nd</sup> half 2007 compared to 1<sup>st</sup> half.
- The cobia operation in Belize continues to develop according to plan. Based on recent test-sales to the US market, the response so far has been positive.
- Marine Farms ASA has together with its major subsidiaries refinanced with DnB NOR at improved terms, increasing available free liquidity to approximately NOK 350 mill. The funds will be used to finance significant organic growth over the next few years, especially in seabass/seabream and in cobia.

### Group key figures

Consolidated <b>Marine Farms ASA</b>	<i>figures in NOK 1.000</i>	2 <sup>nd</sup> Q 07	2 <sup>nd</sup> Q 06	YTD 07	YTD 06	Yr 2006
Operating revenue		194 577	167 504	349 505	285 570	593 836
EBITDA pre fair value adjustment		30 785	48 585	61 134	65 771	132 560
EBIT pre fair value adjustment		20 811	38 561	41 523	48 101	99 103
EBIT		-3 404	59 449	11 453	61 987	129 008
Result before tax		-8 539	58 734	8 431	57 136	116 422
Result after tax		-6 017	38 072	3 836	29 641	77 678
<i>EBIT pre fair value adj. margin</i>		<i>10.7 %</i>	<i>23.0 %</i>	<i>11.9 %</i>	<i>16.8 %</i>	<i>16.7 %</i>
<i>Earnings per share</i>		<i>-0,16</i>	<i>1,47</i>	<i>0,08</i>	<i>1,21</i>	<i>2,64</i>
<i>Earnings per share diluted</i>		<i>-0,16</i>	<i>1,47</i>	<i>0,08</i>	<i>1,21</i>	<i>2,64</i>
Total assets				904 004	650 236	855 160
Equity				453 394	235 708	405 243
Net interest-bearing debt				210 000	195 500	227 000
<i>Equity ratio</i>				<i>50.2 %</i>	<i>36.2 %</i>	<i>47.4 %</i>

The company is reporting in accordance with the international reporting standards known as IFRS. The transition from Norwegian reporting standard and the corresponding effects are described in the company's annual IFRS report for 2005 and 2006 (see [www.marinefarms.no](http://www.marinefarms.no)).

## **Revenues and profits for the group**

Revenue in the 2<sup>nd</sup> quarter 2007 increased 16% to NOK 194.6 mill compared to NOK 167.5 mill last year. For the first 6 months revenue increased by 22% compared to the same period last year. The growth is mainly due to the effect of the acquisition of Sea Products of Scotland (UK) together with increased sales from the freshwater business in the UK. Salmon volumes for the first 6 months in 2007 was down approximately 750 tonnes (-14%) compared to 2006. As for seabass/seabream, volumes were up by approximately 70 tonnes (4%) in first 6 months of 2007 compared to 2006.

EBIT before fair value in the 2<sup>nd</sup> quarter 2007 ended at NOK 20.8 mill compared to NOK 38.6 mill in 2006. The figures for 2007 include NOK -9.6 mill in provisions (see note 5 for more details). For the first 6 months of 2007, EBIT before fair value was NOK 41.5 compared to NOK 48.1 in 2006. The figures for 2007 include NOK -14.7 mill in provisions.

Marine Farms report according to IFRS. Due to lower salmon prices at the end of June 2007 compared to March 2007, the fair value adjustment for salmon was negative in 2<sup>nd</sup> quarter 2007. For seabass/seabream, the prices for seabream was lower at end of June compared to March 2007, resulting in a negative fair value adjustment for seabass/seabream in 2<sup>nd</sup> quarter 2007. In total, fair value adjustment for the group amounted to NOK -24.2 mill in 2<sup>nd</sup> quarter 2007, compared to NOK 20.9 mill in 2<sup>nd</sup> quarter 2006 (exceptionally high salmon prices end of June 2006).

Financial net for 2<sup>nd</sup> quarter 2007 include NOK 2.7 mill in agio provisions.

The 51% ownership in Machrihanish Marine Farms Ltd is held as assets for sale in the accounts pr 30.06.2007 (see note 6 for more details) and the results have been adjusted accordingly.

Net profit amounted to NOK -6.0 mill in 2<sup>nd</sup> quarter 2007 compared to NOK 38.1 mill in same period last year. For the first six months in 2007, net profit amounted to NOK 3.8 mill, compared to NOK 29.6 mill in the same period last year.

## **Business areas**

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. Marine Farms' core competence is its technical and biological know-how and innovativeness. The company's operations mainly consist 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 (Belize) and in Vietnam. The Group had a turnover of NOK 593 mill in 2006 and had 414 employees per 30.06.2007.

### **Salmon (Lakeland)**

Lakeland has been operating within the salmon farming industry since 1987, and specialises in vertically integrated production of Atlantic salmon, all the way from the broodfish through egg, fry, parr, smolt and fully grown salmon to the sale of gutted salmon and fresh fillets.

Lakeland's hatchery business is considered to be the largest independent supplier of salmon ova and smolt to the UK market. The Company has a production capacity of 50 mill ova and 9.0 mill smolt. Broodfish are tested individually for the virus disease IPN which is a major selling point. Demand for salmon smolt and ova in the UK is increasing.

Lakeland was one of the most profitable salmon producers in the UK in 2006, with an EBIT/kg gwt sold fish of NOK 10.1. In the 2<sup>nd</sup> quarter of 2007, Lakeland generated some NOK 9.6/kg gwt sold fish, which is NOK 2.1 lower than the year before. The drop is mainly due to lower salmon prices. For the first six months of 2007, Lakeland obtained an EBIT/kg gwt sold fish of NOK 10.1, which is similar to what the group managed in 2006.

*Historic development*

<i>NOK mill</i>	2004	2005	2006*	2.Q 2006*	2.Q 2007	YTD 2006*	YTD 2007	3.Q 2007e	4.Q 2007e
Sale of own salmon (gwt tonnes)	7 742	7 674	9 264	3 152	2 941	5 505	4 747	2 400	2 700
Sale of 3rd party salmon (gwt tonnes)	-	-	872	33	208	191	424	200	200
Total sale of salmon (gwt tonnes)	7 742	7 674	10 136	3 185	3 149	5 696	5 171	2 600	2 900
Revenue Lakeland Group	195,6	231,6	388,7	119,7	127,1	208,3	225,3		
EBIT before fair value adjustment (1)	8,5	45,4	93,6	36,8	28,3	55,5	48,2		
<b>EBIT/kg gwt own fish sold (NOK)</b>	<b>1,1</b>	<b>5,9</b>	<b>10,1</b>	<b>11,7</b>	<b>9,6</b>	<b>10,1</b>	<b>10,1</b>		

(1) EBIT = EBIT before fair value adjustments, extraordinary items and provisions.

\* Pro forma figures include SPoS Ltd and MP Ltd, which was acquired 100% and 80% respectively 01.09.06

Lakeland is planning to sell about 9,800 tonnes gwt salmon in 2007 (production capacity is approximately 9,500 tonnes), of which 5,100 tonnes is planned to be sold in the second half of 2007. In addition, the company is planning to sell about 800 tonnes gwt salmon for 3<sup>rd</sup> parties in 2007. Approximately 40% of the volumes for 2007 are already sold on fixed prices contracts, which is similar to the situation at the beginning of 2006. The average contract price in 2007 is higher compared to 2006.

Seabass/seabream (Culmarex)

Culmarex was founded in 1986 and commenced the production of various marine species such as yellowtail and oysters. In 1990 the Company was purchased by Marine Farms ASA and it was then decided to focus its activities on seabass and seabream, two relatively highly priced white meat fish from the Mediterranean. The fish grow relatively slowly and are sold round from 350g and upwards.

Culmarex is today a vertically integrated supplier of seabass and seabream, and conducts all parts of the production, from broodfish through the pre-ongrowing of juveniles up until the fish is ready for the market. Culmarex has approximately 260 employees and the company is renowned for its good service and high quality. This is reflected in the prices the company achieves in the market for its fish.

The Culmarex group was the largest and most profitable seabass/seabream producers in Spain in 2006, with an EBIT/kg sold fish of approximately NOK 11.3. In the 2<sup>nd</sup> quarter of 2007, Culmarex obtained an EBIT/kg sold fish of approximately NOK 7.6, which is NOK 3.4 lower compared to the same period in 2006. The difference is mainly due to non cash flow events such as adjustment of biomass in acquired companies. In addition, sale of juveniles to third parties has been reduced, as now most of the juveniles are sold internally. Although the juvenile business is generating record profits, internal profits are eliminated in the accounts, hence reducing the overall profits for the Culmarex group. For the first six months of 2007, Culmarex obtained an EBIT/kg gwt sold fish of NOK 9.9, an improvement of NOK 0.5 compared to 2006.

*Historic development*

<i>NOK mill</i>	2004	2005	2006 *	2.Q 2006 *	2.Q 2007	YTD 2006*	YTD 2007	3.Q 2007e	4.Q 2007e
Sale of own seabass/seabream (tonnes)	1 707	2 239	4 112	889	1 108	1 834	1 907	1 500	1 500
Sale of 3rd party seabass/seabream (tonnes)	1 164	1 051	622	191	77	285	351	400	300
Total sale of seabass/seabream (tonnes)	2 871	3 291	4 734	1 080	1 185	2 119	2 258	1 900	1 800
Revenue - Culmarex Group	175,8	179,3	246,8	60,3	67,4	109,5	124,4		
EBIT before fair value adj (1)	13,7	24,6	46,7	9,8	8,4	17,1	18,9		
<b>EBIT/kg own fish sold (NOK)</b>	<b>8,0</b>	<b>11,0</b>	<b>11,3</b>	<b>11,0</b>	<b>7,6</b>	<b>9,4</b>	<b>9,9</b>		

(1) EBIT = EBIT before fair value adjustments, extraordinary items and provisions.

\* Pro forma figures include PIAGUA which was acquired 1st of July 2006.

Culmarex is planning to sell approximately 4,900 tonnes of its own produced seabass/seabream in 2007 (production capacity is currently approximately 9,000 tonnes), of which 3,000 tonnes is planned to be sold in the second half of 2007. In addition, the company is planning to sell about 1.000 tonnes seabass/seabream for 3<sup>rd</sup> parties in 2007.

### Cobia (Belize and Vietnam)

Cobia is a white meat fish that lives in tropical waters (20-30C°). 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. However, Cobia has all the traits you want for a farmed fish such as good eating qualities, large fillets, do well in cages, fast growth, year round egg supplies and an efficient production.

Marine Farms have operated a cobia 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). First priority is to get Belize up and running. The experience gained in Belize will then be used to develop Vietnam.

The cobia operation in Belize continues to develop according to plan. The juveniles put into sea in August last year are ready for harvest. Based on recent test-sales to the US market, the response so far has been positive. The company is planning to harvest approximately 300 tonnes gwt cobia in 2007. Current total production capacity is estimated to be around 8,000 tonnes.

Until recently the company operated only one sea site, but now as the 2007 generation of juveniles has been flying in from Florida, these are being put into cages at a separate site. The plan is to at least double the number of cobia fish in the sea by the end of 2007 compared 2006. The company has also started the construction of a new marine hatchery in Belize, which should be up and running by the middle of next year.

### **Balance sheet and capital structure**

Total assets per 30.06.07 amounted to NOK 904 mill, which is NOK 49 mill higher than per 31.12.2006. Biomass amounted to NOK 373 mill, an increase of NOK 3 mill compared year end 2006. Net interest-bearing debt per 30.06.2007 amounted to NOK 210 mill, a NOK 17 mill reduction compared to year end 2006. As per 20.08.2007 the group had NOK 122 mill in free cash and available credit facilities.

Equity per 30.06.2007 was NOK 453 mill (50.2% equity ratio), compared to NOK 405 mill (47.4%) at year end 2006.

Marine Farms ASA has together with its major subsidiaries signed a new 5-year corporate NOK 500 mill loan agreement with DnB NOR at improved terms, increasing available free liquidity to approximately NOK 350 mill. The funds will be used to finance significant organic growth over the next few years, especially in seabass/seabream and in cobia. The loan agreement contain one financial covenant, that being an equity ratio of minimum 32.5%.

## **Share information**

On the 12<sup>th</sup> of October 2006 Marine Farms ASA was listed on the Oslo Stock Exchange, trading under the "MAFA" ticker. At 30.06.2007, total number of shares outstanding was 36,618,628 and the share price was NOK 27.40/share.

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

On the 5<sup>th</sup> of July 2007, Marine Farms ASA announced that its 100% owned Spanish subsidiary Culmarex SA had acquired 100% of the shares of the company Blue & Green P.SE, S.L. from Niordseas S.L.U for a price in the region of EUR 2.5 mill on a debt-free basis. Blue & Green is located in the province of Murcia, some 80 km from the parent company`s administrative, sales and packing/processing facilities in Aguilas, Murcia. The new motorway link from Cartagena to Vera means that fish can arrive in Aguilas about 1 hour after landing at the port of San Pedro del Pinatar. Included in the purchase is a biomass of about 250 tonnes. The new acquisition has a present production capacity of 810 tonnes of sea bream & sea bass.

On the 6<sup>th</sup> of august 2007 Culmarex S.A., a 100% owned subsidiary of Marine Farms ASA, announced that its wholly-owned subsidiary Granja Marina Bahia de Santa Pola S.A.U. (Gramabasa) had agreed to purchase the assets and fish stocks of the neighbouring company C.I.M. Delta del Vinalopo. The title of the concession will be transferred from Delta del Vinalopo to Gramabasa, subject to approval by the relevant authorities. Delta del Vinalopo is pending an increase in concession capacity to 1,200 tonnes seabass and seabream per annum. The new acquisition is located next to the two existing sites owned by Gramabasa in the Santa Pola Bay, and there should be significant synergies in operating the 3 sites together. Gramabasa will pay up to EUR 2.8 mill to the owners of Delta de Vinalopo to incorporate the assets, concession and fish stocks into the Gramabasa cluster.

## **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. Marine Farms has a clearly defined strategy to invest in regions/segments where it may become one of the top producer`s earnings wise. Focus is on large and efficient clusters, controlling the entire value chain from broodfish to customer. Its activity shall be diversified in terms of species and markets, leveraging on established species and investing in new ones. The company will seek market leadership in selected niches by being an innovative and trustworthy supplier of high quality seafood products.

Over the past few years, the company has acquired new businesses both in the UK and in Spain and the company will continue to look for attractive acquisition opportunities going forward. In addition, the company has significant room for organic growth. The focus on bigger and more efficient business units continues and the group is well positioned for further growth.

Bergen, 21<sup>st</sup> of August 2007  
The Board of Directors  
Marine Farms ASA

**MARINE FARMS GROUP CONSOLIDATED**

**Income statement**

<b>Figures in NOK 1 000</b>	<b>2 Q 2007 IFRS</b>	<b>2 Q 2006 IFRS</b>	<b>YTD 2007 IFRS</b>	<b>YTD 2006 IFRS</b>	<b>Yr 2006 IFRS</b>
<b>Total operating revenues</b>	<b>194 577</b>	<b>167 504</b>	<b>349 505</b>	<b>285 570</b>	<b>593 836</b>
Change in inventory (cost of production )	7 873	-4 013	26 117	-10 072	35 015
Cost of materials	-92 321	-66 533	-169 814	-110 345	-284 341
Salaries and personal expenses (Note 5)	-35 771	-14 987	-64 436	-39 489	-91 558
Other operating expenses	-43 573	-33 386	-80 238	-59 893	-120 392
<b>EBITDA before fair value adj. on biomass</b>	<b>30 785</b>	<b>48 585</b>	<b>61 134</b>	<b>65 771</b>	<b>132 560</b>
Depreciations	-9 974	-10 024	-19 611	-17 670	-33 457
<b>EBIT before fair value adj. on biomass</b>	<b>20 811</b>	<b>38 561</b>	<b>41 523</b>	<b>48 101</b>	<b>99 103</b>
Fair value acquired companies (Note 3)	-1 687	0	-3 822	0	-6 645
Fair value adjustment on biomass (IAS 41)	-22 528	20 888	-26 248	13 886	36 550
<b>OPERATING PROFIT (EBIT)</b>	<b>-3 404</b>	<b>59 449</b>	<b>11 453</b>	<b>61 987</b>	<b>129 008</b>
Income from associates	0	1 731	0	1 791	-4 646
Write down on financial assets	0	0	0	0	0
Finance revenue	665	524	1 163	611	5 324
Interest costs	-3 105	-2 509	-5 908	-5 147	-12 994
Other finance costs	-2 695	-461	1 723	-2 106	-270
<b>Profit before tax</b>	<b>-8 539</b>	<b>58 734</b>	<b>8 431</b>	<b>57 136</b>	<b>116 422</b>
Taxes	-801	-14 900	-6 508	-20 637	-33 478
<b>Net profit from continued operations</b>	<b>-9 340</b>	<b>43 834</b>	<b>1 923</b>	<b>36 499</b>	<b>82 944</b>
Net profit/(-) loss from assets held for sale	3 323	-5 762	1 913	-6 858	-5 266
<b>Net profit (loss)</b>	<b>-6 017</b>	<b>38 072</b>	<b>3 836</b>	<b>29 641</b>	<b>77 678</b>
Majority interest	-5 617	37 314	2 761	30 656	77 532
Minority interest	-400	758	1 075	-1 015	146
<i>Earnings per share</i>	<i>-0,16</i>	<i>1,47</i>	<i>0,08</i>	<i>1,21</i>	<i>2,64</i>
<i>Diluted earnings per share</i>	<i>-0,16</i>	<i>1,47</i>	<i>0,08</i>	<i>1,21</i>	<i>2,64</i>

## Balance sheet

Figures in NOK 1 000	30.06.07	30.06.06	31.12.06
<b>ASSETS</b>			
Licences	48 966	30 387	42 808
Goodwill	35 636	17 737	32 455
<b>Total intangible assets</b>	<b>84 602</b>	<b>48 124</b>	<b>75 263</b>
<b>Total tangible assets</b>	<b>249 141</b>	<b>169 571</b>	<b>219 739</b>
<b>Total financial assets</b>	<b>1 782</b>	<b>21 755</b>	<b>2 056</b>
<b>Total non-current assets</b>	<b>335 525</b>	<b>239 450</b>	<b>297 058</b>
<b>Non-current assets discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>
Biomass	372 931	252 154	370 377
Other inventories	15 583	10 350	15 103
<b>Total inventories</b>	<b>388 514</b>	<b>262 504</b>	<b>385 480</b>
Total receivables	149 507	104 643	131 633
Cash and cash equivalents	30 458	43 639	40 989
<b>Total current assets</b>	<b>568 479</b>	<b>410 786</b>	<b>558 102</b>
<b>TOTAL ASSETS</b>	<b>904 004</b>	<b>650 236</b>	<b>855 160</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>453 394</b>	<b>235 708</b>	<b>405 243</b>
Liabilities to financial institutions	112 569	184 200	118 821
Other non-current liabilities	51 143	43 094	54 028
<b>Total non-current liabilities</b>	<b>163 712</b>	<b>227 294</b>	<b>172 849</b>
<b>Non-current liabilities discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities to financial institutions	127 948	54 934	149 203
Other current liabilities	158 950	132 301	127 865
<b>Total current liabilities</b>	<b>286 898</b>	<b>187 235</b>	<b>277 068</b>
<b>Total liabilities</b>	<b>450 610</b>	<b>414 529</b>	<b>449 917</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>904 004</b>	<b>650 236</b>	<b>855 160</b>

## Key figures

<b>Figures in NOK 1 000</b>	<b>2Q 2007</b>	<b>2Q 2006</b>	<b>YTD 2007</b>	<b>YTD 2006</b>	<b>Yr 2006</b>
	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>	<b>IFRS</b>
EBITDA before fair value adjustment	30 785	48 585	61 134	65 771	132 560
EBITDA after fair value adjustment	6 570	69 473	31 064	79 657	162 465
EBIT	-3 404	59 449	11 453	61 987	129 008
EBITDA margin before fair value adjustment	16 %	29 %	17 %	23 %	22 %
EBITDA margin after fair value adjustment	3 %	41 %	9 %	28 %	27 %
Operating margin (EBIT)	-2 %	35 %	3 %	22 %	22 %
Earnings per share	-0,16	1,47	0,08	1,21	2,64
Diluted earnings per share	-0,16	1,47	0,08	1,21	2,64
Equity ratio			50%	36%	47 %
Net interest bearing debt			210 059	195 495	227 036

## Consolidated statements of cash flow

<b>Figures in NOK 1 000</b>	<b>2Q 2007</b>	<b>2Q 2006</b>	<b>YTD 2007</b>	<b>YTD 2006</b>	<b>Yr 2006</b>
Net profit before income taxes	-5 214	52 972	10 344	50 278	111 156
Fair value adjustment on biomass	24 215	-20 889	30 070	-13 887	-29 905
Tax paid	-11 068	0	-11 068	0	-15 238
Deprec. and amortisation, including gain/loss on disposal	9 604	10 563	19 611	18 531	34 801
Interest paid	7 143	2 142	5 135	4 774	13 378
Income from associates and other investments	0	-1 731	0	-1 791	4 646
Change in inventories, trade receivables and trade acc. p.	-16 065	-15 330	-12 906	-20 525	-156 444
Change in other accruals	-4 681	-953	-2 885	9 302	24 291
<b>Net cash flow from operating activities</b>	<b>3 934</b>	<b>26 774</b>	<b>38 301</b>	<b>46 682</b>	<b>-13 315</b>
Sales of fixed assets	0	0	0	0	11 700
Investments in fixed assets	-31 446	-13 720	-59 084	-21 688	-105 980
Net purchase and proceeds from other investments	0	0	0	-2 179	0
<b>Net cash flow from investing activities</b>	<b>-31 446</b>	<b>-13 720</b>	<b>-59 084</b>	<b>-23 867</b>	<b>-94 280</b>
Net down payment/proceeds of interest-bearing debt	9 191	2 591	-27 507	2 591	26 328
Interest paid	110	-2 142	-3 105	-4 774	-13 378
Issuance of share capital (share issue and sale of own shares)	0	0	57 658	0	113 870
<b>Net cash flow from financing activities</b>	<b>9 301</b>	<b>449</b>	<b>27 046</b>	<b>-2 183</b>	<b>126 820</b>
Net foreign exchange difference	-2 948	-1 470	-16 794	-107	-1 350
<b>Net change in cash and cash equivalents</b>	<b>-21 159</b>	<b>12 033</b>	<b>-10 531</b>	<b>20 525</b>	<b>17 875</b>
Cash and cash equivalents at beginning of period	51 617	31 606	40 989	23 114	23 114
Net change in cash and cash equivalents	-21 159	12 033	-10 531	20 525	17 875
<b>Cash and cash equivalents at end of period</b>	<b>30 458</b>	<b>43 639</b>	<b>30 458</b>	<b>43 639</b>	<b>40 989</b>

## Equity statement

	30.06.2007	30.06.2006	31.12.2006
<b>Equity 01.01.</b>	<b>405 243</b>	<b>209 134</b>	<b>208 499</b>
Profit for the period	3 836	29 641	77 678
Difference	312	396	0
Share issue, net after expenses	57 658	0	113 870
Purchase of own shares	0	0	-3 329
Dividend	0	-230	-243
Effect of business combinations achieved in stages	0	0	8 371
Foreign currency translation differences	-13 655	-3 233	238
<b>Total equity at the end of period</b>	<b>453 394</b>	<b>235 708</b>	<b>405 243</b>

### NOTE 1: CORPORATE INFORMATION

Marine Farms ASA is a company incorporated and domiciled in Norway. The principle activities of the company and its subsidiaries are fishfarming activities of species as Salmon, Seabass/seabream etc.

### NOTE 2: BASIS FOR PREPARATION AND ACCOUNTING PRINCIPLES

The report for the 2<sup>nd</sup> quarter 2007 has been prepared in accordance with IFRS – hereunder IAS 34 Interim Financial Reporting. The Interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2005 and at 31 December 2006.

Norwegian accounting standards have for the most part been in accordance with IFRS, but for Marine Farms the transition to IFRS has particular significance with respect to the value of the biomass (stocks of live fish), since the new standards state that the biomass must, as a rule, be recorded at fair value in the balance sheet. Further information about the transition from NGAAP to IFRS can be read in the Group's annual financial statements as at 31 December 2005 and at 31 December 2006 based on IFRS. Changes in the standards and interpretations may lead to changes in the accounts.

### NOTE 3: INVENTORY

The following fish is measured at fair value:

- Salmon above 1 kilo
- Seabass and seabream above 350 g

<i>Figures in NOK 1 000</i>	30.06.2007	30.06.2006	31.12.2006
Biomass at cost	320 877	198 177	291 591
Excess fair value year end	52 054	53 977	78 786
<i>Spain:</i> 36 052		35 664	57 084
<i>UK:</i> 16 002		18 313	21 702
<b>Biomass at fair value</b>	<b>372 931</b>	<b>252 154</b>	<b>370 377</b>

When Culmarex acquired Piagua (Spain) on 1<sup>st</sup> of July 2006, the biomass was valued at fair value, which was EUR 1.273 mill higher than cost on the same date. When selling this fish, the fair value at acquisition date is released to

the P&L. This has no cash flow effect. At the end of June 2007, all of this excess fair value was accounted for in the P&L.

#### NOTE 4: SEGMENT INFORMATION

Marine Farms has activities within farming, processing and sale of different fish species. The activities take place in majority owned subsidiaries mainly in UK and Spain. Business segments constitute the primary reporting format and are based on Group's management and internal reporting structure. The Group's primary segment is determined to be fishfarming of salmon, fishfarming of seabass/seabrem and fishfarming of other species. The Groups secondary segment is geographical.

The following tables present revenue and profit and certain asset and liability information regarding the Group's business segments. Note that the figures have been prepared in accordance with IFRS.

##### 2Q 2007

Figures in NOK mill	Revenue	Operating profit	Net financial items	Income taxes	Net profit (loss)	Investments	Non-current assets	Inventory	Total assets	Total liabilities
Salmon UK	127.1	12.9	-2.8	-2.6	7.5	16.3				
Seabass/bream Spain	67.3	-5.4	-0.7	1.8	-4.3	11.8				
Other i.e. Cobia + MFt Ltd	0.7	-3.0	0.1	0.0	-2.9	3.2				
Mother Company Norway	1.5	-7.9	-1.7	0.0	-9.6	0.1				
Eliminations/group adjustments	-2.0	0.0	0.0	0.0	0.0	0.0				
<b>Total continued operations</b>	<b>194.6</b>	<b>-3.4</b>	<b>-5.1</b>	<b>-0.8</b>	<b>-9.3</b>	<b>31.4</b>				
Discontinued operations	0.2	-4.1	7.4	0.0	3.3	0.0				
<b>Total</b>	<b>194.8</b>	<b>-7.5</b>	<b>2.3</b>	<b>-0.8</b>	<b>-6.0</b>	<b>31.4</b>				

##### 2Q 2006

Figures in NOK mill	Revenue	Operating profit	Net financial items	Income taxes	Net profit (loss)	Investments	Non-current assets	Inventory	Total assets	Total liabilities
Salmon UK	100.3	26.2	-1.9	-3.1	21.2	9.5				
Seabass/bream Spain	67.0	29.9	0.9	-11.8	19.0	5.9				
Other i.e. Cobia + MFt Ltd	0.5	4.2	0.1	0.0	4.3	1.0				
Mother Company Norway	1.2	-0.9	0.2	0.0	-0.7	0.0				
Eliminations/group adjustments	-1.5	0.0	0.0	0.0	0.0	0.0				
<b>Total continued operations</b>	<b>167.5</b>	<b>59.4</b>	<b>-0.7</b>	<b>-14.9</b>	<b>43.8</b>	<b>16.4</b>				
Discontinued operations	1.5	-5.6	-0.2	0.0	-5.8	0.0				
<b>Total</b>	<b>169.0</b>	<b>53.8</b>	<b>-0.9</b>	<b>-14.9</b>	<b>38.0</b>	<b>16.4</b>				

**Acc. 30.06. 2007**

Figures in NOK mill	Revenue	Operating profit	Net financial items	Income taxes	Net profit (loss)	Investments	Non-current assets	Intangibles	Total assets	Total liabilities
Salmon UK	225.1	40.8	-5.4	-10.2	25.2	17.3	142.6	171.7	403.7	364.4
Seabass/bream Spain	124.3	-11.5	5.5	3.7	-2.3	31.3	129.7	203.5	420.5	249.5
Other i.e. Cobia + MFt Ltd	1.2	-4.7	0.1	0.0	-4.6	10.5	35.6	13.0	69.8	81.8
Mother Company Norway	2.3	-13.1	-3.2	0.0	-16.3	0.1	228.3	0.3	247.0	16.5
Eliminations/group adjustments	-3.4	0.0	0.0	0.0	0.0	0.0	-199.5	0.0	-237.0	-161.6
<b>Total continued operations</b>	<b>349.5</b>	<b>11.4</b>	<b>-3.0</b>	<b>-6.5</b>	<b>1.9</b>	<b>59.2</b>	<b>336.7</b>	<b>388.5</b>	<b>904.0</b>	<b>450.6</b>
Discontinued operations	0.6	-5.4	7.3	0.0	1.9	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>350.1</b>	<b>6.0</b>	<b>4.3</b>	<b>-6.5</b>	<b>3.8</b>	<b>59.2</b>	<b>336.7</b>	<b>388.5</b>	<b>904.0</b>	<b>450.6</b>

**Acc. 30.06. 2006**

Figures in NOK mill	Revenue	Operating profit	Net financial items	Income taxes	Net profit (loss)	Investments	Non-current assets	Intangibles	Total assets	Total liabilities
Salmon UK	169.1	46.9	-4.6	-12.4	29.9	14.2	118.6	120.1	311.8	243.2
Seabass/bream Spain	116.3	18.3	0.4	-8.2	10.5	7.5	91.9	128.8	283.1	172.8
Other i.e. Cobia + MFt Ltd	1.0	3.0	0.0	0.0	3.0	2.0	20.8	5.5	38.9	42.6
Mother Company Norway	1.9	-6.3	-0.7	0.0	-7.0	0.0	115.9	0.2	128.4	41.0
Eliminations/group adjustments	-2.7	0.0	0.0	0.0	0.0	0.0	-107.7	0.0	-120.0	-87.5
<b>Total continued operations</b>	<b>285.6</b>	<b>61.9</b>	<b>-4.9</b>	<b>-20.6</b>	<b>36.4</b>	<b>23.7</b>	<b>239.5</b>	<b>254.6</b>	<b>642.2</b>	<b>412.1</b>
Discontinued operations	1.6	-6.6	-0.2	0.0	-6.8	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>287.2</b>	<b>55.3</b>	<b>-5.1</b>	<b>-20.6</b>	<b>29.6</b>	<b>23.7</b>	<b>239.5</b>	<b>254.6</b>	<b>642.2</b>	<b>412.1</b>

The table below presents the Marine Farms Group's revenue distributed between the Group's main geographical markets

**Geographical segments – by location of revenue generating legal entities**

	2Q 2007		2Q 2006		YTD 2007		YTD 2006		31.12.2006	
	NOKm	Share	NOKm	NOKm	Share	Share	Share	Share	NOKm	Share
UK	127.1	65 %	100.3	60 %	225.1	64 %	169.1	59 %	347.2	58 %
Spain	67.3	35 %	67.0	40 %	124.3	36 %	116.3	41 %	246.8	42 %
Norway	1.5	1 %	1.2	1 %	2.3	1 %	1.9	1 %	2.5	0 %
Other/Elimination	-1.3	-1 %	-1.0	-1 %	-2.2	-1 %	-1.7	-1 %	-2.7	0 %
<b>Total rev. cont. oper.</b>	<b>194.6</b>	<b>100 %</b>	<b>167.5</b>	<b>100 %</b>	<b>349.5</b>	<b>100 %</b>	<b>285.6</b>	<b>100 %</b>	<b>593.8</b>	<b>100 %</b>

## NOTE 5: EQUITY BASED REMUNERATION (SYNTHETIC OPTIONS)

The company started a new bonus scheme for key employees based on the development of the share price in the parent company. The scheme started July 2005 and expire 31.12.07, with a total period of 30 month. Key employees still employed by the company will receive a cash bonus if the market price for the share is higher than NOK 4 per share. Bonus calculation is based on "synthetic" shares given to each key employee. Total number of synthetic shares initially amounted to 1.225 million shares. However, as per 30.06.2007 the number has been reduced to 1.075.000, as one key employee has left the company. Per 30.06.2007 estimated accumulated value of the bonus scheme is NOK 29.1 mill for the Group including social security tax. This calculation is based on a market price of NOK 27.4 per share, which is the share price at 30.06.2007. The total value of NOK 29.1 mill has, in accordance with IFRS, to be taken to the income statement over the period until 31.12.07. As of 30.06.07, there has been taken total provision in the amount of NOK 23.3 mill in the consolidated accounts including social security tax, of which NOK 9.6 mill has been taken in 2<sup>nd</sup> quarter 2007.

## NOTE 6: ASSETS HELD FOR SALE

In May 2007, the Board of Directors made a decision to put its 51% ownership in Machrihanish Marine Farms Ltd (the cod hatchery in Scotland) up for sale. As a consequence, Machrihanish Marine Farms Ltd is now held as assets for sale in the accounts pr 30.06.2007. Historic results in this report have been adjusted accordingly. Based on conservative estimates, the market value of the shares in Machrihanish Marine Farms Ltd is set to be NOK 3.3 mill higher than the accumulated losses related to the investment pr 30.06.2007, i.e. this has been reported as profit from assets held for sale in the 2<sup>nd</sup> quarter 2007 accounts.

## NOTE 7: EARNING PR SHARE

Earnings per share are calculated by dividing the majority's share of net profit after tax for the period by the average number of ordinary shares outstanding during the period. Diluted earnings per share is calculated by dividing the majority's share of net profit after tax for the period by the average number of ordinary shares outstanding during the period, adjusted for outstanding options and other convertible instruments that have potential dilution effects.

In a General meeting in Marine Farms ASA, held on 6<sup>th</sup> September 2006 it was decided to merge two shares into one share in Marine Farms ASA, i.e. the face value per share is increased from NOK 1 to NOK 2 (two old shares is equal to one new share).

<i>Figures in NOK 1 000</i>	<b>2Q 2007</b>	<b>2Q 2006</b>	<b>YTD 2007</b>	<b>YTD 2006</b>	<b>2006</b>
Majority's share of net profit	-7 027	40 252	2 761	34 154	80 218
Number of outstanding ordinary shares as of en of period ('000)	36 617	25 408	36 619	25 408	33 311
Average number of outstanding shares ('000)	36 617	25 408	34 961	25 408	29 359
Earnings per share	-0,16	1,47	0,08	1,21	2,64
Earnings per share (diluted)	-0,16	1,47	0,08	1,21	2,64