

# Consolidated Report

2<sup>nd</sup> Quarter 2008



**MARINE FARMS ASA**

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## HIGHLIGHTS / BOARD OF DIRECTORS COMMENT'S

### Highlights

- In the 2<sup>nd</sup> quarter 2008, sales dropped by 20% compared to the same period last year, mainly due to a 28% drop in volumes in Culmarex and a 16% lower NOK/GBP exchange rate. EBIT before fair value was NOK 10.8 mill compared to NOK 20.8 mill last year. The drop is mainly a result of significant lower profitability for the seabass/seabream operation in Spain, much due to extraordinary costs in connections with turning around companies acquired in 2007 and the significant drop in the NOK/GBP exchange rate.
- For the first six months of 2008, revenue dropped by 4% compared to the same period in 2007. EBIT before fair value was NOK 18.9 mill, which is NOK 22.5 mill lower than the year before.
- The salmon operations in Lakeland (UK), a 100% owned subsidiary of Marine Farms ASA, continue to do very well. The company obtained an EBIT/kg gwt sold salmon of NOK 7.9 in 2<sup>nd</sup> quarter 2008 (NOK 9.6 in 2007). Volumes increased by 11% in 2<sup>nd</sup> quarter 2008 compared to same quarter last year.
- The seabass/seabream operations in Culmarex (Spain), a 100% owned subsidiary of Marine Farms ASA, obtained an EBIT/kg sold seabass/seabream of NOK -10.5 in 2<sup>nd</sup> quarter 2008 (NOK 7.9 in 2007). The "old" business of Culmarex Group (excluding the three acquired companies) obtained an EBIT/kg sold fish of approximately NOK 14 in 2<sup>nd</sup> quarter 2008. Volumes dropped by 28% in 2<sup>nd</sup> quarter 2008 compared to same quarter last year.
- The cobia operations in Belize and in Vietnam continue to develop according to plan. There is a "pull" for cobia in the market and the demand for our fish continues to be higher than what we can supply.
- The group's financial position is strong. Per 30.06.2008, equity amounted to NOK 445 mill (40.9% equity ratio) and net interest-bearing debt amounted to NOK 348 mill. As pr 30.06.2008, the group had approximately NOK 280 mill in free cash and available credit facilities (including new DnB NOR Bank facilities announced on the 16<sup>th</sup> of June 2008).
- The group has room for significant organic growth going forward, especially in seabass/seabream (Spain) and in cobia (Belize and Vietnam).

### Group key figures

Consolidated <b>Marine Farms ASA</b>	<i>figures in NOK 1.000</i>	2 <sup>nd</sup> Q 08	2 <sup>nd</sup> Q 07	YTD 08	YTD 07	Yr 2007
Operating revenue		155 350	194 577	337 382	349 505	735 420
EBITDA pre fair value adjustment		21 824	30 785	40 986	61 134	136 349
EBIT pre fair value adjustment		10 864	20 811	18 943	41 523	94 609
EBIT		10 851	-3 404	-4 834	11 453	79 861
Result before tax		4 652	-8 539	-24 259	8 431	60 921
Result after tax		1 837	-6 017	-23 547	3 836	32 506
<i>EBIT pre fair value adj. margin</i>		7.0 %	10.7 %	5.6 %	11.9 %	12.9 %
<i>Earnings per share diluted</i>		0.07	-0.19	-0.63	0.10	0.76
Total assets				1 088 577	904 004	1 061 961
Equity				444 803	453 394	474 828
Net interest-bearing debt				348 062	210 059	317 692
<i>Equity ratio</i>				40.9 %	50.2 %	44.7 %

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 2006 and 2007 (see [www.marinefarms.com](http://www.marinefarms.com)).

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

Revenue in the 2<sup>nd</sup> quarter 2008 dropped by 20% to NOK 155.4 mill compared to NOK 194.6 mill last year. For the first six months of 2008, revenue dropped by 4% compared to the same period in 2007. The drop is mainly due a significant lower NOK/GBP exchange rate, lower volumes for seabass and seabream in Spain and historic low seabream prices.

EBIT before fair value in the 2<sup>nd</sup> quarter 2008 ended at NOK 10.9 mill compared to NOK 20.8 mill in 2007. For the first six months of 2008, the group generated an EBIT before fair value of NOK 18.9 mill, which is NOK 22.5 mill lower than the year before. The drop is mainly due to significantly lower profitability for the seabass/seabream operation in Spain. In addition, Lakeland experienced a -16% drop in the GBP/NOK currency rate.

Marine Farms reports according to IFRS. The salmon price at the end of June 2008 was slightly higher than at the end of March 2008. However, the composition of the biomass together with increased production costs resulted in a negative NOK -5.2 mill adjustment of the fair value in the 2<sup>nd</sup> quarter 2008. For seabass/seabream, the prices were somewhat higher at the end of June compared to end of March, resulting in a NOK 5.2 mill adjustment of the fair value in 2<sup>nd</sup> quarter 2008. In total, fair value adjustment for the group amounted to NOK -0.0 mill in 2<sup>nd</sup> quarter 2008, compared to NOK -24.2 mill in the same period last year. For the first six months of 2008, fair value adjustment amounted to NOK -23.8 mill compared to NOK -30.0 mill in the same period in 2007.

Financial net for 2<sup>nd</sup> quarter 2008 includes NOK -1.0 mill in agio provisions. For the first six months of 2008, agio provisions amounted to NOK -9.8 mill. The provisions have been significant over the past year or so, due to the significant drop in the GBP/NOK and the USD/NOK currency rates. Going forward the Company will consider to buy FX contracts in the market to hedge the repayment risk on shareholder loans.

The 51% ownership in Machrihanish Marine Farms Ltd is held as assets for sale in the accounts pr 30.06.2008 (see note 5 for more details) and the results have been adjusted accordingly.

Net profits amounted to NOK 1.8 mill in 2<sup>nd</sup> quarter 2008 compared to NOK -6.0 mill in the same period last year. For the first six months of 2008, net profits amounted to NOK -23.5 mill compared to NOK 3.8 mill in the same period in 2007.

## **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 735 mill in 2007 and had 547 employees per 30.06.2008. Read more about the Marine Farms Group on [www.marinefarms.com](http://www.marinefarms.com).

### 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 over 60 mill ova and up to 8.5 mill smolt. Broodfish are tested individually for the virus disease IPN which is a major selling point. The group is experiencing increasing sales of ova to Chile. Read more about Lakeland on [www.lakelandsmolt.co.uk](http://www.lakelandsmolt.co.uk).

Lakeland was one of the most profitable salmon producers in the UK in 2007, with an EBIT/kg gwt sold fish of NOK 9.0. In the 2<sup>nd</sup> quarter of 2008, Lakeland generated some NOK 7.9/kg gwt sold fish, which is NOK 1.7 lower than the year before. The drop is mainly due to a -16% drop in GBP currency compared to NOK. For the first 6 months of 2008, Lakeland generated an EBIT/kg gwt salmon of NOK 8.2. Lakeland is experiencing higher productions costs due to higher feed prices.

#### *Historic development*

<i>NOK mill</i>	2005	2006*	2007	2.Q 2007	2.Q 2008	YTD 2007	YTD 2008	3.Q 2008e	4.Q 2008e
Sale of own salmon (gwt tonnes)	7 674	9 264	10 212	2 941	3 262	4 747	5 489	2 500	3 200
Sale of 3rd party salmon (gwt tonnes)	-	872	1 014	208	142	424	250	150	150
Total sale of salmon (gwt tonnes)	7 674	10 136	11 226	3 149	3 404	5 171	5 739	2 650	3 350
Revenue Lakeland Group	231,6	388,7	456,0	127,1	103,8	225,3	233,8		
EBIT before fair value adjustment (1)	45,4	93,6	91,7	28,3	25,9	48,2	44,9		
<b>EBIT/kg gwt own fish sold (NOK)</b>	<b>5,9</b>	<b>10,1</b>	<b>9,0</b>	<b>9,6</b>	<b>7,9</b>	<b>10,1</b>	<b>8,2</b>		

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

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

Lakeland has an annual production capacity averaging approximately 12,000 tonnes. Due to a fallowing regime in Scotland, however, Lakeland's production capacity can vary between 11,500 tonnes gwt and 12,500 tonnes gwt any given year. For 2008, Lakeland expects to sell approximately 11.200 gwt salmon. For 2009, estimates are 11.800 tonnes gwt salmon.

### Seabass/seabream (Culmarex)

Culmarex was founded in 1986 and commenced 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 325 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. Read more about Culmarex on [www.culmarex.com](http://www.culmarex.com).

The Culmarex group was the largest and most profitable seabass/seabream producers in Spain in 2007, with an EBIT/kg sold fish of approximately NOK 9.1. In the 2<sup>nd</sup> quarter of 2008, Culmarex obtained an EBIT/kg sold fish of NOK -10.5, which is NOK 18.4 lower compared to the same period in 2007. The difference is mainly due to negative effects from the three companies acquired in 2007, which all lost

money when Culmarex took over. The “old” business of Culmarex Group (excluding the three acquired companies) obtained an EBIT/kg sold fish of approximately NOK 14 in 2<sup>nd</sup> quarter 2008.

For the first six months of 2008, Culmarex group obtained an EBIT/kg sold fish of NOK -7.4. The “old” business of Culmarex Group obtained an EBIT/kg sold fish of approximately NOK 6 in the same period.

Most of the fish which was taken over in connection with the acquisitions in 2007 have now been sold off. This fish has been very expensive to produce due to slow growth (30-40% slower than Culmarex’s own biology). In addition, a lot of fish have been missing when emptying cages, resulting in substantial write-offs in the accounts. Since the fish has not been part of the Culmarex quality assurance scheme since hatching, several customers have not been able to buy the fish. As a result, in addition to the high production costs, the fish from these three acquired companies obtained lower prices in the market. Focus going forward is to bring these companies up to the Culmarex quality standard and to build up new biomass with Culmarex biology and technology. It will take a few years until these farms are up and running at full capacity, hence their production costs will continue to be somewhat higher than the existing farms in the short term.

*Historic development*

<i>NOK mill</i>	2005	2006 *	2007	2.Q 2007	2.Q 2008	YTD 2007	YTD 2008	3.Q 2008e	4.Q 2008e
Sale of own seabass/seabream (tonnes)	2 239	4 112	4 925	1 108	794	1 907	1 766	1 600	1 800
Sale of 3rd party seabass/seabream (tonnes)	1 051	622	485	77	111	351	236	100	400
Total sale of seabass/seabream (tonnes)	3 291	4 734	5 410	1 185	905	2 258	2 002	1 700	2 200
Revenue - Culmarex Group	179,3	246,8	279,6	67,4	46,3	124,4	95,7		
EBIT before fair value adj (1)	24,6	46,7	44,8	8,7	(8,3)	19,2	(13,1)		
<b>EBIT/kg own fish sold (NOK)</b>	<b>11,0</b>	<b>11,3</b>	<b>9,1</b>	<b>7,9</b>	<b>-10,5</b>	<b>10,1</b>	<b>-7,4</b>		

(1) EBIT = EBIT before fair value adjustments, extraordinary items and provisions.  
\* Pro forma figures include PIAGUA which was acquired 1st of July 2006.

For 2008, Culmarex is planning to sell approximately 5,100 tonnes of own produced seabass and seabream. In 2009, volumes are estimated to increase to roughly 7,000 tonnes. The group has currently a production capacity of approximately 12,000 tonnes.

**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 one year and the fillets are popular in sushi and other dishes. Cobia is a relatively unknown species. However, Cobia has all the traits we want for a farmed fish such as good eating qualities, large fillets, high on Omega-3, 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 develop operations in Belize. The experience gained in Belize will then be used to fully develop Vietnam.

The cobia operation in Belize develops more or less according to plan. The company continues to harvest twice a week for shipments of fresh cobia into the US market. The response in the market is very good. MF Vietnam also has shipments once or twice a week of fresh cobia into Taiwan and trial shipments into Europe. There is a “pull” for cobia in the market and the demand for our fish continues to be higher than what we can supply. The company is in the process of finishing the construction of a new marine hatchery

in Belize, which should be up and running by the end of 2008. Read more about Marine Farms Belize on [www.marinefarmsbelize.com](http://www.marinefarmsbelize.com).

For 2008 the plan is to harvest approximately 600 tonnes gwt cobia. Current production capacity is estimated to be around 8,000 in Belize and in Vietnam. The company is awaiting approval for new licenses in Belize.

## **Balance sheet and capital structure**

Total assets per 30.06.08 amounted to NOK 1 089 mill, which is NOK 27 mill higher than per 31.12.2007. Biomass amounted to NOK 436 mill, a decrease of NOK 14 mill compared year end 2007, mainly due to lower fair value adjustment on seabass/seabream. Net interest-bearing debt per 30.06.2008 amounted to NOK 348 mill, a NOK 30 mill increase compared to year end 2007.

As pr 30.06.2008, the group had approximately NOK 280 mill in free cash and available credit facilities, including new facilities from DnB NOR Bank (see below).

Equity per 30.06.2008 was NOK 445 mill (40.9% equity ratio), compared to NOK 475 mill (44.7%) at year end 2007.

At the end of June 2008 Marine Farms ASA together with its major subsidiaries signed a final agreement with DnB NOR Bank for a new NOK 240 mill multicurrency facility. This is in addition to the NOK 510 mill multicurrency facility already in place. NOK 190 mill of the new facility will be subject to availability under a borrowing base, being calculated based on inventory and trade receivables. The new funding results in a 10 pbs. p.a. increase in the applicable margin for Marine Farms. The loan agreement contain one financial covenant, that being an equity ratio of minimum 32.5%.

With this additional funding in place, Marine Farms should have sufficient liquidity available to fund its significant scheduled organic growth over the next few years, more than doubling production from 15,000 tonnes to 30,000 tonnes of fish.

## **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 30.06.2008, total number of shares outstanding was 36,618,628 and the share price was NOK 24.5/share.

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

On the 1<sup>st</sup> of July 2008, Culmarex S.A., a 100% owned subsidiary of Marine Farms ASA, announced that its wholly-owned subsidiary Cultivos del Ponto SL (Ponto) had been granted a new concession from the Spanish authorities near Motril, Andalucía. The new site is located midway between our two existing farms located in Malaga and Almeria and has an annual production capacity of 1,800 tonnes seabass/seabream. With this new expansion, Culmarex's annual production capacity increases to approximately 12,000 tonnes.

On the 3<sup>rd</sup> of July 2008, Lakeland Smolt Ltd, a 100% owned subsidiary of Marine Farms ASA, announced that its wholly-owned subsidiary Lakeland Marine Farms Ltd had agreed to purchase 2 salmon licences, including equipment, from Lighthouse Caledonia ASA, increasing annual production capacity by approximately 1,500 tonnes gwt salmon (+15%). The two licences are located only 1-3 km from Lakeland Marine Farms existing sites in Argyle, west of Glasgow, and there should be significant synergies in

operating the sites together. Lakeland's operation in Argyle has historically generated excellent results, both production and earnings wise. In addition to the two licenses, applications for two new sites in the same area has been transferred to Lakeland Marine Farms Ltd. Pending approval from the Scottish authorities, annual production capacity may increase by an additional 1,500 tonnes gwt salmon. The increased production will be utilised to satisfy the continuing increased demand from Lakeland's customer base, strengthening Lakeland's position as a producer of high quality products for a discerning market segment. The transaction is valued at GBP 2.45 mill. Completion will be carried out during September 2008, conditional on due diligence. Following the acquisition of the two new licenses, Lakeland will have an annual production capacity averaging approximately 12,000 tonnes gwt salmon.

## **Going forward**

Lakeland has a strong strategic position in the UK, being the largest independent producer of ova and smolt. In addition, Lakeland is recognised for its high quality salmon, being reflected in premium prices in the market. Production costs have increased in the first half of 2008, mainly due to increased feed and transportation costs. We expect salmon being harvested in the second half of 2008 to have a higher production cost than the salmon being harvested in the first half of the year. However, we also expect salmon prices in the second half of the year to be higher than in the first half of the year. Lakeland has sold close to 50% of its volumes in the second half of 2008 on fixed price contracts. As for Lakeland's freshwater business, almost all smolt for delivery in the second half of 2008 is sold. The freshwater business is experiencing increase transportation costs in 2008, having a negative impact on profitability.

Culmarex has built up a unique strategic position in Spain, being the largest and most profitable producer of seabass and seabream. Three strategic acquisitions in 2007 coupled with increased concessions on existing farms have resulted in room for significant organic growth going forward, more than doubling production from 4,900 tonnes in 2007 to 12,000 tonnes in 2011-2012. Focus is on integrating acquired companies and bring them up to the Culmarex quality standard, increase production and improve efficiency. In the first half of 2008, in addition to the extraordinary costs with the three acquired companies, Culmarex experienced record low seabream prices as well as increased production costs mainly due to (i) slower growth, (ii) higher feed costs and (iii) higher indirect costs. Also, the economic climate in Spain is under pressure, having a negative impact on consumer spending. Management is working hard to reduce the negative effects of these factors; however, we expect them to continue to have an effect on profitability in the second half of 2008.

Marine Farms is in the forefront when it comes to develop farming of cobia. We have so far invested close to NOK 90 mill in our cobia operations in Belize and in Vietnam, of which approximately 80% has been invested in Belize. The two operations have close to 80 employees, of which local people from Belize and Vietnam represents the majority share. It is a constant challenge for management to employ the right people, train and educate them and at the same time build up infrastructure from scratch. But so far it has worked out very well. The bottleneck for growth going forward is access to high quality cobia juveniles. In 2007 we therefore started the construction of our own marine hatchery in Belize, with a capacity for 1-2 mill cobia juveniles. Focus now is on getting this new hatchery up and running by the end of the year. We experience a growing interest from potential buyers of cobia in the US, in Europe and in Asia. We expect demand to continue to be higher than what we can supply. We expect our cobia operations to generate negative profits also in the second half of 2008.

For the financial year 2007, Marine Farms ASA was not in a position where it could pay dividend to its shareholders. However, the intention going forward is that when the Company's financial situation allows for it, the Board of Directors will propose to pay dividend to its shareholders.

## **Responsibility statement**

We confirm to the best of our knowledge that the condensed set of financial statements for the period 1 January to 30 June 2008 has been prepared in accordance with IAS 34 'Interim Financial Reporting' and gives a true and fair view of Marine Farms ASA and the Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report includes a fair review of any significant events that arose during the six-month period and their effect on the half-yearly financial report, any significant related parties' transactions, and a description of major risks and uncertainties for the remaining six months of the year.

Bergen, 18<sup>th</sup> of August 2008

Trygve Bruvik  
(Sign)  
Chairman of the Board

Andre Aarøen  
(Sign)  
Vice chairman of the Board

Tove Pedersen Berge  
(Sign)  
Boardmember

Inger Hygen Flostrand  
(Sign)  
Boardmember

Jan Egil Moe  
(Sign)  
Boardmember

Bjørn Myrseth  
(Sign)  
CEO

MARINE FARMS GROUP CONSOLIDATED

Income statement

Figures in NOK 1 000	2 Q 2008 IFRS	2 Q 2007 IFRS	YTD 2008 IFRS	YTD 2007 IFRS	Yr 2007 IFRS
<b>Total operating revenues</b>	<b>155 350</b>	<b>194 577</b>	<b>337 382</b>	<b>349 505</b>	<b>735 420</b>
Change in inventory (cost of production )	24 934	7 873	31 565	26 117	92 477
Cost of materials	-80 812	-92 321	-171 493	-169 814	-388 291
Salaries and personal expenses	-32 657	-35 771	-67 139	-64 436	-138 146
Other operating expenses	-44 991	-43 573	-89 329	-80 238	-165 111
<b>EBITDA before fair value adj. on biomass</b>	<b>21 824</b>	<b>30 785</b>	<b>40 986</b>	<b>61 134</b>	<b>136 349</b>
Depreciations	-10 960	-9 974	-22 043	-19 611	-41 740
<b>EBIT before fair value adj. on biomass</b>	<b>10 864</b>	<b>20 811</b>	<b>18 943</b>	<b>41 523</b>	<b>94 609</b>
Fair value acquired companies	0	-1 687	0	-3 822	-3 822
Fair value adjustment on biomass (Note 3)	-13	-22 528	-23 777	-26 248	-10 926
<b>OPERATING PROFIT (EBIT)</b>	<b>10 851</b>	<b>-3 404</b>	<b>-4 834</b>	<b>11 453</b>	<b>79 861</b>
Income from associates	0	0	0	0	0
Write down on financial assets	0	0	0	0	0
Finance revenue	617	665	1 182	1 163	2 875
Interest costs	-5 783	-3 105	-11 440	-5 908	-14 937
Other finance costs (Note 5)	-1 033	-2 695	-9 167	1 723	-6 878
<b>Profit before tax</b>	<b>4 652</b>	<b>-8 539</b>	<b>-24 259</b>	<b>8 431</b>	<b>60 921</b>
Taxes	-2 815	-801	712	-6 508	-30 328
<b>Net profit from continued operations</b>	<b>1 837</b>	<b>-9 340</b>	<b>-23 547</b>	<b>1 923</b>	<b>30 593</b>
Net profit/(-) loss from assets held for sale	0	3 323	0	1 923	1 913
<b>Net profit (loss)</b>	<b>1 837</b>	<b>-6 017</b>	<b>-23 547</b>	<b>3 836</b>	<b>32 506</b>
Majority interest	2 569	-5 617	-23 014	2 761	27 766
Minority interest	-732	-400	-533	1 075	4 740
<i>Earnings per share</i>	<i>0.07</i>	<i>-0.19</i>	<i>-0.63</i>	<i>0.10</i>	<i>0.76</i>
<i>Diluted earnings per share</i>	<i>0.07</i>	<i>-0.19</i>	<i>-0.63</i>	<i>0.10</i>	<i>0.76</i>

## Balance sheet

Figures in NOK 1 000	30.06.2008	30.06.2007	31.12.07
<b>ASSETS</b>			
Licences	73 542	48 966	75 018
Goodwill	27 976	35 636	28 853
<b>Total intangible assets</b>	<b>101 518</b>	<b>84 602</b>	<b>103 871</b>
<b>Total tangible assets</b>	<b>314 037</b>	<b>249 141</b>	<b>280 340</b>
<b>Total financial assets</b>	<b>2 372</b>	<b>1 782</b>	<b>2 348</b>
<b>Total non-current assets</b>	<b>417 927</b>	<b>335 525</b>	<b>386 559</b>
<b>Non-current assets discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>
Biomass (note 3)	436 339	372 931	449 769
Other inventories	16 936	15 583	17 829
<b>Total inventories</b>	<b>453 275</b>	<b>388 514</b>	<b>467 598</b>
Total receivables	140 100	149 507	159 871
Cash and cash equivalents	77 274	30 458	47 933
<b>Total current assets</b>	<b>670 650</b>	<b>568 479</b>	<b>675 402</b>
<b>TOTAL ASSETS</b>	<b>1 088 577</b>	<b>904 004</b>	<b>1 061 961</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Total equity</b>	<b>444 803</b>	<b>453 394</b>	<b>474 828</b>
Liabilities to financial institutions	238 295	112 569	259 307
Other non-current liabilities	55 448	51 143	59 405
<b>Total non-current liabilities</b>	<b>293 742</b>	<b>163 712</b>	<b>318 712</b>
<b>Non-current liabilities discontinued operations</b>	<b>0</b>	<b>0</b>	<b>0</b>
Liabilities to financial institutions	187 041	127 948	106 318
Other current liabilities	162 991	248 950	162 103
<b>Total current liabilities</b>	<b>350 032</b>	<b>286 898</b>	<b>268 421</b>
<b>Total liabilities</b>	<b>643 774</b>	<b>450 610</b>	<b>587 133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 088 577</b>	<b>904 004</b>	<b>1 061 961</b>

## Key figures

Figures in NOK 1 000	2Q 2008	2Q 2007	YTD 2008	YTD 2007	Yr 2007
	IFRS	IFRS	IFRS	IFRS	IFRS
EBITDA before fair value adjustment	21 824	30 785	40 986	61 134	136 349
EBITDA after fair value adjustment	21 811	6 570	17 209	31 064	121 601
EBIT	10 851	-3 404	-4 834	11 453	79 861
EBITDA margin before fair value adjustment	14 %	16 %	12 %	17 %	19 %
EBITDA margin after fair value adjustment	14 %	3 %	5 %	9 %	17 %
Operating margin (EBIT)	7 %	-2 %	-1 %	3 %	11 %
Earnings per share	0.07	-0.19	-0.63	0.10	0.76
Diluted earnings per share	0.07	-0.19	-0.63	0.10	0.76
Equity ratio			41 %	50 %	45 %
Net interest bearing debt			348 062	210 059	317 692

## Consolidated statements of cash flow

Figures in NOK 1 000	2Q 2008	2Q 2007	YTD 2008	YTD 2007	Yr 2007
	Net profit before income taxes	4 529	-5 214	-24 259	10 344
Fair value adjustment on biomass	13	24 215	23 777	30 070	7 104
Tax paid	-3 592	-11 068	-7 296	-11 068	-37 260
Deprec. and amortisation, including gain/loss on disposal	11 083	9 604	22 043	19 611	41 740
Interest paid	-5 783	7 143	-11 440	5 135	14 937
Income from associates and other investments	0	0	0	0	0
Change in inventories, trade receivables and trade acc. p.	3 272	-16 065	21 205	-12 906	-55 438
Change in other accruals	-45	-4 681	4 227	-2 885	0
<b>Net cash flow from operating activities</b>	<b>9 477</b>	<b>3 934</b>	<b>28 257</b>	<b>38 301</b>	<b>32 004</b>
Sales of fixed assets	0	0	0	0	0
Investments in fixed assets	-40 015	-31 446	-64 491	-59 084	-130 947
Net purchase and proceeds from other investments	0	0	0	0	0
<b>Net cash flow from investing activities</b>	<b>-40 015</b>	<b>-31 446</b>	<b>-64 491</b>	<b>-59 084</b>	<b>-130 947</b>
Net down payment/proceeds of interest-bearing debt	76 386	9 191	59 711	-27 507	97 601
Interest paid	5 783	110	11 440	-3 105	-14 937
Issuance of share capital (share issue and sale of own shares)	0	0	0	57 658	57 658
<b>Net cash flow from financing activities</b>	<b>82 169</b>	<b>9 301</b>	<b>71 151</b>	<b>27 046</b>	<b>140 322</b>
Net foreign exchange difference	-8 538	-2 948	-5 576	-16 794	-34 435
<b>Net change in cash and cash equivalents</b>	<b>43 093</b>	<b>-21 159</b>	<b>29 341</b>	<b>-10 531</b>	<b>6 944</b>
Cash and cash equivalents at beginning of period	34 181	51 617	47 933	40 989	40 989
Net change in cash and cash equivalents	43 093	-21 159	29 341	-10 531	6 944
<b>Cash and cash equivalents at end of period</b>	<b>77 274</b>	<b>30 458</b>	<b>77 274</b>	<b>30 458</b>	<b>47 933</b>

## Equity statement

	30.06.2008	30.06.2007	31.12.2007
<b>Equity 01.01.</b>	<b>474 828</b>	<b>405 243</b>	<b>405 243</b>
Profit for the period	-23 547	3 836	32 506
Share issue, net after expenses	0	57 658	57 658
Purchase of own shares	0	0	0
Dividend	0	0	0
Effect of business combinations achieved in stages	0	0	1 081
Foreign currency translation differences	-6 478	-13 343	-21 660
<b>Total equity at the end of period</b>	<b>444 803</b>	<b>453 394</b>	<b>474 828</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 2008 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 2006 and at 31 December 2007.

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 2006 and at 31 December 2007 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>	30.06.2008	30.06.2007	31.12.2007
Biomass at cost	397 305	320 877	385 808
Excess fair value year end	39 033	52 054	63 961
<i>Spain:</i>	23 901	36 052	46 980
<i>UK:</i>	15 132	16 002	16 981
<b>Biomass at fair value</b>	<b>436 338</b>	<b>372 931</b>	<b>449 769</b>

#### 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 2008

Figures in NOK mill	Revenue	Operating profit	Net financial items	Income taxes	Net profit (loss)	Investments	Non-current assets	Investories	Total assets	Total liabilities
Salmon UK	103.3	20.6	-2.4	-5.3	13.0	7.9				
Seabass/bream Spain	46.3	-3.1	-3.2	1.9	-4.5	27.0				
Other i.e. Cobia + MFt Ltd	6.2	-3.0	-0.4	0.5	-2.9	5.2				
Mother Company Norway	0.9	-3.8	-0.2	0.0	-4.0	0.2				
Eliminations/group adjustments	-1.4	0.1	0.0	0.0	0.1	-0.3				
<b>Total continued operations</b>	<b>155.4</b>	<b>10.8</b>	<b>-6.2</b>	<b>-2.8</b>	<b>1.8</b>	<b>40.0</b>				
Discontinued operations / assets held for sale	0.8	-1.9	-0.1	0.0	0.0	0.0				
<b>Total</b>	<b>156.2</b>	<b>9.0</b>	<b>-6.3</b>	<b>-2.8</b>	<b>1.8</b>	<b>40.0</b>				

##### 2Q 2007

Figures in NOK mill	Revenue	Operating profit	Net financial items	Income taxes	Net profit (loss)	Investments	Non-current assets	Investories	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 / assets held for sale	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>				

**Acc. 30.06. 2008**

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	233.4	44.3	-5.4	-12.0	26.9	15.1	143.0	165.3	394.8	258.9
Seabass/bream Spain	95.7	-36.3	-5.6	12.2	-29.8	38.2	219.4	262.7	593.8	428.0
Other i.e. Cobia + MFt Ltd	9.2	-7.1	-0.4	0.5	-7.0	11.7	53.7	25.3	91.7	99.6
Mother Company Norway	1.4	-5.7	-7.9	0.0	-13.6	0.2	260.3	0.1	268.8	70.8
Eliminations/group adjustments	-2.3	0.0	0.0	0.0	0.0	-0.6	-258.6	0.0	-260.6	-213.5
<b>Total continued operations</b>	<b>337.4</b>	<b>-4.8</b>	<b>-19.4</b>	<b>0.7</b>	<b>-23.5</b>	<b>64.5</b>	<b>417.9</b>	<b>453.3</b>	<b>1 088.6</b>	<b>643.8</b>
Discontinued operations / assets held for sale	0.8	-2.7	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total</b>	<b>338.2</b>	<b>-7.5</b>	<b>-19.7</b>	<b>0.7</b>	<b>-23.5</b>	<b>64.5</b>	<b>417.9</b>	<b>453.3</b>	<b>1 088.6</b>	<b>643.8</b>

**Acc. 30.06. 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	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 / assets held for sale	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>

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**

Operating revenue	2Q 2008		2Q 2007		YTD 2008		YTD 2007		Yr 2007	
	NOKm	Share	NOKm	Share	NOKm	Share	NOKm	Share	NOKm	Share
UK	103.8	67 %	127.1	65 %	234.3	69 %	225.1	64 %	456.0	62 %
Spain	46.3	30 %	67.3	35 %	95.7	28 %	124.3	36 %	279.5	38 %
Belize / Vietnam (cobia)	5.7	4 %	0.2	0 %	8.3	2 %	0.2	0 %	1.8	0 %
Norway	0.9	1 %	1.5	1 %	1.4	0 %	2.3	1 %	3.9	1 %
Other/Elimination	-1.4	-1 %	-1.5	-1 %	-2.3	-1 %	-2.4	-1 %	-5.8	-1 %
<b>Total rev. cont. oper.</b>	<b>155.4</b>	<b>100 %</b>	<b>194.6</b>	<b>100 %</b>	<b>337.4</b>	<b>100 %</b>	<b>349.5</b>	<b>100 %</b>	<b>735.4</b>	<b>100 %</b>

## NOTE 5: 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 31.03.2008. Historic results in this report have been adjusted accordingly. Based on conservative estimates, the market value of the shares in Machrihanish Marine Farms Ltd was set to be NOK 3.3 mill higher than the accumulated losses related to the investment pr 30.06.2007, i.e. this was reported as profit from assets held for sale in the 2<sup>nd</sup> quarter 2007 accounts.

## NOTE 6: 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 2008</b>	<b>2Q 2007</b>	<b>YTD 2008</b>	<b>YTD 2007</b>	<b>Yr 2007</b>
Majority's share of net profit	2 569	-5 617	-23 014	2 761	27 766
Number of outstanding ordinary shares end of period ('000)	36 619	36 619	36 619	36 619	36 619
Average number of outstanding shares ('000)	36 619	36 619	36 619	28 863	36 344
Earnings per share	0.07	-0.19	-0.63	0.10	0.76
Earnings per share (diluted)	0.07	-0.19	-0.63	0.10	0.76