

# Fourth Quarter Report 2008 with preliminary annual results



**marine farms asa**

marine farms group

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## HIGHLIGHTS / BOARD OF DIRECTORS COMMENT'S

### Highlights

- In the 4<sup>th</sup> quarter 2008, revenue increased by 10% compared to the same period last year. EBIT before fair value was NOK -0.5 mill compared to NOK 29.5 mill last year. The drop was mainly due to increased costs for the cobia business as well as lower profitability for the seabass/seabream operation in Spain. In addition, Lakeland was negatively affected by a lower NOK/GBP exchange rate.
- For the year 2008, revenue increased by 3% compared to 2007. EBIT before fair value was NOK 26.1 mill, which was NOK 68.5 mill lower than the year before.
- The salmon operations in Lakeland (UK), a 100% owned subsidiary of Marine Farms ASA, continue to do well. The company obtained an EBIT/kg gwt sold salmon of NOK 7.4 in 4<sup>th</sup> quarter 2008 (NOK 7.6 in 2007). Volumes increased by 9% in 4<sup>th</sup> quarter 2008 compared to same quarter last year. For the year 2008, Lakeland generated an EBIT/kg sold fish of NOK 7.8.
- The seabass/seabream operations in Culmarex (Spain), a 100% owned subsidiary of Marine Farms ASA, obtained an EBIT/kg sold seabass/seabream of NOK 2.2 in 4<sup>th</sup> quarter 2008 (NOK 6.8 in 2007). Volumes dropped slightly in 4<sup>th</sup> quarter 2008 compared to same quarter last year. For the year 2008, Culmarex generated an EBIT/kg sold fish of NOK -1.8.
- The development of the two new cobia operations in Belize and in Vietnam continue to progress according to plan, although the organisations are now set up for significant increased production, resulting in higher losses when biomass production is low. Costs related to the two operations resulted in a negative EBIT of NOK 23 mill in 4<sup>th</sup> quarter 2008. The new marine hatchery in Belize should be up and running in time for the cobia spawning season, starting in spring 2009.
- Per 31.12.2008, equity amounted to NOK 492 mill (34.1% equity ratio) and net interest-bearing debt amounted to NOK 649 mill. Net interest bearing debt increased by some NOK 70 mill due to the significant increase in the EUR and the USD exchange rates in 4<sup>th</sup> quarter 2008. As pr 31.12.2008, the group had approximately NOK 150 mill in free cash and available credit facilities. The group should have sufficient funding in 2009.
- The Board of Directors is very pleased with the salmon results and believes the seabass/seabream results are reasonable, given the very difficult market conditions for seabream. The development of our new cobia businesses in Belize and Vietnam are progressing as planned and most of the larger investments in staff, equipment and infrastructure will soon be in place. The new cobia operations should then be well positioned for future profitable growth.

Figures in NOK 1 000	4Q 2008	4Q 2007	Yr 2008	Yr 2007
	IFRS	IFRS	IFRS	IFRS
Operating revenue	225 942	204 590	754 761	735 420
EBITDA pre fair value adjustment	15 873	41 369	76 326	136 349
EBIT pre fair value adjustment	-540	29 548	26 090	94 609
EBIT	-41 647	12 502	-18 657	79 861
Result before tax	-33 264	10 661	-23 385	60 921
Result after tax	-27 609	3 775	-23 355	32 506
<i>EBIT pre fair value adj. margin</i>	<i>-0,2 %</i>	<i>14,4 %</i>	<i>3,5 %</i>	<i>12,9 %</i>
<i>Earnings per share</i>	<i>-0,83</i>	<i>0,01</i>	<i>-0,65</i>	<i>0,77</i>
<i>Earnings per share diluted</i>	<i>-0,83</i>	<i>0,01</i>	<i>-0,65</i>	<i>0,77</i>
Total assets			1 444 371	1 061 961
Equity			492 313	474 828
Net interest-bearing debt			649 138	317 692
<i>Equity ratio</i>			<i>34,1 %</i>	<i>44,7 %</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 2006 and 2007 (see [www.marinefarms.com](http://www.marinefarms.com)).

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

Revenue in the 4<sup>th</sup> quarter 2008 was up 10% to NOK 225.9 mill compared to NOK 204.6 mill last year. The increase was mainly due to increased volumes for salmon in the UK. In addition, salmon prices were higher in the UK. Revenues were negatively influenced by a lower GBP exchange rate as well as lower seabream prices. For the year 2008, revenue was 3% higher compared to 2007.

EBIT before fair value in the 4<sup>th</sup> quarter 2008 ended at NOK -0.5 mill compared to NOK 29.5 mill in 2007. For the year 2008, the group generated an EBIT before fair value of NOK 26.1 mill, which was NOK 68.5 mill lower than the year before. The drop is mainly due to lower profitability for the seabass/seabream operation in Spain as well as increased costs for the cobia business in Belize and in Vietnam. In addition, Lakeland was negatively affected by a 12% lower NOK/GBP exchange rate.

Marine Farms reports according to IFRS. The salmon price at the end of December 2008 was lower than at the end of September 2008. Coupled with higher production costs, the fair value adjustment for salmon was negative with NOK 8.9 mill in 4<sup>th</sup> quarter 2008. For seabass/seabream, the prices were lower at the end of December compared to end of September 2008. Coupled with a less favourable size mix at the end of December 2008, the fair value adjustment was negative with NOK 32.2 mill. In total, fair value adjustment for the group amounted to NOK -41.1 mill in 4<sup>th</sup> quarter 2008, compared to NOK -17.0 mill in the same period last year. For the year 2008, fair value adjustment amounted to NOK -44.8 mill compared to NOK -14.7 mill in 2007.

Financial net for 4<sup>th</sup> quarter 2008 includes NOK 19.5 mill in reversed agio provisions. For the year 2008, reversed agio provisions amounted to NOK 23.0 mill. The reversed provisions have been significant in 4<sup>th</sup> quarter 2008 due to the strengthening of the EUR and the USD exchange rates against the NOK.

Net profits amounted to NOK -27.6 mill in 4<sup>th</sup> quarter 2008 compared to NOK 3.8 mill in the same period last year. For the year 2008, net profits amounted to NOK -23.4 mill compared to NOK 32.5 mill 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 755 mill in 2008 and had 584 employees per 31.12.2008. 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 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. 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 2008, with an EBIT/kg gwt sold fish of NOK 7.8. In the 4<sup>th</sup> quarter of 2008, Lakeland generated some NOK 7.4/kg gwt sold fish, which is NOK 0.2 lower than the year before. The group obtained higher salmon prices in 4<sup>th</sup> quarter 2008 compared to the same period in 2007. However, a lower GBP currency compared to NOK, higher production costs and lower profitability in the freshwater business reduced the positive effects of these higher salmon prices.

*Historic development*

<i>NOK mill</i>	2006*	2007	2008	4.Q 2007	4.Q 2008	1.Q 2009e	2.Q 2009e	3.Q 2009e	4.Q 2009e
Sale of own salmon (gwt tonnes)	9 264	10 212	11 431	3 019	3 294	2 100	3 200	2 700	2 900
Sale of 3rd party salmon (gwt tonnes)	872	1 014	637	265	259	100	100	100	100
Total sale of salmon (gwt tonnes)	10 136	11 226	12 068	3 284	3 553	2 200	3 300	2 800	3 000
Revenue Lakeland Group	388,7	456,0	490,6	125,6	145,4				
EBIT before fair value adjustment (1)	93,6	91,7	88,9	22,8	24,5				
<b>EBIT/kg gwt own fish sold (NOK)</b>	<b>10,1</b>	<b>9,0</b>	<b>7,8</b>	<b>7,6</b>	<b>7,4</b>				
<i>NOK/GBP</i>	<i>11,77</i>	<i>11,71</i>	<i>10,31</i>	<i>11,13</i>	<i>10,65</i>				

(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 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 2009, Lakeland expects to sell approximately 10,900 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 320 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 4<sup>th</sup> quarter of 2008, Culmarex obtained an EBIT/kg sold fish of NOK 2.2, which is NOK 4.6 lower compared to the same period in 2007. The difference is mainly due to historically low seabream prices as well as increased production costs. For the year 2008, Culmarex generated an EBIT/kg sold fish of NOK -1.8. In addition to the lower seabream prices, 2008 results were negatively affected by the three companies acquired in 2007, which were all loss making activities when Culmarex took over. It will take a few years before these farms are operating at

full capacity, hence their production costs will continue to be somewhat higher than the established farms in the short term.

*Historic development*

<i>NOK mill</i>	2006 *	2007	2008	4.Q 2007	4.Q 2008	1.Q 2009e	2.Q 2009e	3.Q 2009e	4.Q 2009e
Sale of own seabass/seabream (tonnes)	4 112	4 925	4 784	1 575	1 539	1 200	1 500	2 300	2 200
Sale of 3rd party seabass/seabream (tonnes)	622	485	450	116	106	-	-	-	-
Total sale of seabass/seabream (tonnes)	4 734	5 410	5 234	1 691	1 645	1 200	1 500	2 300	2 200
Revenue - Culmarex Group	246,8	279,6	245,4	79,2	74,8				
EBIT before fair value adj (1)	46,7	44,8	(8,4)	10,8	3,4				
<b>EBIT/kg own fish sold (NOK)</b>	<b>11,3</b>	<b>9,1</b>	<b>-1,8</b>	<b>6,8</b>	<b>2,2</b>				

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

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

<i>NOK/EUR</i>	8,08	8,00	8,26	7,89	8,94				
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For 2009, Culmarex is planning to sell around 7,200 tonnes of own-produced seabass and seabream. 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 has operated a cobia hatchery in Florida since 2002 and is 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. Marine Farms has so far invested some USD 25 mill into the cobia operations in Belize and in Vietnam.

The cobia operations in Belize and Vietnam continue to develop according to plan, although the organisations are now set up for significant increased production volumes, resulting in higher losses when biomass production is low. EBIT in 4<sup>th</sup> quarter for MF Belize and MF Vietnam was NOK -23 mill. MF Belize continues to harvest each week for shipments of fresh cobia into the US market. The response in the market is good. MF Vietnam ship fresh cobia once a week to the Asian markets. So far there has been a "pull" for cobia in the market and the demand has from time to time been higher than what we could supply. Market development will be important for future success of cobia culture.

The company is in the process of finishing the construction of a new marine hatchery in Belize, which should be up and running in time for the hatching season starting in spring 2009. Read more about Marine Farms Belize on [www.marinefarmsbelize.com](http://www.marinefarmsbelize.com).

In 2008 the group harvested approximately 400 tonnes gwt cobia. The plan for 2009 is to harvest approximately 900 tonnes of gwt cobia. Current annual production capacity is estimated to be around 8,000 tonnes in Belize and in Vietnam. The company is awaiting approval for new licenses in Belize.

## **Balance sheet and capital structure**

Total assets per 31.12.08 amounted to NOK 1 444 mill, which is NOK 382 mill higher than per 31.12.2007. Biomass amounted to NOK 570 mill, an increase of NOK 120 mill compared year end 2007. Net interest-bearing debt per 31.12.2008 amounted to NOK 649 mill, a NOK 331 mill increase compared to year end 2007. Net interest bearing debt increased by some NOK 70 mill due to the significant increase in the EUR and the USD FX rates in 4<sup>th</sup> quarter 2008.

As pr 31.12.2008, the group had approximately NOK 150 mill in free cash and available credit facilities, including new facilities with DnB NOR Bank.

Equity per 31.12.2008 was NOK 492 mill (34.1% equity ratio), compared to NOK 475 mill (44.7%) at year end 2007. The agreement with DnB NOR has one financial covenant, that being a minimum equity ratio of 32.5%. As pr 31.12.2008 Marine Farms ASA was in compliance with this financial covenant.

## **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 31.12.2008, total number of shares outstanding was 36,618,628 and the share price was NOK 12.7/share.

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

In January 2009 it was confirmed by the Fisheries Research Service in Scotland that the ISA virus had been found on one of Scottish Sea Farms' sites within the Scalloway Area on Shetland. Lakeland does not own any sites in the affected control zone. However, Lakeland contract grow with Skelda Salmon, who owns and operates one of the sites within the control zone. At the moment Lakeland has approximately 270,000 S-0 08 smolts in the sea within the control zone, which are planned to be harvested in the autumn/winter of 2009. Lakeland already decided in the autumn of 2008 not to extend the contract growing with Skelda salmon beyond 2009.

The ISA outbreak may have a negative effect on Lakeland's sale of smolts in 1<sup>st</sup> quarter 2009, as one of our major customers on Shetland, Grieg Seafood Hjaltland UK Ltd, will not be able to restock any of its sites within the control zone with S1's in 2009. Grieg Seafood Hjaltland has invoked the force majeure clause on 550,000 S1 09 smolts, planned for delivery in March 2009. Lakeland is working to try to find alternative solutions for these smolts.

Another consequence of the ISA virus being detected on Shetland was that Lakeland could not export ova into Chile in January/February 2009. This will have a negative effect on Lakeland's profitability in 1<sup>st</sup> quarter 2009.

## **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 increased in 2008, mainly due to increased feed and transportation costs. We expect salmon being harvested in the 2009 to have somewhat higher production costs than the salmon being harvested in 2008. Lakeland has sold close to 50% of its volumes in the 2009 on fixed price contracts, at higher prices than in 2008. It is still uncertain as to how the turbulent economic climate will affect demand for salmon going forward. However, demand for fresh salmon in the UK has increased quite substantially over the past few years. Supply of Scottish salmon is not expected to increase in 2009.

Based on what we know today, we expect the market for Lakeland's salmon in 2009 to be similar to what we experienced in 2008.

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 capacity on existing farms have resulted in room for significant organic growth going forward. Currently seabream prices are at a historic low resulting in all producers selling at a loss. Consumption of seabass/seabream in Spain is relatively high, as supply increased in the second half of 2008, believed to be driven by the need for cash among producers and increased import from Greece. Coupled with the current credit crisis, limiting availability of both new equity and new debt funding, the industry is experiencing difficulties. In the short run, this might result in higher volumes and more pressure on prices. However, in the medium to long run we expect to see a significant drop in supply, having a positive effect on prices. Due to the current crisis in the sector, Culmarex will reduce its rate of organic growth in 2009. The focus will be on improving Culmarex's already unique strategic position in Spain, the ambition being to become stronger and more competitive than prior to the crisis.

Marine Farms is in the forefront when it comes to developing farming of cobia. We have so far invested approximately USD 25 mill in our cobia operations in Belize and in Vietnam, of which approximately 70% has been invested in Belize. It has been a challenge for management to employ the right people, train and educate them and at the same time build up infrastructure from scratch. Now the two operations employ more than 100 people, of which local people from Belize and Vietnam represents the majority share. When starting up businesses from scratch you have to invest in people, equipment, juveniles and biomass before you can start selling the fish and get revenues. This affect results negatively in the short run, as costs per produced kg biomass is high. 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 in time for the cobia spawning season, starting in spring 2009. As demand for cobia, so far there has been a "pull" in the market and demand has from time to time been higher than what we could supply. Market development will be important for future success of cobia culture. We expect our cobia operations to generate negative results in 2009.

Marine Farms Group has budgeted with NOK 50 mill in investments in 2009. The group should have sufficient funding in 2009.

Bergen, 25<sup>th</sup> of February 2009

The Board of Directors  
Marine Farms ASA

## MARINE FARMS GROUP CONSOLIDATED

### Income statement

Figures in NOK 1 000	4Q 2008 IFRS	4Q 2007 IFRS	Yr 2008 IFRS	Yr 2007 IFRS
<b>Total operating revenues</b>	<b>225 942</b>	<b>204 590</b>	<b>754 761</b>	<b>735 420</b>
Change in inventory (cost of production )	16 976	14 231	102 077	92 477
Cost of materials	-119 410	-98 725	-432 121	-388 291
Salaries and personal expenses	-31 133	-38 346	-134 287	-138 146
Other operating expenses	-76 502	-40 381	-214 104	-165 111
<b>EBITDA before fair value adj. biomass</b>	<b>15 873</b>	<b>41 369</b>	<b>76 326</b>	<b>136 349</b>
Depreciations	-16 413	-11 821	-50 236	-41 740
<b>EBIT before fair value adj. biomass</b>	<b>-540</b>	<b>29 548</b>	<b>26 090</b>	<b>94 609</b>
Fair value acquired companies	0	0	0	-3 822
Fair value adjustment on biomass (Note 3)	-41 107	-17 046	-44 747	-10 926
<b>OPERATING PROFIT (EBIT)</b>	<b>-41 647</b>	<b>12 502</b>	<b>-18 657</b>	<b>79 861</b>
Income from associates	0	0	0	0
Write down on financial assets	-2 496	0	-2 496	0
Finance revenue	1 149	1 223	2 745	1 211
Interest costs	-7 691	-5 480	-26 445	-13 273
Other finance costs	17 421	2 416	21 468	-6 878
<b>Profit before tax</b>	<b>-33 264</b>	<b>10 661</b>	<b>-23 385</b>	<b>60 921</b>
Taxes	5 655	-6 886	30	-30 328
<b>Net profit from continued operations</b>	<b>-27 609</b>	<b>3 775</b>	<b>-23 355</b>	<b>30 593</b>
Net profit/(-) loss from asset held for sale	0	0	0	1 913
<b>Net profit (loss)</b>	<b>-27 609</b>	<b>3 775</b>	<b>-23 355</b>	<b>32 506</b>
Majority interest	-30 297	541	-23 873	27 766
Minority interest	2 688	3 234	518	4 740
<i>Earnings per share</i>	<i>-0,83</i>	<i>0,01</i>	<i>-0,65</i>	<i>0,77</i>
<i>Diluted earnings per share</i>	<i>-0,83</i>	<i>0,01</i>	<i>-0,65</i>	<i>0,77</i>

**Balance sheet**

<b>Figures in NOK 1 000</b>	<b>31.12.08</b>	<b>31.12.07</b>
<b>ASSETS</b>		
Licences	116 224	75 018
Goodwill	32 393	28 732
<b>Total intangible assets</b>	<b>148 617</b>	<b>103 750</b>
<b>Total tangible assets</b>	<b>416 986</b>	<b>280 340</b>
<b>Total financial assets</b>	<b>4 078</b>	<b>2 469</b>
<b>Total non-current assets</b>	<b>569 681</b>	<b>386 559</b>
<b>Non-current assets discontinued operations</b>	<b>0</b>	<b>0</b>
Biomass (Note 3)	569 732	449 769
Other inventories	37 946	17 829
<b>Total inventories</b>	<b>607 678</b>	<b>467 598</b>
<b>Total receivables</b>	<b>185 182</b>	<b>159 871</b>
<b>Cash and cash equivalents</b>	<b>81 829</b>	<b>47 933</b>
<b>Total current assets</b>	<b>874 690</b>	<b>675 402</b>
<b>TOTAL ASSETS</b>	<b>1 444 371</b>	<b>1 061 961</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Total equity</b>	<b>492 313</b>	<b>474 828</b>
Liabilities to financial institutions	591 006	259 307
Other non-current liabilities	51 551	59 405
<b>Total non-current liabilities</b>	<b>642 557</b>	<b>318 712</b>
<b>Non-current liabilities discontinued operations</b>	<b>0</b>	<b>0</b>
Liabilities to financial institutions	139 961	106 318
Other current liabilities	169 540	162 103
<b>Total current liabilities</b>	<b>309 501</b>	<b>268 421</b>
<b>Total liabilities</b>	<b>952 058</b>	<b>587 133</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1 444 371</b>	<b>1 061 961</b>

<i>Net interest bearing debt</i>	649 138	317 692
<i>Total liabilities to financial institutions</i>	730 967	365 625
<i>Equity ratio</i>	34,1 %	44,7 %
<i>Current ratio</i>	2,83	2,52
<i>Net debt/equity</i>	1,32	0,67

## Key figures

Figures in NOK 1 000	4Q 2008	4Q 2007	Yr 2008	Yr 2007
	IFRS	IFRS	IFRS	IFRS
EBITDA before fair value adjustment	15 873	41 369	76 326	136 349
EBITDA after fair value adjustment	-25 234	24 323	31 579	121 601
EBIT before fair value adjustment	-540	29 548	26 090	94 609
EBIT	-41 647	12 502	-18 657	79 861
EBITDA margin before fair value adjustment	7 %	20 %	10 %	19 %
EBITDA margin after fair value adjustment	-11 %	12 %	4 %	17 %
EBIT margin before fair value adjustment	0 %	14 %	3 %	13 %
EBIT margin	-18 %	6 %	-2 %	11 %
Earnings per share	-0,83	0,01	-0,65	0,77
Diluted earnings per share	-0,83	0,01	-0,65	0,77
Equity ratio			34 %	45 %
Net interest bearing debt			649 138	317 692

## Consolidated statements of cash flow

Figures in NOK 1 000	4Q 2008	4Q 2007	Yr 2008	Yr 2007
	IFRS	IFRS	IFRS	IFRS
Net profit before income taxes	-33 264	10 661	-23 385	60 921
Fair value adjustment on biomass	41 107	4 806	44 747	7 104
Tax paid	-4 573	-14 318	-19 942	-37 260
Deprec. and amortisation, including gain/loss on disposal	16 413	11 821	50 236	41 740
Interest paid	7 691	5 480	26 445	13 273
Income from associates and other investments	0	0	0	0
Change in inventories, trade receivables and trade acc. p.	-81 412	-48 541	-153 857	-55 438
Change in other accruals	-9 759	4 939	5 638	0
<b>Net cash flow from operating activities</b>	<b>-63 797</b>	<b>-25 152</b>	<b>-70 118</b>	<b>30 340</b>
Sales of fixed assets	0	0	0	0
Investments in fixed assets	-81 873	-40 358	-183 651	-130 947
Net purchase and proceeds from other investments	0	0	0	0
<b>Net cash flow from investing activities</b>	<b>-81 873</b>	<b>-40 358</b>	<b>-183 651</b>	<b>-130 947</b>
Net down payment/proceeds of interest-bearing debt	203 473	115 367	327 922	97 601
Interest paid	-7 691	-5 480	-26 445	-13 273
Issuance of share capital (share issue and sale of own shares)	0	0	0	57 658
<b>Net cash flow from financing activities</b>	<b>195 782</b>	<b>109 887</b>	<b>301 477</b>	<b>141 986</b>
Net foreign exchange difference and other adj.	-1 731	-3 435	-13 812	-34 435
<b>Net change in cash and cash equivalents</b>	<b>48 381</b>	<b>40 942</b>	<b>33 896</b>	<b>6 944</b>
Cash and cash equivalents at beginning of period	33 448	6 991	47 933	40 989
Net change in cash and cash equivalents	48 381	40 942	33 896	6 944
<b>Cash and cash equivalents at end of period</b>	<b>81 829</b>	<b>47 933</b>	<b>81 829</b>	<b>47 933</b>

## Equity statement

Figures in NOK 1 000	31.12.08	31.12.07
<b>Equity 01.01.</b>	<b>474 828</b>	<b>405 243</b>
Profit for the period	-23 355	32 506
Share issue, net after expenses	0	57 658
Purchase of own shares	0	0
Dividend	-810	0
Effect of business combinations achieved in stages	0	1 393
Foreign currency translation differences	41 650	-21 972
<b>Total equity at the end of period</b>	<b>492 313</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 4<sup>th</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<sup>st</sup> of December 2006 and at 31<sup>st</sup> of 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<sup>st</sup> of December 2006 and at 31<sup>st</sup> of 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

Figures in NOK 1 000	31.12.08	31.12.07
Biomass at cost	547 687	385 799
Excess fair value year end	22 045	63 970
	<i>Spain:</i> 1 294	46 981
	<i>UK:</i> 20 750	16 989
<b>Biomass at fair value</b>	<b>569 732</b>	<b>449 769</b>

#### NOTE 4: ACQUISITION OF TWO CONCESSIONS IN ARGYLE, SCOTLAND

On the 2<sup>nd</sup> of October 2008, the wholly-owned subsidiary Lakeland Marine Farms Ltd signed the final agreement with Lighthouse Caledonia ASA to purchase 2 salmon licences, including equipment. The two new licences increase annual production capacity by approximately 1,500 tonnes gwt salmon (+ 15%). The 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 the 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 1,300 tonnes gwt salmon. Final approval is not given.

##### *Lakeland Marine Farms Ltd – Purchase Price Analysis*

	GBP
<b>Asset purchase price for new concessions in Argyle</b>	<b>2 396 225</b>
Equipment	834 234
Inventory	0
Deferred tax	0
Value of licences *	1 562 001
Goodwill	0

\* Equivalent to GBP 781,000 for Norwegian licence.

#### NOTE 5: 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.

##### 4Q 2008

Figures in NOK mill	Revenue	Operating profit	Net financial items	Income taxes	Net profit (loss)	Investments	Non-current assets	Inventories	Total assets	Total liabilities
Salmon UK	145,4	15,6	-1,8	-5,8	8,1	21,5				
Seabass/bream Spain	74,8	-28,8	-4,7	11,4	-22,1	43,0				
Other i.e. Cobia + MFt Ltd	2,7	-23,6	-0,5	0,0	-24,1	20,3				
Mother Company Norway	-0,2	-3,1	12,5	0,0	9,4	0,0				
Eliminations/group adjustments	3,2	-1,8	2,9	0,0	1,1	-2,9				
<b>Total continued operations</b>	<b>225,9</b>	<b>-41,6</b>	<b>8,4</b>	<b>5,6</b>	<b>-27,6</b>	<b>81,9</b>				
Discontinued operations/assets held for sale	0,0	0,0	0,0	0,0	0,0	0,0				
<b>Total</b>	<b>225,9</b>	<b>-41,6</b>	<b>8,4</b>	<b>5,6</b>	<b>-27,6</b>	<b>81,9</b>				

#### 4Q 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	124,0	22,7	-2,7	-8,7	11,3	5,2				
Seabass/bream Spain	79,2	-5,2	-3,8	2,2	-6,8	20,1				
Other i.e. Cobia + MFt Ltd	1,9	-4,2	0,0	0,0	-4,2	14,7				
Mother Company Norway	0,8	-0,9	-1,9	-0,4	-3,2	0,0				
Eliminations/group adjustments	-1,3	0,1	6,6	0,0	6,7	0,0				
<b>Total continued operations</b>	<b>204,6</b>	<b>12,5</b>	<b>-1,8</b>	<b>-6,9</b>	<b>3,8</b>	<b>40,0</b>				
Discontinued operations / assets held for sale	0,0	0,0	0,0	0,0	0,0	0,0				
<b>Total</b>	<b>204,6</b>	<b>12,5</b>	<b>-1,8</b>	<b>-6,9</b>	<b>3,8</b>	<b>40,0</b>				

#### Yr 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	491,0	90,5	-9,7	-23,1	57,8	43,0	162,0	198,2	468,5	309,5
Seabass/bream Spain	245,4	-57,8	-14,5	22,6	-49,7	104,1	313,1	344,8	820,6	468,2
Other i.e. Cobia + MFt Ltd	17,7	-40,5	-0,7	0,5	-40,7	40,0	93,0	26,7	146,9	70,3
Mother Company Norway	2,2	-10,9	17,3	-0,1	6,3	0,2	263,9	0,1	272,0	85,3
Eliminations/group adjustments	-1,6	0,0	2,9	0,0	2,9	-3,6	-262,2	0,0	-263,6	-185,3
<b>Total continued operations</b>	<b>754,7</b>	<b>-18,7</b>	<b>-4,7</b>	<b>0,0</b>	<b>-23,3</b>	<b>183,7</b>	<b>569,7</b>	<b>569,8</b>	<b>1 444,4</b>	<b>748,1</b>
Discontinued operations / assets held for sale	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0	0,0
<b>Total</b>	<b>754,7</b>	<b>-18,7</b>	<b>-4,7</b>	<b>0,0</b>	<b>-23,3</b>	<b>183,7</b>	<b>569,7</b>	<b>569,8</b>	<b>1 444,4</b>	<b>748,1</b>

#### Yr 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	453,9	84,7	-10,7	-24,1	49,9	20,1	136,7	188,0	416,8	275,6
Seabass/bream Spain	279,5	25,3	0,3	-5,8	19,8	81,0	191,2	259,5	556,2	361,4
Other i.e. Cobia + MFt Ltd	3,9	-10,5	-0,1	0,0	-10,6	31,1	57,0	20,0	87,0	106,8
Mother Company Norway	3,9	-19,5	-15,1	-0,4	-35,0	0,1	257,2	0,1	261,1	49,4
Eliminations/group adjustments	-5,8	-0,1	6,6	0,0	6,5	-1,3	-256,6	0,0	-259,2	-206,1
<b>Total continued operations</b>	<b>735,4</b>	<b>79,9</b>	<b>-19,0</b>	<b>-30,3</b>	<b>30,6</b>	<b>131,0</b>	<b>385,5</b>	<b>467,6</b>	<b>1 061,9</b>	<b>587,1</b>
Discontinued operations / assets held for sale	0,7	0,0	0,0	0,0	1,9	0,0	0,0	0,0	0,0	0,0
<b>Total</b>	<b>736,1</b>	<b>79,9</b>	<b>-19,0</b>	<b>-30,3</b>	<b>32,5</b>	<b>131,0</b>	<b>385,5</b>	<b>467,6</b>	<b>1 061,9</b>	<b>587,1</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

Figures in NOK mill	4Q 2008		4Q 2007		Yr 2008		Yr 2007	
	NOKm	Share	NOKm	Share	NOKm	Share	NOKm	Share
<b>Operating revenue</b>								
UK	147,1	65 %	124,0	61 %	491,9	65 %	456,0	62 %
Spain	74,8	33 %	79,2	39 %	245,4	33 %	279,5	38 %
Belize / Vietnam (cobia)	1,8	1 %	1,2	1 %	16,8	2 %	1,8	0 %
Norway	-0,2	0 %	0,8	0 %	2,2	0 %	3,9	1 %
Other / Elimination	2,4	1 %	-0,6	0 %	-1,6	0 %	-5,8	-1 %
<b>Total rev. cont. oper.</b>	<b>225,9</b>	<b>100 %</b>	<b>204,6</b>	<b>100 %</b>	<b>754,7</b>	<b>100 %</b>	<b>735,4</b>	<b>100 %</b>

## NOTE 6: EQUITY BASED REMUNERATION (SYNTHETIC OPTIONS)

In 2008, the General Meeting held on the 27<sup>th</sup> of May 2008 approved a new bonus scheme for top management in the Marine Farms Group, of which a part of the bonus is based on the development of the share price in the parent company. The scheme started July 2008 and expires 31.12.2010, with a total period of 30 month. Top management, including 5 members, will receive a cash bonus if the weighted average market price of the MAFA share is higher than NOK 28.79 per share in 4<sup>th</sup> quarter of 2010. Bonus calculation is based on "synthetic" shares given to each top manager. The bonus related to the development of the share price is capped at maximum one annual salary for each top manager. Total number of synthetic shares in this new scheme is 250,000 shares. As per 31.12.2008 no provisions has been made related to this remuneration scheme.

## 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).

Figures in NOK 1 000	4Q 2008	4Q 2007	Yr 2008	Yr 2007
Majority's share of net profit	-30 297	541	-23 873	27 766
Number of outstanding ordinary shares end of period ('000)	36 619	36 619	36 619	36 619
Average number of outstanding shares ('000)	36 619	36 619	36 619	36 247
Earnings per share	-0,83	0,01	-0,65	0,77
Earnings per share (diluted)	-0,83	0,01	-0,65	0,77