

# First half year 2008 report



*Sustainable aquaculture*

## Highlights for the quarter

Volumes up, but early harvesting in Chile and higher raw material costs lower the result

- Farming volumes rose 10 percent, feed volumes up 7 percent
- EBIT pre fair value down by NOK 204.0 million compared to second quarter 2007
- Farm EBIT reduced by NOK 186.1 million. Production problems in Chile were the main factor reducing the result
- Feed EBIT fell NOK 46.2 million due to rising raw material costs
- Net interest bearing debt increased by NOK 791.3 million. The consolidation of Denofa increased debt by NOK 240.0 million and the dividend paid was NOK 208.0 million

## Highlights for the half year

- Farming volumes rose 15 percent, feed volumes up 5 percent
- EBIT pre fair value down by NOK 436.1 million compared to first half 2007
- Production problems in Mainstream Chile and rising raw material costs have been the main factor reducing profitability
- Farming industry supply growth moderate at ca 5 percent compared to 12 percent in 2007

## Group key figures

NOK million	Q2 08	Q2 07	YTD 08	YTD 07	FY 2007
<b>Operating revenues</b>	<b>2 182.1</b>	<b>1 684.8</b>	<b>3 950.5</b>	<b>3 417.3</b>	<b>7 721.2</b>
EBITDA	58.5	258.4	114.1	542.5	1 008.3
EBITDA %	2.7 %	15.3 %	2.9 %	15.9 %	13.1 %
<b>EBIT pre fair value</b>	<b>-8.0</b>	<b>196.0</b>	<b>-18.6</b>	<b>417.5</b>	<b>746.9</b>
<b>EBIT pre fair value %</b>	<b>-0.4 %</b>	<b>11.6 %</b>	<b>-0.5 %</b>	<b>12.2 %</b>	<b>9.7 %</b>
EBIT (operating result)	59.5	103.2	27.8	294.5	467.4
Income from associates	-0.4	5.6	7.4	8.6	17.5
Profit/loss before tax and minorities	8.5	108.2	-32.7	287.9	455.1
Profit/loss after tax and minorities	0.1	184.3	-37.8	321.7	477.8
<b>Earnings per share (NOK)</b>					
<b>Basic</b>	<b>0.0</b>	<b>2.0</b>	<b>-0.4</b>	<b>3.5</b>	<b>5.2</b>
<b>Diluted</b>	<b>0.0</b>	<b>2.0</b>	<b>-0.4</b>	<b>3.5</b>	<b>5.2</b>
<b>Adjusted basic</b>	<b>-0.3</b>	<b>2.6</b>	<b>-0.5</b>	<b>4.6</b>	<b>7.5</b>
<b>Adjusted diluted</b>	<b>-0.3</b>	<b>2.6</b>	<b>-0.5</b>	<b>4.6</b>	<b>7.5</b>
<b>Total assets</b>	<b>8 125.5</b>	<b>7 031.9</b>	<b>8 125.5</b>	<b>7 031.9</b>	<b>7 424.7</b>
<b>Equity</b>	<b>3 838.3</b>	<b>4 154.8</b>	<b>3 838.3</b>	<b>4 154.8</b>	<b>4 246.4</b>
<b>Equity ratio</b>	<b>47.2 %</b>	<b>59.1 %</b>	<b>47.2 %</b>	<b>59.1 %</b>	<b>57.2 %</b>
<b>Net interest bearing debt</b>	<b>2 061.7</b>	<b>1 192.8</b>	<b>2 061.7</b>	<b>1 192.8</b>	<b>1 257.8</b>
<b>Capital expenditure</b>	<b>230.0</b>	<b>169.5</b>	<b>379.2</b>	<b>269.6</b>	<b>520.4</b>

## Revenues and profits for the Group

Cermaq's operating revenues were NOK 2 182.1 million for the quarter (Q2 2007: NOK 1 684.8 million). The increase in revenues is mainly due to revenues from Norgrain and Denofa. The results of Norgrain were consolidated from November 2007 and the results of Denofa were consolidated from May 2008. Excluding the Agri companies underlying revenues increased due to higher sales prices and volumes for EWOS.

EBIT pre fair value for the quarter was a loss of NOK -8.0 million (Q2 2007: NOK 196.0 million). The lower EBIT result is mainly due to production problems in Mainstream Chile, and higher raw material costs in EWOS. EBIT pre fair value for the quarter includes income of NOK 11.3 million from Agri companies (Q2 2007: not applicable). The fair value adjustment on live inventory gave an income of NOK 67.6 million in quarter 2 2008 (Q2 2007: a loss of NOK -92.8 million). The positive impact on the profit and loss account is due to salmon price increases during the second quarter and changes in the make up of live inventory. In quarter 2 2007 prices fell sharply producing a negative charge in the profit and loss account.

The net finance cost for the quarter was NOK 27.5 million (Q2 2007 NOK 0.7 million). Foreign currency gains and gains on the sales of shares of NOK 19.5 million in quarter 2 2007 offset the financial expenses. The underlying finance cost increased in the period due to higher average levels of net interest bearing debt. A cost of NOK 23.1 million was recognised as a financing fair value impact from marking to market financial instruments used to hedge commodity price movements in Denofa. The taxation charge in quarter 2 2007, was affected by an exceptional income of NOK 90.0 million on the successful resolution of a legal dispute.

The net result for the period was a loss of NOK -8.1 million (Q2 2007: a profit of NOK 184.3 million).

Group revenues for the quarter were reduced by NOK 156 million due to the depreciation of other currencies against the NOK (primarily USD). At an EBIT pre fair value level, changes in foreign currencies versus the NOK increased EBIT pre fair value by NOK 8.2 million. Details of foreign exchange rates used to translate foreign currency denominated results into Norwegian kroner are shown in note 9 to this report. Details of exceptional items included within reported EBIT pre fair value are shown in note 10.

For the half year period ended 30 June 2008 Group revenues were NOK 533.2 million higher than for the same period in 2007. The consolidation of the Agri companies Norgrain and Denofa account for most of the increase. Feed volumes were 5.4 percent higher than in the first half of 2007 due to growth in the salmon feed market; market share was approximately stable. Farming volumes were 15.0 percent higher against the comparative period with growth coming mainly from the Norway region.

First half 2008 EBIT pre fair value was a loss of NOK -18.6 million compared to a profit of NOK 417.5 million in the first half of 2007. Production problems in Chile, lower average prices in Japan and for Canadian production, and rising raw material costs for EWOS were the main reasons for the lower result.

## Business areas

### Mainstream (fish farming)

In the second quarter 2008 operating revenues were NOK 557.6 million (Q2 2007: NOK 603.9 million). Volumes were 10.2 percent higher than the comparable period in 2007 due to higher harvesting levels in Chile and Norway. Average revenues per kilogram in local currency were 6 percent lower and changes in foreign currency rates reduced revenues by a further 10 percent.

Mainstream's EBIT pre fair value for the second quarter was a loss of NOK -54.7 million (Q2 2007: a profit of NOK 131.4 million). Sales volumes increased but significantly higher costs in Chile (as a result of disease and sanitation problems), lower prices in Japan and for Canadian production and higher feed costs generally had a negative effect compared to the second quarter 2007.

Mainstream Chile reported an EBIT pre fair value loss of NOK -94.4 million (Q2 2007: a profit of NOK 46.2 million). The average size of Atlantic salmon harvested was 2.89 kilograms round weight compared to 4.43 kilograms in the second quarter 2007 and 3.53 kilograms in the first quarter 2008. The very low average harvest size is a consequence of Infectious Salmon Anaemia (ISA) and other diseases. In these sites harvesting took place despite the low sizes in order to minimise mortality rates and to improve the site conditions as soon as practically possible. Prices for atlantics were affected by low average sizes and were lower than in the first quarter 2008. The cost of atlantics sold in the second quarter was approximately NOK 2.5 per kilogram higher than in the first quarter 2008. The disease problems experienced result in a loss on Atlantic species sales, which comes despite the increase in U.S. market prices for larger sized fish. In addition to the losses on fish sold, Cermaq has decided to accelerate the harvesting of three sites where there are outbreaks of disease. The 3 sites will be harvested in Q3 at smaller sizes, rather than later as originally projected and a net realisable value provision of NOK 38 million has been taken in the financial results for the second quarter to cover the projected losses of emptying out the sites early. Losses on trout in the quarter remained above NOK 5 per kilogram with no significant cost improvement and low prices achieved. Towards the end of the second quarter trout prices rose but Mainstream did not benefit due to the timing of sales and poor qualities. Coho prices recovered in the quarter and profitability improved. Due to the lower average harvest sizes for Atlantic now projected, full year production volume guidance is reduced by 3k tonnes, as shown in note 10 to this report. For the half year Mainstream Chile EBIT pre fair value is a loss of NOK -146.3 million (H1 2007: a profit of NOK 160.7 million). Disease problems affecting the quality of production and increasing costs, and lower prices have been the main reasons for the reduction in the result.

Canada's EBIT pre fair value was a profit of NOK 21.9 million in the quarter (Q2 2007: a profit of NOK 67.9 million). The fall in EBIT compared to the same period in 2007 is due to lower volumes and higher costs. Production costs were higher due to slower growth from low sea temperatures and higher feed costs. Compared to the first quarter 2008 prices rose sharply due to low volumes from the Canadian industry. For the first half year 2008 EBIT pre fair value was NOK 22.0 million (H1 2007: NOK 87.1 million). Lower average prices, lower growth as a result of the cold winter, and higher feed costs accounted for the lower result.

Norway reported an EBIT pre fair value of NOK 16.0 million (Q2 2007: NOK 15.8 million). Biological performance was good in the quarter but slightly behind the performance in Q2 2007. The gross profit per kilogram sold was similar to quarter 2 2007 however fixed costs (administration and depreciation) were NOK 7.4 million higher due to growth in the business (in particular the acquisition of the Arctic Seafood operations in December 2007) and higher volumes. For the first half year 2008 EBIT pre fair value was NOK 53.9 million (H1 2007: NOK 60.3 million). Lower prices and higher fixed costs were offset by the positive impact of higher volumes. Mainstream Norway is working with other companies and the authorities on projects to develop bio security protocols in view of the disease outbreaks affecting salmon farming in northern Norway. The recent disease issues have not had a significant impact on Mainstream Norway.

Scotland reported an EBIT pre fair value of NOK 1.8 million (Q2 2007: NOK 1.5 million). Volumes were low in the period at 1.6 ktonnes (Q2 2007: 1.8 ktonnes). Sales prices were slightly lower than for the same period in 2007. Costs for Atlantics improved in the period but Trout performance remained poor, giving a marginal overall improvement. For the first half of 2008 higher volumes partially offset the impact of lower prices, costs were at similar levels to the same period in 2007.

#### **EWOS (fish feed)**

Volumes increased by 7.2 percent in the quarter and revenues increased to NOK 1 443.7 million (Q2 2007: NOK 1 327.6 million). Prices in local currency were 10.6 percent higher than

in the second quarter 2007 due to higher raw material costs. Changes in foreign currency rates offset higher prices and volumes and reduced the value of revenues reported by NOK 130.1 million.

EWOS EBIT pre fair value was NOK 32.1 million for the quarter (Q2 2007: NOK 78.3 million). Volumes for the quarter were 203.4 ktonnes compared to 189.7 ktonnes for the second quarter 2007. Market share for the quarter was in the same range as for quarter 2 2007. Margin reduced compared to the second quarter 2007 following sharp rises in raw material costs. In particular fish and vegetable oils saw significant increases in price.

For the half year EBIT pre fair value was NOK 33.3 million (H1 2007: NOK 131.7 million). In 2008 rising raw material costs have reduced profitability due to delays in passing on raw material costs. In the first half of 2007 raw material costs were falling giving the opposite effect on margin

The first half year, and first quarter in particular, is typically a lower volume season for EWOS due to temperature conditions in the Northern hemisphere (low sea water temperatures). EWOS feed volumes pick up in the second half of the year, and normally peak in the third quarter.

Details of exceptional items included within reported EBIT pre fair value are shown in note 12.

### **Cash flow and funding**

The Group had negative cash flows from operating activities of NOK-36.6 million in the second quarter of 2008 (Q2 2007: inflow of NOK 28.4 million). The lower operating result in the quarter was the main difference. Net cash flow from investment activities in the quarter was an outflow of NOK -291.8 million (Q2 2007: net outflow of NOK -226.2 million). The outflow increased due to higher capital investments in the EWOS division, primarily the factory extension in Florø, Norway. Net changes from financing activities were an increase in available facilities of NOK 277.6 million as the Group consolidated the Agricultural company, Denofa (Q2 2007: outflow of NOK -67.4 million). The change in cash and cash equivalents in the period was an outflow of NOK -51.0 million (Q2 2007: outflow of NOK -267.4 million).

Net interest bearing debt increased by NOK 791.3 million in the quarter (Q2 2007: increase of NOK 566.6 million). The increase in net interest bearing debt is higher than in the same period in 2007, despite a lower dividend payment, due to the consolidation of Denofa, the acquisition of a feed plant in Chile, higher capital investment and a lower operating result, see note 13 for further information on the accounting treatment of the acquisition. The equity ratio at the end of quarter 2 2008 was 47.2 percent, down from 59.1 percent at the end of June 2008.

### **Share information**

The total number of shares outstanding at the end of the second quarter 2008 was 92.5 million shares, including 12 956 treasury shares held by Cermaq. The total number of shareholders was 2 067 at the end of June 2008, an increase of 100 since the end of 2007. Of the total number of Cermaq shares at the end of the second quarter 2008, 14.5 percent were held by Norwegian residents (excluding the Norwegian state which has a 43.5 percent interest).

Cermaq's share price decreased from NOK 64.5 at the end of March 2008 to NOK 60.8 at the end of June 2008. The number of Cermaq shares traded at the Oslo Stock Exchange in the fourth quarter 2007 was 25 million, compared to 26 million in the first quarter 2008.

In June 2008 Cermaq paid a dividend of NOK 2.25 per share for the fiscal year 2007, which gave a total payment of NOK 208.0 million.

## Outlook

Problems in the Chilean salmon farming industry continue to present the biggest challenge to the Cermaq Group. Further instances of ISA, or other disease outbreaks, could occur, with the risk of financial losses and lower harvest volumes. Sales volume guidance, given in note 10 of this report, is based on the assumption that biomass not currently affected by disease will remain unaffected. Projects are in progress to improve the situation but these are not expected to have full effect until 2010, due to the length of the production cycle (partial improvements are expected already in 2009). Volumes of Atlantic salmon from the Chilean industry are expected to be around 5 percent lower for the full year 2008 compared to 2007.

Cermaq views the current production problems in Chile as the consequence of the high densities in the industry prevalent in 2006 as well as regulatory changes, both of which exposed the biomass population to greater risk of sea lice and other diseases. The industry in Chile is working with the Government to improve regulations limiting the transmission of diseases in salmon farming. New regulations have been introduced by the Chilean Government covering issues including the screening of eggs for ISA, PD and other diseases, live fish transport, environmental regulations on site use, smolt transfer periods, site fallowing and well boat transfer. An overview of applicable regulations can be found in Spanish on the Sernapesca website, [www.Sernapesca.cl](http://www.Sernapesca.cl). The industry fully supports these new regulations and in addition is taking its own steps such as lowering densities, creating one company production clusters, making changes to freshwater practices including fallowing, moving more atlantic production into onshore facilities and making greater use of vaccines.

In 2007 and 2008 the Norwegian industry has experienced higher levels of disease affecting farming production. Pancreas Disease (PD) and ISA outbreaks have increased in frequency. To date neither disease has affected Cermaq operations to any significant extent but disease outbreaks could spread to areas farmed by Mainstream Norway. Measures are being taken by the authorities to combat disease outbreaks and Cermaq is taking part in a number of preventative projects. Production volumes from the Norwegian industry are expected to grow by more than 10 percent in the third quarter 2008 and then more moderately in the fourth quarter. Longer term developments in Norway will be influenced by any future license changes.

For EWOS, contract negotiations with customers are complete for 2008. In Chile the production problems are expected to have a knock on effect on feed industry sales as farming companies harvest earlier and reduce stocking levels. This is not currently expected to have a significant impact on EWOS sales volumes but further disease outbreaks could lead to volume reductions. Raw material costs are expected to rise further in the third quarter reducing margins compared to 2007. In common with other food companies exposed to sharp rises in commodity costs EWOS expects trading conditions to continue to be challenging for the rest of 2008.

## Group profit and loss account

NOK million	Q2 08	Q2 07	YTD 08	YTD 07	FY 2007
<b>Operating revenues</b>	<b>2 182.1</b>	<b>1 684.8</b>	<b>3 950.5</b>	<b>3 417.3</b>	<b>7 721.2</b>
Cost of materials	1 662.8	1 049.8	2 927.6	2 129.0	5 095.7
Personnel expenses	141.8	128.4	298.3	264.2	579.6
Depreciation	66.5	62.4	132.7	124.9	261.4
Other operating expenses	319.2	248.2	610.5	481.7	1 037.5
<b>Operating result before unrealised fair value adjustments</b>	<b>-8.0</b>	<b>196.0</b>	<b>-18.6</b>	<b>417.5</b>	<b>746.9</b>
Unrealised fair value adjustments	67.6	-92.8	46.4	-123.0	-279.6
<b>Operating result</b>	<b>59.5</b>	<b>103.2</b>	<b>27.8</b>	<b>294.5</b>	<b>467.4</b>
Income from associates	-0.4	5.6	7.4	8.6	17.5
Other net financial expenses	-27.5	-0.7	-44.6	-16.2	-30.7
Financing fair value impacts	-23.1	0.0	-23.1	1.0	1.0
Financial items, net	-50.6	-0.7	-67.8	-15.2	-29.7
<b>Ordinary result before tax</b>	<b>8.5</b>	<b>108.2</b>	<b>-32.7</b>	<b>287.9</b>	<b>455.1</b>
Tax on ordinary result	-16.6	76.2	-12.4	33.8	24.2
<b>Result for the period</b>	<b>-8.1</b>	<b>184.3</b>	<b>-45.0</b>	<b>321.7</b>	<b>479.3</b>
Result for the period, majority interest	0.1	184.3	-37.8	321.7	477.8
Result for the period, minority interest	-8.2	0.0	-7.2	0.0	1.5
<b>Earnings per share (NOK)</b>					
<b>Basic</b>	<b>0.0</b>	<b>2.0</b>	<b>-0.4</b>	<b>3.5</b>	<b>5.2</b>
<b>Diluted</b>	<b>0.0</b>	<b>2.0</b>	<b>-0.4</b>	<b>3.5</b>	<b>5.2</b>
<b>Adjusted basic</b>	<b>-0.3</b>	<b>2.6</b>	<b>-0.5</b>	<b>4.6</b>	<b>7.5</b>
<b>Adjusted diluted</b>	<b>-0.3</b>	<b>2.6</b>	<b>-0.5</b>	<b>4.6</b>	<b>7.5</b>

## Group balance sheet

NOK million	YTD 08	YTD 07	FY 2007
<b>Assets</b>			
Intangible fixed assets	1 895.0	1 857.6	1 949.8
Tangible fixed assets	1 999.1	1 604.9	1 723.7
Financial fixed assets	429.1	326.0	451.4
<b>Total non-current assets</b>	<b>4 323.3</b>	<b>3 788.5</b>	<b>4 125.0</b>
Inventory	1 233.9	722.9	611.6
Biological inventory	1 343.8	1 564.1	1 475.1
Accounts receivable from customers	994.5	775.0	865.2
Other short-term receivables	173.6	136.0	115.1
Cash and cash equivalents	56.4	45.4	232.7
<b>Total current assets</b>	<b>3 802.2</b>	<b>3 243.4</b>	<b>3 299.7</b>
<b>Total assets</b>	<b>8 125.5</b>	<b>7 031.9</b>	<b>7 424.7</b>
<b>Equity and liabilities</b>			
Total paid-in capital	924.9	1 860.0	924.5
Other equity	2 856.6	2 294.7	3 293.3
Minority interests	56.9	0.0	28.5
<b>Total equity</b>	<b>3 838.3</b>	<b>4 154.8</b>	<b>4 246.4</b>
Pension liabilities	30.0	32.7	27.0
Deferred tax	393.1	373.6	385.3
Interest bearing long-term debt	1 567.1	1 133.8	1 169.3
<b>Total non-current liabilities</b>	<b>1 990.1</b>	<b>1 540.1</b>	<b>1 581.7</b>
Interest bearing short-term debt	551.0	104.3	321.1
Other short-term liabilities	1 746.0	1 232.7	1 275.5
<b>Total current liabilities</b>	<b>2 297.1</b>	<b>1 337.0</b>	<b>1 596.6</b>
<b>Total equity and liabilities</b>	<b>8 125.5</b>	<b>7 031.9</b>	<b>7 424.7</b>

## Business areas

### Mainstream key figures

<i>NOK Million</i>	Q2 08	Q2 07	YTD 08	YTD 07	FY 2007
<b>Operating revenues</b>	<b>557.6</b>	<b>603.9</b>	<b>1 194.2</b>	<b>1 264.5</b>	<b>2 623.4</b>
EBITDA	-18.2	164.1	2.2	376.9	564.6
EBITDA %	-3.3 %	27.2 %	0.2 %	29.8 %	21.5 %
<b>EBIT pre fair value</b>	<b>-54.7</b>	<b>131.4</b>	<b>-70.6</b>	<b>312.7</b>	<b>418.1</b>
<b>EBIT pre fair value %</b>	<b>-9.8 %</b>	<b>21.8 %</b>	<b>-5.9 %</b>	<b>24.7 %</b>	<b>15.9 %</b>
EBIT (operating result)	17.4	39.0	-24.2	194.8	143.4
<b>Volumes sold by region (rwe, Ktons)</b>					
Chile	14.5	10.9	30.8	28.2	53.2
Canada	5.8	8.1	8.5	9.9	24.4
Norw ay	4.9	3.5	15.1	9.9	25.3
Scotland	1.6	1.8	4.3	3.1	8.1
<b>TOTAL</b>	<b>26.9</b>	<b>24.4</b>	<b>58.8</b>	<b>51.1</b>	<b>111.1</b>
<b>Revenues by region</b>					
Chile	237.1	233.4	508.8	630.6	1 166.6
Canada	154.3	231.1	223.7	290.6	640.3
Norw ay	123.2	85.2	355.5	244.9	578.5
Scotland	43.0	54.2	106.3	98.4	237.9
<b>TOTAL</b>	<b>557.6</b>	<b>603.9</b>	<b>1 194.2</b>	<b>1 264.5</b>	<b>2 623.4</b>
<b>EBIT pre fair value</b>					
Chile	-94.4	46.2	-146.3	160.7	222.0
Canada	21.9	67.9	22.0	87.1	103.1
Norw ay	16.0	15.8	53.9	60.3	96.7
Scotland	1.8	1.5	-0.2	4.7	-3.7
<b>TOTAL</b>	<b>-54.7</b>	<b>131.4</b>	<b>-70.6</b>	<b>312.7</b>	<b>418.1</b>
<b>Capital expenditure</b>	<b>92.1</b>	<b>86.2</b>	<b>167.4</b>	<b>123.0</b>	<b>274.0</b>

### EWOS key figures

<i>NOK million</i>	Q2 08	Q2 07	YTD 08	YTD 07	FY 2007
<b>Operating revenues</b>	<b>1 443.7</b>	<b>1 327.6</b>	<b>2 664.0</b>	<b>2 614.2</b>	<b>5 922.2</b>
EBITDA	60.4	107.6	90.9	191.7	491.3
EBITDA %	4.2 %	8.1 %	3.4 %	7.3 %	8.3 %
<b>EBIT pre fair value</b>	<b>32.1</b>	<b>78.3</b>	<b>33.3</b>	<b>131.7</b>	<b>378.4</b>
<b>EBIT pre fair value %</b>	<b>2.2 %</b>	<b>5.9 %</b>	<b>1.2 %</b>	<b>5.0 %</b>	<b>6.4 %</b>
EBIT (operating result)	27.6	77.9	33.3	126.7	373.6
<b>Volumes sold, Ktons</b>	<b>203.4</b>	<b>189.7</b>	<b>387.2</b>	<b>367.3</b>	<b>847.4</b>
<b>Revenues by region</b>					
Norw ay	653.7	560.0	1 151.8	1 087.7	2 858.0
Chile	537.7	527.4	1 077.2	1 090.5	2 097.0
Canada	139.6	137.3	255.7	239.6	511.6
UK	112.7	102.9	179.3	196.5	455.6
<b>TOTAL</b>	<b>1 443.7</b>	<b>1 327.6</b>	<b>2 664.0</b>	<b>2 614.2</b>	<b>5 922.2</b>
<b>Capital expenditure</b>	<b>132.0</b>	<b>81.8</b>	<b>205.8</b>	<b>141.9</b>	<b>242.4</b>

## Group cash flow statement

NOK million	Q2 08	Q2 07	YTD 08	YTD 07	FY 2007
Ordinary result before taxes	8.5	108.2	-32.7	287.9	455.1
Interest paid, net	21.8	8.0	34.0	16.3	43.8
<b>Ordinary result before tax and interest</b>	<b>30.3</b>	<b>116.1</b>	<b>1.4</b>	<b>304.2</b>	<b>498.9</b>
<b>Cash flow from operating activities</b>					
Ordinary result before tax and interest	30.3	116.1	1.4	304.2	498.9
Gain (-)/loss on tangible and intangible assets	0.2	-2.2	-0.3	-1.7	-28.9
Depreciation	66.5	62.4	132.7	124.9	261.4
Change in fair value of biological assets	-67.6	92.8	-46.4	123.0	279.6
Taxes paid (-)/refund	6.4	-66.5	-54.2	-92.1	-81.1
Interest paid	-23.7	-10.5	-39.5	-20.5	-99.9
Difference between pension premiums paid and pension expense	1.2	-10.8	1.5	-10.4	-16.5
Difference between income from and dividends received from associates	0.4	-5.6	-7.4	-8.6	-17.5
Change in inventory, accounts receivable and accounts payable	-22.6	-112.7	76.8	-109.6	-177.3
Change in other short-term operating assets and liabilities	-27.7	-34.7	-13.1	-17.9	-82.5
<b>Net cash flows from operating activities</b>	<b>-36.6</b>	<b>28.4</b>	<b>51.4</b>	<b>291.4</b>	<b>536.3</b>
<b>Cash flows from investing activities</b>					
Purchase of tangible and intangible fixed assets	-229.9	-169.5	-379.2	-269.6	-484.4
Proceeds received from sale of tangible fixed assets	1.0	0.9	1.9	1.2	21.5
Purchase of shares and companies, net of purchased cash and cash equivalents	4.8	0.0	4.8	-19.1	-249.8
Purchase of shares and investments in associated undertakings	-69.6	-88.1	-69.6	-88.1	-73.6
Proceeds received from sale of shares and companies, net of cash and cash equivalents	0.0	28.1	0.0	28.1	140.3
Interest received	1.9	2.5	5.5	4.2	56.0
<b>Net cash flows from investing activities</b>	<b>-291.8</b>	<b>-226.2</b>	<b>-436.6</b>	<b>-343.4</b>	<b>-589.9</b>
<b>Cash flows from financing activities</b>					
Change in long-term debt	430.7	246.3	430.2	203.8	185.0
Change in short-term interest bearing debt	29.4	82.1	-30.7	30.9	250.2
Payment of dividends	-208.0	-393.0	-208.0	-393.0	-393.0
Change in own shares	2.4	-2.7	2.4	-2.7	-2.7
Change in the fair value of financial instruments	23.1	0.0	23.1	0.0	0.0
<b>Net cash flows from financing activities</b>	<b>277.6</b>	<b>-67.4</b>	<b>217.0</b>	<b>-160.9</b>	<b>39.5</b>
Foreign exchange effects	-0.2	-2.1	-8.1	-6.5	-18.1
<b>Net change in cash and cash equivalents for the period</b>	<b>-51.0</b>	<b>-267.4</b>	<b>-176.2</b>	<b>-219.5</b>	<b>-32.2</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>107.4</b>	<b>312.8</b>	<b>232.7</b>	<b>264.9</b>	<b>264.9</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>56.4</b>	<b>45.4</b>	<b>56.4</b>	<b>45.4</b>	<b>232.7</b>

## Statement of changes in equity

<i>NOK million</i>	YTD 08	YTD 07	FY 2007
<b>Equity 1 January</b>	<b>4 246.4</b>	<b>4 261.7</b>	<b>4 261.7</b>
Change in conversion differences	-166.5	-68.1	-232.9
Net gains and losses not recognised in the income statement	-26.9	32.8	100.5
Profit/loss for the period	-45.0	321.7	479.3
Dividend paid	-208.0	-393.0	-393.0
Changes in own shares/redemption of stock options	2.4	-2.7	-2.7
Option cost	0.4	2.4	3.0
Fair value adjustment arising from business combination achieved in stages	35.6	0.0	30.5
<b>Closing equity</b>	<b>3 838.3</b>	<b>4 154.8</b>	<b>4 246.4</b>

## Selected Disclosure Notes

### 1. Basis for preparation – accounting principles applied in this report

This report has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), the standard for interim reporting (IAS 34), and additional regulations required in Norway. Accounting principles applied are the same as those used in the annual report for 2007. The quarterly accounts, including comparable figures, are based on today's IFRS standards and interpretations. Changes in accounting standards and interpretations in the future may lead to changes in the accounts. The accounts presented in this report have not been audited.

### 2. Key earnings measure

Cermaq's key earnings measure under IFRS is EBIT pre fair value (Operating result before unrealised fair value adjustments). This is consistent in all material respects with Cermaq's previous earnings measure, EBITA (Operating result before amortisation of goodwill). Unrealised fair value adjustments are made in Cermaq's accounts to arrive at EBIT (Operating result). The adjustments for fair value relate to valuing live biomass inventory at an approximation to a market value equivalent rather than cost. Cermaq reports EBIT pre fair value to clearly identify earnings on sales during the period.

### 3. Revenues and EBIT pre fair value analysis

NOK million	Revenues				
	Q2 08	Q2 07	YTD 08	YTD 07	FY 2007
Mainstream	557.6	603.9	1 194.2	1 264.5	2 623.4
EWOS	1 443.7	1 327.6	2 664.0	2 614.2	5 922.2
Agri	406.0	0.0	516.7	0.0	221.2
HQ/Elims	-225.1	-246.7	-424.4	-461.4	-1 045.6
<b>Total</b>	<b>2 182.1</b>	<b>1 684.8</b>	<b>3 950.5</b>	<b>3 417.3</b>	<b>7 721.2</b>

NOK million	EBIT pre fair value				
	Q2 08	Q2 07	YTD 08	YTD 07	FY 2007
Mainstream	-54.7	131.4	-70.6	312.7	418.1
EWOS	32.1	78.3	33.3	131.7	378.4
Agri	11.3	0.0	16.7	0.0	7.5
HQ/Elims	3.2	-13.6	2.0	-26.9	-57.1
<b>Total</b>	<b>-8.0</b>	<b>196.0</b>	<b>-18.6</b>	<b>417.5</b>	<b>746.9</b>

### 4. Balance sheet segmental disclosures

NOK million	Capital expenditure		Fixed assets		Total balance sheet	
	YTD 08	YTD 07	YTD 08	YTD 07	YTD 08	YTD 07
<b>Mainstream</b>						
Chile	78.8	58.5	338.2	290.2	1 908.7	2 259.5
Canada	24.0	17.8	182.8	192.6	755.1	837.6
Norway	52.7	11.7	316.3	211.5	1 260.8	854.0
Scotland	11.8	34.9	59.3	67.8	236.2	265.2
<b>Total</b>	<b>167.4</b>	<b>123.0</b>	<b>896.7</b>	<b>762.1</b>	<b>4 160.7</b>	<b>4 216.3</b>
<b>EWOS</b>	<b>205.8</b>	<b>141.9</b>	<b>992.2</b>	<b>830.0</b>	<b>3 960.0</b>	<b>3 489.7</b>

<i>NOK million</i>	Inventory		Fair value adjustments Balance sheet		Fair value adjustments Profit and loss	
	YTD 08	YTD 07	YTD 08	YTD 07	Q2 08	Q2 07
<b>Mainstream</b>						
Chile	549.7	768.1	0.7	134.6	-20.2	17.2
Canada	475.9	476.3	93.9	97.0	89.7	-71.8
Norway	385.1	275.6	28.0	6.2	-0.6	-32.9
Scotland	136.8	153.4	12.4	8.3	3.2	-4.9
<b>Total</b>	<b>1 547.6</b>	<b>1 673.3</b>	<b>135.0</b>	<b>246.2</b>	<b>72.1</b>	<b>-92.4</b>
<b>EWOS</b>	<b>791.9</b>	<b>664.2</b>	<b>0.0</b>	<b>0.0</b>	<b>-4.5</b>	<b>-0.4</b>

## 5. Inventory

<i>NOK million</i>	YTD 08	YTD 07	FY 07
Inventory at cost	1 233.9	722.9	611.6
Inventory at fair value	1 343.8	1 564.1	1 475.1
<b>Total inventory</b>	<b>2 577.7</b>	<b>2 287.0</b>	<b>2 086.7</b>

Inventory at fair value comprises all live biomass inventory held at the end of the period.

<i>NOK million</i>	YTD 08	YTD 07	FY 07
Biological inventory at cost	1 208.8	1 317.9	1 373.1
Fair value adjustment	135.0	246.2	102.0
<b>Total biological inventory</b>	<b>1 343.8</b>	<b>1 564.1</b>	<b>1 475.1</b>

<i>Tons</i>	YTD 08	YTD 07	FY 07
Smolts, fry and brood stock	743	1 409	1 840
Non harvestable biomass	56 120	46 560	45 425
Harvestable biomass	7 370	24 110	26 630
<b>Total inventory</b>	<b>64 234</b>	<b>72 079</b>	<b>73 894</b>

## 6. Personnel numbers

At the end of June 2008 the Group had 3.620 employees, an increase of 229 since June 2007. Of the total number of employees, 686 were located in Norway.

## 7. Largest shareholders as at 30 June 2008

<u>Shareholder</u>	<u>Holding</u>
NORWEGIAN MINISTRY OF TRADE AND INDUSTRY	43.54 %
MORGAN STANLEY & CO	6.07 %
STATE STREET BANK AN	5.17 %
MELLON BANK	2.98 %
FOLKETRYGDFONDET	2.79 %
SKANDINAVISKA ENSKILDA OSLOFILIALEN	2.75 %
STATE STREET BANK	2.50 %
MORGAN STANLEY & CO	2.37 %
STATE STREET BANK	1.83 %
EUROCLEAR BANK S.A.	1.40 %
BANK OF NEW YORK, BRÜSSEL	1.36 %
CITIBANK N.A.	1.19 %
JPMORGAN CHASE BANK	0.90 %
VITAL FORSIKRING ASA OMLØPSMIDLER	0.79 %
BROWN BROTHERS HARRIMAN & CO	0.64 %
CITIBANK N.A. LONDON	0.61 %
HANDELSBANKEN HELSINKI	0.60 %
BROWN BROTHERS HARRIMAN & CO	0.58 %
MORGAN STANLEY & CO.	0.57 %
BANK OF NEW YORK, BRÜSSEL	0.49 %

The names duplicated in the list of shareholders above may represent different investors

## 8. Adjusted earnings per share (EPS)

For the purpose of providing more meaningful comparative figures, and for dividend calculation, after tax profit and EPS have been adjusted as follows:

<b>NOK million</b>	<b>YTD 08</b>	<b>YTD 07</b>	<b>FY 2007</b>
<b>Result after tax and minorities</b>	<b>-38</b>	<b>322</b>	<b>478</b>
IAS 41 fair value adjustments	-46	123	280
Financial instruments fair value adjustment	23	-1	-1
Tax impact of fair value adjustment	11	-22	-59
<b>Adjusted result after tax and minorities</b>	<b>-50</b>	<b>422</b>	<b>697</b>
Shares issued at 1 January	92 500 000	92 500 000	92 500 000
Effect of own shares held	-47 391	-26 474	-38 362
<b>Average number of outstanding shares during the period</b>	<b>92 452 609</b>	<b>92 473 526</b>	<b>92 461 638</b>
Adjusted for share options	0	38 920	16 869
<b>Average diluted number of outstanding shares during the period</b>	<b>92 452 609</b>	<b>92 512 446</b>	<b>92 478 507</b>
<b>Earnings per share (NOK)</b>			
<b>Basic</b>	<b>-0.4</b>	<b>3.5</b>	<b>5.2</b>
<b>Diluted</b>	<b>-0.4</b>	<b>3.5</b>	<b>5.2</b>
<b>Adjusted basic</b>	<b>-0.5</b>	<b>4.6</b>	<b>7.5</b>
<b>Adjusted diluted</b>	<b>-0.5</b>	<b>4.6</b>	<b>7.5</b>

## 9. Currency rates

<b>Foreign currency versus NOK</b>	<b>30.06.08</b>	<b>31.03.08</b>	<b>31.12.07</b>	<b>30.09.07</b>	<b>30.06.07</b>	<b>31.03.07</b>	<b>31.12.06</b>
USD	5.0813	5.0916	5.4110	5.4437	5.9035	6.0964	6.2551
CAD	5.0244	4.9618	5.5299	5.4657	5.5968	5.2839	5.3910
GBP	10.1103	10.1171	10.8099	11.0771	11.8293	11.9433	12.2680

## 10. Expected sales volumes - Mainstream division

Mainstream						Q1 2008
2008 EST (ktonnes)	Q1	Q2	Q3 EST	Q4 EST	2008 EST	guiding
Scotland	3	2	2	2	9	9
Norway	10	5	8	10	33	34
Canada	3	6	7	9	25	26
Chile	16	15	6	14	50	53
<b>Total</b>	<b>32</b>	<b>27</b>	<b>23</b>	<b>35</b>	<b>117</b>	<b>122</b>

Mainstream Chile						Q1 2008
2008 EST (ktonnes)	Q1	Q2	Q3 EST	Q4 EST	2008 EST	guiding
Atlantic	6	6	4	4	20	23
Coho	7	4	0	6	16	15
Trout	4	5	2	3	14	15
<b>Total</b>	<b>16</b>	<b>15</b>	<b>6</b>	<b>14</b>	<b>50</b>	<b>53</b>

Mainstream					
2009 EST (ktonnes)	Q1 EST	Q2 EST	Q3 EST	Q4 EST	2009 EST
Scotland	2	2	2	2	8
Norway	10	6	11	11	38
Canada	3	5	7	8	23
Chile	21	10	8	14	53
<b>Total</b>	<b>36</b>	<b>23</b>	<b>28</b>	<b>35</b>	<b>122</b>

Mainstream Chile					
2009 EST (ktonnes)	Q1 EST	Q2 EST	Q3 EST	Q4 EST	2009 EST
Atlantic	8	6	6	6	26
Coho	7	1	1	5	14
Trout	6	3	1	3	13
<b>Total</b>	<b>21</b>	<b>10</b>	<b>8</b>	<b>14</b>	<b>53</b>

Note that the sales volume guidance provided is intended to be indicative only. Factors such as biological growth, disease, weather, and changes in marketing plans can change the pattern of sales during the year and particularly between quarters. See outlook section of this report for additional comments

\* On 21 July 2008 Cermaq issued revised guiding to the market due to changed production conditions in Chile.

## 11. Related party transactions

There were no significant transactions with related parties during the year to date.

## 12. One-offs and exceptional items

In the second quarter 2008 one-off and exceptional items gave a net cost of NOK 38 million. In Mainstream Chile, a net realizable value provision of NOK 38 million was recorded following high mortalities at three sites and the decision to harvest these sites early.

In the second quarter of 2007 there were no exceptional items.

## 13. Acquisitions

In mid April Cermaq obtained control over the Denofa group which was previously an associate. On the 14 April Norgrain, a company where Cermaq holds 72,5 percent of the shares, declared an option to purchase 20 percent of Denofa from the Borregaard group. After the transaction Norgrain owns 60 percent of the shares in the company.. The other 40% of the shares in Denofa are owned by the Brazilian listed company Agrenco. Denofa is a company which imports non-gmo soya beans, mainly from Brazil, and processes this to soy oil, soy meal and lecithin. Denofa also has operations in rape seed oil processing in Poland. The operating revenue of the Denofa group was NOK 1 469 million in 2007, with a pre-tax profit of NOK 30 million. Further information on Denofa can be found on their website [www.Denofa.no](http://www.Denofa.no)

The results of Denofa have been consolidated from 1 May 2008. The purchase price for the additional 20 percent shareholding was NOK 10.7 million, and there were no significant transaction costs.

Cermaq has carried out an initial evaluation of the fair values of the assets and liabilities of the Denofa group under the terms of IFRS at the date of acquisition. Provisional net assets at acquisition, on a fair value basis, were NOK 88.9 million and net interest bearing debt was NOK 266.3 million (reducing to NOK 240.0 million at 30 June 2008). The business contributed NOK 6.7 million to the Group's EBIT pre fair value adjustment.

In the second half of 2008 a further detailed review of the fair values of the opening assets and liabilities will be carried out to determine final values.

Denofa results and balance sheet in the Group accounts:

<b>Income statement</b>	
<i>NOK million</i>	<b>Q2 08</b>

Revenues	320.9
EBIT pre fair value	6.7
Result for the period	-14.1

<b>Balance sheet</b>		
<i>NOK million</i>	<b>YTD 08</b>	<b>Open.bal.</b>

Intangible fixed assets	31.1	31.1
Tangible fixed assets	96.0	91.7
<b>Total non-current assets</b>	<b>127.2</b>	<b>122.8</b>
Inventory	253.3	244.7
Receivables	163.7	146.2
<b>Total assets</b>	<b>544.1</b>	<b>529.2</b>
<b>Net Interest Bearing Debt</b>	<b>240.0</b>	<b>266.3</b>

## Statement from the board and chief executive officer

The board of directors has today considered and approved the half-yearly management report and the condensed consolidated interim financial statements of Cermaq ASA for the half year that ended 30 June 2008.

The half-yearly report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by EU and additional requirements in the Norwegian securities trading act.


To the best of our knowledge the interim financial statements have been prepared in accordance with applicable accounting standards and the accounts give a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. Further the information presented in the interim management report represents to the best of our knowledge a fair view with regard to important events that have occurred and their impact on the financial statements, major related party transactions and principal risks and uncertainties pertaining to the Group for the next six months of the financial year.

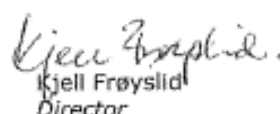
Oslo, 8 August 2008

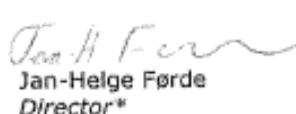
  
Sigbjørn Johnsen  
Chair

  
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Deputy chair

  
Astrid Sørgaard  
Director

  
Wenche Kjelås  
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Director\*

  
Kent Inge Eliassen  
Director\*

  
Geir Isaksen  
CEO

\* Employee elected board member