



HALF YEAR REPORT 2008  
AUGUST 21TH 2008



# HIGHLIGHTS

- > **EBIT of – 28,6 MNOK** in Q2/08 compared to -5,7 MNOK in Q2/07
- > **Net profit of – 34,0 MNOK** in Q2/08 compared to – 5,0 MNOK in Q2/07
- > **Extraordinary events:**
  - Financial problems at one of our juveniles suppliers Marin Invest. Potential loss of MNOK 9,6 for prepaid juveniles and MNOK 5 for depreciation of stock position in the company
  - Depreciation of location Hammarvika with 9,3 MNOK due to forced early harvest and increased production costs as a result of the bacterial disease Francisella in two pens.
- > **The biomass at Sjetnes** of 2227 tons (r.w) develops well. Average weight of 2,7 kg with falling production cost down to NOK 20. Negative margins in Q2 from fish sold from Sjetnes mainly due to slow market in May-June.
- > **Release of 0,6 mill juvenile** at two new locations in Q2. Preparing a new location in region Meløy for new juvenile release in Q3.
- > **8 new licenses** on 2 separate locations in Rødøy granted, increasing total number of licences from 26 to 34 and the production capacity from 21.030 tons (MTB) to 27.270 tons (MTB).
- > **Cod Juveniles AS** is developing according to plan. Successful egg production from broodstock in Q2. Juvenile facility ready for the release of 1,3 mill external juveniles in Q3. First batch of juveniles from the hatchery expected in Q4.
- > **Cod Processing** ready up-graded and started harvesting on 20 May. 224t r.w. harvested in Q2 2 days per week. 5 days harvesting per week to commence as of end August.
- > **Average FOB price of NOK 33** in Q2/08, down 6% compared to Q2/07, primarily due to high share of 1-2 kg fish.
- > **27% of Norwegian** farmed cod exports in Q2/08 were produced by Codfarmers.

# FINANCIALS

| KEY FINANCIALS FIGURES    |            |            |                 |                 |              |
|---------------------------|------------|------------|-----------------|-----------------|--------------|
| NOK (1000`)               | Q2<br>2008 | Q2<br>2007 | 30 June<br>2008 | 30 June<br>2007 | Year<br>2007 |
| Revenue                   | 6 123      | 5 850      | 7 270           | 12 233          | 47 065       |
| EBITDA                    | -24 991    | -4 343     | -31 144         | -7 720          | -20 784      |
| EBIT before biomass adj   | -28 616    | -5 693     | -37 278         | -10 047         | -28 308      |
| EBIT after biomass adj    | -28 616    | -5 693     | -37 278         | -10 047         | -28 308      |
| Net profit                | -33 959    | -5 010     | -43 127         | -8 564          | -28 127      |
| Total assets              | 430 411    | 284 218    | 430 411         | 284 218         | 454 461      |
| Totalt Equity             | 295 729    | 250 450    | 295 729         | 250 450         | 338 605      |
| Equity ratio              | 69 %       | 88 %       | 69 %            | 88 %            | 75 %         |
| Interest bearing debt     | 102 062    | 2 847      | 102 062         | 2 847           | 87 342       |
| Cash and cash equivalents | 92 194     | 108 176    | 92 194          | 108 176         | 215 454      |

- Q2/08 revenue was 6,1 MNOK compared to 5,9 MNOK for Q2/07. Revenue in Q2/08 mainly reflects harvesting of in total 224 tons. Limited trading of external volumes. MNOK 0,1 contribution from subsidiaries.
- EBIT of – 28,6 MNOK in Q2/08 compared to -5,7 MNOK in Q2/07. Negative result in Q2/08 is mainly explained by the following factors:
  - > Extraordinary depreciation of Hammarvika location of 9,3 MNOK
  - > Extraordinary provision loss for prepaid juveniles of 9,6 MNOK
  - > Normal cost from subsidiaries of 3,0 MNOK
  - > Normal administration costs of 5,8 MNOK
  - > Negative result of fish harvested and sold of 0,9 MNOK
- Net profit of – 34,0,MNOK in Q2/08 compared to – 5,0 MNOK in Q2/07. Extraordinary financial costs in Q2/08 of MNOK 5,0, due to a depreciation of share position in Marin Invest AS.
- Total assets of 430,4 MNOK, reflecting 157,7 MNOK in non current assets and 272,8 MNOK in current assets.
- Total equity of 295,7 MNOK with an equity ratio of 69 % and 102,0 MNOK of interest bearing debt.
- 92,2 MNOK in cash and cash equivalents.

# COD PRODUCTION

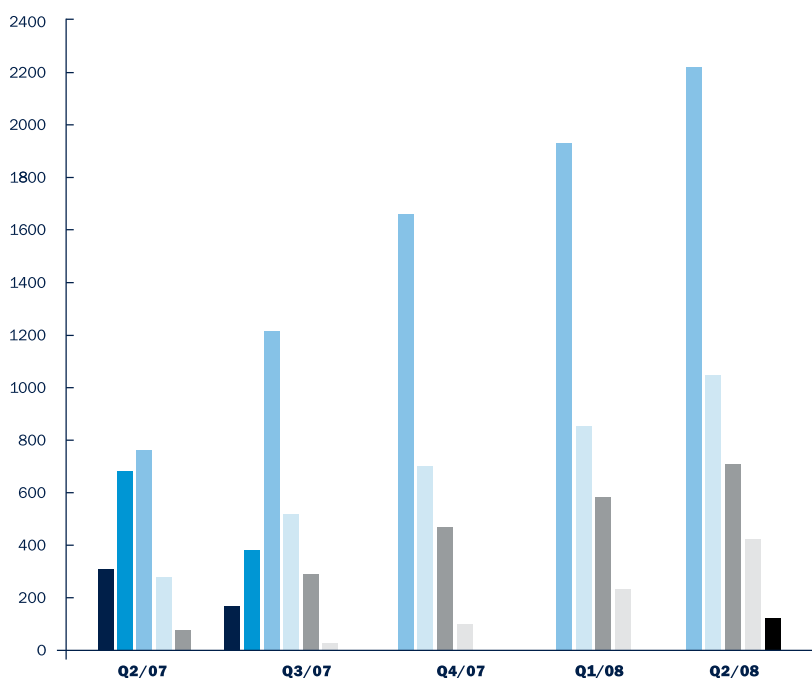
- 224 tons (r.w) harvested from location Sjetnes in May and June.
- Remaining biomass at Sjetnes of 2227 tons (r.w) shows good performance. Average weight of 2,7 kg with falling production cost down to NOK 20.
- 2 pens at the Hammarvika location have been harvested early due to the bacterial disease Francisella resulting in increased production costs. Due to regulatory constraints imposed by the Fish Health Authorities regarding forced early harvesting a down writing of 9,3 MNOK is taken in Q2.

## COD PERFORMANCE INDICATORS PER JUNE 2008

|                                      | Hellvika<br>Gen.<br>2005 | Sjetnes<br>Gen. Sept<br>2006 | Hammarvika<br>Gen. May<br>2007 | Kjølvika<br>Gen. June<br>2007 | Tårnvika<br>Gen. Sept<br>2007 | Kjerkvika<br>Gen. Sept<br>2008 |
|--------------------------------------|--------------------------|------------------------------|--------------------------------|-------------------------------|-------------------------------|--------------------------------|
| <b>Harvest %</b>                     | <b>100%</b>              | <b>9%</b>                    | <b>0%</b>                      | <b>0%</b>                     | <b>0%</b>                     | <b>0%</b>                      |
| Growth from 100g to 1,5kg            | 14 months                | 14 months                    | 14 months                      |                               |                               |                                |
| Growth from 100g to harvested weight | 23 months                | 20 months                    |                                |                               |                               |                                |
| Avg. harvested weight                | 3,3 kg                   | 3,3 kg                       |                                |                               |                               |                                |
| Current avg. weight                  |                          | 2,7 kg                       | 1,7 kg                         | 0,8 kg                        | 0,3 kg                        | 0,4 kg                         |
| No. of fish (1 000)                  |                          | 839                          | 620                            | 875                           | 1392                          | 310                            |
| Biological feed factor (FCR)         | <b>1,24</b>              | <b>1,10</b>                  | <b>1,09</b>                    | <b>1,09</b>                   | <b>0,92</b>                   | <b>0,9</b>                     |
| Economic feed factor (EFCR)          | 1,34                     | 1,16                         | 1,17                           | 1,15                          | 1,05                          | 0,94                           |
| Mortality (%)                        | <b>6,9%</b>              | <b>5,0%</b>                  | <b>6,1%</b>                    | <b>5,1%</b>                   | <b>47,1%</b>                  | <b>1,4%</b>                    |
| Production cost per kg. (r.w.)       | <b>NOK 22,2</b>          | <b>NOK 20,4</b>              | <b>NOK 31,3</b>                | <b>NOK 40,7</b>               | <b>NOK 75,6</b>               | <b>NOK 81,4</b>                |

- Release of 0,3 mill juveniles at new location Kjerkvika. Additional juveniles to be released in Q3 for a planned total release of about 1,2 mill juveniles.
- Release of 0,3 mill juvenile at Tårnvika, securing a total of 1,4 mill fish in sea mainly to be harvested in 2009.
- New location at region Meløy prepared for the release of new juveniles in Q3.
- 8 new licenses on 2 separate locations in Rødøy granted, increasing total number of licences from 26 to 34 and the production capacity from 21.030 tons (MTB) to 27.270 tons (MTB).

## BIOMASS DEVELOPMENT (TONS)



- Total release of 0,6 mill juveniles in Q2/08
- 4530 tons (r.w.) of standing biomass. Estimated biomass value of 146 MNOK
- A total of 4,1 mill. fish at 5 different locations.
- Net growth of 1038 tons (r.w.) biomass in Q2/08 up more than two times compared to Q2/07.

# COD JUVENILES



## Broodstock – successful egg production in Q2

- Brood stock of approx. 1.100 fish with a total production potential of more than 500 mill eggs per year.
- Approx. 100L (50 mill eggs) collected. 27 L sold externally.
- Broodstock recovered nicely after spawning.

## Hatchery –first batch in Q4

- Production of first generation planned for Q4/08 and to be delivered farming for ongrowing in Q2/09.
- Granted a NOK 2.5 mill research project for testing and implementation of automatic feeding system for rotifers (live feed) and cod larvae.

## Juvenile plant –release of juveniles in Q3

- Production hall finished with 17 fish tanks and 3 outdoor tanks with a total rearing capacity of approx. 5000 m3 ready.
- Pumping station on place and ready for seawater intake. Installation of pumps and water connction by end August.
- Planned release of 1,3 mill externally sourced juveniles in Q3.

# COD PROCESSING

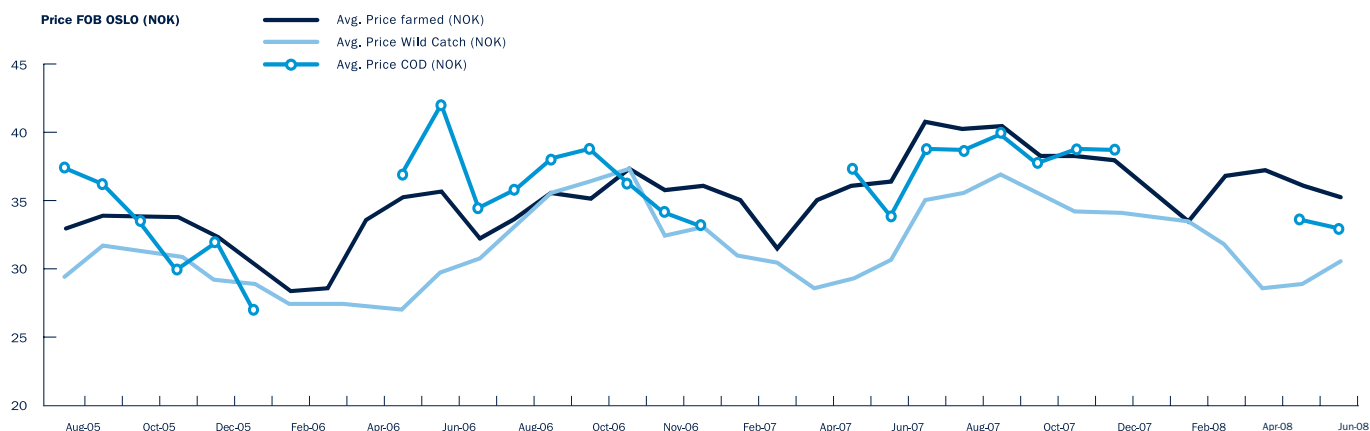


- Packing plant in operational from May 20th.
- Slaughter and packing of 224t during May-June.
- Two harvest days per week in Q2, 5 days per week in Q3 and Q4. Establishing manual and test line for pre-rigor filleting in Q3.
- Focus on utilization of bi-products.

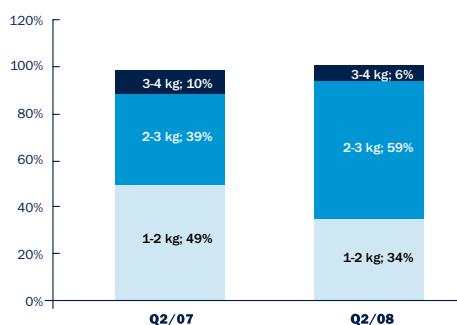
# COD MARKET

- Average FOB price of NOK 33 in Q2/08, down 6% compared to Q2/07, primarily due to high share (34 %) of 1-2 kg fish.
- 27% of Norwegian farmed cod exports in Q2/08 were produced by Codfarmers.
- Strikes among transport workers and protest actions by fishermen in France and Spain caused severe disruptions to sales over a 2.5 week period in May/June which lead to a significant drop in the spot price.
- Erratic swings in demand contributed to a somewhat sluggish market for cod in general during Q2. Ongoing clearance sale of stocks remaining from the “No Catch” collapse (large organic cod farmer in the Shetlands) put additional pressure on the spot prices for farmed cod.
- 27% of Norwegian farmed cod exports were produced by Codfarmers compared to 39% last year. Codfarmers didn't start harvesting until second half of May when the new packing station was ready. Export share of 38% in June.

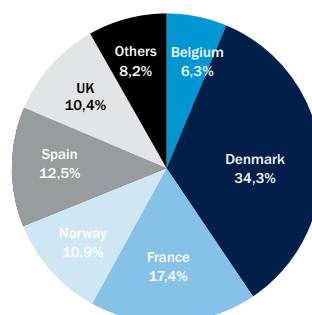
## SALES PRICE BENCHMARK 2005-2008



## SIZE DISTRIBUTION Q2 2007/ 2008



## SALES VALUE BY GEOGRAPHICAL MARKETS Q2 2008





# HALF YEAR FINANCIAL REPORT

## INCOME STATEMENT

The Group achieved a total revenue of 7,3 MNOK for the first half year of 2008 compared with 12,2 MNOK in 2007. The decrease in revenue was expected and this years harvesting is only related to harvesting from late May to June. We expect a significant increase of volumes the coming half year compared to the same period for 2007. The revenue for second quarter in 2008 was 6,1 MNOK compared to 5,9 MNOK for the same period last year.

EBIT result of -37,3 MNOK for the first half year of 2008 compared to -10,0 MNOK for the same period last year is explained by the following: (1) administration costs of 12,5 MNOK (2) extraordinary provision lost for prepaid juveniles of MNOK 9,6 (3) extraordinary depreciation at location Hammervika of 9,3 MNOK (4) normal start up costs at subsidiaries of 5,0 MNOK (5) negative result of fish harvest and sold of 0,9 MNOK. EBIT result for the second quarter in 2008 was -28,6 MNOK compared to -5,7 MNOK for the same period last year

Net finance came to -5,8 MNOK for the first half year in 2008 compared to 1,4 MNOK for the same period in 2007. Extraordinary financial cost in second quarter of 2008 reflects 5,0 MNOK in depreciation of share position in Marin Invest. The company's profit for 2008 was -43.1 MNOK compared to -8,6 MNOK for the same period in 2007.

## CASH FLOW AND LIQUIDITY

Net cash flow from operational activities for the first half year in 2008 was -57,0 MNOK compared with -22,6 MNOK in 2007. Net cash flow is mainly

explained by administration costs, investment in biomass/inventories and change in trade receivables and payables for the period.

The net cash flow from investment activities for the first half year in 2008 amounted to -76,9 MNOK compared with -52 MNOK for the same period in 2007. Payments for the purchase of production equipment in 2008 reflect NOK 40 million used for the construction of two new locations and upgrading. In 2008 the company have invested further 30 MNOK million in Cod Juveniles AS, an integrated breeding, brood stock, hatchery and juvenile facility at as well as 10 MNOK to upgrade Cod Processing AS, the Groups harvesting plant. The Group had also 4,5 MNOK in interest for the first half year of 2008 compared to 1,7 MNOK for the same period in 2007.

The company's financial activities for the first half year of 2008 show a net cash flow of 10 MNOK, reflecting new borrowings by leasing of production equipment in the period.

As of 30.06.2008 the company had 92,2 MNOK cash and cash equivalents compared with 108,2 MNOK in 2007.

## BALANCE SHEET

At the end of first half year the Group's assets had a book value of 430,4 MNOK compared with 284,2 MNOK for 2007. Fixed assets amounted to 157,7 MNOK and current assets amounted to 272,8 MNOK. The company has 92,2 MNOK in cash and a biomass value in the sea of 145,9 MNOK as of 30.06.08. The company's biological

assets have increased by 73,4 MNOK from 2007.

The Groups equity after the first half year of 2008 is 295,7 MNOK compared with 250,5 MNOK for 2007. The company has no distributable equity. Long term-debt in the company is 103,5 MNOK of which 89,7 MNOK reflects the convertible bonds issue. The company has short-term debt of 31,1 MNOK, similar for the same period in 2007.

## RISK

The company's activities are exposed to a number of different risks. Cod farming is still a young industry and the company's success will to a large degree depend on the development of cod farming as an industry. Uncertainty factors in the sectors include, among other things, the risk of diseases. This must also be seen in the context of a currently limited opportunity to take out insurance policies that covers mortality caused by virus diseases.

The company's financial risk is primarily associated with currency fluctuations, credit and liquidity risks and advance payments to suppliers of juveniles. Access to capital in the long-term may be of importance to Codfarmers' objectives of continued growth and the expansion of activities to cover larger parts of the value chain. However, this risk has been significantly reduced by the share issues conducted in 2007 and the issue of convertible bonds in which NOK 238.2 million (net) was raised in new equity.

The company has entered into various agreements with juvenile producers in

order to secure access to juveniles in the short and long term. In the current situation it is decisive that market size fish producers practice advance payment to suppliers of juveniles in order to secure their financial stability and planned growth. The risk of advance payments is associated with ability of suppliers of juveniles to deliver with regard to the agreed amount and quality. Routines have been introduced that ensure close follow-up of the company's different juvenile contracts.

#### **OUTLOOK**

We knew from the start that spear-heading the commercialization of a new species like farmed cod would offer many challenges and some set-backs along the way. The main challenges so far, have been related to the parts of the value chain we do not yet have in-house control over, first and foremost, a sufficient supply of healthy and high-quality juveniles.

Sea based production of cod juveniles has neither been cost effective nor offered the fish health and quality standards necessary. As a consequence, Q2 offered us our first set-back, the down writing of the biomass at location Hammarvika due to a bacterial disease imported with the juveniles and a loss related to fish health issues at our main juvenile supplier.

Fish health in addition to reduced juvenile costs and improved juvenile quality, have been the prime drivers behind our investment in Cod Juveniles AS at Mørkvedbukta, an in-house fully integrated brood stock, hatchery and land based juvenile plant. The

up-grading of Cod Juveniles develops according to plan and budget. In Q2, we produced the first roe from the brood stock plant. In Q3, we plan to produce the first large juveniles at the juvenile plant. In late Q4/08, the hatchery aim to start production of our first cod fry.

The up-grading of Cod Processing AS at Halså with a processing line specialized for farmed cod commenced production 20 May, on time and on budget. Cod Processing experience continuous cost improvements with increasing volumes and efficiency. Though we still face challenges on the farming side when it comes to maturation and light manipulation, we experience continuous operational improvements. Codfarmers has been granted several new farming licenses in Nordland and will soon have a production capacity of plus 30.000 tons (MTB).

Like last year, the market has been sluggish during the first few weeks of summer. Our average Q2/08 sales price was 33 NOK/kg vs. 35 NOK/kg in Q2/07. We now experience increasing prices and the underlying trends on both the supply and the demand side remain strong. Though Q2 has been tough and we most certainly will face new challenges and other set-backs, we are confident that we are on the right track.

# 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 the (Company's and) Group's assets, liabilities, financial position and result for the period viewed in their entirety, and that the interim management report, to the best of our knowledge, 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 the principal risks and uncertainties for the remaining six months of the year.

**Harald Dahl**  
Chairman of the Board

**Marianne E. Johnsen**  
Board Member

**Svein Ove Strømmen**  
Deputy Chairman

**Anne Gro Gulla**  
Board member

**Sturle Skeidsvoll**  
Board member

**Øystein Steiro**  
CEO

# INCOME STATEMENT

| Unaudited (NOK 1000)                              | Note |                |               | IFRS            |                 |                |
|---|------|----------------|---------------|-----------------|-----------------|----------------|
|   |      | Q2<br>2008     | Q2<br>2007    | 30 June<br>2008 | 30 June<br>2007 | Year<br>2007   |
| Revenue   |      | 6 123          | 5 850         | 7 270           | 12 233          | 47 065         |
| Consumables used                                  |      | 35 175         | 36 609        | 51 590          | 42 468          | 84 131         |
| Inventory change                                  |      | -29 387        | -33 478       | -53 541         | -37 030         | -61 556        |
| Salaries  |      | 7 469          | 4 496         | 14 943          | 7 994           | 23 513         |
| Depreciation, amortisation and impairment charges |      | 3 625          | 1 350         | 6 134           | 2 327           | 7 524          |
| Other expenses                                    | 15   | 17 857         | 2 566         | 25 423          | 6 521           | 21 760         |
| <b>Operating profit before biomass adj.</b>       |      | <b>-28 616</b> | <b>-5 693</b> | <b>-37 278</b>  | <b>-10 047</b>  | <b>-28 308</b> |
| Biomass adjustment                                |      | 0              | 0             | 0               | 0               | 0              |
| <b>Operating profit</b>                           |      | <b>-28 616</b> | <b>-5 693</b> | <b>-37 278</b>  | <b>-10 047</b>  | <b>-28 308</b> |
| Financial income                                  |      | 2 422          | 771           | 4 507           | 1 708           | 4 705          |
| Financial cost                                    | 16   | -7 765         | -88           | -10 355         | -225            | -4 525         |
| <b>Net finance</b>                                |      | <b>-5 343</b>  | <b>683</b>    | <b>-5 849</b>   | <b>1 483</b>    | <b>180</b>     |
| Profit before income tax                          |      | -33 959        | -5 010        | -43 127         | -8 564          | -28 127        |
| Income tax (expense) / income                     |      | 0              | 0             | 0               | 0               | 0              |
| <b>Profit for the period</b>                      |      | <b>-33 959</b> | <b>-5 010</b> | <b>-43 127</b>  | <b>-8 564</b>   | <b>-28 127</b> |
| <b>Attributable to:</b>                           |      |                |               |                 |                 |                |
| Equity holders of the company                     |      | -33 959        | -5 010        | -43 127         | -8 564          | -28 127        |
| <b>Earnings per share</b>                         |      |                |               |                 |                 |                |
| basic   | 11   | -1,67          | -0,31         | -2,11           | -0,54           | -1,70          |
| diluted   | 11   | -1,67          | -0,31         | -2,11           | -0,54           | -1,70          |

# BALANCE SHEET

|  |      |          | IFRS    |         |
|--|------|----------|---------|---------|
|  |      | 30 June  | 30 June | Year    |
| Unaudited (NOK 1000)   | Note | 2008     | 2007    | 2007    |
| ASSETS   |      |          |         |         |
| Non-current assets   |      |          |         |         |
| Property, plant and equipment                                      | 5    | 155 174  | 65 082  | 80 106  |
| Intangible assets  | 5    | 2 478    | 1 787   | 2 280   |
| Financial assets   |      | 3        | 8 003   | 5 003   |
| Total non-current assets   |      | 157 655  | 74 872  | 87 389  |
| Current assets   |      |          |         |         |
| Inventories  |      | 3 086    | 2 349   | 2 989   |
| Biomass  |      | 145 879  | 72 522  | 97 047  |
| Trade receivables  |      | 5 273    | 4 024   | 8 681   |
| Other receivables  |      | 26 325   | 22 275  | 42 903  |
| Cash and cash equivalents  |      | 92 194   | 108 176 | 215 454 |
| Total current assets   |      | 272 756  | 209 346 | 367 073 |
| Total assets   |      | 430 411  | 284 218 | 454 461 |
| EQUITY   |      |          |         |         |
| Capital and reserves attributable to equity holders of the company |      |          |         |         |
| Share capital  | 6    | 386 669  | 292 579 | 386 669 |
| Other equity   | 6    | 14 181   | 0       | 13 930  |
| Retained earnings  | 6    | -105 120 | -42 129 | -61 995 |
| Total equity   |      | 295 729  | 250 450 | 338 605 |
| LIABILITIES  |      |          |         |         |
| Non-current liabilities  |      |          |         |         |
| Pension liabilities  | 8    | 1 482    | 0       | 1 482   |
| Borrowings   | 7    | 12 267   | 2 847   | 2 540   |
| Convertible loan   | 14   | 89 796   | 0       | 84 802  |
| Total non-current liabilities                                      |      | 103 544  | 2 847   | 88 824  |
| Current liabilities  |      |          |         |         |
| Trade payables   |      | 26 729   | 17 852  | 17 327  |
| Indirect taxes and excises   |      | 1 768    | 1 498   | 1 092   |
| Borrowings   | 7    | 1 347    | 585     | 602     |
| Other current liabilities  |      | 1 294    | 10 986  | 8 011   |
| Total current liabilities  |      | 31 138   | 30 921  | 27 032  |
| Total liabilities  |      | 134 682  | 33 768  | 115 856 |
| Total equity and liabilities                                       |      | 430 411  | 284 218 | 454 461 |

# CASH FLOW

| Unaudited (NOK 1000)   | IFRS            |                 |
|--|-----------------|-----------------|
|  | 30 June<br>2008 | 30 June<br>2007 |
| <b>Cash generated from operating activities</b>                                    |                 |                 |
| Profit for the period  | -37 278         | -10 047         |
| Interest paid  | -5 362          | -225            |
| Depreciation and amortisation  | 11 134          | 2 327           |
| Change in inventories  | -48 929         | -37 582         |
| Change in trade receivables  | 3 408           | 6 089           |
| Change in trade payables   | 9 402           | 6 163           |
| Change in other  | 10 536          | 10 671          |
| <b>Net cash generated from operating activities</b>                                | <b>-57 090</b>  | <b>-22 604</b>  |
| <b>Cash flow from investing activities</b>   |                 |                 |
| Purchase of property, plant and equipment (PPE)                                    | -81 400         | -46 437         |
| Proceeds from sale of PPE  | 0               | 180             |
| Purchase of financial assets   | 0               | -8 000          |
| Interest received  | 4 507           | 1 708           |
| <b>Net cash used in investing activities</b>                                       | <b>-76 893</b>  | <b>-52 549</b>  |
| <b>Cash flow from financing activities</b>   |                 |                 |
| Repayments of borrowings   | -504            | -292            |
| Proceeds from new borrowings   | 10 976          | 0               |
| Proceeds from share issue  | 0               | 46 909          |
| Share option costs   | 251             | 602             |
| <b>Net cash used in financing activities</b>                                       | <b>10 723</b>   | <b>47 219</b>   |
| <b>Net (decrease)/increase in cash and cash equivalents</b>                        | <b>-123 260</b> | <b>-27 934</b>  |
| Cash and cash equivalents at beginning of the period                               | 215 454         | 136 110         |
| <b>Cash and cash equivalents at end of the period</b>                              | <b>92 194</b>   | <b>108 176</b>  |
| Restricted cash as of 31 March   | 1 462           | 735             |
| <b>Cash and cash equivalents at end of the period adjusted for restricted cash</b> | <b>90 732</b>   | <b>107 441</b>  |

## CHANGE IN EQUITY

| Unaudited (NOK 1000)             | Share capital/<br>Share premium | Other equity  | Retained<br>earnings | Total          |
|----------------------------------|---------------------------------|---------------|----------------------|----------------|
| <b>Balance at 1 January 2008</b> | <b>386 669</b>                  | <b>13 930</b> | <b>-61 995</b>       | <b>338 604</b> |
| Market value of awarded options  |                                 | 251           |                      | 251            |
| Profit for the period            |                                 |               | -43 127              | -43 127        |
| <b>Balance at 30 June 2008</b>   | <b>386 669</b>                  | <b>14 181</b> | <b>-105 121</b>      | <b>295 729</b> |

# NOTES

## 1 GENERAL INFORMATION

Codfarmers ASA ("the Company") and its subsidiaries ("the Group") is a group incorporated and domiciled in Norway.

The address of the registered office of Codfarmers ASA is;

Skur 39 Vippetangen  
0150 Oslo

The group produces and sells farmed cod. It has its main base in Gildeskål in Nordland county. At present the group has 4 of 6 active licenses in Gildeskål and 1 out of 2 active licenses in Bodø. In addition Codfarmers has 1 license in Meløy, and recently granted two more licenses in Rødøy.

The condensed consolidated interim financial statements for the period from Jan-June 2008, consists of Codfarmers ASA and its subsidiaries.

## 2 BASIS OF PREPARATION

This condensed interim financial information has been prepared in accordance with IAS 34, "Interim financial reporting".

## 3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the IFRS annual financial statements for the year ended 31 December 2007.

The following new standards, amendments to standards and interpretations are mandatory for financial year ending 31 December 2007, but are not considered to be relevant for the group:

- IFRS 4, 'Insurance Contracts'
- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyper-inflationary economies'
- IFRIC 9, 'Re-assessment of embedded derivatives'

The following new standards, amendments to standards and interpretations have been issued but are not effective for 2008 and have not been early adopted:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
- IFRS 8, Operating Segments' ( effective from 1 Januar 2009)
- IFRIC 14, 'IAS 19 - The limit on a defined benefit asset, minimum funding requirement and their interaction'
- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008).
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008).

## 4 SEGMENT INFORMATION

The group operates in one segment, being the production and sale of farmed cod within Europe.

# NOTES

## 5 CAPITAL EXPENDITURE

| 30 June 2007   | Tangible and<br>intangible assets |
|--|-----------------------------------|
| <b>Opening net book amount 1 January 2007</b>              | <b>23 116</b>                     |
| Additions  | 46 437                            |
| Disposals  | 357                               |
| Depreciation, amortisation, impairment and other movements | 2 327                             |
| <b>Closing net book amount at 30 June 2007</b>             | <b>66 869</b>                     |

| 31 March 2007   |                |
|---|----------------|
| <b>Opening net book amount at 1 January 2008</b>          | <b>82 386</b>  |
| Additions   | 81 400         |
| Disposals   | 0              |
| Depreciation/amortisation, impairment and other movements | 6 134          |
| <b>Closing net book amount at 30 June 2008</b>            | <b>157 652</b> |

## 6 CAPITAL

| Capital                           | Number of<br>shares ('000) |   | Ordinary<br>shares | Share<br>premium | Other<br>equity | Total   |
|-----------------------------------|----------------------------|---|--------------------|------------------|-----------------|---------|
| Opening balance 1 January 2007    | 15 389                     |   | 1 539              | 243 831          | -33 867         | 211 503 |
| Proceeds from issue of new shares | 1 539                      |   | 154                | 46 755           |                 | 46 909  |
| Market value on awarded options   |                            |   |                    |                  | 602             | 602     |
| Result                            |                            |   |                    |                  | -8 564          | -8 564  |
| At 30 June 2007                   | 16 928                     | 0 | 1 693              | 290 586          | -41 829         | 250 450 |
|                                   |                            |   |                    |                  |                 |         |
| Opening balance 1 January 2008    | 20 395                     |   | 2 039              | 384 630          | -48 064         | 338 605 |
| Market value on awarded options   |                            |   |                    |                  | 251             | 251     |
| Result                            |                            |   |                    |                  | -43 127         | -43 127 |
| At 30 June 2008                   | 20 395                     | 0 | 2 039              | 384 630          | -90 940         | 295 729 |

## 7 BORROWINGS

|              | 30 June 2008  | 30 June 2007 |
|--------------|---------------|--------------|
| Non-current  | 12 267        | 2 847        |
| Current      | 1 347         | 585          |
| <b>Total</b> | <b>13 614</b> | <b>3 432</b> |

Movements in borrowings is analysed as follows:

### 2007

|  |              |
|--|--------------|
| Opening amount 1 January 2007            | 3 724        |
| Repayments of borrowings                 | -292         |
| <b>Closing amount as at 30 June 2007</b> | <b>3 432</b> |

### 2008

|  |               |
|--|---------------|
| Opening amount 1 January 2008            | 3 142         |
| New borrowings                           | 10 976        |
| Repayments of borrowings                 | -504          |
| <b>Closing amount as at 30 June 2008</b> | <b>13 614</b> |

## 8 PENSION PLANS

Due to legislation which came into force 1 January 2006, the Group has implemented a pension arrangement for its employees.

A limited number of the employees are entitled to retirement at the age of 62, with some compensation from the Group.

The estimated obligation related to this arrangement is expensed and presented in the balance sheet as debt.

## 9 SHARE OPTIONS

The following options has been granted to employees;

| Name            | Grant date | No.of options | Vested date | Expire date | Share price | Strike |
|-----------------|------------|---------------|-------------|-------------|-------------|--------|
|                 |            |               |             |             | NOK         | NOK    |
| Øystein Sterio  | 25-04-06   | 75 000        | 01-01-07    | 31-12-09    | 26          | 19     |
| Øystein Sterio  | 25-04-06   | 75 000        | 01-01-08    | 31-12-09    | 26          | 19     |
| Øystein Sterio  | 25-04-06   | 75 000        | 01-01-09    | 31-12-09    | 26          | 19     |
| Michael Malling | 25-04-06   | 25 000        | 01-01-07    | 31-12-09    | 26          | 19     |
| Michael Malling | 25-04-06   | 25 000        | 01-01-08    | 31-12-09    | 26          | 19     |
| Michael Malling | 25-04-06   | 25 000        | 01-01-09    | 31-12-09    | 26          | 19     |
| Henrik Andersen | 01-07-06   | 25 000        | 01-07-07    | 31-12-09    | 26          | 24     |
| Henrik Andersen | 01-07-06   | 25 000        | 01-07-08    | 31-12-09    | 26          | 24     |
| Henrik Andersen | 01-07-06   | 25 000        | 01-07-09    | 31-12-09    | 26          | 24     |
| Tore Laugsand   | 01-08-06   | 25 000        | 01-08-07    | 31-12-09    | 26          | 24     |
| Tore Laugsand   | 01-08-06   | 25 000        | 01-08-08    | 31-12-09    | 26          | 24     |
| Tore Laugsand   | 01-08-06   | 25 000        | 01-08-09    | 31-12-09    | 26          | 24     |

The cost related to the share options has been - determined using the Black-Schols share option pricing model - are charged to the profit and loss statement. For the reporting period these costs total TNOK 251.

## 10 INCOME TAXES

The current income tax rate is 28%. None of the Group companies are currently in a taxable position.

## 11 EARNINGS PER SHARE

Earnings per share attributable to equity holders of the company are as follows:

| Earnings per share for profit from continuing operations attributable to the equity holders of the company<br>(expressed in cents per share) | 2008  | 2007  |
|--|-------|-------|
| - basic  | -2,11 | -0,54 |
| - diluted  | -2,11 | -0,54 |

## 12 DIVIDENDS

No dividends have been paid in the period.

## 13 RELATED-PARTY TRANSACTIONS

The following transactions have occurred with related parties during 2008;

| Type of transaction  | Related party                                     | Purchase in TNOK |
|----------------------|---|------------------|
| Consultancy services | Ole Jacob Myre (member of the Board of Directors) | 538              |

## 14 CONVERTIBLE LOAN

The company issued on 27 November 2007 a senior unsecured convertible loan of MNOK 100. The bonds will have a four-year tenor. The convertible bond loan carries a 0 % coupon rate per annum the first two years, and then a coupon rate of 15 % per annum payable semi-annually in arrears over the last two years. The bonds may be converted into common shares of Codfarmers at a conversion price of NOK 40.6, subject to adjustments

## 15 PROVISION FOR LOSSES RECIVABLES

In order to secure the supply of critical raw materials (juveniles), the Group has granted a short term credit to one of its suppliers. Due to the fact the the supplier in question is in financial difficulties, one has made an assessment of the credit risk, and a provision for a loss of MNOK 9,6. The provision is a substantial part of the total exposure.

## 16 IMPAIRMENT OF FINANCIAL ASSETS

A fair value assessment of the financial assets on 30 June implied that loss of MNOK 5 had to be recognised in the profit and loss statement.

# SHAREHOLDERS

## SHAREHOLDERLIST PER 12.08.2008

| Shareholders                       | Citizen | Shares     | Ownership (%) |
|------------------------------------|---------|------------|---------------|
| CHEYNE GLOBAL CATALYST             | GBR     | 1 863 206  | 9,1 %         |
| VERDIPAPIRFOND ODIN NORGE          | NOR     | 1 860 111  | 9,1 %         |
| ORKLA ASA                          | NOR     | 1 733 200  | 8,5 %         |
| IN COD WE TRUST LLC                | USA     | 1 532 243  | 7,5 %         |
| JPMORGAN BANK LUXEMBOURG           | GBR     | 1 269 800  | 6,2 %         |
| MORGAN STANLEY & CO INTL PLC       | GBR     | 986 600    | 4,8 %         |
| FUTURUM CAPITAL AS                 | NOR     | 858 995    | 4,2 %         |
| MORTEN WERRINGS REDERI AS          | NOR     | 723 722    | 3,5 %         |
| SKAGEN VEKST                       | NOR     | 634 420    | 3,1 %         |
| VERDIPAPIRFONDET KLP AKSJENORGE    | NOR     | 546 395    | 2,7 %         |
| PENSJONSKASSEN STATOILHYDRO        | NOR     | 515 594    | 2,5 %         |
| HØIE LARS HENRIK                   | NOR     | 500 000    | 2,5 %         |
| SIS SEGAINTERSETTLE AG             | CHE     | 454 290    | 2,2 %         |
| VITAL FORSIKRING ASA               | NOR     | 433 436    | 2,1 %         |
| BURCH JOHN CHRISTOPHER             | USA     | 376 101    | 1,8 %         |
| WAHLSTRØM ERIK                     | NOR     | 351 436    | 1,7 %         |
| BRØDR. HETLAND AS                  | NOR     | 347 325    | 1,7 %         |
| STATOIL FORSIKRING AS              | NOR     | 318 394    | 1,6 %         |
| CHEYNE SPECIAL SITUATIONS FUND LP  | GBR     | 298 000    | 1,5 %         |
| VERDIPAPIRFONDET NORDEA AVKASTNING | NOR     | 278 300    | 1,4 %         |
| DNB NOR NORGE (IV)                 | NOR     | 274 248    | 1,3 %         |
| BURCH ROBERT LOUIS                 | USA     | 270 684    | 1,3 %         |
| FURULUND AS                        | NOR     | 185 200    | 0,9 %         |
| AKSJEFONDET ODIN NORGE II          | NOR     | 169 800    | 0,8 %         |
| KLP LK AKSJER                      |         | 159 987    | 0,8 %         |
| OTHERS                             |         | 3 453 164  | 16,9 %        |
| TOTALT                             |         | 20 394 651 | 100,0 %       |

**Number of shareholders: 474**

**Ownership Norway citizen: 60%**

**Ownership foreign citizen: 40%**

As per 12 August 2008, Codfarmers ASA had 474 shareholders. 40% of the shares were owned by foreign investors (UK 16%, S 13%, LUX 6% ). The 20 largest shareholders owned a total of 77,9 % of the Company`s shares. The largest shareholder is Chenye Global Catalyst from UK and Odin Verdipapirfond with a stake of 9,1% , while Orkla ASA and In Cod We Trust LLC have 8,5 % and 7,5 % of the shares respectively.

In Q2, Codfarmers ASA have been trading at between NOK 30 and NOK 22 per share.



**CODFARMERS ASA**

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