

Second quarter report 2007



Sustainable aquaculture

Highlights for the quarter

EWOS continues improvement, lower prices reduce Mainstream result

- Underlying EBIT pre fair value down NOK 139.3 million compared to second quarter 2006
- Salmon prices were down on average by 16 percent
- Underlying EBIT in Farming down NOK 177.8 million, volumes down 7 percent
- Strong improvement for Feed, volumes up 17 percent, EBIT up NOK 37.1 million
- Net interest bearing debt increases by NOK 566.2 million in the quarter to NOK 1 192.8 million, equity ratio falls to 59.1 percent

Group key figures

NOK million	Q2 07	Q2 06	YTD 07	YTD 06	FY 2006
Operating revenues	1 684.8	1 643.2	3 417.3	3 120.7	7 533.7
EBITDA	258.4	395.9	542.5	699.3	1 568.4
EBITDA %	15.3 %	24.1 %	15.9 %	22.4 %	20.8 %
EBIT pre fair value	196.0	329.2	417.5	567.7	1 311.4
EBIT pre fair value %	11.6 %	20.0 %	12.2 %	18.2 %	17.4 %
EBIT (operating result)	103.2	436.6	294.5	643.3	1 287.7
Income from associates	5.6	3.7	8.6	7.6	9.5
Profit/loss before tax and minorities	108.2	432.1	287.9	621.1	1 240.4
Profit/loss after tax and minorities	184.3	330.7	321.7	442.5	937.5
Earnings per share					
Basic	2.0	3.6	3.5	4.8	10.2
Diluted	2.0	3.6	3.5	4.8	10.1
Adjusted basic	2.6	2.7	4.6	4.4	10.4
Adjusted diluted	2.6	2.7	4.6	4.3	10.3
Total assets	7 031.9	6 910.6	7 031.9	6 910.6	6 894.8
Equity	4 154.8	3 773.3	4 154.8	3 773.3	4 261.7
Equity ratio	59.1 %	54.6 %	59.1 %	54.6 %	61.8 %
Net interest bearing debt	1 192.8	1 108.6	1 192.8	1 108.6	738.1
Capital expenditure	169.5	89.3	269.6	135.4	270.1

Revenues and Profits for the Group

Cermaq's operating revenues were NOK 1 684.8 million for the quarter (Q2 2006: NOK 1 643.2 million). The increase in revenues is due to higher volumes and prices for EWOS offsetting lower volumes and prices for Mainstream.

EBIT pre fair value was NOK 196.0 million (Q2 2006: NOK 329.2 million). Details of exceptional items in the period are shown in note 9 to this report. The fair value adjustment on inventory for the quarter was a cost of NOK – 92.8 million (Q2 2006: an income of NOK 107.4 million). The change in the fair value adjustment is due to the fall in prices and changes in the composition of the Groups inventory in quarter 2 2007 and rising prices in quarter 2 2006. The net finance charge for the quarter was reduced by NOK 19.5 million due to a foreign currency gain on the repayment of share capital by a foreign subsidiary, the profit on the sale of shares in an associate company, and by the interest due on overpaid tax (see tax section below).

The net result for the period was an income of NOK 184.3 million (Q2 2006: NOK 330.7 million).

Business areas

Mainstream (fish farming)

In the second quarter 2007 operating revenues were NOK 603.9 million (Q2 2006: NOK 770.1 million), a decrease of 22 percent. Volumes were 7 percent lower than the comparable period in 2006 due to lower harvesting in Chile and Canada. Average prices were 16 percent lower than for the second quarter 2006.

Mainstream EBIT pre fair value for the second quarter was NOK 131.4 million, a decrease of NOK 171.7 million from the same period in 2006 (Q2 2006: NOK 303.1 million). The lower prices in the Group's main markets is the main reason for the drop in EBIT, explaining approximately 68 percent of the decrease against the same quarter last year. Lower volumes and higher costs in Chile (as a result of health and sanitation problems) also had a negative effect on EBIT compared to 2006. Details of an exceptional cost in quarter 2 2006 is given in note 9 of this report.

Chile had an EBIT pre fair value for the quarter of NOK 46.2 million (Q2 2006: NOK 115.2 million). Volumes for the period were down versus expectations due to some delays in harvesting trout and slower sales of frozen coho inventory. In the period 85 percent of atlantic sales volumes were of frozen product (Q2 2006: 56 percent). Average prices for atlantics under contracts improved compared to the first quarter 2007 whilst prices for coho and trout declined. In particular prices for trout were significantly lower. Costs of production were higher than in quarter 2 2006 due to sea lice infestation at some sites, lower growth rates and an increase in the cost of feed. The most significant impact on margin in the period was lower prices for coho and trout.

Canada's EBIT pre fair value was NOK 67.9 million in the quarter (Q2 2006: NOK 148.1 million). Compared to expectations, volumes were slightly lower in the quarter as harvesting was delayed at one site due to changes in production plans. Prices were 12 percent lower than for the same period in 2006 reduced due to an increase in volumes from Chile and a stronger wild catch. Costs per kilogram, as expected, have increased from their exceptionally low quarter 2 2006 level.

Scotland reported an EBIT pre fair value of NOK 1.5 million (Q2 2006: 3.2 million). Sales prices fell and costs increased compared to the second quarter 2006. Costs were affected by higher mortality rates and poor biological results for trout. Compared to the first quarter prices were similar and costs increased due to higher mortalities.

Norway reported an EBIT pre fair value of NOK 15.8 million (Q2 2006: NOK 36.6 million). Average prices fell 36 percent compared to the second quarter of 2006. Cost and biological performance were very good in the quarter. The integration of the operation of Polarlaks, a business acquired in the first quarter, is progressing well.

EWOS (fish feed)

Revenues for the quarter were NOK 1 327.6 million (Q2 2006: NOK 1 076.5 million). Volume growth and significantly higher prices accounted for the revenue increase compared to the same quarter in 2006.

EWOS EBIT pre fair value was NOK 78.3 million for the quarter (Q2 2006: NOK 41.2 million). Volumes for the quarter were 189.7 ktonnes compared to 162.1 ktonnes for the second quarter 2006, an increase of 17 percent, with no significant change in market share. The improvement in the result is due to the increase in volumes and favourable product mix. During the period higher sales of functional feeds maintained price, product differentiation and margin.

Taxation

The net taxation charge for the quarter was an income of NOK 76.2 million (Q2 2006: a cost of NOK -101.4 million). The decrease in the charge is due to the lower result, movements in the Group's deferred tax balances, and a tax adjustment of NOK 90.0 million relating to NOKUS taxation. In April Cermaq received final confirmation from the Norwegian tax authorities that its subsidiaries in Chile shall not be subject to NOKUS taxation. The NOKUS adjustment will provide a one off cash benefit of approximately NOK 45.0 million in the third quarter of 2007.

Cash flow and funding

The Group generated NOK 30.8 million in cash from operating activities in the second quarter of 2007 (Q2 2006: NOK 297.2 million). The lower operating result reduced cashflow from operating activities compared to the second quarter of 2006. Net working capital increased seasonally and as a result of higher volumes expected in both feed and farm divisions. Net cash flows from investment activities in the quarter were an outflow of NOK -228.7 million (Q2 2006: net outflow of NOK -52.4 million). Investment spending included capital expenditure for farming equipment in region 11 in Chile and an investment of NOK 61.8 million in the shares of Marine Farms ASA. Net cash flows from financing activities were NOK -67.4 million in the quarter. The change in cash and cash equivalents in the period was an outflow of NOK -267.4 million (Q2 2006: outflow of NOK -13.8 million), the change is mainly due to a lower operating result and higher capital investments.

Net interest bearing debt increased by NOK 566.6 million in the quarter (Q2 2006: a debt reduction of NOK 102.0 million). The change in cashflow compared to the same period in 2006 is due to a lower result, higher dividend and higher investments. The equity ratio at the end of quarter 2 2007 was 59.1 percent, down from 63.3 percent at the end of March 2006.

Outlook 2007

The supply of salmon from Norway increased sharply in the first half of 2007 as farmers reaped the benefits of excellent growing conditions and optimal feed diets. Volume growth in the second half of the year will continue but lower than in the first half of the year. Health and sanitary conditions in Chile mean that the volume developments remain uncertain and the cost of production will remain at current levels at least through 2007. In the Group's main markets demand for salmon appears strong and larger volumes are being sold in new and emerging markets. In July, an outbreak of ISA (Infectious Salmon Anaemia) was identified at the sites of competitor companies in region ten in Chile. To date no infection has been found at any Mainstream sites. Mainstream Chile has established three new sites in region XI and expansion plans will continue in the 2nd half of 2007.

Volume growth in EWOS should continue in 2007 and is expected to be 5 to 10 percent in the second half of the year. Increased substitution of marine raw materials in the second half of the year will mitigate other raw material cost increases seen over the past twelve months. The outlook for marine raw materials is for stable or decreasing costs. In Norway, EWOS is preparing for the investment in new capacity and will begin spending on this project in the second half of 2007.

The Group has a strong financial position and will continue to grow the business organically and through profitable acquisitions.

Share information

The total number of shares outstanding at the end of the second quarter 2007 was 92.5 million shares, including 50,056 treasury shares held by Cermaq. The total number of shareholders was 1 890 at the end of June 2007, a decrease of 322 since the end of 2006. Of the total

number of Cermaq shares at the end of the second quarter 2007, 54.0 percent were held by Norwegian residents.

Cermaq's share price decreased from NOK 114 at the end of March 2007 to NOK 103 at the end of June 2007. The number of Cermaq shares traded at the Oslo stock exchange in the second quarter 2007 was 27 million, compared to 30 million in the first quarter 2007.

Group profit and loss account

<i>NOK million</i>	Q2 07	Q2 06	YTD 07	YTD 06	FY 2006
Operating revenues	1 684.8	1 643.2	3 417.3	3 120.7	7 533.7
Cost of materials	1 049.8	900.5	2 129.0	1 719.4	4 490.4
Payroll expense	128.4	120.3	264.2	255.0	583.0
Depreciation	62.4	66.7	124.9	131.6	257.0
Other operating expenses	248.2	226.5	481.7	447.1	891.9
Operating result before unrealised fair value adjustments	196.0	329.2	417.5	567.7	1 311.4
Unrealised fair value adjustments	-92.8	107.4	-123.0	75.6	-23.7
Operating result	103.2	436.6	294.5	643.3	1 287.7
Income from associates	5.6	3.7	8.6	7.6	9.5
Other net financial expenses	-0.7	-11.0	-16.2	-31.4	-56.9
Financing fair value impacts	0.0	2.8	1.0	1.6	0.2
Financial items, net	-0.7	-8.2	-15.2	-29.9	-56.7
Ordinary result before tax	108.2	432.1	287.9	621.1	1 240.4
Tax on ordinary result	76.2	-101.4	33.8	-178.6	-302.9
Result for the period	184.3	330.7	321.7	442.5	937.5
Result for the period, majority interest	184.3	330.7	321.7	442.5	937.5
Earnings per share (NOK)					
Basic	2.0	3.6	3.5	4.8	10.2
Diluted	2.0	3.6	3.5	4.8	10.1
Adjusted earnings per share (NOK)					
Basic	2.6	2.7	4.6	4.4	10.4
Diluted	2.6	2.7	4.6	4.3	10.3

Group balance sheet

<i>NOK million</i>	YTD 07	YTD 06	FY 2006
Assets			
Intangible fixed assets	1 857.6	1 892.1	1 873.1
Tangible fixed assets	1 604.9	1 436.0	1 450.6
Financial fixed assets	326.0	248.0	213.8
Total non-current assets	3 788.5	3 576.1	3 537.6
Inventory	722.9	593.2	657.7
Biological inventory	1 564.1	1 442.7	1 485.3
Accounts receivables from customers	775.0	730.4	843.0
Other short-term receivables	136.0	77.5	106.3
Cash and cash equivalents	45.4	490.8	264.9
Total current assets	3 243.4	3 334.5	3 357.3
Total assets	7 031.9	6 910.6	6 894.8
Equity and liabilities			
Total paid-in capital	1 860.0	2 610.6	1 860.3
Other equity	2 294.7	1 162.7	2 401.4
Total equity	4 154.8	3 773.3	4 261.7
Pension liabilities	32.7	58.1	44.0
Deferred tax	373.6	324.7	361.3
Interest bearing long-term debt	1 133.8	1 283.9	928.8
Total non-current liabilities	1 540.1	1 666.7	1 334.1
Interest bearing short-term debt	104.3	315.5	74.2
Other short-term liabilities	1 232.7	1 155.1	1 224.8
Total current liabilities	1 337.0	1 470.6	1 299.0
Total equity and liabilities	7 031.9	6 910.6	6 894.8

Business areas

Mainstream key figures

<i>NOK Million</i>	Q2 07	Q2 06	YTD 07	YTD 06	FY 2006
Operating revenues	603.9	770.1	1 264.5	1 548.7	3 165.6
EBITDA	164.1	336.9	376.9	634.6	1 232.5
EBITDA %	27.2 %	43.7 %	29.8 %	41.0 %	38.9 %
EBIT pre fair value	131.4	303.1	312.7	569.8	1 106.5
EBIT pre fair value %	21.8 %	39.3 %	24.7 %	36.8 %	35.0 %
EBIT (operating result)	39.0	415.3	194.8	655.6	1 090.4
Volumes sold by region (rwe, Ktons)					
Chile	10.9	12.5	28.2	34.2	60.4
Canada	8.1	10.4	9.9	15.8	29.5
Scotland	1.8	1.0	3.1	2.2	7.8
Norway	3.5	2.2	9.9	5.7	17.2
TOTAL	24.4	26.2	51.1	57.9	114.9
Revenues by region					
Chile	233.4	317.6	630.6	828.2	1 501.1
Canada	231.1	336.0	290.6	484.7	945.7
Scotland	54.2	33.2	98.4	65.7	249.9
Norway	85.2	83.3	244.9	170.0	468.9
TOTAL	603.9	770.1	1 264.5	1 548.7	3 165.6
EBIT pre fair value					
Chile	46.2	115.2	160.7	306.3	555.6
Canada	67.9	148.1	87.1	204.6	372.8
Scotland	1.5	3.2	4.7	-3.5	24.4
Norway	15.8	36.6	60.3	62.5	153.6
TOTAL	131.4	303.1	312.7	569.8	1 106.5

EWOS key figures

<i>NOK million</i>	Q2 07	Q2 06	YTD 07	YTD 06	FY 2006
Operating revenues	1 327.6	1 076.5	2 614.2	1 956.0	5 336.3
EBITDA	107.6	73.7	191.7	93.7	384.1
EBITDA %	8.1 %	6.8 %	7.3 %	4.8 %	7.2 %
EBIT pre fair value	78.3	41.2	131.7	27.5	254.7
EBIT pre fair value %	5.9 %	3.8 %	5.0 %	1.4 %	4.8 %
EBIT (operating result)	77.9	36.4	126.7	17.4	247.0
Volumes sold, Ktons	189.7	162.1	367.3	298.4	777.0
Revenues by region					
Norway	560.0	449.8	1 087.7	768.4	2 645.6
Chile	527.4	413.2	1 090.5	817.3	1 899.8
Canada	137.3	127.8	239.6	248.2	451.7
UK	102.9	85.7	196.5	122.2	339.1
TOTAL	1 327.6	1 076.5	2 614.2	1 956.0	5 336.3

- The fair value adjustment in the EWOS division relates to fish farmed within the Innovation R&D entity

Group cash flow statement

<i>NOK million</i>	Q2 07	Q2 06	YTD 07	YTD 06	FY 2006
Cash flows from operating activities					
Ordinary result before taxes	108.2	432.1	287.9	621.1	1240.4
Gain/loss on tangible fixed assets	-2.2	-8.0	-1.7	-8.3	-13.2
Depreciation	62.4	66.7	124.9	131.6	257.0
Taxes paid (-)/refund	-66.5	10.8	-92.1	11.2	0.1
Difference between pension premiums paid and pension expense	-10.8	-2.0	-10.4	-10.1	-25.7
Difference between income from and dividends received from associates	-5.6	-0.9	-8.6	-4.8	-7.2
Change in inventory, accounts receivables and accounts payables ¹⁾	-19.9	-189.1	13.4	-364.0	-376.6
Change in other short-term operating assets and liabilities	-34.7	-12.5	-17.9	141.6	58.6
Net cash flows from operating activities	30.8	297.2	295.6	518.4	1133.3
Cash flows from investing activities					
Purchase of tangible and intangible fixed assets	-169.5	-89.3	-269.6	-135.4	-270.1
Proceeds received from sale of tangible fixed assets	0.9	0.0	1.2	0.3	5.5
Purchase of shares and companies, net of purchased cash and cash equivalents	0.0	0.0	-19.1	-0.4	-116.6
Purchase of shares & investments in associated undertakings	-88.1	-0.1	-88.1	-0.4	0.0
Proceeds received from sale of shares and companies, net of cash and cash equivalents	28.1	37.1	28.1	42.4	28.1
Net cash flows from investing activities	-228.7	-52.4	-347.7	-93.6	-353.1
Cash flows from financing activities					
Change in long-term debt	246.3	-0.6	203.8	-2.2	-359.8
Change in short-term interest bearing debt	82.1	-41.8	30.9	-96.2	-338.8
Payment of dividends	-393.0	-170.4	-393.0	-170.4	-170.4
Redemption of option program	0.0	-31.7	0.0	-31.7	-32.0
Change in own shares	-2.7	0.0	-2.7	0.0	20.8
Net cash flows from financing activities	-67.4	-244.5	-160.9	-300.5	-880.3
Foreign exchange effects	-2.2	-14.1	-6.5	-23.2	-24.8
Net change in cash and cash equivalents for the period	-267.4	-13.8	-219.5	101.1	-124.8
Cash and cash equivalents at the beginning of the period	312.8	504.7	264.9	389.7	389.7
Cash and cash equivalents at the end of the period	45.4	490.9	45.4	490.8	264.9

¹⁾ Includes unrealised fair value adjustments of live inventory

Statement of changes in equity

<i>NOK million</i>	YTD 07	YTD 06	FY 2006
Equity 1 January	4 261.7	3 622.7	3 622.7
Change in conversion differences	-68.1	-132.2	-151.6
Net gains and losses not recognised in the income statement	32.8	21.9	25.9
Profit/loss for the period	321.7	442.5	937.5
Dividend paid	-393.0	-170.4	-170.4
Paid to minority shareholders	0.0	0.0	-0.4
Changes in own shares/redemption of stock options	-2.7	-11.2	-11.3
Option cost	2.4	0.0	9.3
Closing equity	4 154.8	3 773.3	4 261.7

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 (IFRS) and the standard for interim reporting (IAS 34). The quarterly accounts, including comparable figures, are based on today's IFRS standards and interpretations. Changes in the standards and interpretations in the future may lead to changes in the accounts.

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.

In the fourth quarter 2006 report Cermaq changed the basis for the calculation of unrealised fair value adjustments and restated all comparative periods accordingly.

3. Balance sheet segmental disclosures

NOK million	Capital expenditure		Fixed assets		Total balance sheet	
	YTD 07	YTD 06	YTD 07	YTD 06	YTD 07	YTD 06
Mainstream						
Chile	58.5	41.2	290.2	254.7	2 259.5	2 352.5
Canada	17.8	11.4	192.6	195.1	837.6	979.0
Scotland	11.7	2.3	67.8	63.8	265.2	266.1
Norway	34.9	20.2	211.5	140.7	854.0	708.2
Total	123.0	75.1	762.1	654.3	4 216.3	4 305.8
EWOS	141.9	58.0	830.0	768.7	3 489.7	3 829.2
NOK million	Inventory		Fair value adjustments Balance sheet		Fair value adjustments Profit and loss	
	YTD 07	YTD 06	YTD 07	YTD 06	Q2 07	Q2 06
Mainstream						
Chile	768.1	570.3	140.5	161.4	17.2	19.9
Canada	476.3	498.3	97.0	171.0	-71.8	23.1
Scotland	153.4	175.7	8.3	29.6	-4.9	24.2
Norway	275.6	244.8	6.2	90.8	-32.9	45.0
Total	1 673.3	1 489.1	252.0	452.8	-92.4	112.2
EWOS	664.2	580.1	0.0	2.5	-0.4	-4.8

4. Inventory

Inventory			
<i>NOK million</i>	Q2 07	Q2 06	FY 2006
Inventory at cost	722.8	593.1	657.7
Inventory at fair value	1 564.1	1 442.7	1 485.3
Total inventory	2 286.9	2 035.8	2 143.1

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

Biological inventory			
<i>NOK million</i>	Q2 07	Q2 06	FY 2006
Biological inventory at cost	1 318.0	990.1	1 148.4
Fair value adjustment	246.1	452.6	336.9
Total biological inventory	1 564.1	1 442.7	1 485.3

Biological inventory			
Tons	Q2 07	Q2 06	FY 2006
Smolts, fry and brood stock	1 409	974	2 674
Non harvestable biomass	46 560	39 907	50 064
Harvestable biomass	24 110	17 697	16 574
Finished goods (frozen fish)	2 430	343	5 885
Total inventory	74 509	58 921	75 197

5. Personnel numbers

At the end of June 2007 the Group had 3 391 employees, a reduction of 546 in the year. Of the total number of employees, 484 were located in Norway.

6. Largest shareholders as at 30 June 2007

<u>Shareholder</u>	<u>Holding</u>
NORWEGIAN MINISTRY OF TRADE AND INDUSTRY	43.54 %
PGGM	4.37 %
BANK OF NEW YORK, BRUSSEL BRANCH	3.92 %
STATE STREET BANK	3.68 %
MORGAN STANLEY & CO.	2.64 %
FIDELITY FUNDS	2.05 %
MORGAN STANLEY	1.98 %
FOLKETRYGDFONDET	1.63 %
EUROCLEAR BANK SA	1.54 %
MELLON BANK AS	1.51 %
VITAL FORSIKRING ASA	1.45 %
SKANDINAVISKA ENSKILDA	1.31 %
SKANDINAVISKA ENSKILDA	1.30 %
JPMORGAN CHASE BANK	1.27 %
STATE STREET BANK	1.23 %
FIDELITY PURITAN TRU BALANCE FUND	1.07 %
UMB FUNDS	0.85 %
THE NORTHERN TRUST	8.81 %
RBC DEXIA INVESTORS	0.71 %
DNB NOR NORGE	0.70 %

7. 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:

NOK million	YTD 07	YTD 06	FY 2006
Average number of outstanding shares during the period	92 473 526	92 150 779	92 314 093
Average diluted number of outstanding shares during the period	92 512 446	92 562 170	92 518 097
Net result majority interest	322	442	938
EPS - basic	3.5	4.8	10.2
EPS - diluted	3.5	4.8	10.1
Result	322	442	938
IAS 41 fair value adjustments	123	-76	24
Financial instruments fair value adjustment	-1	-2	0
Tax impact of fair value adjustment	-22	36	-4
Adjusted result	422	402	957
Adjusted EPS - basic	4.6	4.4	10.4
Adjusted EPS - diluted	4.6	4.3	10.3

8. Currency rates

Currency related to NOK	30.06.07	31.03.07	31.12.06	30.09.06	30.06.06	31.03.06	31.12.05
USD/NOK	5.9035	6.0964	6.2551	6.5049	6.2426	6.5824	6.7686
CAD/NOK	5.5968	5.2839	5.3910	5.8258	5.6158	5.6571	5.8179
GBP/NOK	11.8293	11.9433	12.2680	12.1514	11.4673	11.4408	11.6519

9. Exceptional items

An exceptional charge of NOK 6.1 million was recognized in the second quarter 2006 related to the write down of assets following a plant closure in Mainstream Norway. There are no exceptional items in quarter 2 2007.

Oslo 10 August, 2007

Board of Directors
