

INTERIM REPORT 2012

FOURTH QUARTER (Q4)

Summary

- In January 2013 Norway Seafoods entered into an agreement to sell most of the company's Farming operations in France
- Revenue in the fourth quarter came to 374 million kroner, 30 million kroner higher than the fourth quarter of 2011
- Higher revenue was a result of increased sales volumes
- EBIT came to -6 million kroner in the fourth quarter, a reduction of 7 million kroner compared to the same period in 2011
- The EBIT margin was -1.5 per cent for the fourth quarter (0.3 per cent for Q4 last year)
- Prices on white fish products were reduced in the fourth quarter compared to the same period last year. Operating margins on white fish products were reduced compared to the fourth quarter of 2011 despite lower raw material costs
- Margins on value added products were reduced in the fourth quarter compared to the same period last year
- Net interest-bearing debt decreased by 15 million kroner, from 283 million kroner on September 30 to 268 million kroner on December 31
- The equity ratio decreased from 27.6 per cent to 22.9 per cent over the quarter primarily due to write down of assets in France
- Net loss on discontinued operations came to NOK 59 million including write down in the fourth quarter

Main figures

All assets in France are classified as "business held for sale" in Q4 and the profit and loss account presents figures for the continued business. "Business held for sale" is collectively shown in one line. Historical profit and loss accounts are also reclassified to provide comparative figures.

NOK million	Quarterly development					Year to date		Year
	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	2011	2012	2011
Operating revenues	344	507	393	330	374	1 552	1 604	1 552
EBIT	1	37	(1)	(13)	(6)	(17)	17	(17)
<i>EBIT Margin</i>	<i>0,3 %</i>	<i>7,2 %</i>	<i>-0,2 %</i>	<i>-4,1 %</i>	<i>-1,5 %</i>	<i>-1,1 %</i>	<i>1,0 %</i>	<i>-1,1 %</i>
Net finance	11	(3)	(5)	(6)	(6)	(3)	(21)	(3)
Profit before tax	12	33	(6)	(19)	(12)	(20)	(4)	(20)
Net profit/loss continued operations	7	25	(6)	(15)	(3)	(13)	2	(13)
<i>Net profit/loss discontinued operations</i>	<i>2</i>	<i>(7)</i>	<i>2</i>	<i>(8)</i>	<i>(59)</i>	<i>(15)</i>	<i>(72)</i>	<i>(15)</i>
Net profit for the period	8	18	(4)	(22)	(62)	(28)	(70)	(28)
<i>Earning per share(EPS) (øre) 1) total</i>	<i>10</i>	<i>21</i>	<i>(4)</i>	<i>(27)</i>	<i>(73)</i>	<i>(34)</i>	<i>(83)</i>	<i>(34)</i>
Total assets	897	1 008	938	944	859	897	859	897
Equity	278	296	286	260	197	278	197	278
<i>Equity ratio (%)</i>	<i>31,0 %</i>	<i>29,4 %</i>	<i>30,5 %</i>	<i>27,6 %</i>	<i>22,9 %</i>	<i>31,0 %</i>	<i>22,9 %</i>	<i>31,0 %</i>
Net interest bearing debt	(236)	(249)	(254)	(283)	(268)	(236)	(268)	(236)

Financial results

Norway Seafoods entered into an agreement of selling Farming operations in France in January 2013. Assets in France are classified as “business held for sale” in Q4 and the profit and loss account presents figures for the continued business. “Business held for sale” is collectively shown in one line. Historical profit and loss accounts are also reclassified to provide comparative figures.

Sales for Norway Seafoods came to 374 million kroner in the fourth quarter, compared to 344 million kroner for the same period in 2011. Higher revenue was primarily a result of increased production and sales volumes. EBIT for the fourth quarter was -6 million kroner compared to 1 million kroner in the fourth quarter last year. Margins on white fish products decreased in the fourth quarter compared to the same period last year with lower prices and lower raw material costs. Margins on fresh and frozen value added products were reduced in the fourth quarter compared to the same period last year.

Net financial items came to net expenses of 6 million kroner in the fourth quarter, compared to net financial income of 11 million kroner for the same period in 2011. The net financial items include net interest expenses as well as currency gains and losses. Currency gains were significant in the fourth quarter of 2011.

Net loss on discontinued operations came to 59 million kroner related to the French operations, which include a write down of assets of 65 million kroner after tax cost. The net profit on discontinued operations before write down of assets was 6 million kroner.

Sales and Market

Sold volume of primary processed products was 4 956 tons in the fourth quarter compared to 4 191 tons for the same period last year. Sales of whole unprocessed fish increased from 3 393 tons to 4 864 tons in the quarter.

According to the Norwegian Seafood Council, prices on fresh cod fillets decreased by 22 per cent in the fourth quarter of 2012 compared to the same period in 2011, and prices for frozen cod fillets (excluding block products) decreased by 7 per cent. Export volumes of fresh cod fillets from Norway increased by 32 per cent, and volumes of frozen cod fillets decreased by 27 per cent.

Sales of fresh value added products were 734 tons in the fourth quarter compared to 661 tons in the corresponding period in 2011. Norway Seafoods experiences margin pressure on fresh value added products.

Sales of frozen value added products were 791 tons in the fourth quarter, compared to 880 tons for the same period last year. The reduction is mainly driven by reduced sales of natural filet products, whereas filet products with breading, toppings and sauces have a stable sales rate.

Processing

The volume of primary processed products was 5 575 tons compared to 4 065 tons for the same period in 2011. Raw material prices for cod decreased by 18 per cent compared to the same period last year. The proportion of fresh products increased from 30 per cent in the fourth quarter of 2011 to 34 per cent in the fourth quarter of 2012 for the Norwegian operations.

The production of fresh value added products was 763 tons in the quarter compared to 661 tons in the fourth quarter 2011. Norway Seafoods' frozen value added factories decreased the production volume during the quarter and produced 666 tons compared to 1 090 tons for the same period in 2011.

Balance sheet and liquidity

Total assets decreased with 84 million kroner in the fourth quarter to 859 million kroner compared to 944 million on September 30.

Total fixed assets have been reduced with 58 million kroner to 257 million on December 31 primarily due to write down of assets and depreciations. Investment related to tangible fixed assets in the fourth quarter came to 4 million kroner.

Bank deposits, including drawing rights, totaled 59 million kroner on December 31, compared to 46 million on September 30.

The working capital was 213 million kroner on December 31, a decrease of 51 million from September 30. The working capital was stable compared to the same period last year.

Net interest-bearing debt came to 268 million kroner on December 31, a decrease of 15 million from 283 million on September 30.

Norway Seafoods equity on December 31 was 197 million kroner, representing an equity ratio of 22.9 per cent compared with 27.6 per cent on 30 September.

Cash flow

Cash flow from operating activities was positive with 29 million kroner in the fourth quarter.

Cash flow from investing activities was negative with 4 million kroner.

Cash flow from financing activities was negative with 24 million kroner.

Net cash flow was positive with 1 million kroner.

Events in the quarter and after balance sheet date

Sale of the farming activity in France

In January 2013 Norway Seafoods entered into an agreement with Groupe Aqualande S.A.S to sell most of the company's farming operations in France. The transaction includes the sale of five land based trout farms, including biomass and operating equipment. The agreement also comprises the transfer of 30 employees to Groupe Aqualande S.A.S. The transaction is expected to be concluded during the 2nd quarter of 2013 and settled by cash payment of EUR 6.5 – 7.0 million depending on biomass at completion.

Possible changes in delivery obligations for trawlers

The Ministry of Fisheries and Coastal Affairs proposed on November 6th changes to the regulations for trawlers with delivery obligations. Among the proposals are an increased obligation for trawlers to offer catch to specific facilities or areas, an obligation for processing facilities to process haddock and an obligation to purchase catch when the onshore processing facility is under the same ownership as the trawler. Norway Seafoods will have to purchase catch for processing which today is not profitable if the proposals are executed as suggested. Remarks to the proposals are to be submitted to the Ministry within February 15th.

Outlook

Increased supply will result in more volatile market prices. The company believes that gross margins will be under pressure. Availability of raw material and quality of raw material is expected to improve in 2013 compared to previous years. Lower revenues are expected in value added products, and margins will be weaker due to increased prices for salmon, the main specie in the segment. Product innovation, market development and efficiency improvements will continue. Should the proposed changes to delivery obligations be executed the company will evaluate its financial position, strategy and structure. The company considers divesting the remaining operations in France during 2013.

Profit and loss accounts – Group

NOK million	Quarterly development					Year to date		Year
	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	2011	2012	2011
Operating revenues	344	507	393	330	374	1 552	1 604	1 552
Operating expenses	(334)	(462)	(386)	(335)	(371)	(1 535)	(1 554)	(1 535)
EBITDA	9	45	8	(5)	2	18	50	18
<i>EBITDA Margin</i>	2,8 %	8,8 %	1,9 %	-1,5 %	0,6 %	1,1 %	3,1 %	1,1 %
Non-recurring items	(0)	-	-	-	-	-	-	-
Depreciations	(8)	(8)	(8)	(8)	(8)	(35)	(33)	(35)
EBIT	1	37	(1)	(13)	(6)	(17)	17	(17)
<i>EBIT Margin</i>	0,3 %	7,2 %	-0,2 %	-4,1 %	-1,5 %	-1,1 %	1,0 %	-1,1 %
Net finance	11	(3)	(5)	(6)	(6)	(3)	(21)	(3)
Profit before tax	12	33	(6)	(19)	(12)	(20)	(4)	(20)
Tax on ordinary profit	(6)	(8)	0	5	9	6	5	6
Net profit/loss continued operations	7	25	(6)	(15)	(3)	(13)	2	(13)
<i>Net profit/loss discontinues operations</i>	2	(7)	2	(8)	(59)	(15)	(72)	(15)
Net profit for the period	8	18	(4)	(22)	(62)	(28)	(70)	(28)
Minority interest	0	0	(0)	(0)	0	0	0	0
Majority interest	7	25	(6)	(15)	(3)	(14)	1	(14)

Norway Seafoods group – Balance sheet

Assets

Amount in NOK million					
	31.12.2011	31.03.2012	30.06.2012	30.09.2012	31.12.2012
Intangible Assets	85	84	84	82	51
Fixed tangible assets	189	185	182	181	148
Total intangible/tangible assets	274	270	266	263	198
Financial interest-bearing fixed assets	26	24	24	24	24
Financial interest-free fixed assets	13	14	15	17	24
Shares and other equity investments	9	10	10	10	11
Total financial fixed assets	48	49	50	51	58
Total fixed assets	322	319	315	315	257
Biological assets					
Inventory	123	153	151	156	151
Interest-free short-term receivables	207	314	239	244	210
Interest-bearing short-term receivables	0	0	0	0	-1
Liquid assets	7	1	9	10	11
Assets discontinued operations	237	222	224	219	232
Total current assets	575	689	623	629	603
Total assets	897	1 008	938	944	859

Equity and liabilities

Amount in NOK million					
	31.12.2011	31.03.2012	30.06.2012	30.09.2012	31.12.2012
Total shareholders' equity	277	295	153	259	196
Minority interests	1	1	0	1	1
Total shareholders' equity and minority interests	278	296	153	260	197
Provisions and other interest-free long-term liabilities	16	24	6	18	4
Interest-bearing long-term debt	128	207	254	199	201
Total long-term liabilities	143	230	260	217	206
Interest-free short-term debt	118	205	129	136	148
Interest-bearing short-term debt	141	67	97	119	100
Liabilities discontinued liabilities	216	209	209	212	208
Total short-term liabilities	476	482	435	467	456
Total shareholders' equity and liabilities	897	1 008	848	944	859

Cash Flow statement from continued operations

NOK million						Year to date		Year
	Q4 11	Q1 12	Q2 12	Q3 12	Q4 12	2 011	2 012	2 011
Profit before tax	12	33	(6)	(19)	(12)	(20)	(4)	(20)
Sales losses/ - gains	-	-	-	-	-	-	-	-
Depreciations and amortisations	8	8	8	8	8	34	32	34
Changes in other net operating assets	(23)	(69)	34	(8)	33	(63)	(10)	(63)
Cash flow from operating activities	-3	-28	36	-19	29	-49	17	-49
Cash flow from investing activities	-7	-8	-6	-5	-4	-27	-23	-27
Cash flow from financing activities	2	29	-22	26	-24	55	9	55
Total cash flow from reporting period	-9	-7	8	2	1	-21	4	-21
Effects on changes in exchangerates on cash	0	(0)	0	(0)	0	0	(0)	0
Cash and cash equivalent at the beginning of the period	16	7	1	8	10	40	7	40
<i>Cash discontinies operations</i>						-12		-12
Cash and cash equivalent at the end of the period	7	1	8	10	11	19	11	19
Not utilised credit facilities	41	39	61	36	48	41	48	41
Cash and cash equivalent at the end of the period, incl. credit facilities	48	40	69	46	59	60	59	60

Oslo, February 15th 2013

The Board of Directors and CEO, Norway Seafoods Group AS