

# INTERIM REPORT 2013

## SECOND QUARTER (Q2)

### Summary

- Revenue in the second quarter came to 432 million kroner, 39 million kroner higher than the second quarter of 2012
- Higher revenue was a result of increased sales volumes especially for whole fish, while prices on white fish products decreased in the second quarter compared to the same period last year
- EBIT came to -5 million kroner in the second quarter compared to -1 million kroner in the same period in 2012
- Margins on VAP products were reduced in the second quarter compared to the same period last year, while white fish products showed a marginal profitability improvement
- Net interest-bearing debt increased by 31 million kroner, from 278 million kroner on March 31 to 309 million kroner on June 30
- The equity ratio decreased from 20.6 per cent to 18.7 per cent over the quarter
- Net income on discontinued operations came to -1 million kroner in the second quarter, compared to a net income of 2 million kroner in the second quarter of 2012

### Main figures

NOK million	Quarterly development					Year to date		Year
	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	2012	2013	2012
Operating revenues	393	330	374	434	432	900	866	1 604
<b>EBITDA</b>	<b>8</b>	<b>(5)</b>	<b>2</b>	<b>(4)</b>	<b>3</b>	<b>52</b>	<b>(1)</b>	<b>50</b>
<b>EBIT</b>	<b>(1)</b>	<b>(13)</b>	<b>(6)</b>	<b>(12)</b>	<b>(5)</b>	<b>36</b>	<b>(16)</b>	<b>17</b>
<i>EBIT Margin</i>	-0,2 %	-4,1 %	-1,5 %	-2,7 %	-1,1 %	4,0 %	-1,9 %	1,0 %
Non-recurring items	-	-	-	11	-	-	11	-
Net finance	(5)	(6)	(6)	(6)	(5)	(9)	(10)	(21)
<b>Profit before tax</b>	<b>(6)</b>	<b>(19)</b>	<b>(12)</b>	<b>(7)</b>	<b>(9)</b>	<b>27</b>	<b>(16)</b>	<b>(4)</b>
<b>Net profit/loss continued operations</b>	<b>(6)</b>	<b>(15)</b>	<b>(3)</b>	<b>(6)</b>	<b>(8)</b>	<b>19</b>	<b>(14)</b>	<b>2</b>
<i>Net profit/loss discontinued operations</i>	<i>2</i>	<i>(8)</i>	<i>(59)</i>	<i>1</i>	<i>(1)</i>	<i>(7)</i>	<i>(0)</i>	<i>(73)</i>
<b>Net profit for the period</b>	<b>(4)</b>	<b>(22)</b>	<b>(62)</b>	<b>(5)</b>	<b>(9)</b>	<b>12</b>	<b>(15)</b>	<b>(71)</b>
<i>Earning per share(EPS) (øre) cont.op</i>	<i>(7)</i>	<i>(17)</i>	<i>(3)</i>	<i>(7)</i>	<i>(9)</i>	<i>22</i>	<i>(17)</i>	<i>2</i>
Total assets	938	944	859	919	891	938	891	859
Equity	286	260	197	189	167	286	167	197
<i>Equity ratio (%)</i>	<i>30,5 %</i>	<i>27,6 %</i>	<i>22,9 %</i>	<i>20,6 %</i>	<i>18,7 %</i>	<i>30,5 %</i>	<i>18,7 %</i>	<i>22,9 %</i>
Net interest bearing debt	(254)	(283)	(268)	(278)	(309)	(254)	(309)	(268)

## **Financial results**

Norway Seafoods entered into an agreement of selling the farming operations in France in January 2013. Assets in France are classified as “business held for sale” and the profit and loss account presents figures for the continued business. Net profit/loss for discontinued operations is shown on a separate line. Historical profit and loss accounts are reclassified to provide comparative figures.

Sales for Norway Seafoods came to 432 million kroner in the second quarter, compared to 393 million kroner for the same period in 2012. Increased sales volumes of whole fish and higher prices for salmon products resulted in higher revenue. Prices for white fish products fell compared to last year. EBIT for the second quarter was -5 million kroner compared to -1 million kroner in the second quarter last year. White fish products showed a marginal profitability improvement. Margins on fresh value added products were reduced in the second quarter compared to the same period last year, especially for salmon based products due to higher raw material costs.

Net financial items came to net expenses of 5 million kroner in the second quarter, compared to 5 million kroner for the same period in 2012. The net financial items include net interest expenses as well as currency gains and losses.

Net income on discontinued operations came to -1 million kroner, compared to a net income of 2 million kroner in the second quarter of 2012.

## **Sales and Market**

Sold volume of primary processed products from the Norwegian operations was 4 702 tons in the second quarter compared to 4 621 tons for the same period last year. Sales of whole unprocessed fish increased from 2 889 tons to 3 948 tons in the quarter. According to the Norwegian Seafood Council, Norwegian export volumes of fresh whole cod increased by 276 per cent in the second quarter of 2013 compared to the same period last year. Norway Seafoods experiences increased competition in the European market for fresh cod products.

According to the Norwegian Seafood Council, prices on fresh cod fillets decreased by 16 per cent in the second quarter of 2013 compared to the same period in 2012, and prices for frozen cod fillets (not block) decreased by 9 per cent. Export volumes of fresh cod fillets from Norway increased by 14 per cent, and volumes of frozen cod fillets increased by 11 per cent.

Sales of fresh value added products were 697 tons in the second quarter compared to 716 tons in the corresponding period in 2012. Norway Seafoods experiences margin pressure on fresh value added products.

Sales of frozen value added products were 784 tons in the second quarter, compared to 903 tons for the same period last year.

### **Processing**

The volume of primary processed products from the Norwegian operations was 4 552 tons in the second quarter compared to 4 868 tons for the same period in 2012. Raw material prices for cod in the second quarter decreased by 30 per cent compared to the same period last year. The proportion of fresh products decreased from 32.6 per cent in the second quarter of 2012 to 29.0 per cent in the second quarter of 2013 for the Norwegian operations.

The production of fresh value added products was 694 tons in the quarter compared to 716 tons in the second quarter of 2012. Norway Seafoods' frozen value added factories increased the production volume during the quarter and produced 1 051 tons compared to 898 tons for the same period in 2012.

### **Balance sheet and liquidity**

Total assets decreased with 28 million kroner in the second quarter to 891 million kroner compared to 919 million on March 31.

Investments in the second quarter came to 5 million kroner.

Bank deposits, including drawing rights, totaled 32 million kroner on June 30, compared to 51 million on March 31.

The working capital was 227 million kroner on June 30, an increase of 12 million kroner from March 31. The working capital was 30 million kroner lower compared to the same period last year.

Net interest-bearing debt came to 309 million kroner on June 30, an increase of 31 million from 278 million on March 31.

Norway Seafoods equity on June 30 was 167 million kroner, representing an equity ratio of 18.7 per cent compared with 20.6 per cent on March 31.

### **Cash flow**

Cash flow from operating activities was negative with 26 million kroner in the second quarter.

Cash flow from investing activities was negative with 5 million kroner.

Cash flow from financing activities was positive with 20 million kroner.

Net cash flow was negative with 10 million kroner.

## **Events in the quarter and after the balance sheet date**

### *Sale of the processing activities in France*

Norway Seafoods signed on August 1<sup>st</sup> an agreement to sell its French processing facilities to Groupe Coopératif Maisadour, a leading French cooperative company. The transaction includes the processing facilities in Boulgone sur Mer and Castets, equipment, inventory and agreements as well as customer contracts. The agreement also comprises the transfer of 230 employees to Groupe Coopératif Maisadour. The transaction is expected to be concluded during the 4<sup>th</sup> quarter of 2013 and settled by cash payment of EUR 3.3 – 3.6 million depending on inventory level at closing. Norway Seafoods reversed an earlier write down of NOK 4 million in the accounts for the second quarter as a consequence of the agreement. The financial effect of the transaction at completion is expected to be limited and depend partly on the financial result in the period, final purchase price, tax effects from the transaction and currency developments.

### *Concluded sale of farming activities in France*

Norway Seafoods concluded the sale of the French farming activities on August 1<sup>st</sup> 2013. The transaction was concluded within the previously expected cash settlement range of EUR 6.5 – 7.0 million.

### *No changes in delivery obligations for trawlers*

The Norwegian Ministry of Fisheries and Coastal Affairs has decided to not change the delivery obligations for trawlers. The Ministry proposed changes to the regulations in November last year, but concluded during the second quarter of 2013 to not implement any changes to the delivery obligations.

### *New CFO*

Norway Seafoods has appointed Anna Nord Bjercke as CFO effective from August 1<sup>st</sup>. Bjercke has 17 years of experience from various positions with Statoil.

## **Outlook**

The company expects that lower prices eventually will filter through to consumers leading to increased activity in the market for whitefish. Gross margins are expected to be under pressure for primary processed products while increased prices for value added products are expected to improve margins compared to the first six months of the year. Availability of raw materials is expected to be better than last year.

## Profit and loss accounts – Group

NOK million	Quarterly development					Year to date		Year
	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	2012	2013	2012
Operating revenues	393	330	374	434	432	900	866	1 604
Operating expenses	(386)	(335)	(371)	(437)	(429)	(848)	(867)	(1 554)
<b>EBITDA</b>	<b>8</b>	<b>(5)</b>	<b>2</b>	<b>(4)</b>	<b>3</b>	<b>52</b>	<b>(1)</b>	<b>50</b>
<i>EBITDA Margin</i>	<i>1,9 %</i>	<i>-1,5 %</i>	<i>0,6 %</i>	<i>-0,9 %</i>	<i>0,7 %</i>	<i>5,8 %</i>	<i>-0,1 %</i>	<i>3,1 %</i>
Depreciations	(8)	(8)	(8)	(8)	(7)	(17)	(15)	(33)
<b>EBIT</b>	<b>(1)</b>	<b>(13)</b>	<b>(6)</b>	<b>(12)</b>	<b>(5)</b>	<b>36</b>	<b>(16)</b>	<b>17</b>
<i>EBIT Margin</i>	<i>-0,2 %</i>	<i>-4,1 %</i>	<i>-1,5 %</i>	<i>-2,7 %</i>	<i>-1,1 %</i>	<i>4,0 %</i>	<i>-1,9 %</i>	<i>1,0 %</i>
Non-recurring items	-	-	-	11	-	-	11	-
Net finance	(5)	(6)	(6)	(6)	(5)	(9)	(10)	(21)
<b>Profit before tax</b>	<b>(6)</b>	<b>(19)</b>	<b>(12)</b>	<b>(7)</b>	<b>(9)</b>	<b>27</b>	<b>(16)</b>	<b>(4)</b>
Tax on ordinary profit	0	5	9	0	1	(8)	2	6
<b>Net profit/loss continued operations</b>	<b>(6)</b>	<b>(15)</b>	<b>(3)</b>	<b>(6)</b>	<b>(8)</b>	<b>19</b>	<b>(14)</b>	<b>2</b>
<i>Net profit/loss discontinued operations</i>	<i>2</i>	<i>(8)</i>	<i>(59)</i>	<i>1</i>	<i>(1)</i>	<i>(7)</i>	<i>(0)</i>	<i>(73)</i>
<b>Net profit for the period</b>	<b>(4)</b>	<b>(22)</b>	<b>(62)</b>	<b>(5)</b>	<b>(9)</b>	<b>12</b>	<b>(15)</b>	<b>(71)</b>
Minority interest	(0)	(0)	0	(0)	(0)	0	(0)	0
Majority interest	(6)	(15)	(3)	(6)	(8)	19	(14)	2

## Norway Seafoods group – Balance sheet

### Assets

Amount in NOK million					
	30.06.2012	30.09.2012	31.12.2012	31.03.2013	30.06.2013
Intangible Assets	84	82	51	45	45
Fixed tangible assets	182	181	148	144	142
<b>Total intangible/tangible assets</b>	<b>266</b>	<b>263</b>	<b>198</b>	<b>189</b>	<b>187</b>
Financial interest-bearing fixed assets	24	24	24	22	19
Financial interest-free fixed assets	15	17	24	23	21
Shares and other equity investments	10	10	11	13	13
<b>Total financial fixed assets</b>	<b>50</b>	<b>51</b>	<b>58</b>	<b>58</b>	<b>53</b>
<b>Total fixed assets</b>	<b>315</b>	<b>315</b>	<b>257</b>	<b>247</b>	<b>240</b>
Biological assets					
Inventory	151	156	151	145	144
Interest-free short-term receivables	239	244	210	310	311
Interest-bearing short-term receivables	0	0	-1	0	0
Liquid assets	9	10	11	20	10
Assets discontinued operations	224	219	232	198	187
<b>Total current assets</b>	<b>623</b>	<b>629</b>	<b>603</b>	<b>672</b>	<b>651</b>
<b>Total assets</b>	<b>938</b>	<b>944</b>	<b>859</b>	<b>919</b>	<b>891</b>

### Equity and liabilities

Amount in NOK million					
	30.06.2012	30.09.2012	31.12.2012	31.03.2013	30.06.2013
Total shareholders' equity	285	259	196	188	166
Minority interests	1	1	1	1	1
<b>Total shareholders' equity and minority interests</b>	<b>286</b>	<b>260</b>	<b>197</b>	<b>189</b>	<b>167</b>
Provisions and other interest-free long-term liabilities	23	18	4	-2	-4
Interest-bearing long-term debt	195	199	201	199	198
<b>Total long-term liabilities</b>	<b>218</b>	<b>217</b>	<b>206</b>	<b>197</b>	<b>194</b>
Interest-free short-term debt	134	136	148	240	228
Interest-bearing short-term debt	91	119	100	120	140
Liabilities discontinued operations	209	212	208	174	162
<b>Total short-term liabilities</b>	<b>434</b>	<b>467</b>	<b>456</b>	<b>533</b>	<b>531</b>
<b>Total shareholders' equity and liabilities</b>	<b>938</b>	<b>944</b>	<b>859</b>	<b>919</b>	<b>891</b>

## Cash Flow statement from continued operations

NOK million						Year to date		Year
	Q2 12	Q3 12	Q4 12	Q1 13	Q2 13	2012	2013	2012
Profit before tax	(6)	(19)	(12)	(7)	(9)	27	(16)	(20)
Sales losses/gains	-	-	-	-	-	-	-	-
Depreciations and amortisations	8	8	8	8	7	16	15	34
Changes in other net operating assets	34	(8)	33	(5)	(24)	(35)	(29)	(63)
<b>Cash flow from operating activities</b>	<b>36</b>	<b>(19)</b>	<b>29</b>	<b>(3)</b>	<b>(26)</b>	<b>8</b>	<b>(29)</b>	<b>(49)</b>
Cash flow from investing activities	(6)	(5)	(4)	(7)	(5)	(13)	(11)	(27)
Cash flow from financing activities	(22)	26	(24)	19	20	7	39	55
<b>Total cash flow from reporting period</b>	<b>8</b>	<b>2</b>	<b>1</b>	<b>9</b>	<b>(10)</b>	<b>1</b>	<b>(1)</b>	<b>(21)</b>
Effects on changes in exchangerates on cash	0	0	0	0	0	0	0	0
<b>Cash and cash equivalent at the beginning of the period</b>	<b>1</b>	<b>8</b>	<b>10</b>	<b>11</b>	<b>20</b>	<b>7</b>	<b>11</b>	<b>32</b>
<b>Cash and cash equivalent at the end of the period</b>	<b>8</b>	<b>10</b>	<b>11</b>	<b>20</b>	<b>9</b>	<b>8</b>	<b>9</b>	<b>11</b>
Not utilised credit facilities	61	36	48	31	22	61	22	41
<b>Cash and cash equivalent at the end of the period, incl. credit facilities</b>	<b>69</b>	<b>46</b>	<b>59</b>	<b>51</b>	<b>32</b>	<b>69</b>	<b>32</b>	<b>52</b>

Oslo, August 13<sup>th</sup> 2013

The Board of Directors and CEO, Norway Seafoods Group AS