

# INTERIM REPORT 2013

## FIRST QUARTER (Q1)

### Summary

- Revenue in the first quarter came to 434 million kroner, 73 million kroner lower than the first quarter of 2012
- Lower revenue was a result of decreased sales volumes and lower prices for white fish products
- EBIT came to -12 million kroner in the first quarter compared to 37 million kroner in the same period in 2012
- Prices and operating margins on white fish products were reduced in the first quarter compared to the same period last year despite lower raw material costs. Sales from inventory generated losses in first quarter of 2013.
- Margins on value added products were reduced in the first quarter compared to the same period last year
- Net interest-bearing debt increased by 10 million kroner, from 268 million kroner on December 31 to 278 million kroner on March 31
- The equity ratio decreased from 22.9 per cent to 20.6 per cent over the quarter
- Net income on discontinued operations came to NOK 1 million, compared to a net income of NOK -7 million in the first quarter of 2012

### Main figures

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

| NOK million                                    | Quarterly development |            |             |             | Year to date |           |             | Year        |
|------------------------------------------------|-----------------------|------------|-------------|-------------|--------------|-----------|-------------|-------------|
|                                                | Q1 12                 | Q2 12      | Q3 12       | Q4 12       | Q1 13        | 2012      | 2013        | 2012        |
| Operating revenues                             | 507                   | 393        | 330         | 374         | 434          | 507       | 434         | 1 604       |
| <b>EBIT</b>                                    | <b>37</b>             | <b>(1)</b> | <b>(13)</b> | <b>(6)</b>  | <b>(12)</b>  | <b>37</b> | <b>(12)</b> | <b>17</b>   |
| <i>EBIT Margin</i>                             | 7,2 %                 | -0,2 %     | -4,1 %      | -1,5 %      | -2,7 %       | 7,2 %     | -2,7 %      | 1,0 %       |
| Non-recurring items                            | -                     | -          | -           | -           | 11           | -         | 11          | -           |
| Net finance                                    | (3)                   | (5)        | (6)         | (6)         | (6)          | (3)       | (6)         | (21)        |
| <b>Profit before tax</b>                       | <b>33</b>             | <b>(6)</b> | <b>(19)</b> | <b>(12)</b> | <b>(7)</b>   | <b>33</b> | <b>(7)</b>  | <b>(4)</b>  |
| <b>Net profit/loss continued operations</b>    | <b>25</b>             | <b>(6)</b> | <b>(15)</b> | <b>(3)</b>  | <b>(6)</b>   | <b>25</b> | <b>(6)</b>  | <b>2</b>    |
| <i>Net profit loss discontinues operations</i> | (7)                   | 2          | (8)         | (59)        | 1            | (7)       | 1           | (73)        |
| <b>Net profit for the period</b>               | <b>18</b>             | <b>(4)</b> | <b>(22)</b> | <b>(62)</b> | <b>(6)</b>   | <b>18</b> | <b>(6)</b>  | <b>(71)</b> |
| <i>Earning per share(EPS) (øre) cont.op</i>    | 29                    | (7)        | (17)        | (3)         | (7)          | 29        | (7)         | 2           |
| Total assets                                   | 1 008                 | 938        | 944         | 859         | 919          | 1 008     | 919         | 859         |
| Equity                                         | 296                   | 286        | 260         | 197         | 189          | 296       | 189         | 197         |
| <i>Equity ratio (%)</i>                        | 29,4 %                | 30,5 %     | 27,6 %      | 22,9 %      | 20,6 %       | 29,4 %    | 20,6 %      | 22,9 %      |
| Net interest bearing debt                      | (249)                 | (254)      | (283)       | (268)       | (278)        | (249)     | (278)       | (268)       |

## **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” and the profit and loss account presents figures for the continued business. “Business held for sale” is shown on one line. Historical profit and loss accounts are reclassified to provide comparative figures.

Sales for Norway Seafoods came to 434 million kroner in the first quarter, compared to 507 million kroner for the same period in 2012. Decreased production and sales volumes and lower prices for white fish products resulted in lower revenue. EBIT for the first quarter was -12 million kroner compared to 37 million kroner in the first quarter last year. Margins decreased in the first quarter compared to the same period last year.

Margins on fresh value added products were reduced in the first quarter compared to the same period last year due to increased raw material costs, especially for salmon. Margins on frozen value added products increased in the first quarter compared to the same period last year.

Net gain from sale of assets of NOK 11 million kroner is reported as a non-recurring item in the first quarter 2013.

Net financial items came to net expenses of 6 million kroner in the first quarter, compared to 3 million kroner for the same period in 2012. The net financial items include net interest expenses, 2 million kroner in losses on long term interest bearing assets as well as currency gains and losses.

Net income on discontinued operations came to NOK 1 million, compared to a net income of NOK -7 million in the first quarter of 2012.

## **Sales and Market**

Sold volume of primary processed products from the Norwegian operations was 5 798 tons in the first quarter compared to 6 403 tons for the same period last year. Sales of whole unprocessed fish decreased from 3 601 tons to 3 067 tons in the quarter. According to the Norwegian Seafoods Council, Norwegian export volumes of fresh whole cod increased by 58 per cent in the first 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 11 per cent in the first quarter of 2013 compared to the same period in 2012, and prices for frozen cod fillets (not block) decreased by 22 per cent. Sale of products from inventory produced in 2012 therefore generated losses in the first quarter of 2013. Export volumes of

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fresh cod fillets from Norway increased by 12 per cent, and volumes of frozen cod fillets increased by 5 per cent.

Sales of fresh value added products were 746 tons in the first quarter compared to 711 tons in the corresponding period in 2012. Norway Seafoods experiences margin pressure on fresh value added products.

Sales of frozen value added products were 980 tons in the first quarter, compared to 1026 tons for the same period last year.

### **Processing**

The volume of primary processed products from the Norwegian operations was 6 525 tons in the first quarter compared to 6 790 tons for the same period in 2012. Raw material prices for cod in the first quarter decreased by 26 per cent compared to the same period last year. The proportion of fresh products increased from 32.6 per cent in the first quarter of 2012 to 34.8 per cent in the first quarter of 2013 for the Norwegian operations.

The production of fresh value added products was 738 tons in the quarter compared to 711 tons in the first quarter of 2012. Norway Seafoods' frozen value added factories decreased the production volume during the quarter and produced 961 tons compared to 1 122 tons for the same period in 2012.

### **Balance sheet and liquidity**

Total assets increased with 60 million kroner in the first quarter to 919 million kroner compared to 859 million on December 31.

Investments in the first quarter came to 7 million kroner.

Bank deposits, including drawing rights, totaled 51 million kroner on March 31, compared to 59 million on December 31.

The working capital was 215 million kroner on March 31, an increase of 2 million from December 31. The working capital was lower compared to the same period last year.

Net interest-bearing debt came to 278 million kroner on March 31, an increase of 10 million from 268 million on December 31.

Norway Seafoods equity on March 31 was 189 million kroner, representing an equity ratio of 20.6 per cent compared with 22.9 per cent on December 31.

### **Cash flow**

Cash flow from operating activities was negative with 3 million kroner in the first quarter.

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Cash flow from investing activities was negative with 7 million kroner.

Cash flow from financing activities was positive with 19 million kroner.

Net cash flow was positive with 9 million kroner.

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

#### *Annual general meeting*

The annual general meeting in Norway Seafood Group was effectuated April 5<sup>th</sup>, 2013. The minutes from the meeting are available on Norway Seafoods' web page, [www.norwayseafoods.com](http://www.norwayseafoods.com).

#### *Co-operation with Hofseth International*

Norway Seafoods and Hofseth International have entered into a co-operation on marketing, sales and production of a new type of frozen filet products based on cod. The parties have established Hofseth Melbu AS as the sales company for the products, with each of the parties owning 50 percent of the shares. Norway Seafoods is exclusive partner for production which started in February 2013.

### **Outlook**

The weak market is expected to continue. The company believes that gross margins will remain under pressure, despite lower raw material prices compared to 2012. Availability of raw material such as cod is expected to improve compared to last year. Price increases for finished products will gradually improve margins for VAP fresh products compared to the first quarter, while volumes are expected to decline. The company contemplates divesting the remaining operations in France during 2013.

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## Profit and loss accounts – Group

| NOK million                                    | Quarterly development |            |             |             | Year to date |           |             | Year        |
|------------------------------------------------|-----------------------|------------|-------------|-------------|--------------|-----------|-------------|-------------|
|                                                | Q1 12                 | Q2 12      | Q3 12       | Q4 12       | Q1 13        | 2012      | 2013        | 2012        |
| Operating revenues                             | 507                   | 393        | 330         | 374         | 434          | 507       | 434         | 1 604       |
| Operating expenses                             | (462)                 | (386)      | (335)       | (371)       | (437)        | (462)     | (437)       | (1 554)     |
| <b>EBITDA</b>                                  | <b>45</b>             | <b>8</b>   | <b>(5)</b>  | <b>2</b>    | <b>(4)</b>   | <b>45</b> | <b>(4)</b>  | <b>50</b>   |
| <i>EBITDA Margin</i>                           | 8,8 %                 | 1,9 %      | -1,5 %      | 0,6 %       | -0,9 %       | 8,8 %     | -0,9 %      | 3,1 %       |
| Depreciations                                  | (8)                   | (8)        | (8)         | (8)         | (8)          | (8)       | (8)         | (33)        |
| <b>EBIT</b>                                    | <b>37</b>             | <b>(1)</b> | <b>(13)</b> | <b>(6)</b>  | <b>(12)</b>  | <b>37</b> | <b>(12)</b> | <b>17</b>   |
| <i>EBIT Margin</i>                             | 7,2 %                 | -0,2 %     | -4,1 %      | -1,5 %      | -2,7 %       | 7,2 %     | -2,7 %      | 1,0 %       |
| Non-recurring items                            | -                     | -          | -           | -           | 11           | -         | 11          | -           |
| Net finance                                    | (3)                   | (5)        | (6)         | (6)         | (6)          | (3)       | (6)         | (21)        |
| <b>Profit before tax</b>                       | <b>33</b>             | <b>(6)</b> | <b>(19)</b> | <b>(12)</b> | <b>(7)</b>   | <b>33</b> | <b>(7)</b>  | <b>(4)</b>  |
| Tax on ordinary profit                         | (8)                   | 0          | 5           | 9           | 0            | (8)       | 0           | 6           |
| <b>Net profit/loss continued operations</b>    | <b>25</b>             | <b>(6)</b> | <b>(15)</b> | <b>(3)</b>  | <b>(6)</b>   | <b>25</b> | <b>(6)</b>  | <b>2</b>    |
| <i>Net profit loss discontinues operations</i> | (7)                   | 2          | (8)         | (59)        | 1            | (7)       | 1           | (73)        |
| <b>Net profit for the period</b>               | <b>18</b>             | <b>(4)</b> | <b>(22)</b> | <b>(62)</b> | <b>(6)</b>   | <b>18</b> | <b>(6)</b>  | <b>(71)</b> |
| Minority interest                              | 0                     | (0)        | (0)         | 0           | (0)          | 0         | (0)         | 0           |
| Majority interest                              | 25                    | (6)        | (15)        | (3)         | (6)          | 25        | (6)         | 2           |

## Norway Seafoods group – Balance sheet

### Assets

| Amount in NOK million                   |              |            |            |            |            |
|-----------------------------------------|--------------|------------|------------|------------|------------|
|                                         | 31.03.2012   | 30.06.2012 | 30.09.2012 | 31.12.2012 | 31.03.2013 |
| Intangible Assets                       | 84           | 84         | 82         | 51         | 45         |
| Fixed tangible assets                   | 185          | 182        | 181        | 148        | 144        |
| <b>Total intangible/tangible assets</b> | <b>270</b>   | <b>266</b> | <b>263</b> | <b>198</b> | <b>189</b> |
| Financial interest-bearing fixed assets | 24           | 24         | 24         | 24         | 22         |
| Financial interest-free fixed assets    | 14           | 15         | 17         | 24         | 23         |
| Shares and other equity investments     | 10           | 10         | 10         | 11         | 13         |
| <b>Total financial fixed assets</b>     | <b>49</b>    | <b>50</b>  | <b>51</b>  | <b>58</b>  | <b>58</b>  |
| <b>Total fixed assets</b>               | <b>319</b>   | <b>315</b> | <b>315</b> | <b>257</b> | <b>247</b> |
| Biological assets                       |              |            |            |            |            |
| Inventory                               | 153          | 151        | 156        | 151        | 145        |
| Interest-free short-term receivables    | 314          | 239        | 244        | 210        | 310        |
| Interest-bearing short-term receivables | 0            | 0          | 0          | -1         | 0          |
| Liquid assets                           | 1            | 9          | 10         | 11         | 20         |
| Assets discontinued operations          | 222          | 224        | 219        | 232        | 198        |
| <b>Total current assets</b>             | <b>689</b>   | <b>623</b> | <b>629</b> | <b>603</b> | <b>672</b> |
| <b>Total assets</b>                     | <b>1 008</b> | <b>938</b> | <b>944</b> | <b>859</b> | <b>919</b> |

### Equity and liabilities

| Amount in NOK million                                    |              |            |            |            |            |
|----------------------------------------------------------|--------------|------------|------------|------------|------------|
|                                                          | 31.03.2012   | 30.06.2012 | 30.09.2012 | 31.12.2012 | 31.03.2013 |
| Total shareholders' equity                               | 295          | 285        | 259        | 196        | 188        |
| Minority interests                                       | 1            | 1          | 1          | 1          | 1          |
| <b>Total shareholders' equity and minority interests</b> | <b>296</b>   | <b>286</b> | <b>260</b> | <b>197</b> | <b>189</b> |
| Provisions and other interest-free long-term liabilities | 24           | 23         | 18         | 4          | -2         |
| Interest-bearing long-term debt                          | 207          | 195        | 199        | 201        | 199        |
| <b>Total long-term liabilities</b>                       | <b>230</b>   | <b>218</b> | <b>217</b> | <b>206</b> | <b>197</b> |
| Interest-free short-term debt                            | 205          | 134        | 136        | 148        | 240        |
| Interest-bearing short-term debt                         | 67           | 91         | 119        | 100        | 120        |
| Liabilities discontinued liabilities                     | 209          | 209        | 212        | 208        | 174        |
| <b>Total short-term liabilities</b>                      | <b>482</b>   | <b>434</b> | <b>467</b> | <b>456</b> | <b>533</b> |
| <b>Total shareholders' equity and liabilities</b>        | <b>1 008</b> | <b>938</b> | <b>944</b> | <b>859</b> | <b>919</b> |

## Cash Flow statement from continued operations

| NOK million                                                                       |           |           |           |           |           | Year to date |           | Year      |
|-----------------------------------------------------------------------------------|-----------|-----------|-----------|-----------|-----------|--------------|-----------|-----------|
|                                                                                   | Q1 12     | Q2 12     | Q3 12     | Q4 12     | Q1 13     | 2 012        | 2 013     | 2 011     |
| Profit before tax                                                                 | 33        | (6)       | (19)      | (12)      | (7)       | 33           | (7)       | (20)      |
| Sales losses/ - gains                                                             | -         | -         | -         | -         | -         | -            | -         | -         |
| Depreciations and amortisations                                                   | 8         | 8         | 8         | 8         | 8         | 8            | 8         | 34        |
| Changes in other net operating assets                                             | (69)      | 34        | (8)       | 33        | (5)       | (69)         | (5)       | (63)      |
| <b>Cash flow from operating activities</b>                                        | (28)      | 36        | (19)      | 29        | (3)       | (28)         | (3)       | (49)      |
| Cash flow from investing activities                                               | (8)       | (6)       | (5)       | (4)       | (7)       | (8)          | (7)       | (27)      |
| Cash flow from financing activities                                               | 29        | (22)      | 26        | (24)      | 19        | 29           | 19        | 55        |
| <b>Total cash flow from reporting period</b>                                      | (7)       | 8         | 2         | 1         | 9         | (7)          | 9         | (21)      |
| 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>7</b>  | <b>1</b>  | <b>8</b>  | <b>10</b> | <b>11</b> | <b>7</b>     | <b>11</b> | <b>40</b> |
| <i>Cash discontinies operations</i>                                               |           |           |           |           |           |              |           | (12)      |
| <b>Cash and cash equivalent at the end of the period</b>                          | <b>1</b>  | <b>8</b>  | <b>10</b> | <b>11</b> | <b>20</b> | <b>1</b>     | <b>20</b> | <b>19</b> |
| Not utilised credit facilities                                                    | 39        | 61        | 36        | 48        | 31        | 39           | 31        | 41        |
| <b>Cash and cash equivalent at the end of the period, incl. credit facilities</b> | <b>40</b> | <b>69</b> | <b>46</b> | <b>59</b> | <b>51</b> | <b>40</b>    | <b>51</b> | <b>60</b> |

Oslo, May 8<sup>th</sup> 2013

The Board of Directors and CEO, Norway Seafoods Group AS