

INTERIM REPORT 2013

THIRD QUARTER (Q3)

Summary

- Revenue in the third quarter came to 395 million kroner, 65 million kroner higher than the third quarter of 2012
- Higher revenue was a result of increased sales volumes and prices compared to the same period last year
- EBIT came to -9 million kroner in the third quarter compared to -13 million kroner in the same period in 2012
- Product margins were slightly improved in the third quarter compared to the same period last year
- Net interest-bearing debt decreased by 27 million kroner, from 309 million kroner on June 30 to 282 million kroner on September 30
- The equity ratio decreased from 18.7 per cent to 18.5 per cent over the quarter
- Net income on discontinued operations came to 11 million kroner in the third quarter, compared to a net income of -8 million kroner in the third quarter of 2012

Main figures

NOK million	Quarterly development					Year to date		Year
	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	2012	2013	2012
Operating revenues	330	374	434	432	395	1 230	1 260	1 604
Operating expenses	(335)	(371)	(437)	(429)	(397)	(1 183)	(1 264)	(1 554)
EBITDA	(5)	2	(4)	3	(2)	47	(3)	50
<i>EBITDA Margin</i>	<i>-1,5 %</i>	<i>0,6 %</i>	<i>-0,9 %</i>	<i>0,7 %</i>	<i>-0,6 %</i>	<i>3,9 %</i>	<i>-0,3 %</i>	<i>3,1 %</i>
Depreciations	(8)	(8)	(8)	(7)	(7)	(25)	(23)	(33)
EBIT	(13)	(6)	(12)	(5)	(9)	22	(26)	17
<i>EBIT Margin</i>	<i>-4,1 %</i>	<i>-1,5 %</i>	<i>-2,7 %</i>	<i>-1,1 %</i>	<i>-2,4 %</i>	<i>1,8 %</i>	<i>-2,0 %</i>	<i>1,0 %</i>
Non-recurring items	-	-	11	-	-	-	11	-
Net finance	(6)	(6)	(6)	(5)	(1)	(15)	(12)	(21)
Profit before tax	(19)	(12)	(7)	(9)	(11)	8	(27)	(4)
Net profit/loss continued operations	(15)	(3)	(6)	(8)	(6)	4	(20)	2
<i>Net profit/loss discontinued operations</i>	<i>(8)</i>	<i>(59)</i>	<i>1</i>	<i>(1)</i>	<i>11</i>	<i>(8)</i>	<i>6</i>	<i>(73)</i>
Net profit for the period	(22)	(62)	(5)	(9)	5	(3)	(14)	(72)
Minority interest	(0)	0	(0)	(0)	-	0	(0)	0
Majority interest	(15)	(3)	(6)	(8)	(6)	4	(20)	2
<i>Earning per share (EPS) (øre) cont.op</i>	<i>(17)</i>	<i>(3)</i>	<i>(7)</i>	<i>(9)</i>	<i>(7)</i>	<i>5</i>	<i>(24)</i>	<i>2</i>
Total assets	944	859	919	891	832	944	891	859
Equity	260	197	189	167	154	260	167	197
<i>Equity ratio (%)</i>	<i>27,6 %</i>	<i>22,9 %</i>	<i>20,6 %</i>	<i>18,7 %</i>	<i>18,5 %</i>	<i>27,6 %</i>	<i>18,7 %</i>	<i>22,9 %</i>
Net interest bearing debt	(283)	(268)	(278)	(309)	(282)	(283)	(282)	(268)

Financial results

Norway Seafoods entered into an agreement of selling the farming operations in France in January 2013, and the sales process was completed on August 1. The transaction was concluded within the previously expected cash settlement range of EUR 6.5 – 7.0 million. Norway Seafoods signed on August 1st an agreement to sell its French processing facilities. 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 395 million kroner in the third quarter, compared to 330 million kroner for the same period in 2012. Sales volumes increased compared to the same quarter in 2012, and in combination with a net increase in product prices, this resulted in higher revenue. Margins on fish products increased slightly compared to the same period last year. EBIT for the third quarter was -9 million kroner compared to -13 million kroner in the same period last year.

Net financial items came to -1 million kroner in the third quarter, compared to -6 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 from discontinued operations came to 11 million kroner, compared to a net income of -8 million kroner in the third quarter of 2012.

Sales and Market

Sold volume of primary processed products from the Norwegian operations was 4 188 tons in the third quarter compared to 3 863 tons for the same period last year. Sales of whole unprocessed fish decreased from 2 638 tons to 2 328 tons in the quarter.

According to the Norwegian Seafood Council, Norwegian export volumes of fresh whole cod increased by 8 per cent in the third quarter of 2013 compared to the same period last year. Prices on fresh cod fillets decreased by 1 per cent in the third quarter of 2013 compared to the same period in 2012, and prices for frozen cod fillets (not block) increased by 4 per cent. Export volumes of fresh cod fillets from Norway increased by 23 per cent, and volumes of frozen cod fillets decreased by 8 per cent.

Sales of fresh value added products were 842 tons in the third quarter compared to 752 tons in the corresponding period in 2012. Norway Seafoods achieved increased margins on fresh value added products in Q3, following the fall in salmon raw material prices in the period.

Sales of frozen value added products were 947 tons in the third quarter, compared to 805 tons for the same period last year.

Processing

The volume of primary processed products from the Norwegian operations was 2 895 tons in the third quarter compared to 3 778 tons for the same period in 2012. Availability of raw material proved difficult due to low catch rates in the fishing fleet. Raw material prices for cod decreased by 23 per cent in the third quarter compared to the same period last year. The proportion of fresh products increased from 25.8 per cent in the third quarter of 2012 to 36.7 per cent in the third quarter of 2013 for the Norwegian operations.

The production of fresh value added products was 842 tons in the quarter compared to 752 tons in the third quarter of 2012. Norway Seafoods' frozen value added factories increased the production volume during the quarter and produced 857 tons compared to 690 tons during the same period in 2012.

Balance sheet and liquidity

Total assets decreased with 59 million kroner in the third quarter to 832 million kroner compared to 891 million kroner on June 30.

Investments in the third quarter came to 1 million kroner.

Bank deposits, including drawing rights, totaled 41 million kroner on September 30, compared to 32 million on June 30.

Working capital was 211 million kroner on September 30, a decrease of 16 million kroner from June 30. The working capital was 53 million kroner lower compared to the same period last year.

Net interest-bearing debt came to 282 million kroner on September 30, a decrease of 27 million from 309 million on June 30.

Norway Seafoods equity on September 30 was 154 million kroner, representing an equity ratio of 18.5 per cent compared with 18.7 per cent on June 30.

Cash flow

Cash flow from operating activities was positive with 9 million kroner in the third quarter.

Cash flow from investing activities was negative with 1 million kroner.

Cash flow from financing activities was negative with 15 million kroner.

Net cash flow was negative with 8 million kroner.

Outlook

Availability of raw materials is expected to improve during the fourth quarter. Gross margins for value added products are expected to fall as salmon prices are increasing, while gross margins for whitefish products are expected to remain low. The company will strengthen its efforts on developing new products and continue efforts to develop the market for whitefish products. Development of new technology will be enhanced and opportunities for improved production flow will be addressed to reduce production costs.

Profit and loss accounts – Group

NOK million	Quarterly development					Year to date		Year
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<i>EBITDA Margin</i>	<i>-1,5 %</i>	<i>0,6 %</i>	<i>-0,9 %</i>	<i>0,7 %</i>	<i>-0,6 %</i>	<i>3,9 %</i>	<i>-0,3 %</i>	<i>3,1 %</i>
Depreciations	(8)	(8)	(8)	(7)	(7)	(25)	(23)	(33)
EBIT	(13)	(6)	(12)	(5)	(9)	22	(26)	17
<i>EBIT Margin</i>	<i>-4,1 %</i>	<i>-1,5 %</i>	<i>-2,7 %</i>	<i>-1,1 %</i>	<i>-2,4 %</i>	<i>1,8 %</i>	<i>-2,0 %</i>	<i>1,0 %</i>
Non-recurring items	-	-	11	-	-	-	11	-
Net finance	(6)	(6)	(6)	(5)	(1)	(15)	(12)	(21)
Profit before tax	(19)	(12)	(7)	(9)	(11)	8	(27)	(4)
Net profit/loss continued operations	(15)	(3)	(6)	(8)	(6)	4	(20)	2
<i>Net profit/loss discontinued operations</i>	<i>(8)</i>	<i>(59)</i>	<i>1</i>	<i>(1)</i>	<i>11</i>	<i>(8)</i>	<i>6</i>	<i>(73)</i>
Net profit for the period	(22)	(62)	(5)	(9)	5	(3)	(14)	(72)
Minority interest	(0)	0	(0)	(0)	-	0	(0)	0
Majority interest	(15)	(3)	(6)	(8)	(6)	4	(20)	2

Norway Seafoods group – Balance sheet

Assets

Amount in NOK million					
	30.09.2012	31.12.2012	31.03.2013	30.06.2013	30.09.2013
Intangible Assets	82	51	45	45	58
Fixed tangible assets	181	148	144	142	136
Total intangible/tangible assets	263	198	189	187	195
Financial interest-bearing fixed assets	24	24	22	19	40
Financial interest-free fixed assets	17	24	23	21	0
Shares and other equity investments	10	11	13	13	5
Total financial fixed assets	51	58	58	53	45
Total fixed assets	315	257	247	240	240
Biological assets					
Inventory	156	151	145	144	120
Interest-free short-term receivables	244	210	310	311	281
Interest-bearing short-term receivables	0	-1	0	0	0
Liquid assets	10	11	20	10	1
Assets discontinued operations	219	232	198	187	191
Total current assets	629	603	672	651	593
Total assets	944	859	919	891	832

Equity and liabilities

Amount in NOK million					
	30.09.2012	31.12.2012	31.03.2013	30.06.2013	30.09.2013
Total shareholders' equity	259	196	188	166	153
Minority interests	1	1	1	1	1
Total shareholders' equity and minority interests	260	197	189	167	154
Provisions and other interest-free long-term liabilities	18	4	-2	-4	4
Interest-bearing long-term debt	199	201	199	198	196
Total long-term liabilities	217	206	197	194	200
Interest-free short-term debt	136	148	240	228	190
Interest-bearing short-term debt	119	100	120	140	126
Liabilities discontinued operations	212	208	174	162	162
Total short-term liabilities	467	456	533	531	478
Total shareholders' equity and liabilities	944	859	919	891	832

Cash Flow statement from continued operations

NOK million						Year to date		Year
	Q3 12	Q4 12	Q1 13	Q2 13	Q3 13	2012	2013	2012
Profit before tax	(19)	(12)	(7)	(9)	(11)	8	(27)	(20)
Sales losses/gains	-	-	2	-	-	-	2	-
Depreciations and amortisations	8	8	8	7	7	24	23	34
Changes in other net operating assets	(8)	33	(7)	(24)	12	(43)	(19)	(63)
Cash flow from operating activities	(19)	29	(3)	(26)	9	(11)	(20)	(49)
Cash flow from investing activities	(5)	(4)	(7)	(5)	(1)	(19)	(13)	(27)
Cash flow from financing activities	26	(24)	19	20	(15)	31	24	55
Total cash flow from reporting period	2	1	9	(10)	(8)	1	(10)	(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	8	10	11	20	9	7	11	32
Cash and cash equivalent at the end of the period	10	11	20	9	1	10	1	11
Not utilised credit facilities	36	48	31	22	40	36	40	41
Cash and cash equivalent at the end of the period, incl. credit facilities	46	59	51	32	41	46	41	52

Oslo, October 25th 2013

The Board of Directors and CEO, Norway Seafoods Group AS