

INTERIM REPORT 2014

SECOND QUARTER (Q2)

Summary

- Revenue in the second quarter came to 397 million kroner, 35 million kroner lower than the second quarter of 2013
- Lower revenue was a result of decreased sales volumes compared to the same period last year
- EBIT came to -15 million kroner in the second quarter compared to -5 million kroner in the same period in 2013
- Product margins were slightly improved in the second quarter compared to the same period last year
- Currency hedging has a negative impact of 8 million kroner on EBITDA in the second quarter compared to a negative impact of 5 million kroner in the same period last year
- Net interest-bearing debt decreased with 3 million kroner, from 290 million kroner on March 31 to 287 million kroner on June 30
- The equity ratio increased from 18.7 per cent to 19.4 per cent over the quarter

Main figures

NOK million	Quarterly development					Year to date		Year
	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	2013	2014	2013
Operating revenues	432,3	395	397	509	397	866	907	1 657
EBITDA	3	(2)	(18)	3	(9)	(1)	(5)	(10)
EBIT	(5)	(9)	(28)	(3)	(15)	(16)	(18)	(43)
<i>EBIT Margin</i>	<i>-1,1 %</i>	<i>-2,4 %</i>	<i>-7,2 %</i>	<i>-0,6 %</i>	<i>-3,8 %</i>	<i>-1,9 %</i>	<i>-2,0 %</i>	<i>-2,6 %</i>
Non-recurring items	-	-	-	-	-	11	-	-
Net finance	(5)	(1)	(1)	(4)	(3)	(10)	(7)	(13)
Profit before tax	(9)	(11)	(30)	(7)	(18)	(16)	(25)	(56)
Net profit/loss continued operations	(8)	(6)	(27)	(5)	(13)	(14)	(18)	(47)
<i>Net profit/loss discontinued operations</i>	<i>(1)</i>	<i>7</i>	<i>(23)</i>	<i>1</i>	<i>0</i>	<i>(0)</i>	<i>1</i>	<i>(17)</i>
Net profit for the period	(9)	1	(51)	(4)	(13)	(15)	(17)	(64)
<i>Earning per share(EPS) (øre) cont.op</i>	<i>(9)</i>	<i>(7)</i>	<i>(32)</i>	<i>(6)</i>	<i>(16)</i>	<i>(17)</i>	<i>(22)</i>	<i>(56)</i>
Total assets	891	832	716	734	689	891	689	716
Equity	167	154	126	137	134	167	134	126
<i>Equity ratio (%)</i>	<i>18,7 %</i>	<i>18,5 %</i>	<i>17,6 %</i>	<i>18,7 %</i>	<i>19,4 %</i>	<i>18,7 %</i>	<i>19,4 %</i>	<i>17,6 %</i>
Net interest bearing debt	(309)	(282)	(252)	(290)	(287)	(309)	(287)	(252)

Financial results

Sales for Norway Seafoods came to 397 million kroner in the second quarter, compared to 432 million kroner for the same period in 2013. Sales volumes decreased, and this resulted in lower revenue. Product prices increased compared to the same quarter in 2013. Margins increased slightly compared to the same period last year. EBIT for the second quarter was -15 million kroner compared to -5 million kroner in the same period last year. Losses on currency hedges influence the result negatively with 8 million kroner in the second quarter, compared to a negative impact of 5 million kroner in the same period last year.

Net financial items came to -3 million kroner in the second quarter, compared to -5 million kroner for the same period in 2013. The net financial items include net interest expenses as well as currency gains and losses.

Remaining assets in France are limited, classified as discontinued operations and shown on a separate line. Historical profit and loss accounts are reclassified to provide comparative figures. Net income on discontinued operations came to 0 million kroner, compared to a net income of -1 million kroner in the second quarter of 2013.

Sales and Market

Sold volume of primary processed products from the Norwegian operations was 3 541 tons in the second quarter compared to 4 226 tons for the same period last year. Sales of whole unprocessed fish from the Norwegian operations decreased from 5 025 tons to 3 947 tons in the quarter.

According to the Norwegian Seafood Council, Norwegian export volumes of fresh whole cod decreased by 2 per cent in the second quarter of 2014 compared to the same period last year.

Prices on fresh cod fillets increased by 14 per cent in the second quarter of 2014 compared to the same period in 2013, and prices for frozen cod fillets (not block) increased by 2 per cent. Export volumes of fresh cod fillets from Norway increased by 5 per cent, and volumes of frozen cod fillets increased by 13 per cent.

Sales of fresh value added products were 705 tons in the first quarter compared to 702 tons in the corresponding period in 2013, while sales of frozen value added products increased from 773 to 881 tons.

Processing

The volume of primary processed products from the Norwegian operations was 3 880 tons in the second quarter compared to 4 599 tons for the same period in 2013. Raw material prices for cod in the second quarter increased by 13 per cent compared to the same period last year. The proportion of fresh products decreased from 29.0 per cent in the second

quarter of 2013 to 23.4 per cent in the second quarter of 2014 for the Norwegian operations. Soft flesh in the raw material was the main reason for the reduced share of fresh products.

The production of fresh value added products was 704 tons in the quarter compared to 694 tons in the second quarter of 2013. Norway Seafoods' frozen value added factories decreased the production volume during the quarter and produced 852 tons compared to 1 051 tons for the same period in 2013.

Balance sheet and liquidity

Total assets decreased with 45 million kroner in the second quarter to 689 million kroner compared to 734 million kroner on March 31.

Investments in the second quarter came to 5 million kroner.

Bank deposits, including drawing rights, totaled 88 million kroner on June 30, compared to 53 million on March 31.

Working capital was 196 million kroner on June 30, a decrease of 10 million kroner from March 31. The working capital was 31 million kroner lower than in the same period last year.

Net interest-bearing debt came to 287 million kroner on June 30, a decrease of 3 million from 290 million on March 31.

Norway Seafoods equity on June 30 was 134 million kroner, representing an equity ratio of 19.4 per cent compared with 18.7 per cent on March 31.

Cash flow

Cash flow from operating activities was positive with 6 million kroner in the second quarter.

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

Cash flow from financing activities was negative with 2 million kroner.

Net cash flow was 0 million kroner.

Events in the quarter and after the balance sheet date

Mehamn factory sold

Norway Seafoods announced earlier this year that the activity in Mehamn was for sale. The factory was sold to Mehamn Fiskeindustri AS in June and employees from Norway

Seafoods will be offered positions in this company. The transaction has limited financial impact for Norway Seafoods.

New Norway Seafoods-branded products in Norway

Norway Seafoods launched a new series of Norway Seafoods-branded products during the second quarter. The series of frozen products extends the series of frozen wild caught fish launched in 2013. The products are available in Rema 1000 stores in Norway.

Outlook

An improved economic situation in Europe is positive for Norway Seafoods operations. Capacity utilization in Norwegian factories is expected to be low during the coming two quarters as a high share of the annual quota already has been caught.

Improving processing efficiency is the main operational objective going forward while strategic efforts for improved product quality, market development and raw material sourcing will continue.

Profit and loss accounts – Group

NOK million	Quarterly development					Year to date		Year
	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	2013	2014	2013
Operating revenues	432,3	395	397	509	397	866	907	1 657
Operating expenses	(429)	(397)	(415)	(506)	(406)	(867)	(912)	(1 667)
EBITDA	3	(2)	(18)	3	(9)	(1)	(5)	(10)
<i>EBITDA Margin</i>	0,7 %	-0,6 %	-4,5 %	0,7 %	-2,1 %	-0,1 %	-0,6 %	-0,6 %
Depreciations	(7)	(7)	(11)	(7)	(6)	(15)	(13)	(33)
EBIT	(5)	(9)	(28)	(3)	(15)	(16)	(18)	(43)
<i>EBIT Margin</i>	-1,1 %	-2,4 %	-7,2 %	-0,6 %	-3,8 %	-1,9 %	-2,0 %	-2,6 %
Non-recurring items	-	-	-	-	-	11	-	-
Net finance	(5)	(1)	(1)	(4)	(3)	(10)	(7)	(13)
Profit before tax	(9)	(11)	(30)	(7)	(18)	(16)	(25)	(56)
Tax on ordinary profit	1	5	3	2	5	2	7	9
Net profit/loss continued operations	(8)	(6)	(27)	(5)	(13)	(14)	(18)	(47)
<i>Net profit/loss discontinued operations</i>	<i>(1)</i>	<i>7</i>	<i>(23)</i>	<i>1</i>	<i>0</i>	<i>(0)</i>	<i>1</i>	<i>(17)</i>
Net profit for the period	(9)	1	(51)	(4)	(13)	(15)	(17)	(64)
Minority interest	(0)	-	0	0	0	(0)	0	-
Majority interest	(9)	1	(51)	(4)	(13)	(15)	(17)	(64)

Norway Seafoods group – Balance sheet

Assets

Amount in NOK million					
	30.06.2013	30.09.2013	31.12.2013	31.03.2014	30.06.2014
Intangible Assets	45	58	55	57	62
Fixed tangible assets	142	136	138	135	132
Total intangible/tangible assets	187	195	193	192	194
Financial interest-bearing fixed assets	19	40	38	33	34
Financial interest-free fixed assets	21	0	0	0	0
Shares and other equity investments	13	5	10	10	10
Total financial fixed assets	53	45	48	43	43
Total fixed assets	240	240	240	235	238
Biological assets					
Inventory	144	120	103	137	144
Interest-free short-term receivables	311	281	269	319	267
Interest-bearing short-term receivables	0	0	0	0	0
Liquid assets	10	1	6	9	9
Assets discontinued operations	187	191	98	35	32
Total current assets	651	593	476	500	452
Total assets	891	832	716	734	689

Equity and liabilities

Amount in NOK million					
	30.06.2013	30.09.2013	31.12.2013	31.03.2014	30.06.2014
Total shareholders' equity	166	153	125	136	133
Minority interests	1	1	1	1	1
Total shareholders' equity and minority interests	167	154	126	137	134
Provisions and other interest-free long-term liabilities	-4	4	2	1	1
Interest-bearing long-term debt	198	196	195	193	189
Total long-term liabilities	194	200	196	194	191
Interest-free short-term debt	228	190	216	250	215
Interest-bearing short-term debt	140	126	102	140	141
Liabilities discontinued operations	162	162	76	13	10
Total short-term liabilities	531	478	394	403	365
Total shareholders' equity and liabilities	891	832	716	734	689

Cash Flow statement from continued operations

NOK million						Year to date		Year
	Q2 13	Q3 13	Q4 13	Q1 14	Q2 14	2013	2014	2013
Profit before tax	(9)	(11)	(30)	(7)	(18)	(16)	(25)	(56)
Sales losses/gains	-	-	3	-	(0)	2	(0)	5
Depreciations and amortisations	7	7	6	7	6	15	13	29
Changes in other net operating assets	(24)	12	55	(33)	18	(31)	(15)	37
Cash flow from operating activities	(26)	9	35	(33)	6	(29)	(28)	15
Cash flow from investing activities	(1)	(2)	(4)	0	(4)	(8)	(3)	(14)
Cash flow from financing activities	17	(15)	(26)	36	(2)	18	33	(5)
Total cash flow from reporting period	(10)	(8)	5	3	(0)	(19)	2	(5)
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	20	9	1	6	2	11	6	11
Cash and cash equivalent at the end of the period	9	1	6	9	2	9	8	6
Not utilised credit facilities	22	40	75	44	86	22	86	75
Cash and cash equivalent at the end of the period, incl. credit facilities	32	41	81	53	88	32	94	81

Oslo, July 16th 2014

The Board of Directors and CEO, Norway Seafoods Group AS