

# Financial report

Q3 2014



Austevoll Seafood ASA

# Financial report

## Q3 2014

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**Austevoll Seafood ASA**

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NORWAY**

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Atlantic salmon and trout: profit figure impacted by high costs and seasonal reduction in prices realised; additional impact of import ban in Russia.

Good sales quarter for pelagic activities in Europe, start-up of main production season in September. 1)

Seasonal reduction in activity for pelagic segment in South America, lower volume realised when compared with same quarter of 2013.

Restricted fishing expected in Peru in fourth quarter.

#### Key figures for the Group

All figures in NOK 1,000	Q3 2014	(restated*)	YTD Q3 2014	(restated*)	(restated*)
		Q3 2013		YTD Q3 2013	2013
Operating income	3 350 559	3 283 016	10 537 683	8 786 230	12 409 756
EBITDA	421 487	605 046	1 868 565	1 633 398	2 226 108
EBITDA %	13 %	18 %	18 %	19 %	18 %
EBIT	276 702	472 520	1 450 932	1 248 920	1 607 093
Pre tax profit	34 522	132 638	511 266	1 129 574	2 380 223
Earnings per share (EPS) from continuing operations	0,25	0,25	1,39	2,03	4,66
Total assets	20 082 577	20 007 394	20 082 577	20 007 394	21 224 259
Equity	10 597 344	9 698 057	10 597 344	9 698 057	10 699 318
Equity ratio	53 %	48 %	53 %	48 %	50 %
Net interest bearing debt (NIBD)/	3 641 456	4 529 725	3 641 456	4 529 725	4 767 714

\* All comparative amounts for 2013 have been restated, as Welcon Invest AS and Norway Pelagic Holding AS are reported as held for sale in 2013.

1) Key figures for pelagic activities in Europe are reported under the Pelagic North Atlantic segment.

## Q3 2014

Group revenue in Q3 2014 totalled NOK 3,351 million, up from NOK 3,283 million in the same period in 2013. The increase in turnover is attributed to a higher sales volume for the segment for Atlantic salmon and trout. The fishmeal and fish oil segment reported a fall in turnover when compared with the same period in 2013, caused by lower sales volume.

The Group's operating profit before depreciation and value adjustment of biomass (EBITDA) for Q3 2014 was NOK 421 million compared with NOK 605 million in Q3 2013. As previously notified, the Group's share of Villa Organic AS is now reported as a wholly-owned interest with effect from Q3 2014, and the business combination generated a gain of NOK 75 million.

EBIT before value adjustment of biomass in Q3 2014 was NOK 277 million compared with NOK 473 million in Q3 2013.

All the Group's segments reported a lower profit figure for the quarter when compared with the same quarter in 2013. For fishmeal and fish oil, the reduction has been caused by a decline in sales volume. For Atlantic salmon and trout, the decline is due to the seasonal reduction in prices realised and the ban on imports imposed by Russia. Moreover, and as expected, the profit figure was negatively impacted by the increase in output costs for Atlantic salmon and trout.

Value adjustment of biomass in accordance with IFRS was negative by NOK 222 million during the quarter, compared with the negative IFRS biomass adjustment for the same period in 2013 of NOK 319 million.

Revenue from associates for Q3 2014 totalled NOK 45 million (Q3 2013: NOK 35 million). The largest associates are Norskott Havbruk AS (owner of the Scottish fish farming company Scottish Sea Farms Ltd.), Brødrene Birkeland AS and Pelagia AS. Villa Organic AS was an associate up to the end of the first half of 2014, and was demerged in the summer of 2014. Lerøy Seafood Group ASA's share is reported as a wholly-owned Group holding from and including Q3 2014.

The Group's net interest expense in Q3 2014 totalled NOK 47 million (Q3 2013: NOK 56 million).

**Profit before tax and biomass adjustment for Q3 2014 was NOK 256 million, compared with a profit before tax and biomass adjustment in Q3 2013 of NOK 452 million.**

The profit before tax for the quarter totalled NOK 35 million (Q3 2013: NOK 133 million).

The Group is financially sound with an equity ratio of 53%. The Group's net interest-bearing debt at the end of the quarter totalled NOK 3,641 million. At the end of September 2013, NIBD amounted to NOK 4,530 million.

## Operating segments

### Fishmeal and fish oil

As Welcon Invest AS was reported as held for sale in 2013, the comparative amounts for 2013 have been restated accordingly. As of 2013, Welcon Invest AS is no longer reported for this segment and is reported for the same period under the Pelagic North Atlantic segment. The segment for fishmeal and fish oil comprises the businesses in Peru and Chile.

Operating revenue in Q3 2014 totalled NOK 269 million (NOK 544 million in Q3 2013) and EBITDA amounted to NOK 53 million (NOK 177 million in Q3 2013).

The decline in turnover and EBITDA is attributed to the considerably lower sales volume in Q3 2014 when compared with the same period in 2013.

The fishing season in Chile for sardines/anchoveta in 2014 has been good and has shown an improvement when compared with 2013. The total quota for region 5-10 in 2013 was approx. 700,000 tonnes, while the total portion of the quota caught was approx. 30%. The quota in 2014 was approx. 602,000 tonnes. By the end of the first half of the year, approx. 90% of the total quota had been caught. There has been a seasonal break from fishing in the third quarter. Fishing re-started at the end of October, but the fish still showed signs of carrying a lot of roe so fishing was stopped provisionally and re-started on 6 November.

The quota for the first season of 2014 in Peru was set at 2,530,000 tonnes, compared with 2,050,000 for the same season last year. The fishing season started on 23 April. This season has presented some challenges, and only 66% of the total quota in Peru had been caught by the end of the season (10 August). On this date, the Group's fleet had caught 78% of the Group's total quota of 173,800 tonnes.

A total of 23,800 tonnes of fishmeal and oil were sold in Q3 2014, compared with approx. 47,200 tonnes in the same quarter of 2013. In Peru, the Group has an inventory totalling approx. 21,000 tonnes of fishmeal and fish oil at the start of the fourth quarter from production during the first season of 2014.

Prices realised for fishmeal (Peru) in the quarter were practically unchanged from Q3 2013, while the prices realised for fish oil were significantly lower.

The Peruvian government marine institute IMARPE carried out an investigation in September and consequently recommended that the second season for fishing in Central/North Peru not be opened in 2014. As a result, the Group does not expect to have a fishing season in the fourth quarter of 2014 in Peru.

Due to the difficult oceanographic conditions present when IMARPE carried out its investigation in September, the institute has now started a new investigation at the start of November to conduct new measurements of biomass. At the time of writing, the investigation had not been completed and the Group

expects to receive updated information from the investigation in mid December.

### **Consumer products**

Operating revenue in Q3 2014 totalled NOK 77 million (NOK 62 million in Q3 2013) and EBITDA amounted to NOK -33 million (NOK -24 million in Q3 2013).

The total volume of consumer products sold is as follows: approx. 4,400 tonnes of frozen products (horse mackerel and squid) compared with 3,000 tonnes in the same period in 2013; a total of 144,000 boxes of canned product compared with approx. 184,000 boxes in Q3 2013 (Chile and Peru).

In recent years, the operation in Chile has introduced production of squid. This product has represented an important contribution in 2014 towards raw materials for production of frozen products for the company. In Chile, the horse mackerel quota had been caught by the end of the first half of the year (48,000 tonnes) and approx. 50% of this quota was used for production of frozen products. The percentage utilised for frozen products is lower than last year, due to the decision to utilise a higher proportion of the year's catch for production of fishmeal and fish oil, based on market demand.

As normal, the third quarter is a low season for production in both Peru and Chile. There has been no fishing for consumer products in Peru in the quarter. In Chile, both fishing and production have been based on squid.

### **Production, sale and distribution of Atlantic salmon and trout**

This operating segment comprises Lerøy Seafood Group ASA (LSG). In Q3 2014, the segment reported operating revenue of NOK 3,036 million (Q3 2013: NOK 2,690 million) and EBITDA before value adjustment of biomass of NOK 398 million (Q3 2013: NOK 451 million).

As mentioned in the interim report for Q2 2014, LSG's share of Villa Organic was reported as a wholly-owned Group holding from the start of the third quarter. The business combination with Villa Organic generated a gain of NOK 75 million. As a result of the business combination, LSG's North Norway region now has right of disposal to eight new licences, facilitating substantial growth for the company in 2015 and 2016.

As a result of higher output costs and lower prices, LSG reported lower prices realised and a lower operating profit in Q3 2014 when compared with Q2 2014. The region of Hordaland in particular experienced a difficult quarter with significant biological difficulties and a resulting increase in costs, partly due to the unusually warm temperatures in the summer. The Group currently expects to have lower output costs than those reported in the third quarter of 2014.

As normal for the season, the supply of salmon from Norway saw an increase in the third quarter of 2014, causing pressure

on the spot prices for salmon and trout. Moreover, Russia introduced a ban on imports of Norwegian salmon and trout on 7 August 2014. Russia is normally a major market for Norwegian salmon and trout, and is particularly important in the autumn, when as a rule sales to this market see a substantial increase. The ban on imports to Russia came at a difficult point in time and, in conjunction with the seasonal increase in supply has, as expected, had a negative impact on the prices realised for salmon and trout in the quarter.

The segment reported harvests of 41,499 tonnes gutted weight of salmon and trout in Q3 2014 compared with 36,643 tonnes in the same quarter last year, an increase in slaughter volume of 13%. The segment reported contractual coverage of 38% in Q3 2014.

### **Pelagic North Atlantic**

This operating segment comprises Pelagia AS and its subsidiaries, Welcon Invest AS, Norway Pelagic Holding AS and Egersund Fisk AS. AUSS's consolidated financial statements report the joint venture Pelagia AS as an associate, in accordance with IFRS 11. In the notes to the financial statements for this segment (note 4), and the description of the segment in this report, the financial information comprises 50% of Pelagia AS's total turnover, EBITDA, EBIT and sales volume. This corresponds to AUSS's shareholding in the company.

The figures reported for 2013 are proforma amounts compiled as if Pelagia had been founded on 1 January 2013. These proforma figures have been prepared in order to allow for comparison of the quarterly and annual figures as a whole for the entire operating segment.

The figures representing 50% of turnover generated by the operating segment are NOK 615 million (Q3 2013, proforma: NOK 651 million) and EBITDA of NOK 77 million (Q3 2013, proforma: NOK 58 million).

The segment had a good quarter in terms of sales of fishmeal and fish oil. Sales of consumer products were also good from and including the start of the main season in September.

As normal, July and August are the low season for receipt of raw materials, and the total volume of raw materials received by the Group was approx. 227,000 for the quarter, compared with approx. 164,000 tonnes in the same quarter of 2013.

The ban on imports introduced by Russia has had a lesser impact on the autumn season than indicated by the uncertainty surrounding possible turnover difficulties on the date the ban was introduced, 7 August 2014.

### **Cash flows**

Cash flow from operating activities for Q3 2014 was NOK 139 million (NOK 566 million in Q3 2013). Cash flow from investing activities for the third quarter 2014 was negative at

NOK 214 million (-NOK 956 million in Q3 2013) and mainly comprises investments in maintenance. In Q3 2013, AUSS acquired 50% of the shares in Welcon Invest AS at a total cost of NOK 740 million. Cash flow from financing activities for Q3 2014 totalled NOK 350 million. Certain parts of the Group have been refinanced, generating a positive cash flow from financing activities (NOK 489 million in Q3 2013). Net change in cash for the Group in Q3 2014 was NOK 275 million (NOK 99 million in Q3 2013). The Group's cash and cash equivalents at the end of September 2014 totalled NOK 1,991 million compared with NOK 1,867 million at the end of September 2013.

## Financial information as of 30 September 2014

The Group reported operating revenue of NOK 10,538 million at the end of September 2014 (NOK 8,786 million as of September 2013). EBITDA before value adjustment of biomass totalled NOK 1,869 million as of 30 September 2014 (NOK 1,633 million at end September 2013).

The increase in turnover and EBITDA is generated by the segments for salmon and trout and for fishmeal and oil. EBIT before value adjustment of biomass as of 30 September 2014 was NOK 1,451 million (NOK 1,249 million as of 30 September 2013). Value adjustment of biomass in accordance with IFRS was negative by NOK 906 million, compared with the IFRS biomass adjustment for the same period in 2013 of minus NOK 19 million. EBIT after value adjustment of biomass as of 30 September 2014 was NOK 545 million (NOK 1,230 million as of 30 September 2013).

As of 30 September 2014, income from associates totalled NOK 109 million (NOK 97 million as of 30 September 2013). Net interest expense for the Group as of 30 September 2014 amounted to NOK 136 million (NOK 153 million as of 30 September 2013).

**The profit before tax and biomass adjustment as of 30 September 2014 is NOK 1,418 million, against the comparison figure from the same period in 2013 of NOK 1,149 million.**

Profit before tax as of 30 September 2014 totalled NOK 511 million (NOK 1,130 million as of 30 September 2013).

## Cash flows

As of 30 September 2014, cash flow from operating activities totalled NOK 1,266 million (NOK 1,297 million as of 30 September 2013). Tax paid as of 30 September 2014 totalled NOK 387 million, against NOK 150 million for the same period in 2013. Cash flow from investing activities as of 30 September 2014 was NOK 568 million (NOK -1,541 million as of 30 September 2013). The positive cash flow from investing activities is attributed to the establishment of Pelagia AS that generated more than NOK 1,000 million in cash for AUSS. At the end of September 2013, the figure reported for cash flow from investing activities included AUSS' acquisition of 50% of

the shares in Welcon Invest AS and the acquisition of approx. 57% of the shares in Norway Pelagic AS, totalling more than NOK 900 million. Cash flow from financing activities as of 30 September 2014 was NOK -1,377 million (NOK -76 million as of 30 September 2013). Dividend payments made by the Group amount to NOK 571 million, whereas the corresponding payment in 2013 was NOK 409 million. Moreover, AUSS has made a downward adjustment to a long-term overdraft facility of NOK 740 million in the quarter. The net change in cash for the Group as of 30 September 2014 amounted to NOK 457 million (NOK -320 million as of 30 September 2013). Cash and cash equivalents for the Group at the end of September 2014 totalled NOK 1,991 million compared with NOK 1,867 million at the end of September 2013.

## Balance sheet as of 30 September 2014

At the end of September 2014, the Group had a balance sheet total of NOK 20,083 million compared with NOK 20,007 million at the end of September 2013.

The Group is financially sound with a book value of equity at the end of Q3 2014 of NOK 10,597 million, which corresponds to an equity ratio of 53%. At end September 2013, the book value of equity for the Group was NOK 9,698 million, or an equity ratio of 48%.

Net interest-bearing debt amounted to NOK 3,641 million at the end of September 2014 compared with NOK 4,530 million at 30 September 2013.

The Group's cash and cash equivalents at the end of September 2014 totalled NOK 1,991 million compared with NOK 1,867 million at the end of September 2013. The Group's cash and cash equivalents do not include unused lines of credit.

## Risks and uncertainties

The Group's risk exposure is described in the consolidated financial statements for 2013. The Group's activities are mainly global and will always be impacted to varying degrees by developments in the global economy. In light of the turmoil in the global economy in recent years, in addition to political trade barriers and geopolitical risk, the general consensus is that macro-economic uncertainty is still greater than normal. Although this situation may have a negative impact on the real economy in most markets, it is our opinion that AUSS's core business is founded on long-term sustainable assets within interesting segments of the global seafood industry.

The Group is exposed to risk related to the value of the Group's assets. Risk arises mainly as a result of changes in the prices of raw materials and finished products, to the extent that these changes impact the company's ability to compete and its earnings potential over time. Operational factors, such as marine biomass, fishing conditions and price developments for the Group's input factors, are other key parameters that have an

impact on risk for the Group.

Changes in fishing patterns and quota regulations result in fluctuating catch volumes from quarter to quarter and from year to year, and subsequently in the utilisation of the company's production facilities. The seasonal fluctuations in catch volumes create similar fluctuations in the interim key figures.

The Group has a floating interest rate for the main share of its debt, but has signed fixed interest rate contracts for approx. 18% of its interest-bearing debt.

The Group is exposed to fluctuations in foreign exchange rates, particularly in EUR, GBP, USD, Chilean Peso and Peruvian Soles. Measures to reduce this risk include forward contracts and multi-currency overdraft facilities. Furthermore, parts of the long-term debt are adapted in relation to earnings in the same currency.

## Shareholders

As of 30 September 2014, the company had 4,128 shareholders against a comparative figure of 4,324 shareholders at the end of September 2013. The share price was NOK 42.70 at the end of September 2014 compared with NOK 33.50 as of 30 September 2013.

## Market and outlook

### Fishmeal and fish oil

Subsequent to the IMARPE recommendation not to open the second fishing season in Peru this year, the Group does not have high expectations in relation to the supply of raw materials in Q4 in Peru. This has generated a notable increase in the prices for fishmeal and fish oil, as Peru is a major producer of fishmeal and fish oil for the worldwide market. Prices for fishmeal FOB Peru (superprime) are currently USD 2,400, and for fish oil used for feed (FOB Peru) the prices are USD 2,400.

### Consumption

The Group has taken action in recent years to increase its volume of raw materials. This initiative has been particularly successful with squid, where the Group has achieved large catches and a high production rate (Chile). Due to a difficult market for frozen products in 2014, a proportion of the volume of raw materials has been utilised for production of fishmeal and fish oil (Chile).

## Pelagic North Atlantic

The main seasons for receipt of raw materials and production for this segment are the first and fourth quarters. The basic supply of raw materials, according to Norwegian quotas, is lower in 2014 than in 2013, particularly for Norwegian spring-spawning herring. Sanctions imposed by Russia (ban on imports) that came into effect from the start of August have had a lesser impact on the autumn season than that indicated by the level of uncertainty when the ban was first introduced.

## Production, sale and distribution of salmon and trout

The strong growth in global supply of Atlantic salmon experienced over the last couple of years has declined in 2014. Russia introduced a ban on the import of Norwegian salmon and trout on 7 August 2014. The ban represents a significant, short-term challenge for the Norwegian seafood industry, as it does for the industry in Russia. LSG is working hard to increase sales to alternative markets, but unfortunately there was little we could do to prevent the import ban from having a negative impact on the prices realised by LSG in the third quarter. We currently expect the market situation to gradually return to normal, due to an underlying strong growth in demand, successful marketing initiatives, but also as a result of a change in the global trade flows for salmon and trout. Demand for high-quality seafood is high, and clear trends can be identified that substantiate increased demand for fresh products. With this in mind the future outlook for the segment is positive.

## The Group

The development of long-lasting values requires patience and the ability to think in the long term. The Group is financially sound, reports a positive development and currently has a strong position on a number of seafood markets worldwide. The Group shall continue to grow and further develop over time within its current operating segments.

Bearing in mind the prevailing framework conditions for the Group's operations, the Board of Directors is largely satisfied with the Group's results for Q3 2014.

The Group's strong position within the global seafood business provides grounds for a positive outlook for the Group's future development.

Storebø, 11 November 2014

The Board of Directors of Austevoll Seafood ASA

## Income Statement (unaudited)

All figures in NOK 1.000	(restated)			(restated)	
	Q3 2014	Q3 2013	2014	Q3 2013	2013
<b>Operating revenue</b>	3 350 559	3 283 016	10 537 683	8 786 230	12 409 756
Raw material and consumables used	2 140 251	1 992 196	6 411 554	5 271 797	7 491 072
Salaries and personnel expenses	410 269	381 215	1 113 287	1 001 355	1 423 334
Other operating expenses	378 552	304 559	1 144 277	879 680	1 269 242
<b>Operating profit before depreciation (EBITDA)</b>	<b>421 487</b>	<b>605 046</b>	<b>1 868 565</b>	<b>1 633 398</b>	<b>2 226 108</b>
Depreciation and amortisation	145 463	134 176	422 054	389 505	529 474
Impairment	-678	-1 650	-4 421	-5 027	89 541
<b>EBIT before fair value biomass adjustment</b>	<b>276 702</b>	<b>472 520</b>	<b>1 450 932</b>	<b>1 248 920</b>	<b>1 607 093</b>
Fair value adjustment biomass	-221 884	-319 125	-906 226	-19 081	764 229
<b>Operating profit</b>	<b>54 818</b>	<b>153 395</b>	<b>544 706</b>	<b>1 229 839</b>	<b>2 371 322</b>
Income from associated companies	45 406	35 095	108 551	96 840	248 350
Net interest expenses	-47 069	-55 932	-135 633	-152 671	-195 792
Net other financial items (incl. agio/disagio)	-18 633	80	-6 358	-44 434	-43 657
<b>Profit before tax</b>	<b>34 522</b>	<b>132 638</b>	<b>511 266</b>	<b>1 129 574</b>	<b>2 380 223</b>
Income tax expenses	11 914	-46 651	-94 621	-300 372	-580 768
<b>Net profit from continuing operations</b>	<b>46 436</b>	<b>85 987</b>	<b>416 645</b>	<b>829 202</b>	<b>1 799 455</b>
Net profit from discontinued operation	-	-246 687	-	-238 699	-238 699
<b>Net profit</b>	<b>46 436</b>	<b>-160 700</b>	<b>416 645</b>	<b>590 503</b>	<b>1 560 756</b>
Profit to minority interests	-3 501	36 219	134 727	417 216	855 411
Profit to equity holder of parent from continuing operations	49 937	49 768	281 918	411 986	944 044
Profit to equity holder of parent from discontinuing operations	-	-246 687	-	-238 699	-238 699
<b>Net profit to equity holder of parent from cont. and discont. operations</b>	<b>49 937</b>	<b>-196 919</b>	<b>281 918</b>	<b>173 287</b>	<b>705 345</b>
Earnings per share (EPS) from continuing operations	0,25	0,25	1,39	2,03	4,66
Diluted EPS from continuing operations	0,25	0,25	1,39	2,03	4,66
EPS excl.fair value adj biomass from continuing operations	0,75	0,95	3,43	2,07	2,96
EPS from discontinuing operations	-	-1,22	-	-1,18	-1,18
<b>EPS from continuing and discontinuing operations</b>	<b>0,25</b>	<b>-0,97</b>	<b>1,39</b>	<b>0,85</b>	<b>3,48</b>

## Condensed Statement of Comprehensive income (unaudited)

All figures in NOK 1.000	(Restated)			(Restated)	
	Q3 2014	Q3 2013	2014	Q3 2013	2013
<b>Net earnings in the period</b>	<b>46 436</b>	<b>-160 700</b>	<b>416 645</b>	<b>590 503</b>	<b>1 560 756</b>
<b>Other comprehensive income</b>					
Currency translation differences	58 815	28 068	100 719	113 263	156 998
Other comprehensive income from associated companies	-	-	-15	-	-
Cash flow hedges	-8 819	6 403	-39 896	11 239	8 785
Change in value available for sale financial assets	-	-	-	-487	-487
Others	-5 478	50	-6 895	-1 132	431
<b>Total other comprehensive income</b>	<b>44 518</b>	<b>34 521</b>	<b>53 913</b>	<b>122 883</b>	<b>165 727</b>
<b>Comprehensive income in the period</b>	<b>90 954</b>	<b>-126 179</b>	<b>470 558</b>	<b>713 386</b>	<b>1 726 483</b>
<b>Allocated to;</b>					
Minority interests	-10 986	68 770	117 081	454 150	907 821
Majority interests	101 940	-194 949	353 477	259 236	818 662



## Statement of Financial Position (unaudited)

All figures in NOK 1.000	(restated)		
	30.09.14	30.09.2013	31.12.13
<b>Assets</b>			
Intangible assets	6 280 524	5 969 923	6 035 665
Vessels	409 515	422 348	455 172
Property, plant and equipment	3 846 170	3 662 473	3 640 683
Investments in associated companies	1 617 728	904 170	1 060 925
Investments in other shares	32 298	31 334	31 328
Other long-term receivables	75 437	47 562	52 773
<b>Total non-current assets</b>	<b>12 261 672</b>	<b>11 037 810</b>	<b>11 276 546</b>
Inventories	3 853 222	3 514 908	4 467 682
Accounts receivable	1 416 437	1 296 672	1 704 898
Other current receivables	560 556	525 758	585 613
Assets classified as held for sale	-	1 765 654	1 793 241
Cash and cash equivalents	1 990 690	1 866 592	1 396 279
<b>Total current assets</b>	<b>7 820 905</b>	<b>8 969 584</b>	<b>9 947 713</b>
<b>Total assets</b>	<b>20 082 577</b>	<b>20 007 394</b>	<b>21 224 259</b>
<b>Equity and liabilities</b>			
Share capital	101 359	101 359	101 359
Share premium	3 713 549	3 713 549	3 713 549
Retained earnings and other reserves	3 536 057	2 951 037	3 506 926
Non-controlling interests	3 246 379	2 932 112	3 377 484
<b>Total equity</b>	<b>10 597 344</b>	<b>9 698 057</b>	<b>10 699 318</b>
Deferred tax liabilities	1 851 710	1 854 330	2 090 835
Pensions and other obligations	98 153	47 063	45 370
Borrowings	4 574 159	4 962 337	4 950 287
Other long-term liabilities	13 492	11 485	10 512
<b>Total non-current liabilities</b>	<b>6 537 514</b>	<b>6 875 215</b>	<b>7 097 004</b>
Short term borrowings	597 348	956 542	604 042
Overdraft facilities	460 639	477 438	659 664
Account payable	1 065 064	1 075 148	1 179 802
Other current liabilities	824 668	924 994	984 429
<b>Total current liabilities</b>	<b>2 947 719</b>	<b>3 434 122</b>	<b>3 427 937</b>
<b>Total liabilities</b>	<b>9 485 233</b>	<b>10 309 337</b>	<b>10 524 941</b>
<b>Total equity and liabilities</b>	<b>20 082 577</b>	<b>20 007 394</b>	<b>21 224 259</b>
NIBD	3 641 456	4 529 725	4 767 714
Equity ratio	53 %	48 %	50 %

## Condensed Statement of changes in equity (unaudited)

All figures in NOK 1.000	(restated)		
	30.09.14	30.09.2013	2013
<b>Equity period start</b>	<b>10 699 318</b>	<b>9 399 809</b>	<b>9 399 809</b>
<b>Comprehensive income in the period</b>	<b>470 558</b>	<b>713 386</b>	<b>1 726 483</b>
Dividends	-571 450	-406 872	-415 212
Business combinations/acquisition	-	-	-
Transactions with non-controlling interest	-1 082	-	-3 509
Effect option programme	-	-	-
Other	-	-8 266	-8 253
<b>Total changes in equity in the period</b>	<b>-101 974</b>	<b>298 248</b>	<b>1 299 509</b>
<b>Equity at period end</b>	<b>10 597 344</b>	<b>9 698 057</b>	<b>10 699 318</b>

## Cash flow statement (unaudited)

All figures in NOK 1.000	(restated)				2013
	Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013	
<b>Cash flow from operating activities</b>					
Profit before income taxes	34 522	132 638	511 266	1 129 574	2 380 223
Fair value adjustment of biological assets	221 884	319 125	906 226	19 081	-764 229
Taxes paid in the period	-17 746	-33 431	-386 813	-149 773	-181 463
Depreciation and amortisation	145 463	134 176	422 054	389 505	529 474
Impairments	-678	-1 650	-4 421	-5 027	89 541
Associated companies - net	-45 406	-35 095	-108 551	-96 840	-248 350
Interest expense	56 803	64 464	166 021	190 136	240 792
Interest income	-9 733	-8 533	-30 387	-37 465	-45 000
Change in inventories	-227 948	-122 261	-213 552	-203 654	-373 118
Change in receivables	49 109	-54 259	340 035	-193 518	-661 599
Change in payables	99 573	148 186	-114 977	161 467	266 121
Other operating cash flow incl currency exchange	-167 163	22 544	-220 945	93 559	129 233
<b>Net cash flow from operating activities</b>	<b>138 680</b>	<b>565 904</b>	<b>1 265 956</b>	<b>1 297 045</b>	<b>1 361 625</b>
<b>Cash flow from investing activities</b>					
Purchase of intangible and fixed assets	-225 808	-282 856	-615 477	-650 243	-919 920
Purchase of shares and equity investments		-755 923	-1 746	-1 088 253	-1 139 493
Proceeds from sale of fixed assets/equity investments	3 077	74 765	1 127 754	135 766	167 669
Dividend received	-	-	40 028	27 216	41 019
Interest income	9 733	8 533	30 387	37 465	45 000
Other investing activities - net	-1 209	-240	-13 141	-2 735	-6 325
<b>Net cash flow from investing activities</b>	<b>-214 207</b>	<b>-955 721</b>	<b>567 805</b>	<b>-1 540 784</b>	<b>-1 812 050</b>
<b>Cash flow from financing activities</b>					
Proceeds from new long term debt	608 471	811 270	752 920	985 862	1 843 509
Repayment of long term debt	-150 006	-113 578	-1 193 132	-397 618	-1 628 506
Change in short term debt	-51 070	-135 702	-206 833	-58 042	99 451
Interest paid	-55 544	-69 229	-157 359	-197 581	-242 220
Dividends paid		-3 610	-571 451	-408 939	-411 474
Other finance cash flow - net	-1 381	-	-1 082	-	-
<b>Net cash flow from financing activities</b>	<b>350 470</b>	<b>489 151</b>	<b>-1 376 937</b>	<b>-76 318</b>	<b>-339 240</b>
Net change in cash and cash equivalents	274 943	99 334	456 824	-320 057	-789 665
Cash, and cash equivalents at start of period	1 581 156	1 753 397	1 396 279	2 162 261	2 162 262
Exchange gains/losses (-)	1 034	13 861	4 030	24 388	23 681
Cash from business combination	133 557		133 557		
<b>Cash and cash equivalents at period end</b>	<b>1 990 690</b>	<b>1 866 592</b>	<b>1 990 690</b>	<b>1 866 592</b>	<b>1 396 278</b>

The cash flow presented above is not including cash flow from discontinued operations.

<b>Cash flow from discontinued operations is as follows:</b>	<b>Q3 2013</b>	<b>YTD Q3 2013</b>	<b>2013</b>
Net operating cash flow from discontinued operations	243 047	411 712	232 170
Net investing cash flow from discontinued operations	-29 632	-76 238	-87 303
Net financing cash flow from discontinued operations	-194 385	-285 746	-22 957
<b>Net change in cash from discontinued operations</b>	<b>-</b>	<b>19 030</b>	<b>121 910</b>

## Note 1 Accounting policies

This interim report has been prepared in accordance with the International Financial Reporting Standards (IFRS) and the related standard for interim financial reporting (IAS 34). The interim report, including historical comparative amounts, is based on current IFRS standards and interpretations. Changes in the standards and interpretations may result in changes to the result. The quarterly report has been prepared in accordance with the same policies applied to the most recent annual report, but does not contain all the information and notes required for an annual report. The Group has implemented IFRS 10, 11 and 12 with effect from 1 January 2014, although these new standards have not had a significant impact on the figures reported. This report must therefore be read in the context of the most recent annual report from the company (2013).

## Note 2 Related party transactions

There were related party transactions in Q3 2014. Related party transactions take place on market terms and the relevant types of transactions are described in detail in the 2013 annual report.

## Note 3 Biological assets

LSG recognizes and measures biological assets (fish in the sea) at fair value. When estimating the fair value, the price is adjusted for quality differences (superior, ordinary, and process), together with cost of logistics. The volume is adjusted for gutting loss. Fair value of biological assets with an average weight below 4 kg is adjusted based on stage of completion in relation to the growth cycle. The value is not adjusted to a lower amount than historical cost unless one expects a loss on future sales. When it comes to fry, brood and smolt the accumulated historical cost is regarded to represent the best estimate of fair value.

<b>Carrying amount of biological assets</b>	<b>YTD 2014</b>	<b>YTD 2013</b>	<b>2013</b>
Fish in sea at historic cost	2 658 168	2 462 114	2 419 003
Fair value adjustment fish in sea	206 875	331 019	1 110 502
Fair value fish in sea	2 865 043	2 793 133	3 529 505
Fry, brood and smolt	154 261	129 589	197 856
Carrying amount of biological assets	3 019 304	2 922 722	3 727 361

<b>Fair value adjustment</b>	<b>Q3 2014</b>	<b>(restated)</b>		<b>YTD 2014</b>	<b>YTD 2013</b>	<b>2013</b>
		<b>Q3 2013</b>				
Change IFRS adj. biological assets	-220 952	-320 790		-903 627	-16 171	763 312
Change IFRS adj. derivatives	-932	1 665		-2 599	-2 910	917
Fair value adj. biological assets	-221 884	-319 125		-906 226	-19 081	764 229

The change in fair value adjustment of biomass in the income statement includes unrealized gain/loss on financial sales- and purchase contracts (derivatives) on Fish Pool. Fish Pool contracts are assessed as financial instruments in the balance sheet statement, where unrealized gain is recognized as other short term receivables, and unrealized loss is recognized as other short term debt.

<b>Volume of fish in sea (LWT)</b>	<b>Q3 2014</b>	<b>(restated)</b>		<b>YTD 2014</b>	<b>YTD 2013</b>	<b>2013</b>
		<b>Q3 2013</b>				
Volume at beginning of period	88 048	83 385		103 107	103 949	103 949
Business combinations	2 574	0		2 574	0	0
Growth during the period	66 576	63 848		141 536	124 443	174 689
Harvested volume during the period	-50 351	-44 467		-140 370	-125 626	-175 531
Volume at end of period	106 847	102 766		106 847	102 766	103 107
Fish > 4kg	29 056	34 091		29 056	34 091	41 529

Both harvested volume and growth in the table above are based on a recalculation from gutted weight (GWT) to life weight (LWT). In the recalculation a loss from of 17% is used for salmon and 20% for salmon trout.

## Note 4 Operating segments

All figures in NOK 1.000	Salmon	Fishmeal and fish oil	Human Consumption	Other/ eliminations	Total Group	Pelagia AS * (50% of figures and volumes)	Total Group incl. Pelagia AS (50%)
<b>Q3 2014</b>							
Operating revenue	3 036 495	268 621	77 224	-31 781	3 350 559	614 551	3 965 110
EBITDA	397 764	52 961	-33 414	4 176	421 487	76 682	498 169
EBITDA %	13 %	20 %	-43 %		13 %	12 %	13 %
EBIT	302 758	22 211	-48 077	-190	276 702	56 681	333 383
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	41 499				41 499		41 499
Fishmeal (tonnes)		17 186			17 186	17 637	34 823
Fish oil (tonnes)		6 663			6 663	4 390	11 053
Frozen fish (tonnes)			4 429		4 429	37 940	42 369
Canning (cases)			144 113		144 113		144 113
FPC/Oil (tonnes)						1 149	1 149
<b>Q3 2013</b>							
Operating revenue	2 690 237	543 593	62 118	-12 932	3 283 016	650 820	3 933 836
EBITDA	450 835	177 028	-24 339	1 522	605 046	58 108	663 154
EBITDA %	17 %	33 %	-39 %		18 %	9 %	17 %
EBIT	369 689	151 276	-45 586	-2 859	472 520	37 692	510 212
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	36 643				36 643		36 643
Fishmeal (tonnes)		44 170			44 170	14 864	59 034
Fish oil (tonnes)		3 046			3 046	6 830	9 876
Frozen fish (tonnes)			2 957		2 957	27 143	30 100
Canning (cases)			184 163		184 163		184 163
FPC/Oil (tonnes)						7 538	7 538

All figures in NOK 1.000	Salmon	Fishmeal and fish oil	Human Consumption	Other/ eliminations	Total Group	Pelagia AS * (50% of figures and volumes)	Total Group incl. Pelagia AS (50%)
<b>YTD Q3 2014</b>							
Operating revenue	9 393 161	930 172	284 325	-69 975	10 537 683	1 796 458	12 334 141
EBITDA	1 626 292	273 752	-37 385	5 906	1 868 565	156 376	2 024 941
EBITDA %	17 %	29 %	-13 %		18 %	9 %	16 %
EBIT	1 353 433	180 723	-76 459	-6 765	1 450 932	95 662	1 546 594
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	115 779				115 779		115 779
Fishmeal (tonnes)		70 271			70 271	50 054	120 325
Fish oil (tonnes)		15 653			15 653	13 358	29 011
Frozen fish (tonnes)			15 404		15 404	111 070	126 474
Canning (cases)			526 428		526 428		526 428
FPC/Oil (tonnes)						2 724	2 724
<b>YTD Q3 2013 (restated)</b>							
Operating revenue	7 588 835	922 903	290 845	-16 353	8 786 230	1 901 662	10 687 892
EBITDA	1 432 777	210 508	-12 787	2 900	1 633 398	166 775	1 800 173
EBITDA %	19 %	23 %	-4 %		19 %	9 %	17 %
EBIT	1 201 193	127 053	-69 275	-10 051	1 248 920	104 495	1 353 415
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	103 582				103 582		103 582
Fishmeal (tonnes)		69 252			69 252	41 660	110 912
Fish oil (tonnes)		6 584			6 584	15 506	22 090
Frozen fish (tonnes)			13 851		13 851	105 321	119 172
Canning (cases)			949 136		949 136		949 136
FPC/Oil (tonnes)						17 894	17 894
<b>2013</b>							
Operating revenue	10 818 519	1 261 931	350 297	-20 991	12 409 756	2 972 175	15 381 931
EBITDA	1 938 474	319 060	-36 052	4 626	2 226 108	259 909	2 486 017
EBITDA %	18 %	25 %	-10 %		18 %	9 %	16 %
EBIT	1 625 799	127 430	-133 414	-12 722	1 607 093	174 045	1 781 138
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	144 784				144 784		144 784
Fishmeal (tonnes)		92 801			92 801	57 310	150 111
Fish oil (tonnes)		14 156			14 156	18 995	33 151
Frozen fish (tonnes)			14 662		14 662	184 427	199 089
Canning (cases)			1 126 396		1 126 396		1 126 396
FPC/Oil (tonnes)						24 414	24 414

\* Figures and volumes Q3 13, YTD Q3 13 and full year 2013 are proforma figures for Pelagia Group as the transaction had taken place January 1st. 2013.

## Note 5 Associated companies

			(Restated)	(Restated)		
		Q3 2014	Q3 2013	YTD Q3 2014	YTD Q3 2013	2013
Norskott Havbruk AS	50,0 %	10 421	28 994	65 031	67 725	101 075
Pelagia AS	50,0 %	42 445	-	67 588	-	
Br. Birkeland AS	49,9 %	-9 503	956	-22 591	11 889	55 403
Villa Organic AS	47,8 %	-	7 998	-5 418	17 998	91 997
Others		2 043	-2 853	3 941	-772	-126
<b>Total income from ass.companies</b>		<b>45 406</b>	<b>35 095</b>	<b>108 551</b>	<b>96 840</b>	<b>248 350</b>
<b>Total investment</b>				<b>1 617 728</b>	<b>904 170</b>	<b>1 060 925</b>

## Note 6 Business combinations

Villa Organic AS was per 30 June 2014 an associated company for the group (owned 49.5% by Lerøy Seafood Group ASA).

In July 2014, the Villa group was restructured. As part of the restructuring, Villa Arctic AS was merged with the parent company Villa Organic AS. Villa Organic AS was then de-merged, and the assets and liabilities of Villa Organic AS was split between Lerøy Seafood Group ASA and SalMar ASA according to agreement between the parties, based on their respective ownership percentages in Villa Organic AS. Assets and liabilities in Villa Organic AS attributed to Lerøy Seafood Group ASA was placed in the company Lerøy Finnmark AS, which was owned 99.94% by Lerøy Seafood Group ASA at the date of the de-merger.

This has had consequences for the group accounts from Q3 2014. From Q3, Villa Organic AS is no longer an associated company accounted for using the equity method. Instead, the fully owned subsidiary Lerøy Finnmark AS, which represents Lerøy Seafood Group's share of the de-merged Villa Organic AS, has been consolidated in the group accounts. This has increased the number of licenses in the group's balance with 8.

In correspondence with the accounting standards IFRS 3 and IFRS 10, the change from associated company to subsidiary implies a renewed measurement in the group accounts of assets and liabilities relating to the values in the now de-merged Villa Organic AS. This renewed measurement causes a gain in the profit and loss statement of approximately 75 mill NOK after tax in July 2014. The effect is further described in the purchase price allocation, which is prepared in accordance with IFRS 3.

<b>Acquisition analysis</b>	<b>100 %</b>	<b>50,46 %</b>	<b>49,54 %</b>
Recognised equity in Villa (after merger)	454 280	229 230	225 050
Net identified added value in Villa (after merger)	280 880	141 732	139 148
Identified value in Villa (after merger)	735 160	370 962	364 198

<b>Calculation of gain from business combination</b>	<b>Q3 2014</b>
Fair value at date of business combination	364 198
Net book value on shares in Villa in LSG accounts	289 234
Gain from business combination	74 964

