

# Financial report

Q2 and first half 2014



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Austevoll Seafood ASA

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Yet another strong quarter for Atlantic salmon and trout.

Sardine/Anchoveta catches in Chile have been good during the quarter.

Challenging fishing season in Peru, where approx. 66% of the total national quota had been caught by the end of the season on 10 August 2014. Austral Group caught 78% of its quota during the season.

### Key figures for the Group

All figures in NOK 1,000	Q2 2014	(restated*) Q2 2013	H1 2014	(restated*) H1 2013
Operating income	3 570 892	2 748 555	7 187 124	5 503 215
EBITDA	702 343	542 879	1 447 078	1 028 351
EBITDA %	20 %	20 %	20 %	19 %
EBIT	566 095	416 190	1 174 230	776 399
Pre tax profit	325 972	453 824	476 744	996 934
Earnings per share (EPS) from continuing operations	0,66	0,69	1,14	1,79
Total assets	19 446 712	19 324 306	19 446 712	19 324 306
Equity	10 506 721	9 819 424	10 506 721	9 819 424
Equity ratio	54 %	51 %	54 %	51 %
Net interest bearing debt (NIBD)/	3 587 888	4 041 226	3 587 888	4 041 226

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

## Q2 2014

Group revenue in Q2 2014 totalled NOK 3,571 million, up from NOK 2,749 million in the same period in 2013. All segments have reported an increase in turnover, with the highest increase achieved by the segment for Atlantic salmon and trout.

The Group's operating profit before depreciation and value adjustment for biomass (EBITDA) for Q2 2014 was NOK 702 million compared with NOK 543 million in Q2 2013.

EBIT before value adjustment for biomass in Q2 2014 was NOK 566 million compared with NOK 416 million in Q2 2013.

The improved profit is attributed to the increase in sales volume for both the segment for salmon and trout and for fishmeal and oil when compared with the same quarter in 2013.

Value adjustment for biomass, in accordance with IFRS, was negative at NOK 207 million during the quarter, compared with the positive IFRS biomass adjustment for the same period in 2013 of NOK 91 million.

Revenue from associated companies for Q2 totalled NOK 4 million (Q2 2013: NOK 33 million). The decline in revenue from associated companies in the quarter, when compared with the same period in 2013, is partly due to a negative biomass adjustment reported by the associated companies within aquaculture. The largest associated companies are Norskott Havbruk AS (owner of the Scottish fish farming company Scottish Sea Farms Ltd.), Brødrene Birkeland AS, Villa Organic AS (from April 2014) and Pelagia AS. In the summer of 2014, Villa Organic AS underwent a demerger, and Lerøy Seafood Group ASA's shareholding in this company will be reported as a wholly-owned Group holding from the second half of 2014.

The Group's net interest expense in Q2 2014 totalled NOK 42 million (Q2 2013: NOK 49 million).

**Profit before tax and biomass adjustment for Q2 2014 amounts to NOK 533 million, compared with a profit before tax and biomass adjustment in Q2 2013 of NOK 363 million.**

The profit before tax for the quarter totalled NOK 326 million (Q2 2013: NOK 454 million).

The Group is financially strong with an equity ratio of 54%. The Group's net interest-bearing debt at the end of the quarter totalled NOK 3,588 million. The Group paid a total dividend of NOK 571 million at the end of June 2014, compared with NOK 405 million at end of June 2013. NIBD at the end of June 2013 was NOK 4,041 million.

## Events after the reporting period

At 30 June 2014, the Villa Group (Villa) was a Group associate (Lerøy Seafood Group ASA had a 49.5% shareholding).

Villa was demerged in July 2014. The assets and liabilities in Villa were shared between Lerøy Seafood Group ASA and SalMar ASA.

As a result, a change has been made to reporting procedures for the consolidated accounts with effect from Q3 2014, so that Lerøy Seafood Group ASA's share of the demerged Villa Group can be consolidated in full. This represents an increase in the number of licences on the consolidated balance sheet to eight.

On 7 August 2014, Russia introduced sanctions against Norway, resulting in a ban on imports of Norwegian fish products, amongst others. Russia is an important market for pelagic fish and Atlantic salmon and trout. The ban represents a short-term challenge for the Norwegian seafood industry, and the company is working hard to increase sales to alternative markets. This ban will have a negative short-term impact on Group business in Europe within pelagic production, salmon and trout.

## Operating segments

### Fishmeal and fish oil

As Welcon Invest AS was reported as held for sale in 2013, the comparative amounts for Q2 2013 and the first half of 2013 have been converted accordingly. As a result, Welcon Invest AS is no longer reported for this segment and the segment now comprises the operations in Peru and Chile.

Operating revenue in Q2 2014 totalled NOK 319 million (NOK 163 million in Q2 2013) and EBITDA amounted to NOK 127 million (NOK 18 million in Q2 2013).

The increase in turnover and EBITDA is due to a combination of a higher production volume of raw materials and a higher sales volume in the second quarter of 2014 when compared with the same period in 2013.

Sardine/anchoveta catches in Chile have been good in 2014, providing a successful production and sales quarter for the operation in Chile. The 2013 quota for region 5-10 was approx. 700,000 tonnes, but only approx. 30% of this total quota was caught. The 2014 quota was approx. 602,000 tonnes and the volume already caught is approx. 90% of the total quota. At the time of writing, the fishing season is on hold and will restart at the end of October, when the remaining volume can be caught.

The quota for the first season of 2014 in Peru was set at 2,530,000 tonnes, compared with 2,050,000 tonnes for the same season last year. The season started on 23 April 2014, earlier than the start date of 17 May in 2013. This year, the fishing season in Peru has proved challenging, and only approx. 66% of the total quota had been caught by the end of the season on 10 August. At the end of June, our fishing fleet had caught 59% of its quota. By season end on 10 August, the business in Peru had caught 78% of its total quota of 173,800 tonnes. The volume caught by our own fleet in the first season of 2014 is therefore approximately the same as the volume for the same season in 2013.

Approx. 27,800 tonnes of fishmeal and oil were sold in Q2 2014, compared with approx. 12,000 tonnes in the same quarter of 2013.

Prices realised for fishmeal (Peru) were approx. 8% lower in Q2 2014 than in the same quarter last year. Prices have been on the increase throughout the quarter, but this will only become evident if we are able to realise our sales volumes for the third and fourth quarters. Prices realised for fish oil (Peru) were approx. 15% lower in Q2 2014 when compared with the second quarter of 2013.

### **Consumer products**

Operating revenue in Q2 2014 totalled NOK 101 million (NOK 87 million in Q2 2013) and EBITDA amounted to NOK -17 million (NOK -16 million in Q2 2013).

The total volume of consumer products sold is divided between frozen products and canned products. Sales of frozen products (Chile and Peru) in Q2 2014 totalled approx. 6,000 tonnes, compared with 3,000 tonnes in Q2 2013. Approx. 174,000 boxes of canned products were sold, compared with approx. 378,000 boxes for the same period in 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. The fleet in Chile managed to catch its entire quota of horse mackerel by the end of June (48,000 tonnes) and 50% of this quota was used for production of frozen products. This is a lower percentage than in 2013, due to the fact that the company has chosen to use parts of its quota for production of fishmeal and oil, a decision made necessary by the difficult market situation for frozen horse mackerel. As of the start of 2014, Nigeria introduced import quotas for fish, resulting in a decline in sales volume for frozen horse mackerel at the end of June 2014, when compared with the same period in 2013.

Catches of horse mackerel in Peru in Q2 2014 totalled approx. 3,300 tonnes, compared with approx. 1,500 tonnes in the same quarter of 2013.

Prices realised for consumer products in Q2 2014 were approximately in line with the prices in Q2 2013.

The businesses in Chile will not have much activity in the second half of the year, as they had already caught their entire quota for horse mackerel by the end of June.

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

This operating segment comprises Lerøy Seafood Group ASA (LSG). In Q2 2014, the segment reported operating revenue of NOK 3,176 million (Q2 2013: NOK 2,513 million) and EBITDA before value adjustment for biomass of NOK 590 million (Q2 2013: NOK 538 million).

The most significant factor behind the increase in sales and EBITDA is the higher slaughter volume in Q2 2014 when compared with the same period last year. The segment reported harvests of 40,944 tonnes gutted weight of salmon and trout in Q2 2014 compared with 33,708 tonnes in the same quarter last year, an increase in slaughtered volume of 21%. The segment reported contractual coverage of 38% in Q2 2014. As projected, the output costs for salmon and trout have been higher in Q2 than in Q1 2014 and Q2 2013. The output costs are currently expected to be higher in the second half of the year than in the first half.

The substantial growth in global supply of Atlantic salmon over recent years is no longer as predominant in 2014 and this has, as projected, boosted prices for Atlantic salmon and trout. Russia introduced a ban on the import of Norwegian salmon and trout on 7 August 2014. Russia is one of the most important markets globally for salmon and trout. The ban represents a short-term challenge for the Norwegian seafood industry, as it does for the industry in Russia. The company is working hard to increase sales to alternative markets. Despite this, the new situation in Russia will undoubtedly have an impact on the segment's earnings when compared with earnings generated before the ban was introduced. At this time, it remains difficult to precisely predict the consequences of the ban.

### **Pelagic North Atlantic**

This operating segment comprises Pelagia AS and its subsidiaries, Welcon Invest AS, Norway Pelagic Holding AS and Egersund Fisk AS. In the official consolidated financial statements for AUSS, Pelagia AS is reported as an associated company due to the new IFRS provision (IFRS 11) which no longer allows for joint ventures to be reported according to the proportionate consolidation method. 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 the second quarter and first half of 2013 and full-year 2013 are proforma figures intended to illustrate the position of the company on the assumption that the transaction relating to the merger between AUSS and Kvefi had taken place 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 535 million (Q2 2013, proforma: NOK 518 million) and EBITDA (50%) of NOK 20 million (Q2 2013, proforma: NOK 30 million).

In total, the companies in the Pelagia Group received approx. 301,000 tonnes of raw materials in the quarter compared with a corresponding volume of 195,000 tonnes in Q2 2013. The increase in raw material volume is attributed to the postponed season for blue whiting and good catches of sand eel in the quarter.



## Cash flows

Cash flow from operating activities for Q2 2014 was NOK 348 million (NOK 222 million in Q2 2013). The Group paid NOK 296 million in tax in the quarter, compared with NOK 50 million in the same quarter of 2013. Cash flow from investing activities for the second quarter 2014 was negative at NOK 164 million (NOK -385 million in Q2 2013) and mainly comprises investments in maintenance during the quarter. Lerøy Seafood Group ASA acquired 47.8% of the fish farming company Villa Organic AS in Q2 2013 at a total price of NOK 195 million. Cash flow from financing activities for Q2 2014 was NOK -494 million (NOK -308 million in Q2 2013). Cash flow from financing activities for the quarter comprises payment of ordinary instalments and changes in short-term credits. AUSS and other Group companies made dividend payments totalling NOK 542 million in Q2 2014, against the corresponding figure for Q2 2013 of NOK 401 million. Net change in cash in the second quarter 2014 for the Group was NOK -310 million (NOK -471 million in Q2 2013). The Group's cash and cash equivalents at the end of June 2014 totalled NOK 1,581 million compared with NOK 1,735 million at the end of June 2013.

## Financial information, first half 2014

The Group reported operating revenue of NOK 7,187 million for the first half of 2014 (H1 2013: NOK 5,503 million). EBITDA before value adjustment for biomass in the first half was NOK 1,447 million (H1 2013: NOK 1,028 million).

The increase in turnover and EBITDA is generated by the segments for salmon and trout and for fishmeal and oil. EBIT before value adjustment for biomass in the first half of 2014 was NOK 1,174 million (H1 2013: NOK 776 million). Value adjustment for biomass, in accordance with IFRS, was negative at NOK 684 million, compared with the positive IFRS biomass adjustment for the same period in 2013 of NOK 300 million. EBIT after value adjustment for biomass in the first half was NOK 490 million (H1 2013: NOK 1,076 million).

Revenue from associated companies for the first half totalled NOK 63 million (H1 2013: NOK 62 million). The Group's net interest expense in the first half of 2014 totalled NOK 89 million (H1 2013: NOK 97 million).

**The profit before tax and biomass adjustment for the first half of 2014 is NOK 1,161 million, compared with a profit before tax and biomass adjustment in the first half of 2013 of NOK 697 million.**

Profit before tax for the first half totalled NOK 477 million (H1 2013: NOK 997 million).

## Cash flows

Cash flow from operating activities for the first half of 2014 was NOK 1,127 million (NOK 713 million in H1 2013). Tax payments in the first half 2014 totalled NOK 369 million, against

NOK 116 million for the same period in 2013. Cash flow from investing activities for the first half of 2014 was NOK 782 million (NOK -585 million in H1 2013). The positive cash flow from investing activities is attributed to the transaction between AUSS and Kvefi AS that generated more than NOK 1,000 million in cash for AUSS. Cash flow from financing activities for the first half of 2014 was NOK -1,727 million (NOK -565 million in H1 2013). Dividend payments made by the Group in the first half of the year amount to NOK 571 million, whereas the corresponding payment in 2013 was NOK 405 million. Moreover, AUSS has made a downward adjustment of NOK 740 million to a long-term overdraft facility during the first half of the year. The net change in cash for the Group in the first half of 2014 was NOK 182 million (NOK -438 million in H1 2013). The Group's cash and cash equivalents at the end of June 2014 totalled NOK 1,581 million compared with NOK 1,735 million at the end of June 2013.

## Balance sheet as of 30 June 2014

At the end of June 2014, the Group had a balance sheet total of NOK 19,447 million compared with NOK 19,324 million at the end of June 2013.

The Group is financially sound with book value of equity at the end of Q2 2014 of NOK 10,507 million, which corresponds to an equity ratio of 54%. At end June 2013, the book value of equity for the Group was NOK 9,819 million, or an equity ratio of 51%.

Net interest-bearing debt amounted to NOK 3,588 million at the end of June 2014 compared with NOK 4,041 million at 30 June 2013.

The Group's cash and cash equivalents at the end of June 2014 totalled NOK 1,581 million compared with NOK 1,753 million at the end of June 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 financial crisis and turmoil in the global economy in recent years, in addition to 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 many markets, AUSS's core business is founded on long-term sustainable assets within viable seafood industries.

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 cause 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. 19% of the Group's 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 financial 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 June 2014, the company had 4,095 shareholders against a comparative figure of 4,297 shareholders at the end of June 2013. The share price was NOK 40.30 at the end of June 2014 compared with NOK 35.00 as of 30 June 2013.

The Annual General Meeting was held on 23 May 2014, and the Board adopted a dividend payment of NOK 1.60 per share, which was paid to the company's shareholders on 6 June 2014.

## Market and outlook

### Fishmeal and fish oil

There has been an upward trend for fishmeal and fish oil prices in the second quarter. The market remained cautious while awaiting the announcement of the first season quota in Peru, although a challenging fishing season has caused an increase in prices. Prices for fishmeal FOB Peru (superprime) are currently USD 1,900, and for fish oil used for feed (FOB Peru) the prices are USD 1,900-1,950.

### Consumption

The Group has taken action in recent years to increase its volume of raw materials, including fishing and production of e.g. squid.

### 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, which came into effect from the start of August, will have an impact on the autumn season. However, it still remains too early to predict the scope of this impact.

## 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. This has resulted in a substantial increase in the price for Atlantic salmon and trout. The Russian ban on import of Norwegian salmon and trout is expected in the short term to present a challenge to the Norwegian seafood industry, and measures are under way to increase sales to alternative markets. The political trade barriers will have an impact on earnings when compared with the period prior to the import ban, but it is still difficult to precisely predict the extent of the consequences. There is a very high underlying demand for high-quality seafood and we therefore expect the current situation to return to normal after some time. This will be achieved by means of marketing, but also in a change in the global trade flows for salmon and trout in the short term.

## 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 very satisfied with the Group's results for Q2 2014.

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

Storebø, 20 August 2014

The Board of Directors of Austevoll Seafood ASA

## Income Statement (unaudited)

All figures in NOK 1.000	Q2 2014	(restated)	H1 2014	(restated)	2013
		Q2 2013		H1 2013	
<b>Operating revenue</b>	3 570 892	2 748 555	7 187 124	5 503 215	12 409 756
Raw material and consumables used	2 145 379	1 627 587	4 271 303	3 279 602	7 491 072
Salaries and personnel expenses	342 649	292 573	703 018	620 141	1 423 334
Other operating expenses	380 521	285 516	765 725	575 121	1 269 242
<b>Operating profit before depreciation (EBITDA)</b>	<b>702 343</b>	<b>542 879</b>	<b>1 447 078</b>	<b>1 028 351</b>	<b>2 226 108</b>
Depreciation and amortisation	138 117	128 364	276 591	255 329	529 474
Impairment	-1 869	-1 675	-3 743	-3 377	89 541
<b>EBIT before fair value biomass adjustment</b>	<b>566 095</b>	<b>416 190</b>	<b>1 174 230</b>	<b>776 399</b>	<b>1 607 093</b>
Fair value adjustment biomass	-206 707	90 981	-684 342	300 044	764 229
<b>Operating profit</b>	<b>359 388</b>	<b>507 171</b>	<b>489 888</b>	<b>1 076 443</b>	<b>2 371 322</b>
Income from associated companies	3 561	33 354	63 145	61 745	248 350
Net interest expenses	-42 063	-48 951	-88 564	-96 740	-195 792
Net other financial items (incl. agio/disagio)	5 086	-37 750	12 275	-44 514	-43 657
<b>Profit before tax</b>	<b>325 972</b>	<b>453 824</b>	<b>476 744</b>	<b>996 934</b>	<b>2 380 223</b>
Income tax expenses	-88 617	-122 116	-106 535	-253 721	-580 768
<b>Net profit from continuing operations</b>	<b>237 355</b>	<b>331 708</b>	<b>370 209</b>	<b>743 213</b>	<b>1 799 455</b>
Net profit from discontinued operation	-	-28 432	-	7 988	-238 699
<b>Net profit</b>	<b>237 355</b>	<b>303 276</b>	<b>370 209</b>	<b>751 201</b>	<b>1 560 756</b>
Profit to minority interests	102 933	191 138	138 228	380 997	855 411
Profit to equity holder of parent from continuing operations	134 423	140 571	231 981	362 216	944 044
Profit to equity holder of parent from discontinuing operations	-	-28 432	-	7 988	-238 699
<b>Net profit to equity holder of parent from cont. and discont. operations</b>	<b>134 423</b>	<b>112 139</b>	<b>231 981</b>	<b>370 204</b>	<b>705 345</b>
Earnings per share (EPS) from continuing operations	0,66	0,69	1,14	1,79	4,66
Diluted EPS from continuing operations	0,66	0,69	1,14	1,79	4,66
EPS excl.fair value adj biomass from continuing operations	1,13	0,49	2,69	1,12	2,96
EPS from discontinuing operations	-	-0,14	-	0,04	-1,18
EPS from continuing and discontinuing operations	0,66	0,55	1,14	1,83	3,48

## Condensed Statement of Comprehensive income (unaudited)

All figures in NOK 1.000	Q2 2014	(Restated)	H1 2014	(Restated)	2013
		Q2 2013		H1 2013	
<b>Net earnings in the period</b>	<b>237 355</b>	<b>303 276</b>	<b>370 209</b>	<b>751 201</b>	<b>1 560 756</b>
<b>Other comprehensive income</b>					
Currency translation differences	141 519	-4 500	41 904	85 196	156 998
Other comprehensive income from associated companies	-5	26	-25	-57	
Cash flow hedges	-19 069	3 850	-31 077	4 836	8 785
Change in value available for sale financial assets		-487		-487	-487
Others	-3 349	-1 125	-1 407	-1 125	431
<b>Total other comprehensive income</b>	<b>119 096</b>	<b>-2 236</b>	<b>9 395</b>	<b>88 363</b>	<b>165 727</b>
<b>Comprehensive income in the period</b>	<b>356 451</b>	<b>301 040</b>	<b>379 604</b>	<b>839 564</b>	<b>1 726 483</b>
<b>Allocated to;</b>					
Minority interests	110 885	185 854	128 067	385 380	907 821
Majority interests	245 566	115 186	251 537	454 184	818 662



## Statement of Financial Position (unaudited)

All figures in NOK 1.000	(restated)		
	30.06.14	30.06.2013	31.12.13
<b>Assets</b>			
Intangible assets	6 061 463	5 973 890	6 035 665
Vessels	417 114	423 699	455 172
Property, plant and equipment	3 665 660	3 562 515	3 640 683
Investments in associated companies	1 855 076	850 222	1 060 925
Investments in other shares	31 699	30 629	31 328
Other long-term receivables	66 015	47 527	52 773
<b>Total non-current assets</b>	<b>12 097 027</b>	<b>10 888 482</b>	<b>11 276 546</b>
Inventories	3 768 944	3 711 772	4 467 682
Accounts receivable	1 507 217	1 233 124	1 704 898
Other current receivables	492 368	531 676	585 613
Assets classified as held for sale	-	1 205 855	1 793 241
Cash and cash equivalents	1 581 156	1 753 397	1 396 279
<b>Total current assets</b>	<b>7 349 685</b>	<b>8 435 824</b>	<b>9 947 713</b>
<b>Total assets</b>	<b>19 446 712</b>	<b>19 324 306</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	3 434 136	3 150 702	3 506 926
Non-controlling interests	3 257 677	2 853 814	3 377 484
<b>Total equity</b>	<b>10 506 721</b>	<b>9 819 424</b>	<b>10 699 318</b>
Deferred tax liabilities	1 903 738	1 957 132	2 090 835
Pensions and other obligations	87 369	57 118	45 370
Borrowings	3 983 454	4 279 549	4 950 287
Other long-term liabilities	12 182	10 368	10 512
<b>Total non-current liabilities</b>	<b>5 986 743</b>	<b>6 304 167</b>	<b>7 097 004</b>
Short term borrowings	677 198	939 882	604 042
Overdraft facilities	508 392	625 192	659 664
Account payable	965 252	926 962	1 179 802
Other current liabilities	802 406	708 679	984 429
<b>Total current liabilities</b>	<b>2 953 248</b>	<b>3 200 715</b>	<b>3 427 937</b>
<b>Total liabilities</b>	<b>8 939 991</b>	<b>9 504 882</b>	<b>10 524 941</b>
<b>Total equity and liabilities</b>	<b>19 446 712</b>	<b>19 324 306</b>	<b>21 224 259</b>
NIBD	3 587 888	4 041 226	4 767 714
Equity ratio	54 %	51 %	50 %

## Condensed Statement of changes in equity (unaudited)

All figures in NOK 1.000	(restated)		
	30.06.14	30.06.2013	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>379 604</b>	<b>839 564</b>	<b>1 726 483</b>
Dividends	-571 151	-403 262	-415 212
Business combinations/acquisition	-	-	-
Transactions with non-controlling interest	-1 050	-	-3 509
Effect option programme	-	-	-
Other	-	-16 687	-8 253
<b>Total changes in equity in the period</b>	<b>-192 597</b>	<b>419 615</b>	<b>1 299 509</b>
<b>Equity at period end</b>	<b>10 506 721</b>	<b>9 819 424</b>	<b>10 699 318</b>

## Cash flow statement (unaudited)

All figures in NOK 1.000	Q2 2014	(restated) Q2 2013	H1 2014	(restated) H1 2013	2013
<b>Cash flow from operating activities</b>					
Profit before income taxes	325 975	453 824	476 744	996 934	2 380 223
Fair value adjustment of biological assets	206 707	-90 981	684 342	-300 044	-764 229
Taxes paid in the period	-295 898	-49 783	-369 067	-116 342	-181 463
Depreciation and amortisation	138 117	128 364	276 591	255 329	529 474
Impairments	-1 869	-1 675	-3 743	-3 377	89 541
Associated companies - net	-3 561	-33 354	-63 145	-61 745	-248 350
Interest expense	52 568	63 473	109 218	125 672	240 792
Interest income	-10 505	-13 434	-20 654	-28 932	-45 000
Change in inventories	-71 330	-164 909	14 396	-81 393	-373 118
Change in receivables	-33 182	-123 676	290 926	-139 259	-661 599
Change in payables	11 552	29 608	-214 550	13 281	266 121
Other operating cash flow incl currency exchange	29 369	24 157	-53 781	52 646	129 233
<b>Net cash flow from operating activities</b>	<b>347 943</b>	<b>221 614</b>	<b>1 127 277</b>	<b>712 770</b>	<b>1 361 625</b>
<b>Cash flow from investing activities</b>					
Purchase of intangible and fixed assets	-225 449	-199 479	-389 669	-367 387	-919 920
Purchase of shares and equity investments	-1 551	-233 720	-1 941	-332 330	-1 139 493
Proceeds from sale of fixed assets/equity investments	10 666	13 533	1 124 677	61 001	167 669
Dividend received	40 028	27 019	40 028	27 019	41 019
Interest income	10 505	13 434	20 654	28 932	45 000
Other investing activities - net	2 059	-5 818	-11 737	-2 297	-6 325
<b>Net cash flow from investing activities</b>	<b>-163 742</b>	<b>-385 031</b>	<b>782 012</b>	<b>-585 062</b>	<b>-1 812 050</b>
<b>Cash flow from financing activities</b>					
Proceeds from new long term debt	95 237	128 966	144 450	174 592	1 843 509
Repayment of long term debt	-183 254	-193 297	-1 043 126	-284 040	-1 628 506
Change in short term debt	188 157	222 299	-155 763	77 660	99 451
Interest paid	-52 839	-64 320	-101 815	-128 353	-242 220
Dividends paid	-541 575	-401 169	-571 151	-405 329	-411 474
Other finance cash flow - net				-	-
<b>Net cash flow from financing activities</b>	<b>-494 274</b>	<b>-307 521</b>	<b>-1 727 405</b>	<b>-565 470</b>	<b>-339 240</b>
Net change in cash and cash equivalents	-310 073	-470 938	181 884	-437 762	-789 665
Cash, and cash equivalents at start of period	1 884 613	2 203 807	1 396 279	2 162 261	2 162 262
Exchange gains/losses (-)	6 616	2 159	2 993	10 529	23 681
<b>Cash and cash equivalents at period end</b>	<b>1 581 156</b>	<b>1 735 028</b>	<b>1 581 156</b>	<b>1 735 028</b>	<b>1 396 278</b>

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

Cash flow from discontinued operations is as follows:	Q2 2013	H1 2013	2013
Net operating cash flow from discontinued operations	238 814	144 618	232 170
Net investing cash flow from discontinued operations	-31 829	-37 215	-87 303
Net financing cash flow from discontinued operations	-191 432	-81 913	-22 957
<b>Net change in cash from discontinued operations</b>	<b>-</b>	<b>15 553</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 Q2 2014. Related party transactions take place on market terms and the relevant types of transactions are described in greater detail in the 2013 annual report.

## Note 3 Biological assets

LSG recognises and measures biological assets (fish in sea) at fair value. When estimating fair value, the prices are adjusted according to quality differences (superior, ordinary and production) and logistic costs. The volume is adjusted to account for loss during gutting. The fair value of fish in the sea with an average weight of less than 4 kg is adjusted according to the stage reached by the fish in its growth cycle. The value will not be adjusted to lower than historical cost, unless the Group expects to generate a loss from future sales.

	<b>Q2 2013</b>	<b>Q3 2013</b>	<b>Q4 2013</b>	<b>Q1 2014</b>	<b>Q2 2014</b>
Total fish in sea (LWT)	83 385	102 766	103 107	96 852	88 048
Fish > 4 kg (LWT)	16 347	34 091	41 529	39 408	27 491
<b>Adjustment inventory</b>	<b>651 809</b>	<b>331 019</b>	<b>1 110 502</b>	<b>633 475</b>	<b>427 827</b>
<b>P&amp;L effect adjustment</b>	<b>90 981</b>	<b>-319 125</b>	<b>783 310</b>	<b>-477 635</b>	<b>-206 707</b>

Recognised value adjustment for biomass includes a change in unrealised gain/loss related to financial sales and purchase contracts (derivatives) for fish with Fish Pool. The Fish Pool contracts are reported as financial instruments on the balance sheet, where the unrealised gain is classified as other current receivables and unrealised loss classified as other current liabilities.

## 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>Q2 2014</b>							
Operating revenue	3 176 402	318 941	100 933	-25 384	3 570 892	535 389	4 106 281
EBITDA	589 676	126 846	-16 879	2 700	702 343	20 081	722 424
EBITDA %	19 %	40 %	-17 %		20 %	4 %	18 %
EBIT	500 315	96 958	-29 665	-1 513	566 095	-1 128	564 968
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	40 944				40 944		40 944
Fishmeal (tonnes)		21 900			21 900	22 244	44 144
Fish oil (tonnes)		5 887			5 887	4 220	10 107
Frozen fish (tonnes)			6 261		6 261	26 607	32 868
Canning (cases)			174 360		174 360		174 360
FPC/Oil (tonnes)						1 423	1 423
<b>Q2 2013 (restated)</b>							
Operating revenue	2 513 047	163 242	87 215	-14 949	2 748 555	518 325	3 266 880
EBITDA	538 194	18 010	-16 301	2 976	542 879	30 102	572 981
EBITDA %	21 %	11 %	-19 %		20 %	6 %	18 %
EBIT	462 153	-12 080	-32 535	-1 348	416 190	9 197	425 387
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	33 708				33 708		33 708
Fishmeal (tonnes)		10 961			10 961	14 725	25 686
Fish oil (tonnes)		1 234			1 234	3 933	5 167
Frozen fish (tonnes)			3 056		3 056	24 092	27 148
Canning (cases)			377 918		377 918		377 918
FPC/Oil (tonnes)						5 860	5 860
<b>H1 2014</b>							
Operating revenue	6 356 666	661 551	207 101	-38 194	7 187 124	1 181 907	8 369 031
EBITDA	1 228 528	220 791	-3 971	1 730	1 447 078	79 694	1 526 772
EBITDA %	19 %	33 %	-2 %		20 %	7 %	18 %
EBIT	1 050 675	158 512	-28 382	-6 575	1 174 230	38 981	1 213 211
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	74 280				74 280		74 280
Fishmeal (tonnes)		53 085			53 085	32 919	86 004
Fish oil (tonnes)		8 990			8 990	11 362	20 352
Frozen fish (tonnes)			10 975		10 975	45 214	56 189
Canning (cases)			382 315		382 315		382 315
FPC/Oil (tonnes)						3 151	3 151
<b>H 2013 (restated)</b>							
Operating revenue	4 898 598	379 310	228 727	-3 420	5 503 215	1 250 842	6 754 057
EBITDA	981 942	33 480	11 552	1 377	1 028 351	108 667	1 137 018
EBITDA %	20 %	9 %	5 %		19 %	9 %	17 %
EBIT	831 504	-24 223	-23 689	-7 193	776 399	66 803	843 202
<b>Volumes sold:</b>							
Salmon (gwt tonnes)	66 939				66 939		66 939
Fishmeal (tonnes)		25 082			25 082	26 797	51 879

Fish oil (tonnes)		3 538			3 538	8 676	12 214
Frozen fish (tonnes)			10 894		10 894	78 178	89 072
Canning (cases)			764 973		764 973		764 973
FPC/Oil (tonnes)						10 855	10 855
<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 Q2 13, H1 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)		
		Q2 2014	Q2 2013	H1 2014	H1 2013	2013
Norskott Havbruk AS	50,0 %	18 181	16 889	54 610	38 731	101 075
Pelagia AS	50,0 %	-7 621	-	25 143	-	
Br. Birkeland AS	49,9 %	-1 457	5 221	-13 088	10 933	55 403
Villa Organic AS	47,8 %	-6 184	10 000	-5 418	10 000	91 997
Others		642	1 245	1 898	2 081	-126
<b>Total income from ass.companies</b>		<b>3 561</b>	<b>33 355</b>	<b>63 145</b>	<b>61 745</b>	<b>248 350</b>
<b>Total investment</b>				<b>1 855 076</b>	<b>850 222</b>	<b>1 060 925</b>

## Note 6 Events after the reporting date

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 are placed in the company Lerøy Finnmark AS, which is owned 99.94% by Lerøy Seafood Group ASA.

This will have 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, will be consolidated in the group accounts. This will increase 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 will be further described in the Q3 2014 report. A purchase price allocation in accordance with IFRS 3 will be prepared.



## Declaration of the Board of Directors and CEO

We declare that, to the best of our knowledge, the half-yearly accounts for the period 1 January to 30 June 2014 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and that the information in the accounts provides a correct illustration of the Group’s assets, liabilities, financial position and result as a whole. We also declare that, to the best of our knowledge, the half-yearly report provides a correct overview of significant events during the reporting period and their impact on the half-yearly accounts, the most central risks and uncertainties faced by the Group during the next reporting period and of significant transactions with related parties.

**Storebø, 20 August 2014**  
**The Board of Directors of Austevoll Seafood ASA**

Helge Singelstad  
Chairman

Lill Maren Møgster

Oddvar Skjegstad  
Deputy Chairman

Leif Teksum

Helge Møgster

Inga Lise L. Moldestad

Siren Merete Grønhaug

Arne Møgster  
President and CEO

