



Austevoll Seafood ASA

Financial Report  
Q1 2017

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Austevoll Seafood ASA

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## FINANCIAL REPORT Q1 2017

Very good prices for Atlantic salmon in the quarter provide record-high operating profit

Positive season for whitefish in the quarter

Good activity during the pelagic season in the North Atlantic

Seasonal low activity in South America

The anchoveta quota for the first season of 2017 in Peru set at 2.8 million tonnes, with season start 22 April 2017 (first season 2016, 1.8 million tonnes, started mid June)

### KEY FIGURES FOR THE GROUP

All figures in NOK 1,000	Q1 2017	Q1 2016	2016
Operating revenue	6 074 954	4 412 239	18 911 523
EBITDA	1 555 345	885 744	3 880 831
EBITDA %	26%	20%	21%
EBIT	1 330 883	695 991	2 912 911
Pre tax profit	415 660	907 696	4 682 581
Earnings per share (EPS) from continuing operations	1,03	1,83	8,17
Total assets	34 424 765	26 951 445	35 001 403
Equity	18 598 305	15 043 229	18 212 820
Equity ratio	54%	56%	52%
Net interest bearing debt (NIBD)/	4 155 914	3 252 656	5 492 880

## Q1 2017

The Group reported operating revenue of NOK 6,075 million in the quarter, compared with NOK 4,412 million in Q1 2016.

The significant increase in revenue is attributed to Farming and whitefish operations. The acquired businesses, Havfisk ASA (Havfisk) and Norway Seafoods Group AS – later renamed Lerøy Norway Seafoods AS (LNWS) – were consolidated as of and including September 2016, and are therefore not included in the comparative amounts for Q1 2016 in this report.

EBITDA in Q1 2017 was NOK 1,555 million, a significant increase from NOK 886 million in the same quarter of 2016. The most important drivers behind the increase in revenue and EBITDA – in addition to the acquisition of Havfisk and LNWS – are the record high prices for Atlantic salmon and the 11% increase in the harvest volume of salmon and trout when compared with Q1 2016.

EBIT before fair value adjustment of biological assets in Q1 2017 was NOK 1,331 million (Q1 2016: NOK 696 million). EBIT after fair value adjustment of biological assets in Q1 2017 was NOK 310 million (Q1 2016: NOK 860 million). The fair value adjustment of biological assets for the quarter was negative at NOK 1,021 million (Q1 2016: NOK 164 million). Reference is made to note 3 of the report for further details regarding the fair value adjustment of biological assets.

Income from associates for Q1 2017 totalled NOK 150 million (Q1 2016: NOK 96 million). The largest associates are Norskott Havbruk AS (owner of the Scotland-based fish farming company Scottish Sea Farms Ltd.) and Pelagia AS.

The Group's net interest expense in Q1 2017 totalled NOK 74 million (Q1 2016: NOK 60 million).

**Profit before tax and fair value adjustment of biological assets for Q1 2017 amounted to NOK 1,401 million, compared with NOK 724 million in Q1 2016.**

Profit before tax for the quarter totalled NOK 416 million (Q1 2016: NOK 908 million). Profit after tax for the quarter totalled NOK 343 million (Q1 2016: NOK 693 million).

The Group is financially sound with an equity ratio of 54%.

The Group had net interest-bearing debt totalling NOK 4,156 million at the end of Q1 2017, compared with NOK 3,253 million at the end of the same quarter last year. Net interest-bearing debt at the end of Q1 2016 was affected by the parent company, AUSS, having sold 2,750,000 shares in Lerøy Seafood Group ASA in March 2016. The proceeds of this sale, totalling NOK 976 million, were used to pay dividends to the shareholders in June 2016.

## OPERATING SEGMENTS

### *Lerøy Seafood Group ASA (LSG)*

In Q1 2017, LSG reported operating revenue of NOK 5,460 million (Q1 2016: NOK 3,816 million) and EBITDA before fair value adjustment of biological assets of NOK 1,423 million (Q1 2016: NOK 697 million). The operating profit before fair value adjustment of biological assets (EBIT) totalled NOK 1,277 million (Q1 2016: NOK 584 million). This is the highest revenue and best operating profit before fair value adjustment related to biological assets in any quarter throughout LSG's history.

In the autumn of 2016, LSG obtained 100% ownership of both Havfisk and LNWS. As a result of this transaction, both companies were consolidated into LSG as of 1 September 2016.

The primary segment for Havfisk is wild catches of whitefish. Havfisk has licence rights to harvest just above 10% of the total Norwegian cod quotas in the zone north of 62 degrees latitude, corresponding to more than 30% of the total quota allocated to the trawler fleet. Havfisk has nine trawlers in operation and one on order, scheduled for delivery early in the first quarter of 2018. Havfisk owns several processing plants, which are mainly leased out to LNWS on long-term contracts. Havfisk's trawler licenses stipulate an operational obligation for these plants.

Havfisk's total catch volume in Q1 2017 was 20,586 tonnes, compared with 16,169 tonnes in Q1 2016. The total harvest volume in Q1 2017 comprised 9,425 tonnes of cod, 7,380 tonnes of haddock and 2,841 tonnes of saithe. On comparison with Q1 2016, prices for cod were up 9%, prices for haddock were up 29% while prices for saithe were down 24%. The remaining quotas as of Q1 2017 are approximately 43,000 tonnes, on par with the remaining quotas at the same time last year.

LNWS's primary business is processing wild caught whitefish. The company has eight processing plants, five of which are leased from Havfisk. LNWS is the largest purchaser of cod from the coastal fishing fleet in Norway.

The operating profit from Havfisk and LNWS in Q1 2017 totalled NOK 158 million.

Salmon prices were high in the quarter, and trout prices saw an increase. The industry spot price for whole superior salmon in Q1 2017 was up 13% compared with the same quarter of 2016. The prices for Atlantic salmon are impacted by the fact that Norway, the largest producer of Atlantic salmon in the world, has not increased domestic production since 2012. This, together with the weaker Norwegian krone, resulted in historically high prices for salmon.

LSG actively pursues a strategy to realise optimal prices, including continuous assessment of when to harvest fish in terms of biology and market demand. During Q1 2017, LSG harvested a high volume – 43,307 GWT – with a contract share of 32%. This is up 13% from the same period in 2016, when the harvest volume was 38,163 GWT. The contract prices in Q1 2017 were higher than in Q4 2016, but remain lower than the spot prices in the quarter.

The spot prices for trout have seen a significant improvement in the second half of 2016 and early in 2017. However, when taking into account contracts, the prices realised for trout in Q1 2017 are marginally lower than for salmon. After what will soon be three very difficult years caused by trade barriers introduced in August 2014 blocking access to the all-important trout market in Russia, the Group can now happily confirm that the prices for trout have gradually reached the same level as salmon prices. This development is the direct result of good marketing work, focusing on finding new markets for the product, in comparison to the reduction in harvested volume in Norway.

Release from stock costs in Q1 2017 were higher than in Q4 2016, and remain at an extraordinarily high level historically. One important factor here is higher feed costs, but other factors include the extremely high direct and indirect costs related to measures to comply with the statutory limits for salmon lice. LSG has implemented several measures and investments aiming in the future to reduce production costs for salmon and trout.

LSG has a total of 146 licences for farming Atlantic salmon and trout: 26 in Troms, 57 in Central Norway and 63 in West Norway.

LSG has major downstream activities and a clearly defined goal to drive demand for seafood in the form of new products and market development. LSG sells, processes and distributes own-produced salmon and trout along with whitefish from its own fleet of trawlers, but also has substantial activities in cooperation with third parties. As a result, LSG now supplies a full range of seafood products.

For further information, please read LSG's presentation for Q1 2017.

#### ***Austral Group S.A.A (Peru)***

Austral Group S.A.A. (Austral) is involved in fishing, production of fishmeal and oil, and consumer products. Austral holds 6.87% of the total quota for anchoveta in Central/North Peru, and just under 4% of the quota in South Peru. In addition, the company has fishing rights for horse mackerel and mackerel.

Anchoveta is used to produce fishmeal and oil, and horse mackerel/mackerel is fished for consumer products.

The main fishing seasons for anchoveta in Central/North Peru are from April to July and November to January.

Fishmeal and oil are produced in four factories, located in Coishco, Chancay, Pisco and Ilo. The company also produces consumer products in facilities that share premises with the fishmeal and fish oil factories in Coishco and Pisco.

The second fishing season for anchoveta in Central/North Peru started on 15 November 2016, and the total quota for the season was set at 2 million tonnes. Austral fished approx. 67% of its quota in Q4 2016 and the remaining quota was fished in January 2017. The level of activity was low otherwise, as is normal for this season.

At the end of the March, the majority of fishmeal production from the second fishing season in 2016 had been sold. The company is therefore going into Q2 2017 with extremely low stocks, in total 6,000 tonnes of fishmeal and oil. At the start of the second quarter of 2016, the company had a stock of approx. 11,000 tonnes.

The first fishing season in 2017 started on 22 April, with a total quota of 2.8 million tonnes. This quota is higher than the quota for the same season last year, which was 1.8 million tonnes. The first season in 2016 started at the end of June. Due to the late starting date, only 50% of the total quota of 1.8 million tonnes was fished. Austral caught approx. 55% of its quota in the first season of 2016.

As of 9 May, Austral had caught 32% of its total quota of 192,287 tonnes for the first season of 2017.

In Q1 2017, operating revenue was NOK 434 million (Q1 2016: NOK 422 million) and EBITDA was NOK 88 million (Q1 2016: NOK 78 million). Operating profit (EBIT) in the quarter amounted to NOK 41 million (Q1 2016: NOK 40 million).

Peru is one of the largest producers of fishmeal and oil in the world. Production volumes in Peru normally have a direct influence on the global prices for fishmeal. Over the last three years, Peru has struggled with low quotas and difficult operating conditions. The weather phenomenon known as “El Niño” has made its impact during this period. The institutes that monitor “El Niño” report a normalisation in sea temperatures, and the year's quota for the first season is on par with the volume for normal weather conditions.

### **Foodcorp Chile S.A (Chile)**

Foodcorp Chile S.A. (FC) is involved in fishing, consumer products, and production of fishmeal and oil. FC has a quota of 9.1% for horse mackerel in South Chile in addition to a quota for sardine/anchoveta.

All FC's facilities share the same premises in Coronel.

The main season for horse mackerel fishing is from December to July. The main season for sardine/anchoveta fishing is divided into two periods. The first season starts in March and ends in July/August. The second season normally starts in October/November.

Fishing for horse mackerel started in January. Catches were low in January and February but increased considerably from March and onwards. The company has caught approx. 81% of its horse mackerel quota of 21,650 tonnes as of 9 May. The company has also signed an agreement with a third party for the purchase of 10,000 tonnes of horse mackerel to be fished by the company's own vessels in 2017. The main markets for frozen horse mackerel are recovering and there is increased demand and higher prices realised.

Squid is still an important raw material for the company, and provides increased activity within production of frozen goods. The company once again received a substantial volume of squid in Q1 2017 – 4,800 tonnes compared with 5,800 tonnes in Q1 2016. The market is strong and good prices are realised for the products.

The coastal fleet's fishing for anchoveta started as normal in March, and catches have been good – as opposed to the same period last year when catches were difficult and affected by the "El Niño" weather phenomenon.

In Q1 2017, operating revenue was NOK 98 million (Q1 2016: NOK 104 million) and EBITDA was NOK 10 million (Q1 2016: NOK 19 million). Operating profit (EBIT) in the quarter amounted to NOK 1 million (Q1 2016: NOK 2 million).

There has been a marked decline in fishing for horse mackerel in Chile since 2008/2009. International fish stock management was introduced in 2012, along with the first total quota. Responsibility for fish stock management is assigned to the South Pacific Regional Fisheries Management Organization. The quotas established in subsequent years have only seen a minor increase, in order to safeguard the build-up in biomass. We are confident that the current practice of conservative management lays the foundations for a sustainable biomass in the long term and, consequently, increased activities for the Group's business in Chile.

### **Br. Birkeland AS (BRBI)**

BRBI owns three pelagic ring net vessels/trawlers. Two of these vessels have a 650 basic tonne capacity for ring nets and a 1,425 trawl quota for blue whiting. The third vessel has a 471 basic tonne capacity for ring nets. The company also has two vessels that fish for snow crab and seven licences to farm Atlantic salmon/trout in Hordaland.

In Q1 2017, the BRBI segment reported operating revenue of NOK 124 million (Q1 2016: NOK 179 million) and EBITDA before value adjustment of biological assets of NOK 30 million (Q1 2016: NOK 87 million). Operating profit before fair value adjustment of biological assets (EBIT) in Q1 2017 was NOK 12 million (Q1 2016: NOK 71 million).

In the first quarter, the ring net vessels fished for herring, capelin and blue whiting. Fisheries for blue whiting started somewhat later than planned, and continued in April. The prices realised for blue whiting were down compared with the same quarter last year. This is attributed to a substantial increase in the quotas for the species of fish used for production of fishmeal and fish oil in 2017 when compared with 2016.

Approximately 1,100 tonnes of salmon and trout were harvested in Q1 2017, compared with 1,700 tonnes in Q1 2016. Prices realised for salmon in Q1 2017 were good, but release from stock costs were higher when compared with Q1 2016. The new snow crab fishing vessel – "Northguider" – started operations at the end of the quarter. As of Q2 2017, the company has two vessels fishing for snow crab.

### **Pelagia AS**

In accordance with IFRS 11, AUSS' consolidated financial statements report the joint venture Pelagia AS as an associate. In the notes to the financial statements for this segment (Note 4) and in the description of the segment in this report, the financial information comprises 50% of Pelagia AS' total revenue, EBITDA, EBIT and sales volume. This corresponds to AUSS' equity interest in Pelagia AS.

Revenue for the quarter was NOK 686 million (Q1 2016: NOK 632 million) and EBITDA was NOK 82 million (Q1 2016: NOK 63 million). Operating profit (EBIT) in the quarter amounted to NOK 67 million (Q1 2016: NOK 43 million).

The first quarter is normally a high season for the receipt of raw materials, and the level of activity in the season has been high. Total receipt of raw materials in the Group (100%) for fishmeal/FPC and fish oil production was approx. 296,000 tonnes for the quarter, compared with approx. 294,000 tonnes in the same quarter of 2016. As a result of the delayed start to blue whiting fisheries, the company will continue to receive

this raw material in the second quarter. The volume of raw materials received for consumer products was 105,000 tonnes, on par with the volume received in the same quarter in 2016 – 104,000 tonnes.

As a result of increased quotas for the species of fish used to produce fishmeal and oil in Europe, the market prices for fishmeal and oil have fallen.

During Q1 2017, Pelagia increased its shareholding in Shetland Catch Ltd. from 50% to 75%. As of and including March, the company is reported as a subsidiary, and is consolidated in Pelagia's consolidated financial statements. Shetland Catch Ltd. has formerly been reported as a joint venture according to the equity method up to and including February 2017.

### CASH FLOWS Q1 2017

Cash flow from operating activities for Q1 2017 was NOK 1,731 million (Q1 2016: NOK 790 million). The cash flow reflects a good result for the quarter, and a reduction in tied-up working capital. Cash flow from investing activities for Q1 2017 was NOK -248 million (Q1 2016: NOK 806 million). Cash flow from investing activities in Q1 2016 was affected by the parent company, AUSS, having sold 2,750,000 shares in LSG in March 2016, with proceeds totalling NOK 976 million. Cash flow from financing activities for Q1 2017 was NOK -796 million (Q1 2016: NOK -303 million). Cash flow from financing activities mainly comprises payment of ordinary instalments and changes in short-term credits. In the first quarter, the parent company AUSS redeemed a bond loan of NOK 400 million maturing in February 2017. Net change in cash for the Group in Q1 2017 was NOK 687 million (Q1 2016: NOK 1,293 million).

The Group's cash and cash equivalents at the end of Q1 2017 totalled NOK 4,432 million, compared with NOK 3,752 million at the end of Q1 2016.

### STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

The Group's statement of financial position at 31 March 2017 totalled NOK 34,425 million compared with NOK 26,951 million at 31 March 2016.

The Group is financially sound with book equity at 31 March 2017 of NOK 18,598 million, equivalent to an equity ratio of 54%. At 31 March 2016, the book equity for the Group was NOK 15,043 million, equivalent to an equity ratio of 56%.

Net interest-bearing debt was NOK 4,156 million at 31 March 2017, compared with NOK 3,253 million at 31 March 2016.

Net interest-bearing debt at 31 March 2016 was affected by AUSS having sold off shares in LSG, which raised NOK 976 million in cash.

### RISKS AND UNCERTAINTIES

The Group's risk exposure is described in the Annual Report 2016. The Group's activities are essentially 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, including trade barriers and geopolitical risk, the general consensus is that macroeconomic uncertainty is still greater than normal. Although this situation may have negative effects on the real economy in most markets, we are confident that AUSS' core activities are 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 competitiveness and earnings potential over time. Operational factors, such as marine biomass, fishing conditions and price trends for the Group's input factors, are other key parameters that have an impact on risk for the Group.

At the end of Q1 2017, the Group had live fish on its balance sheet worth around NOK 5 billion. Biological risk has been and will remain a substantial risk factor in the Group's operations. Assessing and managing biological risk must therefore be a part of the Group's core expertise.

Changes in fishing patterns and quota adjustments mean fluctuations in catch volumes from quarter to quarter and year to year, and hence varying utilisation of the Group's production facilities. The seasonal fluctuations in catch volumes cause similar fluctuations in the quarterly key figures.

After LSG's acquisition of Havfisk and LNWS, the Group has substantial exposure in relation to catches of wild fish according to Norwegian quotas. The Group faces political risk involving management by the authorities, including framework conditions for fish farming and licence terms related to the legislation governing fisheries. In Q1 2017, the Norwegian government published its White Paper: "cod trawler fleet land-lock obligation system" containing recommendations for significant amendments to the framework conditions for Havfisk and LNWS. Among the recommendations is the removal of the obligations relating to supply, processing and operations. The White Paper recommends the removal of the supply obligation in return for a total compensation from quota owners of NOK 100 million. The total compensation estimated for Havfisk is NOK 60 million. Furthermore, the White Paper recommends removal of the

operational obligation by implementing a 20% reduction in cod trawler licences. The Norwegian Parliament is expected to reach its decision on the White Paper in Q2 2017. The Group is hopefully anticipating a final outcome whereby the political process results in framework conditions for the companies involved that facilitate positive industrial development.

In the approval granted by the Ministry of Trade, Industry and Fisheries, LSG's ownership of Havfisk and LNWS is linked to the ownership approved when the application was submitted, thereby requiring approval of any changes in ownership not covered by the exemption granted by the Ministry. The nationality requirement in section 5 of the Act relating to the right to participate in fishing must also be met.

The majority of the Group's debt is at floating interest rates, but fixed-rate contracts have been entered into for approx. 21% of the Group's interest-bearing debt.

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

## SHAREHOLDERS

The company had 4,853 shareholders as of 31 March 2017. The number of shareholders at the start of the period was 4,819.

The share price was NOK 83.75 at the start of Q1 2017 and NOK 63.00 at the end of the quarter.

A list of the 20 largest shareholders can be found in Note 6.

The Board of Directors has proposed to the annual general meeting in 2017 that a dividend of NOK 2.50 per share is paid for the 2016 financial year. The annual general meeting will take place on 24 May 2017 and the dividend will be paid on 2 June 2017, subject to approval at the annual general meeting. The corresponding dividend payment in 2016 was NOK 7.00 per share. This figure is influenced by AUSS having sold shares in LSG in March 2016, the proceeds of which sale were paid out in dividends.

## MARKET AND OUTLOOK

### *Fishmeal and fish oil*

In Europe, the first quarter is normally a good quarter for production. The price level for fishmeal in Europe has been on the decline in Q4 2016 and at the start of Q1 2017, and

has been impacted by a good second fishing season for anchoveta in Peru of a total 2 million tonnes. Moreover, the quotas in the North Atlantic for fish species used for fishmeal and oil in Europe have seen a substantial increase in 2017 when compared with 2016. Realised prices for fishmeal FOB Peru (superprime) are currently USD 1,390, while CIF Hamburg prices for fishmeal (standard 64%/65%) are USD 1,315.

### *Consumer products*

The Group's production of consumer products takes place in Europe and South America. In Europe, the season for herring and capelin is – as normal – from January to April and the season for North Sea herring from May onwards. The mackerel season normally starts in September, and the remaining quotas for herring are also caught from September onwards. The first half of the year is the season for horse mackerel in South America. The ban on imports into Russia and the import quotas and currency restrictions on sales to Nigeria have required the companies to actively seek alternative markets for those products traditionally sold mainly to Russia and Nigeria. The market situation in Nigeria has improved to date in 2017. We note that the Group's products are faring well in competition with alternative sources of protein.

### *Production, sale and distribution of salmon, trout and white fish*

At the time of writing, it appears that there are limited opportunities for growth in the global supply of salmon and trout in the next few years. In light of the market prospects and the segment's potential for improvements in own production, the outlook is good. Salmon lice prevention costs are expected to increase in 2017, while costs related to treatment are expected to fall. There is significant potential for reductions in treatment costs, and the Group has a clearly defined strategy and goal to realise this potential, while acknowledging that it is difficult to specify a timeline for such a development.

LSG has been a driver towards the end market via its fully integrated value chain, product development, increased traceability and availability, particularly for salmon. The company has also launched equivalent products for whitefish, and is noticing the same trends as for salmon and trout. The Group is confident that there is considerable value generation potential in further developing the whitefish market, including increasing capacity utilisation in LSG's downstream activities. The investments in Havfisk and LNWS play an important role in achieving LSG's vision of being the leading and most profitable global supplier of quality sustainable seafood.

### *The Group*

The Group is financially sound, has shown good development and currently has a strong position on a number of seafood markets worldwide. The Group's strategy going forward is to continue to grow and further develop within its current



operating segments. The Group has and shall continue to have the financial flexibility to support its strategy of further organic growth, carry out strategic acquisitions and sustain the company's dividend policy.

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

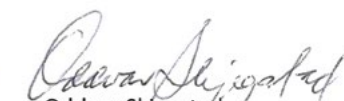
Storebø, 10<sup>th</sup> of May, 2017  
The Board of Directors of Austevoll Seafood ASA




**Helge Singelstad**  
Chairman of the Board



**Lill Maren Møgster**  
Board member



**Oddvar Skjegstad**  
Deputy Chairman of the Board



**Leif Teksum**  
Board member



**Helge Møgster**  
Board member



**Inga Lise L. Moldestad**  
Board member



**Siren M. Grønhaug**  
Board member



**Arne Møgster**  
CEO

## INCOME STATEMENT (unaudited)

All figures in NOK 1.000	Note	Q1 2017	Q1 2016	2016
<b>Operating revenue</b>	4	6 074 954	4 412 239	18 911 523
Raw material and consumables used		3 148 692	2 590 316	10 522 582
Salaries and personnel expenses		771 405	489 501	2 229 746
Other operating expenses		599 512	446 678	2 278 364
<b>Operating profit before depreciation (EBITDA)</b>		<b>1 555 345</b>	<b>885 744</b>	<b>3 880 831</b>
Depreciation and amortisation		225 666	191 712	845 126
Impairment		-1 204	-1 959	122 794
<b>EBIT before fair value biomass adjustment</b>		<b>1 330 883</b>	<b>695 991</b>	<b>2 912 911</b>
Fair value adjustment biomass	3	-1 021 226	163 828	1 549 449
<b>Operating profit</b>		<b>309 657</b>	<b>859 819</b>	<b>4 462 360</b>
Income from associated companies		150 409	96 369	459 498
Net interest expenses		-74 479	-60 187	-251 644
Net other financial items (incl. agio/disagio)		30 073	11 695	12 367
<b>Profit before tax</b>		<b>415 660</b>	<b>907 696</b>	<b>4 682 581</b>
Income tax expenses		-72 290	-215 042	-974 607
<b>Net profit</b>		<b>343 370</b>	<b>692 654</b>	<b>3 707 974</b>
Profit to non-controlling interest		136 438	324 124	2 063 069
Profit to controlling interests		206 932	368 530	1 644 905
Earnings per share (EPS)		1,03	1,83	8,17
Diluted EPS		1,03	1,83	8,17

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

All figures in NOK 1.000	Q1 2017	Q1 2016	(audited) 2016
<b>Net earnings in the period</b>	<b>343 370</b>	<b>692 654</b>	<b>3 707 974</b>
<b>Other comprehensive income</b>			
Currency translation differences	46 120	-193 725	-224 901
Other comprehensive income from associated companies	-2 673		
Cash flow hedges	1 553	-16 558	38 091
Change in value available for sale financial assets			
Others incl. tax effect	694	9 305	7 556
<b>Total other comprehensive income</b>	<b>45 694</b>	<b>-200 978</b>	<b>-179 254</b>
<b>Comprehensive income in the period</b>	<b>389 064</b>	<b>491 676</b>	<b>3 528 720</b>
<b>Allocated to;</b>			
Minority interests	144 151	254 582	1 984 792
Majority interests	244 913	237 094	1 543 928

## STATEMENT OF FINANCIAL POSITION (unaudited)

All figures in NOK 1.000	Note	31.03.2017	31.03.2016	(audited) 31.12.2016
<b>Assets</b>				
Intangible assets		11 766 799	8 035 619	11 746 906
Vessels		1 998 081	900 506	1 992 120
Property, plant and equipment		4 761 333	4 498 690	4 698 944
Investments in associated companies	5	1 866 238	1 793 965	1 710 001
Investments in other shares		32 989	33 262	33 821
Other long-term receivables		143 728	62 262	120 842
<b>Total non-current assets</b>		<b>20 569 168</b>	<b>15 324 304</b>	<b>20 302 634</b>
Inventories	3	6 417 587	5 360 709	7 878 681
Accounts receivable		2 191 565	1 878 646	2 340 495
Other current receivables		814 821	635 127	734 205
Cash and cash equivalents		4 431 624	3 752 659	3 745 388
<b>Total current assets</b>		<b>13 855 597</b>	<b>11 627 141</b>	<b>14 698 769</b>
<b>Total assets</b>		<b>34 424 765</b>	<b>26 951 445</b>	<b>35 001 403</b>
<b>Equity and liabilities</b>				
Share capital		101 359	101 359	101 359
Own shares		-18 312	-35 306	-18 312
Share premium		3 713 549	3 713 549	3 713 549
Retained earnings and other reserves		5 696 534	6 007 931	5 451 621
Non-controlling interests		9 105 175	5 255 696	8 964 603
<b>Total equity</b>		<b>18 598 305</b>	<b>15 043 229</b>	<b>18 212 820</b>
Deferred tax liabilities		3 803 226	2 781 118	3 986 198
Pensions and other obligations		127 235	175 267	146 067
Borrowings		7 366 911	5 015 181	7 065 191
Other long-term liabilities		28 367	23 956	33 927
<b>Total non-current liabilities</b>		<b>11 325 739</b>	<b>7 995 522</b>	<b>11 231 383</b>
Short term borrowings		977 526	1 516 415	1 350 926
Overdraft facilities		160 734	449 763	788 224
Account payable		1 485 896	1 135 121	1 500 089
Other current liabilities		1 876 565	811 395	1 917 961
<b>Total current liabilities</b>		<b>4 500 721</b>	<b>3 912 694</b>	<b>5 557 200</b>
<b>Total liabilities</b>		<b>15 826 460</b>	<b>11 908 216</b>	<b>16 788 583</b>
<b>Total equity and liabilities</b>		<b>34 424 765</b>	<b>26 951 445</b>	<b>35 001 403</b>
NIBD		4 155 914	3 252 656	5 492 880
Equity ratio		54%	56%	52%

## CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

All figures in NOK 1.000	31.03.2017	31.03.2016	(audited) 31.12.2016
<b>Equity period start</b>	<b>18 212 820</b>	<b>13 610 808</b>	<b>13 610 808</b>
<b>Comprehensive income in the period</b>	<b>389 064</b>	<b>491 676</b>	<b>3 528 720</b>
Dividends	-3 579	-	-1 757 525
Business combinations/acquisition	-	-	947 016
Transactions with non-controlling interest	-	940 745	1 883 801
Effect option programme	-	-	-
Other	-	-	-
<b>Total changes in equity in the period</b>	<b>385 485</b>	<b>1 432 421</b>	<b>4 602 012</b>
<b>Equity at period end</b>	<b>18 598 305</b>	<b>15 043 229</b>	<b>18 212 820</b>

## CASH FLOW STATEMENT (unaudited)

All figures in NOK 1.000	Q1 2017	Q1 2016	(audited) 2016
<b>Cash flow from operating activities</b>			
Profit before income taxes	415 661	907 696	4 682 581
Fair value adjustment of biological assets	1 021 226	-163 828	-1 549 449
Taxes paid in the period	-215 732	-180 515	-249 323
Depreciation and amortisation	225 666	191 711	845 126
Impairments	-1 204	-1 959	122 794
Associated companies - net	-150 409	-96 369	-459 498
Interest expense	82 900	68 937	297 631
Interest income	-8 421	-8 750	-45 987
Change in inventories	439 868	343 032	-241 520
Change in receivables	68 315	-237 699	-492 985
Change in payables	-14 193	131 046	391 699
Other operating cash flow incl currency exchange	-132 308	-163 444	-51 984
<b>Net cash flow from operating activities</b>	<b>1 731 369</b>	<b>789 858</b>	<b>3 249 085</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible and fixed assets	-264 390	-157 993	-1 142 494
Purchase of shares and equity investments	-	-28 493	-3 419 408
Proceeds from sale of fixed assets/equity investments	31 220	987 440	110 484
Cash inflow from business combinations	-	-	288 311
Dividend received	-	-	278 800
Interest income	8 421	8 750	45 987
Other investing activities - net	-23 037	-3 747	-11 193
<b>Net cash flow from investing activities</b>	<b>-247 786</b>	<b>805 957</b>	<b>-3 849 513</b>
<b>Cash flow from financing activities</b>			
Proceeds from new long term debt	509 337	689 078	2 866 555
Repayment of long term debt	-581 270	-491 014	-1 946 937
Change in short term debt	-622 995	-428 174	-176 746
Interest paid	-97 666	-72 709	-313 517
Dividends paid	-3 579	-	-1 695 079
Other finance cash flow - net	-	-	3 143 219
<b>Net cash flow from financing activities</b>	<b>-796 173</b>	<b>-302 819</b>	<b>1 877 495</b>
Net change in cash and cash equivalents	687 410	1 292 996	1 277 067
Cash, and cash equivalents at start of period	3 745 198	2 470 222	2 470 222
Exchange gains/losses (-)	-984	-10 732	-2 091
<b>Cash and cash equivalents at period end</b>	<b>4 431 624</b>	<b>3 752 486</b>	<b>3 745 198</b>

## NOTE 1 ACCOUNTING POLICIES

This interim report has been prepared in accordance with International Financial Reporting Standards (IFRS) and the related standard for interim financial reporting (IAS 34). The interim financial statements, including historical comparative amounts, are based on current IFRS standards and interpretations. Changes in the standards and interpretations may result in changes to the profit/loss. The interim 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. This report must therefore be read in the context of the company's most recent annual report (2016).

## NOTE 2 RELATED PARTY TRANSACTIONS

There were related party transactions in Q1 2017. Related party transactions take place on market terms, and the relevant types of transactions are described in more detail in the Annual Report 2016.

## NOTE 3 BIOLOGICAL ASSETS

The Group recognises and measures biological assets (fish in sea) at fair value. For roe, fry, smolt and cleaner fish, historical cost is assumed to be the best estimate of fair value. For salmon and trout, including parent fish, a present value model is applied to estimate fair value.

The fair value of fish in the sea is estimated as a function of the estimated biomass at the time of release from stock, multiplied by the estimated sales price. For fish not ready for harvest, a deduction is made to cover estimated residual costs to grow the fish to harvest weight. The cash flow is discounted monthly by a discount rate. The discount rate comprises three main components: (1) the risk of incidents that have an effect on cash flow, (2) hypothetical licence lease and (3) the time value of money.

Estimated biomass (volume) is based on the actual number of individuals in the sea on the date of the statement of financial position, adjusted to cover projected mortality up to harvest time and multiplied by the estimated harvest weight per individual at harvest time. The measurement unit is the individual fish. However, for practical reasons, these estimates are carried out individually per locality. The live weight of fish in the sea is translated to gutted weight in order to arrive at the same measurement unit as for pricing.

Pricing is based on the Fish Pool forward prices. The forward price for the month in which the fish is expected to be harvested is applied in order to estimate cash flow. The price stipulated by Fish Pool is adjusted to take into account export costs and clearing costs, and represents the reference price. This price is then adjusted to account for estimated harvesting cost (well boat, slaughter and boxing) and transport to Oslo. Adjustments are also made for any projected differences in size and quality. The adjustments to the reference price are made individually per locality. Joint regional parameters are applied, unless factors specific to an individual locality require otherwise.

Valuation and classification are based on the principle of highest and best use according to IFRS 13. The actual market price per kilo may vary in relation to fish weight. When estimating fair value, the optimal harvest weight – or the weight when the fish is ready for harvest – is defined as the live weight that results in a gutted weight of 4 kg. This corresponds to a live weight of 4.8 kg. The optimal harvest weight may, however, be lowered slightly if required by factors at an individual locality (biological challenges etc.). In terms of valuation, only fish that have achieved a live weight greater than 4.8 kg are classified as ready for harvest.

The Group enters into contracts related to future deliveries of salmon and trout. As biological assets are recognised at fair value, the fair value adjustment of the biological assets will be included in the estimated expenses required to fulfil the contract. This implies that the Group may experience loss-making (onerous) contracts according to IAS 37 even if the contract price for physical delivery contracts is higher than the actual production cost for the products. In such a scenario, a provision is made for the estimated negative value. The provision is classified in the financial statements as other short-term debt.

### NOTE 3 BIOLOGICAL ASSETS (Continued)

The fair value adjustment recognised in the income statement for the period related to biological assets comprises (1) value adjustment of biological assets, (2) change in fair value (provision) related to onerous contracts and (3) change in unrealised gain/loss related to financial sale and purchase contracts (derivatives) for fish in Fish Pool. Fish Pool contracts are treated as financial instruments on the statement of financial position, where unrealised gain is recognised as other current receivables and unrealised loss as other current debt.

#### Lerøy Seafood Group ASA

<b>Carrying amount of biological assets</b>	<b>31.03.2017</b>	31.03.2016	31.12.2016
Fish in sea at historic cost	<b>3 042 701</b>	2 944 453	3 433 980
FV adjustment fish in sea	<b>1 567 818</b>	1 145 281	2 701 099
Fair value fish in sea	<b>4 610 519</b>	4 089 733	6 135 079
Fry, brood, smolt and cleaning fish	<b>238 499</b>	277 472	283 234
Carrying amount of biological assets	<b>4 849 018</b>	4 367 205	6 418 313
<b>Total biological assets at historic cost</b>	<b>3 281 200</b>	3 221 925	3 717 214
<b>FV adjustment on biological assets</b>	<b>1 567 818</b>	1 145 281	2 701 099
<b>Carrying amount of biological assets</b>	<b>4 849 018</b>	4 367 205	6 418 313

#### Carrying amount on onerous contracts (liability)

Carrying amount of onerous contracts	<b>-98 136</b>	-	-284 381
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#### Carrying amount of fishpool contracts

Carrying amount of onerous contracts	<b>12 787</b>	-2 702	24 914
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#### Fair value adjustment

	<b>Q1 2017</b>	Q1 2016	2016
Change FV adj. biological assets	<b>-1 133 280</b>	174 211	1 730 028
Change in onerous contracts, biomass	<b>186 245</b>	-	-284 381
Change in FV on fishpool contracts	<b>-12 133</b>	-2 702	24 914
Fair value adjustments related to biomass	<b>-959 168</b>	171 509	1 470 561

#### Volume of fish in sea (LWT)

	<b>31.03.2017</b>	31.03.2016	31.12.2016
Volume at beginning of period	<b>108 413</b>	108 270	108 270
Net growth during the period	<b>32 324</b>	33 259	178 931
Harvested volume during the period	<b>-51 556</b>	-45 432	-178 788
Volume at end of period	<b>89 181</b>	96 097	108 413
- Salmon	<b>77 400</b>	75 446	94 644
- Trout	<b>11 781</b>	20 651	13 769
Total	<b>89 181</b>	96 097	108 413
Fish > 4,8 kg (live weight)	<b>12 177</b>	14 920	15 786

The figures for harvested volume and growth in the table below have been estimated on the basis of gutted weight (GWT) and converted to live weight (LWT). The gutting loss ratio for salmon and trout applied in this conversion is 16%. The table includes salmon and trout.

#### Harvested volume in gutted weight (GWT)

	<b>Q1 2017</b>	Q1 2016	2016
Total volume	<b>43 307</b>	38 163	150 182
- Salmon	<b>37 973</b>	29 806	114 939
- Trout	<b>5 335</b>	8 357	35 243

## NOTE 3 BIOLOGICAL ASSETS (Continued)

### Br. Birkeland AS

<b>Carrying amount of biological assets</b>	<b>31.03.2017</b>	31.03.2016	2016
Fish in sea at historic cost	<b>173 950</b>	165 392	176 748
FV adjustment fish in sea	<b>98 012</b>	73 501	160 070
Fair value fish in sea	<b>271 962</b>	238 893	336 818
Fry, brood and smolt	-	-	-
Carrying amount of biological assets	<b>271 962</b>	238 893	336 818

<b>Fair value adjustment</b>	<b>Q1 2017</b>	Q1 2016	2016
Change IFRS adj. biological assets	<b>-62 058</b>	-7 681	78 888
FV adj. biological assets	<b>-62 058</b>	-7 681	78 888

The figures for harvested volume and growth in the table below have been estimated on the basis of gutted weight (GWT) and converted to live weight (LWT). The gutting loss ratio for salmon and trout applied in this conversion is 16%.

<b>Volume of fish in sea (LWT)</b>	<b>Q1 2017</b>	Q1 2016	2016
Volume at beginning of period	<b>5 688</b>	5 755	5 755
Growth during the period	<b>1 292</b>	1 696	9 636
Harvested volume during the period	<b>-1 349</b>	-2 094	-9 703
Volume at end of period	<b>5 631</b>	5 357	5 688

Fish > 4.8 kg	-	-	-
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<b>Harvested volume (GWT)</b>	<b>Q1 2017</b>	Q1 2016	2016
Total volume	<b>1 117</b>	1 717	8 093
- Salmon	<b>1 117</b>	1 717	8 093
- Trout	-	-	-

## NOTE 4 OPERATING SEGMENTS

All figures in NOK 1.000	Lerøy Seafood Group ASA	Austral Group S.A.A	Foodcorp Chile S.A	Br. Birkeland AS	Other/ eliminations	Total Group	Pelagia AS (50% of figures and volumes)	Total Group incl. Pelagia AS (50%)
<b>Q1 2017</b>								
Operating revenue	5 459 617	434 010	98 070	123 820	-40 563	6 074 954	686 081	6 761 035
EBITDA	1 423 463	87 534	9 816	30 431	4 102	1 555 346	81 622	1 636 968
EBITDA%	26%	20%	10%	25%		26%	12%	24%
EBIT ex. Impairment	1 277 347	40 224	680	12 392	-963	1 329 680	61 289	1 390 969
EBIT	1 277 347	41 429	680	12 392	-964	1 330 884	67 382	1 398 266
<b>Volumes sold:</b>								
Salmon (gwt tonnes)	43 307			1 117		44 424		44 424
Fishmeal/oil/FPC (tonnes)		32 559	3 312			35 871	16 398	52 269
Frozen fish (tonnes)		3 170	4 267			7 437	32 502	39 939
<b>Q1 2016</b>								
Operating revenue	3 815 658	421 824	103 636	178 509	-107 388	4 412 239	632 465	5 044 704
EBITDA	697 355	77 835	19 482	86 849	4 222	885 743	63 365	949 108
EBITDA%	18%	18%	19%	49%		20%	10%	19%
EBIT ex. Impairment	584 462	37 620	2 379	70 585	-1 014	694 032	43 390	737 422
EBIT	584 462	39 579	2 379	70 585	-1 014	695 991	43 390	739 381
<b>Volumes sold:</b>								
Salmon (gwt tonnes)	38 163			1 717		39 880		39 880
Fishmeal/oil/FPC (tonnes)		27 715	3 561			31 276	12 722	43 998
Frozen fish (tonnes)		45	3 924			3 969	40 183	44 152
<b>2016</b>								
Operating revenue	17 269 735	1 020 483	425 333	789 702	-593 730	18 911 523	2 879 204	21 790 727
EBITDA	3 355 089	140 105	31 135	344 541	9 961	3 880 831	314 098	4 194 929
EBITDA%	19%	14%	7%	44%		21%	11%	19%
EBIT ex. Impairment	2 843 469	-35 189	-37 797	277 279	-12 057	3 035 705	232 110	3 267 815
EBIT	2 843 469	-8 819	-186 961	277 279	-12 057	2 912 911	232 110	3 145 021
<b>Volumes sold:</b>								
Salmon (gwt tonnes)	150 182			8 093		158 275		158 275
Fishmeal/oil/FPC (tonnes)		62 125	13 219			75 344	77 850	153 194
Frozen fish/fresh (tonnes)		7 788	21 869			29 657	132 300	161 957



## NOTE 5 ASSOCIATES

		Q1 2017	Q1 2016	2016
Norskott Havbruk AS	50.0%	92 551	58 377	238 804
Pelagia AS	50.0%	51 262	34 522	193 415
Others		6 596	3 470	27 279
<b>Total income from ass.companies</b>		<b>150 409</b>	<b>96 369</b>	<b>459 498</b>
<b>Total investment</b>		<b>1 866 238</b>	<b>1 793 962</b>	<b>1 710 001</b>

## NOTE 6 LIST OF THE 20 LARGEST SHAREHOLDERS AS AT 31 MARCH 2017

Investor	Number of shares	% of top 20	% of total
LACO A/S	112 605 876	77.08%	55.55%
STATE STREET BANK AND TRUST COMP	5 800 423	3.97%	2.86%
STATE STREET BANK AND TRUST COMP	4 898 768	3.35%	2.42%
PARETO AKSJE NORGE	2 631 142	1.80%	1.30%
FOLKETRYGDFONDET	1 938 691	1.33%	0.96%
OM HOLDING AS	1 881 850	1.29%	0.93%
MITSUI AND CO., LTD	1 782 236	1.22%	0.88%
EUROCLEAR BANK S.A./N.V.	1 780 649	1.22%	0.88%
DANSKE INVEST NORSKE INSTIT. II.	1 653 129	1.13%	0.82%
THE NORTHERN TRUST COMP, LONDON BR	1 377 779	0.94%	0.68%
MP PENSJON PK	1 141 069	0.78%	0.56%
JPMORGAN CHASE BANK, N.A., LONDON	1 091 416	0.75%	0.54%
STATE STREET BANK AND TRUST COMP	1 087 695	0.74%	0.54%
J.P. MORGAN BANK LUXEMBOURG S.A.	1 007 878	0.69%	0.50%
CITIBANK, N.A.	981 087	0.67%	0.48%
PARETO AS	921 000	0.63%	0.45%
THE BANK OF NEW YORK MELLON SA/NV	903 287	0.62%	0.45%
AUSTEVOLL SEAFOOD ASA	893 300	0.61%	0.44%
MORGAN STANLEY AND CO INTL PLC	858 475	0.59%	0.42%
JPMORGAN CHASE BANK, N.A., LONDON	848 759	0.58%	0.42%
<b>Total number owned by top 20</b>	<b>146 084 509</b>	<b>100%</b>	<b>72.06%</b>
<b>Total number of shares</b>	<b>202 717 374</b>		<b>100%</b>





