



Austevoll Seafood ASA

# Financial Report Q1 2018



## Index

Key figures for the Group.....	03
Q1 2018 .....	04
Operating segments .....	04
Cash flows Q1 2018 .....	07
Statement of financial position.....	07
Risks and uncertainties.....	07
Shareholders .....	08
Market and outlook .....	08
Income statement.....	10
Condensed statement of comprehensive income .....	10
Statement of financial position.....	11
Condensed statement of changes in equity.....	11
Cash flow statement.....	12
Note 1 Accounting policies.....	13
Note 2 Related party transactions.....	13
Note 3 Biological assets .....	13
Note 4 Segments .....	16
Note 5 Associates .....	17
Note 6 List of the 20 largest shareholders .....	17

Austevoll Seafood ASA

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## FINANCIAL REPORT Q1 2018

Yet again, a good quarter

Positive development in prices for Atlantic salmon throughout the quarter

Good activity for pelagic and whitefish in the North Atlantic

A weak second season in 2017 in Peru closed in January 2018. The quota for the first season of 2018 was 3.3 million tonnes and started on 7 April.

A good level of activity in Chile with a high sales volume

The subsidiary Br. Birkeland AS sold the company Maron AS, which owned a ring net purse seiner, in January 2018 with a gain booked on the accounts of NOK 157 million.

### KEY FIGURES FOR THE GROUP

All figures in NOK 1,000	Q1 2018	Q1 2017	2017
Operating revenue	5 753 149	6 074 954	20 798 933
EBITDA*	1 445 293	1 555 345	4 747 249
EBITDA %	25 %	26 %	23 %
EBIT*	1 217 233	1 330 883	3 827 155
Pre tax profit before biomass adj.*	1 327 121	1 401 017	4 029 098
Pre tax profit	2 316 390	415 660	2 200 015
Earnings per share (EPS) *	2,58	2,95	8,62
Earnings per share (EPS)	4,57	1,03	5,00
Dividend per share			2,80**
Total assets	37 536 183	34 424 765	35 309 224
Equity	20 912 272	18 598 305	19 171 739
Equity ratio	56 %	54 %	54 %
Net interest bearing debt (NIBD)	3 781 956	4 155 914	4 137 532

\* Before fair value adjustments of biological assets

\*\* Proposed dividend

## Q1 2018

The Group reported operating revenue of NOK 5,753 million in the quarter, compared with NOK 6,075 million in Q1 2017. The fall in revenue is due to a combination of lower sales volume for Atlantic salmon/trout and lower prices realised when compared with Q1 2017.

EBITDA achieved in the first quarter was NOK 1,445 million, down from NOK 1,555 million in the same quarter of last year. The fall in EBITDA can be attributed to the factors mentioned above. The EBITDA figure for the quarter includes an accounting gain of NOK 157 million from the sale of Maron AS. Maron AS was sold in January 2018. At the time of the transaction, the company owned a ring net vessel with a basic quota of 409 tonnes.

EBIT before fair value adjustment related to biological assets in Q1 2018 was NOK 1,217 million (Q1 2017: NOK 1,331 million).

EBIT after fair value adjustment related to biological assets in Q1 2018 was NOK 2,204 million (Q1 2017: NOK 310 million). This difference is attributed to positive fair value adjustment related to biological assets of NOK 987 million in Q1 2018. The fair value adjustment related to biological assets in Q1 2017 was negative at NOK 1,021 million.

Income from associates for Q1 2018 totalled NOK 162 million (Q1 2017: NOK 150 million). The largest associates are Norskott Havbruk AS and Pelagia AS. The Group's associates are generating positive results and represent substantial value.

The Group's net interest expense in Q1 2018 totalled NOK 62 million (Q1 2017: NOK 74 million).

**Profit before tax and fair value adjustment related to biological assets for Q1 2018 amounted to NOK 1,327 million, compared with NOK 1,401 million in Q1 2017.**

Profit before tax for the quarter totalled NOK 2,316 million (Q1 2017: NOK 416 million). Profit after tax was NOK 1,872 million (Q1 2017: NOK 343 million).

## OPERATING SEGMENTS

### *Lerøy Seafood Group ASA (LSG)*

In Q1 2018, LSG reported operating revenue of NOK 5,000 million (Q1 2017: NOK 5,460 million) and EBITDA before fair value adjustment related to biological assets of NOK 1,114 million (Q1 2017: NOK 1,423 million).

The company harvested 37,576 tonnes gutted weight of salmon and trout in the first quarter, compared with 43,307 tonnes in the same quarter of 2017, representing a decline in harvest volume of 13%. The decline in revenue and EBITDA in Q1

2018 when compared with the same quarter in 2017 is mainly attributed to a lower harvest volume and lower prices realised for salmon and trout.

In recent years, the prices for Atlantic salmon have been impacted by the fact that Norway, the largest producer of Atlantic salmon in the world, has not increased domestic production since 2012. There are several reasons for the lack of growth, including biological challenges, a lack of new licence capacity and challenges in adapting to new national political regulations that drive costs. In total, the lack of growth in Norway together with a positive development in demand and the weaker Norwegian krone have resulted in historically high prices for salmon.

Throughout 2017, the Norwegian fish farming industry has shown a positive development when it comes to biological performance. This resulted in a higher harvest volume towards the end of the year, and some pressure on spot prices for salmon and trout. As the lower prices gradually reached the consumer, demand saw a further positive development producing a very strong price development towards the end of Q1 2018. The spot price for salmon, measured according to the NSI benchmark, was NOK 59.5 per kg in Q1 2018, compared with NOK 65.3 per kg in Q1 2017.

Contract share for LSG in the quarter was 22%. Prices realised on contracts for the quarter as a whole were marginally higher than prices realised on the spot market. LSG's prices realised for trout in Q1 2018 have been NOK 6 per kg lower than the prices realised for salmon, with downgrading the predominant cause behind the price difference.

This is the third quarter in a row where the Group experiences a decline in release from stock costs. Performance is still impacted, however, by the high level of costs for Lerøy Sjøtroll. At the time of writing, the Group expects to see this positive development in release from stock costs continuing in 2018, with an even higher impact in the second half of the year.

Lerøy Aurora has one of the best cost levels in the industry and is expected to sustain this throughout 2018. In Q1 2018, release from stock costs were marginally higher than in Q4 2017 and were on par with the figures from Q1 2017.

As previously reported, Lerøy Midt has achieved a positive development in production throughout 2017 and this has been sustained to date in 2018. This is the third quarter in a row with decreasing release from stock costs. The Group currently expects this trend to continue throughout 2018.

Lerøy Sjøtroll's release from stock costs in Q1 2018 are substantially lower than in Q4 2017, but still not at a level with which the Group is satisfied. The Group currently expects to see lower costs in the second half of 2018, but release from

stock costs will remain higher than in the other regions. As previously reported, a number of measures have been implemented that will in time make production in this region more robust. One of these measures involves the construction of one of the world's largest RAS facilities – recirculating aquaculture systems – for post-smolt, at Kjærelva in Fitjar municipality. The construction project is proceeding to schedule. The plan is to introduce roe in the second quarter of 2018 and to have the first delivery/release to the sea from the facility in 2019. The Group has accumulated positive and widespread experience of this type of technology, and expects this investment to provide significant reductions in production costs for Lerøy Sjøtroll. LSG believes that the new facility will improve biological performance both during the smolt phase and sea phase of production, and will allow much better utilisation of the company's licence volume.

LSG has a total of 146 licences distributed as follows: 26 in Troms and Finnmark (Lerøy Aurora), 57 in Nordmøre/Trøndelag (Lerøy Midt) and 63 in Hordaland (Lerøy Sjøtroll).

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. The new trawler, Nordtind, was delivered from the shipyard in January 2018 and has had very successful operations. Havfisk currently has 10 trawlers in operation. Havfisk owns several processing plants, which are mainly leased out to LNWS on long-term contracts. Havfisk's trawler licences stipulate an operational obligation for these processing plants.

Havfisk's total catch volume in Q1 2018 was 22,268 tonnes, compared with 20,586 tonnes in Q1 2017. Catch rates in the first quarter have been good. Catch volumes for the main species in Q1 2018 were 9,275 tonnes of cod, 3,686 tonnes of saithe and 6,545 tonnes of haddock. The catch distribution in Q1 2017 was 9,425 tonnes of cod, 2,841 tonnes of saithe and 7,380 tonnes of haddock. In comparison with Q1 2017, the average price for all species increased by 11% in Q1 2018. The prices for cod and haddock increased by 12% and 20% respectively in the quarter, while prices for saithe fell by 1%.

LNWS's primary business is processing wild caught whitefish. The company has use of eight processing plants in Norway, five of which are leased from Havfisk. The processing of whitefish in Norway has been extremely challenging for many years. As a result of high demand for seafood, the raw material prices increased throughout the first quarter of 2018, representing a challenge for processing operations. The Group has implemented a high number of measures within both production and marketing to improve earnings, but these are long-term initiatives and it will take time before significant improvements are evident.

In total, the segment reported operating profit of NOK 178 million in Q1 2018, compared with NOK 158 million in the same period of 2017.

For further information, please read LSG's report and presentation for Q1 2018.

#### **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, while 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 industry in Peru, including Austral, will look back on 2017 as a weak season and a difficult year in terms of operations, as with previous years. The second fishing season in Central/North Peru was stopped only a few days after start-up on 23 November 2017 and did not reopen until January 2018. The fleet in Peru had caught 46% of its total quota of 1.5 million tonnes by the end of season on 26 January 2018. Austral caught 40,200 tonnes of anchoveta from its own quota in January 2018. In addition, the company has purchased just under 17,000 tonnes of anchoveta from third parties, also in January 2018. Fisheries have been concentrated in the northern zone, and capacity limitations for receipt in the north impacted the total volume achieved by the company in the season. The company has not been able to utilise its capacity for receipt of fish in the south during this season. After the season in Central/North Peru ended, the company has had fisheries under its anchoveta quota in South Peru and has purchased raw materials from third parties in this area, with a supply of approximately 30,000 tonnes of raw materials to the factory in Ilo.

In Q1 2018, operating revenue was NOK 263 million (Q1 2017: NOK 434 million) and EBITDA was NOK 63 million (Q1 2017: NOK 88 million). The economic performance in Peru is naturally impacted by the continuing challenging framework conditions throughout the second season of 2017. It is therefore very gratifying to note that the present season gives grounds for increased optimism related to performance in 2018.

With the stop to fishing in Q4 2017, the company entered 2018 with minimal inventories. In principle, the company has sold

the majority of its production volume from the first quarter in Q1 2018, and only has just over 3,000 tonnes of fishmeal and oil in stock at the end of Q1 2018. At the end of Q1 2017, the company had an inventory of more than 6,000 tonnes.

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. From 2014 to 2017, Peru has struggled with low quotas and difficult operating conditions. The weather phenomenon known as “El Niño” has had an impact during this period. In 2017, the institutes monitoring this weather phenomenon signalled that sea temperatures were returning to normal. The recommended quotas for 2017 in total were 4.3 million tonnes, indicating that the researchers now evaluate the biomass status as good. This is further substantiated by the quota established for the first season of 2018, a total 3.3 million tonnes and up from 2.8 million tonnes for the corresponding season in 2017. The first season in 2018 started on 7 April 2018.

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

Foodcorp Chile S.A. (FC) is involved in fishing, consumer products, and production of fishmeal and oil. From 2018, the regulation of fisheries in Chile has provided higher flexibility for the fleet to carry out fishing in all the country's regions. This provides corresponding flexibility for FC, as this company previously had a quota that only covered South Chile. FC's quota corresponds to 8.4% of the horse mackerel quota established for the fleet to which FC's vessels belong. FC also has a quota for sardine/anchoveta.

All FC's shore-based industrial activities are located in the same building in the coastal town of 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.

In 2018, the company has its own quota for horse mackerel, 27,800 tonnes. The company also purchased 15,000 tonnes of horse mackerel from third parties to be caught by the company's own vessels.

FC had a good start to the year and caught 17,500 tonnes of horse mackerel in Q1 2018, compared with 8,000 tonnes in the same quarter last year. Demand for the company's products has been good, and sales of frozen products exceeded 15,000 tonnes in the quarter, compared with 4,300 tonnes in Q1 2017.

In Q1 2018, operating revenue was NOK 166 million (Q1 2017: NOK 98 million) and EBITDA was NOK 55 million (Q1 2017: NOK 10 million). It is very rewarding to note such a positive development in activities.

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 the scheme is assigned to the South Pacific Regional Fisheries Management Organization (SPRFMO). The quotas established in subsequent years have only seen a minor increase, in order to safeguard the build-up of biomass. Thanks to SPRFMO's conservative management, it was able to report in the autumn of 2017 that the biomass had reached a sustainable level, allowing the organisation to recommend an increase of 17% in the quotas for 2018.

The outcome of the auction for horse mackerel executed in December 2017 has now been announced, and FC has sustained its share of fisheries, on payment of an annual fee for the auctioned volume.

#### **Br. Birkeland AS/Br. Birkeland Farming AS (together abbreviated to BRBI)**

After the sale of Maron AS, AUSS – via Br. Birkeland AS – owns (51.69%) two combined pelagic ring net/trawling vessels, each with 681 basic tonnes for ring nets and a 1,425 basic tonne trawling quota for blue whiting. BRBI also has two vessels that fish for snow crab. Moreover, AUSS owns (51.69%) seven licences for farming Atlantic salmon/trout in Hordaland, via Br. Birkeland Farming AS.

In Q1 2018, the BRBI segment reported operating revenue of NOK 364 million (Q1 2017: NOK 124 million). EBIT before fair value adjustment related to biological assets in Q1 2018 was NOK 212 million (Q1 2017: NOK 30 million). Br. Birkeland AS sold the company Maron AS in January 2018. At the time of the transaction, Maron AS owned a ring net vessel with a basic quota of 409 tonnes. The accounting gain of NOK 157 million from the sale is included in the EBITDA figure for the quarter.

As usual, the ring net vessels have had a good level of activity in the first quarter, and have fished for herring, capelin and blue whiting. Fishing for blue whiting has been slightly postponed and will partly take place in the second quarter due to the new option to fish for capelin in the Barents Sea in 2018. Catches of snow crab were once again very poor in the quarter, amounting to 63 tonnes. The volume of snow crab caught in Q1 2017 was 204 tonnes. The harvest volume for salmon in Q1 2018 was 2,808 tonnes, compared with 1,117 tonnes in Q1 2017. Prices realised for salmon were considerably lower in Q1 2018 when compared with the same quarter in 2017. The company sells its entire production volume on the spot market.

#### **Pelagia AS**

In accordance with IFRS 11, AUSS' consolidated financial statements report the joint venture Pelagia AS as an associate. In the note to the financial statements about the operating

segments (Note 4) and in the description of the segment in this report, the financial information comprises 50% of Pelagia AS's total revenue, EBITDA, EBIT and sales volume. This corresponds to AUSS's equity interest in Pelagia AS.

Revenue for the quarter was NOK 731 million (Q1 2017: NOK 686 million) and EBITDA was NOK 102 million (Q1 2017: NOK 82 million).

As normal, the first quarter was the high season for Pelagia. The supply of goods for consumer products has comprised herring, mackerel and capelin. Production of fishmeal and fish oil has mainly comprised receipt of cuttings from the consumer product facilities, capelin and blue whiting. Total receipt of raw materials in the Group (100%) for fishmeal/FPC and fish oil production was approx. 350,000 tonnes in Q1 2018, compared with approx. 395,000 tonnes in the same quarter of 2017. The volume of raw materials received for consumer products was 125,000 tonnes, compared with 105,000 tonnes in 2017.

## CASH FLOWS Q1 2018

Cash flow from operating activities for Q1 2018 was NOK 1,026 million (Q1 2017: NOK 1,731 million). Cash flow from investing activities for Q1 2018 was NOK -508 million (Q1 2017: NOK -248 million). Havfisk received delivery of the newbuilding Nordtind in January 2018, and this is included in the cash flow from investing activities, along with investments in maintenance and ongoing projects within industry and smolt facilities. Cash flow from financing activities for Q1 2018 was NOK 166 million (Q1 2017: NOK -796 million). Net change in cash for the Group in Q1 2018 was NOK 685 million (Q1 2017: NOK 687 million).

The strong results achieved by the Group are also reflected in the Group's cash and cash equivalents, a total NOK 5,750 million at the end of Q1 2018, compared with NOK 4,432 million at the end of Q1 2017.

## STATEMENT OF FINANCIAL POSITION AT 31 MARCH 2018

The Group's statement of financial position at 31 March 2018 totalled NOK 37,536 million compared with NOK 34,425 million at 31 March 2017. The Group's statement of financial position at the end of December 2017 totalled NOK 35,309 million.

The Group is financially sound with book equity at 31 March 2018 of NOK 20,912 million, equivalent to an equity ratio of 56%. At the end of March 2017, the book equity for the Group was NOK 18,598 million, equivalent to an equity ratio of 54%.

The Group had net interest-bearing debt totalling NOK 3,782 million at the end of Q1 2018, compared with NOK 4,156 million at the end of the same quarter in 2017.

The parent company is financially sound, with book equity of NOK 3,960 million (NOK 3,967 million) and net interest-bearing debt of NOK 539 million (NOK 591 million) at 31 March 2018. The company has good access to external financing on competitive terms.

## RISKS AND UNCERTAINTIES

The Group's risk exposure is described in the Annual Report 2017. 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 what was previously considered 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 2018, the Group had live fish on its statement of financial position worth around NOK 5.4 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 various species of whitefish according to Norwegian quotas. The Group faces political risk linked to decisions by the authorities, including framework conditions for fish farming and licence terms related to fisheries legislation.

Industrial developments and employment in capital-intensive activities exposed to global competition such as fish farming, fisheries and industry represent challenges and require a long-

term perspective by businesses and politicians at national level. The Group's strategy centres on a long-term perspective, irrespective of framework conditions, to ensure a globally competitive organisation, which can continue to ensure industrial development in the numerous local communities where the Group has operations.

In the approval granted by the Norwegian Ministry of Trade, Industry and Fisheries, LSG's ownership of Havfisk and LNWS is linked to the ownership structure 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. 25% 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 5,456 shareholders at 31 March 2018. The number of shareholders at the start of the period was 5,151.

The share price was NOK 68.25 at the start of Q1 2018 and NOK 78.50 at the end of the quarter.

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

The Board of Directors has proposed to the annual general meeting in 2018 that a dividend of NOK 2.80 per share is paid for the 2017 financial year. The annual general meeting will be held on 24 May 2018. Provided the annual general meeting adopts the dividend payment, it will be made on 1 June 2018. The corresponding dividend payment in 2017 was NOK 2.50 per share.

## MARKET AND OUTLOOK

**Production, sale and distribution of salmon, trout and whitefish**  
LSG and the Norwegian fish farming industry have experienced a positive development in biological production of salmon in 2017 and to date in 2018. This has resulted in a slight increase in growth, putting some pressure on the spot prices for salmon and trout. LSG has close links with the end market for seafood, and the reports of a sustained strong, underlying demand for salmon from Q4 2017 still apply in 2018. The market for Atlantic salmon and seafood is strong.

LSG has identified room for operational improvements in all three regions where the Group carries out fish farming. LSG's investments will provide organic volume growth in all the regions, and substantial reductions in production costs in two of the regions. Current estimates for harvest volume in 2018, including the share of LSG's volume from associates, is 179,000 GWT. The harvest volume may, for numerous reasons including biology and market evaluations, differ from estimates. This difference was not major in 2017, and the Group does not expect this to change in 2018.

Developments within whitefish in 2018 have been positive, even though industrial development and processing of whitefish in Norway remain difficult. This situation is impacted by political framework conditions, but the Group has a clear ambition to increase competitiveness and earnings for whitefish, with the prevailing conditions and by means of improved marketing and improvements to operational efficiency. Work on industrial development of whitefish requires patience, a long-term perspective and considerable investments. Such investments require framework conditions that are predictable, and the Group and its employees fervently hope to be able to carry out such work without any obstacles in the years to come. The Group can report a positive development in catches to date in 2018, and its best estimate remains a catch volume of whitefish and shrimp in 2018 of approximately 65,000 tonnes.

Organic growth and a series of acquisitions have afforded LSG a position as the world's second-largest producer of salmon and trout and Norway's largest supplier of whitefish. In addition to fish produced from the Group's own licences and catches covered by the Group's own quotas, Lerøy Seafood Group ASA also has substantial trading activities with other suppliers. LSG plays an active role in developing the value chain for seafood and is gaining an increasingly important position as a substantial international seafood supplier.

Thanks to LSG's well-established integrated value chain for red fish, there is significant potential for increased value creation by means of further developing the market for whitefish, including strengthening the Group's position as a supplier of fresh/"refreshed" seafood with a full range of seafood products. At the time of writing, the Group is still of the opinion that its industrial investments within whitefish will strengthen the industrial development of the businesses involved and will create value.

LSG's many years of building alliances, developing high-quality products, entering new markets, quality-assuring its value chain and developing its brand will enable it to continue to generate value going forward. The Group will continue its work to deliver sustainable value creation by focusing on strategic business development and operational improvements. Based on our customers' demands, this work will ensure continuity of supply, quality and cost efficiency, and lead to increased profitability. Improving operational efficiency is an

on-going process that will further improve the Group's competitive strengths on the national and global markets.

#### ***Fishmeal and fish oil***

There was an increase in fishmeal prices in Q4 2017, thought to be partly due to the weak season in Peru that closed in Q1 2018. The quota for the first season of 2018 in Peru was 3.3 million tonnes and started on 7 April. The quota was somewhat higher than expected and this has resulted in a certain reduction in fishmeal prices at the start of the second quarter. As a result of a weak second season in 2017, there was a low supply of fishmeal in South America, and the producers had contracts remaining from 2017 that had to be fulfilled with new production volumes from 2018. The price level for fishmeal in Europe in Q1 2018 has been stable. However, the size of the quota for the first season of 2018 in Peru has resulted in a certain fall in prices at the end of the first quarter and start of the second quarter. The 2018 quotas for the fish species used for production of fishmeal and oil in Europe are on par with the quotas in 2017. Realised prices for fishmeal FOB Peru (super prime) are currently USD 1,740, while CIF Hamburg prices for fishmeal (standard 64%/65%) are USD 1,585.

#### ***Consumer products (pelagic)***

The Group's production of consumer products takes place in Europe and South America. In Europe, the season for herring, mackerel and capelin is – as normal – from January to April

and the season for North Sea herring from May onwards. The main season for mackerel fishing normally starts in September and continues throughout the autumn. The remaining quotas for Norwegian spring-spawning herring are also caught during the same period. The first half of the year is the season for horse mackerel in South America. The ban on imports to Russia and import quotas and currency restrictions on sales to Nigeria have made marketing much more complex in recent years. However, the market situation in Nigeria has slightly improved in 2017, and this market is therefore expected to accept high volumes of frozen fish again in 2018. We note that the Group's products are faring well in competition with alternative sources of protein.

#### ***The Group***

The Group is financially sound, has shown positive development and is currently well positioned in several parts of the global seafood industry. 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, 7 May 2018

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

**Eirik Drønen Melingen**  
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 2018	Q1 2017	(audited) 2017
<b>Operating revenue</b>	4	5 753 149	6 074 954	20 798 933
Raw material and consumables used		2 804 435	3 148 692	10 489 050
Salaries and personnel expenses		820 971	771 405	2 905 356
Other operating expenses		682 450	599 512	2 657 278
<b>EBITDA before fair value adjustments*</b>		<b>1 445 293</b>	<b>1 555 345</b>	<b>4 747 249</b>
Depreciation and amortisation		228 567	225 666	919 429
Impairment		-507	-1 204	665
<b>EBIT before fair value adjustment*</b>		<b>1 217 233</b>	<b>1 330 883</b>	<b>3 827 155</b>
Fair value adjustment related to biological assets	3	986 565	-1 021 226	-1 832 499
<b>Operating profit</b>		<b>2 203 798</b>	<b>309 657</b>	<b>1 994 656</b>
Income from associated companies	5	161 826	150 409	498 790
Net interest expenses		-61 862	-74 479	-282 873
Net other financial items (incl. agio/disagio)		12 628	30 073	-10 558
<b>Profit before tax and fair value adj.*</b>		<b>1 327 121</b>	<b>1 401 017</b>	<b>4 029 098</b>
<b>Profit before tax</b>		<b>2 316 390</b>	<b>415 660</b>	<b>2 200 015</b>
Income tax expenses		-444 596	-72 290	-369 059
<b>Net profit</b>		<b>1 871 794</b>	<b>343 370</b>	<b>1 830 956</b>
Profit to non-controlling interest		949 343	136 438	821 489
Profit to controlling interests		922 452	206 932	1 009 467
Earnings per share (EPS) *		2,58	2,95	8,62
Earnings per share (EPS)		4,57	1,03	5,00
Diluted EPS		4,57	1,03	5,00

\*) related to biological assets (alternative performance measure)

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

All figures in NOK 1.000	Q1 2018	Q1 2017	(audited) 2017
<b>Net earnings in the period</b>	<b>1 871 794</b>	<b>343 370</b>	<b>1 830 956</b>
<b>Other comprehensive income</b>			
Currency translation differences	-154 097	46 120	51 737
Other comprehensive income from associated companies	-5 495	-2 673	-2 772
Cash flow hedges	20 655	1 553	24 609
Change in value available for sale financial assets			
Others incl. tax effect	7 676	694	8 110
<b>Total other comprehensive income</b>	<b>-131 261</b>	<b>45 694</b>	<b>81 684</b>
<b>Comprehensive income in the period</b>	<b>1 740 533</b>	<b>389 064</b>	<b>1 912 640</b>
<b>Allocated to;</b>			
Minority interests	932 743	144 151	867 706
Majority interests	807 790	244 913	1 044 934

## STATEMENT OF FINANCIAL POSITION (unaudited)

All figures in NOK 1.000	Note	31.03.2018	31.03.2017	(audited) 31.12.2017
<b>Assets</b>				
Intangible assets		11 460 868	11 766 799	11 697 603
Vessels		2 216 148	1 998 081	1 953 354
Property, plant and equipment		5 815 934	4 761 333	5 609 737
Investments in associated companies	5	2 217 720	1 866 238	2 073 728
Investments in other shares		30 711	32 989	31 341
Other long-term receivables		146 002	143 728	200 505
<b>Total non-current assets</b>		<b>21 887 383</b>	<b>20 569 168</b>	<b>21 566 268</b>
Inventories	3	6 828 201	6 417 587	5 877 772
Accounts receivable		2 280 444	2 191 565	2 070 947
Other current receivables		789 786	814 821	719 362
Cash and cash equivalents		5 750 369	4 431 624	5 074 875
<b>Total current assets</b>		<b>15 648 800</b>	<b>13 855 597</b>	<b>13 742 956</b>
<b>Total assets</b>		<b>37 536 183</b>	<b>34 424 765</b>	<b>35 309 224</b>
<b>Equity and liabilities</b>				
Share capital	6	101 359	101 359	101 359
Own shares		-18 312	-18 312	-18 312
Share premium		3 713 549	3 713 549	3 713 549
Retained earnings and other reserves		6 858 870	5 696 534	5 989 871
Non-controlling interests		10 256 807	9 105 175	9 385 272
<b>Total equity</b>		<b>20 912 272</b>	<b>18 598 305</b>	<b>19 171 739</b>
Deferred tax liabilities		3 601 057	3 803 226	3 432 079
Pensions and other obligations		84 093	127 235	109 935
Borrowings		7 577 335	7 366 911	7 332 247
Other long-term liabilities		27 130	28 367	28 607
<b>Total non-current liabilities</b>		<b>11 289 615</b>	<b>11 325 739</b>	<b>10 902 868</b>
Short term borrowings		1 418 129	977 526	1 402 565
Overdraft facilities		427 778	160 734	448 988
Account payable		1 471 584	1 485 896	1 456 729
Other current liabilities		2 016 804	1 876 565	1 926 335
<b>Total current liabilities</b>		<b>5 334 295</b>	<b>4 500 721</b>	<b>5 234 617</b>
<b>Total liabilities</b>		<b>16 623 910</b>	<b>15 826 460</b>	<b>16 137 485</b>
<b>Total equity and liabilities</b>		<b>37 536 182</b>	<b>34 424 765</b>	<b>35 309 224</b>
NIBD		3 781 956	4 155 914	4 137 532
Equity ratio		56 %	54 %	54 %

## CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

All figures in NOK 1.000	31.03.2018	(audited) 31.03.2017	(audited) 31.12.2017
<b>Equity at period start</b>	<b>19 171 739</b>	<b>18 212 820</b>	<b>18 212 820</b>
<b>Comprehensive income in the period</b>	<b>1 740 533</b>	<b>389 064</b>	<b>1 912 640</b>
Dividends	-	-3 579	-952 708
Business combinations/acquisition	-	-	-
Transactions with non-controlling interest	-	-	-1 014
Effect option programme	-	-	-
Other	-	-	-
<b>Total changes in equity in the period</b>	<b>1 740 533</b>	<b>385 485</b>	<b>958 918</b>
<b>Equity at period end</b>	<b>20 912 272</b>	<b>18 598 305</b>	<b>19 171 738</b>

## CASH FLOW STATEMENT (unaudited)

All figures in NOK 1.000	Q1 2018	Q1 2017	(audited) 2017
<b>Cash flow from operating activities</b>			
Profit before income taxes	2 316 391	415 661	2 200 015
Fair value adjustment of biological assets	-986 565	1 021 226	1 832 499
Taxes paid in the period	-263 296	-215 732	-599 617
Depreciation and amortisation	228 567	225 666	919 429
Impairments	-507	-1 204	665
Associated companies - net	-161 826	-150 409	-498 790
Interest expense	73 637	82 900	332 833
Interest income	-11 775	-8 421	-49 960
Change in inventories	58 324	439 868	168 415
Change in receivables	-242 798	68 315	284 690
Change in payables	-17 485	-14 193	-42 685
Other operating cash flow incl currency exchange	33 520	-132 308	-327 003
<b>Net cash flow from operating activities</b>	<b>1 026 187</b>	<b>1 731 369</b>	<b>4 220 491</b>
<b>Cash flow from investing activities</b>			
Purchase of intangible and fixed assets	-863 522	-264 390	-1 840 471
Purchase of shares and equity investments	-127 078	-	-82 181
Proceeds from sale of fixed assets/equity investments	392 485	31 220	132 913
Cash inflow from business combinations	27 341	-	1 194
Dividend received	-	-	264 015
Interest income	11 775	8 421	49 960
Other investing activities - net	50 994	-23 037	-81 487
<b>Net cash flow from investing activities</b>	<b>-508 005</b>	<b>-247 786</b>	<b>-1 556 057</b>
<b>Cash flow from financing activities</b>			
Proceeds from new long term debt	525 703	509 337	1 584 788
Repayment of long term debt	-208 198	-581 270	-1 245 904
Change in short term debt	-17 467	-622 995	-326 873
Interest paid	-71 524	-97 666	-348 031
Dividends paid	-	-3 579	-950 584
Other finance cash flow - net	-62 073	-	-39 427
<b>Net cash flow from financing activities</b>	<b>166 441</b>	<b>-796 173</b>	<b>-1 326 031</b>
Net change in cash and cash equivalents	684 623	687 410	1 338 403
Cash, and cash equivalents at start of period	5 074 875	3 745 198	3 745 198
Exchange gains/losses (-)	-9 129	-984	-8 726
<b>Cash and cash equivalents at period end</b>	<b>5 750 369</b>	<b>4 431 624</b>	<b>5 074 875</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 result. 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 (2017).

## NOTE 2 RELATED PARTY TRANSACTIONS

There were related party transactions in Q1 2018. Related party transactions take place on market terms, and the relevant types of transactions are described in more detail in the Annual Report 2017.

## NOTE 3 BIOLOGICAL ASSETS

The Group recognises and measures biological assets at fair value according to IAS 41 and IFRS 13. For salmon and trout, including parent fish, a present value model is applied to estimate fair value. For roe, fry, smolt and cleaner fish, historical cost is assumed to be the best estimate of fair value. The 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, i.e. 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, classified in the financial statements as other current liabilities.

The fair value adjustment related to biological assets recognised in the income statement for the period comprises (1) fair value adjustment related to 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.

## NOTE 3 BIOLOGICAL ASSETS (continued)

### Conversion to live weight:

The figures for harvested volume and net growth in the tables 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 for Lerøy Seafood Group ASA includes salmon and trout. The table for Br. Birkeland AS only includes salmon.

LWT = live weight measured in tonnes

GWT = gutted weight measured in tonnes

### Lerøy Seafood Group ASA

#### FAIR VALUE ADJUSTMENTS RELATED TO BIOLOGICAL ASSETS

Fair value adjustments over profit and loss	Q1 2018	Q1 2017	2017
Change FV adj. of biological assets	974 063	-1 133 280	-1 953 500
Change in FV of onerous contracts	-21 330	186 245	278 926
Change in FV of fishpool contracts	4 033	-12 133	-41 735
FV adj. related to biological assets	956 766	-959 168	-1 716 309

#### BALANCE SHEET ITEMS RELATED TO BIOLOGICAL ASSETS

Positive amounts are assets and negative amounts are liabilities)

Carrying amount on biological assets	31.03.2018	31.03.2017	31.12.2017
Cost on stock for fish in sea	3 257 132	3 042 701	3 466 270
Cost on stock for fry, brood, smolt and cleaning fish	240 097	238 499	244 227
Total cost on stock for biological assets *	3 497 230	3 281 200	3 710 497
FV adj. on fish in sea	1 721 660	1 567 818	747 598
FV adj. on fry, brood, smolt and cleaning fish	0	0	0
Total FV adj. on biological assets	1 721 660	1 567 818	747 598
FV on fish in sea	4 978 792	4 610 519	4 213 868
FV on fry, brood, smolt and cleaning fish	240 097	238 499	244 227
Carrying amount of biological assets	5 218 890	4 849 018	4 458 095
<b>Carrying amount on onerous contracts (liability)</b>			
Carrying amount of onerous contracts	-26 785	-98 136	-5 455
<b>Carrying amount on fishpool contracts</b>			
Carrying amount of fishpool contracts	-12 543	12 787	-16 988

\* Cost on stock is historic costs after expensed mortality

#### HARVESTED VOLUME

Volume in gutted weight (GWT)	Q1 2018	Q1 2017	2017
Salmon	32 594	37 973	134 673
Trout	4 982	5 335	23 094
Total harvested volume	37 576	43 307	157 768

## NOTE 3 BIOLOGICAL ASSETS (continued)

### Lerøy Seafood Group ASA (forts.)

#### VOLUME

Volume of fish in sea (LWT)	Q1 2018	Q1 2017	31.12.2017
Volume at beginning of period	112 489	108 413	108 413
Net growth during the period	31 272	32 324	191 895
Harvested volume during the period	-44 733	-51 556	-187 819
Volume at end of period (LWT)	99 028	89 181	112 489

Specification of fish in sea (LWT)	31.03.2018	31.03.2017	31.12.2017
Salmon	85 440	77 400	96 450
Trout	13 589	11 781	16 039
Total	99 028	89 181	112 489
Fish > 4,8 kg (live weight)	12 035	12 177	14 396

### Br. Birkeland AS

#### FAIR VALUE ADJUSTMENTS RELATED TO BIOLOGICAL ASSETS

Fair value adjustment over profit and loss	Q1 2018	Q1 2017	2017
Change FV adj. biological assets	29 799	-62 058	-116 190
FV adj. related to biological assets	29 799	-62 058	-116 190

#### BALANCE SHEET ITEMS RELATED TO BIOLOGICAL ASSETS

Positive amounts are assets and negative amounts are liabilities

Carrying amount of biological assets	Q1 2018	Q1 2017	2017
Fish in sea at historic cost	117 489	173 950	187 318
Fair value adjustment fish in sea	73 679	98 012	43 880
Fair value fish in sea	191 168	271 962	231 198
Fry, brood and smolt	-	-	-
Carrying amount of biological assets	191 168	271 962	231 198

#### HARVESTED VOLUME

Harvested volume in gutted weight (GWT)	Q1 2018	Q1 2017	2017
Total volume	2 809	1 117	6 543
- Salmon	2 809	1 117	6 543

#### VOLUME:

Volume of fish in sea (LWT)	Q1 2018	Q1 2017	2017
Volume at beginning of period	5 070	5 688	5 688
Net growth during the period	860	1 292	7 404
Harvested volume during the period	-3 407	-1 349	-8 022
Volume at end of period (LWT)	2 523	5 631	5 070
Fish > 4,8 kg (live weight)		-	2 935

## NOTE 4 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 2018</b>								
Operating revenue	5 000 118	263 193	166 030	363 955	-40 147	5 753 149	731 310	6 484 459
EBITDA*	1 114 120	63 426	55 207	211 617	923	1 445 293	102 293	1 547 586
EBITDA %	22 %			58 %		25 %	14 %	24 %
EBIT ex. impairment*	960 097	23 437	47 921	189 449	-4 178	1 216 726	76 543	1 293 269
EBIT*	960 097	23 944	47 921	189 449	-4 177	1 217 234	76 543	1 293 777
<b>Volumes sold:</b>								
Salmon (GWT tonnes)	37 576			2 808		40 384		40 384
Fishmeal/oil/FPC (tonnes)		18 404	2 723			21 127	17 051	38 178
Frozen/fresh fish (tonnes)		1 065	15 026			16 091	38 670	54 761
<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 %		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>2017</b>								
Operating revenue	18 619 588	1 250 406	507 877	655 498	-234 436	20 798 933	3 061 055	23 859 988
EBITDA*	4 300 013	136 637	79 056	219 475	12 067	4 747 248	306 965	5 054 213
EBITDA %	23 %	11 %	16 %	33 %		23 %	10 %	21 %
EBIT ex. impairment*	3 716 748	-55 162	46 735	128 016	-8 518	3 827 819	217 970	4 045 789
EBIT*	3 716 748	-51 328	46 076	124 176	-8 518	3 827 154	242 411	4 069 565
<b>Volumes sold:</b>								
Salmon (GWT tonnes)	157 768			6 543		164 311		164 311
Fishmeal/oil/FPC (tonnes)		94 938	17 712			112 650	94 100	206 750
Frozen fish (tonnes)		8 154	27 661			35 815	160 550	196 365

\* Before fair value adjustments related to biological assets

## NOTE 5 ASSOCIATES

		Q1 2018	Q1 2017	2017
Norskott Havbruk AS	50.0%	76 317	92 551	270 660
Pelagia AS	50.0%	75 286	51 262	193 283
Others		10 223	6 596	34 846
<b>Total income from ass.companies</b>		<b>161 826</b>	<b>150 409</b>	<b>498 789</b>
<b>Total investment</b>		<b>2 217 717</b>	<b>1 866 238</b>	<b>2 073 728</b>

## NOTE 6 LIST OF THE 20 LARGEST SHAREHOLDERS AT 31 MARCH 2018

Investor	Number of shares	% of top 20	% of total
LACO AS	112 605 876	76.64	55.55
STATE STREET BANK AND TRUST COMP	5 526 857	3.76	2.73
STATE STREET BANK AND TRUST COMP	3 887 392	2.65	1.92
JPMORGAN CHASE BANK, N.A., LONDON	2 235 678	1.52	1.10
PARETO AKSJE NORGE AS	2 207 573	1.50	1.09
OM HOLDING AS	2 016 850	1.37	0.99
DANSKE INVEST NORSKE INSTIT. II.	2 004 329	1.36	0.99
FOLKETRYGDFONDET	1 938 691	1.32	0.96
MITSUI AND CO., LTD.	1 782 236	1.21	0.88
STATE STREET BANK AND TRUST COMP	1 731 124	1.18	0.85
STATE STREET BANK AND TRUST COMP	1 407 715	0.96	0.69
SIX SIS AG	1 262 250	0.86	0.62
JPMORGAN CHASE BANK, N.A., LONDON	1 230 818	0.84	0.61
ARTIC FUNDS PLC	1 229 808	0.84	0.61
DANSKE INVEST NORSKE AKSJER INST.	1 081 824	0.74	0.53
CLEARSTREAM BANKING S.A.	1 016 359	0.69	0.50
MP PENSJON PK	1 007 294	0.69	0.50
CITIBANK, N.A.	934 881	0.64	0.46
PARETO AS	921 000	0.63	0.45
THE NORTHERN TRUST COMP, LONDON BR	902 663	0.61	0.45
<b>Total number owned by top 20</b>	<b>146 931 218</b>	<b>100 %</b>	<b>72.48</b>
<b>Total number of shares</b>	<b>202 717 374</b>		<b>100 %</b>





