



Austevoll Seafood ASA

# Financial report Q3 2019



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## FINANCIAL REPORT Q3 2019

- Harvest volume for Atlantic salmon and trout higher than Q3 2018
  - » Spot price for salmon down NOK 6.2 per kg compared with same period in 2018
- Seasonal low in production for pelagic segments
  - » The quota for the second season in Peru was established at 2,786 million tonnes, up from 2.1 million tonnes for the corresponding season in 2018
  - » The season started with research-based fisheries on 6 November, while the fishing season opened on 16 November

### KEY FIGURES FOR THE GROUP

All figures in NOK 1,000	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	2018
Operating revenue	5 768 367	5 317 212	17 411 091	17 071 741	22 837 084
EBITDA*	901 169	1 008 046	3 263 873	4 022 980	5 238 612
EBITDA %	16%	19%	19%	24%	23%
EBIT*	559 480	770 720	2 271 234	3 323 415	4 278 538
Pre tax profit before biomass adj.*	471 854	757 904	2 366 444	3 429 071	4 396 999
Pre tax profit	-161 387	797 847	1 753 075	4 945 443	5 192 428
Earnings per share (EPS) *	1,13	1,44	5,53	6,88	9,79
Earnings per share (EPS)	-0,19	1,50	4,24	9,92	11,39
Dividend per share (paid)			3,50	2,80	2,80
Proposed dividend					
Total assets			39 309 854	37 632 745	37 954 835
Equity			22 542 193	21 849 059	22 454 007
Equity ratio			57%	58%	59%
NIBD ex. right-of-use assets liabilities **			4 297 985	4 435 398	3 982 594
NIBD incl. right-of-use assets liabilities **			5 617 592		

\* Before fair value adjustments of biological assets

\*\* NIBD = Net interest bearing debt

### Q3 2019

The Group reported operating revenue of NOK 5,768 million in the quarter, compared with NOK 5,317 million in Q3 2018.

Group EBIDTA in Q3 2019 totalled NOK 901 million compared with NOK 1,008 million in Q3 2018. Lower prices realised and higher release from stock costs for Atlantic salmon and trout, and lower sales volumes for the pelagic operations are the most significant reasons behind the lower earnings when compared with the same period last year.

EBIT before fair value adjustment related to biological assets in Q3 2019 was NOK 559 million (Q3 2018: NOK 771 million).

Value adjustment related to biological assets in Q3 2019 was negative, at NOK -584 million. The corresponding figure for Q3 2018 was positive, NOK 72 million. EBIT after fair value adjustment related to biological assets in Q3 2019 was NOK -25 million (Q3 2018: NOK 843 million).

Income from associates totalled NOK -4 million in the quarter (Q3 2018: NOK 42 million). Value adjustment related to biological assets was negative and amounted to NOK -49 million in the quarter. The corresponding value adjustment for Q3 2018 was NOK -32 million. The largest associates are Norskott Havbruk AS and Pelagia AS. The Group's associates have generated good results over time, are significant enterprises in their segments and represent substantial values for Austevoll Seafood ASA.

The Group's net interest expense in Q3 2019 totalled NOK 72 million (Q3 2018: NOK 76 million).

**Profit before tax and fair value adjustment related to biological assets for Q3 2019 amounted to NOK 472 million, compared with NOK 758 million in Q3 2018.**

The Group reported a loss before tax in the quarter of NOK -161 million (Q3 2018: profit of NOK 798 million). The loss figure after tax was NOK -133 million (Q3 2018: profit of NOK 608 million).

The Group implemented accounting standard IFRS 16 regarding leases with effect from 1 January 2019. The profit figures are therefore not directly comparable to the corresponding figures from former periods. See note 1 for a more detailed description of the accounting impact implementation of IFRS 16 in 2019.

### OPERATING SEGMENTS

#### *Lerøy Seafood Group ASA (LSG)*

LSG's operations comprise farming, wild catches (Havfisk and LNWS), VAP and Sales & Distribution. LSG's farming operations are distributed geographically with licences in Troms and Finnmark (Lerøy Aurora), Nordmøre/Trøndelag (Lerøy Midt) and in Hordaland (Lerøy Sjøtroll).

In Q3 2019, LSG reported revenue of NOK 5,102 million (Q3 2018: NOK 4,456 million) and EBITDA before fair value adjustment related to biological assets of NOK 758 million (Q3 2018: NOK 820 million).

The most significant factors behind the lower earnings are lower prices realised and higher release from stock costs for Atlantic salmon and trout in Q3 2019 when compared with the same period last year. The harvest volume for salmon and trout, gutted weight, was 45,983 tonnes in Q3 2019, up 24% on the figures reported last year, when LSG harvested 37,227 tonnes in the third quarter.

In recent years, the prices for Atlantic salmon have been impacted by the fact that Norway, the largest producer in the world, has had limited growth in domestic production since 2012. There are several reasons for this lack of growth, including biological challenges, limitations in new licence capacity and challenges faced by the Norwegian industry in adapting to national political regulations that drive costs. The lack of growth in Norway together with a positive development in demand and the weaker Norwegian krone have combined to give historically very high prices for salmon.

Towards the end of Q3 2019, there was a substantial increase in harvest volume in Norway compared with the same period in 2018. In September 2019, Norwegian exports of salmon were up 24% on the same period in 2018. This had a negative impact on spot prices for salmon. The average price for salmon, measured according to NSI (sales price FCA Oslo) in Q3 2019 was NOK 48.6/kg, compared with NOK 54.8/kg in Q3 2018, which is a fall in price of NOK 6.2/kg.

The contract share for salmon in Q3 2019 was 32%, and prices realised for contracts were higher than prices realised on the spot market. Compared with the sales price FCA Oslo, the prices realised have been impacted by sales margin, transport, size, quality and time of sale.

For Lerøy Sjøtroll, 54% of the harvest volume in Q3 2019 was trout. The market for trout has been weaker than the market

for salmon in the quarter, and prices realised for trout in Q3 2019 are approximately NOK 6/kg lower than for salmon.

For the Group, release from stock costs in Q3 2019 are slightly lower than those reported in Q2 2019, but higher than in Q3 2018.

The unforeseen events that have affected Lerøy Aurora's result in 2019 are described in previous interim reports. The part of the smolt plant in Laksefjord that burned to the ground in January 2019 has now been rebuilt, and the work on extending the plant to increase capacity for large smolt is under way. The outbreak of toxic algae that inhibited growth in parts of Lerøy Aurora's operations in Q2 2019 has now come to an end and, as described in the previous interim report, growth is back to normal levels in the third quarter. This positive development has been sustained throughout the quarter. As expected, release from stock costs are lower in Q3 2019 than in the first two quarters of the year. At the time of writing, this development is expected to continue in the fourth quarter, with lower release from stock costs when compared with previous quarters in 2019.

Parts of Lerøy Midt's operating region experienced significant lice problems throughout the third quarter. Lerøy Midt has remained loyal to its strategy to keep lice levels low and has in the second half of the third quarter and the start of the fourth quarter had a very high frequency of treatments, resulting in reduced growth. This has an impact on release from stock volume and costs, particularly for the Autumn 18 generation, to be harvested in what remains of 2019 and the start of 2020. This situation is gradually returning to normal, but the loss of growth in relation to former projections is approximately 6-7,000 tonnes of harvest weight. Release from stock costs in Q3 2019 are higher than in Q2 2019. At the time of writing, release from stock costs in Q4 2019 are expected to remain stable or be somewhat lower.

Costs for salmon in Lerøy Sjøtroll in Q3 2019 were lower, when compared with the previous quarter, although costs remain high. The corresponding figures for trout are significantly better. The first release of large smolt was carried out in the third quarter, but large smolt weighing 500 grams will not represent a significant share of the annual release volume until 2020. The Group expects this to generate positive results measured in terms of both smolt yield and harvest volume per licence. The effects will gradually emerge towards the end of 2020, but much more substantially from 2021.

Havfisk's primary business 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 also owns several processing plants, which are mainly leased out to the associate Lerøy Norway Seafoods (LNWS) on long-term contracts. Havfisk's trawler licences stipulate an operational obligation for these processing plants.

Havfisk has nine trawlers in operation. In April 2018, the Group signed an agreement with Vard for the construction of a new vessel. The contracted vessel is based on the same design as the company's combination trawler (fresh and frozen fish) that was delivered in January 2018, Nordtind. This vessel has modern equipment installed for handling catches that will provide optimal quality and utilisation of the whole fish. Construction of the new vessel is going to schedule, with delivery in Q1 2020.

Havfisk's total catch volume in Q3 2019 was 13,152 tonnes, compared with 14,282 tonnes in Q3 2018. Catch volumes for the main species in Q3 2019 were 2,814 tonnes of shrimp, 3,411 tonnes of cod, 4,469 tonnes of saithe and 615 tonnes of haddock. The catch distribution in Q3 2018 was 2,703 tonnes of shrimp, 4,714 tonnes of cod, 3,907 tonnes of saithe and 1,008 tonnes of haddock. When compared with Q3 2018, average prices realised for all species were down 3% in Q3 2019, but this reflects the change in catch patterns with a higher share of shrimp and saithe and lower share of haddock and cod. If we assess the species individually, the prices increased for cod, haddock and saithe by 6%, 4% and 33% respectively in Q3 2019 when compared with the same period last year.

LNWS's primary business is processing wild-caught whitefish. The company has use of 12 processing and purchasing 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 and lower quotas, the raw material prices increased throughout 2018 and early 2019. In the short term, this always represents a challenge for processing operations.

High raw material prices in the quarter have generated satisfactory earnings for the trawler fleet but have presented challenges for LNWS. In total, Havfisk/LNWS contributed an EBIT of NOK 40 million in Q3 2019, compared with NOK 41 million in the same period of 2018. As of the third quarter, Havfisk/LNWS contributed EBIT of NOK 252 million, compared with NOK 335 million in the same period of 2018, but where the figures for 2018 were affected positively by the sale of a vessel, generating an accounting gain of NOK 35 million.

The Group has initiated numerous measures within production and marketing to improve earnings from operations based on land. The Group believes that specialisation is important to boost competitive strengths within whitefish, and one example of this is the investment in Stamsund for production of processed fish. The process to boost the competitive strengths of the whitefish industry requires a long-term effort, but the Group expects – as early as 2020 – to see positive effects of the measures implemented and completed.

The Group's substantial investments in whitefish in recent years have resulted in considerable improvements to the Group's product range and position as a seafood supplier to leading enterprises on the global seafood markets. Catch trends for whitefish resources mean seasonal fluctuations in access to raw materials for whitefish are more evident than in Farming. This has naturally resulted in increased inventory and a higher level of intragroup activity, in turn creating higher elimination in EBIT throughout the year. In Q3 2019, this elimination had a positive effect on EBIT of NOK 11 million.

For further information, please refer to LSG's report and presentation for Q3 2019.

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

Austral Group S.A.A. (Austral) is involved in fishing, production of fishmeal and fish oil and consumer products. Austral holds 6.98% 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 fish 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 fish 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.

Operating revenue in Q3 2019 totalled NOK 380 million (Q3 2018: NOK 578 million) and EBITDA NOK 104 million (Q3 2018: NOK 157 million).

At the end of June 2019, the company had caught 94% of its quota for the first season. The remaining volume – 9,500 tonnes – was caught in July. In the corresponding season in 2018, the company caught its entire quota by the end of the second quarter.

The fall in revenue and EBITDA is partly attributed to the fishing season closing slightly later than in 2018 so that a large volume was postponed until the fourth quarter. Sales volumes for fishmeal and oil in the quarter were 24,400 tonnes, down from 41,800 tonnes in the same quarter of 2018. The company's inventory of fishmeal and fish oil at the end of the third quarter 2019 was 23,200 tonnes. At the end of the same quarter in 2018, the inventory of fishmeal and fish oil was substantially lower, at 3,800 tonnes.

The company's prices realised for fishmeal in Q3 2019 are down 4% on corresponding prices in Q3 2018. The prices realised for fish oil were up 24% when compared with Q3 2018.

On 6 November, the company implemented research-based fishing in advance of the second season in 2019. The quota for the second season in 2019 was set at 2,786 million tonnes, up from the same season last year when the quota was 2.1 million tonnes.

Peru is usually the largest producer of fishmeal and fish oil in the world. Production volumes in Peru therefore have a direct influence on global prices established for fishmeal and fish oil.

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

Foodcorp Chile S.A. (FC) is involved in fisheries, production of consumer products and production of fishmeal and fish oil. From 2018, the regulation of fisheries in Chile has allowed greater flexibility for the fleet to carry out fishing in all the country's regions. This provides a corresponding increase in flexibility for FC, whose quota previously covered South Chile exclusively. FC's quota therefore now 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 and lasts until the end of December.

In 2019, the company has its own quota (including leased quota) for horse mackerel of 30,200 tonnes, up 3% from 2018. The company has also signed an agreement for the purchase of 19,600 tonnes of horse mackerel from a third party, to be fished by the company's own vessels. Catches of third-party

quotas allow for increased productivity for the company's fleet and in the company's production facilities.

In Q3 2019, the company's vessels reported catches of 13,500 tonnes, up from the figure of 9,900 tonnes in Q3 2018. As mentioned in previous reports, catch volumes for squid in 2019 have been significantly lower than in 2018. As of September 2019, the company had purchased 3,700 tonnes, compared with 10,900 tonnes at the end of September 2018.

In Q3 2019, operating revenue was NOK 103 million (Q3 2018: NOK 152 million) and EBITDA was NOK 3 million (Q3 2018: NOK 13 million).

Sales of frozen products totalled 8,800 tonnes in Q3 2019, down from 9,200 tonnes in the same quarter of 2018. In 2019, the company has reported a fall in prices realised for its main products within production of frozen goods. This is attributed to the change in product mix, but also to the decline in prices realised on the company's main market for horse mackerel.

The South Pacific Regional Fisheries Management Organisation (SPRFMO) has proposed a 15% increase in the quota for horse mackerel in the Pacific for 2020 (2019: + 3%).

#### **Fisheries company Br. Birkeland AS (BrB) and Br. Birkeland Farming AS (BrBF)**

In Q3 2019, the BrB segment reported operating revenue of NOK 60 million (Q3 2018: NOK 63 million). EBITDA amounted to NOK 22 million (Q3 2018: NOK 16 million).

As normal, the third quarter has been a low season for the pelagic fishing vessels. However, the postponed start-up for herring fishing in the North Sea resulted in fisheries for herring in the third quarter. Mackerel fishing started at the end of September and has therefore also continued in the fourth quarter. Fishing for snow crab was banned from 1 July until 15 September. The ban was introduced to protect the snow crab during the period of ecdysis. The company had caught its total quota for the Norwegian vessels by the end of October, and fishing for snow crab was therefore stopped on 31 October 2019.

In Q3 2019, the BrBF segment reported operating revenue of NOK 112 million (Q3 2018: NOK 67 million). EBITDA before fair value adjustment related to biological assets in Q3 2019 was NOK 6 million (Q3 2018: NOK 12 million). The company harvested 1,734 tonnes of salmon in Q3 2019, compared to a harvest volume of 1,275 tonnes in Q3 2018.

The company sells all its fish on the spot market, and prices realised have been significantly lower when compared with prices in Q3 2018. Release from stock costs remain high.

#### **Pelagia AS**

In accordance with IFRS 11, AUSS's 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's equity interest in Pelagia AS.

Revenue for the quarter was NOK 715 million (Q3 2018: NOK 622 million) and EBITDA was NOK 78 million (Q3 2018: NOK 27 million).

During the third quarter and as is normal, the level of activity related to products for consumption has been lower. The volume of raw materials received for consumer products in the third quarter was 44,000 tonnes, compared with 55,000 tonnes in Q3 2018. Raw materials in Q3 2019 were mainly North Sea herring. The mackerel season started at the end of the quarter. Total receipt of raw materials for fishmeal/FPC and fish oil production in Pelagia including associates (100%) was approx. 156,000 tonnes in Q3 2019, compared with approx. 141,000 tonnes in the same quarter of 2018. The main share of the raw materials for fishmeal and fish oil production in Q3 2019 has been based on cuttings from the consumer product plants, but also some North Sea herring.

#### **CASH FLOWS Q3 2019**

Cash flow from operating activities for Q3 2019 was NOK 1,259 million (Q3 2018: NOK 694 million). Cash flow from investing activities for Q3 2019 was NOK -195 million (Q3 2018: NOK -394 million). Dividends received from associates totalled NOK 85 million, while the corresponding figure in 2018 was NOK 80 million. Investments have also been made in maintenance and disbursements paid to ongoing projects. Cash flow from financing activities for Q3 2019 was NOK 196 million (Q3 2018: NOK - 685 million). In Q3 2018, extraordinary downpayments were made on long-term loans.

The Group's cash and cash equivalents at 30 September 2019 totalled NOK 4,566 million, compared with NOK 4,462 million at the end of Q3 2018.

## FINANCIAL FACTORS AT 30 SEPTEMBER 2019

The Group reported operating revenue of NOK 17,411 million as of 30 September 2019 (30.09.2018: NOK 17,072 million). EBITDA before fair value adjustment related to biological assets in the period was NOK 3,264 million (30.09.2018: NOK 4,023 million).

EBIT before fair value adjustment related to biological assets was NOK 2,271 million (30.09.2018: NOK 3,323 million). The fair value adjustment related to biological assets in the period was negative at NOK 552 million. The corresponding figure for the same period in 2018 was positive at NOK 1,539 million.

EBIT after fair value adjustment related to biological assets in the period was NOK 1,719 million (30.09.2018: NOK 4,863 million).

Income from associates in the period totalled NOK 278 million (30.09.2018: NOK 321 million).

The Group's net interest expense in the first three quarters was NOK 196 million (30.09.2018: NOK 221 million).

**Profit before tax and fair value adjustment related to biological assets at 30 September 2019 was NOK 2,366 million, compared with NOK 3,429 million at 30 September 2018.**

Profit after tax for the first three quarters totalled NOK 1,395 million (30.09.2018: NOK 3,875 million).

## CASH FLOWS AT 30/09/2019

Cash flow from operating activities was NOK 2,359 million for the first three quarters (30.09.2018: NOK 2,032 million). Tax payments in the period totalled NOK 833 million, compared with NOK 905 million for the same period in 2018. Cash flow from investment activities for the first three quarters of 2019 was NOK -606 million (30.09.2018: NOK -998 million). Cash flow from financing activities in the period was NOK -1,586 million (30.09.2018: NOK -1,647 million). The Group paid dividends of NOK 1,417 million in 2019 compared with NOK 1,081 million in 2018. Net change in cash for the Group in the period was NOK 166 million (30.09.2018: NOK -612 million).

The Group's cash and cash equivalents at the end of September 2019 totalled NOK 4,566 million compared with NOK 4,462 million at the end of September 2018.

## STATEMENT OF FINANCIAL POSITION AT 30/09/2019

K The Group's statement of financial position at the end of September 2019 totalled NOK 39,310 million compared with NOK 37,955 million at the end of September 2018.

The Group is financially sound with book equity at 30/09/2019 of NOK 22,542 million, equivalent to an equity ratio of 57%. At end December 2018, the book equity for the Group was NOK 22,454 million, or an equity ratio of 59 %.

With effect from 1 January 2019, the Group has implemented IFRS 16 Leases. This new standard requires leases to be capitalised.

The Group had net interest-bearing debt, excluding right-of-use obligations, at the end of September 2019 totalling NOK 4,298 million, compared with NOK 4,435 million at the end of September 2018. The Group's net interest-bearing debt including right-of-use obligations at the end of the September 2019 was NOK 5,618 million.

The parent company is financially sound, with book equity of NOK 4,324 million (NOK 4,081 million) and net interest-bearing debt of NOK 377 million (NOK 585 million) at 30/09/2019. The parent company and Group have good access to external financing on competitive terms.

## RISKS AND UNCERTAINTIES

The Group's risk exposure is described in the Annual Report 2018. 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 a negative impact on the real economy in most markets, it is our opinion that AUSS's core business is founded on long-term sustainable assets within interesting segments of the global seafood industry.

The Group is exposed to risk related to the value of the Group's assets. Risk arises mainly as a result of changes in the prices of raw materials and finished products, to the extent that these changes impact the company's 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 Q3 2019, the Group had live fish on its statement of financial position worth 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. 22 % of the Group's interest-bearing debt, including right-of-use liabilities.

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 5,335 shareholders at the end of September 2019. The number of shareholders at the start of the period was 5,131.

The share price at the start of the third quarter 2019 was NOK 89.55 and NOK 86.25 at the end of the quarter.

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

## MARKET AND OUTLOOK

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

The development in prices for Atlantic salmon has been weak throughout the third quarter, partly impacted by an extremely high export volume from Norway, but also a relatively high volume from the UK. The Group can report a good and sustained underlying demand for both salmon and seafood. The Group expects the market to remain volatile but nonetheless satisfactory in the near future.

In 2019, the Group's Farming segment has experienced several interruptions in production, some unforeseen. As previously mentioned, production at Lerøy Aurora was interrupted by the fire in the smolt facility and the outbreak of toxic algae. Lerøy Midt has reported a much lower growth rate than expected in the third quarter. Production at Lerøy Sjøtroll remains impacted by the inability to date to achieve the projected smolt yield.

The Board of Directors is not satisfied with the developments reported by Farming in 2019, but feels confident that the initiatives taken, and investments made will provide a positive development in the years to come. Operations at both Lerøy Aurora and Lerøy Midt are now back to normal. Lerøy Sjøtroll's new smolt facility will unfortunately not be completed until the end of the fourth quarter. Smolt production is successful, but the delays in commissioning the plant for production of so-called post-smolt have unfortunately resulted in a six-month delay in access to large smolt. As a result of reduced growth and a slightly weaker than expected price development throughout the third quarter, the harvesting time for parts of the 2019 production stock will be postponed until 2020. Depending on price developments, LSG currently expects to harvest between 172,000 and 175,000 tonnes of salmon and trout in 2019. These figures include the Group's share from associates. The harvest volume in 2020, correspondingly, is currently estimated to increase to 183,000-188,000 tonnes of salmon and trout. The growth in harvest volume is expected to

provide lower release from stock costs per kg in 2020 when compared with the estimated figures for 2019. The Group's contract share for salmon in Q4 2019 is estimated to be around 35%.

In recent years, the Group has followed a long-term investment plan, aiming to increase production of larger smolt (post-smolt). Lerøy Sjøtroll's new facility in Fitjar in the region of Hordaland, with capacity for approx. 4,000 tonnes of biomass production, will be completed in 2019. The Group is also in the final stage of a three-stage development project for Lerøy Aurora's plant in Laksefjord, Finnmark, increasing capacity at the plant to approx. 4,500 tonnes biomass production. This development project is scheduled for completion in December 2020. After a lengthy, complex process, we are proud to confirm that the Group can now make a start in 2019 on completing the last part of the smolt plant in Belsvik. On completion, the plant in Belsvik will have capacity for approx. 5,000 tonnes of biomass production. These plants already represent substantial assets for the Group, and the most recent building developments are expected to provide higher production and lower release from stock costs in the years to come.

The Group has made substantial investments in recent years in the Whitefish segment, with new vessels and investments in several facilities. The segment has a much more evident seasonal pattern than with redfish, and this is particularly challenging for industrial activities and marketing. The efforts to increase the competitiveness of the Norwegian whitefish industry are painstaking, but the Group is confident that the measures conducted will gradually produce improvements for those parts of the Group's value chain that currently do not yield a satisfactory return.

The Joint Norwegian–Russian Fisheries Commission issued total quotas for the most important fish species on 17 October 2019. The quotas for some species were increased – up 1.8% for cod and 25% for haddock. The total quota for shrimp catches by Norwegian fisheries in the Russian zone was reduced from 6,000 tonnes to 4,500 tonnes, and this is expected to have a moderate impact on the fleet's shrimp catches. On 11 October 2019, total quotas for catches of saithe north of 62 degrees latitude were established by the Norwegian authorities, up 15% on previous quotas. The quota for saithe catches in the North Sea has not yet been established, but the ICES (the International Council for the Exploration of the Sea) has recommended a reduction in the total quota of around 15%. The Norwegian authorities will adopt the final regulation during the autumn, and the quotas for vessels will for several reasons differ somewhat from the above-mentioned changes in the

total quotas. In total and despite the above, the Group currently expects to see a slight increase in catch values in 2020 when compared with 2019.

The developments within VAP, sales and distribution have been positive in the quarter, with factories opened in 2018 making a contribution to increased earnings. There still remain some areas that are challenging, but the Board of Directors and management currently expect the level of activity to remain good in the near future and to see a substantial boost to earnings in this segment in 2019 when compared with 2018.

Organic growth and a series of acquisitions mean LSG is now one of the world's largest producers of salmon and trout and Norway's largest supplier of whitefish. In addition to fish produced from its own licences and catches covered by its own quotas, the Group also has substantial trading activities with other suppliers. LSG plays an active role in developing the value chain for seafood and is steadily consolidating its 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. LSG's many years of investing in vertical integration, building alliances, developing high-quality products, entering new markets, quality-assuring its value chain and building its brand will enable it to continue to create value going forward. The Group will continue its work to deliver sustainable value creation by focusing on strategic business development and operational improvements. This work will generate growth and, based on customer requirements, ensure continuity of supply, quality and cost efficiency, paving the way for increased profitability. Improving operational efficiency is an ongoing process that will further improve the Group's competitiveness on national and global markets.

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

According to the IFFO\*, fishmeal production is down 29% for the first nine months of 2019 when compared with the same period in 2018. The fall in production in Peru is 41%, as the quota for the first season of 2019 in Peru was 2.1 million tonnes, down from 3.3 million tonnes in the same season in 2018. The main market for fishmeal produced in Peru is Asia, with China firmly at the top in terms of consumption. There has also been a fall in fishmeal production in Europe to date in 2019. The European quotas for catches of fish species primarily

*\*Source: IFFO, week 43, 2019*

used for production of fishmeal and fish oil are lower in 2019 when compared with the quotas in 2018. The quotas recommended by the ICES for the most important species, blue whiting, in 2020 are up 2% on the quota for 2019.

Research-based fisheries started on 6 November in Peru. The total quota for the second season of 2019 was established at 2,786 million tonnes, up from 2.1 million tonnes for the corresponding season in 2018.

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

The Group's production of consumer products takes place in Europe and South America. In Europe, the herring fishing season is usually 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 has significantly complicated marketing work for a number of the Group's products in recent years. After years of import quotas and currency restrictions, the market in Nigeria has improved and now receives substantial volumes of frozen fish. We note that

the Group's products are faring well in competition with alternative sources of protein. The quota recommended by ICES for catches in the North Atlantic in 2020 is up 20% for mackerel and 12% for North Sea herring, while the quota recommended for 2020 for spring-spawning herring is down 11% on 2019. The 2020 quota recommended by SPRFMO for horse mackerel in the South Pacific represents an increase of approx. 15% on the quota for 2019.

#### **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. As of today, the Board expects earnings in the fourth quarter to be better than the Group achieved in the third quarter 2019.

Storebø, 14 November 2019

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

**Hege Charlotte Bakken**  
Board member

**Siren M. Grønhaug**  
Board member

**Arne Møgster**  
CEO

## INCOME STATEMENT (unaudited)

All figures in NOK 1.000	Note	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	(audited) 2018
<b>Operating revenue</b>	4	5 768 367	5 317 212	17 411 091	17 071 741	22 837 084
Raw material and consumables used		3 373 064	2 754 060	9 517 905	8 515 026	11 302 468
Salaries and personnel expenses		845 201	790 195	2 527 770	2 344 949	3 195 423
Other operating expenses		648 933	764 911	2 101 543	2 188 786	3 100 581
<b>EBITDA before fair value adjustments *</b>		<b>901 169</b>	<b>1 008 046</b>	<b>3 263 873</b>	<b>4 022 980</b>	<b>5 238 612</b>
Depreciation and amortisation		342 082	237 842	993 829	701 098	967 118
Impairment		-393	-516	-1 190	-1 533	-7 044
<b>EBIT before fair value adjustment *</b>		<b>559 480</b>	<b>770 720</b>	<b>2 271 234</b>	<b>3 323 415</b>	<b>4 278 538</b>
Fair value adjustment related to biological asset		-584 329	71 834	-551 990	1 539 420	798 388
<b>Operating profit</b>		<b>-24 849</b>	<b>842 554</b>	<b>1 719 244</b>	<b>4 862 835</b>	<b>5 076 926</b>
Income from associated companies	5	-3 618	41 982	278 221	320 881	472 019
Net interest expenses		-71 629	-75 533	-196 174	-220 794	-276 901
Net other financial items (incl. agio/disagio)		-61 291	-11 156	-48 216	-17 479	-79 616
<b>Profit before tax and fair value adj.*</b>		<b>471 854</b>	<b>757 904</b>	<b>2 366 444</b>	<b>3 429 071</b>	<b>4 396 999</b>
<b>Profit before tax</b>		<b>-161 387</b>	<b>797 847</b>	<b>1 753 075</b>	<b>4 945 443</b>	<b>5 192 428</b>
Income tax expenses		28 693	-189 952	-357 682	-1 070 737	-961 596
<b>Net profit</b>		<b>-132 694</b>	<b>607 895</b>	<b>1 395 393</b>	<b>3 874 706</b>	<b>4 230 832</b>
Profit to non-controlling interest		-93 769	304 690	539 557	1 873 342	1 932 045
Profit to controlling interests		-38 925	303 205	855 836	2 001 364	2 298 787
Earnings per share (EPS) *		1,13	1,44	5,53	6,88	9,79
Earnings per share (EPS)		-0,19	1,50	4,24	9,92	11,39
Diluted EPS		-0,19	1,50	4,24	9,92	11,39

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

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

All figures in NOK 1.000	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	(audited) 2018
<b>Net earnings in the period</b>	<b>-132 694</b>	<b>607 895</b>	<b>1 395 393</b>	<b>3 874 706</b>	<b>4 230 832</b>
<b>Other comprehensive income</b>					
Currency translation differences	204 940	-28 452	97 944	-138 722	118 498
Other comprehensive income from associated companies	-115	21	-3 401	-5 322	-5 526
Cash flow hedges	5 596	9 607	23 620	33 118	26 588
Change in value available for sale financial assets					
Others incl. tax effect	-7 514	-5 809	-7 977	-5 150	-14 372
<b>Total other comprehensive income</b>	<b>202 907</b>	<b>-24 633</b>	<b>110 186</b>	<b>-116 076</b>	<b>125 188</b>
<b>Comprehensive income in the period</b>	<b>70 213</b>	<b>583 262</b>	<b>1 505 579</b>	<b>3 758 630</b>	<b>4 356 020</b>
<b>Allocated to;</b>					
Minority interests	-60 640	304 087	553 531	1 827 577	1 997 774
Majority interests	130 853	279 175	952 048	1 931 053	2 358 246

## STATEMENT OF FINANCIAL POSITION (unaudited)

All figures in NOK 1.000	Note	30.09.2019	30.09.2018	(audited) 31.12.2018
<b>Assets</b>				
Intangible assets		11 521 771	11 470 832	11 491 957
Vessels		1 733 639	2 145 221	2 096 891
Property, plant and equipment		6 042 970	6 391 528	6 754 551
Right-of-use assets		2 955 376	-	-
Investments in associated companies	5	2 167 155	1 977 767	2 203 623
Investments in other shares		42 395	34 278	33 054
Other long-term receivables		158 502	147 033	156 217
<b>Total non-current assets</b>		<b>24 621 808</b>	<b>22 166 659</b>	<b>22 736 293</b>
Inventories	3	6 882 143	8 034 082	7 765 933
Accounts receivable		2 380 870	2 190 682	2 293 128
Other current receivables		859 373	779 648	766 618
Cash and cash equivalents		4 565 660	4 461 674	4 392 863
<b>Total current assets</b>		<b>14 688 046</b>	<b>15 466 086</b>	<b>15 218 542</b>
<b>Total assets</b>		<b>39 309 854</b>	<b>37 632 745</b>	<b>37 954 835</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		8 104 595	7 347 878	7 858 932
Non-controlling interests		10 641 003	10 704 585	10 798 480
<b>Total equity</b>		<b>22 542 193</b>	<b>21 849 059</b>	<b>22 454 007</b>
Deferred tax liabilities		3 418 455	3 797 662	3 424 568
Pensions and other obligations		48 148	71 332	72 757
Borrowings		6 725 663	6 971 734	6 965 352
Right-of-use assets liabilities		1 115 512	-	-
Other long-term liabilities		29 021	27 349	28 006
<b>Total non-current liabilities</b>		<b>11 336 799</b>	<b>10 868 077</b>	<b>10 490 683</b>
Short term borrowings		844 232	1 346 860	940 931
Current right-of-use assets liabilities		204 095	-	-
Overdraft facilities		1 264 729	551 129	441 168
Account payable		1 716 074	1 487 073	1 628 329
Other current liabilities		1 401 732	1 530 548	1 999 717
<b>Total current liabilities</b>		<b>5 430 862</b>	<b>4 915 610</b>	<b>5 010 145</b>
<b>Total liabilities</b>		<b>16 767 661</b>	<b>15 783 687</b>	<b>15 500 828</b>
<b>Total equity and liabilities</b>		<b>39 309 854</b>	<b>37 632 746</b>	<b>37 954 835</b>
NIBD ex. right-of-use assets liabilities		4 297 985	4 435 398	3 982 594
Right-of-use assets liabilities		1 319 607	-	-
<b>NIBD incl. right of use assets liabilities</b>		<b>5 617 592</b>	<b>4 435 398</b>	<b>3 982 594</b>
Equity ratio		57%	58%	59%

## CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

All figures in NOK 1.000	30.09.2019	30.09.2018	(audited) 31.12.2018
<b>Equity at period start</b>	<b>22 454 007</b>	<b>19 171 739</b>	<b>19 171 739</b>
<b>Comprehensive income in the period</b>	<b>1 505 579</b>	<b>3 758 630</b>	<b>4 356 020</b>
Dividends	-1 417 393	-1 081 311	-1 081 312
Transactions with non-controlling interest	-	-	-
Other	-	-	7 560
<b>Total changes in equity in the period</b>	<b>88 186</b>	<b>2 677 319</b>	<b>3 282 268</b>
<b>Equity at period end</b>	<b>22 542 193</b>	<b>21 849 058</b>	<b>22 454 007</b>

## CASH FLOW STATEMENT (unaudited)

All figures in NOK 1.000	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	(audited) 2018
<b>Cash flow from operating activities</b>					
Profit before income taxes	-161 388	797 848	1 753 073	4 945 444	5 192 428
Fair value adjustment of biological assets	584 330	-71 834	551 990	-1 539 420	-798 388
Taxes paid in the period	-27 128	-16 462	-832 740	-905 173	-948 184
Depreciation and amortisation	342 082	237 842	993 829	701 098	967 118
Impairments	-393	-516	-1 190	-1 533	-7 044
Associated companies - net	3 618	-41 982	-278 221	-320 881	-472 019
Interest expense	83 998	87 567	234 140	257 971	333 713
Interest income	-12 368	-12 036	-37 965	-37 178	-56 812
Change in inventories	153 830	-380 118	331 800	-593 630	-1 066 512
Change in receivables	171 143	170 738	-180 496	-142 898	-78 497
Change in payables	122 021	43 950	88 263	-2 138	138 969
Other operating cash flow incl currency exchange	-427	-120 891	-263 956	-329 516	-42 965
<b>Net cash flow from operating activities</b>	<b>1 259 318</b>	<b>694 106</b>	<b>2 358 527</b>	<b>2 032 146</b>	<b>3 161 807</b>
<b>Cash flow from investing activities</b>					
Purchase of intangible and fixed assets	-250 881	-481 245	-991 207	-1 856 147	-2 533 241
Purchase of shares and equity investments	-39 747	-7 052	-40 186	-134 130	-144 522
Proceeds from sale of fixed assets/equity investments	1 513	-532	45 568	483 636	540 413
<b>Cash inflow from business combinations</b>	<b>-</b>	<b>-953</b>	<b>-</b>	<b>26 388</b>	<b>26 635</b>
Dividend received	84 571	80 000	341 126	392 200	395 200
Interest income	12 368	12 036	37 965	37 178	56 812
Other investing activities - net	-2 591	3 715	272	53 260	53 026
<b>Net cash flow from investing activities</b>	<b>-194 767</b>	<b>-394 031</b>	<b>-606 462</b>	<b>-997 615</b>	<b>-1 605 677</b>
<b>Cash flow from financing activities</b>					
Proceeds from new long term debt	23 167	176 870	185 803	1 268 002	1 513 565
Repayment of long term debt	-333 859	-1 041 574	-979 645	-1 688 232	-2 402 037
Change in short term debt	535 096	261 013	809 023	110 506	-5 374
Interest paid	-83 998	-81 027	-221 269	-252 446	-333 713
Dividends paid	-1 689	-	-1 417 391	-1 081 324	-1 081 324
Other finance cash flow - net	57 178	-11	37 897	-3 353	56 035
<b>Net cash flow from financing activities</b>	<b>195 895</b>	<b>-684 729</b>	<b>-1 585 582</b>	<b>-1 646 847</b>	<b>-2 252 848</b>
Net change in cash and cash equivalents	1 260 446	-384 654	166 483	-612 316	-696 718
Cash, and cash equivalents at start of period	3 295 259	4 846 182	4 392 863	5 074 875	5 074 875
Exchange gains/losses (-)	9 955	146	6 314	-885	14 706
<b>Cash and cash equivalents at period end</b>	<b>4 565 660</b>	<b>4 461 674</b>	<b>4 565 660</b>	<b>4 461 674</b>	<b>4 392 863</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). All figures not included in the financial statements for 2018 are unaudited. 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. This interim report does not include all the information required by the International Financial Reporting Standards (IFRS) for a set of financial statements and should therefore be read in conjunction with the Group's financial statements for 2018.

With effect from 1 January 2019, the Group has implemented IFRS 16 Leases. This new standard requires practically all leases to be capitalised, as there is no longer a distinction, for the lessee, between operating and finance leases. According to the new standard, the asset (right of use) and the liability to pay rent are recognised in the financial statements. Exemptions are made for short-term leases and low-value leases. The Group has applied the modified, retrospective method for implementation on 1 January 2019. This implies no changes to comparative figures and that the value of the lease liability and the right of use are the same at the time of implementation. As a result, the amendment has no impact on equity. The equity ratio has been reduced as a result of the implementation, as the total assets (denominator) are higher. The new lease liabilities are valued at the current value of the future lease payments. The lease payments are discounted by the Group's estimated marginal average interest rate on loans (4%). The interest on the lease liability in each accounting period of the lease period shall be the amount that provides a constant periodic interest rate for the remaining balance of the lease liability (annuity principle). The interest expense related to the liability is presented as a financial expense. Lease costs that were previously included in cost of goods sold and other operating expenses are now presented in the income statement as depreciation and interest expense. The right-of-use assets are depreciated on a straight-line basis from the date of commissioning until the end of the useful life of the right-of-use asset or the end of the lease period, whichever comes first. In the statement of cash flows, cash payments for the lease liability's principal (instalment part) are presented under financing activities. The same applies to cash payments for the interest part of the lease liability.

	31.12.2018	Reclassification	Implementation	01.01.2019
	IAS 17	01.01.2019	effect of IFRS 16	IFRS 16
<b>TOTAL ASSETS</b>				
Right of use assets		1 538 494	1 541 096	3 079 590
Tangible fixed assets	8 851 442	-1 538 494	-	7 312 948
<b>Total</b>	<b>8 851 442</b>	<b>-</b>	<b>1 541 096</b>	<b>10 392 538</b>
<b>LIABILITIES</b>				
Long term part of other lease liabilities			1 316 298	1 316 298
Short term part of other lease liabilities			225 419	225 419
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1 541 717</b>	<b>1 541 717</b>
<b>EQUITY RATIO</b>				
Equity	22 454 008		-	22 454 298
Total assets	37 954 835		1 541 717	39 496 550
<b>Equity ratio</b>	<b>59%</b>		<b>-2%</b>	<b>57%</b>

Moreover, the interim report has been prepared according to the same accounting principles as for the last set of financial statements.

Please refer to the Group's financial statements for 2018 for information on standards and interpretations applicable as of 1 January 2018.

## NOTE 2 RELATED PARTY TRANSACTIONS

There were related party transactions in Q3 2019. Related party transactions take place on market terms, and the relevant types of transactions are described in more detail in the Annual Report 2018.

## 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 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 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. The provision is 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 liabilities.

### **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 Farming AS only includes salmon.

LWT = live weight measured in tonnes

GWT = gutted weight measured in tonnes

## NOTE 3 BIOLOGICAL ASSETS (cont.)

### Lerøy Seafood Group ASA

#### FAIR VALUE ADJUSTMENTS RELATED TO BIOLOGICAL ASSETS

Fair value adjustments over profit and loss	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Change FV adj. of biological assets	-544 385	77 340	-596 660	1 540 892	799 983
Change in FV of onerous contracts	-422	-25 596	51 552	-69 290	-46 519
Change in FV of fishpool contracts	56	1 036	14 000	11 655	1 474
FV adj. related to biological assets	-544 751	52 780	-531 109	1 483 257	754 938

#### BALANCE SHEET ITEMS RELATED TO BIOLOGICAL ASSETS

Positive amounts are assets and negative amounts are liabilities

Carrying amount on biological assets	30/09/2019	30/09/2018	31/12/2018
Cost on stock for fish in sea	3 919 632	3 775 460	3 746 634
Cost on stock for fry, brood, smolt and cleaning fish	256 234	208 425	270 233
Total cost on stock for biological assets *	4 175 866	3 983 886	4 016 867
FV adj. of fish in sea	950 920	2 288 490	1 547 580
FV adj. of fry, brood, smolt and cleaning fish	0	0	0
Total FV adj. of biological assets	950 920	2 288 490	1 547 580
FV of fish in sea	4 870 552	6 063 950	5 294 214
FV of fry, brood, smolt and cleaning fish	256 234	208 425	270 233
Carrying amount of biological assets	5 126 787	6 272 376	5 564 447
<b>Carrying amount on onerous contracts (liability)</b>			
Carrying amount of onerous contracts	-422	-74 745	-51 974
<b>Carrying amount on fishpool contracts</b>			
Carrying amount of fishpool contracts	0	-4 832	-15 633

#### HARVESTED VOLUME:

Volume in gutted weight (GWT)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Salmon	36 747	31 443	94 867	96 056	137 733
Trout	9 237	5 784	20 488	16 569	24 306
Total harvested volume	45 983	37 227	115 355	112 625	162 039

#### VOLUME

Volume of fish in sea (LWT)	Q3 2019	Q3 2018	YTD 2019	YTD 2018	2018
Volume at beginning of period	101 456	90 697	110 105	112 489	112 489
Net growth during the period	63 499	66 245	137 435	134 212	190 520
Harvested volume during the period	-54 742	-44 318	-137 328	-134 077	-192 904
Volume at end of period (LWT)	110 213	112 624	110 213	112 624	110 105

Specification of fish in sea (LWT)	30/09/2019	30/09/2018	31/12/2018
Salmon	90 845	93 690	92 794
Trout	19 368	18 934	17 312
Total	110 213	112 624	110 105
Fish > 4,8 kg (live weight)	11 624	12 941	6 572

\* Cost on stock is historic costs after expensed mortality

## NOTE 3 BIOLOGICAL ASSETS (cont.)

Br. Birkeland AS

### FAIR VALUE ADJUSTMENTS RELATED TO BIOLOGICAL ASSETS

Fair value adjustment over profit and loss	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	2018
Change FV adj. biological assets	-39 578	19 054	-20 881	56 163	43 451
FV adj. related to biological assets	-39 578	19 054	-20 881	56 163	43 451

### BALANCE SHEET ITEMS RELATED TO BIOLOGICAL ASSETS

Positive amounts are assets and negative amounts are liabilities

Carrying amount of biological assets	YTD Q3 2019	YTD Q3 2018	2018
Fish in sea at historic cost	209 719	212 146	217 259
Fair value adjustment fish in sea	66 450	100 043	87 331
Fair value fish in sea	276 169	312 189	304 590
Fry, brood and smolt	-	-	-
Carrying amount of biological assets	276 169	312 189	304 590

### HARVESTED VOLUME

Harvested volume in gutted weight (GWT)	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	2018
Total volume	1 734	1 275,00	4 826	4 084	5 727
- Salmon	1 734	1 275,00	4 826	4 084	5 727

### VOLUME

Volume of fish in sea (LWT)	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	2018
Volume at beginning of period	5 471	3 806	5 828	5 070	5 070
Net growth during the period	2 322	2 973	5 682	5 010	7 627
Harvested volume during the period	-2 099	-1 539	-5 816	-4 840	-6 869
Volume at end of period (LWT)	5 694	5 240	5 694	5 240	5 828
Fish > 4,8 kg (live weight)		-	-	-	-

## 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**	Br. Birkeland Farming AS**	Other/ elimina- tions	Total Group	Pelagia AS (50% of figures and volumes)	Total Group incl. Pelagia AS (50%)
<b>Q3 2019</b>									
Operating revenue	5 101 697	379 911	103 349	60 099	111 846	11 465	5 768 367	714 872	6 483 239
EBITDA*	758 409	103 801	3 454	21 730	6 344	7 432	901 170	78 013	979 183
EBITDA %	15%	27%	3%	36%	6%		16%	11%	15%
EBIT*	500 701	53 782	-5 988	10 347	-978	1 617	559 481	50 461	609 942
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	45 983				1 734		47 717		47 717
Fishmeal/oil/FPC (tonnes)		24 383	2 597				26 980	27 450	54 430
Frozen/fresh fish (tonnes)		462	8 839				9 301	17 200	26 501
<b>Q3 2018</b>									
Operating revenue	4 455 832	577 724	151 519	62 853	66 724	2 560	5 317 212	621 921	5 939 133
EBITDA*	819 662	157 150	12 840	15 666	11 893	-9 165	1 008 046	27 316	1 035 362
EBITDA %	18%	27%	8%	25%	18%		19%	4%	17%
EBIT*	660 132	114 576	5 263	-1 713	6 953	-14 491	770 720	1 849	772 569
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	37 227				1 275		38 502		38 502
Fishmeal/oil/FPC (tonnes)		41 807	3 366				45 173	26 600	71 773
Frozen fish (tonnes)		1 316	9 201				10 517	22 300	32 817
<b>YTD Q3 2019</b>									
Operating revenue	15 198 429	1 305 171	462 176	146 884	296 996	1 435	17 411 091	2 272 292	19 683 383
EBITDA*	2 715 418	339 556	87 427	41 102	64 764	15 606	3 263 873	303 046	3 566 919
EBITDA %	18%	26%	19%	28%	22%		19%	13%	18%
EBIT*	1 965 228	194 973	60 557	7 502	43 474	-500	2 271 234	221 975	2 493 209
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	115 355				4 826		120 181		120 181
Fishmeal/oil/FPC (tonnes)		85 848	12 389				98 237	69 300	167 537
Frozen/fresh fish (tonnes)		13 208	33 000				46 208	76 900	123 108
<b>YTD Q3 2018</b>									
Operating revenue	14 533 105	1 475 875	529 368	333 337	233 035	-32 979	17 071 741	1 991 434	19 063 175
EBITDA*	3 094 522	542 156	121 225	197 899	75 285	-8 107	4 022 980	215 821	4 238 801
EBITDA %	21%	37%	23%	59%	32%		24%	11%	22%
EBIT*	2 620 325	421 078	99 059	145 984	60 597	-23 628	3 323 415	139 801	3 463 216
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	112 625				4 084		116 709		116 709
Fishmeal/oil/FPC (tonnes)		102 854	11 314				114 168	64 700	178 868
Frozen fish (tonnes)		6 487	36 736				43 223	86 700	129 923

\* Before fair value adjustments related to biological assets

## NOTE 4 SEGMENTS (cont.)

2018	Lerøy Seafood Group ASA	Austral Group S.A.A	Foodcorp Chile S.A	Br. Birkeland AS**	Br. Birkeland Farming AS**	Other/ elimina- tions	Total Group	Pelagia AS (50% of figures and volumes)	Total Group incl. Pelagia AS (50%)
Operating revenue	19 879 978	1 640 342	602 795	406 793	319 738	-12 562	22 837 084	3 184 481	26 021 565
EBITDA*	4 228 205	618 949	89 741	212 646	90 549	-1 479	5 238 611	322 601	5 561 212
EBITDA %	21%	38%	15%	52%	28%		23%	10%	21%
EBIT ex. impairment*	3 568 536	451 225	60 135	143 637	70 255	-22 295	4 271 493	218 209	4 489 702
EBIT*	3 568 536	453 273	79 502	129 266	70 255	-22 294	4 278 538	221 434	4 499 972
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	162 039				5 727		167 766		167 766
Fishmeal/oil/FPC (tonnes)		110 569	13 864				124 433	88 850	213 283
Frozen fish (tonnes)		11 808	40 277				52 085	142 350	194 435

\* Before fair value adjustments related to biological assets

## NOTE 5 ASSOCIATES

	Q3 2019	Q3 2018	YTD Q3 2019	YTD Q3 2018	2018	
Norskott Havbruk AS* a)	50,0%	-40 144	29 948	33 875	182 332	264 993
Pelagia AS b)	50,0%	30 163	-160	178 932	114 024	184 937
Others		6 364	12 193	65 415	24 524	22 089
<b>Total income from associates</b>		<b>-3 617</b>	<b>41 981</b>	<b>278 222</b>	<b>320 880</b>	<b>472 019</b>
* Fair value adjustment biological assets		-48 911	-31 892	-61 378	-23 049	-2 959
<b>Income from associates before FV adj.</b>		<b>45 294</b>	<b>73 873</b>	<b>339 600</b>	<b>343 929</b>	<b>474 978</b>
<b>Investment in associates:</b>						
Norskott Havbruk AS				618 927	687 348	792 334
Pelagia AS				1 139 598	1 000 381	1 100 258
Others				408 630	290 037	311 030
<b>Total investment</b>		<b>-</b>	<b>-</b>	<b>2 167 155</b>	<b>1 977 766</b>	<b>2 203 622</b>
<b>Dividend received</b>						
Norskott Havbruk AS		84 500	80 000	209 500	242 200	242 200
Pelagia AS		-	-	125 000	150 000	150 000
Others		71	-	6 626	-	3 000
<b>Total Dividend received from associates</b>		<b>84 571</b>	<b>80 000</b>	<b>341 126</b>	<b>392 200</b>	<b>395 200</b>

a) Lerøy Seafood Group ASA owns 50% of Norskott Havbruk AS

b) Austevoll Seafood ASA owns 50% of Pelagia AS

## NOTE 6 LIST OF THE 20 LARGEST SHAREHOLDERS PER 30.09.2019

Investor	Number of shares	% of top 20	% of total
LACO AS	112 605 876	73,85	55,55
STATE STREET BANK AND TRUST COMP	5 900 326	3,87	2,91
FOLKETRYGDFONDET	4 899 739	3,21	2,42
STATE STREET BANK AND TRUST COMP	3 802 623	2,49	1,88
SIX SIS AG	2 737 667	1,80	1,35
OM HOLDING AS	2 366 850	1,55	1,17
HANDELSBANKEN NORDISKA SMABOLAG	2 355 231	1,54	1,16
PARETO AKSJE NORGE VERDIPAPIRFOND	1 981 355	1,30	0,98
MITSUI AND CO., LTD	1 782 236	1,17	0,88
THE NORTHERN TRUST COMP, LONDON BR	1 759 897	1,15	0,87
STATE STREET BANK AND TRUST COMP	1 610 452	1,06	0,79
JPMORGAN CHASE BANK, N.A., LONDON	1 474 020	0,97	0,73
STATE STREET BANK AND TRUST COMP	1 352 667	0,89	0,67
HSBC TRINKAUS & BURKHARDT AG	1 256 949	0,82	0,62
JPMORGAN CHASE BANK, N.A., LONDON	1 212 763	0,80	0,60
DANSKE INVEST NORSKE INSTIT. II.	1 175 929	0,77	0,58
BNP PARIBAS SECURITIES SERVICES	1 114 470	0,73	0,55
CLEARSTREAM BANKING S.A.	1 111 845	0,73	0,55
STATE STREET BANK AND TRUST COMP	1 080 053	0,71	0,53
AUSTEVOLL SEAFOOD ASA	893 300	0,59	0,44
<b>Total number owned by top 20</b>	<b>152 474 248</b>	<b>100%</b>	<b>75,22%</b>
<b>Total number of shares</b>	<b>202 717 374</b>		

## NOTE 7 ALTERNATIVE PERFORMANCE MEASURES

Austevoll Seafood Group's accounts are submitted in accordance with international standards for financial reporting (IFRS) and interpretations established by the International Accounting Standards Board (IASB) and adopted by the EU. In addition, the Board and management have chosen to present certain alternative performance measures to make the Group's developments simpler to understand. The Board and management are of the opinion that these performance measures are in demand and utilised by investors, analysts, credit institutions and other stakeholders. The alternative performance measures are derived from the performance measures defined in IFRS. The figures are defined below. They are consistently calculated and presented in addition to other performance measures, in line with the Guidelines on Alternative Performance Measures from the European Securities and Markets Authority (ESMA).

### Operating profit/loss before fair value adjustments

EBIT before fair value adjustments is an alternative performance measure utilised by the Group. Pursuant to IFRS, biological assets (fish in the sea) shall be measured at fair value in the statement of financial position (IAS 41). Estimates of fair value require various assumptions about the future, including price developments. Changes in the market's price expectations may therefore result in major changes in carried value. As this change in value is included in the operating profit or loss (EBIT) as defined in IFRS, this figure alone is not sufficient to illustrate the Group's performance during the period. The same applies to two other items on the statement of financial position related to biological assets, onerous contracts (IFRS 37) and financial fish-pool contracts (IFRS 9). The Group has therefore elected to present operating profit/loss as it would be presented before recognition of the above-mentioned fair value adjustments, as an alternative performance measure. By presenting (1) EBIT before fair value adjustments, (2) fair value adjustments in the period and (3) EBIT after fair value adjustments, the user of the financial statements will easily be able to identify how much of the operating profit comprises changes in fair value (fair value adjustments) and thereby compare performance with other companies in the same industry. The note on biological assets contains a detailed description of how fair value adjustment is calculated and the figures for each component. The following components are included:

	Q3 2019
Operating project (EBIT)	-24 849
- Fair value adjustments	-584 329
= EBIT before fair value adjustments	559 480

Fair value adjustments consist of:

1. Change in fair value adjustment on fish in sea
2. Change in fair value adjustment on roe, fry and cleaning fish \*
3. Change in fair value adjustment on onerous contracts (salmon and trout)
4. Change in fair value adjustment on fish pool contracts (financial contracts on salmon)

\* For this group historical cost provides the best estimate of fair value. See note 3 for further details.

### Operating profit/loss before depreciation and fair value adjustments

The operating profit/loss before depreciation and fair value adjustments is an alternative performance measure. This is estimated in the same way as for "Operating profit/loss before fair value adjustments" (above).

### Profit/loss before tax and fair value adjustments

The profit/loss before tax and fair value adjustments is an alternative performance measure utilised by the Group. Pursuant to IFRS, biological assets shall be measured at fair value in the statement of financial position (IAS 41). The alternative performance measure shows how the profit/loss before tax would be if IAS 41 had not been applied. This requires reversal of fair value adjustments made for fish in the sea. The reversal comprises the Group's own fair value adjustment in addition to fair value adjustments included in the share of profit/loss from associates carried according to the equity method, also in accordance with IAS 41. The following components are included:

	Q3 2019
Profit before tax	-161 387
- Fair value adjustment	-584 329
- Fair value adjustments incl. in income from associates	-48 911
= Profit before tax and fair value adjustments	471 853



