



Austevoll Seafood ASA

# Financial report, Q2 and first half 2019



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## FINANCIAL REPORT

### Q2 AND FIRST HALF 2019

- Harvest volume of Atlantic salmon and trout in line with Q2 2018
  - » Spot price for salmon down 9% compared with same period in 2018
- Level of activity for pelagic in South America down compared with Q2 2018
  - » Start-up for first fishing season in Peru in May; total quota of 2.1 million tonnes, down from 3.3 million tonnes in same season in 2018
- Seasonal low in activity related to pelagic and whitefish in the North Atlantic

#### KEY FIGURES FOR THE GROUP

All figures in NOK 1,000	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Operating revenue	6 079 453	6 001 380	11 642 724	11 754 529	22 837 084
EBITDA*	1 206 114	1 569 641	2 362 703	3 014 934	5 238 612
EBITDA %	20%	26%	20%	26%	23%
EBIT*	874 494	1 335 462	1 711 753	2 552 695	4 278 538
Pre tax profit before biomass adj.*	955 134	1 344 045	1 894 589	2 671 166	4 396 999
Pre tax profit	1 169 785	1 831 206	1 914 462	4 147 596	5 192 428
Earnings per share (EPS) *	2,20	2,86	4,40	5,44	5,44
Earnings per share (EPS)	2,65	3,84	4,43	8,41	11,39
Dividend per share (paid)			3,50	2,80	2,80
Proposed dividend					
Total assets			38 777 849	37 546 736	37 954 835
Equity			22 473 670	21 265 781	22 454 007
Equity ratio			58%	57%	59%
NIBD ex. right-of-use assets liabilities **			5 127 920	4 656 852	3 982 594
NIBD incl. right-of-use assets liabilities **			1 393 209	-	-

\* Before fair value adjustments of biological assets

\*\* NIBD = Net interest bearing debt

## Q2 2019

Group operating revenue in Q2 2019 totalled NOK 6,079 million, compared with NOK 6,001 million in Q2 2018.

EBITDA for the Group in Q2 2019 was NOK 1,206 million, down from Q2 2018 (Q2 2018: NOK 1,570 million). Lower prices realised and higher release from stock costs for Atlantic salmon and trout, and lower catch volumes and sales volumes for pelagic operations are the main factors in the reduction in EBITDA when compared with the same period last year.

EBIT before fair value adjustment related to biological assets in Q2 2019 was NOK 874 million (Q2 2018: NOK 1,335 million).

Value adjustment related to biological assets in Q2 2019 was NOK 207 million (Q2 2018: NOK 481 million). EBIT after fair value adjustment related to biological assets in Q2 2019 was NOK 1,081 million (Q2 2018: NOK 1,816 million).

Income from associates totalled NOK 151 million in the quarter (Q2 2018: NOK 117 million). The largest associates are Norskott Havbruk AS and Pelagia AS. The Group's associates generate good results, are significant enterprises in their segments and represent substantial values for Austevoll Seafood ASA.

The Group's net interest expense in Q2 2019 totalled NOK -67 million (Q2 2018: NOK -83 million).

**Profit before tax and fair value adjustment related to biological assets for Q2 2019 amounted to NOK 955 million, compared with NOK 1,344 million in Q2 2018.**

Profit before tax in the quarter was NOK 1,170 million (Q2 2018: NOK 1,831 million). Profit after tax was NOK 935 million (Q2 2018: NOK 1,395 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 Q2 2019, LSG reported revenue of NOK 5,350 million (Q2 2018: NOK 5,077 million) and EBITDA before fair value adjustment related to biological assets of NOK 1,023 million (Q2 2018: NOK 1,161 million).

The harvest volume for salmon and trout, gutted weight, was 37,055 tonnes in Q2 2019, in line with the figures reported last year, when LSG harvested 37,822 tonnes in the second quarter. Prices realised in the quarter are down when compared with the same period last year, and release from stock costs are up.

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 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.

The average price for salmon in Q2 2019, measured according to NSI (sales price FCA Oslo), was NOK 62.1/kg, compared with NOK 68.5/kg in Q2 2018. This represents a fall in price of NOK 6.4/kg in Q2 2019 when compared with Q2 2018.

The contract share for salmon in Q2 2019 was 38%, and prices realised were in line with 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. Prices realised were also negatively impacted by quality downgrades in the quarter.

For Lerøy Sjøtroll, 43% of the harvest volume in Q2 2019 was trout. The quality challenges relating to trout seen in recent quarters improved significantly in the second quarter, but the market for trout has been weaker than the market for salmon.

Prices realised for trout in the quarter are approximately NOK 6/kg lower than for salmon.

For the Group, release from stock costs in Q2 2019 are in line with those reported in Q1 2019, but higher than in Q2 2018.

As previously reported, there was a fire in Lerøy Aurora's smolt facility in Q1 2019, causing the loss of 2.6 million smolt. Reconstruction of the facility has now been completed and the lost smolt have been replaced, but the incident has impacted costs, and delayed release and production. In Q2 2019, there was a substantial outbreak of toxic algae in parts of the region where Lerøy Aurora has operations. Lerøy Aurora experienced very limited mortality, but the situation was at times difficult because, as a precautionary measure, the company decided not to feed the fish for long periods of time, causing loss of growth. The company also had increased costs for emergency preparedness. The total estimated loss in growth for Lerøy Aurora is approximately 2,000 tonnes. In total, these incidents have significantly affected costs for Lerøy Aurora in Q2 2019. The second half of the year has started well, and growth is back to normal levels. Current expectations are for a significant reduction in release from stock costs throughout the second half of 2019.

Developments for Lerøy Midt in Q2 2019 have been as expected. Release from stock costs are lower than in Q1 2019 and are currently expected to be lower in the second half of 2019 when compared with the first half.

Operations involving feeding at Lerøy Sjøtroll have been successful in the second quarter, but the total production costs for salmon remain higher than optimal. The cost situation for salmon in Q2 2019 remains unsatisfactory, while corresponding costs for trout are much better. The Group has high expectations for the new smolt facility in the region – making an important contribution to improved biological performance related to the production of salmon in the years to come. The facility has now been completed, and the first smolt weighing 160 grams were released to the sea in April 2019. The first release of smolt weighing on average 500 grams is scheduled for Q3 2019.

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. The new trawler is scheduled for delivery in Q1 2020.

Havfisk's total catch volume in Q2 2019 was 15,860 tonnes, compared with 18,190 tonnes in Q2 2018. Catch volumes for the main species in Q2 2019 were 6,332 tonnes of shrimp, 3,009 tonnes of cod, 2,250 tonnes of saithe and 928 tonnes of haddock. The catch distribution in Q2 2018 was 3,279 tonnes of shrimp, 3,817 tonnes of cod, 5,401 tonnes of saithe and 441 tonnes of haddock. Compared with Q2 2018, the average price realised for all species was up 14% in Q2 2019. The prices for cod, haddock and saithe increased by 7%, 4% and 24% respectively in the quarter. The average increase in price compared with the same quarter last year has been impacted by the catch composition, but the price increase is also a consequence of lower quotas and growing demand for the products.

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 EBIT of NOK 40 million in Q2 2019, compared with NOK 116 million in Q2 2018, when the interim result was affected positively by the sale of a vessel, generating an accounting gain of NOK 35 million.

The Group has implemented a number of measures within both production and marketing to improve earnings for onshore operations, including starting up production of processed fish at the factory in Stamsund, but these are long-term initiatives and significant improvements are not expected to be seen until 2020.

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 Q1 2019, this elimination had a negative effect on EBIT of NOK 51 million for LSG, whereas the effect in Q2 2019 was positive at NOK 29 million.

For further information, please read LSG's report and presentation for Q2 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 Q2 2019 totalled NOK 368 million (Q2 2018: NOK 635 million) and EBITDA amounted to NOK 95 million (Q2 2018: NOK 322 million).

The first fishing season in 2019 started on 28 April, with a total quota of 2.1 million tonnes. This was a decline from the same season in 2018, when the quota was 3.3 million tonnes and the season started three weeks earlier – on 7 April. The total quota for the company was 146,676 tonnes,

and the company had caught 94% of this quota by the end of June. By the end of the season on 31 July, the company had caught 100% of its quota for that season.

The fall in revenue and EBITDA is a natural consequence of the lower catch volumes and hence lower volume of finished products sold. Sales volumes for fishmeal and oil in the quarter were 23,900 tonnes, down from 42,600 tonnes in the same quarter of 2018. The prices realised for fishmeal and oil were 5% and 8% lower in Q2 2019 respectively, when compared with the same quarter last year.

At the end of the second quarter 2019, the company had 44,800 tonnes of fishmeal and fish oil in stock, compared with 41,800 tonnes at the end of Q2 2018.

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 for fishmeal.

#### ***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 Q2 2019, the company's vessels reported catches of 11,600 tonnes, down from 21,500 tonnes in Q2 2018. After a difficult season for squid in Q1 2019, fishing started properly in the second quarter, and the company has purchased just under 3,000 tonnes, down from 5,700 tonnes in Q2 2018.

Operating revenue in Q2 2019 totalled NOK 212 million (Q2 2018: NOK 212 million) and EBITDA amounted to NOK 33 million (Q2 2018: NOK 53 million).

Just under 15,000 tonnes of frozen products were sold in Q2 2019, up from 12,500 tonnes in the same quarter of 2018. The decline in EBITDA is attributed to lower prices realised due to a change in product composition, and the fact that the company had three fishing vessels in operation in Q2 2019 compared with two in Q2 2018.

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

In Q2 2019, the BrB segment reported operating revenue of NOK 41 million (Q2 2018: NOK 73 million). EBITDA amounted to NOK 10 million (Q2 2018: NOK 29 million).

The second quarter has as normal been low season for the pelagic fishing vessels. Fishing for North Sea herring normally starts at the end of May, but fish stocks have been low during this period. Fishing for North Sea herring did not start in earnest until July, in the course of which both vessels caught their entire North Sea quota for 2019. The vessel fishing for snow crab has been operational throughout the quarter and has caught 269 tonnes, compared with 151 tonnes in Q2 2018. Once again this year, the regulatory authorities introduced a ban on fishing for snow crab – on 1 July. They have yet to establish a date when fishing can re-start. The ban on fishing is introduced to protect the snow crab during the period of ecdysis.

In Q2 2019, the BrBF segment reported operating revenue of NOK 117 million (Q2 2018: NOK 0 million). EBITDA before fair value adjustment related to biological assets in Q2 2019 was NOK 40 million (Q2 2018: NOK 5 million). The company harvested 1,900 tonnes of salmon in Q2 2019, having not harvested any fish in the same quarter last year. The company sells all its fish on the spot market. 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 736 million (Q2 2018: NOK 638 million) and EBITDA was NOK 125 million (Q2 2018: NOK 86 million). The figures for Q2 2019 include a gain on disposal of assets of NOK 53 million on a 50% basis.

As is normal during the second quarter, there has been a lower level of activity related to products for consumption. Total receipt of raw materials for fishmeal/FPC and fish oil production in Pelagia including associates (100%) was approx. 258,000 tonnes in Q2 2019, compared with approx. 265,000 tonnes in the same quarter of 2018. The main share of the raw materials for fishmeal and fish oil production in Q2 2019 has been based on receipt of blue whiting, sand eel and cuttings from the consumer product plants. The volume of raw materials received for consumer products in the second quarter was 17,000 tonnes, compared with 47,000 tonnes in Q2 2018. Raw materials in Q2 2019 were mainly North Sea herring.

**CASH FLOWS Q2 2019**

Cash flow from operating activities in Q2 2019 was NOK 838 million (Q2 2018: NOK 312 million). Cash flow from investing activities for Q2 2019 was NOK 3 million (Q2 2018: NOK -96 million). Dividends received from associates totalled NOK 250 million, while the corresponding figure in 2018 was NOK 312 million. Investments have also been made in maintenance and disbursements paid to ongoing projects. Cash flow from financing activities in Q2 2019 was NOK -1,698 million (Q2 2018: NOK -1,129 million). The Group made dividend payments totalling NOK 1,408 million in Q2 2019, against the corresponding figure for Q2 2018 of NOK 1,081 million.

The Group's cash and cash equivalents at the end of Q2 2019 totalled NOK 3,295 million, compared with NOK 4,846 million at the end of Q2 2018.

**FINANCIAL INFORMATION H1 2019**

The Group reported operating revenue of NOK 11,643 million for the first half of 2019 (H1 2018: NOK 11,755 million).

EBITDA before value adjustment related to biological assets in the first half of 2019 was NOK 2,363 million (H1 2018: NOK 3,015 million).

EBIT before value adjustment related to biological assets in the first half of 2019 was NOK 1,712 million (H1 2018: NOK 2,553 million). The fair value adjustment related to biological assets in H1 2019 was positive at NOK 32 million. The corresponding figure for the same period in 2018 was NOK 1,468 million.

EBIT after value adjustment related to biological assets in the first half of 2019 was NOK 1,744 million (H1 2018: NOK 4,020 million).

Income from associates for H1 2019 totalled NOK 282 million (H1 2018: NOK 279 million).

The Group's net interest expense in H1 2019 totalled NOK 125 million (H1 2018: NOK 145 million).

**Profit before tax and fair value adjustment related to biological assets for H1 2019 was NOK 1,895 million, compared with NOK 2,671 million in H1 2018.**

Profit after tax for the first half of 2019 totalled NOK 1,528 million (H1 2018: NOK 3,267 million).

## CASH FLOWS H1 2019

Cash flow from operating activities for the first half of 2019 was NOK 1,099 million (H1 2018: NOK 1,338 million). Tax payments in H1 2019 totalled NOK 806 million (H1 2018: NOK 889 million). Cash flow from investing activities for the first half of 2019 was NOK -412 million (H1 2018: NOK -604 million). Cash flow from financing activities for H1 2019 was NOK -1,781 million (H1 2018: NOK -962 million). Net change in cash for the Group in H1 2019 was NOK -1,094 million (H1 2018: NOK -228 million).

The Group's cash and cash equivalents at the end of June 2019 totalled NOK 3,295 million compared with NOK 4,846 million at the end of June 2018.

## STATEMENT OF FINANCIAL POSITION AT 30/06/2019

The Group's balance sheet total at the end of June 2019 was

NOK 38,778 million compared with NOK 37,955 million at the end of December 2018.

The Group is financially sound with book equity at 30/06/2019 of NOK 22,474 million, equivalent to an equity ratio of 58%. At the end of December 2018, the Group had book equity of 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.

At the end of June 2019, the Group had net interest-bearing debt, excluding right-of-use liabilities, totalling NOK 5,128 million, compared with NOK 4,657 million at the end of June 2018. The Group's net interest-bearing debt including right-of-use liabilities at the end of the June 2019 totalled NOK 6,521 million. The Group paid dividends in the second quarter totalling NOK 1,408 million.

The parent company is financially sound, with book equity of NOK 4,341 million (NOK 4,108 million) and net interest-bearing debt of NOK 362 million (NOK 563 million) at 30/06/2019. 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 Q2 2019, the Group had live fish on its statement of financial position worth NOK 5.9 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. 21% 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 5,131 shareholders at the end of June 2019. The number of shareholders at the start of the period was 5,031.

The share price at the start of Q2 2019 was NOK 102.30 and NOK 89.55 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 Group can report a good underlying demand for seafood. The Group expects the market to remain volatile but nonetheless satisfactory in the near future.

The Group's harvest volume in the first half of 2019 was, as expected, lower than in the first half of 2018. The lower harvest volume in combination with several unforeseen incidents for Lerøy Aurora has contributed to the high release from stock costs for salmon and trout for the Group during the period. The Board of Directors and management are not satisfied with the Group's release from stock costs in the first half but are confident that the Group's investments and continuous improvement measures will result in reduced costs. Biomass in the sea at the end of the first half of 2019 is up 12% on the figure reported at the same date in 2018. It is expected that the higher volume, including higher average weight, will lead to lower release from stock costs in the second half of 2019, when compared with the first half of 2019.

The Group's contract share for salmon in Q3 2019 is estimated to be around 25-30%. The final harvest volume for the year will continuously be impacted by biological conditions and market assessments. The planned harvest volume for red fish in 2019, including the share from associates, is currently around 183,000 tonnes.

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 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 quota recommendations from ICES (the International Council for the Exploration of the Sea) for 2020 are to reduce the cod quota by 5% and to increase the haddock quota by 25%. ICES also recommends increasing the quota for saithe north of 62 degrees by 15% and reducing the quota for saithe in the North Sea by 15%. In total, this will probably have a somewhat positive effect on catch values.

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***

The first fishing season in Peru started on 28 April with a quota of 2.1 million tonnes, down from 3.3 million tonnes in the same season in 2018. The quota of 2.1 million tonnes was at the lower end of market expectations. The main

market for fishmeal produced in Peru is Asia, with China firmly at the top in terms of consumption. For 2019, the European quotas for catches of fish species primarily used for production of fishmeal and fish oil in Europe are lower than the quotas 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 in the past two years 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 2019 quota recommended by ICES for catches in the North Atlantic is down on 2018. The 2019 quota recommended by SPRFMO for horse mackerel in the South Pacific represents an increase of approx. 3% on the quota for 2018.

#### ***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. Please note that there is major uncertainty in terms of the assessment of future framework conditions, but the Group currently expects to see earnings in the second half of 2019 that are in line with those reported for the first half of the year.

## DECLARATION OF THE BOARD OF DIRECTORS AND CEO

We declare that, to the best of our knowledge, the half-yearly financial statements for the period 1 January to 30 June 2019 have been prepared in accordance with IAS 34 – Interim Financial Reporting, and that the information in the financial statements provides a correct illustration of the Group’s

assets, liabilities, financial position and result as a whole. We also declare that, to the best of our knowledge, the half-yearly report provides a correct overview of significant events during the accounting period and their impact on the half-yearly accounts, the most central risks and uncertainties faced by the Group during the next accounting period, and significant transactions with related parties.

Storebø, 20 August 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	Q2 2019	Q2 2018	H1 2019	H1 2018	(audited) 2018
<b>Operating revenue</b>	4	6 079 453	6 001 380	11 642 724	11 754 529	22 837 084
Raw material and consumables used		3 347 156	2 956 531	6 144 841	5 760 966	11 302 468
Salaries and personnel expenses		776 872	733 783	1 682 569	1 554 754	3 195 423
Other operating expenses		749 311	741 425	1 452 611	1 423 875	3 100 581
<b>EBITDA before fair value adjustments *</b>		<b>1 206 114</b>	<b>1 569 641</b>	<b>2 362 703</b>	<b>3 014 934</b>	<b>5 238 612</b>
Depreciation and amortisation		332 020	234 689	651 747	463 256	967 118
Impairment		-400	-510	-797	-1 017	-7 044
<b>EBIT before fair value adjustment *</b>		<b>874 494</b>	<b>1 335 462</b>	<b>1 711 753</b>	<b>2 552 695</b>	<b>4 278 538</b>
Fair value adjustment related to biological asset		206 528	481 021	32 340	1 467 586	798 388
<b>Operating profit</b>		<b>1 081 022</b>	<b>1 816 483</b>	<b>1 744 093</b>	<b>4 020 281</b>	<b>5 076 926</b>
Income from associated companies	5	150 577	117 073	281 839	278 899	472 019
Net interest expenses		-67 010	-83 399	-124 545	-145 261	-276 901
Net other financial items (incl. agio/disagio)		5 196	-18 951	13 075	-6 323	-79 616
<b>Profit before tax and fair value adj.*</b>		<b>955 134</b>	<b>1 344 045</b>	<b>1 894 589</b>	<b>2 671 166</b>	<b>4 396 999</b>
<b>Profit before tax</b>		<b>1 169 785</b>	<b>1 831 206</b>	<b>1 914 462</b>	<b>4 147 596</b>	<b>5 192 428</b>
Income tax expenses		-234 833	-436 189	-386 375	-880 785	-961 596
<b>Net profit</b>		<b>934 952</b>	<b>1 395 017</b>	<b>1 528 087</b>	<b>3 266 811</b>	<b>4 230 832</b>
Profit to non-controlling interest		400 659	619 309	633 326	1 568 652	1 932 045
Profit to controlling interests		534 293	775 708	894 761	1 698 159	2 298 787
Earnings per share (EPS) *		2,20	2,86	4,40	5,44	9,79
Earnings per share (EPS)		2,65	3,84	4,43	8,41	11,39
Diluted EPS		2,65	3,84	4,43	8,41	11,39

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

## CONDENSED STATEMENT OF COMPREHENSIVE INCOME (unaudited)

All figures in NOK 1.000	Q2 2019	Q2 2018	H1 2019	H1 2018	(audited) 2018
<b>Net earnings in the period</b>	<b>934 952</b>	<b>1 395 017</b>	<b>1 528 087</b>	<b>3 266 811</b>	<b>4 230 832</b>
<b>Other comprehensive income</b>					
Currency translation differences	-58 887	43 827	-106 996	-110 270	118 498
Other comprehensive income from associated companies	138	152	-3 286	-5 343	-5 526
Cash flow hedges	1 893	2 856	18 024	23 511	26 588
Change in value available for sale financial assets					
Others incl. tax effect	685	-7 017	-463	656	-14 372
<b>Total other comprehensive income</b>	<b>-56 171</b>	<b>39 818</b>	<b>-92 721</b>	<b>-91 446</b>	<b>125 188</b>
<b>Comprehensive income in the period</b>	<b>878 781</b>	<b>1 434 835</b>	<b>1 435 366</b>	<b>3 175 365</b>	<b>4 356 020</b>
<b>Allocated to;</b>					
Minority interests	385 858	601 593	614 171	1 534 336	1 997 774
Majority interests	492 923	833 242	821 195	1 641 029	2 358 246

## STATEMENT OF FINANCIAL POSITION (unaudited)

All figures in NOK 1.000	Note	30.06.2019	30.06.2018	(audited) 31.12.2018
<b>Assets</b>				
Intangible assets		11 453 094	11 495 376	11 491 957
Vessels		2 036 250	2 199 091	2 096 891
Property, plant and equipment		7 155 999	6 099 695	6 754 551
Right-of-use assets		1 434 940	-	-
Investments in associated companies	5	2 165 806	2 003 637	2 203 623
Investments in other shares		53 267	29 961	33 054
Other long-term receivables		151 546	150 668	156 217
<b>Total non-current assets</b>		<b>24 450 902</b>	<b>21 978 428</b>	<b>22 736 293</b>
Inventories	3	7 620 303	7 581 058	7 765 933
Accounts receivable		2 561 310	2 472 233	2 293 128
Other current receivables		850 075	668 835	766 618
Cash and cash equivalents	3	295 259	4 846 182	4 392 863
<b>Total current assets</b>		<b>14 326 947</b>	<b>15 568 308</b>	<b>15 218 542</b>
<b>Total assets</b>		<b>38 777 849</b>	<b>37 546 736</b>	<b>37 954 835</b>
<b>Equity and liabilities</b>				
Share capital	6	101 359	101 359	101 359
<b>Own shares</b>		<b>-18 312</b>	<b>-18 312</b>	<b>-18 312</b>
Share premium		3 713 549	3 713 549	3 713 549
Retained earnings and other reserves		7 973 742	7 068 702	7 858 932
Non-controlling interests		10 703 333	10 400 483	10 798 480
<b>Total equity</b>		<b>22 473 670</b>	<b>21 265 781</b>	<b>22 454 007</b>
Deferred tax liabilities		3 505 221	3 761 035	3 424 568
Pensions and other obligations		52 385	82 247	72 757
Borrowings		6 830 988	7 743 908	6 965 352
Right-of-use assets liabilities		1 182 002	-	-
Other long-term liabilities		27 734	27 296	28 006
<b>Total non-current liabilities</b>		<b>11 598 330</b>	<b>11 614 486</b>	<b>10 490 683</b>
Short term borrowings		851 889	1 437 290	940 931
Current right-of-use assets liabilities		211 207	-	-
Overdraft facilities		712 568	294 540	441 168
Other short term loans		-	-	-
Account payable		1 594 665	1 442 560	1 628 329
Other current liabilities		1 335 520	1 492 080	1 999 717
<b>Total current liabilities</b>		<b>4 705 849</b>	<b>4 666 470</b>	<b>5 010 145</b>
<b>Total liabilities</b>		<b>16 304 179</b>	<b>16 280 956</b>	<b>15 500 828</b>
<b>Total equity and liabilities</b>		<b>38 777 849</b>	<b>37 546 737</b>	<b>37 954 835</b>
NIBD ex. right-of-use assets liabilities		5 127 920	4 656 852	3 982 594
Right-of-use assets liabilities		1 393 209	-	-
<b>NIBD incl. right of use assets liabilities</b>		<b>6 521 129</b>	<b>4 656 852</b>	<b>3 982 594</b>
Equity ratio		58%	57%	59%

## CONDENSED STATEMENT OF CHANGES IN EQUITY (unaudited)

All figures in NOK 1.000	30.06.2019	30.06.2018	(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>1 435 366</b>	<b>3 175 365</b>	<b>4 356 020</b>
Dividends	-1 415 703	-1 081 324	-1 081 312
Transactions with non-controlling interest	-	-	-
Other	-	-	7 560
<b>Total changes in equity in the period</b>	<b>19 663</b>	<b>2 094 041</b>	<b>3 282 268</b>
<b>Equity at period end</b>	<b>22 473 670</b>	<b>21 265 780</b>	<b>22 454 007</b>

## CASH FLOW STATEMENT (unaudited)

All figures in NOK 1.000	Q2 2019	Q2 2018	H1 2019	H1 2018	(audited) 2018
<b>Cash flow from operating activities</b>					
Profit before income taxes	1 169 785	1 831 205	1 914 461	4 147 596	5 192 428
Fair value adjustment of biological assets	-206 529	-481 021	-32 340	-1 467 586	-798 388
Taxes paid in the period	-373 944	-625 416	-805 612	-888 712	-948 184
Depreciation and amortisation	332 020	234 689	651 747	463 256	967 118
Impairments	-400	-510	-797	-1 017	-7 044
Associated companies - net	-150 577	-117 073	-281 839	-278 899	-472 019
Interest expense	80 159	96 767	150 142	170 404	333 713
Interest income	-13 149	-13 367	-25 597	-25 142	-56 812
Change in inventories	82 511	-271 836	177 970	-213 512	-1 066 512
Change in receivables	-88 757	-70 838	-351 639	-313 636	-78 497
Change in payables	118 387	-28 603	-33 758	-46 088	138 969
Other operating cash flow incl currency exchange	-111 710	-242 144	-263 528	-208 625	-42 965
<b>Net cash flow from operating activities</b>	<b>837 796</b>	<b>311 853</b>	<b>1 099 210</b>	<b>1 338 039</b>	<b>3 161 807</b>
<b>Cash flow from investing activities</b>					
Purchase of intangible and fixed assets	-302 507	-511 380	-740 326	-1 374 902	-2 533 241
Purchase of shares and equity investments	-	-	-439	-127 078	-144 522
Proceeds from sale of fixed assets/equity investments	42 548	91 684	44 056	484 168	540 413
<b>Cash inflow from business combinations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>27 341</b>	<b>26 635</b>
Dividend received	250 068	312 200	256 555	312 200	395 200
Interest income	13 149	13 367	25 597	25 142	56 812
Other investing activities - net	-238	-1 449	2 862	49 546	53 026
<b>Net cash flow from investing activities</b>	<b>3 020</b>	<b>-95 578</b>	<b>-411 695</b>	<b>-603 583</b>	<b>-1 605 677</b>
<b>Cash flow from financing activities</b>					
Proceeds from new long term debt	162 636	565 428	162 636	1 091 132	1 513 565
Repayment of long term debt	-417 028	-438 459	-645 786	-646 657	-2 402 037
Change in short term debt	43 910	-133 040	273 927	-150 507	-5 374
Interest paid	-78 513	-99 895	-137 271	-171 419	-333 713
Dividends paid	-1 408 039	-1 081 324	-1 415 702	-1 081 324	-1 081 324
Other finance cash flow - net	-485	58 731	-19 281	-3 342	56 035
<b>Net cash flow from financing activities</b>	<b>-1 697 519</b>	<b>-1 128 559</b>	<b>-1 781 477</b>	<b>-962 117</b>	<b>-2 252 848</b>
Net change in cash and cash equivalents	-856 703	-912 284	-1 093 962	-227 661	-696 718
Cash, and cash equivalents at start of period	4 165 483	5 750 369	4 392 863	5 074 875	5 074 875
Exchange gains/losses (-)	-13 521	8 097	-3 642	-1 032	14 706
<b>Cash and cash equivalents at period end</b>	<b>3 295 259</b>	<b>4 846 182</b>	<b>3 295 259</b>	<b>4 846 182</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.

	01.01.2019 IFRS 16	Implementation effect of IFRS 16	31.12.2018 IAS 17
<b>TOTAL ASSETS</b>			
Right of use assets	1 512 016	1 512 016	-
Tangible fixed assets	8 851 442	-	8 851 442
<b>Total</b>	<b>10 363 458</b>	<b>1 512 016</b>	<b>8 851 442</b>
<b>LIABILITIES</b>			
Long term part of other lease liabilities	1 221 040	1 221 040	-
Short term part of other lease liabilities	290 975	290 975	-
<b>Total</b>	<b>1 512 015</b>	<b>1 512 015</b>	<b>-</b>
<b>EQUITY RATIO</b>			
Equity ratio	22 454 008	-	22 454 008
Total	39 466 850	1 512 016	37 954 835
<b>Equity ratio</b>	<b>57%</b>	<b>-2%</b>	<b>59%</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 Q2 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	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Change FV adj. of biological assets	139 143	489 490	-52 276	1 463 552	799 983
Change in FV of onerous contracts	22 442	-22 364	51 974	-43 694	-46 519
Change in FV of fishpool contracts	-19	6 586	13 944	10 619	1 474
FV adj. related to biological assets	161 566	473 711	13 643	1 430 477	754 938

#### BALANCE SHEET ITEMS RELATED TO BIOLOGICAL ASSETS

Positive amounts are assets and negative amounts are liabilities

Carrying amount on biological assets	30/06/2019	30/06/2018	31/12/2018
Cost on stock for fish in sea	3 772 031	3 159 363	3 746 634
Cost on stock for fry, brood, smolt and cleaning fish	256 243	237 420	270 233
Total cost on stock for biological assets *	4 028 274	3 396 783	4 016 867
FV adj. on fish in sea	1 495 305	2 211 150	1 547 580
FV adj. on fry, brood, smolt and cleaning fish	0	0	0
Total FV adj. on biological assets	1 495 305	2 211 150	1 547 580
FV on fish in sea	5 267 336	5 370 513	5 294 214
FV on fry, brood, smolt and cleaning fish	256 243	237 420	270 233
Carrying amount of biological assets	5 523 579	5 607 933	5 564 447
<b>Carrying amount on onerous contracts (liability)</b>			
Carrying amount of onerous contracts	0	-49 149	-51 974
<b>Carrying amount on fishpool contracts</b>			
Carrying amount of fishpool contracts	0	-5 858	-15 633

#### HARVESTED VOLUME:

Volume in gutted weight (GWT)	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Salmon	31 274	32 019	58 120	64 613	137 733
Trout	5 780	5 804	11 251	10 786	24 306
Total harvested volume	37 055	37 822	69 372	75 398	162 039

#### VOLUME

Volume of fish in sea (LWT)	Q2 2019	Q2 2018	H1 2019	H1 2018	31.12.2018
Volume at beginning of period	104 619	99 028	110 105	112 489	112 489
Net growth during the period	40 950	36 695	73 936	67 968	190 520
Harvested volume during the period	-44 113	-45 026	-82 585	-89 760	-192 904
Volume at end of period (LWT)	101 456	90 697	101 456	90 697	110 105

Specification of fish in sea (LWT)	30/06/2019	30/06/2018	31/12/2018
Salmon	83 216	76 174	92 794
Trout	18 240	14 523	17 312
Total	101 456	90 697	110 105
Fish > 4,8 kg (live weight)	10 093	10 019	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	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Change FV adj. biological assets	44 962	7 310	18 697	37 109	43 451
FV adj. related to biological assets	44 962	7 310	18 697	37 109	43 451

### BALANCE SHEET ITEMS RELATED TO BIOLOGICAL ASSETS

Positive amounts are assets and negative amounts are liabilities

Carrying amount of biological assets	H1 2019	H1 2018	2018
Fish in sea at historic cost	224 838	181 783	217 259
Fair value adjustment fish in sea	106 028	80 989	87 331
Fair value fish in sea	330 866	262 772	304 590
Fry, brood and smolt	-	-	-
Carrying amount of biological assets	330 866	262 772	304 590

### HARVESTED VOLUME

Harvested volume in gutted weight (GWT)	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Total volume	1 900	-	3 092	2 809	5 727
- Salmon	1 900	-	3 092	2 809	5 727

### VOLUME

Volume of fish in sea (LWT)	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Volume at beginning of period	5 453	2 523	5 828	5 070	5 070
Net growth during the period	2 319	1 283	3 360	2 143	7 627
Harvested volume during the period	-2 301	-	-3 717	-3 407	-6 869
Volume at end of period (LWT)	5 471	3 806	5 471	3 806	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>Q2 2019</b>									
Operating revenue	5 349 886	368 387	212 239	41 000	116 995	-9 054	6 079 453	735 651	6 815 104
EBITDA*	1 023 484	95 258	32 609	10 484	40 030	4 249	1 206 114	125 497	1 331 611
EBITDA %	19%	26%	15%	26%	34%		20%	17%	20%
EBIT*	773 593	47 752	23 716	-660	31 064	-971	874 494	98 913	973 407
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	37 055				1 900		38 955		38 955
Fishmeal/oil/FPC (tonnes)		23 901	5 519				29 420	21 300	50 720
Frozen/fresh fish (tonnes)		7 102	14 937				22 039	22 650	44 689
<b>Q2 2018</b>									
Operating revenue	5 077 155	634 958	211 819	72 792	-	4 656	6 001 380	638 203	6 639 583
EBITDA*	1 160 740	321 580	53 177	28 575	5 431	138	1 569 641	86 212	1 655 853
EBITDA %	23%	51%	25%	39%			26%	14%	25%
EBIT*	1 000 096	282 558	45 874	11 334	557	-4 958	1 335 461	61 409	1 396 870
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	37 822				-		37 822		37 822
Fishmeal/oil/FPC (tonnes)		42 643	5 225				47 868	21 050	68 918
Frozen fish (tonnes)		4 106	12 509				16 615	25 750	42 365
<b>H1 2019</b>									
Operating revenue	10 096 732	925 260	358 827	86 785	185 150	-10 030	11 642 724	1 557 420	13 200 144
EBITDA*	1 957 009	235 755	83 973	19 372	58 420	8 174	2 362 703	225 033	2 587 736
EBITDA %	19%	25%	23%	22%	32%		20%	14%	20%
EBIT*	1 464 527	141 191	66 545	-2 845	44 452	-2 117	1 711 753	171 514	1 883 267
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	69 372				3 092		72 464		72 464
Fishmeal/oil/FPC (tonnes)		61 465	9 792				71 257	41 900	113 157
Frozen/fresh fish (tonnes)		12 746	24 161				36 907	59 700	96 607
<b>H1 2018</b>									
Operating revenue	10 077 273	898 151	377 849	270 484	166 311	-35 539	11 754 529	1 369 513	13 124 042
EBITDA*	2 274 860	385 006	108 384	182 232	63 392	1 060	3 014 934	188 505	3 203 439
EBITDA %	23%	43%	29%	67%	38%		26%	14%	24%
EBIT*	1 960 193	306 502	93 795	147 696	53 644	-9 135	2 552 695	137 952	2 690 647
<b>Volumes sold:</b>									
Salmon (GWT tonnes)	75 398				2 809		78 207		78 207
Fishmeal/oil/FPC (tonnes)		61 047	7 948				68 995	38 100	107 095
Frozen fish (tonnes)		5 171	27 535				32 706	64 400	97 106

\* 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

	Q2 2019	Q2 2018	H1 2019	H1 2018	2018	
Norskott Havbruk AS* a)	50,0%	49 463	76 067	74 019	152 384	264 993
Pelagia AS b)	50,0%	89 721	38 898	148 769	114 184	184 937
Others		11 393	2 107	59 051	12 330	22 089
<b>Total income from ass.companies</b>		<b>150 577</b>	<b>117 072</b>	<b>281 839</b>	<b>278 898</b>	<b>472 019</b>
* Fair value adjustment biological assets		8 123	6 139	-12 467	8 843	-2 959
<b>Income from associates before FV adj.</b>		<b>142 454</b>	<b>110 933</b>	<b>294 306</b>	<b>270 055</b>	<b>474 978</b>
<b>Investment in associates:</b>						
Norskott Havbruk AS				722 353	738 460	792 334
Pelagia AS				1 083 864	1 006 138	1 100 258
Others				359 589	259 039	311 030
<b>Total investment</b>		<b>-</b>	<b>-</b>	<b>2 165 806</b>	<b>2 003 637</b>	<b>2 203 622</b>
<b>Dividend received</b>						
Norskott Havbruk AS		125 000	162 200	125 000	162 200	242 200
Pelagia AS		125 000	150 000	125 000	150 000	150 000
Others		132	-	6 555	-	3 000
<b>Total Dividend received from associates</b>		<b>250 132</b>	<b>312 200</b>	<b>256 555</b>	<b>312 200</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 AT 30.06.2019

Investor	Number of shares	% of top 20	% of total
LACO AS	112 605 876	74.98	55.55
STATE STREET BANK AND TRUST COMP	6 247 505	4.16	3.08
FOLKETRYGDFONDET	4 899 739	3.26	2.42
STATE STREET BANK AND TRUST COMP	3 138 645	2.09	1.55
SIX SIS AG	2 175 819	1.45	1.07
OM HOLDING AS	2 036 850	1.36	1.00
PARETO AKSJE NORGE VERDIPAPIRFOND	1 990 255	1.33	0.98
THE NORTHERN TRUST COMP, LONDON BR	1 847 183	1.23	0.91
MITSUI AND CO., LTD	1 782 236	1.19	0.88
STATE STREET BANK AND TRUST COMP	1 745 013	1.16	0.86
HANDELSBANKEN NORDISKA SMABOLAG	1 605 231	1.07	0.79
STATE STREET BANK AND TRUST COMP	1 603 335	1.07	0.79
JPMORGAN CHASE BANK, N.A., LONDON	1 427 018	0.95	0.70
DANSKE INVEST NORSKE INSTIT. II.	1 134 829	0.76	0.56
JP MORGAN CHASE BANK, N.A., LONDON	1 125 531	0.75	0.56
STATE STREET BANK AND TRUST COMP	1 094 542	0.73	0.54
CLEARSTREAM BANKING S.A.	1 012 827	0.67	0.50
RBC INVESTOR SERVICES TRUST	915 145	0.61	0.45
EIKA SPAR	900 880	0.60	0.44
AUSTEVOLL SEAFOOD ASA	893 300	0.59	0.44
<b>Total number owned by top 20</b>	<b>150 181 759</b>	<b>100%</b>	<b>74.08%</b>
<b>Total number of shares</b>	<b>202 717 374</b>		

## NOTE 7 ALTERNATIVE PERFORMANCE MEASURES (APMs)

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 (APMs) 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).

### EBIT before fair value adjustments

EBIT before fair value adjustments is an APM 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 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 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:

	Q2 2019
Operating project (EBIT)	1 081 022
- Fair value adjustments	206 528
= EBIT before fair value adjustments	874 494

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.

### EBITDA before fair value adjustments

EBITDA before fair value adjustments is an APM. Calculation is identical as the calculation of "EBIT before fair value adjustments" (above).

### Profit before tax and fair value adjustments

Profit before tax and fair value adjustments is an APM 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). The APM demonstrates how the result would have been if IAS 41 not had been applied. This implies that the FV adjustment on fish in sea are reversed (eliminated). This includes both the group's own FV adjustment and also the FV adjustments included in the income from associated companies also applying IAS 41, following the equity method. The components included are:

	Q2 2019
Profit before tax	1 169 785
- Fair value adjustment	206 528
- Fair value adjustments incl. in income from associated comp.	8 123
= Profit before tax and fair value adjustments	955 134



