

Grieg Seafood ASA

Q2 2018 results



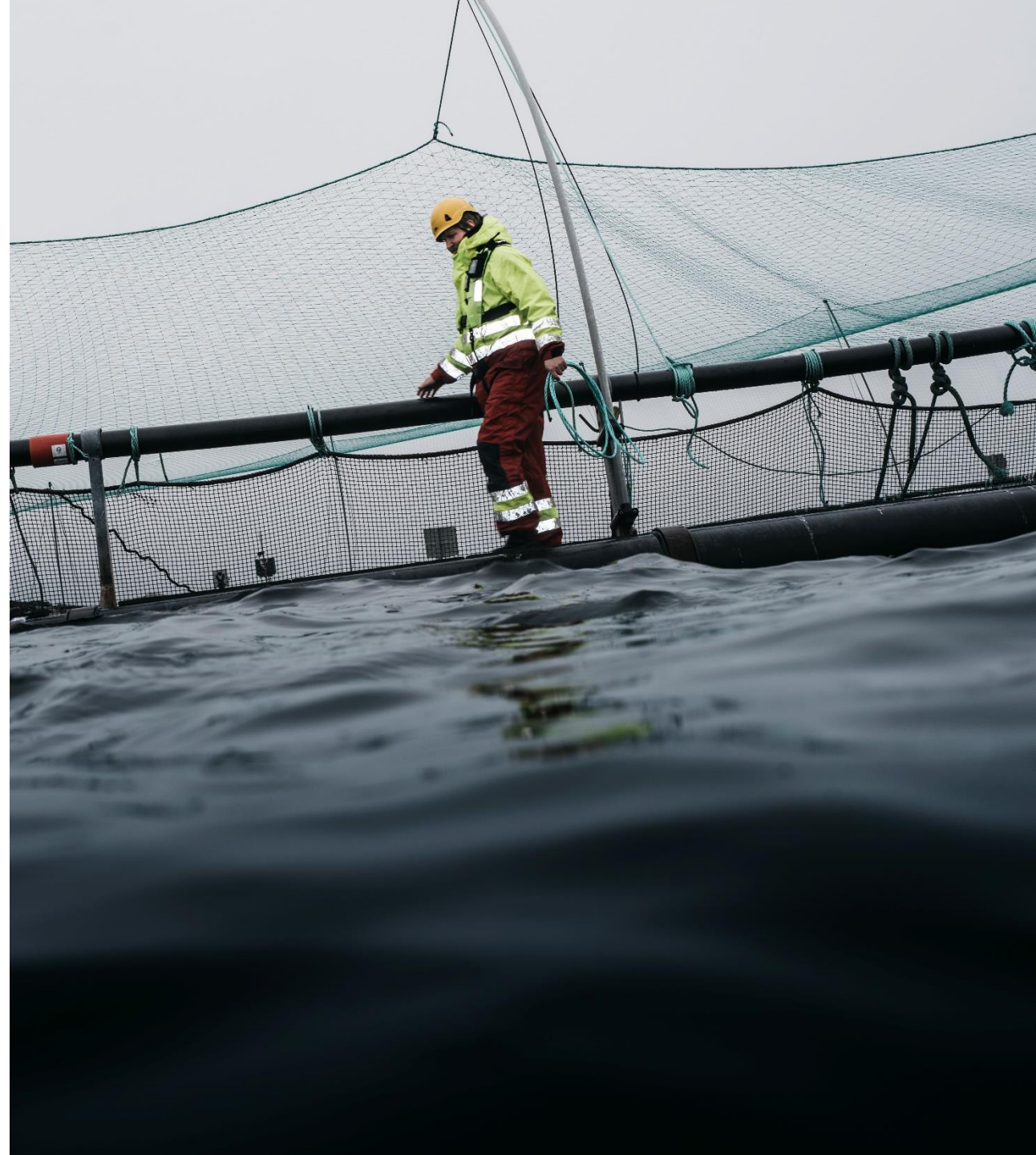
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22.08.2018



Agenda

- Highlights
- This is Grieg Seafood
- Segment review
- Financials
- Outlook & Summary

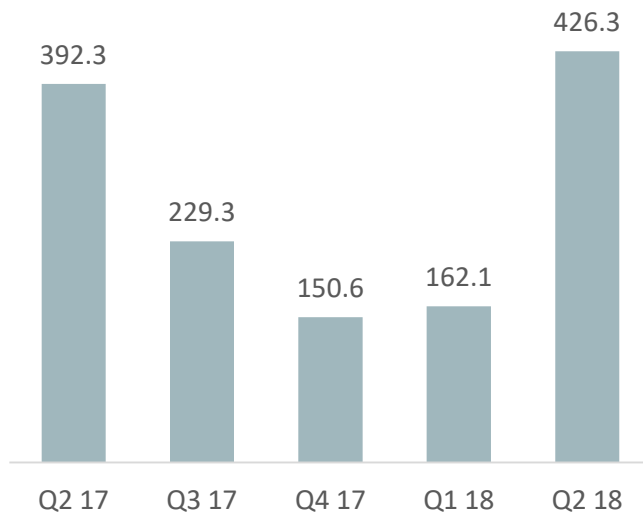


Highlights

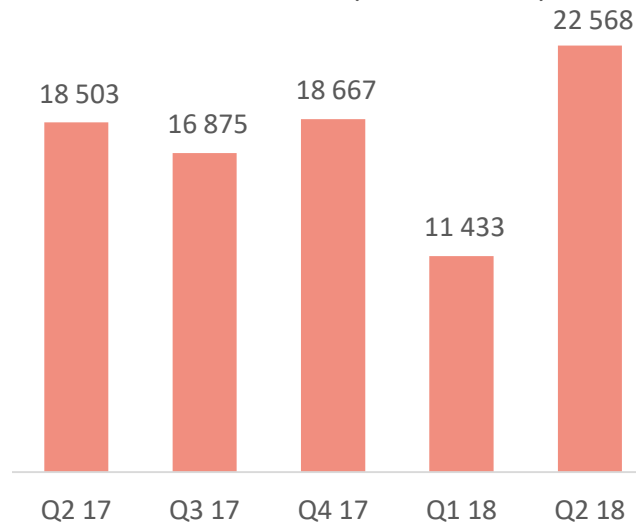
- Highest harvest volume for a quarter (22 568 tonnes)
- High prices on strong demand
- EBIT/kg NOK 18.89, total EBIT NOK 426 million
- Good production in Finnmark, BC and on Shetland
- Production in Rogaland negatively impacted by PD
- Algal bloom causing loss of 1 000 tonnes in BC
- Estimated harvest volume for they year is 75 000 tonnes, up 20% from 2017
- Dividend of NOK 2.00 per share paid out

Key financials

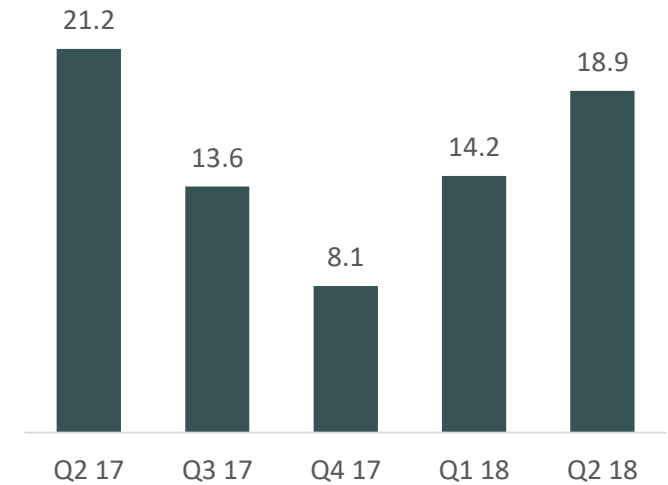
EBIT before fair value (NOK million)



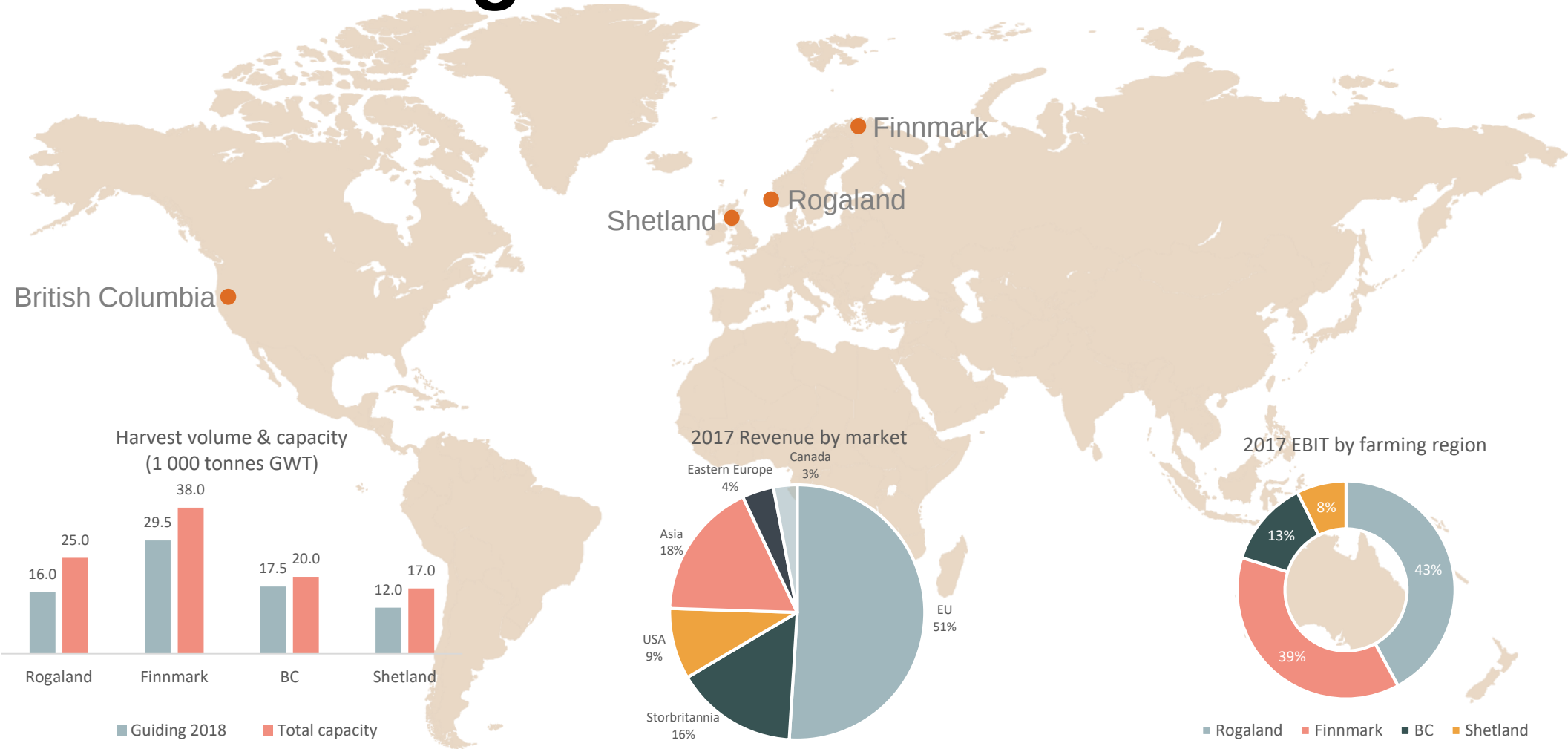
Harvest volume (tonnes GWT)



EBIT/kg (NOK)



This is Grieg Seafood



This is Grieg Seafood cont.

- One of the world's leading salmon farmers
- Salmon production for more than 25 years
- Production capacity of 100 000 tonnes GWT per year
- 780 employees

**Rooted in nature-
Farming the ocean for a better future**

Ambitions and short term priorities

Ambitions

100 000 tonnes in 2020

Cost at or below industry average

Strategy

- Annual growth of minimum 10% 2018-2020
- Exploit potential in current capacity

- Precision farming
- Increased efficiency by growth
- Optimal feeding
- Biosecurity
- Internal improvement program

Priorities

- Increasing smolt capacity
- Secure new locations
- Develop current locations

- Increasing smolt size
- Reducing production time in sea
- Preventive sea lice measures
- Algae monitoring
- R&D

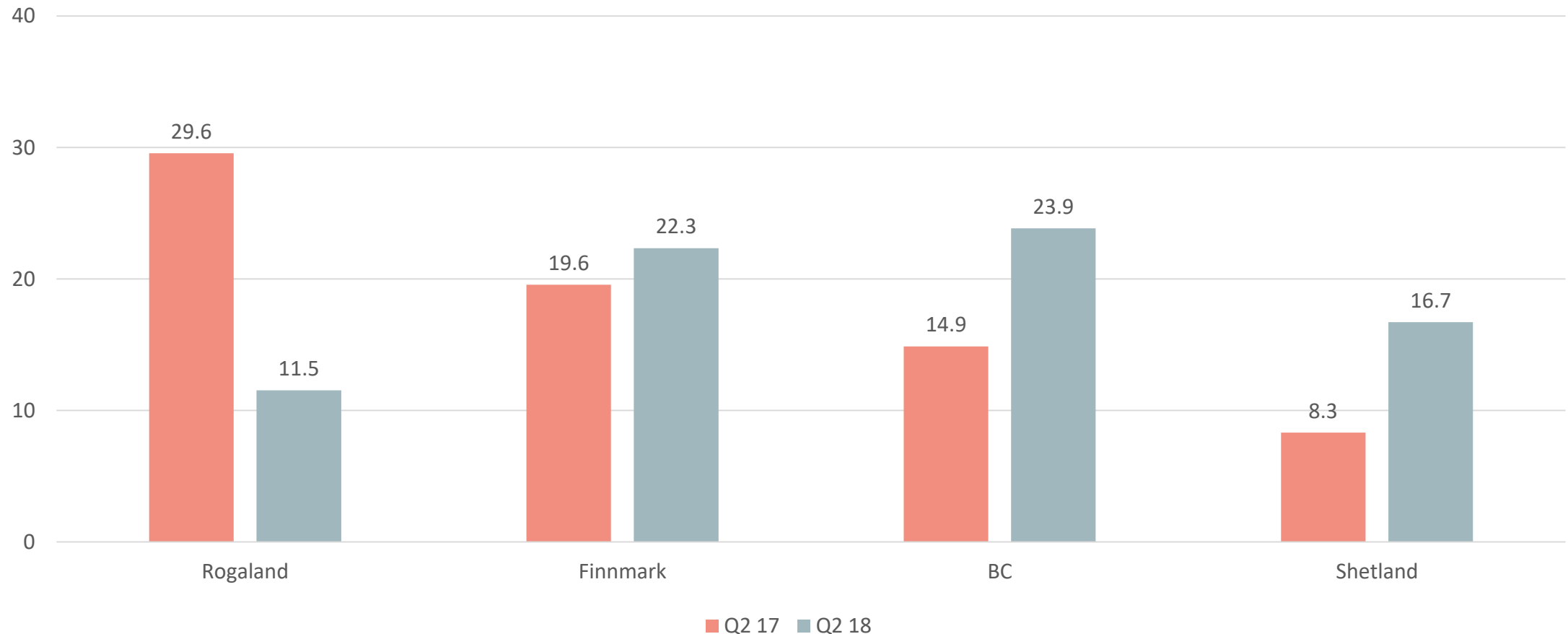
Segment review



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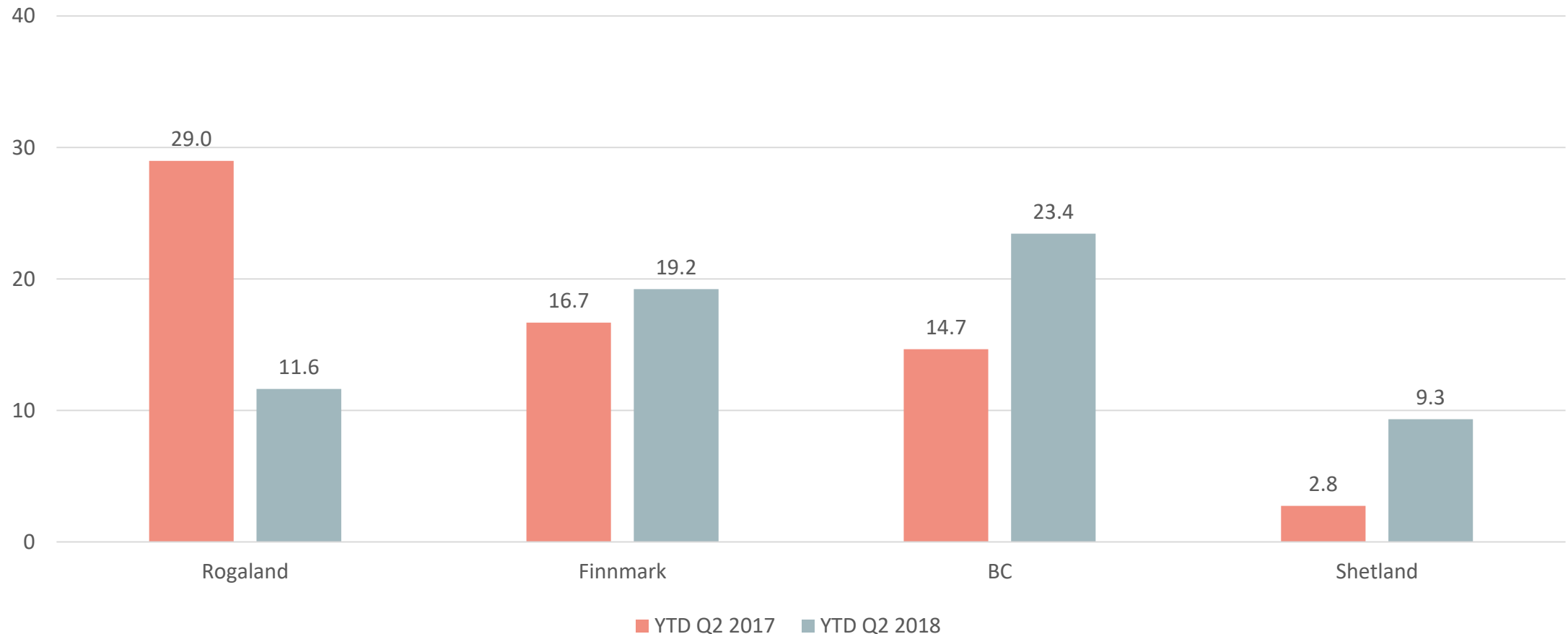


Business unit performance EBIT/kg *) Q2 2018



*) EBIT before fair value adjustment of biological assets

Business unit performance EBIT/kg *) YTD Q2 2018

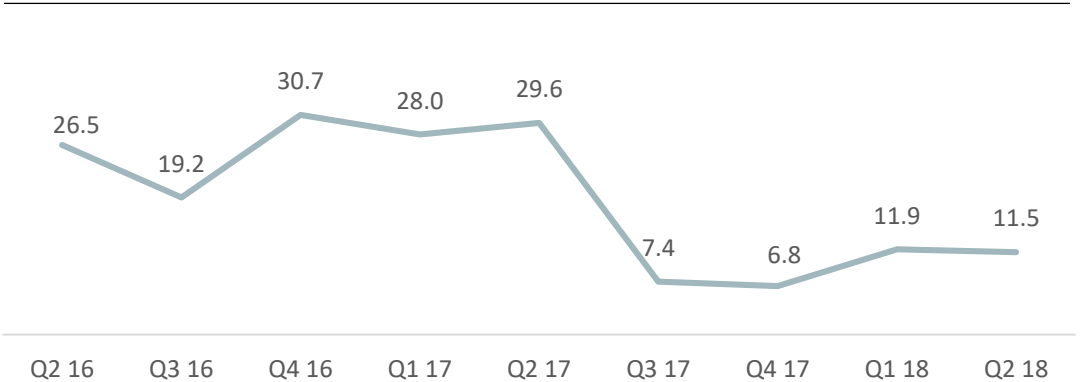


*) EBIT before fair value adjustment of biological assets

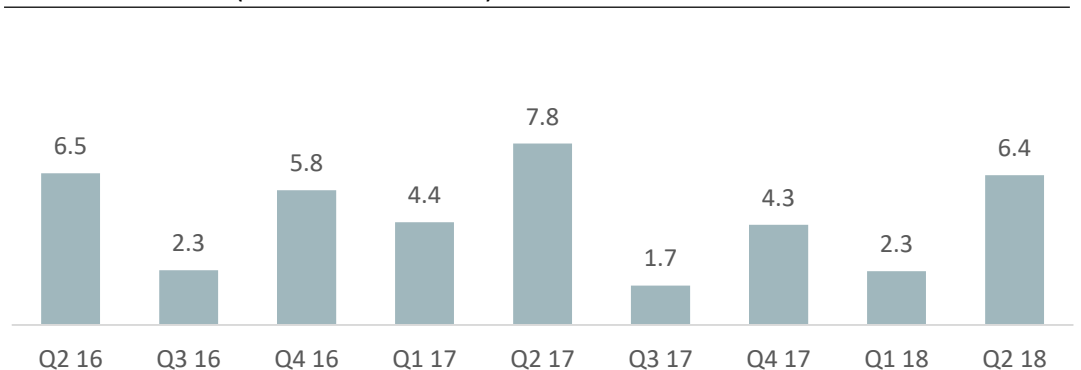
GSF Rogaland

- Low harvest volume with high share of PD fish
 - High FCR contributes to high cost for the period
 - Negative impact on price achievement due to low quality and weight of harvested fish
- Remaining volume of PD fish harvested in the beginning of Q3
 - Downgrading expected to be reduced going forward
- Low volume in Q3 will continue to affect cost negatively
- Growth impacted by low sea temperatures and sea lice
 - 2018 harvest guiding reduced by 4 000 tonnes
- Big smolt strategy moving forward as planned

EBIT/kg (NOK)



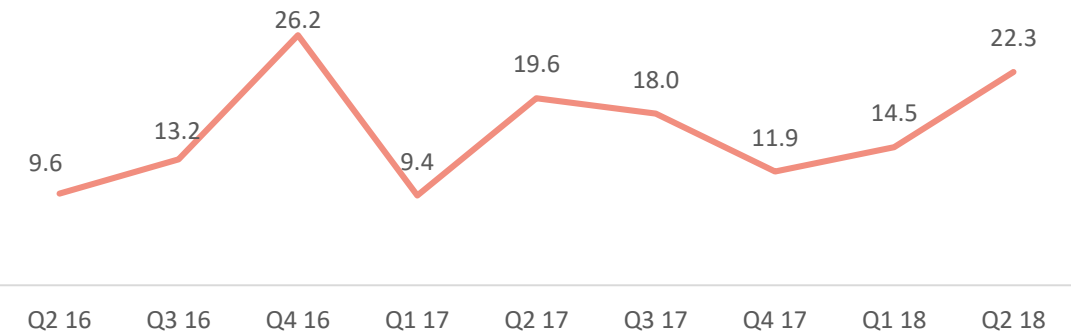
Harvest volume (1 000 tonnes GWT)



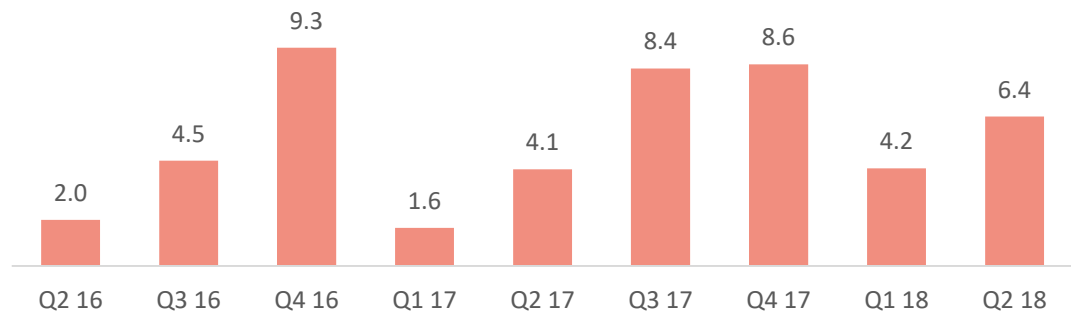
GSF Finnmark

- Increased harvest volume QoQ and YoY
 - Reduced cost per kg
- Quality of harvested fish somewhat affected by winter-ulcer disease
- Underlying biology remained stable
- Overall price achievement good
- Harvest volume expected to remain high in Q3 and is expected to stabilize cost per kg
- 2 new ASC certified sites
- Growth strategy moving forward as planned

EBIT/kg (NOK)



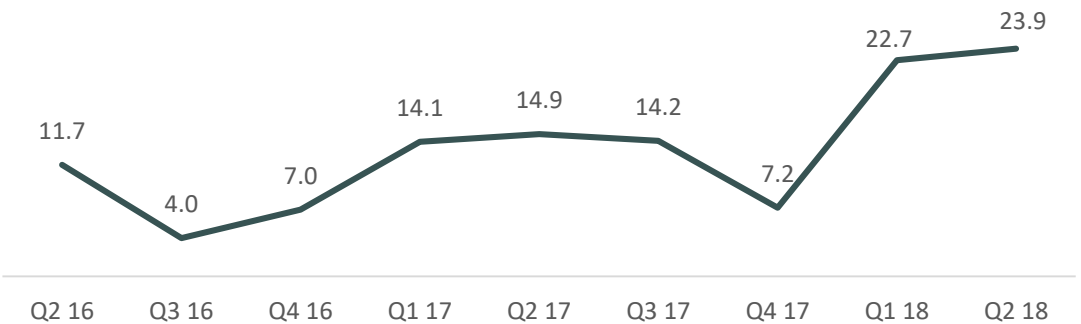
Harvest volume (1 000 tonnes GWT)



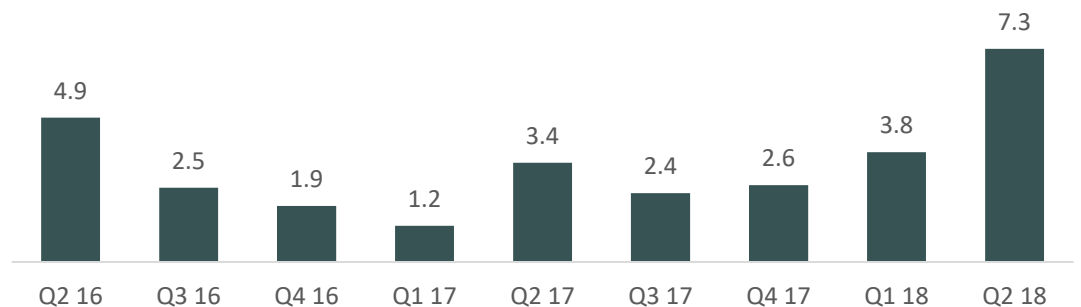
GSF British Columbia (BC)

- Strong production in the quarter
- Harvest volume doubled YoY
 - Good quality of harvested fish
- Harmful algal bloom caused cost to increase
 - 1 000 tonnes affected
 - Reducing the guided harvest volume for 2018
- Cost expected to stabilize going forward
- Smolt production going according to plan

EBIT/kg (NOK)



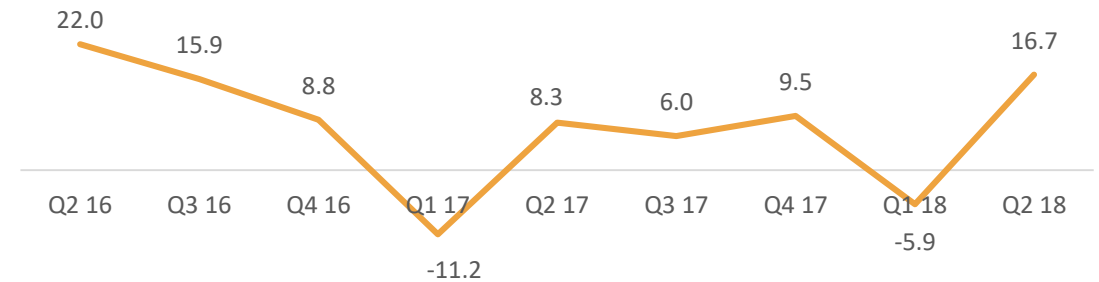
Harvest volume (1 000 tonnes GWT)



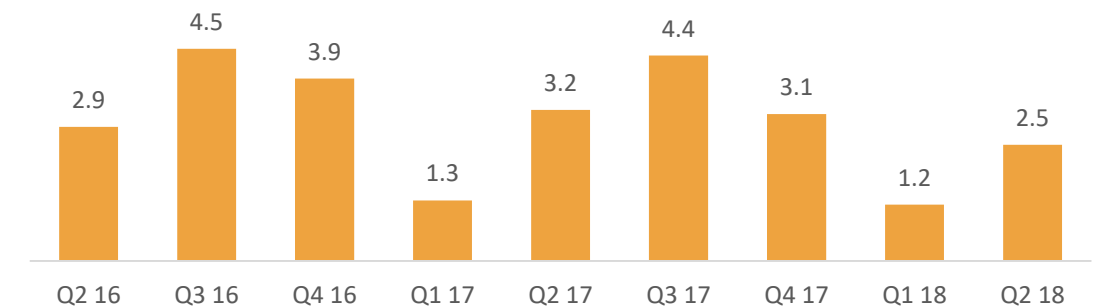
GSF Shetland

- Harvest volume down by some 700 tonnes YoY
 - Low harvest volume contributes to high cost per kg
 - Good price achievements due to good quality of harvested fish
- Stable production in sea
 - Costs on Shetland assessed as high, mainly due to lice- and algae issues, however;
 - sea lice situation under control following positive results from fresh water treatment
- Harvest volume expected to increase next quarter
 - Cost per kg expected to come down
- Industry cooperation to improve biology
 - Longer fallowing periods
 - Algae monitoring
 - Initiatives to reduce lice count

EBIT/kg (NOK)



Harvest volume (1 000 tonnes GWT)



Financial review



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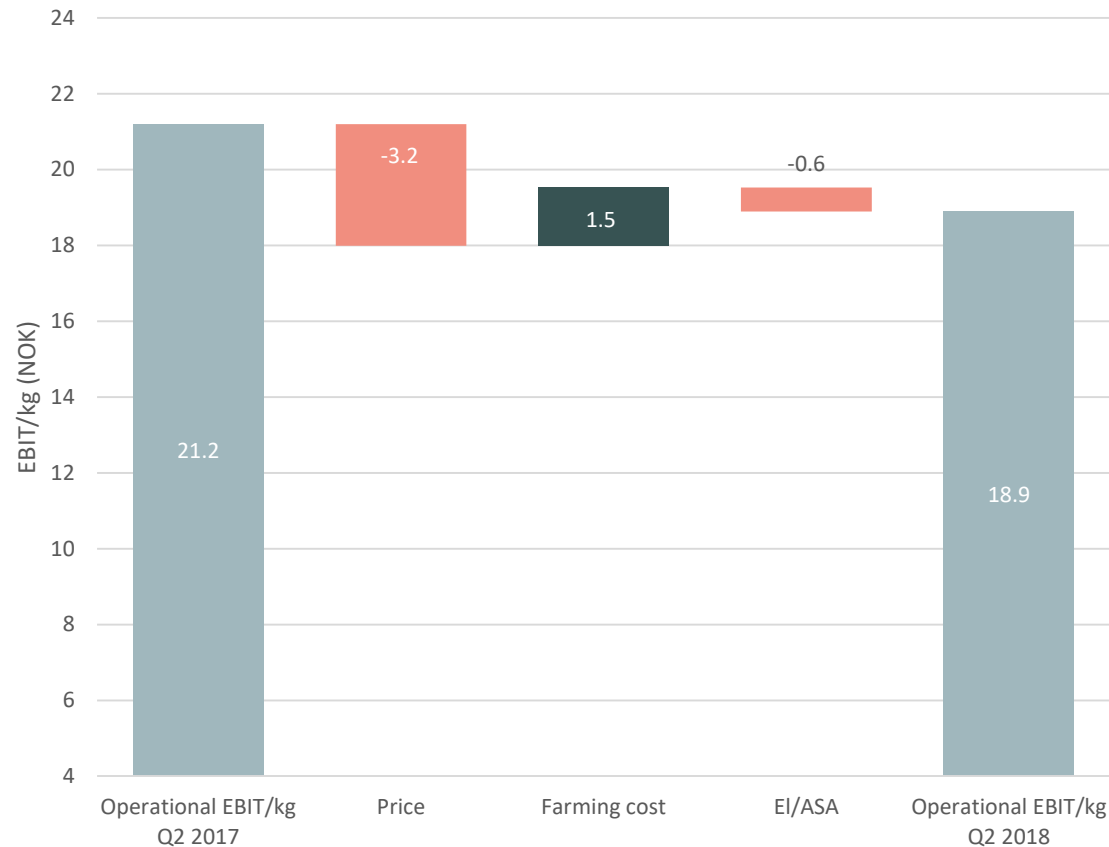
Profit & loss

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Revenues	2 318 660	2 030 504	3 835 654	3 451 575
EBITDA before fair value	482 610	441 429	702 909	619 828
Depreciations	-56 297	-49 176	-114 526	-96 083
EBIT *)	426 313	392 253	588 383	523 745
Fair value adjustments	-189 621	-76 930	-11 273	-273 140
EBIT after fair value	236 692	315 323	577 109	250 606
Net financial items	-20 424	958	-47 253	-3 580
Profit before tax	216 269	316 280	529 856	247 025
Estimated taxation	-50 548	-69 636	-136 403	-60 477
Net profit in the period	165 721	246 645	393 453	186 549

- Increased revenues and earnings driven by increased harvest volume
- Higher depreciations following growth investments
- Net financials negative due to currency effects

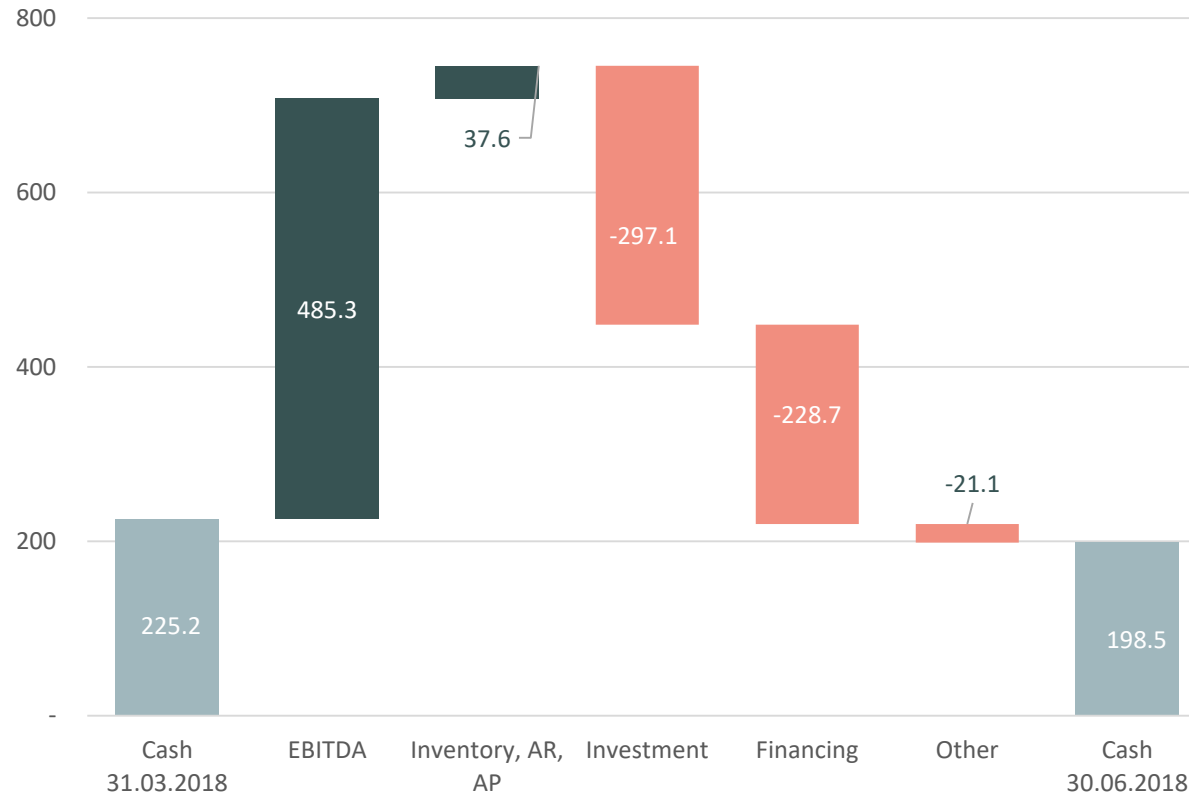
*) EBIT before fair value adjustment of biological assets

EBIT and cost development



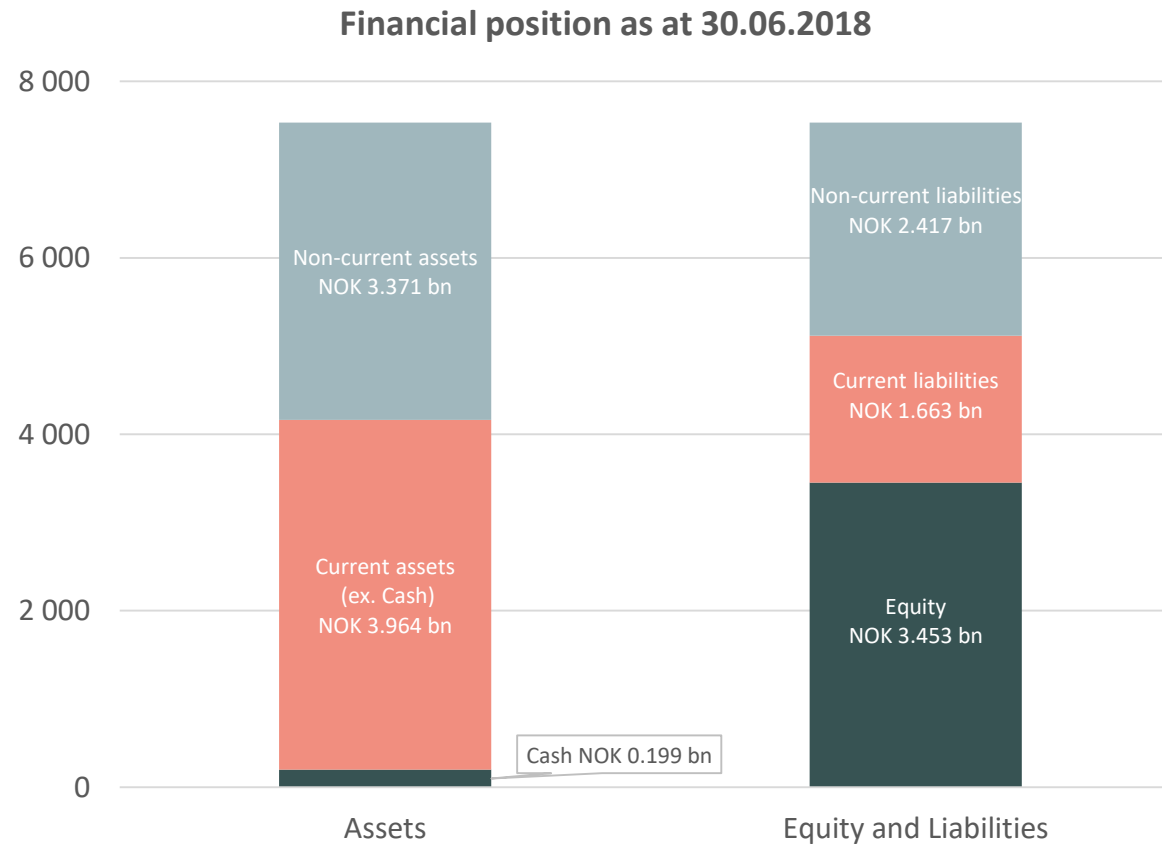
- Spot prices up NOK 0.98 per kg compared to Q2 2017
- Lower average realized price than Q2 2017
 - Higher proportion of harvest volume towards the end of the quarter when prices were low
 - Lower realized price for PD fish in Rogaland
- Farming cost decreased by NOK 1.54 per kg compared to Q2 2017
 - Higher harvest volume in Finnmark and BC
- Farming cost per kg stabilizing moving into Q3

Cash Flow



- Continued strong earnings drive positive operating cash flow
- Paid dividend of NOK 246 million
 - NOK 2.0 per share
 - NOK 221 million to shareholders
 - NOK 25 million to non-controlling interests

Financial position

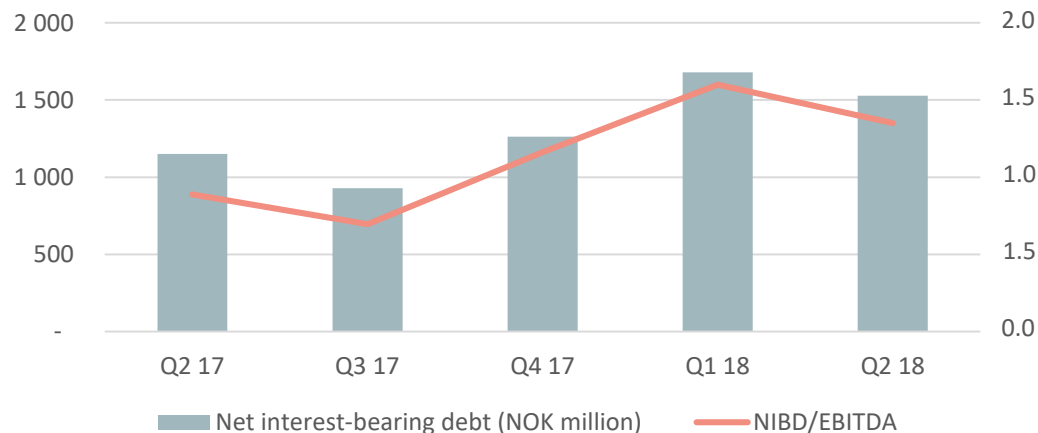


- Total balance of NOK 7 534 million as at 30 June 2018
- Equity made up NOK 3 453 million, corresponding to an equity ratio of 46%

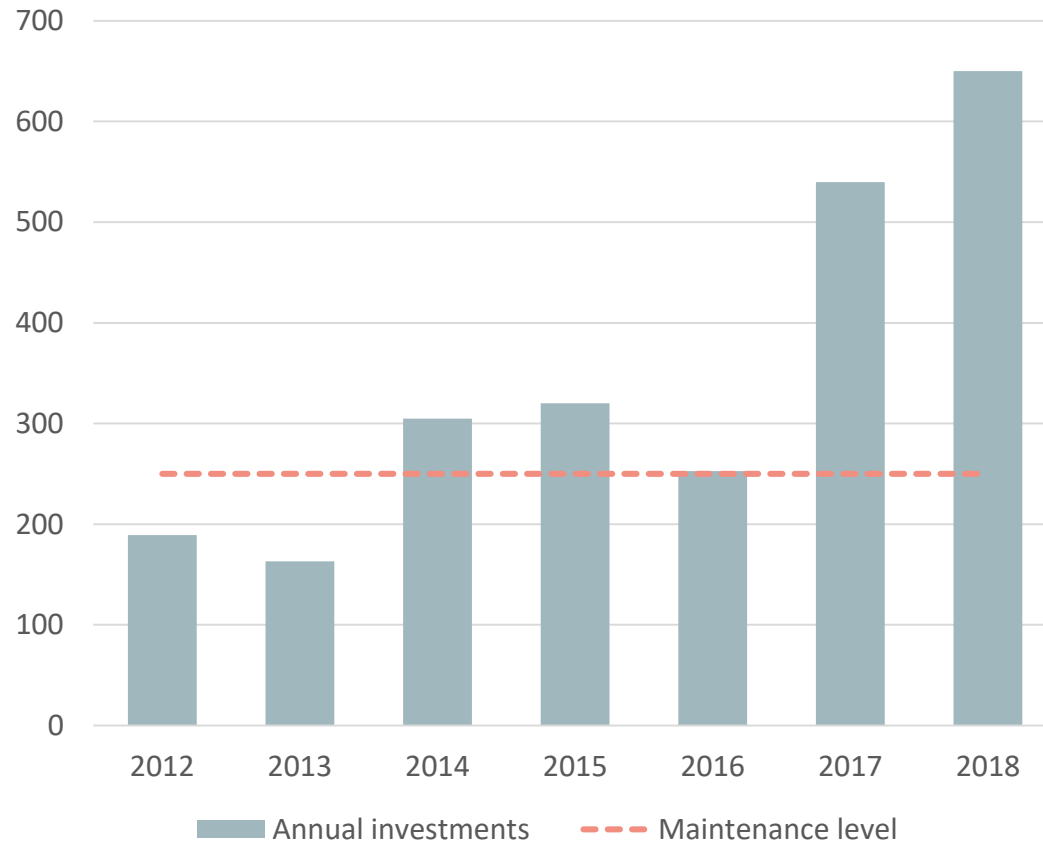
Funding

All figures in NOK 1 000	Q2 2018	Q2 2017	FY 2017
Term loan	1 170 690	1 030 000	985 000
Revolving credit	190 000	300 000	300 000
Leasing	354 001	282 997	260 251
Other interest-bearing debt	11 024	-7 792	-10 727
Cash- closing balance	-198 536	-454 705	-271 715
NIBD excl. factoring	1 527 179	1 150 500	1 262 810

- NIBD down NOK 152 million during the quarter
- Revolving credit and overdraft facility of NOK 1 100 million
 - NOK 891 million available credit end Q2 2018
- Refinancing increasing long term funding by NOK 500 million, effective from Q1
 - Annual instalments of NOK 50 million and EUR 5 million for term loans of NOK 600 million and EUR 60 million, respectively, until 28 February 2023



Investments



- Annual maintenance investment of NOK 250 million
- Expansion of smolt plant Rogaland/Finnmark NOK 150 million
- Growth on licenses Finnmark NOK 57 million
- Improving biology and growth NOK 190 million

Outlook & Summary



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Harvest estimate

Guiding 2018 (1 000 tonnes GWT)	Rogaland	Finnmark	BC	Shetland	GSF Group
Q1 2018	2.3	4.2	3.8	1.2	11.4
<i>Growth %</i>	-48 %	156 %	204 %	-7 %	34 %
Q2 2018	6.4	6.4	7.3	2.5	22.6
<i>Growth %</i>	-17 %	55 %	115 %	-23 %	22 %
Q3 2018	1.2	8.5	2.8	4.6	17.1
<i>Growth %</i>	-29 %	0 %	18 %	6 %	1 %
Q4 2018	6.1	10.5	3.7	3.7	23.9
<i>Growth %</i>	42 %	21 %	40 %	17 %	28 %
Total	16.0	29.5	17.5	12.0	75.0
<i>Growth %</i>	-12 %	29 %	82 %	0 %	20 %

- Expect to harvest some 17 100 tonnes in Q3 2018
- Expect harvest of 75 000 tonnes in 2018, up 20% from 2017
- 2018 guiding reduced by 5 000 tonnes
 - Rogaland down 4 000 tonnes due to low quality PD fish
 - BC down 1 000 tonnes due to algal bloom

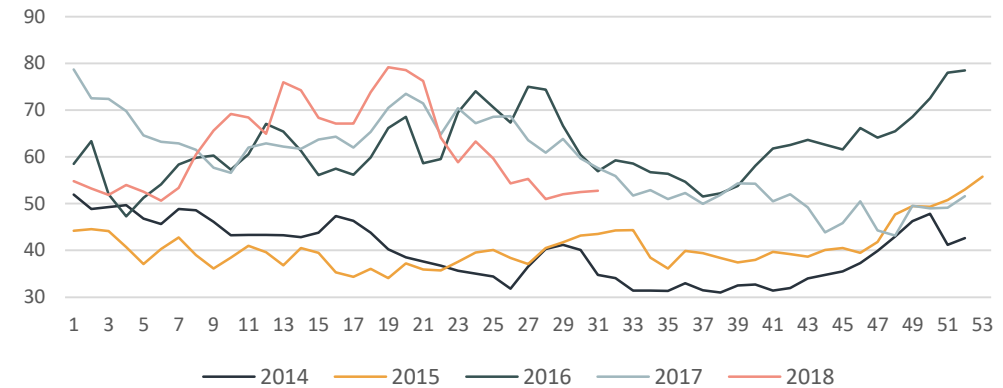
Supply outlook



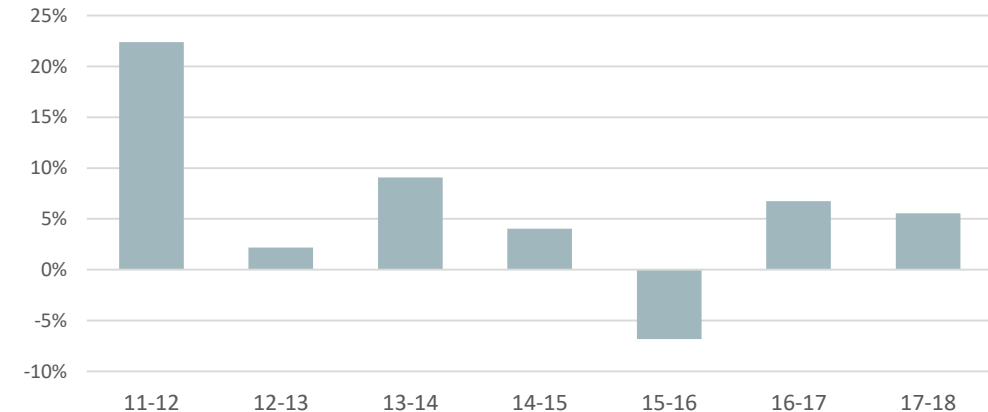
Expected global growth 2018: 6%

- Norway
 - 2017: +3%
 - 2018: +7% (1 168 000 tonnes HOG)
- Chile
 - 2017: +12%
 - 2018: +12% (570 000 tonnes HOG)
- North America
 - 2017: -1%
 - 2018: +2% (149 000 tonnes HOG)
- UK
 - 2017: +10%
 - 2018: -10% (141 000 tonnes HOG)

Price development for fresh Norwegian Salmon
NASDAQ Salmon Index 2014 – 2018



Global supply growth farmed salmon (YoY)



Summary

- Growth strategy moving forward as planned; 100 000 tonnes in 2020
- Continued focus on costs – “at or below industry average”
- Market prices likely to remain strong as situation with limited supply growth and strong underlying demand is expected to continue
- Estimated contract share of 31% for Q3, 30% for the full year
- Harvest volume for Q3 2018 estimated to 17 100 tonnes, 75 000 tonnes for 2018
- Capital Markets Update (CMU) in Oslo, 5 September 2018

Thank you for your attention

CMU – Oslo, 5 September 2018

Q3 2019, 7 November 2018



Appendix



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Share information

The 20 largest shareholders in Grieg Seafood ASA as at 30.06.2018	No. of shares	Shareholding
GRIEG HOLDINGS AS	55 801 409	49.97 %
OM Holding AS	5 264 379	4.71 %
FOLKETRYGDFONDET	3 510 350	3.14 %
NYE YSTHOLMEN AS	2 928 197	2.62 %
VERDIPAPIRFONDET PARETO INVESTMENT	1 915 000	1.71 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	1 700 796	1.52 %
State Street Bank and Trust Comp	1 664 669	1.49 %
CLEARSTREAM BANKING S.A.	1 483 548	1.33 %
Société Générale	1 390 066	1.24 %
GRIEG SEAFOOD ASA	1 250 000	1.12 %
DEUTSCHE BANK AG	1 096 502	0.98 %
JPMorgan Chase Bank, N.A., London	884 306	0.79 %
VERDIPAPIRFONDET PARETO NORDIC	799 000	0.72 %
JPMorgan Chase Bank, N.A., London	797 608	0.71 %
JPMorgan Chase Bank, N.A., London	745 897	0.67 %
State Street Bank and Trust Comp	736 790	0.66 %
The Northern Trust Comp, London Br	704 569	0.63 %
VPF NORDEA KAPITAL	677 086	0.61 %
VPF NORDEA AVKASTNING	652 063	0.58 %
Banque de Luxembourg S.A.	648 622	0.58 %
Total 20 largest shareholders	84 650 857	75.81 %
Total others	27 011 143	24.19 %
Total number of shareholders	111 662 000	100.00 %

Number of shares

- 111.662 millions incl. own shares

Last issues

- Q2 2009, NOK million 139 new shares issued

Subordinated convertible bond issued in Q1 2009

- 100 million converted at NOK 4.00 per share within 31.12.2010
- 85 % converted in Q2 2009, 15 % in Q3 2009

EPS

- 1.48 NOK/share Q2 2018
- 2.19 NOK/share Q2 2017
- 5.17 NOK/ share FY 2017

Share price

- NOK 85.90 at 29.06.2018
- NOK 58.20 at 30.06.2017
- NOK 72.25 at 31.12.2017

Shareholder structure

- Largest 20 holds 75.81 % of total number of shares

Profit and loss

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Sales revenues	2 291 867	2 024 374	3 784 878	3 446 755
Other operating income	26 792	6 130	50 776	4 820
Operating income	2 318 660	2 030 504	3 835 654	3 451 575
Share of profit from ass. companies	-420	0	-670	0
Change in inventories	-273 164	-116 707	-16 757	76 570
Raw materials and consumables used	-964 313	-954 994	-1 949 583	-1 941 691
Salaries and personnel expenses	-117 640	-104 759	-253 240	-223 289
Other operating expenses	-480 513	-412 615	-912 495	-743 336
EBITDA before fair value adjustment to biological assets	482 610	441 429	702 909	619 828
Depreciation and amortisation of tangible assets	-54 936	-48 013	-111 853	-93 791
Amortisation of intangible assets	-1 361	-1 163	-2 674	-2 292
EBIT before fair value adjustment to biological assets	426 313	392 253	588 383	523 745
Fair value adjustment to biological assets	-189 621	-76 930	-11 273	-273 140
EBIT after fair value adjustment to biological assets	236 692	315 323	577 109	250 606
Net financial items	-20 424	958	-47 253	-3 580
Profit before tax	216 269	316 280	529 856	247 025
Estimated taxation	-50 548	-69 636	-136 403	-60 477
Profit after tax	165 721	246 645	393 453	186 549
Attributable to:				
Profit attributable to non-controlling interest	1 998	5 386	7 741	12 533
Profit attributable to owners of Grieg Seafood ASA	163 723	241 259	385 712	174 016

Comprehensive income

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Profit for the period	165 721	246 645	393 453	186 549
Other comprehensive income:				
<i>Items to be reclassified to profit or loss in subsequent periods</i>				
Currency translation differences, subsidiaries	5 184	4 108	-36 737	6 322
Currency effect of net investments	-6 314	7 770	-25 553	12 397
Tax effect of net investments	1 452	-1 865	5 877	-2 975
Changes in fair value of cash flow hedges (currency contracts)	10 548	-17 261	16 673	-24 695
Income tax effect fair value of cash flow hedges	-2 426	4 806	-3 835	5 926
Adjustment financial assets	0	10	0	10
<i>Items not to be reclassified to profit or loss in subsequent periods</i>				
Other gain or losses	0	0	0	0
Total recognised income for the period	8 444	-2 432	-43 575	-3 015
Total comprehensive income for the period	174 165	244 213	349 878	183 534
Attributable to:				
Profit attributable to non-controlling interests	8 503	-1 248	14 329	2 340
Profit attributable to owners of Grieg Seafood ASA	165 662	245 461	335 549	181 194

Financial position- assets

All figures in NOK 1 000	30.06.2018	30.06.2017	31.12.2017
Goodwill	108 622	108 844	109 038
Licenses	1 113 030	1 065 066	1 068 552
Other intangible assets	17 164	16 998	18 384
Deferred taxes	3 623	1 557	3 574
Property, plant and equipment	2 108 866	1 662 937	1 871 804
Investments in associated companies	18 780	10 000	9 450
Other non- current receivables	1 317	18 121	1 317
Total non-current assets	3 371 402	2 883 524	3 082 121
Inventories	93 282	63 612	92 262
Biological assets	1 946 937	1 791 032	2 016 263
Fair value biological assets	703 977	554 845	682 089
Accounts receivable	990 599	1 004 707	761 407
Other current receivables	223 518	160 037	198 527
Derivates and other financial instruments	5 262	0	48 232
Cash and cash equivalents	198 536	454 705	271 715
Total current assets	4 162 112	4 028 938	4 070 494
Total assets	7 533 514	6 912 462	7 152 615

Financial position- equity and liabilities



All figures in NOK 1 000	30.06.2018	30.06.2017	31.12.2017
Share capital	446 648	446 648	446 648
Treasury Shares	-5 000	-5 000	-5 000
Retained earnings and other equity	2 978 728	2 558 991	2 862 716
Total Shareholders of GSF	3 420 376	3 000 639	3 304 364
Non-controlling interests	33 049	25 959	43 541
Total equity	3 453 424	3 026 597	3 347 905
Deferred tax liabilities	853 737	733 971	721 689
Other obligations	4 613	11 193	8 848
Subordinated loans	14 209	15 730	15 353
Borrowings and leasing	1 544 541	1 458 603	1 393 587
Total non-current liabilities	2 417 101	2 219 496	2 139 476
Current portion of long term borrowings and leasing	186 657	158 868	157 225
Factoring debt	614 638	556 252	500 976
Accounts payable	517 341	514 572	585 378
Tax payable	127 410	159 549	157 244
Derivates and other financial instruments	5 268	33 134	28 462
Other current liabilities	211 676	243 993	235 949
Total current liabilities	1 662 989	1 666 367	1 665 233
Total liabilities	4 080 090	3 885 864	3 804 710
Total equity and liabilities	7 533 514	6 912 462	7 152 615

Cash Flow

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Cash- opening balance	225 169	224 936	271 715	503 613
EBITDA	482 610	441 429	702 909	619 828
Inventory, trade payables and trade receivables	37 621	-192 306	-253 915	-310 210
Other adjustments	-23 553	45 008	-89 238	22 303
Cash flow from operations	496 678	294 130	359 757	331 922
Capital expenditures- fixed assets	-287 066	-118 745	-437 355	-237 007
Investments in associated companies	-10 000	-10 000	-10 000	-10 000
Changes in non-current receivables	0	-9 197	0	-12 510
Cash flow from investments	-297 066	-137 942	-447 355	-259 517
Changes in interest-bearing debt	32 500	452 899	305 099	270 435
Paid dividend	-220 824	-331 236	-220 824	-331 236
Paid dividend to non-controlling interests	-24 821	-32 561	-24 821	-32 561
Net interest and financial items	-15 577	-16 650	-41 177	-27 800
Cash flow from financing	-228 723	72 452	18 277	-121 162
Currency effect on cash	2 477	1 128	-3 858	-150
Changes in cash	-26 633	229 769	-73 179	-48 908
Cash- closing balance	198 536	454 705	198 536	454 705