



Grieg Seafood ASA – Quarterly report

**Q2 2018**



ROOTED IN NATURE

## ABOUT GRIEG SEAFOOD

*Grieg Seafood ASA is one of the world's leading salmon farmers. The Group has an annual production capacity of around 100 000 tonnes gutted weight, which is shared between four regional companies. Our farming facilities are in Finnmark and Rogaland in Norway, British Columbia in Canada and on Shetland in the UK. Our headquarters are situated in Bergen. In total approximately 780 people are employed by the Grieg Seafood Group.*

### 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 for the year is 75 000 tonnes, up 20% from 2017
- Dividend of NOK 2.00 per share paid out

### CEO comment

*«We have an ambition to reach an annual harvest volume of 100 000 tonnes by 2020. This increase in production will be obtained by better utilizing our existing licenses, investing in new capacity and stocking larger smolt. We also have an ambition to achieve production cost at or below industry average. Reduced production time in sea, optimal feeding, preventive sea lice measures and digital tools are important initiatives to reach our goals, while at the same time achieving long-term sustainable production», says CEO Andreas Kvame.*

### Outlook

Supply growth is limited and expected to stabilize going forward. The strong underlying demand for salmon is likely to continue, and prices are expected to remain strong for the rest of 2018.

Grieg Seafood expects to harvest approximately 17 100 tonnes in Q3 2018 and 75 000 tonnes for the full year 2018, corresponding to an increase of 20% from 2017. The full year estimate has been reduced by 5 000 tonnes due to PD in Rogaland and algal bloom in BC.

## Key figures Grieg Seafood Group

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Operating income	2 318 660	2 030 504	3 835 654	3 451 575
EBITDA (1)	482 610	441 429	702 909	619 828
EBIT (2)	426 313	392 253	588 383	523 745
Profit before tax incl. fair value adjustment	216 269	316 280	529 856	247 025
Harvest volume (tonnes GWT)	22 568	18 503	34 001	27 056
EBIT/kg (NOK)	18.89	21.20	17.31	19.36
Total assets	7 533 514	6 912 462	7 533 514	6 912 462
Net interest-bearing debt (3)	1 527 179	1 150 500	1 527 179	1 150 500
Equity	3 453 424	3 026 597	3 453 424	3 026 597
Equity % (4)	46%	44%	46%	44%
ROCE % (5)	34%	41%	24%	28%
Dividend per share (NOK)	2.00	3.00	2.00	3.00
Earnings per share (NOK)	1.48	2.19	3.49	1.58

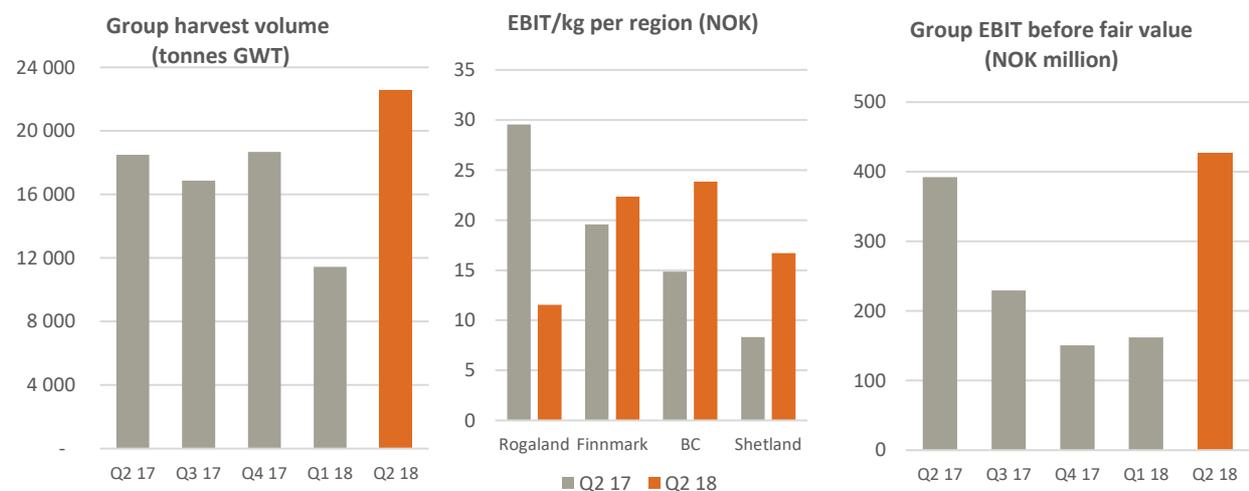
1) The calculation is based on EBITDA before fair value adjustment of biological assets. See note 10 for information.

2) EBIT is before fair value adjustment of biological assets. See note 10 for information.

3) NIBD excluded factoring. Total net interest-bearing debt is NOK 2 141 817 thousand, factoring included. Please refer to note 6 for more information.

4) Equity ratio according to covenants definition is 51%. See note 6 for information.

5) Return on average capital employed (ROCE): See note 10 for information.



## Group financials

### Profit and loss second quarter 2018

The Grieg Seafood Group harvested 22 568 tonnes of salmon in Q2 2018, compared to 18 503 tonnes in Q2 2017, an increase of approximately 22%.

The average spot price (Nasdaq Salmon Index) for the period was NOK 68.81 per kg, up by NOK 0.98 per kg compared to the same period in 2017. The average realized price for Grieg Seafood was down by NOK 3.21 per kg comparing these quarters. This was partly due to a combination of a high proportion of harvesting towards the end of the quarter when prices were lower, and partly due to lower price achievement for PD-affected fish from Rogaland.

Grieg Seafood's total operating income in Q2 2018 amounted to NOK 2 318.7 million, an increase of 14% compared to the same period last year.

The farming cost (total cost related to fish harvested this quarter) decreased by NOK 1.54 per kg compared to the same quarter last year. Higher harvested volume in Finnmark and BC contributed positively.

The Group's EBIT before fair value adjustment of biological assets was NOK 426.3 million during the quarter, compared to NOK 392.3 million in the same quarter of 2017. EBIT per kg amounted to NOK 18.89 for the period, down from NOK 21.20 in Q2 2017.

#### Financial results per region for Q2 2018

NOK million	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Rogaland	73.9	229.2	101.3	352.1
Finnmark	142.7	80.8	203.2	96.0
BC	173.9	50.5	259.0	67.9
Shetland	41.5	26.9	34.4	12.5
ASA/ eliminations	-9.9	-2.1	-19.5	-20.2
<b>GSF EBIT</b>	<b>422.1</b>	<b>385.2</b>	<b>578.3</b>	<b>508.2</b>
NCI*	4.2	7.1	10.1	15.5
<b>GSF Group</b>	<b>426.3</b>	<b>392.3</b>	<b>588.4</b>	<b>523.7</b>

\* Non-controlling interest.

EBIT from the four regions includes value creation from the respective sales activities of the Group's jointly-owned sales company, Ocean Quality.

Profit was negatively affected by total fair value adjustments of NOK -189.6 million due to decrease in forward market prices, yielding an EBIT of NOK 236.7. During Q2 2017, fair value adjustments were NOK -76.9 million and reported EBIT was NOK 315.3 million.

Net financial items were NOK -20.4 million for the quarter, providing a pre-tax profit of NOK 216.3 million. In Q2 2017, net financial items were positive in the amount of NOK 1.0 million and pre-tax profit ended at NOK 316.3 million.

Tax for the period was estimated to NOK -50.5 million, with profit after tax of NOK 165.7 million. In Q2 2017, the tax expense was NOK -69.6 million, and profit after tax amounted to NOK 246.6 million.

### Summary of the first half year 2018

*(Figures in brackets are from the corresponding period of 2017)*

During the first six months of 2018 the Grieg Seafood Group's operating income totaled NOK 3 835.7 million (3 451.6). Higher prices and volumes contributed positively. Total harvest volume for the first half year was 34 001 tonnes, up from 27 056 tonnes in the corresponding period in 2017.

EBIT for the Group before fair value adjustment of biological assets was NOK 588.4 million during the period, compared to NOK 523.7 million the first half of 2017.

EBIT per kg for the first six months of the year was NOK 17.31, compared to NOK 19.36 in the corresponding period last year. The reduction is partly explained by a lower average spot price by NOK 2.27 during the first half year of 2018 compared the same period last year. In addition, harvest of PD-affected fish with low quality in Rogaland affects both cost and price achievement negatively. This was partly offset by volume increases in Finnmark and BC.

Value adjustments of biological assets were NOK -11.3 million in the period, and the reported EBIT after fair value adjustment came to NOK 577.1 million. In the first half of 2017 fair value adjustments of biological assets were NOK -273.1 million, with an EBIT of NOK 250.6 million.

Net financial items during the period came to NOK -47.3 million (-3.6) and the pre-tax profit was NOK 529.9 million (247.0).

Refinancing has been carried out during the period. Two term loans of NOK 600 million and EUR 60 million, a revolving credit facility of NOK 1 000 million and an overdraft of NOK 100 million have been established.

Tax for the first six months of the year is estimated at NOK -136.4 million (-60.5) bringing the profit for the period to NOK 393.5 million (186.5).

The main reason for the good performance was a strong market. Globally, the supply of Atlantic salmon has flattened, while underlying demand is strengthening. This has resulted in a shortage of salmon and high prices, a situation expected to persist in the longer term. However, short term price fluctuations may occur. To offset the effect of these fluctuations, Grieg Seafood has adopted a policy which aims to ensure that 20-50% of all production in the coming years is hedged against price fluctuations. Currency hedging is also carried out.

## Cash flow and financial position

*(Figures in brackets are from the corresponding period of 2017)*

The Grieg Seafood Group had a net cash flow from operations of NOK 496.7 million in Q2 2018 (294.1). The increased cash flow is mainly a result of sound operational profitability. Change in working capital during the quarter was NOK 37.6 million (-192.3). The net cash flow from operations for the first half of 2018 was NOK 359.8 million (331.9).

Net cash flow from investment activities was NOK -297.1 million for the quarter (-137.9), consisting of investments of NOK 230.1 million (120.6). The investments comprise a combination of maintenance and growth, including increased sea and smolt capacity. For the first half of 2018, the net cash flow from investment activities included acquisition of licenses of NOK 57.0 million, and totaled NOK -447.4 million (-259.5).

Net cash flow from financing activities in Q2 was NOK -228.7 million (72.5). The Group's interest-bearing debt had a net increase of NOK 151.7 million during the quarter. The net cash flow from financing activities for the first six months of the year was NOK 18.3 million (-121.2).

The net change in cash and cash equivalents was negative at NOK -29.1 million (228.6) for the quarter and at the end of the period, the Group had cash holdings of NOK 198.5 million (454.7). During the first half year the net change in cash and cash equivalents was NOK -69.3 million (-48.8).

As at 30 June 2018, book value of total assets was NOK 7 533.5 million, up from NOK 6 912.5 million at the same time in 2017. Total equity amounted to NOK 3 453.4 million (3 026.6), corresponding to an equity ratio of 46% (44%).

The Group had a good level of free liquidity and unutilized credit facilities at end of the quarter, with available bank credit frame of NOK 891 million. Net interest-bearing debt excluding factoring debt was NOK 1 527.2 million, compared to NOK 1 150.5 million at the same time last year. Factoring amounted to NOK 614.6 million at period-end, compared to NOK 556.3 million at the same period end last year.

The Group aims to provide shareholders with a competitive return on invested capital through payment of dividends and share price increases. The Board considers that, as an average over a period of several years, dividends should correspond to 25-35% of the Group's profits after tax, adjusted for the effect of fair value of biological assets. During the first half of 2018, dividends for the fiscal year 2017 of NOK 2.00 per share have been paid out. This corresponds to 37% of 2017 profits after tax and fair value adjustment of biological assets.

The Board of Directors is authorized by the Annual General Meeting to approve distribution of dividends during the fiscal year.

Grieg Seafood is planning to make investments totaling NOK 650 million in 2018. This is approximately NOK 400 million above the standard level of maintenance investments. The investments are part of

the Group's growth strategy, which entails increased smolt capacity and new sites. Increased biomass will also result in a need for increased working capital.

## Operational review

### Strategic priorities

Grieg Seafood has an overall goal of increasing production to reach an annual harvest volume of 100 000 tonnes in 2020. The main growth will come from 2019 to 2020. Furthermore, the Group has an ambition to achieve production cost at or below the industry average.

One of the most important initiatives to grow production, is increased smolt capacity and the stocking of larger smolt. Grieg Seafood has therefore entered into agreements with Norway Royal Salmon (NRS) and Bremnes Fryseri to expand the companies' smolt capacity in Finnmark and Rogaland. In addition, Grieg Seafood is expanding own smolt facilities in Norway with several separate lines. Overall this contributes to spreading the biological risk associated with smolt production between various onshore facilities.

Access to high quality smolt is critical to ensure future growth. The stocking of larger smolt leads to shorter production time in sea, reduces biological risks and improves survival rates.

Increased utilization of the Group's license capacity is a central element of the growth strategy. Flexibility is a requirement to achieve better utilization. Grieg Seafood therefore continuously aims to maintain and improve cooperation with local communities and authorities to ensure access to new, good locations.

Increase in volume, improvements in capacity utilization and shorter production time in sea will contribute to increased production efficiency and reduced production costs.

Furthermore, the Group is continuously working on cost-cutting initiatives. As part of the ambition to achieve cost per kg at or below industry average, an internal cost improvement program has been rolled out. It includes efforts related to improve feeding and increase the survival rate in addition to an overall focus on reducing costs in all regions. Currently, the general cost development points in the right direction.

## Rogaland

NOK million	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Revenues	380.7	538.2	528.2	830.1
EBITDA	85.4	238.2	124.0	369.7
EBIT	73.9	229.2	101.3	352.1
Harvest volume (tonnes GWT)	6 409	7 754	8 704	12 147
EBIT/ kg (NOK)	11.53	29.56	11.64	28.98

Harvested volume in Rogaland was 6 409 tonnes in Q2 2018, compared to 7 754 tonnes in Q2 2017.

Sales revenue for the period amounted to NOK 380.7 million, down from NOK 538.2 million in the same period of 2017. Due to challenges related to PD, both quality and weight on harvested volumes were lower than anticipated, resulting in lower prices achieved.

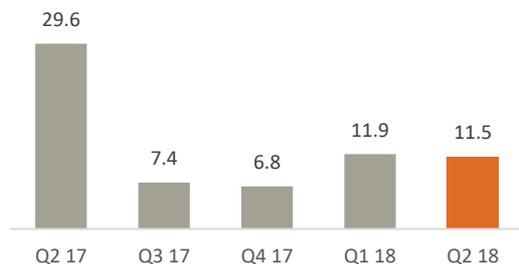
A decrease in harvested volume compared to Q2 2017 and continued harvesting of PD-affected fish with low quality and high feed conversion rate contributed to high costs per kg in the period.

The majority of the remaining volumes of PD-affected fish with low quality will be harvested during the third quarter, and downgrading is expected to come down going forward. Low volume will continue to affect cost negatively during the next quarter.

Due to generations of PD-affected fish with low quality, the harvest volume for Rogaland for the full year is guided down by 4 000 tonnes, to a total of 16 000 tonnes.

EBIT before fair value adjustment of biological assets amounted to NOK 11.53 per kg in the period, compared to NOK 29.56 per kg in the same period of 2017.

### EBIT/kg (NOK) region Rogaland



Sea lice remains a challenge to the salmon farming industry, an issue Grieg Seafood actively works to mitigate. Over time, Grieg Seafood has invested in increased capacity of non-chemical treatments and is well equipped and prepared for the handling of sea lice incidents. In Rogaland, the use of cleaner fish represents an important tool in the fight against lice.

Grieg Seafood's effort to increase smolt sizes will reduce production time in sea, increase harvest volume and lower cost per kg.

During 2017, the annual production capacity at the smolt facility at Trosnavåg was expanded from 500 to 1 300 tonnes. The increased capacity has been operational from Q4 2017 and smolts of average size around 300 grams were transferred to sea during Q2 2018.

Grieg Seafood is also collaborating with Bremnes Fryseri and Vest Havbruk to produce large size smolt of 700 - 1 000 grams. Through Tytlandsvik Aqua, the partners plan for an annual production capacity of 3 000 tonnes (where of Grieg Seafood is entitled to 50%). The expansion, budgeted at NOK 300 million and shared by the three companies, will be completed towards the end of the year. There is a possibility for further expansion at Tytlandsvik Aqua of an additional 6 000 tonnes. To increase the production capacity by 1 kg per year, an estimate of NOK 100 must be invested.

These efforts will enable Grieg Seafood Rogaland to reduce the production time in sea from 18 to 12 months.

## Finnmark

NOK million	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Revenues	378.7	262.3	608.0	359.9
EBITDA	164.4	98.8	248.4	132.3
EBIT	142.7	80.8	203.2	96.0
Harvest volume (tonnes GWT)	6 387	4 125	10 565	5 757
EBIT/ kg (NOK)	22.35	19.57	19.23	16.68

In Finnmark, Grieg Seafood harvested 6 387 tonnes during the second quarter 2018, compared to 4 125 tonnes in the same quarter last year.

Sales revenues for the quarter amounted to NOK 378.7 million, compared to NOK 262.3 million in Q2 2017. The quality of the harvested fish was somewhat affected by winter-ulcer disease, but overall price achievement was good.

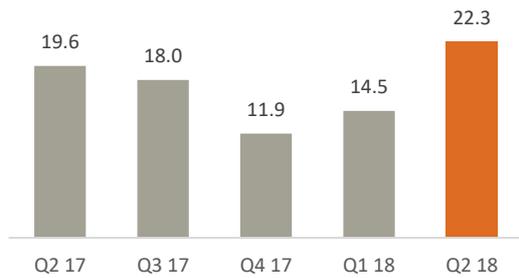
A significant increase in harvest volume improved cost per kg compared to both the previous quarter and the corresponding quarter last year.

Harvest volume is expected to remain high into the third quarter and is expected to stabilize cost per kg.

Sea water temperatures have been lower than usual without affecting production. The guided harvest volume for the year remains unchanged at 29 500 tonnes.

EBIT before fair value adjustment of biological assets was NOK 22.35 per kg in Q2 2018, compared to NOK 19.57 per kg in the corresponding quarter last year.

**EBIT/kg (NOK) region Finnmark**



Efforts to improve smolt quality over the last few years are now paying off. The number of smolt going to sea is increasing and is expected to provide higher growth and lower costs going forward.

Grieg Seafood Finnmark is continuously considering expansion opportunities, which is crucial for flexible biological planning. During the second quarter of 2018, Grieg Seafood Finnmark entered into an agreement with the County Council of Finnmark to operate a restricted license of 780 tonnes.

To secure access to required amount of right size and quality smolt, the capacity of the smolt facilities in Finnmark will be increased from 800 to 1 600 tonnes. The first batches of roe were set in production at the extended plant in Q2 2018, and the first releases are expected during the first half of 2019.

As part of the efforts to expand the smolt capacity, Grieg Seafood Finnmark is cooperating with Norway Royal Salmon, with a contingent 50% ownership stake in Nordnorsk Smolt AS. The company produces large smolt at facilities in Hasvik, Finnmark. The current production capacity is 800 tonnes, with possibilities of expanding to approximately 2 000 tonnes. The plant has experienced some operational challenges and is currently undergoing improvement initiatives in accordance with due diligence requirements. The transaction has yet to be formally completed but is expected to close towards the end of the year.

During the second quarter, Grieg Seafood Finnmark obtained ASC (Aquaculture Stewardship Council) certification of two sites. Grieg Seafood will continue the effort to certify additional sites.

**British Columbia (BC)**

NOK million	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Revenues	492.7	209.0	725.8	287.5
EBITDA	184.4	58.3	279.2	82.5
EBIT	173.9	50.5	259.0	67.9
Harvest volume (tonnes GWT)	7 290	3 393	11 049	4 628
EBIT/ kg (NOK)	23.85	14.87	23.44	14.66

In BC (Canada), the harvested volume in Q2 was 7 290 tonnes, a significant increase compared to 3 393 tonnes in Q2 2017.

Sales revenue for the quarter was NOK 492.7 million, up from NOK 209.0 million in the same quarter of 2017. The quality of the harvested fish has been good.

During the quarter, Grieg Seafood BC had an incident of harmful algal bloom (HAB), resulting in mortalities of 250 000 fish, equal to 1 000 tonnes. Grieg Seafood has insurance to cover such incidents and net estimated cost ended at NOK 19 million, all accounted for in Q2. The fish affected was scheduled to be harvested in the second half of 2018.

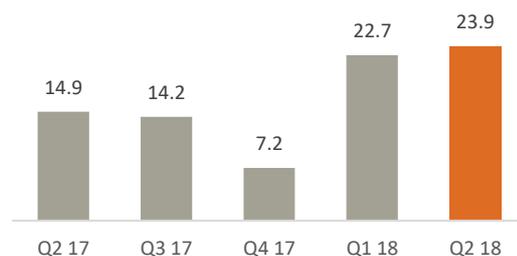
However, with a long-term focus on biology in general and algae in particular, over time Grieg Seafood BC has managed to stabilize biology and reduce costs. Grieg Seafood continuously works to improve biosecurity and all sites perform daily algal monitoring. The harmful algal bloom that occurred in Q2 had an extraordinarily high concentration and was spread throughout the entire water column. Thus, treatments or other protective measures could not prevent or mitigate the effects of the incident.

Volume will be lower the next quarter, affecting costs. Due to natural variations between sites, the cost development of harvested fish will fluctuate.

Sea production for sites not affected by the algal bloom continued to be favorable throughout the quarter and the production plan will be amended to limit the effect of the loss of fish caused by the algal bloom. Harvest volume for 2018 is guided down 1 000 tonnes to 17 500 tonnes.

EBIT before fair value adjustment of biological assets was NOK 23.85 per kg for Q2 2018, compared to NOK 14.87 per kg for the corresponding period in 2017.

**EBIT/kg (NOK) region British Columbia (BC)**



Over the last few quarters, several measures have been implemented to secure continued improvements to sea production. These measures include initiatives related to more optimized feeding and closer monitoring of algae and oxygen levels.

In addition, improvements are being made to the smolt facility in the region. This includes safeguarding of the facility's water intake which will be vital to prevent incidents of furunculosis. So far in 2018, the smolt production in BC has been stable.

As part of its smolt strategy for BC, Grieg Seafood BC is considering the possibility of either upgrading and expanding the current smolt facility or investing in a new. A decision is expected by year end 2018.

## Shetland

NOK million	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Revenues	193.1	212.3	279.9	294.4
EBITDA	52.7	39.8	58.0	37.4
EBIT	41.5	26.9	34.4	12.5
Harvest volume (tonnes GWT)	2 482	3 231	3 683	4 523
EBIT/ kg (NOK)	16.72	8.32	9.34	2.75

The harvested volume in Q2 was 2 482 tonnes, compared to 3 231 tonnes in the corresponding quarter last year.

Total sales revenue in Q2 amounted to NOK 193.1 million compared to NOK 212.3 million in Q2 2017. Quality and average weight of fish harvested were good and contributed to high price achievement.

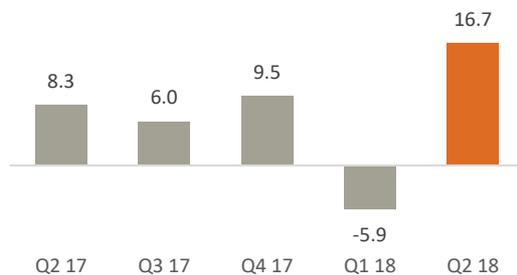
Cost in Shetland remains high, mainly attributable to algae prevention and sea lice treatments. Low harvest volume also affects cost per kg.

Harvest volume is expected to increase in the third quarter and the cost per kg is trending in a positive direction. Regardless, the cost level in Shetland will remain at a high level.

Sea production was stable throughout the period. Fresh water treatments have provided good results and the sea lice situation is under control. The estimated harvest volume for the full year remains unchanged at 12 000 tonnes.

EBIT before fair value adjustment of biological assets was NOK 16.72 per kg for the quarter, up from NOK 8.32 per kg in Q2 2017.

### EBIT/kg (NOK) region Shetland



The aquaculture industry in Shetland has over time endured biological challenges. The industry is collaborating to mitigate these challenges and Grieg Seafood cooperates closely with the other sea farmers in the region to establish a long-term, stable and

sustainable marine biology. During the second quarter, Grieg Seafood Shetland implemented routines and systems for monitoring of algae and oxygen levels similarly to the ones applied in Grieg Seafood BC.

Other prioritized measures going forward are extended following time and the use of cleaner fish.

## Ocean Quality Group

Ocean Quality is the sales organization of Grieg Seafood and Bremnes Fryseri, with an ownership of 60% and 40%, respectively. All fish produced by Grieg Seafood is sold by Ocean Quality with the purpose of generating a positive margin against the market price for salmon. Total volume sold during Q2 2018 was 32 244 tonnes.

## Market development

Salmon prices were very volatile in the second quarter of 2018. Despite of this the average price level was high compared to Q1 2018. The salmon supply has been higher month by month compared to Q2 2017, which in relation to the high average prices confirms the strong underlying demand for farmed salmon.

The Group's total share of fixed price contracts in Norway in Q2 2018 was 27%. For Q3 the share of fixed price contracts is estimated to be 31%, with an estimate of 30% for the full year.

## Subsequent events

No significant events have been recorded after the balance sheet date.

## Share information

At the end of Q2 2018, Grieg Seafood had a total of 110 412 000 outstanding shares, divided between 4 650 shareholders. The Grieg Group controls 52.80% of the Grieg Seafood Group. The 20 largest shareholders account for 75.81% of Grieg Seafood.

Please refer to note 9 for further information about the shareholders.

## Related parties' transactions

There have been no transactions with related parties which affect the financial results for the second quarter. Please see note 8 for further information.

## Statement from the Board of Directors

We hereby confirm that the financial statements for the period from 1 January to 30 June 2018 to the best of our knowledge have been prepared in accordance with IAS 34 – Interim Financial Reporting – and that the information in the accounts gives a true and fair view of the Group and of the Group's assets, liabilities, financial position and overall results.

We also confirm that, to the best of our knowledge, the half-year report gives a true and fair view of the main events during the accounting period and their effect on the accounts for the first half year, as well as the principal risks as described in note 2 and uncertainties facing the Company and the Group in the next accounting period.

For further information please refer to [www.griegseafood.com](http://www.griegseafood.com).

The Board of Directors and CEO  
Bergen, 22 August 2018

  
Asbjørn Reinkind  
Vice chair

  
Per Grieg jr.  
Chair

  
Wenche Kjølås  
Board member

  
Karin Bing Orkland  
Board member

  
Solveig Nygaard  
Board member

  
Tore Holand  
Board member

  
Andreas Kvame  
CEO

## Financial statements

### 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
<b>Operating income</b>	<b>2 318 660</b>	<b>2 030 504</b>	<b>3 835 654</b>	<b>3 451 575</b>
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
<b>EBITDA before fair value adjustment of biological assets</b>	<b>482 610</b>	<b>441 429</b>	<b>702 909</b>	<b>619 828</b>
Depreciation and amortization of tangible assets	-54 936	-48 013	-111 853	-93 791
Amortization of intangible assets	-1 361	-1 163	-2 674	-2 292
<b>EBIT before fair value adjustment of biological assets</b>	<b>426 313</b>	<b>392 253</b>	<b>588 383</b>	<b>523 745</b>
Fair value adjustment of biological assets	-189 621	-76 930	-11 273	-273 140
<b>EBIT after fair value adjustment of biological assets</b>	<b>236 692</b>	<b>315 323</b>	<b>577 109</b>	<b>250 606</b>
<b>Net financial item</b>	<b>-20 424</b>	<b>958</b>	<b>-47 253</b>	<b>-3 580</b>
<b>Profit before tax</b>	<b>216 269</b>	<b>316 280</b>	<b>529 856</b>	<b>247 025</b>
Estimated taxation	-50 548	-69 636	-136 403	-60 477
<b>Profit after tax</b>	<b>165 721</b>	<b>246 645</b>	<b>393 453</b>	<b>186 549</b>
<b>Attributable to:</b>				
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
Dividend declared and paid per share (NOK)	2.00	3.00	2.00	3.00
Earnings per share (NOK)	1.48	2.19	3.49	1.58

## Statement of Comprehensive Income

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
<b>Profit for the period</b>	<b>165 721</b>	<b>246 645</b>	<b>393 453</b>	<b>186 549</b>
<b>Other comprehensive income:</b>				
<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
<b>Total recognized income for the period</b>	<b>8 444</b>	<b>-2 432</b>	<b>-43 575</b>	<b>-3 015</b>
<b>Total comprehensive income for the period</b>	<b>174 165</b>	<b>244 213</b>	<b>349 878</b>	<b>183 534</b>
<i>Attributable to:</i>				
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

All figures in NOK 1 000	30.06.2018	30.06.2017	31.12.2017
<b>ASSETS</b>			
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 current receivables	1 317	18 121	1 317
<b>Total non-current assets</b>	<b>3 371 402</b>	<b>2 883 524</b>	<b>3 082 121</b>
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
<b>Total current assets</b>	<b>4 162 112</b>	<b>4 028 938</b>	<b>4 070 494</b>
<b>Total assets</b>	<b>7 533 514</b>	<b>6 912 462</b>	<b>7 152 615</b>
<b>EQUITY AND LIABILITIES</b>			
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
<b>Total shareholders of GSF</b>	<b>3 420 376</b>	<b>3 000 639</b>	<b>3 304 364</b>
Non-controlling interests	33 049	25 959	43 541
<b>Total equity</b>	<b>3 453 424</b>	<b>3 026 597</b>	<b>3 347 905</b>
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
<b>Total non-current liabilities</b>	<b>2 417 101</b>	<b>2 219 496</b>	<b>2 139 476</b>
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
<b>Total current liabilities</b>	<b>1 662 989</b>	<b>1 666 367</b>	<b>1 665 233</b>
<b>Total liabilities</b>	<b>4 080 090</b>	<b>3 885 864</b>	<b>3 804 710</b>
<b>Total equity and liabilities</b>	<b>7 533 514</b>	<b>6 912 462</b>	<b>7 152 615</b>

## Changes in equity

All figures in NOK 1 000	Q2 2018 CI*	Q2 2018 NCI**	YTD 2018 CI*	YTD 2018 NCI**
<b>Equity at period start</b>	<b>3 474 251</b>	<b>49 366</b>	<b>3 304 364</b>	<b>43 541</b>
Profit for the period	163 723	1 998	385 712	7 741
Comprehensive income for the period	1 939	6 505	-50 163	6 588
<b>Total recognized income for the period</b>	<b>165 662</b>	<b>8 503</b>	<b>335 549</b>	<b>14 329</b>
Paid dividend	-220 824	0	-220 824	0
Dividend to non-controlling interest	0	-24 821	0	-24 821
Currency effect on share capital increase	1 287	0	1 287	0
<b>Total equity to shareholders in the period</b>	<b>-219 537</b>	<b>-24 821</b>	<b>-219 537</b>	<b>-24 821</b>
Total change of equity in the period	-53 875	-16 318	116 012	-10 492
<b>Equity at period end</b>	<b>3 420 376</b>	<b>33 049</b>	<b>3 420 376</b>	<b>33 049</b>

\*) Controlling interest: Shareholders of GSF ASA

\*\*) Non-controlling interest

## Cash Flow Statement

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
EBIT after fair value adjustment of biological assets	236 692	315 323	577 109	250 606
Taxes paid	-18 285	-7 045	-28 770	-14 218
Adjustment for fair value	189 621	76 930	11 273	273 140
Adjustment for depreciation and impairment	56 297	49 175	114 526	96 083
Adjustment for income/loss from associated companies	420	0	670	0
Change in inventory, trade payables and trade receivables	37 621	-192 306	-253 915	-310 210
Gain/-loss on sale of property, plant and equipment	0	122	-208	142
Other adjustments	-5 688	51 931	-60 930	36 379
<b>Cash flow from operations</b>	<b>496 678</b>	<b>294 130</b>	<b>359 757</b>	<b>331 922</b>
Capital expenditure (fixed assets)	-287 066	-120 573	-437 683	-237 635
Proceeds from sale of fixed assets	0	1 828	329	628
Investment in shares in subsidiaries and ass. Companies	-10 000	-10 000	-10 000	-10 000
Change in other non-current receivables	0	-9 197	0	-12 510
<b>Cash flow from investments</b>	<b>-297 066</b>	<b>-137 942</b>	<b>-447 355</b>	<b>-259 517</b>
Net changes in interest-bearing debt incl. factoring	32 500	452 899	305 099	270 435
Paid dividends	-220 824	-331 236	-220 824	-331 236
Paid dividends 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
<b>Cash flow from financing</b>	<b>-228 723</b>	<b>72 452</b>	<b>18 277</b>	<b>-121 162</b>
<b>Changes in cash and cash equivalents in the period</b>	<b>-29 110</b>	<b>228 640</b>	<b>-69 321</b>	<b>-48 757</b>
<b>Cash and cash equivalents - opening balance</b>	<b>225 169</b>	<b>224 936</b>	<b>271 715</b>	<b>503 613</b>
Currency effect on cash	2 477	1 129	-3 858	-151
<b>Cash and cash equivalents - closing balance</b>	<b>198 536</b>	<b>454 705</b>	<b>198 536</b>	<b>454 705</b>

## Selected notes

### Note 1 – Accounting principles

Grieg Seafood ASA (the Group) comprises Grieg Seafood ASA and its subsidiaries, including the Group's share of associated companies. The financial report for the second quarter and first half of 2018 has been prepared in accordance with the International Financial Reporting Standards (IFRS) and interpretations approved by the EU, including IAS 34. The report does not include all information required in a complete annual report and should therefore be read in conjunction with the Group's most recent annual report (2017). The quarterly report is unaudited.

IFRS 9 and IFRS 15 took effect as of 1 January 2018. The Group has implemented the new standards effective as of 1 January 2018, without any significant impact on the result for Q2 2018. There are no other significant changes to the reporting principles or the calculation methods applied in the most recent annual account (2017), which were also applied in the preparation of this report.

There is an ongoing cooperation between companies in the aquaculture industry in Norway with the aim of developing a common technical model to calculate the fair value of biological assets. The industry group has yet to agree on a common solution and Grieg Seafood has decided to carry forward its original model with a few adjustments to comply with industry principles and guidelines from the Financial Supervisory Authority in Norway (Finanstilsynet). The adjustments entail that all fish in sea are accounted for in the fair value calculation, which replaces the previous limit of only including fish in sea above 1 kg in the calculation.

### Note 2 – Risks and uncertainties

The Group is exposed to risks in several areas, such as biological production, changes in salmon prices, political risk related to trade barriers, and financial risk, including interest rate fluctuations, exchange rates and liquidity.

The Group's internal control mechanisms and risk exposure are subject to constant monitoring and improvement, and efforts to reduce different types of risk have high priority. The management has established a framework for managing and eliminating most of the risk that can prevent the Group from attaining its goals.

The Group operates in an industry with high volatility, which leads to financial risk. The financial risk is managed by a central unit at the Group's head office. The Group's financial position remains strong at the end of second quarter. The Group has renegotiated the syndicated bank loan agreement, which will secure the working capital that is needed for achieving the growth targets.

Income and currency risk has been transferred to the sales company. The production companies sell in local currencies to the sales company, which hedges its transactions against currency fluctuations related to CAD/USD, EUR/NOK and USD/NOK and, if required, other currencies.

Furthermore, the fair value calculation is now carried out on location level instead of regional level.

The Group is also in the process of preparing the implementation of IFRS 16, which takes effect as of 1 January 2019. The preparations include gathering and systematizing all rental agreements in the Group for assessment of the new standard. The new standard will have material impact on the Group's Financial Statements. As at 30 June 2018, the Group had non-cancellable operating lease commitments at a total present value of approx. NOK 370 million. Preliminary calculations based on the available information regarding operating leases as at 30 June 2018 indicates that the Group will recognize assets and related leasing obligations of at least NOK 200 million as at 31 December 2019. This is subject to change due to any renewal options, discount rates, currency effects and other factors. Grieg Seafood does not intend to adopt the standard before its effective date.

Management is required to make estimates and assumptions concerning the future that affect the accounting policies and recognized amounts of assets, liabilities, income and expenses. Significant estimates relate to valuation of biological assets and intangible assets. Estimates and underlying assumptions are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be probable under the present circumstances. The final outcomes may deviate from these estimates. Changes in estimates are reflected in the accounts as they occur.

The greatest operational risk is related to biological developments with regards to both the smolt and the aquaculture operations. To reduce risk, the Group focuses on production of Atlantic salmon as its main product.

Training of employees and establishing good internal routines to reduce operational risk, is a priority.

The aquaculture industry has experienced major issues with sea lice and algae in recent years. The Group collaborates actively with authorities and other aquaculture players to implement activities to reduce biological risk. One of the initiatives is joint fallowing and zoning. A digitalization process has been initiated across the Group to facilitate operational improvements. Through utilization of sensor technology, the ambition is to reduce the algae problems in BC and on Shetland. The introduction of sensor technology to monitor algal blooms enables the Group to determine at an early stage the type of algae and the appropriate feeding response. This is of vital importance as different types of algae has various effect on the salmon.

With regards to sea lice, which are developing resistance to pharmaceuticals, there is an ongoing development from pharmaceutical to mechanical treatment. In combating sea lice, the use of wrasse is also a proven remedy, which has provided good results in Rogaland.

The Group has a zero-tolerance policy with regards to escapes. Shetland had one escape incident during the first quarter of 2018, with 21 700 escaped fish. There were no escape incidents in the second quarter, nor any during the year 2017.

Salmon price developments are highly volatile, with great fluctuations within relatively short time spans.

### Note 3 – Segment information

The operating segments are divided geographically by country or region, based on the reporting criteria applied by Group management (as supreme decision-makers) when assessing performance and profitability at a strategic level.

Earnings from the sales company Ocean Quality Group (OQ) is reported per producer. The minority share is reported with ownership cost, as an elimination. Ocean Quality comprises the companies in Norway, UK, North America (NA) and USA. Ocean Quality UK and Ocean Quality NA are wholly owned by Ocean Quality Norway, while Ocean Quality USA is wholly owned by Ocean Quality NA. Grieg Seafood owns 60% of Ocean Quality Norway. Ocean Quality sells all fish produced by Grieg Seafood.

Segment results are based on EBIT before fair value adjustments. The effect of one-off costs, such as restructuring costs and write-down of goodwill, is

However, there has been a stable increase in the demand for salmon over recent years, while the growth in supply has been more limited, and this development is expected to continue going forward. Supply and demand are also affected by other factors, such as government regulations, sea temperatures, outbreaks of diseases, and other indirect and direct factors, which affect production and hence also supply.

excluded from the segments. Effects of share options, as well as unrealized gains and losses on financial instruments, are also excluded.

The column “Other items/eliminations” comprises results from activities carried out by the Group’s parent company and other non-production or sales companies, as well as the share of EBIT to Ocean Quality minority interests.

#### The main items in the elimination column comprise:

All figures in NOK 1 000	Q2 2018	YTD 2018
Ownership cost	-9 891	-19 537
Share of EBIT to minority interest	4 227	10 053
<b>EBIT elim. /other items</b>	<b>-5 664</b>	<b>-9 485</b>

Q2	Rogaland		Finnmark		BC-Canada		Shetland-UK		Elim. /Others (2)		The Group	
	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
All figures in NOK 1 000												
Revenues	380 692	538 151	378 677	262 299	492 705	208 984	193 112	212 277	846 681	802 663	2 291 867	2 024 374
Other income	6 492	75	-1 333	5	17 327	0	2 263	611	2 043	5 439	26 792	6 130
EBITDA	85 421	238 178	164 399	98 846	184 355	58 330	52 675	39 772	-4 240	6 301	482 610	441 429
EBIT (1)	73 898	229 189	142 712	80 752	173 882	50 455	41 485	26 876	-5 664	4 982	426 313	392 253
EBITDA %	22.1%	44.3%	43.6%	37.7%	36.1%	27.9%	27.0%	18.7%			20.8%	21.7%
EBIT %	19.1%	42.6%	37.8%	30.8%	34.1%	24.1%	21.2%	12.6%			18.4%	19.3%
Harvest volume tonnes GWT	6 409	7 754	6 387	4 125	7 290	3 393	2 482	3 231			22 568	18 503
EBIT/kg	11.5	29.6	22.3	19.6	23.9	14.9	16.7	8.3			18.9	21.2

- 1) EBIT before fair value adjustment of biological assets.
- 2) Elim. /other includes bonus and share of profit from Ocean Quality to producers.

YTD All figures in NOK 1 000	Rogaland		Finnmark		BC-Canada		Shetland-UK (3)		Elim. /Others (2)		The Group	
	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017
Revenues	528 219	830 054	608 023	359 899	725 799	287 529	279 902	294 378	1 642 935	1 674 896	3 784 878	3 446 755
Other income	23 917	502	-870	53	17 327	-41	4 581	3 972	5 821	334	50 776	4 820
EBITDA	123 963	369 731	248 382	132 279	279 234	82 477	58 001	37 415	-6 671	-2 074	702 909	619 828
EBIT (1)	101 295	352 075	203 160	96 039	259 021	67 873	34 391	12 456	-9 485	-4 698	588 383	523 745
EBITDA %	22.5%	44.5%	40.9%	36.7%	37.6%	28.7%	20.4%	12.5%			18.3%	18.0%
EBIT %	18.3%	42.4%	33.5%	26.7%	34.9%	23.6%	12.1%	4.2%			15.3%	15.2%
Harvest volume tonnes GWT	8 704	12 147	10 565	5 757	11 049	4 628	3 683	4 523			34 001	27 056
EBIT/kg	11.6	29.0	19.2	16.7	23.4	14.7	9.3	2.8			17.3	19.4

- 1) EBIT before fair value adjustment of biological assets.
- 2) Elim. /other includes bonus and share of profit from Ocean Quality to producers.
- 3) EBITDA and EBIT includes cost accrual of NOK 10 million related to elevation of a sunken barge.

#### From EBIT to net profit for reportable segments

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
<b>EBIT before fair value adjustment of biological assets</b>	<b>426 313</b>	<b>392 253</b>	<b>588 383</b>	<b>523 745</b>
Fair value adjustment of biological assets	-189 621	-76 930	-11 273	-273 140
<b>EBIT after fair value adjustment of biological assets</b>	<b>239 692</b>	<b>315 323</b>	<b>577 109</b>	<b>250 605</b>
Changes in fair value from hedging instruments	-2 465	4 490	-575	7 527
Net financial interest	-15 544	-9 772	-32 207	-20 822
Net currency gain (losses)	-1 813	6 822	-13 422	10 123
Dividend	10	0	10	0
Net other financial expenses /-income	-611	-583	-1 059	-408
<b>Net financial items</b>	<b>-20 424</b>	<b>958</b>	<b>-47 253</b>	<b>-3 580</b>
<b>Profit before tax</b>	<b>216 269</b>	<b>316 280</b>	<b>529 856</b>	<b>247 025</b>
Estimated taxation	-50 548	-69 636	-136 403	-60 477
<b>Net profit for the period</b>	<b>165 721</b>	<b>246 645</b>	<b>393 453</b>	<b>186 549</b>

## Note 4 – Biological assets

For companies that apply IFRS, treatment of live fish in the accounts is regulated by IAS 41, Agriculture. For fish in sea weighing up to 4.76 kg round weight, a proportionate share of expected profit is recognized. The fair value of fish weighing more than 4.76 kg (ready for harvesting) is set as net sales price, calculated on the assumption that the fish is harvested/sold on the balance sheet date. If the expected net sales price is less than the expected cost, it will result in a negative fair value adjustment on

biological assets, which will be calculated as 100%. The fair value of fish in sea is carried out for each location.

Sales prices are based on forward prices and/or the most relevant price information available for the period during which the fish is expected to be harvested. Sales prices are adjusted for quality differences, weight categories and logistics costs. Since the sales price is set at gutted weight, the volume is adjusted for gutting waste.

	Tonnes		Tonnes		NOK 1 000		NOK 1 000	
	Q2 2018	YTD 2018	Q2 2017	YTD 2017	Q2 2018	YTD 2018	Q2 2017	YTD 2017
<b>Biological assets - beginning of period</b>	<b>58 421</b>	<b>54 677</b>	<b>50 459</b>	<b>45 627</b>	<b>3 084 902</b>	<b>2 698 352</b>	<b>2 517 958</b>	<b>2 459 625</b>
Currency translation	0	0	0	0	2 644	-45 896	3 406	11 199
Increases due to purchases	0	0	0	0	1 682	5 181	0	0
Increases due to production	16 448	33 807	17 874	32 867	633 916	1 294 336	649 233	1 281 067
Decreases due to sales / harvesting/mortality	-26 982	-40 594	-22 392	-32 555	-898 805	-1 322 946	-734 974	-1 136 370
Fair value adjustment beginning of period	N/A	N/A	N/A	N/A	-877 403	-682 088	-644 591	-824 487
Fair value adjustment period end	N/A	N/A	N/A	N/A	703 977	703 977	554 845	554 845
<b>Biological assets - period end</b>	<b>47 888</b>	<b>47 888</b>	<b>45 940</b>	<b>45 940</b>	<b>2 650 915</b>	<b>2 650 915</b>	<b>2 345 877</b>	<b>2 345 877</b>

<b>Biological assets - status 30.06.2018</b>	<b>Number of fish (1 000)</b>	<b>Biomass (tonnes)</b>	<b>Cost of production</b>	<b>Fair value adjustment</b>	<b>Carrying amount</b>
Biomass onshore	26 332	604	130 267	0	130 267
Biological assets with round weight 0 – 4.76 kg	26 265	41 602	1 672 553	590 268	2 262 821
Biological assets with round weight > 4.76 kg	1 051	5 682	144 119	113 709	257 828
<b>Total</b>	<b>53 647</b>	<b>47 888</b>	<b>1 946 939</b>	<b>703 977</b>	<b>2 650 915</b>

<b>Biological assets - status 30.06.2017</b>	<b>Number of fish (1 000)</b>	<b>Biomass (tonnes)</b>	<b>Cost of production</b>	<b>Fair value adjustment</b>	<b>Carrying amount</b>
Biomass onshore	23 912	478	304 443	0	304 443
Biological assets with round weight 0 – 4.76 kg	25 301	30 773	1 095 895	357 974	1 453 869
Biological assets with round weight > 4.76 kg	1 559	14 689	390 692	196 872	587 563
<b>Total</b>	<b>50 771</b>	<b>45 940</b>	<b>1 791 031</b>	<b>554 845</b>	<b>2 345 877</b>

**Note 5 – Fair value adjustments**

All figures in NOK 1 000	Q2 2018	Q2 2017	YTD 2018	YTD 2017
<b>Recognized fair value adjustment</b>				
Change in fair value adjustment of biological assets	-177 505	-92 307	35 187	-273 325
Change in physical supply contracts related to fair value adjustments of biological assets	-750	-5 040	-2 599	27 599
Change in fair value of financial derivatives from salmon (Fish Pool contracts)	-11 366	20 417	-43 862	-27 414
<b>Total recognized fair value adjustment on biological assets</b>	<b>-189 621</b>	<b>-76 930</b>	<b>-11 273</b>	<b>-273 140</b>

Provisions allocated to physical future contracts that require actual value adjustment, is recorded as other current liabilities in the balance sheet. The contracts are calculated on basis of the same forward prices that apply to fair value calculation of biological assets. Provisions allocated to physical contracts covering fish under 4.76 kg (immature), are recognized as a

proportionate share corresponding to the principle of fair value calculation on biological assets. Value adjustment of financial derivatives from salmon is recorded in the balance sheet as derivatives and other financial instruments. Financial derivatives are valued at market value.

## Note 6 - Total net interest-bearing debt and equity according with covenants

Net interest-bearing debt is calculated in accordance with covenant requirements in the financing agreement. According to the agreement, factoring debt and non-controlling ownership interests' share of bank assets, are not included.

Ocean Quality in Norway and the UK has a factoring agreement that comprises financing of outstanding receivables, where any significant risk and control of accounts receivable remain with Ocean Quality. Prepayments/financing from factoring are net interest-

bearing debt. Factoring is recognized as financing in the balance sheet.

The share of bank assets that belongs to non-controlling ownership interests (Bremnes Seashore), is excluded in the calculation of the bank's covenant requirements.

As at 30 June, the Group had a good level of free liquidity and unutilized credit facilities, with available bank credit frame of NOK 891 million.

All figures in NOK 1 000	30.06.2018	30.06.2017	31.12.2017
Total non-current interest-bearing liabilities	1 555 658	1 462 837	1 396 899
Total current interest-bearing liabilities	801 295	715 119	658 202
<b>Gross interest-bearing debt</b>	<b>2 356 953</b>	<b>2 177 956</b>	<b>2 055 100</b>
Cash and cash equivalents	198 536	454 705	271 715
Loans to associated companies	16 600	16 500	19 600
<b>Net interest-bearing debt</b>	<b>2 141 817</b>	<b>1 706 752</b>	<b>1 763 786</b>
Quote of factoring debt	614 638	556 252	500 976
Quote of Bremnes' share of bank OQ AS (40 %)	-34 543	-52 043	-20 797
<b>Net interest-bearing debt, according to covenants</b>	<b>1 561 722</b>	<b>1 202 543</b>	<b>1 283 606</b>
<b>NIBD/EBITDA *)</b>	<b>1.4</b>	<b>0.9</b>	<b>1.2</b>

\*) NIBD/EBITDA is calculated in accordance with the covenants. 12 months rolling EBITDA before fair value adjustment.

The equity share requirement according to covenants is 40%, without consolidation of Ocean Quality Group. As at 30 June 2018, the equity share exclusive of Ocean Quality was 51%. In 2017, the corresponding equity share was 50%.

To cater for major investment requirements relating to the growth strategy for 2020, the Group has renegotiated the syndicated bank loan prior to its original maturity in 2019. The Group has several growth targets, including increased smolt capacity and

new locations, which have resulted in a need for increased working capital. The new agreement includes (among other things) two term loans of NOK 600 million and EUR 60 million, a revolving credit facility of NOK 1 000 million, alongside granted overdraft facilities of NOK 100 million. Repayments of NOK 50 million and EUR 5 million will be made for term loans of respectively NOK 600 million and EUR 60 million, split into half-yearly instalments. The drawdown rate of the EUR loan is 9.6691.

## Note 7 - Investment in associated companies

Investments in associated companies with operations in the same section of the value chain as the Grieg Seafood Group, have been classified as part of the EBIT. Grieg Seafood Rogaland has invested NOK 20 million in Tytlandsvik Aqua AS, corresponding to 25% of the shares in the company. The remaining shareholdings are held by Bremnes Fryseri AS (25%) and Vest Havbruk AS (50%). Tytlandsvik Aqua AS has a mandate to secure increased and improved access to post smolt for the Group. A total of approx. NOK 300

million will be invested in the construction of a large smolt facility in Rogaland. The construction is progressing according to plan and will be completed towards the end of the year. During 2018, the Group and Bremnes Fryseri AS plan to increase their shareholdings through a share issue to procure similar shareholdings for the three owners of Tytlandsvik Aqua AS. Recognized share of profit the first half year of 2018 was NOK -670 thousand and the book value was NOK 8.8 million as at 30 June 2018.

## Note 8 - Related parties

The Group has transactions with companies controlled by Grieg Seafood ASA's majority owner, Grieg Holdings AS. Grieg Seafood ASA rents office premises from Grieg Gaarden AS and acquires other administrative services from Grieg Group Resources AS. Grieg Holdings AS owns share holdings in Ryfylke Rensefisk AS, from which Grieg Seafood acquires lumpfish. Grieg Seafood ASA buys roe from SalmoBreed AS, feed from the Biomar Group and veterinary services from Fomas AS and SLab AS

which are related parties to board members. All service purchases and the rental relationship are made on an arm's length basis. Ocean Quality AS purchases fish from its shareholder Bremnes Fryseri AS, for resale to domestic and international customers. The fish from Bremnes Fryseri AS is supplied by its subsidiary Bremnes Seashore AS. Ocean Quality AS rents office premises and office equipment from Bremnes Fryseri AS. All sales of goods and services are made on an arm's length basis.

<b>Shares controlled by board members and management as at 30.06.2018</b>	<b>No. of shares</b>	<b>Shareholding</b>
<b>Board of directors</b>		
Per Grieg jr. *)	58 961 996	52.80%
Asbjørn Reinkind (Reinkind AS)	120 000	0.11%
Wenche Kjølås (Jawendel AS)	7 000	0.01%
Karin Bing Orgland	0	0.00%
Solveig Nygaard	0	0.00%
Tore Holand	0	0.00%
<b>Management</b>		
Andreas Kvame (CEO)	39 000	0.03%
Atle-Harald Sandtorv (CFO)	24 043	0.02%
Knut Utheim (COO)	23 342	0.02%
Kathleen Mathisen (CHRO)	0	0.00%
Grant Cumming (Regional Director)	0	0.00%
Roy-Tore Rikardsen (Regional Director)	19 400	0.02%
Alexander Knudsen (Regional Director)	22 000	0.02%
Rocky Boschmann (Regional Director)	0	0.00%
<b>Total shares controlled by board members and management</b>	<b>59 216 781</b>	<b>53.03%</b>

\*) Shares owned by the following companies are controlled by Per Grieg jr. and closely related (Verdipapirhandelloven § 2-5):

<b>Shares owned by Per Grieg jr. and closely related</b>	<b>No. of shares</b>	<b>Shareholding</b>
Grieg Holding AS	55 801 409	49.97%
Nye Ystholmen AS	2 928 197	2.62%
Grieg Ltd. AS	217 390	0.19%
Per Grieg jr. private	15 000	0.01%
<b>Total shares owned by Per Grieg jr. and closely related</b>	<b>58 961 996</b>	<b>52.80%</b>

**Note 9 – Share capital and shareholders as at 30 June 2018****Share capital**

As at 30 June 2018 the Company has 111 662 000 shares at a nominal value of NOK 4 per share, including own shares. The Company purchased in June 2011 1 250 000 own shares at rate NOK 14.40 per share.

Date	Type of change	Change in share capital (NOK 1 000)	Nominal value per share (NOK)	Total share capital (NOK 1 000)	No of ordinary shares
30.06.2018			4.00	446 648	111 662 000
	Holdings of own shares		4.00	-5 000	-1 250 000
<b>Total ordinary shares</b>				<b>441 648</b>	<b>110 412 000</b>

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%
<b>Total 20 largest shareholders</b>	<b>84 650 857</b>	<b>75.81%</b>
Total others	27 011 143	24.19%
<b>Total number of shareholders</b>	<b>111 662 000</b>	<b>100.00%</b>

## Note 10- Alternative performance measures (APM)

APM	Definition and calculation	Reason for applying APM
EBIT before fair value adjustment of biological assets	<p>Operating profit incl. amortization and depreciation, excl. fair value adjustment of biological assets</p> <p>Unless otherwise specified, EBIT before fair value adjustment of biological assets is shortened to EBIT (earnings before interest and taxes). This also applies to all key figures where EBIT is a component, including:</p> <p>EBIT-margin (%) EBIT/ kg GWT ROCE</p>	<p>EBIT before fair value adjustment provides a more informative result as it does not consider future gains or losses on fish not yet sold.</p> <p>EBIT before fair value adjustment is generally considered the industry measure for profitability.</p>
EBITDA before fair value adjustment of biological assets	<p>Operating profit before amortization and depreciation, excl. fair value adjustment of biological assets.</p> <p>Unless otherwise specified, EBITDA before fair value adjustment of biological assets is shortened to EBITDA. This also applies to all key figures where EBITDA is a component, including:</p> <p>EBITDA-margin (%) NIBD/EBITDA</p>	<p>EBITDA before fair value adjustment provides a more informative result as it does not consider future gains or losses on fish not yet sold.</p>
Equity ratio excluding Ocean Quality	<p>The equity ratio is calculated both with and without Ocean Quality. The bank syndicate equity covenant definition is exclusive Ocean Quality, solely considering Grieg Seafood companies, both with regards to equity and total liabilities.</p>	<p>Applied to measure the company's solidity, according to the Group's covenant requirements.</p>
NIBD	<p>Net interest-bearing debt (NIBD) comprises long-term and current debt to financial institutions, after deducting cash and cash equivalents.</p> <p>NIBD is calculated in two ways: 1) For external reporting purpose: Including all long-term and current debt to credit institutions excluding factoring debt. 2) For covenant calculation as required by the bank syndicate: As in method 1, but excluding the factoring debt. Furthermore, cash and cash equivalents are reduced with an amount corresponding to Bremnes Fryseri AS' 40% share of Ocean Quality AS' bank deposits.</p> <p>NIBD calculated according to method 2 above is used for calculation of:</p> <p>NIBD/EBITDA</p>	<p>NIBD/EBITDA is a measure of solidity and one of the covenants in the bank agreement. When calculating NIBD/EBITDA NIBD is calculated according to method 2 and EBITDA is before fair value adjustment of biological assets and consolidation of Ocean Quality Group.</p>
ROCE	<p>Return on capital employed is calculated using values before fair value adjustment of biological assets. The ROCE is calculated as follows: EBIT before fair value adjustment of biological assets divided by average annual NIBD plus average annual equity before fair value adjustment of biological assets.</p> <p>The average annual values for NIBD and equity are calculated as Opening balance plus Ending balance divided by 2.</p> <p>NIBD is excluding Ocean Quality (refer to method 2 under NIBD above)</p>	<p>Fair value adjustment of biological assets is extracted as this reflects future gains or losses on fish not yet sold.</p>

## Information about Grieg Seafood ASA

### Head Quarter Grieg Seafood ASA

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Telephone	+ 47 55 57 66 00
Internet	www.griegseafood.com
Organization number	NO 946 598 038 MVA

### Board of Directors of Grieg Seafood ASA

Per Grieg jr.	Chair
Asbjørn Reinkind	Vice chair
Wenche Kjøllås	Board member
Karin Bing Orgland	Board member
Solveig Nygaard	Board member
Tore Holand	Board member

### Group management

Andreas Kvame	CEO
Atle Harald Sandtorv	CFO
Knut Utheim	COO
Kathleen O. Mathisen	CHRO

### Financial calendar

Capital Markets Update	5 September 2018
Q3 2018	7 November 2018
Q4 2018	13 February 2019

*The Company reserves the right to make amendments to the calendar.*