

Grieg Seafood ASA

Supplement number 2 to the Base Prospectus dated 12 October 2020



**ROOTED IN NATURE**

Supplement number 2 to  
the Base Prospectus

**Grieg Seafood ASA**

Dated 12 October 2020

Joint Lead Managers and Green Bond Advisers:

**DNB**  
Markets

**Nordea**

Bergen/Oslo, 9 December 2020

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This supplement (the "Supplement") supplements the Base Prospectus for Grieg Seafood ASA dated 12 October 2020 (the "Base Prospectus").

The statements under Important Information in the Base Prospectus and the definitions in Chapter 2 of the Base Prospectus also apply to the Supplement.

# 1 New events

## (supplements chapter 7.2 Known trends, uncertainties, demands, commitments or events)

**Grieg Seafood released third quarter 2020 results and presented its plan for enhanced value creation on 17 November 2020:**

### Third quarter highlights

- Harvest volume of 21 201 tonnes (21 028 tonnes in Q3 2019)
- Negative EBIT before fair value adjustment of NOK 192 million (+143 million)
- Negative EBIT/kg of NOK 9.0 (+6.8)
- Disrupted markets with low spot prices had a negative impact by NOK 92 million on earnings in the quarter compared to corresponding quarter in 2019
- Good performance in Rogaland and Finnmark, total EBIT/kg NOK 9.9 (11.2)
- Shetland profitability impacted by NOK -150 million from Skye, where of NOK 90 million related to mortality write-down. Operations on the Isle of Skye will cease due to weak operational synergies
- Initiative to divest Shetland assets to focus operations on regions with the largest growth potential
- Pace of investments slowed down, including in Newfoundland, to secure financial capacity
- Six sites ASC certified during the quarter, with a group total of 26 sites certified at quarter end, 41% of net production
- Establishment of Grieg Seafood's fully integrated sales and marketing organization on track, to start operating late Q1 2021
- Expected harvest of 26 500 tonnes in Q4 2020, guidance of 90 000 tonnes (95 000) in 2020 to optimize harvest weight and time to market

### Financial position – Covid-19 impact and update

The Covid-19 pandemic has disrupted the salmon market with a significant shift in demand and lower prices in core markets. The priorities for Grieg Seafood are protecting their people, the local communities where Grieg Seafood operates, their partners and business operations, and to secure liquidity and financial solidity. Despite the challenging circumstances, demand for Atlantic salmon remains strong and Grieg Seafood has been able to maintain efficient operations throughout the quarter.

### *Production Upheld*

During the pandemic, the salmon farming industry has been recognized as an essential function in Norway, Canada and the UK, and despite the challenging circumstances, Grieg Seafood has been able to maintain efficient operations. Grieg Seafood maintains a constructive dialogue with the authorities in the regions Grieg Seafood operates in through industry organizations, continuously monitoring and discussing possible arrangements to safeguard their salmon farming operations in various scenarios

### *Challenging and Volatile Markets*

Covid-19 has disrupted the salmon market, with a significant shift in demand, away from hotels, restaurants and catering (HoReCa) and to a greater extent towards the retail segment. Covid-19 continued to impact both consumption patterns and overall demand during the third quarter. Sales to HoReCa were already at a low level and experienced another drop as the second wave of restrictions was enforced in some European countries. Grieg Seafood sales has remained good, however, but with supply growth and volumes to the market at a higher level than the first lockdown, salmon prices have suffered, particularly in the USA, which has a higher HoReCa market share compared to Europe.

The retail segment and home consumption have been boosted. The shift from HoReCa to retail is expected at some point to be reversed, but the current market situation may also lead to permanent changes in consumer behavior. With an increasing share of people preparing food at home, combined with a growing preference for healthy food and the current low prices, the demand for salmon may increase in the retail segment going forward.

Supply lines remained for the most part open during the quarter, and airfreight remains expensive. Most of Grieg Seafood's salmon is shipped by truck from Norway or the UK to European markets, or from Canada to the North American markets. Grieg Seafood's diversified geographical presence provides some flexibility and reduces logistical challenges.

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#### *Ensuring Financial Stability*

Following the outbreak of Covid-19, market uncertainty increased, and prices have come down in all core markets, impacting the Group's earnings negatively. Grieg Seafood was in compliance with its financial covenants according to the loan agreements as of 30 September 2020, as the NIBD/EBITDA ratio was 4.2 and equity-ratio according to covenants was 45% (equity-ratio of the Group according to IFRS, was 42%). However, with the outlook for lower earnings short to mid-term, results of performed stress tests on key financial indicators indicated that we could breach the financial covenants outlined in the loan agreements. Following negotiations with the banks, Grieg Seafood has been granted an amendment to the covenants through the third quarter of 2021.

Due to higher market uncertainty, the risk of losses on customer receivables has increased. Grieg Seafood has good routines for collecting and managing receivables, and has an open dialogue with their customers. Countries highly dependent on tourism have been hit hard, and the US market has been impacted significantly due to their high share of HoReCa. The increased risk of loss is reflected in the Group's accruals at the end of the quarter, with accruals increasing by 6% compared to Q3 2019. 90% of outstanding receivables at the end of Q3 2020 are credit insured.

The Company has earlier communicated planned investments of NOK 1 664 million in 2020. In the current market climate with increased uncertainty, Grieg Seafood continuously evaluate its investment projects. Low salmon prices and reduced market visibility, in addition to increased complexity of the project, has changed the basis for the development of Grieg Seafood Newfoundland, and the pace of investments will be slowed down. This will not affect the on-growth capacity or the Company's harvest ambitions.

The Company's long-term dividend strategy states that the average dividend should correspond to 30%-40% of profit after tax, before fair value adjustment of biological assets. Dividends are evaluated twice a year. Due to the increased volatility and uncertainty caused by the Covid-19 situation, combined with an extensive investment plan, the Board has decided to postpone the ordinary dividend during the second half of 2020.

#### **Capital markets update: Value creation through improvement and growth**

The highlights from the presentation

- Focus on high potential regions of Norway and Canada. Initiative to divest Shetland assets
- Targeting average farming cost below NOK 40/kg in Norway and below CAD 7/kg in British Columbia, which is 10-15% below current levels
- Introduce cost and efficiency measures in the areas of smolt infrastructure development, improve fish health and welfare, focus on preventative farming practices and execute value chain repositioning
- Targeting production of 100 000 tonnes in 2022 and 130 000 tonnes in 2025. Adjusting for the initiated divestment of the Shetland assets, this corresponds with the previously announced ambition to produce 150 000 tonnes in 2025. The production target of 90 000 tonnes in 2020 is maintained
- Total investments next five years to reach 130 000 tonnes in 2025 is estimated to be NOK 2,6 billion (excluding biomass and maintenance)
- Grieg Seafood shall maintain sufficient financial capacity to execute the growth strategy. The Company presents a solid projected cash generation in the medium- to high-price scenarios and even in a low-price scenario of NOK 50 per kg the next five years, the growth investments are projected to be funded
- In the short term, the Company is pursuing three potential sources of capital
  - Extending a current bridge loan to after a divestment of Shetland assets
  - Continue a dialog with GIEK on financing of the Newfoundland project
  - Following the successful issue of a Green bond in June, Grieg Seafood intends to actively utilize the bond market
- Grieg Seafood reiterates its goal to provide a competitive dividend pay-out over time

Please see the complete stock exchange filing on: <https://newsweb.oslobors.no/message/518179>

Please find Q3 2020 Presentation, Q3 2020 report and 2020 Capital Market Update on: <https://investor.griegseafood.com/reports-&-presentations>

Note that Grieg Seafood published an operational and financial update on 21 October 2020, with estimates for Q3 figures. This trading update was included in the Supplement number 1 to Base Prospectus, 12 October 2020. The EBIT before fair value adjustment for the third quarter 2020 was estimated to NOK -187 million. At the Q3 presentation held 17 November 2020, the actual EBIT before fair value adjustment for the quarter was NOK -192 million. The deviation between the figures is mainly related to EBIT from the discontinued operations, please see note 4 in the Q3 2020 report.

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## **2 Declaration by persons responsible**

**(supplements chapter 3 Persons responsible)**

Grieg Seafood ASA declares that to the best of its knowledge, the information contained in the Supplement to the Base Prospectus is in accordance with the facts and that the Supplement to the Base Prospectus makes no omission likely to affect its import.

Bergen, 9 December 2020

Grieg Seafood ASA

A handwritten signature in black ink, appearing to read 'Atle Harald Sandtorv', written over a horizontal line.

Atle Harald Sandtorv  
CFO

### **APPROVAL FROM FINANSTILSYNET**

The Supplement number 2 to the Base Prospectus has been approved by the Norwegian FSA, as competent authority under Regulation (EU) 2017/1129. The Norwegian FSA only approves this Supplement to the Base Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval shall not be considered as an endorsement of the Issuer that is the subject of this Base Prospectus.