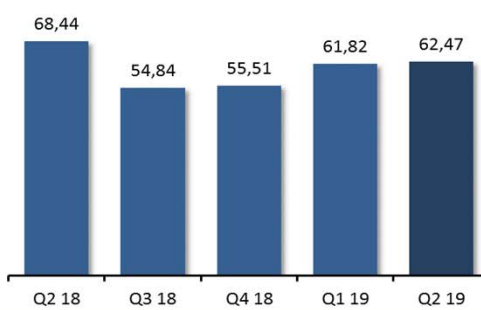


Interim Report

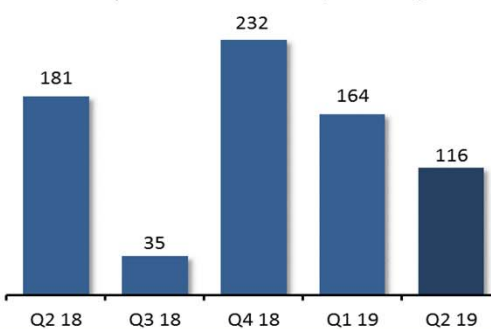
Q2-19



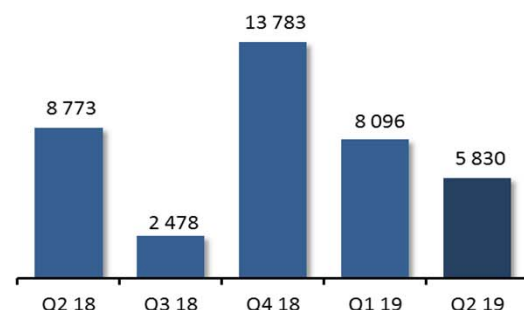
Salmon Price (NASDAQ) (NOK/kg)



Operational EBIT (MNOK)



Harvested volume (HOG)



HIGHLIGHTS Q2 2019

- Operational EBIT of NOK 116 million
 - Operational EBIT per kg of NOK 27.46 in Region North
 - Operational EBIT per kg of NOK 3.95 in Region South
 - Non-recurring item of MNOK 11
- Stable and good performance in Region North
- Harvested volume 34 % lower than corresponding prior-year period
- Good price achievement and result for the sales business
- 26 % higher biomass in the sea compared with the end of the same quarter last year
- Lower production due to low sea water temperatures in Region North and preventive measures due to algae bloom

NORWAY ROYAL SALMON - KEY FIGURES (NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operating revenues	1 205 197	1 209 524	2 691 767	2 601 316	5 080 806
Operational EBITDA	140 112	202 969	328 563	416 894	731 024
Operational EBIT	115 812	181 087	280 131	373 831	641 726
Income from associates	11 634	-23 343	22 010	-10 963	13 753
EBIT	176 646	237 515	314 499	519 216	807 739
EBT	151 492	270 355	319 978	591 904	869 838
EPS (NOK) – before fair value adjustments	1,74	3,39	5,72	7,92	13,43
ROCE ¹⁾			31,0 %	40,1 %	36,8 %
Net cash flow from operating activities	-63 032	324 819	255 902	641 061	806 696
Investments in fixed assets/licenses	207 689	62 861	294 225	169 811	412 941
Net interest-bearing debt			656 854	413 099	419 698
Equity ratio			53,2 %	52,1 %	56,7 %
Volume harvested (HOG)	5 830	8 773	13 926	19 708	35 970
Operational EBIT per kg ²⁾	23,95	24,39	23,06	21,28	19,97
Volume sold - Sales	17 579	17 150	40 417	39 690	82 420

1) ROCE: Return on average capital employed based on 4-quarters rolling EBIT aligned for fair value adjustments / average (NIBD + Equity - Financial assets)

2) Operational EBIT for segments before non-recurring items incl margin from sales

FINANCIAL PERFORMANCE

(Figures in brackets = 2018, unless otherwise specified)

Revenues and results

Norway Royal Salmon posted operating revenues of NOK 1 205.2 million (NOK 1 209.5 million) in the second quarter of 2019, a decrease of 0.3 per cent from the corresponding prior-year period. The decrease in revenues is mainly due to lower prices, while higher sold volumes has the opposite effect. The Group achieved an operational EBIT of NOK 115.8 million (NOK 181.1 million), a decrease of NOK 65.3 million. The decrease in operational EBIT is due to lower harvested volume and lower prices. Region North had better margins than in the corresponding quarter last year, but the low margins in Region South contributed negatively to operational EBIT. During the quarter, a non-recurring cost of NOK 11.0 million, which is not related to harvested fish, was recognised. The cost is related to culling of fish in two cages in Region North due to winter wounds. The non-recurring cost has not been allocated to the segments. A loss on open fixed-price contracts compared to the level of Fish Pool prices of NOK 1.9 million (loss of NOK 8.0 million) was recognised in the quarter. The Group recognised positive fair value adjustments of NOK 49.2 million (NOK 79.8 million), a decrease of NOK 30.6 million.

The farming business harvested 5 830 tonnes (8 773 tonnes) gutted weight in the quarter, a decrease of 33.5 per cent from the corresponding quarter last year. Including allocated margins from sales, Farming achieved an operational EBIT per kg of NOK 23.95 (NOK 24.39). The decrease is mainly due to lower prices and higher production costs in Region South. The Sales business sold 17 579 tonnes (17 150 tonnes), an increase of 2.5 per cent.

Financial items and share of profit from associates

Result from associates totalled NOK 11.6 million (NOK -23.4 million) in the second quarter. NRS' share of fair value adjustments of the biomass after tax amounted to NOK -3.8 million (NOK -19.1 million). Arctic Fish did not harvest in the quarter, but the result has been charged with overhead and finance costs. As a result of lower currency costs due to the change of functional currency from Icelandic krona to Euro, the Arctic Fish Group had a positive result in the second quarter. Associated Norwegian farming companies harvested 1 918 tonnes, 341 tonnes more than in the corresponding period last year. NRS' share of the above figure amounts to 709 tonnes, an increase of 126 tonnes.

As a result of the decrease of the NRS' share price from NOK 200.00 at the start of the quarter to NOK 181.10 at the end of the quarter, a loss of NOK 18.0 million (gain of NOK 38.7 million) on TRS agreements on own shares was posted in the quarter. Net finance expenses for the period were NOK 7.1 million (NOK 5.9 million), an increase of NOK 1.2 million.

Balance sheet

At the end of the reporting period, total assets amounted to NOK 4 327.9 million, an increase of NOK 374.0 million from the prior quarter end. The change in total assets is attributable to several factors. Fixed assets had a net increase of NOK 183.1 million. Financial assets increased with NOK 27.6 million. Fair value adjustments of the biomass increased by NOK 49.0 million, and inventories and biomass at cost increased by NOK 85.4 million. The net increase in inventories and biological assets was NOK 134.4 million. The Group's receivables increased by NOK 10.7 million. The Group's bank deposits increased by NOK 18.2 in the quarter.



The Group's net interest-bearing debt increased by NOK 369.0 million, from NOK 287.9 million at the end of the previous quarter to NOK 656.9 at 30 June 2019. The increase is attributable to increased working capital of NOK 203.6 million, investments in fixed assets of NOK 123.0 million, paid cash dividend of NOK 180.8 million and payment of interest and fees of NOK 7.1 million. The operational EBITDA of NOK 140.1 million and received dividend from associates of NOK 5.0 million had the opposite effect on the net interest-bearing debt. The Group had an unused credit facility of NOK 1 418 million at the end of the quarter, and bank deposits of NOK 97 million.

As of 30 June, the Group's equity totalled NOK 2 300.4 million, a decrease of NOK 54.4 million from the end of the previous quarter. The decrease is attributable to the cash dividend of NOK 180.8 million. The positive total comprehensive income of NOK 122.6 million had the opposite effect. The equity ratio at the end of the quarter was 53.2 per cent.

Statement of cash flow

The Group's operating activities generated a negative cash flow of NOK 63.0 million during the quarter, which represents a decrease of NOK 387.9 million compared with the corresponding prior-year quarter. The negative cash flow is attributable to an increase in inventories and biological assets at cost of NOK 85.4 million, a net increase in accounts receivables and accounts payables of NOK 98.2 million and a net increase in short term posts of NOK 20.6 million. A positive operational EBITDA of NOK 140.1 million had the opposite effect on the cash flow.

Net cash outflows related to investing activities in the second quarter amounted to NOK 118.0 million (NOK 69.9 million), which is mainly attributable to investments in fixed assets of NOK 123.0 million. Received dividend from associates of NOK 5.0 million had a positive effect on the cash flow.

The net cash inflows from financing activities totalled NOK 199.2 million (outflow of NOK 100.2 million) in the second quarter. The increase of NOK 450.0 million on the long-term credit facility and the increase in leasing liabilities of NOK 14.4 million resulted in a total increase of NOK 464.4 million in long term debt. Finance costs paid and instalments amounted to NOK 7.1 million and NOK 14.4 million respectively. A cash dividend of NOK 180.8 has been paid in the quarter. The overdraft facility decreased by NOK 63.0 million during the period.

SEGMENT INFORMATION

The Group is organised into two business areas; Farming and Sales. The performance of the two business areas is monitored with the overall objective of maximising Operational EBIT per kg and margins.

The Farming business is divided into two geographical segments; Region North and Region South. Norway Royal Salmon monitors overall value creation from operations based on the salmon's source of origin. Consequently, external reporting focuses on measuring the overall profitability of the harvested volume based on source of origin (Operational EBIT/kg). For this reason, the contribution from the sales operations is allocated to Region North and Region South based on the volume harvested in the respective segments.

The Group owns 39 426 tonnes MAB to produce farmed salmon, divided between 34 746 tonnes MAB in Region North, located in Troms and western Finnmark, and 4 680 tonnes MAB in Region South, located in the area around Haugesund.



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The segments posted sales revenues of NOK 1 205.2 million in the second quarter (NOK 1 209.5 million), a decrease of 0.3 per cent from the corresponding period last year. The spot price (NASDAQ) for superior quality during the quarter was NOK 62.47 per kg gutted weight, an increase of 1 per cent from the first quarter of 2019 and a decrease of 8.7 per cent compared with the second quarter of 2018. The sales operations experienced an increase in sales volumes of 2.5 per cent compared with the corresponding prior-year period. 17 579 tonnes (17 150 tonnes) were sold in the second quarter. The Sales business achieved an operational EBIT before open fixed-price contracts of NOK 9.3 million (NOK 4.4 million), which equates to NOK 0.53 (NOK 0.26) per kg sold volume in the period. Loss on open fixed-price contracts compared to the level of Fish Pool prices was NOK 1.9 million (loss of NOK 8.0 million) in the quarter.

The Farming operations harvested 5 830 tonnes (8 773 tonnes) gutted weight in the second quarter, a decrease of 33.5 per cent from the corresponding period last year. The estimated harvest volume for 2019 is 35 000 tonnes gutted weight.

REGION NORTH

Operational EBIT came in at NOK 136.2 million (NOK 157.4 million), a decrease of NOK 21.2 million compared with the same quarter last year. Operational EBIT (ex. contracts) per kg amounted to NOK 27.78 (NOK 25.64). Loss on fixed-price contracts of NOK 0.32 per kg (NOK 0.91) contributed to an operational EBIT per kg of NOK 27.46 (NOK 24.73).

4 962 tonnes (6 365 tonnes) were harvested in the region in the second quarter, a decrease of 22.0 per cent. The achieved price for the Farming operations was NOK 2.67 lower per kg than in the corresponding period last year. The size of the harvested fish and the timing of harvest contributed positively to the price achievement.

Total production cost per kg for harvested fish was NOK 36.12, which is NOK 1.64 higher than in the first quarter of 2019 and NOK 3.72 lower than in the corresponding period last year. The increase in production costs from the previous quarter is due to an increased share of harvest volume from Troms. The production cost on harvested fish from Finnmark continues to be low. Harvest of fish from areas with temporary restrictions has resulted in high well boat and harvest costs in Troms. All fish from such areas have been harvested in the quarter, so this additional cost will not accrue in the next quarter.

Low sea water temperatures so far this year and preventive measures due to algae bloom have led to lower production, hence estimated harvest volume for 2019 is reduced with 2 500 tonnes to 30 500 tonnes gutted weight.

KEY FIGURES (NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operating revenues	1 025 654	876 617	2 313 836	2 097 386	4 636 283
Operational EBITDA	157 389	168 348	357 390	389 515	714 506
Operational EBIT	136 229	157 434	315 238	341 882	638 160
Investment in tangible assets/licenses	194 805	191 472	281 184	279 436	337 843
Volume harvested (tonnes HOG)	4 962	6 365	11 978	15 963	30 384
Operational EBIT per kg (ex contracts)	27,78	25,64	26,30	21,91	20,66
Gain (+)/Loss (-) on open fixed price contracts	-0,32	-0,91	0,02	-0,50	0,34
Operational EBIT per kg	27,46	24,73	26,32	21,42	21,00



REGION SOUTH

Operational EBIT came in at NOK 3.4 million (NOK 56.5 million), a decrease of NOK 53.1 million. Operational EBIT (ex. contracts) per kg amounted to NOK 4.27 (NOK 24.40). Loss on fixed-price contracts of NOK 0.32 per kg (NOK 0.91) contributed to an operational EBIT per kg of NOK 3.95 (NOK 23.49).

869 tonnes (2 407 tonnes) were harvested in the region in the second quarter, a decrease of 63.9 per cent from the corresponding prior-year period. The Farming operations achieved a price which was NOK 1.15 per kg lower than in the corresponding prior-year period. The timing of harvest contributed positively to the price achievement, while the size of the fish contributed negatively.

The production costs for harvested fish was NOK 58.86, which is NOK 5.83 per kg higher than in the first quarter of 2019 and NOK 20.07 higher than in the corresponding period last year. The remaining fish from the site it was harvested from in the previous two quarters were harvested in the second quarter. The high production costs at this site are caused by high mortality on harvestable fish in the previous quarter due to the fish disease yersinosis. All smolt will be vaccinated for the disease in the future.

The process to assess strategic alternatives for the Group's operations in Region South is going as planned. The estimated harvest volume for 2019 is 4 500 tonnes gutted weight.

KEY FIGURES (NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operating revenues	179 543	331 506	377 808	501 682	747 657
Operational EBITDA	6 513	59 410	12 098	86 583	93 062
Operational EBIT	3 430	56 541	5 930	77 468	80 313
Investment in tangible assets	13 375	2 947	13 375	5 156	12 131
Volume harvested (tonnes HOG)	869	2 407	1 948	3 745	5 586
Operational EBIT per kg (ex contracts)	4,27	24,40	3,04	21,35	14,53
Gain (+)/Loss (-) on open fixed price contracts	-0,32	-0,91	0,00	-0,66	-0,15
Operational EBIT per kg	3,95	23,49	3,04	20,69	14,38

SHARES

As of 30 June 2019, Norway Royal Salmon ASA have 43 572 191 shares, allocated among 2 567 shareholders, a decrease of 87 from the end of the previous quarter. At the end of the quarter, the group had 140 811 treasury shares. The share price decreased from NOK 200.00 at the end of March 2019 to NOK 181.10 at the end of June 2019. 3 110 926 shares were traded during the quarter.

EVENTS IN OR SUBSEQUENT TO THE QUARTER

Annual general meeting

The annual general meeting was held in Trondheim on 6 June 2019.

The general meeting granted the board of directors authority to acquire treasury shares by up to a total of 4,357,219 shares, each with a nominal value of NOK 1, which equals 10 per cent of the company's share capital. For acquisitions, the purchase price per share should be no lower than a nominal value of NOK 1, and no higher than NOK 300 per share. The authority remains in force until the ordinary general meeting in 2020, however no later than 30 June 2020.

The general meeting granted the board of directors authority to increase the Company's share capital by up to NOK 4,357,219, which equals 10 per cent of the company's share capital. The authority remains in force until the ordinary general meeting in 2020, however no later than 30 June 2020.

Eva Kristoffersen and Tom Vidar Rygh were elected as a new directors instead of John Hindar and Kristine Landmark. The other board members were re-elected by the general meeting.

The general meeting resolved to distribute a dividend of NOK 6.00 per share. The dividend was distributed by a cash dividend of NOK 4.20 per share and distribution of shares in NRS from the company's treasury shares.

Acquisition of 50 per cent of the shares in Nordnorsk Smolt AS

At the end of the second quarter, Norway Royal Salmon acquired 50 per cent of the shares in Nordnorsk Smolt AS, while Grieg Seafood acquiring the remaining 50 per cent. The buyers paid NOK 2.5 million for all the shares in the company. Nordnorsk Smolt AS has been financed by loans from the buyers during the development and expansion period. The loans are planned to be converted to equity in the autumn, to strengthen the company's solidity.

Planned production is approximately 800 tonnes of smolt per year. The acquisition of 50 per cent of Nordnorsk Smolt AS will secure access to large smolt and contribute to better production optimization for NRS's fish farming operations. The investment is in line with NRS's strategy of obtaining greater control of this part of the value chain, as well as producing bigger smolt.

Sickness absence

At 1.4 per cent, the Group's sickness absence rate decreased by 1.0 per cent from the previous quarter.

SUMMARY OF EVENTS YEAR TO DATE IN 2019

The Group posted operating revenues of NOK 2 691.8 million (NOK 2 601.3 million) in the first half of 2019, an increase of 3.5 per cent compared with the corresponding prior-year period. During the same period, the Group posted an operational EBIT of NOK 280.1 million (NOK 373.8 million). 13 926 tonnes were harvested in the first half of 2019, compared with 19 708 tonnes in the corresponding prior-year period. The group had a positive



operational cash-flow of NOK 255.9 million (NOK 642.1 million) in the first half of 2019. At the end of the second quarter the Group had an equity ratio of 53.2 per cent (52.1 per cent). The Group has increased its net interest-bearing debt by NOK 237.2 million in the first half of 2019 to NOK 656.9 million. A dividend of NOK 258.3 million was distributed in the first half of 2019.

Region North harvested 11 978 tonnes (15 963 tonnes) in the first half of 2019 and posted an EBIT per kg of NOK 26.32 (NOK 21.42). Region South harvested 1 948 tonnes (3 745 tonnes) in the first half of 2019 and posted an EBIT per kg of NOK 3.04 (NOK 20.69). The Sales business sold 40 417 tonnes (39 690 tonnes) in the first half of 2019.

Norway Royal Salmon has not identified any additional risk exposure beyond the risks described in the 2018 annual report. Norway Royal Salmon is exposed to the salmon price and the biological condition of the biomass in the sea. Reference is made to the Outlook section of this report for other comments to NRS' risk exposure. Transaction with related parties are priced at market rates. Reference is made to the Note 6 of this report for further information regarding related parties

MARKET CONDITIONS

The total value of salmon exported from Norway in the second quarter was NOK 17.8 billion, an increase of 5.6 per cent from the second quarter of 2018. The value increase was due to exported volume from Norway being 7.7 per cent higher than in the second quarter of 2018. The spot price (NASDAQ) in the second quarter of 2019 was NOK 62.47 per kg superior quality salmon (delivered Oslo). This is a decrease of 8.7 per cent from the second quarter of 2018. In EUR, the prices of Norwegian salmon decreased 10.3 per cent to EUR 6.43 per kg. The export price of NOK 67.00 was higher than the spot price and 2.0 per cent lower than in the same period last year.

The price reduction in the spot market is mainly driven by increased global supply. Harvested volumes from Norway increased by 9 per cent from the corresponding prior-year period. Harvested volumes from Chile increased by 6 per cent, which resulted in an increase in global harvesting volumes of 8 per cent. For Q3 2019 Kontali Analyse expects a harvesting volume, which is 5 per cent higher than in Q3 2018.

Harvest volume (tonnes wfe)	Q2/19	yr/yr	Q3/19 E	yr/yr
Norway	308 000	9 %	328 500	2 %
Chile	161 800	6 %	174 200	7 %
Uk	42 600	20 %	46 000	16 %
Canada	36 100	-6 %	39 500	4 %
Faroe Islands	18 300	5 %	13 200	6 %
Australia	13 500	-1 %	15 200	-1 %
USA	5 200	21 %	4 300	-20 %
Iceland	5 200	79 %	5 200	117 %
Others	10 000	67 %	10 700	91 %
	600 700	8 %	636 800	5 %

Source: Kontali Analyse

Sold volumes increased by 6 per cent in the quarter compared with the same period last year. This is lower than the increase in global harvest volume and indicate slightly higher frozen inventory increase compared to the same quarter last year. Eastern Europe, EU and Other markets are the markets that grow the most.

Sold volumes (tonnes wfe)	Q2/19	yr/yr	Q3/19 E	yr/yr
EU	260 900	8 %	285 300	4 %
USA	127 300	3 %	129 400	12 %
Eastern Europe ex. Russia	8 900	19 %	11 000	9 %
Russia	19 700	-11 %	24 900	-2 %
Asia ex. Japan	63 200	6 %	63 600	9 %
Japan	13 700	2 %	14 300	1 %
Others	101 600	12 %	109 600	7 %
	595 300	6 %	638 100	6 %

Source: Kontali Analyse



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Demand for salmon in the EU has been good in the quarter with 8 per cent higher global import volumes, 84 per cent of the volume comes from Norway. Norwegian export volume to the EU increased by 5 per cent from the corresponding prior-year period, while the export value was unchanged. Lower salmon prices compared with the second quarter of 2018 had a positive impact on several of the markets in the EU. Denmark, Spain and Holland had the highest increase in the second quarter. France and UK had a reduction in import volumes in this quarter as well. That the growth in import volumes is equal to the global growth indicate that the underlying demand in EU still is good.

Demand for salmon in Asia continued the good development in the second quarter. Import volumes increased by 5 per cent in total and by 25 per cent from Norway. Norway had a market share of 63 per cent in the second quarter. Chile had a decrease toward this region in the quarter. All regions had an increase in import volumes from Norway in the quarter.

High prices cause export of salmon to Eastern Europe to decline in the second quarter of 2019. Global import volumes decreased by 4 per cent, but import volumes from Norway increased with 22 per cent. The volumes to the region are clearly lower than when Norway exported to Russia. Volumes to Russia from other producer nations showed a substantial decrease in the second quarter. Norway had a market share of 26 per cent in Eastern Europe.

Demand for salmon in North America continues the positive trend. In total, import to North America has increased by 3 per cent, while volume from Norway decreased by 5 per cent.

The second quarter resulted in good profitability for the NRS' Sales operations and better margins than in the second quarter of 2018. Good price achievement and margins together with a volume increase of 2.5 per cent contributed positively to the profitability. 52 per cent of the harvested fish were sold in the spot market in the second quarter, while 48 per cent were sold at fixed prices. The fixed price contracts resulted in a loss of NOK 1.9 million compared to the level of Fish Pool prices in the quarter. The sales volumes to Asia increased by 10 per cent in the quarter, volumes to Western Europe increased with 2 per cent and export volumes to Eastern Europe increased with 58 per cent. The volumes sold in Norway decreased by 17 per cent in the quarter. In the second quarter, Western Europe accounted for 74 per cent of the export volumes, Asia for 17 per cent and Eastern Europe for 9 per cent. Domestic volume amounts to 14 per cent of the total sold volume.

Q2/2019	Tonnes (wfe)	yr/yr	MNOK	yr/yr
Norway to EU:				
Poland	38 550	8 %	2 094	4 %
France	25 969	-13 %	1 528	-15 %
Denmark	26 418	18 %	1 471	11 %
UK	17 237	-9 %	1 006	-12 %
Spain	19 801	14 %	1 159	10 %
Holland	17 837	9 %	1 053	4 %
Others in EU	72 715	8 %	4 288	3 %
Total Norway to EU	218 527	5 %	12 598	0 %
Others to EU	42 373	24 %		
EU total	260 900	8 %		

Source: Norsk sjømatråd

Q2/2019	Tonnes (wfe)	yr/yr	MNOK	yr/yr
Norway to Asia				
South East Asia	12 503	37 %	808	35 %
Japan	10 031	5 %	657	10 %
Middle East	7 972	36 %	505	32 %
China (incl. Hong Kong)	10 031	51 %	658	47 %
South-Korea	7 864	5 %	547	8 %
Others in Asia	218	45 %	15	37 %
Total Norway to Asia	48 619	25 %	3 189	25 %
Others to Asia	28 281	-18 %		
Asia Total	76 900	5 %		

Source: Norsk sjømatråd

Q2/2019	Tonnes (wfe)	yr/yr	MNOK	år/år
Norway to Eastern Europe				
Ukraine	3 136	11 %	167	32 %
Turkey	1 087	3 %	60	-5 %
Belarus	898	-26 %	49	-27 %
Kazakhstan	1 117	55 %	67	66 %
Others in Eastern Europe	1 072	639 %	92	129 %
Norway to Eastern Europe	7 310	22 %	436	29 %
Other to Eastern Europe	21 290	-10 %		
Eastern Europe Total	28 600	-4 %		

Source: Norsk sjømatråd

Q2/2019	Tonnes (wfe)	yr/yr	MNOK	yr/yr
Norway to North America				
USA	15 706	-7 %	1 230	7 %
Canada	583	76 %	50	113 %
Total Norway to North America	16 289	-5 %	1 280	9 %
Others to North America	111 011	5 %		
North America Total	127 300	3 %		

Source: Norsk sjømatråd



OUTLOOK

Harvested volume for the quarter was 5 830 tonnes, which is 700 tonnes lower than estimated in the last quarterly report due to the postponement of harvest planned in the second quarter to the third quarter. Low sea water temperatures in Region North so far this year and preventive measures due to algae bloom have resulted in lower production, hence estimated harvest volume for 2019 has been reduced by 2 500 tonnes to 35 000 tonnes gutted weight. The farming operations hedged the price of 48 per cent of the harvested volume in the second quarter. For the remaining quarters of 2019, 6 403 tonnes are hedged at a Nasdaq equivalent price of around NOK 62.75 per kg.

In the third quarter of 2019 Kontali Analyse expects global harvest volumes to increase with 5 per cent compared with the third quarter of 2018. For 2019 Kontali Analyse expects a growth in global harvest volume of 6 per cent from 2018, which is a moderate growth seen in historical context. The growth in 2019 from both Norway and Chile is expected to be 4 per cent. Together with good demand for salmon, this provide the basis for a continued positive market outlook for the industry.

Trondheim, 26 August 2019

Helge Gåsø
Chair

Tom Vidar Rygh

Marianne E. Johnsen

Eva Kristoffersen

Lars Måsøval

Trude Olafsen

Charles Høstlund
CEO



RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that the financial report for the first half of 2019 has been prepared in accordance with IAS 34 – Interim Financial Reporting, as adopted by EU, and gives a true and fair view of the Group’s assets, liabilities, financial position and profits and loss for the period.

We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Trondheim, 26 August 2019

Helge Gåsø
Chair

Tom Vidar Rygh

Marianne E. Johnsen

Eva Kristoffersen

Lars Måsøval

Trude Olafsen

Charles Høstlund
CEO



INTERIM REPORT

Q2 2019

INTERIM REPORT

INCOME STATEMENT

(NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operating revenues	1 205 197	1 209 524	2 691 767	2 601 316	5 080 806
Cost of goods sold	950 292	914 683	2 148 847	2 007 812	3 994 231
Salaries	43 829	37 093	88 542	81 399	158 341
Depreciation	24 299	21 882	48 432	43 063	89 299
Other operating costs	70 964	54 779	125 816	95 210	197 211
Operational EBIT	115 812	181 087	280 131	373 831	641 726
Fair value adjustments	49 200	79 771	12 358	156 349	152 260
Income from associates	11 634	-23 343	22 010	-10 963	13 753
EBIT	176 646	237 515	314 499	519 216	807 739
Gain/loss on financial assets	-18 022	38 722	19 323	83 986	82 113
Other net financial items	-7 131	-5 882	-13 844	-11 298	-20 014
EBT	151 492	270 355	319 978	591 904	869 838
Tax	-37 371	-62 773	-61 306	-123 515	-160 748
Net profit/loss	114 121	207 582	258 672	468 389	709 091
Profit attributable to:					
Parent company shareholders	110 537	210 314	253 603	465 428	705 311
Minority interests	3 584	-2 732	5 069	2 961	3 780
Earnings per share (NOK)	2,55	4,84	5,86	10,70	16,21
Earnings per share - diluted	2,55	4,84	5,86	10,70	16,21

EXTENDED INCOME STATEMENT

(NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Net profit/loss	114 121	207 582	258 672	468 389	709 091
Items to be reclassified to profit or loss:					
Translation differences and OCI posts from associated companies	7 291	-8 293	-7 884	-8 311	-15 859
Cash Flow hedges (net)	1 220	4 014	12 955	11 292	-2 699
Items not to be reclassified to profit or loss:					
Actuarial gains on defined benefit plans (net)	0	0	0	0	-1 154
Total comprehensive income	122 632	203 303	263 743	471 370	689 379
Total comprehensive income attributable to:					
Parent company shareholders	119 048	206 036	258 674	468 409	685 600
Non-controlling interests	3 584	-2 732	5 069	2 961	3 780



BALANCE SHEET

(NOK '000)	30.06.2019	31.03.2019	30.06.2018	31.12.2018
Intangible assets	846 807	846 807	846 807	846 807
Property, plant and equipment	934 878	751 736	588 030	672 577
Non-current financial assets	681 873	654 240	644 716	656 001
Non-current assets	2 463 558	2 252 783	2 079 553	2 175 385
Inventory and biological assets	1 361 671	1 227 345	1 120 709	1 321 769
Receivables	405 470	394 754	589 932	438 027
Bank deposits, cash	97 196	79 006	243 661	155 653
Current assets	1 864 337	1 701 105	1 954 302	1 915 449
TOTAL ASSETS	4 327 896	3 953 888	4 033 856	4 090 834
Share capital	43 431	43 043	43 514	43 514
Other equity	2 210 375	2 268 746	2 017 055	2 235 729
Non-controlling interests	46 611	43 027	40 723	41 542
Equity	2 300 418	2 354 816	2 101 291	2 320 785
Pensions	19 005	19 005	16 728	19 005
Deferred tax	457 983	412 999	493 099	385 754
Provisions	476 988	432 004	509 827	404 759
Long-term interest-bearing debt	752 238	303 524	658 307	551 054
Short-term interest-bearing debt	83 029	144 642	54 073	102 514
Trade payables	598 595	632 510	577 047	446 993
Tax payable	0	0	36 178	134 777
Other current liabilities	116 627	86 391	97 133	129 952
Current liabilities	798 252	863 544	764 431	814 236
TOTAL EQUITY AND LIABILITIES	4 327 896	3 953 888	4 033 856	4 090 834



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STATEMENT OF EQUITY

30.06.2019	Equity allocated to parent company shareholders					
(NOK '000)	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 01.01.2019	43 572	-58	2 235 729	2 279 243	41 542	2 320 785
Total comprehensive income	0	0	258 674	258 674	5 069	263 743
Transactions with shareholders						
Dividend	0	0	-258 259	-258 259	0	-258 259
Share based payment	0	0	-3 475	-3 475	0	-3 475
Net purchase and sale of treasury shares	0	-83	-24 952	-25 035	0	-25 035
Equity changes associated companies	0	0	2 659	2 659	0	2 659
Total transactions with shareholders	0	-83	-284 027	-284 110	0	-284 110
Equity at 30.06.2019	43 572	-141	2 210 376	2 253 807	46 612	2 300 418

30.06.2018	Equity allocated to parent company shareholders					
(NOK '000)	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 01.01.2018	43 572	-82	1 769 780	1 813 271	37 762	1 851 030
Comprehensive income	0	0	468 409	468 409	2 961	471 370
Transactions with shareholders						
Dividend	0	0	-224 687	-224 687	0	-224 687
Share based payment	0	0	-1 805	-1 805	0	-1 805
Net purchase and sale of treasury shares	0	24	3 863	3 887	0	3 887
Equity changes associated companies	0	0	1 496	1 496	0	1 496
Total transactions with shareholders	0	24	-221 133	-221 108	0	-221 108
Equity at 30.06.2018	43 572	-58	2 017 054	2 060 571	40 723	2 101 291

31.12.2018	Equity allocated to parent company shareholders					
(NOK '000)	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 01.01.2018	43 572	-82	1 769 780	1 813 271	37 762	1 851 030
Total comprehensive income	0	0	685 600	685 600	3 780	689 379
Transactions with shareholders						
Dividend	0	0	-224 710	-224 710	0	-224 710
Share based payment	0	0	-297	-297	0	-297
Net purchase and sale of treasury shares	0	24	3 863	3 887	0	3 887
Equity changes associated companies	0	0	1 496	1 496	0	1 496
Total transactions with shareholders	0	24	-219 649	-219 624	0	-219 624
Equity at 31.12.2018	43 572	-58	2 235 729	2 279 246	41 542	2 320 785



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STATEMENT OF CASH FLOW

(NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operational EBIT	115 812	181 087	280 131	373 831	641 726
Adjusted for:					
Tax paid	0	-23 722	-138 000	-75 555	-112 223
Depreciation and write-downs	24 299	21 882	48 432	43 063	89 299
Share based payment	1 091	726	-3 475	-1 805	-297
Pension costs with no cash effect	0	0	0	0	798
Change in inventory / biomass	-85 352	100 824	-26 873	296 079	81 527
Change in debtors and creditors	-98 245	42 291	167 104	-9 686	74 678
Change in other current assets and other liabilities	-20 638	1 731	-71 418	15 134	31 190
Net cash flow from operating activities	-63 032	324 819	255 902	641 061	806 696
Cash flow from investing activities					
Payments for purchase of PPE and licenses (MAB)	-122 997	-75 321	-209 533	-169 811	-412 941
Payments(-)/proceeds(+) from realisation of non-current financial assets (TRS)	0	9 122	25 376	-23 384	47 282
Proceeds from investments in financial assets	5 030	4 527	5 030	4 527	11 458
Change in loans to associates and others	0	-8 250	-3 000	-37 020	-57 617
Net cash flow from investing activities	-117 967	-69 922	-182 126	-225 689	-411 818
Cash flow from financing activities					
Receipts from new long-term debt	464 415	223 540	214 415	223 540	241 189
Long-term debt repayments	-14 357	-13 909	-28 934	-28 399	-156 471
Net change in overdraft	-62 957	-79 957	-20 575	-286 619	-235 008
Payment for acquisition of treasury shares	0	889	-25 035	3 887	3 887
Interest paid	-7 131	-6 115	-13 844	-11 213	-19 918
Dividend payment	-180 781	-224 687	-258 259	-224 687	-224 684
Net cash flow from financing activities	199 189	-100 238	-132 232	-323 490	-391 005
Net increase (+)/ decrease (-) in cash & cash equivalents	18 191	154 659	-58 457	91 882	3 873
Cash and cash equivalents - opening balance	79 006	89 002	155 653	151 780	151 780
Cash and cash equivalents - closing balance	97 196	243 661	97 196	243 661	155 653

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Accounting principles

These condensed, consolidated interim financial statements have been drawn up in accordance with International Financial Reporting Standards (IFRSs) and such interpretations as are determined by the EU and published by the International Accounting Standards Board, including the interim reporting standard (IAS 34). The interim financial statements do not include all the information required of an annual financial report and must therefore be read in conjunction with the consolidated financial statements for the 2018 financial year.

The condensed consolidated interim financial statements have not been audited. As a result of rounding differences, numbers or percentages may not add up to the total.

The consolidated financial statements for the Group for the year 2018 are available upon request from the company's head office at Ferjemansveien 10, Trondheim or at www.norwayroyalsalmon.com.

The Group's accounting principles in this interim report are the same as described in the annual financial report for 2018 with the exemption that IFRS 16 has been implemented from 1 January 2019. See Note 10.



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: Segment information

Operating segments are identified based on the reporting used by Group management to assess performance and profitability at a strategic level. The Group management is defined as the chief operating decision-makers.

The Group's business areas are divided into the Sales and Fish farming. The Sales segment includes the purchase and sale of salmon. The fish farming business includes salmon farming and harvesting activities. The fish farming business is divided into two regions: Region North, which consists of the fish farming business in Troms and West Finnmark; and Region South, which consists of the fish farming business in the area around Haugesund. Transactions between the segments are made at market terms. Group management reviews monthly reports in connection with the segments. Performance is evaluated based on operating results (EBIT) per segment.

(NOK '000)	Sales		Farming				Eliminations/other		Total	
	Q2 2019	Q2 2018	Region North		Region South		Q2 2019	Q2 2018	Q2 2019	Q2 2018
			Q2 2019	Q2 2018	Q2 2019	Q2 2018				
Total sales revenues	1 205 197	1 208 123	309 154	413 597	53 450	150 904	0	1 401	1 567 801	1 774 025
Internal sales revenues	0	0	309 154	413 597	53 450	150 904	0	0	362 604	564 501
External sales revenues	1 205 197	1 208 123	0	0	0	0	0	1 401	1 205 197	1 209 524
Operating costs	1 197 803	1 211 700	179 217	253 567	51 122	93 381	-338 758	-530 211	1 089 385	1 028 437
Operational EBIT	7 394	-3 577	129 936	160 030	2 329	57 523	-23 846	-32 889	115 812	181 087
Fair value adjustments	226	-2 535	34 412	97 408	14 562	-15 102	0	0	49 200	79 771
Income from associates	0	0	0	0	0	0	11 634	-23 343	11 634	-23 343
EBIT	7 620	-6 113	164 348	257 438	16 891	42 421	-12 213	-56 232	176 646	237 515
EBT	7 028	-5 603	160 693	255 627	16 291	42 412	-32 519	-22 081	151 492	270 355
Volume harvested (HOG)			4 962	6 365	869	2 407			5 830	8 773
Operational EBIT per kg			26,19	25,14	2,68	23,90			22,69	24,80
Volume sold	17 579	17 150							17 579	17 150
Operational EBIT per kg	0,42	-0,21							0,42	-0,21
- of w hich gain on fixed-price contracts per kg.	-0,11	-0,47							-0,11	-0,47
(NOK '000)			Region North		Region South		Eliminations/other		Total	
	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018	YTD 2019	YTD 2018
Total sales revenues	2 691 643	2 599 068	732 009	960 523	113 506	223 353	124	2 247	3 537 283	3 785 191
Internal sales revenues	0	0	732 009	960 522	113 506	223 353	0	0	845 515	1 183 875
External sales revenues	2 691 643	2 599 068	0	0	0	0	124	2 247	2 691 767	2 601 316
Operating costs	2 686 450	2 606 330	421 156	612 811	108 384	144 453	-804 354	-1 136 109	2 411 637	2 227 485
Operational EBIT	5 193	-7 262	310 853	347 712	5 122	78 900	-41 038	-45 520	280 131	373 831
Fair value adjustments	-671	16 564	143	125 401	12 886	14 383	0	0	12 358	156 349
Income from associates	0	0	0	0	0	0	22 010	-10 963	22 010	-10 963
EBIT	4 522	9 302	310 996	473 113	18 008	93 283	-19 027	-56 483	314 499	519 216
EBT	2 717	9 797	304 001	468 529	17 041	93 164	-3 781	20 413	319 978	591 904
Volume harvested (HOG)			11 978	15 963	1 948	3 745			13 926	19 708
Operational EBIT per kg			25,95	21,78	2,63	21,07			22,69	21,65
Volume sold	40 417	39 690							40 417	39 690
Operational EBIT per kg	0,13	-0,18							0,13	-0,18
- of w hich gain on open fixed-price contracts per kg.	0,01	-0,26							0,01	-0,26

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Biomass

In accordance with IAS 41, the biomass is recognised at fair value. The fair value is calculated in accordance with IFRS 13. Adjustments to the fair value of the biomass are presented on a separate line in the income statement. The technical model for calculating fair value is a present value model. Present value is calculated for the biomass on each site/project by estimating the future sales value less remaining production costs discounted to the present value at the balance sheet date.

The fair value of fish in the sea is calculated in the present value model as a function of the expected biomass at the time of harvest multiplied by the expected sales price. For fish that are not harvestable, estimated remaining costs to breed the fish to its harvestable weight are deducted. Cash flows are discounted monthly using a discount factor. The discount factor consists of three main components: 1) risk for events that affect cash flow, 2) hypothetical license and site rent and 3) the time value of money. For this quarter a discount factor of 6.0 % has been used. Expected biomass (volume) is based on the estimated number of individuals in the sea, adjusted for expected mortality until harvesting and multiplied by the expected harvest weight per individual at the time of harvest. The measuring unit is the individual fish, but for practical reasons the calculation is made on site level. Live weight of fish in the sea is translated into gutted weight to get the same measurement unit as the prices are set in.

The price is calculated based on forward prices from Fish Pool. The forward price for the month in which the fish expected to be harvested is used in the calculation of expected cash flow. The price quoted by Fish Pool adjusted for the export cost is the reference price. This price is further adjusted for expected harvest costs (well boat, harvest and packing) and transport to Oslo. Adjustments for expected size differences and quality differences are also made. The adjustment in relation to the reference price is done at site level.

The principle of highest and best use, according to IFRS 13 is the basis for the valuation and classification. In the fair value calculation, optimal harvest weight is defined as harvest weight according harvest plans.

Book value of inventory:

(NOK '000)	30.06.2019	31.03.2019	30.06.2018	31.12.2018
Raw materials	29 901	23 461	21 292	31 349
Biological assets	1 277 552	1 133 450	1 040 206	1 240 393
Finished goods	54 218	70 434	59 211	50 027
Total inventory	1 361 671	1 227 345	1 120 709	1 321 769

Specification of the biological assets:

(NOK '000)	30.06.2019	31.03.2019	30.06.2018	31.12.2018
Biological assets at cost	911 253	816 125	673 444	887 123
Fair value adjustments of the biomass	366 299	317 325	366 762	353 270
Book value biological assets	1 277 552	1 133 450	1 040 206	1 240 393

Specification of biological assets - tonnes

	Q2 2019	Q1 2019	Q2 2018	FY 2018
Opening balance biological assets	20 765	24 675	21 942	29 071
Increase due fish put in the sea	594	0	425	1 371
Increase due to production in the period	7 151	6 447	6 150	41 490
Reduction due to mortality in the period	-359	-718	-541	-3 011
Reduction due to harvesting in the period	-6 941	-9 638	-10 443	-42 827
Non-recurring items	-68	0	-766	-1 419
Closing balance biological assets	21 143	20 765	16 766	24 675

Specification of changes in book value of biological assets:

(NOK '000)	Q2 2019	Q1 2019	Q2 2018	FY 2018
Opening balance biological assets	1 133 450	1 240 394	1 069 942	1 177 678
Increase due to production in the period	310 806	192 668	224 692	1 144 419
Non-recurring event at cost	-11 000	0	-22 000	-34 000
Reduction due to harvesting in the period	-204 679	-263 665	-312 233	-1 175 113
Fair value adjustments of the biological assets	48 974	-35 945	94 752	156 716
Fair value adj. of the biological assets due to non-recurring event	0	0	-14 947	-29 306
Closing balance biological assets	1 277 552	1 133 450	1 040 206	1 240 393

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Biomass cont.

Groups of biological assets, status as of 30.06.2019	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	7 087	3 281	278 865	103 468	382 332
1-4 kg	5 980	12 649	498 728	167 911	666 639
Larger than 4 kg	980	5 214	133 659	94 920	228 578
Biological assets	14 048	21 143	911 252	366 299	1 277 552

Groups of biological assets, status as of 31.03.2019	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	3 141	1 607	129 244	23 510	152 754
1-4 kg	6 741	10 991	462 382	144 156	606 537
Larger than 4 kg	1 750	8 167	224 498	149 660	374 158
Biological assets	11 632	20 765	816 124	317 325	1 133 450

Groups of biological assets, status pr 30.06.2018	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	5 425	2 266	198 271	116 652	314 923
1-4 kg	6 683	14 168	466 408	246 019	712 427
Larger than 4 kg	58	332	11 265	1 589	12 854
Biological assets	12 167	16 766	675 944	364 261	1 040 206

Groups of biological assets, status as of 31.12.2018	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	4 658	1 762	142 015	39 535	181 550
1-4 kg	7 814	14 164	529 821	156 556	686 377
Larger than 4 kg	1 593	8 749	215 289	157 179	372 468
Biological assets	14 065	24 674	887 125	353 270	1 240 393

Fish Pool forward prices used in the calculation of the fair value of the biomass

30.06.2019	NOK/kg	31.03.2019	NOK/kg	30.06.2018	NOK/kg	31.12.2018	NOK/kg
Q3 19	58,28	Q2 19	66,35	Q3 18	58,87	Q1 19	64,02
Q4 19	57,62	Q3 19	58,63	Q4 18	61,33	Q2 19	65,00
Q1 20	63,55	Q4 19	58,90	Q1 19	63,50	Q3 19	59,52
Q2 20	64,85	Q1 +Q2 20	62,95	Q2 19	63,70	Q4 19	61,48
Q3 + Q4 20	57,80	Q3 + Q4 20	59,75	Q3 + Q4 19	59,70	Q1 + Q2 20	64,51

NOTE 4: Non-recurring events

Non-recurring event ¹⁾	Q2 2019			Q2 2018		
	Cost	Fair value adjustments	Fair value	Cost	Fair value adjustments	Fair value
Culling of fish due to sores Nor Seafood AS	11 000	0	11 000			
Extraordinary mortality w hen delousing NRS Feøy AS				2 000	830	2 830
The fish disease Infections Salmon Anemia (ISA) NOR Seafood AS				20 000	14 117	34 117
Biological assets	11 000	0	11 000	22 000	14 947	36 947

1) Non-recurring event not allocated to the segments.

Non-recurring event ¹⁾	YTD 2019			YTD 2018		
	Cost	Fair value adjustments	Fair value	Cost	Fair value adjustments	Fair value
The fish disease Infections Salmon Anemia (ISA)	11 000	0	11 000			
Extraordinary mortality w hen delousing NRS Feøy AS				2 000	830	2 830
The fish disease Infections Salmon Anemia (ISA) NOR Seafood AS				20 000	14 117	34 117
Biological assets	11 000	0	11 000	22 000	14 947	36 947

1) Non-recurring event not allocated to the segments.



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 5: Fair value adjustments

Fair value adjustments which are a part of the Group's EBIT, is presented on a separate line in order to give a better understanding of the Group's operating profit from goods sold. The item consists of:

(NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Change in fair value adjustments of the biomass	48 974	82 306	13 029	139 784	126 292
Change in provision for onerous sales contracts	1 246	-7 671	756	-15 475	-1 462
Change in unrealised gains/losses on financial Fish Pool contracts	-1 020	5 136	-1 427	32 039	27 429
Total fair value adjustments	49 200	79 771	12 358	156 349	152 260

The fair value adjustments has the following effect in the balance sheet:

(NOK '000)	30.06.2019	31.03.2019	30.06.2018	31.12.2018
Fair value adjustments biomass (inventory and biological assets)	366 299	317 325	366 762	353 270
Provision for onerous sales contracts (other current liabilities)	-706	-1 952	-15 475	-1 462
Fair value of financial Fish Pool contracts (other receivables/other current liabilities)	291	1 311	6 327	1 717
Net fair value adjustments in the balance sheet	365 884	316 684	357 614	353 526

NOTE 6: Transactions with related parties

The Group conducts transactions on normal terms with associates and suppliers who are also Norway Royal Salmon shareholders. This applies to the purchase of harvested fish and smolts. Purchase of smolt and fish are made at market price. The group purchase harvesting services from two of the Group's associates. Harvesting services are purchased at market terms. Administrative services are also purchased from one of the Group's associated companies.

Services and well boat services are purchased from companies controlled by the family of the company's Chair Helge Gåsa. The services from Gåsa Næringsutvikling AS and Frøy Akvaservice AS are purchased at market terms.

Goods and services purchased:

(NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Associates - products purchased	65 905	76 196	207 543	166 410	265 065
Associates - services purchased	4 449	17 835	22 172	32 896	66 218
Companies controlled by large shareholder - products purchased	179 180	151 049	271 142	172 471	644 289
Companies controlled by large shareholder - services purchased	150	5 933	15 303	9 746	22 082
Total goods and services purchased from related parties	249 685	251 013	516 160	381 522	997 655

Share-based incentive schemes

A bonus program based on options was introduced for senior executives and key personnel in the Group on 20 March 2018 and 20 March 2019. The scheme has been approved by the Board. The scheme is divided into 4 different levels. The option scheme has a 24 months' vesting period. The bonus program is a share-based scheme that entitles the employees to receive shares in NRS based on the price development in Norway Royal Salmon ASA's average share price for a period prior to 20 March 2019 and 20 March 2020. Each employee can at most be granted rights to shares for a value in the interval between 25 per cent to 100 per cent of annual salary. The exercise price will be adjusted for dividends and changes in holdings of treasury shares.

	Program introduced in 2018	Program introduced in 2019	All programs
Change in number of options			
At 31 March 2019	379 953	366 223	746 176
Terminated	0	0	0
Exercised in the quarter	0	0	0
Allocated during the year (new program)	0	0	0
Number of options at 30 June 2019	379 953	366 223	746 176
Exercise price	150,51	197,48	
Number of employees in the program at the end of the quarter	21	27	48



NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: Investments in associates

(NOK '000)	Shareholding	Book value 01.04.2019	Share of profit/loss in the period after tax	Other changes	Book value 30.06.2019	Share of volume harvested - tonnes HOG 30.06.2019*
Arctic Fish ehf.	50,00 %	233 424	327	7 291	241 042	0
Wilsgård Fiskeoppdrett AS	37,50 %	163 984	3 494	0	167 478	435
Måsøval Fishfarm AS	36,10 %	34 455	1 238	0	35 694	274
Hellesund Fiskeoppdrett AS	33,50 %	94 588	7 053	-2 701	98 939	0
Hardanger Fiskeforedling AS	31,10 %	11 471	567	0	12 038	
Espevær Laks AS	33,33 %	1 403	-636	0	767	
Ranfjord Fiskeprodukter AS	37,75 %	18 796	251	0	19 047	
Skardalen Settefisk AS	30,00 %	5 477	-661	0	4 816	
Nordnorsk Smolt AS	50,00 %	0	0	1 250	1 250	
Other		48	0	0	48	
Total associates Q2 2019		563 646	11 633	5 840	581 118	709
Total associates Q2 2018		592 871	-23 343	-11 323	558 206	1 027

* The harvested volume comprises NRS's share of the harvested volume of associates

The Group's associates own a combined total of ten licences in Norway.

The consolidated financial statements include the Group's share of results from associates according to the equity method. The equity method is regarded as consolidation method. Some associates own shares in Norway Royal Salmon ASA, which are treated as treasury shares in the consolidated financial statements. The fair value of the shares owned by the associates in Norway Royal Salmon ASA has therefore not been recognized in the consolidated financial statements.

Associates that own shares in NRS as of 30 June 2019:

	Shareholding	Number of shares	Fair value	NRS' share of fair value
Måsøval Fishfarm AS	36,10 %	259 606	51 921	18 744
Hellesund Fiskeoppdrett AS	33,50 %	1 665 843	333 169	111 611
Total		1 925 449	385 090	130 355

Note 8: Treasury shares and TRS agreements

As at 30 June the company holds 140 811 treasury shares, corresponding to 0.32 % of the share capital of the company. Norway Royal Salmon ASA's total underlying exposures through TRS agreements is at 30 June 994 609 shares, representing 2.28 % of the share capital of the company. The agreement means that the Group has a result and liquidity exposure that is linked to the value development of the NRS share. TRS agreements are recorded at fair value and changes in fair value are recognized as financial items in the income statement. The change in the unrealised value of the TRS agreements resulted in an unrealised loss of KNOK 18 042. Thus a gain of KNOK 18 042 was recognised as a financial item in the income statement in the period.

(NOK '000)	No. of shares	Exercise Price	Maturity	Market value 31.03.2019	Market value 30.06.2019	Change in market value Q2 2019
TRS entered into 14 March 2019	985 756	219,46	17.09.2019	-17 362	-37 014	-19 652
Allocated dividend shares on TRS shares	8 853	0,00	17.09.2019	0	1 610	1 610
Sum				-17 362	-35 403	-18 042

NOTE 9: Loans to credit institutions

The Group's main borrowing covenants is one requiring an equity ratio of at least 30 per cent and another requiring that the short-term credit facility shall not exceed 75 per cent of the carrying value of inventory and accounts receivables. At the end of Q2 2019 the Group is in compliance with the terms of its loan agreements.



NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: Right-of-use-assets

From 2019, Norway Royal Salmon ASA has implemented the new accounting standard regarding leases (IFRS 16)

The new standard requires capitalisation of all significant leasing agreements with duration exceeding 12 months. This have previously been recognised as rental costs. The right-of-use asset and liability to be recognised for each leasing agreement is the present value of the lease payments.

The Group has implemented IFRS 16 using the modified retrospective approach, i.e. without restating comparative information, and by recognising the same amount as right-of-use assets and lease liabilities per 1 January 2019. Consequently, the opening book value of equity has not been impacted, but both assets and liabilities increased by KNOK 16 793.

Total balance sheet value at 30 June 2019 has increased by KNOK 15 114 related to the implementation of the new standard. In the statement of profit and loss for Q2, leasing costs has been replaced by depreciation costs of leasing assets and interest costs from lease liabilities. The positive effect on Operational EBIT and EBIT related to this is KNOK 60 in the second quarter of 2019.

	Right-of-use assets	Liabilities
Opening balance 1 April 2019	15 954	16 008
New contracts Q2 2019	0	0
Depreciation Q2 2019*	-840	
Lease payments		-900
- of which Interest expense		109
Closing balance 30 June 2019	15 114	15 216

* Included in the line item "depreciation" in the income statement, recognised at KNOK 24 299 in Q2 2019

Spilt current vs. non-current liabilities

Non-current leasing liabilities	11 996
Current leasing liabilities	3 220
Closing balance 30 June 2019	15 216

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: Alternative performance measures

The consolidated financial statements of Norway Royal Salmon ASA are prepared in accordance with the International Financial Reporting Standards (IFRS). In addition, the management prepares alternative performance measures to provide useful and relevant information to the users of the financial statements. Alternative performance measures are designed to increase the understanding of the underlying operational performance and is not a substitute for the consolidated financial statements prepared in accordance with the International Financial Reporting Standards (IFRS). The performance measures are regularly reviewed by the Board. The alternative performance measures can be defined and used differently by other companies.

Net Interest-bearing debt

Net interest-bearing debt is defined as the net of long-term debt, short-term debt and bank deposits. The measure is useful and necessary information to investors and other users of the financial statements to assess the net of the interest-bearing external capital used to finance the group. The measure is used to calculate return on capital employed and highlights the Group's ability to take on more debt.

(NOK '000)	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Reported long-term interest-bearing debt	752 238	303 524	551 054	658 307
Reported short-term interest-bearing debt	83 029	144 642	102 514	54 073
Interest-bearing long-term receivables	-81 217	-81 217	-78 217	-55 620
Reported bank deposits, cash	-97 196	-79 006	-155 653	-243 661
Net interest bearing debt	656 854	287 943	419 698	413 099

Equity ratio

The equity ratio is defined as equity divided by total assets. The measure is expressed as a percentage. The measure is relevant to users of the financial statements to see how much of the assets are financed with equity, the measure also indicate something about the solvency of the group.

(NOK '000)	30.06.2019	31.03.2019	31.12.2018	30.06.2018
Reported equity	2 300 418	2 354 816	2 320 785	2 101 291
Reported total assets	4 327 896	3 953 888	4 090 834	4 033 856
Equity ratio	53,2 %	59,6 %	56,7 %	52,1 %

Operational EBIT per kg (Group)

Operational EBIT per kg is defined as a central performance measure for Norway Royal Salmon ASA. The measure is used to evaluate the profitability of sold goods and the operations of the Group. The performance measure is useful to users of the financial statements to evaluate the profitability sold good and the production. The measure is calculated before unallocated costs and extraordinary events, fair value adjustments, income from associated companies, financial expenses and taxes. The measure is expressed per kg harvested volume.

(NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operational EBIT	115 812	181 087	280 131	373 831	641 726
Unallocated expenses	12 846	10 889	30 038	23 389	42 433
Non-recurring events (note 4)	11 000	22 000	11 000	22 000	34 000
Operational EBIT	139 659	213 976	321 168	419 219	718 159
Harvested volume (tonnes)	5 830	8 773	13 926	19 708	35 970
Operation EBIT per kg	23,95	24,39	23,06	21,28	19,97

Operational EBIT per kg (Segment)

Operational EBIT per kg is defined as a central performance measure for Norway Royal Salmon ASA. The measure is used to evaluate the profitability of sold goods and the operations of the segments. The performance measure is useful to users of the financial statements to evaluate the profitability of sold goods and the production. The measure is calculated before extraordinary events, fair value adjustments, income from associated companies, financial expenses and taxes. The measure is expressed per kg harvested volume. The measure is shown both before and after loss on open fixed-price contracts.

Operational EBIT per kg Region North

(NOK '000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operational EBIT (segment, note 2)	129 936	160 030	310 853	347 712	616 243
Share of operational EBIT Sales allocated to region North excl. Contracts	7 902	3 207	4 169	2 093	11 565
Operational EBIT excl. Contracts	137 839	163 237	315 022	349 805	627 808
Loss(-) / Gain(+) on open fixed-price contracts	-1 610	-5 803	216	-7 922	10 353
Operational EBIT	136 229	157 434	315 238	341 882	638 160
Harvested volume (tonnes)	4 962	6 365	11 978	15 963	30 384
Operational EBIT per kg excl. Contracts	27,78	25,64	26,30	21,91	20,66
Operational EBIT per kg	27,46	24,73	26,32	21,42	21,00



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: Alternative performance measures (cont)

Operational EBIT per kg Region South

(NOK '000)

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Operational EBIT (segment, note 2)	2 329	57 523	5 122	78 900	79 388
Share of operational EBIT Sales allocated to region South excl. Contracts	1 383	1 212	808	1 057	1 761
Operational EBIT excl. Contracts	3 712	58 735	5 930	79 958	81 149
Loss(-) / Gain(+) on open fixed-price contracts	-282	-2 194	0	-2 490	-836
Operational EBIT	3 430	56 541	5 930	77 468	80 313
Harvested volume	869	2 407	1 948	3 745	5 586
Operational EBIT per kg excl. Contracts	4,27	24,40	3,04	21,35	14,53
Operational EBIT per kg	3,95	23,49	3,04	20,69	14,38

Production cost per kg (per segment)

Production cost per kg is defined as a central performance measure for Norway Royal Salmon ASA. The performance measure is used to evaluate the profitability of sold goods per segment. The measure is expressed per kg harvested volume (tonnes HOG)

Production cost per kg Region North

(NOK '000)

	Q2 2019	Q2 2018
Production cost (segment, note 2)	179 217	253 567
Harvested volume (tonnes)	4 962	6 365
Production cost per kg Region North	36,12	39,84

Production cost per kg Region South

(NOK '000)

	Q2 2019	Q2 2018
Production cost (segment, note 2)	51 122	93 381
Harvested volume (tonnes)	869	2 407
Production cost per kg Region North	58,86	38,79

ROCE

Return on average capital employed (ROCE) is defined as 4-quarters rolling EBIT aligned for fair value adjustments divided by average net interest-bearing debt plus equity less financial assets. The performance measure is expressed as a percentage and is useful for users of Norway Royal Salmon ASA's financial information to evaluate its profitability.

Value-adjusted earnings per share

Earnings per share before fair value adjustments is defined as the period's result adjusted for fair value adjustments after tax. The performance measure is expressed per share and is useful for the users of Norway Royal Salmon ASA's financial information. The performance measure is used as raw data in analysis like of P/E.

(NOK '000)

	Q2 2019	Q2 2018	YTD 2019	YTD 2018	FY 2018
Majority share of net result for the period	110 537	210 314	253 603	465 428	705 311
Majority share of fair value adjustments of biomass after tax	-34 999	-64 813	-6 803	-108 550	-101 436
Fair value of sales contracts and Fish Pool contracts (in its entirety, the majority share)	-176	2 118	523	-12 589	-19 735
Majority share of value-adjusted result for the period	75 362	147 618	247 324	344 289	584 139
Weighted average number of ordinary shares outstanding	43 264 401	43 483 003	43 264 401	43 483 003	43 493 529
Value-adjusted earnings per share	1,74	3,39	5,72	7,92	13,43



NOTES TO THE FINANCIAL STATEMENTS

NOTE 12: Shareholders

Ownership structure – the 20 largest shareholders as at 30.06.2019:

Shareholder	No. of shares	Shareholding
GÅSØ NÆRINGSUTVIKLING AS	6 893 188	15,82 %
MÅSØVAL EIENDOM AS	5 255 360	12,06 %
NORWAY FRESH AS	5 044 905	11,58 %
HAVBRUKSINVEST AS	4 189 204	9,61 %
EGIL KRISTOFFERSEN OG SØNNER AS	3 801 689	8,73 %
NYHAMN AS	1 783 062	4,09 %
HELLESUND FISKEOPPDRETT A/S	1 665 843	3,82 %
DNB Markets Aksjehandel/-analyse	1 523 532	3,50 %
LOVUNDLAKS AS	677 107	1,55 %
BNP Paribas Securities Services	428 817	0,98 %
MP PENSJON FK	324 969	0,75 %
EIKA SPAR	312 589	0,72 %
JPMorgan Chase Bank, N.A., London	278 606	0,64 %
PNC INTERNATIONAL EQUITY FUND	267 079	0,61 %
MÅSØVAL FISHFARM AS	259 606	0,60 %
Citibank, N.A.	232 066	0,53 %
EIKA NORGE	231 285	0,53 %
HENDEN FISKEINDUSTRI AS	229 653	0,53 %
The Northern Trust Comp, London Br	217 829	0,50 %
NATIXIS	200 000	0,46 %
Total 20 largest shareholders	33 816 389	77,61 %
Total other shareholders	9 755 802	22,39 %
Total no. of shares	43 572 191	100,00 %