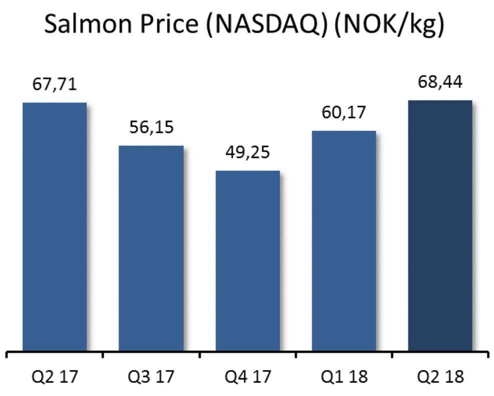
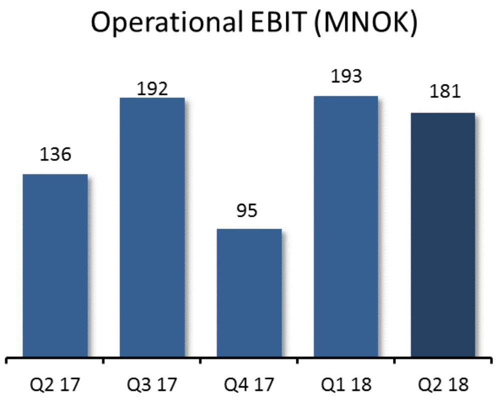
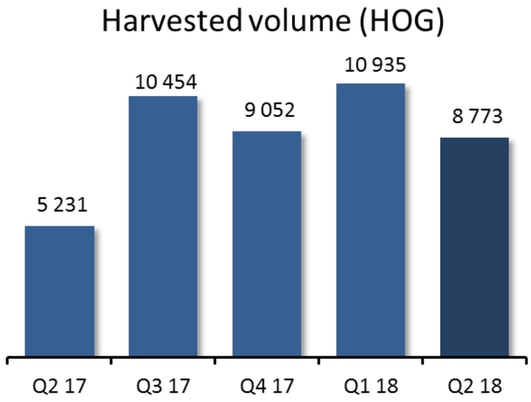
Interim Report

Q2-18







INTERIM REPORT
Q2 2018

HIGHLIGHTS Q2 2018

- Operational EBIT of NOK 181 million
  - Operational EBIT per kg of NOK 24.73 in Region North
  - Operational EBIT per kg of NOK 23.49 in Region South
  - Non-recurring item of MNOK 22
- ISA detected at a site in Region North
- High production cost on harvested fish
- Harvested volume 68 per cent higher than Q2 last year
- Sold volume at same level as Q2 last year
- Strong demand for salmon and high salmon prices in the quarter
- Purchased 800 tonnes MAB in Region North for NOK 132 million in the Ministry of Trade, Industry and Fisheries' auction

NORWAY ROYAL SALMON - KEY FIGURES (NOK '000)	**Q2 2018**	**Q2 2017**	**YTD 2018**	**YTD 2017**	**FY 2017**
Operating revenues	1 209 524	1 232 916	2 601 316	2 334 251	4 937 798
Operational EBITDA	202 969	155 231	416 894	377 682	709 923
Operational EBIT	181 087	135 566	373 831	340 800	627 861
Income from associates	-23 343	15 511	-10 963	30 971	52 657
EBIT	237 515	295 185	519 216	448 043	485 719
EBT	270 355	278 118	591 904	286 804	322 597
EPS (NOK) – before fair value adjustments	3,39	2,37	7,92	2,69	8,72
ROCE [1]			40,1 %	48,5 %	39,8 %
Net cash flow from operating activities	324 819	202 905	641 061	152 305	170 504
Investments in fixed assets/licenses	62 861	84 869	153 326	124 151	211 470
Net interest-bearing debt			413 099	594 007	633 479
Equity ratio			52,1 %	45,4 %	48,0 %
Volume harvested (HOG)	8 773	5 231	19 708	12 412	31 918
Operational EBIT per kg [2]	24,39	30,17	21,28	29,26	22,10
Volume sold - Sales	17 150	17 318	39 690	33 032	77 799

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 = 2017, unless otherwise specified)

Revenues and results

Norway Royal Salmon posted operating revenues of NOK 1 209.5 million (NOK 1 232.9 million) in the second quarter of 2018, a decrease of 1.9 per cent from the corresponding prior-year period. The decrease in revenues is due to slightly lower sold volume and slightly lower achieved prices. The Group achieved an operational EBIT of NOK 181.1 million (NOK 135.6 million), an increase of NOK 45.5 million. The increase in operational EBIT is due to higher harvested volume. A cost of NOK 22 million not related to harvested fish was recognised in the quarter and is treated as a non-recurring item. The cost is mainly due to the fish disease ISA (Infectious Salmon Anemia) being detected at a site in Region North. This led to the culling of the fish in 3 of 4 cages. The fish in the last cage is expected to be harvested with low average weight and the stock value of this fish is therefore written down to estimated fair value. The non-recurring cost has not been allocated to the segments. The sales operations had a weak result in the quarter. A loss on open fixed-price contracts compared to the level of spot prices contributed negatively with NOK 8.0 million (NOK 0.1 million) in the quarter. The Group recognised positive fair value adjustments of NOK 79.8 million (NOK 144.1 million), a decrease of NOK 64.3 million.

The farming business harvested 8 773 tonnes (5 231 tonnes) gutted weight in the quarter, an increase of 67.7 per cent from the corresponding quarter last year. Including allocated margins from sales, Farming achieved an operational EBIT per kg of NOK 24.39 (NOK 30.17). The reduction is due to lower achieved prices and higher cost on harvested fish. The Sales business sold 17 150 tonnes (17 318 tonnes), a decrease of 1.0 per cent.

Financial items and share of profit from associates

NRS had a negative result from associates of NOK -23.3 million (positive of NOK 15.5 million) in the second quarter. The reason for the negative result is related to the cost of the fish disease ISA at a site where some of the fish have been culled and the stock value is written down to estimated fair value. NRS' share of fair value adjustments of the biomass after tax amounted to NOK -19.1 million (NOK 3.7 million). Associated Norwegian farming companies harvested 1 577 tonnes, 614 tonnes more than in the corresponding period last year. NRS share of the above figure amounts to 583 tonnes, an increase of 228 tonnes.

As a result of the increase of the NRS' share price from NOK 160.80 at the start of the quarter to NOK 181.80 at the end of the quarter, a gain of NOK 38.7 million (loss of NOK 11.9 million) on TRS agreements on own shares was posted in the quarter. Net interest expenses for the period were NOK 4.1 million (NOK 4.7 million), a decrease of NOK 0.6 million because of lower interest-bearing debt.

Balance sheet

At the end of the reporting period, total assets amounted to NOK 4 033.9 million, an increase of NOK 181.1 million from the prior quarter end. The change in total assets is attributable to several factors. Intangible assets increased by NOK 131.8 million after purchase of MAB equivalent to 800 tonnes in Region North. Fixed assets had a net increase of NOK 41.0 million, financial assets decreased with NOK 14.0 million and the Group's receivables decreased by NOK 113.9 million. Fair value adjustments of the biomass increased by NOK 82.3 million, while inventories and biomass at cost decreased by NOK 100.8 million. The net decrease in inventories and biological assets was NOK 18.5 million. The Group's bank deposits increased by NOK 154.7.

The Group's net interest-bearing debt decreased by NOK 33.2 million, from NOK 446.3 million at the end of the previous quarter to NOK 413.1 at 30 June 2018. The decrease is mainly attributable to an operational EBITDA of NOK 203.0 million, received dividends from associated companies of NOK 4.5 million and decreased working capital of NOK 144.8 million. Payment of dividend of NOK 224.7, investments in fixed assets and other investments of NOK 75.3 million, paid taxes of NOK 23.7 million and increase in loans to associated companies of NOK 8.3 million had the opposite effect on the net interest-bearing debt. At the end of the quarter, the Group had an unused credit facility of NOK 950.0 million and bank deposits of NOK 243.7.

As of 30 June, the Group's equity totalled NOK 2 101.3 million, a decrease of NOK 18.3 million from the end of the previous quarter. The decrease is attributable to the paid dividend of NOK 224.7 million. A positive total comprehensive income of NOK 203.3 million increased the equity. The equity ratio at the end of the quarter was 52.1 per cent.

Statement of cash flow

The Group's operating activities generated a positive cash flow of NOK 324.8 million during the quarter, which represents an increase of NOK 121.9 million compared with the corresponding prior-year quarter. The positive cash flow is attributable to a positive operational EBITDA of NOK 203.0 million, a realised gain on TRS-agreements of NOK 9.1 million, a decrease in inventories and biological assets at cost of NOK 100.8 million and a decrease in accounts receivables of NOK 139.6 million. Taxes paid of NOK 23.7 million, and a decrease in accounts payables of NOK 97.3 million had the opposite effect on the cash flow.

Net cash outflows related to investing activities in the second quarter amounted to NOK 69.9 million (NOK 94.9 million), which is attributable to investments in fixed assets of NOK 62.9 million and development projects of NOK 12.5 million. Loans given to associated companies increased by NOK 8.2 million. Proceeds from realisation of TRS agreements of NOK 9.1 million and received dividends from associated companies of NOK 4.5 million had the opposite effect on the cash flow.

The net cash outflows from financing activities totalled NOK 100.2 million (NOK 92.8 million) in the second quarter. An increase of NOK 200.0 million on the long-term credit facility and an increase in leasing liabilities NOK 23.5 million resulted in a total increase of NOK 223.5 million in long term debt. Interests paid and instalments amounted to NOK 5.1 million and NOK 13.9 million respectively. Dividend of NOK 224.7 million has been paid. The overdraft facility decreased by NOK 80.0 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.

The segments posted sales revenues of NOK 1 208.1 million in the second quarter (NOK 1 231.8 million), a decrease of 1.9 per cent from the corresponding period last year. The spot price (NASDAQ) for superior quality during the quarter was NOK 68.44 per kg gutted weight, an increase of 14 per cent from the first quarter of 2018 and an increase of 1 per cent compared with the second quarter of 2017. The sales operations experienced a decrease in sales volumes of 1.0 per cent compared with the corresponding prior-year period. 17 150 tonnes (17 318 tonnes) were sold in the second quarter. The Sales business achieved an operational EBIT before open fixed-price contracts of NOK 4.4 million (NOK 10.1 million), which equates to NOK 0.26 (NOK 0.59) per kg sold volume in the period. Loss on open fixed-price contracts compared to the level of spot prices was NOK 8.0 million (NOK 0.1 million) in the quarter.

The Farming operations harvested 8 773 tonnes (5 231 tonnes) gutted weight in the second quarter, an increase of 67.7 per cent from the corresponding period last year. The estimated harvest volume for 2018 is 36 000 tonnes gutted weight.

REGION NORTH

Operational EBIT came in at NOK 157.4 million (NOK 107.8 million), an increase of NOK 49.6 million compared with the same quarter last year. Operational EBIT (ex. contracts) per kg amounted to NOK 25.64 (NOK 29.70). Loss on fixed-price contracts of NOK 0.91 per kg (NOK 0.02) contributed to an operational EBIT per kg of NOK 24.73 (NOK 29.68).

6 365 tonnes (3 633 tonnes) were harvested in the region in the second quarter, an increase of 75.2 per cent. The achieved price for the Farming operations was NOK 1.60 lower per kg than in the corresponding period last year. The timing of the harvest and the quality of the harvested fish contributed negatively to the price achievement.

Total production costs per kg for harvested fish was NOK 39.84, which is NOK 2.40 higher than in the first quarter of 2018 and NOK 1.04 higher than in the corresponding period last year. The reason for the high production cost is that fish were harvested from the site that received desmoltified fish in 2016 and from fish that was released to sea late in the autumn of 2016. The 2016-generation is almost fully harvested at the end of the quarter. A positive development in the production cost of the 2017-generation is expected.

The estimated harvest volume for 2018 is 30 600 tonnes gutted weight.

KEY FIGURES (NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Operating revenues	876 617	761 164	2 097 386	1 603 679	3 678 491
Operational EBITDA	168 348	123 642	389 515	288 002	576 860
Operational EBIT	157 434	107 825	341 882	257 884	529 227
Investment in tangible assets/licenses	191 472	35 865	279 436	35 865	177 800
Volume harvested (tonnes HOG)	6 365	3 633	15 963	9 133	24 697
Operational EBIT per kg (ex contracts)	25,64	29,70	21,91	27,98	18,58
Gain (+)/Loss (-) on open fixed price contracts	-0,91	-0,02	-0,50	0,25	2,85
Operational EBIT per kg	24,73	29,68	21,42	28,24	21,43

REGION SOUTH

Operational EBIT came in at NOK 56.5 million (NOK 50.0 million), an increase of NOK 6.5 million. Operational EBIT (ex. contracts) per kg amounted to NOK 24.40 (NOK 31.32). Loss on fixed-price contracts of NOK 0.91 per kg (NOK 0.02) contributed to an operational EBIT per kg of NOK 23.49 (NOK 31.30).

2 407 tonnes (1 598 tonnes) were harvested in the region in the second quarter, an increase of 50.6 per cent from the corresponding prior-year period. The Farming operations achieved a price which was NOK 2.79 per kg lower than in the corresponding prior-year period. The size of the harvested fish and the timing of harvest in the quarter contributed negatively to the price achievement.

The production costs for harvested fish was NOK 38.79, which is NOK 0.62 per kg higher than in the first quarter and NOK 2.69 higher than in the corresponding period last year. The high production costs are due to increased mortality due to the fish disease CMS on the site where harvesting took place in the quarter. The harvest of the site was moved forward compared to when harvesting was planned and the site was almost empty at the end of the quarter.

Estimated harvest volume for 2018 is 5 400 tonnes gutted weight.

KEY FIGURES (NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Operating revenues	331 506	361 730	501 682	619 175	1 143 760
Operational EBITDA	59 410	53 015	86 583	111 245	185 156
Operational EBIT	56 541	50 013	77 468	105 329	176 041
Investment in tangible assets	2 947	3 416	5 156	3 416	22 732
Volume harvested (tonnes HOG)	2 407	1 598	3 745	3 279	7 221
Operational EBIT per kg (ex contracts)	24,40	31,32	21,35	31,93	21,94
Gain (+)/Loss (-) on open fixed price contracts	-0,91	-0,02	-0,66	0,20	2,44
Operational EBIT per kg	23,49	31,30	20,69	32,13	24,38

SHARES

As of 30 June 2018, Norway Royal Salmon ASA have 43 572 191 shares, allocated among 2 015 shareholders, a decrease of 335 from the end of the previous quarter. At the end of the quarter, the group had 57 954 treasury shares. The share price increased from NOK 160.80 at the end of March 2018 to NOK 181.80 at the end of June 2018. 8 200 867 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 31 May 2018.

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 2019, however no later than 30 June 2019.

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 2019, however no later than 30 June 2019.

The general meeting resolved to distribute a dividend of NOK 5.20 per share. The dividend was distributed by a cash dividend of NOK 3.90 per share and distribution of shares in NRS from the company's treasury shares.

Contractual rights and TRS agreements for own shares

In the second quarter Norway Royal Salmon used its contractual right to purchase 300 000 shares. After the transaction Norway Royal Salmon owns 57 954 treasury shares and has through the TRS-agreement a contractual right to 1 485 756 shares, which equates 3.41 per cent of the company's share capital.

Sickness absence

The positive development in sickness absence rate continued and decreased from 2.9 per cent in the last quarter to 1.6 per cent.

Purchased 800 tonnes MAB

In June 2018, Norway Royal Salmon purchased 800 tonnes of MAB in Region North for NOK 131.8 million at the Ministry of Trade, Industry and Fisheries' auction. This increase in MAB further increases NRS's growth opportunities in a production area with good conditions for salmon farming operations.

SUMMARY OF EVENTS YEAR TO DATE IN 2018

The Group posted sales of NOK 2 601.3 million (NOK 2 334.3 million) in the first half of 2018, an increase of 11.4 per cent against the corresponding prior-year period. During the same period, the Group posted an operational EBIT of NOK 373.8 million (NOK 340.8 million). 19 708 tonnes were harvested in the first half of 2018, compared with 12 412 tonnes in the corresponding prior-year period. The group had a positive operational cash-flow of NOK 641.1 million (NOK 152.3 million) in the first half of 2018. At the end of the second quarter the Group had an equity ratio of 52.1 per cent (45.4 per cent). The Group has decreased its net interest-bearing debt by NOK 220.4 million in the first half of 2018 to NOK 413.1 million. A dividend of NOK 224.7 million was distributed in the first half of 2018.

Region North harvested 15 963 tonnes (9 133 tonnes) in the first half of 2018 and posted an EBIT per kg of NOK 21.42 (NOK 28.24). Region South harvested 3 745 tonnes (3 279 tonnes) in the first half of 2018 and posted an EBIT per kg of NOK 20.69 (NOK 32.13). The Sales business sold 39 690 tonnes (33 032 tonnes) in the first half of 2018.

Norway Royal Salmon has not identified any additional risk exposure beyond the risks described in the 2017 annual report. Norway Royal Salmon is exposed to the salmon price. Reference is made to the Outlook section of this report for other comments to NRS's 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 16.9 billion, an increase of 9.2 per cent from the second quarter of 2017. Exported volume from Norway was 9.4 per cent higher than the second quarter of 2017, which means that value increase is due to higher volumes. The spot price (NASDAQ) in the second quarter of 2018 was NOK 68.44 per kg superior quality salmon (delivered Oslo). This is an increase of 1.1 per cent from the second quarter of 2017 and the highest price registered in NOK the last 20 years. In EUR, the prices of Norwegian salmon fell by 0.9 per cent to EUR 7.16 per kg. The export price was slightly lower (NOK 68,34) than the spot price and on the same level as the same period last year.

Despite an increase in global supply, the prices were on the same level as the corresponding quarter last year. Harvested volumes from Norway increased by 8 per cent compared with the same quarter last year. From Chile the harvesting volumes increased by 19 per cent. A reduction in volume from other producing countries resulted in an increase in global harvesting volumes of 5 per cent. For Q3 2018 Kontali Analyse expects a harvesting volume which is 4 per cent above Q3 2017.

Harvest volume (tonnes wfe)	Q2/18	yr/yr	Q3/18 E	yr/yr
Norway	282 100	*8 %*	342 900	*10 %*
Chile	155 600	*19 %*	138 000	*-2 %*
Uk	35 700	*-21 %*	39 700	*-11 %*
Canada	38 600	*14 %*	38 800	*2 %*
Faroe Islands	17 900	*-28 %*	18 000	*2 %*
Australia	13 500	*0 %*	14 800	*-5 %*
USA	4 300	*-33 %*	4 400	*-19 %*
Iceland	3 200	*-16 %*	2 900	*26 %*
Others	6 000	*-35 %*	6 600	*-7 %*
	556 900	**5 %**	**606 100**	**4 %**

Source: Kontali Analyse

Sold volumes increased by 8 per cent in the quarter compared with the same period last year. This is higher than the increase in global harvest volume and indicate slightly lower frozen inventory. Russia and USA are the most growing markets. Kontali Analyse expects that Eastern Europe and Asia will have the highest growth in the next quarter.

Sold volumes (tonnes wfe)	Q2/18	yr/yr	Q3/18 E	yr/yr
EU	242 100	*7 %*	289 000	*7 %*
USA	123 500	*14 %*	114 800	*8 %*
Eastern Europe ex. Russia	7 000	*-1 %*	11 500	*13 %*
Russia	22 500	*51 %*	20 100	*3 %*
Asia ex. Japan	62 000	*9 %*	66 600	*9 %*
Japan	13 400	*-17 %*	14 900	*1 %*
Others	89 000	*3 %*	97 300	*4 %*
	559 500	**8 %**	**614 200**	**7 %**

Source: Kontali Analyse

Demand for salmon in the EU has been good in the quarter with 7 per cent higher global import volumes, 86 per cent of the volume comes from Norway. Norwegian export to the EU increased by 15 per cent both in import volume and value. Although prices have been high in the second quarter, all major markets have increased the volume of imports from Norway with more than the increase in global supply. The volume increase in France, Denmark, Netherland and the UK was substantial. Although the growth in import volumes is 1 per cent lower than the global growth, the development in the EU still signals continued good underlying demand development.

Q2/2018	Tonnes (wfe)	yr/yr	MNOK	yr/yr
Norway to EU:				
Poland	35 585	15 %	2 023	16 %
France	29 953	20 %	1 807	24 %
Denmark	22 391	23 %	1 331	22 %
UK	18 872	44 %	1 150	47 %
Spain	17 339	14 %	1 051	6 %
Holland	16 437	20 %	1 014	16 %
Others in EU	67 650	5 %	4 175	6 %
Total Norway to EU	208 227	15 %	12 552	15 %
Others to EU	33 873	-27 %		
EU total	242 100	7 %		

Source: Norsk sjømatråd

Demand for salmon in Asia has developed well for a long time. Import volumes increased by 3 per cent in total but fell by 14 per cent from Norway. Norway had a market share of 51 per cent in the second quarter. Chile had a substantial growth in this region in this quarter as well. The trade problems with China continued in the second quarter, however there are indications of improvements. Sales to China increases steadily and the long-term potential in this region is very good.

Q2/2018	Tonnes (wfe)	yr/yr	MNOK	yr/yr
Norway to Asia				
South East Asia	9 158	-51 %	601	-49 %
Japan	9 582	-1 %	595	-2 %
Middle East	5 882	-15 %	383	-18 %
China (incl. Hong Kong)	6 666	87 %	448	96 %
South-Korea	7 470	29 %	508	27 %
Others in Asia	151	-45 %	11	-45 %
Total Norway to Asia	38 909	-14 %	2 546	-12 %
Others to Asia	36 491	30 %		
Asia Total	75 400	3 %		

Source: Norsk sjømatråd

Export of salmon to Eastern Europe shows a strong global growth of 34 per cent in the second quarter of 2018. However, from Norway the volume declined by 2 per cent. With such high prices it is pleasing to see strong growth in these countries. The volumes to the region are, however, clearly lower than when Norway exported to Russia. Volumes to Russia from other producer nations showed an increase in the second quarter. Norway had a market share of 20 per cent in Eastern Europe.

Q2/2018	Tonnes (wfe)	yr/yr	MNOK	år/år
Norway to Eastern Europe				
Ukraine	2 386	9 %	126	10 %
Turkey	1 059	-19 %	64	-20 %
Belarus	1 246	-3 %	67	5 %
Kazakhstan	739	-14 %	42	-20 %
Others in Eastern Europe	594	19 %	41	23 %
Norway to Eastern Europe	6 024	-2 %	340	-1 %
Other to Easten Europe	23 476	48 %		
Eastern Europe Total	29 500	34 %		

Source: Norsk sjømatråd

Demand for salmon in North America continues the positive trend. In total, import to North America has increased by 14 per cent, while volume from Norway increased by 8 per cent.

Q2/2018	Tonnes (wfe)	yr/yr	MNOK	yr/yr
Norway to North America				
USA	16 924	11 %	1 151	10 %
Canada	332	-60 %	24	-63 %
Total Norway to North America	17 256	8 %	1 175	6 %
Others to North America	106 244	15 %		
North America Total	123 500	14 %		

Source: Norsk sjømatråd

The second quarter was challenging for the NRS' Sales operations, low margins contributed negatively to the profitability in the quarter. The sales volume was 1 per cent lower than in the same quarter last year. 90 per cent of the harvested fish were sold in the spot market in the second quarter, while 10 per cent were sold at fixed prices. The fixed price contracts resulted in a loss of NOK 8.0 million compared to the level of spot prices. The sales volumes to all regions, apart from Western Europe, increased in the quarter. The export volumes to Western Europe decreased with 2 per cent in the quarter, while the volumes sold in Norway increased by 4 per cent, volumes to Asia increased with 1 per cent and to Eastern Europe with 49 per cent. In the second quarter, Western Europe accounted for 77 per cent of the export volumes, Asia for 16 per cent and Eastern Europe for 6 per cent. Domestic volume amounts to 17 per cent of the total sold volume.

OUTLOOK

Harvested volume for the quarter was 8 773 tonnes, which was 1 673 tonnes higher than estimated in the last quarterly report. Estimated harvest volume for 2018 is adjusted down with 4 000 tonnes to 36 000 tonnes. This is an increase of 13 per cent from 2017. The reason for the downward adjustment is due to three issues. The fish disease ISA was detected at a site in Region North during the quarter with an estimated impact of 2 000 tonnes. Norway Royal Salmon has purchased 800 tonnes of MAB in the Region North, which means that the group will increase the biomass in the sea with more than previously estimated and reduce the harvesting volume by 700 tonnes. Accelerated harvest, as well as increased mortality in the Region South in the quarter, will reduce the production in 2018 with an estimated 1 300 tonnes. The farming operations hedged the price of 9.8 per cent of the harvested volume in the second quarter. For remaining quarters of 2018, 5 418 tonnes are hedged at a Nasdaq equivalent price of around NOK 59.50 per kg.

In the second quarter, the global harvest volumes of salmon were 5 per cent higher than the year before. Harvest volumes from Norway were 8 per cent higher than last year, while the increase from Chile was 19 per cent. Sold volume to the markets increased by 8 per cent in the quarter. The demand is seen as good and the prices were high in the quarter.

Looking ahead, we expect the growth in global harvest volumes to be on the same level as the second quarter of 2018 compared with the same period the year before. In the next two quarters, an average increase of 4 per cent is expected. Kontali Analyse expects a growth in global harvest volume for 2018 of 6 per cent, which is a moderate growth in a historical context. For 2019 Kontali Analyse expects a growth of 4 per cent. Together with good demand for salmon, this provide the basis for a continued positive market outlook for the industry.

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 2018 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, 27 August 2018

Helge Gåsø
Chair

Kristine Landmark
Vice Chair

Marianne E. Johnsen

John Hindar

Lars Måsøval

Trude Olafsen

Charles Høstlund
CEO

INTERIM REPORT
INCOME STATEMENT

(NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Operating revenues	**1 209 524**	**1 232 916**	**2 601 316**	**2 334 251**	**4 937 798**
Cost of goods sold	914 683	990 193	2 007 812	1 802 167	3 889 102
Salaries	37 093	38 684	81 399	67 676	138 596
Depreciation	21 882	19 665	43 063	36 882	82 063
Other operating costs	54 779	48 808	95 210	86 726	200 178
Operational EBIT	**181 087**	**135 566**	**373 831**	**340 800**	**627 861**
Fair value adjustments	79 771	144 108	156 349	76 272	-194 799
Income from associates	-23 343	15 511	-10 963	30 971	52 657
EBIT	**237 515**	**295 185**	**519 216**	**448 043**	**485 719**
Gain/loss on financial assets	38 722	-11 913	83 986	-151 411	-142 185
Other net financial items	-5 882	-5 154	-11 298	-9 828	-20 937
EBT	**270 355**	**278 118**	**591 904**	**286 804**	**322 597**
Tax	-62 773	-65 866	-123 515	-105 842	-86 180
Net profit/loss	**207 582**	**212 252**	**468 389**	**180 961**	**236 416**
Profit attributable to:					
Parent company shareholders	210 314	207 828	465 428	174 281	228 538
Minority interests	-2 732	4 424	2 961	6 681	7 878
Earnings per share (NOK)	4,84	4,80	10,70	4,03	5,27
Earnings per share - diluted	4,84	4,80	10,70	4,03	5,27

EXTENDED INCOME STATEMENT

(NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2 017	FY 2017
Net profit/loss	**207 582**	**212 252**	**468 389**	**180 961**	**236 416**
Items to be reclassified to profit or loss:					
Translation differences and OCI posts from associated companies	-8 293	19 606	-8 311	17 757	8 194
Cash Flow hedges (net)	4 014	-5 191	11 292	-9 474	-7 334
Items not to be reclassified to profit or loss:					
Actuarial gains on defined benefit plans (net)	0	0	0	0	-4 623
Total comprehensive income	**203 303**	**226 667**	**471 370**	**189 244**	**232 654**
Total comprehensive income attributable to:					
Parent company shareholders	206 036	222 243	468 409	182 563	224 776
Non-controlling interests	-2 732	4 424	2 961	6 681	7 878

BALANCE SHEET

(NOK '000)	30.06.2018	31.03.2018	31.12.2017	30.06.2017
Intangible assets	846 807	715 007	648 887	648 887
Property, plant and equipment	588 030	547 051	544 006	505 604
Non-current financial assets	644 716	658 673	613 517	601 231
Non-current assets	**2 079 553**	**1 920 731**	**1 806 410**	**1 755 723**
Inventory and biological assets	1 120 709	1 139 227	1 277 004	1 445 879
Receivables	589 932	703 787	619 970	602 751
Bank deposits, cash	243 661	89 002	151 779	170 933
Current assets	**1 954 302**	**1 932 017**	**2 048 753**	**2 219 563**
TOTAL ASSETS	**4 033 856**	**3 852 748**	**3 855 163**	**3 975 286**
Share capital	43 514	43 508	43 489	43 489
Other equity	2 017 055	2 032 600	1 769 778	1 722 135
Non-controlling interests	40 723	43 455	37 762	39 715
Equity	**2 101 291**	**2 119 563**	**1 851 030**	**1 805 338**
Pensions	16 728	16 728	16 728	11 383
Deferred tax	493 099	427 218	364 557	498 283
Provisions	**509 827**	**443 946**	**381 285**	**509 666**
Long-term interest-bearing debt	**658 307**	**448 336**	**461 241**	**543 992**
Short-term interest-bearing debt	54 073	134 370	342 617	220 948
Trade payables	577 047	542 570	549 526	602 111
Tax payable	36 178	61 909	113 485	78 350
Other current liabilities	97 133	102 055	155 980	214 882
Current liabilities	**764 431**	**840 904**	**1 161 607**	**1 116 291**
TOTAL EQUITY AND LIABILITIES	**4 033 856**	**3 852 748**	**3 855 163**	**3 975 286**

STATEMENT OF EQUITY

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
					0	
Total 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**

30.06.2017	Equity allocated to parent company shareholders					
(NOK '000)	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 01.01.2017	43 572	-98	1 970 509	2 013 984	33 035	2 047 016
Comprehensive income	**0**	**0**	**182 563**	**182 563**	**6 681**	**189 244**
Transactions with shareholders						
Dividend	0	0	-407 975	-407 975	0	-407 975
Share based payment	0	0	-15 376	-15 376	0	-15 376
Net purchase and sale of treasury shares	0	16	-2 702	-2 686	0	-2 686
Equity changes associated companies	0	0	-4 885	-4 885	0	-4 885
Total transactions with shareholders	**0**	**16**	**-430 938**	**-430 922**	**0**	**-430 922**
Equity at 30.06.2017	**43 572**	**-84**	**1 722 135**	**1 765 625**	**39 715**	**1 805 338**

31.12.2017	Equity allocated to parent company shareholders					
(NOK '000)	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 01.01.2017	43 572	-98	1 970 509	2 013 984	33 035	2 047 017
Total comprehensive income	**0**	**0**	**224 776**	**224 776**	**7 878**	**232 654**
Transactions with shareholders						
Dividend	0	0	-407 968	-407 968	-3 150	-411 118
Share based payment	0	0	-14 609	-14 609	0	-14 609
Net purchase and sale of treasury shares	0	16	-2 702	-2 686	0	-2 686
Equity changes associated companies	0	0	-226	-226	0	-226
Total transactions with shareholders	**0**	**16**	**-425 505**	**-425 489**	**-3 150**	**-428 639**
Equity at 31.12.2017	**43 572**	**-82**	**1 769 780**	**1 813 271**	**37 762**	**1 851 030**

STATEMENT OF CASH FLOW

(NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Operational EBIT	**181 087**	**135 566**	**373 831**	**340 800**	**627 861**
Adjusted for:					
Tax paid	-23 722	247	-75 555	-358	-79 351
Depreciation and write-downs	21 882	19 665	43 063	36 882	82 063
Share based payment	726	-7 481	-1 805	-15 376	-15 376
Pension costs with no cash effect	0	0	0	0	-659
Change in inventory / biomass	100 824	-73 928	296 079	-67 090	-134 503
Change in debtors and creditors	42 291	145 666	-9 686	-57 981	-164 857
Change in other current assets and other liabilities	1 731	-16 830	15 134	-84 572	-144 673
Net cash flow from operating activities	**324 819**	**202 905**	**641 061**	**152 305**	**170 504**
Cash flow from investing activities					
Payments for purchase of PPE and licenses	-62 861	-84 869	-153 326	-124 151	-211 470
Payments other investments	-12 460	0	-16 485	0	-2 530
Payments(-)/proceeds(+) from realisation of non-current financial assets (TRS)	9 122	0	-23 384	91 201	105 099
Proceeds from investments in financial assets	4 527	0	4 527	0	13 448
Change in loans to associates and others	-8 250	-10 000	-37 020	-11 500	-11 600
Net cash flow from investing activities	**-69 922**	**-94 869**	**-225 689**	**-44 450**	**-107 053**
Cash flow from financing activities					
Receipts from new long-term debt	223 540	162 126	223 540	272 350	470 992
Long-term debt repayments	-13 909	-13 047	-28 399	-25 768	-305 170
Net change in overdraft	-79 957	81 328	-286 619	166 941	286 619
Payment for acquisition of treasury shares	889	89 736	3 887	-2 686	-2 686
Interest paid	-6 115	-4 951	-11 213	-9 042	-19 568
Dividend payment	-224 687	-407 975	-224 687	-407 975	-411 117
Net cash flow from financing activities	**-100 238**	**-92 783**	**-323 490**	**-6 180**	**19 070**
Net increase (+)/ decrease (-) in cash & cash equivalents	154 659	15 253	91 882	101 676	82 522
Cash and cash equivalents - opening balance	89 002	155 680	151 780	69 257	69 257
Cash and cash equivalents - closing balance	**243 661**	**170 933**	**243 661**	**170 933**	**151 779**

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 2017 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 2017 are available upon request from the company's head office at Ferjemannsveien 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 2017.

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.

	Sales		Farming							
			Region North		Region South		Eliminations/other		Total	
(NOK '000)	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017	Q2 2018	Q2 2017
Total sales revenues	1 208 123	1 231 843	413 597	241 814	150 904	104 641	1 401	1 070	1 774 025	1 579 368
Internal sales revenues	0	0	413 597	241 814	150 904	104 640	0	0	564 501	346 454
External sales revenues	1 208 123	1 231 843	0	0	0	0	1 401	1 070	1 209 524	1 232 913
Operational EBIT	-3 577	10 026	160 030	100 862	57 523	46 950	-32 889	-22 272	181 087	135 566
Fair value adjustments	-2 535	-407	97 408	147 296	-15 102	-2 781	0	0	79 771	144 108
Income from associates	0	0	0	0	0	0	-23 343	15 511	-23 343	15 511
EBIT	-6 113	9 620	257 438	248 158	42 421	44 169	-56 232	-6 761	237 515	295 185
EBT	-5 603	8 748	255 627	245 938	42 412	44 005	-22 081	-20 573	270 355	278 118
Volume harvested (HOG)			6 365	3 633	2 407	1 598			8 773	5 231
Operational EBIT per kg			25,14	27,76	23,90	29,38			24,80	28,26
Volume sold	17 150	17 318							17 150	17 318
Operational EBIT per kg	-0,21	0,58							-0,21	0,58
- of which loss on open fixed-price contracts per kg.	-0,47	-0,01							-0,47	-0,01

			Region North		Region South		Eliminations/other		Total	
(NOK '000)	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017	YTD 2018	YTD 2017
Total sales revenues	2 599 068	2 331 795	960 523	581 163	223 353	212 750	2 247	2 444	3 785 191	3 128 153
Internal sales revenues	0	0	960 522	581 163	223 353	212 750	0	0	1 183 875	793 913
External sales revenues	2 599 068	2 331 795	0	0	0	0	2 247	2 444	2 601 316	2 334 240
Operational EBIT	-7 262	28 183	347 712	237 014	78 900	98 017	-45 520	-22 413	373 831	340 800
Fair value adjustments	16 564	4 517	125 401	85 741	14 383	-13 986	0	0	156 349	76 272
Income from associates	0	0	0	0	0	0	-10 963	30 971	-10 963	30 971
EBIT	9 302	32 700	473 113	322 755	93 283	84 031	-56 483	8 558	519 216	448 043
EBT	9 797	31 323	468 529	318 480	93 164	83 480	20 413	-146 480	591 904	286 804
Volume harvested (HOG)			15 963	9 133	3 745	3 279			19 708	12 412
Operational EBIT per kg			21,78	25,95	21,07	29,89			21,65	26,99
Volume sold	39 690	33 032							39 690	33 032
Operational EBIT per kg	-0,18	0,85							-0,18	0,85
- of which loss (-)/gain (+) on open fixed-price contracts per kg.	-0,26	0,09							-0,26	0,09

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Biomass

In accordance w ith IAS 41, the biomass is recognised at fair value. The fair value is calculated in accordance w ith 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 w eight are deducted. Cash flow s 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 w eight 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 w eight of fish in the sea is translated into gutted w eight to get the same measurement unit as the prices are set in.

The price is calculated based on forw ard prices from Fish Pool. The forw ard price for the month in w hich 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 (w ell 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 w eight is defined as harvest w eight according harvest plans.

Book value of inventory:

(NOK '000)	30.06.2018	31.03.2018	30.06.2017	31.12.2017
Raw materials	21 292	21 717	31 092	37 906
Biological assets	1 040 206	1 069 942	1 337 311	1 177 678
Finished goods	59 211	47 568	77 477	61 420
Total inventory	**1 120 709**	**1 139 227**	**1 445 879**	**1 277 004**

Specification of the biological assets:

(NOK '000)	30.06.2018	31.03.2018	30.06.2017	31.12.2017
Biological assets at cost	673 444	785 486	874 045	950 700
Fair value adjustments of the biomass	366 762	284 456	463 266	226 978
Book value biological assets	**1 040 206**	**1 069 942**	**1 337 311**	**1 177 678**

Specification of biological assets - tonnes	Q2 2018	Q1 2018	Q2 2017	FY 2017
Opening balance biological assets	21 942	29 071	20 606	23 060
Increase due fish put in the sea	425	100	670	1 413
Increase due to production in the period	6 150	6 851	7 927	46 278
Reduction due to mortality in the period	-541	-787	-621	-3 424
Reduction due to harvesting in the period	-10 443	-13 024	-6 238	-38 015
Non-recurring items	-766	-271	-141	-242
Closing balance biological assets	**16 766**	**21 942**	**22 205**	**29 071**

Specification of changes in book value of biological assets:

(NOK '000)	Q2 2018	Q1 2018	Q2 2017	FY 2017
Opening balance biological assets	1 069 942	1 177 678	1 099 549	1 205 399
Increase due to production in the period	224 692	196 582	281 652	1 230 516
Non-recurring event at cost	-22 000	-17 000	-10 000	-19 879
Reduction due to harvesting in the period	-312 233	-345 914	-178 405	-1 073 825
Fair value adjustments of the biological assets	94 752	60 951	145 197	-163 237
Fair value adj. of the biological assets due to non-recurring event	-14 947	-2 355	-682	-1 296
Closing balance biological assets	**1 040 206**	**1 069 942**	**1 337 311**	**1 177 678**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Biomass cont.

Groups of biological assets, status as of 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**	**1 040 202**

Groups of biological assets, status as of 31.03.2018	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	3 844	2 290	146 727	52 132	198 859
1-4 kg	5 629	13 212	332 934	91 531	424 465
Larger than 4 kg	2 134	3 869	305 827	140 793	446 620
Biological assets	**11 607**	**19 371**	**785 488**	**284 456**	**1 069 942**

Groups of biological assets, status pr 30.06.2017	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	6 616	2 472	197 962	128 293	326 255
1-4 kg	6 114	13 364	491 723	248 083	739 806
Larger than 4 kg	1 420	6 369	194 361	76 890	271 251
Biological assets	**14 150**	**22 205**	**884 045**	**453 266**	**1 337 311**

Groups of biological assets, status as of 31.12.2017	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	6 220	3 799	203 819	70 529	274 348
1-4 kg	5 132	9 960	332 324	61 610	393 934
Larger than 4 kg	3 162	15 313	414 557	94 839	509 396
Biological assets	**14 514**	**29 071**	**950 700**	**226 978**	**1 177 678**

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

30.06.2018	NOK/kg	31.03.2018	NOK/kg	30.06.2017	NOK/kg	31.12.2017	NOK/kg
Q3 18	58,87	Q2 18	63,55	Q3 17	61,73	Q1 18	53,85
Q4 18	61,33	Q3 18	55,25	Q4 17	63,27	Q2 18	53,05
Q1 19	63,50	Q4 18	56,12	Q1 18	64,83	Q3 18	53,05
Q2 19	63,70	Q1 + Q2 19	57,52	Q2 18	64,70	Q4 18	55,00
Q3 + Q4 19	59,70	Q3 + Q4 19	55,48	Q3 + Q4 18	62,50	Q1 + Q2 19	57,80

NOTE 4: Non-recurring events

		Q2 2018			Q2 2017	
Non-recurring event [1)]	**Cost**	**Fair value adjustments**	**Fair value**	**Cost**	**Fair value adjustments**	**Fair value**
Destruction of desmoltified fish NRS Finnmark AS	0	0	0	10 000	682	10 682
Extraordinary mortallity when delousing NRS Feøy AS	2 000	830	2 830	0	0	0
The fish disease Infections Salmon Anemia (ISA) NOR Seafood AS	20 000	14 117	34 117	0	0	0
Biological assets	**22 000**	**14 947**	**36 947**	**10 000**	**682**	**10 682**

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

		YTD 2018			YTD 2017	
Non-recurring event [1)]	**Cost**	**Fair value adjustments**	**Fair value**	**Cost**	**Fair value adjustments**	**Fair value**
Destruction of desmoltified fish NRS Finnmark AS	0	0	0	10 000	682	10 682
Extraordinary mortallity when delousing NRS Feøy AS	2 000	830	2 830	0	0	0
The fish disease Infections Salmon Anemia (ISA) NOR Seafood AS	20 000	14 117	34 117	0	0	0
Biological assets	**22 000**	**14 947**	**36 947**	**10 000**	**682**	**10 682**

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

		FY 2017	
Non-recurring event [1)]	**Cost**	**Fair value adjustments**	**Fair value**
The fish disease Infections Salmon Anemia (ISA) NRS Finnmark AS	55 000	614	55 614
Destruction of desmoltified fish NRS Finnmark AS	10 000	682	10 682
Biological assets	**65 000**	**1 296**	**66 296**

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

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 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Change in fair value adjustments of the biomass	82 306	144 515	139 784	71 755	-164 533
Change in provision for onerous sales contracts	-7 671	717	-15 475	63 798	89 994
Change in unrealised gains/losses on financial Fish Pool contracts	5 136	-1 124	32 039	-59 281	-120 259
Total fair value adjustments	**79 771**	**144 108**	**156 349**	**76 272**	**-194 799**

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

(NOK '000)	30.06.2018	31.03.2018	30.06.2017	31.12.2017
Fair value adjustments biomass (inventory and biological assets)	366 762	284 456	463 266	226 978
Provision for onerous sales contracts (other current liabilities)	-15 475	-7 804	-26 196	0
Fair value of financial Fish Pool contracts (other receivables/other current liabilities)	6 327	1 191	35 266	-25 712
Net fair value adjustments in the balance sheet	**357 614**	**277 843**	**472 337**	**201 266**

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 serrvices are purchased at market terms. Adminstrative services are also purchased from one of the Group's associated companies.

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

Goods and services purchased:

(NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	Året 2017
Associates - products purchased	63 857	107 795	166 410	396 406	445 975
Associates - services purchased	17 762	17 206	32 896	29 974	58 985
Companies controlled by large shareholder - products purchased	81 851	76 679	172 471	102 471	461 970
Companies controlled by large shareholder - services purchased	5 933	6 047	9 746	6 047	12 451
Total goods and services purchased from related parties	169 403	207 728	381 522	534 898	979 381

Share-based incentive schemes

A bonus program based on synthetic options was introduced for the Group's management in 2014. The bonus program gives entitlement to a cash bonus based on the NRS average share price over a period prior to respectively 29 March 2014 and 24 June 2014. Bonuses are calculated 12, 24 , 36, 45 and 57 months after these dates, and the bonus program includes an obligation to invest the net bonus after tax in Norway Royal Salmon ASA (NRS) shares at the market price on the relevant date. Shares purchased in accordance with the bonus program will be subject to a 12-month lock-up period. All bonus payments are conditional on full-time employment in the company. The bonus is calculated based on the increase in value of the share in NRS from 29 March 2014 and 24 June 2014, and in relation to price increases during the period on the number of shares covered by the program. The scheme covers 50 000 shares allocated to the CEO. In the quarter a cost relating to the option scheme was recognised in the income statement in the amount of KNOK 541.

A bonus program based on options was introduced for senior executives and key personnel in the Group on 1 April 2017.The scheme has been approved by the Board. The scheme comprises 24 employees and is divided into 4 different levels. The scheme was continued in Q1 2018. The continued scheme comprises 24 employees.The option scheme has a 24 months' vesting period. The bonus program is a share-based scheme that entitles shareholders 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 2018 for the scheme introduced in 2017 and 20 March 2019 for the scheme introduced in 2018. 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. In the quarter, a cost of KNOK 735 related to the new option scheme was recognised in the accounts.

Change in number of options	Program introduced in 2014	Program introduced in 2017	Program introduced in 2018	All programs
At 31 March 2018	50 000	401 186	426 058	877 244
Terminated	0	-30 113	-18 344	0
Exercised in the quarter	0	0	0	0
Allocated during the year (new program)	0	0	0	0
Number of options at 30 June 2018	50 000	371 073	407 714	877 244
Exercise price	31,78	149,26	150,51	
Number of employees in the program at the end of the quarter	1	24	24	49

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: Investments in associates

(NOK '000)	Shareholding	Book value 01.01.2018	Share of profit/loss in the period after tax	Other changes	Book value 30.06.2018	Share of volume harvested - tonnes HOG 30.06.2018*
Arctic Fish ehf.	50,00 %	287 271	-6 073	-8 311	**272 885**	0
Wilsgård Fiskeoppdrett AS	37,50 %	152 875	-20 001	0	**132 874**	998
Måsøval Fishfarm AS	36,10 %	18 932	10 958	360	**30 250**	414
Hellesund Fiskeoppdrett AS	33,50 %	79 630	4 983	-3 390	**81 223**	197
Hardanger Fiskeforedling AS	31,10 %	10 369	485	0	**10 854**	
Espevær Laks AS	33,33 %	2 745	239	0	**2 984**	
Ranfjord Fiskeprodukter AS	37,75 %	22 935	-970	0	**21 965**	
Skardalen Settefisk AS	30,00 %	5 707	-583	0	**5 124**	
Other		48	0	0	**48**	
Total associates 30.06.2018		**580 510**	**-10 963**	**-11 342**	**558 206**	**1 609**
Total associates 31.12.2017		**531 507**	**52 657**	**-3 651**	**580 511**	**4 019**

* 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 2018:

	Shareholding	Number of shares	Fair value	NRS' share of fair value
Måsøval Fishfarm AS	36,10 %	257 295	46 776	16 886
Hellesund Fiskeoppdrett AS	33,50 %	1 651 015	300 155	100 552
Total		**1 908 310**	**346 931**	**117 438**

Note 8 Treasury shares and TRS agreements

As at 30 June the company holds 57 954 treasury shares, corresponding to 0.13 % of the share capital of the company. Norway Royal Salmon ASA's total underlying exposures through TRS agreements is at 30 June 1 485 756 shares, representing 3.41 % 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. Norway Royal Salmon used its contractual right to purchase 300 000 shares in the period. A gain at purchase was KNOK 9 122 and an unrealised gain of KNOK 29 553 was recognised in the period. Thus a net gain of KNOK 38 675 was recognised as a financial item in the income statement in the period.

(NOK '000)	No. of shares	Exercise Price	Maturity	Market value 31.03.2018	Market value 30.06.2018	Change in market value Q2 2018
Allocated dividend shares on TRS shares	10 379	0,00	13.09.2018	0	1 893	1 893
TRS	1 475 377	154,39	13.09.2018	13 658	41 318	27 660
Sum	**1 485 756**			**13 658**	**43 211**	**29 553**

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 the second quarter 2018 the Group is in compliance with the terms of its loan agreements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: Alternative performance measures
The consolidated financial statements of Norw ay Royal Salmon ASA are prepared in accordance w ith 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 w ith the International Financial Reporting Standards (IFRS). The performance measures are regularly review ed 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)	30.06.2018	31.03.2018	31.12.2017	30.06.2017
Reported long-term interest-bearing debt	658 307	448 336	461 241	543 992
Reported short-term interest-bearing debt	54 073	134 370	342 617	220 948
Interest-bearing long-term receivables	-55 620	-47 370	-18 600	0
Reported bank deposits, cash	-243 661	-89 002	-151 779	-170 933
Net interest bearing debt	**413 099**	**446 333**	**633 479**	**594 007**

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 w ith equity, the measure also indicate something about the solvency of the group.

(NOK '000)	30.06.2018	31.03.2018	31.12.2017	30.06.2017
Reported equity	2 101 291	2 119 563	1 851 030	1 805 338
Reported total assets	4 033 856	3 852 748	3 855 163	3 975 286
Equity ratio	**52,1 %**	**55,0 %**	**48,0 %**	**45,4 %**

Operational EBIT per kg (Group)
Operational EBIT per kg is defined as a central performance measure for Norw ay 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 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Operational EBIT	181 087	135 566	373 831	340 800	627 861
Unallocated expenses	10 889	12 241	23 389	12 374	31 064
Non-recurring events (note 4)	22 000	10 000	22 000	10 000	46 547
Operational EBIT	213 976	157 807	419 219	363 173	705 472
Harvested volume	8 773	5 231	19 708	12 412	31 918
Operation EBIT per kg	**24,39**	**30,17**	**21,28**	**29,26**	**22,10**

Operational EBIT per kg (Group)
Operational EBIT per kg is defined as a central performance measure for Norw ay 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 show n both before and after loss on open fixed-price contracts.

Operational EBIT per kg Region North

(NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Operational EBIT (segment, note 2)	160 030	100 862	347 712	237 014	433 082
Share of operational EBIT Sales allocated to region North excl. Contracts	3 207	7 046	2 093	18 562	25 775
Operational EBIT excl. Contracts	**163 237**	**107 908**	**349 805**	**255 576**	**458 857**
Loss(-) / Gain(+) on open fixed-price contracts	-5 803	-83	-7 922	2 308	70 370
Operational EBIT	**157 434**	**107 825**	**341 882**	**257 884**	**529 227**
Harvested volume	6 365	3 633	15 963	9 133	24 697
Operational EBIT per kg excl. Contracts	**25,64**	**29,70**	**21,91**	**27,98**	**18,58**
Operational EBIT per kg	**24,73**	**29,68**	**21,42**	**28,24**	**21,43**

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: Alternative performance measures (cont)

Operational EBIT per kg Region South

(NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Operational EBIT (segment, note 2)	57 523	46 950	78 900	98 017	150 017
Share of operational EBIT Sales allocated to region South excl. Contracts	1 212	3 099	1 057	6 665	8 424
Operational EBIT excl. Contracts	**58 735**	**50 049**	**79 958**	**104 681**	**158 441**
Loss(-) / Gain(+) on open fixed-price contracts	-2 194	-36	-2 490	648	17 600
Operational EBIT	**56 541**	**50 013**	**77 468**	**105 330**	**176 041**
Harvested volume	2 407	1 598	3 745	3 279	7 221
Operational EBIT per kg excl. Contracts	**24,40**	**31,32**	**21,35**	**31,93**	**21,94**
Operational EBIT per kg	**23,49**	**31,30**	**20,69**	**32,13**	**24,38**

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 anlysis like of P/E.

(NOK '000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017	FY 2017
Majority share of net result for the period	210 314	207 828	465 428	174 281	228 538
Majority share of fair value adjustments of biomass after tax	-64 813	-105 412	-108 550	-54 399	126 457
Fair value of sales contracts and Fish Pool contracts (in its entirety, the majority share)	2 118	309	-12 589	-3 433	23 002
Majority share of value-adjusted result for the period	**147 618**	**102 724**	**344 289**	**116 449**	**377 996**
Weighted average number of ordinary shares outstanding	43 483 003	43 264 965	43 483 003	43 264 965	43 344 931
Value-adjusted earnings per share	3,39	2,37	7,92	2,69	8,72

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: Shareholders

Ownership structure – the 20 largest shareholders as at 30.06.2018:

Shareholder	No. of shares	Shareholding
GÅSØ NÆRINGSUTVIKLING AS	6 829 605	15,67 %
GLASTAD CAPITAL AS	5 303 590	12,17 %
MÅSØVAL EIENDOM AS	5 208 581	11,95 %
EGIL KRISTOFFERSEN OG SØNNER AS	4 767 850	10,94 %
HAVBRUKSINVEST AS	4 151 915	9,53 %
HELLESUND FISKEOPPDRETT A/S	1 651 015	3,79 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	1 467 521	3,37 %
SPAREBANK 1 MARKETS AS	1 241 170	2,85 %
NYHAMN AS	1 071 320	2,46 %
LOVUNDLAKS AS	1 071 080	2,46 %
BNP PARIBAS SECURITIES SERVICES	822 029	1,89 %
STATE STREET BANK AND TRUST COMP	450 821	1,03 %
JPMORGAN CHASE BANK, N.A., LONDON	276 476	0,63 %
MP PENSJON PK	261 207	0,60 %
MÅSØVAL FISHFARM AS	257 295	0,59 %
HENDEN FISKEINDUSTRI AS	232 853	0,53 %
RAMSFJELL AS/ OLA LOE	225 897	0,52 %
EUROCLEAR BANK S.A./N.V.	214 168	0,49 %
STATE STREET BANK AND TRUST COMP	205 660	0,47 %
EIKA NORGE	205 600	0,47 %
Total 20 largest shareholders	**35 915 653**	**82,43 %**
Total other shareholders	7 656 538	17,57 %
Total no. of shares	**43 572 191**	**100,00 %**