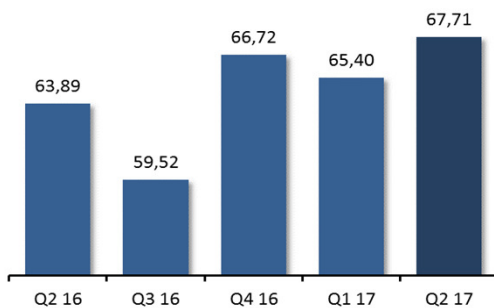


Interim Report

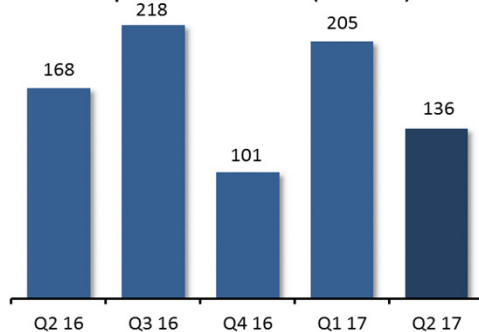
Q2-17



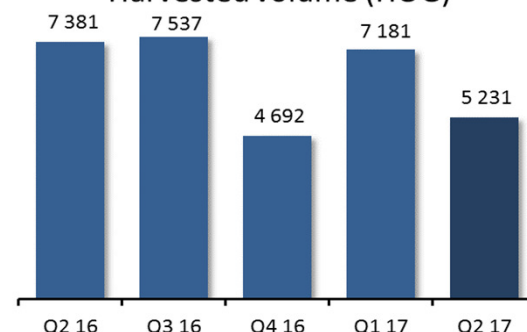
Salmon Price (NASDAQ) (NOK/kg)



Operational EBIT (MNOK)



Harvested volume (HOG)



HIGHLIGHTS Q2 2017

- Operational EBIT of NOK 136 million
 - Operational EBIT per kg of NOK 29.68 in Region North
 - Operational EBIT per kg of NOK 31.30 in Region South
 - Non-recurring item of NOK 10.0 million
- Harvested volume was 29 per cent lower and sold volume 11 per cent higher than in the same quarter last year
- Stable and good performance in Region South and high production costs in Region North
- Good fish health and sea lice situation for NRS
- Good result for the Sales business
- 48 per cent higher biomass in the sea compared with the end of the same quarter last year
- Strong salmon market driven by good demand and low supply growth
 - High salmon price in the quarter

NORWAY ROYAL SALMON - KEY FIGURES (NOK '000)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operating revenues	1 232 916	994 967	2 334 251	1 933 750	4 224 340
Operational EBITDA	155 231	183 332	377 682	351 317	701 676
Operational EBIT	135 566	168 499	340 800	321 630	640 613
Income from associates	15 511	30 489	30 971	45 910	71 865
EBIT	295 185	111 955	448 043	283 147	876 628
EBT	278 118	138 187	286 804	391 478	1 172 421
EPS (NOK) – before fair value adjustments	2,37	4,18	2,69	8,90	19,87
ROCE ¹⁾			48,5 %	34,4 %	49,6 %
Net cash flow from operating activities	202 905	263 447	152 305	466 175	628 302
Investments in tangible fixed assets	84 869	32 553	124 151	39 556	121 423
Net interest-bearing debt			594 007	146 852	282 160
Equity ratio			45,4 %	48,2 %	55,1 %
Volume harvested (HOG)	5 231	7 381	12 412	14 589	26 819
Operational EBIT per kg ²⁾	30,17	25,33	29,26	25,44	27,06
Volume sold - Sales	17 318	15 561	33 032	31 435	66 808

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 = 2016, unless otherwise specified)

Revenues and results

Norway Royal Salmon posted operating revenues of NOK 1 232.9 million (NOK 995.0 million) in the second quarter of 2017, an increase of 23.9 per cent from the corresponding prior-year period. The increase in revenues is due to higher sold volume and higher prices. The Group achieved an operational EBIT of NOK 135.6 million (NOK 168.5 million), a reduction of NOK 32.9 million. The reduction in operational EBIT is due to lower harvested volume and higher production costs. In connection with the destruction of selected weak fish at the site where NRS Finnmark AS received desmoltified fish last year, operational EBIT has been reduced with a non-recurring cost of NOK 10.0 million. The non-recurring item has not been allocated to the segments. The Group recognised positive fair value adjustments of NOK 144.1 million (negative NOK 87.0 million), an increase of NOK 231.1 million because of higher forward prices and higher biomass.

The farming business harvested 5 231 tonnes (7 381 tonnes) gutted weight in the quarter, a decrease of 29.1 per cent from the corresponding quarter last year. Including allocated margins from sales, Farming achieved an operational EBIT per kg of NOK 30.17 (NOK 25.33). The increase is due to higher prices. The Sales business sold 17 318 tonnes (15 561 tonnes), an increase of 11.3 per cent.

Financial items and share of profit from associates

Result from associates totalled NOK 15.5 million (NOK 30.5 million) in the second quarter. NRS' share of fair value adjustments of the biomass after tax amounted to NOK 3.7 million (NOK 4.5 million). Associated Norwegian farming companies harvested 963 tonnes, 86 tonnes less than in the corresponding period last year. NRS share of the above figure amounts to 355 tonnes, a decrease of 33 tonnes.

As a result of the decline of the NRS' share price from NOK 143.0 at the start of the quarter to NOK 127.5 at the end of the quarter, a loss of NOK 11.9 million (gain of NOK 30.7 million) on TRS agreements on own shares was posted in the quarter. Net interest expenses for the period were NOK 4.6 million (NOK 4.1 million), an increase of NOK 0.5 million because of higher interest-bearing debt in the period.

Balance sheet

At the end of the reporting period, total assets amounted to NOK 3 975 million, an increase of NOK 403.4 million from the prior quarter end. The change in total assets is attributable to several factors. Fair value adjustments of the biomass increased by NOK 144.5 million, while inventories and biomass at cost increased by NOK 73.9 million. The net increase in inventories and biological assets was NOK 218.4 million. Fixed assets had a net increase of NOK 66.1 million, financial assets increased with NOK 46.4 million. The Group's receivables increased by NOK 57.2 million and bank deposits by NOK 15.3.

The Group's net interest-bearing debt increased by NOK 213.5 million, from NOK 380.5 million at the end of the previous quarter to NOK 594.0 at 30 June 2017. The increase was mainly attributable to payment of dividend of NOK 326.2 million, investments in fixed assets of NOK 84.9 million, a loan of NOK 10.0 million and payment of interest of NOK 4.9 million. An operational EBITDA of NOK 155.2 million, reduced working capital of NOK 60.0 million and sale of treasury shares for NOK 8.0 million had the opposite effect on the net interest-bearing debt. At the end of the quarter, the Group had an unused long-term credit facility of

NOK 150 million and NOK 233 million in unused overdraft. The Group has bank deposits of NOK 170.9 million.

As of 30 June, the Group's equity totalled NOK 1 805 million, a decrease of NOK 99 million from the end of the previous quarter. The decrease is mainly attributable to payment of a cash dividend of NOK 326.2. A positive total comprehensive income of NOK 226.7 million increased the equity. At the end of the quarter, the equity ratio was 45.4 per cent.

Statement of cash flow

The Group's operating activities generated a positive cash flow of NOK 202.9 million during the quarter, which represents a decrease of NOK 60.5 million compared with the corresponding prior-year quarter. The positive cash flow of NOK 202.9 million is attributable to an operational EBITDA of NOK 155.2 million and an increase in accounts payables of NOK 178.5 million. An increase in inventories at cost of NOK 73.9 million, an increase in accounts receivables of NOK 32.6 million and share based payments of NOK 7.9 million had the opposite effect on the cash flow.

Net cash outflows related to investing activities in the second quarter amounted to NOK 94.9 million (NOK 14.8 million), which is attributable to payments of NOK 84.9 million for investments in fixed assets and a loan of NOK 10 million given to Nordnorsk Smolt AS.

The net cash outflows from financing activities totalled NOK 92.8 million (NOK 475.9 million) in the second quarter. Interests paid and instalments amounted to NOK 5.0 million and NOK 13.0 million respectively. A cash dividend payment of NOK 326 million has been made in the quarter. Payment received for sale of treasury shares amounted to NOK 8.0 million. NOK 100.0 million has been drawn on the long-term credit facility and leasing liabilities rose by NOK 62.1 million. The bank overdraft facility increased by NOK 81.3 million in the quarter.

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 35 licences to produce farmed salmon, divided between 29 licences in Region North, located in Troms and western Finnmark, and 6 licences in Region South, located in the area around Haugesund.

The business posted sales revenues of NOK 1 231.8 million in the second quarter (NOK 994.2 million), an increase of 23.9 per cent from the corresponding period last year. The spot price (NASDAQ) for superior quality during the quarter was NOK 67.71 per kg gutted weight, an increase of 4 per cent from the first quarter of 2017 and an increase of 6 per cent compared with the second quarter of 2016. The sales operations experienced an increase in sales volumes of 11.3 per cent compared with the corresponding prior-year period. 17 318 tonnes (15 561 tonnes) were sold in the second quarter. The Sales business achieved an operational EBIT before open fixed-price contracts of NOK 10.1 million (NOK 8.3 million), which equates

to NOK 0.59 (NOK 0.54) per kg sold volume in the period. The loss on open fixed-price contracts compared to the level of spot prices was NOK 0.1 million (NOK 18.5 million) in the quarter.

The Farming operations harvested 5 231 tonnes (7 381 tonnes) gutted weight in the second quarter, a decrease of 29.1 per cent from the corresponding period last year. The estimated harvest volume for 2017 is 34 000 tonnes gutted weight. 11.7 million smolts are planned released in 2017.

REGION NORTH

Operational EBIT came in at NOK 107.8 million (NOK 165.6 million), a decrease of NOK 57.8 million compared with the same quarter last year. Operational EBIT (ex. contracts) per kg amounted to NOK 29.70 (NOK 32.79). Loss on fixed-price contracts of NOK 0.02 per kg contributed to an operational EBIT per kg of NOK 29.68 (NOK 30.28).

3 633 tonnes (5 468 tonnes) were harvested in the region in the second quarter, a decrease of 33.6 per cent. The achieved price for the Farming operations was NOK 5.08 higher per kg than in the corresponding period last year.

Production costs for harvested fish was NOK 1.85 higher than in the first quarter of 2017 and NOK 8.99 higher than in the corresponding period last year. The reason for the increase is that the smolts purchased to replace smolts that was culled due to ISA in 2015 have performed weaker than normal. An improvement in production costs for the 2016-generation is expected. Harvesting of the 2016-generation is expected to start in September. The biomass in Region North increased in the quarter, even though the growth was slightly lower than expected. Otherwise, the fish health and sea lice situation is good.

The estimated harvest volume for 2017 is 26 800 tonnes gutted weight. 9.7 million smolts are planned released in 2017.

KEY FIGURES (NOK '000)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operating revenues	761 164	736 566	1 603 855	1 582 646	3 279 605
Operational EBITDA	123 642	177 421	288 002	362 601	683 531
Operational EBIT	107 825	165 601	257 884	338 917	634 401
Investment in tangible assets	35 865	33 737	35 865	36 840	116 276
Volume harvested (tonnes HOG)	3 633	5 468	9 133	11 969	21 667
Operational EBIT per kg (ex contracts)	29,70	32,79	27,98	30,07	32,08
Gain (+)/Loss (-) on open fixed price contracts	-0,02	-2,51	0,25	-1,76	-2,80
Operational EBIT per kg	29,68	30,28	28,24	28,32	29,28

REGION SOUTH

Operational EBIT came in at NOK 50.0 million (NOK 21.4 million), an increase of NOK 28.6 million. Operational EBIT (ex. contracts) per kg amounted to NOK 31.32 (NOK 13.69). Loss on fixed-price contracts of NOK 0.02 per kg contributed to an operational EBIT per kg of NOK 31.30 (NOK 11.18).

1 598 tonnes (1 912 tonnes) were harvested in the region in the second quarter, a decrease of 16.4 per cent from the corresponding prior-year period. The Farming operations achieved a price of NOK 3.13 per kg higher than in the corresponding prior-year period. The size of the

harvested fish in the quarter have contributed positively to the price achievement, while timing contributed negatively.

The production costs for harvested fish is NOK 2.16 per kg higher than in the first quarter and NOK 13.69 lower than in the corresponding period last year. Region South had good production and achieved higher than expected growth in the quarter. The fish health and sea lice situation is good.

Estimated harvest volume for 2017 is 7 200 tonnes gutted weight. 2.0 million smolts are planned released in 2017.

KEY FIGURES (NOK '000)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operating revenues	361 730	257 602	619 175	349 708	939 925
Operational EBITDA	53 015	24 390	111 245	38 180	103 291
Operational EBIT	50 013	21 377	105 329	32 178	91 358
Investment in tangible assets	3 416	18	3 416	299	5 144
Volume harvested (tonnes HOG)	1 598	1 912	3 279	2 620	5 151
Operational EBIT per kg (ex contracts)	31,32	13,69	31,93	14,42	21,86
Gain (+)/Loss (-) on open fixed price contracts	-0,02	-2,51	0,20	-2,14	-4,13
Operational EBIT per kg	31,30	11,18	32,13	12,28	17,74

SHARES

As of 30 June 2017, Norway Royal Salmon ASA have 43 572 191 shares, allocated among 2 223 shareholders, an increase of 347 from the end of the previous quarter. At the end of the quarter, the group had 84 443 treasury shares. The share price decreased from NOK 143.00 at the end of March 2017 to NOK 127.50 at the end of June 2017. 5 213 423 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 1 June 2017.

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 2018, however no later than 30 June 2018.

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 2018, however no later than 30 June 2018.

Jon Hindar was elected as a new director instead of Inge Kristoffersen. The other board members were re-elected by the general meeting.

The general meeting resolved to distribute a dividend of NOK 9.50 per share. The dividend was distributed by a cash dividend of NOK 7.60 and distribution of shares in NRS from the company's treasury shares.

Sickness absence

At 4.3 per cent, the Group's sickness absence rate increased by 0.1 per cent from the previous quarter. The long-term absenteeism represents a substantial part of the absence.

New site approved in the Kobbefjorden area in Finnmark

The farming operations in Finnmark have received approval for a new site in Måsøy municipality in Western Finnmark with a MAB of 3 600 tonnes. The site is in the Kobbefjorden area. With the new site, the NRS' operations in Region North increase the production capacity in this operational area, which improves the opportunity for generation separation and efficient operations.

Another two sites ASC-certified

In July, another two sites at NRS Finnmark received ASC (Aquaculture Stewardship Council) certification. NRS are pleased to have another two sites approved by the strictest international environmental standards in the industry. Nine of sixteen sites at NRS Finnmark are now ASC-certified. ASC is a global standard for responsible farming and will together with our green licenses further reduce the influence on the environment and the society.

NRS and GSF ensure smolt capacity in Finnmark

Norway Royal Salmon (NRS) and Grieg Seafood (GSF) join forces to secure smolt capacity in Finnmark. This is done by NRS and GSF entering as owners of Nordnorsk Smolt AS with 50 per cent each. Nordnorsk Smolt AS is a smolt plant located in Hasvik (Finnmark) and supplies big smolt. The plant has a production capacity of 800 tonnes per year. This corresponds to an annual production of about 3.2 million fish weighing 250 grams. It will be possible to expand the capacity to around 2 000 tonnes by developing the plant. The transaction values the company at a enterprise value (EV) of approx. NOK 100 million. The acquisition of the plant will ensure good access to big smolt which will contribute to better production optimization and shorter production time in the sea. The investment in the plant is in accordance with the companies' strategy to strengthen smolt production.

SUMMARY OF EVENTS YEAR TO DATE IN 2017

The Group posted sales of NOK 2 334.3 million (NOK 1 933.8 million) in the first half of 2017, an increase of 20.7 per cent against the corresponding prior-year period. During the same period, the Group posted an operational EBIT of NOK 340.8 million (NOK 321.6 million). 12 412 tonnes were harvested in the first half of 2017, compared with 14 589 tonnes in the corresponding prior-year period. The group had a positive operational cash-flow of NOK 152.3 million (NOK 466.2 million) in the first half of 2017. At the end of the second quarter the Group had an equity ratio of 45.4 per cent (48.2 per cent). The Group has increased its net interest-bearing debt by NOK 311.8 million in the first half of 2017 to NOK 594.0 million. A dividend of NOK 407.8 million was distributed in the first half of 2017.

Region North harvested 9 133 tonnes (11 969 tonnes) in the first half of 2017, and posted an EBIT per kg of NOK 28.24 (NOK 28.32). Region South harvested 3 279 tonnes (2 620 tonnes) in the first half of 2017, and posted an EBIT per kg of NOK 32.13 (NOK 12.28). The Sales business sold 33 032 tonnes (31 345 tonnes) in the first half of 2017.

Norway Royal Salmon has not identified any additional risk exposure beyond the risks described in the 2016 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. In the first half of 2017, Norway Royal Salmon purchased wellboat services totalling NOK 6.2 million from companies controlled by the company's chair Helge Gåsø. In addition, has smolts from Nordland Akva AS, which is controlled by one of the largest shareholders of NRS, Egil Kristoffersen og Sønner AS, been purchased for NOK 15.3 million. The services and smolts were priced at market rates. Otherwise, no material transactions with related parties have been undertaken, 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 15.5 billion, an increase of 6.5 per cent from the second quarter of 2016. Exported volumes from Norway was 6 per cent lower than last year, which means the increase in value was due to significantly higher prices. Despite lower volumes from Norway, the volumes globally increased by 4 per cent as Chile increased its volume by 26 per cent in the same period. Spot price (NASDAQ) in the second quarter of 2017 was NOK 67.71 per kg superior quality salmon (delivered Oslo). This is an increase of 6 per cent from the second quarter of 2016. The price growth is largely driven by good global demand for Norwegian salmon. In EUR, the prices of Norwegian salmon increased by 5.4 per cent to EUR 7.23 per kg. Good underlying market development for salmon has contributed strongly to the high prices of salmon in the quarter.

Although import of salmon decreased by 10 per cent compared to the same quarter last year, the demand from EU has been good. The reduction in volume from Norway was 11 per cent. The high prices affect markets differently. The decline in the UK and in France is significant both in volume and value. Other countries have less decline while Spain, Denmark, and the Netherlands have a substantial increase in value. Although the volumes are slightly lower, EU still use more money on salmon in the second quarter of 2017 than in the same quarter last year. This indicates a good underlying demand.

Q2/2017	Tonnes	yr/yr	MNOK	yr/yr
<i>Norway to the EU:</i>				
Poland	30 995	-10 %	1 749	-2 %
France	24 887	-20 %	1 456	-14 %
Denmark	18 359	-6 %	1 099	6 %
UK	13 077	-32 %	784	-14 %
Spain	15 244	-5 %	952	7 %
Netherlands	13 741	-4 %	853	13 %
Others in the EU	64 275	-5 %	3 997	8 %
Total Norway to the EU	180 578	-11 %	10 890	1 %
Others to the EU	45 622	-6 %		
EU Total	226 200	-10 %		

Export of salmon from Norway to Eastern Europe shows a robust growth both in volume and value in the second quarter of 2017. 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 could export to Russia. Volumes to Russia from other producer nations showed a decline in the second quarter, but Eastern Europe in total increased its volume in the second quarter of 2017. The demand development in Eastern Europe is positive.

Q2/2017	Tonnes	yr/yr	MNOK	yr/yr
<i>Norway to Eastern Europe:</i>				
Ukraine	2 179	53 %	115	95 %
Turkey	1 307	30 %	80	64 %
Belarus	1 288	18 %	65	41 %
Kazakhstan	862	124 %	53	173 %
Others in Eastern Europe	517	28 %	35	62 %
Total Norway to Eastern Europe	6 153	43 %	346	79 %
Others to Eastern Europe	14 847	-5 %		
Eastern Europe Total	21 000	5 %		



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Demand for Norwegian salmon in Asia has been good for a long time. The second quarter of 2017 was no exception. Imports increased by 8 per cent in total, and by 10 per cent from Norway. The trade problems with China continued in the second quarter, however work is being done to find a solution. A solution to the trade challenges with China will be very positive as the long-term potential in this region is very good.

Q2/2017	Tonnes	yr/yr	MNOK	yr/yr
<i>Norway to Asia:</i>				
South East Asia	21 965	18 %	1 383	24 %
Japan	9 687	-6 %	608	3 %
Middle East	6 938	14 %	468	22 %
Others in Asia	6 523	7 %	447	13 %
Total Norway to Asia	45 113	10 %	2 905	17 %
Others to til Asia	26 287	6 %		
Asia Total	71 400	8 %		

Demand for Norwegian salmon in North America continues the positive trend. In total, import to North America has increased by 1%, of which volume from Norway increased 10 per cent, which represents an increase of 30 per cent in value. Both fresh whole salmon and fresh fillet imports grew.

Q2/2017	Tonnes	yr/yr	MNOK	yr/yr
<i>Norway to North America:</i>				
USA	15 233	9 %	1 048	29 %
Canada	830	41 %	64	56 %
Total Norway to North America	16 063	10 %	1 112	30 %
Others to North America	91 037	0 %		
North America total	107 100	1 %		

The NRS' Sales operations had good profitability in the quarter and better than the second quarter last year, which also was a good quarter. Good price achievement and good margins together with 11 per cent higher volume contributed positively to the profitability of the sales operations. 59 per cent of the harvested fish were sold in the spot market in the second quarter, while 41 per cent were sold at fixed prices. The fixed price contracts resulted in a loss of NOK 0.1 million compared to the level of spot prices. There were significant differences between the different regions. The export volumes to Western Europe increased with 12 per cent in the quarter, while the volumes to Norway and Eastern Europe increased by 43 per cent and 8 per cent. The NRS' volumes to Asia fell by 3 per cent. In the second quarter, Western Europe accounted for 83 per cent of the export volumes, Asia 16 per cent and Eastern Europe accounted for 1 per cent. Domestic volume amounts to 17 per cent of the total sold volume.

OUTLOOK

Harvested volume for the quarter was 5 231 tonnes, which is was 431 tonnes more than estimated at the end of the last quarter. The estimated volume for 2017 is 34 000 tonnes, an increase of 27 per cent from 2016. 41.2 per cent of the harvested volume was price-hedged in the second quarter. For remaining quarters in 2017, 7 201 tonnes are priced-hedged at a Nasdaq equivalent price of around NOK 66.00 per kg.

In the second quarter, the global harvest volumes of salmon were 4 per cent higher than the year before. Harvest volumes from Norway were 6 per cent lower than last year, while the increase from Chile was 26 per cent. Good underlying demand contributed to an increase in the price of salmon of 5 % in EUR in the second quarter compared with the corresponding period last year.

Looking ahead, we expect global harvest volumes to increase compared with the same period last year. In the third quarter, the increase is expected to be 9 per cent and in the fourth quarter the increase is expected to be 10 per cent. As a result, in 2017 we expect an increase in supply to world markets of 5 per cent. Moderate supply growth and good demand provide the basis for a positive market outlook for the industry.

NRS was awarded 10 licenses in 2014. This increases the production capacity with approximately 40 per cent and gives the possibility for a more sustainable production. The company has a strong focus on exploiting the growth potential. Estimated overall smolt

releases for 2017 is 11.7 million smolts. NRS estimates approximately full utilization of the group's MAB through the fourth quarter of this year. NRS is satisfied that the farming operations primarily are located in Troms and Finnmark, where there are good conditions for the production of salmon at low production costs.

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 2017 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, 21 August 2017

Helge Gåsø
Chair

Kristine Landmark
Vice Chair

Marianne E. Johnsen

John Hindar

Lars Måsøval

Trude Olafsen

Charles Høstlund
CEO



INTERIM REPORT

Q2 2017

INTERIM REPORT

INCOME STATEMENT

(NOK '000)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operating revenues	1 232 916	994 967	2 334 251	1 933 750	4 224 340
Cost of goods sold	990 193	746 015	1 802 167	1 453 205	3 230 927
Salaries	38 684	29 921	67 676	70 031	155 468
Depreciation	19 665	14 833	36 882	29 686	61 063
Other operating costs	48 808	35 700	86 726	59 198	136 269
Operational EBIT	135 566	168 499	340 800	321 630	640 613
Fair value adjustments	144 108	-87 033	76 272	-84 394	164 151
Income from associates	15 511	30 489	30 971	45 910	71 865
EBIT	295 185	111 955	448 043	283 147	876 628
Gain/loss on financial assets	-11 913	30 709	-151 411	117 994	311 650
Other net financial items	-5 154	-4 476	-9 828	-9 662	-15 857
EBT	278 118	138 187	286 804	391 478	1 172 421
Tax	-65 866	-19 259	-105 842	-56 905	-167 707
Net profit/loss	212 252	118 928	180 961	334 573	1 004 713
Profit attributable to:					
Parent company shareholders	207 828	117 602	174 281	326 521	988 007
Minority interests	4 424	1 326	6 681	8 052	16 706
Earnings per share (NOK)	4,80	2,70	4,03	7,51	22,72
Earnings per share - diluted	4,80	2,70	4,03	7,51	22,72

EXTENDED INCOME STATEMENT

(NOK '000)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Net profit/loss	212 252	118 928	180 961	334 573	1 004 713
Items to be reclassified to profit or loss:					
Translation differences and OCI posts from associated companies	19 606	0	17 757	0	12 896
Cash Flow hedges (net)	-5 191	9 020	-9 474	40 236	21 429
Items not to be reclassified to profit or loss:					
Actuarial gains on defined benefit plans (net)	0	0	0	0	-1 361
Total comprehensive income	226 667	127 949	189 244	374 809	1 037 678
Total comprehensive income attributable to:					
Parent company shareholders	222 243	126 622	182 563	366 757	1 020 972
Non-controlling interests	4 424	1 326	6 681	8 052	16 706

BALANCE SHEET

(NOK '000)	30.06.2017	31.03.2017	31.12.2016	30.06.2016
Intangible assets	648 887	648 887	648 887	648 887
Property, plant and equipment	505 604	439 553	417 496	367 008
Non-current financial assets	601 231	554 798	547 898	234 283
Non-current assets	1 755 723	1 643 238	1 614 281	1 250 179
Inventory and biological assets	1 445 879	1 227 436	1 307 035	796 469
Receivables	602 751	545 571	722 810	601 130
Bank deposits, cash	170 933	155 680	69 257	188 587
Current assets	2 219 563	1 928 687	2 099 101	1 586 186
TOTAL ASSETS	3 975 286	3 571 925	3 713 382	2 836 365
Share capital	43 489	42 924	43 473	43 474
Other equity	1 722 135	1 826 361	1 970 509	1 299 836
Non-controlling interests	39 715	35 290	33 034	24 381
Equity	1 805 338	1 904 576	2 047 017	1 367 691
Pensions	11 383	11 383	11 383	12 480
Deferred tax	498 283	433 409	394 786	370 409
Provisions	509 666	444 792	406 169	382 888
Long-term interest-bearing debt	543 992	403 199	303 781	290 038
Short-term interest-bearing debt	220 948	133 012	47 635	45 401
Trade payables	602 111	423 799	646 515	469 223
Tax payable	78 350	78 531	79 350	5 764
Other current liabilities	214 882	184 018	182 916	275 360
Current liabilities	1 116 290	819 360	956 417	795 748
TOTAL EQUITY AND LIABILITIES	3 975 286	3 571 925	3 713 382	2 836 365

STATEMENT OF EQUITY

30.06.2017	Equity allocated to parent company shareholders				Non-controlling interests	Total equity
	Share capital	Treasury shares	Retained earnings	Total		
(NOK '000)						
Equity at 01.01.2017	43 572	-98	1 970 509	2 013 984	33 035	2 047 017
Total comprehensive income	0	0	182 563	182 563	6 681	189 244
Transactions with shareholders						
Dividend	0	507	-326 736	-326 228	0	-326 228
Share based payment	0	0	-15 376	-15 376	0	-15 376
Purchase of treasury shares	0	-600	-99 900	-100 500	0	-100 500
Sale of treasury shares	0	109	15 959	16 068	0	16 068
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	-82	1 722 135	1 765 625	39 715	1 805 338

30.06.2016	Equity allocated to parent company shareholders				Non-controlling interests	Total equity
	Share capital	Treasury shares	Retained earnings	Total		
(NOK '000)						
Equity at 01.01.2016	43 572	-71	1 070 288	1 113 791	72 731	1 186 519
Comprehensive income	0	0	366 757	366 757	8 052	374 809
Transactions with shareholders						
Dividend	0	0	-111 773	-111 773	0	-111 773
Share based payment	0	0	-11 081	-11 081	0	-11 081
Purchase minority interest	0	0	-13 598	-13 598	-56 402	-70 000
Purchase/sale of treasury shares	0	-27	-1 492	-1 519	0	-1 519
Other changes	0	0	737	737	0	737
Total transactions with shareholders	0	-27	-137 207	-137 235	-56 402	-193 637
Equity at 30.06.2016	43 572	-98	1 299 836	1 343 314	24 381	1 367 691

31.12.2016	Equity allocated to parent company shareholders				Non-controlling interests	Total equity
	Share capital	Treasury shares	Retained earnings	Total		
(NOK '000)						
Equity at 01.01.2016	43 572	-71	1 070 288	1 113 791	72 731	1 186 519
Total comprehensive income	0	0	1 020 972	1 020 972	16 706	1 037 678
Transactions with shareholders						
Dividend	0	0	-111 773	-111 773	0	-111 773
Share based payment	0	0	-10 702	-10 702	0	-10 702
Purchase/sale of treasury shares	0	-27	-1 540	-1 567	0	-1 567
Purchase minority interest	0	0	-13 598	-13 598	-56 402	-70 000
Equity changes associated companies	0	0	16 862	16 862	0	16 862
Total transactions with shareholders	0	-27	-120 752	-120 779	-56 402	-177 181
Equity at 31.12.2016	43 572	-98	1 970 509	2 013 984	33 035	2 047 017



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STATEMENT OF CASH FLOW

(NOK '000)	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operational EBIT	135 566	168 499	340 800	321 630	640 613
Adjusted for:					
Tax paid	247	0	-358	0	-3 180
Depreciation	19 665	14 833	36 882	29 686	61 063
Gains (-)/ losses (+) on disposal of non-current assets	0	10	0	10	10
Share based payment	-7 481	-5 476	-15 376	-11 081	-10 703
Pension costs with no cash effect	0	0	0	0	-2 887
Change in inventory / biomass	-73 928	197	-67 090	74 592	-242 359
Change in debtors and creditors	145 666	69 077	-57 981	-31 508	138 560
Change in other current assets and other liabilities	-16 830	16 307	-84 572	82 845	47 185
Net cash flow from operating activities	202 905	263 447	152 305	466 175	628 302
Cash flow from investing activities					
Proceeds from sale of property, plant and equipment	0	800	0	800	813
Payments for purchase of PPE	-84 869	-32 553	-124 151	-39 556	-121 423
Payments for acquisition of associated company	0	0	0	0	-269 487
Proceeds from realisation of non-current financial assets (TRS)	0	16 999	91 201	117 696	164 916
Proceeds from investments in non-current financial assets	0	0	0	0	8 871
Payments for acquisition of minority interest in subsidiary	0	0	0	-70 000	-70 000
Change in loans to associates and others	-10 000	0	-11 500	0	4 000
Net cash flow from investing activities	-94 869	-14 754	-44 450	8 940	-282 311
Cash flow from financing activities					
Receipts from new long-term debt	162 126	9 781	272 350	9 781	52 212
Long-term debt repayments	-13 047	-361 649	-25 768	-374 222	-400 674
Net change in overdraft	81 328	0	166 941	0	0
Payment for acquisition of treasury shares	0	-68 985	-100 500	-68 985	-68 985
Proceeds from sale of treasury shares	7 989	61 437	16 068	67 466	67 418
Interest paid	-4 951	-4 709	-9 042	-10 133	-16 270
Dividend payment	-326 228	-111 773	-326 228	-111 773	-111 773
Net cash flow from financing activities	-92 783	-475 898	-6 180	-487 866	-478 073
Net increase (+)/ decrease (-) in cash & cash equivalents	15 253	-227 206	101 676	-12 752	-132 082
Cash and cash equivalents - opening balance	155 680	415 792	69 257	201 339	201 339
Cash and cash equivalents - closing balance	170 933	188 587	170 933	188 587	69 257

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 2016 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 2016 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 2016.



NOTE 2: Segment information

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.

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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 changed the 31 December 2016 from a growth model to a present value model. In accordance with IFRS 13, the change of model is regarded as an estimate change. 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. 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)	30.06.2017	31.03.2017	30.06.2016	31.12.2016
Raw materials	31 092	25 218	29 306	35 512
Biological assets	1 337 311	1 099 549	743 821	1 205 399
Finished goods	77 477	102 669	23 342	66 123
Total inventory	1 445 879	1 227 436	796 469	1 307 035

Specification of the biological assets:

(NOK '000)	30.06.2017	31.03.2017	30.06.2016	31.12.2016
Biological assets at cost	874 045	780 798	545 924	813 888
Fair value adjustments of the biomass	463 266	318 751	197 897	391 511
Book value biological assets	1 337 311	1 099 549	743 821	1 205 399

Specification of biological assets - tonnes

	Q2 2017	Q1 2017	Q2 2016	FY 2016
Opening balance biological assets	20 606	23 060	18 585	22 407
Increase due fish put in the sea	670	48	572	1 298
Increase due to production in the period	7 927	6 990	5 408	33 714
Reduction due to mortality in the period	-621	-941	-686	-2 269
Reduction due to harvesting in the period	-6 238	-8 550	-8 811	-31 955
Non-recurring items and sold biomass	-141	0	-42	-135
Closing balance biological assets	22 205	20 606	15 025	23 060

Specification of changes in book value of biological assets:

(NOK '000)	Q2 2017	Q1 2017	Q2 2016	FY 2016
Opening balance biological assets	1 099 549	1 205 399	791 315	829 928
Increase due to production in the period	281 652	200 077	215 881	967 416
Non-recurring event at cost	-10 000	0	-8 000	-19 158
Reduction due to harvesting in the period	-178 405	-233 167	-230 807	-766 904
Fair value adjustments of the biological assets	145 197	-72 760	-24 568	194 117
Fair value adj. of the biological assets due to non-recurring event	-682	0	0	0
Closing balance biological assets	1 337 311	1 099 549	743 821	1 205 399

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Biomass cont.

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 pr 31.03.2017	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	4 664	3 527	203 062	69 347	272 409
1-4 kg	5 670	13 212	461 649	189 732	651 381
Larger than 4 kg	889	3 869	116 088	59 671	175 759
Biological assets	11 222	20 608	780 799	318 750	1 099 549

Groups of biological assets, status pr 30.06.2016	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	5 804	2 740	207 978	-	207 978
1-4 kg	3 077	5 730	193 675	59 095	252 770
Larger than 4 kg	1 176	6 555	144 272	138 802	283 074
Biological assets	10 058	15 025	545 925	197 897	743 821

Groups of biological assets, status pr 31.12.2016	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	7 098	4 575	255 803	109 784	365 587
1-4 kg	4 950	13 027	412 823	171 133	583 956
Larger than 4 kg	1 162	5 458	145 262	110 594	255 856
Biological assets	13 210	23 060	813 888	391 511	1 205 399

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

30.06.2017	NOK/kg	31.03.2017	NOK/kg	30.06.2016	NOK/kg	31.12.2016	NOK/kg
Q3 17	61,73	Q2 17	62,78	Q3 16	59,00	Q1 17	74,00
Q4 17	63,27	Q3 17	58,47	Q4 16	61,00	Q2 17	71,80
Q1 18	64,83	Q4 17	60,13	Q1 17	60,40	Q3 17	64,70
Q2 18	64,70	Q1 + Q2 18	61,97	Q2 17	59,78	Q4 17	64,50
Q3 + Q4 18	62,50	Q3 + Q4 18	56,43	Q3 + Q4 17	60,00	Q1 + Q2 18	72,90



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 4: Non-recurring events

Non-recurring event	Q2 2017			Q2 2016		
	Cost	Fair value adjustments	Fair value	Cost	Fair value adjustments	Fair value
Destruction of desmoltified fish NRS Finnmark AS	10 000	682	10 682	8 000	0	8 000
Biological assets	10 000	682	10 682	8 000	0	8 000

Non-recurring event	YTD 2016			YTD 2016		
	Cost	Fair value adjustments	Fair value	Cost	Fair value adjustments	Fair value
Destruction of fish with winter wounds Nor Seafood AS ¹⁾	0	0	0	11 186	0	11 186
Destruction of desmoltified fish NRS Finnmark AS ¹⁾	10 000	682	10 682	8 000	0	8 000
Biological assets	10 000	682	10 682	19 186	0	19 186

Extraordinary events	FY 2016		
	Cost	Fair value adjustments	Fair value
Destruction of fish with winter wounds Nor Seafood AS ¹⁾	11 186	0	11 186
Destruction of desmoltified fish NRS Finnmark AS ¹⁾	8 000	0	8 000
Biological assets	19 186	0	19 186

1) All events in 2016 are related to small fish (less than 1 kg). At the time the events occurred, cost was considered the best estimate of fair value. In Q4 2016 was additional MNOK 1,1 recognised as a non-recurring event due to the final verdict against Nord Senja Laks AS.

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 2017	Q2 2016	YTD 2016	YTD 2016	FY 2016
Change in fair value adjustments of the biomass	144 515	-24 568	71 755	503	194 117
Change in provision for onerous sales contracts	717	-63 240	63 798	-119 353	-62 227
Change in unrealised gains/losses on financial fish pool contracts	-1 124	775	-59 281	34 456	32 261
Total fair value adjustments	144 108	-87 033	76 272	-84 394	164 151

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

(NOK '000)	30.06.2017	31.03.2017	31.12.2016	30.06.2016
Fair value adjustments biomass (inventory and biological assets)	463 266	318 751	391 511	197 897
Provision for onerous sales contracts (other current liabilities)	-26 196	-26 913	-89 994	-147 120
Fair value of financial Fish Pool contracts (other receivables/other current liabilities)	35 266	36 390	94 547	96 742
Net fair value adjustments in the balance sheet	472 337	328 228	396 064	147 519

NOTE 6: Transactions with related parties

The Norway Royal Salmon Group undertakes transactions under ordinary terms and conditions with associates and fish farmers who are also NRS shareholders. This applies to the purchase of fish from fish-farming companies, as well as the purchase of harvesting services from two of the Group's associates. Smolts are also purchased from associated companies.

Wellboat services with a total value of KNOK 6 225 were purchased from enterprises controlled by the company's Chair Helge Gåsø in Q2 2017. These services were priced at the market rate. In addition, has smolts from Nordland Akva AS, which is controlled by one of the largest shareholders of NRS, Egil Kristoffersen og Sønner AS, been purchased for KNOK 15 273 in Q2 2017.

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 and 36 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. After the execution of 150 000 options in Q2 2017, the scheme covers 100 000 shares allocated to the CEO at the end of the quarter. In the second quarter of 2017 costs relating to the option scheme was recognised in the income statement in the amount of KNOK 1 647.

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 30 people and 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 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. Each employee can at most be granted rights to shares for a value of 75 per cent of the annual salary in level 1, 100 per cent of the annual salary in level 2, 50 per cent of the annual salary in level 3 and 25 per cent of the annual salary in level 4. At 30 June 2017, the program includes 426 188 options. The exercise price will be adjusted for dividends and changes in holdings of treasury shares. In the quarter, a cost of KNOK 377 related to the new option scheme was recognised in the accounts.

For further details of transactions with related parties, please see the description in the annual report.

	Program introduced in 2014	Program introduced in 2017	All programs
Change in number of options			
At 31 March 2017	250 000	0	250 000
Exercised in the quarter	-150 000	0	-150 000
Allocated during the year (new program)	0	426 188	426 188
Number of options at 30 June 2017	100 000	426 188	526 188
Exercise price	32,27	158,76	0
Number of employees in the program at the end of the quarter	1	30	31



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: Investments in associates

(NOK '000)	Shareholding	Book value 01.01.2017	Share of profit/loss in the period after tax	Other changes	Book value 30.06.2017	Share of volume harvested - tonnes HOG 30.06.2017*
Arctic Fish ehf.	50,00 %	281 217	74	17 757	299 048	611
Wilsgård Fiskeoppdrett AS	37,50 %	134 544	8 785	0	143 329	997
Måsøval Fishfarm AS	36,10 %	10 489	9 063	-466	19 087	334
Hellesund Fiskeoppdrett AS	33,50 %	67 033	13 043	-6 599	73 478	524
Hårdanger Fiskeforedling AS	31,10 %	9 903	104	0	10 007	
Espevær Laks AS	33,33 %	2 910	42	168	3 120	
Ranfjord Fiskeprodukter AS	37,75 %	21 814	913	0	22 727	
Skardalen Settefisk AS	30,00 %	3 547	-1 052	0	2 495	
Other		48	0	0	48	
Total associates 30.06.2017		531 504	30 971	10 860	573 335	2 465
Total associates 31.12.2016		169 992	71 865	289 649	531 504	3 204

* 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 2017:

	Shareholding	Number of shares	Fair value	NRS' share of fair value
Måsøval Fishfarm AS	36,10 %	252 520	32 196	11 623
Hellesund Fiskeoppdrett AS	33,50 %	1 620 380	206 598	69 210
Total		1 872 900	238 795	80 833

Note 8 Treasury shares and TRS agreements

As at 30 June the company holds 82 443 treasury shares, corresponding to 0.19 % of the share capital of the company. Norway Royal Salmon ASA's total underlying exposures through TRS agreements is at 30 June 1 775 377 shares, representing 4.07 % 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.

(NOK '000)	No. of shares	Exercise Price	Maturity	Market value 30.06.2017	Market value 30.06.2017	Change in market value Q2 2017
TRS	1 775 377	160,03	19.09.2017	-45 438	-57 381	-11 943
Sum				-45 438	-57 381	-11 943

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 2017 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 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)	30.06.2017	31.03.2017	31.12.2016	30.06.2016
Reported long-term interest-bearing debt	543 992	403 199	303 781	290 038
Reported short-term interest-bearing debt	220 948	133 012	47 635	45 401
Reported bank deposits, cash	170 933	155 680	69 257	188 587
Net interest bearing debt	594 007	380 531	282 160	146 852

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)	30.06.2017	31.03.2017	31.12.2016	30.06.2016
Reported equity	1 805 338	1 904 576	2 047 017	1 367 691
Reported total assets	3 975 286	3 571 925	3 713 382	2 836 365
Equity ratio	45,4 %	53,3 %	55,1 %	48,2 %

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 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operational EBIT	135 566	168 499	340 800	321 630	640 613
Unallocated expenses	12 241	10 479	12 374	30 279	64 824
Non-recurring events (note 4)	10 000	8 000	10 000	19 186	20 322
Operational EBIT	157 807	186 978	363 173	371 095	725 759
Harvested volume	5 231	7 381	12 412	14 589	26 819
Operation EBIT per kg	30,17	25,33	29,26	25,44	27,06

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 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 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operational EBIT (segment, note 2)	100 862	173 155	237 014	342 396	656 112
Share of operational EBIT Sales allocated to region North excl. Contracts	7 046	6 170	18 562	17 550	38 958
Operational EBIT excl. Contracts	107 908	179 325	255 576	359 946	695 070
Loss(-) / Gain(+) on open fixed-price contracts	-83	-13 724	2 308	-21 029	-60 669
Operational EBIT	107 825	165 601	257 884	338 917	634 401
Harvested volume	3 633	5 468	9 133	11 969	21 667
Operational EBIT per kg excl. Contracts	29,70	32,79	27,98	30,07	32,08
Operational EBIT per kg	29,68	30,28	28,24	28,32	29,28



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NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: Alternative performance measures (cont)

Operational EBIT per kg Region South

(NOK '000)

	Q2 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Operational EBIT (segment, note 2)	46 950	24 019	98 017	34 376	101 914
Share of operational EBIT Sales allocated to region South excl. Contracts	3 099	2 158	6 665	3 397	10 717
Operational EBIT excl. Contracts	50 049	26 177	104 681	37 773	112 631
Loss(-) / Gain(+) on open fixed-price contracts	-36	-4 800	648	-5 595	-21 274
Operational EBIT	50 013	21 377	105 329	32 178	91 357
Harvested volume	1 598	1 912	3 279	2 620	5 151
Operational EBIT per kg excl. Contracts	31,32	13,69	31,93	14,42	21,86
Operational EBIT per kg	31,30	11,18	32,13	12,28	17,74

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 2017	Q2 2016	YTD 2017	YTD 2016	FY 2016
Majority share of net result for the period	207 828	117 602	174 281	326 521	988 007
Majority share of fair value adjustments of biomass after tax	-105 412	17 212	-54 399	-3 138	-146 698
Fair value of sales contracts and Fish Pool contracts (in its entirety, the majority share)	309	46 849	-3 433	63 673	22 774
Majority share of value-adjusted result for the period	102 724	181 663	116 449	387 056	864 083
Weighted average number of ordinary shares outstanding	43 264 965	43 486 550	43 264 965	43 486 550	43 480 197
Value-adjusted earnings per share	2,37	4,18	2,69	8,90	19,87



INTERIM REPORT

Q2 2017

NOTES TO THE FINANCIAL STATEMENTS

NOTE 11: Shareholders

Ownership structure – the 20 largest shareholders as at 30.06.2017:

Shareholder	No. of shares	Shareholding
GÅSØ NÆRINGSUTVIKLING AS	6 714 749	15,41 %
GLASTAD INVEST AS	5 266 542	12,09 %
MÅSØVAL EIENDOM AS	5 172 196	11,87 %
EGIL KRISTOFFERSEN OG SØNNER AS	4 734 545	10,87 %
HAVBRUKSINVEST AS	3 922 912	9,00 %
DNB NOR MARKETS, AKSJEHAND/ANALYSE	1 769 447	4,06 %
HELLESUND FISKEOPPDRETT A/S	1 639 482	3,76 %
SPAREBANK 1 MARKETS AS	1 528 667	3,51 %
NYHAMN AS	1 066 694	2,45 %
LOVUNDLAKS AS	1 063 598	2,44 %
STATE STREET BANK AND TRUST COMP	399 165	0,92 %
HENDEN FISKEINDUSTRI AS	307 154	0,70 %
HOLTA INVEST AS	304 060	0,70 %
JPMORGAN CHASE BANK, N.A., LONDON	274 453	0,63 %
MP PENSJON FK	257 082	0,59 %
MÅSØVAL FISHFARM AS	255 497	0,59 %
J.P. MORGAN BANK LUXEMBOURG S.A.	247 023	0,57 %
JPMORGAN EUROPEAN SMALLERCOMPANIES	242 180	0,56 %
MSIP EQUITY	221 497	0,51 %
STATE STREET BANK AND TRUST COMP	204 223	0,47 %
Total 20 largest shareholders	35 591 166	81,68 %
Total other shareholders	7 981 025	18,32 %
Total no. of shares	43 572 191	100,00 %