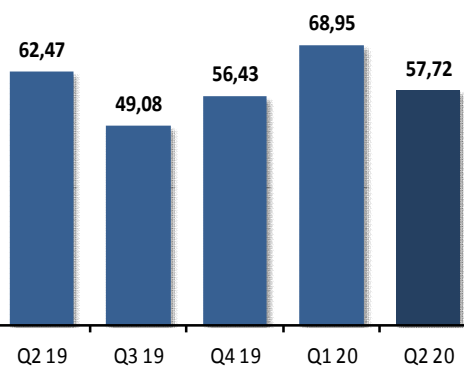


Interim Report

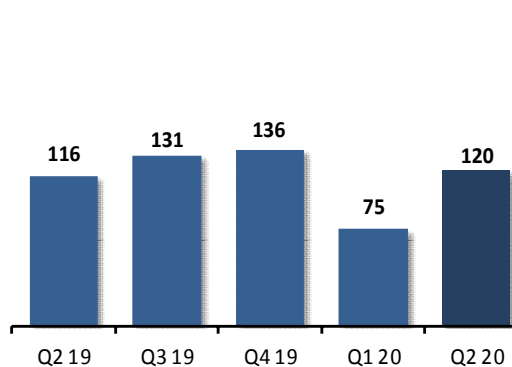
Q2-20



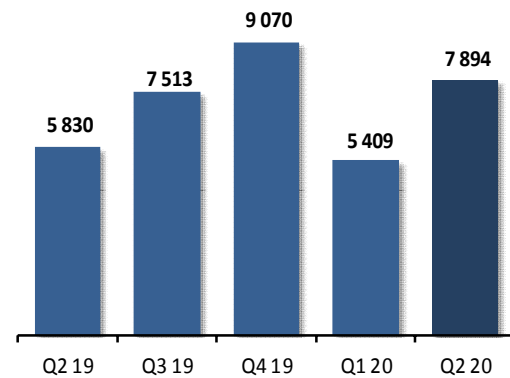
Salmon Price (NASDAQ) (NOK/kg)



Operational EBIT (MNOK)



Harvested volume (HOG)



HIGHLIGHTS Q2 2020

- Operational EBIT of NOK 120 million
 - Operational EBIT per kg of NOK 17.06
- Decreased production costs from Q1 2020
- Harvested volume 7 894 tonnes, 59 % higher than corresponding period last year
- The biomass in the sea increased by 4 558 tonnes (24 %) from the second quarter of 2019
- Detection of the fish disease ISA at one site in July
- Covid-19 has not impacted the production in the quarter. The declined demand in the food service market is partly compensated from retail customers
- Acquired 1 050 tonnes of MAB through Norwegian Aquaculture capacity auction

NORWAY ROYAL SALMON - KEY FIGURES (NOK '000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Operating revenues	1 289 333	1 205 197	2 559 247	2 691 767	5 586 670
Operational EBITDA	145 081	134 700	243 173	317 272	629 606
Operational EBIT	119 665	113 484	194 456	275 009	542 802
Income from associates	-4 124	12 270	13 694	23 028	16 901
EBIT	97 286	160 391	192 435	297 509	423 301
EBT	118 152	135 837	173 296	303 955	474 775
EPS (NOK) – before fair value adjustments	2,64	1,74	3,45	5,72	32,47
ROCE ¹⁾			18,2 %	31,0 %	25,9 %
Net cash flow from operating activities ²⁾	183 037	-63 032	214 904	255 902	223 291
Investments in fixed assets/licenses ²⁾	341 333	207 689	596 494	209 533	674 243
Net interest-bearing debt			617 639	282 714	33 073
Equity ratio			62,3 %	53,2 %	71,7 %
Volume harvested (HOG)	7 894	4 962	13 303	11 978	27 297
Operational EBIT per kg ³⁾	17,06	27,46	16,85	26,32	21,98
Volume sold - Sales	20 650	17 579	38 550	40 417	89 879

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

²⁾ Cashflow figures and investments includes discontinued operations.

³⁾ Operational EBIT per kg from Farming and Sales (before non-recurring items)

FINANCIAL PERFORMANCE

(Figures in brackets = 2019, unless otherwise specified. All income statement items are restated and adjusted for discontinued operations for comparison periods)

Revenues and results

Norway Royal Salmon posted operating revenues of NOK 1 289.3 million (NOK 1 205.2 million) in the second quarter of 2020, an increase of 7.0 per cent from the corresponding prior-year period. The increase in revenues is due to higher sold volumes. The Group achieved an operational EBIT of NOK 119.7 million (NOK 113.5 million), an increase of NOK 6.2 million. The increase in operational EBIT is due to higher harvested volume. A gain on open fixed-price contracts compared to the level of Fish Pool prices of NOK 8.9 million (loss of NOK 1.9 million) was recognised in the quarter. The Group recognised a negative fair value adjustment of NOK 18.3 million (positive NOK 34.6 million), a decrease of NOK 52.9 million compared to the corresponding quarter 2019.

The farming business harvested 7 894 tonnes (4 962 tonnes) gutted weight in the quarter, an increase of 59 per cent from the corresponding quarter last year. Farming and Sales achieved an operational EBIT per kg of NOK 17.06 (NOK 27.46). The decrease in operational EBIT per kg is due to lower salmon prices and higher production costs. The Sales business sold 20 650 tonnes (17 579 tonnes), an increase of 18 per cent.

Financial items and share of profit from associates

Result from associates totalled NOK -4.1 million (NOK +11.6 million) in the second quarter. NRS' share of fair value adjustments of the biomass after tax amounted to NOK -7.9 million (NOK +3.8 million). Arctic Fish harvested 805 tonnes in the quarter, NRS' share was 403 tonnes. Arctic Fish achieved an operational EBIT per kg of NOK 3.39 in the quarter. Arctic Fish Group reported a negative result of NOK -4.1 million in the second quarter, NRS' share was NOK -2.0 million. Associated Norwegian farming companies harvested 2 321 tonnes, 1 016 tonnes less than in the corresponding period last year. NRS' share of the above figure amounts to 855 tonnes, an increase of 146 tonnes.

22 May Norway Royal Salmon ASA exercised its contractual right to purchase 994 609 treasury shares at a price of NOK 235.00 per share. Consequently, the TRS (Total Return Swap) for the corresponding number of shares ceased and the company holds no other TRS agreements. As a result of this transaction, a gain of NOK 26.7 million (loss NOK 18.0 million) on TRS agreements on own shares was posted in the quarter. Net finance expenses for the period were NOK 5.8 million (NOK 6.5 million), a decrease of NOK 0.7 million.

Balance sheet

At the end of the reporting period, total assets amounted to NOK 5 071.1 million, an increase of NOK 340.9 million from the prior quarter end. The change in total assets is attributable to several factors. Property, plant and equipment increased with NOK 316.1 million and non-current financial assets increased with NOK 5.1 million. Fair value adjustments of the biomass decreased by NOK 17.9 million, and inventories and biomass at cost increased by NOK 28.2 million, hence the net increase in inventories and biological assets was NOK 10.3 million. The Group's receivables increased by NOK 59.1 million. The Group's bank deposits decreased by NOK 49,7 in the quarter.

The Group's net interest-bearing debt increased by NOK 334.9 million, from NOK 282.7 million at the end of the previous quarter to NOK 617.6 million at 30 June 2020. The increase is attributable to investments in fixed assets of NOK 256,8 million, net acquisition own shares

NOK 127.2 million, payment of interest and fees of NOK 5.8 million and distributed dividend of NOK 213.2 million. A positive operational EBITDA of NOK 145.1 million, received dividend from associates of NOK 4.4 million and net gain of NOK 34.0 million on realisation of a TRS-agreement and decreased working capital items of NOK 37.1 million had the opposite effect on the net interest-bearing debt. The Group had an unused credit facility of NOK 1 453.5 million at the end of the quarter, and bank deposits of NOK 8.7 million.

At 30 June, the Group's equity totalled NOK 3 161.4 million, a decrease of NOK 220.4 million from the end of the previous quarter. The decrease is mainly attributable to total dividend of NOK 213.2 million and net acquisition own shares NOK 127.20 million. Second quarters total comprehensive income of NOK 118.9 million had the opposite effect. The equity ratio at the end of the quarter was 62.3 per cent.

Statement of cash flow

The Group's operating activities generated a positive cash flow of NOK 183.0 million during the quarter, which represents an increase of NOK 246.1 million compared with the corresponding prior-year quarter. The positive cash flow is attributable to a positive operational EBITDA of NOK 145.1 million and decreased working capital items of NOK 37.1 million.

Net cash outflows related to investing activities in the second quarter amounted to NOK 246.2 million (NOK 118.0 million). Investments in fixed assets of NOK 256.8 million, loans to associates and others of NOK 27.8 million had negative effect on the cash flow. Received dividends from associates of NOK 4.4 million and net gain of NOK 34.0 million on realisation of a TRS-agreement had the opposite impact on the cash flow.

The net cash inflows from financing activities totaled NOK 13.4 million (NOK 199.2 million) in the second quarter. The positive cash inflow is attributable to an increase of NOK 300.0 million on the long-term credit facility and increased overdraft facility by NOK 72.9 million. Net decreased leasing liabilities of NOK 13.2 million, finance costs of NOK 5.8 million, total dividend payment of NOK 213.2 million and total acquisition of own shares NOK 127.2 had the opposite impact on the net cash inflow from financing activities.

Profit and loss first half 2020 and summary of events YTD 2020

The Group posted operating revenues of NOK 2 559.2 million (NOK 2 691.8 million) in the first half of 2020, a decrease of 4.9 per cent compared with the corresponding prior-year period. During the same period, the Group posted an operational EBIT of NOK 194.5 million (NOK 275.0 million). The group had a positive operational cash-flow of NOK 214.9 million (NOK 255.9 million) in the first half of 2020. At the end of the second quarter the Group had an equity ratio of 62.3 per cent (53.2 per cent). The Group increased its net interest-bearing debt by NOK 584.6 million in the first half of 2020 to NOK 617.6 million. A total dividend of NOK 213.2 million was distributed in the first half of 2020.

Farming harvested 13 303 tonnes (11 978 tonnes) in the first half of 2020 and posted an EBIT per kg of NOK 16.85 (NOK 26.32). The Sales business sold 38 550 tonnes (40 417 tonnes) in the first half of 2020.

Norway Royal Salmon has not identified any additional risk exposure beyond the risks described in the 2019 annual report. Norway Royal Salmon is exposed to the salmon price and the biological condition of the biomass in the sea. Reference is made to the Outlook section of this report for other comments to NRS' risk exposure. Transaction with related

parties are all priced at arm length prices. Reference is made to the Note 6 of this report for further information regarding related parties.

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.

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 the Farming operations.

The Group owns 36 085 tonnes MAB, located in Troms and Finnmark.

The segments posted sales revenues of NOK 1 289.3 million in the second quarter (NOK 1 205.2 million), a decrease of 7.0 per cent from the corresponding period last year. The spot price (NASDAQ) for superior quality during the quarter was NOK 57.72 per kg gutted weight, a decrease of 16.3 per cent from the first quarter of 2020 and a decrease of 7.6 per cent compared with the second quarter of 2019. The sales operations experienced an increase in sales volumes of 18 per cent compared with the corresponding prior-year period. 20 650 tonnes (17 579 tonnes) were sold in the second quarter. The Sales business had a negative operational EBIT before open fixed-price contracts of NOK 0.4 million (profit of NOK 9.3 million), which equates to NOK -0.02 (NOK 0.53) per kg sold volume in the period. Gain on open fixed-price contracts compared to the level of Fish Pool prices was NOK 8.9 million (loss of NOK 1.9 million) in the quarter.

FARMING

Operational EBIT came in at NOK 134.7 million (NOK 136.2 million), a decrease of NOK 1.5 million compared with the same quarter last year. Operational EBIT (ex. contracts) per kg amounted to NOK 15.94 (NOK 27.78). Gain on fixed-price contracts of NOK 1.12 per kg (loss NOK -0.32) contributed to an operational EBIT per kg of NOK 17.06 (NOK 27.46).

7 894 tonnes (4 962 tonnes) were harvested in the second quarter, an increase of 59.1 per cent. The achieved price for the Farming operations was NOK 6.08 lower per kg than achieved in the first quarter of 2020 and NOK 6.24 lower per kg than in the corresponding period last year. The size of the harvested fish and the timing of harvest contributed positively to the price achievement, while the quality, affected by winter wounds, had negative impact.

Total production cost per kg for harvested fish was NOK 40.08, which is NOK 3.87 lower than in the first quarter of 2020 and NOK 3.96 higher than in the corresponding period last year. The decreased production cost compared to the first quarter 2020 is mainly due to better performance on one site that reduces the total cost.

The biomass in sea is seasonally reduced as normal with 2 202 tonnes (-8.6 per cent) compared to the previous quarter but increased with 4 558 tonnes (+24.0 per cent) compared to corresponding quarter in 2019.

The NRS's farming operations reported in the beginning of July suspicion of the fish disease ISA in the operating area Dønnesfjord, consisting of the sites Næringsbukta, Klubben and

Børfjord. NRS had 2.3 million fish with an average weight of 3.3 kg in this operating area at the end of June 2020. So far, the disease has only been confirmed in one of the three sites in the area by the Food Safety Authorities and this site will be harvested in Q3 20. The fish welfare in the other two sites is good and mortality has been very low. All fish in the production area are subject to restrictions, thus harvesting- and wellboat costs are expected to be higher than normal.

The production cost is expected to increase in the next quarter, as we will continue to harvest fish that were released to the sea in 2018 and fish from a site infected by the fish disease ISA. The production cost is expected to decrease again in Q4 2020 when we will only harvest fish released to the sea in 2019.

The estimated harvest volume for 2020 is 35 000 tonnes gutted weight, a decrease of 2 000 tonnes from Q1 20 reporting due to detected fish disease ISA at one site and advanced harvesting.

Farming

KEY FIGURES (NOK '000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Operating revenues	1 289 333	1 025 654	2 559 220	2 313 836	4 991 015
Operational EBIT *	134 684	136 229	224 103	315 238	599 896
Volume harvested (tonnes)	7 894	4 962	13 303	11 978	27 297
Operational EBIT (ex contracts)	15,94	27,78	16,73	26,30	20,01
Gain (+)/Loss (-) on open fixed price contracts	1,12	-0,32	0,12	0,02	1,96
Operational EBIT per kg	17,06	27,46	16,85	26,32	21,98

* EBIT pre fair value adjustments and non-recurring items incl. allocated margin from sales

SHARES

As of 30 June 2020, Norway Royal Salmon ASA have totally 43 572 191 shares, allocated among 2 572 shareholders, an increase of 139 from the end of the previous quarter. At the end of the quarter, the group had 653 459 treasury shares. The share price increased from NOK 208.00 at the end of March 2020 to NOK 250.80 at the end of June 2020. 4 745 657 shares were traded during the quarter.

EVENTS IN OR SUBSEQUENT TO THE QUARTER

Acquisition of production capacity through aquaculture auction August 2020

Norway Royal Salmon ASA has bought 1 050 tonnes of MAB in Region North for MNOK 199 through the Directorate of Fisheries' aquaculture auction held 20 August 2020. The acquired MAB increases NRS's growth opportunities in a production area with good conditions for farming operations. Northern Norway is essential for the development of NRS and this increased production capacity strengthens our focus in the region.

Contractual rights and TRS agreements for own shares

During the second quarter Norway Royal Salmon ASA exercised its contractual right to purchase 994 609 treasury shares at a price of NOK 235.00 per share. Consequently, TRS (Total Return Swap) is ceased for the corresponding number of shares and the company holds no further TRS agreements as at the end of the quarter.

NRS and COVID-19

Covid-19 has not impacted the production in the quarter. The declined demand in the food service market is partly compensated from retail customers. Due to this and weak demand from China in the end of June, the pressure on the salmon price has increased.

Annual general meeting

The annual general meeting was held in Trondheim on 4 June 2020.

The general meeting granted the board of director's 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 2021, however no later than 30 June 2021.

The general meeting granted the board of director's 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 2021, however no later than 30 June 2021.

Karl-Johan Bakken and Arnfinn Aunsmo were elected as new directors. Lars Måsøval resigned as board member. The other board members were re-elected by the general meeting.

The general meeting resolved to distribute a dividend of NOK 5.00 per share. The dividend was distributed by a cash dividend of NOK 2.50 per share and distribution of shares in NRS from the company's treasury shares.

MARKET CONDITIONS

The total value of salmon exported from Norway in the second quarter was NOK 16.6 billion, a decrease of NOK 1.2 billion compared to the corresponding quarter last year. This is the lowest export value in a quarter since the first quarter of 2018. The decrease of 6.4 per cent from the second quarter of 2019 was due to exported volume from Norway being 4.0 per cent lower and prices being lower than in the second quarter of 2019. The spot price (NASDAQ) in the second quarter of 2020 was NOK 57.72 per kg superior quality salmon (delivered Oslo). This is a decrease of 7.6 per cent from the second quarter of 2019. The price in NOK was impacted by the weak Norwegian currency in the quarter. In EUR, the prices of Norwegian salmon decreased 18.4 per cent to EUR 5.24 per kg. The export price of NOK 64.28 was higher than the spot price and 6.4 per cent lower than in the same period last year.

The price reduction in the spot market is driven by increased global supply and the impact of the Covid-19 on the markets around the world. Harvested volumes from Norway decreased by 2 per cent from the corresponding prior-year period. However, the harvested volumes from Chile and other producing countries increased by 10 per cent. In total this resulted in an increase in global harvesting volumes of 3 per cent. For Q3 2020 Kontali Analyse expects a harvesting volume of 5 per cent higher than in Q3 2019.

Sold volumes increased by 1 per cent in the quarter compared with the same period last year. This is lower than the increase in global harvest volume and indicate a higher change in frozen inventory compared to the same quarter last year. Asia and Japan were the markets that grew most.

Demand for salmon in the EU has been good in the quarter with 3 per cent higher global import volumes, 80 per cent of the volume comes from Norway. Norwegian export volume to the EU decreased by 1 per cent from the corresponding prior-year period, while the export value decreased by 6 per cent. Even with lower salmon prices compared with the second quarter of 2019 many markets had a decrease in import volumes from Norway. Poland had by far the highest increase of import volumes in the second quarter. The decrease in many markets and the substantial increase in Poland is probably linked to a shift to more processed products in the EU due to Covid-19. That the growth in import volumes is as high as the global supply growth indicate that the underlying demand in EU still is good.

Harvest volume (tonnes wfe)	Q2/20	yr/yr	Q3/20 E	yr/yr
Norway	300 600	-2 %	374 600	5 %
Chile	174 800	10 %	179 900	2 %
Uk	45 500	1 %	54 800	8 %
Canada	37 600	4 %	36 500	4 %
Faroe Islands	22 800	23 %	19 400	-3 %
Australia	16 700	27 %	16 800	7 %
USA	4 400	-17 %	5 600	-13 %
Iceland	5 600	14 %	7 900	80 %
Others	11 970	39 %	12 550	35 %
	619 970	3 %	708 050	5 %

Source: Kontali Analyse

Sold volumes (tonnes wfe)	Q2/20	yr/yr	Q3/20 E	yr/yr
EU	269 400	3 %	331 400	10 %
USA	131 700	3 %	141 300	8 %
Eastern Europe ex. Russia	8 300	-3 %	13 200	2 %
Russia	14 000	-18 %	22 100	-6 %
Asia ex. Japan	68 700	10 %	69 400	4 %
Japan	16 400	20 %	15 400	11 %
Others	94 400	-8 %	120 300	3 %
	602 900	1 %	713 100	7 %

Source: Kontali Analyse

Q2/2020	Tonnes (wfe)	yr/yr	MNOK	yr/yr
Norway to EU:				
Poland	45 336	18 %	2 331	11 %
France	25 594	-1 %	1 472	-4 %
Denmark	26 524	1 %	1 361	-7 %
UK	14 590	-16 %	821	-19 %
Spain	19 136	-3 %	1 095	-6 %
Holland	18 168	4 %	1 035	-2 %
Others in EU	66 064	-10 %	3 756	-12 %
Total Norway to EU	215 412	-1 %	11 870	-6 %
Others to EU	53 988	22 %		
EU total	269 400	3 %		

Source: Norsk sjømatråd

The global demand for salmon in Asia increased by 12 per cent in the second quarter. Import volumes from Norway decreased by 4 per cent. Norway's market share decreased to the 55 per cent in the second quarter. On the other hand, Chile's export to the to this region increased with 39 per cent. After a significant decrease in the volume in the first quarter, the Chinese import from Norway increased by 10 per cent in the second quarter. The Chinese market recovered from the effects of the Covid-19 pandemic in April and May. However, at the end of the second quarter import volumes in China decreased again, which indicate that the market situation still is unsure. The markets in South East Asia and Japan decreased their import from Norway with 24 per cent and 13 per cent in the quarter.

Q2/2020	Tonnes (wfe)	yr/yr	MNOK	yr/yr
Norway to Asia				
South East Asia	9 546	-24 %	600	-26 %
Japan	8 734	-13 %	574	-13 %
Middle East	8 914	12 %	552	10 %
China (incl. Hong Kong)	11 012	10 %	634	-3 %
South-Korea	8 487	8 %	562	3 %
Others in Asia	66	-70 %	16	7 %
Total Norway to Asia	46 759	-4 %	2 938	-8 %
Others to Asia	38 341	39 %		
Asia Total	85 100	12 %		

Source: Norsk sjømatråd

Despite lower prices the total export of salmon to Eastern Europe decreased in the second quarter of 2020. Global import volumes decreased by 13 per cent but import volumes from Norway increased with 1 per cent. Volumes to Russia from other producer nations decreased by 19 per cent in the fourth quarter. Norway had a market share of 33 per cent in Eastern Europe.

Q2/2020	Tonn	år/år	MNOK	år/år
Norway to Eastern Europe				
Ukraine	3 482	12 %	160	-3 %
Turkey	742	-32 %	37	-39 %
Belarus	637	-28 %	27	-43 %
Kazakhstan	1 128	1 %	60	-11 %
Others in Eastern Europe	1 368	28 %	123	34 %
Norway to Eastern Europe	7 357	1 %	408	-6 %
Other to Eastern Europe	14 943	-19 %		
Eastern Europe Total	22 300	-13 %		

Source: Norsk sjømatråd

The demand for salmon in North America increased in the second quarter. In total, import to North America was increased by 3 per cent, while volume from Norway decreased by 8 per cent.

Q2/2020	Tonn	år/år	MNOK	år/år
Norway to North America				
USA	14 547	-7 %	1 193	-3 %
Canada	409	-30 %	33	-34 %
Total Norway to North Ame	14 956	-8 %	1 226	-4 %
Others to North America	116 744	5 %		
North America Total	131 700	3 %		

Source: Norsk sjømatråd

The second quarter was challenging for the NRS' Sales operations, low margins contributed negatively to the profitability in the quarter. The effect of the Covid-19 pandemic significantly impacted the logistics and market for salmon in the second quarter as well. The sales volume was 18 per cent higher than in the same quarter last year. 71 per cent of the harvested fish were sold in the spot market in the first quarter, while 29 per cent were sold at fixed prices. The fixed price contracts resulted in a gain of NOK 8.9 million compared to the level of Fish Pool prices. The sales volumes to Western Europe increased with 23 per cent, export volumes to Asia decreased with 15 per cent and volumes to Eastern Europe decreased by 32 per cent in the quarter. The volumes sold in Norway increased by 64 per cent in the quarter. In the second quarter, Western Europe accounted for 82 per cent of the export volumes, Asia for 13 per cent and Eastern Europe for 5 per cent. Domestic volume amounts to 19 per cent of the total sold volume.

OUTLOOK

Harvested volume for the quarter was 7 894 tonnes, which is approximately 1 300 tonnes higher than estimated in the last quarterly report. Estimated harvest volume for 2020 is 35 000 tonnes gutted weight, an increase of 28 per cent compared with the volume of Region North in 2019. For the last two quarters of 2020, 5 109 tonnes are hedged, of which 2 536 tonnes are hedged in the third quarter of 2020.

In the third quarter of 2020 Kontali Analyse expects global harvest volumes to increase with 5 per cent compared with the third quarter of 2019. For 2020 Kontali Analyse expects a growth in global harvest volume of 4 per cent from 2019, which is a moderate growth seen in historical context. The growth in 2020 from Norway is expected to be 3 per cent and the growth from Chile is expected to be 5 per cent.

Over the past month, the Covid-19 pandemic has spread throughout the world and significantly impacted the logistics and market for salmon. This situation creates significant unpredictability and uncertainty both in terms of consequences and duration. Potential consequences for Norway Royal Salmon are difficult to specify, but the company is monitoring the situation closely and will take corrective action when needed. With Norway Royal Salmon's solid financial foundation and highly competent staff, we are well positioned to get through these challenging times. NRS's operational goal of producing sustainable and healthy food is especially important in times like these. We will do everything we can to continue the company's production given the negative consequences of the pandemic, without compromising health and safety.

NRS has two major investment projects in progress; a new smolt facility and Arctic Offshore Farming. The investment in a new smolt facility is strategically important for NRS and the facility is centrally located in relation to the fish farming sites. When the facility is finished in 2021, it will be one of the world's largest and most modern smolt facility within RAS technology. The facility is designed so that it has the potential for further extensions. The smolt facility will contribute to increased biological safety, increased quality and greater smolt, as well as improve the timing of smolt releases into the sea. This will improve the utilization of the Group's MAB and reduce production costs.

The investment in Arctic Offshore Farming is also a strategically important investment in which NRS develops and builds offshore technology of the future for the aquaculture industry. This technological solution enables aquaculture in significantly more exposed waters and will help increase the utilization of sea areas. Two cages and a feed barge are under construction. The first fish is expected to be released at the site in the spring of 2021. NRS has recognized that implementing the development project is complex, which has resulted in an increase in the estimated total investment cost from the start of the project and delay due to Covid-19.

Trondheim, 24 August 2020

Helge Gåsø
Chair

Eva Kristoffersen
Vice chair

Marianne E. Johnsen

Tom Vidar Rygh

Trude Olafsen

Arnfinn Aunsmo

Karl-Johan Bakken

Charles Høstlund
CEO

RESPONSIBILITY STATEMENT FROM THE BOARD OF DIRECTORS AND CEO

We confirm, to the best of our knowledge, that the financial report for the first half of 2020 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, 24 August 2020

Helge Gåsø
Chair

Eva Kristoffersen
Vice chair

Marianne E. Johnsen

Tom Vidar Rygh

Trude Olafsen

Arnfinn Aunsmo

Karl-Johan Bakken

Charles Høstlund
CEO

Consolidated financial statements

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COMPREHENSIVE INCOME STATEMENT
STATEMENT OF FINANCIAL POSITION
STATEMENT OF EQUITY
STATEMENT OF CASH FLOW

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ALTERNATIVE PERFORMANCE MEASURES

CONSOLIDATED INCOME STATEMENT

(NOK '000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Operating revenues	1 289 333	1 205 197	2 559 247	2 691 767	5 586 670
Cost of goods sold	1 051 408	970 079	2 134 032	2 186 214	4 586 500
Salaries	37 189	39 090	77 627	79 318	154 466
Depreciation	25 416	21 216	48 717	42 264	86 804
Other operating costs	55 654	61 329	104 415	108 963	216 098
Operational EBIT	119 665	113 484	194 456	275 009	542 802
Fair value adjustments	-18 255	34 638	-15 715	-528	-132 023
Write down of assets	0	0	0		-4 379
Income from associates	-4 124	12 270	13 694	23 028	16 901
EBIT	97 286	160 391	192 435	297 509	423 301
Gain/loss on financial assets	26 693	-18 022	-7 925	19 323	78 658
Other net financial items	-5 827	-6 531	-11 213	-12 877	-27 183
Earnings before tax (EBT)	118 152	135 837	173 296	303 955	474 775
Taxes	-20 365	-33 917	-36 197	-57 855	-84 278
Profit after tax from continuing operations	97 787	101 921	137 100	246 100	390 498
Profit after tax on discontinued operations incl. profit from sale	0	12 201	0	12 572	922 600
Net profit/loss	97 787	114 121	137 100	258 672	1 313 098
Profit attributable to:					
Parent company shareholders	97 524	110 537	136 210	253 603	1 306 722
Minority interests	262	3 584	890	5 069	6 376
Earnings per share, continuing operations (NOK)	2,25	2,27	3,15	5,57	8,86
Earnings per share, continuing operations - diluted	2,25	2,27	3,15	5,57	8,86
Earnings per share (NOK)	2,25	2,55	3,15	5,86	30,14
Earnings per share - diluted	2,25	2,55	3,15	5,86	30,14

COMPREHENSIVE INCOME STATEMENT

(NOK '000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Net profit/loss	97 787	114 121	137 100	258 672	1 313 098
Items to be reclassified to profit or loss:					
Translation differences and OCI posts from associated companies	-14 152	7 291	24 239	-7 884	-2 182
Cash Flow hedges (net of tax)	35 279	1 220	-12 522	12 955	18 424
Items not to be reclassified to profit or loss:					
Actuarial gains on defined benefit plans (net of tax)	0	0	0	0	-7 686
Total comprehensive income	118 913	122 632	148 817	263 743	1 321 653
Total comprehensive income attributable to:					
Parent company shareholders	118 650	119 048	147 927	258 674	1 315 277
Non-controlling interests	262	3 584	890	5 069	6 376

STATEMENT OF FINANCIAL POSITION

(NOK '000)	30.06.2020	31.03.2020	30.06.2019	31.12.2019
Intangible assets	749 515	749 515	846 807	713 947
Property, plant and equipment	1 688 150	1 372 056	934 878	1 175 568
Non-current financial assets	811 915	806 819	681 873	676 723
Non-current assets	3 249 580	2 928 390	2 463 558	2 566 238
Inventory and biological assets	1 326 604	1 316 319	1 361 671	1 311 784
Receivables	486 274	427 163	405 470	650 199
Bank deposits, cash	8 663	58 344	97 196	152 317
Current assets	1 821 541	1 801 827	1 864 337	2 114 300
TOTAL ASSETS	5 071 122	4 730 217	4 327 896	4 680 538
Share capital	42 919	43 464	43 431	43 432
Other equity	3 072 541	3 291 716	2 210 375	3 267 659
Non-controlling interests	45 912	46 577	46 611	45 949
Equity	3 161 372	3 381 757	2 300 418	3 357 040
Pensions	27 638	27 638	19 005	27 638
Deferred tax	398 308	367 340	457 983	358 208
Provisions	425 946	394 978	476 988	385 847
Long-term interest-bearing debt	494 185	205 884	752 238	200 933
Short-term interest-bearing debt	295 049	210 341	83 029	47 927
Trade payables	614 509	353 475	598 595	575 895
Tax payable	0	0	0	42 537
Other current liabilities	80 061	183 783	116 627	70 359
Current liabilities	989 619	747 598	798 251	736 718
TOTAL EQUITY AND LIABILITIES	5 071 122	4 730 217	4 327 896	4 680 538

STATEMENT OF EQUITY

30.06.2020 Equity allocated to parent company shareholders						
(NOK '000)	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 01.01.2020	43 572	-141	3 267 659	3 311 091	45 949	3 357 040
Total comprehensive income	0	0	147 927	147 927	890	148 817
Transactions with shareholders						
Dividend	0	-545	-212 754	-213 299	-927	-214 226
Share based payment	0	0	1 833	1 833	0	1 833
Net purchase and sale of treasury shares	0	32	-132 987	-132 954	0	-132 954
Other equity transactions in the group	0	0	-64	-64	0	-64
Equity transactions associated companies	0	0	927	927	0	927
Total transactions with shareholders	0	-513	-343 045	-343 558	-927	-344 485
Equity at 30.06.2020	43 572	-653	3 072 541	3 115 460	45 912	3 161 372

30.06.2019 Equity allocated to parent company shareholders						
(NOK '000)	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 01.01.2019	43 572	-58	2 235 729	2 279 244	41 542	2 320 785
Total comprehensive income	0	0	258 674	258 674	5 069	263 743
Transactions with shareholders						
Dividend	0	0	-258 259	-258 259	0	-258 259
Share based payment	0	0	-3 475	-3 475	0	-3 475
Net purchase and sale of treasury shares	0	-83	-24 952	-25 035	0	-25 035
Equity transactions associated companies	0	0	2 659	2 659	0	2 659
Total transactions with shareholders	0	-83	-284 027	-284 110	0	-284 110
Equity at 30.06.2019	43 572	-141	2 210 376	2 253 807	46 612	2 300 418

31.12.2019 Equity allocated to parent company shareholders						
(NOK '000)	Share capital	Treasury shares	Retained earnings	Total	Non-controlling interests	Total equity
Equity at 01.01.2019	43 572	-58	2 235 729	2 279 243	41 542	2 320 785
Total comprehensive income	0	0	1 315 277	1 315 277	6 376	1 321 653
Transactions with shareholders						
Dividend	0	0	-258 259	-258 259	-1 969	-260 228
Share based payment	0	0	-1 412	-1 412	0	-1 412
Net purchase and sale of treasury shares	0	-83	-24 952	-25 035	0	-25 035
Other equity transactions in the group	0	0	-1 441	-1 441	0	-1 441
Equity transactions associated companies	0	0	2 719	2 719	0	2 719
Total transactions with shareholders	0	-83	-283 346	-283 428	-1 969	-285 398
Equity at 31.12.2019	43 572	-141	3 267 659	3 311 092	45 949	3 357 040

Statement of cash flow

(NOK '000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Operational EBIT	119 665	115 812	194 456	280 131	542 802
Adjusted for:					
Taxes paid	0	0	-38 379	-138 000	-138 290
Depreciation	25 416	24 299	48 717	48 432	86 804
Share based payment	899	1 091	-4 590	-3 475	-1 413
Pension costs with no cash effect	0	0	0	0	-1 199
Change in inventories/biological assets	-28 177	-85 352	-34 032	-26 873	-260 491
Change in account receivables and accounts payables	121 779	-98 245	-5 018	167 104	17 974
Change in other current assets and liabilities	-56 545	-20 638	53 750	-71 418	-22 897
Net cash flow from operating activities	183 037	-63 032	214 904	255 902	223 291
Cash flow from investing activities					
Payments for purchase of fixed assets and licenses (MAB)	-256 800	-122 997	-500 101	-209 533	-584 237
Payments for acquisition of associated company	0	0	0	0	-43 738
Payments at realisation of current financial assets (TRS)	34 038	0	44 689	25 376	-3 809
Proceeds from investments in non-current financial assets	4 372	5 030	7 015	5 030	19 950
Net cash proceeds from discontinued operations	0	0	0	0	1 125 700
Change in loans to associates and others	-27 765	0	-99 461	-3 000	-22 270
Net cash flow from investing activities	-246 155	-117 967	-547 858	-182 126	491 595
Cash flow from financing activities					
Receipts from new non-current debt	300 000	464 415	320 587	214 415	48 841
Non-current debt repayment	-13 252	-14 357	-26 711	-28 934	-400 404
Net change in bank overdraft	72 944	-62 957	246 497	-20 575	-51 611
Total proceeds from transactions with treasury shares	-127 193	0	-127 160	-25 035	-25 035
Net interest payments	-5 827	-7 131	-10 677	-13 844	-29 785
Dividend payment	-213 236	-180 781	-213 236	-258 259	-260 229
Net cash flow from financing activities	13 436	199 189	189 300	-132 232	-718 223
Net increase in cash and cash equivalents	-49 681	18 191	-143 654	-58 457	-3 336
Cash and cash equivalents as of 1 January	58 344	79 006	152 317	155 653	155 653
Cash and cash equivalents as of 30 June	8 663	97 196	8 663	97 196	152 317

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 2019 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 2019 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 2019.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: Operating segments

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. All farming sites are located in Troms and Finnmark. All transactions between the segments are made at arm length prices. Group management reviews monthly reports in connection with the segments. Performance is evaluated based on operating results (EBIT) per segment.

(NOK '000)	Sales		Farming		Eliminations / other		TOTAL	
	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019	Q2 2020	Q2 2019
Total sales revenues	1 289 333	1 205 197	442 592	309 154	0	0	1 731 925	1 514 351
Internal sales revenues	0	0	442 592	309 154	0	0	442 592	309 154
External sales revenues	1 289 333	1 205 197	0	0	0	0	1 289 333	1 205 197
Operating costs	1 280 870	1 197 803	316 371	179 217	-427 573	-285 307	1 169 668	1 091 713
Operational EBIT	8 463	7 394	126 221	129 936	-15 019	-23 846	119 665	113 484
Fair value adjustments	-362	226	-17 893	34 412	0	0	-18 255	34 638
Write down of assets	0	0	0	0	0	0	0	0
Income from associates	0	0	0	0	-4 124	12 270	-4 124	12 270
EBIT	8 101	7 620	108 328	164 348	-19 143	-11 577	97 286	160 391
EBT	6 557	7 028	98 082	160 693	13 513	-31 883	118 152	135 837
Volume harvested (HOG)			7 894	4 962			7 894	4 962
Operational EBIT per kg			15,99	26,19			15,99	26,19
Volume sold	20 650	17 579					20 650	17 579
Operational EBIT per kg	0,41	0,42					0,41	0,42
- of which gain on fixed-price contracts per kg.	0,43	-0,11					0,43	-0,11

(NOK '000)	Sales		Farming		Eliminations / other		TOTAL	
	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019	YTD 2020	YTD 2019
Total sales revenues	2 559 220	2 691 643	778 751	732 009	27	124	3 337 999	3 423 776
Internal sales revenues	0	0	778 751	732 009	0	0	778 751	732 009
External sales revenues	2 559 220	2 691 643	0	0	27	124	2 559 247	2 691 767
Operating costs	2 559 770	2 686 450	554 098	421 156	-749 077	-690 848	2 364 791	2 416 759
Operational EBIT	-550	5 193	224 653	310 853	-29 647	-41 038	194 456	275 009
Fair value adjustments	3 498	-671	-19 213	143	0	0	-15 715	-528
Income from associates	0	0	0	0	13 694	23 028	13 694	23 028
EBIT	2 948	4 522	205 440	310 996	-15 954	-18 009	192 435	297 509
EBT	-79	2 717	183 049	304 001	-9 674	-2 763	173 296	303 955
Volume harvested (HOG)			13 303	11 978			13 303	11 978
Operational EBIT per kg			16,89	25,95			16,89	25,95
Volume sold	38 550	40 417					38 550	40 417
Operational EBIT per kg	-0,01	0,13					-0,01	0,13
- of which gain / -loss on fixed-price contracts per kg.	0,04	0,01					0,04	0,01

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Biomass

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

The fair value of fish in the sea is calculated in the present value model as a function of the expected biomass at the time of harvest multiplied by the expected sales price. For fish that are not harvestable, estimated remaining costs to breed the fish to its harvestable weight are deducted. Cash flows are discounted monthly using a discount factor. The discount factor consists of three main components: 1) risk for events that affect cash flow, 2) hypothetical license and site rent and 3) the time value of money. The discount factor was in Q1-20 reduced from 6.0 % in previous quarters to 5.0 %, and the reduced discount factor is continued in this quarter. The reduction is based on reduced expectations of profitability in the industry and impact on the hypothetical license and site rent. 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)	30.06.2020	31.03.2020	30.06.2019	31.12.2019
Raw materials	42 503	23 882	29 901	36 453
Biological assets	1 224 588	1 243 001	1 277 552	1 231 662
Finished goods	59 513	49 437	54 218	43 670
Total inventory	1 326 604	1 316 319	1 361 671	1 311 784
Of which discontinued operations	0	0	134 438	0
Continued operations	1 326 604	1 316 319	1 227 233	1 311 784

Specification of the biological assets:

(NOK '000)	30.06.2020	31.03.2020	30.06.2019	31.12.2019
Biological assets at cost	1 025 533	1 026 053	911 253	1 013 394
Fair value adjustments of the biomass	199 055	216 948	366 299	218 268
Book value biological assets	1 224 588	1 243 001	1 277 552	1 231 662
Of which discontinued operations	0	0	134 438	0
Continued operations	1 224 588	1 243 001	1 143 114	1 231 662

Specification of biological assets - tonnes

(NOK '000)	Q2 2020	Q1 2020	Q2 2019	FY 2019
Opening balance biological assets	25 754	26 033	20 765	24 675
Increase due to fish put in the sea	385	216	594	1 555
Increase due to production in the period	7 494	6 765	7 151	43 252
Reduction due to mortality in the period	-682	-821	-359	-2 733
Reduction due to harvesting in the period	-9 398	-6 439	-6 941	-36 320
Non-recurring items	0	0	-68	-4 396
Closing balance biological assets	23 552	25 754	21 143	26 033
Of which discontinued operations	0	0	2 326	0
Continued operations	23 552	25 754	18 817	26 033

Specification of changes in book value of biological assets:

(NOK '000)	Q2 2020	Q1 2020	Q2 2019	FY 2019
Opening balance biological assets	1 243 001	1 231 662	1 133 450	1 240 393
Increase due to production in the period	279 211	222 414	310 806	1 377 738
Non-recurring event at cost	0	0	-11 000	-11 000
Reduction due to harvesting in the period	-279 731	-209 755	-204 679	-1 055 101
Fair value adjustments of the biological assets	-17 893	-1 320	48 974	-125 420
Fair value adj. of the biological assets due to non-recurring event	0	0	0	-194 947
Closing balance biological assets	1 224 588	1 243 001	1 277 552	1 231 662
Of which discontinued operations	0	0	134 438	0
Continued operations	1 224 588	1 243 001	1 143 114	1 231 662

NOTES TO THE FINANCIAL STATEMENTS

NOTE 3: Biomass cont.

Groups of biological assets, status as of 30.06.2020	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	6 570	3 225	274 083	85 181	359 264
1-4 kg	5 774	13 479	515 450	133 608	649 058
Larger than 4 kg	1 652	6 848	236 000	-19 734	216 266
Biological assets	13 996	23 552	1 025 533	199 055	1 224 588

Groups of biological assets, status as of 31.03.2020	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	3 878	1 780	151 680	34 182	185 862
1-4 kg	7 874	16 417	649 511	144 395	793 905
Larger than 4 kg	1 551	7 557	224 862	38 371	263 233
Biological assets	13 304	25 754	1 026 053	216 947	1 243 001

Groups of biological assets, status as of 30.06.2019	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	7 087	3 281	278 865	103 468	382 332
1-4 kg	5 980	12 649	498 728	167 911	666 639
Larger than 4 kg	980	5 214	133 659	94 920	228 578
Biological assets	14 048	21 143	911 252	366 299	1 277 551
Of which discontinued operations	1 768	2 326	114 457	19 981	134 438
Continued operations	12 280	18 817	796 795	346 318	1 143 114

Groups of biological assets, status as of 31.12.2019	Number of fish (1000)	Biomass (tonnes)	Acquisition costs	Fair value adjustments	Accounted value
Smaller than 1 kg	6 757	3 515	261 098	22 868	283 967
1-4 kg	5 357	12 734	454 350	78 241	532 591
Larger than 4 kg	2 154	9 784	297 945	117 158	415 103
Biological assets	14 268	26 032	1 013 393	218 268	1 231 662

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

30.06.2020	NOK/kg	31.03.2020	NOK/kg	30.06.2019	NOK/kg	31.12.2019	NOK/kg
Q3 20	49,72	Q2 20	53,90	Q3 19	58,28	Q1 20	66,20
Q4 20	53,08	Q3 20	53,50	Q4 19	57,62	Q2 20	66,80
Q1 21	63,20	Q4 20	54,70	Q1 20	63,55	Q3 20	54,90
Q2 21	63,80	Q1 + Q2 21	64,70	Q2 20	64,85	Q4 20	56,30
Q3 + Q4 21	56,50	Q3 + Q4 21	56,70	Q3 + Q4 20	57,80	Q1 + Q2 21	59,50

NOTE 4: Non-recurring events

Non-recurring event 1)	Q2 2020			Q2 2019		
	Cost	Fair value adjustments	Fair value	Cost	Fair value adjustments	Fair value
Culling of fish due to wounds Nor Seafood AS	0	0	0	11 000	0	11 000
Biological assets	0	0	0	11 000	0	11 000

1) Non-recurring events are not allocated to the segments.

Non-recurring event 1)	YTD 2020			YTD 2019		
	Cost	Fair value adjustments	Fair value	Cost	Fair value adjustments	Fair value
Culling of fish due to wounds Nor Seafood AS	0	0	0	11 000	0	11 000
Biological assets	0	0	0	11 000	0	11 000

1) Non-recurring events are 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 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Change in fair value adjustments of the biomass	-17 893	48 974	-19 213	13 029	-125 420
Change in provision for onerous sales contracts	-290	1 246	3 570	756	-2 399
Change in unrealised gains/losses on financial Fish Pool contracts	-72	-1 020	-72	-1 427	-1 717
Total fair value adjustments	-18 255	49 200	-15 715	12 358	-129 536
Of which discontinued operations	0	14 562	0	12 886	2 487
Continued operations	-18 255	34 638	-15 715	-528	-132 023

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

(NOK '000)	30.06.2020	31.03.2020	30.06.2019	31.12.2019
Fair value adjustments biomass (inventory and biological assets)	199 055	216 948	366 299	218 268
Provision for onerous sales contracts (other current liabilities)	-290	0	-706	-3 860
Fair value of financial Fish Pool contracts (other receivables/other current liabilities)	-72	0	291	0
Net fair value adjustments in the balance sheet	198 693	216 948	365 884	214 408
Of which discontinued operations	0	0	19 981	0
Continued operations	198 693	216 948	345 903	214 408

NOTE 6: 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 one of the Group's associates. Harvesting services are purchased at market terms. Administrative services are also purchased from one of the Group's associated companies.

All services and goods are purchased at arm length prices. The table below shows figures from continued operations. The Board is not aware of any changes or transactions in Q2 20 associated with related parties that in any significant way have an impact on the Group's financial position and profit for the period.

Goods and services purchased:

(NOK '000)	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Associates - products purchased	163 961	68 463	215 703	201 293	461 577
Associates - services purchased	10 604	9 086	12 195	22 172	33 209
Companies controlled by large shareholder - products purchased	193 897	206 764	263 958	271 142	656 566
Companies controlled by large shareholder - services purchased	10 789	8 794	20 957	15 303	32 916
Total goods and services purchased from related parties	379 251	293 107	512 813	509 911	1 184 268

Share-based incentive schemes

Norway Royal Salmon has a share-based bonus scheme for the Group Management and key personnel and has been approved by the Board. The bonus scheme confers the right to receive shares in the company based on the price performance of the company's shares on the Oslo Stock Exchange. The exercise price will be adjusted for dividends and changes in holdings of treasury shares.

The scheme introduced in 2018 ceased as on 20 March 2020, the scheme from 2019 runs until 20 March 2021. These schemes shall not exceed a year's salary.

The scheme introduced on 20 March 2020 has a vesting period until 20 March 2021 and is paid 50 % in March 2022 and 50% in March 2023. This scheme shall not exceed 25 % of an annual salary.

	Program introduced in 2018	Program introduced in 2019	Program introduced in 2020	All programs
Change in number of options				
At 31 December 2019	393 286	366 223	0	759 509
Exercised in the year	-379 953	0	0	-379 953
Allocated during the year (new program)	0	0	216 934	216 934
Terminated	-13 333	-34 239	0	-47 572
Number of options at 30 June 2020	0	331 984	216 934	548 918
Exercise price	150,51	197,48	197,04	
Number of employees in the program at 30 June 2020	0	21	34	55

NOTES TO THE FINANCIAL STATEMENTS

NOTE 7: Investments in associates

(NOK '000)	Shareholding	Book value 01.04.2020	Share of profit/loss in the period after tax ²	Other changes	Book value 30.06.2020	Share of volume harvested - tonnes HOG 30.06.2020 ¹⁾
Arctic Fish ehf.	50,00 %	269 798	-2 030	-14 152	253 616	403
Wilsgård Fiskeoppdrett AS	37,50 %	182 384	-5 934	0	176 450	450
Måsøval Fishfarm AS	36,10 %	30 916	2 541	0	33 457	405
Hellesund Fiskeoppdrett AS	33,50 %	121 513	1 178	-4 394	118 297	0
Hardanger Fiskeforedling AS	31,10 %	11 254	458	0	11 712	0
Skardalen Settefisk AS	30,00 %	4 075	-541	0	3 535	0
Nordnorsk Smolt AS	50,00 %	41 800	203	0	42 004	0
Other		48	0	0	48	0
Total associates Q2 2020		661 787	-4 124	-18 546	639 118	1 257
Total associates Q2 2019		563 646	11 633	5 840	581 118	709

¹⁾ The harvested volume comprises NRS's share of the harvested volume of associates

²⁾ Share of profit/loss in the period after tax for associates Q2 2019 varies from the consolidated income statement with KNOK 636 due to discontinued operations.

The Group's associated companies own together eleven fish farming licenses in Norway and Arctic Fish on Iceland has licenses for 11 800 tonnes in MAB

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 at 30 Juni 2020:

	NRS's shareholding in associate	Number of shares	Fair value ¹⁾	NRS' share of fair value
Måsøval Fishfarm AS	36,10 %	262 343	65 796	23 752
Hellesund Fiskeoppdrett AS	33,50 %	1 683 406	422 198	141 436
Totalt		1 945 749	487 994	165 189

¹⁾ Fair value is calculated as the closing price of OSE on the balance sheet date for the Norway Royal Salmon share multiplied by the number of shares.

Note 8: Treasury shares and TRS agreements

As at 30 June the company holds 653 459 treasury shares, corresponding to 1.50 % of the share capital of the company. On the 22nd May Norway Royal Salmon ASA exercised its contractual right to purchase 994,609 treasury shares at a price of NOK 235.00 per share. Consequently, TRS (Total Return Swap) is ceased for the corresponding number of shares. A gain of KNOK 44 688 at realisation of the TRS-agreement was recognised in the quarter and change in the unrealised value of the TRS agreements resulted in an unrealised loss of KNOK 17 996. Thus a net gain of KNOK 26 693 was recognised as a financial item in the income statement in the period.

NOTE 9: Bank covenants and financing

The Group's main borrowing covenants is one requiring an equity ratio of at least 30 per cent, adjusted for IFRS 16 effects, and another requiring that the short-term credit facility shall not exceed 75 per cent of the carrying value of inventory and accounts receivables. At the end of Q2 2020 the Group is in compliance with the terms of its loan agreements. The table below shows the NIBD composition.

NIBD (NOK '000)	30.06.2020	30.06.2019	31.12.2019
Long-term debt to financial institutions	300 000	550 000	0
Total leasing liabilities	242 737	254 232	248 860
Short-term debt to financial institutions	246 497	31 035	0
Cash and loans to associates	-171 594	-178 413	-215 787
NIBD	617 639	656 854	33 074
Lease liabilities (IFRS 16 effects)	242 737	254 232	248 860
NIBD according to bank covenant	374 902	402 622	-215 787

NOTES TO THE FINANCIAL STATEMENTS

NOTE 10: Shareholders

Ownership structure – the 20 largest shareholders as at 30.06.2020:

Shareholder	Antall	Eierandel
FRØY GRUPPEN AS	7 066 917	16,22 %
MÅSØVAL EIENDOM AS	5 310 768	12,19 %
NORWAY FRESH AS	4 500 000	10,33 %
HAVBRUKSINVEST AS	4 233 371	9,72 %
EGIL KRISTOFFERSEN & SØNNER AS	3 841 770	8,82 %
HELLESUND FISKEOPPDRETT AS	1 683 406	3,86 %
STATE STREET BANK AND TRUST COMP	1 533 559	3,52 %
NYHAMN AS	1 384 444	3,18 %
THE NORTHERN TRUST COMP, LONDON BR	1 133 003	2,60 %
RBC INVESTOR SERVICES TRUST	705 868	1,62 %
BNP PARIBAS SECURITIES SERVICES	680 000	1,56 %
NORWAY ROYAL SALMON ASA	653 398	1,50 %
BROWN BROTHERS HARRIMAN & CO.	476 088	1,09 %
VERDIPAPIRFONDET ALFRED BERG GAMBA	441 614	1,01 %
STATE STREET BANK AND TRUST COMP	365 544	0,84 %
STATE STREET BANK AND TRUST COMP	352 982	0,81 %
CLEARSTREAM BANKING S.A.	339 212	0,78 %
QUINTET PRIVATE BANK (EUROPE) S.A.	293 731	0,67 %
JPMORGAN CHASE BANK, N.A., LONDON	280 847	0,64 %
MÅSØVAL FISHFARM AS	262 343	0,60 %
Total 20 largest shareholders	35 538 865	81,56 %
Total other shareholders	8 033 326	18,44 %
Total no. of shares	43 572 191	100,00 %
NORWAY ROYAL SALMON ASA (Treasury shares)	653 398	1,50 %
Total no. of outstanding shares	42 918 793	

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)	30.06.2020	31.03.2020	30.06.2019	31.12.2019
Reported long-term interest-bearing debt	494 185	205 884	752 238	200 933
Reported short-term interest-bearing debt	295 049	210 341	83 029	47 927
Interest-bearing long-term receivables	-162 931	-75 166	-81 217	-63 470
Reported bank deposits, cash	-8 663	-58 344	-97 196	-152 317
Total net interest bearing debt	617 639	282 714	656 853	33 073

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)	30.06.2020	31.03.2020	30.06.2019	31.12.2019
Reported equity	3 161 372	3 381 757	2 300 418	3 357 040
Reported total assets	5 071 122	4 730 217	4 327 896	4 680 538
Equity ratio	62,3 %	71,5 %	53,2 %	71,7 %

Operational EBIT per kg

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 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Operational EBIT continuing operations	119 665	113 484	194 456	275 009	542 802
Unallocated expenses	15 019	11 556	31 509	60 848	46 094
Non-recurring events (note 4)	0	11 000	0	11 000	11 000
Operational EBIT	134 685	136 040	223 965	315 210	599 896
Harvested volume (tonnes)	7 894	4 962	13 303	11 978	27 297
Operation EBIT per kg	17,06	27,46	16,85	26,32	21,98

Alternative performance measures (cont.)

Operational EBIT per kg (Segment)

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

Operational EBIT per kg FARMING

(NOK '000)

	Q2 2020	Q2 2019	YTD 2020	YTD 2019	FY 2019
Operational EBIT (segment, note 2)	126 221	129 936	224 653	310 853	616 243
Share of operational EBIT Sales allocated excl. Contracts	-416	7 902	1 037	4 169	11 565
Operational EBIT excl. Contracts	125 805	137 839	225 690	315 022	627 808
Loss(-) / Gain(+) on open fixed-price contracts	8 879	-1 610	-1 587	216	10 353
Operational EBIT	134 684	136 229	224 103	315 238	638 160
Harvested volume (tonnes)	7 894	4 962	13 303	11 978	27 297
Operational EBIT per kg excl. Contracts	15,94	27,78	16,97	26,30	23,00
Operational EBIT per kg	17,06	27,46	16,85	26,32	23,38

Production cost per kg (per segment)

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

Production cost per kg FARMING

(NOK '000)

	Q2 2020	Q2 2019	YTD 2020	YTD 2019
Production cost (segment, note 2)	316 371	179 217	554 098	421 156
Harvested volume (tonnes)	7 894	4 962	13 303	11 978
Production cost per kg Region North	40,07	36,12	41,65	35,16

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 2020	Q2 2019	YTD 2020	YTD 2019	FY 2020
Majority share of net result for the period	97 524	110 537	136 210	253 603	1 306 722
Majority share of fair value adjustments of biomass after tax	13 445	-34 999	13 095	-6 803	97 526
Fair value of sales contracts and Fish Pool contracts (in its entirety, the majority share)	3 294	-176	283	523	3 210
Majority share of value-adjusted result for the period	114 263	75 362	149 588	247 324	1 407 459
Weighted average number of ordinary shares outstanding	43 305 235	43 264 401	43 305 235	43 264 401	43 348 577
Value-adjusted earnings per share	2,64	1,74	3,45	5,72	32,47