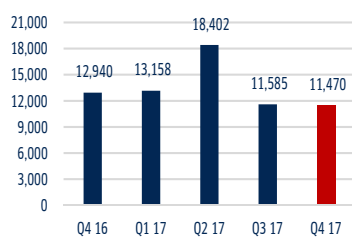


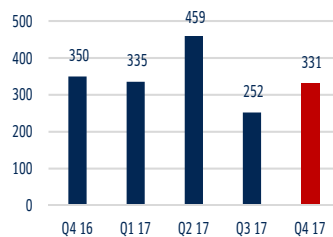
**Q4 - 2017
INTERIM REPORT**

Salmon from the
FAROE ISLANDS

HARVEST VOLUME TGW



OPERATIONAL EBIT MDKK



OPERATIONAL EBIT DKK/KG
VAP AND FARMING

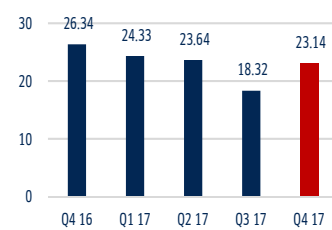


Table of Contents

Highlights	2
Summary of the 4 th Quarter 2017 and 12 Months of 2017	3
Financial Review.....	5
Statement of Financial Position	6
Cash Flow	7
Farming Segment	8
VAP Segment	9
FOF Segment	10
Outlook	11
Risks	13
Events after the Date of the Statement of Financial Position.....	14
Statement by the Management and the Board of Directors on the Interim Report.....	14
Consolidated Income Statement	15
Consolidated Statement of Comprehensive Income	16
Consolidated Statement of Financial Position.....	17
Consolidated Cash Flow Statement	19
Consolidated Statement of Changes in Equity	20
Notes to the Account	21
Contacts.....	32

Highlights

DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
INCOME STATEMENT				
Group - Operating revenue	906,070	868,447	3,770,049	3,202,686
Group - Operational EBIT*	331,240	349,622	1,377,647	1,164,953
Group - EBIT	-29,344	668,919	649,104	1,673,587
Group - Profit for the period	-21,909	555,465	511,402	1,338,887
Operational EBIT* (Farming and VAP) (DKK)	265,368	340,866	1,232,753	1,113,861
Operational EBIT*/kg (Farming and VAP) (DKK)	23.14	26.34	22.57	23.43
Operational EBIT*/kg (Farming and VAP) (NOK)	29.88	32.00	28.29	29.23
Farming - Operating revenue	577,283	777,245	2,986,561	2,840,870
Farming - Operational EBIT*	228,821	401,642	1,308,194	1,314,542
Farming - Operational EBIT margin	40%	52%	44%	46%
Farming - Operational EBIT/kg (DKK)	19.95	31.04	23.95	27.65
Farming - Operational EBIT/kg (NOK)	25.76	37.70	30.02	34.50
VAP - Operating revenue	288,423	312,737	998,778	880,945
VAP - Operational EBIT*	36,547	-60,776	-75,441	-200,681
VAP - Operational EBIT margin	13%	-19%	-8%	-23%
VAP - Operational EBIT/kg (DKK)	7.38	-9.84	-3.96	-11.08
VAP - Operational EBIT/kg (NOK)	9.54	-11.95	-4.96	-13.82
FOF - Operating revenue	366,857	330,449	1,303,161	1,158,111
FOF - EBITDA	93,626	71,096	266,093	247,881
FOF - EBITDA margin	25.52%	21.51%	20.42%	21.40%
DKK/NOK (average)	77.44	82.33	79.80	80.15
FINANCIAL POSITION AND CASH FLOW				
Total Assets***	5,155,516	5,418,116	5,155,516	5,418,116
Equity***	3,626,429	3,549,035	3,626,429	3,549,035
Equity ratio***	70%	66%	70%	66%
Net interest-bearing debt***	258,070	635,266	258,070	635,266
Cash flow from operations	261,265	72,109	1,458,169	849,599
Cash flow from financing	-130,344	115,344	-748,072	23,530
PROFITABILITY				
Basic earnings per share (DKK)	-0.45	11.44	10.52	27.56
Diluted earnings per share (DKK)	-0.45	11.44	10.52	27.56
ROCE**	7.5%	7.4%	31.3%	24.8%
VOLUMES				
Harvested volumes (tgw)	11,470	12,940	54,615	47,542
VAP produced volumes (tgw)	4,949	6,177	19,067	18,120
Sold feed (tonnes)	18,955	24,988	78,134	84,587
Internal feed sale (tonnes)	17,597	23,176	72,960	78,029
Smolt released thousand (pcs)	3,410	3,318	9,928	10,985

* Aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates and revenue tax – refer to Note 9

** Return on average capital employed, based on operational EBIT – refer to Note 9

*** Comparing figures from end 2016

Summary of the 4th Quarter 2017 and 12 Months of 2017

(Figures in parenthesis refer to the same period last year)

The Bakkafrost Group delivered a total operating EBIT of DKK 331.2 million in Q4 2017. Harvested volumes were 11.5 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 265.4 million. The farming segment made an operational EBIT of DKK 228.8 million. The salmon spot prices decreased in Q4 2017, compared to the previous quarter. The price decrease had a negative effect on the operational EBIT in the farming segment. The VAP segment made an operational EBIT of DKK 36.5 million, which is an improvement due to the decrease in the salmon spot prices in Q4 2017. The EBITDA for the FOF segment was DKK 93.6 million.

The Group made a profit for the fourth quarter 2017 of DKK -21.9 million (DKK 555.5 million). For 2017, the profit was DKK 511.4 million (DKK 1,338.9 million).

The total volumes harvested in Q4 2017 were 11,470 tonnes gutted weight (12,940 tgw). Total harvested volumes for 2017 were 54,615 tonnes gutted weight (47,542 tgw).

Bakkafrost transferred 3.4 million smolts (3.3 million) during Q4 2017. Planned smolt release in A-71 Funningsfjørður was moved from December 2017 to January 2018. 9.9 million smolts (11.7 million, including Faroe Farming) were transferred in 2017.

The combined farming and VAP segments made an operational EBIT of DKK 265.4 million (DKK 340.9 million) in Q4 2017. The operational EBIT per kg in Q4 2017 was DKK 23.14 (DKK 26.34), which corresponds to NOK 29.88 (NOK 32.00) for the combined farming and VAP segments. For 2017, the combined farming and VAP segment made an operational EBIT of DKK 1,232.8 million (DKK 1,113.9 million).

The farming segment made an operational EBIT of DKK 228.8 million (DKK 401.6 million) in Q4 2017. The harvested volumes were lower, and the average spot price was lower in Q4 2017, compared to Q4 2016. For 2017, the operational EBIT was DKK 1,308.2 million (DKK 1,314.5 million).

In Q4 2017, Bakkafrost signed an agreement with P/F Fiskaaling and the Faroese Ministry of Foreign Affairs and Trade concerning the Faroese brood stock program. According to the agreement, Bakkafrost will take over responsibility of the brood stock program from P/F Fiskaaling from 1 April 2018, and from

1 January 2018 to 1 April 2018, Bakkafrost will hold all expenses in this regard.

Bakkafrost will continue to develop the brood stock program, renting the existing brood stock facilities from P/F Fiskaaling until 2021. During the next three years, Bakkafrost will examine the feasibility of the brood stock program and determine, whether investments in a new brood stock facility will be needed. According to the agreement, the genome rights in the Faroese brood stock program will be transferred to Bakkafrost in 2021.

The VAP segment made an operational EBIT of DKK 36.5 million (DKK -60.8 million) for Q4 2017. The VAP segment has had a loss from the first quarter of 2016 until Q3 2017. The salmon spot prices decreased in Q4 2017, and from the end of Q3 2017 until the end of Q4 2017, the margins were positive. For 2017, the operational EBIT was DKK -75.4 million (DKK -200.7 million).

The FOF segment (fishmeal, oil and feed) made an EBITDA of DKK 93.6 million (DKK 71.1 million) for Q4 2017, and the EBITDA margin was 25.5% (21.5%). The EBITDA was DKK 266.1 million for 2017 (DKK 247.9 million), corresponding to an EBITDA margin of 20.4% (21.4%).

Havsbrún sourced 50,852 tonnes (34,680 tonnes) of raw material during Q4 2017, and for 2017, Havsbrún sourced 342.456 tonnes (201,222 tonnes) of raw material.

Bakkafrost aims at giving the shareholders a competitive return on their investment, both through payments of dividends and by securing an increase in the value of the equity through positive operations.

The long-term goal of the Board of Directors is that 30-50% of earnings per share shall be paid out as dividend. The financial position of Bakkafrost is strong with a solid balance sheet, a competitive operation and available credit facilities. Therefore, the Board of Directors proposes to the Annual General Meeting that DKK 10.50 (NOK 13.65*) per share shall be paid out as dividend. The proposed dividend corresponds to 50% of adjusted earnings for 2017. The Annual General Meeting will be convened on the 13th of April 2018.

The Bakkafrost Group's net interest-bearing debt amounted to DKK 258.1 million at the end of 2017 (DKK 635.3 million at year-end 2016) including deposits and losses on financial derivatives relating to the interest-bearing debt. Bakkafrost had undrawn

credit facilities of DKK 1,004.6 million at the end of 2017.

In January 2018, Bakkafrost made an agreement with its existing lender, Nordea, to refinance its existing DKK 850 million bank facility and its outstanding NOK 500 million bond loan, which has a maturity during Q1 2018, with a senior secured five-year EUR 200 million credit facility.

The facility includes an accordion increase option, which provides flexibility for the parties to agree an increased size of the facility by further up to EUR 200 million during the term of the facility.

The facility is subject to signing a facility agreement, which is expected to take place during Q1 2018.

Bakkafrost's equity ratio was 70% at 31 December 2017, compared to 66% at the end of 2016.

* The dividend per share in NOK is subject to changes depending on the exchange rate between DKK and NOK, which will be announced after the Annual General Meeting.

Financial Review

(Figures in parenthesis refer to the same period last year)

Income Statement

The operating revenue amounted to DKK 906.1 million (DKK 868.4 million) in Q4 2017, and for 2017, the operating revenue amounted to DKK 3,770.0 million (DKK 3,202.7 million). The revenue increased due to higher external sales in the FOF segment in Q4 2017, compared to Q4 2016. The farming segment's harvest in Q4 2017 was lower, compared to same quarter last year. The VAP segment had lower revenues because of lower volumes, but higher prices in Q4 2017, compared to Q4 2016. The FOF segment had higher external sales, especially of fishmeal in Q4 2017, compared to Q4 2016.

Operational EBIT was DKK 331.2 million (DKK 349.6 million) in Q4 2017. The VAP and FOF segments had improved operational EBIT in Q4 2017, compared to Q4 2016. For 2017, the operational EBIT was DKK 1,377.7 million (DKK 1,165.0 million).

The fair value adjustment of the Group's biological assets amounted to DKK -358.7 million (DKK 408.1 million) in Q4 2017. The negative adjustment is due to lower market prices for salmon at the end of the quarter, compared to the beginning of the quarter. For 2017, the fair value adjustment amounted to DKK -693.5 million (DKK 608.2 million).

Change in provisions for onerous contracts amounted to DKK 0 million (DKK -65.6 million) in Q4 2017. For

2017, the change in provisions for onerous contracts amounted to DKK 67.4 million (DKK -16.4 million).

In Q4 2017, there was a profit from associated companies amounting to DKK 18.4 million (DKK 9.8 million). For 2017, the result from associated companies amounted to DKK 17.3 million (DKK 14.8 million).

The revenue tax amounted to DKK -20.3 million in Q4 2017 (DKK -33.0 million). The harvested volumes were lower, and the salmon prices were lower in Q4 2017, compared with Q4 2016. For 2017, the revenue tax was DKK -119.7 million (DKK -108.5 million).

Net interests in Q4 2017 were DKK 2.1 million (DKK 7.6 million) whereof an unrealized exchange rate adjustment of DKK 17.0 million (DKK 5.5 million), relating to the bond loan of NOK 500 million, is posted in Q4 2017. For 2017, net interests were DKK -25.2 million (DKK -41.0 million).

Net taxes amounted to DKK 5.3 million (DKK -121.0 million) in Q4 2017. For 2017, net taxes amounted to DKK -112.5 million (DKK -293.7 million).

The result for Q4 2017 was DKK -21.9 million (DKK 555.5 million), and for 2017, the result was DKK 511.4 million (DKK 1,338.9 million).

331 million DKK

Operational EBIT* for Q4 2017

* Operational EBIT is EBIT before fair value of biomass, onerous contracts, income from associates and revenue tax.

Statement of Financial Position

(Figures in parenthesis refer to end last year)

The Group's total assets amounted to DKK 5,155.5 million (DKK 5,418.1 million) at the end of 2017.

The Group's intangible assets are unchanged, compared to the beginning of the year, and amounted to DKK 376.7 million at the end of 2017. Intangible assets are primarily comprised of the fair value of acquired farming licences. No licences in the North region are recorded with a value in the Bakkafrøst accounts.

Property, plant and equipment amounted to DKK 2,570.4 million (DKK 2,118.5 million) at the end of Q4 2017. In Q4 2017, Bakkafrøst made investments in PP&E amounting to DKK 168.8 million, DKK 635.5 million in total in 2017.

Non-current financial assets amounted to DKK 76.7 million (DKK 59.4 million) at the end of Q4 2017.

The Group's carrying amount (fair value) of biological assets amounted to DKK 1,096.7 million (DKK 1,858.4 million) at the end of Q4 2017. Biological assets have decreased due to lower fair value adjustment and lower volume of biomass at year end 2017, compared to year end 2016. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 187.0 million (DKK 880.5 million) at the end of 2017.

The Group's inventories amounted to DKK 305.8 million (DKK 355.6 million) at the end of 2017. The inventories primarily represent Havsbrún's inventory of fishmeal, fish oil and fish feed.

The Group's total receivables amounted to DKK 419.6 million (DKK 401.9 million) at end of Q4 2017.

The Group's equity amounted to DKK 3,626.4 million (DKK 3,549.0 million) at the end of Q4 2017. The change in equity consists primarily of the positive result for 2017 and the dividend payment of gross DKK 425.1 million in Q2 2017.

The Group's total non-current liabilities amounted to DKK 602.1 million (DKK 1,474.3 million) at the end of 2017. The reduction in total non-current liabilities is due to reclassification to current liabilities of the bond loan, which is payable 14 February 2018.

Deferred taxes amounted to DKK 455.4 million (DKK 545.7 million) at the end of 2017.

Long-term debt was DKK 146.7 million (DKK 827.1 million) at the end of 2017.

At the end of 2017, Bakkafrøst's interests-bearing debt consists of a bank loan and a bond loan. The bank loan is a multicurrency revolving credit facility totalling DKK 850 million for a five-year period and is payable in December 2020. The bond loan of NOK 500 million has a five-year maturity and is payable 14 February 2018. In Q1 2018, Bakkafrøst has paid the bond loan and has refinanced the bank loan.

At the end of 2017, the Group's total current liabilities were DKK 926.9 million (DKK 394.8 million). The current liabilities consist of derivatives, short-term interest-bearing debt, accounts payable and tax payable.

Derivatives under current liabilities amounted to DKK 127.3 million (DKK 0 million) at the end of 2017. The derivatives are payable similar to the bond loan on 14 February 2018 and are therefore classified as current liabilities.

Short-term interest-bearing debt amounted to DKK 378.3 million (DKK 0 million) at the end of 2017.

Bakkafrøst's equity ratio was 70% at the end of 2017, compared with 66% at the end of 2016.

70%

Equity ratio at the end of 2017

Cash Flow

(Figures in parenthesis refer to the same period last year)

The cash flow from operations was DKK 261.3 million (DKK 72.1 million) in Q4 2017. The changes in total inventory and current debts had a positive effect on the cash flow from operations, while changes in receivables and taxes paid affected the cash flow from operations negatively in Q4 2017. For 2017, the cash flow from operations was DKK 1,458.2 million (DKK 849.6 million).

The cash flow from investment activities amounted to DKK -168.8 million (DKK -193.3 million) in Q4 2017. The amount relates to investments in property, plant and equipment. For 2017, the cash flow from investments amounted to DKK -635.5 million (DKK -740.0 million).

The cash flow from financing activities totalled DKK -130.3 million (DKK 115.3 million) in Q4 2017. For 2017, the cash flow from financing amounted to DKK -748.1 million (DKK 23.5 million).

In Q4 2017, net change in cash flow amounted to DKK -37.8 million (DKK -5.9 million). For 2017, net change in cash flow amounted to DKK 74.6 million (DKK 133.1 million).

At the end of 2017, Bakkafrøst had unused credit facilities of DKK 1,004.6 million (DKK 654.5 million).

11,470 t_{gw}

Harvested in Q4 2017

Farming Segment

Harvested Volumes Q4 2017	11,470 t _{gw}
EBIT Q4 2017	-150.0 mDKK
Operational EBIT Q4 2017	228.8 mDKK

The farming segment produces high quality Atlantic salmon from juveniles to harvest size salmon. The salmon is sold to fresh fish markets globally and to the internal VAP production. The farming sites are located in the Faroe Islands.

Farming segment 1,000 DKK	Q4 2017	Q4 2016	Change	YTD 2017	YTD 2016	Change
Total revenue	577,283	777,245	-26%	2,986,561	2,840,870	5%
EBIT	-150,019	777,009	-119%	495,116	1,825,963	-73%
Operational EBIT	228,821	401,642	-43%	1,308,194	1,314,542	0%
Farming - Operational EBIT/kg (DKK)	19.95	31.04	-36%	23.95	27.65	-13%
Harvested volumes (t _{gw})	11,470	12,940	-11%	54,615	47,542	15%

Volumes

The total volumes harvested in Q4 2017 were 11,470 tonnes gutted weight (12,940 t_{gw}) – a decrease in volumes of 11%. All harvest in Q4 2017 was from the West region. Total harvested volumes for 2017 were 54,615 tonnes gutted weight (47,542 t_{gw}), which is in line with the forecast for 2017.

Bakkafrost transferred 3.4 million smolts (3.3 million smolts) in Q4 2017. 9.9 million smolts (11.7 million smolts*) were transferred in 2017. This is slightly lower than Bakkafrost's smolt transfer plan for 2017, which was 10.5 million smolts.

Financial performance

In Q4 2017, the operating revenue for Bakkafrost's farming segment was DKK 577.3 million (DKK 777.2 million). The operating revenue for the farming segment for 2017 was DKK 2,986.6 million (DKK 2,840.9 million).

In Q4 2017, the farming segment's EBIT amounted to DKK -150.0 million (DKK 777.0 million). The farming segment's EBIT for 2017 was DKK 495.1 million (DKK 1,826.0 million).

Operational EBIT amounted to DKK 228.8 million (DKK 401.6 million) in Q4 2017, which corresponds to an operational EBIT margin of 40% (52%). In 2017, operational EBIT was DKK 1,308.2 million (DKK 1,314.5 million).

Operational EBIT/kg for the farming segment was DKK 19.95 (NOK 25.76) in Q4 2017, compared with DKK 31.04 (NOK 37.70) in Q4 2016.

Operational EBIT/kg for 2017 was DKK 23.95 (NOK 30.02), compared with DKK 27.65 (NOK 34.50) for 2016.

Harvested volumes Tonnes gutted weight	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Farming North	0	3,983	24,364	24,768
Farming West	11,470	8,957	30,251	22,774
Total harvested volumes	11,470	12,940	54,615	47,542

Smolt transfer 1,000 pieces	2012	2013	2014	2015	2016	YTD 2017	YTD 2016
Farming North	6,500	7,200	3,000	7,100	5,600	6,370	5,589
Farming West	4,200	2,300	7,400	4,200	*6,100	3,558	5,396
Total	10,700	9,500	10,400	11,300	11,700	9,928	10,985

* Including 700 thousand pieces smolt release for Faroe Farming prior to consolidation per 1 July 2016

VAP Segment

Produced Volumes Q4 2017	4,949 tgw
EBIT Q4 2017	36.5 mDKK
Operational EBIT Q4 2017	36.5 mDKK

The VAP (value added products) segment produces skinless and boneless portions of salmon. The main market for the VAP products is Europe with increasing sales in other markets. The VAP products are sold on long-term fixed price contracts.

Value added products 1,000 DKK	Q4 2017	Q4 2016	Change	YTD 2017	YTD 2016	Change
Total revenue	288,423	312,737	-8%	998,778	880,945	13%
EBIT	36,547	-126,378	129%	-8,063	-217,053	96%
Operational EBIT	36,547	-60,776	160%	-75,441	-200,681	62%
VAP - Operational EBIT/kg (DKK)	7.38	-9.84	175%	-3.96	-11.08	64%
VAP produced volumes (tgw)	4,949	6,177	-20%	19,067	18,120	5%

Volumes

43% (48%) of the total harvested volumes in Q4 2017 went to production of VAP products. 35% (37%) of the harvested volumes in 2017 went to production of VAP products.

The VAP production in Q4 2017 was 4,949 tonnes gutted weight (6,177 tgw). The decrease in production in Q4 2017 was 20%, compared to Q4 2016. In 2017, the VAP production was 19,067 tgw (18,120 tgw).

Financial performance

The operating revenue for the VAP segment amounted to DKK 288.4 million (DKK 312.7 million) in Q4 2017. The decrease in revenue is due to lower volumes in Q4 2017, compared with Q4 2016. In 2017, the VAP revenue was DKK 998.8 million (DKK 880.9 million).

The VAP segment had an EBIT amounting to DKK 36.5 million (DKK -126.4 million) in Q4 2017. Changes in onerous contracts of DKK 0 million (DKK 65.6 million) had no effect on the segment's EBIT in

Q4 2017. In 2017, the VAP segment's EBIT amounted to DKK -8.1 million (DKK -217.1 million)

Operational EBIT amounted to DKK 36.5 million (DKK -60.8 million) in Q4 2017, corresponding to an operational EBIT of DKK 7.38 (NOK 9.54) per kg gutted weight in Q4 2017, compared with DKK -9.84 (NOK -11.95) per kg gutted weight in Q4 2016.

The lower salmon spot prices in Q4 2017 had a positive effect on the VAP segment's margin as the VAP segment buys the raw material at spot prices. As expected, the VAP segment had improvements in operational costs in Q4 2017, compared to operational costs in the first half of 2017, which is related to start up issues.

For 2017, operational EBIT amounted to DKK -75.4 million (DKK -200.7 million), corresponding to an operational EBIT of DKK -3.96 (NOK -4.96) per kg, compared with an operational EBIT of DKK -11.08 (NOK -13.82) in 2016.

Distribution of harvested volumes	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Harvested volume used in the VAP production	43%	48%	35%	37%
Harvested volume sold fresh/frozen	57%	52%	65%	63%
Harvested and volumes	100%	100%	100%	100%

FOF Segment

Sold Feed Q4 2017	18,955 tonnes
EBIT Q4 2017	104.7 mDKK
EBITDA Q4 2017	93.6 mDKK

The FOF (fishmeal, oil and feed) segment produces fishmeal, fish oil and fish feed. Most of the production is used for fish feed, used internally in the farming segment. The quality of the fish feed is important to the quality of the salmon from Bakkafrost. Fishmeal, fish oil and fish feed are also sold externally.

Fishmeal, Fish Oil and Fish Feed 1,000 DKK	Q4 2017	Q4 2016	Change	YTD 2017	YTD 2016	Change
Total revenue	366,857	330,449	11%	1,303,161	1,158,111	13%
EBIT	104,687	72,731	44%	252,556	230,350	10%
EBITDA	93,626	71,096	32%	266,093	247,881	7%
FOF - EBITDA margin	25.5%	21.5%	19%	20.4%	21.4%	-5%
Sold feed tonnes	18,955	24,988	-24%	78,134	84,587	-8%

Volumes

Havsbrún received 50,852 tonnes (34,680 tonnes) of raw material for the production of fishmeal and fish oil in Q4 2017. The raw material intake depends on the fishery in the North Atlantic and available species of fish. In 2017, Havsbrún received 342,456 tonnes (201,222 tonnes) of raw material which is a record high purchase of raw material in a year in Havsbrún's history.

The production of fishmeal in Q4 2017 was 11,757 tonnes (7,581 tonnes). For 2017, Havsbrún produced 74,089 tonnes (44,155 tonnes) of fishmeal.

The production of fish oil in Q4 2017 was 4,096 tonnes (2,612 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For 2017, Havsbrún produced 10,387 tonnes (7,369 tonnes) of fish oil.

Sales of feed amounted to 18,955 tonnes (24,988 tonnes) in Q4 2017, of which the farming segment internally used 17,597 tonnes (23,176 tonnes) or 92.8% (92.7%). For 2017, Havsbrún sold 78,134 tonnes (84,587 tonnes) of feed.

Financial performance

The operating revenue for the FOF segment amounted to DKK 366.9 million (DKK 330.4 million) in Q4 2017, of which DKK 163.2 million (DKK 237.2 million) represented sales to Bakkafrost's farming segment, corresponding to 44.5% (71.8%). For 2017, the revenue amounted to DKK 1,303.2 million (DKK 1,158.1 million) of which DKK 682.8 million (DKK 810.1 million) represented sales to Bakkafrost's farming segment, corresponding to 52.4% (69.9%).

Total revenue for the FOF segment in Q4 2017 increased 11%, compared to the same quarter last year. The internal revenue has decreased, but external sales have increased significantly. The increase in external revenue is due to higher volumes of fishmeal sold in Q4 2017, compared to Q4 2016.

EBITDA was DKK 93.6 million (DKK 71.1 million) in Q4 2017, and the EBITDA margin was 25.5% (21.5%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed. For 2017, the EBITDA was DKK 266.1 million (DKK 247.9 million), corresponding to an EBITDA margin of 20.4% (21.4%).

Sales FOF volume (tonnes)	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Feed internal sale (tonnes)	17,597	23,176	72,960	78,029
Feed external sale (tonnes)	1,358	1,812	5,174	6,558
Total Feed sold (tonnes)	18,955	24,988	78,134	84,587
Fishmeal external sale (tonnes)	18,955	6,166	59,006	23,461
Fish oil external sale (tonnes)	12	4	22	10

Outlook

Market

The salmon prices have dropped significantly during the second half of 2017 from all-time high levels earlier in 2017 and in 2016. This drop was expected, as the combination of high prices and supply ramp up emerged with the harvest of new generation fish released in 2016.

The two most important farming regions, Norway and Chile, increased their volumes significantly in Q4 2017, compared to same period in 2016. The strong supply increase is the main driver for the price drop in Q4 2017. The latest update from Kontali Analyse estimates that the global supply of Atlantic salmon increased around 12% in Q4 2017, compared to Q4 2016. Going forward, the global harvest growth is expected to be around 6% in 2018.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia. Variation in sales distribution between the different markets are driven by the change in demand from quarter to quarter in the different regions. Bakkafrost, however, aims to have a balanced market diversification to reduce market risk.

Farming

The outlook for the farming segment is good. The estimates for harvesting volumes and smolt releases are dependent on the biological development.

Bakkafrost focuses on reducing biological risk continuously and has made several new investments and procedures to diminish this risk. Bakkafrost focuses on using non-medical methods in treatments against sea lice and has invested in new technology to comply with this strategy.

Bakkafrost expects to harvest 51,000 tonnes gutted weight in 2018.

Bakkafrost expects to release 13.9 million smolts in 2018, compared with 9.9 million smolts in 2017 and 11.7 million smolts released in 2016. The number of smolts released is a key element of predicting Bakkafrost's future production.

Bakkafrost aims at being self-supplied with 500 grams smolts in 2020. The benefits are a shorter production time at sea as well as reduced biological risk. The new hatchery under construction at Strond, Klaksvík is an important part of this plan. The hatchery is expected to start operation during 2018 and in full operation from 2020. The capacity growth from this investment program will gradually appear in harvested volumes from 2020.

According to the agreement between Bakkafrost, P/F Fiskaaling and the Faroese Ministry of Foreign Affairs and Trade, Bakkafrost will take responsibility of the Faroese brood stock program from 1 April 2018 and continue to develop the brood stock program with the option to get the genome rights in 2021. Bakkafrost will use the next three years to examine the feasibility of the brood stock program and whether investments will be needed in a new brood stock facility.

VAP (Value added products)

Bakkafrost has signed contracts covering around 14% of the expected harvested volumes for 2018. The contract coverage is reduced, compared to previous year, because some contracts were not renewed in Q4 2017. Bakkafrost's long-term strategy is to sell around 40-50% of the harvested volumes of salmon as VAP products at fixed price contracts.

The VAP contracts are at fixed prices, based on the salmon forward prices at the time they are agreed and the expectations for the salmon spot price for the contract period. The contracts last for 6 to 12 months.

FOF (Fishmeal, oil and feed)

The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material. The ICES 2018 recommendation for blue whiting is 1,388 thousand tonnes, compared with 1,342 thousand tonnes in 2017.

The production of fishmeal and fish oil in 2017 was record high because of good availability of raw material. Bakkafrost expects relatively high production volumes of fishmeal and fish oil in 2018.

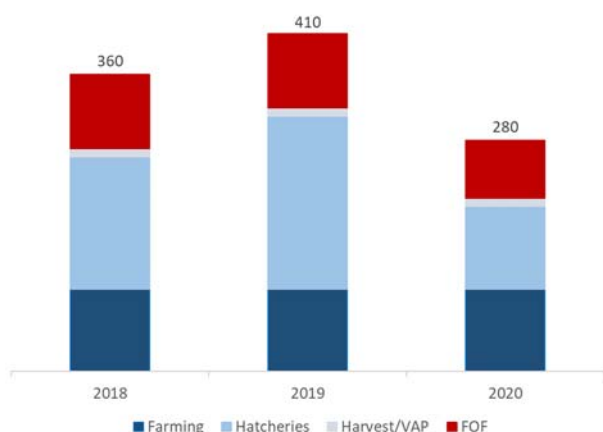
The new salmon meal and salmon oil plant is expected to start operation in the beginning of Q2 2018 with full production in the second half of 2018. This operation will increase the value of offcuts from salmon harvested and processed in the new harvest/VAP factory at Glyvrrar.

The major market for Havsbrún's fish feed is the local Faroese market including Bakkafrost's internal use of fish feed.

Havsbrún's sales of fish feed in 2018 are expected to be at 85,000 tonnes, depending on external sales.

Investments

In June 2016, Bakkafrost announced a five-year investment plan from 2016 to 2020. The total investments for the period are DKK 2.2 billion, including maintenance CAPEX.



Investments of around DKK 130 million in the two service vessels, M/S Martin and M/S Róland during 2016 and 2017, and the upgrading cost of around DKK 40 million during 2017 and 2018 of the harvest operation in Vágur, Suðuroy, are not included in the DKK 2.2 billion from the investment plan from 2016.

The purpose of the investment plan is to continue to have one of the most cost-conscious value chains in the farming industry, to carry out organic growth, increase flexibility and reduce the biological risk to meet the future consumers' trends and to be more end-customer orientated.

Financial

Favourable market balances in the world market for salmon products and cost-conscious production will likely maintain the financial flexibility going forward.

A high equity ratio together with Bakkafrost's bank financing, which was renewed for five years in Q1 2018, makes Bakkafrost's financial situation strong. This enables Bakkafrost to carry out its investment plans to further focus on strengthening the Group, M&A's, organic growth opportunities and to fulfil its dividend policy in the future.

Risks

The Annual Report 2016 is available on request from Bakkafrøst and on Bakkafrøst's website, www.bakkafrøst.com.

Bakkafrøst is, as explained in the Annual Report 2016, exposed to the salmon price. Global supply of salmon will increase in 2018 and will have an effect on the salmon price.

Biological risk has been and will be a substantial risk for Bakkafrøst. The Annual Report 2016 gives more explanation on the biological risk and Bakkafrøst's risk management in this regard.

Reference is made to the Outlook section of this report for other comments to Bakkafrøst's risk exposure and to Note 3.

Events after the Date of the Statement of Financial Position

From the date of the statement of financial position until today, no events have occurred which materially influence the information provided by this report.

Statement by the Management and the Board of Directors on the Interim Report

The Management and the Board of Directors have today considered and approved the interim report of P/F Bakkafrost for the period 1 January 2017 to 31 December 2017.

The interim report, which has not been audited or reviewed by the company's independent auditors, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the interim report gives a true and fair view of the Group's financial positions at 31 December 2017, as well as the results of the Group activities

and cash flows for the period 1 January 2017 to 31 December 2017.

In our opinion, the management's review provides a true and fair presentation of the development in the Group operations and financial circumstances of the results for the period and of the overall financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group.

Over and above the disclosures in the interim report, no changes in the Group's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2016.

Glyvrrar, February 19th, 2018

Management:

Regin Jacobsen
CEO

The Board of Directors of P/F Bakkafrost

Rúni M. Hansen
Chairman of the Board

Johannes Jensen
Deputy Chairman of the Board

Øystein Sandvik
Board Member

Virgar Dahl
Board Member

Annika Frederiksberg
Board Member

Teitur Samuelsen
Board Member

Consolidated Income Statement

For the period ended 31 December 2017

DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Operating revenue	906,070	868,447	3,770,049	3,202,686
Purchase of goods	-210,030	-211,088	-883,871	-920,148
Change in inventory and biological assets (at cost)	-13,272	36,931	-141,406	58,874
Salary and personnel expenses	-106,744	-98,096	-400,267	-327,825
Other operating expenses	-198,452	-202,931	-783,268	-715,373
Depreciation	-46,332	-43,641	-183,590	-133,261
Operational EBIT *	331,240	349,622	1,377,647	1,164,953
Fair value adjustments of biological assets	-358,694	408,126	-693,540	608,195
Onerous contracts	0	-65,602	67,376	-16,372
Income from associates	18,399	9,758	17,302	14,821
Revenue tax	-20,289	-32,985	-119,681	-108,450
Badwill	0	0	0	10,440
Earnings before interest and taxes (EBIT)	-29,344	668,919	649,104	1,673,587
Net interest revenue	385	141	1,395	1,524
Net interest expenses	-6,004	-6,487	-26,365	-25,983
Net currency effects	9,260	14,959	4,650	-12,355
Other financial expenses	-1,538	-1,026	-4,900	-4,159
Earnings before taxes (EBT)	-27,241	676,506	623,884	1,632,614
Taxes	5,332	-121,041	-112,482	-293,727
Profit or loss for the period	-21,909	555,465	511,402	1,338,887
Profit or loss for the year attributable to				
Non-controlling interests	0	0	0	0
Owners of P/F Bakkafrost	-21,909	555,465	511,402	1,338,887
Earnings per share (DKK)	-0.45	11.44	10.52	27.56
Diluted earnings per share (DKK)	-0.45	11.44	10.52	27.56

* Operational EBIT is EBIT before fair value of biomass, onerous contracts, income from associates and revenue tax.

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2017

DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Profit for the period	-21,909	555,465	511,402	1,338,887
Fair value adjustment of financial derivatives	-15,923	-4,086	-26,812	26,789
Income tax effect	2,429	346	4,090	-4,364
Reserve to share-based payment	2	391	417	1,566
Currency translation differences	3,720	2	4,452	3,822
Adjustment of treasury shares	-3,026	160	1,223	-1,366
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-12,798	-3,187	-16,630	26,447
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0	0	0
Other comprehensive income	-12,798	-3,187	-16,630	26,447
Total other comprehensive income for the period	-34,707	552,278	494,772	1,365,334
Comprehensive income for the period attributable to				
Non- controlling interests	0	0	0	0
Owners of P/F Bakkafrost	-34,707	552,278	494,772	1,365,334

Consolidated Statement of Financial Position

As at 31 December 2017

DKK 1,000	31 Dec 2017	31 Dec 2016
ASSETS		
Non-current assets		
Intangible assets	376,675	376,675
Property, plant and equipment	2,570,430	2,118,470
Financial assets	76,702	59,407
Long-term receivables	0	12,660
Total non-current assets	3,023,807	2,567,212
Current assets		
Biological assets (biomass)	1,096,664	1,858,435
Inventory	305,845	355,604
Total inventory	1,402,509	2,214,039
Accounts receivables	262,493	292,009
Other receivables	157,156	109,860
Total receivables	419,649	401,869
Cash and cash equivalents	309,551	234,996
Total current assets	2,131,709	2,850,904
TOTAL ASSETS	5,155,516	5,418,116

Consolidated Statement of Financial Position

As at 31 December 2017

DKK 1,000	31 Dec 2017	31 Dec 2016
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	3,577,571	3,500,177
Total equity	3,626,429	3,549,035
Non-current liabilities		
Deferred and other taxes	455,449	545,699
Long-term interest-bearing debt	146,696	827,146
Financial derivatives	0	101,456
Total non-current liabilities	602,145	1,474,301
Current liabilities		
Financial derivatives	127,255	0
Short-term interest-bearing debt	378,300	0
Accounts payable and other debt	421,387	394,780
Total current liabilities	926,942	394,780
Total liabilities	1,529,087	1,869,081
TOTAL EQUITY AND LIABILITIES	5,155,516	5,418,116

Consolidated Cash Flow Statement

For the period ended 31 December 2017

DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Earnings before interest and taxes (EBIT)	-29,344	668,919	649,104	1,673,587
Adjustments for write-downs and depreciation	46,332	45,955	183,590	135,575
Adjustments for value adjustment of biomass	358,694	-408,126	693,540	-608,195
Adjustments for income from associates	-18,398	-9,758	-17,301	-9,146
Adjustments for currency effects	9,259	15,405	11,198	-10,125
Adjustments for badwill	0	0	0	-10,440
Taxes paid	-140,337	-154,635	-140,337	-154,635
Adjustments for provision for onerous contracts	0	65,602	-67,376	16,372
Received dividend	0	0	0	3,186
Change in inventory	8,645	-14,876	117,990	-4,494
Change in receivables	-54,381	-103,322	-2,073	-78,769
Change in current debts	80,788	-33,055	29,827	-103,317
Cash flow from operations	261,265	72,109	1,458,169	849,599
Cash flow from investments				
Proceeds from sale of fixed assets	0	20,539	0	20,539
Payments made for purchase of fixed assets	-168,764	-213,608	-635,542	-686,605
Net cash outflow on acquisition of subsidiaries	0	-244	0	-75,244
Dividends received from associates	0	0	0	1,325
Cash flow from investments	-168,764	-193,313	-635,542	-739,985
Cash flow from financing				
Change of interest-bearing debt (short and long)	-123,859	122,556	-298,757	379,329
Financial income	384	141	1,393	1,523
Financial expenses	-7,073	-7,513	-30,796	-30,459
Net proceeds from sale of own shares	204	160	2,883	3,712
Financing of associate	0	0	0	70,048
Dividend paid	0	0	-422,795	-400,623
Cash flow from financing	-130,344	115,344	-748,072	23,530
Net change in cash and cash equivalents in period	-37,843	-5,860	74,555	133,144
Cash and cash equivalents – opening balance	347,394	240,856	234,996	101,852
Cash and cash equivalents – closing balance total	309,551	234,996	309,551	234,996

Consolidated Statement of Changes in Equity

As at 31 December 2017

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share-based Payment	Currency translation differences	Derivatives	Proposed Dividend	Biomass Fair value adjustments	Retained Earnings	Total Equity
Equity 01.01.2017	48,858	306,537	-21,045	2,651	5,856	-83,196	425,065	880,491	1,983,818	3,549,035
Consolidated profit	0	0	0	0	0	0	0	-693,540	1,210,359	516,819
<i>Other comprehensive income:</i>										
Fair value adjustment of fin. derivatives	0	0	0	0	0	-26,812	0	0	0	-26,812
Income tax effect	0	0	0	0	0	4,090	0	0	0	4,090
Share-based payment	0	0	0	417	0	0	0	0	0	417
Currency translation differences	0	0	0	0	4,452	0	0	0	0	4,452
Total other comprehensive income	0	0	0	417	4,452	-22,722	0	0	0	-17,853
Total comprehensive income	0	0	0	417	4,452	-22,722	0	-693,540	1,210,359	498,966
<i>Transaction with owners:</i>										
Treasury shares	0	0	1,223	0	0	0	0	0	0	1,223
Paid-out dividend	0	0	0	0	0	0	-425,065	0	2,271	-422,794
Proposed dividend	0	0	0	0	0	0	513,109	0	-513,109	0
Total transaction with owners	0	0	1,223	0	0	0	88,044	0	-510,838	-421,571
Total changes in equity	0	0	1,223	417	4,452	-22,722	88,044	-693,540	699,521	77,395
Total equity 31.12.2017	48,858	306,537	-19,822	3,068	10,308	-105,918	513,109	186,951	2,683,339	3,626,430
Equity 01.01.2016	48,858	306,537	-19,679	1,085	2,034	-105,621	403,079	257,277	1,686,912	2,580,482
Consolidated profit	0	0	0	0	0	0	0	623,214	719,514	1,342,728
<i>Other comprehensive income:</i>										
Fair value adjustment of fin. derivatives	0	0	0	0	0	26,789	0	0	0	26,789
Income tax effect	0	0	0	0	0	-4,364	0	0	0	-4,364
Share-based payment	0	0	0	1,566	0	0	0	0	0	1,566
Currency translation differences	0	0	0	0	3,822	0	0	0	0	3,822
Total other comprehensive income	0	0	0	1,566	3,822	22,425	0	0	0	27,813
Total comprehensive income	0	0	0	1,566	3,822	22,425	0	623,214	719,514	1,370,541
<i>Transaction with owners:</i>										
Treasury shares	0	0	-1,366	0	0	0	0	0	0	-1,366
Paid-out dividend	0	0	0	0	0	0	-403,079	0	2,457	-400,622
Proposed dividend	0	0	0	0	0	0	425,065	0	-425,065	0
Total transaction with owners	0	0	-1,366	0	0	0	21,986	0	-422,608	-401,988
Total changes in equity	0	0	-1,366	1,566	3,822	22,425	21,986	623,214	296,906	968,553
Total equity 31.12.2016	48,858	306,537	-21,045	2,651	5,856	-83,196	425,065	880,491	1,983,818	3,549,035

Notes to the Account

Accounting Policy

General Information

P/F Bakkafrost is a limited company incorporated and domiciled in the Faroe Islands.

The Group's Annual Report as at 31 December 2016 is available upon request from the company's regist-

ered office at Bakkavegur 8, FO-625 Glyvrrar, Faroe Islands, or at www.bakkafrost.com.

This Condensed Consolidated Interim Report is presented in DKK.

Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all the information required for the full Annual and Consolidated Report and Accounts and should

be read in conjunction with the Annual and Consolidated Report and Accounts for the Group as at 31 December 2016.

This interim report has not been subject to any external audit.

Note 2. Significant Accounting Policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied in the Annual Report as at and for the year ended 31 December 2016.

The company has, nevertheless, chosen to reproduce the note on biological assets from the Annual Report 2016. The information in the note is adjusted,

as Bakkafrost has changed the calculation model in Q1 2017. The new model involves calculation techniques and does not represent a change in accounting policies.

Please refer to Note 4 for further information.

Note 3. Estimates and Risk Exposures

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting principles and recognized amounts of assets, liabilities, income and expenses. The most significant estimates relate to the valuation of biological assets and some financial instruments, which are measured at fair value. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on the management's best assessment at the time of reporting. All changes in estimates are reflected in the financial statements as they occur.

The accounting estimates are described in the notes to the financial statements in the Annual Report 2016.

For other risk exposures, reference is made to the Management's Statement in the Annual Report for 2016, where Bakkafrost's operational and financial risks are described, as well as to Note 4.1 (Financial risk management) in the same report.

The risks and uncertainties described therein are expected to remain.

Note 4. Biomass

DKK 1,000	31 Dec 2017	31 Dec 2016
Biological assets carrying amount 01.01.	1,858,434	1,060,274
Increase due to production or purchases	1,368,608	1,408,220
Increase due to acquisitions - fair value included	0	118,233
Reduction due to harvesting or sale (costs of goods sold)	-1,475,571	-1,296,244
Fair value adjustment at the beginning of the period reversed	-880,492	-257,278
Fair value adjustment at the end of the period	186,956	880,492
Reversal of elimination at the beginning of the period	98,487	43,224
Eliminations	-59,758	-98,487
Biological assets carrying amount at the end of the period	1,096,664	1,858,434
Cost price biological assets	962,782	1,054,429
Capitalized interest	6,684	22,000
Fair value adjustment at the end of the period	186,956	880,492
Eliminations	-59,758	-98,487
Biological assets carrying amount	1,096,664	1,858,434
Biomass < 1 kg on average (tonnes)	1,775	2,039
Biomass 1 kg < 2 kg on average (tonnes)	3,605	5,866
Biomass 2 kg < 3 kg on average (tonnes)	4,562	6,523
Biomass 3 kg < 4 kg on average (tonnes)	5,810	5,171
Biomass 4 kg < on average (tonnes)	21,544	25,510
Volume of biomass at sea (tonnes)	37,296	45,109
Number of fish < 1 kg on average (thousand)	4,390	4,884
Number of fish 1 kg < 2 kg on average (thousand)	2,456	3,650
Number of fish 2 kg < 3 kg on average (thousand)	1,813	2,730
Number of fish 3 kg < 4 kg on average (thousand)	1,665	1,462
Number of fish 4 kg < on average (thousand)	4,105	5,123
Total number of fish at sea (thousand)	14,429	17,849
Number of smolts released YTD in Farming North (thousand)	6,370	5,589
Number of smolts released YTD in Farming West (thousand)	3,558	5,396
Total number of smolts YTD released (thousand)	9,928	10,985

§ ACCOUNTING POLICIES

BIOLOGICAL ASSETS

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales-costs and harvesting costs. The calculation of the estimated fair value is based on market prices for harvested fish. In the accounts, the change in estimated fair value is entered to the Income Statement on a continuous basis.

The Group's biological assets are salmon at all stages of the life cycle. The fish is divided into two main groups, depending on the stage of the life cycle. The first group is fish produced on shore. The second is, when the fish is released to sea.

For the first group, historical cost is deemed a reasonable approach to fair value, as there is little biological transformation. This assessment must be seen in the light of the fact that smolts are currently released to sea at a stage, when their weight is still relatively low.

For the second group, the fair value is calculated by applying a present value model at level 3 in the fair value hierarchy in IFRS 13. In accordance with the principle in IFRS 13 for highest and best use, the Group considers optimal harvest weight to be 5.2 kg gutted weight (6.3 kg live weight).

In November 2015, the Financial Supervisory Authority of Norway published a report on thematic supervision of fish-farming companies. The report encouraged that the valuation model of biological assets is revised and harmonized by the industry.

Bakkafrost has been part of a cross-industry group with the purpose to replace the growth model with a present value model (discounted cash flow). Bakkafrost has applied the changed model with effect from Q1 2017.

Changes to the model involve calculation techniques and do not represent a change in accounting policies. The impact of the change has therefore been recorded through profit or loss in 2017. The impact of the transition on the financial statements is presented in the note on biological assets.

The change between the old and the new calculation has an effect on the profit and loss accounts for 2017 of DKK -102.2 million.

The valuation model

The valuation model calculates the net present value of expected cash flow from biological assets.

Changes to estimated fair value of biological assets are presented on the line Fair value adjustments of biological assets in the Income Statement.

The measurement unit is the individual fish. However, for practical reasons, cash flows and estimates are carried out per locality.

Main components in the model are:

- Volume
- Production costs
- Sales price
- Discount rate

Volume

Estimated harvest volume is based on the actual number of fish in the sea on the balance sheet date minus estimated future mortality from balance sheet date and multiplied by optimal harvest weight per fish.

Future mortality is estimated to be 0.6% of the number of incoming fish per month.

Cost

Estimated future costs are based on Bakkafrost's prognoses per locality.

Cost comprises mainly feed-, production-, harvest- and transport costs.

Price

Estimated sales prices are based on externally quoted prices from Fish Pool.

Fish Pool is a market place for financial purchase and sale agreements for superior Norwegian salmon size 3-6 kg gutted weight. The volume on Fish Pool is, however, limited. This market is therefore initially to be insufficiently active and effective. Despite this, Bakkafrost's opinion is that the observable forward prices must be seen as the best approach to a price for the sale of salmon.

Fish Pool forward prices in EUR FCA Oslo

End Q4 17	5.30
Q1 18	5.48
Q2-18	5.42
Q3-18	5.41
Q4-18	5.58
Q1-19	5.47

Discounts

The estimated future cash flow is discounted monthly. The monthly discount rate at 31 December 2017 is estimated to be 6% per month. The discount rate takes into account a risk adjustment and time value. The risk adjustment takes into account the volatility in volume, costs and price.

Mortality

Mortality above normal will be accounted for, when a farming site either experiences elevated mortality over time or mortality due to an incident.

Costs related to abnormal mortality will be recognized in the Income Statement and presented on the line for changes in inventory, while normal mortality is classified as part of production costs.

Bakkafrost uses a common indicator and threshold for all farming sites to assess normal and abnormal mortality. Indication of abnormal mortality is when a farming site in a month registers mortality exceeding

1.5% of the incoming number of fish. A more detailed assessment is then carried out to evaluate, whether mortality is abnormal. These assessments take into account the cause of mortality and the size of the fish.

**SIGNIFICANT ASSUMPTIONS****SENSITIVITY**

The estimate of fair value of biomass will always be based on uncertain assumptions, even though the company has built substantial expertise in assessing these factors.

The Group considers three components to be key parameters for valuation. These are: average price, monthly discount rate and estimated biomass volume. The table below shows a simulated sensitivity to changes in fair value of the biological assets in the event of changes in these parameters.

Sensitivity (DKK 1,000)

Change in discount rate +1%	73,961
Change in discount rate -1%	-83,038
Change in sales price +5 DKK	-212,869
Change in sales price -5 DKK	212,869
Change in biomass volume +1%	-4,217
Change in biomass volume -1%	4,217

Note 5. Segments

Farming segment DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
External revenue	413,940	475,442	2,150,939	1,973,720
Internal revenue	163,343	301,803	835,622	867,150
Total revenue	577,283	777,245	2,986,561	2,840,870
Operating expenses	-313,410	-347,945	-1,541,694	-1,437,239
Depreciation and amortization	-35,052	-27,658	-136,673	-89,089
Operational EBIT	228,821	401,642	1,308,194	1,314,542
Fair value adjustments of biological assets	-358,694	408,126	-693,540	608,195
Badwill related to the acquisition of Faroe Farming	0	0	0	10,440
Income from associates	142	226	142	1,236
Revenue tax	-20,288	-32,985	-119,680	-108,450
Earnings before interest and taxes (EBIT)	-150,019	777,009	495,116	1,825,963
Net interest revenue	385	344	1,395	-3,268
Net interest expenses	-4,617	-5,685	-21,433	-5,247
Net currency effects	16,054	14,844	16,531	-14,744
Other financial expenses	-1,478	-971	-4,672	-3,948
Earnings before taxes (EBT)	-139,675	785,541	486,937	1,798,756
Taxes	29,271	-130,856	-71,541	-293,798
Profit or loss for the period	-110,404	654,686	415,396	1,504,958

Value added products DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
External revenue	288,423	312,737	998,778	880,945
Internal purchase of raw material	-163,343	-301,803	-835,621	-867,150
Operating expenses	-84,448	-63,624	-222,377	-201,420
Depreciation and amortization	-4,085	-8,086	-16,221	-13,056
Operational EBIT	36,547	-60,776	-75,441	-200,681
Provision for onerous contracts	0	-65,602	67,378	-16,372
Earnings before interest and taxes (EBIT)	36,547	-126,378	-8,063	-217,053
Net interest revenue	0	0	0	4,738
Net interest expenses	-207	-49	-906	-54
Net currency effects	-50	3	-345	1
Other financial expenses	-2	-5	-10	-17
Earnings before taxes (EBT)	36,288	-126,429	-9,324	-212,385
Taxes	-6,532	22,757	1,679	38,228
Profit or loss for the period	29,756	-103,672	-7,645	-174,157

Fishmeal, Fish Oil and Fish Feed DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
External revenue	203,707	93,214	620,332	348,021
Internal revenue	163,150	237,235	682,829	810,090
Total revenue	366,857	330,449	1,303,161	1,158,111
Cost of goods sold	-223,515	-220,462	-847,062	-752,668
Operating expenses	-49,716	-38,891	-190,006	-157,562
Depreciation and amortization	-7,195	-7,897	-30,696	-31,116
Operational EBIT	86,431	63,199	235,397	216,765
Income from associates	18,256	9,532	17,159	13,585
Earnings before interest and taxes (EBIT)	104,687	72,731	252,556	230,350
Net interest revenue	0	-203	0	54
Net interest expenses	-1,180	-753	-4,026	-20,682
Net currency effects	-6,744	112	-11,536	2,388
Other financial expenses	-58	-50	-218	-194
Earnings before taxes (EBT)	96,705	71,837	236,776	211,916
Taxes	-17,407	-12,942	-42,620	-38,157
Profit or loss for the period	79,298	58,895	194,156	173,759

Reconciliation of reportable segments to Group earnings before taxes (EBT) DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Farming	-139,675	785,541	486,937	1,798,756
VAP (Value added products)	36,288	-126,429	-9,324	-212,385
FOF (Fishmeal, Fish Oil and Fish Feed)	96,705	71,837	236,776	211,916
Eliminations	-20,559	-54,443	-90,502	-165,672
Group earnings before taxes (EBT)	-27,241	676,506	623,887	1,632,615

Assets and liabilities per segment DKK 1,000	31 Dec 2017	31 Dec 2016
Farming	4,728,402	5,060,263
VAP (Value added products)	302,135	375,538
FOF (Fishmeal, Fish Oil and Fish Feed)	803,359	703,222
Eliminations	-678,380	-720,907
Total assets	5,155,516	5,418,116
Farming	-529,931	-710,184
VAP (Value added products)	-3,248	-25,895
FOF (Fishmeal, Fish Oil and Fish Feed)	-562,189	-495,784
Eliminations	-433,719	-637,218
Total liabilities	-1,529,087	-1,869,081

Note 6. Capital commitments

The Group had capital expenditure committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 485

million. DKK 411 million relate to the building of new hatchery stations.

Note 7. Transactions with related parties

Note 5.2 in Bakkafrøst's Annual Report for 2016 provides detailed information on related parties' transactions.

Transactions between P/F Bakkafrøst and its subsidiaries meet the definition of related party transactions. As these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Note 8. Fair value measurements

All assets/liabilities, for which fair value is recognized or disclosed, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For biological assets, the fair value calculation is done using a valuation model (level 3 in the valuation hier-

archy) where the value is estimated based on observable market prices per period end.

For more information on these calculations, please refer to Note 4.

For assets/liabilities that are recognized at fair value on a recurring basis, the Group determines, whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement).

There have been no transfers into or out of Level 3 fair value measurements.

As at 31 December 2017, the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000		Cost			
Assets and liabilities measured at fair value	Fair value	amount	Level 1	Level 2	Level 3
Biological assets (biomass)	1,096,664	909,708	0	0	1,096,664
Assets measured at fair value 31/12-2017	1,096,664	909,708	0	0	1,096,664
Liabilities measured at fair value 31/12-2017	0	0	0	0	0
Biological assets (biomass)	1,858,434	977,942	0	0	1,858,434
Assets measured at fair value 31/12-2016	1,858,434	977,942	0	0	1,858,434
Liabilities measured at fair value 31/12-2016	0	0	0	0	0

Note 9. APM

- Alternative Performance Measures

Bakkafrost's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, the management's intention is to provide alternative performance measures, which are regularly reviewed by the management to enhance the understanding of the company's performance, but not replacing the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or

calculated differently by other companies. Bakkafrost's experience is that these APM's are frequently used by analysts, investors and other parties.

These APM's are adjusted IFRS measures, defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant.

NIBD

Net interest-bearing debt consists of both current and non-current interest-bearing liabilities, less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives and cash and cash equivalents. The net interest-bearing debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net

debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current), derivatives and cash and cash equivalents. A reconciliation is provided below.

DKK 1,000	31 Dec 2017	31 Dec 2016
Cash and cash equivalents	309,551	234,996
Deposit for interest- and currency swap	84,630	58,340
Derivatives	-127,255	-101,456
Long- and short-term interest-bearing debt	-524,996	-827,146
Net interest-bearing debt	-258,070	-635,266

Operational EBIT

Operational EBIT is EBIT aligned for fair value adjustments, onerous contracts provisions, income from associates, badwill and revenue tax.

Operational EBIT is a major alternative performance measure in the salmon farming industry. A reconciliation from EBIT to Operational EBIT is provided below.

DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
EBIT	-29,344	668,919	649,104	1,673,587
Fair value adjustments of biological assets	358,694	-408,126	693,540	-608,195
Onerous contracts	0	65,602	-67,376	16,372
Income from associates	-18,399	-9,758	-17,302	-14,821
Revenue tax	20,289	32,985	119,681	108,450
Badwill	0	0	0	-10,440
Operational EBIT	331,240	349,622	1,377,647	1,164,953

Operational EBIT per kg

Farming segment:	$\frac{\text{Operational EBIT Farming segment}}{\text{Total harvested volumes (gw)}}$
VAP segment:	$\frac{\text{Operational EBIT VAP segment}}{\text{Total volumes produced (raw material gw)}}$
Farming and VAP:	$\frac{\text{Operational EBIT Farming and VAP segment}}{\text{Total harvested volumes (gw)}}$

EBITDA

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Bakkafrøst's FOF segment. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations, and is reconciled in the section Group overview. This measure is useful to users of Bakkafrøst's financial information in evaluating operating profitability on a more variable cost basis as it

excludes depreciations and amortization expenses related primarily to capital expenditures and acquisitions, which occurred in the past, nonrecurring items, as well as evaluating operating performance in relation to Bakkafrøst's FOF segments competitors. The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

Adjusted EPS

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table below, as it is

Bakkafrøst's view that this figure provides a more reliable measure of the underlying performance.

DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Profit for the year to the shareholders of P/F Bakkafrøst	-21,909	555,465	511,402	1,338,887
Fair value adjustment of biomass	358,694	-408,126	693,540	-608,195
Onerous contracts provisions	0	65,602	-67,376	16,372
Tax on fair value adjustment	-64,565	61,654	-112,710	106,528
Adjusted profit for the year to shareholders of P/F Bakkafrøst	272,220	274,595	1,024,856	853,592
Time-weighted average number of shares outstanding through the year	48,600,933	48,574,193	48,600,933	48,574,193
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts (adjusted EPS))	5.60	5.65	21.09	17.57

ROCE

Return on average capital employed (ROCE) is defined as the period's operational EBIT divided by the average capital employed, which is total assets

adjusted for total current liabilities. The performance measure is expressed as a percentage and is useful for evaluating BakkaFrost's profitability.

DKK 1,000	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Group -Operational EBIT	331,240	349,622	1,377,647	1,164,953
Average Capital Employed	4,403,780	4,695,395	4,403,780	4,695,395
ROCE	7.5%	7.4%	31.3%	24.8%

Contacts

P/F **BAKKAFROST**

Bakkavegur 8

FO-625 Glyvrar

Faroe Islands

Telephone: +298 40 50 00

Fax: +298 40 50 09

Email: bakkafrost@bakkafrost.com

Website: www.bakkafrost.com