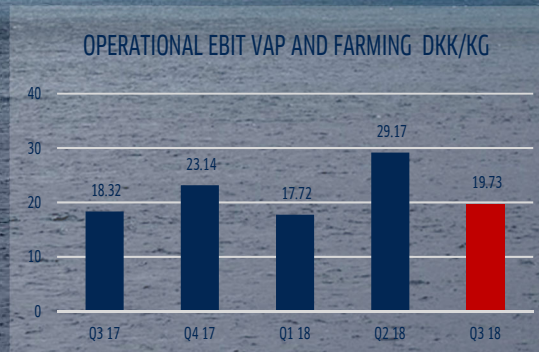
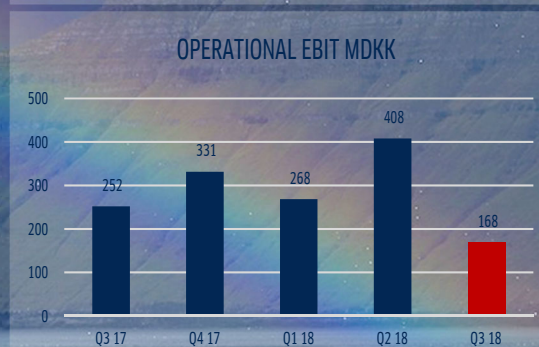
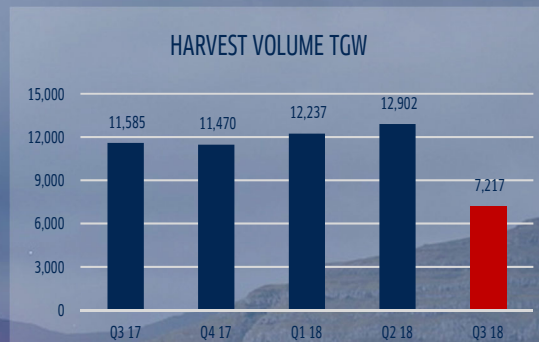


---

# INTERIM REPORT

Q3 2018

---



## Table of Contents

Highlights .....	2	Statement by the Management and the Board of Directors on the Interim Report.....	12
Summary of the 3 <sup>rd</sup> Quarter 2018 and the First Nine Months of 2018.....	3		
Financial Review .....	4	Consolidated Income Statement.....	13
Income Statement.....	4	Consolidated Statement of Comprehensive Income.....	13
Statement of Financial Position .....	4	Consolidated Statement of Financial Position.....	14
Cash Flow .....	5	Consolidated Cash Flow Statement .....	15
Farming Segment .....	6	Consolidated Statement of Changes in Equity .....	16
VAP Segment.....	7		
FOF Segment .....	8		
Outlook.....	9	Notes to the Account .....	17
Risks.....	11		
Events after the Date of the Statement of Financial Position .....	11	Contacts .....	27

## Highlights

DKK 1,000	Q3 2018	Q3 2017	YTD 2018	YTD 2017	DKK 1,000	Q3 2018	Q3 2017	YTD 2018	YTD 2017
<b>INCOME STATEMENT</b>					<b>FINANCIAL POSITION AND CASH FLOW</b>				
Group - Operating revenue	621,602	804,150	2,427,074	2,863,979	Total Assets***	5,790,731	5,155,516	5,790,731	5,155,516
Group - Operational EBIT*	168,288	251,796	844,403	1,046,407	Equity***	4,081,974	3,626,429	4,081,974	3,626,429
Group - EBIT	434,228	84,082	1,189,128	678,448	Equity ratio***	70%	70%	70%	70%
Group - Profit for the period	355,855	56,215	966,912	533,311	Net interest-bearing debt***	286,419	258,070	286,419	258,070
Operational EBIT* (Farming and VAP) (DKK)	142,388	212,221	735,505	967,385	Cash flow from operations	324,216	333,603	971,858	1,196,904
Operational EBIT/kg (Farming and VAP) (DKK)	19.73	18.32	22.73	22.42	Cash flow from financing	-137,892	-221,721	-591,313	-617,728
Operational EBIT/kg (Farming and VAP) (NOK)	25.34	23.02	29.25	27.82					
Farming - Operating revenue	445,077	619,289	1,886,515	2,409,278	<b>PROFITABILITY</b>				
Farming - Operational EBIT*	139,628	216,691	761,259	1,079,373	Basic earnings per share (DKK)	7.32	1.16	19.88	10.97
Farming - Operational EBIT margin	31.4%	35.0%	40.4%	44.8%	Diluted earnings per share (DKK)	7.32	1.16	19.88	10.97
Farming - Operational EBIT/kg (DKK)	19.35	18.70	23.53	25.02	ROCE**	3.2%	5.4%	17.0%	23.4%
Farming - Operational EBIT/kg (NOK)	24.85	23.51	30.28	31.05					
VAP - Operating revenue	69,225	246,230	255,837	710,355	<b>VOLUMES</b>				
VAP - Operational EBIT*	2,760	-4,470	-25,754	-111,988	Harvested volumes (tgv)	7,217	11,585	32,356	43,145
VAP - Operational EBIT margin	4.0%	-1.8%	-10.1%	-15.8%	VAP produced volumes (tgv)	1,425	5,209	5,510	14,118
VAP - Operational EBIT/kg (DKK)	1.94	-0.86	-4.67	-7.93	Sold feed tonnes	23,468	22,320	53,064	59,179
VAP - Operational EBIT/kg (NOK)	2.49	-1.08	-6.01	-9.84	Internal feed sales tonnes	20,783	20,398	48,591	55,363
FOF - Operating revenue	354,225	342,130	980,875	936,304	Smolt released thousand (pcs)	3,316	3,206	9,225	6,519
FOF - EBITDA	41,394	79,493	193,874	172,467					
FOF - EBITDA margin	11.7%	23.2%	19.8%	18.4%					
DKK/NOK (average)	77.85	79.57	77.71	80.58					

\* Aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates and revenue tax - refer to Note 10

\*\* Return on average capital employed, based on operational EBIT - refer to Note 10

\*\*\* Comparing figures with figures from end 2017

## Summary of the 3<sup>rd</sup> Quarter 2018 and the First Nine Months of 2018

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

**The Bakkafrost Group delivered a total EBIT of DKK 434.2 million in Q3 2018. Harvested volumes were 7.2 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 142.4 million. The farming segment made an operational EBIT of DKK 139.6 million. The salmon spot prices decreased in Q3 2018, 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 2.8 million. The EBITDA for the FOF segment was DKK 41.4 million.**

The Group made a profit for Q3 2018 of DKK 355.9 million (DKK 56.2 million). For the first nine months of 2018, the profit was DKK 966.9 million (DKK 533.3 million).

The total volumes harvested in Q3 2018 were 7,217 tonnes gutted weight (11,585 t<sub>gw</sub>). Total harvested volumes in the first nine months of 2018 were 32,356 tonnes gutted weight (43,145 t<sub>gw</sub>). The guidance for harvest in 2018 is reduced by 3,000 tonnes gutted weight, from 49,000 to 46,000 tonnes gutted weight.

3.3 million (3.2 million) smolts were transferred during Q3 2018. During the first nine months of 2018, 9.2 million (6.5 million) smolts were transferred. One million smolts – out of the 13.9 million smolts, which were expected to be released in 2018 – will be postponed for release in 2019. Thus, the new expected smolt release for 2018 is 12.9 million smolts.

The combined farming and VAP segments made an operational EBIT of DKK 142.4 million (DKK 212.2

million) in Q3 2018. The operational EBIT per kg in Q3 2018 was DKK 19.73 (DKK 18.32), which corresponds to NOK 25.34 (NOK 23.02) for the combined farming and VAP segments. For the first nine months of 2018, the combined farming and VAP segments made an operational EBIT of DKK 735.5 million (DKK 967.4 million).

The farming segment made an operational EBIT of DKK 139.6 million (DKK 216.7 million) in Q3 2018. The harvested volumes were lower, and the average spot price was higher in Q3 2018, compared to Q3 2017. For the first nine months of 2018, the operational EBIT was DKK 761.3 million (DKK 1,079.4 million).

On 20 September 2018, Bakkafrost recorded elevated mortality level at farming site A-81 Kolbanagjógv. Poisonous species of algae were registered in the sea at the farming site A-81 Kolbanagjógv when the incident occurred. Approximately 700 thousand fish with an average weight of 500 gramme live weight died within a couple of hours. The fish at farming site A-81 Kolbanagjógv was released into the sea in June - August 2018. The Farming segment had a net expense of DKK 7.2 million in Q3 2018 due to the incident.

Farming activity has been at the farming site A-81 Kolbanagjógv for the past 30 years. Bakkafrost has not observed any similar situations, neither at farming site A-81 Kolbanagjógv, nor at any other farming sites before or after the incident. The remaining fish at farming site A-81 Kolbanagjógv has not been affected by the incident and is performing well.

The VAP segment made an operational EBIT of DKK 2.8 million (DKK -4.5 million) for Q3 2018. For the first nine months of 2018, the operational EBIT was DKK -25.8 million (DKK -112.0 million).

The FOF segment (fishmeal, oil and feed) made an EBITDA of DKK 41.4 million (DKK 79.5 million) for Q3 2018, and the EBITDA margin was 11.7% (23.2%). The EBITDA was DKK 193.9 million for the first nine months of 2018 (DKK 172.5 million), corresponding to an EBITDA margin of 19.8% (18.4%).

During Q3 2018, Havsbrún sourced 7,496 tonnes (21,937 tonnes) of raw material, and for the first 9 months of 2018, Havsbrún sourced 255,987 tonnes (291,604 tonnes) of raw material.

Bakkafrost has, through its recently established subsidiary Bakkafrost US, signed an agreement in Q2 2018 to acquire the business and assets in North Landing, which is a US salmon importer focusing on the East Coast and has a sales office, handling and processing facilities in Clifton, New Jersey, USA. Through the acquisition, Bakkafrost will have a better market access and better abilities to serve Bakkafrost's customers in the US market. The acquisition of North Landing was closed in Q3 2018.

The net interest-bearing debt amounted to DKK 286.4 million at the end of Q3 2018 (DKK 258.1 million at year-end 2017). Undrawn credit facilities amounted to DKK 1,204.9 million at the end of Q3 2018.

The equity ratio was 70% at 30 September 2018, compared to 70% at the end of 2017.

## Financial Review

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

### Income Statement

The operating revenue amounted to DKK 621.6 million (DKK 804.2 million) in Q3 2018, and for the first nine months of 2018, the operating revenue amounted to DKK 2,427.1 million (DKK 2,864.0 million).

The farming segment's harvest volume was lower, and the achieved prices were higher in Q3 2018, compared to the same quarter last year. The farming and VAP segments had lower revenues because of lower volumes, but higher prices in Q3 2018, compared to Q3 2017. The FOF segment had somewhat lower external revenue in Q3 2018, compared to Q3 2017.

Operational EBIT was DKK 168.3 million (DKK 251.8 million) in Q3 2018. The farming and FOF segments had lower operational EBIT, while the VAP segment had improved operational EBIT in Q3 2018, compared to Q3 2017. For the first nine months of 2018, the operational EBIT was DKK 844.4 million (DKK 1,046.4 million).

The fair value adjustment of the Group's biological assets amounted to DKK 293.5 million (DKK -155.1 million) in Q3 2018. The positive adjustment is due to higher forward market prices for salmon at the end of the quarter, compared to the beginning of the quarter. For the first nine months of 2018, the fair value adjustment amounted to DKK 435.4 million (DKK -334.8 million).

Change in provisions for onerous contracts amounted to DKK -11.0 million (DKK 12.2 million) in Q3 2018. For the first nine months of 2018, the change in

provisions for onerous contracts amounted to DKK -17.1 million (DKK 67.4 million).

In Q3 2018, there was a loss from associated companies amounting to DKK -2.5 million (DKK -1.0 million). For the first nine months of 2018, the result from associated companies amounted to DKK -1.7 million (DKK -1.1 million).

The revenue tax amounted to DKK -14.1 million in Q3 2018 (DKK -23.7 million). The revenue tax decreased because of lower harvested volumes, compared to the same quarter last year. For the first nine months of 2018, the revenue tax was DKK -71.8 million (DKK -99.4 million).

Net interests in Q3 2018 were DKK -0.7 million (DKK -16.1 million). For the first nine months of 2018, net interests were DKK -10.2 million (DKK -27.3 million).

Net taxes amounted to DKK -77.7 million (DKK -11.7 million) in Q3 2018. For the first nine months of 2018, net taxes amounted to DKK -212.0 million (DKK -117.8 million).

The result for Q3 2018 was DKK 355.9 million (DKK 56.2 million) and for the first nine months of 2018, the result was DKK 966.9 million (DKK 533.3 million).

### Statement of Financial Position

(Figures in parenthesis refer to end last year)

The Group's total assets amounted to DKK 5,790.7 million (DKK 5,155.5 million) at the end of Q3 2018.

Intangible assets increased in the quarter and amounted to DKK 388.9 million (DKK 376.7 million) at the end of Q3 2018. The increase on DKK 12.3 million is due to the acquisition of goodwill in Bakkafrost USA.

Property, plant and equipment amounted to DKK 2,788.8 million (DKK 2,570.4 million) at the end of Q3 2018. In Q3 2018, Bakkafrost made investments in PP&E amounting to DKK 127.2 million.

Non-current financial assets amounted to DKK 101.9 million (DKK 76.7 million) at the end of Q3 2018. In Q3 2018, Bakkafrost made investments in non-current financial assets amounting to DKK 30.0 million.

The carrying amount (fair value) of biological assets amounted to DKK 1,562.9 million (DKK 1,096.7 million) at the end of Q3 2018. Biological assets have increased due to higher fair value adjustment, compared to year end 2017. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 622.3 million (DKK 187.0 million) at the end Q3 of 2018.

Inventories amounted to DKK 330.9 million (DKK 305.8 million) at the end of Q3 2018. The inventories

primarily represent Havsbrún's inventory of fishmeal, fish oil and fish feed.

Total receivables, including long-term receivables, amounted to DKK 311.2 million (DKK 419.6 million) at the end of Q3 2018.

The Group's equity amounted to DKK 4,082.0 million (DKK 3,626.4 million) at the end of Q3 2018. The change in equity consists primarily of the positive result for the first nine months of 2018 and the dividend payment of DKK 510.7 million in Q2 2018.

Total non-current liabilities amounted to DKK 1,282.6 million (DKK 602.1 million) at the end of Q3 2018.

Deferred taxes and other taxes amounted to DKK 690.6 million (DKK 455.4 million) at the end of Q3 2018.

Long-term debt was DKK 592.0 million (DKK 146.7 million) at the end of Q3 2018.

At the end of Q3 2018, the Group's total current liabilities were DKK 426.2 million (DKK 926.9 million). The current liabilities consist of accounts payable and tax payable.

Derivatives amounted to DKK 0.6 million (DKK 127.3 million) at the end of Q3 2018.

Short-term interest-bearing debt amounted to DKK 0.0 million (DKK 378.3 million) at the end of Q3 2018.

The equity ratio was 70% at the end of Q3 2018, compared with 70% at the end of 2017.

## Cash Flow

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

The cash flow from operations was DKK 324.2 million (DKK 333.6 million) in Q3 2018. The changes in receivables and current debts had a positive effect on the cash flow from operations, and changes in inventory had a negative effect. For the first nine months of 2018, the cash flow from operations was DKK 971.9 million (DKK 1.196,9 million).

The cash flow from investment activities amounted to DKK -164.5 million (DKK -117.8 million) in Q3 2018. The amount relates to investments in property, plant and equipment, goodwill and financial assets. For the first nine months of 2018, the cash flow from investments amounted to DKK -383.9 million (DKK -466.8 million).

The cash flow from financing activities totalled DKK -137.9 million (DKK -221.7 million) in Q3 2018. For the first nine months of 2018, cash flow from financing amounted to DKK -591.3 million (DKK -617.7 million).

In Q3 2018, net change in cash flow amounted to DKK 21.8 million (DKK -6.0 million). For the first nine months of 2018, net change in cash flow amounted to DKK -3.4 million (DKK 112.4 million).

At the end of Q3 2018, Bakkafrøst had unused credit facilities of DKK 1,204.9 million (DKK 932.6 million).

## Farming Segment

**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 in the Faroe Islands.**

### Volumes

The total volumes harvested in Q3 2018 were 7,217 tonnes gutted weight (11,585 tgw) – a decrease in volumes of 38%. 6,254 tgw came from the North region and 963 tgw from the West region. Total harvested volumes for the first nine months of 2018 were 32,356 tonnes gutted weight (43,145 tgw). The low harvest in Q3 was mainly due to Borðoyavík A-13 being harvested in Q2 – earlier than anticipated. Harvest in Q4 is expected to be around 14,000 tgw.

3.3 million (3.2 million) smolts were transferred in Q3 2018. For the first nine months of 2018, 9.2 million (6.5 million) smolts were transferred. This is in line with the smolt transfer plan.

### Financial Performance

In Q3 2018, the operating revenue for Bakkafrost's farming segment was DKK 445.1 million (DKK 619.3 million). The operating revenue for the farming segment for the first nine months of 2018 was DKK 1,886.5 million (DKK 2,409.3 million).

In Q3 2018, the farming segment's EBIT amounted to DKK 419.0 million (DKK 37.9 million). The farming segment's EBIT for the first nine months of 2018 was DKK 1,124.8 million (DKK 645.1 million).

DKK 1,000	Q3 2018	Q3 2017	Change	YTD 2018	YTD 2017	Change
<b>Financial</b>						
Total revenue	445,077	619,289	-28%	1,886,515	2,409,278	-22%
EBIT	418,995	37,857	1007%	1,124,796	645,135	74%
Operational EBIT	139,628	216,691	-36%	761,259	1,079,373	-29%
Farming - Operational EBIT/kg (DKK)	19.35	18.70	3%	23.53	25.02	-6%
<b>Volumes</b>						
Harvested volumes (tgw)	7,217	11,585	-38%	32,356	43,145	-25%
- Farming North	6,254	1,659	277%	21,892	24,364	-10%
- Farming West	963	9,926	-90%	10,464	18,781	-44%
Smolts released (thousand)	3,316	3,206	3%	9,225	6,519	42%
- Farming North	358	1,648	-78%	620	3,043	-80%
- Farming West	2,958	1,558	90%	8,605	3,476	148%

Operational EBIT amounted to DKK 139.6 million (DKK 216.7 million) in Q3 2018, which corresponds to an operational EBIT margin of 31% (35%). For the first nine months of 2018, operational EBIT was DKK 761.3 million (DKK 1,079.4 million).

The Farming segment had expenses of DKK 7.2 million in Q3 2018 due to the mortality incident at A-81 Kolbanagjógv, which affected operational EBIT/kg negatively by DKK 1.00 (1.28 NOK) in Q3 2018.

Operational EBIT/kg for the farming segment was DKK 19.35 (NOK 24.85) in Q3 2018, compared with DKK 18.70 (NOK 23.51) in Q3 2017. Operational EBIT/kg for the first nine months of 2018 was DKK 23.53 (NOK 30.28), compared with DKK 25.02 (NOK 31.05) for the first nine months of 2017.

## VAP Segment

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.

### Volumes

20% (45%) of the total harvested volumes in Q3 2018 went to production of VAP products and 17% (33%) of the harvested volumes in the first nine months of 2018 went to production of VAP products.

The VAP production in Q3 2018 was 1,425 tonnes gutted weight (5,209 t<sub>gw</sub>). The decrease in production in Q3 2018 was 73%, compared to Q3 2017. The harvest volumes were lower and the contract coverage is also reduced in Q3 2018, compared to Q3 2017. For the first nine months of 2018, the VAP production was 5,510 t<sub>gw</sub> (14,118 t<sub>gw</sub>).

### Financial Performance

The operating revenue for the VAP segment amounted to DKK 69.2 million (DKK 246.2 million) in Q3 2018. The decrease in revenue is due to lower volumes in Q3 2018, compared with Q3 2017. In the first nine months of 2018, the VAP revenue was DKK 255.8 million (DKK 710.4 million).

The VAP segment had an EBIT amounting to DKK -8.2 million (DKK 7.7 million) in Q3 2018. Changes in onerous contracts were DKK -11.0 million (DKK 12.2 million). In the first nine months of 2018, the VAP segment's EBIT amounted to DKK -42.8 million (DKK -44.6 million).

DKK 1,000	Q3 2018	Q3 2017	Change	YTD 2018	YTD 2017	Change
<b>Financial</b>						
Total revenue	69,225	246,230	-72%	255,837	710,355	-64%
EBIT	-8,202	7,687	-207%	-42,825	-44,610	4%
Operational EBIT	2,760	-4,470	162%	-25,754	-111,988	77%
VAP - Operational EBIT/kg (DKK)	1.94	-0.86	326%	-4.67	-7.93	41%
<b>Volumes</b>						
VAP produced volumes (t <sub>gw</sub> )	1,425	5,209	-73%	5,510	14,118	-61%
Harvested volumes used in VAP production	20%	45%	-56%	17%	33%	-48%
Harvested volumes sold fresh/frozen	80%	55%	46%	83%	67%	23%

Operational EBIT amounted to DKK 2.8 million (DKK -4.5 million) in Q3 2018, corresponding to an operational EBIT of DKK 1.94 (NOK 2.49) per kg gutted weight in Q3 2018, compared with DKK -0.86 (NOK -1.08) per kg gutted weight in Q3 2017.

The decrease in the salmon spot prices in Q3 2018, compared to the previous quarter, had a positive effect on the VAP segment's margin as the VAP segment buys the raw material at spot prices.

For the first nine months of 2018, operational EBIT amounted to DKK -25.8 million (DKK -112.0 million), corresponding to an operational EBIT of DKK -4.67 (NOK -6.01) per kg, compared with an operational EBIT of DKK -7.93 (NOK -9.84) in the first nine months of 2017.



## FOF Segment

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.

### Volumes

Havsbrún received 7,496 tonnes (21,937 tonnes) of raw material to produce fishmeal and fish oil in Q3 2018. The raw material intake depends on the fishery in the North Atlantic and available species of fish. In the first nine months of 2018, Havsbrún received 255,987 tonnes (291,604 tonnes) of raw material.

The production of fishmeal in Q3 2018 was 2,634 tonnes (5,615 tonnes). In the first nine months of 2018, Havsbrún produced 54,340 tonnes (62,332 tonnes) of fishmeal.

The production of fish oil in Q3 2018 was 1,201 tonnes (1,789 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For the first nine months of 2018, Havsbrún produced 6,370 tonnes (6,291 tonnes) of fish oil.

Sales of feed amounted to 23,468 tonnes (22,320 tonnes) in Q3 2018, of which the farming segment internally used 20,783 tonnes (20,398 tonnes) or 89% (91%). For the first nine months of 2018, Havsbrún sold 53,064 tonnes (59,179 tonnes) of feed.

### Financial Performance

The operating revenue for the FOF segment amounted to DKK 354.2 million (DKK 342.1 million) in Q3 2018, of which DKK 197.5 million (DKK 184.7 million) represented sales to Bakkafrost's farming segment, corresponding to 56% (54%). For the first nine months of 2018, the revenue amounted to DKK 980.9 million (DKK 936.3 million) of which DKK 468.4 million (DKK 519.7 million) represented sales to Bakkafrost's farming segment, corresponding to 48% (56%).

DKK 1,000	Q3 2018	Q3 2017	Change	YTD 2018	YTD 2017	Change
<b>Financial</b>						
Total revenue	354,225	342,130	4%	980,875	936,304	5%
EBIT	31,460	71,270	-56%	170,137	147,869	15%
EBITDA	41,394	79,493	-48%	193,874	172,467	12%
FOF - EBITDA margin	11.7%	23.2%	-50%	19.8%	18.4%	7%
<b>Volumes (tonnes)</b>						
Sold feed	23,468	22,320	5%	53,064	59,179	-10%
- Feed internal sale	20,783	20,398	2%	48,591	55,363	-12%
- Feed external sale	2,685	1,922	40%	4,473	3,816	17%
Fishmeal external sale	11,648	14,547	-20%	39,453	40,051	-1%
Fish oil external sale	1,211	10	-	3,219	10	-
Received raw material	7,496	21,937	-66%	255,987	291,604	-12%

Total revenue for the FOF segment in Q3 2018 increased 4%, compared to the same quarter last year. The internal revenue has increased, and external sales have decreased. The decrease in external revenue is due to lower volumes of fishmeal sold in Q3 2018, compared to Q3 2017.

EBITDA was DKK 41.4 million (DKK 79.5 million) in Q3 2018, and the EBITDA margin was 11.7% (23.2%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed. For the first nine months of 2018, the EBITDA was DKK 193.9 million (DKK 172.5 million), corresponding to an EBITDA margin of 19.8% (18.4%).

## Outlook

### Market

The latest estimate from Kontali Analyse of global supply of Atlantic salmon in Q3 2018 is an increase of around 5%, compared to Q3 2017. The global harvest of Atlantic salmon in Q4 2018 is expected to increase 1.4%, compared to Q4 2017. The estimated global supply of Atlantic salmon for 2018 is an increase of around 7%, compared to 2017.

The supply of Atlantic salmon will be tight in 2019, as global supply in 2019 is estimated to increase around 4%, compared to estimated supply in 2018.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia. Variation in sales distribution between the different markets is 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 harvest 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 follow this strategy.

Bakkafrost's guidance for harvest in 2018 is reduced by 3,000 tonnes gutted weight, from 49,000 to 46,000 tonnes gutted weight. In 2019, Bakkafrost expects to harvest 53,000 tonnes gutted weight.

As Bakkafrost has postponed 1 million smolts from expected smolt release in Q4 2018 to Q1 2019, Bakkafrost expects to release 12.9 million smolts in 2018, compared to 9.9 million smolts in 2017 and 11.7 million smolts released in 2016. In 2019, Bakkafrost expect to release 13.5 million smolts. The number of smolts released is a key element of predicting Bakkafrost's future production.

### VAP (Value added products)

Bakkafrost has signed contracts covering around 12% of the expected harvested volumes for the rest of 2018. Bakkafrost is presently negotiating new contracts for 2019. 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 ICES recommendation for blue whiting in 2019 is 1,143 thousand tonnes, which corresponds to a decrease of 18%, compared to ICES's recommendation for 2018.

The production of fishmeal and fish oil in 2018 will not reach the same level as in 2017. Bakkafrost expects a decrease in production volumes of fishmeal and fish oil in 2019, compared to 2018.

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

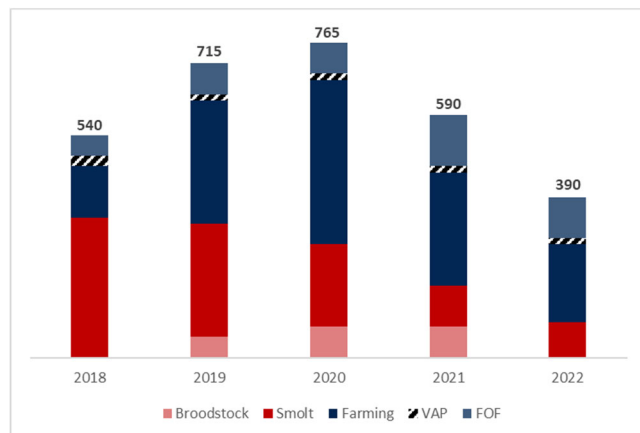
Havsbrún's sales of fish feed in 2018 are expected to be at 80,000 tonnes, depending on external sales. Sales of fish feed in 2019 are expected to be around 85,000 tonnes.

The new salmon meal and salmon oil plant started operation in Q3 2018 and production is still at an early stage. This operation will increase the value of offcuts from salmon harvested and processed in the harvest/VAP factory at Glyvvar.

### Investments

Bakkafrost's investment program for the period from 2018 to 2022 will amount to DKK 3 billion, including maintenance capex, and will reinforce Bakkafrost's integrated business model. The aim of the investment program is to minimize the biological risk, increase efficiency and create sustainable organic growth.

Bakkafrost's strategy and investment program will be presented at Bakkafrost's Capital Markets Day on 12 June 2019 in the Faroe Islands.



### 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, which is unchanged although a new investment program is announced.

## Risks

Biological risk has been and will be a substantial risk for Bakkafrost. The Annual Report 2017 gives more explanation on the biological risk and Bakkafrost's risk management in this regard.

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

Bakkafrost is, as explained in the Annual Report 2017, exposed to the salmon price. Global supply of salmon will increase in 2018 and will influence the salmon price.

The Annual Report 2017 is available on request from Bakkafrost and on Bakkafrost's website, [www.bakkafrost.com](http://www.bakkafrost.com).

## 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 2018 to 30 September 2018.

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.

Glyvrrar, November 5<sup>th</sup>, 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

Teitur Samuelsen  
Board Member

Øystein Sandvik  
Board Member

Annika Frederiksberg  
Board Member

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 30 September 2018, as well as the results of the Group activities and cash flows for the period 1 January 2018 to 30 September 2018.

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 2017.

## Consolidated Income Statement

For the period ended 30 September 2018

DKK 1,000	Q3 2018	Q3 2017	YTD 2018	YTD 2017
<b>Operating revenue</b>	<b>621,602</b>	<b>804,150</b>	<b>2,427,074</b>	<b>2,863,979</b>
Purchase of goods	-177,390	-159,166	-720,859	-673,841
Change in inventory and biological assets (at cost)	7,118	-72,885	45,281	-128,134
Salary and personnel expenses	-71,940	-85,361	-250,238	-293,523
Other operating expenses	-158,008	-184,755	-509,404	-584,816
Depreciation	-53,094	-50,187	-147,451	-137,258
<b>Operational EBIT *</b>	<b>168,288</b>	<b>251,796</b>	<b>844,403</b>	<b>1,046,407</b>
Fair value adjustments of biological assets	293,459	-155,122	435,367	-334,846
Onerous contracts	-10,968	12,157	-17,077	67,376
Income from associates	-2,459	-1,037	-1,735	-1,097
Revenue tax	-14,092	-23,712	-71,830	-99,392
<b>Earnings before interest and taxes (EBIT)</b>	<b>434,228</b>	<b>84,082</b>	<b>1,189,128</b>	<b>678,448</b>
Net interest revenue	467	456	2,089	1,010
Net interest expenses	-2,271	-6,814	-10,215	-20,361
Net currency effects	1,938	-8,728	1,126	-4,610
Other financial expenses	-799	-1,035	-3,241	-3,362
<b>Earnings before taxes (EBT)</b>	<b>433,563</b>	<b>67,961</b>	<b>1,178,887</b>	<b>651,125</b>
Taxes	-77,708	-11,746	-211,975	-117,814
<b>Profit or loss for the period</b>	<b>355,855</b>	<b>56,215</b>	<b>966,912</b>	<b>533,311</b>
<b>Profit or loss for the year attributable to</b>				
Non-controlling interests	0	0	0	0
<b>Owners of P/F Bakkafrost</b>	<b>355,855</b>	<b>56,215</b>	<b>966,912</b>	<b>533,311</b>
Earnings per share (DKK)	7.32	1.16	19.88	10.97
Diluted earnings per share (DKK)	7.32	1.16	19.88	10.97

\* 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 30 September 2018

DKK 1,000	Q3 2018	Q3 2017	YTD 2018	YTD 2017
<b>Profit for the period</b>	<b>355,855</b>	<b>56,215</b>	<b>966,912</b>	<b>533,311</b>
Fair value adjustment of financial derivatives	248	6,830	-15,797	-10,889
Income tax effect	-38	-1,042	5,876	1,661
Reserve to share-based payment	395	195	1,140	415
Currency translation differences	-54	319	-53	732
Adjustment of treasury shares	-299	191	841	4,249
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>252</b>	<b>6,493</b>	<b>-7,993</b>	<b>-3,832</b>
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income</b>	<b>252</b>	<b>6,493</b>	<b>-7,993</b>	<b>-3,832</b>
<b>Total other comprehensive income for the period</b>	<b>356,107</b>	<b>62,708</b>	<b>958,919</b>	<b>529,479</b>
<b>Comprehensive income for the period attributable to</b>				
Non- controlling interests	0	0	0	0
Owners of P/F Bakkafrost	356,107	62,708	958,919	529,479

## Consolidated Statement of Financial Position

As at 30 September 2018

DKK 1,000	30 Sept 2018	31 Dec 2017
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	388,934	376,675
Property, plant and equipment	2,788,753	2,570,430
Financial assets	101,864	76,702
Long-term receivables	9,200	0
<b>Total non-current assets</b>	<b>3,288,751</b>	<b>3,023,807</b>
<b>Current assets</b>		
Biological assets (biomass)	1,562,940	1,096,664
Inventory	330,851	305,845
<b>Total inventory</b>	<b>1,893,791</b>	<b>1,402,509</b>
Accounts receivable	247,657	262,493
Other receivables	54,365	157,156
<b>Total receivables</b>	<b>302,022</b>	<b>419,649</b>
<b>Cash and cash equivalents</b>	<b>306,167</b>	<b>309,551</b>
<b>Total current assets</b>	<b>2,501,980</b>	<b>2,131,709</b>
<b>TOTAL ASSETS</b>	<b>5,790,731</b>	<b>5,155,516</b>

DKK 1,000	30 Sept 2018	31 Dec 2017
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	48,858	48,858
Other equity	4,033,116	3,577,571
<b>Total equity</b>	<b>4,081,974</b>	<b>3,626,429</b>
<b>Non-current liabilities</b>		
Deferred and other taxes	690,629	455,448
Long-term interest-bearing debt	591,956	146,696
Financial derivatives	0	0
<b>Total non-current liabilities</b>	<b>1,282,585</b>	<b>602,144</b>
<b>Current liabilities</b>		
Financial derivatives	630	127,255
Short-term interest-bearing debt	0	378,300
Accounts payable and other debt	425,542	421,388
<b>Total current liabilities</b>	<b>426,172</b>	<b>926,943</b>
<b>Total liabilities</b>	<b>1,708,757</b>	<b>1,529,087</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>5,790,731</b>	<b>5,155,516</b>

# Consolidated Cash Flow Statement

For the period ended 30 September 2018

DKK 1,000	Q3 2018	Q3 2017	YTD 2018	YTD 2017
<b>Earnings before interest and taxes (EBIT)</b>	<b>434,228</b>	<b>84,082</b>	<b>1,189,128</b>	<b>678,448</b>
Adjustments for write-downs and depreciation	53,094	50,187	126,451	137,258
Adjustments for value adjustment of biomass	-293,459	155,122	-435,367	334,846
Adjustments for income from associates	2,459	1,037	1,735	1,097
Adjustments for currency effects	2,417	-8,227	9,940	1,939
Adjustments for provision for onerous contracts	10,967	-12,157	17,076	-67,376
Change in inventory	-14,185	78,672	-55,915	109,345
Change in receivables	119,472	55,139	103,784	52,308
Change in current debts	9,223	-70,252	15,026	-50,961
<b>Cash flow from operations</b>	<b>324,216</b>	<b>333,603</b>	<b>971,858</b>	<b>1,196,904</b>
<b>Cash flow from investments</b>				
Acquisition goodwill	-12,259	0	-12,259	0
Proceeds from sale of fixed assets	0	0	25,000	0
Payments for purchase of fixed assets	-127,214	-117,837	-369,774	-466,778
Net investment in financial assets	-25,013	0	-26,896	0
<b>Cash flow from investments</b>	<b>-164,486</b>	<b>-117,837</b>	<b>-383,929</b>	<b>-466,778</b>
<b>Cash flow from financing</b>				
Change of interest-bearing debt (short and long)	-135,436	-214,517	-71,727	-174,898
Financial income	467	455	2,089	1,009
Financial expenses	-3,068	-7,849	-13,454	-23,723
Net proceeds from sale of own shares	145	190	2,457	2,679
Dividend paid	0	0	-510,678	-422,795
<b>Cash flow from financing</b>	<b>-137,892</b>	<b>-221,721</b>	<b>-591,313</b>	<b>-617,728</b>
<b>Net change in cash and cash equivalents in period</b>	<b>21,838</b>	<b>-5,955</b>	<b>-3,384</b>	<b>112,398</b>
Cash and cash equivalents - opening balance	284,329	353,349	309,551	234,996
<b>Cash and cash equivalents - closing balance total</b>	<b>306,167</b>	<b>347,394</b>	<b>306,167</b>	<b>347,394</b>



# Consolidated Statement of Changes in Equity

As at 30 September 2018

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
<b>Equity 01.01.2018</b>	<b>48,858</b>	<b>306,537</b>	<b>-18,159</b>	<b>3,874</b>	<b>6,271</b>	<b>-104,351</b>	<b>513,009</b>	<b>186,951</b>	<b>2,683,439</b>	<b>3,626,429</b>
<b>Consolidated profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>435,367</b>	<b>538,850</b>	<b>974,217</b>
<i>Other comprehensive income:</i>										
Fair value adjustment of financial derivatives	0	0	0	0	0	-15,797	0	0	0	-15,797
Income tax effect	0	0	0	0	0	5,876	0	0	0	5,876
Share-based payment	0	0	0	1,140	0	0	0	0	0	1,140
Currency translation differences	0	0	0	0	-53	0	0	0	0	-53
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,140</b>	<b>-53</b>	<b>-9,921</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,834</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,140</b>	<b>-53</b>	<b>-9,921</b>	<b>0</b>	<b>435,367</b>	<b>538,850</b>	<b>965,383</b>
<i>Transaction with owners:</i>										
Treasury shares	0	0	841	0	0	0	0	0	0	841
Paid-out dividend	0	0	0	0	0	0	-513,009	0	2,331	-510,678
<b>Total transaction with owners</b>	<b>0</b>	<b>0</b>	<b>841</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-513,009</b>	<b>0</b>	<b>2,331</b>	<b>-509,837</b>
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>841</b>	<b>1,140</b>	<b>-53</b>	<b>-9,921</b>	<b>-513,009</b>	<b>435,367</b>	<b>541,181</b>	<b>455,546</b>
<b>Total equity 30.09.2018</b>	<b>48,858</b>	<b>306,537</b>	<b>-17,319</b>	<b>5,014</b>	<b>6,218</b>	<b>-114,272</b>	<b>0</b>	<b>622,318</b>	<b>3,224,620</b>	<b>4,081,974</b>
<b>Equity 01.01.2017</b>	<b>48,858</b>	<b>306,537</b>	<b>-21,045</b>	<b>2,651</b>	<b>5,856</b>	<b>-83,196</b>	<b>425,065</b>	<b>880,491</b>	<b>1,983,818</b>	<b>3,549,035</b>
<b>Consolidated profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-693,540</b>	<b>1,210,359</b>	<b>516,819</b>
<i>Other comprehensive income:</i>										
Fair value adjustment of financial derivatives	0	0	0	0	0	-25,799	0	0	0	-25,799
Income tax effect	0	0	0	0	0	4,644	0	0	0	4,644
Share-based payment	0	0	0	1,223	0	0	0	0	0	1,223
Currency translation differences	0	0	0	0	415	0	0	0	0	415
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,223</b>	<b>415</b>	<b>-21,155</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-19,517</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,223</b>	<b>415</b>	<b>-21,155</b>	<b>0</b>	<b>-693,540</b>	<b>1,210,359</b>	<b>497,302</b>
<i>Transaction with owners:</i>										
Treasury shares	0	0	2,886	0	0	0	0	0	0	2,886
Paid-out dividend	0	0	0	0	0	0	-425,065	0	2,271	-422,794
Proposed dividend	0	0	0	0	0	0	513,009	0	-513,009	0
<b>Total transaction with owners</b>	<b>0</b>	<b>0</b>	<b>2,886</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>87,944</b>	<b>0</b>	<b>-510,738</b>	<b>-419,908</b>
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>2,886</b>	<b>1,223</b>	<b>415</b>	<b>-21,155</b>	<b>87,944</b>	<b>-693,540</b>	<b>699,621</b>	<b>77,394</b>
<b>Total equity 31.12.2017</b>	<b>48,858</b>	<b>306,537</b>	<b>-18,159</b>	<b>3,874</b>	<b>6,271</b>	<b>-104,351</b>	<b>513,009</b>	<b>186,951</b>	<b>2,683,439</b>	<b>3,626,429</b>
<b>Equity 01.01.2017</b>	<b>48,858</b>	<b>306,537</b>	<b>-21,045</b>	<b>2,651</b>	<b>5,856</b>	<b>-83,196</b>	<b>425,065</b>	<b>880,491</b>	<b>1,983,818</b>	<b>3,549,035</b>
<b>Consolidated profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-334,846</b>	<b>874,279</b>	<b>539,433</b>
<i>Other comprehensive income:</i>										
Fair value adjustment of financial derivatives	0	0	0	0	0	-10,889	0	0	0	-10,889
Income tax effect	0	0	0	0	0	1,661	0	0	0	1,661
Share-based payment	0	0	0	415	0	0	0	0	0	415
Currency translation differences	0	0	0	0	732	0	0	0	0	732
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>415</b>	<b>732</b>	<b>-9,228</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-8,081</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>415</b>	<b>732</b>	<b>-9,228</b>	<b>0</b>	<b>-334,846</b>	<b>874,279</b>	<b>531,352</b>
<i>Transaction with owners:</i>										
Treasury shares	0	0	4,249	0	0	0	0	0	0	4,249
Paid-out dividend	0	0	0	0	0	0	-425,065	0	2,271	-422,794
<b>Total transaction with owners</b>	<b>0</b>	<b>0</b>	<b>4,249</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-425,065</b>	<b>0</b>	<b>2,271</b>	<b>-418,545</b>
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>4,249</b>	<b>415</b>	<b>732</b>	<b>-9,228</b>	<b>-425,065</b>	<b>-334,846</b>	<b>876,550</b>	<b>112,807</b>
<b>Total equity 30.09.2017</b>	<b>48,858</b>	<b>306,537</b>	<b>-16,796</b>	<b>3,066</b>	<b>6,588</b>	<b>-92,424</b>	<b>0</b>	<b>545,645</b>	<b>2,860,368</b>	<b>3,661,842</b>

# 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 2017 is available upon request from the company's registered office at Bakkavegur 8, FO-625 Glyvrrar, Faroe Islands, or at [www.bakkafrost.com](http://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 2017.

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 2017.

### 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, 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 2017.

For other risk exposures, reference is made to the Management's Statement in the Annual Report for 2017, 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	30 Sept 2018	30 Sept 2017	31 Dec 2017
Biological assets carrying amount 01.01.	1,096,664	1,858,435	1,858,435
Increase due to production or purchases	899,022	1,030,442	1,368,608
Reduction due to harvesting or sale (costs of goods sold)	-865,520	-1,154,897	-1,475,571
Reduction due to mortality (costs of incidents-based mortality)	-17,017	-15,794	0
Fair value adjustment at the beginning of the period reversed	-186,956	-880,492	-880,492
Fair value adjustment at the end of the period	622,323	545,646	186,956
Reversal of elimination at the beginning of the period	59,758	98,487	98,487
Eliminations	-45,334	-64,837	-59,758
<b>Biological assets carrying amount at the end of the period</b>	<b>1,562,940</b>	<b>1,416,990</b>	<b>1,096,664</b>
Cost price biological assets	983,056	929,041	962,782
Capitalized interest	2,895	7,139	6,684
Fair value adjustment at the end of the period	622,323	545,646	186,956
Eliminations	-45,334	-64,837	-59,758
<b>Biological assets carrying amount</b>	<b>1,562,940</b>	<b>1,416,990</b>	<b>1,096,664</b>
<b>Biomass on average (tonnes)</b>			
Biomass < 1 kg	1,914	2,134	1,775
Biomass 1 kg < 2 kg	4,781	3,892	3,605
Biomass 2 kg < 3 kg	5,312	3,727	4,562
Biomass 3 kg < 4 kg	5,209	6,572	5,810
Biomass 4 kg <	19,850	21,345	21,544
<b>Volume of biomass at sea</b>	<b>37,066</b>	<b>37,670</b>	<b>37,296</b>

	30 Sept 2018	30 Sept 2017	31 Dec 2017
<b>Number of fish on average (thousand)</b>			
Number of fish < 1 kg	4,117	4,111	4,390
Number of fish 1 kg < 2 kg	3,197	2,524	2,456
Number of fish 2 kg < 3 kg	2,130	1,476	1,813
Number of fish 3 kg < 4 kg	1,490	1,930	1,665
Number of fish 4 kg <	3,631	3,947	4,105
<b>Total number of fish at sea</b>	<b>14,565</b>	<b>13,988</b>	<b>14,429</b>
<b>Number of smolts released (thousand)</b>			
Number of smolts released – Farming North	620	3,042	6,370
Number of smolts released – Farming West	8,605	3,475	3,558
<b>Total number of smolts released</b>	<b>9,225</b>	<b>6,517</b>	<b>9,928</b>
<b>Sensitivity in DKK 1,000</b>			
Change in discount rate +1%	85,504	78,489	73,961
Change in discount rate -1%	-93,753	-87,212	-83,038
Change in sales price +5 DKK	-243,028	-217,583	-212,869
Change in sales price -5 DKK	243,028	217,583	212,869
Change in biomass volume +1%	-8,457	-6,529	-4,217
Change in biomass volume -1%	8,457	6,529	4,217
<b>One year forward prices in EUR FCA Oslo*</b>			
Period end	6.32	5.61	5.30
1 Q (forward)	6.59	6.44	5.48
2 Q (forward)	6.91	6.76	5.42
3 Q (forward)	6.96	6.66	5.41
4 Q (forward)	6.31	6.06	5.58

\* Source Fish Pool

## Note 5. Segments

Farming segment DKK 1,000	Q3 2018	Q3 2017	YTD 2018	YTD 2017
External revenue	395,691	405,687	1,658,805	1,736,999
Internal revenue	49,386	213,602	227,710	672,279
<b>Total revenue</b>	<b>445,077</b>	<b>619,289</b>	<b>1,886,515</b>	<b>2,409,278</b>
Operating expenses	-264,593	-363,870	-1,013,004	-1,228,284
Depreciation and amortization	-40,856	-38,728	-112,252	-101,621
<b>Operational EBIT</b>	<b>139,628</b>	<b>216,691</b>	<b>761,259</b>	<b>1,079,373</b>
Fair value adjustments of biological assets	293,459	-155,122	435,367	-334,846
Revenue tax	-14,092	-23,712	-71,830	-99,392
<b>Earnings before interest and taxes (EBIT)</b>	<b>418,995</b>	<b>37,857</b>	<b>1,124,796</b>	<b>645,135</b>
Net interest revenue	467	456	2,089	1,010
Net interest expenses	-1,738	-5,495	-8,388	-16,816
Net currency effects	2,793	-7,920	-2,501	477
Other financial expenses	-750	-976	-2,926	-3,194
<b>Earnings before taxes (EBT)</b>	<b>419,767</b>	<b>23,922</b>	<b>1,113,070</b>	<b>626,612</b>
Taxes	-73,780	2,072	-184,693	-100,812
<b>Profit or loss for the period</b>	<b>345,987</b>	<b>25,994</b>	<b>928,377</b>	<b>525,800</b>

<b>Value added products</b>	<b>Q3</b>	<b>Q3</b>	<b>YTD</b>	<b>YTD</b>
<b>DKK 1,000</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
<b>External revenue</b>	<b>69,225</b>	<b>246,230</b>	<b>255,837</b>	<b>710,355</b>
Internal purchase of raw material	-49,386	-213,602	-227,710	-672,278
Operating expenses	-12,316	-32,825	-40,684	-137,929
Depreciation and amortization	-4,763	-4,273	-13,197	-12,136
<b>Operational EBIT</b>	<b>2,760</b>	<b>-4,470</b>	<b>-25,754</b>	<b>-111,988</b>
Provision for onerous contracts	-10,962	12,157	-17,071	67,378
<b>Earnings before interest and taxes (EBIT)</b>	<b>-8,202</b>	<b>7,687</b>	<b>-42,825</b>	<b>-44,610</b>
Net interest expenses	-70	-238	-137	-699
Net currency effects	10	30	-298	-295
Other financial expenses	0	-4	-20	-8
<b>Earnings before taxes (EBT)</b>	<b>-8,262</b>	<b>7,475</b>	<b>-43,280</b>	<b>-45,612</b>
Taxes	1,487	-1,345	3,691	8,211
<b>Profit or loss for the period</b>	<b>-6,775</b>	<b>6,130</b>	<b>-39,589</b>	<b>-37,401</b>

<b>Fishmeal, fish oil and fish feed</b>	<b>Q3</b>	<b>Q3</b>	<b>YTD</b>	<b>YTD</b>
<b>DKK 1,000</b>	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
External revenue	156,685	157,430	512,432	416,625
Internal revenue	197,540	184,700	468,443	519,679
<b>Total revenue</b>	<b>354,225</b>	<b>342,130</b>	<b>980,875</b>	<b>936,304</b>
Cost of goods sold	-273,598	-230,388	-634,993	-623,547
Operating expenses	-39,233	-32,249	-152,008	-140,290
Depreciation and amortization	-7,475	-7,186	-22,002	-23,501
<b>Operational EBIT</b>	<b>33,919</b>	<b>72,307</b>	<b>171,872</b>	<b>148,966</b>
Income from associates	-2,459	-1,037	-1,735	-1,097
<b>Earnings before interest and taxes (EBIT)</b>	<b>31,460</b>	<b>71,270</b>	<b>170,137</b>	<b>147,869</b>
Net interest expenses	-463	-1,081	-1,690	-2,846
Net currency effects	-865	-838	3,925	-4,792
Other financial expenses	-49	-55	-295	-160
<b>Earnings before taxes (EBT)</b>	<b>30,083</b>	<b>69,296</b>	<b>172,077</b>	<b>140,071</b>
Taxes	-5,415	-12,473	-30,973	-25,213
<b>Profit or loss for the period</b>	<b>24,668</b>	<b>56,823</b>	<b>141,104</b>	<b>114,858</b>

**Reconciliation of reportable segments  
to Group earnings before taxes (EBT)**

<b>DKK 1,000</b>	<b>Q3 2018</b>	<b>Q3 2017</b>	<b>YTD 2018</b>	<b>YTD 2017</b>
Farming	419,767	23,922	1,113,070	626,612
VAP (Value Added Products)	-8,262	7,475	-43,280	-45,612
FOF (Fishmeal, fish Oil and fish Feed)	30,083	69,296	172,077	140,071
Eliminations	-8,025	-32,732	-62,980	-69,946
<b>Group earnings before taxes (EBT)</b>	<b>433,563</b>	<b>67,961</b>	<b>1,178,887</b>	<b>651,125</b>

**Assets and liabilities per segment**

<b>DKK 1,000</b>	<b>30 Sept 2018</b>	<b>30 Sept 2017</b>	<b>31 Dec 2017</b>
Farming *	5,340,395	4,950,906	4,728,402
VAP (Value Added Products) *	199,415	329,112	302,135
FOF (Fishmeal, fish Oil and fish Feed)	840,119	801,759	803,359
Eliminations	-589,198	-716,291	-678,380
<b>Total assets</b>	<b>5,790,731</b>	<b>5,365,486</b>	<b>5,155,516</b>
<b>* Reclassification between Farming and VAP of 116 mDKK in Q1 2018</b>			
Farming	-574,912	-471,522	-529,931
VAP (Value Added Products)	-31,655	-5,321	-3,248
FOF (Fishmeal, fish Oil and fish Feed)	-471,536	-461,634	-562,189
Eliminations	-630,654	-765,163	-433,719
<b>Total liabilities</b>	<b>-1,708,757</b>	<b>-1,703,640</b>	<b>-1,529,087</b>

**Note 6. Capital Commitments**

The Group had capital expenditures committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 249 million. DKK 169 million relate to the building of the new hatchery station. DKK 67 million relate to the building of a new biogas plant.

**Note 7. Transactions with Related Parties**

Note 5.2 in Bakkafrøst's Annual Report for 2017 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 hierarchy) 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 30 September 2018, the Group held the following classes of assets/liabilities measured at fair value:

<b>DKK 1,000</b>	<b>Cost</b>				
<b>Assets and liabilities measured at fair value</b>	<b>Fair value</b>	<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Biological assets (biomass)	1,562,940	941,014	0	0	1,562,940
<b>Assets measured at fair value 30/9-2018</b>	<b>1,562,940</b>	<b>941,014</b>	<b>0</b>	<b>0</b>	<b>1,562,940</b>
<b>Liabilities measured at fair value 30/9-2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Biological assets (biomass)	1,096,664	909,708	0	0	1,096,664
<b>Assets measured at fair value 31/12-2017</b>	<b>1,096,664</b>	<b>909,708</b>	<b>0</b>	<b>0</b>	<b>1,096,664</b>
<b>Liabilities measured at fair value 31/12-2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Biological assets (biomass)	1,416,990	871,343	0	0	1,416,990
<b>Assets measured at fair value 30/9-2017</b>	<b>1,416,990</b>	<b>871,343</b>	<b>0</b>	<b>0</b>	<b>1,416,990</b>
<b>Liabilities measured at fair value 30/9-2017</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>



**Note 9. Business Combinations**

On 1 July 2018, Bakkafrost purchased the business and assets in North Landing via Bakkafrost USA LLC.

The purchase is paid in cash and financed by existing facilities.

The key employees of North Landing will continue in Bakkafrost USA LLC.

The fair value of intangible assets has been determined on an estimated fair value. Fair value has been identified in customer relationship employing generally accepted valuation techniques. The market value of the customer relationship is measured to DKK 6.2 million.

The fair value of property, plant and equipment has been determined based a 3<sup>rd</sup> party valuation.

From 1 July to 30 September 2018, the acquired business contributed with a profit of -2,8 mDKK to the Group's results.

**Identifiable assets assumed:****DKK 1,000**

Intangible assets	12,258
Property, plant and equipment	13,372
Inventory	1,590
<b>Total net identifiable assets</b>	<b>27,221</b>

**Note 10. 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.

	30 Sept	31 Dec
DKK 1,000	2018	2017
Cash and cash equivalents	306,167	309,551
Deposit for interest- and currency swap	0	84,630
Derivatives	-630	-127,255
Long- and short-term interest-bearing debt	-591,956	-524,996
<b>Net interest-bearing debt</b>	<b>-286,419</b>	<b>-258,070</b>

**Operational EBIT**

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

	Q3	Q3	YTD	YTD
DKK 1,000	2018	2017	2018	2017
<b>EBIT</b>	<b>434,228</b>	<b>84,082</b>	<b>1,189,128</b>	<b>678,448</b>
Fair value adjustments of biological assets	-293,459	155,122	-435,367	334,846
Onerous contracts	10,968	-12,157	17,077	-67,376
Income from associates	2,459	1,037	1,735	1,097
Revenue tax	14,092	23,712	71,830	99,392
<b>Operational EBIT</b>	<b>168,288</b>	<b>251,796</b>	<b>844,403</b>	<b>1,046,407</b>

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

	Q3	Q3	YTD	YTD
DKK 1,000	2018	2017	2018	2017
Profit for the year to the shareholders of P/F Bakkafrost	355,855	56,215	966,912	533,311
Fair value adjustment of biomass	-293,459	155,122	-435,367	334,846
Onerous contracts provisions	10,968	-12,157	17,077	-67,376
Tax on fair value adjustment	50,848	-25,734	75,292	-48,145
<b>Adjusted profit for the year to shareholders of P/f Bakkafrost</b>	<b>124,212</b>	<b>173,446</b>	<b>623,914</b>	<b>752,636</b>
<b>Time-weighted average number of shares outstanding through the year</b>	<b>48,641,872</b>	<b>48,606,512</b>	<b>48,641,872</b>	<b>48,606,512</b>
<b>Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)</b>	<b>2.55</b>	<b>3.57</b>	<b>12.83</b>	<b>15.48</b>

**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.

	Q3	Q3	YTD	YTD
DKK 1,000	2018	2017	2018	2017
Group -Operational EBIT	168,288	251,796	844,403	1,046,407
Average Capital Employed	5,215,318	4,651,018	4,971,772	4,473,219
<b>ROCE</b>	<b>3.2%</b>	<b>5.4%</b>	<b>17.0%</b>	<b>23.4%</b>

## Contacts

P/F **BAKKAFROST**

Bakkavegur 8

FO-625 Glyvvar

Faroe Islands

Telephone: +298 40 50 00

Fax: +298 40 50 09

Email: [bakkafrost@bakkafrost.com](mailto:bakkafrost@bakkafrost.com)

Website: [www.bakkafrost.com](http://www.bakkafrost.com)