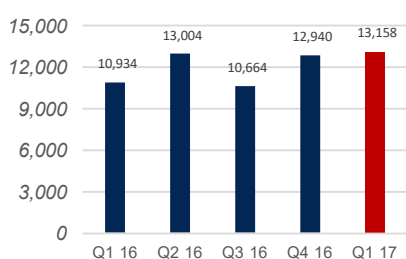


Q1 - 2017 INTERIM REPORT

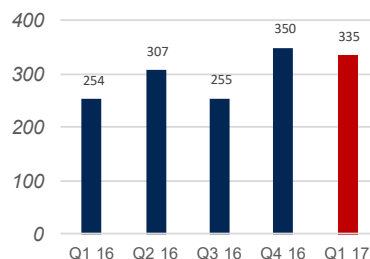
Salmon from the
FAROE ISLANDS



HARVEST VOLUME TGW



OPERATIONAL EBIT M DKK



OPERATIONAL EBIT DKK/KG
VAP AND FARMING

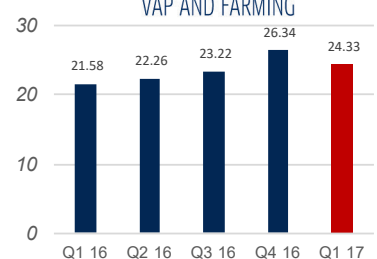


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Highlights

DKK 1,000	Q1 2017	Q1 2016
INCOME STATEMENT		
Group - Operating revenue	853,681	904,550
Group - Operational EBIT*	335,454	253,570
Group - EBIT	103,049	281,769
Group - Profit for the period	79,030	213,312
Operational EBIT (Farming and VAP) (DKK)*	320,192	235,967
Operational EBIT*/kg (Farming and VAP) (DKK)	24.33	21.58
Operational EBIT*/kg (Farming and VAP) (NOK)	29.40	27.55
Farming - Operating revenue	751,384	701,860
Farming - Operational EBIT*	373,232	260,783
Farming - Operational EBIT margin	50%	37%
Farming - Operational EBIT/kg (DKK)	28.37	23.85
Farming - Operational EBIT/kg (NOK)	34.27	30.45
VAP - Operating revenue	191,543	179,504
VAP - Operational EBIT*	-53,040	-24,816
VAP - Operational EBIT margin	-28%	-14%
VAP - Operational EBIT/kg (DKK)	-14.59	-7.85
VAP - Operational EBIT/kg (NOK)	-17.62	-10.03
FOF - Operating revenue	277,141	288,008
FOF - EBITDA	45,147	69,022
FOF - EBITDA margin	16.29%	23.97%
DKK/NOK (average)	82.78	78.32
FINANCIAL POSITION AND CASH FLOW		
Total Assets***	5,623,309	5,418,116
Equity***	3,627,662	3,549,035
Equity ratio***	65%	66%
Net interest bearing debt***	458,571	635,266
Cash flow from operations	365,304	244,176
Cash flow from financing	78,219	93,789
PROFITABILITY		
Basic earnings per share (DKK)	1.63	4.39
Diluted earnings per share (DKK)	1.63	4.39
ROCE**	6.9%	6.9%
VOLUMES		
Harvested volumes (tgv)	13,158	10,934
VAP produced volumes (tgv)	3,636	3,160
Sold feed (tonnes)	19,827	14,454
Internal feed sale (tonnes)	18,953	13,249
Numbers of smolt released (thousand)	1,395	1,926

* 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 1st Quarter 2017

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

The Bakkafröst Group delivered a total operating EBIT of DKK 335.5 million in Q1 2017. Harvested volumes were 13.2 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 320.2 million. The farming segment made an operational EBIT of DKK 373.2 million. The salmon spot prices continued in Q1 2017 on a high level from 2016, which was positive for the farming segment. The VAP segment realized higher prices, but is not matched by the high spot prices, and therefore the VAP segment had negative margins in Q1 2017. The VAP segment made an operational EBIT of DKK -53.0 million. The EBITDA for the FOF segment was DKK 45.1 million.

The Group made a profit for the first quarter 2017 of DKK 79.0 million (DKK 213.3 million).

The total volumes harvested in Q1 2017 were 13,158 tonnes gutted weight (10,934 tgw).

Bakkafröst transferred 1.4 million smolts (1.9 million) during Q1 2017.

The combined farming and VAP segments made an operational EBIT of DKK 320.2 million (DKK 236.0 million) in Q1 2017. The operational EBIT per kg in Q1 2017 was DKK 24.33 (DKK 21.58), which corresponds to NOK 29.40 (NOK 27.55) for the combined farming and VAP segments.

The farming segment made an operational EBIT of DKK 373.2 million (DKK 260.8 million) in Q1 2017. The harvested volumes were higher, and the average spot price was higher in Q1 2017, compared to Q1 2016.

Bakkafröst's farming site A-73 Hvannasund Norður has been under suspicion of pathogenic ISA-virus since July 2016. The suspicion rose anew in January 2017, and Bakkafröst decided to harvest the two cages, related to the suspicion. Medio March 2017, Bakkafröst decided to harvest the whole site early as a precautionary action. At the end of March 2017, pathogenic ISA-virus at farming site A-73 Hvannasund Norður was confirmed. Bakkafröst decided to accelerate the already started harvest. The harvest of farming site A-73 Hvannasund Norður ended on 12 April 2017, and the average size of the harvested fish was just below 3 kg gutted weight.

The VAP segment made an operational EBIT of DKK -53.0 million (DKK -24.8 million) for Q1 2017. Although the sales prices in the VAP segment have increased, the VAP segment continued to have

negative results, primarily due to the high salmon spot prices.

The new VAP factory at Glyvrrar started production in January 2017, and Q1 2017 was the first quarter when both the harvest operation and the VAP production operated in the combined VAP/harvest factory at Glyvrrar. Simultaneously, the old VAP factories were closed.

The FOF segment (fishmeal, oil and feed) made an operational EBITDA of DKK 45.1 million (DKK 69.0 million) for Q1 2017, and the EBITDA margin was 16.3% (24.0%).

Havsbrún sourced 106,567 tonnes (71,568 tonnes) of raw material during Q1 2017.

The Bakkafröst Group's net interest bearing debt amounted to DKK 458.6 million at the end of Q1 2017 (DKK 635.3 million at year-end 2016) including deposits and losses on financial derivatives relating to the interest-bearing debt. Bakkafröst had undrawn credit facilities of approximately DKK 826.4 million at the end of Q1 2017.

Bakkafröst's equity ratio was 65% at 31 March 2017, compared to 66% at the end of 2016.

Bakkafröst 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 Annual General Meeting, convened on 7 April 2017, decided to pay out a dividend of DKK 8.70, corresponding to NOK 10.69 per share. The total dividend of DKK 425.1 million (NOK 522.5 million) was paid out on 21 April 2017.

Financial Review

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

Income Statement

The operating revenues amounted to DKK 853.7 million (DKK 904.6 million) in Q1 2017. The revenue decreased because of lower external revenue in the FOF segment in Q1 2017, compared to Q1 2016. The farming segment had higher volumes sold in this quarter, compared to same quarter last year, but the accelerated harvest of the site, which was suspected for ISA and later confirmed, had a negative impact on revenue per kg harvested fish.

Operational EBIT was DKK 335.5 million (DKK 253.6 million) in Q1 2017. The improvement in the operational EBIT was especially related to the improved operational EBIT in the farming segment in Q1 2017, compared to Q1 2016. The operational EBIT in both the FOF segment and VAP segment was lower in Q1 2017 than in Q1 2016.

The fair value adjustment of the Group's biological assets amounted to DKK -234.6 million (DKK 107.6 million) in Q1 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. From Q1 2017, Bakkafrøst has applied a new calculation model for the fair value of the biological assets. Bakkafrøst has previously used the so-called growth model, which has been the standard model in the salmon industry to calculate the fair value of the biomass. The new calculation model is a cash flow model (present value model) and reference is made

to Note 4 for further information regarding the fair value of the biomass and the change of calculation model.

Change in provisions for onerous contracts amounted to DKK 30.1 million (DKK -60.0 million) in Q1 2017. The positive adjustment in provisions for onerous contracts is due to the lower expected future salmon prices at the end of Q1 2017.

In Q1 2017, there was a profit from associated companies amounting to DKK 2.3 million (DKK 3.1 million).

The revenue tax in Q1 2017 amounted to DKK -30.2 million (DKK -22.6 million). The revenue tax increased because of higher harvested volumes in Q1 2017, compared to same quarter last year.

Net interests in Q1 2017 were DKK -6.3 million (DKK -21.4 million), whereof an unrealized exchange rate adjustment of DKK 3.5 million (DKK -7.7 million), relating to the bond loan of NOK 500 million, is posted in Q1 2017.

Net taxes amounted to DKK -17.7 million (DKK -47.1 million) in Q1 2017.

The result for Q1 2017 was DKK 79.0 million (DKK 213.3 million).

79 million DKK

Result for Q1 2017

Statement of Financial Position

(Figures in parenthesis refer to end last year)

The Group's total assets amounted to DKK 5,623.3 million (DKK 5,418.1 million) at the end of Q1 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 Q1 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 2,256.2 million (DKK 2,118.5 million) at the end of Q1 2017. In Q1 2017, Bakkafrøst made investments in PP&E amounting to DKK 179.3 million.

Non-current financial assets amounted to DKK 61.7 million (59.4 million) at the end of Q1 2017.

The Group's carrying amount (fair value) of biological assets amounted to DKK 1,645.1 million (DKK 1,858.4 million) at the end of Q1 2017. Biological assets have decreased due to lower fair value adjustment. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 645.9 million (DKK 880.5 million) at the end of Q1 2017. The decrease is due to lower salmon prices at the end of Q1 2017, compared to end 2016. As previously mentioned, Bakkafrøst has from Q1 2017 applied a new calculation model for the fair value of the biological assets and reference is made to Note 4.

The Group's inventories amounted to DKK 422.2 million (DKK 355.6 million) at the end of Q1 2017. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed.

The Group's total receivables amounted to DKK 362.3 million (DKK 401.9 million) at end of Q1 2017.

The Group's equity amounted to DKK 3,627.7 million (DKK 3,549.0 million) at the end of Q1 2017. The change in equity consists primarily of the positive result for Q1 2017.

The Group's total non-current liabilities amounted to DKK 1,069.4 million (DKK 1,474.3 million) at the end of Q1 2017. The reduction in total non-current liabilities is due to reclassification of the bond loan, which is payable 14 February 2018, to current liabilities.

Deferred taxes amounted to DKK 562.3 million (DKK 545.7 million) at the end of Q1 2017.

Long-term debt was DKK 507.1 million (DKK 827.1 million) at the end of Q1 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. The interest rate of the bonds is NIBOR 3m + 4.15%. Following the issuance of the bonds, Bakkafrøst has entered into a currency/-interest rate swap, hedging the exchange rate, and has switched the interest rate from NIBOR 3m to CIBOR 3m.

At the end of Q1 2017, the Group's total current liabilities were DKK 926.3 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 104.9 million (DKK 0 million) at the end of Q1 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 405.7 million (DKK 0 million) at the end of Q1 2017.

Bakkafrøst's equity ratio was 65% at the end of Q1 2017, compared with 66% at the end of 2016.

Cash Flow

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

The cash flow from operations was DKK 365.3 million (DKK 244.2 million) in Q1 2017. The decrease in receivables and current debts had a positive effect on the cash flow from operations, while higher total inventory affected the cash flow from operations negatively in Q1 2017.

The cash flow from investment activities amounted to DKK -179.3 million (DKK -119.2 million) in Q1 2017. The amount relates to investments in property, plant and equipment.

Cash flow from financing activities totalled DKK 78.2 million (DKK 93.8 million) in Q1 2017. The interest bearing debt increased by DKK 85.6 million and had

a positive effect on cash flow from financing.

In Q1 2017, net change in cash flow amounted to DKK 264.2 million (DKK 218.8 million).

At the end of Q1 2017, Bakkafrøst had unused credit facilities of approximately DKK 826.4 million (DKK 1,039.2 million).

13,158 t_{gw}

Harvested in Q1 2017

Farming Segment

Harvested Volumes Q1 2017	13,158 tgw
EBIT Q1 2017	108.4 mDKK
Operational EBIT Q1 2017	373.2 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 southern, central and northern part of the Faroe Islands.

Farming segment 1,000 DKK	Q1 2017	Q1 2016	Increase
Total revenue	751,384	701,860	7%
EBIT	108,443	338,173	-68%
Operational EBIT	373,232	260,783	43%
Farming - Operational EBIT/kg (DKK)	28.37	23.85	19%
Harvested volumes (tgw)	13,158	10,934	20%

Volumes

The total volumes harvested in Q1 2017 were 13,158 tonnes gutted weight (10,934 tgw) – an increase in volumes of 20%. Bakkafrøst started the harvest of A-73 Hvannasund Norður earlier than anticipated because of the suspicion of pathogenic ISA-virus at the farming site. The suspicion of ISA-virus was confirmed in March 2017, and Bakkafrøst accelerated the harvest of the site even further. A-73 Hvannasund Norður was empty for fish on 12 April 2017. The total harvest of A-73 Hvannasund Norður was 3,137 tonnes gutted weight whereof 1,374 tonnes gutted weight were harvested in Q1 2017.

Bakkafrøst transferred 1.4 million smolts (1.9 million) in Q1 2017. This is in line with Bakkafrøst's smolt transfer plan for 2017.

Financial performance

In Q1 2017, the operating revenue for Bakkafrøst's farming segment was DKK 751.4 million (DKK 701.9 million).

The farming segment's EBIT amounted to DKK 108.4 million (DKK 338.2 million) and was affected by a fair value adjustment of DKK -234.6 million (DKK 107.6 million).

Operational EBIT amounted to DKK 373.2 million (DKK 260.8 million) in Q1 2017, which corresponds to an operational EBIT margin of 50%.

Operational EBIT/kg for the farming segment was DKK 28.37 (NOK 34.27) in Q1 2017, compared with DKK 23.85 (NOK 27.55) in Q1 2016. The higher margin is mainly due to higher salmon prices in Q1 2017, compared to Q1 2016. The harvest of A-73 Hvannasund Norður had a negative impact on the operational EBIT/kg in Q1 2017, as the average harvest weight was not optimal and thus affected both achieved sales price and production cost negatively.

	Q1 2017	Q1 2016
Harvested volumes		
Farming North	9,124	1,509
Farming West	4,034	9,425
Total harvested volumes (tgw)	13,158	10,934

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

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

VAP Segment

Produced Volumes Q1 2017	3,636 tgw
EBIT Q1 2017	-22.9 mDKK
Operational EBIT Q1 2017	-53.0 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	Q1 2017	Q1 2016	Increase
Total revenue	191,543	179,504	7%
EBIT	-22,906	-84,775	73%
Operational EBIT	-53,040	-24,816	-114%
VAP - Operational EBIT/kg (DKK)	-14.59	-7.85	-86%
VAP produced volumes (tgw)	3,636	3,160	15%

Volumes

28% (23%) of the total harvested volumes in Q1 2017 went to production of VAP products, and 72% (77%) were sold as whole gutted salmon.

The VAP production in Q1 2017 was 3,636 tonnes gutted weight (3,160 tgw). The increase in production in Q1 2017 is 15%, compared to Q1 2016.

Financial performance

The operating revenue for the VAP segment amounted to DKK 191.5 million (DKK 179.5 million) in Q1 2017. The increase in revenue is due to higher prices in Q1 2017, compared with Q1 2016.

The VAP segment had an EBIT amounting to DKK -22.9 million (DKK -84.8 million) in Q1 2017. Changes in onerous contracts of DKK 30.1 million (DKK -60.0 million) had a positive effect on the segment's EBIT in Q1 2017.

Operational EBIT amounted to DKK -53.0 million (DKK -24.8 million) in Q1 2017, corresponding to an operational EBIT of DKK -14.59 (NOK -17.62) per kg gutted weight in Q1 2017, compared with DKK -7.85 (NOK -10.03) per kg gutted weight in Q1 2016. The decrease in the operational EBIT margin is due to higher raw material prices. The VAP segment purchases its raw material (fresh salmon) at spot prices each week. The closing of the old VAP factories and the start-up of the new VAP factory at Glyvrrar in January 2017 has increased the operational costs in Q1 2017. Bakkafrost expects reduced operational costs later in 2017 after start up issues have been solved.

Distribution of harvested volumes (tgw)	Q1 2017	Q1 2016
Harvested volumes used in the VAP production	28%	23%
Harvested volumes sold fresh/frozen	72%	77%
Harvested and purchased volumes (tgw)	100%	100%

FOF Segment

Sold Feed Q1 2017	19,827 tonnes
EBIT Q1 2017	39.4 mDKK
EBITDA Q1 2017	45.1 mDKK

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

Fishmeal, Fish Oil and Fish Feed 1,000 DKK	Q1 2017	Q1 2016	Increase
Total revenue	277,141	288,008	-4%
EBIT	39,360	72,196	-45%
EBITDA	45,147	69,022	-35%
FOF - EBITDA margin	16.3%	24.0%	-32%
Sold feed tonnes	19,827	14,454	37%

Volumes

During Q1 2017, Havsbrún received 106,567 tonnes (71,568 tonnes) of raw material for the production of fishmeal and fish oil. The raw material intake depends on the fishery in the North Atlantic and available species of fish.

The production of fishmeal in Q1 2017 was 23,063 tonnes (15,906 tonnes).

The production of fish oil was 3,241 tonnes (2,595 tonnes) in Q1 2017. The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch.

Sales of feed amounted to 19,827 tonnes (14,454 tonnes) in Q1 2017, of which the farming segment internally used 18,953 tonnes (13,249 tonnes) or 95.6% (91.7%).

Financial performance

The operating revenue for the FOF segment amounted to DKK 277.1 million (DKK 288.0 million) in Q1 2017, of which DKK 185.9 million (DKK 138.5 million) represents sales to Bakkafrøst's farming segment, corresponding to 67.1% (48.1%).

Total revenue for the FOF segment in Q1 2017 decreased 4%, compared to the same quarter last year. The internal revenue increased, but did not weigh out the decrease in external revenue. The decrease in external revenue is due to lower volumes of fishmeal and feed sold in Q1 2017, compared to Q1 2016.

Operational EBITDA was DKK 45.1 million (DKK 69.0 million) in Q1 2017, and the operational EBITDA margin was 16.3% (24.0%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed.

Sales FOF volume (tonnes)	Q1 2017	Q1 2016
Feed internal sale (tonnes)	18,953	13,249
Feed external sale (tonnes)	874	1,205
Total Feed sold (tonnes)	19,827	14,454
Fishmeal external sale (tonnes)	7,563	11,716
Fish oil external sale (tonnes)	0	5

Outlook

Market

The salmon market has for the last year or so been affected by decline in supply. The main factors behind this were the harmful algal bloom in Chile in February 2016 and the biological issues in Norway. The negative effect of the Chilean algal bloom on supply of salmon continued into Q1 2017. Expectations are that global supply of Atlantic salmon will shift from reduced supply into growth of supply in Q2 2017. The latest update from Kontali Analyse estimates a global supply of Atlantic salmon to increase around 2% in 2017, compared to -6% in 2016.

The market place is one of Bakkafrost's most significant risk areas. Bakkafrost has a geographical and a market price approach. These approaches reduce the exposure to the market risk. To diversify the geographical market risk, Bakkafrost sells its products to all the largest salmon markets in the world, USA, the Far East, Europe and Russia.

Farming

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

The biological situation is Bakkafrost's most important risk area. The confirmed presence of pathogenic ISA-virus at farming site A-73 in March, draws attention to the importance of a high quality veterinary system to reduce the biological risk. Harvest of the fish at farming site A-73 was finished on 12th April 2017, and the site is now in fallow. Bakkafrost focuses on biological risk continuously and has made several new investments and procedures to diminish this risk.

The investments in producing larger smolts will gradually reduce the time needed in the fjords to farm the salmon. This is expected to reduce biological risk and increase the capacity. The capacity growth from this investment program will appear in harvested volumes gradually until 2021.

Bakkafrost expects to harvest 53,500 tonnes gutted weight in 2017.

Bakkafrost expects to release 11.5 million smolts in 2017, compared with 11.7 million smolts in 2016 and 11.3 million smolts released in 2015 – smolts released

by Faroe Farming before becoming part of the Bakka-frost Group are included. The number of smolts re-released is a key element of predicting Bakkafrost's future production.

Sea lice is an area, which has demanded much effort and is a part of the biological risk. The new Faroese regulations on sea lice control, which aim at reducing the number of sea lice even further, is expected to increase the operational costs for farming salmon in the Faroe Islands.

Bakkafrost focuses on using non-chemical methods in treatments against sea lice. Bakkafrost's live fish carrier M/S Hans á Bakka has carried out freshwater treatment against sea lice since Q4 2015. In Q4 2016, Bakkafrost invested in a service vessel, M/S Martin, which will primarily use lukewarm seawater treatment against sea lice. M/S Martin started operation in Q1 2017. In addition to M/S Martin, Bakkafrost invested in another service vessel, M/S Róland, in Q1 2017. M/S Róland is equipped with the same system as M/S Martin and is expected to start operation in June/July 2017. Furthermore, Bakkafrost will increase the use of lumpfish in farming significantly in 2017.

VAP (Value added products)

Bakkafrost has signed contracts covering around 39% of the expected harvested volumes for the rest of 2017.

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. The long-term strategy is selling around 40-50% of the harvested volumes of salmon as VAP products at fixed price contracts. Selling the products at fixed prices reduces the financial risk with fluctuating salmon prices. The market price for contracted VAP products follows a more stable pattern instead of short-term fluctuations as in the spot market.

The price level on long-term contracts are on a higher level than ever before, there are, however, no indications that this price level should decrease significantly.

FOF (Fishmeal, oil and feed)

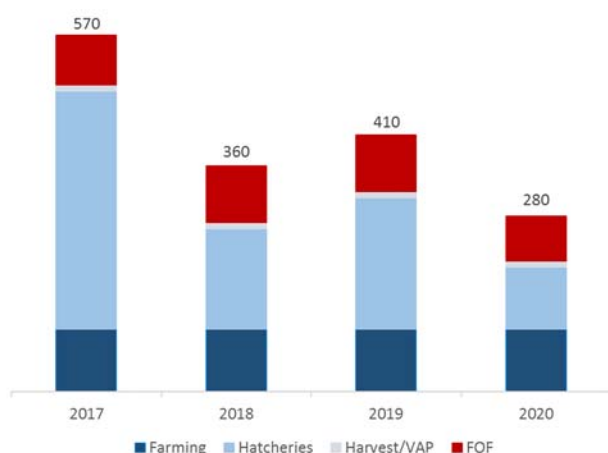
The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material. The ICES 2017 recommendation for blue whiting is 1,342 thousand tonnes, compared with 776 thousand tonnes in 2016. Recommendations for herring and mackerel quotas have increased as well. The forecast for production of fishmeal and fish oil is positive and will most likely increase due to higher quotas and better availability.

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

Havsbrún's sales of fish feed in 2017 are expected to be at 85,000 tonnes.

Investments

In June 2016, Bakkafróst 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 100 million in the two service vessels, M/S Martin and M/S Róland during 2017, are not included in the investment plan.



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.

Bakkafróst aims at being self-supplied with smolts at a size of 500g each. The benefits are a shorter production time at sea as well as reduced biological risk. To reach this goal, approximately half of Bakkafróst's total investments over the next five years will be in hatcheries.

Both the harvest operation and the VAP production in the new harvest/VAP factory at Glyvrrar are operating. The harvest operation started in the summer of 2016, and the VAP production started in Q1 2017. The old harvest factories in Klaksvík, Kollafjørður and Strendur are closed, as well as the old VAP factories in Fuglafjørður and Glyvrrar. There are some extra costs during the start-up period, but the investment is expected to result in operational savings of DKK 70-90 million per year with gradual effect from 2017.

Bakkafróst plans to increase the value of offcuts from salmon harvested and processed in the new harvest/VAP factory. In 2017, Bakkafróst will invest in a new salmon meal and salmon oil plant, located in Fuglafjørður and operated by Havsbrún. The new salmon meal and salmon oil plant is expected to start operation in late 2017 and is expected to have positive margins in 2018. The FOF segment will also invest in a new feed line, which will increase the capacity of the feed production.

Free cash flow from operations, existing financing facilities and partly new financing if advantageous will finance the investments. The dividend policy will be unchanged.

Financial

Improved market balances in the world market for salmon products and cost conscious production will likely improve the financial flexibility going forward. A high equity ratio together with Bakkafróst's bank and bond financing makes Bakkafróst's financial situation strong. This enables Bakkafróst to carry out its investment plans to further focus on strengthening the Group, M&A's, organic growth opportunities and fulfil its dividend policy in the future.

Risks

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

Bakkafröst is, as explained in the Annual Report 2016, exposed to the salmon price. A limited increase in supply is expected in 2017 and therefore a tight market balance.

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

In addition to the risks described in the 2016 Annual and Consolidated Report and Accounts, pathogenic ISA-virus at Bakkafröst's farming site A-73 Hvannasund Norður has been confirmed in March 2017.

Bakkafröst took immediate action and harvested all the fish in farming site A-73 Hvannasund Norður. The confirmation of pathogenic ISA-virus resulted in a prolonged following period of minimum 6 months for farming site A-73 Hvannasund Norður, after the farming site is emptied for fish. The farming site A-73 Hvannasund Norður was emptied for fish on 12 April 2017.

According to normal procedures, neighbouring farming sites A-72 Haraldssund and A-21/A-11 Hvannasund Suður are under increased surveillance for 6 months. The purpose of the increased surveillance is to detect the ISA-virus as early as possible in case the virus from A-73 Hvannasund Norður has spread to other farming sites.

Reference is made to the Outlook section of this report for other comments to Bakkafröst'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 March 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 March 2017, as well as the results of the Group activities and

cash flows for the period 1 January 2017 to 31 March 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, May 22nd, 2017

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 March 2017

DKK 1,000	Q1 2017	Q1 2016
Operating revenue	853,681	904,550
Purchase of goods	-359,944	-306,427
Change in inventory and biological assets (at cost)	82,501	-70,320
Salary and personnel expenses	-95,433	-72,555
Other operating expenses	-103,734	-173,461
Depreciation	-41,617	-28,217
Operational EBIT *	335,454	253,570
Fair value adjustment of biological assets	-234,577	107,646
Onerous contracts	30,132	-59,959
Income from associates	2,252	3,087
Revenue tax	-30,212	-22,575
Earnings before interest and taxes (EBIT)	103,049	281,769
Net interest revenue	190	553
Net interest expenses	-7,198	-6,380
Net currency effects	1,841	-14,490
Other financial expenses	-1,162	-1,066
Earnings before taxes (EBT)	96,720	260,386
Taxes	-17,690	-47,074
Profit or loss for the period	79,030	213,312
Profit or loss for the year attributable to		
Non-controlling interests	0	0
Owners of P/F Bakkafrøst	79,030	213,312
Earnings per share (DKK)	1.63	4.39
Diluted earnings per share (DKK)	1.63	4.39

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

Consolidated Statement of Comprehensive Income

For the period ended 31 March 2017

DKK 1,000	Q1 2017	Q1 2016
Profit for the period	79,030	213,312
Fair value adjustment of financial derivatives	-3,328	8,731
Income tax effect	508	-1,332
Reserve to share based payment	-292	190
Currency translation differences	-4	-490
Adjustment of treasury shares	760	391
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-2,356	7,490
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0
Other comprehensive income	-2,356	7,490
Total other comprehensive income for the period	76,674	220,802
Comprehensive income for the period attributable to		
Non- controlling interests	0	0
Owners of P/F Bakkafrost	76,674	220,802

Consolidated Statement of Financial Position

As at 31 March 2017

DKK 1,000	31 Mar 2017	31 Dec 2016
ASSETS		
Non-current assets		
Intangible assets	376,675	376,675
Property, plant and equipment	2,256,205	2,118,470
Financial assets	61,652	59,407
Long term receivables	0	12,660
Total non-current assets	2,694,532	2,567,212
Current assets		
Biological assets (biomass)	1,645,053	1,858,435
Inventory	422,203	355,604
Total inventory	2,067,256	2,214,039
Accounts receivable	253,487	292,009
Other receivables	108,860	109,860
Total receivables	362,347	401,869
Cash and cash equivalents	499,174	234,996
Total current assets	2,928,777	2,850,904
TOTAL ASSETS	5,623,309	5,418,116

Consolidated Statement of Financial Position

As at 31 March 2017

DKK 1,000	31 Mar 2017	31 Dec 2016
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	3,578,804	3,500,177
Total equity	3,627,662	3,549,035
Non-current liabilities		
Deferred and other taxes	562,299	545,699
Long-term interest bearing debt	507,096	827,146
Financial derivatives	0	101,456
Total non-current liabilities	1,069,395	1,474,301
Current liabilities		
Financial derivatives	104,899	0
Short-term interest bearing debt	405,650	0
Accounts payable and other debt	415,703	394,780
Total current liabilities	926,252	394,780
Total liabilities	1,995,647	1,869,081
TOTAL EQUITY AND LIABILITIES	5,623,309	5,418,116

Consolidated Cash Flow Statement

For the period ended 31 March 2017

DKK 1,000	Q1 2017	Q1 2016
Earnings before interest and taxes (EBIT)	103,049	281,769
Adjustments for write-downs and depreciation	41,617	28,217
Adjustments for value adjustment of biomass	234,577	-107,646
Adjustments for income from associates	-2,252	-3,085
Adjustments for currency effects	3,794	-14,076
Adjustments for provision for onerous contracts	-30,132	59,959
Received dividend	0	3,186
Change in inventory	-87,794	89,382
Change in receivables	70,094	-31,838
Change in current debts	32,351	-61,692
Cash flow from operations	365,304	244,176
Cash flow from investments		
Payments made for purchase of fixed assets	-179,345	-119,193
Cash flow from investments	-179,345	-119,193
Cash flow from financing		
Change of interest bearing debt (short and long)	85,630	45,138
Financial income	190	552
Financial expenses	-8,360	-7,445
Net proceeds from sale of own shares	759	-292
Financing of associate	0	55,836
Cash flow from financing	78,219	93,789
Net change in cash and cash equivalents in period	264,178	218,772
Cash and cash equivalents – opening balance	234,996	101,852
Cash and cash equivalents – closing balance total	499,174	320,624

Consolidated Statement of Changes in Equity

As at 31 March 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	-234,577	315,560	80,983
<i>Other comprehensive income:</i>										
Fair value adjustment of financial derivatives	0	0	0	0	0	-3,328	0	0	0	-3,328
Income tax effect	0	0	0	0	0	508	0	0	0	508
Share-based payment	0	0	0	-292	0	0	0	0	0	-292
Currency translation differences	0	0	0	0	-4	0	0	0	0	-4
Total other comprehensive income	0	0	0	-292	-4	-2,820	0	0	0	-3,116
Total comprehensive income	0	0	0	-292	-4	-2,820	0	-234,577	315,560	77,867
<i>Transaction with owners:</i>										
Treasury shares	0	0	760	0	0	0	0	0	0	760
Paid-out dividend	0	0	0	0	0	0	0	0	0	0
Proposed dividend	0	0	0	0	0	0	0	0	0	0
Total transaction with owners	0	0	760	0	0	0	0	0	0	760
Total changes in equity	0	0	760	-292	-4	-2,820	0	-234,577	315,560	78,627
Total equity 31.03.2017	48,858	306,537	-20,285	2,359	5,852	-86,016	425,065	645,914	2,299,378	3,627,662
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 financial 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
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	107,646	106,080	213,726
<i>Other comprehensive income:</i>										
Fair value adjustment of financial derivatives	0	0	0	0	0	8,731	0	0	0	8,731
Income tax effect	0	0	0	0	0	-1,332	0	0	0	-1,332
Share-based payment	0	0	0	391	0	0	0	0	0	391
Currency translation differences	0	0	0	0	-490	0	0	0	0	-490
Total other comprehensive income	0	0	0	391	-490	7,399	0	0	0	7,300
Total comprehensive income	0	0	0	391	-490	7,399	0	107,646	106,080	221,026
<i>Transaction with owners:</i>										
Treasury shares	0	0	190	0	0	0	0	0	0	190
Paid-out dividend	0	0	0	0	0	0	0	0	0	0
Proposed dividend	0	0	0	0	0	0	0	0	0	0
Total transaction with owners	0	0	190	0	0	0	0	0	0	190
Total changes in equity	0	0	190	391	-490	7,399	0	107,646	106,080	221,216
Total equity 31.03.2016	48,858	306,537	-19,489	1,476	1,544	-98,222	403,079	364,923	1,792,992	2,801,698

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. 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 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 Mar 2017	31 Mar 2016	31 Dec 2016
Biological assets carrying amount 01.01.	1,858,434	1,060,274	1,060,274
Increase due to production or purchases	352,128	241,593	1,408,220
Increase due to acquisitions - fair value included	0	0	118,233
Reduction due to harvesting or sale (costs of goods sold)	-340,414	-258,654	-1,296,244
Fair value adjustment at the beginning of the period reversed	-880,492	-257,278	-257,278
Fair value adjustment at the end of the period	645,915	364,923	880,492
Reversal of elimination at the beginning of the period	98,487	43,224	43,224
Eliminations	-89,005	-64,338	-98,487
Biological assets carrying amount at the end of the period	1,645,053	1,129,744	1,858,434
Cost price biological assets	1,070,331	805,988	1,054,429
Capitalized interest	17,812	23,171	22,000
Fair value adjustment at the end of the period	645,915	364,923	880,492
Eliminations	-89,005	-64,338	-98,487
Biological assets carrying amount	1,645,053	1,129,744	1,858,434
Biomass < 1 kg on average (tonnes)	2,397	4,142	2,039
Biomass 1 kg < 2 kg on average (tonnes)	3,319	2,851	5,866
Biomass 2 kg < 3 kg on average (tonnes)	6,513	4,636	6,523
Biomass 3 kg < 4 kg on average (tonnes)	5,210	3,526	5,168
Biomass 4 kg < on average (tonnes)	24,967	15,712	25,513
Volume of biomass at sea (tonnes)	42,406	30,867	45,109
Number of fish < 1 kg on average (thousand)	4,594	7,165	4,884
Number of fish 1 kg < 2 kg on average (thousand)	2,309	1,530	3,650
Number of fish 2 kg < 3 kg on average (thousand)	2,599	1,910	2,730
Number of fish 3 kg < 4 kg on average (thousand)	1,572	1,045	1,462
Number of fish 4 kg < on average (thousand)	4,288	3,274	5,123
Total number of fish at sea (thousand)	15,362	14,924	17,849
Number of smolts released YTD in Farming North (thousand)	1,395	1,358	5,590
Number of smolts released YTD in Farming West (thousand)	0	569	5,353
Total number of smolts YTD released (thousand)	1,395	1,927	10,943

§ 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 is 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.

Taking into account the industry's common goal to harmonize the model, Bakkafrost expects minor changes and adaptations to the model and parameters during 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 2016. 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 Q1 2017 of +116.6 million DKK.

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 the Bakkafrost's prognoses per locality.

Cost comprises of 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

Q2 17	6.83
Q3 17	6.33
Q4-17	6.49
Q1-18	6.66
Q2-18	6.65
Q3-18	6.02

Discounts

The estimated future cash flow is discounted monthly. The monthly discount rate at 31 March 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 one 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.

Bakkafrost has not had abnormal mortality in the period.

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

Sensitivity	
Change in discount rate +1%	96,899
Change in discount rate -1%	-107,557
Change in sales price + 5 DKK	-240,594
Change in sales price - 5 DKK	240,594
Change in biomass volume +1%	-9,805
Change in biomass volume -1%	11,735

Note 5. Segments

Farming segment DKK 1,000	Q1 2017	Q1 2016
External revenue	570,883	571,000
Internal revenue	180,501	130,860
Total revenue	751,384	701,860
Operating expenses	-348,095	-422,086
Depreciation and amortization	-30,057	-18,991
Operational EBIT	373,232	260,783
Fair value adjustment of biological assets	-234,577	107,646
Income from associates	0	-7,681
Revenue tax	-30,212	-22,575
Earnings before interest and taxes (EBIT)	108,443	338,173
Net interest revenue	190	-1,539
Net interest expenses	-5,722	-160
Net currency effects	2,548	-15,401
Other financial expenses	-1,112	-1,014
Earnings before taxes (EBT)	104,346	320,059
Taxes	-15,130	-49,926
Profit for the period (continuing operations)	89,216	270,133

Value added products DKK 1,000	Q1 2017	Q1 2016
External revenue	191,543	179,504
Internal purchase of raw material	-180,501	-130,860
Operating expenses	-60,561	-71,828
Depreciation and amortization	-3,521	-1,632
Operational EBIT	-53,040	-24,816
Provision for onerous contracts	30,134	-59,959
Earnings before interest and taxes (EBIT)	-22,906	-84,775
Net interest revenue	0	1,972
Net interest expenses	-307	-5
Net currency effects	-283	-1
Other financial expenses	-2	-4
Earnings before taxes (EBT)	-23,498	-82,813
Taxes	4,230	14,906
Profit or loss for the period	-19,268	-67,907

Fishmeal, Fish Oil and Fish Feed DKK 1,000	Q1 2017	Q1 2016
External revenue	91,255	149,551
Internal revenue	185,886	138,457
Total revenue	277,141	288,008
Cost of goods sold	-179,542	-177,241
Operating expenses	-52,452	-41,745
Depreciation and amortization	-8,039	-7,594
Operational EBIT	37,108	61,428
Income from associates	2,252	10,768
Earnings before interest and taxes (EBIT)	39,360	72,196
Net interest revenue	0	120
Net interest expenses	-1,169	-6,215
Net currency effects	-424	912
Other financial expenses	-48	-48
Earnings before taxes (EBT)	37,720	66,965
Taxes	-6,790	-12,054
Profit or loss for the period	30,930	54,911

Reconciliation of reportable segments to Group earnings before taxes (EBT) DKK 1,000	Q1 2017	Q1 2016
Farming	104,346	320,059
VAP (Value added products)	-23,498	-82,813
FOF (Fishmeal, Fish Oil and Fish Feed)	37,720	66,965
Eliminations	-21,848	-43,825
Group earnings before taxes (EBT)	96,720	260,386

Assets and liabilities per segment DKK 1,000	31 Mar 2017	31 Dec 2016
Farming	5,254,079	5,060,263
VAP (Value added products)	416,148	375,538
FOF (Fishmeal, Fish Oil and Fish Feed)	729,362	703,222
Eliminations	-776,280	-720,907
Total assets	5,623,309	5,418,116
Farming	-614,629	-710,184
VAP (Value added products)	29,654	-25,895
FOF (Fishmeal, Fish Oil and Fish Feed)	-489,338	-495,784
Eliminations	-921,334	-637,218
Total liabilities	-1,995,647	-1,869,081

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

432 million. DKK 360 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.

actions. As these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Transactions between P/F Bakkafrøst and its subsidiaries meet the definition of related party trans-

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

DKK 1,000					
Assets and liabilities measured at fair value	Fair value	Cost amount	Level 1	Level 2	Level 3
Biological assets (biomass)	1,645,053	999,138	0	0	1,645,053
Assets measured at fair value 31/3-2017	1,645,053	999,138	0	0	1,645,053
Liabilities measured at fair value 31/3-2017	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.

	31 Mar 2017	31 Dec 2016
DKK 1,000		
Cash and cash equivalents	499,174	234,996
Deposit for interest- and currency swap	59,900	58,340
Derivatives	-104,899	-101,456
Long- and short term interest bearing debt	-912,746	-827,146
Net interest bearing debt	-458,571	-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.

	Q1 2017	Q1 2016
DKK 1,000		
EBIT	103,049	281,769
Fair value adjustment of biological assets	234,577	-107,646
Onerous contracts	-30,132	59,959
Income from associates	-2,252	-3,087
Revenue tax	30,212	22,575
Operational EBIT	335,454	253,570

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	Q1 2017	Q1 2016
Profit for the year to the shareholders of P/F Bakkafrøst	79,030	213,312
Fair value adjustment of biomass	234,577	-107,646
Onerous contracts provisions	-30,132	59,959
Tax on fair value adjustment	-36,800	8,584
Adjusted profit for the year to shareholders of P/f Bakkafrøst	246,675	174,209
Time-weighted average number of shares outstanding through the year	48,574,193	48,545,675
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts (adjusted EPS))	5.08	3.59

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 Bakkafrøst's profitability.

DKK 1,000	Q1 2017	Q1 2016
Group -Operational EBIT	335,454	253,570
Average Capital Employed	4,860,197	3,659,404
ROCE	6.9%	6.9%

