

Q4 2019

BAKKAFROST GROUP
Oslo 25 February 2020

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SUMMARY OF Q4 2019

MARKETS AND SALES

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Operation

- **Harvest in Faroe Islands (FO):** 17,930 t_{gw} in Q4 2019 (12,234 t_{gw} in Q4 2018)
- **Harvest in Scotland (SCO):** 7,925 t_{gw} in Q4 2019
- **Feed sales** of 28,398 tonnes in Q4 2019* (24,711 tonnes in Q4 2018*)
- **Raw material purchase** of 35,180 tonnes in Q4 2019 (46,478 tonnes in Q4 2018)

Revenues and Operational EBIT

- **Revenues** of DKK 1,605 million in Q4 2019 (DKK 750 million in Q4 2018)
- **Operational EBIT**** of DKK 415 million in Q4 2019 (DKK 231 million in Q4 2018)

Cash Flow

- **Cash flow from operations** of DKK -150 million in Q4 2019 (DKK -59 million in Q4 2018)

Segments

- **Positive operational EBIT** for all segments

*) Including internal sales of 20,778 tonnes in Q4 2019 (21,649 tonnes in Q4 2018)

**) EBIT aligned for fair value adjustments of biomass, onerous contracts provisions, income from associates and revenue tax

SUMMARY OF THE QUARTER

POSITIVE MARGINS IN ALL SEGMENTS

Farming/VAP (FO)*



Farming (FO)*



Farming (SCO)*



VAP*



FOF**



* Operational EBIT in NOK/kg

** EBITDA margin

(DKK million)	Q4 2019	Q4 2018	2019	2018
Operating revenue	1,605	750	4,511	3,177
Operational EBITDA	544	282	1,635	1,274
Operational EBIT	415	231	1,325	1,075
Profit for the period	220	-7	802	960
Operational EBITDA margin	33.9%	37.6%	36.2%	40.1%
Operational EBIT margin	25.9%	30.7%	29.4%	33.8%
Operational EBIT/Kg, Farming (FO) & VAP (NOK)	28.25	21.91	26.91	27.24
Operational EBIT/Kg, Farming (FO) (NOK)	25.49	21.56	25.44	27.89
Operational EBIT/Kg, Farming (SCO) (NOK)	2.29	n/a	2.29	n/a
Operational EBIT/Kg (VAP) (NOK)	11.72	1.51	5.04	-3.46
EBITDA margin (Fishmeal, -Oil and Feed)	17.1%	21.0%	19.9%	20.0%

Group Operational EBIT was DKK 415 million in Q4 2019, compared to DKK 231 million in Q4 2018

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MARKETS & SALES

SALES TO EASTERN EUROPE INCREASED – ALL OTHER MARKETS DECREASED

Sales & volume (FO only)

EU



USA



Asia



Eastern Europe



Harvest volumes used in the VAP

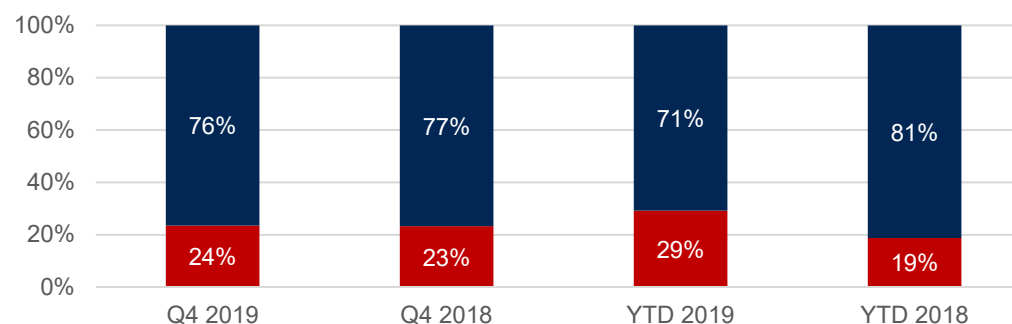


Numbers outside parenthesis are FO-only
Numbers in parenthesis include FO & SCO

Total sales of salmon by markets	Q4 2019	Q4 2018	2019	2018
EU	43% (59%)	44%	44% (50%)	31%
USA	20% (17%)	26%	22% (21%)	20%
Asia	23% (15%)	24%	24% (21%)	24%
Eastern Europe	14% (9%)	6%	10% (8%)	25%

Fresh salmon only by markets	Q4 2019	Q4 2018	2019	2018
EU	28% (53%)	35%	25% (37%)	23%
USA	26% (19%)	30%	29% (25%)	21%
Asia	29% (18%)	28%	33% (28%)	27%
Eastern Europe	17% (10%)	7%	13% (10%)	29%

Contract share, VAP products [% of qty]



■ VAP on contract ■ HOG, Spot

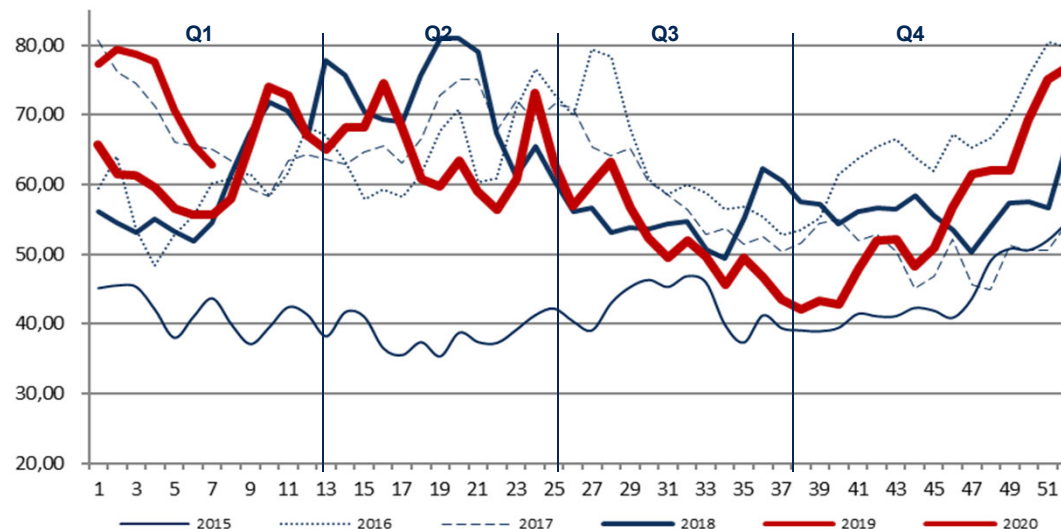
Significant price increase during Q4 2019

- y/y 3.4% up 1.92 NOK/kg
- from NOK 56.36 to NOK 58.28
- q/q 15.7% up 7.93 NOK/kg
- from NOK 50.35 to NOK 58.28

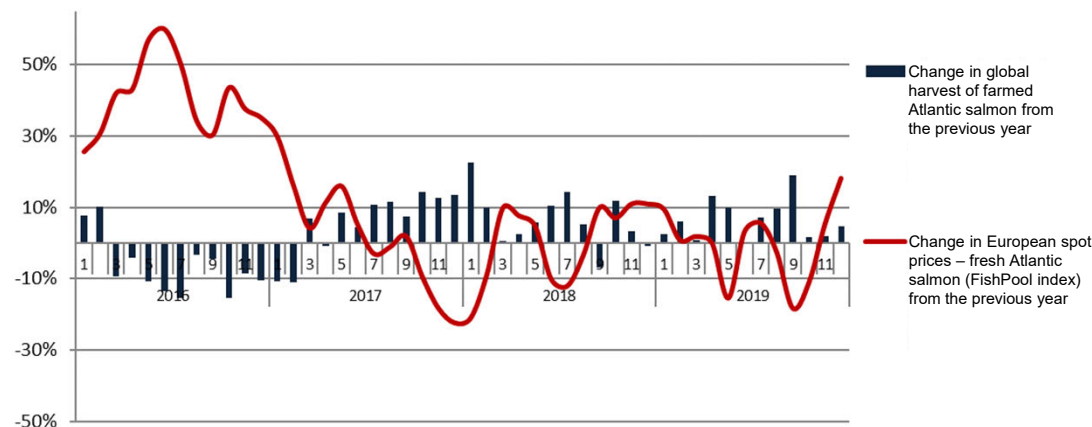
Growth in global harvest in Q4 2019

- 3% increased global harvest in Q4 2019, compared with Q4 2018, corresponding to 17,700 tonnes

Spot prices (NASDAQ) on superior 4-5 [NOK/kg HOG]



Change in global market harvest and market price



Source: Kontali

DEVELOPMENT IN HARVESTED AND SOLD QUANTITY BY ORIGIN

MODERATE SUPPLY GROWTH

- **Global:** 3% supply growth in Q4 2019
- **Europe:** 4% harvest growth
 - Norway had declining growth and low harvest weights during the quarter
 - UK had modest growth
- **Americas:** 1% harvest decline
 - Chile decreased harvest by 3%
 - Logistical issues due to civil unrest
 - Chile had some inventory build up
- **Other:** 23.8% harvest growth
 - Icelandic harvest grew significantly

Harvest & Supply Development [Head On Guttet 1,000 tonnes]	Q4 2019	Q4 2018	Change %
Norway	335	321	4.5 %
UK	41	41	1.8 %
Ireland	4	4	2.3 %
Faroes	24	22	9.6 %
Total Europe	404	387	4.4 %
Chile	163	168	-3.0 %
Canada	36	33	9.6 %
USA	5	5	-7.1 %
Total Americas	203	206	-1.1 %
Other	31	25	23.8 %
Total (Harvested quantity)	639	618	3.4 %
Inventory movements	-12	-11	7.3 %
Total (Sold Quantity)	627	607	3.3 %

Source: Kontali

SALMON MARKETS, SOLD QUANTITY (HEAD ON GUTTED – HOG)

GOOD MOMENTUM IN MOST MARKETS

EU - Balance between growth in supply and sale

US - High growth at declining prices

Russia - Positive Q4

Greater China

- Good quarterly development
 - Major current effect of Corona virus

Latin America

- Strong demand in Brazil (11% growth)
- Mexico continuing strong performance

Salmon markets, sold quantity (head on gutted - HOG)

Markets	Estimated volumes		Q4 comparison			Estimated volumes		FY comparison		
	Q4 2019E	Q4 2018	Volume	%		FY 2019E	FY 2018	Volume	%	
EU	280.600	273.600	7.000	↑	3%	1.012.100	951.600	60.500	↑	6%
USA	119.900	110.200	9.700	↑	9%	467.800	434.300	33.500	↑	8%
Russia	26.500	24.800	1.700	↑	7%	81.500	89.400	-7.900	↓	-9%
Japan	14.900	16.400	-1.500	↓	-9%	53.200	54.000	-800	↓	-1%
Greater China	37.200	31.400	5.800	↑	18%	136.300	122.800	13.500	↑	11%
ASEAN	19.300	21.700	-2.400	↓	-11%	73.100	71.600	1.500	↑	2%
Latin America	43.600	39.900	3.700	↑	9%	163.600	152.500	11.100	↑	7%
Ukraine	6.400	5.400	1.000	↑	19%	20.400	15.900	4.500	↑	28%
Other markets	78.500	83.300	-4.800	↓	-6%	294.700	277.500	17.200	↑	6%
Total all markets	626.900	606.700	20.200	↑	3,3 %	2.302.700	2.169.600	133.100	↑	6,1 %

Comments:

Greater China = China / Hong Kong / Taiwan (incl. estimated re-export from Vietnam & Thailand)

ASEAN = Association of Southeast Asian Nations (estimated re-export from Vietnam & Thailand subtracted)

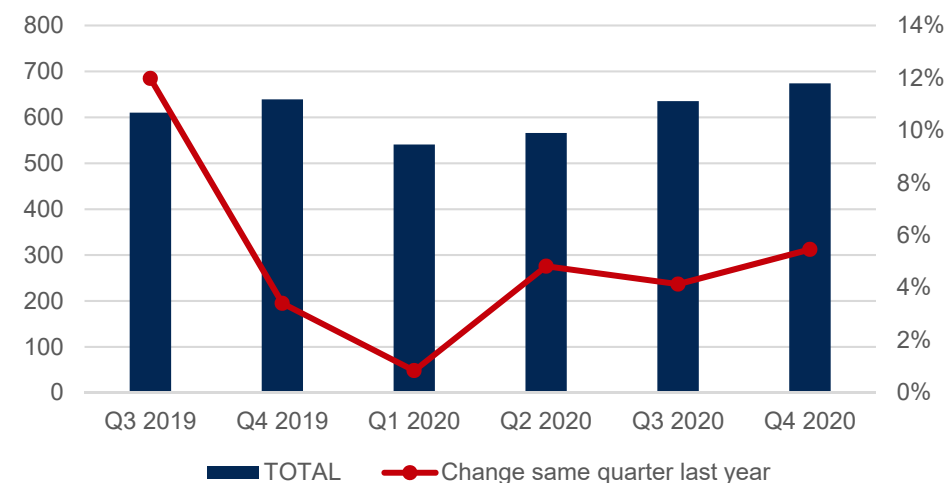
Latin America (including both Mexico and Caribbean + domestic consumption in Chile)

All figures above are in tonnes hog, and are rounded to the nearest 100 tonnes.

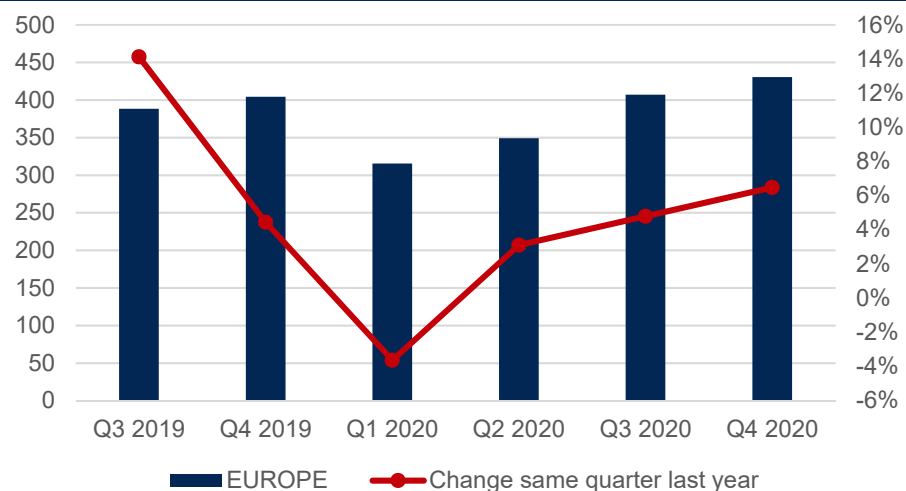
SHORT TERM SUPPLY OUTLOOK

- **Global** - Expectation of low single digit supply growth
- **Europe** – Moderate growth
- **Americas** – Moderate growth – Some volatility

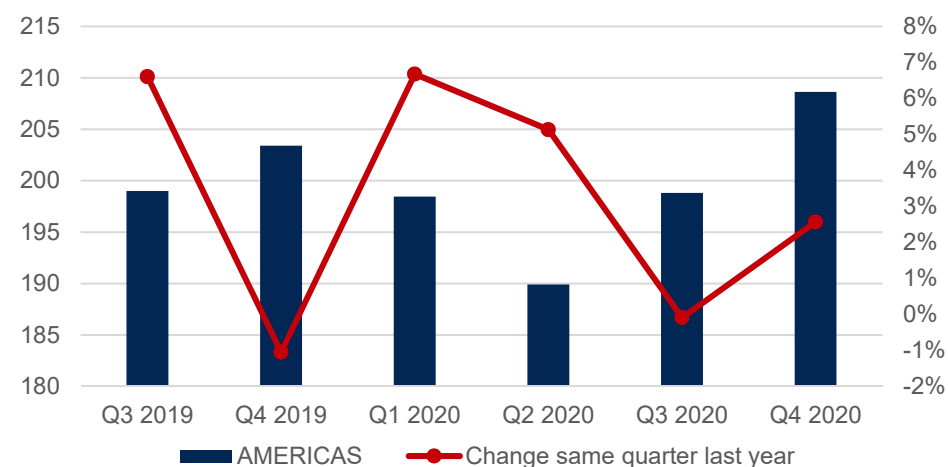
SUPPLY - TOTAL




SUPPLY - EUROPE



SUPPLY - AMERICAS



Source: Kontali



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FARMING – HARVEST VOLUME

Harvested volumes

- Harvest (FO) in 2019 was 57,184 tonnes HOG
 - North Region: 31.9%
 - West Region: 56.3%
 - South Region: 11.8%
- Harvest (FO) increased by 46.6% in Q4 2019, compared with Q4 2018
- Harvest (SCO) was 7,925 tonnes HOG in Q4 2019
- Average weight (FO) of harvested fish increased 0.6 kg in Q4 2019 to 5.9 kg head on gutted from 5.3 kg in Q4 2018

Harvest Volumes tonnes [HOG]	Q4 2019	Q4 2018	2019	2018
FO - North Region	0	3,996	18,252	25,888
FO - West Region	13,155	5,894	32,210	14,088
FO - South Region	4,775	2,344	6,722	4,615
FO – Total	17,930	12,234	57,184	44,591
SCO	7,925	n/a	7,925	n/a
Total (FO & SCO)	25,855	12,234	65,109	44,591

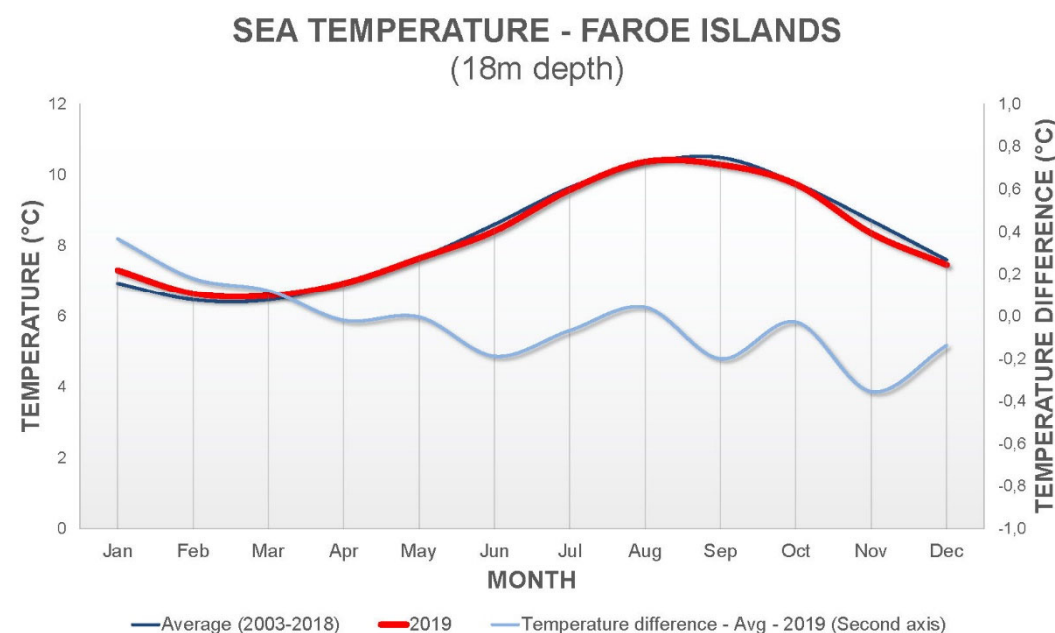
Smolt transfer in Q4 2019

- FO: 5.0 million (vs. 3.3 million in Q4 2018)
- SCO: 5.7 million (vs. 3.5 million in Q4 2018)

Seawater temperatures in the Faroe Islands

- Average temperatures increased 0.03 °C – from 8.49 °C in Q4 2018 to 8.52 °C in Q4 2019

Seawater Temperatures in the Faroe Islands 2003 – 2019 [°C]



FARMING – OPERATIONAL PERFORMANCE Q4 2019

OPERATIONAL EBIT INCREASED 66% IN THE FAROE ISLANDS

Faroe Islands (FO)

Operational EBIT (mDKK)



Operational EBIT margin (%)



Operating revenue (mDKK)



Scotland (SCO)

Compared to the Faroe Islands, Scotland had significantly lower operational EBIT and EBIT margin

(DKK million)	Q4 2019	Q4 2018	2019	2018
Faroe Islands:				
- Operating revenue	945	682	3,152	2,568
- Operational EBIT	338	204	1,103	966
- Operational EBIT margin	36%	30%	35%	38%
Scotland:				
- Operating revenue	437			
- Operational EBIT	18			
- Operational EBIT margin	4.1%			



FARMING – OPERATIONAL PERFORMANCE Q4 2019

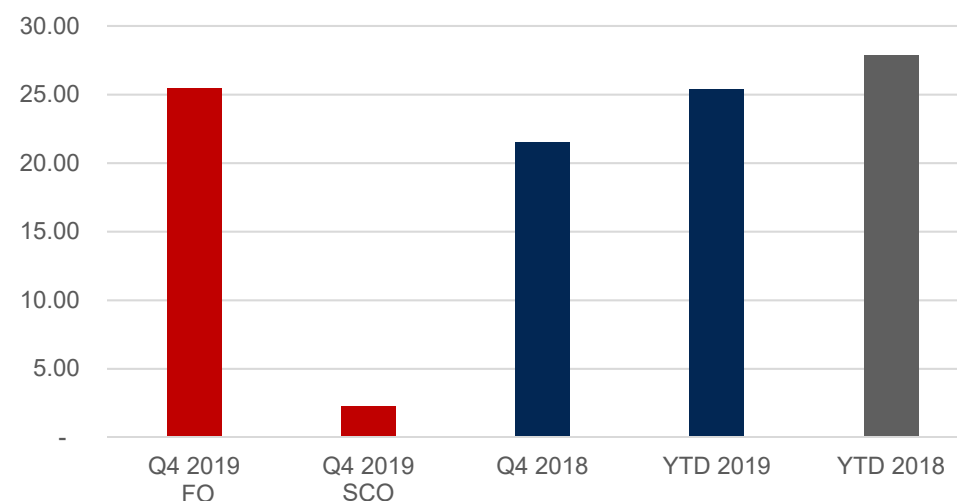
Operational EBIT per kg



Average weights (HOG)

- FO (West): 5.91 kg
- FO (South): 6.02 kg
- SCO: 3.65 kg

Margin (FO) - EBIT per kg total harvested quantity [NOK/kg]



(NOK/kg)	Q4 2019				
	FO				SCO
	North	West	South	Total	Total
Operational EBIT/kg gw	0	24.47	28.31	25.49	3.09

In the Faroe Islands the biological performance on harvested was very good in the quarter

VALUE ADDED PRODUCTS (VAP) Q4 2019

STRONG QUARTER FROM VAP

Volumes (tonnes)

2,845 t
(Q4 2018)



4,219 t
(Q4 2019)

Revenue (mDKK)

109
(Q4 2018)



249
(Q4 2019)

Operational EBIT (mDKK)

3
(Q4 2018)



37
(Q4 2019)

Operational EBIT/kg (NOK)

1.51
(Q4 2018)



11.72
(Q4 2019)

% of harvest volume for VAP

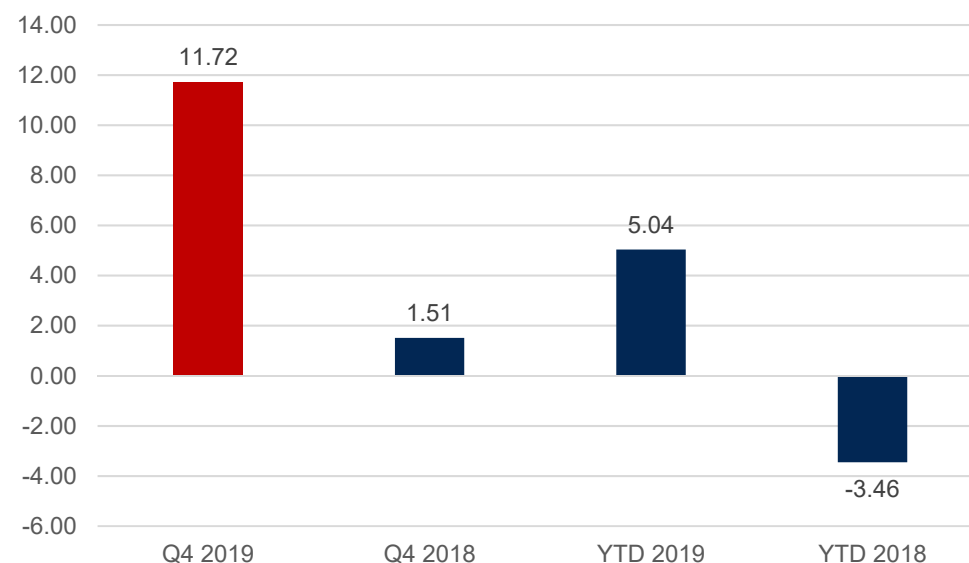
23%
(Q4 2018)



24%
(Q4 2019)

(DKK million)	Q4 2019	Q4 2018	2019	2018
Operating revenue	249	109	964	365
Operational EBIT	37	3	64	-22
Operational EBIT margin	15%	3%	7%	-6%
VAP produced volumes (tgv)	4,219	2,845	16,690	8,355

Margin - EBIT per kg total VAP produced [NOK/kg]



FISHMEAL, OIL AND FEED (FOF) Q4 2019

HIGH RAW MATERIAL SOURCING IN 2019, BUT LESS ACTIVITY IN Q4

EBITDA (mDKK)



EBITDA margin (%)



External fishmeal sale (tonnes)



Raw material sourced (tonnes)

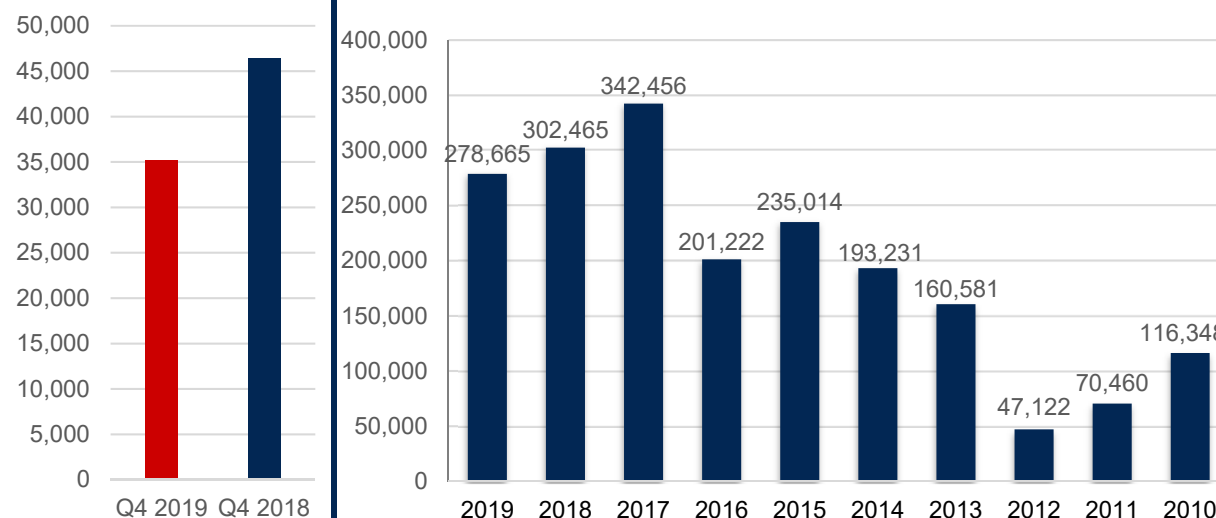


2019 was the third highest raw material sourcing year, since Havsbrún became part of the Bakkafrost Group.

(DKK million)	Q4 2019	Q4 2018	2019	2018
Operating revenue	338	288	1,388	1,269
EBITDA	58	60	276	254
EBITDA margin	17.1%	21.0%	19.9%	20.0%
Feed sold (tonnes)*	28,398	24,711	97,408	77,775
Fishmeal sold external (tonnes)	4,123	3,782	31,769	43,235

* Including internal sales FO, corresponding to 73% of feed volumes in Q4 2019 (Q4 2018: 88%)

Sourcing of raw material (tonnes)



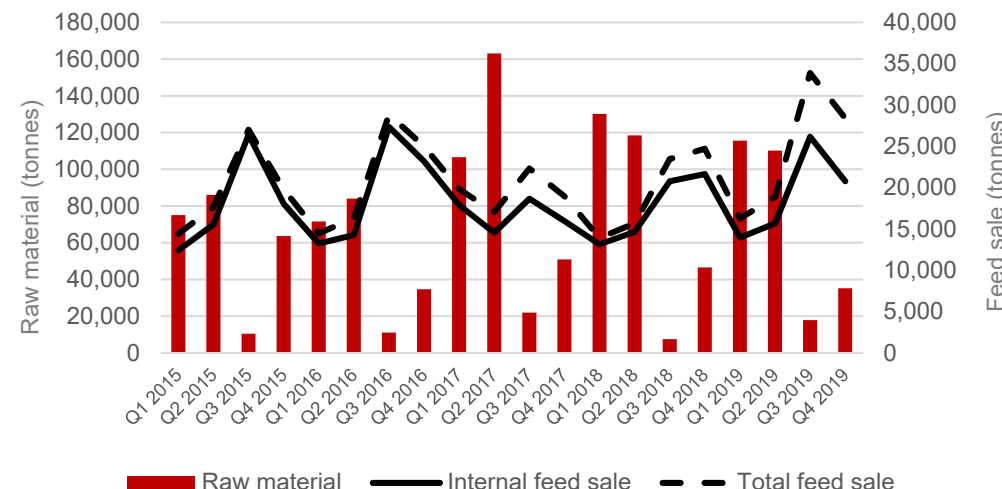
MARKET CONDITIONS FEED Q4 2019

SIGNIFICANT INCREASE IN FEED SALES

15% Increased feed sales

- Quantity of feed sold was 28,398 tonnes in Q4 2019, compared to 24,711 tonnes in Q4 2018
- External feed sales 149% higher in Q4 2019, compared to Q4 2018

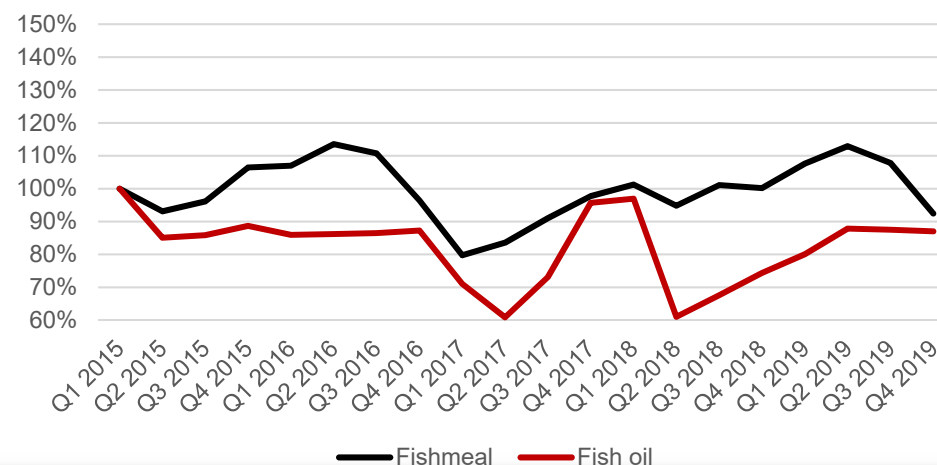
Volumes of raw material purchase and feed sale [tonnes]



Market fluctuations

- Both fishmeal and fish oil prices decreased in Q4 2019, compared to previous quarter

Fishmeal and fish oil price index in DKK (Q1 2015 = 100)



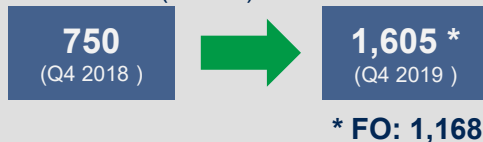
Source: Holtermann

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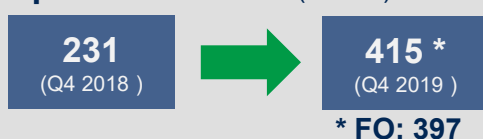
GROUP PROFIT AND LOSS

STRONG QUARTER WITH SIGNIFICANTLY HIGHER REVENUE & OPERATIONAL EBIT

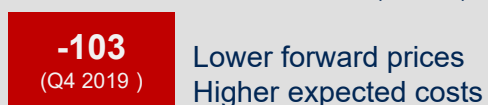
Revenue (mDKK)



Operational EBIT (mDKK)



Fair Value of biomass (mDKK)



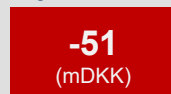
Revenue tax (mDKK)



Financial items



Tax



Profit after tax (mDKK)

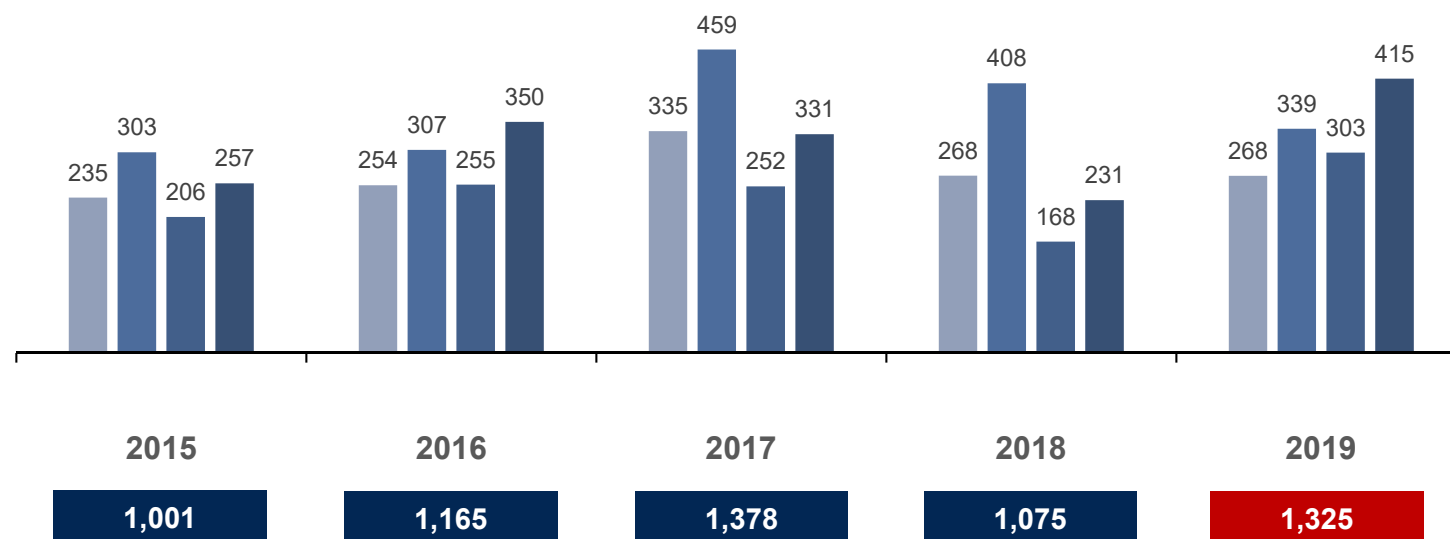


(DKK million)	Q4 2019	Q4 2018	2019	2018
Operating revenue	1,605	750	4,511	3,177
Operational EBITDA*	544	282	1,635	1,274
Operational EBIT*	415	231	1,325	1,075
Fair value adjustment of biological assets	-103	-240	-221	196
Onerous contracts	0	17	0	0
Income from associates	4	11	14	9
Revenue tax	-14	-24	-99	-96
EBIT	301	-5	1,019	1,184
Net Financial items	-31	-2	-37	-12
EBT	271	-7	982	1,172
Taxes	-51	0	-180	-212
Profit for the period	220	-7	802	960
Operational EBITDA margin	33.9%	37.6%	36.2%	40.1%
Operational EBIT margin	25.9%	30.7%	29.4%	33.8%
Operational EBIT/kg (Farming and VAP) (NOK)	28.25	21.91	26.91	27.24
EBITDA margin (fishmeal, oil and feed)	17.1%	21.0%	19.9%	20.0%

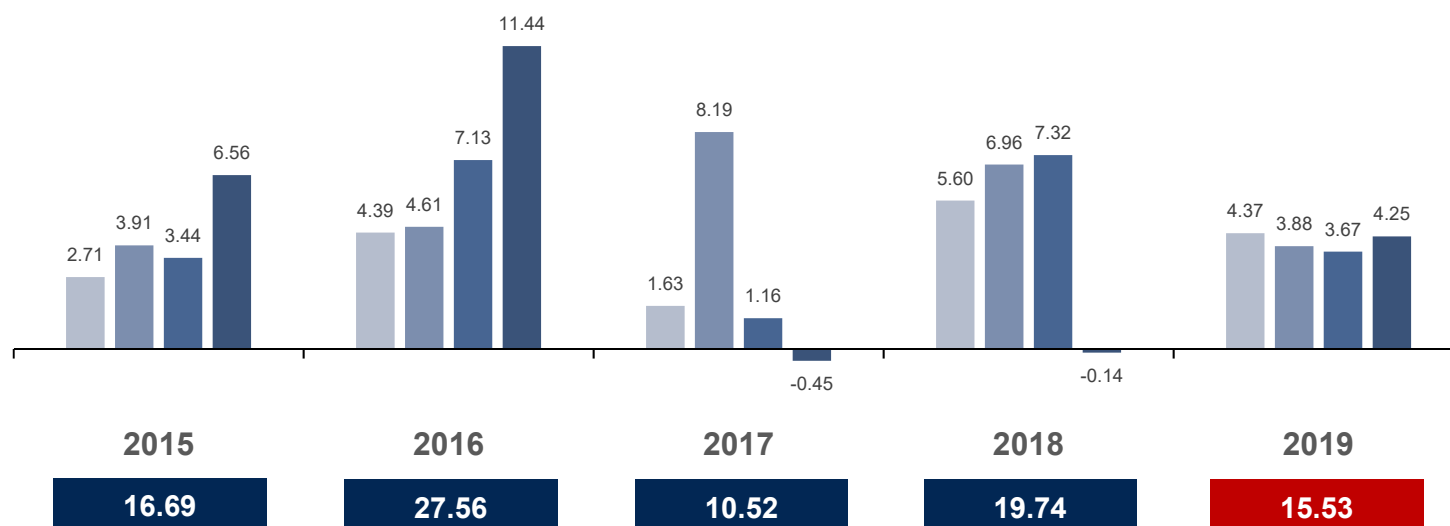
* Operational EBITDA and EBIT aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates and revenue tax.

OPERATIONAL EBIT* AND EARNINGS PER SHARE

Operational EBIT* (mDKK)



Earnings per share (DKK)



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

BALANCE SHEET

- Intangible assets amount to DKK 4,396 million at the end of Q4 2019
- Investments in PPE of DKK 214.2 million in Q4 2019 and PPE amount to DKK 3.8 billion
- Financial assets amount to DKK 119 million at the end of Q4 2019
- The carrying amount of biological assets amounts to DKK 1,902 million, whereof fair value adjustment amounts to DKK 27.7 million
- Inventory amounts to DKK 549 million at the end of Q4 2019
- Changes in equity consist primarily of the positive results in 2019 and paid out dividend, but are also affected by the emission amounting to DKK 3,731 million
- Equity ratio was 65% at the end of Q4 2019
- NIBD is DKK 1,019 million at the end of Q4 2019, compared with DKK 495 million at the end of 2018

(DKK million)	Q4 2019	End 2018
Intangible assets	4,396	390
Property, plant and equipment	3,780	2,884
Right of use assets	333	0
Financial assets	119	113
Long-term receivables	4	9
Biological assets	1,902	1,358
Inventory	549	439
Accounts receivables	626	269
Other receivables and deferred tax assets	83	23
Cash and cash equivalents	1,310	317
Total Assets	13,101	5,803
Equity	8,497	4,077
Deferred tax and other taxes	1,124	534
Long-term interest-bearing debt	2,328	812
Other debt	226	0
Financial derivatives	15	0
Accounts and other payables	911	379
Total Equity and Liabilities	13,101	5,803

FAIR VALUE

1. SSC changes fair value estimates to Bakkafrost and branch* estimates

- Change of discount factor from 4.7% per year to 6% per month (equalling to 101% per year)

2. Group fair value adjustment Q3-2019 → Q4-2019

(DKK million)	30-09-2019	31-12-2019	Change
Bakkafrost	265,306	404,622	139,316
SSC	-138,739	-376,929	-238,189
Currency translation differences			-4,225
Total	126,567	27,693	-103,098

3. Main elements and their effects on the fair value adjustment from Q3-2019 to Q4-2019

	BAKKA	SSC
Price	↑	→
Cost	→	↓
Biomass volume	↑	↓
Remaining time at sea	→	↓

*Branch: Salmar, Lerøy, Norwegian Royal Salmon, Grieg Seafood

CASH FLOW

Cash flow, operations (mDKK)



Cash flow, investments* (mDKK)



* including immaterial assets related to the acquisition of SSC

Cash flow, financing ** (mDKK)



** 2019 YTD was mDKK 4,557 – primarily affected by increased share capital of mDKK 3,731

(DKK million)	Q4 2019	Q4 2018	2019	2018
Cash flow from operations	-150	-59	1,033	913
Cash flow from investments	-3,791	-147	-4,598	-531
Cash flow from financing	2,639	216	4,557	-375
Net change in cash	-1,302	11	993	7
Cash at the end of the period	1,310	317	1,310	317
Undrawn facilities	2,470	998	2,470	998

NET INTEREST-BEARING DEBT (NIBD)

NIBD INCREASED DURING Q4 2019, PRIMARY LINKED TO THE ACQUISITION OF SSC

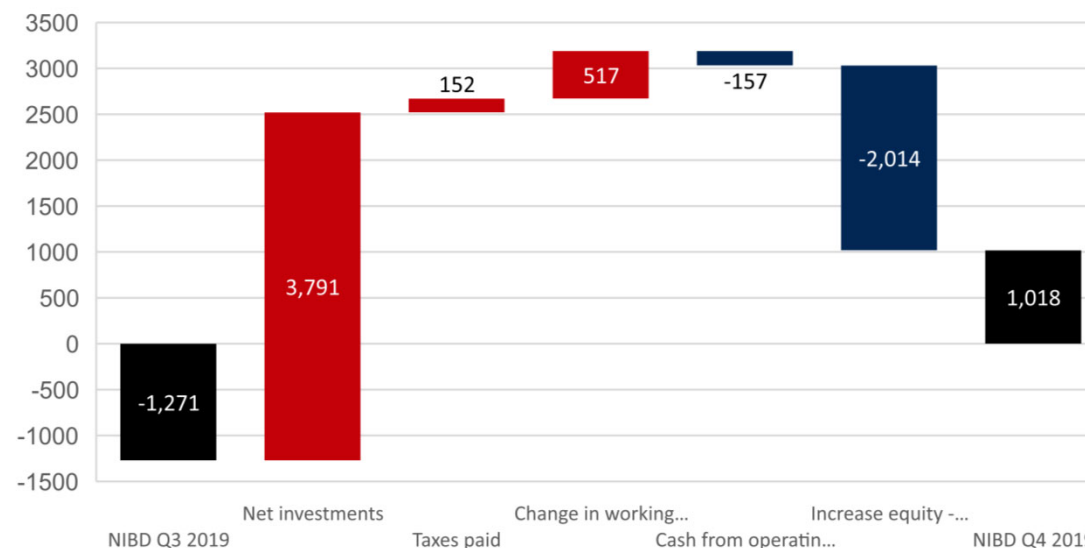
NIBD was increased by:

- Net investments (mDKK 3,791)
- Taxes paid (mDKK 152)
- Working capital change (mDKK 517)

NIBD was decreased by:

- Cash flow, operating activities (mDKK 157)
- Cash flow, capital raise (mDKK 2,014)

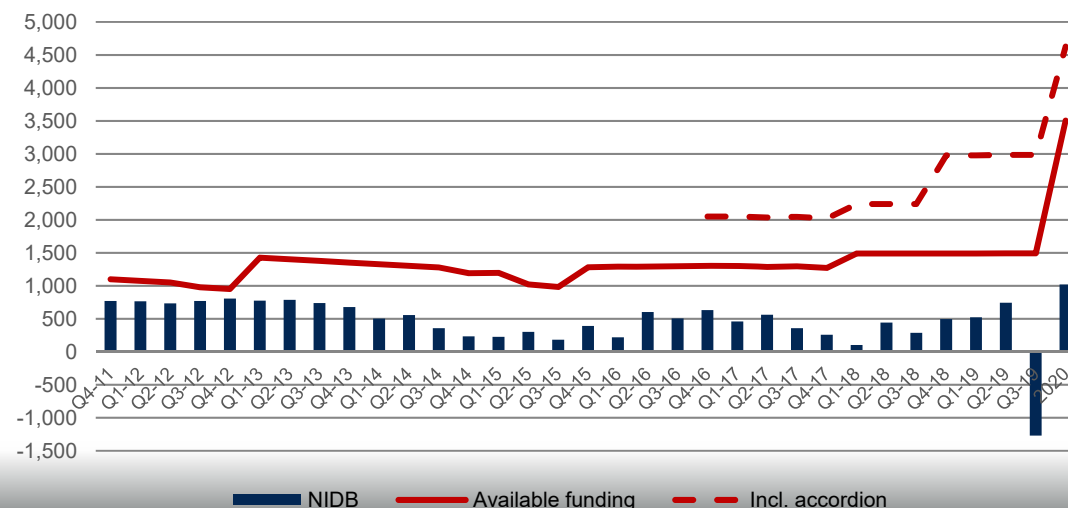
Development in NIBD in DKK millions



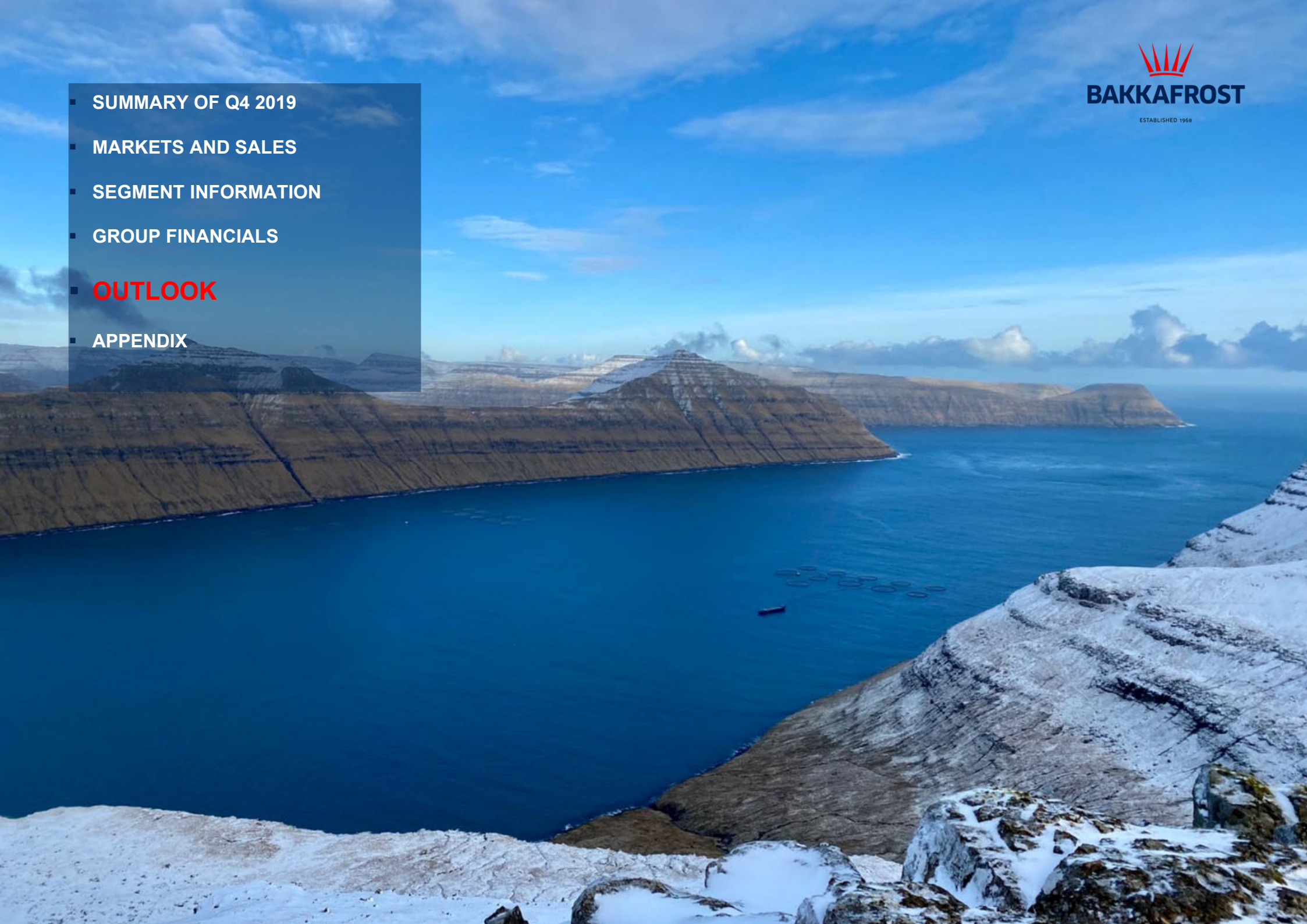
Financing end Q4 2019

- NIBD: DKK 1,019 million
- Bank facilities of EUR 352 and GBP 100 million
- Undrawn credit facilities: DKK 2,470 million

NIBD and available funding



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Market

- Global supply in Q4 2019 increased around 3%, compared to Q4 2018
- Global harvest in Q1 2020 is expected to increase around 1%, compared to Q1 2019
- Global harvest growth 2020 is expected to be around 4%, compared to 2019

Farming

- Bakkafrost harvested 57,184 tonnes HOG in 2019
- In 2020, Bakkafrost expects to harvest 57,000 tonnes HOG in the Faroe Islands and 35,000 tonnes HOG in Scotland
- Bakkafrost expects to release 15.0 million smolts in 2020 in the Faroe Islands, compared to 12.7 million smolts in 2019 and 12.6 million smolts in 2018
- The smolt release in Scotland is expected to be 10.7 million smolts in 2020, compared to 12.4 million smolts in 2019 and 8.6 million smolts in 2018

VAP

- Contracted around 40% of expected Q1 2020 harvest volume and 30% of the harvest volume in the Faroe Islands for 2020
- Long-term strategy is to sell 40-50% of the harvested volumes in the Faroe Islands at fixed price contracts

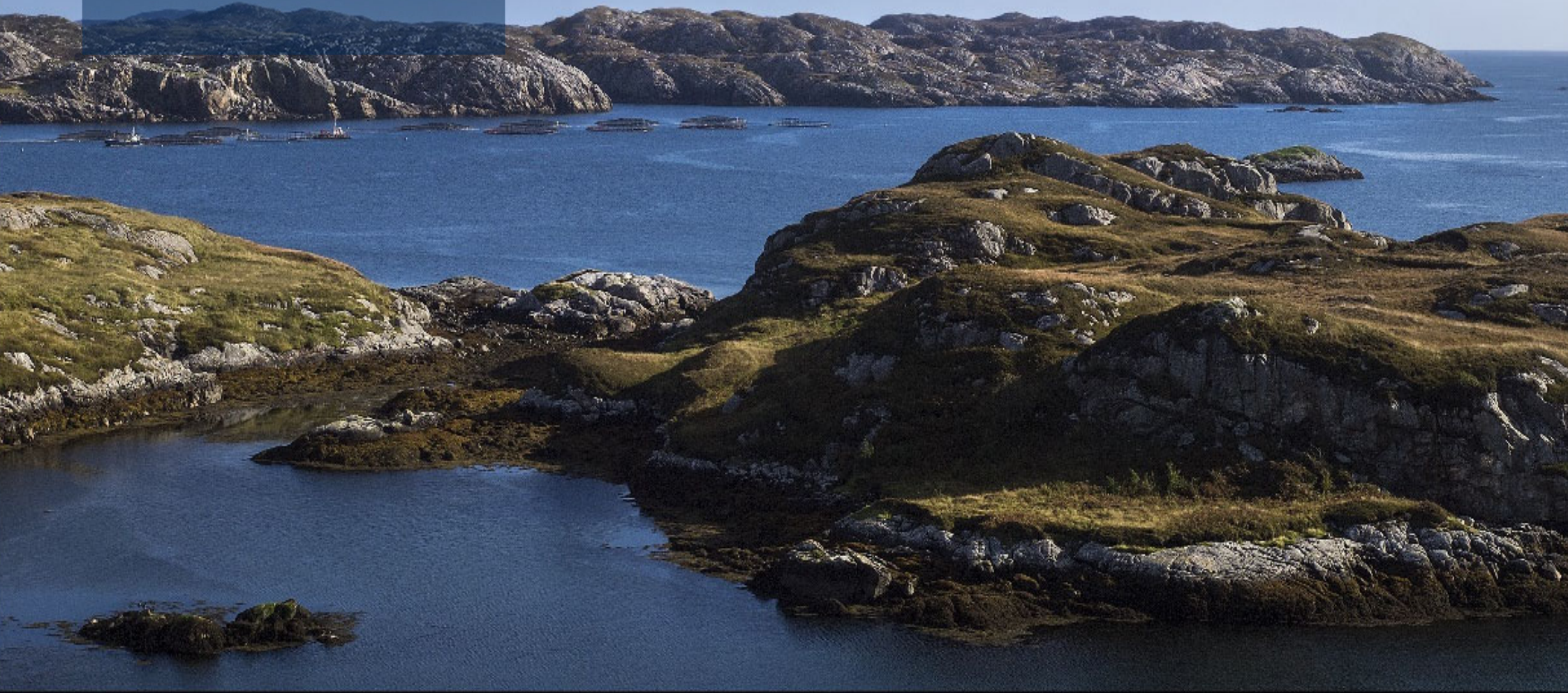
Fishmeal, Oil and Feed

- Feed sales are expected to be around 110,000 tonnes in 2020. Fishmeal and oil volumes are expected to be lower than in 2019

Business development / Investment programme

- Pursuing sustainable organic growth in the Faroes
- For the remaining period 2020 – 2022 of the investment programme ~ DKK 1.8 billion will be invested in the Faroe Islands
- In Scotland the yearly capex for 2020-2024 is expected to be around 350 mDKK per year
- Financial flexibility enables M&A like the recent acquisition of SSC
- Bakkafrost intends to acquire 100% of SSC during Q1 2020

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ENTERING SCOTLAND

Strategic rationale

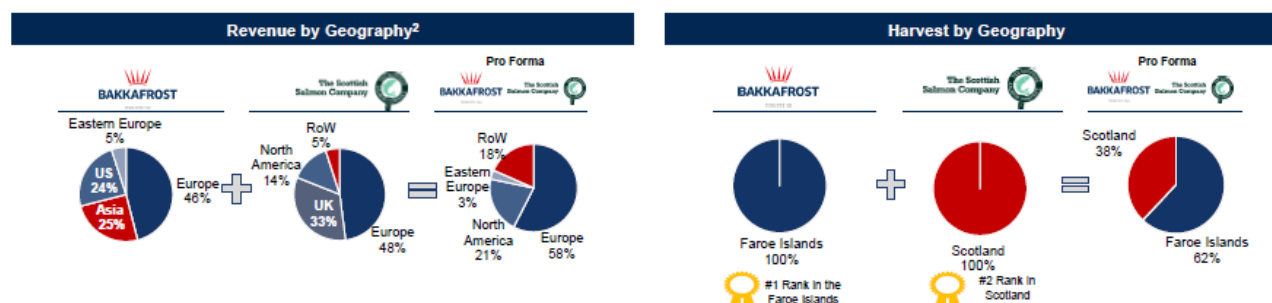
1. Provides **access** to the attractive Scotland farming region
 - **Niche** and differentiated region
 - **High quality** salmon from Scottish Provenance priced at a premium
2. Creating a differentiated **global leader in premium salmon**
 - Exposure to **two geographies**, Faroe Islands and Scotland
 - **Premium brands**



ENTERING SCOTLAND

Strategic rationale

3. Potential for significant **improvement**
 - Scottish Salmon **profitability** to improve over a five-year period through transfer of best practices
 - **Synergies**
 - Targeted **investment programmes**
4. Financially attractive acquiring the business at a **reasonable value, multiple** to the sector and Bakkafrost



Source: Company filings, company website, Mowi Salmon Farming Industry Handbook 2019.

¹ Harvest figures reflect total harvest in European region comprising of Norway, United Kingdom / Scotland and Faroe Islands as per Mowi Salmon Farming Handbook.

² Geographic breakdown of revenue based on H1 2019 data for both companies.

SCOTLAND SITE OVERVIEW

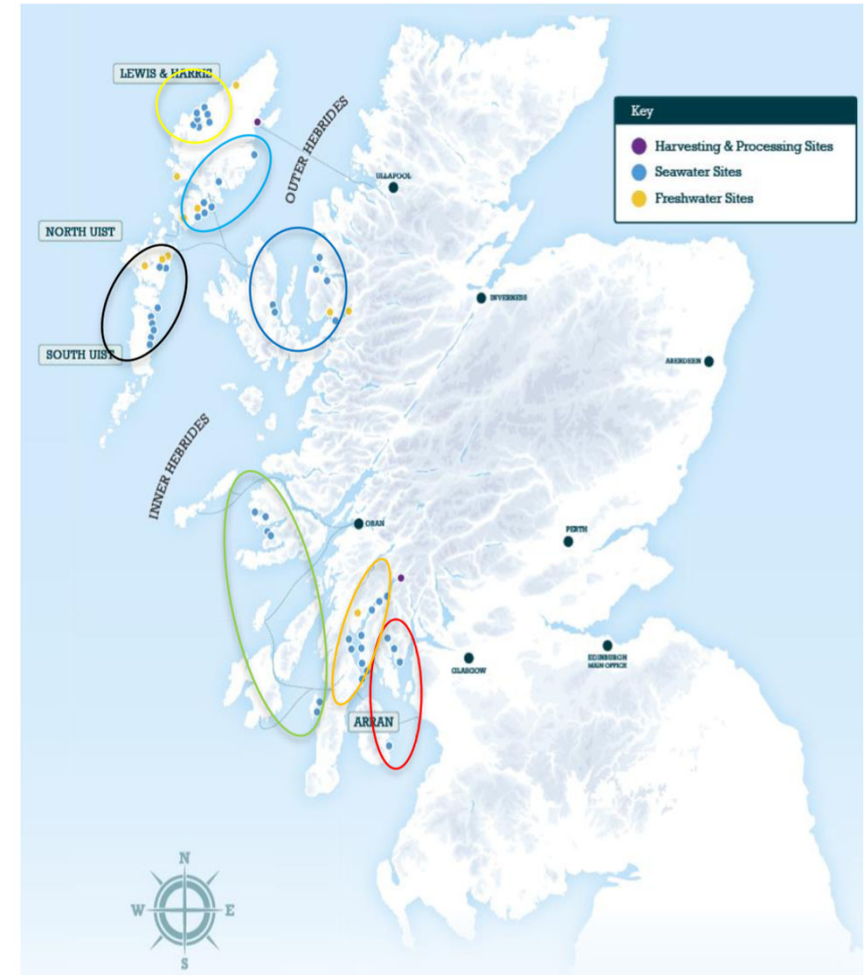
43 farming sites / 67,023T consent

South

- 20 sites / 29,205T consent
 - Mull and Gigha, 6 sites
 - Loch Striven and Arran, 4 sites
 - Loch Fyne, 10 sites

North

- 23 sites / 37,818T consent
 - Uist, 5 sites
 - Sky & mainland, 7 sites
 - Loch Roag, 6 sites
 - East Lewis & Harris, 5 sites



DEVELOPMENT IN HARVESTED AND SOLD QUANTITY BY ORIGIN

Supply growth in 2019

- 6% growth in global supply
- 8% growth in European supply
- No growth in supply from Americas

Expected supply growth in 2020

- 5% growth in Global supply
- 3% growth in European supply
- 7% growth in supply from Americas

Comments:

All figures are in hog-equivalents and thousand tonnes.

Figures represents sold quantity of Atlantic Salmon from each producing country

Source: Kontali

Global Supply of Atlantic Salmon (head on gutted - HOG)

	2016	2017	2018	2019E	2020E
Norway	1.055	1.078	1.129	1.198	1.236
UK	142	159	138	165	167
Ireland	14	15	13	15	15
Faroes	71	72	64	78	86
Total Europe	1.281	1.325	1.344	1.456	1.505
Chile	503	490	598	601	656
Canada	131	123	132	129	131
USA	20	20	17	18	16
Total Americas	655	633	747	749	803
Other	60	77	78	98	118
Total (Sold Quantity)	1.996	2.035	2.169	2.303	2.425
Supply growth - Global	-4%	2%	7%	6%	5%
Supply growth - Europe	-5%	3%	1%	8%	3%
Supply growth - Americas	-2%	-3%	18%	0%	7%

Salmon Markets (head on gutted - HOG)

	2016	2017	2018	2019E	2020E
EU	937	918	952	1.012	1.054
USA	385	402	434	468	497
Japan	59	58	54	53	54
Russia	68	70	89	82	86
Others	548	588	640	688	734
Total (Sold Quantity)	1.997	2.034	2.170	2.303	2.425

Q4 MARKET ENVIRONMENT

REDUCED MARKET PRICES, COMPARED TO Q4 2018

Nasdaq Norway price EUR 5.6 per kg in Q4 2019

- Increasing prices during the quarter
- 3% down vs. Q4 2018
- 12% up vs. Q3 2019

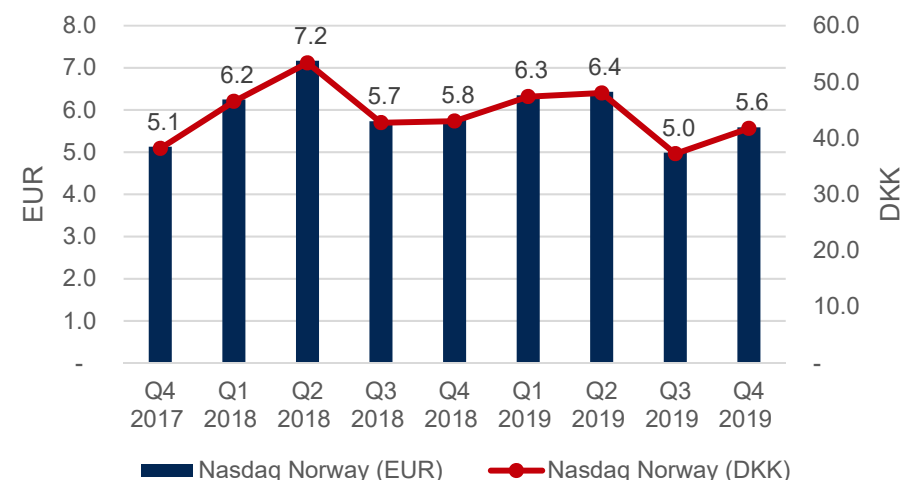
Urner Barry East Coast price USD 7.7 per kg in Q4 2019

- Increased import from Europe
- Biology driven accelerated harvest on East Coast
- 15% down vs. Q4 2018
- 5% down vs. Q3 2019

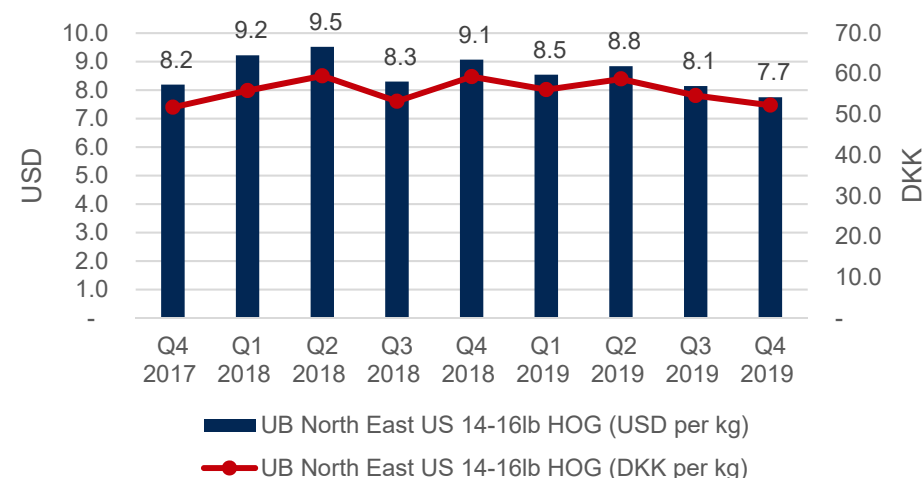
MARKET CURRENCY	Q4 2019	Q4 2018	Change %
Nasdaq Norway (EUR)	5.59	5.77	-3.1 %
UB North East US 14-16lb HOG (USD per kg)	7.75	9.07	-14.6 %

DKK	Q4 2019	Q4 2018	Change %
Nasdaq Norway	41.74	43.03	-3.0 %
UB North East US 14-16lb HOG (per kg)	52.28	59.29	-11.8 %

PRICE NORWAY



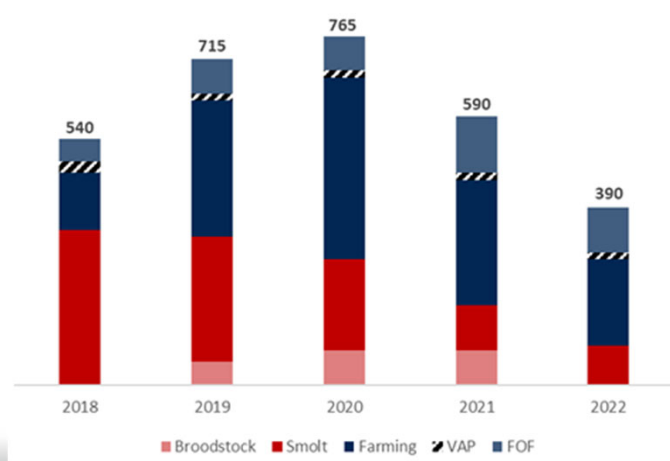
PRICE US – NORTH EAST



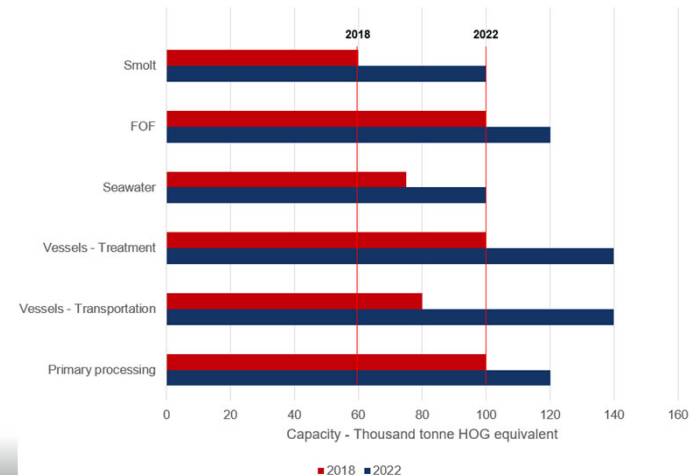
SUPERIOR BIOLOGY COMBINED WITH STATE OF THE ART INFRASTRUCTURE

	FISHMEAL, OIL AND FEED	BROODSTOCK	SMOLT	SEA WATER	PROCESSING	SALES/MARKETING
CAPACITY 2018	Equivalent to 100k (tgw) annual harvest @ marine index of 44%	None	12 million @ 200 grams	21 farming sites/17 fjords 55k (tgw) @100g smolt/ 65k (tgw) @500g smolt 4 well boats & 2 FSVs	130k primary (tgw) 40k secondary (tgw) 80k packaging material (tgw)	Central sales Faroes UK sales office US sales office Branding
CMD ANOUNCED INVESTMENTS	Additional 65k (tgw) annual harvest @ marine index of 44%	Own breeding programme Full self sufficiency	19 million @ 500 grams	Upgraded infrastructure Fish transportation R&D	Selected upgrading, efficiency and functionality	Marketing/sales initiatives Market penetration
PURPOSE	Sustainable Growth Flexibility Efficiency, streamlining & innovation Environmental improvement Food safety	Adaptability to local biology Product differentiation Support branding strategy (immaterial property) Less dependency of suppliers Veterinary control	Sustainable growth Reduced exposure in sea	>76k (tgw) @ 500g smolt	Product quality Product presentation Product differentiation Fresh premium product capability	Premium price achievement Reduced spot price sensitivity Maintain low exposure to single markets

2018 Capex programme



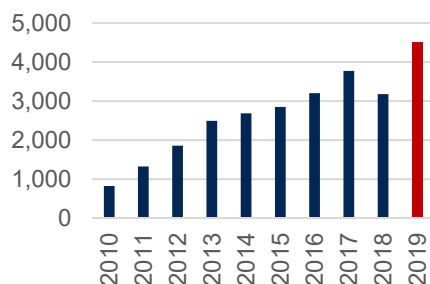
Development in capacity constraints



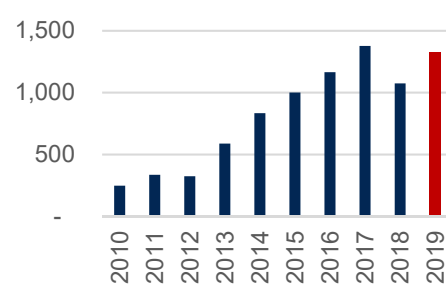
DEVELOPMENT PER QUARTER

(mDKK)	2017				2018				2019				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4 FO	Q4 SCO
Revenue	854	1,206	804	906	851	954	622	750	964	947	996	1,168	437
Operational EBIT	335	459	252	331	268	408	168	231	268	339	303	397	18
Profit/Loss	79	398	56	-22	272	339	356	-7	213	189	181	220	
Harvest (tgv)	13,158	18,402	11,585	11,470	12,238	12,902	7,217	12,234	13,707	12,609	12,938	17.930	7,925
Op. EBIT Farming & VAP (NOK/kg)	29.40	29.77	23.02	29.88	22.92	37.41	25.34	21.91	21.99	31.31	26.25	28.25	
Op. EBIT Farming (NOK/kg)	34.27	33.50	23.51	25.76	24.15	39.09	24.85	21.56	21.86	31.31	23.61	25.49	3.09
Op. EBIT VAP (NOK/kg)	-17.62	-13.01	-1.08	9.54	-7.10	-11.00	2.49	1.51	0.37	-0.01	9.23	11.72	N/A
Equity ratio	65%	64%	68%	70%	69%	68%	70%	70%	70%	65%	68%	65%	
NIBD	459	560	356	258	102	443	286	495	522	744	-1,271	1,019	

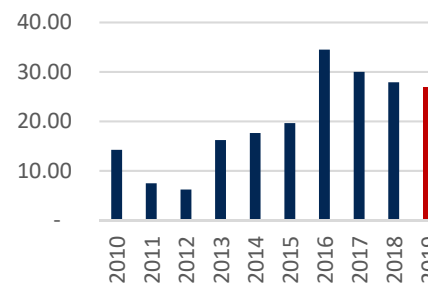
Revenue (mDKK)



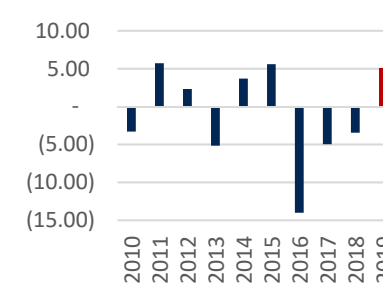
Operational EBIT (mDKK)



Farming margin Op. EBIT (NOK/kg)



VAP margin Op. EBIT (NOK/kg)



DIVIDEND

Dividend

- Dividend for 2019 of DKK 8.31 (NOK 11.23 ***) per share will be paid out in Q2 2020

Dividend policy

- Competitive return through:
 - Dividends
 - Increase in the value of the equity
- Generally, Bakkafrost shall pay dividend to its shareholders
- A long-term goal is that 30–50% of adjusted EPS shall be paid out as dividend

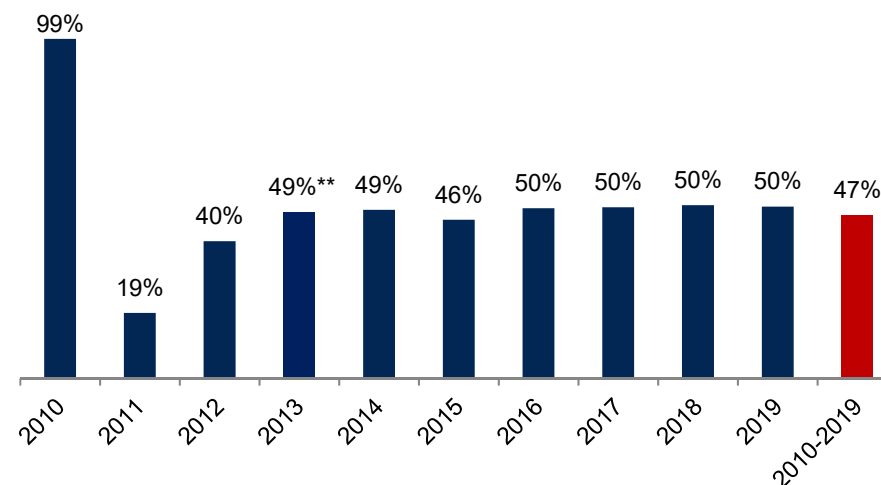
* Adjusted EPS is EPS adjusted for fair value adjustments of biomass and onerous contracts provisions

** Dividend and acquisition of treasury shares

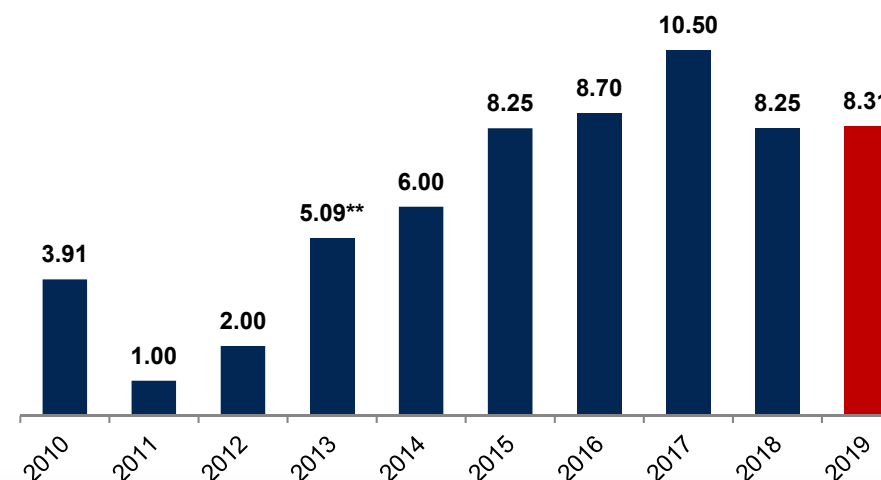
*** Dividend is paid out the following year

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

Dividend per share in % of adj. EPS*



Dividend per share (DKK)***



Bakkafrost at a Glance



- 18 islands – 1,387 km²
- 52,122 inhabitants (1 August 2019)
- Home rule – within the Kingdom of Denmark
- Part of the Danish monetary union, Danish krone (DKK)

Key sectors (% of wage earners, M9 2019)

- Service/public admin.: ~34%
 - Private service: ~31%
 - Construction: ~16%
 - Fish & aquaculture: ~19%
 - Unemployment rate (July 2019): 1.3%
 - Total working force (July 2019): 28,147
-
- **GDP:** DKK ~20.5bn (2019e)
 - **GDP/capita:** DKK 394,000 (2019e)
 - (Norway: DKK 463,000) (2017)

Total export of fish products (2018)

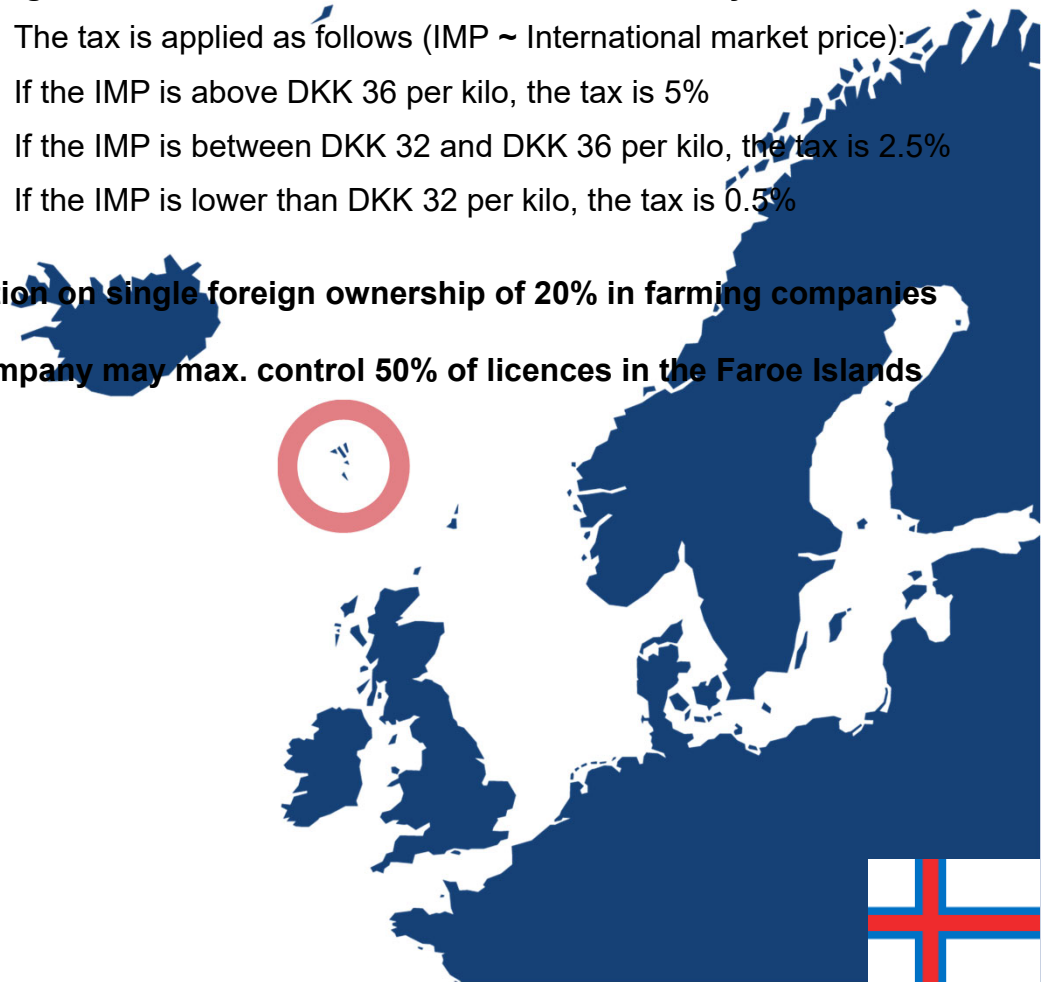
- DKK 7,487 million 11% decrease from 2017
- whereof farmed fish accounts for 45%

TAXES

- Total percent of GDP: 41.8% (2016)
- Corporate tax: 18%
- Farming revenue tax: 5.0% of revenues after 1 January 2019
 - The tax is applied as follows (IMP ~ International market price):
 - If the IMP is above DKK 36 per kilo, the tax is 5%
 - If the IMP is between DKK 32 and DKK 36 per kilo, the tax is 2.5%
 - If the IMP is lower than DKK 32 per kilo, the tax is 0.5%

Restriction on single foreign ownership of 20% in farming companies

One company may max. control 50% of licences in the Faroe Islands



Source: Hagstova Føroya

LARGEST SHAREHOLDERS AND SHARE DEVELOPMENT

20 largest shareholders

Rank	Holding	Stake	Name	Citizenship	Type of account
1	5.153.004	8,71%	FOLKETRYGDFONDET	Norway	Ordinary
2	4.611.217	7,80%	JACOBSEN, JOHAN REGIN	Faroe Islands	Ordinary
3	4.594.437	7,77%	JACOBSEN, ODDVØR MARITA	Faroe Islands	Ordinary
4	2.571.578	4,35%	State Street Bank and Trust Comp	United States	Nominee
5	2.256.470	3,82%	DOLFIN FINANCIAL (UK) LTD	United Kingdom	Ordinary
6	1.821.705	3,08%	State Street Bank and Trust Comp	United States	Nominee
7	1.821.440	3,08%	Nordea Bank Abp	Denmark	Nominee
8	1.065.194	1,80%	JPMorgan Chase Bank, N.A., London	United Kingdom	Nominee
9	912.823	1,54%	NN PARAPLUFONDS 1 N.V.	The Netherlands	Ordinary
10	894.071	1,51%	The Bank of New York Mellon SA/NV	United Kingdom	Nominee
11	840.563	1,42%	VERDIPAPIRFONDET DNB NORGE	Norway	Ordinary
12	826.346	1,40%	JPMorgan Chase Bank, N.A., London	United Kingdom	Nominee
13	776.334	1,31%	JPMorgan Chase Bank, N.A., London	United States	Nominee
14	751.631	1,27%	RBC INVESTOR SERVICES TRUST	Canada	Nominee
15	677.897	1,15%	CLEARSTREAM BANKING S.A.	Luxembourg	Nominee
16	671.818	1,14%	State Street Bank and Trust Comp	United States	Nominee
17	661.901	1,12%	NN (L) Global Sustainable Equity	Luxembourg	Ordinary
18	646.514	1,09%	HANDELSBANKEN NORDEN SELEKTIV	Sweden	Ordinary
19	564.166	0,95%	JPMorgan Chase Bank, N.A., London	United Kingdom	Nominee
20	554.024	0,94%	DANSKE BANK A/S	Sweden	Nominee
	32.673.133	55,24%	Holding of 20 largest accounts		
	59.143.000	100,00%	Total number of outstanding shares		

Share development

12 months development



5 years development



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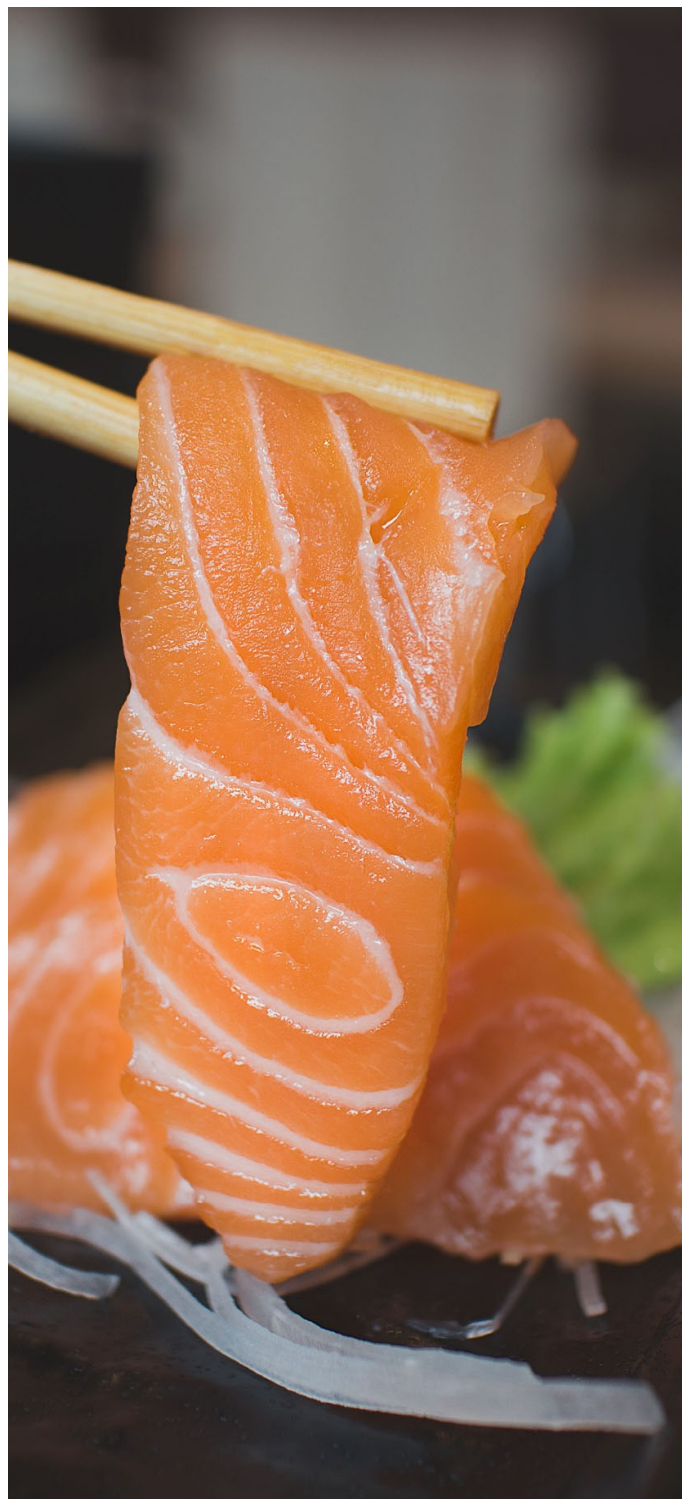


BAKKAFROST

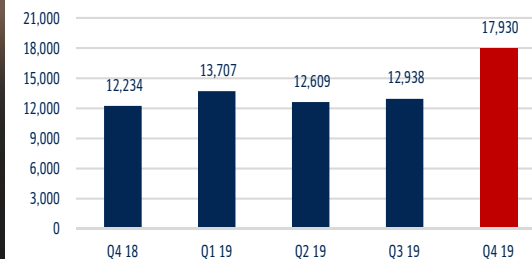
ESTABLISHED 1968

INTERIM REPORT

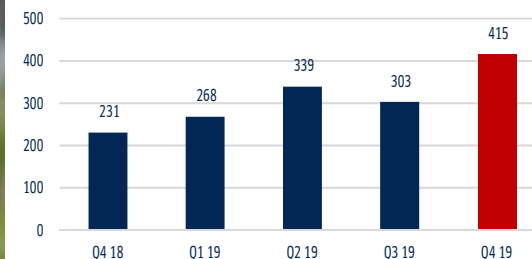
Q4 2019



HARVEST VOLUME - FAROE ISLANDS TGW



OPERATIONAL EBIT MDKK



OPERATIONAL EBIT VAP AND FARMING FO DKK/KG

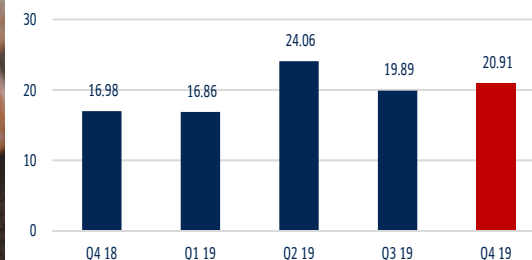


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Highlights

DKK 1,000	Q4 2019	Q4 2018	YTD 2019	YTD 2018	DKK 1,000	Q4 2019	Q4 2018	YTD 2019	YTD 2018
INCOME STATEMENT					FINANCIAL POSITION AND CASH FLOW				
Group - Operating revenue	1,604,842	750,348	4,511,107	3,177,422	Total Assets***	13,101,405	5,802,523	13,101,405	5,802,523
Group - Operational EBIT*	415,251	230,509	1,325,100	1,074,912	Equity***	8,496,875	4,077,029	8,496,875	4,077,029
Group - EBIT	301,319	-4,895	1,019,217	1,184,233	Equity ratio***	65%	70%	65%	70%
Group - Profit for the period	219,512	-6,620	801,885	960,292	Net interest-bearing debt***	1,018,685	495,479	1,018,685	495,479
					Cash flow from operations	-149,537	-58,921	1,032,950	912,937
Operational EBIT* (Farming FO and VAP) (DKK)	374,909	207,730	1,166,728	943,235	Cash flow from financing	2,638,829	216,465	4,557,491	-374,848
Operational EBIT/kg (Farming FO and VAP) (DKK)	20.91	16.98	20.40	21.15					
Operational EBIT/kg (Farming FO and VAP) (NOK)	28.25	21.91	26.91	27.24					
					PROFITABILITY				
Farming Faroe Islands - Operating revenue	945,196	681,851	3,152,462	2,568,366	Basic earnings per share (DKK)	4.25	-0.14	15.53	19.74
Farming Faroe Islands - Operational EBIT*	338,321	204,400	1,103,001	965,659	Diluted earnings per share (DKK)	4.25	-0.14	15.53	19.74
Farming Faroe Islands - Operational EBIT margin	35.8%	30.0%	35.0%	37.6%	ROCE**	4.1%	4.3%	15.2%	21.5%
Farming Faroe Islands - Operational EBIT*/kg (DKK)	18.87	16.71	19.29	21.66					
Farming Faroe Islands - Operational EBIT*/kg (NOK)	25.49	21.56	25.44	27.89	VOLUMES				
					Harvested volumes Faroe Islands (tgw)	17,930	12,234	57,184	44,591
Farming Scotland - Operating revenue	437,171	n/a	437,171	n/a	Harvested volumes Scotland (tgw)	7,925	n/a	7,925	n/a
Farming Scotland - Operational EBIT*	18,129	n/a	18,129	n/a	VAP produced volumes (tgw)	4,219	2,845	16,690	8,355
Farming Scotland - Operational EBIT margin	4.1%	n/a	4.1%	n/a	Sold feed tonnes	28,398	24,711	97,408	77,775
Farming Scotland - Operational EBIT*/kg (DKK)	2.29	n/a	2.29	n/a	Internal feed sales tonnes	20,778	21,649	76,583	70,240
Farming Scotland - Operational EBIT*/kg (NOK)	3.09	n/a	3.09	n/a	Smolt released thousand Faroe Islands (pcs)	4,986	3,267	12,651	12,491
					Smolt released thousand Scotland (pcs)	5,696	n/a	5,696	n/a
VAP - Operating revenue	248,900	108,990	964,484	364,827					
VAP - Operational EBIT*	36,588	3,330	63,727	-22,424					
VAP - Operational EBIT margin	14.7%	3.1%	6.6%	-6.1%					
VAP - Operational EBIT/kg (DKK)	8.67	1.17	3.82	-2.68					
VAP - Operational EBIT/kg (NOK)	11.72	1.51	5.04	-3.46					
FOF - Operating revenue	337,976	287,689	1,388,461	1,268,564					
FOF - EBITDA	57,699	60,407	275,796	254,281					
FOF - EBITDA margin	17.1%	21.0%	19.9%	20.0%					
NOK/DKK (average)	74.01	77.50	75.83	77.66					

* 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 from end 2018

Summary of the 4th Quarter 2019 and 12 Months of 2019

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

On the 8th of October 2019, Bakkafrost acquired majority in the Scottish Salmon Company (SSC). From this date, SSC is part of the Bakkafrost Group and is consolidated into Bakkafrost's accounts.

Unless otherwise stated, all figures presented in this interim report include SSC from this date on. SSC's figures from Q1 to Q3 2019 are not included in this report.

The Bakkafrost Group delivered a total operating EBIT of DKK 415.3 million in Q4 2019.

Total harvested volumes were 25.9 thousand tonnes gutted weight (tgw). Faroe Islands (FO): 17.9 tgw, Scotland (SCO): 7.9 tgw.

The combined FO farming and VAP segments made an operational EBIT of DKK 374.9 million. The FO farming segment made an operational EBIT of DKK 338.3 million. The SCO farming segment made an operational EBIT of DKK 18.1 million. Achieved prices and volumes in FO operations increased and thus had a positive effect on the operational EBIT.

The VAP segment made an operational EBIT of DKK 36.6 million. The EBITDA for the FOF segment was DKK 57.7 million.

The Group made a profit for Q4 2019 of DKK 219.5 million (DKK -6.6 million). For 2019, the profit was DKK 801.9 million (DKK 960.3 million).

Total harvested volumes for 2019 were 65,109 tonnes gutted weight (44,591 tgw). FO: 57,184 tgw, SCO: 7,925 tgw.

In total, 10.7 million (3.3 million) smolts were transferred during Q4 2019. FO: 5.0 million, SCO: 5.7 million. During 2019, 18.3 million (12.5 million) smolts were transferred. FO: 12.7 million SCO: 5.7 million.

The combined FO farming and VAP segments made an operational EBIT of DKK 374.9 million (DKK 207.7 million) in Q4 2019. The operational EBIT per kg in Q4 2019 was DKK 20.91 (DKK 16.98), which corresponds to NOK 28.25 (NOK 21.91) for the combined FO farming and VAP segments. For 2019, the combined FO farming and VAP segments made an operational EBIT of DKK 1,166.7 million (DKK 943.2 million).

The FO farming segment made an operational EBIT of DKK 338.3 million (DKK 204.4 million) in Q4 2019. The harvested volumes and the achieved prices were higher in Q4 2019, compared to Q4 2018. For 2019, the operational EBIT was DKK 1,103.0 million (DKK 965.7 million).

The SCO farming segment made an operational EBIT of DKK 18.1 million in Q4 2019.

The VAP segment made an operational EBIT of DKK 36.6 million (DKK 3.3 million) for Q4 2019. For 2019, the operational EBIT was DKK 63.7 million (DKK -22.4 million).

The FOF segment (fishmeal, oil and feed) made an EBITDA of DKK 57.7 million (DKK 60.4 million) for Q4 2019, and the EBITDA margin was 17.1% (21.0%). The EBITDA was DKK 275.8 million for 2019 (DKK 254.3 million), corresponding to an EBITDA margin of 19.9% (20.0%).

During Q4 2019, Havsbrún sourced 35,180 tonnes (46,478 tonnes) of raw material, and for 2019, Havsbrún sourced 278,664 tonnes (302,465 tonnes) of raw material.

The net interest-bearing debt amounted to DKK 1,018.7 million at the end of 2019 (DKK 495.5 million). Undrawn credit facilities amounted to DKK 2,470.0 million at the end of Q4 2019.

On 25 September 2019, Bakkafrost signed a Share Purchase Agreement to acquire 68.6% of the outstanding shares in the Scottish Salmon Company (SSC) from Northern Link Ltd. The closing date was 8 October 2019. Further acquisitions in Q4 2019 resulted in Bakkafrost holding 95.6% of the shares at year end.

SSC is an integrated salmon farming business, operating exclusively in Scotland with 60 sites across the West Coast and Hebridean Islands. The company is engaged in nearly all stages of the value chain ensuring full traceability and total supply chain integrity. The current annual production capacity is 50,000 tonnes. SSC produced 33,799 tonnes gutted weight in 2019 and exported to 21 countries with a focus on North America and the Far East. SSC has developed a range of strong flagship brands, including Native Hebridean Salmon, Tartan Salmon Label Rouge and Lochlander Salmon. The company has 651 employees.

Bakkafrost chose to increase the company's share capital for the acquisition of SSC. The acquisition was therefore carried out without substantial increase in Bakkafrost's external financing.

Bakkafrost aims at giving the shareholders a competitive return on their investment, both through payments of dividends and by value growth 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. Bakkafrost's financial position is strong with a solid balance sheet, a competitive operation and available credit facilities. The Board of Directors proposes to the Annual General Meeting that DKK 8.31 (NOK 11.23*) per share shall be paid out as dividend. The Annual General Meeting will be convened on Friday the 3rd of April 2020.

The equity ratio was 65% at 31 December 2019, compared to 70% at the end of 2018.

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

Financial Review

Income Statement

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

The Group's operating revenue amounted to DKK 1,604.8 million (DKK 750.3 million) in Q4 2019, and for 2019, the operating revenue amounted to DKK 4,511.1 million (DKK 3,177.4 million).

The FO farming segment's harvest volumes and achieved prices were higher in Q4 2019, compared to the same quarter last year. The VAP segment had higher revenues because of higher volumes in Q4 2019, compared to Q4 2018. The FOF segment had higher external revenue in Q4 2019, mainly due to higher external sales of fishmeal, compared to Q4 2018.

The Group's operational EBIT was DKK 415.3 million (DKK 230.5 million) in Q4 2019. The combined FO farming and VAP segments had higher operational EBIT in Q4 2019, compared to Q4 2018, and the FOF segment had marginally lower EBITDA in Q4 2019, compared to Q4 2018. For 2019, the Group's operational EBIT was DKK 1,325.1 million (DKK 1,074.9 million).

The fair value adjustment of the Group's biological assets amounted to DKK -103.1 million (DKK -239.5 million) in Q4 2019. The adjustment is due to lower forward market prices for salmon and higher expected costs at harvest at the end of the quarter, compared to the beginning of the quarter. For 2019, the fair value adjustment amounted to DKK -220.6 million (DKK 195.8 million).

Change in provisions for onerous contracts amounted to DKK 0 million (DKK 17.0 million) in Q4 2019. For 2019, the change in provisions for onerous contracts amounted to DKK 0.0 million (DKK 0.0 million).

In Q4 2019, the profit from associated companies amounted to DKK 3.7 million (DKK 11.1 million). For 2019, the profit from associated companies amounted to DKK 13.8 million (DKK 9.4 million).

The revenue tax amounted to DKK -14.5 million (DKK -24.0 million) in Q4 2019. For 2019, the revenue tax was DKK -99.1 million (DKK -95.9 million). From the 1st of January 2019, the revenue tax rate in the Faroe Islands increased from 4.5% to 5.0%.

Net interests in Q4 2019 were DKK -30.5 million (DKK -1.9 million). For 2019, net interests were DKK -37.3 million (DKK -12.2 million).

Net taxes amounted to DKK -51.3 million (DKK 0.2 million) in Q4 2019. For 2019, net taxes amounted to DKK -180.0 million (DKK -211.8 million).

The result for Q4 2019 was DKK 219.5 million (DKK -6.6 million) and for 2019, the result was DKK 801.9 million (DKK 960.3 million).

Statement of Financial Position

(Figures in parenthesis refer to end last year).

The Group's total assets amounted to DKK 13,101.4 million (DKK 5,802.5 million) at the end of Q4 2019.

Intangible assets amounted to 4,395.7 (DKK 389.7 million) at the end of Q4 2019. The increase in the year relates wholly to the acquisition of SSC.

Property, plant and equipment amounted to DKK 3,780.5 million (DKK 2,884.3 million) at the end of Q4 2019. Right of use assets amounted to DKK 332.8 In Q4 2019, Bakkafrøst FO made investments in PP&E amounting to DKK 214.2 million. Including the acquisition of SSC, PPE for 2019 amounts to DKK 700.4 million.

Non-current financial assets amounted to DKK 119.1 million (DKK 112.8 million) at the end of Q4 2019.

The carrying amount (fair value) of biological assets amounted to DKK 1,901.7 million (DKK 1,358.5 million) at the end of Q4 2019. Compared to year end 2018, biological assets have mainly increased due to the acquisition of SSC. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 27.7 million (DKK 382.8 million) at the end of 2019.

Inventories amounted to DKK 548.5 million (DKK 438.8 million) at the end of Q4 2019.

Total receivables, including long-term receivables and deferred tax assets, amounted to DKK 713.5 million (DKK 301.5 million) at the end of Q4 2019.

Total cash and cash equivalents amounted to DKK 1,309.5 million (DKK 316.9 million) at the end of Q4 2019.

The Group's equity, including non-controlling interests, amounted to DKK 8,496.9 million (DKK 4,077.0 million) at the end of Q4 2019. Non-controlling interest amounted to DKK 167.6 million (DKK 0.0 million). The change in equity consists primarily of the result for 2019, paid-out dividend and the emission of DKK 3,731.1 million.

Total non-current liabilities amounted to DKK 3,697.6 million (DKK 1,346.5 million) at the end of Q4 2019.

Deferred taxes amounted to DKK 1,123.8 million (DKK 534.4 million) at the end of Q4 2019.

Long-term debt was DKK 2,328.2 million (DKK 812.1 million) at the end of Q4 2019.

Long-term leasing debt amounts to DKK 225.6 million and short-term leasing debt amounts to DKK 107.8 million in total DKK 333.4 million (DKK 0.0 million) at the end of Q4 2019.

At the end of Q4 2019, the Group's total current liabilities were DKK 925.0 million (DKK 379.0 million). The current liabilities consist of accounts payable and tax payable.

Derivatives amounted to DKK 15.5 million (DKK 0.3 million) at the end of Q4 2019.

The equity ratio was 65% at the end of 2019, compared to 70% at the end of 2018.

Cash Flow

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

The cash flow from operations was DKK -149.6 million (DKK -58.9 million) in Q4 2019. The changes in working capital had a negative effect on the cash flow from operations. For 2019, the cash flow from operations was DKK 1,033.0 million (DKK 912.9 million).

The cash flow from investment activities amounted to DKK -3,791.3 million (DKK -146.8 million) in Q4 2019. The amount relates to investments in property, plant and equipment and investment in immaterial assets relating to the acquisition of SSC. For 2019, the cash flow from investments amounted to DKK -4,597.8 million (DKK -530.7 million).

The cash flow from financing activities totalled DKK 2,638.8 million (DKK 216.5 million) in Q4 2019. For 2019, cash flow from financing amounted to DKK 4,557.5 million (DKK -374.8 million). The amount is mainly affected by the share capital increase, amounting to DKK 3,731.1 million.

In Q4 2019, net change in cash flow amounted to DKK -1,302.0 million (DKK 10.7 million). For 2019, net change in cash flow amounted to DKK 992.7 million (DKK 7.3 million).

At the end of 2019, the Group had unused credit facilities of DKK 2,470.0 million (DKK 997.7 million).

Farming Segment – Faroe Islands (FO)

The Faroese 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 Q4 2019 were 17,930 tonnes gutted weight (12,234 tgw) – a change in volume of 47%. Total harvested volumes for 2019 were 57,184 tonnes gutted weight (44,591 tgw), which is in line with the forecast for 2019.

5.0 million (3.3 million) smolts were transferred in Q4 2019. For 2019, 12.7 million (12.5 million) smolts were transferred. This is in line with the smolt transfer plan.

DKK 1,000	Q4 2019	Q4 2018	Change	YTD 2019	YTD 2018	Change
Financial						
Total revenue	945,196	681,851	39%	3,152,462	2,568,366	23%
EBIT	460,173	-58,873	882%	1,028,840	1,065,923	-3%
Operational EBIT	338,321	204,400	66%	1,103,001	965,659	14%
Farming - Operational EBIT/kg (DKK)	18.87	16.71	13%	19.29	21.66	-11%
Volumes						
Harvested volumes (tgw)	17,930	12,234	47%	57,184	44,591	28%
- Farming North	0	3,996	-100%	18,252	25,888	-29%
- Farming West	13,155	5,894	123%	32,210	14,088	129%
- Farming South	4,775	2,344	104%	6,722	4,614	46%
Smolts released (thousand)	4,986	3,267	53%	12,651	12,492	1%
- Farming North	2,643	3,267	-19%	5,584	3,887	44%
- Farming West	2,343	0		5,270	6,851	-23%
- Farming South	0	0		1,797	1,754	2%

Financial Performance

In Q4 2019, the operating revenue for the FO farming segment was DKK 945.2 million (DKK 681.9 million). The total revenue for the farming segment increased in Q4 2019, compared with Q4 2018, mainly because of higher volumes. The operating revenue for the farming segment for 2019 was DKK 3,152.5 million (DKK 2,568.4 million).

In Q4 2019, the farming segment's EBIT amounted to DKK 460.2 million (DKK -58.9 million). The farming segment's EBIT for 2019 was DKK 1,028.8 million (DKK 1,065.9 million).

Operational EBIT amounted to DKK 338.3 million (DKK 204.4 million) in Q4 2019, which corresponds to an operational EBIT margin of 36% (30%). For 2019, operational EBIT was DKK 1,103.0 million (DKK 965.7 million).

Operational EBIT/kg for the farming segment was DKK 18.87 (NOK 25.49) in Q4 2019, compared with DKK 16.71 (NOK 21.56) in Q4 2018. Operational EBIT/kg for 2019 was DKK 19.29 (NOK 25.44), compared with DKK 21.66 (NOK 27.89) for 2018.

Farming Segment – Scotland (SCO)

Please note that the comparable figures and the narrative in this section are pro forma and are not part of the consolidated Bakkafrøst accounts.

The Scottish farming segment represents the operating business of The Scottish Salmon Company PLC (SSC) which was consolidated from 8 October 2019, when Bakkafrøst gained control. The Scottish Salmon Company is committed to producing the finest quality Scottish Salmon with Scottish Provenance and full traceability. SSC has sites across the West Coast of Scotland and Hebridean Islands and is exporting globally with a focus on North America and the Far East.

Volumes

The total volumes harvested in Q4 2019 were 7,925 tonnes gutted weight (7,045 tgw). Total harvested volumes for the full year 2019 were 33,799 tonnes gutted weight (29,913 tgw), reflecting a slightly higher performance against the guidance of 33,000 tonnes provided by SSC in their first half update.

5.7 million smolts were transferred in Q4 2019 (3.5 million). For the full year 2019, 12.4 million smolts were transferred (8.6 million).

	Q4 2019
DKK 1,000	
Financial	
Total revenue	437,171
EBIT	-224,285
Operational EBIT	18,129
Farming - Operational EBIT/kg (DKK)	2.29
Volumes	
Harvested volumes (tgw)	7,925
Smolts released (thousand)	5,696

Financial Performance

In Q4 2019, the operating revenue for the SCO farming segment was DKK 437.2 million.

Operational EBIT amounted to DKK 18.1 million.

The drive in export sales and strong demand in Q4 2019 resulted in an improved operational EBIT/kg. Farming costs per kilo were impacted by mortality events in the First Half of 2019, and costs continued to be carried into Q4 2019.

VAP Segment

The VAP (value added products) segment produces skinless and boneless portions of salmon in the Faroe Islands. 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

24% (23%) of the total harvested volumes in Q4 2019 went to the production of VAP products, and 29% (19%) of the harvested volumes for 2019 went to production of VAP products.

The VAP production in Q4 2019 was 4,219 tonnes gutted weight (2,845 tgw), an increase of 48%, compared to Q4 2018. The volumes were higher, and the segment had higher contract coverage in Q4 2019, compared to Q4 2018. For 2019, the VAP production was 16,690 tgw (8,355 tgw).

DKK 1,000	Q4 2019	Q4 2018	Change	YTD 2019	YTD 2018	Change
Financial						
Total revenue	248,900	108,990	128%	964,484	364,827	164%
EBIT	36,588	20,401	79%	63,727	-22,424	384%
Operational EBIT	36,588	3,330	999%	63,727	-22,424	384%
VAP - Operational EBIT/kg (DKK)	8.67	1.17	641%	3.82	-2.68	242%
Volumes						
VAP produced volumes (tgw)	4,219	2,845	48%	16,690	8,355	100%
Harvested volumes used in VAP production	24%	23%	1%	29%	19%	56%
Harvested volumes sold fresh/frozen	76%	77%	0%	71%	81%	-13%

Financial Performance

The operating revenue for the VAP segment amounted to DKK 248.9 million (DKK 109.0 million) in Q4 2019. The increase in revenue is due to higher volumes in Q4 2019, compared with Q4 2018. For 2019, the VAP revenue was DKK 964.5 million (DKK 364.8 million).

The VAP segment had an EBIT amounting to DKK 36.6 million (DKK 20.4 million) in Q4 2019. Changes in onerous contracts were DKK 0.0 million (DKK 17.0 million). In 2019, the VAP segment's EBIT amounted to DKK 63.7 million (DKK -22.4 million).

Operational EBIT amounted to DKK 36.6 million (DKK 3.3 million) in Q4 2019, corresponding to an operational EBIT of DKK 8.67 (NOK 11.72) per kg gutted weight in Q4 2019, compared with DKK 1.17 (NOK 1.51) per kg gutted weight in Q4 2018.

For 2019, operational EBIT amounted to DKK 63.7 million (DKK -22.4 million), corresponding to an operational EBIT of DKK 3.82 (NOK 5.04) per kg, compared with an operational EBIT of DKK -2.68 (NOK -3.46) in 2018.

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 FO farming segment. The quality of the fish feed is important to the quality of the salmon from Bakkafrøst FO. Fishmeal, fish oil and fish feed are also sold externally.

Volumes

Havsbrún received 35,180 tonnes (46,478 tonnes) of raw material to produce fishmeal and fish oil in Q4 2019. The raw material intake depends on the fishery in the North Atlantic and available species of fish. In 2019, Havsbrún received 278,664 tonnes (302,465 tonnes) of raw material.

The production of fishmeal in Q4 2019 was 8,076 tonnes (10,801 tonnes). In 2019, Havsbrún produced 60,646 tonnes (65,141 tonnes) of fishmeal.

The production of fish oil in Q4 2019 was 2,915 tonnes (3,887 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For 2019, Havsbrún produced 9,633 tonnes (10,257 tonnes) of fish oil.

Sales of feed amounted to 28,398 tonnes (24,711 tonnes) in Q4 2019, of which the FO farming segment internally used 20,778 tonnes (21,649 tonnes) or 73.2% (87.6%). In 2019, Havsbrún sold 97,408 tonnes (77,775 tonnes) of feed, of which the FO farming segment internally used 76,583 tonnes (70,240 tonnes).

DKK 1,000	Q4 2019	Q4 2018	Change	YTD 2019	YTD 2018	Change
Financial						
Total revenue	337,976	287,689	17%	1,388,461	1,268,564	9%
EBIT	57,184	63,844	-10%	257,870	233,981	10%
EBITDA	57,699	60,407	-4%	275,796	254,281	8%
FOF - EBITDA margin	17.1%	21.0%	-19%	19.9%	20.0%	-1%
Volumes (tonnes)						
Total Feed sold	28,398	24,711	15%	97,408	77,775	25%
- Feed internal sale	20,778	21,649	-4%	76,583	70,240	9%
- Feed external sale	7,620	3,062	149%	20,825	7,535	176%
Total Feed sold	28,398	24,711	15%	97,408	77,775	25%
Fishmeal external sale	4,123	3,782	9%	31,769	43,235	-27%
Fish oil external sale	0	6	-100%	10	3,225	-100%
Received raw material	35,180	46,478	-24%	278,664	302,465	-8%

Financial Performance

The operating revenue for the FOF segment amounted to DKK 338.0 million (DKK 287.7 million) in Q4 2019, of which DKK 212.1 million (DKK 213.6 million) represented sales to Bakkafrøst's FO farming segment, corresponding to 62.7% (74.3%). For 2019, the revenue amounted to DKK 1,388.5 million (DKK 1,268.6 million) of which DKK 780.7 million (DKK 682.1 million) represented sales to Bakkafrøst's FO farming segment, corresponding to 56.2% (53.8%).

Total revenue for the FOF segment in Q4 2019 increased 17%, compared to the same quarter last year. The internal revenue is on the same level as in Q4 2018, but the external sales have increased signifi-

cantly. The increase in external revenue is due to higher volumes of feed sold in Q4 2019, compared to Q4 2018.

EBITDA was DKK 57.7 million (DKK 60.4 million) in Q4 2019, and the EBITDA margin was 17.1% (21.0%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed. For 2019, the EBITDA was DKK 275.8 million (DKK 254.3 million), corresponding to an EBITDA margin of 19.9% (20.0%).

Outlook

Market

The global supply of Atlantic salmon increased around 3% in Q4 2019, compared to Q4 2018, according to the latest estimate from Kontali Analyse.

In Q1 2020, the global harvest of Atlantic salmon is expected to increase around 1%, compared to Q1 2019. The estimated global harvest of Atlantic salmon for 2020 is an increase of around 4%, compared to 2019.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia. During 2019, 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 in the Faroe Islands is good, and the overall operational performance is very good. There are many possibilities in the Scottish operation, it will however take time to transform its operational performance. The estimates for harvest volumes and smolt releases in both geographies 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, including farming supply vessels for mechanical delousing and mechanical cleaning of nets in the pens. During 2019, Bakkafrost's specialized crews onboard these vessels have further refined their skills and methods resulting in improved fish welfare.

The quality and performance of the smolts have also increased significantly and there are clear signs that the large smolt and non-medical delousing strategies are working successfully in the Faroe Islands. Looking ahead, Bakkafrost will extend these strategies into the farming operation in The Scottish Salmon Company.

Overall, the biological performance in the Faroese operation has been strong during 2019 with good growth and low mortality rates.

In 2020, Bakkafrost expects to harvest 57,000 tonnes gutted weight in the Faroe Islands and 35,000 tonnes gutted weight in Scotland.

Farming SCO has signed contracts for around 32% of the expected harvest volumes in Farming SCO in 2020. These contracts usually last for 12 months.

Bakkafrost expects to release 15.0 million smolts in 2020 in the Faroe Islands, compared to 12.7 million smolts in 2019 and 12.6 million smolts in 2018. The smolt release in Scotland is expected to be 10.7 million smolts in 2020, compared to 12.4 million smolts in 2019 and 8.6 million smolts in 2018.

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 40% of the expected Faroese harvest volumes in Q1 2020 and 30% of the harvest volume for 2020. Bakkafrost's long-term strategy is to sell around 40-50% of the Faroese 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 2020 recommendation for blue whiting is 1,162 thousand tonnes, which corresponds to an increase of 2%, compared to ICES's recommendation for 2019.

Bakkafrost expects a decrease in production volumes of fishmeal and fish oil in 2020, compared to 2019.

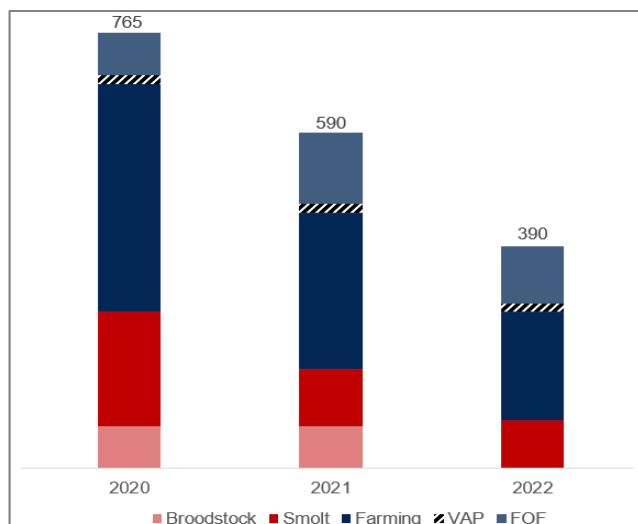
Havsbrún has increased the expectation for sales of fish feed in 2020 to be at 110,000 tonnes, depending on external sales.

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

Investments

Bakkafrost's investment programme for the period from 2020 to 2022, excluding investments in The Scottish Salmon Company, will amount to around DKK 1.8 billion, including maintenance capex, and will reinforce Bakkafrost's integrated business model and ensure a capacity across the value chain to be able to produce 100,000 tonnes gutted weight of salmon in the Faroe Islands. The aim of the investment programme is to minimize the biological risk, increase efficiency and create sustainable organic growth. Bakkafrost's focus on producing larger smolts plays a key role in achieving this goal.

mDKK



In addition to the planned investments in the value chain in the Faroe Islands, Bakkafrost expects to make investments of around 350 mDKK per year for 2020-2024 in The Scottish Salmon Company.

Financial

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

During Q4 2019, Bakkafrost refinanced its bank facilities amounting to 352 mEUR with a further accordion option of 150 mEUR. In addition, bank facilities amounting to 100 mGBP were ensured to refinance The Scottish Salmon Company. Bakkafrost also issued shares in Q3 and Q4 2019 amounting to 5,142 mNOK to finance the acquisition of The Scottish Salmon Company.

A high equity ratio together with Bakkafrost's bank financing, makes Bakkafrost's financial situation strong. This enables Bakkafrost to carry out its investment plans in the Faroe Islands as well as in Scotland, hereby strengthening the Group, enabling M&A's and organic growth opportunities as well as to fulfil its unchanged dividend policy in the future.

Risks

Biological risk has been and will be a substantial risk for Bakkafrost.

The company's risk profile has changed after the acquisition of SSC, and a new risk profile has been written. We have chosen to include the new profile in this report as Appendix 1. The change basically concerns the specific conditions that are added in connection with SSC, but the change in description is not limited to these conditions.

Bakkafrost is, as explained in the Annual Report 2018, exposed to the salmon price. Global supply of salmon is expected to increase in 2020 and will influence the salmon price.

Reference is made to the Outlook section of this report for other comments to Bakkafrost's risk exposure and to Appendix 1.

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 2019 to 31 December 2019.

The interim report, which has not been audited or reviewed by the company's independent auditors, has been prepared in accordance with IAS 34 Interim

Financial Reporting as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the interim report gives a true and fair view of the Group's financial positions at 31 December 2019, as well as the results of the Group activities and cash flows for the period 1 January 2019 to 31 December 2019.

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. Please see changes in the Group's most significant risks and uncertainties described in the revised Appendix 1.

Glyvrrar, February 20th, 2020

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

Einar Wathne
Board Member

Consolidated Income Statement

For the period ended 31 December 2019

DKK 1,000	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Operating revenue	1,604,842	750,348	4,511,107	3,177,422
Purchase of goods	-351,707	-332,721	-1,354,921	-1,074,645
Change in inventory and biological assets (at cost)	-163,222	154,416	-29,423	199,696
Salary and personnel expenses	-184,806	-103,518	-512,761	-353,756
Other operating expenses	-360,611	-186,569	-978,787	-674,907
Depreciation	-129,245	-51,447	-310,115	-198,898
Operational EBIT *	415,251	230,509	1,325,100	1,074,912
Fair value adjustments of biological assets	-103,098	-239,548	-220,567	195,819
Onerous contracts	0	17,076	0	0
Income from associates	3,653	11,104	13,812	9,369
Revenue tax	-14,487	-24,036	-99,128	-95,867
Earnings before interest and taxes (EBIT)	301,319	-4,895	1,019,217	1,184,233
Net interest revenue	3,397	562	4,996	2,651
Net interest expenses	-9,704	-2,262	-17,114	-12,477
Net currency effects	-14,500	293	-12,670	1,419
Other financial expenses	-9,740	-519	-12,513	-3,760
Earnings before taxes (EBT)	270,772	-6,821	981,916	1,172,066
Taxes	-51,260	201	-180,031	-211,774
Profit or loss for the period	219,512	-6,620	801,885	960,292
Profit or loss for the year attributable to				
Non-controlling interests	-8,382	0	-8,382	0
Owners of P/F Bakkafrøst	227,894	-6,620	810,267	960,292
Earnings per share (DKK)	4.25	-0.14	15.53	19.74
Diluted earnings per share (DKK)	4.25	-0.14	15.53	19.74

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

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2019

DKK 1,000	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Profit for the period	227,894	-6,620	810,267	960,292
Changes on financial derivatives	-18,390	308	-17,789	126,935
Hereof income tax effect	2,814	-56	2,705	-22,848
Reserve to share-based payment	-3,660	569	-1,094	2,279
Currency translation differences	71,955	-1	72,673	-95
Adjustment of treasury shares	2,751	177	15,457	2,634
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	55,470	997	71,952	108,905
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0	0	0
Other comprehensive income	55,470	997	71,952	108,905
Total other comprehensive income for the period	283,364	-5,623	882,219	1,069,197
Comprehensive income for the period attributable to				
Non- controlling interests	-8,382	0	-8,382	0
Owners of P/F Bakkafrøst	291,746	-5,623	890,601	1,069,197

Consolidated Statement of Financial Position

As at 31 December 2019

DKK 1,000	31 Dec 2019	31 Dec 2018
ASSETS		
Non-current assets		
Intangible assets	4,395,687	389,745
Property, plant and equipment	3,780,499	2,884,325
Right of use assets	332,824	0
Financial assets	119,084	112,766
Long-term receivables	4,422	9,200
Total non-current assets	8,632,516	3,396,036
Current assets		
Biological assets (biomass)	1,901,729	1,358,462
Inventory	548,508	438,847
Total inventory	2,450,237	1,797,309
Accounts receivable	625,993	269,348
Deferred tax assets	37,593	0
Other receivables	45,520	22,936
Total receivables	709,106	292,284
Cash and cash equivalents	1,309,546	316,894
Total current assets	4,468,889	2,406,487
TOTAL ASSETS	13,101,405	5,802,523

DKK 1,000	31 Dec 2019	31 Dec 2018
EQUITY AND LIABILITIES		
Equity		
Share capital	59,294	48,858
Other equity	8,269,961	4,028,171
Non-controlling interests	167,620	0
Total equity	8,496,875	4,077,029
Non-current liabilities		
Deferred and other taxes	1,123,796	534,430
Long-term interest-bearing debt	2,328,231	812,053
Long-term leasing debt	225,585	0
Financial derivatives	1,966	0
Total non-current liabilities	3,679,578	1,346,483
Current liabilities		
Financial derivatives	13,493	320
Short-term leasing debt	107,808	0
Accounts payable and other debt	803,651	378,691
Total current liabilities	924,952	379,011
Total liabilities	4,604,530	1,725,494
TOTAL EQUITY AND LIABILITIES	13,101,405	5,802,523

Consolidated Cash Flow Statement

For the period ended 31 December 2019

DKK 1,000	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Earnings before interest and taxes (EBIT)	301,319	-4,895	1,019,217	1,184,233
Adjustments for write-downs and depreciation	132,974	51,447	313,844	177,898
Adjustments for value adjustment of biomass	103,098	239,548	220,567	-195,819
Adjustments for income from associates	-3,653	-11,104	-13,812	-9,369
Adjustments for currency effects	-14,500	1,119	-9,249	11,059
Taxes paid	-152,100	-201,678	-152,100	-201,678
Adjustments for provision of onerous contracts	0	-17,076	0	0
Change in inventory	-750,330	-143,066	-873,495	-198,981
Change in receivables	-318,086	-347	-425,669	103,437
Change in current debts	551,741	27,131	953,647	42,157
Cash flow from operations	-149,537	-58,921	1,032,950	912,937
Cash flow from investments				
Acquisition of immaterial assets	-3,529,397	202	-3,529,397	-12,057
Proceeds from sale of fixed assets	0	0	0	25,000
Payments for purchase of fixed assets	-261,903	-147,019	-701,504	-516,793
Net investment in financial assets	0	0	-371,130	-26,896
Change in long-term receivables	0	0	4,242	0
Cash flow from investments	-3,791,300	-146,817	-4,597,789	-530,746
Cash flow from financing				
Change in interest-bearing debt (short and long)	673,567	218,510	1,217,600	146,783
Financial income	3,397	561	4,998	2,650
Financial expenses	-10,624	-2,783	-20,807	-16,237
Lease payments	-42,274	0	-42,274	0
Net proceeds from sale of own shares	432	177	68,358	2,634
Increased equity - emission	2,014,331	0	3,731,129	0
Dividend paid	0	0	-401,513	-510,678
Cash flow from financing	2,638,829	216,465	4,557,491	-374,848
Net change in cash and cash equivalents in period	-1,302,008	10,727	992,652	7,343
Cash and cash equivalents - opening balance	2,611,554	306,167	316,894	309,551
Cash and cash equivalents - closing balance total	1,309,546	316,894	1,309,546	316,894

Consolidated Statement of Changes in Equity

As at 31 December 2019

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 01.01.2019	48,858	306,537	-15,525	6,153	6,176	-264	403,079	382,770	2,939,246	4,077,029
Consolidated profit	0	0	0	0	0	0	0	-220,567	1,071,230	850,663
<i>Other comprehensive income:</i>										
Changes in financial derivatives	0	0	0	0	0	-17,789	0	0	0	-17,789
Hereof income tax effect	0	0	0	0	0	2,705	0	0	0	2,705
Share-based payment	0	0	0	-1,094	0	0	0	0	0	-1,094
Currency translation differences	0	0	0	0	72,674	0	0	0	0	72,674
Total other comprehensive income	0	0	0	-1,094	72,674	-15,084	0	0	0	56,496
Total comprehensive income	0	0	0	-1,094	72,674	-15,084	0	-220,567	1,071,230	907,159
<i>Transaction with owners:</i>										
Share Capital increase	10,285	3,720,838	0	0	0	0	0	0	0	3,731,123
Treasury shares	0	0	15,457	0	0	0	0	0	0	15,457
Paid-out dividend	0	0	0	0	0	0	-403,079	0	1,566	-401,513
Total transaction with owners	10,285	3,720,838	15,457	0	0	0	-403,079	0	1,566	3,345,067
Total changes in equity	10,285	3,720,838	15,457	-1,094	72,674	-15,084	-403,079	-220,567	1,072,796	4,252,226
Non-controlling interests									167,620	167,620
Total equity 31.12.2019	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,179,661	8,496,875
Equity 01.01.2018	48,858	306,537	-18,159	3,874	6,271	-104,351	513,009	186,951	2,683,439	3,626,429
Consolidated profit	0	0	0	0	0	0	0	195,819	772,455	958,645
<i>Other comprehensive income:</i>										
Changes in financial derivatives	0	0	0	0	0	126,935	0	0	-138,748	-11,813
Hereof income tax effect	0	0	0	0	0	-22,848	0	0	22,848	0
Share-based payment	0	0	0	2,279	0	0	0	0	0	2,279
Currency translation differences	0	0	0	0	-95	0	0	0	0	-95
Total other comprehensive income	0	0	0	2,279	-95	104,087	0	0	-115,900	-9,629
Total comprehensive income	0	0	0	2,279	-95	104,087	0	195,819	656,555	958,645
<i>Transaction with owners:</i>										
Treasury shares	0	0	2,634	0	0	0	0	0	0	2,634
Paid-out dividend	0	0	0	0	0	0	-513,009	0	2,331	-510,678
Proposed dividend	0	0	0	0	0	0	403,079	0	-403,079	0
Total transaction with owners	0	0	2,634	0	0	0	-109,930	0	-400,748	-508,044
Total changes in equity	0	0	2,634	2,279	-95	104,087	-109,930	195,819	255,807	450,601
Total equity 31.12.2018	48,858	306,537	-15,525	6,153	6,176	-264	403,079	382,770	2,939,245	4,077,029

Notes to the Account

Accounting Policy

General Information

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

The Group's Annual Report as at 31 December 2018 is available upon request from the company's registered office at Bakkavegur 9, FO-625 Glyvvar, 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 2018.

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 2018. The Group has, however, as mentioned in the Annual Report 2018, applied the IFRS 16 Leases standard from 1 January 2019.

The company has chosen to reproduce the note on biological assets from the Annual Report 2018. The information in the note is adjusted, as Bakkafrøst has included Farming Scotland in the calculation model in Q4 2019. Some of the components in the model now includes figures for both Farming Faroe Islands and Farming Scotland. The adjusted model involves calculation techniques and does not represent a change in accounting policies.

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 2018.

The company's risk profile has changed after the acquisition of SSC, and a new risk profile has been written. We have chosen to include the new profile in this report as Appendix 1. The change basically concerns the specific conditions that are added in connection with SSC, but the change in description is not limited to these conditions.

Note 4. Biomass

	31 Dec 2019	31 Dec 2018
DKK 1,000		
Biological assets carrying amount 01.01.	1,358,462	1,096,665
Increase due to production or purchases	2,021,601	1,333,160
Increase due to acquisitions - incl fair value	667,482	0
Reduction due to harvesting or sale (costs of goods sold)	-1,921,456	-1,273,150
Fair value adjustment at the beginning of the period reversed	-244,034	-186,956
Fair value adjustment at the end of the period	27,695	382,775
Reversal of elimination at the beginning of the period	53,790	59,758
Eliminations	-59,121	-53,790
Currency translation differences	-2,689	
Biological assets carrying amount at the end of the period	1,901,730	1,358,462
Cost price biological assets	1,935,845	1,029,477
Fair value adjustment at the end of the period	27,695	382,775
Eliminations	-59,121	-53,790
Currency translation differences	-2,689	0
Biological assets carrying amount	1,901,730	1,358,462
Biomass (tonnes)		
< 1 kg	5,210	1,958
1 kg < 2 kg	8,649	2,959
2 kg < 3 kg	10,334	5,189
3 kg < 4 kg	14,146	6,010
4 kg <	22,980	22,962
Volume of biomass at sea	61,319	39,078

	31 Dec 2019	31 Dec 2018
Number of fish (thousand)		
< 1 kg	12,801	4,951
1 kg < 2 kg	5,481	2,113
2 kg < 3 kg	4,271	2,044
3 kg < 4 kg	4,148	1,782
4 kg <	4,633	4,359
Total number of fish at sea	31,334	15,249
Number of smolt released (thousand)		
Farming North	5,585	3,978
Farming West	5,270	6,851
Farming South	1,797	1,754
Farming Scotland*	5,696	n/a
Total number of smolts released	18,348	12,583
*SSC released 6.7 thousand smolts from Q1 to Q3 2019		
Sensitivity in DKK 1,000		
Change in discount rate +1%	-101,607	-93,586
Change in discount rate -1%	115,364	104,991
Change in salesprice +5 DKK	251,416	224,143
Change in salesprice -5 DKK	-251,416	-224,143
Change in biomass volume +1%	5,836	6,551
Change in biomass volume -1%	-5,836	-6,551
One year forward prices in EUR FCA Oslo*		
Period end	7.24	6.01
1 Q (forward)	6.72	6.48
2 Q (forward)	6.75	6.52
3 Q (forward)	5.51	5.94
4 Q (forward)	5.62	6.12
* Source Fish Pool		

VALUATION OF BIOLOGICAL ASSETS

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

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

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

For the second group, the fair value is calculated by applying a present value model at level 3 in the fair value hierarchy in IFRS 13. In accordance with the principle in IFRS 13 for highest and best use, the Group considers optimal harvest weight to be for Farming FO 5.2 kg gutted weight (6.3 kg live weight) and for Farming SCO 4.8 kg gutted weight (5.9 kg live weight).

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 for Farming FO 0.6% and for Farming SCO 0.9% of the number of incoming fish per month.

Cost

Estimated future costs are based on the Group's prognoses per locality. Cost comprises mainly feed-, production-, harvest- and transport costs.

Price

Estimated sales prices are based on:

FO: externally quoted prices from Fish Pool

SCO: A mixture of externally quoted prices from Fish Pool and already contracted prices

Fish Pool is a marketplace 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, Bakkafrøst's opinion is that the observable forward prices must be seen as the best approach to a price for the sale of salmon.

The prices are reduced for harvesting costs, freight costs to market to arrive at a net value back-to-farm and for Farming FO also revenue tax. The valuation also reflects the expected quality grading.

Discounts

The estimated future cash flow is discounted monthly. The monthly discount rate at 31 December 2018 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, cost 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.

Bakkafrøst uses a common indicator and threshold for all farming sites to assess normal and abnormal mortality. Indication of abnormal mortality is when a farming site in a month registers mortality exceeding 1.5% for Farming FO and 4% for Farming SCO of the incoming number of fish. A more detailed assessment is then carried out to evaluate, whether mortality is abnormal. These assessments take into account the cause of mortality and the size of the fish.

SIGNIFICANT ASSUMPTIONS

SENSITIVITY

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

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

Note 5. Segments

Farming segment – FO	Q4	Q4	YTD	YTD
DKK 1,000	2019	2018	2019	2018
External revenue	792,857	567,313	2,501,646	2,226,118
Internal revenue	152,339	114,538	650,816	342,248
Total revenue	945,196	681,851	3,152,462	2,568,366
Operating expenses	-544,632	-435,247	-1,842,117	-1,448,251
Depreciation and amortization	-62,243	-42,204	-207,344	-154,456
Operational EBIT	338,321	204,400	1,103,001	965,659
Fair value adjustments of biological assets	139,316	-239,548	21,847	195,819
Income from associates	-2,977	311	3,119	311
Revenue tax	-14,487	-24,036	-99,127	-95,866
Earnings before interest and taxes (EBIT)	460,173	-58,873	1,028,840	1,065,923
Net financial items	-23,702	1,719	-25,919	-10,008
Earnings before taxes (EBT)	436,471	-57,154	1,002,921	1,055,915
Taxes	-73,168	14,166	-174,533	-170,527
Profit or loss for the period	363,303	-42,988	828,388	885,388

Farming segment - SCO	Q4	YTD
DKK 1,000	2019	2019
External revenue	437,171	437,171
Total revenue	437,171	437,171
Operating expenses	-362,372	-362,372
Depreciation and amortization	-56,670	-56,670
Operational EBIT	18,129	18,129
Fair value adjustments of biological assets	-242,414	-242,414
Earnings before interest and taxes (EBIT)	-224,285	-224,285
Net financial items	-4,977	-4,977
Earnings before taxes (EBT)	-229,262	-229,262
Taxes	37,886	37,886
Profit or loss for the period	-191,376	-191,376

Value added products DKK 1,000	Q4 2019	Q4 2018	YTD 2019	YTD 2018
External revenue	248,900	108,990	964,484	364,827
Internal purchase of raw material	-152,339	-114,538	-650,816	-342,248
Operating expenses	-56,786	10,766	-232,459	-29,918
Depreciation and amortization	-3,187	-1,888	-17,482	-15,085
Operational EBIT	36,588	3,330	63,727	-22,424
Provision of onerous contracts	0	17,071	0	0
Earnings before interest and taxes (EBIT)	36,588	20,401	63,727	-22,424
Net financial items	-44	-64	-541	-519
Earnings before taxes (EBT)	36,544	20,337	63,186	-22,943
Taxes	-6,579	-3,660	-11,375	31
Profit or loss for the period	29,965	16,677	51,812	-22,912

In 2019, one customer – as defined in IFRS 8.34 – represents DKK 510 million, corresponding to 53% of the revenue in the VAP segment.

Fishmeal, Fish Oil and Fish Feed	Q4	Q4	YTD	YTD
DKK 1,000	2019	2018	2019	2018
External revenue	125,913	74,045	607,807	586,477
Internal revenue	212,063	213,644	780,654	682,087
Total revenue	337,976	287,689	1,388,461	1,268,564
Cost of goods sold	-235,324	-200,042	-915,377	-835,035
Operating expenses	-44,953	-27,240	-197,288	-179,248
Depreciation and amortization	-7,145	-7,355	-28,619	-29,357
Operational EBIT	50,554	53,052	247,177	224,924
Income from associates	6,630	10,792	10,693	9,057
Earnings before interest and taxes (EBIT)	57,184	63,844	257,870	233,981
Net financial items	-1,825	-3,581	-5,863	-1,640
Earnings before taxes (EBT)	55,359	60,263	252,007	232,341
Taxes	-9,580	-10,305	-44,976	-41,278
Profit or loss for the period	45,779	49,958	207,030	191,063

Reconciliation of reportable segments**to Group earnings before taxes (EBT)****DKK 1,000**

	Q4	Q4	YTD	YTD
	2019	2018	2019	2018
Farming FO	436,471	-57,154	1,002,921	1,055,915
Farming SCO	-229,262	n/a	-229,262	n/a
VAP (Value added products)	36,544	20,337	63,186	-22,943
FOF (Fishmeal, Fish oil and fish Feed)	55,359	60,263	252,007	232,341
Eliminations	-28,340	-30,268	-106,934	-93,248
Group earnings before taxes (EBT)	270,772	-6,822	981,917	1,172,065

Assets and liabilities per segment**DKK 1,000**

	31 Dec	31 Dec
	2019	2018
Farming FO	6,520,228	4,860,227
Farming SCO	5,640,009	n/a
VAP (Value added products)	170,158	192,841
FOF (Fishmeal, Fish Oil and Fish Feed)	814,673	749,455
Eliminations	-43,663	0
Total assets	13,101,405	5,802,523
Farming FO	2,700,710	1,482,751
Farming SCO	1,696,465	n/a
VAP (Value added products)	52,772	31,075
FOF (Fishmeal, Fish Oil and Fish Feed)	164,689	209,634
Eliminations	-10,106	2,034
Total liabilities	4,604,530	1,725,494

Note 6. Capital Commitments

The Group had capital expenditure committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 325 million. DKK 107 million relate to the building of new hatchery stations in the Faroe Islands. DKK 121 million relate to new marine sites and development of an existing freshwater site in Scotland. DKK 7 million relate to the building of the new biogas plant in the Faroe Islands.

Note 7. Transactions with Related Parties

Note 5.2 in Bakkafrøst's Annual Report for 2018 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 31 December 2019, the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000	Cost				
Assets and liabilities measured at fair value	Fair value	amount	Level 1	Level 2	Level 3
Biological assets (biomass)	1,901,730	1,874,035	0	0	1,901,730
Assets measured at fair value 31/12-2019	1,901,730	1,874,035	0	0	1,901,730
Liabilities measured at fair value 31/12-2019	0	0	0	0	0
Biological assets (biomass)	1,358,462	975,687	0	0	1,358,462
Assets measured at fair value 31/12-2018	1,358,462	975,687	0	0	1,358,462
Liabilities measured at fair value 31/12-2018	0	0	0	0	0

Note 9. Business Combinations

On 25 September 2019, Bakkafrøst signed a binding Share Purchase Agreement (SPA) to acquire 68.6% of the outstanding shares in the Scottish Salmon Company (SSC) from Northern Link Ltd. The closing date was 8 October 2019. Further acquisition has been made in Q4, and at 31 December 2019 Bakkafrøst held 95.6% of the shares in SSC.

SSC is an integrated salmon farming business operating exclusively in Scotland with 60 sites across the West Coast and Hebridean Islands. The company is engaged in nearly all stages of the value chain ensuring full traceability and total supply chain integrity. The current annual production capacity is 50,000 tonnes. SSC produced 33,798 tonnes gutted weight in 2019 and exported to 21 countries with a focus on North America and the Far East. SSC has developed a range of strong flagship brands, including Native Hebridean Salmon, Tartan Salmon Label Rouge and Lochlander Salmon. The company has 651 employees.

SSC's main office is in Edinburgh, Scotland.

Strategic Rationale

The strategic rationale for the acquisition includes the following:

- Provides Bakkafrøst access to the Scottish farming region, which is a niche farming region with Scottish provenance products priced at a premium to the market.

- Creates a combined differentiated global leader in premium salmon with dual exposure to both Faroe Islands and Scottish premium salmon.

- Positive diversification of Bakkafrøst's operations from a pure play Faroe Islands company to a presence in two attractive salmon farming markets while remaining both developed markets and premium product focused.

- Potential for material improvement in The Scottish Salmon Company's profitability over a five-year horizon through realization of identified synergies, transfer of best practices and a targeted investment programme. Bakkafrøst expects to generate synergies in three key areas mainly related to Feed and Procurement, Sales Cooperation and SG&A and Overhead savings.

- Feed & Procurement: Bakkafrøst produces fish feed with a significantly higher marine index, compared to industry feed. Supplying feed to SSC would result in fixed cost efficiency at Bakkafrøst's feed facilities through intercompany sales of higher quality feed to SSC. Net synergy estimated at DKK 1.2 per kg feed, equating to annual synergies of approximately DKK 70 million from 2022 onwards (~NOK 2.6 / kg of SSC harvested salmon).

- Sales Cooperation: Both SSC and Bakkafrøst market premium salmon and brands that obtain a significantly higher price due to provenance and product differentiation. Both companies plan to drive efficiencies by

coordinating sales efforts going forward taking advantage of relative distribution strengths in global markets.

- SG&A & Overheads: Leaner head office structure in Scotland (through discontinuing the listed functions of SSC).

Bakkafrøst also believes that there is the potential for transfer of best practices including (i) secondments to stimulate identification and transfer of best practices, (ii) implementation of better farming procedures for improved cost performance, (iii) gradual consolidation of sites, (iv) mitigation of biological threats through delousing expertise. The overall result of these actions is expected to result in larger fish improving price achievement and profitability.

Bakkafrøst also plans to make targeted investments to achieve the efficiencies outlined above. These include investment in a new modern recirculation plant for smolt production replacing SSC's large number of small smolt facilities. Additionally, investments are planned to be directed towards replacing SSC's existing sea water equipment.

Bakkafrøst is committed to strong cooperation with local communities and authorities and hopes to stimulate employment through significant investment in the business. Additionally, Bakkafrøst is committed to ongoing work to strengthen the Scottish regulatory framework.

Net assets acquired

The majority of SSC's intangible assets is related to licenses. Licenses are viewed as perpetual in nature and are thus not amortized but made subject to an annual impairment review.

We have identified three significant brand names in SSC, namely Tartan Salmon, Lochlander Salmon and Native Hebridean. The remaining volumes are sold under the general Scottish Salmon Company brand, to a large extent to wholesalers and direct to customers. Brand is valued by the income approach by calculating the net present value (NPV).

We expect that most of the excess value from the transaction is related to licenses, and the question will be where to draw the line between goodwill and licenses. In the PPA, we have allocated value to all other identified assets including brand value, and the remaining excess value is subsequently allocated to licenses. We have then assessed this value by utilizing a top-down market approach.

We have not seen any indicators that the respective trade names have a definite expected life.

The aggregated goodwill of DKK 550.4 million recognized, arises from the tax calculations on the fair value adjustments. The table below summarizes the consideration paid for SSC and the assessed fair value of the assets acquired and liabilities assumed, recognized at the acquisition date.

The figures provided are subject to further scrutiny and may change as Bakkafrøst becomes able to gain access to more information from SSC.

Acquisition-related costs were expensed to the profit or loss as incurred and included within operating cash flows in the Statement of Cash Flow.

Total cost for Bakkafrøst are DKK 10.8 million and costs held by SSC are DKK 57.0 million.

The assets and liabilities recognized are as follows:

	Book Value	Fair Value	
	8/10/2019	adjustment	8/10/2019
DKK 1,000,000			
Goodwill	50.9	499.6	550.4
Licenses	201.8	3,131.6	3,333.5
Brands	-	108.4	108.4
Property, plant and equipment	702.2	-	702.2
Accounts receivables	123.4	-	123.4
Inventories	31.7	-	31.7
Biological assets	660.5	-	660.5
Other current assets, excluding cash and bank	40.9	-	40.9
Cash, bank and marketable securities	32.5	-	32.5
Total assets	1,844.0	3,739.6	5,583.6
Deferred taxes	1.7	551.3	552.9
Other long-term liabilities	198.5	-	198.5
Long-term liabilities, interest-bearing	192.7	-	192.7
Current liabilities, interest-bearing	108.4	-	108.4
Accounts payable	201.8	-	201.8
Other current liabilities	239.4	-	239.4
Current taxes	8.3	-	8.3
Total liabilities	950.7	551.3	1,502.0
Net assets acquired			4,081.5
Purchase price allocation:			
Purchase price for shares (68.6%)			2,800.4
Purchase price for shares (100%)			4,081.5
Transaction value (market value of equity)			4,081.5

2018:

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

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

The key employees of North Landing continued in Bakkafrøst USA LLC.

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

The fair value of property, plant and equipment was determined based on 3rd party valuation.

From 1 July to 31 December 2018, the acquired business contributed with a result of DKK -8.5 million to the Group's result.

Identifiable assets assumed:

DKK 1,000	
Intangible assets	13,948
Property, plant and equipment	13,372
Inventory	1,590
Total net identifiable assets	28,910

Note 10. Pro forma figures

On 8 October 2019, Bakkafrost acquired 68.6% of the share capital in the Scottish Salmon Company Plc. Consequently, the comparison figures for 2019 do not provide an adequate basis for comparison as the Scottish Salmon Company is incorporated into the Profit & Loss statement from 8 October 2019.

In order to give an adequate basis for comparison, the following pro forma financial information, which presents the Profit & Loss statement as if the merger took place on 1 January 2019, is provided. The pro forma financials present the joint activity as one reporting entity for the period. The pro forma figures are based on the actual financial figures of the Groups.

DKK 1,000	Proforma 2019
Operating revenue	5,779,903
Operating costs	-3,859,827
Depreciation	-503,474
Operational EBIT *	1,416,602
Fair value adjustments of biological assets	-670,764
Income from associates	13,812
Revenue tax	-99,128
Earnings before interest and taxes (EBIT)	660,522
Net financial items	-58,361
Earnings before taxes (EBT)	602,161
Taxes	-118,876
Profit or loss for the period	483,285

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

Note 11. 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, lease liabilities, 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 Dec 2019	31 Dec 2018
DKK 1,000		
Cash and cash equivalents	1,309,546	316,894
Derivatives	0	-320
Long- and short-term interest-bearing debt	-2,328,231	-812,053
Net interest-bearing debt	-1,018,685	-495,479

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.

	Q4 2019	Q4 2018	YTD 2019	YTD 2018
DKK 1,000				
EBIT	301,319	-4,895	1,019,217	1,184,233
Fair value adjustments of biological assets	103,098	239,548	220,567	-195,819
Onerous contracts	0	-17,077	0	0
Income from associates	-3,653	-11,104	-13,812	-9,369
Revenue tax	14,487	24,037	99,128	95,866
Operational EBIT	415,251	230,509	1,325,100	1,074,912

Operational EBIT per kg

Farming segment:	<u>Operational EBIT Farming segment</u> Total harvested volumes (gw)
VAP segment:	<u>Operational EBIT VAP segment</u> Total volumes produced (raw material gw)
Farming and VAP:	<u>Operational EBIT Farming and VAP segment</u> 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 segment's 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.

	Q4 2019	Q4 2018	YTD 2019	YTD 2018
DKK 1,000				
Profit for the year to the shareholders of P/F Bakkafrøst	219,512	-6,620	801,885	960,292
Fair value adjustment of biomass	103,098	239,548	220,567	-195,819
Onerous contracts provisions	0	-17,076	0	0
Tax on fair value adjustment and onerous contracts provisions	-18,558	-40,045	-39,702	35,247
Adjusted profit for the year to shareholders of P/f Bakkafrøst	304,052	175,807	982,750	799,720
Time-weighted average number of shares outstanding through the year	51,624,366	48,645,774	51,624,366	48,645,774
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)	5.89	3.61	19.04	16.44

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.

	Q4 2019	Q4 2018	YTD 2019	YTD 2018
DKK 1,000				
Group -Operational EBIT	415,251	230,509	1,325,100	1,074,912
Average capital employed	10,149,156	5,394,036	8,770,506	5,001,249
ROCE	4.1%	4.3%	15.1%	21.5%

Appendix 1 – Risk Factors

Risks related to the Group's business and the industries in which it operates

The Bakkafrost Group is exposed to a number of different risks, and risks will always be a natural part of our business activities. Risk management is therefore crucial, so that the risks Bakkafrost is exposed to, and the potential financial impact of these are reduced to an acceptable level.

Bakkafrost has general operational and business risks arising from the normal business activities in the value chain. In addition to the operational risks, Bakkafrost is exposed to markets and financial risks arising from the normal business activities in the value chain.

RISK MANAGEMENT STRUCTURE AND PROCESS

The Board of Directors has the final responsibility for the risk management of the Group. The Board of Directors determines the framework for identifying and mitigating risks. The Audit Committee supervises the risk management.

The Group Management is responsible for the daily compliance with the risk management framework and the Group's daily risk management. The Group Management assesses the Group's main risks on an ongoing basis, based on weekly or monthly reporting from the organization on business activities, market development, technology etc. The ongoing risk assessment is followed up yearly with an extensive risk analysis for the whole Group. The risks are assessed and quantified and reported to the Group Management. The latest analysis of the Group's risks was in December 2019.

OPERATIONAL RISKS

Farming

One of the largest risk factors Bakkafrost is exposed to is the biological risk in the sea water grow-out stage. Examples of such risks are direct threats to the fish such as diseases, sea lice and algae blooms. Although comprehensive measures are put in place to mitigate negative impact arising from exposure to such threats, there is always a variation in key performance indicators such as mortality, growth, yield per smolt, price achievement versus reference prices, feed conversion ratio, costs of mechanical and medicinal treatment, and required following time between generations for sites or larger geographic areas. The impact from being exposed to such risks can vary from minor cost variations to a complete wipe-out of the biomass in a vast geographic area. Due to exceptionally good mitigating measures in the Faroe Islands, outcome on key performance indicators has been attractive in recent years. In Scotland, however, the corresponding scores have generally been less attractive and have had a significantly higher volatility.

Although operational risks are, to a certain extent, reflected in budgets by means of estimates for mortality and the percentage of fish whose quality is downgraded in connection with primary processing, such risks might, if occurring, materially affect Bakkafrost's results and financial condition. Bakkafrost's operations can also be materially impacted by what is classified as normal operating risks, e.g. quality from suppliers and sub-suppliers, etc. The salmon farming industry is associated with a high level of biological risk, and Bakkafrost aims at reducing that risk through the entire production cycle by means of systematic group-wide biosecurity auditing.

Mortality

The farming industry in the Faroe Islands has in the last decade experienced a lower mortality rate than the rest of the farming industry. However, in 2017, 2018 and part of 2019, Bakkafrost experienced an increase in the mortality rate mainly due to a shift from medical to mechanical lice treatment. In Q4 2019, however, the mortality rate has decreased and is now back to the level prior to 2017. The increase in mortality in 2017, 2018 and part of 2019 demonstrates that changes in farming methods can have a significant impact on the mortality.

Price premium

In recent years, Bakkafrost and SSC have had a higher price achievement, comparing to reference prices. This price premium is based on, amongst other things, brand, salmon quality and sizes. This price premium can only be obtained if Bakkafrost as a Group also in the future will be able to differentiate from the rest of the farming industry. Bakkafrost Group strives to maintain this position in the market.

Storms

The growth rate of farmed salmon depends, among other things, on weather conditions. Unexpected warm or cold temperatures can have a significant negative impact on growth rates and feed consumption. Bakkafrost operates at sea under sometimes challenging conditions. This can result in incidents or necessary measures that may have significant cost implications, e.g. unexpected maintenance/repairs or escaped fish, even if Bakkafrost is continually working on reducing risks using experience with equipment, location and operational organization.

Disease

Operation of fish farming facilities involves considerable risk with regard to diseases. In the case of an outbreak of disease, Bakkafrost will, in addition to the direct loss of fish, incur substantial costs in the form of premature harvesting, loss of quality of harvested fish and subsequent periodic reduced production capacity. Examples of diseases being prevalent in the Faroe Islands in recent years are Amoebic gill disease (AGD), Bacterial kidney disease (BKD), Infectious salmon anaemia (ISA), Cardiomyopathy syndrome (CMS) and Heart and skeletal muscle inflammation (HSMI). Corresponding diseases prevalent in Scotland are in addition to above Pancreas disease (PD) as an example.

Escapes

Bakkafrost has a zero tolerance for escape of farmed salmon. However, the Company operate a large number of sea water sites, each of which are exposed to risks linked to bad weather, handling of fish, changing of nets, operations of workboats and well boats, predators etc. Escapes normally occur as a result of equipment failure or mistakes made by the personnel. The direct financial exposure to escapes is moderate due to the geographic diversification of the sites. The indirect effects such as spread of diseases, negative impact on wild salmon, governmental penalties and negative publicity are hard to quantify for the accounts of Bakkafrost and for the society as a whole. Procedures, quality assurance systems and new technological solutions are important elements to mitigate the risk of escapes.

Deformities

As the aquaculture industry has evolved and developed, the biological limits for how fast fish can grow have also been challenged. As with all other forms of intensive food production, a number of production-related disorders arise, i.e. disorders caused by intensive farming methods.

As a rule, such disorders appear infrequently, but certain populations can be severely affected. The most important production-related disorders relate to physical deformities and cataracts. These invariably cause financial loss by way of reduced growth and inferior health, reduced quality on harvesting and damage to the industry's reputation.

Cyber security

With the increased use of technologies such as the internet to conduct business, the Group, service providers to the Group and Oslo Børs are susceptible to operational, information security and related "cyber" risks both directly and indirectly, which could result in material adverse consequences for the Group and the shareholders, such as causing disruptions and impacting business operations, potentially resulting in financial losses. Unlike many other types of risks faced by the Group, these risks are typically not covered by any insurance. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber incidents include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). In recent periods examples have shown that large industrial groups can be subject to complete shutdowns as result of cyber-attacks. For Bakkafrost, such incident would require personnel to apply manual back-up systems to the extent possible. The most exposed area of the Company's value chain in case of cyber-attacks is processing and sales. For shorter periods of time, harvestable fish can be held in sea water sites pending a solution to such negative event, which would imply a delay in profits and cash flows.

Fishmeal, fish oil and fish feed

The production of fishmeal, fish oil and fish feed follow established methods with automated and controlled processes. As self-sufficient operator of fishmeal, fish oil and fish feed, Bakkafrost is exposed to certain risks which may require purchase of fish feed from a third party. For example, Bakkafrost is vulnerable to food safety incidents, downtime and possible insufficient supply of raw material input. Unexpected shortfalls in raw material due to limited catch volumes or limited delivery or purchase of fish or supply of substitutes could affect the volumes produced in the factory. This may result in incidents or necessary measures that may have significant cost implications. Bakkafrost is continually working on reducing risks. The Company's fishmeal, fish oil and fish feed department at Havsbúrn's facilities is located in the Faroe Islands, in which case the Company's business could be materially adversely affected directly from any trade restrictions, or indirectly through restrictions on ocean harvests or quotas. Although any salmon farmer being a net buyer of fish feed is also indirectly exposed to the same risk factors, this risk is normally mitigated contractually through replacement obligations from a third party.

Feed contaminants

Feed may, through its use of different types of raw materials and ingredients and through its production processes, be exposed to contamination by a number of undesirable substances. Most contaminants are accumulated in organisms, such as marine wild catch used to produce fishmeal and fish oil. These contaminants are deposited into the organism's fat, and the concentration is greater the higher up the food chain. Authorities set maximum allowable levels for the most important contaminants. These limits are continuously monitored by the authorities and may be altered. There is also the possibility of "new" contaminants being added periodically to the list.

Generally, contamination may occur either accidentally or deliberately through malicious product tampering. Such contamination has the potential to affect the environment, fish health and/or food safety, with a potential negative impact on the public's confidence in eating salmon. Any of these events could have a negative impact on Bakkafrøst's operating result and financial condition. Future legislation may increase the risk of non-compliance and the cost of ensuring compliance. The reputation risk associated with non-compliance may be significant even if there is no impact on the environment, fish health or food safety.

The Company's feed department, Havsbrún, operates a number of controls to reduce the risk of contamination. Examples of measures and controls, included in HACCP and ISO procedures, include supplier audits and supplier specifications of raw materials, targeted sourcing of raw materials, regular raw material and finished feed quality control analyses, procedures for cleaning of fish oils, etc. and strict plant security procedures. The risks, however, can never be completely eliminated.

Contaminants that may be a risk for fish feed include, but are not limited to, organic contaminants such as dioxins and DL-PCBs, mycotoxins, pesticides, antioxidants such as Ethoxyquin and BHT, brominated flame retardants and bacterial contamination and inorganic contaminants such as lead, mercury, arsenic and cadmium.

Even though all tests show that the levels of pollutants in the Bakkafrøst salmon are well within the safety limits, imposed by e.g. the European Union, Bakkafrøst has from early 2015 cleaned the fish oil used for Bakkafrøst's salmon feed for DL-PCBs and other pollutants, and since early 2018, the antioxidant, Ethoxyquin, has been replaced with natural antioxidant.

The feed may also, through accidents or tampering, be contaminated by other inorganic substances such as mineral oil, physical objects, etc. Several substances in addition to the list above are being monitored.

Regulatory

Regulatory impositions due to environmental or animal welfare concerns may materially impact the Company's operations and financial condition. The Company emphasises to organize its operations so that the risk for unexpected measures is reduced, but there will always be a latent risk that the regulatory authorities will impose restrictions and/or sudden changes in the industry framework. Salmon farming is regulated by licenses. The Group have good dialogue with the Faroese and Scottish authorities regarding the prerequisites and restrictions that are connected to a farming license. In Scotland, all licences and consents, policies and regulations as overseen by the Scottish Environment Protection Agency (SEPA). The Faroese authorities may withdraw licences for fish farming operations if substantial preconditions have been changed since the licence was issued, or if the licence goes against overall development plans and protective measures, or if the licensee breaches the conditions set in connection with the issuance of the licence. The licence may also be withdrawn, if the company breaches the rule on maximum ownership of licenses, or if the company does not use the licence. The licence may also be withdrawn, if the environmental licence of the company is repealed. In the Faroese Islands, a salmon farming licence is issued for a period of 12 years from the date of issue. The Faroese government may prolong the licence period. If the company fulfils the

conditions in the license and if a continuation of the activities is not contrary to overall development plans, which have been adopted, it must be assumed (but there can be no assurance) that the company has a legal claim to have the license period prolonged. Under the Act on Environmental Protection and under existing practice, the relevant environmental authorities may demand a reduction in the stocking of fry compared to the last stocking, in case examinations of the seabed or other environmental studies show, that pollution of the environment exceeds certain specified limits. The Faroese environment has become the subject of increasing attention and publicity in relation to aquafarming, and therefore it can be expected that the rules on this area may become stricter or that existing practice will become stricter.

IT

IT-related risks have increased in recent years, as IT has become more integrated in Bakkafrøst's operations. Therefore, breakdown of Bakkafrøst's control systems and administrative systems will have negative effect on Bakkafrøst's operations. The IT risks are assessed continuously, based on the importance of a potential event for Bakkafrøst operations and the likelihood that the event may occur.

MARKET RISKS

Price on farmed salmon

The Company's financial position and future development depend to a considerable extent on the price of farmed salmon, which has historically been subject to substantial fluctuations. Farmed salmon is a commodity, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for farmed salmon is a key parameter.

Price on fishmeal and fish oil

Bakkafrøst's financial position and future development depend to some extent on the price of fishmeal and fish oil, which have historically been subject to substantial fluctuations. Fishmeal and fish oil are commodities, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for fishmeal and fish oil is a key parameter. Decreased supply may cause prices to increase. This could in turn have an impact on the company's profitability and cash position.

Price on fish feed

Feed costs account for a significant proportion of the total production costs within the salmon farming segment, and fluctuations in feed prices could therefore have a major impact on profitability. Feed prices are affected by both the global market for fishmeal and marine/animal/vegetable oils, and the feed industry is dominated by a small number of large, global producers.

Natural limitations in the marine resource base could lead to global shortages of fishmeal and fish oil for the fish feed production. The feed producers have come a long way, however, in their efforts to replace some of the marine based input factors with vegetable raw materials. Furthermore, the production of fish feed is an integrated part in Bakkafrøst's value chain and thus reducing this risk.

FINANCIAL RISKS

Bakkafrøst seeks to manage financial risks through operational measures or (where such measures are not available) through the use of financial derivatives. A policy on the management of these risks has been approved by the Board of Directors.

The follow-up of internal procedures associated with financial reporting is undertaken as part of the management's day-to-day supervision and the process owners' follow-up. Please refer to Note 4.1 in the Annual Accounts 2018 for additional information.

Foreign exchange risk

Bakkafrøst trades in the world market for farmed salmonids. The revenues and accounts receivables are predominantly denominated in DKK, EUR, USD and GBP, but to some small extent also in other foreign currencies. On the other hand, purchases of raw materials etc. are predominantly denominated in DKK, which has a relatively stable rate compared to EUR. Therefore, Bakkafrøst has some natural hedging. For those currencies not fully hedged, fluctuations in foreign exchange rates present a financial risk to Bakkafrøst.

The Company's financing is bank financing and is in EUR and GBP, but Bakkafrøst has the possibility to finance in other currencies. In connection with some material investments, Bakkafrøst is in some degree exposed to NOK, GBP, USD and EUR. SSCs main transaction currency is GBP, which is also the main currency for the majority of contracted revenues. Traded and export sales can be denominated in other currencies, the most significant of which is EUR. SSC uses forward currency contracts to manage its exposure to currency fluctuations arising from these transactions. The SSC is financed exclusively in sterling. As exports continue to become an increasingly significant source of revenue for the Group, the Board will continue to adapt its currency hedging strategy.

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered relatively low, since losses due to bad debts historically have been small. Bakkafrøst has guidelines to ensure that sales are made only to customers that have not previously had payment problems and that outstanding balances do not exceed fixed credit limits. The majority part of the total accounts receivables is insured. As not all receivables are insured, Bakkafrøst must accept a certain risk element in accounts receivables.

The main credit risk on the date of the statement of financial position regards Bakkafrøst's receivables portfolio.

Liquidity risk

Liquidity risk is the risk that Bakkafrøst will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure, which is secured by means of established borrowing facilities. Bakkafrøst's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities and terms are described in Note 4.1 in the Annual Accounts 2018.

Capital structure and equity

The prime objective of Bakkafrøst's capital management is to ensure that it maintains a good credit rating to achieve favourable borrowing terms. By ensuring a good debt-to-equity ratio, Bakkafrøst will support its business operations. Bakkafrøst manages and makes changes to its capital structure in response to an ongoing assessment of financial conditions under which the business operates and its short- and medium-term outlook, including any adjustment in dividend pay-outs, buyback of own shares, capital reduction or issue of new shares.

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