

P/F **BAKKAFROST**

Condensed Consolidated Interim Report for Q2 2016 and H1 2016

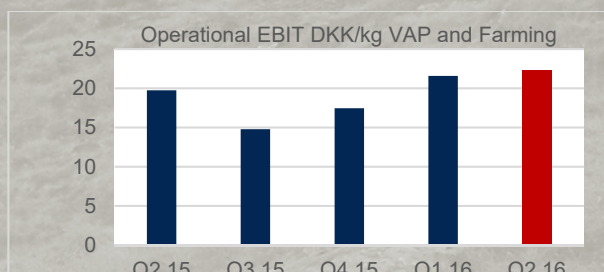
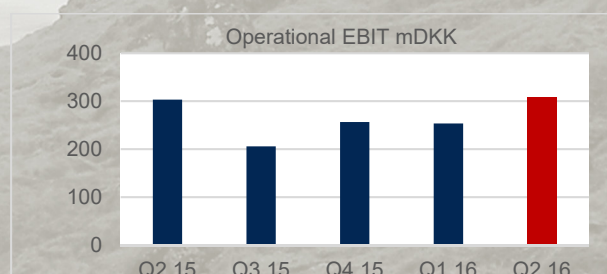
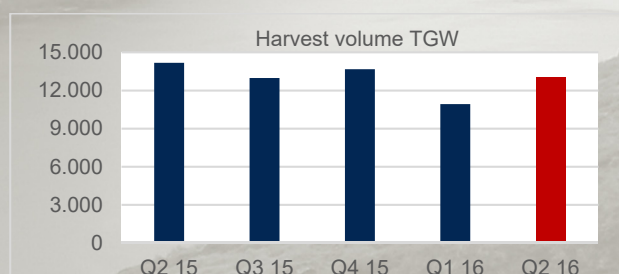


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Highlights

DKK 1,000	Q2 2016	Q2 2015	H1 2016	H1 2015
INCOME STATEMENT				
Group - Operating revenue	789,690	799,947	1,694,240	1,413,144
Group - Operational EBIT*	307,092	303,419	560,662	538,290
Group - EBIT	277,636	254,581	559,405	431,649
Group - Profit for the period	223,760	191,069	437,072	323,494
Operational EBIT (Farming and VAP)(DKK)*	289,458	279,893	525,425	496,741
Operational EBIT*/kg (Farming and VAP)(DKK)	22.26	19.74	21.95	20.78
Operational EBIT*/kg (Farming and VAP) (NOK)	27.88	22.62	27.76	24.07
Farming - Operating revenue	751,616	608,993	1,453,476	1,080,291
Farming - Operational EBIT*	357,852	248,402	618,635	443,386
Farming - Operational EBIT margin	48%	41%	43%	41%
Farming - Operational EBIT/kg (DKK)	27.52	17.52	25.84	18.55
Farming - Operational EBIT/kg (NOK)	34.47	20.07	32.68	21.49
VAP - Operating revenue	187,446	190,752	366,950	379,847
VAP - Operational EBIT*	-68,394	31,491	-93,210	53,355
VAP - Operational EBIT margin	-36%	17%	-25%	14%
VAP - Operational EBIT/kg (DKK)	-14.66	6.22	-11.91	5.56
VAP - Operational EBIT/kg (NOK)	-18.37	7.13	-15.07	6.45
FOF - Operating revenue	219,543	283,521	507,551	488,449
FOF - EBITDA	45,409	53,004	114,431	115,568
FOF - EBITDA margin	20.68%	18.69%	22.55%	23.66%
DKK/NOK (average)	79.83	87.26	79.08	86.31
FINANCIAL POSITION AND CASH FLOW				
Total Assets**	4,342,732	3,920,386	4,342,732	3,920,386
Equity**	2,633,996	2,580,482	2,633,996	2,580,482
Equity ratio**	61%	66%	61%	66%
Net interest bearing debt**	603,037	391,471	603,037	391,471
Cash flow from operations	248,463	325,551	492,639	406,553
Cash flow from financing	-197,204	-372,832	-103,415	-337,595
PROFITABILITY				
Basic earnings per share (DKK)	4.61	3.91	9.00	6.67
Diluted earnings per share (DKK)	4.61	3.91	9.00	6.67
ROE**	8.2%	8.8%	16.1%	14.9%
ROCE (for the last quarter)***	7.9%	9.3%	14.5%	16.5%
ROCE (for the last 4 quarters)	32.5%	35.8%	28.5%	32.3%
ROIC (for the last quarter)****	9.8%	11.5%	19.7%	19.9%
ROIC (for the last 4 quarters)	41.2%	46.1%	41.2%	46.1%
VOLUMES				
Harvested volume (tgw)	13,004	14,182	23,938	23,908
VAP produced volume (tgw)	4,664	5,064	7,824	9,589
Sold feed tonnes	16,295	17,657	30,749	32,057
Internal feed sale tonnes	14,260	15,551	27,509	27,961
Smolt released thousand	1,946	1,415	3,872	3,623

* Aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates and revenue tax

** Comparing figures from end 2015

*** Return on average equity based on profit or loss for the period

**** Return on average invested capital based on operational EBIT

***** Return on average invested capital based on EBITA

Summary of the 2nd Quarter 2016 and H1 2016

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

The Bakkafrøst Group delivered a total operating EBIT of DKK 307.1 million in Q2 2016. Harvested volumes were 13.0 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 289.5 million. The farming segment made an operational EBIT of DKK 357.9 million and the increased salmon spot prices had a positive effect on the farming segment. The high salmon spot prices affected the VAP segment negatively, and the VAP Segment made an operational EBIT of DKK -68.4 million. The EBITDA for the FOF segment was DKK 45.4 million.

The Group made a profit for the second quarter 2016 of DKK 223.8 million (DKK 191.1 million). For H1 2016, the profit was DKK 437.1 million (DKK 323.5 million).

The total volumes harvested in Q2 2016 were 13,004 tonnes gutted weight (14,182 t_{gw}). Total harvested volumes in H1 2016 were 23,938 tonnes gutted weight (23,908 t_{gw}). The guidance for volumes for 2016 is unchanged.

Bakkafrøst transferred 1.9 million smolts in Q2 2016 (1.4 million), which is in line with the company's plans. Transferred smolts in H1 2016 were 3.9 million smolts (3.6 million).

In accordance with Bakkafrøst's dividend policy and the resolution of the Annual General Meeting 2016, Bakkafrøst paid out DKK 8.25 (NOK 10.37) per share in April 2016. The total dividend payment was DKK 403.1 million (NOK 506.6 million).

On 14 July 2016 Bakkafrøst announced suspicion of pathogenic ISA virus in farming site A-73 Hvannasund Norður on the basis of regularly ISA tests results, carried out by the Veterinary Authorities according to the Faroese veterinary system. Consequently, Bakkafrøst prepared to take necessary actions and the Veterinary Authority undertook further tests in order to confirm the suspicion of pathogenic ISA virus. After a week of extensive testing, all the results were negative and did not prove the presence of pathogenic ISA virus.

After that, the Veterinary Authority increased surveillance at the farming site A-73 Hvannasund Norður and carried out extra tests on neighbouring farming sites, which will be carried out for the next half year. This procedure is stipulated in the Faroese

veterinary farming regime with the purpose of securing and maintaining good biology in the Faroese farming industry.

Bakkafrøst acquired the remaining outstanding shares (51%) of P/F Faroe Farming, effective from 1 July 2016. The Faroese Registry and the Competition Authorities have approved Bakkafrøst's acquisition of P/F Faroe Farming. Simultaneously, Bakkafrøst filed (relinquished) two farming licenses to the Faroese Authorities. Following these two transactions, Bakkafrøst has 14 licenses for farming salmon in the Faroe Islands.

The combined farming and VAP segments made an operational EBIT of DKK 289.5 million (DKK 279.9 million) in Q2 2016. For H1 2016, the combined farming and VAP segment made an operational EBIT of DKK 525.4 million (DKK 496.7 million).

The farming segment made an operational EBIT of DKK 357.9 million (DKK 248.4 million) in Q2 2016. The harvested volumes are lower, while the average spot price is higher in Q2 2016, compared with Q2 2015. For H1 2016, the operational EBIT was DKK 618.6 million (DKK 443.4 million).

The VAP segment made an operational EBIT of DKK -68.4 million (DKK 31.5 million) for Q2 2016. The high spot prices in Q2 2016 had a negative effect on the operational EBIT in the VAP segment. There is normally a time lag between the changes in the spot prices and the changes in the contract prices. The spot prices have increased significantly in 2016 from the level in 2015. Therefore, the VAP result for Q2 2016 has decreased, compared to last year. For H1 2016, the operational EBIT was DKK -93.2 (DKK 53.4 million).

The FOF segment (fishmeal, oil and feed) made an operational EBITDA of DKK 45.4 million (DKK 53.0 million) in Q2 2016 and the EBITDA margin was 20.7% (18.7%). The operational EBITDA was DKK 114.4 million in H1 2016 (DKK 115.6 million), corresponding to an EBITDA margin of 22.6% (23.7%).

In Q2 2016, Havsbrún sourced 83,971 tonnes (86,012 tonnes) of raw material, and in H1 2016, Havsbrún sourced 155,539 tonnes (161,015 tonnes) of raw material.

The Bakkafröst Group's net interest bearing debt amounted to DKK 603.0 million at the end of Q2 2016 (DKK 391.5 million at year-end 2015) including deposits and losses on financial derivatives relating to the interest bearing debt.

Bakkafröst had undrawn credit facilities of approximately DKK 642.8 million at the end of Q2 2016.

Bakkafröst's equity ratio was 61% at 30 June 2016, compared to 66% at the end of 2015.

Financial Review

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

Income Statement

The operating revenues amounted to DKK 789.7 million (DKK 799.9 million) in Q2 2016, and for H1 2016, the operating revenues amounted to DKK 1,694.2 million (DKK 1,413.1 million). Despite higher spot prices, the revenue in Q2 2016 is lower than in Q2 2015. The reason is lower volumes harvested and lower volumes of FOF products sold.

Operational EBIT was DKK 307.1 million (DKK 303.4 million) in Q2 2016. The margin in the farming segment is higher in Q2 2016 than in Q2 2015, while the margin in the FOF segment is at the same level, but lower in the VAP segment. For H1 2016, the operational EBIT was DKK 560.7 million (DKK 538.3 million).

The fair value adjustment of the Group's biological assets amounted to DKK -29.4 million (DKK -38.0 million) in Q2 2016. The adjustment is due to lower biological assets at the end of Q2 2016, compared with the beginning of the quarter. For H1 2016, the fair value adjustment amounted to DKK 78.3 million (DKK -93.0 million).

Change in provisions for onerous contracts amounted to DKK 22.8 million (DKK 0.0 million) in Q2 2016. The provisions for onerous contracts reflects the difficult market situation for the VAP segment. Since late 2015, the salmon spot prices have increased relatively much, and the contracts negotiated for the VAP products do not reflect the same price increase. Part of the provisions have been recognised in Q2 2016 due to the high salmon spot price in the quarter. For H1 2016, the change in provisions of onerous contracts amounted to -37.2 DKK million (DKK 0 million).

In Q2 2016, the result from associated companies amounted to DKK 6.7 million (DKK -10.8 million). For H1 2016, the result from associated companies amounted to DKK 9.8 million (DKK -13.7 million).

The Faroese Parliament changed the taxes on salmon farming in the Faroe Islands in December 2015. The tax changes are effective from 1st January 2016. The new revenue tax is not classified as taxes, but is classified as costs and is included in EBIT. The revenue tax amounted to DKK -29.5 million (DKK 0 million). For H1 2016, the revenue tax was DKK -52.1 million (DKK 0 million).

Net interests in Q2 2016 were DKK -5.9 million (DKK -17.4 million), whereof an unrealised exchange rate adjustment of DKK -4.2 million (DKK 4.8 million), relating to the bond loan of NOK 500 million, is posted in Q2 2016. For H1 2016, net interests were DKK -27.3 million (DKK -28.3 million).

Net taxes in Q2 2016 amounted to DKK -48.0 million (DKK -46.1 million). For H1 2016, net taxes amounted to DKK -95.1 million (DKK -79.9 million).

The result for Q2 2016 was DKK 223.8 million (DKK 191.1 million) and for H1 2016, the result was DKK 437.1 million (DKK 323.5 million).

224 million DKK

Result for Q2 2016

Statement of Financial Position

(Figures in parenthesis refer to end last year)

The Group's total assets amounted to DKK 4,342.7 million (DKK 3,920.4 million) at the end of Q2 2016.

The Group's intangible assets are unchanged, compared to the beginning of the year, and amounted to DKK 294.7 million. Intangible assets comprise primarily the fair value of acquired farming licences. No licences in the North region are recorded with a value in the Bakkafrøst accounts.

Property, plant and equipment amounted to DKK 1,792.9 million (DKK 1,531.5 million) at the end of Q2 2016. In Q2 2016, Bakkafrøst made investments in PP&E amounting to DKK 199.5 million in Q2 2016 and DKK 318.7 million for H1 2016.

Non-current financial assets amounted to DKK 136.1 million (DKK 130.9 million) at the end of Q2 2016, and are nearly unchanged from the end of 2015.

The Group's carrying amount (fair value) of biological assets amounted to DKK 1,036.5 million (DKK 1,060.3 million) at the end of Q2 2016. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 335.5 million (DKK 257.3 million). The increase is due to higher salmon prices at the end of Q2 2016, compared to end 2015.

The Group's inventories amounted to DKK 485.2 million (DKK 422.0 million) as at end Q2 2016. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed in addition to feed at the feed stations, finished products, packing materials and other raw materials.

The Group's total receivables amounted to DKK 423.6 million (DKK 379.2 million) as at end Q2 2016.

The Group's equity amounted to DKK 2,634.0 million (DKK 2,580.5 million) at the end of Q2 2016. The change in equity consists primarily of the positive result for Q2 2016 and dividend payment of gross DKK 403.1 million in Q2 2016.

The Group's total non-current liabilities amounted to DKK 1,296.0 million (DKK 925.9 million) at the end of Q2 2016.

Deferred and other taxes amounted to DKK 445.0 million (DKK 349.6 million) at the end of Q2 2016.

Long-term debt was DKK 736.6 million (DKK 447.6 million) at the end of Q2 2016. Derivatives amounted to DKK 114.4 million (DKK 128.8 million).

Bakkafrøst's interests bearing debt consists of a bank loan and a bond loan. The bank loan is a multicurrency revolving credit facility totalling DKK 850 million for a five-year period and is payable in December 2020. The bond loan of NOK 500 million has a five-year maturity and is payable 14 February 2018. The interest rate of the bonds is NIBOR 3m + 4.15%. Following the issuance of the bonds, Bakkafrøst has entered into a currency/-interest rate swap, hedging the exchange rate, and has switched the interest rate from NIBOR 3m to CIBOR 3m. Bakkafrøst has entered the swap due to its exposure to DKK, as a large part of the income and costs are in DKK and EUR.

At the end of Q2 2016, the Group's total current liabilities were DKK 412.7 million (DKK 414.0 million). The current liabilities consist only of accounts payable.

Bakkafrøst's equity ratio was 61% (66%) at the end of Q2 2016.

61%

Equity ratio at the end of **Q2 2016**

Cash Flow

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

The cash flow from operations in Q2 2016 was DKK 248.5 million (DKK 325.6 million). The increase in inventory had a negative effect on the cash flow from operations in Q2 2016, as well as higher receivables affected the cash flow negatively in the quarter. For H1 2016, the cash flow from operations was DKK 492.6 million (DKK 406.6 million).

The cash flow from investment activities in Q2 2016 amounted to DKK -198.2 million (DKK -71.7 million). The amount relates to investments in property, plant and equipment. For H1 2016, the cash flow from investments amounted to DKK -317.3 million (DKK -178.2 million).

Cash flow from financing activities totalled DKK -197.2 million in Q2 2016 (DKK -372.8 million). This is mainly because of the DKK 400,6 million paid out

as net dividend and a change of interest bearing debt on DKK 244.3 million. Likewise, financing of an associated company had a negative effect of DKK -37.1 million. For H1 2016, cash flow from financing amounted to DKK -103.4 million (DKK -337.6 million).

Net change in cash flow in Q2 2016 amounted to DKK -146.9 million (DKK -119.0 million) and for H1 2016, DKK 71.9 million (DKK -109.3 million).

At the end of Q2 2016, Bakkafrøst had unused credit facilities of approximately DKK 642.8 million (DKK 720.7 million).

13,004 **tgw**

Harvested in Q2 2016

Farming Segment

Harvested Volumes Q2 2016 **13,004 t_{gw}**

Operational EBIT Q2 2016 **357,852 mDKK**

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

Farming Segment 1,000 DKK	Q2 2016	Q2 2015	Increase	H1 2016	H1 2015	Increase
Total revenue	751,616	608,993	23%	1,453,476	1,080,291	35%
Operational EBIT	357,852	248,402	44%	618,635	443,386	40%
Farming - Operational EBIT/kg (DKK)	27.52	17.52	57%	25.84	18.55	39%
Harvested volume (t _{gw})	13,004	14,182	-8%	23,938	23,908	0%

Volumes

The total volumes harvested in Q2 2016 were 13,004 tonnes gutted weight (14,182 t_{gw}) – a decrease in volume of 8%. Total harvested volumes for H1 2016 were 23,938 tonnes gutted weight (23,908 t_{gw}), which is in line with the forecast for 2016.

Bakkafrost transferred 1.9 million smolts (1.4 million) in Q2 2016. In H1 2016, 3.9 million smolts (3.6 million) were transferred. This is in line with Bakkafrost's smolt transfer plan for 2016.

Financial performance

In Q2 2016, the operating revenue for Bakkafrost's farming segment was DKK 751.6 million (DKK 609.0 million). The operating revenue for the farming segment for H1 2016 was DKK 1,453.5 million (DKK 1,080.3 million).

Operational EBIT amounted to DKK 357.9 million (DKK 248.4 million) in Q2 2016, which corresponds to an increase of 44%. In H1 2016, operational EBIT was DKK 618.6 million (DKK 443.4 million).

Operational EBIT/kg for the farming segment was DKK 27.52 (NOK 34.47) in Q2 2016, compared with DKK 17.52 (NOK 20.07) in Q2 2015. The higher margin is mainly due to higher salmon prices in Q2 2016, compared to Q2 2015. Operational EBIT/kg for H1 2016 was DKK 25.84 (NOK 32.68), compared with DKK 18.55 (NOK 21.49) for H1 2015.

	Q2 2016	Q2 2015	H1 2016	H1 2015
Harvested volumes				
Farming North	8,904	11,681	10,413	18,866
Farming West	4,100	2,501	13,525	5,042
Total harvested volumes (t_{gw})	13,004	14,182	23,938	23,908

Smolt transfer 1,000 pieces	2011	2012	2013	2014	2015
Farming North	5,000	6,500	7,200	3,000	7,100
Farming West	2,600	4,200	2,300	7,400	4,200
Viking	1,000	0	0	0	0
Total	8,600	10,700	9,500	10,400	11,300

VAP Segment

Produced Volumes Q2 2016	4,664 tGW
Operational EBIT Q2 2016	-68.4 mDKK

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

Value added products 1,000 DKK	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change
Total revenue	187,446	190,752	-2%	366,950	379,847	-3%
Operational EBIT	-68,394	31,491	-317%	-93,210	53,355	-275%
VAP - Operational EBIT/kg (DKK)	-14.66	6.22	-336%	-11.91	5.56	-314%
VAP produced volume (tgw)	4,664	5,064	-8%	7,824	9,589	-18%

Volumes

36% (30%) of the total harvested volumes in Q2 2016 went to production of VAP products. In addition to this, BakkaFrost also sourced some salmon from a third party, as in previous quarters. 30% (36%) of the total harvested volumes in H1 2016 went to production of VAP products.

The VAP production in Q2 2016 was 4,664 tonnes gutted weight (5,064 tGW). The decrease in production in Q2 2016 is 8%, compared to Q2 2015. In H1 2016, the VAP production was 7,824 tGW (9,589 tGW).

Financial performance

The operating revenue for the VAP segment amounted to DKK 187.5 million (DKK 190.8 million) in Q2 2016. The decrease in revenue is due to lower volumes sold in Q2 2016, compared with Q2 2015.

Operational EBIT amounted to DKK -68.4 million (DKK 31.5 million) in Q2 2016, corresponding to an operational EBIT of DKK -14.66 (NOK -18.37) per kg gutted weight in Q2 2016, compared with DKK 6.22 (NOK 7.13) per kg gutted weight in Q2 2015. The decrease in the operational EBIT margins is due to higher raw material prices. The VAP segment purchases its raw material (fresh salmon) at spot prices each week. For H1 2016, operational EBIT amounted to DKK -93.2 million (DKK 53.4 million), corresponding to an operational EBIT of DKK -11.91 (NOK -15.07) per kg gutted weight in H1 2016, compared with an operational EBIT of DKK 5.56 (NOK 6.45) per kg gutted weight in H1 2015.

Distribution of harvested volumes (tgw)	Q2 2016	Q2 2015	H1 2016	H1 2015
Harvested volume used in VAP production	36%	30%	30%	36%
Harvested volume sold fresh/frozen	64%	70%	70%	64%
Harvested and purchased volumes (tgw)	100%	100%	100%	100%

FOF Segment

Sold Feed Q2 2016

16,295 tonnes

EBITDA Q2 2016

45.4 mDKK

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

Fishmeal, Fish Oil and Fish Feed 1,000 DKK	Q2 2016	Q2 2015	Change	H1 2016	H1 2015	Change
Total revenue	219,543	283,521	-23%	507,551	488,449	4%
EBITDA	45,409	53,004	-14%	114,431	115,568	-1%
FOF - EBITDA margin	20.7%	18.7%	11%	22.5%	23.7%	-5%
Sold feed tonnes	16,295	17,657	-8%	30,749	32,057	-4%

Volumes

In Q2 2016, Havsbrún received 83,970 tonnes (86,012 tonnes) of raw material for the production of fishmeal and fish oil. The raw material intake depends on the fishery in the North Atlantic and available species of fish. In H1 2016, Havsbrún received 155,539 tonnes (161,015 tonnes) of raw material.

The production of fishmeal in Q2 2016 was 17,839 tonnes (17,600 tonnes). For H1 2016, Havsbrún produced 33,745 tonnes (32,888 tonnes) of fishmeal.

The production of fish oil in Q2 2016 was 1,087 tonnes (489 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and timing of catch. For H1 2016, Havsbrún produced 3,682 tonnes (2,637 tonnes) of fish oil.

Sales of feed amounted to 16,295 tonnes (17,657 tonnes) in Q2 2016, of which the farming segment internally used 14,260 tonnes (15,551 tonnes) or 92% (88%). For H1 2016, Havsbrún sold 30,749 tonnes (32,057 tonnes) of feed.

Financial performance

The operating revenue for the FOF segment amounted to DKK 219.5 million (DKK 283.5 million) in Q2 2016 of which DKK 149.3 million (DKK 158.7 million) represents sales to Bakkafrøst's farming segment, corresponding to 68% (56%). For H1 2016, the revenue amounted to DKK 507.6 million (DKK 488.4 million) of which DKK 287.8 million (DKK 280.7 million) represents sales to Bakkafrøst's farming segment and corresponds to 56.7% (57.4%).

Operational EBITDA was DKK 45.4 million (DKK 53.0 million) in Q2 2016, and the operational EBITDA margin was 20.7% (18.7%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe for the production of salmon feed. For H1 2016, the operational EBITDA was DKK 114.4 million (DKK 115.6 million), corresponding to an EBITDA margin of 22.5% (23.7%).

Sales FOF volume (tonnes)	Q2 2016	Q2 2015	H1 2016	H1 2015
Feed Internal sold (tonnes)	14,260	15,551	27,509	27,961
Feed External sold (tonnes)	2,035	2,106	3,240	4,096
Total Feed sold (tonnes)	16,295	17,657	30,749	32,057
Fishmeal external sold (tonnes)	4,063	9,900	15,779	15,251
Fish oil external sold (tonnes)	0	4	5	5

Outlook

Market

The global demand in the salmon market continues with strong growth rates. The market balance will be tighter in 2016, compared to 2015. Global supply of Atlantic salmon is expected to decrease by approximately 4% in volume during 2016, compared to 2015. The decrease is expected to be 8-9% in the second half of 2016. Production capacity is close to full utilization and further expansion relates to high investments.

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

The Russian ban on EU and Norwegian salmon, implemented in August 2014, gave temporary challenges to move volumes between markets. The markets have more or less adapted to the new market balance.

Farming

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

Bakkafrøst has acquired the remaining outstanding shares in P/F Faroe Farming, effective from 1 July 2016. P/F Faroe Farming is a salmon farming company and operates in the southern part of the Faroe Islands, Suðuroy. P/F Faroe Farming holds three farming licenses in Suðuroy, Faroe Islands, and the total harvested volumes for 2015 were 4,681 tonnes and for H1 2016 were 2,054 tonnes. P/F Faroe Farming will be consolidated into Bakkafrøst Group from 1 July 2016. P/F Faroe Farming expects to harvest 1,000 tonnes in the second half of 2016.

Together with Bakkafrøst's unchanged expected harvest (excl. Faroe Farming) of 48,000 tonnes gutted weight, the total harvest for Bakkafrøst Group in 2016 will be 49,000 tonnes gutted weight.

The number of smolts released is one key element of predicting Bakkafrøst's future production. Bakkafrøst

forecasts a release of 10.4 million smolts in 2016, compared with 11.3 million smolts released in 2015 and 10.4 million smolts released in 2014.

The biological situation is Bakkafrøst's most important risk area. The suspicion of possible pathogenic ISA virus in one of Bakkafrøst's farming sites on 14 July 2016 draws the attention to the importance of good animal welfare and biology, to reduce the biological risk. Bakkafrøst is focusing on biological risk continuously and has made several new investments and procedures to diminish the risk.

Sea lice is an area, which has demanded more effort and is a part of the biological risk. Bakkafrøst's new live fish carrier, M/S Hans á Bakka, is tripling its freshwater treatment capacity within August 2016. M/S Hans á Bakka's operation using freshwater has shown to be effective against sea lice, and therefore Bakkafrøst will continue to invest in sustainable treatment methods and anticipates these operations to be an important part of Bakkafrøst's treatment against sea lice.

VAP (Value added products)

Bakkafrøst has signed contracts covering around 79% of the VAP capacity for the rest of 2016. This corresponds to around 39% of the expected harvested volumes for the rest of 2016. The remaining 21% are expected to be committed during the period. Bakkafrøst has already signed contracts covering approximately 50% of the VAP capacity for 2017. In connection with the negotiation and signing of the new contracts for 2017, Bakkafrøst has renegotiated the prices for part of the remaining quantities from end of Q3 2016 in line with the forward price picture.

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 long-term strategy is to sell around 40-50% of the harvested volumes of salmon as VAP products on fixed price contracts. Selling the products at fixed prices reduces the financial risk with fluctuating salmon prices. The market price for contracted VAP

products follows a more stable pattern with trends instead of short-term fluctuations as in the spot market.

FOF (Fishmeal, -oil and feed)

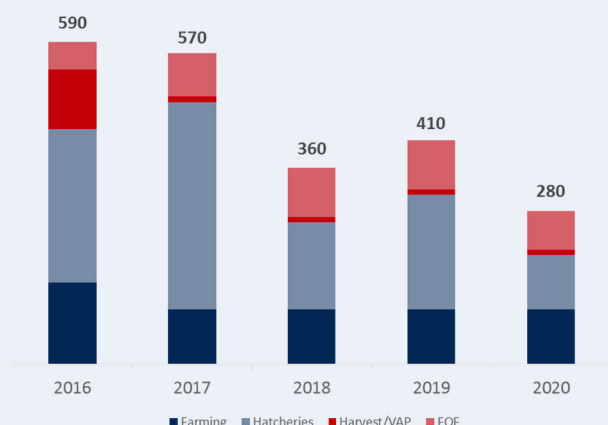
The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material. The quotas for catching blue whiting in the North Atlantic are expected to be reduced, and therefore the production of fishmeal and fish oil are most likely to reduce in volume in 2016 from relatively high volumes in 2015.

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

Havsbrún's sales of fish feed in 2016 are expected to be at 80,000 tonnes.

Investments

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



The purpose of the investment plan is to continue to have one of the most cost conscious value chains in the farming industry, carry out organic growth, increase flexibility and reduce the biological risk to

meet the future consumers' trends and to be more end-customer orientated.

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

The investment of the new harvest/-VAP factory will be finalised in 2016. The harvest operation has started and the VAP operation is expected to start in Q4 2016. There will be some extra costs during the start-up period, but the investment is expected to result in operational savings of DKK 70-90 million per year with gradual effect from 2017.

Bakkafróst plans to increase value of offcuts from salmon harvested and processed in the new harvest/-VAP factory. Bakkafróst will invest in a new salmon meal and salmon oil plant, located in Fuglafjørður and operated by Havsbrún. The FOF segment will also invest in a new feed line, which will increase the capacity of the feed production.

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

Financial

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

9.0 DKK

Earnings per share H1 2016

Risks

In addition to the risks described in the 2015 Annual and Consolidated Report and Accounts, a routine surveillance test in July 2016 detected a possible pathogenic ISA-virus at a Bakkafrøst farming site. A further description of this is under Events After the Date of the Statement of Financial Position.

The Annual Report 2015 is available on request from Bakkafrøst and on Bakkafrøst's website, www.bakkafrøst.com.

Bakkafrøst is, as explained in the Annual Report 2015, exposed to the salmon price. A limited

decrease in supply is expected in 2016 and therefore a tight market balance.

Biological risk has been and will be a substantial risk for Bakkafrøst. The Annual Report 2015 gives more explanation on the biological risk and Bakkafrøst's risk management regarding this.

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

Events after the Date of the Statement of Financial Position

Bakkafrost announced on the 14th of July 2016 a suspicion of a possible pathogenic ISA-virus at Bakkafrost farming site A-73 Hvannasund Norður, as a result of a routine surveillance test by the Veterinary Authority. The suspicion arose after the result in one cage indicated that the fish was infected by the so called HPR-del ISA-virus.

Farming site A-73 Hvannasund Norður contains 1.2 million fish with an average weight of approximately 0.54 kg wfe. The total biomass was approximately 665 tonnes wfe medio July 2016.

Bakkafrost immediately prepared to take necessary actions.

The following week, the Veterinary Authority carried out two more extensive tests at the farming site A-73 Hvannasund Norður with the purpose of confirming the suspicion of pathogenic ISA virus. The results were all negative and did not prove the presence of pathogenic ISA virus.

The farming site A-73 Hvannasund Norður has no signs of any disease and the biological performance has been good, both before the routine surveillance test by the Veterinary Authority and afterwards.

As these tests did not confirm the suspicion, the Veterinary Authority has increased surveillance for at least six months at the farming site and carries extra

tests on neighbouring farming sites as well. This procedure is stipulated in the Faroese veterinary farming regime, which has the purpose of securing and maintaining good biology in the Faroese farming industry. The farming companies and the Faroese authorities have put a lot of work into maintaining the good biological status in the Faroe Islands. Regular surveillance tests for ISA-viruses have been performed at all farms during the last approximately 12 years in sea sites in the Faroe Islands.

On the 29th of June 2016, Bakkafrost purchased 51% of the shares in P/f Faroe Farming. With this purchase, Bakkafrost will become the owner of 100% of the shares in P/F Faroe Farming effective from 1 July 2016. The transaction is approved by the authorities.

Simultaneously with the agreement of acquiring 51% of the shares in P/F Faroe Farming, Bakkafrost has filed (relinquished) two licenses to the Faroese Authorities. The licenses filed are Svínáir (A-03) and Hovsfjørður (A-17/18).

Following these two transactions, P/F Bakkafrost has 14 licenses for farming salmon in the Faroe Islands.

Apart from the above, from the date of the statement of financial position until today, no events have occurred which materially impact the information provided by this report.

Glyvrar, August 22nd 2016

The Board of Directors of P/F Bakkafrost

Rúni M. Hansen
Chairman of the Board

Johannes Jensen
Deputy Chairman of the Board

Øystein Sandvik
Board Member

Virgar Dahl
Board Member

Annika Frederiksberg
Board Member

Teitur Samuelsen
Board Member

Consolidated Income Statement

For the period ended 30 June 2016

DKK 1,000	Q2 2016	Q2 2015	H1 2016	H1 2015
Operating revenue	789,690	799,947	1,694,240	1,413,144
Purchase of goods	-158,754	-263,099	-605,821	-567,183
Change in inventory and biological assets (at cost)	-45,275	28,169	25,045	196,088
Salary and personnel expenses	-83,542	-76,606	-156,097	-140,681
Other operating expenses	-165,935	-158,667	-339,396	-310,501
Depreciation	-29,092	-26,325	-57,309	-52,577
Operational EBIT *	307,092	303,419	560,662	538,290
Fair value adjustments on biological assets	-29,379	-38,042	78,267	-92,978
Onerous contracts	22,778	0	-37,181	0
Income from associates	6,665	-10,796	9,752	-13,663
Revenue tax	-29,520	0	-52,095	0
Earnings before interest and taxes (EBIT)	277,636	254,581	559,405	431,649
Net interest revenue	616	479	1,169	1,413
Net interest expenses	-6,609	-6,187	-12,989	-13,926
Net currency effects	1,163	-8,630	-13,327	-11,201
Other financial expenses	-1,045	-3,040	-2,111	-4,576
Earnings before taxes (EBT)	271,761	237,203	532,147	403,359
Taxes	-48,001	-46,134	-95,075	-79,865
Profit or loss for the period	223,760	191,069	437,072	323,494
Profit or loss for the year attributable to				
Non-controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	223,760	191,069	437,072	323,494
Earnings per share (DKK)	4.61	3.91	9.00	6.67
Diluted earnings per share (DKK)	4.61	3.91	9.00	6.67

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

Consolidated Statement of Comprehensive Income

For the period ended 30 June 2016

DKK 1,000	Q2 2016	Q2 2015	H1 2016	H1 2015
Profit for the period	223,760	191,069	437,072	323,494
Fair value adjustment on financial derivatives	5,182	-683	13,913	24,339
Income tax effect	-790	104	-2,122	-3,713
Reserve to share based payment	593	276	783	462
Currency translation differences	2,848	2	2,358	-128
Adjustment treasury shares	-2,094	0	-1,703	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	5,739	-301	13,229	20,960
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0	0	0
Other comprehensive income	5,739	-301	13,229	20,960
Total other comprehensive income for the period	229,499	190,768	450,301	344,454
Comprehensive income for the period attributable to				
Non- controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	229,499	190,768	450,301	344,454

Consolidated Statement of Financial Position

As at 30 June 2016

DKK 1,000	30 June 2016	31 Dec 2015
ASSETS		
Non-current assets		
Intangible assets	294,675	294,675
Property, plant and equipment	1,792,855	1,531,493
Financial assets	136,134	130,893
Total non-current assets	2,223,664	1,957,061
Current assets		
Biological assets (biomass)	1,036,553	1,060,273
Inventory	485,187	421,966
Total inventory	1,521,740	1,482,239
Accounts receivable	240,698	199,263
Other receivables	182,900	179,971
Total receivables	423,598	379,234
Cash and cash equivalents	173,730	101,852
Total current assets	2,119,068	1,963,325
TOTAL ASSETS	4,342,732	3,920,386

Consolidated Statement of Financial Position

As at 30 June 2016

DKK 1,000	30 June 2016	31 Dec 2015
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	2,585,138	2,531,624
Total equity	2,633,996	2,580,482
Non-current liabilities		
Deferred and other taxes	445,033	349,546
Long-term interest bearing debts	736,572	447,559
Financial derivatives	114,425	128,804
Total non-current liabilities	1,296,030	925,909
Current liabilities		
Accounts payable and other debt	412,706	413,995
Total current liabilities	412,706	413,995
Total liabilities	1,708,736	1,339,904
TOTAL EQUITY AND LIABILITIES	4,342,732	3,920,386

Consolidated Cash Flow Statement

For the period ended 30 June 2016

DKK 1,000	Q2 2016	Q2 2015	H1 2016	H1 2015
Earnings before interest and taxes (EBIT)	277,636	254,581	559,405	431,649
Adjustments for write-downs and depreciation	29,092	26,325	57,309	52,577
Adjustments for value adjustments on biomass	29,379	38,042	-78,267	92,978
Adjustments for income from associates	-6,665	10,796	-9,750	13,663
Adjustments for currency effects	2,130	-6,190	-11,946	-8,761
Taxes paid	0	-3,953	0	-3,953
Adjustments for provision for onerous contracts	-22,778	0	37,181	0
Received dividend	0	0	3,186	0
Change in inventory	-50,617	22,144	38,765	-133,444
Change in receivables	-8,509	-9,498	-40,347	-15,870
Change in current debts	-1,205	-6,696	-62,897	-22,286
Cash flow from operations	248,463	325,551	492,639	406,553
Cash flow from investments				
Payments made for purchase of fixed assets	-199,478	-73,041	-318,671	-179,538
Sale/Purchase of shares	1,325	0	1,325	0
Change in long-term receivables	0	1,314	0	1,314
Cash flow from investments	-198,153	-71,727	-317,346	-178,224
Cash flow from financing				
Change of interest bearing debt (short and long)	244,327	-52,083	289,465	-56,345
Financial income	616	479	1,168	1,413
Financial expenses	-7,972	-9,227	-15,417	-18,502
Net proceeds from sale of own shares	3,523	2,049	3,231	2,742
Financing of associate	-37,075	-23,065	18,761	24,081
Dividend paid	-400,623	-290,985	-400,623	-290,985
Cash flow from financing	-197,204	-372,832	-103,415	-337,596
Net change in cash and cash equivalents in period	-146,894	-119,008	71,878	-109,267
Cash and cash equivalents – opening balance	320,624	414,851	101,852	405,110
Cash and cash equivalents – closing balance total	173,730	295,843	173,730	295,843

Consolidated Statement of Changes in Equity

As at 30 June 2016

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 01.01.2016	48,858	306,537	-19,679	1,085	2,034	-105,621	403,079	257,277	1,686,912	2,580,482
Consolidated profit	0	0	0	0	0	0	0	-78,267	519,174	440,907
<i>Other comprehensive income:</i>										
Fair value adjustment on financial derivatives	0	0	0	0	0	13,913	0	0	0	13,913
Income tax effect	0	0	0	0	0	-2,122	0	0	0	-2,122
Share-based payment	0	0	0	783	0	0	0	0	0	783
Currency translation differences	0	0	0	0	2,358	0	0	0	0	2,358
Total other comprehensive income	0	0	0	783	2,358	11,791	0	0	0	14,932
Total comprehensive income	0	0	0	783	2,358	11,791	0	-78,267	519,174	455,839
<i>Transaction with owners:</i>										
Treasury shares	0	0	-1,703	0	0	0	0	0	0	-1,703
Paid-out dividend	0	0	0	0	0	0	-403,079	0	2,457	-400,622
Proposed dividend	0	0	0	0	0	0	0	0	0	0
Total transaction with owners	0	0	-1,703	0	0	0	-403,079	0	2,457	-402,325
Total changes in equity	0	0	-1,703	783	2,358	11,791	-403,079	-78,267	521,631	53,514
Total equity 30.06.2016	48,858	306,537	-21,382	1,868	4,392	-93,830	0	179,010	2,208,543	2,633,996
Equity 01.01.2015	48,858	306,537	-25,557	161	1,458	-95,882	293,148	284,855	1,250,075	2,063,653
Consolidated profit	0	0	0	0	0	0	0	92,978	230,516	323,494
<i>Other comprehensive income:</i>										
Fair value adjustment on financial derivatives	0	0	0	0	0	24,339	0	0	0	24,339
Income tax effect	0	0	0	0	0	-3,713	0	0	0	-3,713
Share-based payment	0	0	0	462	0	0	0	0	0	462
Currency translation differences	0	0	0	0	-128	0	0	0	0	-128
Total other comprehensive income	0	0	0	462	-128	20,626	0	0	0	20,960
Total comprehensive income	0	0	0	462	-128	20,626	0	92,978	230,516	344,454
<i>Transaction with owners:</i>										
Treasury shares	0	0	4,141	0	0	0	0	0	0	4,141
Paid-out dividend	0	0	0	0	0	0	-293,148	0	2,163	-290,985
Proposed dividend	0	0	0	0	0	0	0	0	0	0
Total transaction with owners	0	0	4,141	0	0	0	-293,148	0	2,163	-286,844
Total changes in equity	0	0	4,141	462	-128	20,626	-293,148	92,978	232,679	57,610
Total equity 30.06.2015	48,858	306,537	-21,416	623	1,330	-75,256	0	377,833	1,482,754	2,121,263
Equity 01.01.2015	48,858	306,537	-25,557	161	1,458	-95,882	293,148	284,855	1,250,075	2,063,653
Consolidated profit	0	0	0	0	0	0	0	-27,578	837,753	810,175
<i>Other comprehensive income:</i>										
Fair value adjustment on financial derivatives	0	0	0	0	0	-11,492	0	0	0	-11,492
Income tax effect	0	0	0	0	0	1,753	0	0	0	1,753
Share-based payment	0	0	0	924	0	0	0	0	0	924
Currency translation differences	0	0	0	0	576	0	0	0	0	576
Total other comprehensive income	0	0	0	924	576	-9,739	0	0	0	-8,239
Total comprehensive income	0	0	0	924	576	-9,739	0	-27,578	837,753	801,936
<i>Transaction with owners:</i>										
Treasury shares	0	0	5,878	0	0	0	0	0	0	5,878
Paid-out dividend	0	0	0	0	0	0	-293,148	0	2,163	-290,985
Proposed dividend	0	0	0	0	0	0	403,079	0	-403,079	0
Total transaction with owners	0	0	5,878	0	0	0	109,931	0	-400,916	-285,107
Total changes in equity	0	0	5,878	924	576	-9,739	109,931	-27,578	436,837	516,829
Total equity 31.12.2015	48,858	306,537	-19,679	1,085	2,034	-105,621	403,079	257,277	1,686,912	2,580,482

Notes to the Account

Accounting Policy

General Information

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

The Group's Annual Report as at 31st December 2015 is available upon request from the company's

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

This Condensed Consolidated Interim Report is presented in DKK.

Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all of 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 31st December 2015.

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 31st December 2015.

Note 3. Estimates and Risk Exposure

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 recognised amounts of assets, liabilities, income and expenses. The most significant estimates relate to the valuation of biological assets and some financial instruments, which are measured at fair value. Estimates and underlying assumptions are reviewed on an on-going 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 notes to the financial statements in the Annual Report 2015.

For other risk exposures, reference is made to the Management Statement in the Annual Report for 2015, where Bakkafrost's operational and financial risks are described, as well as to Note 21 (Financial risk management) in the same report.

The risks and uncertainties described therein are expected to remain.

Note 4. Biomass

DKK 1,000	30 June 2016	30 June 2015	31 Dec 2015
Biological assets carrying amount 01.01	1,060,274	1,013,959	1,013,959
Increase due to production or purchases	538,285	525,891	1,267,200
Reduction due to harvesting or sale (costs of goods sold)	-630,691	-538,942	-1,201,426
Fair value adjustment at the beginning of the period reversed	-257,278	-284,855	-284,855
Fair value adjustments at the end of the period	335,544	191,878	257,278
Reversal of elimination at the beginning of the period	43,224	51,342	51,342
Eliminations	-52,805	-56,749	-43,224
Biological assets carrying amount at the end of the period	1,036,553	902,524	1,060,274
Cost price biological assets	730,643	752,525	825,101
Capitalised interest	23,171	14,870	21,119
Fair value adjustments at the end of the period	335,544	191,878	257,278
Eliminations	-52,805	-56,749	-43,224
Biological assets carrying amount	1,036,553	902,524	1,060,274
Biomass < 1 kg on average (tonnes)	2,391	3,003	2,215
Biomass 1 kg < 4 kg on average (tonnes)	11,713	12,805	14,312
Biomass > 4 kg on average (tonnes)	13,488	16,066	17,297
Volume of biomass at sea (tonnes)	27,592	31,874	33,824
Numbers of fish < 1 kg on average (thousand)	5,005	5,549	5,259
Numbers of fish 1 kg < 4 kg on average (thousand)	6,403	5,077	5,624
Numbers of fish > 4 kg on average (thousand)	2,622	2,679	3,233
Total numbers of fish at sea (thousand)	14,030	13,305	14,116
Smolt released in Farming North (thousand pcs.)	0	576	7,059
Smolt released in Farming West (thousand pcs.)	1,946	839	4,202
Total smolt released (thousand pcs.)	1,946	1,415	11,261

Note 5. Segments

Farming Segment	Q2	Q2	H1	H1
DKK 1,000	2016	2015	2016	2015
External revenue	527,530	484,361	1,098,530	825,551
Internal revenue	224,086	124,632	354,946	254,740
Total revenue	751,616	608,993	1,453,476	1,080,291
Operating expenses	-374,016	-343,476	-796,102	-602,678
Depreciation and amortisation	-19,748	-17,115	-38,739	-34,227
Operational EBIT	357,852	248,402	618,635	443,386
Fair value adjustments on biological assets	-29,379	-38,042	78,267	-92,978
Income from associates	7,638	-147	-43	-4,856
Revenue tax	-29,520	0	-52,095	0
Earnings before interest and taxes (EBIT)	306,591	210,213	644,764	345,552
Net interest revenue	-1,238	-1,070	-2,777	-1,868
Net interest expenses	446	914	286	-511
Net currency effects	503	-7,240	-14,898	-12,214
Other financial expenses	-993	-2,980	-2,006	-4,442
Earnings before taxes (EBT)	305,309	199,837	625,369	326,517
Taxes	-50,427	-35,426	-104,690	-55,355
Profit or loss for the period	254,882	164,411	520,679	271,162

Value Added Products	Q2	Q2	H1	H1
DKK 1,000	2016	2015	2016	2015
External revenue	187,446	190,752	366,950	379,847
Internal purchase of raw material	-216,085	-124,632	-389,885	-254,740
Operating expenses	-38,118	-32,776	-67,006	-68,097
Depreciation and amortisation	-1,637	-1,853	-3,269	-3,655
Operational EBIT	-68,394	31,491	-93,210	53,355
Provision for onerous contracts	22,778	0	-37,181	0
Earnings before interest and taxes (EBIT)	-45,616	31,491	-130,391	53,355
Net interest revenue	1,748	1,432	3,720	3,007
Net interest expenses	0	0	-5	-2
Net currency effects	-1	0	-2	-3
Other financial expenses	-4	-4	-8	-8
Earnings before taxes (EBT)	-43,873	32,919	-126,686	56,349
Taxes	7,897	-5,926	22,803	-10,143
Profit or loss for the period	-35,976	26,993	-103,883	46,206

Fishmeal, Fish Oil and Fish Feed	Q2	Q2	H1	H1
DKK 1,000	2016	2015	2016	2015
External revenue	70,226	124,834	219,777	207,746
Internal revenue	149,317	158,687	287,774	280,703
Total revenue	219,543	283,521	507,551	488,449
Purchase of goods	-129,988	-181,231	-307,229	-281,499
Operating expenses	-44,146	-49,286	-85,891	-91,382
Depreciation and amortisation	-7,707	-7,357	-15,301	-14,695
Operational EBIT	37,702	45,647	99,130	100,873
Income from associates	-973	-10,649	9,795	-8,807
Earnings before interest and taxes (EBIT)	36,729	34,998	108,925	92,066
Net interest revenue	106	117	226	274
Net interest expenses	-7,055	-7,101	-13,270	-13,413
Net currency effects	661	-1,390	1,573	1,016
Other financial expenses	-48	-56	-97	-126
Earnings before taxes (EBT)	30,393	26,568	97,357	79,817
Taxes	-5,471	-4,782	-17,525	-14,367
Profit or loss for the period	24,922	21,786	79,832	65,450

Reconciliation of reportable segments to Group earnings before taxes (EBT)	Q2	Q2	H1	H1
DKK 1,000	2016	2015	2016	2015
Farming	305,309	199,837	625,369	326,517
VAP (Value Added Products)	-43,873	32,919	-126,686	56,349
FOF (Fishmeal, Fish Oil and Fish Feed)	30,393	26,568	97,357	79,817
Eliminations	-20,067	-22,121	-63,892	-59,324
Group earnings before taxes (EBT)	271,762	237,203	532,148	403,359

Assets and liabilities per segment	30 June	30 June	31 Dec
DKK 1,000	2016	2015	2015
Farming	3,961,242	3,438,096	3,976,007
VAP (Value Added Products)	169,874	239,900	261,835
FOF (Fishmeal, Fish Oil and Fish Feed)	917,667	821,556	793,774
Eliminations	-706,051	-1,001,852	-1,111,230
Total assets	4,342,732	3,497,700	3,920,386
Farming	-593,673	-988,033	-1,148,144
VAP (Value Added Products)	-60,192	-17,504	-50,788
FOF (Fishmeal, Fish Oil and Fish Feed)	-722,143	-650,761	-572,846
Eliminations	-332,728	279,861	431,874
Total liabilities	-1,708,736	-1,376,437	-1,339,904

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 669

million. DKK 555 million relate to the building of a new hatchery station.

Note 7. Transactions with related parties

Note 26 in Bakkafrøst's Annual Report for 2015 provides detailed information on related parties' transactions.

Faroe Farming, an associated company of Bakkafrøst, purchased for DKK 21.6 million from Bakkafrøst in Q2 2016. At the end of Q2 2016, Faroe Farming owed DKK 51.3 million to the Bakkafrøst Group.

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 recognised or disclosed, are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

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

For more information on these calculations, please refer to Note 14 in the Annual Report 2015.

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

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

As at 30 June 2016, 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)	1,036,553	706,087	0	0	1,036,553
Assets measured at fair value 30/6-2016	1,036,553	706,087	0	0	1,036,553
Liabilities measured at fair value 30/6-2016	0	0	0	0	0
Financial assets	197	500	221	0	0
Biological assets (biomass)	902,525	752,525	0	0	902,525
Assets measured at fair value 30/6-2015	902,722	753,025	221	0	902,525
Liabilities measured at fair value 30/6-2016	0	0	0	0	0
Financial assets	31	500	31	0	0
Biological assets (biomass)	1,060,274	846,220	0	0	1,060,274
Assets measured at fair value 31/12-2015	1,060,305	846,720	31	0	1,060,274
Liabilities measured at fair value 31/12-2015	0	0	0	0	0

Note 9. Business combinations

On the 29th of June 2016, Bakkafrøst purchased 51% of the shares in P/F Faroe Farming. With this purchase, Bakkafrøst becomes the owner of 100% of the shares in P/F Faroe Farming effective from 1 July 2016. The transaction is approved by the authorities.

Simultaneously with the agreement of acquiring 51% of the shares in P/F Faroe Farming, Bakkafrøst has filed two licenses to the Faroese Authorities. The licenses filed (relinquished) are Svínáir (A-03) and Hovsfjørður (A-17/18).

Following these two transactions, P/F Bakkafrøst has 14 licenses for farming salmon in the Faroe Islands.

Prior to the acquisition of P/F Faroe Farming, Bakkafrøst had approximately 50% of the licenses on the Faroe Islands. Regulations limit the number of licenses controlled by one company to 50% of the total licenses. With the purchase of P/F Faroe Farming, Bakkafrøst has filed (relinquished) two licenses and fulfils the legal requirements.

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

The management and the key employees of P/F Faroe Farming will continue in the company.

The following fair values have been determined on a provisional basis:

The fair value of intangible assets (Faroe Farming holds 2 farming licences) has been determined on an estimated fair value. Fair value has been identified in farming licenses by employing generally accepted valuation techniques. The market value of the licences is measured to DKK 82 million.

The fair value of biological assets has been determined based on the same accounting principles as in Bakkafrøst.

The fair value of property, plant and equipment has been provisionally determined based on the booked value in P/F Faroe Farming's financial statements. The fair value of property, plant and equipment is pending a completion of an independent valuation. It is expected that there will not be a material fair value adjustment of property, plant and equipment.

Accounts receivable consists of receivables from VAT.

Accounts payable and other taxes comprise amounts payable to Bakkafrøst of DKK 51.3 million.

Identifiable assets and liabilities assumed:

DKK 1,000	30 June 2016
Intangible assets	82,000
Property, plant and equipment	56,486
Financial assets	50
Biological assets (biomass)	119,112
Receivables	2,546
Deferred taxes and other taxes	-41,830
Accounts payable and other debt	-51,661
Total net identifiable assets	166,700

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