

P/F Bakkafrost

Condensed Consolidated Interim Report for Q4 2015 and 12 Months 2015

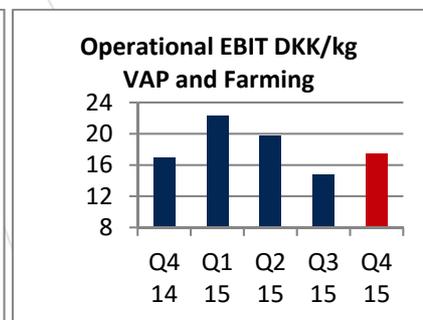
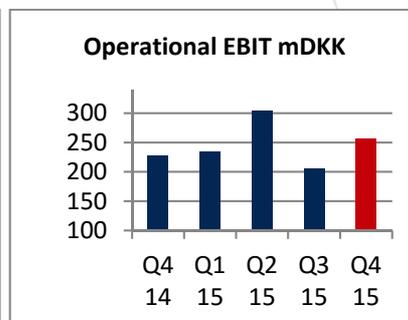
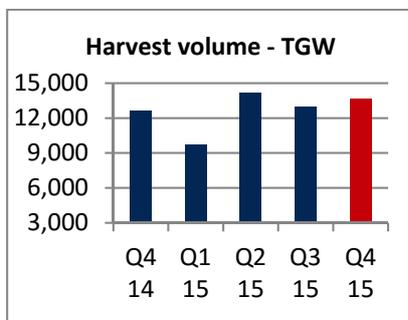


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Highlights

	Q4 2015	Q4 2014	YTD 2015	YTD 2014
DKK 1,000				
INCOME STATEMENT, SEGMENTS AND CASH FLOW				
Group - Operating revenue	759,735	757,293	2,850,363	2,683,319
Group - Operational EBIT*	256,524	227,458	1,000,583	833,775
Group - Profit for the period	318,626	222,441	810,175	647,105
Operational EBIT (Farming and VAP)(DKK)	238,699	213,792	927,294	763,883
Operational EBIT*/kg (Farming and VAP)(DKK)	17.46	16.90	18.34	17.36
Operational EBIT*/kg (Farming and VAP) (NOK)	21.83	19.48	21.64	19.43
Farming - Operating revenue	634,885	630,362	2,273,595	2,099,473
Farming - Operational EBIT*	215,024	181,393	841,243	693,970
Farming - Operational EBIT margin	34%	29%	37%	33%
Farming - Operational EBIT/kg (DKK)	15.72	14.34	16.64	15.77
Farming - Operational EBIT/kg (NOK)	19.67	16.53	19.63	17.65
VAP - Operating revenue	190,038	259,023	736,657	913,404
VAP - Operational EBIT*	23,675	32,399	86,051	69,913
VAP - Operational EBIT margin	12%	13%	12%	8%
VAP - Operational EBIT/kg (DKK)	4.87	6.39	4.73	3.30
VAP - Operational EBIT/kg (NOK)	6.09	7.36	5.58	3.69
FOF - Operating revenue	239,324	225,192	1,048,052	970,730
FOF - EBITDA	44,788	40,775	202,052	181,550
FOF - EBITDA margin	18.71%	18.11%	19.28%	18.70%
Cash flow from operations	-5,530	173,383	767,838	869,931
DKK/NOK (average)	79.95	86.74	84.74	89.31
FINANCIAL POSITION				
Total Assets**	3,920,386	3,462,933	3,920,386	3,462,933
Equity**	2,580,482	2,063,653	2,580,482	2,063,653
Equity ratio**	66%	60%	66%	60%
Net interest bearing debt (incl. fin. derivatives)**	391,471	232,711	391,471	232,711
PROFITABILITY				
Basic earnings per share (DKK)	6.52	4.55	16.69	13.34
Diluted earnings per share (DKK)	6.56	4.59	16.69	13.34
ROE***	13.2%	11.2%	33.5%	32.7%
ROCE (for the last quarter)****	7.5%	9.0%	29.4%	33.1%
ROCE (for the last 4 quarters)	30.6%	33.8%	30.8%	33.8%
ROIC (for the last quarter)*****	12.5%	13.3%	38.3%	43.5%
ROIC (for the last 4 quarters)	39.7%	41.8%	39.7%	43.0%
VOLUMES				
Harvested volume (tonnes gutted weight)	13,675	12,651	50,565	44,013
VAP produced volume (tonnes gutted weight)	4,862	5,074	18,196	21,196
Sold feed tonnes	19,797	23,133	78,865	85,724

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

** Comparing figures from end 2014

*** 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 4th Quarter 2015 and 12 Months 2015

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

The Bakkafrost Group delivered a total operating EBIT of DKK 256.5 million in Q4 2015. Harvested volumes were 13.7 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 238.7 million in Q4 2015. The Farming segment made an operational EBIT of DKK 215.0 million. Although the global salmon spot prices increased during the quarter, the VAP segment made an operational EBIT of DKK 23.7 million in Q4 2015. The EBITDA for the FOF segment was DKK 44.8 million in Q4 2015.

The Group made a profit for the quarter of DKK 318.6 million (DKK 222.4 million). For 2015, the profit was DKK 810.2 million (DKK 647.1 million).

The total volumes harvested in Q4 2015 were 13,675 tonnes gutted weight (12,651 tgw). Total harvested volumes for 2015 were 50,565 tonnes gutted weight (44,013 tgw).

Bakkafrost transferred 4.9 million smolts in Q4 2015 (3.2 million). In 2015, Bakkafrost has transferred 11.3 million smolts (10.4 million). This is 0.9 million more than the forecast for smolt release for 2015 as some smolts, planned to be released in January 2016, were released in December 2015.

In accordance with the Group's dividend policy, Bakkafrost aims at giving its shareholders a competitive return on their investment, both through payment of dividends and by securing an increase in the value of the equity through positive operations. The long-term goal of the Board of Directors is that 30 - 50% of earnings per share shall be paid out as dividend. Bakkafrost's financial position is strong with a healthy balance sheet, a competitive operation and available credit facilities. The Board of Directors proposes therefore to the Annual General Meeting that DKK 8.25 (NOK 10.38*) per share shall be paid out as dividend. This corresponds to approximately DKK 403.1 million (NOK 507.0* million). The proposed dividend corresponds to 46.2% of adjusted earnings for 2015. The Annual General Meeting will be convened on 8 April 2016.

The combined farming and VAP segments made an operational EBIT of DKK 238.7 million (DKK 213.8 million) in Q4 2015. For 2015, the combined farming and VAP segment made an operational EBIT of DKK 927.3 million (DKK 763.9 million).

The farming segment made an operational EBIT of DKK 215.0 million (DKK 181.4 million) in Q4 2015. The harvested volumes are higher in Q4 2015, compared to Q4 2014, and operational EBIT likewise higher. For 2015, the operational EBIT was DKK 841.2 million (DKK 694.0 million).

The VAP segment made an operational EBIT of DKK 23.7 million (DKK 32.4 million) for Q4 2015. The operational EBIT in the VAP segment decreased both due to higher prices on raw material in the quarter and lower volumes. For 2015, the operational EBIT was DKK 86.1 million (DKK 69.9 million).

The FOF segment (fishmeal, oil and feed) made an operational EBITDA of DKK 44.8 million (DKK 40.8 million) in Q4 2015. This corresponds to an operational EBITDA margin of 18.7% (18.1%). The operational EBITDA was DKK 202.1 million for 2015 (DKK 181.6 million), corresponding to an EBITDA margin for 2015 of 19.3% (18.7%).

In Q4 2015, Havsbrún sourced 63,582 tonnes of raw material (21,918 tonnes) and in 2015, Havsbrún sourced 235,014 tonnes of raw material (193,231 tonnes).

The Bakkafrost Group's net interest bearing debt amounted to DKK 391.5 million at the end of Q4 2015 (DKK 232.7 million at year-end 2014) including deposits and losses on financial derivatives relating to the interest bearing debt.

In December 2015, Bakkafrost secured the refinancing of its bank loan that would have matured at the end of 2016. The new financing agreement both extends and restructures Bakkafrost's credit facilities. The new bank loan is a multicurrency revolving credit facility for a period of five years, totalling DKK 850 million. In addition to the DKK 850 million credit facility, the new financing agreement has an accordion increase option of maximum DKK 750 million.

Bakkafrost had undrawn credit facilities of approximately DKK 889.6 million, of which DKK 38.3 million were restricted at the end of Q4 2015.

Bakkafrost's equity ratio at 31 December 2015 was 66%, compared with 60% at the end of 2014.

* The dividend per share in NOK is subject to changes depending on the exchange rate between DKK and NOK when the dividend is paid out.

Financial Review

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

Income Statement

The operating revenues amounted to DKK 759.7 million in Q4 2015 (DKK 757.3 million). Although the prices have improved and harvested volumes are higher in Q4 2015, compared with Q4 2014, the revenue is almost the same as the revenue in the VAP segment has decreased. For 2015, the operating revenues amounted to DKK 2,850.4 million (DKK 2,683.3 million).

Operational EBIT in Q4 2015 was DKK 256.5 million (DKK 227.5 million). The margins in the Farming and FOF segment are higher in Q4 2015, than Q4 2014, while the margin in VAP is lower. For 2015, the operational EBIT was DKK 1,000.6 million (DKK 833.8 million).

The fair value adjustment of the Group's biological assets amounted to DKK 83.1 million in Q4 2015 (DKK 51.6 million). The adjustment is due to higher salmon spot prices in DKK at the end of Q4 2015, compared with the beginning of the quarter. The fair value adjustment is negatively affected by DKK 52 million, as the new license tax from 2016 will be classified as cost. For 2015, the fair value adjustment amounted to DKK -27.6 million (DKK -11.5 million).

Provisions were made for onerous contracts of DKK -51.0 million (DKK 0.0 million) in Q4 2015. The provisions have been recognised due to the high salmon price at the end of 2015. Bakkafrost made

provisions in 2015 amounting to DKK -51.0 million (DKK 70.9 million).

In Q4 2015, there was a profit from associated companies amounting to DKK 20.3 million (DKK -4.0 million). For 2015, the income from associated companies amounted to DKK 6.8 million (DKK -0.8 million).

Net interests in Q4 2015 were DKK 0.7 million (DKK 38.9 million), whereof a positive unrealised exchange rate adjustment of DKK 3.6 million relating to the bond loan of NOK 500 million is posted in Q4 2015. Net interests for 2015 were DKK -4.3 million (DKK 6.9 million).

Net taxes in Q4 2015 amounted to DKK 9.0 million (DKK -91.7 million). For 2015, net taxes amounted to DKK -114.3 million (DKK -252.1 million). The Faroese Parliament changed the taxes on salmon farming in the Faroe Islands in December 2015. The tax changes are effective from January 2016, but the changes affected deferred taxes in 2015. Consequently, the deferred taxes were reduced by DKK 79.8 million and the reduction was recognised as a positive tax in the income statement in Q4 2015.

The result for Q4 2015 was DKK 318.6 million (DKK 222.4 million). The result for 2015 was DKK 810.2 million (DKK 647.1 million).

Statement of Financial Position

(Figures in parenthesis refer to end last year)

The Group's total assets as at end Q4 2015 amounted to DKK 3,920.4 million, compared with DKK 3,462.9 million at the end of 2014.

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 Bakkafrost accounts.

Property, plant and equipment amounted to DKK 1,531.5 million at the end of Q4 2015, compared with DKK 1,041.2 million at the end of 2014. In Q4 2015, Bakkafrost made investments in PP&E amounting to DKK 224.0 million, and for 2015, investments in PP&E were made for DKK 601.5 million.

Non-current financial assets amounted to DKK 130.9 million at the end of Q4 2015, compared with DKK 125.4 million at the end of 2014.

Bakkafrost has no long-term receivables at the end of Q4 2015, coming down from DKK 1.3 million at end 2014.

The Group's carrying amount (fair value) of biological assets amounted to DKK 1,060.3 million at the end of Q4 2015, compared with DKK 1,014.0 million at the end of 2014. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 257.3 million, compared with DKK 284.9 million at the end of 2014. The increase is due to higher salmon prices at the end of Q4 2015, compared to end 2014.

The Group's inventories amounted to DKK 422.0 million as at end Q4 2015, compared with DKK 267.0 million at year-end 2014. 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 379.2 million as at end Q4 2015, compared with DKK 314.3 million at the end of 2014.

The Group's equity at the end of Q4 2015 amounted to DKK 2,580.5 million, compared with DKK 2,063.7 million at the end of 2014. The change in equity consists primarily of the positive result for 2015 and the dividend paid out in April 2015.

The Group's total non-current liabilities amounted to DKK 925.9 million at the end of Q4 2015, compared with DKK 1,036.3 million at the end of 2014.

Deferred and other taxes at the end of Q4 2015 amounted to DKK 349.5 million, compared with DKK 414.0 million at the end of 2014. Because the Faroese Parliament changed the taxes on salmon farming companies in December 2015, the deferred taxes have decreased by DKK 79.8 million.

Long-term debt was DKK 447.6 million at the end of Q4 2015, compared with DKK 505.4 million at the end of 2014. Derivatives amounted to DKK 128.8 million at the end of Q4 2015, compared with DKK 116.9 million at the end of 2014.

Bakkafrost's interests bearing debt consists of a bank loan and a bond loan. Bakkafrost has secured the refinancing of its bank loan in December 2015. The new bank loan is a multicurrency revolving credit facility for a period of five years and totalling DKK 850 million. 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, Bakkafrost has entered into a currency/-interest rate swap, hedging the exchange rate, and has switched the interest rate from NIBOR 3m to CIBOR 3m. Bakkafrost 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 Q4 2015, the Group's total current liabilities were DKK 414.0 million, compared with DKK 362.9 million at the end of 2014. Accounts payable amounted to DKK 414.0 million, compared with DKK 262.9 million at the end of 2014.

Bakkafrost's equity ratio was 66% at the end of Q4 2015, compared with 60% at the end of 2014.

Cash Flow

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

The cash flow from operations in Q4 2015 was DKK -5.5 million (DKK 173.4 million). The changes in the working capital and paid taxes had a negative effect on the cash flow from operations in Q4 2015. For 2015, the cash flow from operations was DKK 767.8 million (DKK 869.9 million).

The cash flow from investment activities in Q4 2015 amounted to DKK -219.2 million (DKK -79.4 million). The amount relates mainly to investments in property, plant and equipment. For 2015, the cash flow from investments amounted to DKK -601.5 million (DKK -232.5 million).

Cash flow from financing activities totalled DKK 76.4 million in Q4 2015 (DKK -57.3 million). The interest bearing debt increased by DKK 58.4 million

and had a positive effect on cash flow from financing. Likewise, financing of an associated company contributed positively with DKK 20.0 million. For 2015, cash flow from financing amounted to DKK -469.6 million (DKK -414.4 million).

Net change in cash flow in Q4 2015 amounted to DKK -148.4 million (DKK 36.7 million) and for 2015, DKK -303.3 million (DKK 223.0 million).

At the end of Q4 2015, Bakkafrost had unused credit facilities of approximately DKK 889.6 million (DKK 958.1 million) of which DKK 38.3 million (DKK 15.0 million) are restricted.

Farming segment

Harvested Volumes *tgw* Q4-2015 **13,675**
Operational EBIT *MDKK* Q4-2015 **215.0**

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 DKK 1,000	Q4 2015	Q4 2014	Increase	YTD 2015	YTD 2014	Increase
Total revenue	634,885	630,362	1%	2,273,595	2,099,473	8%
Operational EBIT	215,024	181,393	19%	841,243	693,970	21%
Farming - Operational EBIT/kg (DKK)	15.72	14.34	10%	16.64	15.77	6%
Harvested volume (<i>tgw</i>)	13,675	12,651	8%	50,565	44,013	15%

Volumes

The total volumes harvested in Q4 2015 were 13,675 tonnes gutted weight (12,651 *tgw*) – an increase in volume of 8%. Total harvested volumes for 2015 were 50,565 tonnes gutted weight (44,013 *tgw*) – an increase of 15%, which is in line with the forecast for 2015

Bakkafrost transferred 4.9 million smolts in Q4 2015 (3.2 million), which is in line with Bakkafrost's smolt transfer plan for 2015. Total transferred smolts in 2015 were 11.3 million pieces (10.4 million). This is 0.9 million smolts more than the forecast for 2015 as some smolts, planned to be released in January 2016, were released in December 2015.

Financial performance

In Q4 2015, the operating revenue for Bakkafrost's farming segment was DKK 634.9 million (DKK 630.4 million). The operating revenue for the farming segment for 2015 was DKK 2,273.6 million (DKK 2,099.5 million).

Operational EBIT, which is EBIT before fair value adjustments on biological assets, amounted to DKK 215.0 million in Q4 2015 (DKK 181.4 million). In 2015, operational EBIT was DKK 841.2 million (DKK 694.0 million).

Operational EBIT/kg for the farming segment was DKK 15.72 (NOK 19.67) in Q4 2015, compared with DKK 14.34 (NOK 16.53) in Q4 2014. The higher margin is mainly due to higher salmon prices in Q4 2015, compared to Q4 2014. Operational EBIT/kg for 2015 was DKK 16.64 (NOK 19.63), compared with DKK 15.77 (NOK 17.65) for 2014.

Harvested volumes (<i>tgw</i>)	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Farming North	4,907	7,628	27,619	25,671
Farming West	8,768	5,023	22,946	18,342
Total harvested volumes (<i>tgw</i>)	13,675	12,651	50,565	44,013

Smolt transfer 1,000 pieces	2011	2012	2013	2014	2015
Farming North, <i>salmon</i>	5,000	6,500	7,200	3,000	7,100
Farming West, <i>salmon</i>	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 t_{gw} Q4-2015 **4,862**
Operational EBIT MDKK Q4-2015 **23.7**

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.

VAP segment DKK 1,000	Q4 2015	Q4 2014	Increase	YTD 2015	YTD 2014	Increase
Total revenue	190,038	259,023	-27%	736,657	913,404	-19%
Operational EBIT	23,675	32,399	-27%	86,051	69,913	19%
VAP - Operational EBIT/kg (DKK)	4.87	6.39	-24%	4.73	3.30	30%
VAP produced volume (t _{gw})	4,862	5,074	-4%	18,196	21,196	-13%

Volumes

Of the total harvested volumes in Q4 2015, 32% (37%) went for the production of VAP products, and 68% (63%) were sold as whole gutted salmon. For 2015, 33% (45%) went to production of VAP products, and 67% (55%) were sold as whole gutted salmon. In addition to the harvested volumes that went for the VAP production, Bakkafrost also sourced some salmon from a third party, as in previous quarters.

The VAP production in Q4 2015 was 4,862 tonnes gutted weight (5,074 t_{gw}). The decrease in production in Q4 2015 is 4%, compared to Q4 2014. In 2015, the VAP production was 18,196 t_{gw} (21,196 t_{gw}).

Financial performance

The operating revenue for the VAP segment amounted to DKK 190.0 million (DKK 259.0 million) in Q4 2015. The decrease in revenue is because of lower volumes sold in Q4 2015, compared with Q4 2014. For 2015, operating revenue was DKK 736.7 million (DKK 913.4 million).

Operational EBIT amounted to DKK 23.7 million (DKK 32.4 million) in Q4 2015, corresponding to an operational EBIT of DKK 4.87 (NOK 6.09) per kg gutted weight in Q4 2015, compared with DKK 6.39 (NOK 7.36) per kg gutted weight in Q4 2014. The decrease in the operational EBIT margins is due to higher prices on raw material. The VAP segment purchases its raw material (fresh salmon) at spot prices each week. For 2015, operational EBIT amounted to DKK 86.1 million (DKK 69.9 million), corresponding to an operational EBIT of DKK 4.73 (NOK 5.58) per kg gutted weight in 2015, compared with an operational EBIT of DKK 3.30 (NOK 3.69) per kg gutted weight in 2014.

Distribution of harvested volumes	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Harvested volume used in VAP production	32%	37%	33%	45%
Harvested volume sold fresh/frozen	68%	63%	67%	55%
Harvested and purchased volumes	100%	100%	100%	100%

FOF segment

Sold feed tonnes Q4-2015 **19,797**
EBITDA MDKK Q4-2015 **44.8**

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 Bakkafrost. Fishmeal, fish oil and fish feed is also sold externally.

FOF segment	Q4	Q4		YTD	YTD	
1,000 DKK	2015	2014	Increase	2015	2014	Increase
Total revenue	239,324	225,192	6%	1,048,052	970,730	8%
EBITDA	44,788	40,775	10%	202,052	181,550	11%
EBITDA margin	18.7%	18.1%	3%	19.3%	18.7%	3%
Sold feed tonnes	19,797	23,133	-14%	78,865	85,724	-8%

Volumes

In Q4 2015, Havsbrún received 63,582 tonnes (21,918 tonnes) of raw material for the production of fishmeal and fish oil. In 2015, Havsbrún received 235,014 tonnes (193,231 tonnes) of raw material. The raw material intake depends on the fishery in the North Atlantic and available species of fish.

The production of fishmeal in Q4 2015 was 13,647 tonnes (4,669 tonnes). For 2015, Havsbrún produced 49,343 tonnes (40,827 tonnes) of fishmeal.

The production of fish oil in Q4 2015 was 4,172 tonnes (1,789 tonnes). For 2015, Havsbrún produced 7,854 tonnes (6,460 tonnes) of fish oil. The production of fish oil varies, depending on the species of fish sourced for production and timing of catch.

Sales of feed amounted to 19,797 tonnes (23,133 tonnes) in Q4 2015, of which the farming segment internally used 18,042 tonnes (19,218 tonnes) or 91.1% (83.1%). For 2015, the feed sale was 78,865 tonnes (85,724 tonnes). The internal sale to the farming segment was 70,074 tonnes (68,187 tonnes) in 2015, corresponding to 88.9% (79.5%).

Financial performance

The operating revenue for the FOF segment amounted to DKK 239.3 million (DKK 225.2 million) in Q4 2015, of which DKK 175.5 million (DKK 173.1 million) represents sales to Bakkafrost's farming segment, corresponding to 73.3% (76.9%). For 2015, the revenue amounted to DKK 1,048.1 million (DKK 970.7), of which DKK 697.8 million (DKK 613.3 million) represents sales to Bakkafrost's farming segment and corresponds to 66.6% (63.2%).

Operational EBITDA was DKK 44.9 million (DKK 40.8 million) in Q4 2015, and the operational EBITDA margin was 18.7% (18.1%). 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 2015, the operational EBITDA was DKK 202.1 million (DKK 181.6 million), corresponding to an EBITDA margin of 19.3% (18.7%).

Sales FOF	Q4	Q4	YTD	YTD
volumes (tonnes)	2015	2014	2015	2014
Feed internal	18,042	19,218	70,074	68,187
Feed external	1,755	3,915	8,791	17,537
Feed total	19,797	23,133	78,865	85,724
Fishmeal external	3,274	1,115	23,226	16,999
Fish oil external	3	10	14	3,374

Outlook

Market

The global demand in the salmon market continues with strong growth rates. The markets are affected differently by the currency development during the year. The market balance will be tighter in 2016, compared to 2015. Global supply of Atlantic salmon is expected to decrease by 3% in volume during 2016, compared to 2015. Production capacity is close to full utilization and further expansion relates to high investments.

The market place is one of Bakkafrost's most significant risk areas. Bakkafrost has a geographical and a market price approach. These approaches reduce the exposure to the market risk. To diversify the geographical market risk, Bakkafrost sells its products to some of the largest salmon markets in the world, the US, 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. Biology and veterinary situation is the most important risk area for Bakkafrost. The Group is focusing on this risk with 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. Bakkafrost's new live fish carrier, M/S Hans á Bakka, has freshwater treatment equipment installed. M/S Hans á Bakka's operations using freshwater has shown to be effective against sea lice and therefore these operations will be an important part of Bakkafrost's treatment against sea lice. The biological situation is good, and the price outlook in the market place is good.

Bakkafrost's expected harvest is 48,000 tonnes gutted weight in 2016.

The number of smolt released is one key element of predicting the future production for the Group. Bakkafrost 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 estimates for harvesting volumes and smolt releases are as always dependent on the biological situation.

VAP (Value added products)

The currency development has had a negative effect on the competitive position in some markets. Bakkafrost has signed contracts covering around 60% of the VAP capacity for 2016. This corresponds to around 25% of the expected harvested volumes for 2016. The remaining 40% of the VAP capacity is expected to be committed during the period. 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. 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 Bakkafrost's internal use of fish feed.

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

Investments

Bakkafrost has announced an investment plan for the period until 2017, latest updated in August 2014. The purpose of the investment plan is to continue to have one of the most cost efficient 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.

The total investments for the period 2014-2017 were announced to be DKK 1,370 million including maintenance CAPEX. Whereof the future investment plan for the next two years is DKK 570 million,

according to the announced investment plan from August 2014.

The investment of the new harvest/-VAP factory will be finalised in 2016. The harvest operation is expected to start in Q2 2016, while the VAP operation will start in H2 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.

Bakkafrost plans to increase the smolt capacity, making Bakkafrost self-supplied with smolts at a size of 200-300g each before end 2017. The benefits are shorter production time at sea as well as reduced biological risk. The expansion of the hatchery in Viðareiði, which started in 2015, will be finalised in Q2 2016. The expansion will fourfold the capacity of this hatchery. An investment in a new hatchery site is expected to start in 1H 2016.

Risks

Bakkafrost has not identified any additional risk exposure beyond the risks described in the 2014 Annual Report.

The 2014 Annual Report is available on request from Bakkafrost and on Bakkafrost's website, www.bakkafrost.com.

Free cash flow from operations, existing financing facilities and partly new financing if advantageous will finance the investments. In addition, Bakkafrost has the possibility to postpone investments in case of adverse events. The dividend policy will be unchanged.

Financial

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

Bakkafrost is, as explained in the 2014 Annual Report, exposed to the salmon price. A limited decrease in supply is expected in 2016 and therefore a tight market balance.

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

Events after the Date of the Statement of Financial Position

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

Glyvrrar, February 23rd 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

Tor Magne Lønnum
Board Member

Consolidated Income Statement

For the period ended 31 December 2015

DKK 1,000	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Operating revenue	759,735	757,293	2,850,363	2,683,319
Purchase of goods	-328,005	-221,455	-1,201,208	-913,130
Change in inventory and biological assets (at cost)	154,569	-22,625	424,143	96,560
Salary and personnel expenses	-80,203	-70,618	-281,085	-263,897
Other operating expenses	-220,777	-188,051	-683,532	-671,908
Depreciation	-28,795	-27,086	-108,098	-97,169
Operational EBIT *	256,524	227,458	1,000,583	833,775
Fair value adjustments on biological assets	83,052	51,644	-27,578	-11,547
Onerous contracts	-51,004	0	-51,004	70,908
Income from associates	20,335	-3,955	6,757	-845
Earnings before interest and taxes (EBIT)	308,907	275,147	928,758	892,291
Net interest revenue	1,223	1,980	3,599	4,558
Net interest expenses	-5,478	-8,236	-24,622	-32,359
Net currency effects	6,058	46,787	23,350	40,448
Other financial expenses	-1,110	-1,585	-6,614	-5,747
Earnings before taxes (EBT)	309,600	314,093	924,471	899,191
Taxes	9,026	-91,652	-114,296	-252,086
Profit or loss for the period	318,626	222,441	810,175	647,105
Profit or loss for the year attributable to				
Non-controlling interests	0	0	0	0
Owners of P/F Bakkafrost	318,626	222,441	810,175	647,105
Earnings per share (DKK)	6.56	4.59	16.69	13.34
Diluted earnings per share (DKK)	6.56	4.59	16.69	13.34

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

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2015

DKK 1,000	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Profit for the period	318,626	222,441	810,175	647,105
Fair value adjustment on financial derivatives	-1,500	-60,656	-11,492	-40,678
Income tax effect	229	9,252	1,753	6,205
Reserve to share-based payment	232	-384	924	161
Currency translation differences	1,049	-127	576	349
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	10	-51,915	-8,239	-33,963
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0	0	0
Other comprehensive income	10	-50,915	-8,239	-33,963
Total other comprehensive income for the period	318,636	170,526	801,936	613,142

Consolidated Statement of Financial Position

As at 31 December 2015

DKK 1,000	31 Dec 2015	31 Dec 2014
ASSETS		
Non-current assets		
Intangible assets	294,675	294,675
Property, plant and equipment	1,531,493	1,041,248
Financial assets	130,893	125,419
Long term receivables	0	1,291
Total non-current assets	1,957,061	1,462,633
Current assets		
Biological assets (biomass)	1,060,273	1,013,959
Inventory	421,966	266,960
Total inventory	1,482,239	1,280,919
Accounts receivable	199,263	172,360
Other receivables	179,971	141,912
Total receivables	379,234	314,272
Cash and cash equivalents	101,852	405,109
Total current assets	1,963,325	2,000,300
TOTAL ASSETS	3,920,386	3,462,933

Consolidated Statement of Financial Position

As at 31 December 2015

DKK 1,000	31 Dec 2015	31 Dec 2014
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	2,531,624	2,014,795
Total equity	2,580,482	2,063,653
Non-current liabilities		
Deferred and other taxes	349,546	414,014
Long-term interest bearing debts	447,559	505,393
Financial derivatives	128,804	116,928
Total non-current liabilities	925,909	1,036,335
Current liabilities		
Short-term interest bearing debt	0	100,000
Accounts payable and other debt	413,995	262,945
Total current liabilities	413,995	362,945
Total liabilities	1,339,904	1,399,280
TOTAL EQUITY AND LIABILITIES	3,920,386	3,462,933

Consolidated Cash Flow Statement

For the period ended 31 December 2015

DKK 1,000	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Earnings before interest and taxes (EBIT)	308,907	275,147	928,758	892,291
Adjustments for write-downs and depreciation	33,509	27,086	112,812	97,169
Adjustments for value adjustments on biomass	-83,052	-51,644	27,578	11,547
Adjustments for income from associates	-20,336	3,955	-6,758	845
Adjustments for currency effects	7,406	46,787	27,138	40,452
Taxes paid	-142,051	-81,381	-148,225	-81,381
Provision for onerous contracts	51,004	0	51,004	-70,908
Change in inventory	-154,725	16,773	-228,898	-91,084
Change in receivables	-77,095	-33,185	-60,296	152,166
Change in current debts	70,903	-30,155	64,725	-81,166
Cash flow from operations	-5,530	173,383	767,838	869,931
Cash flow from investments				
Acquisition/sale of subsidiaries and activities, etc., net	0	2,450	0	2,450
Proceeds from sale of fixed assets	4,801	8,227	4,801	8,227
Payments made for purchase of property, plant and equipment	-224,041	-103,220	-607,627	-229,948
Sale/Acquisition of shares	0	0	0	-13,409
Change in long-term receivables	0	13,150	1,314	181
Cash flow from investments	-219,240	-79,393	-601,512	-232,499
Cash flow from financing				
Change of interest bearing debt (short and long)	58,407	-66,726	-151,076	-171,850
Financial income	1,226	1,980	3,601	4,558
Financial expenses	-6,588	-9,821	-31,235	-38,106
Sale/Acquisition of treasury shares	3,378	0	6,092	3,437
Financing of associate	19,984	17,302	-5,981	5,722
Dividend paid	0	0	-290,985	-218,160
Cash flow from financing	76,407	-57,265	-469,584	-414,399
Net change in cash and cash equivalents in period	-148,363	36,725	-303,258	223,033
Cash and cash equivalents – opening balance	250,215	368,385	405,110	182,077
Cash and cash equivalents – closing balance total	101,852	405,110	101,852	405,110

Consolidated Statement of Changes in Equity

As at 31 December 2015

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share-based Payment	Currency translation differences	Derivatives	Proposed Dividend	Biomass	Retained Earnings	Total Equity
								Fair value adjustments		
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
Equity 01.01.2014	48,858	306,537	-28,949	0	1,109	-61,409	219,862	296,402	882,867	1,665,277
Consolidated profit	0	0	0	0	0	0	0	-11,547	658,652	647,105
<i>Other comprehensive income:</i>										
Fair value adjustment on financial derivatives	0	0	0	0	0	-40,678	0	0	0	-40,678
Income tax effect	0	0	0	0	0	6,205	0	0	0	6,205
Share based payment	0	0	0	161	0	0	0	0	0	161
Currency translation differences	0	0	0	0	349	0	0	0	0	349
Total other comprehensive income	0	0	0	161	349	-34,473	0	0	0	-33,963
Total comprehensive income	0	0	0	161	349	-34,473	0	-11,547	658,652	613,142
<i>Transaction with owners:</i>										
Treasury shares	0	0	3,392	0	0	0	0	0	0	3,392
Paid-out dividend	0	0	0	0	0	0	-219,862	0	1,704	-218,158
Proposed dividend	0	0	0	0	0	0	293,148	0	-293,148	0
Total transaction with owners	0	0	3,392	0	0	0	73,286	0	-291,444	-214,766
Total changes in equity	0	0	3,392	161	349	-34,473	73,286	-11,547	367,208	398,376
Total equity 31.12.2014	48,858	306,537	-25,557	161	1,458	-95,882	293,148	284,855	1,250,075	2,063,653

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 2014 is available upon request from the company's

registered office at Bakkavegur 9, 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 2014.

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 2014.

The company has, nevertheless, chosen to reproduce the note on intangible assets from the Annual Report 2014. The information in the note is enlarged.

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 Note 3 to the financial statements in the Annual Report 2014.

For other risk exposures, reference is made to the Management Statement in the Annual Report for 2014, where Bakkafrost's operational and financial risks are described, as well as to Note 22 (Financial risk management) in the same report.

The risks and uncertainties described therein are expected to remain.

Note 4. Biomass

DKK 1,000	End 2015	End 2014
Biological assets carrying amount 01.01.	1,013,959	965,895
Increase due to production or purchases	1,267,200	1,106,337
Reduction due to harvesting or sale (costs of goods sold)	-1,201,426	-1,029,122
Fair value adjustment at the beginning of the period reversed	-284,855	-296,402
Fair value adjustments at the end of the period	257,278	284,855
Reversal of elimination at the beginning of the period	51,342	33,738
Eliminations	-43,224	-51,342
Biological assets carrying amount at the end of the period	1,060,274	1,013,959
Cost price biological assets	825,101	764,675
Capitalised interest	21,119	15,771
Fair value adjustments at the end of the period	257,278	284,855
Eliminations	-43,224	-51,342
Biological assets carrying amount	1,060,274	1,013,959
Biomass < 1 kg on average (tonnes)	2,215	1,834
Biomass 1 kg < 4 kg on average (tonnes)	14,312	11,194
Biomass > 4 kg on average (tonnes)	17,297	22,463
Volume of biomass at sea (tonnes live weight)	33,824	35,491
Numbers of fish < 1 kg on average (thousand)	5,259	5,055
Numbers of fish 1 kg < 4 kg on average (thousand)	5,624	4,948
Numbers of fish > 4 kg on average (thousand)	3,233	4,537
Total numbers of fish (thousand)	14,116	14,540

In the autumn of 2014, The Financial Supervisory Authority of Norway (Finanstilsynet) initiated a valuation of certain aspects of the financial reporting prepared by fish farming companies listed on the Oslo Stock Exchange. In response to this process, affected fish farming companies established a financial reporting industry group as an arena for

discussions and improvement work. The group has had several meetings during the autumn of 2015. The participating companies have identified certain areas of improvement, including certain updates to the fair value model per 31.12.2015. Further information will be given in the Annual Report.

Note 5. Intangible assets & impairment test

ACCOUNTING POLICIES

Intangible assets, that are purchased individually, are capitalised at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalised at acquisition cost when the criteria for separate recognition are met.

Intangible assets with a limited economic lifespan are depreciated systematically. Intangible assets are written down to the recoverable amount if the expected financial benefits do not cover their carrying amount.

Costs relating to research and development are charged as expenses as they accrue. R&D costs are capitalised in the statement of financial position, when it can be demonstrated that the relevant R&D projects carry economic benefits, that they can be technically finalised, and that the company intends to and is financially able to reap the economic benefits.

Capitalised R&D costs are recognised at acquisition cost less accumulated depreciation and write-downs. Capitalised R&D costs are depreciated in a straight line over the asset's estimated period of use.

Sea farming licences, which are purchased either as part of an acquisition or business combination according to IFRS 3, are capitalised at cost less accumulated write-downs. Sea farming licences in the Faroe Islands are considered perpetual, given that certain preconditions regarding environmental protection and animal welfare are met. Consequently, sea farming licences are not depreciated systematically, but are subject to an annual impairment test. If the carrying amount exceeds the recoverable amount, licences are considered impaired, and write-downs are entered and charged to the Income Statement.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be appropriate. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Bakkafrost operates its sea farming activity in 13 identifiable CGUs based on single or groups of sea farming licenses.

Seven out of these licenses are issued by the government without consideration, and hence are not capitalised. These belong to the North region.

The other six CGUs are acquired as part of business combinations. Respectively, when acquiring the Vestlax Group and the Havsbrún Group, hence two groups of CGUs. These are belonging to the West region. Bakkafrost considers these as significant in comparison to Bakkafrost's total carrying amount of goodwill and intangible assets with indefinite useful lives. Bakkafrost has decided to disclose specific information concerning these two groups of CGUs.

Licenses with indefinite useful lives

The sea farming licenses in the Faroe Islands are defined as the right to utilise a given area of fjords for farming fish. There are no provisions as to the maximum allowed biomass at the given site, but the legislation has imposed strict measures to regulate the farming activity in order to be environmentally sustainable.

The sea farming licenses are issued with a nominal lifespan of 12 years. Licenses are renewed, unless there is a specific reason against renewal, based on failure to fulfil the veterinary conditions set by the authorities. In connection with renewal of licenses, authorities may only decline renewal if specific legislation on area planning, animal welfare or environmental protection is in conflict with renewal of the licenses. Special emphasis is to be placed on the fact, that it is renewals of existing licenses.

This actually means that sea farming licenses are operated in a 12-year rolling lifespan system, where the licenses are renewed every 12th year. In the very rare cases, where the authorities have declined to renew licenses in order the use locations for other purposes, the farmers have obtained licenses from the authorities at other locations.

Bakkafrost has therefore decided to account for sea farming licenses, which are capitalised, following the provisions for intangible rights with indefinite useful lives.

GOODWILL

When the company assumes control over a separate business entity for a consideration that exceeds the fair value of the individual assets, the difference is entered as goodwill in the statement of financial position.

Goodwill deriving from purchases of subsidiaries and associates is presented under intangible assets.

Goodwill is not depreciated, but is tested for impairment annually or more often if there are indications that its value is lower than the carrying amount. When assessing the need to write-down goodwill, this is assigned to relevant cash flow generating units or groups, which are expected to benefit from the acquisition.

Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash-flow generating units to which the goodwill is

assigned. To identify the Group's cash-flow generating units, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows. Please refer to Note 9 for further description.

If the calculated value in use is less than the carrying amount of the cash-flow generating unit, goodwill is written down first, and then other assets as required.

Intangible assets

DKK 1,000	Goodwill	Licences	TOTAL
Acquisition costs as at 01.01.15	4,537	290,138	294,675
Acquisition costs as at 31.12.15	4,537	290,138	294,675
Impairment 01.01.15	0	0	0
Accumulated depreciation and write-downs as at 31.12.15	0	0	0
Net book value as at 31.12.15	4,537	290,138	294,675
Acquisition costs as at 01.01.14	4,537	290,138	294,675
Acquisition costs as at 31.12.14	4,537	290,138	294,675
Impairment 01.01.14	0	0	0
Accumulated depreciation and write-downs as at 31.12.14	0	0	0
Net book value as at 31.12.14	4,537	290,138	294,675

IMPAIRMENT TEST

The Group tests intangible assets annually for impairment or more frequently if there are indications that the assets are impaired. The annual impairment test is performed at year-end. Bakkafrost has substantial assets with indefinite lives in the form of licenses. The licenses are subject to impairment testing in combination with goodwill in the annual test. Bakkafrost identifies each farming zone, which may contain one or a number of licences or farming sites as one cash-generating unit.

The procedure of impairment testing

Impairment testing is carried out by calculating the net present value of estimated future cash flows (value in use) for the cash-generating unit, in line with IAS 36, and comparing the net present value of the cash flow towards the carrying amount of net assets held by the cash-generating unit (CGU). The cash flow used in the calculations represents the management's best estimate at the time of reporting. If the carrying

amount is higher than the calculated value in use, the assets are considered impaired. The estimated cash flow is based on the assumption of continued operation. The basis for the estimated cash flow is the strategic plan for the following years. The strategic plans have been reviewed and the targets approved by the Group management.

All CGUs have the same operating assumptions since the operating conditions are predominantly the same all over the Faroe Islands. The considered operating conditions are costs of feed, smolt, harvest, packaging, transport and other costs. Other operating conditions considered the same are mortality, production time, fallowing and harvest weight. CAPEX is also assumed to be the same for all CGUs over the calculated period. All CGUs are calculated with the same WACC. If there will be variances between the assumptions for the different CGUs in the future, this will be incorporated into the impairment test.

Indications of impairment

The impairment testing at year-end did not result in identification of impairment losses. Intangible assets were tested for impairment to evaluate if the cash flow from a conservative estimate was sufficient to support the carrying amount of net assets. The test confirmed the asset values.

The key assumptions

The key assumptions in the calculations of value in use are harvest volume, prices and costs, hence EBITDA and WACC. Amongst other assumptions are inflation, CAPEX and terminal growth.

In general, the value in use has been determined based on future strategic plans considering the expected development in both macroeconomic and company-related conditions.

The assumptions used rest on uncertainty with regard to product prices, input prices, biological performance and future regulatory frameworks. Costs can normally be estimated with a higher degree of accuracy than income. As profitability in the salmon farming industry historically has been very volatile, depending on developments in the prices of salmon. Bakkafrost uses budgets and long-term plans for the first five years of the analysis, but returns to long-term historic averages for profitability in the sixth year and terminal period.

The key assumptions used in determining the value in use are:

- Harvested volume is based on the current stocking plans for each unit, and forecasted figures for growth, assumed harvest weight and mortality, based on historical figures.
- The costs are based on Bakkafrost's own assumptions based on historical costs and expectations. The costs are expected to remain stable, but are calculated to increase with an inflation rate of 2%.
- The forward prices are based on the Fish Pool index, which is a part of Oslo Børs ASA, at the day of the calculation. The long-term forward prices are based on third-parties sources.
- The WACC is 8.6% pre-tax and calculated in accordance with IAS 36. The WACC model is used for estimating the discount rate. The input

data for the model is updated every year for the annual impairment test. The choice of input data for the model significantly influences the outcome of the model, and to ensure that there is as little uncertainty as possible with regards to the calculation of the WACC, third-party sources are used where available (interest, inflation, beta). The discount rate is based on a five-year average for ten-year bonds issued by the Danish government, with an adjustment margin for the food industry in the EU.

- The inflation is set to 2% for the budget period. This is done based on third-parties sources.
- The terminal growth is set to 1%.
- Capital expenditure (CAPEX). In the 5-year forecast period, the capital expenditure necessary to meet the expected growth in revenue and profit is taken into consideration. Capital expenditures are aligned with the growth and replacement plans. Capital expenditure to comply with current laws and regulations has been included. Capex related to committed and approved efficiency improvement programs has also been included to support the inclusion of the benefits in the applied margin. Changes in applicable laws and regulations may affect future estimated capital expenditure needs; this is not reflected in the figures used in the impairment test. Beyond the forecast period, capital expenditure will in general equal depreciation and relate to maintenance investments.

Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been carried out. Sensitivity analysis has been performed for each of the defined cash generating units. With the assumptions used, the headroom is DKK 1,354 million.

- A change of +10% on the total costs, or fall in long-term sales prices of -10% would cause the first impairment.
- A change in the EBITDA margin of +/- 1% would affect the headroom with +/- DKK 134 million.
- A change in WACC of +1% would affect the headroom with DKK -342 million, and a change in WACC of -1% would affect the headroom with DKK 490 million.

Specification of CGUs - Booked value tested and sensitivity

The CGUs tested are in the West region.

Sensitivity analyses and booked value per CGU as per 31.12.15

CGUs (1,000)	Licenses	Other assets***	Total booked value tested	WACC	No. of smolts	EBITDA change of +/-1%	WACC change of -1%	WACC change of + 1%
Vestlax acquisition*	132,706	633,474	765,457	8.6%	6,400	41,354	151,453	-105,667
Havsbrún acquisition**	157,430	275,351	432,460	8.6%	2,800	92,826	338,759	-236,335
TOTAL	290,136	908,825	1,197,917	8.6%	9,200	134,180	490,212	-342,002

Sensitivity analyses and booked value per CGU as per 31.12.14

CGUs (1,000)	Licenses	Other assets***	Total booked value tested	WACC	No. of smolts	EBITDA change of +/-1%	WACC change of -1%	WACC change of + 1%
Vestlax acquisition*	132,706	526,116	658,822	10.8%	6,400	65,564	181,995	-102,513
Havsbrún acquisition**	157,430	231,021	388,451	10.8%	2,800	28,685	55,106	-72,189
TOTAL	290,136	757,137	1,047,273	10.8%	9,200	94,249	237,101	-174,702

* 4 CGUs in license numbers A03, A05, A06, A25, A80 and A81. Acquired in 2010.

** 2 CGUs in license numbers A71 and A82. Acquired in 2011.

*** Other assets consist of goodwill, PP&E, inventory, receivables, etc. that can be allocated to CGUs or are directly attributable to CGUs.

Note 6. Segments

Farming segment	Q4	Q4	YTD	YTD
DKK 1,000	2015	2014	2015	2014
External revenue	505,830	446,140	1,763,498	1,412,511
Internal revenue	129,055	184,222	510,097	686,962
Total revenue	634,885	630,362	2,273,595	2,099,473
Operating expenses	-400,360	-431,676	-1,361,150	-1,342,716
Depreciation and amortisation	-19,501	-17,293	-71,202	-62,787
Operational EBIT	215,024	181,393	841,243	693,970
Fair value adjustments on biological assets	83,052	51,644	-27,578	-11,547
Income from associates	6,735	-2,873	1,879	-7,183
Earnings before interest and taxes (EBIT)	304,811	230,164	815,544	675,240
Net interest revenue	-1,021	389	-4,006	997
Net interest expenses	-1,816	-2,840	-1,995	-6,744
Net currency effects	5,324	49,248	23,539	43,696
Other financial expenses	-1,055	-1,516	-6,370	-5,450
Earnings before taxes (EBT)	306,243	275,445	826,712	707,739
Taxes	11,657	-80,981	-80,324	-202,071
Profit or loss for the period	317,901	194,464	746,388	505,668

VAP segment (Value added products)	Q4	Q4	YTD	YTD
DKK 1,000	2015	2014	2015	2014
External revenue	190,038	259,023	736,657	913,404
Internal purchase of raw material	-129,055	-184,222	-510,097	-686,962
Operating expenses	-35,467	-39,084	-133,155	-147,397
Depreciation and amortisation	-1,841	-3,318	-7,354	-9,132
Operational EBIT	23,675	32,399	86,051	69,913
Provision for onerous contracts	-51,004	0	-51,004	70,909
Income from associates	-23	31	-23	31
Earnings before interest and taxes (EBIT)	-27,352	32,430	35,024	140,853
Net interest revenue	2,117	945	7,093	1,988
Net interest expenses	-2	0	-8	-880
Net currency effects	-3	0	-7	-3
Other financial expenses	-4	-3	-16	-22
Earnings before taxes (EBT)	-25,244	33,372	42,086	141,936
Taxes	6,090	-6,007	-6,030	-25,549
Profit or loss for the period	-19,154	27,365	36,056	116,387

FOF segment (Fishmeal, Fish Oil and Fish Feed)	Q4	Q4	YTD	YTD
DKK 1,000	2015	2014	2015	2014
External revenue	63,867	52,130	350,208	357,404
Internal revenue	175,457	173,062	697,844	613,326
Total revenue	239,324	225,192	1,048,052	970,730
Purchase of goods	-156,002	-143,825	-686,511	-615,662
Operating expenses	-38,534	-40,592	-159,489	-173,518
Depreciation and amortisation	-7,453	-6,475	-29,542	-25,250
Operational EBIT	37,335	34,300	172,510	156,300
Income from associates	13,623	-1,113	4,901	6,307
Earnings before interest and taxes (EBIT)	50,958	33,187	177,411	162,607
Net interest revenue	127	646	512	1,573
Net interest expenses	-3,660	-5,396	-22,619	-24,735
Net currency effects	737	-2,461	-182	-3,245
Other financial expenses	-51	-66	-228	-275
Earnings before taxes (EBT)	48,111	25,910	154,894	135,925
Taxes	-8,721	-4,664	-27,942	-24,466
Profit or loss for the period	39,389	21,246	126,952	111,459

Reconciliation of reportable segments to Group				
earnings before taxes (EBT)	Q4	Q4	YTD	YTD
DKK 1,000	2015	2014	2015	2014
Farming	306,243	275,445	826,712	707,739
VAP (Value added products)	-25,244	33,372	42,086	141,936
FOF (Fishmeal, Fish Oil and Fish Feed)	48,111	25,910	154,894	135,925
Eliminations	-19,510	-20,634	-99,221	-86,409
Group earnings before taxes (EBT)	309,600	314,093	924,471	899,191

Assets and liabilities per segment		YTD	YTD
DKK 1,000		2015	2014
Farming		3,976,007	3,305,566
VAP (Value added products)		261,835	187,328
FOF (Fishmeal, Fish Oil and Fish Feed)		793,774	754,904
Eliminations		-1,111,230	-784,865
Total assets		3,920,386	3,462,933
Farming		-1,148,144	-753,064
VAP (Value added products)		-50,788	-7,949
FOF (Fishmeal, Fish Oil and Fish Feed)		-572,846	-545,308
Eliminations		431,874	-92,959
Total liabilities		-1,339,904	-1,399,280

Note 7. Harvest, Farming and Sales FOF

Distribution of harvested volumes (tgv)	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Harvested volume used in VAP production	4,444	4,700	16,870	19,897
Harvested volume sold fresh/frozen	9,231	7,951	33,695	24,116
Harvested and purchased volumes (tgv)	13,675	12,651	50,565	44,013

Harvested volumes (tgv)	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Farming North	4,907	7,628	27,619	25,671
Farming West	8,768	5,023	22,946	18,342
Total harvested volumes (tgv)	13,675	12,651	50,565	44,013

Distribution of harvested volumes	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Harvested volume used in VAP production	32%	37%	33%	45%
Harvested volume sold fresh/frozen	68%	63%	67%	55%
Harvested and purchased volumes	100%	100%	100%	100%

Feed sales FOF volumes (tonnes)	Q4 2015	Q4 2014	YTD 2015	YTD 2014
Feed internal	18,042	19,218	70,074	68,187
Feed external	1,755	3,915	8,791	17,537
Feed total	19,797	23,133	78,865	85,724
Fishmeal external	3,274	1,115	23,226	16,999
Fish oil external	3	10	14	3,374

Note 8. 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 355 million. DKK 215 million relate to the

building of the new harvest and VAP factory, and DKK 53 million relate to the building of the new hatchery station.

Note 9. Transactions with related parties

Note 27 in Bakkafrost's Annual Report for 2014 provides detailed information on related parties' transactions.

Faroe Farming, an associated company of Bakkafrost, purchased for DKK 20.8 million from Bakkafrost in Q4 2015 and DKK 80.4 million for 2015. Bakkafrost purchased raw material amounting to DKK 60.3 million from Faroe Farming in Q4 2015

and DKK 152.0 million for 2015. At the end of Q4 2015, Faroe Farming owed DKK 70.0 million to the Bakkafrost Group.

Transactions between P/F Bakkafrost 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 10. 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 valu-

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

For more information on these calculations, please refer to Note 2.13 and Note 14 in the Annual Report 2014.

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 31 December 2015, the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000	Carrying				
Assets and liabilities measured at fair value	Fair value	amount	Level 1	Level 2	Level 3
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	1,060,274	846,720	31	0	1,060,274
Liabilities measured at fair value 31.12.2015	0	0	0	0	0
Financial assets	233	500	233	0	0
Biological assets (biomass)	1,013,959	729,104	0	0	1,013,959
Assets measured at fair value 31.12.2014	1,014,192	729,604	233	0	1,013,959
Liabilities measured at fair value 31.12.2014	0	0	0	0	0

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