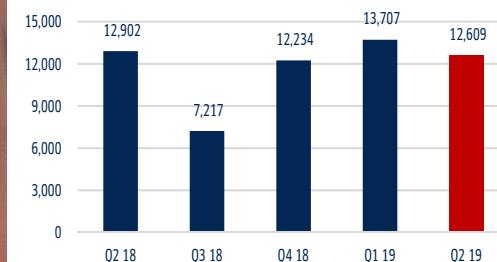


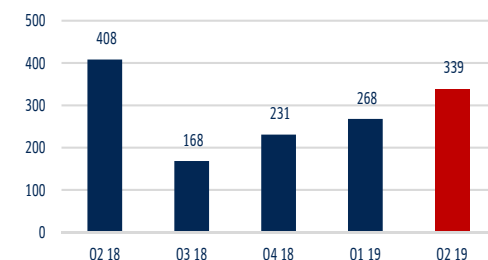
# INTERIM REPORT

Q2 2019  
and  
H1 2019

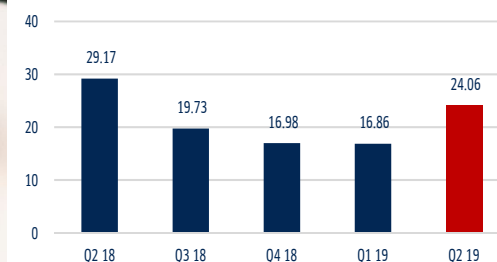
HARVEST VOLUME TGW



OPERATIONAL EBIT MDKK



OPERATIONAL EBIT VAP AND FARMING DKK/KG



## Table of Contents

Highlights .....	2	Statement by the Management and the Board of Directors on the Interim Report.....	11
Summary of the 2 <sup>nd</sup> Quarter 2019 and H1 2019.....	3		
Financial Review .....	4	Consolidated Income Statement.....	12
Income Statement.....	4	Consolidated Statement of Comprehensive Income.....	12
Statement of Financial Position .....	4	Consolidated Statement of Financial Position .....	13
Cash Flow .....	5	Consolidated Cash Flow Statement .....	14
Farming Segment .....	6	Consolidated Statement of Changes in Equity .....	15
VAP Segment .....	7		
FOF Segment .....	8		
Outlook.....	9	Notes to the Account .....	16
Risks.....	10		
Events after the Date of the Statement of Financial Position .....	10	Contacts .....	26

# Highlights

DKK 1,000	Q2 2019	Q2 2018	H1 2019	H1 2018	DKK 1,000	Q2 2019	Q2 2018	H1 2019	H1 2018
<b>INCOME STATEMENT</b>					<b>FINANCIAL POSITION AND CASH FLOW</b>				
Group - Operating revenue	946,506	954,316	1,910,215	1,805,472	Total Assets***	6,269,608	5,802,523	6,269,608	5,802,523
Group - Operational EBIT*	338,764	407,893	606,468	676,115	Equity***	4,083,859	4,077,029	4,083,859	4,077,029
Group - EBIT	236,789	403,455	497,317	754,900	Equity ratio***	65%	70%	65%	70%
Group - Profit for the period	188,602	338,756	401,438	611,057	Net interest-bearing debt***	743,572	495,479	743,572	495,479
Operational EBIT* (Farming and VAP) (DKK)	303,404	376,290	534,471	593,117	Cash flow from operations	326,815	279,467	403,318	647,642
Operational EBIT*/kg (Farming and VAP) (DKK)	24.06	29.17	20.31	23.59	Cash flow from financing	-188,700	-555,527	-134,554	-453,421
Operational EBIT*/kg (Farming and VAP) (NOK)	31.31	37.41	26.46	30.39					
Farming - Operating revenue	758,613	774,783	1,514,015	1,441,438	<b>PROFITABILITY</b>				
Farming - Operational EBIT*	303,439	393,188	533,182	621,631	Basic earnings per share (DKK)	3.88	6.96	8.25	12.56
Farming - Operational EBIT margin	40.0%	50.7%	35.2%	43.1%	Diluted earnings per share (DKK)	3.88	6.96	8.25	12.56
Farming - Operational EBIT/kg (DKK)	24.07	30.47	20.26	24.73	ROCE**	6.0%	7.9%	10.8%	14.0%
Farming - Operational EBIT/kg (NOK)	31.31	39.09	26.39	31.85	<b>VOLUMES</b>				
VAP - Operating revenue	237,552	93,618	498,126	186,612	Harvested volumes (tgw)	12,609	12,902	26,316	25,139
VAP - Operational EBIT*	-35	-16,898	1,289	-28,514	VAP produced volumes (tgw)	4,088	1,970	8,777	4,085
VAP - Operational EBIT margin	0.0%	-18.0%	0.3%	-15.3%	Sold feed tonnes	18,872	15,673	35,136	29,596
VAP - Operational EBIT/kg (DKK)	-0.01	-8.58	0.15	-6.98	Internal feed sales tonnes	15,689	14,656	29,649	27,808
VAP - Operational EBIT/kg (NOK)	-0.01	-11.00	0.19	-8.99	Smolt released thousand (pcs)	3,580	2,775	5,300	5,909
FOF - Operating revenue	283,447	326,291	566,858	626,650	* Aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates and revenue tax - refer to Note 10				
FOF - EBITDA	58,382	66,047	123,634	152,480	** Return on average capital employed, based on operational EBIT - refer to Note 10				
FOF - EBITDA margin	20.6%	20.2%	21.8%	24.3%	*** Comparing figures from end 2018				
DKK/NOK (average)	76.86	77.97	76.76	77.64					

## Summary of Q2 2019 and H1 2019

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

**The Bakkafrost Group delivered a total operating EBIT of DKK 338.8 million in Q2 2019. Harvested volumes were 12.6 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 303.4 million. The farming segment made an operational EBIT of DKK 303.4 million. Achieved prices in this quarter increased and thus had a positive effect on the operational EBIT. The VAP segment made an operational EBIT of DKK 0.0 million. The EBITDA for the FOF segment was DKK 58.4 million.**

The Group made a profit for Q2 2019 of DKK 188.6 million (DKK 338.8 million). For H1 2019, the profit was DKK 401.4 million (DKK 611.1 million).

The total volumes harvested in Q2 2019 were 12,609 tonnes gutted weight (12,902 tgw). Total harvested volumes in H1 2019 were 26,316 tonnes gutted weight (25,139 tgw).

3.6 million (2.8 million) smolts were transferred during Q2 2019. In H1 2019, 5.3 million (5.9 million) smolts were transferred.

The combined farming and VAP segments made an operational EBIT of DKK 303.4 million (DKK 376.3 million) in Q2 2019. The operational EBIT per kg in Q2 2019 was DKK 24.06 (DKK 29.17), which corresponds

to NOK 31.31 (NOK 37.41) for the combined farming and VAP segments. For H1 2019, the combined farming and VAP segments made an operational EBIT of DKK 534.5 million (DKK 593.1 million).

The farming segment made an operational EBIT of DKK 303.4 million (DKK 393.2 million) in Q2 2019. The harvested volumes were lower, but the achieved prices were higher in Q2 2019, compared to Q2 2018. For H1 2019, the operational EBIT was DKK 533.2 million (DKK 621.6 million).

The VAP segment made an operational EBIT of DKK 0.0 million (DKK -16.9 million) for Q2 2019. For H1 2019, the operational EBIT was DKK 1.3 million (DKK -28.5 million).

The FOF segment (fishmeal, oil and feed) made an EBITDA of DKK 58.4 million (DKK 66.0 million) for Q2 2019, and the EBITDA margin was 20.6% (20.2%). The EBITDA was DKK 123.6 million in H1 2019 (DKK 152.5 million), corresponding to an EBITDA margin of 21.8% (24.3%).

During Q2 2019, Havsbrún sourced 110,109 tonnes (118,387 tonnes) of raw material, and in H1 2019, Havsbrún sourced 225,639 tonnes (248,491 tonnes) of raw material.

Bakkafrost aims at giving the shareholders a competitive return on their investment, both through payments of dividends and by value growth of the equity through positive operations.

In accordance with Bakkafrost's dividend policy and the resolution of the Annual General Meeting 2019, Bakkafrost paid out DKK 8.25 (NOK 10.65) per share on 26 April 2019. The total dividend payment was DKK 403.1 million (NOK 520.3 million).

In Q2 2019, Bakkafrost's full-time employees from 2018, still employed in Bakkafrost, have received bonus shares with the value of 2% of their salary in 2018. In total, Bakkafrost allocated 14,348 shares to its employees. The total allocation amounted to DKK 5.1 million and was based on the closing share price on the allocation day, 6 June 2019.

The net interest-bearing debt amounted to DKK 743.6 million at the end of Q2 2019 (DKK 495.5 million at year-end 2018). Undrawn credit facilities amounted to DKK 742.1 million at the end of Q2 2019.

The equity ratio was 65% at 30 June 2019, compared to 70% at the end of 2018.

## Financial Review

### Income Statement

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

The operating revenue amounted to DKK 946.5 million (DKK 954.3 million) in Q2 2019, and for H1 2019, the operating revenue amounted to DKK 1,910.2 million (DKK 1,805.5 million).

The farming segment's harvest volumes were lower, but the achieved prices were higher in Q2 2019, compared to the same quarter last year. The VAP segment had higher revenues because of higher volumes and higher prices in Q2 2019, compared to Q2 2018. The FOF segment had lower external revenue in Q2 2019, mainly due to lower external sales of fishmeal and fish oil, compared to Q2 2018.

Operational EBIT was DKK 338.8 million (DKK 407.9 million) in Q2 2019. The combined farming and VAP segments had lower operational EBIT in Q2 2019, compared to Q2 2018, and the FOF segment had lower operational EBIT in Q2 2019, compared to Q2 2018. For H1 2019, the operational EBIT was DKK 606.5 million (DKK 676.1 million).

The fair value adjustment of the Group's biological assets amounted to DKK -65.5 million (DKK 34.8 million) in Q2 2019. The adjustment is due to lower forward market prices for salmon at the end of the quarter, compared to the beginning of the quarter. For H1 2019, the fair value adjustment amounted to DKK -47.7 million (DKK 141.9 million).

Change in provisions for onerous contracts amounted to DKK 0 million (DKK -6.1 million) in Q2 2019. For H1 2019, the change in provisions for onerous contracts amounted to DKK 0.0 million (DKK -6.1 million).

In Q2 2019, the profit from associated companies amounted to DKK -4.4 million (DKK -1.7 million). For H1 2019, the profit from associated companies amounted to DKK 2.5 million (DKK 0.7 million).

The revenue tax amounted to DKK -32.0 million (DKK -31.4 million) in Q2 2019. The revenue tax increased marginally because of higher market prices. For H1 2019, the revenue tax was DKK -64.0 million (DKK -57.7 million). From the 1<sup>st</sup> of January 2019, the revenue tax rate increased from 4.5% to 5.0%.

Net interests in Q2 2019 were DKK -7.6 million (DKK 9.1 million). For H1 2019, net interests were DKK -8.8 million (DKK -9.6 million).

Net taxes amounted to DKK -40.6 million (DKK -73.8 million) in Q2 2019. For H1 2019, net taxes amounted to DKK -87.1 million (DKK -134.3 million).

The result for Q2 2019 was DKK 188.6 million (DKK 338.8 million) and for H1 2019, the result was DKK 401.4 million (DKK 611.1 million).

### Statement of Financial Position

(Figures in parenthesis refer to end last year)

The Group's total assets amounted to DKK 6,269.6 million (DKK 5,802.5 million) at the end of Q2 2019.

Intangible assets amounted to 390.5 (DKK 389.7 million) at the end of Q2 2019.

Property, plant and equipment amounted to DKK 3,112.3 million (DKK 2,884.3 million) at the end of Q2 2019. In Q2 2019, Bakkafrost made investments in PP&E amounting to DKK 267.0 million and new lease commitments according to IFRS 16 amounting to DKK 10.0 million.

Non-current financial assets amounted to DKK 111.3 million (DKK 112.8 million) at the end of Q2 2019.

The carrying amount (fair value) of biological assets amounted to DKK 1,231.5 million (DKK 1,358.5 million) at the end of Q2 2019. Biological assets have mainly decreased due to lower volumes, compared to year end 2018. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 335.1 million (DKK 382.8 million) at the end Q2 of 2019.

Inventories amounted to DKK 697.1 million (DKK 438.8 million) at the end of Q2 2019.

Total receivables, including long-term receivables, amounted to DKK 404.3 million (DKK 301.5 million) at the end of Q2 2019.

The Group's equity amounted to DKK 4,083.9 million (DKK 4,077.0 million) at the end of Q2 2019. The change in equity consists primarily of the positive result for Q2 2019 and paid-out dividend.

Total non-current liabilities amounted to DKK 1,760.2 million (DKK 1,346.5 million) at the end of Q2 2019.

Deferred taxes and other taxes amounted to DKK 622.5 million (DKK 534.4 million) at the end of Q2 2019.

Long-term debt was DKK 1,066.3 million (DKK 812.1 million) at the end of Q2 2019.

At the end of Q2 2019, the Group's total current liabilities were DKK 425.5 million (DKK 379.0 million). The current liabilities consist of accounts payable and tax payable.

Derivatives amounted to DKK 0.0 million (DKK 0.3 million) at the end of Q2 2019.

Short-term interest-bearing debt amounted to DKK 0 million (DKK 0 million) at the end of Q2 2019.

The equity ratio was 65% at the end of Q2 2019, compared with 70% at the end of 2018.

## Cash Flow

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

The cash flow from operations was DKK 326.8 million (DKK 279.5 million) in Q2 2019. The changes in working capital had a negative effect on the cash flow from operations. For H1 2019, the cash flow from operations was DKK 403.3 million (DKK 647.6 million).

The cash flow from investment activities amounted to DKK -157.0 million (DKK -108.0 million) in Q2 2019. The amount relates to investments in property, plant and equipment. For H1 2019, the cash flow from investments amounted to DKK -263.0 million (DKK -219.4 million).

The cash flow from financing activities totalled DKK -188.7 million (DKK -555.5 million) in Q2 2019. For H1 2019, cash flow from financing amounted to DKK -134.6 million (DKK -453.4 million).

In Q2 2019, net change in cash flow amounted to DKK -18.9 million (DKK -384.0 million). For H1 2019, net change in cash flow amounted to DKK 5.8 million (DKK -25.2 million).

At the end of Q2 2019, Bakkafrøst had unused credit facilities of DKK 742.1 million (DKK 997.7 million at the end of 2018).

## Farming Segment

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

### Volumes

The total volumes harvested in Q2 2019 were 12,609 tonnes gutted weight (12,902 t<sub>gw</sub>) - a change in volume of -2%. 7,858 t<sub>gw</sub> came from the North region and 4,751 t<sub>gw</sub> from the West region. Total harvested volumes for H1 2019 were 26,316 tonnes gutted weight (25,139 t<sub>gw</sub>), which is in line with the forecast for 2019.

3.6 million (2.8 million) smolts were transferred in Q2 2019. In H1 2019, 5.3 million (5.9 million) smolts were transferred. This is in line with the smolt transfer plan.

### Financial Performance

In Q2 2019, the operating revenue for Bakkafrøst's farming segment was DKK 758.6 million (DKK 774.8 million). The total revenue for the farming segment decreased in Q2 2019, compared with Q2 2018, mainly because of lower volume. The operating revenue for the farming segment for H1 2019 was DKK 1,514.0 million (DKK 1,441.4 million).

	Q2			H1		
DKK 1,000	2019	2018	Change	2019	2018	Change
<b>Financial</b>						
Total revenue	758,613	774,783	-2%	1,514,015	1,441,438	5%
EBIT	205,872	396,554	-48%	424,031	705,801	-40%
Operational EBIT	303,439	393,188	-23%	533,182	621,631	-14%
Farming - Operational EBIT/kg (DKK)	24.07	30.47	-21%	20.26	24.73	-18%
<b>Volumes</b>						
Harvested volumes (t <sub>gw</sub> )	12,609	12,902	-2%	26,316	25,139	5%
- Farming North	7,858	12,902	-39%	11,494	15,638	-26%
- Farming West	4,751	0		14,822	9,501	56%
Smolts released (thousand)	3,580	2,775	29%	5,300	5,909	-10%
- Farming North	1,090	0		2,810	262	973%
- Farming West	2,490	2,775	-10%	2,490	5,647	-56%

In Q2 2019, the farming segment's EBIT amounted to DKK 205.9 million (DKK 396.6 million). The farming segment's EBIT for H1 2019 was DKK 424.0 million (DKK 705.8 million).

Operational EBIT amounted to DKK 303.4 million (DKK 393.2 million) in Q2 2019, which corresponds to an operational EBIT margin of 40% (51%). In H1 2019, operational EBIT was DKK 533.2 million (DKK 621.6 million).

Operational EBIT/kg for the farming segment was DKK 24.07 (NOK 31.31) in Q2 2019, compared with DKK 30.47 (NOK 39.09) in Q2 2018. Operational EBIT/kg for H1 2019 was DKK 20.26 (NOK 26.39), compared with DKK 24.73 (NOK 31.85) for H1 2018.

## VAP Segment

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

### Volumes

32% (15%) of the total harvested volumes in Q2 2019 went to the production of VAP products, and 33% (16%) of the harvested volumes in H1 2019 went to production of VAP products.

The VAP production in Q2 2019 was 4,088 tonnes gutted weight (1,970 tgw) an increase of 108%, compared to Q1 2018. The volumes were higher, and the segment had higher contract coverage in Q2 2019, compared to Q2 2018. In H1 2019, the VAP production was 8,777 tgw (4,085 tgw).

	Q2		Change	H1		Change
DKK 1,000	2019	2018		2019	2018	
<b>Financial</b>						
Total revenue	237,552	93,618	154%	498,126	186,612	167%
EBIT	-35	-23,007	100%	1,289	-34,623	104%
Operational EBIT	-35	-16,898	100%	1,289	-28,514	105%
VAP - Operational EBIT/kg (DKK)	-0.01	-8.58	100%	0.15	-6.98	102%
<b>Volumes</b>						
VAP produced volumes (tgw)	4,088	1,970	108%	8,777	4,085	115%
Harvested volumes used in VAP production	32%	15%	112%	33%	16%	105%
Harvested volumes sold fresh/frozen	68%	85%	-20%	67%	84%	-20%

### Financial Performance

The operating revenue for the VAP segment amounted to DKK 237.6 million (DKK 93.6 million) in Q2 2019. The increase in revenue is due to higher volumes in Q2 2019, compared with Q2 2018. In H1 2019, the VAP revenue was DKK 498.1 million (DKK 186.6 million).

The VAP segment had an EBIT amounting to DKK 0.0 million (DKK -23.0 million) in Q2 2019. Changes in onerous contracts were DKK 0 million (DKK -6.1 million). In H1 2019, the VAP segment's EBIT amounted to DKK 1.3 million (DKK -34.6 million).

Operational EBIT amounted to DKK 0.0 million (DKK -16.9 million) in Q2 2019, corresponding to an operational EBIT of DKK -0.01 (NOK -0.01) per kg gutted weight in Q2 2019, compared with DKK -8.58 (NOK -11.00) per kg gutted weight in Q2 2018.



## FOF Segment

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

### Volumes

Havsbrún received 110,109 tonnes (118,387 tonnes) of raw material to produce fishmeal and fish oil in Q2 2019. The raw material intake depends on the fishery in the North Atlantic and available species of fish. In H1 2019, Havsbrún received 225,639 tonnes (248,491 tonnes) of raw material.

The production of fishmeal in Q2 2019 was 23,021 tonnes (24,592 tonnes). For H1 2019, Havsbrún produced 47,759 tonnes (51,706 tonnes) of fishmeal.

The production of fish oil in Q2 2019 was 679 tonnes (1,305 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For H1 2019, Havsbrún produced 4,773 tonnes (5,169 tonnes) of fish oil.

Sales of feed amounted to 18,872 tonnes (15,673 tonnes) in Q2 2019, of which the farming segment internally used 15,689 tonnes (14,656 tonnes) or 83.1% (93.5%). For H1 2019, Havsbrún sold 35,136 tonnes (29,596 tonnes) of feed.

### Financial Performance

The operating revenue for the FOF segment amounted to DKK 283.4 million (DKK 326.3 million) in Q2 2019, of which DKK 159.0 million (DKK 144.6 million) represented sales to Bakkafrost's farming segment, corresponding to 56% (44%). For H1 2019, the revenue amounted to DKK 566.9 million (DKK 626.7 million) of which DKK 298.3 million (DKK 270.9 million) represented sales to Bakkafrost's farming segment, corresponding to 53% (43%).

DKK 1,000	Q2 2019	Q2 2018	Change	H1 2019	H1 2018	Change
<b>Financial</b>						
Total revenue	283,447	326,291	-13%	566,858	626,650	-10%
EBIT	46,817	57,032	-18%	109,329	138,677	-21%
EBITDA	58,382	66,047	-12%	123,634	152,480	-19%
FOF - EBITDA margin	20.6%	20.2%	2%	21.8%	24.3%	-10%
<b>Volumes (tonnes)</b>						
Total Feed sold	18,872	15,673	20%	35,136	29,596	19%
- Feed internal sale	15,689	14,656	7%	29,649	27,808	7%
- Feed external sale	3,183	1,017	213%	5,487	1,788	207%
Fishmeal external sale	7,371	15,539	-53%	17,358	27,805	-38%
Fish oil external sale	0	0		1	2,008	-100%
Received raw material	110,109	118,387	-7%	225,639	248,491	-9%

Total revenue for the FOF segment in Q2 2019 decreased 13%, compared to the same quarter last year. The internal revenue increased, but the external sales have decreased. The decrease in external revenue is due to lower volumes of fishmeal and fish oil sold in Q2 2019, compared to Q2 2018.

EBITDA was DKK 58.4 million (DKK 66.0 million) in Q2 2019, and the EBITDA margin was 20.6% (20.2%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed. For H1 2019, the EBITDA was DKK 123.6 million (DKK 152.5 million), corresponding to an EBITDA margin of 21.8% (24.3%).

## Outlook

### Market

The global supply of Atlantic salmon in Q2 2019 increased around 8%, compared to Q2 2018, according to the latest estimate from Kontali Analyse.

The global harvest of Atlantic salmon in Q3 2019 is expected to increase around 5%, compared to Q3 2018. The estimated global harvest of Atlantic salmon for 2019 is an increase of around 5-6%, compared to 2018.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia. Variation in sales distribution between the different markets is driven by the change in demand from quarter to quarter in the different regions. Bakkafrost, however, aims to have a balanced market diversification to reduce market risk.

### Farming

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

Bakkafrost focuses on reducing biological risk continuously and has made several new investments and procedures to diminish this risk. Bakkafrost focuses on using non-medical methods in treatments against sea lice and has invested in new technology to follow this strategy.

The biological performance in 2019 has been strong and there are clear signs that the large smolt and non-medical delousing strategies are working.

Bakkafrost's guidance for harvest in 2019 is 54,500 tonnes gutted weight.

Bakkafrost expects to release 13.5 million smolts in 2019, compared with 12.6 million smolts in 2018 and 9.9 million smolts in 2017. The number of smolts released is a key element of predicting Bakkafrost's future production.

### VAP (Value added products)

Bakkafrost has signed contracts covering around 35% of the expected harvested volumes for 2019. Bakkafrost's long-term strategy is to sell around 40-50% of the harvested volumes of salmon as VAP products at fixed price contracts.

The VAP contracts are at fixed prices, based on the salmon forward prices at the time they are agreed and the expectations for the salmon spot price for the contract period. The contracts last for 6 to 12 months.

### FOF (Fishmeal, oil and feed)

The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material.

The ICES 2019 recommendation for blue whiting is 1,143 thousand tonnes, which corresponds to a decrease of 18%, compared to ICES's recommendation for 2018.

Bakkafrost expects a decrease in production volumes of fishmeal and fish oil in 2019, compared to 2018.

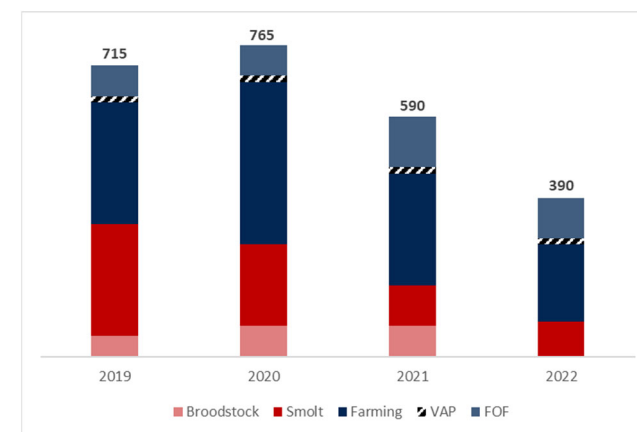
Havsbrún's sales of fish feed in 2019 are expected to be at 85,000 tonnes, depending on external sales.

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

### Investments

Bakkafrost's investment program for the period from 2018 to 2022 will amount to DKK 3 billion, including

maintenance capex, and will reinforce Bakkafrost's integrated business model and ensure a capacity across the value chain of 100.000 tonnes. The aim of the investment program is to minimize the biological risk, increase efficiency and create sustainable organic growth.



### Financial

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

A high equity ratio together with Bakkafrost's bank financing, makes Bakkafrost's financial situation strong. This enables Bakkafrost to carry out its investment plans to further focus on strengthening the Group, M&A's, organic growth opportunities and to fulfil its dividend policy in the future, which is unchanged although a new investment program is announced.

## Risks

Biological risk has been and will be a substantial risk for Bakkafrost. The Annual Report 2018 gives more explanation on the biological risk and Bakkafrost's risk management in this regard.

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

Bakkafrost is, as explained in the Annual Report 2018, exposed to the salmon price. Global supply of salmon is expected to increase in 2019 and will influence the salmon price.

The Annual Report 2018 is available on request from Bakkafrost and on Bakkafrost's website, [www.bakkafrost.com](http://www.bakkafrost.com).

## Events after the Date of the Statement of Financial Position

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

## Statement by the Management and the Board of Directors on the Interim Report

The Management and the Board of Directors have today considered and approved the interim report of P/F Bakkafrost for the period 1 January 2019 to 30 June 2019.

The interim report, which has not been audited or reviewed by the company's independent auditors, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the interim report gives a true and fair view of the Group's financial positions at 30 June 2019, as well as the results of the Group activities and cash flows for the period 1 January 2019 to 30 June 2019.

In our opinion, the management's review provides a true and fair presentation of the development in the Group operations and financial circumstances of the

results for the period and of the overall financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group.

Over and above the disclosures in the interim report, no changes in the Group's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2018.

Glyvvar, August 19<sup>th</sup>, 2019

Management:

Regin Jacobsen  
CEO

The Board of Directors of P/F Bakkafrost:

Rúni M. Hansen  
Chairman of the Board

Johannes Jensen  
Deputy Chairman of the Board

Teitur Samuelsen  
Board Member

Øystein Sandvik  
Board Member

Annika Frederiksberg  
Board Member

Einar Wathne  
Board Member

## Consolidated Income Statement

For the period ended 30 June 2019

DKK 1,000	Q2 2019	Q2 2018	H1 2019	H1 2018
<b>Operating revenue</b>	<b>946,506</b>	<b>954,316</b>	<b>1,910,215</b>	<b>1,805,472</b>
Purchase of goods	-366,899	-254,324	-728,439	-543,469
Change in inventory and biological assets (at cost)	134,296	6,770	168,309	38,163
Salary and personnel expenses	-117,690	-87,115	-232,242	-178,298
Other operating expenses	-199,656	-163,172	-399,809	-351,396
Depreciation	-57,793	-48,582	-111,566	-94,357
<b>Operational EBIT *</b>	<b>338,764</b>	<b>407,893</b>	<b>606,468</b>	<b>676,115</b>
Fair value adjustments of biological assets	-65,536	34,777	-47,665	141,908
Onerous contracts	0	-6,109	0	-6,109
Income from associates	-4,408	-1,695	2,539	724
Revenue tax	-32,031	-31,411	-64,025	-57,738
<b>Earnings before interest and taxes (EBIT)</b>	<b>236,789</b>	<b>403,455</b>	<b>497,317</b>	<b>754,900</b>
Net interest revenue	638	621	749	1,622
Net interest expenses	-2,534	-3,019	-4,399	-7,944
Net currency effects	-4,760	12,347	-3,335	-812
Other financial expenses	-974	-815	-1,838	-2,442
<b>Earnings before taxes (EBT)</b>	<b>229,159</b>	<b>412,589</b>	<b>488,494</b>	<b>745,324</b>
Taxes	-40,557	-73,833	-87,056	-134,267
<b>Profit or loss for the period</b>	<b>188,602</b>	<b>338,756</b>	<b>401,438</b>	<b>611,057</b>
<b>Profit or loss for the year attributable to</b>				
Non-controlling interests	0	0	0	0
<b>Owners of P/F Bakkafrost</b>	<b>188,602</b>	<b>338,756</b>	<b>401,438</b>	<b>611,057</b>
Earnings per share (DKK)	3.88	6.96	8.25	12.56
Diluted earnings per share (DKK)	3.88	6.96	8.25	12.56

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

## Consolidated Statement of Comprehensive Income

For the period ended 30 June 2019

DKK 1,000	Q2 2019	Q2 2018	H1 2019	H1 2018
<b>Profit for the period</b>	<b>188,602</b>	<b>338,756</b>	<b>401,438</b>	<b>611,057</b>
Changes on financial derivatives	596	-214	322	-16,045
Hereof income tax effect	-91	39	-58	5,914
Reserve to share-based payment	1,295	570	2,134	745
Currency translation differences	708	0	709	1
Adjustment of treasury shares	633	1,268	-2,360	1,140
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>3,141</b>	<b>1,663</b>	<b>747</b>	<b>-8,245</b>
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income</b>	<b>3,141</b>	<b>1,663</b>	<b>747</b>	<b>-8,245</b>
<b>Total other comprehensive income for the period</b>	<b>191,743</b>	<b>340,419</b>	<b>402,185</b>	<b>602,812</b>
<b>Comprehensive income for the period attributable to</b>				
Non- controlling interests	0	0	0	0
Owners of P/F Bakkafrost	191,743	340,419	1,069,197	602,812

## Consolidated Statement of Financial Position

As at 30 June 2019

DKK 1,000	30 June 2019	31 Dec 2018
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	390,456	389,745
Property, plant and equipment	3,112,331	2,884,325
Financial assets	111,269	112,766
Long-term receivables	3,446	9,200
<b>Total non-current assets</b>	<b>3,617,501</b>	<b>3,396,036</b>
<b>Current assets</b>		
Biological assets (biomass)	1,231,495	1,358,462
Inventory	697,073	438,847
<b>Total inventory</b>	<b>1,928,568</b>	<b>1,797,309</b>
Accounts receivable	371,960	269,348
Other receivables	28,884	22,936
<b>Total receivables</b>	<b>40,844</b>	<b>292,284</b>
<b>Cash and cash equivalents</b>	<b>322,694</b>	<b>316,894</b>
<b>Total current assets</b>	<b>2,652,106</b>	<b>2,406,487</b>
<b>TOTAL ASSETS</b>	<b>6,269,608</b>	<b>5,802,523</b>

DKK 1,000	30 June 2019	31 Dec 2018
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	48,859	48,858
Other equity	4,035,000	4,028,171
<b>Total equity</b>	<b>4,083,859</b>	<b>4,077,029</b>
<b>Non-current liabilities</b>		
Deferred and other taxes	622,500	534,430
Long-term interest-bearing debt	1,066,266	812,053
Other debt	71,445	0
<b>Total non-current liabilities</b>	<b>1,760,211</b>	<b>1,346,483</b>
<b>Current liabilities</b>		
Financial derivatives	0	320
Accounts payable and other debt	425,538	378,691
<b>Total current liabilities</b>	<b>425,538</b>	<b>379,011</b>
<b>Total liabilities</b>	<b>2,185,749</b>	<b>1,725,494</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>6,269,608</b>	<b>5,802,523</b>

# Consolidated Cash Flow Statement

For the period ended 30 June 2019

DKK 1,000	Q2 2019	Q2 2018	H1 2019	H1 2018
<b>Earnings before interest and taxes (EBIT)</b>	<b>236,789</b>	<b>403,455</b>	<b>497,317</b>	<b>754,900</b>
Adjustments for write-downs and depreciation	57,793	27,582	111,566	73,357
Adjustments for value adjustment of biomass	65,536	-34,777	47,665	-141,908
Adjustments for income from associates	4,408	1,695	-2,539	-724
Adjustments for currency effects	-4,578	17,078	-402	7,523
Adjustments for provision for onerous contracts	0	6,109	0	6,109
Change in inventory	-140,343	-8,053	-178,924	-41,730
Change in receivables	55,449	-106,898	-112,007	-15,688
Change in current debts	51,761	-26,724	40,642	5,803
<b>Cash flow from operations</b>	<b>326,815</b>	<b>279,467</b>	<b>403,318</b>	<b>647,642</b>
<b>Cash flow from investments</b>				
Proceeds from sale of fixed assets	0	25,000	0	25,000
Payments for purchase of fixed assets	-156,995	-131,089	-266,952	-242,560
Net investment in financial assets	0	-1,883	3,988	-1,883
<b>Cash flow from investments</b>	<b>-156,995</b>	<b>-107,972</b>	<b>-262,964</b>	<b>-219,443</b>
<b>Cash flow from financing</b>				
Change of interest-bearing debt (short and long)	209,931	-42,905	269,446	63,709
Financial income	640	621	751	1,622
Financial expenses	-3,508	-3,834	-6,237	-10,386
Net proceeds from sale of own shares	5,750	1,269	2,999	2,312
Dividend paid	-401,513	-510,678	-401,513	-510,678
<b>Cash flow from financing</b>	<b>-188,700</b>	<b>-555,527</b>	<b>-134,554</b>	<b>-453,421</b>
<b>Net change in cash and cash equivalents in period</b>	<b>-18,880</b>	<b>-384,032</b>	<b>5,800</b>	<b>-25,222</b>
Cash and cash equivalents - opening balance	341,574	668,361	316,894	309,551
<b>Cash and cash equivalents - closing balance total</b>	<b>322,694</b>	<b>284,329</b>	<b>322,694</b>	<b>284,329</b>

# Consolidated Statement of Changes in Equity

As at 30 June 2019

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share-based Payment	Currency translation differences	Derivatives	Proposed Dividend	Biomass Fair Value adjustments	Retained Earnings	Total Equity
<b>Equity 01.01.2019</b>	<b>48,858</b>	<b>306,537</b>	<b>-15,525</b>	<b>6,153</b>	<b>6,176</b>	<b>-264</b>	<b>403,079</b>	<b>382,770</b>	<b>2,939,246</b>	<b>4,077,029</b>
<b>Consolidated profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-47,665</b>	<b>455,260</b>	<b>407,595</b>
<i>Other comprehensive income:</i>										
Changes on financial derivatives	0	0	0	0	0	322	0	0	0	322
Hereof income tax effect	0	0	0	0	0	-58	0	0	0	-58
Share-based payment	0	0	0	-2,360	0	0	0	0	0	-2,360
Currency translation differences	0	0	0	0	709	0	0	0	0	709
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,360</b>	<b>709</b>	<b>264</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-1,387</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-2,360</b>	<b>709</b>	<b>264</b>	<b>0</b>	<b>-47,665</b>	<b>455,260</b>	<b>406,208</b>
<i>Transaction with owners:</i>										
Treasury shares	0	0	2,134	0	0	0	0	0	0	2,134
Paid-out dividend	0	0	0	0	0	0	-403,079	0	1,566	-401,513
<b>Total transaction with owners</b>	<b>0</b>	<b>0</b>	<b>2,134</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-403,079</b>	<b>0</b>	<b>1,566</b>	<b>-399,379</b>
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>2,134</b>	<b>-2,360</b>	<b>709</b>	<b>264</b>	<b>-403,079</b>	<b>-47,665</b>	<b>456,826</b>	<b>6,829</b>
<b>Total equity 30.06.2019</b>	<b>48,858</b>	<b>306,537</b>	<b>-13,391</b>	<b>3,793</b>	<b>6,885</b>	<b>0</b>	<b>0</b>	<b>335,105</b>	<b>3,396,072</b>	<b>4,083,859</b>
<b>Equity 01.01.2018</b>	<b>48,858</b>	<b>306,537</b>	<b>-18,159</b>	<b>3,874</b>	<b>6,271</b>	<b>-104,351</b>	<b>513,009</b>	<b>186,951</b>	<b>2,683,439</b>	<b>3,626,429</b>
<b>Consolidated profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>195,819</b>	<b>772,455</b>	<b>968,274</b>
<i>Other comprehensive income:</i>										
Changes on financial derivatives	0	0	0	0	0	126,935	0	0	-138,748	-11,813
Hereof income tax effect	0	0	0	0	0	-22,848	0	0	22,848	0
Share-based payment	0	0	0	2,279	0	0	0	0	0	2,279
Currency translation differences	0	0	0	0	-95	0	0	0	0	-95
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,279</b>	<b>-95</b>	<b>104,087</b>	<b>0</b>	<b>0</b>	<b>-115,900</b>	<b>-9,629</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,279</b>	<b>-95</b>	<b>104,087</b>	<b>0</b>	<b>195,819</b>	<b>656,555</b>	<b>958,645</b>
<i>Transaction with owners:</i>										
Treasury shares	0	0	2,634	0	0	0	0	0	0	2,634
Paid-out dividend	0	0	0	0	0	0	-513,009	0	2,331	-510,678
Proposed dividend	0	0	0	0	0	0	403,079	0	-403,079	0
<b>Total transaction with owners</b>	<b>0</b>	<b>0</b>	<b>2,634</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-109,930</b>	<b>0</b>	<b>-400,748</b>	<b>-508,044</b>
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>2,634</b>	<b>2,279</b>	<b>-95</b>	<b>104,087</b>	<b>-109,930</b>	<b>195,819</b>	<b>255,807</b>	<b>450,600</b>
<b>Total equity 31.12.2018</b>	<b>48,858</b>	<b>306,537</b>	<b>-15,525</b>	<b>6,153</b>	<b>6,176</b>	<b>-264</b>	<b>403,079</b>	<b>382,770</b>	<b>2,939,245</b>	<b>4,077,029</b>
<b>Equity 01.01.2018</b>	<b>48,858</b>	<b>306,537</b>	<b>-18,159</b>	<b>3,874</b>	<b>6,271</b>	<b>-104,351</b>	<b>513,009</b>	<b>186,951</b>	<b>2,683,439</b>	<b>3,626,429</b>
<b>Consolidated profit</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>141,908</b>	<b>475,985</b>	<b>617,893</b>
<i>Other comprehensive income:</i>										
Changes on financial derivatives	0	0	0	0	0	122,703	0	0	-138,748	-16,045
Hereof income tax effect	0	0	0	0	0	-16,934	0	0	22,848	5,914
Share-based payment	0	0	0	745	0	0	0	0	0	745
Currency translation differences	0	0	0	0	1	0	0	0	0	1
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>745</b>	<b>1</b>	<b>105,769</b>	<b>0</b>	<b>0</b>	<b>-115,900</b>	<b>-9,385</b>
<b>Total comprehensive income</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>745</b>	<b>1</b>	<b>105,769</b>	<b>0</b>	<b>141,908</b>	<b>360,085</b>	<b>608,508</b>
<i>Transaction with owners:</i>										
Treasury shares	0	0	1,140	0	0	0	0	0	0	1,140
Paid-out dividend	0	0	0	0	0	0	-513,009	0	2,331	-510,678
<b>Total transaction with owners</b>	<b>0</b>	<b>0</b>	<b>1,140</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-513,009</b>	<b>0</b>	<b>2,331</b>	<b>-509,538</b>
<b>Total changes in equity</b>	<b>0</b>	<b>0</b>	<b>1,140</b>	<b>745</b>	<b>1</b>	<b>105,769</b>	<b>-513,009</b>	<b>141,908</b>	<b>362,416</b>	<b>98,970</b>
<b>Total equity 30.06.2018</b>	<b>48,858</b>	<b>306,537</b>	<b>-17,020</b>	<b>4,619</b>	<b>6,272</b>	<b>1,418</b>	<b>0</b>	<b>328,859</b>	<b>3,045,755</b>	<b>3,725,398</b>



# Notes to the Account

## Accounting Policy

### General Information

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

The Group's Annual Report as at 31 December 2018 is available upon request from the company's registered office at Bakkavegur 9, FO-625 Glyvrrar, Faroe Islands, or at [www.bakkafrost.com](http://www.bakkafrost.com).

This Condensed Consolidated Interim Report is presented in DKK.

### Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all the information required for the full Annual and Consolidated Report and Accounts and should be read in conjunction with the Annual and Consolidated Report and Accounts for the Group as at 31 December 2018.

This interim report has not been subject to any external audit.

### Note 2. Significant Accounting Policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied in the Annual Report as at and for the year ended 31 December 2018. The Group has, however, as mentioned in the Annual Report 2018, applied the IFRS 16 Leases standard from 1 January 2019.

### Note 3. Estimates and Risk Exposures

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting principles and recognized amounts of assets, liabilities, income and expenses. The most significant estimates relate to the valuation of biological assets, which are measured at fair value. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on the management's best assessment at the time of reporting. All changes in estimates are reflected in the financial statements as they occur.

The accounting estimates are described in the notes to the financial statements in the Annual Report 2018.

For other risk exposures, reference is made to the Management's Statement in the Annual Report for 2018, where Bakkafrost's operational and financial risks are described, as well as to Note 4.1 (Financial risk management) in the same report.

The risks and uncertainties described therein are expected to remain.

## Note 4. Biomass

DKK 1,000	30 June 2019	30 June 2018	31 Dec 2018
Biological assets carrying amount 01.01.	1,358,462	1,096,665	1,096,665
Increase due to production or purchases	699,144	581,783	1,333,160
Reduction due to harvesting or sale (costs of goods sold)	-789,061	-720,126	-1,273,150
Fair value adjustment at the beginning of the period reversed	-382,775	-186,956	-186,956
Fair value adjustment at the end of the period	335,110	328,864	382,775
Reversal of elimination at the beginning of the period	53,790	59,758	59,758
Eliminations	-43,175	-52,714	-53,790
<b>Biological assets carrying amount at the end of the period</b>	<b>1,231,495</b>	<b>1,107,274</b>	<b>1,358,462</b>
Cost price biological assets	939,560	827,919	1,029,477
Capitalized interest	0	3,205	0
Fair value adjustment at the end of the period	335,110	328,864	382,775
Eliminations	-43,175	-52,714	-53,790
<b>Biological assets carrying amount</b>	<b>1,231,495</b>	<b>1,107,274</b>	<b>1,358,462</b>
<b>Biomass (tonnes lw)</b>			
< 1 kg	2,214	2,615	1,958
1 kg < 2 kg	5,103	3,200	2,959
2 kg < 3 kg	3,550	5,010	5,189
3 kg < 4 kg	4,635	2,820	6,010
4 kg <	17,756	14,750	22,962
<b>Volume of biomass at sea</b>	<b>33,258</b>	<b>28,395</b>	<b>39,078</b>

	30 June 2019	30 June 2018	31 Dec 2018
<b>Number of fishes (thousand)</b>			
< 1 kg	5,170	5,638	4,951
1 kg < 2 kg	3,713	2,254	2,113
2 kg < 3 kg	1,454	1,951	2,044
3 kg < 4 kg	1,358	850	1,782
4 kg <	3,335	2,809	4,359
<b>Total number of fishes at sea</b>	<b>15,030</b>	<b>13,502</b>	<b>15,249</b>
<b>Number of smolts released (thousand)</b>			
Farming North	2,810	262	3,978
Farming West	2,490	5,648	8,605
<b>Total number of smolts released</b>	<b>5,300</b>	<b>5,910</b>	<b>12,583</b>
<b>Sensitivity in DKK 1,000</b>			
Change in discount rate +1%	98,425	85,404	93,586
Change in discount rate -1%	-111,342	-96,940	-104,991
Change in sales price +5 DKK	-210,244	-188,692	-224,143
Change in sales price -5 DKK	210,244	188,692	224,143
Change in biomass volume +1%	-5,886	-5,179	-6,551
Change in biomass volume -1%	17,615	5,179	6,551
<b>One year forward prices in EUR FCA Oslo*</b>			
Period end	6.56	6.41	6.01
1 Q (forward)	6.03	6.19	6.48
2 Q (forward)	5.93	6.42	6.52
3 Q (forward)	6.51	6.62	5.94
4 Q (forward)	6.61	6.61	6.12
* Source Fish Pool			

## Note 5. Segments

Farming segment	Q2	Q2	H1	H1
DKK 1,000	2019	2018	2019	2018
External revenue	584,527	679,027	1,143,497	1,263,114
Internal revenue	174,086	95,756	370,518	178,324
<b>Total revenue</b>	<b>758,613</b>	<b>774,783</b>	<b>1,514,015</b>	<b>1,441,438</b>
Operating expenses	-409,291	-345,114	-893,055	-748,411
Depreciation and amortization	-45,883	-36,481	-87,778	-71,396
<b>Operational EBIT</b>	<b>303,439</b>	<b>393,188</b>	<b>533,182</b>	<b>621,631</b>
Fair value adjustments of biological assets	-65,536	34,777	-47,665	141,908
Income from associates	0	0	2,539	0
Revenue tax	-32,031	-31,411	-64,025	-57,738
<b>Earnings before interest and taxes (EBIT)</b>	<b>205,872</b>	<b>396,554</b>	<b>424,031</b>	<b>705,801</b>
Net interest revenue	994	621	1,105	1,622
Net interest expenses	-12,010	-2,617	-13,505	-6,650
Net currency effects	4,915	9,078	4,659	-5,294
Other financial expenses	-943	-688	-1,759	-2,176
<b>Earnings before taxes (EBT)</b>	<b>198,829</b>	<b>402,948</b>	<b>414,531</b>	<b>693,303</b>
Taxes	-33,098	-67,216	-79,864	-110,913
<b>Profit or loss for the period</b>	<b>165,731</b>	<b>335,732</b>	<b>334,667</b>	<b>582,390</b>

<b>Value added products</b>	<b>Q2</b>	<b>Q2</b>	<b>H1</b>	<b>H1</b>
<b>DKK 1,000</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>External revenue</b>	<b>237,552</b>	<b>93,618</b>	<b>498,126</b>	<b>186,612</b>
Internal purchase of raw material	-174,086	-95,756	-370,518	-178,324
Operating expenses	-58,748	-9,979	-116,836	-28,368
Depreciation and amortization	-4,753	-4,781	-9,483	-8,434
<b>Operational EBIT</b>	<b>-35</b>	<b>-16,898</b>	<b>1,289</b>	<b>-28,514</b>
Provision for onerous contracts	0	-6,109	0	-6,109
<b>Earnings before interest and taxes (EBIT)</b>	<b>-35</b>	<b>-23,007</b>	<b>1,289</b>	<b>-34,623</b>
Net interest expenses	-44	-65	-101	-67
Net currency effects	0	10	0	-308
Other financial expenses	0	-15	0	-20
<b>Earnings before taxes (EBT)</b>	<b>-79</b>	<b>-23,077</b>	<b>1,188</b>	<b>-35,018</b>
Taxes	14	4,154	-214	2,204
<b>Profit or loss for the period</b>	<b>-65</b>	<b>-18,923</b>	<b>974</b>	<b>-32,814</b>

In H1 2019, one customer - as defined in IFRS 8.34 - represents DKK 268 million, corresponding to 54% of the revenue in the VAP segment.

<b>Fishmeal, Fish Oil and Fish Feed</b>	<b>Q2</b>	<b>Q2</b>	<b>H1</b>	<b>H1</b>
<b>DKK 1,000</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
External revenue	124,427	181,671	268,593	355,747
Internal revenue	159,020	144,620	298,265	270,903
<b>Total revenue</b>	<b>283,447</b>	<b>326,291</b>	<b>566,858</b>	<b>626,650</b>
Cost of goods sold	-169,273	-204,431	-330,356	-361,395
Operating expenses	-55,792	-55,813	-112,868	-112,775
Depreciation and amortization	-7,157	-7,320	-14,305	-14,527
<b>Operational EBIT</b>	<b>51,225</b>	<b>58,727</b>	<b>109,329</b>	<b>137,953</b>
Income from associates	-4,408	-1,695	0	724
<b>Earnings before interest and taxes (EBIT)</b>	<b>46,817</b>	<b>57,032</b>	<b>109,329</b>	<b>138,677</b>
Net interest expenses	-356	-337	-669	-1,227
Net currency effects	-155	3,259	1,526	4,790
Other financial expenses	-30	-112	-78	-246
<b>Earnings before taxes (EBT)</b>	<b>46,274</b>	<b>59,842</b>	<b>110,108</b>	<b>141,994</b>
Taxes	-8,329	-10,771	-19,819	-25,558
<b>Profit or loss for the period</b>	<b>37,945</b>	<b>49,071</b>	<b>90,288</b>	<b>116,436</b>

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

	<b>Q2</b>	<b>Q2</b>	<b>H1</b>	<b>H1</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Farming	198,829	402,948	414,531	693,303
VAP (Value Added Products)	-79	-23,077	1,188	-35,018
FOF (Fishmeal, Fish oil and fish Feed)	46,274	59,842	110,108	141,994
Eliminations	-15,865	-27,124	-37,332	-54,955
<b>Group earnings before taxes (EBT)</b>	<b>229,159</b>	<b>412,589</b>	<b>488,495</b>	<b>745,324</b>

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

	<b>30 June</b>	<b>30 June</b>	<b>31 Dec</b>
	<b>2019</b>	<b>2018</b>	<b>2018</b>
Farming	5,005,873	5,062,299	4,860,227
VAP (Value added products)	186,017	207,827	192,841
FOF (Fishmeal, Fish Oil and Fish Feed)	996,305	982,148	749,455
Eliminations	81,413	-781,952	0
<b>Total assets</b>	<b>6,269,608</b>	<b>5,470,322</b>	<b>5,802,523</b>
Farming	2,004,897	529,867	1,482,751
VAP (Value added products)	27,559	22,379	31,075
FOF (Fishmeal, Fish Oil and Fish Feed)	170,601	633,168	209,634
Eliminations	-17,308	559,510	2,034
<b>Total liabilities</b>	<b>2,185,749</b>	<b>1,744,924</b>	<b>1,725,494</b>

**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 321 million. DKK 187 million relate to the building of new hatchery stations. DKK 29 million relate to the building of a new biogas plant.

**Note 7. Transactions with Related Parties**

Note 5.2 in Bakkafrost's Annual Report for 2018 provides detailed information on related parties' transactions.

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 8. Fair Value Measurements**

All assets/liabilities, for which fair value is recognized or disclosed, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

For biological assets, the fair value calculation is done using a valuation model (level 3 in the valuation hierarchy) where the value is estimated based on observable market prices per period end.

For more information on these calculations, please refer to Note 4.

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

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

As at 30 June 2019, the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000 Assets and liabilities measured at fair value	Fair value	Cost			Level 3
		amount	Level 1	Level 2	
Biological assets (biomass)	1,231,495	896,385	0	0	1,231,495
<b>Assets measured at fair value 30/6-2019</b>	<b>1,231,495</b>	<b>896,385</b>	<b>0</b>	<b>0</b>	<b>1,231,495</b>
<b>Liabilities measured at fair value 30/6-2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Biological assets (biomass)	1,107,275	778,409	0	0	1,107,275
<b>Assets measured at fair value 30/6-2018</b>	<b>1,107,275</b>	<b>778,409</b>	<b>0</b>	<b>0</b>	<b>1,107,275</b>
<b>Liabilities measured at fair value 30/6-2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Biological assets (biomass)	1,358,462	975,687	0	0	1,358,462
<b>Assets measured at fair value 31/12-2018</b>	<b>1,358,462</b>	<b>975,687</b>	<b>0</b>	<b>0</b>	<b>1,358,462</b>
<b>Liabilities measured at fair value 31/12-2018</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note 9. Business Combinations**

H1 2019:

There have been no new business combinations in H1 2019.

2018:

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

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

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

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

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

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

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

Intangible assets	13,948
Property, plant and equipment	13,372
Inventory	1,590
<b>Total net identifiable assets</b>	<b>28,910</b>



**Note 10. APM****- Alternative Performance Measures**

Bakkafrost's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, the management's intention is to provide alternative performance measures, which are regularly reviewed by the management to enhance the understanding of the company's performance, but not replacing the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. Bakkafrost's experience is that these APM's are frequently used by analysts, investors and other parties.

These APM's are adjusted IFRS measures, defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant.

**NIBD**

Net interest-bearing debt consists of both current and non-current interest-bearing liabilities, less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives and cash and cash equivalents. The net interest-bearing debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current), derivatives and cash and cash equivalents. A reconciliation is provided below.

	<b>30 June</b>	<b>31 Dec</b>
<b>DKK 1,000</b>	<b>2019</b>	<b>2018</b>
Cash and cash equivalents	322,694	316,894
Deposit for interest- and currency swap	0	0
Derivatives	0	-320
Long- and short-term interest-bearing debt	-1,066,266	-812,053
<b>Net interest-bearing debt</b>	<b>-743,572</b>	<b>-495,479</b>

**Operational EBIT**

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

Operational EBIT is a major alternative performance measure in the salmon farming industry. A reconciliation from EBIT to Operational EBIT is provided below.

	<b>Q2</b>	<b>Q2</b>	<b>H1</b>	<b>H1</b>
<b>DKK 1,000</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
<b>EBIT</b>	<b>236,789</b>	<b>403,455</b>	<b>497,317</b>	<b>754,900</b>
Fair value adjustments of biological assets	65,536	-34,777	47,665	-141,908
Onerous contracts	0	6,109	0	6,109
Income from associates	4,408	1,695	-2,539	-724
Revenue tax	32,031	31,411	64,025	57,738
<b>Operational EBIT</b>	<b>338,764</b>	<b>407,893</b>	<b>606,468</b>	<b>676,115</b>

**Operational EBIT per kg**

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

**EBITDA**

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Bakkafrost's FOF segment. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations and is reconciled in the section Group overview. This measure is useful to users of Bakkafrost's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciations and amortization expenses related primarily to capital expenditures and acquisitions, which occurred in the past, nonrecurring items, as well as evaluating operating performance in relation to Bakkafrost's FOF segments competitors. The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

**Adjusted EPS**

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table below, as it is Bakkafrost's view that this figure provides a more reliable measure of the underlying performance.

	Q2	Q2	H1	H1
DKK 1,000	2019	2018	2019	2018
Profit for the year to the shareholders of P/F Bakkafrost	188,602	338,756	401,438	611,057
Fair value adjustment of biomass	65,536	-34,777	47,665	-141,908
Onerous contracts provisions	0	6,109	0	6,109
Tax on fair value adjustment and onerous contracts provisions	-11,796	5,160	-8,580	24,444
<b>Adjusted profit for the year to shareholders of P/f Bakkafrost</b>	<b>242,342</b>	<b>315,248</b>	<b>440,523</b>	<b>499,702</b>
<b>Time-weighted average number of shares outstanding through the year</b>	<b>48,669,668</b>	<b>48,637,707</b>	<b>48,669,668</b>	<b>48,637,707</b>
<b>Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)</b>	<b>4.98</b>	<b>6.48</b>	<b>9.05</b>	<b>10.27</b>

**ROCE**

Return on average capital employed (ROCE) is defined as the period's operational EBIT divided by the average capital employed, which is total assets adjusted for total current liabilities. The performance measure is expressed as a percentage and is useful for evaluating Bakkafrost's profitability.

	Q2	Q2	H1	H1
DKK 1,000	2019	2018	2019	2018
Group -Operational EBIT	338,764	407,893	606,468	676,115
Average capital employed	5,609,185	5,133,538	5,001,249	4,822,531
<b>ROCE</b>	<b>6.0%</b>	<b>7.9%</b>	<b>12.1%</b>	<b>14.0%</b>

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