

P/F **BAKKAFROST**

Condensed Consolidated Interim Report for Q3 2016 and First Nine Months of 2016

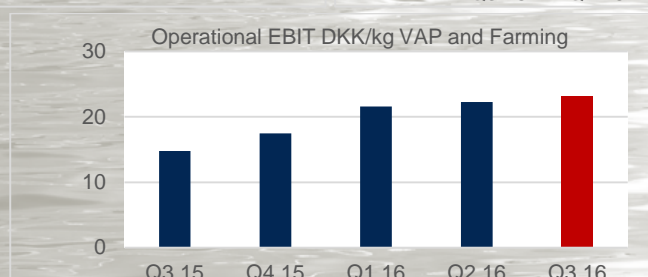
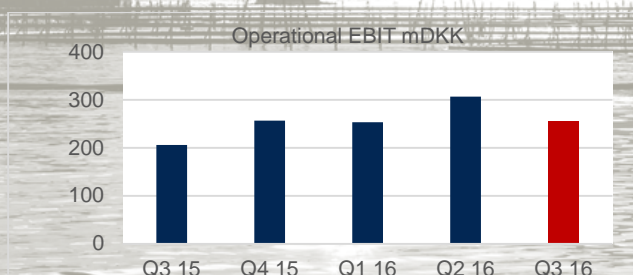
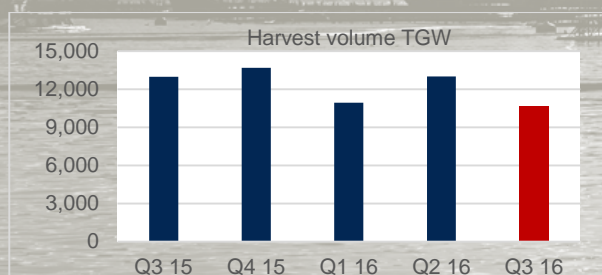


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Highlights

DKK 1,000	Q3 2016	Q3 2015	YTD 2016	YTD 2015
INCOME STATEMENT				
Group - Operating revenue	639,999	677,484	2,334,239	2,090,628
Group - Operational EBIT*	254,669	205,769	815,331	744,059
Group - EBIT	445,263	188,202	1,004,668	619,851
Group - Profit for the period	346,350	168,055	783,422	491,549
Operational EBIT (Farming and VAP)(DKK)*	247,570	191,854	772,995	688,595
Operational EBIT*/kg (Farming and VAP)(DKK)	23.22	14.78	22.34	18.67
Operational EBIT*/kg (Farming and VAP) (NOK)	28.97	18.10	28.13	22.02
Farming - Operating revenue	610,149	558,419	2,063,625	1,638,710
Farming - Operational EBIT*	294,265	182,833	912,900	626,219
Farming - Operational EBIT margin	48%	33%	44%	38%
Farming - Operational EBIT/kg (DKK)	27.59	14.08	26.38	16.98
Farming - Operational EBIT/kg (NOK)	34.44	17.25	33.22	20.03
VAP - Operating revenue	201,258	166,772	568,208	546,619
VAP - Operational EBIT*	-46,695	9,021	-139,905	62,376
VAP - Operational EBIT margin	-23%	5%	-25%	11%
VAP - Operational EBIT/kg (DKK)	-11.34	2.41	-11.71	4.68
VAP - Operational EBIT/kg (NOK)	-14.15	2.95	-14.75	5.52
FOF - Operating revenue	320,111	320,279	827,662	808,728
FOF - EBITDA	62,354	41,696	176,785	157,264
FOF - EBITDA margin	19.48%	13.02%	21.36%	19.45%
DKK/NOK (average)	80.13	81.66	79.43	84.76
FINANCIAL POSITION AND CASHFLOW				
Total Assets**	4,740,536	3,920,386	4,740,536	3,920,386
Equity**	2,997,155	2,580,482	2,997,155	2,580,482
Equity ratio**	63%	66%	63%	66%
Net interest bearing debt**	503,880	391,471	503,880	391,471
Cash flow from operations	284,851	366,815	777,490	773,368
Cash flow from financing	11,601	-208,395	-91,814	-545,990
PROFITABILITY				
Basic earnings per share (DKK)	7.13	3.44	16.13	10.13
Diluted earnings per share (DKK)	7.13	3.44	16.13	10.13
ROE**	12.3%	7.7%	27.8%	22.4%
ROCE (for the last quarter)***	6.1%	6.3%	19.7%	22.7%
ROCE (for the last 4 quarters)	37.6%	31.7%	26.8%	31.7%
ROIC (for the last quarter)****	14.2%	8.8%	18.3%	28.7%
ROIC (for the last 4 quarters)	48.3%	43.0%	48.3%	43.0%
VOLUMES				
Harvested volume (tgv)	10,664	12,982	34,602	36,890
VAP produced volume (tgv)	4,119	3,745	11,943	13,334
Sold feed tonnes	28,850	27,011	59,599	59,068
Internal feed sale tonnes	27,344	24,071	54,853	52,032
Smolt released thousand pieces	3,795	2,765	7,667	6,388

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

** Comparing figures from end 2015

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

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

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

Summary of the 3rd Quarter 2016 and First Nine Months of 2016

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

The Bakkafrøst Group delivered a total operating EBIT of DKK 254.7 million in Q3 2016. Harvested volumes were 10.7 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 247.6 million. The farming segment made an operational EBIT of DKK 294.3 million and the high salmon spot prices had a positive effect on the farming segment. The high salmon spot prices affected the VAP segment negatively, and the VAP Segment made an operational EBIT of DKK -46.7 million. The EBITDA for the FOF segment was DKK 62.4 million.

The Group made a profit for the third quarter 2016 of DKK 346.4 million (DKK 168.1 million). For the first nine months of 2016, the profit was DKK 783.4 million (DKK 491.6 million).

The total volumes harvested in Q3 2016 were 10,664 tonnes gutted weight (12,982 t_{gw}). Total harvested volumes in the first nine months of 2016 were 34,890 tonnes gutted weight (36,890 t_{gw}).

Bakkafrøst transferred 3.8 million smolts during Q3 2016 (2.8 million), which is in line with the company's plans. Transferred smolts for the first nine months of 2016 were 7.7 million smolts (6.4 million).

The combined farming and VAP segments made an operational EBIT of DKK 247.6 million (DKK 191.9 million) in Q3 2016. For the first nine months of 2016, the combined farming and VAP segment made an operational EBIT of DKK 773.0 million (DKK 688.6 million).

The farming segment made an operational EBIT of DKK 294.3 million (DKK 182.8 million) in Q3 2016. The harvested volumes are lower, while the average spot price is higher in Q3 2016, compared with Q3 2015. For the first nine months of 2016, the operational EBIT was DKK 912.9 million (DKK 626.2 million).

In July 2016 a routine surveillance test detected a possible pathogenic ISA-virus at a Bakkafrøst farming site, A-73 Hvannasund Norður. After the suspicion, extensive tests have been carried out at the farming site with the purpose of confirming the suspicion. None of the results from these tests proved the presence of pathogenic ISA virus. The Veterinary

Authority has increased surveillance for at least six months after the suspicion at the farming site and performs extra tests on neighbouring farming sites as well. The ISA suspicion has not affected Bakkafrøst's financial performance in Q3 2016.

The VAP segment made an operational EBIT of DKK -46.7 million (DKK 9.0 million) for Q3 2016. As in the previous quarter, the high spot prices had a negative effect on the operational EBIT in the VAP segment. In Q3 2016, Bakkafrøst has renegotiated higher prices for part of the 2016 contracts. The new prices are effective from September 2016, and thus the effect in Q3 2016 is limited. For the first nine months of 2016, the operational EBIT was DKK -139.9 (DKK 62.4 million).

The FOF segment (fishmeal, oil and feed) made an operational EBITDA of DKK 62.4 million (DKK 41.7 million) in Q3 2016, and the EBITDA margin was 19.5% (13.0%). The operational EBITDA was DKK 176.8 million for the first nine months of 2016 (DKK 157.3 million), corresponding to an EBITDA margin of 21.4% (19.5%).

During Q3 2016, Havsbrún sourced 11,003 tonnes (10,417 tonnes) of raw material, and for the first nine months of 2016, Havsbrún sourced 166,542 tonnes (171,432 tonnes) of raw material.

Bakkafrøst acquired the remaining outstanding shares (51%) in P/F Faroe Farming on the 1st of July 2016. Simultaneously, Bakkafrøst relinquished two farming licenses to the Faroese Authorities in order to comply with Faroese law. The relinquished farming licenses are A-03 Svínár and A-17/18 Hovsfjørður. P/F Faroe Farming is a salmon farming company and operates in the southern part of the Faroe Islands.

From the 1st of July 2016, the farming operation of P/F Faroe Farming is part of Bakkafrøst Farming West.

The Bakkafrøst Group's net interest bearing debt amounted to DKK 503.9 million at the end of Q3 2016 (DKK 391.5 million at year-end 2015) including deposits and losses on financial derivatives relating

to the interest bearing debt. Bakkafrøst had undrawn credit facilities of approximately DKK 766.7 million at the end of Q3 2016.

Bakkafrøst's equity ratio was 63% at 30 September 2016, compared to 66% at the end of 2015.

63%

Equity ratio at the end of Q3 2016

Financial Review

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

Income Statement

The operating revenues amounted to DKK 640.0 million (DKK 677.5 million) in Q3 2016, and for the first nine months of 2016, the operating revenues amounted to DKK 2,334.2 million (DKK 2,090.6 million). The revenue has decreased because of lower harvested volumes in Q3 2016, compared to Q3 2015, but the decrease is limited due to higher spot prices in Q3 2016, compared to Q3 2015.

Operational EBIT was DKK 254.7 million (DKK 205.8 million) in Q3 2016. The margin in the farming and FOF segment is higher in Q3 2016 than in Q3 2015, while the margin in the VAP segment is lower. For the first nine months of 2016, the operational EBIT was DKK 815.3 million (DKK 744.1 million).

The fair value adjustment of the Group's biological assets amounted to DKK 121.8 million (DKK -17.6 million) in Q3 2016. The positive adjustment is due to higher biological assets at the end of Q3 2016 and higher prices, compared with the beginning of the quarter. For the first nine months of 2016, the fair value adjustment amounted to DKK 200.1 million (DKK -110.6 million).

Change in provisions for onerous contracts amounted to DKK 86.4 million (DKK 0.0 million) in Q3 2016. The positive adjustment in provisions for onerous contracts is mainly because of improved prices on contracts in the VAP segment signed in Q3 2016. For the first nine months of 2016, the change in provisions of onerous contracts amounted to 49.2 DKK million (DKK 0.0 million).

In Q3 2016, the result from associated companies amounted to DKK -4.7 million (DKK 0.1 million). For

the first nine months of 2016, the result from associated companies amounted to DKK 5.1 million (DKK -13.6 million).

The Faroese Parliament changed the taxes on salmon farming in the Faroe Islands in December 2015. The tax changes are effective from 1st January 2016. The new revenue tax is not classified as taxes, but is classified as costs and is included in EBIT. The revenue tax amounted to DKK -23.4 million (DKK 0.0 million). For the first nine months of 2016, the revenue tax was DKK -75.5 million (DKK 0.0 million).

Bakkafrost recognised a goodwill amounting to DKK 10.4 million (DKK 0.0 million) in Q3 2016, following the acquisition of the remaining outstanding shares in P/F Faroe Farming. The goodwill is the difference between payment for P/F Faroe Farming and the value of net assets purchased.

Net interests in Q3 2016 were DKK -21.3 million (DKK 23.3 million), whereof an unrealised exchange rate adjustment of DKK -14.6 million (DKK 32.7 million), relating to the bond loan of NOK 500 million, is posted in Q3 2016. For the first nine months of 2016, net interests were DKK -48.6 million (DKK -5.0 million).

Net taxes in Q3 2016 amounted to DKK -77.6 million (DKK -43.5 million). For the first nine months of 2016, net taxes amounted to DKK -172.7 million (DKK -123.3 million).

The result for Q3 2016 was DKK 346.3 million (DKK 168.1 million) and for the first nine months of 2016, the result was DKK 783.4 million (DKK 491.5 million).

346 million DKK

Result for Q3 2016

Statement of Financial Position

(Figures in parenthesis refer to end last year)

The Group's total assets amounted to DKK 4,740.5 million (DKK 3,920.4 million) at the end of Q3 2016. The acquisition of P/F Faroe Farming has had some effect on the Group's financial position in Q3 2016. The Group's total assets have not changed significantly by the acquisition of P/F Faroe Farming, but changes have, however, been in the classification of assets and liabilities. Reference is made to note 9.

The Group's intangible assets amounted to DKK 376.7 million (DKK 294.7 million) at the end of Q3 2016. Intangible assets comprise primarily the fair value of acquired farming licences. The addition of DKK 82.0 million in the period relates to the acquisition of P/F Faroe Farming. No licences in the North region are recorded with a value in the Bakkafrøst accounts.

Property, plant and equipment amounted to DKK 1,971.4 million (DKK 1,531.5 million) at the end of Q3 2016. In Q3 2016, Bakkafrøst made investments in PP&E amounting to DKK 154.3 million and DKK 473.0 million for the first nine months of 2016.

Non-current financial assets amounted to DKK 49.4 million (DKK 130.9 million) at the end of Q3 2016. The decrease in financial assets relates to the acquisition of the remaining 51% outstanding shares in P/F Faroe Farming. Following the acquisition, Bakkafrøst holds 100% of the shares in P/F Faroe Farming, which is consolidated into the Group from the beginning of Q3 2016.

The Group's carrying amount (fair value) of biological assets amounted to DKK 1,412.5 million (DKK 1,060.3 million) at the end of Q3 2016. Biological assets have increased due to the inclusion of P/F Faroe Farming's biological assets and higher fair value adjustment. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 472.4 million (DKK 257.3 million). The increase is due to higher biomass and higher salmon prices at the end of Q3 2016, compared to end 2015.

The Group's inventories amounted to DKK 378.5 million (DKK 422.0 million) as at end Q3 2016. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed.

The Group's total receivables amounted to DKK 311.2 million (DKK 379.2 million) as at end Q3 2016.

The Group's equity amounted to DKK 2,997.1 million (DKK 2,580.5 million) at the end of Q3 2016. The change in equity consists primarily of the positive result for the first nine months of 2016 and the payment of dividend in Q2 2016.

The Group's total non-current liabilities amounted to DKK 1,370.3 million (DKK 925.9 million) at the end of Q3 2016.

Deferred and other taxes amounted to DKK 568.0 million (DKK 349.6 million) at the end of Q3 2016.

Long-term debt was DKK 708.1 million (DKK 447.6 million) at the end of Q3 2016. Derivatives amounted to DKK 94.2 million (DKK 128.8 million).

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

At the end of Q3 2016, the Group's total current liabilities were DKK 373.1 million (DKK 414.0 million). The current liabilities consist only of accounts payable.

Bakkafrøst's equity ratio was 63% (66%) at the end of Q3 2016.

Cash Flow

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

The cash flow from operations in Q3 2016 was DKK 284.9 million (DKK 366.8 million). The increase in total inventory had a negative effect on the cash flow from operations in Q3 2016, as well as lower receivables affected the cash flow positively in the quarter. For the first nine months of 2016, the cash flow from operations was DKK 777.5 million (DKK 773.4 million).

The cash flow from investment activities in Q3 2016 amounted to DKK -229.3 million (DKK -204.0 million). The amount relates to investments in property, plant and equipment and the acquisition of P/F Faroe Farming. For the first nine months of 2016, the cash flow from investments amounted to DKK -546.7 million (DKK -382.3 million).

Cash flow from financing activities totalled DKK 11.6 million in Q3 2016 (DKK -208.4 million). The financing of an associated company had a positive

effect of DKK 51.3 million. For the first nine months of 2016, cash flow from financing amounted to DKK -91.8 million (DKK -546.0 million).

Net change in cash flow in Q3 2016 amounted to DKK 67.1 million (DKK -45.6 million) and for the first nine months of 2016, DKK 139.0 million (DKK -154.9 million).

At the end of Q3 2016, Bakkafrøst had unused credit facilities of approximately DKK 766.7 million (DKK 802.3 million).

10,664 t_{gw}

Harvested in Q3 2016

Farming Segment

Harvested Volumes Q3 2016	10,664 tgw
Operational EBIT Q3 2016	294.3 mDKK

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

Farming segment 1,000 DKK	Q3 2016	Q3 2015	Increase	YTD 2016	YTD 2015	Increase
Total revenue	610,149	558,419	9%	2,063,625	1,638,710	26%
Operational EBIT	294,265	182,833	61%	912,900	626,219	46%
Farming - Operational EBIT/kg (DKK)	27.59	14.08	96%	26.38	16.98	55%
Harvested volume (tgw)	10,664	12,982	-18%	34,602	36,890	-6%

Volumes

The total volumes harvested in Q3 2016 were 10,664 tonnes gutted weight (12,982 tgw) – a decrease in volume of 18%. Total harvested volumes for the first nine months of 2016 were 34,602 tonnes gutted weight (36,890 tgw), which is in line with the forecast for 2016.

Faroe Farming, which is part of Bakkafrøst Farming West from the beginning of Q3 2016, has not harvested in Q3 2016.

Bakkafrøst transferred 3.8 million smolts (2.8 million) in Q3 2016. During the first nine months of 2016, 7.7 million smolts (6.4 million) were transferred. This is in line with Bakkafrøst's smolt transfer plan for 2016.

Financial performance

In Q3 2016, the operating revenue for Bakkafrøst's farming segment was DKK 610.1 million (DKK 558.4 million). The operating revenue for the farming segment for the first nine months of 2016 was DKK 2,063.6 million (DKK 1,638.7 million).

Operational EBIT amounted to DKK 294.3 million (DKK 182.8 million) in Q3 2016, which corresponds to an operational EBIT margin of 48%. For the first nine months of 2016, operational EBIT was DKK 912.9 million (DKK 626.2 million).

Operational EBIT/kg for the farming segment was DKK 27.59 (NOK 34.44) in Q3 2016, compared with DKK 14.08 (NOK 17.25) in Q3 2015. The higher margin is mainly due to higher salmon prices in Q3 2016, compared to Q3 2015. Operational EBIT/kg for the first months of 2016 was DKK 26.38 (NOK 33.22), compared with DKK 16.98 (NOK 20.03) for the first nine months of 2015.

Harvested volumes	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Farming North	10,372	3,846	20,785	22,712
Farming West	292	9,136	13,817	14,178
Total harvested volumes (tgw)	10,664	12,982	34,602	36,890

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

VAP Segment

Produced Volumes Q3 2016	4,119 tgw
Operational EBIT Q3 2016	-46.7 mDKK

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

Value added products 1,000 DKK	Q3 2016	Q3 2015	Increase	YTD 2016	YTD 2015	Increase
Total revenue	201,258	166,772	21%	568,208	546,619	4%
Operational EBIT	-46,695	9,021	-618%	-139,905	62,376	-324%
VAP - Operational EBIT/kg (DKK)	-11.34	2.41	-571%	-11.71	4.68	-350%
VAP produced volume (tgw)	4,119	3,745	10%	11,943	13,334	-10%

Volumes

39% (29%) of the total harvested volumes in Q3 2016 went to production of VAP products. 33% (34%) of the total harvested volumes in the first nine months of 2016 went to production of VAP products.

The VAP production in Q3 2016 was 4,119 tonnes gutted weight (3,745 tgw). The increase in production in Q3 2016 is 10%, compared to Q3 2015. In the first nine months of 2016, the VAP production was 11,943 tgw (13,334 tgw).

Financial performance

The operating revenue for the VAP segment amounted to DKK 201.3 million (DKK 166.8 million) in Q3 2016. The increase in revenue is due to higher volumes and higher prices in Q3 2016, compared with Q3 2015. The operating revenue for the first nine months of 2016 was DKK 568.2 million (DKK 546.6 million).

Operational EBIT amounted to DKK -46.7 million (DKK 9.0 million) in Q3 2016, corresponding to an operational EBIT of DKK -11.34 (NOK -14.15) per kg gutted weight in Q3 2016, compared with DKK 2.41 (NOK 2.95) per kg gutted weight in Q3 2015. The decrease in the operational EBIT margin is due to higher raw material prices. The VAP segment purchases its raw material (fresh salmon) at spot prices each week. For the first nine months of 2016, operational EBIT amounted to DKK -139.9 million (DKK 62.4 million), corresponding to an operational EBIT of DKK -11.71 (NOK -14.75) per kg gutted weight for the first nine months of 2016, compared with an operational EBIT of DKK 4.68 (NOK 5.52) per kg gutted weight for the first nine months of 2015.

Distribution of harvested volumes (tgw)	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Harvested volume used in VAP production	39%	29%	33%	34%
Harvested volume sold fresh/frozen	61%	71%	67%	66%
Harvested and purchased volumes (tgw)	100%	100%	100%	100%

FOF Segment

Sold Feed Q3 2016

28,850 tonnes

EBITDA Q3 2016

62.4 mDKK

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

Fishmeal, Fish Oil and Fish Feed 1,000 DKK	Q3 2016	Q3 2015	Increase	YTD 2016	YTD 2015	Increase
Total revenue	320,111	320,279	0%	827,662	808,728	2%
EBITDA	62,354	41,696	50%	176,785	157,264	12%
FOF - EBITDA margin	19.5%	13.0%	50%	21.4%	19.4%	10%
Sold feed tonnes	28,850	27,011	7%	59,599	59,068	1%

Volumes

During Q3 2016, Havsbrún received 11,003 tonnes (10,417 tonnes) of raw material for the production of fishmeal and fish oil. The raw material intake depends on the fishery in the North Atlantic and available species of fish. During the first nine months of 2016, Havsbrún received 166,542 tonnes (171,432 tonnes) of raw material.

The production of fishmeal in Q3 2016 was 2,829 tonnes (2,808 tonnes). For the first nine months of 2016, Havsbrún produced 36,574 tonnes (35,696 tonnes) of fishmeal.

The production of fish oil in Q3 2016 was 1,075 tonnes (1,045 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For the first nine months of 2016, Havsbrún produced 4,757 tonnes (3,682 tonnes) of fish oil.

Sales of feed amounted to 28,850 tonnes (27,011 tonnes) in Q3 2016, of which the farming segment internally used 27,344 tonnes (24,071 tonnes) or 94.8% (89.1%). For the first nine months of 2016, Havsbrún sold 59,599 tonnes (59,068 tonnes) of feed.

Financial performance

The operating revenue for the FOF segment amounted to DKK 320.1 million (DKK 320.3 million) in Q3 2016, of which DKK 285.1 million (DKK 241.7 million) represents sales to Bakkafrøst's farming segment, corresponding to 89.1% (75.5%). For the first nine months of 2016, the revenue amounted to DKK 827.7 million (DKK 808.7 million) of which DKK 572.9 million (DKK 522.4 million) represents sales to Bakkafrøst's farming segment and corresponds to 69.2% (64.6%).

Operational EBITDA was DKK 62.4 million (DKK 41.7 million) in Q3 2016, and the operational EBITDA margin was 19.5% (13.0%). 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 the first nine months of 2016, the operational EBITDA was DKK 176.8 million (DKK 157.3 million), corresponding to an EBITDA margin of 21.4% (19.4%).

Sales FOF volume (tonnes)	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Feed Internal sale (tonnes)	27,344	24,071	54,853	52,032
Feed External sale (tonnes)	1,506	2,940	4,746	7,036
Total Feed sold (tonnes)	28,850	27,011	59,599	59,068
Fishmeal external sale (tonnes)	1,516	4,701	17,295	19,952
Fish oil external sale (tonnes)	1	6	6	11

Outlook

Market

The salmon prices have been historically high in 2016, due to a decrease in supply in 2016. The total supply in 2016 is expected to decrease approx. 4%, compared to 2015. Together with a continually strong demand for salmon in nearly all markets, this has resulted in a significant increase in salmon prices during 2016. The global supply of Atlantic salmon is expected to increase only around 1% in 2017, compared to 2016.

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

Farming

The outlook for the farming segment is good. The estimates for harvesting volumes and smolt releases are dependent on the biological development. The investments in producing larger smolts will gradually reduce the time needed in the fjords to farm the salmon. This is expected to reduce biological risk and increase the capacity. The capacity growth from this investment program will appear in harvested volumes gradually until 2021.

Bakkafróst's expected harvest for 2016 is reduced from 49,000 tonnes gutted weight to 47,500 tonnes gutted weight. Bakkafróst has postponed the planned harvested volumes in order to optimize the size of harvested fish. Bakkafróst expects to harvest 56,000 tonnes gutted weight in 2017.

The number of smolts released is one key element of predicting Bakkafróst's future production. Bakkafróst expects to release 11.5 million smolts in 2016 and 11.5 million in 2017, compared with 11.3 million smolts released in 2015 and 10.4 million smolts released in 2014.

The biological situation is Bakkafróst's most important risk area. The suspicion of possible pathogenic ISA

virus at one of Bakkafróst's farming sites in July 2016 draws the attention to the importance of good animal welfare and biology, reducing the biological risk. Bakkafróst focuses on biological risk continuously and has made several new investments and procedures to diminish this risk.

Sea lice is an area, which has demanded more effort and is a part of the biological risk. Bakkafróst focuses on using non-chemical methods in treatments against sea lice.

VAP (Value added products)

Bakkafróst has signed contracts covering 100% of the goal for the VAP production for the rest of 2016. This corresponds to around 43% of the expected harvested volumes for the rest of 2016. Bakkafróst has already signed contracts covering approximately 50% of the goal for the VAP production for 2017.

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

The long-term strategy is selling 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 instead of short-term fluctuations as in the spot market.

FOF (Fishmeal, -oil and feed)

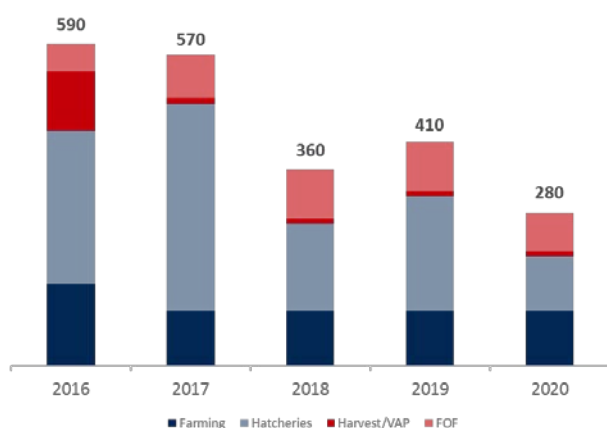
The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material. The ICES 2017 recommendation for blue whiting is 1,342 thousand tonnes and their recommendation for herring and mackerel quotas has increased as well. The forecast for production of fishmeal and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

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

Havsbrún's sales of fish feed in 2016 are expected to be at 80,000 tonnes. Depending on external sales, the sales of fish feed in 2017 is expected to be 85,000 tonnes.

Investments

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



The purpose of the investment plan is to continue to have one of the most cost conscious value chains in the farming industry, carry out organic growth, increase flexibility and reduce the biological risk to meet the future consumers' trends and to be more end-customer orientated.

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

The investment of the new harvest/-VAP factory is in the final stages. The harvest operation started in the summer 2016 and ramped up during Q3 2016. The VAP operation was expected to start in Q4 2016, but has been postponed to Q1 2017, in order to avoid seasonal production peak during start-up of the VAP operation. 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 value of offcuts from salmon harvested and processed in the new harvest/-VAP factory. Bakkafrost will invest in a new salmon meal and salmon oil plant, located in Fuglafjörður and operated by Havsbrún. The FOF segment will also invest in a new feed line, which will increase the capacity of the feed production.

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

Financial

Improved market balances in the world market for salmon products and cost conscious production will likely improve the financial flexibility going forward. A high equity ratio together with Bakkafrost'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.

16.1 DKK

Earnings per share First Nine Months of 2016

Risks

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

Bakkafrøst is, as explained in the Annual Report 2015, exposed to the salmon price. A limited decrease in supply is expected in 2016 and therefore a tight market balance.

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

In addition to the risks described in the 2015 Annual and Consolidated Report and Accounts, a routine surveillance test in July 2016 detected a possible pathogenic ISA-virus at a Bakkafrøst farming site.

After the suspicion extensive tests at the farming site have been carried out with the purpose of confirming the suspicion. All results have been negative and have not proved the presence of pathogenic ISA virus.

As these tests did not confirm the suspicion, the Veterinary Authority has increased surveillance for at least six months at the farming site and carries out extra tests on neighbouring farming sites as well. This procedure is stipulated in the Faroese veterinary farming regime, which has the purpose of securing and maintaining good biology in the Faroese farming industry.

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

Events after the Date of the Statement of Financial Position

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, November 7th 2016

The Board of Directors of P/F Bakkafrøst

Rúni M. Hansen
Chairman of the Board

Johannes Jensen
Deputy Chairman of the Board

Øystein Sandvik
Board Member

Virgar Dahl
Board Member

Annika Frederiksberg
Board Member

Teitur Samuelsen
Board Member

Consolidated Income Statement

For the period ended 30 September 2016

DKK 1,000	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Operating revenue	639,999	677,484	2,334,239	2,090,628
Purchase of goods	-53,161	-286,020	-665,174	-853,203
Change in inventory and biological assets (at cost)	-53,180	73,486	-21,943	269,574
Salary and personnel expenses	-73,632	-60,201	-229,729	-200,882
Other operating expenses	-173,046	-172,254	-512,442	-482,755
Depreciation	-32,311	-26,726	-89,620	-79,303
Operational EBIT *	254,669	205,769	815,331	744,059
Fair value adjustments on biological assets	121,802	-17,652	200,069	-110,630
Onerous contracts	86,411	0	49,230	0
Income from associates	-4,689	85	5,063	-13,578
Revenue tax	-23,370	0	-75,465	0
Badwill	10,440	0	10,440	0
Earnings before interest and taxes (EBIT)	445,263	188,202	1,004,668	619,851
Net interest revenue	214	963	1,383	2,376
Net interest expenses	-6,507	-5,218	-19,496	-19,144
Net currency effects	-13,987	28,493	-27,314	17,292
Other financial expenses	-1,022	-928	-3,133	-5,504
Earnings before taxes (EBT)	423,961	211,512	956,108	614,871
Taxes	-77,611	-43,457	-172,686	-123,322
Profit or loss for the period	346,350	168,055	783,422	491,549
Profit or loss for the year attributable to				
Non-controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	346,350	168,055	783,422	491,549
Earnings per share (DKK)	7.13	3.44	16.13	10.13
Diluted earnings per share (DKK)	7.13	3.44	16.13	10.13

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

Consolidated Statement of Comprehensive Income

For the period ended 30 September 2016

DKK 1,000	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Profit for the period	346,350	168,055	783,422	491,549
Fair value adjustment on financial derivatives	16,962	-34,331	30,875	-9,992
Income tax effect	-2,588	5,237	-4,710	1,524
Reserve to share based payment	392	230	1,175	692
Currency translation differences	1,462	-345	3,820	-473
Adjustment treasury shares	177	0	-1,526	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	16,405	-29,209	29,634	-8,249
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0	0	0
Other comprehensive income	16,405	-29,209	29,634	-8,249
Total other comprehensive income for the period	362,755	138,846	813,056	483,300
Comprehensive income for the period attributable to				
Non- controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	362,755	138,846	813,056	483,300

Consolidated Statement of Financial Position

As at 30 September 2016

DKK 1,000	30 Sep 2016	31 Dec 2015
ASSETS		
Non-current assets		
Intangible assets	376,675	294,675
Property, plant and equipment	1,971,356	1,531,493
Financial assets	49,405	130,893
Total non-current assets	2,397,436	1,957,061
Current assets		
Biological assets (biomass)	1,412,544	1,060,273
Inventory	378,493	421,966
Total inventory	1,791,037	1,482,239
Accounts receivable	222,895	199,263
Other receivables	88,312	179,971
Total receivables	311,207	379,234
Cash and cash equivalents	240,856	101,852
Total current assets	2,343,100	1,963,325
TOTAL ASSETS	4,740,536	3,920,386

Consolidated Statement of Financial Position

As at 30 September 2016

	30 Sep 2016	31 Dec 2015
DKK 1,000		
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	2,948,297	2,531,624
Total equity	2,997,155	2,580,482
Non-current liabilities		
Deferred and other taxes	567,992	349,546
Long-term interest bearing debts	708,084	447,559
Financial derivatives	94,222	128,804
Total non-current liabilities	1,370,298	925,909
Current liabilities		
Accounts payable and other debt	373,083	413,995
Total current liabilities	373,083	413,995
Total liabilities	1,743,381	1,339,904
TOTAL EQUITY AND LIABILITIES	4,740,536	3,920,386

Consolidated Cash Flow Statement

For the period ended 30 September 2016

DKK 1,000	Q3 2016	Q3 2015	YTD 2016	YTD 2015
Earnings before interest and taxes (EBIT)	445,263	188,202	1,004,668	619,851
Adjustments for write-downs and depreciation	32,311	26,726	89,620	79,303
Adjustments for value adjustments on biomass	-121,802	17,652	-200,069	110,630
Adjustments for income from associates	10,362	-85	612	13,578
Adjustments for currency effects	-13,584	28,493	-25,530	19,732
Adjustments for goodwill	-10,440	0	-10,440	0
Taxes paid	0	-2,221	0	-6,174
Adjustments for provision for onerous contracts	-86,411	0	-49,230	0
Received dividend	0	0	3,186	0
Change in inventory	-28,383	59,271	10,382	-74,173
Change in receivables	64,900	32,669	24,553	16,799
Change in current debts	-7,365	16,108	-70,262	-6,178
Cash flow from operations	284,851	366,815	777,490	773,368
Cash flow from investments				
Payments made for purchase of fixed assets	-154,326	-204,048	-472,997	-383,586
Net cash outflow on acquisition of subsidiaries	-75,000	0	-75,000	0
Dividends received from associates	0	0	1,325	0
Change in long-term receivables	0	0	0	1,314
Cash flow from investments	-229,326	-204,048	-546,672	-382,272
Cash flow from financing				
Change of interest bearing debt (short and long)	-32,692	-153,138	256,773	-209,483
Financial income	214	962	1,382	2,375
Financial expenses	-7,529	-6,145	-22,946	-24,647
Net proceeds from sale of own shares	321	-28	3,552	2,714
Financing of associate	51,287	-50,046	70,048	-25,965
Dividend paid	0	0	-400,623	-290,985
Cash flow from financing	11,601	-208,395	-91,814	-545,991
Net change in cash and cash equivalents in period	67,126	-45,628	139,004	-154,895
Cash and cash equivalents – opening balance	173,730	295,843	101,852	405,110
Cash and cash equivalents – closing balance total	240,856	250,215	240,856	250,215

Consolidated Statement of Changes in Equity

As at 30 September 2016

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share-based Payment	Currency translation differences	Derivatives	Proposed Dividend	Biomass Fair value adjustments	Retained Earnings	Total Equity
Equity 01.01.2016	48,858	306,537	-19,679	1,085	2,034	-105,621	403,079	257,277	1,686,912	2,580,482
Consolidated profit	0	0	0	0	0	0	0	-200,069	987,729	787,660
<i>Other comprehensive income:</i>										
Fair value adjustment on financial derivatives	0	0	0	0	0	30,876	0	0	0	30,876
Income tax effect	0	0	0	0	0	-4,710	0	0	0	-4,710
Share-based payment	0	0	0	1,175	0	0	0	0	0	1,175
Currency translation differences	0	0	0	0	3,820	0	0	0	0	3,820
Total other comprehensive income	0	0	0	1,175	3,820	26,166	0	0	0	31,161
Total comprehensive income	0	0	0	1,175	3,820	26,166	0	-200,069	987,729	818,821
<i>Transaction with owners:</i>										
Treasury shares	0	0	-1,526	0	0	0	0	0	0	-1,526
Paid-out dividend	0	0	0	0	0	0	-403,079	0	2,457	-400,622
Total transaction with owners	0	0	-1,526	0	0	0	-403,079	0	2,457	-402,148
Total changes in equity	0	0	-1,526	1,175	3,820	26,166	-403,079	-200,069	990,186	416,673
Total equity 30.09.2016	48,858	306,537	-21,205	2,260	5,854	-79,455	0	57,208	2,677,098	2,997,155
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	110,630	380,919	491,549
<i>Other comprehensive income:</i>										
Fair value adjustment on financial derivatives	0	0	0	0	0	-9,992	0	0	0	-9,992
Income tax effect	0	0	0	0	0	1,524	0	0	0	1,524
Share-based payment	0	0	0	693	0	0	0	0	0	693
Currency translation differences	0	0	0	0	-473	0	0	0	0	-473
Total other comprehensive income	0	0	0	693	-473	-8,468	0	0	0	-8,248
Total comprehensive income	0	0	0	693	-473	-8,468	0	110,630	380,919	483,301
<i>Transaction with owners:</i>										
Treasury shares	0	0	4,321	0	0	0	0	0	0	4,321
Paid-out dividend	0	0	0	0	0	0	-293,148	0	2,163	-290,985
Total transaction with owners	0	0	4,321	0	0	0	-293,148	0	2,163	-286,664
Total changes in equity	0	0	4,321	693	-473	-8,468	-293,148	110,630	383,082	196,637
Total equity 30.09.2015	48,858	306,537	-21,236	854	985	-104,350	0	395,485	1,633,157	2,260,290
Equity 01.01.2015	48,858	306,537	-25,557	161	1,458	-95,882	293,148	284,855	1,250,075	2,063,653
Consolidated profit	0	0	0	0	0	0	0	-27,578	837,753	810,175
<i>Other comprehensive income:</i>										
Fair value adjustment on financial derivatives	0	0	0	0	0	-11,492	0	0	0	-11,492
Income tax effect	0	0	0	0	0	1,753	0	0	0	1,753
Share-based payment	0	0	0	924	0	0	0	0	0	924
Currency translation differences	0	0	0	0	576	0	0	0	0	576
Total other comprehensive income	0	0	0	924	576	-9,739	0	0	0	-8,239
Total comprehensive income	0	0	0	924	576	-9,739	0	-27,578	837,753	801,936
<i>Transaction with owners:</i>										
Treasury shares	0	0	5,878	0	0	0	0	0	0	5,878
Paid-out dividend	0	0	0	0	0	0	-293,148	0	2,163	-290,985
Proposed dividend	0	0	0	0	0	0	403,079	0	-403,079	0
Total transaction with owners	0	0	5,878	0	0	0	109,931	0	-400,916	-285,107
Total changes in equity	0	0	5,878	924	576	-9,739	109,931	-27,578	436,837	516,829
Total equity 31.12.2015	48,858	306,537	-19,679	1,085	2,034	-105,621	403,079	257,277	1,686,912	2,580,482

Notes to the Account

Accounting Policy

General Information

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

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

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

This Condensed Consolidated Interim Report is presented in DKK.

Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all of the information required for the full Annual and Consolidated Report and Accounts and

should be read in conjunction with the Annual and Consolidated Report and Accounts for the Group as at 31st December 2015.

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

Note 2. Significant Accounting Policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the

same as those applied in the Annual Report as at and for the year ended 31st December 2015.

Note 3. Estimates and Risk Exposure

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

The accounting estimates are described in notes to the financial statements in the Annual Report 2015.

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

The risks and uncertainties described therein are expected to remain.

Note 4. Biomass

DKK 1,000	30 Sep 2016	30 Sep 2015	31 Dec 2015
Biological assets carrying amount 01.01.	1,060,274	1,013,959	1,013,959
Increase due to production or purchases	988,986	910,799	1,267,200
Increase due to acquisitions	118,233	0	0
Reduction due to harvesting or sale (costs of goods sold)	-935,257	-869,844	-1,201,426
Fair value adjustment at the beginning of the period reversed	-257,278	-284,855	-284,855
Fair value adjustments at the end of the period	472,366	174,226	257,278
Reversal of elimination at the beginning of the period	43,224	51,342	51,342
Eliminations	-78,004	-48,255	-43,224
Biological assets carrying amount at the end of the period	1,412,544	947,372	1,060,274
Cost price biological assets	994,609	800,809	825,101
Capitalised interest	23,573	20,592	21,119
Fair value adjustments at the end of the period	472,366	174,226	257,278
Eliminations	-78,004	-48,255	-43,224
Biological assets carrying amount	1,412,544	947,372	1,060,274
Biomass < 1 kg on average (tonnes)	2,420	1,746	2,215
Biomass 1 kg < 4 kg on average (tonnes)	23,567	12,847	14,312
Biomass > 4 kg on average (tonnes)	15,320	20,370	17,297
Volume of biomass at sea (tonnes)	41,307	34,963	33,824
Numbers of fish < 1 kg on average (thousand)	4,821	3,813	5,259
Numbers of fish 1 kg < 4 kg on average (thousand)	9,895	6,247	5,624
Numbers of fish > 4 kg on average (thousand)	2,790	3,539	3,233
Total numbers of fish at sea (thousand)	17,506	13,599	14,116
Smolt released YTD in Farming North (thousand pcs.)	2,272	3,852	7,059
Smolt released YTD in Farming West (thousand pcs.)	5,353	2,536	4,202
Total smolt YTD released (thousand pcs.)	7,625	6,388	11,261

Note 5. Segments

Farming segment	Q3	Q3	YTD	YTD
DKK 1,000	2016	2015	2016	2015
External revenue	399,748	432,117	1,498,278	1,257,668
Internal revenue	210,401	126,302	565,347	381,042
Total revenue	610,149	558,419	2,063,625	1,638,710
Operating expenses	-293,192	-358,112	-1,089,294	-960,790
Depreciation and amortisation	-22,692	-17,474	-61,431	-51,701
Operational EBIT	294,265	182,833	912,900	626,219
Fair value adjustments on biological assets	121,802	-17,652	200,069	-110,630
Badwill related to the acquisition of Faroe Farming	10,440	0	10,440	0
Income from associates	1,053	0	1,010	-4,856
Revenue tax	-23,370	0	-75,465	0
Earnings before interest and taxes (EBIT)	404,190	165,181	1,048,954	510,733
Net interest revenue	-835	-1,117	-3,612	-2,985
Net interest expenses	151	332	437	-179
Net currency effects	-14,690	30,429	-29,588	18,215
Other financial expenses	-971	-873	-2,977	-5,315
Earnings before taxes (EBT)	387,845	193,952	1,013,214	520,469
Taxes	-70,279	-36,626	-174,969	-91,981
Profit or loss for the period	317,566	157,326	838,245	428,488

Value added products	Q3	Q3	YTD	YTD
DKK 1,000	2016	2015	2016	2015
External revenue	201,258	166,772	568,208	546,619
Internal purchase of raw material	-210,401	-126,302	-600,286	-381,042
Operating expenses	-35,851	-29,591	-102,857	-97,688
Depreciation and amortisation	-1,701	-1,858	-4,970	-5,513
Operational EBIT	-46,695	9,021	-139,905	62,376
Provision for onerous contracts	86,411	0	49,230	0
Earnings before interest and taxes (EBIT)	39,716	9,021	-90,675	62,376
Net interest revenue	1,018	1,969	4,738	4,976
Net interest expenses	0	-4	-5	-6
Net currency effects	0	-1	-2	-4
Other financial expenses	-4	-4	-12	-12
Earnings before taxes (EBT)	40,730	10,981	-85,956	67,330
Taxes	-7,332	-1,977	15,471	-12,120
Profit or loss for the period	33,398	9,004	-70,485	55,210

Fishmeal, Fish Oil and Fish Feed	Q3	Q3	YTD	YTD
DKK 1,000	2016	2015	2016	2015
External revenue	35,030	78,595	254,807	286,341
Internal revenue	285,081	241,684	572,855	522,387
Total revenue	320,111	320,279	827,662	808,728
Cost of goods sold	-224,977	-249,010	-532,206	-530,509
Operating expenses	-32,780	-29,573	-118,671	-120,955
Depreciation and amortisation	-7,918	-7,394	-23,219	-22,089
Operational EBIT	54,436	34,302	153,566	135,175
Income from associates	-5,742	85	4,053	-8,722
Earnings before interest and taxes (EBIT)	48,694	34,387	157,619	126,453
Net interest revenue	31	111	257	385
Net interest expenses	-6,658	-5,546	-19,928	-18,959
Net currency effects	703	-1,935	2,276	-919
Other financial expenses	-47	-51	-144	-177
Earnings before taxes (EBT)	42,723	26,966	140,080	106,783
Taxes	0	-4,854	-17,525	-19,221
Profit or loss for the period	42,723	22,112	122,555	87,562

Reconciliation of reportable segments to Group earnings before taxes (EBT)	Q3	Q3	YTD	YTD
DKK 1,000	2016	2015	2016	2015
Farming	387,845	193,952	1,013,214	520,469
VAP (Value added products)	40,730	10,981	-85,956	67,330
FOF (Fishmeal, Fish Oil and Fish Feed)	42,723	26,966	140,080	106,783
Eliminations	-47,337	-20,387	-111,229	-79,711
Group earnings before taxes (EBT)	423,961	211,512	956,109	614,871

Assets and liabilities per segment	30 Sep	30 Sep	31 Dec
DKK 1,000	2016	2015	2015
Farming	4,519,277	3,581,901	3,976,007
VAP (Value added products)	154,561	249,123	261,835
FOF (Fishmeal, Fish Oil and Fish Feed)	690,126	601,889	793,774
Eliminations	-623,428	-862,980	-1,111,230
Total assets	4,740,536	3,569,933	3,920,386
Farming	-861,644	-973,570	-1,148,144
VAP (Value added products)	-15,968	-20,228	-50,788
FOF (Fishmeal, Fish Oil and Fish Feed)	-540,565	-408,676	-572,846
Eliminations	-325,204	92,831	431,874
Total liabilities	-1,743,381	-1,309,643	-1,339,904

Note 6. Capital commitments

The Group had capital expenditure committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 594

million. DKK 481 million relate to the building of new hatchery stations.

Note 7. Transactions with related parties

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

Faroe Farming has been an associated company of Bakkafrøst, but from 1st July 2016, Faroe Farming is a subsidiary and a part of Bakkafrøst consolidated. Thus, there is no information on transactions with Faroe Farming. Please refer to note 9 for further details.

Transactions between P/F Bakkafrøst and its subsidiaries meet the definition of related party transactions. As these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Note 8. Fair value measurements

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

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

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

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

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

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

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

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

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

As at 30 September 2016, the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000		Cost			
Assets and liabilities measured at fair value	Fair value	amount	Level 1	Level 2	Level 3
Biological assets (biomass)	1,412,544	940,178	0	0	1,412,544
Assets measured at fair value 30/9 - 2016	1,412,544	940,178	0	0	1,412,544
Liabilities measured at fair value 30/9-2016	0	0	0	0	0
Financial assets	31	500	31	0	0
Biological assets (biomass)	1,060,274	846,220	0	0	1,060,274
Assets measured at fair value 31/12- 2015	1,060,305	846,720	31	0	1,060,274
Liabilities measured at fair value 31/12-2015	0	0	0	0	0
Financial assets	197	500	197	0	0
Biological assets (biomass)	947,372	800,809	0	0	947,372
Assets measured at fair value 30/9- 2015	947,569	801,309	197	0	947,372
Liabilities measured at fair value 30/9-2015	0	0	0	0	0

Note 9. Business combinations

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

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

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

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

From 1 July to 30 September 2016, Faroe Farming contributed with a revenue of 0 DKK and a profit of 58.0 mDKK to the Group's results, mainly related to fair value adjustments of the biomass, as there was no harvest during this period. If the acquisition had occurred on 1 January 2016, the management estimates that consolidated revenue would not have changed, as the Group already sells all of Faroe Farming's harvest, and the consolidated profit for the period would have been 1.9 mDKK higher. In determining these amounts, the management has assumed that the fair value adjustments, determined provisionally, that arose on the date of

acquisition would have been the same if the acquisition had occurred on 1 January 2016.

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

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

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

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

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

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

Accounts receivable consists of receivables from VAT.

Accounts payable and other taxes comprise amounts payable to Bakkafrost of DKK 51.7 million.

Identifiable assets and liabilities assumed:

DKK 1,000	30 June 2016
Intangible assets	82,000
Property, plant and equipment	56,486
Financial assets	50
Biological assets (biomass)	119,112
Receivables	2,543
Deferred taxes and other taxes	-41,830
Accounts payable and other debt	-51,661
Total net identifiable assets	166,700

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