

P/F **BAKKAFROST**

Condensed Consolidated Interim Report for Q4 2016 and 12 Months of 2016

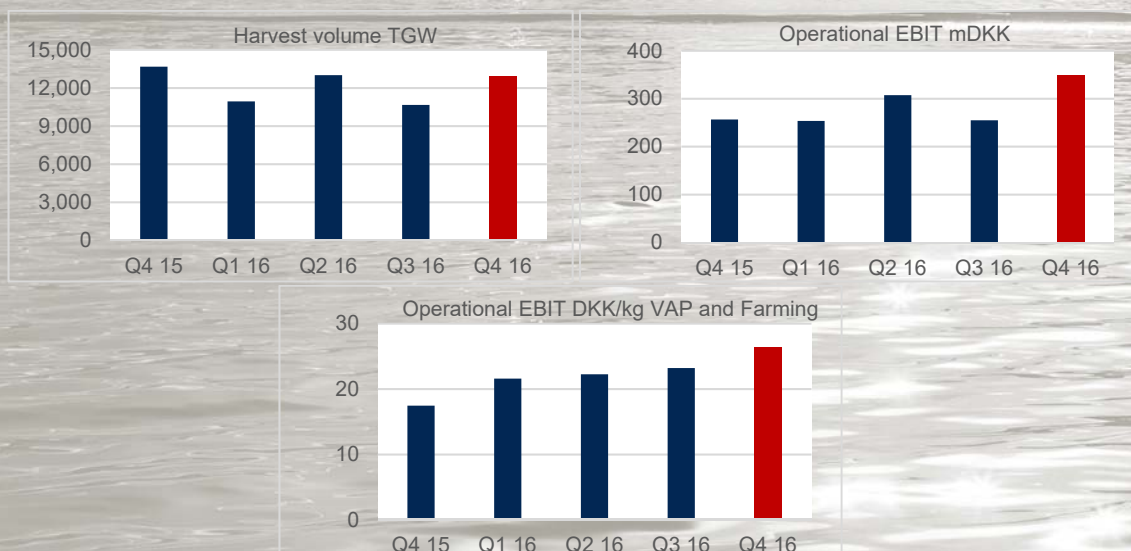


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Highlights

DKK 1,000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
INCOME STATEMENT				
Group - Operating revenue	868,447	759,735	3,202,686	2,850,363
Group - Operational EBIT*	349,622	256,524	1,164,953	1,000,583
Group - EBIT	668,919	308,907	1,673,587	928,758
Group - Profit for the period	555,465	318,626	1,338,887	810,175
Operational EBIT (Farming and VAP) (DKK)*	340,866	238,699	1,113,861	927,294
Operational EBIT*/kg (Farming and VAP) (DKK)	26.34	17.46	23.43	18.34
Operational EBIT*/kg (Farming and VAP) (NOK)	32.00	21.83	29.23	21.64
Farming - Operating revenue	777,245	634,885	2,840,870	2,273,595
Farming - Operational EBIT*	401,642	215,024	1,314,542	841,243
Farming - Operational EBIT margin	52%	34%	46%	37%
Farming - Operational EBIT/kg (DKK)	31.04	15.72	27.65	16.64
Farming - Operational EBIT/kg (NOK)	37.70	19.67	34.50	19.63
VAP - Operating revenue	312,737	190,038	880,945	736,657
VAP - Operational EBIT*	-60,776	23,675	-200,681	86,051
VAP - Operational EBIT margin	-19%	12%	-23%	12%
VAP - Operational EBIT/kg (DKK)	-9.84	4.87	-11.08	4.73
VAP - Operational EBIT/kg (NOK)	-11.95	6.09	-13.82	5.58
FOF - Operating revenue	330,449	239,324	1,158,111	1,048,052
FOF - EBITDA	71,096	44,788	247,881	202,052
FOF - EBITDA margin	21.51%	18.71%	21.40%	19.28%
DKK/NOK (average)	82.33	79.95	80.15	84.76
FINANCIAL POSITION AND CASHFLOW				
Total Assets	5,418,116	3,920,386	5,418,116	3,920,386
Equity	3,549,035	2,580,482	3,549,035	2,580,482
Equity ratio	66%	66%	66%	66%
Net interest bearing debt	635,266	391,743	635,266	391,743
Cash flow from operations	72,109	-6,844	849,599	767,838
Cash flow from financing	115,344	76,407	23,530	-469,583
PROFITABILITY				
Basic earnings per share (DKK)	11.44	6.56	27.56	16.69
Diluted earnings per share (DKK)	11.44	6.56	27.56	16.69
ROCE**	7.4%	7.5%	24.8%	29.4%
VOLUMES				
Harvested volume (tgv)	12,940	13,675	47,542	50,565
VAP produced volume (tgv)	6,177	4,862	18,120	18,196
Sold feed (tonnes)	24,988	19,797	84,587	78,865
Internal feed sale (tonnes)	23,176	18,042	78,029	70,074
Numbers of smolt released (thousand)	3,318	4,873	10,985	11,261

* Aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates, badwill and revenue tax – refer to Note 10

** Return on average capital employed, based on operational EBIT – refer to Note 10

Summary of the 4th Quarter 2016 and 12 Months of 2016

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

The Bakkafrost Group delivered a total operating EBIT of DKK 349.6 million in Q4 2016. Harvested volumes were 12.9 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 340.9 million. The farming segment made an operational EBIT of DKK 401.6 million. The salmon spot prices increased in the quarter and had a positive effect on the farming segment. The VAP segment realized higher prices, but the increase did not match the increase in the spot prices, thus the VAP segment still had negative margins. The VAP segment made an operational EBIT of DKK -60.8 million. The EBITDA for the FOF segment was DKK 71.1 million.

The Group made a profit for the fourth quarter 2016 of DKK 555.5 million (DKK 318.6 million). For 2016, the profit was DKK 1,338.9 million (DKK 810.2 million).

The total volumes harvested in Q4 2016 were 12,940 tonnes gutted weight (13,675 tgw). Total harvested volumes for 2016 were 47,542 tonnes gutted weight (50,565 tgw).

Bakkafrost transferred 3.3 million smolts (4.9 million) during Q4 2016. Transferred number of smolts for 2016 were 11.0 million smolts (11.3 million). In addition to this, Faroe Farming released 0.7 million smolts in the first half of 2016. Total number of smolts released – Faroe Farming included – was 11.7 million smolts and is according to the forecast for 2016.

Bakkafrost aims at giving the shareholders a competitive return on their investment, both through payments of dividends and by securing an increase in the value of the equity through positive operations. The long-term goal of the Board of Directors is that 30-50% of earnings per share shall be paid out as dividend. The financial position of Bakkafrost is strong with a solid balance sheet, a competitive operation and available credit facilities. Therefore, the Board of Directors proposes to the Annual General Meeting that DKK 8.70 (NOK 10.36*) per share shall be paid out as dividend. The proposed dividend corresponds to 49.8% of adjusted earnings for 2016. The Annual General Meeting will be convened on the 7th of April 2017.

The combined farming and VAP segments made an operational EBIT of DKK 340.9 million (DKK 238.7 million) in Q4 2016. For 2016, the combined farming and VAP segments made an operational EBIT of DKK 1,113.9 million (DKK 927.3 million).

The farming segment made an operational EBIT of DKK 401.6 million (DKK 215.0 million) in Q4 2016. The harvested volumes were lower, while the average spot price was higher in Q4 2016, compared to Q4 2015. For 2016, the operational EBIT was DKK 1,314.5 million (DKK 841.2 million).

In July 2016, a routine surveillance test detected a possible pathogenic ISA-virus at Bakkafrost 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. Tests taken by the Veterinary Authority at the farming site in January 2017 resulted again in the suspicion of pathogenic ISA virus. The suspicion related to two cages at the farming site, whereof one was the same cage that was under suspicion in July 2016. Bakkafrost decided to take immediate action after the new suspicion in January 2017 and harvested all the fish in these two cages. The suspicion of pathogenic ISA virus at farming site A-73 Hvannasund Norður has not been confirmed and the farming site is still under increased surveillance.

The VAP segment made an operational EBIT of DKK -60.8 million (DKK 23.7 million) for Q4 2016. As in the previous quarter, the high spot prices had a negative effect on the operational EBIT in the VAP segment. Bakkafrost has renegotiated higher prices for part of the 2016 contracts, but the higher prices do not match the increase in salmon spot prices for the same period. For 2016, the operational EBIT was DKK -200.7 million (DKK 86.1 million).

The FOF segment (fishmeal, oil and feed) made an operational EBITDA of DKK 71.1 million (DKK 44.8 million) in Q4 2016, and the EBITDA margin was 21.5% (18.7%). The operational EBITDA was DKK

247.9 million (DKK 202.1 million) for 2016, corresponding to an EBITDA margin of 21.4% (19.3%).

During Q4 2016, Havsbrún sourced 34,680 tonnes (63,582 tonnes) of raw material, and for 2016, Havsbrún sourced 201,222 tonnes (235,014 tonnes) of raw material.

The Bakkafrost Group's net interest bearing debt amounted to DKK 635.3 million at the end of Q4 2016 (DKK 391.7 million at year-end 2015) including

deposits and losses on financial derivatives relating to the interest bearing debt. Bakkafrost had undrawn credit facilities of approximately DKK 654.5 million at the end of Q4 2016.

Bakkafrost's equity ratio was 66% at 31 December 2016, compared to 66% at the end of 2015.

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

66%

Equity ratio at the end of Q4 2016

Financial Review

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

Income Statement

The operating revenues amounted to DKK 868.4 million (DKK 759.7 million) in Q4 2016, and for 2016, the operating revenues amounted to DKK 3,202.7 million (DKK 2,850.4 million). The revenue increased because of higher prices in Q4 2016, compared to Q4 2015, although the volumes harvested were lower in Q4 2016, compared to Q4 2015.

Operational EBIT was DKK 349.6 million (DKK 256.5 million) in Q4 2016. The margin in the farming and FOF segment was higher in Q4 2016 than in Q4 2015, while the margin in the VAP segment was lower. For 2016, the operational EBIT was DKK 1,165.0 million (DKK 1,000.6 million).

The fair value adjustment of the Group's biological assets amounted to DKK 408.1 million (DKK 83.1 million) in Q4 2016. The positive adjustment is due to both higher biological assets at the end of Q4 2016 and higher prices, compared with the beginning of the quarter. For 2016, the fair value adjustment amounted to DKK 608.2 million (DKK -27.6 million).

Change in provisions for onerous contracts amounted to DKK -65.6 million (DKK -51.0 million) in Q4 2016. The negative adjustment in provisions for onerous contracts is due to the high salmon prices at the end of 2016. For 2016, the change in provisions of onerous contracts amounted to -16.4 DKK million (DKK -51.0 million).

The result from associated companies amounted to DKK 9.8 million (DKK 20.3 million) in Q4 2016. For 2016, the result from associated companies amounted to DKK 14.8 million (DKK 6.8 million).

The Faroese Parliament changed the taxes on salmon farming in the Faroe Islands in December 2015. The tax changes were effective from 1 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 -33.0 million (DKK 0.0 million). For 2016, the revenue tax was DKK -108.5 million (DKK 0.0 million).

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

Net interests in Q4 2016 were DKK 7.6 million (DKK 0.7 million), whereof an unrealized exchange rate adjustment of DKK 5.5 million (DKK 3.6 million), relating to the bond loan of NOK 500 million, is posted in Q4 2016. For 2016, net interests were DKK -41.0 million (DKK -4.3 million). The unrealized exchange rate adjustment for 2016 relating to the bond loan of NOK 500 million amounted to DKK -21.1 million (DKK 23.6 million).

Net taxes amounted to DKK -121.0 million (DKK 9.0 million) in Q4 2016. For 2016, net taxes amounted to DKK -293.7 million (DKK -114.3 million).

The result for Q4 2016 was DKK 555.5 million (DKK 318.6 million) and for 2016, the result was DKK 1,338.9 million (DKK 810.2 million).

555 million DKK

Result for Q4 2016

Statement of Financial Position

(Figures in parenthesis refer to end last year)

The Group's total assets amounted to DKK 5,418.1 million (DKK 3,920.4 million) at the end of Q4 2016.

The Group's intangible assets amounted to DKK 376.7 million (DKK 294.7 million) at the end of Q4 2016. Intangible assets are primarily comprised of the fair value of acquired farming licences. No licences in the North region are recorded with a value in the Bakkafrost accounts.

Property, plant and equipment amounted to DKK 2,118.5 million (DKK 1,531.5 million) at the end of Q4 2016. In Q4 2016, Bakkafrost made investments in PP&E amounting to DKK 213.6 million and for 2016, investments in PP&E were made for DKK 686.6 million.

Non-current financial assets amounted to DKK 59.4 million (130.9 million) at the end of Q4 2016. The decrease in financial assets relates to the acquisition of the remaining 51% of outstanding shares in P/F Faroe Farming. Following the acquisition, Bakkafrost holds 100% of the shares in P/F Faroe Farming, which is consolidated into the Group.

The Group's carrying amount (fair value) of biological assets amounted to DKK 1,858.4 million (DKK 1,060.3 million) at the end of Q4 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 880.5 million (DKK 257.3 million) at the end of Q4 2016. The increase is due to higher biomass and higher salmon prices at the end of Q4 2016, compared to end 2015.

The Group's inventories amounted to DKK 355.6 million (DKK 422.0 million) at the end of Q4 2016. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed.

The Group's total receivables amounted to DKK 401.9 million (DKK 379.2 million) at end of Q4 2016.

The Group's equity amounted to DKK 3,549.0 million (DKK 2,580.5 million) at the end of Q4 2016. The change in equity consists primarily of the positive result for 2016 and the payment of dividend in Q2 2016.

The Group's total non-current liabilities amounted to DKK 1,474.3 million (DKK 925.9 million) at the end of Q4 2016.

Deferred taxes amounted to DKK 545.7 million (DKK 349.5 million) at the end of Q4 2016.

Long-term debt was DKK 827.1 million (DKK 447.6 million) at the end of Q4 2016. Derivatives amounted to DKK 101.5 million (DKK 128.8 million) at the end of Q4 2016.

Bakkafrost'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, Bakkafrost has entered into a currency/-interest rate swap, hedging the exchange rate, and has switched the interest rate from NIBOR 3m to CIBOR 3m.

At the end of Q4 2016, the Group's total current liabilities were DKK 394.8 million (DKK 414.0 million). The current liabilities consist of accounts payable and tax payable.

Bakkafrost's equity ratio was 66% at the end of Q4 2016, compared with 66% at the end of 2015.

Cash Flow

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

The cash flow from operations was DKK 72.1 million (DKK -6.8 million) in Q4 2016. The increase in total inventory, receivables and decrease of current debts had a negative effect on the cash flow from operations in Q4 2016. The tax payment in Q4 2016 had likewise a negative effect on cash flow from operations in the quarter. For 2016, the cash flow from operations was DKK 849.6 million (DKK 767.9 million).

The cash flow from investment activities amounted to DKK -193.3 million (DKK -217.9 million) in Q4 2016. The amount relates to investments in property, plant and equipment. For 2016, the cash flow from investments amounted to DKK -740.0 million (DKK -601.5 million).

Cash flow from financing activities totalled DKK 115.3 million (DKK 76.4 million) in Q4 2016. The interest bearing debt increased by DKK 122.6 million and had

a positive effect on cash flow from financing. For 2016, cash flow from financing amounted to DKK 23.5 million (DKK -469.6 million).

In Q4 2016, net change in cash flow amounted to DKK -5.9 million (DKK -148.4 million). For 2016, it was DKK 133.1 million (DKK -303.3 million).

At the end of Q4 2016, Bakkafrost had unused credit facilities of approximately DKK 654.5 million (DKK 889.6 million).

12,940 **tgw**

Harvested in Q4 2016

Farming Segment

Harvested Volumes Q4 2016	12,940 t _{gw}
EBIT Q4 2016	777.0 mDKK
Operational EBIT Q4 2016	401.6 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 southern, central and northern part of the Faroe Islands.

Farming segment 1,000 DKK	Q4 2016	Q4 2015	Increase	YTD 2016	YTD 2015	Increase
Total revenue	777,245	634,885	22%	2,840,870	2,273,595	25%
EBIT	777,009	304,811	155%	1,825,963	815,544	124%
Operational EBIT	401,642	215,024	87%	1,314,542	841,243	56%
Farming - Operational EBIT/kg (DKK)	31.04	15.72	97%	27.65	16.64	66%
Harvested volume (t _{gw})	12,940	13,675	-5%	47,542	50,565	-6%

Volumes

The total volumes harvested in Q4 2016 were 12,940 tonnes gutted weight (13,675 t_{gw}) – a decrease in volume of 5%. Total harvested volumes in 2016 were 47,542 tonnes gutted weight (50,565 t_{gw}) and in line with the forecast for 2016. The total volumes harvested in 2016 decreased 6%, compared with volumes harvested in 2015.

Bakkafrost transferred 3.3 million smolts (4.9 million) in Q4 2016. In 2016, Bakkafrost released 11.0 million smolts (11.3 million). Faroe Farming, which is part of Bakkafrost Group from Q3 2016, released 0.7 million smolts in 2016, prior to being part of the Group. Therefore, total smolt release, Faroe Farming included, is 11.7 million smolts in 2016. This is in line with Bakkafrost's smolt transfer plan for 2016.

Financial performance

In Q4 2016, the operating revenue for Bakkafrost's farming segment was DKK 777.2 million (DKK 634.9 million). The operating revenue for the farming segment for 2016 was DKK 2,840.9 million (DKK 2,273.6 million).

Operational EBIT amounted to DKK 401.6 million (DKK 215.0 million) in Q4 2016, which corresponds to an operational EBIT margin of 52%. For 2016, operational EBIT was DKK 1,314.5 million (DKK 841.2 million).

Operational EBIT/kg for the farming segment was DKK 31.04 (NOK 37.70) in Q4 2016, compared with DKK 15.72 (NOK 19.67) in Q4 2015. The higher margin is mainly due to higher salmon prices in Q4 2016, compared to Q4 2015. Operational EBIT/kg for 2016 was DKK 27.65 (NOK 34.50), compared with DKK 16.64 (NOK 19.63) for 2015.

Harvested volumes	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Farming North	3,983	4,907	24,768	27,619
Farming West	8,957	8,768	22,774	22,946
Total harvested volumes (t_{gw})	12,940	13,675	47,542	50,565

Smolt transfer 1,000 pieces	2012	2013	2014	2015	2016
Farming North	6,500	7,200	3,000	7,100	5,600
Farming West	4,200	2,300	7,400	4,200	5,400
Total	10,700	9,500	10,400	11,300	11,000

VAP Segment

Produced Volumes Q4 2016	6,177 tgw
EBIT Q4 2016	-126.4 mDKK
Operational EBIT Q4 2016	-60.8 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	Q4 2016	Q4 2015	Increase	YTD 2016	YTD 2015	Increase
Total revenue	312,737	190,038	65%	880,945	736,657	20%
EBIT	-126,378	-27,352	362%	-217,053	35,024	-720%
Operational EBIT	-60,776	23,675	-357%	-200,681	86,051	-333%
VAP - Operational EBIT/kg (DKK)	-9.84	4.87	-302%	-11.08	4.73	-334%
VAP produced volume (tgw)	6,177	4,862	27%	18,120	18,196	0%

Volumes

48% (32%) of the total harvested volumes in Q4 2016 went to production of VAP products, and 52% (68%) were sold as whole gutted salmon. For 2016, 37% (33%) of the total harvested volumes went to the production of VAP products, and 63% (67%) were sold as whole gutted salmon.

The VAP production in Q4 2016 was 6,177 tonnes gutted weight (4,862 tgw). The increase in production in Q4 2016 is 22%, compared to Q4 2015. In 2016, the VAP production was 18,120 tgw (18,196 tgw).

Financial performance

The operating revenue for the VAP segment amounted to DKK 312.7 million (DKK 190.0 million) in Q4 2016. The increase in revenue is due to both higher volumes and higher prices in Q4 2016, compared with Q4 2015. The operating revenue for 2016 was DKK 880.9 million (DKK 736.7 million).

Operational EBIT amounted to DKK -60.8 million (DKK 23.7 million) in Q4 2016, corresponding to an operational EBIT of DKK -9.84 (NOK -11.95) per kg gutted weight in Q4 2016, compared with DKK 4.87 (NOK 6.09) per kg gutted weight in Q4 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 2016, operational EBIT amounted to DKK -200.7 million (DKK 86.1 million), corresponding to an operational EBIT of DKK -11.08 (NOK -13.82) per kg gutted weight for 2016, compared with an operational EBIT of DKK 4.73 (NOK 5.58) per kg gutted weight for 2015.

Distribution of harvested volumes (tgw)	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Harvested volume used in VAP production	48%	32%	37%	33%
Harvested volume sold fresh/frozen	52%	68%	63%	67%
Harvested and purchased volumes (tgw)	100%	100%	100%	100%

FOF Segment

Sold Feed Q4 2016	24,988 tonnes
EBIT Q4 2016	72.7 mDKK
EBITDA Q4 2016	71.1 mDKK

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

Fishmeal, Fish Oil and Fish Feed 1,000 DKK	Q4 2016	Q4 2015	Increase	YTD 2016	YTD 2015	Increase
Total revenue	330,449	239,324	38%	1,158,111	1,048,052	11%
EBIT	72,731	50,958	43%	230,350	177,411	30%
EBITDA	71,096	44,788	59%	247,881	202,052	23%
FOF - EBITDA margin	21.5%	18.7%	15%	21.4%	19.3%	11%
Sold feed tonnes	24,988	19,797	26%	84,587	78,865	7%

Volumes

During Q4 2016, Havsbrún received 34,680 tonnes (63,582 tonnes) of raw material to produce fishmeal and fish oil. The raw material intake depends on the fishery in the North Atlantic and available species of fish. During 2016, Havsbrún received 201,222 tonnes (235,014 tonnes) of raw material.

The production of fishmeal in Q4 2016 was 7,581 tonnes (13,647 tonnes). For 2016, Havsbrún produced 44,155 tonnes (49,343 tonnes) of fishmeal.

The production of fish oil was 2,612 tonnes (4,172 tonnes) in Q4 2016. The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For 2016, Havsbrún produced 7,369 tonnes (7,854 tonnes) of fish oil.

Sales of feed amounted to 24,988 tonnes (19,797 tonnes) in Q4 2016, of which the farming segment internally used 23,176 tonnes (18,042 tonnes) or 92.7% (91.1%). For 2016, Havsbrún sold 84,587 tonnes (78,865 tonnes) of feed.

Financial performance

The operating revenue for the FOF segment amounted to DKK 330.4 million (DKK 239.3 million) in Q4 2016, of which DKK 237.2 million (DKK 175.5 million) represents sales to Bakkafrost's farming segment, corresponding to 71.8% (73.3%). For 2016, the revenue amounted to DKK 1,158.1 million (DKK 1,048.1 million) of which DKK 810.1 million (DKK 697.8 million) represents sales to Bakkafrost's farming segment, corresponding to 69.9% (66.6%).

Operational EBITDA was DKK 71.1 million (DKK 44.8 million) in Q4 2016, and the operational EBITDA margin was 21.5% (18.7%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed. For 2016, the operational EBITDA was DKK 247.9 million (DKK 202.1 million), corresponding to an EBITDA margin of 21.4% (19.3%).

Sales FOF volume (tonnes)	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Feed Internal sale (tonnes)	23,176	18,042	78,029	70,074
Feed External sale (tonnes)	1,812	1,755	6,558	8,791
Total Feed sold (tonnes)	24,988	19,797	84,587	78,865
Fishmeal external sale (tonnes)	6,166	3,374	23,461	23,226
Fish oil external sale (tonnes)	4	4	10	15

Outlook

Market

The salmon prices have increased to record levels in 2016. The increase is due to strong demands in nearly all markets combined with a decrease in supply in 2016. The estimated decrease in total supply in 2016 is approximately 4%, compared to 2015.

2016 was special because of unusual circumstances in Chile, as a harmful algal bloom hit the Chilean salmon industry and resulted in around 25 million fish being taken out, corresponding to 100,000 tonnes of harvested fish. In a matter of days, the supply picture for 2016 changed from an expected increase to a decrease. Such force majeure circumstances cannot be assumed in future expectations. The latest update from Kontali still estimates a global supply of Atlantic salmon to increase around 2% in 2017, compared to 2016.

The market place is one of Bakkafrøst's most significant risk areas. Bakkafrøst has a geographical and a market price approach. These approaches reduce the exposure to the market risk. To diversify the geographical market risk, Bakkafrøst sells its products to all 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.

To reduce risk, Bakkafrøst decided in January 2017 to harvest 190,000 fish earlier than anticipated and not at optimal harvest weight. The harvest was a precautionary action as the fish was under suspicion of having pathogenic ISA. Reference is made to Bakkafrøst's market announcement on 20th January 2017. Bakkafrøst expects to harvest 55,500 tonnes gutted weight in 2017. This is 500 tonnes less than the previous forecast and relates to the precautionary harvest.

Bakkafrøst expects to release 11.5 million smolts in 2017, compared with 11.7 million smolts in 2016 and 11.3 smolts released in 2015 – smolts released by Faroe Farming before becoming part of the Bakkafrøst Group are included. The number of smolts released is a key element of predicting Bakkafrøst's future production.

The biological situation is Bakkafrøst's most important risk area. The suspicion of possible pathogenic ISA virus at one of Bakkafrøst's farming sites in July 2016 and again in January 2017 – although the suspicion has not been confirmed – draws attention to the importance of good animal welfare and biology, reducing the biological risk. Bakkafrøst 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 much effort and is a part of the biological risk. The new Faroese regulations on sea lice control in salmon farming are expected to increase the operational costs for farming salmon in the Faroe Islands.

Bakkafrøst focuses on using non-chemical methods in treatments against sea lice. Bakkafrøst's live fish carrier M/S Hans á Bakka has carried out freshwater treatment against sea lice since Q4 2015. In Q4 2016, Bakkafrøst invested in a service vessel, M/S Martin, which will primarily use warm seawater treatment against sea lice. M/S Martin is expected to start operation in Q1 2017, which will increase the treatment capacity against sea lice significantly. Furthermore, Bakkafrøst will increase the use of lumpfish in farming significantly in 2017.

VAP (Value added products)

Bakkafrøst has signed contracts covering around 36% of the expected harvested volumes for 2017.

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

The contracts last for 6 to 12 months. The long-term strategy is selling around 40-50% of the harvested volumes of salmon as VAP products at 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.

The price level on long-term contracts are on a higher level than ever before. At present, there are no indications that this price level should decrease significantly.

FOF (Fishmeal, oil and feed)

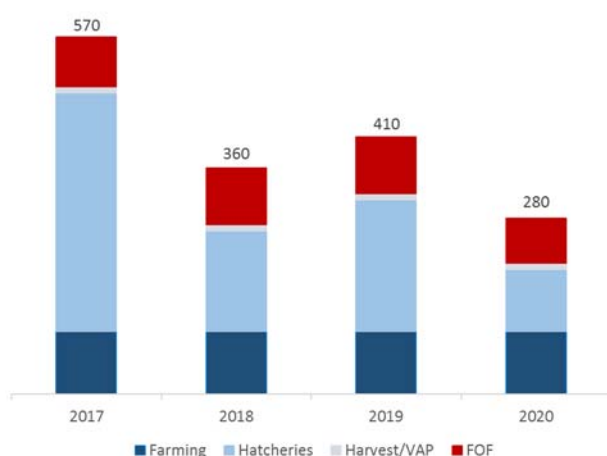
The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material. The ICES 2017 recommendation for blue whiting is 1,342 thousand tonnes, compared with 776 thousand tonnes in 2016. Recommendations for herring and mackerel quotas have increased as well. The forecast 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 2017 are expected to be at 85,000 tonnes.

Investments

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



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

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

The investment of the new harvest/VAP factory at Glyvvar is in its final stages. The harvest operation started in the summer of 2016 and ramped up during the second half of 2016. The harvest factory at Kollafjørður will be closed in Q1 2017. The VAP production in the new harvest/VAP factory will start operation in Q1 2017. The old VAP production factory at Glyvvar was closed in Q4 2016 and the VAP production at Fuglafjørður will be closed in Q1 2017. There will be some extra costs during the start-up period, but the investment is expected to result in operational savings of DKK 70-90 million per year with gradual effect from 2017.

Bakkafróst plans to increase the value of offcuts from salmon harvested and processed in the new harvest/VAP factory. In 2017, Bakkafróst will invest in a new salmon meal and salmon oil plant, located in Fuglafjørður and operated by Havsbrún. The new salmon meal and salmon oil plant is expected to start operation in late 2017 and is expected to have positive margins in 2018. The FOF segment will also invest in a new feed line, which will increase the capacity of the feed production.

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

Financial

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

Risks

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

Bakkafrost is, as explained in the Annual Report 2015, exposed to the salmon price. A limited increase in supply is expected in 2017 and therefore a tight market balance.

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

In addition to the risks described in the 2015 Annual and Consolidated Report and Accounts, a routine surveillance test, carried out in July 2016, detected a possible pathogenic ISA-virus at Bakkafrost's 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. All results have been negative and have not proven the presence of a pathogenic ISA virus.

As the tests in July 2016 did not confirm the suspicion, the Veterinary Authority increased surveillance for at

least six months at the farming site and carried 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.

In January 2017, tests taken by the Faroese Veterinary Authority at farming site A-73 Hvannasund Norður as part of the increased surveillance, resulted again in suspicion of a pathogenic ISA virus at the farming site. The suspicion concerned two cages, whereof one cage was the same cage that was under suspicion of a pathogenic ISA virus in July 2016.

Bakkafrost decided to take immediate action and harvested all the fish in these two cages.

The results from these tests and following tests have not confirmed the suspicion of a pathogenic ISA virus at farming site A-73 Hvannasund Norður. The farming site will continue to be under increased surveillance.

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

27.6 DKK

Earnings per share 2016

Events after the Date of the Statement of Financial Position

On 20 January 2017, Bakkafrost announced that suspicion of pathogenic ISA at farming site A-73 Hvannasund Norður had risen again.

Initially, suspicion of pathogenic ISA rose in July 2016, after a routine surveillance test detected a possible pathogenic ISA-virus at farming site A-73 Hvannasund Norður.

The results from the tests in January and following tests have not confirmed the suspicion of a

pathogenic ISA virus at farming site A-73 Hvannasund Norður. The farming site will continue to be under increased surveillance. Reference is made to the Risk section of this report for further information.

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

Glyvrrar, February 26th, 2017

The Board of Directors of P/F Bakkafrost

Rúni M. Hansen
Chairman of the Board

Johannes Jensen
Deputy Chairman of the Board

Øystein Sandvik
Board Member

Virgar Dahl
Board Member

Annika Frederiksberg
Board Member

Teitur Samuelson
Board Member

Consolidated Income Statement

For the period ended 31 December 2016

DKK 1,000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Operating revenue	868,447	759,735	3,202,686	2,850,363
Purchase of goods	-137,226	-348,003	-802,400	-1,201,206
Change in inventory and biological assets (at cost)	-36,931	154,569	-58,874	424,143
Salary and personnel expenses	-98,096	-80,203	-327,825	-281,085
Other operating expenses	-202,931	-200,779	-715,373	-683,534
Depreciation	-43,641	-28,795	-133,261	-108,098
Operational EBIT *	349,622	256,524	1,164,953	1,000,583
Fair value adjustments on biological assets	408,126	83,052	608,195	-27,578
Onerous contracts	-65,602	-51,004	-16,372	-51,004
Income from associates	9,758	20,335	14,821	6,757
Revenue tax	-32,985	0	-108,450	0
Badwill	0	0	10,440	0
Earnings before interest and taxes (EBIT)	668,919	308,907	1,673,587	928,758
Net interest revenue	141	1,223	1,524	3,599
Net interest expenses	-6,487	-5,478	-25,983	-24,622
Net currency effects	14,959	6,058	-12,355	23,350
Other financial expenses	-1,026	-1,110	-4,159	-6,614
Earnings before taxes (EBT)	676,506	309,600	1,632,614	924,471
Taxes	-121,041	9,026	-293,727	-114,296
Profit or loss for the period	555,465	318,626	1,338,887	810,175
Profit or loss for the year attributable to				
Non-controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	555,465	318,626	1,338,887	810,175
Earnings per share (DKK)	11.44	6.56	27.56	16.69
Diluted earnings per share (DKK)	11.44	6.56	27.56	16.69

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

Consolidated Statement of Comprehensive Income

For the period ended 31 December 2016

DKK 1,000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Profit for the period	555,465	318,626	1,338,887	810,175
Fair value adjustment on financial derivatives	-4,086	-1,500	26,789	-11,492
Income tax effect	346	229	-4,364	1,753
Reserve to share based payment	391	232	1,566	924
Currency translation differences	2	1,049	3,822	576
Adjustment treasury shares	160	0	-1,366	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-3,187	10	26,447	-8,239
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0	0	0
Other comprehensive income	-3,187	10	26,447	-8,239
Total other comprehensive income for the period	552,278	318,636	1,365,334	801,936
Comprehensive income for the period attributable to				
Non- controlling interests	0	0	0	0
Owners of P/F Bakkafrost	552,278	318,636	1,365,334	802,027

Consolidated Statement of Financial Position

As at 31 December 2016

DKK 1,000	31 Dec 2016	31 Dec 2015
ASSETS		
Non-current assets		
Intangible assets	376,675	294,675
Property, plant and equipment	2,118,470	1,531,493
Financial assets	59,407	130,893
Long term receivables	12,660	0
Total non-current assets	2,567,212	1,957,061
Current assets		
Biological assets (biomass)	1,858,435	1,060,273
Inventory	355,604	421,966
Total inventory	2,214,039	1,482,239
Accounts receivable	292,009	199,263
Other receivables	109,860	179,971
Total receivables	401,869	379,234
Cash and cash equivalents	234,996	101,852
Total current assets	2,850,904	1,963,325
TOTAL ASSETS	5,418,116	3,920,386

Consolidated Statement of Financial Position

As at 31 December 2016

DKK 1,000	31 Dec 2016	31 Dec 2015
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	3,500,177	2,531,624
Total equity	3,549,035	2,580,482
Non-current liabilities		
Deferred taxes	545,699	349,546
Long-term interest bearing debt	827,146	447,559
Financial derivatives	101,456	128,804
Total non-current liabilities	1,474,301	925,909
Current liabilities		
Accounts payable and other debt	394,780	413,995
Total current liabilities	394,780	413,995
Total liabilities	1,869,081	1,339,904
TOTAL EQUITY AND LIABILITIES	5,418,116	3,920,386

Consolidated Cash Flow Statement

For the period ended 31 December 2016

DKK 1,000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Earnings before interest and taxes (EBIT)	668,919	308,907	1,673,587	928,758
Adjustments for write-downs and depreciation	45,955	33,509	135,575	112,812
Adjustments for value adjustments on biomass	-408,126	-83,052	-608,195	27,578
Adjustments for income from associates	-9,758	-20,336	-9,146	-6,758
Adjustments for currency effects	15,405	7,406	-10,125	27,138
Adjustments for badwill	0	0	-10,440	0
Taxes paid	-154,635	-142,051	-154,635	-148,225
Adjustments for provision for onerous contracts	65,602	51,004	16,372	51,004
Received dividend	0	0	3,186	0
Change in inventory	-14,876	-154,725	-4,494	-228,898
Change in receivables	-103,322	-78,409	-78,769	-60,296
Change in current debts	-33,055	70,903	-103,317	64,725
Cash flow from operations	72,109	-6,844	849,599	767,838
Cash flow from investments				
Proceeds from sale of fixed assets	20,539	4,801	20,539	4,801
Payments made for purchase of fixed assets	-213,608	-224,041	-686,605	-607,627
Net cash outflow on acquisition of subsidiaries	-244	0	-75,244	0
Dividends received from associates	0	1,314	1,325	1,314
Cash flow from investments	-193,313	-217,926	-739,985	-601,512
Cash flow from financing				
Change of interest bearing debt (short and long)	122,556	58,407	379,329	-151,076
Financial income	141	1,226	1,523	3,601
Financial expenses	-7,513	-6,588	-30,459	-31,235
Net proceeds from sale of own shares	160	3,378	3,712	6,092
Financing of associate	0	19,984	70,048	-5,981
Dividend paid	0	0	-400,623	-290,985
Cash flow from financing	115,344	76,407	23,530	-469,584
Net change in cash and cash equivalents in period	-5,860	-148,363	133,144	-303,258
Cash and cash equivalents – opening balance	240,856	250,215	101,852	405,110
Cash and cash equivalents – closing balance total	234,996	101,852	234,996	101,852

Consolidated Statement of Changes in Equity

As at 31 December 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	623,214	719,514	1,342,728
<i>Other comprehensive income:</i>										
Fair value adjustment on financial derivatives	0	0	0	0	0	26,789	0	0	0	26,789
Income tax effect	0	0	0	0	0	-4,364	0	0	0	-4,364
Share-based payment	0	0	0	1,566	0	0	0	0	0	1,566
Currency translation differences	0	0	0	0	3,822	0	0	0	0	3,822
Total other comprehensive income	0	0	0	1,566	3,822	22,425	0	0	0	27,813
Total comprehensive income	0	0	0	1,566	3,822	22,425	0	623,214	719,514	1,370,541
<i>Transaction with owners:</i>										
Treasury shares	0	0	-1,366	0	0	0	0	0	0	-1,366
Paid-out dividend	0	0	0	0	0	0	-403,079	0	2,457	-400,622
Proposed dividend	0	0	0	0	0	0	425,065	0	-425,065	0
Total transaction with owners	0	0	-1,366	0	0	0	21,986	0	-422,608	-401,988
Total changes in equity	0	0	-1,366	1,566	3,822	22,425	21,986	623,214	296,906	968,553
Total equity 31.12.2016	48,858	306,537	-21,045	2,651	5,856	-83,196	425,065	880,491	1,983,818	3,549,035
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 31 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 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 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 31 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 recognized 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 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 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	31 Dec 2016	31 Dec 2015
Biological assets carrying amount 01.01.	1,060,274	1,013,959
Increase due to production or purchases	1,408,220	1,267,200
Increase due to acquisitions - fair value included	118,233	0
Reduction due to harvesting or sale (costs of goods sold)	-1,296,244	-1,201,426
Fair value adjustment at the beginning of the period reversed	-257,278	-284,855
Fair value adjustments at the end of the period	880,492	257,278
Reversal of elimination at the beginning of the period	43,224	51,342
Eliminations	-98,487	-43,224
Biological assets carrying amount at the end of the period	1,858,434	1,060,274
Cost price biological assets	1,054,429	825,101
Capitalized interest	22,000	21,119
Fair value adjustments at the end of the period	880,492	257,278
Eliminations	-98,487	-43,224
Biological assets carrying amount	1,858,434	1,060,274
Biomass < 1 kg on average (tonnes)	2,039	2,215
Biomass 1 kg < 4 kg on average (tonnes)	17,560	14,312
Biomass > 4 kg on average (tonnes)	25,510	17,297
Volume of biomass at sea (tonnes)	45,109	33,824
Number of fish < 1 kg on average (thousand)	4,884	5,259
Number of fish 1 kg < 4 kg on average (thousand)	7,842	5,624
Number of fish > 4 kg on average (thousand)	5,123	3,233
Total number of fish at sea (thousand)	17,849	14,116
Number of smolts released YTD in Farming North (thousand)	5,590	7,059
Number of smolts released YTD in Farming West (thousand)	5,353	4,202
Total number of smolts YTD released (thousand)	10,943	11,261
Biomass %		
Biomass < 1 kg on average (tonnes)	5%	7%
Biomass 1 kg < 4 kg on average (tonnes)	38%	42%
Biomass > 4 kg on average (tonnes)	57%	51%
Volume of biomass at sea (tonnes)	100%	100%

Note 5. Segments

Farming segment	Q4	Q4	YTD	YTD
DKK 1,000	2016	2015	2016	2015
External revenue	475,442	505,830	1,973,720	1,763,498
Internal revenue	301,803	129,055	867,150	510,097
Total revenue	777,245	634,885	2,840,870	2,273,595
Operating expenses	-347,945	-400,360	-1,437,239	-1,361,150
Depreciation and amortisation	-27,658	-19,501	-89,089	-71,202
Operational EBIT	401,642	215,024	1,314,542	841,243
Fair value adjustments on biological assets	408,126	83,052	608,195	-27,578
Badwill related to the acquisition of Faroe Farming	0	0	10,440	0
Income from associates	226	6,735	1,236	1,879
Revenue tax	-32,985	0	-108,450	0
Earnings before interest and taxes (EBIT)	777,009	304,811	1,825,963	815,544
Net interest revenue	344	-1,021	-3,268	-4,006
Net interest expenses	-5,685	-1,816	-5,247	-1,995
Net currency effects	14,844	5,324	-14,744	23,539
Other financial expenses	-971	-1,055	-3,948	-6,370
Earnings before taxes (EBT)	785,541	306,243	1,798,756	826,712
Taxes	-130,856	11,657	-293,798	-80,324
Profit or loss for the period	654,686	317,901	1,504,958	746,388

Value added products	Q4	Q4	YTD	YTD
DKK 1,000	2016	2015	2016	2015
External revenue	312,737	190,038	880,945	736,657
Internal purchase of raw material	-301,803	-129,055	-867,150	-510,097
Operating expenses	-63,624	-35,467	-201,420	-133,155
Depreciation and amortisation	-8,086	-1,841	-13,056	-7,354
Operational EBIT	-60,776	23,675	-200,681	86,051
Provision for onerous contracts	-65,602	-51,004	-16,372	-51,004
Income from associates	0	-23	0	-23
Earnings before interest and taxes (EBIT)	-126,378	-27,352	-217,053	35,024
Net interest revenue	0	2,117	4,738	7,093
Net interest expenses	-49	-2	-54	-8
Net currency effects	3	-3	1	-7
Other financial expenses	-5	-4	-17	-16
Earnings before taxes (EBT)	-126,429	-25,244	-212,385	42,086
Taxes	22,757	6,090	38,228	-6,030
Profit or loss for the period	-103,672	-19,154	-174,157	36,056

Fishmeal, Fish Oil and Fish Feed	Q4	Q4	YTD	YTD
DKK 1,000	2016	2015	2016	2015
External revenue	93,214	63,867	348,021	350,208
Internal revenue	237,235	175,457	810,090	697,844
Total revenue	330,449	239,324	1,158,111	1,048,052
Cost of goods sold	-220,462	-156,002	-752,668	-686,511
Operating expenses	-38,891	-38,534	-157,562	-159,489
Depreciation and amortisation	-7,897	-7,453	-31,116	-29,542
Operational EBIT	63,199	37,335	216,765	172,510
Income from associates	9,532	13,623	13,585	4,901
Earnings before interest and taxes (EBIT)	72,731	50,958	230,350	177,411
Net interest revenue	-203	127	54	512
Net interest expenses	-753	-3,660	-20,682	-22,619
Net currency effects	112	737	2,388	-182
Other financial expenses	-50	-51	-194	-228
Earnings before taxes (EBT)	71,837	48,111	211,916	154,894
Taxes	-12,942	-8,721	-38,157	-27,942
Profit or loss for the period	58,895	39,389	173,759	126,952

Reconciliation of reportable segments to Group earnings before taxes (EBT)	Q4	Q4	YTD	YTD
DKK 1,000	2016	2015	2016	2015
Farming	785,541	306,243	1,798,756	826,712
VAP (Value added products)	-126,429	-25,244	-212,385	42,086
FOF (Fishmeal, Fish Oil and Fish Feed)	71,837	48,111	211,916	154,894
Eliminations	-54,443	-19,510	-165,672	-99,221
Group earnings before taxes (EBT)	676,506	309,600	1,632,615	924,471

Assets and liabilities per segment	31 Dec	31 Dec
DKK 1,000	2016	2015
Farming	5,060,263	3,976,007
VAP (Value added products)	375,538	261,835
FOF (Fishmeal, Fish Oil and Fish Feed)	703,222	793,774
Eliminations	-720,907	-1,111,230
Total assets	5,418,116	3,920,386
Farming	-710,184	-1,148,144
VAP (Value added products)	-25,895	-50,788
FOF (Fishmeal, Fish Oil and Fish Feed)	-495,784	-572,846
Eliminations	-637,218	431,874
Total liabilities	-1,869,081	-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

485 million. DKK 411 million relate to the building of new hatchery stations.

Note 7. Transactions with related parties

Note 26 in Bakkafrost's Annual Report for 2015 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.

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

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

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

As at 31 December 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)	1,858,434	977,942	0	0	1,858,434
Assets measured at fair value 31/12-2016	1,858,434	977,942	0	0	1,858,434
Liabilities measured at fair value 31/12-2016	0	0	0	0	0
Financial assets	31	500	31	0	0
Biological assets (biomass)	1,060,274	846,220	0	0	1,060,274
Assets measured at fair value 31/12-2015	1,060,305	846,720	31	0	1,060,274
Liabilities measured at fair value 31/12-2015	0	0	0	0	0

Note 9. Business combinations

On the 29th of June 2016, 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 the 1st of 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 31 December 2016, Faroe Farming contributed with a revenue of 0 DKK and a profit of 127.2 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 the 1st of January 2016, the management estimates no change in the consolidated revenue, 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 the 1st of January 2016.

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

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. A material fair value adjustment of property, plant and equipment is not expected.

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

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.

DKK 1,000	31 Dec 2016	31 Dec 2015
Cash and cash equivalents	234,996	101,852
Deposit for interest- and currency swap	58,340	83,040
Derivatives	-101,456	-129,076
Long-term interest bearing debt	-827,146	-447,559
Net interest bearing debt	-635,266	-391,743

Operational EBIT

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

DKK 1,000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
EBIT	668,919	308,907	1,673,587	928,758
Fair value adjustments on biological assets	-408,126	-83,052	-608,195	27,578
Onerous contracts	65,602	51,004	16,372	51,004
Income from associates	-9,758	-20,335	-14,821	-6,757
Revenue tax	32,985	0	108,450	0
Badwill	0	0	-10,440	0
Operational EBIT	349,622	256,524	1,164,953	1,000,583

Operational EBIT per kg

Farming segment:
$$\frac{\text{Operational EBIT Farming segment}}{\text{Total harvested volumes (gw)}}$$

VAP segment:
$$\frac{\text{Operational EBIT VAP segment}}{\text{Total rawmaterial (gw)}}$$

Farming and VAP:
$$\frac{\text{Operational EBIT Farming and VAP segment}}{\text{Total harvested volumes (gw)}}$$

EBITDA

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Bakkafrøst's FOF segment. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations, and is reconciled in the section Group overview. This measure is useful to users of Bakkafrøst's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciations and

amortization expenses related primarily to capital expenditures and acquisitions, which occurred in the past, nonrecurring items, as well as evaluating operating performance in relation to Bakkafrøst's FOF 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

Bakkafrøst's view is that this figure provides a more reliable measure of the underlying performance.

DKK 1,000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Profit for the year to the shareholders of P/f Bakkafrøst	555,465	318,626	1,338,887	810,175
Fair value adjustment of biomass	-408,126	-83,052	-608,195	27,578
Onerous contracts provisions	65,602	51,004	16,372	51,004
Tax on fair value adjustment and provisions for onerous contracts	61,654	18,687	106,528	-15,386
Adjusted profit for the year to shareholders of P/F Bakkafrøst	274,595	305,265	853,592	873,371
Time-weighted average number of shares outstanding through the year	48,574,193	48,545,675	48,574,193	48,545,675
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts (adjusted EPS))	5.65	6.29	17.57	17.99

ROCE

Return on average capital employed (ROCE) is defined as the period's operational EBIT divided by the average capital employed, which is total assets

adjusted for total current liabilities. The performance measure is expressed as a percentage and is useful for evaluating Bakkafrøst's profitability.

DKK 1,000	Q4 2016	Q4 2015	YTD 2016	YTD 2015
Group -Operational EBIT	349,622	256,524	1,164,953	1,000,583
Average Capital Employed	4,765,747	3,406,599	4,765,747	3,406,599
ROCE	7.3%	7.5%	24.4%	29.4%

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