P/F BAKKAFROST

ANNUAL AND CONSOLIDATED REPORT AND ACCOUNTS

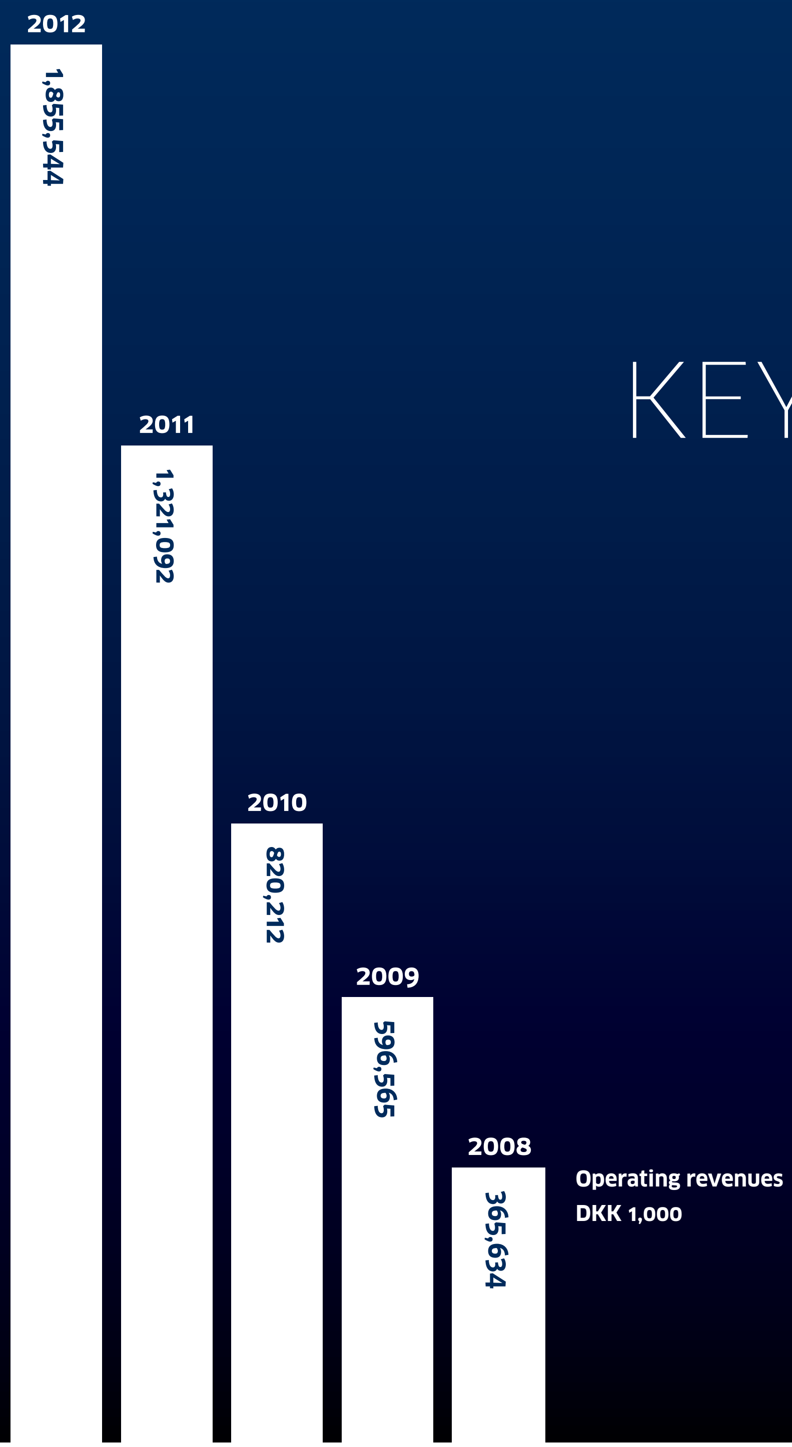
YEAR TO 31 DECEMBER 2012

WWW.BAKKAFROST.COM

BAKKAFROST

ESTABLISHED 1968

KEY FIGURES


2012
1,855,544
2011
1,321,092
2010
820,212
2009
596,565
2008
365,634
Operating revenues
DKK 1,000

(DKK 1,000)	IFRS	IFRS	IFRS	IFRS	IFRS
Income statement	**2012**	**2011**	**2010**	**2009**	**2008**
Operating revenues	1,855,544	1,321,092	820,212	596,565	365,634
Operational EBIT *	323,040	335,146	246,788	158,740	70,789
Operational EBITDA *	403,284	402,471	289,045	213,191	89,752
Earnings before interest and taxes (EBIT)	343,520	400,698	315,580	192,394	63,157
Earnings before taxes (EBT)	323,681	370,196	307,259	181,237	46,148
Net earnings	**267,875**	**323,417**	**259,711**	**148,728**	**38,339**
Earnings per share before fair value adjustment					
of biomass and provision for onerous contracts (DKK)	5.01	7.43	3.97	40.49	14.91
Earnings per share after fair value adjustment					
of biomass and provision for onerous contracts (DKK)	5.76	6.66	5.41	49.71	12.81
Statement of financial position	**2012**	**2011**	**2010**	**2009**	**2008**
Total non-current assets	1,197,655	1,234,333	519,427	257,741	247,657
Total current assets	1,373,256	1,067,441	665,229	363,291	304,873
TOTAL ASSETS	**2,570,911**	**2,301,774**	**1,184,656**	**621,032**	**552,530**
Total equity	1,262,912	1,061,011	902,289	388,887	241,650
Total liabilities	1,307,999	1,240,763	282,366	232,145	310,880
TOTAL EQUITY AND LIABILITIES	**2,570,911**	**2,301,774**	**1,184,656**	**621,032**	**552,530**
Net interest bearing debt	806,903	816,825	70,190	97,293	243,696
Equity share	49%	46%	76%	63%	44%

* Aligned for fair value adjustment of biomass, onerous contracts provision, income from associates and other non operating related adjustments

BAKKAFROST'S HISTORY

The following is a summary of the main events and milestones of the company since its establishment:

1968 The Bakkafrost business was established by the two brothers Hans and Róland Jacobsen. The first processing plant was built the same year. The third brother, Martin Jakobsen, joined the company in 1971.

1972 A second processing plant was built in Glyvrar. The business idea was to catch herring in the Faroese fjords and to process and sell spiced and marinated herring fillets.

1977 Packaging of flatfish from other Faroese fish producers for the UK market began. This was mainly to stabilise the existing business, as the volumes of herring caught decreased.

1979 Bakkafrost started fish farming activities – one of the first companies in the Faroe Islands to do so.

1980s Development of the production of blue whiting into mince and surimi in the Faroe Islands began. Blue whiting stock plummeted in 1990, causing financial distress for the Group and the rest of the sector.

1986 P/f Bakkafrost was incorporated as Sp/f Faroe Salmon by Jón Purkhús and Heini Gregersen, and production of farmed salmon and smolt started.

1992 The Group was restructured by Regin Jacobsen, Hans Jacobsen and Martin Jakobsen. At this time, the Group established P/f Alistøðin á Bakka, which had farming licences for salmon in two fjords, slaughtering capacities for salmon in Glyvrar as well as pelagic processing capabilities and production of styropor boxes for transportation of fish.

1995 A value added product (VAP) factory for salmon was built within an existing location, the factory in Glyvrar. The investment was limited, and the capacity was low. The company received a licence to produce smolt/fry in Glyvrar/Glyvradalur.

1999–2001 The Group increased the capacity of the VAP to around 22 tonnes gutted weight per day through two separate investments during this period in order to facilitate further growth.

2006 The Group grew through acquisitions and mergers and increased its farming capacity by 15,000 tgw, to a total

capacity of 18,000 tgw of salmon. The Group gained access to six new fish farming fjords and two hatcheries for production of smolt and fry. The Group made large investments to increase the VAP factory in Glyvrar to manage the increased volumes, and the factory reached a capacity of 55 tgw per day.

2008 The shareholders of Bakkafrost and Vestlax agreed to merge the companies. The merger was scheduled for 1 January 2010. P/f Vestlax Holding's shareholders agreed to be remunerated in Bakkafrost shares. The Vestlax Group had a capacity of 11,000 tgw of salmon and trout and a harvesting plant located in Kollafjørður.

2009 This was the best year so far in terms of produced volumes, revenues and operating profit. The decision was made to list the company on Oslo Børs.

2010 Bakkafrost and Vestlax merged. The combined company is the largest farming company in the Faroe Islands with around 55% of the farmed salmon from the Faroe Islands. The fully integrated company, ranging from smolt production to farming to finished VAP products, harvested 21,626 tgw in 2010. On 26 March 2010 the company was listed on Oslo Børs and broadened its shareholder base. In addition to local Faroese investors, the company is now owned by international investors from all over Europe and the USA.

2011 Bakkafrost acquired P/f Havsbrún, a modern, internationally renowned producer of fishmeal, fish oil and fish feed situated in the Faroe Islands. The majority of the produced fishmeal and oil is used for its own fish feed production, and the rest is being exported. Bakkafrost was Havsbrún's largest customer. P/f Havsbrún owned 78.1% of the farming companies P/f Faroe Farming and P/f Viking Seafood with a total of 5 licenses. Following the acquisition of P/f Havsbrún, Bakkafrost also acquired the minority shares in P/f Viking Seafood and thus controls 100% of the shares.

2012 The Havsbrún Group, which was acquired in 2011, was integrated into the Bakkafrost Group and business synergies created by this acquisition were realised. The integration process included the reorganisation of the Group structure, and to comply with the Faroese farming law 51% of the farming company Faroe Farming was sold. With effect from 1 January 2013 a sales company, Faroe Seafood plc in UK, was acquired in late 2012.

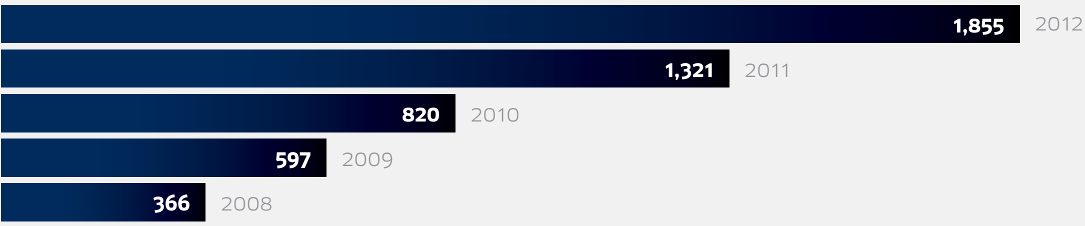
GROUP STRUCTURE

The figure below shows the structure of the Bakkafrost Group with activities separated into different entities based on activities. The Group produced 44,341 tonnes of gutted salmon in 2012 (continuing operations) (2011: 36,343 tgw) and 91,398 tonnes of fish feed (2011: 84,431).

P/F BAKKAFROST

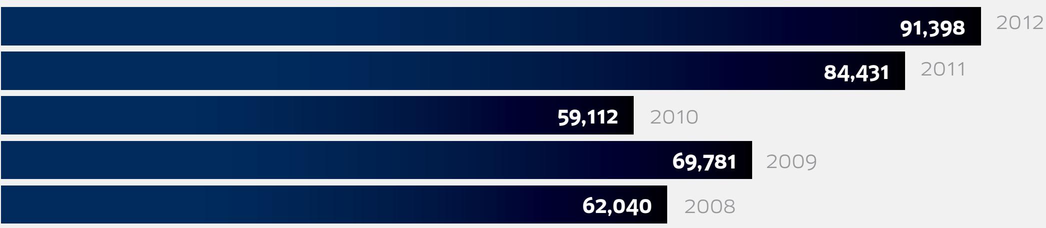
- HAVSBRÚN
- HARVEST
- FARMING
- PACKAGING
- PROCESSING
- SALES

OPERATING REVENUES: MILL. DKK*

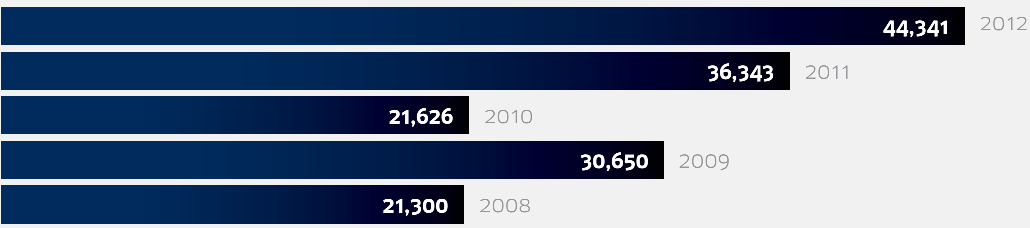


NET EARNINGS: MILL. DKK*

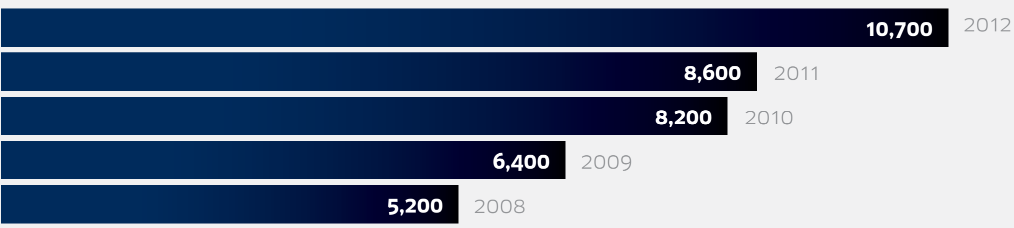
FISH FEED PRODUCTION VOLUME: TONNES **



HARVEST VOLUME: TONNES GW*



SMOLT RELEASE: THOUSAND SMOLTS*



* Discontinued operations not included
** Havsbrún was acquired by Bakkafrost Group 1 July 2011


S-21
S-08
A-73
A-72
A-71
S-03
A-21
S-10
S-04
A-03
A-12
FO-103
FO-139
A-57
A-63
A-13
A-47
A-25
A-80
FO-125
A-04
S-16
A-05
FO-147
A-81
FO-114
A-82
A-06
A-15
A-17
FO-190
A-19

OPERATION SITES

Bakkafrost is the largest salmon farmer in the Faroe Islands. The Group is fully integrated, from production of fish oil, fishmeal and fish feed to production of smolt, farming, value added products and sales. Bakkafrost operates 17 farming sites located in 14 different fjords, and the company has a total of 590 employees.

HATCHERIES
Bakkafrost Farming
Norðtoftir S-03
Húsar S-04
Gjógv S-08
Svínoy S-10
Glyvradalur S-16
Viðareiði S-21

FARMING
Bakkafrost Farming
Svínáir A-03
Lambavík A-04
Undir Síðu A-05
Gulin A-06
Hvannasund A-11
Kunoyarnes A-12
Borðoyavík A-13
Hvannasund Suður A-21
Gøtuvík A-25 and A-47
Fuglafjørður A-57
Árnafjørður A-63
Funningsfjørður A-71
Haraldssund A-72
Hvannasund Norður A-73
Selatrað A-80
Kolbanargjógv A-81
Kaldbaksfjørður A-82

WELL BOATS
Grønalíð
Stígabrúgv
Vesthav
Víkingur

HARVESTING
Bakkafrost Harvest
Klaksvík FO-103
Strendur FO-114
Kollafjørður FO-147

PROCESSING (VAP)
Bakkafrost Processing
Glyvrar FO-125
Fuglafjørður FO-139

HEADQUARTER & SALES
Bakkafrost P/f and Bakkafrost Sales
Glyvrar

PACKAGING
Bakkafrost Packaging
Argir
Glyvrar

FISHMEAL, FISH OIL & FISH FEED
Havsbrún
Fuglafjørður

FARMING *
Faroe Farming
Drelnes A-15
Hov A-17
Lopra A-19

HARVESTING *
Faroe Farming
Vágur FO-190

HEADQUARTER *
Faroe Farming
Vágur

* Faroe Farming is an associated company

MAIN EVENTS

· Harvested the largest quantity of salmon in the company's history

· Produced the largest quantity of VAP products ever

· Produced the highest volumes of feed in Havsbrún's history

· Integrated activities as well as realising business synergies created by the acquisition of the Havsbrún Group

· Adjusted the organisation of the Group following the acquisition of Havsbrún

· Sold 51% of Faroe Farming

· Continued high productivity with a low feed converting factor and low mortality

· Acquired sales office in the UK

· Issued 5 years bonds amounting to NOK 500 million on the Norwegian bond market in February 2013

TABLE OF CONTENTS

CHAIRMAN'S STATEMENT

Recent years have been characterised by the results from implementing Bakkafrost's growth strategy to the benefit of our shareholders, employees, vendors and local society. The growth has been in terms of organic growth and M&A, leading to a strong company delivering competitive results.

From an international perspective, Bakkafrost is a relatively small company compared to its peers on Oslo Stock Exchange. From a local perspective, however, Bakkafrost is a major actor being one of the largest companies in the Faroe Islands. In 2012, Bakkafrost represented 71% of the total harvested volumes of salmon in the Faroe Islands, and salmon represented 33% of the total export value in the Faroe Islands. Thus Bakkafrost has become an important actor in the Faroese economy and the society as a whole. This is a responsibility which the Board of Directors, the Management of Bakkafrost and the company's employees take very seriously.

This position has provided Bakkafrost with the opportunity of identifying new business prospects in the Faroese industry, thus making Bakkafrost a stronger and more diversified entity than previously, both in terms of production, biological and veterinarian management, financing and knowledge. The size enables the company to be operated more efficiently and to use resources for the ongoing efforts to optimize the operations.

In 2010, the Group took over the second largest farming company in the Faroe Island, Vestlax, and in 2011, Bakkafrost acquired the Faroese fishmeal, fish oil and fish feed producer, Havsbrún, including two farming companies owned by Havsbrún. In 2012, Bakkafrost harvested the results from the efforts to the benefit of our shareholders, employees and community.

The organic growth has resulted in better utilisation of Bakkafrost's production facilities and farming sites, leading to decreased unit costs and thus competitive advantages. Following the M&A during the past years, activities have been utilized better than ever, and business synergies have been realised through integration of activities from the M&A. In 2012, Bakkafrost beat its own record in terms of production of feed, harvest of salmon and production of value added products.

2012 was a challenging year in terms of decreasing salmon prices as the total supply of salmon to the world market increased by some 22%. Bakkafrost's business model proved to be strong, however - both in terms of a value-chain ranging from the purchase of raw material for the fishmeal and oil production for fish feed - to the production and sales of value added salmon products for the retail markets, which gives an efficient low cost production.

It is an honour for us to participate in the operation and management of a company that has such a vital role to play locally. With this position we also accept the responsibility to operate Bakkafrost in an honest manner and with personal integrity towards employees, business contacts, competitors, authorities and the local community. Together with our dedicated employees, Bakkafrost will continue to do so.

To the benefit of the shareholders of Bakkafrost, the company will continue to focus on a sustainable farming operation, which is based on the veterinary model implemented in the Faroe Islands in 2003. Based on this model, a cost-efficient operation and our dedicated employees, Bakkafrost delivered a sufficient result in 2012.

The profit after tax was DKK 281.3 million. During 2012, earnings per kilo harvested salmon were at the high end compared to peers on Oslo Børs. Our aim for the future is to be the leading actor, when compared to peers.

The Board of Directors is satisfied with the Group's financial results this year and takes this opportunity to thank our employees for their efforts in 2012.

STATEMENT BY THE MANAGEMENT AND THE BOARD OF DIRECTORS

UTILISING THE POSSIBILITIES IN THE VALUE CHAIN

Following the acquisition of the Havsbrún Group in 2011, Bakkafrost has used 2012 to optimize the production and utilise synergies from the extended value chain. Thus 2012 has been a year with high activity in all parts of the company.

The total harvest of salmon increased by 22%, from 36,343 tonnes gutted weight in 2011 to 44,341 tonnes gutted weight in 2012 (continuing operations). A second VAP factory opened in January 2012. The production of value added products increased by 26 % from 12,720 tonnes of raw material to 16,054 tonnes in 2012, and Havsbrún's production of fish feed increased from 84,431 tonnes in 2011, to 91,398 tonnes in 2012. Havsbrún's production of fish feed was running close to the limit of the capacity during high growth season. The intake of raw material for fishmeal and fish oil has decreased for some years, from 300-400,000 tonnes of raw material to only 47,123 tonnes in 2012. With the increase in the quotas of blue whiting and research fishery for some species, which can be used for the production of fishmeal and fish feed, there is some optimism for the production in this part of the value chain in the future.

Based on the high utilisation of Bakkafrost's production capacity, we are therefore proud to deliver a satisfying result for 2012. In addition to high capacity utilisation, the result is based on a good biological situation, increased spot prices compared to the second half of 2011, our dedicated staff and a sharp focus on costs. The result after tax was DKK 281.4 million, and earnings per share (EPS) were DKK 5.76 from the continuing and discontinuing operations.

In accordance with the Group's dividend policy, Bakkafrost aims to give its shareholders a competitive return on their investment, both through payment of dividends from the company and by securing an increase in the value of the equity through positive operations. Bakkafrost's financial position is strong, with a healthy balance sheet, a competitive operation and undrawn available credit facilities. The Board of Directors has therefore decided to propose to the Annual General Meeting that DKK 2.00 (NOK 1.97*) per share shall be paid out as dividend. This corresponds to approximately DKK 97.7 million (NOK 96.5* million).

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

OPERATIONAL REVIEW

The Group's operations went well in 2012 and Bakkafrost produced more than ever in terms of feed production, harvest of salmon and production of value added products. Bakkafrost produced 91,398 tonnes of feed of which 67% were used internally. The company's continuing operations harvested 44,341 tonnes gutted weight at satisfying costs per kilo, which is the highest quantity ever harvested by Bakkafrost. 16,054 tonnes of the harvested salmon was used for production of value added products, which is also the highest quantity ever used for value adding production. The reason for the increase in the production is the organic growth and M&A's carried out the recent years by Bakkafrost and the key competitive advantages, which are:

Low-cost producer

In terms of production costs, our farming operation has delivered strong results following the implementation of the veterinary regime in the Faroe Islands – a set of laws implemented since 2003 in the Faroe Islands, stating quite strictly how salmon farmers must operate. The Faroese veterinary system has improved fish health and reduced costs. Thus, Bakkafrost's EBIT per kg has improved and is among the highest compared to peers.

Veterinary model

The veterinary model implemented in the Faroe Islands since 2003 strictly details how salmon farmers must operate. The main objective of the veterinary model is to increase biological and veterinary security and support a sustainable and healthy operation. Through total separation of salmon generations, vaccination against different diseases (ISA among others), strict regulation of movement of equipment and fish and other regulations, the results for the 2005–2011 generation on feed conversion ratio, mortality and productivity are among the best results ever seen in the Faroese history of salmon production and are solid compared to, for instance, those of Norwegian peers. These factors, together with our dedicated staff, are the basis for the satisfying result for 2012.

Geographical location

Bakkafrost's salmon farms are located in areas with attractive qualities for salmon farming in terms of water quality, water temperature and circulation. The Faroese fjords provide separation between locations, which improves biological control and area management. Relatively short distances between farming areas and processing facilities and well-developed infrastructure offer cost-efficient transportation of both feed and fish on land and at sea.

VAP

Bakkafrost has long-term experience in producing and selling value added products (VAP). Production facilities are state of the art with high production efficiency. Produced volumes have increased each year and in January 2012 a second VAP factory opened. The opening of the second factory has increased the VAP capacity by some 40% compared to 2011 based on two shifts. In 2012 the VAP production represented 36% of the total harvested volumes compared to 37% in 2011. The decrease in percentage is due to a increased raw material base as Bakkafrost harvested more fish in 2012 than in 2011. The aim for the future is that VAP shall represent approx. 40–50% of the Group's harvested volumes. Thus Bakkafrost will start expanding the factory in Glyvrar in 2013. It will take approximately two years to expand the capacity.

The VAP production usually stabilises the Group's earnings, as the sales are based on fixed-price contracts. The contract prices are not as volatile as the spot market price for fresh salmon. Usually, there is a time lag between the increase in the spot prices and a subsequent increase in the contract prices for VAP products. On the other hand when the spot prices decrease, there is a time lag until the contract prices decrease. Due to the relatively low salmon prices in 2012, earnings were very good for sale of VAP products.

Strong customer base

By focusing on meeting existing customers' demands, Bakkafrost benefits from its long-term relationships with a large number of customers. The relationships with customers have proven to give a competitive advantage for both Bakkafrost and its customers through product development and marketing. Thus, Bakkafrost has customers, it has been trading with for more than 15 years.

Well placed to access the US and China
Bakkafrost and the Faroese salmon producers are in a favourable competitive position in the US market. Therefore, Bakkafrost has established an experienced sales force with long-term relations with customers in the US.

We have a running operation and on-going sales of large salmon supported by efficient logistical systems for the distribution of the products (both fresh and frozen) from the Faroe Islands to the US. The US market prefers the higher-than-average size and weight and the high level of Omega-3 offered in salmon produced in the Faroe Islands resulting in Bakkafrost's sale to the US market to be significant from almost nothing in 2008 to a substantial market for Bakkafrost since then.

In 2011 the export of large fresh salmon to China increased significantly, and in 2012 the Chinese market accounted for 16.3% (2011: 13.1%) of Bakkafrost's total sale of fresh whole salmon. The logistics from the Faroe Islands to China are also efficient.

Production of fishmeal, fish oil and fish feed
The production of feed increased further in 2012 and has never been higher. The total production of feed was 91,398 tonnes compared to 84,431 tonnes in 2011.

P/f Havsbrún received less raw material in 2012 than in 2011, and the raw material situation is also expected to be volatile in the future. But quotas of blue whiting have increased, which should improve Havsbrún's possibilities of sourcing raw material to its own production of fishmeal and oil.

The fish oil market has been volatile during the last years. From an historical high first half of 2008, the prices fell considerably towards the end of 2008. The decline continued in the first half of 2009, but since summer 2009, the market prices have increased until 2011 and were on a high level in 2012. The world's total production of fish oil has been relatively stable for many decades, while the demand for fish oil has increased. Therefore, fish oil is expected to be a scarce resource in the future.

FINANCIAL REVIEW

The supply of salmon to the world market increased by around 22% in 2012, compared to 2011. Therefore the salmon price was under pressure, but stronger than expected at the beginning of the year.

The prices for value added products were reduced considerably in 2012, compared to 2011 and stabilised on a lower level. The value added products are typically sold on fixed price contracts with duration of 6-12 months, where the prices for VAP products follow the trend in the spot market with a time lag.

Nearly all prices of raw material for fish feed increased dramatically in 2012. Fishmeal prices increased with almost 50% and fish oil increased even more. For almost all vegetable protein, the situation was the same, a dramatic increase. Only the rapeseed oil was stable with a small decrease in prices during the last quarter.

This reflected of course the price for fish feed in 2012. The fish feed price increased with approximately 17 % in 2012.

Income statement

The Bakkafrost Group generated gross operating revenues of DKK 1,855.5 million in 2012, compared to DKK 1,321.1 million in 2011. The reason for the increase in the revenue is higher harvested volumes and the inclusion of the Havsbrún activities for the whole year 2012. Havsbrún and its subsidiaries were acquired with effect from 1 July 2011.

The operations harvested a total of 44,341 tonnes gutted weight, compared to 36,343 tonnes in 2011.

Operational EBIT was DKK 323.0 million, compared to DKK 335.1 million in 2011.

A fair value adjustment of the Group's biological assets has been recognised in 2012 amounting to DKK 90.5 million compared to DKK -45.9 million in 2011. The increase in the fair value adjustment for the biomass is mainly due to higher salmon prices at the end of 2012, compared to end 2011.

At the end of 2012, Bakkafrost has made a provision for onerous contracts of DKK 46.1 million compared to a reversal of a provision of DKK 2.9 million in 2011. The reason for the provision is that Bakkafrost has long term contracts to deliver value added salmon products at a fixed price in the future. But because the raw material prices at end of 2012 have increased, the contracts may result in a loss if the raw material prices will be on an unchanged level.

In 2012, the Group's associated companies made a net result to Bakkafrost of DKK -6.4 million, compared to DKK -2.0 million in 2011. The loss is mainly due to a negative result in Hanstholm Fiskemelfabrik, a fishmeal and fish oil producer in Denmark, of which Havsbrún owns 34%.

In March 2012, Bakkafrost purchased the non-controlling shares in P/F Faroe Farming, corresponding to 21.93% of the shares in the company. Consequently, Bakkafrost became the sole owner of the shares in P/F Faroe Farming effective from 1 January 2012. The transaction was an equity transaction. Subsequent to the acquisition of the non-controlling interests, Bakkafrost sold 51% of the total shares in P/F Faroe Farming to a Faroese based investment company. The transaction was, among other things, subject to authority approval. After receiving the necessary approval, the transaction was finalised. The sale resulted in a loss of DKK 17.5 million. Following the sale, Bakkafrost complies with the legal requirements stipulating a maximum control of 50% of the licenses in the Faroe Islands. The ownership of 49% of the shares in Faroe Farming is presented as an investment in an associated company.

In 2011, Bakkafrost recognised badwill following the acquisition of the Havsbrún Group amounting to DKK 126.6 million. No badwill has been recognised in 2012.

Financial income in 2012 amounted to DKK 3.4 million, compared to DKK 2.8 million in 2011. Net interest expenses amounted to DKK 23.3 million, compared to DKK 33.3 million in 2011.

Net taxes amounted to DKK -55.8 million, compared to DKK -46.8 million in 2011.

The result from discontinuing operations amounted to DKK 13.5 million and relates to Faroe Farming for the period from 1 January 2012 until Bakkafrost sold its 51% share in the company.

The Consolidated net profit totalled DKK 281.3 million in 2012, compared to DKK 323.4 million in 2011. Earnings per share totalled DKK 5.76 (continuing and discontinuing operations) in 2012 compared to DKK 6.66 in 2011.

Segment performance

The Bakkafrost Group operates with three business segments: farming of fish, including sales of fresh fish, value adding of salmonoid products and sales of these; and production and sales of fish oil, fishmeal and fish feed.

Farming including sales of fresh fish

Farming is one of Bakkafrost's segments. The Group has production facilities in the Faroe Islands only. There are no significant differences in the production properties of the licences, and the Group therefore reports the farmed salmonids, including the sales of fresh salmon, as one segment.

Gross external operating revenues for Bakkafrost's farming segment increased to DKK 1,015.5 million in 2012, up from DKK 643.0 million in 2011. The increase is primarily due to the acquisition of the Havsbrún Group and increased harvesting compared to 2011. Operational EBIT totalled DKK 274.0 million, compared to DKK 246.1 million in 2011. This corresponds to an operating EBIT of DKK 6.18 per kg gutted weight, compared to DKK 7.16 per kg gutted weight in 2011, when prices in the first half of the year were close to NOK 40 per kg gutted weight, while prices in 2012, were in the mid twenties. (Figure 6)

The Group's farming segment harvested 44,341 tonnes gutted weight in 2012 (continuing operations), compared to 36,343 tonnes in 2011. Bakkafrost continuing and discontinuing operation harvested 46,898 tonnes gutted weight. Included in the number for 2011 are 1,988 tonnes gutted weight harvested by Viking Seafood and Faroe Farming in H1 2011, prior to the acquisition.

Value added products (VAP)

Significant shares of the farmed products are value added at the factories in Glyvrar and Fuglafjørður. The Factory in Fuglafjørður commenced production in January 2012. The output is predominantly portions for the retail market in Europe. Therefore, this is reported as one segment. The strategy with the value added products is, in addition to increase the Group's earnings, to reduce the volatility in the Bakkafrost Group's net earnings, as these products are sold at different fixed-price contracts for a period of up to 12 months.

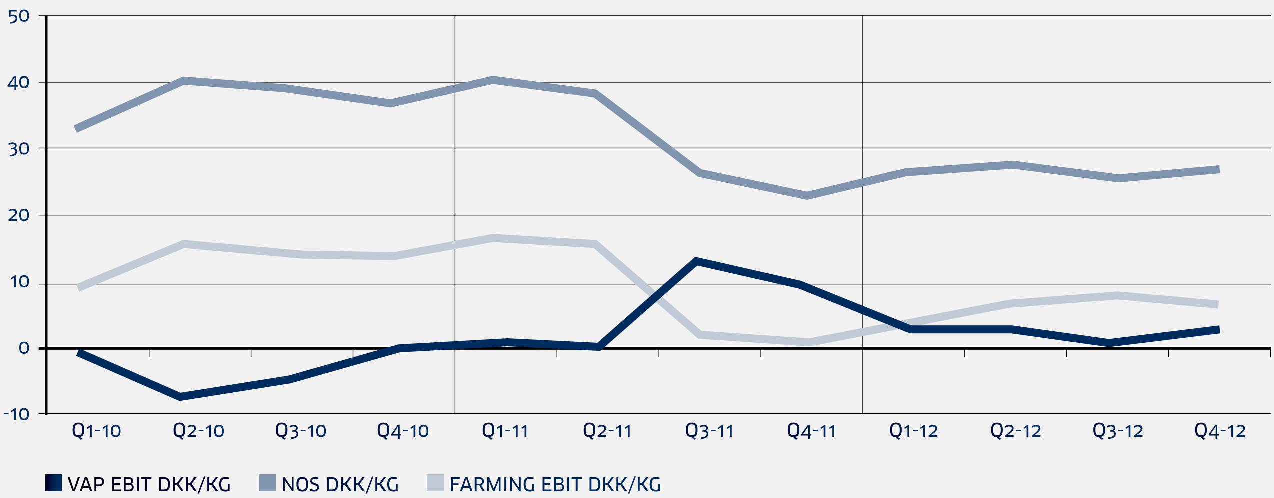
The value added segment's external operating revenue amounted to DKK 526.3 million in 2012, compared to DKK 507.2 million in 2011. Operational EBIT, which is EBIT adjusted for provision for onerous contracts etc., totalled DKK 37.0 million, compared to DKK 69.5 million in 2011. This corresponds to an operating EBIT of DKK 2.30 per kg gutted weight compared to DKK 5.46 per kg gutted weight in 2011. In 2011, the contract prices were on a higher level as the contracts were based on a high salmon spot price late 2010 and until mid 2011.

As there is a time lag between the movement in the fresh salmon prices and the contract prices, Bakkafrost normally makes a profit in the VAP segment when the spot prices are decreasing and vice versa when the spot prices increase in a period.

Fishmeal, fish oil and fish feed

This is the first full year that the fishmeal, fish oil and fish feed segment is reported in Bakkafrost's annual consolidated accounts. The Havsbrún Group was acquired effective from July 1 2011, and therefore the comparing figures cover six months of 2011 only.

FIG. 6 / EBIT PER KG PER QUARTER SINCE LISTING ON OSLO BØRS



Havsbrún sold 91,398 tonnes of feed in 2012, compared to 54,016 tonnes for the six months period in 2011. Bakkafrost used 61,506 tonnes of the sold feed in 2012 internally.

The external operating revenue for the fishmeal, fish oil and fish feed segment amounted to DKK 313.8 million in 2012, compared to DKK 170.8 million in 2011. The internal operating revenue amounted to DKK 575.6 million, compared to DKK 337.9 million in 2011. The internal revenue comprises the sale of feed to Bakkafrost's farming activities. EBITDA was DKK 84.5 million in 2012, compared to DKK 68.7 million in 2011 and the EBITDA margin was 9.5% in 2012, compared to 13.5% in 2011. The reason for the decrease in the margin is due to higher raw material prices. The result after taxes amounted to DKK 44.4 million, compared to DKK 39.7 million in 2011.

Statement of financial position

The Group's total assets as of end 2012 amounted to DKK 2,570.9 million, compared to DKK 2,301.8 million at the end of 2011.

Because of the down sale of Faroe Farming Q3 2012, significant changes are in most of the line items in the balance sheet compared to end 2011.

The Group's intangible assets amounted to DKK 293.7 million (2011: DKK 370.0 million) and comprise primarily the fair value of farming licences. The decrease is due to the sale of Faroe Farming.

Property, plant and equipment have decreased from DKK 828.5 million at the end of 2011 to DKK 812.8 million at the end of December 2012. The decrease is due to the sale of Faroe Farming.

Non-current financial assets amounted to DKK 91.2 million at the end of 2012, compared to DKK 35.9 million at the end of 2011. The increase in the financial assets relates to the sale of the majority shares in Faroe Farming, as they from Q3 2012 are accounted for as an investment in an associate.

The Group's carrying amount (fair value) of biological assets amounted to DKK 747.0 million at the end of 2012, compared to DKK 700.3 million at the end of 2011. Included in the booked value of the biological assets is a fair value adjustment amounting to DKK 181.1 million, compared to DKK 86.0 million at the end of 2011. The increase in the booked value of the biological assets is due to increased fair value adjustments of DKK 95.1 million, but on the other hand, the biological assets of Faroe Farming are not part of the biological assets as per end 2012, due to the sale of Faroe Farming.

The Group's total inventories amounted to DKK 242.9 million as of end 2012, compared to DKK 179.2 million at year-end 2011. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed, in addition to feed at the feed stations, packing materials and other raw materials.

The Group's total receivables amounted to DKK 358.4 million as of end 2012, compared to DKK 171.1 million at the end of 2011. The increase is primarily due to receivables from an associated company amounting to DKK 107.2 million, which was not consolidated as per end 2011. Accounts receivables are also higher at end 2012, compared to end 2011, due to increased sales.

The Group's equity as at 31st December 2012 is DKK 1,262.9 million, compared to DKK 1,061.0 million at the end of 2011. The change in equity in 2012 primarily consists of the profit for the period, the sale of 51% in Faroe Farming and dividend to the shareholders.

The Group's total non-current liabilities amounted to DKK 990.4 million at the end of 2012, compared to DKK 989.7 million at the end of 2011. Deferred and other taxes amounted to DKK 258.4 million, compared to DKK 256.0 million at the end of 2011. Long-term debt was DKK 731.9 million at the end of 2012, compared to DKK 733.7 million at the end of 2011. Bakkafrost's interests bearing debt consists of two loans: one instalment loan of DKK 400 million, payable with DKK 25 million each quarter, and one loan payable after five years with the full amount of DKK 553 million.

At the end of 2012, the Group's total current liabilities are DKK 317.6 million, compared to DKK 251.0 million at the end of 2011. Short-term interest bearing debt amounts to DKK 100.0 million, and relates to a short-term part of long-term debt as described above. Accounts payable amount to DKK 217.6 million, compared to DKK 151.0 million at the beginning of the year.

Bakkafrost equity ratio is 49%, compared to 46% at the end of 2011.

Cash flow

The total cash flow from operating activities in 2012 was DKK 282.7 million, compared to DKK 409.9 million in 2011. The cash flow is lower in 2012, due to higher company tax payment in 2012, one off tax payment from the Havsbrún transaction in 2011, increased inventory and receivables. For 2012, the cash flow from investment activities amounted to DKK -66.9 million, compared to DKK -723.7 million in 2011, when the Havsbrún Group was acquired. In 2012, DKK 114.3 million are payments for fixed assets, while the sale of Faroe Farming resulted in a positive cash flow of DKK 46.8 million.

For 2012, cash flow from financing amounted to DKK -207.6 million, compared to DKK 321.6 million for 2011. The 2012 figure includes the financing of an associated company amounting to DKK 107.2 million, the pay-out of dividend of DKK 48.9 million and acqusition of the minorities in Faroe Faming in 1H 2012.

Together with established credit facilities with its banking partners, the Group's liquidity and financial strength is considered to be good. The undrawn financing facility amounted to DKK 146.1 million at 31 December 2012, of which DKK 15.0 is restricted.

OPERATIONAL RISK AND RISK MANAGEMENT

The Bakkafrost Group is exposed to a number of different markets, operational and financial risks arising from our normal business activities in our value chain.

MARKET RISK:

Price on farmed salmon

The Group's financial position and future development depend to a considerable extent on the price of farmed salmon, which has historically been subject to substantial fluctuations. Farmed salmon is a commodity, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for farmed salmon is a key parameter. Overproduction may cause prices to decline, as was the case in 2001–2003 and again in 2011-2012. This could, in turn, have a significant impact on the company's profitability and liquidity.

Prices on fishmeal and fish oil

The Group's financial position and future development depend to some extent on the price of fishmeal and fish oil, which has historically been subject to substantial fluctuations. Fishmeal and fish oil are commodities, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for fishmeal and fish oil is a key parameter. Underproduction may cause prices to increase. This could in turn have an impact on the company's profitability and liquidity.

Price on fish feed

Feed costs account for a significant proportion of the total production costs within the salmon farming sector, and fluctuations in feed prices could therefore have a major impact on profitability. Feed prices are affected by both the global market for fishmeal and marine/animal/vegetable oils, and the feed industry is dominated by a small number of large, global producers.

Natural limitations in the marine resource base could lead to global shortages of fishmeal and oil for fish feed production. The feed producers have, however, come a long way in their efforts to replace some of the marine based input factors with vegetable raw materials.

OPERATIONAL RISKS:

Farming

The rate, at which farmed salmon grows, depends, among other things, on weather conditions. Unexpected warm or cold temperatures can have a significant negative impact on growth rates and feed consumption. The Group operates at sea under sometimes challenging conditions. This can result in incidents or necessary measures that can have significant cost implications, e.g. unexpected maintenance/repairs or escaped fish. The Group is continually working on reducing risks using experience with equipment, location and operational organisation. Bakkafrost's facilities are located in areas where the weather conditions are well known and the facilities well secured, though other weather conditions, such as storms or floods, could also lead to unexpected losses at facilities.

Although the Group does not tolerate the escape of farmed salmon, there is a risk that escapes will occur, in which case the Group's business could be materially adversely affected, directly through loss of farmed salmon, and indirectly through the spread of diseases, governmental sanctions, negative publicity or other indirect effects. Procedures and new technological solutions in this respect are constantly monitored. Although operational risk is, to a certain extent, reflected in budgets by means of estimates for mortality and the percentage of fish whose quality is downgraded in connection with primary processing, such risks might, if occurring, materially affect the Group's results and financial condition. The Group's operations can also be materially impacted by what is classified as normal operating risks, e.g. quality from suppliers and sub-suppliers, etc. The salmon farming industry is associated with a high level of biological risk, and the Group aims at reducing that risk through the entire production cycle by means of systematic Group-wide bio-security auditing. The Group's production facilities are located within a relatively small geographical area limited to the Faroe Islands; accordingly, some operational risk, if occurring, can affect the Group strongly (e.g. weather conditions, some diseases, etc.).

As the aquaculture industry has evolved and developed, the biological limits for how fast fish can grow have also been challenged. As with all other forms of intensive food production, a number of production-related disorders arise, i.e. disorders caused by intensive farming methods. As a rule, such disorders appear infrequently, but certain populations can be severely affected. The most important production-related disorders relate to physical deformities and cataracts. These invariably cause financial loss by way of reduced growth and inferior health, reduced quality on harvesting and damage to the industry's reputation.

Fish oil, fishmeal and fish feed

The production of fish oil, fishmeal and fish feed follows established methods with automated and controlled processes. However, any production is vulnerable to downtime and possible insufficient supply of raw material input. Unexpected shortfalls in raw material due to limited catch volumes or limited delivery or purchase of fish or supply of substitutes could affect the volumes produced in the factory. This can result in incidents or necessary measures that can have significant cost implications. The company is continually working on reducing risks.

Bakkafrost's fish oil, fishmeal and fish feed department at Havsbrún's facilities are located in the Faroe Islands, in which case the company's business could be materially adversely affected directly from any trade restrictions, or indirectly through restrictions on ocean harvests or quotas. Although operational risk is to a certain extent reflected in budgets by means of estimates for prices and volumes, such risks might, if occurring, materially affect the company's results and financial condition. The company's operations can also be materially impacted by what is classified as normal operating risks, i.e. quality from suppliers and sub-suppliers, etc.

Feed contaminants

Feed may, through its use of different types of raw materials and ingredients and through its production processes, be exposed to contamination by a number of undesirable substances. Most contaminants are accumulated in organisms such as marine wild catch used to produce fishmeal and fish oil. These contaminants are deposited into the organism's fat, and the concentration is greater the higher up the food chain. Authorities set maximum allowable levels for the most important contaminants. These limits are continuously monitored by the authorities and can be altered. There is also the possibility of "new" contaminants being added periodically to the list.

Generally, contamination may occur either accidentally or deliberately through malicious product tampering. Such contamination has the potential to affect the environment, fish health and/or food safety, with a potential negative impact on the public's confidence in eating salmon. Any of these events could have a negative impact on the Group's operating result and financial condition. Future legislation may increase the risk of non-compliance and the cost of ensuring compliance. The reputation risk associated with non-compliance can be significant even if there is no impact on the environment, fish health or food safety. Bakkafrost's feed department, Havsbrún, operates a number of controls to reduce the risk of contamination. Examples of measures and controls included in HACCP (Hazard Assessment Critical Control Point) and ISO procedures include supplier audits and supplier specifications of raw materials, targeted sourcing of raw materials, regular raw material and finished feed quality control analyses, procedures for cleaning of fish oils, etc. and strict plant security procedures. The risks, however, can never be completely eliminated.

Contaminants that may be a risk for fish feed include, but are not limited to, organic contaminants such as dioxins and PCB, mycotoxins, pesticides, anti-oxidants (such as Ethoxyquin and BHT), brominated flame retardants and bacterial contamination and inorganic contaminants such as lead, mercury, arsenic and cadmium. The feed may also, through accidents or tampering, be contaminated by other inorganic substances such as mineral oil, physical objects, etc. Several substances in addition to the list above are being monitored. Legislative bodies, research groups and non-governmental organisations (NGOs) are currently building up data sets on these substances.

Disease

Operation of fish farming facilities involves considerable risk with regard to disease. In the case of an outbreak of disease, Bakkafrost will, in addition to the direct loss of fish, incur substantial costs in the form of premature harvesting, loss of quality of harvested fish and subsequent periodic reduced production capacity. Salmon farming has historically been through several periods with extensive disease problems. Common to all of these is that a solution has been found through breeding, better operating routines, increased expertise regarding the fish's biological requirements and the development of effective vaccines. During the 1990s, the health situation in Faroese salmon farming improved dramatically. For example, the development of effective vaccines against the most important bacterial diseases, as well as generally better operating routines, have led to a reduction in antibiotic use in the Faroe Islands.

The economic importance of disease is measured in the form of mortality percentages (mortality), reduced growth or reduced quality of the end product. In addition, disease entails suffering for the fish. The percentage of loss per generation varies both between generations and between producing countries/regions, but an average for the industry would be around 8–15% per generation. Over half of this is fish that is taken out of the sea before it reaches 500g with correspondingly limited costs associated with it. Farmed salmon is particularly vulnerable, when it is released into the sea. The rapid change from freshwater to the full salinity of seawater exposes the smolts to osmotic stress in addition to other stressors, such as handling, pumping and transportation.

The production of a high-quality smolt depends on a thorough control of the freshwater quality and the smoltification process. A high level of bio-security measures in addition to good management practices and selection of good production sites and technology is an important factor to obtain good growth and improve health.

FINANCIAL RISK AND RISK MANAGEMENT

The follow-up of internal procedures associated with financial reporting is undertaken as part of the management's day-to-day supervision, the process owners' follow-up and the auditor's independent testing. Non-compliances and areas noted as needing improvement are followed-up and remedial measures implemented.

Foreign exchange risk

Bakkafrost trades in the world market for farmed salmonids. The revenues and accounts receivable are predominantly denominated in DKK, EUR and USD, but to some extent also to other foreign currencies. On the other hand, purchases of raw materials etc. are predominantly denominated in DKK, but linked to the USD. Therefore Bakkafrost has some natural hedging. For those currencies not fully hedged fluctuations in foreign exchange rates, present a financial risk to the Group.

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered relatively low, since losses due to bad debts historically have been small. However, following the international crisis, the risk of losses may be considered increasing. The Group has guidelines to ensure that sales are made only to customers that have not previously had payment problems and that outstanding balances do not exceed fixed credit limits. The majority part of the total accounts receivable is insured. As not all receivables are insured, the Group has to accept a certain risk element in accounts receivable.

The gross credit risk on the date of the statement of financial position corresponds to the Group's receivables portfolio on the date of the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure which is secured by means of established borrowing facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in note 17, where the terms also are described.

Capital structure and equity

The prime objective of the Group's capital management is to ensure that it maintains a good credit rating in order to achieve favourable borrowing terms. By ensuring a good debt-to-equity ratio, the Group will support its business operations. The Group manages and makes changes to its capital structure in response to an on-going assessment of financial conditions under which the business operates and its short- and medium-term outlook, including any adjustment in dividend pay-outs, buyback of own shares, capital reduction or issue of new shares.

Research and development activities

The Group has spent approximately DKK 2.3 million in R&D expenses during 2012, compared to DKK 1.8 million in 2011.

Going concern

With reference to the Group's profits, financial strength and long-term forecasts for the years ahead, it is confirmed that the financial statements for 2012 are based on the assumption that Bakkafrost is a going concern. In the opinion of the Board, the Group's financial position is good.

Dividend policy

Bakkafrost aims at providing its shareholders with a competitive return on their investment, both through payment of dividends from the company and by securing an increase in the value of the equity through positive operations.

Generally, the company should pay dividends to its shareholders, but it is the responsibility of the Board of Directors to make an overall assessment in order to secure the company a healthy capital base, both for daily operations and for a healthy future growth of the company.

A long-term goal for the Board of Directors is that 30–50% of adjusted EPS shall be paid out as dividend, when the Group's equity ratio is above 60%.

Parent company's financial statements and allocation of profit for the year

The parent company P/f Bakkafrost had a net profit of DKK 231.6 million for 2012. The Board of Directors has decided to propose to the Annual General Meeting that DKK 2.00 (approximately NOK 1.97) per share shall be paid out as dividend. This corresponds to approximately DKK 97.7 million (NOK 96.5* million).

The Board thereby proposes the following allocation of funds:

- Result for 2012: DKK 231.6 million
- Transferred from other equity: DKK 0 million
- Total provision for dividend: DKK 97.7 million

After payment of dividend, the distributable equity totals DKK 921.8 million.

Events after the date of the statement of financial position

From the date of the statement of financial position until today, the following events have occurred which materially impact the information provided by the accounts.

31 January 2013, Bakkafrost completed issuance of NOK 500 million in the Norwegian bond market with maturity date 14 February 2018. The interest rate is NIBOR plus 4.15%. Bakkafrost has entered into a swap transaction to convert the loan to Bakkafrost functional currency DKK and CIBOR interest rate.

The purpose of the bond issue was for general corporate purposes, including financing of future acquisitions. An application will be made for the bonds to be listed at Oslo Børs.

In December 2012, an agreement was made for Bakkafrost to acquire the sales company Faroe Seafood UK Limited. Faroe Seafood UK Limited is a trading company in Grimsby, UK, selling primarily salmon but also other species of fish into the UK market. The acquisition date was set to 01.01.2013. 100% of the shares were acquired.

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.

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

OUTLOOK

Market

The market outlook for 2013 is good. After an increase in the salmon supply to the world market in 2012 in excess of 22%, compared to 2011, the estimated increase for 2013 is below 5% according to Kontali Analyse. Thus we go from a supply driven market situation to a demand driven market situation, based on historical figures which say that the demand has increased by some 6-7% for the last many years. In the first weeks of 2013, we have seen significant increases in the salmon spot prices indicating the strong demand for salmon. Bakkafrost expects to sell around 60-70% of the harvested volumes of salmon in the spot market in 2013.

The market place is one of Bakkafrost's most significant risk areas. To reduce the exposure to the market risk, Bakkafrost has a geographical approach and a market price approach. To diversify the geographical market risk, Bakkafrost sells its products to some of the largest salmon markets in the world, Europe, US, Russia and China. Bakkafrost´s strategy to sell 40% to 50% of the harvested volumes on contracts reduces the fluctuations in the selling prices. The sales of value added products are based on fixed contracts normally lasting between 6 to 12 months, while the whole gutted salmon is sold in the spot market.

The market for contracted VAP products follows a more stable pattern with trends instead of short-term fluctuations. Bakkafrost has committed contracts representing around 60% of the total VAP capacity for 2013, representing 25% of the expected harvest for 2013. As the salmon prices have increased significantly in a short time period recently, it is likely that the earnings in the VAP segment will be negative in the short term, compared to sales in the spot market. The time lag between the fluctuations in the spot market and the fixed contracts for VAP products are causing these patterns.

Farming

Bakkafrost expects to harvest around 45,000 tonnes gutted weight in 2013, which is on the same level as in 2012.

Faroe Farming, which Bakkafrost holds 49% in, expects to harvest 4,000 tonnes in 2013.

The number of smolts released is one key element of predicting the future production for the Group. Bakkafrost's forecast for the smolt release in 2013 is 10 million smolts, which is slightly less than in 2012 due to available sites for smolt release in 2013.

The estimates for harvesting volumes and smolt releases, is as always dependent on the biological situation in the Faroe Islands. The overall biological situation in the Faroe Islands is good, compared to recent years. Due to higher biomass than a few years ago, the number of sea lice has increased. Therefore, Bakkafrost and the other farmers in the Faroe Islands have treated some farming sites against see lice during 2012. This is also expected to be the situation during 2013.

Fishmeal, fish oil and feed

The major market for Havsbrún´s fish feed is the local Faroese market. It is expected that the total consumption for fish feed in the Faroe Islands will be approximately 90,000 tons. Together with some export, Havsbrún predicts total sales of 90.000 tons of fish feed.

Havsbrún intends to increase the production of own fishmeal and fish oil in 2013, compared to 2012. With increasing quotas for blue whiting in the North Atlantic and test fishing for local Norway pout, the access to raw material should improve. However, depending on supply, demand and the price level, the sourcing of raw material for the production of fish oil and fishmeal is very uncertain. An alternative to Havsbrún's production of fish oil and fishmeal is purchasing it from other producers, which has been common in recent years.

The raw material prices for feed have increased in recent years; especially marine raw materials have become more expensive and might increase further in 2013, depending on the quotas in Peru.

Investments

Bakkafrost expects to invest for up to DKK 170 million in 2013, which is some DKK 80 million above the yearly maintenance investments. Investments will be made in all part of the value chain. However, the single largest investment projects are increasing the capacity in our hatchery operation and the investment in increased capacity of value added products (VAP). Bakkafrost's strategy is to be self-supplied with smolts and to increase the size of the smolt going forward from an average of around 100 gram per piece today. The goal is to improve the utilisation of the farming capacity at sea, improve the biology and reduce the risk by shortening the production time at sea. This requires further smolt capacity.

Bakkafrost also has a strategy of producing 40-50% of the harvested salmon as value added products. The goal is to ensure the VAP capacity to be in line with the strategic goal, and to ensure that the production facilities are always the most efficient in the market. After the increase in VAP capacity, Bakkafrost will be able to produce 30,000 tgw into value added products. The investments will furthermore ensure the best product quality.

Financial

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

BUSINESS REVIEW

SEAFOOD CONSUMPTION

With sustained growth in fish production and improved distribution channels, world fish food supply has grown dramatically in the last five decades, with an average growth rate of 3.2% per year in the period 1961-2009, outpacing the increase of 1.7 % per year in the world´s population. According to FAO, world per capita food fish supply increased from an average of 9.9 kg (live weight equivalent) in the 1960s to 18.4 kg in 2009, and preliminary estimates for 2010 point to a further increase in fish consumption to 18.6 kg. Provisional estimates indicate fish consumption close to 19 kg per capita in 2011.

In 2009, fish consumption was lowest in Africa with 9.1 million tonnes or 9.1 kg per capita, while Asia accounted for two-thirds of total consumption, with 85.4 million tonnes or 20.7 kg per capita.

Figures 7 and 8 show world seafood production (for human consumption) and consumption per capita 1990–2011E.

China has been responsible for most of the increase in world per capita fish consumption, owing to the substantial increase in its fish production, particularly from aquaculture. China's share in world fish production has grown steadily to 35% in 2010.

MAIN MARKETS FOR SALMON

Over the last 2 years world´s supply of farmed Atlantic salmon has shown an impressing growth. From an average annual supply growth rate in the period of 2001 to 2010 of 4%, supply growth rate from 2010 to 2011 was 3 times higher - highly affected by biological recovery in Chile. Supply of farmed Atlantic salmon from Chile rose by 69% from the level recorded in 2010.

In 2012 global supply of farmed Atlantic salmon rose by 22% which is the highest annual supply growth rate since 1996. However, in nominal terms the supply growth in 2012 was more than 3 times higher than in 1996.

The impressing supply growth seen in 2012 led to record supply volumes to all the main markets except from Japan.

Figure 8 shows per capita consumption for farmed Atlantic salmon from 1995–2012 (preliminary estimate) for the selected main markets of the US, the EU, Russia and Japan.

THE US MARKET

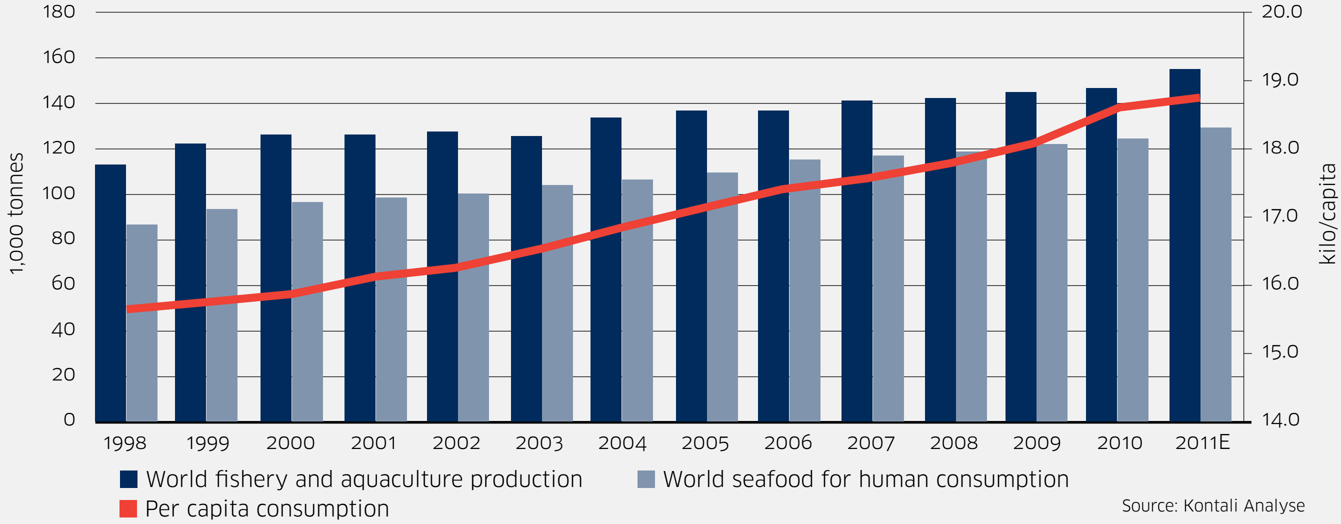
In 2011, Chile regained its position as the main supplier of farmed Atlantic salmon to the US market. Total supply to the US market was approximately 288,000 tonnes wfe (whole fish equivalent) in 2011, which is 12% higher than in 2010.

The competition in the fresh fillet segment tightened in 2011 as supply volumes from Chile gradually picked up. While Chile regained market shares, supply from Norway trended in the opposite direction. On the other hand, supply from both the Faroe Islands and the UK (mainly whole gutted salmon) totalled all time high in 2011.

In 2012, the US market for farmed Atlantic salmon was dominated by Chile and Canada. Supply from both producers rose significantly, and supply from Canada ended all time high. Chilean and Canadian combined market share in 2012 was approx. 75% - up from 54% and 62% in 2010 and 2011, respectively. European supply to the US market continued down in 2012. Pressure on US market prices and depreciation of US dollar against European currencies contributed to the European decline.

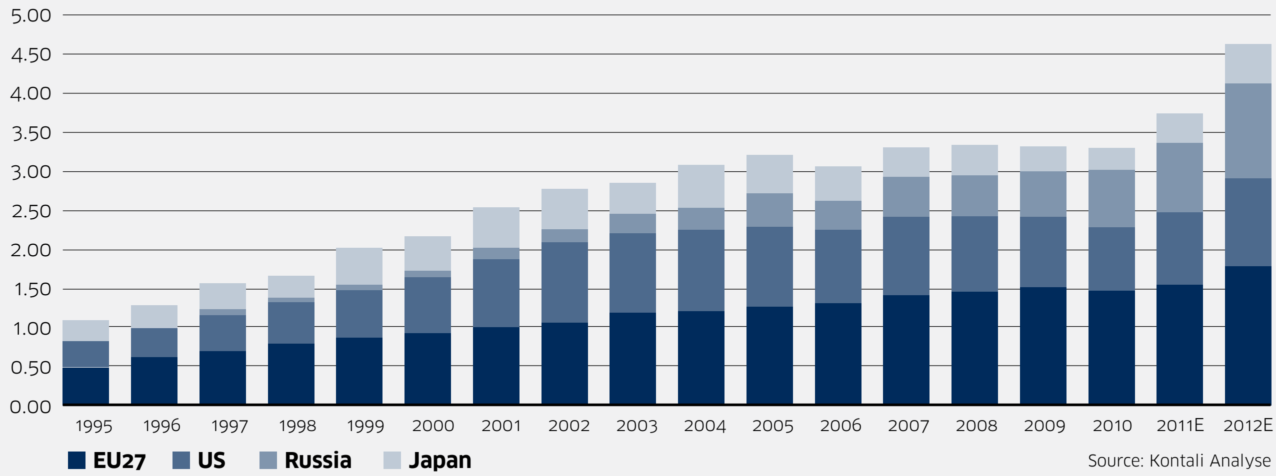
Figure 9 shows the supply of Atlantic salmon to the US market.

FIG. 7 / WORLD CONSUMPTION OF SEAFOOD



Source: Kontali Analyse

FIG. 8 / PER CAPITA CONSUMPTION OF ATLANTIC SALMON 1995 - 2012E



Source: Kontali Analyse

FIG. 9 / SUPPLY OF ATLANTIC SALMON TO US MARKET (tonnes wfe)

Country	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012E**
Chile	207,900	202,900	184,100	187,500	174,200	107,100	53,200	99,100	165,800
Canada	62,200	78,900	86,000	80,100	86,300	81,100	87,600	80,400	97,300
Norway	10,200	9,000	11,000	14,300	9,600	40,300	53,800	28,0700	23,700
United Kingdom	11,100	6,200	9,500	15,700	15,700	26,500	34,700	46,700	35,600
Faroe Islands	1,100	900	300	1,600	2,700	11,200	10,000	16,700	12,400
USA	6,100	3,000	3,000	7,100	4,500	8,800	6,900	13,200	8,600
Other	2,800	800	900	800	1,500	6,100	10,900	4,000	2,500
TOTAL	**301,400**	**301,700**	**294,800**	**307,100**	**294,500**	**281,100**	**257,100**	**288,500**	**345,900**
Change	-3%	0%	-2%	4%	-4%	-5%	-9%	12%	20%

Source: Kontali Analyse

THE EU MARKET

In 2012, a milestone was reached as supply of farmed Atlantic salmon to the EU market exceeded 900,000 tonnes wfe. The preliminary EU supply estimate for 2012 represents an increase of 17% or 133,000 tonnes. Approx. 62% of the European harvest of farmed Atlantic salmon was sold to the EU market in the last 2 years.

Despite strong production growth in Chile in 2012 and harvest in line with 2006, Chilean supply to the EU market ended far lower than in 2006. While EU was by far the 2nd biggest market for Chilean Atlantic salmon in 2006, Brazil has over the last couple of years taken over EU´s position.

Supply from both Norway and the Faroe Islands to the EU market ended all time high in 2012. Strong growth in supply to the EU market put extra pressure on EU market prices. Average fob export price for fresh gutted salmon of Faroese origin to the EU market in 2011 was DKK 30.71/kg, while the corresponding price for the first 11 months of 2012 was DKK 26.26/kg.

Figure 10 shows the supply of Atlantic salmon to EU market.

THE RUSSIAN MARKET

The Russian market for farmed Atlantic salmon has over the last years shown an impressing growth. Since 2009 supply to the Russian market has more than doubled.

Fresh gutted salmon is the main product on the Russian market. During 2012 Russia has become the 2nd biggest single market for fresh whole salmon – slightly smaller than France.

While the Russian market for many years has been dominated by salmon from Norway, strong Russian demand has attracted attention from other suppliers. Supply from the Faroe Islands to the Russian market totalled all time high in 2012, from close to zero supply in 2010 to more than 8,000 tonnes wfe. This represents a market share in the Russian market of 5%.

Figure 11 shows the supply of Atlantic salmon to Russia market.

FIG. 10 / SUPPLY OF ATLANTIC SALMON TO EU MARKET (tonnes wfe)

Country	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Norway	383,600	411,800	440,800	506,800	532,100	591,700	615,300	648,400	761,900
United Kingdom	134,300	109,300	111,100	112,800	115,700	110,200	97,600	92,700	96,900
Chile	42,200	84,000	80,700	67,800	67,100	39,800	10,600	17,200	27,700
Faroe Islands	32,800	16,100	9,700	13,100	29,900	30,000	26,300	29,900	35,300
Other/ Re-export	6,400	8,300	7,300	3,700	(8,200)	(5,500)	(12,600)	(6,000)	(5,600)
Total	**599,300**	**629,500**	**649,600**	**704,200**	**736,600**	**766,200**	**737,200**	**782,200**	**916,200**
Change	4%	5%	3%	8%	5%	4%	-4%	6%	17%

Source: Kontali Analyse

FIG. 11 / SUPPLY OF ATLANTIC SALMON TO RUSSIA MARKET (tonnes wfe)

Country	2004	2005	2006	2007	2008	2009	2010	2011E	2012E
Norway	39,800	56,000	36,900	60,400	62,400	69,600	93,500	115,400	146,500
Chile	2,400	5,900	5,600	3,200	6,000	5,000	800	1,000	7,000
United Kingdom	100	1,200	4,000	3,400	200	1,300	2,500	2,100	3,300
Faroe Islands	600	300	600	1,800	1,600	1,100	200	2,500	8,700
Other	500	300	2,300	3,600	4,600	1,600	6,100	6,000	7,900
Total	**43,400**	**63,700**	**49,400**	**72,400**	**74,800**	**78,600**	**103,100**	**127,000**	**173,400**
Growth rate	41%	47%	-22%	47%	3%	5%	31%	23%	37%

Source: Kontali Analyse

SUPPLY – PRODUCTION REGIONS

GLOBAL SUPPLY OF FARMED ATLANTIC SALMON

From a negative growth in 2010 (Figure 12), global supply of farmed Atlantic salmon grew strongly in 2011, and preliminary figures indicate that the growth was even stronger in 2012. Preliminary figures indicate that harvest of Atlantic salmon rose to close to 2 million tonnes wfe, which is up 22% from the year before. Harvest in Norway totalled 1.18 million tonnes in 2012, which represents 59% of the total harvest.

Since Chilean harvest of Atlantic salmon hit the bottom in 2010, harvest has almost tripled. The rapid growth in production has caused some market challenges in 2012, as prices in the US market in periods have trended below cost of production level.

Production and harvest of Atlantic salmon in Chile is expected to continue up in 2013.

Figure 13 shows the the global harvest quantity of Atlantic salmon for 2004–2012E.

The harvest quantity in the Faroe Islands is estimated to approx. 70,000 tonnes wfe in 2012, compared to 57,000 tonnes in 2011.

Figure 16 shows the supply of Atlantic salmon from the Faroe Islands, tonnes wfe

Over the last 6 years the annual average harvest growth rate was 24% for Atlantic salmon in the Faroe Islands, and aquaculture production has never before been higher in the Faroe Islands than in 2012.

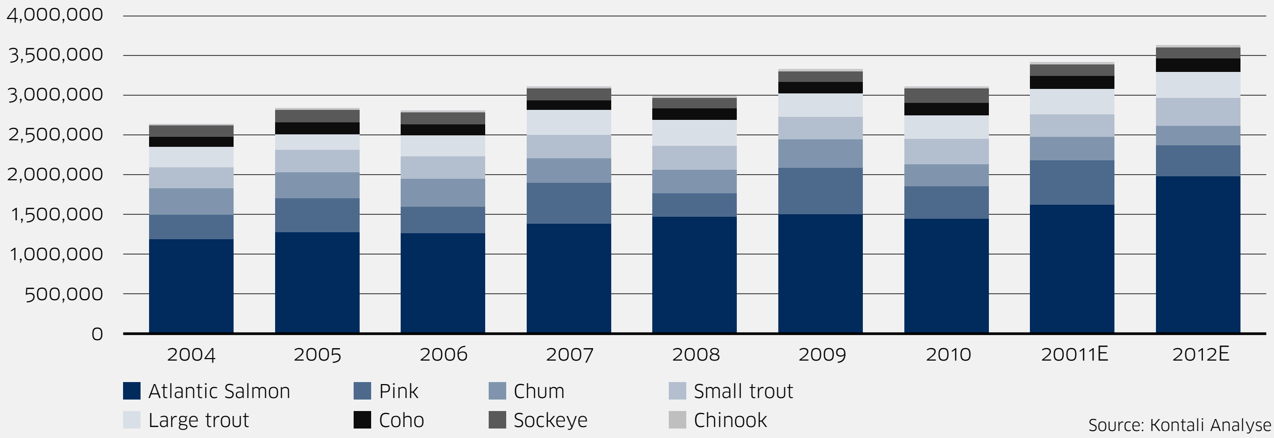
As to Atlantic salmon the biological performance was good with low loss rates and high average harvest weight. Preliminary estimates indicate average harvest weight of 5.1 kg in 2012.

Through 2012 the Faroese salmon industry became less dependent on the EU market. Despite a falling trend, the US market remained the 2nd most important market for Faroese salmon.

Supply of fresh Atlantic salmon to the Russian market rose steeply in 2012. From next to nothing in 2010, supply rose to approx. 8,500 tonnes wfe in 2012 – which represented an export share of 12%. In the “Others” category, China was by far the main market with an export share of 10%. (Figure 15)

FIG. 12 / HISTORICAL SUPPLY OF ALL SALMONIDS (tonnes wfe)

	2004	2005	2006	2007	2008	2009	2010	2011 E	2012 E
Atlantic salmon	1,200,300	1,260,100	1,271,100	1,391,900	1,467,100	1,507,300	1,449,200	1,620,200	1,975,300
Pink	300,000	463,400	338,700	521,400	309,900	601,100	398,900	593,500	389,000
Chum	333,400	306,000	352,800	316,700	291,700	348,800	309,200	272,800	274,500
Small trout	278,000	280,300	292,800	292,100	293,250	294,400	295,800	304,900	312,200
Large trout	240,300	223,500	252,170	287,100	340,490	294,500	307,950	309,280	351,430
Coho	133,000	137,000	138,500	142,200	144,600	130,700	160,600	158,800	182,200
Sockeye	139,000	139,400	143,000	158,600	132,600	140,400	175,600	150,900	146,000
Chinook	35,000	34,400	25,800	22,100	17,700	18,400	20,800	21,700	19,800
TOTAL	**2,659,000**	**2,844,100**	**2,814,870**	**3,132,100**	**2,997,340**	**3,335,600**	**3,118,050**	**3,432,080**	**3,650,430**
Growth rate		7%	-1%	11%	-4%	11%	-7%	10%	6%



Source: Kontali Analyse

FIG. 13 / HARVEST OF ATLANTIC SALMON IN TONNES (tonnes wfe)

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011 E**	**2012 E**
Norway	537,000	573,600	598,500	723,300	741,000	855,700	944,700	1,005,600	1,183,200
United Kingdom	149,800	119,700	127,500	134,900	136,400	144,800	141,800	154,700	155,100
Chile	346,200	385,200	368,600	356,400	403,500	239,100	129,600	221,000	368,100
Canada	89,000	107,500	115,000	109,500	118,500	115,400	118,000	110,000	122,000
USA	13,300	9,600	10,200	12,300	17,000	16,400	18,000	18,300	19,600
Faroe Islands	36,800	17,200	11,900	19,100	36,900	47,100	41,800	56,300	70,100
Australia	14,100	17,900	19,400	23,800	25,700	32,200	33,000	36,000	36,500
Russia	200	200	200	100	100	2,000	3,500	4,000	7,300
Others	19,800	19,800	19,500	17,800	13,400	16,100	18,800	17,000	17,400
TOTAL	**1,206,200**	**1,250,700**	**1,270,800**	**1,397,200**	**1,492,500**	**1,468,800**	**1,449,200**	**1,622,900**	**1,979,300**
Growth rate		4%	2%	10%	7%	-2%	-1%	12%	22%

Source: Kontali Analyse

FIG. 14 / HARVEST OF LARGE TROUT IN TONNES (tonnes wfe)

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011 E**	**2012 E**
Chile	125,500	122,600	137,900	169,200	179,400	149,700	189,100	203,300	223,200
Norway	63,600	59,600	57,500	76,100	86,300	81,000	55,700	54,100	73,800
Finland	12,000	13,000	14,000	11,500	12,000	12,000	13,700	13,500	14,000
Denmark	5,500	6,000	7,000	7,000	7,500	9,000	9,000	8,500	8,500
Faroe Islands	4,200	3,800	4,700	6,700	8,700	9,200	2,300	-	-
Sweeden	6,000	6,000	6,000	6,000	4,500	4,500	5,000	4,500	5,200
Others	25,400	25,050	26,500	29,100	30,350	32,400	32,500	32,500	33,600
TOTAL	**242,200**	**236,050**	**253,600**	**305,600**	**328,750**	**297,800**	**307,300**	**316,400**	**358,300**
Growth rate		-3%	7%	21%	8%	-9%	3%	3%	13%

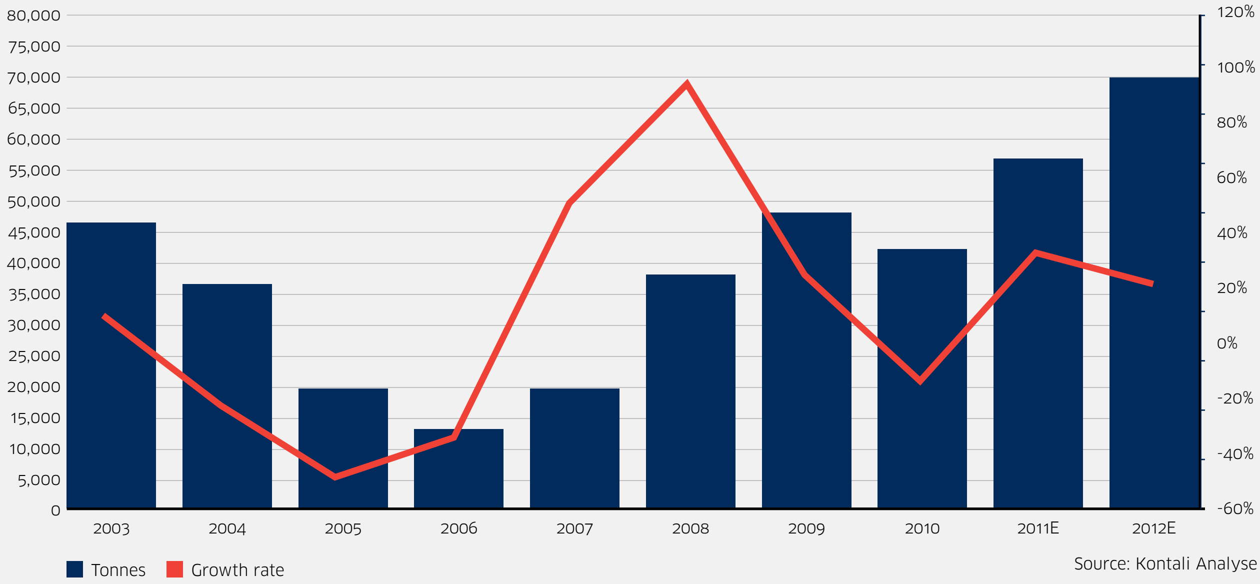
Source: Kontali Analyse

FIG. 15 / SUPPLY OF ATLANTIC SALMON IN TONNES (tonnes wfe)

Year	Supply from Faroe Isl.	EU	share	USA	share	Japan	share	Russia	share	Others	share
2008	38,000	29,900	79%	2,700	7%	500	1%	1,600	4%	3,000	8%
2009	48,100	30,000	62%	11,200	23%	600	1%	1,100	2%	4,900	10%
2010	42,400	26,300	62%	10,000	24%	700	2%	200	0%	4,800	11%
2011	57,200	29,900	52%	16,700	29%	600	1%	2,500	4%	7,200	13%
2012E	70,200	35,300	50%	12,400	18%	1,100	2%	8,700	12%	12,500	18%

Source: Kontali Analyse

FIG. 16 / SUPPLY OF ATLANTIC SALMON FROM FAROE ISLANDS (tonnes wfe)



Source: Kontali Analyse

CHANGE IN MARKET SUPPLY AND MARKET PRICES THROUGH 2012

From the 2nd half of 2011 to the first half of 2012, the growth in global supply of farmed Atlantic salmon has been impressing. With the strong growth seen in the 2nd half of 2011, it came as no surprise that the supply growth rate showed a falling trend in the 2nd half of 2012.

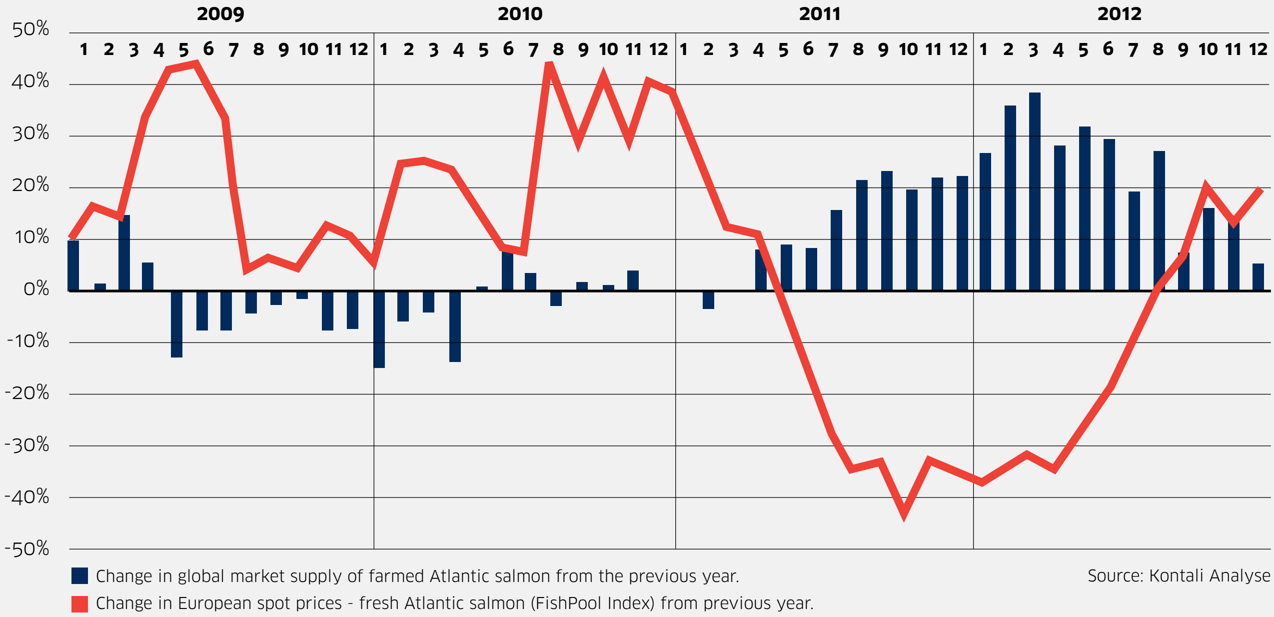
Despite that global supply rose by 22% in 2012, European spot prices were the most stable in many years. European spot prices trended in average on a higher level in the 2nd half of 2012 than in the corresponding period in 2011.

Strong growth in all of the main markets and in other markets has contributed to stabilize market prices in 2012. Supply of Atlantic salmon to the Brazilian and Chinese market rose by approx. 60% in 2012.

The growth in global supply in 2013 is expected to be far lower than for 2012.

Figure 17 shows relative change in global supply of Atlantic salmon and European spot prices for fresh Atlantic salmon, by month – year over year, from 2009 to 2012.

FIG. 17 / SUPPLY AND MARKET PRICES



Source: Kontali Analyse

THE INDUSTRY STRUCTURE

The salmon farming industry is characterized by still-notable competition between a limited number of multinational players and many relatively small local players. Along with growth in the aquaculture industry, the structure has changed significantly over the past decade. From a structure of only local players serving a limited number of markets, primarily with standardized products, the industry has seen increased industrialization and the emergence of multinational competitors serving all key markets on a global scale, with a growing product portfolio. Over the last decade large structural changes have taken place, particularly in Norway and Europe.

The cost of production is highly influenced by the feed cost, which comprises nearly 50% of the production cost.

Other main costs within the fish farming industry are smolts and harvesting. Figures 18 and 19 show the split of cost for Faroese and Norwegian fish farmers in 2012E.

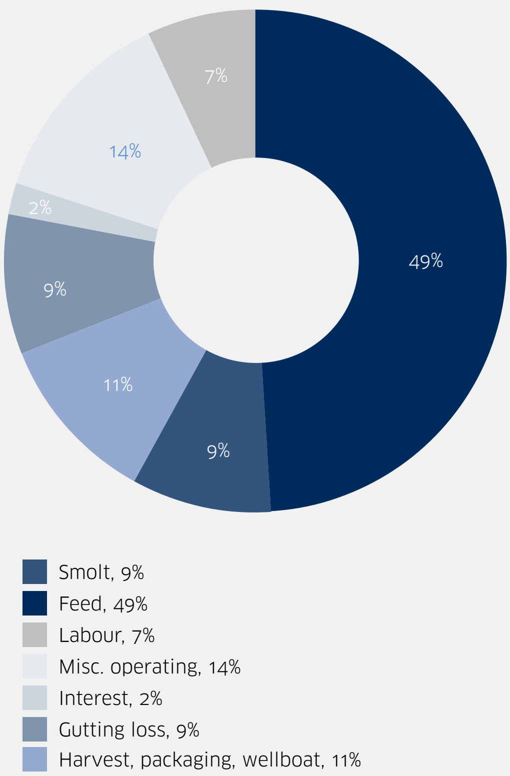
THE MARKET PLAYERS

Up until 2009, the largest salmon and trout producers gained an increasingly bigger share of the world production.

Highly affected by significant fall in harvest of Atlantic salmon from Chile market structure reversed in 2010 back to the structure seen in 2005. Recovery in Chile and growth in production in Europe contributed to a consolidation in 2011. Top 10 salmon farming companies accounted for half of the world´s harvest of farmed salmon and trout in 2011, while 63% of the world´s harvest was controlled by the 20 largest salmon farming companies.

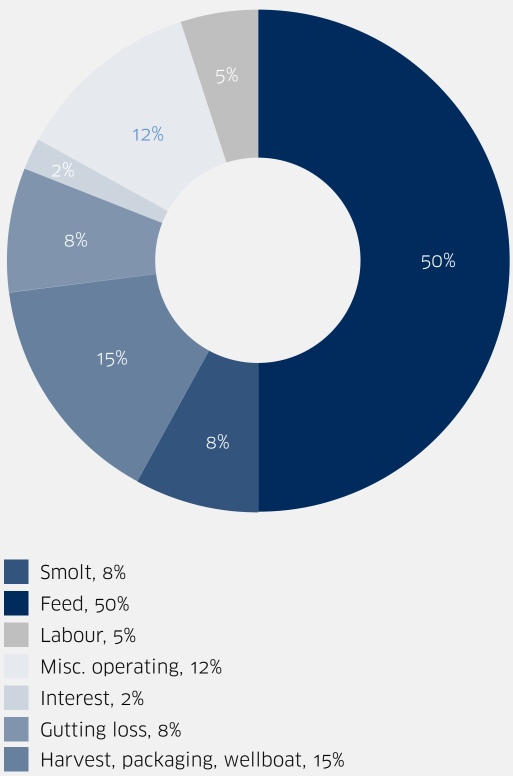
Figure 21 shows increased consolidation in the market in 2011 compared with 2010 and 2005.

FIG. 18 / COST SPLIT NORWAY 2012E (GUTTED WEIGHT)



Source: Kontali Analyse

FIG. 19 / COST SPLIT FAROE ISLANDS 2012E (GUTTED WEIGHT)



Source: Kontali Analyse

FIG. 20 / HARVEST QUANTITY - 2011 E

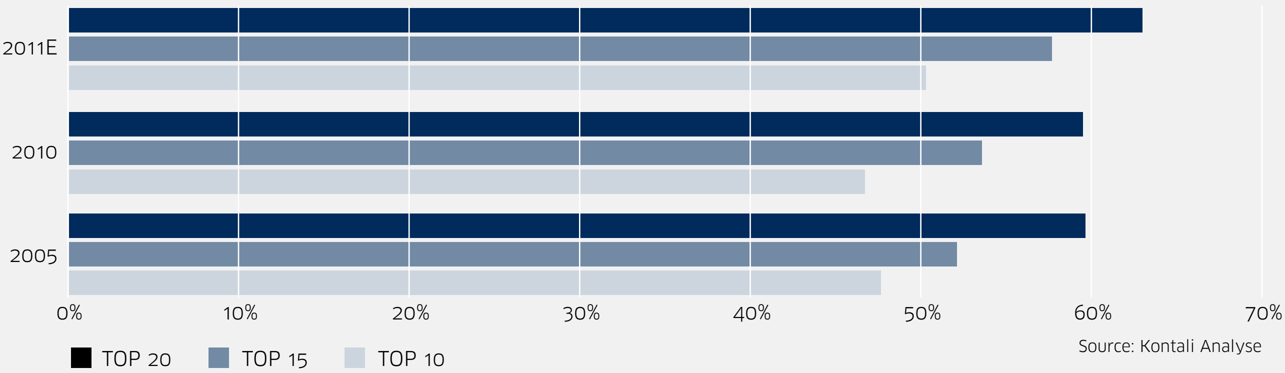
ATLANTIC SALMON, COHO CHINOOK, AND LARGE TROUT (tonnes wfe)

Ranking	Group	Head-office	Total	Norway	UK	Chile	Canada	USA	Faroe Islands	Ireland	Others
1	MARINE HARVEST GROUP	NO	381,900	241,700	55,700	29,800	37,700		5,800	11,200	
2	LERØY SEAFOOD GROUP	NO	151,900	151,900							
3	CERMAQ	NO	120,500	42,100		54,700	23,700				
4	SALMAR	NO	103,300	103,300							
5	EMPRESAS AQUACHILE	CL	67,300			67,300					
6	GRIEG SEAFOOD	NO	66,800	35,700	16,400		14,700				
7	COOKE AQUACULTURE *	CA	55,000			17,000	27,000	11,000			
8	PESQUERA LOS FIORDOS	CL	43,000			43,000					
9	BAKKAFROST **	FO	38,200						38,200		
10	SALMONES MULTIEXPORT	CL	35,300			35,300					
11	NORDLAKS HOLDING	NO	35,000	35,000							
12	AUSTRALIS SEAFOOD	CL	28,500			28,500					
13	SALMONES ANTARTICA	JP	30,000			30,000					
14	MORPOL ***	PL	29,300	6,200	23,100						
15	NOVA SEA	NO	28,000	28,000							
Sum top 15			1,214,000	643,900	95,200	305,600	103,100	11,000	44,000	11,200	0
Others			898,700	415,800	61,500	273,700	11,400	7,300	12,300	5,550	111,150
Total			**2,112,700**	**1,059,700**	**156,700**	**579,300**	**114,500**	**18,300**	**56,300**	**16,750**	**111,150**
Top 10 in % of total harvest quantity			50%	54%	46%	43%	90%	60%	78%	67%	0%
Top 15 in % of total harvest quantity			57%	61%	61%	53%	90%	60%	78%	67%	0%
Top 20 in % of total harvest quantity			63%	66%	92%	57%	90%	60%	78%	67%	0%

* Incl. Salmones Cupquelan) ** Incl. Vestlaks *** incl. Meridian Salmon Group + Jøkelfjord Laks

Source: Kontali Analyse

FIG. 21 / MARKET STRUCTURE DEVELOPMENT



Source: Kontali Analyse


HAVSBRÚN

FISH FEED

From a moderate growth in 2010, feed consumption rose significantly in 2011 and for the first time in history feed consumption exceeded 3 million tonnes. The highest growth rate was recorded for Chile and the Faroe Island by 43% and 34% respectively.

Feed consumption in 2012 continued up mainly due to increased production in Chile and Norway (Figure 22).

The share of marine ingredients in feed for farmed salmonids has over the last decade been decreasing. However, both fishmeal and fish oil prices have an impact on feed prices for the salmon farming industry.

While fishmeal prices showed a falling trend through 2011, the opposite trend was applicable in 2012. From a high price level in 2011, fish oil prices continued up in 2012. Prices for fish oil reached all time high price level in December 2012 (Figure 23 and 24).

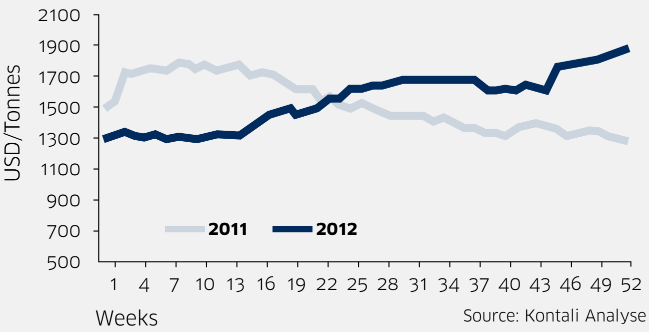
FIG. 22 / ESTIMATED FEED CONSUMPTION/SALE TO SALMONIDS FOR SELECTED SALMONID PRODUCING REGIONS
Atlantic Salmon, Large Trout, Coho, Chinook (In 1000 tonnes)

	2006	Change	2007	Change	2008	Change	2009	Change	2010	Change	2011E	Change	2012E	Change
Norway	957	9%	1,109	16%	1,164	5%	1,331	14%	1,337	0%	1,494	12%	1,653	11%
Chile	1,060	18%	1,148	8%	1,080	-6%	622	-42%	724	16%	1,036	43%	1,264	22%
UK	202	-4%	221	9%	210	-5%	210	0%	217	3%	228	5%	211	-8%
North America	202	-3%	211	4%	212	0%	217	2%	219	1%	208	-5%	220	6%
Faroe Islands	29	70%	45	58%	59	30%	60	2%	61	2%	82	34%	86	5%
TOTAL	**2,451**	**11%**	**2,733**	**12%**	**2,725**	**0%**	**2,440**	**-10%**	**2,558**	**5%**	**3,048**	**19%**	**3,434**	**13%**

* Incl. fresh water feed to the above listed species

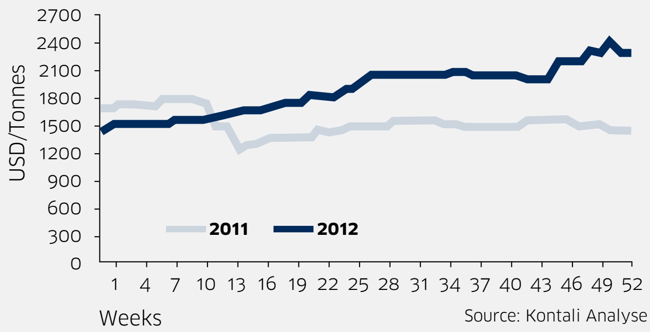
Source: Kontali Analyse

FIG. 23 / FISHMEAL-PRICE (C&F HAMBURG)



Source: Kontali Analyse

FIG. 24 / FISH OIL-PRICE (C&F HAMBURG)



Source: Kontali Analyse

BUSINESS OBJECTIVES AND STRATEGY

VISION

Bakkafrost's vision is to offer its customers value-added healthy quality products through long-term relationships with its partners. Bakkafrost wants to build its operations on sustainable raw materials and resources.

Strategy

Bakkafrost's main strategic goal is to be an independent company securing long-term sustainable growth with efficient and cost-effective production.

Based on the Group's experience and history, biological security is acknowledged to play an important part in the upstream production of salmon to achieve cost efficiency. Hence, the focus on biological security is given the highest priority within the Group. Through its experience from many years of salmon farming in the Faroe Islands and the results from veterinary and biological best practices, Bakkafrost aims to produce quality salmon products through balancing the production volumes between economies of scale and biological capacities.

Downstream, Bakkafrost's long-term growth and financial stability is a result of a strategy based on a mix of contract sale of value added products and spot sale of whole gutted fish. The Group's long-term fundamental goals for a healthy, attractive and competitive low-cost salmon farming group are to be secured through:

- Control of the entire value chain, from own production of fishmeal, fish oil and fish feed to retail products
- Utilisation of the benefits from the unique geographical placement of the farms
- Implementation of and non-stop development of best veterinary-, biological- and sustainable practices
- Implementation of best practices regarding quality assurance and traceability
- Utilisation of economies of scale through increased size of the harvested fish
- The offering of both value added products as well as whole salmon in order to meet the specific demands of each main market

Bakkafrost's strategic goals shall be achieved through the following main operational strategies:

Biological security

Bakkafrost aims at keeping the salmon in a good and healthy environment, ensuring the welfare and well-being of its fish. All natural and physiological needs must be met to the greatest extent possible in order to maintain a healthy sustainable production and reach cost efficiency.

The fish farming operations must be conducted in strict compliance with the directives and regulations of the Faroese food safety administration, which ensures that the Group's fish flourish and grow under the most natural conditions possible.

Since the new veterinary model was introduced in the Faroe Islands in 2003, Bakkafrost has experienced little loss due to disease, a significantly improved feed conversion ratio, lower mortality rates and increased productivity without the use of antibiotics.

Figures 25-27 show the recent development in important parameters such as average harvest weight, mortality and feed conversion rate for Faroese salmon producers, clearly showing the positive development since the introduction of the new veterinary model.

The low weight and high mortality in 2002 was a result of disease and early harvesting on the remaining fish in order to prevent the disease from spreading. The average harvest weights have increased from a historical low average weight in the 2001 generation and a high mortality of approximately 30% to an average weight of 5.8 kg in the 2010 generation and a mortality of approximately 7%. The strong biological performance has provided the possibility of harvesting larger fish, reducing the feed costs per kilo to an average of approximately 1.12 on average in the Faroe Islands.

HUMAN CAPITAL

The Group shall maintain and further strengthen its focus on HR, work satisfaction and developing the competences of the employees in order for Bakkafrost to maintain and expand its leading position in the aquaculture industry. It is vital for Bakkafrost to attract and retain employees with the right competences and knowledge. We aim at strengthening the competences of our employees on all levels in the Group on a continuous basis by implementing relevant training schemes to meet current and future demands for a qualified workforce. It is an ongoing effort to further develop the competences of the employees either by work-related training, in-house and external courses and other forms of training.

Training of employees on all levels in the organisation is based on Bakkafrost's culture and fundamental values to offer our customers healthy and nutritious salmon products, and to maintain our position as a reliable and responsible partner. Supporting the Group's strategy and securing an ethical business conduct in addition to creating the best possible value for our customers is essential for all training efforts.

In 2012 a Leadership Programme was implemented in the Bakkafrost Group in order to further develop and strengthen leadership skills among the Group's Executive Management team. The programme was initiated in November to be continued throughout 2013. Bakkafrost's partners for this management programme are local educational institutions focusing on business and commerce education. In 2013 through 2014, Bakkafrost will extend an adapted programme to other management levels in the Group.

In order to further strengthening the Group's focus on HR, work satisfaction and developing the competences of the employees, Bakkafrost employed an HR Manager, reporting to the CEO. In 2012, general HR policies and procedures have been developed and implemented to support our core business. This process will continue on an ongoing basis. In the farming division, focus has been on initiating in-house and external training programmes relating to health and safety. These training programmes will be extended to cover the remainder of Bakkafrost's value chain in 2013.

FIG. 25 / AVERAGE HARVEST WEIGHT LWE

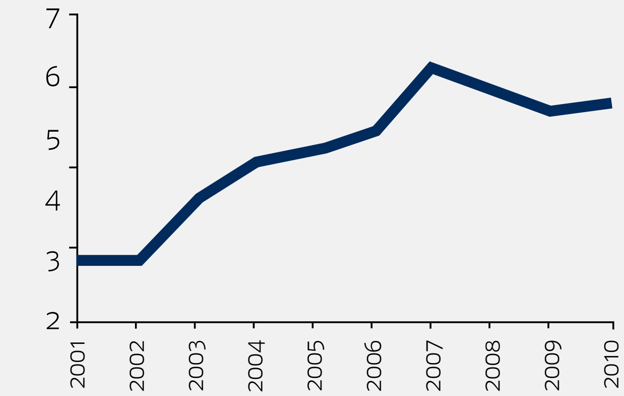


FIG. 26 / MORTALITY % OF OUTPUT

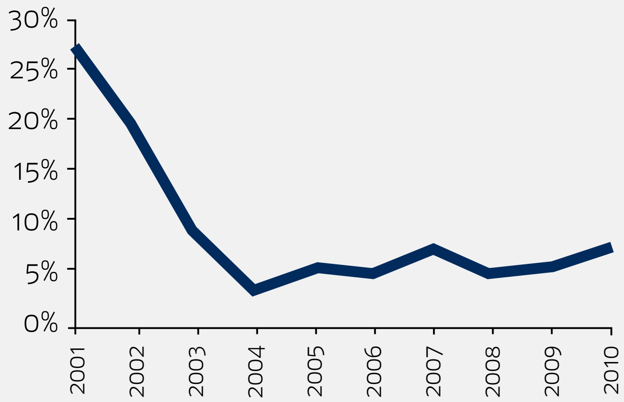
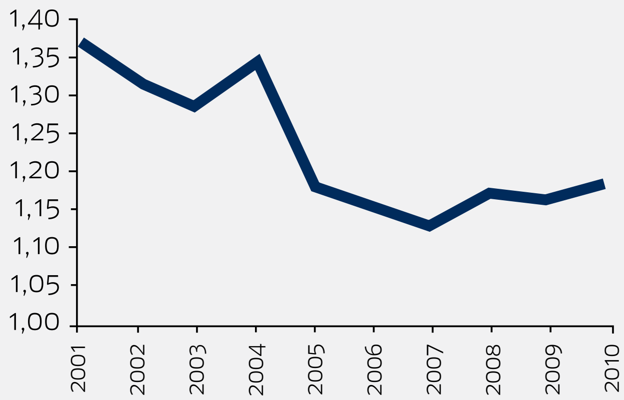


FIG. 27 / BIOLOGICAL FEED FACTOR



Source: FarmControl*

*FarmControl has, since 1993, registered and monitored data from Faroese fish farmers. Numbers shown in these figures 25-27 represent between 50–90% of the Faroese farmed salmon farmed for generations 1993–2002 and ~100% after 2003.

EMPLOYEES

In 2012 the number of employees in the Bakkafrost Group was 590, compared to 550 in 2011. The increase in numbers of employees is ascribed to increased activity in the farming and harvest divisions in addition to the opening of the second VAP processing plant in Fuglafjørður. On the other hand Bakkafrost partly sold the activities in Faroe Farming in 2012, which employed around 45 people in 2011.

The annual turnover of employees in 2012 was 1-3% in the farming division, 3-10% in the harvest division and 3-10% in the processing division. In administration and sales the annual turnover of employees in 2012 was 4%. A high annual turnover of employees in the harvest and processing divisions is primarily related to short-term employment of younger employees of 1-2 years especially in the processing division.

COST EFFICIENCY

The Group shall maintain a strong focus on production and cost efficiency, realising economies of scale within the limits for biological sustainable farming.

Key parameters are:

· Share, maintain and implement best practices in feeding regimes and husbandry
· Continue to monitor and evaluate the various steps within the processing in order to utilise production capacity and find potential for improvements
· Reward the ideas for new methods improving economy of scale and maintain/increase quality of products

VALUE ADDED PRODUCTION

In 2012, value added products (VAP), as e.g. portions and fillets, represented 36%, compared to 37% in 2011, of Bakkafrost's total production. Bakkafrost has a strategy to produce 40-50% of its harvested salmon as VAP products. With the increased raw material base after the acquisition of the farming licences in the Havsbrún Group in 2011 and the increased production in Bakkafrost's previous licences, Bakkafrost opened a second VAP factory in January 2012, to increase the capacity. This increase is not considered sufficient, however. Therefore Bakkafrost will start an investment program in 2013 spanning over the next 2-3 years, which will increase Bakkafrost's VAP capacity from today of around 18,000 tonnes gutted weight raw material up to 30,000 tonnes. In addition to the increase in capacity, the VAP production will be more efficient and secure a continuing lead in quality. The total investment programme in the VAP division is estimated to amount to DKK 150 million.

The VAP operation is based on contractual sale and hence reduces the fluctuations of the Group's financial performance through a business cycle. In order to meet customers' demands, delivering high-quality products and a wide range of products is important.

GROWTH STRATEGY

Since the new veterinary model was introduced in the Faroe Islands, Bakkafrost has increased the annual harvest volumes significantly based on improved biological key figures. The increase is both based on better utilisation of own farming licences and on licences acquired the recent years. In 2012 Bakkafrost harvested 44,341 tonnes gutted weight of salmon. Further growth on existing facilities has to be evaluated after learning how the biological performance develops at this volume. Therefore Bakkafrost is not planning to increase the total harvest in 2013 significantly, compared to 2012. Bakkafrost believes that there are still some possibilities for organic growth within existing licences, but first the company will evaluate how the biological performance develops at the current volumes.

Bakkafrost has today 50% of the farming licences in the Faroe Islands. The farming regulation in the Faroe Islands allows one company to control up to 50% of the total number of licences. Therefore, Bakkafrost cannot increase the number of controlled licences. But in addition to the licences that Bakkafrost controls, Bakkafrost owns 49% of Faroe Farming, a company that holds 3 farming licenses, and here we believe that further growth is possible.

The Group also considers acquisitions outside the Faroe Islands as an opportunity for further growth. Currently, there are no such plans, but the management believes that the operating model conducted in the Faroe Islands will be equally successful in other geographic locations with favourable naturally-given conditions and will consider such opportunities, when the timing is considered to be right.

OPERATION

Bakkafrost is the largest salmon producer in the Faroe Islands with a total production of 44,341 tgw in 2012, and an estimated overall capacity of at least 50,000 tgw per year. Bakkafrost owns 50% of the total licences in the Faroe Islands, currently representing ~71% (continuing operations) of the total harvest volumes. In addition to this Bakkafrost owns 49% in the farming company Faroe Farming that own 3 licences and had a total production of 4,358 tgw in 2012.

The Group operates six fully owned hatcheries and seventeen fish farming sites for marine production of Atlantic salmon in the Faroe Islands in addition to two sites currently out of production. The sites are located in fourteen different fjords.

All primary processing takes place at three slaughteries, and the secondary processing takes place at the VAP facilities in Glyvrar and Fuglafjørður.

THE VALUE CHAIN

Bakkafrost controls the entire value chain from own production of fishmeal, fish oil and fish feed to sales and marketing of finished VAP products. Control of the entire value chain is considered important to ensure availability, traceability and to be able to control the product flow on a daily basis. Both customers and processing facilities depend on daily availability of salmon and depend entirely on a steady flow of harvested fish. The quality of the fish is a result of the whole operation, from production of fishmeal and fish oil to the processing of the fish. The documentation and traceability from finished product back to the raw material in the feed and the salmon eggs and even to the raw materials in Bakkafrost's salmon feed is important for its customers and therefore important to Bakkafrost.

The control of the entire value chain enables Bakkafrost to enter into long-term delivery contracts and long-term customer relationships, without being dependant on any third party to ensure the quality and predictability of its deliveries. It further enables better utilisation of the facilities throughout the value chain and prevents sub-optimisation between cost centres.

1. Brood stock

Bakkafrost purchases salmon eggs from different external suppliers based in the Faroe Islands and Iceland. The capacity of Bakkafrost's suppliers is sufficient to meet the current and future need of eggs.

The vitality of the fish is important. Therefore, the selection of the best genetic properties is vital. The fish's resistance to diseases is an important property of the fish. In order to ensure access to high-quality eggs, Bakkafrost's strategy is to buy eggs from selected external suppliers that invest significant efforts and resources to improve product quality and performance.

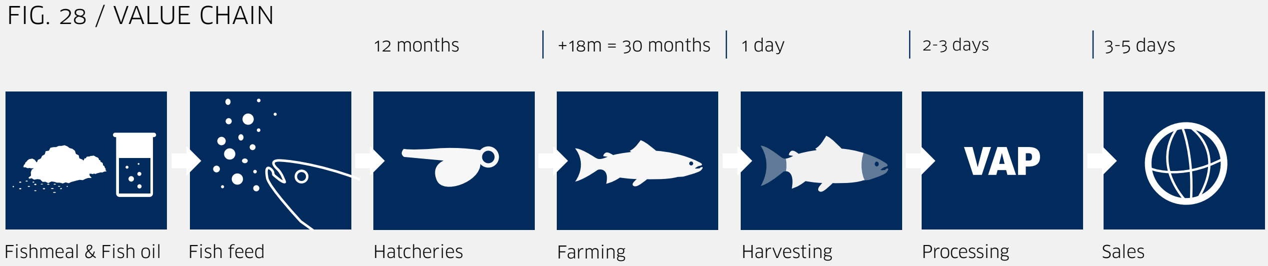
2. Juveniles

Bakkafrost owns a total of seven hatchery licences. The Bakkafrost Group operates six hatcheries with a total production capacity of some 10 million smolts per year. The Group plans to increase the smolt capacity in 2013 to 12 million smolts.

Bakkafrost's hatcheries are located in environments with large quantities of clean fresh water, where no villages or industries are competing for the water. This is important as there is no ground water available in the Faroe Islands. The hatcheries are equipped with closed water circulation systems with bio filters, and the fish tanks are inside buildings in order to limit the effect of external factors such as weather, birds and other pollution. The workforce in the hatcheries is very experienced; many of the employees have been working at the hatcheries since the early '90s.

Historically, Bakkafrost has released smolts into the sea

FIG. 28 / VALUE CHAIN



when the weight was between 50–60g. Over the last years Bakkafrost has changed its strategy and waits until the size of the smolts has reached 100g before releasing them into the sea. The Group believes this has had a positive effect when measuring productivity and mortality, and hence contributed to improving the Group's results. Bakkafrost has a long term goal of increasing the size of the smolts further the coming years (Figure 29).

3. Farming

Bakkafrost's seventeen fish farms are located in the central and northern part of the Faroe Islands.

On average each fish farm can produce around 3,000 tonnes gutted weight per year with the present production regime in the foreseeable future.

The fish is kept, fed and nurtured in large sea cages, providing the fish with abundant space to grow for a period of 16–18 months. During this period, the fish grows from 100g up to Bakkafrost's average target weight of about 6.0–6.5 kg wfe. This targeted weight is considered to provide an optimal breakdown/mix of sizes in order to serve both the fresh fish market and the internal VAP production. As a rule, the larger fish are distributed as fresh fish and the smaller fish are used as raw material in the VAP production.

The fish are fed several times a day, and the feed consumption is monitored continuously. Since the new veterinary model was implemented in 2003, the biological feed conversion rate has decreased from around 1.20 to around 1.13, reducing the feed used by approximately 8.5%. This is considered to be a direct result of the improved fish health.

During the entire production period, each separate generation is kept in a separate fjord, and after all locations in a fjord have been harvested, the fjord is set aside for 2–4 months before a new generation is released. This operating model was introduced in 2003, and the observed effects are better productivity, less mortality and better utilisation of the feed. On average, the mortality rate has been less than 10% for all farmers in the Faroe Islands since the new veterinary model was implemented.

The main goal of the farming operation is to produce salmon at a low feed conversion rate and with low mortality. In order to reach this goal, Bakkafrost believes the environment is important, and therefore does its utmost to create and maintain a healthy environment for the fish. Following national regulations, environmental investigations are undertaken each year by external agencies at each farming location. The result of each survey becomes input data used in the tactical planning in order to achieve the best environmental sustainable farming results possible.

The environmental authorities also have to approve a 3-year production plan for the Faroese salmon companies on a yearly basis.

FIG. 29 / SMOLT RELEASE: THOUSAND SMOLT

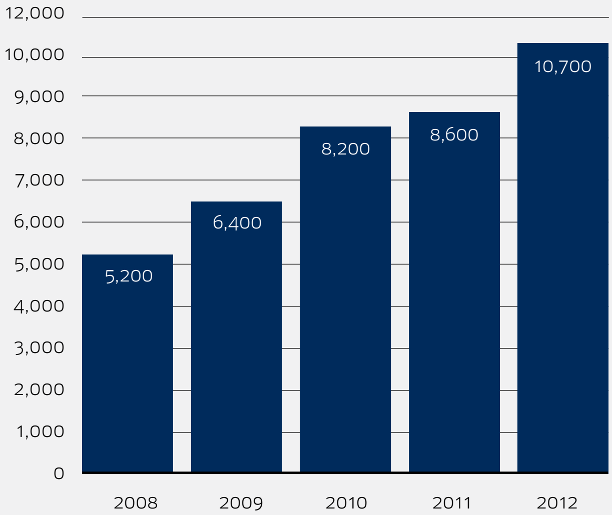
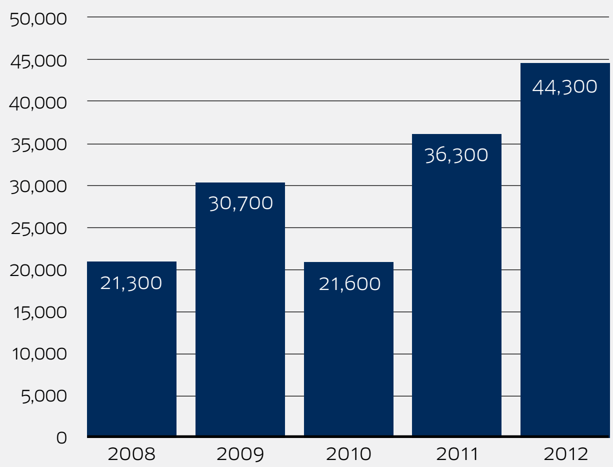


FIG. 30 / HARVEST VOLUME: TONNES GW



The Gulf Stream provides stable conditions throughout the year as well as high water quality. The water temperature in the region is steady, with a fluctuation of only 6°C during the year. The lowest temperatures, approximately 5.5°C, are usually reached in February, and the highest temperatures, approximately 11.5°C, are reached in the late summer months.

The farming areas are large and have the capacity to support the quantities farmed on each site.

The biological situation in the Faroe Islands provides the opportunity to utilise a higher-than-average weight of the fish, minimising unit costs, biological feed conversion rate and giving a best-in-class performance. The excellent biological situation is crucial to maintain production costs at current levels and to maximise the return on the invested capital.

4. Harvesting

All the fish are harvested at the slaughter factories in Klaksvík, Kollafjørður and Strendur. The slaughteries have a daily capacity of around 270 tonnes wfe at the current run rate of 1 shift on average. The fish is primarily transported from the farming sites to the slaughteries in well boats with closed end-water systems.

Bakkafrost's well-boat fleet consists of two vessels for smolt transport and two vessels for transportation of fish to harvest: one smaller well boat (230m3/45 tonnes wfe) and a larger well boat (660m3/110 tonnes wfe), both with closed systems (Figure 30).

5. Processing and refinement

The 4,000m² VAP factory in Glyvrar has a production capacity of 30 tonnes of skinless and boneless 125g vacuum-packed portions in retail boxes per day (two shifts). The VAP factory in Fuglafjørður that opened in January 2012 has a capacity of 6 tonnes of skinless and boneless 125g vacuum-packed portions in retail boxes per day with one shift (Figure 31).

The primary customers for these products are the European supermarket chains. Opportunities to grow into new regions and to new customers are present. However, as demand from existing customers has grown rapidly, Bakkafrost's strategy over the last years has been to show full commitment to existing customers rather than increasing the number of customers.

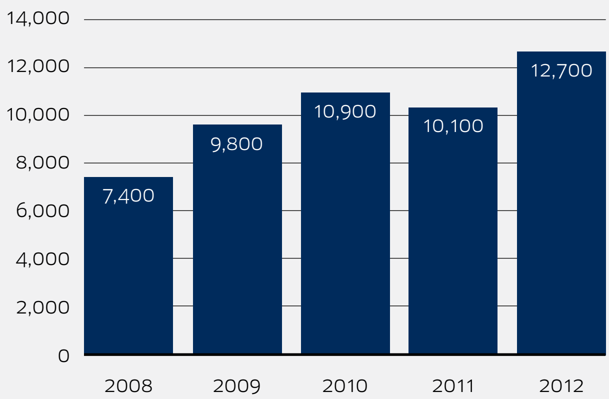
Another market segment important for the VAP products is industrial customers buying whole fillets for further processing and by-products. This market has been developed during the last six years, and all by-products are now sold at a margin. The customers in this segment are mainly European or from the Far East (Figure 34).

The Group intends to continuously upgrade the VAP factory in order to be able to deliver according to market demands. Therefore Bakkafrost will start an investment program in 2013, spanning over the next 2-3 years that will increase Bakkafrost's VAP capacity from present approx. 18,000 tgw raw material up to 30,000 tgw. In addition to the increase in capacity, the VAP production will be more efficient and secure a continuing lead in quality. The total investment programme in the VAP division is estimated to amount to DKK 150 million.

6. Sales and distribution

Bakkafrost has two sales offices, one office located in Glyvrar in the Faroe Islands serving the global market and one in the UK serving the UK market. The UK sales office was acquired in late 2012. Prior to this, the sales office was owned by a Bakkafrost customer and therefore has the experience and knowledge of selling Bakkafrost's products into the UK market.

FIG. 31 / TONNES PRODUCT WEIGHT OF VAP



Sales strategy

The strategy of the Group is to balance the sales mix between different geographical markets as well as different product segments.

The most important markets are the European, US, Chinese and Russian market in which Bakkafrost mainly sells VAP products and whole fish. As a rule the VAP products are sold on long-term contracts and the whole fish is sold in the spot market.

Bakkafrost believes that its capability to serve these geographical markets with the two categories of products efficiently reduces cross-cycle fluctuations in both revenues and profitability.

The strategy is to offer advantages to the larger supermarket chains by securing product availability and stable high-quality and preferred products.

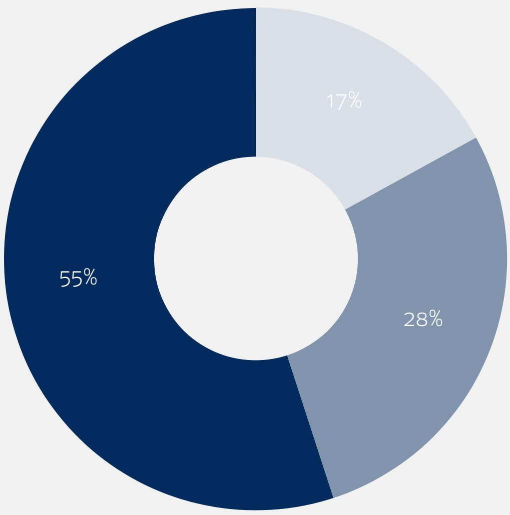
Distribution

The current distribution network is based on transportation by ship to Europe and Russia and by plane to the US and China from the UK. The Group is able to distribute both fresh and frozen fish to the market.

With the existing distribution network, Bakkafrost is able to ship products to the UK within 20 hours by boat. From the UK, the products are distributed by plane to major airports in the US and China within 24 hours, with a total cost of DKK 8–11 per kg from factory to customer.

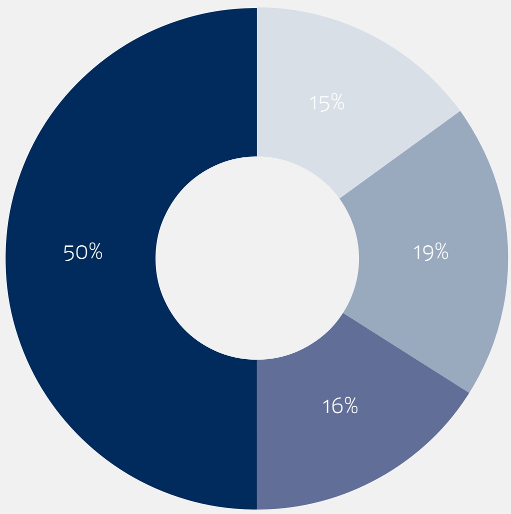
Products planned for the European and Russian markets are transported by boat to Denmark or the UK within 2 days for further distribution on trucks

FIG. 32 / EXTERNAL REVENUE OF FIXED CONTRACTS, SPOT AND FEED



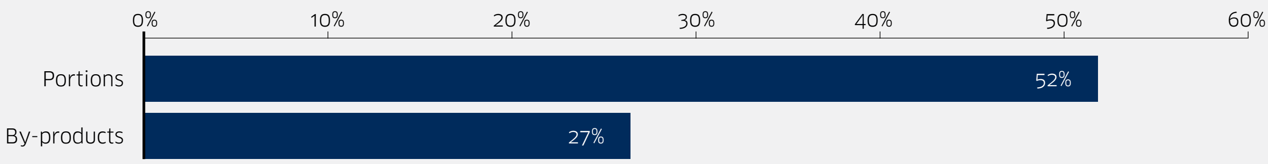
Feed, 17%
Fixed Contracts, 28%
Spot, 55%

FIG. 33 / SALES BY MARKETS 2012



Eastern Europe, 15%
Asia, 19%
USA, 16%
EU, 50%

FIG. 34 / YIELD IN VAP 2012



HEALTH, SAFETY AND THE ENVIRONMENT

VALUES AND ETHICS

Bakkafrost is a totally vertical integrated company controlling the extended value chain from feed to finished product. In 2012, the number of employees in the Bakkafrost Group was 590 employees on 26 locations all over the Faroe Islands.

Through the Code of Conduct, Bakkafrost has defined standards that apply for the entire Group guiding all employees on how to interact at work and promoting standards of good business practice. It is the company policy to ensure that all employees are treated equally and with respect in an inclusive working environment. Thus, we encourage our employees to help create a work environment free from any discrimination.

HEALTH AND SAFETY

The safety and occupational health of our employees are of vital importance to Bakkafrost. Bakkafrost aims at attaining an injury and accident free work place. All initiatives in relation to the employees' health and safety aim at supporting, maintaining and improving standards on all levels in the Group. Training programmes and other initiatives are initiated with the purpose of supporting the fundamental values of the Bakkafrost Group.

In the farming and freshwater division, focus has been on initiating in-house and external training programmes relating to health and safety. These training programmes will be extended to cover the remainder of Bakkafrost's value chain in 2013.

FISH HEALTH AND ANIMAL WELFARE

Fish health, animal welfare and bio security are of the upmost importance to the company. There have been no outbreaks of diseases in recent years. The challenge regarding sea lice has increased. Bakkafrost has been and will continue to focus on developing best practise procedures, optimizing treatments and surveillance. Furthermore, we continue to work on local, regional and national levels on both short term and long term prevention strategies.

Our intention is to continue our work on improving the physical circumstances at the individual land base stations. This work has already started and will continue over all sites the next years, including the hatcheries.

Fish welfare is of great importance throughout the whole value chain. In the last two years we have had focus on improving transport to the harvest stations and have upgraded our systems in our well boats. Furthermore, we are

preparing for installing a new stunning system in one of our harvest units. According to plan this will be finished at the end of this year.

SUSTAINABILITY

Our goal is to minimize the impact of our production on the environment and wildlife, both with regards to the sea site farming, but also regarding the hatcheries, factories and feed production.

FOOD SAFETY AND CERTIFICATIONS

Food safety and quality is of top priority for Bakkafrost. In recent years we have focused on continuously upgrading our buildings and systems. This work will continue in 2013. New traceability and quality systems solutions have been integrated at the harvest stations and will be fully integrated at our processing units this year. We have focused on implementing improved maintenance systems for the entire value chain from the hatcheries and sea sites to the harvest stations and processing plants.

Bakkafrost plans to expand the VAP capacity by building a new unit at our main processing plant at Glyvrar. The planning on this exciting project has started and the execution will start late this year.

Bakkafrost holds several certifications. The VAP production is certified according to the BRC and IFS standards both of which were updated in 2012.

The whole company is Global GAP certified. Global GAP is an international standard, which focuses on food safety throughout the whole production (based on HACCP), fish welfare and health, safety and minimizing the impact on the environment. Hence, the entire value chain is Global GAP certified.

All units, both harvesting and processing are furthermore approved and certified by the Faroese authorities based on HACCP standards and EU legislation.

Havsbrún, the meal, oil and feed production is certified according to the Global GAP standard, the ISO 9001:2000 and GMP+ standards. In 2012 Havsbrún started on working towards an IFFO RS scheme certification and this work will continue in 2013.

SHAREHOLDER INFORMATION

Information to shareholders has high priority in Bakkafrost. The company aims at maintaining a regular dialogue with the Group's shareholders through the formal channel of stock exchange announcements, interim reports, annual reports, annual general meetings and presentations to investors and analysts.

FINANCIAL CALENDAR 2013

18 April Ordinary General Meeting. Location: Glyvrar
21 May Presentation of Q1 2013
27 August Presentation of Q2 2013
05 November Presentation of Q3 2013

All quarterly presentations will take place at Hotel Continental, Stortingsgaten 24/26, Oslo.

Please note that the financial calendar is subject to change. Any changes will be announced via Oslo Børs; and the Group's website, www.bakkafrost.com, will be updated accordingly.

ANNUAL GENERAL MEETING

The parent company's Annual General Meeting is planned for 18 April 2013.

AUDITORS

The consolidated accounts have been audited by Sp/f Grannskoðaravirkið Inpact, løggilt grannskoðaravirki (State-Authorised Public Accountants), which is also the auditor of the parent company and all its subsidiaries in the Faroe Island. Auditor for Havsbrún Norge ASA is Bruli Revisjon AS and auditor for Havsbrún Shetland Plc. is A9 Partnership Ltd.

DIVIDEND POLICY

Bakkafrost aims to give its shareholders a competitive return on their investment, both through payment of dividends from the company and by securing an increase in the value of the equity through positive operations.

Generally, the company should pay dividends to its shareholders, but it is the responsibility of the Board of Directors to make an overall assessment in order to secure the company a healthy capital base, both for daily operations and for a healthy future growth of the company.

A long-term goal for the Board of Directors is that 30–50% of adjusted EPS shall be paid out as dividend, when the Group's equity ratio is above 60%.

Bakkafrost's financial position is strong with a healthy balance sheet, a competitive operation and undrawn available credit facilities. The Board of Directors has therefore decided to propose to the Annual General Meeting that, DKK 2.00 (NOK 1.97*) per share shall be paid out as dividend. This corresponds to approximately DKK 97.7 million (NOK 96,5* million).

SHAREHOLDERS, CAPITAL AND VOTES

P/f Bakkafrost had, on 31 December 2012, a total of 48,858,065 shares outstanding, each with a nominal value of DKK 1.

LARGEST SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2012:

Salmar ASA, TF Holding, UBS AG Zurich A/C Omnibus-Disclose, Oddvør Jacobsen and Regin Jacobsen

BOARD MEETINGS

In 2012 the Board of P/f Bakkafrost held 15 Board meetings. Below under each Director's profile is disclosed each Director's participation in Board meetings held during 2012.

DIRECTORS' PROFILES

RÚNI M. HANSEN
Chairman of the Board
Born 1967. MSc. in Economics and Business Administration, Copenhagen Business School, 1993. Lancaster University, The Management School, Lancaster UK, 1994. Career: Statoil, Vice President Exploration international 2010–present. Director for Statoil Faroes and Statoil Greenland. Board member of Vónin 1998–2008, Chairman 2002–2008. Board member of Føroya Banki 1999–2006, Vice Chairman 2003–2006.

Mr. Hansen has been a Board member of Bakkafrost since December 2009, when he also became Chairman of the Board of Directors.

Mr. Hansen participated in all 15 Board meetings held during 2012. Mr. Hansen is considered to be independent.

Mr. Hansen holds 10,000 shares in the company.

JOHANNES JENSEN
Deputy Chairman of the Board
Born 1962. MBA , Lancaster, Lancaster University 1998. Career: Faroe Seafood, 1987–2001; Marketing Director Faroe Seafood, 1999–2001; Managing Director Hotel Føroyar, 2002–present. Board member Effo, Board member Sp/f Coastzone, Board member Sp/f Etika Holding, Chairman of Faroe Islands Tourist Board 2011.

Mr. Jensen has been a Board member of Bakkafrost since December 2009, when he also became the Deputy Chairman of the Board of Directors.

Mr. Jensen participated in all 15 Board meetings held during 2012. Mr. Jensen is considered to be independent.

Mr. Jensen holds no shares in the company.

TRINE SÆTHER ROMULD
Board member
Born 1968. State-authorised auditor from NHH. Career: Arthur Andersen & Co. / Ernst & Young for nine years. Executive Vice President in Aker ASA and CFO in Aker Drilling ASA from Aug. 2007–Dec. 2009. CFO in Pan Fish ASA / Marine Harvest ASA for four years. Board Director of Aker Seafoods ASA. Current position: EVP & CFO in Stream A/S.

Mrs. Romuld has been a Board member of Bakkafrost since December 2009.

Mrs. Romuld participated in all 15 Board meetings held during 2012. Mrs. Romuld is considered to be independent.

Mrs. Romuld holds no shares in the company.

VIRGAR DAHL
Board member
Born 1958. Mr. Dahl was educated as Captain in 1981. From 1981–1989, he sailed as a navigator and Captain. Director of Marine Department in Tryggingarfelagið Føroyar from 1989, Board member of Føroya Realkreditstovnur.

Mr. Dahl has been a Board member of Bakkafrost since August 2006. Mr. Dahl participated in all 15 Board meetings held during 2012.

Mr. Dahl is not considered to be independent.

Mr. Dahl holds 7,000 shares in the company.

ANNIKA FREDERIKSBERG
Board member
Born 1971. Graduated from Faroese Business School – Basic Vocational Course, Commercial Line in 1988. Part of Bakkafrost's administration team, 1990–2008. Part of Bakkafrost's sales team, 2008– present.
Mrs. Frederiksberg has been a Board member of Bakkafrost since February 2008.

Mrs. Frederiksberg participated in 14 of 15 Board meetings held during 2012.

Mrs. Frederiksberg is not considered to be independent.

Mrs. Frederiksberg holds 14,000 shares in the company.

ODD ELIASEN
Managing Director, Board member until October 2012
Born 1965. Teacher Certificate Exam from Faroese Teacher Training College 1988. Sales manager Havsbrún 1988–1995, Director of Feed Department of Havsbrún 1995–present. Mr. Eliasen has broad experience from the fish farming industry and has been an active player in restructuring the fish farming industry in the Faroe Islands. Mr. Eliasen has been responsible for Havsbrún´s farming activity and has held various board positions in the industry.

Mr. Eliasen was Board member of Bakkafrost from 2006 to October 2012, when he was appointed Managing Director for Havsbrún and a member of the Group Management. As a consequence, Mr. Eliasen resigned as Board member of Bakkafrost at the same time.

Mr. Eliasen participated in all Board meetings held during 2012 until his resignation as Board member.
Mr. Eliasen is not considered to be independent.

Mr. Eliasen holds 169,895 shares in the company.

The Board of Directors' remuneration is disclosed in the notes to the consolidated financial statement.

GROUP MANAGEMENT'S PROFILES

REGIN JACOBSEN
Chief Executive Officer
Regin Jacobsen (born 1966) has been the CEO of Bakkafrost since 1989. Mr. Jacobsen was educated at Aarhus School of Business, Graduate Diploma in Business Administration and Accounting (HD-R). From 1982 to 1988, Mr. Jacobsen was Financial Manager of P/f Bakkafrost.

Mr. Jacobsen holds 4,491,217 shares in the company.

TEITUR SAMUELSEN
Chief Financial Officer
Teitur Samuelsen (born 1972) was appointed CFO of Bakkafrost in 2009. He holds a BA in Business Economics and an MSc in Business Economics & Auditing from Copenhagen Business School. Mr. Samuelsen has previously worked for KPMG, Dong Energy E&P A/S and was CFO of Atlantic Petroleum from 2005 to 2009. Chairman of the Board of P/F Vestpack and Board Member of P/F 6. september 2006.

Mr. Samuelsen holds 1,000 shares in the company.

ODD ELIASEN

Managing Director from October 2012

Odd Eliasen (born 1965) holds a Teacher Certificate Exam from Faroese Teacher Training College 1988. Mr. Eliasen held the position as sales manager of Havsbrún from 1988–1995 and Director of Feed Department of Havsbrún from 1995–present. Mr. Eliasen has broad experience from the fish farming industry, and has been an active player in restructuring the fish farming industry in the Faroe Islands. Mr. Eliasen has been responsible for Havsbrún´s farming activity and has held various board positions in the industry. Mr. Eliasen was Board member of Bakkafrost from 2006 to October 2012, when he was appointed Managing Director for Havsbrún and a part of the Group Management.

Mr. Eliasen holds 169,895 shares in the company.

BERGUR POULSEN

Managing Director until October 2012

Mr. Poulsen (born 1953) was responsible for the Havsbrún activities (feed, meal and oil). Bergur Poulsen was Managing Director of Havsbrún for 16 years before he decided to step down in October 2012. Mr. Poulsen holds a Degree in Pharmacy from the University of Copenhagen.

Mr. Poulsen holds 243,591 shares in the company.

OTHER MANAGERS:

SÍMUN P. JACOBSEN
Senior Sales Manager
Mr. Símun P. Jacobsen (born 1963), was appointed Senior Sales Manager for the Bakkafrost Group in December 2012. Mr. Jacobsen holds a Graduate Diploma in Business Administration and Accounting (HD-R) from Handelshøjskolen Syd in Denmark. Mr. Jacobsen has an extensive career within the business of sales and management in the white fish industry as well as sale of salmon products to European supermarket chains. He was Sales Manager for United Seafood from 1998 and for Faroe Seafood from 2005.

Mr. Jacobsen holds no shares in the company.

KÁRI JACOBSEN
Manager – VAP production and processing
Mr. Kári Jacobsen (born 1963) has been Manager of VAP production and processing since 2008. He was educated at Statens Fagskole for Fiskeindustri Vardø (1982/1983). Kári Jacobsen was Production Manager for Tavan from 1984 to 1994 and from 1999 to 2008. Kári Jacobsen was Production Manager for United Seafood from 1994 to 1998.

Mr. Jacobsen holds 1,000 shares in the company.

ANDRIAS PETERSEN
Harvest Manager
Mr. Andrias Petersen (born 1973) holds a BSc in Chemical Engineering from the Technical University of Denmark (2001) and has since then completed courses in general-, project- and quality management. From 2002–2008 he worked with the Faroese Food, Veterinary and Environmental Agency in positions as Official Supervisor, Quality Manager and Head of the department of fish health, where he obtained a good knowledge of the Faroese fish farming industry. From 2008 Mr. Petersen was Production Manager at the former Vestsalmon and following the merger of the Vestlax Group with the Bakkafrost Group, Mr. Petersen has been Harvest Manager.

Mr. Petersen holds no shares in the company.

JÓN PURKHÚS
Farming Manager (North region)
Mr. Jón Purkhús (born 1958) has been Farming Manager at Bakkafrost since 2006. Mr. Purkhús has extensive experience in the salmon farming industry, as he founded and has been Director of Bakkafrost Farming North since 1988.

Jón Purkhús is Managing Director of JH Holding, which holds 100,068 shares in Bakkafrost.

ODDVALD OLSEN
Farming Manager (West region)
Mr. Oddvald Olsen (born 1964) has been Farming Manager in Bakkafrost Farming West since 2011. Mr. Olsen has extensive experience in the salmon farming industry, where he started in 1985.

Mr. Olsen holds no shares in the company.

HARTVIG JOENSEN
Manager, Fish Oil and Fishmeal
Mr. Hartvig Joensen (born 1967) has been Manager of the fish oil and fishmeal department of Havsbrún since 2005.

Mr. Joensen holds no shares in the company.

ANNA JOHANSEN
Senior Group Quality Manager
Ms. Anna Johansen (born 1974) holds a cand.scient in biology from the University of Copenhagen, Denmark (2002) and has since completed courses in project management, basic law and communication. From 2003–2007, she worked with the Faroese Food, Veterinary and Environmental Agency as an Environmental Supervisor and a Project Manager. Anna Johansen has been Quality Manager for P/f Vestlax and P/f Vestsalmon since 2007 until the merger with Bakkafrost, when she started as Senior Group Quality Manager.

Ms. Johansen holds no shares in the company.

LEIF AV REYNI
Fresh Water Manager
Mr. Leif av Reyni (born 1976) holds a BSc in Aquaculture from Høgskolen in Sogndal, Norway (1999–2002) and a MSc degree in Aquaculture from Stirling University, Scotland. From 2003–2004 Mr. Reyni worked for Vestlax, and from 2004–2005 Mr. Reyni worked as Project Manager for the local Aquaculture Research Station in the Faroe Islands. From 2005 to 2009 he was Production Manager at Vestlax and responsible for sea sites and hatcheries. Following the merger of the Vestlax Group with the Bakkafrost Group, Mr. Reyni has been Freshwater Manager responsible for the hatcheries. Since 2006 he has been on the Board of the Faroese Aquaculture Research Station.

Mr. Reyni holds no shares in the company.

GUÐRUN OLSEN
Group HR Manager
Mrs. Guðrun Olsen (born 1964) holds a BA from the Copenhagen Business School and a MA degree in International Corporate Communication from the University of Southern Denmark in Odense. From 1994 to 2004 Mrs. Olsen held positions as Company Secretary and HR & Adm. Manager at Faroe Seafood. Guðrun Olsen has been Group HR Manager of Bakkafrost since 1 February 2012.

Mrs. Olsen holds no shares in the company.


BAKKAFROST

CORPORATE GOVERNANCE

P/f Bakkafrost is dedicated to maintaining high standards of corporate governance. The company endeavours to be in compliance with the Norwegian corporate governance regime, as detailed in the Norwegian Code of Practice for Corporate Governance, published on 23 October 2012 by the Norwegian Corporate Governance Board (the "Code of Practice"). Bakkafrost is in compliance with the Norwegian Code of Practice for Corporate Governance apart from:

Article 3 that stipulates "that mandates granted to the board should be limited in time to no later than the date of the next annual general meeting".

Bakkafrost's Articles of association § 4A gives the board of directors authorization to increase the share capital until the ordinary general meeting of the company in 2017 and § 4B gives the board of directors authorization to buy own shares on behalf of the company until the annual general meeting is held in 2017.

According to the Faroese company law, a company may in its Article of Association decide that the AGM may give the Board of Directors authority to increase the share capital, and buy own shares. This permission may last for more than one year. For practical reasons, this has been implemented into the articles of association of P/F Bakkafrost. It is the board's view that if shareholders find this authorisation unacceptable, the board will support a change to the articles of Associations.

The company's principles for corporate governance are available on Bakkafrost's website, http://www. bakkafrost.com/default.asp?menu=221.

To ensure adherence to the principles, the company has elaborated specific instructions regarding rules of procedure for the Board of Directors, instructions for the Nomination Committee, instructions for the Chief Executive Officer and other management, guidelines with regards to values and ethics, instructions for the Audit Committee, an investor relations policy, guidelines relating to takeover bids and guidelines for related-party transactions.

The company's audit committee met 4 times during 2012 to review accounting and operational issues in detail. The committee consists of Rúni M. Hansen (Chairman), Johannes Jensen and Trine Sæther Romuld.

STATEMENT BY MANAGEMENT AND BOARD OF DIRECTORS ON THE ANNUAL AND CONSOLIDATED REPORT AND ACCOUNTS

The Management and Board of Directors have today considered and approved the Annual and Consolidated Report and Accounts of P/f Bakkafrost for the financial year 1 January 2012 to 31 December 2012.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the Annual and Consolidated Report and Accounts give a true and fair view of the Group's and parent company's financial positions at 31 December 2012, as well as the results of the Group's and the parent company's activities and cash flows for the financial year 1 January 2012 to 31 December 2012.

Glyvrar, 22 March 2013

Management:
Regin Jacobsen
CEO

Board of Directors:

Rúni M. Hansen,
Chairman of the Board

Johannes Jensen,
Deputy Chairman of the Board

Trine Sæther Romuld,
Board Member

Virgar Dahl,
Board Member

Annika Frederiksberg,
Board Member

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BAKKAFROST P/F

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

We have audited the consolidated financial statements and parent company financial statements of Bakkafrost P/F for the financial year 1 January to 31 December 2012, which comprise income statement, comprehensive income statement, statement of financial position, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies, for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

The Management is responsible for the preparation of consolidated financial statements and parent company financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies and for such internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Faroese Audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements and parent company financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent company's financial position at 31 December 2012 and of the results of the Group's and the Parent company's operations and cash flows for the financial year 1 January to 31 December 2012 in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

STATEMENT ON THE STATEMENT BY THE MANAGEMENT AND THE BOARD OF DIRECTORS

Pursuant to the Faroese Financial Statements Act, we have read the Statement by the Management and the Board of Directors. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements.

On this basis, it is our opinion that the information provided in the Statement by the Management and the Board of Directors is consistent with the consolidated financial statements and the parent company financial statements.

Tórshavn, 22 March 2013

Sp/f Grannskoðaravirkið INPACT
løggilt grannskoðaravirki

Heini Thomsen
State authorised Public Accountant

BAKKAFROST GROUP
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2012	2011
Operating revenue		**1,855,544**	**1,321,092**
Purchase of goods		-835,494	-450,815
Change in inventory and biological assets (at cost)		75,990	19,796
Salary and personnel expenses	5	-210,115	-168,144
Other operation expenses		-482,641	-319,458
Depreciation	9	-80,244	-67,325
Operational EBIT		**323,040**	**335,146**
Fair value adjustments on biological assets		90,546	-45,882
Onerous contracts		-46,078	2,856
Income from associates		-6,442	-2,021
Acquisition costs		0	-16,019
Loss from sale of subsidiary		-17,546	0
Badwill related to the acquisition of the Havsbrún Group		0	126,618
Earnings before interest and taxes (EBIT)		**343,520**	**400,698**
Financial income		3,436	2,835
Net interest expenses		-20,924	-30,830
Net currency effects		-145	-609
Other financial expenses		-2,206	-1,898
Earnings before taxes (EBT)	7	**323,681**	**370,196**
Taxes	18	-55,806	-46,779
Profit or loss for the period continuing operations		**267,875**	**323,417**
Discontinued operations			
Profit or loss from discontinued operations, after tax	10	13,462	0
Profit or loss for the period continuing and discontinuing operations		**281,337**	**323,417**
Profit or loss for the year attributable to			
Non-controlling interests		0	-1,971
Owners of P/F Bakkafrost		281,337	325,388
Earnings per share (DKK), continuing operations	21	5.48	6.66
Earnings per share (DKK), discontinuing operations		0.28	-
Comprehensive income:			
Profit for the year		281,337	323,417
Reversal of fair value adjustment on interest rate swap		0	1,589
Fair value adjustment on securities available for sale net tax		0	-12,831
Deferred tax on securities available for sale		0	3,024
Fair value adjustment on purchased non-controlling interests		1,634	0
Total comprehensive income for the year net tax		**282,971**	**315,199**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

DKK 1,000	Note	2012	2011
ASSETS			
Non-current assets			
Intangible assets	8	293,675	369,955
Total intangible assets		**293,675**	**369,955**
Land buildings and other real estate		360,451	366,468
Plant machinery and other operating equipment		413,189	446,403
Other operating equipment		22,448	15,652
Prepayments for purchase of PP&E		16,680	0
Total property, plant and equipment	9	**812,768**	**828,523**
Non-current financial assets			
Investments in associated companies	10	88,867	33,635
Investments in stocks and shares	11	2,345	2,220
Total non-current financial assets		**91,212**	**35,855**
TOTAL NON-CURRENT ASSETS		**1,197,655**	**1.234,333**
Current assets			
Biological assets (biomass)	13	746,958	700,336
Inventory	12	242,898	179,179
Total inventory		**989,856**	**879,515**
Accounts receivable	14	212,357	154,496
Other receivables	14	145,998	16,562
Total receivables		**358,355**	**171,058**
Cash and cash equivalents	17	25,045	16,868
Total current assets		**1,373,256**	**1,067,441**
TOTAL ASSETS		**2,570,911**	**2,301,774**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

DKK 1,000	Note	2012	2011
EQUITY AND LIABILITIES			
Equity			
Share capital	16	48,858	48,858
Other equity		1,214,054	977,596
Non-controlling interests		0	34,557
Total equity	15	**1,262,912**	**1,061,011**
Non-current liabilities			
Deferred taxes	18	258,441	256,023
Long-term interest bearing debts	17	731,948	733,693
Total non-current liabilities		**990,389**	**989,716**
Current liabilities			
Short-term interest bearing debt	17	100,000	100,000
Accounts payable and other debt	17	217,610	151,047
Total current liabilities		**317,610**	**251,047**
Total liabilities		**1,307,999**	**1,240,763**
TOTAL EQUITY AND LIABILITIES		**2,570,911**	**2,301,774**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	**Note**	**2012**	**2011**
Cash flow from operations			
Operating profit (EBIT)		**343,520**	**400,698**
Adjustments for write-downs and depreciation		83,224	67,325
Adjustments for value adjustments on biomass		-90,546	45,882
Adjustments for income from associates		6,442	2,021
Adjustments for currency effects		145	0
Adjustments for loss from sale of subsidiary		17,546	0
Adjustments for badwill		0	-126,618
Provision for onerous contracts		46,078	-2,856
Taxes paid		-72,612	-32,490
Change in inventory		-84,929	24,455
Change in receivables		-86,437	32,081
Change in current debts		120,236	-598
Cash flow from operations		**282,667**	**409,900**
Cash flow from investments			
Deposit into trust account for the acquisition of Havsbrún		0	-976,770
Acquisition/sale of subsidiaries and activities, etc., net		46,843	0
Proceeds from sale of fixed assets		541	1,436
Proceeds from sale of financial assets		0	349,530
Payments made for purchase of fixed assets		-114,250	-98,009
Purchase of shares and other investments		0	-700
Change in long-term receivables		0	796
Cash flow from investments		**-66,866**	**-723,717**
Cash flow from financing			
Change of interest bearing debt (short and long)		-1,745	543,094
Acquisition of minorities		-30,000	0
Financial income		3,436	2,835
Financial expenses		-23,275	-33,337
Financing of associate		-107,182	0
Dividend paid		-48,858	-191,035
Cash flow from financing		**-207,624**	**321,557**
Cash flow from discontinuing operations			
Net cash from operating activities		2,179	0
Net cash used for investing activities		-1,242	0
Net cash used for financing activities		-937	0
Net cash from discontinuing operations		**0**	**0**
Net change in cash and cash equivalents in period		**8,177**	**7,740**
Cash and cash equivalents – opening balance		16,868	9,128
Cash and cash equivalents – closing balance total		**25,045**	**16,868**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2012	2011
Total equity 01.01		**1,061,010**	**902,289**
Profit for the year to equity		**281,337**	**323,417**
Adjustment 01.01		**-577**	**0**
Fair value adjustment on interest rate swap		0	1,589
Reversal of fair value adjustment on securities available for sale		0	-12,831
Reversal of deferred tax on securities available for sale		0	3,024
Fair value adjustment on purchased non-controlling interests		1,634	0
Total other comprehensive income		**1,634**	**-8,218**
Proposed dividend		-97,716	-48,858
Total proposed dividend		**-97,716**	**-48,858**
Total recognised income and expense to equity		**184,678**	**266,341**
Equity transactions between the Group and its shareholders			
Acquisition of minorities		-31,634	0
Net proceeds from share capital increases		**-31,634**	**0**
Equity to shareholder			
Distribution of dividend		-48,858	-191,035
Proposed dividend		97,716	48,858
Total equity to shareholders during the year		**48,858**	**-142,177**
Total change in equity during the year		**201,902**	**124,164**
Non-controlling interests acquired in the period		0	36,528
Result for the period		0	-1,971
Non-controlling interests at the end of the period		**0**	**34,557**
Total equity 31.12		**1,262,912**	**1,061,011**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - BAKKAFROST GROUP

NOTE 1. GENERAL INFORMATION

P/f Bakkafrost ("company") is a public limited company domiciled in the Faroe Islands at Bakkavegur 9, Glyvrar. P/f Bakkafrost was listed on the Oslo Stock Exchange in 2010 with ticker code BAKKA.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

BASIS OF PRESENTATION

The Annual Report comprises the income statement, statement of financial position, specification of changes in equity, cash flow statement and note disclosures for the Group. The accounting year equals the calendar year.

The financial statements were formally drawn up in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Accounting Standards Board as approved by the European Community and the additional requirements according to the Faroese Financial Reporting act.

The Annual and Consolidated Report and Accounts for the period 1 January to 31 December 2012 comprises both the Consolidated Annual Report and Accounts for P/f Bakkafrost and its subsidiaries (Group) and the separate Annual Accounts for the parent company.

The financial statements were formally approved by the Board of Directors on 22 March 2013.

The Annual Report has been prepared on a historical cost basis except for where IFRS require recognition at fair value, mainly valuation of licences and of biomass.

Preparation of the financial statements involves the use of estimates and assumptions. Changes in estimates and estimated assumptions are accounted for when they occur. Descriptions about the various estimates applied are given in the notes to the accounts where relevant.

There are no new or amended IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2012 that are assumed to have a material impact on the Group.

CONSOLIDATION PRINCIPLES

The consolidated financial statements include P/f Bakkafrost and the subsidiaries over which P/f Bakkafrost has controlling influence either by shareholding or by agreement. A controlling interest is normally deemed to exist when ownership directly or indirectly exceeds 50 percent of the voting capital. Controlling interest may also exist by nature of agreement. Similarly, limitations in voting rights by agreement may impede exercise of control, and the investment concerned will be considered an associate. Newly acquired subsidiaries are included from the date on which a controlling interest is secured, and divested subsidiaries are included up until the date of divestment. The consolidated accounts have been prepared in accordance with uniform accounting principles for similar transactions in all companies included in the consolidated accounts. All material transactions and balances between Group companies have been eliminated.

Shares in subsidiaries have been eliminated in the consolidated financial statements in accordance with the acquisition method. This means that the acquired company's assets and liabilities are reported at fair value at the date of acquisition, with any excess value being classified as goodwill. Where the fair value of the assets acquired exceeds the payment made, the difference is treated as badwill in the Income Statement. Deferred tax is capitalised to the extent to which identifiable excess values ascribed to assets and liabilities leads to an increase or decrease in future tax payable when these differences are reversed in future periods. Deferred tax is capitalised and calculated using a nominal undiscounted tax rate.

When shares are acquired in stages, the value basis of the assets and liabilities is the date the Group was formed. Later acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities, with the exception of goodwill, which is calculated with each acquisition.

Investments in companies in which the Group has a considerable interest (associated companies) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist when the Group owns 20–50 percent of the voting capital. The Group's share of the profits in such companies is based on profit after tax, less internal gains and depreciation on excess value due to the cost price of the shares being higher than the acquired portion of book equity. In the Income Statement, the profit share is presented on a separate line, while the assets are presented in the statement of financial position as long-term financial assets. The accounting principles used by associated companies have been changed where necessary to achieve consistency with the principles used by the Group as a whole.

Translation of Foreign Currencies

For each individual entity, which is recognised in the consolidated accounts, a functional currency is determined in which the entity measures its results and financial position. The functional currency is the currency of the primary economic environment in which the entity operates. Transactions in other currencies than the functional currency are transactions in a foreign currency.

A foreign currency transaction is, on initial recognition, recorded in the functional currency, at the spot exchange rate between the functional currency and the foreign currency on the date of the transaction.

At each balance sheet date receivables, payables and other monetary items in foreign currency are translated to the functional currency using the closing rate.

Exchange differences arising on the settlement of monetary items or on translating monetary items, at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, shall be recognised in the income statement under financial revenues and expenses.

On consolidation the results and financial position of the Group's individual entities with different functional currencies than the Group's presentation currency (DKK) are translated into the Group's presentation currency using the following procedure:

· Assets and liabilities are translated at the closing rate at the date of the balance sheet.
· Income and expenses are translated at exchange rates at the dates of the transactions.
· All resulting exchange differences are recognised directly in equity as a separate component of equity.

For practical reasons an average rate for the period that approximates the exchange rates at the dates of the transactions is used.

NON-CONTROLLING INTERESTS

The share of the profit or loss after tax attributable to non-controlling interests is presented on a separate line after the Group's net profit for the year. The share of equity attributable to minority interests is presented on a separate line under Group equity.

REVENUES

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is recognised net of discounts, VAT and other sales-related taxes.

The revenue of the Group is mainly for sales of fish and fish feed. Sales revenues are recognised when the goods are delivered and both title and risk has passed to the customer. This will normally be upon delivery.

FAIR VALUE ADJUSTMENTS ON BIOLOGICAL ASSETS

Changes in estimated fair value on biomass are recognised in the income statement at every closing. The fair value adjustment is reported on a separate line: "fair value adjustment on biomass". The change in fair value adjustment is calculated as the change in fair value of the biomass less the change in accumulated cost of production for the biomass. At harvest, fair value adjustments are reversed.

FINANCIAL INCOME

Interest income is recognised on an accrual basis. Dividend is recognised when the shareholders' right to receive a dividend has been approved by the Annual General Meeting.

SEGMENT REPORTING

Bakkafrost Group fundamentally has three business activities: farming of fish, including sale of fresh fish; value adding of salmonoid products; and the production of fishmeal, fish oil and fish feed.

Realisation of excess values on tangible and intangible assets deriving from acquisitions is not allocated to the segments.

Farming including sale of fresh fish

Fish farming involves the breeding and on-growing of salmon, as well as the slaughtering, sale and distribution of salmon. The Group has production facilities in the central and northern parts of the Faroe Islands.

There are no significant differences in the production properties of the licences, and the Group therefore reports the farmed salmonids, including the sale of fresh salmon, as one segment.

Value added products (VAP)

A significant share of the farmed products is value added at the factories in Glyvrar and Fuglafjørður. The outputs of the factories are predominantly portions for the retail market. Therefore, this is reported as one segment.

Fishmeal, fish oil and fish feed

Fishmeal, fish oil and fish feed involves the production and sale of fishmeal, fish oil and fish feed. The production of fishmeal, fish oil and fish feed is operated by Bakkafrost's subsidiary Havsbrún and is located in Fuglafjørður.

CLASSIFICATION PRINCIPLES

Cash and cash equivalents consist of cash in hand and bank deposits. Assets which form part of the production cycle and fall due for payment within 12 months are classified as current assets. Other assets are classified as non-current assets. Liabilities which form part of the production cycle or fall due for payment within 12 months are classified as current liabilities. Other liabilities are classified as non-current liabilities.

Dividend proposals are not capitalised as liabilities until the parent company has assumed an irrevocable obligation to pay the dividend, normally when dividend proposals have been approved by the Annual General Meeting.

Next year's instalments on long-term debts are classified as current liabilities.

Biomass is recognised at fair value in the Statement of Financial Position. Changes in biomass and inventory measured at cost are presented as a one-line item in the Income Statement. Biomass at cost consists of all production costs including actual interest costs.

The biomass is then adjusted to fair value, i.e. market value less finishing costs, by adding an IFRS adjustment. The IFRS adjustment is the difference between biomass measured at cost and measured at fair value.

Changes in the fair value of biological assets are presented on a line item separately from biomass changes measured at cost, under operating profit/loss. This allows the reader of the Financial Report to determine both production efficiency and biomass at fair value.

If the estimated IFRS adjustment is negative, this is taken as an indication of impairment, and an impairment test is performed.

FOREIGN CURRENCIES

The consolidated accounts are presented in Danish Kroner (DKK), which is the Group's functional and presentation currency. All transactions in foreign currencies are translated into DKK at the time of transaction. In the statement of financial position, monetary items in foreign currencies are translated at the exchange rate in effect on the statement of financial position date.

BORROWING COSTS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

RECEIVABLES

Accounts receivable and other receivables are presented at face value less provisions for bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivable concerned. Due to insignificant cost and the short credit period, amortised cost is equivalent to face value less foreseeable losses.

INVENTORY

Inventories consist of inventories in the farming unit, the VAP unit and fishmeal, fish oil and fish feed unit.

Farming unit

Inventories consist of feed and additives. Inventories are measured at the lesser of cost or expected sales price less sales costs. The FIFO principle is used concerning the periodic assignment of inventory costs.

VAP unit

Inventories consist of raw material, additives, packaging material and finished goods. Raw material in the VAP unit consists basically of processed salmonids. Raw materials are measured at fair value at the time of harvesting.

Packaging material and additives are valued at the lesser of cost or expected sales price less sales costs. The FIFO principle is used concerning the periodic assignment of inventory costs.

Finished goods in inventory, fresh or frozen, are measured at the lesser of cost or the expected sales price less sales costs. In a case where cost price exceeds sales price less sales cost, impairment is entered and charged to the Income Statement.

The cost price of goods produced in-house is the full production cost, including production costs which can be only indirectly allocated to produce goods, less general administration costs. This includes actual interest paid for production credit facilities.

Fishmeal, fish oil and fish feed unit

Raw materials and purchased commodities are valued at the lower of historical cost and net realisable value in accordance with the FIFO principle.

Finished goods are feed ready for deliverance to customer, valued at the lower of cost and net realisable value. The cost of finished goods includes any processing costs that have incurred. Processing costs consist of logistics, handling and storage costs.

BIOLOGICAL ASSETS

Biological assets (biomass) comprise salmon fry and fish in the sea. The valuation of biological assets is based on cost price with the addition of a fair value adjustment, which is based on market prices of salmon at marketable sizes on average for a generation. Consequently, the valuation of biomass in the statement of financial position reflects biomass at market values, and Income Statement presents production costs and fair value adjustments separately.

This is in accordance with IAS 41, which requires biological assets to be measured at fair value.

At the point when a new generation of smolt is launched to sea, the generation is measured at production cost. Smolts are predominantly produced in-house, and smolts put to sea are measured at production cost. At the early stages of production at sea, the assumption of the measurement being clearly unreliable is maintained. At average sizes of approximately 1 kg/fish, the fair value measurement of the generation becomes less than clearly unreliable. At this point, fair value measurement commences.

The fair value estimate incorporates the proportionate expected net profit at harvest during the interval starting from 1 kg ending at 4 kg. The best fair value estimate on fish below 1 kg is considered to be accumulated cost, while fish above 4 kg (mature fish) are valued to full expected net value. The sales prices are based on externally quoted spot and forward prices, where applicable, and/or the most relevant price information available for the period of which the fish is expected to be harvested, whereas spot market prices are applied to mature fish. As fish at fair value is harvested within one year, the fair value is not amortised.

If there exists an impairment requiring a write-down in value (further growth and sales price are not expected to meet production costs), an impairment write-down is entered to the statement of financial position and charged to the Income Statement.

The period immediately prior to harvesting makes estimating the fair value of not-yet-harvestable fish more uncertain than estimating the value of harvestable fish. See the note regarding biological assets for further information regarding the principles employed.

FIXED-PRICE CONTRACTS

The Group enters into sales contracts for value added salmon products (VAP) on an on-going basis. The contracts involve physical settlement, and deliveries associated with the contracts form part of the Group's normal business activities. The contracts contain no built-in derivative elements.

With respect to fixed-price contracts, which result in the Group being obligated to sell salmon products at a price less than production cost (including fair value adjustment of raw materials at the point of harvesting), the contracts are considered onerous, and provisions are calculated and entered to the statement of financial position. The provision is charged to the Income Statement.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are capitalised at acquisition cost, less accumulated depreciation and write downs. When assets are sold or divested, the book value is deducted and any loss or gain entered to the Income Statement. Ordinary depreciation commences from the date on which the asset goes into normal operation and is calculated on the basis of its economic lifespan. Depreciation is assigned in a straight line over the expected economic lifespan of the assets, taking into consideration the estimated residual value. If an asset comprises significant components with varying lifespan, these components are depreciated separately. The scrap value of the property, plant and equipment as well as the depreciation period and depreciation method employed are reassessed annually.

Facilities under construction are not depreciated. Depreciation is charged to expenses when the facilities are ready for use. If the situation or circumstances indicate that the carrying amount of an asset cannot be recovered, an assessment is made about whether to write-down its value. If the recoverable value of the assets is less than the carrying amount and the impairment is not expected to be temporary, the assets are written-down to the recoverable value. The recoverable value is the greater of net sales price or value in use. Value in use is the present value of the future cash flows which the asset will generate.

LEASING CONTRACTS

Operating assets which are leased on terms which transfer the bulk of the financial risk and control to the company (financial leasing) are recorded in the statement of financial position as property, plant and equipment, and the corresponding leasing liability is included under long-term interest bearing liabilities at the present value of the leasing payments. The asset is depreciated as scheduled, and the liability is reduced by the amount of lease paid less a calculated interest cost. The depreciation period is consistent with similar assets which are owned by the Group.

INTANGIBLE ASSETS

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

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

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

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

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

Licences which are obtained at original distribution by the Faroese government are not capitalised due to the fact that no acquisition consideration is transferred.

Goodwill

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

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

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

Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash-flow generating units to which the goodwill is assigned. To identify the Group's cash-flow generating units, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows for the next three years based on approved budgets and forecasts. Cash flows after three years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax, which takes account of relevant market risk. If the calculated value in use is less than the carrying amount of the cash-flow generating unit, goodwill is written down first and then other assets as required.

FINANCIAL INSTRUMENTS

In accordance with IAS 39, financial instruments falling within its remit are classified into the following categories: fair value with changes in value posted to the Income Statement, hold until maturity, loans and receivables, available for sale and other liabilities.

Financial instruments at fair value with changes in value entered to the Income Statement

Financial instruments which are held primarily for the purpose of buying or selling in the short term are classified as being held for trading purposes. These instruments are included in the category of financial instruments recognised at fair value, with changes in value entered to the Income Statement alongside forward currency contracts which are recognised at fair value, with changes in value entered to the Income Statement.

Loans and receivables

Loans and receivables are recognised at amortised cost using the effective interest method less any losses from impairment. Due to immaterial transaction cost and short credit times, amortised cost equals nominal value less provisions for bad debts.

Financial assets available for sale

Financial assets which are available for sale are recognised at fair value. Any changes in fair value are taken directly to equity, with the exception of losses deriving from any fall in value.

PENSIONS

The Group has employed a defined contribution pension scheme. Pension premiums are charged to the Income Statement as they accrue. The Group has no additional pension liabilities towards the employees, apart from these periodical payments.

TAX

The tax expense is matched against the profit or loss before tax, as it appears in the accounts. Tax ascribable to equity transactions are taken to equity. The tax expense comprises tax payable (tax on the year's direct taxable income) and changes in net deferred taxes. Deferred tax liabilities and deferred tax assets are presented net in the statement of financial position, to the extent that tax assets and liabilities can be netted against each other.

Deferred tax in the statement of financial position is a nominal amount calculated on the basis of temporary differences between accounting and tax values at their intended use, as well as the taxable loss carried forward at the end of the financial year.

Deferred tax assets are capitalised when it is deemed probable that they will result in a reduction in future taxes payable on taxable income.

Deferred tax is calculated on the difference between the accounting and taxable values of licences.

PROVISIONS

A provision is recognised when, and only when, the company has a valid liability (legal or self-imposed) deriving from an event which has occurred, and when it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and when the amount in question can be reliably quantified. Provisions are reviewed on each closing date, and the level reflects the best estimate for the liability.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

New information regarding the company's financial position on the statement of financial position which is received after the date of the statement of financial position has been recognised in the annual accounts. Events after the date of the statement of financial position which do not affect the company's financial position on the statement of financial position date, but which will affect the company's future financial position, are reported if material.

STATEMENT OF CASH FLOW

The Group's statement of cash flow shows a breakdown of the Group's overall cash flow into operating, investing and financing activities. The statement shows the individual activity's impact on cash and cash equivalents. The cash flow deriving from the acquisition and sale of business is presented under investing activities.

INTRAGROUP REORGANISATION

There have been three intragroup reorganisations in 2012. The companies involved were all wholly owned subsidiaries, and the merger is recognised according to the pooling of interest method. Consequently, the merger has no impact on the consolidated financial report.

The subsidiaries of P/f Bakkafrost – P/F Bakkafrost Processing and P/F Salmpro were merged as of 1 January 2012.

The subsidiaries of P/F Bakkafrost – P/F Bakkafrost Farming, P/F Viking Seafood, P/F Sundalaks and Sp/f Salmex Faroe were merged as of 1 January 2012.

The subsidiaries of P/F Bakkafrost – P/F Havsbrún, P/F Dagsbrún, P/F Føroya Fiskiídnaður, P/F Sildaskip, Sp/f Havsbrún Farming and P/F Føroya Sildasøla were merged as of 1 January 2012.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Standards issued but not yet effective up to the date of the issuance of the Group's financial statements are listed below. This listing of standards and interpretations issued are those that the Bakkafrost Group reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Group intends to adopt these standards when they become effective.

IAS 1 Presentation of other Comprehensive Income – Amendments to IAS1

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified (or recycled) to profit or loss at a future point in time would be presented separately from items that will never be reclassified. The amendment affects presentation only, and has no impact on the Group's financial position or performance. The amendment becomes effective for annual periods beginning on or after 1 July 2012, and will therefore be applied in the Group's first annual report after becoming effective.

IAS 28 Investments in Associates and Joint Ventures (as revised in 2011)

As a consequence of the new IFRS 28 Joint Arrangements and IFRS 12 Disclosure of Interests in Other entities, IAS 28 Investments in associates has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates. The revised standard becomes effective for annual periods beginning on or after 1 January 2013.

IAS 32 Offsetting Financial Assets and Financial Liabilities – Amendments to IAS 32

These amendments clarify the meaning of "currently has a legally enforceable right to set-off". The amendments also clarify the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments are not expected to impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2012.

IFRS 7 Disclosures – Offsetting Financial Assets and Financial Liabilities – Amendments to IFRS 7

These amendments require an entity to disclose information about rights to set-off ad related arrangements (e.g. collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with IAS 32. These amendments will not impact the Group's financial position or performance and become effective for annual periods beginning on or after 1 January 2013.

IFRS 12 Disclosure of Interests in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interest in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required, but has no impact on the Group's financial position or performance. This standard becomes effective for annual periods beginning on or after 1 January 2013.

IFRS 13 Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted. The Group is currently assessing the impact that this standard will have on the financial position and performance, but based in the preliminary analyses, no material impact is expected. This standard becomes effective for annual periods beginning on or after 1 January 2013.

ANNUAL IMPROVEMENTS MAY 2012

IAS 1 Presentation of Financial Statements

This improvement clarifies the difference between voluntary additional comparative information and the minimum required comparative information. Generally, the minimum required comparative information is the previous period.

IAS 16 Property, Plant and Equipment

This improvement clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 Financial Instruments, Presentation

This improvement clarifies that income taxes arising from distributions to equity holders are accounted for in accordance with IAS 12, Income Taxes.

IAS 34 Interim Financial Reporting

The amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. This clarification also ensures that interim disclosures are aligned with annual disclosures.

These improvements are effective for annual periods beginning on or after 1 January 2013.

STANDARDS ISSUED AND IMPLEMENTED EARLY

The following standards are issued with an effective date forward in time. However Bakkafrost has chosen to implement early in order to secure continuity in the financial reporting.

IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 requires management to exercise significant judgement to determine which entities are controlled and therefore are required to be consolidated by a parent, compared with the requirements that were in IAS 27.

Following the early implementation of IFRS, applying IFRS11 and 12 is mandatory. IFRS 11 is not relevant for the Group, whereas disclosures according to IFRS 12 are given in the financial statements.

This standard becomes effective for annual periods beginning on or after 1 January 2013, but Bakkafrost has elected to implement the standard with effect 1 January 2012. Based on the preliminary analysis performed, IFRS 10 is not expected to have any impact on the currently held investments of the Group.

NOTE 3. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make judgement estimates and assumptions that affect the application of accounting principles and carrying amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and other factors perceived to be relevant and probable when the judgements were made. Estimates are reviewed on an on-going basis, and actual values and results may deviate from the initial estimates. Revision to accounting estimates are recognised in the period in which the estimates are revised.

The evaluations and estimates deemed to be of greatest significance for the Bakkafrost Group Financial Statements are as follows:

VALUATION OF BIOMASS

The valuation of biomass in the sea involves estimates of both volume and quality of the biomass. When valuing the biomass, the most updated data on development in the biomass is used, and the estimated quality grading is based on history. According to IAS 41, the biomass is carried in the statement of financial position at estimated fair value on the date of the statement of financial position. The estimate of the fair value of biomass will always be based on uncertain assumptions, even though the company has built substantial expertise in assessing these factors. The volume of biomass is, in itself, an estimate that is based on the number of smolt put to sea, the estimated growth from the time of stocking, estimated mortality based on observed mortality in the period, etc. The principles of valuation are described further in the note to the biological assets.

FIXED-PRICE CONTRACTS

The company holds long-term sale contracts related to salmon products. These contracts do not contain any elements of embedded derivatives and are therefore not treated as financial instruments. The contracts are settled based exclusively on the assumption that delivery of salmon products should take place. The contracts are not tradable, nor do they contain a clause for settlement in cash or cash equivalents.

Provisions are made for estimated onerous contracts that oblige the Group to sell fish at a price less than calculated production costs including raw materials, biomass, measured at fair value.

ACCOUNTING FOR DEFERRED TAXES

The accounting of deferred taxes reflects tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position. The recognition of a deferred tax asset is based on expectations of profitability in the future. In addition, there are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Deferred taxes are calculated using the nominal tax rate according to IAS 12. This means that the net present value of effects from, e.g. tax losses carried forward that are utilised in the future will be different from carrying amounts.

NOTE 4. OPERATING SEGMENT INFORMATION

2012 – DKK 1,000	Farming*	Value Added Products	Fishmeal, oil and feed	Eliminations	Bakkafrost Group
External operating revenues	1,015,496	526,257	313,790	0	1,855,543
Internal operating revenues	356,164	0	575,547	-931,711	0
Total operating revenues	**1,371,660**	**526,257**	**889,337**	**-931,711**	**1,855,543**
Depreciation and amortisation	-50,156	-6,060	-24,028	0	-80,244
Operating expenses	-471,960	-127,064	-804,816	-48,420	-1,452,260
Internal operating expenses	-575,547	-356,164	0	931,711	0
Operating EBIT	**273,997**	**36,969**	**60,493**	**-48,420**	**323,039**
Provision for onerous contracts	0	-46,078	0	0	-46,078
Fair value adjustments on biological assets	90,546	0	0	0	90,546
Income from associate	6,105	-16	-12,531	0	-6,442
Loss from sale of subsidiary	-17,546	0	0	0	-17,546
EBIT	**353,102**	**-9,125**	**47,962**	**-48,420**	**343,519**
Net interest revenue	2,692	2,509	6,587	-8,352	3,436
Net interest expenses	-31,155	-60	-412	8,352	-23,275
Earnings before taxes	**324,639**	**-6,676**	**54,137**	**-48,420**	**323,680**
Tax	-47,263	1,201	-9,744	0	-55,806
Net earnings	**277,376**	**-5,475**	**44,393**	**-48,420**	**267,874**
Operating EBITDA	**324,153**	**43,029**	**84,521**	**-48,420**	**403,283**
ASSETS					
Assets	2,669,228	64,766	637,004	-800,087	2,570,911
Whereof intangible assets	293,675	0	0	0	293,675
LIABILITIES	**2,114,214**	**11,329**	**118,389**	**-935,933**	**1,307,999**
INVESTMENTS					
Tangible operating assets	95,627	7,423	12,352	0	115,402
Intangible operation assets	0	0	0	0	0
Depreciation	-53,132	-3,086	-24,027	0	-80,245

* Included in these are amounts from discontinued operation

2011 – DKK 1,000	Farming	Value Added Products	Fishmeal, oil and feed	Eliminations	Bakkafrost Group
External operating revenues	643,031	507,241	170,821	0	1,321,093
Internal operating revenues	339,126	0	337,896	-677,022	0
Total operating revenues	**982,157**	**507,241**	**508,717**	**-677,022**	**1,321,093**
Depreciation and amortisation	-52,087	-4,785	-10,453	0	-67,325
Operating expenses	-346,094	-93,827	-440,057	-38,644	-918,622
Internal operating expenses	-337,896	-339,126	0	677,022	0
Operating EBIT	**246,080**	**69,503**	**58,207**	**-38,644**	**335,146**
Provision for onerous contracts	0	2,856	0	0	2,856
Fair value adjustments on biological assets	-45,882	0	0	0	-45,882
Acquisition costs	-15,801	-218	0	0	-16,019
Badwill related to the acquisition of the Havsbrún Group	126,618	0	0	0	126,618
Income from associates	127	-8	-2,140	0	-2,021
EBIT	**311,142**	**72,133**	**56,067**	**-38,644**	**400,698**
Net interest revenue	4,378	10	2,053	-3,606	2,835
Net interest expenses	-24,466	-1,758	-10,719	3,606	-33,337
Earnings before taxes	**291,054**	**70,385**	**47,401**	**-38,644**	**370,196**
Tax	-26,326	-12,708	-7,745	0	-46,779
Net earnings	**264,728**	**57,677**	**39,656**	**-38,644**	**323,417**
Operating EBITDA	**298,167**	**74,288**	**68,660**	**-38,644**	**402,471**
ASSETS					
Assets	2,368,388	83,279	677,199	-827,012	2,301,854
Whereof intangible assets	369,955	0	0	0	369,955
LIABILITIES	**1,883,953**	**12,588**	**149,408**	**-805,186**	**1,240,763**
INVESTMENTS					
Tangible operating assets	95,270	5,437	3,217	0	103,924
Intangible operation assets	233,710	0	0	0	233,710
Depreciation	-52,087	-4,785	-10,453	0	-67,325

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

SALMON - DISTRIBUTION OF HARVESTED	2012		2011	
AND PURCHASED VOLUME (tgw)	**tgw**	**%**	**tgw**	**%**
Harvested volume used in VAP production	16,053	32.9%	12,720	37.0%
External purchase of salmon for VAP production	10	0.0%	0	0.0%
Harvested volume sold fresh/frozen	28,290	58.1%	21,635	63.0%
External purchase of salmon sold fresh/frozen	4,369	9.0%	0	0.0%
Harvested and purchased volume (tgw)	**48,722**	**100.0%**	**34,355**	**100.0%**

FISHMEAL, OIL AND FEED	2012		2011*	
DISTRIBUTION FEED	**tonnes**	**%**	**tonnes**	**%**
Volumes used internally	61,506	62.4%	63,657	75.4%
External purchase	29,892	37.6%	20,774	24.6%
Sold volume (tonnes)*	**91,398**	**100.0%**	**84,431**	**100.0%**

* From 1 January 2011

PRODUCTION OF FISHMEAL AND FISH OIL	2012		2011*	
	tonnes	**%**	**tonnes**	**%**
Fishmeal	10,808	73.8%	13,141	68.4%
Fish oil	3,833	26.2%	6,061	31.6%
Sold volume (tonnes)	**14,641**	**100.0%**	**19,202**	**100.0%**

* From 1 January 2011

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

2012 – DKK 1,000	Farming	VAP	FEED
Europe	499,094	513,668	313,790
USA	242,249	1,541	0
China	165,097	9,165	0
Other	109,056	1,882	0
Total	**1,015,496**	**526,257**	**313,790**

2011 – DKK 1,000	Farming	VAP	FEED
Europe	275,528	498,193	170,821
USA	275,441	0	0
China	84,142	4,582	0
Other	7,920	4,467	0
Total	**643,031**	**507,241**	**170,821**

The Group has three reportable segments in accordance with IFRS 8 Operating segments. The Group's main strategic business area is aquaculture, which consists of three segments: fish farming; value added products (VAP); and production and sale of fishmeal, fish oil and fish feed.

The Bakkafrost Group operates sea farming consisting of all production steps, from salmon roe to harvested fish, at an average size of approximately 5 kilos fresh and gutted. The salmon is partly sold in the spot market for salmon products and exported to foreign seafood processing companies.

In addition, Bakkafrost operates VAP processing facilities in which the fresh salmon is used as raw material for production of value added salmon. The business segment definition is based on the distinction between output sold to the industrial market and the value added products for the end-consumers in the retail market.

Fishmeal, fish oil and fish feed involves the production of fishmeal and fish oil from raw materials, which are ingredients in the production of fish feed.

MAJOR CUSTOMERS

One customer represents 303.4 mDKK of the revenue amount in the VAP segment. This is 59.8% of the total revenue in the VAP segment.

NOTE 5. SALARIES AND OTHER PERSONNEL EXPENSES

BREAKDOWN OF PAYROLL EXPENSES

DKK 1,000	**2012**	**2011**
Wages and salaries	187,068	152,623
Social security taxes	6,971	4,622
Pension expenses	12,919	8,027
Other benefits	3,157	2,872
Total payroll expenses	**210,115**	**168,144**
Average number of full-time employees	590	550*

*Employees of Havsbrún included from 1 July 2011

REMUNERATION TO CORPORATE MANAGEMENT

Salary and other benefits paid	**Salary**	**Bonus**	**Pension**	**Other**	**Total 2012**	**Total 2011**
Chief Executive Officer	1,614	0	0	0	1,614	1,450
Managing Director*	950	0	0	90	1,040	0
Managing Director**	1,371	0	0	90	1,461	749
Chief Financial Officer	1,269	0	0	90	1,359	1,117
Total remuneration	**5,204**	**0**	**0**	**270**	**5,474**	**3,316**

* Appointed Managing Director as of October 2012. Before he was member of the board. The board fee is presented in the table below.
** The Managing Director resigned his position in October 2012, but will service the Group until end March 2013.

Remuneration to corporate management

The total remuneration to the corporate management consists of basic salary (main element), benefits in-kind and pension schemes, but varies from person to person.

The Group's Chief Executive Officer determines the remunerations to other management in agreement with the Chairman of the Board of Directors.

The total remuneration is determined based on the need to offer competitive terms in the various business areas.

The remunerations should promote the Group's competitiveness in the relevant labour market. The total remuneration must neither pose a threat to Bakkafrost's reputation nor be market-leading, but should ensure that Bakkafrost attracts and retains senior executives with the desired skills and experience. The basic salary is subject to an annual evaluation and is determined based on general salary levels in the labour market.

NOTICE OF TERMINATION AND SEVERANCE PAY

The Group's Chief Executive Officer has a basic period of notice from the company of 24 months, and the other persons in the corporate management team have a notice period of 6 to 12 months.

Fees paid to the Board of Directors

DKK 1,000		**2012**	**2011**
Rúni M. Hansen***	Chairman of the Board	345	288
Johannes Jensen***	Deputy Chairman of the Board	224	186
Odd Eliasen*	Member of the Board	122	137
Trine Sæther Romuld***	Member of the Board	182	152
Annika Frederiksberg**	Member of the Board	164	137
Virgar Dahl	Member of the Board	164	137
Total remuneration		**1,201**	**1,037**

* Mr. Eliasen was in October 2012 appointed Managing Director, at the same time he resigned as a member of the board.
** Annika Frederiksberg is also an employee in the Bakkafrost Group. For this, she received DKK 559 thousand.
*** Member of the audit committee. Salary includes fee to the audit committee.

Loans to employees

As at 31.12.2012, there are no loans to employees.

NOTE 6. AUDITOR'S FEES

Fees paid to auditors (ex. VAT) breaks down as follows:

DKK 1,000	**2012**	**2011**
Statutory auditing	889	764
Tax advisory services	41	24
Other services	435	790
Total auditor's fees	**1,365**	**1,578**

NOTE 7. NET FINANCIAL ITEMS

DKK 1,000	2012	2011
Other financial income	3,436	2,835
Financial income	**3,436**	**2,835**
Interest expenses on long-term loans	-11,600	-12,860
Termination of interest rate swap	0	-2,562
Termination of long-term loans (adjustment)	0	-2,424
Interest expenses on credit lines	-8,980	-12,121
Interest expenses on accounts payable	-344	-863
Financial expenses	**-20,924**	**-30,830**
Exchange differences	-145	-609
Net currency effects	**-145**	**-609**
Other financial expenses	-2,206	-1,898
Other financial items	**-2,206**	**-1,898**
Net financial items	**-19,839**	**-30,502**

NOTE 8. INTANGIBLE ASSETS

DKK 1,000	Goodwill	Licences	Total 2012	Total 2011
Acquisitions cost as at 01.01	3,537	366,418	369,955	136,245
Additions in the year as a result of acquisitions	0	0	0	233,710
Disposals during the year	0	-76,280	-76,280	0
Acquisitions cost as at 31.12	**3,537**	**290,138**	**293,675**	**369,955**
Impairments 01.01	0	0	0	0
Impairments during the year	0	0	0	0
Accumulated depreciation and write-downs as at 31.12	**0**	**0**	**0**	**0**
Net book value as at 31.12	**3,537**	**290,138**	**293,675**	**369,955**

Impairment testing

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

The procedure of impairment testing

Impairment testing is carried out by calculating the net present value of estimated future cash flows (value in use) for the cash generating unit, in line with IAS 36, and comparing the net present value of the cash flow towards the carrying amount of net assets held by the cash generating unit (CGU). If the carrying amount is greater than the calculated value in use, a write-down to the calculated value in use is made. The estimated cash flows are based on the assumption of continued operation. The basis for the estimated cash flows is the strategic plan for the following years. The strategic plans have been reviewed and the targets approved by Group management.

Indications of impairment

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

The key assumptions

The key assumptions used in the calculation of value in use are harvest volume per generation which varies from licence to licence, EBT of DKK 2 per kg reflecting the long term market expectancy and production efficiency forecasts and WACC of 5.8%, in accordance with IAS 36. Harvested volume is based on the current stocking plans for each unit and forecasted figures for growth and mortality.

Sea farming licences in the Faroe Islands are considered perpetual, given certain preconditions regarding environmental protection and animal welfare is met.

Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been carried out. The value in use has been determined based on future strategic plans considering the expected development in both macroeconomic and company-related conditions. Sensitivity analysis has been performed for each of the defined cash generating units. Given the current strategic plans, all cash generating units have high tolerance levels for changes to the assumptions.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Plant, machinery, operating equipment, fixtures etc.	Other operating equipment	Total 2012	Total 2011
Acquisitions cost as at 01.01	503,448	955,440	31,523	1,490,411	1,078,256
Additions during the year in acquired entities before acquisition	0	0	0	0	26,261
Re-evaluations	0	0	0	0	287,369
Reclassification and scrapping	9,202	-112,022	54,940	-47,880	0
Additions during the year	12,498	74,930	11,294	98,722	103,924
Disposals during the year	-16,245	-54,276	-3,130	-73,651	-5,400
Acquisitions cost as at 31.12	**508,903**	**864,072**	**94,627**	**1,467,602**	**1,490,410**
Accumulated depreciation and write-downs as at 01.01	-136,980	-509,036	-15,871	-661,887	-586,208
Depreciations during the year in acquired entities before acquisition	0	0	0	0	-13,133
Depreciations during the year	-19,191	-56,918	-4,136	-80,245	4,778
Reclassification and scrapping	5,624	92,624	-54,218	44,030	0
Accumulated deprecations and write-downs on disposals	2,095	22,447	2,046	26,588	-67,325
Accumulated depreciation and write-downs as at 31.12	**-148,452**	**-450,883**	**-72,179**	**-671,514**	**-661,887**
Net book value as at 31.12	**360,451**	**413,189**	**22,448**	**796,088**	**828,523**

A significant part of Bakkafrost's buildings are located on rented land.

Estimated lifetime	25 years	10 years	3–5 years
Depreciation method	linear	linear	linear

NOTE 10. COMPANIES IN THE GROUP

The consolidated accounts for 2012 include the following subsidiaries and associates of significant size:

	Currency	Head Office	Ownership	Nominal share capital
P/f Bakkafrost Farming	DKK	Glyvrar	100%	29,802
P/f Bakkafrost Processing	DKK	Glyvrar	100%	34,858
P/f Bakkafrost Sales	DKK	Glyvrar	100%	667
P/f Bakkafrost Packaging	DKK	Glyvrar	100%	8,022
P/f Bakkafrost Harvest	DKK	Glyvrar	100%	795
P/f Havsbrún	DKK	Fuglafjørður	100%	2,000
Havsbrún Shetland Ltd.	DKK	Lerwick	100%	17
Havsbrún Norge ASA	DKK	Flekkefjord	100%	105
P/f Smoltpro	DKK	Glyvrar	100%	3,000

Associated Companies	Head Office	Ownership	Net Additions	Share of the result	Carrying amount 2012	Carrying amount 2011
P/f Salmon Proteins*	Eiði	76%	-235	523	8,085	7,797
P/f Keldan	Fuglafjørður	25%	0	697	6,810	6,113
Hanstholms Fiskemelsfabrik	Hanstholm	34%	0	-7,034	12,691	19,725
P/f Faroe Farming **	Vágur	49%	-27,530	635	61,281	0
Total					**88,867**	**33,635**

* Voting rights are 25%. The voting rights are limited in the Articles of Association of P/f Salmon Proteins
** Total assets in Faroe Farming are 167,379 tDKK on 31.12.2012, total liabilities are 118,657 tDKK, the equity is 48,722 tDKK and the result for 2012 is 1,154 tDKK

BUSINESS ACQUISITIONS

In December 2012, an agreement was made for Bakkafrost to acquire the sales company Faroe Seafood UK Limited. Faroe Seafood UK Limited is a trading company in Grimsby, UK, selling primarily salmon but also other species of fish into the UK market. The gross turnover for 2012 was GBP 4.6 million, and the profit before tax was GBP 133 thousand. The company employs a total of 4 people, whereof 3 are in the sales department. The plan is that they will all continue within the company. Faroe Seafood UK Limited has been selling salmon from Bakkafrost prior to the acquisition. The acquisition will give Bakkafrost the benefit of a direct route to the UK market for Bakkafrost's products. The acquisition date was set to 01.01.2013. 100% of the shares were acquired.

The total assets (and the fair value) in Faroe Seafood UK amounted to DKK 4.7 million at 31 December 2012, liabilities amounted to DKK 0, and the equity amounted to DKK 4.7 million. The goodwill at the acquisition date is DKK 1.0 million.

DISCONTINUED OPERATIONS

Sale of controlling interest (51%) in Faroe Farming

In March 2012, Bakkafrost purchased the non-controlling shares in P/F Faroe Farming, corresponding to 21.93% of the shares in the company. Consequently, Bakkafrost became the sole owner of the shares in P/F Faroe Farming effective from 1 January 2012. The transaction was an equity transaction. Subsequent to the acquisition of the non-controlling interests, Bakkafrost sold 51% of the total shares in P/F Faroe Farming to the Faroese based investment company P/F Tjaldur. The transaction was, among other things, subject to authority approval. After receiving the necessary approval, the transaction was finalised. Thus, Bakkafrost now complies with the legal requirements stipulating a maximum control of 50% of the farming licenses in the Faroe Islands. Following the requirements in IFRS 10, Faroe Farming is derecognised from the consolidation at the transaction date and recognised as an associated company according to IAS 28. Faroe Farming was included in the figures in the farming segment.

INCOME STATEMENT DKK 1,000	**2012**
Operating revenue	36,168
Expenses	-35,659
Operational EBIT	**509**
Fair value adjustments on biological assets	17,033
Earnings before interest and taxes (EBIT)	**17,542**
Net Financial items	-937
Earnings before interest and taxes (EBIT)	**16,605**
Tax related to profit/loss	-77
Tax related to fair value	-3,066
Profit or loss for the period discontinuing operations	**13,462**

ACQUISITIONS THROUGH BUSINESS COMBINATION

Year 2011

On 1 July 2011, Bakkafrost purchased all the outstanding shares in P/f Havsbrún. P/f Havsbrún, a modern, internationally renowned producer of fishmeal, fish oil and fish feed, is situated in the Faroe Islands. P/f Havsbrún purchased 65 thousand tonnes of raw material in 2011 and produced 84,431 tonnes of feed, 13,141 tonnes of fishmeal and 6,061 tonnes of fish oil. Almost all of the produced fishmeal and oil is used for its own fish feed production, and only a small part is being exported. P/f Havsbrún owed 78.1% of the farming companies P/f Faroe Farming and P/f Viking Seafood, with a total of 5 licenses. On 1 July 2011, Bakkafrost also acquired the 21.9% owned by other investors in Viking Seafood. Thus, Bakkafrost now owns 100% of the shares in Viking Seafood. The deal gives Bakkafrost additional farming capacity and thus opportunities of economies of scale. In addition, it gives Bakkafrost full control of the value chain from production of fish oil and fishmeal to finished salmon products. The Havsbrún Group was acquired effective from 1 January 2011 but is, in accordance with IFRS 3, consolidated into Bakkafrost's financial statement from the date of change of control, which was 1 July 2011.

The cash payment was paid in cash and was financed by a combination of new debt financing and existing facilities.

The management and key employees of P/f Havsbrún continued in the company.

CONSIDERATION PAID FOR THE HAVSBRÚN GROUP:

DKK 1,000	**2012**	**2011**
Cash	0	627,241
Havsbrún's shares in Bakkafrost	0	349,529
Total consideration	**0**	**976,770**

Net identifiable assets - DKK 1,000:			
Intangible assets	1)	0	233,710
Property, plant and equipment	2)	0	440,928
Financial assets	3)	0	380,471
Long-term receivables		0	136
Biological assets		0	154,889
Inventory		0	284,280
Other current assets	4)	0	139,361
Cash and cash equivalents		0	10,097
Deferred tax and other taxes		0	-180,567
Long-term interest bearing debt		0	-113,632
Short-term interest bearing debt		0	-146,629
Other short-term liabilities		0	-63,128
Minority interests	5)	0	-36,528
Total net identifiable assets		**0**	**1,103,388**

1) The Havsbrún Group holds 5 farming licences. Fair values have been identified in farming licenses by employing generally accepted valuation techniques. The market value of licences is measured at DKK 233.7 million.

2) The fair value of property, plant and equipment is based on an independent valuation. A material fair value adjustment of property, plant and equipment was recognised.

3) Financial assets include the fair value of Havsbrún's share in Bakkafrost, amounting to DKK 349.5 million on 1 July.

4) Accounts receivable include DKK 80.2 million payable by Bakkafrost.

5) In accordance with IFRS 3.20 ref. B44. The measurement of the non-controlling interest is based on using other valuation techniques, due to the fact that no market prices for the equity share not held by Bakkafrost exist. All the accounts receivable are expected to be collectible.

Acquisition-related costs

The Group incurred acquisition-related costs of DKK 16.0 million relating to external legal fees and due diligence costs. The amount has been disclosed on a separate line in the Consolidated Income Statement

NOTE 11. SHARES AND HOLDINGS IN OTHER COMPANIES

DKK 1,000	**Carrying amount**	**Carrying amount**
Company	**2012**	**2011**
Others	2,345	2,220
Total	**2,345**	**2,220**

Investments in other companies are classified as available for sale. Shares and holdings in which the Group does not have significant influence are valued at cost. This is due to the fact that fair value cannot be measured reliably.

NOTE 12. INVENTORY

DKK 1,000	**2012**	**2011**
Raw materials and goods in-progress	203,657	158,498
Finished goods	39,241	20,681
Total inventory	**242,898**	**179,179**

Raw materials primarily consist of raw material for the production of fishmeal, fish oil and fish feed and packaging materials used in processing.

Goods in-progress includes semi-finished products and spare parts.

Finished products include all products ready for sale, such as fresh and frozen whole salmon, as well as processed salmon products.

Inventories are measured at cost price, except from biomass harvested by Group companies, which are measured at fair value at the time of harvesting.

NOTE 13. BIOLOGICAL ASSETS

DKK 1,000	2012	2011
Biological assets carrying amount 01.01	700,336	482,091
Increase due to production or purchases	847,756	740,590
Increase due to acquisitions	0	154,268
Reduction due to harvesting or sale (costs of goods sold)	-767,828	-605,536
Fair value adjustment at the beginning of the period reversed	-86,037	-130,792
Fair value adjustments at the end of the period	181,050	86,037
Biological assets sold	-130,752	0
Reversal of eliminations at the beginning of the period	26,322	0
Eliminations	-23,889	-26,322
Biological assets carrying amount 31.12	**746,958**	**700,336**

Biomass < 4 kg on average (tonnes live weight)	13,159	14,135
Biomass > 4 kg on average (tonnes live weight)	14,267	20,085
Volume of biomass at sea	**27,426**	**34,220**

Volume of biomass harvested during the year (tonnes gutted weight)	**44,341**	**34,355**

Cost price biological assets	576,611	635,778
Capitalised interests*	13,186	4,844
Fair value adjustments at the end of the period	181,050	86,037
Eliminations	-23,889	-26,323
Biological assets carrying amount	**746,958**	**700,336**

* The capitalized interest is actually paid interest attributable to biological assets

VALUATION OF BIOLOGICAL ASSETS

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales costs and harvesting costs.

The calculation of the estimated fair value is based on market prices for harvested fish. The prices are reduced for harvesting costs and freight costs to market to arrive at a net value back-to-farm. The valuation reflects the expected quality grading. In the accounts, the change in estimated fair value is charged to the Income Statement on a continuous basis.

THE VALUATION MODEL

The valuation model is completed for each business unit, and it is based on biomass in sea for each location. The specification of biomass includes total number of fish, estimated average weight and biological costs for the biomass. Number of kilo biomass is multiplied by value per kilo that reflects the actual value. The price used is the price for sellable fish. The valuation takes into consideration that not all the fish are of the same quality.

SIGNIFICANT ASSUMPTIONS FOR DETERMINING FAIR VALUE OF LIVE FISH

The estimate of fair value of biomass will always be based on uncertain assumptions, even though the company has built substantial expertise in assessing these factors. The volume of biomass is, in itself, an estimate that is based on the number of smolt put to sea, the estimated growth from the time of stocking, estimated mortality based on observed mortality in the period, etc. The quality of the biomass is difficult to estimate, and even in a situation with good estimates for the average weight of the fish, there will be a spread in quality with even minor changes in the market price, which will give significant changes in the valuation, if assumed that all fish and weight of the fish actually is in the cage. The price assumption is also important for the valuation, and when the fish is a harvestable size and the volume is 27,426 tonnes, a change in price of DKK 1 will have an impact on the valuation of approximately DKK 27 million.

NOTE 14. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

DKK 1,000	2012	2011
Accounts receivable	212,357	154,688
Provisions for bad debts	0	-192
Net accounts receivable	**212,357**	**154,496**
Receivables from associated company	107,183	0
Prepayments	2,801	1,263
VAT	35,999	13,798
Other	15	1,501
Other receivables	**145,998**	**16,562**
Total accounts receivable and other receivables	**358,355**	**171,058**

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

DKK 1,000	2012	2011
Receivables not overdue	172,806	135,970
Overdue 0–6 months	39,461	16,824
Overdue more than 6 months	90	1,702
Total	**212,357**	**154,496**

CURRENCY EXPOSURE TO ACCOUNTS RECEIVABLE

The Group holds accounts receivable in foreign currencies amounting to DKK 92.3 million at year-end. Below is presented the book value of receivables specified in currency, translated into DKK employing the currency value at 31 December.

Currency distribution of receivables

DKK 1,000	2012	2011
DKK	119,824	88,923
EUR	40,854	36,670
USD	40,412	15,292
GBP	10,107	4,696
Others	1,160	8,915
Total	**212,357**	**154,496**

NOTE 15. EQUITY COMPOSITION

Restricted equity comprises equity in which distribution to the shareholders can only take place adhering to specific procedures prescribed by the Faroese Limited Companies Act.

Restricted equity consists of Equity Recognition Surplus and Fair Value Adjustments of Biomass. Free equity can be readily distributed to the shareholders, or otherwise disposed of, after due approval by the AGM. The composition of equity can be specified as follows:

DKK 1,000	Share Capital	Share Premium Reserve	Equity Recog-nition Surplus	Proposed Dividend	Fair value adjust-ments Biomass	Retained Earnings	Total Equity
Equity 01.01.2012	**48,858**	**306,537**	**0**	**48,858**	**84,910**	**537,290**	**1,026,453**
Non controlling interests 01.01.2012							34,557
Adjustment to prior periods	0	0	0	0	0	-577	-577
Net profit after tax	0	0	0	0	90,546	190,791	281,337
Fair value adjustments on purchased non-controlling interests*	0	0	0	0	0	1,634	1,634
Paid-out dividend	0	0	0	-48,858	0	0	-48,858
Proposed dividend	0	0	0	97,716	0	-97,716	0
Acquisition of minorities	0	0	0	0	0	-31,634	-31,634
Total equity 31.12.2012	**48,858**	**306,537**	**0**	**97,716**	**175,456**	**599,788**	**1,262,912**

* Other comprehensive income

DKK 1,000	Share Capital	Share Premium Reserve	Equity Recog-nition Surplus	Proposed Dividend	Fair value adjust-ments Biomass	Retained Earnings	Total Equity
Equity 01.01.2011	**48,858**	**306,537**	**11,680**	**191,035**	**130,792**	**213,387**	**902,289**
Net profit after tax	0	0	0	0	-45,882	369,299	323,417
Fair value adjustment on interest rate swap						1,589	1,589
Reversal of fair value adjustment on securities available for sale*	0	0	-12,831	0	0	0	-12,831
Reversal of deferred tax on securities available for sale*	0	0	3,024	0	0	0	3,024
Paid-out dividend	0	0	0	-191,035	0	0	-191,035
Proposed dividend	0	0	0	48,858	0	-48,858	0
Write-ups share of profits in associates*	0	0	-1,873	0	0	1,873	0
Total equity excluding non-controlling interest 31.12.2011	**48,858**	**306,537**	**0**	**48,858**	**84,910**	**537,290**	**1,026,453**
Non-controlling interests							34,557
Total equity 31.12.2011	**48,858**	**306,537**	**0**	**48,858**	**84,910**	**537,290**	**1,061,010**

* Other comprehensive income

NOTE 16. SHARECAPITAL AND MAJOR SHAREHOLDERS

Share capital:

DKK 1,000	2012	2011
Share capital at 1 January	48,858	48,858
Share capital at 31 December	**48,858**	**48,858**

The parent company's share capital comprises:

DKK	No. of Shares	Face Value	Share Capital
Ordinary shares	48,858,065	1	48,858,065
Total share capital			**48,858,065**

SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2012: Salmar ASA, TF Holding, UBS AG Zurich, Oddvør Jacobsen and Regin Jacobsen.

Shares owned directly and indirectly by the members of the Board of Directors and Group Management:

Name	Position	No. of shares	Shareholding
Rúni M. Hansen	Chairman of the Board	10,000	0.02%
Johannes Jensen	Deputy Chairman of the Board	0	0.00%
Odd Eliasen	Managing Director	169,895	0.35%
Trine Sæther Romuld	Member of the Board	0	0.00%
Annika Frederiksberg	Member of the Board	14,000	0.03%
Virgar Dahl	Member of the Board	7,000	0.01%
J. Regin Jacobsen	Chief Executive Officer	4,491,217	9.19%
Bergur Poulsen*	Managing Director	243,591	0.50%
Teitur Samuelsen	Chief Financial Officer	1,000	0.00%

* Bergur Poulsen resigned his position on 31 October 2012

Dividend

The Board has proposed a dividend of DKK 97.716 million. The dividend proposal has not been recognised as a liability at 31 December 2012, but is presented as an item within equity.

NOTE 17. NET INTEREST BEARING DEBT

LONG-TERM INTEREST BEARING DEBT

DKK 1,000	2012	2011
Debt to credit institutions	831,948	833,693
Next year's instalments on long-term debt	-100,000	-100,000
Other long-term debt	0	0
Total long-term interest bearing debt 31.12	**731,948**	**733,693**
Debt to credit institutions	0	0
Next year's instalments on long-term debt	100,000	100,000
Total short-term interest bearing debt 31.12	**100,000**	**100,000**
Total interest bearing debt	831,948	833,693
Cash and cash equivalents	-25,045	-16,868
Net interest bearing debt	**806,903**	**816,825**

Cash and cash equivalents consist of short-term bank deposits. The maturity structure of the Group's financial commitments is based on undiscounted contractual payments. The Group's undrawn financing facility amounted to approximately DKK 146.1 million at 31 December 2012 of which DKK 15.0 million is restricted.

REMAINING PERIOD

31.12.2012	1–3 months	3–12 months	1–5 years	> 5 years	Total
Interest bearing bank loans	25,000	75,000	731,948	0	831,948
Accounts payable and other debt	182,299	35,311	0	0	217,610

REMAINING PERIOD

31.12.2011	1–3 months	3–12 months	1–5 years	> 5 years	Total
Interest bearing bank loans	25,000	75,000	733,693	0	833,693
Accounts payable and other debt	72,401	78,646	0	0	151,047

INTEREST BEARING DEBT IN MORE DETAIL

Following the acquisition of the Havsbrún Group in 2011, Bakkafrost has signed a loan agreement with its bank syndicate. The loan agreement includes two loans: one instalment loan of DKK 500 million, payable with DKK 25 million each quarter (first payment 31 March 2012), and one loan payable after five years, payable with the full amount of DKK 600 million. The instalment loan is DKK 400 million at end of 2012, and the overdraft facility has been adjusted down to DKK 553 million in connection with the sale of a subsidiary. Thus the total financing amounts to DKK 953 millions as per end 2012.

The loan facility is secured both in the Group's property, plants and other material, and fixed assets as well as stock, farming licences and insurance policies.

The interest payable is CIBOR plus the current margin, which is calculated on the basis of the company's net interest bearing debt ratio compared to EBITDA before fair value adjustments of biological assets. The margin may vary between 2% p.a. and 3.75% p.a.

FINANCIAL COVENANTS

The loan facility amounting to DKK 553 million must never exceed the total of 80% of the insured accounts receivables, 65% of the lesser of the cost of the fish at sea or P/f BankNordik's estimated standard value in fish at sea and 65% of the booked value of the Group's inventory.

The covenant further stipulates that the equity ratio of the Group must be at least 37.5% from the end of 2012 and 40% from the end of 2013.

Furthermore, the NIBD/EBITDA ratio must not be higher than 3.5 during a 12-month period.

The Bakkafrost Group had total available finances of DKK 953 million. The undrawn amount at 31 December 2012 was DKK 146.1 million of which DKK 15.0 million was restricted.

NOTE 18. TAX

DKK 1,000

The tax expense for the year breaks down as follows:	**2012**	**2011**
Tax payable	34,372	26,212
Change in deferred tax regarding discontinued operations	-3,144	0
Change in deferred tax	24,578	20,567
Tax expense on ordinary profit	**55,806**	**46,779**
Tax on sale of treasury shares	0	44,523
Tax payable	34,372	28,089
Tax payable in the statement of financial position	**34,372**	**72,612**
Specifications of temporary differences		
Licences	293,678	437,711
Property, plant and equipment	475,878	467,361
Financial assets	906	860
Inventory	746,956	655,368
Receivables	-46,956	-1,100
Losses carried forward	-34,678	-137,852
Total temporary differences	**1,435,783**	**1,422,348**
Deferred tax liabilities (+) / assets (-)	**258,441**	**256,023**
Reconciliation from nominal to actual tax rate		
Profit before tax	323,681	370,196
Expected tax at nominal tax rate (18%)	58,263	66,635
Tax on equity entries	0	3,024
Permanent differences (18%)*	687	-22,880
Calculated tax expense	**58,950**	**46,779**
Effective tax rate**	18.21%	12.64%

* Regarding 2011: Whereof 22,791 are arising from badwill
** Regarding 2011: Effective tax rate excluding badwill is 18.8%

In 2011 P/F Havsbrún, which from 1 July became a part of the Bakkafrost Group, sold its share in P/F Bakkafrost. The tax payable related to the sale amounts to DKK 44 million and is not included in the Income Statement.

Under the Faroese tax regime, growth of live biomass is not tax relevant before harvesting. Consequently, large tax losses to be carried forward are incurred as biomass in inventory being built-up. Tax losses to be carried forward are infinite. Deferred taxes on temporary differences, deriving from shares in associated companies, are not entered because inter-company dividends are not tax relevant in the Faroese tax regime.

A dispute arose in 2011 concerning tax losses carried forward in a company acquired by Bakkafrost. The dispute is pending arbitration. An outcome can be an increase in deferred taxes at mDKK 6.2. The issue could have a minor impact on 350 tDKK on tax payments for 2012 payable in 2013.

NOTE 19. MORTGAGES AND GUARANTEES

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2012	2011
Long-term debt to financial institutions	731,948	733,693
Short-term debt to financial institutions	100,000	100,000
Total	**831,948**	**833,693**
Carrying amount of assets pledged as security for recognised debt		
Licences	293,675	369,955
Property, plant and equipment	812,768	828,523
Financial assets	88,867	33,635
Biological assets (biomass)	746,958	700,336
Inventory	242,898	179,179
Accounts receivable	212,357	154,496
Other receivables	145,998	16,562
Total	**2,543,521**	**2,282,686**

The Bakkafrost Group has a group financing covering the Bakkafrost Group. In connection with this, P/f Bakkafrost has together with other Group companies pledged licenses, property, plant and equipment, share holdings, inventory and receivables as security for the Group's total debt to the banks. In addition, the Group companies have a guaranteed self-debtor in solidum for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds.

NOTE 20. FINANCIAL MARKET RISK

FINANCIAL RISK

The Group has bank loans, raised for the purpose of providing capital for investment in the company's business. In addition, the company has financial instruments such as accounts receivable, accounts payable, etc. which are ascribable directly to day-to-day business operations. The Group has no forward currency contracts for hedging purposes.

The company does not employ financial instruments, including financial derivatives, for the purpose of speculation.

The most important financial risks to which the company is exposed are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The management monitors these risks on an on-going basis and draws up guidelines for how they are to be dealt with.

MARKET RISK

Interest rate risk

The borrowing portfolio is currently at floating interest rates, which means that the Group is affected by changes in interest rates. Loans are capitalised at amortised cost, since the difference between amortised cost and fair value is negligible.

Given the financial instruments in effect on 31 December 2012, a 0.5% increase in interest rates would reduce the Group's profitability by DKK 4.0 million before tax.

Foreign exchange risk

Bakkafrost trades on the world market for farmed salmonids, and parts of revenues and accounts receivable are denominated in foreign currency. On the other hand parts of the raw materials that Bakkafrost purchases are denominated in the same foreign currency and thus reducing the foreign exchange risk. But a relatively large part of raw material is denominated in DKK. Therefore fluctuations in foreign exchange rates present a financial risk to the Group.

CREDIT RISK

The risk that counterparties do not have the financial strength to meet their obligations is considered relatively low, since losses due to bad debts historically have been small. However, following the international crisis, the risk of losses may be considered increasing. The Group has no material risk relating to individual counterparties or counterparties, which may be considered a group due to similarities in the credit risk, though some markets have been hit harder by the on-going world recession. The Group has guidelines to ensure that sales are made only to customers that have not previously had payment problems and that outstanding balances do not exceed fixed credit limits. The majority of the total accounts receivable is insured.

As not all receivables are insured, the Group has to accept a certain risk element in accounts receivable.

The gross credit risk on the statement of financial position corresponds to the Group's receivables portfolio on the statement of financial position.

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure which is secured by means of established borrowing facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in note 17, where the terms are also described.

CAPITAL STRUCTURE AND EQUITY

The prime objective of the Group's capital management is to ensure that it maintains a good credit rating in order to achieve favourable borrowing terms. By ensuring a good debt-to-equity ratio, the Group will support its business operations. The Group manages and makes changes to its capital structure in response to an on-going assessment of financial conditions under which the business operates and its short- and medium-term outlook, including any adjustment in dividend pay-outs, buyback of own shares, capital reduction or issue of new shares.

NOTE 21. EARNINGS PER SHARE

DKK 1,000	**2012**	**2011**
Profit for the year to the shareholders of P/f Bakkafrost	281,337	325,388
Fair value adjustment of biomass (IAS 41)	-90,546	45,882
Onerous contracts provision	46,078	-2,856
Tax on fair value adjustment	8,004	-7,745
Adjusted profit for the year to shareholders of P/f Bakkafrost	**244,873**	**360,669**
Ordinary shares as at 01.01	48,858,065	48,858,065
Ordinary shares as at 31.12	**48,858,065**	**48,858,065**
Time-weighted average number of shares outstanding through the year	**48,858,065**	**48,858,065**
Earnings per share	**2012**	**2011**
Basic (DKK)	5.76	6.66
Diluted (DKK)	5.76	6.66
Earnings per share before fair value adjustments of biomass and provision for onerous contracts (adjusted EPS)	**2012**	**2011**
Basic (DKK)	5.01	7.43
Diluted (DKK)	5.01	7.43

Bakkafrost Group has no stock option programme running at present.

NOTE 22. CAPITAL COMMITMENTS

The Group had capital expenditure committed but not provided in these accounts at 31 December 2012 of approximately DKK 19.4 million.

NOTE 23. PROVISIONS FOR ONEROUS CONTRACTS

Provisions for onerous contracts 1.1.2011	2,856
Change in provisions for onerous contracts 2011	-2,856
Provisions for onerous contracts 31.12.2011	**0**
Change in provisions for onerous contracts 2012	46,078
Provisions for onerous contracts 31.12.2012	**46,078**

It is not possible to isolate the extent to which the provision for onerous contracts is being used in the year. Last year's provision will be reversed and new provisioning done by the status date.

NOTE 24. RELATED-PARTY TRANSACTIONS

Related parties in this respect are considered persons or legal entities which directly or indirectly have determining or substantial influence on Bakkafrost Group through shareholding or position.

Members of the Board of Directors	Position	No. of shares
Rúni M. Hansen	Chairman of the Board	10,000
Johannes Jensen	Deputy Chairman of the Board	0
Odd Eliasen *	Member of the Board	169,895
Trine Sæther Romuld	Member of the Board	0
Annika Frederiksberg	Member of the Board	14,000
Virgar Dahl	Member of the Board	7,000

* Resigned as a Member of the Board in October 2012

Group Management		
J. Regin Jacobsen	Chief Executive Officer	4,491,217
Odd Eliasen*	Managing Director	169,895
Bergur Poulsen**	Managing Director	243,591
Teitur Samuelsen	Chief Financial Officer	1,000

* Mr. Eliasen was appointed as Managing Director in October 2012

** Mr. Poulsen resigned his position in October 2012, but will service the Group until end of March 2013

Other Managers		
Símun P. Jacobsen	Senior Manager – Sales	0
Jón Purkhús	Manager – Farming North	100,068
Oddvald Olsen	Manager – Farming West	0
Kári Jacobsen	Manager – VAP	1,000
Andrias Petersen	Manager – Harvest	0
Leif av Reyni	Manager – Fresh water	0
Anna Johansen	Senior Quality Manager	0
Guðrun Olsen	Group HR Manager	0
Hartvig Joensen	Manager – fishmeal fish oil	0
Odd Eliasen*	Manager – fish feed	169,895

* Mr. Eliasen was appointed as Managing Director in October 2012

SPECIFICATION OF RELATED-PARTY TRANSACTIONS

Related parties are in this respect considered as persons or legal entities which directly or indirectly possess significant influence on the company through ownership or position. Related party transactions are at arm's length terms.

DKK 1,000	2012	2011
Revenues – P/f TF Holding	8,001	5,472
Purchase – P/f TF Holding	21,357	18,626
Accounts receivable – P/f TF Holding	42	7
Revenues – Hanstholm Fiskemelsfabrik A/S	0	0
Purchase – Hanstholm Fiskemelsfabrik A/S	62,027	14,448
Accounts payables – Hanstholm Fiskemelsfabrik A/S	263	0
Revenues – Salmar ASA	35,489	6,178
Accounts receivable Salmar ASA	0	4,585
Revenues – P/f Faroe Farming	110,381	0
Purchase – P/f Faroe Farming	84,364	0
Accounts receivable – P/f Faroe Farming	107,183	0

NOTE 25. PRO-FORMA FINANCIALS 2011

The Bakkafrost Group and Havsbrún Group were separate entities. On 1 July 2011, Bakkafrost acquired all the share capital of the Havsbrún Group. Therefore, the following pro forma financial information, which presents the Income Statement as if the merger took place on 1 January 2011, will provide pro forma comparison.

The pro forma financials present the joint activity as one reporting entity for the period. The pro forma figures are based on the actual financial figures of the Groups. Internal trade, gains and losses and balances have been eliminated.

DKK 1,000	Pro forma
	2011
Operating revenue	**1,471,918**
Purchase of goods	-577,344
Change in inventory and biological assets (at cost)	154,874
Salary and personnel expenses	-203,248
Other operating expenses	-386,518
Depreciation	-83,240
Operational EBIT	**376,442**
Fair value adjustments on biological assets	-57,169
Impairment of biological assets	-2,540
Onerous contracts	2,856
Income from associates	-2,021
Acquisition costs	-16,019
Badwill related to the acquisition of the Havsbrún Group	126,618
Earnings before interest and taxes (EBIT)	**428,167**
Financial income	2,098
Net interest expenses	-56,439
Net currency effects	-675
Other financial expenses	-1,930
Earnings before taxes (EBT)	**371,221**
Taxes	-66,820
Profit or loss for the period	**304,401**

P/F BAKKAFROST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2012

P/F BAKKAFROST - INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	**Note**	**2012**	**2011**
Operating revenue		26,177	19,961
Salary and personnel expenses	2	-15,222	-10,875
Other operation expenses		-8,857	-7,118
Depreciation	5	-2,663	-2,496
Acquisition costs		0	-14,927
Earnings before interest and taxes (EBIT)		**-565**	**-15,455**
Dividend from subsidiaries	6	223,449	696,422
Income from other investments in shares	7	9,955	-45
Loss from sale of subsidiary	4	-9,858	0
Financial income	3	39,635	8,411
Net interest expenses	3	-27,377	-17,570
Other financial expenses		-1,807	-1,563
Earnings before taxes (EBT)		**233,432**	**670,200**
Taxes	9	-1,804	4,693
Profit to shareholders of P/f Bakkafrost		**231,628**	**674,893**
Distribution of profit			
Dividend		97,716	48,858
Retained earnings		133,912	626,035
Distribution in total		**231,628**	**674,893**

P/F BAKKAFROST - STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

DKK 1,000	Note	2012	2011
ASSETS			
Property, plant and equipment			
Land, buildings and other real estate	5	49,973	50,819
Plant, machinery and other operating equipment	5	2,322	1,861
Total property plant and equipment		**52,295**	**52,680**
Non-current financial assets			
Investments in subsidiaries	6	1,217,949	1,217,949
Investments in stocks and shares	7	1,608	1,511
Total non-current financial assets		**1,219,557**	**1,219,460**
TOTAL NON-CURRENT ASSETS		**1,271,852**	**1,272,140**
Receivable from Group companies		797,078	689,409
Accounts receivable		1,662	57
Other receivables		109,140	395
Total receivables		**907,880**	**689,861**
Cash and cash equivalents		88	78
TOTAL CURRENT ASSETS		**907,968**	**689,939**
TOTAL ASSETS		**2,179,820**	**1,962,079**

P/F BAKKAFROST - STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

DKK 1,000	Note	2012	2011
EQUITY AND LIABILITIES			
Equity			
Share capital	8	48,858	48,858
Share premium fund		117,368	117,368
Retained earnings		921,849	787,937
Dividend		97,716	48,858
Total equity		**1,185,791**	**1,003,021**
Non-current liabilities			
Long-term interest bearing debt		731,834	725,336
Deferred taxes	9	5,260	5,258
Total non-current liabilities		**737,094**	**730,594**
Current liabilities			
Short-term interest bearing debt		100,000	100,000
Payables to Group companies		132,966	104,939
Accounts payable		2,091	1,163
Other short-term liabilities		21,878	22,362
Total current liabilities		**256,935**	**228,464**
Total liabilities		**994,029**	**959,058**
TOTAL EQUITY AND LIABILITIES		**2,179,820**	**1,962,079**

P/F BAKKAFROST - STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Share capital	Share premium account	Retained earnings	Proposed dividends	Total
January 2011	**48,858**	**117,368**	**161,902**	**191,035**	**519,163**
Paid-out dividends	0	0	0	-191,035	-191,035
Net annual profit	0	0	674,893	0	674,893
Proposed dividends	0	0	-48,858	48,858	0
January 2012	**48,858**	**117,368**	**787,937**	**48,858**	**1,003,021**
Paid-out dividends	0	0	0	-48,858	-48,858
Net annual profit	0	0	231,628	0	231,628
Proposed dividends	0	0	-97,716	97,716	0
31 December 2012	**48,858**	**117,368**	**921,849**	**97,716**	**1,185,791**

P/F BAKKAFROST - NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING PRINCIPLES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union (EU) and the additional requirements according to the Faroese Financial Reporting Act. The accounting policies applied to the consolidated accounts have also been applied to the parent company, P/f Bakkafrost. The notes to the consolidated accounts provide additional information to the parent company's accounts which is not presented here separately.

The company's financial statements are presented in DKK. Investments in subsidiaries are measured at historic cost, unless there is any indication of impairment. In case of impairment, an investment is written-down to fair value.

NOTE 2. SALARIES AND OTHER PERSONNEL EXPENSES

Breakdown of payroll expenses

DKK 1,000	2012	2011
Wages and salaries	13,358	9,462
Social security taxes	389	358
Pension expenses	274	191
Other benefits	1,202	864
Total payroll expenses	**15,223**	**10,875**
Average number of full-time employees	22	14

REMUNERATION TO SENIOR EXECUTIVES AND AUDITORS

For details of remuneration paid to senior executives, see notes to the consolidated financial statements. The company paid DKK 28,000 for audit service and DKK 10,000 for tax advisory. For other services see note to the consolidated financial statements.

NOTE 3. NET FINANCIAL ITEMS

DKK 1,000	2012	2011
Interests received from Group companies	37,454	8,250
Other financial income	2,181	161
Financial income	**39,635**	**8,411**
Interests paid to Group companies	-6,509	-2,712
Interest expenses on long- and short-term loans	-20,862	-14,858
Interest expenses on accounts payable	-6	0
Financial expenses	**-27,377**	**-17,570**

NOTE 4. LOSS FROM SALE OF SUBSIDIARY

DKK 1,000	2012	2011
Acquisition of 21.93% of Faroe Farming	30,000	0
Sale of 21.93% of Faroe Farming	-20,142	0
Loss from sale of subsidiary	**9,858**	**0**

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Other equipment	Total 2012	Total 2011
Acquisition cost as at 01.01	59,244	2,575	61,819	59,872
Reclassification and scrapping	-405	0	-405	0
Additions during the year	1,245	1,033	2,278	1,947
Acquisition cost as at 31.12	**60,084**	**3,608**	**63,692**	**61,819**
Accumulated depreciation and write-down as at 01.01	-8,425	-714	-9,139	-6,643
Reclassification and scrapping	405	0	405	0
Depreciations during the year	-2,091	-572	-2,663	-2,496
Accumulated depreciation and write-down as at 31.12	-10,111	-1,286	-11,397	-9,139
Net book value as at 31.12	**49,973**	**2,322**	**52,295**	**52,680**

Buildings in Glyvrar are located on rented land.				
Estimated lifetime	25 years	3–5 years		
Depreciation method	linear	linear		

NOTE 6. SUBSIDIARIES AND ASSOCIATES

	Subsidiaries	
DKK 1,000	**2012**	**2011**
Acquisition cost as at 01.01	1,220,715	251,831
Additions during the year	0	968,884
Acquisition cost as at 31.12	**1,220,715**	**1,220,715**
Re-evaluations as at 01.01	-2,766	-2,766
Re-evaluations as at 31.12	**-2,766**	**-2,766**
Net book value as at 31.12	**1,217,949**	**1,217,949**

DKK 1,000 Company	Cost Method Yes/No	Head Office	Ownership	Voting share	Carrying amount in P/F Bakkafrost 2012	Carrying amount in P/F Bakkafrost 2011
P/f Bakkafrost Processing	Yes	Glyvrar	100%	100%	60,518	60,518
P/f Bakkafrost Sales	Yes	Glyvrar	100%	100%	879	879
P/f Bakkafrost Packaging	Yes	Glyvrar	100%	100%	7,781	7,781
P/f Bakkafrost Harvesting	Yes	Glyvrar	100%	100%	6,059	6,059
P/f Bakkafrost Farming	Yes	Glyvrar	100%	100%	233,828	203,828
P/F Havsbrún	Yes	Glyvrar	100%	100%	908,884	0
P/f Dagsbrún**	Yes	Glyvrar	100%	100%	0	399,909
L/f Sildaskip**	Yes	Glyvrar	100%	100%	0	281,754
L/f Føroya Sildasøla**	Yes	Glyvrar	100%	100%	0	227,221
P/f Viking Seafood**	Yes	Glyvrar	100%	78%	0	30,000
Total subsidiaries					**1,217,949**	**1,217,949**

P/f Bakkafrost and subsidiaries, the Group, own a total of 78.66% in P/f Salmon Proteins, which is an associated company on the Group level due to restrictions in exercising majority voting rights.

P/f Bakkafrost owns 14.23% in P/f Salmon Proteins and is included in the item Investment in stocks and shares.

DKK 1,000	Dividend*	Excess dividend on result	Total 2012	Total 2011
P/f Bakkafrost Farming**	152,049	-79,859	72,190	229,303
P/f Bakkafrost Sales	40,621	10,659	51,280	7,976
P/f Bakkafrost Packaging	23,546	-20,479	3,067	789
P/f Bakkafrost Harvest	7,233	0	7,233	2,548
P/f Bakkafrost Processing	0	28,694	28,694	0
Havsbrún**	0	71,605	71,605	332,731
Total revenue Group contribution	**223,449**	**10,620**	**234,069**	**573,347**

* Dividends from subsidiaries paid out in 2012
**P/f Dagsbrún, L/f Sildaskip, L/f Føroya Sildasøla and P/F Havsbrún were merged 1 January 2012 with P/f Føroya Fiskiídnaður as the continuing company; at the same time the company changed name to P/f Havsbrún. P/F Viking Seafood and P/F Bakkafrost Farming were merged 1 January 2012 with P/F Bakkafrost Farming as the continuing company

NOTE 7. INVESTMENTS IN STOCKS AND SHARES

DKK 1,000	2012	2011
Acquisition cost as at 01.01	183	83
Acquisitions during the year	0	100
Acquisition cost as at 31.12	**183**	**183**
Re-evaluations as at 01.01	1,328	1,373
Re-evaluations during the year	97	-45
Re-evaluations as at 31.12	**1,425**	**1,328**
Net book value as at 31.12	**1,608**	**1,511**

Shares and holdings in which the Group does not have significant influence are valued at cost. This is due to the fact that fair value cannot be measured reliably.

NOTE 8. SHARECAPITAL AND MAJOR SHAREHOLDERS

DKK 1,000	2012	2011
Share capital at 31.12	48,858	48,858
Share capital at 31.12	**48,858**	**48,858**

The share capital is distributed into shares of DKK 1 and multiples thereof.

As Parent Company in Bakkafrost Group, Bakkafrost P/F is administrating company in the Group Joint Taxation, and is liable towards the Faroese Tax Authorities for taxes payable on behalf of its subsidiaries.

For shareholders holding more than 5% in the company as at 31 December 2012, see the note in Group Accounts.

NOTE 9. TAX

The tax expense for the year breaks down as follows:

DKK 1,000	**2012**	**2011**
Tax payable	0	0
Compensation due to Group taxation	-1,802	4,725
Change in deferred tax	-2	-32
Tax expense on ordinary profit	**-1,804**	**4,693**

Tax in the statement of financial position

DKK 1,000	**2012**	**2011**
Tax on sale of treasury shares	0	0
Deferred tax	5,260	5,258
Tax in the statement of financial position	**5,260**	**5,258**
Tax assets not recognised in the statement of financial position	**0**	**0**
Specifications of temporary differences		
Property, plant and equipment	29,220	29,209
Losses carried forward	0	0
Total temporary differences	**29,220**	**29,209**
Deferred tax liabilities (+) / assets (-)	**5,260**	**5,258**
Reconciliation from nominal to actual tax rate		
Profit before tax	233,433	670,200
Expected tax at nominal tax rate (18%)	-42,017	-120,636
Permanent differences, including Group contribution without tax effect (18%)	40,221	125,356
Other permanent differences (18%)	-8	-27
Calculated tax expense	**-1,804**	**4,693**
Effective tax rate	-0.77%	0.70%

NOTE 10. SECURITY PLEDGES AND CONTINGENT LIABILITIES

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	**2012**	**2011**
Long-term debt to financial institutions	731,834	725,336
Short-term debt to financial institutions	100,000	100,000
Leasing debt	0	0
Total	**831,834**	**825,336**

Carrying amount of assets pledged as security for recognised debt		
Property, plant and equipment	52,295	52,680
Non-current financial assets	1,219,557	1,219,460
Receivables	907,880	689,861
Total	**2,179,732**	**1,962,001**

The Company participates in a Group financing for the Bakkafrost Group. In connection to this, the Company has together with other Group Companies pledged licenses, property, plant and equipment, share holdings, inventory and receivables as surety for the Group's total debt to the banks. In addition, the Group Companies have a guaranteed self-debtor in solidum for the balance without limitations for each other. As part of the guarantees are also any insurance refunds.

As Parent Company in the Bakkafrost Group, Bakkafrost P/F is an administrating company in the Group Joint Taxation, and is liable towards the Faroese Tax Authorities for taxes payable on behalf of its subsidiaries.

NOTE 11. RELATED-PARTY TRANSACTIONS

The Company operates cash pooling arrangements in the Group. Further, the Company extends loans to subsidiaries and associates at terms and conditions reflecting prevailing markets conditions for corresponding services, allowing for a margin to cover administration and risk. The Company allocates cost for corporate staff services and shared services to subsidiaries and renting of buildings. The total amounts for rent are DKK 3.1 million, allocation of administration etc. DKK 22.9 million, financial income of DKK 37.4 million and financial expense amounting to DKK 6.5 million. Principal of arm's length are used in all transactions with related parties.

CONTACTS

P/F BAKKAFROST
Bakkavegur 9
FO-625 Glyvrar
Faroe Islands
Tel +298 40 50 00
Fax +298 40 50 09

bakkafrost@bakkafrost.com
www.bakkafrost.com