

P/F Bakkafrost

Condensed Consolidated

Interim Report for

Q4 2012 and 12 months 2012

Table of Contents

Highlights	2
Summary of the 4 th Quarter 2012 and for 2012	3
Financial Review.....	5
Outlook	11
Risks	12
Post-Balance Sheet Events	12
Consolidated Profit and Loss Account.....	13
Statement of Comprehensive Income	14
Consolidated Statement of Financial Position.....	15
Consolidated Statement of Financial Position.....	16
Consolidated Cash Flow Statement.....	17
Consolidated Cash Flow Statement.....	17
Consolidated Changes in Equity	18
Notes to the Account.....	19
Contacts	27

Highlights

In Q3 2012, 51% of the total shares in P/F Faroe Farming, a subsidiary of the Bakkafrost Group, were finally sold. Therefore, Faroe Farming is a discontinuing operation in this Interim Report accordingly. If not stated otherwise, the figures commented on in this report relate to continuing operations.

DKK 1,000	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Group - Operating revenue	582,062	397,193	1,855,544	1,321,092
Group - Operational EBIT*	99,162	45,946	323,040	335,146
Group - Profit for the period (continuing and discontinuing operations)	148,174	85,645	281,337	323,417
Operational EBIT (Farming and VAP)(DKK)	95,754	42,457	310,966	315,583
Operational EBIT*/kg (Farming and VAP)(DKK)	7.34	3.68	7.01	9.19
Operational EBIT*/kg (Farming and VAP) (NOK)	7.25	3.83	7.04	9.59
Farming - Operating revenue	434,974	248,728	1,371,660	982,157
Farming - Operational EBIT*	84,288	8,842	273,997	246,080
Farming - Operational EBIT margin	19%	4%	20%	25%
Farming - Operational EBIT/kg (DKK)	6.46	0.77	6.18	7.16
Farming - Operational EBIT/kg (NOK)	6.38	0.80	6.20	7.48
VAP - Operating revenue	153,801	126,980	526,257	507,241
VAP - Operational EBIT*	11,466	33,615	36,969	69,503
VAP - Operational EBIT margin	7%	26%	7%	14%
VAP - Operational EBIT/kg (DKK)	2.55	8.99	2.30	5.46
VAP - Operational EBIT/kg (NOK)	2.52	9.35	2.31	5.71
Feed - Operating revenue ***	248,133	232,139	889,337	508,717
Feed – Operational EBITDA ***	18,435	28,850	84,521	68,660
Feed – Operational EBITDA margin ***	7.43%	12.43%	9.50%	13.50%
DKK/NOK (average)	101,28	96,14	99,61	95,75
Basic earnings per share (DKK)	3.03	1.80	5.76	6.66
Cash flow from operations	103,841	86,655	282,667	409,901
Total Assets**	2,570,911	2,301,774	2,570,911	2,301,774
Net interest bearing debt**	806,903	816,825	806,903	816,825
Equity ratio**	49%	46%	49%	46%
Harvested volume continuing operation (tonnes gutted weight)	13,044	11,538	44,341	34,355
Harvested volume discontinuing operation (tonnes gutted weight)	0	0	2,557	0
VAP produced volume (tonnes gutted weight)	4,495	3,739	16,054	12,720
Sold feed tonnes	25,047	23,612	91,398	54,016

* Aligned for fair value adjustment of biomass, onerous contracts provisions and acquisition costs

** Comparing figures at end 2011

*** 2011 figures only from 1st July 2011

Summary of the 4th quarter 2012 and for 2012

(Figures in parenthesis refer to the same period in 2011)

Bakkafrost again delivered a strong quarterly result based on a satisfying biology, with an operating EBIT of DKK 99.2 million. The Farming segment had the best result, but also the VAP and the feed segments performed well. For 2012, Bakkafrost made an operational EBIT amounting to DKK 323.0 million, although the supply of salmon to the world market increased by 22% in the same period.

The Group made a profit for the continuing and discontinuing operations for the quarter of DKK 148.2 million (DKK 87.8 million) and for 2012 the profit came to DKK 281.3 million (DKK 325.4 million).

The total harvested volume in Q4 2012 for the continuing operations was 13,044 tonnes gutted weight (11,538 tgw). In 2012, Bakkafrost continuing operations harvested 44,341 tonnes gutted weight (34,355 tgw). Bakkafrost's continuing and discontinuing operations harvested 46,898 tonnes gutted weight in 2012.

Bakkafrost transferred 2.3 million smolts in Q4 2012, which is in line with the Company's plans. In 2012, Bakkafrost transferred 10.7 million smolts.

The combined farming and VAP segment made an operational EBIT of DKK 95.8 million (DKK 42.5 million) in Q4 2012. For 2012, the combined farming and VAP segment made an operational EBIT of DKK 311.0 million (DKK 315.6 million).

The farming segment made an operational EBIT of DKK 84.3 million (DKK 8.8 million). The increase is due to increased sales prices in Q4 2012 compared to Q4 2011 and increased harvested volumes. For 2012, the farming segment made an operational EBIT of DKK 274.0 million (DKK 246.1 million).

The VAP segment made an operational EBIT of DKK 11.5 million, which is less than the operational EBIT for Q4 2011, when the VAP segment made an operational EBIT of DKK 33.6 million. The reason for the stronger result in Q4 2011 was the sharp decrease in the salmon price during mid 2011, while the contract prices were on a high level. Year to date, the VAP segment made an operational EBIT amounting to DKK 37.0 million (DKK 69.5 million).

The third segment – fishmeal, oil and feed – made an operational EBITDA of DKK 18.4 million (DKK 28.9 million) in Q4 2012 and DKK 84.5 million for 2012 compared to DKK 68.7 million from 1 July to 31 December 2011. Havsbrún was acquired 1 July 2011, and produces Bakkafrost's fishmeal, oil and feed.

Segment performance per harvested kg

	Q4	Q4	YTD	YTD
Operational EBIT/kg harvested (continuing operations)	2012	2011	2012	2011
Farming EBIT/kg (DKK)	6.46	0.77	6.18	7.16
Farming EBIT/kg (NOK)	6.38	0.80	6.20	7.48
VAP EBIT/kg (DKK)	2.55	8.99	2.30	5.46
VAP EBIT/kg (NOK)	2.52	9.35	2.31	5.71
Feed EBITDA/kg (DKK)	0.74	1.22	0.92	1.27
Feed EBITDA/kg (NOK)	0.73	1.27	0.93	1.33

The Bakkafrost Group had a net interest bearing debt at the end of Q4 2012 amounting to DKK 806.9 million (DKK 816.8 million at year-end 2011) and had undrawn credit facilities of DKK 146.1 million, of which DKK 15.0 million are restricted.

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).

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

In December 2012, Bakkafrost decided 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 around GBP 4.6 million and a profit before tax of 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 trading 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 on 31 December 2012, liabilities amounted to DKK 0, and the equity amounted to DKK 4.7 million. The goodwill on the acquisition date is DKK 1.0 million.

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 1st 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. Therefore, Bakkafrost now 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.

*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.

Smolt transfer

Bakkafrost Group						
1,000 pieces	2008	2009	2010	2011	2012	2013E
Farming North, <i>salmon</i>	3,200	4,000	4,100	5,000	6,500	5,000
Farming West, <i>trout</i>	700	300	0	0	0	0
Farming West, <i>salmon</i>	1,400	2,100	4,100	2,600	4,200	5,000
Viking	0	1,700	1,800	1,000	0	0
Total	5,300	8,100	10,000	8,600	10,700	10,000

Financial Review

(Figures in parenthesis refer to the same period in 2011)

Income Statement

The operating revenues amounted to DKK 582.1 million in Q4 2012 (DKK 397.2 million). The increase is due to higher harvested volumes and significantly higher prices in Q4 2012 compared to Q4 2011. For 2012, the operating revenue amounted to DKK 1,855.5 million (DKK 1,321.1 million). The increased revenue for 2012 is due to higher harvested volumes at higher prices and the acquisition of the Havsbrún Group in the summer 2011.

Harvested volumes

	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Harvested volumes (tgw)				
Farming North	7,454	4,168	23,494	21,052
Farming West	5,590	5,737	20,847	9,586
Total harvested volumes (tgw)	13,044	9,905	44,341	30,638
Faroe Farming (discontinuing operation)*	0	1,633	2,557	3,717
Total harvested volumes (tgw)	13,044	11,538	46,898	34,355

* Faroe Farming harvested in total 4,358 tonnes tgw in 2012. Under control of Bakkafrost, Faroe Farming harvested 2,557 tgw and 1,801 tgw as an associated company.

Operational EBIT was DKK 99.2 million in Q4 2012 (DKK 45.9 million). For 2012, operational EBIT was DKK 323.0 million (DKK 335.1)

A fair value adjustment of the Group's biological assets has been recognised in Q4 2012 amounting to DKK 113.6 million (DKK 86.0 million). YTD 2012, a fair value adjustment has been recognised amounting to DKK 90.5 million (DKK -45.9 million). 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.

Bakkafrost has made provisions for onerous contracts of DKK 46.1 million in Q4 (DKK 0 million). YTD 2012 the provision is 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, while the raw material prices at the end of 2012 are higher, and therefore the contracts are onerous.

Income from associated companies in Q4 2012 amounted to DKK 8.4 million (DKK -0.2 million). YTD 2012 it was DKK -6.4 (DKK -2.0 million). The amount relates to the result from Faroe Farming in which Bakkafrost holds 49% and Hanstholm Fiskemelfabrik in which Bakkafrost has a shareholding of 34%.

Net interest in Q4 2012 amounted to DKK -6.8 million (DKK -23.4 million). In Q4 2011, net interests costs were negatively affected by among other things one-off costs related to termination of interests rate swap in Havsbrún entered into prior the acquisition. YTD 2012 net interest amounted to DKK -19.8 million (DKK -30.5 million).

Net taxes amounted to DKK -20.2 million in Q4 2012 (DKK -24.3 million). YTD 2012 net taxes amounted to DKK -55.8 million (DKK -46.8 million).

The result for Q4 2012 for the continuing operations was DKK 148.2 million (DKK 85.6 million). YTD 2012 it was DKK 267.9 million (DKK 323.4 million).

The result after tax for Q4 2012 for the discontinuing operations was DKK 0 million (DKK 0 million). For 2012 the result was DKK 13.5 million (DKK 0 million).

Thus, the total result for Q4 2012 was DKK 148.2 million (DKK 87.8 million) and the result YTD 2012 was DKK 281.3 million (DKK 325.4 million).

The number of fish in cages (continuing operations) is 10% higher at the end of 2012 than at the same time last year, but the biomass is 3% lower.

Segments

Bakkafrost has three operating segments: one farming segment, one segment for value added products (VAP) and one segment for the fishmeal, fish oil, and fish feed production. Fresh/frozen salmon is sold on the spot market, while VAP products are sold on long-term contracts.

Distribution of harvested volume (tgv)	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Harvested volume used in VAP production	34%	32%	36%	37%
Harvested volume sold fresh/frozen	66%	68%	64%	63%
Harvested and purchased volume (tgv)	100%	100%	100%	100%

The allocation of raw material between VAP and whole gutted salmon was 34% processed as VAP products and 66% sold as whole gutted salmon in Q4 2012. For 2012, Bakkafrost used 36% of the harvested volumes for VAP products, and 64% were sold as fresh whole salmon.

The relative share of the harvested volumes that has been used for VAP products has decreased by 1% from 2011 to 2012, from 37% to 36%. The reason is that Bakkafrost's total harvested volumes increased by 22% from 2011 to 2012, and thus the relative share decreased. The volumes of raw material that went to the production of value added salmon increased from 12,720 tonnes gutted weight in 2011, to 16,054 tonnes gutted weight in 2012. In Q1 2012 Bakkafrost opened a second VAP plant, which has been running at one shift during 2012, with capacity to increase to two shifts.

Farming:

The operating revenue for Bakkafrost's farming segment was DKK 435.0 million in Q4 2012 (DKK 248.7 million). For 2012, the operating revenue was DKK 1,371.7 million (DKK 982.2 million).

Operational EBIT, which is EBIT before fair value adjustments on biological assets, amounted to DKK 84.3 million in Q4 2012 (DKK 8.8 million). For 2012, the operational EBIT was DKK 274.0 million (DKK 246.1 million).

Operational EBIT/kg for the farming segment was DKK 6.46 (NOK 6.38) in Q4 2012, compared to DKK 0.77 (NOK 0.80) in Q4 2011. The salmon prices in Q4 2012 have been stronger than in Q4 2011 and thus higher margin. Operational EBIT/kg for 2012 was DKK 6.18 (NOK 6.20) compared to DKK 7.16 (NOK 7.48) for 2011.

Value Added Products (VAP):

The operating revenue for the value added segment amounted to DKK 153.8 million in Q4 2012 (DKK 127.0 million in Q4 2011). This is an increase in the revenue of 21%, which is on the same level as the increase in produced volumes, indicating stable prices. For 2012, the operating revenue was DKK 526.3 million (DKK 507.2 million).

Operational EBIT amounted to DKK 11.5 million in Q4 2012 (DKK 33.6 million), corresponding to an operational EBIT of DKK 2.55 (NOK 2.52) per kg gutted weight in Q4 2012 (DKK 8.99 (NOK 9.35) per kg gutted weight). The decrease in the operational EBIT margins is due to higher salmon spot prices year on year. The reason is that the VAP segment acquires its raw material (fresh salmon) at spot prices each week.

For 2012, the operational EBIT/kg was DKK 2.30 (NOK 2.31), compared to DKK 5.46 (NOK 5.71) for 2011.

Fishmeal, Fish Oil and Fish Feed:

Following the acquisition of Havsbrún on 1st July 2011, Bakkafrost included the fishmeal, fish oil and fish feed segment in the Company's consolidated accounts. As Havsbrún was acquired 1 July 2011, the comparing figures for 2011 only represent 6 months.

The operating revenue for the fishmeal, fish oil and fish feed segment amounted to DKK 248.1 million (DKK 232.1 million) in Q4 2012 of which DKK 152.7 million represents sales to Bakkafrost's farming segment corresponding to 61.6%. For 2012, the operating revenue was DKK 889.3 million (DKK 508.7 million) of which DKK 575.5 million is sale to Bakkafrost's farming segment corresponding to 64.7%.

Operational EBITDA was DKK 18.4 million (DKK 28.9 million) in Q4 2012, and the operational EBITDA margin was 7.4%. For 2012 operational EBITDA was DKK 84.5 million (DKK 68.7 million) and the operational EBITDA margin was 9.5%

Sales of feed amounted to 25,047 tonnes in Q4 2012, of which the farming segment internally used 16,210 tonnes. For 2012, the sale of feed amounted to 91,398 tonnes of which 61,506 tonnes were used internally.

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 book value (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 accounted for as an associated as per end 2011. Accounts receivables are also higher at end 2012 compared to end 2011 due to increased sale.

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 acquisition of the non-controlling interests in Faroe Farming and dividend to the shareholders.

The Group's total non-current liabilities amounted to DKK 990.4 million at the end 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 733.7 million at the end of 2011 compared to DKK 731.9 million at the end of 2012. 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 cash flow from operations in Q4 2012 was DKK 103.8 million (DKK 86.7 million). The Cash flow from operations was aggravated by company tax payment for 2011 and one off tax payment from the Havsbrún transaction that were paid in Q4 2012. Cash flow from operations for 2012 amounted to DKK 282.7 million (DKK 409.9 million).

The cash flow from investment activities in Q4 2012 amounted to DKK -44.7 million (DKK -27.3 million). The amount relates to investments in fixed assets. For 2012, cash flow from investments amounted to DKK -66.9 million compared to DKK -723.7 million in 2011. The amount in 2011 was mainly due to the acquisition of the Havsbrún group. Bakkafrost made payment for investments in fixed assets in 2012 of DKK 114.2 million compared to DKK 98.0 million in 2011.

Cash flow from financing activities totalled DKK -43.9 million in Q4 2012 (DKK -88.8 million) and is mainly due to down payment of debt. For 2012 cash flow from financing amounted to DKK -207.6 million (DKK 321.6 million) and comprise acquisition of minority shares, dividend to shareholders and financing of an associate in addition to interests payments.

Net change in cash flow in Q4 2012 amounted to DKK 15.3 million (DKK -29.5 million) and for 2012 DKK 8.2 million (DKK 7.7 million).

At the end of 2012 Bakkafrost had unused credit facilities of DKK 146.1 million of which DKK 15.0 million is restricted.

Outlook

MARKET

The market outlooks for 2013 are good. After an increase in the salmon supply to the world market, in 2012 of 22%, compared to 2011, the estimated increase for 2013 is below 5% according to Kontali Analyse. Therefore, we go from a supply driven market situation to a demand driven market situation, based on historical figures that say that the demand has increased by some 6-7% each year, 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 on 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 on 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 sale 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 sea lice during 2012. This is also expected to be the situation during 2013.

Fish oil, meal 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 meal is very uncertain. An alternative to Havsbrún's production of fish oil and meal is to purchase 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 to increase the capacity in our hatchery operation and the investment in increased capacity of Value added products (VAP). Bakkafrost 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 reduces the risk by shorten the production time at sea. This requires further smolt capacity. Bakkafrost has also 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 tgv 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 carry out its investment plans, to further focus on strengthening the Group, M&A's, organic growth opportunities and fulfil its dividend policy.

Risks

Bakkafrost has not identified any additional risk exposure beyond the risks described in the 2011 Annual and Consolidated Report and Accounts. The 2011 Annual and Consolidated Report and Accounts are available on request from Bakkafrost and on Bakkafrost's website, www.bakkafrost.com.

Bakkafrost is, as explained in the 2011 Annual and Consolidated Report and Accounts, exposed to the salmon price. We expect that the market balance tips over for the benefit of the supply site, resulting in salmon prices to increase in 2013.

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

Post-Balance Sheet Events

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

31 January 2012, 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.

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

Glyvrrar, February 27th 2013

The Board of Directors of P/F Bakkafrost

Consolidated Profit and Loss Account

For the period ended 31st December 2012

DKK 1,000	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Operating revenue	582,062	397,193	1,855,544	1,321,092
Purchase of goods	-300,250	-104,449	-835,494	-450,815
Change in inventory and biological assets (at cost)	42,153	-61,185	75,990	19,796
Salary and personnel expenses	-60,997	-59,246	-210,115	-168,144
Other operating expenses	-143,142	-103,466	-482,641	-319,458
Depreciation	-20,664	-22,901	-80,244	-67,325
Operational EBIT	99,162	45,946	323,040	335,146
Fair value adjustments on biological assets	113,640	86,037	90,546	-45,882
Impairment of biological assets	0	656	0	0
Onerous contracts	-46,078	0	-46,078	2,856
Income from associates	8,387	-212	-6,442	-2,021
Acquisition costs	0	-1,035	0	-16,019
Loss from sale of subsidiary	0	0	-17,546	0
Badwill	0	1,983	0	126,618
Earnings before interest and taxes (EBIT)	175,111	133,375	343,520	400,698
Financial income	1,478	114	3,436	2,835
Net interest expenses	-4,584	-22,993	-20,924	-30,830
Net currency effects	-3,078	511	-145	-609
Other financial expenses	-594	-1,066	-2,206	-1,898
Earnings before taxes (EBT)	168,333	109,941	323,681	370,196
Taxes	-20,159	-24,296	-55,806	-46,779
Profit or loss for the period continuing operations	148,174	85,645	267,875	323,417
Discontinued operations				
Profit or loss from discontinued operations, after tax	0	0	13,462	0
Profit or loss for the period	148,174	85,645	281,337	323,417
Profit or loss for the year attributable to				
Non-controlling interests	0	-2,183	0	-1,971
Owners of P/F Bakkafrost	148,174	87,828	281,337	325,388
Earnings per share (DKK), continuing operations	3,03	1,75	5,48	6,66
Earnings per share (DKK), discontinuing operations	0,00	0,00	0,28	0,00

Statement of Comprehensive Income

For the period ended 31st December 2012

DKK 1,000	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Profit for the period	148,174	85,645	281,337	323,417
Fair value adjustment on financial derivatives		1,589	0	1,589
Fair value adjustment on purchased non-controlling interests	0	0	0	0
Fair value adjustment on securities available for sale	0	-12,831	0	-12,831
Tax on fair value adjustment	0	3,024	0	3,024
Fair value adjustment on purchased non-controlling interests	1,634	0	1,634	0
Total other comprehensive income for the period	149,808	77,427	282,971	315,199

Consolidated Statement of Financial Position

As of 31st December 2012

DKK 1,000	End 2012	End 2011
ASSETS		
Non-current assets		
Intangible assets	293,675	369,955
Property, plant and equipment	812,768	828,523
Financial assets	91,212	35,855
Total non-current assets	1,197,655	1,234,333
Current assets		
Biological assets (biomass)	746,958	700,336
Inventory	242,898	179,179
Total inventory	989,856	879,515
Accounts receivable	212,357	154,496
Other receivables	145,998	16,562
Total receivables	358,355	171,058
Cash and cash equivalents	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 of 31st December 2012

DKK 1,000	End 2012	End 2011
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	1,214,054	977,596
Non-controlling interests	0	34,557
Total equity	1,262,912	1,061,011
Non-current liabilities		
Deferred taxes and other taxes	258,441	256,023
Long-term interest bearing debts	731,948	733,693
Total non-current liabilities	990,389	989,716
Current liabilities		
Short-term interest bearing debt	100,000	100,000
Accounts payable and other debt	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 period ended 31st December 2012

DKK 1,000	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Earnings before interest and taxes (EBIT)	175,111	133,375	343,520	400,698
Adjustments for write-downs and depreciation	23,644	22,901	83,224	67,325
Adjustments for value adjustments on biomass	-113,640	-86,037	-90,546	45,882
Adjustments for impairment on biological assets (at cost)	0	-656	0	0
Adjustments for income from associates	-8,387	212	6,442	2,021
Adjustments for currency effects	145	0	145	0
Adjustments for loss from sale of subsidiary	0	0	17,546	0
Adjustments for badwill	0	-1,983	0	-126,618
Taxes paid	-72,612	-32,490	-72,612	-32,490
Provision for onerous contracts	46,078	0	46,078	-2,856
Change in inventory	-22,380	66,259	-84,929	24,455
Change in receivables	11,675	88,518	-86,437	32,081
Change in current debts	64,207	-103,444	120,236	-596
Cash flow from operations	103,841	86,655	282,667	409,901
Cash flow from investments				
Deposit into trust account for the acquisition of Havsbrún	0	0	0	-976,770
Acquisition/sale of subsidiaries and activities, etc., net	0	0	46,843	0
Proceeds from sale of fixed assets	541	554	541	1,436
Purchase of financial assets	0	0	0	349,530
Payments made for purchase of fixed assets	-45,175	-27,842	-114,250	-98,009
Purchase of shares and other investments	0	-700	0	-700
Change in long-term receivables	0	641	0	796
Cash flow from investments	-44,634	-27,347	-66,866	-723,718
Cash flow from financing				
Change of interest bearing debt (short and long)	-47,288	-65,394	-1,745	543,094
Acquisition of minorities	0	0	-30,000	0
Received interest	1,480	114	3,436	2,835
Paid interest	-8,256	-23,548	-23,275	-33,337
Financing of associate	10,187	0	-107,182	0
Dividend paid	0	0	-48,858	-191,035
Cash flow from financing	-43,877	-88,829	-207,624	321,557
Cash flow from discontinuing operations				
Net cash from operating activities	0	0	2,179	0
Net cash used for investing activities	0	0	-1,242	0
Net cash used for financing activities	0	0	-937	0
Net cash from discontinuing operations	0	0	0	0
Net change in cash and cash equivalents in period	15,330	-29,521	8,177	7,740
Cash and cash equivalents – opening balance	9,715	46,389	16,868	9,128
Cash and cash equivalents – closing balance total	25,045	16,868	25,045	16,868

Consolidated Changes in Equity

As of 31st December 2012

DKK 1,000	2012	2011
Total equity 01.01	1,061,010	902,289
Profit for the period to equity	281,337	323,417
Adjustment to 01.01	-577	0
Fair value adjustment on interest rate swap	0	1,589
Fair value adjustment on financial derivatives	0	0
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 Company and its Shareholders		
Acquisition of minorities	-31,634	0
Equity decrease by acquisition of minorities	-31,634	0
Distribution of dividend	-48,858	-191,035
Proposed dividend	97,716	48,858
Dividend distribution	48,858	-142,177
Total change in equity during the period	201,902	124,164
Non-controlling 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 at the end of the period	1,262,912	1,061,011

Notes to the Account

Accounting Policy

General Information

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

The Annual and Consolidated Report and Accounts of the Group as at 31st December 2011 are available upon request from the Company's registered office at Bakkavegur 9, FO-625 Glyvrar, Faroe Islands, or at www.bakkafrost.com.

This Condensed Consolidated Interim Report is presented in DKK.

Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all of the information required for the full Annual and Consolidated Report and Accounts and should be read in conjunction with the Annual and Consolidated Report and Accounts for the Group as at 31st December 2011.

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

Note 2. Significant Accounting Policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied in the Annual and Consolidated Report and Accounts as at and for the year ended 31st December 2011.

Note 3. Estimates and risk exposure

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

The accounting estimates are described in Note 3 to the financial statements in the Annual Report 2011.

For risk exposure reference is made to the Management Statement in the Annual Report for 2011, where Bakkafrost's operational and financial risk is described, as well as to note 20 (Financial market risk) in the same report.

The risks and uncertainties described therein are expected to remain for the next six months. Since the issuance of the Annual Report for 2011, the markets have been strong, even if we have seen a significant reduction in the salmon price compared to first half of 2011.

The overall risk management is unchanged.

Note 4. Biomass

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 elimination at the beginning of the period	26,322	0
Eliminations	-23,889	-26,322
Biological assets carrying amount at the end of the period	746,958	700,336
<hr/>		
Cost price biological assets	589,797	640,621
Fair value adjustments at the end of the period	181,050	86,037
Eliminations	-23,889	-26,322
Biological assets carrying amount	746,958	700,336

Note 5. Segments

Farming segment	Q4	Q4	YTD	YTD
DKK1,000	2012	2011	2012	2011
External revenue	332,850	184,101	1,015,496	643,031
Internal revenue	102,124	64,627	356,164	339,126
Total revenue	434,974	248,728	1,371,660	982,157
Operating expenses	-337,652	-225,129	-1,047,507	-683,990
Depreciation and amortisation	-13,034	-14,757	-50,156	-52,087
Operational EBIT	84,288	8,842	273,997	246,080
Fair value adjustments on biological assets	113,640	86,037	90,546	-45,881
Impairment on biological assets	0	656	0	0
Income from associate	6,105	127	6,105	127
Acquisition costs	0	-1,035	0	-15,801
Loss from sale of subsidiary	0	0	-17,546	0
Badwill	0	1,983	0	126,618
Earnings before interest and taxes (EBIT)	204,033	96,610	353,102	311,143
Net interest	-9,538	-15,798	-28,463	-20,088
Earnings before taxes (EBT)	194,495	80,812	324,639	291,055
Taxes	-23,252	-15,731	-47,263	-26,326
Profit for the period (continuing operations)	171,243	65,081	277,376	264,729
Profit or loss from discontinued operations, after tax	0	0	13,463	0
Profit or loss for the period	171,243	65,081	290,839	264,729

Value added products	Q4	Q4	YTD	YTD
DKK1,000	2012	2011	2012	2011
External revenue	153,801	126,980	526,257	507,241
Internal purchase of raw material	-102,124	-64,627	-356,164	-339,126
Operating expenses	-38,632	-27,499	-127,064	-93,827
Depreciation and amortisation	-1,579	-1,239	-6,060	-4,785
Operational EBIT	11,466	33,615	36,969	69,503
Provision for onerous contracts	-46,078	0	-46,078	2,856
Income from associates	-16	-8	-16	-8
Acquisition costs	0	0	0	-218
Earnings before interest and taxes (EBIT)	-34,628	33,607	-9,125	72,133
Net interest	704	-239	2,449	-1,748
Earnings before taxes (EBT)	-33,924	33,368	-6,676	70,385
Taxes	6,106	-6,006	1,201	-12,708
Result for the period, continuing operations	-27,818	27,362	-5,475	57,677

Fish Meal, Fish Oil and Fish Feed	Q4	Q4	YTD	YTD
DKK1,000	2012	2011	2012	2011
External revenue	95,411	86,112	313,790	170,821
Internal revenue	152,722	146,027	575,547	337,896
Total revenue	248,133	232,139	889,337	508,717
Purchase of goods	-201,330	-174,820	-690,319	-384,664
Operating expenses	-28,368	-28,469	-114,497	-55,393
Depreciation and amortisation	-6,051	-6,905	-24,028	-10,453
Operational EBIT	12,384	21,945	60,493	58,207
Fair value adjustments on biological assets	0	0	0	0
Income from associate	2,298	-331	-12,531	-2,140
Acquisition costs	0	0	0	0
Earnings before interest and taxes (EBIT)	14,682	21,614	47,962	56,067
Net interest	2,056	-7,397	6,175	-8,666
Earnings before taxes (EBT)	16,738	14,217	54,137	47,401
Taxes	-3,013	-2,559	-9,744	-7,745
Profit for the period	13,725	11,658	44,393	39,656

Reconciliation of reportable segments to Group				
earnings before taxes (EBT)	Q4	Q4	YTD	YTD
DKK1,000	2012	2011	2012	2011
Farming	194,495	80,812	324,639	291,055
Value added products	-33,924	33,368	-6,676	70,385
Fish Meal, Fish Oil and Fish Feed	16,738	14,217	54,137	47,401
Eliminations	-8,976	-18,456	-48,420	-38,645
Group earnings before taxes (EBT)	168,333	109,941	323,680	370,196

Assets per segment				
DKK1,000	End		End	
DKK1,000	2012		2011	
Farming	2,669,228		2,368,388	
Value added products	64,766		83,279	
Fish Meal, Fish Oil and Fish Feed	637,004		677,199	
Eliminations	-800,087		-827,092	
Total assets	2,570,911		2,301,774	

Note 6. Harvest and Feed Sale

Distribution of harvested volume (t _{gw}) (Continuing operations)	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Harvested volume used in VAP production	4,495	3,739	16,054	12,720
Harvested volume sold fresh/frozen	8,549	7,799	28,287	21,635
Harvested and purchased volume (t_{gw})	13,044	11,538	44,341	34,355

Harvested volumes (t _{gw})	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Farming North	7,454	4,168	23,494	21,052
Farming West	5,590	5,737	20,847	9,586
Total harvested volumes (t_{gw}) (Continuing operations)	13,044	9,905	44,341	30,638
Faroe Farming (discontinuing operation)	0	1,633	2,557	3,717
Total harvested volumes (t_{gw}) (Continuing and discont. Operations)	13,044	11,538	46,898	34,355

Distribution of harvested volume (t _{gw})	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Harvested volume used in VAP production	34%	32%	36%	37%
Harvested volume sold fresh/frozen	66%	68%	64%	63%
Harvested and purchased volume (t_{gw})	100%	100%	100%	100%

Feed sold volume (tonnes)	Q4 2012	Q4 2011	YTD 2012	YTD 2011
Internal sale	16,210	17,737	61,506	40,185
External sale	8,837	5,875	29,892	13,831
Sold tonnes feed	25,047	23,612	91,398	54,016

Note 7. Discontinuing operation

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 1st 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. Therefore, Bakkafrost now complies with the legal requirements stipulating a maximum control of 50% of the 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.

Profit and loss for the period	YTD
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 current profit/loss	-77
Tax related to fair value	-3,066
Profit or loss for the period discontinuing operations	13,462

Note 8. Capital commitments

The Group had capital expenditure committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 19.4 million.

Note 9. Transactions with related parties

Note 23 in Bakkafrost's Annual Report for 2011 provide detailed information on related parties' transactions. Bakkafrost is an associated company in Salmar ASA. Salmar ASA owns 25.21% of total outstanding shares in P/F Bakkafrost.

Salmar ASA is a customer in the feed segment. During 2012, Salmar ASA purchased feed amounting to DKK 35.5 million from the Bakkafrost Group. At the end of 2012, Salmar ASA owed DKK 0 million to the Bakkafrost Group.

Since the sale of 51% of Faroe Farming at the end of July 2012, Faroe Farming purchased for DKK 110.4 million, and Bakkafrost purchased raw material amounting to DKK 84.4 million from Faroe Farming. At the end of 2012, Faroe Farming owed DKK 107.2 million to the Bakkafrost Group.

Hanstholm Fiskemelfabrik A/S is a supplier in the feed segment. During 2012, Hanstholm Fiskemelfabrik A/S Sold fish meal and oil amounting to DKK 62.0 million to the Bakkafrost Group. At the end of 2012, Hanstholm Fiskemelfabrik A/S owed DKK 0.3 million from the Bakkafrost Group.

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

Note 10. Pro Forma Financials for 2011

The Bakkafrost Group and Havsbrún Group were separate entities. On 1 July 2011, Bakkafrost acquired all the share capital of the Havsbrún Group. Prior to that, Havsbrún was the largest shareholder in Bakkafrost. Consequently, the comparison figures for 2010 will not provide an adequate basis for comparison, as the Havsbrún Group is incorporated into the Profit & Loss statement from 1 July 2011. Therefore, the following pro forma financial information, which presents the Profit & Loss 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	376,441
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

Contacts

P/F Bakkafrost
Bakkavegur 9
FO-625 Glyvrar
Faroe Islands
Telephone: +298 40 50 00
Fax: +298 40 50 09
E-mail: bakkafrost@bakkafrost.com
Website: www.bakkafrost.com