

**P/F Bakkafrost**

**Condensed Consolidated**

**Interim Report for**

**Q4 2010**

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## Highlights

**Bakkafrost had a strong quarter and made an operational EBIT\* of DKK 90.8 million in the fourth quarter 2010 and DKK 247.3 million for the year. The result was based on a continuing sustainable biological operation and high market prices where the farming segment made substantial profit, while the VAP segment was challenged by high spot prices. The result after taxes for 2010 was DKK 259.7 million.**

- The financial position of Bakkafrost is strong. The company has a strong balance sheet and is well funded with undrawn loan and credit facilities. It is the goal to continue to have a strong financial position to secure organic growth the coming years and to be in a position to take advantage of M&A activities, as well as to handle the risks involved in our industry. The Board of Directors have decided to propose to the Annual General Meeting that if no M&A activities have taken place before the next Annual General Meeting, DKK 3.91 (NOK 4,10\*\*) per share shall be paid out as dividend. This corresponds to approximately DKK 191 million (NOK 200 million).
- EBIT/KG Performance:

Group	Q4 2010	Proforma		Proforma
		Q4 2009	2010	2009
Operational EBIT/kg (DKK)	13.99	8.90	11.44	7.24
Operational EBIT/kg (NOK)	15.12	10.05	12.29	8.48
Farming North EBIT/kg NOK	16.46	14.20	14.79	9.90
Farming West EBIT/kg NOK	14.81	8.60	14.39	6.10

- The total harvested volume in Q4 2010 was 6,493 tonnes gutted weight (8,942 tonnes gutted weight in proforma Q4 2009). In 2010, Bakkafrost harvested 21,626 tonnes gutted weight, compared to 30,650 tonnes gutted weight in 2009 proforma. The Group expects to harvest from its farming sites 33,000 tonnes gutted weight in 2011.
- In 2010, Bakkafrost released approximately 8.2 million smolts, compared to the initial forecast of approx 7.0 million pieces when the company was listed on Oslo Børs. In 2011, it is expected that the Group will release approximately 7.5 million smolts.
- In 2010, Bakkafrost accounted for 55% of the 39,016 tonnes gutted weight of the total exported volume of farmed fish from the Faroe Islands.
- The Group's net interest bearing debt at the end of 2010 was DKK 70.2 million (DKK 251 million in proforma at year-end 2009 and DKK 80.4 million at the end of Q3 2010).
- The planned operational changes post-merger of Vestlax into Bakkafrost are on track.
- The company has a strong balance sheet with high equity ratio and high available credit facilities.

\*Aligned for fair value adjustment of biomass, onerous contracts provision and costs related to the listing of the company on Oslo Børs. The proforma figures also exclude non-operational losses in Vestlax of DKK 16.9 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.

## Key Figures

Bakkafrost Group – key figures	Proforma			Proforma
DKK 1,000	Q4 2010	Q4 2009	2010	2009
<b>Operating revenue</b>	<b>252,533</b>	<b>264,265</b>	<b>820,212</b>	<b>921,688</b>
EBIT	132,455	87,128	315,580	239,319
Net interest	-1,857	-8,803	-8,322	-38,177
Profit for the period	114,849	61,649	259,711	164,799
Operational EBIT*	90,864	79,620	247,300	221,910
Operational EBIT margin	35.98%	30.13%	30.15%	24.08%
Operational EBIT/kg (DKK)	13.99	8.90	11.44	7.24
<b>Operational EBIT/kg (NOK)</b>	<b>15.12</b>	<b>10.05</b>	<b>12.29</b>	<b>8.48</b>
DKK/NOK (average)	92.56	88.64	93.03	85.38
Earnings per share (DKK)	2.35	1.77	5.41	4.72
Cash flow from operations	44,122		195,043	298,067
Total assets	1,184,656	1,003,901	1,184,656	1,003,901
Net interest bearing debt	70,190	250,972	70,190	250,972
Equity ratio	76%	57%	76%	57%
<b>Harvested volume (tonnes gutted weight)</b>	<b>6,493</b>	<b>8,942</b>	<b>21,626</b>	<b>30,650</b>

\* Aligned for fair value adjustment of biomass, onerous contracts provision and costs related to the listing of the company on Oslo Børs. The proforma figure for 2009 is also adjusted for non-operational losses in Vestlax of DKK 16.9 million.

## Smolt Release

Bakkafrost Group	2008	2009	2010	2011E
<b>1,000 pieces</b>				
Farming North, <i>salmon</i>	3,200	4,000	4,100	4,800
Farming West, <i>trout</i>	700	300	0	0
Farming West, <i>salmon</i>	1,400	2,100	4,100	2,700
<b>Total</b>	<b>5,300</b>	<b>6,400</b>	<b>8,200</b>	<b>7,500</b>

## Financial Review

In the following review, the realised figures for the Bakkafrost Group are commented and compared to proforma figures presented as if Bakkafrost and Vestlax were merged 1 January 2009. The Bakkafrost Group and the Vestlax Group were merged effective from 1 January 2010. The realised and proforma figures are presented in note 4 together.

### *Income Statement*

The operating revenues amounted to DKK 252.5 million in Q4 2010 (DKK 264.3 million in proforma Q4 2009). In 2010, the operating revenue amounted to DKK 820.2 million (DKK 921.7 million for 2009 proforma). The reason for the decrease from 2009 to 2010 in Q4 is due to 27% lower harvested volumes, but offset by higher prices, as the revenue has only declined by 5%.

Bakkafrost harvested the following:

Harvested volumes (gwt)	Q4		Proforma	
	2010	2009	2010	2009
Farming North	2,979	4,626	13,834	18,680
Farming West	3,514	4,316	7,792	11,970
<b>Total harvested volumes (gwt)</b>	<b>6,493</b>	<b>8,942</b>	<b>21,626</b>	<b>30,650</b>

Operational EBIT, which is EBIT before fair value adjustment of the biomass, provision for onerous contracts and listing costs, was DKK 90.9 million in Q4 2010 (DKK 79.7 million in proforma Q4 2009). Operational EBIT for 2010 was DKK 247.3 million (DKK 221.9 million for 2009 proforma).

For Q4 2010, the operational EBIT was DKK 13.99 (NOK 15.12) per kg gutted weight, compared to DKK 8.90 (NOK 10.05) per kg gutted weight in proforma Q4 2009 for Bakkafrost in total.

Net interest in Q4 2010 amounted to DKK -1.9 million (DKK -8.8 million in proforma Q4 2009). For 2010, the net interest amounted to DKK -8.3 million (DKK -38.2 million for 2009 proforma).

Taxes amounted to DKK -15.7 million in Q4 2010 (DKK -16.7 million in proforma Q4 2009). For 2010, taxes amounted to DKK -47.6 million (DKK -36.3 million for 2009 proforma). Of this, DKK 8.9 million was tax payables, compared to DKK 0 million in 2009. As part of the national budget for 2011, the parliament of the Faroe Islands decided to introduce a supplementary charge on farming companies amounting to 2.5% on result before taxes. This tax so far applies only regarding the financial year 2011. The tax is payable in October, November and December 2011, one-third each month.

Profit for Q4 2010 was DKK 114.8 million (DKK 61.7 million in proforma Q4 2009). Profit for 2010 was DKK 259.7 million (DKK 164.8 million for 2009 proforma).

The volume of marine-phase biomass at the end of 2010 was 31% higher than at the same time last year in number of fish and 18% higher in weight. The increase creates the foundation for the planned increased harvest in 2011.

## Segments

Bakkafrost has two operating segments: one farming segment and one segment for value added products (VAP).

The ratio of harvested fish sold fresh/frozen was 51% and for VAP 49% in Q4 2010. In total for 2010, 40% were sold fresh/frozen and 60% were used for VAP. Bakkafrost intends to sell around 50–60% fresh/frozen and 40–50% of its harvested fish as VAP products. This is expected to be reached in 2011. Fresh/frozen salmon is sold on the spot market, while VAP products are sold on long-term contracts.

Of the total operating revenue in Q4 2010, 53% (Q4 2009 proforma 51%) came from salmon sold fresh/frozen and 47% (Q4 2009 proforma 49%) from VAP products.

For 2010, 42% (61% for 2009 proforma) of the revenue was salmon sold fresh/frozen and 58% (39% for 2009 proforma) was from VAP products, corresponding to 40% (64% for 2009 proforma) and 60% (36% for 2009 proforma) of the total harvested volumes in 2010.

### *Farming:*

The operating revenue for Bakkafrost's farming segment was DKK 236.2 million in Q4 2010 (DKK 212.6 million in proforma Q4 2009). For 2010, the operating revenue was DKK 771.7 million, compared to DKK 813.0 million for 2009 proforma. Included in the gross operating revenue is internal sale between farming and VAP. Operational EBIT, which is EBIT before fair value adjustments on biological assets, amounted to DKK 92.0 million in Q4 2010, compared to DKK 49.7 million in proforma Q4 2009. The increase in Q4 2010 from proforma Q4 2009 is due to higher prices, as the less-harvested quantum in Q4 2010.

Operational EBIT for 2010 amounted to DKK 287.1 million (DKK 190.9 million for 2009 proforma). Operational EBIT is EBIT adjusted for fair value adjustments on biological assets and listing costs. In addition to this, the proforma figures for 2009 are adjusted for an extraordinary loss in Vestlax of DKK 16.9 million.

Operational EBIT/kg for the farming segment was DKK 14.17 (NOK 15.08) in Q4 2010, compared to DKK 5.59 (NOK 6.52) in proforma Q4 2009. For 2010, the operational EBIT/kg was DKK 13.27 (NOK 14.25), compared to DKK 6.23 (NOK 7.39) for 2009 proforma. The overall increase in the performance of the Group's farming segment reflects the increase in the salmon prices, the excellent biological situation and improved performance in general.

Bakkafrost Farming North (former Bakkafrost) had a calculated operational EBIT/kg of DKK 15.24 (NOK 16.46) in Q4 2010, and Bakkafrost Farming West (former Vestlax) had a calculated operational EBIT/kg of DKK 13.70 (NOK 14.81) in Q4 2010.

For 2010, Bakkafrost Farming North (former Bakkafrost) had a calculated operational EBIT/kg of DKK 13.69 (NOK 14.79), and Bakkafrost Farming West (former Vestlax) had an operational EBIT/kg of DKK 13.32 (NOK 14.39).

The profit after tax for the farming segment for Q4 2010 was DKK 118.0 million (DKK 36.4 million in proforma Q4 2009). For 2010, the result was DKK 298.3 million, compared to DKK 141.4 million for 2009 proforma.

#### *Value Added Products (VAP):*

The operating revenue for the value added segment amounted to DKK 119.5 million in Q4 2010 (DKK 130.7 million in proforma Q4 2009). The revenue in Q4 2009 is higher as the inventory was reduced significantly in Q4 2009. On the other hand the inventory was increased significantly during Q4 2010. The operating revenue for 2010 was DKK 473.1 million (DKK 358.7 million for 2009 proforma).

Operational EBIT, which is EBIT, adjusted for provision for onerous contracts, amounted to DKK -1.1 million in Q4 2010 (DKK 29.9 million in proforma Q4 2009). This corresponds to a negative operational EBIT of DKK -0.35 (NOK -0.38) per kg gutted weight, compared to DKK 8.77 (NOK 10.29) per kg in proforma Q4 2009. The calculation of operational EBIT/Kg is based on harvested volumes, and thus not taking into account, changes in inventory of VAP products. In periods with increasing inventory the EBIT/Kg figure is thus understated and in periods with decreasing inventory the figure is overstated. In Q4 2010 the EBIT/ Kg is understated, as the sold quantum is lower than the harvested volumes and in Q4 2009 the figure is overstated as the sold quantum is higher than the harvested quantum.

For 2010, operational EBIT amounted to DKK -39.8 million (DKK 30.8 million for 2009 proforma), which corresponds to an operational EBIT of DKK -3.08 (NOK -3.31) per kg gutted weight (DKK 2.76 (NOK 3.27) per kg for 2009 proforma).

The continued increase in the salmon prices from 2009 and during 2010 reflects the result from the value added segment, as this was negative. This is due to the time lag between the movements in the fresh salmon price and the contract price for value added products, leading to a significant negative result when spot market prices are increasing and a positive result when spot market prices are decreasing.

## **Statement of Financial Position**

The Group's total assets as of 31 December 2010 amounted to DKK 1,184.7 million, compared to DKK 1,003.9 million in the proforma figures at the end of 2009.

The Group's non-current assets amounted to DKK 519.4 million at the end of 2010, compared to DKK 484.4 million in the proforma figures at the end of 2009. The increase relates mainly to investments in property, plant and equipment.

The Group's book value (fair value) of biological assets (fish in the sea) amounted to DKK 482.1 million at the end of 2010 compared to DKK 329.9 million at the end of 2009 proforma. The total fair value adjustment of the biomass amounted to DKK 130.8 million at the end of 2010, compared to DKK 50.3 million in the proforma figures at the end of 2009.

The Group's equity increased from DKK 573.3 million (proforma) at the start of the year to DKK 902.3 million at the end of 2010. The increase in equity can be attributed to the merger with Vestlax, the share capital increase in connection with listing on Oslo Børs, the sale of own shares and the good net result for 2010.

The Group's total non-current liabilities amounted to DKK 157.4 million at the end of 2010, compared to DKK 142.0 million (proforma) at the end of 2009. Included in the non-current liabilities are deferred taxes amounting to DKK 120.0 million, while the long-term debt is DKK 37.4 million. The Group's total current liabilities are DKK 125.0 million at the end of 2010, compared to DKK 288.6 million (proforma) at the end of 2009. The decrease is mainly due to repayment of interest bearing debt.

Bakkafrost's net interest bearing debt amounted to DKK 70.2 million at the end of 2010, compared to DKK 251.0 million (proforma) at the end of 2009. Bakkafrost had an equity ratio of 76% as of 31 December 2010, compared to 57% at the end of 2009 (proforma). A healthy financial position is considered to be a crucial element in the Group's strategy for further growth and profitability. The Group will continue to place great emphasis on this going forward.

## Cash Flow

The total cash flow from operations in Q4 2010 was DKK 44.1 million, reflecting the high salmon prices, even building up biomass of DKK 27.5 million during Q4 2010. In 2010, the cash flow from operating activities was DKK 195.0 million.

The cash flow from investment activities in Q4 2010 amounted to DKK -21.5 million. In 2010, the cash flow from investment activities amounted to DKK -71.7 million.

Cash flow from financing activities totalled DKK -32.1 million in Q4 2010, which reflects primarily a net payment of bank funding. Net cash flow in Q4 2010 amounted to DKK -9.5 million. The cash flow from financing for 2010 was DKK -149.9 million. The Group has repaid debt of DKK 207.3 million, dividend of DKK 17.6 million and interest of DKK 10.2 million. However, the Group has received net proceeds of DKK 67.7 million from the share capital increase in connection with the listing on Oslo Børs, proceeds of DKK 15.7 million from sale of own shares and interest income of DKK 1.9 million. Cash at 31 December 2010 was DKK 9.1 million. Together with established credit facilities with its banking partners, the Group's liquidity and financial strength is considered to be strong. The Group's net interest bearing debt amounted to DKK 70.2 million, and solvency was in excess of 76%. At the end of Q4 2010, Bakkafrost had net undrawn loan facilities in excess of DKK 320 million.



## Outlook

The market outlook for salmon products in 2011 is good. We expect that salmon prices will stay on a high level in 2011.

Bakkafrost has increased the release of smolts each year over the last years. Therefore, Bakkafrost expects to harvest approx 33,000 tonnes gutted weight of salmon in 2011, compared to 21,626 tonnes in 2010.

Bakkafrost released 8.2 million smolts in 2010, compared to 6.4 million in 2009. The smolt release in the first half of 2010 will be harvested in the second half of 2011, and the smolt release in the second half of 2010 will be harvested in the first half of 2012.

Bakkafrost will continue to explore M&A possibilities, but equally important to further utilize unused farming capacity in existing licenses.

The ratio of harvested fish sold on long-term contracts in 2011 is planned to be between 40–50% of the harvested volumes, compared to 60% in 2010. The decrease in the relative share of harvested volumes from 2010 to 2011 is due to the increase in total harvested volumes.

The operational changes post-merger of Vestlax into Bakkafrost are on track, and Bakkafrost will get further benefit of the merger during 2011.

The financial position of Bakkafrost is strong. The company has a strong balance sheet and is well funded with undrawn loan and credit facilities. It is the goal to continue to have a strong financial position to secure organic growth the coming years and to be in a position to take advantage of M&A activities, as well as to handle the risks involved in our industry. The Board of Directors have decided to propose to the Annual General Meeting that if no M&A activities have taken place before the next Annual General Meeting, DKK 3.91 (NOK 4.10\* per share) shall be paid out as dividend. This corresponds to approximately DKK 191 million (NOK 200 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.

## Post- Balance Sheet Events

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

Glyvrrar, 21 February 2011

*The Board of Directors of P/F Bakkafrost*

## Consolidated Profit and Loss Account

For the period ended 31 December 2010

DKK 1,000	Q4 2010	Pre- merger Q4 2009	2010	Pre- merger 2009	Proforma 2009
<b>Operating revenue</b>	<b>252,533</b>	<b>183,198</b>	<b>820,212</b>	<b>596,565</b>	<b>921,688</b>
Purchase of goods	-95,067	-64,222	-301,446	-213,606	-272,638
Change in inventory and biological assets (at cost)	27,781	38	75,501	-32,724	-105,659
Fair value adjustments on biological assets	43,558	16,412	80,555	33,655	31,923
Fair value (excess of costs) on biological assets acquired and harvested	0	0	3,371	0	2,563
Salary and personnel expenses	-30,533	-21,779	-118,409	-78,014	-123,895
Other operating revenue	0	0	0	0	9,500
Other operating expenses	-53,220	-33,915	-186,813	-93,025	-186,727
Onerous contracts	-1,960	0	-2,856	0	0
Listing costs	-7	0	-12,790	0	0
Income from associates	512	340	512	340	699
Depreciation	-11,142	-5,330	-42,257	-20,797	-38,134
<b>Earnings before interest and taxes (EBIT)</b>	<b>132,455</b>	<b>74,742</b>	<b>315,580</b>	<b>192,394</b>	<b>239,320</b>
Financial income	220	707	1,051	2,915	1,197
Net interest expenses	-1,727	-2,176	-8,180	-13,055	-37,290
Net currency effects	334	-245	819	-630	1,577
Other financial expenses	-684	-57	-2,011	-387	-3,661
<b>Earnings before taxes (EBT)</b>	<b>130,598</b>	<b>72,971</b>	<b>307,259</b>	<b>181,237</b>	<b>201,143</b>
Taxes	-15,749	-13,122	-47,548	-32,509	-36,343
<b>Profit for the period</b>	<b>114,849</b>	<b>59,849</b>	<b>259,710</b>	<b>148,728</b>	<b>164,800</b>
Earnings per share continued operations (DKK)	2.35	1.71	5.41	4.26	4.72
Diluted earnings per share (DKK)	2.35	1.71	5.41	4.26	4.72

## Statement of Comprehensive Income

For the period ended 31 December 2010

DKK 1,000	Q4	Pre- merger Q4	2010	Pre- merger
	2010	2009		2009
Profit for the period	114,849	59,849	259,711	148,728
Fair value adjustment	5,830	1,744	5,830	3,509
Tax on fair value adjustment	-1,594	318	-1,594	0
<b>Total comprehensive income for the period net tax</b>	<b>119,085</b>	<b>61,911</b>	<b>263,947</b>	<b>152,237</b>

## Consolidated Statement of Financial Position

As of 31 December 2010

DKK 1,000	End 2010	Pre-merger End 2009	Proforma End 2009
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	136,245	0	136,245
Property, plant and equipment	356,419	231,002	331,108
Financial assets	25,967	26,262	16,330
Long-term receivables	796	730	731
<b>TOTAL NON-CURRENT ASSETS</b>	<b>519,427</b>	<b>257,994</b>	<b>484,414</b>
<b>Current assets</b>			
Biological assets (biomass)	482,091	227,497	329,876
Inventory	28,501	20,527	24,902
<b>Total inventory</b>	<b>510,592</b>	<b>248,024</b>	<b>354,778</b>
Accounts receivable	125,619	66,644	114,199
Other receivables	19,890	13,051	14,831
<b>Total receivables</b>	<b>145,509</b>	<b>79,695</b>	<b>129,030</b>
Cash and cash equivalents	9,128	35,319	35,680
<b>Total current assets</b>	<b>665,229</b>	<b>363,038</b>	<b>519,488</b>
<b>TOTAL ASSETS</b>	<b>1,184,656</b>	<b>621,032</b>	<b>1,003,902</b>

## Consolidated Statement of Financial Position

As of 31 December 2010

DKK 1,000	End 2010	Pre-merger End 2009	Proforma End 2009
<b>EQUITY AND LIABILITIES</b>			
Equity			
Share capital	48,858	2,992	3,964
Other equity	853,431	385,895	569,301
<b>Total equity</b>	<b>902,289</b>	<b>388,887</b>	<b>573,265</b>
<b>Non-current liabilities</b>			
Deferred taxes and other taxes	120,009	57,082	70,595
Long-term interest bearing debts	37,357	34,350	71,415
<b>Total non-current liabilities</b>	<b>157,366</b>	<b>91,431</b>	<b>142,010</b>
<b>Current liabilities</b>			
Short-term interest bearing debt	41,961	98,262	215,237
Accounts payable and other debt	83,039	42,451	73,390
<b>Total current liabilities</b>	<b>125,000</b>	<b>140,713</b>	<b>288,627</b>
<b>Total liabilities</b>	<b>282,366</b>	<b>232,144</b>	<b>430,637</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,184,656</b>	<b>621,032</b>	<b>1,003,902</b>

## Consolidated Cash Flow Statement

For the period ended 31 December 2010

DKK 1,000	Pre-merger		2010	Pre-merger 2009	Proforma 2009
	Q4 2010	Q4 2009			
<b>Operating profit (EBIT)</b>	<b>132,456</b>	<b>74,742</b>	<b>315,580</b>	<b>192,394</b>	<b>239,319</b>
Adjustments for write-downs and depreciation	11,142	5,330	42,257	20,797	38,134
Adjustments for fair value adjustments on biomass	-43,558	-16,412	-83,926	-33,655	-34,486
Taxes paid	0	0	0	0	0
Provision for onerous contracts	-3,752	0	-2,856	0	0
Change in inventory	-27,548	-38	-71,888	32,724	105,639
Change in other current assets	-24,692	-9,958	-13,370	-22,639	-27,586
Change in current debts	74	7,514	9,246	-931	-22,954
<b>Cash flow from operations</b>	<b>44,122</b>	<b>61,176</b>	<b>195,043</b>	<b>188,691</b>	<b>298,066</b>
<b>Cash flow from investments</b>					
Proceeds from sale of fixed assets	0	50	300	50	50
Payments made for purchase of fixed assets	-17,623	-9,846	-67,868	-21,194	-37,441
Purchase of shares and other investments	-3,803	-11,885	-3,807	-11,967	-8,734
Change in long-term receivables	-93	7,534	-318	6,509	6,509
<b>Cash flow from investments</b>	<b>-21,519</b>	<b>-14,147</b>	<b>-71,693</b>	<b>-26,602</b>	<b>-39,616</b>
<b>Cash flow from financing</b>					
Paying down / increase of interest bearing debt (short and long)	-30,346	-9,981	-207,334	-111,084	-191,556
Proceeds from share capital increases	83	0	67,727	0	0
Received interest	552	707	1,869	2,915	3,404
Net proceeds from sale of own shares	0	0	15,669	0	0
Paid interest	-2,411	-2,478	-10,191	-14,072	-41,581
Dividend paid	0	0	-17,643	-5,000	-5,000
<b>Cash flow from financing</b>	<b>-32,122</b>	<b>-11,752</b>	<b>-149,903</b>	<b>-127,241</b>	<b>-234,733</b>
<b>Net change in cash and cash equivalents in period</b>	<b>-9,519</b>	<b>35,278</b>	<b>-26,553</b>	<b>34,848</b>	<b>23,718</b>
Cash and cash equivalents – opening balance	18,648	41	35,680	471	11,962
<b>Cash and cash equivalents – closing balance total</b>	<b>9,128</b>	<b>35,319</b>	<b>9,128</b>	<b>35,319</b>	<b>35,680</b>

## Consolidated Changes in Equity

As of 31 December 2010

DKK 1,000	End 2010	Pre-merger End 2009
<b>Total equity 01.01</b>	<b>388,887</b>	<b>241,650</b>
<b>Profit for the period to equity</b>	<b>259,711</b>	<b>148,728</b>
Adjustment to 01.01	1,371	0
Fair value adjustment on securities available for sale	5,830	4,279
Deferred tax on securities available for sale	-1,594	-770
<b>Total other comprehensive income</b>	<b>4,236</b>	<b>3,509</b>
Proposed dividend	-191,035	-18,000
<b>Total gains and losses charged directly to equity</b>	<b>-191,035</b>	<b>-18,000</b>
<b>Total recognised income and expense to equity</b>	<b>74,283</b>	<b>134,237</b>
<b>Equity transactions between the company and its shareholders</b>		
Share issue related to IPO	75,000	0
Sale of treasury shares related to IPO	15,669	0
Tax on sale of treasury shares	-2,820	0
Costs related to IPO	-7,273	0
<b>Net proceeds from share capital increases</b>	<b>80,576</b>	<b>0</b>
<b>Equity increase by merger</b>		
Proceeds from merger	209,039	0
Deferred tax on recognised excess fair values	-23,888	0
<b>Equity increase by merger</b>	<b>185,151</b>	<b>0</b>
Distribution of dividend	-18,000	-5,000
Dividends on treasury shares	357	0
Proposed dividend	191,035	18,000
<b>Total equity to shareholders during the year</b>	<b>173,392</b>	<b>13,000</b>
<b>Total change in equity during the period</b>	<b>513,402</b>	<b>147,237</b>
<b>Total equity at the end of the period</b>	<b>902,289</b>	<b>388,887</b>

## Notes to the Accounts

### Accounting Policy

#### General Information

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

The Annual and Consolidated Annual Reports of the Group as at and for the year ended 31 December 2009 are available upon request from the company's registered office at Bakkavegur 8, FO-625 Glyvrar, Faroe Islands or at [www.bakkafrost.com](http://www.bakkafrost.com).

This Condensed Consolidated Interim Report is presented in DKK.

#### Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all of the information required for the full Annual Report and should be read in conjunction with the Annual Report for the Group as at and for the year ended 31 December 2009.

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 consolidated accounts in the Annual Report as at and for the year ended 31 December 2009.



### Note 3. Acquisitions Through Business Combination

By 1 January 2010, P/F Bakkafrost and P/F Vestlax Holding were merged into one holding company. Under IFRS 3 concerning business combinations, the merger was treated as an acquisition, in which P/F Bakkafrost is the acquiring company and P/F Vestlax Holding the acquired company.

Details of the fair value allocation and the effect on the statement of financial position are presented in the table below:

DKK 1,000	Impact on consolidated accounts
Intangible assets	136,245
Property, plant and equipment	100,106
Financial assets	-9,932
Biomass	102,379
Other current assets	54,071
Deferred tax	-18,828
Long-term interest bearing debt	-37,065
Short-term interest bearing debt	-116,975
Other short-term liabilities	-25,623
Other IFRS adjustments on equity	3,564
<b>Total effect on equity</b>	<b>187,942</b>

The merger is considered a business combination according to IFRS 3. Bakkafrost is considered the acquiree, and Vestlax the acquired group. Accordingly, a Purchase Price Allocation is performed in which Vestlax is recognised and measured at market value.

The market value is established by an actual transaction between independent parties in which shares in Bakkafrost were traded under the presumption of the merger taking place at 1 January 2010 at certain relative values.

The balance sheet of the Vestlax Group has been examined, and fair values have been identified in farming licences by employing generally accepted valuation techniques. The market values of licences are measured at DKK 132.7 million and goodwill at DKK 3.5 million, totalling 136.2 million. The adjustments relative to book values, amounting to DKK 67.7 million, are entered to intangible assets. Biomass is already measured at fair value, and the examination of the balance sheet revealed no further excess values.

According to IFRS 3, deferred tax is calculated on excess values of licences and entered to liabilities; this amounts to DKK 23.9 million, less tax assets in Vestlax Group of DKK 5.1 million. Goodwill is by definition a residual, and no deferred tax is entered. The Vestlax Group and the sea farming activity of Bakkafrost Group perform similar activities and will potentially benefit from economies of scale.

Under the item Investment in financial assets, DKK 16.1 million is eliminated, as this relates to Bakkafrost's share of the share capital in Vestlax. An adjustment to Accounts receivable of DKK 5.3 million relates mainly to intergroup receivables that are eliminated.

The adjustment of DKK 27.7 million to shareholders' equity relates primarily to the following eliminations and adjustments. Bakkafrost's part of the share capital in Vestlax is eliminated, which amounts to DKK -16.1 million. As the merger consideration for Vestlax is paid in shares of Bakkafrost, the share capital in the merged Group is increased by DKK 1.0 million, so that the total share capital after the merger is DKK 4.0 million. The purchase price allocation, which is the excess value of the book value of the assets in Vestlax, amounting to DKK 67.7 million, is entered on other equity. Finally, a provision for deferred tax of the value of the licences is made, amounting to DKK 23.9 million.

#### Note 4. Realised Figures Compared to Proforma Figures

##### Consolidated Profit and Loss Account

For the period ended 31 December 2010

DKK 1,000	Q4	Proforma		Proforma
	2010	Q4	2010	2009
<b>Operating revenue</b>	<b>252,533</b>	<b>264,265</b>	<b>820,212</b>	<b>921,688</b>
Purchase of goods	-95,067	-37,662	-301,446	-272,638
Change in inventory and biological assets (at cost)	27,781	-45,444	75,501	-105,659
Fair value adjustments on biological assets	43,558	4,945	80,555	31,923
Fair value (excess of costs) on biological assets acquired and harvested	0	2,563	3,371	2,563
Salary and personnel expenses	-30,533	-35,316	-118,409	-123,895
Other operating revenue	0	0	0	9,500
Other operation expenses	-53,220	-57,693	-186,813	-186,727
Onerous contracts	-1,960	0	-2,856	0
Listing costs	-7	0	-12,790	0
Income from associates	512	699	512	699
Depreciation	-11,142	-9,228	-42,257	-38,134
<b>Earnings before interest and taxes (EBIT)</b>	<b>132,455</b>	<b>87,129</b>	<b>315,580</b>	<b>239,320</b>
Financial income	220	432	1,051	1,197
Net interest expenses	-1,727	-6,384	-8,180	-37,290
Net currency effects	334	480	819	1,577
Other financial expenses	-684	-3,331	-2,011	-3,661
<b>Earnings before taxes (EBT)</b>	<b>130,598</b>	<b>78,325</b>	<b>307,259</b>	<b>201,143</b>
Taxes	-15,749	-16,676	-47,548	-36,343
<b>Profit for the period</b>	<b>114,849</b>	<b>61,649</b>	<b>259,711</b>	<b>164,799</b>

**Consolidated Statement of Financial Position**  
As of 31 December 2010

DKK 1,000	End 2010	Proforma End 2009
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	136,245	136,245
Property, plant and equipment	356,419	331,108
Financial assets	25,967	16,330
Long-term receivables	796	731
<b>TOTAL NON-CURRENT ASSETS</b>	<b>519,427</b>	<b>484,414</b>
<b>Current assets</b>		
Biological assets (biomass)	6 482,091	329,876
Inventory	28,501	24,902
<b>Total inventory</b>	<b>510,592</b>	<b>354,778</b>
Accounts receivable	125,619	114,199
Other receivables	19,890	14,831
<b>Total receivables</b>	<b>145,509</b>	<b>129,030</b>
Cash and cash equivalents	9,128	35,680
<b>Total current assets</b>	<b>665,229</b>	<b>519,488</b>
<b>TOTAL ASSETS</b>	<b>1,184,656</b>	<b>1,003,902</b>

**Consolidated Statement of Financial Position**  
As of 31 December 2010

<b>DKK 1,000</b>	<b>End 2010</b>	<b>Proforma End 2009</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	48,858	3,964
Other equity	853,431	569,301
<b>Total equity</b>	<b>902,289</b>	<b>573,265</b>
<b>Non-current liabilities</b>		
Deferred and other taxes	120,009	70,595
Long-term interest bearing debts	37,357	71,415
<b>Total non-current liabilities</b>	<b>157,366</b>	<b>142,010</b>
<b>Current liabilities</b>		
Short-term interest bearing debt	41,961	215,237
Accounts payable and other debt	83,039	73,390
<b>Total current liabilities</b>	<b>125,000</b>	<b>288,627</b>
<b>Total liabilities</b>	<b>282,366</b>	<b>430,637</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,184,656</b>	<b>1,003,902</b>

**Consolidated Cash Flow Statement**  
For the period ended 31 December 2010

DKK 1,000	Q4 2010	2010	Proforma 2009
<b>Operating profit (EBIT)</b>	<b>132,456</b>	<b>315,580</b>	<b>239,319</b>
Adjustments for write-downs and depreciation	11,142	42,257	38,134
Adjustments for fair value adjustments on biomass	-43,558	-83,926	-34,486
Taxes paid	0	0	0
Provision for onerous contracts	-3,752	-2,856	0
Change in inventory	-27,548	-71,888	105,639
Change in other current assets	-24,692	-13,370	-27,586
Change in current debts	74	9,246	-22,954
<b>Cash flow from operations</b>	<b>44,122</b>	<b>195,043</b>	<b>298,066</b>
<b>Cash flow from investments</b>			
Proceeds from sale of fixed assets	0	300	50
Payments made for purchase of fixed assets	-17,623	-67,868	-37,441
Purchase of shares and other investments	-3,803	-3,807	-8,734
Change in long-term receivables	-93	-318	6,509
<b>Cash flow from investments</b>	<b>-21,519</b>	<b>-71,693</b>	<b>-39,616</b>
<b>Cash flow from financing</b>			
Paying down of interest bearing debt (short and long)	-30,346	-207,334	-191,556
Proceeds from share capital increases	83	67,727	0
Received interest	552	1,869	3,404
Net proceeds from sale of own shares	0	15,669	0
Paid interest	-2,411	-10,191	-41,581
Dividend paid	0	-17,643	-5,000
<b>Cash flow from financing</b>	<b>-32,122</b>	<b>-149,903</b>	<b>-234,733</b>
<b>Net change in cash and cash equivalents in period</b>	<b>-9,520</b>	<b>-26,553</b>	<b>23,718</b>
Cash and cash equivalents – opening balance	18,648	35,680	11,962
<b>Cash and cash equivalents – closing balance total</b>	<b>9,128</b>	<b>9,128</b>	<b>35,680</b>

## Note 5. Biomass

DKK 1,000	End 2010	Bakkafrost pre-merger 2009
Biological assets carrying amount 01.01	227,497	229,720
Increase due to production or purchases	442,289	272,139
Increase due to acquisitions	98,986	0
Reduction due to harvesting or sale (costs of goods sold)	-370,607	-308,017
Fair value adjustment at the beginning of the period reversed	-46,866	-13,211
Fair value adjustments at the end of the period	130,792	46,866
<b>Biological assets carrying amount</b>	<b>482,091</b>	<b>227,497</b>
Cost price biological assets	351,299	180,631
Fair value adjustments at the end of the period	130,792	46,866
<b>Biological assets carrying amount</b>	<b>482,091</b>	<b>227,497</b>

## Note 6. Segments

Farming segment DKK 1,000	Q4	Pre- merger Q4	Proforma		Pre- merger	Proforma
	2010	2009	Q4 2009	2010	2009	2009
<b>Operating revenue</b>	<b>236,214</b>	<b>131,508</b>	<b>212,575</b>	<b>771,747</b>	<b>487,867</b>	<b>812,990</b>
Depreciation and amortisation	-9,998	-4,342	-8,240	-38,076	-16,997	-34,334
Operating expenses	-134,725	-99,065	-155,303	-447,094	-343,284	-614,835
Fair value adjustments on biological assets	43,558	16,412	7,508	83,926	33,655	34,486
Listing costs	-7	0	0	-10,260	0	0
Other operating revenue	0	0	0	0	0	9,500
Income from associates	496	312	671	496	312	671
<b>Earnings before interest and taxes (EBIT)</b>	<b>135,538</b>	<b>44,825</b>	<b>57,211</b>	<b>360,739</b>	<b>161,553</b>	<b>208,477</b>
Net interest	-1,099	-2,575	-9,606	-6,413	-8,850	-35,869
<b>Earnings before taxes (EBT)</b>	<b>134,439</b>	<b>42,250</b>	<b>47,604</b>	<b>354,327</b>	<b>152,703</b>	<b>172,608</b>
Taxes	-16,440	-7,615	-11,169	-56,020	-27,396	-31,230
<b>Profit for the period</b>	<b>117,999</b>	<b>34,635</b>	<b>36,436</b>	<b>298,306</b>	<b>125,307</b>	<b>141,378</b>

Value added products DKK 1,000	Q4	Pre- merger Q4	Proforma		Pre- merger	Proforma
	2010	2009	Q4 2009	2010	2009	2009
<b>Operating revenue</b>	<b>119,528</b>	<b>130,713</b>	<b>130,713</b>	<b>473,142</b>	<b>358,709</b>	<b>358,709</b>
Depreciation and amortisation	-1,143	-988	-988	-4,180	-3,800	-3,800
Operating expenses	-119,522	-99,835	-99,835	-508,750	-324,095	-324,095
Provision for onerous contracts	-1,960	0	0	-2,856	0	0
Listing costs	0	0	0	-2,530	0	0
Income from associates	16	28	28	16	28	28
<b>Earnings before interest and taxes (EBIT)</b>	<b>-3,081</b>	<b>29,918</b>	<b>29,918</b>	<b>-45,158</b>	<b>30,842</b>	<b>30,842</b>
Net interest	-760	803	803	-1,909	-2,308	-2,308
<b>Earnings before taxes (EBT)</b>	<b>-3,841</b>	<b>30,721</b>	<b>30,721</b>	<b>-47,067</b>	<b>28,534</b>	<b>28,534</b>
Taxes	691	-5,507	-5,507	8,472	-5,113	-5,113
<b>Profit for the period</b>	<b>-3,150</b>	<b>25,214</b>	<b>25,214</b>	<b>-38,595</b>	<b>23,421</b>	<b>23,421</b>

**Note 7. Harvest**

Distribution of harvested volume (gwt)	Q4	Proforma	2010	Proforma
	2010	Q4		2009
Harvested volume used in VAP production	3,161	3,410	12,903	10,977
Harvested volume sold fresh/frozen	3,332	5,532	8,723	19,673
<b>Harvested volume (gwt)</b>	<b>6,493</b>	<b>8,942</b>	<b>21,626</b>	<b>30,650</b>



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