Faroese Company Registration No.: 1724

BAKKAFROST
ANNUAL REPORT 2013

WWW.BAKKAFROST.COM

BAKKAFROST

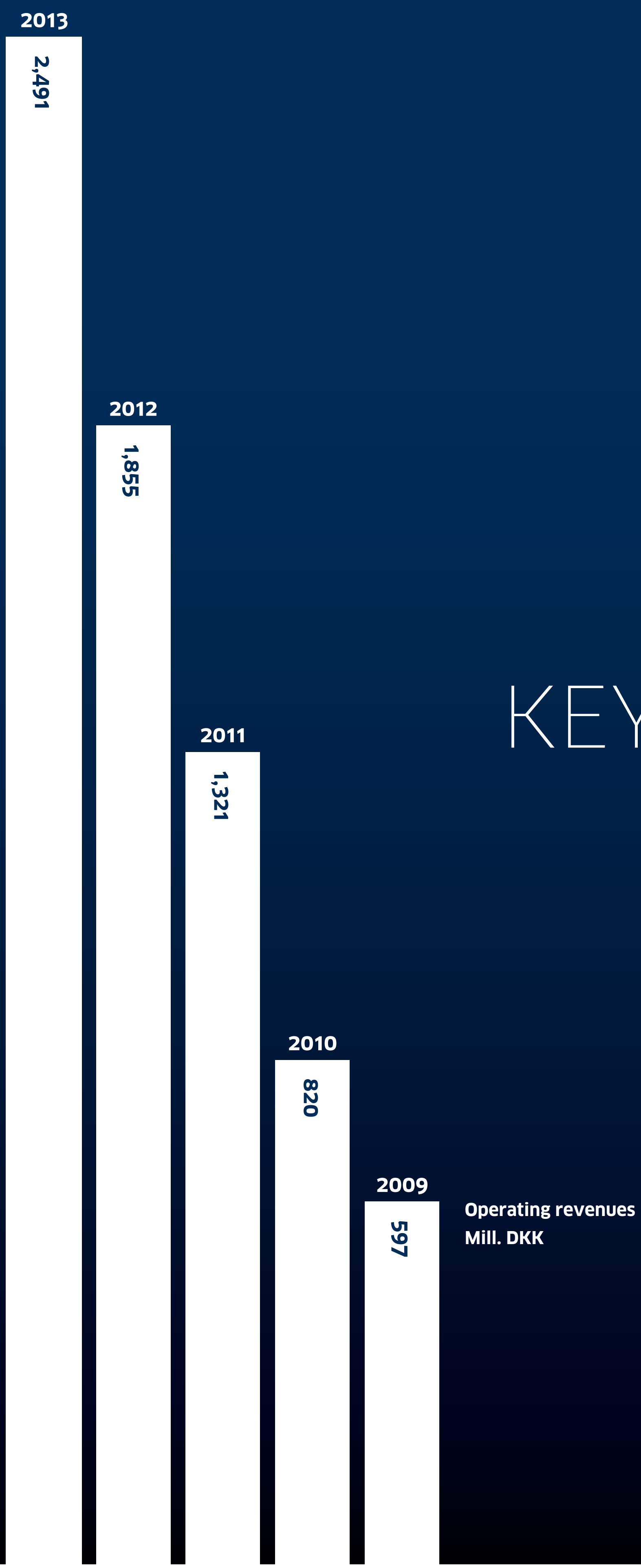
ESTABLISHED 1968


BAKKAFROST
ESTABLISHED 1968

TABLE OF CONTENTS

Key Figures	4
Bakkafrost's History	6
Group Structure	8
Operation Sites	10
Main Events	12
Chairman's Statement	15
Statement by the Management and the Board of Directors	16
Business Review	34
Business Objectives and Strategy	48
Operation	50
Health, Safety and the Environment	54
Shareholder Information	57
Directors' profiles	58
Group Management's Profiles	60
Other Managers	62
Corporate Governance	65
Statement by the Management and the Board of Directors on the Annual Report	66
Independent Auditor's Report	67
Bakkafrost Group Consolidated Financial Statements	68
P/F Bakkafrost - Financial Statements	109

KEY FIGURES


2013
2,491
2012
1,855
2011
1,321
2010
820
2009
597
Operating revenues
Mill. DKK

(DKK 1000)	IFRS	IFRS	IFRS	IFRS	IFRS
Income statement	**2013**	**2012**	**2011**	**2010**	**2009**
Operating revenues	2,491,081	1,855,544	1,321,092	820,212	596,565
Operational EBIT *	587,010	323,040	335,146	246,788	158,740
Operational EBITDA *	673,669	403,284	402,471	289,045	213,191
Earnings before interest and taxes (EBIT)	701,320	343,520	400,698	315,580	192,394
Earnings before taxes (EBT)	727,351	323,681	370,196	307,259	181,237
Net earnings	**589,218**	**267,875**	**323,417**	**259,711**	**148,728**
Earnings per share before fair value adjustment of biomass and provision for onerous contracts (DKK)	10.55	5.01	7.43	3.97	40.49
Earnings per share after fair value adjustment of biomass and provision for onerous contracts (DKK)	12.07	5.76	6.66	5.41	49.71
Statement of financial position	**2013**	**2012**	**2011**	**2010**	**2009**
Total non-current assets	1,328,179	1,197,655	1,234,333	519,427	257,741
Total current assets	1,784,047	1,373,256	1,067,441	665,229	363,291
TOTAL ASSETS	**3,112,226**	**2,570,911**	**2,301,774**	**1,184,656**	**621,032**
Total equity	1,665,277	1,262,912	1,061,011	902,289	388,887
Total liabilities	1,446,949	1,307,999	1,240,763	282,366	232,145
TOTAL EQUITY AND LIABILITIES	**3,112,226**	**2,570,911**	**2,301,774**	**1,184,656**	**621,032**
Net interest bearing debt **	603,074	806,903	816,825	70,190	97,293
Equity share	54%	49%	46%	76%	63%

* Aligned for fair value adjustment of biomass, onerous contracts provision, income from associates and other non operating related adjustments.
** Derivatives related to long-term interest bearing debt amounting to DKK 71,849 are not included.

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.

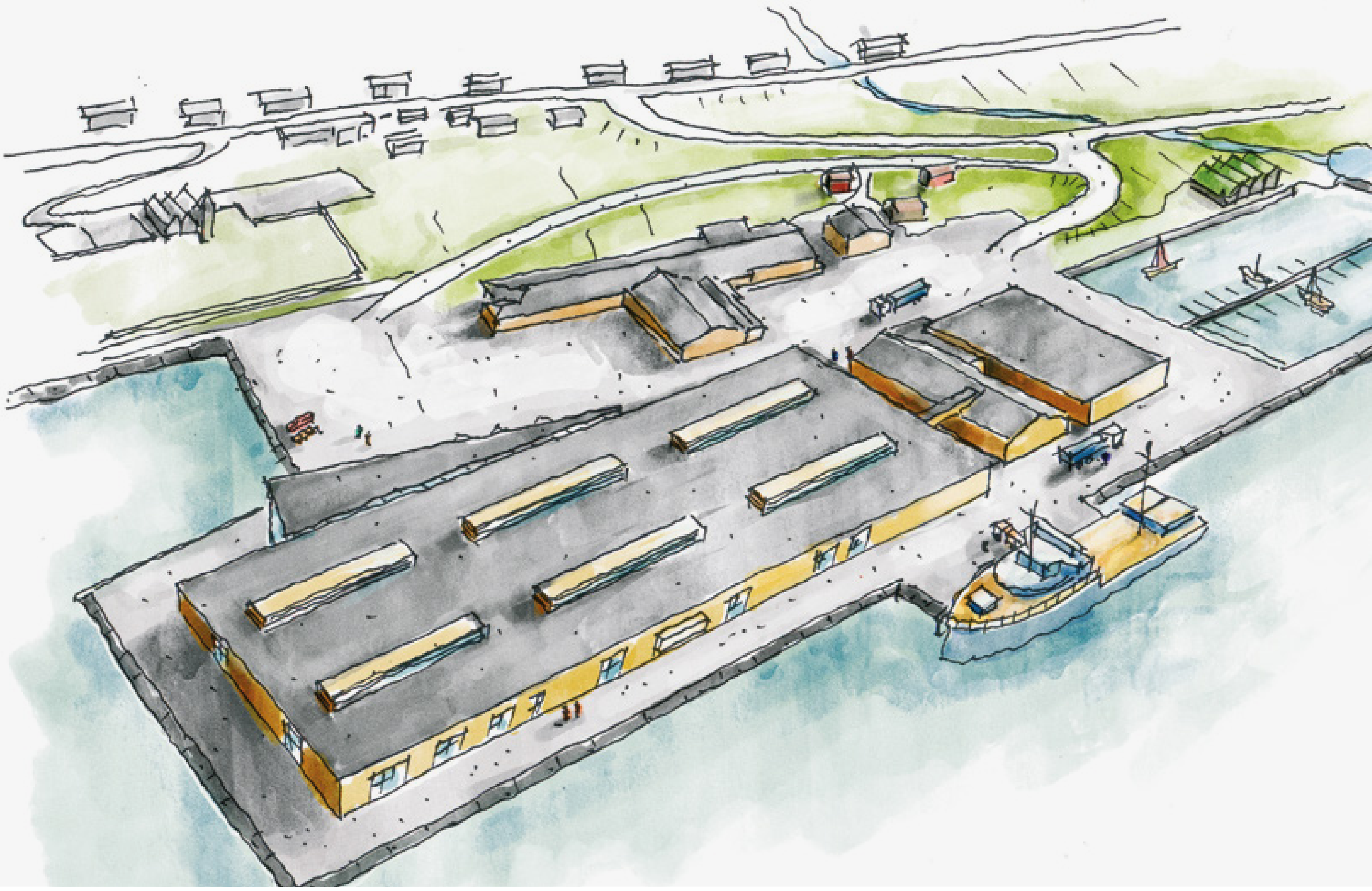
2009 This was the best year so far in terms of produced volumes, revenues and operating profit. The decision was made to list the company on Oslo Børs.

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, Bakkafrost plc in UK, was acquired in late 2012.

2013 Bakkafrost announced its 5 year investment plan to make the onshore operation more efficient, to increase organic growth and to reduce the biological risk. Part of the plan is also building a new well boat "Hans á Bakka". To reduce biological risk, Bakkafrost exchanged the farming site in Vestmanna with the site in Gøtuvík, previously operated by P/F Luna.



GROUP STRUCTURE

The figure below shows the structure of the Bakkafrost Group with activities separated into different entities based on activities. The Group produced 41,268 tonnes of gutted salmon in 2013 (2012: 44,341 tgw) and 85,333 tonnes of fish feed (2012: 91,398 tonnes).

FIG. 1

FIG. 2

OPERATING REVENUES: MILL. DKK*

FIG. 3

NET EARNINGS: MILL. DKK*

FIG. 4

FISH FEED PRODUCTION VOLUME: TONNES **

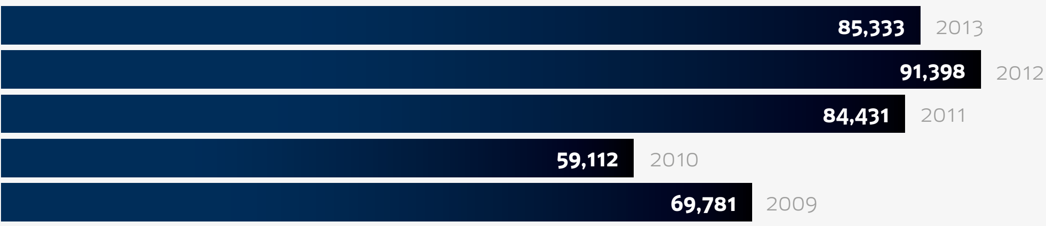


FIG. 5

HARVEST VOLUME: TONNES GW*

FIG. 6

SMOLT RELEASE: THOUSAND SMOLTS*

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

FIG. 7

A05, A47 and A85 are not in use at the moment

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 18 farming sites, and the company has a total of 640 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
Undir Nesi A-85**

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 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.
** Not in use at the moment.

MAIN EVENTS

· Best financial result in the company's history

· Launched a five year plan to increase efficiency, organic growth and reduce biological risk

· Signed a contract for building of a new 3,000 m^3 wellboat named “Hans á Bakka”

· Issued 5 year bonds amounting to NOK 500 million on the Norwegian bond market

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

CHAIRMAN'S STATEMENT

Bakkafrost is one of the largest companies in the Faroe Islands measured in revenue, assets, number of employees and total export. Therefore the company has a significant responsibility towards the society. Our duty is to run the company in a responsible and optimal way for our entire stakeholders, i.e. employees, shareholders and society.

In total in excess of 1,000 employees received salary from Bakkafrost in 2013, corresponding to 640 full time equivalent employees. Total investments were DKK 165 million, whereof around 80% were spendings directly to Faroese contractors. With the result for 2013 and suggested dividends, we expect to pay in excess of DKK 100 millions in direct taxes to the Faroese authorities.

If the company shall maintain its competitive advantages compared to its international peers, two key elements have to be in place. Firstly, the legal framework, which the industry is governed by, has to be competitive; secondly, it has to be stabile. If this is in place, and the industry is well run, Bakkafrost can continue to create value to its shareholders, employees and the Faroese community.

It is the Board's intention that Bakkafrost shall continue to be a world class company in the salmon industry. Since 2006, Bakkafrost has taken over many companies, and therefore the structure of the value chain and number of operation sites onshore, is a result of the take overs and not an outcome of a planned structure for the Group. To ensure that Bakkafrost also in the future is a world class company, competitive in the global competition, Bakkafrost must increase efficiency.

To withhold and improve Bakkafrost's competitive advantages, an ambitious five year investment plan was announced in July 2013 for optimising the value chain further, resulting in savings, increased production and reduced biological risk to the benefit of our stakeholders. The total investments will over the next five years exceed DKK 1 billion with a payback time of 5-6 years, corresponding to 15-20% per year. Bakkafrost's dividend policy will be unchanged despite the investment plan.

Another part of the plan is related to organic growth. The plan is to increase the smolt production in terms of number and size of the smolts. This will result in a shorter production time at sea and reduce the biological risk. By doing this, Bakkafrost is able to increase the production within the existing licenses. In the Farming division, the plan is to increase the capacity and fish welfare by being able to farm salmon at more weather exposed areas with even better water conditions. Finally Bakkafrost plans to increase the salmon feed production.

The result after tax for 2013 was DKK 589.2 million, and earnings per share (EPS) were DKK 12.07.

The result is due to a strong salmon market, a good biological situation in the Faroe Islands and a conscientious job carried out by our dedicated employees.

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. The Board of Directors has therefore decided to propose to the Annual General Meeting that DKK 4.50 (NOK 5.03*) per share shall be paid out as dividend. This corresponds to approximately DKK 219.9 million (NOK 245.9* million). In addition to this, Bakkafrost purchased treasury shares amounting to DKK 28.9 million (NOK 32.5 million).

Bakkafrost's financial position is strong, with a healthy balance sheet, a competitive operation and undrawn available credit facilities.

The Board of Directors is satisfied with the Group's financial results this year and takes the opportunity to thank our employees for their efforts in 2013.

* 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.

STATEMENT BY THE MANAGEMENT AND THE BOARD OF DIRECTORS

BEST YEAR EVER FOR THE BAKKAFROST GROUP

The result for 2013 was the best ever for the Bakkafrost Group. Salmon spot prices were strong and the biological situation was good, resulting in a record financial result for the farming segment. The VAP segment, however, had a significant loss, as the contract prices for the value added products were too low to cover the high raw material prices. In terms of volumes the VAP segment had a record year. The production of fish oil and -meal increased compared to the year before due to improved access to raw material and contributed to the good result. The feed production decreased slightly compared to the year before, but had a satisfying result.

The average NOS salmon price was NOK 39.07 compared to NOK 26.20 in 2012, corresponding to an increase of 49%. Bakkafrost's harvested volumes of salmon on the other hand decreased from 44,341 tonnes gutted weight in 2012 to 41,268 tonnes gutted weight in 2013. The decrease was mainly due to available sites for harvesting and the early harvest of the site in Fuglafjørður following the suspicion of Neoparamoeba perurans.

The volumes produced as VAP products increased from 16,054 tonnes gutted weight in 2012 to 18,333 tonnes gutted weight in 2013, an increase of 14%, but due to the high spot prices, however, Bakkafrost had a significant loss on the VAP production, as the salmon spot prices were higher than anticipated in the beginning of the year, when some of the larger contracts were signed.

Bakkafrost's fishmeal and oil production at Havsbrún improved its operation compared to recent years. The sourcing of raw material increased from 47,122 tonnes in 2012 to 160,581 tonnes in 2013, contributing to the good result for the Group. With the positive outlook for the fishery of blue whiting and the establishment of a pelagic fish processing plant next to Havsbrún's production facilities in Fuglafjørður, the outlook is bright. Off-cuts from the new processing facility, in which Bakkafrost owns 30%, can be used for the production of fishmeal and fish feed.

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 purchasing these raw materials from other producers, which has been common in recent years. The production of fish feed decreased slightly from 91,398 tonnes in 2012 to 85,333 tonnes in 2013. The decrease was mainly due to increased competition in the Faroe Islands.

The continuing good biological situation resulting in low mortality, low feed conversion rate and good growth has also contributed to the good result in 2013. On the negative side input factors in the feed production have increased over the last years as well as costs for sea lice treatment. Late October 2013, Bakkafrost announced the suspicion of Neoparamoeba perurans at a Bakkafrost farming site in Fuglafjørður. Further PCR analysis carried out by the Faroese Food- and Veterinary Authorities have detected the presence of Neoparamoeba perurans. The Neoparamoeba perurans agent is known to be able to cause amoeba gill disease (AGD). All other sites in the Faroes have been examined, and Neoparamoeba perurans has been detected in a number of them including sites, which Bakkafrost owns. The detected sites have been treated with Hydrogen Peroxide.

Bakkafrost and the other farming companies in the Faroes have equipment and employees with skills and experience in using Hydrogen Peroxide. Hydrogen Peroxide is often used as treatment against sea lice. There has been no increase in mortality and no disease outbreak has been observed at any of the detected sites. Bakkafrost and the other farmers in the Faroe Islands will keep working with the Faroese Food- and Veterinary Authority to avoid the introduction of the AGD.

The surveillance system in the Faroes proved its value again in February 2014. A suspicion of a possible pathogenic ISA-virus at a Bakkafrost farming site was detected during a routine test. The detection of a possible pathogenic ISA-virus was not connected to any increase in mortality, and there was no impact on fish health or fish welfare. Three of the routine surveillance samples for RT-PCR analyses taken at farm A-80, Selatrað, by the veterinary authority, were tested ISAV-positive. Further sequencing of these three ISA-virus positive samples showed a deletion in the HPR-region in one sample. However, post-mortem examination of fish in the farm did not show any pathological signs of ISA.

Bakkafrost decided to activate the ISA-contingency plan immediately and hence enforced slaughtering of the last cage at the farming site A-80 Selatrað. PCR-analyses on later taken samples from the farm showed the same deletions in the HPR-region and hence the presence of an ISA-pathogenic virus. The site was empty before mid February 2014. The farming companies and the authorities have put a lot of work into maintaining the good biological status in the Faroe Islands. Regular surveillance tests for ISA-viruses have been performed at all farms during the last approx 10 years in sea sites in the Faroes.

The Group made a profit for 2013 of DKK 589.2 million (DKK 281.3 million). The Bakkafrost Group had a net interest bearing debt at the end of 2013 amounting to DKK 603.1 million (DKK 806.9 million at year-end 2012) and had available funds of approx. DKK 684.0 million, of which DKK 15.6 million are restricted. Bakkafrost's equity ratio is 54% compared to 49% at the end of 2012, and paid out DKK 97.7 million in dividends in Q2 2013.

OPERATIONAL REVIEW

The Group's operations went well in 2013 due to a good and healthy biological situation and a high capacity utilisation in all parts of the value chain. The farming segment harvested 41,268 tgw compared to 44,341 tgw in 2012. The decrease was mainly due to available sites for harvesting and the early harvest of the site in Fuglafjørður following the suspicion of Neoparamoeba perurans. The volumes produced as value added products increased by 14% in 2013 due to optimisation of the production and the start up of a second shift in the VAP factory at Fuglafjørður.

The production of fishmeal and fish oil during the year was also satisfactory. The availability of raw material for this production has improved following a decrease over the last years, resulting in an increase in the production of fishmeal and oil. Bakkafrost produced 85,333 tonnes of feed, of which 75% were used internally. The total production of fish feed decreased some in 2013 compared to 2012 due to higher competition in the Faroes.

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, 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 to 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 2005–2012 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 2013.

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). Produced volumes have increased each year. In 2012 a second VAP factory opened and was running with one shift until November 2013, when a second shift was employed. In 2013 the VAP production represented 44% of the total harvested volumes, compared to 36% in 2012. The increase in percentage is a combination of increased VAP production and a decrease in the raw material base, as Bakkafrost harvested less volume in 2013 than in 2012. Bakkafrost's strategy is that VAP shall represent approx. 40–50% of the Group's harvested volumes.

A new more efficient factory, with flexibility to expand the product portfolio, is part of the investment plan for the coming years, enabling Bakkafrost also in the future to meet costumers demand. 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. Earnings were negative for the VAP products due to higher than expected salmon prices in 2013.

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. The sale to the US market accounted for 27.5% of Bakkafrost's total sale of fresh whole salmon in 2013 (2012: 23.9%).

Since 2011 the export of large fresh salmon to China has increased significantly. In 2013 the sale to China accounted for 26.7% (2012: 16.3%) 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

Havsbrún received more raw materials in 2013 than in 2012, but the raw material situation is expected to be volatile in the future. Quotas for fishing of blue whiting, however, have increased over the last years and for 2014. This should improve Havsbrún's possibilities of sourcing raw material to its own production of fishmeal and oil. Furthermore processing plants for pelagic species have been built in the Faroe Islands in recent years, increasing access to off-cuts from this production.

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 and the beginning of 2013, when the prices for fish oil decreased significantly. 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, but decreasing content of fish oil in the salmon feed led by the major producers, will reduce some of the demand. Bakkafrost's strategy is to have a high content of fish oil in the feed resulting in a salmon with a high content of omega 3.

The production of feed decreased some in 2013 compared to 2012, due to increased competition in the Faroese market. The total production of feed was 85,333 tonnes compared to 91,398 tonnes in 2012. In 2013 Bakkafrost sold externally 25% of the total production and used 75% internally.

FINANCIAL REVIEW

The supply of salmon to the world market increased only by around 2% in 2013 (2012: 22%), compared to 2012. Therefore the salmon price increased significantly in 2013. The average price came to NOK 39.07 per kilo, compared to NOK 26.20 per kilo in 2012. On the other hand the exchange rate NOK/DKK decreased from an average of DKK 0.9962 for 1 NOK in 2012 to DKK 0.9569 for NOK 1 in 2013. Thus the average salmon price in 2013 was DKK 37.39 compared to DKK 26.10 in 2012, corresponding to an increase of 43%.

The prices for value added products (VAP) increased slightly during 2013, but did not cover the increase in the spot market and hence high raw material prices for the VAP production. 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.

The feed price was at its highest in the first half of 2013, influenced by the all time high fishmeal and fish oil prices, mainly affected by low quotas from Peru. In the second half of the year the prices for fishmeal and fish oil decreased, and hence the price for feed decreased by 10%, compared to the price in the beginning of 2013. The price for vegetable raw materials varied somewhat – price for wheat decreased, while wheat gluten and soy increased, and the price for rapeseed oil decreased significantly.

The high feed price will result in higher production costs for salmon in the first half of 2014. In the second half of 2014, however, the decrease in the feed price is expected to show in lower production costs for salmon.

Income statement

The Bakkafrost Group generated gross operating revenues of DKK 2,491.1 million in 2013, compared to DKK 1,855.5 million in 2012. The increase in the revenue is due to higher salmon prices, as the harvested volumes were lower in 2013, compared to 2012.

The operations harvested a total of 41,268 tonnes gutted weight, compared to 44,341 tonnes in 2012. Operational EBIT was DKK 587.0 million, compared to DKK 323.0 million in 2012. A fair value adjustment of the Group's biological assets has been recognised in 2013 amounting to DKK 115.4 million, compared to DKK 90.5 million in 2012. The increase in the fair value adjustment for the biomass is mainly due to higher salmon prices at the end of 2013, compared to end 2012.

In 2013, Bakkafrost has made a provision for onerous contracts of DKK 24.8 million, compared to DKK 46.1 million in 2012. The provision is made, because Bakkafrost has long term contracts to deliver value added salmon products at a fixed price in the future. As the raw material prices at end of 2013 have increased, the contracts may result in a loss if the raw material prices are on an unchanged level.

In 2013, the Group's associated companies made a net result to Bakkafrost of DKK 23.8 million, compared to DKK -6.4 million in 2012. The profit is due to a positive result in Faroe Farming of DKK 13.0 million. Hanstholm Fiskemelsfabrik, a fishmeal and fish oil producer in Denmark, of which Havsbrún owns 39.9%, made a loss in 2013, however, of DKK 4.4 million.

Financial income in 2013 amounted to DKK 6.2 million, compared to DKK 3.4 million in 2012. Net interest expenses amounted to DKK 28.9 million, compared to DKK 20.9 million in 2012. Net currency effects amounts to DKK 53.2 million, compared to DKK 0.1 million in 2012. The amount in 2013 is due to currency gains on the bond loan of NOK 500 million. Net taxes amounted to DKK -138.1 million, compared to DKK -55.8 million in 2012.

The result from discontinuing operations amounted to DKK 0 million. In 2012 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. After the transaction, Bakkafrost holds 49% of the share capital in Faroe Farming. The Consolidated net profit totalled DKK 589.2 million in 2013, compared to DKK 281.3 million in 2012. Earnings per share totalled DKK 12.07 in 2013, compared to DKK 5.48 in 2012, and DKK 5.76 incl. discontinued operations.

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

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 1,373.2

million in 2013, up from DKK 1,015.5 million in 2012. The increase is due to higher salmon prices, as the harvested volumes are lower, compared to 2012. Operational EBIT totalled DKK 642.4 million, compared to DKK 274.0 million in 2012. This corresponds to an operating EBIT of DKK 15.57 per kg gutted weight, compared to DKK 6.18 per kg gutted weight in 2012. In 2013 the average salmon price was NOK 39.07, compared to NOK 26.20 in 2012. The Group's farming segment harvested 41,268 tonnes gutted weight in 2013, compared to 44,341 tonnes in 2012 (continuing operations). Bakkafrost continuing and discontinuing operation harvested 46,898 tonnes gutted weight in 2012. Faroe Farming, in which Bakkafrost holds 49%, harvested 6,053 tonnes gutted weight in 2013, compared to 4,358 tonnes gutted weight in 2012. Bakkafrost is marketing and selling the salmon for Faroe Farming.

Value added products (VAP)
Bakkafrost has a long-term strategy of producing 40-50% of its harvested salmon as value added products. The value added production is carried out at the factories in Glyvrar and Fuglafjørður. The Factory in Fuglafjørður commenced production in January 2012 with one shift, but was increased to two shifts in late November 2013. 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 increasing 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 666.2 million in 2013, compared to DKK 526.3 million in 2012. Operational EBIT, which is EBIT adjusted for provision for onerous contracts etc., totalled DKK -90.5 million, compared to DKK 37.0 million in 2012. This corresponds to an operating EBIT of DKK -4.93 per kg gutted weight, compared to DKK 2.30 per kg gutted weight in 2012.

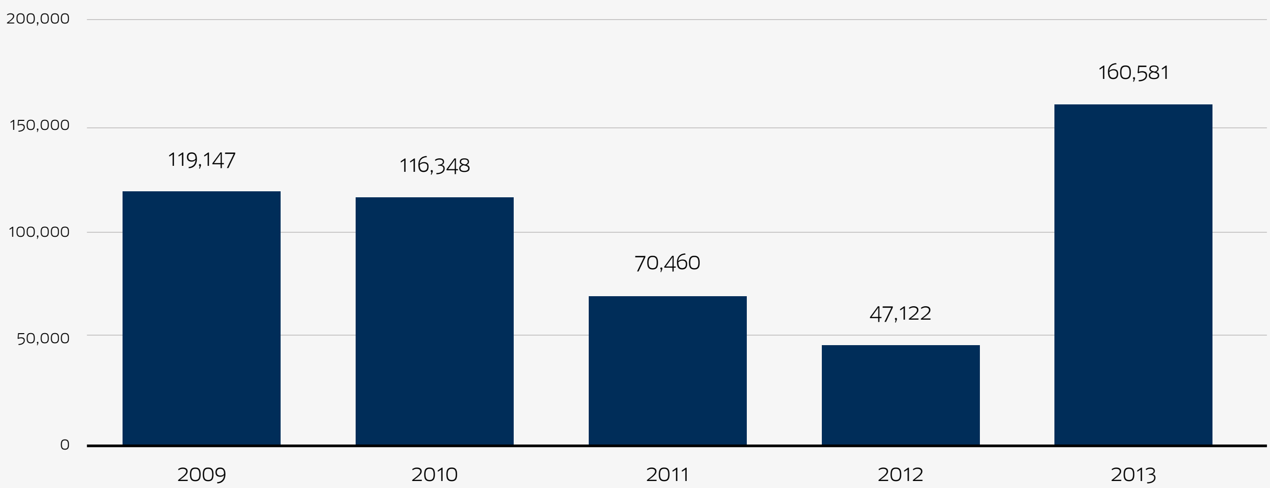
Even if the contract prices increased slightly, compared to 2012, the spot prices increased significantly more, resulting in a loss in the VAP segment, as it purchases the raw material, salmon, at spot prices each week. As there is a time lag between the movement in the fresh salmon prices and the contract prices, Bakkafrost normally makes a profit in the VAP segment, when the spot prices are decreasing and vice versa, when the spot prices increase during a period.

Fishmeal, fish oil and fish feed
Havsbrún's raw material situation for the fishmeal and fish oil production improved in 2013, compared to recent years. Havsbrún sourced 160,581 tonnes of raw material in 2013, compared to 47,122 tonnes in 2012. The produced fishmeal and oil was partly used internally for the feed production and partly exported.

Havsbrún sold 85,333 tonnes of feed in 2013, compared to 91,398 tonnes in 2012. Bakkafrost used 63,820 tonnes of the sold feed in 2013 internally, corresponding to 75%.

The external operating revenue for the fishmeal, fish oil and fish feed segment amounted to DKK 451.7 million in 2013, compared to DKK 313.8 million in 2012. The increase in the external revenue from 2012 to 2013 is due to higher production of fish oil and –meal, which has been exported.

FIG. 8 / SOURCING OF RAW MATERIAL: TONNES



The internal operating revenue amounted to DKK 631.3 million, compared to DKK 575.6 million in 2012. The internal revenue comprises the sale of feed to Bakkafrost's farming activities. EBITDA was DKK 125.8 million in 2013, compared to DKK 84.5 million in 2012, and the EBITDA margin was 11.61% in 2013, compared to 9.50% in 2012. The reason for the increase in the margin is primarily due to higher production of fishmeal and oil.

The result after taxes amounted to DKK 92.4 million, compared to DKK 44.4 million in 2012.

Statement of financial position

The Group's total assets as at end 2013 amounted to DKK 3,112.2 million, compared to DKK 2,570.9 million at the end of 2012. The increase is mainly due to investments made in property plant and equipment, increased fair value of biological assets and higher cash.

The Group's intangible assets amounted to DKK 294.7 million (2012: DKK 293.7 million) and comprise primarily the fair value of acquired farming licences. Property, plant and equipment have increased from DKK 812.8 million at the end of 2012 to DKK 916.7 million at the end of December 2013. The increase is due to the investments made by Bakkafrost mainly in increased smolt capacity, building of the new packaging facility and other general investments in the value chain. Non-current financial assets amounted to DKK 116.8 million at the end of 2013, compared to DKK 91.2 million at the end of 2012. The increase in the financial assets is mainly due to positive operations in Faroe Farming, a share capital increase in Hanstholm Fiskemelsfabrik, but offset by a negative result in 2013.

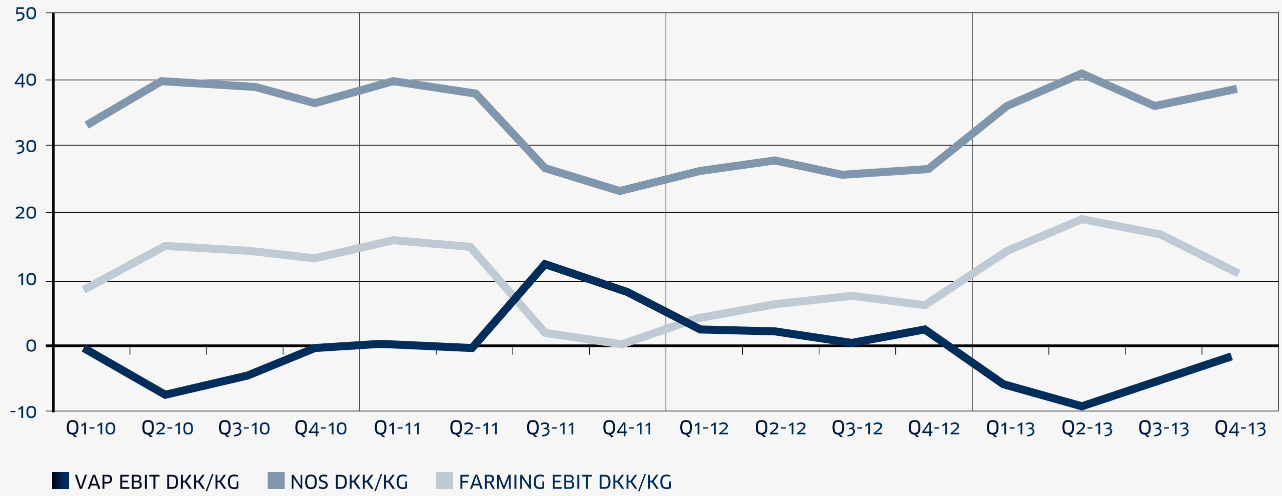
The Group's carrying amount (fair value) of biological assets amounted to DKK 965.9 million at the end of 2013, compared to DKK 747.0 million at the end of 2012. Included in the booked value of the biological assets is a fair value adjustment amounting to DKK 296.4 million, compared to DKK 181.1 million at the end of 2012. The Group's total inventories amounted to DKK 235.5 million as at end 2013, compared to DKK 242.9 million at year-end 2012. 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 accounts receivables amounted to DKK 278.4 million as at end 2013, compared to DKK 212.4 million at the end of 2012. The increase is primarily due to higher salmon prices. Other receivables consist for a large part of receivables from an associated company, but also of VAT and other receivables.

The Group's equity as at 31st December 2013 is DKK 1,665.3 million, compared to DKK 1,262.9 million at the end of 2012. The change in equity in 2013 primarily consists of the profit for the period, purchase of own shares and dividends to the shareholders.

The Group's total non-current liabilities amounted to DKK 1,071.0 million at the end of 2013, compared to DKK 990.4 million at the end of 2012. Deferred and other taxes amounted to DKK 310.9 million, compared to DKK 258.4 million at the end of 2012. Long-term interest bearing debt was DKK 685.2 million at the end of 2013, compared to DKK 731.9 million at the end of 2012. Derivatives were DKK 74.9 million (DKK 0 in 2012).

Bakkafrost's interests bearing debt consists of one bond loan amounting to NOK 500 million payable in 2018 and two bank loans: one instalment loan of DKK 300 million, payable with DKK 25 million each quarter, and one loan payable with the full amount of DKK 553 million in 2017. The derivatives relate primarily to a currency/interest rate swap in relation to the NOK 500 million bonds, hedging the

FIG. 9 / EBIT PER KG PER QUARTER SINCE LISTING ON OSLO BØRS



exchange rate and switching the interest rate from NIBOR 3m to CIBOR 3m. Bakkafrost has entered the swap due to its exposure to DKK, as a large part of the income and costs are in DKK and EUR.

At the end of 2013, the Group's total current liabilities are DKK 376.0 million, compared to DKK 317.6 million at the end of 2012. Short-term interest bearing debt amounts to DKK 100.0 million and relates to a short-term part of the long-term debt as described above. Accounts payable amount to DKK 276.0 million, compared to DKK 217.6 million at the beginning of the year. Bakkafrost equity ratio is 54%, compared to 49% at the end of 2012.

Cash flow

The total cash flow from operating activities in 2013 was DKK 517.5 million, compared to DKK 285.6 million in 2012. The cash flow from operation is higher in 2013, primarily due to higher salmon prices.

For 2013, the cash flow from investment activities amounted to DKK -204.4 million, compared to DKK -66.9 million in 2012. In 2013, DKK 165.2 million are payments for investments in fixed assets. Prepayments for purchase of fixed assets amounted to DKK 34.6 million, of which DKK 22.0 million relates to the new well boat. DKK 7.3 are investments in Hanstholm Fiskemelsfabrik, which is an associated company.

For 2013, cash flow from financing amounted to DKK -156.1 million, compared to DKK -210.6 million for 2012. The 2013 figure includes, issuing of bonds amounting to DKK 505.1 million (NOK 500 million), down payment of long-term debt of DKK -100.0 million, change in a revolving credit facility of DKK 445.7 million, financial expenses of DKK -33.4 million, acquisition of treasury shares of DKK -28.1 million, dividend payment of DKK -97.6 million. On the other hand financing of an associated company contributed positively with DKK 37.4 million.

With the established credit facilities, the Group's liquidity and financial strength is considered to be good. The available funds amounted to DKK 684.0 million at 31 December 2013, of which DKK 15.6 million 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. Increased supply 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. Decreased supply 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. Furthermore the production of fish feed is an integrated part in Bakkafrost's value chain and thus reducing this risk.

Geography

Bakkafrost sells its salmon products to more than 20 different countries. Fishmeal, oil and feed are sold to a lower number of countries. From time to time, due to different reasons, the company might not be allowed to send its products to a specific country or region. This could, in turn, have a significant impact on the company's profitability and liquidity.

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 may result in incidents or necessary measures that may 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 may 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 may 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.

The suspicion of Neoparamoeba perurans in the Faroe Island in 2013 have further increased the risk for diseases. The Neoparamoeba perurans agent is known to be able to cause amoeba gill disease (AGD). Farming sites, where there is suspicion of Neoparamoeba perurans, are treated with Hydrogen Peroxide. Bakkafrost and the other farming companies in the Faroes have equipment and employees with skills and experience in using Hydrogen Peroxide. Hydrogen Peroxide is often used as treatment against sea lice.

Bakkafrost announced the 9th of February 2014 a suspicion of a possible pathogenic ISA-virus at a Bakkafrost farming site. The detection of a possible pathogenic ISA-virus was not connected to any increase in mortality, and there was no impact on fish health or fish welfare.

Three of the routine surveillance samples for RT-PCR analyses taken at farm A-80, Selatrað, by the Veterinary Authority, were tested ISAV-positive. Further sequencing of these three ISA-virus positive samples showed a deletion in the HPR-region in one sample. However, post-mortem examination of fish in the farm did not show any pathological signs of ISA. Bakkafrost decided to activate the ISA-contingency plan immediately and hence enforced slaughtering of the last cage at the farming site A-80, Selatrað. PCR-analyses on later taken samples from the farm showed the same deletions in the HPR-region and hence a presence of an ISA-pathogenic virus. The site was empty before mid February.

Challenges regarding sea lice are ongoing. Bakkafrost continues to focus on developing best practise procedures, optimizing treatments and surveillance, and continues to work on local, regional and national levels on both short term and long term prevention strategies.


Marel
22.88

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 receivables 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.

Bakkafrost's financing is in DKK and NOK and is a combination of bank financing and bond financing. The bank financing is in DKK, while the bond financing is in NOK. Thus there is a currency risk towards the bond financing. To reduce this risk, Bakkafrost has entered into a currency/interest rate swap, hedging the exchange rate and has switched the interest rate from NIBOR 3m to CIBOR 3m.

In connection with some material investments, Bakkafrost is exposed to NOK, USD and EUR. The exposure to NOK has been hedged, while the payments in USD and EUR will be paid with inflow in USD and EUR.

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

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 ongoing assessment of financial conditions under which the business operates and its short- and medium-term outlook, including any adjustment in dividend payouts, buyback of own shares, capital reduction or issue of new shares.

Research and development activities

The Group has spent approximately DKK 3.5 million in R&D expenses during 2013, compared to DKK 2.3 million in 2012.

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 2013 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 dividends.

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

The parent company P/f Bakkafrost had a net profit of DKK 854.3 million for 2013. The Board of Directors has decided to propose to the Annual General Meeting that DKK 4.50 (approximately NOK 5.03) per share shall be paid out as dividends. This corresponds to approximately DKK 219.9 million (NOK 245.9* million).

The Board thereby proposes the following allocation of funds:
· Result for 2013: DKK 854.3 million
· Transferred from other equity: DKK 0 million
· Total provision for dividends: DKK 219.9 million

After payment of dividends, the distributable equity totals DKK 1,466.0 million.

Events after the date of the statement of financial position
From the date of the statement of financial position until today, the following event has occurred:

Bakkafrost announced the 9th of February 2014 a suspicion of a possible pathogenic ISA-virus at a Bakkafrost farming site. The detection of a possible pathogenic ISA-virus was not connected to any increase in mortality, and there was no impact on fish health or fish welfare.

Three of the routine surveillance samples for RT-PCR analyses taken at farm A-80, Selatrað by the Veterinary authority, were tested ISAV-positive. Further sequencing of these three ISA-virus positive samples showed a deletion in the HPR-region in one sample. However, post-mortem examination of fish in the farm did not show any pathological signs of ISA.

Bakkafrost decided to activate the ISA-contingency plan immediately and hence enforced slaughtering of the last cage at the farming site A-80 Selatrað.

PCR-analyses on later taken samples from the farm showed the same deletions in the HPR-region and the presence of an ISA-pathogenic virus. The site was empty before mid February.

The farming companies and the authorities have put a lot of work into maintaining the good biological status in the Faroe Islands. Regular surveillance tests for ISA-viruses have been performed at all farms during the last approx 10 years in sea sites in the Faroes.

The final results from the site in Selatrað, confirmed the suspicion of the pathogen variants of the ISA-virus.

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 salmon market has proved to be strong in recent years, and the outlook for the salmon market in 2014 is good. Global supply of salmon in 2014 is expected to increase by 4-6%. Based on historical numbers, the salmon marked is in balance, when the supply increases by 6-8% per year. This together with an average NOS price (Independent exporters purchase price, spot from farmers) in 2013 of NOK 39.07 per kg gives indications of salmon prices in the same price range as in 2013 in average. As the supply of salmon is expected to be low first half of 2014, it is expected that the market will be tight, while more salmon will be harvested in the second half.

Bakkafrost expects to sell around 55% of the harvested volume of salmon in the spot market in 2014 and around 45% as VAP. 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, US, the Far East, Europe and Russia.

FARMING

The outlook for the farming segment is good. The biological situation is good. Bakkafrost expects to harvest 45,000-48,000 tonnes gutted weight in 2014 and Faroe Farming, in which Bakkafrost holds 49%, expects to harvest around 5,000 tonnes in 2014.

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 2014 is 11.6 million smolts and shall be compared to the number of smolts released in 2012, when the smolt release was 10.7 million. The same sites are available for smolt release in 2014, as in 2012. Therefore 2014 is comparable to 2012. Bakkafrost has invested in a new hatchery amounting to DKK 53 million, which will commence production in H1 2014. Following this, Bakkafrost will be self supplied with smolts.

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, but the detection of Neoparamoeba perurans in the Faroes and the detection of an ISA virus are new risks to handle.

The number of sea lice is lower than in previous years after a coordinated treatment in the whole Faroese farming area during 2013. The number has been significantly lower during the summer 2013, compared to previous years. Therefore the farming companies in the Faroes have decided to make a coordinated treatment against sea lice again in 2014.

Value added products (VAP)

The outlook for the sale of value added products is good. Bakkafrost has already signed contracts covering around

70% of the VAP capacity for 2014, corresponding to 30% of the expected total harvested volumes in 2014. The last 30 % of the VAP capacity is expected to be committed during the year. The contracts are at fixed prices based on the salmon prices in 2013 and the expectations for the salmon spot price for 2014. Therefore the contracts are based on a significant higher level in 2014 than in 2013.The contracts lasts for 6 to 12 months. The strategy is to sell around 40-50% of the harvested volumes of salmon as VAP products on fixed price contracts. Selling the products at fixed prices reduces the financial risk with fluctuating salmon prices. The market price for contracted VAP products follows a more stable pattern with trends instead of short-term fluctuations as in the spot market.

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 of fish feed in the Faroe Islands will be approximately 90,000-95,000 tons in 2014. Depending on the purchase from external customers in the Faroe Islands and abroad, the sale of fish feed will be approximately 83,000-87,000 tonnes.

With the positive outlook for the fisheries of blue whiting and the establishment of a pelagic fish processing plant next to Havsbrún's production facilities in Fuglafjørður the outlook for sourcing raw material is better than in recent years. Off-cuts from the new processing facility, in which Bakkafrost has a 30% share, can be used for the production of fishmeal and fish oil. 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 purchasing these raw materials from other producers, which has been common in recent years.

Investments

In July 2013, Bakkafrost announced a five-year plan for optimising its value chain, resulting in savings, increased production and reduced biological risk. The yearly investments amount is DKK 170 million per year, including maintenance investments of DKK 80-90 million per year. In addition to the yearly investments of DKK 170 million, Bakkafrost is building a new well boat, estimated to DKK 230 million. Thus, the total investments will exceed DKK 1 billion for the 5-year period. The investments in 2014 are estimated to DKK 170 million in addition to prepayment for the well boat amounting to DKK 42 million.

Financial

Improved market balances in 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, 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 fulfil its dividend policy in the future.

BUSINESS REVIEW

SEAFOOD CONSUMPTION

Capture fisheries and aquaculture is estimated to have supplied about 152 million tonnes of fish in 2012, of which about 131 million tonnes were utilized as food. This corresponds to seafood consumption per capita of almost 19 kg.

Overall global capture fisheries production continues to remain stable at about 90 million tonnes, of which about 20-25 million is utilized in the production of fishmeal and fish oil. This share of non-food uses has declined in recent years, as quotas have been reduced and there has been an increase in demand for seafood products for human consumption.

2012 is the first year where almost an equal share of the world seafood for human consumption has been supplied by the aquaculture industry.

The figure below shows world seafood production (for human consumption) and consumption per capita 1998–2012E.

China has been responsible for most of the increase in world per capita fish consumption, growing to the substantial increase in its fish production, particularly from aquaculture.

MAIN MARKETS FOR SALMON AND CONSUMPTION TRENDS

In 2013, worldwide supply of farmed Atlantic salmon continued to show growth, though only single digit, and set a new supply record just above 2 million tonnes wfe (Estimate). This represents a world Atlantic salmon per capita consumption of almost 300 grams (wfe-basis) in 2013. This corresponds to approx. 150 grams of edible product, which is one meal per capita per year.

The world's largest consumer market of Atlantic salmon, however, is the European Union (EU-28), where more than 900 thousand tonnes wfe were consumed in 2013, and with a population of approx. 510 million this corresponds to a per capita consumption of 1.8 kg per annum. This indicates 5-6 meals per capita per year. Within the EU, France has the largest consumption and measured on an apparent consumption level this corresponds to 10-11 meals per capita per year on average in 2013.

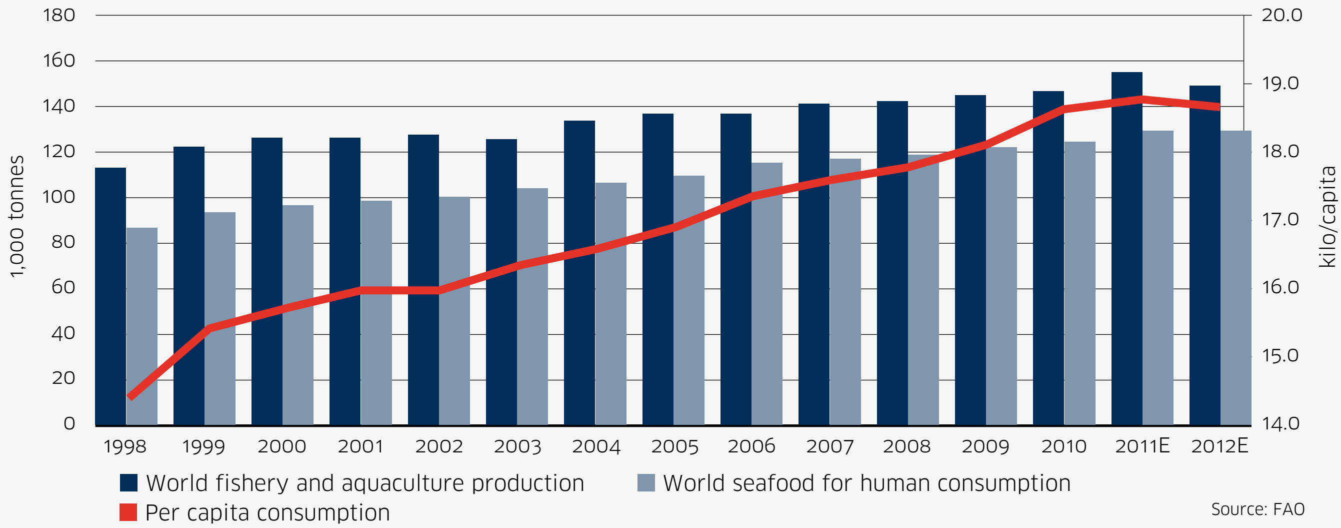
Figure 11 shows per capita consumption for farmed Atlantic salmon from 1995–2013 (preliminary estimate) for the selected main markets of the US, the EU, Russia and Japan.

THE US MARKET

US market supply of farmed Atlantic salmon continues to be dominated by supply from both Chile and Canada. Supply from Canada, however, has trended on a significantly lower level in 2013 due to lower production. The 20 thousand tonnes supply decrease from Canada has been well covered by an increase from both Chile and other producing countries, which combined have increased supply more than 50 thousand tonnes wfe. This gave a net supply increase on the US market of around 30 thousand tonnes wfe, or 9%, in 2013.

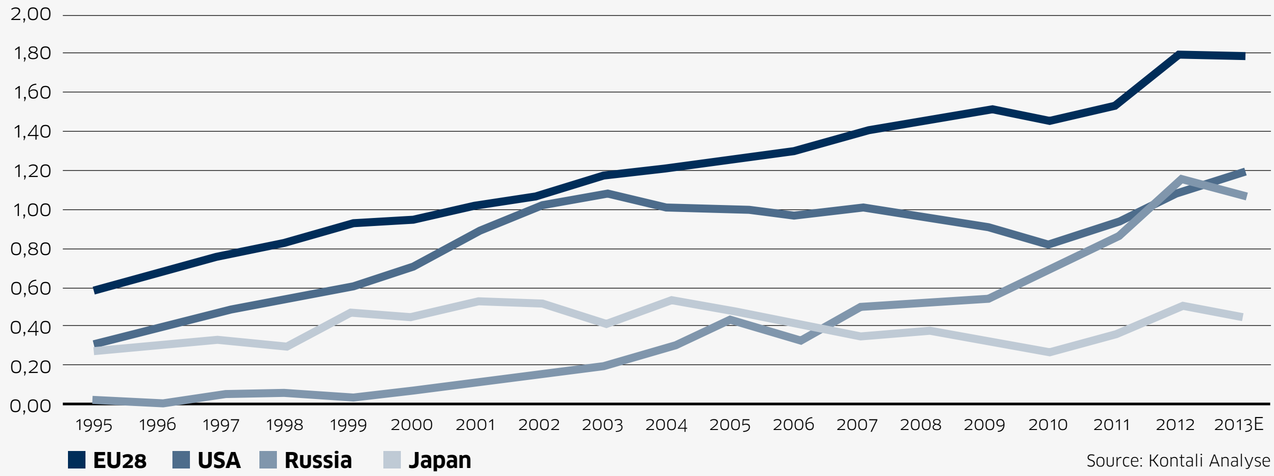
Figure 12 shows supplies of Atlantic salmon to US market - in tonnes WFE.

FIG. 10 / WORLD CONSUMPTION OF SEAFOOD



Source: FAO

FIG. 11 / PER CAPITA CONSUMPTION OF ATLANTIC SALMON 1995 - 2013E



Source: Kontali Analyse

FIG.12 / SUPPLY OF ATLANTIC SALMON TO THE US MARKET N TONNES WFE

Country	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013 E**
Chile	207,900	202,900	184,100	187,500	174,200	107,100	53,200	99,100	162,200	196,400
Canada	62,200	78,900	86,000	80,100	86,300	81,100	87,600	80,400	98,200	78,500
Norway	10,200	9,000	11,000	14,300	9,600	40,300	53,800	28,700	23,700	27,600
United Kingdom	11,100	6,200	9,500	15,700	15,700	26,500	34,700	46,400	35,900	42,900
Faroe Islands	1,100	900	300	1,600	2,700	11,200	10,000	16,700	12,900	16,100
USA	6,100	3,000	3,000	7,100	4,500	8,800	6,900	13,200	9,400	10,600
Other	2,800	800	900	800	1,500	6,100	10,900	4,000	2,700	4,100
Total	**301,400**	**301,700**	**294,800**	**307,100**	**294,500**	**281,100**	**257,100**	**288,500**	**345,000**	**376,200**
Change	-3%	0%	-2%	4%	-4%	-5%	-9%	12%	20%	9%

Source: Kontali Analyse

THE EUROPEAN MARKET

In 2012, supply of farmed Atlantic salmon to the EU market exceeded 900 000 tonnes wfe – as a result of increased harvest both globally and particularly in Norway (+18%).

The preliminary EU supply estimate for 2013 indicates a marginally lower supply just above 913 thousand tonnes. The Norwegian market share on the EU market was estimated to 83% the last three years. Despite a 3% decline in harvest, supply to EU is estimated down 1%. And the market share is estimated to end stable at 83% in 2013.

Also, supply from the United Kingdom and the Faroes fell in 2013 by -15% and -5%, respectively, while supply from Chile to the EU market almost doubled. The vast majority of supply to the EU market is fresh products. The majority of supply from Chile was frozen salmon fillets (approx. 60%) and other frozen products.

Figure 13 shows the supply of Atlantic salmon to the EU market.

THE CHINESE MARKET

The Chinese market for farmed Atlantic salmon has over the last years shown an impressing growth. Since 2010 supply has more than doubled as salmon from both the Faroe Islands and UK has entered the market.

Supply from Norway dropped significantly after 2010 due to a "political conflict". It should be noted that supply to neighbouring countries such as Vietnam increased vastly in the following years, and there has most likely been a considerable amount of this supply which has been re-exported into China in both 2011 and 2012.

Figure 14 shows the supply of Atlantic salmon to Chinese market.

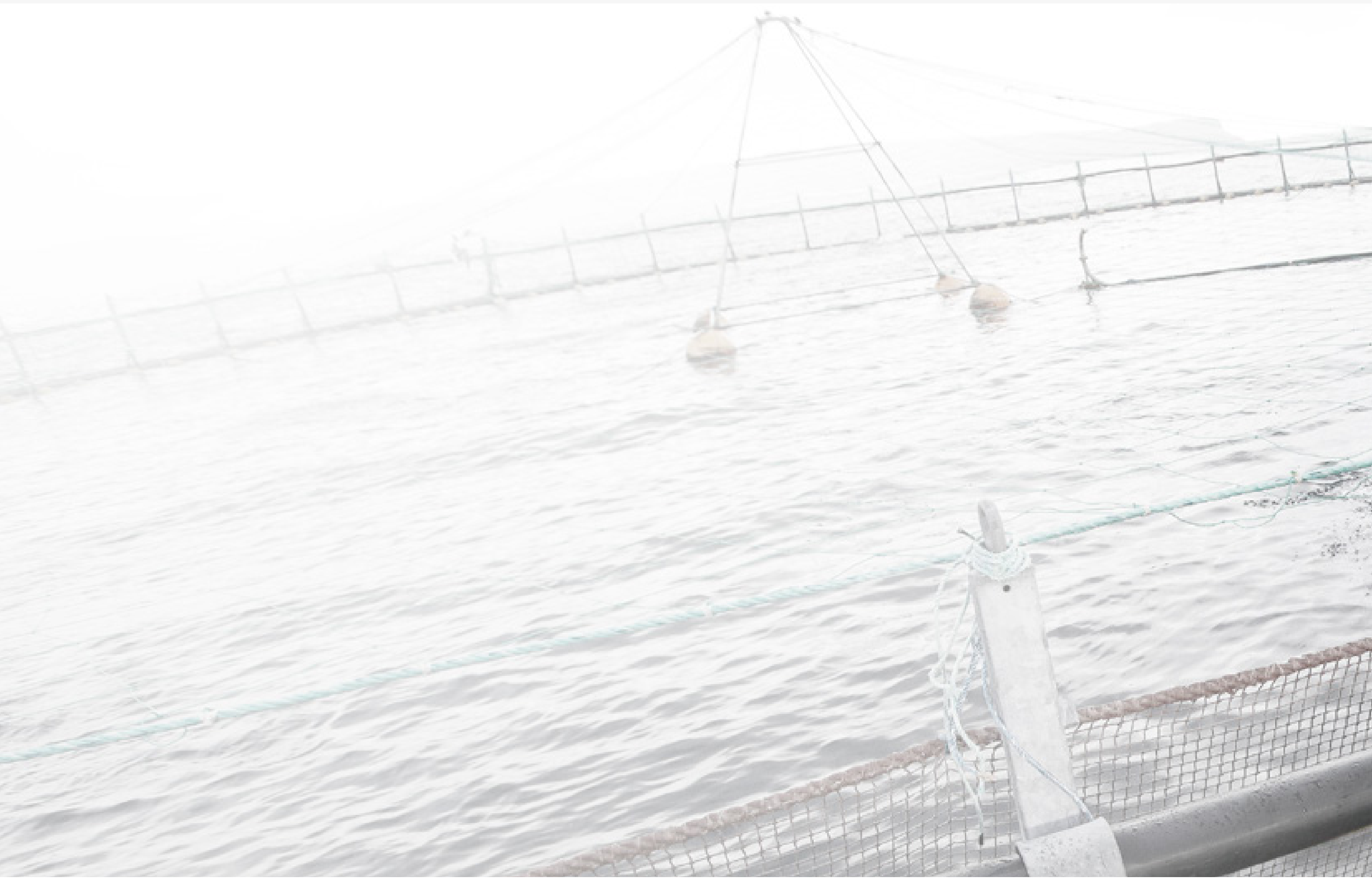


FIG. 13 / SUPPLY OF ATLANTIC SALMON TO THE EU MARKET (tonnes wfe)

Country	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 E
Norway	383,600	411,800	440,800	506,800	532,200	591,700	615,300	648,400	761,900	754,400
United Kingdom	134,300	109,300	111,100	112,800	115,700	109,800	98,700	92,700	98,700	83,800
Chile	42,200	84,000	80,700	67,800	67,100	39,900	10,600	17,200	27,000	52,500
Faroe Islands	32,800	16,100	9,700	13,100	29,900	30,000	26,300	29,900	35,300	33,500
Other/ Re-export	6,500	8,400	7,300	3,800	-8,200	-5,600	-12,500	-6,000	-5,400	-10,700
Total	**599,400**	**629,600**	**649,600**	**704,300**	**736,700**	**765,800**	**738,400**	**782,200**	**917,500**	**913,500**
Change	4%	5%	3%	8%	5%	4%	-4%	6%	17%	0%

Source: Kontali Analyse

FIG. 14 / SUPPLY OF ATLANTIC SALMON TO THE CHINESE MARKET (tonnes wfe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 E
Norway	5,400	4,300	5,200	8,800	7,800	10,500	13,700	7,000	14,100	9,700
Chile	3,500	3,900	3,800	1,300	3,600	13,900	2,200	3,800	4,000	7,300
Faroe Islands	200	100	-	-	-	100	700	4,300	7,600	10,100
United Kingdom	100	-	-	-	100	-	100	5,100	7,400	11,000
Other countries*	-	900	100	400	800	900	1,400	2,100	900	900
Total	**9,200**	**9,200**	**9,100**	**10,500**	**12,300**	**25,400**	**18,100**	**22,300**	**34,000**	**39,000**
Growth rate	74%	0%	-1%	15%	17%	107%	-29%	23%	52%	15%

* Supply from other producing countries as well as re-export from Denmark and Poland. (Re-export from neighbouring countries such as Vietnam not included in these figures) - Re-export from Vietnam to China estimates: 9 kt in 2011 - 6 kt in 2012 - 4.5 kt in 2013.

Source: Kontali Analyse

GLOBAL SUPPLY OF ALL SALMONIDS

GLOBAL HARVEST OF FARMED ATLANTIC SALMON

From negative growth in 2010, global harvest of farmed Atlantic salmon grew strongly in 2011 and even stronger in 2012, due to the rapid growth and recovery of the Chilean Industry. Also favourable growth conditions in Norway contributed to this vast supply increase.

In 2013, a milestone was reached as global harvest of farmed Atlantic salmon surpassed 2 million tonnes wfe. While this only corresponded to a single digit growth rate – Chilean harvest continued on the high pace and increased its harvest close to 30%, when compared to 2012. Lower sea temperatures in Norway were affecting growth negatively in the first half of 2013, which overall resulted in a reduced growth of 3%.

While market prices for Atlantic salmon trended on a significantly higher level in 2013, compared to 2012, profitability in the two largest producing countries of Atlantic salmon told a tale of two different worlds. During the first half of 2013, operational EBIT in Norway were close to 2 USD per kg (hog-basis), while Chilean farmers noted an operational EBIT loss of nearly 1 USD per kg hog. This corresponded to a "difference" in profitability of around 2.50-3.00 USD per kg hog. The "gap" decreased somewhat in the second half, but the challenging biological situation in Chile combined with increasing feed prices, made it a challenging year for the second largest producer of farmed Atlantic salmon in 2013.

The global harvest quantity of Atlantic salmon for 2004–2013E, is illustrated in figure 17.

SUPPLY OF FARMED ATLANTIC SALMON FROM THE FAROE ISLANDS

Over the last 7 years the average annual harvest growth rate has been 28% for Atlantic salmon in the Faroe Islands, and aquaculture production has never before been higher than in 2013. Harvest reached 72.6 thousand tonnes, which in comparison to 2006 represents an increase of almost 60 thousand tonnes.

The biological performance of the Faroese salmon producers have over the last years been the best in Europe - low loss rates and high average harvest weight. Preliminary estimates indicate average harvest weight of 5.5 kg in 2013 (wfe-basis).

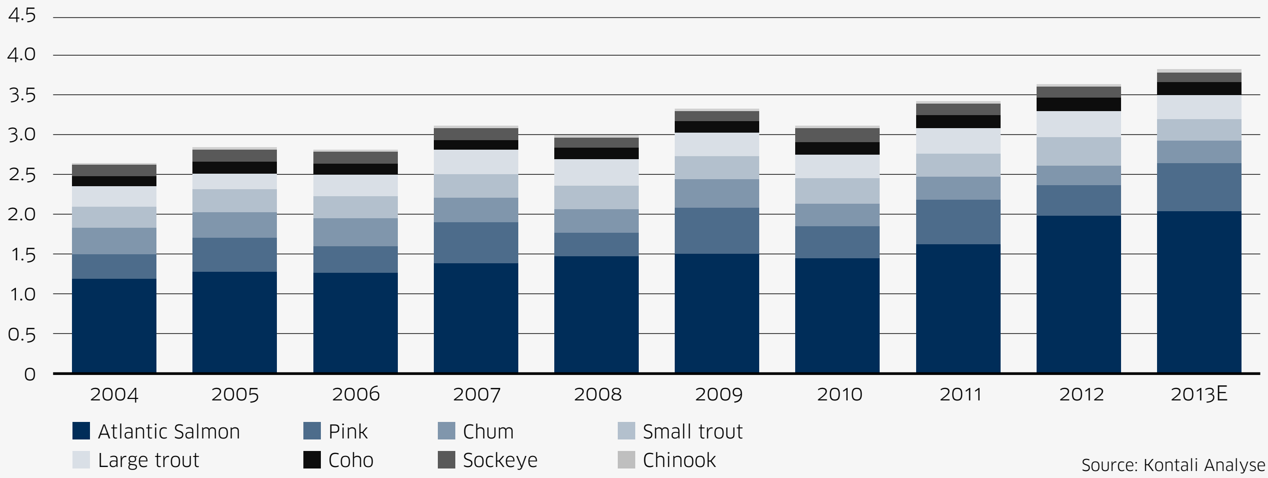
Through 2013, the Faroese salmon industry continued to become less dependent on the EU market. While supply to the US market decreased somewhat in 2012, supply picked up again in 2013. The US Market remained the 2nd most important market for Faroese salmon.

From the peak in 2012, Faroese exports to Russia dropped in 2013 to the same level seen in 2011 – and totalled approx. 2,500 tonnes wfe. In the "Others" category, China was by far the main market and has increased from next to nothing in 2010 to around 10 thousand tonnes in 2013.

FIG. 15 / HISTORICAL SUPPLY OF ALL SALMONIDS (tonnes wfe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 E
Atlantic salmon	1,206,200	1,250,700	1,270,800	1,398,700	1,496,000	1,474,800	1,455,300	1,633,400	1,996,800	2,036,500
Pink	300,000	463,400	338,700	521,400	309,900	607,600	398,800	584,700	409,600	615,600
Chum	333,400	306,000	352,800	316,700	291,700	358,100	309,200	273,200	293,700	267,100
Small trout	278,100	280,300	292,800	292,100	293,300	292,400	293,100	290,000	298,900	299,600
Large trout	242,200	237,900	254,100	308,600	331,300	299,400	307,800	318,900	365,700	308,100
Coho	133,000	137,000	138,500	142,200	144,600	131,000	160,600	174,300	190,900	174,700
Sockeye	139,000	139,400	143,000	158,600	132,600	141,000	175,600	150,100	142,200	134,500
Chinook	35,000	34,400	25,800	22,200	17,700	18,500	19,700	22,200	18,800	21,800
TOTAL	**2,666,900**	**2,849,100**	**2,816,500**	**3,160,500**	**3,017,100**	**3,322,800**	**3,120,100**	**3,446,800**	**3,716,600**	**3,857,900**
Growth rate		7%	-1%	12%	-5%	10%	-6%	10%	8%	4%

FIG. 16 (MILLION TONNES)



Source: Kontali Analyse

FIG. 17 / HARVEST OF ATLANTIC SALMON IN TONNES (tonnes wfe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 E
Norway	537,000	573,600	598,500	723,300	741,000	855,700	944,600	1,005,600	1,183,100	1,141,800
United Kingdom	149,800	119,700	127,500	134,900	136,400	144,300	142,900	154,700	159,400	156,700
Chile	346,200	385,200	368,700	356,400	403,500	239,100	129,600	221,000	364,000	467,800
Canada	89,000	107,500	115,000	111,000	122,000	121,900	122,000	119,500	136,500	114,800
USA	13,300	9,600	10,200	12,300	17,000	16,400	18,000	18,300	19,600	20,300
Faroe Islands	36,800	17,200	11,900	19,100	36,900	47,100	41,800	56,300	70,300	72,600
Australia	14,100	17,900	19,400	23,800	25,700	32,200	33,000	36,000	36,500	37,500
Ireland	12,400	12,400	14,500	15,300	11,400	14,800	17,800	16,000	15,600	10,800
Others	7,600	7,600	5,200	2,600	2,100	3,300	5,500	6,000	11,400	14,200
Total	**1,206,200**	**1,250,700**	**1,270,900**	**1,398,700**	**1,496,000**	**1,474,800**	**1,455,200**	**1,633,400**	**1,996,400**	**2,036,500**
Growth rate		4%	2%	10%	7%	-1%	-1%	12%	22%	2%

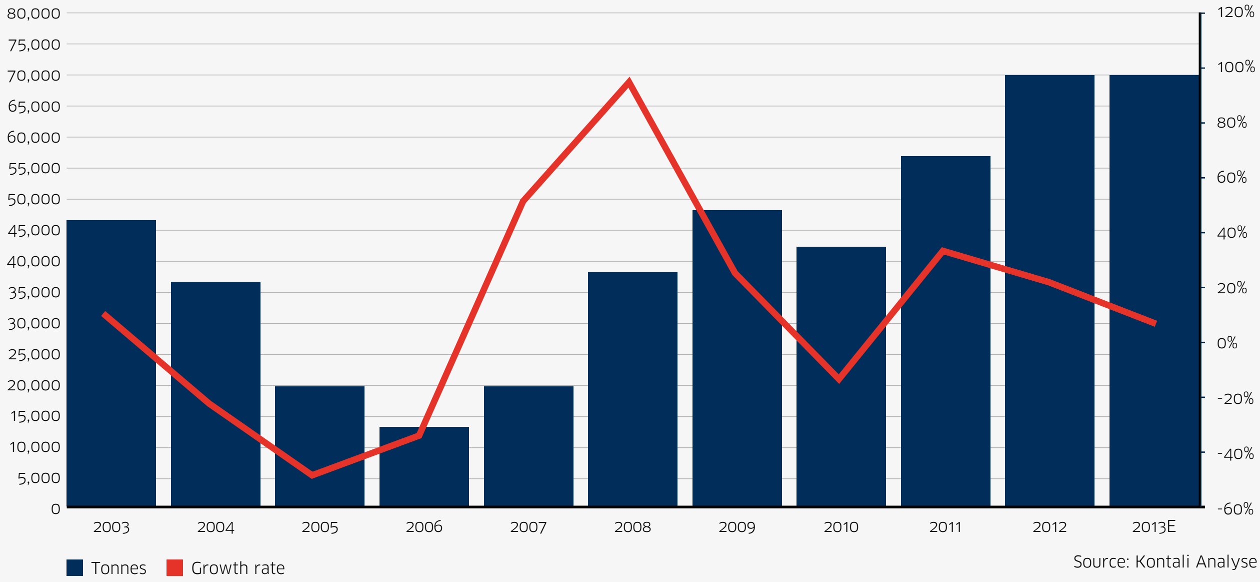
Source: Kontali Analyse

FIG. 18 / HARVEST OF LARGE TROUT IN TONNES (tonnes wfe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013 E
Chile	125,500	122,600	137,900	169,300	179,300	149,600	189,000	203,500	225,700	167,600
Norway	63,600	59,500	57,600	76,200	86,300	81,000	55,600	54,000	73,700	71,400
Finland	12,000	13,000	14,000	11,500	12,000	12,000	13,700	13,500	14,000	14,000
Denmark	5,500	7,800	7,500	9,900	10,000	10,100	9,800	10,900	12,000	13,000
Faroe Islands	4,200	3,720	4,730	6,700	8,700	9,200	2,300	-	-	-
Sweden	6,000	6,000	6,000	6,000	4,500	4,500	5,000	4,500	5,200	5,000
Others	25,400	25,200	26,400	28,200	30,000	32,200	32,200	32,600	35,400	37,400
Total	**242,200**	**237,820**	**254,130**	**307,800**	**330,800**	**298,600**	**307,600**	**319,000**	**366,000**	**308,400**
Growth rate		-2%	7%	21%	7%	-10%	3%	4%	15%	-16%

Source: Kontali Analyse

FIG. 19 / SUPPLY OF ATLANTIC SALMON FROM FAROE ISLANDS (tonnes wfe)



Source: Kontali Analyse

FIG. 20 / FAROESE 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%	3,300	9%
2009	48,100	30,000	62%	11,200	23%	600	1%	1,100	2%	5,200	11%
2010	42,400	26,300	62%	10,000	24%	700	2%	200	0%	5,200	12%
2011	57,200	29,900	52%	16,700	29%	600	1%	2,500	4%	7,500	13%
2012	71,000	35,300	50%	12,900	18%	1,100	2%	8,000	11%	13,700	19%
2013 E	72,600	33,500	46%	16,100	22%	900	1%	2,500	3%	19,600	27%

Source: Kontali Analyse

CHANGE IN MARKET SUPPLY AND MARKET PRICES THROUGH 2013

From the 2nd half of 2011 to the first half of 2012, there was an impressive growth in global supply of farmed Atlantic salmon. 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 2012.

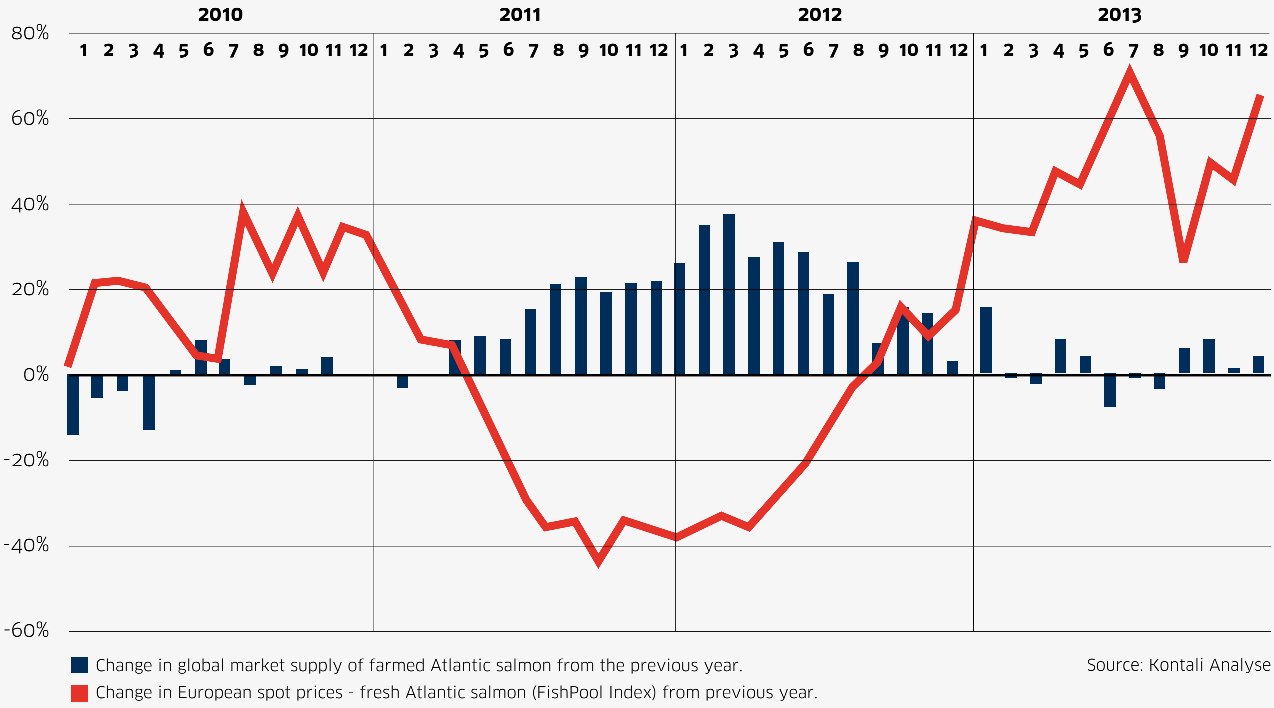
Despite that global supply rose by 22% in 2012, European spot prices were the most stable in many years. European spot prices trended in average on a higher level in the 2nd half of 2012 than in the corresponding period in 2011.

In 2013, harvest of Atlantic salmon in the Americas rose by 15%, while harvest in Europe fell by 3 %. The situation has in general led to higher prices on the European market. Strong demand on the European market has contributed to lift spot prices to record high levels in December 2013.

Growth in global supply is expected to be 4-6% in 2014.

Figure 21 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 2013.

FIG. 21 / SUPPLY AND MARKET PRICES



TOP 15 - SALMON FARMING COMPANIES

Norway is still the largest producing country of Atlantic salmon, while Chile in 2012 strengthened its position as the world second largest producer. Before the ISA break-down in the Chilean production in 2008-2009, the harvest quantity exceeded 400,000 tonnes. Highly affected by this significant fall, the market structure reversed in 2010 back to the structure seen in 2005. The recovery of the Chilean industry and growth in production in Europe contributed to consolidations in both 2011 & 2012.

In 2012, the world's fifteen largest salmon farming companies harvested approx. 1.420 million tonnes of salmonids (Atlantic Salmon, Coho Salmon, Chinook, Big Trout), representing 56% of the total harvest quantity in 2012. In Norway these companies made up 60% of the total harvest and 53% in Chile.

See figure 22 for more details.

FIG. 22 / HARVEST QUANTITY - 2012 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	436,000	283,700	44,700	44,700	44,700		7,700	10,500	
2	LERØY SEAFOOD GROUP * + **	NO	170,400	170,400							
3	CERMAQ	NO	132,700	56,100		55,300	21,300				
4	SALMAR **	NO	114,000	114,000							
5	EMPRESAS AQUACHILE	CL	80,000			80,000					
6	GRIEG SEAFOOD	NO	77,800	43,700	19,000		15,100				
7	COOKE AQUACULTURE	CA	60,000			15,000	33,000	12,000			
8	BAKKAFROST	FO	52,100						52,100		
9	BLUMAR (Itata and El Golfo)	CL	45,200			45,200					
10	SALMONES MULTIEXPORT	CL	48,400			48,400					
11	NORDLAKS HOLDING	NO	45,000	45,000							
12	PESQUERA CAMANCHACA	CL	40,100			40,100					
13	NOVA SEA	NO	40,300	40,300							
14	CULTIVOS MARINOS CHILOE	CL	37,000			37,000					
15	TRUSAL	CL	35,000			35,000					
Sum top 15			1,414,000	753,200	63,700	400,700	114,100	12,000	59,800	10,500	0
Others			1,140,900	503,800	97,700	355,500	28,300	7,600	10,500	5,600	131,900
Total			**2,554,900**	**1,257,000**	**161,400**	**756,200**	**142,400**	**19,600**	**70,300**	**16,100**	**131,900**
TTop 10 WW in % of total harvest quantity			48%	53%	39%	38%	80%	61%	85%	65%	0%
Top 15 WW in % of total harvest quantity			55%	60%	39%	53%	80%	61%	85%	65%	0%
Top 20 WW in % of total harvest quantity			61%	63%	74%	60%	80%	61%	85%	65%	0%

* Including harvest volumes from Sjøtroll Havbruk AS

** Excluding harvest volumes from Norskott Havbruk AS

Source: Kontali Analyse

COST OF PRODUCTION

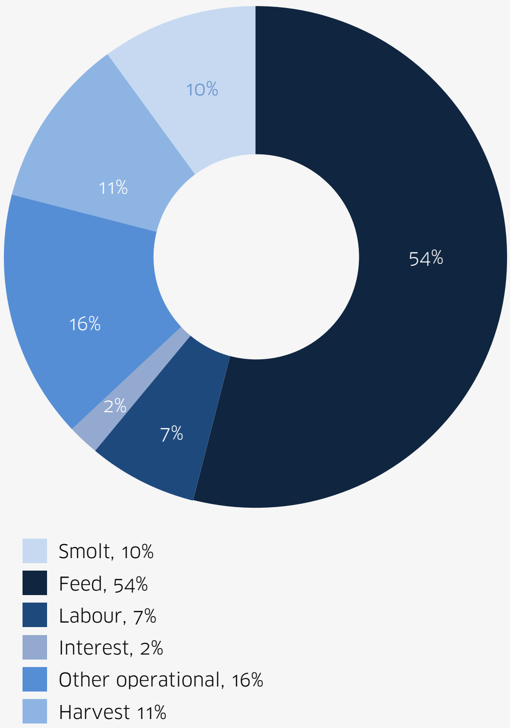
The cost of producing 1 kg of Atlantic salmon is highly influenced by the feed cost, which comprises approx. 54% of the production cost (2012). This expense depends mainly on two factors: The price of the fish feed, and how much feed the fish needs to grow 1 kg. The latter is also known as the Economic Feed Conversion Rate (EFCR) which takes into account mortality and other losses.

During the past decade, it's mainly the increased feed price, which has driven the total cost upwards – as commodity prices for the ingredients used in the salmon feed have increased and mark-up for the feed producers have remained fairly stable.

Compared to Norwegian farmers, the average cost of production was almost 8% lower for Faroese farming companies - a result of better biological performance, but also due to a generally higher cost level in Norway.

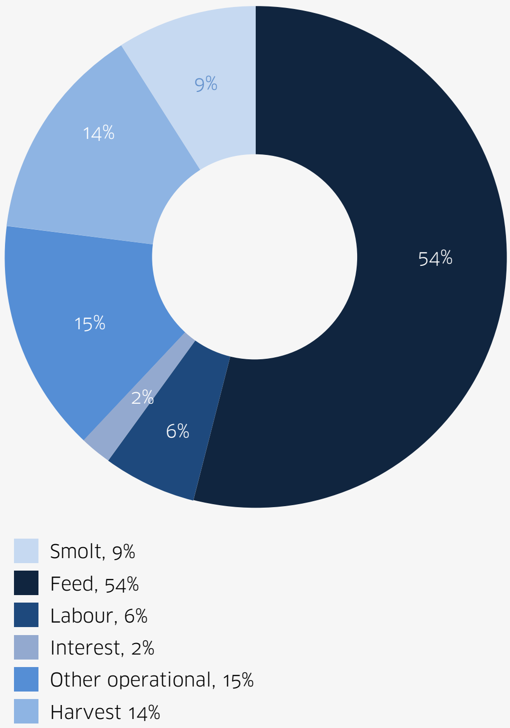
Figure 23 shows the cost split for Atlantic salmon on a hog-basis – 2012E:

FIG. 23 / COST SPLIT NORWAY 2012E (GUTTED WEIGHT)



Source: Kontali Analyse

FIG. 23 / COST SPLIT FAROE ISLANDS 2012E (GUTTED WEIGHT)



Source: Kontali Analyse

From a moderate growth in 2010, feed consumption to ocean-farmed salmonids rose significantly in 2011 and for the first time in history feed consumption exceeded 3 million tonnes. In 2012, feed consumption/sales continued to increase in line with production and set a new all-time high record around 3.7 million tonnes of fish feed.

Industry figures for 2013 shows that feed consumption decreased somewhat (-3%). Though the Chilean harvest increased in 2013, feed sales decreased. This must be seen in relation to the challenging biological situation, which is illustrated by the lower relative feeding and a higher feed conversion ratio. Also, North America and Norway showed a decrease, -14% and -2% respectively, while feed sales/consumption in the Faroe Islands grew by 5%.

The share of marine ingredients in feed for farmed salmonids has over the last decade decreased. However, both fishmeal and fish oil prices still impact the feed-price delivered to farmers.

Prices for both fish oil and fishmeal reached an all-time high in 2013, as a result of lower catches and consequentially lower production. While both fish oil, and fishmeal prices have been declining for a few months, there are also some indications for next year, that might give some additional relief to the upwards price pressure for these commodities. The Peruvian anchoveta catches are expected to reach strong and improved levels in 2014, while a reduction in both herring and capelin quotas in the North Atlantic, will probably be more than balanced out by a strong increase in the blue whiting quotas.

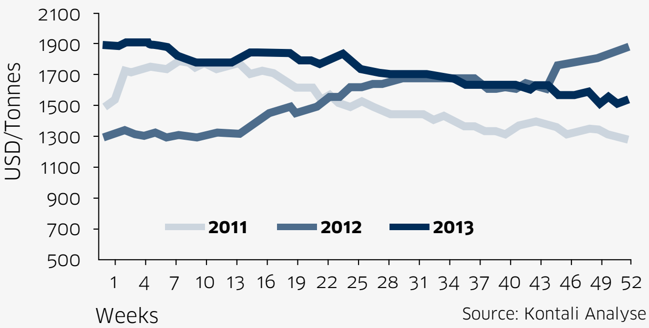
FIG. 24 / ESTIMATED FEED CONSUMPTION/SALE TO SALMONIDS FOR SELECTED SALMONID PRODUCING REGIONS
Atlantic Salmon, Large Trout, Coho, Chinook (In 1000 tonnes)

	2007	Change	**2008**	Change	**2009**	Change	**2010**	Change	**2011**	Change	**2012**	Change	**2013E**	Change
Norway	1,109	16%	1,164	5%	1,331	14%	1,337	0%	1,494	12%	1,652	11%	1,617	-2%
Chile	1,148	8%	1,080	-6%	622	-42%	724	16%	1,036	43%	1,258	21%	1,190	-5%
UK	221	9%	210	-5%	210	0%	216	3%	228	5%	211	-8%	221	5%
North America	214	6%	217	1%	227	5%	221	-3%	225	2%	235	5%	203	-14%
Faroe Islands	45	58%	59	30%	60	2%	61	2%	85	38%	89	5%	96	8%
Others	183	2%	191	4%	220	16%	240	9%	233	-3%	256	10%	263	3%
TOTAL	**2,920**	**11%**	**2,920**	**0%**	**2,670**	**-9%**	**2,800**	**5%**	**3,300**	**18%**	**3,700**	**12%**	**3,590**	**-3%**

* Incl. fresh water feed to the above listed species

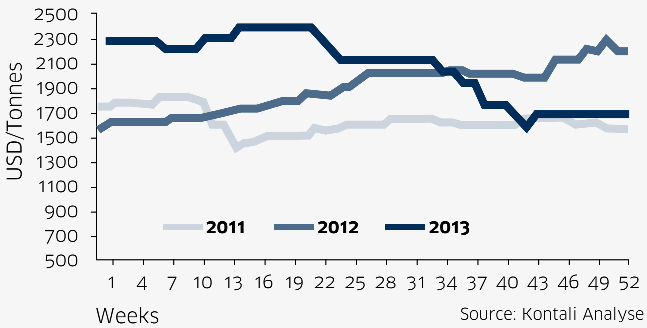
Source: Kontali Analyse

FIG. 25 / FISHMEAL-PRICE (C&F HAMBURG)



Source: Kontali Analyse

FIG. 26 / FISH OIL-PRICE (C&F HAMBURG)



Source: Kontali Analyse

BUSINESS OBJECTIVES AND STRATEGY

Mission & Vision

Bakkafrost aims at being a world class company in the salmon industry. We are committed to provide tasty and healthy quality salmon products to the global marketplace, while focusing on:

- a highly sustainable production from feed to salmon products
- fish welfare and production of top quality food
- creating value to customers, shareholders and society

The Group's strategic focus is to develop the core business further and to focus on activities, which create the best possible value for customers and shareholders. Bakkafrost's long-term experiences within the seafood industry date back to 1968, and overall the Group's long-term strategic objective is to secure a healthy, attractive and competitive low-cost salmon farming group.

Strategy

Our aim, to be a world class company in the salmon industry providing consumers worldwide with a wide range of healthy and nutritious salmon products, is supported by Bakkafrost's main operational strategies:

SUSTAINABILITY

We are committed to securing a long-term sustainable increase in production, while balancing animal welfare and a cost-efficient production.

BIOLOGICAL SECURITY

Fish health, fish welfare and the prevention of diseases are areas of vital importance to us. We aim at farming salmon in a sustainable environment securing the welfare and well-being of the salmon.

FOOD SAFETY & TOP QUALITY

We aim at delivering products that match or exceed the requirements of our customers.

ATTRACTIVE COMPANY CULTURE

We are dedicated to creating an interesting place of work, promoting dialogue and making room for different points of view to find the best solutions.

EFFICIENCY & CREATING VALUE

We are dedicated to optimizing the total value chain – from feed to finished product – and utilizing the benefits of competitive advantages throughout the value chain.

DEVELOPMENT & GROWTH

We strive for a continuous market driven increase and development in feed, farming, production and sales, in addition to other potential prospects for growth.

SALES & MARKETING

We are focused on maintaining and strengthening our position in the marketplace as a reliable partner and supplier of healthy and nutritious salmon products.

These priorities shape our actions with the purpose of creating value to our customers and shareholders. Furthermore, we aim at contributing to society and continue pursuing the company's growth strategy.

CORE VALUES

We are reliable
We show respect
We are persistent, efficient and ambitious

Bakkafrost's core values support our performance and guide our behaviour as company, individuals and group. In all our activities we are committed to creating long-term value to our customers, shareholders and society by living our values to be reliable, show respect and to be persistent, efficient and ambitious. Our core values and high standards define the attitudes and behaviours that are required to be a world class company in the salmon industry.

HUMAN CAPITAL

Bakkafrost's most important asset is our employees. In order for Bakkafrost to maintain its leading market position, it is vital for the Group to attract employees with the right competences and knowledge, and to retain employees. Therefore, Bakkafrost shall maintain and further strengthen its focus on HR, work satisfaction and developing the competences of the employees on all levels in the Group. As in previous years, both external and internal employee courses were held in 2013 to improve knowledge levels.

Supporting Bakkafrost'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. We aim at forming alliances with local partners and educational institutions, thus providing work-related training, in-house and external courses and other forms of training.

HRM policies and procedures have been further developed and implemented in 2013 to support our core business. This process will continue on an ongoing basis.

EMPLOYEES

In 2013 640 full time equivalent employees were employed by the Bakkafrost Group, which is an increase of 50 people since year-end 2012. The increased number of employees can be ascribed to increased activities in the farming and VAP divisions. In November 2013 an additional shift of workers was employed at the VAP processing plant in Fuglafjørður, whereby the number of employees was increased by 40 fulltime employees.

The annual turnover of employees in 2013 was 6% in the feed division, 15% in the farming division, 15% in the harvest division and 19% in the processing division. In 2013 the annual turnover of employees was 10% in administration and sales. Employment in the feed and farming divisions is relatively stable, whereas there are strong seasonal variations related to the harvesting and processing divisions, primarily due to short-term employment of younger employees of 1 to 2 years.

FIG. 27 / AVERAGE HARVEST WEIGHT LWE (PER GENERATION)

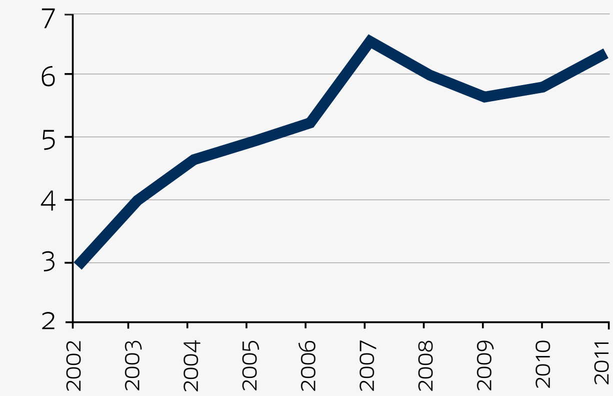


FIG. 28 / MORTALITY % OF OUTPUT (PER GENERATION)

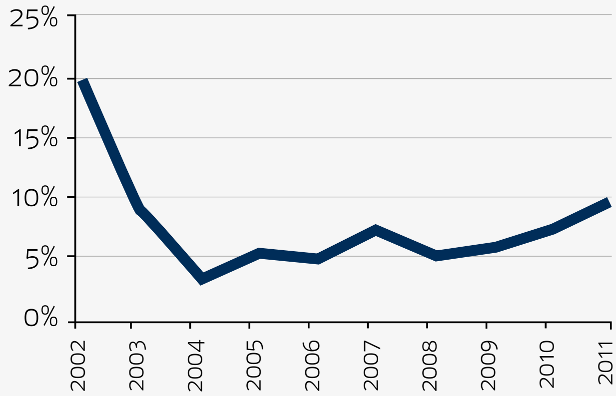
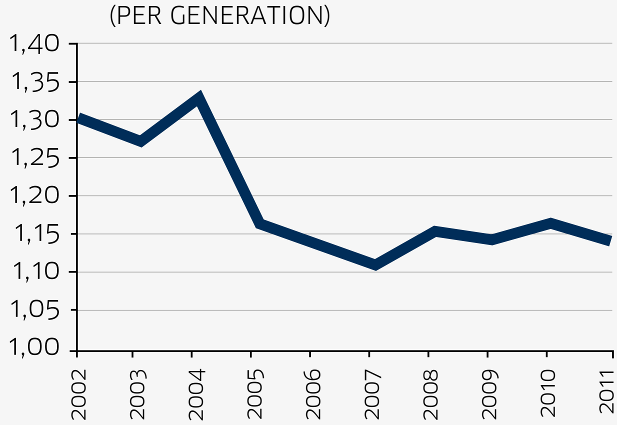


FIG. 29 / BIOLOGICAL FEED FACTOR (PER GENERATION)



Source: FarmControl*

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

OPERATION

Bakkafrost is the largest salmon producer in the Faroe Islands with a total production of 41,268 tgw in 2013, 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 66% of the total harvest volumes, which was 62,174 tonnes tgw in 2013. In addition to this, Bakkafrost owns 49% in the farming company Faroe Farming that own 3 licences and had a total production of 6,053 tgw in 2013.

The Group operates six fully owned hatcheries and sixteen 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.

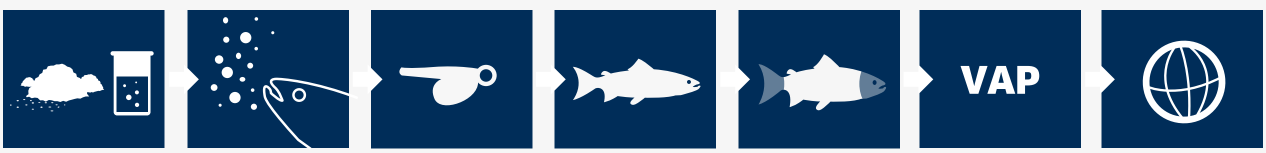
2. Juveniles

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 increasing to 12 million smolts in 2014, when the increase of the hatchery in Norðtoftir is taken into production.

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.

FIG. 30 / VALUE CHAIN

12 months | +18m = 30 months | 1 day | 2-3 days | 3-5 days



Fishmeal & Fish oil | Fish feed | Hatcheries | Farming | Harvesting | Processing | Sales

Historically, Bakkafrost has released smolts into the sea 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 30).

3. Farming

Bakkafrost's eighteen fish farms sites 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.

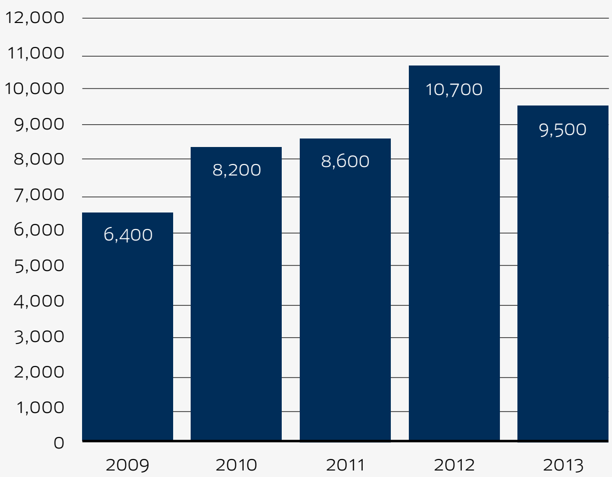
As a rule, the larger fish are distributed as fresh fish and the smaller fish are used as raw material in the VAP production. The fish are fed several times a day, and the feed consumption is monitored continuously. Since the new veterinary model was implemented in 2003, the biological feed conversion 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.

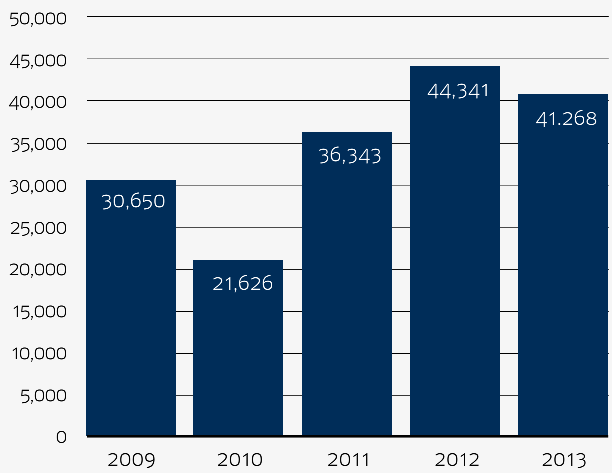
The environmental authorities also have to approve a 3-year production plan for the Faroese salmon companies on a yearly basis.

FIG. 31 / SMOLT RELEASE: THOUSAND SMOLT*



* Discontinued operations not included

FIG. 32 / HARVEST VOLUME: TONNES GW*



* Discontinued operations not included

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 is 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.

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 has a capacity of 15 tonnes of skinless and boneless 125g vacuum-packed chain packed portions per day with two shifts.

The primary customers for these products are the European supermarket chains. Opportunities to grow into new regions and to new customers are present, but 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 seven 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 has started an investment program in 2013, which 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.

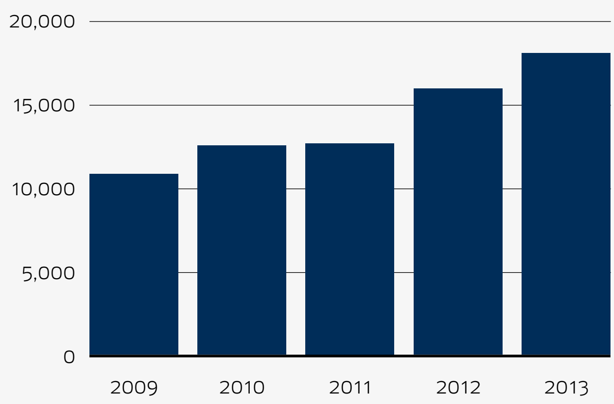
6. Sales and distribution

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.

Sales strategy

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

FIG. 33 / TONNES PRODUCT WEIGHT OF VAP TGW



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 8–14 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. 34 / EXTERNAL REVENUE OF FIXED CONTRACTS, SPOT AND FEED

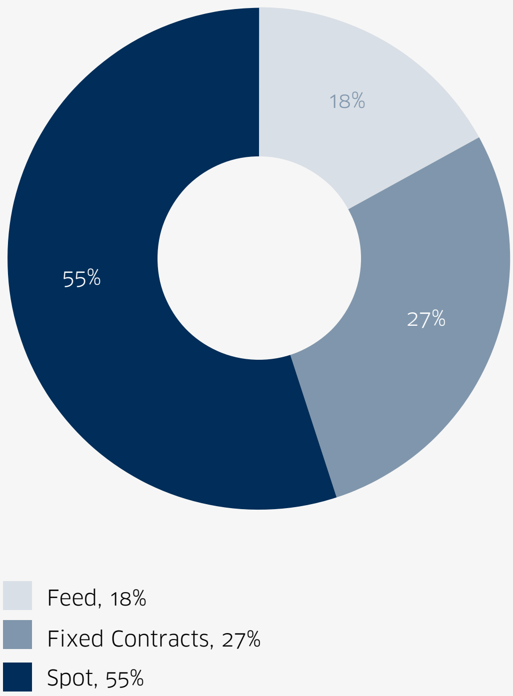


FIG. 35 / SALMON - SALES BY MARKETS 2013

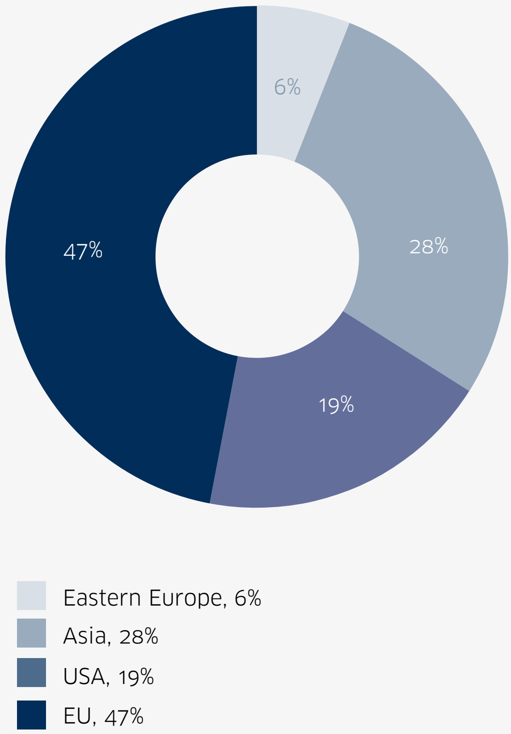
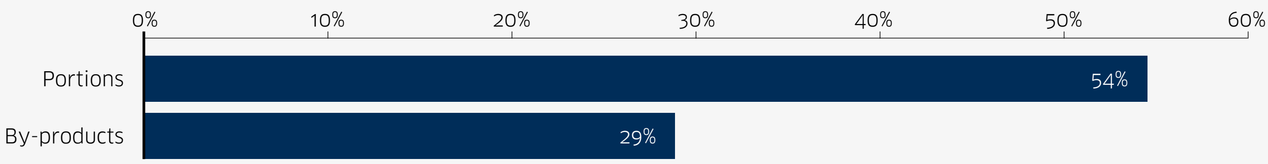


FIG. 36 / YIELD IN VAP 2013



HEALTH, SAFETY AND THE ENVIRONMENT

VALUES AND ETHICS

Bakkafrost's Code of Conduct and the Group's values define standards that apply to the entire Group, guiding all employees on how to interact at work and promoting standards of good business practice. Bakkafrost's most important asset is the employees. Our employees are committed to creating value to our customers and shareholders by living our values to be reliable, show respect and to be persistent, efficient and ambitious. Our company policy is to ensure that all employees are treated equally and with respect, and 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. Therefore, all initiatives in relation to the employees' health and safety aim at supporting, maintaining and improving standards on all levels in the Group. Throughout the value chain focus is on in-house and external training programmes relating to health and safety to support our focus on obtaining an injury and accident free work place.

FISH HEALTH AND ANIMAL WELFARE

Fish health, animal welfare and bio security are of the uppermost importance for the company. There have been no outbreaks of diseases in the recent years. However, for the first time in the Faroe Islands, there was a suspicion in 2013 of the presence of Neoparamoeba perurans at several sites. Neoparamoeba perurans is the agent known to be able to cause the amoeba gill disease (AGD). PCR analyses taken during routine veterinary sampling detected the presence of the Neoparamoeba perurans. Further PCR analysis and sequencing carried out by the Faroese Food- and Veterinary Authorities have now confirmed the suspicion of the presence of Neoparamoeba perurans.

There are no clinical signs of the AGD, and the presence of the Neoparamoeba perurans has still not been confirmed by histology or culturing. We have increased the specific surveillance, i.e. both internal and external veterinary authorities. If treatment will be necessary or will be chosen as a direct preventative action step, the treatment used for this amoeba is H_2O_2 (hydrogen peroxide) in closed tarpaulins. This is the same treatment we use for sea lice – and hence is a treatment we have developed good routines with and have all equipment in place. Hence, we are prepared for eventual treatments.

Bakkafrost announced the 9th of February 2014 a suspicion of a possible pathogenic ISA-virus at a Bakkafrost farming site. The detection of a possible pathogenic ISA-virus was not connected to any increase in mortality, and there was no impact on fish health or fish welfare.

Three of the routine surveillance samples for RT-PCR analyses taken at farm A-80, Selatrað, by the Veterinary Authority, were tested ISAV-positive. Further sequencing of these three ISA-virus positive samples showed a deletion in the HPR-region in one sample. However, post-mortem examination of fish in the farm did not show any pathological signs of ISA.

Bakkafrost decided to activate the ISA-contingency plan immediately and hence enforced slaughtering of the last cage at the farming site A-80, Selatrað.

PCR-analyses on later taken samples from the farm showed the same deletions in the HPR-region and the presence of an ISA-pathogenic virus. The site was empty before mid February.

The farming companies and the authorities have put a lot of work into maintaining the good biological status in the Faroe Islands. Regular surveillance tests for ISA-viruses have been performed at all farms during the last approx 10 years in sea sites in the Faroes.

The final results from the site in Selatrað confirmed the suspicion of the pathogen variants of the ISA-virus.

The challenge regarding sea lice is ongoing. We continue to focus on developing best practise procedures, optimizing treatments and surveillance, and continue to work on local and regional and national levels on both short term and long term prevention strategies.

Fish welfare is of utmost importance throughout the whole value chain. In the last years we have had focus on improving transport to the harvest stations and upgraded our systems in our existing well boats. In 2013 we signed a contract to build a new well boat, planned for delivery in the summer of 2015. The well boat has a 3000m3 volume and will be able to hold 450 tonnes live fish. This will improve quality, emergency back-up and reduce biological risks.

SUSTAINABILITY

Our goal is to minimize the impact of our production on the environment and wildlife. This is applicable throughout the whole value chain from feed, farming and to the processed finished product.

We have started on working towards an ASC (Aquaculture Stewardship Council) standard certification. The standards seek to minimize or eliminate the key negative environmental and social impacts of salmon farming.

FOOD SAFETY AND CERTIFICATIONS

Food safety and quality is of top priority to Bakkafrost. Bakkafrost has set out a new project with centralisation of the activities of packaging, harvesting and the VAP production at Glyvrar. The project involves building a new harvesting plant and a new VAP plant integrated with the harvest plant. This will improve quality and will increase capacity and emergency backup. Bakkafrost will be able to take out synergies, reduce costs, increase efficiency and meet future consumer trends.

In 2013 a new traceability and quality systems has been implemented at the harvest stations and at the processing units.

Bakkafrost, including Havsbrún, holds several certifications. The Group 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. This includes our feed production, hatcheries, all sea sites, harvesting and processing plants.

Harvesting and processing units are approved and certified by the Faroese authorities based on HACCP standards and EU legislation. The VAP production is certified according to the BRC and IFS standards both of which were updated in 2013. Havsbrún, the meal, oil and feed production, holds multiple certifications. Havsbrún is certified according to the Global GAP standard, the ISO 9001:2000 and GMP+ standards. Havsbrún is working towards an IFFO RS scheme certification and this work will continue in 2014.

Bakkafrost has started working towards an Aquaculture Stewardship Council (ASC) standard certification. Bakkafrost's intention is to have the sites certified by 2020. All units in the company are approved by the Environmental Agency and hold individual environmental approvals. In 2013 a renewed approval standard was finished for the sea sites. The intention is to have all approvals for the sites renewed in 2014 according to this standard.

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 2014

5 April Ordinary General Meeting.
20 May Presentation of Q1 2014
26 August Presentation of Q2 2014
04 November Presentation of Q3 2014

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 5 April 2013.

AUDITORS

The consolidated accounts have been audited by P/F Januar, løggilt grannskoðanarvirki (State-Authorised Public Accountants), which is also the auditor of the parent company and all its subsidiaries, registrated in the Faroe Islands. Auditor for Havsbrún Norge ASA is Bruli Revisjon AS, and auditor for Havsbrún Shetland Plc. is A9 Partnership Ltd. Auditors for Bakkafrost UK Ltd. is Forrester Boyd Chartered Accountants.

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 dividends.

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 4.50 (NOK 5.03*) per share shall be paid out as dividends. This corresponds to approximately DKK 219.9 million (NOK 245,9* million).

SHAREHOLDERS, CAPITAL AND VOTES

P/f Bakkafrost had, on 31 December 2013, a total of 48,858,065 shares outstanding, each with a nominal value of DKK 1. Of the 48,858,065 shares outstanding P/F Bakkafrost holds 378,581 of treasury shares.

LARGEST SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2013: TF Holding, Oddvør Jacobsen and Regin Jacobsen.

BOARD MEETINGS

In 2013 the Board of P/f Bakkafrost held 14 Board meetings. Below under each Director's profile is disclosed each Director's participation in Board meetings held during 2013.

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. Rúni M. Hansen is a Faroese national who is the Head of Statoil's Arctic Unit, and member of Statoil´s worldwide exploration management team. He has had extensive experience in the international oil and gas industry. For a number of years he has been the country manager for Statoil in charge of operations in the Faroes and Greenland, including operation of drilling campaigns. He has also been the manager of Commercial and Negotiations for Europe and North Africa in Statoil. Rúni M. Hansen is a member of the World Economic Forum´s Global Agenda Council on the Arctic.

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 14 Board meetings held during 2013.

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 University 1998. Career: Faroe Seafood, 1987–2001; Marketing Director Faroe Seafood, 1999–2001; Managing Director Hotel Føroyar, 2002–present. Chairman of P/F Frost 2001- , 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 12 of the 14 Board meetings held during 2013.

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 Havfisk ASA. Current position: VP Finance in MRC Global.

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

Mrs. Romuld participated in 13 of the 14 Board meetings held during 2013.

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. Extensive experience from the Marine Department in Tryggingarfelagið Føroyar from 1989 and director since 2000. Director of Føroya Realkreditstovnur.

Mr. Dahl has been a Board member of Bakkafrost since August 2006.

Mr. Dahl participated in all 14 Board meetings held during 2013.

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 all 14 Board meetings held during 2013.

Mrs. Frederiksberg is not considered to be independent.

Mrs. Frederiksberg holds 14,161 shares in the company.

ØYSTEIN SANDVIK
Board member
Born 1948. Educated as bank economist, and has an extensive experience from Nordea Bank Norge within fish farming and fishery. Mr. Sandvik was elected to the board at the AGM in April 2013, but joined the board in September after ending his career in Nordea Bank.

Mr. Sandvik participated in 4 of the 14 Board meetings held during 2013, and all since he joined the Board in September 2013.

Mr. Sandvik is considered to be independent and holds no shares in the company.

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 4,491,681 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. Deputy Chairman of the the National Liquidity and Debt Management Board.

Mr. Samuelsen holds 1,365 shares in the company.

ODD ELIASEN
Managing Director of Havsbrún

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 2012, when he was appointed Managing Director for Havsbrún and a part of the Group Management.

Mr. Eliasen holds 170,203 shares in the company.

OTHER MANAGERS

SÍMUN P. JACOBSEN
Senior Sales Manager
Símun P. Jacobsen (born 1963), was appointed Senior Sales Manager for the Bakkafrost Group in 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.

KÁRI JACOBSEN
Manager – VAP production and processing
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.

ANDRIAS PETERSEN
Harvest Manager
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.

JÓN PURKHÚS
Farming Manager (North region)
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.

ODDVALD OLSEN
Farming Manager (West region)
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.

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

ANNA JOHANSEN
Senior Quality Manager
Anna Johansen (born 1974) holds a cand.scient in biology from the University of Copenhagen, Denmark (2002). 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.

LEIF AV REYNI
Fresh Water Manager
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.

GUÐRUN OLSEN
Group HR Manager
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 2012.


KKAFROST
ESTABLISHED

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 2013 to review accounting and operational issues in detail. The committee consists of Rúni M. Hansen (Chairman), Johannes Jensen and Trine Sæther Romuld.

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

The Management and the 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 2013 to 31 December 2013.

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 gives a true and fair view of the Group's and parent company's financial positions at 31 December 2013, as well as the results of the Group's and the parent company's activities and cash flows for the financial year 1 January 2013 to 31 December 2013.

Glyvrar, 13 March 2014

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	Øystein Sandvik, 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 ended 31 December 2013, 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 judgement, 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 2013 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year ended 31 December 2013 in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

STATEMENT ON THE STATEMENTS BY THE CHAIRMAN, BOARD OF DIRECTORS AND MANAGEMENT

Pursuant to the Faroese Financial Statements Act, we have read the Statements by the Chairman, Board of Directors and Management. 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 Statements by the Chairman, Board of Directors and Management is consistent with the consolidated financial statements and parent company financial statements.

Tórshavn, 13 March 2014

Januar
løggilt grannskoðanarvirki P/F
State Authorised Public Accountants

Heini Thomsen
State Authorised Public Accountant

BAKKAFROST GROUP
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	**Note**	**2013**	**2012**
Operating revenue		**2,491,081**	**1,855,544**
Purchase of goods		-1,064,666	-835,494
Change in inventory and biological assets (at cost)		81,924	75,990
Salary and personnel expenses	5	-232,871	-210,115
Other operation expenses		-601,799	-482,641
Depreciation	9	-86,659	-80,244
Operational EBIT		**587,010**	**323,040**
Fair value adjustments on biological assets		115,352	90,546
Onerous contracts		-24,830	-46,078
Income from associates		23,788	-6,442
Loss from sale of subsidiary		0	-17,546
Earnings before interest and taxes (EBIT)		**701,320**	**343,520**
Financial income	7	6,239	3,436
Net interest expenses	7	-28,929	-20,924
Net currency effects	7	53,151	-145
Other financial expenses	7	-4,430	-2,206
Earnings before taxes (EBT)		**727,351**	**323,681**
Taxes	19	-138,133	-55,806
Profit or loss for the period continuing operations		**589,218**	**267,875**
Discontinued operations			
Profit or loss from discontinued operations, after tax	10	0	13,462
Profit or loss for the period continuing and discontinuing operations		**589,218**	**281,337**
Profit or loss for the year attributable to			
Non-controlling interests		0	0
Owners of P/F Bakkafrost		**589,218**	**281,337**
Earnings per share (DKK), continuing operations	23	12.07	5.48
Earnings per share (DKK), discontinuing operations		0.00	0.28
Earnings per share (DKK), continuing and discontinuing operations		12.07	5.76

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	**2013**	**2012**
Profit for the year	**589,218**	**281,337**
Fair value adjustment on financial instruments	-74,889	0
Income tax effect	13,480	0
Currency translation differences	1,109	0
Fair value adjustment on purchased non-controlling interests	0	1,634
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	**-60,300**	**1,634**
Acquisition of treasury shares	-28,949	0
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**-28,949**	**0**
Other comprehensive income	**-89,249**	**1,634**
Total comprehensive income for the year net tax	**499,969**	**282,971**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

DKK 1,000	Note	2013	2012
ASSETS			
Non-current assets			
Intangible assets	8	294,675	293,675
Total intangible assets		**294,675**	**293,675**
Land buildings and other real estate		390,997	360,451
Plant machinery and other operating equipment		465,247	413,189
Other operating equipment		25,839	22,448
Prepayments for purchase of PP&E		34,613	16,680
Total property, plant and equipment	9	**916,696**	**812,768**
Non-current financial assets			
Investments in associated companies	10	113,711	88,867
Investments in stocks and shares	11	1,593	2,345
Long term receivables		1,504	0
Total non-current financial assets		**116,808**	**91,212**
TOTAL NON-CURRENT ASSETS		**1,328,179**	**1,197,655**
Current assets			
Biological assets (biomass)	13	965,896	746,958
Inventory	12	235,489	242,898
Total inventory		**1,201,385**	**989,856**
Accounts receivables	14	278,432	212,357
Other receivables	14	122,153	145,998
Total receivables		**400,585**	**358,355**
Cash and cash equivalents	17	182,077	25,045
TOTAL CURRENT ASSETS		**1,784,047**	**1,373,256**
TOTAL ASSETS		**3,112,226**	**2,570,911**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

DKK 1,000	Note	2013	2012
EQUITY AND LIABILITIES			
Equity			
Share capital	16	48,858	48,858
Other equity		1,616,419	1,214,054
Total equity	15	**1,665,277**	**1,262,912**
Non-current liabilities			
Deferred taxes	19	310,925	258,441
Long-term interest bearing debts	17	685,151	731,948
Derivatives	18	74,889	0
Total non-current liabilities		**1,070,965**	**990,389**
Current liabilities			
Short-term interest bearing debts	17	100,000	100,000
Accounts payable and other debts	17	275,984	217,610
Total current liabilities		**375,984**	**317,610**
TOTAL LIABILITIES		**1,446,949**	**1,307,999**
TOTAL EQUITY AND LIABILITIES		**3,112,226**	**2,570,911**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	2013	2012
Cash flow from operations		
Operating profit (EBIT)	**701,320**	**343,520**
Adjustments for depreciation	86,959	80,244
Adjustments for write-downs	9,919	2,980
Adjustments for value adjustments on biomass	-115,352	-90,546
Adjustments for income from associates	-23,788	6,442
Adjustments for currency effects	53,151	3,078
Adjustments for loss from sale of subsidiary	0	17,546
Provision for onerous contracts	24,830	46,078
Taxes paid	-46,620	-72,612
Change in inventory	-96,179	-84,929
Change in receivables	-109,359	-86,437
Change in current debts	32,952	120,236
Cash flow from operations	**517,533**	**285,598**
Cash flow from investments		
Acquisition/sale of subsidiaries and activities, etc., net	0	46,843
Proceeds from sale of fixed assets	1,776	541
Payments made for purchase of fixed assets	-165,208	-97,570
Payments made for prepayment of purchase of fixed assets	-34,613	-16,680
Purchase of shares and other investments	-7,253	0
Change in long-term receivables	909	0
Cash flow from investments	**-204,389**	**-66,866**
Cash flow from financing		
Proceeds from issuing of bonds	505,051	0
Repayment of long-term debt	-100,000	-100,000
Change in revolving credit facilities	-445,727	98,255
Acquisition of minorities	0	-30,000
Financial income	6,239	3,436
Financial expenses	-33,359	-26,208
Acquisition of treasury shares	-28,106	0
Financing of associate	37,392	-107,182
Dividends paid	-97,603	-48,858
Cash flow from financing	**-156,111**	**-210,555**
Cash flow from discontinuing operations		
Net cash from operating activities	0	2,179
Net cash used for investing activities	0	-1,242
Net cash used for financing activities	0	-937
Net cash from discontinuing operations	**0**	**0**
Net change in cash and cash equivalents in period	**157,033**	**8,177**
Cash and cash equivalents – opening balance	25,045	16,868
Cash and cash equivalents – closing balance total	**182,078**	**25,045**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	2013	2012
Total equity 01.01	**1,262,912**	**1,061,010**
Profit for the year to equity	**589,218**	**281,337**
Adjustment 01.01	**0**	**-577**
Fair value adjustment on financial derivatives	-74,889	0
Income tax effect	13,480	0
Acquisition treasury shares	-28,949	0
Currency translatation differences	1,107	0
Fair value adjustment on purchased non-controlling interests	0	1,634
Total other comprehensive income	**-89,251**	**1,634**
Proposed dividends	-219,862	-97,716
Total proposed dividends	**-219,862**	**-97,716**
Total recognised income and expense to equity	**280,105**	**184,678**
Equity transactions between the Group and its shareholders		
Acquisition of minorities	0	-31,634
Net proceeds from share capital increases	**0**	**-31,634**
Equity to shareholders		
Distribution of dividends	-97,716	-48,858
Dividends on treasury shares	114	0
Proposed dividends	219,862	97,716
Total equity to shareholders during the year	**122,260**	**48,858**
Total change in equity during the year	**402,365**	**201,902**
Total equity 31.12	**1,665,277**	**1,262,912**

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 comprehensive income, 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 2013 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 authorised for issue by the Board of Directors on 13 March 2014.

The Annual Report has been prepared on a historical cost basis except for where IFRS require recognition at fair value, mainly valuation of licences, which are acquired by business combinations, 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 2013 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.

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.

REVENUES

Revenue is measured at the fair value of the consideration received or receivables 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 noncurrent 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 receivables 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 receivables 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 fishmeal, oil and 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 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 develop equally to growth in GDP incl. 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.

Hedge accounting
Bonds are measured at fair value.

Interest rate swaps and forward currency settlement contracts are used as hedges of its exposure to foreign currency risk, interest expenses and instalment payments in foreign currencies. The hedges are considered to be cash flow hedges.

The effective portion of the gain or loss on the hedging instrument is recognised directly in other comprehensive income in the cash flow hedge reserve.

Amounts recognised as other comprehensive in-come are transferred to the income statement, when the hedged transaction affects profit or loss, and when financial liabilities are settled, such as when the hedged financial income or financial expense is recognised.

If the forecast transactions or commitments are no longer expected to occur, the cumulative gain or loss previously recognised in equity is transferred to the income statement. If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until firm commitment affects profit or loss, or settlement payments are made.

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.

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.

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.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The list contains standards and amendments which may become relevant disclosures, financial position or performance of Bakkafrost Group when applied at a future date. New Standards and amendments which are clearly irrelevant to the Group are omitted. The standards are adopted when they become effective.

IFRS 9 Financial Instruments

IFRS 9, as issued, reflects the first phase of the IASB's work on the replacement of IAS 39 and applies to classification and measurement of financial assets and financial liabilities as defined in IAS 39. The standard was initially effective for annual periods beginning on or after 1 January 2013, but Amendments to IFRS 9 Mandatory Effective Date of IFRS 9 and Transition Disclosures, issued in December 2011, moved the mandatory effective date to 1 January 2015.

In subsequent phases, the IASB is addressing hedge accounting and impairment of financial assets. The adoption of the first phase of IFRS 9 may have an effect on the classification and measurement of the Group's financial assets, but will not have an impact on classification and measurements of the Group's financial liabilities. The Group will quantify the effect in conjunction with the other phases, when the final standard including all phases is issued.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)

These amendments, which are effective for annual periods beginning on or after 1 January 2014, provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group, since none of the entities in the Group would qualify to be an investment entity under IFRS 10. However, they may become relevant at a future date.

IAS 39 Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39

These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after 1 January 2014. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.

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

2013 – DKK 1,000	Farming	Value Added Products	Fishmeal, oil and feed	Eliminations	Bakkafrost Group
External operating revenues	1,373,238	666,172	451,671	0	2,491,081
Internal operating revenues	618,314	0	631,338	-1,249,652	0
Total operating revenues	**1,991,552**	**666,172**	**1,083,009**	**-1,249,652**	**2,491,081**
Depreciation and amortisation	-55,135	-7,222	-24,302	0	-86,659
Operating expenses	-662,724	-131,109	-957,255	-66,325	-1,817,413
Internal operating expenses	-631,338	-618,314	0	1,249,652	0
Operating EBIT	**642,355**	**-90,472**	**101,452**	**-66,325**	**587,010**
Provision for onerous contracts	0	-24,830	0	0	-24,830
Fair value adjustments on biological assets	115,352	0	0	0	115,352
Income from associates	8,574	8	15,206	0	23,788
EBIT	**766,281**	**-115,294**	**116,658**	**-66,325**	**701,320**
Net interest revenue	58,064	616	2,397	-1,687	59,390
Net interest expenses	-27,408	-1,258	-6,380	1,687	-33,359
Earnings before taxes	**796,937**	**-115,938**	**112,675**	**-66,325**	**727,351**
Tax	-138,720	20,870	-20,282	0	-138,133
Net earnings	**658,217**	**-95,068**	**92,393**	**-66,325**	**589,218**
Operating EBITDA	**697,490**	**-83,250**	**125,754**	**-66,325**	**673,669**
ASSETS					
Assets	2,985,373	67,098	671,732	-611,977	3,112,226
Whereof intangible assets	294,675	0	0	0	294,675
LIABILITIES	**993,941**	**36,211**	**511,529**	**-94,732**	**1,446,949**
INVESTMENTS					
Property, plant and equipment	130,732	18,067	16,409	0	165,208
Prepayment PP&E	34,613	0	0	0	34,613
Intangible operation assets	1,000	0	0	0	1,000
Depreciation	-55,135	-7,221	-24,303	0	-86,659

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	1,855,544
Internal operating revenues	356,164	0	575,547	-931,711	0
Total operating revenues	**1,371,660**	**526,257**	**889,337**	**-931,711**	**1,855,544**
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	2509	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					
Property, plant and equipment	78,947	7,423	12,352	0	98,722
Prepayments PP&E	16,680	0	0	0	16,680
Depreciation	-50,156	-6,060	-24,028	0	-80,244

* Included in these are amounts from discontinued operation

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

SALMON - DISTRIBUTION OF HARVESTED	2013		2012	
AND PURCHASED VOLUME (tgw)	**tgw**	**%**	**tgw**	**%**
Harvested volume used in the VAP production	18,333	38.8%	16,053	32.9%
External purchase of salmon for the VAP production	20	0.0%	10	0.0%
Harvested volume sold fresh/frozen	22,935	48.5%	28,290	58.1%
External purchase of salmon sold fresh/frozen	6,033	12.7%	4,369	9.0%
Harvested and purchased volume (tgw)	**47,321**	**100.0%**	**48,722**	**100.0%**

FISHMEAL, OIL AND FEED	2013		2012	
DISTRIBUTION FEED	**tonnes**	**%**	**tonnes**	**%**
Volumes used internally	63,820	74.8%	61,506	62.4%
External sale	21,513	25.2%	29,892	37.6%
Sold volume (tonnes)	**85,333**	**100.0%**	**91,398**	**100.0%**

PRODUCTION OF FISHMEAL AND FISH OIL	2013		2012	
	tonnes	**%**	**tonnes**	**%**
Fishmeal	34,031	68.0%	10,808	73.8%
Fish oil	15,996	32.0%	3,833	26.2%
Sold volume (tonnes)	**50,027**	**100.0%**	**14,641**	**100.0%**

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

2013 – DKK 1,000	Farming	VAP	FEED
Europe	467,582	646,440	451,671
USA	376,908	7,178	0
China	367,354	3,905	0
Other	161,394	8,649	0
Total	**1,373,238**	**666,172**	**451,671**

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**

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 DKK 339.7 million of the revenue amount in the VAP segment. This is 51.0% of the total revenue in the VAP segment.

NOTE 5. SALARIES AND OTHER PERSONNEL EXPENSES

BREAKDOWN OF PAYROLL EXPENSES

DKK 1,000	**2013**	**2012**
Wages and salaries	206,433	187,068
Social security taxes	7,621	6,971
Pension expenses	14,084	12,919
Other benefits	4,733	3,157
Total payroll expenses	**232,871**	**210,115**
Average number of full-time employees	640	590

REMUNERATION TO CORPORATE MANAGEMENT

DKK 1,000					**Total**	**Total**
Salary and other benefits paid	**Salary**	**Bonus**	**Pension**	**Other**	**2013**	**2012**
Chief Executive Officer	1,615	32	0	0	1,647	1,614
Managing Director*	1,352	138	0	91	1,581	1,040
Managing Director**	329	0	0	0	329	1,461
Chief Financial Officer	1,317	134	0	91	1,542	1,359
Total remuneration	**4,613**	**304**	**0**	**182**	**5,099**	**5,474**

* Appointed Managing Director as at October 2012. Before he was a member of the board. The board fee is presented in the table below.
** The Managing Director resigned his position in October 2012.

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 TERMINATION BENEFITS

The Group's Chief Executive Officer has a basic period of notice from the company of 24 months, and the other persons in the Group management team have a notice period of 9 to 12 months.

Fees paid to the Board of Directors

DKK 1,000		2013	2012
Rúni M. Hansen***	Chairman of the Board	356	345
Johannes Jensen***	Deputy Chairman of the Board	230	224
Odd Eliasen*	Member of the Board	0	122
Trine Sæther Romuld***	Member of the Board	188	182
Annika Frederiksberg**	Member of the Board	168	164
Virgar Dahl	Member of the Board	168	164
Øystein Sandvik****	Member of the Board	56	0
Total remuneration		**1,166**	**1,201**

* Mr. Eliasen was in October 2012 appointed Managing Director, at the same time he resigned as a member of the Board of Directors.
** Annika Frederiksberg is also an employee in the Bakkafrost Group. For this, she received DKK 560 thousand (DKK 559 thousand in 2012).
*** Member of the audit committee. Salary includes fee to the audit committee.
**** Elected as a member of the Board in April 2013, but joined the Board from September 2013.

Loans to employees

As at 31.12.2013, there are no loans to employees.

NOTE 6. AUDITOR'S FEES

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

DKK 1,000	2013	2012
Statutory auditing	797	889
Tax advisory services	64	41
Other services	228	435
Total auditor's fees	**1,089**	**1,365**

NOTE 7. NET FINANCIAL ITEMS

DKK 1,000	2013	2012
Realized profit on financial derivatives	2,314	0
Other financial income	3,925	3,436
Financial income	**6,239**	**3,436**
Interest expenses on long-term loans	-26,532	-11,600
Interest expenses on credit lines	-2,197	-8,980
Interest expenses on accounts payable	-200	-344
Financial expenses	**-28,929**	**-20,924**
Unrealized exchange gain on bond	62,351	0
Other exchange differences	-9,200	-145
Net currency effects	**53,151**	**-145**
Other financial expenses	-4,430	-2,206
Other financial items	**-4,430**	**-2,206**
Net financial items	**26,031**	**-19,839**

NOTE 8. INTANGIBLE ASSETS

DKK 1,000	Goodwill	Licences	Total 2013	Total 2012
Acquisitions cost as at 01.01	3,537	290,138	293,675	369,955
Additions in the year as a result of acquisitions	1,000	0	1,000	0
Disposals during the year	0	0	0	-76,280
Acquisitions cost as at 31.12	**4,537**	**290,138**	**294,675**	**293,675**
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	**4,537**	**290,138**	**294,675**	**293,675**

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 may 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 the 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 3.60 per kg reflecting the long term market expectancy and production efficiency forecasts and WACC of 5.7%, in accordance with IAS 36. Harvested volume is based on the current stocking plans for each unit and fore-casted 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 2013	Total 2012
Acquisitions cost as at 01.01 entities before acquisition	508,903	869,751	94,627	1,473,281	1,490,411
Additions regarding prepayments 01.01	0	16,680	0	16,680	0
Acquisitions during the year	54,144	100,662	10,402	165,208	98,722
Disposals and scrapping during the year	-8,829	-48,292	-6,005	-63,126	-121,531
Acquisitions cost as at 31.12	**554,218**	**938,801**	**99,024**	**1,592,043**	**1,467,602**
Accumulated depreciation and write-downs as at 01.01	-148,452	-456,562	-72,179	-677,193	-661,887
Depreciations during the year	-17,217	-64,202	-5,240	-86,659	-80,244
Accumulated deprecations and write-downs on disposals and scrapping	2,448	47,210	4,234	53,892	70,617
Accumulated depreciation and write-downs as at 31.12	**-163,221**	**-473,554**	**-73,185**	**-709,960**	**-671,514**
Net book value as at 31.12	**390,997**	**465,247**	**25,839**	**882,083**	**796,088**

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

Estimated lifetime	25 years	10 years	3–8 years
Depreciation method	linear	linear	linear

NOTE 10. COMPANIES IN THE GROUP

The consolidated accounts for 2013 include the following subsidiaries and associates of significant size:

DKK 1,000	Currency	Head Office	Ownership	Nominal share capital
P/f Bakkafrost Farming	DKK	Glyvrar	100%	16,394
P/f Bakkafrost Processing	DKK	Glyvrar	100%	30,358
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.	GBP	Lerwick	100%	17
Havsbrún Norge ASA	NOK	Flekkefjord	100%	105
Bakkafrost UK Ltd.	GBP	Grimsby	100%	0

					Carrying	Carrying
DKK 1,000	**Head**		**Net**	**Share of**	**amount**	**amount**
Associated Companies	**Office**	**Ownership**	**Additions**	**the result**	**2013**	**2012**
P/f Salmon Proteins*	Eiði	76%	0	264	8,349	8,085
P/f Keldan	Fuglafjørður	25%	0	703	7,513	6,810
Hanstholm Fiskemelsfabrik	Hanstholm	40%	7,875	-4,409	16,157	12,691
P/f Faroe Farming	Vágur	49%	0	20,411	81,692	61,281
Total					**113,711**	**88,867**

* 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 152,282 tDKK on 31.12.2013, total liabilities are 86,672 tDKK, the equity is 65,609 tDKK and the result for 2013 is 26,595 tDKK.

BUSINESS ACQUISITIONS

In December 2012, an agreement was made for Bakkafrost to acquire the sales company Bakkafrost UK Limited. Bakkafrost 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. They all continue within the company.

Bakkafrost UK Limited has been selling salmon from Bakkafrost prior to the acquisition. The acquisition gave 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 Bakkafrost 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 was 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 Hjallur. 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**

NOTE 11. SHARES AND HOLDINGS IN OTHER COMPANIES

DKK 1,000

Company	2013	2012
Others	1,593	2,345
Total	**1,593**	**2,345**

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	2013	2012
Raw materials and goods in-progress	195,930	203,657
Finished goods	39,559	39,241
Total inventory	**235,489**	**242,898**

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	2013	2012
Biological assets carrying amount 01.01	746,958	700,336
Increase due to production or purchases	1,074,059	847,756
Reduction due to harvesting or sale (costs of goods sold)	-960,625	-767,828
Fair value adjustment at the beginning of the period reversed	-181,050	-86,037
Fair value adjustments at the end of the period	296,402	181,050
Biological assets sold	0	-130,752
Reversal of elimination at the beginning of the period	23,889	26,322
Eliminations	-33,737	-23,889
Biological assets carrying amount 31.12	**965,896**	**746,958**
Biomass < 4 kg on average (tonnes live weight)	9,665	13,159
Biomass > 4 kg on average (tonnes live weight)	21,642	14,267
Volume of biomass at sea (tonnes live weight)	**31,307**	**27,426**
Volume of biomass harvested during the year (tonnes gutted weight)	**41,268**	**44,341**
Cost price biological assets	703,231	589,797
Fair value adjustments at the end of the period	296,402	181,050
Eliminations	-33,737	-23,889
Biological assets carrying amount	**965,896**	**746,958**
Whereof capitalized interests in biological assets*	**14,008**	**13,186**

* The capitalized interest rate is calculated using CIBOR 3 months plus 4.72%.

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 entered 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 31,307 tonnes, a change in price of DKK 1 will have an impact on the valuation of approximately DKK 31 million.

NOTE 14. ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

DKK 1,000	2013	2012
Accounts receivables	278,432	212,357
Provisions for bad debts	0	0
Net accounts receivables	**278,432**	**212,357**
Receivables from associated company	69,790	107,183
Prepayments	217	2,801
Deposit for interest- and currency swap	36,360	0
VAT	15,772	35,999
Other	14	15
Other receivables	**122,153**	**145,998**
Total accounts receivables and other receivables	**400,585**	**358,355**

The Group's exposure to credit risks related to accounts receivables is disclosed in note 21.

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLES

DKK 1,000	2013	2012
Receivables not overdue	207,281	172,806
Overdue 0–6 months	70,809	39,461
Overdue more than 6 months	342	90
Total	**278,432**	**212,357**

CURRENCY EXPOSURE TO ACCOUNTS RECEIVABLES

The Group holds accounts receivables in foreign currencies amounting to DKK 135.7 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	2013	2012
DKK	142,729	119,824
EUR	50,035	40,854
USD	57,743	40,412
GBP	24,916	10,107
Others	3,009	1,160
Total	**278,432**	**212,357**

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 Share Premium Reserve 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	Transaction with Shareholders	Derivatives	Proposed Dividends	Fair value adjust-ments Biomass	Retained Earnings	Total Equity
Equity 01.01.2013	**48,858**	**306,537**	**0**	**0**	**97,716**	**181,050**	**628,751**	**1,262,912**
Net profit after tax	0	0	0	0	0	115,352	473,866	589,218
Fair value adjustment on financial derivatives*	0	0	0	-74,889	0	0	0	-74,889
Income tax effect*	0	0	0	13,480	0	0	0	13,480
Treasury shares*	0	0	-28,949	0	0	0	0	-28,949
Currency translation differences*	0	0	0	0	0	0	1,109	1,109
Paid-out dividends	0	0	0	0	-97,716	0	112	-97,604
Proposed dividends	0	0	0	0	219,862	0	-219,862	0
Total equity 31.12.2013	**48,858**	**306,537**	**-28,949**	**-61,409**	**219,862**	**296,402**	**883,976**	**1,665,277**

* Other comprehensive income

DKK 1,000	Share Capital	Share Premium Reserve	Transaction with Shareholders	Derivatives	Proposed Dividends	Fair value adjust-ments Biomass	Retained Earnings	Total Equity
Equity 01.01.2012	**48,858**	**306,537**	**0**	**0**	**48,858**	**90,504**	**531,696**	**1,026,453**
Minorities 01.01.2012	0	0	0	0	0	0	34,557	34,557
Adjustment to prior periods	0	0	0	0	0	0	-577	-577
Net profit after tax	0	0	0	0	0	90,546	190,791	281,337
Fair value adjustments on purchased non-controlling interests*	0	0	0	0	0	0	1,634	1,634
Paid-out dividends	0	0	0	0	-48,858	0	0	-48,858
Proposed dividends	0	0	0	0	97,716	0	-97,716	0
Acquisition of minorities	0	0	0	0	0	0	-31,634	-31,634
Total equity 31.12.2012	**48,858**	**306,537**	**0**	**0**	**97,716**	**181,050**	**628,751**	**1,262,912**

* Other comprehensive income

NOTE 16. SHARECAPITAL AND MAJOR SHAREHOLDERS

Share capital:

DKK 1,000	**2013**	**2012**
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**

Reconciliation of outstanding shares:	**2013**	**2012**
Outstanding shares at 1 January	48,858,065	48,858,065
Purchase of treasury shares	-423,661	0
Sale of treasury shares to cover the employees bonus	45,080	0
Outstanding shares at 31 December	**48,476,484**	**48,858,065**
Treasury shares at 31 December	378,581	0

In 2013 all full-time employees from 2012, still employed in Bakkafrost, have received bonus shares in 2013 with a total value of 2% of paid out salary in 2012. In total Bakkafrost has allocated 45,080 shares to its employees at a fair value of DKK 3.140 million. The grant date was 22 May 2013, and the share price was DKK 69.65 (NOK 69.75) per share.

SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2013:
TF Holding, 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%
Trine Sæther Romuld	Member of the Board	0	0.00%
Annika Frederiksberg	Member of the Board	14,161	0.01%
Virgar Dahl	Member of the Board	7,000	0.01%
Øystein Sandvik	Member of the Board	0	0.00%
J. Regin Jacobsen	Chief Executive Officer	4,491,681	9.19%
Odd Eliasen	Managing Director	170,203	0.35%
Teitur Samuelsen	Chief Financial Officer	1,365	0.00%

Dividend

The Board has proposed a dividend per share of DKK 4.50 for 2013. Dividends in 2012 were DKK 2.0 per share. The dividends proposed are to be approved at the Annual General Meeting and if approved, the total dividend payment will amount to DKK 219.9 million. The dividend proposal has not been recognised as a liability at 31 December 2013, but is presented as an item within equity.

NOTE 17. NET INTEREST BEARING DEBT

LONG-TERM INTEREST BEARING DEBT

DKK 1,000	**2013**	**2012**
Long term interest bearing debt	347,764	831,948
Next year's instalments on long-term interest bearing debt	-100,000	-100,000
Bonds	437,387	0
Total long-term interest bearing debt 31.12	**685,151**	**731,948**
Debt to credit institutions	0	0
Next year's instalments on long-term interest bearing debt	100,000	100,000
Total short-term interest bearing debt 31.12	**100,000**	**100,000**
Total interest bearing debt	**785,151**	**831,948**
Cash and cash equivalents	-182,077	-25,045
Net interest bearing debt *	**603,074**	**806,903**

* Loss on derivatives related primarily to long-term interest bearing debt amounting to DKK 71,849 is not included.

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. As the credit limit is not necessarily in the same currency of debt drawn, currency fluctuations affect the amount available under the facilities at any time. In addition to the bank credit lines Bakkafrost has issued a 5 year tenor bond of NOK 500 million equivalent to DKK 442.7 million.

The maturity plan of the Group's interest bearing debt is as follows	**Carrying amount**	**Contractual payments**
Credit facilities	247,764	251,363
Bonds	437,387	442,700
Current liabilities	100,000	100,000
Gross interest bearing debt	**785,151**	**794,063**

Available credit lines of the credit facilities*	501,637
Cash and cash equivalents	182,077
Total available credit lines	**683,714**

* Of which DKK 15.6 million is restricted.

Maturity analysis – contractual payments

REMAINING PERIOD

31.12.2013	**1–3 months**	**3–12 months**	**1–5 years**	**> 5 years**	**Total**
Interest bearing bank loans	25,000	75,000	251,363	0	351,363
Bonds	0	0	442,700	0	442,700
Accounts payable and other debt	129,300	146,684	0	0	275,984

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

The difference between the carrying amount and the total expected payments in the table above is due to upfront arrangement and legal fees incurred in connection with the refinancing of the credit facilities and the bond issue. One long-term bank borrowing is drawn fully down to DKK 300 million, and one long-term bank borrowing is drawn from a revolving credit facility, under which the Group may draw and pay down any amount. The contractual payments illustrated in the table above do not reflect roll-overs dates of loans drawn, but are based on the maturity date of the credit facilities.

INTEREST BEARING DEBT IN MORE DETAIL

Bakkafrost entered into two loans in 2011: 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 300 million at end of 2013, and the overdraft facility has been adjusted down to DKK 553 million in connection with the sale of a subsidiary in 2012. Thus the total bank financing amounts to DKK 853 millions as per end 2013.

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 and provision for onerous contracts. The margin may vary between 2% p.a. and 3.75% p.a.

On 14 February 2013 Bakkafrost issued unsecured bonds on the Norwegian market, at a total nominal value of NOK 500,000,000 with a 5 year tenor. The bonds were listed on the market on 3 May 2013. The interest rate is NIBOR 3m plus a margin of 4.15 %. The bonds are measured at fair value at initial recognition.

Following the issuance of the bonds, Bakkafrost has entered into a currency/interest rate swap, hedging the exchange rate and switched the interest rate from NIBOR 3m to CIBOR 3m. Bakkafrost has entered the swap due to its exposure to DKK, as a large part of the income and costs are in DKK and EUR.

At the end of 2013 the currency/interest rate swap was negative with DKK 74.9 million charged to the comprehensive income. On the other hand there was exchange gain on the NOK 500 million bond loan of DKK 62.4 million. This gain is charged to the Income Statement on a continuous basis. For unrealised losses in excess of DKK 45 million on the currency/interest rate swap, Bakkafrost is obliged to deposit the loss into a restricted bank account. At the end of 2013 the deposited amount is DKK 36.4 million and presented under other receivables.

FINANCIAL COVENANTS

The loan facility amounting to DKK 553 million must never exceed the total of:

- 80% of the insured accounts receivables, and 80% of the accounts receivables sold 'cash against documents', and 60% of other account receivables to the extent that these are not older than 60 days, do not exceed DKK 50 million, and where the last payment date does not exceed 15 days

- 65% of the lesser of the cost of the fish at sea or P/f BankNordik's estimated standard value of fish at sea

- 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 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 bank finances of DKK 853 million. The undrawn amount at 31 December 2013 was DKK 501.6 million of which DKK 15.6 million was restricted. In addition to the undrawn amount of DKK 501.6 million, Bakkafrost had DKK 182 million in cash and thus available funds in total of DKK 683.7 million.

The bonds amounting to NOK 500 million have the following covenants:

- Equity Ratio of minimum the highest of 35%, and the highest Equity Ratio requirement in the senior bank loan agreements applicable at any time

- Leverage Ratio of maximum the lowest of 4.0 times, and the lowest Leverage Ratio requirement in the senior bank loan agreements applicable at any time

DKK 1,000

Maturity analysis – contractual payments	**2014**	**2015**	**2016**	**2017**	**2018**
Long-term credit facilities	0	100,000	100,000	0	0
Bonds (NOK 500 million)	0	0	0	0	442,700
Interest rate/currency swap	0	0	0	0	71,849
Current liabilities	100,000	0	0	0	0
Gross interest bearing debt	**100,000**	**100,000**	**100,000**	**0**	**514,549**

The difference between the carrying amount and the total expected payments in the table above is due to upfront arrangement and legal fees incurred in connection with the refinancing of the credit facilities and the bond issue. One long-term bank borrowing is drawn fully down to DKK 300 million, and one long-term bank borrowing is drawn from a revolving credit facility, under which the Group may draw and pay down any amount. The contractual payments illustrated in the table above do not reflect roll-overs dates of loans drawn, but are based on the maturity date of the credit facilities.

NOTE 18. DERIVATIVES

Interest and currency swaps are used to hedge interest and currency exposure on bonds and currency swaps are used to hedge currency exposure on committed purchase of the well boat to be delivered in 2015.

DKK 1,000	**2013**	**2012**
Currency swaps regarding committed purchase of boat	3,040	0
Interest and currency swaps regarding Bonds	71,849	0
Derivatives total	**74,889**	**0**

The fair value of derivatives held at the balance sheet date can be allocated as follows:

	Fair value **2013**	Recognised in the income statement **2013**	Recognised in equity **2013**	Fair value **2012**	Recognised in the income statement **2012**	Recognised in equity **2012**
Currency derivatives	3,040	0	3,040	0	0	0
Interest and currency derivatives	71,849	0	71,849	0	0	0
Total	**74,889**	**0**	**74,889**	**0**	**0**	**0**

The expected timing of the effect on the income statement is as follows:

	Currency derivatives	Interest and currency derivatives	**Total 2013**	Currency derivatives	Interest and currency derivatives	**Total 2012**
Within one year	0	0	0	0	0	0
Between one and five years	3,040	71,849	74,889	0	0	0
After five years	0	0	0	0	0	0
Total	**3,040**	**71,849**	**74,889**	**0**	**0**	**0**

NOTE 19. TAX

DKK 1,000

The tax expense for the year breaks down as follows:	**2013**	**2012**
Tax payable	71,310	34,372
Change in deferred tax regarding discontinued operations	0	-3,144
Change in deferred tax	66,823	24,578
Tax expense on ordinary profit	**138,133**	**55,806**
Tax payable	71,310	34,372
Tax payable in the statement of financial position	**71,310**	**34,372**
Specifications of temporary differences		
Licences	293,678	293,678
Property, plant and equipment	531,467	475,878
Financial assets	11,192	906
Inventory	965,896	746,956
Receivables	-71,786	-46,956
Currency effects	-3,084	0
Losses carried forward	0	-34,678
Total temporary differences	**1,727,363**	**1,435,783**
Deferred tax liabilities (+) / assets (-)	**310,925**	**258,441**
Reconciliation from nominal to actual tax rate		
Profit before tax	727,351	323,681
Expected tax at nominal tax rate (18%)	130,923	58,263
Tax on equity entries	13,480	0
Tax on farming activities	5,755	0
Permanent differences (18%)	2,543	687
Calculated tax expense	**152,702**	**58,950**
Effective tax rate	20.99%	18.21%
Effective tax rate excl. equity entries	19.14%	18.21%

Normal tax rate for companies resident in the Faroe Islands is 18%. Almost all of Bakkafrost's operations are in the Faroe Islands, but a sales office is in UK, where the tax rate is 20.8%.

In addition to the normal 18% company tax rate, there is a special resource tax of 2.5% for 2013 on incomes above DKK 1 million. This special tax is on entities holding farming licenses. In the Bakkafrost Group P/F Bakkafrost Farming is subject to this special resource tax of 2.5% on incomes exceeding DKK 1 million. The other companies in the Group are not subject to this special tax. The special tax rate for 2014 is 7%. The deferred taxes are based on the normal tax rate of 18%, as the special tax is preliminary. This is done in view of IAS 12.47

Permanent differences in 2013 and 2012 mainly consist of scrapping in PPE and currency effects.

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 intercompany dividends are not tax relevant in the Faroese tax regime.

NOTE 20. MORTGAGES AND GUARANTEES

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2013	2012
Long-term debt to financial institutions	242,451	731,948
Derivatives	74,889	0
Short-term debt to financial institutions	100,000	100,000
Total	**417,340**	**831,948**

Carrying amount of assets pledged as security for recognised debt		
Licences	294,675	293,675
Property, plant and equipment	916,696	812,768
Financial assets	113,711	88,867
Biological assets (biomass)	965,896	746,958
Inventory	235,489	242,898
Accounts receivables	278,432	212,357
Other receivables	122,153	145,998
Total	**2,927,052**	**2,543,521**

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 solidus for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds. The bonds amounting to NOK 500 million issued in 2013 are unsecured.

NOTE 21. FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments; market risk, liquidity risk and credit risk. This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and procedures for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

The main objective of Bakkafrost's financial risk management policies is to ensure the ongoing liquidity of the Group, defined as being at all times in a position to meet the liabilities of the Group as they fall due. This also includes being able to meet financial covenants on Group debt under normal circumstances.

With regards to insurance coverage, the Group insures against material risks, where the insurance is economically available.

The balance between the amount covered and what is left to own risk varies, depending on the nature of the risk, the value of the assets and prospective liabilities and the cost, actual coverage and the availability of insurance.

The Board of Directors believe that the most important measure against any risk, the Group is exposed to, would be to have a strong financial position. The Board aims at maintaining a minimum equity ratio of 40 percent to ensure the Group's solidity and operational flexibility. At 31 December 2013 the Group's equity ratio was 54 percent.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

FINANCIAL RISK

The Group has bank loans and bonds, raised for the purpose of providing capital for investment in the company's business. In addition, the company has financial instruments such as accounts receivables, accounts payable, etc. which are ascribable directly to day-to-day business operations.

In 2013 the Group entered a forward currency contract for hedging purposes. Bakkafrost also entered into a forward currency/interest rate swap, hedging the exchange rate and switching the interest rate on the bond loan from NIBOR 3m to CIBOR 3m.

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

Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rates risk and other price risk (such as commodity prices and salmon spot prices).

Market risk is monitored and actively managed by the Group. Exposure to these risks is reduced by diversification, suitable controls and business tactics. In some cases market risks are transferred to third parties via contractual price adjustment clauses, but rarely by means of financial derivatives. As hedging activities normally result in lower average expected return, the Group only use external hedging where there is a significant risk of breach of financial covenants.

Foreign exchange risk

Because of the international nature of its operations, the Group is exposed to fluctuations of foreign currency rates. For risk management purposes, three types of currency exposure have been identified:

Translational exposure

Bakkafrost has subsidiaries abroad in UK, Shetland and Norway. Therefore Bakkafrost faces currency risks arising from the translation of subsidiaries whose functional currency differ from the presentation currency of the Group. The exposure related to equity of foreign subsidiaries is generally not hedged.

Transactional exposure

Most of the operating companies in the Group are exposed to changes in the value received or paid under foreign currency denominated committed transactions. For the farming segment exposure arises mainly from export sales, while for the fish oil, -meal and feed segment exposure results from the sourcing of raw materials in the international commodities markets.

Transactional exposure for the Group is mitigated by diversification benefits. Where opposite exposure from different segments are not perfectly offset, the residual effect of adverse movements in foreign currency rates on transaction streams could negatively impact the results and financial position of the Group, thus affecting covenants based on accounting measures.

The table below summarises the foreign currency exposure on the net monetary position of all Group entities against their functional currency. The exposure on translating the financial statements of subsidiaries into the presentation currency is not included in the analysis.

Exposure to currency risk			**Currency**		
DKK 1,000					
2013	**DKK/EUR**	**DKK/GBP**	**DKK/USD**	**DKK/NOK**	**DKK/JPY**
Cash and cash equivalents	24,064	12,746	87,564	16,921	18
Accounts receivables	50,035	24,916	57,743	1,377	0
Trade payables	-3,583	0	-37	-53	0
Interest bearing debt	0	0	0	-442,700	0
Forward contracts	0	0	0	113,331	0
Net exposure	**70,516**	**37,662**	**145,270**	**-311,124**	**18**

2012	**DKK/EUR**	**DKK/GBP**	**DKK/USD**	**DKK/NOK**	**DKK/JPY**
Cash and cash equivalents	0	184	19,567	6	0
Accounts receivables	40,854	10,107	40,412	2,998	0
Trade payables	-3,394	0	0	-2,007	0
Net exposure	**37,460**	**10,291**	**59,979**	**997**	**0**

Sensitivity analysis				**Currency**		
DKK 1,000						
2013	**DKK/EUR**	**DKK/GBP**	**DKK/USD**	**DKK/NOK**	**DKK/JPY**	**Result**
Net exposure	70,516	37,662	145,270	-311,124	18	
Volatility	0.51%	7.12%	7.45%	8.49%	13.28%	
Total effect on Profit of +movements	**360**	**2,682**	**10,823**	**-26,414**	**2**	**-12,548**
Total effect on Profit of -movements	**-360**	**-2,682**	**-10,823**	**26,414**	**-2**	**12,548**

2012	**DKK/EUR**	**DKK/GBP**	**DKK/USD**	**DKK/NOK**	**DKK/JPY**	**Result**
Net exposure	37,460	10,291	59,979	997	0	
Volatility	0.47%	6.05%	8.38%	5.93%	11.14%	
Total effect on Profit of +movements	**176**	**623**	**5,026**	**59**	**0**	**5,884**
Total effect on Profit of -movements	**-176**	**-623**	**-5,026**	**-59**	**0**	**-5,884**

The analysis is based on the currencies the Group is most exposed to at the end of 2013. The reasonable shifts in exchange rates in the table above are based on 5 years historical volatility.

If the relevant cross foreign exchange rates moved by the amounts showed in the table above, the effect on the Group's net income would be DKK 12.5 million (2012: DKK 5.9 million).

The Group does not hedge transaction exposure in the financial markets as a general rule. Currency protection measures may be allowed to prevent situations of financial distress, in those cases where the exposure cannot be effectively reduced by use of operational hedges.

Currency forward contracts as at 31 December 2013

1,000

Bakkafrost Group buys		**Bakkafrost Group sells**	
NOK	128,000	NOK	0
NOK	500,000	DKK	0

Economic currency exposure

The Group is exposed to the risk that medium/long-term trend shifts in exchange rates might affect its competitive position. This strategic currency exposure is regularly monitored, but as the exposure is currently considered limited it is not actively hedged.

Significant exchange rates (average) during the year	DKK/EUR	DKK/GBP	DKK/USD	DKK/NOK	DKK/JPY
2013	745.80	878.14	561.60	95.69	5.77
2012	744.38	918.37	579.72	99.62	7.28

Interest rate risk

The Group is exposed to increase in interest rates as a result of having debt with floating interest rate terms. An increased cost of borrowing might adversely affect the Group's profitability. The Group do not have fixed interest rate debt.

According to the Group's finance policy, the main objective of interest rate risk management activities should be to minimise the risk of breach of the Group's debt covenants, and to avoid situations of financial distress that might jeopardize strategic flexibility. Trading in interest rate derivatives is undertaken to cover existing exposures. Purely speculative transactions are not allowed.

In 2013, the Group entered into a currency/interest rate swap agreements with an underlying total of NOK 500 million, in order to reduce interest rate and currency exposure on NOK, as the issued bonds are denominated in NOK. The currency/interest rate swap qualifies for hedge accounting, hence changes in fair value of this instrument is reported in Other Comprehensive Income and amounted to DKK 74.9 million as at 31 December 2013. The currency/interest rate swap has settlement that match the maturity of the bond loan in 2018.

The Group has no fixed rate liabilities and is therefore not exposed to the risk that changes in interest rates might drive changes in market value of outstanding debt.

A 100 basis points increase in interest rate at the reporting date would have a negative impact on the income statement amounting to DKK 6,8 million (2012: DKK 8,1 million), based on NIBD.

Other price risk

The Group's fish oil, -meal and feed segment is active in the international commodity markets. A large portion of raw materials needed in production is contracted in advance of periodic sale price regulations, this way the risk associated with increases in commodity prices is effectively transferred to feed customers. Constraints in the availability of certain raw materials might result in increased sourcing costs in those cases, where an unexpected surge in sales volume makes it necessary to purchase raw materials outside of previously negotiated purchase agreements. Under these circumstances, it might not be possible to charge the customers with the increased cost, and profitability would thus suffer.

The farming segment is sensitive to fluctuations in the spot prices of salmon, which is determined by global supply and demand. The impact of changes in salmon spot prices is partly mitigated by long-term contracts at fixed prices in the VAP segment and financial contracts, however due to long production cycles, it is difficult to respond quickly to global trends in market prices. Salmon is to a large extent traded based on spot price, although this would vary with different markets and with the market position of the company.

In order to partially mitigate the price risk arising from spot sales of Atlantic salmon, Bakkafrost has entered into and tested financial salmon contracts at the regulated market place, Fish Pool. During 2013, contracts for a total of 300 tonnes were settled by P/F Bakkafrost with a net realised gain of DKK 2.2 million. The Group had no open position at Fish Pool as at year-end 2013.

LIQUIDITY RISK

Liquidity risk arises from the Group's potential inability to meet its financial obligations towards suppliers and debt capital providers. The Group's liquidity situation is closely monitored and rolling forecasts of cash flows and cash holdings are prepared regularly.

Liquidity risk is managed through maintaining flexibility in funding by securing available committed credit lines provided by our bank syndicate and through maintaining sufficient liquid assets with the same relationship banks. In addition to this Bakkafrost in 2013 issued an unsecured bond in the Norwegian market and raised NOK 500 million with a tenor of five years. The bond issue, combined with the existing financing, has provided the Group with significant financial flexibility to grow and to continue to pay dividends within the levels indicated under the current dividend policy.

The Group seeks to maintain committed facilities to cover forecast borrowings for the next 12 months, plus financial headroom to cover the planned investments and unforeseen movements in cash requirements. Please also refer to note 17 for information on committed credit facilities, available credit lines and maturity of interest bearing debt. Other short-term debt is specified in note 17.

In addition to the above described sources of liquidity, Bakkafrost monitors funding options available in the capital markets, as well as trends in the availability and cost of such funding with a view to maintain financial flexibility and limiting refinancing risk. Bakkafrost's overall liquidity as at 31 December 2013 included DKK 182 million, and DKK 25 million as at 31 December 2012 (see note 17) of cash and cash equivalents held in various currencies.

CREDIT RISK

Credit risk represents the accounting loss that would have to be recognised if other parties failed to perform as contracted and is related to financial instruments such as cash and cash equivalents, receivables and derivative financial instruments.

Bakkafrost has a Group-wide credit management policy governed by Bakkafrost's credit committee. The committee is responsible for granting credits to the Groups customers. In general Bakkafrost uses credit insurance, bank guaranties, parent company guarantees or other securities such as pledges on biological assets, thus reducing the actual risk on outstanding receivables significantly. Historically losses due to bad debts have been low in Bakkafrost. Recoverable VAT included in the balance also reduces the risk. In addition to such risk mitigating measures, the Group focuses on detailed credit management in operating companies, supported by regular follow up by central functions.

Concentration of credit risk is at the outset not considered significant, since the Group's customers represent various industries and geographic areas. Counterparty risk against financial institutions is not considered significant due to limited liquid assets and low traded volume in derivatives. For these transactions, the Group relies upon Nordic relationship banks, other relationship banks or widely recognised commodity exchanges.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date consists of accounts receivables, other receivables and cash and cash equivalents, and amounts to DKK 584 million. (2012: DKK 383 million). For age distribution of accounts receivables, please refer to note 14.

Bakkafrost has implemented a Group-wide cash management policy with the overall objective of minimising cash holdings while ensuring sufficient liquidity to meet business needs, avoid shortage of cash and limit the need for borrowing. The cash management is carried out from the Group's head office.

The Group does not make extensive use of financial derivatives, and in those cases where it is deemed appropriate to hedge an existing exposure on the financial markets, agreements are entered into with one of the Group's relationship banks. Salmon futures are traded at the regulated market place Fish Pool, and no bilateral positions are taken as all contracts are cleared by NOS.

Capital management

The Group's objective when managing capital is to maintain a capital structure able to support the operations and maximise shareholder value. The farming business is characterized by price volatility and challenging production dynamics. The Group must be financially solid in order to be able to cope with fluctuations in profits and financial position, and the consolidated equity ratio shall at no time be lower than 40 percent. At 31 December 2013, the Group's equity ratio was 54 percent.

According to the Group's dividend policy, under normal circumstances, average dividends over several years should be 30 to 50 percent of the adjusted net profit. The Board has proposed a dividend of DKK 4.50 per share for the financial year 2013, corresponding to a distribution to shareholders of DKK 219.9 million.

At 31 December 2013, net interest bearing debt amounted to DKK 603.1 million. Note 17 provides an overview of the debt's maturity profile and information on the debt's financial covenants. The Group is currently mainly financed by bank loans and unsecured bonds, and developments in the availability of bank finance or alternative funding sources are evaluated in dialogue with the Group's leading banks.

There were no changes in the Group's approach to capital management during the year. Neither the company nor any of its subsidiaries are subject to externally imposed capital requirements.

NOTE 22. CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

During 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

As at December 31st, the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000

Assets and liabilities measured at fair value	**31 Dec 2013**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Intangible assets	293,675	0	0	293,675
Financial assets	669	669	0	0
Biological assets (biomass)	965,896	0	965,896	0
Liabilities measured at fair value				
Long-term interest bearing debts	442,700	442,700	0	0

Assets and liabilities measured at fair value	**31 Dec 2012**	**Level 1**	**Level 2**	**Level 3**
Assets measured at fair value				
Intangible assets	293,675	0	0	293,675
Financial assets	920	920	0	0
Biological assets (biomass)	746,958	0	746,958	0
Liabilities measured at fair value				
Long-term interest bearing debts	0	0	0	0

NOTE 23. EARNINGS PER SHARE

DKK 1,000	2013	2012
Profit for the year to the shareholders of P/f Bakkafrost	589,218	281,337
Fair value adjustment of biomass (IAS 41)	-115,352	-90,546
Onerous contracts provision	24,830	46,078
Tax on fair value adjustment	16,294	8,004
Adjusted profit for the year to shareholders of P/f Bakkafrost	**514,990**	**244,873**

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	**48,828,706**	**48,858,065**

Earnings per share	2013	2012
Adjusted Basic (DKK)	12.07	5.76
Diluted (DKK)	12.07	5.76

Adjusted earnings per share (before fair value adjustments of biomass and provision for onerous contracts (adjusted EPS)	2013	2012
Basic (DKK)	10.55	5.01
Diluted (DKK)	10.55	5.01

Time-weighted average number

Date	01-01-2013	14-05-2013	24-05-2013	30-05-2013	11-12-2013	31-12-2013
buy/sell		56,961	-18,836	-26,244	366,700	
Outstanding shares	48,858,065	48,801,104	48,819,940	48,846,184	48,479,484	
Time-weighted average number						**48,828,706**

Bakkafrost Group has no stock option programme running at present.

Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share

Diluted earnings per share are adjusted for the dilution effect of issued share options. Bakkafrost has no share options outstanding.

Adjusted earnings per share

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table above, as it is Bakkafrost's view that this figure provides a more reliable measure of the underlying performance.

NOTE 24. 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 211.0 million. Of which DKK 185 million, is related to the building of a new well boat operated by Bakkafrost.

DKK 1,000

2013	**2014**	**2015**
Total contractual new well boat	41,136	143,221
Total contractual other PPE investments	26,520	0
Total	**67,656**	**143,221**

2012	**2013**
Total contractual other PPE investments	19,400
Total	**19,400**

NOTE 25. PROVISIONS FOR ONEROUS CONTRACTS

DKK 1,000

Provisions for onerous contracts 1.1.2012	**0**
Change in provisions for onerous contracts 2012	46,078
Provisions for onerous contracts 31.12.2012	**46,078**
Change in provisions for onerous contracts 2013	24,830
Provisions for onerous contracts 31.12.2013	**70,908**

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 26. 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
Trine Sæther Romuld	Member of the Board	0
Annika Frederiksberg	Member of the Board	14,161
Virgar Dahl	Member of the Board	7,000
Øystein Sandvik	Member of the Board	0
Group Management		
J. Regin Jacobsen	Chief Executive Officer	4,491,681
Odd Eliasen	Managing Director	170,203
Teitur Samuelsen	Chief Financial Officer	1,365

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	2013	2012
Revenues – P/f TF Holding	3,987	8,001
Purchase – P/f TF Holding	21,925	21,357
Revenues – Salmar ASA	19,820	35,489
Revenues – P/f Faroe Farming	88,711	110,381
Purchase – P/f Faroe Farming	206,469	84,364
Purchase – P/f Hotel Føroyar	100	338
Revenues – Hanstholm Fiskemelsfabrik A/S	27,574	0
Purchase – Hanstholm Fiskemelsfabrik A/S	13,880	62,027
Accounts payable Salmar ASA	127	0
Accounts receivables – P/f TF Holding	253	42
Accounts receivables – P/f Faroe Farming	69,790	107,183
Accounts receivables - Hanstholm Fiskemelsfabrik A/S	0	263
Accounts payable P/f Vest Pack	495	735
Purchase – P/f Vest Pack	8,385	7,633

P/F BAKKAFROST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

P/F BAKKAFROST - INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2013	2012
Operating revenue		31,725	26,177
Salary and personnel expenses	2	-16,318	-15,222
Other operation expenses		-14,684	-8,857
Depreciation	5	-2,940	-2,663
Earnings before interest and taxes (EBIT)		**-2,217**	**-565**
Dividends from subsidiaries	6	774,218	223,449
Income from other investments in shares	7	50	9,955
Loss from sale of subsidiary	4	0	-9,858
Financial income	3	71,291	39,635
Net interest expenses	3	-30,170	-27,377
Net currency effects	3	61,938	-249
Other financial expenses	3	-3,231	-1,558
Earnings before taxes (EBT)		**871,879**	**233,432**
Taxes	9	-17,579	-1,804
Profit to shareholders of P/f Bakkafrost		**854,300**	**231,628**
Distribution of profit			
Dividends		219,862	97,716
Retained earnings		634,438	133,912
Distribution in total		**854,300**	**231,628**

P/F BAKKAFROST - STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

DKK 1,000	Note	2013	2012
ASSETS			
Non-current assets			
Intangible assets		1,000	0
Total intangible assets		**1,000**	**0**
Property, plant and equipment			
Land, buildings and other real estate	5	54,844	49,973
Plant, machinery and other operating equipment	5	4,870	2,322
Total property plant and equipment		**59,714**	**52,295**
Non-current financial assets			
Investments in subsidiaries	6	1,222,599	1,217,949
Investments in stocks and shares	7	1,658	1,608
Total non-current financial assets		**1,224,257**	**1,219,557**
TOTAL NON-CURRENT ASSETS		**1,284,971**	**1,271,852**
Receivables from Group companies		1,243,264	797,078
Accounts receivables		5,316	1,662
Other receivables		107,123	109,140
Total receivables		**1,355,703**	**907,880**
Cash and cash equivalents		99,129	88
TOTAL CURRENT ASSETS		**1,454,832**	**907,968**
TOTAL ASSETS		**2,739,803**	**2,179,820**

P/F BAKKAFROST - STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER

DKK 1,000	Note	2013	2012
EQUITY AND LIABILITIES			
Equity			
Share capital	8	48,858	48,858
Share premium fund		117,368	117,368
Retained earnings		1,466,044	921,849
Dividends		219,861	97,716
Total equity		**1,852,131**	**1,185,791**
Non-current liabilities			
Long-term interest bearing debt		691,086	731,834
Derivatives		74,889	0
Deferred taxes	9	2,528	5,260
Total non-current liabilities		**768,503**	**737,094**
Current liabilities			
Short-term interest bearing debt		100,000	100,000
Payables to Group companies		0	132,966
Accounts payable		19,169	2,091
Other short-term liabilities		0	21,878
Total current liabilities		**119,169**	**256,935**
Total liabilities		**887,672**	**994,029**
TOTAL EQUITY AND LIABILITIES		**2,739,803**	**2,179,820**

P/F BAKKAFROST - STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Share capital	Share premium reserve	Retained earnings	Proposed dividends	Total
1 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
1 January 2013	**48,858**	**117,368**	**921,849**	**97,716**	**1,185,791**
Paid-out dividends	0	0	0	-97,716	-97,716
Dividend treasury shares	0	0	114	0	114
Fair value adjustment on financial derivatives	0	0	-74,889	0	-74,889
Income tax effect	0	0	13,480	0	13,480
Acquisition treasury shares	0	0	-28,949	0	-28,949
Net annual profit	0	0	854,300	0	854,300
Proposed dividends	0	0	-219,862	219,862	0
31 December 2013	**48,858**	**117,368**	**1,466,043**	**219,862**	**1,852,131**

P/F BAKKAFROST - NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

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	2013	2012
Wages and salaries	13,675	13,358
Social security taxes	462	389
Pension expenses	251	274
Other benefits	1,930	1,202
Total payroll expenses	**16,318**	**15,223**
Average number of full-time employees	23	22

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	2013	2012
Interests received from Group companies	65,426	37,454
Realized profit on financial derivatives	2,241	0
Other financial income	3,624	2,181
Financial income	**71,291**	**39,635**
Interests paid to Group companies	-1,912	-6,509
Interest expenses on long- and short-term loans	-28,258	-20,862
Interest expenses on accounts payable	0	-6
Financial expenses	**-30,170**	**-27,377**
Unrealized exchange gain on bond	62,351	0
Other exchange differences	-413	-249
Net currency effects	**61,938**	**-249**
Other financial expenses	-3,231	-1,558
Other financial items	**-3,231**	**-1,558**
Net financial items	**99,828**	**10,451**

NOTE 4. LOSS FROM SALE OF SUBSIDIARY

DKK 1,000	2013	2012
Acquisition of subsidiary	0	30,000
Sale of subsidiary	0	-20,142
Loss from sale of subsidiary	**0**	**9,858**

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Other equipment	Total 2013	Total 2012
Acquisition cost as at 01.01	60,084	3,608	63,692	61,819
Disposals and scrapping during the year	-5,173	-219	-5,392	-405
Acquisitions during the year	11,139	3,413	14,552	2,278
Acquisition cost as at 31.12	**66,050**	**6,802**	**72,852**	**63,692**
Accumulated depreciation and write-down as at 01.01	-10,111	-1,286	-11,397	-9,139
Accumulated deprecations and write-downs on disposals and scrapping	1,074	124	1,198	405
Depreciations during the year	-2,169	-770	-2,940	-2,663
Accumulated depreciation and write-down as at 31.12	**-11,206**	**-1,932**	**-13,138**	**-11,397**
Net book value as at 31.12	**54,844**	**4,870**	**59,714**	**52,295**

Buildings in Glyvrar are located on rented land.		
Estimated lifetime	25 years	3–8 years
Depreciation method	linear	linear

NOTE 6. SUBSIDIARIES AND ASSOCIATES

DKK 1,000	2013	2012
Acquisition cost as at 01.01	1,220,715	1,220,715
Additions during the year	4,650	0
Acquisition cost as at 31.12	**1,225,365**	**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	**1,222,599**	**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 Company	Cost Method Yes/No	Head Office	Ownership	Voting share	Carrying amount in P/F Bakkafrost 2013	Carrying amount in P/F Bakkafrost 2012
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	233,828
P/F Havsbrún	Yes	Glyvrar	100%	100%	908,884	908,884
Bakkafrost UK Ltd	Yes	Grimsby	100%	100%	4,650	0
Total subsidiaries					**1,222,599**	**1,217,949**

DKK 1,000	Dividends*	Excess dividends on result	Total 2013	Total 2012
P/f Bakkafrost Farming	100,901	253,917	354,818	72,190
P/f Bakkafrost Sales	51,264	7,265	58,529	51,280
P/f Bakkafrost Packaging	3,034	600	3,634	3,067
P/f Bakkafrost Harvest	29,017	-5,410	23,607	7,233
P/f Bakkafrost Processing	0	-83,881	-83,881	28,694
Havsbrún	590,002	-514,047	75,955	71,605
Bakkafrost UK Ltd	0	1,397	1,397	0
Total revenue Group contribution	**774,218**	**-340,159**	**434,059**	**234,069**

* Dividends from subsidiaries paid out in 2013

NOTE 7. INVESTMENTS IN STOCKS AND SHARES

DKK 1,000	2013	2012
Acquisition cost as at 01.01	183	183
Acquisition cost as at 31.12	**183**	**183**
Re-evaluations as at 01.01	1,425	1,328
Re-evaluations during the year	50	97
Re-evaluations as at 31.12	**1,475**	**1,425**
Net book value as at 31.12	**1,658**	**1,608**

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	2013	2012
Share capital at 31 December	48,858	48,858
Share capital at 31 December	**48,858**	**48,858**

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

For shareholders holding more than 5% in the company as at 31 December 2013, see note 16 in Group Accounts.

NOTE 9. TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2013	2012
Tax payable	-6,831	0
Compensation due to Group taxation	0	-1,802
Change in deferred tax	-10,748	-2
Tax expense on ordinary profit	**-17,579**	**-1,804**

Tax in the statement of financial position		
DKK 1,000	**2013**	**2012**
Deferred tax	2,528	5,260
Tax in the statement of financial position	**2,528**	**5,260**
Tax assets not recognised in the statement of financial position	**0**	**0**
Specifications of temporary differences		
Property, plant and equipment	26,761	29,220
Swaps	-74,888	0
Currency effects	62,173	0
Total temporary differences	**14,046**	**29,220**
Deferred tax liabilities (+) / assets (-)	**2,528**	**5,260**
Reconciliation from nominal to actual tax rate		
Profit before tax	871,879	233,433
Expected tax at nominal tax rate (18%)	-156,938	-42,017
Permanent differences, including Group contribution without tax effect (18%)	138,628	40,221
Other permanent differences (18%)	731	-8
Calculated tax expense	**-17,579**	**-1,804**
Effective tax rate	-2.02%	-0.77%

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

NOTE 10. SECURITY PLEDGES AND CONTINGENT LIABILITIES

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2013	2012
Long-term debt to financial institutions	242,451	731,834
Short-term debt to financial institutions	100,000	100,000
Leasing debt	0	0
Total	**342,451**	**831,834**
Carrying amount of assets pledged as security for recognised debt		
Property, plant and equipment	59,714	52,295
Non-current financial assets	1,224,257	1,219,557
Receivables	1,346,263	907,880
Total	**2,630,234**	**2,179,732**

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 the 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 costs for corporate staff services and shared services to subsidiaries and renting of buildings.

The total amounts for rent are DKK 3.2 million, allocation of administration etc. DKK 28.5 million, financial income of DKK 65.4 million and financial expense amounting to DKK 1.9 million. Principal of arm's length is 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

BAKKAFROST
ESTABLISHED 1968

www.sansir.fo Føroyaprent