PROSPECTUS

BAKKAFROST

ESTABLISHED 1968

LISTING OF P/F BAKKAFROST ON OSLO BØRS

ISSUANCE OF NEW SHARES INTENDED TO RAISE ABOUT NOK 82,000,000 IN GROSS PROCEEDS

SECONDARY SALE OF MINIMUM 14,649,752 AND MAXIMUM 20,482,039 SECONDARY SHARES INCLUDING AN OVERALLOTMENT OPTION OF UP TO 1,836,768 SHARES

INDICATIVE PRICE RANGE:
NOK 27 – NOK 31

BOOK-BUILDING PERIOD:
FROM AND INCLUDING 8 MARCH - 17.30 (CET) ON 23 MARCH 2010

RETAIL APPLICATION PERIOD:
FROM AND INCLUDING 8 MARCH - 14.OO (CET) ON 23 MARCH 2010

JOINT LEAD MANAGERS AND JOINT BOOKRUNNERS

Nordea

FØROYABANKI

JOINT LEAD MANAGER

Carnegie

4 MARCH 2010

IMPORTANT NOTICE

Please see section 14 for definitions used in this Prospectus.

This Prospectus has been prepared in connection with the listing of the shares of Bakkafrost on Oslo Børs and the Offering as set out herein. The Prospectus has been prepared in an English version and a Danish version. The English language Prospectus has been prepared to comply with the Norwegian Securities Trading Act and related legislation and regulations including the EC Commission Regulation EC/809/2004. Oslo Børs has reviewed and approved the English language version of the Prospectus in accordance with the Norwegian Securities Trading Act Section 7-7 and the Directive 2003/71/EC, Chapter IV, Article 13, as the home Member State. The Danish language version of the Prospectus has been prepared to comply with the Faroese Security Act of 10 February 2006. Oslo Børs has reviewed and approved the Danish language version of the Prospectus according to transferred approval authority from Finanstilsynet (the Danish FSA) acting as Faroese prospectus authority, for the purpose of the Faroese Retail Offering.

The Company has furnished the information in this Prospectus. The Managers make no representation or warranty, expressed or implied, as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by the Managers. All inquiries relating to this Prospectus must be directed to the Company or the Managers. No other person is authorised to give any information about or to make any representations on behalf of the Company in connection with the Listing or the Offering. If any such information is given or made, it must not be relied upon as having been authorised by the Company or by the Managers.

The information contained herein is as subject to change, completion and amendment without notice. In accordance with Section 7-15 of the Norwegian Securities Trading Act, every significant new factor, material mistake, or inaccuracy relating to the information included in the Prospectus, which is capable of affecting the assessment of the Shares between the time when the Prospectus is approved and the time of the Listing, will be published and announced as a supplement to the Prospectus. Publication of this Prospectus shall not create any implication that there has been no change in the Company's affairs or that the information herein is correct as of any date subsequent to the date of the Prospectus.

In the ordinary course of their respective businesses, the Managers and certain of its affiliates have engaged, and may continue to engage, in investment and commercial banking transactions with the Company.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each reader of this Prospectus should consult with its own legal, business or tax advisor as to legal, business or tax advice. If you are in any doubt about the contents of this Prospectus you should consult your stockbroker, bank manager, lawyer, accountant or other professional adviser before making any investment decision.

Investing in shares issued by the Company, including the Offer Shares, involves inherent risks. Prospective investors should carefully consider the risks associated with the investment when reading the information contained in this Prospectus and be aware of the risk of losing such investment in its entirety before deciding to invest. Certain risk factors are set out in Section 2 "Risk Factors".

This Prospectus is subject to Norwegian law. Any dispute arising in respect of or in connection with this Prospectus or the Offering is subject to the exclusive jurisdiction of the Norwegian courts with Oslo District Court as legal venue, however so that any dispute arising in respect of the Faroese Retail Offering is subject to the exclusive jurisdiction of the Faroese courts with Tórshavn District Court ("Sorinskrivarin") as legal venue.

No action has been or will be taken in any jurisdiction other than Norway and the Faroe Islands by the Managers or the Company that would permit a public offering of the Offer Shares, or the possession or distribution of any documents relating thereto, in any jurisdiction where specific action for that purpose is required. Accordingly, this Prospectus may not be used for the purpose of, and does not constitute, an offer to sell or issue, or a solicitation of an offer to buy or subscribe for, any securities in any jurisdictions in any circumstances in which such offer or solicitation is not lawful or authorised. The Company and the Managers require persons in possession of this Prospectus to inform themselves about and to observe any such restrictions.

The Offer Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or with any securities authority of any state of the United States. The Offer Shares will be offered and sold in offshore transactions outside the United States in reliance on Regulation S under the Securities Act and in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Accordingly, the Offer Shares may not be offered, pledged, sold, resold, granted, delivered, allotted, taken up, or otherwise transferred, as applicable, in the United States, except in transactions that are exempt from, or in transactions not subject to, registration under the Securities Act and in compliance with any applicable state securities laws. For a description of certain restrictions on transfer of the Offer Shares, see section 13.6 "Selling restrictions".

Neither the United States Securities and Exchange Commission nor any state securities commission has approved or disapproved of the Offer Shares or determined if this Prospectus is truthful or complete. Any representation to the contrary is a criminal offence.

Explicitly, the Offer Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, in or into inter alia Canada, Japan or Australia

Each prospective investor and Applicant must comply with all applicable laws and regulation in force in any jurisdiction in which it purchases, applies for, offers or sells the Offer Shares or possesses or distributes this Prospectus and must obtain any consent, approval or permission required for acquiring Offer Shares.

Each purchaser of Offer Shares will be deemed to have acknowledged, by its application for Offer Shares that the Company and the Managers and their respective affiliates and other persons will rely on the accuracy of the acknowledgements, representations and agreements set forth herein.

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1 EXECUTIVE SUMMARY

The following summary should be read as an introduction to this Prospectus, and is qualified in its entirety, by the more detailed information and the Appendices appearing elsewhere in this Prospectus. Any decision to invest in the Shares should be based on a consideration of the Prospectus as a whole.
In case a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff Investor might have to bear the cost of translating the Prospectus before legal proceedings are initiated. Civil liability attaches to those persons who have tabled the summary including any translation thereof, and applied for its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus.
For definitions and terms used throughout this Prospectus, please refer to Section 14 “Definitions and Glossary of Terms”.

1.1 Description of Bakkafrost

1.1.1 Introduction

Bakkafrost is the largest salmon producer in the Faroe Islands. The company produced 30,650 tonnes gutted weight in 2009. Bakkafrost owns 44 % of total licenses on the Faroe Islands currently representing around 60% of total harvest volumes[1].

The Company operates five fully owned hatcheries and fourteen fish farming licenses for marine production of Atlantic salmon in the Faroe Islands in addition to one license currently being out of production. The licenses are located in thirteen different fjords.

All primary processing takes place at the slaughtery facilities in Klaksvík and Kollafjørð, and all secondary processing takes place in the VAP (value added products) facility in Glyvrar.

1.1.2 History

The Bakkafrost business was established by the two brothers Hans and Roland Jacobsen in 1968. The first processing plant was built the same year. A second processing plant was built in Glyvrar in 1972.

In 1979 the Company started up the farming activities as one of the first companies in the Faroe Islands.

In 1992 Regin Jacobsen, Hans Jacobsen and Martin Jakobsen restructured the Group. At this time the Group had farming licenses for salmon in two fjords, slaugthering capacaties for salmon in Glyvrar, as well as pelagic processing capabilities and production of styropor boxes for transportation of fish.

A Value Added Product (“The VAP”) factory for salmon was built in the factory in Glyvrar in 1995. The investment was limited, and the capacity low. The Group increased the capacity of the VAP to around 22 tonnes gutted weight per day through two separate investments during 2002 in order to facilitate further growth.

In 2006 the Group grew through acquisitions and mergers and increased its farming capacity with 15,000 tonnes gutted weight to a total capacity of 18,000 tonnes gutted weight of salmon. The Group gained access to six new fish farming fjords and two hatcheries for production of smolts and fry. The Group made large investments to increase the VAP factory in Glyvar to manage the increased volumes and the factory reached a capacity of 55 tonnes gutted weight per day.

In 2008 the shareholders of Bakkafrost and Vestlax agreed to merge the companies. The merger was scheduled for 1. January 2010. The P/f Vestlax Holding’s shareholders agreed to be remunerated in Bakkafrost shares. The Vestlax Group had a capacity of 11,000 tonnes gutted weight salmon and trout and a processing plant located in Kollafjørð.

2009 became the best year ever in terms of produced volumes, revenues and operating profit. Decision made to list the company at Oslo Børs during 2010.

In 2010 the merger with P/f Vestlax Holding was finalized. The merged company produced 30,650 tonnes gutted weight in 2009 on a total of 15 licenses.

1.1.3 Business Description

Bakkafrost controls the entire value chain from smolt to sales and marketing. Control of the entire value chain is considered important to be able to control the product flow on a daily basis. Both customers and processing facilities depends on daily availability of salmon, and depends entirely on a steady flow of harvested fish.

The quality of the fish is a result of the whole operation from salmon egg to the processing of the fish. The documentation and traceability from finished product back to the salmon egg and even to the raw materials in Bakkafrost’s salmon feed is important for its customers and therefore important to Bakkafrost.

[1] 2009 FIGURES

1.1.3.1 Smolt

Bakkafrost owns a total of eight hatchery licenses. The Company operates five hatcheries with a total production capacity of around seven million smolts per year, making the Company self sufficient with smolts.

Bakkafrost's hatcheries are located in environments with large quantities of clean fresh water, where no villages or industries are competing for the water. 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, of which many of the employees have been working at the hatcheries since the early nineties.

Over the last four years Bakkafrost has changed its strategy and waited until the size of the smolts have reached 80-100g before releasing them into the sea. The Company believes this has had a positive effect when measuring productivity and mortality, and hence contributed to improving the Company results during this period.

1.1.3.2 Farming

The total harvested volume in 2009 was about 30,650 tonnes gutted weight.

Going forward, Bakkafrost has decided to terminate the trout activities, and only focus on the production of Atlantic salmon.

All the fish are harvested at the slaughtery factories in Klaksvík and Kollafjørð. The slaughteries have a daily capacity of around 220 tonnes lwe at the current run rate at 1½ shift in average. The fish is 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: One smaller well boat (230m3/45 tonnes wfe) and a larger well boat (660m3/ 110 tonnes wfe), both with closed systems.

1.1.3.3 VAP

The 4,000 m^2 VAP factory in Glyvrar has a capacity of producing 30 tonnes (product weight) of skin- and boneless 125g vacuum-packed portions in retail boxes per day.

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

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

1.1.3.4 Sales

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

The two most important markets are the European market and the US market, in which Bakkafrost mainly sells VAP products and whole fish. In general, 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 both 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 super-market chains by securing product availability and stable high quality and preferred products.

1.2 Summary of Risk Factors

A number of risk factors may adversely affect the Company. Below is a summary of the most relevant risk factors described in section 2. Please note that the risks below are not the only risks that may affect the Company's business or the value of the Shares. Additional risks not presently known to the Board or considered immaterial may also impair its business operations and prospects.

1.2.1 Market risk

Market risk include risk for future development and depend to a considerable extent on the price of farmed salmon, the balance between total supply and demand for farmed fish, risk for fluctuations in feed prices, perceived health concerns or food safety issues may negatively impact the reputation of farmed salmon, even if there is no direct risk to human health, and may consequently have a negative impact on the demand for farmed salmon.

1.2.2 Financial risk

Financial risk includes risk for not obtaining necessary funding in a timely manner and on acceptable terms in addition to risk due to fluctuations in interest and exchange rates. The Company will attempt to minimise these risks by implementing hedging arrangements as appropriate.

1.2.3 Operational risk

Operational risk include risk for diseases of the fish, risk for loosing key personnel, regulatory risk and certain risk of sabotage (i.e. damage to production facilities with the intention of hurting the Group financially and/or exposing it to negative media coverage).

1.2.4 Risk factors relating to the Shares

Shares include price volatility of publicly traded securities, difficulties for foreign investors to enforce civil liabilities in Norway, significant restrictions on U.S. investors' ability to transfer or resell their Shares; risk for foreign shareholders may be diluted if they are unable to participate in future offerings.

1.3 Transaction structure

1.3.1 Transaction overview

The Offering consists of a primary offering of such number of New Shares representing gross proceeds of about NOK 82,000,000 (based on the current NOK/DKK exchange rate) and a secondary sale of minimum 14,649,752 and maximum 18,645,271 Shares offered by the Selling Shareholders (the "Secondary Shares"). The new ordinary shares (the "New Shares") are offered by the Company and subject to final resolution by the Board pursuant to authorization granted by the general meeting of the Company on 15 February 2010. In addition, the Managers have an option, to over-allot 1,836,768 Shares as part of the Offering as further described under Section 5.16. The Company intends to issue such number of New Shares raising a NOK amount equalling DKK 75 million. The Offering comprises:

- An Institutional Offering, in which Offer Shares are being offered to institutional investors and professional investors in reliance on Regulation S under the Securities Act and to qualified institutional buyers ("QIBs") in the United States in reliance on Rule 144A under the Securities Act, subject to a lower limit per order of 40,000 Offer Shares;
- A retail offering in which Offer Shares are being offered to the public in Norway (the "Norwegian Retail Offering", and together with the Faroese Retail Offering, the "Retail Offering"), subject to a lower limit per application of 500 Offer Shares and an upper limit per application of up to 40,000 Offer Shares for each investor. There will be no allocations of shares constituting less than 500 Offer Shares; and
- A retail offering in which Offer Shares are being offered to the public in the Faroes Islands (the "Faroese Retail Offering", and together with the Norwegian Retail Offering, the "Retail Offering"), subject to a lower limit per application of 500 Offer Shares and an upper limit per application of up to 40,000 Offer Shares for each investor. There will be no allocations of shares constituting less than 500 Offer Shares.

A non-binding Indicative Price Range for the Offer Price of NOK 27 – NOK 31 has been set by the Board and the Principal Selling Shareholder. The book-building process which will form the basis of the determination of the final Offer Price will only be conducted in the Institutional Offering. The final Offer Price may be set above, below or within this indicative range.

1.3.2 Timetable

The timetable set out below provides certain indicative key dates for the Offering:

Start of Book-building/Retail Application Period:	8 March 2010 – 09.00 CET
End of Retail Application Period:	23 March 2010 – 14.00 CET
End of Book-building Period:	23 March 2010 – 17.30 CET
Pricing and allocation:	On or about 24 March 2010

Board meeting Oslo Børs:	On or about 24 March 2010
Distribution of allocation notices:	On or about 24 March 2010
First day of trading:	On or about 26 March 2010
Payment Date Retail Offering:	On or about 30 March 2010
Delivery of Offer Shares Retail Offering:	On or about 30 March 2010
Delivery versus payment (DvP) Institutional Offering:	On or about 31 March 2010

1.3.3 Selling shareholders

The Selling Shareholders have agreed with the Nordea Bank Norge ASA as one of the Managers to offer minimum 14,649,752 and maximum 18,645,271 Secondary Shares of the Company in connection with the Offering. The following table sets forth the Selling Shareholders and the number of Secondary Shares offered by each of the Selling Shareholders:

Name	**Business Address**	**Number of Shares to be sold**
P/f Føroya Banki, "Principal Shareholder"	Húsagøta 3, FO-110 Tórshavn	14,649,752
Framtaksgrunnur Føroya	Hoyvíksvegur 51, FO-110 Tórshavn	Maximum 1,377,575
Hans Jacobsen	Glyvravegur 30, FO–625 Glyvrar	Maximum 925,000
TF Holding	Kongabrúgvin, FO-110 Tórshavn	Maximum 925,000
Regin Jacobsen	Gerðisvegur 59, FO-600 Saltangará	Maximum 462,500
Sp/f JH Holding	Traðagöta 20, FO-700 Klaksvik	Maximum 305,444

The Secondary Shares offered for sale by the Principal Selling Shareholder shall have priority before the Secondary Shares offered for sale by the other Selling shareholders.

1.3.4 Transaction structure and use of proceeds

The Offering and Listing of the Company's Shares on Oslo Børs is an important element of the Company's strategy. The main purpose of the Offering is to broaden the Company's shareholder base and be able to provide a regulated marketplace for the trading of its Shares. The Listing on Oslo Børs will also facilitate the use of the capital markets in order to raise further equity if required, and is also expected to increase the attractiveness of the Shares as consideration in strategic acquisitions and / or mergers. The Offer Price paid for the Secondary Shares being sold by the Selling Shareholders as part of the Offering will not involve any proceeds for the Company.

1.3.5 Proceeds

The Board was at the general meeting on 15 February 2010 authorized, through an amendment of the Company's articles of association, to increase the share capital of the Company with up to DKK 3,750,000 from DKK 46,250,000 to DKK 50,000,000 by issuance of 3,750,000 new Shares, each with a par value of DKK 1.

Gross proceeds will amount to minimum DKK 75 million corresponding to NOK 82 million (excluding proceeds from any own shares sold through the over-allotment and green shoe option). Net proceeds will amount to minimum DKK 61.8 million.

1.3.6 Dilution

The percentage of immediate dilution resulting from the Offering for existing shareholders is expected to amount to approx. 6.6% – 8.1%.

1.3.7 Costs

The total costs amount up to DKK 13.2 million.

1.4 Summary of operating and financial information

The selected financial information set forth in this Prospectus should be read in conjunction with the financial statements and the notes to those statements set out in Appendix 2, 3 and 4 in addition to section 8 in this Prospectus.

1.4.1 Condensed consolidated income statement

Years ended 31 December (DKK 1,000)	IFRS Actual		FGAAP Actual	
	2009	2008	2008	2007
Operating income	596,565	365,634	365,634	229,525
Operating expenses	-417,368	-275,771	-284,838	-172,373
Operating profit before deprec. and fair value adjustments of biological assets	179,197	89,863	80,796	57,152
Income from associated companies	340	-110	546	0
Depreciation and amortisation	-20,797	-18,963	-18,963	-15,592
Impairment			0	0
Operating profit before fair value adjustments of biological assets	158,740	70,790	62,379	41,560
Fair value adjustments of biological assets	33,655	-7,632	0	0
Operating profit	192,394	63,157	62,379	41,560
Financial income	2,915	1,505	653	559
Financial costs	-14,072	-18,515	-18,514	-11,682
Profit before income tax	181,237	46,148	44,519	30,437
Income tax (expense) / income	-32,509	-7,810	-7,398	-5,606
Profit for the period	148,728	38,339	37,121	24,831
Minority interest				
Earnings per share (DKK)	49,71	12,81	12.40	8.30
Earnings per share fully diluted	49.71	12.81	12.40	8.30

SOURCE: ANNUAL REPORTS 2009-2007

1.4.2 Condensed consolidated balance sheet

Years ended 31 December (DKK 1,000)	IFRS Actual		FGAAP Actual	
	2009	2008	2008	2007
Assets				
Total non-current assets	257,741	247,657	244,979	223,243
Total current assets	363,291	304,873	293,905	248,159
Total Assets	621,032	552,530	538,884	471,401
Equity and liabilities				
Total shareholders' equity	388,887	241,650	229,444	196,309
Total long-term liabilities	91,431	111,184	129,438	98,943
Total short-term liabilities	140,714	199,696	180,002	176,148
Total liabilities	232,145	310,880	309,440	275,091
Total shareholders' equity and liabilities	621,032	552,530	538,884	471,401

SOURCE: ANNUAL REPORTS 2009-2007

1.4.3 Trends

In the period between 31 December 2009 and the date of this Prospectus the Company has experienced a positive development. The market situation has improved in January and February 2010 compared with same months in 2009. Sales prices have increased, and the currency situation has changed so the prices in DKK have improved even more. The sold volumes in January 2010 has been higher than January 2009, but the biomass is reduced, and this will cause a lower sales volume during the the rest of Q1 and Q2-2010. Contracts on VAP products are on a higher price level than in 2009.

Bakkafrost has not experienced any changes of trends outside the course of business, which is not mentioned elsewhere in this Prospectus, which are significant to the Company and the management of Bakkafrost. Please see Section 9 “Market information”, Section 10 “Financial information” and Section 13 “Shareholder matters and relevant company and securities law” for more information about significant trends in the Group’s business and relevant matters.

1.4.4 Significant changes in the Company’s financial or trading position since 31 December 2009

Since last reporting period ended at 31 December 2009 the following events have occurred.

The Bakkafrost Group and the Vestlax Group have merged with effect from 1 January 2010. P/f Vestlax Holding was merged into P/f Bakkafrost as the continuing company.

In February Bakkafrost signed a new loan agreement with P/f Føroya Bank and Nordea Bank Norge ASA (se further detail on the loan agreement ref section 8.11.6).

On the AGM held 15 February 2010 it was decided to pay out dividend amounting to DKK 18,000,000.

1.5 Summary of capitalisation and indebtedness

Year ended 31.12.2009 **(DKK 1,000)**	**P/f Bakkafrost** **IFRS**	**P/f Bakkafrost** **Pro forma IFRS**
Total current debt	140,714	288,627
Total Non-Current Debt	91,431	142,009
Capital and Reserves	388,887	573,265
Total Capitalisation and Indebtedness	621,032	1,003,901
Total liquidity	35,319	35,680
Current financial receivables	-	
Current financial debt	98,262	215,237
Net current financial indebtedness	-62,943	-179,557
Non-current financial indebtedness	34,350	66,100
Net financial indebtedness	-97,293	-245,657

SOURCE: ANNUAL REPORTS 2009

Effective 1 January 2010, the Vestlax Group (with P/F Vestlax Holding as the ultimate parent company in the Vestlax Group) merged with the Bakkafrost Group’s ultimate parent company, P/F Bakkafrost. P/F Bakkafrost is the continuing company to be listed on Oslo Børs as set forward in this Prospectus.

The Bakkafrost Group has, since the date of the statement of financial position, changed its financing structure. In the future, it will primarily be the ultimate parent company in the merged Group, P/F Bakkafrost, which will finance all the companies in the Group. At the same time, P/F Bakkafrost has signed a new loan agreement with P/F Føroya Banki and Nordea Norge ASA. With the new agreement, the total loan facility is DKK 400 million, plus other loans from Føroya Realkredittstovni amounting to approximately DKK 58 million. The new bank financing is divided into 200 million as a revolving credit facility and a long-term loan amounting to DKK 200 million. Payment into the long-term loan facility is agreed to be DKK 50 million each year in 2010 and 2011. For further details on the loan see below under section 8.11.6 “Borrowings”.

1.6 Directors, senior management and employees

1.6.1 Board of Directors

The Company's Board of Directors consists of 6 members: Rúni M Hansen (Chairman), Johannes Jensen (Deputy Chairman), Trine Sæther Romuld, Annika Fredriksberg, Virgar Dahl and Odd Eliasen.

1.6.2 Management

The Company's executive management comprises Regin Jacobsen, Chief Executive Officer, Teitur Samuelsen, Chief Financial Officer, Frederik Hansen, Sales manager, Kári Jacobsen, Manager VAP production and processing, Jón Purkhús, Manager Farming, Andrias Petersen, Manager Harvest and Leif av Reyni, Manager Fresh Water.

1.6.3 Employees

As of the date of the Prospectus, the Company has 514 full-time employees (post merger).

1.7 Advisors and Auditors

1.7.1 Managers

Nordea Markets	P/f Føroya Banki	Carnegie ASA
Middelthunsgate 17 P.O. Box 1166 Sentrum NO-0107 Oslo Norway Telephone: +47 22 48 62 62 Fax: +47 22 48 63 49	Húsagøta 3 P.O. Box 3048 FO-110 Tórshavn Faroe Islands Telephone: +298 330 330 Fax: +298 319 936	Stranden 1 P.O Box 684 Sentrum NO-0106 Oslo Norway Telephone: +47 22 00 93 20 Fax: +47 22 00 99 60

Allotments will not be affected by where the order is placed.

1.7.2 Independent Auditor

Inpact was appointed as the Company's auditor in 2006 (financial year ended 31 December 2006). The auditor's address is Sp/F Grannskoðaravirkið INPACT, R. C. Effersøesgøta 26, P.O. Box 191, FO-110 Tórshavn, The Faroe Islands. Please see section 8.13.

1.7.3 Legal Advisors

The Company's legal advisors are Wiersholm, Mellbye & Bech, advokatfirma AS (Norwegian law) and Advokatskrivstovan (Faroese law).

1.8 Major shareholders and related party transactions

1.8.1 Major shareholders

As of the date of the Prospectus the Company has 15 shareholders of which 6 of the shareholders each holding more than 5 % of the Shares. One of the shareholders is Norwegian shareholder and the other 14 shareholders are Faroese.

	Shareholder	No. Shares	%
1	P/f Føroya Banki	15,568,136	33.66%
2	Havsbrún	7,806,540	16.88%
3	Hans Jacobsen	5,519,437	11.93%
4	Regin Jacobsen	4,953,717	10.71%
5	T.F Holding	2,644,095	5.72%
6	Kverva AS	2,533,052	5.48%

SOURCE: COMPANY

1.8.2 Related party transactions

Related Party	Description of transaction	DKK million
2009		
Havsbrun	Purchase of fish feed	151.0
	Sale of transportation of feed	2.3
	Net Balance: Accounts Payables	-15.0
Føroya Banki	Interest paid	5.6
	Net Balance	-11.1
YTD		
Havsbrún	Purchase of fish feed	23.1
	Sale of transportation of feed	0.1
	Net Balance: Accounts Payables	-24.1
Føroya Banki	Interest paid	1.2
	Interest bearing debt	89.2
	Other Receivables	21.5

SOURCE: COMPANY

Bakkafrost buys all its fish feed from Havsbrún, representing a value of DKK 151 mill DKK in 2009 including Farming North. The feed contracts are renewed on a three months basis and based on market prices.

Føroya Banki has been the main bank for the Company during the last years. As of the date of the Prospectus, Føroya Banki has agreed to a new bank facility ref section 0 ”Borrowings”. The new bank facility is on market terms.

Føroya Banki is a Manager in the Offering ref section 0 ”Managers” and receives a fee based on market terms ref section 5.23 ”Expenses and net proceeds”.

For more information see section 10.11.

1.9 Additional information

1.9.1 Share capital and shareholders matters

The issued share capital of the Company is DKK 46,250,000 comprising of 46,250,000 Shares fully paid with a par value of DKK 1 and issued in accordance with Faroese law.

The shares of the Company may be freely transferred. No shares have any special rights. No restrictions apply with regard to sale or any other transition of shares.

The Shares are registered in the VPS which maintains the Company’s share register. The Shares are registered with ISIN NO: FO0000000179. The share registry of the company is kept by Nordea Bank Norge ASA.

The shares of the Company are registered in the share registry by name.

All Shares are equal in all respects and each Share carry one vote at the Company’s general meeting.

1.9.2 Articles of Association

The following is a summary of provisions of the Company’s Articles of Association as of the date of this Prospectus. A complete copy of the Company’s Articles of Association is attached to this Prospectus as Appendix 1.

The Company is a Public Limited Company, domiciled at Glyvrar, Faroe Islands with the purpose of holding shares in other companies, fish farming activates, trade and any business related to these activities.

The share capital of the company is DKK 46,250,000 divided on 46,250,000 Shares each of par value of DKK 1. The shares of the Company are registered shares, registered in VPS. The shares of the company may be freely transferred.

General meetings shall be convened with a deadline of no less than 8 days and not longer than 4 weeks. The ordinary General Meeting shall be held before the expiry of the month of April. From the notification of the shares on the Oslo Stock Exchange and as long as the shares continue to be notified on the Oslo Stock

Exchange, the convening and holding of General Meetings shall be done in accordance with the requirements from any rules which from time to time are prescribed by the Oslo Stock Exchange.

At the General Meeting, each share shall have one vote. A shareholder may participate in the general meeting if the shareholder has requested an admission card not later than 5 days prior to the General Meeting. A shareholder may vote on the general meeting, if the shareholder not later than 5 days prior to the general meeting has requested a voting paper.

Representatives of the press as well as representatives of the Oslo Stock Exchange are allowed access to General Meetings of the Company.

The General Meeting shall nominate an election committee of 3 to 5 members.

The company is governed by a Board of Directors of 3 to 7 members, which are elected at the General Meeting for periods of 2 years. Members may be re-elected. The Board of Directors nominates one or several managing directors to manage the daily business of the company.

The management shall conduct the daily business of the company and shall adhere to any decisions and rules from as well as requests from the Board of Directors. The daily management does not cover decisions which according to the circumstances of the company are unusual or of a particularly great importance. The management may only make such decisions if the Board of Directors has given specific authorization thereto. The company is bound by the joint signature of the managing director together with one member of the Board of Directors.

The annual accounts of the company are audited by an accountant who is elected by the general meeting for one year at the time. The fiscal year of the company is the calendar year.

1.9.3 Documents on display

For the life of this Prospectus, the following documents may be inspected as indicated in the list below:

The incorporation documents of the Company may be inspected at the Company's offices at Bakkavegur 9, FO-625 Glyvrar, Faroe Islands.

The Articles of Association may be inspected in this Prospectus as Appendix 1.

The Company's historical financial information for the twelve months ended 31 December 2009, 2008 and 2007 with auditors report may be inspected in Appendix 2 through 4 to this Prospectus or on the Company's website www.bakkafrost.com.

P/f Vestlax's historical financial information for the twelve months ended 31 December 2009 with auditors report may be inspected in Appendix 5 to this Prospectus.

Statement from independent Auditor regarding Pro forma Figures are attatched in appendix 6.

Subscription Form is attached as appendix 7 and 8 to this Prospectus.

1.9.4 Third party statement

Information contained in this Prospectus which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

2 RISK FACTORS

Before investing in the Company, investors should carefully consider all of the information contained in this Prospectus, and in particular the following risk factors, which may affect some or all of the Company's activities, the industry in which it operates and the securities being offered. The risk factors described below are not the only ones that will be faced by the Company. Other risks and uncertainties, including those not currently considered material by the Company's management, may impair the Company's business. The risk factors discussed below may materially adversely affect the business, financial condition, operating results or cash flow of the Company. The order in which risk factors appear is not intended as an indication of the relative weight or importance thereof. Such information is presented as of the date hereof and is subject to change without notice. An investment in the Shares is suitable only for investors who understand the risk factors associated with this type of investment and who can afford a loss of all or a part of the investment. Such information is presented as of the date hereof and is subject to change, completion or amendment without notice.

2.1 Risk factors related to the Company and the industry in which it operates

2.1.1 Prices on Salmon

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

2.1.2 Price on fish feed

Feed costs account for a significant proportion of total production costs within the salmon farming sector (above 60% of total production costs at cage in the financial accounts for 2009), and fluctuations in feed prices could therefore have a major impact on profitability within the industry. Feed prices are affected both by the global market for fishmeal and marine/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 fish meal 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.

Prices for fishmeal and fish oil have recently risen to record high levels, pushed up by strong global demand for fishmeal and fish oil as a main ingredient in the production of fish feed, mainly driven by increased health consciousness of consumers, which have led to increased demand for seafood products.

2.1.3 Operational risks

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 Company operates at sea under sometimes challenging conditions. This can result in incidents or necessary measures that can have significant cost implications, i.e. unexpected maintenance/repairs or escaped fish. The Company is continually working on reducing risks using experience with equipment, location and operational organization. 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 Company does not tolerate the escape of farmed salmon, there is always a risk that escapes will occur, in which case the Company's business could be materially adversely affected, directly through loss of farmed salmon and indirectly through 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 down-graded in connection with primary processing, such risks might, if occurring, materially affect the Company 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

The salmon farming industry is associated with a high level of biological risk, and the Company aims to reduce that risk through the entire production cycle by means of systematic group-wide bio security auditing. The Company's production facilities are located within a relatively small geographical area limited to the Faroe Islands – and accordingly some operational risk, if occurring, can affect the Company strongly (i.e. weather conditions, some diseases, etc.)

2.1.4 Retention of key personnel

The Company's business and prospects depend to a significant extent on the continued services of its key personnel in its various business areas. Financial difficulties and other factors could negatively impact the Company's ability to retain key employees. The loss of any of the members of its senior management or other key personnel or the inability to attract a sufficient number of qualified employees could adversely affect its business and results of operations.

2.1.5 Production related disorders

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 the industry's reputation. Research has shown that deformities can be caused by:

- Excessively high temperatures during the fish's early life
- Too little phosphorous in the diet
- Light management to speed up the rate of growth, particularly in combination with too little phosphorous in the diet
- Acidic water, as well as too much carbon dioxide in the water during the freshwater phase
- Exceedingly rapid growth in the freshwater phase is unnatural for the salmon. In the marine phase salmon has evolved to grow rapidly. However, growth should ideally be steadily incremental, allowing all tissue types to develop in parallel.

2.1.6 Disease

Operation of fish farming facilities involves considerable risk with regard to disease. In the case of an outbreak of disease, the farmer 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 for all of these is that a solution has been found through breeding, better operating routines, increased know-how regarding the fish's biological requirements and the development of effective vaccines. During the 1990's 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 on the end product. In addition, disease entails suffering for the fish. The percentage of loss per generation varies; both between generations and 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 are particularly vulnerable when they are released into the sea. The rapid change from freshwater to the full salinity of seawater exposes the smolts for 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.

Below is a description of the most common diseases affecting the aquaculture industry in the Faroe Islands and some important diseases in our neighbouring countries and thereby posing a risk for spreading to the Faroe Islands:

2.1.6.1 ISA (infectious salmon anaemia)

ISA is historically the disease with the biggest negative impact on the aquaculture industry in the Faroe Islands at all. The virus was first discovered in Norway in 1984, and led to substantial losses of fish in and around 1990. The virus caused severe problems in Scotland, the east coast of Canada and the USA before it was discovered in the Faroe Islands in early 2000 and more recently discovered in Chile.

During the 33 outbreak in the ISA-epidemic from March 2000 till June 2005 almost all farms and sites were hit by the disease. Even if losses in direct mortality varied from farm to farm, the total economic losses were enormous. Enforced slaughtering of fish, often below optimal market size, combined with low prices and the destruction of fish below marketable size (around 1.2 kg) hit the companies very hard. Following an ISA-outbreak, the farm had to be fallowed for six month before a new production cycle could start up.

In the Faroe Islands the authorities together with the industry developed a national contingency plan including vaccination. The contingency plan was approved by the EU, and permission to vaccinate against ISA given thereby. The vaccination programme as outlined in the approved contingency plan, performed as a carefully supervised field trial but with all the farms involved, started in 2005 and is still running. All smolt that are transferred to the sea in the Faroe Islands are now vaccinated against ISA in addition to IPN and major bacterial diseases as furunculosis, vibriosis and winterulcers.

ISA is in the Faroe Islands regulated in two departmental orders, one on handling of disease outbreaks and one on vaccination against ISA. In case of an outbreak the farm will be set under strict veterinary regulations and a time schedule will be given for slaughtering/destruction of the fish, washing and disinfection of equipment and start date of fallowing. The allowed timeframe for emptying the farm will depend on the severity of the outbreak and the vaccination status.

The risk of an outbreak increases strongly with proximity to an infected farm, suboptimal farm operation, not allowing the facilities to lie fallow for an adequate length of time and poor quality smolt. Stressors, such as infections with salmon lice and handling of the fish, i.e. grading, and bad weather conditions seem to be important risk factors.

There has been a significant geographic concentration of outbreaks in areas with a high density of aquaculture facilities. The disease is subject to government control measures, with harvesting and fallow periods as the most important methods. Fish from an infected facility are transported to a processing plant for slaughter in a closed well boat or tank and all fish from diseased farms are slaughtered in facilities approved for sanitary slaughter.

In approved facilities all waste from the slaughtering process are collected, acidified and dispatched in a safe way to a sanitation plant. All effluents are collected in tanks and disinfected before outlet. Fish with clinical signs of disease are sorted out and handled as waste material. ISA infected fish and fish from infected farms represent no health risk for humans, and fish without clinical signs of disease are sold in the open market.

2.1.6.2 BKD (Renibacterium salmoninarum)

This bacterial disease caused great damage in the Faroe Islands during the years 1989 to 2004. It hit the smolt production to some degree, but was especially a problem in sea farming. The disease has been found in wild salmon and trout. The disease can be transferred vertically from fish to egg. Horizontal transmission occurs as well but seems to be mainly a local spreading inside a single farm.

The only way out of problems with BKD is to keep the brood stock free of the infection and stamping out infected stocks, which has been done in the Faroe Islands

The prevention of BKD is by cleansing/disinfection of all equipment, and further to only buy spawn from suppliers that have certificate to be BKD free and only buy spawn that has been properly disinfected beforehand. There have been two outbreaks in the Faroe Islands since 2004, but in both cases there were little to no mortality.

2.1.6.3 Furunculosis (Aeromonas Salmonicida)

A bacterial disease that was first discovered in the Faroe Islands in 1991. It consequently led to substantial mortality both in the smolt production and the farming production. The disease has not been registered in the Faroe Islands since 2004. Furunculosis derives its name from the boil-like lesions observed on the skin and in the musculature of infected fish. However, developments of ‘furuncles’ on the dorsal body are only seen in fish with long-term disease signs. Disinfection of inlet water to fresh water farms, bio security measures as washing and disinfection of all used equipment brought in to a farm, are steps used to prevent the disease. After development of oil based vaccines the problems disappeared, and the last outbreak in 2004 was in unvaccinated presmolts reared in net pens in freshwater. Antibiotics can be used to treat the disease.

2.1.6.4 IPN (Infectious pancreatic necrosis)

A virus found throughout the world in a number of wild fish species, both in freshwater and in seawater. Previously, IPN was mainly considered a problem in salmon in freshwater, but since 1994 outbreaks in juveniles in seawater have been common. Vaccination is available, but as for other viral diseases it seems only to provide partial protection. IPN can still lead to substantial mortality in salmon fry. It is the general view today that IPN can mainly be prevented through a good water environment and a robust fish, as well as avoiding taking roe from facilities where IPN has been found. In addition, it is important to avoid stress and maintain good routines for hygiene in the facility. A promising new IPN vaccine is currently being tested in Scotland.

2.1.6.5 Caligus curtus (cod lice), Caligus elongatus (saithe lice) and Lepeophtheirus salmonis (salmon lice)

These are external parasites which attack fish in seawater. In salmon production, lice infection leads to reduced welfare, health and growth for the fish, as well as additional costs for treatment and additional work load during slaughtering and harvesting. The parasite is treated chemically with delicing agents or biologically by using sucker fish. The sucker fish is caught wild and released in the salmon cages, where it eats the lice directly from the fish. Unfortunately wrasse or other cleaner fish are not natural inhabitants in the Faroese territory.

The control of lice in the Faroe Islands is regulated by statutory measures, which, among other things, covers synchronised regional de-licing at the end of winter to protect the production. In addition, obligatory systematic lice counting in all farms as well as boundary values for infestation levels are parts of the new departmental order No. 163 issued on 21 December 2009. All delicing treatments must be evaluated, and in case of lack of effects reasons for this must be sorted out. If the lice have become multiresistant appropriate measures must be taken to ensure fish health and welfare.

2.1.6.6 Cold Water Vibriosis

The disease can cause significant mortality (≥50%) in fish culture facilities once an outbreak is in progress. Common names for Vibrio infections of fish include "red pest" of eels, "salt-water furunculosis", "red boil", and "pike pest". Vibrio infections can spread rapidly when fish are confined in heavily stocked, commercial systems and morbidity may reach 100% in affected facilities.

Quarantine of new fish and good sanitation practices should be used at all times, and will minimize the spread of Vibrio infection from infected to uninfected fish, should a disease outbreak occur. New fish should always be kept away from existing fish. Before any treatment with antibiotics, a thorough investigation of water quality and husbandry practices should be conducted. Removal of underlying problems is essential to successful resolution of the problem. Vaccination can be administered by injection, immersion, or orally, and is used by the salmon industry to minimize the impact of vibriosis. The disease was very deadly in the Faroe Islands in the years 1988-1993, but since vaccination with oil based vaccines against the disease started it has not been a problem.

2.1.6.7 CMS (Cardio Myopathy Syndrome)

The disease was common in the Faroese farming areas some years back, but is very rare in the Faroe Islands today. Mortality is between 1-5 %. It generally infects fish larger than 1 kg. Good sanitation and fallowing of the areas are keys to avoiding or restricting the disease.

2.1.6.8 Heart and skeletal muscle inflammation (HSMI)

The disease has occurred sporadically in southern Norway in recent years. The disease affects fish in the first half of the marine phase, with reduced growth and moderate mortality rates being the most important loss factors. It is assumed that the disease is infectious and therefore may be combated through vaccination. It has not been registered in the Faroe Islands.

2.1.6.9 PD (Pancreas disease)

PD is a viral disease that is frequently diagnosed in Norway, Scotland and Ireland. It has not yet been registered in The Faroe Islands. All marine farms in the Faroe Islands have been tested twice a year for the last two years and all results negative so far found.

The PD virus can occur in the spring or autumn at any fish size. It attacks heart and skeletal muscle and pancreatic tissue. Mortality may vary from 0–15 %, but higher mortalities have been seen. The disease can occur as acute outbreaks followed by a more chronic disease with lower but long-lasting mortality. Very important is also the chronic damage imparted on the survivors in terms of reduced growth capacity and scars in skeletal muscle. These scars appear as patches of depigmentation and make the product unsuitable for smokehouses. A PD vaccine is available, but it provides only limited protection. The disease is fought with general methods in the same manner as HSMI and other diseases above. The fight against PD in endemic areas as in Norway has been concentrated on high levels of bio security: By avoiding risk transport into or through PD-free zones, demands on closed valve transport of fish from diseased farms and avoiding slaughter pens with PD-infected fish.

PD-virus is considered to be more stable in the marine environment than ISA-virus, and therefore possessing the potential for a rapid spread to all Faroese salmon farms if first introduced. Avoiding getting the virus to the Faroe Islands should therefore be of high priority.

2.1.7 Environmental factors, toxins, algaes, pollution and animal welfare

Environmental factors, toxins, algaes, pollution and animal welfare are risk factors that can affect any fish farming operation at sea. Choice of localization and the number of locations contributes to reducing these risks.

Perceived health concerns or food safety issues may have a negative impact on the reputation of farmed salmon, even if there is no direct risk to human health. Such concerns may consequently have a negative impact on the demand for farmed salmon. In the past various perceived health concerns, e.g. the PCB levels in farmed salmon, have attracted negative attention in the media. Although such concerns have decreased, new perceived health concerns or food safety issues relating to farmed salmon, which may arise in the future could affect the Company's ability to market and distribute the Company's products.

Bakkafrost's products are for human consumption, and it is therefore of critical importance that attention and resources are dedicated to food safety. The product quality is subject to internal control, food authority monitoring programme and testing carried out by the Company's customers. Increased quality demands from customers and legislators in the future, may adversely affect the Company's results.

Guidelines and legislation with tougher requirements are expected. Hence, higher costs for the food industry (e.g. traceability, level of documentation, testing variables, etc.) are expected. This may impact the Company's activities.

In addition to environmental toxins, algae and other pollution the market and other stakeholders will focus on animal welfare, transparency and sustainable development.

2.1.8 Concluding remarks

The farming of salmon is still a very young industry within the Faroe Islands. Considerable capital and efforts have been and still are being invested to build up expertise and fund research, and these efforts have largely produced very good results. Although the factors listed above have been addressed proactively and, with few exceptions, sound and effective solutions have been found, there can be no assurance that these or other similar risks will not occur and negatively affect the Company's business and financial condition.

The basis for all biological production will, however, be proximity to the living animal, an understanding of how the biological processes function and a fundamental respect for these.

Disease-prevention and practical efforts to improve the fish's living conditions are now being heavily emphasised. It is the belief and intention of the Company's Board of Directors and Management that this will contribute to keep Bakkafrost among the best-in-class producers in Europe. The Company is highly motivated to continually address these issues.

2.2 Risk factors relating to the financial situation

2.2.1 General

The Company's ability to make payments on and to refinance its debt, and to fund working capital and capital expenditures, will depend on future operating performance and ability to generate sufficient cash. This depends to some extent, on general economic, financial, competitive, market, legislative, regulatory and other factors, many of which are beyond the Company's control, as well as the other factors discussed in these "Risk Factors" and elsewhere in the Prospectus.

If the Company's future cash flows from operations and other capital resources are insufficient to pay obligations as they mature or to fund liquidity needs, the Company may be obliged to take actions that could have a material adverse effect on the Company's financial condition and results of operations.

Due to restrictions on large exposures in the Faroese Financial Business Act the Company may not be able to obtain all its financial funding from a single Faroese bank, but may be dependant on using additional Faroese banks or credit institutions and/or foreign banks and credit institutions. This might affect the borrowing terms available for the Company or otherwise influence the Company's financing.

2.2.2 Risk factors related to covenants in loan agreements

The Company's principal borrowing facilities contain certain financial and other covenants as described in Section 0. There can be no assurance that the Company will be able to meet all such covenants relating to current or future indebtedness contained in its funding agreements or that its lenders will extend waivers or amend terms to avoid any actual or anticipated breaches of such covenants. This could lead to acceleration of loans, including acceleration based on cross-default provisions in the loan agreements, which may in turn cause the Company to file for bankruptcy.

2.2.3 Currency and Interest rate risks

The price of salmon has traditionally been strongly correlated to the value of NOK, the Norwegian currency, but there is no guarantee that future prices will follow the same pattern. The majority of the Company's costs are in Danish Kroner ("DKK"), and its income in several currencies, according to the markets where the finished products are sold. The Shares of the Company are however denominated in NOK at Oslo Børs although the financial statements of the Group will be presented in DKK. This leaves the Company exposed to a range of currencies, above all the DKK. The Company may choose to hedge its exposure to currencies, but investors have no guarantee that the company will succeed if such an operation is initiated. In the event that the exchange rate between DKK and NOK may fluctuate or change dramatically, the performance of the Company or the Company's Shares may be materially adversely affected.

Bakkafrost is financed through a credit facility ref section 10 "Financials". This credit facility has an interest rate based on CIBOR plus a margin. The Company does not have any interest derivatives or any hedging policy reducing the risk for the company regarding changes in interest rates at the date of the Prospectus. The Company may choose to hedge its exposure to interest rates, but investors have no guarantee that the company will succeed if such an operation is initiated. The performance of the Company or the Company's Shares may be materially adversely affected.

2.3 Risk factors relating to the Shares

2.3.1 Volatility of share price

The Offer Price of the Shares will be determined by the Company's Board of Directors and the Principal Selling shareholder. The market price of the Shares subsequent to the Offering could fluctuate widely in response to a number of factors, including the following:

- Actual or anticipated variations in operating results
- Changes in financial estimates or recommendations by stock market analysts regarding the Company or its competitors
- Announcements by the Company or its competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments
- Sales or purchases of substantial blocks of stock, future equity or debt offerings by the Company and its announcements of these offerings
- Additions or departures of key personnel
- General market and economic conditions
- The market price of the Shares could decline due to sales of a large number of Shares in the Company in the market or perception that such sales could occur. Such sales could also make it more difficult for the Company to offer equity securities in the future at a time and at a price that are deemed appropriate
- Moreover, in recent years, the stock market in general has experienced large price fluctuations. These broad market fluctuations may adversely affect the Company's stock price, regardless of its operating results

Furthermore the Offer Shares have not been registered under the US Securities Act and are subject to restrictions on transferability and resale. See ''Important Notice'' (Page 2) and section 13.6 "Selling and transfer restrictions".

2.3.2 Shareholders not participating in future offerings may be diluted

Unless otherwise resolved or authorised by the general meeting, shareholders in Faroese public companies such as the Company have pre-emptive rights proportionate to the aggregate amount of the shares they hold with respect to new shares issued by the company. For reasons relating to US securities laws (and the laws in certain other jurisdictions) or other factors, US investors (and investors in such other jurisdictions) may not be able to participate in a new issuance of shares or other securities and may face dilution as a result.

2.3.3 Nominee Accounts and Voting Rights

Beneficial owners of the Shares that are registered in a nominee account (e.g., through brokers, dealers or other third parties) are not able to vote on the general meeting unless their ownership is re-registered in their names with the VPS prior to the Company's general meetings. The Company cannot guarantee that beneficial owners of the Shares will receive the notice for a general meeting in time to instruct their nominees to either effect a re-registration of their Shares or otherwise vote their Shares in the manner desired by such beneficial owners. If the nominee shall participate in the general meeting, the nominee must have the necessary power of attorney and the owner of the shares must also have notified and documented his acquisition with regard to registration.

2.4 Other risk factors

2.4.1 Regulatory challenges

Regulatory impositions due to environmental or animal welfare concerns may materially impact the Company’s operations and financial condition. The Company emphasises to organize its operations so that the risk for unexpected measures is reduced, but there will always be a latent risk that the regulatory authorities will impose restrictions and/or sudden changes in the industry framework.

Salmon farming is regulated by licenses. The Company has a good dialogue with the Faroese authorities regarding the prerequisites and restrictions that are connected to a farming license. The Faroese authorities may withdraw licences for fish farming operations if substantial preconditions have been changed since the licence was issued, or if the licence goes against overall development plans and protective measures, or if the licensee breaches the conditions set in connection with the issuance of the licence. The licence may also be withdrawn, if the company breaches the rule on maximum ownership of licenses, or if the company does not use the licence. The licence may also be withdrawn, if the environmental licence of the company is repealed.

A salmon farming licence is issued for a period of 12 years from the date of issue. The Faroese government may prolong the licence period. If the company fulfils the conditions in the license and if a continuation of the activities is not contrary to overall development plans, which have been adopted, it must be assumed (but there can be no assurance) that the company has a legal claim to have the license period prolonged.

2.4.2 Regulatory restrictions on ownership of licenses within the Faroe Islands

The Company owns approx. 44% of the licenses on the Faroe Islands, and there are currently regulations limiting the number of licenses owned by one company to 50% of the total licenses on the Faroe Islands.

2.4.3 Trade policy and market restrictions

Trade policy and market restrictions are prominent topics for the fishing industry and the anticipation of the development of such has proven difficult in several markets. In addition the effects of foreign markets’ trade policies have affected fish farming companies asymmetrically so it is difficult to project the effects of policy changes on a single company. The Company believes that an attractive product combined with distribution to several different markets will reduce this risk.

2.4.4 Limitations on enforceability of civil liabilities

The Company is a public limited company incorporated in accordance with the Faroese Company’s act and subject to Faroese law. A majority of the Company’s directors and executive officers, and certain experts named in this Prospectus, reside outside the United States and Norway, and all or a substantial majority of the Company’s assets and the assets of those persons, are located outside the United States and Norway. As a result, it may not be possible for investors to affect service of process in the United States, Norway and other countries other than the Faroe Islands upon the company or those persons or to enforce judgements obtained against them in U.S., Norwegian or other relevant courts.

The United States and the Faroe Islands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments rendered in connection with civil and commercial disputes. As a result, a final judgement for the payment of damages based on civil liability rendered by a U.S. court would not be enforceable in the Faroe Islands. If the party in whose favour the final judgment is rendered brings a new suit in a competent Faroese court, the party may submit to the Faroese court the final judgement that has been rendered in the United States. Such judgement will only be regarded by a Faroese court as evidence of the outcome of the dispute to which judgment relates, and a Faroese court may choose to rehear the dispute ab initio.

Verdicts from Nordic courts can be executed according to Act No 635 from 15 September 1986 on the acknowledgement and execution of Nordic decisions regarding claims based on civil law. It appears from the act that enforceable verdicts regarding a claim, based on civil law, rendered in either a civil or penal case by a Finnish, Icelandic, Norwegian or Swedish court, are enforceable in the Faroe Islands. It is a precondition for execution of such verdicts that the case has been heard according to normal rules on jurisdiction and that the plaintiff has consequently had the opportunity to safeguard his interests in connection with the case.

2.4.5 Insurance risk

The Company intends to maintain a level of insurance coverage for properties, assets, livestock and personnel that corresponds with the perceived risk within the industry sector and in accordance with regulation. Insurance policies will primarily cover catastrophe loss.

All insurance premiums will carry a deductible in the form of an insurance excess that is based upon level of risk and cost of premium. Higher deductibles relate to stock mortality insurance which may be based upon a “per cage” or “per site” level of cover, the value of the maximum standing biomass, the Company’s claims history but is also influenced by a very limited number of specialist insurers.

The largest challenge is the prevention of disease, waterborne parasites and control of the water quality in both marine and freshwater operations. Through the application of best animal husbandry practice and management to ensure bio security, these risks are sought to be minimised but they are not entirely eliminated. There may be times when it will be difficult to obtain insurance cover for certain fish diseases at premiums that are considered commercially viable. However, no assurance can be given that the Company will have sufficient insurance cover against such losses.

2.4.6 The impact on the environment

The operation impact on the environment is linked to discharge of organic material from feed and fesies, the fish population potential shedding of sea lice, and the risk of fish escape. The tangible risk associated with discharge of organic material is thoroughly assessed during consent application of sites to governmental bodies. The recipient capacity must adhere to the planned biomass on site. Secondly, benthic sampling is undertaken on a yearly basis to ensure compliance with recipient capacity and tolerance. Between each production cycle fallowing of the sites is mandatory. Sea lice is closely monitored, reported, and treated in line with national contingency plans. Under the provision that the Company adhere to legislation, there is no risk to become liable for shedding sea lice from fish farms.

The Company aims at minimizing escapes and has implemented procedures to help reach this goal. However, coastal waterways represent a risk of boats accidentally harming farm constructions and thus make escapes unavoidable. Such events will inevitably damage the reputation of the company, but not cause liability as long as set regulations of signs and lighting are adhered to. The Company will be held responsible if gross negligence leads to escapes.

2.4.7 Macro economical factors

The development of the Company and industry may be affected by major changes in macro economical factors such as GDP growth, international trading patterns, government spending etc. which could give material changes to prices and demand/supply conditions for the Company. Such changes might, if occurring, materially affect the Company results and financial condition

2.4.8 Integration risk

The development of the Company may be affected by changes in the planned integration of Vestlax. The success of the integration is dependent on the possibility to integrate the businesses, organisations, farming operations and management, and might be affected by unforeseen issues or structures of the businesses. This might affect the timing, effects and results of the integration, materially affecting the Company’s results and financial conditions.

2.4.9 Other risks

Environmental organisations exist, both in Europe and North America, whose aim is to abolish all fish farming. The degree of fundamentalism varies from group to group, and the majority limit themselves to spreading disinformation and untruths about fish farming in general. However, a certain risk of bioterrorism (i.e. damage to production facilities with the intention of hurting both the Company and the industry in general financially and/or exposing it to negative media coverage) cannot be ruled out.

3 STATEMENT BY THE BOARD OF DIRECTORS OF P/F BAKKAFROST

The Board of Directors of P/f Bakkafrost accepts responsibility for the information contained in this Prospectus. The Board of Directors hereby declare that, having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of our knowledge, in accordance with the facts and contains no omissions likely to affect its import.

4 March, 2010
The Board of Directors of P/f Bakkafrost

Rúni M. Hansen	Johannes Jensen	Virgar Dahl
Chairman	Vice chairman	Board member
Annika Frederiksberg	Odd Eliasen	Trine Sæther Romuld
Board member	Board member	Board member

4 CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Prospectus includes “forward-looking” statements, including, without limitation, projections and expectations regarding the Company’s future financial position, business strategy, plans and objectives. When used in this document, the words “anticipate”, “believe”, “estimate”, “expect”, “seek to” and similar expressions, are intended to identify forward-looking statements.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Company and its subsidiaries, or, as the case may be, the industry, to materially differ from any future results, performance or achievements expressed or implied by such forward-looking statements.

Such forward-looking statements are based on numerous assumptions regarding the Company’s present and future business strategies and the environment in which the Company and its subsidiaries will operate.

Many factors could cause the Company’s actual results, performance or achievements to materially differ from those in the forward-looking statements, including, among others risks or uncertainties associated with the Company’s products, technological development, disease control, environmental issues, growth management, available financing, relations with customers and, more generally, global and regional economic conditions, the competitive nature of the market in which the Company operates, changes in domestic and foreign laws and regulations (including those of the European Union and the United States), taxes, changes in competition and pricing environments, changes in political events, force majure events and other factors referred to in this Prospectus.

Some important factors that could cause actual results to differ materially from those in the forward-looking statements are included in chapter 2 “Risk Factors” in this Prospectus.

5 TERMS OF THE OFFERING

5.1 Overview of the Offering

The Offering consists of a primary offering of such number of New Shares representing gross proceeds of about NOK 82,000,000 (based on the current NOK/DKK exchange rate) and a secondary sale of minimum 14,649,752 and maximum 18,645,271 Shares offered by the Selling Shareholders (the "Secondary Shares"). The new ordinary shares (the "New Shares") are offered by the Company and subject to final resolution by the Board pursuant to authorization granted by the general meeting of the Company on 15 February 2010. In addition, the Managers have an option, to over-allot 1,836,768 Shares as part of the Offering as further described under Section 5.16. The Shares are registered with ISIN NO: FO0000000179. The Offering comprises:

- An Institutional Offering, in which Offer Shares are being offered to institutional investors and professional investors in reliance on Regulation S under the Securities Act and to qualified institutional buyers ("QIBs") in the United States in reliance on Rule 144A under the Securities Act, subject to a lower limit per order of 40,000 Offer Shares;
- A retail offering in which Offer Shares are being offered to the public in Norway (the "Norwegian Retail Offering", and together with the Faroese Retail Offering, the "Retail Offering"), subject to a lower limit per Application of 500 Offer Shares and an upper limit per Application of up to 40,000 Offer Shares for each investor. There will be no allocations of shares constituting less than 500 Offer Shares; and
- A retail offering in which Offer Shares are being offered to the public in the Faroes Islands (the "Faroese Retail Offering", and together with the Norwegian Retail Offering, the "Retail Offering"), subject to a lower limit per Application of 500 Offer Shares and an upper limit per Application of up to 40,000 Offer Shares for each investor. There will be no allocations of shares constituting less than 500 Offer Shares.

No action will be taken to permit a public offering of the Offer Shares in any jurisdiction outside of the Faroe Islands and Norway. This Prospectus does not constitute an offer to sell or the solicitation of an offer to buy any securities offered by this Prospectus to or from any person in any jurisdiction to whom it is unlawful to make such offer in such jurisdiction. For further details see "Important Notice" on page 2 and section 13.6 "Selling and transfer restrictions". Applications from investors outside the Faroe Islands and Norway will only be accepted if the Managers are satisfied that the Application is not in violation of the laws of any jurisdiction.

A non-binding Indicative Price Range for the Offer Price of NOK 27 – NOK 31 has been set by the Board and the Principal Selling Shareholder. The book-building process which will form the basis of the determination of the final Offer Price will only be conducted in the Institutional Offering. The final Offer Price may be set above, below or within this indicative range.

5.2 Purpose of the Offering and use of proceeds

The Offering and Listing of the Company's Shares on Oslo Børs is an important element of the Company's strategy. The main purpose of the Offering is to broaden the Company's shareholder base and be able to provide a regulated marketplace for the trading of its Shares. The Listing on Oslo Børs will also facilitate the use of the capital markets in order to raise further equity if required, and is also expected to increase the attractiveness of the Shares as consideration in strategic acquisitions and / or mergers. The Offer Price paid for the Secondary Shares being sold by the Selling Shareholders as part of the Offering will not involve any proceeds for the Company.

5.3 Conditions of completion of the Offering

The Company has applied for a listing of its shares on Oslo Børs. The listing application is expected to be considered at a meeting of the board of directors of Oslo Børs on or about 24 March 2010. The Shares are not listed, and no application has been made to list the Shares, on any other stock exchange or regulated market.

Completion of the Offering on the terms set forth in this Prospectus is conditional upon Oslo Børs approving the Company's application for listing of the Shares on Oslo Børs on terms acceptable to the Company and on any conditions imposed by Oslo Børs being satisfied through the Offering or otherwise. There can be no assurance that Oslo Børs will give such approval or that the Company will satisfy any conditions set for such listing. The publication of Oslo Børs' decision is expected to be made on or about 24 March 2010. Assuming that Oslo Børs approves the Company's listing application and the conditions set for such listing are satisfied, it is expected that the shares will be tradable on Oslo Børs starting on or about 26 March 2010.

The Shares are expected to trade under the ticker symbol "BAKKA".

The Offering will be cancelled in the event that approval of listing by Oslo Børs as described above is not obtained or the conditions set for such approval are not satisfied through the Offering.

Completion of the Offering on the terms set forth in this Prospectus is otherwise only conditional on (i) the Company and the Principal Selling Shareholder having approved the Offer Price and the Board of Directors having approved allocation of the Offer Shares to eligible investors following the Book-building Period and (ii) applications having been received at the Offer Price for all of the Offer Shares determined to be issued and sold in the Offering. There can be no assurance that these conditions will be satisfied.

5.4 Timetable

The timetable set out below provides certain indicative key dates for the Offering:

Start of Book-building/Retail Application Period:	8 March 2010 – 09.00 CET
End of Retail Application Period:	23 March 2010 – 14.00 CET
End of Book-building Period:	23 March 2010 – 17.30 CET
Pricing and allocation:	On or about 24 March 2010
Board meeting Oslo Børs:	On or about 24 March 2010
Distribution of allocation notices:	On or about 24 March 2010
First day of trading:	On or about 26 March 2010
Payment Date Retail Offering:	On or about 30 March 2010
Delivery of Offer Shares Retail Offering	On or about 30 March 2010
Delivery versus payment (DvP) Institutional Offering:	On or about 31 March 2010

5.5 Share Capital prior to the Offering

As per the date of this Prospectus the Company's share capital is DKK 46,250,000 divided on 46,250,000 Shares each of par value of DKK 1. The share capital has been paid in full.

5.6 Increase of share capital in connection with the Offering

The Board was at the general meeting on 15 February 2010 authorized, through an amendment of the Company's articles of association, to increase the share capital of the Company with up to DKK 3,750,000 from DKK 46,250,000 to DKK 50,000,000 by issuance of 3,750,000 new Shares, each with a par value of DKK 1.

As of the date of this Prospectus the Board of Directors has not used the above authorization to issue new Shares. In connection with the Offering, the Board will utilize the aforesaid authorization, and pursuant to the authorization, the Board resolved on 1 March 2010 that the Company through the Offering shall raise a NOK amount equalling DKK 75 million trough the issue of up to 3,750,000 New Shares. The Share Capital following the Offering will therefore be up to DKK 50,000,000, divided into up to 50,000,000 Shares. The resolution by the board to determine the Offer Price, the number of New Shares to be issued and the allocation of New Shares to the Applicants will be passed on or about 24 March 2010, after the expiry of the Book-building Period, as described in sections 5.9.6, 5.10.6 and 5.11.6.

Nordea Bank Norge ASA will subscribe and pay for the New Shares to be issued by the Company in advance to facilitate the registration of the share capital increase in the Faroese Company Register and timely delivery of shares to the Applicants in the Offering. Nordea will receive a fee for this subscription and payment guarantee totalling NOK 40,000.

5.7 Share Capital after the Offering

After completion of the Offering, the Company's share capital will be a maximum of DKK 50,000,000 divided into a maximum of 50,000,000 Shares, each with a par value of DKK 1.

5.8 Dilution

The percentage of immediate dilution resulting from the Offering for existing shareholders is expected to amount to approx. 6.6% – 8.1%.

5.9 The Institutional Offering

5.9.1 Overview

The Institutional Offering will be structured as an offer of Offer Shares to institutional investors and other professional investors in the Faroe Islands, Norway and certain other jurisdictions. Applications from investors outside the Faroe Islands and Norway will only be accepted if the Managers are satisfied that the Application is not in violation of the laws of any jurisdiction.

The minimum Application in the Institutional Offering is 40,000 Offer Shares. Investors who intend to place an Application for less than 40,000 Offer Shares must do so in the Faroese Retail Offering or the Norwegian Retail Offering. Investors applying for Offer Shares in the Institutional Offering may not apply for Offer Shares in the Faroese Retail Offering or the Norwegian Retail Offering. In the event an Investor, or parties personally related to him, applies for Offer Shares in both the Institutional and the Retail Offering, the Managers may without further notice disregard the applications made in the Retail Offering by such parties. In the event a Manager for whatever reason does not disregard the applications made in the Retail Offering on the basis referred to above, this will not entitle the investor or its related parties to demand a reduction in the number of Offer Shares allotted to it/them.

5.9.2 Offer Price

As described above, the Company, the Principal Selling Shareholder and the Managers have set a non-binding Indicative Price Range for the Offering of between NOK 27 and NOK 31 per Offer Share. The Indicative Price Range has been determined on the basis of an overall assessment including experience from previous transactions of similar character, the Company's historic results, market prospects, economic prospects, pricing of comparable listed companies as well as a wider assessment of the stock market in general.

The Company, the Principal Selling Shareholder and the Managers reserve the right to change the Indicative Price Range at any time. Any changes to the Indicative Price Range will be communicated by way of a press release distributed through the information system of Oslo Børs before the opening of trading on the last day of the book-building period.

The Company's Board and the Principal Selling Shareholder will determine the final Offer Price, the number of New Shares to be issued and the number of Secondary Shares to be sold after consultation with the Managers on the basis of orders placed in the Institutional Offering during the book-building process in which the Managers receive expressions of investor interest in the Offer Shares. The final Offer Price, the number of New Shares to be issued and the number of Secondary Shares to be sold will be determined in a board meeting of the Company expected to be held on or about 24 March 2010 and by the Principal Selling Shareholder on the same date. The Offer Price may be set below, above or within the Indicative Price Range.

The final Offer Price will be announced through a stock exchange notification by the Company to Oslo Børs on or about 25 March 2010 and on the Company's website www.bakkafrost.com. Upon an extension of the Book-building Period, the indicated dates will be extended accordingly.

5.9.3 Book-building Period

The Book-building Period for the Institutional Offering is expected to take place from 09.00 CET on 8 March 2010 to 17.30 CET on 23 March 2010. The Company reserves the right to extend the Book-building Period at any time, depending on the number and size of orders or applications received in the Offering, in the aggregate or individually. Any extension of the Book-building Period will be announced through Oslo Børs and on the Company's website www.bakkafrost.com on or before opening of trading on 23 March 2010. An extension will only be made once, and for no longer than until 17.30 CET on 26 March 2010. In the event of extension, the allocation date, the first trading date, the payment dates and the dates of delivery of Offer Shares may be extended accordingly upon notice.

5.9.4 Applications for Offer Shares in the Institutional Offering

Applications for Offer Shares in the Institutional Offering must be made during the Book-building Period by advising an Institutional Offering Application Office of the number of Offer Shares that the investor wishes to apply for and the price that such investor is offering to pay for such Offer Shares. Any oral order placed in the Institutional Offering will be binding upon the investor and subject to the same terms and conditions as a written order. An Institutional Offering Application Office can, at any time and in its sole discretion, require the investor to confirm any oral order by instrument in writing. Orders made may be withdrawn or amended by the investor at any time up to the end of the Book-building Period. After the end of the Book-building Period, all orders that have not been withdrawn or amended are irrevocable and binding upon the investor, regardless of whether the final Offer Price is set within, above or below the Indicative Price Range (subject to any price limitation per Offer Share set by the investor).

5.9.5 Application Offices for the Institutional Offering

The Institutional Offering Application Offices are:

Nordea Bank Norge ASA Securities Services – Issuer Services Essendropsgate 7 P.O. Box 1166 Sentrum NO-0107 Oslo Norway Telephone: +47 22 48 62 62 Fax: +47 22 48 63 49	Føroya Banki Húsagøta 3 P.O. Box 3048 FO-110 Tórshavn Faroe Islands Telephone: +298 330 330 Fax: +298 319 936
Carnegie ASA Stranden 1 P.O Box 684 Sentrum NO-0106 Oslo Norway Telephone: +47 22 00 93 20 Fax: +47 22 00 99 60	

Allotments will not be affected by where the order is placed.

5.9.6 Allocation, payment and delivery of Offer Shares

5.9.6.1 Allocation

The Managers expect to issue notifications of allocation of Offer Shares in the Institutional Offering on or about 25 March 2010, by issuing contract notes to the Applicants by mail.

5.9.6.2 Payment and delivery

Payment by Applicants in the Institutional Offering will take place against delivery of Offer Shares. Delivery and payment for Offer Shares is expected to take place on or about 31 March 2010. Payment against delivery of New Shares in the Institutional Offering will be facilitated through Nordea's subscription and payment of the New Shares being issued by the Company enabling the Company to register the share capital increase in the Faroese Register of Business Enterprises (Skráseting Føroya) on or about 25 March 2010. Payment against delivery of Secondary Shares in the Institutional Offering will be facilitated through the Selling Shareholders transferring the Secondary Shares to the Managers in advance and accordingly make such shares available for settlement. All Offer Shares will accordingly be available for delivery against payment (DvP) on or about 31 March 2010.

Investors in the Institutional Offering must ensure that payment with cleared funds for the Offer Shares allocated to them is available at the designated settlement account registered on the selected VPS account. If funds have not been made available and/or relevant instructions been given in accordance with these requirements and in time to be included in the DvP settlement, the investor's obligation to pay for the Offer Shares will be deemed overdue.

Overdue payments will be charged with interest at the applicable rate from time to time under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100, currently 8.75% per annum. If an applicant fails to comply with the terms of payment, the Offer Shares will, subject to the discretion of the Managers and the Principal Selling Shareholder, not be delivered to the Applicant, and the Managers and the Principal Selling Shareholder reserve the right, at the risk and cost of the Applicant (however, so that the Applicant will not be entitled to any profit therefrom), to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares on such terms and in such manner as the Managers and the Principal Selling Shareholder may decide in accordance with Norwegian law. The original Applicant remains liable for payment of the Offering Price for the Offer Shares allocated to the Applicant, together with any interest, cost, charges and expenses accrued, and the Company, the Managers or the Principal Selling Shareholder may enforce payment for any such amount outstanding.

No account-to-account transfers may be carried out in the VPS before settlement.

5.10 The Norwegian Retail Offering

5.10.1 Overview

The Norwegian Retail Offering is open to the public in Norway. Applications from investors outside Norway will only be accepted if the Managers are satisfied that the Application is not in violation of the laws of any jurisdiction. Applications from Faroese investors will not be accepted in the Norwegian Retail Offering.

The maximum Application in the Norwegian Retail Offering is up to 40,000 Offer Shares. Investors who intend to place an Application for 40,000 Offer Shares or more must do so in the Institutional Offering.

5.10.2 Offer Price

The Offer Price for the Offer Shares sold in the Norwegian Retail Offering will be the same as in the Institutional Offering.

Applicants may indicate in the Norwegian Retail Application Form that they do not wish to be allocated Offer Shares should the Offer Price be set above the Indicative Price Range. If the Applicant so elects, the Applicant will not be allocated any Offer Shares in the event that the final Offer Price is set above the upper end of the Indicative Price Range as included in this Prospectus (i.e. disregarding any changes in the Indicative Price Range). If the Applicant does not make this reservation on the Norwegian retail Application Form, the Application will be binding regardless of whether the Offer Price is set within, above or below the Indicative Price Range.

5.10.3 Norwegian Retail Application Period

The period during which Applications for Offer Shares will be accepted in the Norwegian Retail Offering (the “Norwegian Retail Application Period”) will last from 09.00 CET on 8 March 2010 to 14.00 CET on 23 March 2010 unless extended.

Any extension of the Book-building Period will lead to a similar extension of the Norwegian Retail Application Period, with the exception that the Norwegian Retail Application Period will in any case end at 14.00 CET on the last day of the extended Book-building Period.

5.10.4 Applications for Offer Shares in the Norwegian Retail Offering

All Applications in the Norwegian Retail Offering must be made on the Norwegian Retail Application Form attached to the Prospectus as Appendix 7 (the “Norwegian Retail Application Form”). Norwegian Retail Application Forms can be obtained from the Company or the Norwegian Retail Application Offices together with the Prospectus. Norwegian citizens in the Norwegian Retail Offering can also apply for Offer Shares online at the following adresses www.nordea.no/bakkafrost or www.carnegie.no.

Norwegian Retail Application Forms that are incomplete or incorrectly completed or that are received after the expiry of the Norwegian Retail Application Period may be disregarded without further notice to the Applicant. However, the Company reserves the right to accept any such Norwegian Retail Application Forms.

Subject to any extension of the Norwegian Retail Application Period, properly completed Norwegian Retail Application Forms must be received by a Norwegian Retail Application Office by 14.00 CET on 23 March 2010. All Applications made in the Norwegian Retail Offering will be irrevocable and binding on the Applicants upon receipt of a duly completed Norwegian Retail Application Form by one of the Norwegian Retail Application Offices, irrespective of any extension of the Norwegian Retail Application Period.

5.10.5 Application Offices for the Norwegian Retail Offering

The Norwegian Retail Application Offices are:

Nordea Bank Norge ASA, Securities Services – Issuer Services Essendropsgate 7 P.O. Box 1166 Sentrum NO-0107 Oslo Norway Telephone: +47 22 48 62 62 Fax: +47 22 48 63 49	Carnegie ASA Stranden 1 P.O. Box 684 Sentrum NO-0106 Oslo Norway Telephone: +47 22 00 93 20 Fax: +47 22 00 99 60

Allotments will not be affected by where the order is placed.

All Applicants in the Norwegian Retail Offering must apply for Offer Shares at Nordea Markets or Carnegie ASA by using the Norwegian Retail Application Form. Norwegian Applicants in the Norwegian Retail Offering can also apply for Offer Shares through the Internet at the following addresses www.nordea.no/bakkafrost and www.carnegie.no.

Neither the Company, the Managers nor the Application Offices may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical problems that may result in Applications not being received in time or at all by a Norwegian Retail Application Office. Norwegian Retail Application Forms received after the end of the Norwegian Retail Application Period and/or incomplete or incorrect Norwegian Retail Application Forms and any Application for shares that may be unlawful may be disregarded at the sole discretion of the Company and/or the Norwegian Retail Application Offices without notice to the Applicant. Any Faroese Retail Application Form sent to the Norwegian Retail Application Offices will be rejected without further notice.

Multiple Applications (i.e., Applications on more than one Norwegian Retail Application Form) are not allowed. In the event one Applicant submits more than one Norwegian Retal Application Forms, the Norwegian Retal Application Offices reserve the right to only accept the first Norwegian Retail Application Form received by the Norwegian Retal Application Office and reject the other Norwegian Retail Application Form(s). However there is no guarantee that not more than one Application Form will be accepted.

In the case of multiple Applications through the VPS online subscription system or Applications made both on a Norwegian Retail Application Form and through the VPS online application system, all Applications will be counted.

5.10.6 Allocation, payment and delivery of Offer Shares in the Norwegian Retail Offering

5.10.6.1 Allocation

The allocation of Offer Shares in the Norwegian Retail Offering will take place after the expiry of the Book-building Period/ Norwegian Retail Application Period on or about 24 March 2010. Notifications of allocated Offer Shares and the corresponding subscription amount to be paid by each Applicant are expected to be distributed to Applicant in the Norwegian Retail Offering in a letter from the VPS on or about 24 March 2010. Applicants in the Norwegian Retail Offering having access to investor services through their VPS account manager will be able to check the number of Offer Shares allocated to them from 08.00 CET on or about 25 March 2010. Applicants in the Norwegian Retail Offering who do not have access to investor services through their VPS account manager may contact the relevant Norwegian Retail Application Office from 08.00 CET on or about 25 March 2010 to get information about the number of Offer Shares allocated to them. Upon an extension of the Book-building Period/Retail Application Period, the indicated dates set out above will be adjusted correspondingly.

5.10.6.2 Payment

Applicants in the Norwegian Retail Offering who have a Norwegian bank account must, and will by signing the Norwegian Retail Application Form, provide Nordea Bank Norge ASA with a one-time irrevocable authorisation to debit a specified bank account with a Norwegian bank for the amount payable for the Offer Shares which are allocated to the Applicant. Payment by direct debiting is only available for Applicants that are allocated Offer Shares for an amount below 5 million and who have a Norwegian bank account.

The specified bank account is expected to be debited on the 30 March, the Norwegian Retail Payment Date, however there must be sifficient funds in the account from 29 March 2010, the day before the account is debited. Nordea Bank Norge ASA is only authorised to debit such account once, but reserves the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Norwegian Retail Payment Date.

The Applicant furthermore authorises Nordea Bank Norge ASA to obtain confirmation from the Applicant’s bank that the Applicant has the right to dispose over the specified account and that there are sufficient funds in the account to cover the payment.

If there are insufficient funds in an Applicant’s bank account or if it for other reasons is impossible to debit such bank account when a debit attempt is made pursuant to the authorisation from the Applicant, the Applicant’s obligation to pay for the Offer Shares will be deemed overdue.

By signing the Application Form, Applicants who apply for an amount exceeding NOK 5 million gives Nordea Bank Norge ASA and Carnegie ASA an authorization to manually debit the indicated bank account on or after the due date of Payment.

Applicants who do not have a Norwegian bank account established must ensure that payment with cleared funds for the Offer Shares allocated is made on or before 29 March 2009, however, prior to any such payment being made, the Norwegian Retail Application Offices must be contacted for further details and instructions.

Overdue payments will be charged with interest at the applicable rate from time to time under the Norwegian Act on Interest on Overdue Payment of 17 December 1976 No. 100, currently 8.75% per annum. If an Applicant fails to comply with the terms of payment, the Offer Shares will, subject to the discretion of the Managers and the Principal Selling Shareholder, not be delivered to the Applicant, and the Managers and the Principal Selling Shareholder reserve the right, at the risk and cost of the Applicant (however, so that the Applicant will not be entitled to any profit therefrom), to cancel the Application and to re-allot or otherwise dispose of the allocated Offer Shares on such terms and in such manner as the Managers and the Principal Selling Shareholder may decide in accordance with Norwegian law. The original Applicant remains liable for payment of the Offering Price for the Offer Shares allocated to the Applicant, together with any interest, cost, charges and expenses accrued, and the Company, the Managers or the Principal Selling Shareholder may enforce payment for any such amount outstanding.

5.10.6.3 Delivery

Subject to receipt of payment from the Applicant, delivery of the Offer Shares allocated in the Norwegian Retail Offering is expected to take place on or about the evening of 30 March 2010, in time to be available for settlement 31 March 2010 of any sales carried out by the Applicant the first trading day with standard T+3 settlement. Delivery of New Shares in the Retail Offering will be facilitated through the Managers' subscription of New Shares on or about 25 March 2010 and delivery of Secondary Shares in the Norwegian retail Offering will be faciliteted by the Selling Shareholders transferring the Secondary Shares to the Managers in advance and accordingly make such shares available for settlement.

The Applicants may trade with the allocated Offer Shares once they have been listed on Oslo Børs, however only with standard t+3 setlement the first three trading days. No account to account transfers may be carried out in the VPS the first three trading days after Listing.

5.11 The Faroese Retail Offering

5.11.1 Overview

The Faroese Retail Offering is open to the public in the Faroe Islands. Applicaions from Norwegian investors or other foreign investors outside the Faroe Islands will not be accepted in the Faroese Retail Offering.

The maximum Application in the Faroese Retail Offering is up to 40,000 Offer Shares. Investors who intend to place an Application for 40,000 Offer Shares or more must do so in the Institutional Offering.

5.11.2 Offer Price

The Offer Price for the Offer Shares sold in the Faroese Retail Offering will be the same as in the Institutional Offering.

Applicants may indicate in the Faroese Retail Application Form that they do not wish to be allocated Offer Shares should the Offer Price be set above the Indicative Price Range. If the Applicant so elects, the Applicant will not be allocated any Offer Shares in the event that the final Offer Price is set above the upper end of the Indicative Price Range as included in this Prospectus (i.e. disregarding any changes in the Indicative Price Range). If the Applicant does not make this reservation on the Faroese Retail Application Form, the Application will be binding regardless of whether the Offer Price is set within, above or below the Indicative Price Range.

5.11.3 Faroese Retail Application Period

The period during which Applications for Offer Shares will be accepted in the Faroese Retail Offering (the "Faroese Retail Application Period") will last from 09.00 CET on 8 March 2010 to 14.00 CET on 23 March 2010 unless extended.

Any extension of the Book-building Period will lead to a similar extension of Faroese Retail Application Period, with the exception that the Faroese Retail Application Period will in any case end at 14.00 CET on the last day of the extended Book-building Period.

5.11.4 Applications for Offer Shares in the Faroese Retail Offering

All Applications in the Faroese Retail Offering must be made on the Faroese Retail Application Form attached to the Prospectus as Appendix 8 (the "Faroese Retail Application Form"). Faroese Retail Application Forms can be obtained from the Company, the Faroese Retail Application Office or the Faroese Sales Agencies set out below together with the Prospectus.

Faroese Retail Application Forms that are incomplete or incorrectly completed or that are received by the Faroese Retail Application Office or by one of the Faroese Sales Agencies after the expiry of the Faroese Retail Application Period may be disregarded without further notice to the Applicant. However, the Company reserves the right to accept any such Faroese Retail Application Forms.

Subject to any extension of the Faroese Retail Application Period, properly completed Faroese retail Application Forms must be received by the Faroese Retail Application Office or the Faroese Sales Agencies by 14.00 CET on 23 March 2010. All Applications made in the Faroese Retail Offering will be irrevocable and binding on the Applicants upon receipt of a duly completed Faroese Retail Application Form by the Faroese Retail Application Office or the Faroese Sales Agencies, irrespective of any extension of the Faroese Retail Application Period.

It is a prequisite that Applicants in the Faroese Retail Offering have a Faroese bank account. If the investor does not have a Faroese bank account it will be necessary to open a new bank account in any one of the Faroese commercial banks prior to the end of the Faroese Retail application Period. Please refer to the general terms of bank accounts at Føroya Banki or the relevant Faroese Sales Agency for more information.

Applicants in the Faroese Retail Offering who have a Faroese bank account must also have a VPS account or a nominee VPS account in order to participate in the Offering. If the investor does not have a VPS account or a nominee VPS account it will be necessary to open a new VPS account or a nominee VPS account at the Faroese account-holding bank.

VPS accounts can be established with authorised VPS registrars, who can be Faroese banks.

Nominee VPS accounts can be established with a bank which either directly or indirectly is the holder of a VPS account. The nominee must be authorised by the NFSA. Most Faroese banks, including Føroya Banki and the Faroese Sales Agencies, have arrangements in place ensurering that custody accounts at these banks qualify as nominee VPS accounts.

Please refer to the general terms of security accounts at Føroya Banki or the relevant Sales Agency for more information about VPS accounts, nominee VPS accounts and VPS nominee arrangements.

By signing the Faroese Retail Application Form the Applicant, in order to provide the Managers with information enabling them to perform the allocation procedure and Oslo Børs with information enabling them to determine whether the requirements for listing of the Company on Oslo Børs have been met, authorizes the relevant Faroese Sales Agencies to provide Føroya Banki, and Føroya Banki as Manager, to provide Nordea Markets, as Manager, and Oslo Børs with the Applicants name, Date of Birth or V-tal, and number of Offer Shares allocated to the Applicant.

5.11.5 Application office for the Faroese Retail Offering

The Faroese Retail Application and Sales Offices are:

Føroya Banki
Húsagøta 3
P.O. Box 3048
FO-110 Tórshavn
Faroe Islands
Telephone: +298 330 330
Fax: +298 319 055

The Faroese Sales Agencies:

Eik Banki
Yviri við Strond 2
P.O. Box 34
FO-110 Tórshavn
Faroe Islands
Telephone: +298 348 000
Fax: +298 348 862

Norðoya Sparikassi
Ósavegur 1
P.O Box 149
FO-700 Klaksvík
Faroe Islands
Telephone: +298 475 000
Fax: +298 476 000

Suðuroyar Sparikassi
P.O. Box 29
FO-900 Vágur
Faroe Islands
Telephone: +298 359 870
Fax: +298 359 871

Allotments will not be affected by where the order is placed.

All Applicants in the Faroese Retail Offering must apply for Offer Shares at the Faroese Retail Application Office or the Faroese Sales Agencies by using the Faroese Retail Application Form.

The retail branches of Føroya Banki, Eik Banki, Suðuroyar Sparikassi and Norðoyar Sparikassi will be available to assist in delivering the Faroese Retail Application Forms to the Faroese Retail Application Office or the Faroese Sales Agencies. Note however, that the Faroese Retail Application Forms must be received by such retail branches no later than the day before the end of the Faroese Retail Application Period, i.e. no later than 22 March 2010 to ensure that it will be received by the Faroese Retail Application Office or the Faroese Sales Agencies prior to the end of the Faroese Retail Application Period.

Neither the Company, nor the Managers, nor ,the Faroese Retail Application Office, nor the Faroese Sales Agencies (including their respective retail branches) may be held responsible for postal delays, unavailable fax lines, internet lines or servers or other logistical or technical problems that may result in Applications not being received in time or at all by the Faroese Retail Application Office or the Faroese Sales Agencies. Faroese Retail Application Forms received after the end of the Faroese Retail Application Period and/or incomplete or incorrect Faroese Retail Application Forms and any Application for shares that may be unlawful may be disregarded at the sole discretion of the Company and/or the Faroese Retail Application Office without notice to the Applicant. Any Norwegian Retail Application Form sent to the Faroese Retail Application Offices or Faroese Sales Agencies will be rejected without further notice.

Multiple Applications (i.e., Applications on more than one Faroese Retail Application Form) are not allowed. In the event one Applicant submits more than one Faroese Retal Application Forms, the Faroese Retail Application Office and/ or the Faroese Sales Agencies reserve the right to only accept the first Faroese Retail Application Form received by the Faroese Retail Application Office or the Faroese Sales Agencies and reject the other Faroese Retail Application Form(s). However there is no guarantee that not more than one Faroese Retail Application Form form will be accepted

5.11.6 Allocation, payment and delivery of Offer Shares in the Faroese Retail Offering

5.11.6.1 Allocation

The allocation of Offer Shares in the Faroese Retail Offering will take place after the expiry of the Book-building Period/ Faroese Retail Application Period on or about 24 March 2010. Applicants in the Faroese Retail Offering will receive a trade receipt of the allocated and received shares from the Faroese Retail Application Office or the relevant Faroese Sales Agency on or about 25 March 2010. Upon an extension of the Book-building Period/Retail Application Period, the indicated dates set out above will be adjusted correspondingly.

5.11.6.2 Payment

Applicants in the Faroese Retail Offering who have a Faroese bank account must, and will by signing the Faroese Retail Application Form, provide Føroya Banki or the relevant Faroese Sales Agency with a one-time irrevocable authorisation to debit a specified bank account with a Faroese bank for the amount payable for the Offer Shares which are allocated to the Applicant. It is a prerequisite that the bank account and the VPS account or nominee VPS account is registered at the same account-holding bank. The Faroese Retail Application Form must be submitted to the Faroese Sales Agency or the Retail Application Office that holds the Applicant’s bank and VPS account or nominee VPS accounts.

The specified bank account is expected to be debited on the 30 March, the Faroese Retail Payment Date, however there must be sufficient funds in the account from 29 March 2010. Føroya Banki or the Faroese Sales Agency is only authorised to debit such account once, but reserves the right to make up to three debit attempts, and the authorisation will be valid for up to seven working days after the Faroese Retail Payment Date.

The Applicant furthermore authorises Føroya Banki or the relevant Faroese Sales Agency to obtain confirmation from the Applicant’s bank that the Applicant has the right to dispose over the specified account and that there are sufficient funds in the account to cover the payment.

If there are insufficient funds in an Applicant’s bank account or if it for other reasons is impossible to debit such bank account when a debit attempt is made pursuant to the authorisation from the Applicant, the Applicant’s obligation to pay for the Offer Shares will be deemed overdue.

Overdue payments will be charged with interest at the applicable rate from time to time under the Decree wich brings into force on the Faroe Islands the Act on Interest on Overdue Payment No. 638 of 21 December 1977 as amended from time to time, currently 6.75% per annum. If an Applicant fails to comply with the terms of payment, the Offer Shares will, subject to the discretion of Føroya Banki or the relevant Faroese Sales Agency, not be delivered to the Applicant, and Føroya Banki or the relevant Faroese Sales Agency reserve the right, at the risk and cost of the Applicant (however, so that the Applicant will not be entitled to any profit therefrom), to cancel the Application and to re-allot or otherwise dispose of the allocated Offer Shares on such terms and in such manner as Føroya Banki or the relevant Faroese Sales Agency may decide in accordance with Faroese law. The original Applicant remains liable for payment of the Offering Price for the Offer Shares allocated to the Applicant, together with any interest, cost, charges and expenses accrued, and the Company, Føroya Banki or the relevant Faroese Sales Agency may enforce payment for any such amount outstanding.

The amount payable for the Offer Shares is in NOK. The drawn amount for the Offer Shares is a DKK amount calculated as the aggregated NOK amount of the allocated shares adjusted for the relevant DKKNOK exchange rate on 25 March.

5.11.6.3 Delivery

Subject to receipt of payment from the Applicant, delivery of the Offer Shares allocated in the Faroese Retail Offering is expected to take place on or about 30 March 2010. All shares allocated to investors in the Faroese Retail Offering will be registered at Føroya Banki or the relevant Sales Agency as nominee holder in the VPS. Please refer to the general terms of security accounts at Føroya Banki or the relevant Sales Agency for more information about nominee arrangements.

5.12 Mechanism of allocation

The Offering is divided into an Institutional Offering and a Retail Offering which again is divided into a Norwegian Retail Offering and a Faroese Retail Offering. The provisional allocation of Offer Shares between the tranches is approximately 85-90% for the Institutional Offering and 10-15% for the Retail Offering of which up to 50 % will be allocated with priority to the Faroese Retail Offering. However, the final allocation between the tranches will be determined following expiry of the Book-building Period /Retail Application Period based on the level of orders/Applications in the respective tranches relative to the overall application level in the Offering. The Company, the Principal Selling Shareholder and the Managers reserve the right to deviate from the provisional allocation between the two tranches without notice.

In the Institutional Offering, the Company and the Principal Selling Shareholder will determine the allocation of Offer Shares after consultation with the Managers. An important aspect of the allocation principles is the desire to create an appropriate long-term shareholder structure for the Company. The allocation principles will, in accordance with normal practice for institutional placements, include factors such as premarketing and management road-show participation and feedback, timeliness of the order, price level, relative order size, sector knowledge, investment history, perceived investor quality and investment horizon. The Company, the Principal Selling Shareholder and the Managers further reserve the right, at their sole discretion, to take into account the creditworthiness of any Applicant. The Company and the Principal Selling Shareholder may also set a maximum allocation or decide to make no allocation to any Applicant.

In the Retail Offering allocations will be made on a pro rata basis, no allocation will be made for a number of Offer Shares less than 500 Offer Shares. All allocations will be rounded down to a multiple of the nearest round lot of shares which is expected to be 500 or 200 Shares, depending on the final Offer Price. Smaller Applications, therefore, might be granted a higher relative allotment compared to larger Applications. Not withstanding the foregoing, the Company and the Principal Selling Shareholder reserve the right to allocate shares on a random basis using VPS's simulation procedures (Norwegian Retail Offering) and/ or other random allocation mechanisms. The Company also reserves the right to limit the total number of Applicants to whom Offer Shares are allocated if the Company and the Principal Selling Shareholder deem this to be necessary in order to keep the number of shareholders in the Company at an appropriate level and such limitation does not have the effect that any conditions for listing set by Oslo Børs regarding number of shareholders will not be satisfied. If the Company should decide to limit the total number of Applicants to whom Offer Shares are allocated, the Applicants to whom Offer Shares will be allocated will be determined on a random basis using VPS's simulation procedures (Norwegian Retail Offering) and/ or other random proceedures.

5.13 The rights conferred by the Offer Shares

The Secondary Shares in all respects carry full shareholders' rights in the Company on an equal basis with the other existing shares of the Company, including the right to any dividends. Equally, the The New Shares will, from the time of registration of the capital increase in the Faroese Company Register (Skráseting Føroya), in all respects carry full shareholders' rights in the Company on an equal basis with the existing shares of the Company, including the right to any dividends.

For a description of rights attached to the shares in the Company, see section entitled "Shareholder matters and relevant Company and Securities law".

5.14 Mandatory anti-moneylaundring procedures in the Institutional Offering and the Norwegian Retail Offering

The Institutional Offering and the Norwegian Retail Offering is subject to the Norwegian Money Laundering Act No. 11 of 6 March 2009 and the Norwegian Money Laundering Regulations No. 302 of 13 March 2009 (collectively the "Anti-Money Laundering Legislation").

Applicants who are not registered as existing customers of the Managers must verify their identity to the respective Manager in accordance with requirements of the Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Norwegian bank account and an existing VPS account on the Norwegian Retail Application Form are exempted, unless verification of identity is requested by the Managers. Applicants who have not completed the required verification of identity prior to the expiry of the Norwegian Retail Application Period will not be allocated Offer Shares.

Furthermore, participation in the Institutional Offering and the Norwegian Retail Offering is conditional upon the Applicant having a VPS account. The VPS account number must be stated in the Norwegian Retail Application Form. VPS accounts can be established with authorised VPS registrars, who can be Norwegian banks, authorised securities brokers in Norway and Norwegian branches of credit institutions established within the EEA. However, non-Norwegian investors may use nominee VPS accounts registered in the name of a nominee. The nominee must be authorised by the NFSA. Establishment of a VPS account requires verification of identification to the VPS registrar in accordance with the Anti-Money Laundering Legislation.

5.15 Faroese mandatory anti-moneylaundring procedures in the Institutional Offering and the Faroese Retail Offering

The part of the Institutional Offering allocated to investors who participate in the Institutional Offering via a Faroese bank account and a VPS account or nominee VPS account with a Faroese bank and the Faroese Retail Offering is subject to the Danish Decree which brings into force on the Faroe Islands the Act on Measures to Prevent Money Laundering and Financing of Terrorism No. 626 of 27 June 2008 as amended from time to time and the Faroese Money Transmission Services Act No. 467 of 17 June 2008 as amended from time to time (collectively the “Faroese Anti-Money Laundering Legislation”).

Applicants who are not registered as existing customers of Føroya Banki or the relevant Faroese Sales Agency must verify their identity to Føroya Banki or the relevant Faroese Sales Agency in accordance with requirements of the Faroese Anti-Money Laundering Legislation, unless an exemption is available. Applicants who have designated an existing Faroese bank account and an existing VPS account or nominee VPS account (see below) with a Faroese bank on the Faroese Retail Application Form, are exempted from the verification process unless verification of identity is requested by Føroya Banki or the Relevant Faroese Sales Agency. Applicants who have not completed the required verification of identity prior to the expiry of the Application Period will not be allocated Offer Shares.

Furthermore, participation in the Faroese Retail Offering is conditional upon the Applicant having a VPS account or a nominee VPS account with a Faroese bank. The VPS account number or the nominee VPS account number must be stated in the Faroese Retail Application Form.

VPS accounts can be established with authorised VPS registrars, who can be Faroese banks. Establishment of a VPS account requires verification of identification to the VPS registrar in accordance with the Faroese Anti-Money Laundering Legislation.

Nominee VPS accounts can be established with a bank which either directly or indirectly is the holder of a VPS account. The nominee must be authorised by the NFSA. Most Faroese banks, including Føroya Banki and the Faroese Sales Agencies, have arrangements in place ensurering that custody accounts at these banks qualify as nominee VPS accounts.

5.16 Over-Allotment Facility, Greenshoe Option and Price Stabilization

5.16.1 Over-Allotment Facility

The Managers may over-allot to the Applicants up to 1,836,768 Offer Shares (all Secondary Shares) following determination of the Offer Price (the “Over-Allotment Facility”). To the extent the Over-Allotment facility has been exercised, the over-allotted Shares will be sold as part of the Offering and at the Offer Price and the other terms that apply for settlement in the Offering. The Managers expect to enter into a share lending agreement with the Principal Selling Shareholder and the Company pursuant to which the Managers will be entitled to borrow a total of 1,836,768 Shares equally didvided between the lenders for the purpose of over-alloting Offer Shares as described above.

5.16.2 Greenshoe Option

The Principal Selling Shareholder and the Company will in connection with the Offering issue an option to the Managers to purchase total of 1,836,768 Shares equally didvided between the lenders (the “Greenshoe Option”). The Greenshoe Option may be exercised by the Managers, at any time up to the end of the stabilization period as described in Section 5.16.3 “Price Stabilization” below. The Greenshoe Option can only be exercised if the Over-Allotment Facility has been utilized and is limited to the number of Shares which have been over-allotted.

To the extent that the Managers have over-allotted Shares in the Offering, the Managers have created a short position in the Shares. The Stabilization Manager may close out this short position by buying Shares in the open market through the stabilization activities and/or by exercising the Greenshoe Option.

5.16.3 Price Stabilization

Nordea Markets, on behalf of the Managers (the "Stabilization Manager"), may effect transactions with a view to support the market price of the Shares at a level higher than what might otherwise prevail, by buying shares in the open market at prices equal to or lower than the Offer Price. There is no obligation on the Stabilization Manager to do so. Stabilizing activities, if commenced, may be discontinued at any time, and will be brought to an end at the latest 30 calendar days from the announcement of the Offer Price.

A stock exchange notice stating that stabilization activities may occur will be issued on the first day of trading of the shares on Oslo Børs. Within one week after the end of the stabilization period, the Stabilization Manager will publish a statement through the information system of Oslo Børs with information as to whether or not any stabilization activities have been undertaken. If stabilization activities have been undertaken, the statement will also include information on:

- whether or not stabilization was undertaken;
- the dates on which the stabilization period began and ended;
- the prize range between which stabilization was carried out, for each of the dates during which stabilization transactions were carried out; and
- the date at which stabilization activities last occurred.

Stabilization activities will be conducted in accordance with Section 3-12 of the Norwegian Securities Trading Act and ancillary regulations. Stabilization transactions may result in a market price that is higher than would otherwise prevail.

5.17 Publication of information in relation to the Offer

The Company, the Managers and the Selling Shareholders intend to use the Oslo Børs information system to publish information with respect to the Offering and on the Company's website www.bakkafrost.com, such as any changes in the Indicative Price Range and/or the Book-building Period, the Retail Application Period, the final determination of the Offer Price, allotment and first day of trading. The information will only be available in English.

5.18 Selling Shareholders

The Selling Shareholders have agreed to offer to sell minimum 14,649,752 and maximum 18,645,271 Secondary Shares as part of the Offering. The following table sets forth the Selling Shareholders and the number of Secondary Shares offered by each of the Selling Shareholders:

Name	Business Address	Number of Shares to be sold
P/f Føroya Banki, "Principal Shareholder"	Húsagøta 3, FO-110 Tórshavn	14,649,752
Framtaksgrunnur Føroya	Hoyvíksvegur 51, FO-110 Tórshavn	Maximum 1,377,575
Hans Jacobsen	Glyvravegur 30, FO–625 Glyvrar	Maximum 925,000
TF Holding	Kongabrúgvin, FO-110 Tórshavn	Maximum 925,000
Regin Jacobsen	Gerðisvegur 59, FO-600 Saltangará	Maximum 462,500
Sp/f JH Holding	Traðagöta 20, FO-700 Klaksvik	Maximum 305,444

The Secondary Shares offered for sale by the Principal Selling Shareholder shall have priority before the Secondary Shares offered for sale by the other Selling shareholders.

P/f Bakkafrost and Føroya Banki will in connection with the Offering issue a greenshoe option to the Managers as further described under section 15.6.2. To the extent the Managers exercise the option P/f Bakkafrost and Føroya Banki will sell up to an additional 1,836,768 Shares in the Offering, with one half each.

5.19 Lock up agreements

The Managers has entered into a lock-up agreement with certain shareholders that are members of the Board and primary insiders of the Company. The agreement applies to the Shareholders themselves and their subsidiaries and affiliates. Under the lock-up agreement such shareholders have undertaken not to sell, issue put-options on, or in any other way transfer any rights to shares and options they as of today own or will receive in P/f Bakkafrost, within six months from the first day the shares of P/f Bakkafrost are listed on the Oslo Stock Exchange, without the prior written consent of the Managers.

Consent from the Managers shall not be denied without just cause, and shall normally be given to the extent sale is necessary to pay tax in relation to the issuance or exercise of options.

The lock-up agreement comprises Hans Jacobsen, Regin Jacobsen and Sp/f Havsbrun. Hans Jacobsen and Regin Jacobsen will sell a total of up to 1,387,500 Secondary Shares in the Offering. Adjusted for such Secondary Shares, the lock-up agreement comprises of a total of 15,504,694 Shares, which constitutes 36.52% of the Company's Shares.

Exempt from the lock-up agreement can be granted by the Managers, upon written request. The Manager's decision will be based upon the Manager's own judgment, and exemptions will be reported through the Oslo Børs's news releases prior to a potential sale. In case of an identical offer for all of the Shares and the offer is recommended by Bakkafrost's Board of Directors, exempt from the lock-up agreement will be granted.

5.20 Interests of Natural and Legal Persons Involved in the Offering

Nordea Markets is an integrated part of Nordea Bank Norge ASA, which is one of the main lenders to the Company (refer to section 8.11.6). Accordingly Nordea Bank Norge ASA may have conflicting interests between its role as Manager and other its role as main lender or other capacities and may act in its own interests or in the interest of any of its respective affiliates or customers and may act in more than one capacity in relation to the Offering. Nordea Bank Norge ASA has no obligation to use any information obtained from another source for the purposes of the Offering or to exchange information within its different business units. In accordance with the Norwegian Securities Trading Act and the Commercial Banks Act, there is a duty of secrecy between the different units of Nordea Bank Norge ASA, including between Nordea Bank Norge ASA's lending department and Nordea Markets.

Føroya Banki Corporate Finance is an integrated part of P/f Føroya Banki, which is one of the main lenders to the Company (refer to section 8.11.6) and a Selling Shareholders (refer to section 5.18). Accordingly P/f Føroya Banki may have conflicting interests between its role as Manager, Receiving Agent, its role as main lender, Selling Shareholder or other capacities and may act in its own interests or in the interest of any of its respective affiliates or customers and may act in more than one capacity in relation to the Offering. P/f Føroya Banki has no obligation to use any information obtained from another source for the purposes of the Offering or to exchange information within its different business units. In accordance with the Faroese Financial Business Act the management and employees of P/f Føroya Banki are bound by a duty of secrecy in respect of information obtained during the performance of their duties

Nordea Bank Norge ASA and Føroya Banki or their affiliates are currently providing, and may provide in the future, investment and commercial banking services to the Company and its affiliates in the ordinary course of business, for which they may receive and may continue to receive customary fees and commissions.

Carnegie ASA or their affiliates are currently providing, and may provide in the future, investment banking services to the Company and its affiliates in the ordinary course of business, for which they may receive and may continue to receive customary fees and commissions.

Nordea Bank Norge ASA, Føroya Banki and Carnegie ASA are Managers of the Offering and receive fees and commission in this regard.

Føroya Banki currently owns 15,568,136 Existing Shares in the Company and is also taking part in the Offering as the Principal Selling Shareholder.

P/f Bakkafrost currently owns 918,384 Existing Shares in the Company and might also take part in the Offering with up to all 918,384 Existing Shares through the over-allotment and green shoe option as further described in Section 5.16.

Regin Jacobsen currently owns 4,953,717 Existing Shares in the Company and is also taking part in the Offering as a Selling Shareholder

The Company and Føroya Banki will be stock lenders in the issued green shoe option.

To the extent known to the Company no major shareholders or members of the management or Board of Directors intend to subscribe in the offer.

5.21 Managers

The Managers for the Listing and Offering are:

Nordea Markets	**Føroya Banki**	**Carnegie ASA**
Middelthunsgate 17 P.O. Box 1166 Sentrum NO-0107 Oslo Norway	Húsagøta 3 P.O. Box 3048 FO-110 Tórshavn Faroe Islands	Stranden 1 P.O Box 684 Sentrum NO-0106 Oslo Norway

As at the date of this Prospectus, neither the Managers nor any of their employees own any Shares in the Company, exempt from Føroya Banki which is the Principal Selling Shareholder, ref section 5.18 .

5.22 Jurisdiction

The Offer Shares will be issued pursuant to the relevant rules in the Company's Act (Regulation no. 1356 from 9 December 2007 with amendments) and the shares shall be offered according Act No 87 on Securities Trading from 10 February 2006 as amended from time to time, and according to executive orders, issued in accordance with this Act.

This Prospectus is subject to Norwegian law. Any dispute arising in respect of this Prospectus is subject to the exclusive jurisdiction of the Norwegian courts with Oslo District Court as legal venue, however so that any dispute arising in respect of the Faroese Retail Offering is subject to the exclusive jurisdiction of the Faroese courts with Tórshavn District Court ("Sorinskrivarin") as legal venue.

5.23 Expenses and net proceeds

The gross proceeds of the Equity Issue is approx. DKK 75 million (excluding proceeds from any own shares sold through the over-allotment and green shoe option).

Transaction costs and all other directly attributable costs in connection with the IPO will be bourne by the Company. The total costs amount to maximum DKK 13.2 million, where the Managers receive approx. DKK 9.1 million.

The net proceeds of the Equity Issue is minimum DKK 61.8 million. The proceeds will be used for general corporate purposes among others according to section 8.11 "Capitalisation".

6 PRESENTATION OF BAKKAFROST

If not otherwise indicated, the source of the information in this chapter is Bakkafrost. Information which has been sourced from a third party has been accurately reproduced. As far as the Company is able to ascertain from information published by that third party, no facts have been ommitted which would render the reproduced information inaccurate or misleading.

6.1 General

P/F Bakkafrost was incorporated in 1990 on 23 October 1990 under the name P/f Taravík and registered in the Faroe Islands Company register with registration number 1724. P/f Bakkafrost is a public limited company (Faroese: partafelag, P/f) which operates under the Faroese Public Company Act (Act no. 1356 of 09.12.2007). The Company has existed for 19 years as of the date of the Prospectus.

The Company's postal address and contact data are:

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

Bakkafrost had an average of 360 employees in 2009.

6.2 Historical background and company development

Below follows 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 Roland 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
Pacaging operation of flatfish from other Faroese fish producers for the UK market was started. This was mainly to stabilize the existing business, as the caught volumes of herring fell.

1979
Start up of the farming activities as one of the first companies in the Faroe Islands.

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

1990
P/f Bakkafrost was incorporated as P/f Taravík, by Jón Purkhús and Heini Gregersen, and started production of farmed salmon and its own smolt

1992
Restructuring of the Group by Regin Jacobsen, Hans Jacobsen and Martin Jakobsen. At this time the Group had farming licenses for salmon in two fjords, slaugthering capacaties for salmon in Glyvrar, as well as pelagic processing capabilities and production of styropor boxes for transportation of fish.

1995
A Value Added Product ("The VAP") factory for salmon was built in the factory in Glyvrar. The investment was limited, and the capacity low. The Group got the 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
In 2006 the Group grew through acquisitions and mergers and increased its farming capacity with 15,000 tonnes gutted weight to a total capacity of 18,000 tonnes gutted weight of salmon. The Group gained

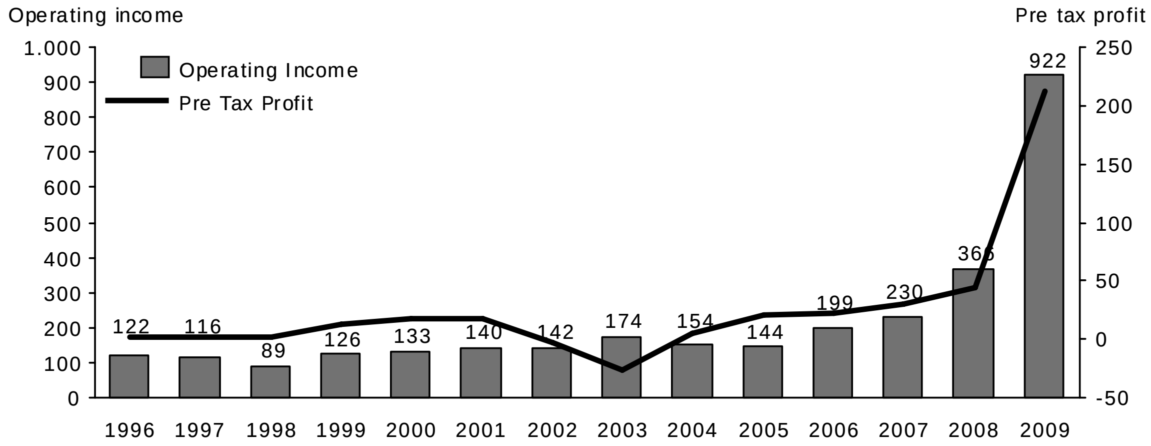
access to six new fish farming fjords and two hatcheries for production of smolts and fry. The Group made large investments to increase the VAP factory in Glyvar to manage the increased volumes and the factory reached a capacity of 55 tonnes gutted weight per day.

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

2009
Best year ever in terms of produced volumes, revenues and operating profit. Decision made to list the company at Oslo Børs during 2010.

2010
Merger with P/f Vestlax Holding finalized. The merged company produced 30,650 tonnes gutted weight in 2009 on a total of 15 licenses.

FIGURE 6-1: DEVELOPMENT IN OPERATING INCOME AND PRE TAX PROFIT (DKK MILLION)

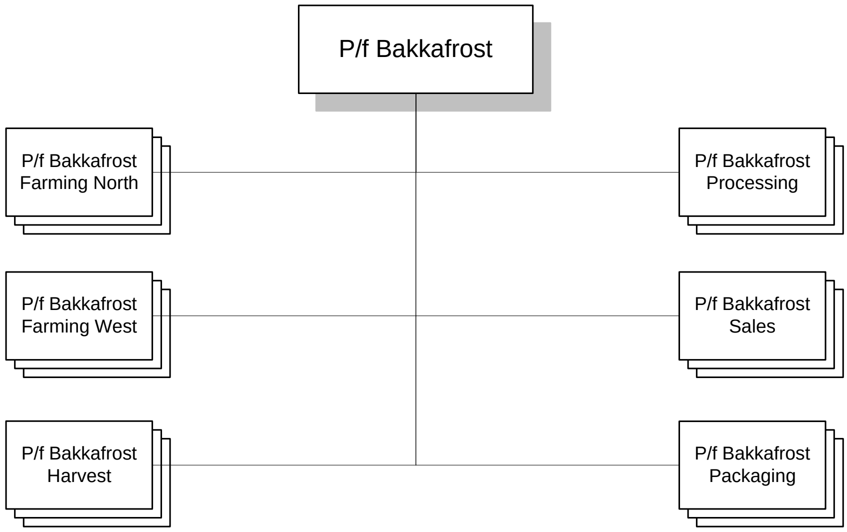


SOURCE: COMPANY [2]

6.3 Legal structure

The figure below shows the Company's legal structure of the Bakkafrost Group as of the date of the Prospectus. The figure provides an overview of the most important Group companies and associated companies. All companies are wholly-owned (100%), unless otherwise stated.

FIGURE 6-2: ORGANISATION CHART P/F BAKKAFROST



SOURCE: COMPANY

[2] 2009 IS PRO FORMA FIGURES FOR THE MERGED COMPANY

6.3.1 Other companies not included in the chart above:

Bakkafrost owns all shares in P/f Faroe Smolt, a company with no activity. Further P/f Sveipur, a company currently wholly owned by P/f Bakkafrost Harvest, is expected to cease to exist after a planned merger with P/f Bakkafrost Packaging.

In addition the Company holds shares representing 56% of the capital and 30% of the votes in P/f Salmon Proteins (ref. section 6.15).

6.4 Description of the companies in the Bakkafrost Group

The Bakkafrost Group is the largest salmon producer in the Faroe Islands. The Group produced 30,650 tonnes gutted weight salmon and trout in 2009. The Bakkafrost Group owns 44 % of total licenses on the Faroe Islands, currently representing about 60 % of total harvest volumes.

The Group operates five fully owned hatcheries and licenses on 14 fish farming sites for marine production of Atlantic salmon in the Faroe Islands in addition to one license currently out of production. The sites are located in thirteen different fjords.

The Group also carries out primary processing and secondary processing. All primary processing takes place at the Group's slaughter facilities in Klaksvík and Kollafjørð, and all secondary processing takes place in the Group's VAP facility in Glyvrar.

6.4.1 P/f Bakkafrost

P/f Bakkafrost is a public limited company and the holding and management company for the Group, headquartered in Glyvrar, Faroe Islands. This company has the full responsibility for the Group's administration and management, including accounting and Group financing as its main activities. The Group administration presently employs 10 people.

6.4.2 P/f Bakkafrost Farming North

P/f Bakkafrost Farming North was established as sp/f Alistøðin á Bakka in 1992 by Regin Jacobsen, Hans Jacobsen and Martin Jakobsen, as a private limited company, with registered office in Glyvrar, Faroe Islands. Since then, the company has produced farmed salmon and produced its own smolt.

The company is fully integrated in Bakkafrost and is managed by the Group management. The company owns 8 licenses and has a production of 18,700 tonnes gutted weight of salmon in 2009. The company presently employs 52 people.

6.4.3 P/f Bakkafrost Farming West

P/f Bakkafrost Farming West was established as Vestlax p/f in 1986 by Suni Durhuus and Jógvan Durhuus as a private limited company, with registered office in Vestmanna, Faroe Islands.

Today the company is fully integrated in Bakkafrost and is managed by the Group management. The company owns 7 licenses and produced 12,000 tonnes gutted weight of salmon and trout in 2009. The company owns its own hatcheries and slaughery. The company employs 37 people.

6.4.4 P/f Bakkafrost Harvest

P/f Bakkafrost Harvest was established in 1990 by P/f Bakkafrost Farming West as a private limited company, with registered office in Kollafjørð, Faroe Islands.

Today the company carries out the slaughery activity for the Group with addition of some fish from external customers. The company built a new slaughtery for salmon in 2002 in Klaksvik. The company has a second factory in Kollafjørð with a processing capacity of 100 tonnes gutted weight per day. P/f Bakkafrost Harvest was sold from P/f Bakkafrost Farming West to P/f Bakkafrost in January 2010. The company employs 120 people. For a more detailed description of the operations see section 6.12.

6.4.5 P/f Bakkafrost Processing

P/f Bakkafrost Processing was established as P/f Kryvjing in 2001 by P/f Bakkafrost Holding and East Salmon as a private limited company, with registered office in Klaksvík, Faroe Islands. The VAP factory was built in 1995 with a major upgrade in 1999 to 2001 and 2006.

The factory has a processing capacity of 60 tonnes gutted weight per day. The company employs 170 people.

6.4.6 P/f Bakkafrost Sales

P/f Bakkafrost Sales was established as P/f Hellisvað in 1988 by Magnus Danielsen, as a private limited company, with registered office in Glyvrar, Faroe Islands.

The company is now used as sales company for the entire Group. The company employs 6 people.

6.4.7 P/f Bakkafrost Packaging

P/f Bakkafrost Packaging was established as P/f East Salmon in 1995 by Grímur Rasmussen, Líggjas í Bø and Símun Pauli Kunoy as a private limited company, with registered office in Klaksvík, Faroe Islands.

Today the company's is producing styropor boxes. The company has two factories located in Glyvrar and Argir. The boxes are used for the transportation of fresh fish to various markets. The styropor factories are capable of producing boxes for around 35,000 tonnes WFE per year. Around 1/3 of the sales is to external customers. The company employs 5 people.

6.4.8 P/f Sveipur

P/f Sveipur was established in 1988 by Bjarni Dalsgarð and Jørmund Tausen in Faroe Islands. The company operates a styropor factory in Argir. P/f Sveipur is wholly owned by P/f Bakkafrost Harvest and is expected to be merged into P/f Bakkafrost Packaging during Q2 2010 with accounting effect from 1 January 2010. The shares in P/f Sveipur to be received by P/f Bakkafrost Harvest as merger consideration will be sold to Bakkafrost.

6.5 Business objectives and strategy

6.5.1 Vision

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

6.5.2 Strategy

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

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

Downstream, Bakkafrost's long term growth and financial stability is a result of a strategy based on a mix of contract sale of Value Added Products and spot sale of whole gutted fish.

The Company's long term fundamental goals for a healthy, attractive and competitive low cost salmon farming company are to be secured through:

- Control of the entire value chain from smolt to retail product
- Utilization of the benefits from the unique geographical placement of the farms
- Implementation of, and non stop development of best veterinary-, biological- and sustainable practice
- Implementation of best practice regarding quality assurance and traceability
- Utilization of economies of scale through increased size of the harvested fish
- Offering of both value added products as well as whole salmon in order to meet the specific demands of each main market

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

6.5.2.1 Biological security

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

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

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

The graphs below shows the recent development in important parametes as average harvest weight, mortality and feed conversion rate for Faroe Salmon producers, clearly showing the positive development since the introduction of the new veterinary model.

FIGURE 6-3: AVERAGE HARVEST WEIGHT (KG LWE)

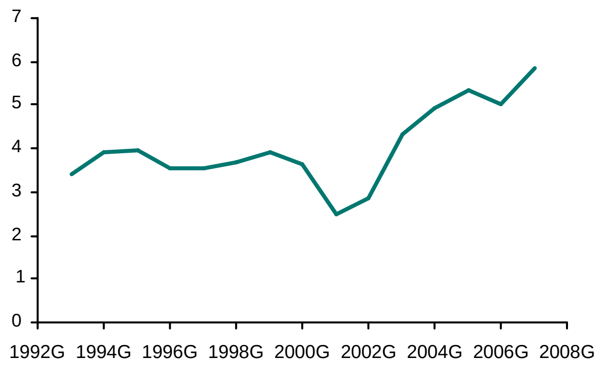


FIGURE 6-4: MORTALITY % OF OUTPUT

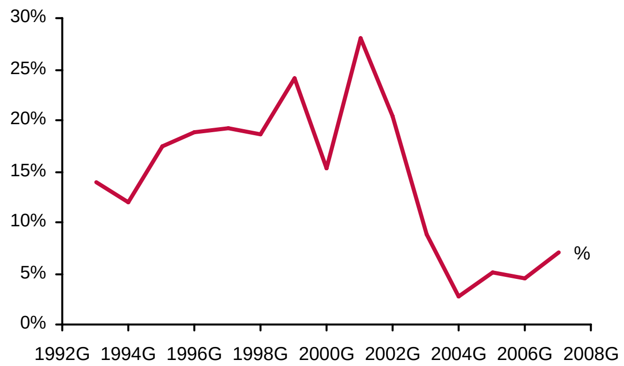


FIGURE 6-5: BIOLOGICAL FEED FACTOR

SOURCE: FARMCONTROL[3]/COMPANY

The low weight and high mortality in 2002 was a result of disease and early harvesting on the remaining fish in order to prevent the disease from spreading. The average harvest weights have increased from a historical low average weight in the 2001 generation and a high mortality of approx. 30% to an average weight of 6 kg in the 2007 generation and a mortality of approx. 7%. The strong biological performance has given the possibility to harvest larger fish, reducing the feed costs per kilo to an average of approx. 1.12 on average in the Faroe Islands.

6.5.2.2 Best Practice - Human resources

The Company shall maintain its focus on human capital and high work satisfaction in order to keep the competence in house and benefit from their expertise in all parts of the process. The Company has 2 HR Managers responsible for the company's human resource management. The annual turnover of staff is 1-3% in the farming division, 3-10% in the harvest division and 10-20% in the processing division. Sales and management has had no changes in staff during the recent year.

The managers of the farming sites have extensive experience, most of them since beginning of the 90'ties and some from mid 80'ties, contributing to the strong results within the farming division. On the high end the Processing division hires a lot of younger personnel looking for short term employment typically 1-2

[3] FARMCONTROL (WWW.WISEFISH.COM) HAS SINCE 1993 REGISTERED AND MONITORED DATA FROM FAROESE FISH FARMERS. NUMBERS SHOWN IN THESE GRAPHS REPRESENT BETWEEN 50-90% OF THE FAROESE FARMED SALMON FARMED FOR GENERATIONS 1993-2002, AND ~100% AFTER 2003

years, hence the higher turnover ratio. The Company are continuously working on improving the work satisfaction within the entire value chain.

6.5.2.3 Cost efficiency

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

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

6.5.2.4 Value added production

In 2009, value added products (VAP), as i.e. portions and fillets, represented 65% of the total revenues in Bakkafrost (pre merger). The VAP operation is based on contractual sale and is hence reducing the fluctuations of the company's financial performance through a business cycle. In order to meet customers' demands it is important to deliver high quality products and a wide range of products.

Bakkafrost will continue to invest in state of the art process equipment in order to meet the market demands on both product quality and new products. The Company will continue optimizing the product portfolio in order to maintain the flexibility of the production between VAP and other products.

6.5.2.5 New opportunities

The merger between Bakkafrost and Vestlax as of 1 January 2010 will give new opportunities for growth through increased utilisation of farming locations and increased raw material base for processing. The company will be better positioned to meet the large volumes requested by both new as well as existing customers within the retail sector, building long term relationships, and at the same time be able to benefit from opportunities within the spot market or explore new opportunities.

6.5.2.6 Growth strategy

Since the new veterinary model was introduced on the Faroe Islands in 2003 Bakkafrost has demonstrated growth of 34 % compounded annually growth in terms of harvest volume. Further growth on existing facilities has to be evaluated after learning how the biological performance develops at this volume.

The company also has the opportunity to grow on the Faroe Islands through increasing the number of licenses. However, as Bakkafrost owns 44% of the licences today and the regulations do not allow any company to own more than 50% of the licenses, the potential following this route is about 6% percent increase in licenses.

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

6.6 Key competitive advantages

6.6.1 Low cost producer

In terms of production costs, the farming operation has delivered strong results following the implementation of the new veterinary regime[4] in the Faroe Islands during 2004. The improved biological control has improved fish health and reduced costs due to deceases and lice control. The increased biological control has also given the opportunity to increase the average harvest weight resulting in decreased costs per kg.

6.6.2 Access to the US market free of import toll on whole fish

Opposed to its Norwegian peers, Faroe salmon producers have no import toll on whole fish to the US market. The Company has established an experienced sales force with long term relations to customers in the US. The Company has a running operation and ongoing 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

[4] A SET OF LAWS IMPLEMENTED FROM 2003 AND ONWARDS IN THE FAROE ISLANDS, STATING QUITE STRICTLY HOW SALMON FARMERS HAVE TO OPERATE.

US. The US market prefers the higher than average size and weight and the high level of omega-3 offered in salmon produced from the Faroe Islands.

6.6.3 VAP

The Company has long time experience in producing and selling VAP products. Production facilities are state of the art, with very high production efficiency. Sold volumes have increased by 34%[5] per annum over the last three years and approximately 18% per annum over the last 10 years.

6.6.4 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 to customers have proven to give a competitive advantage for both Bakkafrost and it's customers through product development and marketing.

6.6.5 Geographical location

Bakkafrost's salmon farms are located in areas with very 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 offers cost efficient transportation of both feed and fish on land and at sea.

6.6.6 Veterinary model

The veterinary model implemented in the Faroe Islands from 2003 and onwards, states quite strictly how salmon farmers have to operate. The main objective of the veterinary model is to increase the biological and veterinary security and support a sustainable and healthy operation.

Through total separation of salmon generations, vaccination against different diseases (ISA among others), strict regulation of movement of equipment and fish, and other regulations, the results for the 2005-2007 generation on feed conversion ratio, mortality and productivity are among the best results ever seen in the Faroe history of salmon production and solid compared to Norwegian peers. (see figures in section 6.5.2)

6.7 Description of the Company's operations

Bakkafrost is the largest salmon producer in the Faroe Islands. The company produced 30,650 tonnes gutted weight in 2009. Bakkafrost owns 44 % of total licenses on the Faroe Islands currently representing around 60% of total harvest volumes[6].

The Company operates five fully owned hatcheries and fourteen fish farming licenses for marine production of Atlantic salmon in the Faroe Islands in addition to one license currently being out of production. The licenses are located in thirteen different fjords.

All primary processing takes place at the slaughtery facilities in Klaksvík and Kollafjørð, and all secondary processing takes place in the VAP facility in Glyvrar.

6.8 The value chain

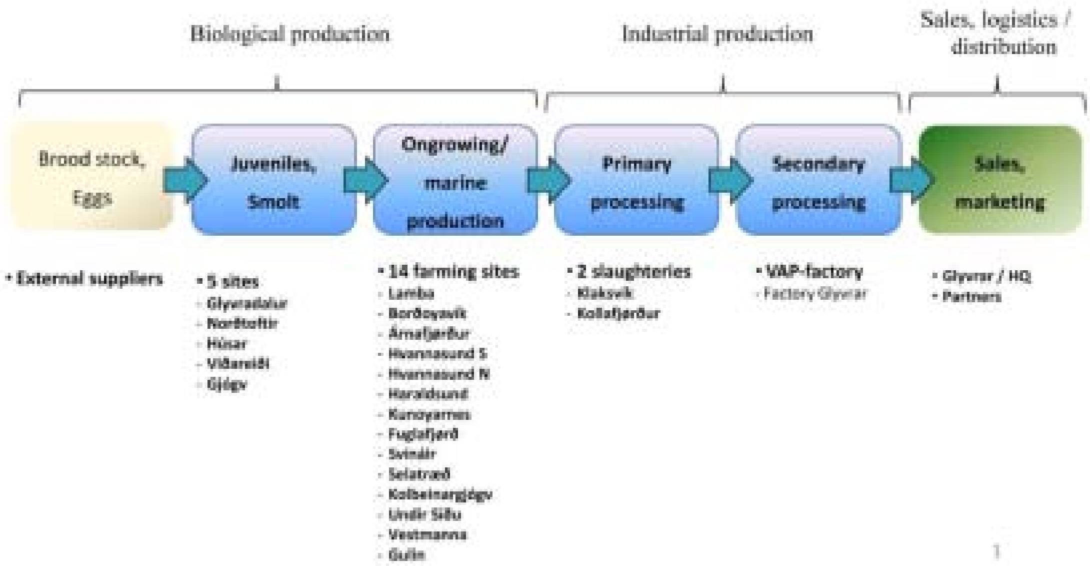
Bakkafrost controls the entire value chain from smolt to sales and marketing. Control of the entire value chain is considered important to be able to control the product flow on a daily basis. Both customers and processing facilities depends on daily availability of salmon, and depends entirely on a steady flow of harvested fish.

The quality of the fish is a result of the whole operation from salmon egg to the processing of the fish. The documentation and traceability from finished product back to the salmon egg and even to the raw materials in Bakkafrost's salmon feed is important for its customers and therefore important to Bakkafrost.

[5] MEASURED IN VOLUME OF RAW MATERIAL
[6] 2009 FIGURES

FIGURE 6-6:VALUE CHAIN

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



SOURCE: COMPANY

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

The Company's core business areas are described in the following sections.

6.9 Brood stock

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

The vitality of the fish is very important. Therefore the selection of the best genetic properties is vital. The resistance to develop 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, where significant efforts and resources are invested to improve product quality and performance.

6.10 Juveniles

Bakkafrost owns a total of eight hatchery licenses. The Company operates five hatcheries with a total production capacity of around seven million smolts per year, making the Company self sufficient with smolts. Bakkafrost has been focused on producing smolts for its own production, and the number of smolts sold to third parties is limited. The Company will expand the hatchery capacity on existing facilities in line with the growth strategy, and this will be completed with limited investments

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 on 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, of which many of the employees have been working at the hatcheries since the early nineties.

Historically, Bakkafrost has released smolts into sea when the weight is between 50-60g. Over the last four years Bakkafrost has changed its strategy and waited until the size of the smolts have reached 80-100g before releasing them into the sea. The Company believes this has had a positive effect when measuring productivity and mortality, and hence contributed to improving the Company results during this period.

TABLE 6-1: HATCHERY LICENSES

Licence. ID	Location	In operations
S-03	Norðtoftir	Y
S-04	Húsar	Y
S-08	Gjógv	Y
S-13	Funningsfjørður	N
S-16	Glyvradalur	Y
S-21	Viðareiði	Y

FIGURE 6-7: HATCHERY LOCATIONS

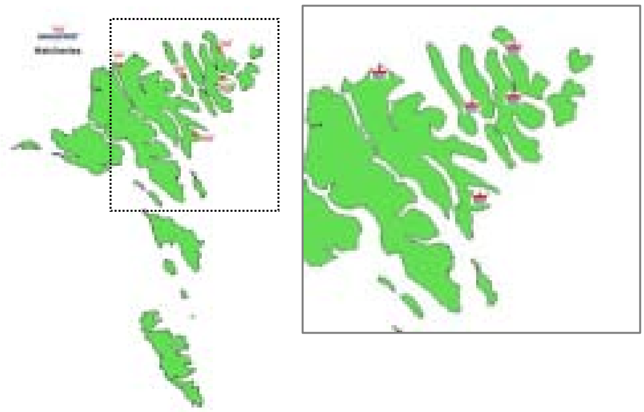


FIGURE 6-8: AVERAGE SMOLT SIZE RELEASED INTO SEA

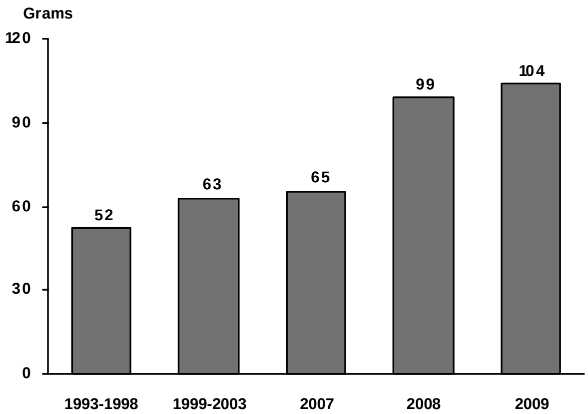
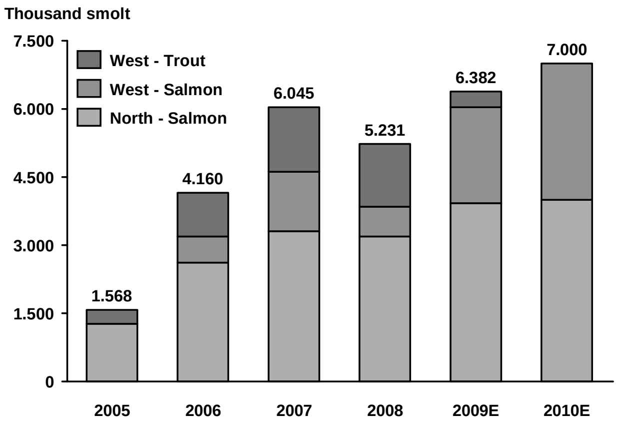


FIGURE 6-9: ANNUAL SMOLT RELEASE



SOURCE: COMPANY

6.11 Farming

Bakkafrost's 15 fish farms are located in the central and northern part of the Faroese Islands. On average, each fish farm can produce around 2,500 tonnes gutted weight per year with present production regime within the next 3-5 years.

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 to up to Bakkafrost's average target weight of about 6.0-6.5 kg wfe. This weight is targeted as this 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 is fed several times a day, and the feed consumption is monitored continuously. Over the last three generations the biological feed conversion rate has decreased from around 1.20 to around 1.10, reducing the feed cost with approx. 8.5%. This is considered to be a direct result from the improved fish health achieved with new veterinary model introduced in 2003.

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 3 – 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 utilization of the feed. On average, the mortality rate has been less than 10% for all farmers on the Faroe Islands since the new veterinary model in the Faroe Islands was implemented.

The main goal of the farming operation is to produce salmon at a low feed conversation rate and with low mortality. In order to reach this goal, Bakkafrost believes the environment is very 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 on 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.

FIGURE 6-10: HISTORICAL BIOLOGICAL FEED CONVERSION RATE PER GENERATION

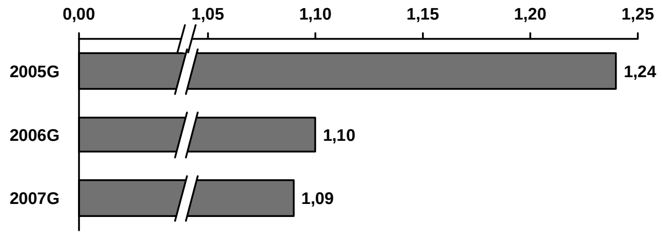
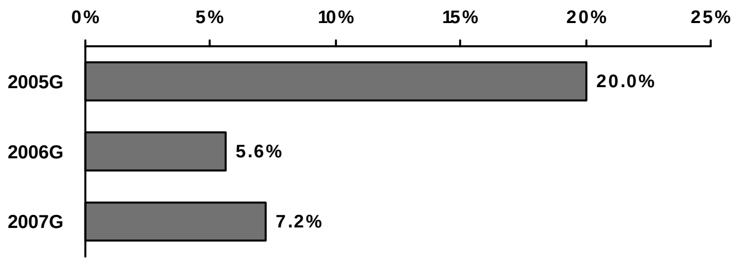


FIGURE 6-11: FARMING SITES

FIGURE 6-12: HISTORICAL MORTALITY PER GENERATION



SOURCE: COMPANY

6.11.1 Farming North

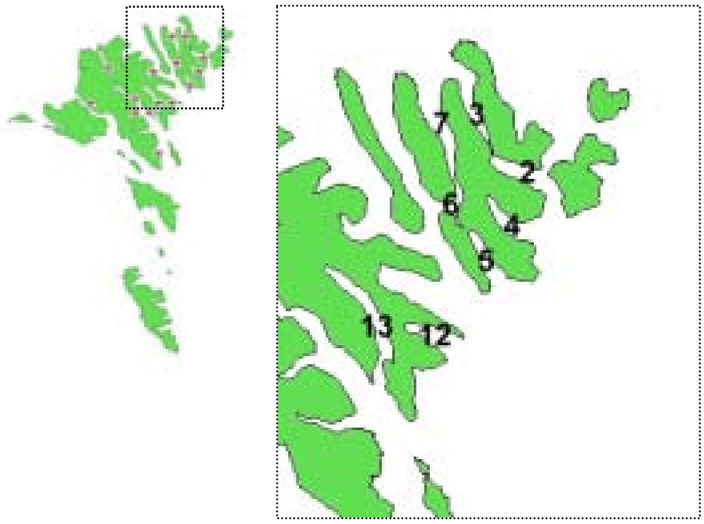
The sites in Farming North (former Faroe Salmon, Bakkafrost) are located in the North-East part of the Faroe Islands. The operations in this region show a strong historical performance based on excellent conditions for salmon farming.

TABLE 6-2: FARMING LICENSES FARMING NORTH

Licence no.	Location	
A-11	2	Hvannasund S
A-21	2	Hvannasund S
A-73	3	Hvannasund N
A-72	7	Haraldsund N
A-63	4	Árnafjørður
A-13	5	Borðoyarvík
A-12	6	Borðoyarvík Haraldsund S
A-04	6 12	Lambavík
A-04 A-34/35	13	Lambavík Skálafjørðurin
A-34	13	Skálafjørðurin
A-35	13	Skálafjørðurin

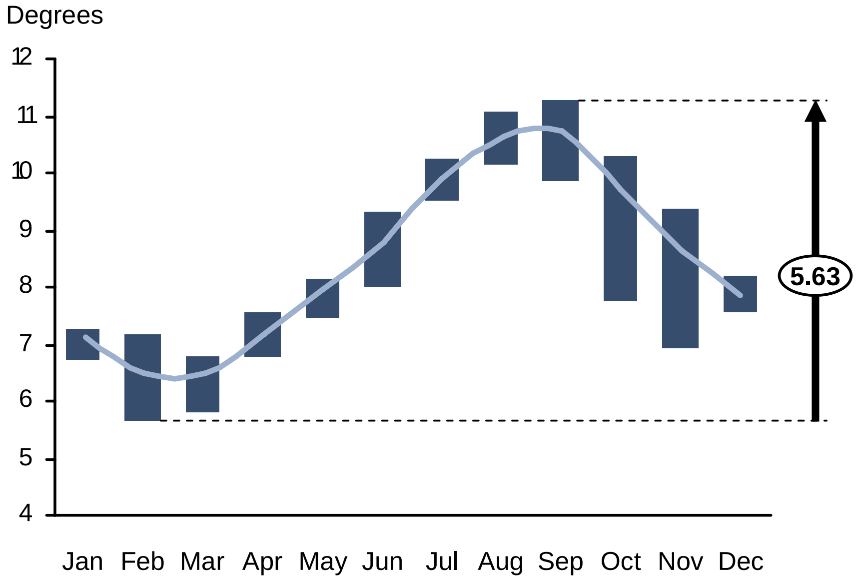
SOURCE: COMPANY

FIGURE 6-13: FARMING LOCATIONS FARMING NORTH



Farming North have historically shown very good productivity due to the general favourable environmental conditions in the sea. The Gulf Stream provides for very stabile conditions throughout the year as well as high water quality due to the non stop current. The water temperature in the region is steady with a fluctuation at only 6°C during a year. The lowest temperatures are usually reached in February at approximately 5.5°C and the highest temperatures are reached in the late summer months at approximately 11.5°C giving a total change in temperature of 5.63 °C through the year.

FIGURE 6-14: SEA TEMPERATURE SKOPUM 2003-2009 AT 18 METERS



SOURCE: COMPANY

Further, the occurrence of salmon lice has been very limited in these sites, again reflecting the favourable biological conditions combined with the veterinary model introduced on the Faroe Islands in 2003.

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

In order to utilize the advantages to reach best practice regarding efficiency and cost minimizing, the company has invested in the best farming equipment available, and will continue to implement the best and newest technology.

The biological situation in Farming North provides the opportunity to utilize higher than average weight of the fish, minimizing unit costs, biological feed factor and giving a best in class performance. The last three years the average weight has increased from 4.4 kg per fish to 5.3 kg gutted weight. The excellent biological situation is crucial to maintain production costs at current levels and to maximize the return from the invested capital.

FIGURE 6-15: BIOLOGICAL FEED FACTOR FARMING NORTH

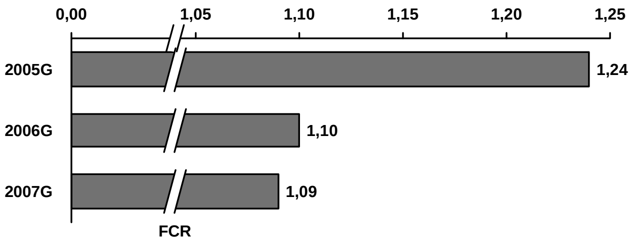


FIGURE 6-16: AVERAGE HARVEST WEIGHT KG FARMING NORTH

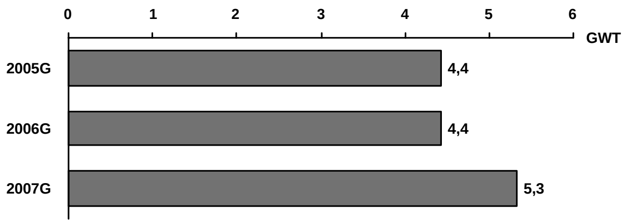
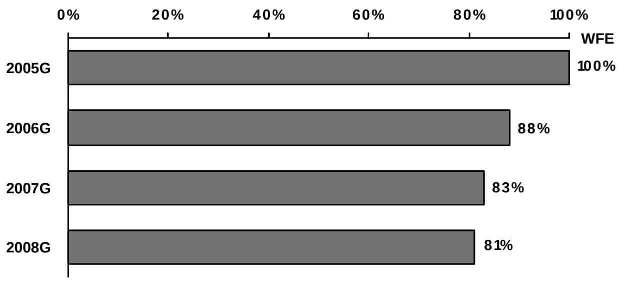


FIGURE 6-17: COST DEVELOPMENT FARMING NORTH AT CAGE INCL. FINANCING AND DEPRECEATIONS



SOURCE: COMPANY

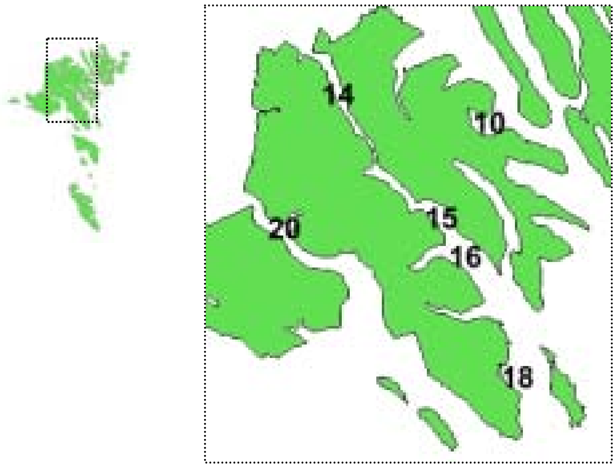
6.11.2 Farming West

The sites in Farming West (former Vestlax) are located in the central part of the Faroe Islands. The locations in Farming West have shown a somewhat lower performance than Farming North. The management of Bakkafrost is however confident that these locations have the same potential in terms of biological performance and corresponding low production costs as the natural given factors are more or less the same.

TABLE 6-3: FARMING LICENSES FARMING WEST

Licence no.	Location	
A-57	10	Fuglafjørður
A-03	14	Sundini N
A-80	15	Sundini S
A-05	16	Kollafjørður
A-81	16	Kollafjørður
A-06	18	Nólsoyarfjørður
A-69	20	Vestmannahavn
A-07/37	20	Vestmannahavn

FIGURE 6-18: FARMING LOCATIONS FARMING WEST



SOURCE: COMPANY

As for Farming North, also these sites have constant supplies of fresh seawater due to the Gulf Stream. But opposite to the Bakkafrost sites in Farming North, where Bakkafrost operates regions without being close to other salmon farmers, the areas in region West are shared with other salmon farmers (Marine Harvest at two locations and Viking Salmon at one location). Unsynchronised operations between the companies have in the opinion of Bakkafrost been decisive reasons why the sites in Farming West have not performed equally well, i.e. contributing to occurrence of salmon lice in locations 14-16 during 2009.

Going forward, all companies have agreed to act synchronised in terms of temporarily and regularly fallowing of the locations and halt of operations as from 1st July 2010 for two months before releasing new smolts into the area. This is a way of operations being similar to how operations are conducted in Farming North, and is expected to improve the biological situation in the area.

Management believes the locations have potential to increase the size of harvested fish over time through adopting the best practice from Farming North. The farming areas are large, and have good capacity to support the quantities farmed on each site.

Apart form the biological factors referred to above when comparing production costs in Farming North and Farming West, another reason is the fact that Farming West is in a process to scale up the production and is therefore not utilizing the production capacity in full. The increased production and investment in production equipment will continue during 2010. Performance for Farming West is shown in the figures below.

FIGURE 6-19: AVERAGE HARVEST SIZE FARMING WEST

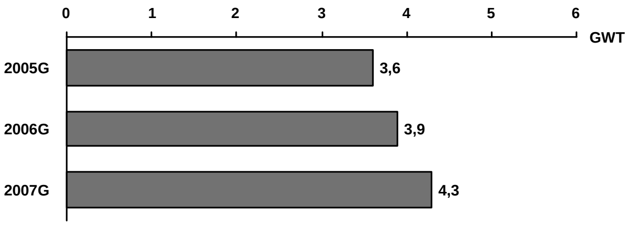


FIGURE 6-20: BIOLOGICAL FEED FACTOR FARMING WEST

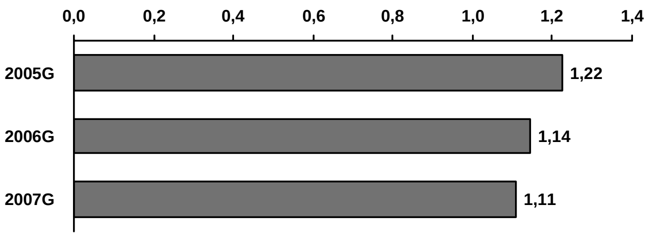
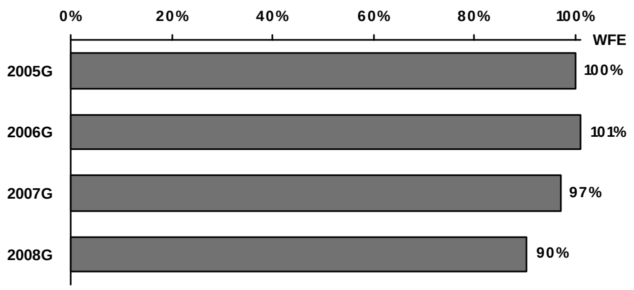


FIGURE 6-21: COST DEVELOPMENT FARMING WEST AT CAGE INCL. FINANCING AND DEPRECEATIONS

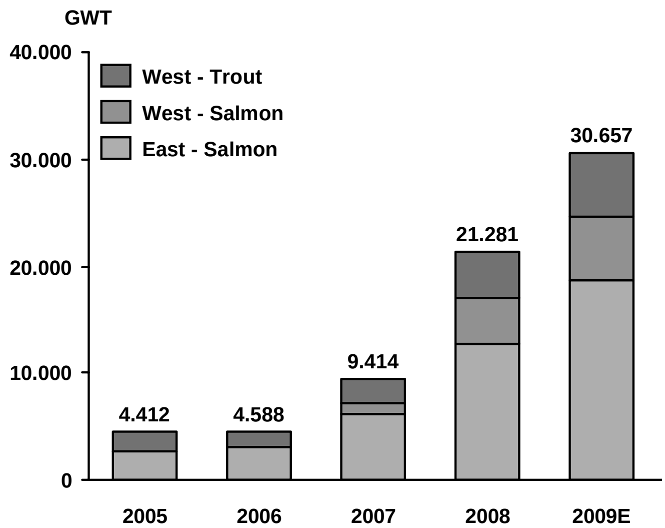


SOURCE: COMPANY

6.12 Harvesting

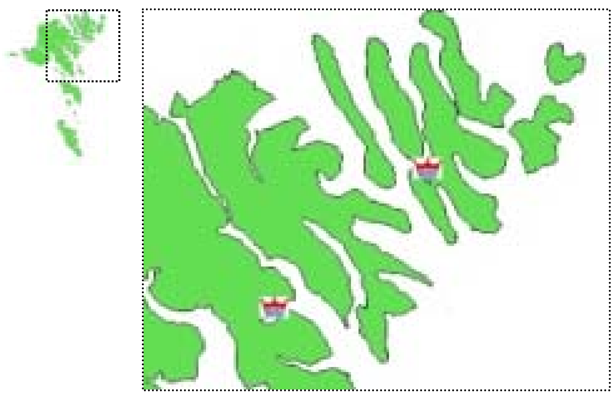
The total harvested volumes in 2009 were about 30,650 tonnes gutted weight.

FIGURE 6-22: HARVEST VOLUMES



SOURCE: COMPANY

FIGURE 6-23: PROCESSING PLANTS



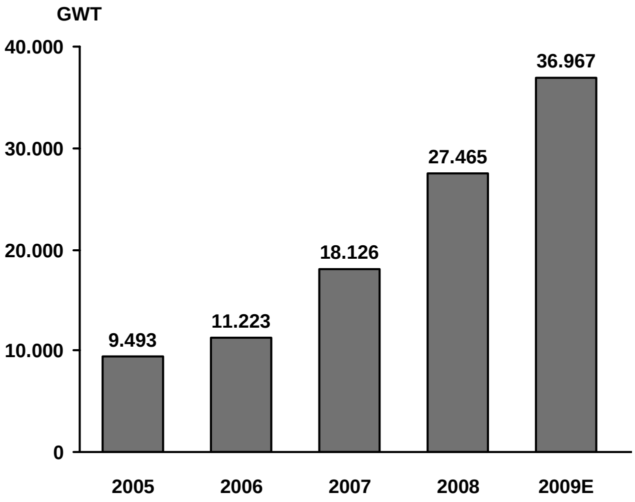
Going forward, Bakkafrost has decided to terminate the trout activities, and only focus on the production of Atlantic salmon. In 2009 trout volumes delivered 19% of the total volume, but will be fully phased out by 2012. Expectedly, this will result in a better utilization of the existing facilities in the harvesting and processing capacity and an improved market position within the focus segments of the Company.

The decline in the processing volumes in 2010 is due to reduced volumes in Farming West. The Company will continue to process volumes from 3rd parties to utilise spare capacity.

All the fish are harvested at the slaughtery factories in Klaksvík and Kollafjørð. The slaughteries have a daily capacity of around 220 tonnes lwe at the current run rate at 1½ shift in average. The fish is 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: One smaller well boat (230m3/45 tonnes wfe) and a larger well boat (660m3/ 110 tonnes WFE), both with closed systems.

FIGURE 6-24: PRIMARY PROCESSING INCL. 3RD PARTIES



SOURCE: COMPANY

6.12.1 Slaughtery Klaksvík (North region)

The Klaksvík slaughtery is a modern facility at 2,000 m^2 built during 2002-03. The efficiency of the slaughtery is high and stable as it is equipped with the newest technology available. The capacity is 100 tonnes lwe per day per eight hour shift. The slaughtery employs 50 people (full time equivalents).

6.12.2 Slaughtery Kollafjørður (Central region)

The slaughtery in Kollafjørður is from 1984 and was rebuilt during the early nineties for salmon harvesting. The daily capacity is 120 tonnes lwe running two 8 hour shifts. The facility also offers a freezing capacity of 40 tonnes gutted weight per day. The slaughtery is scheduled for an update during 2010 to meet the Company’s goals on quality, efficiency and productivity.

There are 70 people employed at the slaughtery in Kollafjørður (full time equivalents).

6.13 Processing and refinement

The 4,000 m^2 VAP factory in Glyvrar has a capacity of producing 30 tonnes (product weight) of skin- and boneless 125g vacuum-packed portions in retail boxes per day.

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

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

The Company intends to continuously upgrade the VAP-factory in order to be able to deliver according to the market demands. Expansions of the factory and production capacity are evaluated, and a decision will be made when it is concluded to be favourable for the Company.

FIGURE 6-25: VAP FACTORY AND HQ

FIGURE 6-26: PRODUCT SPLIT 2009

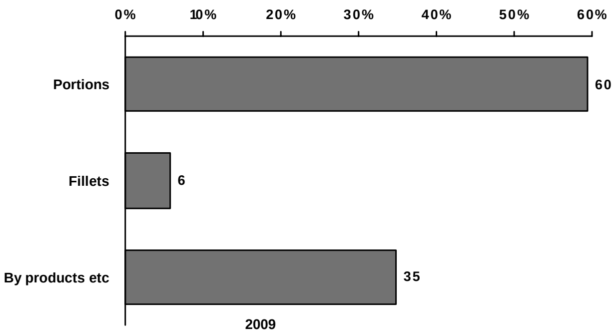
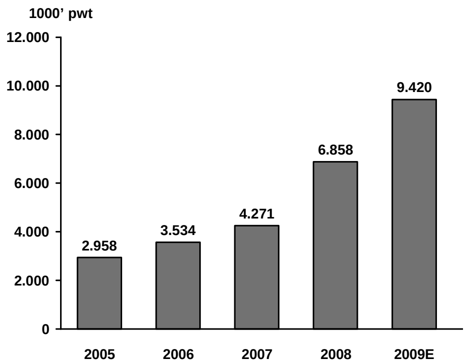


FIGURE 6-27: VAP PRODUCTION, FILLET AND PORTIONS



SOURCE: COMPANY

6.14 Sales and distribution

6.14.1 Sales strategy

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

The two most important markets are the European market and the US market, in which Bakkafrost mainly sells VAP products and whole fish. In general, 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 both 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 super-market chains by securing product availability and stable high quality and preferred products.

FIGURE 6-28: SPLIT CONTRACT VS SPOT, % OF TOTAL SALES DKK, BAKKAFROST 2009, ACTUAL FIGURES

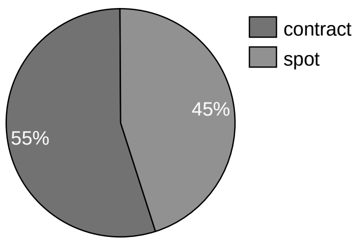
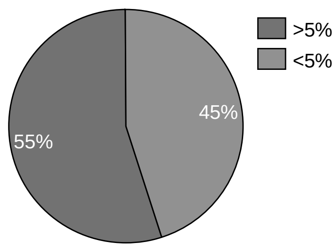


FIGURE 6-29: SPLIT LARGE VS SMALL CUSTOMERS, % OF TOTAL SALES DKK, BAKKAFROST 2009, ACTUAL FIGURES



SOURCE: COMPANY

6.14.2 Distribution

Current distribution network are based on boat to Europe and plane to the US. The Company are able to distribute both fresh and frozen fish to the market.

With existing distribution network Bakkafrost are able to ship products to Scotland within 20 hours by boat. From Scotland the products are distributed by plane to major airports in the US within a total of 24 hours with a total cost of DKK 8-9 pr kg from factory to customer.

Products planned for the European markets are transported by boat to Denmark within 2 days for further distribution on trucks.

6.15 Description of associated companies

6.15.1 P/f Salmon Proteins:

P/f Salmon Proteins was established by all the Faroese fish farming companies in 2001 with registered office in Eiði. The purpose of the company is to optimize the output of ensilage economically and to establish and maintain a secure system to collect and distribute ensilage from all fish farmers and processing plants in a biologically secure system.

The equity of the company was 9,152,347 DKK by 31 December 2009. Bakkafrost has not received dividends during 2009.

P/f Salmon Proteins has as of 31.12.09 following amounts outstanding to/receivables in P/f Bakkafrost:

DKK 129,375

Shareholding percentage and future ownership:

Bakkafrost Group: 56% of the shares; 30% of the votes

The share capital was 5,060,000 DKK, fully paid, representing a total of 50,600 votes. The shareholders have agreed in EGM November 2009 to change the Articles of Association of the P/f Salmon Proteins so that no shareholder can vote with more than 30 % on the general assembly. Bakkafrost will after this ammendment be able to vote for a total of 30% of the total share capital corresponding to 15,200 votes.

TABLE 6-4: SALMON PROTEINS, KEY FIGURES

Salmon Proteins, results and balance over the last four years:				
DKK 1,000	**FO-GAAP 2006**	**FO-GAAP 2007**	**FO-GAAP 2008**	**FO-GAAP 2009 (unaudited)**
Profit after tax	918	2,148	-390	1,042
Balance	18,045	18,161	15,075	14,604
Equity	7,352	9,500	8,110	9,152

SOURCE: COMPANY

6.16 Description of potential operation sites

One farm site (A05) has been leased out to another fish farming company. Bakkafrost will start production in this site late 2010 and the first salmon farmed under Bakkafrost from this site will be sold during 2012. There are potential capacities in some of the other sites (A06/A07/A69/A37 and A57) compared with historical production before the crisis in 2003.

6.17 Trend information

In the period between 31 December 2009 and the date of this Prospectus the Company has experienced a positive development. Market situation has improved in January and February 2010 compared with same months in 2009. Sales prices have increased, and the currency situation has changed so the prices in DKK have improved even more. The sold volumes in January 2010 has been higher than January 2009, but the biomass is reduced, and this will cause a lower sales volume during the the rest of Q1 and Q2-2010. Contracts on VAP products are on a higher price level than in 2009.

Bakkafrost has not experienced any changes of trends outside the course of business, which is not mentioned elsewhere in this Prospectus, which are significant to the Company, and the management of Bakkafrost. Please see Section 9 "Market information", Section 10 "Financial information" and Section 13 "Shareholder matters and relevant company and securities law" for more information about significant trends in the Group's business and relevant matters.

6.18 Other matters

6.18.1 Regulations

In the aquaculture industry there are extensive governmental regulations relating to technical and safety issues. These regulations apply to all participants and do not present any particular challenge for the Company. See chapter 13, "Legal Matters" for more information.

6.18.2 The environment

As of the date of the Prospectus the Company is in compliance with all environmental regulations in Faroe Islands and is not involved in any proceedings or investigation related to environmental issues.

6.18.3 Patents

The Company currently holds no patents material for its business or profitability

6.18.4 Research and development (R&D)

The Company does not undertake any significant research and development activities.

6.18.5 Industrial, commercial or financial contracts

Bakkafrost has feed contracts with Havsbrun. These contracts are renewed on a 3 month basis and are in line with market prices and conditions.

Bakkafrost sells a significant amount of Value Added Product to customers on contracts. These contracts are based on market terms and prices and renewed on a regular basis.

Other than contracts entered into in the ordinary course of business, the Company and its subsidiaries have not entered into material contracts or contracts which contain any provision under which any member of the group has any obligation or entitlement which is material to the Company as of the date of the Prospectus.

7 MARKET INFORMATION

This chapter The Market and the information presented herein, as text, numbers and graphs or otherwise, is prepared by and is the property of Kontali Analyse AS. The information is provided on the request of Nordea Markets/P/L Bakkafrost for the exclusive purpose of this Prospectus issued by P/L Bakkafrost in relation to its initial public offering on the Oslo Stock Exchange in 2010. The information shall not without the prior written consent of Kontali Analyse AS be used for any other purpose than the Prospectus or be reproduced, published or distributed by any recipient for in any way or for any purpose.

The information provided in this chapter The Market represents the opinions of Kontali Analyse AS, and is subject to change at any time without notice. Kontali Analyse AS does not make any representation as to the accuracy or completeness of the information and it should not be relied upon as such.

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When reference is made to the Food and Agriculture Organisation of the United Nations (FAO), the publication referred to is ”The State of World Fisheries and Aquaculture 2008” if not otherwise indicated in the text. The report is prepared by FAO and dated Rome, 2009.

7.1 Seafood as part of World food supply

7.1.1 Seafood Consumption Overview and Trends

The Food and Agriculture Organization of the United Nations (the “FAO”) have estimated that in 2006 the total human consumption of seafood was approximately 110.4 million tonnes. According to the FAO, the demand for seafood has been growing and was expected to continue growing, at a faster rate than most of the other main food product categories. The following factors have been identified as the main drivers for continuing growth:

Increase of per capita consumption: The global annual per capita consumption of fish has been predicted to increase from about 17.0 kilograms in 2008 to 19-21 kilograms by 2030. In particular, the FAO expected per capita consumption in North America and Europe, the main regions where farmed fish are currently regularly eaten, to increase rapidly over the next 10 years before slowing down to a more moderate growth level.

Increased standard of living: Economic growth in Asia, Europe, the United States and parts of Eastern Europe has led to an increase in standard of living and this has increased the demand for premium food products such as salmon.

Growth in world population: As world population continues to grow, with current projections of an increase from 6 billion people in the year 2000 to around 9 billion by 2050, farmed fish is expected to be one of the many food groups which will experience an increase due to larger demand for animal protein.

Enjoyment, health and practicality: Seafood is considered to be a healthy and nutritious alternative to meat products. It is perceived as a healthy product due to its fairly low cholesterol content. Especially fatty fish such as salmon have a high percentage of Omega 3 fatty acids, which have scientifically proven health benefits. These factors are believed to be key drivers for further growth of farmed fish and salmon in particular, as an alternative to beef, poultry and pork.

Farmed fish production is a more efficient source of protein relative to other sources of animal protein: Fish farming has been shown to have a more efficient rate of conversion of feed into protein. For example, farmed salmon requires less than 50 percent of the weight of feed required to produce an equivalent weight of other animal protein products.

7.1.2 World food supply

FAO have grouped and estimated the total supply of food in 2009 as follows:

The total supply of agriculture is approximately 6,164 million tonnes of which 1,563 million tonnes are used for meat production

The total supply of farmed foods for human consumption is approximately 6,010 million tonnes

Cereals, sugar crops, grains, maize, rice and oil crops represent the majority of world food production (7 157 million tonnes)

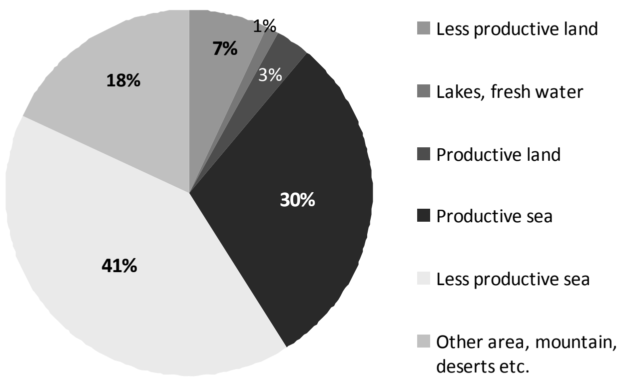
Of the total supply of 6 867 million tonnes, just 143 million tonnes, or 2.1%, was seafood. Correspondingly, 93% of the global food supply was based on agriculture products. However, just 3 %t of the earth’s surface is considered productive farm land. Productive sea resources are considered to be ten times bigger than productive land or 30% of the earth's surface. Hence, sea water represents a huge potential for increased food production for an increasing population.

TABLE 7-1: WORLD FOOD SUPPLY

Production mill tonnes	2003	2008
Cereals	2 081	2 525
Sugar crops	1 586	1 971
Vegetables	841	916
Starchy roots	765	729
Fruits	487	572
Oil crops	557	444
Total	6 317	7 157
Milk	614	693
Total agriculture	6 931	**7 850**
For meat production	1 160	*1 470*
For food manufacture and direct consumption	5 771	6 380
Eggs	61	65
Meat	257	279
Seafood	130	143
Total supply for human consumption	**6 219**	**6 867**

SOURCE: FAO

FIGURE 7-1: THE EARTH SURFACE



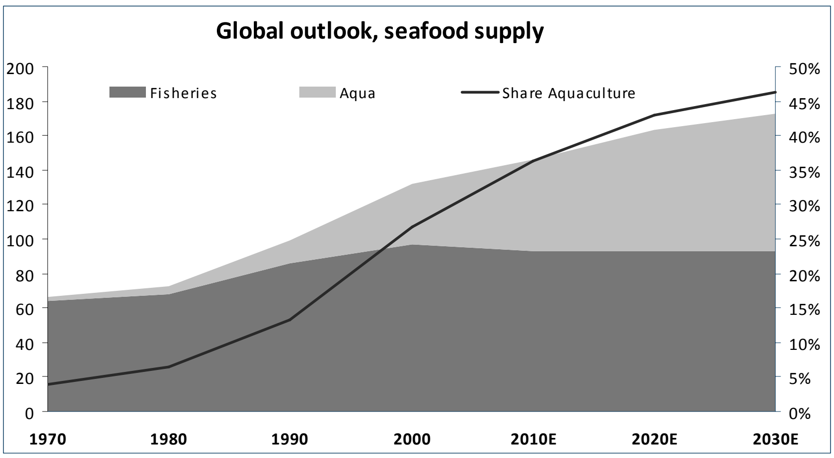
SOURCE: KONTALI ANALYSE/FAO

Demand for seafood is growing at a faster rate than most other food items. Seafood is seen as a healthy and tasty source of protein, the development of processing has also improved its ease of use. The growing demand for seafood has put pressure on the supply for wild fish.

The world catch of fish increased from a level of around 60 million tonnes a year around the 1970-ties to 90 million tonnes in 1995 (+50%). Today most of the wild species are considered to be fully exploited and FAO estimate the global quantity of wild fish catches of 80-90 million tonnes per year to defend a sustainable level. Still, the per capita supplies will be maintained, and even likely to grow, and the rising world consumption of seafood must be supplied by the aquaculture industry.

The figure shows historic and expected development in global supply of aquatic products for human consumption.

FIGURE 7-2: GLOBAL OUTLOOK FOR SUPPLY OF AQUATIC PRODUCTS FROM FISHERIES AND AQUACULTURE FOR HUMAN CONSUMPTION



SOURCE: FAO

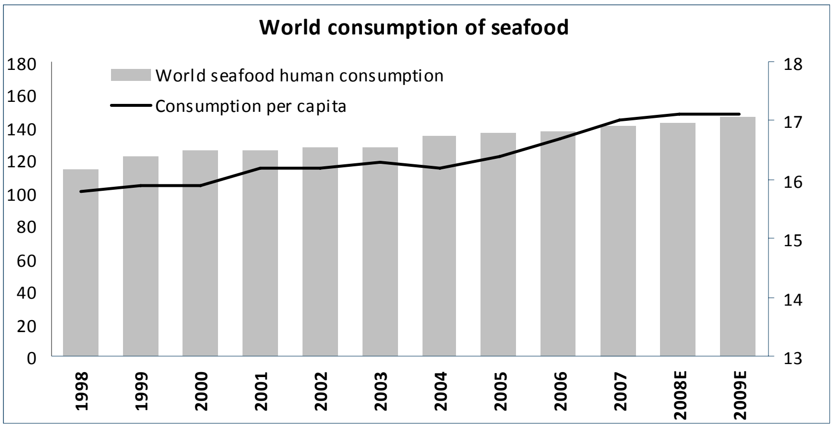
7.1.3 Seafood consumption

The world population is approximately 6.7 billion people. The world population has grown by 1.34% a year since 1990, corresponding to about 80 million people per year. The growth figures indicate a population of around 9-10 billion people by the year 2050.

Fish consumption has undergone major changes in the past four decades. World per capita consumption of fish has increased gradually from an average of 10 kg in the 1960s to about 17kg in 2009. The supply of fish has not grown uniformly in all fish producing regions. China is the major contributor to the growth in supply of fish. Their estimated share of world fish production increased from 21% in 1994 to 35% in 2005, while the Chinese per capita supply was about 26 kg.

The figure shows world seafood production (for human consumption) and consumption per capita 1990 – 2009E:

FIGURE 7-3: WORLD SEAFOOD PRODUCTION AND PER CAPITA CONSUMPTION



SOURCE: FAO

There are large variations in the consumption of seafood, both between regions and in different countries, and also within each country. For main regions, the consumption per capita can be summarized by continent an economic grouping as follows (2005):

Region	**Kg / per capita**
Europe	20.8
North & Central America	18.9
Asia	17.9
South America	8.4
Africa	8.3
Industrialized countries	29.3
Developing countries	16.2

SOURCE: WWW.FAO.ORG

The global increase in fish consumption follows the increase in general food consumption per capita. Over the last decades consumers in the most developed countries are more dynamic in their dieting habits, and the consumption of meat and seafood per capita has a strong relation to consumer revenues. Less food is prepared at home, the supermarkets offer ready to cook products and a larger share of the population can afford dining out. However, many countries continue to face food shortages and nutrient inadequacies, and major inequalities exist in the access to food.

7.1.4 Health aspects and product development

There is an increased focus on the health aspects related to food. Seafood is regarded as a healthy alternative to meat products. Furthermore, lower costs and stable supply of the raw material has increased the efforts related to the development of convenience products. Consumers have for a long time had the perception of fish as difficult to prepare and cook, and to date the largest element of growth has been from the catering and restaurant trade.

However, this situation is rapidly changing, as sales through retailers of processed salmon have shown a substantial increase over the past few years and now account for a large proportion of consumption. The development of more user friendly “ready to cook” products is believed to be a key driver for further growth of salmon as an alternative to chicken, pork and red meat.

7.1.5 Increased standard of living

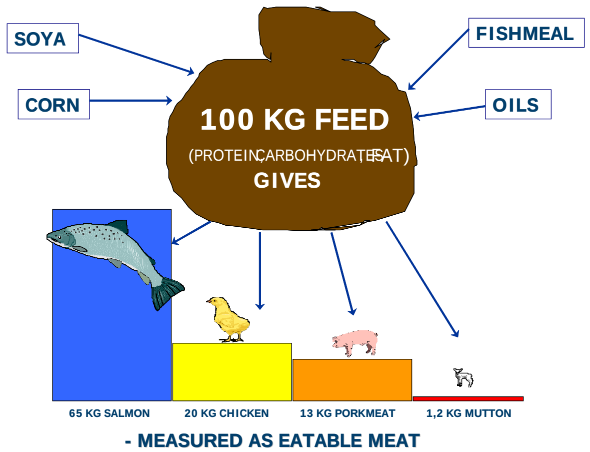
Economic growth in Asia, Europe, the US, and parts of Eastern Europe, has led to an increase in standard of living. The effect has been an increase in demand for premium products and salmon is characterized as a premium product in most markets. Hence, growth prospects are best in developed countries and among the rapidly growing middle class in countries such as Russia, India and China.

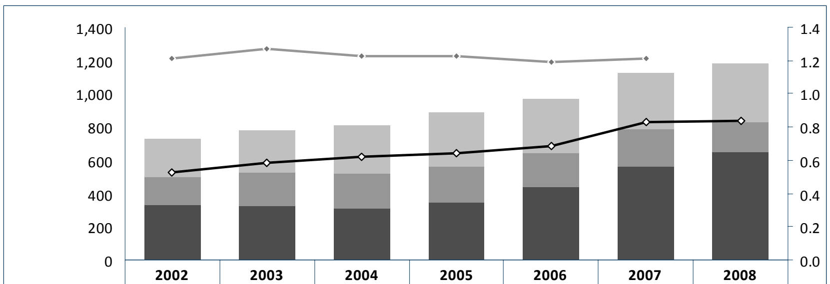
7.1.6 Substitute products

The last 30 years, new farming methods, breeding programs, improved fish feed and scale of operations have reduced cost of production and made farmed seafood more competitive to other food products. Farming of fish is a very effective production. The quantity of feed needed for producing 1 kg fish is much lower than for the production of 1 kg pork or chicken meat. Farmed salmon use about 1.2 kg feed for growing 1 kg, whereas several of the other meats and substitute products use much more, i.e. chicken use 2.5 kg feed, while pork uses 3.0 kg feed for growing 1 kg. The use of marine raw material for producing 1 kg farmed salmon is 1.5 kg.

While production costs for chicken, pork and beef have been reduced very little over the past years, farming of Atlantic salmon has experienced a decline in production cost. The cost of producing one kg of farmed salmon in Norway is about NOK 20/kg (gutted weight), and approximately USD 2.0-2.1 per kilo in Chile.

Figure 7-4:USE OF FEED FOR SALMON AND TROUT IN NORWAY





	2002	2003	2004	2005	2006	2007	2008
Fishmeal	229	254	288	325	325	334	360
Fishoil	169	206	212	219	199	225	178
Vegetables	331	322	309	344	440	564	649
Harvested	528	586	619	645	684	830	840
FCR	1.21	1.27	1.23	1.23	1.19	1.21	

SOURCE: FHL[7]

If there is a limit on the world production of cereals, oil crops, starchy roots, the switch from meat to fish products would result in a better utilization of the feed raw materials.

From an environmental point of view fish farming should be considered more favourable than meat production.

Global wild catches of fish have in most cases reached their natural limits and many of the most important species are showing declining yields. Conventional fisheries are threatened by over-exploitation and increasing costs, while production costs within aquaculture have shown a declining trend. Aquaculture is

[7] HTTP://WWW.FHL.NO/GETFILE.PHP/DOKUMENTER/FAKTAARK_FISKEFOR2009.PDF

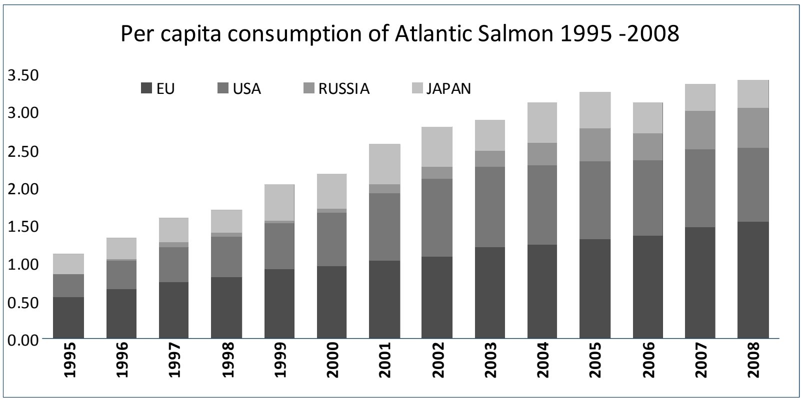
thus becoming a cost effective solution to provide the consumer with fresh fish, at the expense of the stagnating supply of wild fish.

Aquaculture is forecast to continue to grow to meet growing demand. However, the growth rate has slowed down the last years. Biological issues, costs increase and also lower market prices are important factors for reduced production in short terms.

7.2 Main markets for salmon

The EU, the USA, Japan and Russia are the main markets for Atlantic salmon. The EU market is the largest market in terms of volume. The EU market and especially the Russian market have shown solid growth over the last couple of years. These main markets seem to be partly independent of each other with regards to prices and demand, as one could see in 2003 when prices in Europe were very low compared to the relatively strong prices in the USA.

FIGURE 7-5: PER CAPITA CONSUMPTION IN SELECTED MARKETS 1995 – 2008



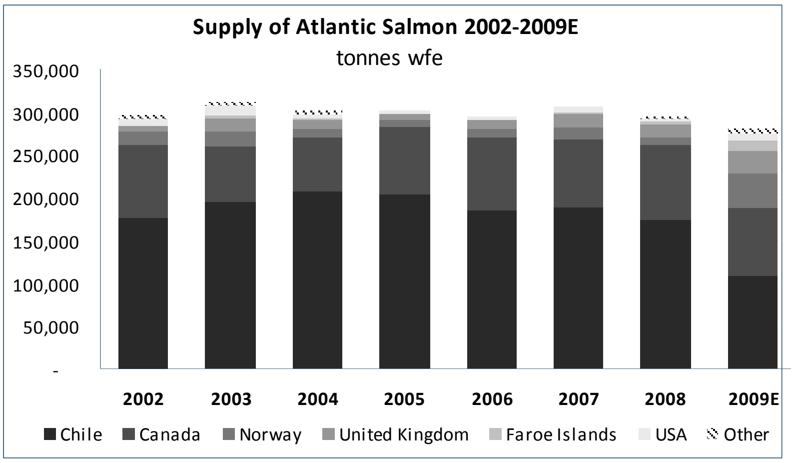
SOURCE: KONTALI ANALYSE

The figure shows per capita consumption for farmed Atlantic salmon 1995–2008 for the selected main markets USA, EU, Russia and Japan.

7.2.1 The US market

The total supply of Atlantic salmon to the US market was approximately 278 800 tonnes in 2009, down by 5% from 2008. The main reason for the decline in supply to the US is lower supply from Chile, which was caused by production problems, mainly ISA problems.

FIGURE 7-6: SUPPLY OF ATLANTIC SALMON IN THE US MARKET 2000 – 2009E, TONNES WFE



SOURCE: KONTALI ANALYSE

The figure shows the historical development in supply volume for the US market in the period 2000 to 2009.

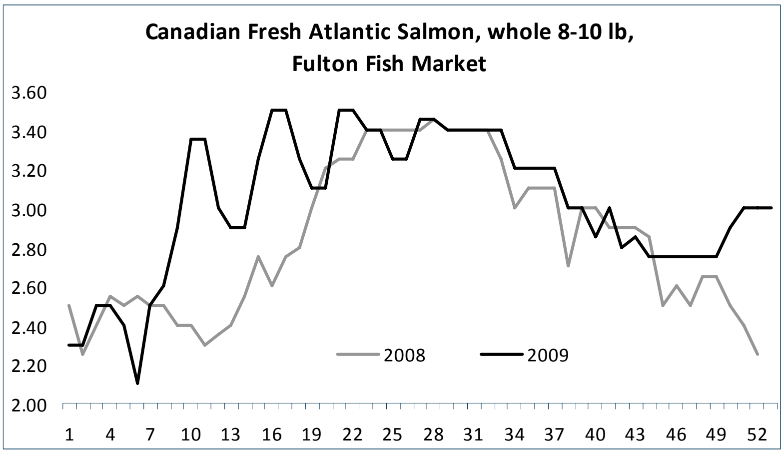
The US share of the total supply has been reduced the last 5 years, from 25% in 2004 to approx. 20% in 2009.

The largest supplier is still Chile with approximately 105.500 tonnes, but the ISA problems in Chile has changed the picture. The European supply to the US-market has increased by nearly 50,000 tonnes. The increased supply from other countries has partially compensated for the drop in supply from Chile and Canada, but the total supply to the US market has dropped by 5% last year.

The US consumption of Atlantic salmon is estimated to 0,91 kg per capita in 2009, down from 0,97 due to reduced supply and increased population. Since 1995 the consumption has increased from 0,3 kg per capita, and the growth in the US consumption of Atlantic salmon is caused both by an increase in the availability and a fall in its price level to consumers. The total fish consumption in the US is also rising, which indicates an increasing preference for seafood.

The current consumption has reached such levels that it probably will be more challenging in the future to achieve double digit growth rates as experienced in the past. The per capita consumption of salmon is nevertheless still relatively low, and considerably lower than the per capita consumption of for example poultry (< 50kg/capita).

FIGURE 7-7: PRICE DEVELOPMENT FULTON FISH MARKET



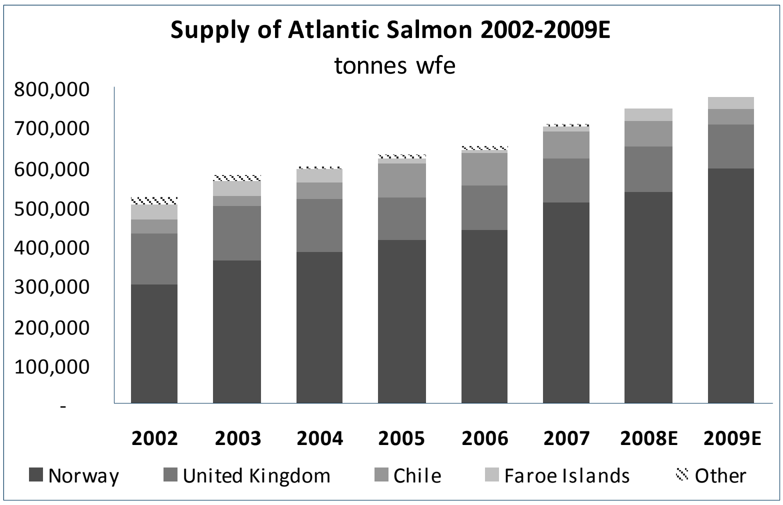
SOURCE: KONTALI ANALYSE

The prices for the Atlantic salmon have been fluctuating over the last 3 years. During 2009 the prices has increased, and in Fulton Fish market, the price for whole Canadian Atlantic salmon has varied from about USD 2/kg in the beginning of the year to about USD 3/kg by the end of the year.

7.2.2 The EU market

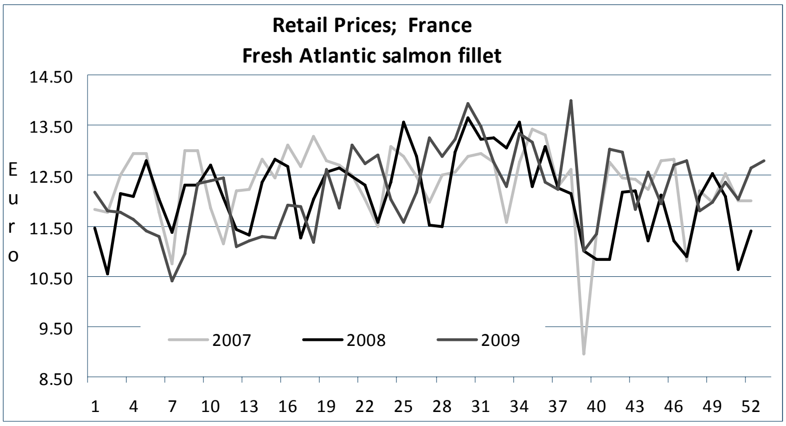
The supply of Atlantic salmon increased from 736.600 tonnes in 2008 to 769.300 tonnes in 2009, constituting an increase of 4%. This was mainly due to increased imports from Norway (77%). The bulk of the salmon supplied to the EU market is still whole gutted fresh fish, while the processing takes place in the market. In contrast, the USA market can to a larger extent be characterized as a market for processed fish as the bulk of the supply is filleted fish from Chile. The EU consumption of farmed salmon constitutes around half of the global consumption, with the largest share of the supply coming from Norwegian and UK salmon farmers.

FIGURE 7-8: SUPPLY OF ATLANTIC SALMON TO THE EU MARKET 2000 – 2009E



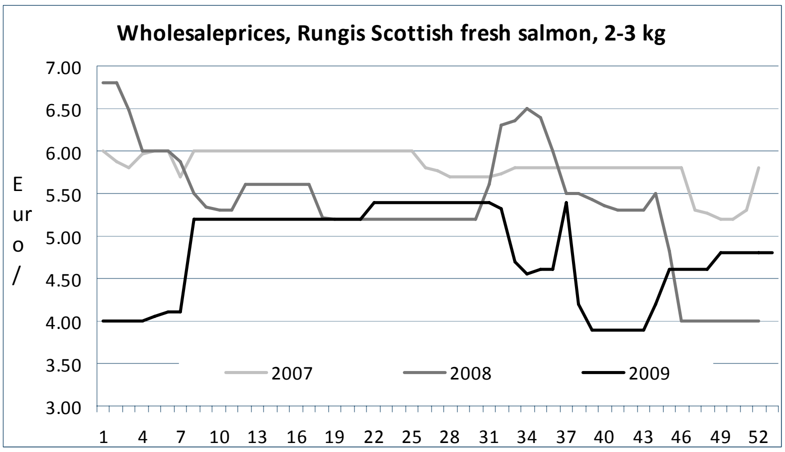
SOURCE: KONTALI ANALYSE

FIGURE 7-9: RETAIL PRICES FRANCE



SOURCE: KONTALI ANALYSE

FIGURE 7-10:WHOLESALES PRICES



SOURCE: KONTALI ANALYSE

In 2009, the prices of farmed Atlantic salmon were higher than the 2 past years. This has not necessarily been reflected in the prices for the retail and wholesale markets, as shown in the figures above.

7.2.3 The market in Japan

The supply of Atlantic salmon to Japan has decreased by 14% from 2008 to 2009 (6.700 tonnes wfe). Atlantic salmon constitutes a relatively small segment in Japan compared to red flesh salmon which includes large trout, coho and sockeye. While the total supply of Atlantic salmon to Japan constituted 46.800 tonnes in 2008, the supply of red salmon amounted to 272.400 tonnes (wfe). The main suppliers of Atlantic salmon to Japan are Norway with more than 70% of the market, while Chile had about 17% (2009). The supply of Atlantic salmon to the Japanese market fluctuates significantly from year to year.

The Chilean supply in 23009 was reduced also to the Japanese market. This reduction was only partly compensated by increased supply from Norway.

Japan has traditionally very high seafood consumption per capita than any other country in the world, constituting around 2.6 kg of Atlantic salmon and red salmon (trout, coho and sockeye) in 2008. However, the major part of Japanese seafood consumption is traditional fish species. In terms of quality requirements, the Japanese market is demanding. The country has a conservative culinary tradition, and as a result of this the Japanese market requires significant market development initiatives. Nevertheless, the market is considered to have a considerable growth potential in the long term as Atlantic salmon gradually improves its position in people's consumption habits.

The figure shows the historical development in supply volume for the Japanese market in the period 2002 to 2009.

FIGURE 7-11: SUPPLY OF ATLANTIC SALMON TO THE JAPANESE MARKET 2000 – 2009E

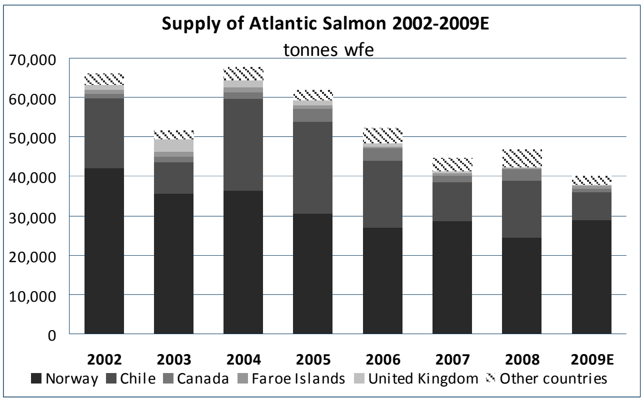


FIGURE 7-12: VOLUMES TO THE TSUKIJII MARKET

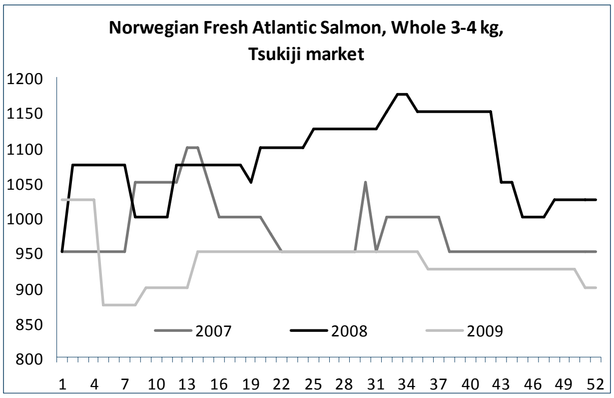


TABLE 7-2: SUPPLY TO THE JAPAN MARKET

Supply of other Red salmon to Japan market *tonnes wfe*

	2002	2003	2004	2005	2006	2007	2008	2009E
Trout	142 500	114 200	127 100	103 400	111 000	109 400	121 200	106 900
Coho	134 500	95 500	107 700	114 000	104 700	102 600	111 900	114 600
Sockeye	65 700	63 100	69 400	83 100	54 500	52 100	59 700	50 900
Total	**342 700**	**272 800**	**304 200**	**300 500**	**270 200**	**264 100**	**292 800**	**272 400**

SOURCE: KONTALI ANALYSE *SOURCE: KONTALI ANALYSE*

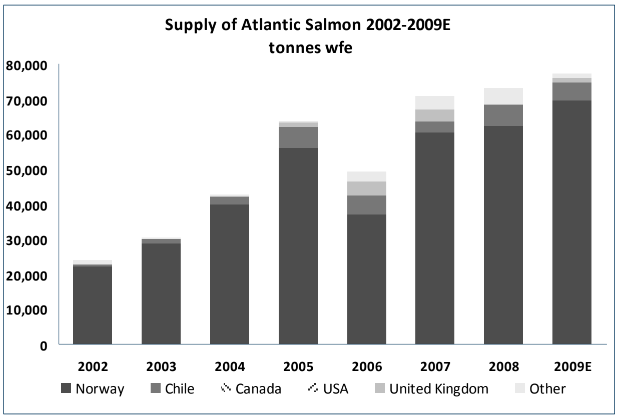
7.2.4 The Russian market

During the last couple of years the Russian market has increased its importance as a major market for Atlantic salmon. The total supply of Atlantic salmon to the Russian market was approximately 78.100 tonnes wfe in 2009, up from 74.800 tonnes in 2008, constituting a 4% increase.

However, in a longer perspective the supply of Atlantic salmon to the Russian market has increased significantly, from less than 10,000 tonnes in 2000. Norway is by far the largest supplier of Atlantic salmon to the Russian market. However, the supply from Norway decreased considerably from 2005 to 2006, after experiencing significant growth for many years. The reason for the decline in 2006 is that Russia banned all fresh fish from Norway in the Russian market from 1 January 2006, as a result of the Russian veterinary authorities claimed they had found too high values of cadmium and lead in the fresh fish. As a consequence, only frozen fish from Norway entered the Russian market during the first quarter of 2006. However, ten salmon producing plants were later approved to resume exports to Russia again. Due to this situation other salmon producers increased their exports to Russia in 2006, compared to 2005. However, this could not weigh up to the decreased quantity from Norway. In 2007, Norway is back on the levels before the import-ban and supplies the Russian market with more than 60,000 tonnes wfe.

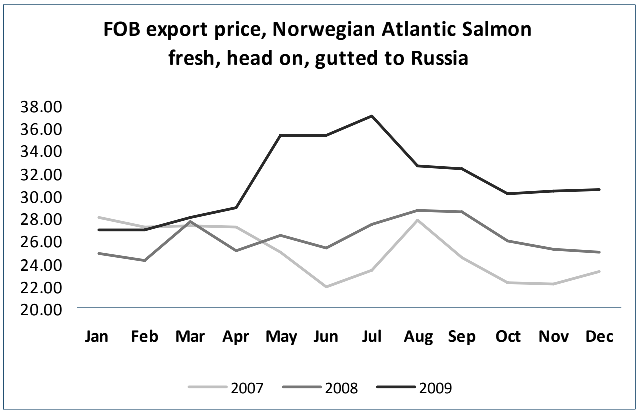
The figure shows the historical development in supply volume for the Russian market in the period 2002 to 2009E.

FIGURE 7-13: SUPPLY OF ATLANTIC SALMON IN THE RUSSIAN MARKET 2002 – 2009E



SOURCE: KONTALI ANALYSE

FIGURE 7-14: FOB PRICES NORWEGIAN SALMON TO RUSSIA



SOURCE: KONTALI ANALYSE

7.2.5 Other Markets

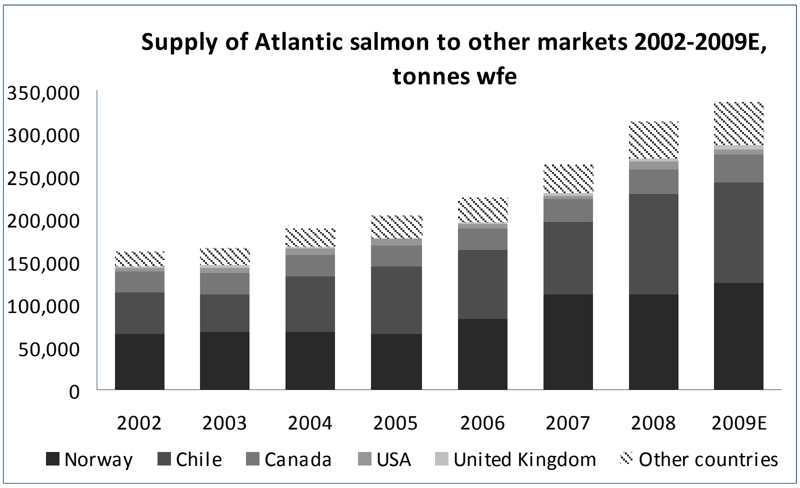
Other markets primarily include Eastern-European countries not part of the EU and Asian countries other than Japan, not least China. These markets are considered to have a significant potential for further growth. Asian countries other than Japan are showing a positive development and good prospects. China and Hong-Kong stand out as the most exciting areas, but consumers of farmed salmon also include countries such as Taiwan,

South-Korea, Singapore, Malaysia, Indonesia, and the Arabic Emirates. Salmon exports to these countries are growing rapidly, but volumes are still relatively low. The Asian markets are characterised by a high population density, cultural tradition for seafood as well as improving purchasing power.

South America is another region with strong potential in the future. The first indications are positive, with increased salmon consumption in Brazil, among others. The increased demand is expected to be met mainly by exports from Chile.

In total, the supply of Atlantic salmon to the other markets increased from 313.900 tonnes wfe in 2008 to 334.100 tonnes wfe in 2009. This constitutes an increase by 6%. Norway and Chile are the largest suppliers of Atlantic salmon to the other markets with a market share of 37% and 34 % respectively (2009).

FIGURE 7-15: SUPPLY OF ATLANTIC SALMON TO OTHER MARKETS 2002 – 2009E



SOURCE: KONTALI ANALYSE

The figure shows the historical development in supply volume for the other markets in the period 2002 to 2009E. As these markets are relatively new, the growth is expected to be higher than the traditional markets going forward.

7.3 Supply – Production regions

7.3.1 Global supply of Atlantic salmon

The global supply of farmed Atlantic salmon had a negative growth by 5% (75 000 tonnes wfe) in 2009 compared to the year before.

Norway, Chile, UK and Canada are the main suppliers of Atlantic salmon. The largest growth potential for production of Atlantic salmon is expected to be in Norway and Chile due to favourable growing conditions and availability of sites.

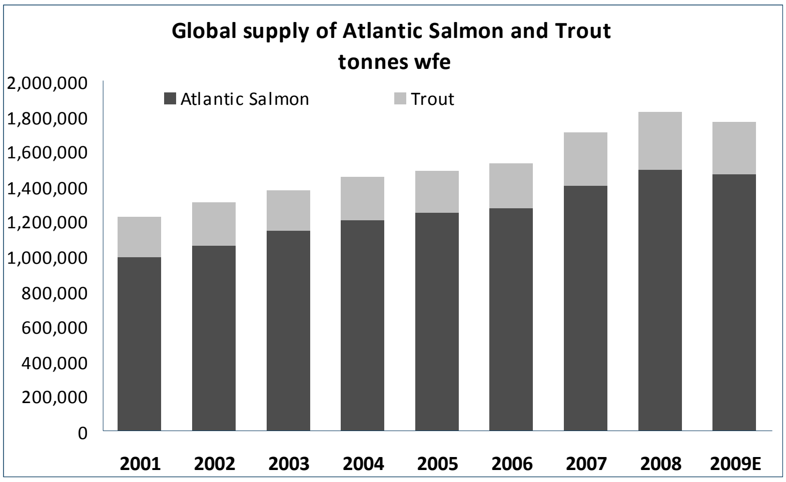
The Global harvest quantity of Atlantic salmon for the period 2001 – 2009E is illustrated in the table below.

TABLE 7-3: GLOBAL HARVEST QUANTITY OF ATLANTIC SALMON

Global supply of Atlantic salmon *tonnes wfe*

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009E
Norway	411 300	444 100	508 400	536 900	573 500	598 600	723 100	740 900	855 700
Chile	244 900	268 200	280 700	346 200	385 200	368 600	356 400	403 100	234 500
UK	131 400	140 100	160 900	149 800	119 700	127 400	134 800	136 500	144 900
Canada	99 300	112 000	92 000	89 000	107 500	115 000	109 500	118 500	113 700
Faroe Islands	41 000	42 100	47 000	36 700	17 100	11 900	19 200	37 800	47 900
USA	21 400	13 200	18 000	13 300	9 600	10 200	12 300	17 000	16 400
Ireland	23 700	22 300	18 400	12 400	12 400	14 500	15 300	11 400	15 500
Others	14 700	14 500	17 700	20 700	24 400	23 400	25 300	26 700	32 700
Total	**987 700**	**1 056 500**	**1 143 100**	**1 205 000**	**1 249 400**	**1 269 600**	**1 395 900**	**1 491 900**	**1 461 300**

FIGURE 7-16: GLOBAL SUPPLY OF ATLANTIC SALMON AND LARGE TROUT 2001-2009E



SOURCE: KONTALI ANALYSE

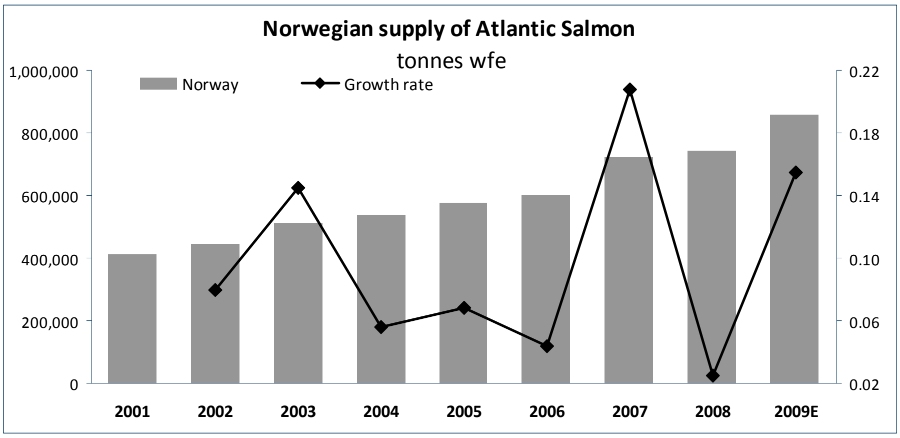
In addition to Atlantic Salmon, supply of farmed large trout in 2009 amounted to approximately 299 .600 tonnes (wfe). Nearly 80 per cent of the global large trout production takes place in Chile and Norway. The figure below illustrate the development of global production of Atlantic salmon and large trout in the period 2001-2009E.

7.3.2 Norway

Total harvest quantity of Atlantic salmon in Norway in 2009 was 855 700 tonnes (wfe). This represents a growth of 16% compared to the year before.

The salmon farming industry was granted 65 new licenses during 2009, hereof 5 dedicated for organic production. Up to now, only few farmers have produced organic salmon, estimated to approx. 2 – 2 500 tonnes (head on gutted) in 2009.

FIGURE 7-17: NORWEGIAN SUPPLY OG ATLANTIC SALMON, TONNES WFE

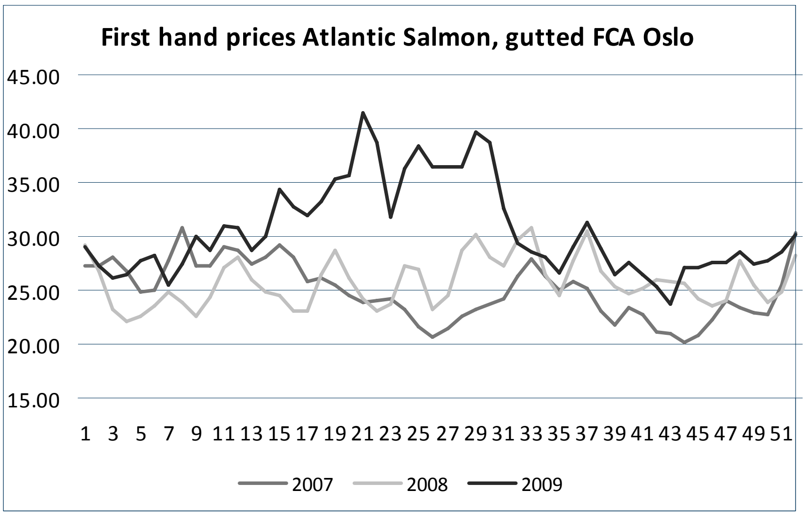


SOURCE: KONTALI ANALYSE

In 2005 the regulation in Norway changed from feed quotas to MTB (maximum allowable biomass) per licence, and represented a potential to further growth on existing licences. The result of this regulatory change was a higher release of smolt in the autumn, with higher harvest quantities in the summer months. From 2004 to 2009 the harvest quantity in Norway increased with approx. 318 000 tonnes (wfe), and the average harvest quantity per licence has increased from approx. 660 tonnes (wfe) in 2004 up to approx. 1 000 tonnes (wfe) in 2009 (Including large Rainbow trout). The health situation in Norway has improved in 2009 compared to previous years. The Pancreas Disease has led to high mortality in southern parts of Norway, and in Northern parts there has been relatively high existence of ISA (Infectious Salmon Anaemia). The industry has shown high degree of co-operation, and combined with vaccines both against PD and ISA the loss rate decreased last summer. There are still a notable numbers of outbreaks in Norway, but the situation is considerably better at the moment. The smolt release in Norway was approx. 237 million individuals in 2009, which is an increase of approx. 7 million smolts compared to 2008. The harvest quantity in 2010 is estimated to approx. 930 000 tonnes (wfe), and the result of the relatively low growth in the smolt release last year will give a lower growth in the harvest quantity in 2011. The main market for the Norwegian farming industry is the EU, but the USA has also become an important market due to the falling supply from Chile.

The figure below illustrates the weekly development in the 1.hand prices of fresh superior Atlantic salmon, head on gutted, (NOS) since 2007:

FIGURE 7-18: PRICES OF FRESH NORWEGIAN SALMON, SUPERIOR, GUTTED, FCA OSLO



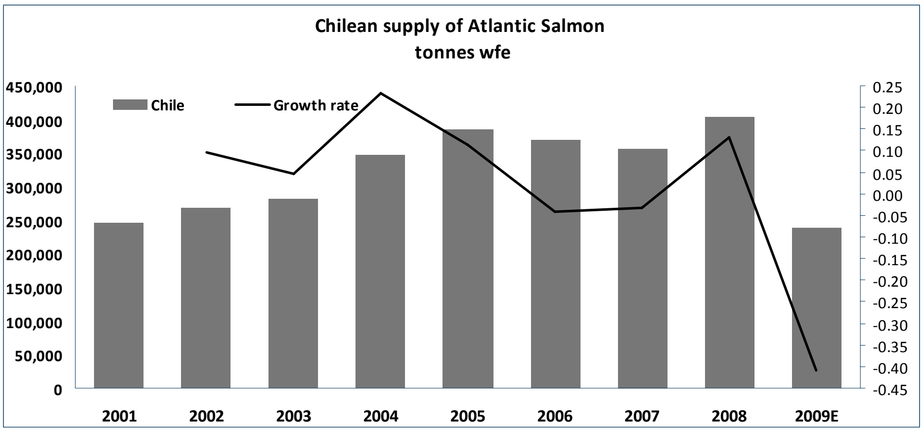
SOURCE: NOS

7.3.3 Chile

Chile harvested 234 500 tonnes (wfe) of Atlantic salmon in 2009, compared to 403 100 tonnes (wfe) in 2008, down by nearly 50%. This reduction is caused by large problems in the production of Atlantic salmon, which started in 2007. In July 2007 the ISA virus was point out in Chile for the first time. This disease combined with a sea lice situation out of control has led to high mortality. The harvest quantity increased in 2008 indeed, but the harvest was a result of forced harvesting of small fish with ISA virus. In the beginning of 2009 the biomass had dropped significant, and there was not possible to continue the high harvest quantities of Atlantic salmon. The smolt release in 2009 is estimated to approx. 32 million smolts, a decrease of approx. 100 million individuals compared to 2008. The drop in the smolt release will be the main reason for the further decrease in the harvest quantity this year, which is estimated to approx. 90 000 tonnes (wfe). The production is reported to be better in Chile now, and signals from the industry are that the smolt release will be significant higher this year. With no outbreaks of ISA the coming years it is reason to believe that the harvest quantity will increase notable from 2011.

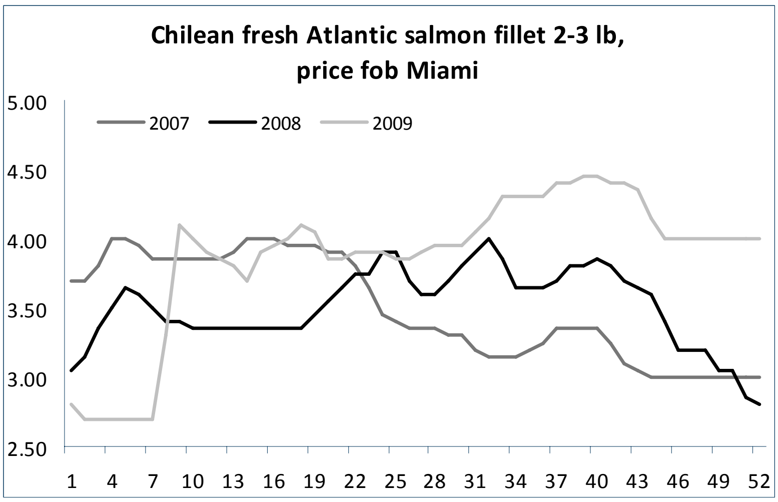
In addition to Atlantic salmon, Chile also produced 151,000 tonnes wfe of trout and 97,000 tonnes wfe of Coho. Most farming takes place in Region X in the area around Puerto Montt and the main export market is US.

FIGURE 7-19: CHILE; HARVEST QUANTITY 2001 – 2009E



SOURCE: KONTALI ANALYSE

FIGURE 7-20:CHILEAN FILLET PRICES FOB MIAMI, 3-4LB



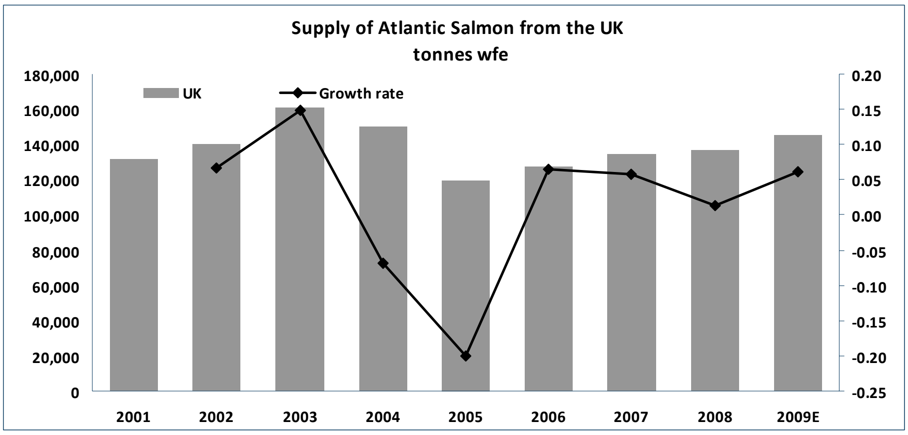
SOURCE: URNER BARRY[8]

[8] WWW.URNERBARRY.COM

7.3.4 UK

United Kingdom harvested 144 900 tonnes wfe in 2009, up by 6% compared to 2008. In the end of 2008 and start of 2009 it was several outbreaks of ISA on Shetland. This has reduced the potential of harvesting in this region in the end of 2009 and the first quarters of 2010. There has also been some problems regarding new sites, and the result of this is a lower smolt release in 2009 which is estimated to approx. 42 million smolts. The production in other regions of Scotland has improved with good growth conditions and a higher harvest quantity in second half of 2009 and Q1 2010. Cause of the reduction in the smolt release in 2009 it is estimated that the harvest quantity will decrease down to approx. 140 000 tonnes (wfe) in 2010. The smolt release in 2010 is estimated to approx. 45 million individuals, which can increase the harvesting in 2011. There is plan to establish some offshore sites in outer Hebrides in 2010 which can result in further growth of Atlantic salmon in UK.

FIGURE 7-21: UK; HARVEST QUANTITY 2001 – 2009E



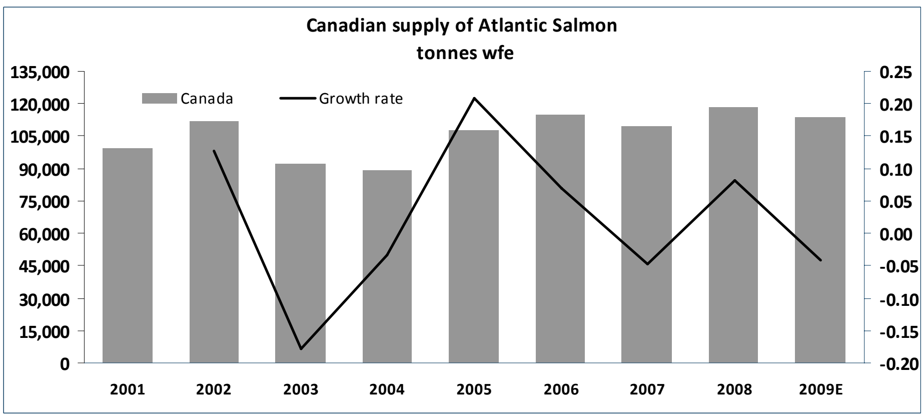
SOURCE: KONTALI ANALYSE

The EU including domestic market is the main market for the UK produced Atlantic salmon, while nearly 20% of the harvested quantity was exported to the USA. There is some effort in this industry to produce organic salmon, estimated to approx. 5-6 000 tonnes, head on gutted.

7.3.5 Canada

Canada had a harvest quantity of 113 700 tonnes wfe in 2009, down by approx. 4 800 tonnes (wfe) from 2008. The west coast of Canada is dominated by international companies with limited possibilities for further growth. The west coast has also had their problems in production caused by several diseases. The last years the problems has been caused by algae blooms with following drop in the oxygen in sea water sites. This has reduced the growth conditions, and led to higher mortality. It is expected an increased harvest quantity up to approx. 120 000 tonnes (wfe) in 2010, with limited growth in 2011 in Canada.

FIGURE 7-22: CANADA; HARVEST QUANTITY 2001 – 2009E



SOURCE: KONTALI ANALYSE

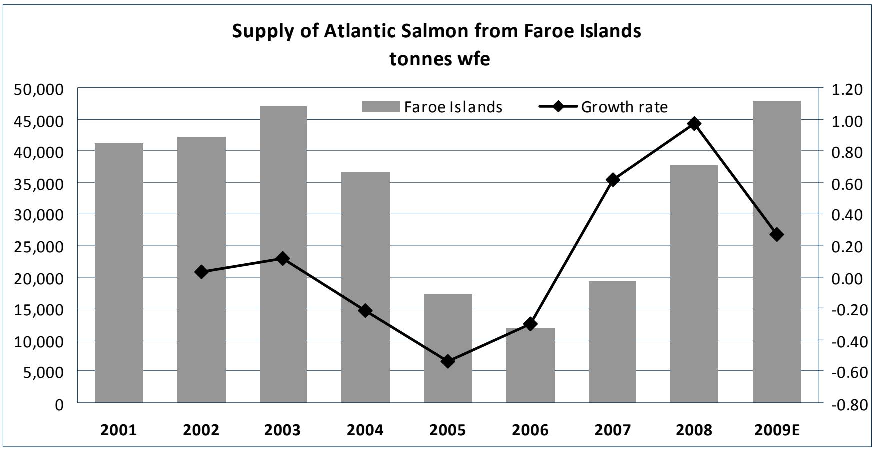
Canada mainly exports fresh whole salmon to the USA market. Most of the salmon farming takes place in British Columbia on the west coast of Canada.

7.3.6 The Faroe Islands

The harvest quantity in the Faroe Islands was 48 000 tonnes wfe in 2009, up from 38 000 tonnes in 2008.

The Faroese had escalated problems with the ISA virus from the beginning of 2000 up to 2004. The harvest quantity peaked with approx. 47 000 tonnes (wfe) in 2003, but increasing outbreaks of the ISA virus reduced the harvest quantity step by step down to approx. 12 000 tonnes (wfe) in 2006. Since then the production on Faroe Island has improved rapidly, and new outbreaks of ISA has not been registered since summer 2005. The harvest quantity has increased from 12 000 tonnes (wfe) in 2006 up to approx. 48 000 tonnes (wfe) last year. The loss rates have been historical low, and considerably lower than the other competitive countries. The average harvest weights have increased in line with the growing harvest quantities. The average harvest quantity was approx. 5.8 kg (wfe) last year, and the yield per released smolt (kg wfe per smolt released) on the 2007G is estimated to approx. 5.15 kg (wfe) which is historical high compared to all producing regions. In addition the average harvest weight was approx. 4.9 kg (wfe) in Norway at the same time. It is expected that the harvest quantity will decrease slightly in 2010, with a slight increase in 2011.

FIGURE 7-23: THE FAROE ISLANDS; HARVEST QUANTITY 2001 – 2009E



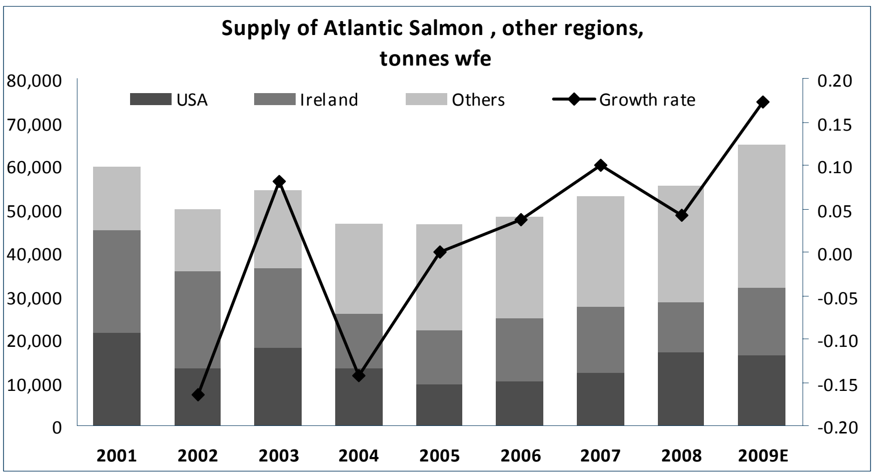
SOURCE: KONTALI ANALYSE

The main market for the Faroe production is the EU followed by the USA market, estimated to approx. 64% and 23% market share respectively. The USA market has increased significant the last year, from less than 3 000 tonnes wfe in 2008 up to more than 11 000 tonnes in 2009.

7.3.7 Other regions

Other producing regions include Australia, Ireland, Iceland, US and others. In total, these countries harvested approximately 68,000 tonnes wfe of Atlantic salmon in 2009, an increase of 21% compared to 2008.

FIGURE 7-24: OTHER REGIONS; HARVEST QUANTITY 2001 – 2009E



SOURCE: KONTALI ANALYSE

The Irish harvest volume have shown a decreasing trend the latest years, but increased by 36% from 2008 to 2009 (up to 15 000 tonnes wfe) Approx. 60% per cent of the Irish salmon production is certified organic.

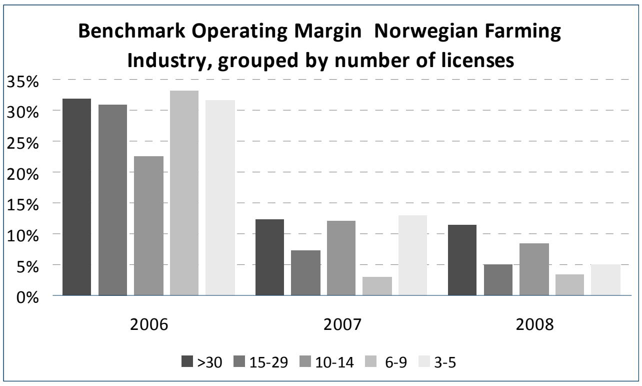
Production volumes in Australia have increased significantly during the last 3-4 years, up by 25% from 2008 to 2009. The domestic consumption is 75-80% of the harvest quantity. More than 80 % of the Australian production is accounted for by the two main companies. Further growth is expected in Australian salmon production.

7.4 The industry structure

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

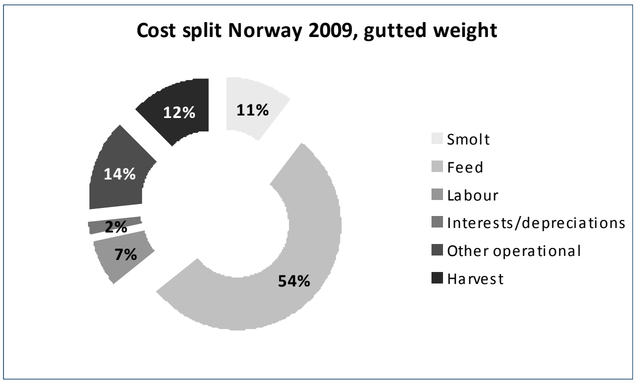
In Norway, operating margin has decreased from 31% in 2006, 11% in 2007 and 9% in 2008.

FIGURE 7-25: BENCHMARK OPERATING MARGIN NORWEGIAN FARMING



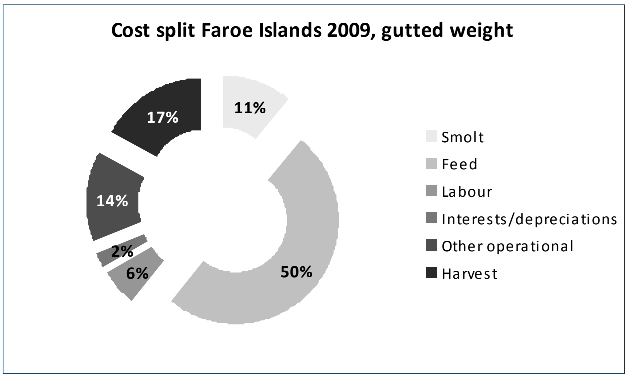
SOURCE: KONTALI ANALYSE

FIGURE 7-26: NORWAY COST SPLIT 2009E



SOURCE: KONTALI ANALYSE

FIGURE 7-27: FAROE COST SPLIT 2009E



SOURCE: KONTALI ANALYSE

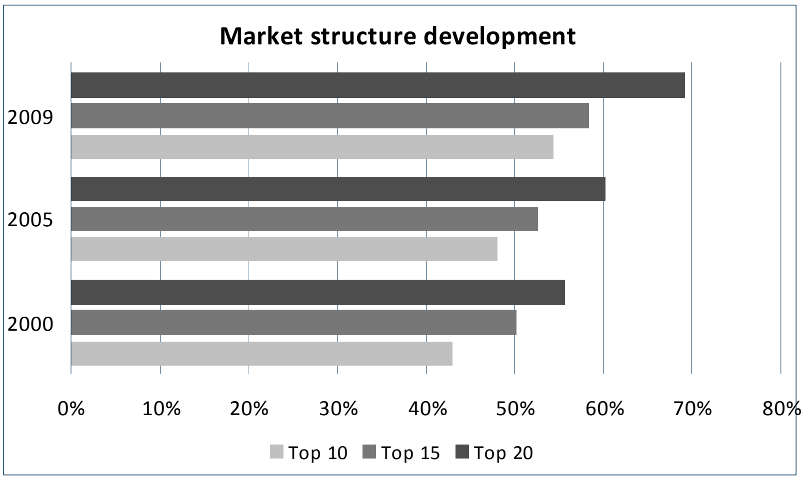
The production costs are highly influenced by the feed cost, which constitute of nearly 55% of the production cost. Other main costs within the fish farming industry are smolt and harvest. The figure above shows the split of cost for Norwegian fish farmers in 2009, based on cost in Norway of approx. NOK 20-21 per kg gutted weight In Faroe Islands cost of production is approx DKK 18 -19 per kg gutted weigth (in NOK approx. 21-22 per kg). The cost split is different in the Faroe Islands compared to Norway, due to both lower feed and smolt cost.

7.4.1 The market players

In Chile, Scotland and Canada, more efficient larger players have gradually taken over most of the smaller producers, and the same trend has to some extent been apparent in Norway lately. Globally, the 10 and 15 largest companies control approximately 50 and 60% of total harvest quantity, respectively.

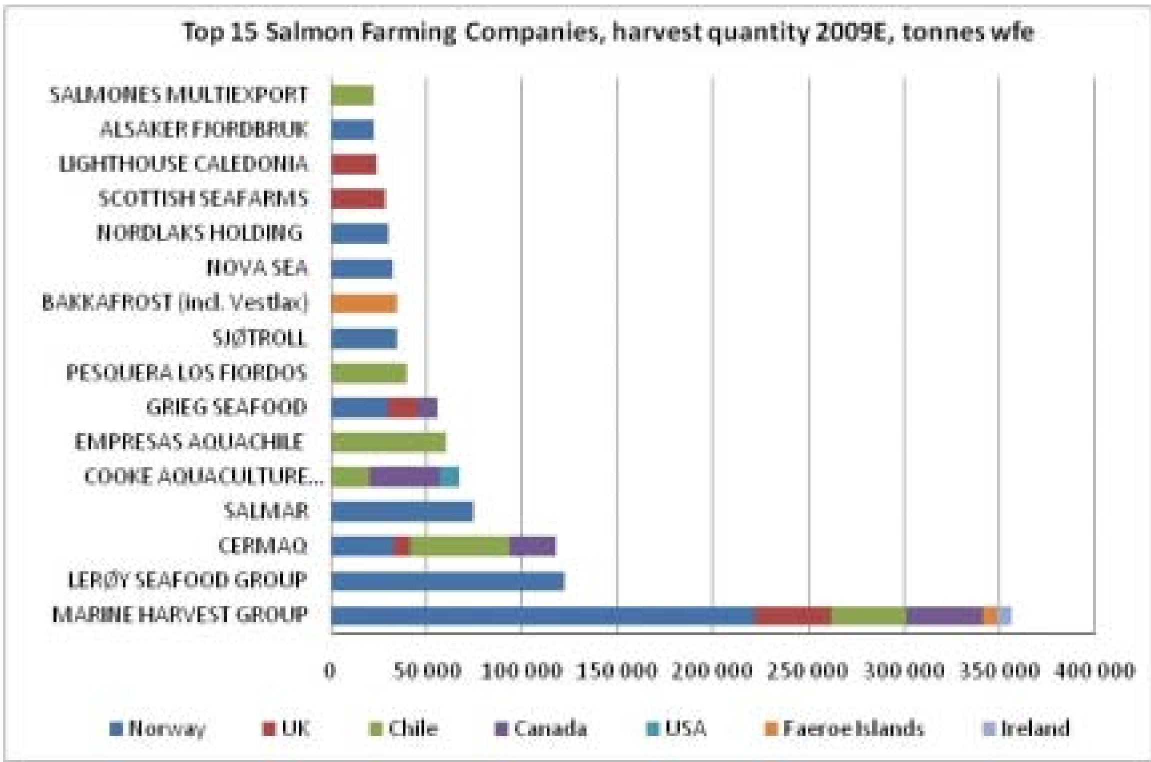
The figure below shows the increased consolidation in the market the last couple of years.

FIGURE 7-28: MARKET STRUCTURE DEVELOPMENT 2000-2009E



SOURCE: KONTALI ANALYSE

FIGURE 7-29: TOP 15 SALMON FARMING COMPANIES 2009E



SOURCE: KONTALI ANALYSE

Operational synergies may be generated from further consolidation, and it is expected that larger companies will benefit the industry in general. Size and integration tend to be advantageous for R&D and product development.

The 15 largest salmon farming companies measured by estimated harvest volume of Atlantic salmon, Coho salmon, Chinook and Large trout in 2009 are shown in the table above.

8 FINANCIAL INFORMATION

Accounting figures for Bakkafrost for the years 2009, 2008 and 2007 are presented below. International Financial Reporting Standards (IFRS) have been applied as the accounting principles for listed companies in Norway with effect as of 1 January 2005, and Bakkafrost has applied IFRS with effect as of 1 January 2008. The Annual Report for the Bakkafrost Group has, until 2008, been prepared according to the Faroese Financial Reporting Act. In the P/F Bakkafrost Holding's Annual Report for 2009 the conversion from FO-GAAP to IFRS is described and according to IFRS 1 a presentation of a reconciliation demonstrating the differences between the initially reported 2008 figures according to FO-GAAP and figures prepared according to IFRS is disclosed.

The annual financial statements have been audited by Bakkafrost's statutory auditor Sp/F Grannskoðaravirkið INPACT. The financial statements for the last three years are audited and the auditors have issued reports without qualifications. Figures for the years 2007 to 2009 are presented in this chapter.

As of 1 January 2010 The Bakkafrost Group and the Vestlax Group merged, with Bakkafrost as the continuing Group. Therefore also pro forma figures for income statement and balance sheet for the financial year from 1 January 2009 to 31 December 2009 are presented in this chapter, as if the merger took place at 1 January 2009. The purpose of preparing the Pro forma figures is to illustrate how it could have look if the two groups merged as of 1 January 2009. The Pro forma figures have only been prepared for illustrative purposes. As the merger first will take place as of 1 January 2010 the pro forma financial figures only addresses a hypothetical situation and therefore does not represent the company's actual financial position or result.

The audited consolidated figures for 2008 and 2009 are prepared in accordance with International Financial Reporting Standards (IFRS). The annual reports for previous years are presented in accordance with Faroese accounting principles (FGAAP).

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgements in the process of applying the Company's accounting policies. The areas involving a higher degree of judgements or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the Company's accounts and explanatory notes, see the Annual reports for 2009, and the annual reports for 2008 and 2007 which are prepared in accordance with F-GAAP, attached as Appendix 2, 3 and 4 in the end of this Prospectus.

8.1 Financial key figures for the Group

Years ended 31 December (DKK million)	IFRS Pro forma 2009	IFRS Actual 2009	IFRS Actual 2008	FGAAP Actual 2007
Sales revenue	922	597	366	230
EBITDA before fair value adj. of biolog. assets	243	179	90	57
EBITDA before fair value adj. of biolog. Assets %	26%	30%	25%	25%
EBIT before fair value adj. of biolog. Assets	205	159	71	42
EBIT before fair value adj. of biolog. Assets %	22%	27%	19%	18%
EBIT	239	192	63	42
EBIT %	26%	32%	17%	18%
Net Profit	165	149	38	25
Net Profit Margin %	18%	25%	10%	11%
Total Assets	1,004	621	553	471
Net interest bearing debt	246	97	243	226
Equity	573	389	242	196
Equity %	57%	63%	44%	42%
NIBD/EBITDA	1.03x	0.5x	2.7x	4.3x
Earnings per share (DKK)	-	49.71	12.81	8.30
Diluted earnings per share (DKK)	-	49.71	12.81	8.30
Number of shares at the beginning of the period (million)	-	2.992	2.992	2.992
Number of shares at the end of the period (million)	3.964	2.992	2.992	2.992

Definition of financial key figures:	
EBITDA before fair value adj. of biolog. assets %:	EBITDA before fair value adj. of biolog. Assets/ Sales Revenues
EBIT before fair value adj. of biologi assets %:	EBIT before fair value adj. of biolog. Assets/ Sales Revenues
EBIT %	EBIT / Sales Revenues
Earnings per share:	Net profit / number of shares outstanding
Equity %:	Equity / Total Assets

SOURCE: ANNUAL REPORT 2009, 2008 AND 2007

8.1.1 Biological key figures (unaudited)

Years ended 31 December	Pro forma IFRS 2009	Actual IFRS 2009	Actual IFRS 2008	Actual FO-GAAP 2007
EBIT/KG gutted weight	7.85	10,30	4,97	6,7
Harvest in tonnes, gutted weight	30,650	18,685	12,697	6,201
Harvest in tonnes, round weight	37,400	22,789	15,4834	7,562

SOURCE: COMPANY INFORMATION

8.2 Income statement

The table below summarizes the condensed consolidated income statements for the Group for the years ended 31 December 2009, 2008 and 2007.

Years ended 31 December	IFRS Actual		FGAAP Actual	
(DKK 1,000)	2009	2008	2008	2007
Operating income	596,565	365,634	365,634	229,525
Operating expenses	-417,369	-275,771	-284,838	-172,373
Operating profit before deprec. and fair value adjustments of biological assets	179,196	89,863	80,796	57,152
Income from associated companies	340	-111	546	0
Depreciation and amortisation	-20,797	-18,963	-18,963	-15,592
Impairment			0	0
Operating profit before fair value adjustments of biological assets	158,739	70,789	62,379	41,560
Fair value adjustments of biological assets	33,655	-7,632	0	0
Operating profit	192,394	63,157	62,379	41,560
Financial income	2,915	1,505	653	559
Financial costs	-14,072	-18,515	-18,514	-11,682
Profit before income tax	181,237	46,148	44,519	30,437
Income tax (expense) / income	-32,509	-7,810	-7,398	-5,606
Profit for the period	148,728	38,339	37,121	24,831
Minority interest				
Earnings per share (DKK)	49.71	12.81	12.40	8.30

SOURCE: ANNUAL REPORT 2009, 2008 AND 2007

8.2.1 Management discussion and analysis

8.2.1.1 The year ended 31 December 2008 and 31 December 2009 (IFRS)

Operating income prepared in accordance with IFRS in 2009 was DKK 596.6 million compared to DKK 365.6 million in 2008. The condition for fish farming was favourable in the period 2009 and 2008. Veterinary and environmental circumstances were good increasing growth rates and lowering the mortality rates, giving increased volumes for sales in addition to favourable market conditions increasing prices on all product groups.

The Operating profit has increased in the period from DKK 63.2 million in 2008 to DKK 192.4 million in 2009 due to larger scale in production and hence a more efficient production and lower costs per kilo salmon. Included in the higher operating profit in 2009 is a positive fair value adjust on biological assets of DKK 33.7 million compared to a negative adjustment in 2008 of DKK -7.6 million based on the previous mentioned increased price on salmon. Operating profit before fair value adjustment on biological assets was in 2009 DKK 158.7 million compared to DKK 70.8 million in 2008. Reduced cost price on the harvested generations of salmon in addition to high capacity utilisation contributed to stronger operating margins.

The annual profit after tax for 2009 was DKK 148.7 million and 2008 DKK 38.3 million.

8.2.1.2 The year ended 31 December 2007 and 31 December 2008 (FGAAP)

Operating income in 2008 was DKK 365.6 million compared to DKK 229.5 million in 2007.

The condition for fish farming was favourable in the period 2007 and 2008. Veterinary and environmental circumstances were improving due to a positive development in salmon prices and volumes. The growth rates were good and the mortality rates low.

The Operating profit has increased in the period from DKK 41.6 million in 2007 to DKK 62.4 million in 2008 due to larger scale in production hence a more efficient production.

The annual profit for 2008 was a profit amounting to DKK 37.1 million and 2007 DKK 24.8 million.

8.2.1.3 Overall comments to the figures in the period 1 January 2007 – 31 December 2009

The overall results for the period 2007 to 2009 have been very good. The reason for this is the positive results from the improved fish health achieved with the new veterinary model introduced in 2003 in the Faroe Islands. In this model the entire production period for each separate generation of fish is kept in a separate fjord, and after all locations in a fjord have been harvested, the fjord is set aside for 3 – 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 utilization of the feed. On average, the mortality rate has been less than 10% for all farmers on the Faroe Islands since the new veterinary model in the Faroe Islands was implemented. For more information regarding the operations see chapter 6 “Company description”.

8.2.2 Segment Information

8.2.2.1 Revenues per geographic market

The table below shows the distribution of the Company’s revenues per geographic market, in which the company operates.

	2009	2008	2007
EU	443,398	354,965	224,844
US	128,210	943	0
Other	24,956	9,726	4,681
Total	596,565	365,634	229,525

SOURCE: ANNUAL REPORT 2009,2008 AND 2007

The main parts of the Company’s products are sold directly to customers in Europe or US importers.
Bi products are sold to Asia which is included in others.

8.2.2.2 Revenues per business segment 2008 and 2009 (IFRS)

Bakkafrost Group has fundamentally two business activities (business segments), farming of fish including sale of fresh fish and value adding of salmonoid products.

Farming including sale of fresh fish:

The Group has production facilities in the north-eastern 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 are value added at the factory in Glyvrar. The output of the factory is predominantly portions for the retail market. Therefore this is reported as one segment.

Set out below is the consolidated segment information for the Company for 2008 and 2009.

2009 (DKK 1,000)	**Farming**	**Value Added Products**	**Elimin.**	**Bakkafrost Group**
External operating revenues	237,856	358,709	0	596,565
Internal operating revenues	250,011	0	-250,011	0
Total operating revenues	487,867	358,709	-250,011	596,565
Operating expenses	-343,284	-74,085	0	-417,369
Internal operating expences	0	-250,011	250,011	0
Operating profit before deprec. and fair value adjustments of biological assets	144,583	34,613	0	179,196
Income from associates	312	28	0	340
Depreciation and amortisation	-16,997	-3,800	0	-20,797
Operating profit before fair value adjustments of biological assets	127,898	30,841	0	158,739
Fair value adjustments biological assets	33,655	0	0	33,655
Net operating profit (EBIT)	161,553	30,842	0	192,394
Net interest revenue	7,765	14	-4,865	2,915
Net interest expense	-16,615	-2,322	4,865	-14,072
Earnings before taxes	152,703	28,534	0	181,237
Tax	-27,396	-5,113	0	-32,509
Net Earnings	125,308	23,421	0	148,728
ASSETS				
- Investments in associated companies	0	0	0	0
LIABILITIES	295,416	49,731	-113,002	232,145
INVESTMENTS				
Tangible operating assets	17,226	4,113	0	21,339
Intangible operation assets	0	0	0	0
Depreciation	-16,997	-3,800	0	-20,797

SOURCE: ANNUAL REPORT 2009 AND COMPANY

2008 **(DKK 1,000)**	**Farming**	**Value Added Products**	**Elimin.**	**Bakkafrost Group**
External operating revenues	122,463	243,171	0	365,634
Internal operating revenues	178,519	0	-178,519	0
Total operating revenues	300,982	243,171	-178,519	365,634
Operating expenses	-221.407	-54,364	0	-275,771
Internal operating expences	0	-178,519	178,519	0
Operating profit before deprec. and fair value adjustments of biological assets	79,575	10,288	0	89,863
Depreciation and amortisation	-15,348	-3,615	0	-18,963
Income from associates	238	-349	0	-111
Operating profit before fair value adjustments of biological assets	64,465	6,324	0	70,789
Fair value adjustments biological assets	-7,632	0	0	-7,632
Net operating profit (EBIT)	56,833	6,324	0	63,157
Net interest revenue	2,967	6	-1,468	1,505
Net interest expense	-17,156	-2,825	1,468	-18,514
Earnings before taxes	42,643	3,505	0	46,148
Tax	-7,217	-593	0	-7,810
Net Earnings	35,427	2,912	0	38,339
ASSETS				
- Investments in associated companies	0	0	0	0
LIABILITIES	394,380	46,415	-129,915	310,880
INVESTMENTS				
Tangible operating assets	30,399	3,556	0	33,955
Intangible operation assets	0	0	0	0
Depreciation	-15,348	-3,615	0	-18,963

SOURCE: ANNUAL REPORT 2008 AND COMPANY

Distribution of harvested and purchased volume	**2009**		**2008**	
	gwt	**%**	**gwt**	**%**
Harvested volume used in VAP production	10,977	56.9%	8,416	59.4%
External purchase of salmon for VAP production	304	1.6%	0	0.0%
Harvested volume sold fresh/frozen	7,708	40.0%	5,763	40.6%
External purchase of salmon sold fresh/frozen	302	1.6%	0	0.0%
Harvested and purchased volume (gwt)	19,292	100.0%	14,179	100.0%

SOURCE: COMPANY

Gross external operating revenues for Bakkafrost's Farming segment increased to DKK 237.9 million in 2009, up from DKK 122.5 million in 2008. For the farming segment net Operating profit (EBIT) before fair value adjustment of the biomass totalled DKK 127.9 million, compared with DKK 64.5 million in 2008. This corresponds to a net operating profit before fair value adjustment of the biomass of DKK 6.63 per kg gutted weight, compared with DKK 4.55 per kg in 2008. The increase in the performance of the Group reflects the increase in the salmon price, the excellent biological situation and our dedicated staff. The Group's farming segment harvested and purchased 19,292 tonnes gutted weight in 2009, compared with 14,179 tonnes in 2008.

The value adding segments external operating revenue amounted to DKK 358.7 million in 2009, compared with DKK 243.2 million in 2008. Net operating profit (EBIT) totalled to DKK 30.8 million, compared with DKK 6.3 million in 2008. This corresponds to a net operating profit (EBIT) DKK 2.73 per kg gutted weight, compared with DKK 0.75 per kg in 2008. The increase in the Salomon price during 2009 is reflecting the result from the value adding segment. The reason is that there is a time lag between the movement in the fresh salmon price and the contract price for value added products. Therefore the value adding segment is also reducing the volatility in the Group's revenue and result. Therefore the contract price for 1st half of 2010 is expected to catch up the strong price for fresh salmon towards the end of 2009.

8.3 Balance sheet

Set out below is the consolidated balance sheet for the Company for the periods ending 31 December 2009, 2008 and 2007:

Years ended 31 December (DKK 1,000)	IFRS Actual 2009	IFRS Actual 2008	FGAAP Actual 2008	FGAAP Actual 2007
Assets				
Intangible assets	0	0	0	0
Property, plant and equipment	231,002	230,655	230,655	216,079
Investment in associated companies	2,723	2,417	2,675	1,115
Investments in stocks and shares	23,539	7,598	11,649	6,049
Non-current receivables	478	6,986	0	0
Total non-current assets	257,741	247,657	244,979	223,243
Biological assets	227,497	229,720	216,509	184,295
Inventories	20,527	17,373	17,595	11,242
Accounts receivables	66,644	42,469	42,469	37,638
Other current receivables	13,304	14,839	16,861	14,966
Cash and cash equivalents	35,319	471	471	18
Total current assets	363,291	304,873	293,905	248,159
Total Assets	621,032	552,530	538,884	471,401
Equity and liabilities				
Share capital and share premium	89,668	89,668	89,668	89,668
Retained earnings	299,219	151,982	139,776	106,641
Total shareholders' equity	388,887	241,650	229,444	196,309
Deferred taxes	57,082	23,802	22,362	15,371
Pension liabilities	0	0	0	0
Long-term debt	34,350	87,382	107,076	83,572
Total long-term liabilities	91,431	111,184	129,438	98,943
Trade payables and other debt	42,451	43,382	43,381	33,008
Interest-bearing short-term debt	98,262	156,313	136,621	143,140
Total short-term liabilities	140,714	199,696	180,002	176,148
Total liabilities	232,145	310,880	309,440	275,091
Total shareholders' equity and liabilities	621,032	552,530	538,884	471,401

SOURCE: ANNUAL REPORT 2009 ,2008 AND 2007

8.3.1 Management discussion and analysis

8.3.1.1 The year ended 31 December 2008 and 31 December 2009 (IFRS)

The Group total balance as of 31 December 2009 amounted to DKK 621.0 million, compared to DKK 552.5 million at the end of 2008. During 2009, the Group invested approximately DKK 21 million, which closely corresponds to the Group's depreciations in the year. Investments were made in buildings, processing equipment and general farming facilities. The company continues to invest in all activities to adjust capacity.

The Group's book value (fair value) of biological assets (fish in the sea) amounted to DKK 227.5 million at the end 2009, which is at the same level as in 2008. The total fair value adjustment of the biomass amounted to DKK 46.9 million year-end 2009, compared to DKK 13.2 million at the end of 2008. At the end of 2009, the biomass of fish at sea under 4 kg/each was 5,159 tonnes live weight, compared to 4,409 tonnes live weight at the end of 2008. The biomass of fish exceeding 4 kg was 5,510 tonnes live weight, compared to 8,589 tonnes live weight at the end of 2008.

The Group's equity increased from DKK 241.7 million in 2008 to DKK 388.9 million at the end 2009. The increase in equity can primarily be attributed to the good net result in 2009. The Group's total non-current liabilities decreased from DKK 111.2 million to DKK 91.4 million. The deferred tax increased by DKK 33.3 million, while the long-term debt was reduced by DKK 53.0 million, to DKK 34.4 million at the end of 2009. The Group's total current liabilities were reduced from DKK 199.7 million to DKK 140.7 million during 2009, reflecting the strong cash flow in 2009. The Bakkafrost Group's net interest bearing debt amounted to DKK 97.3 million at the end of 2009, compared to DKK 243.2 million at the end of 2008. The Group had an equity ratio of 62.6 percent as of 31 December 2009, compared to 43.7 percent at the same date in 2008. A healthy financial position is considered to be a crucial element in the Group's strategy for further growth and profitability.

8.3.1.2 The year ended 31 December 2007 and 31 December 2008 (FGAAP)

Total non-current assets amounted to DKK 223.2 million at the end of 2007 compared to DKK 245.0 million at the end of 2008. The Group invested DKK 34 million in 2008 in non-current assets. The investment relates primarily to the investment in a floating feeding station, boats, buildings, processing equipment and general farming facilities.

Total current assets amounted to DKK 248.2 at the end of 2007 compared to DKK 293.9 million at the end of 2008. The increase relates primarily to the increase in biomass.

Total assets amounted to DKK 538.9 million at the end of 2008 compare to DKK 471.4 million at the end of 2007.

Total shareholders' equity amounted to DKK 229.4 million at the end of 2008 compared to DKK 196.3 million at the end of 2007. No share capital increase took place in the period and the increase related only to increase in retained earnings.

Long-term liabilities amounted to DKK 129.4 million at the end of 2008 compared to DKK 98.9 million at the end of 2007 the increase relates to an increase in deferred tax of approx. DKK 7 million and an increase in long-term debt of DKK 24 million.

Short-term liabilities amounted to DKK 180.0 million at the end of 2008 compared to DKK 176.1 million at the end of 2007.

Total liabilities amounted to DKK 309.4 million at the end of 2008 compared to DKK 275.0 million at the end of 2007.

Total shareholders' equity and liabilities amounted to DKK 538.9 million at the end of 2008 compared to DKK 471.4 million at the end of 2007.

8.4 Cash flow statement

Set out below is the consolidated cash flow statement for the Company for the periods ending 31 December 2009, 2008 and 2007:

	IFRS		FGAAP	
Years ended 31 December	**Actual**		**Actual**	
(DKK 1,000)	**2009**	**2008**	**2008**	**2007**
Cash Flow from Operations				
Operating profit for the period	192,394	63,157	61,834	41,560
Depreciation	20,797	18,963	19,045	16,117
Adjustment for fair Value adj. on biomass	-33,655	7,632	0	0
Capital gains/losses	0	0		
Paid taxes	0	0	0	-88
Change in inventories, trade receivables, trade payables	9,154	-40,756	-34,993	-70,447
Change in other balances	0	0	-923	923
Net cash flow from operations	188,691	48,995	44,963	-11,935
Cash Flow from investment activities				
Purchase of property, plant and equipment (PPE)	-21,194	-33,539	-33,955	-51,371
Purchase of shares	-11,967	-113	-5,600	-214
Proceeds from sale of shares				
Change in long term receivables	6,509	-6,899	0	0
Proceeds from sale of PPE	50	0	0	0
Net cash flow from investment activities	-26,602	-40,551	-39,555	-51,585
Cash Flow from financing activities				
Proceeds from borrowings	0	14,017	17,906	73,714
Repayments of borrowings	-111,084	0	0	0
Received interests	2,915	1,505	653	559
Paid interests	-14,072	-18,514	-18,514	-11,682
Payment of dividend	-5,000	-5,000	-5,000	0
Net Cash Flow from financing activities	-127,241	-7,992	-4,955	62,591
Net change in cash and cash equivalents	34,848	452	452	-929
Cash and cash equivalents as at 1 January	471	18	18	946
Cash and cash equivalents as at 31 December	35,319	471	471	18
Restricted cash as at 31 December	0	0	0	0
Cash and cash equivalents adjusted for restricted cash	35,319	471	471	18

SOURCE: ANNUAL REPORT 2009, 2008 AND 2007

8.4.1 Management discussion and analysis

8.4.1.1 The year ended 31 December 2008 and 31 December 2009 (IFRS)

Net cash flow from operations was in 2009 DKK 188.7 million compared to DKK 49.0 million in 2008. The increase in net cash flow from operation in 2009 compared to 2008 was primarily affected by an increase in operating profit from DKK 63,1 million in 2008 to DKK 192.4 million in 2009.

Cash flow from investments in 2009 amounted to DKK -26.6 million compared to DKK -40.6 million. The net cash flow from investments in 2008 and 2009 relates primarily to the investment in a floating feeding station, boats, buildings, processing equipment and general farming facilities.

Net cash flow from financing activities amounted to DKK -127.2 million in 2009 compared to DKK -8.0 million in 2008. The result in 2009 reflects the positive cash flow from operation and therefore payment of debt.

Cash and equivalent at the end of 2009 amounted to DKK 35.3 million compared to DKK 0.5 million at the end of 2008.

8.4.1.2 The year ended 31 December 2007 and 31 December 2008 (FGAAP)

Net cash flow from operations was in 2008 DKK 44.9 million compared to DKK -11.9 million in 2007. The net cash flow from operation in 2007 was primarily affected by an increase in biomass. In 2008 net cash flow from operations was primarily affected by an increase in operating profit and a moderate increase in biomass.

Cash flow from investments in 2008 amounted to DKK -39.6 million compared to DKK -51.6 million in 2007. The net cash flow from investments in 2007 was primarily related to the investment in processing equipment, general farming facilities, buildings, boats and feeding stations. The net cash flow from investments in 2008 relates primarily to the investment in a floating feeding station, boats, buildings, processing equipment and general farming facilities.

Net cash flow from financing activities amounted to DKK -4.9 million in 2008 compared to DKK 62.5 million in 2007. The cash flow for both years relates to increase in borrowings.

Cash and equivalent at the end of 2008 amounted to DKK 0.5 million and in 2007 to DKK 0.02 million.

8.5 Pro forma figures

8.5.1 Transaction

As of 1 January 2010 The Bakkafrost Group and the Vestlax Group merged, with Bakkafrost as the continuing Group. Below there are presented Pro forma figures for income statement and balance sheet for the financial year from 1 January 2009 to 31 December 2009 as if the merger took place at 1 January 2009. The purpose of preparing the Pro forma figures is to illustrate how it could have look if the two groups merged as of 1 January 2009. The Pro forma figures have only been prepared for illustrative purposes. As the merger first will take place as of 1 January 2010 the Pro forma financial figures only addresses a hypothetical situation and therefore does not represent the company's actual financial position or result.

8.5.2 Income statement Pro forma

Years ended 31 December (DKK 1,000)	**IFRS Bakkafrost 2009**	**IFRS Vestlax 2009**	**Pro forma Adj.**	**Pro forma IFRS Bakkafrost 2009**
Operating income	596,565	367,877	-42,753	921,688
Operating expenses	-417,369	-314,304	42,753	-688,920
Operating profit before deprec. and fair value adjustments of biological assets	179,196	53,573	0	232,768
Income from associates	340	359		699
Other operating revenue		9,500		9,500
Depreciation and amortisation	-20,797	-17,337	-	-38,134
Impairment	0	0		0
Operating profit before fair value adjustments of biological assets	158,739	46,094	-	204,833
Fair value adjustments of biological assets	33,655	830	-	34,485
Operating profit	192,394	46,925	-	239,319
Financial income	2,915	2,360	-1,871	3,404
Financial costs	-14,072	-27,987	478	-41,581
Profit before income tax	181,237	21,297	-1,393	201,141
Income tax (expense) / income	-32,509	-3,833	0	-36,343
Profit for the period	148,728	17,463	-1,393	164,799

SOURCE: ANNUAL REPORT 2009 AND COMPANY

The Vestlax figures for 2009 are based on the Vestlax Group's consolidated accounts prepared in accordance with FO-GAAP and then converted into IFRS. The Bakkafrost figures are from the financial statement for 2009 prepared in accordance with IFRS. The pro forma adjustments (elimination) in the operating revenue and operating expenses amounting to DKK 42.8 million relates to trade between the Bakkafrost Group and the Vestlax Group in 2009. The adjustment in the net financial item relates to interests on the intragroup balances in 2009. In addition, a calculated value of an option on a convertible loan between P/F Bakkafrost Holding and P/F Vestlax Holding is eliminated. This option has now been exercised.

8.5.3 Balance sheet Pro forma

Years ended 31 December (DKK 1,000)	IFRS Bakkafrost 2009	IFRS Vestlax 2009	Pro forma Adj. 2009	IFRS Pro forma Bakkafrost 2009
Assets				
Intangible assets	0	68,534	67,711	136,245
Property, plant and equipment	231,002	100,106		331,108
Investment in associated companies	2,723	0		2,723
Investments in stocks and shares	23,539	6,153	-16,085	13,607
Other noncurrent receivables	478	0		478
Non-current receivables				
Total non-current assets	257,741	174,793	51,626	484,161
Biological assets	227,497	102,379		329,876
Inventories	20,527	4,375		24,902
Accounts receivables	66,644	52,870	-5,315	114,199
Other current receivables	13,304	1,780		15,084
Cash and cash equivalents	35,319	361		35,680
Total current assets	363,291	161,765	-5,315	519,741
Total Assets	621,032	336,558		1,003,902
Liabilities and shareholders' equity				
Share capital and share premium	89,668	124,747	-123,775	90,640
Retained earnings	299,219	31,892	151,514	482,625
Total shareholders' equity	388,887	156,639	27,739	573,265
Deferred taxes	57,081	-5,060	23,888	75,909
Long-term debt	34,350	37,065	-5,315	66,100
Total long-term liabilities	91,431	32,005	18,573	142,010
Trade payables and other debt	42,451	30,938		73,390
Interest-bearing short-term debt	98,262	116,975		215,237
Total short-term liabilities	140,713	147,914	0	288,627
Total liabilities	232,145	179,919	18,573	430,637
Total shareholders' equity and liabilities	621,032	336,558		1,003,902

SOURCE: ANNUAL REPORT 2009 AND COMPANY

The Balance sheet figures for the Vestlax Group for 2009 are based on their consolidated accounts prepared in accordance with FO-GAAP and then converted into IFRS. The Bakkafrost figures are from the financial statement for 2009 prepared in accordance with IFRS.

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

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

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

According to IFRS 3, deferred tax is calculated on excess values of licenses, and entered to liabilities, amounting to DKK 23.9 million. Goodwill is by definition a residual and no deferred tax is entered.

Under the item Investment in stock and shares DKK 16.1 million is eliminated as this relates to Bakkafrost's share of the share capital in Vestlax. The adjustment to Account receivables of DKK 5.3 million relates mainly to intergroup receivables that are eliminated.

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

8.5.4 IFRS adjustments for P/f Vestlax 2009

The Annual Report of Vestlax Group is prepared according to the Faroese Financial Reporting Act (FO-GAAP).

The following consolidated reconciliation provide the effect of Vestlax's Group Transition to IFRS For the purpose of preparing the Pro Forma information.

(DKK 1,000) **IFRS Profit & Loss**	**2009** **FO-GAAP**	**IFRS -** **Adj.**	**2009** **IFRS**
Operating revenue	367,877		367,877
Purchase of goods	-101,785		-101,785
Change in inventory and biological assets (at costs)	-74,968	2,032	-72,935
Fair value adjustments on biological assets	0	831	831
Sallery and personnel expenses	-45,882		-45,882
Other operating revenues	9,500		9,500
Other operation expences	-93,702		-93,702
Income from associates	0	359	359
Depreciation	-20,762	3,425	-17,337
Earnings before interests and taxes (EBIT)	40,278		46,925
Financial income	2,359		2,359
Net interest expence	-24,713	-3,274	-27,987
Earnings before taxes (EBT)	17,924		21,297
Taxation	378	-4,211	-3,833
Net earnings	18,302		17,463

SOURCE: ANNUAL REPORT P/F VESTLAX 2009

(DKK 1,000) **IFRS statement of Financial Position**	**2009 FO-GAAP**	**IFRS - Adj.**	**2009 IFRS**
Assets			
Intangible non-current assets	65,109	3,425	68,534
Tangible non-current assets	100,106		100,106
Financial non-current assets	3,076	3,077	6,153
Deferred tax assets			0
Long term receivables	0		0
Total non current assets	168,291		174,793
Biological assets	98,986	3,393	102,379
Inventory	4,375		4,375
Accounts receivable	52,870		52,870
Other short term receivables	1,780		1,780
Cash and cash equivalents	361		361
Total current assets	158,372		161,765
TOTAL ASSETS	326,662		336,558

SOURCE: ANNUAL REPORT P/F VESTLAX 2009

(DKK 1,000) **IFRS statement of Financial Position**	**2009 FO-GAAP**	**IFRS - Adj.**	**2009 IFRS**
LIABILITIES			
Share capital	61,750		61,750
Reserves	61,750	1,247	62,997
Net earnings	18,184	13,708	31,892
Total equity	141,684		156,639
Long term interestbearing debt	37,065		37,065
Deferred Tax	0	-5,060	-5,060
Other long term liabilities	0		0
Total long term liabilities	37,065		32,005
Short term interestbear. debt	116,975		116,975
Other short term liabilities	30,938		30,938
Total short term liabilities	147,914		147,914
Total equity and liabilities	326,662		336,558

SOURCE: ANNUAL REPORT P/F VESTLAX 2009

8.5.4.1 Value adjustments on biological assets

Under FO-GAAP, biological assets, i.e. biomass, were recognized at full production cost, including costs which can only indirectly be allocated to the assets. This includes actual interest paid for production credit facilities. According to IFRS biological assets are measured at Fair Value. Consequently, the valuation of biomass in the statemet of financial position reflects biomass at market values, and profit and loss presents production costs and fair value adjustments separately.

8.5.4.2 Inventory at cost.

Finished goods have in FO-GAAP been recognised at fair value less 10%. Under IFRS, finished goods in inventory are measured at the lower of cost or the expected sales price less sales costs. In case the cost price exceeds sales price less sales cost, impairment is entered and charged to the Profit and loss. The cost price is the full production price, including production costs which can be only indirectly be allocated to the produced goods. This includes actual interest paid for production credit facilities.

8.5.4.3 Convertible loan.

Under FO-GAAP, a convertible loan has been entered at face value. According to the terms of agreement, the loan was interest free. According to IFRS an interest expense has been calculated and charged to the Profit and Loss. The convertible loan has been converted in December 2009.

8.5.4.4 Securities available for sale.

Under FO-GAAP, investments in securities available for sale were recognized at cost. According to IFRS, Vestlax´s investments classified as securities available for sale are measured at fair value. Gains and losses arising from changes in fair value are entered on equity.

8.5.4.5 Associated companies.

Adjustments are made to associated companies to reflect the respective year end share of result and equity.

8.5.4.6 Tax on adjustments.

Defered tax is recognized an IFRS adjustments with 18%. Under FO-GAAP tax assets were not recognized, but are recognized as an asset under IFRS GAAP.

8.5.5 Opinion from independent auditors or accountants

The pro forma financial information has been properly compiled on the basis stated in section 8.5, that basis is consistent with the accounting policies of the issuer. The report prepared by Sp/F Grannskoðaravirkið INPACT is attached in Appendix 6.

8.6 Changes in shareholders' equity

The table below shows the changes in the Company's shareholders' equity over the past three accounting years 2007-2009.

Years ended 31 December (DKK 1,000)	IFRS 2009	IFRS 2008	FGAAP 2007
Shareholders' equity as at 1 January	241,650	207,344	171,477
Profit for the year	148,728	38,339	24,831
Fairvalue adjustment on securities available for sale	4,279	1,179	
Adjustment of deferred tax	-770	-212	
Change in accounting policy			-5,000
Proposed dividend	-18,000	-5,000	5,000
Paid out dividend	-5,000	-5,000	0
Dividend payable	18,000	5,000	
Shareholders' equity as at 31 december based on IFRS	388,887	241,650	196,308*

* The difference between the shareholders' equity at the end of 2007 and the beginning of 2008 relates to IFRS adjustments in connection with the implementation of IFRS from FO-GAAP. For at description of the IFRS adjustments see the P/F Bakkafrosts' Annual Report 2009, Appendix 2.

8.7 Property, plants and equipment

8.7.1 Main tangible fixed assets

Years ended 31 December (DKK 1,000)	IFRS 2009	IFRS 2008	FGAAP 2008	FGAAP 2007
Property, plant and equipment	231,002	230,655	230,655	216,079
Financial assets	26,739	17,002	14,324	7,163
Sum fixed assets	257,741	247,657	244,980	223,242
Of this, leased equipment	0	0	0	0

SOURCE: ANNUAL REPORT 2009, 2008 AND 2007

8.7.2 Main fixed assets

In the smolt production the main fixed assets are buildings, and equipment related to the production of Smolt. Processing plants are located in Klaksvik and Glyvrar. Within farming the main assets are equipment related to the fish farms in the sea. The fish farms are located in the North-eastern Faroe Islands. Value adding product plant and machinery is in Glyvrar.

Exempt from the environmental legislation ref sections 13.3.1 "Basic legislation" 13.3.3 "Legislation on Combaitng Animal Diseases" and 13.3.4 "Act on Environmental Protection" related to the farming operations, and the environmental legislation related to the factories ref section 13.3.4 "Act on Environmental Protection", there are no environmental issues that may affect the issuer's utilisation of the tangible fixed assets.

8.7.3 Investments in PP&E

Years ended 31 December (DKK 1,000)	IFRS 2009	IFRS 2008	FGAAP 2008	FGAAP 2007
Buildings	6,683	5,603	5,603	14,555
Production equipment	13,202	26,207	26,207	36,440
Other equipment	1,454	2,146	2,146	740
Total investments in PP&E	21,339	33,956	33,956	51,735

SOURCE: COMPANY

8.8 Significant accounting policies under IFRS

Both in 2007 and 2008 the Bakkafrost Group prepared its financial statements in accordance with FO-GAAP. However in connection with planned listing on Oslo Børs in 2010, the consolidated accounts for 2008 and 2009 have been converted and prepared in accordance with IFRS. The transition to IFRS is described in the consolidated accounts for Bakkafrost for 2009. The accounting policies set out below have been applied in preparing the financial statements for 2009, comparable amounts for 2008 and for the company's opening balance as of 01.01.2008 (transition date). When preparing the account for 2008 and the opening balance according to IFRS, the company has adjusted amounts formerly presented according to Faroese Generally Accepted Accounting Policies (GAAP).

8.8.1 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial figures for 2008 and 2009 in accordance with IFRS are set out below. These policies have been consistently applied to both 2008 and 2009.

8.8.2 Basis of Presentation

The accounting year equals the calendar year.

The financial figures 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.

The financial firgures have been prepared on a historical cost bases except for where IFRS require recognition at fair value, mainly valuation of biomass.

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

8.8.3 Consolidation Principles

The consolidated financial statements include Bakkafrost Holding and the subsidiaries over which Bakkafrost Holding 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 revenue in the Profit & Loss Account. Deferred tax is capitalised to the extent to which identifiable excess values ascribed to assets and liabilities leads to an increase or decrease in future tax payable when these differences are reversed in future periods. Deferred tax is capitalised and calculated using a nominal undiscounted tax rate. When shares are acquired in stages, the value basis of the assets and liabilities is the date the Group was formed. Later acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities, with the exception of goodwill, which is calculated with each acquisition.

Investments in companies in which the Group has a considerable interest (associated companies) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is formally 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 Profit & Loss Account, the profit share is presented as a financial item, 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.

8.8.4 Minority Interests

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

8.8.5 Revenues

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

The revenue of the Group is mainly for sales of fish. 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.

8.8.6 Fair Value adjustments on biological assets

Changes in estimated fair value on biomass are recognized 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 at 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.

8.8.7 Financial Income

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

8.8.8 Segment Reporting

Bakkafrost Group has fundamentally two business activities, farming of fish including sale of fresh fish and value adding of salmonoid products.

8.8.8.1 Seafarming including sale of fresh fish

The Group has production facilities in the north-eastern 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.

8.8.8.2 Value Added Products (VAP)

A significant share of the farmed products is value added at the factory in Glyvrar. The output of the factory is predominantly portions for the retail market. Therefore this is reported as one segment.

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

8.8.9 Classification Principles

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

Dividend proposals are not capitalised as liabilities until the parent company has assumed an irrevocable obligation to pay the dividend. Normally as 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 in inventory measured at cost are presented as a one line item in the Profit & Loss Account. 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/deducting an IFRS adjustment. The IFRS adjustment is the difference between biomass measured at cost and measured at fair value. Changes in the fair value on 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.

8.8.10 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.

8.8.11 Borrowing Costs

Borrowing costs are charged as expenses as they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the built-up of biomass in cages at sea is capitalised as part of the cost of the respective assets.

8.8.12 Receivables

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

8.8.13 Inventory

Inventories consist of inventories in the Seafarming Unit and VAP Unit.

8.8.13.1 Seafarming Unit:

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

8.8.13.2 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 lower of cost and 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 lower of cost and the expected sales price less sales costs. In case cost price exceeds sales price less sales cost, impairment is entered and charged to Profit and Loss.

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.

8.8.14 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/deduction 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 balance sheet reflects biomass at market values, and profit and loss presents production costs and Fair Value adjustments separately.

This is in accordance 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 costs. 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 2 kilo each fish, the fair value measurement of the generation becomes less than clearly unreliable. At this point Fair Value measurement commences.

Fair value is established by comparing to market prices of salmonids at a size of 4 kilo gutted weight, and deducting harvesting and sales costs. In addition, allowances are made for the fact that not all fish in a generation is of a superior quality. Fair value is based on market prices achieved by the Group at, or close to, the balance sheet date.

The 4 kilo threshold is based on the fact, that a generation is considered biologically and economically harvestable at that size, and fair value estimates should reflect the properties of smaller fish being able to grow to harvestable sizes.

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 balance sheet and charged to the Profit and loss.

Estimating the fair value of not yet harvestable fish in the period immediately prior to harvesting is more uncertain than estimating the value of harvestable fish. See the note regarding biological assets or further information’s regarding the principles employed.

8.8.15 Fixed Price Contracts

The Group enters into sales contracts for value added salmon products (VAP) on an ongoing 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 lower 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 balance sheet. The Provision is charged to the Profit and Loss Statement in the line item "Other Operation Cost".

8.8.16 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 Profit & Loss. 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 deprecated 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 lower 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 higher of net sales price and value in use. Value in use is the present value of the future cash flows which the asset will generate.

8.8.17 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 balance sheet as property, plant and equipment, and the corresponding leasing liability is included under interest bearing long-term 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 deprecation period is consistent with similar assets which are owned by the Group.

8.8.18 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 and any remaining production costs.

Costs relating to research and development are charged as expenses as they accrue. R&D costs are capitalised in the balance sheet 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.

8.8.18.1 Farming Licenses

Farming Licenses, which are purchased either as part of an acquisition or business combination according to IFRS 3, are capitalised at cost less accumulated write-downs. Seafarming licenses in the Faroes are considered perpetual, given certain preconditions regarding environmental protection and animal welfare are met.

Consequently, sea farming licenses are not depreciated systematically, but are subject to annual impairment test. If the carrying amount exceed recoverable amount, licences are considered impaired, and write downs are entered, and charged to the Profit and Loss Account in the line item "write downs and reversal of write-downs"

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

8.8.18.2 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 balance sheet.

Goodwill deriving from the purchase of subsidiaries and associates is presented under intangible assets. Goodwill is not depreciated but is tested for impairment annually or more often if there are indications that its value is lower than the carrying amount. When assessing the need to write down goodwill, this is assigned to relevant cash flow generating units or those groups which are expected to benefit from the acquisition. Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash flow generating units to which the goodwill is assigned. To identify the Group's cash flow generating units, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows for the next three years based on approved budgets and forecasts. Cash flows after three years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax which takes account of relevant market risk. If the calculated value in use is lower than the carrying amount of the cash flow generating unit, goodwill is written down first and then other assets as required.

8.8.19 Financial Instruments

In accordance with IAS39, financial instruments falling within its remit are classified in the following categories: fair value with changes in value posted to profit & loss, hold until maturity, loans and receivables, available for sale and other liabilities.

8.8.19.1 Financial instruments at fair value with changes in value entered to Profit & Loss

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 posted to profit and loss alongside forward currency contracts which are recognised at fair value with changes in value entered to Profit & Loss.

8.8.19.2 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.

8.8.19.3 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.

8.8.20 Pensions

The Group has employed a defined contribution pension scheme. Pension premiums are charged to Profit & Loss as they accrue. The Group has no additional pension liabilities towards the employees, apart from these periodical payments. The net pension costs for the period are included in the line item salaries and payroll costs.

8.8.21 Tax

The tax expense is matched against the profit & 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 balance sheet, to the extent, tax assets and liabilities can be netted against each other.

Deferred tax in the balance sheet 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 at 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.

8.8.22 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 it is probable (more likely than not) that a financial settlement will take place as a result at that liability, and that 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.

8.8.23 Events After The Balance Sheet Date

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

8.8.24 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

8.8.25 Intra-Group Reorganisation

No intragroup reorganisation has taken place in 2009. However, the Board considers the Group structure to be unsuitable and has planned to merge the subsidiaries P/F Sveipur and P/F Bakkafrost Packaging into a single entity. The merger is planned to be effective as of 1 January 2010. Both companies are wholly owned subsidiaries, and the merger is recognised according to the pooling of interest method. Consequently, the merger has no impact on the consolidated financial report.

Further, the legal placement of the processing activity is not in line with the segment definition, see note 4 in the Annual report 2009.

Consequently, the management is planning to move the harvesting operation from the company P/F Bakkafrost Processing to P/F Bakkafrost Harvesting, which is part of the farming segment..

8.8.26 Standards Issued But Not Yet Effectice

Below are listed new/amended/additions to standards and interpretations not yet effective for annual period from 1 January - 31 December 2009. The effective date listed below is the latest date that that the company can implement the new/amended/ additions to standards and interpretations. The disclosure consists of standards and interpretations that are made public before the publication of the annual report. Amendments not approved by the EU are not included in the list below.

8.8.26.1 IFRS 3 (revised) Business Combinations

Compared to the existing IFRS 3, the revised IFRS 3 incorporates certain amendments and clarifications related to the use of the purchase method. This includes issues such as goodwill in business combinations achieved in stages, minority interests and contingent considerations. Transactions costs other than share and debt issuance costs will be expensed as incurred. IFRS 3 (R) is effective for annual periods beginning on or after 1 July 2009. The Group expects to implement IFRS 3 (R) as of 1 January 2010.

8.8.26.2 IAS 27 (revised) Consolidated and Separate Financial Statements

The revised IAS 27 provides more guidance on accounting for changes in ownership interest in a subsidiary and the disposal of a subsidiary, compared to the current IAS 27. According to the revised standard the entity measures the interest retained in a former subsidiary at fair value upon loss of control of the subsidiary, and the corresponding gain or loss is recognised through profit and loss. The revised standard also includes a change in the requirements relating to the allocation of losses in a loss-making subsidiary. IAS 27 (R) requires total comprehensive income to be allocated between the controlling and the non-controlling party, even if this results in the non-controlling interest having a deficit balance. IAS 27 (R) is effective for annual periods beginning on or after 1 July 2009. The Group plans to implement IAS 27 (R) as of 1 January 2010.

8.8.26.3 IFRIC 15 Agreements for the construction of real estate

The interpretation addresses the divergence in accounting treatment for real estate projects, and also provides guidance on whether a project is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation is effective for annual periods beginning on or after 1 January 2010. The Group plans to implement IFRIC 15 as of 1 January 2010.

The Group does not expect that implementation of the amendments listed above will have a material effect on the financial statement of the Group on the date of implementation.

8.8.26.4 Accounting Estimates

The preparation of financial statements in accordance with IFRS requires management to make judgement estimates and assumption 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 ongoing 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 in the financial statement for 2009.

Fixed-price contracts

The company holds long term sale contracts related to salmon products. These contracts do not contain any elements of embedded derivates 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 lower than the calculated fair value of the biomass.

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, for instance tax losses carried forward, that are utilised in the future will be different from carrying amounts.

8.9 Significant changes and trends after last reporting period

Since last reporting period ended at 31 December 2009 the following events have occurred.

Effective on 1 January 2010, the Vestlax Group (with P/F Vestlax Holding as the ultimate parent company in the Vestlax Group) merged with the Bakkafrost Group's ultimate parent company, P/F Bakkafrost. P/F Bakkafrost is the continuing company.

The Bakkafrost Group has, since the date of the statement of financial position, changed its financing structure. In the future, it will primarily be the ultimate parent company in the merged Group, P/F Bakkafrost, which will finance all the companies in the Group. At the same time, P/F Bakkafrost has signed a new loan agreement with P/F Føroya Banki and Nordea Norge ASA. With the new agreement, the total loan facility is DKK 400 million, plus other loans from Føroya Realkredittstovni amounting to approximately DKK 58 million. The new bank financing is divided into 200 million as a revolving credit facility and a long-term loan amounting to DKK 200 million. Payment into the long-term loan facility is agreed to be DKK 50 million each year in 2010 and 2011 (se further detail on the loan agreement below).

On the AGM held 15 February 2010 it was decided to pay out dividend amounting to DKK 18,000,000.

The Company has not experienced any changes or trends outside the ordinary course of business that are significant to the company after 31 December 2009 and to the date of this Prospectus, other than those described elsewhere in the Prospectus. The Company does not know of any trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for the current financial year other than those described elsewhere in the Prospectus. Please see Chapter 6, "Presentation of Bakkafrost" and chapter 7, "Market Information" as well as chapter 2, "Risk factors" for more information about significant recent trends in the Company's business and relevant markets.

For any governmental, economic, fiscal, monetary or political or others factors that could materially affect the Company's future operations please refer to chapter 2, "Risk factors", chapter 7, "Market Information" and chapter 13, "Legal Matters".

8.10 Investments

The Company is operating in two main business areas, Farming and Value Adding Processing (VAP). In the table below the investments during the last three years are grouped into these activities.

8.10.1 Investments past 3 years

The table below gives an overview of the Company's investments for the past three accounting years in the faming segment and the Value Added Segment.

Capital investments by segment (DKK 1,000)	**2009**	**2008**	**2007**
Farming	17,226	30,339	29,040
Value adding Production	4,113	3,556	22,694
Total investment	21,339	33,955	51,734

SOURCE: COMPANY

In 2007 Bakkafrost invested in total DKK 51.7 million. The investments in 2007 in the Farming segment amounting to DKK 29 million relates to general farming equipment amounting to approx DKK 12 millions and include a floating station amounting to 6.4 million. The investment in the Farming segment also consists of investments in buildings amounting to DKK approx 14 millions and equipment related to the harvesting plant in Klaksvík amounting to approx DKK 3 million. Investments in value added segment in 2007 amounts to DKK 22.7 million and relates to processing equipment.

In 2008 the investments in farming amounted to DKK 30.3 million. The main investment relates to new boats of DKK 8 millions, a floating feed station amounting to DKK 7 million and other farming equipment amounting to DKK 10 millions and comprises among other things nets, cages and seaflow equipment. Also in 2008 an investment in the buildings in Glyvrar was made amounting to Approx DKK 5 millions.

Investments in value added production relates to cooling trailers amounting to DKK 1 million and other processing equipment of DKK 1.5 million.

In 2009 the investments in farming amounted to DKK 17.2 million. The main investment relates to buildings, including office equipment amounting to DKK 6 million, upgrading of boats of DKK 4 millions, a new boat which is under construction amounting to Approx DKK 2 million, investment on a hatchery of 2 million, investment in equipment in the styropor factory of DKK 1 million and other farming equipment.

Investments in value added production relates to a new processing line and other equipment totalling to DKK 4.1 million.

8.10.2 Investments in progress and future investments

The Company continues to invest in all activities to adjust the capacity. It will be invested approximately DKK 100 million during 2010 and 2011. The investments in farming for 2010 and 2011 are estimated to be approximately DKK 40 million each year and in the Value Adding Production (VAP) 10 million each year.

Farming investments in 2010 relates to sea equipment, boats and other farming equipment. The investments in the VAP segment relates to processing equipment.

All described investments will be financed though the existing credit facility and cash generated by the business.

The former Bakkafrost Group had capital expenditure committed but not provided in the accounts at 31 December 2009 of approximately DKK 12 million and relates to a floating feed station and a farming boat. No other investments are in progress as of the date of the Prospectus.

All investments will be made in the Faroe Islands.

8.11 Capital Resources

As of 31 december 2009, the Company had cash, cash equivalents amounting to DKK 35 millions. In addition the merged Bakkafrost Vestlax Group with the new loan agreement described in section 8.11.6 had undrawn loan facilities of DKK 207 million.

8.11.1 The primary short and long term sources of cash flow

The Group's cash flow is influenced by significant fluctuations in the underlying market price developments, primarily for salmon and the development in production and harvest volumes.

The Group's primary source of liquidity on a daily basis is the operational cash flow. This is again dependent upon the development in the underlying market for salmon as described in the previous paragraph.

Key factors in analyzing the operational sources as the basis for revenue and cash flow are product pricing, production volumes and market access. The Norwegian market is anticipated to experience growth in production volumes the next years, while the US and UK market is expected to have respectively zero and low growth. The Chilean market has had substantial problems with ISA in 2009 and production volumes are expected to fall with approximately 75 per cent. According to market participants, normal production levels will first be obtained in 2013-2014. The overall supply of Atlantic salmon is anticipated to decrease in 2009 and 2010 relatively to the supply level in 2008.The recession has had limited negative effect on the demand for Atlantic salmon, hence, we see rising prices in all markets.

In general, product pricing will always be a function of underlying issues; production costs, available volumes and the balance between market demand and supply. Over time there has been a positive development in prices for farmed marine products, which must be seen in conjunction with an increasing demand for such products in general. Although the market in principle is cyclical, recent statistics show signs of good market developments for marine products as a whole, as the focus on healthy food products and thereby demand, increases.

The development in the production cost for the products is, as mentioned, important for basic product pricing, and subsequently the analysis of cash flow development.

For further comments on the development of the cash flow see Section 8.4.

8.11.2 Working capital statement

The Company is of the opinion that it has sufficient working capital for the 12 months period following the date of the Prospectus

8.11.3 Funding structure and restrictions of use of capital resources

The long term funding of the Company consists of both equity and interest bearing debt, which is further described in Section 8.11.6. Section 8.11.4 in this Prospectus also shows a statement of the Company's capitalization and indebtedness.

Extended funding to ensure financing of the Company's business plan for 2010 and 2011 was finalized in the first quarter. In total, the new funding arrangements provided the merged Companies with DKK 400 million in additon to the existing credit institution loan amounting to DKK 58 milion..

Book value of equity (Pro forma) per 31 December 2009 was DKK 571 million and net interest bearing debt per 31 December 2009 was DKK 251 million. The equity ratio per 31 December 2009 was 56%. The funding of Bakkafrost is considered sufficient to fund the further development of the Company in line with the production targets communicated by the Company at significantly lower prices on the Company's products than the current level. The financing is considered sufficient to cover any seasonality of the operations and corresponding borrowing requirements.

The Company together with the Vestlax Group had 31 December 2009 untapped credit facilities of DKK 207 million.

The Company is not aware of any material legal or economic restrictions that influence the ability of the subsidiaries to transfer funds to the Company in the form of cash dividends, repayment of inter-company loans, new loans or advances. Consequently, the Company expects to meet its future cash obligations.

The Company is not in breach of any covenants as of the date of the Prospectus.

8.11.4 Capitalisation and indebtedness

The following table sets out the consolidated capitalisation and indebtedness of P/f Bakkafrost as of 31 December 2009 which is before the merger with the Vestlax Group and Pro forma figures for the merged entity for 2009. The table should be read together with the consolidated financial statement and the related notes thereto.

Total capitalisation and indebtedness per 31.12.2009 (DKK 1,000)	**P/F Bakkafrost (Audited)** **IFRS**	**Bakkafrost & Vestlax (Unaudited)** **IFRS**
Total current debt		
Guaranteed	-	
Secured (1)	98,262	215,237
Unguaranteed/unsecured	42,451	73,390
Sum	140,714	288,627
Total Non-Current Debt		
Guaranteed	-	
Secured (1)	34,350	66,100
Unguaranteed/unsecured (2)	57,081	75,909
Sum	91,431	142,009
Capital and Reserves		
Share Capital	2,992	2,992
Legal reserves	0	0
Other reserves	385,895	570,273
Sum	388,887	573,265
Total Capitalisation and Indebtedness	621,032	1,003,901
Cash (3)	35,319	35,680
Cash equivalent	-	
Trading securities	-	
Total liquidity	35,319	35,680
Current financial receivables	-	-
Current bank debt	45,239	119,378
Current portion of non current debt	53,023	95,859
Other current financial debt	0	
Current financial debt	98,262	215,237
Net current financial indebtedness	-62,943	-179,557
Non current bank loans	34,350	66,100
Bond issued	-	
Other non-current borrowings	-	
Non-current financial indebtedness	-34,350	-66,100
Net financial indebtedness	-97,243	-245,657
Key Figures		
Interest coverage ratio	17.3	6.28

SOURCE: ANNUAL REPORT 2009 AND PRO FORMA FIGURES 2009

Notes:

(1) Secured current and non-current debt relates to bank and credit institution's borrowing.

(2) Deferred tax at 31 December 2009

(3) The cash is held in DKK, EUR, GBP, NOK and USD

Effective on 1 January 2010, the Vestlax Group (with P/F Vestlax Holding as the ultimate parent company in the Vestlax Group) merged with the Bakkafrost Group's ultimate parent company, P/F Bakkafrost. P/F Bakkafrost is the continuing company to be listed on Oslo Børs according to this Prospectus. The Consolidated accounts are shown in the Pro forma Figures.

The Bakkafrost Group has, since the date of the statement of financial position, changed its financing structure. In the future, it will primarily be the ultimate parent company in the merged Group, P/F Bakkafrost, which will finance all the companies in the Group. At the same time, P/F Bakkafrost has signed a new loan agreement with P/F Føroya Banki and Nordea Norge ASA. With the new agreement, the total loan facility is DKK 400 million, plus other loans from Føroya Realkredittstovni amounting to approximately DKK 58 million. The new bank financing is divided into 200 million as a revolving credit facility and a long-term loan amounting to DKK 200 million. Payment into the long-term loan facility is agreed to be DKK 50 million each year in 2010 and 2011. For further details on the loan see below under Borrowing.

There have been no other material changes since the last published financial information.

8.11.5 Assets held as collateral for debt

The following table shows the book value of assets held as collateral for debt.

Years ended 31 December (DKK 1,000)	**IFRS 2009**	**IFRS 2008**	**FO-GAAP 2008**	**FO-GAAP 2007**
Property, plant and equipment	231,002	230,655	230,655	216,079
Financial assets	26,739	17,002	14,324	7,163
Inventories	248,024	247,093	234,104	195,537
Accounts receivables	66,644	42,469	42,469	37,638
Other current receivables	13,304	14,839	16,861	14,966

SOURCE: ANNUAL REPORT 2009, 2008 AND 2007

8.11.6 Borrowings

The Company is founded and capitalized primarily by shareholder's equity. In addition the Company has debt financing with P/f Føroya Bank and Nordea Bank Norge ASA. The Company signed a new loan agreement with P/f Føroya Bank and Nordea Bank Norge ASA on 15 February 2010 covering a DKK 200 million revolving overdraft facility (facility A) and a DKK 200 million installment loan (facility B), which amounts are equally devided between the lenders. The first drawing of funds under the installment loan shall be used to repay all of the previous loan facility with P/f Føroya Bank and Nordea Bank Norge ASA.

8.11.6.1 Nordea Bank Norge ASA

The loan facility Nordea Norge ASA is structured as follows:

Facility A: A revolving overdraft facility of DKK 100 million to finance fish in sea and debtors with DKK 50 million on each. Facility A shall however not exceed the estimated debtor and biomass volumes.

Facility B: An instalment loan of DKK 100 million.

The interest is CIBOR 3 months plus the current margin, which is calculated on the basis of the Company's Interest bearing debt ratio compared to EBITDA before fair value adjustments of biological assets. The margin may vary between 2 % p.a. and 3.5 % p.a.

The revolving overdraft facility falls due on 1.4.2011 and renewal shall then be considered on annual basis until final expiration 31.12.2014.

The installment loan shall be repaid to a remaining amount of DKK 50 million at the end of 2011 divided into quarterly instalments of DKK 6.25 million. Following this the payments shall follow an 8 years profile, though up for renewal 31.12.2014. The loan facility is secured both in the Company's and its subsidiaries assets as pledge

The Company shall pay varoious fees and commissions to Nordea Bank Norge ASA, including a commission of 0.25% per year of the uncancelled revolving overdraft facility, a commission of 1.35% per year of the uncancelled and undrawn installment loan facility and an arrangement fee of 50% of 0.08% of the total facility.

8.11.6.2 P/f Føroya Banki

The loan facility with P/f Føroya Banki is structured as follows:

Facility A: A revolving overdraft facility of DKK 100 million to finance fish in sea and debtors with DKK 50 million on each. Facility A shall however not exceed the estimated debtor and biomass volumes.

Facility B: An instalment loan of DKK 100 million.

The interest is CIBOR 3 months plus the current margin, which is calculated on the basis of the Company's Interest bearing debt ratio compared to EBITDA before fair value adjustments of biological assets. The margin may vary between 3.25 % p.a. and 4.50 % p.a.

The revolving overdraft facility falls due on 1.4.2011 and renewal shall then be considered on annual basis until final expiration 31.12.2014.

The installment loan shall be repaid to a remaining amount of DKK 50 million at the end of 2011 divided into quarterly instalments of DKK 6.25 million. Following this the payments shall follow an 8 years profile, though up for renewal 31.12.2014. The loan facility is secured both in the Company's and its subsidiaries assets as pledge.

The Company shall pay varoious fees and commissions to P/f Føroya Banki, including a commission of 0.25% per year of the uncancelled revolving overdraft facility, a commission of 1.35% per year of the uncancelled and undrawn installment loan facility and an arrangement fee of 50% of 0.08% of the total facility.

8.11.6.3 Covenants

The facilities are subject to several conditions and covenants, including the following:

Investments above DKK 35 million per year must be approved by the bank syndicate. The banks have approved total investments in 2010 and 2011 of DKK 50 million per year.

Proceeds from sale of assets outside ordinary operations must be used for extraordinary payments on debt.

Bakkafrost must have a sufficient insurance coverage for their assets and business. The bank syndicate shall be registered with pledge on the assets in the insurance agreements.

The farming licenses shall not be sold or in any way separated from the Company without written permissions from the banks.

The loan agreement contains specific condtions with regard to that fish farming licenses currently held by the Group shall be maintained within the Group.

8.11.6.4 Financial covenants

The Group's net interests bearing debt, measured on a quarterly basis, based on rolling 4 quarters, must not exceed 3.5x EBITDA and 3.0x EBITDA from 31.12.2011.

The revolving overdraft facility shall be distributed between financing of accounts receivables and fish at sea. One part of the facility must never exceed 80% of the insured accounts receivables and the other part must at any time not exceed 65% of the lowest of the costs of the fish at sea or P/f Føroya Banki's estimated standard value of fish in sea.

EBITDA for the Group must at any time be atleast 1.2x the sum of interests and amortisation to the two banks.

The solvency for the Group most not be below 30%.

Fairvalue adjustments of the biological assets shall not be included when calculating the EBITTDA in the above covenants.

The Company has a 20 day grace period given a potential breach of the above covenants.

8.11.7 Leasing arrangements

The Company's has no leasing arrangements/contracts at the date of the Prospectus.

8.11.8 Guarantees

The Company has guarantees related to payment of import toll corresponding to approx DKK 1.5 million. In addition to this the Group has a guaranty of DKK 1.5 million for a ongoing development on one of the hatcheries and a guaranty of DKK 646.875 for purchase of smolt.

The Company has not issued any guarantees other than the guarantees stated above.

8.11.9 Changes in the financial structure or trading position

There been no major changes in the financial structure or trading position of the Company subsequent to 31 December 2009 other then described in section 8.8.23.

8.11.10 Dividends

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 shall pay an annual dividend 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.

Distribution of Dividends	**2009**	**2008**	**2007**
Dividend per share DKK	4.54	1.67	1.67
Number of shares	2,991,789	2,991,789	2,991,789

SOURCE: ANNUAL REPORT 2009, 2008 AND 2007

The AGM which was held 15 February 2010 resolved that the proposed dividend was distributed to the shareholders after formal adoption of the merger. This means that dividends pr. share is calculated based on a share capital post-merger of DKK 3,963,853. Consequently dividends pr. Share is DKK 4.54.

Bakkafrost has no restrictions on distribution of dividends.

8.11.11 Legal and arbitration proceedings

There have been no governmental, legal or arbitration proceedings during the last 12 months, including any such proceedings which are pending or threatened of which the Company is aware.

8.12 Financial risk management and use of financial instruments

8.12.1 Foreign exchange risk

In the short term the Company will primarily sell its products in DKK, EUR, USD, NOK and GBP and is therefore exposed to foreign exchange risk. In the future the Company may decide to utilize financial instruments to reduce such risks, for instance foreign exchange forward contracts and/or money market hedges. The Company does not carry any debt or other obligations in foreign currency.

8.12.2 Interest rate risk

The entire loan portfolio is at the moment based on floating rate contracts. The Company assesses on a running basis the need to enter into fixed interest rate contracts.

8.12.3 Credit and Liquidity risk

The Company has adopted a conservative financial policy. This implies a high equity ratio and a sufficient absolute level of equity relative to the projected cash flow required to meet the industrial ambitions. The equity provides a capacity for raising external debt. In the short term, the Company will maintain a conservative financial policy and hence employ a presumed low liquidity risk. This may however change in the future, both because of changes in the financial policy or because of operational issues.

8.12.4 Fair value of financial instruments

The carrying value of cash and cash equivalents are measured at fair value due to the short period of time to maturity. The Company's long-term financial assets and own long-term financial liabilities are measured at fair value.

8.12.5 Use of financial instruments

Bakkafrost most material contracts are measured in DKK

8.13 The Company's Auditor

Inpact was appointed as the Company's auditor in 2006 (financial year ended 31 December 2006). The auditor's address is:

Sp/F Grannskoðaravirkið INPACT

R. C. Effersøesgøta 26

P.O. Box 191

FO-110 Tórshavn

The Faroe Islands

Inpact is a member of The Institute of State Authorized Public Accountants in Denmark (Foreningen af Statsautoriserede Revisorer, FSR).

9 ORGANIZATION, BOARD AND MANAGEMENT, CORPORATE GOVERNANCE

9.1 Registered address and organization number

The Company has its registered address at Bakkavegur 9, 625 Glyvrar, the Faroe Islands, and is registered with registration number 1724 in the Faroese Register of Companies.

9.2 Board and executive management

9.2.1 Description of the Board

The table below sets forth the composition of the Company's current Board.

Name	Position	Served since	Term expires
Rúni M Hansen	Chairman	15.12.2009	2011/2012
Johannes Jensen	Deputy Chairman	15.12.2009	2011/2012
Trine Sæther Romuld	Board Member	15.12.2009	2011/2012
Annika Fredriksberg	Board Member	19.02.2008	2011/2012
Virgar Dahl	Board Member	18.08.2006	2011/2012
Odd Eliasen	Board Member	18.08.2006	2011/2012

SOURCE: COMPANY

According to the Company's articles of association, the members of the Board of Directors are elected for a period of 2 years. Members may be re-elected. At the ordinary general meeting in 2011, half of the members of the Board of Directors are up for election. The nomination decides which members shall be up for election at the ordinary general meeting in 2011 and members will thereafter be elected alternately.

The Board is responsible for administering the Company's affairs and for ensuring that the Company's operations are organized in a satisfactory manner.

The Company's registered business address, Bakkavegur 9, 625 Glyvrar the Faroe Islands, serves as c/o address in relation for the Board members of the Company.

9.2.1.1 Rúni M Hansen, Chairman of the Board

Born 1967, MSc. In Economics and Business Administration, Copenhagen Business School, 1993 DBA, Lancaster University, The Management School, Lancaster UK, 1994. Statoil, member of Global Exploration management team for Europe and North Africa, 2007- Director for Statoil Faroes 2001- and Statoil Greenland 2008-. Board member of Sp/f Vónin 1998-2008 (Chairman 2002-2008), P/f Føroya Banki 1999-2006 (Vice Chairman 2003-2006), Chairman Sp/f Tjalldur 2006-2008, Chairman Sp/f Agat and Member of The Council of The Governmental Bank 2007-2012.

Rúni M Hansen holds no shares in the Company.

9.2.1.2 Johannes Jensen, Deputy Chairman of the Board

Born 1962, MBA, Lancaster, Lancaster University 1998, Faroe Seafood 1987-2001, Marketing Director Faroe Seafood 1999-2001, Managing Director Hotel Føroyar, Board member in Effo,Coastzone, Framtak and Etika Holding.

Johannes Jensen holds no shares in the Company.

9.2.1.3 Trine Sæther Romuld, Board member

Born 1968, State authorized auditor from NHH. Nine years of experience from Arthur Andersen & Co./Ernst & Young. Four years as Finance Manager for a drilling company. CFO in Pan Fish ASA/Marine Harvest ASA from 2003-2007. CFO in Aker Drilling ASA in 2007-2008. Executive Vice President in Aker ASA and CFO and Investment Director in Converto Capital Management 2009. Executive Vice President and CFO in Bjørge ASA from January 1 2010. Board director in Aker Seafoods ASA, Aker Floating Production ASA, and various subsidiaries of Bjørge ASA.

Trine Sæther Romuld holds no shares in the Company.

9.2.1.4 Virgar Dahl, Board member

Born 1958, Director of Marine Department in Tryggingarfelagið Føroyar. Board member of Føroya Realkreditstovnur.

Virgar Dahl holds no shares in the Company.

9.2.1.5 Odd Eliasen, Board member

Born 1965, School teacher 1988 from Føroya Læraraskúla. Sales manager Havsbrún 1988-1995. Director Aqua department Havsbrún 1995-. Board director of Viking Seafood and Faroe Farming..

Odd Eliasen holds no shares in the Company.

9.2.1.6 Annika Frederiksberg, Board member

Born1971, Basic Vocational Course, Commercial Line, Faroese Business School 1988. Part of Bakkafrost administration team 1990-2008. Part of Bakkafrost sales team 2008-. Board member since 2008.

Annika Frederiksberg holds no shares in the Company.

9.2.2 Remuneration to the Board

The remuneration of the members of the Board is determined annually by the annual general meeting of the Company. The Nomination Committee shall make a recommendation to the general meeting regarding the board's salary. The annual general meeting in 2010 approved the board fees for the financial year 2009 with DKK 96,000 to the Chairman and DKK 48,000 to each of the board members. Of the current board only the board members Vigrar Dahl, Odd Eliasen and Annika Frederiksberg were members of the board and received board remuneration in for all of 2009:

DKK	2009
Virgar Dahl	48,000
Odd Eliasen	48,000
Annika Frederiksberg	48,000

SOURCE: COMPANY

9.2.3 Additional services and remuneration to Board members

DKK	Position	2009
Annika Frederiksberg	Employee	414,277

SOURCE: COMPANY

9.2.4 Independence from management and large shareholders

9.2.4.1 Independence from large shareholders

Odd Eliasen is Director of Feed department at Havsbrún, which is a larger shareholder in the Company.

Annika Frederiksberg is the sister of Regin Jacobsen, managing director of Bakkafrost, which is also a larger shareholder of the Company.

As far as the Company is aware none of the other board members have relations with larger shareholders of the Company that would involve that they shall not be considered independent of larger shareholders.

9.2.4.2 Independence from management and material business connections

Bakkafrost buys all its fish feed from Havsbrún, representing a value of DKK 242.9 mill DKK in 2009 including Farming West and North. Accordingly Havsbrún must be considered a material business connection of the Company. Being Director of Feed department at Havsbrún, Odd Eliasen is not considered independent from executive management and material business contacts of the Company. Havsbrún is also a major shareholder in the Company, holding 16.9 % of the Shares.

Annika Frederiksberg is the sister of the CEO. She is also an employee of the Company. Accordingly she is not considered independent from the Company's management.

As far as the Company is aware none of the other board members have relations with the Company's management or material business connections of the Company that would involve that they shall not be considered independent of larger shareholders. The Company does not consider Tryggingarfelagið Føroyar, an insurance company which provides insurances for a yearly amount of approximately DKK 7 million to the Company, and where Virgar Dahl holds the position as Director of Marine Department, to be a material business contact of the Company. Tryggingarfelagið Føroyar also has shareholder interest in the company through its subsidiary T.F. Holding, holding 5.7 % if the Shares.

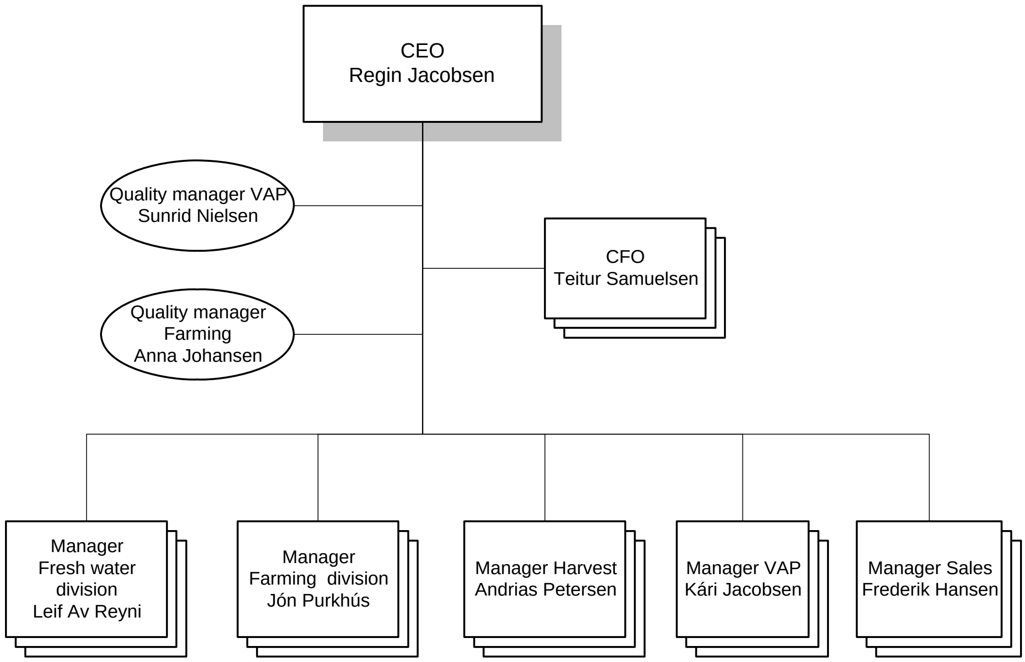
9.2.5 Board members shareholdings and options

None of the Board members hold any shares, options or other rights to purchase or subscribe shares in the Company. There exists no share option program for the Board.

9.3 Management and Key Employees

9.3.1 Organisationchart

The organisation chart below shows the structure of the Company's organization.



9.3.2 Executive Management

As at the date of publication of this Prospectus, the Company's management comprises the following members:

9.3.2.1 Regin Jacobsen, Chief Executive Officer

Regin Jacobsen (born 1966) has been the CEO of Bakkafrost since 1989. Mr. Jacobsen is educated at Aarhus School of Business, Graduate Diploma, The diploma in business administration and Accounting (HD-R). From 1982 to 1988 Mr. Jacobsen was accounting manager of the former P/f Bakkafrost and from 1988 until 2006 he held the position as Managing director of the former P/f Bakkafrost.

9.3.2.2 Teitur Samuelsen, Chief Financial Officer,

Teitur Samuelsen (born 1972) was appointed CFO of Bakkafrost in December 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 Dong Energy E&P A/S as licence controller and he was CFO in Atlantic Petroleum from 2005 to 2009.

9.3.2.3 Frederik Hansen, Sales manager

Frederik Hansen (born 1973) has been sales Manager of Bakkafrost since 2007. He was educated at Føroya Sjómannaskúla as Captain in 1997. From 1997-2000 he was sailor as navigator and Captain. From 2000 to 2006 he was department leader of Faroe Ships operations in various places, both in Faroe Islands and abroad. From 2006 he was sales Manager in Faroe Ship.

9.3.2.4 Kári Jacobsen, Manager VAP production and processing

Kári Jacobsen (born 1963) has been Manager VAP production and processing since 2008. He is 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 in Faroe Seafood from 1994 to 1998. He is a board member of Runavíkar Kommuna and SEV.

9.3.2.5 Jón Purkhús, Manager Farming

Jón Purkhús (born 1958) has been Manager Farming since 2006. Mr, Purkhús has extensive experience from the salmon farming industry as he founded and has been director of Bakkafrost Farming North since 1988.

Jón Purkhús is managing director in JH Holding which holds approximately 1.32 % of the shares in Bakkafrost.

9.3.2.6 Andrias Petersen, Manager Harvest

Mr Andrias Petersen holds a B.Sc. in Chemical Engineering from the technical university of Denmark (2001) and has since completed courses in general-, project- and quality management. 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. Mr. Andrias Petersen has been production manager at Vestsalmon since 2008

9.3.2.7 Leif av Reyni, Manager Fresh Water

Leif av Reyni is Candidate (B.Sc.) in Aquaculture, Høgskolen i Sogndal, Norway (1999-2002) and M.Sc. in Aquaculture, Stirling University, Scotland (2002-2003). From 2003-2004 he worked for Vestlax at two of their sea sites in Vestmanna and Veðranes, farming salmon and trout. From 2004-2005 Mr Leif av Reyni worked as project manager for the local Aquaculture Research Station in the Faroe Islands. Since 2005 he has been Production manager at Vestlax and responsible for sea sites and hatcheries. Since 2006 he has been on the board of the Faroese Aquaculture Research Station.

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The Company's registered business address, Bakkavegur 9, 625 Glyvrar, the Faroe Islands, serves as c/o address in relation for the Executive Management of the Company.

9.3.3 Compensation to executive management

The table below sets forth the compensation to the executive management in 2009.

Name	**Position**	**Annual Salary (DKK)**	**Annual Bonus (DKK)**	**Pensions (DKK)**
Regin Jacobsen	CEO	943,958	0	30,000
Teitur Samuelsen[9]	CFO	72,573	0	0
Frederik Hansen	Sales Manager	469,746	0	61,200
Kári Jacobsen	Manager VAP	509,112	0	50,603
Jón Purkhús	Manager Farming	630,898	0	52,811
Andreas Petersen	Manager Harvest	522,522	0	46,332
Leif av Reyni	Manager Fresh Water	619,958	0	54,945

SOURCE: ANNUAL REPORT 2009

[9] TEITUR SAMUELSEN WAS EMPLOYED IN THE COMPANY FROM DECEMBER 2009.

9.3.4 Management Shareholdings and options

The table below sets forth information concerning ownership of the Company's Shares and options held, as of the date of this Prospectus, by each of the executive management.

Name	Position	Number of shares	% ownership	Options
Regin Jacobsen	CEO	4,953,717	10.71 %	0
Teitur Samuelsen	CFO	0	0%	0
Frederik Hansen	Sales manager	0	0%	0
Kári Jacobsen	Manager VAP	0	0%	0
Jón Purkhús	Manager Farming	610,887*	1.32%	0
Andrias Petersen	Manager Harvest	0	0%	0
Leif av Reyni	Manager Fresh Water	0	0%	0

*The Shares are held by JH Holding. Jón Purkhús is managing director and owns 50% of the shares in JH Holding.

No member of the Management has purchased any shares in the Company during the last 12 months.

9.4 Loans or guarantees

The Company has no outstanding loans or guarantees to any member of the executive management or the Board.

9.5 Severance pay etc

The CEO, Regin Jacobsen has a 2 year notice period with salary.

Other than as stated above, no members of the executive management or the Board have service contracts with the Company or any of its subsidiaries that provide for benefits upon termination of employment.

9.6 Incentive programs

The Company does not have any incentive programs.

9.7 Shares Acquired by Members of the Management and the Board

None of the members of the executive management or the Board has acquired shares in the Company the past year.

9.8 Conflicts of interest, etc.

Odd Eliasen is Director of Feed department at Havsbrún, which Bakkafrost buys most its fish feed from, representing a value of DKK 242.9 mill DKK in 2009 for both Farming West and Farming North.

Mr. Dahl holds the position as Director of Marine Department in Tryggingarfelagið Føroyar, an insurance company that delivers insurances to the Company. All such insurances are on standard terms. The annual premium for these insurances is approximately DKK 7 million for the merged company.

Annika Frederiksberg is the sister of the CEO. She is also an employee of the Company.

A conflict of interest could arise for these board members in connection with the above mentioned relations. In order to avoid conflicts of interest influencing the board's decisions, the Company has implemented board guidelines that will disqualify a board member for taking part in the discussion or decision of issues which are of such special importance to such Board member or to any related person that he/she must be regarded as having a major personal or financial special interest in the matter.

The Faroese Company Act also stipulates that a board member or a member of the management shall not take part in any decision regarding matters which put him/her in conflict with the company's interests.

Other than what has been described above, there are no potential conflicts of interest between any duties to the Company the members of the executive management or the Board, and their private interests or other duties.

During the last five years preceding the date of the Prospectus none of the members of the executive management or the Board have been associated with any bankruptcies, receiverships, or liquidations for the last five years. None of the members of the executive management or the Board have been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies), or been disqualified by a court from acting as a member of the administrative, management or supervisory body of an issuer or from acting in the management or conduct of the affairs of any issuer, or convicted of any fraudulent offences.

There is no arrangement or understanding with major shareholders, customers, suppliers or others, pursuant to which any member of the executive management or the Board has been selected.

9.9 Directorships and positions

Over the five years preceding the date of this Prospectus, the members of the executive management and the Board hold or have held the following directorships (apart from their directorships of the Company) and leading positions:

Name and position	Current positions	Positions previous five years
Regin Jacobsen, CEO	Board member: Salmon Proteins	Board member: P/f Fiskaaling, P/f Skálafjarðartunnilin, IRF, City council, Runavíkar Kommuna Management: Director P/f 21.12.1992, P/f Føroya Kassasøla
Teitur Samuelsen, CFO		Board member Atlantic Petroleum UK Ltd and Atlantic Petroleum (Ireland) Limited
Frederik Hansen, Sales manager		
Kári Jacobsen, Manager VAP	City council, Runavíkar Kommuna Board member: SEV, Hitaorkufelagið	
Jón Purkhús, Manager Farming		
Andrias Petersen, Manager Harvest	Board member: Salmon Proteins	
Leif av Reyni, Manager Fresh Water	Board member: Fiskaaling	
Runi M Hansen, Chairman of the Board	Board Member: Statoil Færøyene as Statoil Greenland as Sp/f Agat	Board Member: P/f Føroya Banki (2006), P/f Vónin (2008), P/f Tjaldur (2006-2008 Chairman) Management: Statoil ASA|
Trine Sæther Romuld, Board member	Executive Vice President and CFO Bjørge ASA Board member in Aker Seafoods ASA, Aker Floating Production ASA and various subsidiaries of Bjørge ASA	Board member: DnBNOR ASA, EMGS ASA, Technor ASA, Aker Drilling ASA, Aker Drilling Services AS, Aker Drilling Operations AS and Barents Base AS. Management: CFO & Investment Director Converto Capital Management AS, Aker ASA, Aker Drilling ASA, Marine Harvest ASA (Pan Fish ASA)
Johannes Jensen, Board member	Board Member: Effo pf., Frost pf., Coastzone spf., Bakkafrost pf. Management: Hotel Føroyar pf., Dvøl spf., etika holding pf.	Board member: Effo pf., Frost pf., Coastzone spf., Framtak, etika holding pf., Faroe Seafood pf.

Odd Eliasen Board member	Director Aqua department Havsbrún 1995-. Board director of Viking Seafood and Faroe Farming.	
Virgar Dahl, Board member	Board Member: Faroe Cod Farm P/F Management: Director of Marine Department in Tryggingarfelagið Føroyar,	Management: Føroya Realkreditstovnur
Annika Frederiksberg, Board member	None	None

9.10 Nomination Committee

According to its Articles of Associations the Company shall have a Nomination Committee. The Nomination Committee consists of 3 - 5 members. The members of the Nomination Committee, including the Committee Chairman are elected by the general meeting. Members of the Nomination Committee serve for two year periods.

At the extraordinary general meeting on 15 December 2009 the following members were elected to the nomination committee:

Gunnar í Liða (representing TF Holding).

Hans Jacobsen (representing Hans Jacobsen)

Bergur Poulsen (representing Havsbrún)

Tummas Eliasen (representing the Royndin Investment Company)

Helge Moen (representing Kverva)

9.11 Audit Committee

The Audit Committee is a subcommittee of the Board of Directors. The members of the Audit Committee shall be elected from among Board Members by the Board of Directors. At least one of the members shall be independent from the business and have accounting expertise.

The Board of Directors have nominated the following members to the Audit Committee, which will hold the position until the ordinary general meeting, which will be held in 2011:

Rúni M Hansen, chairman

Trine Sæther Romuld and

Johannes Jensen

9.12 Employees

As of the date of the Prospectus, the Company has 514 full-time employees (post-merger). The table below illustrates the development in number of employees over the last three years, as per the end of each calendar year from 2007 to 2009 and as of date of this Prospectus.

	2007	2008	2009
Farming	101	129	135
Primary processing	120	135	135
VAP	114	168	165
Administration and sales	10	13	15
Total	345	445	450

9.13 Pensions and other obligations

The Company does not have any accrued pension commitments in respect of the executive management as of 31 December 2009. The cost related to payments into pension schemes are included in the salary cost ref section 9.3.3. None of the members of the Board is entitled to any pension benefits from the Company.

9.14 Corporate Governance

The Company is in compliance with the Norwegian corporate governance regime, as detailed in the Norwegian Code of Practice for Corporate Governance, published on 21 October 2009 by the Norwegian Corporate Governance Board (the "Code of Practice").

The Company's principles for corporate governance correspond with the Code of Practice apart from that the board holds an authorisation to issue shares which have not been restricted to a defined purpose.

10 SHARES AND SHARE CAPITAL

10.1 Share capital and shares

The issued share capital of the Company is DKK 46,250,000 comprising of 46,250,000 Shares fully paid with a par value of DKK 1 and issued in accordance with Faroese law.

The shares of the Company may be freely transferred. No shares have any special rights. No restrictions apply with regard to sale or any other transition of shares.

The Shares are registered in the VPS which maintains the Company's share register. The Shares are registered with ISIN NO: FO0000000179. The share registry of the company is kept by Nordea Bank Norge ASA.

The shares of the Company are registered in the share registry by name.

The Shares are equal in all respects and each Share carry one vote at the Company's general meeting.

10.2 Historical development in share capital and number of Shares

The Company's share capital per 1 January 2007 was DKK 2,991,789 each with a par value of DKK 1 or multiples hereof. The Company had issued 67 shares, each with par values ranging from DKK 1,000 to DKK 1,000,000. Each par value of DKK 1 carried one vote.

The development of the Company's share capital from 1 January 2007 is shown in the table below.

Year	Type of change in share capital	Change in issued share capital	Change in number of shares	Par value per share (DKK)	Total issued share capital (DKK)	Total number of issued shares following change
2007	IB 1. Jan			1,000-1,000,000	2,991,789	67
2010	Change nominal value			1	2,991,789	2,991,789
2010	Issue Merger	972,064	972,064	1	3,963,853	3,963,853
2010	Equity Issue/ Share split	42,286,147	42,286,147	1	46,250,000	46,250,000

SOURCE: COMPANY

In the period from 1 January 2007 to the date of this Prospectus the Company has issued shares against contribution in kind for more than 10 % of its share capital in connection with the Merger with P/f Vestlax ref section 13.5 "Material Contracts". The shareholders in P/f Vestlax Holding received a total of 972,064 share in P/f Bakkafrost as part of the settlement in the merger, approved on the AGM the 15 February 2010

10.3 Authorisation to issue Shares

The Board of Directors of the company are authorised in one or several rounds to increase the share capital of the company with a nominal amount of DKK 3,750,000. The resolution from the General Meeting held on 15 February 2010 stated that "The increase in the Share capital of DKK 3,750,000 will not be subject to any rights posessed by existing shareholders. The Board of Directors will decide on the allocation of the New Shares. " The purpose of the increase in share capital shall be to strengthen and adjust the financial basis of the company. The New Shares shall be registered by name (navneaktier) and comply with the rules in § 4 of the company's articles of association. The Board of Directors are authorised to alter the pre-emptive right of the current share holders to subscribe any new share capital. The New Shares shall have a nominal value of DKK 1. The New Shares shall be subscribed against cash payment. The authorisation of the Board of Directors to increase the share capital is in force until the next ordinary general meeting, which will be held in 2011. All or parts of the authorisation will be used to issue the New Shares in the Offering.

10.4 Authorisation to purchase own Shares

The Board of Directors of the company is authorised to buy own shares on behalf of the Company for a total nominal value of up to DKK 5,000,000. Purchasing of own shares shall be conducted to the official rate of the shares, but the Board of Directors may in special circumstances deviate from the official course with up to 10 %. The authorisation is valid until the next ordinary general meeting in the Company.

The company currently holds 918,384 own shares, corresponding to a par value of 918,384.

10.5 Rights to acquire Shares

The Company has not issued any convertible securities, exchangeable securities, securities with warrants, subscription rights, options or any other securities or rights giving anyone the right to acquire or subscribe Shares through utilisation of such rights. The Company has not granted any employees or others options to subscribe for Shares in the Company.

10.6 Ownership structure

As of the date of the Prospectus, the Company had 15 shareholders of whom 14 were Faroese and 1 were Norwegian. The table below shows all the shareholders of the Company as registered in the VPS:

	Shareholder	**No. Shares**	**% Ownership:**
1	P/f Føroya Banki	15,568,136	33.66%
2	Havsbrún	7,806,540	16.88%
3	Hans Jacobsen	5,519,437	11.93%
4	Regin Jacobsen	4,953,717	10.71%
5	T.F Holding	2,644,095	5.72%
6	Kverva AS	2,533,052	5.48%
7	Íløgufelagið Royndin	2,010,830	4.35%
8	Framtak	1,377,575	2.98%
9	P/f Bakkafrost	918,384	1.99%
10	Norðoya Íløgufelag	816,943	1.77%
11	JH Holding	610,887	1.32%
12	Katrin D. Jacobsen	545,441	1.18%
13	Sp/f Hjallur	420,384	0.91%
14	Rogvi Jacobsen	350,038	0.76%
15	L.G.S	174,541	0.38%
Total		46,250,000	100.00%

Shareholders owning 5% or more of the Shares have an interest in the Company's share capital which is notifyable pursuant to the Norwegian Securities Trading Act. Please refer to Section 11.8 "Disclosure Obligations" for a description of the disclosure obligations under the Norwegian Securities Trading Act. As of the date of this Prospectus P/f Føroya Banki, P/f Havsbrún, Hans Jacobsen and Regin Jacobsen owned 33.7%, 16.9%, 11.9% and 10.7% respectively, of the Shares. The Company is not aware of any other persons or entities that, directly or indirectly, have an interest in 5% or more of the Shares.

As of the date of this Prospectus, and insofar as is known to the Company, there are no persons or entities who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company, and the Company is not aware of any arrangements the operation of which may at a subsequent date result in a change of control of the Company.

The Company's Articles of Association do not contain any provisions that would have the effect of delaying, deferring or preventing a change of control of the Company.

The Shares have not been subject to any public takeover bids during 2009 or 2010.

10.7 Limitations on the right to own and transfer Shares

The Shares are freely transferable. The Company's Articles of Association do not contain any provisions imposing limitations on the ownership of the Shares and there are no limitations under Faroese law on the rights of non-residents or foreign owners to hold or vote for the Shares.

The Faroese Fish Farming Act contains a requirement that no more than 50 % of all Faroese salmon farming licences shall be controlled directly or indirectly by one person and such person's related parties. ref. section 13.3. The company shall therefore notify the Faroese Government of all important transfer of shares and the company is obligated to inform the Faroese Government of the names of all shareholders, if the

Government so requires. The Faroese Government may order the company to alter the ownership of the company, if the Government considers the ownership to be contrary to the rule that no individual person or company may hold more than 50% of the Faroese licenses.

10.8 Share registrar and securities number

The Registrar for the Shares is Nordea Bank Norge ASA, Middelthunsgate 17, Oslo, Norway.

10.9 Dividend policy

The Company 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 shall 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.

10.10 Shareholder agreements

The Company is not aware of any shareholder agreements in respect of the Shares which will be in force at the time of listing of the Shares on Oslo Børs.

10.11 Transactions with related parties

Some of the shareholders in Bakkafrost also conducts business with the Company. All the agreements between the companies are based on ”arm’s lenght” prices and conditions. There are no terms or conditions regarding exclusitivity or fixed prices. There are no material agreements between the Company and other companies in the Group or agreements between related parties, which could be regarded as unusual.

Since 2007 the Company has been party to the following related party transactions:

2007		
Related Party	**Description of transaction**	**DKK million**
Havsbrún	Purchase of fish feed	95.7
	Sale of transportation of feed	1.0
	Net Balance: Accounts Payables	-14.9
Føroya Banki	Interest paid	10.6
	Net Balance (Interest bearing debt and accounts receivables)	-201.1
2008		
Related Party	**Description of transaction**	**DKK million**
Havsbrun	Purchase of fish feed	148.7
	Sale of transportation of feed	2.3
	Net Balance: Accounts Payables	-27.3
Føroya Banki	Interest paid	15.7
	Net Balance (Interest bearing debt and accounts receivables)	-104.3
2009		
Related Party	**Description of transaction**	**DKK million**
Havsbrún	Purchase of fish feed	151.0
	Sale of transportation of feed	2.3
	Net Balance: Accounts Payables	-15,0
Føroya Banki	Interest paid	5.6
	Net Balance (Interest bearing debt and accounts receivables)	-11.1
YTD		
Related Party	**Description of transaction**	**DKK million**
Havsbrún	Purchase of fish feed	23.1
	Sale of transportation of feed	0.1
	Net Balance: Accounts Payables	-24,1
Føroya Banki	Interest paid	1.2
	Interest bearing debt	89.2
	Other Receivables	21.5

Bakkafrost buys all its fish feed from Havsbrún, representing a value of DKK 151 mill DKK in 2009 (Bakkafrost not including Vestlax). The feed contracts are renewed on a 3 month basis and based on market prices.

Føroya Banki has been the main bank for the Company during the last years. As of the date of the Prospectus, Føroya Banki has agreed to a new bank facility ref section 8.11.6 ”Borrowings”. The new bank facility is on market terms.

Føroya Banki is Manager in the transaction ref section 0 ”Managers” and receives a fee based on market terms ref section 5.23 ”Expenses and net proceeds”.

11 SHAREHOLDER MATTERS AND RELEVANT COMPANY AND SECURITIES LAW

11.1 General Meeting

According to the Faroese Public Companies Act, a company's shareholders are to exercise supreme authority in the company through the General Meeting. A shareholder may attend the General Meeting either in person or by proxy. In accordance with the Faroese Public Companies Act, the Annual General Meeting of the company shall be held each year in such time that the annual report may be sent to the Company Registry within the deadline in the Act on Annual Accounts, which deadline is 4 months from the end of the company's fiscal year. The following business must be discussed and decided at the Annual General Meeting:

approval of the annual report, including the distribution of any profits or losses according to the annual report; and

any other business required to be discussed at the General Meeting in accordance with the company's Articles of Association.

The Faroese Public Companies Act requires that General Meetings shall be convened with a deadline not longer than 4 weeks and not shorter than 8 days; unless a company's Articles of Association stipulate a longer period. According to section 73(3) of the Faroese Public Companies Act, a listed company shall send proxy forms in either a written or an electronic format to its shareholders for the General Meetings. The notice, convening the General Meeting, shall contain a description of the size of the share capital and the voting rights. A shareholder is entitled to submit proposals to be discussed in a general meeting provided that the proposals are submitted in writing to the Board of Directors in such good time that the proposals may be included in the agenda for the meeting. Further, a shareholder is entitled to table draft resolutions for items included on the agenda for the general meeting. In addition to the Annual General Meeting,

Extraordinary General Meetings of shareholders may be held if deemed necessary by the company's Board of Directors. An Extraordinary General Meeting must also be convened for the consideration of specific matters at the written request of shareholders representing a total of at least 10% of the share capital or a possible lower limit prescribed by the company's Articles of Association, or upon the request of the company's accountant.

11.2 Voting Rights

According to the Faroese Public Companies Act, each share in a public limited company shall have voting rights. The Articles of Association of a company may provide for some shares having higher voting value, however not more than 10 times the voting value of any other share of the same nominal value.

No voting rights can be exercised with respect to treasury shares (own shares) held by a company.

Decisions that shareholders are entitled to make under the Faroese Public Companies Act or the company's Articles of Association are made by a simple majority of the votes cast, unless otherwise provided by the Public Companies Act or the Articles of Association. In the case of elections, the persons who obtain the most votes cast are elected and if two persons obtain the same number of votes, elections are decided by lot. However, certain decisions, including but not limited to resolutions to:

amend the company's Articles of Associations,

authorize an increase or reduction of the company's share capital,

waive preferential rights in connection with any share issue,

approve a merger or demerger, and

must receive the approval of at least two-thirds of the aggregate number of votes cast at the General Meeting, as well as at least two-thirds of the share capital represented at the Meeting

Faroese law further requires that certain decisions, which have the effect of substantially altering the rights and preferences of any shares or class of shares, receive the approval of the holders of such shares or class of shares as well as the majority required for amendments to the Articles of Association. There are no quorum requirements for the General Meeting.

11.3 Amendments to the Company's Articles of Association

The affirmative vote of two-thirds of the votes cast at a General Meeting as well as at least two-thirds of the share capital represented at the meeting is required to amend the company's Articles of Association. Certain types of changes in the rights of the company's shareholders require the consent of all shareholders or 90% of the votes cast at a General Meeting. As examples of decisions which would be covered by this rule, the following can be mentioned: Decisions which have as a consequence that the right of the shareholders to dividends or distribution of the assets of the company are reduced in favour of parties not holding shares in the company, that the transferability of the shares is reduced or that the voting rights of the shareholders are restricted.

11.4 Additional issuances and preferential rights

If a public limited company issues any new shares, including bonus share issues (involving the issuance of new shares by a transfer from the Company's share premium reserve or distributable equity to the share capital), the Articles of Associations must be amended, which requires a two-thirds majority of the votes cast and the share capital represented at a General Meeting of shareholders.

In connection with an increase in the company's share capital by a subscription for shares against cash contributions, Faroese law provides the company's shareholders with a preferential right to subscribe for the new shares on a pro rata basis in accordance with their then-current shareholdings in the company. The preferential rights to subscribe to an issue may be waived by a resolution in a General Meeting passed by a two-thirds majority of the votes cast at a General Meeting as well as two-thirds of the share capital represented at the meeting.

The Articles of Association of a Company may authorize the Board of Directors to issue new shares. Such authorization may be effective for a maximum of five years. To issue shares to shareholders who are citizens or residents of the United States upon the exercise of preferential rights, the Company may be required to file a registration statement in the United States under U.S. securities laws. If the Company decides not to file a registration statement, these holders may not be able to exercise their preferential rights.

11.5 Minority Rights

The Faroese Public Companies Act contains a number of protections for minority shareholders against oppression by the majority, including but not limited to those described in this and preceding sections. Any shareholder may petition the courts to have a decision of the company's Board of Directors or General Meeting declared invalid on the grounds that it unreasonably favours certain shareholders or third parties to the detriment of other shareholders or the company itself. Shareholders holding in the aggregate 10% or more of a public limited company's share capital have a right to demand that the company holds an Extraordinary General Meeting to discuss or resolve specific matters. In addition, any shareholder may demand that the company places an item on the agenda for any General Meeting if the company is notified in time for such item to be included in the notice of the Meeting.

11.6 Mandatory offer requirements

Mandatory offer requirements in compliance with EU's Take-Over-Directive (Directive 2004/25/EF) were implemented in Norway in the Securities Trading Act (Act of 29 June 2007 No 75) Chapter 6, which came into force on 1 January 2008. Norwegian law requires any person, entity or group acting in concert that acquires shares representing more than 1/3 of the voting rights of a company primary listed on Oslo Børs to make an unconditional general offer for the purchase of the remaining shares in the company. A mandatory offer obligation may also be triggered where a party acquires the right to become the owner of shares which together with the party's own shareholding represent more than 1/3 of the voting rights in the company and Oslo Børs decides that this must be regarded as an effective acquisition of the shares in question. The obligation applies to ownership in Norwegian and certain non-Norwegian companies listed on Oslo Børs (or other Norwegian regulated market), including Bakkafrost, being a company registered in the Faroe Islands.

The mandatory offer is subject to approval by Oslo Børs before submission to the shareholders. The offer price per share must be at least as high as the highest price paid or agreed to be paid by the offeror in the six-month period prior to the date the 1/3 threshold was exceeded, but equal to the market price if the market price was higher when the 1/3 threshold was exceeded. In the event that the acquirer thereafter, but prior to the expiration of the bid period acquires, or agrees to acquire, additional shares at a higher price, the acquirer is obliged to restate its bid at that higher price.

A mandatory offer must be in cash or contain a cash alternative at least equivalent to any other consideration offered. To the effect that the shareholder when the 1/3 threshold was crossed has stated that sale of shares will take place, the shareholder can reduce the ownership to a level below 1/3 within 4 weeks and avoid the mandatory offer obligation. Otherwise, Oslo Børs may cause the shares exceeding the 1/3 limit to be sold. Until the mandatory bid is made or the shares exceeding the 1/3 threshold are sold, the shareholder may not vote for shares exceeding the 1/3 threshold, unless a majority of the remaining shareholders approve. The shareholder can, however, exercise the right to dividends and pre-emption rights in the event of a share capital increase. Oslo Børs may impose a daily fine on a shareholder who fails to make the required offer or sell down below 1/3.

A shareholder or consolidated group who owns shares representing more than 1/3 of the votes in a company listed on Oslo Børs, and who has not previously made an offer for the remaining shares in the company in accordance with the mandatory offer rules is, as a main rule, obliged to make a mandatory offer in the event of a subsequent acquisition of shares in the company.

A shareholder who represents more than 1/3 of the votes in a company listed on Oslo Børs is obliged to make an offer to purchase the remaining shares of the company (repeated offer obligation) where the shareholder through acquisition becomes the owner of shares representing 40% or more of the votes in the company. The same applies correspondingly where the shareholder through acquisition becomes the owner of shares representing 50% or more of the votes in the company. The mandatory offer obligation ceases to apply if the shareholder sells the portion of the shares which exceeds the relevant threshold within four weeks of the date on which the mandatory offer obligation was triggered.

Faroese mandatory offer rules are not applicable on the Company's shares.

The Company has not received any takeover bids or bids to acquire controlling interest during the last 12 months.

11.7 Compulsory Acquisition

If a shareholder holds shares representing more than 90 per cent of the total number of issued shares and an equivalent part of the voting rights, then such majority shareholder would have the right to decide together with the company's Board of Directors, that a compulsory acquisition of any shares, not already owned by such majority shareholder, should be executed. Furthermore, each remaining minority shareholder of the Company would have the right to require such majority shareholder to acquire his shares.

If a compulsory acquisition is to be executed, the shareholders whose shares are the subject of acquisition shall receive a request to sell their shares, such request to be sent according to the rules regulating the convening of general meetings and the deadline shall be 4 weeks.

The acquirer shall in the request supply information regarding the terms of the offer. If the minority shareholder cannot accept the specified price, he may require that the value of the shares is assessed. If the shares have not been transferred to the acquirer at the end of the deadline specified in the notice, the acquirer shall immediately deposit an amount in favour of the relevant shareholders, corresponding to the value of the relevant shares. Simultaneously the shares, which have been issued for the redeemed shares, are deemed annulled. The board sees to it that new shares are endorsed, stating that they replace the shares which have been redeemed.

In the notice it shall be stated that if agreement is not reached on the price, the price shall be decided by appraisers nominated by the Court according to the Faroese Public Companies Act.

11.8 Disclosure Obligations

Pursuant to the Norwegian Securities Trading Act, a person, entity or group acting in consent that acquire or disposes shares or rights to shares, i.e. convertible loans, subscription rights, options on the purchase of shares and similar rights to shares, which results beneficial ownership, directly or indirectly, in the aggregate, reaching or exceeding or falling below the respective thresholds of 5%, 10%, 15%, 20%, 25%, 1/3, 50%, 2/3 or 90% of the share capital or a corresponding portion of the votes is obligated to notify Oslo Børs immediately. Certain voting rights are counted on equal basis as shares and rights to shares. A change in ownership level due to other circumstances (i.e. other than acquisition or disposal) can also trigger the notification obligations when the said thresholds are passed, e.g. changes in the company's share capital.

According to the Faroese Public Companies Act, a shareholder shall notify the company if he holds shares corresponding to at least 5 % of the voting rights of the Company or if the nominal value of his shares corresponds to at least 5 % of the share capital. The same duty of notification applies when a change in ownership means that limits of 5, 10, 15, 20, 25, 50, 90 or 100 % are reached or limits of one third or two thirds of the voting rights are reached or no longer reached. Further a shareholder shall publish information in connection with shareholder agreements, which may influence the free transferability of the shares, or which may have a major influence on the stock value of the shares.

11.9 Rights of redemption and repurchase of shares

A public limited company may issue redeemable shares (i.e., shares redeemable without the shareholder's consent), but this is not common practice. The company's share capital may be reduced by reducing the par value of the shares. Such decision requires the approval of two-thirds of the votes cast at a General Meeting as well as two-thirds of the aggregate share capital present in the General Meeting. Redemption of individual shares requires the consent of the holders of the shares to be redeemed.

A public limited company may purchase its own shares if an authorisation for the Board of Directors of the company to do so has been given by the shareholders at a General Meeting. The authorisation may only be given for a specific period, which cannot exceed 18 months.

The aggregate nominal value of treasury shares so acquired and held by the company is not permitted to exceed 10% of the company's share capital, and treasury shares may only be acquired to the extent that the company's equity exceeds the amount, which cannot be used for dividends.

11.10 Shareholder vote on certain reorganizations

A decision to merge with another company or to demerge requires a resolution of the company's shareholders at a General Meeting passed by two-thirds of the aggregate votes cast, as well as two-thirds of the aggregate share capital represented, at the General Meeting.

A merger plan or de-merger plan signed by the company's Board of Directors along with certain other required documentation shall be sent to the Faroese Register of Business Enterprises not later than 4 weeks after the signing of the merger plan. The receipt by the Faroese Register of Business Enterprises of the plan will be published. A final merger may at the earliest be adopted 4 weeks after the publication by the Company Registration Authority of the merger.

11.11 Distribution of dividends

Amounts which in the latest annual accounts of the company have been designated as profits and reserves less accumulated losses may be distributed as dividends.

According to the Faroese Public Limited Companies Act, there is no time limit after which entitlement to dividends lapses, but an entitlement to dividends must be expected to be barred after 5 years according to general rules regulating statute of limitations.

The Articles of Association of Faroese companies often also contain stipulations, stating that entitlement to dividends, which have not been claimed within a certain deadline, lapse. Further, there are no dividend restrictions or specific procedures for non-Faroese resident shareholders in the Act. For a description of withholding tax on dividends that is applicable to non-Norwegian residents see section 12.1.2.

11.12 Distribution of assets on liquidation

According to the Faroese Public Limited Companies Act, a company may be wound-up by a resolution of the company's shareholders in a General Meeting passed by the same vote as required with respect to amendments to the Articles of Association. The shares rank equally in the event of a return on capital by the company upon a winding-up or otherwise.

11.13 Liability of Directors and the Chief Executive Officer

The Board of Directors and the Company's Chief Executive Officer owe a fiduciary duty to the Company and thereby to its shareholders. Such fiduciary duty requires that the members of the Board of Directors and the Chief Executive Officer act in the Company's best interests when exercising their functions and exercise a general duty of loyalty and care towards the Company. Their principal task is to safeguard the interests of the Company.

Members of Board of Directors and the Chief Executive Officer may each be held liable for any damage they negligently or wilfully cause to the Company.

Faroese law permits the general meeting to exempt any such person from liability, but the exemption is not binding unless substantially correct and complete information was provided to the general meeting passing the resolution.

If a resolution to grant such exemption from liability or not to pursue claims against any such person has been objected at the relevant general meeting by shareholders representing at least 10% of the share capital, any shareholder may pursue the claim in favour of the Company. The cost of any such action is not the responsibility of the Company, but can be recovered from any proceeds the Company receives as a result of the action.

A resolution by the general meeting to exempt the directors or the Chief Executive Officer from liability does not protect the directors or the Chief Executive Officer from a claim or a lawsuit filed by a third party other than a shareholder, for example a creditor.

11.14 Nominee registration in the VPS

Under Norwegian law shares are registered in the VPS in the name of the owner of the shares. As a general rule, there are no arrangements for nominee registration in the VPS. However, shares may be registered in the VPS by a fund manager (bank or other nominee) approved by the Norwegian Ministry of Finance, as the nominee of foreign shareholders. An approved and registered nominee has a duty to provide information on demand about beneficial shareholders to the company and to the Norwegian authorities. In the case of registration by nominees, registration with the VPS must show that the registered owner is a nominee. A registered nominee has the right to receive dividends and other distributions but cannot vote at general meetings on behalf of the beneficial owners. Beneficial owners must register with the VPS or provide other sufficient proof of their ownership to the shares in order to vote at general meetings.

11.15 The Articles of Association

The following is a summary of provisions of the Company's Articles of Association as of the date of this Prospectus. A complete copy of the Company's Articles of Association is attached to this Prospectus as Appendix 1.

The Company is a Public Limited Company, domiciled at Glyvrar, Faroe Islands with the purpose of holding shares in other companies, fish farming activates, trade and any business related to these activities.

The share capital of the company is DKK 46,250,000 divided on 46,250,000 Shares each of par value of DKK 1. The shares of the Company are registered shares, registered in VPS. The shares of the company may be freely transferred.

General meetings shall be convened with a deadline of no less than 8 days and not longer than 4 weeks. The ordinary General Meeting shall be held before the expiry of the month of April. From the notification of the shares on the Oslo Stock Exchange and as long as the shares continue to be notified on the Oslo Stock Exchange, the convening and holding of General Meetings shall be done in accordance with the requirements from any rules which from time to time are prescribed by the Oslo Stock Exchange.

At the General Meeting, each share shall have one vote. A shareholder may participate in the general meeting if the shareholder has requested an admission card not later than 5 days prior to the General Meeting. A shareholder may vote on the general meeting, if the shareholder not later than 5 days prior to the general meeting has requested a voting paper.

Representatives of the press as well as representatives of the Oslo Stock Exchange are allowed access to General Meetings of the Company.

The General Meeting shall nominate an election committee of 3 to 5 members.

The company is governed by a Board of Directors of 3 to 7 members, which are elected at the General Meeting for periods of 2 years. Members may be re-elected. The Board of Directors nominates one or several managing directors to manage the daily business of the company.

The management shall conduct the daily business of the company and shall adhere to any decisions and rules from as well as requests from the Board of Directors. The daily management does not cover decisions which according to the circumstances of the company are unusual or of a particularly great importance. The management may only make such decisions if the Board of Directors has given specific authorization thereto. The company is bound by the joint signature of the managing director together with one member of the Board of Directors.

The annual accounts of the company are audited by an accountant who is elected by the general meeting for one year at the time. The fiscal year of the company is the calendar year.

12 TAXATION

Set out below is a summary of certain tax matters related to investments in Bakkafrost shares. The summary is based on Faroese and Norwegian laws, rules and regulations applicable as of the date of this Prospectus, and is subject to any changes in law occurring after such date. Such changes could possibly be made on a retroactive basis. The summary only addresses Faroese and Norwegian tax laws. The summary is of a general nature and does not purport to be a comprehensive description of all the tax considerations that may be relevant for a decision to acquire, own or dispose of Shares in Bakkafrost. Shareholders who wish to clarify their own tax situation should consult with and rely upon their own tax advisers. Shareholders resident in jurisdictions other than the Faroe Islands and Norway should consult with and rely upon local tax advisors with respect to the tax position in their country of residence.

Please note that for the purpose of the summary below, a reference to a Faroese, Norwegian or foreign shareholder refers to the tax residency rather than the nationality of the shareholder.

12.1 Faroese taxation

12.1.1 Taxation of dividends – Faroese Shareholders

12.1.1.1 Individual shareholders

The company is obligated to make an advance tax deduction from the dividend payment to a Faroese individual shareholder. However losses on disposal of shares/securities and other deductions may be set off against the dividends in the tax report and may reduce the final tax liability in the tax assessment. Advance tax payment exceeding the tax liability according to the assessment is refunded.

In august 2009 the Faroese Minister of Finance presented a bill proposing to increase the taxation for individuals from 35 percent in 2009 to 39 percent in 2010 and then decrease the taxation by 1 percent point pr. year until 2014. The bill was adopted by the Faroese parliament by the end of December 2009 and the tax percentage applying to individuals in 2010 will be 39 percent, decreasing by 1 percentage point each year up until 2014 when the tax percentage will be back on 2009 level.

12.1.1.2 Corporate shareholders

The obligation to make advance tax deductions on dividend does not apply to dividends distributed to corporations, which are residents to the Faroe Islands. Furthermore, dividends distributed from a company registered in Faroese Islands to a company registered and tax resident in the Faroe Islands (Inter-company dividends), are tax-exempt.

12.1.1.3 Shares owned through partnerships

In the Faroe Islands, partnerships are not considered separate tax subjects. Consequently, the partners participating in partnerships will be subject to taxation of their share of the partnership according to their individual tax status.

12.1.2 Taxation of dividends – foreign shareholders

12.1.2.1 Individual shareholders

If a company registered and resident in the Faroe Islands is distributing dividends to a foreign individual shareholder, the company is required to withhold tax at a rate of 39 percent. The tax rate shall decrease by one percentage point in the years 2011 to 2014, from 39 percent in 2010 to 35 percent in 2014.

If the foreign individual shareholder is resident in a state with which the Faroe Island has entered into a double tax treaty (such as between the Nordic countries), the part of the withholding tax exceeding the rate set forth in the treaty may be refunded. The inter-Nordic tax treaty stipulates that withholding tax rate shall not exceed 15 percent tax on dividends distributed from company resident in a tax treaty state to shareholders resident in another tax treaty state, provided that the foreign individual shareholder is the beneficial owner of the dividends. Foreign individual shareholders resident in a treaty state may apply for at refund of the excess withholding tax (e.g. 24 percent in 2010) on dividends. The shareholder must file an application form to the Faroese tax authorities followed by documentation of tax residency abroad. There is no formal time-limit for the application.

12.1.2.2 Corporate shareholders

If a company registered and resident in the Faroe Islands is distributing dividends to a foreign corporate shareholder, the dividend distributing company is required to withhold tax at a rate of 18 percent. For administrative reasons, the company will to begin with withhold 39%. The foreign company shall then provide the company or the Faroese tax authorities with documentation, proving that the company is registered and liable to pay taxes abroad, and the foreign company shall then receive payment of 21%. If the foreign corporate shareholder is resident in a state with which the Faroe Island has entered into a double tax treaty (e.g. the Nordic countries), the part of the withholding tax exceeding the rate set forth in the treaty may be refunded. The Nordic treaty stipulates that the withholding tax rate shall not exceed 15 percent tax on dividends distributed from company resident in a tax treaty state to shareholders resident in another tax treaty state, provided that the foreign corporate shareholder is the beneficial owner of the dividends. If the foreign corporate shareholder holds shares representing at least 10 percent of the distributing company's capital, the dividends is exempt from withholding tax, provided that the foreign corporate shareholder is the beneficial owner of the dividends. Foreign corporate shareholders resident in a treaty state may apply for at refund of the excess withholding tax on dividends. The shareholder must file an application form to the Faroese tax authorities followed by documentation of tax residency abroad. There is no formal time-limit for the application.

12.1.2.3 Shares owned through partnerships

Comments in section 12.1.1.3 apply.

12.1.3 Taxation upon realization of shares – Faroese shareholders

12.1.3.1 Individual shareholders

A capital gain or loss generated by a Faroese individual shareholder through a disposal of shares in a company resident in the Faroe Islands is taxable or tax deductible in the Faroe Islands. The income is taxable at a rate of 39 percent, decreasing by one percentage point each year to 35 percent in 2014. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of. Special rules may apply for shares acquired before 16. November 2001.

If shares acquired at different times are realized, the shareholder must apply a "first-in first-out" (FIFO) principle when calculating the gain or loss, i.e. the shares that were first acquired will be deemed as first sold. Losses on disposal of shares / securities may be set off against profit from other shares / securities but not against other income. However, losses may be carried forward indefinite and set off against profit from other shares / securities. Brokerage costs incurred in connection with the acquisition and realization of shares may be deducted from the Faroese individual shareholders' taxable gain in the year of realization.

Interest accrued on debt, which is obtained to fund the acquisition of shares may also be set off against profit from other capital gains. However, if the individual shareholder does not have any capital gain to set off against the interests, these interests may only be carried forward for five years for set-off purposes against other capital gains.

Special taxation rules may be applicable for Faroese individual shareholders commercially trading in shares.

12.1.3.2 Corporate shareholders

Capital gains or loss generated by a Faroese corporate shareholder through a disposal of shares in a Faroese company is taxable or tax deductible in the Faroe Islands a rate of 18 percent. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of. Special rules may apply for shares acquired before 16. November 2001.

If shares acquired at different times are realized, the shareholder must apply a "first-in first-out" (FIFO) principle when calculating the gain or loss, i.e. the shares that were first acquired will be deemed as first sold. Losses on disposal of shares/securities may be set off against profit from other shares/securities, but not against other income. However, losses may be carried forward indefinite and set off against profit from other shares / securities. Brokerage costs incurred in connection with the acquisition and realization of shares may be deducted from the shareholders' taxable gain in the year of realization.

Interest accrued on debt, which is obtained to fund the acquisition of shares may also be set off against profit from other capital gains. However, if the individual shareholder does not have any capital gain to set off against the interests, these interests may only be carried forward for five years and set off purposes against other capital gains.

Special taxation rules may be applicable for Faroese corporate shareholders commercially trading in shares and securities.

12.1.3.3 Shares owned through partnerships

Comments in section 12.1.1.3 apply.

12.1.4 Taxation upon realization of shares – Foreign shareholders

For Investors not resident to the Faroe Islands, capital gains and losses on disposals of shares in the company are not subject to Faroese Taxation.

Investors living outside the Faroe Islands are advised to investigate the tax consequences within their home countries.

12.1.5 Net Wealth tax

In the Faroe Islands tax regime all taxation is based on income. Consequently, there is no taxation on wealth.

12.1.6 Duties on the transfer of shares

In the Faroe Islands, there is no duty on transfer of shares.

12.1.7 Inheritance tax

When shares are transferred from a Faroese resident donor by inheritance, an inheritance tax applies. This is regardless of where the company is domiciled.

The tax percentage is depending on the nature of relationship between the donor and the heir, and the market value of the inheritance (progressive tax rates). For close relatives, the duty is ranging from 1 percent to 6 percent, whereas more distant relatives and inheritance by will, a duty ranging of 7 percent to 12 percent applies. Companies are charged a 10 percent inheritance duty.

Inheritance of shares from a donor who is not a Faroese resident is only taxable in the Faroe Islands if the inheritance is processed by a Faroese court.

We encourage non-resident persons to the Faroe Islands to consult local advisors for advice on domestic tax rules concerning inheritance tax.

12.2 Norwegian taxation

This section summarizes Norwegian tax rules relevant to holders of shares in Bakkafrost that are residents of Norway for Norwegian tax purposes (“Norwegian shareholders”).

12.2.1 Taxation of dividends

12.2.1.1 Norwegian individual shareholders

Dividends distributed to Norwegian individual shareholders are taxable as general income at a flat rate of 28 percent to the extent the dividends exceed a calculated tax-free allowance. The allowance is calculated separately for each share as the tax cost price of the share multiplied with a determined risk-free interest rate, which will be based on the effective interest rate after tax on Norwegian treasury bills (Norwegian: statskasseveksler) with three months maturity. The annual allowance will be allocated to the shareholder owning the share on 31 December the relevant income year. The part of the annual allowance exceeding the dividend distributed on the share the same year (“unused allowance”) will be added to the tax cost price of the share and be included in the basis for calculating the allowance the next year, and may also be carried forward and set off against future dividends received on, and against gains upon the realization of, the same share.

If certain requirements are met, Norwegian individual shareholders are entitled to a tax credit in the Norwegian tax for any withholding tax imposed on the dividends distributed in the jurisdiction where Bakkafrost is resident for tax purposes. However, tax exceeding the withholding tax rate according to the tax treaty is not deductible.

12.2.1.2 Norwegian corporate shareholders

Dividends distributed to Norwegian corporate shareholders are taxable as general income at a flat rate of 28 percent. No tax-free allowance is calculated for corporate shareholders.

If certain requirements are met, Norwegian corporate shareholders are entitled to a tax credit in the Norwegian tax for any withholding tax imposed on the dividends distributed in the jurisdiction where Bakkafrost is resident for tax purposes. However, tax exceeding the withholding tax rate according to the tax treaty is not deductible.

If the Faroe Islands is not considered a low tax jurisdiction, dividends distributed to Norwegian corporate shareholders are tax free in Norway if the shareholder owns at least 10 per cent of the capital and has at least 10 per cent of the votes to be given in a shareholders meeting of the company for a consecutive period of two years. The state may be considered a low tax jurisdiction if the general taxation of the company's profits in that state is less than two thirds of the tax liability the company would have had had it been a tax resident of Norway. The general rate of corporate taxation in the Faroe Islands is 18 percent of net income, which is less than two third of the nominal tax rate in Norway. The general rate of corporate taxation in the Faroe Islands does not itself qualify the Faroe Islands as a low tax jurisdiction. The Norwegian Tax Authorities has not yet considered whether or not tax provisions in the Faroe Islands leads to the conclusion that the general taxation of the company's profits in the Faroe Islands is less than two thirds of the tax liability the company would have had had it been a tax resident of Norway. Hence the Faroe Islands could be considered a low-tax jurisdiction and the participation exemption method may not be applicable.

3 percent of all tax-free income under the participation exemption method shall be entered as general income and taxed at the ordinary tax rate of 28 percent. Losses on realisation of shares under the participation exemption method may reduce the income from shares to zero, but not create a loss carry forward or reduce taxable income from other sources.

12.2.1.3 Shares owned through partnerships

Partnerships are as a general rule transparent for Norwegian tax purposes. Taxation occurs at partner level, and each partner is taxed on a current basis for its proportional share of the net income generated by the partnership at a rate of 28 percent, regardless of whether such income is distributed to the partners or not.

If the Faroe Islands is not considered a low tax jurisdiction, dividends received by the partnership, from qualifying objects under the participation exemption method, are not taxed on a current basis. However, 3 percent of all tax-free income under the participation exemption method shall be entered as general income and taxed at the ordinary tax rate cf. the description of tax issues related to corporate shareholders above.

For partners who are Norwegian individual shareholders further taxation occurs when the dividends received are distributed from the partnership to such partners. Such distributions will be taxed as general income at a rate of 28 percent. The Norwegian individual shareholders will be entitled to deduct a calculated allowance when calculating their taxable income.

Norwegian corporate shareholders holding shares through a partnership will be exempt from further taxation of their proportional part of dividends received and distributed by the partnership.

12.2.2 CFC-legislation in Norway (NOKUS)

According to Norwegian CFC-legislation ("NOKUS"), Norwegian resident individual and corporate shareholders are subject to annual taxation in Norway for their proportionate part of the taxable net income of a foreign company resident in a low tax jurisdiction (cf. section 12.2.1.2), if Norwegian resident shareholders have direct or indirect ownership of shares of 50 percent or more of a company's share capital. The CFC-rules are not applicable if the company is based in a state which Norway has entered into a double tax treaty and the income of the company is not mainly of a passive character. The evaluation of whether a holding company has income of mainly passive character depends upon whether or not the holding company takes an active role in the management of the business of the subsidiaries.

The Company is of the opinion that its income shall not be considered to be of passive character under the Norwegian CFC legislation.

12.2.3 Taxation of capital gains upon the realization of shares

Sale, redemption or other disposal of shares is considered a realisation for Norwegian tax purposes.

12.2.3.1 Norwegian individual shareholders

A capital gain or loss generated by a Norwegian individual shareholder through a disposal of shares in a foreign company is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at a rate of 28 percent. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of. The taxable gain/deductible loss is calculated per share as the difference between the consideration received and the purchase price of the share. Any unused allowance on a share (see above) may be set off against gains upon the realization of the same share, but this may not lead to or increase a deductible loss, i.e. any unused allowance exceeding the capital gain upon the realization of a share will be annulled. If shares acquired at different times are realized, the shareholder must apply a "first-in first-out" (FIFO) principle when calculating the gain or loss, i.e. the shares that were first acquired will be deemed as first sold. Costs incurred in connection with the acquisition and realization of shares may be deducted from the Norwegian individual shareholders' general income in the year of realization. Special exit taxation rules may apply when a Norwegian individual shareholder moves abroad and the Norwegian tax residency ceases.

12.2.3.2 Norwegian corporate shareholders

Capital gains or loss generated by a Norwegian corporate shareholder through a disposal of shares in a foreign company is taxable or tax deductible in Norway. Such capital gain or loss is included in or deducted from the basis for computation of general income in the year of disposal. The general income is taxable at a rate of 28 percent. The gain is subject to tax and the loss is tax deductible irrespective of the duration of the ownership and the number of shares disposed of. The taxable gain/deductible loss is calculated per share as the difference between the consideration received and the purchase price of the share.

If the Faroe Islands is not considered a low tax jurisdiction, a gain or loss realised on the shares are tax free/non deductible in Norway, if the Norwegian shareholder has owned at least 10 per cent of the capital and have had at least 10 per cent of the votes to be given in a shareholders meeting of the company for a consecutive period of two years prior to the realisation of such gain or loss. As mentioned under section 12.2.1.2, the Faroe Islands may be considered a low tax jurisdiction if the general taxation of the company’s profits in the Faroe Islands is less than two thirds of the tax the company would have had had it been a tax resident of Norway.

However, 3 percent of all tax-free income under the participation exemption method shall be entered as general income and taxed at the ordinary tax rate of 28 percent. Losses on realisation of shares may reduce the income from shares to zero, but not create a loss carry forward or reduce taxable income from other sources.

12.2.3.3 Shares owned through partnerships

Partnerships are as a general rule transparent for Norwegian tax purposes. Taxation occurs at partner level, and each partner is taxed on a current basis for its proportional share of the net income generated by the partnership at a rate of 28 percent, regardless of whether such income is distributed to the partners or not.

Capital gains received by the partnership, from realization of qualifying objects under the participation exemption method, are not taxed on a current basis. However, 3 percent of all tax-free income under the participation exemption method shall be entered as general income and taxed at the ordinary tax rate cf. the description of tax issues related to corporate shareholders above.

For partners who are Norwegian individual shareholders further taxation occurs when the capital gains received are distributed from the partnership to such partners. Such distributions will be taxed as general income at a rate of 28 percent. The Norwegian individual shareholders will be entitled to deduct a calculated allowance when calculating their taxable income.

Norwegian corporate shareholders holding shares through a partnership will be exempt from further taxation of their proportional part of capital gains received and distributed by the partnership.

12.2.4 Net Wealth Tax

Norwegian limited liability companies and certain similar entities are exempt from Norwegian net wealth tax. For other Norwegian shareholders, shares will form part of their capital and be subject to net wealth taxation by the state and the local municipality. Listed shares are valued at 100 percent of their listed value on 1 January in the assessment year. The maximum combined state and municipal rate of the wealth tax is 1.1 percent.

12.2.5 Duties on the transfer of shares

No stamp or similar duties are currently imposed in Norway on the transfer or issuance of shares in foreign companies.

12.2.6 Inheritance tax

When shares are transferred either through inheritance or as a gift, such transfer may give rise to inheritance or gift tax in Norway if the decedent, at the time of death, or the donor, at the time of the gift, is a resident or citizen of Norway, or if the shares are effectively connected with a business carried out through a permanent establishment in Norway. However, in the case of inheritance tax, if the decedent was a citizen but not a resident of Norway, Norwegian inheritance tax will not be levied if inheritance tax or a similar tax is levied by the decedent’s country of residence.

13 LEGAL MATTERS

13.1 Regulatory framework

Aquaculture in all countries is subject to an extensive regulatory framework, both nationally and internationally, part of which is updated/amended on a continuous basis in line with the industry's development. This includes legislation specific to aquaculture, including that related to the license system and the control of fish diseases, as well as other public regulation which also affects aquaculture activities, including anti-pollution legislation, harbour and coastal water legislation, planning and building legislation, and requirements regarding food safety, labelling of food products, food hygiene and food additions. International regulations within the EU/EEA and WTO are also of particular importance in this context. Several treaties governing international trade provide for the possibility to take anti-dumping measures, countervailing measures against specific (product related export) subsidies and the safeguards against a sudden overflow by an unforeseen increase in imports. Furthermore, bilateral and multilateral free trade agreements provide for free trade of goods. This regulatory framework places clear limits on the industry's growth and method of operation, but is also intended to ensure that the industry operates and develops in a sustainable manner. A number of authorities and government departments are involved in the regulation of the industry in the individual countries.

This Prospectus includes only a brief description of the regulatory framework in force in the Faroe Islands as well as a short presentation of individual issues associated with the United States, the EU and Russia.

13.2 International trade

13.2.1 Exports to the European Union etc

The Faroe Islands are a self-governing territory with its own elected government, encompassed by the external sovereignty of the Kingdom of Denmark. The Faroe Islands are not a member of the European Union.

The Faroese have negotiated a fisheries agreement and a free trade agreement with the EU. At present the Faroe Islands are in negotiations with the EU to widen the scope of cooperation to the so called four freedoms – the free movement of goods, services, capital and persons.

On 1 November 2006, the Faroese entered into a special economic treaty with Iceland, which established a single economic area, encompassing both countries where any discrimination regarding goods, services, capital and persons is prohibited.

In addition to the EU and Iceland, the Faroe Islands have entered into regional free trade agreements with Norway and Switzerland as well as a Most-Favoured-Nation Treatment Agreement with the Russian Federation. The Faroese Government is in a process of investigating the feasibility of obtaining membership of the European Free Trade Association (EFTA).

The current free trade agreement between the Faroe Islands and the European Union, from 1997, covers a broad scope of products with regard to Faroese export. Likewise, it follows from the agreement that the EU has duty-free access on all export to the Faroese market.

The first Free Trade Agreement between the Faroese and the EU was concluded in 1991 and subsequently revised in 1996. After negotiations between the parties, Protocol 1 on market access was ratified and a great number of restrictions with regard to origin of products were removed. All quota ceilings have been lifted and still more goods are custom free or below the usual 3.0 flat rate.

The scope of the Free Trade Agreement is very extensive if comparison is made with usual third country free trade agreements. Examples of this can be found in the Harmonized System (HS) Chapter 0301-0307 and HS Chapter 16 in the Free Trade Agreement, according to which fresh fish and chilled fish are custom free. Frozen fish is also toll free in all areas of importance for the Faroese industry and processed fish goods are largely toll free in areas of importance for the Faroese industry.

Currently, only four groups of products in the Free Trade Agreement are under restrictions when it comes to duty free access of Faroese goods in the EC market. These are: peeled shrimp with a quota up 3000 t (to be raised to 6000 t if requested by the Faroese Government) a herring with a quota of 700 t, preserved salmon with a quota of 400 t and other preserved: quota 1200 t.

The Faroe Islands has a quota on export of trout to the EU on 700 tonnes. For the remaining volumes exceeding this quota, the Company will have to pay a toll of 12%. This toll has very little effect on the Company due to low volumes of trout, and possibilities to sell the fish toll free to other markets.

Some years ago the EU authorities instigated proceedings against Faroese fish farmers, alleging that Faroese fish farmers had dumped prices. These allegations were dropped in 2002. In 2005 Faroese fish farmers were convicted of having dumped the price of trout, and punitive duties were imposed.

There is therefore a risk that fish farmers within the EU may put forward allegations of dumping, especially if the market price of salmon is below cost price for a prolonged period.

13.2.2 Exports to the United States

Large parts of the Company's products are exported into the United States, and the United States import regulations applicable from time to time is accordingly of material importance for the Company.

No impediments exist for the export of salmon and trout from Faroese fish farmers to the United States. Exporters shall, however, obtain a certificate of registration, which may be obtained from the FDA Registrar Corp. This requirement has been imposed according to the Health security and bioterrorism preparedness and response Act of 2002, P.L. 107-188.

No veterinary conditions hinder trade with the United States.

13.2.3 Exports to Russia

Buyers from Russia shall pay duties on goods imported from the Faroe Islands. It is a precondition for sale to Russian customers that these customers have an agreement with the Faroese exporter and that the agreement has been accepted by the Russian authorities.

13.3 Local regulation in the Faroe Islands

13.3.1 Basic legislation

Act on Aquaculture – Authorizations required for Fish Farming Operations

Licences for the farming of fish and fish fry etc. are issued by the Faroese government according to Parliamentary Act No. 83 from 25 May 2003 on the farming of fish etc.

It appears from the act that the Faroese government may issue licences to companies, which are authorized to conduct business within fish farming. It appears from § 5(3) that the licence is issued for a period of 12 years from the date of issue. The Faroese government may prolong the licence period, if the licensee fulfils the conditions prescribed by the Act. If the company fulfils the conditions in the license and if a continuation of the activities is not contrary to overall development plans, which have been adopted, it must be assumed (but there can be no assurance for) that the company has a legal claim to have the license period prolonged.

The Fish Farming Act also refers to the Act on the protection on the Environment, the Act on Animal Diseases as well as the Act on the Production of Food, which means that companies, which conduct fish farming operations, must also fulfil the conditions prescribed by these acts.

It appears from § 7 of the act that licences for fish farming may be issued to public limited companies and private limited companies, which are registered with the Faroese Company Registry. It appears from § 7 that the shares shall be registered shares.

It also follows from § 7(2) that no physical or legal person may neither directly or indirectly own or control more than 50 per cent of the issued licences. The calculation of the licences is made according to § 13 in the Act on Competition. Altogether Bakkafrost holds 44% of all licenses in the Faroe Islands.

The rule regarding a maximum ownership of 50 per cent of the licences does, however, not apply to licences with regard to fry. It appears from the act that the Faroese government shall receive written information on any material change in the ownership or voting rights in companies, which possess licences to conduct fish farming.

If a transfer of ownership is deemed to be a breach of the legislation, the Faroese government may order the company to correct the matter within a deadline set by the government.

It appears from § 7(4) that the government may under quite special circumstances give dispensation from the above mentioned rules. It appears from § 8 that the government may withdraw licences for fish farming operations if substantial preconditions have been changed since the licence was issued, or if the licence goes against overall development plans and protective measures according to § 11 of the act, or if the licensee breaches the conditions set in connection with the issuance of the licence. The licence may also be withdrawn, if the company breaches the rule on maximum ownership in § 7(3), or if the company does not use the licence. The licence may also be withdrawn, if the environmental licence of the company is repealed. It appears from § 14 that licences for fish farming may be assigned. The assignee shall, however, fulfil the conditions prescribed by the act. It appears from § 15 that licences for fish farming may be pledged according to the rules on pledging of movables. It appears from § 15(3) and (4) that a possible pledge does not hinder the authorities from using their powers, and the pledging does not give security in advantage of the rights of the issuer of the licence with regard to day fines etc. according to §§ 22 and 23.

13.3.2 Act on the Production of Food

The production of food is regulated by Act No. 46 from 21 June 1985 on Food with later amendments. The act is administered by the Faroese Food and Veterinary Agency, which is an institution under the Faroese government. It appears from § 30 in the Act on Food that any production of food requires a specific authorization from Faroese Food and Veterinary Agency.

A number of executive orders have been issued according to the Act on the Production of Food. To a great extent, rules regarding the production of food are the same, which apply within the EU.

With executive order No. 9 from 5 February 2009, the Faroese government put into force for the Faroe Islands the Regulation of the Commission No. 2073/2005 on microbiological criteria for food with amendments according to regulation No. 1141/2007 from 5 February 2007.

According to the Act on the Production of Food Faroese Food and Veterinary Agency also controls import and export of food.

13.3.3 Legislation on Combating Animal Diseases etc.

Act No. 16 from 23 February 2001 on combating animal diseases applies in the Faroe Islands.

The act contains rules, from which duties apply from time to time on a licensee to combat animal diseases, and which initiatives the government may implement in order to combat animal diseases.

The act gives the Faroese government the right to implement special protective measures to combat animal diseases, i.e. the government may demand that animals are put down. The act on Combating Animal Diseases is administered by Faroese Food and Veterinary Agency.

Executive order No. 134 from 16 October 2009 on the running of fish farming installations with a view to hinder diseases has been issued according the Act on the Combating Animal Diseases.

The executive order contains quite specific rules regarding the veterinary conditions in connection with the running of fish farming installations.

The executive order contains rules regarding the geographical placement of fish farming installations as well as rules regarding distance between installations etc. The executive order contains a detailed description of the areas in the Faroe Islands, where fish farming activities are allowed. The act also contains operation plans, which i.e. contain rules regarding fallowing of localities with a view to preventing diseases and protecting the environment.

The executive order also contains rules regarding the organization of fish farming installations, here under rules regarding the equipment, which shall be in place. Companies conducting fish farming activities shall from time to time keep preparedness in connection with possible accidents, here under in connection with the pollution of the environment as well as possible outbreaks of diseases.

Fish farming companies shall from time to time keep a plan with regard to operations as well as procedures in connection with the internal control of operations. The executive order also contains rules regarding maximum size of biomass as well as rules on the releasing of fish fry as well as rules regarding requirements on hygiene.

The Faroese government has also issued executive orders No. 19 and 20 from 14 March 2005 on combating ILA as well as the inoculation against the same.

The control of lice in the Faroe Islands is regulated by statutory measures, which, among other things, covers synchronised regional de-licing at the end of winter to protect the production. In addition, obligatory systematic lice counting in all farms as well as boundary values for infestation levels are parts of the new departmental order No. 163 issued on 21 December 2009. All delicing treatments must be evaluated, and in case of lack of effects reasons for this must be sorted out. If the lice have become multiresistant appropriate measures must be taken to ensure fish health and welfare.

In connection with the trade agreement with the EU the Faroe Islands have in 2001 and 2008 entered into veterinary agreements with the EU. According to said veterinary agreements, the Faroe Islands have undertaken to follow the rules of the EU in the veterinary area in all major areas with regard to the production of food, i.e. in connection with measures on combating/notification of diseases, animal welfare and measures in order to protect the animal welfare, applying to animal products, measures in order to protect public welfare etc.

It is stated in the agreements that the agreements supplement the trade agreement between the Faroe Islands and the EU, and that they have been made with a view to consolidating and broadening the existing economic ties between the EU and the Faroe Islands with proper regard to the demand and securing proper competitive conditions in order to ensure a harmonic development of trade. The parties have undertaken not to lay down veterinary rules, which may entail a differential treatment or to implement new measures, hindering trade. The parties have also undertaken to live up to the rights and obligations, which follow from the WTO-agreement on the use of measures with regard to health and the health of plants.

It is a consequence of the veterinary agreement with the EU that the Faroe Islands are a part of the inner veterinary area of the EU. Consequently the Faroe Islands may export goods to the EU without any border control. The control within the EU area is administered by the veterinary authorities of the respective areas. In the Faroe Islands, the control is administered by the Faroese Food and Veterinary Agency, which has been licensed by the EU to conduct such control.

The Faroe Islands have in similar fashion entered into a veterinary agreement with Russia. The agreement with Russia follows the same principles, which have been agreed between the Faroe Islands and the EU.

The Faroese Food and Veterinary Agency has been licensed by Russian Authorities to conduct veterinary control and accept the goods prior to departure from the Faroe Islands. This is done through a health certificate for each shipment. It, however, occurs that goods are delayed, although formal conditions are in order.

In 2008 Russian authorities imposed a ban on the import of salmon and other fish products from the Faroe Islands. In the summer of 2009 the ban was repealed as Russian authorities confirmed the licence of the Faroese authorities and also accepted the procedures, according to which trade is organized.

13.3.4 Act on Environmental Protection

The Faroese rules regarding environmental protection are found in Parliamentary Act No. 134 from 29 October 1988 with later amendments, the latest of which has been made with Parliamentary Act No. 128 from 22 December 2008.

In chapter 5 the act contains rules regarding activities, which are deemed to be especially dangerous for the environment. Fish farming installations are covered by this chapter. Any company, covered by chapter 5, requires a specific licence from the government. The licence may be given for periods of 5 years. After the expiration of this period the government may implement new conditions, which the activities shall fulfil in order to obtain a new licence.

If the activities do not fulfil the conditions, which are set in connection with the environmental licence, the government may issue a new deadline in order to fulfil these claims. If the conditions are not fulfilled, the government may as a last resort impose a ban against the continuing operations of the activity.

13.4 Legal disputes

The Company is involved in a court case in Belgium, where a company named Pieter’s has filed a lawsuit, claiming payment of approximately DKK 3,000,000 in connection with a delivery of goods in August 2000.

The Company was originally ordered to pay the amount by the court but upon appeal, the company was acquitted by the High Court. The case has been appealed by Pieter’s to the Belgian Supreme Court. The case has not yet been closed.

Other that as disclosed in this section, Bakkafrost is not and has not during the previous 12 months been involved in any governmental, legal or arbitration proceedings which may have, or have had in the recent past, significant effects on the Company’s or the Group’s financial position or profitability, and to its knowledge no such proceedings are pending or threatened.

13.5 Material contracts

The Board of Directors for Bakkafrost and P/f Vestlax Holding on 8 January 2010 proposed to merge the companies with financial effect from 1 January 2010. Bakkafrost will be the continuing company, whilst Vestlax Holding ceased to exist. The merger was resolved by the general meeting on both companies on 15 February 2010. The shareholders in P/f Vestlax Holding have received 972,064 new shares in the continuing company compared to the 2,991,789 shares outstanding in Bakkafrost pre merger.

Other than the agreement between Bakkafrost and Vestlax regarding the merger of the two companies, as further described above and agreements entered into in the ordinary course of business, no material contract has been entered into by Bakkafrost or any member of the Group for the two years immediately preceding the date of this Prospectus, and no contract containing obligations or entitlements that are, or may be, material to the Group as of the date of this Prospectus has been entered into by any member of the Group.

13.6 Selling and transfer restrictions

The distribution of this Prospectus and the offering of the Offer Shares in the Offering may in certain jurisdictions be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and to observe any such restrictions. Neither the Company nor the Managers shall have any responsibility or liability for any violation of such restrictions. This Prospectus does not constitute an offer of, or a solicitation of an offer to purchase, any of the Offer Shares in any jurisdiction or in any circumstances in which such offer or solicitation would be unlawful. No actions have been taken to register or qualify the Offer Shares to be offered in the Offering or otherwise to permit a public offering of the securities in any jurisdiction outside of Norway and the Faroe Islands. Accordingly, if you reside in any country other than Norway and the Faroe Islands, you may not be permitted to subscribe for or trade Offer Shares. The Company and the Managers require persons into whose possession this Prospectus or the Offering comes to inform themselves of, and observe, all such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction. Neither the Company nor the Managers accepts any legal responsibility for any violation by any person of any such restrictions. You warrant to the Company and the Managers that you can lawfully participate in the Offering and comply with the terms of this Prospectus and applicable legislations, and expressly agrees to that the Company and the Managers can rely on this warrant and to indemnify the Company and the Managers with respect to any loss incurred by it as a result of your violation of this warrant.

Investors should consult their professional advisors as to whether they require any governmental or other consent or need to observe any formalities to enable them to subscribe for the Offer Shares.

13.6.1 United States

The Offer Shares and the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and in compliance with any applicable state securities laws. Accordingly, the Offer Shares in the Offering will not be offered or sold within the United States, except to qualified institutional buyers in reliance on Rule 144A under the Securities Act. Transfers of the Offer Shares will be restricted and each purchaser will be deemed to have made acknowledgments, representations and agreements, as described in this Prospectus.

In addition, until 40 days after the commencement of the Offering, an offer or sale of the Offer Shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

Because of the following restrictions, prospective investors are advised to consult legal counsel prior to making any offer for, resale, pledge or other transfer of, the Offer Shares.

The Offer Shares and Shares have not been and will not be registered under the Securities Act or any state securities law and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state laws. Accordingly, the Offer Shares in this Offering are being offered and sold:

In the United States only to “qualified institutional buyers” as such term is defined under Rule 144A under the Securities Act; and

Outside the United States pursuant to Regulation S under the Securities Act.

Each purchaser of Offer Shares within the United States pursuant to Rule 144A, and each subsequent purchaser thereof, will be deemed to have represented and agreed as follows (terms used herein that are defined in Rules 144A or Regulation S are used herein as defined therein):

You (A) are a qualified institutional buyer, (B) are aware, and each beneficial owner of such Offer Shares has been advised, that the sale of the Offer Shares is being made in reliance on Rule 144A and (C) are acquiring such Offer Shares for your own account or for the account of a qualified institutional buyer, as the case may be;

You understand that the Offer Shares and Shares have not been and will not be registered under the Securities Act and may not be reoffered, resold, pledged or otherwise transferred except (A) (i) to a person who you reasonably believe is a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (ii) in an offshore transaction complying with Rule 903 or Rule 904 of Regulation S or (iii) pursuant to an exemption from registration under the Securities Act provided by Rule 144 there under, if available, and (B) in accordance with all applicable securities laws of the states of the United States;

You acknowledge that the Offer Shares are “restricted securities” within the meaning of Rule 144(a) (3) under the Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resale of Offer Shares.

Purchasers of the Offer Shares outside the United States will be deemed to have represented and agreed as follows:

The purchaser: (a) is, and the person for whose account it is acquiring the Offer Shares, if any, is outside the United States, (b) is not an affiliate of the Company or a person acting on behalf of an affiliate of the

Company and (c) is not in the business of buying or selling securities or, if it is in such business, did not acquire the Offer Shares in the initial distribution of the Offer Shares;

the purchaser is aware that the Offer Shares have not been and will not be registered under the Securities Act and are being offered outside the United States in reliance on Regulation S;

upon sale of the Offer Shares pursuant to Regulation S, the purchaser will be required, or will be deemed by its purchase thereof, to confirm that it is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S described in this Prospectus;

the purchaser has: (a) conducted its own investigation with respect to the Company and the Offer Shares, (b) had access to the Company's public filings and to such financial and other information as it deems necessary to make its decision to purchase the Offer Shares, (c) received all information that it believes is necessary or appropriate in connection with our purchase of the Offer Shares; and (d) made its own assessment and have satisfied itself concerning the relevant tax, legal, currency and other economic considerations relevant to its investment in the Offer Shares; and

The purchaser and any accounts for which it is acting are each able to bear the economic risk of the investment contemplated hereby.

The Company will not recognize any offer, sale, pledge or other transfer made other than in compliance with the above-stated restrictions.

13.6.2 European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") an offer to the public of any Offer Shares which are the subject of the Offering may not be made in that Relevant Member State other than offers contemplated by this Prospectus in that Relevant Member State after this Prospectus has been approved by the competent authority in that Relevant Member State and published and pass ported in accordance with the Prospectus Directive as implemented in that Relevant Member State. Notwithstanding the foregoing, an offer to the public in that Relevant Member State of any Offer Shares may also be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- to any legal entity which has two or more of (i) an average of at least 250 employees during the last financial year; (ii) a total balance sheet of more than EUR 43,000,000 and (iii) an annual net turnover of more than EUR 50,000,000, as shown in its last annual or consolidated accounts;

- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Company for any such offer; or

- in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Offer Shares shall result in a requirement for the publication by the Company or the Managers of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an "offer to the public" in relation to Offer Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the Offering and any Offer Shares to be offered so as to enable an investor to decide to purchase or subscribe for any Offer Shares as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

13.6.3 United Kingdom

No Offer Shares may be offered to the public in the United Kingdom prior to the publication of a prospectus in relation to the Offer Shares and the Offering that has been approved by the United Kingdom Financial Services Authority (the "FSA") or where appropriate, approved in another Member State and notified to the FSA, all in accordance with the Prospectus Directive, except to persons who fall within the definition of "qualified investor" as that term is defined in section 86(1) of the Financial Services and Markets Act 2000 (the "FSMA") or otherwise in circumstances which do not require the publication by the Company of a prospectus pursuant to section 85(1) of the FSMA.

13.6.4 Australia

This Prospectus has not been and will not be lodged with the Australian Securities and Investments Commission or the Australian Stock Exchange, and is not a disclosure document for the purposes of Australian law. This Prospectus (whether in preliminary or definitive form) may not be issued or distributed in Australia and no offer or invitation may be made in relation to the issue, sale or purchase of the Offer Shares in Australia (including an offer or invitation received by a person in Australia), unless the offer or invitation does not need disclosure to investors under Part 6D.2 or Division 2 of Part 7.9 of the Corporations Act 2001 (Cth). Restrictions on the resale of the Offer Shares in Australia may also apply under Australia's Corporations Act and, as such, professional advice should be obtained in such a situation.

13.6.5 Japan

The Offer Shares have not been and will not be registered under the Securities and Exchange Law of Japan, as amended (the "SEL") and, accordingly, no Offer Shares will be offered or sold, directly or indirectly, in Japan or to, or for the account or benefit of, any Japanese Person except under circumstances which will result in the compliance with the SEL and any other applicable laws and regulations promulgated by the relevant Japanese governmental and regulatory authorities and in effect at the relevant time. For the purposes of this paragraph, "Japanese Person" shall mean any person resident in Japan, including any corporation or other entity organized under the laws of Japan.

14 DEFINITIONS AND GLOSSARY OF TERMS

The following definitions and glossary apply in this Prospectus unless otherwise dictated by the context, including the foregoing pages of this Prospectus.

TABLE 14-1 DEFINITIONS & GLOSSARY OF TERMS:

Applicant	The investor applying for Offer Shares through submission of the Application Form
Application	The submission of the Application Form to the Managers
Application Form	The Application Form attached as Appendix 7 and 8 to this Prospectus
Application Offices	Nordea Markets, Føroya Banki and Carnegie
Application Period	From 09.00 CET 8 March 2010 to 17.30 CET 23 March 2010
Aquaculture	Fish farming or food production in water to supplement nature's own production of fish and other seafood
Articles or Articles of Association	The current articles of association of Bakkafrost (Appendix 1)
Bakkafrost	P/f Bakkafrost, the holding company of the Group of companies.
Board of Directors or Board	The Board of Directors of P/f Bakkafrost
Bookrunners	Nordea Markets and Føroya Banki
Brood fish	Fish that are used for reproduction purposes
Carnegie	Carnegie ASA
CEO	Chief Executive Officer
CET	Central European Time
CFO	Chief Financial Officer
Company	Bakkafrost and subsidiary companies, unless otherwise indicated by the context
DKK or Danish kroner	The lawful currency of Denmark
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortization
EU	The European Union
FAO	Food and Agriculture Organization of the United Nations
Faroese Public Company Act	Act no. 1356 of 9 December 2007
Feed Conversion rate (FCR)	The relationship between feed input and growth of farmed production
FHL	Fiskeri og havbruksnæringens landsforening
FO-GAAP	GAAP; accounting principles generally accepted in Faroese Islands
GDP	Gross Domestic Product, the total market value of all final goods and services produced in a country in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.
Green Shoe	Over allotment option
Group or Bakkafrost Group	The Company and its subsidiaries (as defined by section 1-3 of the Norwegian Public Companies Act.
GW	Weight of round fish after removal of heart, guts, stomach and kidneys. (gutted weight)
GWE	Gutted Weight Equivalent (same as HOG)
Hatchery	A facility into which eggs are placed for hatching
HOG	Head On Gutted (same as GWE)
ICES	International Council for Exploration of the Sea
IFRIC	International Financial Reporting Interpretation Committee.
IFRS	International Financial Reporting Standards
ISIN	Securities number in the Norwegian Registry of Securities (VPS)
Kontali	Kontali Analyse AS
Listing	The listing of the Shares on Oslo Børs
LWE	Live weight equivalents

Managers	Nordea Markets, Føroya Banki and Carnegie
MDKK	Millions DKK
Money Laundering Act	The Money Laundering Act of 20 June 2003 no. 41 ("Hvitvaskingsloven").
New Shares	New shares to be issued by the Company in the IPO
NOK	Norwegian Kroner, the lawful currency in Norway
Nordea	Nordea Bank Norge ASA
Norwegian Corporate Governance	Norwegian Code of Practice for Corporate Governance dated 28 November 2009
Norwegian Securities Trading Act	The Norwegian Securities Trading Act of 29 June 2009 no. 75
Offer Price	The price payable for the Offer Shares of NOK 27 - NOK 31
Offer Shares	Includes New Shares intended to raise about Nok 82,000,000 in gross proceeds and minimum 14,649,752 and maximum 18,645,271 Secondary Shares in a public offering through this Prospectus
Offering	Offering of New Shares intended to raise about Nok 82,000,000 in gross proceeds and minimum 14,649,752 and maximum 18,645,271 Secondary Shares in a public offering through this Prospectus
Oslo Børs	Oslo Børs ASA
PPE	Property, Plant and Equipment
Primary processing	The slaughter and initial processing of farmed fish, ex. bled and gutted fish
Principal Selling Shareholder	P/f Føroya Banki
Prospectus	This Prospectus dated 4 March 2010 prepared in connection with the Listing on Oslo Børs
QIB	Qualified Institutional Buyer, as defined in Rule 144A under the US Securities Act.
R&D	Research & Development
Secondary processing	Processing subsequent to primary processing (e.g. filleting, skinning and cutting into portions)
Secondary Shares	Minimum 14,649,752 and maximum 18,645,271 Secondary Shares to be sold by the Selling Shareholders in the Offering
Share Capital	The share capital of the Company as registered in the Register of Business Enterprises as a combination of the total number of Shares issued times the par value of the Shares
Shares	The Company's current Share Capital is DKK 46,250,000 divided on 46,250,000 shares each with a par value of DKK 1, prior to the Offering.
Subscriber	Investor ordering for Shares in the IPO
US Securities Act or Securities Act	The Securities Act of 1933, as amended.
VPS	Verdipapirsentralen (Norwegian Central Securities Depository), which organizes the Norwegian paperless securities registration system.
VPS account	An account with VPS for the registration of holdings of securities.
Well boat	A special vessel for the transportation of live fish
WFE	Whole fish equivalent (round, ungutted fish)
YTD	Year to date

15 ADDITIONAL INFORMATION

15.1 Documents on Display

15.1.1 Appendix

For the life of this Prospectus the following documents will be available as Appendices to the Prospectus:

Appendix 1: Articles of Association for P/f Bakkafrost

Appendix 2: P/f Bakkafrost: 2009 financial statements converted to IFRS, including the auditor's report for the transition to IFRS in 2009

Appendix 3: P/f Bakkafrost: 2008 annual financial statements FO-GAAP

Appendix 4: P/f Bakkafrost: 2007 annual financial statements FO-GAAP

Appendix 5: P/f Vestlax: 2009 financial statements FO-GAAP

Appendix 6: Statement from independent Auditor regarding Pro forma figures

Appendix 7: Norwegian Retail Application Form

Appendix 8: Faroese Retail Application Form

The Prospectus will be made publicly available at Company's and Manager's offices at the below addresses and at www.nordea.no/bakkafrost, www.carnegie.com and www.foroya.fo as of 8 March 2010.

15.1.2 Company Office

For the life of this Prospectus the following documents are available for inspection at the Company's offices:

Memorandum of Incorporation

The Company's office:

P/F Bakkafrost
Bakkavegur 9,
FO-625 Glyvrar
Faroe Islands

15.2 Statement regarding sources

The Company confirms that when information contained in this Prospectus has been sourced from a third party it has been accurately reproduced and, as far as the Company is aware and able to ascertain from the information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Appendix 1:
Articles of Association for P/f Bakkafrost

Articles of Association

for

P/f Bakkafrost

Name, Registered Office and Objects of the Company.

§ 1

The name of the company is P/f Bakkafrost.

The company also performs activities under the secondary names Bakkafrost Holding (P/f) and Bakka (P/f).

The registered office of the company is FO-625 Glyvrar.

§ 2

The share capital of the company is DKK 46.250.000 divided into 46.250.000 shares with a nominal value of DKK 1.

§ 3

The objects of the company are to hold shares in other companies, fish farming activities, trade and any business related to these activities.

Share Capital and Shares.

§ 4

The shares of the company shall be registered shares.

The shares may be freely transferred.

No shares have any special rights.

No restrictions apply with regard to sale or other transition of shares.

The shares are issued through VPS ASA, Biskop Gunnerus Gate 10, 0185 Oslo, each with a value of DKK 1 according to the legislative provisions, which apply to the issuance of listed shares and dividends will be paid according to the applicable rules. Rights with regard to the shares shall be notified to VPS ASA.

The share registry of the company is kept by Nordea Bank Norge ASA, Middelthunsgata 17, P.O. Box 1166 Sentrum, NO 0107 Oslo, Norway.

§ 4A

The board of directors of the company is authorized to increase the share capital of the company in one or several rounds with up to a nominal amount of DKK 3.750.000. The purpose of the increase shall be to strengthen the financial basis of the company. The new shares shall be registered by name and comply with the rules in § 4 of the articles of association. The board of directors are authorised to set aside the preemptive right of the existing shareholders to subscribe the new share capital. The new shares shall have a nominal value of DKK 1. New shares may be subscribed against cash payment. The authorization of the board of directors to increase the share capital is in force until the ordinary general meeting of the company in 2011.

§ 4B

In the period from 1 May 2010 until the next ordinary general meeting of the company, which will be held in 2011, the board of directors is authorized to buy own shares on behalf of the company. The board of directors is authorised to buy own shares of a total nominal value of up to DKK 5.000.000. Purchasing of own shares shall be conducted to the official rate of the shares, but the board of directors may in special circumstances deviate from the official price with up to 10%. The company may not own more than 10% of the entire share capital of the company.

General Meeting

§ 5

General meetings shall be convened with a deadline not shorter than 8 days and not longer than 4 weeks.

The ordinary general meeting shall be held before the expiry of the month of April.

The board of directors shall convene the general meeting by announcing it through advertisements in one or several of the major Faroese newspapers.

The agenda and the time and place for the general meeting shall be stated in the notice. If proposals, which need a qualified majority to be adopted, are to be discussed by the general meeting, this shall also appear from the notice.

Each individual shareholder is entitled to submit proposals to be discussed by the general meeting, if the relevant shareholder sends the proposal in writing to the board of directors not later than 7 days prior to the relevant general meeting being called.

An extraordinary general meeting shall be held when the general meeting, the board of directors or the company's accountant so decides or if 1/10 of the shareholders of the company so require. A request from the shareholders of the company for an extraordinary general meeting shall be sent in writing to the board of directors of the company, outlining the issues, which the shareholders wish to be discussed by the general meeting. The board of directors shall convene the general meeting not later than 14 days after the receipt of the request.

The Agenda

§ 6

The agenda of the annual general meeting shall consist of:

a) Appointment of a chairman of the meeting.
b) Report from the board of directors regarding the business of the company during the past year.
c) Submission of the audited annual accounts and the annual report for adoption.
d) Decision on the use of profit or the payment of loss according to the adopted annual accounts.
e) Election of members to the board of directors.
f) Election of the chairman of the board of directors.
g) Decision with regard to the salary of the board of directors.
h) Election of members to the election committee, hereunder the chairman of the committee.
i) Decision with regard to the salary of the election committee.
j) Election of an accountant.
k) Any other business.

Voting Rights

§ 7

Each share of DKK 1 carries one vote at the general meeting.

A shareholder may vote at the general meeting if he has requested a ballot paper not later than 5 days prior to the general meeting.

Admission to the general meeting

§ 8

A shareholder may participate in the general meeting, if he has requested an admission card from the company not later than 5 days prior to the general meeting.

Shareholders may participate in person or together with an advisor. The shareholders of the company also have the right to participate in the general meeting by proxy, who can vote on behalf on the shareholder by presenting a written proxy. The proxy may be valid for a specified period, however not for a period longer than 1 year.

Representatives of the press and representatives for Oslo Børs have access to the general meeting.

Election Committee

§ 9

The general meeting shall elect an election committee with 3 to 5 members.

The members of the election committee shall be shareholders or shall represent shareholders.

The members of the election committee, hereunder it's chairman, shall be elected by the general meeting. The election period for the election committee shall be 2 years, unless the general meeting decides otherwise. The election period lasts from the election until the end of the ordinary general meeting in the year, in which the election period ends. Even if the election period has ended, the relevant member of the election committee shall remain on the election committee until the general meeting has elected a new member.

The general meeting decides the salary of the election committee.

The election committee has the following tasks:

i) To make a recommendation to the general meeting regarding the election of shareholder representatives to the board of directors
ii) To make a recommendation to the general meeting regarding the salary of the board of directors
iii) To make a recommendation to the general meeting regarding the election of members to the election committee

The general meeting may lay down more specific guidelines for the work of the election committee.

Board of Directors

§ 10

The company is managed by a board of directors with 3 to 7 members elected on the general meeting for terms of 2 years. Members may be re-elected.

At the ordinary general meeting held in 2011, half of the members of the board of directors are up for election. The election committee decides which members are up for election at the general meeting in 2011 and thereafter members to the board of directors are elected alternately.

The general meeting has adopted a remuneration policy for the management of the company, cf. § 69b(2) of the Act on Public Limited Companies.

§ 11

The board of directors has the highest authority regarding the affairs of the company. The board of directors lays down more detailed rules regarding its activities in a working procedure. The chairman of the board of directors is appointed by the general meeting, whilst the vice-chairman is appointed by the board of directors.

In case of parity of votes at meetings of the board of directors, the chairman shall have the casting vote.

Management

§ 12

The board of directors shall appoint a management of one or several managers to manage the daily business of the company. The board of directors shall in executive instructions lay down more specific rules regarding the authority and duties of the management.

The board of directors shall decide the employment conditions of the manager and shall lay down more specific rules regarding his work.

The manager manages the company's daily business and shall adhere to any decisions made by the board of directors as well as to any rules and requests from the board of directors.

The daily management does not cover decisions, which according to the circumstances of the company are unusual or of a particularly great importance. The management may only make such decisions if the board of directors has given specific authorization thereto.

Power to bind the Company

§ 13

The company shall be bound by the signature of one manager together with the signature of one member of the board of directors.

Auditing

§ 14

The accounts of the company shall be audited by an auditor appointed by the general meeting for a term of 1 year.

The accountant is entitled to see the account books of the company when he so requires and the management of the company is obligated to give the accountant all information required for the accountant to be able to perform his work.

Financial year

§ 15

The company's financial year is the calendar year.

Annual accounts

§ 16

The annual accounts are signed by the board of directors of the company and by the management and are endorsed by the accountant of the company.

The annual accounts shall be prepared according to legislative requirements in the accounting and company legislation, as well as according to good practice.

Appendix 2:

P/f Bakkafrost: 2009 financial statements converted to IFRS, including the auditor's report for the transition to IFRS in 2009

P/F Bakkafrost Holding

Annual Report 2009

Key Figures

(DKK 1,000)	IFRS	IFRS	FO-GAAP
Profit and loss	**2009**	**2008**	**2007**
Operating revenues	596,565	365,634	229,525
Earnings before interest and taxes and fair value adjustment of biomass	158,740	70,789	103,346
Earnings before interest and taxes (EBIT)	192,394	63,157	41,560
Earnings before taxes (EBT)	181,237	46,148	30,437
Net earnings	148,728	38,339	24,831
Earnings per share before fair value adjustment of biomass (DKK)	40.49	14.91	8.30
Earnings per share after fair value adjustment of biomass (DKK)	49.71	12.81	8.30

Statement of financial position	**2009**	**2008**	**2007**
Total non-current assets	257,741	247,657	223,242
Total current assets	363,291	304,873	248,159
Total assets	621,032	552,530	471,401
Total equity	388,887	241,650	196,308
Total liabilities	232,145	310,880	258,798
TOTAL EQUITY AND LIABILITIES	621,032	552,530	471,401
Net interest bearing debt	**97,293**	**243,224**	**225,771**
Equity share	**63%**	**44%**	**42%**

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 Roland 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 was started. This was mainly to stabilize the existing business, as the volumes of herring caught decreased.

1979
Started 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. Blue whiting stock plummeted in 1990, causing financial distress for the Group and the rest of the sector.

1986
P/F Bakkafrost Holding was incorporated as sp/f Faroe Salmon, by Jón and Heini Gregersen, and started production of farmed salmon and its own smolt.

1992
Restructuring of the Group by Regin Jacobsen, Hans Jacobsen and Martin Jakobsen. At this time, the Group established P/F Alistoðin á Bakka. They 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 ("the 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 the licence to produce smolt/fry in Glyvrar/Glyvradalur.
1999–2001
The Group increased the capacity of the VAP to around 22 tonnes gwt (guttet weight) per day through two separate investments during this period in order to facilitate further growth.

2006
In 2006, the Group grew through acquisitions and mergers, and increased its farming capacity by 15,000 tonnes gwt, to a total capacity of 18,000 tonnes gwt of salmon. The Group gained access to six new fish farming fjords and two hatcheries for production of smolts 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 tonnes gwt 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 tonnes gwt salmon and trout and a processing plant located in Kollafjørð.

2009
Best year ever in terms of produced volumes, revenues and operating profit. Decision made to list the company at Oslo Børs during 2010.

2010
Merger with P/f Vestlax Holding finalised. The merged company produced 30,650 tonnes gwt in 2009, and the estimated overall capacity is 37,000 tonnes gwt per year.

GROUP STRUCTURE

Effective as of 1 January 2010, the Vestlax Group was merged into the Bakkafrost Group. The graphic above shows the Group's structure after the merger. The Vestlax Group had a capacity of 11,000 tonnes gwt salmon and trout and a processing plant located in Kollafjørð. The merged company produced 30,650 tonnes gwt in 2009, and the estimated overall capacity is 37,000 tonnes gwt per year, produced through a total of 15 licences for areas located around the Faroes.

OPERATION SITES

Bakkafrost's 15 fish farms are located in the central and northern part of the Faroese Islands. On average, each fish farm can produce around 2,500 tonnes gutted weight per year with the present production regime within the next 3–5 years.

MAIN EVENTS

- Continued the process of merging the Bakkafrost and the Vestlax Group, effective from 1 January 2010
- Decided to list the company on Oslo Stock Exchange
- High productivity with low feed converting factor and low mortality
- Increased Bakkafrost's production compared to previous years

Content

CHAIRMAN'S STATEMENT

The veterinary model implemented in the Faroe Islands since 2003 states quite strictly how salmon farmers have to operate. The main objective of the veterinary model is to increase the biological and veterinary security and support a sustainable and healthy operation.

Bakkafrost will continue to base all its operations on sustainable farming and superior management in order to combine the utilisation of the capacity and to avoid biological issues. All natural and physiological needs must be met to the greatest extent possible in order to maintain a healthy sustainable production and reach cost efficiency.

The 2009 Bakkafrost results reflect the focus on cost efficiency together with the veterinary model introduced on the Faroe Islands in 2003 and high market prices. The Bakkafrost Group delivered the best result ever in 2009.

Not only was the business environment good in 2009, but the management and staff have also shown an excellent performance. This can best be seen on our operation margins, which compare favourably with peers'. The aim in the future is to be in the front when compared with peers.

It has been decided to merge the Bakkafrost Group with the Vestlax Group, as of 1 January 2010, creating the largest salmon producer in the Faroe Islands. Vestlax is the second largest fish farming company in the Faroes.

Following the merger, it has been decided to apply for listing of the Group on Oslo Bors in 2010.

The Board of Directors are very satisfied with the Group's financial results this year and would like to thank the staff for their efforts in 2009. Following the merger with the Vestlax Group, together with the result for 2009, the Bakkafrost Group has strengthened its relative competitive position, which we expect to leverage in the coming years.

BAKKAFROST

MANAGEMENT STATEMENT

Best result ever

Bakkafrost aims to keep the salmon in a good and healthy environment, ensuring the welfare and well being of its fish. All natural and physiological needs must be met to the greatest extent possible in order to maintain a healthy sustainable production and reach cost efficiency. This, together with the veterinary model introduced on the Faroe Islands in 2003, is reflected in the 2009 Bakkafrost results, as the Group has experienced very little losses due to disease, a significantly improved feed conversion ratio, lower mortality rates and increased productivity without the use of antibiotics.

The Bakkafrost Group delivered the best result ever in terms of produced volumes, revenues and operating profit (EBIT) in 2009. The operating revenues rose by some 63.2 percent, from DKK 365.6 million in 2008 to DKK 596.6 million in 2009. Earnings before interest and taxes (EBIT) before fair value adjustment of the biomass totalled DKK 158.7 million in 2009, compared with DKK 70.8 million the year before. The Board of Directors is proposing a dividend of DKK 18,000,000 for the 2009 financial year.

The total harvested volume in 2009 was 18,685 tonnes tgw, and it is the plan to increase volumes by around 5% per year in years to come. Biological security is crucial in order to have a cost-efficient production. Since the new veterinary model in the Faroes, Bakkafrost has experienced close to no losses due to disease, a significantly improved feed conversion ratio, lower mortality rates and increased productivity without use of antibiotics. Bakkafrost will continue to base all its operations on sustainable farming and superior management in order to combine the utilisation of the capacity and to avoid biological issues.

With focus on the Bakkafrost Group's main strategic goal, it is has been decided to merge the Bakkafrost Group with the Vestlax Group, as of 1 January 2010, creating the largest salmon producer in the Faroe Islands. Vestlax is the second largest fish farming company in the Faroes. The merged company will reach the capacity of 45,000 tonnes wfe, assuming full utilisation of the 15 licences. The merged combined Group owns 44% of the total licences on the Faroe Islands, currently representing about 60% of total harvest volumes. The combined Group operates five fully owned hatcheries and licences on 14 fish farming sites for marine production of Atlantic salmon in the Faroe Islands, as well as one licence currently out of production. The sites are located in thirteen different fjords. The combined Group also carries out primary processing and secondary processing. All primary processing takes place at the Group's slaughter facilities in Klaksvík and Kollafjørð, and all secondary processing takes place in the Group's VAP facility in Glyvrar.

Following the merger, it has been decided to apply for listing of the Group on Oslo Børs in 2010.

BAKKAFROST

Operational review

The Group's operations went very well in 2009. Bakkafrost harvested 18,685 tonnes gutted weight, at very satisfying costs per kilo. From the management point of view, the main factors behind our positive development over the last years, and especially in 2009, are our main key competitive advantages, which are:

Low-cost producer

In terms of production costs, our farming operation has delivered strong results following the implementation of the new veterinary regime[1] in the Faroe Islands. The improved biological control has improved fish health and reduced costs due to decreases and lice control. The increased biological control has also given Bakkafrost the opportunity to increase the average harvest weight, resulting in decreased costs per kg. Thus, Bakkafrost EBIT per kg has improved and is among the highest compared to peer's.

Well placed to access the US

Bakkafrost and the Faroes salmon producers are in a favourable competitive position on 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 ongoing 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 from the Faroe Islands. Thus Bakkafrost's sale to the US market has increased from less than DKK 1 million in 2008 to DKK 128 million in 2009, representing 21.5% of Bakkafrost's total revenue.

VAP

Bakkafrost has long-term experience in producing and selling value adding products (VAP). Production facilities are state of the art, with very high production efficiency. Sold volumes have increased by 34%[2] per annum over the last three years and approximately 18% per annum over the last 10 years. In 2009, the VAP production represented 60% of the total revenue. In addition to increasing the Group's earnings on the long term basis, the VAP production reduces the volatility in the earnings, as the sale is based on fixed-price contracts, which are not as volatile as the spot market price for fresh salmon.

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 the last 15 years.

Geographical location

Bakkafrost's salmon farms are located in areas with very 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 offers cost-efficient transportation of both feed and fish on land and at sea.

[1] A set of laws implemented since 2003 in the Faroe Islands, stating quite strictly how salmon farmers have to operate
[2] Measured in volume of raw material

Veterinary model

The veterinary model implemented in the Faroe Islands since 2003 states quite strictly how salmon farmers have to operate. The main objective of the veterinary model is to increase the biological and veterinary security and support a sustainable and healthy operation.

Through total separation of salmon generations, vaccination against different diseases (ISA among others), strict regulation of movement of equipment and fish, and other regulations, the results for the 2005–2007 generation on feed conversion ratio, mortality and productivity are among the best results ever seen in the Faroe 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 very satisfying result for 2009.

Financial review

As mentioned above, the Bakkafrost Group's results for 2009 are the best result ever.

Income statement
The Bakkafrost Group generated gross operating revenues of DKK 596.6 million in 2009, compared with DKK 365.6 million in 2008. This represents an increase of 63.2 percent. The operations harvested a total of 18,685 tonnes gutted weight, compared with 14,178 tonnes in 2008. The Group made a net operating profit (EBIT) before fair value adjustment of the biomass of DKK 158.7 million in 2009, compared with DKK 70.8 million in 2008. Net operating profit (EBIT) before fair value adjustment of the biomass came to DKK 8.49 per kg gutted weight, compared with DKK 4.99 in 2008. Consolidated net profit totalled DKK 148.7 million in 2009, compared with DKK 38.3 million in 2008. Earnings per share totalled DKK 49.71 in 2009, compared with DKK 12.81 in 2008. In 2009, the Group had a very strong cash flow. The cash flow from operations was DKK 188.7 million, compared with 44.0 million in 2008. The Group's net interesting bearing debt amounted to DKK 97.3 million, and solvency was in excess of 62%.

Segment performance
Bakkafrost Group operates with two business segments, farming of fish, including sale of fresh fish, and value adding of salmonoid products and sale of these.

Farming including sale of fresh fish
Farming is one of Bakkafrost's segments. The Group has production facilities in the north-eastern 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 factory in Glyvrar. The output of the factory is predominantly portions for the retail market. Therefore, this is reported as one segment. The strategy with the value added products is, in addition, to increase the Group's earnings to reduce the volatility in the Bakkafrost Group's net earnings.

Gross external operating revenues for Bakkafrost's farming segment increased to DKK 237.9 million in 2009, up from DKK 122.5 million in 2008. Net operating profit (EBIT) before fair value adjustment of the biomass totalled DKK 127.9 million, compared to DKK 64.4 million in 2008. This corresponds to a net operating profit before fair value adjustment of the biomass of DKK 6.63 per kg gutted weight, compared to DKK 4.55 per kg in 2008. The increase in the performance of the Group reflects the increase in the salmon price, the excellent biological situation and our dedicated staff. The Group's farming segment harvested and purchased 19,292 tonnes gutted weight in 2009, compared to 14,179 tonnes in 2008.

The value adding segments external operating revenue amounted to DKK 358.7 million in 2009, compared to DKK 243.2 million in 2008. Net operating profit (EBIT) totalled DKK 30.8 million, compared to DKK 6.3 million in 2008. This corresponds to a net operating profit (EBIT) of DKK 2.73 per kg gutted weight, compared to DKK 0.75 per kg in 2008. The increase in the salmon price during 2009 reflects the result from

the value added segment. The reason is that there is a time lag, between the movement in the fresh salmon price and the contract price for value added products. Therefore, the value added segment also reduces the volatility in the Group's revenue and result. Therefore, the contract price for the first half of 2010 is expected to catch up to the strong price for fresh salmon towards the end of 2009.

In 2009, the associated company P/F Salmon Proteins achieved a net result to Bakkafrost of DKK 0.3 million, compared to DKK 0.6 million in 2008. Since P/F Salmon Proteins is defined as an associated company on the Group consolidated level, the Bakkafrost Group recognises 28.5 percent of the company's profit after tax.

Financial income in 2009 amounted to DKK 2.9 million, compared to DKK 1.5 million in 2008. Net interest expenses amounted to DKK 13.1 million, compared to DKK 17.8 million in 2008. The decrease can largely be attributed to a decrease in long- and short-term interest bearing debt due to the Group's strong cash flow.

Statement of financial position
The Group total balance as of 31 December 2009 amounted to DKK 621.0 million, compared to DKK 552.5 million at the end of 2008.

During the year, the Group invested approximately DKK 21 million, which closely corresponds to the Group's depreciations in the year. Investments were made in buildings, processing equipment and general farming facilities. The company continues to invest in all activities to adjust capacity. It will be invested approximately DKK 100 million during 2010 and 2011. The investments in farming in 2010 and 2011 are estimated to be approximately DKK 40 million each year and in the value added production 10 million each year. Farming investments in 2010 relates to sea equipment, boats and other farming equipment. The investment in value added production relates to processing equipment. Investment will be financed by existing financing facilities and cash generated by the Group. All investments will be made in the Faroe Islands.

The Group's book value (fair value) of biological assets (fish in the sea) amounted to DKK 227.5 million at the end of year, which is at the same level as in 2008. The total fair value adjustment of the biomass amounted to DKK 46.9 million year-end 2009, compared to DKK 13.2 million at the end of 2008. At the end of 2009, the biomass of fish at sea under 4 kg/each was 5,159 tonnes live weight, compared to 4,409 tonnes live weight at the end of 2008. The biomass of fish exceeding 4 kg was 5,510 tonnes live weight, compared to 8,589 tonnes live weight at the end of 2008.

The Group's equity increased from DKK 241.7 million at the start of the year to DKK 388.9 million at the end of the year. The increase in equity can primarily be attributed to the good net result in 2009.

The group's total non-current liabilities decreased from DKK 111.2 million to DKK 91.4 million. The deferred tax increased by DKK 33.3 million, while the long-term debt was reduced by DKK 53.0 million, to DKK 34.4 million at the end of 2009. The Group's total non-current liabilities were reduced from DKK 199.7 million to DKK 140.7 million during 2009, reflecting the strong cash flow in 2009.

The Bakkafrost Group's net interesting bearing debt amounted to DKK 97.3 million at the end of 2009, compared to DKK 243.2 million at the end of 2008. The Group had an equity ratio of 62.6 percent as of 31 December 2009, compared to 43.7 percent at the same date in 2008. A healthy financial position is considered to be a crucial element in the Group's strategy for further growth and profitability. The Group will continue to place great emphasis on this going forward.

Cash flow
The total cash flow from operating activities in 2009 was DKK 188.7 million. Cash flow from investing activities came to DKK -26.6 million. Cash flow from financing activities totalled DKK -127.2 million, which reflects a net payment of bank funding. Net cash flow for the period amounted to DKK 34.8 million. Cash at the end of the year was DKK 35.3 million, compared to DKK 0.5 million at the start of the year. Together with established credit facilities with its banking partners, the Group's liquidity and financial strength is considered to be very good. The merged groups (Bakkafrost and Vestlax) undrawn financing facility amounted to approximately DKK 215 million at 31 December 2009.

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 as a salmon producer.

Market risk:

Price on farmed salmon

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

Price on fish feed

Feed costs account for a significant proportion of 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 both by the global market for fishmeal and marine/animal/vegetable oils, and the feed industry is dominated by a small number of large, global producers.

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

Operational risks:

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 always 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 to reduce 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.).

Production-related disorders:

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.

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 on 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 are particularly vulnerable when they are released into the sea. The rapid change from freshwater to the full salinity of seawater exposes the smolts to osmotic stress, in addition to other stressors such as handling, pumping and transportation. The production of a high-quality smolt depends on a thorough control of the freshwater quality and the smoltification process. A high level of bio-security measures in addition to good management practices and selection of good production sites and technology is an important factor to obtain good growth and improve health.

Financial risk and risk management
The follow-up of internal auditing procedures associated with financial reporting is undertaken as part of 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. Financial risk is managed at the head office.

Foreign exchange risk
Since the Bakkafrost Group reports in DKK, the Group is exposed to exchange rate risks towards USD, NOK, GBP and EUR.

Bakkafrost trades on the world market for farmed salmonids, and parts of revenues and accounts receivable are denominated in foreign currency. On the other hand, purchases of raw materials, etc. are predominantly denominated in DKK. Fluctuations in foreign exchange rates, therefore, present a financial risk to the Group.

Credit risk

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

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

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure which is secured by means of

established borrowing facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in note 16, 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 around DKK 0.6 million in R&D expenses during 2009.

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 2009 are based on the assumption that Bakkafrost is a going concern. In the opinion of the Board, the Group's financial position is very good.

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.

Parent company's financial statements and allocation of profit for the year
The parent company P/F Bakkafrost Holding had a net profit of DKK 119.4 million for 2009. The Board of Directors is proposing a dividend payment of DKK 18 million. In connection with the merger between P/F Bakkafrost Holding and P/F Vestlax Holding, 972,064 new shares will be issued as compensation for the shares in the discontinued company (P/F Vestlax Holding). Also in connecting with the merger it is proposed to increase the share capital with 42,286,147 bonus shares with nominal value of DKK 1. Total share capital after these increases will be 46,250,000 shares with nominal value of DKK 1. All these shares will be entitled to receive the proposed dividend of total DKK 18 million, which corresponds to approximately DKK 0.39 per share.

The Board thereby proposes the following allocation of funds.

- Provision for dividend – DKK 18.0 million
- Transfer to other equity – DKK 101.4 million
- Total – DKK 119.4 million

After payment of dividend, the distributable equity totals DKK 17.4 million.

Events after the date of the statement of financial position
Effective on 1 January 2010, the Vestlax Group (with P/F Vestlax Holding as the ultimate parent company in the Vestlax Group) merged with the Bakkafrost Group's ultimate parent company, P/F Bakkafrost Holding. P/F Bakkafrost is the continuing company. The plan is that P/F Bakkafrost Holding will be listed on Oslo Børs in the first half of 2010.

The Bakkafrost Group has, since the date of the statement of financial position, changed its financing structure. In the future, it will primarily be the ultimate parent company in the merged group, P/F Bakkafrost Holding, which will finance all the companies in the Group. At the same time, P/F Bakkafrost Holding has signed a new loan agreement with P/F Føroya Banki and Nordea Norge ASA. With the new agreement, the total loan facility is DKK 400 million, plus other loans from Føroya Realkreditstovni amounting to approximately DKK 58 million. The new bank financing is divided into 200 million as a revolving credit facility and a long-term loan amounting to DKK 200 million. Payment into the long-term loan facility is agreed to be

DKK 50 million each year in 2010 and 2011. For further details on the loan see Note 16 to the consolidated report.

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

Outlook 2010
The market outlook for 2010 for salmon is positive. Decreasing supply, due to diseases in Chile, and increasing demand put an upward pressure on the price for fresh salmon. There is a strong demand on products from both the EU and the American markets.
The sold quantity from the merged group's (Bakkafrost and Vestlax) is expected to decrease in 2010 compared to 2009 due to lower levels of smolt launched during 2008, but will increase again in 2011. Therefore, it is expected that the result for 2010 will reflect the decrease in the harvested quantity of salmon.

Business review

Main trends in the human consumption of seafood
The Food and Agriculture Organisation of the United Nations (the "FAO") has estimated that in 2006, the total human consumption of seafood was approximately 110.4 million tonnes. According to the FAO, the demand for seafood has been growing and was expected to continue growing at a faster rate than most of the other main food product categories.

The following factors have been identified as the main drivers for continuing growth:

Increase of per capita consumption:

The global annual per capita consumption of fish has been predicted to increase from about 17.0 kilograms in 2008 to 19–21 kilograms by 2030. In particular, the FAO expects per capita consumption in North America and Europe, the main regions where farmed fish are currently regularly eaten, to increase rapidly over the next 10 years before slowing down to a more moderate growth level.

Increased standard of living:

Economic growth in Asia, Europe, the United States and parts of Eastern Europe has led to an increase in standard of living, and this has increased the demand for premium food products such as salmon.

Growth in world population:

As world population continues to grow, with current projections of an increase from 6 billion people in the year 2000 to around 9 billion by 2050, farmed fish is expected to be one of the many food groups which will experience an increase due to larger demand for animal protein.

Enjoyment, health and practicality:

Seafood is considered to be a healthy and nutritious alternative to meat products. It is perceived as a healthy product due to its fairly low cholesterol content. In particular, fatty fish such as salmon have a high percentage of Omega-3 fatty acids, which have scientifically proven health benefits. These factors are believed to be key drivers for further growth of farmed fish and salmon in particular as an alternative to beef, poultry and pork.

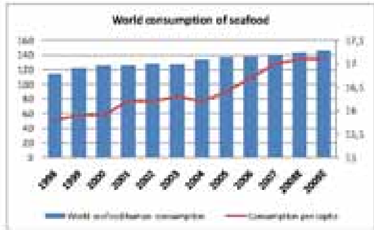
Farmed fish production is a more efficient source of protein relative to other sources of animal protein. Fish farming has been shown to have a more efficient rate of conversion of feed into protein. For example, farmed salmon requires less than 50 percent of the weight of feed required to produce an equivalent weight of other animal protein products.

Seafood consumption

The world population is approximately 6.7 billion people. The world population has grown by 1.34% a year since 1990, corresponding to about 80 million people per year. The growth figures indicate a population of around 9–10 billion people by the year 2050.

Fish consumption has undergone major changes in the past four decades. World per capita consumption of fish has increased gradually, from an average of 10 kg in the 1960s to about 17 kg in 2009. The supply of fish has not grown uniformly in all fish producing regions. China is the major contributor to the growth in supply of fish. Their estimated share of world fish production increased from 21% in 1994 to 35% in 2005, while the Chinese per capita supply was about 26 kg.

The figure below shows world seafood production (for human consumption) and consumption per capita 1990–2009E.

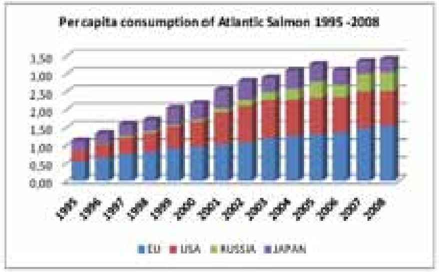


There are large variations in the consumption of seafood, both between regions and in different countries, and also within each country. The global increase in fish consumption follows the increase in general food consumption per capita. Over the last decades, consumers in the most developed countries are more dynamic in their dieting habits, and the consumption of meat and seafood per capita has a strong relation to consumer revenues. Less food is prepared at home, the supermarkets offer ready-to-cook products and a larger share of the population can afford dining out. However, many countries continue to face food shortages and nutrient inadequacies, and major inequalities exist in the access to food.

MAIN MARKETS FOR SALMON

The EU, the US, Japan and Russia are the main markets for Atlantic salmon. The EU market is the largest market in terms of volume. The EU market and especially the Russian market have shown solid growth over the last couple of years. These main markets seem to be partly independent of each other with regards to prices and demand, as shown in 2003, when prices in Europe were very low compared to the relatively strong prices in the US.

The figure below shows per capita consumption for farmed Atlantic salmon from 1995–2008 for the selected main markets of the US, the EU, Russia and Japan.



The US market

The total supply of Atlantic salmon to the US market was approximately 278,800 tonnes in 2009, a decrease of 5% from 2008. The main reason for the decline in supply to the US is lower supply from Chile, which was caused by production problems, mainly ISA problems.

The largest supplier is still Chile, with approximately 105,500 tonnes, but the ISA problems in Chile have changed the picture. The European supply to the US market has increased by nearly 50,000 tonnes. The increased supply from other countries has partially compensated for the drop in supply from Chile and Canada, but the total supply to the US market dropped by 5% last year.

Bakkafrost and the Faroese salmon producers are very competitive on the US market. The Group has established an experienced sales force with long-term relations with customers in the US. The Group has a running operation and ongoing 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 from the Faroe Islands.

The EU market

The supply of Atlantic salmon increased from 736,600 tonnes in 2008 to 769,300 tonnes in 2009, an increase of 4%. This was mainly due to increased imports from Norway (77%). The bulk of the salmon supplied to the EU market is still whole gutted fresh fish, while the processing takes place in the market. In contrast, the US market is, to a larger extent, characterised as a market for processed fish, as the bulk of the supply is filleted fish from Chile. The EU consumption of farmed salmon comprises around half of the global consumption, with the largest share of the supply coming from Norwegian and UK salmon farmers.

The Russian market

During the last couple of years, the Russian market has increased its importance as a major market for Atlantic salmon. The total supply of Atlantic salmon to the Russian market was approximately 78,100 tonnes wfe in 2009, up from 74,800 tonnes in 2008, a 4% increase. However, in a longer perspective, the supply of Atlantic salmon to the Russian market has increased significantly, from less than 10,000 tonnes in 2000. Norway is by far the largest supplier of Atlantic salmon to the Russian market.

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SUPPLY – PRODUCTION REGIONS

Global supply of Atlantic salmon

The global supply of farmed Atlantic salmon had a negative growth by 5% (75,000 tonnes wfe) in 2009 compared to the year before.

Norway, Chile, the UK and Canada are the main suppliers of Atlantic salmon. The largest growth potential for production of Atlantic salmon is expected to be in Norway and Chile due to favourable growing conditions and availability of sites.

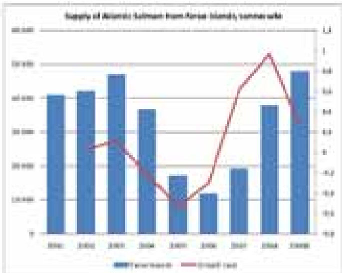
The global harvest quantity of Atlantic salmon for the period 2001–2009E is illustrated in the table below.

Global supply of Atlantic salmon *tonnes wfe*

Country	2001	2002	2003	2004	2005	2006	2007	2008	2009E
Norway	411 300	444 100	508 400	536 900	573 500	598 600	723 100	740 900	855 700
Chile	244 900	268 200	280 700	346 200	385 200	368 600	356 400	403 100	234 500
UK	131 400	140 100	160 900	149 800	119 700	127 400	134 800	136 500	144 900
Canada	99 300	112 000	92 000	89 000	107 500	115 000	109 500	118 500	113 700
Faroe Islands	41 000	42 100	47 000	36 700	17 100	11 900	19 200	37 800	47 900
USA	21 400	13 200	18 000	13 300	9 600	10 200	12 300	17 000	16 400
Ireland	23 700	22 800	18 400	12 400	12 400	14 500	15 300	11 400	15 500
Others	14 700	14 500	17 700	20 700	24 400	23 400	25 300	26 700	32 700
Total	**987 700**	**1 056 500**	**1 143 100**	**1 205 000**	**1 249 400**	**1 269 600**	**1 395 900**	**1 491 900**	**1 461 300**

Source: Kontali Analyse

The harvest quantity in the Faroe Islands was 47,900 tonnes wfe in 2009, compared to 37,800 tonnes in 2008.



Source: Kontali Analyse

The Faroes had escalated problems with the ISA virus from the beginning of 2000 up to 2004. The harvest quantity peaked with approximately 47,000 tonnes (wfe) in 2003, but increasing outbreaks of the ISA virus reduced the harvest quantity step by step down to approximately 12,000 tonnes (wfe) in 2006. Since then, the production on the Faroe Islands has improved rapidly, and new outbreaks of ISA have not been registered since summer 2005. The harvest quantity has increased from 12,000 tonnes (wfe) in 2006 to approximately 48,000 tonnes (wfe) last year. The loss rates have been historically low and considerably lower than the other competitive countries. The average harvest weights have increased in line with the growing harvest quantities. The average harvest quantity was approximately 5.8 kg (wfe) last year, and the yield per released smolt (kg wfe per smolt released) in 2007 is estimated as approximately 5.15 kg (wfe),

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which is historically high compared to all producing regions. In addition, the average harvest weight was approximately 4.9 kg (wfe) in Norway at the same time. It is expected that the harvest quantity will decrease slightly in 2010, with a slight increase in 2011.

The main market for the Faroe production is the EU, followed by the US market, approximately 64% and 23% market share respectively. The US market increased significantly last year, from less than 3,000 tonnes wfe in 2008 to more than 11,000 tonnes in 2009.

THE INDUSTRY STRUCTURE

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

The production costs are highly influenced by the feed cost, which comprises nearly 55% of the production cost. Other main costs within the fish farming industry are smolt and harvest. The figures below show the split of cost for Faroese and Norwegian fish farmers in 2009.

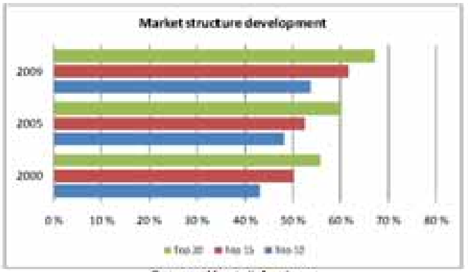
Source: Kontali Analyse

In terms of production costs, the farming operation in the Faroe Islands has delivered strong results following the implementation of the new veterinary regime. The improved biological control has improved fish health and reduced costs due to diseases and lice control. The increased biological control has also given the opportunity to increase the average harvest weight resulting in decreasing costs per kg. Therefore, in the last three generations, the biological feed conversion rate has decreased from around 1.20 to around 1.10, reducing the feed cost by approximately 8.5%.

The market players

In Chile, Scotland and Canada, more-efficient larger players have gradually taken over most of the smaller producers, and the same trend has, to some extent, been apparent in Norway lately. Globally, the 10 and 15 largest companies control approximately 50% and 60% of total harvest quantity, respectively.

The figure below shows the increased consolidation in the market the last couple of years.



Source: Kontali Analyse

Operational synergies may be generated from further consolidation, and it is expected that larger companies will benefit the industry in general. Size and integration tend to be advantageous for R&D and product development.

Business objectives and strategy

Vision

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

Strategy

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

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

Downstream, Bakkafrost's long-term growth and financial stability is a result of a strategy based on a mix of contract sale of value added products and spot sale of whole gutted fish.

The Group's long-term fundamental goals for a healthy, attractive and competitive low-cost salmon farming group are to be secured through:

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

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

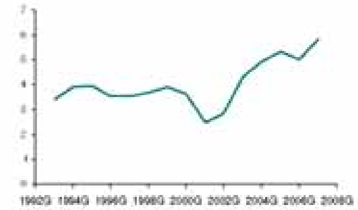
Biological security
Bakkafrost aims to keep the salmon in a good and healthy environment, ensuring the welfare and well being of its fish. All natural and physiological needs must be met to the greatest extent possible in order to maintain a healthy sustainable production and reach cost efficiency.

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

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

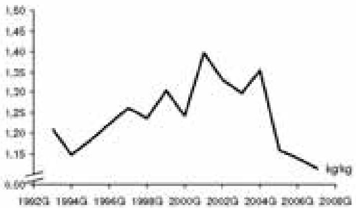
The graphs below show the recent development in important parameters as average harvest weight, mortality and feed conversion rate for Faroe salmon producers, clearly showing the positive development since the introduction of the new veterinary model.

AVERAGE HARVEST WEIGHT LWE



Mortality % of output

Biological feed factor



Source: FarmControl[2]

The low weight and high mortality in 2002 was a result of disease and early harvesting on the remaining fish in order to prevent the disease from spreading. The average harvest weights have increased from a historical low average weight in the 2001 generation and a high mortality of approximately 30% to an average weight of 6 kg in the 2007 generation and a mortality of approximately 7%. The strong biological performance has provided the possibility of harvesting larger fish, reducing the feed costs per kilo to an average of approximately 1.12 on average in the Faroe Islands.

Best practice – Human resources
The Group shall maintain its focus on human capital and high work satisfaction in order to keep the competence in-house and benefit from their expertise in all parts of the process. The Group has 2 HR Managers responsible for the Cgroup's human resource management. The annual turnover of staff is 1–3% in the farming division, 3–10% in the harvesting division and 10–20% in the processing division. Sales and management have had no changes in staff during the recent year.

The managers of the farming sites have extensive experience, with most of them working since the beginning of the '90s and some working since the mid '80s, contributing to the strong results within the farming division. On the high end, the processing division hires a lot of younger personnel looking for short-term employment, typically 1–2 years, hence the higher turnover ratio. The Group is continuously working on improving the work satisfaction within the entire value chain.

[2] FarmControl has, since 1993, registered and monitored data from Faroese fish farmers. Numbers shown in these graphs represent between 50–90% of the Faroese farmed salmon farmed for generations 1993–2002 and ~100% after 2003

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

Share, maintain and implement best practices in feeding regimes and husbandry

Continue to monitor and evaluate the various steps within the processing in order to utilise production capacity and find potential for improvements

Reward the ideas for new methods improving economy of scale and maintain/increase quality of products

Value added production
In 2009, value added products (VAP), as e.g. portions and fillets, represented 60% of the total revenues in Bakkafrost (pre-merger). The VAP operation is based on contractual sale and hence reduces the fluctuations of the Group's financial performance through a business cycle. In order to meet customers' demands, it is important to deliver high-quality products and a wide range of products.

Bakkafrost will continue to invest in state-of-the-art process equipment in order to meet the market demands on both product quality and new products. The Group will continue optimising the product portfolio in order to maintain the flexibility of the production between VAP and other products.

New opportunities
The merger between Bakkafrost and Vestlax as of 1 January 2010 will give new opportunities for growth through increased utilisation of farming locations and increased raw material base for processing. The Group will be better positioned to meet the large volumes requested by both new as well as existing customers within the retail sector, build long-term relationships and, at the same time, be able to benefit from opportunities within the spot market or explore new opportunities.

Growth strategy
Since the new veterinary model was introduced on the Faroe Islands, Bakkafrost has demonstrated growth of 34% compounded annually growth in terms of harvest volumes. Going forward, the management has targeted a milestone volume at 37,000 tonnes gutted weight annual production on the existing facilities, representing a growth of 21% compared to the harvest volumes in 2009. Further growth on existing facilities has to be evaluated after learning how the biological performance develops at this volume.

The Cgroup also has the opportunity to grow on the Faroe Islands through increasing the number of licences. However, as Bakkafrost owns 44% of the licences today and the regulations do not allow any company to own more than 50% of the licences, the potential increase from following this route amounts to 6%, or about 6,000 tonnes annually.

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

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OPERATION

Bakkafrost is the largest salmon producer in the Faroe Islands. The merged Group (Bakkafrost and Vestlax) produced 30,500 tonnes gwt in 2009, and the estimated overall capacity is considered to be at least 37,000 tonnes gwt per year, assuming full utilisation of the current licences. Bakkafrost owns 44% of the total licences on the Faroe Islands, currently representing ~60% of total harvest volumes[4].

The Group operates five fully owned hatcheries and fourteen fish farming licences for marine production of Atlantic salmon in the Faroe Islands in addition to one licence currently out of production. The licences are located in thirteen different fjords.

All primary processing takes place at the slaughtery facilities in Klaksvík and Kollafjørð, and all secondary processing takes place in the VAP facility in Glyvrar.

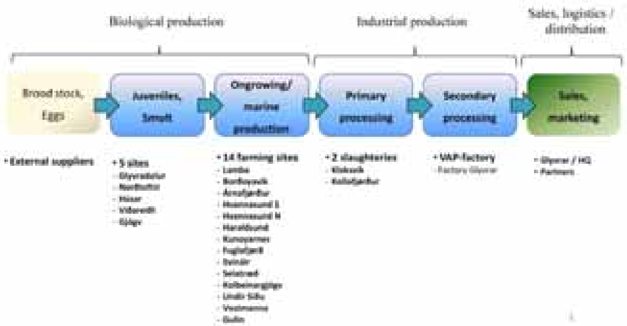
The value chain

Bakkafrost controls the entire value chain from smolt to sales and marketing. Control of the entire value chain is considered important 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 salmon egg to the processing of the fish. The documentation and traceability from finished product back to the salmon egg and even to the raw materials in Bakkafrost's salmon feed is important for its customers and therefore important to Bakkafrost.

Value chain

Timeline:	12 months	+18m =30months	1 day	2–3 days	3–5 days



[4] 2009 figures

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The control of the entire value chain enables Bakkafrost to enter into long-term delivery contracts and long-term customer relationships, without being dependent 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 several external suppliers based in the Faroe Islands, Iceland, Norway and Scotland. The capacity of Bakkafrost's suppliers is sufficient to meet the current and future need of eggs.

The vitality of the fish is very important. Therefore, the selection of the best genetic properties is vital. The resistance to develop 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, where significant efforts and resources are invested to improve product quality and performance.

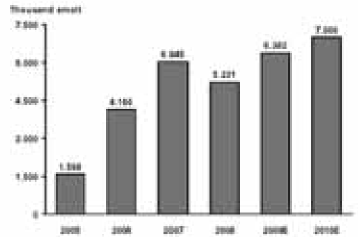
2. **Juveniles**

Bakkafrost owns a total of eight hatchery licences. The merged Group operates five hatcheries, with a total production capacity of around seven million smolts per year, making the Group self-sufficient with smolts. Bakkafrost has been focused on producing smolts for its own production, and the number of smolts sold to third parties is limited. The Group will expand the hatchery capacity on existing facilities in line with the growth strategy, and this will be completed with limited investments.

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 on 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 nineties.

Historically, Bakkafrost has released smolts into sea when the weight is between 50–60g. Over the last four years, Bakkafrost has changed its strategy and waited until the size of the smolts has reached 80–100g 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 during this period.



3. **Farming**

Bakkafrost's 15 fish farms are located in the central and northern part of the Faroe Islands. On average, each fish farm can produce around 2,500 tonnes gutted weight per year with the present production regime within the next 3–5 years.

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 to 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 is fed several times a day, and the feed consumption is monitored continuously. Over the last three generations, the biological feed conversion rate has decreased from around 1.20 to around 1.10, reducing the feed cost by approximately 8.5%. This is considered to be a direct result of the improved fish health achieved with the new veterinary model introduced in 2003.

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 3–4 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 on the Faroe Islands since the new veterinary model in the Faroe Islands was implemented.

The main goal of the farming operation is to produce salmon at a low feed conversation rate and with low mortality. In order to reach this goal, Bakkafrost believes the environment is very 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 on 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.

Farming North

The sites in Farming North (Bakkafrost's sites before the merger with Vestlax) are located in the north-east part of the Faroe Islands. The operations in this region show a strong historical performance based on excellent conditions for salmon farming.

Farming North has historically shown very good productivity due to the general favourable environmental conditions in the sea. The Gulf Stream provides for very 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 a 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.

Further, the occurrence of salmon lice has been very limited in these sites, again reflecting the favourable biological conditions combined with the veterinary model introduced on the Faroe Islands in 2003.

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

The biological situation in Farming North provides the opportunity to utilise a higher-than-average weight of the fish, minimising unit costs, biological feed factor and giving a best-in-class performance. During the last three years, the average weight has increased from 4.4 kg per fish to 5.3 kg gwt. The excellent biological situation is crucial to maintain production costs at current levels and to maximise the return on the invested capital.

Farming West

The sites in Farming West (former Vestlax which is merged with Bakkafrost with effect from 1 January 2010) are located in the central part of the Faroe Islands. The locations in Farming West have shown a somewhat lower performance than Farming North. The management of Bakkafrost is, however, confident that these locations have the same potential in terms of biological performance and corresponding low production costs, as the natural given factors are more or less the same.

As for Farming North, these sites also have constant supplies of fresh seawater due to the Gulf Stream. But in contrast to the Bakkafrost sites in Farming North, where Bakkafrost operates regions without being close to other salmon farmers, the areas in Farming West are shared with other salmon farmers (Marine Harvest at two locations and Viking Salmon at one location). Unsynchronised operations between the companies have, in the opinion of Bakkafrost, been a decisive reason why the sites in Farming West have not performed equally well, e.g. contribution to occurrence of salmon lice in locations 14–16 during 2009.

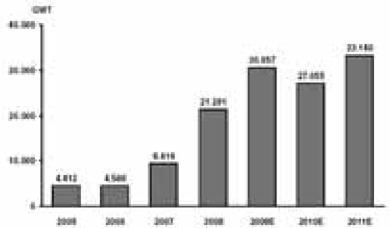
Going forward, all companies have agreed to synchronise operations in terms of temporarily and regularly fallowing the locations and halting operations on 1 July 2010 for two months before releasing new smolts into the area. This is similar to how operations are conducted in Farming North, and is expected to improve the biological situation in the area.

Management believes the locations have potential to increase the size of harvested fish over time through adopting the best practices from Farming North.

The farming areas are large and have good capacity to support the quantities farmed on each site. Apart from the biological factors referred to above when comparing production costs in Farming North and Farming West, Farming West is in a process to scale up the production and is therefore not utilising the production capacity in full. The increased production and investment in production equipment will continue during 2010.

4. Harvesting

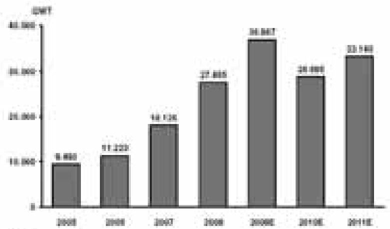
The total production in 2009 (Bakkafrost and Vestlax) was about 30,500 tonnes gutted weight. Based on the number of smolt released and the number to be released this year, Bakkafrost expects harvesting of 27,000 tonnes gutted weight in 2010 and 33,000 tonnes gutted weight in 2011. The reduction in 2010 is explained by reduced volumes in Vestlax due to low smolt output in 2008. The plan is to increase volume around 5% per year in years to come.



Going forward, Bakkafrost has decided to terminate the trout activities and focus only on the production of Atlantic salmon. In 2009, trout volumes from Vestlax delivered 19% of the total volume, but will be fully phased out by 2012. Expectedly, this will result in a better utilisation of the existing facilities in the harvesting and processing capacity and an improved market position within the focus segments of the Group.

All the fish are harvested at the slaughtery factories in Klaksvík and Kollafjørð. The slaughteries have a daily capacity of around 220 tonnes wfe at the current run rate of 1½ shift on average. The fish is transported from the farming sites to the slaughteries in well boats with closed end-water systems.

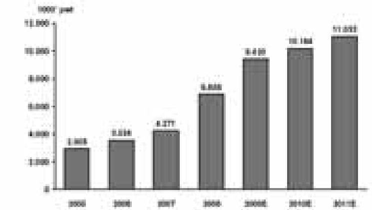
Bakkafrost's well-boat fleet consists of two vessels: one smaller well boat (230m^3 / 45 tonnes wfe) and a larger well boat (660m^3 / 110 tonnes wfe), both with closed systems.



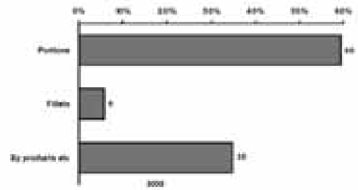
5. Processing and refinement

The 4,000m^2 VAP factory in Glyvrar has a production capacity of 140 tonnes of skin- and boneless 125g vacuum-packed portions in retail boxes per day.

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



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



The Group intends to continuously upgrade the VAP factory in order to be able to deliver according to market demands. Expansions of the factory and production capacity are evaluated, and a decision will be made when it is concluded to be favourable for the Group.

6. Sales and distribution

Sales strategy

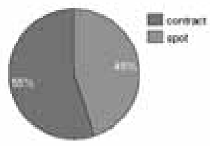
The strategy of the Group is to balance the sales mix between different geographical markets as well as different product segments.

The two most important markets are the European market and the US 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.

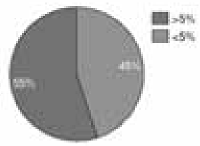
Bakkafrost believes that its capability to serve both these geographical markets with the two categories of products efficiently reduces cross-cycle fluctuations in both revenues and profitability.

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

SPLIT CONTRACT VS SPOT



SPLIT LARGE VS SMALL CUSTOMERS



Distribution

The current distribution network is based on boat to Europe and plane to the US. 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 Scotland within 20 hours by boat. From Scotland, the products are distributed by plane to major airports in the US within 24 hours, with a total cost of DKK 8–9 per kg from factory to customer.

Products planned for the European markets are transported by boat to Denmark within 2 days for further distribution on trucks.

HEALTH, SAFETY AND THE ENVIRONMENT

Ethical guidelines

In 2009, Bakkafrost developed a new code of conduct with guidelines regarding values and ethics. The intention is to focus on excellence in operations and strive to apply a working methodology, which ensures a good and sound working environment. Among other things, this means that the Group shall systematically promote employee satisfaction, seek to attain an injury- and accident-free work place, optimise raw material and energy consumption and minimise waste.

We shall strive towards always meeting, and preferably exceeding, the requirements of all relevant legislation. All employees shall help to create a work environment free from any discrimination.

Health and safety

In 2009, we have increased our focus on employee health and safety. A review of general risk analysis and risk assessments regarding human health and safety have been carried out, especially for the farming sites and hatcheries. The risk analysis has been executed in co-operation with our employees. We have updated our working boats according to all safety measures in 2009. We are also working in close co-operation with the authorities and other farmers to find the best-suited system for the farming sites to avoid accidents on the sea.

The human health safety work is ongoing on each location, regarding the farming, hatcheries and the processing plants, and is evaluated continuously. In 2009, our employees received updated education in first aid and safety measures. There is a need for further examination for preventive actions, including changing or introducing procedures, technical solutions and education. In 2010, we will continue examining the areas that were recognised as needing attention in 2009 and improve the awareness of health and safety even more, through further education and implementing more stringent procedures on this area and improving accident reporting systems.

Fish health, animal welfare and disease prevention (bio security)

Fish health, animal welfare and prevention of diseases are a very high priority for the Group. We are working closely with veterinarians and the veterinary authorities in order to secure the best environment and to prevent any possible outbreaks. Descriptions of the diverse hazards and risk assessments have been revised in 2009 and will continuously be updated. For each possible disease or hazard, preventive actions are described and followed.

There have not been any outbreaks of diseases or troubles with sea lice in Bakkafrost's sites in 2009. Vestlax has experienced some difficulties with lice. However, as a proactive step, we have increased our focus and surveillance of sea lice in 2009. We are working closely with the authorities and other farmers on this subject.

Environmental issues

Our code of conduct emphasises that we shall strive to be a market leader in environmental protection. All employees are required to bear in mind the environmental effects work-related activities have on nature and the environment and apply environmentally friendly solutions to the extent reasonably possible.

We continuously strive to maintain a sound and healthy environment. It is very important for us to prevent pollution and distortion of the natural ecological balances of the environment relating to our operations. Environmental risks analyses are performed and were revised in 2009. Preventive actions are being taken to minimise the possible impacts on the natural environment, the ecological balances and hence the fish welfare, as a good and healthy environment is required for fish farming.

Our fish farms, hatcheries and processing plants are all approved by the Faroese environmental authorities and fully comply with the requirements set in these environmental approvals.

Amongst several demands in the approvals for the farming part, requirements are made with respect to regular monitoring of the seabed in the fish farming areas. The regular monitoring results of our farming areas have shown, again in 2009, that we fully comply with the regulatory requirements and limit values. Our farming areas are situated in the best suitable environment.

Food safety

Our processing plants are approved and certified by the Faroese authorities regarding food safety. These approvals are all based on HACCP standards. Furthermore, our factory at Bakkafrost, Glyvrar, holds both a BRC and IFS certification, both of which were updated in 2009.

Global GAP

We are working towards achieving Global GAP certification in 2010. Global GAP is an international standard which focuses on food safety throughout the whole production (based on HACCP), fish welfare and health, safety and the environment.

New opportunities

The merger with Vestlax in 2010 will have myriad positive opportunities for our business. The merger will increase our knowledge capacity based on experience and educational measures. The increase in farming sites will allow us to exploit our sites in the most sustainable way; we will have more processing capacities, and hence be able to further ensure a product of the highest quality and food safety.

SHAREHOLDER INFORMATION

Information to shareholders has high priority in Bakkafrost. When becoming listed on Oslo Børs, Bakkafrost will aim to maintain 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 2010

15 February 2010	Annual General Meeting – Glyvrar, Faroe Islands
26 May 2010	Presentation Q1 2010 results
20 August 2010	Presentation Q2 2010 results
9 November 2010	Presentation Q3 2010 results

Please note that the financial calendar is subject to change. The Group's website, www.bakkafrost.com, will be updated with any changes as soon as they become known.

Annual General Meeting
The parent company's Annual General Meeting is planned for 15 February 2010.

Auditors
The consolidated accounts have been audited by Sp/f Grannskoðaravirkið Inpact, loggilt grannskoðaravirkið (State-Authorised Public Accountants), which is also the auditor of the parent company and all its subsidiaries.

Dividend
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.

The Board proposes to the AGM held on 15 February 2010 a dividend payment of a total of DKK 18 million.

Shareholders, capital and votes

P/F Bakkafrost Holding had, on 31.12.2009, a total of 2,991,789 shares outstanding, each with a nominal value of DKK 1 or multiple.

Largest shareholders

Shareholders holding more than 5% in the Company as of 31 December 2009 were:

DKK 1,000	Nominal value of shares	Share holding	Voting rights
P/F Føroya Banki	1,007,621	33.68%	33.68%
Hans Jacobsen	473,043	15.81%	15.81%
P/F Havsbrún	472,285	15.79%	15.79%
J. Regin Jacobsen	424,558	14.19%	14.19%
Kverva AS	217,095	7.26%	7.26%

Total shareholder holding more than 5%	**2,594,602**	**86.73%**	**86.73%**
Total other shareholders	397,187	13.27%	13.27%
Total no. of shares	**2,991,789**	**100.00%**	**100.00%**

Board meetings

In 2009, the Board of P/F Bakkafrost Holding held 11 Board meetings.

Directors' profiles

Rúni M Hansen, Chairman of the Board
Born 1967. MSc. in Economics and Business Administration, Copenhagen Business School, 1993. DBA, Lancaster University. The Management School, Lancaster UK, 1994. Career: Statoil, member of Global Exploration management team for Europe and North Africa, 2007–present. Director for Statoil Faroes and Statoil Greenland. Board member of Vónin 1998–2008, Chairman 2002–2008. Board Member of Føroya Banki 1999–2006, Vice Chairman 2003–2006.

Rúni M Hansen holds no shares in the Company.

Odd Eliasen, Deputy Member of the Board
Born 1965. Sales manager Havsbrún 1988–1995, Director of Feed Department of Havsbrún 1995–present. Board member of Viking Seafood and Faroe Farming.

Odd Eliasen holds no shares in the Company.

Trine Sæther Romuld, Board member
Born 1968. State-authorised auditor from NHH. Career: Arthur Andersen & Co./Ernst & Young nine years. Executive Vice President in Aker ASA and CFO in Aker Drilling ASA from Aug. 2007–Dec. 2008. CFO in Pan Fish ASA / Marine Harvest ASA for four years. Board director in Aker Seafoods ASA, Aker Floating Production ASA, Aker Drilling Services AS, Aker Drilling Operations AS and Barents Base AS.

Trine Sæther Romuld holds no shares in the Company.

Virgar Dahl, Board member
Born 1958. Director of Marine Department in Tryggingarfelagið Føroyar. Board member of Føroya Realkreditstovnur.

Virgar Dahl holds no shares in the Company.

Johannes Jensen, Board member
Born 1966. MBA, Lancaster, Lancaster University 1998. Faroe Seafood 1987–2001. Marketing Director Faroe Seafood 1999–2001, Managing Director Hotel Føroyar 2002–present. Board member Effo, Board member sp/f Coastzone, Board member Framtak, Board member sp/f Etika Holding.

Johannes Jensen holds no 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 administration team 1990–2008. Part of Bakkafrost sales team 2008–present. Board member since 2008.

Annika Frederiksberg holds no shares in the Company.

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

Management's profiles

Regin Jacobsen, Chief Executive Officer
Regin Jacobsen (born 1966) has been the CEO of Bakkafrost since 1989. Mr. Jacobsen is educated at Aarhus School of Business, Graduate Diploma in Business Administration and Accounting (HD-R). From 1982 to 1988, Mr. Jacobsen was accounting manager of the former P/f Bakkafrost, and from 1988 until 2006, he held the position of Managing Director of the former P/f Bakkafrost.

Teitur Samuelsen, Chief Financial Officer
Teitur Samuelsen (born 1972) was appointed CFO of Bakkafrost in December 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 Dong Energy E&P A/S as licence controller, and he was CFO of Atlantic Petroleum from 2005 to 2009.

Frederik Hansen, Sales Manager
Frederik Hansen (born 1973) has been Sales Manager of Bakkafrost since 2007. He was educated at Føroya Sjómannaskúla as Captain in 1997. From 1997–2000, he was a sailor as a navigator and Captain. From 2000 to 2006, he was department leader of Faroe Ship's operations in various places, both in Faroes and abroad. From 2006, he was Sales Manager of Faroe Ship.

Kári Jacobsen, Manager, VAP production and processing
Kári Jacobsen (born 1963) has been Manager of VAP production and processing since 2008. He is educated at Statens Fagskole for Fiskeindustri Vardo (1982/1983). Kári Jacobsen was Production Manager for Tavan from 1984 to 1994 and from 1999 to 2008. Kári Jacobsen was Production Manager for Faroe Seafood from 1994 to 1998.

Andrias Petersen, Harvest Manager
Mr. Andrias Petersen holds a BSc in Chemical Engineering from the technical university of Denmark (2001) and has since 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. Mr. Andrias Petersen has been Production Manager at Vestsalmon since 2008.

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

Jón Purkhús is Managing Director of JH Holding, which holds approximately 1.31% of the shares in Bakkafrost.

Leif av Reyni, Fresh Water Manager
Leif av Reyni is Kandidat (BSc) in Aquaculture, Høgskolen i Sogndal, Norway (1999–2002) and MSc in Aquaculture, Stirling University, Scotland (2002–2003). From 2003–2004, he worked for Vestlax at two of their sea sites, in Vestmanna and Veðranes, farming salmon and trout. From 2004–2005, Mr. Leif av Reyni worked as project manager for the local Aquaculture Research Station in the Faroe Islands. Since 2005, he has been Production Manager at Vestlax and responsible for sea sites and hatcheries. Since 2006, he has been on the Board of the Faroese Aquaculture Research Station.

The Management's remuneration is disclosed in the notes to the consolidated financial statement.

CORPORATE GOVERNANCE REPORT

Principles of 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 21 October 2009 by the Norwegian Corporate Governance Board (the "Code of Practice").

The Company's principles for corporate governance correspond with the Code of Practice.

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.

Governance structure

The General Meeting

Through the General Meeting, the shareholders exercise the highest authority in the Company. All shareholders are entitled to submit items to the agenda, meet, speak and vote at General Meetings.

The Annual General Meeting is held each year before the end of April. Extraordinary General Meetings may be called by the Board of Directors at any time. The Company's auditor or shareholders representing at least 10 percent of the total share capital may demand that an Extraordinary General Meeting be called.

General Meetings are convened by the Board of Directors.

The General Meeting elects the members and deputy members of the Board of Directors, determines the remuneration of the members of the Board of Directors, approves the annual accounts, discusses the Board of Directors' guidelines on management remuneration and decides such other matters which by law or the Company's Articles of Association are to be transacted at the General Meeting.

The Board of Directors

The Board of Directors has the overall responsibility for the management of the Company. This includes a responsibility to supervise and exercise control of the Company's activities.

The proceedings and responsibilities of the Board of Directors are governed by a set of rules of procedures.

It is the Company's intention that the members of the Board of Directors will be selected in light of an evaluation of the Company's needs for expertise, capacity and balanced decision-making, and with the aim of ensuring that the Board of Directors can operate independently of any special interests and that the Board of Directors can function effectively as a collegiate body.

The majority of the shareholder-elected members of the Board of Directors shall be independent of the Company's management and its main business connections. At least two of the shareholder-elected members of the Board of Directors shall be independent of the Company's main shareholder(s). Members of the management shall not be members of the Board of Directors.

The term of office for members of the Board of Directors is two years.

Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the Company. The Chief Executive Officer is responsible for ensuring that the Company's accounts are in accordance with existing Faroese legislation and regulations and other relevant laws, and that the assets of the Company are soundly managed.

The Chief Executive Officer is appointed by the Board of Directors and reports to the Board of Directors.

The powers and responsibilities of the Chief Executive Officer are defined in instructions adopted by the Board of Directors.

The Nomination Committee

According to its Articles of Associations, the Company shall have a Nomination Committee. The Nomination Committee consists of 3–5 members. The members of the Nomination Committee, including the Committee Chairman, are elected by the General Meeting. Members of the Nomination Committee serve for two-year periods.

The task of the Nomination Committee is to nominate candidates for election as members and deputy members of the Board of Directors and to make recommendations regarding the remuneration of the members of the Board of Directors.

Remuneration of the members of the Nomination Committee will be determined by the General Meeting.

Principles for the work and election of the Nomination Committee shall be presented to the General Meeting for approval.

Equal treatment

The Company has one class of shares. Each share in the Company carries one vote. All shares in the Company are freely transferable.

All shareholders shall be treated on an equal basis. The shareholders shall not be exposed to differential treatment that lacks a factual basis in the Company's and the shareholders' common interest.

Values and ethics

The Company aspires to create a sound corporate culture. Thus, the Board of Directors has resolved and adopted a code of conduct to these principles of corporate governance.

The Company's policy requires its directors and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Directors and employees must practice fair dealing, honesty and integrity in every aspect in dealing with other employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities.

The Company strives to be a reliable partner achieved by quality operations, strict discipline, prioritising high-quality solutions, predictable deliveries and a high level of service.

The Company has adopted a set of guidelines based on the highest health, safety and environment standards.

Audit matters

The Board of Directors has resolved and approved guidelines for the Company's auditor and persons associated with the auditor performing non-auditing work.

The primary task of the auditor shall be to perform the audit work required by law and professional standards with the level of care, competence and integrity required by law and such standards. Assigning non-auditing work to the auditor or any affiliate of the auditor may potentially create conflicts of interest and diminish the public's confidence in the auditor's integrity and independence.

The Company shall have an Audit Committee which shall be elected by and among the members of the Board of Directors.

Equity

The Company shall have a level of equity which is appropriate to its objectives, strategy and risk profile.

Investor relations

The Company's information policy shall be based on openness and equal treatment of all shareholders.

Communication with shareholders, investors and analysts is a priority for P/F Bakkafrost Holding (the "Company"). The Company's objective is to ensure that the financial market and the shareholders have sufficient information about the Company to be certain that pricing reflects underlying values. Care will be taken by the Company to ensure an impartial distribution of information when dealing with shareholders and analysts. The Company will arrange open investor presentations in connection with the Company's annual and quarterly reports. Presentations made for investors in connection with the annual and quarterly reports will be made available on the Company's website. Important events affecting the Company will be reported immediately.

Take-over policy

The Company shall have a take-over policy which ensures that all shareholders are treated equally and that the Company's business activities are not disrupted unnecessarily.

In the event of a take-over bid being made for the Company, the Board of Directors will follow the overriding principle of equal treatment for all shareholders, and will seek to ensure that the Company's business activities are not disrupted unnecessarily. The Board of Directors will strive to ensure that shareholders are given sufficient information and time to form a view of the offer.

Related-party transactions

Any related-party transactions shall be carried out in accordance with applicable legislation and the Company's internal guidelines.

All transactions between related parties shall be executed according to arm's-length principles.

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

The Management and Board of Directors have today considered and approved the Annual and Consolidated Report and Accounts of P/F Bakkafrost Holding for the financial year 1 January 2009 to 31 December 2009.

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

In our opinion, the accounting policies used are appropriate and the Annual and Consolidated Report and Accounts give a true and fair view of the Group and Parent Company's financial positions at 31 December 2009, as well as the results of the Group's and the Parent Company's activities and cash flows for the financial year 1 January 2009 to 31 December 2009.

Glyvrar, 15 February 2010

Management:

Regin Jacobsen
CEO

Board of Directors:

Rúni M. Hansen, Chairman of the Board	Odd Eliasen, Vice-chairman	Trine Sæther Romuld, Board Member
Virgar Dahl, Board Member	Annika Frederiksberg, Board Member	Johannes Jensen, Board Member

Independent Auditors' Report

To the shareholders of Bakkafrost Group

We have audited the Annual Report of Bakkafrost Group for the financial year 1 January to 31 December 2009, which comprises the statement by the Management and Board of Directors on the Annual Report, Managements Review, Accounting Policies, Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes for the Group as well as the Parent Company. The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Faroese disclosure requirements for Annual Reports of listed companies.

The Management and Boards of Directors' responsibility for the Annual Report

The Management and Board of Directors are responsible for the preparation and fair presentation of this Annual Report in accordance with International Financial Reporting Standards as adopted by the EU and additional Faroese disclosure requirements for Annual Reports of listed companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of Opinion

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Faroese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the Annual Report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the Annual Report 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 Group's internal control. An audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by the Management and Board of Directors, as well as evaluating the overall presentation of the Annual Report.

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

Our audit did not result in any qualification.

Opinion

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2009 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2009 in accordance with International Reporting Standards as adopted by the EU and additional Faroese disclosure requirements for Annual Reports of listed companies.

Tórshavn, 15 February 2010

Sp/F Grannskoðaravirkið *INPACT*
løggilt grannskoðaravirki/State-Authorized Public Accountants

Jógvan Amonsson	Jógvan Joensen
State-Authorized Public Accountant	Authorized Public Accountant

Bakkafrost's Consolidated Accounts
Consolidated Profit and Loss Account for 2009

DKK 1,000	Note	2009	2008
Operating revenue		**596,565**	**365,634**
Purchase of goods		-213,606	-175,799
Change in inventory and biological assets (at cost)		-32,724	39,104
Fair value adjustments on biological assets	12	33,655	-7,632
Salary and personnel expenses	5	-78,014	-60,944
Other operation expenses		-93,025	-78,132
Income from associates		340	-111
Depreciation	8	-20,797	-18,963
Earnings before interest and taxes (EBIT)		**192,394**	**63,157**
Financial income		2,915	1,505
Net interest expenses		-13,065	-17,794
Net currency effects		-630	-44
Other financial expenses		-377	-677
Earnings before taxes (EBT)	7	**181,237**	**46,148**
Taxes	17	-32,509	-7,810
Profit for the year		**148,728**	**38,339**
Earnings per share continued operations (DKK)	20	49.71	12.81
Diluted earnings per share (DKK)		49.71	12.81
Comprehensive income:			
Profit for the year		148,728	38,339
Fair value adjustment on securities available for sale net tax		3,509	967
Total comprehensive income for the year net tax		**152,237**	**39,306**

OPERATONAL EARNINGS / KEY FIGURES	2009	2008
Operational EBITDA	213,191	82,120
Operational EBIT	192,394	63,157
Operational EBT	181,237	46,148

Consolidated Statement of Financial Position
As of 31 December 2009

DKK 1,000	Note	2009	2008
ASSETS			
Property, plant and equipment			
Land buildings and other real estate		83,985	80,292
Plant machinery and other operating equipment		137,461	141,129
Other operating equipment		9,556	9,234
Total property, plant and equipment	8	**231,002**	**230,655**
Non-current financial assets			
Investments in associated companies	9	2,723	2,417
Investments in stocks and shares	10	23,539	7,598
Other non-current receivables		478	6,986
Total non-current financial assets		**26,739**	**17,002**
TOTAL NON-CURRENT ASSETS		**257,741**	**247,657**
Current assets			
Biological assets (biomass)	12	227,497	229,720
Inventory	11	20,527	17,373
Total inventory		**248,024**	**247,093**
Accounts receivable	13	66,644	42,469
Other receivables	13	13,304	14,839
Total receivables		**79,948**	**57,309**
Cash and cash equivalents	16	35,319	471
Total current assets		**363,291**	**304,873**
TOTAL ASSETS		**621,032**	**552,530**

BAKKAFROST

Consolidated Statement of Financial Position

As of 31 December 2009

DKK 1,000	Note	2009	2008
EQUITY AND LIABILITIES			
Equity			
Share capital	15	2,992	2,992
Other equity		385,895	238,658
Total equity	14	**388,887**	**241,650**
Non-current liabilities			
Deferred taxes	17	57,082	23,802
Long-term interest bearing debts	16	34,350	87,382
Total non-current liabilities		**91,431**	**111,184**
Current liabilities			
Short-term interest bearing debt	16	98,262	156,313
Accounts payable and other debt	16	42,451	43,382
Total current liabilities		**140,714**	**199,696**
Total liabilities		**232,145**	**310,880**
TOTAL EQUITY AND LIABILITIES		**621,032**	**552,530**

BAKKAFROST

Consolidated Statement of Cash Flow

Consolidated cash flow statement for 2009

DKK 1,000	Note	2009	2008
Cash flow from operations			
Operating profit (EBIT)		**192,394**	**63,157**
Adjustments for write-downs and depreciation		20,797	18,963
Adjustments for value adjustments on biomass		-33,655	7,632
Taxes paid		0	0
Change in inventory		32,724	-39,104
Change in other current assets		-22,639	-7,386
Change in current debts		-931	5,734
Cash flow from operations		**188,691**	**48,995**
Cash flow from investments			
Proceeds from sale of fixed assets	8	50	0
Payments made for purchase of fixed assets	8	-21,194	-33,539
Purchase of shares and other investments		-11,967	-113
Change in long-term receivables		6,509	-6,899
Cash flow from investments		**-26,602**	**-40,551**
Cash flow from financing			
Proceeds from interest bearing debt (short and long)		0	14,017
Down payment of interest bearing debt (short and long)		-111,084	0
Received interest		2,915	1,505
Paid interest		-14,072	-18,514
Equity paid out		-5,000	-5,000
Cash flow from financing		**-127,241**	**-7,992**
Net change in cash and cash equivalents in period		**34,848**	**452**
Cash and cash equivalents – opening balance		471	18
Cash and cash equivalents – closing balance total		**35,319**	**471**

Consolidated Changes in Equity

BAKKAFROST GROUP

DKK 1,000	Note	2009	2008
Total equity 01.01		241,650	207,344
Profit for the year to equity		148,728	38,339
Fair value adjustment on securities available for sale		4,279	1,179
Deferred tax on securities available for sale		-770	-212
Total other comprehensive income		3,509	967
Proposed dividend		-18,000	-5,000
Total gains and losses charged directly to equity		-18,000	-5,000
Total recognised income and expense to equity		134,237	34,306
Equity transactions between the company and its shareholders			
Distribution of dividend		-5,000	-5,000
Proposed dividend		18,000	5,000
Total equity to shareholders during the year		-13,000	0
Total change in equity during the year		147,237	34,306
Total equity 31.12		388,887	241,650

Notes – Bakkafrost Group

NOTE 1. GENERAL INFORMATION

P/F Bakkafrost Holding is a Faroese Company located at Bakkavegur 8, Glyvrar in the Faroe Islands. P/F Bakkafrost Holding is planning to be listed on the Oslo Stock Exchange in 2010.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

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

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

The financial statements were formally approved by the Board of Directors on 15 February 2010.
The Annual Report has been prepared on a historical cost basis except for where IFRS require recognition at fair value, mainly valuation of biomass.

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

CONSOLIDATION PRINCIPLES

The consolidated financial statements include Bakkafrost Holding and the subsidiaries over which Bakkafrost Holding 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 revenue in the Profit & Loss Account. Deferred tax is capitalised to the extent to which identifiable excess values ascribed to assets and liabilities leads to an increase or decrease in future tax payable when these differences are reversed in future periods. Deferred tax is capitalised and calculated using a nominal undiscounted tax rate.

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

Investments in companies in which the Group has a considerable interest (associated companies) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist when the Group owns 20–50 percent of the voting capital. The Group's share of the profits in such companies is based on profit after tax, less internal gains and depreciation on excess value due to the cost price of the shares being higher than the acquired portion of book equity. In the Profit & Loss Account, the profit share is presented as a financial item, 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.

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

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

The revenue of the Group is mainly for sales of fish. 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 has fundamentally two business activities, farming of fish, including sale of fresh fish, and value adding of salmonoid products.

Farming including sale of fresh fish
The Group has production facilities in the north-eastern 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 factory in Glyvrar. The output of the factory is predominantly portions for the retail market. Therefore, this is reported as one segment.

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

CLASSIFICATION PRINCIPLES
Cash and cash equivalents consist of cash in hand and bank deposits. Assets which form part of the production cycle and fall due for payment within 12 months are classified as current assets. Other assets are classified as non-current assets. Liabilities which form part of the production cycle or fall due for payment within 12 months are classified as current liabilities. Other liabilities are classified as non-current liabilities.
Dividend proposals are not capitalised as liabilities until the parent company has assumed an irrevocable obligation to pay the dividend, normally when dividend proposals have been approved by the Annual General Meeting.

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

Biomass is recognised at fair value in the Statement of Financial Position. Changes in biomass in inventory measured at cost are presented as a one line item in the Profit & Loss Account. 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/deducting 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
Borrowing costs are charged as expenses as they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Borrowing costs directly attributable to the build-up of biomass in cages at sea is capitalised as part of the cost of the respective assets.

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

INVENTORY
Inventories consist of inventories in the farming unit and VAP unit.

Farming unit. Inventories consist of feed and additives. Inventories are measured at the lower 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 lower 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 lower of cost or the expected sales price less sales costs. In case where cost price exceeds sales price less sales cost, impairment is entered and charged to Profit & Loss.

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.

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/deduction 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 profit and loss 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 2 kilos/fish*, the fair value measurement of the generation becomes less than clearly unreliable. At this point, fair value measurement commences.

Fair value is established by comparing to market prices of salmonids at a size of 4 kilo gutted weight, and deducting harvesting and sales costs. In addition, allowances are made for the fact that not all fish in a generation is of a superior quality. Fair value is based on market prices achieved by the Group at, or close to, the statement of financial position date.

The 4-kilo threshold is based on the fact that a generation is considered biologically and economically harvestable at that size, and fair value estimates should reflect the properties of smaller fish being able to grow to harvestable sizes.

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 profit and loss.

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 ongoing 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 lower 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 Profit and loss Statement in the line item "Other Operation Cost".

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 Profit & Loss. 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 lifespans, these components are deprecated 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 lower 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 higher 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 deprecation 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 and any remaining production costs.

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. Seafarming licences in the Faroes are considered perpetual, given 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 Profit and loss Account in the line item "Write-downs and reversal of write-downs".
Licences which are obtained at original distribution by the Faroese government are not capitalised due to the fact that no acquisition consideration is transferred.

Goodwill. When the company assumes control over a separate business entity for a consideration that exceeds the fair value of the individual assets, the difference is entered as goodwill in the statement of financial position.
Goodwill deriving from the purchase of subsidiaries and associates is presented under intangible assets.
Goodwill is not depreciated but is tested for impairment annually or more often if there are indications that its value is lower than the carrying amount. When assessing the need to write-down goodwill, this is assigned to relevant cash flow generating units or those groups which are expected to benefit from the acquisition. Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash-flow generating units to which the goodwill is assigned. To identify the Group's cash-flow generating units, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows for the next three years based on approved budgets and forecasts. Cash flows after three years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax, which takes account of relevant market risk. If the calculated value in use is lower 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 IAS39, financial instruments falling within its remit are classified into the following categories: fair value with changes in value posted to profit & loss, hold until maturity, loans and receivables, available for sale and other liabilities.

Financial instruments at fair value with changes in value entered to Profit & Loss. 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 posted to profit and loss alongside forward currency contracts which are recognised at fair value with changes in value entered to Profit & Loss.

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.

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Company can implement the new/amended/additions to standards and interpretations. The disclosure consists of standards and interpretations that are made public before the publication of the Annual Report. Amendments not approved by the EU are not included in the list below.

IFRS 3 (revised) Business Combinations

Compared to the existing IFRS 3, the revised IFRS 3 incorporates certain amendments and clarifications related to the use of the purchase method. This includes issues such as goodwill in business combinations achieved in stages, minority interests and contingent considerations. Transactions costs other than share and debt issuance costs will be expensed as incurred. IFRS 3 (R) is effective for annual periods beginning on or after 1 July 2009. The Group expects to implement IFRS 3 (R) as of 1 January 2010.

IAS 27 (revised) Consolidated and Separate Financial Statements

The revised IAS 27 provides more guidance on accounting for changes in ownership interest in a subsidiary and the disposal of a subsidiary, compared to the current IAS 27. According to the revised standard, the entity measures the interest retained in a former subsidiary at fair value upon loss of control of the subsidiary, and the corresponding gain or loss is recognised through profit and loss. The revised standard also includes a change in the requirements relating to the allocation of losses in a loss-making subsidiary. IAS 27 (R) requires total comprehensive income to be allocated between the controlling and the non-controlling party, even if this results in the non-controlling interest having a deficit balance. IAS 27 (R) is effective for annual periods beginning on or after 1 July 2009. The Group plans to implement IAS 27 (R) as of 1 January 2010.

IFRIC 15 Agreements for the Construction of Real Estate

The interpretation addresses the divergence in accounting treatment for real estate projects, and also provides guidance on whether a project is within the scope of IAS 11 Construction Contracts or IAS 18 Revenue. The interpretation is effective for annual periods beginning on or after 1 January 2010. The Group plans to implement IFRIC 15 as of 1 January 2010.

The Group does not expect that implementation of the amendments listed above will have a material effect on the financial statement of the Group on the date of implementation.

NOTE 3. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make judgement estimates and assumption 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 ongoing 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 in the financial statement for 2009.

FIXED-PRICE CONTRACTS

The company holds long term sale contracts related to salmon products. These contracts do not contain any elements of embedded derivates 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 lower than the calculated fair value of the biomass.

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, for instance tax losses carried forward, that are utilised in the future will be different from carrying amounts.

Note 4. Operating segment information

2009 – DKK 1,000	Farming	Value Added Products	Eliminations	Bakkafrost Group
External operating revenues	237,856	358,709	0	596,565
Internal operating revenues	250,011	0	-250,011	0
Total operating revenues	**487,867**	**358,709**	**-250,011**	**596,565**
Depreciation and amortisation	-16,997	-3,800	0	-20,797
Operating expenses	-343,284	-74,085	0	-417,368
Internal operating expenses	0	-250,011	250,011	0
Fair value adjustments biological assets	33,655	0	0	33,655
Income from associates	312	28	0	340
Net operating profit (EBIT)	**161,553**	**30,842**	**0**	**192,394**
Net interest revenue	7,765	14	-4,865	2,915
Net interest expenses	-16,615	-2,322	4,865	-14,072
Earnings before taxes	**152,703**	**28,534**	**0**	**181,237**
Tax	-27,396	-5,113	0	-32,509
Net earnings	**125,308**	**23,421**	**0**	**148,728**
EBITDA	**178,550**	**34,641**	**0**	**213,191**
ASSETS				
Investments in associated companies	0	0	0	0
LIABILITIES	295,416	49,731	-113,002	232,145
INVESTMENTS				
Tangible operating assets	17,226	4,113	0	21,339
Intangible operation assets	0	0	0	0
Depreciation	-16,997	-3,800	0	-20,797

2008 – DKK 1,000	Farming	Value Added Products	Eliminations	Bakkafrost Group
External operating revenues	122,463	243,171	0	365,634
Internal operating revenues	178,519	0	-178,519	0
Total operating revenues	**300,982**	**243,171**	**-178,519**	**365,634**
Depreciation and amortisation	-15,348	-3,615	0	-18,963
Operating expenses	-221,407	-54,364	0	-275,771
Internal operating expenses	0	-178,519	178,519	0
Fair value adjustments biological assets	-7,632	0	0	-7,632
Income from associates	238	-349	0	-111
Net operating profit (EBIT)	**56,833**	**6,324**	**0**	**63,157**
Net interest revenue	2,967	6	-1,468	1,505
Net interest expenses	-17,156	-2,825	1,468	-18,514
Earnings before taxes	**42,643**	**3,505**	**0**	**46,148**
Tax	-7,217	-593	0	-7,810
Net earnings	**35,427**	**2,912**	**0**	**38,339**
EBITDA	**72,181**	**9,939**	**0**	**82,120**
ASSETS				
Investments in associated companies	0	0	0	0
LIABILITIES	394,380	46,415	-129,915	310,880
INVESTMENTS				
Tangible operating assets	30,399	3,556	0	33,955
Intangible operation assets	0	0	0	0
Depreciation	-15,348	-3,615	0	-18,963

DISTRIBUTION OF HARVESTED AND PURCHASED VOLUME (tgw)	2009 tgw	2009 %	2008 tgw	2008 %
Harvested volume used in VAP production	10,977	56.9%	8,416	59.4%
External purchase of salmon for VAP production	304	1.6%	0	0.0%
Harvested volume sold fresh/frozen	7,708	40.0%	5,763	40.6%
External purchase of salmon sold fresh/frozen	302	1.6%	0	0.0%
Harvested and purchased volume (tgw)	**19,292**	**100.0%**	**14,179**	**100.0%**

GEOGRAPHIC BRAKEDOWN OF SALES REVENUES BASED ON CUSTOMER LOCATION

By geographic market (group)	2009	2008
Europe	443,398	354,965
USA	128,210	943
(Other relevant segment)	24,956	9,726
Total	**596,565**	**365,634**

Bakkafrost Group is predominantly operating on the foreign markets.

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 on the spot market for salmon products and exported to foreign seafood processing companies.

In addition, Bakkafrost operates a VAP processing facility 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 on the retail market.

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Note 5. Salaries and other personnel expenses

Breakdown of payroll expenses

DKK 1,000	2009	2008
Wages and salaries	71,027	56,186
Social security taxes	2,073	1,700
Pension expenses	4,777	3,058
Other benefits	137	0
Total payroll expenses	**78,014**	**60,944**
Average number of full-time employees	355	282

RENUMERATION TO CORPORATE MANAGEMENT AND KEY PERSONNEL

Salary and other benefits paid	Salary	Bonus	Pension	Other	Total 2009
Chief Executive Officer	944	0	30	0	974
Chief Financial Officer*	72	0	0	0	72
Sales manager	470	0	61	0	531
Operation manager – farming	631	0	53	0	684
Operation manager – VAP	509	0	51	0	560
Operation manager - harvest	523	0	46	0	569
Operation manager – fresh water	620	0	55	0	675
Total remuneration	**3,768**	**0**	**296**	**0**	**4,064**

*** Employed from December 2009**

Remuneration to management and key personnel.
The total remuneration to the corporate management and key personnel 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 and key personnel 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.

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Notice of termination and severance pay.
The Group's Chief Executive Officer has a basic period of notice from the company of 24 months, and other management and key personnel have a notice period of 6 to 12 months, depending on the position concerned.

Fees paid to the Board of Directors

DKK 1,000		2009	2008
Rúni M Hansen (appointed 15 December 2009)	Chairman of the Board	0	0
Odd Eliasen	Deputy Chairman of the Board	48	48
Trine Sæther Romuld (appointed 15 December 2009)	Member of the Board	0	0
Annika Frederiksberg	Member of the Board	48	40
Virgar Dahl	Member of the Board	48	48
Johannes Jensen (appointed 15 December 2009)	Member of the Board	0	0
Liggjas í Bø (resigned 15 December 2009)	Chairman of the Board	96	96
Hans Jacobsen (resigned 15 December 2009)	Member of the Board	48	48
Óli Mortensen (resigned 15 December 2009)	Member of the Board	48	40

Loans to employees
As of 31.12.2009, there are no loans to employees.

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Note 6. Auditor's fees

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

DKK 1,000	2009	2008
Statutory auditing	306	351
Tax advisory services	18	21
Other services	36	41
Total auditor's fees	**360**	**413**

Note 7. Net financial items

DKK 1,000	2009	2008
Other financial income	2,915	1,505
Financial income	**2,915**	**1,505**
Interest expenses on long-term loans	-7,691	-7,620
Interest expenses on credit lines	-5,365	-10,167
Interest expenses on accounts payable	-10	-6
Financial expenses	**-13,065**	**-17,793**
Agio/disagio	-630	-44
Net currency effects	**-630**	**-44**
Other financial expenses	-377	-677
Other financial items	**-377**	**-677**
Net financial items	**-11,157**	**-17,009**

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Note 8. Property, plant and equipment

DKK 1,000	Land and buildings	Plant, machinery operating equip-ment, fixtures, etc.	Other operating equipment	Total 2009	Total 2008
Acquisitions cost as of 01.01	94,307	194,535	12,273	301,115	267,160
Acquisitions during the year	6,683	13,202	1,454	21,339	33,955
Disposals during the year	0	-291	0	-291	0
Acquisitions cost as of 31.12	**100,990**	**207,446**	**13,727**	**322,163**	**301,115**
Re-evaluations as of 01.01	4,016	5,739	541	10,296	10,296
Re-evaluations as of 31.12	**4,016**	**5,739**	**541**	**10,296**	**10,296**
Accumulated depreciation and write-downs as of 01.01	-18,031	-59,145	-3,580	-80,756	-61,793
Depreciations during the year	-2,990	-16,675	-1,132	-20,797	-18,963
Accumulated deprecations and write-downs on disposals	0	96	0	96	0
Accumulated depreciation and write-downs as of 31.12	**-21,021**	**-75,724**	**-4,713**	**-101,457**	**-80,756**
Net book value as of 31.12	**83,985**	**137,461**	**9,556**	**231,002**	**230,655**

Buildings in Glyvrar and Klaksvík are located on rented land.

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

Note 9. Subsidiaries and associates

DKK 1,000 Company	Consolidated Yes/No	Head Office	Ownership	Voting share	Carrying amount in P/F Bakkafrost Holding
P/F Faroe Salmon	Yes	Glyvrar	100%	100%	157,339
P/F Faroe Salmon Processing	Yes	Glyvrar	100%	100%	55,515
P/F Faroe Smolt	Yes	Glyvrar	100%	100%	1,900
P/F Bakkafrost	Yes	Glyvrar	100%	100%	8,168
P/F Kassavirkið á Bakka	Yes	Glyvrar	100%	100%	6,667
P/F Salmon Proteins	No	Eiði	28.46%	28.46%	1,362
Total					**230,952**

Summarised financial information concerning P/F Salmon Proteins for 2009 (DKK 1,000):	
Total revenue	7,425
Net earnings	1,042
Total assets	14,60
Net equity	9,152

Acquisitions through business combination

By 1 January 2010, P/F Bakkafrost Holding and P/F Vestlax Holding were merged into one holding company. Under IFRS 3 concerning business combinations, the merger was treated as an acquisition, in which P/F Bakkafrost Holding is the acquiring company and P/F Vestlax Holding the acquired company. Following the merger the shareholders of P/F Vestlax Holding owns 24.52% of the continuing company.

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

DKK 1,000	Carrying amount	Fair value adjustment	Impact on consolidated accounts
Goodwill	68,498	-64,961	3,537
Licences	0	132,709	132,709
Property, plant and equipment	100,142	0	100,142
Financial assets	6,116	0	6,116
Biomass	102,379	0	102,379
Other current assets	61,439	0	61,439
Deferred tax	5,060	-23,888	-18,828
Long-term interest bearing debt	-152,769	0	-152,769
Short-term interest bearing debt	-3,191	0	-3,191
Other short-term liabilities	-32,884	0	-32,884
Total effect on equity	**154,790**	**43,860**	**198,650**

Note 10. Shares and holdings in other companies

DKK 1,000 Company	Ownership	Acquisition cost	Write-down/-up	Carrying amount
P/F Dagsbrún	8.62%	5,500	1,927	7,427
P/F Vestlax Holding	8.10%	10,000	6,085	16,085
Others		27	0	27
Total				**23,539**

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

Note 11. Inventory

DKK 1,000	2009	2008
Raw materials and goods in progress	9,871	8,060
Finished goods	10,656	9,314
Total Inventory	**20,527**	**17,373**

Raw materials primarily consist of feed at the marine production sites, and raw materials and packaging materials used in processing.

Goods in progress include 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.

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Note 12. Biological assets

DKK 1,000	2009	2008
Biological assets carrying amount 01.01	229,720	205,138
Increase due to production or purchases	272,139	272,649
Increase due to acquisitions	0	0
Reduction due to harvesting or sale (costs of goods sold)	-308,017	-240,436
Fair value 01.01 reversed	-13,211	-20,843
Fair value adjustments 31.12 entered	46,866	13,211
Biological assets carrying amount 31.12	**227,497**	**229,720**
Biomass < 4 kg on average (tonnes live weight)	5,159	4,409
Biomass > 4 kg on average (tonnes live weight)	5,510	8,589
Volume of biomass at sea	**10,669**	**12,998**
Volume of biomass harvested during the year (tonnes gutted weight, tonnes)	**18.685**	**15.504**
Fair value adjustment fish < 4 kg on average live weight	10.132	0
Fair value adjustment fish > 4 kg on average live weight	36.734	13,211
Total change in fair value on biological assets	**46,866**	**13,211**
Cost price biological assets	180,630	216,509
Biological assets carrying amount	**227,497**	**229,720**

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

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

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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 and even in a situation with good estimates for the average weight of the fish, there will be spread in quality even minor changes in the market price will give significant changes in the valuation; if assumed that all fish and weight of the fish actually in the cage. The price assumption is also very important for the valuation, and are of harvestable size and the volume is 10,669 tonnes, a change in price of DKK 1 will have an impact on the valuation of approximately DKK 10.7 million

Note 13. Accounts receivable and other receivables

DKK 1,000	2009	2008
Accounts receivable	66,649	42.449
Reversal of provision for bad debt	74	42
Provisions for bad debts	-79	-21
Net accounts receivable	**66,644**	**42.469**
Prepayments	1,431	256
VAT	11,326	8.832
Other	547	5.751
Other receivables	**13,304**	**14.839**
Total accounts receivable and other receivables	**79.948**	**57,309**

Age distribution of accounts receivable

DKK 1,000	2009	2008
Receivables not overdue	66,517	29,217
Overdue 0–6 months	44	13,252
Overdue more than 6 months	83	0
Total	**66,644**	**42,469**

Currency exposure to accounts receivable

The Group holds accounts receivable in foreign currencies amounting to DKK 66.6 million at year-end . Below is presented the book value of receivables specified in currency, translated into DKK employing the currency value at 31.12.

Currency distribution of receivables

DKK 1,000	2009	2008
DKK	45,523	30,282
EUR	15,507	9,244
USD	1,643	640
GBP	2,077	1,047
Others	1,894	1,256
Total	**66,644**	**42,469**

Note 14. Equity composition

According to the Faroese Financial Reporting Act, the equity of the Bakkafrost Group is divided into classes.

Restricted equity comprises equity in which distribution to the shareholders can only take place adhering to specific procedures prescribed by the Faroese Limited Companies Act. Restricted equity consists of Equity Recognition Surplus, Write-Ups Tangible Non-current Assets and Fair Value Adjustments Biomass.

Free equity can be readily distributed to the shareholders, or otherwise disposed of, after due approval by the AGM.

The composition of equity can be specified as follows:

DKK 1,000	Share Capital	Share Premium Reserve	Equity Recognition Surplus	Proposed Dividend	Write-ups Tangible Non-current Assets	Fair value Adjustments Biomass	Retained Earnings	Total Equity
Equity 01.01.2009	**2,992**	**86,676**	**3,083**	**5,000**	**8,592**	**13,211**	**122,096**	**241,650**
Net profit after tax	0	0	0	0	0	33,655	115,073	148,728
Paid-out dividend	0	0	0	-5,000	0	0	0	-5,000
Proposed dividend	0	0	0	18,000	0	0	-18,000	0
Write-ups share of profits in associates	0	0	340	0	0	0	-340	0
Fair value adjustment on securities available for sale*	0	0	4,279	0	0	0	0	4,279
Deferred tax on securities available for sale*	0	0	-770	0	0	0	0	-770
Equity 31.12.2009	**2,992**	**86,676**	**6,932**	**18,000**	**8,592**	**46,866**	**218,829**	**388,887**

* Other comprehensive income.

DKK 1,000	Share Capital	Share Premium Reserve	Equity Recognition Surplus	Proposed Dividend	Write-ups Tangible Non-current Assets	Fair Value Adjustments Biomass	Retained Earnings	Total Equity
Equity 01.01.2008	**2,992**	**86,676**	**1,569**	**0**	**8,592**	**20,843**	**81,672**	**202,344**
Net profit after tax	0	0	0	0	0	-7,632	45,970	38,339
Proposed dividend	0	0	0	5,000	0	0	-5,000	0
Write-ups share of profits in associates	0	0	546	0	0	0	-546	0
Fair value adjustment on securities available for sale	0	0	1,179	0	0	0	0	1,179
Deferred tax on securities available for sale	0	0	-212	0	0	0	0	-212
Equity 31.12.2008	**2,992**	**86,676**	**3,083**	**5,000**	**8,592**	**13,211**	**122,096**	**241,650**

Note 15. Share capital and major shareholders

Share capital:

DKK 1,000	Share Capital
Share capital at 31 December 2008	2,992
Share capital issued during the year	0
Share capital at 31 December 2009	**2,992**

The parent company's share capital comprises:

DKK	No. of Shares	Face Value	Share Capital
Ordinary Shares	1	1,000,000	1,000,000
Ordinary Shares	15	100,000	1,500,000
Ordinary Shares	1	63,971	63,971
Ordinary Shares	4	50,000	200,000
Ordinary Shares	1	36,029	36,029
Ordinary Shares	13	10,000	130,000
Ordinary Shares	5	5,000	25,000
Ordinary Shares	1	4,959	4,959
Ordinary Shares	1	2,356	2,356
Ordinary Shares	1	1,747	1,747
Ordinary Shares	1	1,621	1,621
Ordinary Shares	1	1,558	1,558
Ordinary Shares	1	1,548	1,548
Ordinary Shares	1	1,285	1,285
Ordinary Shares	2	1,274	2,548
Ordinary Shares	1	1,095	1,095
Ordinary Shares	1	1,072	1,072
Ordinary Shares	17	1,000	17,000
Total Share Capital			**2,991,789**

SHAREHOLDERS

Shareholders holding more than 5% in the Company as of 31 December 2009 were:

DKK	Nominal value of shares	Share holding	Voting rights
P/F Føroya Banki	1,007,621	33.68%	33.68%
Hans Jacobsen	473,043	15.81%	15.81%
P/F Havsbrún	472,285	15.79%	15.79%
J. Regin Jacobsen	424,558	14.19%	14.19%
Kverva AS	217,095	7.26%	7.26%
Total shareholder holding more than 5%	**2,594,602**	**86.73%**	**86.73%**
Total other shareholders	397,187	13.27%	13.27%
Total no. of shares	**2,991,789**	**100.00%**	**100.00%**

Shares owned by the members of the Board of Directors and CEO

Name	Position	No. of shares	Shareholding
Rúni M Hansen (appointed 15 December 2009)	Chairman of the Board	0	0.00%
Odd Eliasen	Deputy Chairman of the Board	0	0.00%
Trine Sæther Romuld (appointed 15 December 2009)	Member of the Board	0	0.00%
Annika Frederiksberg	Member of the Board	0	0.00%
Virgar Dahl	Member of the Board	0	0.00%
Johannes Jensen (appointed 15 December 2009)	Member of the Board	0	0.00%
Liggjas í Bø * (resigned 15 December 2009)	Chairman of the Board	36,029	1.20%
Hans Jacobsen (resigned 15 December 2009)	Member of the Board	473,043	15.81%
Óli Mortensen (resigned 15 December 2009)	Member of the Board	0	0.00%
J. Regin Jacobsen	Chief Executive Officer	424,558	14.19%

* Indirect ownership through the company Sp/f Hjallur

Dividend.

The Board has proposed a total dividend of DKK 18,000,000. The dividend proposal has not been recognised as a liability at 31 December 2009, but is presented as an item within equity.

Note 16. Net interest bearing debt

Long-term interest bearing debt

DKK 1,000	2009	2008
Debt to credit institutions	87,382	120,738
Leasing liabilities	0	367
Next year's instalments on long-term debt	-53,033	-33,723
Other long-term debt	0	0
Total long-term interest bearing debt 31.12	**34,350**	**87,382**
Debt to credit institutions	45,239	122,591
Next year's instalments on long-term debt	53,023	33,723
Total short-term interest bearing debt 31.12	**98,262**	**156,313**
Total interest bearing debt	132,612	243,696
Cash and cash equivalents	35,319	471
Net interest bearing debt	**97,293**	**243,225**

Cash and Cash equivalents consists of state guarantied short term bank deposits.
The maturity structure of the Group's financial commitments, based on undiscounted contractual payments.
The merged groups (Bakkafrost and Vestlax) undrawn financing facility amounted to approximately DKK 215 million at 31 December 2009.

Remaining period

31.12.2009	1–3 months	3–12 months	1–5 years	> 5 years	Total
Interest bearing bank loans	12,500	40,523	29,782	4,568	**87,373**
Leasing liabilities	0	0	0	0	**0**
Other debt	0	45,239	0	0	**45,239**
Accounts payable and other debt	42,451	0	0	0	**42,451**

Remaining period

31.12.2008	1–3 months	3–12 months	1–5 years	> 5 years	Total
Interest bearing bank loans	2,101	31,264	54,999	32,374	**120,738**
Leasing liabilities	0	367	0	0	**367**
Other debt	0	122,591	0	0	**122,591**
Accounts payable and other debt	43,382	0	0	0	**43,382**

Interest bearing debt in more detail.
The Group signed a new loan agreement in February 2010 amounting to DKK 400 million distributed between two revolving overdraft facilities amounting to a total of DKK 200 million and two instalment loans totalling DKK 200 million.

The interest payable is CIBOR 3 months plus the current margin, which is calculated on the basis of the Company's interest
bearing debt ratio compared to EBITDA before fair value adjustments of biological assets. The margin may vary between 2% p.a. and 4.5% p.a.

DKK 100 million shall be paid back before at the end of 2011, divided into quarterly instalments of DKK 12.5 million. Following
this, the payments shall follow an 8-year profile ending 31.12.2014. The loan facility is secured both in the Company's property,
plants and other material fixed assets as well as stock, farming licences and insurance policies.

The Group's net interest bearing debt, measured on a quarterly basis, based on a rolling 4 quarters, must not exceed EBITDA X 3.5 and from 31.12.2011, 3.0.

Financial covenants
The revolving overdraft facility shall be distributed between financing of accounts receivables and fish at sea. One part of the facility must never exceed 80% of the insured accounts receivables, and the other part must not, at any time, exceed 65% of the lowest of the cost of the fish at sea or P/F Foroya Banki's estimated standard value in fish at sea.

EBITDA for the Group must at all times be 1.2 times the total interest and repayments to the two banks. The solvency for the Group most not be below 30%. Fair value adjustments of the biological assets shall not be included when calculating the EBITDA.

After signing the new loan agreement in February 2010, the Bakkafrost Group and the Vestlax Group had total available finances of DKK 458 million, of which the undrawn amount at 31 December 2009 was approximately DKK 172 million.

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Note 17. Tax

DKK 1,000 The tax expense for the year breaks down as follows:	2009	2008
Tax payable	0	0
Change in deferred tax	32,509	7,810
Tax expense on ordinary profit	32,509	7,810

Tax payable in the statement of financial position		
Tax payable	0	0
Tax payable in the statement of financial position	**0**	**0**

Specifications of temporary differences		
Property, plant and equipment	120,644	110,918
Financial assets	8,012	2,028
Inventory	227,679	229,498
Receivables	-674	-668
Losses carried forward	-38,541	-209,543
Total temporary differences	317,120	132,233
Deferred tax liabilities (+) / assets (-)	57,082	23,802

Reconciliation from nominal to actual tax rate		
Profit before tax	181,237	46,148
Expected tax at nominal tax rate (18%)	32.623	8,307
Permanent differences (18%)	-114	-497
Calculated tax expense	32,509	7,810
Effective tax rate	17.9%	16.9%

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 is not entered because intercompany dividends are not tax relevant in the Faroese tax regime.

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Note 18. Mortgages and guarantees

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2009	2008
Long-term debt to financial institutions	34,350	87,382
Short-term debt to financial institutions	98,262	156,313
Total	**132,612**	**243,696**

Carrying amount of assets pledged as security for recognised debt		
Licences	0	0
Property, plant and equipment	231,002	230,655
Shares	7,427	5,500
Biological assets (biomass)	227,497	229,720
Inventory	20,527	17,373
Accounts receivable	66,644	42,469
Total	**553,097**	**525,718**

The Group's companies have a guaranteed self-debtor in solidum for the balance with limitations for each other. Mortgages in each group company also counts as collateral for the bank debt of other group companies.

As part of the guarantees are also any insurance refunds.

Note 19. Financial market risk

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

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

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

MARKET RISK

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

Given the financial instruments in effect on 31 December 2009, a 0.5% increase in interest rates would reduce the Group's profitability by DKK 1.5MM before tax.

Foreign exchange risk
Bakkafrost trades on the world market for farmed salmonids, and parts of revenues and accounts receivable are denominated in foreign currency. On the other hand, purchases of raw materials, etc. are predominantly denominated in DKK. Fluctuations in foreign exchange rates present a financial risk to the Group.

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

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

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

LIQUIDITY RISK
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure which is secured by means of established borrowing facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in note 14, 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.

Note 20. Earnings per share

DKK 1,000	2009	2008
Profit for the year to shareholders	148,728	38,339
Fair value adjustment of biomass (IAS 41)	-33,655	7,632
Tax on fair value adjustment	6,058	-1,374
Adjusted profit for the year to shareholders of P/F Bakkafrost Holding	**121,131**	**44,597**
Ordinary shares as of 01.01	2,991,789	2,991,789
Effect of share issue	0	0
Effect of buy-back of own shares	0	0
Average number of shares outstanding through the year	**2,991,789**	**2,991,789**
Effect of stock options granted	**0**	**0**
Average number of diluted shares outstanding through the year	**2,991,789**	**2,991,789**

Earnings per share

	2009	2008
Basic (DKK)	49.71	12.81
Diluted (DKK)	49.71	12.81

Earnings per share before fair value adjustments of biomass

	2009	2008
Basic (DKK)	40.49	14.91
Diluted (DKK)	40.49	14.91

Bakkafrost Group has no stock option programme running at present.

Note 21. Capital commitments
The Group had capital expenditure committed but not provided in these accounts at 31 December 2009 of approximately DKK 12 million.

Note 22. 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.

	Position	No. of shares
Former members of the Board of Directors.		
Liggjas í Bø (resigned 15 December 2009)	Chairman of the Board	36,029
Hans Jacobsen (resigned 15 December 2009)	Member of the Board	473,043
Other key personnel.		
J. Regin Jacobsen, CEO	Chief Executive Officer	424,558

Shareholders.
P/F Havsbrún and P/F Føroya Banki are currently major shareholders of P/F Bakkafrost Holding.
Havsbrún is also the central feed supplier to the sea farming activity of Bakkafrost Group.
Føroya Banki is currently holding 33% of the shares. Føroya Banki is also the main supplier of interest bearing debt.

Specification of related-party transactions

DKK 1,000	2009	2008
Revenues – P/F Havsbrún	2,342	2,296
Revenues – P/F Føroya Banki	238	1
Purchases – P/F Havsbrún	150,976	148,705
Interest costs – P/F Føroya Banki	5,578	15,730
Interest bearing debts – P/F Føroya Banki	46,401	104,789
Accounts receivable	0	0
Other receivables – P/F Føroya Banki	35,221	449
Accounts payable – P/F Havsbrún	15,074	27,300

Note 23. Pro-forma financials

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Bakkafrost Group and Vestlax Group were separate entities. In 2008, a group of investors, in which a majority also hold shares in Bakkafrost, set up Vestlax Holding which then purchased all shares in Vestlax Group.
Initially, the Groups were operated separately, with separate Boards of Directors and CEOs.

The Vestlax Group and the seafarming activity of Bakkafrost Group perform similar activities, and will potentially benefit from economies of scale.

The Vestlax Group and the seafarming activity of Bakkafrost Group perform similar activities, and will potentially benefit from the consolidated Group, effective of 1 January 2010.

Consequently, the comparison figures for 2009 will not provide an adequate basis for comparison. According to the Norwegian securities act, pro forma financial information is required, which presents the Profit and loss statement as if the merger took place on 01 January 2009.

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

Entries to the Profit and loss Account, which are not recurring, are not repeated in the actual financial information from the actual merger date on.

Income Statement (DKK 1.000)	Bakkafrost Group	Vestlax Group	Elimi-nations	Pro forma adjust-ments	Pro forma 2009
Operating revenue	**596,565**	**367,877**	**-42,753**	**0**	**921,688**
Purchase of goods	-213,606	-101,785	42,753	0	-272,638
Change in inventory and biological assets (at cost)	-32,724	-72,935	0	0	-105,659
Fair value adjustments on biological assets	33,655	-1,732	0	0	31,923
Fair value (excess of costs) on biological assets acquired and harvested	0	2,563	0	0	2,563
Salary and personnel expenses	-78,014	-45,882	0	0	-123,895
Other operating revenue	0	9,500	0	0	9,500
Other operation expenses	-93,025	-93,702	0	0	-186,727
Income from associates	340	359	0	0	699
Depreciation	-20,797	-17,337	0	0	-38,134
Earnings before interest and taxes (EBIT)	**192,394**	**46,925**	**0**	**0**	**239,319**

Net financial items	-11,157	-25,628	-1,393	0	-38,178
Earnings before taxes (EBT)	**181,237**	**21,297**	**-1,393**	**0**	**201,142**
Taxes	-32,509	-3,833		0	-36,343
Profit for the year	**148,728**	**17,463**	**-1,393**	**0**	**164,799**
Operational EBITDA	213,191	64,262		0	277,453
Operational EBIT	192,394	46,925		0	239,319
Operational EBT	181,237	21,297		0	201,142

The Vestlax figures for 2009 are based on the Vestlax Group's consolidated accounts prepared in accordance with FO-GAAP and then converted into IFRS. The Bakkafrost figures are from the financial statement for 2009 prepared in accordance with IFRS. The pro forma adjustments (elimination) in the operating revenue and operating expenses amounting to DKK 42,753 million relates to trades between the Bakkafrost Group and the Vestlax Group in 2009. The adjustment in the net financial item relates to interests on the intragroup balances in 2009. In addition, a calculated value of an option on a convertible loan between P/F Bakkafrost Holding and P/F Vestlax Holding is eliminated. This option has now been exercised.

Reconciliation FO-GAAP to IFRS GAAP

The Annual Report of Bakkafrost Group has, until 2008, been prepared according to the Faroese Financial Reporting Act.

The following consolidated reconciliations provide the effect of Bakkafrost's Group transition to IFRS.

As of 1 January 2008, all figures will be converted to being prepared according to IFRS. The conversion is based on the actual statement of financial position of the Company at 31.12.2007, which is then adjusted according to the recognition and measurement requirements of IFRS.

IFRS 1 requires presentation of a reconciliation demonstrating the differences between initially reported figures according to FO-GAAP and figures prepared according to IFRS-GAAP:

CHANGE IN EQUITY (DKK 1,000)	31.12.2009	31.12.2008	01.01.2008
Equity FO-GAAP	**343,846**	**229,444**	**196,308**
IFRS adjustments			
Value adjustment biomass	46,866	13,211	20,843
Inventory at cost	1823	-222	-759
Convertible loan / share option	6,085	2,028	0
Securities available for sale	1,927	0	0
Associated companies	-109	-109	1,561
Onerous contracts	0	0	-8,529
Tax on adjustments	-9,911	-2,703	-2,080
Total IFRS adjustments	**45,041**	**12,206**	**11,036**
Equity IFRS-GAAP	**388,887**	**241,650**	**207,344**

1) **Value adjustment on biological assets (biomass)**

Under the previously adopted FO-GAAP, biological assets were recognised at 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.
According to IFRS, it is required that biological assets are measured at fair value. Consequently, the valuation of biomass in the statement of financial position reflects biomass at market values, and profit and loss presents production costs and fair value adjustments separately.

2) **Inventory at cost**

Adjustment is made on the current accounting policy, where finished goods have been recognised at contractual price less 10%. Under IFRS, finished goods in inventory are measured at the lower of cost or the expected sales price less sales costs. In case the cost price exceeds sales price less sales cost, impairment is entered and charged to Profit and loss. The cost price is the full production price, 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.

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3) Convertible loan

According to IFRS, convertible loans have to be divided into two items: a) Loan and b) Share option.
Under the previously adopted FO-GAAP, a convertible loan has been entered at face value.
Under the IFRS, after deduction of the share option, interest has been calculated on the otherwise interest-free loan, and recognised as financial income in the profit and loss. At the time, for conversion in Q4 2009, the loan hereafter has reached face value. The share option is measured at fair value at the time for entering the convertible loan, and the increase in value until the date for exercise is entered in the Profit and loss.

4) Securities available for sale

Under the previously adopted FO-GAAP, investments in securities available for sale were recognised at cost. According to IFRS, Bakkafrost's investments classified as securities available for sale are measured at fair value. Gains and losses arising from changes in fair value are included directly in equity, with the exception of losses deriving from any fall in value.

5) Associated companies

Adjustments are made to associated companies to reflect the respective year-end share of result and equity.

6) Onerous contracts

Under the previously adopted FO-GAAP, provisions have not been made for onerous contracts. The Group enters into sales contracts for value added salmon products (VAP) on an ongoing basis. With respect to fixed-price contracts which result in the Group being obligated to sell salmon products at a price lower than production cost (including fair value adjustment of raw materials at the point of harvesting), the contracts are considered onerous.
According to IFRS, provisions are calculated and entered to short-term liabilities for onerous contracts. The provision is charged to the profit and loss statement in the line item "Other Operation Cost".

7) Tax on adjustments

Deferred tax is recognised on IFRS adjustments with 18%.

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Opening balance 01.01.2008 FO-GAAP – IFRS

IFRS OPENING STATEMENT OF FINANCIAL POSITION (DKK 1,000)	01.01.2008 FO-GAAP	IFRS- Adjustments	01.01.2008 IFRS-GAAP
Assets			
Intangible assets	0	0	0
Tangible non-current assets	216,079	0	216,079
Financial non-current assets	7,163	1,561	8,724
Long-term receivables	0	1,011	1,011
Total non-current assets	**223,242**	**2,572**	**225,814**
Biological assets	0	205,138	205,138
Inventories	195,537	-185,055	10,483
Accounts receivables	37,638	0	37,638
Other short-term receivables	14,966	-2,681	12,285
Cash and cash equivalents	18	0	18
Total current assets	**248,159**	**17,403**	**265,562**
TOTAL ASSETS	**471,401**	**19,975**	**491,376**
Equity and liabilities			
Share capital	2,992	0	2,992
Reserves	95,268	1,561	96,829
Net earnings	98,048	9,475	107,524
Total equity	**196,308**	**11,036**	**207,344**
Long-term interest bearing debt	82,649	640	83,289
Other long-term liabilities	16,294	410	16,704
Total non-current liabilities	**98,944**	**1,050**	**99,993**
Short-term interest bearing debt	143,140	3,249	146,390
Other short-term interest bearing debt	33,009	4,640	37,648
Total current liabilities	**176,149**	**7,889**	**184,038**
TOTAL EQUITY AND LIABILITIES	**471,401**	**19,975**	**491,376**

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Statement of financial position FO GAAP – IFRS 31.12.2008

STATEMENT OF FINANCIAL POSITION	31.12.2008 FO-GAAP	IFRS-Adjust-ments	31.12.2008 IFRS-GAAP
Assets			
Intangible assets	0	0	0
Tangible non-current assets	230,655	0	230,655
Financial non-current assets	14,324	-4,309	10,015
Long-term receivables	0	6,986	6,986
Total non-current assets	**244,980**	**2,678**	**247,657**
Inventories	234,104	12,989	247,093
Accounts receivables	42,469	0	42,469
Other short-term receivables	16,861	-2,021	14,839
Cash and cash equivalents	471	0	471
Total current assets	**293,905**	**10,968**	**304,873**
TOTAL ASSETS	**538,884**	**13,646**	**552,530**
Equity and liabilities			
Share capital	2,992	0	2,992
Reserves	189,331	0	189,331
Net earnings	37,121	12,206	49,327
Total equity	**229,444**	**12,206**	**241,650**
Long-term interest bearing debt	107,076	-19,693	87,382
Other long-term liabilities	22,362	1,440	23,802
Total non-current liabilities	**129,438**	**-18,253**	**111,184**
Short-term interest bearing debt	136,620	19,693	156,313
Other short-term interest bearing debt	43,382	0	43,382
Total current liabilities	**180,002**	**19,693**	**199,696**
TOTAL EQUITY AND LIABILITIES	**538,884**	**13,646**	**552,530**

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Profit and loss FO GAAP – IFRS 01.01.2008 – 31.12.2008

IFRS PROFIT AND LOSS	2008 FO-GAAP	IFRS-Adjustments	2008 IFRS-GAAP
Operating revenue	**365,634**	**0**	**365,634**
Purchase of goods	-175,799	0	-175,799
Change in inventory and biological assets (at cost)	38,567	537	39,104
Fair value adjustments on biological assets	0	-7,632	-7,632
Fair value (excess of costs) on biological assets acquired and harvested	0	0	0
Salary and personnel expenses	-60,944	0	-60,944
Other operation expenses	-86,661	8,529	-78,132
Income from associates	546	-657	-111
Depreciation	-18,963	0	-18,963
Earnings before interest and taxes (EBIT)	**62,380**	**777**	**63,157**
Financial income	653	852	1,505
Net interest expenses	-17,794	0	-17,794
Net currency effects	-44	0	-44
Other financial expenses	-677	0	-677
Earnings before taxes (EBT)	**44,519**	**1,629**	**46,148**
Taxes	-7,398	-412	-7,810
Net earnings	**37,121**	**1,217**	**38,339**

Statement of financial position FO GAAP – IFRS 31.12.2009

STATEMENT OF FINANCIAL POSITION	31.12.2009 FO-GAAP	IFRS-Adjustments	31.12.2009 IFRS-GAAP
Assets			
Intangible assets	0	0	0
Tangible non-current assets	231,002	0	231,002
Financial non-current assets	18,359	7,903	26,262
Long-term receivables	478	0	478
Total non-current assets	**249,839**	**7,903**	**257,741**
Inventories	200,975	47,049	248,024
Accounts receivables	66,644	0	66,644
Other short-term receivables	13,304	0	13,304
Cash and cash equivalents	35,319	0	35,319
Total current assets	**316,242**	**47,049**	**363,291**
TOTAL ASSETS	**566,080**	**54,952**	**621,032**
Equity and liabilities			
Share capital	2,992	0	2,992
Reserves	221,452	0	221,452
Net earnings	119,402	45,041	164,443
Total equity	**343,846**	**45,041**	**388,887**
Long-term interest bearing debt	34,350	0	34,350
Other long-term liabilities	47,171	9,911	57,042
Total non-current liabilities	**81,520**	**9,911**	**91,431**
Short-term interest bearing debt	98,262	0	98,262
Other short-term interest bearing debt	42,451	0	42,451
Total current liabilities	**140,714**	**0**	**140,714**
TOTAL EQUITY AND LIABILITIES	**566,080**	**54,952**	**621,032**

Profit and loss FO GAAP – IFRS 01.01.2009 – 31.12.2009

IFRS PROFIT AND LOSS	2009 FO-GAAP	IFRS-Adjustments	2009 IFRS-GAAP
Operating revenue	**596,565**	**0**	**596,565**
Purchase of goods	-213,606	0	-213,606
Change in inventory and biological assets (at cost)	-33.129	405	-32,724
Fair value adjustments on biological assets	0	33,655	33,655
Fair value (excess of costs) on biological assets acquired and harvested	0	0	0
Salary and personnel expenses	-78,014	0	-78,014
Other operation expenses	-93,025	0	-93,025
Income from associates	340	0	340
Depreciation	-20,797	0	-20,797
Earnings before interest and taxes (EBIT)	**158,335**	**34,059**	**192,394**
Financial income	1,211	1,704	2,915
Net interest expenses	-13,055	0	-13,055
Net currency effects	-630	0	-630
Other financial expenses	-387	0	-387
Earnings before taxes (EBT)	**-12,861**	**1,704**	**-11,157**
Taxes	-26,072	-6,437	-32,509
Net earnings	**119,402**	**29,326**	**148,728**

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P/F Bakkafrost Holding

Annual and Financial Statement

2009

BAKKAFROST

P/F Bakkafrost Holding Profit and Loss Statement

DKK 1,000	Note	2009	2008
Operating revenue	**2**	**3,820**	**3,820**
Salary and personnel expenses	3	-2,602	-1,704
Other operation expenses		-2,405	-1,090
Depreciation	5	-1,460	-1,352
Earnings before interest and taxes (EBIT)		**-2,647**	**-327**
Income from investments in subsidiaries	6	119,196	34,129
Income from other investments in shares	7	170	273
Financial income	4	4,941	6,818
Net interest expenses	4	-2,209	-3,690
Earnings before taxes (EBT)		**119,451**	**37,203**
Taxes	10	-49	-82
Profit to shareholders of P/F Bakkafrost Holding		**119,402**	**37,121**
Distribution of profit			
Dividend		18,000	5,000
Reserve, equity method		119,366	33,710
Retained earnings		-17,964	-1,589
Distribution in total		**119,402**	**37,121**

P/F Bakkafrost Holding Statement of Financial Position

DKK 1,000	Note	2009	2008
ASSETS			
Property, plant and equipment			
Land buildings and other real estate	5	43,026	39,263
Plant machinery and other operating equipment	5	409	0
Total property plant and equipment		**43,434**	**39,263**
Non-current financial assets			
Investments in subsidiaries	6	229,590	110,411
Investments in associated companies		0	259
Investments in stocks and shares	7	11,386	7,164
Other non-current receivables	8	253	1,046
Total non-current financial assets		**241,229**	**118,879**
TOTAL NON-CURRENT ASSETS		**284,663**	**158,143**
Receivable from Group companies		79,012	111,709
Accounts receivable		40	0
Other receivables		2,057	4,103
Total receivables		**81,109**	**115,812**
Cash and cash equivalents		7	5
TOTAL CURRENT ASSETS		**81,115**	**115,817**
TOTAL ASSETS		**365,779**	**273,959**

P/F Bakkafrost Holding Statement of Financial Position

DKK 1,000	Note	2009	2008
EQUITY AND LIABILITIES			
Equity			
Share capital	9	2,992	2,992
Share premium fund		86,676	86,676
Reserve equity method		218,711	99,379
Retained earnings		17,433	35,397
Dividend		18,000	5,000
Total equity		**343,812**	**229,444**
Non-current liabilities			
Deferred taxes	10	4,379	4,330
Long-term interest bearing debts		0	34,964
Total non-current liabilities		**4,379**	**39,294**
Current liabilities			
Short-term interest bearing debt		15,979	3,717
Accounts payable		1,223	403
Short-term payables to associated companies		0	461
Other short term liabilities		386	640
Total current liabilities		**17,588**	**5,221**
TOTAL EQUITY AND LIABILITIES		**365,779**	**273,959**

P/F Bakkafrost Holding Changes in Equity

DKK 1,000	Share capital	Share premium account	Reserve equity method	Retained earnings	Proposed dividends	Total
1 January 2008	**2,992**	**86,676**	**64,655**	**36,986**	**5,000**	**196,308**
Paid-out dividends					-5,000	-5,000
Net annual profit				37,121		37,121
Result subsidiaries			33,710	-33,710		0
Adjustment to 01.01			1,015			1,015
Proposed dividends				-5,000	5,000	0
1 January 2009	**2,992**	**86,676**	**99,379**	**35,397**	**5,000**	**229,444**
Paid-out dividends					-5,000	-5,000
Net annual profit				119,402		119,402
Result subsidiaries			119,366	-119,366		0
Adjustments to 01.01			-34			-34
Proposed dividends				-18,000	18,000	0
31 December 2009	**2,992**	**86,676**	**218,711**	**17,433**	**18,000**	**343,812**

P/F Bakkafrost Holding – Notes

NOTE 1. ACCOUNTING PRINCIPLES

The P/F Bakkafrost Holding Annual Report for 2009 is prepared in accordance with the provisions in the Faroese Financial Statements Act (FO-GAAP), which apply to Class C-middle companies, and current national accounting standards.

The accounting principles below are applied to the parent company P/F Bakkafrost Holding (Bakkafrost). Notes relating to the Bakkafrost Group are presented in conjunction with the Group's consolidated accounts.

RECOGNITION AND MEASUREMENT IN GENERAL

Revenues in the income statement are recognised as they are earned. The same applies to valuation differences of financial assets and liabilities. Similarly, all expenses are recognised in the income statement, including depreciations and write-downs.

Assets are recognised in the statement of financial position at the time when the financial benefits from the assets are likely to flow to the Company and values can be measured reliably.

Liabilities are recognised in the statement of financial position at the time when the financial benefits from the liabilities are likely to flow from the Company and values can be measured reliably.

At first-time recognition, assets and liabilities are measured at acquisition value. The subsequent measurements are made as described below concerning the individual items.

Certain financial assets and liabilities are measured at amortised acquisition value, where an internal rate of return covering the full period is calculated. Amortised acquisition value is measured at original acquisition value, less instalments and additions/deductions of accumulated amortisation of any differences between acquisition value and face value.

In recognising and measuring assets and liabilities, due consideration is given to risks identified by the date of the statement of financial position, which are verified or rejected by the time the Annual Report is authorised for issue.

The carrying amounts of immaterial and material non-current assets are reconsidered annually to determine whether material impairment has occurred which exceeds depreciations. If so, the items will be written down to the lower recoverable amount.

INCOME STATEMENT

NET OPERATING REVENUE

Net revenues from sales are recognised in the income statement, as the purchaser has assumed benefits and risks inherent in possession of the goods as of the date of the statement of financial position. Net operation revenues are recognised less VAT and deduction of discounts.

FINANCIAL ITEMS

Financial revenues and expenses are recognised in the income statement by the amounts which are recognised during the year. Financial items consist of interest revenues and expenses from receivables and payables, realised and unrealised valuation differences on securities, agio/disagio and amortisation on loans.

Dividends on other share investments are entered to the income statement at the time of adoption by the general meeting.

TAXES

Taxes on annual profits, which consist of current tax and changes in deferred taxes, are charged to the income statement at the amount which is derived from the annual profit, and are charged to equity at the amount which is derived from items entered to equity.

The company is taxed jointly with its subsidiary companies. Tax value of transferred taxable income is charged to the income statement and entered to open accounts in the balance sheet. The parent company is liable towards the Tax Authorities for payment of the total tax expense for the entire group. Consequently the total tax expense is transferred to the parent company making the total payment

STATEMENT OF FINANCIAL POSITION

TANGIBLE NON-CURRENT ASSETS

Land and buildings, production equipment and machines, and other tools and furniture are measured at acquisition value, less accumulated depreciations.

The basis for measuring depreciations is acquisition value less of scrap by the end of useful life. Land is not depreciated.

Acquisition value consists of purchasing price and various expenses in relation to the asset up to the point of being used.

Linear depreciations are based on the following estimates of expected useful lifespan.

Useful life	
Buildings	25 years
Production equipment and mach.	10 years
Other equipment and furniture	3–5 years

Gains and losses by disposal of material non-current assets are calculated as the difference between sales revenue less sales expenses, and carrying amount at the sales date. Gains or losses are included in the income statement.

FINANCIAL NON-CURRENT ASSETS

Financial fixed assets, investments in subsidiaries and associates are presented according to equity value.

Revenues from subsidiaries and associated companies are included in the income statement according to share percentage of annual profits and equity.

Where equity turns negative, investments are written down to DKK 0, and the full amount is provided for as liabilities, if the Parent Company is liable for the subsidiaries' debts.

Shares in other enterprises are measured at acquisition value. Where acquisition value exceeds net realisation value, the assets are written down to the lower value.

ACCOUNTS RECEIVABLE

Accounts receivable are measured at amortised acquisition value, which is normally equivalent to face value. Any amounts are subject to write-downs, according to considerations of risk of losses.

ACCRUALS

Asset accruals are paid-for expenses which will be spent in future financial years.

SECURITIES

Current securities are measured at current market quotations as of the date of the statement of financial position.

DIVIDENDS

Proposed dividend is presented as an individual item in equity. Dividend proposals are transferred to current debts at adoption by the Annual General Meeting.

DEBTS

Financial liabilities are recognised as loans at acquisition value, equalising received revenues, less transaction expenses. In the following periods, financial liabilities are measured at amortised acquisition value, which equals the capitalised value of the internal rate of return, where the difference between received amounts and face value are included in the income statement over the instalment period.

Consequently, mortgages are measured at amortised acquisition value, which for cash loans equal remaining debts. For bonds, the amortised acquisition value equals remaining debts which are calculated as the cash equivalent at the contract date. Moreover, the quotation differences are amortised over the instalment period.

Other debts, which consist of trade payables, payables to Group enterprises and other debts, are measured at amortised acquisition value, which usually equals face value.

Note 2 Sales revenue

The parent company P/F Bakkafrost Holding is a holding company which primarily provides administrative service and rental of premises to its subsidiaries. The parent company's revenues derive therefore from only one business segment.

Note 3. Salaries and other personnel expenses

Breakdown of payroll expenses

DKK 1,000	2009	2008
Wages and salaries	2,491	1,619
Social security taxes	79	54
Pension expenses	30	30
Other benefits	2	0
Total payroll expenses	**2,602**	**1,704**
Average number of full-time employees	3	3

REMUNERATION TO SENIOR EXECUTIVES AND AUDITORS
For details of remuneration paid to senior executives, see notes to the consolidated financial statements.

Note 4. Net financial items

DKK 1,000	2009	2008
Interests received from Group companies	4,865	6,731
Other financial income	76	87
Financial income	**4,941**	**6,818**

DKK 1,000	2009	2008
Interests paid to Group companies	0	691
Interest expenses on long-term loans	2,209	2,998
Interest expenses on accounts payable	0	1
Financial expenses	**2,209**	**3,690**

Note 5. Property, plant and equipment

DKK 1,000	Land and buildings	Other equipment	Total 2009	Total 2008
Acquisition cost as of 01.01	42,328	0	42,328	37,806
Acquisitions during the year	5,216	415	5,631	4,522
Acquisition cost as of 31.12	**47,544**	**415**	**47,959**	**42,328**
Accumulated depreciation and write-down as of 01.01	-3.065	0	-3,065	-1,713
Depreciations during the year	-1,453	-6	-1,460	-1,352
Accumulated deprecation and write-down as of 31.12	**-4.519**	**-6**	**-4,525**	**-3,065**
Net book value as of 31.12	**43,026**	**409**	**43,434**	**39,263**

Buildings in Glyvrar are located on rented land.

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

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Note 6. Subsidiaries and associates

DKK 1,000	Subsidiaries	Total 2008	Associated	Total 2008
Acquisition cost as of 01.01	35,248	35,248	318	318
Disposals during the year	0	0	-318	0
Acquisition cost as of 31.12	**35,248**	**35,248**	**0**	**318**
Re-evaluations as of 01.01	75,163	41,453	-59	-59
Re-evaluations during the year	-17	273	0	0
Reversal during disposal	0	0	59	0
Share of result for the year (equity method)	119,196	33,437	0	0
Re-evaluations as of 31.12	**194,342**	**75,163**	**0**	**-59**
Net book value as of 31.12	**229,590**	**110,411**	**0**	**259**

DKK 1,000 Company	Equity Method Yes/No	Head Office	Ownership	Voting share	Carrying amount in P/F Bakkafrost Holding
P/F Faroe Salmon	Yes	Glyvrar	100%	100%	157,339
P/F Faroe Salmon Processing	Yes	Glyvrar	100%	100%	55,515
P/F Faroe Smolt	Yes	Glyvrar	100%	100%	1,900
P/F Bakkafrost	Yes	Glyvrar	100%	100%	8,168
P/F Kassavirkið á Bakka	Yes	Glyvrar	100%	100%	6,667
Total subsidiaries					**229,590**

P/F Bakkafrost Holding and subsidiaries, the Group, own a total of 28.46% in P/F Salmon Proteins, which is an associated company on the Group level.
P/F Bakkafrost Holding owns 14.23% in P/F Salmon Proteins and is in Investment in stocks and shares.
P/F Føroya Kassasøla, whose ownership was 50%, and which was an associated company, has been terminated in 2009.

P/F Bakkafrost Holding has taken revenue group contribution from the following subsidiaries:

DKK 1,000	2009	2008
P/F Faroe Salmon	85,549	29,289
P/F Faroe Salmon Processing	23,634	2,323
P/F Bakkafrost	7,291	1,541
P/F Kassavirkið á Bakka	2,722	976
Total revenue Group contribution	**119,196**	**34,129**

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Note 7. Investments in stocks and shares

DKK 1,000	2009	2008
Acquisition cost as of 01.01	6,038	238
Acquisitions during the year	4,200	5,800
Disposals during the year	-131	0
Acquisition cost as of 31.12	**10,108**	**6,038**
Re-evaluations as of 01.01	1,126	17
Re-evaluations during the year	153	1,108
Re-evaluations as of 31.12	**1,279**	**1,126**
Net book value as of 31.12	**11,386**	**7,164**

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. Other non-current receivables falling due more than one year from year-end

DKK 1,000	2009	2008
Loan to municipality	253	1,046
Acquisition cost as of 31.12	**253**	**1,046**

Note 9. Share capital and major shareholders

Share capital:

DKK 1,000	Share Capital
Share capital at 31 December 2008	2,992
Share capital issued during the year	0
Share capital at 31 December 2009	**2,992**

The share capital is distributed into shares of DKK 1 and multiplications thereof.
Apart from a capital increase of DKK 1,991,789 in 2006, no changes have been made in share capital in the last 5 years.

SHAREHOLDERS
Shareholders holding more than 5% in the Company as at 31 December 2009, see the Note in Group Accounts.

Note 10. Tax

The tax expense for the year breaks down as follows:

DKK 1,000	2009	2008
Tax payable	0	0
Change in deferred tax	49	82
Tax expense on ordinary profit	**49**	**82**

Tax in the statement of financial position

DKK 1,000	2009	2008
Deferred tax	4,379	4,330
Tax in the statement of financial position	**4,379**	**4,330**
Net tax on the statement of financial position	**4,379**	**4,330**
Tax assets not recognised in the statement of financial position	0	0

Specifications of temporary differences		
Property, plant and equipment	28,455	28,484
Losses carried forward	-4,130	-4,429
Total temporary differences	**24,326**	**24,055**
Deferred tax liabilities (+) / assets (-)	**4,379**	**4,330**

Reconciliation form nominal to actual tax rate		
Profit before tax	119,451	37,203
Expected tax at nominal tax rate (18%)	21,501	6,697
Permanent differences, including Group contribution without tax effect (18%)	-21,486	-6,192
Other permanent differences (18%)	33	-422
Calculated tax expense	**49**	**82**
Effective tax rate	0.04%	0.22%

Note 11. Security pledges and contingent liabilities

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2009	2008
Long-term debt to financial institutions	0	34,964
Short-term debt to financial institutions	15,979	3,717
Leasing debt	0	0
Total	**15,979**	**38,681**

Carrying amount of assets pledged as security for recognised debt		
Property, plant and equipment	43,434	39,263
Non-current financial assets	241,229	118,879
Receivables	81,109	4,103
Total	**365,772**	**162,245**

The company has guaranteed as self-debtor for the balance for each group company in the merged Bakkafrost group.

Mortgages in each group company also counts as collateral for the bank debt of other group companies.

As part of the guarantees are also any insurance refunds.

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CONTACTS

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E-mail:	bakkafrost@bakkafrost.com
Website:	www.bakkafrost.com

Appendix 3:

P/f Bakkafrost: 2008 annual financial statements FO-GAAP

P/F Grannskoðaravirkið *INPACT*

INPACT

P/F BAKKAFROST HOLDING

GLYVRAR

ÁRS- OG KONSERNFRÁSØGN/
ANNUAL- AND CONSOLIDATED ACCOUNTS

2008

Til Felagið

V-tal: 396.966 \ K.nr. 731 — februar 2009 — P/F-Skrás.nr. 1724

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UPPLÝSINGAR UM FELAGIÐ/*GENERAL INFORMATION*

Felagið/*The Company*	P/F Bakkafrost Holding Bakkavegur FO-625 Glyvrar	
	Telefon/*Telephone*:	+298 40 50 00
	Telefax/*Telefax*:	+298 40 50 09
	Heimasíða/*Webpage*:	www.bakkafrost.com
	Teldupostur/*E-mail*:	bakkafrost@bakkafrost.com
	V-tal/*Tax reg. No.*:	396.966
	Skattakommuna/*Tax munic.*:	FO-620 Runavík
	Roknskaparár/*Financial Year*:	1. januar – 31. desember
Nevndin/*Board of Directors*	Liggjas í Bø, *formaður/Chairman* Hans Jacobsen Odd Eliasen Vegar Dahl Annika Frederiksberg Óli Mortensen	
Stjóri/*CEO*	Jóhan Regin Jacobsen	
Grannskoðan/*Auditors*	**Sp/f Grannskoðaravirkið *INPACT*** løggilt grannskoðaravirki/*Authorized Public Accountants* R. C. Effersøesgøta 26 Postrúm 191, FO-110 Tórshavn Telefon: 31 47 00 - Telefax: 31 38 15 T-postur/*E-mail*: inpact@inpact.fo Heimasíða/*Web-page*: www.inpact.fo	

Ársfrásøgnin 2008 er góðkend á felagsins ársaðalfundi, tann 26 februar 2009./
The Annual Report 2008 were approved by the general meeting at 26th February 2009.

Formaður/*Chairman*

LEIÐSLUFRÁGREIÐING

Virksemi

Virksemið hjá konserninum er laksaling og framleiðsla av laksi. Felagið er virkið í smoltaling, sjógvaling, kryvjing og viðarivirking av laksaúrdráttum.

Gongdin í virkseminum og fíggjarligum viðurskiftum

Nettosølan í 2008 er 365,6 mió.kr. ímóti 229,5 mió.kr. í 2007. Ársúrslitið fyri 2008, eftir skatt, er 37,1 mió.kr., ímóti 24,8 mió.kr. í 2007. Ársúrslitið er áþekt tær væntanir, leiðslan hevði sett sær fyri í 2008.

Leiðsla felagsins metir ársúrslitið vera nøktandi.

Umstøðurnar til alivinnuna í Føroyum hava verið góðar í árinum. Veterinera og umhvørvisliga viðurskiftini tykjast vera í tryggari legu. Vøksturin hevur verið góður og fallið lágt.

Søluhækkingin í árinum er grundað á vaksandi framleiðslu. Felagið hevur lagt dent á at menna søluna av liðugum vørum. Harafturat er sølan av feskum og frystum heilum laksi vaksin.

Íløgur

Móðurfelagið hevur gjørt íløgur fyri tils. 4,5 mió.kr. í árinum. Konsernið hevur gjørt íløgur fyri tils. 34,0 mió.kr. í materiella støðisogn.

Roknskaparligar óvissur

Í alifyritøkum er livandi fiskur ein sera týðandi upphædd á aktivsíðuni í fíggjarstøðuni. Serliga í sambandi við sjúku er vandi fyri, at partur av virðinum kann verða mistur. Dentur verður lagdur á at meta um og stýra vandamálunum viðvíkjandi veterinerum og umhvørvisligum viðurskiftum.

Hendingar aftaná roknskaparárslok

Frá statusdegnum til í dag er einki hent, sum hevur týðandi ávirkan á tær upplýsingar, ið standa í ársfrásøgnini.

BOARD OF DIRECTORS AND BOARD OF EXECUTIVES REVIEW

Activity

The activity of the Bakkafrost Group, is producing farmed salmon products. The company is active in producing smolts, salmon, harvesting and further processing of salmon.

Developments in activities and financial performance

Net operating revenues in 2008 is MDKK 365.6 (2007: MDKK 229.5). The annual profits for 2008 was a profit amounting to MDKK 37.1. (2007: MDKK 24.8). The annual profits for 2008 is according to expectations, and the Board of Directors and Board of Executives consider the financial results as satisfactory.

The conditions for fish farming have been favourable this year. Veterinary and environmental circumstances seem to be safe. The growth rates have been good, and the mortality rates have been low.

The increased revenue, is caused by an increase in production. The company has emphasized in producing and selling finished goods, and furthermore the sale of fresh frozen whole salmon has grown.

Investments

The parent company has invested MDKK 4.5 in fixed assets during the year. The consolidated company has investet for MDKK 34.0 in 2008.

Accounting uncertainties

In salmon companies, live stock is an important asset in the balance sheet. Especially in connection with diseases there is a threat, that part of the value can be lost. Focus is on assessing and controlling veterinarian and environmental risks.

Subsequent events

From the balance sheet date to today, no events have occurred, which materially impacts the information provided by the accounts.

Framtíðarútlit

Marknaðurin í 2009 er truplari at meta um, enn vanligt hevur verið seinastu árini. Hvussu alheims fíggjarkreppan fer at ávirka laksamarknaðin, er trupult at meta um. Hóast alheims útboðið av laksi væntandi verður nakað tað sama ella óbroytt í 2009 í mun til 2008, kann vera, at flytingin av framleiðslu frá Kili til Noregs kann fáa marknaðarávirkanir. Einstøk marknaðarsegment hava tó víst seg at klára seg væl í marknaðarstøðuni, og heldur henda gongdin fram, kann vera, at laksur verður ein av vørunum, sum tekur seg fram á altjóða marknaðinum í næstum.

Future prospects

The market for 2009 is more difficult to asses, compared to previous years. How the world's financial recession will affect the salmon industry, is especially difficult to asses. Although the world's supply of salmon is expected to be unchanged in 2009 compared to 2008, it could be, that the movement of production from Chile to Norway can have an affect on the marked. Although some market segments, have done quite well in the market situation, and if this continues it could be, that salmon is one of the goods which has a growing demand on the international marked.

Framleiðsla

Selda nøgdin frá samtaka konserninum væntast at hækka millum 10 og 20% í 2009 samanborið við 2008. Føroyskur alifiskur væntast í 2009 at vera umleið 3,5% av heimsframleiðsluni av aldum laksi.

Gongdin á arbeiðsmarknaðinum í Føroyum er munandi broytt í 2008, serliga seinna hálvár er týðiligt at eftirspurningurin eftir arbeiðsorku er munandi minkaður, og harvið er eingin trupulleiki at nøkta tann tørv, sum fyritøkur í meginøkinum hava. Hetta fer at virka til, at effektiviteturin í framleiðsluni betrast í 2009.

Production

The sold quantity from the consolidated company is expected to grow with 10 – 20% in 2009, compared to 2008. Faroese farmed fish is expected to be approximately 3.5% of the world's production of farmed salmon in 2009.

The development in available labour force has changed considerably during 2008, most notability in the second half year of 2008, the demand for labour force has decreased, and thus making it easier to obtain labour force to companies in the main area. This is expected to increase efficiency in 2009.

Fíggjarliga gongdin

Grundað á framanfyri nevndu viðurskifti væntar leiðslan, at fíggjarliga gongdin í 2009 verður heldur betri enn í 2008. Miðað verður eftir, at konsernúrslitið hækkar til millum 48 - 52 mió.kr.

Financial performance

On this basis, the Board of Directors and Executives expects the consolidated result for 2009 to increase with MDKK 48 - 52.

Váðalýsing

Fíggjarkreppan hevur viðført, at evropeiska gjaldoyrað evran er styrknað munandi í virði í vetur, og eftirsum danski valutapolitikkurin er at halda fastan kurs í mun til evruna, hava vit mist munandi kappingarføri móti øðrum, sum útflyta laks til Evropa. Tá ið munurin var størstur í vetur, var talan um eini 20% í verranum kappingarføri. Evran er í januar viknað aftur eini 10%, men framhaldandi væntar marknaðurin eina sterka evru langt út í 2009. Hetta hevur viðført, at renturstigið í Føroyum/Danmark er hækkað samstundis, sum tað er lækkað aðrastaðni. Hesi viðurskifti hava viðført, at alivinnan í Føroyum upp á heilt stutta tíð er komin í eina verri kappingarstøðu.

Generelt er truplari at tryggja skuldarar, tí tryggingarfeløg eru varnari og meta tapsvandan størri. Hetta viðførir, at í summum førum kann vera truplari at umseta vørurnar enn frammanundan.

Risk analysis

As a result of the financial recession, the Euro has becomed more expensive compared to DKR, and because the danish valuta policy is to hold an steady rate compared to the Euro, we have lost an competetive edge against others who export salmon to the European market. When the gap in exchange rate was at its highest, in the winter, we had an 20% disadvantage in the competition. The Euro has becomed cheaper in January, approx 10%, but still the market expets a strong Euro throughout 2009. This has resultet in, that interest rates in the Faroe Islands/Denmark have increased, at the same time, in other parts of the world, the interest rate has decreased. These circumstances have resulted in, that the Fish Farming industry has become less competitive in a short period of time.

As a whole, it is more difficult to insure our debtors, because the insurance companies are more withholding and estimate bigger loss. As a consequence it is more difficult to sell the goods, as opposed to before.

Umhvørvisviðurskifti

Felagið hevur sum mál, at virksemið ikki skal hava óynskta ávirkan á umhvørvið. Málið við burðardyggum alivinnuni er at stýra umhvørvisávirkanini soleiðis, at vit kunnu halda umhvørvið í sama standi – ella betri, sum tá virksemið byrjaði. Strongu reglurnar, sum vit arbeiða eftir, viðføra at kanningar áhaldandi verða gjørdar av umhvørvinum, og um hesar vísa tekin um óynsktar avleiðingar, so verða átøk framd til tess at broyta tær.

Environmental issues

The company has as a target, that the activity shall not have an deteriorating effect on the environment. The goal with sustainable farming, is to control the environmental effects in such an extent, that we leave the environment in the same condition – or better condition, than before the production started. The strict environmental rules, which we comply, result in continuing examinations of the environment, and if these show unwanted effects, actions will be made, to change these effects.

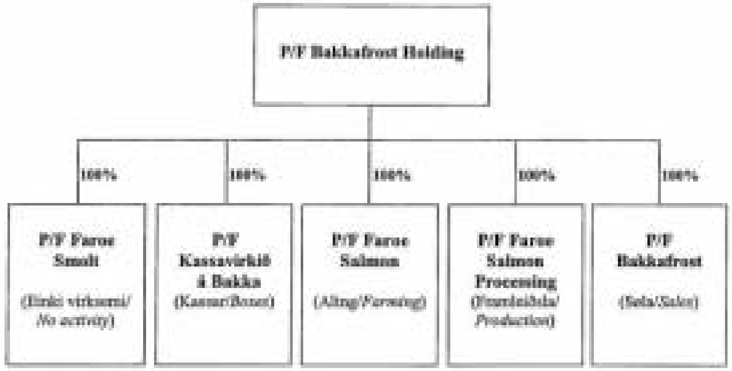
Gransking- og menningarvirksemi

Konsernin nýtti í árinum uml. 600 t.kr til gransking og nýmenning í 2008.

Research and development activities

The consolidated company has used around t.DKK 600 in R&D expenses during 2008.

KONSERNYVIRLIT/*GROUP STRUCTURE*



HØVUÐS- OG LYKLATØL FYRI KONSERNINA/
CONSOLIDATED MAIN NUMBERS AND KEY FIGURES

tDKK	2008	2007	2006
HØVUÐSTØL/*Main Numbers*			
Nettosøla/*Sales revenues*	365.634	229.525	198.541
Bruttoúrslit/*Operating profit*	141.740	103.346	76.051
Rakstrarúrslit/ *EBIT*	61.834	41.560	34.078
Nettoúrslit av fíggjarpostum *Financial net-result*	-17.315	-11.123	-12.083
Ársúrslit/*Annual profit*	**37.121**	**24.831**	**21.552**
Fíggjarstøða tilsamans/ *Total balance*	538.884	471.401	359.517
Eginogn/*Equity*	**229.444**	**196.308**	**171.477**
Íløgur í materiella støðisogn/ *Investment in material non-current assets*	33.955	51.734	65.781

	2008	2007	2006
LYKLATØL/*Key Figures*			
Rakstrarvinnuvísi/ *EBIT/Sales Ratio*	16,91%	18,11%	17,16%
Skiftisvinnuvísi/ *Operating Profit Ratio*	38,77%	45,03%	38,30%
Ognarvinnuvísi/*Asset Yield*	12,24%	10,00%	-
Trygdarstøði/*Financial standing*	42,58%	41,64%	47,70%
Rentan av eginogn/ *Equity Yield*	17,44%	13,50%	-

Konsernin varð stovnað pr. 1. Januar 2006. Tí eru høvuðs- og lyklatøl ikki tikin við fyri eldri ár./
The Group was established January 1st 2006. Prior years are therefore not included.

LEIÐSLUÁTEKNING

Nevnd og stjórn hava í dag viðgjørt og samtykt ársfrásøgnina fyri 2008 hjá P/F Bakkafrost Holding.

Ársfrásøgnin er sett upp í samsvari við ársroknskaparlógina sambært ásetingunum í galdandi ársroknskaparlóg.

Tað er okkara fatan, at nýtti roknskaparhættirnir er hóskandi, soleiðis at ársfrásøgnin gevur eina rættvísandi mynd av felagsins ognum og skyldum, fíggjarligu støðuni, úrslitinum og peningastreyminum.

Ársfrásøgnin verður hervið løgd fyri ársaðalfundin til góðkenningar.

STATEMENT OF BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

The Board of Directors and Board of Executives today considered and approved of the Annual Report of P/F Bakkafrost Holding 2008.

The Annual Report is prepared and presented in compliance with the current Faroese Financial Statements Act.

In our opinion, the accounting policies as applied are appropriate, and the Annual Report presents a true and fair view off assets, liabilities, financial position, annual profits and Cash Flow.

The Annual Report 2008 is hereby submitted to the general meeting for approval.

Glyvrar, tann/at 16 februar/February 2009

Stjóri/
Chief Executive Officer:

Regin Jacobsen

Nevnd/
Board of Directors:

Liggjas í Bø
Formaður/Chairman

Hans Jacobsen

Odd Eliasen

Virgar Dahl

Annika Frederiksberg

Óli Mortensen

ÁTEKNING FRÁ ÓHEFTUM GRANNSKOÐARA

Til eigararnar í P/F B. F. HOLDING

Átekning á ársfrásøgnina
Vit hava grannskoðað ársfrásøgnina hjá P/F Bakkafrost Holding fyri roknskaparárið 1. januar – 31. desember 2008 við leiðsluátekning, leiðslufrágreiðing, rakstrarroknskapi, fíggjarstøðu, frágreiðing um eginogn, gjaldførisfrágreiðing, nýttum roknskaparhátti, og notum fyri bæði konsernina og móðurfelagið. Ársfrásøgnin er gjørd eftir ársroknskaparlógini.

Ábyrgd leiðslunnar av ársfrásøgnini
Leiðslan hevur ábyrgdina av at gera eina ársfrásøgn, ið gevur eina rættvísandi mynd í samsvari við ársroknskaparlógina. Henda ábyrgd ber í sær, at felagið støðugt hevur tað innanhýsis eftirlit, ið skal til fyri at ársfrásøgn kann gerast, sum gevur eina rættvísandi mynd uttan týðandi skeivleikar, uttan mun til um skeivleikarnir standast av sviki ella mistøkum, at nýttar verður hóskandi roknskaparhættir, og at roknskaparligu metingarnar, sum gjørdar eru, eftir umstøðunum mugu atlíast at vera rímiligar.

Grannskoðanin og ábyrgd grannskoðarans
Okkara ábyrgd er við støði í grannskoðanini at gera eina niðurstøðu um ársfrásøgnina. Vit hava grannskoðað samsvarandi galdandi føroyskum grannskoðanarreglum, ið krevja, at vit halda tey etisku krøvini og leggja til rættis og grannskoða fyri at fáa grundaða vissu fyri, at tað ikki eru týðandi skeivleikar í ársfrásøgnini.

Grannskoðanin ber í sær, at gjørt verður tað arbeiði, sum skal til fyri at fáa grannskoðanarprógv fyri upphæddum og upplýsingum í ársfrásøgnini. Grannskoðarin metir um, hvat arbeiði skal gerast, herundir metir hann um vandan fyri týðandi skeivleikum í ársfrásøgnini, uttan mun til um skeivleikarnir standast av sviki ella mistøkum. Grannskoðarin metir eisini um innanhýsis eftirlitið, ið skal til fyri at felagið kann

INDEPENDENT AUDITORS REPORT

To the shareholders of P/F B.F. HOLDING

Auditors report to the Annual Report
We have audited the Annual Report of P/F Bakkafrost Holding for the financial year 1 January - 31 December 2008, which comprises the Statement of the Board of Directors and Board of Executives on the Annual Report, Management's Review, the income statement, balance sheet, cash flow statement, a summary of significant accounting policies, and notes for the Group and the Parent Company. The Annual Report has been prepared in accordance with the Faroese Financial Statements Act.

The Board of Directors and Board of Executives' Responsibility for the Annual Report
The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of this Annual Report in accordance with the Faroese Financial Statements Act and Faroese Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of Opinion
Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual gera eina ársfrásøgn, sum gevur eina rættvísandi mynd. Hetta verður gjørt fyri at leggja grannskoðanina til rættis eftir umstøðunum og ikki fyri at gera eina niðurstøðu um dygdina á innanhýsis eftirlitinum. Grannskoðanin ber eisini í sær, at støða verður tikin til, um roknskaparháttarin, sum leiðslan nýtir, er hóskandi, um tær roknskaparligu metingar, sum leiðslan hevur gjørt eru rímiligar, og hvussu ársfrásøgnin sum heild er gjørd.

Tað er okkara fatan, at vit hava fingið nøktandi grannskoðanarprógv, ið kann vera grundarlag undir okkara niðurstøðu.

Grannskoðanin hevur ikki givið orsøk til fyrivarni.

Niðurstøða
Tað er okkara fatan, at ársfrásøgnin gevur eina rættvísandi mynd av konsernarinnar og felagsins ognum, skyldum og fíggjarligu støðu 31. desember 2008 og av úrslitinum av virksemi og peningastreymi konsernarinnar og felagsins í roknskaparárinum 1. januar – 31. desember 2008 samsvarandi ársroknskaparlógini.

Report 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 Board of Directors and Board of Executives, as well as evaluating the overall presentation of the Annual Report.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2008 and of the results of the Group's and the Parent Company's operations and the consolidated cash flow for the financial year 1 January - 31 December 2008 in accordance with the Faroese Financial Statements Act.

Tórshavn, tann/at 26. februar/*February* 2009

Sp/f Grannskoðaravirkið *INPACT*
løggilt grannskoðaravirki

Jógvan Amonsson
statsaut. revisor

Jógvan Joensen
løggildur grannskoðari

BAKSTRARROKNSKAPUR/*INCOME STATEMENT*
1. januar - 31. desember

	Nota/ *Note*	Móðurfelagið/ *Parent company* 2008	tDKK 2007	Konsernið/ *Consolidated* 2008	tDKK 2007
Nettosøla/*Net operating revenues*		**3.819.600**	**3.820**	**365.634.879**	**309.525**
Goymslubroyting/*Changes in stock*		0	0	38.566.698	71.060
Kostnaður av tilfari og hjálpitilfari/ *Operating expenses*		0	0	-223.426.914	-161.556
Annar kostnaður/*Other expenses*		-1.090.400	-623	-39.033.707	-35.683
Bruttoúrslit/*Operating profits*		**2.729.200**	**3.197**	**141.740.156**	**183.346**
Aðrar rakstrarinntøkur/*Other revenues*		0	0	0	23
Starvsfólkakostnaður/*Staff costs*	1	-1.703.669	-1.007	-60.943.541	-46.217
Avskrivingar/*Depreciations*		-1.352.436	-937	-18.962.930	-15.592
Rakstrarúrslit/ *Earnings before interest and taxes*		**-326.905**	**1.253**	**61.833.684**	**41.560**
Fíggjarinntøkur/*Financial revenues*	2	6.817.911	7.860	653.439	559
Inntøkur, atknýtt felag/*Revenues, Subs.*		34.128.984	19.239	0	0
Inntøkur, assosierað felag/ *Assoc. Comp.*		0	0	546.437	0
Virðisjavningar, onnur partabrøv/*Adj. shares*		273.319	0	0	0
Fíggjarkostnaður/*Financial expenses*	3	-3.690.260	-1.825	-18.514.479	-11.682
Úrslit áðrenn skatt/*Earnings before taxes*		**37.203.049**	**26.527**	**44.519.082**	**30.437**
Skattur av ársúrsliti/*Taxes*	4	-81.956	-1.696	-7.397.989	-5.606
Ársúrslit/*Net Annual Profit*		**37.121.093**	**24.831**	**37.121.093**	**24.831**

Uppskot til býti av ársúrsliti/ *Proposed allocation of Profit*			
Vinningsbýti fyri roknskaparárið/*Dividend*		5.000.000	5.000
Flutt til innanvirðisgrunn/*Reserve Equity method*		33.710.111	19.655
Flutt úrslit/*Retained Earnings*		-1.589.018	176
Býtt tilsamans/*Total allocation*		**37.121.093**	**24.831**

FÍGGJARSTØÐA 31. DESEMBER/
BALANCE SHEET AT DECEMBER 31ST

OGN/*ASSETS*	Nota/*Note*	Móðurfelagið/*Parent company* 2008	tDKK 2007	Konsernið/*Consolidated* 2008	tDKK 2007
Grundøki og bygningar/*Land and Buildings*		39.283.306	36.094	80.291.908	77.545
Framleiðslutól og maskinur/*Prod. Equipment*		0	0	141.129.123	130.014
Onnur tól og rakstrargøgn/*Other tangible ass.*		0	0	9.234.356	8.104
Forútgoldið støðuogn/*Prepaid for fixt. ass.*		0	0	0	416
Materiell støðuogn/ ***Tangible non-current assets***	5	**39.263.306**	**36.094**	**230.655.388**	**216.079**
Kapitalpart. atknýt./*Investm. Group companies*		110.411.082	76.795	0	0
Kapitalpart. Assosieraði/*Investm. Ass. Comp.*		258.508	259	2.675.474	1.115
Aðrir kapitalpartar/*Other share investments*		7.163.862	235	11.648.673	6.049
Fíggjarlig støðuogn/ ***Financial non-current assets***	6	**117.833.452**	**77.289**	**14.324.147**	**7.163**
STØÐISOGN/*NON-CURRENT ASSETS*		**157.096.758**	**113.402**	**244.979.535**	**223.242**
Livandi fiskur/*Biomass*		0	0	216.308.733	184.295
Liðugar vørur/*Finished goods*		0	0	9.535.604	4.861
Rávørur og hjálpitilfar/*Raw material and pack.*		0	0	4.740.580	3.095
Fóður á goymslu/*Inventory, feed*		0	0	3.318.940	3.286
Vørugoymslur/*Inventories*		**0**	**0**	**234.103.859**	**195.537**
Áogn frá sølu/*Trade receivables*		0	1.487	42.469.144	37.638
Áogn, atknýttar fyritøkur/*Receivables, group comp.*		111.709.040	131.065	0	0
Onnur áogn/*Other receivables*	11	5.148.583	3.239	16.604.775	12.088
Tíðaravmarkingar/*Prepaid expenses*	7	0	0	256.069	2.878
Áogn/*Receivables*		**116.857.623**	**135.791**	**59.329.986**	**52.605**
Peningur/*Cash and cash equivalents*		**4.969**	**13**	**470.690**	**18**
OGN Í UMFERÐ/*CURRENT ASSETS*		**116.862.592**	**135.804**	**293.904.535**	**248.159**
OGN TILSAMANS/*TOTAL ASSETS*		**273.959.331**	**249.206**	**538.884.070**	**471.401**

FÍGGJARSTØÐA 31. DESEMBER/
BALANCE SHEET AT DECEMBER 31ST

SKYLDUR/*LIABILITIES*	Nota/*Note*	Móðurfelagið/*Parent company* 2008	tDKK 2007	Konsernið/*Consolidated* 2008	tDKK 2007
Partapeningur/*Share capital*	9	**2.991.789**	**2.992**	**2.991.789**	**2.992**
Meirvirði av partabrævaágóða/*Share premium*		86.676.199	86.676	86.676.199	86.676
Uppskrivingarbúnaðarleggingar/*Revaluation*		0	0	8.591.961	8.592
Tilskotspeningur - innanvirðingarnámsl/ *Reserve - Equity Method*		99.379.161	64.655	1.569.476	9
Flutt úrslit/*Retained earnings*		35.396.919	36.986	124.614.643	93.040
Uppskot til vinningsbýti/*Proposed dividends*		5.000.000	5.000	5.000.000	5.000
EGINOGN/*EQUITY*		**229.444.868**	**196.308**	**229.444.868**	**196.308**
Aðrar avsetingar/*Other provisions*	10	0	492	0	923
Útsettur skattur/*Deferred taxes*	11	4.329.936	4.348	22.362.084	15.371
AVSETTAR SKYLDUR/*PROVISIONS*		**4.329.936**	**4.840**	**22.362.084**	**16.294**
Veðskuld/*Mortage debts*	8	34.964.005	10.775	107.075.517	82.648
Langfreistað skuld/*Long term debts*		**34.964.005**	**10.775**	**107.075.517**	**82.649**
Veðskuld/*Mortage debts*	8	2.954.220	26.217	14.029.584	36.559
Skuld til peningastovnar/*Financial institutions*		762.475	339	122.590.707	106.581
Vøru- og tænastuskuld/*Trade payables*		403.444	125	41.285.382	26.813
Skuld til atknýttar fyritøkur/*Pay. group companies*		0	6.613	0	0
Skuld til assosieraði virki/*Pay. ass. Companies*		461.326	0	461.328	0
Onnur skuld/*Other payables*		639.856	3.889	1.635.202	6.195
Stuttfreistað skuld/*Current debts*		**5.221.321**	**37.183**	**180.002.401**	**176.149**
SKULD/*DEBTS*		**40.185.327**	**47.958**	**287.077.918**	**258.798**
SKYLDUR TILSAMANS/*TOTAL LIABILITIES*		**273.959.331**	**249.206**	**538.884.070**	**471.401**

Veðsetingar og trygdarveitingar/ ***Security pledges***	12
Eventualskyldur/*Contingent liabilities*	13
Nærstandandi partar/*Related parties*	14

GJALDFØRISFRÁGREIÐING/
CASH FLOW STATEMENT

	Konsernin/ *Consolidated* 2008	tDKK 2007
Rakstrarúrslit/*Earnings before interest and taxes*	61.833.684	41.560
Av- og niðurskrivingar v.m./*Depreciations etc.*	19.645.327	16.117
Aðrar avsetingar/*Other provisions*	-823.460	923
Broytingar í ogn í umferð/Changes current assets		
Goymslur/*Inventories*	-38.566.698	-71.060
Áogn frá sølu/*Trade receivables*	-4.913.940	3.891
Onnur áogn/*Other receivables*	-4.507.928	-7.126
Tíðaravmarkingar/*Prepaid expenses*	2.621.904	-2.878
Broytingar í stuttfreistaðari skuld/*Changes in current debts*		
Vøru- og tænastuskuld/*Trade payables*	14.472.337	9.164
Onnur skuld/*Other payables*	-4.088.728	-2.440
Gjaldførisúrslit frá rakstri áðrenn fíggjarpostar og skatt/ *Cash flow from earings before interest and tax*	**44.582.488**	**-11.847**
Fíggjarinntøkur/*Financial income*	653.439	559
Fíggjarkostnaður/*Financial expenses*	-18.514.479	-11.682
Goldin skattur/*Taxes payed*	0	-88
Gjaldførisúrslit, rakstur/*Cashflow from operations*	**27.101.449**	**-23.057**
Íløgur í materiella støðisogn, netto/*Net-Investm., tangible fixed assets*	-33.955.376	-51.371
Íløgur, fíggjarlig støðisogn netto/*Net-Investm., financial fixed assets*	-5.600.064	-214
Gjaldførisúrslit, íløgur/*Cash flow investments*	**-39.555.440**	**-51.584**
Lánsøka, netto/*Loan-financing, net*	1.896.727	47.990
Rakstrarkreditur/*Bank kredits*	16.009.499	25.724
Goldið vinningsbýti/*Dividend payment*	-5.000.000	0
Gjaldførisúrslit, fígging/*Cash flow financing*	**12.906.226**	**73.714**
Gjaldførisúrslit, netto/*Net cash flow*	**452.235**	**-928**
Tøkur peningur við ársbyrjan/*Cash, beginning of year*	18.455	946
Tøkur peningur við árslok/Cash, *end of year*	**470.690**	**18**

EGINOGNSBROYTINGAR/*STATEMENT OF CHANGES IN EQUITY*

Konsernin/*Consolidated*

	Partapeningur/ *Share capital*	Yvirkursgrunnur/ *Share premium account*	Uppskrivingar burturleggingar/ *Revaluation of assets*	Innanvirðisgrunnur/ *Reserve Equity method*	Flutt úrslit *Retained earnings*	Uppskot til vinningsbýti/ *Proposed dividends*	Tilsamans/ *Total*
1. januar 2007	**2.991.789**	**86.676.199**	**8.591.961**	**8.510**	**73.208.621**	**0**	**171.477.080**
Ársúrslit/ *Net annual profit*					24.831.366		24.831.366
Broytt roknskaparhættur/ *Changes in accounting policy*					-5.000.000		-5.000.000
Uppskot til vinningsbýti/ *Proposed Dividends*						5.000.000	5.000.000
1. januar 2008	**2.991.789**	**86.676.199**	**8.591.961**	**8.510**	**93.039.987**	**5.000.000**	**196.308.446**
Goldið vinningsbýti/ *Payed dividends*						-5.000.000	-5.000.000
Ársúrslit/ *Net annual profit*				546.437	36.574.656		37.121.093
Javningar til primo/ *Adjustments to 01.01*				1.014.529			1.014.529
Uppskot til vinningsbýti/ *Proposed Dividends*					-5.000.000	5.000.000	0
31. desember 2008	**2.991.789**	**86.676.199**	**8.591.961**	**1.569.476**	**124.614.643**	**5.000.000**	**229.444.068**

Móðurfelagið/*Parent Company*

	Partapeningur/ *Share capital*	Yvirkursgrunnur/ *Share premium account*	Uppskrivingar burturleggingar/ *Revaluation of assets*	Innanvirðisgrunnur/ *Reserve Equity method*	Flutt úrslit *Retained earnings*	Uppskot til vinningsbýti/ *Proposed dividends*	Tilsamans/ *Total*
1. januar 2007	**2.991.789**	**86.676.199**	**0**	**44.999.175**	**36.809.918**	**0**	**171.477.080**
Ársúrslit/ *Net annual profit*					24.831.366		24.831.366
Úrslit atkvøtt virkir/ *Result group comp.*				19.655.346	-19.655.346		
Broytt roknskaparhættur/ *Changes in accounting policy*					-5.000.000		-5.000.000
Uppskot til vinningsbýti/ *Proposed Dividends*						5.000.000	5.000.000
1. januar 2008	**2.991.789**	**86.676.199**	**0**	**64.654.521**	**36.985.938**	**5.000.000**	**196.308.446**
Goldið vinningsbýti/ *Payed dividends*						-5.000.000	-5.000.000
Ársúrslit/ *Net annual profit*					37.121.093		37.121.093
Úrslit atkvøtt virkir/ *Result group comp.*				33.710.111	-33.710.111		0
Javningar til primo/ *Adjustments to 01.01*				1.014.529			1.014.529
Uppskot til vinningsbýti/ *Proposed Dividends*					-5.000.000	5.000.000	0
31. desember 2008	**2.991.789**	**86.676.199**	**0**	**99.379.161**	**35.396.919**	**5.000.000**	**229.444.068**

NOTUR TIL ROKNSKAPIN/*EXPLANATARY NOTES*

	Móðurfelagið/ *Parent company* 2008	tDKK 2007	Konsernið/ *Consolidated* 2008	tDKK 2007
Nota 1. Starvsfólkakostnaður/*Staff costs*				
Starvsfólk í miðal/*Average number of staff*	3	3	282	215
Samlaður starvsfólkakostnaður/*Total payroll expenses*				
Løn og samsýningar/*Labour exp. and salaries*	1.619.200	979	56.113.865	42.742
Eftirløn/*Pensions*	30.000	0	689.683	586
Sosial gjøld/*Social expenses*	54.469	27	4.139.994	2.889
	1.703.669	1.007	60.943.541	46.217
Nevnd og Stjórn/*Board compensation and CEO*	1.142.150	812	1.142.150	1.175
Nota 2. Fíggjarinntøkur/*Financial revenues*				
Rentuinntøkur frá atknýttum virkjum	6.730.786	7.857	0	0
Aðrar rentuinntøkur	87.125	3	653.438	559
	6.817.911	7.860	653.438	559
Nota 3. Fíggjarkostnaður/*Financial expenses*				
Rentuútreiðslur til atknýtt virkir	691.149	243	0	0
Aðrar rentuútreiðslur	2.999.012	1.582	18.514.479	11.682
	3.690.160	1.825	18.514.479	11.682
Nota 4. Skattur av ársúrslit/*Taxes*				
Útsettur skattur/*Deferred taxes* 01.01.2008	4.247.980	2.552	15.370.972	9.591
Útsettur skattur/*Deferred taxes 31.12.2008*	4.329.936	4.248	22.362.084	15.371
Broyting í útsettum skatti/*Changes in deferred taxes*	81.956	1.696	6.991.112	5.780
Skattur/*Tax accruals*	0	0	406.877	-174
	81.956	1.696	7.397.989	5.606

Nota 5. Materiell støðisogn, Móðurfelagið/*Tangible non current assets, parent company*

	Grundøki og Bygningar/ *Land and Buildings*
Útveganarvirði/*Aquisition value* 01.01.2008	37.806.211
Tilgongd/*Aquisition*	4.522.221
Frágongd/*Disposals*	0
Útveganarvirði/*Aquisition value* 31.12.2008	42.328.432
Avskrivingar/*Depreciations* 01.01.2008	1.712.690
Avskrivingar í árinum/*Depreciations* 2008	1.352.436
Afturvunnar avskrivingar/*Depreciations, disposed assets*	0
Avskrivingar/*Total depreciations* 31.12.2008	3.065.126
Roknskaparligt virði/*Carrying amount* 31.12.2008	39.263.306

Nota 5. Materiell støðisogn, Konsernið/*Tangible, fixed assets, consolidated company*

	Grundøki og Bygningar/ *Land and Buildings*	Framleiðslutól og maskinur/ *Production Equipment*	Onnur tól og rakstrargøgn/ *Other tangible assets*
Útveganarvirði/*Aquisition value* 01.01.2008	88.704.526	168.328.030	10.127.266
Tilgongd/*Aquisition*	5.602.545	26.206.864	2.145.967
Frágongd/*Disposals*	0	0	0
Útveganarvirði/*Aquisition value* 31.12.2008	94.307.072	194.534.894	12.273.233
Uppskrivingar/*Re-evaluations* 01.01.2008	4.015.823	827.496	541.292
Tilgongd/*Aquisitions*	0	4.911.746	0
Frágongd/*Disposals*	0	0	0
Uppskrivingar/*Re-evaluations* 31.12.2008	4.015.823	5.739.242	541.292
Avskrivingar/*Depreciations* 01.01.2008	15.175.200	44.053.746	2.564.292
Avskrivingar í árinum/*Depreciations* 2008	2.855.786	15.091.267	1.015.877
Afturvunnar avskrivingar/*Depreciations, disposed assets*	0	0	0
Avskrivingar/*Total depreciations* 31.12.2008	18.030.986	59.145.013	3.580.169
Roknskaparligt virði/*Carrying amount* 31.12.2008	80.291.909	141.129.123	9.234.356

Samanberingartølini fyri 2007 eru tillagaði viðv. uppbýtinum millum grundøki og bygningar og framleiðslutól, soleiðis at 22,4 mió.kr. eru fluttar frá bygningum til framleiðslutól./
The comparison figures 2007 are adjusted between Land and Buildings and Production Equipment with MDKK 22,4.

Nota 6. Fíggjarlig støðisogn/*Financial non-current assets*

	Móðurfelagið/ *Parent company*		Konsernin/ *Consolidated*	
	Atknýtt/ *Subsidiaries*	Assosierað/ *Associated*	2008	tDKK 2007
Útveganarvirði/*Aquisition* 01.01.2008	35.247.646	317.820	1.173.820	318
Javningar/*Adjustments*	0	0	0	856
Tilgongd/*Aquisitions*	0	0	0	0
Útveganarvirði/*Aquisition value* 31.12.2008	**35.247.646**	**317.820**	**1.173.820**	**1.174**
Upp- niðurskrivað/*Re-evaluations* 01.01.2008	41.453.305	-59.312	-59.312	-59
Virðisjavningar/*Revaluation subsidiaries*	273.219	0	1.360.966	0
Inntøkuað úrslit/*Result for the year*	33.436.892	0	0	0
Upp- og niðurskrivað/*Re-evaluat.* 31.12.2008	**75.163.416**	**-59.312**	**1.501.654**	**-59**
Roknskaparligt virði/*Value year end* 2008	**110.411.062**	**258.508**	**2.675.474**	**1.115**

Kapitalpartar í fyritøkum/*Group companies:*	Ognarpartur/ *Share*	Ognarpartur/ *Share*	Ognarpartur/ *Share*
P/F Faroe Salmon, FO-625, Glyvrar	100%		
P/F Faroe Salmon Processing, FO-700, Klaksvík	100%		
P/F Bakkafrost, FO-625, Glyvrar	100%		
P/F Kassavirkið á Bakka, FO-625, Glyvrar	100%		
P/F Faroe Smolt, FO-796, Húsar	100%		
P/F Føroya Kúmaløkir, FO-625, Glyvrar		50%	50%
P/F Salmon Proteins, FO-470, Eiði		13%	25%

Atkvøðurættirnir svara til ognarpartin/*Voting rights equal ownership*

	Onnur virðisbrøv/ *Other investments*	2008	2007
Útveganarvirði/*Aquisition value* 01.01.2008	258.328	5.843.503	6.674
Javningar/*Adjustments*	0	0	-856
Tilgongd/*Aquisitions*	5.800.000	5.802.000	26
Frágongd/*Disposals*	0	-13.880	0
Útveganarvirði/*Aquisition value* 31.12.2008	**6.058.328**	**11.631.623**	**5.844**
Upp- og niðurskrivað/*Re-evaluations* 01.01.2008	17.050	205.106	17
Upp-/niðurskrivað/*Re-evaluation* 2008	1.108.484	-188.056	188
Upp- og niðurskrivað/*Re-evaluations* 31.12.2008	**1.125.534**	**17.050**	**205**
Roknskaparligt virði/*Value year end* 31.12.2008	**7.183.862**	**11.648.673**	**6.049**

	2008	tDKK 2007	2008	tDKK 2007
Nota 7. Tíðaravmarkingar/*Prepaid expenses*				
Tryggingarkostnaður/*Insurance costs*	0	0	256.069	712
Annað/*Other*	0	0	0	2.166
	0	0	256.069	2.878
Nota 8. Veðskuld/*Mortage debt*				
Fellur, innan 1 ár/*Due within 1 year*	2.954.220	26.217	14.029.584	36.559
Fellur, seinni enn 1 ár/*Due later than 1 year*	34.964.005	10.775	107.075.517	82.649
Veðskuld tilsamans/*Total mortage debts*	**37.918.225**	**36.992**	**121.105.101**	**119.208**
Skuld at gjalda aftaná 5 ár./ *Mortage debts, due later than 5 years*	21.057.125	3.200	44.812.494	28.610

Nota 9. Partapeningur/*Share capital*

Partapeningurin er býttur í partabrøv á kr. 1 og multipla av hesum./
Burtursæð frá kapitalhækking uppá kr. 1.991.789 í 2006, er partapeningurin óbroyttur seinastu 5 árini.
The share capital is distributed into shares of DKK 1 and multiplications thereof.
Apart from capital increase DKK 1.991.789 in 2006, no changes are in share capital the last 5 years.

	Móðurfelagið/ *Parent company* 2008	tDKK 2007	Konsernin/ *Consolidated* 2008	tDKK 2007
Nota 10. Aðrar avsetingar/*Other provisions*				
Avsett - negativ eginogn í dótturfeløgum/ *Provision, neg. Equity, group companies*	0	692	0	0
Reklamatiónir/*Claims*	0	0	0	923
	0	692	0	923
Nota 11. Útsettur skattur/*Deferred taxes*				
Útsettur skattur/*Deferred taxes* 01.01.2008	4.247.980	2.552	15.370.972	9.591
Broyting 2008/*Changes in deferred taxes*	81.956	1.696	6.991.112	5.780
Útsettur skattur/*Deferred taxes* 31.12.2008	4.329.936	4.248	22.362.084	15.371
Útsettur skattur er greinaður soleiðis/ *Deferred taxes is specified as follows:*				
Materiell støðisogn/*Tang. non-current assets*	28.484.482	28.248	108.250.696	91.215
Goymslur/*Inventories*	0	0	216.508.735	184.251
Skattlig hall/*Tax losses*	-4.429.241	-7.008	-200.525.418	-192.432
Avsetingargrundarlag/*Basis for calculation*	24.055.241	21.240	124.234.013	83.034
Útsettur skattur 18%/*Deffered tax, 18%*	**4.329.936**	**4.248**	**22.362.084**	**15.371**
Útsett skattaogn er greinað soleiðis/ *Deferred tax-assets is specified as follows:*				
Materiell støðisogn/*Tang. non-current assets*			3.668.394	3.050
Áogn/*Receivables*			-668.454	-1.455
Skattlig hall/*Tax losses*			-9.017.316	-10.873
Avsetingargrundarlag/*Basis for calculation*			-7.017.376	13.371
Útsett skattaogn 18%/*Deffered tax asset, 18%*			**1.263.313**	**1.678**
Nota 12. Veðsetingar og trygdarveitingar/ *Security pledges*				
Hesar ognir eru veðsettar til fíggjarstovnar felagsins:				
Roknskaparligt virði/*Book value:*				
Grundøki og bygningar/*Land og Buildings*	39.263.306	38.094	80.291.989	77.543
Framleiðsluútgerð og maskinur/*Prod. Equipment*			141.129.123	130.014
Onnur rakstrargøgn/*Other tangible assets*			8.234.356	8.320
Fíggjarlig støðisogn/*Financial non-current assets*			5.500.000	5.500
Vørugoymslur/*Inventories*			234.105.859	195.537

Nota 13. Eventualskyldur/*Contingent liabilities*

Konsernfelagini borga sum sjálvskuldarar fyri hvørjum øðrum fyri allari skuld til P/F Føroya Banka og Nordea. Givnir veðrættir í einum felagi eru sostatt eisini galdandi fyri onnur felag í samtakinum./
The consolidatory companies have a guarenteed self debtor in solidum for the balance with limitations for each other. Given security in solidatory companies are thereby also applying for other companies within the consolidatory company.

Nota 14. Nærstandandi partar/*Related parties*

Avgerandi ávirkan/*Significant influence*
P/F Bakkafrost Holding hevur ikki nærstandandi partar við avgerðandi ávirkan./
P/F Bakkafrost Holding do not have related parties with significant influence.

Handlar við nærstandandi partar við týðandi ávirkan/*Related party trade*
Felagið hevur fígging frá P/F Føroya Banka. Lánsvtreytirnar eru ásettar eftir marknaðartreytum./
The company has loans and credit facilities from Føroya Banki. The terms of agreement are determined by general market conditions.

Ognarviðurskifti/*Ownership*
Hesir partaeigarar eru skrásettir í felagsins partabrævabók við einum ognarluti uppá í minsta lagi 5% av atkvøðurættinum ella í minsta lagi 5% av partapeninginum./
The following shareholders are listed in the book of shareholders, holding 5% or more of the shares or voting rights:

P/F Føroya Banki, Húsagøta 3, Tórshavn
Hans Jacobsen, Glyvravegur 30, Glyvrar
P/F Havsbrún, Havsbrúnsvegur 4, Fuglafjørður
J. Regin Jacobsen, Gerðisvegur 59, Saltangará
Sp/f Hjallur, Skálavegur 23, Klaksvík

NÝTTUR ROKNSKAPARHÁTTUR

Ársfrásøgnin hjá P/F Bakkafrost Holding fyri 2008 er gjørd í samsvari við ásetingarnar í flokki C fyri miðalstórar fyritøkur í ársroknskaparlógini og eftir galdandi roknskaparleiðbeiningum.

Broytingar í nýttum roknskaparhátti

Sum ein avleiðing av, at ársfrásøgnin er uppsett eftir nýggju ársroknskaparlógini, ið kom í gildi fyri roknskaparár, ið byrja 1. januar 2008 og seinni, er nýttur roknskaparháttur broyttur á fylgjandi økjum:

- Innrokning av skattaaktivum
- Uppskot til vinningsbýti er ikki innroknað sum ein skuld, men verður lagt fram sum ein serstakur grannur undir eginognini.

Broytti roknskaparhátturin hevur onga ávirkan á ársúrslitið fyri tíðina 1. januar til 31. desember 2008 ella eginognina við árslok 2008.

Samanberingartøl eru tillagað eftir broytta roknskaparháttinum, viðvíkjandi vinningsbýti 2007.

Burtursæð frá omanfyri nevndu økjum er nýtti roknskaparhátturin óbroyttur, í mun til undanfarna ár.

Alment um innrokning og virðisáseting

Í rakstrarroknskapinum verða inntøkurnar innroknaðar í stigum, so hvørt tær eru vunnar. Sama er galdandi fyri virðisjavningar av fíggjarligum ognum og skyldum. Í rakstrarroknskapinum verða somuleiðis allir kostnaðir innroknaðir, herímillum avskrivingar og niðurskrivingar.

Ognir verða innroknaðar í fíggjarstøðuna, tá sannlíkt er, at tær í framtíðini geva fyritøkuni fíggjarligar fyrimunir, og virðið kann ásetast álítandi.

Skyldur verða innroknaðar í fíggjarstøðuna, tá sannlíkt er, at tær í framtíðini taka fíggjarligar fyrimunir úr fyritøkuni, og virðið kann ásetast álítandi.

APPLIED ACCOUNTING POLICIES

The P/F Bakkafrost Holding Annual Report for 2008 is prepared in accordance with the provisions in the Faroese Financial Statements Act, which apply to Class C-middel companies, and current national accounting standards.

Changes in accounting policies

As a consequence of the adoption of the provisions in the new Financidal Statements Act, which apply to Financial Years starting 1 January 2008 and later, applied accounting policies are changed on the following items:

- Recognition of tax assets
- Proposed dividends are not entered as debt, but is presented as part of equity until formal adoption at the general meeting.

The change in applied accounting policies have no impact on neither annual profits for the financial year 1 January to 31 December 2008, nor equity by the end of year 2008.

Comparison figures are changed according to the new accounting policies, where proposed dividens are not entered as debt in 2007.

Apart from the above listed changes, the accounting policies as applied to the Annual Report remain unchanged.

Recognition and measurement in general

Revenues in the Income Statement are recognized as they are earned. The same applies to valuation differences of financial assets and liabilities. Similarly, all expenses are recognized in the Income Statement, including depreciations and write-downs.

Assets are recognized in the balance sheet at the time when the fincial benefits from the assets are likely the flow to the company and values can be measured reliably.

Liabilities are recognized in the balance sheet at the time when the fincial benefits from the liabilities are likely the flow from the company and values can be measured reliably.

Við fyrstu innrokning verða ognir og skyldur virðisásettar til útveganarvirði. Síðani verða ognir og skyldur virðisásettar, sum greitt er frá niðanfyri um einstøku roknskaparpostarnar.

Ávísar fíggjarligar ognir og skyldur verða virðisásettar til amortiserað útveganarvirði, har ein støðug effektiv renta verður innroknað yvir tíðarskeiðið. Amortiserað útveganarvirði verður uppgjørt sum upprunaligt útveganarvirði frádrigið móguligum avdráttum, umframt ískoyti/frádrátt av akkumuleraðu amortiseringini av muninum millum útveganarvirði og áljóðandi virði.

Innrokningar og virðisásetingar taka hædd fyri tapum og váðum, ið vóru væntað við roknskaparlok, sum síðan eru staðfest ella avsannað, innan framløguna av ársfrágreiðingini.

Roknskaparligu virðið á immateriellari og materiellari støðisogn verður gjøgnumgingið árliga, fyri at staðfesta um ábendingar eru um størri virðisminkingar, enn tær, sum eru í regluligu avskrivingunum. Um so er, verður niðurskrivað til tað lægra endurútveganarvirðið.

KONSERNROKNSKAPUR

Móður- og konsernroknskapurin er uppsettur eftir innanvirðisháttinum.

Konsernroknskapurin vísir móðurfelagið og dótturfelagini undir einum. Allir internir handlar og millumverandi, eins og konsernintern kapitalpartar, eru eliminseraðir.

Inntøkur og kostnaðir frá kapitalpartum eru uppiknir í móðurfelagsroknskapin eftir úrsliti, eftir skatt, í dótturfeløgunum.

Inntøkur frá assosieraðum feløgum eru uppiknar eftir ognarpartinum av ársúrslitinum og eginpeninginum.

Kapitalpartar, undir fíggjarligari støðisogn, vísa ognarpartarnar í atknýttum og assosieraðum feløgum til innara virðið. Um eginognin er negativ verður niðurskrivað til kr. 0, og upphæddin verður avsett undir skyldum, í tann mun móðurfelagið heftir fyri skuldini.

At first time recognition, assets and liabilities are measured at acquisition value. The subsequent measurements are made, as described below concerning the individual items.

Certain financial assets and liabilities are measured at amortised acquisition value, where an internal rate of return covering the full period is calculated. Amortised acquisition value is measured at original acquisition value, less installments and additions/deductions of accumulated amortisation of any differences between acquisition value and face value.

In recognising and measuring assets and liabilities due consideration is given to risks identified by the balance sheet date, which are verified or rejected by the time the Annual Report is authorised for issue.

The carrying amount of immaterial and material non-current assets, are reconsidered annually, to determine wether material impairment has ocurred, which exceed depreciations. If so, the items will be written down to the lower recoverable amount.

CONSOLIDATED ACCOUNTS

The parent- and consolidated accounts are prepared according to the equity method.

The consolidated accounts present the parent company and its subsidiaries as one entity. All internal trade, balances, as well as internal capital interests are eliminated.

Revenues and expenses from capital interests are included in the parent company's accounts at profits after taxes in the subsidiaries.

Revenues from associated companies are included according to share percentage of annual profits and equity.

Financial fixed assets, investments in subsidiaries and associates, are presented according to equity value. Whereas equity turns negative, investments are written down to DKK 0, and the full amount is provided for as liabilities, if the parent is liabilities for the subsidiaries' debts.

RAKSTRARROKNSKAPURIN

Nettosøla

Nettosøla av handilsvørum og liðugum vørum verður innroknað í rakstrarroknskapin, um vøring og váði er farin til keyparan innan roknskaparlok. Nettosølan verður innroknað uttan meirvirðisgjald og við frádrátti av avsláttri í sambandi við søluna.

Framleiðslukostnaður

Framleiðslukostnaður er kostnaðurin av seldum vørum í árinum. Kostnaðurin fevnir um rávøru, hjálpitilfar, framleiðsluløn, viðlíkahald og avskrivingar av framleiðsluognunum v.m.

Fíggjarligir postar

Fíggjarligar inntøkur og kostnaðir verða innroknað í rakstrarroknskapin við upphæddum, sum viðvíkja roknskaparárinum. Fíggjarligu postarnir fevna um rentuinntøkur og -kostnaðir, fíggjarligar kostnaðir av fíggjarligari leasing, staðfestir og ikki staðfestir kursvinningar og -tap viðvíkjandi virðisbrøvum, skuld og handlum í fremmandum gjaldoyra og amortisering av realkreditlánum.

Vinningsbýti frá øðrum kapitalpartum verða inntøkuførd í til roknskaparári, vinningsbýti er samtykt.

Óvanligar inntøkur og kostnaðir

Óvanligar inntøkur og kostnaðir fevna um inntøkur og kostnaðir, sum viðvíkja hendingum ella handlum, sum greitt víkja frá tí vanliga rakstrinum og sum ikki kunnu væntast at vera afturvendandi.

Skattur

Skattur av ársúrslitinum, ið fevnir um skattin fyri árið og broytingina í útsettum skatti, verður innroknaður í rakstrarroknskapin við tí parti, sum viðvíkur ársúrslitinum, og innroknaður beinleiðis á eginognina við tí parti, sum viðvíkur bókingum beinleiðis á eginognina.

INCOME STATEMENT

Net operating revenue

Net revenues from sales are recognised in the Income Statement as the purchaser has assumed benefits and risks inherent in possession of the goods at the balance sheet date. Net operation revenues are recognised less VAT and deduction of discounts.

Production expenses

Production expenses consist of expenses concerning goods sold during the year. The expenses comprise raw materials, additives, labour expenses, maintainence and depreciation of production assets, etc.

Financial items

Financial revenues and expenses are recognised in the Income Statement by the amounts which are recognised during the year. Financial items consist of interest revenues and expenses from receivables and payables, financial leasing, realised and unrealised valuation differences on securities, agio/disagio and amortisation on loans.

Dividends on other share investments are entered to the Income Statement at the time of adoption by the general meeting.

Extraordinary revenues and expenses

Extraordinary revenues and expenses consist of items, derived from events etc., which clearly part from ordinary operations and which are not expected to be recurrent.

Taxes

Taxes on annual profits, which consist of current tax and changes in deferred taxes, are charged to the Income Statement at the amount, which is derived from the annual profit, and is charged to equity at the amount, which are derived from items entered to equity.

FÍGGJARSTØÐAN

Immateriell støðisogn

Keypt goodwill verður virðisett til útveganarvirði, frádrigið akkumuleraðar avskrivingar. Goodwill verður avskrivað yvir ta fíggjarligu lívitíðina eftir ítøkiligari meting.

Menningarkostnaður og kostnaður til innanhýsis upparbeitt rættindi verða innroknað í rakstrarroknskapin sum kostnaður í útveganarárinum.

Materiell støðisogn

Grundøki og bygningar, framleiðslutól og maskinur, umframt onnur tól, rakstrargøgn og innbúgv verða tikin við til útveganarvirðið, frádrigið akkumuleraðar avskrivingar.

Avskrivingargrundarlagið er útveganarvirðið við frádrátti av væntaðum restvirði eftir lokna nýtslutíð. Grundøki verða ikki avskrivað.

Útveganarvirðið fevnir um keypsprísin, umframt kostnað, ið beinleiðis er knýttur at ognini, til hon er klár at taka í nýtslu.

Tær linjeru avskrivingarnar eru grundaðar á fylgjandi metingar av væntaðu lívitíðini hjá ognunum.

	Nýtslutíð
Bygningar	25 ár
Framleiðslutól og maskinur	10 ár
Onnur tól, rakstrargøgn og innbúgv	3 – 5 ár

Vinningur ella tap, við avhendan av støðisogn, verða uppgjørd sum munurin millum søluprís, frádrigið sølukostnað, og tað roknskaparliga virðið á søludegnum. Vinningur ella tap verða innroknað í rakstrarroknskapin undir øðrum inntøkum ella kostnaðum.

Fíggjarlig støðisogn

Kapitalpartar í atknýttum og assosieraðum fyritøkum verða tiknir við eftir innaravirðisháttinum.

Kapitalpartar í øðrum fyritøkum verða tiknir við til útveganarvirði. Um nettorealisatiónsvirðið er lægri enn útveganarvirðið, verður niðurskrivað til lægra

BALANCE SHEET

Intangible non-current assets

Purchased goodwill is measured at acquisition value, less accumulated depreciations. Goodwill is depreciated over economic useful life, based on concrete estimation.

Development expenses and expenses concerning internally developed rights are measured in the Income Statement at incurred expenses during the acquisition year.

Tangible non-current assets

Land and buildings, production equipment and machines, and other tools and furniture are measured at acquisition value, less accumulated depreciations.

The basis for measuring depreciations is acquisition value less of scrap by the end of useful life. Land is not depreciated.

Acquisition value consists of purchasing price and various expenses in relation to the asset up to the point of being used.

Linear depreciations are based on the following estimates of expected useful lifespan.

	Useful life
Buildings	25 years
Production equipment and mach.	10 years
Other equipment and furniture	3 – 5 years

Gains and losses, by disposal of material non-current assets are calculated as the difference between sales revenue less sales expenses, and carrying amount at the sales date. Gains or losses are included in the Income Statement.

Financial non-current assets

Shares in subsidiaries and and associated enterprises are recognized at internal equity value.

Shares in other enterprises are measured at acquisition value. Whereas acquisition value exceeds net realization value, the assets are written

virðið.

Lánsbrævagoymslur, sum fevna um lánsbrøv, ið leiðslan væntar, at felagið eigur til lokadag, verða tiknar við til amortiserað útveganarvirði.

Við amortiseraðum útveganarvirði fyri hesi lánsbrøv, skilst restvirðið av lánsbrævunum upptikin til ein kurs, ið verður roknaður sum kursvirðið (dagsvirðið) við útvegan, við einum tíðarbundnum ítroknaðum íkoyti/frádrátti av muninum millum nevnda kursin og innfrianarkursin.

Vørugoymslur

Biomassi, rávøra og liðnar vørur á goymslu verða virðisásettar til kostvirði eftir FIFO-háttinum. Um nettorealisatiónsvirði er lægri, verður tað nýtt.

Kostvirðið á handilsvørum og øðrum hjálpitilfari verður roknað sum útveganarvirði á rávørum, flutningskostnaði, beinleiðis lønarkostnaði og óbeinleiðis framleiðslukostnaði.

Rentur eru íroknaðar orsakað av longum framleiðslutíð.

Nettorealisatiónsvirðið fyri vørugoymslur verður uppgjørt sum søluprísur, frádrigið kostnað til liðugtgerð og kostnað til at gjøgnumføra søluna, og verður ásett við atliti at søluføri, ókurans og gongdini á væntaðum søluprísi.

Áogn

Áogn er tikin við til amortiserað útveganarvirði, sum vanliga svarar til áljóðandi virði. Virðið verður niðurskrivað eftir møguligum tapsvanda.

Tíðaravmarkingar

Tíðaravmarkingar undir ognum er goldin kostnaður, sum viðvíkur komandi roknskaparárum.

Virðisbrøv

Virðisbrøv, undir ogn í umferð, eru tikin við til dagsvirði (kursvirði) við roknskaparlok.

down to the lower value.

Bonds, consisting of bonds, which the executives expect to keep to maturity, are measured at amortized cost value.

Amortized cost value is made up of remaining value of the bond, measured at current quotation rates, which are measured at current market value by the time of acquisition, added a time related addition/deduction of the difference between the quoted value and installment amount.

Inventories

Biomass, raw materials and finished goods in inventory are valued at cost-value according to the FIFO-principle. Whereas net-realization value is lower than cost-value write-downs are entered.

Cost-value of trading goods and other materials are calculated at acquisition value of raw materials, transportation costs, direct labour expenses and indirect production expenses.

Interest is included, due to long production cycle.

Net realization value on inventories is measured at marked prices, less finishing and sales expenses and is determined by paying due consideration to the market situation, inventory turnover and expected sales prices.

Accounts receivable

Accounts receivable are measured at amortized acquisition value, which is normally equivalent to face value. Any amounts are subject to write-downs, according to considerations of risk of losses.

Accruals

Asset accruals are payed for expenses, which will be spent in future financial years.

Securities

Current securities are measured at current market quotations at the balance sheet date.

Vinningsbýti

Uppskot til vinningsbýti fyri roknskaparárið verður tikið við sum serstakur postur undir eginognini. Uppskot til vinningsbýti verður tikið við sum skyldu, tá tað er samtykt á aðalfundi.

Skyldugur skattur og útsettur skattur

Skyldugur skattur og skattaogn verða tikin við í fíggjarstøðuna, sum roknaður skattur av ársins skattskyldugu inntøku, við møguligum javningum fyri skatti frá undanfarnum árum.

Útsettur skattur verður uppgjørdur eftir fíggjarstøðugrundaða skuldarháttinum av fyribils munum millum roknskaparligu og skattligu virðið á ognum og skyldum, uppgjørt við grundarlagi í ætlaðu nýtsluni av ognini ella afturrindanini av skyldini.

Útsett skattaogn, herímillum skattligu virðið av framflytingarheimilaðum skattligum halli, verður innroknað við til virðið, sum ognin væntandi verður realiserað fyri. Antin við javnan í skatti av framtíðarinntøkum, ella við mótrokning av útsettari skattaskyldu innan fyri somu løgfrøðiligu skatteind. Møgulig útsett nettoskattaogn verður tikin við til nettorealisatiónsvirðið.

Útsettur skattur verður útroknaður við grundarlagi í galdandi skattareglum og skattaásetingum, sum við roknskaparlok eru galdandi, tá útsetti skatturin væntandi verður útloystur. Broytingar í útsetta skattinum, sum eru avleiðingar av broytingum í skattasatsum, verða tiknar við í rakstrarroknskapinum. Í hesum árinum er skattasatsurin 18%.

Skuld

Fíggjarligar skyldur verða innroknaðar sum lántøka til útveganarvirði, svarandi til móttiknu upphæddina eftir frádrigin handilskostnað. Eftirfylgjandi tíðarskeið verða fíggjarligar skyldur innroknaðar til amortiserað útveganarvirði, sum svarar til kapitaliseraða virðið við effektiva rentuni, soleiðis at munurin, millum móttiknu upphæddina og áljóðandi virðið, verður innroknaður í rakstrarroknskapin yvir lánitíðarskeiðið.

Veðskuld er tískil innroknað til amortiserað útveganarvirði, sum fyri kontantlán svarar til restskuldina á láninum. Fyri brævalán svarar

Dividends

Proposed dividend is presented as an individual item in equity. Dividend proposals are transferred to current debts at adoption by the general meeting.

Tax payable and deferred taxes

Tax payable and tax assets are recognized in the balance sheet, at calculated tax expense on annual profit, including possible regulations to tax from last year.

Deferred taxes are calculated employing the balance based liability method of the provisional difference between carrying amounts and tax balances on assets and liabilities. Calculations are based on intended utilization of the asset or installment of the liability.

Deferred tax assets, including tax losses to be carried forward to future tax years, are measured at expected realization value of the asset. Either by deduction of future tax income, or reduction of deferred tax liability for the same tax subject. Probable net tax assets is measured at net realization value.

Deferred tax is calculated based on current tax laws, and regulations which at the balance sheet are expected to be in force by the time of realization of the deferred tax. Changes in deferred taxes, derived from changes in tax rates are measured in the Income Statement. This years tax rate is 18% p.a.

Debts

Financial liabilities are recognized as loans at acquisition value, equalizing received revenues, less of transaction expenses. The following periods, financial liabilities are measured at amortized acquision value, which equals the capitalized value of internal rate of return, where the difference between received amounts and face value are included in the income statement over the installment period.

Consequently, mortgages are measured at amortized acquisition value, which for cash loans equal remaining debts. For bonds the amortized

amortiseraða útveganarvirðið til eina restskuld, roknað sum lánsins undirliggjandi kontantvirði á upptøkudegnum. Harumframt verður kursmunurin avskrivaður yvir avdráttartíðina.

Onnur skuld, sum fevnir um vøru- og tænastuskuld, skuld til atknýttar fyritøkur og aðra skuld, verða tiknar við til amortiserað útveganarvirði, sum vanliga er áljóðandi virði.

Umrokning av fremmandum gjaldoyra

Handlar í fremmandum gjaldoyra verða umroknaðir til kursin, sum er galdandi á handilsdegnum. Gjaldoyramunir, millum handilsdagin og gjaldsdagin, verða innroknaðir í rakstrarroknskapin, sum ein fíggjarpostur. Um gjaldoyrapositiónir verða sæddar sum tryggingar fyri framtíðar peningastreymum, verða virðisjavningarnar innroknaðar beinleiðis á eginpeningin.

Áogn, skuld og aðrir peningaligir postar í fremmandum gjaldoyra, sum ikki eru avroknaðir við roknskaparlok, verða innroknaðir til gjaldoyrakursin við roknskaparlok. Munurin millum gjaldoyrakursin við roknskaparlok og kursin, ið var galdandi á upptøkudegnum, verður innroknaður í rakstrarroknskapin undir fíggjarligum inntøkum og kostnaðum.

Støðisognir, ið eru keyptar í fremmandum gjaldoyra, verða innroknaðar til kursin á handilsdegnum.

GJALDFØRISFRÁGREIÐING

Gjaldførisfrágreiðing er uppsett eftir óbeinleiðis háttinum og vísir gjaldførisávirkanina frá rakstri, íløgum og fígging.

Gjaldføri við roknskaparbyrjan og við roknskaparlok er samansett av tøkum peningi og innistandandi í peningastovni.

acquisition value equal remaining debts which are calculated as the cash equivalent at the contract date. Moreover, the quotation differences are amortized over the installment period.

Other debts, which consist of trade payables, payables to group enterprises, and other debts, are measured at amortized acquisition value, which usually equals face value.

Agio/disagio

Trade in foreign currency are calculated at current currency quotations at trading date. Currency differences between trade date and settlement date are included in the income statement as a financial item. Where currency balances are considered hedging instruments concerning future cash flows, value adjustments are recognized directly in equity.

Receivables, payables and other financial items in foreign currencies, which are awaiting settlement at the balance sheet date, are measured at current quoted currency rates. Currency differences between balance sheet data and settlement date are included in the income statement as a financial item.

Non-current assets, which are purchased in foreign currency, are measured at the quoted rate at the agreement date.

CASH FLOW STATEMENT

The cash flow statement is prepared according to the indirect method and presents cash flow from operations, investments and financing activities.

The cash positions 1 January and 31 December consist of cash in hand and bank deposits

LYKLATØL

Lyklatølini, sum standa í brotinum høvuðs- og lyklatøl í ársfrágreiðingini, eru roknað soleiðis:

Rakstraravkast	=	$\frac{\text{Rakstrarúrslit x 100}}{\text{Nettosølu}}$
Skiftisavkast	=	$\frac{\text{Bruttoúrslit x 100}}{\text{Nettosølu}}$
Ognaravkast	=	$\frac{\text{Rakstrarúrslit x 100}}{\text{Miðal ognir}}$
Trygdarevni	=	$\frac{\text{Eginogn x 100}}{\text{Skyldir tilsamans}}$
Rentan av eginogn	=	$\frac{\text{Ársúrslit x 100}}{\text{Miðal eginogn}}$

KEY FIGURES

The Key figures given in the paragraph concerning key figures in the Board of Executives Review, are calculated as follows.

EBIT/Sales Ratio	=	$\frac{\text{EBIT x 100}}{\text{Net Sales Revenue}}$
Operation Profit Ratio	=	$\frac{\text{Operating Profit x 100}}{\text{Net Sales Revenue}}$
Asset Yield	=	$\frac{\text{EBIT x 100}}{\text{Total Assets on avg.}}$
Financial standing	=	$\frac{\text{Equity x 100}}{\text{Total Liabilities}}$
Equity Yield	=	$\frac{\text{Annual Profits x 100}}{\textit{Equity on avg}}$

Appendix 4:

P/f Bakkafrost: 2007 annual financial statements FO-GAAP

INPACT

P/F BAKKAFROST HOLDING

GLYVRAR

ÁRS- OG KONSERNROKNSKAPUR/
ANNUAL- AND CONSOLIDATED ACCOUNTS

2007

(17. ROKNSKAPARÁR)

Til Skráseting Føroya

MÓTTIKIÐ
14. MAR. 2008
SKRÁSETING FØROYA

INNIHALDSYVIRLIT/*CONTENTS*

UPPLÝSINGAR UM FELAGIÐ/*GENERAL INFORMATION*

Felagið/*The Company*

Navn/*Name*:	P/F Bakkafrost Holding
Bústaður/*Address*:	Bakkavegur, 625 Glyvrar
Heimstaðarkommuna/*Home*:	625 Glyvrar
Skattakommuna/*Tax municipality*:	Runavík
Telefon/*Telephone*:	40 50 00
Telefax/*Telefax*:	40 50 09
Teldupostur/*Email*:	bakkafrost@bakkafrost.com

Nevndin/*Board of Directors*
Liggjas í Bø, formaður/*Chairman*, 700 Klaksvík
Hans Jacobsen, 625 Glyvrar
Odd Eliasen, 530 Fuglafjørður
Virgar Dahl, 450 Oyri

Stjórn/*Management*
Jóhan Regin Jacobsen, 600 Saltangará

Grannskoðan/*Auditors*
P/F Grannskoðaravirkið *INPACT*
statsaut. revisorar/*State Authorized Public Accountants*
R. C. Effersøesgøta 26
Postrúm 191, FO-110 Tórshavn
Telefon: 31 47 00 - Telefax: 31 38 15
T-postur: inpact@inpact.fo
Heimasíða: www.inpact.fo

Árs- og konsernroknskapurin 2007 er góðkendur á felagsins ársaðalfundi, hin 19. februar 2008./
The annual- and consolidated accounts 2007 were approved by the general meeting at 19th February 2008.

Formaður/*Chairman*

ÁRSFRÁGREIÐING 2007

Virksemi
Virksemi hjá konserninum er laksaaling og framleiðsla av laksi. Felagið er virkið í smoltaling, sjógvaling, kryvjing og víðarivirking av laksaúrdráttum.

Fíggjarliga gongdin
Ársins úrslit fyri 2007, eftir skatt, er kr. 24.831.366. Hetta metir leiðsla felagsins vera nøktandi.

Íløgur
Móðurfelagið hevur gjørt íløgur fyri tils. 13.553 t.kr. í árinum. Konsernið hevur gjørt íløgur fyri tils. 51.734 t.kr.

Menningarkostnaður
Felagið nýtti í árinum uml. kr. 525.000 til gransking og nýmenning.

Framtíðarútlit
Umstøðurnar til alivinnuni í Føroyum hava verið góðar í árinum. Veterinerar og umhvørvisligu viðurskiftini tykjast vera í tryggari legu. Vøksturin hevur verið góður og fellið lágt. Marknaðurin hevur verið lækkandi, tó var nakað av uppgongd í marknaðinum eftir summarstøðgin og til jóla, men sum heild kann sigast, at marknaðurin hevur verið støðugt lækkandi.

BOARD OG DIRECTORS' AND BOARD OF EXECUTIVES' REVIEW 2007

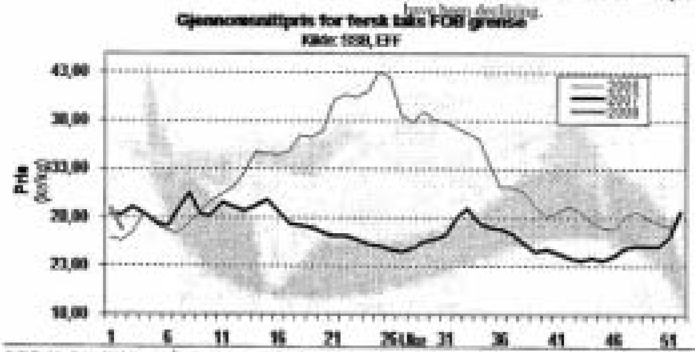
Activity
The activity of the Bakkafrost Group, is producing farmed salmon products. The company is active in producing smolts, salmon, harvesting and further processing of salmon.

Financial performance
The annual profits for 2007 was a profit amounting to DKK 24.831.366. The Board of Directors and Board of executives consider the financial results as satisfactory.

Investments
The parent company has invested 13.553 t.DKK in fixed assets during the year. The consolidated company has investet for 57.734 t.DKK in the year.

Research and development expenses
The company have used around t.DKK 525 in R&D expenses during 2007.

Future prospects
The conditions for fish farming have been favourable this year. Veterinary and environmental circumstances seem to be safe. The growth rates have been good, and the mortality rates have been low. The market, however, has been going downwards, even though some growth was in the market during the period from late summer, ending prior to christmas. Seen over the entire financial year 2007, the market for farmed salmon products have been declining.



Gongdin í framleiðsluni í Kili kann ávirka marknaðarstøðuna í 2008. Verða trupulleikarnir meir enn mett, viðførur hetta at útboðið har verður lægri, og harvið kann prísurin hækka. Framleiðslan í Noregi er skjótt vaksandi og kann, um hon veksur skjótari enn mett, trýsta prísin.

Framleiðslan í Føroyum av laksi er uml. 1,5% av heimsmarknaðinum. Tað verður sostatt neyvan Føroyska framleiðslan, sum broytir munandi uppá marknaðin.

Tað hevur sum heild verið trupult at fáast við framleiðsluvirksemi í Føroyum í 2007. Lítla tilfeingið av arbeiðsfólki ger, at tað í heilum mangla fólk í framleiðsluni. Hetta viðførur sum heild verri effektivitet og hægri framleiðslukostnað.

Production levels in Chile may influence market prices in 2008. If the production difficulties, being experienced in Chile are worse than expected, this will result in a lower supply of farmed salmon products, and possibly climbing market prices. The production of salmon in Norway is growing rapidly, og can influence prices negatively.

The combined production of salmon in the Faroe Islands is around 1,5% of the world output. Consequently, increasing production levels in the Faroe Islands are not likely to influence world markets.

In general terms, labour intensive production has been difficult in the Faroe Islands during 2007. The limited available labour force has been a constraint on production during the year. This has resulted in a declining efficiency and a higher production expenses.

Hendingar aftaná roknskaparárslok
Frá støðudegnum til í dag er einki hent, sum hevur týðandi ávirkan á tær upplýsingar, ið standa í ársroknskapinum.

Subsequent events
From the balance sheet date to today, no events have occurred, which materially impacts the information provided by the accounts.

Partaeigaraviðurskifti
Partapeningurin er kr. 2.991.789. Hesir partaeigarar eru á yvirlitinum, samb. § 28b í partafelagslógini.

P/F F. B. Holding
Hans Jacobsen
P/F Havsbrún
J. Regin Jacobsen
P/F Hjallur

General shareholder information
Share capital is DKK 2.991.789. The following share holders are included in the list, according to article 28b in the Faroese Company Act:

P/F F. B. Holding
Hans Jacobsen
P/F Havsbrún
J. Regin Jacobsen
P/F Hjallur

Konsernviðurskifti
P/F B. F Holding er móðurfelag hjá hesum feløgum, og innroknað í móðurfelags- og konsernroknskap og víst sum atknýtt feløg.

Consolidation
P/F B. F. Holding is the parent company for the following companies, which are included in the parent and consolidated accounts and presented as group companies.

	Ognarpartur/ Holding in %	*Ársúrslit/ Ann. Profit*	*Eginpeningur/ Equity*
P/F Faroe Smolt	100%	-7.240	1.900.474
P/F Faroe Salmon	100%	15.220.840	42.447.752
P/F Bakkafrost	100%	-416.067	-492.093
P/F Kassavirkið á Bakka	100%	108.279	2.915.637
P/F Faroe Salmon Processing	100%	4.333.467	29.331.043

Býtið av ársúrslitinum/*Allocation of profit*	*Móðurfelagið/ Parent company*	*Konsernið/ Consolidated*
Flutt frá seinasta ári/*Carried forward from last year*	36.809.918	73.208.621
Vinningsbýti/*Dividends*	5.000.000	5.000.000
Flutt til innanvirðisgrunn/*Transfer to net revaluation eq. method*	19.655.346	0
Ársúrslit/*Profit for the year*	24.831.366	24.831.366
Til taks/*At disposal*	**36.985.938**	**93.039.987**

Ið nevndin mælir til at flyta til næsta ár/*Which the board recommends carried forward to next year.*

Eginpeningur/*Equity at* 31.12.2007 **191.308.447**

LEIÐSLUÁTEKNING

Nevnd og stjórn hava uppsett árs- og konsernroknskapin við ársfrágreiðing fyri 2007 hjá P/F Bakkafrost Holding.

Árs- og konsernroknskaparin er settur upp, samsvarandi ásetingunum í galdandi ársroknskaparlóg.

Tað er okkara fatan, at nýttu roknskaparhættirnir eru hóskandi, soleiðis at árs- og konsernroknskaparin gevur eina rætta mynd av ognum og skyldum, fíggjarligu støðuni og úrslitinum.

Árs- og konsernroknskaparin og ársfrágreiðingin fyri 2007 verða harvið løgd fyri aðalfundin til góðkenningar.

STATEMENT OF BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

The annual- and consolidated accounts and Board of Directors' Report of P/F Bakkafrost Holding for 2007 are prepared by the Board of Directors and Management.

The annual- and consolidated accounts are prepared and presented in compliance with current Faroese Financial Statements Act.

In our opinion, the accounting policies as applied to the accounts are appropriate, and the annual- and consolidated accounts present a true and fair view og assets, liabilities, financial position and annual profits.

The annual report and annual- and consolidated accounts for 2007 are hereby submitted to the general meeting for approval.

Glyvrar, hin/at 19. februar/*February* 2008

Stjórn/*Management*: Regin Jacobsen

Nevnd/*Board*:

Liggjas í Bø
Formaður/*Chairman*

Hans Jacobsen

Odd Eliasen

Virgar Dahl

ÁTEKNING FRÁ ÓHEFTUM GRANNSKOÐARA

Til eigararnar í P/F B. F. HOLDING

Átekning á ársroknskapin
Vit hava grannskoðað ársroknskapin hjá P/F Bakkafrost Holding fyri roknskaparárið 1. januar – 31. desember 2007. Ársroknskaparin er gjørdur eftir ársroknskaparlógini.

Ábyrgd leiðslunnar av ársroknskapinum
Leiðslan hevur ábyrgdina av at gera ein ársroknskap, ið gevur eina rættvísandi mynd í samsvari við ársroknskaparlógina. Henda ábyrgd ber í sær, at felagið støðugt hevur tað innanhýsis eftirlit, ið skal til fyri at ársroknskapur kann gerast, sum gevur eina rættvísandi mynd uttan týðandi skeivleikar, uttan mun til um skeivleikarnir standast av sviki ella mistøkum, at nýttir verða hóskandi roknskaparhættir, og at roknskaparligu metingarnar, sum gjørdar eru, eftir umstøðunum mugu ætlast at vera rímiligar.

Grannskoðanin og ábyrgd grannskoðarans
Okkara ábyrgd er við støði í grannskoðanini at gera eina niðurstøðu um ársroknskapin. Vit hava grannskoðað samsvarandi galdandi føroyskum grannskoðanarreglum, ið krevja, at vit halda tey etisku krøvini og leggja til rættis og grannskoða fyri at fáa grundaða vissu fyri, at tað ikki eru týðandi skeivleikar í ársroknskapinum.

Grannskoðanin ber í sær, at gjørt verður tað arbeiði, sum skal til fyri at fáa grannskoðanarprógv fyri upphæddum og upplýsingum í ársroknskapinum. Grannskoðarin metir um, hvat arbeiði skal gerast, herundir metir hann um vandan fyri týðandi skeivleikum í ársroknskapinum, uttan mun til um skeivleikarnir standast av sviki ella mistøkum. Grannskoðarin metir eisini um innanhýsis eftirlitið, ið skal til fyri at felagið kann gera ein ársroknskap, sum gevur eina rættvísandi mynd. Hetta verður gjørt fyri at leggja grannskoðanina til rættis eftir umstøðunum og ikki fyri at gera eina niðurstøðu um dygdina á innanhýsis eftirlitinum. Grannskoðanin ber eisini í sær, at støða verður tikin til, um roknskaparhættirnir, sum leiðslan nýtir, er

INDEPENDENT AUDITORS' REPORT

To the shareholders of P/F B. F. HOLDING

We have audited the Annual Accounts of P/F Bakkafrost Holding for the financial year 1 January - 31 December 2007. The Annual Accounts have been prepared in accordance with the Faroese Financial Statements Act.

The Board of Directors and Board of Executives' Responsibility for the Annual Accounts
The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of this Annual Accounts in accordance with the Faroese Financial Statements Act. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of Annual Accounts that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of Opinion
Our responsibility is to express an opinion on these Annual Accounts based on our audit. We conducted our audit in accordance with Faroese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Accounts 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 Board of høskandi, um tær roknskaparligu metingar, sum leiðslan hevur gjørt, eru rímiligar, og hvussu ársroknskapurin sum heild er gjørdur.

Tað er okkara fatan, at vit hava fingið nøktandi grannskoðanarprógv, ið kann vera grundarlag undir okkara niðurstøðu.

Grannskoðanin hevur ikki givið orsøk til fyrivarni.

Niðurstøða
Tað er okkara fatan, at ársroknskapurin gevur eina rættvísandi mynd av felagsins ognum, skyldum og fíggjarligu støðu 31. desember 2007 og av úrslitinum av virksemi og peningastreymi felagsins í roknskaparárinum 1. januar – 31. desember 2007 samsvarandi ársroknskaparlógini.

Directors and Board of Executives, as well as evaluating the overall presentation of the Annual Accounts.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Annual Accounts give a true and fair view of the Company's financial position at 31 December 2007 and of the results of the Company's operations and cash flow for the financial year 1 January - 31 December 2007 in accordance with the Faroese Financial Statements Act.

Tórshavn, hin 19. februar/February 2008

P/F Grannskoðanarvirkið *INPACT*
statsaut. revisorar

[illegible]
statsaut. revisor

[illegible]
løggildur grannskoðari

NÝTTUR ROKNSKAPARHÁTTUR

Ársroknskapurin hjá P/F Bakkafrost Holding fyri 2007 er gjørdur í samsvari við ársroknskaparlógina, og tann nýtti roknskaparhátturin er óbroyttur, í mun til undanfarna ár.

Alment
Allar inntøkur verða førdar í rakstrarroknskapinum, so hvørt tær verða vunnar. Hetta er eisini galdandi fyri virðisbroytingar á fíggjarligum ognum og skyldum. Allar kostnaður, ið hoyrir árinum til, verður tikin við í rakstrarroknskapinum, eisini møguligar avskrivingar og niðurskrivingar.

KONSERNROKNSKAPUR

Móður- og konsernroknskapurin er uppsettur eftir innanvirðisháttinum.

Konsernroknskapurin vísir móðurfelagið og døtturfeløgini undir einum. Allir internir handlar og millumverandi, eins og konserninternir kapitalpartar, eru elimineraðir.

Inntøkur og kostnaðir frá kapitalpartum eru upptiknir í móðurfelagsroknskapin eftir úrslit, áðrenn skatt, í døtturfeløgunum. Skattur í móður- og døtturfeløgunum er hereftir kostnaðarførdur í móðurfelagnum.

Úrslitið, áðrenn skatt, vísir hereftir úrslitini, áðrenn skatt í øllum atknýttu feløgunum.

Inntøkur frá assosieraðum feløgum eru upptiknar eftir ognarpartinum av ársúrslitinum og eginpeninginum.

Kapitalpartar, undir fíggjarligari støðisogn, vísa ognarpartarnar í atknýttum og assosieraðum feløgum til innara virði. Um eginognin er negativ verður niðurskrivað til kr. 0, og upphæddin verður avsett undir skyldum, í tann mun móðurfelagið heftir fyri skuldini.

RAKSTRARROKNSKAPURIN

Nettosøla
Nettosølan er øll fakturerað og kontantsøla, har vøran ella tænastan er veitt keyparanum innan

APPLIED ACCOUNTING POLICIES

The Annual Accounts of P/F Bakkafrost Holding for 2007 is prepared and presented in compliance with the Faroese Financial Statements Act, and the accounting policies are unchanged from previous years.

General
All revenues are entered to the income statement as they are earned. This is also true for value fluctuations on financial assets and liabilities. All expenses, which is derived from the years operations, are entered to the income statement, including depreciations and write-downs.

CONSOLIDATED ACCOUNTS

The parent- and consolidated accounts are prepared according to the equity method.

The consolidated accounts present the parent company and its subsidiaries as one entity. All internal trade, balances, as well as internal capital interests are eliminated.

Revenues and expenses from capital interests are included in the parent company's accounts at profits before taxes in the subsidiaries. Taxes in the parent company and its subsidiaries are deducted in the parent company's income statement.

Profits, before taxes, present profits before taxes in all consolidated companies.

Revenues from associated companies are included according to share percentage of annual profits and equity.

Financial fixed assets, investments in subsidiaries and associates, are presented according to equity value. Whereas equity turns negative, investments are written down to DKK 0, and the full amount is provided for as liabilities, if the parent is liabilities for the subsidiaries' debts.

INCOME STATEMENT

Net operating revenue
Net operating revenue consists of all invoiced sales during the year. Invoicing is completed at

árslok. Meirvirðisgjald og veittar avsláttur eru drigin frá.

Rakstrarkostnaður
Rakstrarkostnaður fevnir um allan kostnað, sum knýtir seg til høvuðsvirksemina hjá felagnum.

Starvsfólkakostnaður
Starvsfólkakostnaður fevnir um allan kostnað, ið stendst av at hava fólk í starvi. Tað er lønar- og eftirlønarkostnaður og øll sosial gjøld.

Aðrar rakstrarinntøkur og annar rakstrarkostnaður
Aðrar rakstrarinntøkur og annar rakstrarkostnaður fevna um inntøkur og kostnað, sum ikki hoyra til høvuðsvirksemina hjá fyritøkuni.

Fíggjarpostar
Fíggjarligar inntøkur og kostnaður eru rentuinntøkur og –kostnaður, umframt ásannaður og ikki ásannaður kursbroytingar viðvíkjandi áogn og skuld í fremmandum gjaldoyra.

Óvanligar inntøkur og kostnaðir
Óvanligar inntøkur og kostnaðir fevna um upphæddir, ið ikki eru afturvendandi og sum ikki hava nakað við vanliga raksturin at gera.

Skattur
Skattur verður kostnaðarførdur við teirri upphædd, ið viðvíkir ársúrslitinum. Kostnaðarførdi skatturin fevnir um aktuellan skatt av skattskyldugu ársúrslitinum og javning av útsettum skatti.

FÍGGJARSTØÐAN

Immateriell støðisogn
Immateriell støðisogn verður tikin við til útveganarvirði, frádrigið akkumuleraðar avskrivingar. Avskrivað verður við eins stórum árligum upphæddum yvir í mesta lagi 5 ár.

Materiell støðisogn
Materiell støðisogn verður tikin við til útveganarvirði, frádrigið akkumuleraðar avskrivingar. Grundøki verða ikki avskrivað.

Avskrivingarnar eru grundaðar á ætlaða nýtslutíð og verða gjørdar við eins stórum árligum prosentparti. Í ávísum førum verður eitt minstavirði (scrapvirði) ásett, sum ikki verður

delivery. VAT and discounts are deducted.

Operating expenses
Operating expenses consist of all expenses incurred as a result of the company's ordinary operations.

Staff expenses
Staff expenses consist of all expenses, derived from employment. These are salaries and wages, pensions and all social expenses.

Other operating revenues and other operating expenses
Other operating revenues and other operating expenses are revenues and expenses apart from the company's core business area.

Financial items
Financial revenues and expenses are interest revenues and expenses, and agio / disagio, derived from receivables and payables in foreign currencies.

Extraordinary revenues and expenses
Extraordinary revenues and expenses consist of amounts, which are not recurrent and are not derived from ordinary operations of the company.

Taxes
Taxes are charged to the income statement at the amount, which is derived from the annual profit. Taxes charged to the income statement consist of taxes payable, and regulation of latent taxes.

BALANCE SHEET

Intangible fixed assets
Intangible fixed assets are presented at acquisition value less of accumulated depreciations. Depreciations are made linearly with equal amounts over a maximum of 5 years.

Tangible fixed assets
Tangible fixed assets are presented at acquisition value less of accumulated depreciations. Land is not depreciated.

Depreciations are based on economic life expectancy, and are charged by equal annual percentage. In some instances, a scrap-value is estimated and depreciations are not charged

avskrivað niðurum.

Bygningar	25 ár
Tøkniogn og maskinur	10 ár
Onnur støðisogn	3 - 5 ár

Tól, ið kosta minni enn kr. 20.000 verða kostnaðarførd í útveganarárinum.

Um staðfest verður at materiella støðisogn felagsins verður fyri varandi virðisvøkstri, verður virði uppskrivað samsvarandi. Um uppskrivingar verða gjørdar, verður avskrivingargrundarlagið somuleiðis hækkað.

Tá materiell støðisogn verður seld, verða vinningar ella hall gjørd upp sum munurin millum søluprís og niðurskrivaða virði á ognini og tikin við í rakstrarroknskapin.

Fíggjarlig støðisogn
Kapitalpartar í atknýttum og assosieraðum feløgum verða tiknir við eftir innaravirðisháttinum.

Rakstrarúrslitið hjá atknýttum og hjá assosieraðum feløgum verða tikin við í rakstrarroknskapin hjá móðurfelagnum í roknskaparpostinum "Inntøkur av kapitalpartum í atknýttum feløgum" og í "Inntøkur av kapitalpartum í assosieraðum feløgum", sum eisini verður ført undir eginognina í serstøkum posti nevndur "Tiltakspeningur av nettouppskriving eftir innaravirðisháttinum".

Virðisbrøv, sum eru skrásett í keypsskála verða tikin við til kursin við árslok.

Onnur virðisbrøv verða tikin við til útveganarvirði.

Vørugoymslur
Biomassi, rávørur og liðnar vørur á goymslu verða virðisásettar til kostvirði eftir FIFO-háttinum. Um nettosøluvirði er lægri, verður tað nýtt.

Kostvirðið á handilsvørum og øðrum hjálpitilfari verður roknað sum útveganarvirði á rávørum, flutningskostnaði, beinleiðis lønarkostnaði og óbeinleiðis framleiðslukostnaði.

Rentur eru íroknaðar orsakað av longum

beyond this value.

Buildings	25 years
Technical equipment	10 years
Other tangibles	3 – 5 years

Investments, worth less than DKK 20,000, are charged to the income statement at acquisition.

If the value of the tangible fixed assets increase durably, revaluations are entered to the assets accordingly. When revaluations are made, the basis for calculating depreciations increases aswell.

When tangible fixed assets are disposed of profits or losses are calculated as the difference between sales revenue, and book value. Profits or loss is accounted for in the Income Statement.

Financial fixed assets
Investments in subsidiaries and associates are presented according to the equity method.

Annual profits in subsidiaries and associates is entered to the Income Statement of the parent company in the item "Revenues from investments in subsidiaries" and "Revenues from investments in associates", and entered to equity in a special item, "Reserve for investment valuation, equity method".

Securities and holdings, which are listed on a Stock Excange are presented at the going quotations at the balance sheet date.

Other securities and holdings are presented at acquisition value.

Inventories
Biomass, raw materials and finished goods in inventory are valued at cost-value according to the FIFO-principle. Whereas net-realization value is lower than cost-value write-downs are entered.

Cost-value of trading goods and other materials are calculated at acquisition value of raw materials, transportation costs, direct labour expenses and indirect production expenses.

Interest is included, due to long production cycle.

framleiðsluni.

Áogn
Áogn er tikin við til áljóðandi. Tapsvandi er gjørdur upp eftir einstaklingameting og frádrigin í rakstrarroknskapinum.

Tíðaravmarkingar
Tíðaravmarkingar undir ogn er goldin kostnaður, sum viðvíkur komandi ársroknskapum.

Avsetingar til útsettan skatt
Avsetingin til útsettan skatt verður roknað við 18% av teimum tíðarbundnu frávikunum, sum stava frá, at inntøkur og kostnaður ikki verða tikin við í rakstrarroknskapinum og skattskyldugu inntøkuni í sama tíðarskeiði.

Skuld
Skuld verður tikin við til áljóðandi virði við árslok.

Umrokning av útlendskum gjaldoyra
Flytingar í útlendskum gjaldoyra eru í árinum roknaðar um til kursin tann dagin, flytingin er gjørd. Áogn, skuld og aðrir postar í útlendskum gjaldoyra, sum ikki eru avroknaðir við árslok, verða umroknaðir til kursin við árslok.

Ásannaðir og ikki-ásannaðir gjaldoyrakursmunir eru við í rakstrinum undir fíggjarligum inntøkum ella fíggjarligum kostnaðum.

Eventual- og veðhaldsskyldur
Veðhalds- og aðrar skyldur verða upplýstar í ársroknskapinum.

Accounts receivable
Accounts receivable are presented at face value. Individual considerations of the risk of losses are made and deducted.

Accruals
Accruals consist of expenses, which are paid, and charged to the income statement in fiscal years to come.

Provisions for deferred taxes
Provisions for deferred taxes are calculated at 18% of all time related differences, derived from revenues and expenses, which are included in the income statement and tax declaration in different periods.

Payables
Payables are presented at face value at the balance sheet date.

Agio/disagio
Transfers in foreign currencies, during the year, are recalculated at the currency rate, at the date which the transfer is made. Unsettled receivables, payables and other items in foreign currencies are recalculated at the the currency rate at the balance sheet date.

Realized and unrealized currency differences are intered to the income statement in the item "Financial revenues and Financial expenses".

Contingent liabilities and securities
These liabilities are presented as tey occur.

RAKSTRARROKNSKAPUR 2007/
INCOME STATEMENT 2007

	Nota/ *Note*	Móðurfelagið/ *Parent company* 2007	tDKK 2006	Konsernið/ *Consolidated* 2007	tDKK 2006
Nettosøla/*Net operating revenues*		3.819.600	3.910	228.524.557	198.541
Goymslubroyting/*Changes in stock*		0	0	71.059.842	120.194
Framleiðslukostnaður/*Operating expenses*		0	0	-181.556.202	-215.332
Annar kostnaður/*Other expenses*		-622.823	-576	-35.682.778	-27.352
Bruttoúrslit/*Operating profits*		**3.196.777**	**3.334**	**103.345.820**	**76.051**
Aðrar rakstrarinntøkur/*Other revenues*		0	0	23.430	6.136
Starvsfólkakostnaður/*Staff costs*	1	-1.006.553	-227	-46.217.157	-34.667
Avskrivingar/*Depreciations*	3	-937.308	-775	-15.592.099	-13.441
Úrslit frá primerum rakstri/ *Profits from primary operations*		**1.252.917**	**2.332**	**41.559.994**	**34.078**
Fíggjarligar inntøkur/*Financial income*		7.617.172	450	559.006	456
Inntøkur, atkvøtt felag/*Revenues, invest. Subsidiaries*		19.239.279	21.333	0	0
Inntøkur, assosierað felag/*Revenues invest. Associates*		0	-59	0	-59
Virðisjavningar, onnur partabræv/*Regulations other shs*		0	17	0	17
Fíggjarkostnaður/*Financial expenses*		-1.582.241	-2.240	-11.681.666	-12.497
Úrslit áðrenn skatt/*Profits before taxes*		**26.527.126**	**21.832**	**30.437.333**	**21.995**
Skattur/*Taxes*	2	-1.695.760	-281	-5.605.967	-443
Ársúrslit/*Profit for the year*		**24.831.366**	**21.552**	**24.831.366**	**21.552**

FÍGGJARSTØÐA PR. 31. DESEMBER 2007/
BALANCE SHEET AT DECEMBER 31ST 2007

OGN/*ASSETS*	Nota/ *Note*	Móðurfelagið/ *Parent company* 2007	tDKK 2006	Konsernið/ *Consolidated* 2007	tDKK 2006
Bygningar/*Buildings*		36.093.521	23.478	99.959.431	90.557
Tekningar og maskinur/*Mach. and plant fix., etc.*		0	0	107.599.244	81.239
Onnur støðisogn og mask./*Other tangible ass.*		0	0	8.104.266	8.504
Forútgoldið matr. støðisogn/*Prepaid for fix. ass.*		0	0	416.162	0
Materiell støðisogn tilsamans/ ***Total tangible fixed assets***	3	36.093.521	23.478	216.079.103	180.301
Kapitalpart. Atknýtt./*Investm. Group companies*		76.794.906	57.140	0	0
Kapitalpart. Assosierað/*Investm. Ass. Comp.*		258.508	259	258.508	259
Aðrir kapitalpartar/*Other investments. In shares*		255.378	255	6.904.609	6.690
Fíggjarlig støðisogn tils./ ***Total financial fixed ass.***	4	77.308.792	57.653	7.163.117	6.949
Støðisogn tilsamans/*Total fixed assets*		113.402.313	81.132	223.242.220	187.250
Livandi fiskur/*Live fish in inventory*		0	0	184.295.061	116.672
Liðugar vørur/*Finished goods*		0	0	4.860.986	3.543
Rávørur og hjálpievni/*Raw material and pack.*		0	0	3.094.902	2.511
Fóður á goymslu/*Inventory, feed*		0	0	3.286.312	1.751
Vørugoymslur tilsamans/*Total inventories*		0	0	195.537.261	124.477
Vøru- og tænastuáogn/*Trade receivables*		1.486.810	0	37.637.681	42.054
Áogn, atknýtt virki/*Receivables, group comp.*		131.065.467	143.192	0	0
Onnur áogn/*Other receivables*		3.238.565	0	12.087.563	4.789
Tíðarmarkingar/*Prepaid expenses*		0	0	2.877.872	0
Áogn tilsamans/*Total receivables*		135.790.842	143.192	52.603.137	46.843
Peningar/*Cash and cash equivalents*		15.129	12	18.455	946
Peningar tilsamans/*Total cash etc.*		15.129	12	18.455	946
Ogn í umferð tilsamans/*Total current assets*		135.805.971	143.205	248.158.753	172.266
OGN TILSAMANS/*TOTAL ASSETS*		249.206.284	224.336	471.400.973	359.517

FÍGGJARSTØÐA PR. 31. DESEMBER 2007/
BALANCE SHEET AT 31ST DECEMBER 2007

SKYLDUR/*LIABILITIES*	Nota/ *Note*	Móðurfelagið/ *Parent company* 2007	tDKK 2006	Konsernið/ *Consolidated* 2007	tDKK 2006
Partapeningar/*Share capital*		2.991.789	2.992	2.991.789	2.992
Meirvirði av partabrævaútgávu/*Share premium*		86.676.199	86.676	86.676.199	86.676
Uppskrivingarhartaleggingar/*Premium*		0	0	8.591.861	8.592
Tilskotspeningar - innanvirðisgrunnur/ *Reserve for investment valuation, equity method*		64.654.521	44.999	8.510	9
Flutt úrslit/*Retained earnings*		36.985.938	36.810	93.039.887	73.209
Eginpeningur tilsamans/*Total equity*	6	191.308.447	171.477	191.308.447	171.477
Aðrar avsetingar/*Other provisions*		692.092	276	923.460	0
Avsett útsettan skatt/*Deferred taxes*	2	4.247.980	2.552	15.370.972	9.981
Avsetingar tilsamans/*Total provisions*		4.940.072	2.828	16.294.432	9.981
Veðskuld/*Mortage debts*	5	18.774.800	7.650	82.649.183	47.742
Langfreistað skuld tilsamans/*Total long term debts*		18.774.800	7.650	82.649.183	47.742
Veðskuld/*Mortage debts*	5	26.216.800	9.793	36.559.191	23.477
Kassakreditter/*Financial institutions*		339.057	12.197	106.581.208	80.857
Vøru- og tænastuskuld/*Trade payables*		124.954	32	26.813.245	17.650
Partafelagsskattur/*Payables, taxes*		0	0	0	88
Avsett til Vinningsbýti/*Dividends*		5.000.000	0	5.000.000	0
Aðrar skattur/*Other taxes*		0	34	0	34
Skuld til atknýtt virki/*Payables, group companies*		6.613.107	12.298	0	0
Onnur skuld/*Other payables*		3.889.047	8.027	6.195.266	8.601
Stuttfreistað skuld tilsamans/*Total current debts*		42.182.966	42.381	181.149.911	130.707
Skuld tilsamans/*Total debts*		52.957.766	50.031	263.798.094	178.449
SKYLDUR TILSAMANS/*TOTAL LIABILITIES*		249.206.284	224.336	471.400.973	359.517

VEÐSETINGAR- OG EVENTUALSKYLDUR/*CONTINGENT LIABILITIES AND SECURITIES*

Konsernfelagini borga sum sjálvskuldarar fyri hvørjum øðrum fyri allari skuld til P/F Føroya Banka. Givnir veðsettir í einum felagi, eru soleiðis eisini galdandi fyri onnur feløg í samtakinum./
The consolidatory companies have a guarenteed self-debtor in solidum for the balance with limitations for each other. Given security in solidatory companies are thereby also applying for other companies within the consolidatory company.

Bygningar/*Buildings*

1. Veðr./*Prio.* Matr. no. 81	T.F. Holding
2. Veðr./*Prio.* Matr. No. 81	Føroya Banki
1. Veðr./*Prio.* Matr. No. 274-g	T.F. Holding
2. Veðr./*Prio.* Matr. No. 274-g	Føroya Banki

Bátar/*Boats*

1. Veðr./*Prio.*	Føroya Realkreditstovnur

Alifiskur, bæði á smoltstøðum og avinjandi fiskur, er veðsettur. Eisini er allar fastar ognir við tilhoyrandi útbúnaði veðsett til Føroya Banka. Sama er galdandi fyri alt útbúnaði./
Live fish, both on smoltstations and on breeding stations are placed in security. All buildings with equipment are placed in security to Føroya Banka. This applies to all tangible assets.

Onnur virðisbrøv og kapitalpartar eru í høvuðsheitum veðsett./
Other shares are as a whole placed in security.

NOTUR TIL ROKNSKAPIN/*NOTES*

	Móðurfelagið/ *Parent company*		Konsernið/ *Consolidated*	
		tDKK		tDKK
	2007	2006	2007	2006
Nota 1. Starvsfólkakostnaður/*Staff costs*				
Lønarkostnaður/*Salaries and fees*	979.063	324	42.742.099	32.578
Sosialar skipanir/*Social benefits*	27.490	2	3.475.058	2.089
	1.006.553	327	46.217.157	34.667
Stjórn/*Management*	479.588	0	843.233	1.952
Nevnd/*Board of directors*	332.000	224	332.000	224
Ársverk í roknskapartíðinum/*Number of staff*	3	6	215	184
Nota 2. Skattur/*Tax*				
Útsettur skattur/*Deferred taxes 01.01.2007*	2.552.220	0	9.590.652	5.468
Útsettur skattur, samanlegging/*Deferred taxes, merger*	0	2.271	0	2.271
Útsettur skattur/*Deferred taxes 31.12.2007*	4.247.980	2.552	15.370.972	9.591
	1.695.760	281	5.780.320	1.851
Skattargjald/*Tax accruals*	0	0	-174.353	-1.496
Roknaður partafelagsskattur/*Tax revenue*	0	0	0	88
	1.695.760	281	5.605.967	443

Nota 3. Materiell støðisogn, Móðurfelagið/Tangible, *fixed assets, parent company*

	Bygningar/ Buildings	Tekniogn og maskinur/ Machinery and plant fixtures	Onnur støðisogn, rakstrartól og innbúgv/ Other fixed assets
Keypsvirði/Aquisition value 01.01.2007	34.253.563	0	0
Tilgongd/Aquisition 2007	13.552.648	0	0
Frágongd/Disposals 2007	0	0	0
Keypsvirði/Aquisition value 2007	37.806.211	0	0
Avskrivingar/Depreciations 01.01.2007	775.182	0	0
Seld aktiv avskriva/Depreciations, disposed assets	0	0	0
Avskrivingar/Depreciations 2007	937.308	0	0
Avskrivingar/Total depreciations 31.12.2007	1.712.490	0	0
Bókført virði/Net book value 31.12.2007	36.093.521	0	0

Nota 3. Materiell støðisogn, Konsernin/Tangible, *fixed assets, consolidated company*

	Bygningar/ Buildings	Tekniogn og maskinur/ Machinery and plant fixtures	Onnur støðisogn, rakstrartól og innbúgv/ Other fixed assets
Keypsvirði/Aquisition value 01.01.2007	107.546.739	99.026.449	9.715.955
Tilgongd/Aquisition 2007	14.554.894	36.439.548	739.800
Frágongd/Disposals 2007	-243.356	-291.718	-328.489
Keypsvirði/Aquisition value 2007	121.858.277	135.174.279	10.127.266
Uppskrivað/Re-evaluations 01.01.2007	8.927.569	827.496	541.292
Tilgongd/Aquisitions	0	0	0
Frágongd/Disposals	0	0	0
Uppskrivað/Re-evaluations 31.12.2007	8.927.569	827.496	541.292
Avskrivingar/Depreciations 01.01.2007	25.916.935	18.614.802	1.748.249
Tilgongd/Aquisitions	0	0	0
Seld aktiv avskrivað/Depreciations, sold assets	0	0	-48.740
Avskrivingar/Depreciations 2007	4.909.480	9.787.729	864.783
Avskrivingar/Total depreciations 31.12.2007	30.826.415	28.402.531	2.564.292
Bókført virði/Net book value 31.12.2007	99.959.431	107.599.244	8.104.266

Nota 4. Fíggjarlig støðisogn/Financial fixed assets

	Móðurfelagið/ Parent company: Arkinfelt/ Subsidiaries	Móðurfelagið/ Parent company: Assosierað/ Associated	Konsernin/ Consolidated: 2007	Konsernin/ Consolidated: tDKK 2006
Keypsvirði/Aquisition 01.01.2007	35.341.602	317.820	317.820	0
Tilgongd, samanlegging/Aquisition, merger	0	0	0	318
Tilgongd/Aquisitions 2007	0	0	0	0
Keypsvirði/Aquisition value 31.12.2007	35.341.602	317.820	317.820	318
Upp- niðurskrivað/Re-evaluations 01.01.2007	23.797.959	-59.312	-59.312	0
Ársúrslit/Result for the year	19.655.346	0	0	-59
Upp- og niðurskrivað/Re.-evaluat. 31.12.2007	43.453.305	-59.312	-59.312	-59
Saldo/Balance 31.12.2007	78.794.907	258.508	258.508	259

	Onnur virðisbrøv/ Other investments	Konsernin/ Consolidated: 2007	Konsernin/ Consolidated: tDKK 2006
Útvegsnarvirði/Aquisition value 01.01.2007	238.328	6.673.918	327
Tilgongd, samanlegging/Aquisitions merger 01.01.2006	0	0	136
Tilgongd/Aquisitions 2007	0	25.585	6.267
Frágongd/Disposals 2007	0	0	-55
Útvegsnarvirði/Aquisition value 31.12.2007	238.328	6.699.503	6.674
Upp- og niðurskrivað/Re-evaluations 01.01.2007	17.050	17.050	-252
Uppskrivað/Re-evaluation 2007	0	188.056	269
Upp- og niðurskrivað/Re-evaluations 31.12.2007	17.050	205.106	17
Saldo/Balance 31.12.2007	255.378	6.904.609	6.691

Nota 5. Veðskuld/Mortage debt

	2007	tDKK 2006	2007	tDKK 2006
Fellur, innan 1 ár/Due within 1 year	28.216.800	9.793	36.559.191	23.477
Fellur, seinni enn 1 ár/Due later than 1 year	10.774.800	7.650	82.649.183	47.742
Veðskuld tilsamans/Total mortage debts	38.991.600	17.443	119.208.374	71.219
Skuldin at gjalda aftaná 5 ár / *Mortage debts, due later than 5 years*	3.200.000	6.402	28.610.141	14.586

	Móðurfelagið/ *Parent company*		Konsernin/ *Consolidated*	
	2007	tDKK 2006	2007	tDKK 2006
Nota 6. Eginpeningur/*Equity*				
Partapeningur/*Share capital*	2.991.789	1.000	2.991.789	1.000
Hækking, samanlegging/*Share issue, merger*	0	1.107	0	1.107
Hækking/*Share issue*	0	885	0	885
Partapeningur tilsamans/*Total share capital*	2.991.789	2.992	2.991.789	2.992
Meirvirði av partabrævaútg./*Premium on share issue*	86.676.199	19.000	86.676.199	19.000
Hækking/*Share issue*	0	67.676	0	67.676
Meirvirði av partabrævaútgávu/*Premium on share is*	86.676.199	86.676	86.676.199	86.676
Uppskrivingarburturleggingar/				
Reserve funds, revaluation of assets 01.01.2007	0	0	8.591.961	0
Uppskrivingar ísv. samanlegging 01.01.2006/				
Revaluations, merger 01.01.2006	0	10.173	0	10.173
Rættur/*Regulations*	0	0	0	8.592
Afturføring - avhending /*Retained, disposal* 2006	0	-10.173	0	-10.173
Uppskrivingarburturleggingar/*Revaluation of assets*	0	0	8.591.961	8.592
Tilgongd ísv. samanlegging/*Aquisitions, merger* 2006	0	22.882	8.510	68
Javningar, dótturfelag/*Regulations subs.* 01.01.2007	44.999.175	14.482	0	0
Eginpeningsrørslur í dótturfeløgum/				
Equity movements, subsidiary companies	0	985	0	0
Niðurskrivað meirvirði/*Impairment*	0	-14.900	0	0
Úrslit/*Profit for the year* 2007	19.655.346	21.540	0	-59
Innanvirðisgrunnur ultimo/	64.654.521	44.999	8.510	9
Reserve for net revaluation according to the equity method				
Flutt úrslit/*Retained earnings*				
Saldo/*Balance* 01.01.2007	36.809.918	-31.059	73.208.621	-31.059
Tilgongd samanlegging/*Aquisitions merger* 01.01.2007	0	44.333	0	44.333
Javning, útsettur skattur/*Regulations def. tax* 01.01.2007	0	2.381	0	2.381
Aðrar virðisjavningar/*Other regulations*	0	0	0	14.790
Afturførd móðurfelagsskylda/				
Return of consolidatory obligations	0	11.061	0	11.061
Flutt frá uppskrivingarburturleggingum/				
Transferred from revaluation of assets	0	10.173	0	10.173
Flutt til innanvirðisgrunn/				
Transferred to reserves for net revaluation	-19.655.346	-21.540	0	59
Vinningsbýti/*Dividends*	-5.000.000	0	-5.000.000	0
Ársúrslit/*Profit for the year*	24.831.366	21.552	24.831.366	21.552
Flutt úrslit tilsamans/*Total retained earnings*	36.985.938	36.810	93.039.987	73.209
Eginpeningur tilsamans/*Total equity*	191.308.447	171.477	191.308.447	171.477

Partabrøvini hava øll eins rættindi./*All shares have equal voting rights.*

Appendix 5:
P/f Vestlax: 2009 financial statements FO-GAAP

P/F VESTLAX HOLDING

KOLLAFJØRÐUR

ÁRSFRÁSØGN/
ANNUAL REPORT

2009

AVRIT

INNIHALDSYVIRLIT/*CONTENTS*

UPPLÝSINGAR UM FELAGIÐ/*GENERAL INFORMATION*

Felagið/*The Company*	P/F Vestlax Holding Bryggjan Postbox 82 FO-410 Kollafjørður	
	Telefon/*Telephone:*	+298 405000
	Telefax/*Telefax:*	+298 405009
	Heimasíða/*Homepage:*	www.bakkafrost.com
	T-postur/*E-mail:*	bakkafrost@bakkafrost.com
	V-tal/*Tax reg. no:*	578.738
	Skattakommuna/*Tax mun.:*	100 Tórshavn
	Roknskaparár/*Financial year:*	1. januar - 31. desember
Nevndin/*Board of Directors*	Jóhan Regin Jacobsen formaður/*Chairman* Bergur Poulsen Símun Joensen	
Stjóri/*CEO*	Bergur Poulsen	
Grannskoðari/*Auditors*	Sp/f Grannskoðaravirkið *INPACT* løggilt grannskoðaravirki/*State Authorized Public Accountants* R. C. Effersøesgøta 26 Postrúm 191, FO-110 Tórshavn Telefon: 31 47 00 - Telefax: 31 38 15 T-postur/*E-mail:* inpact@inpact.fo Heimasíða/*Homepage:* www.inpact.fo	

Ársfrásøgnin er góðkend á felagsins aðalfundi, tann 15. februar 2010.
The Annual Report fo were approved by the general meeting at 15 February 2010.

Nevndarstjóri/*Chairman*

LEIÐSLUFRÁGREIÐING 2009

BOARD OF DIRECTORS' AND BOARD OF EXECUTIVES' REVIEW 2009

Lýsing av høvuðsvirksemi
P/F Vestlax Holding er stovnað við ársenda 2008 við tí endamáli at ogna sær partabrævini í P/F Vestlax við dótturfeløgum.

Virksemið hjá Vestlax Samtakinum er aling av laksi og síl. Samtakið rekur tvær smoltstøðir og 6 alistøðir til laksa- og sílaframleiðslu, umframt tilvirki og søludeild. Framleiðslan er umleið 12.000 tons árliga í rundari vekt.

Gongdin í virksemi og fíggjarligum viðurskiftum.
Nettosølan hjá konsernini í 2009 er 367,9 mió.kr. Ársúrslitið fyri 2009, eftir skatt, er 18,3 mió.kr.

Ársúrslitið er ikki nøktandi sæð í mun til marknaðarprísirnar og tað nøgd sum er slagtað og seld í árinum.

Umstøðurnar til alivirksemið í Føroyum hava hesuferð aftur í ár verið góðar. Veterinera og umhvørvisligu viðurskiftini tykjast vera í tryggari legu. Vøksturin hevur verið góður og fellið lágt. Tó er tað sum altíð sera avbjóðandi at ala síl. Væntandi verða seinastu sílini slagtað í 2010 og gevst Samtakið so at við at ala síl.

Søluhækkingin í árinum er grundað á vaksandi framleiðslu og hækkandi laksaprísi.

Roknskaparligar óvissur
Í alifyritøkum er livandi fiskur ein sera týðandi upphædd á aktivsíðuni í fíggjarstøðuni. Serliga í sambandi við sjúku er vandi fyri, at partur av virðinum kann verða mistur. Dentur verður lagdur á at meta um og stýra vandamálunum viðvíkjandi veterinerum og umhvørvisligum viðurskiftum.

Hendingar eftir roknskaparlok
Við virknað frá 1. januar 2010 er Vestlax samtakið lagt saman við Bakkafrost samtakinum, við Bakkafrost Holding sum tí framhaldandi felagnum. Ætlanin er at P/F Bakkafrost Holding, sum er móðurfelagið hjá Bakkafrost samtakinum verður skrásett á Oslo Børs í fyrra helvt av 2010.

Summary of Activities
P/F Vestlax Holding was founded towards year end 2008 with the purpose of acquiring the shares of P/F Vestlax and its subsidiaries.

The activity of Vestlax Group is producing farmed salmon and trout. The company is operating two hatcheries and 6 seafarms for salmon and trout production, as well as a processing factory and sales department. Total production volume is 12.000 tonnes round weight annually.

Developments in actitivities and fincial performance
Net operating revenues in 2009 is MDKK 367.9. The annual profits for 2009 was a profit amounting to MDKK 18,3. The annual profit for 2009 is not satisfying taking into account the market prices in 2009 and the amount harvested and sold during the year.

Despite this, the conditions for fish farming have again this year been favourable in the Faroes. Veterinary and environmental circumstances seem to be safe. The growth rates have been good, and the mortality rates have been low. As always it has been challenging to farm Rainbow trout. It is expected that the last rainbow trouts will be harvested in 2010 and at that time the company stop's farming Rainbow trouts.

The increased revenue, is caused by an increase in production and increased prices on salmon.

Accounting Uncertainties
In salmon companies, live stock is an important asset in the balance sheet. Especially in connection with diseases there is a threat, that part of the value can be lost. Focus is on assessing and controlling veterinarian and environmental risks.

Subsequent events
With effect from 1 January 2010 the Vestlax Group merged with the Bakkafrost Group, with the Bakkafrost Holding as the continuing company. The plan is that P/F Bakkafrost Holding, which is the ultimate parent company in Bakkafrost Group, will be listed on Oslo Børs in first half of 2010.

Bakkafrost samtakið hevur eisini eftir roknskaparlok umlagt sín fíggingarhátt soleiðis, at tað framyvir verður móðurfelagið í samanlagda Bakkafrost samtakinum, P/F Bakkafrost Holding, sum primert fíggjar øll feløgini í samtakinum. Samstundis hevur P/F Bakkafrost Holding undirskrivað nýggja lánsavtalu við P/F Føroya Banka og Nordea Norge ASA. Við nýggju avtaluni er samlaða lánsfíggingin hjá samtakinum nú 400 milliónir krónur, umframt onnur lán frá Føroya Realkreditstovni uppá slakar 58 milliónir. Nýggja bankafíggingin er skipað við 200 milliónum í rakstrarkreditti og 200 milliónum í langfreistaðari skuld. Avdráttirnir í 2010 og 2011 verða 50 milliónir krónir um árið.

Burtur sæð frá omanfyri standandi er einki frá støðudegnum til í dag hent, sum hevur týðandi ávirkan á tær upplýsingar, ið standa í ársfrásøgnini.

Framtíðarútlit
Marknaðarútlitini fyri laks í 2010 síggja rímiliga væl út. Fallandi útboð orsakað av sjúku í Kili og vaksandi eftirspurningur eru við til at kvinka prísin á feskum laksi uppeftir. Serliga eru útlitini á amerikanska marknaðinum góð, og er Bakkafrost við at fáa eitt gott fótafesti á hesum marknaði. Útlitini fyri sílaprísin eru eisini hampilig.

Vitanartilfeingi
Felagið er tilvitað um at seta fólk við hægri viðkomandi útbúgvingum í týðandi millumleiðarastørv. Tað er ein liður í at økja um rakstrarvinningin at seta fólk við viðkomandi teoretiskari og praktiskari útbúgving og álít royndum í lyklastørv.

Fíggjarliga gongdin
Grundað á framanfyri nevndu viðurskifti arbeiðir leiðslan við at betra um fíggjarligu gongdina hjá felagnum, tó ferð minkingin í tøkum fiski vantandi at síggjast aftur í úrslitinum.

Váðalýsing
Norska krónan er í seinastuni styrknað í mun til evruna og donsku krónuna. Hetta merkir, at kappingarføri okkara er betra í mun til norsku útflytararnar, ið eru sera týðandi á

The Bakkafrost Group has after the end of 2009 changed its financing principles. In the future it will primarily be the ultimate parent company in the merged group, P/F Bakkafrost Holding which will finance all the companies in the group. At the same time P/F Bakkafrost Holding has signed a new loan agreement with P/F Føroya Banki and Nordea Norge ASA. With the new agreement the total loan facility is DKK 400 million plus other loans from Føroya Realkreditstovni amounting to approx. 58 million. The new bank financing is divided into 200 million as a revolving credit facility and a long-term loan amounting to DKK 200 million. Payment into the long-term loan facility is agreed to be DKK 50 million each year in 2010 and 2011.

Apart from the above, from the balance sheet date until today, no events have occurred, which materially impacts the information provided by the accounts.

Future prospects
The market outlook for 2010 for salmon is positive. Decreasing supply, due to diseases in Chile and increasing demand put an upward pressure on the price on fresh salmon. Especially the American marked looks promising and Vestlax in the merged Bakkafrost group has had a successful entrance on the American marked. The outlooks for rainbow trout's are also reasonable.

Human resources
It is a strategy in the company to recruit educated people for significant middle leader positions. This is a part of an effort to increase profitability to hire people with relevant theoretical educations an practical experience in key positions.

Financial performance
Based on the information above the Board of Directors and Executives put their efforts in to improve the results for the company, but the decrease in the harvested amount of salmon and rainbow trout's in 2010 will to some extent have a negative impact on the results in 2010.

Risk analysis
The NOK has increased recently compared to DKK and the euro. This means that our competiveness position is more favourable than our Norwegian competitors, which are material on

laksamarknaðinum. Við ársenda 2009 var norski krónukursurin á 89 í mun til donsku krónuna samanborið við 75 við ársbyrjan 2009.

Dollarin hevur sveiggjað nakað gjøgnum árið, men liggur við ársenda á umleið sama stað við ársbyrjan 2009.

Generelt er truplari at tryggja skuldarar, tí tryggingarfeløg eru varnari og meta tapsvandan størri. Hetta viðførir, at í summum førum kann vera truplari at umseta vøruna enn frammanundan. Tó hevur felagið nú atgongd til skuldaratrygging frá Eksport Kredit Fonden, sum betrar um støðuna.

Dóttarfelagið P/F Vestsalmon hevur í árinum staðfest tap av debitorum á tilsamans umleið 11 mió.kr. P/F Føroya Banki, ið átti P/F Vestlax Samtakið inntil P/F Vestlax Holding varð stovnað á heysti 2008, tók sær ein part av hesum tapum, og endurrindaði tap fyri tilsamans kr. 9,5 mió í 2009. Upphæddin er inntøkuførd í rakstrarroknskapinum og inngongur í "aðrar uttanhýsis kostnaðir".

Ávirkan á umhvørvi
Felagið hevur sum mál, at virksemið ikki skal hava óynskta ávirkan á umhvørvið. Málið við burðardyggu alivinnuni er at stýra umhvørvisávirkanini soleiðis, at vit kunnu halda umhvørvið í sama standi – ella betri, enn tá virksemið byrjaði. Strongu reglurnar, sum vit arbeiða eftir, viðføra at kanningar áhaldandi verða gjørdar av umhvørvinum, og um hesar vísa tekin um óynsktar avleiðingar, so verða átøk framd til tess at broyta tær.

Gransking- og menningarvirksemi
Konsernin nýtti í árinum uml. 600 t.kr. til gransking og nýmenning í 2009.

the salmon marked. Buy the end of 2009 the value of the NOK was 89 in terms of 100 DKK compared to 75 at the beginning of 2009. The USD has fluctuated to some degree during 2009 but at the year end 2009 it is approx. on same level as at the beginning of the year.

In general, it is more difficult to insure our debtors, because the insurance companies are more withholding and estimate bigger losses. As a consequence it is more difficult to sell the goods, as opposed to before. But now the company has access to Ekport Kredit Fonden to insure debtors which makes the situation more comfortable.

The subsidiary P/F Vestsalmon has realised losses on bad debtors amounting to DKK 11 million. P/F Føroya Banki, which was the sole shareholder of Vestsalmon Group, assumed responsibility for part of the losses and reimbursed a total of DKK 9,5 million, which is netted in the income statement in the item "Other operating expenses" in 2009.

Environmental impact
The company has as a target, that the activity shall not have a deteriorating effect on the environment. The goal with sustainable farming, is to control the environmental effects to such an extent, that we leave the environment in the same condition – or in a better condition, than before the production started. The strict environmental rules, which we comply, result in continuing examinations of the environment, and if these show unwanted effects, actions will be taken, to change these effects.

Research and development activities
The consolidated company has spent around t.DKK 600 in R&D expenses during 2009.

HØVUÐS- OG LYKLATØL/*KEY FIGURES*
Konsernin/*Consolidated*

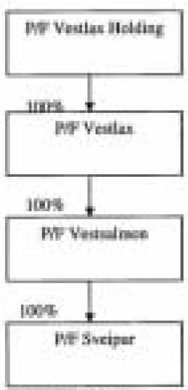
tDKK	2009	2008
Høvuðstøl/*Key figures*		
Nettosøla/*Net sales revenues*	367.877	0
Bruttoúrslit/*Gross profits*	106.922	-100
Rakstrarúrslit/*EBIT*	40.278	-100
Úrslit av fíggjarpostum/*Net financial items*	-22.354	-18
Úrslit av óvanligum postum/*Net extraordinary items*	0	0
Ársúrslit/*Annual Profit*	**18.302**	**-118**
Fíggjarstøða tilsamans/*Total balance*	328.662	407.214
Eginogn/*Equity*	**141.684**	**79.182**
Íløgur í materiellum støðisogn/ *Investments in tangible non-current assets*	14.864	236.074

Lyklatøl/*Ratios*

Rakstrarávkast/*EBIT ratio*	11%	-
Skiftisávkast/*Gross ratio*	29%	-
Ognarávkast/*Asset yield*	11%	-
Trygdarævni/*Financial standing*	43%	19%
Renta av eginogn/*Equity yield*	17%	-

Móðurfelagið hevur ikki annað virksemið enn at eiga partabrævini í konsernfeløgunum, og høvuðs- og lyklatøl hjá móðurfelagnum inganga í tølini hjá konserninum/*The parent company has no activity apart from holding shares in the consolidated companies. Key figures and ratios are included in the consolidated figures.*

Konsernyvirlit/*Group Structure*



LEIÐSLUÁTEKNING

Nevnd og stjórn hava í dag viðgjørt og góðkent ársfrásøgnina fyri 2009 hjá P/F Vestlax Holding við leiðsluátekning, leiðslufrágreiðing, rakstrarroknskapi, fíggjarstøðu, frágreiðing um eginogn, gjaldførisfrágreiðing, nýttum roknskaparhátti og notum fyri bæði konsernina og móðurfelagið.

Ársfrásøgnin er sett upp, sambært ásetingunum í galdandi ársroknskaparlóg.

Tað er okkara fatan, at nýtti roknskaparhátturin er hóskandi, soleiðis at ársfrásøgnin gevur eina rættvísandi mynd av ognum og skyldum, fíggjarligu støðuni, peningastreymum og rakstrarúrslitinum.

Ársfrásøgnin fyri 2009 verður hervið løgd fyri ársaðalfundin til góðkenningar.

STATEMENT OF THE BOARD OF DIRECTORS AND BOARD OF EXECUTIVES

The Board of Directors and Board of Executives today considered and approved of the Annual Report of P/F Vestlax Holding for 2009 which comprises the Statement of the Board of Directors and Board of Executives on the Annual Report, Chief Executive's Review, the income statement, balance sheet, cash flow statement, a summary of significant accounting policies, and notes for the Group and the Parent Company.

The Annual Report is prepared and presented in compliance with the current Faroese Financial Statements Act.

In our opinion, the accounting policies as applied are appropriate, and the Annual Report presents a true and fair view og assets, liabilities, financial position, annual profits and Cash Flow.

The Annual Report 2009 is hereby submitted to the general meeting for approval.

Glyvrar tann/*at* 15. februar/*February* 2010

Stjórn:/*Chief Executive Officer*: Bergur Poulsen

Nevnd:/ *Board of Directors*: Jóhan Regin Jacobsen, Formaður/*Chairman* Bergur Poulsen Súman Joensen

ÁTEKNING FRÁ ÓHEFTUM GRANNSKOÐARA

Til eigararnar í P/F Vestlax Holding

Átekning á ársfrásøgnina
Vit hava grannskoðað ársfrásøgnina hjá P/F Vestlax Holding fyri roknskaparárið 1. januar – 31. desember 2009 við leiðsluátekning, leiðslufrágreiðing, rakstrarroknskapi, fíggjarstøðu, frágreiðing um eginogn, gjaldførisfrágreiðing, nýttum roknskaparháttum, og notum fyri bæði konsernina og móðurfelagið. Ársfrásøgnin er gjørd eftir ársroknskaparlógini.

Ábyrgd leiðslunnar av ársfrásøgnini
Leiðslan hevur ábyrgdina av at gera eina ársfrásøgn, ið gevur eina rættvísandi mynd í samsvari við ársroknskaparlógina. Henda ábyrgd ber í sær, at felagið støðugt hevur tað innanhýsis eftirlit, ið skal til fyri at ársfrásøgn kann gerast, sum gevur eina rættvísandi mynd uttan týðandi skeivleikar, uttan mun til um skeivleikarnir standast av sviki ella mistøkum, at nýttur verður hóskandi roknskaparháttur, og at roknskaparligu metingarnar, sum gjørdar eru, eftir umstøðunum mugu ætlast at vera rímiligar.

Grannskoðanin og ábyrgd grannskoðarans
Okkara ábyrgd er við støði í grannskoðanini at gera eina niðurstøðu um ársfrásøgnina. Vit hava grannskoðað samsvarandi galdandi føroyskum grannskoðanarreglum, ið krevja, at vit halda tey etisku krøvini og leggja til rættis og grannskoða fyri at fáa grundaða vissu fyri, at tað ikki eru týðandi skeivleikar í ársfrásøgnini.

Grannskoðanin ber í sær, at gjørt verður tað arbeiði, sum skal til fyri at fáa grannskoðanarprógv fyri upphæddum og upplýsingum í ársfrásøgnini. Grannskoðarin metir um, hvat arbeiði skal gerast, herundir metir hann um vandan fyri týðandi skeivleikum í ársfrásøgnini, uttan mun til um skeivleikarnir standast av sviki ella mistøkum. Grannskoðarin metir eisini um innanhýsis eftirlitið, ið skal til fyri at felagið kann gera eina ársfrásøgn, sum gevur eina rættvísandi mynd. Hetta verður gjørt fyri at leggja grannskoðanina til rættis eftir umstøðunum og ikki fyri at gera eina niðurstøðu um dygdina á innanhýsis eftirlitinum. Grannskoðanin ber eisini í sær, at støða verður tikin til, um roknskaparháttirnir, sum leiðslan nýtir, er hóskandi, um tær roknskaparligu metingar, sum leiðslan hevur gjørt eru rímiligar, og hvussu ársfrásøgnin sum heild er gjørd.

Tað er okkara fatan, at vit hava fingið nøktandi grannskoðanarprógv, ið kann vera grundarlag undir okkara niðurstøðu.

Grannskoðanin hevur ikki givið orsøk til fyrivarni.

Niðurstøða
Tað er okkara fatan, at ársfrásøgnin gevur eina rættvísandi mynd av konsernarinnar og felagsins ognum, skyldum og fíggjarligu støðu 31. desember 2009 og av úrslitinum av virksemi og peningastreymi konsernarinnar og felagsins í roknskaparárinum 1. januar – 31. desember 2009 samsvarandi ársroknskaparlógini.

INDEPENDENT AUDITORS' REPORT

To the shareholders of P/F Vestlax Holding

Auditors report to the Annual Report
We have audited the Annual Report of P/F Vestlax Holding for the financial year 1 January - 31 December 2009, which comprises the Statement of the Board of Directors and Board of Executives on the Annual Report, Chief Executive's Review, the income statement, balance sheet, cash flow statement, a summary of significant accounting policies, and notes for the Group and the Parent Company. The Annual Report has been prepared in accordance with the Faroese Financial Statements Act.

The Board of Directors and Board of Executives' Responsibility for the Annual Report
The Board of Directors and Board of Executives are responsible for the preparation and fair presentation of this Annual Report in accordance with the Faroese Financial Statements Act and Faroese Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility and Basis of Opinion
Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Danish Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Annual Report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the Annual Report 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 Board of Directors and Board of Executives, as well as evaluating the overall presentation of the Annual Report.

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

Our audit has not resulted in any qualification.

Opinion
In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2009 and of the results of the Group's and the Parent Company's operations and the consolidated cash flow for the financial year 1 January - 31 December 2009 in accordance with the Faroese Financial Statements Act.

Tórshavn, tann */at* 15. februar/*February* 2010.

Sp/f Grannskoðaravirkið *INPACT*
løggilt grannskoðaravirki/*State Authorized Public Accountants*

Heini Thomsen
statsaut. revisor/
State Authorized Public Accountant

Jógvan Jensen
løggildur grannskoðari/
Authorized Public Accountant

RAKSTRARROKNSKAPUR/*INCOME STATEMENT*
1. januar - 31. desember

	Nota/ Note	Móðurfelagið/ *Parent Company* 2009	t.DKK 2008	Konsernið/ *Consolidated* 2009	t.DKK 2008
Nettosøla/*Net operating revenue*	1	0	0	367.876.523	0
Goymslubroytingar/*Changes in inventories*		0	0	-74.967.657	0
Rávøra og hjálpitilfar/*Raw materials and additives*		0	0	-126.316.493	0
Annar uttanhýsis kostnaður/*Other operation expenses*		-229.758	-100	-59.670.436	-100
Bruttoúrslit/*Operating profit*		**-229.758**	**-100**	**106.921.937**	**-100**
Starvsfólkakostnaður/*Staff expenses*	2	0	0	-45.881.681	0
Avskrivingar/*Depreciations*	4,5	-3.424.891	0	-20.762.014	0
Rakstrarúrslit/*Earnings before interest and tax*		**-3.654.649**	**-100**	**40.278.242**	**-100**
Inntøkur frá atknýttum feløgum/*Revenues from subsidiaries*		21.956.103	0	0	0
Vinningsbýti/*Received dividend*		0	0	152.761	0
Fíggjarinntøkur/*Financial revenues*		520	4	7.734.151	4
Fíggjarkostnaður/*Financial expenses*		0	-22	-30.240.821	-22
Úrslit áðrenn skatt/*Profit before taxes*		**18.301.974**	**-118**	**17.924.332**	**-118**
Skattur av ársúrsliti/*Tax on annual profit*	3	0	0	377.642	0
Ársúrslit/*Profit for the year*		**18.301.974**	**-118**	**18.301.974**	**-118**
Býti av ársúrsliti/*Allocation of profit*					
Vinningsbýti fyri roknskaparárið/*Dividend*		0	0	0	0
Flutt úrslit/*Retained Earnings*		18.301.974	-118	18.301.974	-118
Býtt tilsamans/*Total allocation*		**18.301.974**	**-118**	**18.301.974**	**-118**

FÍGGJARSTØÐA 31. DESEMBER/
BALANCE SHEET DECEMBER 31ST

OGN/*ASSETS*	Nota/ Note	Móðurfelagið/ *Parent Company* 2009	t.DKK 2008	Konsernið/ *Consolidated* 2009	t.DKK 2008
Innrætingar leigu høli/*Leasehold improvements*		0	0	35.829	72
Goodwill/*Goodwill*		65.072.926	68.498	65.072.926	68.498
Immateriell støðisogn/*Intangible non-current assets*	4	**65.072.926**	**68.498**	**65.108.755**	**68.570**
Bygningar/*Buildings*		0	0	20.356.818	21.613
Brunnbátar/*Wellboats*		0	0	17.647.243	17.634
Tøknilig og maskinur/*Machinery and equipment*		0	0	62.102.154	61.913
Materiell støðisogn/*Tangible non-current assets*	5	**0**	**0**	**100.106.215**	**101.160**
Kapitalpartar, atknýtt felag/*Investments in subsidiaries*		66.958.286	45.002	0	0
Kapitalpartar, assosierað felag/*Inv. associates*		0	0	0	259
Partapeningur, onnur felag/*Other investments*		0	0	2.875.750	2.839
Egin partabrøv/*Own shares*		0	0	200.000	200
Fíggjarlig støðisogn/*Financial non-current assets*	6	**66.958.286**	**45.002**	**3.075.750**	**3.298**
STØÐISOGN/*NON-CURRENT ASSETS*		**132.031.212**	**113.500**	**168.290.720**	**173.027**
Goymsla rávøra og hjálpitilfar/ *Inventory raw material and additives*		0	0	4.086.934	3.459
Goymsla biomassi/*Inventory biomass*		0	0	98.986.024	145.361
Goymsla liðnar vørur/*Inventory finished goods*		0	0	288.205	29.288
Vørugoymsla/*Inventories*		**0**	**0**	**103.361.163**	**178.108**
Vøruáogn/*Trade receivables*		0	0	52.870.099	43.565
Áogn, atknýtt felag/*Receivables, subsidiaries*		9.685.000	0	0	0
MVG til góðar, v.m./*VAT receivables etc.*		0	0	1.318.107	0
Onnur áogn/*Other receivables*		0	0	388.292	615
Tíðaravmarkingar/*Prepayed expenses*		0	0	72.114	207
Áogn/*Total receivables*		**9.685.000**	**0**	**54.649.612**	**44.387**
Kassa- og bankapeningur/*Cash and cash equivalents*		4.448	9.982	360.914	11.491
Peningur tilsamans/*Total cash*		**4.448**	**9.982**	**360.914**	**11.491**
OGN Í UMFERÐ/*CURRENT ASSETS*		**9.689.448**	**9.982**	**158.371.689**	**234.187**
OGN TILSAMANS/*TOTAL ASSETS*		**141.720.660**	**123.482**	**326.662.410**	**407.214**

FÍGGJARSTØÐA 31. DESEMBER/ *BALANCE SHEET DECEMBER 31ST*

	Nota/ *Note*	Móðurfelagið/ *Parent Company* 2009	tKKK 2008	Konsernið/ *Consolidated* 2009	tKKK 2008
SKYLDUR/*LIABILITIES*					
Partapeningur/*Share capital*		**61.750.000**	**39.650**	**61.750.000**	**39.650**
Yvirkursgrunnur/*Share premium reserve*		61.750.000	39.650	61.750.000	39.650
Tilskotspeningur, nettouppskriving, innan virði/ *Reserve, investment valuation, equity method*		21.956.103	0	0	0
Flutt úrslit/*Retained earnings*		-3.772.443	-118	18.183.659	-118
EGINOGN/*TOTAL EQUITY*	7	**141.683.660**	**79.182**	**141.683.660**	**79.182**
Avsett til útsettan skatt/*Deferred taxes*	8	0	0	0	378
AVSETINGAR/*TOTAL PROVISIONS*		**0**	**0**	**0**	**378**
Konvertibul lán/*Convertible loans*		0	44.200	0	44.200
Realkreditskuld/*Mortage dept*		0	0	37.065.000	0
Veðskuld/*Mortgage debts*		0	0	0	36.753
Langfreistað skuld/*Long term debts*	9	**0**	**44.200**	**37.065.000**	**120.953**
Lán, ið gjaldast innan 1 ár/*Installments, 1 year*	9	0	0	42.836.662	8.799
Bankaskuld/*Bank credits*		0	0	74.138.693	150.558
Vøru- og tænastuskuld/*Trade payables*		37.000	100	30.294.228	46.808
Onnur skuld/*Other payables*		0	0	644.167	537
Stuttfreistað skuld/*Current debts*		**37.000**	**100**	**147.913.750**	**206.702**
SKULD/*DEBTS*		**37.000**	**44.300**	**184.978.750**	**327.655**
SKYLDUR TILSAMANS/*TOTAL LIABILITIES*		**141.720.660**	**123.482**	**326.662.410**	**407.214**

Eventualskyldur/*Contingent liabilities*	10
Veðsetingar/*Mortgages and security pledges*	11
Nærstandandi partar/*Related Parties*	12

GJALDFØRISFRÁGREIÐING/*CASH FLOW STATEMENT*
1. januar - 31. desember

	Konsernið/ *Consolidated* 2009	tDKK 2008
Rakstrarúrslit/*EBT*	40.278.242	-100
Avskrivingar/*Depreciation*	20.762.014	0
	61.040.256	-100
Broyting ogn í umferð/*Change current assets*	64.684.691	-222.695
Broyting stuttfr. skuld/*Change current debts*	-92.825.919	198.281
Gjaldførisúrslit áðrenn fíggjarpostar og skatt/ *Cash earnings before interest and tax*	32.899.027	-24.515
Fíggjarinntøkur/*Financial income*	7.886.912	4
Fíggjarkostnaður/*Financial expenses*	-30.240.821	-22
Gjaldførisúrslit rakstur/*Cash flow operations*	**10.545.118**	**-24.533**
Íløgur í immateriella støðisogn/ *Investments intangible non-current assets*	0	-68.570
Íløgur í materiella støðisogn/ *Investment, tangible non-current assets*	-16.247.080	-101.160
Íløgur í fíggjarliga støðisogn/ *Investments financial non-current assets*	221.759	-3.298
Gjaldførisúrslit íløgur/*Cash flow investments*	**-16.025.321**	**-173.027**
Lántøka/*New loans*	-5.650.324	129.752
Partabrævaútgáva/*Share Issue*	44.200.000	79.300
Skuldarumlegging/*Debt Conversion*	-44.200.000	0
Gjaldførisúrslit fígging/*Cash flow financing*	**-5.650.324**	**209.052**
Gjaldførisúrslit netto/*Net Cash Flow*	**-11.130.528**	**11.491**
Tøkur peningur við ársbyrjan/*Cash position beginning of year*	11.491.442	0
Tøkur peningur við ársenda/*Cash position end of year*	**360.914**	**11.491**

NOTUR/NOTES

Nota 1. Segmentupplýsingar Konsernin/Segment information, Consolidated

Umsetningar býttar geografiskt/*Revenues distributed by geography*	2009
Norðurlond íroknað Føroyar/*Scandinavia including Faroes*	146.448.886
Rest av Europa/*Rest of Europe*	98.418.440
USA	53.032.226
Asia	71.975.971
	367.876.522

	Móðurfelagið/ *Parent Company*		Konsernin/ *Consolidated*	
	2009	2008	2009	2008
Nota 2. Starvsfólkakostnaður/*Payroll expenses*				
Starvsfólk í miðal/*Average number of staff*	0	0	172	0
Lønir og samsýningar/*Sallaries and labour*	0	0	-40.644.887	0
Pensjónir/*Pensions etc.*			-2.249.895	0
Sosial gjøld/*Social expenses*	0	0	-2.986.899	0
	0	**0**	**-45.881.681**	**0**
Samsýning til nevnd og stjórn/ *Board og Directors' and Board og Executives' fees*	0	0	0	
Nota/Note 3. Skattur av ársúrslit/*Tax on earnings*				
Roknaður skattur av ársinntøkuni/ *Calculated tax on taxable income*	0	0	0	0
Broyting í útsettum skatti/*Change in deferred tax*	0	0	377.642	0
	0	**0**	**377.642**	**0**

Nota 4. Immateriel støðisogn, móðurfelagið/*Intangible non-current assets Parent company*

	Goodwill
Útveganarvirði/*Acquisition value* 01.01.2009	68.497.817
Tilgongd/*Acquisitions*	0
Frágongd/*Disposals*	0
Útveganarvirði/*Acquisition value* 31.12.2009	**68.497.817**
Avskrivingar/*Amortisation* 01.01.2009	0
Avskrivingar/*Amortisations*	-3.424.891
Avskrivingar/*Amortisation* 31.12.2009	**-3.424.891**
Bókað virði/*Carrying amount* 31.12.2009	**65.072.926**
Bókað virði/*Carrying amount* 31.12.2008	**68.497.817**

Nota 4. Immateriel støðisogn, móðurfelagið/*Intangible non-current assets Parent company*

	Innrættingar leigað høli/*Lease hold improvements*	Goodwill
Útveganarvirði/*Acquisition value* 01.01.2009	370.147	68.497.817
Tilgongd/*Acquisitions*	0	0
Frágongd/*Disposals*	0	0
Útveganarvirði/*Acquisition value* 31.12.2009	**370.147**	**68.497.817**
Avskrivingar/*Amortisation* 01.01.2009	-297.939	0
Avskrivingar/*Amortisations*	-36.379	-3.424.891
Avskrivingar/*Amortisation* 31.12.2009	**-334.318**	**-3.424.891**
Bókað virði/*Carrying amount* 31.12.2009	**35.829**	**65.072.926**
Bókað virði/*Carrying amount* 31.12.2008	**72.208**	**68.497.817**

Nota 5. Materiell støðisogn, Konsernið/*Tangible non-current assets, consolidated*

	Bygningar/ *Buildings*	Brunnbátar/ *Wellboats*	Onnur rakstrargøgn/ *Other equipment*
Útveganarvirði/*Acquisition value* 01.01.2009	41.887.115	19.637.321	174.549.852
Tilgongd/*Acquisitions*	790.169	1.247.799	17.222.376
Frágongd/*Disposals*	-55.857	0	-14.306.675
Útveganarvirði/*Acquisition value* 31.12.2009	**42.621.427**	**20.885.120**	**177.465.553**
Virðisjavningar/*Valuation adjustments*	**-5.900.138**	**0**	**-21.004.333**
Avskrivað/*Depreciations* 01.01.2009	-14.374.283	-2.003.568	-91.632.087
Avskrivað frágongd/*Depreciations on disposals*	55.857	0	9.910.088
Avskrivingar/*Depreciations*	-2.046.045	-1.234.309	-12.637.067
Avskrivingar/*Depreciations* 31.12.2009	**-16.364.471**	**-3.237.877**	**-94.359.066**
Bókað virði/*Carrying amount* 31.12.2009	**20.356.818**	**17.647.243**	**62.102.154**

Nota 6. Fíggjarlig støðisogn, Móðurfelagið/*Financial non-current assets Parent Company*

	Kapitalpartar atkvýtt feløg/ *Investments subsidiaries*
Útveganarvirði/*Acquisition value* 01.01.2009	113.500.000
Tilgongd/*Acquisitions*	0
Frágongd/*Disposals*	0
Útveganarvirði/*Acquisition value* 31.12.2009	**113.500.000**
Virðisjavningar/*Value adjustments* 01.01.2009	-68.497.817
Uppskrivingar/*Write-ups*	21.956.103
Niðurskrivingar/*Write-downs*	0
Virðisjavningar/*Value adjustments* 31.12.2009	**-46.541.714**
Bókað virði /*Carrying amount* 31.12.2008	**66.958.286**

	Heimstaður/ *Domicile*	Ognarpartur/ *Share holding*	Eginogn/ *Equity*	Ognarpartur/ *Holding*
P/F Vestlax	Kollafjørður	100%	66.958.286	66.958.286

Nota 6. Fíggjarlig støðisogn, Konsernið/*Financial non-current assets consolidated*

	Partabrøv assosieraðar/ *Shares associates*	Aðrir kapitalpartar/ *Investments in shares*	Egin Partabrøv/ *Own shares*
Útveganarvirði/*Acquisition value* 01.01.2009	250.000	2.839.000	200.000
Tilgongd/*Acquisitions*	0	36.750	0
Frágongd/*Disposals*	-250.000	0	0
Útveganarvirði/*Acquisition value 31.12.2009*	**0**	**2.875.750**	**200.000**
Virðisjavningar/*Value adjustments* 01.01.2009	8.509	0	0
Uppskrivingar/*Write-ups*	-8.509	0	0
Virðisjavningar/*Value adjustments* 31.12.2009	**0**	**0**	**0**
Bókað virði/*Carrying amount* 31.12.2009	**0**	**2.875.750**	**200.000**

Nota 7. Eginogn, Móðurfelagið/*Equity Parent Company*

Rørslur í eginogn/*Changes in equity* 2008

	14. oktober	Kapital hækking/*Share emission*	Uppskot býti av ársúrsliti/ *Proposed allocation of profit*	31. desember
Partapeningur/*Share Capital*	39.650.000	0	0	39.650.000
Yvirkursgrunnur/*Share premium reserve*	39.650.000	0	0	39.650.000
Tilskotsgrunnur innara virði/				
Reserve equity method	0	0	0	0
Flutt úrslit/*Retained Earnings*	0	0	-118.315	-118.315
	79.300.000	**0**	**-118.315**	**79.181.685**

Eginogn, Móðurfelagið/*Equity Parent Company*

Rørslur í eginogn/*Changes in equity* 2009

	1. januar	Kapital hækking/*Share emission*	Uppskot býti av ársúrsliti/ *Proposed allocation of profit*	31. desember
Partapeningur/*Share Capital*	39.650.000	22.100.000	0	61.750.000
Yvirkursgrunnur/*Share premium reserve*	39.650.000	22.100.000	0	61.750.000
Tilskotsgrunnur innara virði/				
Reserve equity method	0	0	21.996.103	21.996.103
Flutt úrslit/*Retained Earnings*	-118.315	0	-3.694.129	-3.772.443
	79.181.685	**44.200.000**	**18.301.974**	**141.683.660**

Partapeningurin er býttur sundur í partabrøv á kr. 1 og multiplum herav/
The Share Capital is distributed into shares of DKK 1 and multiples thereof.

Broytingar í partapeninginum/*Development in Share capital*

	2009	2008
Við ársbyrjan/*Balance, beginning of year*	39.650.000	0
Tilgongd í árinum/*Additions*	22.100.000	39.650.000
Við ársenda/*Balance end of year*	**61.750.000**	**39.650.000**

Nota 7. Eginogn, Móðurfelagið/*Equity Consolidated*

Rørslur í eginogn/*Changes in equity* 2008

	14. oktober	Kapital hækking/*Share emission*	Uppskot býti av ársúrsliti/ *Proposed allocation of profit*	31. desember
Partapeningur/*Share Capital*	39.650.000	0	0	39.650.000
Yvirkursgrunnur/*Share premium reserve*	39.650.000	0	0	39.650.000
Flutt úrslit/*Retained Earnings*	0	0	-118.315	-118.315
	79.300.000	**0**	**-118.315**	**79.181.685**

Nota 7. Eginogn, Móðurfelagið/*Equity Consolidated*

Rørslur í eginogn/*Changes in equity* 2009

	1. januar	Kapital hækking/*Share emission*	Uppskot býti av ársúrsliti/ *Proposed allocation of profit*	31. desember
Partapeningur/*Share Capital*	39.650.000	22.100.000	0	61.750.000
Yvirkursgrunnur/*Share premium reserve*	39.650.000	22.100.000	0	61.750.000
Flutt úrslit/*Retained Earnings*	-118.315	0	18.301.974	18.183.660
	79.181.685	**44.200.000**	**18.301.974**	**141.683.660**

Nota 8. Útsettur skattur, Konsernin/*Deferred taxes Consolidated*

Útsettur skattur er greinaður soleiðis/*Deferred taxes is specified as follows:*

	Tilsamans/ *Total*
Avsetingargrundarlag/ *Basis for calculation*	0
Útsettur skattur (18 %) ***Deferred tax, 18%***	**0**

Konsernin hevur eitt skattaaktiv á tilsamans kr. 6.224.507. Orsakað av óvissuni viðvíkjandi nær upphæddin kann verða gagnnýtt, er einki ført sum ogn við ársenda 2009./*The group has a tax asset of DKK 6.224.507. Because of uncertainty as to when it may by utilized, the tax asset is not capitalized as of year end 2009.*

Nota 9. Langfreistað skuld, Konsernin/*Long term debts Consolidated*

	1/1 2009 Skuld í alt/ *Total debts*	31/12 2009 Skuld í alt/ *Total debts*	Avdráttur komandi ár/ *Installments next year*	Restskuld eftir 5 ár/ *Remaining 5 years on*
Veðskuld/*Mortgage debts*	85.551.986	79.901.662	42.836.662	37.065.000
	85.551.986	**79.901.662**	**42.836.662**	**37.065.000**

Nota 10. Eventualskyldur

Felagið hevur veitt borgan fyri bankaskuldini hjá dótturfelagnum, óavmarkað in solidum.

Note 10. Contingent liabilities

The company has issued guarantees, unlimited in solidum, on behalf of subsidiaries for any bank debts.

Nota 11. Veðsetingar og trygdarveitingar

Felagið hevur onga bankaskuld og ongar veðsetingar.

Sum trygd fyri skuld hjá dótturfelagnum til peningarstovnar tilsamans t.kr. 154.040, er latið veð í ognum felagsins, umfatandi materiella støðisogn, goymslu av biomassa og alloyvum, til eitt bókað virði á tkr. 203.467.

Note 11. Mortgages and security pledges

The company has no debts to banks, and consequently no mortgages.

The subsidiary has mortgaged its assets, comprising tangible non-current assets, biomass in inventory and production licenses, for debts to financial institutions, amounting to tDKK 203.467, securing a total debt of 154.040.

Nota 12. Nærstandandi partar

Vestlax konsernin er assosierað felag hjá P/F Havsbrún, ið er fóðurlatari til framleiðsluna.

Allur samhandil og millumverandi eru uppá vanligar marknaðartreytir.

Ognarviðurskifti

Hesir partaeigarar eru skrásettir í felagsins partabrævabók við einum ognarluti uppá í minsta lagi 5% av atkvøðurættindunum ella í minsta lagi 5% av partapeninginum:

P/F Føroya Banki, Tórshavn
P/F Bakkafrost Holding, Glyvrar
P/F Havsbrún, Fuglafjørður
P/F TF Holding, Tórshavn
P/F LÍV, Tórshavn
Framtak, Tórshavn

Note 12. Related parties

Vestlax Group is an associate of P/F Havsbrún, which is supplying Vestlax Group with fish feed.

All trade and balances payable are based on standard market conditions.

Shareholder information

The following shareholders are listed in the book of shareholders, holding 5% or more of the shares or voting rights:

NÝTTUR ROKNSKAPARHÁTTUR

Ársfrásøgnin hjá P/F Vestlax Holding fyri 2009 er gjørd í samsvari við ásetingarnar í flokki C fyri miðalstórar fyritøkur í ársroknskaparlógini og eftir galdandi roknskaparleiðbeiningum.

Almént um innrokning og virðisáseting
Í rakstrarroknskapinum verða inntøkurnar innroknaðar í søguni, so hvørt tær eru vunnar. Sama er galdandi fyri virðisjavningar av fíggjarligum ognum og skyldum. Í rakstrarroknskapinum verða somuleiðis allir kostnaðir innroknaðir, harímillum avskrivingar og niðurskrivingar.

Ognir verða innroknaðar í fíggjarstøðuna, tá sannlíkt er, at tær í framtíðini geva fyritøkuni fíggjarligar fyrimunir, og virðið kann ásetast álítandi.

Skyldur verða innroknaðar í fíggjarstøðuna, tá sannlíkt er, at tær í framtíðini taka fíggjarligar fyrimunir úr fyritøkuni, og virðið kann ásetast álítandi.

Við fyrstu innrokning verða ognir og skyldur virðisásettar til útveganarvirði. Síðani verða ognir og skyldur virðisásettar, sum greitt er frá niðanfyri um einstøku roknskaparpostarnar.

Ávísar fíggjarligar ognir og skyldur verða virðisásettar til amortiserað útveganarvirði, har ein støðug effektiv renta verður innroknað yvir tíðarskeiðið. Amortiserað útveganarvirði verður uppgjørt sum upprunaligt útveganarvirði frádrigið møguligan avdrátt, umframt ískoyti/frádrátt av akkumuleraðu amortiseringini av muninum millum útveganarvirði og áljóðandi virði.

Innrokningar og virðisásetingar taka hædd fyri tapum og váðum, ið vóru vitandi við roknskaparlok, sum síðan eru sannað ella avsannað, innan framløgu av ársfrásøgnini.

Roknskaparliga virðið á immateriellari og materiellari støðisogn verður gjøgnumgingið árliga, fyri at staðfesta um ábendingar eru um størri virðisminkingar, enn tær, sum eru í regluligu avskrivingunum. Um so er, verður niðurskrivað til tað lægra endurútveganarvirði.

APPLIED ACCOUNTING POLICIES

The P/F Vestlax Holding Annual Report for 2009 is prepared in accordance with the provisions in the Faroese Financial Statements Act, which apply to Class C-mediumsized companies, and current national accounting standards.

Recognition and measurement in general
Revenues in the Income Statement are recognized as they are earned. The same applies to valutation differences of financial assets and liabilities. Similarly, all expences are recognised in the Income Statement, including depreciations and write-downs.

Assets are recognised in the balance sheet at the time when the fiscial benefits from the assets are likely the flow to the company and values can be measured reliably.

Liabilities are recognised in the balance sheet at the time when the fiscial benefits from the liabilities are likely the flow from the company and values can be measured reliably.

At first time recognition, assets and liabilities are measured at aqcuisition value. The subsequent measurements are made, as described below concerning the individual items.

Certain financial assets and liabilities are measured at amortised acquisition value, where an internal rate of return covering the full period is calculated. Amortised acquisition value is measured at original aqcuisition value, less installments and additions/deductions of accumulated amortisation of any differences between acqusition value and face value.

In recognising and measuring assets and liabilities due consideration is given to risks identified by the balance sheet date, which are verified or rejected by the time the Annual Report is authorised for issue.

The carrying amount of immaterial and material non-current assets, are reconsidered annually, to determine wether material impairment has ocurred, which exceed depreciations. If so, the items will be written down to the lower recoverable amount.

KONSERNROKNSKAPUR

Móður- og konsernroknskaparin, umfatandi øll feløgini í Vestlax konserninum, er uppsettur eftir innanvirðishátturum.

Konsernroknskaparin vísir móðurfelagið og døtturfeløgini undir einum. Allir internir handlar og millumverandi, eins og konserninternir kapitalpartar, eru elimineraðir.

Inntøkur og kostnaðir frá kapitalpartum eru innroknaðir í móðurfelagsroknskapin eftir úrsliti áðrenn skatt í døtturfeløgunum. Skattur í móður- og døtturfeløgunum er síðani kostnaðarførdur í móðurfelagnum.

Úrslitið áðrenn skatt vísir síðani úrslitini, áðrenn skatt í øllum atkvøttu feløgunum.

Inntøkur frá assosieraðum feløgum eru innroknaðar eftir ognarpartinum av ársúrslitinum og eginognini.

Kapitalpartar, undir fíggjarligari støðisogn, vísa ognarpartarnar í atkvøttum og assosieraðum feløgum til innara virði. Um eginognin er negativ verður niðurskrivað til kr. 0, og upphæddin verður avsett undir skyldum, í tann mun móðurfelagið hefur fyri skuldini.

RAKSTRARROKNSKAPURIN

Nettosøla
Nettosøla av handilsvørum og liðnum vørum verður innroknað í rakstrarroknskapin, um vøting og váði er farin til keypara innan roknskaparlok. Nettosølan verður innroknað uttan meirvirðisgjald og við frádrátti av avsláttri í sambandi við søluna.

Framleiðslukostnaður
Framleiðslukostnaður er kostnaðurin av seldum vørum í árinum. Kostnaðurin fevnir um rávøru, hjálpitilfar, framleiðsluløn, viðlíkahald og avskrivingar av framleiðsluognunum v.m.

CONSOLIDATION

The parent- and consolidated accounts, covering all the companies in Vestlax Group, are prepared according to the equity method.

The consolidated accounts present the parent company and its subsidiaries as one entity. All internal trade, balances, as well as internal capital interests are eliminated.

Revenues and expenses from capital interests are included in the parent company's accounts measured at profits before taxes in the subsidiaries. Taxes of the parent company and its subsidiaries are deduct-ed in the parent company's income statement.

Profits, before taxes, present profits before taxes in all consolidated companies.

Revenues from associated companies are measured according to share percentage of annual profits and equity.

Financial non-current assets, investments in subsidiaries and associates, are measured according to equity value. Whereas equity turns negative, investments are written down to DKK 0, and the full amount is provided for as a liability, if the parent company is liable for the subsidiaries' debts.

INCOME STATEMENT

Net operating revenue
Net revenues from sales are recognised in the Income Statement as the purchaser has assumed benefits and risks inherent in posession of the goods at the balance sheet date. Net operation revenues are recognised less VAT and deduction of discounts.

Production expenses
Production expenses consist of expenses concerning goods sold during the year. The expenses comprise raw materials, additives, labour expenses, maintainence and depreciation of production assets, etc.

Fíggjarligir postar
Fíggjarligar inntøkur og kostnaðir verða innroknað í rakstrarroknskapin við upphæddum, sum viðvíkja roknskaparárinum. Fíggjarligu postarnir fevna um renteinntøkur og -kostnaðir, fíggjarligar kostnaðir av fíggjarligari leasing, staðfestir og ikki staðfestir kursvinningar og -tap viðvíkjandi virðisbrøvum, skuld og handlan í fremmandum gjaldoyra og amortisering av realkreditlánum.

Vinningsbýti frá øðrum kapitalpartum verða inntøkuførd í tí roknskaparári, vinningsbýti er samtykt.

Óvanligar inntøkur og kostnaðir
Óvanligar inntøkur og kostnaðir fevna um inntøkur og kostnaðir, sum viðvíkja hendingum ella handlum, sum greitt víkja frá tí vanliga rakstrinum og sum ikki kunnu væntast at vera afturvendandi.

Skattur
Skattur av ársúrslitinum, ið fevnir um skatt fyri árið og broytingina í útsettum skatti, verður innroknaður í rakstrarroknskapin við tí parti, sum viðvíkur ársúrslitinum, og innroknaður beinleiðis á eginpeningin við tí parti, sum viðvíkur bókingum beinleiðis á eginognina.

FÍGGJARSTØÐAN

Immateriell støðisogn
Keypt goodwill verður virðisett til útveganarvirði, frádrigið akkumuleraðar avskrivingar. Goodwill verður avskrivað yvir ta fíggjarligu lívitíðina, sum er mett til 5 ár.

Patent og rættindi eru tikin við til útveganarvirði, frádrigið akkumuleraðar avskrivingar, ella til endurútveganarvirði, tá hetta er lægri. Patent verða avskrivað yvir patenttíðarskeiðið, og rættindi verða avskrivað yvir avtalutíðarskeiðið, tó í mesta lagið yvir 8 ár.

Menningarkostnaður og kostnaður til innanhýsis upparbeidd rættindi verða innroknað í rakstrarroknskapin sum kostnaður í útveganarárinum.

Financial items
Financial revenues and expenses are recognised in the Income Statement by the amounts which are recognised during the year. Financial items consist of interest revenues and expenses expenses from receivables and payables, financial leasing, realised and unrealised valuation differences on securities, agio/disagio and amortisation on loans.

Dividends on other share investments are entered to the Income Statement at the time of adoption by the general meeting.

Extraordinary revenues and expenses
Extraordinary revenues and expenses consist of items, derived from events etc., which clearly part from ordinary operations and which are not expected to be recurrent.

Taxes
Taxes on annual profits, which consist of current tax and changes in deferred taxes, are charged to the Income Statement at the amount, which is derived from the annual profit, and is charged to equity at the amount, which are derived from items entered to equity.

BALANCE SHEET

Intangible non-current assets
Purchased goodwill is measured at acquisition value, less accumulated depreciations. Goodwill is depreciated over economic useful life, which is estimated at 5 years.

Patents and other contractually based rights are measured at acquisition value, less accumulated depreciations, or at recoverable amount, when this is lower. Patents are depreciated over the patent period, and other rights are depreciated over the contract periods, but no more than 8 years.

Development expenses and expenses concerning internally developed rights are measured in the Income Statement at incurred expenses during the acquisition year.

Materiell støðisogn
Grundøki og bygningar, framleiðslutól og maskinur, umframt onnur tól, rakstrargøgn og innbúgv verða tikin við til útveganarvirði, frádrigið akkumuleraðar avskrivingar.

Avskrivingargrundarlagið er útveganarvirðið við frádrátti av væntaðum restvirði eftir lokna nýtslutíð. Grundøki verða ikki avskrivað.

Útveganarvirðið fevnir um keypsprísin, umframt kostnað, ið beinleiðis er knýttur at ognini, til hon er klár at taka í nýtslu.

Tær linjeru avskrivingarnar eru grundaðar á fylgjandi metingar av væntaðu lívitíðini hjá ognunum.

	Nýtslutíð
Bygningar	10 - 25 ár
Tøkniogn og maskinur	3 - 15 ár
Onnur støðisogn	5 - 10 ár

Vinningur ella tap við avhendan av støðisogn, verða uppgjørd sum munurin millum søluprís, frádrigið sølukostnað, og tað roknskaparliga virðið á søludegnum. Vinningur ella tap verða innroknað í rakstrarroknskapin undir øðrum inntøkum ella kostnaðum.

Fíggjarlig støðisogn
Kapitalpartar í atknýttum og assosieraðum fyritøkum verða tiknir við eftir innanvirðisháttinum.

Kapitalpartar í øðrum fyritøkum verða tiknir við til útveganarvirði. Um nettorealisatiónsvirðið er lægri enn útveganarvirðið, verður niðurskrivað til lægra virðið.

Lánsbrævagoymslur, sum fevna um lánsbrøv, ið leiðslan væntar, at felagið eigur til lokadag, verða tiknar við til amortiserað útveganarvirði.

Við amortiseraðum útveganarvirði fyri hesi lánsbrøv, skilst restvirðið av lánsbrævunum upptikin til ein kurs, ið verður roknaður sum kursvirðið (dagsvirðið) við útvegan, við einum tíðarbundnum útroknaðum ískoyti/frádrátti av muninum millum nevnda kursin og innfríaðarkursin.

Tangible non-current assets
Land and buildings, production equipment and machines, and other tools and furniture are measured at acquisition value, less accumulated depreciations.

The basis for measuring depreciations is acquisition value less of scrap by the end of useful life. Land is not depreciated.

Acquisition value consists of purchasing price and various expenses in relation to the asset up to the point of being used.

Linear depreciations are based on the following estimates of expected useful lifespan.

	Useful life
Buildings	10 - 25 years
Technical equipment	3 - 15 years
Other tangibles	5 - 10 years

Gains and losses, by disposal of material non-current assets are calculated as the difference between sales revenue less sales expenses, and carrying amount at the sales date. Gains or losses are included in the Income Statement.

Financial non-current assets
Shares in subsidiaries and and associated enterprises are recognized at internal equity value.

Shares in other enterprises are measured at acquisition value. Whereas acquisition value exceeds net realization value, the assets are written down to the lower value.

Bonds, consisting of bonds, which the executives expect to keep to maturity, are measured at amortized cost value.

Amortized cost value is made up of remaining value of the bond, measured at current quotation rates, which are measured at current market value by the time of acquisition, added a time related addition/deduction of the difference between the quoted value and installment amount.

Vørugoymslur
Vørur á goymslu verða virðissettar til útveganarvirði eftir FIFO-háttinum. Um nettorealisatiónsvirðið er lægri enn útveganarvirðið, verður niðurskrivað til lægra virðið.

Útveganarvirðið á handilsvørum, rávørum og øðrum hjálpartilfari verður roknað sum keypsvirði, umframt flutningsgjaldi.

Útveganarvirðið á liðugum vørum og arbeiði í gerð verður virðisásett til útveganarvirðið á rávørum, hjálpartilfari og beinleiðis eins og óbeinleiðis lønar- og framleiðslukostnaði.

Nettorealisatiónsvirðið fyri vørugoymslur verður uppgjørt sum søluprísur, frádrigið kostnað til liðugagerð og kostnað til at gjøgnumføra søluna, og verður ásett við atliti at søluføri, ókurant og gongdini á væntaðum søluprísi.

Áogn
Áogn er tikin við til amortiserað útveganarvirði, sum vanliga svarar til áljóðandi virði. Virðið verður niðurskrivað eftir møguligum tapsvanda.

Tíðaravmarkingar
Tíðaravmarkingar, undir ognum, er goldin kostnaður, sum viðvíkur komandi roknskaparárum.

Vinningsbýti
Uppskot til vinningsbýti fyri roknskaparárið verður tikið við sum serstakur postur undir eginognini. Uppskot til vinningsbýti verður tikið við sum skylda, tá tað er samtykt á aðalfundi.

Skyldugur skattur og útsettur skattur
Skyldugur skattur og skattaogn verða tikin við í fíggjarstøðuna, sum roknaður skattur av ársins skattskyldugu inntøku, við møguligum javningum fyri skatti frá undanfarnum árum.

Útsettur skattur verður uppgjørdur eftir fíggjarstøðugrundaðu skuldarháttinum av fyribils munum millum roknskaparligu og skattligu virðið á ognum og skyldum, uppgjørd við grundarlagi í ætlaðu nýtsluni av ognini ella afturrindanini av skylduni.

Útsett skattaogn, herímillum skattligu virðið av framflytingarheimilaðum skattligum halli, verður

Inventories
Inventories are measured at acquisition price, according to the FIFO-method. Whereas acquisition value exceeds net realization value, inventories are written-down accordingly.

Acquisition value on trade inventories, raw materials and other additives are measured at purchasing price and transportation expenses.

Acquisition value on finished goods and work in progress are measured at purchasing prices on raw materials, additives, direct labour as well as indirect labour, sallaries and other indirect production expenses.

Net realization value on inventories is measured at marked prices, less finishing and sales expenses and is determined by paying due consideration to the market situation, inventory turnover and expected sales prices.

Accounts receivable
Accounts receivable are measured at amortized acquisition value, which is normally equivalent to face value. Any amounts are subject to write-downs, according to considerations of risk of losses.

Accruals
Asset accruals are payed for expenses, which which will be spent in future financial years.

Dividends
Proposed dividend is presented as an individual item in equity. Dividend proposals are transferred to current debts at adoption by the general meeting.

Tax payable and deferred taxes
Tax payable and tax assets are recognized in the balance sheet, at calculated tax expense on annual profit, including possible regulations to tax from last year.

Deferred taxes are calculated employing the balance based liability method of the provisional difference between carrying amounts and tax balances on assets and liabilities. Calculations are based on intended utilization of the asset or installment of the liability.

Deferred tax assets, including tax losses to be carried forward to future tax years, are measured at

innroknað við til virðið, sum ognin væntandi verður realiserað fyri. Antin við javnan í skatti av framtíðarinntøkum, ella við mótrokning av útsettari skattaskyldu innan fyri somu løgfrøðiliga skattaeind. Møgulig útsett nettoskattaogn verður tikin við til nettorealisatiónsvirðið.

Útsettur skattur verður útroknaður við grundarlagið í galdandi skattareglum og skattaásetingum, sum við roknskaparlok eru galdandi, tá útsetti skatturin væntandi verður útloystur. Broytingar í útsetta skattinum, sum eru avleiðingar av broytingum í skattasatsum, verða tiknar við í rakstrarroknskapinum. Í hesum árinum er skattasatsurin 18%.

Skuld
Fíggjarligar skyldur verða innroknaðar sum lántøka til útveganarvirði, svarandi til móttiknu upphæddina eftir frádrignan handilskostnað. Eftirfylgjandi tíðarskeið verða fíggjarligar skyldur innroknaðar til amortiserað útveganarvirði, sum svarar til kapitaliseraða virðið við effektivu rentuni, soleiðis at munurin, millum móttiknu upphæddina og áljóðandi virðið, verður innroknaður í rakstrarroknskapin yvir lánitíðarskeiðið.

Veðskuld er tískil innroknað til amortiserað útveganarvirði, sum fyri kontantlán svarar til restskuldina á láninum. Fyri bravlán svarar amortiseraða útveganarvirðið til eina restskuld, roknað sum lánsins undirliggjandi kontantvirði á upptøkudegnum. Harumframt verður kursmunurin avskrivaður yvir avdráttartíðina.

Aðrar skuldir, sum fevna um vøru- og tænastuskuld, skuld til atknýttar fyritøkur og aðrar skuldir, verða tiknar við til amortiserað útveganarvirði, sum vanliga er áljóðandi virði.

Umrokning av fremmandum gjaldoyra
Handlar í fremmandum gjaldoyra verða umroknaðir til kursin, sum er galdandi á handilsdegnum. Gjaldoyramunir, millum handilsdagin og gjaldsdagin, verða innroknaðir í rakstrarroknskapin, sum ein fíggjarpostur. Um gjaldoyrapositiónir verða sæddar sum tryggingar fyri framtíðar peningastreymum, verða virðisjavningarnar innroknaðar beinleiðis á eginpeningin.

Áogn, skuld og aðrir peningaligir postar í fremmandum gjaldoyra, sum ikki eru avroknaðir við roknskaparlok, verða innroknaðir til

expected realization value of the asset. Either by deduction of future tax income, or reduction of deferred tax liability for the same tax subject. Probable net tax assets is measured at net realization value.

Deferred tax is calculated based on current tax laws, and regulations which at the balance sheet are expected to be in force by the time of realization of the deferred tax. Changes in deferred taxes, derived from changes in tax rates are measured in the Income Statement. This years tax rate is 18% p.a.

Debts
Financial liabilities are recognized as loans at acquisition value, equalizing received revenues, less of transaction expenses. The following periods, financial liabilities are measured at amortized acquision value, which equals the capitalized value of internal rate of return, where the difference between received amounts and face value are included in the income statement over the installment period.

Consequently, mortgages are measured at amortized acquisition value, which for cash loans equal remaining debts. For bonds the amortized acquisition value equal remaining debts which are calculated as the cash equivalent at the contract date. Moreover, the quotation differences are amortized over the installment period.

Other debts, which consist of trade payables, payables to group enterprises, and other debts, are measured at amortized acquisition value, which usually equals face value.

Agio/disagio
Trade in foreign currency are calculated at current currency quotations at trading date. Currency differences between trade date and settlement date are included in the income statement as a financial item. Where currency balances are considered hedging instruments concerning future cash flows, value adjustments are recognized directly in equity.

Receivables, payables and other financial items in foreign currencies, which are avaiting settlement at the balance sheet date, are measured at current gjaldoyriskursin við roknskaparlok. Munurin millum gjaldoyrakursin við roknskaparlok og kursin, ið var galdandi á upptøkudegnum, verður inntøkuførdur í rakstrarroknskapin undir fíggjarligum inntøkum og kostnaðum.

Støðisognir, ið eru keyptar í fremmandum gjaldoyra, verða inntøkuførdar til kursin á handilsdegnum.

GJALDFØRISFRÁGREIÐING
Gjaldførisfrágreiðing er uppsett eftir óbeinleiðis háttinum og vísir gjaldførisávirkanina frá rakstri, íløgum og fígging.

Gjaldføri við roknskaparbyrjan og við roknskaparlok er samansett av tøkum peningi og innistandandi í peningastovni.

LYKLATØL

Lyklatølini, sum standa í brotinum høvuðs- og lyklatøl í ársfrágreiðingini, eru roknað soleiðis:

Rakstraravkast	=	Rakstrarúrslit x 100 / Nettosølu
Skiftisavkast	=	Bruttoúrslit x 100 / Nettosølu
Ognaravkast	=	Rakstrarúrslit x 100 / Miðal ognir
Trygdarevni	=	Eginogn x 100 / Skyldur tilsamans
Renta av eginogn	=	Ársúrslit x 100 / Miðal eginogn

quoted currency rates. Currency differences between balance sheet date and settlement date are included in the income statement as a financial item.

Non-current assets, which are purchased in foreign currency, are measured at the quoted rate at the agreement date.

CASH FLOW STATEMENT
The cash flow statement is prepared according to the indirect method and presents cash flow from operations, investments and financing activities.

The cash positions 1 January and 31 Decembr consist of cash in hand and bank deposits

KEY FIGURES
The Key figures given in the paragraph consering key figures in the Board of Executives Review, are calculated as follows.

Operating Profit Ratio	=	Operating Profits x 100 / Net Sales Revenue
Gross Ratio	=	Gross Profits x 100 / Net Sales Revenue
Asset Yield	=	Operating Profits x 100 / Total Assets on avg.
Financial standing	=	Equity x 100 / Total Liabilities
Equity Yield	=	Annal Profits x 100 / Equity on avg.

Appendix 6:

Statement from independent Auditor regarding Pro forma figures

INDEPENDANT ASSURANCE ON REPORT ON PRO FORMA FINANCIAL INFORMATION

To the Directors and Shareholders of Bakkafrost Group

We have examined the Pro Forma Financial Information in chapter 8 in the Prospectus, comprising the pro forma consolidated Statement of Financial Position of Bakkafrost Group (the Group) as of 31. December 2009, the related Pro Forma consolidated Statement of Income for the year ended 31 December 2009. This Pro Forma Financial Information has been prepared solely to show what the significant effects on the consolidated accounts of Bakkafrost Group might have been, had the transaction described in Section 8.5.1 of the Prospectus occurred at an earlier date. The Pro Forma Financial Information is the responsibility of the Board of Directors and Management. It is our responsibility to provide the opinion required by item 7 of annex II to the EU regulation no 809/2004 as included in the Norwegian Securities Trading Act. Section 7-13. We are not responsible for expressing any other opinion on the Pro Forma Financial Information or on any of its consistent elements.

This report is issued for the sole purpose of the Prospectus required by item 7 of the Annex II to the EU Regulation No 809/2004 as included in the Norwegian Securities Tracing Act section 7-13 as set out in the Prospectus. This report is not appropriate for other jurisdictions than Norway, and should not be used or relied upon for any purpose other than to comply with item 7 of annex II to the EU regulation no 809/2004.

Basis of Opinion
We conducted our examination in accordance with the Faroese Standard on assurance engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information". Our work consisted primarily of comparing the unadjusted Financial Information with the source documents, obtaining evidence supporting the adjustments and discussing the Pro Forma Financial Information with the directors and management of the Group.

Opinion
Based on our examination, in our opinion:

- The Pro Forma financial information has been properly completed on the basis stated
- Such bases is consistent with the accounting policies of the issuer

Tórshavn 19 February 2010

Sp/F Grannskoðaravirkið *INPACT*
State Authorized Public Accountants

Heini Thomsen
State authorized Public Accountant

Jógvan Joensen
Authorized Public Accountant

Appendix 7:
Norwegian Retail Application Form

NORWEGIAN RETAIL APPLICATION FORM P/f Bakkafrost NORWEGIAN RETAIL OFFERING

For information regarding the Norwegian Retail Offering (the "Noregian Retail Offering") by P/f Bakkafrost (the "Company"), please see the prospectus dated 4 March 2010 (the "Prospectus"). Applications are subject to the terms and conditions set forth in the Prospectus and this Norwegian Retail Application Form. Words and expressions which are defined in the Prospectus shall have the same meaning when used herein. Norwegian Retail Application Forms may be faxed, mailed or delivered in the period from 0900 CET 8 March 2010 to 1400 CET on 23 March 2010 to one of the Norwegian Retail Application Offices. Properly completed Norwegian Retail Application Forms must be received by a Norwegian Retail Application Office by 1400 CET on 23 March 2010. It is not sufficient for the Norwegian Retail Application Form to be postmarked within the Norwegian Retail Application Period. Norwegian citizens may also apply for Offer Shares on the web pages www.nordea.no/bakkafrost or www.carnegie.no within the Norwegian Retail Application Period. Neither the Company, nor the Managers nor the Norwegian Retail Application Offices may be held responsible for postal delays, unavailable fax lines, unavailable internet lines or servers or other logistical or technical problems that may result in applications not being received in time or at all by the Norwegian Retail Application Offices. By signing and submitting this Norwegian Retail Application Form, applicants confirm that they have read the Prospectus and are eligible to apply for Offer Shares in the Norwegian Retail Offering under the terms set forth in the Prospectus. The Company, the Managers and the Norwegian Retail Application Offices reserve the right to disregard improperly completed, delivered or executed Norwegian Retail Application Forms, or any application which may be unlawful. An application is irrevocable and may not be withdrawn, cancelled or modified once it has been received by a Norwegian Retail Application Office. The applicants must satisfy the applicable requirements under the Norwegian Money Laundering Act No. 11 of 6 March 2009. The notice of the extraordinary general meeting of the Company held on 15 February (with attachments), the Company's articles of association and its annual reports for the years 2007 to 2009 are available at the Company's web page www.bakkafrost.com.

Norwegian Retail Application Offices:

Nordea Bank Norge ASA,
Securities Services – Issuer Services
P.O. Box 1166 Sentrum, NO-0107 Oslo
TEL +47 22 48 62 62
FAX +47 22 48 63 49
www.nordea.no/bakkafrost

Carnegie ASA
P.O Box 684 Sentrum NO-0106 Oslo
TEL +47 22 00 93 20
FAX: +47 22 00 99 60
www.carnegie.no

An Indicative Price Range of NOK 27 – NOK 31 has been set for the Offer Shares. The final Offer Price may be above, below or within this price range. Notice of any change to the non-binding Indicative Price Range will be given through the Oslo Børs information system. The application can be made conditional upon the final Offer Price not exceeding the high end of the Indicative Price Range as included in this Norwegian retail Application Form (i.e. disregarding any changes in the Indicative Price Range). If the application is made subject to such condition, and the final Offer Price exceeds the high end of the Indicative Price Range, the applicant will not be allotted Offer Shares. If the application is not made subject to such condition, the application will be binding irrespective of the final Offer Price. The final Offer Price will be determined by the Company and the Principal Selling Shareholder following advice from the Managers after the expiry of the Book-building Period following a book-building process as described in the Prospectus.

By signing this Norwegian Retail Application Form, the applicant grants Nordea Bank Norge ASA an irrevocable one-time authorisation to debit the subscription amount for the Offer Shares allocated to the applicant from the bank account designated by the applicant below. The amount will be debited on or about 30 March 2010. The entire subscription amount must be available on the designated bank account no later than 29 March 2010. If there are insufficient funds at the applicant's designated bank account, if it is impossible to debit the bank account for the subscription amount or if proper and timely payment is not otherwise made, the Offer Shares allocated to the applicant will be withheld. Interest will in such case accrue at the applicable rate under the Norwegian Act on Interest on Overdue Payments of 17 December 1976 No. 100, currently 8.25% percent p.a. The Managers reserve the right to make up to three debits in the period up to seven workingdays if there are insufficient funds on the account on the debiting date. If an applicant fails to comply with the terms of payment, the Offer Shares will, subject to the discretion of the Managers and the Principal Selling Shareholder, not be delivered to the applicant, and the Managers and the Principal Selling Shareholder reserve the right, at the risk and cost of the applicant (however, so that the applicant will not be entitled to any profit therefrom), to cancel the application and to re-allot or otherwise dispose of the allocated Offer Shares on such terms and in such manner as the Managers and the Principal Selling Shareholder may decide in accordance with Norwegian law. The original applicant remains liable for payment of the Offer Price for the Offer Shares allocated to the applicant, together with any interest, cost, charges and expenses accrued, and the Company, the Managers or the Principal Selling Shareholder may enforce payment for any such amount outstanding. Applicants who do not have a Norwegian bank account or is allocated Offer Shares for an amount in excess of NOK 5 million must contact the Managers to arrange for payment.

SPECIFICATION OF THE APPLICATION:

Notification of allocated Offer Shares and the corresponding amount to be paid by each applicant is expected to be distributed in a letter on or about 24 March 2010.

Delivery of the Offer Shares is expected to take place on or about the evening of 30 March 2010. The applicants may trade with the allocated Offer Shares once they have been listed on Oslo Børs, however only with standard t+3 setlement the first three trading days. No account to account transfers may be carried out in the VPS the first three trading days after Listing. The Company expects that the Offer Shares will be listed on Oslo Børs on or about 26 March 2010.

To the fullest extent permitted by applicable law, the Managers disclaim any liability to persons who submit applications or orders for Offer Shares in the Norwegian Retail Offering. All persons who submit applications or orders for Offer Shares in the Norwegian Retail Offering shall be deemed to have accepted this disclaimer of liability. The Offering may, in certain jurisdictions, be restricted by law. For more information on applicable restrictions in respect of the Offer Shares, see section 13.6 "Selling and transfer restrictions" of the Prospectus.

Applicant's VPS-account number (12 digits) *)	I/we irrevocably apply for the following number of Offer Shares (minimum 500 Offer Shares – maximum 40,000 Offer Shares):

My/our application is conditional upon the final Offer Price not exceeding the Indicative Price Range (insert cross) **(must only be completed if the application is conditional upon the final Offer Price not exceeding the high end of the Indicative Price Range)**: ☐

One-time authorisation for debiting bank account (required information):

The undersigned hereby grants an irrevocable authorisation to Nordea Bank Norge ASA to debit the Norwegian bank account set out herein for the consideration for the Offer Shares allocted (number of allotted Offer Shares multiplied by Offer Price])

____
Bank account (11 digits)

____

Place and date of application.
(Must be dated within the Norwegian Retail Application Period.)

Binding signature. The applicant must be of age.
When signed on behalf of another person, evidence of authority must be provided.

PLEASE FILL IN DETAILS REGARDING APPLICANT BELOW (REQUIRED INFORMATION)

Applicant's first name
Applicant's surname/firm etc.
Street address etc. (private applicants; home address)
Postal code and area
Nationality
Telephone (at day time)/Telefax/e-mail

Appendix 8:
Faroese Retail Application Form

FAROESE RETAIL APPLICATION FORM P/F Bakkafrost FAROESE RETAIL OFFERING

Faroese Retail Application Office:

Føroya Banki
Húsagøta 3
P.O. box 3048
FO-110 Tórshavn
Faroe Islands
Tel +298 330 330
Fax +298 319 055

Faroese Sales Agencies:

Eik Banki
Yviri við Strond 2
P.O. Box 34
FO-110 Tórshavn
Faroe Islands
Tel +298 348 000
Fax +298 348 862

Suðuroyar Sparikassi
P.O. Box 29
FO-900 Vágur
Faroe Islands
Tel +298 359 870
Fax +298 359 871

Norðoya Sparikassi
Ósavegur 1
P.O Box 149
FO-700 Klaksvík
Faroe Islands
Tel +298 475 000
Fax +298 476 000

SPECIFICATION OF THE APPLICATION:

For information regarding the Faroese retail offering (the "Faroese Retail Offering") by P/F Bakkafrost (the "Company"), please see the prospectus dated 4 March 2010 (the "Prospectus"). Applications are subject to the terms and conditions set forth in the Prospectus and this Faroese Retail Application Form. Words and expressions which are defined in the Prospectus shall have the same meaning when used herein. Faroese Retail Application Forms may be faxed, mailed or delivered in the period from 8 March 2010 to 14.00 CET on 23 March 2010 to the Faroese Retail Application Office or the Faroese Sales Agencies. Properly completed Faroese Retail Application Forms must be received by the Faroese Retail Application Office or the Faroese Sales Agencies by 14.00 CET on 23 March 2010. It is not sufficient for the Faroese Retail Application Form to be postmarked within the Faroese Retail Application Period. The retail branches of Føroya Banki, Eik Banki, Suðuroyar Sparikassi and Norðoyar Sparikassi will be available to assist in delivering the Faroese Retail Application Forms to the Faroese Retail Application Office or the Faroese Sales Agencies. Note however, that the Faroese Retail Application Forms must be received by such retail branches no later than the day before the end of the application period specified above, i.e. no later than 22 March 2010 to ensure that it will be received by the Faroese Retail Application Office or the Faroese Sales Agencies prior to the end of said application period. By signing and submitting this Faroese Retail Application Form, applicants confirm that they have read the Prospectus and are eligible to apply for Offer Shares in the Faroese Retail Offering under the terms set forth in the Prospectus. Neither the Company nor the Managers or the Faroese Sales Agencies (including their respective retail branches) may be held responsible for delays in the mail system, busy facsimile lines or for non-receipt of Faroese Retail Application Forms forwarded by facsimile to the Faroese Retail Application Office or the Faroese Sales Agencies. The Company, the Managers and Faroese Sales Agencies reserve the right to disregard improperly completed, delivered or executed Faroese Retail Application Forms, or any application which may be unlawful. An application is irrevocable and may not be withdrawn, cancelled or modified once it has been received by the Faroese Retail Application Office or a Faroese Sales Agency. The applicants must satisfy the applicable requirements under the Danish Decree which brings into force on the Faroe Islands the Act on Measures to Prevent Money Laundering and Financing of Terrorism No. 626 of 27 June 2008 as amended from time to time.

An Indicative Price Range of NOK 27 – NOK 31 has been set for the Offer Shares. The final Offer Price may be above, below or within this price range. Notice of any change to the non-binding Indicative Price Range will be given through the Oslo Børs information system. The application can be made conditional upon the final Offer Price not exceeding the high end of the Indicative Price Range as included in this Faroese retail Application Form (i.e. disregarding any changes in the Indicative Price Range). If the application is made subject to such condition, and the final Offer Price exceeds the high end of the Indicative Price Range, the applicant will not be allotted Offer Shares. If the application is not made subject to such condition, the application will be binding irrespective of the final Offer Price. The final Offer Price will be determined by the Company and the Principal Selling Shareholder following advice from the Managers after the expiry of the Book-building Period following a book-building process as described in the Prospectus.

By signing this Faroese Retail Application Form, the applicant grants the Faroese Retail Application Office or the relevant Faroese Sales Agency an irrevocable one-time authorisation to debit the subscription amount for the Offer Shares allocated to the applicant from the bank account designated by the applicant below. The amount will be debited on or about 30 March 2010. The entire subscription amount must be available on the designated bank account no later than 29 March 2010. If there are insufficient funds at the applicant's designated bank account, if it is impossible to debit the bank account for the subscription amount or if proper and timely payment is not otherwise made, the Offer Shares allocated to the applicant will be withheld. Interest will in such case accrue at the applicable rate under the Decree wich brings into force on the Faroe Islands the Faroese Act on Interest on Overdue Payment No. 638 of 21 December 1977 as amended from time to time, currently 6.75 percent p.a. The Faroese Retail Application Office and the relvant Faroese Sales Agency reserve the right to make up to three debits in the period up to 6 April 2010 if there are insufficient funds on the account on the debiting date. If payment is not made within three days after the due date, the Faroese Retail Application Office or the relevant Faroese Sales Agency reserve the right without further notice to take over the allocated Offer Shares and/or, at the cost and risk of the applicant to sell the allocated Offer Shares on such terms and in such manner as it decides in accordance with applicable regulations. The original applicant remains liable for payment of the Offer Price multiplied by the number of allocated Offer Shares, together with any interest, costs, charges and expenses accrued, and payment may be enforced for any such amount outstanding.

Please note that the bank account and the VPS account or nominee VPS account shall be registered at the same account-holding bank, and that the Faroese Retail Application Form must be submitted to the Faroese Sales Agency or the Faroese Retail Application Office that holds the applicant's bank and VPS account or nominee VPS accounts.Delivery of the Offer Shares is expected to take place on or about 30 March 2010. An applicant will not under any circumstances be entitled to sell or transfer its Offer Shares until these shares have been paid in full by such applicant and registered on the applicant's VPS account or nominee VPS account. The Company expects that the Offer Shares will be listed on Oslo Børs on or about 26 March 2010.

To the fullest extent permitted by applicable law, the Managers and the Faroese Sales Agencies disclaim any liability to persons who submit applications or orders for Offer Shares in the Faroese Retail Offering. All persons who submit applications or orders for Offer Shares in the Faroeses Retail Offering shall be deemed to have accepted this disclaimer of liability. The Offering may, in certain jurisdictions, be restricted by law. For more information on applicable restrictions in respect of the Offer Shares, see section 13.6 "Selling and transfer restrictions" of the Prospectus.

Finally in order to provide the Managers with information enabling them to perform the allocation procedure and Oslo Børs with information enabling them to determine whether the requirements for listing of the Company on Oslo Børs have been met, by signing this Faroese Retail Application Form the applicant authorizes the relevant Faroese Sales Agencies to provide Føroya Banki, and Føroya Banki as Manager, to provide Nordea Markets, as Manager, and Oslo Børs with the applicants name, Date of Birth or V-tal, and number of Offer Shares allocated to the applicant .

Applicant's VPS-account number (12 digits)/Applicant's nominee VPS-account number	I/we irrevocably apply for the following number of Offer Shares (minimum 500 Offer Shares – maximum 40,000 Offer Shares):
Account bank:__________________ Account number: ________________________	

My/our application is conditional upon the final Offer Price not exceeding the Indicative Price Range (insert cross) **(must only be completed if the application is conditional upon the final Offer Price not exceeding the high end of the Indicative Price Range)**: ☐

One-time authorisation for debiting bank account (required information):

The undersigned hereby grants an irrevocable authorisation to (insert name of account holding bank which must be the Faroes Retail Application Office or a Faroese Retail Sales Agency) ________________________
to debit the Faroese bank account set out herein for the consideration for the Offer Shares allocted (number of allotted Offer Shares multiplied by Offer Price] ________________________________
Bank account (reg. No. and account number)

____

Place and date of application.
(Must be dated within the Faroese Retail Application Period.)

Binding signature. The applicant must be of age 18 years
When signed on behalf of another person, evidence of authority must be provided.

DETAILS RE. APPLICANT (REQUIRED INFORMATION)

Applicant's VPS account No./nominee VPS account No.	
Applicant's first name	
Applicant's surname/firm etc.	
Street address etc. (private applicants; home address)	
Postal code and area	
Date of birth and national ID number	
Dividends to be credited to bank account (Reg. No. and account No.))	
Nationality	
Telephone (at day time)/Telefax/e-mail	

P/F Bakkafrost
Bakkavegur 9
FO-625 Glyvrar
Faroe Islands

Telephone: +298 40 50 00
Fax: +298 40 50 09
www.bakkafrost.com

Nordea Markets
Middelthunsgate 17
P.O. Box 1166 Sentrum
NO-0107 Oslo
Norway

Telephone: +47 22 48 62 62
Fax: +47 22 48 63 49

Føroya Banki
Húsagøta 3
P.O. Box 3048
FO-110 Tórshavn
Faroe Islands

Telephone: +298 330 330
Fax: +298 319 936

Carnegie ASA
Stranden 1
P.O Box 684 Sentrum
NO-0106 Oslo
Norway

Telephone: +47 22 00 93 20
Fax: +47 22 00 99 60

100226
WWW.SIGNATUR.NO