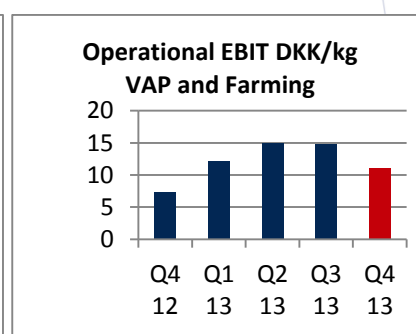
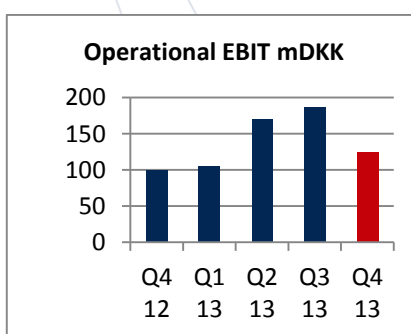
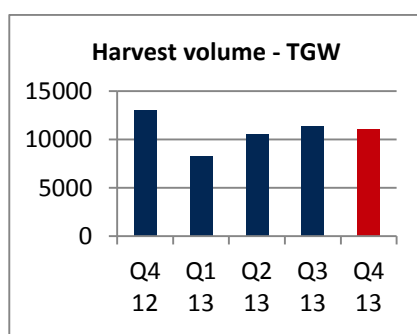


# P/F Bakkafrost

## Condensed Consolidated Interim Report for Q4 2013 and 12 months 2013



## Table of Contents

Highlights .....	2
Summary of the 4 <sup>th</sup> Quarter 2013 and YTD 2013 .....	3
Financial Review.....	5
Outlook .....	8
Risks.....	10
Events After the Date of the Statement of Financial Position .....	10
Consolidated Income Statement .....	11
Consolidated Statement of Comprehensive Income.....	12
Consolidated Statement of Financial Position .....	13
Consolidated Cash Flow Statement .....	15
Consolidated Statement of Changes in Equity .....	16
Notes to the Account.....	17
Contacts .....	27

## Highlights

	Q4	Q4	YTD	YTD
DKK 1,000	2013	2012	2013	2012

### INCOME STATEMENT, SEGMENTS AND CASH FLOW

Group - Operating revenue	666,644	582,062	2,491,081	1,855,544
Group - Operational EBIT*	125,871	99,162	587,010	323,040
Group - Profit for the period (continuing and discontinuing operations)	137,866	148,174	589,218	281,338
Operational EBIT (Farming and VAP)(DKK)	124,904	95,754	551,882	310,969
Operational EBIT*/kg (Farming and VAP)(DKK)	11.26	7.34	13.37	7.01
Operational EBIT*/kg (Farming and VAP) (NOK)	12.44	7.25	13.98	7.04
Farming - Operating revenue	525,914	434,974	1,991,552	1,371,660
Farming - Operational EBIT*	130,798	84,288	642,355	273,999
Farming - Operational EBIT margin	25%	19%	32%	20%
Farming - Operational EBIT/kg (DKK)	11.79	6.46	15.57	6.18
Farming - Operational EBIT/kg (NOK)	13.02	6.38	16.27	6.20
VAP - Operating revenue	202,594	153,801	666,172	526,258
VAP - Operational EBIT*	-5,894	11,466	-90,473	36,970
VAP - Operational EBIT margin	-3%	7%	-14%	7%
VAP - Operational EBIT/kg (DKK)	-1.17	2.55	-4.93	2.30
VAP - Operational EBIT/kg (NOK)	-1.29	2.52	-5.16	2.31
Feed - Operating revenue	252,498	248,133	1,083,009	889,337
Feed - EBITDA	21,340	18,435	125,754	84,521
Feed - EBITDA margin	8.45%	7.43%	11.61%	9.50%
Cash flow from operations	187,132	103,841	517,533	285,598
DKK/NOK (average)	90.51	101.28	95.69	99.61

### FINANCIAL POSITION

Total Assets**	3,112,226	2,570,911	3,112,226	2,570,911
Equity**	1,665,277	1,262,912	1,665,277	1,262,912
Equity ratio**	54%	49%	54%	49%
Net interest bearing debt**	677,963	806,903	677,963	806,903

### PROFITABILITY

Basic earnings per share (DKK)	2.82	3.03	12.07	5.76
Diluted earnings per share (DKK)	2.82	3.03	12.07	5.76
ROE***	8.5%	12.5%	40.2%	24.2%
ROCE (for the last quarter)****	5.3%	5.2%	26.6%	17.0%
ROCE (for the last 4 quarters)	27.8%	19.5%	27.8%	22.0%
ROIC (for the last quarter)*****	8.2%	9.9%	35.4%	22.2%
ROIC (for the last 4 quarters)	37.6%	21.7%	36.8%	22.7%

### VOLUMES

Harvested volume continuing operation (tonnes gutted weight)	11,097	13,044	41,268	44,341
Harvested volume discontinuing operation (tonnes gutted weight)	0	0	0	2,557
VAP produced volume (tonnes gutted weight)	5,033	4,495	18,333	16,054
Sold feed tonnes	20,270	25,047	85,333	91,398

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

\*\* Comparing figures from end 2012

\*\*\* Return on average equity based on profit or loss for the period

\*\*\*\* Return of average invested capital based on operational EBIT

\*\*\*\*\* Return on average invested capital based on EBITA

## Summary of the 4<sup>th</sup> quarter 2013 and 12 months 2013

*(Figures in parenthesis refer to the same period in 2012)*

**The Bakkafrost Group delivered a total operating EBIT of DKK 125.8 million in Q4 2013. The combined farming and VAP segment made an operational EBIT of DKK 124.9 million in Q4 2013. For 2013, Bakkafrost made an operational EBIT amounting to DKK 587.0 million. The EBITDA for the feed segment was DKK 21.3 million in Q4 2013. For 2013, the EBITDA for the feed segment was DKK 125.8 million.**

The Group made a profit for the quarter of DKK 137.9 million (DKK 148.2 million). For 2013, the profit was DKK 589.2 million (DKK 281.3 million).

The total volumes harvested in Q4 2013 were 11,097 tonnes gutted weight (13,044 tgw). The total harvested volumes for 2013 were 41,268 tonnes gutted weight (44,341 tgw).

Bakkafrost transferred 2.8 million smolts in Q4 2013 (2.3 million). In 2013, 9.5 million smolts have been transferred (10.7 million). This is a bit lower than the guidance and is due to a slight delay in timing from the end of 2013 to the beginning of 2014. The smolt release is less in 2013, compared to 2012, due to available sites for smolt release. Due to the favourable seawater temperatures in the Faroes, Bakkafrost releases smolts during the whole year. Bakkafrost has built a new hatchery which will commence production in H1 2014. Following this Bakkafrost will be self supplied with smolts.

In accordance with the Group's dividend policy, Bakkafrost aims to give its shareholders a competitive return on their investment, both through payment of dividends from the company and by securing an increase in the value of the equity through positive operations. Bakkafrost's financial position is strong with a healthy balance sheet, a competitive operation and undrawn available credit facilities. The Board of Directors has therefore decided to propose to the Annual General Meeting that DKK 4.50 (NOK 5.03\*) per share shall be paid out as dividend. This corresponds to approximately DKK 219.9 million (NOK 245.9\* million). In addition to the dividend, Bakkafrost purchased 366,700 own shares at a price of NOK 86 each in December 2013. Following the transaction, Bakkafrost holds 378,581 shares corresponding to 0.77% of the total share capital.

The 28<sup>th</sup> of October 2013, Bakkafrost announced the suspicion of Neoparamoeba perurans at a Bakkafrost farming site in Fuglafjørður. Further PCR analysis carried out by the Faroese Food- and Veterinary Authorities have detected the

presence of Neoparamoeba perurans. The Neoparamoeba perurans agent is known to be able to cause amoeba gill disease (AGD). All other sites in the Faroes were examined, and Neoparamoeba perurans has been detected on a number of them, including sites that Bakkafrost owns. The detected sites have been treated with Hydrogen Peroxide. No increase in mortality has been observed and no disease outbreak has occurred at any of the detected sites, but the detection of Neoparamoeba perurans agent has increased the biological risk.

In February 2014 a routine surveillance test detected a possible pathogenic ISA-virus on Bakkafrost farming site A80. The detection was not connected to any increase in mortality, and there was no impact on fish health or fish welfare. Bakkafrost decided to activate the ISA-contingency plan immediately and hence enforced slaughtering of the last cage at the farming site A-80 Selatrað. The site was empty before mid february.

The farming companies and the authorities have put a lot of work into maintaining the good biological status in the Faroe Islands. Regular surveillance tests for ISA-viruses have been performed at all farms during the last approx 10 years in sea sites in the Faroes. Bakkafrost and the other farmers in the Faroe Islands will work with the Faroese Food and Veterinary authority to avoid the introduction of the AGD and ISA.

The combined farming and VAP segment made an operational EBIT of DKK 124.9 million (DKK 95.8 million) in Q4 2013. For 2013 the combined farming and VAP segment made an operational EBIT of DKK 551.9 million (DKK 311.0 million).

The farming segment made an operational EBIT of DKK 130.8 million (DKK 84.3 million). The reason for the improved result is due to higher prices as the harvested volumes are lower. On the other hand result and volumes are lower than expected because of the early harvest on the first site with the suspicion of Neoparamoeba perurans. For 2013, the operational EBIT was DKK 642.3 million (DKK 274.0 million).

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

As expected, the VAP segment had a loss on its operations in Q4 due to high salmon spot prices. The VAP segment made an operational EBIT of DKK -5.9 million (DKK 11.5 million) for Q4 2013. For 2013, the accumulated losses amounted to DKK -90.5 million (DKK 37.0 million). There is normally a time lag between the changes in the spot prices and the changes in the contract prices. Therefore, typically the VAP segment has losses the first quarters in a longer period with increasing salmon prices.

The third segment – fishmeal, oil and feed – made an operational EBITDA of DKK 21.3 million (DKK 18.4 million) in Q4 2013 and for 2013 the operational EBITDA amounted to DKK 125.8 million (DKK 84.5 million). The increase in the EBITDA is primarily due to higher production of fishmeal and fish oil.

In Q4 2013, Havsbrún sourced 18,432 tonnes of raw material (11,691 tonnes), and for 2013 the raw material intake was 160,581 tonnes (47,122 tonnes).

The Bakkafrost Group had a net interest bearing debt at the end of 2013 amounting to DKK 678.0 million (DKK 806.9 million at year-end 2012) and had undrawn credit facilities of approx DKK 684.0 million, of which DKK 15.6 million are restricted.

Bakkafrost's equity ratio is 54%, compared to 49% at the end of 2012. Bakkafrost paid out DKK 97.7 million in dividend in Q2 2013.

On 14 February 2013, Bakkafrost issued unsecured bonds at a total nominal value of NOK 500,000,000; the issue date was 14 February 2013. The bonds were listed on the market on 3 May 2013. The interest rate is NIBOR 3 months plus a margin of 4.15 %. The bonds are measured at fair value at initial recognition. The bonds mature five years from the issue date at their nominal value.

In Q2, all full-time employees from 2012, still employed at Bakkafrost, have received bonus shares with a total value of 2% of paid out salary in 2012. In total Bakkafrost has allocated 45,957 shares to its employees at a fair value on DKK 3.2 million. The grant date was 22 May 2013 and the share price was DKK 69.65 (NOK 69.75) per share.

## Segment performance per harvested kg of salmon

	Q4	Q4	YTD	YTD
Operational EBIT/kg harvested	2013	2012	2013	2012
Farming EBIT/kg (DKK)	11.79	6.46	15.57	6.18
Farming EBIT/kg (NOK)	13.02	6.38	16.27	6.20
VAP EBIT/kg (DKK)	-1.17	2.55	-4.93	2.30
VAP EBIT/kg (NOK)	-1.29	2.52	-5.16	2.31

## Smolt transfer

Bakkafrost Group						
1,000 pieces	2008	2009	2010	2011	2012	2013
Farming North, <i>salmon</i>	3,200	4,000	4,100	5,000	6,500	7,100
Farming West, <i>trout</i>	700	300	0	0	0	0
Farming West, <i>salmon</i>	1,400	2,100	4,100	2,600	4,200	2,400
Viking	0	1,700	1,800	1,000	0	0
<b>Total</b>	<b>5,300</b>	<b>8,100</b>	<b>10,000</b>	<b>8,600</b>	<b>10,700</b>	<b>9,500</b>

## Financial Review

(Figures in parenthesis refer to the same period in 2012)

### Income Statement

The operating revenues amounted to DKK 666.6 million in Q4 2013 (DKK 582.1 million). The increase is due to improved salmon prices on both the spot market and the contract market. For 2013, the operating revenues amounted to DKK 2,491.1 million (DKK 1,855.5 million).

Operational EBIT was DKK 125.9 million in Q4 2013 (DKK 99.2 million). The increase is most of all due to higher margins in the farming segment because of higher spot prices. The harvested volumes were lower and the operational EBIT margin in the VAP segment was negative. However, the performance in the fish oil and feed segment was nearly unchanged. For 2013, the operational EBIT was DKK 587.0 million (DKK 323.0 million).

A fair value adjustment of the Group's biological assets has been recognised in Q4 2013 amounting to DKK 94.2 million (DKK 113.6 million). For 2013, the fair value adjustment is DKK 115.4 million (DKK 90.5 million).

Bakkafrost has made provisions for onerous contracts of DKK -64.6 million in Q4 (DKK -46.1 million). The provisions have been recognised due to the high salmon price of NOK 53.08 at the end of 2013. Bakkafrost made provisions in 2013

amounting to DKK -24.8 million (DKK -46.1 million).

In Q4 2013 income from associated companies amounted to DKK 11.2 million (DKK 8.4 million). This amount relates mainly to a profit from Faroe Farming, in which Bakkafrost holds 49%, while there is a loss in Hanstholm Fiskemølsfabrik, in which Bakkafrost has a shareholding of 39.9%. For 2013, income from associates was DKK 23.8 million (DKK -6.4 million).

Net interests in Q4 2013 were DKK 7.2 million (DKK -6.8 million). A positive unrealised exchange rate adjustment of DKK 14.0 million mainly related to the bond loan of NOK 500 million is posted in Q4. For 2013 net interests were DKK 26.0 million (DKK -19.8 million) including a positive unrealised net exchange difference of DKK 53.2 million related to the bonds issued in NOK.

Net taxes in Q4 2013 amounted to DKK -36.1 million (DKK -20.2 million). For 2013, net taxes amounted to DKK -138.1 million (DKK -55.8 million).

The result for Q4 2013 was DKK 137.9 million (DKK 148.2 million). The result for 2013 was DKK 589.2 million (DKK 281.3 million).

### Harvested volumes

	Q4	Q4	YTD	YTD
Harvested volumes (tgv)	2013	2012	2013	2012
Farming North	8,105	7,454	29,203	23,494
Farming West	2,992	5,590	12,065	20,847
<b>Total harvested volumes (tgv)</b>	<b>11,097</b>	<b>13,044</b>	<b>41,268</b>	<b>44,341</b>
Faroe Farming (discontinuing operation)	0	0	0	2,557
<b>Total harvested volumes (tgv)</b>	<b>11,097</b>	<b>13,044</b>	<b>41,268</b>	<b>46,898</b>

## Segments

Bakkafrost has three operating segments: a farming segment, a segment for value added products (VAP) and a segment for the fishmeal, fish oil, and

fish feed production. Fresh/frozen salmon is sold in the spot market, while VAP products are sold on long-term contracts.

Distribution of harvested volumes (tgv)	Q4 2013	Q4 2012	YTD 2013	YTD 2012
Harvested volume used in VAP production	45%	34%	44%	36%
Harvested volume sold fresh/frozen	55%	66%	56%	64%
<b>Harvested and purchased volumes (tgv)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Of the total harvested volumes in Q4 2013, 45% (34%) went for the production of VAP products and 55% (66%) were sold as whole gutted salmon in Q4 2013. For 2013 the same allocation was 44% (36%) and 56% (64%).

### *Farming:*

The operating revenue for Bakkafrost's farming segment was DKK 525.9 million in Q4 2013 (DKK 435.0 million) and DKK 1,991.6 million for 2013 (DKK 1,371.7 million).

Operational EBIT, which is EBIT before fair value adjustments on biological assets, amounted to DKK 130.8 million in Q4 2013 (DKK 84.3 million), and for 2013 it was DKK 642.4 million (DKK 274.0 million).

Operational EBIT/kg for the farming segment was DKK 11.79 (NOK 13.02) in Q4 2013, compared to DKK 6.46 (NOK 6.38) in Q4 2012. The salmon prices in Q4 2013 have been stronger than in Q4 2012 and thus higher margins per kilo. Operational EBIT/kg for 2013 was DKK 15.57 (NOK 16.27), compared to DKK 6.18 (NOK 6.20) for 2012.

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

The operating revenue for the value added segment amounted to DKK 202.6 million in Q4 2013 (DKK 153.8 million). For 2013, the revenue was DKK 666.2 million (DKK 526.3 million). The increase in the revenue from Q4 2012 to Q4 2013 is 32%, while the volumes that went for VAP products only increased by 12%.

Operational EBIT amounted to DKK -5.9 million in Q4 2013 (DKK 11.5 million), corresponding to an operational EBIT of DKK -1.17 (NOK -1.29) per kg gutted weight in Q4 2013, compared to DKK 2.55 (NOK 2.52) per kg gutted weight in Q4 2012. The decrease in the operational EBIT margins is due to

higher salmon spot prices. The VAP segment acquires its raw material (fresh salmon) at spot prices each week. For 2013, operational EBIT amounted to DKK -90.5 million (DKK 37.0 million), corresponding to an operational EBIT of DKK -4.93 (NOK -5.16) per kg gutted weight in Q4 2013, compared to DKK 2.30 (NOK 2.31) per kg gutted weight in 2012.

### *Fishmeal, Fish Oil and Fish Feed:*

The operating revenue for the fishmeal, fish oil and fish feed segment amounted to DKK 252.5 million (DKK 248.1 million) in Q4 2013, of which DKK 150.7 million represents sales to Bakkafrost's farming segment corresponding to 59.7% (61.5%). For 2013 the revenue was DKK 1,083.0 million (DKK 889.3 million), of which DKK 631.3 million represents sales to Bakkafrost's farming segment corresponding to 58.3% (64.7%).

Operational EBITDA was DKK 21.3 million (DKK 18.4 million) in Q4 2013, and the operational EBITDA margin was 8.45% (7.43%). For 2013 the EBITDA was DKK 125.8 million (DKK 84.5 million), and the margin was 11.61% (9.50%).

Sales of feed amounted to 20,270 tonnes (25,047 tonnes) in Q4 2013, of which the farming segment internally used 14,736 tonnes (16,210 tonnes). For 2013, the feed sale was 85,333 tonnes (91,398 tonnes). The internal sale was 63,820 tonnes (61,506 tonnes).

The production of fishmeal in Q4 2013 was 4.324 tonnes (2.829 tonnes). The production for 2013 was 34.031 tonnes (10.808 tonnes).

The production of fish oil in Q4 2013 was 1.619 tonnes (1.229 tonnes). The production for 2013 was 15.996 tonnes (4.199 tonnes).



## Statement of Financial Position

*(Figures in parenthesis refer to end 2012)*

The Group's total assets as of end 2013 amounted to DKK 3,112.2 million, compared to DKK 2,570.9 million at the end of 2012.

The Group's intangible assets amounted to DKK 294.7 million at the end of 2013 (DKK 293.7 million) and comprise primarily the fair value of acquired farming licences. No licences in the North region are recorded with a value in the Bakkafrost accounts. The increase of DKK 1 million is goodwill in connection with the acquisition of Faroe Seafood UK Ltd.

Property, plant and equipment amounted to DKK 916.7 million at the end of Q4 2013, compared to DKK 812.8 million at the end of 2012. In Q4 2013 Bakkafrost made investments in PP&E amounting to DKK 63.9 million and for 2013 DKK 165.2 million. In addition to the investment, prepayment of DKK 34.6 million has been made for future investments.

Non-current financial assets amounted to DKK 115.3 million at the end of 2013, compared to DKK 91.2 million at the end of 2012. The increase in the financial assets relates mainly to the positive result in Faroe Farming, a financial investment.

The Group's carrying amount (fair value) of biological assets amounted to DKK 965.9 million at the end of 2013, compared to DKK 747.0 million at the end of 2012. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 296.4 million, compared to DKK 181.1 million at the end of 2012.

The Group's total inventories amounted to DKK 235.5 million as of end 2013, compared to DKK 242.9 million at year-end 2012. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed, in addition to feed at the feed stations, packing materials and other raw materials.

The Group's total receivables amounted to DKK 400.6 million as of end 2013, compared to DKK 358.4 million at the end of 2012. The increase is primarily due to the increase in the salmon price and hence higher accounts receivables. On the other hand, other receivables have decreased due to lower receivables from associated companies.

The Group's equity at the end of 2013 is DKK 1,665.3 million, compared to DKK 1,262.9 million at the end of 2012. The change in equity in 2013 primarily consists of the profit for the period, a negative fair value adjustment to a currency-/interest rate swap related to the bond financing and payment of dividend to the shareholders. Bakkafrost paid out DKK 97.7 million in dividend in Q2 2013.

The Group's total non-current liabilities amounted to DKK 1,071.0 million at the end of 2013, compared to DKK 990.4 million at the end of 2012. Deferred taxes amounted to DKK 310.9 million, compared to DKK 258.4 million at the end of 2012. Long-term debt was DKK 760.0 million at the end of 2013, compared to DKK 731.9 million at the end of 2012.

Bakkafrost's interests bearing debt consists of two bank loans and a bond loan. The bank loans are one instalment loan of DKK 300 million, payable with DKK 25 million each quarter, and one loan payable in 2016 with the full amount of DKK 553 million. The bond loan of NOK 500 million was issued at 14 February 2013 and is payable in full after five years i.e. at 14 February 2018. The interest rate of the bonds is NIBOR 3m + 4.15%. Following the issuance of the bonds, Bakkafrost has entered into a currency/interest rate swap, hedging the exchange rate and has switched the interest rate from NIBOR 3m to CIBOR 3m. Bakkafrost has entered the swap due to its exposure to DKK, as a large part of the income and costs are in DKK and EUR.

At the end of 2013, the Group's total current liabilities are DKK 376.0 million, compared to DKK 317.6 million at the end of 2012. Short-term interest bearing debt amounts to DKK 100.0 million and relates to a short-term part of long-term debt as described above. Accounts payable amount to DKK 276.0 million, compared to DKK 217.6 million at the beginning of the year. The increase is first of all due to higher tax payables, provisions for onerous contracts and other payables.

Bakkafrost's equity ratio is 54%, compared to 49% at the end of 2012.



## Cash Flow

The cash flow from operations in Q4 2013 was DKK 187.1 million (DKK 103.8 million). The Cash flow from operations was positively affected by higher sales prices on lower volumes and positive cash-flow due to decrease in inventory. For 2013, the cash flow from operations was DKK 517.5 million (DKK 285.6 million).

The cash flow from investment activities in Q4 2013 amounted to DKK -96.7 million (DKK -44.6 million). The amount relates primarily to investments in fixed assets. For 2013, the cash flow from investments amounts to DKK -204.4 million (DKK -66.9 million). Included in the prepayments made for purchase of fixed assets are approximately DKK 22 million for the well boat that Bakkafrost has ordered for delivery in 2015.

Cash flow from financing activities totalled DKK -72.2 million in Q4 2013 (DKK -43.9 million). The interest bearing debt decreased by DKK 53.6 million, purchase of own shares was DKK 28.1 million and changes in financing of associated companies contributed positively with DKK 16.3 million. For 2013, cash flow from financing amounted to DKK -156.1 million (DKK -210.6 million).

Net change in cash flow in Q4 2013 amounted to DKK 18.3 million (DKK 15.3 million) and for 2013 DKK 157.0 million (DKK 8.2 million).

At the end of 2013 Bakkafrost had unused credit facilities of approximately DKK 684.0 million of which DKK 15.6 million are restricted.

## Outlook

### MARKET

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

Bakkafrost expects to sell around 55% of the harvested volume of salmon in the spot market in 2014 and around 45% as VAP. The market place is one of Bakkafrost's most significant risk areas. To reduce the exposure to the market risk, Bakkafrost has a geographical approach and a market price approach. To diversify the geographical market risk, Bakkafrost sells its products to some of the largest salmon markets in the world, US, the Far East, Europe and Russia.

### FARMING

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

49% in, expects to harvest around 5,000 tonnes in 2014.

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

The estimates for harvesting volumes and smolt releases, is as always, dependent on the biological situation in the Faroe Islands. The overall biological situation in the Faroe Islands is good, but the detection of *Neoparamoeba perurans* in the Faroes and the possible detection of an ISA virus are new risks to handle. The number of sea lice is lower than in previous years after a coordinated treatment in the whole Faroese farming area during 2013. The number has been significantly lower during the summer 2013, compared to previous years. Therefore the farming companies in the Faroes have decided, to do an coordinated treatment again sea lice again in 2014.

**Value added products (VAP)**

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

**Fish oil, -meal and feed**

The major market for Havsbrún's fish feed is the local Faroese market. It is expected that the total consumption of fish feed in the Faroe Islands will be approximately 90,000-95,000 tons in 2014. Depending on the purchase from external customers in the Faroe Islands and abroad, the sale of fish feed will be approximately 83,000-87,000 tonnes.

With the positive outlook for the fisheries of blue whiting and the establishment of a pelagic fish processing plant next to Havsbrún's production facilities in Fuglafjørður the outlook for sourcing raw material is better than in recent years. Off-cuts from the new processing facility, which Bakkafrost

has a 30% share in, can be used for the production of fishmeal and fish oil. However, depending on supply, demand and the price level, the sourcing of raw material for the production of fish oil and -meal is very uncertain. An alternative to Havsbrún's production of fish oil and -meal is purchasing these raw materials from other producers, which has been common in recent years.

**Investments**

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

**Financial**

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

## Risks

In addition to the risks described in the 2012 Annual and Consolidated Report and Accounts, Bakka Frost announced the 28<sup>th</sup> of October 2013 suspicion of *Neoparamoeba perurans* at a Bakka Frost farming site. Further PCR analysis carried out by the Faroese Food- and Veterinary Authorities detected the presence of *Neoparamoeba perurans*. The *Neoparamoeba perurans* agent is known to be able to cause amoeba gill disease (AGD).

All other sites in the Faroes have been examined, and *Neoparamoeba perurans* has been detected in a number of them including sites, which Bakka Frost owns.

The detected sites have been treated with Hydrogen Peroxide. There has been no increase in mortality and no disease outbreak have been observed at any of the detected sites, but the detection of *Neoparamoeba perurans* agent has, nevertheless, increased the biological risk.

In February 2014 a routine surveillance test detected a possible pathogenic ISA-virus on a Bakka Frost farming site. A further description of this is under Events After the Date of the Statement of Financial Position.

Other risks are described in the 2012 Annual and Consolidated Report and Accounts, which is available on request from Bakka Frost and on Bakka Frost's website, [www.bakkafrost.com](http://www.bakkafrost.com).

Bakka Frost is, as explained in the 2012 Annual and Consolidated Report and Accounts, exposed to the salmon price. We expect the salmon spot prices to be on the same or on a higher level in 2014, compared to 2013.

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

## Events After the Date of the Statement of Financial Position

From the date of the statement of financial position until today, the following event has occurred.

Bakka Frost announced the 9<sup>th</sup> of February 2014 a suspicion of a possible pathogenic ISA-virus at a Bakka Frost farming site.

The detection of a possible pathogenic ISA-virus was not connected to any increase in mortality, and there was no impact on fish health or fish welfare.

Three of the routine surveillance samples for RT-PCR analyses taken at farm A-80, Selatrað by the Veterinary authority, were tested ISAV-positive.

Further sequencing of these three ISA-virus positive samples showed a deletion in the HPR-region in one sample. However, post-mortem examination of fish in the farm did not show any pathological signs of ISA.

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

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

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

Bakka Frost will send out a stock announcement, when the final results are available from the site in Selatrað, confirming or denying the suspicion of the pathogen variants of the ISA-virus.

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

Glyvrrar, February 25<sup>th</sup> 2014

The Board of Directors of P/F Bakka Frost

## Consolidated Income Statement

For the period ended 31<sup>st</sup> December 2013

	Q4	Q4	YTD	YTD
DKK 1,000	2013	2012	2013	2012
<b>Operating revenue</b>	<b>666,644</b>	<b>582,062</b>	<b>2,491,081</b>	<b>1,855,544</b>
Purchase of goods	-217,175	-300,250	-1,064,666	-835,494
Change in inventory and biological assets (at cost)	-72,833	42,153	81,924	75,990
Salary and personnel expenses	-63,931	-60,997	-232,871	-210,115
Other operating expenses	-164,007	-143,142	-601,799	-482,641
Depreciation	-22,827	-20,664	-86,659	-80,244
<b>Operational EBIT</b>	<b>125,871</b>	<b>99,162</b>	<b>587,010</b>	<b>323,040</b>
Fair value adjustments on biological assets	94,184	113,640	115,352	90,546
Onerous contracts	-64,607	-46,078	-24,830	-46,078
Income from associates	11,245	8,387	23,788	-6,442
Loss from sale of subsidiary	0	0	0	-17,546
<b>Earnings before interest and taxes (EBIT)</b>	<b>166,693</b>	<b>175,111</b>	<b>701,320</b>	<b>343,520</b>
Financial income	2,455	1,478	6,239	3,436
Net interest expenses	-8,145	-4,584	-28,929	-20,924
Net currency effects	14,045	-3,078	53,151	-145
Other financial expenses	-1,106	-594	-4,430	-2,206
<b>Earnings before taxes (EBT)</b>	<b>173,942</b>	<b>168,333</b>	<b>727,351</b>	<b>323,681</b>
Taxes	-36,076	-20,159	-138,133	-55,806
<b>Profit or loss for the period continuing operations</b>	<b>137,866</b>	<b>148,174</b>	<b>589,218</b>	<b>267,875</b>
<b>Discontinued operations</b>				
Profit or loss from discontinued operations, after tax	0	0	0	13,463
<b>Profit or loss for the period</b>	<b>137,866</b>	<b>148,174</b>	<b>589,218</b>	<b>281,338</b>
<b>Profit or loss for the year attributable to</b>				
Non-controlling interests	0	0	0	0
<b>Owners of P/F Bakkafrost</b>	<b>137,866</b>	<b>148,174</b>	<b>589,218</b>	<b>281,338</b>
Earnings per share (DKK), continuing operations	2.82	3.03	12.07	5.76
Earnings per share (DKK), discontinuing operations	0.00	0.00	0.00	0.28
Diluted earnings per share (DKK), continuing operations	2.82	3.03	12.07	5.76

## Consolidated Statement of Comprehensive Income

For the period ended 31<sup>st</sup> December 2013

	Q4	Q4	YTD	YTD
DKK 1,000	2013	2012	2013	2012
<b>Profit for the period</b>	<b>137,866</b>	<b>148,174</b>	<b>589,218</b>	<b>281,338</b>
Fair value adjustment on financial derivatives	-17,671	0	-74,889	0
Income tax effect	4,752	0	13,480	0
Fair value adjustment on purchased non-controlling interests	0	1,634	0	1,634
Currency translation differences	1,109	0	1,109	0
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-11,810</b>	<b>1,634</b>	<b>-60,300</b>	<b>1,634</b>
Acquisition of treasury shares	-28,106	0	-28,949	0
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>-28,106</b>	<b>0</b>	<b>-28,949</b>	<b>0</b>
<b>Other comprehensive income</b>	<b>-39,916</b>	<b>1,634</b>	<b>-89,249</b>	<b>1,634</b>
<b>Total other comprehensive income for the period</b>	<b>97,950</b>	<b>149,808</b>	<b>499,969</b>	<b>282,972</b>

# Consolidated Statement of Financial Position

As of 31<sup>st</sup> December 2013

	End	End
DKK 1,000	2013	2012
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	294,675	293,675
Property, plant and equipment	916,696	812,768
Financial assets	115,304	91,212
Long term receivables	1,504	0
<b>Total non-current assets</b>	<b>1,328,179</b>	<b>1,197,655</b>
<b>Current assets</b>		
Biological assets (biomass)	965,896	746,958
Inventory	235,489	242,898
<b>Total inventory</b>	<b>1,201,385</b>	<b>989,856</b>
Accounts receivable	278,432	212,357
Other receivables	122,153	145,998
<b>Total receivables</b>	<b>400,585</b>	<b>358,355</b>
<b>Cash and cash equivalents</b>	<b>182,077</b>	<b>25,045</b>
<b>Total current assets</b>	<b>1,784,047</b>	<b>1,373,256</b>
<b>TOTAL ASSETS</b>	<b>3,112,226</b>	<b>2,570,911</b>



## Consolidated Statement of Financial Position

As of 31<sup>st</sup> December 2013

	End	End
DKK 1,000	2013	2012
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	48,858	48,858
Other equity	1,616,419	1,214,054
<b>Total equity</b>	<b>1,665,277</b>	<b>1,262,912</b>
<b>Non-current liabilities</b>		
Deferred taxes and other taxes	310,925	258,441
Long-term interest bearing debts	760,040	731,948
<b>Total non-current liabilities</b>	<b>1,070,965</b>	<b>990,389</b>
<b>Current liabilities</b>		
Short-term interest bearing debt	100,000	100,000
Accounts payable and other debt	275,984	217,610
<b>Total current liabilities</b>	<b>375,984</b>	<b>317,610</b>
<b>Total liabilities</b>	<b>1,446,949</b>	<b>1,307,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,112,226</b>	<b>2,570,911</b>

## Consolidated Cash Flow Statement

For the period ended 31<sup>st</sup> December 2013

DKK 1,000	Q4 2013	Q4 2012	YTD 2013	YTD 2012
<b>Earnings before interest and taxes (EBIT)</b>	<b>166,693</b>	<b>175,111</b>	<b>701,320</b>	<b>343,520</b>
Adjustments for write-downs and depreciation	32,746	23,644	96,578	83,224
Adjustments for value adjustments on biomass	-94,184	-113,640	-115,352	-90,546
Adjustments for income from associates	-11,245	-8,387	-23,788	6,442
Adjustments for currency effects*	14,045	145	53,151	3,078
Adjustments for loss from sale of subsidiary	0	0	0	17,546
Taxes paid	-46,620	-72,612	-46,620	-72,612
Provision for onerous contracts	64,607	46,078	24,830	46,078
Change in inventory	71,559	-22,380	-96,179	-84,929
Change in receivables	-11,753	11,675	-109,359	-86,437
Change in current debts	1,284	64,207	32,952	120,234
<b>Cash flow from operations</b>	<b>187,132</b>	<b>103,841</b>	<b>517,533</b>	<b>285,598</b>
<b>Cash flow from investments</b>				
Acquisition/sale of subsidiaries and activities, etc., net	0	0	0	46,843
Proceeds from sale of fixed assets	1,776	541	1,776	541
Payments made for purchase of fixed assets	-63,867	-28,495	-165,208	-97,570
Prepayment for investments in fixed assets	-34,613	-16,680	-34,613	-16,680
Purchase of shares and other investments	0	0	-7,253	0
Change in long-term receivables	0	0	909	0
<b>Cash flow from investments</b>	<b>-96,704</b>	<b>-44,634</b>	<b>-204,389</b>	<b>-66,866</b>
<b>Cash flow from financing</b>				
Change of interest bearing debt (short and long)	-53,598	-47,288	-40,676	-1,745
Acquisition of minorities	0	0	0	-30,000
Financial income*	2,455	1,480	6,239	3,438
Financial expenses	-9,251	-8,256	-33,359	-26,208
Acquisition of treasury shares	-28,106	0	-28,106	0
Financing of associate	16,330	10,187	37,393	-107,182
Dividend paid	0	0	-97,602	-48,858
<b>Cash flow from financing</b>	<b>-72,170</b>	<b>-43,877</b>	<b>-156,111</b>	<b>-210,555</b>
<b>Cash flow from discontinuing operations</b>				
Net cash from operating activities	0	0	0	2,180
Net cash used for investing activities	0	0	0	-1,241
Net cash used for financing activities	0	0	0	-939
<b>Net cash from discontinuing operations</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net change in cash and cash equivalents in the period</b>	<b>18,258</b>	<b>15,330</b>	<b>157,033</b>	<b>8,177</b>
Cash and cash equivalents – opening balance	163,820	9,715	25,045	16,868
<b>Cash and cash equivalents – closing balance total</b>	<b>182,078</b>	<b>25,045</b>	<b>182,078</b>	<b>25,045</b>

## Consolidated Statement of Changes in Equity

As of 31<sup>st</sup> December 2013

DKK 1,000	End 2013	End 2012
<b>Total equity 01.01</b>	<b>1,262,912</b>	<b>1,061,010</b>
<b>Profit for the period to equity</b>	<b>589,218</b>	<b>281,337</b>
<b>Adjustment to 01.01</b>	<b>0</b>	<b>-577</b>
Fair value adjustment on financial derivatives	-74,891	0
Income tax effect	13,480	0
Acquisition treasury shares	-28,949	0
Currency translation differences	1,109	0
Fair value adjustment on purchased non-controlling interests	0	1,634
<b>Total other comprehensive income</b>	<b>-89,251</b>	<b>1,634</b>
Proposed dividend	-219,862	-97,716
<b>Total proposed dividend</b>	<b>-219,862</b>	<b>-97,716</b>
<b>Total recognised income and expense to equity</b>	<b>280,105</b>	<b>184,678</b>
<b>Equity transactions between the Company and its shareholders</b>		
Acquisition of minorities	0	-31,634
<b>Equity decrease by acquisition of minorities</b>	<b>0</b>	<b>-31,634</b>
Distribution of dividend	-97,602	-48,858
Proposed dividend	219,862	97,716
<b>Dividend distribution</b>	<b>122,260</b>	<b>48,858</b>
<b>Total change in equity during the period</b>	<b>402,365</b>	<b>201,902</b>
<b>Total equity at the end of the period</b>	<b>1,665,277</b>	<b>1,262,912</b>

## Notes to the Account

### Accounting Policy

#### General Information

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

The Annual and Consolidated Report and Accounts of the Group as at 31<sup>st</sup> December 2012 are available upon request from the company's

registered office at Bakkavegur 9, FO-625 Glyvra, Faroe Islands, or at [www.bakkafrust.com](http://www.bakkafrust.com).

This Condensed Consolidated Interim Report is presented in DKK.

#### Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all of the information required for the full Annual and Consolidated Report and

Accounts and should be read in conjunction with the Annual and Consolidated Report and Accounts for the Group as at 31<sup>st</sup> December 2012.

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

#### Note 2. Significant Accounting Policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied in the Annual and Consolidated Report and Accounts as at and for the year ended 31<sup>st</sup> December 2012.

Bakka Frost issued bonds in Q1 2013; the bonds are measured at fair value.

In Q1 2013, the Bakka Frost Group entered into an agreement on using interest rate swap contracts and forward currency settlement contracts as hedges of its exposure to foreign currency risk and interest expenses and instalment payments in foreign currencies. The hedges are considered to be cash flow hedges.

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

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

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

### Note 3. Estimates and risk exposure

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

The accounting estimates are described in Note 3 to the financial statements in the Annual Report 2012.

The 28<sup>th</sup> of October 2013, Bakkafrost announced a suspicion of *Neoparamoeba perurans* at a Bakkafrost farming site. Further PCR analysis carried out by the Faroese Food- and Veterinary Authorities have detected the presence of *Neoparamoeba perurans*. The *Neoparamoeba perurans* agent is known to be able to cause amoeba gill disease (AGD). All other sites in the Faroes have been examined and *Neoparamoeba perurans* has been detected in a number of them including sites, which Bakkafrost owns. The detected sites have been treated with Hydrogen Peroxide. There has been no increase in mortality and no disease outbreak have been observed in any of the detected sites, but the detection of *Neoparamoeba perurans* agent has, nevertheless, increased the biological risk.

Bakkafrost announced the 9th of February 2014 a suspicion of a possible pathogenic ISA-virus at a Bakkafrost farming site.

The detection of a possible pathogenic ISA-virus was not connected to any increase in mortality, and there was no impact on fish health or fish welfare.

Three of the routine surveillance samples for RT-PCR analyses taken at farm A-80, Selatrað by the Veterinary authority, were tested ISAV-positive.

Further sequencing of these three ISA-virus positive samples showed a deletion in the HPR-region in one sample. However, post-mortem examination of fish in the farm did not show any pathological signs of ISA.

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

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

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

For other risk exposure, reference is made to the Management Statement in the Annual Report for 2012, where Bakkafrost's operational and financial risk is described, as well as to Note 20 (Financial market risk) in the same report.

The risks and uncertainties described therein are expected to remain. Since the issuance of the Annual Report for 2012, the markets have been strong and we have seen increased salmon prices.

Except for the risks related to the detection of *Neoparamoeba perurans* and the possible detection of ISA virus, the overall risk management is unchanged.

#### Note 4. Biomass

DKK 1,000	2013	2012
Biological assets carrying amount 01.01	746,958	700,336
Increase due to production or purchases	1,074,059	847,756
Reduction due to harvesting or sale (costs of goods sold)	-960,624	-767,828
Fair value adjustment at the beginning of the period reversed	-181,050	-86,037
Fair value adjustments at the end of the period	296,402	181,050
Biological assets sold	0	-130,752
Reversal of elimination at the beginning of the period	23,889	26,322
Eliminations	-33,738	-23,889
<b>Biological assets carrying amount at the end of the period</b>	<b>965,896</b>	<b>746,958</b>
Cost price biological assets	689,224	576,611
Capitalised interest	14,008	13,186
Fair value adjustments at the end of the period	296,402	181,050
Eliminations	-33,738	-23,889
<b>Biological assets carrying amount</b>	<b>965,896</b>	<b>746,958</b>

#### Note 5. Segments

Farming segment	Q4	Q4	YTD	YTD
DKK1,000	2013	2012	2013	2012
External revenue	362,242	332,850	1,373,238	1,015,496
Internal revenue	163,672	102,124	618,314	356,164
<b>Total revenue</b>	<b>525,914</b>	<b>434,974</b>	<b>1,991,552</b>	<b>1,371,660</b>
Operating expenses	-380,352	-337,652	-1,294,062	-1,047,505
Depreciation and amortisation	-14,764	-13,034	-55,135	-50,156
<b>Operational EBIT</b>	<b>130,798</b>	<b>84,288</b>	<b>642,355</b>	<b>273,999</b>
Fair value adjustments on biological assets	94,184	113,640	115,352	90,546
Income from associates	9,354	6,105	8,574	-11,441
<b>Earnings before interest and taxes (EBIT)</b>	<b>234,336</b>	<b>204,033</b>	<b>766,281</b>	<b>353,104</b>
Net interest	9,080	-9,538	30,657	-28,463
<b>Earnings before taxes (EBT)</b>	<b>243,416</b>	<b>194,495</b>	<b>796,938</b>	<b>324,641</b>
Taxes	-46,013	-23,252	-138,721	-47,263
<b>Profit for the period (continuing operations)</b>	<b>197,403</b>	<b>171,243</b>	<b>658,217</b>	<b>277,378</b>
Profit or loss from discontinued operations, after tax	0	0	0	13,462
<b>Profit or loss for the period</b>	<b>197,403</b>	<b>171,243</b>	<b>658,217</b>	<b>290,840</b>



Value added products	Q4	Q4	YTD	YTD
DKK1,000	2013	2012	2013	2012
<b>External revenue</b>	<b>202,594</b>	<b>153,801</b>	<b>666,172</b>	<b>526,258</b>
Internal purchase of raw material	-163,672	-102,124	-618,314	-356,164
Operating expenses	-42,853	-38,632	-131,109	-127,064
Depreciation and amortisation	-1,963	-1,579	-7,222	-6,060
<b>Operational EBIT</b>	<b>-5,894</b>	<b>11,466</b>	<b>-90,473</b>	<b>36,970</b>
Provision for onerous contracts	-64,608	-46,078	-24,830	-46,078
Income from associates	8	-16	8	-16
<b>Earnings before interest and taxes (EBIT)</b>	<b>-70,494</b>	<b>-34,628</b>	<b>-115,295</b>	<b>-9,124</b>
Net interest	-634	704	-643	2,449
<b>Earnings before taxes (EBT)</b>	<b>-71,128</b>	<b>-33,924</b>	<b>-115,938</b>	<b>-6,675</b>
Taxes	12,804	6,106	20,870	1,201
<b>Result for the period, continuing operations</b>	<b>-58,324</b>	<b>-27,818</b>	<b>-95,068</b>	<b>-5,474</b>

Fishmeal, Fish Oil and Fish Feed	Q4	Q4	YTD	YTD
DKK1,000	2013	2012	2013	2012
External revenue	101,808	95,411	451,671	313,790
Internal revenue	150,690	152,722	631,338	575,547
<b>Total revenue</b>	<b>252,498</b>	<b>248,133</b>	<b>1,083,009</b>	<b>889,337</b>
Purchase of goods	-195,426	-201,330	-804,688	-690,319
Operating expenses	-35,732	-28,368	-152,567	-114,497
Depreciation and amortisation	-6,100	-6,051	-24,302	-24,028
<b>Operational EBIT</b>	<b>15,240</b>	<b>12,384</b>	<b>101,452</b>	<b>60,493</b>
Income from associates	1,883	2,298	15,206	-12,531
<b>Earnings before interest and taxes (EBIT)</b>	<b>17,123</b>	<b>14,682</b>	<b>116,658</b>	<b>47,962</b>
Net interest	-1,197	2,056	-3,983	6,175
<b>Earnings before taxes (EBT)</b>	<b>15,926</b>	<b>16,738</b>	<b>112,675</b>	<b>54,137</b>
Taxes	-2,867	-3,013	-20,282	-9,745
<b>Profit for the period</b>	<b>13,059</b>	<b>13,725</b>	<b>92,394</b>	<b>44,392</b>

Reconciliation of reportable segments to Group earnings before taxes (EBT)	Q4	Q4	YTD	YTD
DKK1,000	2013	2012	2013	2012
Farming	243,416	194,495	796,938	324,641
Value added products	-71,128	-33,924	-115,938	-6,675
Fishmeal, Fish Oil and Fish Feed	15,926	16,738	112,675	54,137
Eliminations	-14,272	-8,976	-66,324	-48,419
<b>Group earnings before taxes (EBT)</b>	<b>173,942</b>	<b>168,333</b>	<b>727,351</b>	<b>323,684</b>

Assets and liabilities per segment	YTD	YTD
DKK1,000	2013	2012
Farming	2,985,373	2,669,228
Value added products	67,098	64,766
Fishmeal, Fish Oil and Fish Feed	671,732	637,004
Eliminations	-611,977	-800,087
<b>Total assets</b>	<b>3,112,226</b>	<b>2,570,911</b>
Farming	-993,941	-2,114,214
Value added products	-36,211	-11,329
Fishmeal, Fish Oil and Fish Feed	-511,529	-118,389
Eliminations	94,732	935,933
<b>Total liabilities</b>	<b>-1,446,949</b>	<b>-1,307,999</b>

## Note 6. Harvest and Feed Sale

Distribution of harvested volumes (tgw)	Q4 2013	Q4 2012	YTD 2013	YTD 2012
Harvested volume used in VAP production	5,033	4,495	18,333	16,054
Harvested volume sold fresh/frozen	6,064	8,549	22,935	28,287
<b>Harvested and purchased volume (tgw)</b>	<b>11,097</b>	<b>13,044</b>	<b>41,268</b>	<b>44,341</b>

Harvested volumes (tgw)	Q4 2013	Q4 2012	YTD 2013	YTD 2012
Farming North	8,105	7,454	29,203	23,494
Farming West	2,992	5,590	12,065	20,847
<b>Total harvested volumes (tgw)</b>	<b>11,097</b>	<b>13,044</b>	<b>41,268</b>	<b>44,341</b>
Faroe Farming (discontinuing operation)	0	0	0	2,557
<b>Total harvested volumes (tgw)</b>	<b>11,097</b>	<b>13,044</b>	<b>41,268</b>	<b>46,898</b>

Distribution of harvested volumes (tgw)	Q4 2013	Q4 2012	YTD 2013	YTD 2012
Harvested volume used in VAP production	45%	34%	44%	36%
Harvested volume sold fresh/frozen	55%	66%	56%	64%
<b>Harvested and purchased volumes (tgw)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Feed sold volume (tonnes)	Q4 2013	Q4 2012	YTD 2013	YTD 2012
Internal sale	14,736	16,210	63,820	61,506
External sale	5,534	8,837	21,513	29,892
<b>Sold tonnes feed</b>	<b>20,270</b>	<b>25,047</b>	<b>85,333</b>	<b>91,398</b>

## Note 7. Discontinuing operation

### Sale of controlling interest (51%) in Faroe Farming in 2012

In March 2012, Bakkafrost purchased the non-controlling shares in P/F Faroe Farming, corresponding to 21.93% of the shares in the company. Consequently, Bakkafrost became the sole owner of the shares in P/F Faroe Farming effective from 1<sup>st</sup> January 2012. The transaction was an equity transaction. Subsequent to the acquisition of the non-controlling interests, Bakkafrost sold 51% of the total shares in P/F Faroe Farming to the Faroese based investment company Sp/F Hjalur.

The transaction was, among other things, subject to authority approval. After receiving the necessary approval, the transaction was finalised. Therefore, Bakkafrost now complies with the legal requirements stipulating a maximum control of 50% of the licenses in the Faroe Islands. Following the requirements in IFRS 10, Faroe Farming is de-recognised from the consolidation at the transaction date and recognised as an associated company according to IAS 28.

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

## Note 8. Business combinations

In December 2012, Bakkafrost decided to acquire the sales company Faroe Seafood UK Limited. Faroe Seafood UK Limited is a trading company in Grimsby, UK, selling primarily salmon but also other species of fish into the UK market. The gross turnover for 2012 was around GBP 4.6 million and a profit before tax of GBP 118 thousand. The company employs a total of 4 people, whereof 3 are in the sales department. Faroe Seafood UK Limited has been trading salmon from Bakkafrost prior to the acquisition. The acquisition will give Bakkafrost the benefit of a direct route to the UK market for Bakkafrost's products. The acquisition

date was set to 01.01.2013. 100% of the shares were acquired.

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

From January 1st 2013, Faroe Seafood UK Limited is consolidated into the Bakkafrost Group.

## Note 9. Capital commitments

The Group had capital expenditure committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 211.0 million. Of which DKK 185 million, is

related to the building of a new well boat operated by Bakkafrost.

## Note 10. Transactions with related parties

Note 24 in BakkaFrost's Annual Report for 2012 provide detailed information on related parties' transactions.

Faroe Farming, an associated company of BakkaFrost, purchased for DKK 17.9 million from BakkaFrost in Q4 2013, and BakkaFrost purchased raw material amounting to DKK 63.1 million from Faroe Farming. In 2013, Faroe Farming purchased for DKK 88.7 million from BakkaFrost, and BakkaFrost purchased raw material amounting to DKK 206.6 million from Faroe Farming.

At the end of 2013, Faroe Farming owed DKK 69.8 million to the BakkaFrost Group.

Hanstholm Fiskemelsfabrik A/S is a supplier in the feed segment. During 2013, Hanstholm Fiskemelsfabrik A/S sold fishmeal and fish oil amounting to DKK 13.9 million. Hanstholm Fiskemelsfabrik A/S purchased in Q4 2013 for a total of DKK 13.8 million and in all 2013 for DKK 27.6 million. At the end of 2013, Hanstholm Fiskemelsfabrik A/S owed BakkaFrost DKK 0 million.

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

## Note 11. Fair value measurements

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

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

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

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

For assets/liabilities that are recognised at fair value on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

During Q4 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

As at December 31<sup>st</sup> 2013, the Group held the following classes of assets/liabilities measured at fair value:

Assets and Liabilities measured at fair value	31 Dec			
	2013	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
Intangible assets	293,675	0	0	293,675
Financial assets	669	669	0	0
Biological assets (biomass)	965,896	0	965,896	0
<b>Liabilities measured at fair value</b>				
Long-term interest bearing debts	514,548	514,548	0	0







## Contacts

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