

BAKKAFROST ANNUAL REPORT 2014

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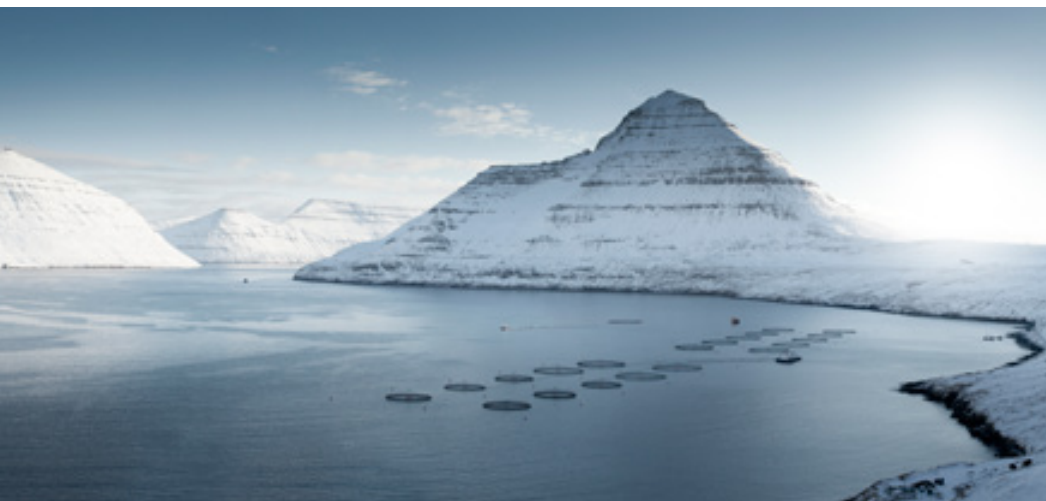


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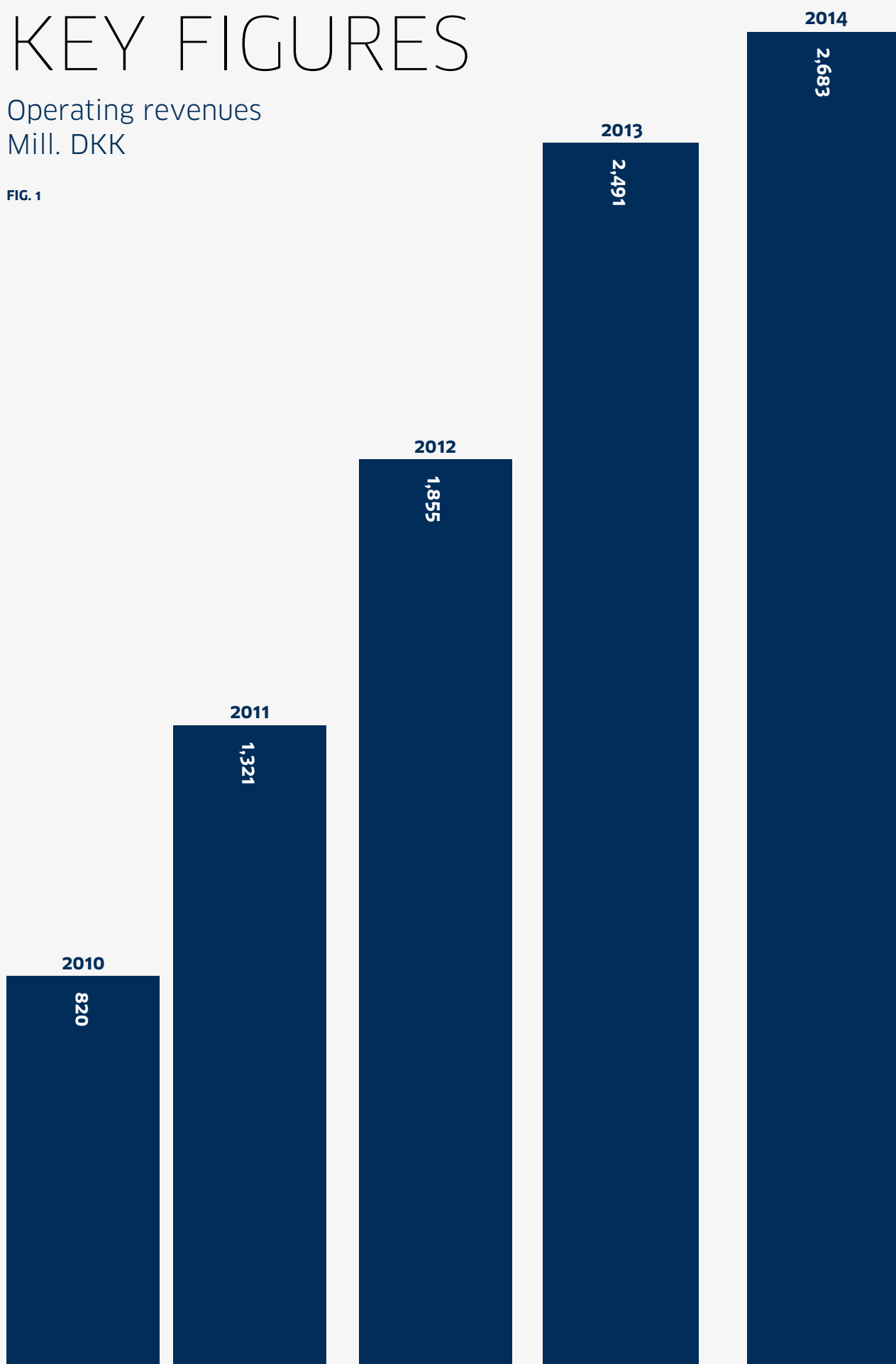
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KEY FIGURES

Operating revenues
Mill. DKK

FIG. 1



(DKK 1,000)

Income statement	2014	2013	2012	2011	2010
Operating revenues	2,683,319	2,491,081	1,855,544	1,321,092	820,212
Operational EBIT *	833,775	587,010	323,040	335,146	246,788
Operational EBITDA *	930,944	673,669	403,284	402,471	289,045
Earnings before interest and taxes (EBIT)	892,291	701,320	343,520	400,698	315,580
Earnings before taxes (EBT)	899,191	727,351	323,681	370,196	307,259

Net earnings	647,105	589,218	267,875	323,417	259,711
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Earnings per share before fair value adjustment of biomass and provision for onerous contracts (DKK)	12.33	10.55	5.01	7.43	3.97
Earnings per share after fair value adjustment of biomass and provision for onerous contracts (DKK)	13.34	12.07	5.76	6.66	5.41

Statement of financial position

Total non-current assets	1,462,633	1,328,179	1,197,655	1,234,333	519,427
Total current assets	2,000,300	1,784,047	1,373,256	1,067,441	665,229
TOTAL ASSETS	3,462,933	3,112,226	2,570,911	2,301,774	1,184,656

Total equity	2,063,653	1,665,277	1,262,912	1,061,011	902,289
Total liabilities	1,399,280	1,446,949	1,307,999	1,240,763	282,366
TOTAL EQUITY AND LIABILITIES	3,462,933	3,112,226	2,570,911	2,301,774	1,184,656

Net interest bearing debt **	232,711	603,074	806,903	816,825	70,190
Equity share	60%	54%	49%	46%	76%

* Aligned for fair value adjustments of biomass, onerous contracts provision, income from associates and other non operating related adjustments.

** Derivatives related to long-term interest bearing debt amounting to DKK 106,908 are not included.

BAKKAFROST'S HISTORY

The following is a summary of the main events and milestones of the company since its establishment:

1968 The Bakkafrost business was established by the two brothers Hans and Róland Jacobsen. The first processing plant was built the same year. The third brother, Martin Jakobsen, joined the company in 1971.

1972 A second processing plant was built in Glyvrrar. The business idea was to catch herring in the Faroese fjords and to process and sell spiced and marinated herring fillets.

1977 Packaging of flatfish from other Faroese fish producers for the UK market began. This was mainly to stabilise the existing business, as the volumes of herring caught decreased.

1979 Bakkafrost started fish farming activities – one of the first companies in the Faroe Islands to do so.

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

1986 P/f Bakkafrost was incorporated as Sp/f Faroe Salmon by Jón Purkhús and Heini Gregersen, and production of farmed salmon and smolt started.

1992 The Group was restructured by Regin Jacobsen, Hans Jacobsen and Martin Jakobsen. At this time, the Group established P/f Alistøðin á Bakka, which had farming licences for salmon in two fjords, slaughtering capacities for salmon in Glyvrrar as well as pelagic processing capabilities and production of styropor boxes for transportation of fish.

1995 A value added product (VAP) factory for salmon was built within an existing location, the factory in Glyvrrar. The investment was limited, and the capacity was low. The company received a licence to produce smolt/fry in Glyvrrar/Glyvradalur.

1999–2001 The Group increased the VAP capacity to around 22 tonnes gutted weight per day through two separate investments during this period in order to facilitate further growth.

2006 The Group grew through acquisitions and mergers and increased its farming capacity by 15,000 t_{gw}, to a total capacity of 18,000 t_{gw} of salmon. The Group gained access to six new fish farming fjords and two hatcheries for production of smolt and fry. The Group made large investments to increase the VAP factory in Glyvrrar to manage the increased volumes, and the factory reached a capacity of 55 t_{gw} 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 t_{gw} of salmon and trout and a harvesting plant located in Kollafjørður.

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

2010 Bakkafrost and Vestlax merged. The combined company is the largest farming company in the Faroe Islands with around 55% of the farmed salmon from the Faroe Islands. The fully integrated company, ranging from smolt production to farming to finished VAP products, harvested 21,626 t_{gw} in 2010. On 26 March 2010, the company was listed on Oslo Børs and broadened its shareholder base. In addition to local Faroese investors, the company is now owned by international investors from all over Europe and the USA.

2011 Bakkafrost acquired P/f Havsbrún, a modern, internationally renowned producer of fishmeal, fish oil and fish feed situated in the Faroe Islands. The majority of the produced fishmeal and



oil is used for its own fish feed production, and the rest is being exported. Bakkafrost was Havsbrún's largest customer. P/f Havsbrún owned 78.1% of the farming companies P/f Faroe Farming and P/f Viking Seafood with a total of 5 licenses. Following the acquisition of P/f Havsbrún, Bakkafrost also acquired the minority shares in P/f Viking Seafood and thus controls 100% of the shares.

2012 The Havsbrún Group, acquired in 2011, was integrated into the Bakkafrost Group, and business synergies, created by this acquisition, were realised. The integration process included the reorgani-

sation of the Group structure, and in order to comply with the Faroese farming law, 51% of the farming company Faroe Farming was sold. With effect from 1 January 2013, a sales company, Bakkafrost plc in UK, was acquired in late 2012.

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

2014 The Bakkafrost Group reached the best financial result ever. The first part of the investment plan was finalised, as the new packaging plant was built in Glyvvar and came into production. A new hatchery, making Bakkafrost self-supplied with smolts, was built in Norðtoftir and commenced production. The building of the new Harvest/VAP facility in Glyvvar started, and the construction of the new wellboat in Yalova, Istanbul, progressed. The ship will be delivered in June 2015.

GROUP STRUCTURE

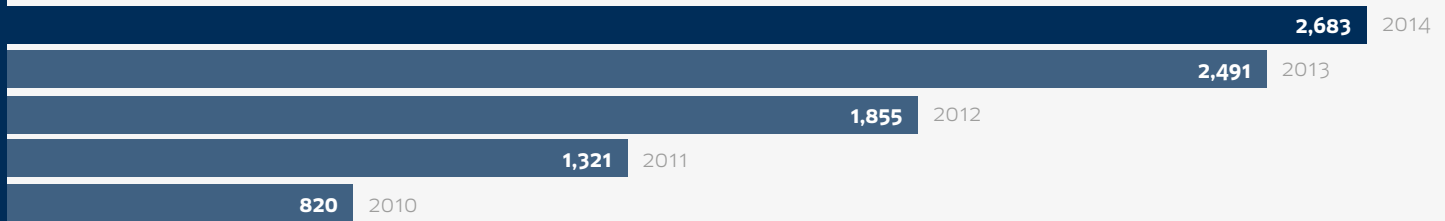
The figure below shows the structure of the Bakkafrost Group with activities separated into different entities based on activities. The Group produced 44,013 tonnes of gutted salmon in 2014 (2013: 41,268 t_{gw}) and 85,724 tonnes of fish feed (2013: 85,333 tonnes).

FIG. 2



FIG. 3

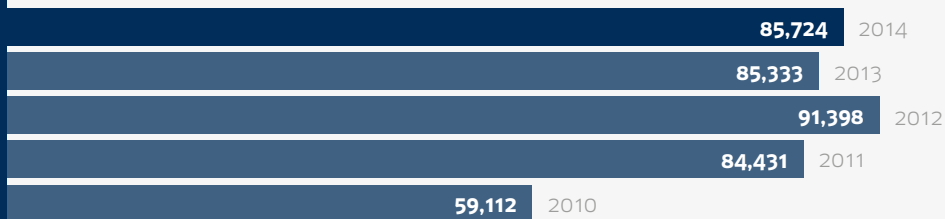
OPERATING REVENUES: MILL. DKK

**FIG. 4**

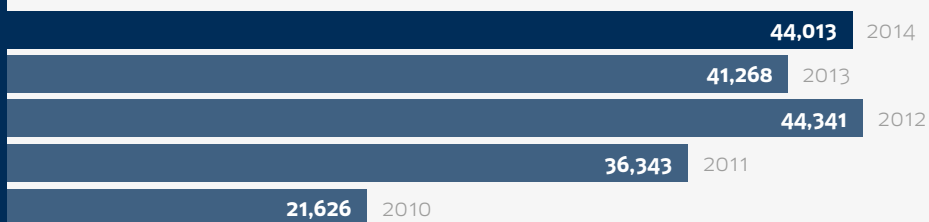
NET EARNINGS: MILL. DKK

**FIG. 5**

FISH FEED PRODUCTION VOLUME: TONNES

**FIG. 6**

HARVEST VOLUME: TONNES GW

**FIG. 7**

SMOLT RELEASE: THOUSAND SMOLTS

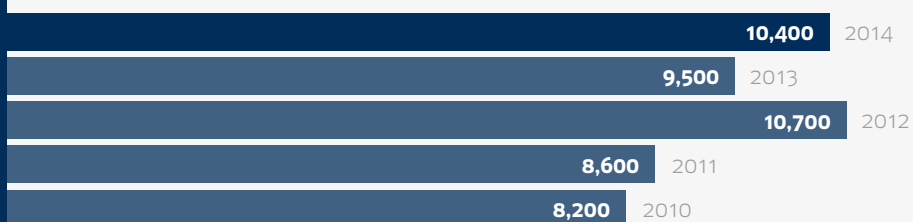


FIG. 8



A03, A47, A80 and A85 are not in use at the moment

OPERATION SITES

Bakkafrost is the largest salmon farmer in the Faroe Islands. The Group is fully integrated, from production of fish oil, fish-meal and fish feed to production of smolt, farming, value added products and sales. Bakkafrost operates 19 farming sites, and the company has a total of 700 employees.

○ HATCHERIES

Bakkafrost Farming

Norðtoftir S-03
Húsar S-04
Gjógv S-08
Svínoy S-10
Glyvradalur S-16
Viðareiði S-21

● FARMING

Bakkafrost Farming

Svínáir A-03**
Lambavík A-04
Undir Síðu A-05
Gulín A-06
Hvannasund A-11
Kunoyarnes A-12
Borðoyavík A-13
Hvannasund Suður A-21
Gøtuvík A-25 and A-47**
Fuglafjørður A-57
Árnafjørður A-63
Funningsfjørður A-71
Haraldssund A-72
Hvannasund Norður A-73
Selatrað A-80**
Kolbeinagjógv A-81
Kaldbaksfjørður A-82
Undir Nesi A-85**

WELLBOATS

Grønalið
Stígabrúgv
Vesthav
Víkingur
Hans á Bakka (under construction)

■ HARVESTING

Bakkafrost Harvest

Klaksvík FO-103
Strendur FO-114
Kollafjørður FO-147

◆ PROCESSING (VAP)

Bakkafrost Processing

Glyvvar FO-125
Fuglafjørður FO-139

◆ HEADQUARTER & SALES

Bakkafrost and Bakkafrost Sales

Glyvvar

□ PACKAGING

Bakkafrost Packaging

Glyvvar

▲ FISHMEAL, FISH OIL & FISH FEED

Havsbrún

Fuglafjørður

● FARMING *

Faroe Farming

Drelnes A-15
Hov A-17
Lopra A-19

■ HARVESTING *

Faroe Farming

Vágur FO-190

* Faroe Farming is an associated company.

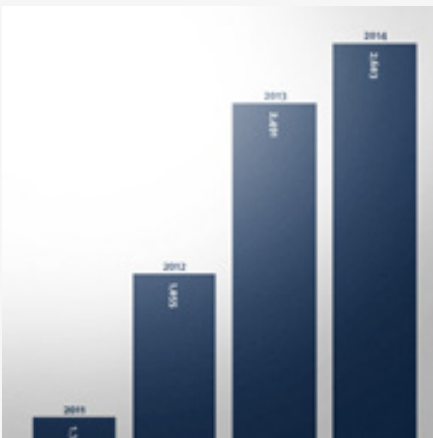
** Not in use at the moment.

MAIN EVENTS

New packaging plant
in Glyvrrar commenced
production



Best financial result in the
Group's history, based on
strong performance in all
segments



Stable good biological
performance

Bakkafrost became self-supplied with smolts as a new hatchery, built in Norðtoftir, began production



Construction of the merged Harvest/VAP facility in Glyvrrar started



Construction of the new 3,000 m³ live fish carrier “Hans á Bakka” in Istanbul, Turkey, progressed. The ship will be delivered in June 2015

CHAIRMAN'S STATEMENT

Bakkafrost is one of the most vertically integrated salmon farming groups in the industry. Controlling the value chain from raw material, intake for fish oil, fishmeal and fish feed to value added processing, is essential for Bakkafrost's position as high quality salmon producer. The Group's sheer size and numerous crossing points with several parts of society, makes Bakkafrost an important player in the Faroese industry. Lifting this responsibility towards both society and our shareholder is our main goal.



The ambitious five-year investment plan from July 2013 was increased by DKK 470 million in August 2014 to a total amount of DKK 1,370 million. The increased investment was both to increase capacity in hatcheries, which will gradually increase the farming production and reduce the biological risk, to increase ambition and reduce timeframe for the new combined harvest/VAP factory in Glyvvar. Contracts are signed with both foreign and Faroese suppliers for the new hatcheries and factory, commenced in 2014. Suppliers for Bakkafrøst are selected because of highest quality, best available technology and best market price. We are pleased to see that Faroese suppliers are competitive both in quality and in price.

The salmon farming industry – and thus Bakkafrøst – is dependent on good and stable regulations from the authorities. The Faroese veterinary law package from 2003 is a good example on the positive effect laws and regulations can have on an industry, when politicians, authorities and the industry in cooperation implement a sustainable farming system. Since 2011, the Faroese salmon farming industry has had a 2.5% licence tax, which was set one year at a time. In 2014, the licence tax was stipulated by law as a permanent licence tax on the salmon farming industry. The licence tax consists of 4.5% tax on taxable farming income and 0.5% tax on farming revenue.

It is crucial for the industry to have transparent long-term regulations in order to take long-term decisions and run the industry as best possible. The competitive position for the company is linked to the regulators ability to create good financial environment of business. The salmon farming industry is in international competition. The competitive situation for the Faroese companies should not be worse than in other salmon farming countries.

Since the establishment of Bakkafrøst's new strategy, the company has managed to create higher value than the industry average. The value of the Bakkafrøst brand, the Faroese taste, the special recipe in our feed with local raw materials and the cost-efficient value chain has proven to create com-

petitive advantage for both the company, its shareholders and the society.

Corporate tax for 2014 is DKK 252 million. In addition to this, Bakkafrøst pays indirect taxes as duty, social payments etc., and shareholders will pay tax of dividend payout. Estimated dividend tax for 2014 paid in the Faroes will be DKK 80-90 million.

Bakkafrøst strives to be a cost-efficient salmon farming group. This commitment is visible in our investment plan and our ongoing work to improve procedures and production methods. The employees play an important part to reach this goal. Bakkafrøst employs over one thousand employees, and DKK 264 million was paid out in 2014 as salaries.

A combined operational EBIT for the farming and value added products segment at almost NOK 20 per kilogram demonstrates that both the production and sales in Bakkafrøst has done an excellent work in 2014. The fishmeal, fish oil and fish feed segments also performed good margin in 2014. Together, this resulted in earnings before taxes of DKK 899 million in 2014.

To maintain growth and create jobs you need investments, for investments you need investors, and for investors you need dividend. Bakkafrøst's dividend policy is unchanged, and the Board of Directors will propose to the Annual General Meeting a dividend of DKK 6.00 per share, which corresponds to DKK 293 million.

The financial position of Bakkafrøst is positive with a strong balance sheet and available credit lines. This position, together with a healthy operation, makes Bakkafrøst capable of meeting future challenges and returning value to its shareholders and society.

The Board of Directors is satisfied with the Group's financial results this year and takes the opportunity to thank our employees for their efforts in 2014.



STATEMENT BY THE MANAGEMENT AND THE BOARD OF DIRECTORS

BEST FINANCIAL YEAR EVER FOR THE BAKKAFROST GROUP

The financial result for 2014 was yet another year with a record result for the Bakkafrøst Group. The record high result was due to strong performance in all of Bakkafrøst's three business segments, Farming, Value Added Production (VAP) and Fish Oil, -Meal and Feed (FOF). The farming segment realised high salmon spot prices for the harvested volumes. Important for the Farming segment is also that the biological situation continued to be good. The VAP segment performed also very well with the highest volumes ever sold at record high contract prices per kg. The fish oil, -meal and feed segment had also a strong year and benefited from high intake of fish, which gave an increase in the production of fish oil, and -meal, advantageous price development on raw material and a stable production of fish feed.



The average NOS salmon price was NOK 40.30 in 2014, compared to NOK 39.59 in 2013, corresponding to an increase of 2%. Bakkafrøst's harvested volumes of salmon increased from 41,268 tonnes gutted weight in 2013 to 44,013 tonnes gutted weight in 2014. The increase was mainly due to increased smolt release the last years in addition to sites available for harvesting.

The volumes produced as VAP products increased from 18,333 tonnes gutted weight in 2013 to 21,196 tonnes gutted weight in 2014, an increase of 16%. In addition to this, the contract prices for the VAP products have never been higher since Bakkafrøst started the production of VAP products in 1995.

Bakkafrøst's fishmeal and oil production at Havsbrún has improved its operation from an all-time low production in 2011, when Bakkafrøst took over Havsbrún. The sourcing of raw material is crucial. In 2014, Havsbrún received 193,231 tonnes, compared to 160,581 tonnes in 2013. The sales of fish feed came to 85,724 tonnes in 2014, which was slightly more than in 2013, when it was 85,333 tonnes.

The continuing good biological situation, resulting in low mortality, low feed conversion rate and good growth has also contributed to the good result in 2014. On the negative side are increased costs on input factors. Costs related to sea lice treatment increased in 2013, but the development in 2014 was more positive as there was a marginal decrease in cost per kg, compared with 2013. Feed costs,

which account for 50-60% of the costs in a kilo of salmon, have increased recent years. The feed costs fell a bit in the first half of 2014 but increased again.

In February 2014, a routine surveillance test detected a possible pathogenic ISA-virus at Bakkafrøst's farming site A-80 Selatrað. There was no increase in mortality and no impact on fish health or fish welfare, however. Bakkafrøst decided to activate the ISA-contingency plan immediately and hence enforced slaughtering of the last cage at the farming site. The neighbouring sites were all empty at end of H1 2014, and no signs of ISA have been observed since. No cost increases were related to the detection. 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 at sea sites in the Faroes. Bakkafrøst and the other farmers in the Faroe Islands will keep working with the Faroese Food and Veterinary authority to avoid the reintroduction of ISA.

The Group made a profit for 2014 of DKK 647.1 million (DKK 589.2 million). The Bakkafrøst Group had a net interest bearing debt at the end of 2014 amounting to DKK 232.7 million (DKK 638.6 million at year-end 2013) and had available funds of approx. DKK 958.1 million, of which DKK 15.0 million are restricted. Bakkafrøst's equity ratio is 60%, compared to 54% at the end of 2013, and the company paid out DKK 219.9 million in dividends in Q2 2014.

OPERATIONAL REVIEW

The Group's operations continued to perform well in 2014. The biological situation in the Faroe Islands regarding salmon farming is still good, and the high capacity utilization in all parts of the value chain contributed to the good financial result. The farming segment harvested 44,013 t_{gw}, compared to 41,268 t_{gw} in 2013.

The volumes produced as value added products increased by 16% in 2014, compared to the year before. Both the factory in Glyvrrar and Fuglafjørður were running on full capacity.

The production of fishmeal and fish oil during the year was also satisfactory. The availability of raw material for the production of fishmeal improved. Bakkafrøst received 193,231 tonnes of raw material. The intake of raw material is among other things dependent on the quotas for pelagic fishery in the North Atlantic. Bakkafrøst sold 85,724 tonnes of feed, of which 80% were used internally.

Low-cost producer

In terms of production costs, our farming operation has delivered strong results following the implementation of the veterinary regime in the Faroe Islands – a set of laws implemented since 2003, stating quite strictly, how salmon farmers must operate. The Faroese veterinary system has improved fish health and reduced costs. Thus, Bakkafrøst's EBIT per kg has improved and is among the highest, compared to peers.

Veterinary model

The veterinary model, implemented in the Faroe Islands in 2003, strictly details how salmon farmers must operate. The main objective of the veterinary model is to increase biological and veterinary security and to support a sustainable and healthy operation. Through total separation of salmon generations, vaccination against different diseases (ISA among others), strict regulation of movement of equipment and fish and other regulations, the results for the 2005–2013 generation on feed conversion ratio, mortality and productivity are among the best results ever seen in the Faroese history of salmon production and are solid, compared to for instance those of Norwegian peers. These factors, together with our dedicated staff, are the basis for the satisfying result for 2014.

Geographical location

Bakkafrøst's salmon farms are located in areas with attractive qualities for salmon farming in terms of water quality,

water temperature and circulation. The Faroese fjords provide separation between locations, which improves biological control and area management. Relatively short distances between farming areas and processing facilities and well-developed infrastructure offer cost-efficient transportation of both feed and fish on land and at sea.

VAP

Bakkafrøst has long-term experience in producing and selling value added products (VAP). Produced volumes have increased each year. In 2012, a second VAP factory opened and was running with one shift until November 2013, when a second shift was employed. In 2014, the VAP production represented 45% of the total harvested volumes, compared to 44% in 2013. The increase in percentage is mainly due to an increased VAP production. Bakkafrøst's strategy is that VAP shall represent approx. 40–50% of the Group's harvested volumes.

A new more efficient factory, with flexibility to expand the product portfolio, is part of the investment plan announced by Bakkafrøst. The factory, which will commence production in 2016, will enable Bakkafrøst also in the future to meet customers' demands. The sales of VAP products usually stabilises the Group's earnings, as the sales are based on fixed-price contracts. The contract prices are not as volatile as the spot market prices for fresh salmon. Usually, there is a time lag between the increase in the spot prices and a subsequent increase in the contract prices for VAP products. On the other hand, when the spot prices decrease, there is a time lag until the contract prices decrease. In 2014, Bakkafrøst had a significant profit on the sales of VAP products, as the contract prices were on a record high level. On the other hand, Bakkafrøst had a loss in 2013, as the raw material prices were higher in 2013, than expected at the time when the contracts were entered.

Strong customer base

By focusing on meeting existing customers' demands, Bakkafrøst 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 Bakkafrøst and its customers through product development and marketing. Thus, Bakkafrøst has customers; it has been trading with for more than 15 years.

Well placed to access the US, China and Russia

Bakkafrøst and the Faroese salmon producers are in a favourable competitive position in the US market. Therefore,

Bakkafrost has established an experienced sales force with long-term relations with customers in the US. The company has a running operation and on-going sales of large salmon, supported by efficient logistical systems for the distribution of the products (both fresh and frozen) from the Faroe Islands to the US.

The US market prefers the higher-than-average size and weight and the high level of Omega-3 offered in salmon produced in the Faroe Islands by Bakkafrost. The result of this is that the US market has become a significant market for Bakkafrost, from almost nothing in 2008. The sales to the US market accounted for 29.9% of Bakkafrost's total sales of fresh whole salmon in 2014 (2013: 27.5%).

Since 2011, the export of large fresh salmon to China has increased significantly. The logistics from the Faroe Islands to China are also efficient. In 2014, the sales to China decreased some, due to better prices on other markets, and accounted for 23.8%, compared to 26.7% of total sales of fresh whole salmon in 2013.

The sale to Russia varies from time to time, depending on the market situation. In 2013 and until Q3 2014, the sale to Russia was low, but increased significantly following the import ban of Norwegian salmon to Russia. The ban resulted in a favourable market position and access for Faroese salmon on the Russian market. How long this position will last is uncertain. Of the total sales of fresh whole salmon, the Russian market accounted for 27.8% in 2014, compared to 9.4% in 2013.

Production of fishmeal, fish oil and fish feed

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

The fish oil market has been volatile the last years. The price fell somewhat in the beginning of 2014, but increased again towards the end of the year. The world's total production of fish oil has been relatively stable for many decades, while the demand for fish oil has increased. Therefore, fish oil is expected to be a scarce resource in the future, but decreasing content of fish oil in the salmon feed, led by the major producers, will reduce some of the demand. Bakkafrost's strategy is to have a high content of fish oil in the feed, resulting in a salmon with a high content of omega 3.

Even though all tests show that the levels of pollutants in the Bakkafrost salmon are well within the safety limits, imposed by e.g. the European Union, Bakkafrost has decided from early 2015 to clean the fish oil used for Bakkafrost's salmon feed for PCB and other pollution.

The sales of feed was unchanged in 2014, compared to 2013. The total sales of feed was 85,724 tonnes, compared to 85,333 tonnes in 2013. In 2014, Bakkafrost sold externally 20% of the total production and used 80% internally.



FINANCIAL REVIEW

The supply of salmon to the world market increased by around 9% in 2014 (2013: 2%), compared to 2013. This should according to theory result in decreasing salmon prices. However, according to Fish Pool, the salmon price increased slightly from an average price in 2013 of NOK 39.59 to NOK 40.30 per kilo. On the other hand, the exchange rate NOK/DKK decreased from an average of DKK 0.9569 for 1 NOK in 2013 to DKK 0.8931 for NOK 1 in 2014. Thus, the average salmon price in 2013 was DKK 37.88, compared to DKK 35.99 in 2014, corresponding to a decrease of 5%.

The prices for value added products (VAP) increased significantly from 2013 to 2014 improving the result for 2014, compared to 2013. Important for the result are also the raw material prices, as the VAP segment purchases its raw material on the salmon spot market every week. The raw material prices were high in the first part of the year but decreased before mid-2014.

The value added products are typically sold on fixed price contracts with duration of 6-12 months, where the prices for VAP products follow the trend on the spot market with a time lag.

From a record high price level in 2013, the feed prices decreased significantly in the beginning of 2014. Nevertheless, after a short period with lower feed prices, the prices started to increase again. The reason for the fluctuations in the feed price is the market situation for fish oil and fishmeal, which are the main ingredients in Bakkafrøst/Havsbrún's salmon feed. The fluctuations in the feed prices will be reflected in the production costs for salmon.

Income statement

The Bakkafrøst Group generated gross operating revenues of DKK 2,683.3 million in 2014, compared to DKK 2,491.1 million in 2013. The increase in the revenue is a combination of higher harvested volumes of salmon and contract prices for VAP products. On the other hand, the salmon spot prices were lower in 2014, compared to 2013, measured in DKK. The feed prices were also lower in 2014, compared to 2013.

The operations harvested a total of 44,013 tonnes gutted weight, compared to 41,268 tonnes in 2013. Operational EBIT was DKK 833.8 million, compared to DKK 587.0 million in 2013. A negative fair value adjustment of the Group's biological assets has been recognised in 2014, amounting to DKK -11.5 million, compared to a positive adjustment of DKK 115.4 million in 2013. The reason for the negative

adjustment is lower spot prices at the end of 2014, compared to 2013.

In 2014, Bakkafrøst has reversed previously made provisions for onerous contracts. The reversal amounted to DKK 70.9 million, compared to an increase in provisions of DKK 24.8 million in 2013. The reversals are made, as none of Bakkafrøst contracts was onerous at the end of 2014. The reason for this is a combination of higher contract prices for VAP prices and lower raw material costs at the end of 2014, compared to the end of 2013. At the end of 2014, the NOS salmon price was NOK 43.57, compared to NOK 52.98 at the end of 2013.

In 2014, the Group's associated companies made a net result to Bakkafrøst of DKK -0.8 million, compared to DKK 23.8 million in 2013. The loss is first of all because of a negative result of DKK 5.5 million in Faroe Farming, partly due to reversal of fair value adjustments on biological assets. The result from Pelagos was DKK 3.1 million, and the result from sales of some minority shares amounted to DKK 3.2 million.

Financial income in 2014 amounted to DKK 4.6 million, compared to DKK 6.2 million in 2013. Net interest expenses amounted to DKK 32.4 million, compared to DKK 28.9 million in 2013. Net currency effects amounted to DKK 40.5 million, compared to DKK 53.2 million in 2013. The amount is due to currency gains on the bond loan of NOK 500 million.

Net taxes amounted to DKK -252.1 million, compared to DKK -138.1 million in 2013.

The Consolidated net profit totalled DKK 647.1 million in 2014, compared to DKK 589.2 million in 2013. Earnings per share totalled DKK 13.34 in 2014, compared to DKK 12.07 in 2013.

Segment performance

The Bakkafrøst Group operates with three business segments: farming of fish, including sales of fresh fish; value adding of salmonoid products and sales of these; and production and sales of fish oil, fishmeal and fish feed.

Farming including sales of fresh fish

The Group has production facilities in the Faroe Islands only. There are no significant differences in the production properties of the licences, and the Group therefore reports the farmed salmonids, including the sales of fresh salmon,

as one segment. Gross external operating revenues for Bakkafróst's farming segment increased to DKK 1,412.5 million in 2014, up from DKK 1,373.2 million in 2013. The increase is due to higher volumes as the salmon price measured in DKK was lower in 2014, compared to 2013. Operational EBIT totalled DKK 694.0 million, compared to DKK 642.4 million in 2013. This corresponds to an operating EBIT of DKK 15.77 per kg gutted weight, compared to DKK 15.57 per kg gutted weight in 2013.

In 2014, the average salmon price was NOK 40.30, compared to NOK 39.59 in 2013. However, due to the weakening NOK, compared to the DKK, the average salmon, price measured in DKK, was 35.99, compared to DKK 37.88 in 2013.

The Group's farming segment harvested 44,013 tonnes gutted weight in 2014, compared to 41,268 tonnes in 2013. Faroe Farming, in which Bakkafróst holds 49%, harvested 4,957 tonnes gutted weight in 2014, compared to 6,053 tonnes gutted weight in 2013. Bakkafróst is marketing and selling the salmon on behalf of Faroe Farming.

Value added products (VAP)

Bakkafróst has a long-term strategy of producing 40-50% of its harvested salmon as value added products. In 2014, the VAP production represented 45% of the total harvested volumes, compared to 44% in 2013.

The value added production is carried out at the factories in Glyvvar and Fuglafjörður. The Factory in Fuglafjörður commenced production in January 2012 with one shift, which was increased to two shifts in November 2013. The output

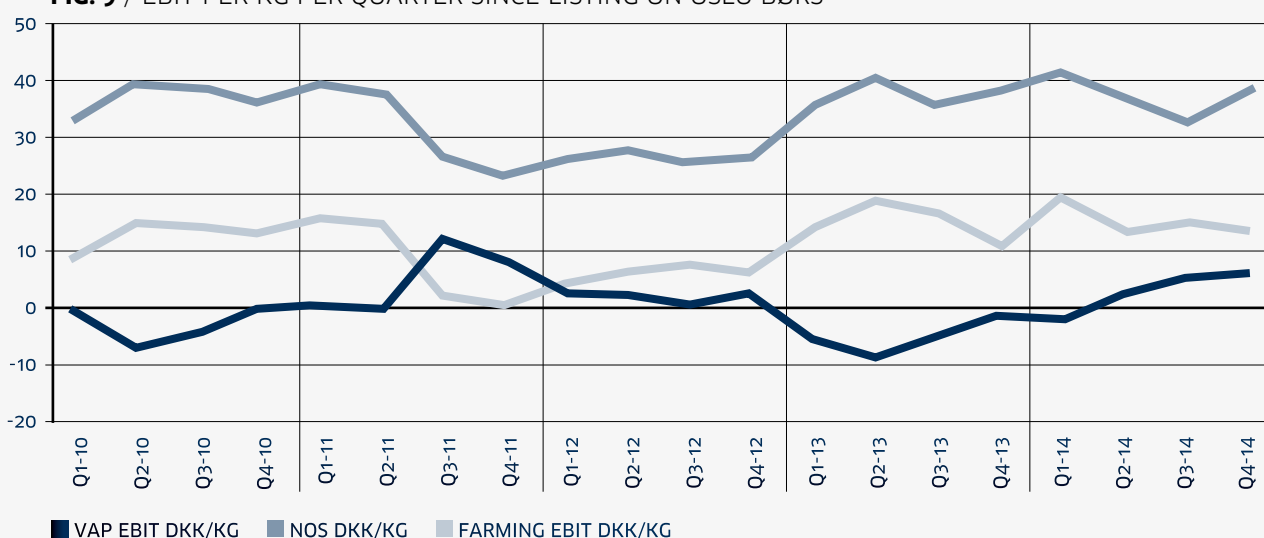
is predominantly portions for the retail market in Europe, but in 2014, sales to the US commenced. The strategy with the value added products is, in addition to increasing the Group's earnings, to reduce the volatility in the Bakkafróst Group's net earnings, as these products are sold at different fixed-price contracts for a period of up to 12 months. As there is a time lag between the movement in the fresh salmon prices and the contract prices, Bakkafróst normally makes a profit in the VAP segment, when the spot prices are decreasing and vice versa, when the spot prices increase during a period.

The value added segment's external operating revenue amounted to DKK 913.4 million in 2014, compared to DKK 666.2 million in 2013. Operational EBIT, which is EBIT adjusted for provision for onerous contracts etc., totalled DKK 69.9 million, compared to DKK -90.5 million in 2013. This corresponds to an operating EBIT of DKK 3.30 per kg gutted weight, compared to DKK -4.93 per kg gutted weight in 2013. The reason for the loss in 2013 was that the contract prices were on a too low level, compared to the raw material prices that were realised. For 2014, the contract prices were on a significantly higher level and the raw material prices were slightly lower as well. Therefore, the result for 2014 was better than for 2013.

Fishmeal, fish oil and fish feed (FOF)

Havsbrún's raw material situation for the fishmeal and fish oil production improved in 2014, compared to 2013. Havsbrún sourced 193,231 tonnes of raw material in 2014, compared to 160,581 tonnes in 2013. The produced fishmeal and oil was partly used internally for the feed production and partly exported.

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



Havsbrún sold 85,724 tonnes of feed in 2014, compared to 85,333 tonnes in 2013. Bakkafróst used 68,187 tonnes of the sold feed in 2014 internally, corresponding to 80%.

The external operating revenue for the fishmeal, fish oil and fish feed segment amounted to DKK 357.4 million in 2014, compared to DKK 451.7 million in 2013. The decrease in the external revenue from 2014 to 2013 is due to lower external sale of feed and lower external sale of fish oil and -meal.

The internal operating revenue amounted to DKK 613.3 million, compared to DKK 631.3 million in 2013. The internal revenue comprises the sales of feed to Bakkafróst's farming activities. EBITDA was DKK 181.6 million in 2014, compared to DKK 125.8 million in 2013, and the EBITDA margin was 18.70% in 2014, compared to 11.61% in 2013. The reason for the increase in the margin is primarily due to higher production of fishmeal and oil.

The result after taxes amounted to DKK 111.5 million, compared to DKK 92.4 million in 2013.

Statement of financial position

The Group's total assets as at end 2014 amounted to DKK 3,462.9 million, compared to DKK 3,112.2 million at the end of 2013.

The Group's intangible assets are unchanged, compared to the beginning of the year, and amounted to DKK 294.7 million. Intangible assets comprise primarily the fair value of acquired farming licences. No licences in the North region are recorded with a value in the Bakkafróst accounts.

Property, plant and equipment amounted to DKK 1,041.2 million at the end of 2014, compared to DKK 916.7 million at the end of 2013. In 2014, Bakkafróst made investments in

PP&E amounting to DKK 237.2 million. The most significant investments, Bakkafróst carried out in 2014, were in the new packaging facility, a hatchery making Bakkafróst self-supplied with smolts, and prepayments regarding the new live fish carrier, "Hans á Bakka". Other investments related mainly to maintenance investments.

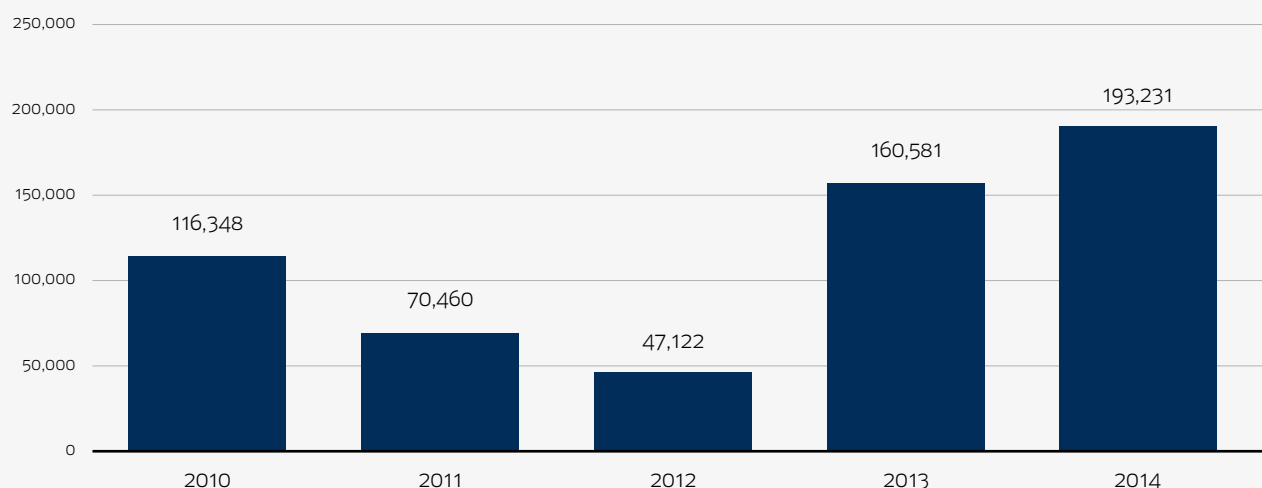
Financial assets amounted to DKK 125.4 million at the end of 2014, compared to DKK 115.3 million at the end of 2013. The increase in the financial assets relates mainly to the investment in the new pelagic processing company, Pelagos, in Fuglafjörður, but also to the ownership in Hanstholm Fiskemølsfabrik, that was sold to FF Skagen, in which Bakkafróst now holds 17%. Bakkafróst also sold some minority shares in 2014.

Long-term receivables amounted to DKK 1.3 million, compared to DKK 1.5 million at the end of 2013.

The Group's carrying amount (fair value) of biological assets amounted to DKK 1,014.0 million at the end of 2014, compared to DKK 965.9 million at the end of 2013. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 284.9 million, compared to DKK 296.4 million at the end of 2013. The decrease is due to lower salmon prices at the end of 2014, compared to end 2013, as the biomass at sea is higher than at the beginning of the year.

The Group's total inventories amounted to DKK 267.0 million as at end 2014, compared to DKK 235.5 million at year-end 2013. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed in addition to feed at the feed stations, finished VAP products, packaging materials and other raw materials.

FIG. 10 / SOURCING OF RAW MATERIAL: Tonnes



The Group's total receivables amounted to DKK 314.3 million as at end 2014, compared to DKK 400.6 million at the end of 2013. The reason for the decrease is mainly that Bakkafrøst has entered into a factoring agreement for a significant part of its sales.

The Group's equity at the end of 2014 is DKK 2,063.7 million, compared to DKK 1,665.3 million at the end of 2013. The increase in equity consists primarily of the positive result for 2014, reduced by the dividend paid out in April 2014.

The Group's total non-current liabilities amounted to DKK 1,036.3 million at the end of 2014, compared to DKK 1,071.0 million at the end of 2013. Deferred taxes amounted to DKK 414.0 million, compared to DKK 310.9 million at the end of 2013. Because of the increase in the special tax on farming companies and the change from a provisional tax to a permanent tax, the deferred tax has increased by DKK 54.9 million from end 2013 to the beginning of 2014 in addition to an increase in the deferred tax for 2014 of DKK 17.8 million.

Long-term debt was DKK 505.4 million at the end of 2014, compared to DKK 685.2 million at the end of 2013. The reason is that the long-term debt has been reduced by DKK 100 million in addition to currency gain on long-term debt in NOK. Derivatives amounted to DKK 116.9 million at the end of 2014, compared to DKK 74.9 million at the end of 2013, due to volatility in NOK, compared to DKK.

Bakkafrøst's interests bearing debt consists of two bank loans and a bond loan. The bank loans are an instalment loan of DKK 200 million, payable with DKK 25 million each quarter, and an overdraft facility, payable in 2016 with the full amount of DKK 553 million. The bond loan of NOK 500 million has a five-year maturity and is payable 14 February 2018. The interest rate of the bonds is NIBOR 3m + 4.15%. Following the issuance of the bonds, Bakkafrøst has entered into a currency/interest rate swap, hedging the exchange rate, and has switched the interest rate from NIBOR 3m to CIBOR 3m. Bakkafrøst has entered the swap due to its expo-

sure to DKK as a large part of the income and costs are in DKK and EUR.

At the end of 2014, the Group's total current liabilities are DKK 362.9 million, compared to DKK 376.0 million at the end of 2013. 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 262.9 million, compared to DKK 276.0 million at the beginning of the year. The decrease is primarily due to no provisions for onerous contracts.

Bakkafrøst's equity ratio is 60%, compared to 54% at the end of 2013.

Cash flow

The total cash flow from operations in 2014 was DKK 877.2 million, compared to DKK 517.5 million in 2013. The cash flow from operation is higher in 2014, primarily due to strong results from all segments, higher harvest volumes and reduced receivables from sales. The reduction in receivables from sales is because Bakkafrøst has entered into a factoring agreement for one of its larger customers. Cash flow from investment activities amounted to DKK -239.8 million, compared to DKK -204.4 million in 2013. In 2014, DKK 237.2 million are payments for investments in fixed assets, which is part of the announced investment plan.

For 2014, cash flow from financing amounted to DKK -414.4 million, compared to DKK -156.1 million for 2013. The 2014 figure includes down payment of long-term debt of DKK -100.0 million, change in a revolving credit facility of DKK 71.9 million, financial expenses of DKK -38.1 million, sales of treasury shares of DKK 3.4 million, dividend payment of DKK -218.2 million and financing of an associated company amounting to DKK 5.7 million.

With the established credit facilities, the Group's liquidity and financial strength is considered good. The available funds amounted to DKK 958.1 million at 31 December 2014, of which DKK 15.0 million are restricted.

OPERATIONAL RISK AND RISK MANAGEMENT

The Bakkafrøst Group is exposed to a number of different market, operational and financial risks arising from our normal business activities in our value chain.

MARKET RISKS:

Price on farmed salmon

The Group's financial position and future development depend to a considerable extent on the price of farmed salmon, which has historically been subject to substantial fluctuations. Farmed salmon is a commodity, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for farmed salmon is a key parameter. Increased supply may cause prices to decline, as was the case in 2001–2003, 2011–2012 and again in mid-2014. This could, in turn, have a significant impact on the company's profitability and liquidity.

Price on fishmeal and fish oil

The Group's financial position and future development depend to some extent on the price of fishmeal and fish oil, which has historically been subject to substantial fluctuations. Fishmeal and fish oil are commodities, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for fishmeal and fish oil is a key parameter. Decreased supply may cause prices to increase. This could in turn have an impact on the company's profitability and liquidity.

Price on fish feed

Feed costs account for a significant proportion of the total production costs within the salmon farming sector, and fluctuations in feed prices could therefore have a major impact on profitability. Feed prices are affected by both the global market for fishmeal and marine/animal/vegetable oils, and the feed industry is dominated by a small number of large, global producers.

Natural limitations in the marine resource base could lead to global shortages of fishmeal and oil for fish feed production. The feed producers have come a long way, however, in their efforts to replace some of the marine based input factors with vegetable raw materials. Furthermore the production of fish feed is an integrated part in Bakkafrøst's value chain and thus reducing this risk.

Geography

Bakkafrøst sells its salmon products to more than 20 differ-

ent countries. Fishmeal, oil and feed are sold to a limited number of countries. From time to time, due to different reasons, the company might suffer export restrictions to countries or regions. This could, in turn, have a significant impact on the company's profitability and liquidity.

OPERATIONAL RISKS:

Farming

The rate, at which farmed salmon grows, depends, among other things, on weather conditions. Unexpected warm or cold temperatures can have a significant negative impact on growth rates and feed consumption. The Group operates at sea under sometimes challenging conditions. This can result in incidents or necessary measures that can have significant cost implications, e.g. unexpected maintenance/repairs or escaped fish. The Group is continually working on reducing risks using experience with equipment, location and operational organisation. Bakkafrøst's facilities are located in areas where the weather conditions are well known and the facilities well secured, though other weather conditions, such as storms or floods, could also lead to unexpected losses at facilities.

Although the Group does not tolerate the escape of farmed salmon, there is a risk that escapes will occur, in which case the Group's business could be materially adversely affected, directly through loss of farmed salmon, and indirectly through the spread of diseases, governmental sanctions, negative publicity or other indirect effects. Procedures and new technological solutions in this respect are constantly monitored.

Although operational risks are, to a certain extent, reflected in budgets by means of estimates for mortality and the percentage of fish, whose quality is downgraded in connection with primary processing, such risks might, if occurring, materially affect the Group's results and financial condition. The Group's operations can also be materially impacted by what is classified as normal operating risks, e.g. quality from suppliers and sub-suppliers, etc. The salmon farming industry is associated with a high level of biological risk, and the Group aims at reducing that risk through the entire production cycle by means of systematic Group-wide bio-security auditing.

The increasing number of sea lice is one of the largest risks and challenges in the farming industry globally and in the Faroes today. Increased number of sea lice can cause stress, which can lead to deceases. The company has procedures

for how to reduce the number of sea lice with different types of treatment. The procedures are improved on a continuing basis. Bakkafrost's new wellboat, "Hans á Bakka", will be delivered from the shipyard in June 2015. The wellboat will be equipped with sea lice treatment equipment.

The Group's production facilities are located within a relatively small geographical area limited to the Faroe Islands; accordingly, some operational risks, if occurring, can affect the Group strongly (e.g. weather conditions, some diseases, etc.).

As the aquaculture industry has evolved and developed, the biological limits for how fast fish can grow have also been challenged. As with all other forms of intensive food production, a number of production-related disorders arise, i.e. disorders caused by intensive farming methods. As a rule, such disorders appear infrequently, but certain populations can be severely affected. The most important production-related disorders relate to physical deformities and cataracts. These invariably cause financial loss by way of reduced growth and inferior health, reduced quality on harvesting and damage to the industry's reputation.

Fish oil, fishmeal and fish feed

The production of fish oil, fishmeal and fish feed follows established methods with automated and controlled processes. However, any production is vulnerable to downtime and possible insufficient supply of raw material input. Unexpected shortfalls in raw material, due to limited catch volumes or limited delivery or purchase of fish or supply of substitutes, could affect the volumes produced in the factory. This may result in incidents or necessary measures that may have significant cost implications. The company is continually working on reducing risks.

Bakkafrost's fish oil, fishmeal and fish feed department at Havsbrún's facilities are located in the Faroe Islands, in which case the company's business could be materially adversely affected directly from any trade restrictions, or indirectly through restrictions on ocean harvests or quotas.

Although operational risk is to a certain extent reflected in budgets by means of estimates for prices and volumes, such risks might, if occurring, materially affect the company's results and financial condition. The company's operations can also be materially impacted by what is classified as normal operating risks, i.e. quality from suppliers and sub-suppliers, etc.

Feed contaminants

Feed can, through its use of different types of raw materials and ingredients and through its production processes, be exposed to contamination by a number of undesirable substances. Most contaminants are accumulated in organisms such as marine wild catch used to produce fishmeal and fish oil. These contaminants are deposited into the organism's fat, and the concentration is greater the higher up the food chain. Authorities set maximum allowable levels for the most important contaminants. These limits are continuously monitored by the authorities and may be altered. There is also the possibility of "new" contaminants being added periodically to the list.

Generally, contamination can occur either accidentally or deliberately through malicious product tampering. Such contamination has the potential to affect the environment, fish health and/or food safety, with a potential negative impact on the public's confidence in eating salmon. Any of these events could have a negative impact on the Group's operating result and financial condition. Future legislation may increase the risk of non-compliance and the cost of ensuring compliance. The reputation risk associated with non-compliance may be significant even if there is no impact on the environment, fish health or food safety.

Bakkafrost's feed department, Havsbrún, operates a number of controls to reduce the risk of contamination. Examples of measures and controls, included in HACCP (Hazard Assessment Critical Control Point) and ISO procedures, include supplier audits and supplier specifications of raw materials, targeted sourcing of raw materials, regular raw material and finished feed quality control analyses, procedures for cleaning of fish oils, etc. and strict plant security procedures. The risks, however, can never be completely eliminated.

Contaminants that may be a risk for fish feed include, but are not limited to, organic contaminants such as dioxins and PCB, mycotoxins, pesticides, anti-oxidants (such as Ethoxyquin and BHT), brominated flame retardants and bacterial contamination and inorganic contaminants such as lead, mercury, arsenic and cadmium.

Even though all tests show that the levels of pollutants in the Bakkafrost salmon are well within the safety limits, imposed by e.g. the European Union, Bakkafrost has decided from early 2015 to clean the fish oil used for Bakkafrost's salmon feed for PCB and other contaminants.

The feed can also, through accidents or tampering, be contaminated by other inorganic substances such as mineral oil, physical objects, etc. Several substances, in addition to the list above, are being monitored. Legislative bodies, research groups and non-governmental organisations (NGOs) are currently building up data sets on these substances.

Disease

Operation of fish farming facilities involves considerable risk with regard to disease. In the case of an outbreak of disease, Bakkafrøst will, in addition to the direct loss of fish, incur substantial costs in the form of premature harvesting, loss of quality of harvested fish and subsequent periodic reduced production capacity.

Salmon farming has historically been through several periods with extensive disease problems. Common to all of these is that a solution has been found through breeding, better operating routines, increased expertise regarding the

fish's biological requirements and the development of effective vaccines. During the 1990s, the health situation in Faroese salmon farming improved dramatically. For example, the development of effective vaccines against the most important bacterial diseases, as well as generally better operating routines, have led to a reduction in antibiotic use in the Faroe Islands.

The economic importance of disease is measured in the form of mortality percentages (mortality), reduced growth or reduced quality of the end product. In addition, disease entails suffering for the fish. The percentage of loss per generation varies both between generations and between producing countries/regions, but an average for the industry would be around 8–15% per generation. Over half of this is fish that is taken out of the sea before it reaches 500g with correspondingly limited costs associated with it.

Farmed salmon is particularly vulnerable, when it is released into the sea. The rapid change from freshwater to



the full salinity of seawater, exposes the smolts to osmotic stress in addition to other stressors, such as handling, pumping and transportation. The production of a high-quality smolt depends on a thorough control of the freshwater quality and the smoltification process. A high level of bio-security measures in addition to good management practices and selection of good production sites and technology is an important factor to obtain good growth and improve health.

The suspicion of *Neoparamoeba perurans* in the Faroe Islands in 2013 has further increased the risk for diseases. The *Neoparamoeba perurans* agent is known to be able to cause amoeba gill disease (AGD). Farming sites, where there is suspicion of *Neoparamoeba perurans*, are treated with Hydrogen Peroxide. Hydrogen Peroxide is also used as treatment against sea lice. Bakkafrøst has the necessary equipment and staff knowledge to carry out treatments if necessary, and with the new modern wellboat capable to carry out fresh water treatment of the fish, Bakkafrøst is well prepared to handle the risk.

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

Bakkafrøst decided to activate the ISA-contingency plan immediately and hence enforced slaughtering of the last cage at the farming site A-80, Selatrað. PCR-analyses on later taken samples from the farm showed the same deletions in the HPR-region and hence a presence of an ISA-pathogenic virus. The site was empty before mid-February.



FINANCIAL RISK AND RISK MANAGEMENT

The follow-up of internal procedures associated with financial reporting is undertaken as part of the management's day-to-day supervision, the process owners' follow-up and the auditor's independent testing. Non-compliances and areas, noted as needing improvement are followed-up, and remedial measures implemented.

Foreign exchange risk

Bakkafrost trades in the world market for farmed salmonids. The revenues and accounts receivables are predominantly denominated in DKK, EUR and USD, but to some extent also in other foreign currencies. On the other hand, purchases of raw materials etc. are predominantly denominated in DKK, but linked to the USD. Therefore, Bakkafrost has some natural hedging. For those currencies not fully hedged, fluctuations in foreign exchange rates present a financial risk to the Group.

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

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

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered relatively low, since losses due to bad debts historically have been small. The Group has guidelines to ensure that sales are made only to customers that have not previously had payment problems and that outstanding balances do not exceed fixed credit limits. The majority part of the total accounts receivables is insured. As not all receivables are insured, the Group has to accept a certain risk element in accounts receivables.

The gross credit risk on the date of the statement of financial position corresponds to the Group's receivables portfolio on the date of the statement of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to

meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure, which is secured by means of established borrowing facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities and terms are described in note 18.

Capital structure and equity

The prime objective of the Group's capital management is to ensure that it maintains a good credit rating in order to achieve favourable borrowing terms. By ensuring a good debt-to-equity ratio, the Group will support its business operations. The Group manages and makes changes to its capital structure in response to an ongoing assessment of financial conditions under which the business operates and its short- and medium-term outlook, including any adjustment in dividend payouts, buyback of own shares, capital reduction or issue of new shares.

Research and development activities

The Group has spent approximately DKK 1.7 million in R&D expenses during 2014, compared to DKK 3.5 million in 2013.

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 2014 are based on the assumption that Bakkafrost is a going concern. In the opinion of the Board, the Group's financial position is good.

Dividend policy

Bakkafrost aims at providing its shareholders with a competitive return on their investment, both through payment of dividends from the company and by securing an increase in the value of the equity through positive operations.

Generally, the company should pay dividends to its shareholders, but it is the responsibility of the Board of Directors to make an overall assessment in order to secure the company a healthy capital base, both for daily operations and for a healthy future growth of the company. A long-term goal for the Board of Directors is that 30-50% of adjusted EPS shall be paid out as dividends.

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

The parent company P/f Bakkafrost had a net profit of DKK 570.0 million for 2014. The Board of Directors has decided to

propose to the Annual General Meeting that DKK 6.0 (approximately NOK 6.90*) per share shall be paid out as dividends. This corresponds to approximately DKK 293.1 million (NOK 337.0* million).

The Board thereby proposes the following allocation of funds:

- Result for 2014: DKK 570.0 million
- Transferred from other equity: DKK 0 million
- Total provision for dividends: DKK 293.1 million

After payment of dividends, the distributable equity totals DKK 1,713.9 million.

Events after the date of the statement of financial position

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

Bakkafrost has entered into some of the contracts of expanding an existing hatchery facility. The commitments so far amount to DKK 114 million.

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

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



OUTLOOK

MARKET

The salmon market is expected to be tight in 2015. Global supply increase of farmed salmon is expected to be only around 4% in 2015 and 2-3% in 2016, compared with the year before. The global supply growth in 2014 was 9%, which seems to be the growth rate needed to maintain the salmon market in balance. The reason for the limited growth is that many of the salmon producing farmers are close to full capacity utilization. Biological challenges are also an important factor to reduce production growth.

Both established and new markets show an increased demand for farmed salmon. The outlook for 2015 is favourable for the salmon farming industry, as only a limited supply growth is expected and a strong demand. The Russian ban of Norwegian salmon, implemented in 2014, gave temporary challenges to move volumes between different markets, but the market adapted relatively well to the new market situation.

The market place is one of Bakkafrøst's most significant risk areas. Bakkafrøst has a geographical and a market price approach. These approaches reduce the exposure to the market risk. To diversify the geographical market risk, Bakkafrøst 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 Biology and veterinary situation is the most important risk area for Bakkafrøst. The company is focusing on this risk with new investments and procedures to minimize the risk. The biological situation is good, and the price outlook for the spot market continues to be positive.

Bakkafrøst expects to harvest 49,000-51,000 tonnes gutted weight in 2015. Faroe Farming, a company in which Bakkafrøst holds 49%, expects to harvest around 4,500 tonnes in 2015.

The number of smolts released is one key element of predicting the future production for the Group. Bakkafrøst's forecast for the smolt release in 2015 is 10.4 million pieces. The smolt release for 2015 shall be compared to the release in 2013, which was 9.5 million. The same sites are available for smolt release in 2015 as in 2013.

The estimates for harvesting volumes and smolt releases is as always dependent on the biological situation. The sea temperature was higher in 2014 than previous years. Bakka-

frost will start using cleaner-fish (lumpfish) in the first half of 2015 on two farming locations. This is a project together with Fiskaaling, which is an aquaculture research station in the Faroe Islands. Bakkafrøst will also start using fresh water treatment against sea lice, when the new wellboat is delivered in June 2015.

In November 2013, the presence of *Neoparamoeba perurans*, the agent known to be able to cause amoeba gill disease (AGD), was detected in one of our farms. Since then, we have detected this agent in our farms especially during the autumn, but so far, the gill scores have been low, meaning no disease. Bakkafrøst has the necessary equipment and staff knowledge to carry out treatments if necessary, and with the new modern wellboat capable to carry out fresh water treatment of the fish, Bakkafrøst is well prepared to handle the risk.

Bakkafrøst is now self-supplied with smolts with the new hatchery starting production in 2014. Another smolt capacity increase started early 2015, when the expansion of one existing hatchery began. This expansion will fourfold the capacity of that hatchery and will be finished within one year. Bakkafrøst plans to increase the smolts capacity, making Bakkafrøst self-supplied with smolts at a size of 200-300g apiece before end 2017. The benefits are shorter production time at sea and reduced biological risk.

VAP (Value added products)

The outlook for the sales of value added products is good. Bakkafrøst has already signed contracts covering around 65% of the VAP capacity for 2015. This corresponds to around 27% of the expected harvested volumes for 2015. The last 35% of the VAP capacity is expected to be committed during the year. The VAP contracts are at fixed prices, based on the salmon forward prices at the time, they are agreed, and the expectations for the salmon spot prices for the contract period.

The contracts last for 6 to 12 months. The long-term 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.

FOF (Fish oil, -meal and feed)

The outlook for the production of fishmeal and fish oil has

improved, as the available raw material for the production has increased. The quotas for catching blue whiting in the North Atlantic have increased.

In 2014, Havsbrún received 193 thousand tonnes of raw material for fishmeal and fish oil production. Blue whiting is for the time being the most important single species for raw material intake.

Bakkafrøst is one of the founders of Pelagos, a new pelagic plant built next to Havsbrún. The operation is to process pelagic fish for human consumption. This process contributes to increase the sustainability of our total operation, as Havsbrún will use an increased share of offcuts from pelagic fish to produce salmon feed. The start of Pelagos in August 2014 was successful. Pelagos received 40,000 tonnes of pelagic fish, whereof 8% were offcuts sold to Havsbrún the first four months. The aim is to increase the filleting operation, and therefore the share of offcuts will increase.

With increased quotas, Bakkafrøst is optimistic that the raw materials needed for our production of high quality salmon feed will be available.

However, depending on supply, demand and the price level, the sourcing of raw material for the production of fishmeal and fish oil may be uncertain. An alternative to Havsbrún's production of fishmeal and fish oil is purchasing these raw materials from other producers. Fishmeal and fish oil is the most important raw material in the production of a high quality fish feed for the Bakkafrøst salmon.

The major market for Havsbrún's fish feed is the local Faroese market including Bakkafrøst's internal use of fish feed.

It is expected that the total consumption of fish feed in the Faroe Islands will be approximately 93,000-97,000 tonnes in 2015. Depending on the purchase from external customers in the Faroe Islands and abroad, the sales of fish feed will be approximately 83,000-87,000 tonnes.

Investments

Bakkafrøst has announced an investment plan for the period until 2017, latest updated in August 2014. The purpose of the investment plan is to continue to have one of the most cost-efficient value chains in the farming industry, carry out organic growth, increase flexibility and reduce the biological risk to meet the future consumers' trends and to be more end-customer orientated.

The total investments for the period 2014-2017 was announced to be DKK 1,370 million including maintenance CAPEX. The future investment over the next three years will be DKK 1,120 million. Included in the investment plan is a new Harvest/-VAP factory estimated to DKK 450 million, resulting in operational savings of DKK 70-90 million per year from 2017. The plant will be up running in 2016.

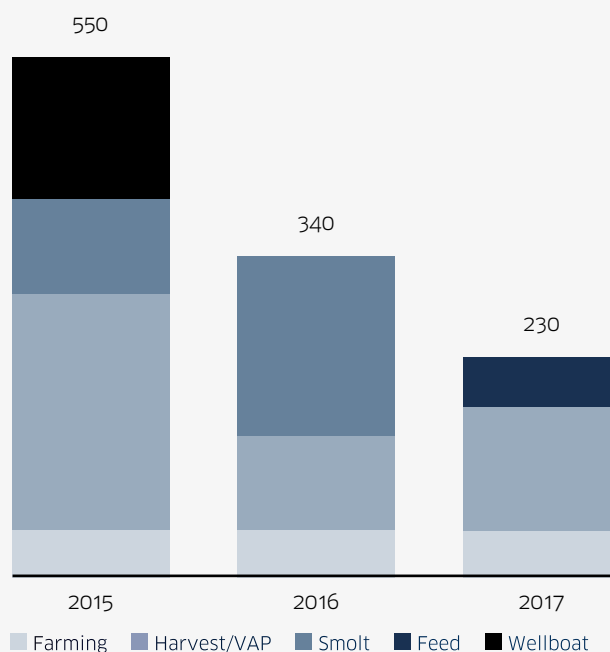
A new 3,000-m³ wellboat is under construction and was planned for delivery 25 April 2015. The delivery is postponed six weeks, due to installation of a fresh water treatment system. The delivery will be on 12 June 2015. The investment in the wellboat amounts to DKK 230 million.

Free cash flow from operations, existing financing facilities and partly new financing if advantageous will finance the investments. In addition, Bakkafrøst has the possibility to postpone investments in case of adverse events. The dividend policy will be unchanged.

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 Bakkafrøst's financial situation strong. This enables Bakkafrøst 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.

FIG. 11



BUSINESS REVIEW

MARKETING STRATEGY

Bakkafrost is committed to producing healthy, sustainable, top quality salmon with the qualities that create value for our customers and thereby maximize the Group's result. Because of this, Bakkafrost has received a price premium for its salmon in recent years.

The Bakkafrost Group is determined to further strengthening its position in the marketplace by investing in the implementation and marketing of the below USPs (unique selling points).

THE FAROE ISLANDS ORIGIN

The natural condition in the Faroe Islands is perfect for salmon, and Bakkafrost is committed to promoting the Faroe Islands origin as a boutique origin for top quality salmon. The North Atlantic Current engulfs the Faroe Islands with cool and steady sea temperatures. Bakkafrost's share of the salmon production in the Faroe Islands is 62%.

SCARCITY

As the Faroe Islands produce only about 3% of the world's salmon and demand is high for the origin, the customers, who have a preference for the Faroe Islands origin, have to pay a premium in order to get their share of Faroe Islands salmon.

LARGE SALMON

The Faroe Islands aquaculture industry produces the largest Atlantic salmon in the world. The average weight of Faroese salmon in 2014 was 5.3 kg.

The price difference between the different sizes of salmon has been historically big during the last years, where especially the 6+ kg salmon sizes have received a considerable price premium. This is due to a lack of supply of larger size salmon, as it requires good biology to produce large salmon. The longer the salmon is at sea, the more it is exposed to different complications.

Bakkafrost aims at producing salmon with an average weight of around 5.2 kg, which is possible due to the Group's good biological situation.

SALES AND GEOGRAPHICAL DIVERSIFICATION

Bakkafrost has its own Sales and Marketing Department, which is responsible for selling all of Bakkafrost's salmon worldwide. The Group aims at selling its salmon as directly as possible to the best paying segments worldwide. Bakkafrost's strategy is to have a healthy geographical sales diversification in order to minimize the risk of any individual market fluctuations.

FIG. 12

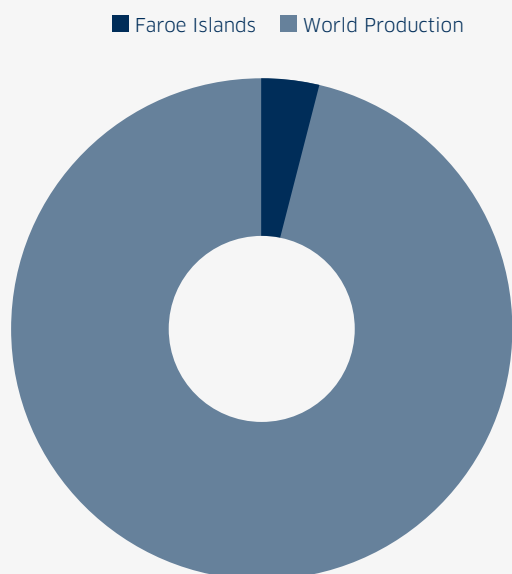


FIG. 13 / FAROE ISLANDS SHARE OF SALMON PRODUCTION (SIZES BASES ON "MID-RANGE" ESTIMATES)

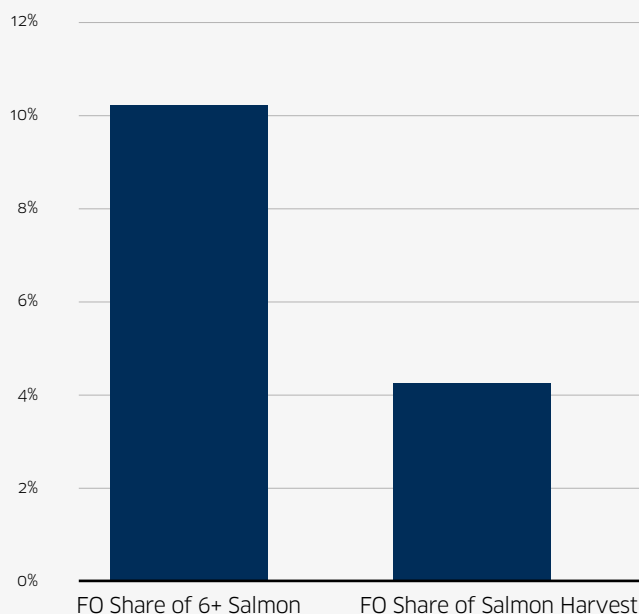


FIG. 14



Worldwide reach

Bakkafrost wants to have as many options as possible, when it comes to markets and global reach. By working closely with key freight forwarders, Bakkafrost has developed an industry leading logistics setup, which ensures that Bakkafrost's salmon is delivered as fresh as possible by airfreight worldwide at the most competitive transport prices. 58.2% of Bakkafrost's salmon was exported by airfreight in 2014. Bakkafrost's salmon is shipped to major airports, where the salmon is transported with passenger airlines to markets worldwide.

This effective logistics network is evident, when looking at Bakkafrost's sales in 2014 (Fig. 14).

Segmentation

The brand preference for Bakkafrost's salmon is especially strong in the US, where demand from the Group's customers for salmon above 6 kg is particularly strong. Bakkafrost has a strong market share in China as well. A large share of the salmon, Bakkafrost exports to the US and China, is used for sushi.

Bakkafrost's salmon appeals especially to the premium sushi segment, as it has a strong sustainability profile.

Bakkafrost does not use any antibiotics and only uses Non-GMO raw material in the feed.

VAP

Bakkafrost is one of the leading processors of frozen salmon portions, which are sold by leading European and US retailers. Bakkafrost aims to add value to its VAP production through focusing on producing high quality products and being a reliable and responsible supplier.

The strategy of diversifying Bakkafrost's product mix has other clear benefits for the Group. It increases the revenue stability as salmon portions are sold on 3-18 month contract prices and whole fresh salmon on spot prices. Bakkafrost does not need to push fresh whole fish sales in adverse market conditions.

FEED

Feed is one of the most important aspects in the production of salmon, both in regards to costs and quality of the salmon.

Full vertical integration

Bakkafrost is one of the most vertically integrated salmon farming companies in the world. Uniquely, Bakkafrost

even produces its own fishmeal and fish oil, which is used for the company's salmon feed. This gives Bakkafrøst full control and responsibility over all aspects of production, and it gives our clients unparalleled traceability.

Feed rich in marine content

The vertical integration gives Bakkafrøst the knowhow and ability to make the decision to invest in salmon feed with a substantially higher percentage of marine content. Bakkafrøst salmon feed is about 50% richer in marine content, than the industry average.

The marine content gives Bakkafrøst salmon a better fat content especially rich in the healthy Omega 3 fatty acids DHA and EPA. This natural diet is also evident in the good taste of Bakkafrøst's salmon.

The natural diet for wild salmon is rich in marine resources, and by keeping the diet of Bakkafrøst salmon as natural as possible, the Group is able to have one of the industry's best Feed Conversion Ratios, which is a key indicator of fish welfare and low production costs.

Cleaning the fish oil

Bakkafrøst has announced that all of the Group's salmon is to be produced with fish oil, which is cleaned for environmental pollutants. All tests show that the levels of pollutants in the Bakkafrøst salmon are well within the safety limits, imposed by e.g. the European Union. However, there are premium consumer segments, which are concerned about any levels of environmental pollutants in their food, and by exclusively using cleaned fish oil, Bakkafrøst can add value to its salmon by making it even more desirable to these discerning customers.

ASC

Bakkafrøst is pursuing the rigorous ASC certification, and the first farming area should be certified in early 2015.

ASC is predicted to become the main aquaculture certification standard, and by being one of the first companies to obtain this standard, Bakkafrøst should be able to get a price premium for its ASC certified salmon, as the supply of ASC salmon will be quite limited in the near future.

Becoming one of the first companies certified by ASC also underlines Bakkafrøst's commitment to sustainability and care of the environment – values, which Bakkafrøst's discerning customers value.

SEAFOOD CONSUMPTION

Capture fisheries and aquaculture is estimated to have supplied about 163 million tonnes of fish in 2013, of which about 141 million tonnes were utilized as food. This corresponds to seafood consumption per capita of almost 20 kg (live weight equivalent).

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

2013 was the first year where more than half of the world seafood for human consumption has been supplied by the aquaculture industry.

Figure 15 shows world seafood production (for human consumption) and consumption per capita 1999–2013e.

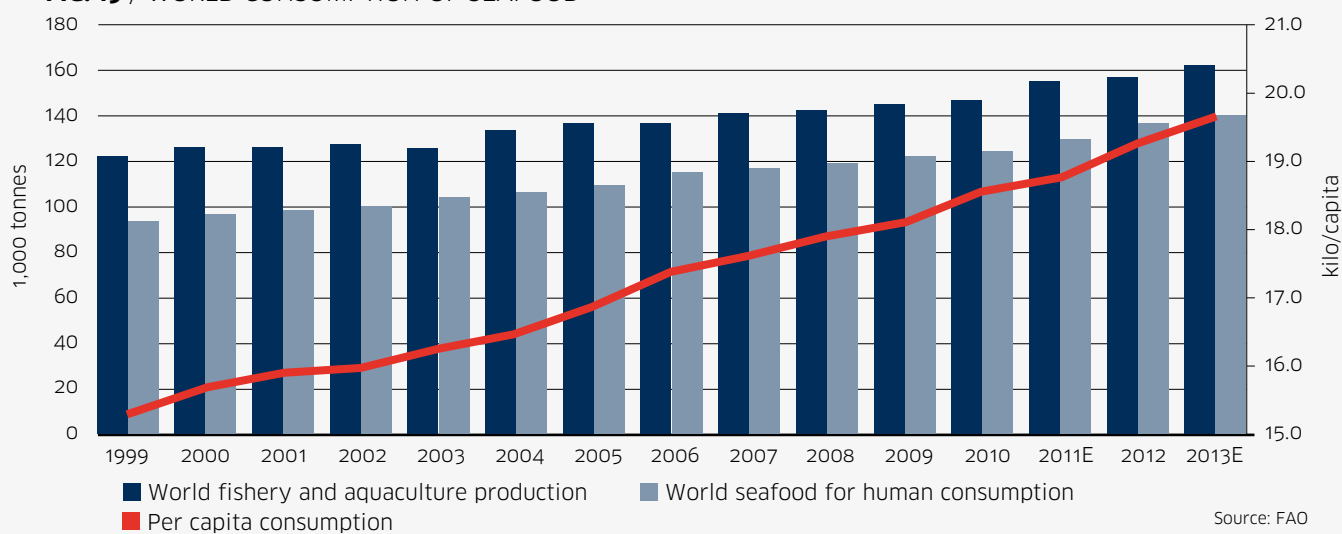
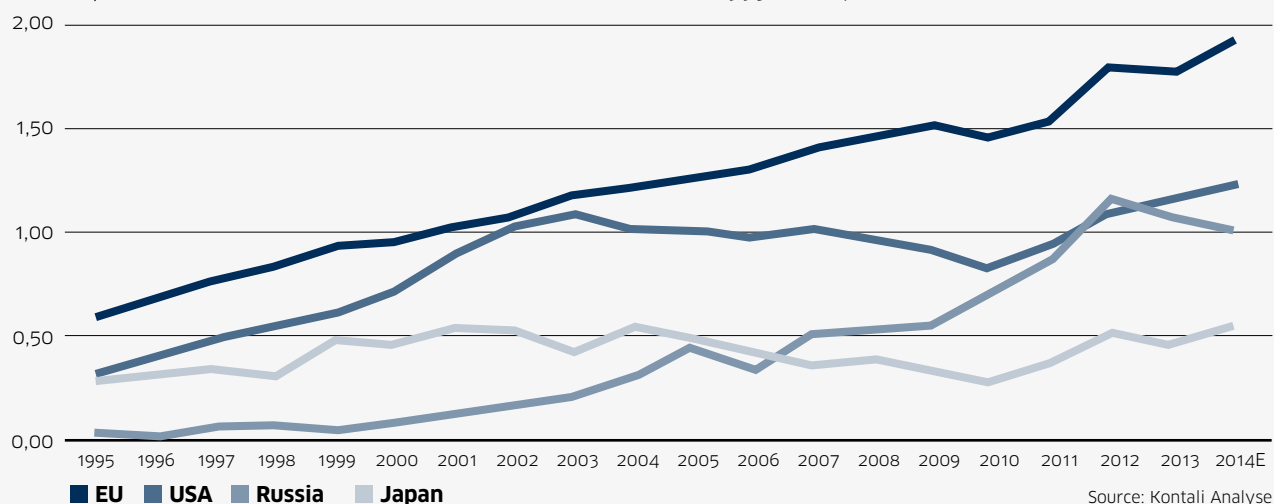
MAIN MARKETS FOR SALMON AND CONSUMPTION TRENDS

In 2014, worldwide supply of farmed Atlantic salmon exceeded 2.2 million tonnes wfe. This corresponds to a 9% increase in global supply. This represents a world Atlantic salmon per capita consumption of around 300 grammes wfe or approx. 150 grammes of edible product, which is one meal per capita per year.

The world's largest consumer market of Atlantic salmon, however, is the European Union, where almost 1 million tonnes wfe was consumed in 2014, and with a population of approx. 510 million, this corresponds to a per capita consumption of 1.94 kg wfe per year. This indicates 5-7 meals per capita per year. Within the EU, Germany and France are the largest single markets.

Russia imposed trade sanctions on seafood from EU (incl. Norway) in August 2014, which impacted supply of Atlantic salmon. Although this was somewhat compensated by increased supply from Chile and the Faroe Islands, total supply to the Russian market fell by 9 %.

Figure 16 shows per capita consumption for farmed Atlantic salmon from 1995–2014e for the selected main markets of the US, the EU, Russia and Japan.

FIG. 15 / WORLD CONSUMPTION OF SEAFOOD**FIG. 16 / PER CAPITA CONSUMPTION OF ATLANTIC SALMON 1995 - 2014E**

THE US MARKET

The US market supply of farmed Atlantic salmon continues to be dominated by supply from Chile. Other significant suppliers are Canada, UK, Norway and the Faroe Islands.

Supply from Canada decreased in 2014, due to lower production. This was compensated and well covered by increased supply from both Chile and Norway. Overall, the US market showed a net supply growth of approx. 24.5 thousand tonnes wfe or 7% in 2014.

With a population of approx. 319 million, this corresponds to a per capita consumption of 1.24 kg wfe per year – indicating 4-5 meals per capita per year.

Table 17 shows supplies of Atlantic salmon to the US market – in tonnes wfe.

THE EUROPEAN MARKET

In 2014, supply of farmed Atlantic salmon to the EU market reached almost 1 million tonnes wfe, due to a significant supply increase from Norway. Compared to 2013, supply to the EU market increased 9%.

While Norwegian sales of Atlantic salmon products to the EU saw significant increase prior to the Russian import ban, a major share of Norwegian salmon intended for the Russian market was allocated to the EU market in the second half of 2014 – resulting in the record high supply of 834,700 tonnes wfe for the full year.

The supply from UK increased by 9%, while supply from the Faroe Islands fell by -7%.

The vast majority of supply to the EU market is fresh products. Supply from Chile (frozen salmon products) remained on a similar level, as in 2013.

Table 19 shows supplies of Atlantic salmon to the EU market – in tonnes wfe.

THE CHINESE MARKET

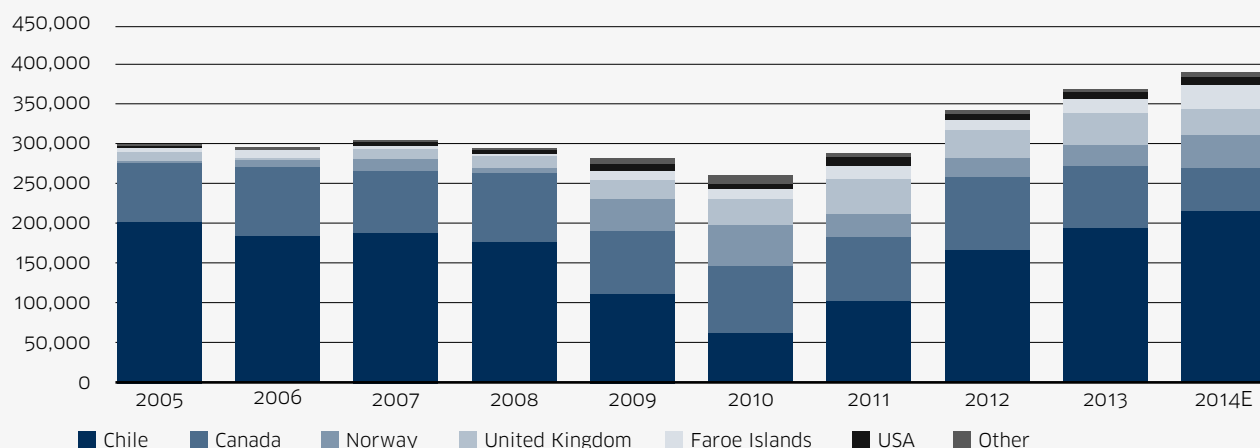
The Chinese market for farmed Atlantic salmon has shown an impressive growth over the last four years. Since 2010, supply has increased threefold, from 18 thousand tonnes wfe to approx. 60 thousand tonnes wfe in 2014e.

FIG.17 / SUPPLY OF ATLANTIC SALMON IN THE US MARKET 2005-2014E (tonnes wfe)

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E
Chile	202,900	184,100	187,500	174,200	107,100	53,200	99,100	162,200	191,600	216,600
Canada	78,900	86,000	80,100	86,300	81,100	87,600	80,400	98,200	77,400	56,500
Norway	9,000	11,000	14,300	9,600	40,300	53,800	28,700	23,700	27,000	39,900
United Kingdom	6,200	9,500	15,700	15,700	26,500	34,700	46,400	35,900	44,100	47,600
Faroe Islands	900	300	1,600	2,700	11,200	10,000	16,700	13,000	16,400	17,300
USA	3,000	3,000	7,100	4,500	8,800	6,900	13,200	9,400	10,100	12,000
Other	800	900	800	1,500	6,100	10,900	4,000	2,400	3,700	4,200
Total	301,700	294,800	307,100	294,500	281,100	257,100	288,500	344,800	370,300	394,100
Change		-2%	4%	-4%	-5%	-9%	12%	20%	7%	6%

Source: Kontali Analyse

FIG. 18 / SUPPLY OF ATLANTIC SALMON 2005 - 2014E (tonnes wfe)



Source: Kontali Analyse

In the corresponding time period, salmon from both the Faroe Islands and UK has entered this market, and in 2014, they supplied 12.7 and 15.4 thousand tonnes wfe, respectively.

Supply from Norway dropped significantly after 2010, due to a “political conflict”. It should be noted that supply to neighbouring countries such as Hong Kong and Vietnam increased vastly in the following years.

GLOBAL HARVEST OF FARMED ATLANTIC SALMON

Global harvest of farmed Atlantic salmon grew strongly in 2011 and even stronger in 2012, due to the rapid growth and recovery of the Chilean industry. There was a modest growth in 2013, but the Chilean industry continued with the trend from the past years with a rapid growth (+29%), while other large producing countries like Norway, UK, and Canada had a reduction in harvest quantity.

In 2014, Chile showed yet again solid growth (+24%), due to an impressive turnover of the 13G biomass. Norway showed increase in harvest at a growth rate of 5%, compared to 2013. Also, other producing countries like the UK, Faroe Islands and Ireland increased production, while harvest in Canada continued to trend downwards. Overall,

global harvest of farmed Atlantic salmon exceeded 2.2 million tonnes wfe (+9%).

Market prices for Atlantic salmon trended on a high level in 2014, as in 2013. While the average Norwegian export price for fresh whole salmon increased 3% to 41.03 NOK/kg hog, margins fell due to higher production costs. In Chile, however, there was a significant improvement in production costs, compared to 2013.

The global harvest quantity of Atlantic salmon for 2005–2014E, is illustrated in the table 25.

SUPPLY OF FARMED ATLANTIC SALMON FROM THE FAROE ISLANDS

Over the last 8 years, the average annual harvest growth rate has been 26% for Atlantic salmon in the Faroe Islands, and aquaculture production has never before been higher than in 2014. The harvest reached 82.3 thousand tonnes wfe, which in comparison to 2006 represents an increase of almost 70 thousand tonnes wfe.

The biological performance of the Faroese salmon producers have been the best in Europe over the last years – low

FIG. 19 / SUPPLY OF ATLANTIC SALMON TO THE EU MARKET (tonnes wfe)

Country	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E
Norway	411,800	440,800	506,800	532,200	591,700	615,300	648,400	761,900	755,500	834,700
United Kingdom	109,300	111,100	112,800	115,700	109,800	98,700	92,700	98,700	82,300	91,200
Chile	84,000	80,700	67,800	67,100	39,900	10,600	17,200	27,000	50,200	50,900
Faroe Islands	16,100	9,700	13,100	29,900	30,000	26,300	29,900	35,700	33,400	31,100
Other/ Re-export	8,400	7,300	3,800	-8,200	-5,600	-12,500	-6,000	-5,600	-17,000	-18,700
Total	629,600	649,600	704,300	736,700	765,800	738,400	782,200	917,700	904,400	989,200
Change		3%	8%	5%	4%	-4%	6%	17%	-1%	9%

Source: Kontali Analyse

FIG. 20 / SUPPLY OF ATLANTIC SALMON 2005 - 2014E (tonnes wfe)

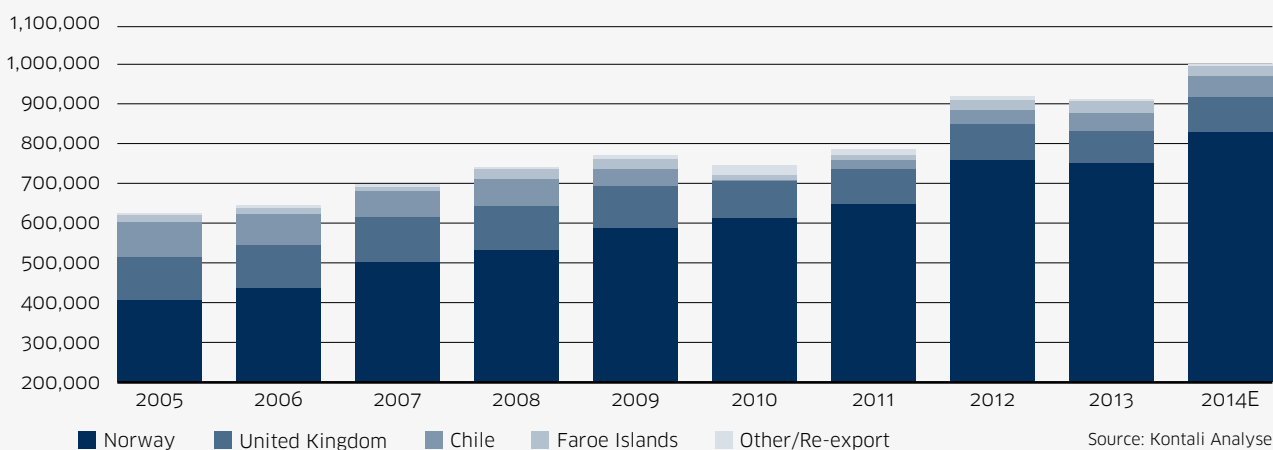
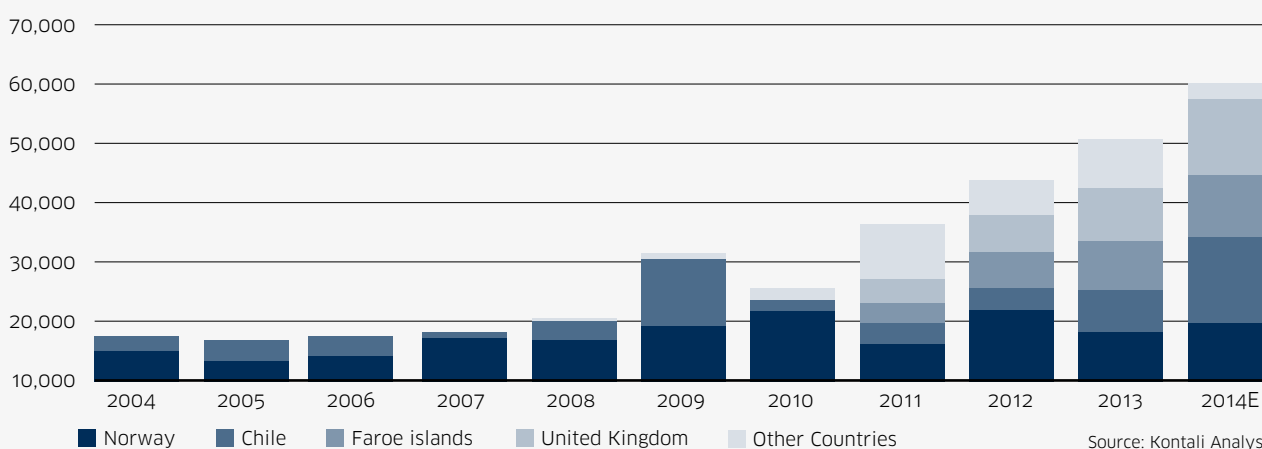


FIG. 21 / SUPPLY OF ATLANTIC SALMON TO THE CHINESE MARKET (tonnes wfe)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014 E
Norway	5,400	4,300	5,200	8,800	7,800	10,500	13,700	7,000	14,100	9,500	11,400
Chile	3,500	3,900	3,800	1,300	3,600	13,900	2,200	3,800	4,000	8,200	17,000
Faroe Islands	200	100	-	-	-	100	-	4,300	7,700	10,200	12,700
United Kingdom	100	-	-	-	100	-	100	5,100	7,400	10,800	15,400
Other countries*	-	900	100	400	800	900	2,000	11,100	6,900	10,200	3,600
Total	9,200	9,200	9,100	10,500	12,300	25,400	18,000	31,300	40,100	48,900	60,100
Growth rate	74%	0%	-1%	15%	17%	107%	-29%	74%	28%	22%	23%

* Supply from other producing countries as well as re-export from Denmark and Poland. Re-export from neighbouring countries such as Vietnam are also included in these figures - Re-export from Vietnam to China estimates: 9 kt in 2011 - 6 kt in 2012 - 9.5 kt in 2013 - 2.9 kt in 2014.

Source: Kontali Analyse

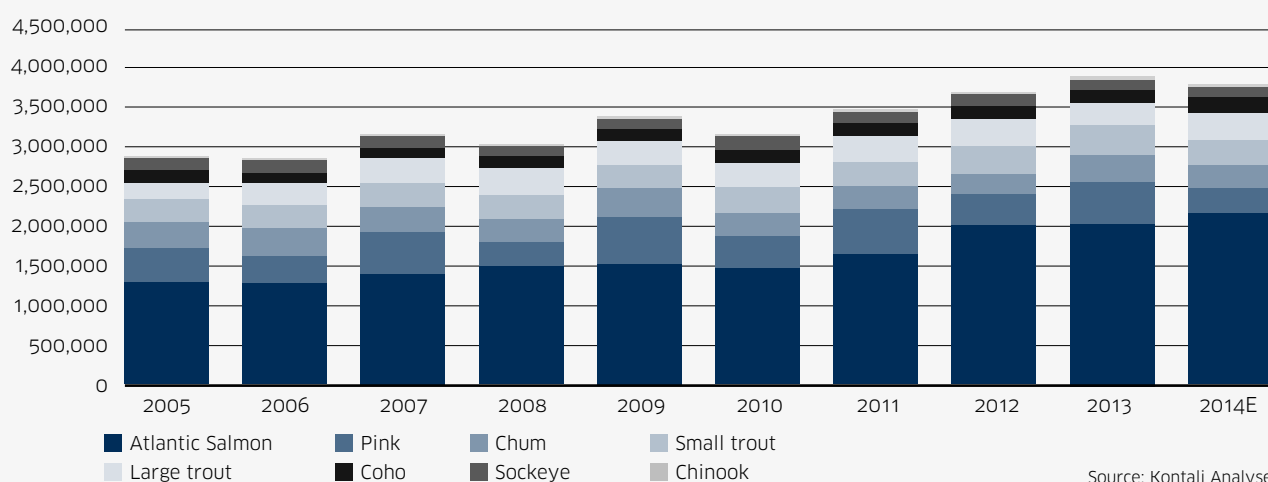
FIG. 22 / SUPPLY OF ATLANTIC SALMON 2005 - 2014E (tonnes wfe)

Source: Kontali Analyse

FIG. 23 / GLOBAL SUPPLY OF ALL SALMONIDS (tonnes wfe)

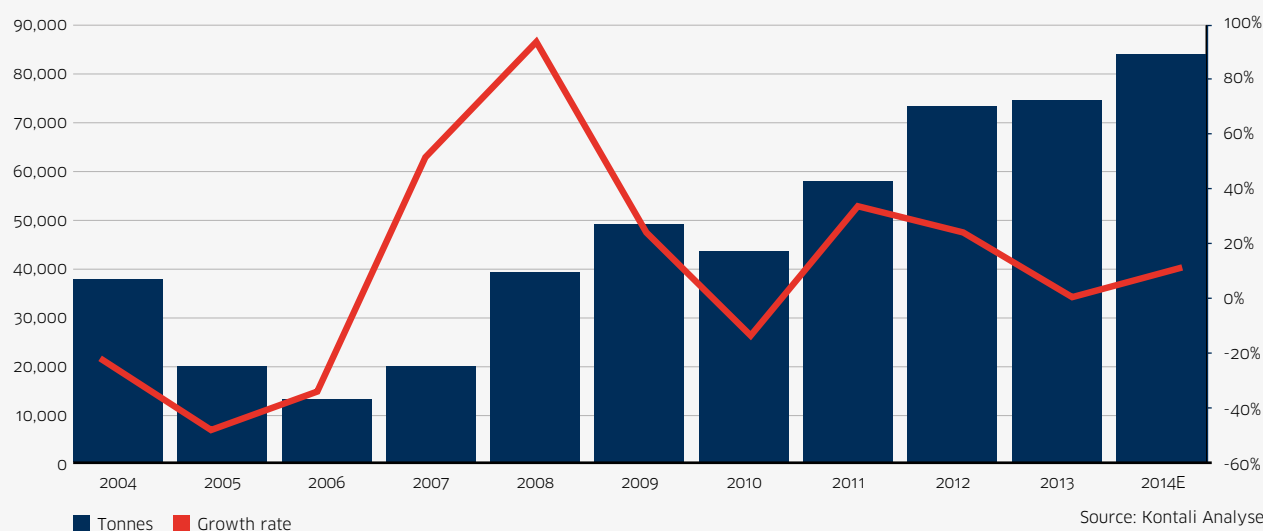
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E
Atlantic salmon	1,250,700	1,270,800	1,398,700	1,496,000	1,474,800	1,455,300	1,633,400	2,000,300	2,041,500	2,224,000
Pink	463,400	338,700	521,400	309,900	606,600	399,100	584,500	409,600	575,500	334,900
Chum	306,000	352,800	316,700	293,400	357,200	309,300	272,200	293,700	333,100	266,800
Small trout	282,500	290,700	292,000	314,600	323,200	323,600	334,700	345,300	345,100	349,900
Large trout	237,900	254,100	307,100	332,300	301,300	310,000	324,300	371,800	305,900	282,800
Coho	137,000	138,500	142,200	144,800	131,000	160,800	174,400	190,900	176,900	190,200
Sockeye	139,400	143,000	158,600	132,900	141,000	160,900	148,700	142,100	132,700	169,900
Chinook	34,400	25,800	22,200	18,100	18,500	19,600	22,100	18,800	21,300	24,700
TOTAL	2,851,300	2,814,400	3,158,900	3,042,000	3,353,600	3,138,600	3,494,300	3,772,500	3,932,000	3,843,200
Growth rate		-1%	11%	-4%	9%	-7%	10%	7%	4%	-2%

Source: Kontali Analyse

FIG. 24**FIG. 25 / HARVEST OF ATLANTIC SALMON IN TONNES (wfe)**

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014E
Norway	573,600	598,500	723,300	741,000	855,700	944,600	1,005,600	1,183,100	1,143,600	1,197,500
United Kingdom	119,700	127,500	134,900	136,400	144,300	142,900	154,700	159,400	157,800	171,700
Chile	385,200	368,700	356,400	403,500	239,100	129,600	221,000	364,000	468,100	579,000
Canada	107,500	115,000	111,000	122,000	121,900	122,000	119,500	136,500	115,100	105,000
USA	9,600	10,200	12,300	17,000	16,400	18,000	18,300	19,600	20,300	20,400
Faroe Islands	17,200	11,900	19,100	36,900	47,100	41,800	56,300	70,300	72,600	82,400
Australia	17,900	19,400	23,800	25,700	32,200	33,000	36,000	40,000	39,000	39,000
Ireland	12,400	14,500	15,300	11,400	14,800	17,800	16,000	15,600	10,600	12,300
Others	7,600	5,200	2,600	2,100	3,300	5,500	6,000	11,400	14,200	18,100
Total	1,250,700	1,270,900	1,398,700	1,496,000	1,474,800	1,455,200	1,633,400	1,999,900	2,041,300	2,225,400
Growth rate		2%	10%	7%	-1%	-1%	12%	22%	2%	9%

Source: Kontali Analyse

FIG. 26 / SUPPLY OF ATLANTIC SALMON FROM FAROE ISLANDS (tonnes wfe)

loss rates and high average harvest weight. Preliminary estimates indicate average harvest weight of 5.8 kg wfe (+7%) in 2014.

Through 2014, the Faroese salmon industry continued to become less dependent on the EU market. Supply to the US market continued on the same level as in 2013, with a marginal increase. The US market remained the 2nd most important market for Faroese salmon.

As Faroese salmon was not included in the Russian trade sanctions, exports of fresh whole Atlantic salmon increased vastly in the 2nd half of 2014. From a supply of only 2,600 tonnes wfe in 2013, supply in 2014 increased almost six-fold to 14,800 tonnes wfe.

CHANGE IN MARKET SUPPLY AND MARKET PRICES

From the 2nd half of 2011 to the first half of 2012, there was an impressive growth in global supply of farmed Atlantic salmon. With this growth in mind, it came as no surprise that the supply growth rate showed a falling trend in the 2nd half 2012.

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

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

During the first 4 months of 2014, European spot prices continued to trend on a high level, but as supply increased, the price level fell below 40 NOK/kg hog, while prices in 2013 remained over until August. With only moderate supply growth in the last 2 months of 2014 and strong demand, prices increased as in 2013, but not to the record high levels in December, due to the Russian import ban.

Figure 28 shows the relative change in global supply of Atlantic salmon and European spot prices for fresh Atlantic salmon, by month – year over year, from 2011 to 2014.

TOP 15 - SALMON FARMING COMPANIES

Norway is still the largest producing country of Atlantic salmon, while Chile in 2013 again strengthened its position as the world second largest producer. Before the ISA-crisis in the Chilean production in 2008-2009, the harvest quantity just barely exceeded 400,000 tonnes. Highly affected by this significant fall, the market structure reversed in 2010 back to the structure seen in 2005.

The recovery of the Chilean industry and growth in production in Europe contributed to consolidations in both 2011 & 2012. In 2014, we had a significant increase in the production (+9%), where most of this came from the Chilean production.

In 2013, the world's fifteen largest salmon farming companies harvested approx. 1.4 million tonnes of Salmonids (Atlantic Salmon, Coho Salmon, Chinook, Big Trout), representing 56% of the total harvest quantity in 2013. In Norway, these companies made up 59% of the total harvest and 58% in Chile.

See table 29 for more details.

COST OF PRODUCTION

The cost of producing 1 kg of Atlantic salmon is highly influenced by the feed cost, which comprises approx. 55% of the production costs (2013). This expense depends mainly on two factors: The price of the fish feed, and how much feed is needed to produce 1 kg fish at the point of harvest/sale. The latter is also known as the Economic Feed Conversion Rate (EFCR) and takes into account mortality, escapees, harvest weight and other factors.

During the past decade, it is mainly the increased feed price, which has driven the total costs upwards – as commodity prices for the ingredients used in the salmon feed have increased, and markup for the feed producers have remained fairly stable. In the past 2 years, biological challenges have increased labour and other operational costs.

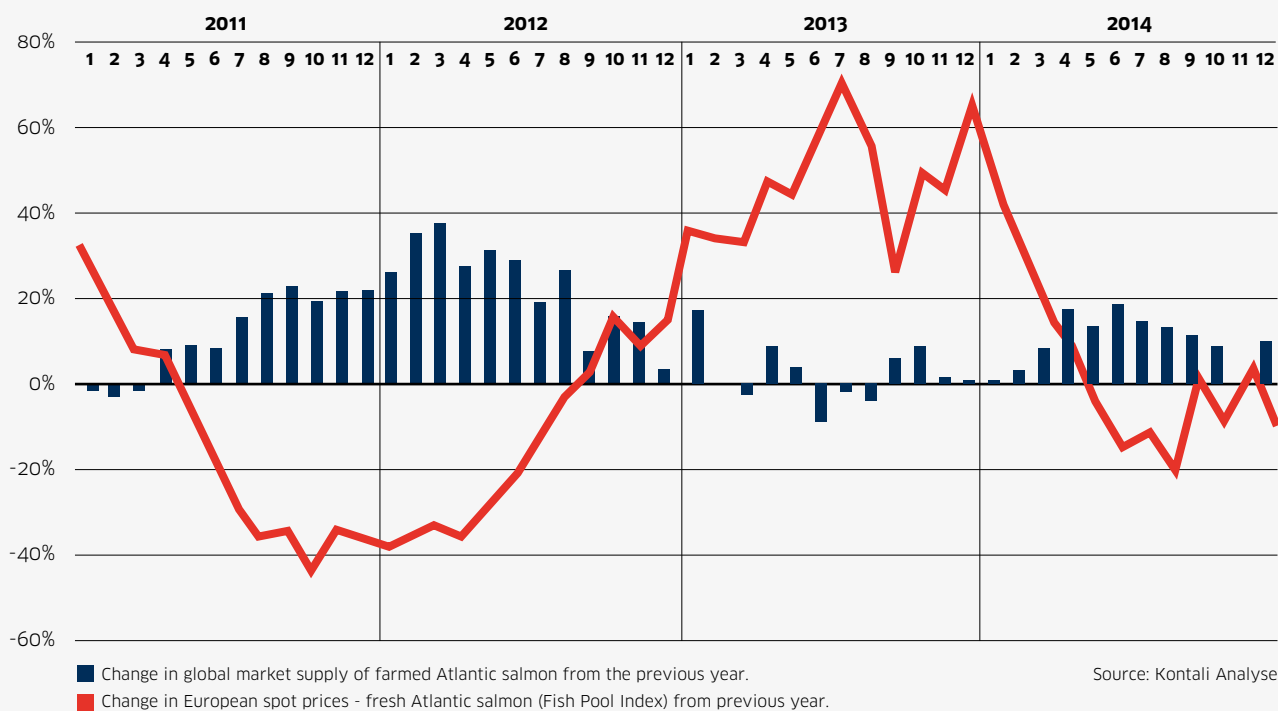
Compared to Norwegian farmers, the average cost of production was 6-7% lower for Faroese farmers – a result of better biological performance, but also due to a generally higher cost level in Norway.

Figure 30 shows the cost split for Atlantic salmon on a hog-basis – 2013e.

FIG. 27 / FAROESE SUPPLY OF ATLANTIC SALMON IN TONNES (wfe)

Year	Supply from Faroe Isl.	EU	share	USA	share	Japan	share	Russia	share	Others	share
2009	48,100	30,000	62%	11,200	23%	600	1%	1,100	2%	4,900	10%
2010	42,400	26,300	62%	10,000	24%	700	2%	200	0%	4,800	11%
2011	57,200	29,900	52%	16,700	29%	600	1%	2,500	4%	7,200	13%
2012	71,800	35,700	50%	13,000	18%	1,100	2%	8,000	11%	13,600	19%
2013	73,400	33,400	46%	16,400	22%	1,100	1%	2,600	4%	19,500	27%
2014E	82,300	31,100	38%	17,300	21%	1,000	1%	14,800	18%	17,800	22%

Source: Kontali Analyse

FIG. 28 / SUPPLY AND MARKET PRICES

Source: Kontali Analyse

FISH FEED

From a moderate growth in 2010, feed consumption to ocean-farmed salmonids rose significantly in 2011, and for the first time in history, feed consumption exceeded 3 million tonnes. In 2012, feed consumption/sales continued to increase in line with production and set a new all-time high record around 3.7 million tonnes of fish feed. The following year (2013), consumption/sales decreased by approx. 2% due to lower production in the main farming regions.

Figures for 2014 shows feed consumption of almost 3.9 million tonnes, which represents an increase of 7%, and a new all-time high for the industry. Norway saw the largest increase in terms of volume, while North America saw the largest relative increase.

The weather phenomena, El Niño, led to a significant fall in catches of the Peruvian anchoveta in 2014. As quotas were not fished, prices for fishmeal & fish oil continued to trend on a high level. El Niño effects may continue into 2015 and reduce the spring-quota in Peru. A decline in catches for most of the other pelagic species is also expected.

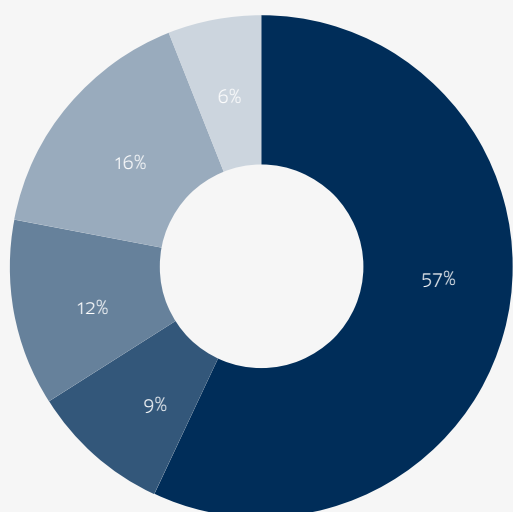
In Europe, weakening currencies (against USD – 2014) has also impacted feed prices negative for farmers, which reached record high levels in December.

FIG. 29 / HARVEST QUANTITY - 2013 E

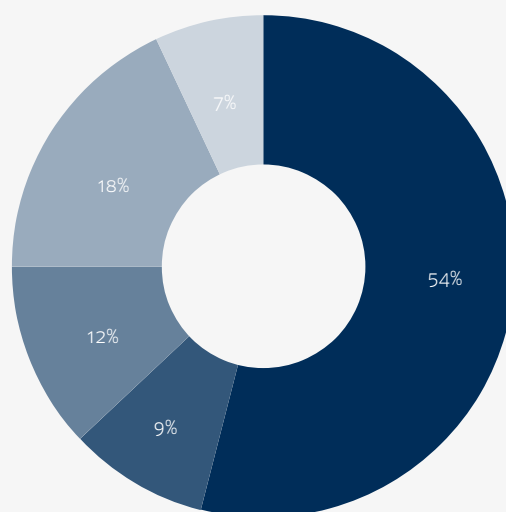
ATLANTIC SALMON, COHO, CHINOOK AND LARGE TROUT (tonnes wfe)

Ranking	Group	Head-office	Total	Norway	UK	Chile	North America	Faroe Islands	Ireland	Others
1	MARINE HARVEST GROUP	NO	381,900	247,200	53,800	31,400	36,700	6,300	6,500	
2	LERØY SEAFOOD GROUP	NO	160,900	160,900						
3	CERMAQ	NO	158,100	56,700		84,600	16,800			
4	SALMAR	NO	121,000	121,000						
5	EMPRESAS AQUACHILE	CL	90,000			90,000				
6	PESQUERA LOS FIORDOS	CL	65,000			65,000				
7	GRIEG SEAFOOD	NO	64,500	42,400	14,600		7,500			
8	COOKE AQUACULTURE	CA	63,000			17,000	46,000			
9	NORDLAKE HOLDING	NO	47,000	47,000						
10	BAKKAFROST	FO	45,900					45,900		
11	SALMONES MULTIEXPORT	CL	42,000			42,000				
12	VENTISQUEROS (incl, CONGELADOS DEL PACIFICO)	CL	40,000			40,000				
13	PESQUERA CAMANCHACA	CL	39,500			39,500				
14	NOVA SEA	NO	38,800	38,800						
15	BLUMAR (Itata and El Golfo)	CL	38,400			38,400				
Sum top 15			1,396,000	714,000	68,400	447,900	107,000	52,200	6,500	0
Others			1,116,400	503,600	91,900	318,500	34,700	20,400	5,150	142,150
Total			2,512,400	1,217,600	160,300	766,400	141,700	72,600	11,650	142,150
Top 10 WW in % of total harvest quantity			48%	55%	43%	38%	76%	72%	56%	0%
Top 15 WW in % of total harvest quantity			56%	59%	43%	58%	76%	72%	56%	0%

Source: Kontali Analyse

FIG. 30 / COST SPLIT FAROE ISLANDS 2013E (GUTTED WEIGHT)

Source: Kontali Analyse

**FIG. 30 / COST SPLIT NORWAY 2013E (GUTTED WEIGHT)**

Source: Kontali Analyse

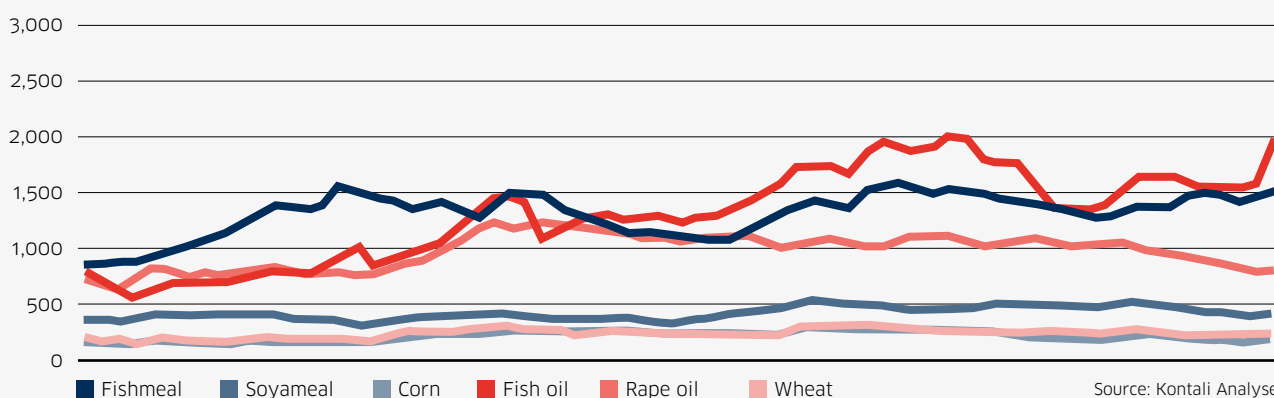
**FIG. 31 / ESTIMATED FEED CONSUMPTION/SALE TO SALMONIDS FOR SELECTED SALMONID PRODUCING REGIONS**
Atlantic Salmon, Large Trout, Coho, Chinook (In 1,000 tonnes)

	2009	2010	Change	2011	Change	2012	Change	2013	Change	2014E	Change
Norway	1,331	1,337	0%	1,494	12%	1,652	11%	1,617	-2%	1,732	7%
Chile **	622	724	16%	1,036	43%	1,258	21%	1,211	-4%	1,279	6%
UK	210	216	3%	228	5%	211	-8%	223	6%	231	3%
North America	209	213	2%	225	6%	235	5%	202	-14%	233	16%
Faroe Islands	60	61	2%	85	38%	89	5%	96	8%	98	1%
Others	219	238	9%	239	0%	264	11%	281	6%	302	7%
Total	2,651	2,790	5%	3,306	19%	3,709	12%	3,630	-2%	3,874	7%

* Incl. Fresh water feed to the above listed species

** Chile - Including freshwater feed, but excluding exports (Exports ranging from 10 - 15 000 tonnes between 09 and 14E)

Source: Kontali Analyse

FIG. 32 / RAW MATERIAL PRICES 2009-2014 (USD/TONNES)

Source: Kontali Analyse

BUSINESS OBJECTIVES AND STRATEGY

Mission & Vision

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

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

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

Strategy

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

SUSTAINABILITY

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

BIOLOGICAL SECURITY

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

FOOD SAFETY & TOP QUALITY

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

ATTRACTIVE COMPANY CULTURE

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

EFFICIENCY & CREATING VALUE

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

DEVELOPMENT & GROWTH

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

SALES & MARKETING

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

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

CORE VALUES

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

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

Human Capital

Bakkafrost shall maintain and further strengthen the focus on HR, work satisfaction and developing the competences of the employees. Our most important asset is our employees, and in order for Bakkafrost to maintain and expand its leading market position, it is vital for us to attract and retain employees with the right competences and knowledge.

We aim at strengthening the competences of our employees on all levels in the Group on a continuous basis by implementing relevant training schemes to meet current and future demands for a qualified workforce. The training is performed as work-related training, in-house and external courses and other forms of training. It is an ongoing effort to further developing professional competences as well as developing leadership skills on all levels in the Group.

The company culture and fundamental values of Bakkafrøst to be a reliable and responsible partner are the foundations of our human resource development. Supporting Bakkafrøst's strategy and securing high standards in our business conduct in addition to creating the best possible value for our customers is essential for all training efforts.

Bakkafrøst's partners for work-related training, in-house and external courses and other forms of training are local educational institutions focusing on health, safety, business and commerce education.

Employees

In 2014, the number of fulltime equivalent employees in the Bakkafrøst Group was 700 employees, compared to 640 employees in 2013. The increase in numbers of employees can be ascribed to increased activity in the Feed, Farming and VAP divisions.

The annual turnover of employees in 2014 was 4% in the Feed division, 13% in the Farming division, 25% in the Harvest division and 15% in the VAP division. In 2014, the annual turnover of employees was 9% in Administration and Sales. Employment in the Feed and Farming divisions is relatively stable, whereas there are strong seasonal variations related to the Harvest and VAP divisions, primarily due to short-term employment of younger employees of 1 to 2 years.

FIG. 33 / AVERAGE HARVEST WEIGHT LWE

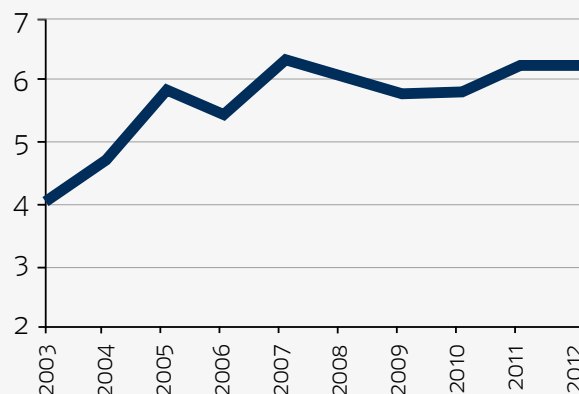


FIG. 34 / MORTALITY % OF OUTPUT

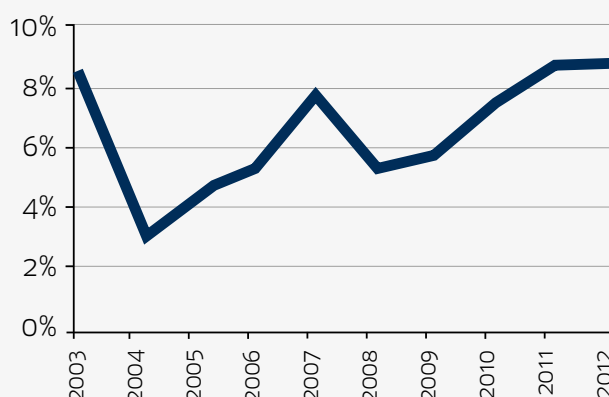
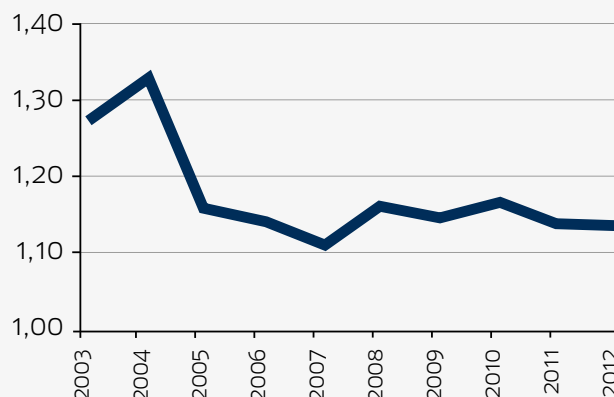


FIG. 35 / BIOLOGICAL FEED FACTOR



Source: FarmControl*

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

OPERATION

Bakkafrost is the largest salmon producer in the Faroe Islands with a total production of 44,013 t_{gw} in 2014. Bakkafrost owns 50% of the total licences in the Faroe Islands, currently representing 62% of the total harvest volumes, which was 70,893 tonnes t_{gw} in 2014. In addition to this, Bakkafrost owns 49% in the farming company Faroe Farming, which owns 3 licences and had a total production of 4,957 t_{gw} in 2014.

The Group operates six fully owned hatcheries and sixteen fish farming sites for marine production of Atlantic salmon in the Faroe Islands in addition to three sites currently out of production. The sites are located in fourteen different fjords. All primary processing takes place at three slaughteries, and the secondary processing takes place at the VAP facilities in Glyvvar and Fuglafjørður.

THE VALUE CHAIN

Bakkafrost controls the entire value chain from own production of fishmeal, fish oil and fish feed to sales and marketing of finished VAP products. Control of the entire value chain is considered important to ensure availability, traceability and to be able to control the product flow on a daily basis. Both customers and processing facilities depend on daily availability of salmon and depend entirely on a steady flow of harvested fish.

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

The control of the entire value chain enables Bakkafrost to enter into long-term delivery contracts and long-term customer relationships, without being dependant on any third party to ensure the quality and predictability of its deliveries. It further enables better utilization of the facilities

throughout the value chain and prevents sub-optimization between cost centres.

1. Brood stock

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

The vitality of the fish is important. Therefore, the selection of the best genetic properties is vital. The fish's resistance to diseases is an important property of the fish. In order to ensure access to high-quality eggs, Bakkafrost's strategy is to buy eggs from selected external suppliers that invest significant efforts and resources to improve product quality and performance.

2. Juveniles

Bakkafrost owns a total of seven hatchery licences. The Bakkafrost Group operates six hatcheries with a total production capacity of some 12 million smolts per year after the expansion of the hatchery in Norðtoftir in 2014.

Bakkafrost's hatcheries are located in environments with large quantities of clean fresh water, where no villages or industries are competing for the water. This is important, as there is no ground water available in the Faroe Islands. The hatcheries are equipped with closed water circulation systems with bio filters, and the fish tanks are inside buildings in order to limit the effect of external factors such as weather, birds and other pollution. The workforce in the hatcheries is very experienced; many of the employees have been working at the hatcheries since the early '90s.

Historically, Bakkafrost has released smolts into the sea when the weight was between 50–60g. Over the last years, Bakkafrost has changed its strategy and waits until the size of the smolts has reached 100g before releasing them into the sea. The Group believes this has had a positive effect when measuring productivity and mortality, and hence

FIG. 36 / VALUE CHAIN



contributed to improving the Group's results. Bakkafrøst has a long-term goal of increasing the size of the smolts further the coming years to 200-300 grammes each.

3. Farming

Bakkafrøst's nineteen fish farms sites are located in the central and northern part of the Faroe Islands. On average, each fish farm can produce around 3,000 tonnes gutted weight per year with the present production regime in the foreseeable future.

The fish is kept, fed and nurtured in large sea cages, providing the fish with abundant space to grow for a period of 16-18 months. During this period, the fish grows from 100g up to Bakkafrøst's average target weight of about 6.0-6.5 kg wfe. This targeted weight is considered to provide an optimal breakdown/mix of sizes in order to serve both the fresh fish market and the internal VAP production.

As a rule, the larger fish are distributed as fresh fish and the smaller fish are used as raw material in the VAP production. The fish are fed several times a day, and the feed consumption is monitored continuously. Since the new veterinary model was implemented in 2003, the biological feed conversion rate has decreased from around 1.20 to around 1.13, reducing the feed used by approximately 8.5%. This is considered to be a direct result of the improved fish health.

During the entire production period, each separate generation is kept in a separate fjord, and after all locations in a

fjord have been harvested, the fjord is set aside for 2-4 months before a new generation is released. This operating model was introduced in 2003, and the observed effects are better productivity, less mortality and better utilization of the feed. On average, the mortality rate has been less than 10% for all farmers in the Faroe Islands since the new veterinary model was implemented.

The main goal of the farming operation is to produce salmon at a low feed conversion rate and with low mortality. In order to reach this goal, Bakkafrøst believes the environment is important, and therefore does its utmost to create and maintain a healthy environment for the fish. Following national regulations, environmental investigations are undertaken each year by external agencies at each farming location. The result of each survey becomes input data used in the tactical planning in order to achieve the best environmental sustainable farming results possible.

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

The Gulf Stream provides stable conditions throughout the year as well as high water quality. The water temperature in the region is steady, with a fluctuation of only 6°C during the year. The lowest temperatures, approximately 5.5°C, are usually reached in February, and the highest temperatures, approximately 11.5°C, are reached in the late summer months.

FIG. 37 / SMOLTS RELEASE: THOUSAND SMOLT

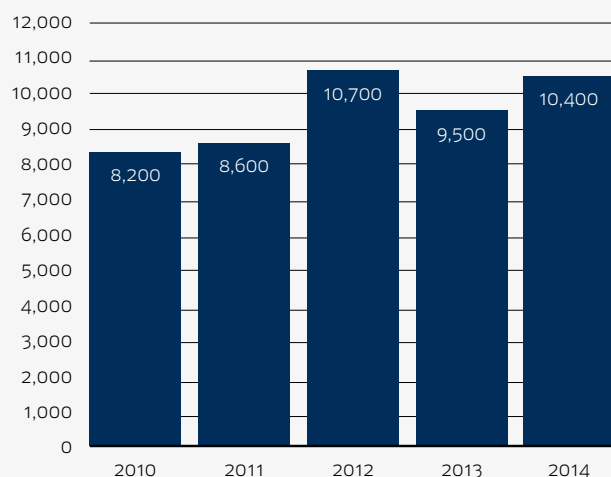
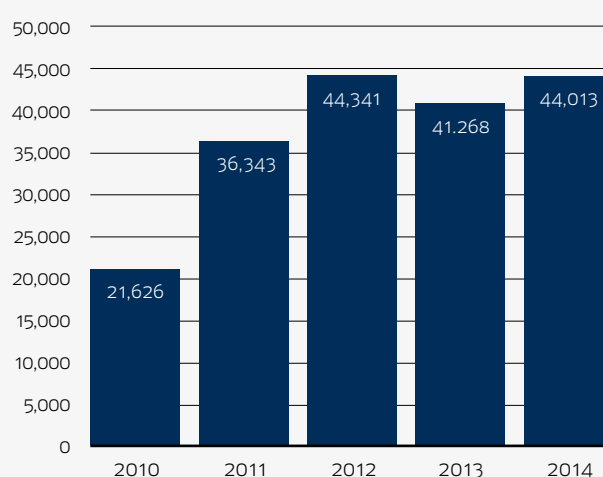


FIG. 38 / HARVEST VOLUME: TONNES GW



The farming areas are large and have the capacity to support the quantities farmed on each site. The biological situation in the Faroe Islands provides the opportunity to utilize a higher-than-average weight of the fish, minimizing unit costs, biological feed conversion rate and giving a best-in-class performance. The excellent biological situation is crucial to maintain production costs at current levels and to maximize the return on the invested capital.

4. Harvesting

All the fish is harvested at the slaughter factories in Klaksvík, Kollafjørður and Strendur. The slaughteries have a daily capacity of around 270 tonnes wfe at the current run rate of 1 shift on average. The fish is primarily transported from the farming sites to the slaughteries in wellboats with closed end-water systems.

Bakkafrost's wellboat fleet consists of two vessels for smolt transport and two vessels for transportation of fish to harvest: one smaller wellboat (230m³/45 tonnes wfe) and a larger wellboat (660m³/110 tonnes wfe), both with closed systems.

As part of Bakkafrost's investment plan, the harvesting stations will be laid down early 2016 and replaced by one new harvesting plant in Glyvur. A new wellboat, "Hans á Bakka" – to be delivered in June 2015 – is also part of the investment plan.

5. Processing and refinement

The 4,000m² VAP factory in Glyvur has a production capacity of 30 tonnes of skinless and boneless 125g vacuum-packed portions in retail boxes per day (two shifts). The VAP factory in Fuglafjørður has a capacity of 15 tonnes of skinless and boneless 125g vacuum-packed chain packed portions per day with two shifts.

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

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

The Group intends to continuously upgrade the VAP factory in order to be able to deliver according to market demands. Bakkafrost will increase the VAP capacity from the present approx. 20,000 tgv raw material up to 30,000 tgv. Therefore, a new VAP factory is built next to the harvesting station in Glyvur. In addition to the increase in capacity, the VAP production will be more efficient and secure a continuing lead in quality. The new plant is expected to open late 2016.

6. Sales and distribution

Bakkafrost has two sales offices, one office located in Glyvur in the Faroe Islands, serving the global market, and one in the UK, serving the UK market. The UK sales office was acquired in late 2012. Prior to this, the sales office was owned by a Bakkafrost customer, thus having the experience and knowledge of selling Bakkafrost's products into the UK market.

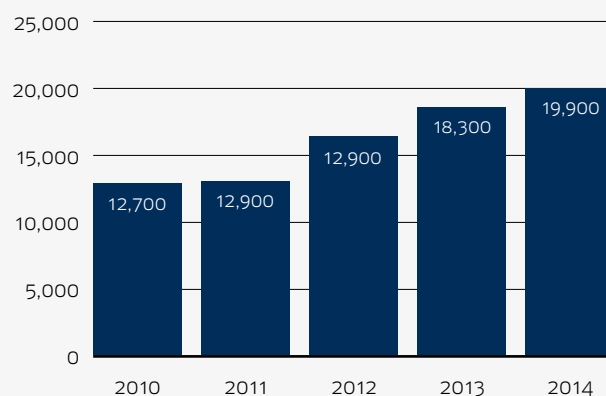
Sales strategy

The Group's strategy is to balance the sales mix between different geographical markets and different product segments. The most important markets are the European, US, Chinese and Russian market, in which Bakkafrost mainly sells VAP products and whole fish. As a rule, the VAP products are sold on long-term contracts and the whole fish is sold on the spot market.

Bakkafrost believes that its capability to serve these geographical markets with the two categories of products efficiently reduces cross-cycle fluctuations in both revenues and profitability.

The strategy is to offer advantages to the larger supermarket chains by securing product availability and stable high quality and preferred products.

FIG. 39 / TONNES PRODUCT WEIGHT OF VAP TGV



Distribution

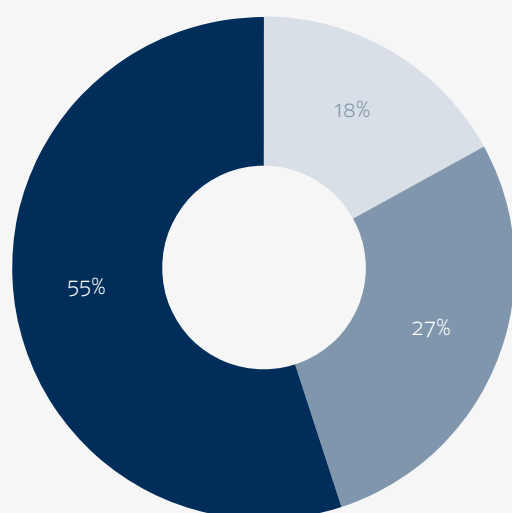
The current distribution network is based on transportation by ship to Europe and Russia and by plane to the US and China from the UK. The Group is able to distribute both fresh and frozen fish to the market.

With the existing distribution network, Bakkafrøst is able to ship products to the UK within 20 hours by ship. From

the UK, the products are distributed by plane to major airports in the US and China within 24 hours, with a total cost of DKK 8-14 per kg from factory to customer.

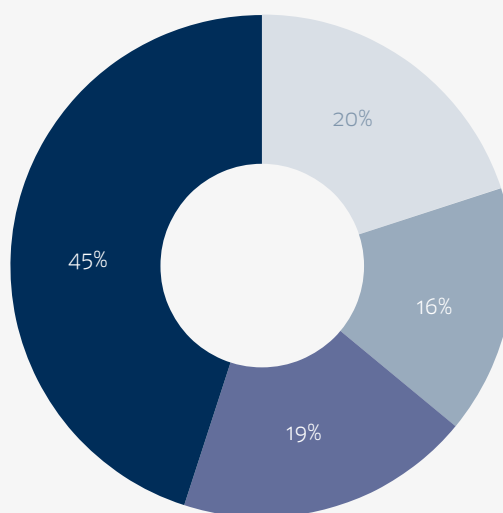
Products planned for the European and Russian markets are transported by ship to Denmark or the UK within 2 days for further distribution on trucks.

FIG. 40 / EXTERNAL REVENUE OF FIXED CONTRACTS, SPOT AND FEED



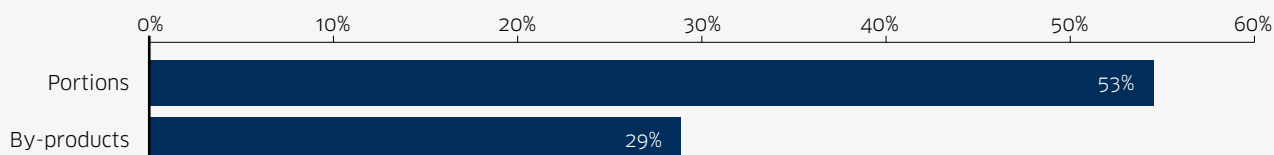
Feed, 18%
Fixed Contracts, 27%
Spot, 55%

FIG. 41 / SALMON - SALES BY MARKETS 2014



Eastern Europe, 20%
Asia, 16%
USA, 19%
EU, 45%

FIG. 42 / YIELD IN VAP 2014



HEALTH, SAFETY AND THE ENVIRONMENT

VALUE AND ETHICS

Bakkafrost's Code of Conduct and the Group's values define standards that apply to the entire Group guiding all employees on how to interact at work and promoting standards of good business practice. Bakkafrost's most important asset is the employees. Our employees are committed to creating value to our customers and shareholders by living our values, to be reliable, show respect and to be persistent, efficient and ambitious. Our company policy is to ensure that all employees are treated equally and with respect, and we encourage our employees to help create a work environment free from any discrimination.

HEALTH AND SAFETY

The safety and occupational health of our employees are of vital importance to Bakkafrost. Great focus is on all initiatives in relation to the employees' health and safety, and we aim at supporting, maintaining and improving standards on all levels in the Group with focus on training on all levels to continue to work towards our goal to be an injury and accident free work place.

FISH HEALTH AND ANIMAL WELFARE

Fish health, animal welfare and bio-security are of the utmost importance for Bakkafrost.

There have been no disease outbreaks since 2005. However, in February 2014, a potential disease causing ISA-virus was found at one Bakkafrost site, holding harvest size fish. Due to good disease surveillance and everyday bio-security procedures, this potential threat was discovered and contained at this one site, whilst the fish were harvested. This ISA-virus did not result in clinically ill fish.

Throughout 2014, the amoeba "Paramoeba perurans", known to be able to cause amoebic gill disease (AGD), has been a normal find in PCR samples from Faroese salmon sites. The amoeba has not shown to be aggressive on the gills of Faroese salmon, and clinical signs caused by this amoeba are infrequent. To keep this new threat at bay, additional surveillance with gill-scoring at least every 14th day and extra PCR-samples was initiated and has been conducted throughout year 2014.

There are several treatment options for the amoeba. Bathing the fish in freshwater or in hydrogen peroxide would be the most common treatments for the amoeba.

Due to salmon lice, Bakkafrost staff has high expertise in bathing fish in hydrogen peroxide, using full tarpaulins. Using this treatment method Bakkafrost's has capability to treat many cages with peroxide at multiple sites simultaneously.

However, additionally, in June 2015, Bakkafrost will get the new wellboat "Hans á Bakka" making us able to effectively treat fish in freshwater whilst recirculating the water. Bakkafrost is currently actively preparing for this new treatment option by building freshwater reservoir to be able to supply freshwater to the wellboat. The ship has a 3000m³ volume and will be able to hold 450 tonnes of live fish.

This said, the main task for this ship is transporting fish for harvest. With its high carrying capacity and state of the art equipment, this wellboat is believed to improve fish welfare during loading, transport and unloading of the fish, and thus the quality after harvest even more. Our intention is, however, to use the wellboat in the fall of 2015 primarily for treatments if necessary.

The challenge regarding salmon lice is ongoing. We work on a local level as well as on a regional and national level in collaboration with all other salmon farming companies and the authorities in the Faroe Islands on both short- and long-term prevention strategies. Our intention is to bring both cleaner-fish (lumpfish) and freshwater treatments into the fight against sea lice in 2015.

SUSTAINABILITY

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

We are working towards an ASC (Aquaculture Stewardship Council) standard certification. This will continue over the coming years. The standard seeks to minimize or eliminate the key negative environmental and social impacts of salmon farming.

FOOD SAFETY AND CERTIFICATIONS

Food safety and quality is of top priority for Bakkafrost. The new project of centralisation of our activities of packaging, harvest plant and VAP production in Glyvrrar has started, and the building of a new state-of-the-art integrated harvesting and VAP plant has begun. The intention

is that the harvesting part will be ready in early 2016 and the VAP later in 2016. This project will improve the quality of our product, will increase our capacity and emergency back up. We will be able to take out synergies, reduce costs, increase efficiency and meet future consumer trends.

The company holds several certifications. The whole company is GlobalGAP certified. Global GAP is an international standard which focuses on food safety throughout the whole production (based on HACCP), fish welfare and health, safety and minimizing the impact on the environment. Hence, all of our value chain is Global GAP certified. This includes our feed production, hatcheries, all our sea sites, our harvesting and processing plants.

All units, both harvesting and processing, are approved and certified by the Faroese authorities based on HACCP standards and EU legislation.

The VAP production is certified according to the BRC and IFS standards both of which were updated in 2014.

Havsbrún, the meal, oil and feed production, holds multiple certifications. Havsbrún is certified according to the GlobalGAP standard, the ISO9001:2000 and GMP+ standards. Havsbrún achieved the IFFO RS scheme certification in 2014.

As mentioned earlier, we have started working towards an Aquaculture Stewardship Council (ASC) standard certification and have certified our processing factories in 2014. Our intention is to have our sites certified by 2020.

All units in the company are approved by the Environmental Agency and hold individual environmental approvals.





SHAREHOLDER INFORMATION

Information to shareholders has high priority in Bakkafrøst. The company aims at maintaining a regular dialogue with the Group's shareholders through the formal channel of stock exchange announcements, interim reports, annual reports, annual general meetings and presentations to investors and analysts.

FINANCIAL CALENDAR 2014

11 April, Ordinary General Meeting
12 May, Presentation of Q1 2015
25 August, Presentation of Q2 2015
03 November, Presentation of Q3 2015

All quarterly presentations will take place at Hotel Continental, Stortingsgaten 24/26, Oslo.

Please note that the financial calendar is subject to change. Any changes will be announced via Oslo Børs, and the Group's website, www.bakkafrøst.com, will be updated accordingly.

ANNUAL GENERAL MEETING

The parent company's Annual General Meeting is planned for 11 April 2015.

AUDITORS

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

DIVIDEND POLICY

Bakkafrøst aims to give its shareholders a competitive return on their investment, both through payment of divi-

dends from the company and by securing an increase in the value of the equity through positive operations.

Generally, the company should pay dividends to its shareholders, but it is the responsibility of the Board of Directors to make an overall assessment in order to secure the company a healthy capital base, both for daily operations and for a healthy future growth of the company.

A long-term goal for the Board of Directors is that 30-50% of adjusted EPS shall be paid out as dividends.

Bakkafrøst'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 6.00 (NOK 6.90*) per share shall be paid out as dividends. This corresponds to approximately DKK 293.1 million (NOK 337.0* million).

SHAREHOLDERS, CAPITAL AND VOTES

P/f Bakkafrøst had, on 31 December 2014, a total of 48,858,065 shares outstanding, each with a nominal value of DKK 1. Of the 48,858,065 shares outstanding, P/F Bakkafrøst holds 337,328 of treasury shares.

LARGEST SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2014: Oddvør Jacobsen and Regin Jacobsen.

BOARD MEETINGS

In 2014, the Board of P/f Bakkafrøst held 14 Board meetings. Below under each Director's profile is disclosed each Director's participation in Board meetings held during 2014.

* 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.

DIRECTORS' PROFILES



RÚNI M. HANSEN

Chairman of the Board

Born 1967. MSc. in Economics and Business Administration, Copenhagen Business School, 1993. Lancaster University, The Management School, Lancaster UK, 1994. Rúni M. Hansen is a Faroese national who is the Head of Statoil's Arctic Unit and member of Statoil's worldwide exploration management team. He has had extensive experience in the international oil and gas industry. For a number of years, he has been the Country Manager for Statoil in charge of operations in the Faroes and Greenland, including operation of drilling campaigns. He has also been Manager of Commercial and Negotiations for Europe and North Africa in Statoil. Rúni M. Hansen is a member of the World Economic Forum's Global Agenda Council on the Arctic.

Mr. Hansen has been a Board member of Bakkafrost since December 2009, when he also became Chairman of the Board of Directors.

Mr. Hansen participated in all 14 Board meetings held during 2014.

Mr. Hansen is considered independent.

Mr. Hansen holds 10,000 shares in the company.



JOHANNES JENSEN

Deputy Chairman of the Board

Born 1962. MBA, Lancaster University 1998. Career: Faroe Seafood, 1987-2001; Marketing Director Faroe Seafood, 1999-2001; Managing Director Hotel Føroyar, 2002-present. Chairman of P/F Frost 2001-, Chairman of Faroe Islands Tourist Board 2011-.

Mr. Jensen has been a Board member of Bakkafrost since December 2009, when he also became Deputy Chairman of the Board of Directors.

Mr. Jensen participated in all 14 Board meetings held during 2014.

Mr. Jensen is considered independent.

Mr. 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's administration team, 1990-2008. Part of Bakkafrost's sales team, 2008-present. Mrs. Frederiksberg has been a Board member of Bakkafrost since February 2008.

Mrs. Frederiksberg participated in all 14 Board meetings held during 2014.

Mrs. Frederiksberg is not considered independent.

Mrs. Frederiksberg holds directly and indirectly 14,532 shares in the company.

DIRECTORS' PROFILES



VIRGAR DAHL

Board member

Born 1958. Educated as captain in 1981. From 1981–1989, he sailed as a navigator and captain. Extensive experience from the Marine Department in Tryggingarfelagið Føroyar from 1989 and Director since 2000. Director of Føroya Realkreditstovnur.

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

Mr. Dahl participated in all 14 Board meetings held during 2014.

Mr. Dahl is not considered independent.

Mr. Dahl holds 7,000 shares in the company.



ØYSTEIN SANDVIK

Board member

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

Mr. Sandvik participated in all 14 Board meetings held during 2014.

Mr. Sandvik is considered independent.

Mr. Sandvik holds no shares in the company.



TOR MAGNE LØNNUM

Board member

Born 1967. Norwegian State authorised accountant and Executive Master of Business and Administration. Career: Chief Financial Officer of Gjensidige NOR Insurance - Group Director for Strategy and Group Development of Gjensidige NOR Insurance - Deputy CEO, CFO of Gjensidige Forsikring ASA for 9 years. Current position: CFO of Tryg AS and Tryg Forsikring AS.

Mr. Lønnum has been a Board member of Bakkafrost since April 2014.

Mr. Lønnum participated in 8 Board meetings after he was elected to the Board on the AGM held 5 April 2014.

Mr. Lønnum holds 1,500 shares in the company.

Mr. Lønnum is considered independent.

GROUP MANAGEMENT'S PROFILES



REGIN JACOBSEN

Chief Executive Officer

Regin Jacobsen (born 1966) has been the CEO of Bakkafrost since 1989. Mr. Jacobsen was educated at Aarhus School of Business, Graduate Diploma in Business Administration and Accounting (HD-R). From 1982 to 1988, Mr. Jacobsen was Financial Manager of P/f Bakkafrost.

Mr. Jacobsen holds 4,492,211 shares in the company.



GUNNAR NIELSEN

Chief Financial Officer

Gunnar Nielsen (born 1977) holds an MSc in Business Economics & Auditing from Copenhagen Business School. Mr. Nielsen has previously worked as auditor at Grannskoðaravirkidð INPACT from 1999-2006 and from 2008-2011. In the period 2006-2008, Mr. Nielsen was a corporate finance advisor in BankNordik. Since 2011, Mr. Nielsen has had different positions in the TF Group, including being advisor and CEO in TF Íløgur.

Mr. Nielsen holds no shares in the company.



ODD ELIASSEN

Managing Director of Havsbrún

Odd Eliassen (born 1965) holds a Teacher Certificate Exam from the Faroese Teacher Training College 1988. Mr. Eliassen held the position as Sales Manager of Havsbrún from 1988-1995 and Director of the Feed Department of Havsbrún from 1995-2014. Mr. Eliassen has broad experience from the fish farming industry and has been an active player in restructuring the fish farming industry in the Faroe Islands. Mr. Eliassen has been responsible for Havsbrún's farming activities and has held various board positions in the industry.

Mr. Eliassen was board member of Bakkafrost from 2006 to 2012, when he was appointed Managing Director for Havsbrún and member of the Bakkafrost Group Management.

Mr. Eliassen holds 170,681 shares in the company.

OTHER MANAGERS' PROFILES



SÍMUN P. JACOBSEN

Senior Sales Manager

Símun P. Jacobsen (born 1963) was appointed Senior Sales Manager for the Bakkafrost Group in 2012. Mr. Jacobsen holds a Graduate Diploma in Business Administration and Accounting (HD-R) from Handelshøjskolen Syd in Denmark. Mr. Jacobsen has an extensive career within the business of sales and management in the white fish industry as well as sales of salmon products to European supermarket chains. He was sales manager for United Seafood from 1998 and for Faroe Seafood from 2005.



KÁRI JACOBSEN

Manager – VAP production and processing

Kári Jacobsen (born 1963) has been Manager of VAP Production and Processing since 2008. He was educated at Statens Fagskole for Fiskeindustri Vardø (1982/1983). Kári Jacobsen was production manager for Tavan from 1984 to 1994 and from 1999 to 2008. Kári Jacobsen was production manager for United Seafood from 1994 to 1998.



ANDRIAS PETERSEN

Harvest Manager

Andrias Petersen (born 1973) holds a BSc in Chemical Engineering from the Technical University of Denmark (2001), and has since then completed courses in general-, project- and quality management. From 2002–2008, he worked with the Faroese Food, Veterinary and Environmental Agency in positions as official supervisor, quality manager and head of the department of fish health, where he obtained a thorough knowledge of the Faroese fish farming industry. From 2008, Mr. Petersen was production manager at the former Vestsalmon, and following the merger of the Vestlax Group with the Bakkafrost Group, Mr. Petersen has been Harvest Manager.



JÓN PURKHÚS

Farming Manager (North region)

Jón Purkhús (born 1958) has been Farming Manager at Bakkafrost since 2006. Mr. Purkhús has extensive experience in the salmon farming industry, as he founded and has been Director of Bakkafrost Farming North since 1988.



ODDVALD OLSEN

Farming Manager (West region)

Oddvald Olsen (born 1964) has been Farming Manager in Bakkafrost Farming West since 2011. Mr. Olsen has extensive experience in the salmon farming industry, where he started in 1985.

OTHER MANAGERS' PROFILES



HARTVIG JOENSEN

Manager, Fish Oil and Fishmeal

Hartvig Joensen (born 1967) has been Manager of Havsbrún's Fish oil and Fishmeal Department since 2005.



RÚNI WEIHE

Manager, Feed

Rúni Weihe (born 1980) holds a MSc in Fisheries from the University in Tromsø, Norway (2008). From 2001-2003, Mr. Weihe worked as fishfarmer for Vestlax. In 2008, Mr. Weihe became the RnD Manager of Havsbrún's Feed Division. He was appointed Division Manager in 2014 and holds both managerial positions.



ANNA JOHANSEN

Senior Quality Manager

Anna Johansen (born 1974) holds a cand.scient in biology from the University of Copenhagen, Denmark (2002). From 2003-2007, she worked with the Faroese Food, Veterinary and Environmental Agency as an environmental supervisor and a project manager. Anna Johansen has been quality manager for P/f Vestlax and P/f Vestsalmon since 2007 until the merger with Bakkafrost, when she started as Senior Group Quality Manager.



LEIF AV REYNI

Fresh Water Manager

Leif av Reyni (born 1976) holds a BSc in Aquaculture from Høgskolen in Sogndal, Norway (1999-2002) and a MSc degree in Aquaculture from Stirling University, Scotland. From 2003-2004, Mr. Reyni worked for Vestlax and from 2004-2005, Mr. Reyni worked as project manager for the local Aquaculture Research Station in the Faroe Islands. From 2005 to 2009, he was production manager at Vestlax and responsible for sea sites and hatcheries. Following the merger of the Vestlax Group with the Bakkafrost Group, Mr. Reyni has been Freshwater Manager responsible for the hatcheries. Since 2006, he has been on the board of the Faroese Aquaculture Research Station.



GUÐRUN OLSEN

Group HR Manager

Guðrun Olsen (born 1964) holds a BA from the Copenhagen Business School and a MA degree in International Corporate Communication from the University of Southern Denmark in Odense. From 1994 to 2004, Mrs. Olsen held positions as company secretary and HR & adm. manager at Faroe Seafood. Guðrun Olsen has been Group HR Manager of Bakkafrost since 2012.





CORPORATE GOVERNANCE

P/f Bakkafrøst 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 30 October 2014 by the Norwegian Corporate Governance Board (the "Code of Practice").

Bakkafrøst has published the statutory corporate governance report based on the comply or explain principle for each recommendation. The corporate governance report is available on Bakkafrøst's website.

Bakkafrøst is in compliance with the Norwegian Code of Practice for Corporate Governance apart from:

Article 3 that stipulates, "that mandates granted to the Board should be limited in time to no later than the date of the next annual general meeting".

Bakkafrøst's Articles of Association § 4A gives the Board of Directors authorisation to increase the share capital until the ordinary general meeting of the company in 2017 and § 4B gives the Board of Directors authorisation to buy own shares on behalf of the company until the annual general

meeting is held in 2017. According to the Faroese company law, a company may in its Article of Association decide that the AGM may give the Board of Directors authority to increase the share capital and buy own shares. This permission may last for more than one year. For practical reasons, this has been implemented into the Articles of Association of P/F Bakkafrøst. It is the Board's view that if shareholders find this authorisation unacceptable, the Board will support a change to the Articles of Associations.

To ensure adherence to the principles, the company has elaborated specific instructions regarding rules of procedure for the Board of Directors, instructions for the Nomination Committee, instructions for the Chief Executive Officer and other management, guidelines with regards to values and ethics, instructions for the Audit Committee, an investor relations policy, guidelines relating to takeover bids and guidelines for related-party transactions.

The company's audit committee met 5 times during 2014 to review accounting and operational issues in detail. The committee consists of Rúni M. Hansen (Chairman), Øystein Sandvik and Tor Magne Lønnum.

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

The Management and the Board of Directors have today considered and approved the Annual and Consolidated Report and Accounts of P/f Bakkafrøst for the financial year 1 January 2014 to 31 December 2014.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the Annual and Consolidated Report and Accounts gives a true and fair view of the Group's and parent company's financial positions at 31 December 2014, as well as the results of the Group's and the parent company's activities and cash flows for the financial year 1 January 2014 to 31 December 2014.

Glyvrrar, 20 March 2015

Management:

Regin Jacobsen,
CEO

Board of Directors:

Rúni M. Hansen,
Chairman of the Board

Johannes Jensen,
Deputy Chairman of the Board

Tor Magne Lønnum,
Board Member

Virgar Dahl,
Board Member

Annika Frederiksberg,
Board Member

Øystein Sandvik,
Board Member

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF BAKKAFROST P/F

REPORT ON CONSOLIDATED FINANCIAL STATEMENTS AND PARENT COMPANY FINANCIAL STATEMENTS

We have audited the consolidated financial statements and parent company financial statements of Bakkafrost P/F for the financial year ended 31 December 2014, which comprise income statement, statement of comprehensive income, statement of financial position, statement of changes in equity, cash flow statement and notes, including summary of significant accounting policies for the Group as well as for the Parent Company. The consolidated financial statements and the parent company financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

MANAGEMENT'S RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS AND THE PARENT COMPANY FINANCIAL STATEMENTS

The Management is responsible for the preparation of consolidated financial statements and parent company financial statements, that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies and for such internal control as the Management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the consolidated financial statements and the parent company financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Faroese Audit regulation. These require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements and the parent company financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements and the parent company financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatements of the consolidated financial statements and the parent company financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of consolidated financial statements and parent company financial

statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Management, as well as the overall presentation of the consolidated financial statements and the parent company financial statements.

We believe that the audit evidence, we have obtained, is sufficient and appropriate to provide a basis for our opinion.

The audit has not resulted in any qualification.

OPINION

In our opinion, the consolidated financial statements and the parent company financial statements give a true and fair view of the Group's and the Parent Company's financial position at 31 December 2014 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year ended 31 December 2014 in accordance with International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

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

Pursuant to the Faroese Financial Statements Act, we have read the Statements by the Chairman, Board of Directors and Management. We have not performed any further procedures in addition to the audit of the consolidated financial statements and the parent company financial statements.

On this basis, it is our opinion that the information provided in the Statements by the Chairman, Board of Directors and Management is consistent with the consolidated financial statements and parent company financial statements.

Tórshavn, 20 March 2015

Januar

løggilt grannskoðanarvirki P/F
State Authorised Public Accountants

Heini Thomsen
State Authorised Public Accountant

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BAKKAFROST GROUP

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2014	2013
Operating revenue		2,683,319	2,491,081
Purchase of goods		-913,130	-1,064,666
Change in inventory and biological assets (at cost)		96,560	81,924
Salary and personnel expenses	5	-263,897	-232,871
Other operation expenses	6	-671,908	-601,799
Depreciation	10	-97,169	-86,659
Operational EBIT*		833,775	587,010
Fair value adjustments on biological assets		-11,547	115,352
Onerous contracts		70,908	-24,830
Income from associates		-845	23,788
Earnings before interest and taxes (EBIT)		892,291	701,320
Financial income	8	4,575	6,239
Net interest expenses	8	-32,376	-28,929
Net currency effects	8	40,448	53,151
Other financial expenses	8	-5,747	-4,430
Earnings before taxes (EBT)		899,191	727,351
Taxes	20	-252,086	-138,133
Profit or loss for the period		647,105	589,218
Profit or loss for the year attributable to			
Non-controlling interests		0	0
Owners of P/F Bakkafrøst		647,105	589,218
Earnings per share (DKK)	24	13.34	12.07

* EBIT before fair value on biomass, onerous contracts and income from associates.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	2014	2013
Profit for the year	647,105	589,218
Fair value adjustment on financial instruments	-40,678	-74,889
Income tax effect	6,205	13,480
Currency translation differences	349	1,109
Reserve to share based payment	161	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-33,963	-60,300
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0
Other comprehensive income	-33,963	-60,300
Total comprehensive income for the year net tax	613,142	528,918

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

DKK 1,000	Note	2014	2013
ASSETS			
Non-current assets			
Intangible assets		294,675	294,675
Total intangible assets	9	294,675	294,675
Land buildings and other real estate		400,271	390,997
Plant machinery and other operating equipment		491,462	465,247
Other operating equipment		35,002	25,839
Prepayments for purchase of PP&E		114,513	34,613
Total property, plant and equipment	10	1,041,248	916,696
Non-current financial assets			
Investments in associated companies	11	100,130	113,711
Investments in stocks and shares	12	25,289	1,593
Long-term receivables		1,291	1,504
Total non-current financial assets		126,710	116,808
TOTAL NON-CURRENT ASSETS		1,462,633	1,328,179
Current assets			
Biological assets (biomass)	14	1,013,959	965,896
Inventory	13	266,960	235,489
Total inventory		1,280,919	1,201,385
Accounts receivables	15	172,360	278,432
Other receivables	15	141,912	122,153
Total receivables		314,272	400,585
Cash and cash equivalents	18	405,109	182,077
TOTAL CURRENT ASSETS		2,000,300	1,784,047
TOTAL ASSETS		3,462,933	3,112,226

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

DKK 1,000	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Share capital	17	48,858	48,858
Other equity		2,014,795	1,616,419
Total equity	16	2,063,653	1,665,277
Non-current liabilities			
Deferred taxes	20	414,014	310,925
Long-term interest bearing debts	18	505,393	685,151
Derivatives	19	116,928	74,889
Total non-current liabilities		1,036,335	1,070,965
Current liabilities			
Short-term interest bearing debts	18	100,000	100,000
Trade payables	18	127,720	140,104
Current tax liabilities	18,20	124,765	57,241
Other current liabilities	18	10,460	78,639
Total current liabilities		362,945	375,984
Total liabilities		1,399,280	1,446,949
TOTAL EQUITY AND LIABILITIES		3,462,933	3,112,226

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2014	2013
Cash flow from operations			
Operating profit (EBIT)		892,291	701,320
Adjustments for write-downs and depreciation	10	104,476	96,578
Adjustments for value adjustments on biomass	14	11,547	-115,352
Adjustments for income from associates		845	-23,788
Adjustments for currency effects		40,452	53,151
Provision for onerous contracts	26	-70,908	24,830
Taxes paid	20	-81,381	-46,620
Change in inventory		-91,084	-96,179
Change in receivables		152,166	-109,359
Change in current debts		-81,166	32,952
Cash flow from operations		877,238	517,533
Cash flow from investments			
Acquisition/sale of subsidiaries and activities, etc., net		2,450	0
Proceeds from sale of fixed assets		8,227	1,776
Payments made for purchase of fixed assets	10	-237,255	-165,208
Payments made for prepayment of purchase of fixed assets		0	-34,613
Purchase of shares and other investments		-13,409	-7,253
Change in long-term receivables		181	909
Cash flow from investments		-239,806	-204,389
Cash flow from financing			
Proceeds from issuing of bonds		0	505,051
Repayment of long-term debt		-100,000	-100,000
Change in revolving credit facilities		-71,850	-445,727
Financial income		4,558	6,239
Financial expenses		-38,106	-33,359
Proceeds/Acquisition of treasury shares		3,437	-28,106
Financing of associate		5,721	37,393
Dividend paid		-218,160	-97,603
Cash flow from financing		-414,400	-156,112
Net change in cash and cash equivalents in period		223,032	157,032
Cash and cash equivalents - opening balance		182,077	25,045
Cash and cash equivalents - closing balance total		405,109	182,077

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

Restricted equity comprises equity in which distribution to the shareholders may only take place adhering to specific procedures prescribed by the Faroese Limited Companies Act. Restricted equity consists of Equity Recognition Surplus and Fair Value Adjustments of Biomass. Free equity may be readily distributed to the shareholders, or otherwise disposed of, after due approval by the AGM. The composition of equity may be specified as follows:

DKK 1,000	Share			Share- Based Payment	Currency translation differences	Derivatives	Biomass			Total Equity
	Share Capital	Premium Reserve	Treasury Shares				Fair value Proposed Dividend	adjust- ments	Retained Earnings	
Equity 01.01.2014	48,858	306,537	-28,949	0	1,109	-61,409	219,862	296,402	882,867	1,665,277
Consolidated profit	0	0	0	0	0	0	0	-11,547	658,652	647,105
Other comprehensive income:										
Fair value adjustment on financial derivatives	0	0	0	0	0	-40,678	0	0	0	-40,678
Income tax effect	0	0	0	0	0	6,205	0	0	0	6,205
Share based payment	0	0	0	161	0	0	0	0	0	161
Currency translation differences	0	0	0	0	349	0	0	0	0	349
Total other comprehensive income	0	0	0	161	349	-34,473	0	0	0	-33,963
Total comprehensive income	0	0	0	161	349	-34,473	0	-11,547	658,652	613,142
Transaction with owners:										
Treasury shares	0	0	3,392	0	0	0	0	0	0	3,392
Paid-out dividend	0	0	0	0	0	0	-219,862	0	1,704	-218,158
Proposed dividend	0	0	0	0	0	0	293,148	0	-293,148	0
Total transaction with owners	0	0	3,392	0	0	0	73,286	0	-291,444	-214,766
Total changes in equity	0	0	3,392	161	349	-34,473	73,286	-11,547	367,208	398,376
Total equity 31.12.2014	48,858	306,537	-25,557	161	1,458	-95,882	293,148	284,855	1,250,075	2,063,653
Equity 01.01.2013	48,858	306,537	0	0	0	0	97,716	181,050	628,751	1,262,912
Consolidated profit	0	0	0	0	0	0	0	115,352	473,866	589,218
Other comprehensive income:										
Fair value adjustment on financial derivatives	0	0	0	0	0	-74,889	0	0	0	-74,889
Income tax effect	0	0	0	0	0	13,480	0	0	0	13,480
Currency translation differences	0	0	0	0	1,109	0	0	0	0	1,109
Total other comprehensive income	0	0	0	0	1,109	-61,409	0	0	0	-60,300
Total comprehensive income	0	0	0	0	1,109	-61,409	0	115,352	473,866	528,918
Transaction with owners:										
Treasury shares	0	0	-28,949	0	0	0	0	0	0	-28,949
Paid-out dividend	0	0	0	0	0	0	-97,716	0	112	-97,604
Proposed dividend	0	0	0	0	0	0	219,862	0	-219,862	0
Total transaction with owners	0	0	-28,949	0	0	0	122,146	0	-219,750	-126,553
Total changes in equity	0	0	-28,949	0	1,109	-61,409	122,146	115,352	254,116	402,365
Total equity 31.12.2013	48,858	306,537	-28,949	0	1,109	-61,409	219,862	296,402	882,867	1,665,277

NOTES - BAKKAFROST GROUP

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

- BAKKAFROST GROUP

NOTE 1. GENERAL INFORMATION

P/f Bakkafrost ("company") is a public limited company domiciled in the Faroe Islands at Bakkavegur 9, Glyvrrar.

P/f Bakkafrost was listed on the Oslo Stock Exchange in 2010 with ticker code BAKKA.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

2.1 BASIS OF PRESENTATION

The Annual Report comprises the income statement, statement of comprehensive income, statement of financial position, specification of changes in equity, cash flow statement and note disclosures for the Group. The accounting year equals the calendar year. The financial statements were formally drawn up in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Accounting Standards Board as approved by the European Community and the additional requirements according to the Faroese Financial Reporting act.

The Annual and Consolidated Report and Accounts for the period 1 January to 31 December 2014 comprises both the Consolidated Annual Report and Accounts for P/f Bakkafrost and its subsidiaries (Group) and the separate Annual Accounts for the parent company.

The financial statements were formally authorised for issue by the Board of Directors on 20 March 2015.

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

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

There are no new or amended IFRSs or IFRIC interpretations that are effective for the financial year beginning on or after 1 January 2014 that are assumed to have a material impact on the Group.

2.2 CONSOLIDATION PRINCIPLES

The consolidated financial statements include P/f Bakkafrost and the subsidiaries over which P/f Bakkafrost has controlling influence either by shareholding or by agreement. A controlling interest is normally deemed to exist when ownership directly or indirectly exceeds 50 percent of the voting capital. Controlling interest may also exist by nature of agreement. Similarly, limitations in voting rights by agreement may impede exercise of control, and the investment concerned will be considered an associate.

Newly acquired subsidiaries are included from the date on which a controlling interest is secured, and divested subsidiaries are included up until the date of divestment. The consolidated accounts have been prepared in accordance with uniform accounting principles for similar transactions in all companies included in the consolidated accounts.

All material transactions and balances between Group companies have been eliminated. Shares in subsidiaries have been eliminated in the consolidated financial statements in accordance with the acquisition method. This means that the acquired company's assets and liabilities are reported at fair value at the date of acquisition, with any excess value being classified as goodwill. Where the fair value of the assets acquired exceeds the payment made, the difference is treated as goodwill in the Income Statement.

When shares are acquired in stages, the value basis of the assets and liabilities is the date the Group was formed. Later acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities, with the exception of goodwill, which is calculated with each acquisition.

Investments in companies, in which the Group has a considerable interest (associated companies), are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist, when the Group owns 20-50 percent of the voting capital. The Group's share of the profits in such companies is based on profit after tax, less internal gains and depreciation on excess value due to the cost price of the shares

being higher than the acquired portion of book equity. In the Income Statement, the profit share is presented on a separate line, while the assets are presented in the statement of financial position as long-term financial assets. The accounting principles used by associated companies have been changed where necessary to achieve consistency with the principles used by the Group as a whole.

2.2.1 Translation of Foreign Currencies

For each individual entity, which is recognised in the consolidated accounts, a functional currency is determined in which the entity measures its results and financial position. The functional currency is the currency of the primary economic environment in which the entity operates. Transactions in other currencies, than the functional currency, are transactions in a foreign currency.

A foreign currency transaction is, on initial recognition, recorded in the functional currency, at the spot exchange rate between the functional currency and the foreign currency on the date of the transaction.

At each balance sheet date, receivables, payables and other monetary items in foreign currency are translated to the functional currency using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items, at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, shall be recognised in the income statement under financial revenues and expenses.

On consolidation the results and financial position of the Group's individual entities with different functional currencies than the Group's presentation currency (DKK) are translated into the Group's presentation currency using the following procedure:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- Income and expenses are translated at exchange rates at the dates of the transactions.
- All resulting exchange differences are recognised directly in equity as a separate component of equity. For practical reasons an average rate for the period that approximates the exchange rates at the dates of the transactions is used.

2.3 REVENUES

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

The revenue of the Group is mainly for sales of fish and fish feed. Sales revenues are recognised when the goods are delivered and both title and risk has passed to the customer. This will normally be upon delivery.

2.4 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.

2.5 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.

2.6 SEGMENT REPORTING

Fundamentally, the Bakkafrøst Group has three business activities: farming of fish, including sales of fresh fish; value adding of salmonoid products; and the production of fishmeal, fish oil and fish feed.

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

2.6.1 Farming including sales of fresh fish

Fish farming involves the breeding and on-growing of salmon as well as the slaughtering, sales and distribution of salmon. The Group has production facilities in the central and northern parts of the Faroe Islands. There are no significant differences in the production properties of the licences, and the Group therefore reports the farmed salmonids, including the sale of fresh salmon, as one segment.

2.6.2 Value added products (VAP)

A significant share of the farmed products is value added at the factories in Glyvvar and Fuglafjörður. The outputs of the factories are predominantly portions for the retail market. Therefore, this is reported as one segment.

2.6.3 Fishmeal, fish oil and fish feed (FOF)

Fishmeal, fish oil and fish feed involves the production and sale of fishmeal, fish oil and fish feed. The production of fishmeal, fish oil and fish feed is operated by Bakka-frost's subsidiary Havsbrún and is located in Fuglafjörður.

2.7 CLASSIFICATION PRINCIPLES

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

Dividend proposals are not capitalised as liabilities until the parent company has assumed an irrevocable obligation to pay the dividend, normally when dividend proposals have been approved by the Annual General Meeting.

Next year's instalments on long-term debts are classified as current liabilities.

Biomass is recognised at fair value in the Statement of Financial Position. Changes in biomass and inventory measured at cost are presented as a one-line item in the Income Statement. Biomass at cost consists of all production costs including actual interest costs. The biomass is then adjusted to fair value, i.e. market value less finishing costs, by adding an IFRS adjustment. The IFRS adjustment is the difference between biomass measured at cost and measured at fair value.

Changes in the fair value of biological assets are presented on a line item separately from biomass changes measured at cost, under operating profit/loss. This allows the reader of the Financial Report to determine both production efficiency and biomass at fair value.

If the estimated IFRS adjustment is negative, this is taken as an indication of impairment, and an impairment test is performed.

2.8 SHARE BASED PAYMENTS

The share saving plan liabilities and payroll expense have been allocated over the employees' contribution period. The contribution period is from when the employee signed the share saving plan and until the shares are granted. The fair value of these liabilities will be determined using the number of shares contracted at the start of the share saving plan, using the exchange rate on the date of the employee signature, adjustment is made for estimated leavers of the share saving plan. The difference between the fair value and the exchange rate, when the shares are granted, will be booked as a financial item in the income statement. The liability is recognised in other equity reserves within equity.

2.9 FUNCTIONAL CURRENCY

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.

2.10 BORROWING COSTS

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings. Borrowings are classified as current liabilities, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.11 RECEIVABLES

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

2.12 INVENTORY

Inventories consist of inventories in the farming unit, the VAP unit and the FOF unit.

2.12.1 Farming unit

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

2.12.2 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 lesser of cost or expected sales price less sales costs. The FIFO principle is used concerning the periodic assignment of inventory costs.

Finished goods in inventory, fresh or frozen, are measured at the lesser of cost or the expected sales price less sales costs. In a case, where cost price exceeds sales price less sales cost, impairment is entered and charged to the Income Statement.

The cost price of goods produced in-house is the full production cost, including production costs, which can be only indirectly allocated to produce goods, less general administration costs.

2.12.3 FOF unit

Raw materials and purchased commodities are valued at the lower of historical cost and net realisable value in accordance with the FIFO principle.

Finished goods are fishmeal, oil and feed ready for delivery to customer, valued at the lower of cost and net realisable value. The cost of finished goods includes any processing costs that have incurred. Processing costs consist of logistics, handling and storage costs.

2.13 BIOLOGICAL ASSETS

Biological assets (biomass) comprise salmon fry and fish in the sea. The valuation of biological assets is at fair value. The calculation is based on cost price with the addition of a fair value adjustment, which is based on market prices of salmon at marketable sizes on average for a generation. Consequently, the valuation of biomass in the statement of financial position reflects biomass at market values, and Income Statement presents production costs and fair value adjustments separately. This is in accordance with IAS 41, which requires biological assets to be measured at fair value.

At the point, when a new generation of smolt is launched to sea, the generation is measured at production cost. Smolts are predominantly produced in-house, and smolts put to sea are measured at production cost. At the early stages of production at sea, the assumption of the measurement being clearly unreliable is maintained. At average sizes of approximately 1 kg/fish, the fair value measure-

ment of the generation becomes less than clearly unreliable. At this point, fair value measurement commences.

The fair value estimate incorporates the proportionate expected net profit at harvest during the interval starting from 1 kg ending at 4 kg. The best fair value estimate on fish below 1 kg is considered to be accumulated cost, while fish above 4 kg (mature fish) are valued to full expected net value. The sales prices are based on externally quoted spot and forward prices, where applicable, and/or the most relevant price information available for the period of which the fish is expected to be harvested, whereas spot market prices are applied to mature fish. Forward prices from Fish Pool a part of Oslo Børs ASA, are used as source for forward prices.

As fish at fair value is harvested within one year, the fair value is not amortised.

If there exists an impairment requiring a write-down in value (further growth and sales price are not expected to meet production costs), an impairment write-down is entered to the statement of financial position and charged to the Income Statement.

The period immediately prior to harvesting makes estimating the fair value of not-yet-harvestable fish more uncertain, than estimating the value of harvestable fish. See the note regarding biological assets for further information regarding the principles employed.

2.13.1 Mortality above normal

Mortality above normal will be accounted for, when a site either experiences elevated mortality over time or massive mortality due to an incident at the farm (outbreak of disease, lack of oxygen etc.).

2.14 FIXED PRICE CONTRACTS

The Group enters into sales contracts for value added salmon products (VAP) on an on-going basis. The contracts involve physical settlement, and deliveries associated with the contracts form part of the Group's normal business activities. The contracts contain no built-in derivative elements.

With respect to fixed-price contracts, which result in the Group being obligated to sell salmon products at a price less than production cost (including fair value adjustment of raw materials at the point of harvesting), the contracts are considered onerous, and provisions are calculated and entered to the statement of financial position. The provision is charged to the Income Statement.

2.15 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are capitalised at acquisition cost, less accumulated depreciation and write downs. When assets are sold or divested, the book value is deducted and any loss or gain entered to the Income Statement. Ordinary depreciation commences from the date on which the asset goes into normal operation and is calculated on the basis of its economic lifespan. Depreciation is assigned in a straight line over the expected economic lifespan of the assets, taking into consideration the estimated residual value.

If an asset comprises significant components with varying lifespan, these components are depreciated separately. The scrap value of the property, plant and equipment as well as the depreciation period and depreciation method employed are reassessed annually.

Facilities under construction are not depreciated. Depreciation is charged to expenses, when the facilities are ready for use. If the situation or circumstances indicate that the carrying amount of an asset cannot be recovered, an assessment is made about whether to write-down its value. If the recoverable value of the assets is less than the carrying amount and the impairment is not expected to be temporary, the assets are written-down to the recoverable value. The recoverable value is the greater of net sales price or value in use. Value in use is the present value of the future cash flows, which the asset will generate.

2.16 INTANGIBLE ASSETS

Intangible assets, that are purchased individually, are capitalised at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalised at acquisition cost when the criteria for separate recognition are met.

Intangible assets with a limited economic lifespan are depreciated systematically. Intangible assets are written down to recoverable amount if the expected financial benefits do not cover their carrying amount.

Costs relating to research and development are charged as expenses as they accrue. R&D costs are capitalised in the statement of financial position, when it can be demonstrated that the relevant R&D projects carry economic benefits, that they can be technically finalised, and that the company intends to and is financially able to reap the economic benefits.

Capitalised R&D costs are recognised at acquisition cost less accumulated depreciation and write-downs. Capital-

ised R&D costs are depreciated in a straight line over the asset's estimated period of use.

Farming licences, which are purchased either as part of an acquisition or business combination according to IFRS 3, are capitalised at cost less accumulated write-downs. Sea farming licences in the Faroe Islands are considered perpetual, given that certain preconditions regarding environmental protection and animal welfare are met. Consequently, sea farming licences are not depreciated systematically, but are subject to an annual impairment test. If the carrying amount exceeds the recoverable amount, licences are considered impaired, and write-downs are entered and charged to the Income Statement.

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

2.17 GOODWILL

When the company assumes control over a separate business entity for a consideration that exceeds the fair value of the individual assets, the difference is entered as goodwill in the statement of financial position.

Goodwill deriving from the purchase of subsidiaries and associates is presented under intangible assets.

Goodwill is not depreciated, but is tested for impairment annually or more often if there are indications that its value is lower than the carrying amount. When assessing the need to write-down goodwill, this is assigned to relevant cash flow generating units or groups, which are expected to benefit from the acquisition.

Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash-flow generating units to which the goodwill is assigned. To identify the Group's cash-flow generating units, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows based on approved budgets and forecasts. Please refer to note 9 for further description.

If the calculated value in use is less than the carrying amount of the cash-flow generating unit, goodwill is written down first, and then other assets as required.

2.18 FINANCIAL INSTRUMENTS

In accordance with IAS 39, financial instruments falling within its remit are classified into the following categories: fair value with changes in value entered to the Income Statement, hold until maturity, loans and receivables, available for sale, and other liabilities.

2.18.1 Financial instruments at fair value with changes in value entered to the Income Statement

Financial instruments, which are held primarily for the purpose of buying or selling in the short term, are classified as being held for trading purposes. These instruments are included in the category of financial instruments recognised at fair value, with changes in value entered to the Income Statement alongside forward currency contracts, which are recognised at fair value, with changes in value, entered to the Income Statement.

2.18.2 Hedge accounting

Bonds are measured at fair value.

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

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

Amounts recognised as other comprehensive 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.

2.18.3 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.

2.19 PENSIONS

The Group has employed a defined contribution pension scheme. Pension premiums are charged to the Income Statement as they accrue. The Group has no additional pension liabilities towards the employees, apart from these periodical payments.

2.20 TAX

The tax expense is matched against the profit or loss before tax, as it appears in the accounts. Tax ascribable to equity transactions are taken to equity. The tax expense comprises tax payable (tax on the year's direct taxable income) and changes in net deferred taxes. Deferred tax liabilities and deferred tax assets are presented net in the statement of financial position, to the extent that tax assets and liabilities can be netted against each other.

Deferred tax in the statement of financial position is a nominal amount calculated on the basis of temporary differences between accounting and tax values at their intended use, as well as the taxable loss carried forward at the end of the financial year.

Deferred tax assets are capitalised, when it is deemed probable that they will result in a reduction in future taxes payable on taxable income.

Deferred tax is calculated on the difference between the accounting and taxable values of licences.

Deferred tax is capitalised, to the extent to which identifiable excess values ascribed to assets and liabilities lead 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.

2.21 PROVISIONS

A provision is recognised when, and only when, the company has a valid liability (legal or self-imposed) deriving from an event which has occurred, and when it is probable (more likely than not) that a financial settlement will take place as a result of that liability, and when the amount in question can be reliably quantified. Provisions are reviewed on each closing date, and the level reflects the best estimate for the liability.

2.22 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

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

2.23 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.

2.24 STANDARDS ISSUED, BUT NOT YET EFFECTIVE

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

2.24.1 IFRS 15 Revenue from Contracts with Customers

IFRS 15 replaces all existing revenue requirements and applies to all revenue arising from contracts with customers. It also provides a model for the recognition and measurement of sales of some non-financial assets. The standard outlines the principles an entity must apply to measure and recognise revenue. The standard is more prescriptive than current IFRS regulation and provides more application guidance. The disclosure requirements are also more extensive.

IFRS15 is effective for accounting periods beginning on 1 January 2017, and early implementation is permitted.

AMENDMENTS TO EXISTING STANDARDS IN ISSUE

2.24.2 IFRS 9 Financial Instruments

In July 2014, IASB issued the final version of IFRS9 Financial Instruments, which reflects all phases of the financial instruments project and replaces IAS 39 Financial Instruments and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting.

The adoption of IFRS 9 will affect classification and measurement of Bakkafrøst's financial assets, while the amendments are expected to have no impact on classification and measurement of the Group's financial liabilities.

IFRS 9 in its final version is effective for annual periods beginning on 1 January 2018 or thereafter, with early implementation permitted.

2.24.3 IAS 16 Property Plant and Equipment and IAS 41 Agriculture

The amendments change the scope of IAS 16 to include biological assets, which meet the definition of bearer plants. Hence, such assets will be subject to the recognition and measurement requirements according to IAS 16. The amendments are effective for annual periods beginning on 1 January 2016 or thereafter, with early implementation permitted.

2.24.4 IAS 27 Separate Financial Statements

The amendment restores the option to apply the equity method in measuring investments in subsidiaries along with the existing methods. As a result, options available in accounting for such investments are at cost, in accordance with IFRS 9, or using the equity method.

The amendment is effective for annual periods beginning on 1 January 2016 or thereafter, with early implementation permitted.

2.24.5 IAS 36 Impairment of Assets

The amendments clarify the disclosure requirements in respect of fair value less costs of disposal. The entity was required to disclose the recoverable amount for each CGU to which intangible assets with indefinite useful lives are allocated, for CGUs, which are significant in comparison with the entity's total carrying amount of goodwill, or intangible assets with indefinite useful lives. This requirement is relaxed and replaced with disclosure requirements regarding fair value measurement of impaired assets and information about discount rates that have been used, when recoverable amount is based on fair value calculated using valuation techniques. The amendment harmonises

disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for annual periods beginning on 1 January 2014 or thereafter, with early implementation permitted.

NOTE 3. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires management to make judgement estimates and assumptions that affect the application of accounting principles and carrying amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on past experience and other factors perceived to be relevant and probable when the judgements were made.

Estimates are reviewed on an on-going basis, and actual values and results may deviate from the initial estimates. Revision to accounting estimates are recognised in the period in which the estimates are revised. The evaluations and estimates, deemed to be of greatest significance for Bakkafrøst Group's Financial Statements, are as follows:

3.1 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 smolts 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.

3.2 FIXED-PRICE CONTRACTS

The company holds long-term sale contracts related to salmon products. These contracts do not contain any elements of embedded derivatives and are therefore not treated as financial instruments. The contracts are settled based exclusively on the assumption that delivery of salmon products should take place. The contracts are not tradable, nor do they contain a clause for settlement in cash or cash equivalents.

Provisions are made for estimated onerous contracts that oblige the Group to sell fish at a price less than calculated production costs including raw materials, biomass, measured at fair value.

3.3 ACCOUNTING FOR DEFERRED TAXES

The accounting of deferred taxes reflects tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position. The recognition of a deferred tax asset is based on expectations of profitability in the future. In addition, there are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

Deferred taxes are calculated using the nominal tax rate according to IAS 12. This means that the net present value of effects from, e.g. tax losses carried forward that are utilized in the future will be different from carrying amounts.

NOTE 4. OPERATING SEGMENT INFORMATION

	Value Added		Fishmeal,		Bakkafrost
2014 – DKK 1,000	Farming	Products	oil and feed	Eliminations	Group
External operating revenues	1,412,509	913,406	357,404	0	2,683,319
Internal operating revenues	686,962	0	613,326	-1,300,288	0
Total operating revenues	2,099,471	913,406	970,730	-1,300,288	2,683,319
Depreciation and amortisation	-62,784	-9,133	-25,250	0	-97,167
Operating expenses	-729,390	-147,397	-789,180	-86,410	-1,752,377
Internal operating expenses	-613,326	-686,962	0	1,300,288	0
Operating EBIT	693,971	69,914	156,300	-86,410	833,775
Provision for onerous contracts	0	70,908	0	0	70,908
Fair value adjustments on biological assets	-11,547	0	0	0	-11,547
Income from associates	-7,182	31	6,307	0	-844
EBIT	675,242	140,853	162,607	-86,410	892,292
Net interest revenue	29,863	1,988	1,573	-28,866	4,558
Net interest expenses	-35,610	-880	-24,735	28,866	-32,359
Net currency effects	43,696	-3	-3,245	0	40,448
Other financial expenses	-5,451	-21	-275	0	-5,747
Earnings before taxes	707,740	141,937	135,925	-86,410	899,192
Tax	-202,071	-25,549	-24,467	0	-252,087
Net earnings	505,669	116,388	111,458	-86,410	647,105
Operating EBITDA	756,755	79,047	181,550	-86,410	930,942
ASSETS	3,305,566	187,328	754,904	-784,865	3,462,933
Whereof intangible assets	294,675	0	0	0	294,675
LIABILITIES	753,064	7,949	545,308	92,959	1,399,280
INVESTMENTS					
Property, plant and equipment	107,777	2,399	12,566	0	122,742
Prepayment for PP&E	114,513	0	0	0	114,513
Depreciation	-62,784	-9,133	-25,250	0	-97,167

		Value Added	Fishmeal,		Bakkafrost
2013 – DKK 1,000	Farming	Products	oil and feed	Eliminations	Group
External operating revenues	1,373,238	666,172	451,671	0	2,491,081
Internal operating revenues	618,314	0	631,338	-1,249,652	0
Total operating revenues	1,991,552	666,172	1,083,009	-1,249,652	2,491,081
Depreciation and amortisation	-55,135	-7,221	-24,302	0	-86,658
Operating expenses	-662,724	-131,109	-957,255	-66,325	-1,817,413
Internal operating expenses	-631,338	-618,314	0	1,249,652	0
Operating EBIT	642,355	-90,472	101,452	-66,325	587,010
Provision for onerous contracts	0	-24,830	0	0	-24,830
Fair value adjustments on biological assets	115,352	0	0	0	115,352
Income from associates	8,574	8	15,206	0	23,788
EBIT	766,281	-115,294	116,658	-66,325	701,320
Net interest revenue	4,379	615	1,245	-1,687	4,552
Net interest expenses	-25,556	-1,129	-2,244	1,687	-27,242
Net currency effects	55,796	-21	-2,624	0	53,151
Other financial expenses	-3,963	-107	-360	0	-4,430
Earnings before taxes	796,937	-115,936	112,675	-66,325	727,351
Tax	-138,720	20,869	-20,282	0	-138,133
Net earnings	658,217	-95,067	92,393	-66,325	589,218
Operating EBITDA	697,490	-83,250	125,754	-66,325	673,669
ASSETS	2,985,373	67,098	671,732	-611,977	3,112,226
Wherof intangible assets	294,675	0	0	0	294,675
LIABILITIES	993,941	36,211	511,529	-94,732	1,446,949
INVESTMENTS					
Property, plant and equipment	130,732	18,067	16,409	0	165,208
Prepayment for PP&E	34,613	0	0	0	34,613
Intangible operation assets	1,000	0	0	0	1,000
Depreciation	-55,135	-7,221	-24,303	0	-86,659

SALMON - DISTRIBUTION OF HARVESTED

	2014		2013	
AND PURCHASED VOLUME	tgw	%	tgw	%
Harvested volume used in VAP production	19,897	39.6%	18,333	38.7%
External purchase of salmon for VAP production	1,290	2.6%	20	0.0%
Harvested volume sold fresh/frozen	24,116	48.0%	22,936	48.5%
External purchase of salmon sold fresh/frozen	4,956	9.9%	6,033	12.7%
Harvested and purchased volume	50,259	100.0%	47,322	100.0%

FISHMEAL, OIL AND FEED (FOF)

	2014		2013	
DISTRIBUTION FEED	tonnes	%	tonnes	%
Volumes used internally	68,186	79.5%	63,820	74.8%
External purchase	17,538	20.5%	21,513	25.2%
Sold volumes	85,724	100.0%	85,333	100.0%

PRODUCTION OF FISHMEAL AND FISH OIL

	2014		2013	
	tonnes	%	tonnes	%
Fishmeal	40,827	86.3%	34,031	68.0%
Fish oil	6,460	13.7%	15,996	32.0%
Sold volumes	47,287	100.0%	50,027	100.0%

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

2014 - DKK 1,000	Farming	VAP	FEED
Europe	500,242	860,411	357,404
USA	387,392	35,680	0
China	328,252	8,988	0
Other	196,623	8,327	0
Total	1,412,509	913,406	357,404

2013 - DKK 1,000	Farming	VAP	FEED
Europe	467,582	646,440	451,671
USA	376,908	7,179	0
China	367,354	3,905	0
Other	161,394	8,649	0
Total	1,373,238	666,172	451,671

The Group has three reportable segments in accordance with IFRS 8 Operating segments. The Group's main strategic business area is aquaculture, which consists of three segments: fish farming, value added products (VAP) and production and sales of fishmeal, fish oil and fish feed (FOF).

The same accounting principles as described for the consolidated financial statements have been applied for the segment reporting. Intersegment transfers or transactions are entered into under normal commercial terms and conditions, and the measurement used in the segment reporting is the same as used for the third parties transactions. The pricing principle between the VAP and Farming segment is based on market reference prices for spot sale.

The Bakkafrøst 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, Bakkafrøst operates VAP processing facilities in which the fresh salmon is used as raw material for production of value added salmon. The business segment definition is based on the distinction between output sold to the industrial market and the value added products for the end-consumers in the retail market.

Fishmeal, fish oil and fish feed involves the production of fishmeal and fish oil from raw materials, which are ingredients in the production of fish feed.

MAJOR CUSTOMERS

One customer represents DKK 578 million of the revenue amount in the VAP segment. This is 63% of the total revenue in the VAP segment.

NOTE 5. SALARIES AND OTHER PERSONNEL EXPENSES

BREAKDOWN OF PAYROLL EXPENSES

DKK 1,000	2014	2013
Wages and salaries	234,315	206,433
Social security taxes	8,466	7,621
Pension expenses	17,396	14,084
Other benefits	3,720	4,733
Total payroll expenses	263,897	232,871
Average number of full-time employees	700	640

REMUNERATION TO CORPORATE MANAGEMENT

DKK 1,000					Total	Total
Salary and other benefits paid	Salary	Bonus	Pension	Other	2014	2013
Chief Executive Officer	1,554	158	0	44	1,756	1,647
Managing Director	1,352	144	0	89	1,585	1,581
Managing Director	0	0	0	0	0	329
Chief Financial Officer*	1,603	28	0	82	1,713	1,542
Chief Financial Officer**	90	0	0	7	97	0
Total remuneration	4,599	330	0	222	5,151	5,099

* The Chief Financial Officer resigned his position in November 2014.

** Appointed Chief Financial Officer as of December 2014.

Remuneration to corporate management

The total remuneration to the corporate management consists of basic salary (main element), benefits in-kind and pension schemes, but varies from person to person. The Group's Chief Executive Officer determines the remunerations to other

management in agreement with the Chairman of the Board of Directors. The total remuneration is determined based on the need to offer competitive terms in the various business areas. The remunerations should promote the Group's competitiveness in the relevant labour market.

The total remuneration must neither pose a threat to Bakkafrøst's reputation nor be market leading, but should ensure that Bakkafrøst attracts and retains senior executives with the desired skills and experience. The basic salary is subject to an annual evaluation and is determined based on general salary levels in the labour market.

NOTICE OF TERMINATION AND TERMINATION BENEFITS

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

SHARE BASED PAYMENT

Bakkafrøst has established a share saving plan for its employees. It is the Board's intention that the plan shall be a continuing part of the company's employee incentive scheme. The Board shall, however, have the right to decide, in its sole discretion, whether or not the plan will be extended in the future, and the terms of the plan.

Through regular salary deductions, employees may invest up to 5% of their base salary in Bakkafrøst shares. The saved amount is deducted from the monthly net salary and used to purchase Bakkafrøst shares in behalf of the employees. The purchase will be made from Bakkafrøst's treasury shares or on the market. An employee may not change the savings amount during the year, but an employee may cancel the subscription during the year. The purchase price and the number of shares acquired by the company will be reported in accordance with the applicable regulations.

After a lock-in period of two calendar years, one extra share will be awarded for each share purchased. Shares transferred to employees are acquired by the company on the market.

LOANS TO EMPLOYEES

As at 31.12.2014, there are no loans to employees.

Fees paid to the Board of Directors

DKK 1,000		2014	2013
Rúni M. Hansen**	Chairman of the Board	385	356
Johannes Jensen**	Deputy Chairman of the Board	224	230
Trine Sæther Romuld**	Member of the Board	47	188
Annika Frederiksberg*	Member of the Board	175	168
Virgar Dahl	Member of the Board	175	168
Øystein Sandvik***	Member of the Board	207	56
Tor Magne Lønnum****	Member of the Board	165	0
Total remuneration		1,378	1,166

* Annika Frederiksberg is also an employee in the Bakkafrøst Group. For this, she received DKK 579 thousand.

** Member of the audit committee. Salary includes fee to the audit committee.

*** Elected as member of the board in April 2013, but joined the board from September 2013.

**** Elected as member of the board in April 2014.

NOTE 6. OTHER OPERATING EXPENSES

	2014	2013
Maintenance	-116,378	-96,707
Operating expenses	-64,167	-59,447
Health	-115,074	-89,328
Freight	-214,468	-214,140
Energy	-98,996	-89,278
Other costs	-62,825	-52,899
Other operating expenses total	-671,908	-601,799

R&D expenditure consist of other operating expenses and of salaries in total	-1,746	-3,524
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NOTE 7. AUDITOR'S FEES

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

DKK 1,000	2014	2013
Statutory auditing	825	797
Tax advisory services	18	64
Other services	136	228
Total auditor's fees	979	1,089

NOTE 8. NET FINANCIAL ITEMS

DKK 1,000	2014	2013
Realised profit on financial derivatives	0	2,314
Other financial income	4,575	3,925
Financial income	4,575	6,239
Interest expenses on long-term loans	-30,843	-26,532
Loss on financial derivatives	-17	0
Interest expenses on credit lines	-1,457	-2,197
Interest expenses on accounts payable	-59	-200
Financial expenses	-32,376	-28,929
Unrealised exchange gain on bond	31,100	62,351
Other exchange differences	9,348	-9,200
Net currency effects	40,448	53,151
Other financial expenses	-5,747	-4,430
Other financial items	-5,747	-4,430
Net financial items	6,900	26,031

NOTE 9. INTANGIBLE ASSETS

			Total
DKK 1,000	Goodwill	Licences	2014
Acquisition costs as at 01.01.14	4,537	290,138	294,675
Acquisition costs as at 31.12.14	4,537	290,138	294,675
Impairments 01.01.14	0	0	0
Accumulated depreciation and write-downs as at 31.12.14	0	0	0
Net book value as at 31.12.14	4,537	290,138	294,675

			Total
DKK 1,000	Goodwill	Licences	2013
Acquisition costs as at 01.01.13	3,537	290,138	293,675
Additions in the year as a result of acquisitions	1,000	0	1,000
Acquisition costs as at 31.12.13	4,537	290,138	294,675
Impairments 01.01.13	0	0	0
Accumulated depreciation and write-downs as at 31.12.13	0	0	0
Net book value as at 31.12.13	4,537	290,138	294,675

Impairment testing

The Group tests intangible assets annually for impairment, or more frequently if there are indications that the assets are impaired. The annual impairment test is performed at year-end. Bakkafrøst has substantial assets with indefinite lives in the form of licenses. The licenses are subject to impairment testing in combination with goodwill in the annual test. Bakkafrøst identifies each farming zone, which may contain one or a number of licences or farming sites as one cash-generating unit.

Sea farming licences in the Faroe Islands are considered perpetual, given certain preconditions regarding environmental protection and animal welfare are met.

The procedure of impairment testing

Impairment testing is carried out by calculating the net present value of estimated future cash flows (value in use) for the cash-generating unit, in line with IAS 36, and comparing the net present value of the cash flow towards the carrying amount of net assets held by the cash-generating unit (CGU). If the carrying amount is greater than the calculated value in use, the assets are considered impaired. The estimated cash flows are based on the assumption of continued operation. The basis for the estimated cash flows is the strategic plan for the following years. The strategic plans have been reviewed and the targets approved by the Group management. The operating conditions of the various CGUs are the same.

Indications of impairment

The impairment testing at year-end did not result in identification of impairment losses. Intangible assets were tested for impairment to evaluate if the cash flows from a conservative estimate were sufficient to support the carrying amount of net assets. The test confirmed the asset values.

The key assumptions

The key assumptions in the calculations of value in use are harvest volume, prices and costs, hence EBIDTA and WACC. Amongst other assumptions are inflation.

Harvested volume is based on the current stocking plans for each unit and forecasted figures for growth, assumed harvest weight and mortality. The costs are based on Bakkafrøst's own assumptions based on historical costs and expectations. The costs are expected to remain stable, but are calculated to increase with an inflation rate of 2%. The forward prices are based on the Fish Pool index, which is a part of Oslo Børs ASA, at the day of the calculation. WACC is 10.8% pre-tax and calculated in accordance with IAS 36.

The value in use has been determined based on future strategic plans considering the expected development in both macroeconomic and company-related conditions.

Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been carried out. Sensitivity analysis has been performed for each of the defined cash generating units. With the assumptions used, the headroom is 511 mDKK.

A change of +4% on the total costs, or fall in long-term sales prices of -4% would cause the first impairment.

A change in the EBITDA margin of +/- 1% would impact the headroom with +/- 94 mDKK.

A change in WACC of +1% would impact the headroom with -173 mDKK, and a change in WACC of -1% would impact the headroom with 237 mDKK.

NOTE 10. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Plant, machinery, operating equipment, fixtures etc.	Other operating equipment	Prepayments for purchase of PP&E	Total
Acquisition costs as at 01.01.14 entities before acquisition	552,045	971,711	99,024	0	1,622,779
Acquisitions during the year	42,352	64,579	15,810	114,513	237,255
Disposals and scrapping during the year	-8,905	-22,637	-5,581	0	-37,124
Acquisition costs as at 31.12.14	585,492	1,013,653	109,253	114,513	1,822,910
Accumulated depreciations and write-downs as at 01.01.14	-163,222	-473,948	-73,186	0	-710,355
Depreciations during the year	-24,891	-66,274	-6,004	0	-97,169
Accumulated depreciations and write-downs on disposals and scrapping	2,891	18,031	4,939	0	25,861
Accumulated depreciations and write-downs as at 31.12.14	-185,221	-522,191	-74,251	0	-781,663
Net book value as at 31.12.14	400,271	491,462	35,002	114,513	1,041,248
DKK 1,000					
Acquisition costs as at 01.01.13 entities before acquisition	508,903	869,751	94,627	0	1,473,281
Acquisitions during the year	54,144	117,342	10,402	34,613	216,501
Disposals and scrapping during the year	-8,829	-48,292	-6,005	0	-63,126
Acquisition costs as at 31.12.13	554,218	938,801	99,024	34,613	1,626,656
Accumulated depreciations and write-downs as at 01.01.13	-148,452	-456,562	-72,179	0	-677,193
Depreciations during the year	-17,217	-64,202	-5,240	0	-86,659
Accumulated depreciations and write-downs on disposals and scrapping	2,448	47,210	4,234	0	53,892
Accumulated depreciations and write-downs as at 31.12.13	-163,221	-473,554	-73,185	0	-709,960
Net book value as of 31.12.13	390,997	465,247	25,839	34,613	916,696

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

	Estimated lifetime	Depreciation method
Land and buildings	15-25 years	linear
Plant, machinery, operating equipment, fixtures etc.	8-15 years	linear
Other operating equipment	3-8 years	linear

NOTE 11. COMPANIES IN THE GROUP

The consolidated accounts for 2014 include the following subsidiaries and associates of significant size:

DKK 1,000	Currency	Head Office	Ownership	Nominal share capital
P/f Bakkafrøst Farming	DKK	Glyvrrar	100%	16,394
P/f Bakkafrøst Processing	DKK	Glyvrrar	100%	30,358
P/f Bakkafrøst Sales	DKK	Glyvrrar	100%	667
P/f Bakkafrøst Packaging	DKK	Glyvrrar	100%	8,022
P/f Bakkafrøst Harvest	DKK	Glyvrrar	100%	795
P/f Havsbrún	DKK	Fuglafjörður	100%	2,000
Havsbrún Shetland Ltd.	DKK	Lerwick	100%	17
Havsbrún Norge ASA	DKK	Flekkefjord	100%	105
Bakkafrøst UK Ltd.	DKK	Grimsby	100%	0

DKK 1,000	Head Office	Ownership	Net Additions	Share of the result	Carrying value 2014	Carrying value 2013
Associated Companies						
P/f Pelagos	Fuglafjörður	30%	16,667	3,122	19,789	0
P/f Salmon Proteins*	Eiði	76%	0	1,006	9,355	8,349
P/f Keldan	Fuglafjörður	25%	-7,513	0	0	7,513
Hanstholm Fiskemølsfabrik A/S***	Hanstholm	40%	-16,157	0	0	16,157
P/f Farøe Farming **	Vágur	49%	0	-10,706	70,986	81,692
Total					100,130	113,711

* Voting rights 25%. The voting rights are limited in the Articles of Association of P/f Salmon Proteins.

** Total assets in Farøe Farming are 164,143 tDKK on 31.12.2014, total liabilities are 92,077 tDKK, the equity is 72,365 tDKK and the result for 2014 is 17,756 tDKK.

*** The shares in Hanstholm Fiskemølsfabrik is exchanged for shares in an other company, which is classified as shares and holdings in other companies in note 12.

NOTE 12. SHARES AND HOLDINGS IN OTHER COMPANIES

DKK 1,000	Carrying amount 2014	Carrying amount 2013
Companies		
Others	25,289	1,593
Total	25,289	1,593

Investments in other companies are classified as available for sale. Shares and holdings in which the Group does not have significant influence are valued at cost. This is due to the fact that fair value cannot be measured reliably.

NOTE 13. INVENTORY

DKK 1,000	2014	2013
Raw materials and goods in-progress	233,044	195,930
Finished goods	33,916	39,559
Total inventory	266,960	235,489

Raw materials primarily consist of raw material for the production of fishmeal, fish oil and fish feed and packaging materials used in processing.

Goods in-progress includes semi-finished products and spare parts.

Finished products include all products ready for sale, such as fresh and frozen whole salmon, as well as processed salmon products.

Inventories are measured at cost price, except for biomass harvested by Group companies, which are measured at fair value at the time of harvesting.

NOTE 14. BIOLOGICAL ASSETS

DKK 1,000	2014	2013
Biological assets carrying amount 01.01.	965,895	746,958
Increase due to production or purchases	1,106,337	1,074,059
Reduction due to harvesting or sale (costs of goods sold)	-1,029,122	-960,625
Fair value adjustment at the beginning of the period reversed	-296,402	-181,050
Fair value adjustments at the end of the period	284,855	296,402
Reversal of elimination at the beginning of the period	33,738	23,889
Eliminations	-51,342	-33,737
Biological assets carrying amount 31.12.	1,013,959	965,896
Cost price biological assets	780,446	703,231
Fair value adjustments at the end of the period	284,855	296,402
Eliminations	-51,342	-33,737
Biological assets carrying amount	1,013,959	965,896
Whereof capitalised interests in biological assets*	15,771	14,008
* The capitalised interest rate is calculated using CIBOR 3 months + 4.72%.		
Biomass < 1 kg on average (tonnes live weight)	1,834	2,033
Biomass 1 kg < 4 kg on average (tonnes live weight)	11,194	14,641
Biomass > 4 kg on average (tonnes live weight)	22,463	14,633
Volume of biomass at sea (tonnes live weight)	35,491	31,307
Number of fish < 1 kg on average (thousand)	5,055	5,367
Number of fish 1 kg < 4 kg on average (thousand)	4,948	6,318
Number of fish > 4 kg on average (thousand)	4,537	2,778
Total number of fish (thousand)	14,540	14,463
Volume of biomass harvested during the year (tonnes gutted weight)	44,013	41,268
Smolts released in Q1 (thousand pcs.)	3,030	1,894
Smolts released in Q2 (thousand pcs.)	1,920	2,014
Smolts released in Q3 (thousand pcs.)	2,240	2,752
Smolts released in Q4 (thousand pcs.)	3,225	2,840
Total smolt release 2014 (thousand pcs.)	10,415	9,500

VALUATION OF BIOLOGICAL ASSETS

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales-costs and harvesting costs. The calculation of the estimated fair value is based on market prices for harvested fish. The prices are reduced for harvesting costs and freight costs to market to arrive at a net value back-to-farm. The valuation reflects the expected quality grading. In the accounts, the change in estimated fair value is entered to the Income Statement on a continuous basis.

THE VALUATION MODEL

The valuation model is completed for each business unit, and it is based on biomass in sea for each location. The specification of biomass includes total number of fish, estimated average weight and biological costs for the biomass. Number of kilo biomass is multiplied by value per kilo that reflects the actual value. The price used is the price for sellable fish based on prices from Fish Pool. The valuation takes into consideration that not all the fish are of the same quality.

SIGNIFICANT ASSUMPTIONS FOR DETERMINING FAIR VALUE OF LIVE FISH

The estimate of fair value of biomass will always be based on uncertain assumptions, even though the company has built substantial expertise in assessing these factors. Estimates are applied to the following factors: biomass volume, the quality of the biomass, the size distribution and market price.

The volume of biomass is, in itself, an estimate that is based on the number of smolts put to sea, the estimated growth from the time of stocking, estimated mortality based on observed mortality in the period, etc.

The quality distribution of the biomass is not known until harvest and has to be estimated. The estimate is based on the most recent historical data. History shows that realised downgrade has not resulted in significant price reductions.

The size distribution: Fish in sea grows at different rates, and even in a situation with good estimates for the average weight of the individual fish, there may be a spread in weight of the fish. The size distribution affects the price achieved for the fish, as each size-category of fish is priced separately in the market. When estimating the biomass value, a normal size distribution is applied.

The market price assumption is very important for the valuation, and even minor changes in the market price will give significant changes in the valuation. Valuation of biological assets is affected by the market prices of fish. An increase on +1% will have an impact on the valuation of approximately DKK 8,4 million, with current stocking.

Mortality above normal

Bakkafrost has not had extraordinary mortality in the past years.

NOTE 15. ACCOUNTS RECEIVABLES AND OTHER RECEIVABLES

DKK 1,000	2014	2013
Accounts receivables	172,360	278,432
Provisions for bad debts	0	0
Net accounts receivables	172,360	278,432
Receivables from associated companies	64,068	69,790
Prepayments	1,111	217
Deposit for interest- and currency swap	74,480	36,360
VAT	2,232	15,772
Other	21	14
Other receivables	141,912	122,153
Total accounts receivables and other receivables	314,272	400,585

The Group's exposure to credit risks related to accounts receivables is disclosed in note 22.

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLES

DKK 1,000	2014	2013
Receivables not overdue	132,024	207,281
Overdue 0-6 months	40,234	70,809
Overdue more than 6 months	102	342
Total	172,360	278,432

CURRENCY EXPOSURE TO ACCOUNTS RECEIVABLES

The Group holds accounts receivables in foreign currencies, amounting to DKK 113.2 million at year-end. Below is presented the book value of receivables specified in currency, translated into DKK, employing the currency value at 31 December.

CURRENCY DISTRIBUTION OF RECEIVABLES

DKK 1,000	2014	2013
DKK	59,206	142,729
EUR	50,837	50,035
USD	42,514	57,743
GBP	15,323	24,916
Others	4,480	3,009
Total	172,360	278,432

NOTE 16. EQUITY COMPOSITION

DKK 1,000	2014	2013
Total equity 01.01.	1,665,277	1,262,912
Profit for the year to equity	647,105	589,218
Fair value adjustment on financial derivatives	-40,678	-74,891
Income tax effect	6,205	13,480
Acquisition of treasury shares	3,392	-28,949
Reserve to share based payment	161	0
Currency translation differences	349	1,109
Total other comprehensive income	-30,571	-89,251
Proposed dividend	-293,148	-219,862
Total proposed dividend	-293,148	-219,862
Total recognised income and expense to equity	323,386	280,105
Equity to shareholders		
Distribution of dividends	-219,862	-97,716
Dividends on treasury shares	1,704	114
Proposed dividends	293,148	219,862
Total equity to shareholders during the year	74,990	122,260
Total change in equity during the year	398,376	402,365
Total equity 31.12.	2,063,653	1,665,277

NOTE 17. SHARE CAPITAL AND MAJOR SHAREHOLDERS**Share capital:**

DKK 1,000	2014	2013
Share capital at 1 January	48,858	48,858
Share capital at 31 December	48,858	48,858

The parent company's share capital comprises:

DKK	No. of Shares	Face Value	Share Capital
Ordinary shares	48,858,065	1	48,858,065
Total share capital			48,858,065

Reconciliation of outstanding shares:

	2014	2013
Outstanding shares at 1 January	48,479,484	48,858,065
Purchase of treasury shares	0	-423,661
Sales of own shares to cover the employee bonus program	41,253	45,080
Outstanding shares at 31 December	48,520,737	48,479,484
Treasury shares at 31 December	337,328	378,581

In 2014, all full-time employees from 2013, still employed in Bakkafrøst, have received bonus shares in 2014 with a total value of 2% of paid out salary in 2013. In total Bakkafrøst has allocated 35,797 shares to its employees at a fair value of DKK 3.4 million. The grant date was 20 May 2014, and the share price was DKK 95.42 (NOK 104) per share.

SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2014: Oddvør Jacobsen and Regin Jacobsen.

Shares owned directly and indirectly by the members of the Board of Directors and Group Management:

Name	Position	No. of shares	Shareholding
Rúni M. Hansen	Chairman of the Board	10,000	0.02%
Johannes Jensen	Deputy Chairman of the Board	0	0.00%
Tor Magne Lønnum	Member of the Board	1,500	0.00%
Annika Frederiksberg	Member of the Board	14,532	0.03%
Virgar Dahl	Member of the Board	7,000	0.01%
Øystein Sandvik	Member of the Board	0	0.00%
Regin Jacobsen	Chief Executive Officer	4,492,211	9.19%
Odd Eliassen	Managing director	170,681	0.35%
Gunnar Nielsen	Chief Financial Officer	0	0.00%

Dividend

The Board has proposed a dividend per share of DKK 6.00 for 2014. Dividends in 2013 were DKK 4.50 per share. The dividends proposed are to be approved at the Annual General Meeting and if approved, the total dividend payment will amount to DKK 293.1 million. The dividend proposal has not been recognised as a liability at 31 December 2014, but is presented as an item within equity.

NOTE 18. NET INTEREST BEARING DEBT**LONG-TERM INTEREST BEARING DEBT**

DKK 1,000	2014	2013
Long-term interest bearing debt	200,000	347,764
Next year instalments on long-term interest bearing debt	-100,000	-100,000
Bonds	405,393	437,387
Total long-term interest bearing debt 31.12.	505,393	685,151
Next year's instalments on long-term interest bearing debt	100,000	100,000
Total short-term interest bearing debt 31.12.	100,000	100,000
Total interest bearing debt	637,820	785,151
Cash and cash equivalents	-405,109	-182,077
Net interest bearing debt	232,711	603,074

Cash and cash equivalents consist of short-term bank deposits.

The maturity structure of the Group's financial commitments is based on undiscounted contractual payments. As the credit limit is not necessarily in the same currency of debt drawn, currency fluctuations affect the amount available under the facilities at any time. In addition to the bank credit lines, which is issued in DKK, Bakkafrøst has issued a 5-year tenor bond of NOK 500 million, equivalent to DKK 411.6 million.

The maturity plan of the Group's interest bearing debt is as follows:

	Carrying amount	Contractual payments
Credit facilities	100,000	100,000
Bonds	405,393	411,600
Current liabilities	100,000	100,000
Gross interest bearing debt	605,393	611,600
Credit line		1,164,600
Available credit lines		553,000
Cash and cash equivalents		405,109
Total available credit lines		958,109

REMAINING PERIOD

31.12.2014	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest bearing bank loans	25,000	75,000	100,000	0	200,000
Bonds	0	0	405,393	0	405,393
Accounts payable and other debt	138,180	124,765	0	0	262,945

REMAINING PERIOD

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

The difference between the carrying amount and the total expected payments in the table above is due to upfront arrangement and legal fees incurred in connection with the refinancing of the credit facilities and the bond issue. One long-

term bank borrowing is drawn fully down to DKK 200 million, and one long-term bank borrowing is drawn from a revolving credit facility, under which the Group may draw and pay down any amount. The contractual payments illustrated in the table above do not reflect rollover dates of loans drawn, but are based on the maturity date of the credit facilities.

INTEREST BEARING DEBT IN MORE DETAIL

Bakkafrost entered into two loans in 2011: one instalment loan of DKK 500 million, payable with DKK 25 million each quarter (first payment 31 March 2012), and one loan payable after five years, payable with the full amount of DKK 600 million. The instalment loan is DKK 200 million at the end of 2014, and the overdraft facility has been adjusted down to DKK 553 million in connection with the sale of a subsidiary in 2012. Thus, the total bank financing amounts to DKK 753 million as per end 2014.

The loan facility is secured in both the Group's property, plants and other material, and fixed assets as well as stock, farming licences and insurance policies. The interest payable is CIBOR plus the current margin, which is calculated on the basis of the company's net interest bearing debt ratio, compared to EBITDA before fair value adjustments of biological assets and provision for onerous contracts. The margin may vary between 2% p.a. and 3.75% p.a.

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

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

At the end of 2014, the currency/interest rate swap was negative with DKK 106.9 million, charged to the comprehensive income. On the other hand, there was exchange gain on the NOK 500 million bond loan of DKK 93.4 million. This gain is entered to the Income Statement on a continuous basis. For unrealised losses in excess of DKK 45 million on the currency/interest rate swap, Bakkafrost is obliged to deposit the loss into a restricted bank account. At the end of 2014, the deposited amount is DKK 74.5 million and is presented under other receivables.

FINANCIAL COVENANTS

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

- 80% of the insured accounts receivables, and 80% of the accounts receivables sold 'cash against documents', and 60% of other account receivables to the extent that these are not older than 60 days, do not exceed DKK 50 million, and where the last payment date does not exceed 15 days
- 65% of the lesser of the cost of the fish at sea or P/f BankNordik's estimated standard value of fish at sea
- 65% of the booked value of the Group's inventory

The covenant further stipulates that the equity ratio of the Group must be at least 40% from the end of 2013. Furthermore, the NIBD/EBITDA ratio must not be higher than 3.5 during a 12-month period.

The Bakkafrost Group had total available bank finances of DKK 753 million. The undrawn amount at 31 December 2014 was DKK 553 million, of which DKK 15 million was restricted. In addition to the undrawn amount of DKK 553 million, Bakkafrost had DKK 405.1 million in cash and thus available funds in total of DKK 958.1 million.

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

- Equity Ratio of minimum the highest of 35%, and the highest Equity Ratio requirement in the senior bank loan agreements applicable at any time
- Leverage Ratio of maximum the lowest of 4.0 times, and the lowest Leverage Ratio requirement in the senior bank loan agreements applicable at any time

Maturity analysis - contractual payments

DKK 1,000	2015	2016	2017	2018
Long-term credit facilities	0	100,000	0	0
Bonds (NOK 500 million)	0	0	0	405,393
Interest rate/currency swap	0	0	0	106,908
Current liabilities	100,000	0	0	0
Gross interest bearing debt	100,000	100,000	0	512,301

NOTE 19. DERIVATIVES

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

DKK 1,000	2014	2013
Currency swaps regarding committed purchase of ship	10,021	3,040
Interest and currency swaps regarding bonds	106,908	71,849
Derivatives total	116,929	74,889

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

	Fair Value	Recognised in the income statement	Recognised in equity	Fair value	Recognised in the income statement	Recognised In equity
	2014	2014	2014	2013	2013	2013
Currency derivatives	10,021	0	10,021	3,040	0	3,040
Interest and currency derivatives	106,908	0	106,908	71,849	0	71,849
Total	116,929	0	116,929	74,889	0	74,889

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

	Currency derivatives	Interest and currency derivatives	Total 2014	Currency derivatives	Interest and currency derivatives	Total 2013
Within one year	10,021	0	10,021	0	0	0
Between one and five years	0	106,908	106,908	3,040	71,849	74,889
After five years	0	0	0	0	0	0
Total	10,021	106,908	116,929	3,040	71,849	74,889

NOTE 20. TAX**DKK 1,000**

The tax expense for the year breaks down as follows:	2014	2013
Tax payable	141,452	71,310
Change in deferred tax regarding discontinued operations	0	0
Change in deferred tax	110,634	66,823
Tax expense on ordinary profit	252,086	138,133
Tax payable	141,452	71,310
Tax payable in the statement of financial position	141,452	71,310

Specifications of temporary differences and deferred tax

		Temporary	2014		Temporary	2013
	Tax rate	Differences	Deferred tax	Tax rate	Differences	Deferred tax
Licences	22.5%	293,675	66,077	18.0%	293,675	52,862
Property, plant and equipment	18.0%	305,251	54,945	18.0%	544,183	97,953
Property, plant and equipment	22.5%	298,113	67,075			
Financial assets	18.0%	10,553	1,900	18.0%	11,192	2,015
Biomass	22.5%	1,013,958	228,141	18.0%	965,896	173,861
Receivables	18.0%	-492	-88	18.0%	-71,786	-12,921
Currency effects	18.0%	94,513	17,012	18.0%	59,089	10,636
Derivatives (equity posted)	18.0%	-116,929	-21,047	18.0%	-74,888	-13,480
Total temporary differences		1,898,644			1,727,361	

Deferred tax liabilities (+) / assets (-)	414,014	310,925
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Reconciliation from nominal to actual tax rate

Profit before tax	899,191	727,351
Expected tax at nominal tax rate (18%)	161,854	130,923
Deferred tax regulation on special farming tax on 01.01.14	54,866	0
Special tax on farming licences - deferred and payable tax	34,777	5,755
Permanent differences (18%)	588	2,543
Calculated tax expense	252,086	139,222

Effective tax rate excl. equity entries	28.03%	19.14%
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The deferred tax is 18%, but is 22,5% on some of the farming activities from 2014 and forth, besides a 0,5% license tax on farming revenue based on official salmon prices

Normal tax rate for companies resident in the Faroe Islands is 18%. All of Bakkafrøst's material operations are in the Faroe Islands, but a minor sales office is in UK, where the tax rate is 20.8% and a minor sales company is in Norway, where the tax rate is 27.0%.

2014

In addition to the normal 18% company tax rate in the Faroes, there is a special resource tax of 4.5% for 2014 and forward. There is also a special revenue tax on 0.5%, based on official registered salmon prices. In comparison with 2013, these special taxes are no longer preliminary, but permanent. This special tax is on entities holding farming licenses or entities, which are harvesting salmon. In the Bakkafrøst Group, P/F Bakkafrøst Farming and P/F Bakkafrøst Harvest are subject to this special resource tax. The other companies in the Group are not subject to this special tax. The deferred taxes are based on the normal tax rate of 18%, but are adjusted for the special tax. As the new special taxes are permanent, this has had effect on the deferred tax on 01.01.14 with a total of 54,866 tDKK.

2013

In addition to the normal 18% company tax rate, there is a special resource tax of 2.5% for 2013 on incomes above DKK 1 million. This special tax is on entities holding farming licenses. In the Bakkafrøst Group, P/F Bakkafrøst Farming is subject to this special resource tax of 2.5% on incomes exceeding DKK 1 million. The other companies in the Group are not subject to this special tax. The special tax rate for 2014 is 7.5%. The deferred taxes are based on the normal tax rate of 18%, as the special tax is preliminary. This is done in view of IAS 12.47.

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

Under the Faroese tax regime, growth of live biomass is not tax relevant before harvesting. Tax losses to be carried forward are infinite. Deferred taxes on temporary differences, deriving from shares in associated companies, are not entered because intercompany dividends are not tax relevant in the Faroese tax regime.

NOTE 21. MORTGAGES AND GUARANTEES

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2014	2013
Long-term debt to financial institutions	100,000	242,451
Derivatives	116,929	74,889
Short-term debt to financial institutions	100,000	100,000
Total	316,929	417,340

Carrying amount of assets pledged as security for recognised debt

Licences	294,675	294,675
Property, plant and equipment	1,041,248	916,696
Financial assets	100,130	113,711
Biological assets (biomass)	1,013,959	965,896
Inventory	266,960	235,489
Accounts receivables	172,360	278,432
Other receivables	141,912	122,153
Total	3,031,244	2,927,052

The Bakkafrøst Group has a group financing covering the Group. In connection with this, P/f Bakkafrøst has together with the other Group companies pledged licenses, property, plant and equipment, shareholdings, inventories and receivables as security for the Group's total debt to the banks. In addition, the Group companies have a guaranteed self-debtor in solidus for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds. The bonds amounting to NOK 500 million, issued in 2014, are unsecured.

NOTE 22. FINANCIAL RISK MANAGEMENT**CAPITAL MANAGEMENT**

The Group's objective, when managing capital, is to maintain a capital structure able to support the operations and maximize shareholder value. The farming business is characterized by price volatility and challenging production dynamics. The Group must be financially solid in order to be able to cope with fluctuations in profits and financial position, and the consolidated equity ratio shall at no time be lower than 40 percent. At 31 December 2014, the Group's equity ratio was 60 percent.

According to the Group's dividend policy, under normal circumstances, average dividends over several years should be 30 to 50 percent of the adjusted net profit. The Board has proposed a dividend of DKK 6.00 per share for the financial year 2014, corresponding to a distribution to shareholders of DKK 293.1 million.

The Group manages the capital structure and makes adjustments corresponding to changes in the underlying economic conditions. The Group monitors continuously access to borrowed capital and has ongoing dialogue with its lenders. The Group is financed by bank loans and unsecured bonds. At 31 December 2014, net interest bearing debt amounted to DKK 232.7 million. Note 18 provides an overview of the debt's maturity profile and information on the debt's financial covenants. Bakkafrøst complied with the covenants in its loan and bond agreements at the end of 2014.

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

FINANCIAL RISK MANAGEMENT

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

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

Concerning insurance coverage, the Group insures against material risks, where the insurance is economically available. The balance between the amount covered by insurance and what is left to own risk varies, depending on the nature of the risk, the value of the assets and prospective liabilities and the cost, actual coverage and the availability of insurance.

The Board of Directors believe that the most important measure against any risk is to have a strong financial position. The Board aims at maintaining a minimum equity ratio of 40 percent to ensure the Group's solidity and operational flexibility. At 31 December 2014, the Group's equity ratio was 60% percent.

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

FINANCIAL RISK

In addition to bank loans and unsecured bonds, the Group has financial instruments such as accounts receivables, cash, shares, accounts payable, etc., which are ascribable directly to day-to-day business operations.

The Group uses financial derivatives, mainly currency forward contracts and interest rate swaps. The purpose of these instruments is to manage the interest rate and currency risks arising from the Group's operations. In 2013, the Group entered a forward currency contract for hedging purposes. Bakkafrøst also entered into a forward currency/interest rate swap, hedging the exchange rate and switching the interest rate on the bond loan from NIBOR 3m to CIBOR 3m.

The Group does not employ financial instruments, including financial derivatives, for the purpose of speculation.

The most important financial risks to which the company is exposed are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The management monitors these risks on an on-going basis and draws up guidelines, for how these should be managed.

MARKET RISK

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

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

Foreign exchange risk

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

Translational exposure

Bakkafrøst has subsidiaries abroad in the UK, Shetland and Norway. Therefore, Bakkafrøst faces currency risks arising

from the translation of subsidiaries whose functional currency differ from the presentation currency of the Group. The exposure related to equity of foreign subsidiaries is generally not hedged, as it is not considered material.

Transactional exposure

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

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

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

Exposure to currency risk	Currency				
DKK 1,000					
2014	DKK/EUR	DKK/GBP	DKK/USD	DKK/NOK	DKK/JPY
Cash and cash equivalents	42,993	8,355	7,843	34,656	18
Accounts receivables	50,837	15,323	42,514	1,690	2,790
Trade payables	-988	-851	-	-8,251	-
Interest bearing debt	-	-	-	-411,600	-
Forward contracts	-	-	-	-114,953	-
Net exposure	92,842	22,827	50,357	-498,458	2,808

2013	DKK/EUR	DKK/GBP	DKK/USD	DKK/NOK	DKK/JPY
Cash and cash equivalents	24,064	12,746	87,564	16,921	18
Accounts receivables	50,035	24,916	57,743	1,377	-
Trade payables	-3,583	-	-37	-53	-
Interest bearing debt	-	-	-	-442,700	-
Forward contracts	-	-	-	-113,331	-
Net exposure	70,516	37,662	145,270	-537,786	18

Sensitivity analysis	Currency					
DKK 1,000						
2014	DKK/EUR	DKK/GBP	DKK/USD	DKK/NOK	DKK/JPY	Result
Net exposure	92,842	22,827	50,357	-498,458	2,808	
Volatility*	0.45%	7.42%	9.35%	7.61%	12.15%	
Total effect on Profit of +movements	418	1,694	4,708	-37,933	341	-30,772
Total effect on Profit of -movements	-418	-1,694	-4,708	37,933	-341	30,772

2013	DKK/EUR	DKK/GBP	DKK/USD	DKK/NOK	DKK/JPY	Result
Net exposure	70,516	37,662	145,270	-537,786	18	
Volatility*	0.51%	7.12%	7.45%	8.49%	13.28%	
Total effect on Profit of +movements	360	2,682	10,823	-45,658	2	-31,792
Total effect on Profit of -movements	-360	-2,682	-10,823	45,658	-2	31,792

* Source: Nordea Markets

The analysis is based on the currencies that the Group is most exposed to at the end of 2014. The reasonable shifts in exchange rates in the table above are based on 5 years historical volatility.

If the relevant cross foreign exchange rates moved by the amounts showed in the table above, the effect on the Group's net income would be DKK 30.8 million (2013: DKK 31.8 million).

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

Currency forward contracts as at 31 December 2014

NOK 1,000

Bakkafrost Group buys

NOK	128,000
NOK	500,000

Bakkafrost Group sells

DKK	114,953
DKK	505,050

Economic currency exposure

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

Significant exchange rates (average) during the year*

	DKK/EUR	DKK/GBP	DKK/USD	DKK/NOK	DKK/JPY
2014	745.47	925.11	561.90	89.31	5.32
2013	745.80	878.14	561.60	95.69	5.77

* Source: www.nationalbanken.dk

Interest rate risk

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

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

In 2013, the Group entered into a currency/interest rate swap agreement with an underlying total of NOK 500 million in order to reduce interest rate and currency exposure on NOK, as the issued bonds are denominated in NOK. The currency/interest rate swap qualifies for hedge accounting, hence changes in fair value of this instrument is reported in Other Comprehensive Income and amounted to DKK 106.9 million as at 31 December 2014. The currency/interest rate swap has settlement that match the maturity of the bond loan in 2018.

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

A 100 basis points increase in interest rate at the reporting date would have a negative impact on the income statement amounting to DKK 2.3 million (2013: DKK 6.8 million), based on NIBD.

Price risk

The farming segment is sensitive to fluctuations in the spot prices of salmon, which is determined by global supply and demand. The impact of changes in salmon spot prices is partly mitigated by long-term contracts at fixed prices in the VAP

segment and financial contracts, however, due to long production cycles, it is difficult to respond quickly to global trends in market prices. Salmon is to a large extent traded based on spot prices, although this would vary with different markets and with the market position of the Group.

Other price risk

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

LIQUIDITY RISK

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

Liquidity risk is managed through maintaining flexibility in funding by securing available committed credit lines provided by our bank syndicate, and through maintaining sufficient liquid assets with the same relationship banks. The Group entered into a factoring agreement for a significant part of its sales in Q3 2014. This agreement had a positive effect on the Group's liquidity in 2014.

The Group seeks to maintain committed facilities to cover forecast borrowings for the next 12 months, plus financial headroom to cover the planned investments and unforeseen movements in cash requirements. Please also refer to note 18 for information on committed credit facilities, available credit lines, and maturity of interest bearing debt. Other short-term debt is specified in note 18.

In addition to the above described sources of liquidity, Bakkafrøst monitors funding options available in the capital markets as well as trends in the availability and cost of such funding with a view to maintain financial flexibility and limiting refinancing risk. Bakkafrøst's overall liquidity as at 31 December 2014 included DKK 405 million, and DKK 182 million as at 31 December 2013 (see note 18) of cash and cash equivalents held in various currencies.

CREDIT RISK

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

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

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

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date consists of accounts receivables, other receivables and cash and cash equivalents, and amounts to DKK 719 million. (2013: DKK 584 million). For age distribution of accounts receivables, please refer to note 15.

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

The Group does not make extensive use of financial derivatives, and in those cases, where it is deemed appropriate to hedge an existing exposure on the financial markets, agreements are entered into with one of the Group's relationship banks.

NOTE 23. CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

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

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

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

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

For biological assets, the fair value calculation is done using a valuation model (level 3 in the valuation hierarchy), where the value is estimated based on observable market prices per period end. For more information on these calculations, refer to note 14.

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

During 2014, there have been transfers between Level 2 and Level 3 fair value measurements of biological assets. In addition, intangible assets and long-term liabilities are removed from the scheme. These changes are regarded as corrections, and the comparing figures are corrected.

There have been no transfers into or out of Level 3 fair value measurements.

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

DKK 1,000		Carrying			
Assets and liabilities measured at fair value	Fair value	amount	Level 1	Level 2	Level 3
Financial assets	233	500	233	0	0
Biological assets (biomass)	1,013,959	729,104	0	0	1,013,959
Assets measured at fair value 31-12-14	1,014,192	729,604	233	0	1,013,959
Liabilities measured at fair value 31-12-14	0	0	0	0	0
Financial assets	669	500	669	0	0
Biological assets (biomass)	965,896	669,493	0	0	965,896
Assets measured at fair value 31-12-13	966,565	669,993	669	0	965,896
Liabilities measured at fair value 31-12-13	0	0	0	0	0

NOTE 24. EARNINGS PER SHARE

DKK 1,000	2014	2013
Profit for the year to the shareholders of P/f Bakkafrøst	647,105	589,218
Fair value adjustment of biomass (IAS 41)	11,547	-115,352
Onerous contracts provision	-70,908	24,830
Tax on fair value adjustment	10,165	16,294
Adjusted profit for the year to shareholders of P/f Bakkafrøst	597,909	514,990

Ordinary shares as at 01.01.	48,858,065	48,858,065
Ordinary shares as at 31.12.	48,858,065	48,858,065

Time-weighted average number of shares outstanding through the year	48,504,488	48,828,706
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Earnings per share	2014	2013
Basic (DKK)	13.34	12.07
Diluted (DKK)	13.34	12.07

Adjusted earnings per share (before fair value adjustments of biomass and provision for onerous contracts (adjusted EPS))

	2014	2013
Basic (DKK)	12.33	10.55
Diluted (DKK)	12.33	10.55

Bakkafrøst Group has no stock option programme running at present.

Earnings per share (EPS)**Basic earnings per share**

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

Diluted earnings per share

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

Adjusted earnings per share

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

NOTE 25. 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 388.0 million, of which DKK 147 million is related to the building of a new wellboat.

2014	2015	2016
Total contractual new wellboat	147,369	0
Total contractual other PPE investments	195,094	45,681
Total	342,463	45,681

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

NOTE 26. PROVISIONS FOR ONEROUS CONTRACTS

Provisions for onerous contracts 01.01.2013	46,078
Change in provisions for onerous contracts 2013	24,830
Provisions for onerous contracts 31.12.2013	70,908
Change in provisions for onerous contracts 2014	-70,908
Provisions for onerous contracts 31.12.2014	0

NOTE 27. RELATED-PARTY TRANSACTIONS

Related parties in this respect are considered persons or legal entities, which directly or indirectly have determining or substantial influence on the Bakkafrøst Group through shareholding or position.

Members of the Board of Directors	Position	No. of shares
Rúni M. Hansen	Chairman of the Board	10,000
Johannes Jensen	Deputy Chairman of the Board	0
Tor Magne Lønnum	Member of the Board	1,500
Annika Frederiksberg	Member of the Board	14,532
Virgar Dahl	Member of the Board	7,000
Øystein Sandvik	Member of the Board	0

Group Management		
Regin Jacobsen	Chief Executive Officer	4,491,211
Odd Eliasen	Managing Director	170,681
Gunnar Nielsen*	Chief Financial Officer	0

* Mr. Nielsen was appointed as CFO in December 2014

SPECIFICATION OF RELATED-PARTY TRANSACTIONS

Related parties are in this respect considered as persons or legal entities, which directly or indirectly possess significant influence on the company through ownership or position. Related party transactions are at arm's length terms.

DKK 1,000	2014	2013
Revenues - P/f TF Holding	12,340	3,987
Purchase - P/f TF Holding	28,638	21,925
Revenues - Salmar ASA	0	19,820
Revenues - P/f Faroe Farming	75,988	88,711
Purchase - P/f Faroe Farming	166,548	206,469
Revenues - P/f Hotel Føroyar	0	1
Purchase - P/f Hotel Føroyar	165	100
Revenues - Hanstholm Fiskemelsfabrik A/S	0	27,574
Purchase - Hanstholm Fiskemelsfabrik A/S	0	13,880
Accounts payable Salmar ASA	0	127
Purchase - P/f Frost	402	92
Accounts receivable - P/f TF Holding	942	253
Accounts receivable - P/f Faroe Farming	64,068	69,790
Accounts payable - P/f Frost	39	0
Accounts payable P/f Vest Pack	0	495
Purchase - P/f Vest Pack	0	8,385

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P/F BAKKAFROST

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

P/F BAKKAFROST - INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2014	2013
Operating revenue		41,071	31,725
Salary and personnel expenses	2	-17,858	-16,318
Other operation expenses		-15,741	-14,684
Depreciation	4	-4,059	-2,940
Earnings before interest and taxes (EBIT)		3,413	-2,217
Dividends from subsidiaries	5	513,224	774,218
Income from other investments in shares	6	188	50
Financial income	3	70,723	71,291
Net interest expenses	3	-32,842	-30,170
Net currency effects		32,703	61,938
Other financial expenses		-4,911	-3,231
Earnings before taxes (EBT)		582,498	871,879
Taxes	8	-12,470	-17,579
Profit to shareholders of P/f Bakkafrøst		570,028	854,300
Distribution of profit			
Dividends		293,148	219,862
Retained earnings		276,880	634,438
Distribution in total		570,028	854,300

P/F BAKKAFROST - STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

DKK 1,000	Note	2014	2013
ASSETS			
Non-current assets			
Intangible assets		1,000	1,000
Total intangible assets		1,000	1,000
Property, plant and equipment			
Land, buildings and other real estate	4	72,236	54,844
Plant, machinery and other operating equipment	4	3,342	4,870
Prepayments	4	49,061	0
Total property plant and equipment		124,639	59,714
Non-current financial assets			
Investments in subsidiaries	5	1,320,671	1,222,599
Investments in stocks and shares	6	1,846	1,658
Total non-current financial assets		1,322,517	1,224,257
TOTAL NON-CURRENT ASSETS		1,448,156	1,284,971
Inventory		481	0
Total inventory		481	0
Receivables from Group companies		1,161,577	1,243,264
Accounts receivables		313	5,316
Other receivables		139,329	107,123
Total receivables		1,301,219	1,355,703
Cash and cash equivalents		306,665	99,129
TOTAL CURRENT ASSETS		1,608,365	1,454,832
TOTAL ASSETS		3,056,521	2,739,803

P/F BAKKAFROST - STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER

DKK 1,000	Note	2014	2013
EQUITY AND LIABILITIES			
Equity			
Share capital	7	48,858	48,858
Share premium fund		117,368	117,368
Share based payment		26	0
Retained earnings		1,713,917	1,466,044
Dividends		293,148	219,861
Total equity		2,173,317	1,852,131
Non-current liabilities			
Long-term interest bearing debt		508,413	691,086
Derivatives		116,929	74,889
Deferred taxes	8	675	2,528
Total non-current liabilities		626,017	768,503
Current liabilities			
Short-term interest bearing debt		100,000	100,000
Payables to Group companies		132,105	0
Current tax liabilities	8	6,773	6,848
Trade payables		18,309	12,321
Total current liabilities		257,187	119,169
Total liabilities		883,204	887,672
TOTAL EQUITY AND LIABILITIES		3,056,521	2,739,803

P/F BAKKAFROST – CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2014	2013
Cash flow from operations			
Operating profit (EBIT)		3,413	-2,217
Adjustments for write-downs and depreciation	4	4,059	2,940
Adjustments for net currency effects		32,703	61,938
Adjustments for share based payment	2	26	0
Taxes paid	8	-6,830	-1,788
Change in inventory		-481	0
Change in receivables		-27,203	-1,637
Change in current debts		5,988	-9,843
Cash flow from operations		11,675	49,393
Cash flow from investments			
Increase of share capital in subsidiaries, etc., net	5	-98,073	-5,649
Payments made for purchase of fixed assets	4	-68,984	-10,359
Cash flow from investments		-167,057	-16,008
Cash flow from financing			
Changes in interest bearing debt (short and long)		-182,673	-40,748
Financial income		70,723	71,291
Financial expenses		-37,753	-33,401
Financing of associates/subsidiaries		213,792	-579,152
Acquistion/sale treasury shares		3,392	-28,950
Dividend from subsidiaries	5	513,224	774,218
Dividend paid		-217,787	-97,602
Cash flow from financing		362,918	65,656
Net change in cash and cash equivalents in period		207,536	99,041
Cash and cash equivalents – opening balance		99,129	88
Cash and cash equivalents – closing balance total		306,665	99,129

P/F BAKKAFROST - STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Share capital	Share premium Account	Share based payment	Retained earnings	Proposed dividends	Total
1 January 2014	48,858	117,368	0	1,466,043	219,862	1,852,131
Net annual profit	0	0	0	570,028	0	570,028
Other comprehensive income:						
Fair value adjustment on financial derivatives	0	0	0	-40,678	0	-40,678
Income tax effect	0	0	0	6,205	0	6,205
Total other comprehensive income	0	0	0	-34,473	0	-34,473
Total comprehensive income	0	0	0	535,555	0	535,555
Transaction with owners:						
Share based payment	0	0	26	0	0	26
Dividend treasury shares	0	0	0	2,075	0	2,075
Proceeds/acquisition treasury shares	0	0	0	3,392	0	3,392
Paid-out dividends	0	0	0	0	-219,862	-219,862
Proposed dividends	0	0	0	-293,148	293,148	0
Total transaction with owners	0	0	26	-287,681	73,286	-214,369
Total changes in equity	0	0	26	247,874	73,286	321,186
31 December 2014	48,858	117,368	26	1,713,917	293,148	2,173,317
1 January 2013	48,858	117,368	0	921,849	97,716	1,185,791
Net annual profit	0	0	0	854,300	0	854,300
Other comprehensive income:						
Fair value adjustment on financial derivatives	0	0	0	-74,889	0	-74,889
Income tax effect	0	0	0	13,480	0	13,480
Total other comprehensive income	0	0	0	-61,409	0	-61,409
Total comprehensive income	0	0	0	792,891	0	792,891
Transaction with owners:						
Dividend treasury shares	0	0	0	114	0	114
Acquisition treasury shares	0	0	0	-28,949	0	-28,949
Paid-out dividends	0	0	0	0	-97,716	-97,716
Proposed dividends	0	0	0	-219,862	219,862	0
Total transaction with owners	0	0	0	-248,697	122,146	-126,551
Total changes in equity	0	0	0	544,194	122,146	666,340
31 December 2013	48,858	117,368	0	1,466,043	219,862	1,852,131

NOTES BAKKAFROST

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P/F BAKKAFROST - NOTES TO THE FINANCIAL STATEMENTS

NOTE 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), endorsed by the European Union (EU), and the additional requirements according to the Faroese Financial Reporting Act. The accounting policies applied to the consolidated accounts have also been applied to the parent company, P/f Bakka-frost. The notes to the consolidated accounts provide additional information to the parent company's accounts, which is not presented here separately. The company's financial statements are presented in DKK. Investments in subsidiaries are measured at historic cost, unless there is any indication of impairment. In case of impairment, an investment is written-down to fair value.

NOTE 2. SALARIES AND OTHER PERSONNEL EXPENSES

DKK 1,000	2014	2013
Wages and salaries	15,400	13,675
Share based payments	26	0
Social security taxes	546	462
Pension expenses	397	251
Other benefits	1,489	1,930
Total payroll expenses	17,858	16,318
Average number of full-time employees	24	23

REMUNERATION TO SENIOR EXECUTIVES AND AUDITORS

For details of remuneration paid to senior executives, see notes to the consolidated financial statements. The company paid DKK 28,000 for audit service and DKK 10,000 for tax advisory. For other services, see note to the consolidated financial statements.

NOTE 3. NET FINANCIAL ITEMS

DKK 1,000	2014	2013
Interests received from Group companies	68,210	65,426
Realised profit on financial derivatives	0	2,241
Other financial income	2,513	3,624
Financial income	70,723	71,291
Interests paid to Group companies	-2,236	-1,912
Interest expenses on long- and short-term loans	-30,589	-28,258
Loss on financial derivatives	-16	0
Interest expenses on accounts payable	-1	0
Financial expenses	-32,842	-30,170
Unrealised exchange gain on bond	31,100	62,351
Other exchange differences	1,603	-413
Net currency effects	32,703	61,938
Other financial expenses	-4,911	-3,231
Other financial items	-4,911	-3,231
Net financial items	65,673	99,828

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Other equipment	Prepayments	Total
DKK 1,000				2014
Acquisition costs as at 01.01.14	66,050	6,802	0	72,852
Disposals and scrapping during the year	-994	0	0	-994
Acquisitions during the year	20,877	0	49,061	69,938
Acquisition costs as at 31.12.14	85,933	6,802	49,061	141,796
Accumulated depreciations and write-downs as at 01.01.14	-11,206	-1,932	0	-13,138
Accumulated depreciations and write-downs on disposals and scrapping	0	40	0	40
Depreciations during the year	-2,491	-1,568	0	-4,059
Accumulated depreciations and write-downs as at 31.12.14	-13,697	-3,460	0	-17,157
Net book value as at 31.12.14	72,236	3,342	49,061	124,639

				Total
DKK 1,000				2013
Acquisition costs as at 01.01.13	60,084	3,608	0	63,692
Disposals and scrapping during the year	-5,173	-219	0	-5,392
Acquisitions during the year	11,139	3,413	0	14,552
Acquisition costs as at 31.12.13	66,050	6,802	0	72,852
Accumulated depreciations and write-downs as at 01.01.13	-10,111	-1,286	0	-11,397
Accumulated depreciations and write-downs on disposals and scrapping	1,074	124	0	1,198
Depreciations during the year	-2,169	-770	0	-2,939
Accumulated depreciations and write-downs as at 31.12.13	-11,206	-1,932	0	-13,138
Net book value as at 31.12.13	54,844	4,870	0	59,714

A significant part of Bakkafrøst's buildings is located on rented land.

	Estimated lifetime	Depreciation method
Land and buildings	15-25	linear
Other operating equipment	3-8	linear

NOTE 5. SUBSIDIARIES AND ASSOCIATES

DKK 1,000	2014	2013
Acquisition costs as at 01.01.	1,225,364	1,220,715
Additions during the year	98,073	4,649
Acquisition costs as at 31.12.	1,323,437	1,225,364
Re-evaluations as at 01.01.	-2,766	-2,766
Re-evaluations as at 31.12.	-2,766	-2,766
Net book value as at 31.12.	1,320,671	1,222,598

P/f Bakkafrøst and subsidiaries, the Group, own a total of 78.66% in P/f Salmon Proteins, which is an associated company on the Group level, due to restrictions in exercising majority-voting rights. P/f Bakkafrøst owns 14.23% in P/f Salmon Proteins and is included in the item Investment in stocks and shares.

					Carrying amount in	Carrying amount in
	Cost				P/F	P/F
DKK 1,000	Method	Head		Voting	Bakkafrost	Bakkafrost
Company	Yes/No	Office	Ownership	share	2014	2013
P/f Bakkafrost Processing	Yes	Glyvvar	100%	100%	158,591	60,518
P/f Bakkafrost Sales	Yes	Glyvvar	100%	100%	879	879
P/f Bakkafrost Packaging	Yes	Glyvvar	100%	100%	7,781	7,781
P/f Bakkafrost Harvest	Yes	Glyvvar	100%	100%	6,059	6,059
P/f Bakkafrost Farming	Yes	Glyvvar	100%	100%	233,828	233,828
P/F Havsbrún	Yes	Glyvvar	100%	100%	908,884	908,884
Bakkafrost UK Ltd	Yes	Grimsby	100%	100%	4,649	4,649
Total subsidiaries					1,320,671	1,222,598

DKK 1,000	Dividends*	Excess dividends	Result	Result
		on result	2014	2013
P/f Bakkafrost Farming	361,945	-159,591	202,354	354,818
P/f Bakkafrost Sales	58,521	102,988	161,509	58,529
P/f Bakkafrost Packaging	3,617	538	4,155	3,634
P/f Bakkafrost Harvest	23,591	34,738	58,329	23,607
P/f Bakkafrost Processing	0	48,802	48,802	-83,881
Havsbrún	65,550	44,889	110,439	75,955
Bakkafrost UK Ltd	0	1,803	1,803	1,397
Total revenue Group contribution	513,224	74,167	587,391	434,059

* Dividends from subsidiaries paid out in 2014

NOTE 6. INVESTMENTS IN STOCKS AND SHARES

DKK 1,000	2014	2013
Acquisition costs as at 01.01.	183	183
Acquisition costs as at 31.12.	183	183
Re-evaluations as at 01.01.	1,475	1,425
Re-evaluations during the year	188	50
Re-evaluations as at 31.12.	1,663	1,475
Net book value as at 31.12.	1,846	1,658

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 7. SHARE CAPITAL AND MAJOR SHAREHOLDERS

DKK 1,000	2014	2013
Share capital at 31.12.	48,858	48,858
Share capital at 31.12.	48,858	48,858

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

For shareholders holding more than 5% in the company as at 31 December 2014, see note 17 in Group Accounts.

NOTE 8. TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2014	2013
Tax payable	-6,756	-6,831
Change in deferred tax	-5,714	-10,748
Tax expense on ordinary profit	-12,470	-17,579
Tax in the statement of financial position		
Deferred tax	675	2,528
Tax in the statement of financial position	675	2,528
Specifications of temporary differences		
Property, plant and equipment	27,402	26,761
Swaps	-116,929	-74,888
Currency effects	93,273	62,173
Total temporary differences	3,746	14,046
Deferred tax liabilities (+) / assets (-)	675	2,528
Reconciliation from nominal to actual tax rate		
Profit before tax	582,498	871,879
Expected tax at nominal tax rate (18%)	-104,850	-156,938
Permanent differences, including Group contribution without tax effect (18%)	92,380	138,628
Other permanent differences (18%)	0	731
Calculated tax expense	-12,470	-17,579
Effective tax rate	-2.14%	-2.02%

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

NOTE 9. SECURITY PLEDGES AND CONTINGENT LIABILITIES

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2014	2013
Long-term debt to financial institutions	508,413	242,451
Short-term debt to financial institutions	100,000	100,000
Total	608,413	342,451
Carrying amount of assets pledged as security for recognised debt		
Property, plant and equipment	124,639	59,714
Non-current financial assets	1,322,517	1,224,257
Receivables	1,301,219	1,346,263
Total	2,748,375	2,630,234

The company participates in a Group financing for the Bakkafrost Group. In connection to this, the company has together with other Group companies pledged licenses, property, plant and equipment, shareholdings, inventory and receivables as surety for the Group's total debt to the banks. In addition, the Group companies have a guaranteed self-debtor in solidum for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds.

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

NOTE 10. RELATED-PARTY TRANSACTIONS

The company operates cash pooling arrangements in the Group. Further, the company extends loans to subsidiaries and associates at terms and conditions reflecting prevailing market conditions for corresponding services, allowing for a margin to cover administration and risk. The company allocates costs for corporate staff services and shared services to subsidiaries and renting of buildings.

The total amounts for rent are DKK 3.2 million, allocation of administration etc. DKK 37.8 million, financial incomes of DKK 68.2 million and financial expenses amounting to DKK 2.2 million. The principle of arm's length is used in all transactions with related parties.

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