

P/F BAKKAFROST HOLDING ANNUAL REPORT 2009

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BAKKAFROST

ESTABLISHED 1968

KEY FIGURES

(DKK 1,000)	IFRS 2009	IFRS 2008	FO-GAAP 2007
Profit and loss			
Operating revenues	596,565	365,634	229,525
Earnings before interest, taxes and fair value adjustment of biomass	158,740	70,789	103,346
Earnings before interest and taxes (EBIT)	192,394	63,157	41,560
Earnings before taxes (EBT)	181,237	46,148	30,437
Net earnings	148,728	38,339	24,831
Earnings per share before fair value adjustment of biomass (DKK)	40.49	14.91	8.30
Earnings per share after fair value adjustment of biomass (DKK)	49.71	12.81	8.30
Statement of financial position	2009	2008	2007
Total non-current assets	257,741	247,657	223,242
Total current assets	363,291	304,873	248,159
Total assets	621,032	552,530	471,401
Total equity	388,887	241,650	196,308
Total liabilities	232,145	310,880	258,798
TOTAL EQUITY AND LIABILITIES	621,032	552,530	471,401
Net interest bearing debt	97,293	243,224	225,771
Equity share	63%	44%	42%



BAKKAFROST'S HISTORY

The following is a summary of the main events and milestones of the Company since its establishment.

1968

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

1972

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

1977

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

1979

Started farming activities -- one of the first companies in the Faroe Islands to do so.

1980s

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

1986

P/F Bakkafrost Holding was incorporated as Sp/f Faroe Salmon, by Jón and Heini Gregersen, and started production of farmed salmon and its own smolt.

1992

Restructuring of the Group by Regin Jacobsen, Hans Jacobsen and Martin Jakobsen. At this time, the Group established P/F Alistøðin á Bakka. They had farming licences for salmon in two fjords, slaughtering capacities for salmon in Glyvvar, as well as pelagic processing capabilities and production of styropor boxes for transportation of fish.

1995

A Value Added Product ("the VAP") factory for salmon was built within an existing location, the factory in Glyvvar. The investment was limited, and the capacity was low. The company received the licence to produce smolt/fry in Glyvvar/Glyvradalur.

1999-2001

The Group increased the capacity of the VAP to around 22 tonnes gwt (guttet weight) per day through two separate investments during this period in order to facilitate further growth.

2006

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

2008

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

2009

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

2010

Merger with P/f Vestlax Holding finalised. The merged company produced 30,650 tonnes gwt in 2009, and the estimated overall capacity is 37,000 tonnes gwt per year.

GROUP STRUCTURE

Effective as of 1 January 2010, the Vestlax Group was merged into the Bakkafrost Group. The graphic above shows the Group's structure after the merger. The Vestlax Group had a capacity of 11,000 tonnes gwt salmon and trout and a processing plant located in Kollafjørður. The merged company produced 30,650 tonnes gwt in 2009, and the estimated overall capacity is 37,000 tonnes gwt per year, produced through a total of 15 licences for areas located around the Faroes.



OPERATION SITES

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

HATCHERIES

Norðtoftir
Húsar
Glyvradalur
Viðareiði
Gjógv

FARMING

Hvannasund North
Hvannasund South
Haraldssund
Kunoyarnes
Lambavík
Borðoyavík
Árnafjørður
Fuglafjørður
Svínár
Selatrað
Kolbeinargjógv
Undir Síðu
Vestmanna
Gulin

HARVESTING

Kollafjørður
Klaksvík

PROCESSING & HEADQUARTERS

Glyvrar



MAIN EVENTS

- Continued the process of merging the Bakkafrost and the Vestlax Group, effective from 1 January 2010
- Decided to list the company on Oslo Stock Exchange
- High productivity with low feed converting factor and low mortality
- Increased Bakkafrost's production compared to previous years

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CHAIRMAN'S STATEMENT

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

Bakkafrost will continue to base all its operations on sustainable farming and superior management in order to combine the utilisation of the capacity and to avoid biological issues. All natural and physiological needs must be met to the greatest extent possible in order to maintain a healthy sustainable production and reach cost efficiency.

The 2009 Bakkafrost results reflect the focus on cost efficiency together with the veterinary model introduced on the Faroe Islands in 2003 and high market prices. The Bakkafrost Group delivered the best result ever in 2009.

Not only was the business environment good in 2009, but the management and staff have also shown an excellent performance. This can best be seen on our operation margins, which compare favourably with peers'. The aim in the future is to be in the front when compared with peers.

It has been decided to merge the Bakkafrost Group with the Vestlax Group, as of 1 January 2010, creating the largest salmon producer in the Faroe Islands. Vestlax is the second largest fish farming company in the Faroes.

Following the merger, it has been decided to apply for listing of the Group on Oslo Børs in 2010.

The Board of Directors are very satisfied with the Group's financial results this year and would like to thank the staff for their efforts in 2009. Following the merger with the Vestlax Group, together with the result for 2009, the Bakkafrost Group has strengthened its relative competitive position, which we expect to leverage in the coming years.

MANAGEMENT STATEMENT

BEST RESULT EVER

Bakkafrost aims to keep the salmon in a good and healthy environment, ensuring the welfare and well being of its fish. All natural and physiological needs must be met to the greatest extent possible in order to maintain a healthy sustainable production and reach cost efficiency. This, together with the veterinary model introduced on the Faroe Islands in 2003, is reflected in the 2009 Bakkafrost results, as the Group has experienced very little losses due to disease, a significantly improved feed conversion ratio, lower mortality rates and increased productivity without the use of antibiotics.

The Bakkafrost Group delivered the best result ever in terms of produced volumes, revenues and operating profit (EBIT) in 2009. The operating revenues rose by some 63.2 percent, from DKK 365.6 million in 2008 to DKK 596.6 million in 2009. Earnings before interest and taxes (EBIT) before fair value adjustment of the biomass totalled DKK 158.7 million in 2009, compared with DKK 70.8 million the year before. The Board of Directors is proposing a dividend of DKK 18,000,000 for the 2009 financial year.

The total harvested volume in 2009 was 18,685 tonnes tgw, and it is the plan to increase volumes by around 5% per year in years to come. Biological security is crucial in order to have a cost-efficient production. Since the new veterinary model in the Faroes, Bakkafrost has experienced close to no losses due to disease, a significantly improved feed conversion ratio, lower mortality rates and increased productivity without use of antibiotics. Bakkafrost will continue to base all its operations on sustainable farming and superior management in order to combine the utilisation of the capacity and to avoid biological issues.

With focus on the Bakkafrost Group's main strategic goal, it has been decided to merge the Bakkafrost Group with the Vestlax Group, as of 1 January 2010, creating the largest salmon producer in the Faroe Islands. Vestlax is the second largest fish farming company in the Faroes. The merged company will reach the capacity of 45,000 tonnes wfe, assuming full utilisation of the 15 licences. The merged combined Group owns 44% of the total licences in the Faroe Islands, currently representing about 60% of total harvest volumes. The combined Group operates five fully owned hatcheries and licences on 14 fish farming sites for marine production of Atlantic salmon in the Faroe Islands, as well as one licence currently out of production. The sites are located in thirteen different fjords. The combined Group also carries out primary processing and secondary processing. All primary processing takes place at the Group's slaughter facilities in Klaksvík and Kollafjørður, and all secondary processing takes place in the Group's VAP facility in Glyvrrar.

Following the merger, it has been decided to apply for listing of the Group on Oslo Børs in 2010.

MANAGEMENT STATEMENT

OPERATIONAL REVIEW

The Group's operations went very well in 2009. Bakkafrost harvested 18,685 tonnes gutted weight, at very satisfying costs per kilo. From the management point of view, the main factors behind our positive development over the last years, and especially in 2009, are our main key competitive advantages, which are:

Low-cost producer

In terms of production costs, our farming operation has delivered strong results following the implementation of the new veterinary regime¹ in the Faroe Islands. The improved biological control has improved fish health and reduced costs due to decreases and lice control. The increased biological control has also given Bakkafrost the opportunity to increase the average harvest weight, resulting in decreased costs per kg. Thus, Bakkafrost EBIT per kg has improved and is among the highest compared to peer's.

Well placed to access the US

Bakkafrost and the Faroes salmon producers are in a favourable competitive position on the US market. Therefore, Bakkafrost has established an experienced sales force with long-term relations with customers in the US. We have a running operation and ongoing sales of large salmon supported by efficient logistical systems for the distribution of the products (both fresh and frozen) from the Faroe Islands to the US. The US market prefers the higher-than-average size and weight and the high level of Omega-3 offered in salmon produced from the Faroe Islands. Thus Bakkafrost's sale to the US market has increased from less than DKK 1 million in 2008 to DKK 128 million in 2009, representing 21.5% of Bakkafrost's total revenue.

VAP

Bakkafrost has long-term experience in producing and selling value adding products (VAP). Production facilities are state of the art, with very high production efficiency. Sold volumes have increased by 34%² per annum over the last three years and approximately 18% per annum over the last 10 years. In 2009, the VAP production represented 60% of the total revenue. In addition to increasing the Group's earnings on the long term basis, the VAP production reduces the volatility in the earnings, as the sale is based on fixed-price contracts, which are not as volatile as the spot market price for fresh salmon.

Strong customer base

By focusing on meeting existing customers' demands, Bakkafrost benefits from its long-term relationships with a large number of customers. The relationships with customers have proven to give a competitive advantage for both Bakkafrost and its customers through product development and marketing. Thus Bakkafrost has customers it has been trading with for the last 15 years.

Geographical location

Bakkafrost's salmon farms are located in areas with very attractive qualities for salmon farming in terms of water quality, water temperature and circulation. The Faroese fjords provide separation between locations, which improves biological control and area management. Relatively short distances between farming areas and processing facilities and well-developed infrastructure offers cost-efficient transportation of both feed and fish on land and at sea.

Veterinary model

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

Through total separation of salmon generations, vaccination against different diseases (ISA among others), strict regulation of movement of equipment and fish, and other regulations, the results for the 2005-2007 generation on feed conversion ratio, mortality and productivity are among the best results ever seen in the 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 very satisfying result for 2009.

¹ A set of laws implemented since 2003 in the Faroe Islands, stating quite strictly how salmon farmers have to operate

² Measured in volume of raw material

MANAGEMENT STATEMENT

FINANCIAL REVIEW

As mentioned above, the Bakkafrost Group's results for 2009 are the best result ever.

Income statement

The Bakkafrost Group generated gross operating revenues of DKK 596.6 million in 2009, compared with DKK 365.6 million in 2008. This represents an increase of 63.2 percent. The operations harvested a total of 18,685 tonnes gutted weight, compared with 14,178 tonnes in 2008. The Group made a net operating profit (EBIT) before fair value adjustment of the biomass of DKK 158.7 million in 2009, compared with DKK 70.8 million in 2008. Net operating profit (EBIT) before fair value adjustment of the biomass came to DKK 8.49 per kg gutted weight, compared with DKK 4.99 in 2008. Consolidated net profit totalled DKK 148.7 million in 2009, compared with DKK 38.3 million in 2008. Earnings per share totalled DKK 49.71 in 2009, compared with DKK 12.81 in 2008. In 2009, the Group had a very strong cash flow. The cash flow from operations was DKK 188.7 million, compared with 44.0 million in 2008. The Group's net interesting bearing debt amounted to DKK 97.3 million, and solvency was in excess of 62%.

Segment performance

Bakkafrost Group operates with two business segments, farming of fish, including sale of fresh fish, and value adding of salmonoid products and sale of these.

Farming including sale of fresh fish

Farming is one of Bakkafrost's segments. The Group has production facilities in the north-eastern parts of the Faroe Islands. There are no significant differences in the production properties of the licences, and the Group therefore reports the farmed salmonids, including the sale of fresh salmon, as one segment.

Value added products (VAP)

A significant share of the farmed products is value added at the factory in Glyvvar. The output of the factory is predominantly portions for the retail market. Therefore, this is reported as one segment. The strategy with the value added products is, in addition, to increase the Group's earnings to reduce the volatility in the Bakkafrost Group's net earnings.

Gross external operating revenues for Bakkafrost's farming segment increased to DKK 237.9 million in 2009, up from DKK 122.5 million in 2008. Net operating profit (EBIT) before fair value adjustment of the biomass totalled DKK 127.9 million, compared to DKK 64.4 million in 2008. This corresponds to a net operating profit before fair value adjustment of the biomass of DKK 6.63 per kg gutted weight, compared to DKK 4.55 per kg in 2008. The increase in the performance of the Group reflects the increase in the salmon price, the excellent biological situation and our dedicated staff. The Group's farming segment harvested and purchased 19,292 tonnes gutted weight in 2009, compared to 14,179 tonnes in 2008.

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

In 2009, the associated company P/F Salmon Proteins achieved a net result to Bakkafrost of DKK 0.3 million, compared to DKK 0.6 million in 2008. Since P/F Salmon Proteins is defined as an associated company on the Group consolidated level, the Bakkafrost Group recognises 28.5 percent of the company's profit after tax.

Financial income in 2009 amounted to DKK 2.9 million, compared to DKK 1.5 million in 2008. Net interest expenses amounted to DKK 13.1 million, compared to DKK 17.8 million in 2008. The decrease can largely be attributed to a decrease in long- and short-term interest bearing debt due to the Group's strong cash flow.

MANAGEMENT STATEMENT

Statement of financial position

The Group total balance as of 31 December 2009 amounted to DKK 621.0 million, compared to DKK 552.5 million at the end of 2008.

During the year, the Group invested approximately DKK 21 million, which closely corresponds to the Group's depreciations in the year. Investments were made in buildings, processing equipment and general farming facilities. The company continues to invest in all activities to adjust capacity. It will be invested approximately DKK 100 million during 2010 and 2011. The investments in farming in 2010 and 2011 are estimated to be approximately DKK 40 million each year and in the value added production 10 million each year. Farming investments in 2010 relates to sea equipment, boats and other farming equipment. The investment in value added production relates to processing equipment. Investment will be financed by existing financing facilities and cash generated by the Group. All investments will be made in the Faroe Islands.

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

The Group's equity increased from DKK 241.7 million at the start of the year to DKK 388.9 million at the end of the year. The increase in equity can primarily be attributed to the good net result in 2009.

The group's total non-current liabilities decreased from DKK 111.2 million to DKK 91.4 million. The deferred tax increased by DKK 33.3 million, while the long-term debt was reduced by DKK 53.0 million, to DKK 34.4 million at the end of 2009. The Group's total non-current liabilities were reduced from DKK 199.7 million to DKK 140.7 million during 2009, reflecting the strong cash flow in 2009.

The Bakkafrost Group's net interesting bearing debt amounted to DKK 97.3 million at the end of 2009, compared to DKK 243.2 million at the end of 2008. The Group had an equity ratio of 62.6 percent as of 31 December 2009, compared to 43.7 percent at the same date in 2008. A healthy financial position is considered to be a crucial element in the Group's strategy for further growth and profitability. The Group will continue to place great emphasis on this going forward.

Cash flow

The total cash flow from operating activities in 2009 was DKK 188.7 million. Cash flow from investing activities came to DKK -26.6 million. Cash flow from financing activities totalled DKK -127.2 million, which reflects a net payment of bank funding. Net cash flow for the period amounted to DKK 34.8 million. Cash at the end of the year was DKK 35.3 million, compared to DKK 0.5 million at the start of the year. Together with established credit facilities with its banking partners, the Group's liquidity and financial strength is considered to be very good. The merged groups (Bakkafrost and Vestlax) undrawn financing facility amounted to approximately DKK 215 million at 31 December 2009.

MANAGEMENT STATEMENT

OPERATIONAL RISK AND RISK MANAGEMENT

The Bakkafrost Group is exposed to a number of different markets, operational and financial risks arising from our normal business activities as a salmon producer.

MARKET RISK:

Price on farmed salmon

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

Price on fish feed

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

Natural limitations in the marine resource base could lead to global shortages of fishmeal and oil for fish feed production. The feed producers have, however, come a long way in their efforts to replace some of the marine-based input factors with vegetable raw materials.

OPERATIONAL RISKS:

The rate at which farmed salmon grows depends, among other things, on weather conditions. Unexpected warm or cold temperatures can have a significant negative impact on growth rates and feed consumption. The Group operates at sea under sometimes challenging conditions. This can result in incidents or necessary measures that can have significant cost implications, e.g. unexpected maintenance/repairs or escaped fish. The Group is continually working on reducing risks using experience with equipment, location and operational organisation. Bakkafrost's facilities are located in areas where the weather conditions are well known and the facilities well secured, though other weather conditions, such as storms or floods, could also lead to unexpected losses at facilities. Although the Group does not tolerate the escape of farmed salmon, there is always a risk that escapes will occur, in which case the Group's business could be materially adversely affected, directly through loss of farmed salmon and indirectly through the spread of diseases, governmental sanctions, negative publicity or other indirect effects. Procedures and new technological solutions in this respect are constantly monitored.

Although operational risk is, to a certain extent, reflected in budgets by means of estimates for mortality and the percentage of fish whose quality is downgraded in connection with primary processing, such risks might, if occurring, materially affect the Group's results and financial condition. The Group's operations can also be materially impacted by what is classified as normal operating risks, e.g. quality from suppliers and subsuppliers, etc.

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

PRODUCTION-RELATED DISORDERS:

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

MANAGEMENT STATEMENT

DISEASE:

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

Salmon farming has historically been through several periods with extensive disease problems. Common to all of these is that a solution has been found through breeding, better operating routines, increased expertise regarding the fish's biological requirements and the development of effective vaccines. During the 1990's, the health situation in Faroese salmon farming improved dramatically. For example, the development of effective vaccines against the most important bacterial diseases, as well as generally better operating routines, have led to a reduction in antibiotic use in the Faroe Islands.

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

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

MANAGEMENT STATEMENT

FINANCIAL RISK AND RISK MANAGEMENT

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

Foreign exchange risk

Since the Bakkafrost Group reports in DKK, the Group is exposed to exchange rate risks towards USD, NOK, GBP and EUR.

Bakkafrost trades on the world market for farmed salmonids, and parts of revenues and accounts receivable are denominated in foreign currency. On the other hand, purchases of raw materials, etc. are predominantly denominated in DKK. Fluctuations in foreign exchange rates, therefore, present a financial risk to the Group.

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered relatively low, since losses due to bad debts historically have been small. However, following the international crisis, the risk of losses may be considered increasing. The Group has no material risk relating to individual counterparties or counterparties which may be considered a group due to similarities in the credit risk, though some markets have been hit harder by the ongoing world recession. The Group has guidelines to ensure that sales are made only to customers that have not previously had payment problems and that outstanding balances do not exceed fixed credit limits. Part of the total accounts receivable is insured. As not all receivables are insured, the Group has to accept a certain risk element in accounts receivable.

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

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure which is secured by means of established borrowing facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in note 16, where the terms also are described.

Capital structure and equity

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

RESEARCH AND DEVELOPMENT ACTIVITIES

The Group has spent around DKK 0.6 million in R&D expenses during 2009.

GOING CONCERN

With reference to the Group's profits, financial strength and long-term forecasts for the years ahead, it is confirmed that the financial statements for 2009 are based on the assumption that Bakkafrost is a going concern. In the opinion of the Board, the Group's financial position is very good.

DIVIDEND POLICY

Bakkafrost aims to give its shareholders a competitive return on their investment, both through payment of dividends from the Company and by securing an increase in the value of the equity through positive operations. Generally, the Company should pay dividends to its shareholders, but it is the responsibility of the Board of Directors to make an overall assessment in order to secure the Company a healthy capital base, both for daily operations and for a healthy future growth of the Company.

PARENT COMPANY'S FINANCIAL STATEMENTS AND ALLOCATION OF PROFIT FOR THE YEAR

The parent company P/F Bakkafrost Holding had a net profit of DKK 119.4 million for 2009. The Board of Directors is proposing a dividend payment of DKK 18 million. In connection with the merger between P/F Bakkafrost Holding and P/F Vestlax Holding, 972,064 new shares will be issued as compensation for the shares in the discontinued company (P/F Vestlax Holding). Also in connection with the merger it is proposed to increase the share capital with 42,286,147 bonus shares with nominal value of DKK 1. Total share capital after these increases will be 46,250,000 shares with nominal value of DKK 1. All these shares will be entitled to receive the proposed dividend of total DKK 18 million, which corresponds to approximately DKK 0.39 per share.

MANAGEMENT STATEMENT

The Board thereby proposes the following allocation of funds.

- Provision for dividend – DKK 18.0 million
- Transfer to other equity – DKK 101.4 million
- Total – DKK 119.4 million

After payment of dividend, the distributable equity totals DKK 17.4 million.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

Effective on 1 January 2010, the Vestlax Group (with P/F Vestlax Holding as the ultimate parent company in the Vestlax Group) merged with the Bakkafrost Group's ultimate parent company, P/F Bakkafrost Holding. P/F Bakkafrost is the continuing company. The plan is that P/F Bakkafrost Holding will be listed on Oslo Børs in the first half of 2010.

The Bakkafrost Group has, since the date of the statement of financial position, changed its financing structure. In the future, it will primarily be the ultimate parent company in the merged group, P/F Bakkafrost Holding, which will finance all the companies in the Group. At the same time, P/F Bakkafrost Holding has signed a new loan agreement with P/F Føroya Banki and Nordea Norge ASA. With the new agreement, the total loan facility is DKK 400 million, plus other loans from Føroya Realkredittstovni amounting to approximately DKK 58 million. The new bank financing is divided into 200 million as a revolving credit facility and a long-term loan amounting to DKK 200 million. Payment into the long-term loan facility is agreed to be DKK 50 million each year in 2010 and 2011. For further details on the loan see Note 16 to the consolidated report.

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

OUTLOOK 2010

The market outlook for 2010 for salmon is positive. Decreasing supply, due to diseases in Chile, and increasing demand put an upward pressure on the price for fresh salmon. There is a strong demand on products from both the EU and the American markets.

The sold quantity from the merged group's (Bakkafrost and Vestlax) is expected to decrease in 2010 compared to 2009 due to lower levels of smolt launched during 2008, but will increase again in 2011. Therefore, it is expected that the result for 2010 will reflect the decrease in the harvested quantity of salmon.

MAIN TRENDS IN THE HUMAN CONSUMPTION OF SEAFOOD

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

THE FOLLOWING FACTORS HAVE BEEN IDENTIFIED AS THE MAIN DRIVERS FOR CONTINUING GROWTH:

Increase of per capita consumption:

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

Increased standard of living:

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

Growth in world population:

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

Enjoyment, health and practicality:

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

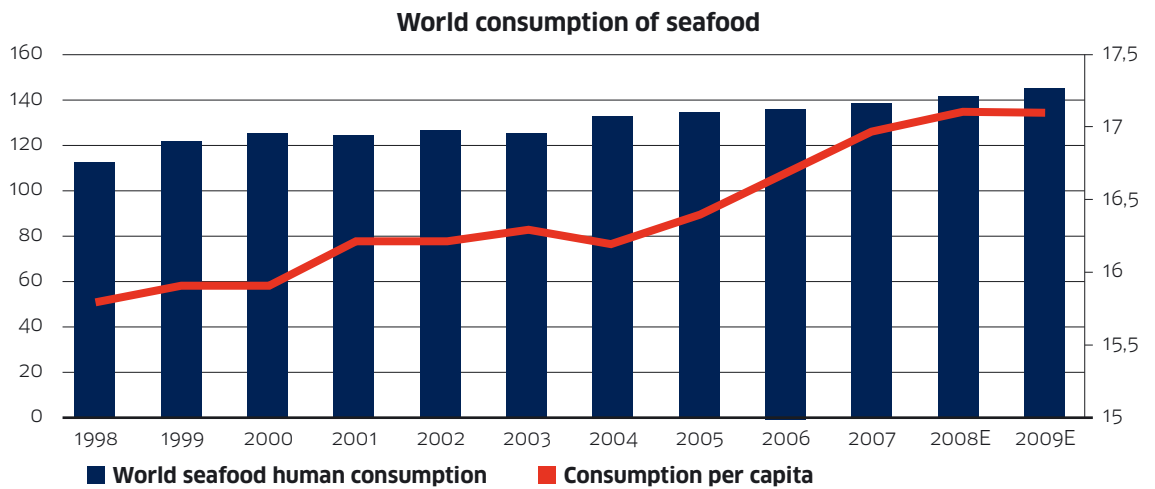
Farmed fish production is a more efficient source of protein relative to other sources of animal protein. Fish farming has been shown to have a more efficient rate of conversion of feed into protein. For example, farmed salmon requires less than 50 percent of the weight of feed required to produce an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

SEAFOOD CONSUMPTION

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

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

The figure below shows world seafood production (for human consumption) and consumption per capita 1990-2009E.

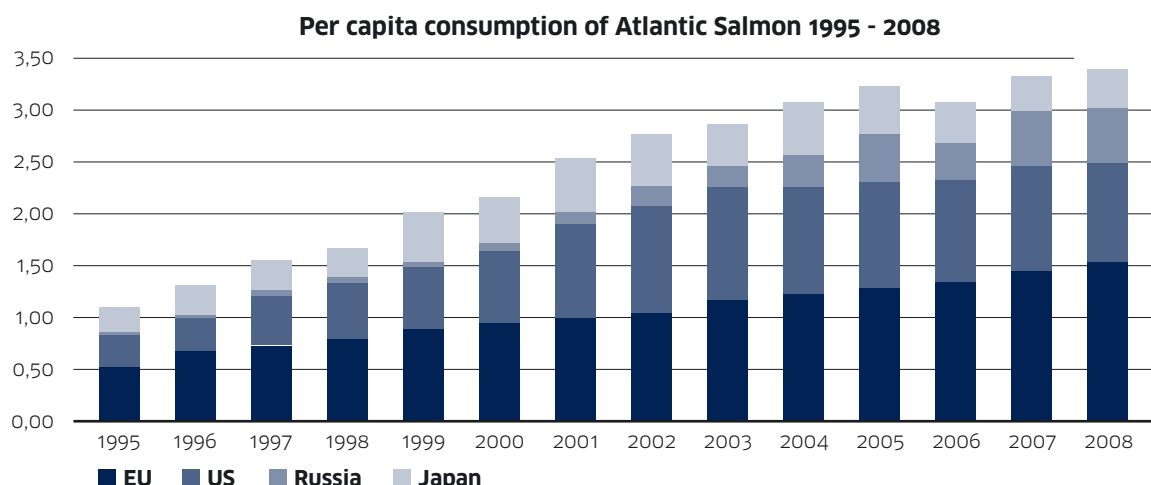


There are large variations in the consumption of seafood, both between regions and in different countries, and also within each country. The global increase in fish consumption follows the increase in general food consumption per capita. Over the last decades, consumers in the most developed countries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

MAIN MARKETS FOR SALMON

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

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



THE US MARKET

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

The largest supplier is still Chile, with approximately 105,500 tonnes, but the ISA problems in Chile have changed the picture. The European supply to the US market has increased by nearly 50,000 tonnes. The increased supply from other countries has partially compensated for the drop in supply from Chile and Canada, but the total supply to the US market dropped by 5% last year.

Bakkafrost and the Faroese salmon producers are very competitive on the US market. The Group has established an experienced sales force with long-term relations with customers in the US. The Group has a running operation and ongoing sales of large salmon, supported by efficient logistical systems for the distribution of the products (both fresh and frozen) from the Faroe Islands to the US. The US market prefers the higher-than-average size and weight and the high level of Omega-3 offered in salmon produced from the Faroe Islands.

THE EU MARKET

The supply of Atlantic salmon increased from 736,600 tonnes in 2008 to 769,300 tonnes in 2009, an increase of 4%. This was mainly due to increased imports from Norway (77%). The bulk of the salmon supplied to the EU market is still whole gutted fresh fish, while the processing takes place in the market. In contrast, the US market is, to a larger extent, characterised as a market for processed fish, as the bulk of the supply is filleted fish from Chile. The EU consumption of farmed salmon comprises around half of the global consumption, with the largest share of the supply coming from Norwegian and UK salmon farmers.

THE RUSSIAN MARKET

During the last couple of years, the Russian market has increased its importance as a major market for Atlantic salmon. The total supply of Atlantic salmon to the Russian market was approximately 78,100 tonnes in 2009, up from 74,800 tonnes in 2008, a 4% increase. However, in a longer perspective, the supply of Atlantic salmon to the Russian market has increased significantly, from less than 10,000 tonnes in 2000. Norway is by far the largest supplier of Atlantic salmon to the Russian market.

SUPPLY – PRODUCTION REGIONS

GLOBAL SUPPLY OF ATLANTIC SALMON

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

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

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

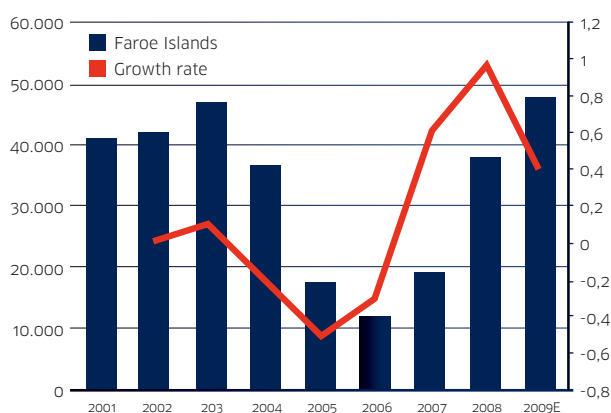
GLOBAL SUPPLY OF ATLANTIC SALMON (tonnes wfe)

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

Source: Kontali Analyse

The harvest quantity in the Faroe Islands was 47,900 tonnes wfe in 2009, compared to 37,800 tonnes in 2008.

Supply of Atlantic Salmon from Faroe Islands, tonnes wfe



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

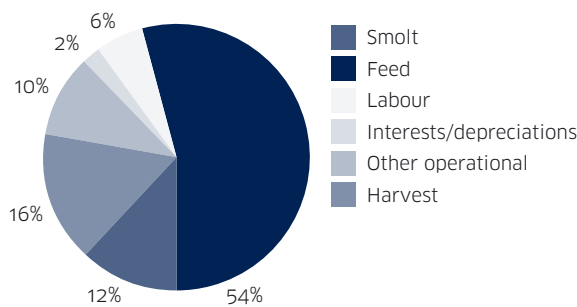
The main market for the Faroe production is the EU, followed by the US market, approximately 64% and 23% market share respectively. The US market increased significantly last year, from less than 3,000 tonnes wfe in 2008 to more than 11,000 tonnes in 2009.

THE INDUSTRY STRUCTURE

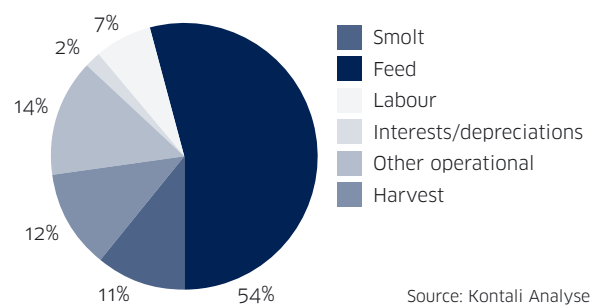
The salmon farming industry is characterised by strong competition between a limited number of multinational players and a large number of relatively small local players, particularly in Norway. Along with growth in the aquaculture industry, the structure has changed significantly over the past decade.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

The production costs are highly influenced by the feed cost, which comprises nearly 55% of the production cost. Other main costs within the fish farming industry are smolt and harvest. The figures below show the split of cost for Faroese and Norwegian fish farmers in 2009.

Cost split Faroe Islands 2009E, gutted weight



Cost split Norway 2009E, gutted weight



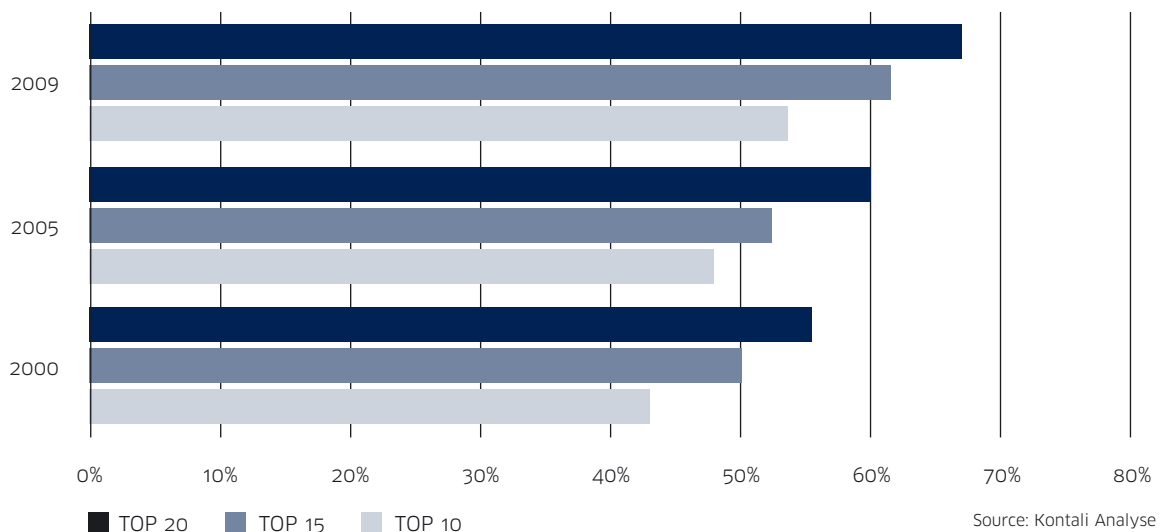
Source: Kontali Analyse

In terms of production costs, the farming operation in the Faroe Islands has delivered strong results following the implementation of the new veterinary regime. The improved biological control has improved fish health and reduced costs due to diseases and lice control. The increased biological control has also given the opportunity to increase the average harvest weight resulting in decreasing costs per kg. Therefore, in the last three generations, the biological feed conversion rate has decreased from around 1.20 to around 1.10, reducing the feed cost by approximately 8.5%.

THE MARKET PLAYERS

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

Market structure development



Source: Kontali Analyse

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

BUSINESS OBJECTIVES AND STRATEGY

VISION

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

STRATEGY

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

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

Downstream, Bakkafrost's long-term growth and financial stability is a result of a strategy based on a mix of contract sale of value added products and spot sale of whole gutted fish.

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

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

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

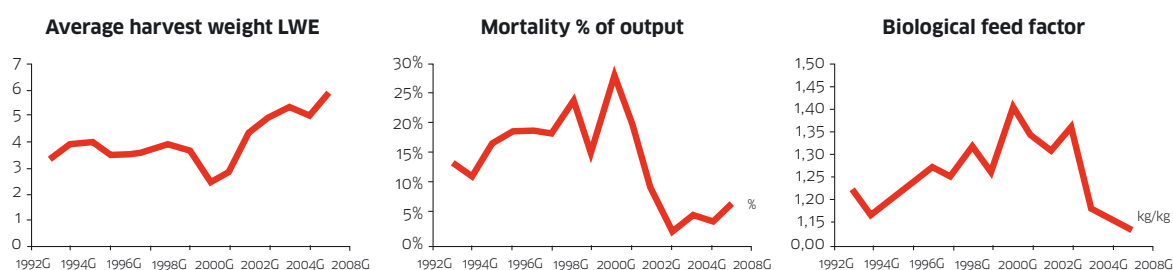
BIOLOGICAL SECURITY

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

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

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

The graphs below show the recent development in important parameters as average harvest weight, mortality and feed conversion rate for Faroese salmon producers, clearly showing the positive development since the introduction of the new veterinary model.



Source: FarmControl³

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

³ FarmControl has, since 1993, registered and monitored data from Faroese fish farmers. Numbers shown in these graphs represent between 50-90% of the Faroese farmed salmon farmed for generations 1993-2002 and ~100% after 2003.

BUSINESS OBJECTIVES AND STRATEGY

BEST PRACTICE – HUMAN RESOURCES

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

The managers of the farming sites have extensive experience, with most of them working since the beginning of the '90s and some working since the mid '80s, contributing to the strong results within the farming division. On the high end, the processing division hires a lot of younger personnel looking for short-term employment, typically 1-2 years, hence the higher turnover ratio. The Group is continuously working on improving the work satisfaction within the entire value chain.

COST EFFICIENCY

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

Share, maintain and implement best practices in feeding regimes and husbandry

Continue to monitor and evaluate the various steps within the processing in order to utilise production capacity and find potential for improvements

Reward the ideas for new methods improving economy of scale and maintain/increase quality of products

VALUE ADDED PRODUCTION

In 2009, value added products (VAP), as e.g. portions and fillets, represented 60% of the total revenues in Bakkafrøst (pre-merger). The VAP operation is based on contractual sale and hence reduces the fluctuations of the Group's financial performance through a business cycle. In order to meet customers' demands, it is important to deliver high-quality products and a wide range of products.

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

NEW OPPORTUNITIES

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

GROWTH STRATEGY

Since the new veterinary model was introduced on the Faroe Islands, Bakkafrøst has demonstrated growth of 34% compounded annually growth in terms of harvest volumes. Going forward, the management has targeted a milestone volume at 37,000 tonnes gutted weight annual production on the existing facilities, representing a growth of 21% compared to the harvest volumes in 2009. Further growth on existing facilities has to be evaluated after learning how the biological performance develops at this volume.

The Group also has the opportunity to grow on the Faroe Islands through increasing the number of licences. However, as Bakkafrøst owns 44% of the licences today and the regulations do not allow any company to own more than 50% of the licences, the potential increase from following this route amounts to 6%, or about 6,000 tonnes annually.

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

OPERATION

Bakkafrost is the largest salmon producer in the Faroe Islands. The merged Group (Bakkafrost and Vestlax) produced 30,500 tonnes gwt in 2009, and the estimated overall capacity is considered to be at least 37,000 tonnes gwt per year, assuming full utilisation of the current licences. Bakkafrost owns 44% of the total licences on the Faroe Islands, currently representing ~60% of total harvest volumes⁴.

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

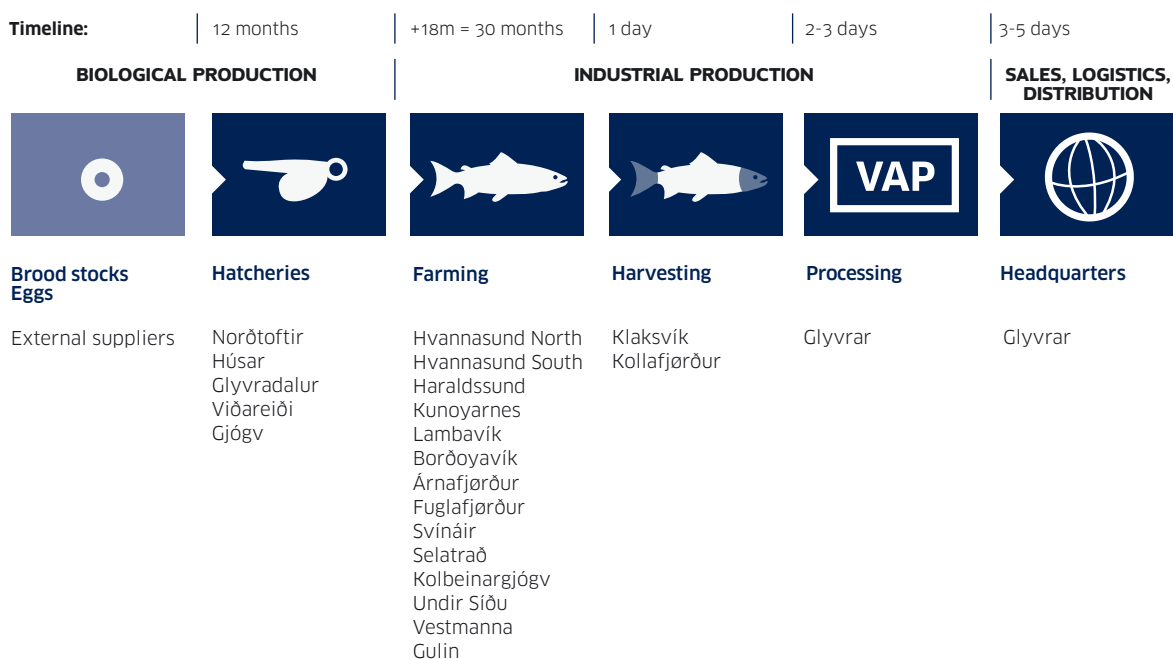
All primary processing takes place at the slaughter facilities in Klaksvík and Kollafjørður, and all secondary processing takes place in the VAP facility in Glyvrrar.

THE VALUE CHAIN

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

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

VALUE CHAIN TIMELINE:



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

1. Brood stock

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

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

2. Juveniles

Bakkafrost owns a total of eight hatchery licences. The merged Group operates five hatcheries, with a total production capacity of around seven million smolts per year, making the Group self-sufficient with smolts. Bakka-

⁴) 2009 figures

OPERATION

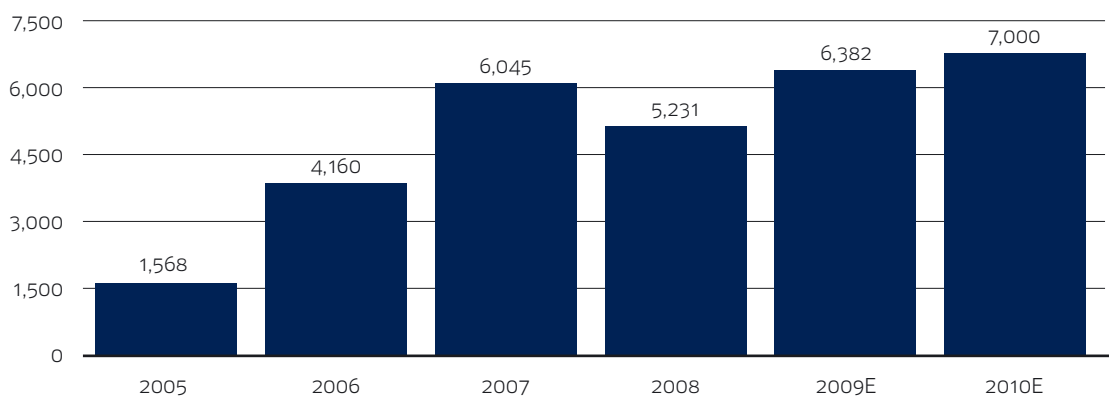
frost has been focused on producing smolts for its own production, and the number of smolts sold to third parties is limited. The Group will expand the hatchery capacity on existing facilities in line with the growth strategy, and this will be completed with limited investments.

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

The workforce in the hatcheries is very experienced; many of the employees have been working at the hatcheries since the early nineties.

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

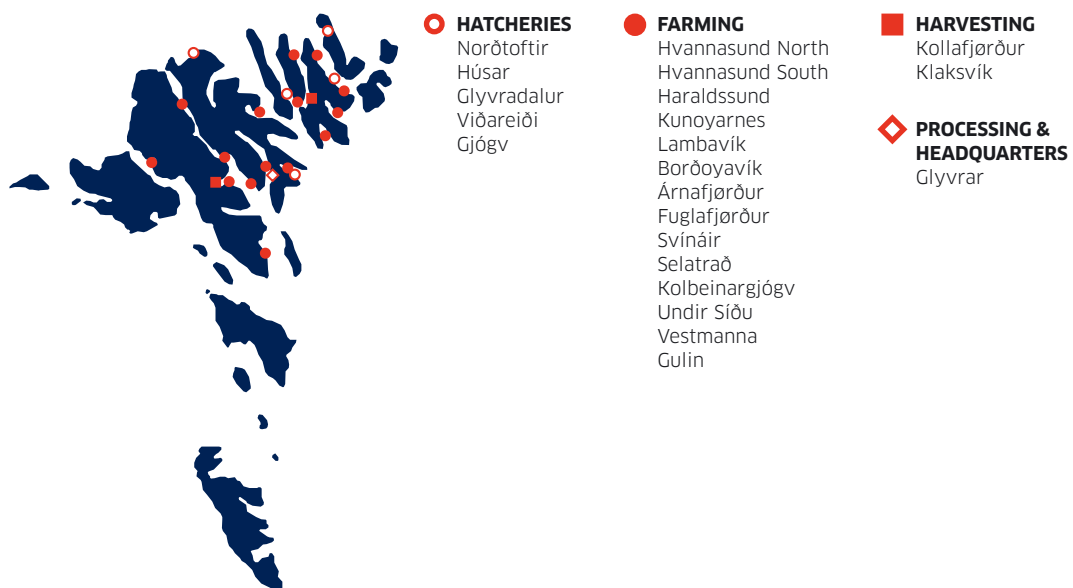
Thousand smolt



Source: Kontali Analyse

3. Farming

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



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

OPERATION

The fish is fed several times a day, and the feed consumption is monitored continuously. Over the last three generations, the biological feed conversion rate has decreased from around 1.20 to around 1.10, reducing the feed cost by approximately 8.5%. This is considered to be a direct result of the improved fish health achieved with the new veterinary model introduced in 2003.

During the entire production period, each separate generation is kept in a separate fjord, and after all locations in a fjord have been harvested, the fjord is set aside for 3–4 months before a new generation is released. This operating model was introduced in 2003, and the observed effects are better productivity, less mortality and better utilisation of the feed. On average, the mortality rate has been less than 10% for all farmers on the Faroe Islands since the new veterinary model in the Faroe Islands was implemented.

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

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

Farming North

The sites in Farming North (Bakkafrost's sites before the merger with Vestlax) are located in the north-east part of the Faroe Islands. The operations in this region show a strong historical performance based on excellent conditions for salmon farming.

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

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

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

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

Farming West

The sites in Farming West (former Vestlax which is merged with Bakkafrost with effect from 1 January 2010) are located in the central part of the Faroe Islands. The locations in Farming West have shown a somewhat lower performance than Farming North. The management of Bakkafrost is, however, confident that these locations have the same potential in terms of biological performance and corresponding low production costs, as the natural given factors are more or less the same.

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

Going forward, all companies have agreed to synchronise operations in terms of temporarily and regularly following the locations and halting operations on 1 July 2010 for two months before releasing new smolts into the area. This is similar to how operations are conducted in Farming North, and is expected to improve the biological situation in the area.

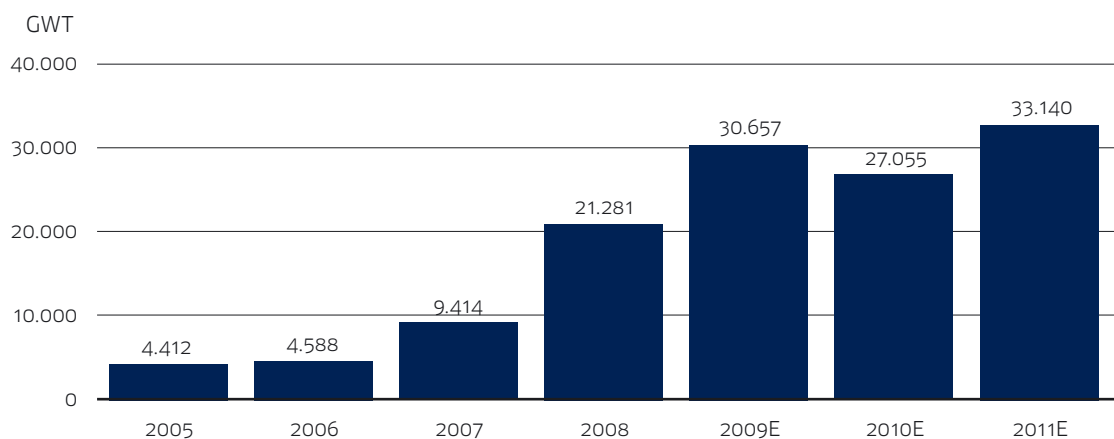
Management believes the locations have potential to increase the size of harvested fish over time through adopting the best practices from Farming North.

The farming areas are large and have good capacity to support the quantities farmed on each site. Apart from the biological factors referred to above when comparing production costs in Farming North and Farming West, Farming West is in a process to scale up the production and is therefore not utilising the production capacity in full. The increased production and investment in production equipment will continue during 2010.

OPERATION

4. Harvesting

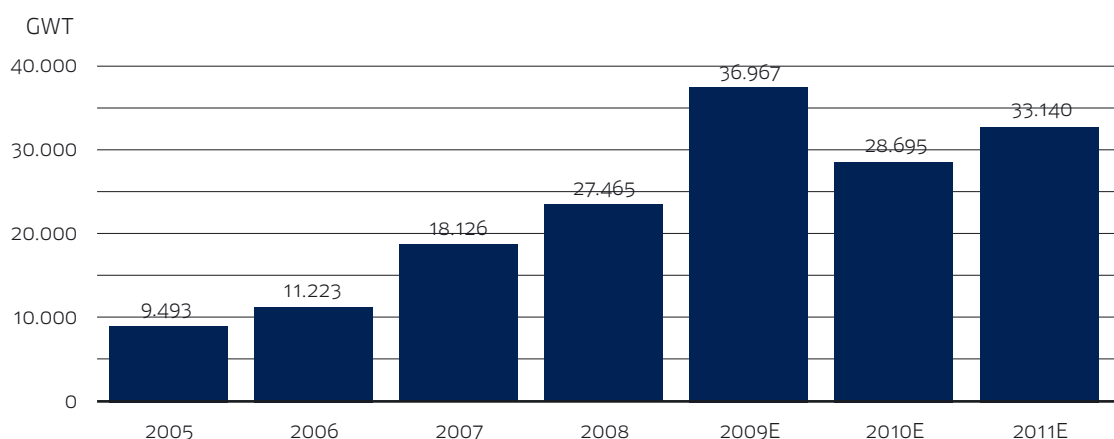
The total production in 2009 (Bakkafrost and Vestlax) was about 30,500 tonnes gutted weight. Based on the number of smolt released and the number to be released this year, Bakkafrost expects harvesting of 27,000 tonnes gutted weight in 2010 and 33,000 tonnes gutted weight in 2011. The reduction in 2010 is explained by reduced volumes in Vestlax due to low smolt output in 2008. The plan is to increase volume around 5% per year in years to come.



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

All the fish are harvested at the slaughter factories in Klaksvík and Kollafjørð. The slaughteries have a daily capacity of around 220 tonnes wfe at the current run rate of 1½ shift on average. The fish is transported from the farming sites to the slaughteries in well boats with closed end-water systems.

Bakkafrost's well-boat fleet consists of two vessels: one smaller well boat (230m³ / 45 tonnes wfe) and a larger well boat (660m³ / 110 tonnes wfe), both with closed systems.

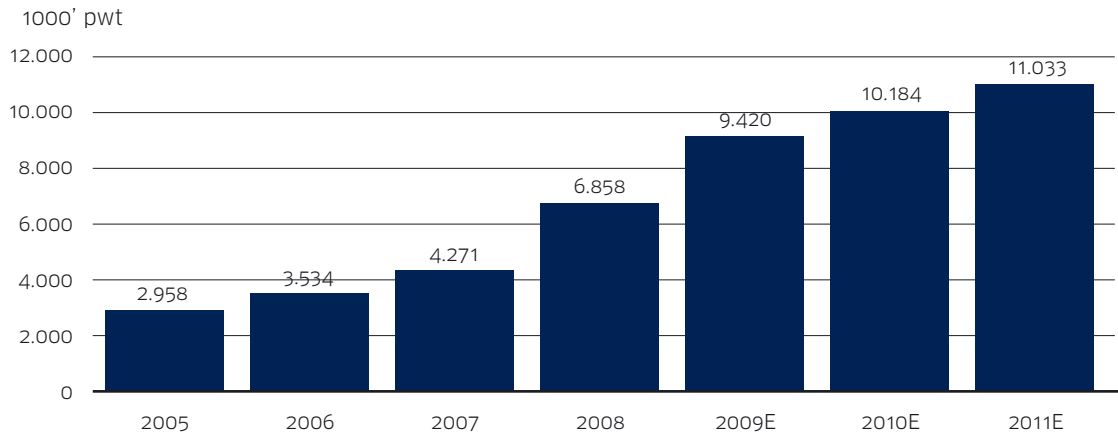


5. Processing and refinement

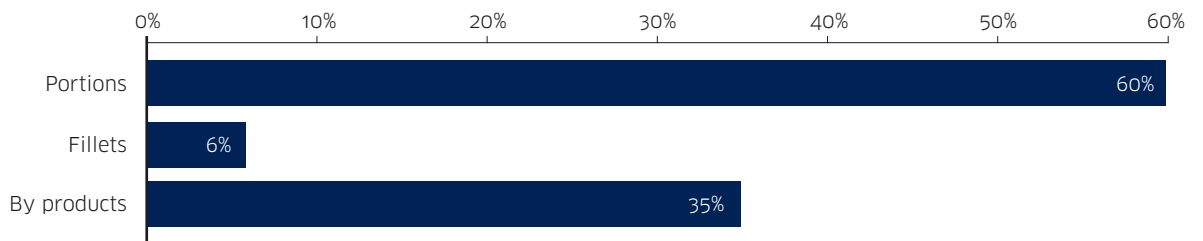
The 4,000m² VAP factory in Glyvrar has a production capacity of 140 tonnes of skin- and boneless 125g vacuum-packed portions in retail boxes per day.

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

OPERATION



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



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

OPERATION

6. Sales and distribution

Sales strategy

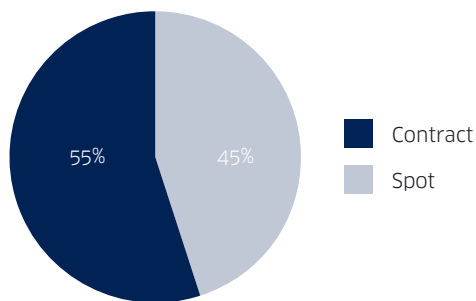
The strategy of the Group is to balance the sales mix between different geographical markets as well as different product segments.

The two most important markets are the European market and the US market, in which Bakkafrost mainly sells VAP products and whole fish. As a rule, the VAP products are sold on long-term contracts and the whole fish is sold in the spot market.

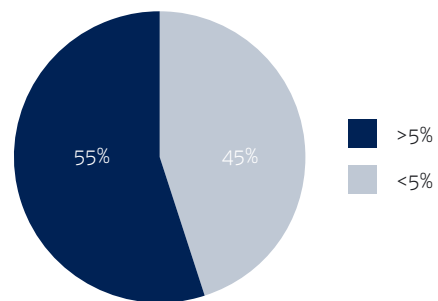
Bakkafrost believes that its capability to serve both these geographical markets with the two categories of products efficiently reduces cross-cycle fluctuations in both revenues and profitability.

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

SPLIT CONTRACT VS SPOT



SPLIT LARGE VS SMALL CUSTOMERS



Distribution

The current distribution network is based on boat to Europe and plane to the US. The Group is able to distribute both fresh and frozen fish to the market.

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

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

HEALTH, SAFETY AND THE ENVIRONMENT

ETHICAL GUIDELINES

In 2009, Bakkafrost developed a new code of conduct with guidelines regarding values and ethics. The intention is to focus on excellence in operations and strive to apply a working methodology, which ensures a good and sound working environment. Among other things, this means that the Group shall systematically promote employee satisfaction, seek to attain an injury- and accident-free work place, optimise raw material and energy consumption and minimise waste.

We shall strive towards always meeting, and preferably exceeding, the requirements of all relevant legislation. All employees shall help to create a work environment free from any discrimination.

HEALTH AND SAFETY

In 2009, we have increased our focus on employee health and safety. A review of general risk analysis and risk assessments regarding human health and safety have been carried out, especially for the farming sites and hatcheries. The risk analysis has been executed in co-operation with our employees. We have updated our working boats according to all safety measures in 2009. We are also working in close co-operation with the authorities and other farmers to find the best-suited system for the farming sites to avoid accidents on the sea.

The human health safety work is ongoing on each location, regarding the farming, hatcheries and the processing plants, and is evaluated continuously. In 2009, our employees received updated education in first aid and safety measures. There is a need for further examination for preventive actions, including changing or introducing procedures, technical solutions and education. In 2010, we will continue examining the areas that were recognised as needing attention in 2009 and improve the awareness of health and safety even more, through further education and implementing more stringent procedures on this area and improving accident reporting systems.

FISH HEALTH, ANIMAL WELFARE AND DISEASE PREVENTION (BIO SECURITY)

Fish health, animal welfare and prevention of diseases are a very high priority for the Group. We are working closely with veterinarians and the veterinary authorities in order to secure the best environment and to prevent any possible outbreaks. Descriptions of the diverse hazards and risk assessments have been revised in 2009 and will continuously be updated. For each possible disease or hazard, preventive actions are described and followed.

There have not been any outbreaks of diseases or troubles with sea lice in Bakkafrost's sites in 2009.

Vestlax has experienced some difficulties with lice. However, as a proactive step, we have increased our focus and surveillance of sea lice in 2009. We are working closely with the authorities and other farmers on this subject.

ENVIRONMENTAL ISSUES

Our code of conduct emphasises that we shall strive to be a market leader in environmental protection. All employees are required to bear in mind the environmental effects work-related activities have on nature and the environment and apply environmentally friendly solutions to the extent reasonably possible.

We continuously strive to maintain a sound and healthy environment. It is very important for us to prevent pollution and distortion of the natural ecological balances of the environment relating to our operations.

Environmental risks analyses are performed and were revised in 2009. Preventive actions are being taken to minimise the possible impacts on the natural environment, the ecological balances and hence the fish welfare, as a good and healthy environment is required for fish farming.

Our fish farms, hatcheries and processing plants are all approved by the Faroese environmental authorities and fully comply with the requirements set in these environmental approvals.

Amongst several demands in the approvals for the farming part, requirements are made with respect to regular monitoring of the seabed in the fish farming areas. The regular monitoring results of our farming areas have shown, again in 2009, that we fully comply with the regulatory requirements and limit values. Our farming areas are situated in the best suitable environment.

FOOD SAFETY

Our processing plants are approved and certified by the Faroese authorities regarding food safety. These approvals are all based on HACCP standards. Furthermore, our factory at Bakkafrost, Glyvrrar, holds both a BRC and IFS certification, both of which were updated in 2009.

HEALTH, SAFETY AND THE ENVIRONMENT

GLOBAL GAP

We are working towards achieving Global GAP certification in 2010. Global GAP is an international standard which focuses on food safety throughout the whole production (based on HACCP), fish welfare and health, safety and the environment.

NEW OPPORTUNITIES

The merger with Vestlax in 2010 will have myriad positive opportunities for our business. The merger will increase our knowledge capacity based on experience and educational measures. The increase in farming sites will allow us to exploit our sites in the most sustainable way; we will have more processing capacities, and hence be able to further ensure a product of the highest quality and food safety.

SHAREHOLDER INFORMATION

Information to shareholders has high priority in Bakkafrost. When becoming listed on Oslo Børs, Bakkafrost will aim to maintain a regular dialogue with the Group's shareholders through the formal channel of stock exchange announcements, interim reports, annual reports, annual general meetings and presentations to investors and analysts.

FINANCIAL CALENDAR 2010

15 February 2010	Annual General Meeting – Glyvvar, Faroe Islands
26 May 2010	Presentation Q1 2010 results
20 August 2010	Presentation Q2 2010 results
9 November 2010	Presentation Q3 2010 results

Please note that the financial calendar is subject to change. The Group's website, www.bakkafrost.com, will be updated with any changes as soon as they become known.

ANNUAL GENERAL MEETING

The parent company's Annual General Meeting is planned for 15 February 2010.

AUDITORS

The consolidated accounts have been audited by Sp/f Grannskoðaravirkid Inpact, löggitl grannskoðaravirkid (State-Authorised Public Accountants), which is also the auditor of the parent company and all its subsidiaries.

DIVIDEND

Bakkafrost aims to give its shareholders a competitive return on their investment, both through payment of dividends from the Company and by securing an increase in the value of the equity through positive operations. Generally, the Company should pay dividends to its shareholders, but it is the responsibility of the Board of Directors to make an overall assessment in order to secure the Company a healthy capital base, both for daily operations and for a healthy future growth of the Company.

The Board proposes to the AGM held on 15 February 2010 a dividend payment of a total of DKK 18 million.

SHAREHOLDERS, CAPITAL AND VOTES

P/F Bakkafrost Holding had, on 31.12.2009, a total of 2,991,789 shares outstanding, each with a nominal value of DKK 1 or multiple.

LARGEST SHAREHOLDERS

Shareholders holding more than 5% in the Company as of 31 December 2009 were:

DKK 1,000	Nominal value of shares	Voting rights	Share holding
P/F Føroya Banki	1,007,621	33.68%	33.68%
Hans Jacobsen	473,043	15.81%	15.81%
P/F Havsbrún	472,285	15.79%	15.79%
J. Regin Jacobsen	424,558	14.19%	14.19%
Kverva AS	217,095	7.26%	7.26%
Total shareholder holding more than 5%	2,594,602	86.73%	86.73%
Total other shareholders	397,187	13.27%	13.27%
Total no. of shares	2,991,789	100.00%	100.00%

BOARD MEETINGS

In 2009, the Board of P/F Bakkafrost Holding held 11 Board meetings.

SHAREHOLDER INFORMATION

DIRECTORS' PROFILES

Rúni M Hansen, Chairman of the Board

Born 1967. MSc. in Economics and Business Administration, Copenhagen Business School, 1993. DBA, Lancaster University, The Management School, Lancaster UK, 1994. Career: Statoil, member of Global Exploration management team for Europe and North Africa, 2007-present. Director for Statoil Faroes and Statoil Greenland. Board member of Vónin 1998-2008, Chairman 2002-2008. Board Member of Føroya Banki 1999-2006, Vice Chairman 2003-2006. Rúni M Hansen holds no shares in the Company.

Odd Eliassen, Deputy Member of the Board

Born 1965. Sales manager Havsbrún 1988-1995, Director of Feed Department of Havsbrún 1995-present. Board member of Viking Seafood and Faroe Farming. Odd Eliassen holds no shares in the Company.

Trine Sæther Romuld, Board member

Born 1968. State-authorised auditor from NHH. Career: Arthur Andersen & Co./Ernst & Young nine years. Executive Vice President in Aker ASA and CFO in Aker Drilling ASA from Aug. 2007-Dec. 2008. CFO in Pan Fish ASA / Marine Harvest ASA for four years. Board director in Aker Seafoods ASA, Aker Floating Production ASA, Aker Drilling Services AS, Aker Drilling Operations AS and Barents Base AS. Trine Sæther Romuld holds no shares in the Company.

Virgar Dahl, Board member

Born 1958. Director of Marine Department in Tryggingarfelagið Føroyar, Board member of Føroya Realkreditstovnur. Virgar Dahl holds no shares in the Company.

Johannes Jensen, Board member

Born 1966. MBA, Lancaster, Lancaster University 1998. Faroe Seafood 1987-2001. Marketing Director Faroe Seafood 1999-2001, Managing Director Hotel Føroyar 2002-present. Board member Effo, Board member sp/f Coastzone, Board member Framtak, Board member sp/f Etika Holding. Johannes Jensen holds no shares in the Company.

Annika Frederiksberg, Board member

Born 1971. Graduated from Faroese Business School – Basic Vocational Course, Commercial Line in 1988. Part of Bakkafrost administration team 1990-2008. Part of Bakkafrost sales team 2008-present. Board member since 2008. Annika Frederiksberg holds no shares in the Company.

The Board of Directors remuneration is disclosed in the notes to the consolidated financial statement.

SHAREHOLDER INFORMATION

MANAGEMENT'S PROFILES

Regin Jacobsen, Chief Executive Officer

Regin Jacobsen (born 1966) has been the CEO of Bakkafrost since 1989. Mr. Jacobsen is educated at Aarhus School of Business, Graduate Diploma in Business Administration and Accounting (HD-R). From 1982 to 1988, Mr. Jacobsen was accounting manager of the former P/f Bakkafrost, and from 1988 until 2006, he held the position of Managing Director of the former P/f Bakkafrost.

Teitur Samuelsen, Chief Financial Officer

Teitur Samuelsen (born 1972) was appointed CFO of Bakkafrost in December 2009. He holds a BA in Business Economics and an MSc in Business Economics & Auditing from Copenhagen Business School. Mr. Samuelsen has previously worked for Dong Energy E&P A/S as licence controller, and he was CFO of Atlantic Petroleum from 2005 to 2009.

Frederik Hansen, Sales Manager

Frederik Hansen (born 1973) has been Sales Manager of Bakkafrost since 2007. He was educated at Føroya Sjómannaskúla as Captain in 1997. From 1997-2000, he was a sailor as a navigator and Captain. From 2000 to 2006, he was department leader of Faroe Ship's operations in various places, both in Faroes and abroad. From 2006, he was Sales Manager of Faroe Ship.

Kári Jacobsen, Manager, VAP production and processing

Kári Jacobsen (born 1963) has been Manager of VAP production and processing since 2008. He is educated at Statens Fagskole for Fiskeindustri 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 Faroe Seafood from 1994 to 1998.

Andrias Petersen, Harvest Manager

Mr. Andrias Petersen holds a BSc in Chemical Engineering from the technical university of Denmark (2001) and has since completed courses in general-, project- and quality management. From 2002-2008, he worked with the Faroese Food, Veterinary, and Environmental Agency in positions as official supervisor, quality manager and head of the department of fish health, where he obtained a good knowledge of the Faroese fish farming industry. Mr. Andrias Petersen has been Production Manager at Vestsalmon since 2008.

Jón Purkhús, Farming Manager

Jón Purkhús (born 1958) has been Farming Manager since 2006. Mr. Purkhús has extensive experience in the salmon farming industry, as he founded and has been director of Bakkafrost Farming North since 1988. Jón Purkhús is Managing Director of JH Holding, which holds approximately 1.31% of the shares in Bakkafrost.

Leif av Reyni, Fresh Water Manager

Leif av Reyni is Kandidat (BSc) in Aquaculture, Høgskolen i Sogndal, Norway (1999-2002) and MSc in Aquaculture, Stirling University, Scotland (2002-2003). From 2003-2004, he worked for Vestlax at two of their sea sites, in Vestmanna and Veðranes, farming salmon and trout. From 2004-2005, Mr. Leif av Reyni worked as project manager for the local Aquaculture Research Station in the Faroe Islands. Since 2005, he has been Production Manager at Vestlax and responsible for sea sites and hatcheries. Since 2006, he has been on the Board of the Faroese Aquaculture Research Station.

The Management's remuneration is disclosed in the notes to the consolidated financial statement.

CORPORATE GOVERNANCE REPORT

PRINCIPLES OF CORPORATE GOVERNANCE

P/F Bakkafrost is dedicated to maintaining high standards of corporate governance. The Company endeavours to be in compliance with the Norwegian corporate governance regime, as detailed in the Norwegian Code of Practice for Corporate Governance, published on 21 October 2009 by the Norwegian Corporate Governance Board (the "Code of Practice").

The Company's principles for corporate governance correspond with the Code of Practice.

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

GOVERNANCE STRUCTURE

The General Meeting

Through the General Meeting, the shareholders exercise the highest authority in the Company. All shareholders are entitled to submit items to the agenda, meet, speak and vote at General Meetings.

The Annual General Meeting is held each year before the end of April. Extraordinary General Meetings may be called by the Board of Directors at any time. The Company's auditor or shareholders representing at least 10 percent of the total share capital may demand that an Extraordinary General Meeting be called.

General Meetings are convened by the Board of Directors.

The General Meeting elects the members and deputy members of the Board of Directors, determines the remuneration of the members of the Board of Directors, approves the annual accounts, discusses the Board of Directors' guidelines on management remuneration and decides such other matters which by law or the Company's Articles of Association are to be transacted at the General Meeting.

The Board of Directors

The Board of Directors has the overall responsibility for the management of the Company. This includes a responsibility to supervise and exercise control of the Company's activities.

The proceedings and responsibilities of the Board of Directors are governed by a set of rules of procedures.

It is the Company's intention that the members of the Board of Directors will be selected in light of an evaluation of the Company's needs for expertise, capacity and balanced decision-making, and with the aim of ensuring that the Board of Directors can operate independently of any special interests and that the Board of Directors can function effectively as a collegiate body.

The majority of the shareholder-elected members of the Board of Directors shall be independent of the Company's management and its main business connections. At least two of the shareholder-elected members of the Board of Directors shall be independent of the Company's main shareholder(s). Members of the management shall not be members of the Board of Directors.

The term of office for members of the Board of Directors is two years.

Chief Executive Officer

The Chief Executive Officer is responsible for the day-to-day management of the Company. The Chief Executive Officer is responsible for ensuring that the Company's accounts are in accordance with existing Faroese legislation and regulations and other relevant laws, and that the assets of the Company are soundly managed.

The Chief Executive Officer is appointed by the Board of Directors and reports to the Board of Directors.

The powers and responsibilities of the Chief Executive Officer are defined in instructions adopted by the Board of Directors.

The Nomination Committee

According to its Articles of Associations, the Company shall have a Nomination Committee. The Nomination Committee consists of 3-5 members. The members of the Nomination Committee, including the Committee Chairman, are elected by the General Meeting. Members of the Nomination Committee serve for two-year periods. The task of the Nomination Committee is to nominate candidates for election as members and deputy members of the Board of Directors and to make recommendations regarding the remuneration of the members of the Board of Directors.

CORPORATE GOVERNANCE REPORT

Remuneration of the members of the Nomination Committee will be determined by the General Meeting. Principles for the work and election of the Nomination Committee shall be presented to the General Meeting for approval.

EQUAL TREATMENT

The Company has one class of shares. Each share in the Company carries one vote. All shares in the Company are freely transferable.

All shareholders shall be treated on an equal basis. The shareholders shall not be exposed to differential treatment that lacks a factual basis in the Company's and the shareholders' common interest.

VALUES AND ETHICS

The Company aspires to create a sound corporate culture. Thus, the Board of Directors has resolved and adopted a code of conduct to these principles of corporate governance.

The Company's policy requires its directors and employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. Directors and employees must practice fair dealing, honesty and integrity in every aspect in dealing with other employees, business relations and customers, the public, the business community, shareholders, suppliers, competitors and government authorities. The Company strives to be a reliable partner achieved by quality operations, strict discipline, prioritising high-quality solutions, predictable deliveries and a high level of service.

The Company has adopted a set of guidelines based on the highest health, safety and environment standards.

AUDIT MATTERS

The Board of Directors has resolved and approved guidelines for the Company's auditor and persons associated with the auditor performing non-auditing work.

The primary task of the auditor shall be to perform the audit work required by law and professional standards with the level of care, competence and integrity required by law and such standards. Assigning non-auditing work to the auditor or any affiliate of the auditor may potentially create conflicts of interest and diminish the public's confidence in the auditor's integrity and independence.

The Company shall have an Audit Committee which shall be elected by and among the members of the Board of Directors.

EQUITY

The Company shall have a level of equity which is appropriate to its objectives, strategy and risk profile.

INVESTOR RELATIONS

The Company's information policy shall be based on openness and equal treatment of all shareholders.

Communication with shareholders, investors and analysts is a priority for P/F Bakkafrøst Holding (the "Company"). The Company's objective is to ensure that the financial market and the shareholders have sufficient information about the Company to be certain that pricing reflects underlying values. Care will be taken by the Company to ensure an impartial distribution of information when dealing with shareholders and analysts. The Company will arrange open investor presentations in connection with the Company's annual and quarterly reports. Presentations made for investors in connection with the annual and quarterly reports will be made available on the Company's website. Important events affecting the Company will be reported immediately.

TAKE-OVER POLICY

The Company shall have a take-over policy which ensures that all shareholders are treated equally and that the Company's business activities are not disrupted unnecessarily.

In the event of a take-over bid being made for the Company, the Board of Directors will follow the overriding principle of equal treatment for all shareholders, and will seek to ensure that the Company's business activities are not disrupted unnecessarily. The Board of Directors will strive to ensure that shareholders are given sufficient information and time to form a view of the offer.

RELATED-PARTY TRANSACTIONS

Any related-party transactions shall be carried out in accordance with applicable legislation and the Company's internal guidelines.

All transactions between related parties shall be executed according to arm's-length principles.

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

The Management and Board of Directors have today considered and approved the Annual and Consolidated Report and Accounts of P/F Bakkafrost Holding for the financial year 1 January 2009 to 31 December 2009.

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

In our opinion, the accounting policies used are appropriate and the Annual and Consolidated Report and Accounts give a true and fair view of the Group and Parent Company's financial positions at 31 December 2009, as well as the results of the Group's and the Parent Company's activities and cash flows for the financial year 1 January 2009 to 31 December 2009.

Glyvrrar, 15 February 2010

Management:

Regin Jacobsen
CEO

Board of Directors:

Rúni M. Hansen,
Chairman of the Board

Odd Eliassen,
Vice-chairman

Trine Sæther Romuld,
Board Member

Virgar Dahl,
Board Member

Annika Frederiksberg,
Board Member

Johannes Jensen,
Board Member

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF BAKKAFROST GROUP

We have audited the Annual Report of Bakkafrost Group for the financial year 1 January to 31 December 2009, which comprises the statement by the Management and Board of Directors on the Annual Report, Managements Review, Accounting Policies, Income Statement, Statement of Financial Position, Statement of Changes in Equity, Cash Flow Statement and Notes for the Group as well as the Parent Company. The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and additional Faroese disclosure requirements for Annual Reports of listed companies.

THE MANAGEMENT AND BOARDS OF DIRECTORS' RESPONSIBILITY FOR THE ANNUAL REPORT

The Management and Board of Directors are responsible for the preparation and fair presentation of this Annual Report in accordance with International Financial Reporting Standards as adopted by the EU and additional Faroese disclosure requirements for Annual Reports of listed companies. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of an Annual Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

AUDITOR'S RESPONSIBILITY AND BASIS OF OPINION

Our responsibility is to express an opinion on this Annual Report based on our audit. We conducted our audit in accordance with Faroese Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance on whether the Annual Report is free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Annual Report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the Annual Report, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the Group's preparation and fair presentation of the Annual Report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies applied and the reasonableness of accounting estimates made by the Management and Board of Directors, as well as evaluating the overall presentation of the Annual Report.

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

Our audit did not result in any qualification.

OPINION

In our opinion, the Annual Report gives a true and fair view of the Group's and the Parent Company's financial position at 31 December 2009 and of the results of the Group's and the Parent Company's operations and cash flows for the financial year 1 January to 31 December 2009 in accordance with International Reporting Standards as adopted by the EU and additional Faroese disclosure requirements for Annual Reports of listed companies.

Tórshavn, 15 February 2010

Sp/F Grannskoðaravirkið INPACT

løggilt grannskoðaravirki/State-Authorized Public Accountants

Jógvan Amonsson

State-Authorized Public Accountant

Jógvan Joensen

Authorized Public Accountant

BAKKAFROST'S CONSOLIDATED ACCOUNTS

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR 2009

DKK 1,000	Note	2009	2008
Operating revenue		596,565	365,634
Purchase of goods		-213,606	-175,799
Change in inventory and biological assets (at cost)		-32,724	39,104
Fair value adjustments on biological assets	12	33,655	-7,632
Salary and personnel expenses	5	-78,014	-60,944
Other operation expenses		-93,025	-78,132
Income from associates		340	-111
Depreciation	8	-20,797	-18,963
Earnings before interest and taxes (EBIT)		192,394	63,157
Financial income		2,915	1,505
Net interest expenses		-13,065	-17,794
Net currency effects		-630	-44
Other financial expenses		-377	-677
Earnings before taxes (EBT)	7	181,237	46,148
Taxes	17	-32,509	-7,810
Profit for the year		148,728	38,339
Earnings per share continued operations (DKK)	20	49.71	12.81
Diluted earnings per share (DKK)		49.71	12.81
Comprehensive income:			
Profit for the year		148,728	38,339
Fair value adjustment on securities available for sale net tax		3,509	967
Total comprehensive income for the year net tax		152,237	39,306
OPERATIONAL EARNINGS / KEY FIGURES		2009	2008
Operational EBITDA		213,191	82,120
Operational EBIT		192,394	63,157
Operational EBT		181,237	46,148

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2009

DKK 1,000	Note	2009	2008
ASSETS			
Property, plant and equipment			
Land buildings and other real estate		83,985	80,292
Plant machinery and other operating equipment		137,461	141,129
Other operating equipment		9,556	9,234
Total property, plant and equipment	8	231,002	230,655
NON-CURRENT FINANCIAL ASSETS			
Investments in associated companies	9	2,723	2,417
Investments in stocks and shares	10	23,539	7,598
Other non-current receivables		478	6,986
Total non-current financial assets		26,739	17,002
TOTAL NON-CURRENT ASSETS		257,741	247,657
CURRENT ASSETS			
Biological assets (biomass)	12	227,497	229,720
Inventory	11	20,527	17,373
Total inventory		248,024	247,093
Accounts receivable	13	66,644	42,469
Other receivables	13	13,304	14,839
Total receivables		79,948	57,309
Cash and cash equivalents	16	35,319	471
Total current assets		363,291	304,873
TOTAL ASSETS		621,032	552,530

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS OF 31 DECEMBER 2009

DKK 1,000	Note	2009	2008
EQUITY AND LIABILITIES			
Equity			
Share capital	15	2,992	2,992
Other equity		385,895	238,658
Total equity	14	388,887	241,650
NON-CURRENT LIABILITIES			
Deferred taxes	17	57,082	23,802
Long-term interest bearing debts	16	34,350	87,382
Total non-current liabilities		91,431	111,184
CURRENT LIABILITIES			
Short-term interest bearing debt	16	98,262	156,313
Accounts payable and other debt	16	42,451	43,382
Total current liabilities		140,714	199,696
Total liabilities		232,145	310,880
TOTAL EQUITY AND LIABILITIES		621,032	552,530

CONSOLIDATED STATEMENT OF CASH FLOW

CONSOLIDATED CASH FLOW STATEMENT FOR 2009

DKK 1,000	Note	2009	2008
CASH FLOW FROM OPERATIONS			
Operating profit (EBIT)		192,394	63,157
Adjustments for write-downs and depreciation		20,797	18,963
Adjustments for value adjustments on biomass		-33,655	7,632
Taxes paid		0	0
Change in inventory		32,724	-39,104
Change in other current assets		-22,639	-7,386
Change in current debts		-931	5,734
Cash flow from operations		188,691	48,995
CASH FLOW FROM INVESTMENTS			
Proceeds from sale of fixed assets	8	50	0
Payments made for purchase of fixed assets	8	-21,194	-33,539
Purchase of shares and other investments		-11,967	-113
Change in long-term receivables		6,509	-6,899
Cash flow from investments		-26,602	-40,551
CASH FLOW FROM FINANCING			
Proceeds from interest bearing debt (short and long)		0	14,017
Down payment of interest bearing debt (short and long)		-111,084	0
Received interest		2,915	1,505
Paid interest		-14,072	-18,514
Equity paid out		-5,000	-5,000
Cash flow from financing		-127,241	-7,992
Net change in cash and cash equivalents in period		34,848	452
Cash and cash equivalents - opening balance		471	18
Cash and cash equivalents - closing balance total		35,319	471

CONSOLIDATED CHANGES IN EQUITY

BAKKAFROST GROUP

DKK 1,000	Note	2009	2008
Total equity 01.01		241,650	207,344
Profit for the year to equity		148,728	38,339
Fair value adjustment on securities available for sale		4,279	1,179
Deferred tax on securities available for sale		-770	-212
Total other comprehensive income		3,509	967
Proposed dividend		-18,000	-5,000
Total gains and losses charged directly to equity		-18,000	-5,000
Total recognised income and expense to equity		134,237	34,306
Equity transactions between the company and its shareholders			
Distribution of dividend		-5,000	-5,000
Proposed dividend		18,000	5,000
Total equity to shareholders during the year		-13,000	0
Total change in equity during the year		147,237	34,306
Total equity 31.12		388,887	241,650

NOTES – BAKKAFROST GROUP

NOTE 1. GENERAL INFORMATION

P/F Bakkafrost Holding is a Faroese Company located at Bakkavegur 8, Glyvvar in the Faroe Islands. P/F Bakkafrost Holding is planning to be listed on the Oslo Stock Exchange in 2010.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

BASIS OF PRESENTATION

The Annual Report comprises the income statement, statement of financial position, specification of changes in equity, cash flow statement and note disclosures for the Group. The accounting year equals the calendar year.

The financial statements were formally drawn up in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Accounting Standards Board as approved by the European Community.

The financial statements were formally approved by the Board of Directors on 15 February 2010.

The Annual Report has been prepared on a historical cost basis except for where IFRS require recognition at fair value, mainly valuation of biomass.

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

CONSOLIDATION PRINCIPLES

The consolidated financial statements include Bakkafrost Holding and the subsidiaries over which Bakkafrost Holding has controlling influence either by shareholding or by agreement. A controlling interest is normally deemed to exist when ownership directly or indirectly exceeds 50 percent of the voting capital. Controlling interest may also exist by nature of agreement. Similarly, limitations in voting rights by agreement may impede exercise of control, and the investment concerned will be considered an associate. Newly acquired subsidiaries are included from the date on which a controlling interest is secured, and divested subsidiaries are included up until the date of divestment. The consolidated accounts have been prepared in accordance with uniform accounting principles for similar transactions in all companies included in the consolidated accounts. All material transactions and balances between Group companies have been eliminated.

Shares in subsidiaries have been eliminated in the consolidated financial statements in accordance with the acquisition method. This means that the acquired company's assets and liabilities are reported at fair value at the date of acquisition, with any excess value being classified as goodwill. Where the fair value of the assets acquired exceeds the payment made, the difference is treated as revenue in the Profit & Loss Account. Deferred tax is capitalised to the extent to which identifiable excess values ascribed to assets and liabilities leads to an increase or decrease in future tax payable when these differences are reversed in future periods. Deferred tax is capitalised and calculated using a nominal undiscounted tax rate.

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

Investments in companies in which the Group has a considerable interest (associated companies) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist when the Group owns 20-50 percent of the voting capital. The Group's share of the profits in such companies is based on profit after tax, less internal gains and depreciation on excess value due to the cost price of the shares being higher than the acquired portion of book equity. In the Profit & Loss Account, the profit share is presented as a financial item, while the assets are presented in the statement of financial position as long-term financial assets. The accounting principles used by associated companies have been changed where necessary to achieve consistency with the principles used by the Group as a whole.

MINORITY INTERESTS

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

REVENUES

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

NOTES – BAKKAFROST GROUP

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

FAIR VALUE ADJUSTMENTS ON BIOLOGICAL ASSETS

Changes in estimated fair value on biomass are recognised in the income statement at every closing. The fair value adjustment is reported on a separate line: "fair value adjustment on biomass". The change in fair value adjustment is calculated as the change in fair value of the biomass less the change in accumulated cost of production for the biomass. At harvest, fair value adjustments are reversed.

FINANCIAL INCOME

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

SEGMENT REPORTING

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

Farming including sale of fresh fish

The Group has production facilities in the north-eastern parts of the Faroe Islands. There are no significant differences in the production properties of the licences, and the Group therefore reports the farmed salmonids, including the sale of fresh salmon, as one segment.

Value Added Products (VAP)

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

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

CLASSIFICATION PRINCIPLES

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

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

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

Biomass is recognised at fair value in the Statement of Financial Position. Changes in biomass in inventory measured at cost are presented as a one line item in the Profit & Loss Account. Biomass at cost consists of all production costs including actual interest costs.

The biomass is then adjusted to fair value, i.e. market value less finishing costs, by adding/deducting an IFRS adjustment. The IFRS adjustment is the difference between biomass measured at cost and measured at fair value. Changes in the fair value of biological assets are presented on a line item separately from biomass changes measured at cost, under operating profit/loss. This allows the reader of the Financial Report to determine both production efficiency and biomass at fair value.

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

FOREIGN CURRENCIES

The consolidated accounts are presented in Danish Kroner (DKK), which is the Group's functional and presentation currency. All transactions in foreign currencies are translated into DKK at the time of transaction. In the statement of financial position, monetary items in foreign currencies are translated at the exchange rate in effect on the statement of financial position date.

BORROWING COSTS

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

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

NOTES – BAKKAFROST GROUP

RECEIVABLES

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

INVENTORY

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

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

VAP unit. Inventories consist of raw material, additives, packaging material and finished goods. Raw material in the VAP unit consists basically of processed salmonids. Raw materials are measured at fair value at the time of harvesting. Packaging material and additives are valued at the lower of cost or expected sales price less sales costs. The FIFO principle is used concerning the periodic assignment of inventory costs.

Finished goods in inventory, fresh or frozen, are measured at the lower of cost or the expected sales price less sales costs. In case where cost price exceeds sales price less sales cost, impairment is entered and charged to Profit & Loss.

The cost price of goods produced in-house is the full production cost, including production costs which can be only indirectly allocated to produce goods, less general administration costs. This includes actual interest paid for production credit facilities.

BIOLOGICAL ASSETS

Biological assets (biomass) comprise salmon fry and fish in the sea. The valuation of biological assets is based on cost price, with the addition/deduction of a fair value adjustment, which is based on market prices of salmon at marketable sizes on average for a generation. Consequently, the valuation of biomass in the statement of financial position reflects biomass at market values, and profit and loss presents production costs and fair value adjustments separately.

This is in accordance with IAS 41, which requires biological assets to be measured at fair value.

At the point when a new generation of smolt is launched to sea, the generation is measured at production cost. Smolts are predominantly produced in-house, and smolts put to sea are measured at production cost.

At the early stages of production at sea, the assumption of the measurement being clearly unreliable is maintained. At average sizes of approximately 2 kilos/fish, the fair value measurement of the generation becomes less than clearly unreliable. At this point, fair value measurement commences.

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

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

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

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

FIXED-PRICE CONTRACTS

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

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

NOTES – BAKKAFROST GROUP

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment are capitalised at acquisition cost, less accumulated depreciation and writedowns.

When assets are sold or divested, the book value is deducted and any loss or gain entered to Profit & Loss. Ordinary depreciation commences from the date on which the asset goes into normal operation, and is calculated on the basis of its economic lifespan. Depreciation is assigned in a straight line over the expected economic lifespan of the assets, taking into consideration the estimated residual value. If an asset comprises significant components with varying lifespans, these components are 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 lower than the carrying amount and the impairment is not expected to be temporary, the assets are written down to the recoverable value. The recoverable value is the higher of net sales price or value in use.

Value in use is the present value of the future cash flows which the asset will generate.

LEASING CONTRACTS

Operating assets which are leased on terms which transfer the bulk of the financial risk and control to the Company (financial leasing) are recorded in the statement of financial position as property, plant and equipment, and the corresponding leasing liability is included under long-term interest bearing liabilities at the present value of the leasing payments. The asset is depreciated as scheduled, and the liability is reduced by the amount of lease paid less a calculated interest cost. The depreciation period is consistent with similar assets which are owned by the Group.

INTANGIBLE ASSETS

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

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

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

Capitalised R&D costs are recognised at acquisition cost less accumulated depreciation and write-downs. Capitalised R&D costs are depreciated in a straight line over the asset's estimated period of use.

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

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

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

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

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

Goodwill is not depreciated but is tested for impairment annually or more often if there are indications that its value is lower than the carrying amount. When assessing the need to write-down goodwill, this is assigned to relevant cash flow generating units or those groups which are expected to benefit from the acquisition. Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash-flow generating units to which the goodwill is assigned. To identify the Group's cash-flow generating units, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated on the basis of value in use. This is arrived at by estimating future cash flows for the

NOTES – BAKKAFROST GROUP

next three years based on approved budgets and forecasts. Cash flows after three years are assumed to equal the expected rate of inflation. Cash flows are discounted by a rate of interest before tax, which takes account of relevant market risk. If the calculated value in use is lower than the carrying amount of the cash-flow generating unit, goodwill is written-down first and then other assets as required.

FINANCIAL INSTRUMENTS

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

Financial instruments at fair value with changes in value entered to Profit & Loss. Financial instruments which are held primarily for the purpose of buying or selling in the short term are classified as being held for trading purposes. These instruments are included in the category of financial instruments recognised at fair value with changes in value posted to profit and loss alongside forward currency contracts which are recognised at fair value with changes in value entered to Profit & Loss.

Loans and receivables. Loans and receivables are recognised at amortised cost using the effective interest method less any losses from impairment. Due to immaterial transaction cost and short credit times, amortised cost equals nominal value less provisions for bad debts.

Financial assets available for sale. Financial assets which are available for sale are recognised at fair value. Any changes in fair value are taken directly to equity, with the exception of losses deriving from any fall in value.

PENSIONS

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

TAX

The tax expense is matched against the profit & loss before tax, as it appears in the accounts. Tax ascribable to equity transactions are taken to equity. The tax expense comprises tax payable (tax on the year's direct taxable income) and changes in net deferred taxes. Deferred tax liabilities and deferred tax assets are presented net in the 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.

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 at that liability and when the amount in question can be reliably quantified. Provisions are reviewed on each closing date, and the level reflects the best estimate for the liability.

EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

New information regarding the Company's financial position on the statement of financial position which is received after the date of the statement of financial position has been recognised in the annual accounts.

Events after the date of the statement of financial position which do not affect the Company's financial position on the statement of financial position date, but which will affect the Company's future financial position are reported if material.

STATEMENT OF CASH FLOW

The Group's statement of cash flow shows a breakdown of the Group's overall cash flow into operating, investing and financing activities. The statement shows the individual activity's impact on cash and cash equivalents. The cash flow deriving from the acquisition and sale of business is presented under investing activities.

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INTRAGROUP REORGANISATION

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

Further, the legal placement of the processing activity is not in line with the segment definition, see note 4. Consequently, the management is planning to move the harvesting operation from the company P/F Bakkafrost Processing to P/F Bakkafrost Harvesting, which is part of the farming segment.

STANDARDS ISSUED BUT NOT YET EFFECTIVE

Below are listed new/amended/additions to standards and interpretations not yet effective for the annual period from 1 January – 31 December 2009. The effective date listed below is the latest date that that the Company can implement the new/amended/additions to standards and interpretations. The disclosure consists of standards and interpretations that are made public before the publication of the Annual Report.

Amendments not approved by the EU are not included in the list below.

IFRS 3 (revised) Business Combinations

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

IAS 27 (revised) Consolidated and Separate Financial Statements

The revised IAS 27 provides more guidance on accounting for changes in ownership interest in a subsidiary and the disposal of a subsidiary, compared to the current IAS 27. According to the revised standard, the entity measures the interest retained in a former subsidiary at fair value upon loss of control of the subsidiary, and the corresponding gain or loss is recognised through profit and loss. The revised standard also includes a change in the requirements relating to the allocation of losses in a loss-making subsidiary.

IAS 27 (R) requires total comprehensive income to be allocated between the controlling and the noncontrolling party, even if this results in the non-controlling interest having a deficit balance. IAS 27 (R) is effective for annual periods beginning on or after 1 July 2009. The Group plans to implement IAS 27 (R) as of 1 January 2010.

IFRIC 15 Agreements for the Construction of Real Estate

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

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

NOTE 3. ACCOUNTING ESTIMATES

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

Estimates are reviewed on an ongoing basis, and actual values and results may deviate from the initial estimates. Revision to accounting estimates are recognised in the period in which the estimates are revised.

The evaluations and estimates deemed to be of greatest significance for the Bakkafrost Group Financial Statements are as follows:

VALUATION OF BIOMASS

The valuation of biomass in the sea involves estimates of both volume and quality of the biomass. When valuing the biomass, the most updated data on development in the biomass is used, and the estimated quality grading is based on history. According to IAS 41, the biomass is carried in the statement of financial position at estimated fair value on the date of the statement of financial position. The estimate of the fair value of biomass will always be based on uncertain assumptions, even though the Company has built substantial expertise in assessing these factors. The volume of biomass is, in itself, an estimate that is based on the number of smolt put to sea, the estimated growth from the time of stocking, estimated mortality based on observed mortality in the period,

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etc. The principles of valuation are described further in the note to the biological assets in the financial statement for 2009.

FIXED-PRICE CONTRACTS

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

ACCOUNTING FOR DEFERRED TAXES

The accounting of deferred taxes reflects tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position. The recognition of a deferred tax asset is based on expectations of profitability in the future. In addition, there are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Deferred taxes are, calculated using the nominal tax rate according to IAS 12. This means that the net present value of effects from, for instance tax losses carried forward, that are utilised in the future will be different from carrying amounts.

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NOTE 4. OPERATING SEGMENT INFORMATION

2009 – DKK 1,000	Value Added			Bakkafrost Group
	Farming	Products	Eliminations	
External operating revenues	237,856	358,709	0	596,565
Internal operating revenues	250,011	-250,011	0	
Total operating revenues	487,867	358,709	-250,011	596,565
Depreciation and amortisation	-16,997	-3,800	0	-20,797
Operating expenses	-343,284	-74,085	0	-417,368
Internal operating expenses	0	-250,011	250,011	0
Fair value adjustments biological assets	33,655	0	0	33,655
Income from associates	312	28	0	340
Net operating profit (EBIT)	161,553	30,842	0	192,394
Net interest revenue	7,765	14	-4,865	2,915
Net interest expenses	-16,615	-2,322	4,865	-14,072
Earnings before taxes	152,703	28,534	0	181,237
Tax	-27,396	-5,113	0	-32,509
Net earnings	125,308	23,421	0	148,728
EBITDA	178,550	34,641	0	213,191
ASSETS				
Investments in associated companies	0	0	0	0
LIABILITIES	295,416	49,731	-113,002	232,145
INVESTMENTS				
Tangible operating assets	17,226	4,113	0	21,339
Intangible operation assets	0	0	0	0
Depreciation	-16,997	-3,800	0	-20,797

2008 – DKK 1,000	Value Added			Bakkafrost Group
	Farming	Products	Eliminations	
External operating revenues	122,463	243,171	0	365,634
Internal operating revenues	178,519	0	-178,519	0
Total operating revenues	300,982	243,171	-178,519	365,634
Depreciation and amortisation	-15,348	-3,615	0	-18,963
Operating expenses	-221,407	-54,364	0	-275,771
Internal operating expenses	0	-178,519	178,519	0
Fair value adjustments biological assets	-7,632	0	0	-7,632
Income from associates	238	-349	0	-111
Net operating profit (EBIT)	56,833	6,324	0	63,157
Net interest revenue	2,967	6	-1,468	1,505
Net interest expenses	-17,156	-2,825	1,468	-18,514
Earnings before taxes	42,643	3,505	0	46,148
Tax	-7,217	-593	0	-7,810
Net earnings	35,427	2,912	0	38,339
EBITDA	72,181	9,939	0	82,120
ASSETS				
Investments in associated companies	0	0	0	0
LIABILITIES	394,380	46,415	-129,915	310,880
INVESTMENTS				
Tangible operating assets	30,399	3,556	0	33,955
Intangible operation assets	0	0	0	0
Depreciation	-15,348	-3,615	0	-18,963

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DISTRIBUTION OF HARVESTED AND PURCHASED VOLUME

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

GEOGRAPHIC BRAKEDOWN OF SALES REVENUES BASED ON CUSTOMER LOCATION

By geographic market (group)	2009	2008
Europe	443,398	354,965
USA	128,210	943
(Other relevant segment)	24,956	9,726
Total	596,565	365,634

Bakkafrost Group is predominantly operating on the foreign markets.

Bakkafrost Group operates sea farming consisting of all production steps, from salmon roe to harvested Fish, at an average size of approximately 5 kilos fresh and gutted. The salmon is partly sold on the spot market for salmon products and exported to foreign seafood processing companies.

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

NOTE 5. SALARIES AND OTHER PERSONNEL EXPENSES

BREAKDOWN OF PAYROLL EXPENSES

DKK 1,000	2009	2008
Wages and salaries	71,027	56,186
Social security taxes	2,073	1,700
Pension expenses	4,777	3,058
Other benefits	137	0
Total payroll expenses	78,014	60,944

Average number of full-time employees	355	282
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RENUMERATION TO CORPORATE MANAGEMENT AND KEY PERSONNEL

Salary and other benefits paid	Salary	Bonus	Pension	Other	Total 2009
Chief Executive Officer	944	0	30	0	974
Chief Financial Officer*	72	0	0	0	72
Sales manager	470	0	61	0	531
Operation manager – farming	631	0	53	0	684
Operation manager – VAP	509	0	51	0	560
Operation manager – harvest	523	0	46	0	569
Operation manager – fresh water	620	0	55	0	675
Total remuneration	3,768	0	296	0	4,064

* Employed from December 2009

Remuneration to management and key personnel.

The total remuneration to the corporate management and key personnel consists of basic salary (main element), benefits in kind and pension schemes, but varies from person to person.

The Group's Chief Executive Officer determines the remunerations to other management and key personnel in agreement with the Chairman of the Board of Directors.

The total remuneration is determined based on the need to offer competitive terms in the various business areas. The remunerations should promote the Group's competitiveness in the relevant labour market. The total remuneration must neither pose a threat to Bakkafrost's reputation nor be market-leading, but should ensure that Bakkafrost attracts and retains senior executives with the desired skills and experience. The basic salary is subject to an annual evaluation and is determined based on general salary levels in the labour market.

NOTICE OF TERMINATION AND SEVERANCE PAY.

The Group's Chief Executive Officer has a basic period of notice from the company of 24 months, and other management and key personnel have a notice period of 6 to 12 months, depending on the position concerned.

Fees paid to the Board of Directors

DKK 1,000		2009	2008
• Rúni M Hansen (appointed 15 December 2009)	Chairman of the Board	0	0
• Odd Eliassen	Deputy Chairman of the Board	48	48
• Trine Sæther Romuld (appointed 15 December 2009)	Member of the Board	0	0
• Annika Frederiksberg	Member of the Board	48	40
• Virgar Dahl	Member of the Board	48	48
• Johannes Jensen (appointed 15 December 2009)	Member of the Board	0	0
• Liggjas í Bø (resigned 15 December 2009)	Chairman of the Board	96	96
• Hans Jacobsen (resigned 15 December 2009)	Member of the Board	48	48
• Óli Mortensen (resigned 15 December 2009)	Member of the Board	48	40

Loans to employees

As of 31.12.2009, there are no loans to employees.

NOTE 6. AUDITOR'S FEES

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

DKK 1,000	2009	2008
Statutory auditing	306	351
Tax advisory services	18	21
Other services	36	41
Total auditor's fees	360	413

NOTE 7. NET FINANCIAL ITEMS

DKK 1,000	2009	2008
Other financial income	2,915	1,505
Financial income	2,915	1,505
Interest expenses on long-term loans	-7,691	-7,620
Interest expenses on credit lines	-5,365	-10,167
Interest expenses on accounts payable	-10	-6
Financial expenses	-13,065	-17,793
Agio/disagio	-630	-44
Net currency effects	-630	-44
Other financial expenses	-377	-677
Other financial items	-377	-677
Net financial items	-11,157	-17,009

NOTE 8. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Plant, machinery operating equipment, fixtures, etc.	Other operating equipment	Total 2009	Total 2008
Acquisitions cost as of 01.01	94,307	194,535	12,273	301,115	267,160
Acquisitions during the year	6,683	13,202	1,454	21,339	33,955
Disposals during the year	0	-291	0	-291	0
Acquisitions cost as of 31.12	100,990	207,446	13,727	322,163	301,115
Re-evaluations as of 01.01	4,016	5,739	541	10,296	10,296
Re-evaluations as of 31.12	4,016	5,739	541	10,296	10,296
Accumulated depreciation and write-downs as of 01.01	-18,031	-59,145	-3,580	-80,756	-61,793
Depreciations during the year	-2,990	-16,675	-1,132	-20,797	-18,963
Accumulated depreciations and write-downs on disposals	0	96	0	96	0
Accumulated depreciation and write-downs as of 31.12	-21,021	-75,724	-4,713	-101,457	-80,756
Net book value as of 31.12	83,985	137,461	9,556	231,002	230,655

Buildings in Glyvrrar and Klaksvík are located on rented land.

Estimated lifetime	25 years	10 years	3-5 years
Depreciation method	linear	linear	linear

NOTE 9. SUBSIDIARIES AND ASSOCIATES

DKK 1,000 Company	Consolidated Yes/No	Head Office	Ownership	Voting share	Carrying amount in Bakkafrost Holding
P/F Faroe Salmon	Yes	Glyvrrar	100%	100%	157,339
P/F Faroe Salmon Processing	Yes	Glyvrrar	100%	100%	55,515
P/F Faroe Smolt	Yes	Glyvrrar	100%	100%	1,900
P/F Bakkafrost	Yes	Glyvrrar	100%	100%	8,168
P/F Kassavirkio á Bakka	Yes	Glyvrrar	100%	100%	6,667
P/F Salmon Proteins	No	Eiði	28.46%	28.46%	1,362
Total					230,952

Summarised financial information concerning P/F Salmon Proteins for 2009 (DKK 1,000):

Total revenue	7,425
Net earnings	1,042
Total assets	14,60
Net equity	9,152

ACQUISITIONS THROUGH BUSINESS COMBINATION

By 1 January 2010, P/F Bakkafrost Holding and P/F Vestlax Holding were merged into one holding company. Under IFRS 3 concerning business combinations, the merger was treated as an acquisition, in which P/F Bakkafrost Holding is the acquiring company and P/F Vestlax Holding the acquired company. Following the merger the shareholders of P/F Vestlax Holding owns 24.52% of the continuing company. Details of the fair value allocation and the effect on the statement of financial position is presented in the table below:

DKK 1.000	Carrying amount	Fair value adjustment	Impact on consolidated accounts
Goodwill	68,498	-64,961	3,537
Licences	0	132,709	132,709
Property, plant and equipment	100,142	0	100,142
Financial assets	6,116	0	6,116
Biomass	102,379	0	102,379
Other current assets	61,439	0	61,439
Deferred tax	5,060	-23,888	-18,828
Long-term interest bearing debt	-152,769	0	-152,769
Short-term interest bearing debt	-3,191	0	-3,191
Other short-term liabilities	-32,884	0	-32,884
Total effect on equity	154,790	43,860	198,650

NOTE 10. SHARES AND HOLDINGS IN OTHER COMPANIES

DKK 1,000 Company	Ownership	Acquisition cost	Write-down/-up	Carrying amount
P/F Dagsbrún	8.62%	5,500	1,927	7,427
P/F Vestlax Holding	8.10%	10,000	6,085	16,085
Others		27	0	27
Total				23,539

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

NOTE 11. INVENTORY

DKK 1,000	2009	2008
Raw materials and goods in	9,871	8,060
Finished goods	10,656	9,314
Total Inventory	20,527	17,373

Raw materials primarily consist of feed at the marine production sites, and raw materials and packaging materials used in processing.

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

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

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

NOTE 12. BIOLOGICAL ASSETS

DKK 1,000	2009	2008
Biological assets carrying amount 01.01	229,720	205,138
Increase due to production or purchases	272,139	272,649
Increase due to acquisitions	0	0
Reduction due to harvesting or sale (costs of goods sold)	-308,017	-240,436
Fair value 01.01 reversed	-13,211	-20,843
Fair value adjustments 31.12 entered	46,866	13,211
Biological assets carrying amount 31.12	227,497	229,720
<hr/>		
Biomass < 4 kg on average (tonnes live weight)	5,159	4,409
Biomass > 4 kg on average (tonnes live weight)	5,510	8,589
Volume of biomass at sea	10,669	12,998
<hr/>		
Volume of biomass harvested during the year (tonnes gutted weight, tonnes)	18.685	15.504
<hr/>		
Fair value adjustment fish < 4 kg on average live weight	10.132	0
Fair value adjustment fish > 4 kg on average live weight	36.734	13,211
Total change in fair value on biological assets	46,866	13,211
<hr/>		
Cost price biological assets	180,630	216,509
Biological assets carrying amount	227,497	229,720

VALUATION OF BIOLOGICAL ASSETS

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales costs and harvesting costs.

The calculation of the estimated fair value is based on market prices for harvested fish. The prices are reduced for harvesting costs and freight costs to market to arrive at a net value back to farm. The valuation reflects the expected quality grading. In the accounts, the change in estimated fair value is charged to the profit and loss account on a continuous basis.

THE VALUATION MODEL

The valuation model is completed for each business unit, and it is based on biomass in sea for each location.

The specification of biomass includes total number of fish, estimated average weight and biological costs for the biomass. Number of kilo biomass is multiplied by value per kilo that reflects the actual value. The price used is the price for sellable fish. The valuation takes into consideration that not all the fish are of the same quality.

SIGNIFICANT ASSUMPTIONS FOR DETERMINING FAIR VALUE OF LIVE FISH

The estimate of fair value of biomass will always be based on uncertain assumptions, even though the Company has built substantial expertise in assessing these factors. The volume of biomass is, in itself, an estimate that is based on the number of smolt put to sea, the estimated growth from the time of stocking, estimated mortality based on observed mortality in the period, etc. The quality of the biomass is difficult to and even in a situation with good estimates for the average weight of the fish, there will be spread in quality even minor changes in the market price will give significant changes in the valuation; if assumed that all fish and weight of the fish actually in the cage. The price assumption is also very important for the valuation, and are of harvestable size and the volume is 10,669 tonnes, a change in price of DKK 1 will have an impact on the valuation of approximately DKK 10.7 million

NOTE 13. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

DKK 1,000	2009	2008
Accounts receivable	66,649	42,449
Reversal of provision for bad debt	74	42
Provisions for bad debts	-79	-21
Net accounts receivable	66,644	42,469
Prepayments	1,431	256
VAT	11,326	8,832
Other	547	5,751
Other receivables	13,304	14,839
Total accounts receivable and other receivables	79,948	57,309

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

DKK 1,000	2009	2008
Receivables not overdue	66,517	29,217
Overdue 0-6 months	44	13,252
Overdue more than 6 months	83	0
Total	66,644	42,469

CURRENCY EXPOSURE TO ACCOUNTS RECEIVABLE

The Group holds accounts receivable in foreign currencies amounting to DKK 66.6 million at year-end . Below is presented the book value of receivables specified in currency, translated into DKK employing the currency value at 31.12.

Currency distribution of receivables

DKK 1,000	2009	2008
DKK	45,523	30,282
EUR	15,507	9,244
USD	1,643	640
GBP	2,077	1,047
Others	1,894	1,256
Total	66,644	42,469

NOTES – BAKKAFROST GROUP

NOTE 14. EQUITY COMPOSITION

According to the Faroese Financial Reporting Act, the equity of the Bakkafrost Group is divided into classes.

Restricted equity comprises equity in which distribution to the shareholders can only take place adhering to specific procedures prescribed by the Faroese Limited Companies Act. Restricted equity consists of Equity Recognition Surplus, Write-Ups Tangible Non-current Assets and Fair Value Adjustments Biomass.

Free equity can be readily distributed to the shareholders, or otherwise disposed of, after due approval by the AGM.

The composition of equity can be specified as follows:

DKK 1,000	Share Capital	Share Premium Reserve	Equity Recognition Surplus	Proposed Dividend	Write-ups Tangible Non-current Assets	Fair value Adjustments Biomass	Retained Earnings	Total Equity
Equity 01.01.2009	2,992	86,676	3,083	5,000	8,592	13,211	122,096	241,650
Net profit after tax	0	0	0	0	0	33,655	115,073	148,728
Paid-out dividend	0	0	0	-5,000	0	0	0	-5,000
Proposed dividend	0	0	0	18,000	0	0	-18,000	0
Write-ups share of profits in associates	0	0	340	0	0	0	-340	0
Fair value adjustment on securities available for sale*	0	0	4,279	0	0	0	0	4,279
Deferred tax on securities available for sale*	0	0	-770	0	0	0	0	-770
Equity 31.12.2009	2,992	86,676	6,932	18,000	8,592	46,866	218,829	388,887

* Other comprehensive income.

DKK 1,000	Share Capital	Share Premium Reserve	Equity Recognition Surplus	Proposed Dividend	Write-ups Tangible Non-current Assets	Fair Value Adjustments Biomass	Retained Earnings	Total Equity
Equity 01.01.2008	2,992	86,676	1,569	0	8,592	20,843	81,672	202,344
Net profit after tax	0	0	0	0	0	-7,632	45,970	38,339
Proposed dividend	0	0	0	5,000	0	0	-5,000	0
Write-ups share of profits in associates	0	0	546	0	0	0	-546	0
Fair value adjustment on securities available for sale	0	0	1,179	0	0	0	0	1,179
Deferred tax on securities available for sale	0	0	-212	0	0	0	0	-212
Equity 31.12.2008	2,992	86,676	3,083	5,000	8,592	13,211	122,096	241,650

NOTE 15. SHARE CAPITAL AND MAJOR SHAREHOLDERS

Share capital:

DKK 1,000	Share Capital
Share capital at 31 December 2008	2,992
Share capital issued during the year	0
Share capital at 31 December 2009	2,992

The parent company's share capital comprises:

DKK	No. of Shares	Face Value	Share Capital
Ordinary Shares	1	1,000,000	1,000,000
Ordinary Shares	15	100,000	1,500,000
Ordinary Shares	1	63,971	63,971
Ordinary Shares	4	50,000	200,000
Ordinary Shares	1	36,029	36,029
Ordinary Shares	13	10,000	130,000
Ordinary Shares	5	5,000	25,000
Ordinary Shares	1	4,959	4,959
Ordinary Shares	1	2,356	2,356
Ordinary Shares	1	1,747	1,747
Ordinary Shares	1	1,621	1,621
Ordinary Shares	1	1,558	1,558
Ordinary Shares	1	1,548	1,548
Ordinary Shares	1	1,285	1,285
Ordinary Shares	2	1,274	2,548
Ordinary Shares	1	1,095	1,095
Ordinary Shares	1	1,072	1,072
Ordinary Shares	17	1,000	17,000
Total Share Capital			2,991,789

SHAREHOLDERS

Shareholders holding more than 5% in the Company as of 31 December 2009 were:

DKK	Nominal value of shares	Shareholding	Voting rights
P/F Føroya Banki	1,007,621	33.68%	33.68%
Hans Jacobsen	473,043	15.81%	15.81%
P/F Havsbrún	472,285	15.79%	15.79%
J. Regin Jacobsen	424,558	14.19%	14.19%
Kverva AS	217,095	7.26%	7.26%
Total shareholder holding more than 5%	2,594,602	86.73%	86.73%
Total other shareholders	397,187	13.27%	13.27%
Total no. of shares	2,991,789	100.00%	100.00%

Shares owned by the members of the Board of Directors and CEO

Name	Position	No. of shares	Shareholding
Rúni M Hansen (appointed 15 December 2009)	Chairman of the Board	0	0.00%
Odd Eliassen	Deputy Chairman of the Board	0	0.00%
Trine Sæther Romuld (appointed 15 December 2009)	Member of the Board	0	0.00%
Annika Frederiksberg	Member of the Board	0	0.00%
Virgar Dahl	Member of the Board	0	0.00%
Johannes Jensen (appointed 15 December 2009)	Member of the Board	0	0.00%
Líggjas í Bø * (resigned 15 December 2009)	Chairman of the Board	36,029	1.20%
Hans Jacobsen (resigned 15 December 2009)	Member of the Board	473,043	15.81%
Óli Mortensen (resigned 15 December 2009)	Member of the Board	0	0.00%
J. Regin Jacobsen	Chief Executive Officer	424,558	14.19%

* Indirect ownership through the company Sp/f Hjallur

DIVIDEND.

The Board has proposed a total dividend of DKK 18,000,000. The dividend proposal has not been recognised as a liability at 31 December 2009, but is presented as an item within equity.

NOTE 16. NET INTEREST BEARING DEBT

LONG-TERM INTEREST BEARING DEBT

DKK 1,000	2009	2008
Debt to credit institutions	87,382	120,738
Leasing liabilities	0	367
Next year's instalments on long-term debt	-53,033	-33,723
Other long-term debt	0	0
Total long-term interest bearing debt 31.12	34,350	87,382
Debt to credit institutions	45,239	122,591
Next year's instalments on long-term debt	53,023	33,723
Total short-term interest bearing debt 31.12	98,262	156,313
Total interest bearing debt	132,612	243,696
Cash and cash equivalents	35,319	471
Net interest bearing debt	97,293	243,225

Cash and Cash equivalents consists of state guaranteed short term bank deposits. The maturity structure of the group's financial commitments, based on undiscounted contractual payments.

The merged groups (Bakkafrost and Vestlax) undrawn financing facility amounted to approximately DKK 215 million at 31 December 2009.

REMAINING PERIOD

31.12.2009	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest bearing bank loans	12,500	40,523	29,782	4,568	87,373
Leasing liabilities	0	0	0	0	0
Other debt	0	45,239	0	0	45,239
Accounts payable and other debt	42,451	0	0	0	42,451

REMAINING PERIOD

31.12.2008	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest bearing bank loans	2,101	31,264	54,999	32,374	20,738
Leasing liabilities	0	367	0	0	367
Other debt	0	122,591	0	0	122,591
Accounts payable and other debt	43,382	0	0	0	43,382

INTEREST BEARING DEBT IN MORE DETAIL.

The Group signed a new loan agreement in February 2010 amounting to DKK 400 million distributed between two revolving overdraft facilities amounting to a total of DKK 200 million and two instalment loans totalling DKK 200 million.

The interest payable is CIBOR 3 months plus the current margin, which is calculated on the basis of the Company's interest bearing debt ratio compared to EBITDA before fair value adjustments of biological assets. The margin may vary between 2% p.a. and 4.5% p.a. DKK 100 million shall be paid back before at the end of 2011, divided into quarterly instalments of DKK 12.5 million. Following this, the payments shall follow an 8-year profile ending 31.12.2014. The loan facility is secured both in the Company's property, plants and other material fixed assets as well as stock, farming licences and insurance policies.

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

FINANCIAL COVENANTS

The revolving overdraft facility shall be distributed between financing of accounts receivables and fish at sea. One part of the facility must never exceed 80% of the insured accounts receivables, and the other part must not, at any time, exceed 65% of the lowest of the cost of the fish at sea or P/F Føroya Banki's estimated standard value in fish at sea. EBITDA for the Group must at all times be 1.2 times the total interest and repayments to the two banks. The solvency for the Group must not be below 30%. Fair value adjustments of the biological assets shall not be included when calculating the EBITDA.

After signing the new loan agreement in February 2010, the Bakkafrost Group and the Vestlax Group had total available finances of DKK 458 million, of which the undrawn amount at 31 December 2009 was approximately DKK 172 million.

NOTE 17. TAX

DKK 1,000

The tax expense for the year breaks down as follows:

	2009	2008
Tax payable	0	0
Change in deferred tax	32,509	7,810
Tax expense on ordinary profit	32,509	7,810

Tax payable in the statement of financial position

Tax payable	0	0
Tax payable in the statement of financial position	0	0

Specifications of temporary differences

Property, plant and equipment	120,644	110,918
Financial assets	8,012	2,028
Inventory	227,679	229,498
Receivables	-674	-668
Losses carried forward	-38,541	-209,543
Total temporary differences	317,120	132,233
Deferred tax liabilities (+) / assets (-)	57,082	23,802

Reconciliation from nominal to actual tax rate

Profit before tax	181,237	46,148
Expected tax at nominal tax rate (18%)	32,623	8,307
Permanent differences (18%)	-114	-497
Calculated tax expense	32,509	7,810

Effective tax rate	17.9%	16.9%
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Under the Faroese tax regime, growth of live biomass is not tax relevant before harvesting. Consequently, large tax losses to be carried forward are incurred as biomass in inventory being built up. Tax losses to be carried forward are infinite. Deferred taxes on temporary differences, deriving from shares in associated companies is not entered because intercompany dividends are not tax relevant in the Faroese tax regime.

NOTE 18. MORTGAGES AND GUARANTEES

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2009	2008
Long-term debt to financial institutions	34,350	87,382
Short-term debt to financial institutions	98,262	156,313
Total	132,612	243,696

Carrying amount of assets pledged as security for recognised debt

Licences	0	0
Property, plant and equipment	231,002	230,655
Shares	7,427	5,500
Biological assets (biomass)	227,497	229,720
Inventory	20,527	17,373
Accounts receivable	66,644	42,469
Total	553,097	525,718

The Group's companies have a guaranteed self-debtor in solidum for the balance with limitations for each other. Mortgages in each group company also counts as collateral for the bank debt of other group companies. As part of the guarantees are also any insurance refunds.

NOTE 19. FINANCIAL MARKET RISK

FINANCIAL RISK

The Group has bank loans raised for the purpose of providing capital for investment in the Company's business. In addition, the Company has financial instruments such as accounts receivable, accounts payable, etc. which are ascribable directly to day-to-day business operations. The Group has no forward currency contracts for hedging purposes.

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

The most important financial risks to which the Company is exposed are interest rate risk, foreign exchange risk, liquidity risk and credit risk. Management monitors these risks on an ongoing basis, and draws up guidelines for how they are to be dealt with.

MARKET RISK

Interest rate risk

The borrowing portfolio is currently at floating interest rates, which means that the Group is affected by changes in interest rates. Loans are capitalised at amortised cost, since the difference between amortised cost and fair value is negligible.

Given the financial instruments in effect on 31 December 2009, a 0.5% increase in interest rates would reduce the Group's profitability by DKK 1.5MM before tax.

Foreign exchange risk

Bakkafrost trades on the world market for farmed salmonids, and parts of revenues and accounts receivable are denominated in foreign currency. On the other hand, purchases of raw materials, etc. are predominantly denominated in DKK. Fluctuations in foreign exchange rates present a financial risk to the Group.

CREDIT RISK

The risk that counterparties do not have the financial strength to meet their obligations is considered relatively low, since losses due to bad debts historically have been small. However, following the international crisis, the risk of losses may be considered increasing. The Group has no material risk relating to individual counterparties or counterparties which may be considered a group due to similarities in the credit risk, though some markets have been hit harder by the ongoing world recession. The Group has guidelines to ensure that sales are made only to customers that have not previously had payment problems, and those outstanding balances do not exceed fixed credit limits. Part of the total accounts receivable are insured.

As not all receivables are insured, the Group has to accept a certain risk element in accounts receivable. The gross credit risk on the statement of financial position corresponds to the Group's receivables portfolio on the statement of financial position.

NOTES – BAKKAFROST GROUP

LIQUIDITY RISK

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure which is secured by means of established borrowing facilities. The Group's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities are described in note 14, where the terms also are described.

CAPITAL STRUCTURE AND EQUITY

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

NOTE 20. EARNINGS PER SHARE

DKK 1,000	2009	2008
Profit for the year to shareholders	148,728	38,339
Fair value adjustment of biomass (IAS 41)	-33,655	7,632
Tax on fair value adjustment	6,058	-1,374
Adjusted profit for the year to shareholders of P/F Bakkafrost Holding	121,131	44,597
Ordinary shares as of 01.01	2,991,789	2,991,789
Effect of share issue	0	0
Effect of buy-back of own shares	0	0
Average number of shares outstanding through the year	2,991,789	2,991,789
Effect of stock options granted	0	0
Average number of diluted shares outstanding through the year	2,991,789	2,991,789
Earnings per share	2009	2008
Basic (DKK)	49.71	12.81
Diluted (DKK)	49.71	12.81
Earnings per share before fair value adjustments of biomass	2009	2008
Basic (DKK)	40.49	14.91
Diluted (DKK)	40.49	14.91

Bakkafrost Group has no stock option programme running at present.

NOTE 21. CAPITAL COMMITMENTS

The Group had capital expenditure committed but not provided in these accounts at 31 December 2009 of approximately DKK 12 million.

NOTE 22. RELATED-PARTY TRANSACTIONS

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

Former members of the Board of Directors.	Position	No. of shares
Líggjas í Bø (resigned 15 December 2009)	Chairman of the Board	36,029
Hans Jacobsen (resigned 15 December 2009)	Member of the Board	473,043
Other key personnel.		
J. Regin Jacobsen,	CEO Chief Executive Officer	424,558

SHAREHOLDERS.

P/F Havsbrún and P/F Føroya Banki are currently major shareholders of P/F Bakkafrost Holding. Havsbrún is also the central feed supplier to the sea farming activity of Bakkafrost Group. Føroya Banki is currently holding 33% of the shares. Føroya Banki is also the main supplier of interest bearing debt.

SPECIFICATION OF RELATED-PARTY TRANSACTIONS

DKK 1,000	2009	2008
Revenues – P/F Havsbrún	2,342	2,296
Revenues – P/F Føroya Banki	238	1
Purchases – P/F Havsbrún	150,976	148,705
Interest costs – P/F Føroya Banki	5,578	15,730
Interest bearing debts – P/F Føroya Banki	46,401	104,789
Accounts receivable	0	0
Other receivables – P/F Føroya Banki	35,221	449
Accounts payable – P/F Havsbrún	15,074	27,300

NOTES – BAKKAFROST GROUP

NOTE 23. PRO-FORMA FINANCIALS

BAKKAFROST GROUP

Bakkafrost Group and Vestlax Group were separate entities. In 2008, a group of investors, in which a majority also hold shares in Bakkafrost, set up Vestlax Holding which then purchased all shares in Vestlax Group. Initially, the Groups were operated separately, with separate Boards of Directors and CEOs.

The Vestlax Group and the seafarming activity of Bakkafrost Group perform similar activities, and will potentially benefit from economies of scale.

The Vestlax Group and the seafarming activity of Bakkafrost Group perform similar activities, and will potentially benefit from the consolidated Group, effective of 1 January 2010.

Consequently, the comparison figures for 2009 will not provide an adequate basis for comparison. According to the Norwegian securities act, pro forma financial information is required, which presents the Profit and loss statement as if the merger took place on 1 January 2009.

The proforma financials present the joint activity as one reporting entity for the period. The pro forma figures are based on the actual financial figures of the Groups. Internal trade, gains and losses and balances have been eliminated.

Entries to the Profit and loss Account, which are not recurring, are not repeated in the actual financial information from the actual merger date on.

	Bakkafrost Group	Vestlax Group	Eliminations	Proforma adjustments	Proforma 2009
Income Statement (DKK 1.000)					
Operating revenue	596,565	367,877	-42,753	0	921,688
Purchase of goods	-213,606	-101,785	42,753	0	-272,638
Change in inventory and biological assets (at cost)	-32,724	-72,935	0	0	-105,659
Fair value adjustments on biological assets	33,655	-1,732	0	0	31,923
Fair value (excess of costs) on biological assets acquired and harvested	0	2,563	0	0	2,563
Salary and personnel expenses	-78,014	-45,882	0	0	-123,895
Other operating revenue	0	9,500	0	0	9,500
Other operation expenses	-93,025	-93,702	0	0	-186,727
Income from associates	340	359	0	0	699
Depreciation	-20,797	-17,337	0	0	-38,134
Earnings before interest and taxes (EBIT)	192,394	46,925	0	0	239,319
Net financial Items	-11,157	-25,628	-1,393	0	-38,178
Earnings before taxes (EBT)	181,237	21,297	-1,393	0	201,142
Taxes	-32,509	-3,833		0	-36,343
Profit for the year	148,728	17,463	-1,393	0	164,799
Operational EBITDA	213,191	64,262		0	277,453
Operational EBIT	192,394	46,925		0	239,319
Operational EBT	181,237	21,297		0	201,142

The Vestlax figures for 2009 are based on the Vestlax Group's consolidated accounts prepared in accordance with FO-GAAP and then converted into IFRS. The Bakkafrost figures are from the financial statement for 2009 prepared in accordance with IFRS. The pro forma adjustments (elimination) in the operating revenue and operating expenses amounting to DKK 42,753 million relates to trades between the Bakkafrost Group and the Vestlax Group in 2009. The adjustment in the net financial item relates to interests on the intragroup balances in 2009. In addition, a calculated value of an option on a convertible loan between P/F Bakkafrost Holding and P/F Vestlax Holding is eliminated. This option has now been exercised.

RECONCILIATION FO-GAAP TO IFRS GAAP

The Annual Report of Bakkafrost Group has, until 2008, been prepared according to the Faroese Financial Reporting Act. The following consolidated reconciliations provide the effect of Bakkafrost's Group transition to IFRS.

As of 1 January 2008, all figures will be converted to being prepared according to IFRS. The conversion is based on the actual statement of financial position of the Company at 31.12.2007, which is then adjusted according to the recognition and measurement requirements of IFRS.

IFRS 1 requires presentation of a reconciliation demonstrating the differences between initially reported figures according to FO-GAAP and figures prepared according to IFRS-GAAP:

CHANGE IN EQUITY (DKK 1,000)	31.12.2009	31.12.2008	01.01.2008
Equity FO-GAAP	343,846	229,444	196,308
IFRS adjustments			
Value adjustment biomass	46,866	13,211	20,843
Inventory at cost	1823	-222	-759
Convertible loan / share option	6,085	2,028	0
Securities available for sale	1,927	0	0
Associated companies	-109	-109	1,561
Onerous contracts	0	0	-8,529
Tax on adjustments	-9,911	-2,703	-2,080
Total IFRS adjustments	45,041	12,206	11,036
Equity IFRS-GAAP	388,887	241,650	207,344

1) Value adjustment on biological assets (biomass)

Under the previously adopted FO-GAAP, biological assets were recognised at full production cost, including production costs which can be only indirectly allocated to produce goods, less general administration costs. This includes actual interest paid for production credit facilities.

According to IFRS, it is required that biological assets are measured at fair value. Consequently, the valuation of biomass in the statement of financial position reflects biomass at market values, and profit and loss presents production costs and fair value adjustments separately.

2) Inventory at cost

Adjustment is made on the current accounting policy, where finished goods have been recognised at contractual price less 10%. Under IFRS, finished goods in inventory are measured at the lower of cost or the expected sales price less sales costs. In case the cost price exceeds sales price less sales cost, impairment is entered and charged to Profit and loss. The cost price is the full production price, including production costs which can be only indirectly allocated to produce goods, less general administration costs. This includes actual interest paid for production credit facilities.

3) Convertible loan

According to IFRS, convertible loans have to be divided into two items: a) Loan and b) Share option. Under the previously adopted FO-GAAP, a convertible loan has been entered at face value. Under the IFRS, after deduction of the share option, interest has been calculated on the otherwise interest-free loan, and recognised as financial income in the profit and loss. At the time, for conversion in Q4 2009, the loan hereafter has reached face value. The share option is measured at fair value at the time for entering the convertible loan, and the increase in value until the date for exercise is entered in the Profit and loss.

4) Securities available for sale

Under the previously adopted FO-GAAP, investments in securities available for sale were recognised at cost. According to IFRS, Bakkafrost's investments classified as securities available for sale are measured at fair value. Gains and losses arising from changes in fair value are included directly in equity, with the exception of losses deriving from any fall in value.

5) Associated companies

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

RECONCILIATION FO-GAAP TO IFRS GAAP

6) Onerous contracts

Under the previously adopted FO-GAAP, provisions have not been made for onerous contracts. The Group enters into sales contracts for value added salmon products (VAP) on an ongoing basis. With respect to fixed-price contracts which result in the Group being obligated to sell salmon products at a price lower than production cost (including fair value adjustment of raw materials at the point of harvesting), the contracts are considered onerous.

According to IFRS, provisions are calculated and entered to short-term liabilities for onerous contracts. The provision is charged to the profit and loss statement in the line item "Other Operation Cost".

7) Tax on adjustments

Deferred tax is recognised on IFRS adjustments with 18%.

OPENING BALANCE 01.01.2008 FO-GAAP – IFRS

IFRS OPENING STATEMENT OF FINANCIAL POSITION (DKK 1,000)	01.01.2008 FO-GAAP	IFRS-Adjustments	01.01.2008 IFRS-GAAP
Assets			
Intangible assets	0	0	0
Tangible non-current assets	216,079	0	216,079
Financial non-current assets	7,163	1,561	8,724
Long-term receivables	0	1,011	1,011
Total non-current assets	223,242	2,572	225,814
Biological assets	0	205,138	205,138
Inventories	195,537	-185,055	10,483
Accounts receivables	37,638	0	37,638
Other short-term receivables	14,966	-2,681	12,285
Cash and cash equivalents	18	0	18
Total current assets	248,159	17,403	265,562
TOTAL ASSETS	471,401	19,975	491,376
Equity and liabilities			
Share capital	2,992	0	2,992
Reserves	95,268	1,561	96,829
Net earnings	98,048	9,475	107,524
Total equity	196,308	11,036	207,344
Long-term interest bearing debt	82,649	640	83,289
Other long-term liabilities	16,294	410	16,704
Total non-current liabilities	98,944	1,050	99,993
Short-term interest bearing debt	143,140	3,249	146,390
Other short-term interest bearing debt	33,009	4,640	37,648
Total current liabilities	176,149	7,889	184,038
TOTAL EQUITY AND LIABILITIES	471,401	19,975	491,376

RECONCILIATION FO-GAAP TO IFRS GAAP

STATEMENT OF FINANCIAL POSITION FO GAAP - IFRS 31.12.2008

STATEMENT OF FINANCIAL POSITION	31.12.2008 FO-GAAP	IFRS- Adjustments	31.12.2008 IFRS-GAAP
Assets			
Intangible assets	0	0	0
Tangible non-current assets	230,655	0	230,655
Financial non-current assets	14,324	-4,309	10,015
Long-term receivables	0	6,986	6,986
Total non-current assets	244,980	2,678	247,657
Inventories	234,104	12,989	247,093
Accounts receivables	42,469	0	42,469
Other short-term receivables	16,861	-2,021	14,839
Cash and cash equivalents	471	0	471
Total current assets	293,905	10,968	304,873
TOTAL ASSETS	538,884	13,646	552,530
Equity and liabilities			
Share capital	2,992	0	2,992
Reserves	189,331	0	189,331
Net earnings	37,121	12,206	49,327
Total equity	229,444	12,206	241,650
Long-term interest bearing debt	107,076	-19,693	87,382
Other long-term liabilities	22,362	1,440	23,802
Total non-current liabilities	129,438	-18,253	111,184
Short-term interest bearing debt	136,620	19,693	156,313
Other short-term interest bearing debt	43,382	0	43,382
Total current liabilities	180,002	19,693	199,696
TOTAL EQUITY AND LIABILITIES	538,884	13,646	552,530

RECONCILIATION FO-GAAP TO IFRS GAAP

PROFIT AND LOSS FO GAAP – IFRS 01.01.2008 – 31.12.2008

IFRS PROFIT AND LOSS	2008 FO-GAAP	IFRS- Adjustments	2008 IFRS-GAAP
Operating revenue	365,634	0	365,634
Purchase of goods	-175,799	0	-175,799
Change in inventory and biological assets (at cost)	38,567	537	39,104
Fair value adjustments on biological assets	0	-7,632	-7,632
Fair value (excess of costs) on biological assets acquired and harvested	0	0	0
Salary and personnel expenses	-60,944	0	-60,944
Other operation expenses	-86,661	8,529	-78,132
Income from associates	546	-657	-111
Depreciation	-18,963	0	-18,963
Earnings before interest and taxes (EBIT)	62,380	777	63,157
Financial income	653	852	1,505
Net interest expenses	-17,794	0	-17,794
Net currency effects	-44	0	-44
Other financial expenses	-677	0	-677
Earnings before taxes (EBT)	44,519	1,629	46,148
Taxes	-7,398	-412	-7,810
Net earnings	37,121	1,217	38,339

RECONCILIATION FO-GAAP TO IFRS GAAP

STATEMENT OF FINANCIAL POSITION FO GAAP - IFRS 31.12.2009

STATEMENT OF FINANCIAL POSITION	31.12.2009 FO-GAAP	IFRS- Adjustments	31.12.2009 IFRS-GAAP
Assets			
Intangible assets	0	0	0
Tangible non-current assets	231,002	0	231,002
Financial non-current assets	18,359	7,903	26,262
Long-term receivables	478	0	478
Total non-current assets	249,839	7,903	257,741
Inventories	200,975	47,049	248,024
Accounts receivables	66,644	0	66,644
Other short-term receivables	13,304	0	13,304
Cash and cash equivalents	35,319	0	35,319
Total current assets	316,242	47,049	363,291
TOTAL ASSETS	566,080	54,952	621,032
Equity and liabilities			
Share capital	2,992	0	2,992
Reserves	221,452	0	221,452
Net earnings	119,402	45,041	164,443
Total equity	343,846	45,041	388,887
Long-term interest bearing debt	34,350	0	34,350
Other long-term liabilities	47,171	9,911	57,042
Total non-current liabilities	81,520	9,911	91,431
Short-term interest bearing debt	98,262	0	98,262
Other short-term interest bearing debt	42,451	0	42,451
Total current liabilities	140,714	0	140,714
TOTAL EQUITY AND LIABILITIES	566,080	54,952	621,032

RECONCILIATION FO-GAAP TO IFRS GAAP

PROFIT AND LOSS FO GAAP – IFRS 01.01.2009 – 31.12.2009

IFRS PROFIT AND LOSS	2009 FO-GAAP	IFRS- Adjustments	2009 IFRS-GAAP
Operating revenue	596,565	0	596,565
Purchase of goods	-213,606	0	-213,606
Change in inventory and biological assets (at cost)	-33,129	405	-32,724
Fair value adjustments on biological assets	0	33,655	33,655
Fair value (excess of costs) on biological assets acquired and harvested	0	0	0
Salary and personnel expenses	-78,014	0	-78,014
Other operation expenses	-93,025	0	-93,025
Income from associates	340	0	340
Depreciation	-20,797	0	-20,797
Earnings before interest and taxes (EBIT)	158,335	34,059	192,394
Financial income	1,211	1,704	2,915
Net interest expenses	-13,055	0	-13,055
Net currency effects	-630	0	-630
Other financial expenses	-387	0	-387
Earnings before taxes (EBT)	-12,861	1,704	-11,157
Taxes	-26,072	-6,437	-32,509
Net earnings	119,402	29,326	148,728

P/F BAKKAFROST HOLDING
ANNUAL AND FINANCIAL STATEMENT 2009

P/F BAKKAFROST HOLDING PROFIT AND LOSS STATEMENT

DKK 1,000	Note	2009	2008
Operating revenue	2	3,820	3,820
Salary and personnel expenses	3	-2,602	-1,704
Other operation expenses		-2,405	-1,090
Depreciation	5	-1,460	-1,352
Earnings before interest and taxes (EBIT)		-2,647	-327
Income from investments in subsidiaries	6	119,196	34,129
Income from other investments in shares	7	170	273
Financial income	4	4,941	6,818
Net interest expenses	4	-2,209	-3,690
Earnings before taxes (EBT)		119,451	37,203
Taxes	10	-49	-82
Profit to shareholders of P/F Bakkafrost Holding		119,402	37,121
Distribution of profit			
Dividend		18,000	5,000
Reserve, equity method		119,366	33,710
Retained earnings		-17,964	-1,589
Distribution in total		119,402	37,121

P/F BAKKAFROST HOLDING STATEMENT OF FINANCIAL POSITION

DKK 1,000	Note	2009	2008
ASSETS			
Property, plant and equipment			
Land buildings and other real estate	5	43,026	39,263
Plant machinery and other operating equipment	5	409	0
Total property plant and equipment		43,434	39,263
Non-current financial assets			
Investments in subsidiaries	6	229,590	110,411
Investments in associated companies		0	259
Investments in stocks and shares	7	11,386	7,164
Other non-current receivables	8	253	1,046
Total non-current financial assets		241,229	118,879
TOTAL NON-CURRENT ASSETS		284,663	158,143
Receivable from Group companies		79,012	111,709
Accounts receivable		40	0
Other receivables		2,057	4,103
Total receivables		81,109	115,812
Cash and cash equivalents		7	5
TOTAL CURRENT ASSETS		81,115	115,817
TOTAL ASSETS		365,779	273,959

P/F BAKKAFROST HOLDING STATEMENT OF FINANCIAL POSITION

DKK 1,000 Note 2009 2008

EQUITY AND LIABILITIES

Equity

Share capital	9	2,992	2,992
Share premium fund		86,676	86,676
Reserve equity method		218,711	99,379
Retained earnings		17,433	35,397
Dividend		18,000	5,000
Total equity		343,812	229,444

Non-current liabilities

Deferred taxes	10	4,379	4,330
Long-term interest bearing debts		0	34,964
Total non-current liabilities		4,379	39,294

Current liabilities

Short-term interest bearing debt		15,979	3,717
Accounts payable		1,223	403
Short-term payables to associated companies		0	461
Other short term liabilities		386	640
Total current liabilities		17,588	5,221

TOTAL EQUITY AND LIABILITIES

365,779 **273,959**

P/F BAKKAFROST HOLDING CHANGES IN EQUITY

DKK 1,000	Share capital	Share premium account	Reserve equity method	Retained earnings	Proposed dividends	Total
1 January 2008	2,992	86,676	64,655	36,986	5,000	196,308
Paid-out dividends					-5,000	-5,000
Net annual profit				37,121		37,121
Result subsidiaries			33,710	-33,710		0
Adjustment to 01.01			1,015			1,015
Proposed dividends				-5,000	5,000	0
1 January 2009	2,992	86,676	99,379	35,397	5,000	229,444
Paid-out dividends					-5,000	-5,000
Net annual profit				119,402		119,402
Result subsidiaries			119,366	-119,366		0
Adjustments to 01.01			-34			-34
Proposed dividends				-18,000	18,000	0
31 December 2009	2,992	86,676	218,711	17,433	18,000	343,812

NOTE 1. ACCOUNTING PRINCIPLES

The P/F Bakkafrost Holding Annual Report for 2009 is prepared in accordance with the provisions in the Faroese Financial Statements Act (FO-GAAP), which apply to Class C-middle companies, and current national accounting standards.

The accounting principles below are applied to the parent company P/F Bakkafrost Holding (Bakkafrost). Notes relating to the Bakkafrost Group are presented in conjunction with the Group's consolidated accounts.

RECOGNITION AND MEASUREMENT IN GENERAL

Revenues in the income statement are recognised as they are earned. The same applies to valuation differences of financial assets and liabilities. Similarly, all expenses are recognised in the income statement, including depreciations and write-downs.

Assets are recognised in the statement of financial position at the time when the financial benefits from the assets are likely to flow to the Company and values can be measured reliably.

Liabilities are recognised in the statement of financial position at the time when the financial benefits from the liabilities are likely to flow from the Company and values can be measured reliably.

At first-time recognition, assets and liabilities are measured at acquisition value. The subsequent measurements are made as described below concerning the individual items.

Certain financial assets and liabilities are measured at amortised acquisition value, where an internal rate of return covering the full period is calculated. Amortised acquisition value is measured at original acquisition value, less instalments and additions/deductions of accumulated amortisation of any differences between acquisition value and face value.

In recognising and measuring assets and liabilities, due consideration is given to risks identified by the date of the statement of financial position, which are verified or rejected by the time the Annual Report is authorised for issue.

The carrying amounts of immaterial and material non-current assets are reconsidered annually to determine whether material impairment has occurred which exceeds depreciations. If so, the items will be written down to the lower recoverable amount.

INCOME STATEMENT

NET OPERATING REVENUE

Net revenues from sales are recognised in the income statement, as the purchaser has assumed benefits and risks inherent in possession of the goods as of the date of the statement of financial position. Net operation revenues are recognised less VAT and deduction of discounts.

FINANCIAL ITEMS

Financial revenues and expenses are recognised in the income statement by the amounts which are recognised during the year. Financial items consist of interest revenues and expenses from receivables and payables, realised and unrealised valuation differences on securities, agio/disagio and amortisation on loans. Dividends on other share investments are entered to the income statement at the time of adoption by the general meeting.

TAXES

Taxes on annual profits, which consist of current tax and changes in deferred taxes, are charged to the income statement at the amount which is derived from the annual profit, and are charged to equity at the amount which is derived from items entered to equity.

The company is taxed jointly with its subsidiary companies. Tax value of transferred taxable income is charged to the income statement and entered to open accounts in the balance sheet. The parent company is liable towards the Tax Authorities for payment of the total tax expense for the entire group. Consequently the total tax expense is transferred to the parent company making the total payment

P/F BAKKAFROST HOLDING – NOTES

STATEMENT OF FINANCIAL POSITION

TANGIBLE NON-CURRENT ASSETS

Land and buildings, production equipment and machines, and other tools and furniture are measured at acquisition value, less accumulated depreciations.

The basis for measuring depreciations is acquisition value less of scrap by the end of useful life. Land is not depreciated.

Acquisition value consists of purchasing price and various expenses in relation to the asset up to the point of being used.

Linear depreciations are based on the following estimates of expected useful lifespan.

Useful life

Buildings	25 years
Production equipment and mach.	10 years
Other equipment and furniture	3–5 years

Gains and losses by disposal of material non-current assets are calculated as the difference between sales revenue less sales expenses, and carrying amount at the sales date. Gains or losses are included in the income statement.

FINANCIAL NON-CURRENT ASSETS

Financial fixed assets, investments in subsidiaries and associates are presented according to equity value. Revenues from subsidiaries and associated companies are included in the income statement according to share percentage of annual profits and equity.

Where equity turns negative, investments are written down to DKK 0, and the full amount is provided for as liabilities, if the Parent Company is liable for the subsidiaries' debts.

Shares in other enterprises are measured at acquisition value. Where acquisition value exceeds net realisation value, the assets are written down to the lower value.

ACCOUNTS RECEIVABLE

Accounts receivable are measured at amortised acquisition value, which is normally equivalent to face value. Any amounts are subject to write-downs, according to considerations of risk of losses.

ACCRUALS

Asset accruals are paid-for expenses which will be spent in future financial years.

SECURITIES

Current securities are measured at current market quotations as of the date of the statement of financial position.

DIVIDENDS

Proposed dividend is presented as an individual item in equity. Dividend proposals are transferred to current debts at adoption by the Annual General Meeting.

DEBTS

Financial liabilities are recognised as loans at acquisition value, equalising received revenues, less transaction expenses. In the following periods, financial liabilities are measured at amortised acquisition value, which equals the capitalised value of the internal rate of return, where the difference between received amounts and face value are included in the income statement over the instalment period.

Consequently, mortgages are measured at amortised acquisition value, which for cash loans equal remaining debts. For bonds, the amortised acquisition value equals remaining debts which are calculated as the cash equivalent at the contract date. Moreover, the quotation differences are amortised over the instalment period.

Other debts, which consist of trade payables, payables to Group enterprises and other debts, are measured at amortised acquisition value, which usually equals face value.

P/F BAKKAFROST HOLDING – NOTES

NOTE 2. SALES REVENUE

The parent company P/F Bakkafrost Holding is a holding company which primarily provides administrative service and rental of premises to its subsidiaries.

The parent company's revenues derive therefore from only one business segment.

NOTE 3. SALARIES AND OTHER PERSONNEL EXPENSES

Breakdown of payroll expenses

DKK 1,000	2009	2008
Wages and salaries	2,491	1,619
Social security taxes	79	54
Pension expenses	30	30
Other benefits	2	0
Total payroll expenses	2,602	1,704
Average number of full-time employees	3	3

REMUNERATION TO SENIOR EXECUTIVES AND AUDITORS

For details of remuneration paid to senior executives, see notes to the consolidated financial statements.

NOTE 4. NET FINANCIAL ITEMS

DKK 1,000	2009	2008
Interests received from Group companies	4,865	6,731
Other financial income	76	87
Financial income	4,941	6,818
DKK 1,000	2009	2008
Interests paid to Group companies	0	691
Interest expenses on long-term loans	2,209	2,998
Interest expenses on accounts payable	0	1
Financial expenses	2,209	3,690

NOTE 5. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Other equipment	Total 2009	Total 2008
Acquisition cost as of 01.01	42,328	0	42,328	37,806
Acquisitions during the year	5,216	415	5,631	4,522
Acquisition cost as of 31.12	47,544	415	47,959	42,328
Accumulated depreciation and write-down as of 01.01	-3,065	0	-3,065	-1,713
Depreciations during the year	-1,453	-6	-1,460	-1,352
Accumulated deprecation and write-down as of 31.12	-4,519	-6	-4,525	-3,065
Net book value as of 31.12	43,026	409	43,434	39,263

Buildings in Glyvvar are located on rented land.

Estimated lifetime	25 years	3-5 years
Depreciation method	linear	linear

P/F BAKKAFROST HOLDING – NOTES

NOTE 6. SUBSIDIARIES AND ASSOCIATES

DKK 1,000	Subsidiaries	Total 2008	Associated	Total 2008
Acquisition cost as of 01.01	35,248	35,248	318	318
Disposals during the year	0	0	-318	0
Acquisition cost as of 31.12	35,248	35,248	0	318
Re-evaluations as of 01.01	75,163	41,453	-59	-59
Re-evaluations during the year	-17	273	0	0
Reversal during disposal	0	0	59	0
Share of result for the year (equity method)	119,196	33,437	0	0
Re-evaluations as of 31.12	194,342	75,163	0	-59
Net book value as of 31.12	229,590	110,411	0	259

DKK 1,000 Company	Equity Method Yes/No	Head Office	Ownership	Voting in share	Carrying amount P/F Bakkafrost Holding
P/F Faroe Salmon	Yes	Glyvrrar	100%	100%	157,339
P/F Faroe Salmon Processing	Yes	Glyvrrar	100%	100%	55,515
P/F Faroe Smolt	Yes	Glyvrrar	100%	100%	1,900
P/F Bakkafrost	Yes	Glyvrrar	100%	100%	8,168
P/F Kassavirkidð á Bakka	Yes	Glyvrrar	100%	100%	6,667
Total subsidiaries					229,590

P/F Bakkafrost Holding and subsidiaries, the Group, own a total of 28.46% in P/F Salmon Proteins, which is an associated company on the Group level.

P/F Bakkafrost Holding owns 14.23% in P/F Salmon Proteins and is in Investment in stocks and shares. P/F Føroya Kassasøla, whose ownership was 50%, and which was an associated company, has been terminated in 2009.

P/F Bakkafrost Holding has taken revenue group contribution from the following subsidiaries:

DKK 1,000	2009	2008
P/F Faroe Salmon	85,549	29,289
P/F Faroe Salmon Processing	23,634	2,323
P/F Bakkafrost	7,291	1,541
P/F Kassavirkidð á Bakka	2,722	976
Total revenue Group contribution	119,196	34,129

NOTE 7. INVESTMENTS IN STOCKS AND SHARES

DKK 1,000	2009	2008
Acquisition cost as of 01.01	6,038	238
Acquisitions during the year	4,200	5,800
Disposals during the year	-131	0
Acquisition cost as of 31.12	10,108	6,038
Re-evaluations as of 01.01	1,126	17
Re-evaluations during the year	153	1,108
Re-evaluations as of 31.12	1,279	1,126
Net book value as of 31.12	11,386	7,164

Shares and holdings in which the Group does not have significant influence are valued at cost. This is due to the fact that fair value cannot be measured reliably.

NOTE 8. OTHER NON-CURRENT RECEIVABLES FALLING DUE MORE THAN ONE YEAR FROM YEAR-END

DKK 1,000	2009	2008
Loan to municipality	253	1,046
Acquisition cost as of 31.12	253	1,046

NOTE 9. SHARE CAPITAL AND MAJOR SHAREHOLDERS

Share capital:

DKK 1,000	Share Capital
Share capital at 31 December 2008	2,992
Share capital issued during the year	0
Share capital at 31 December 2009	2,992

The share capital is distributed into shares of DKK 1 and multiplications thereof. Apart from a capital increase of DKK 1,991,789 in 2006, no changes have been made in share capital in the last 5 years.

SHAREHOLDERS

Shareholders holding more than 5% in the Company as at 31 December 2009, see the Note in Group Accounts.

NOTE 10. TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2009	2008
Tax payable	0	0
Change in deferred tax	49	82
Tax expense on ordinary profit	49	82

Tax in the statement of financial position

DKK 1,000	2009	2008
Deferred tax	4,379	4,330
Tax in the statement of financial position	4,379	4,330

Net tax on the statement of financial position	4,379	4,330
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Tax assets not recognised in the statement of financial position	0	0
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Specifications of temporary differences

Property, plant and equipment	28,455	28,484
Losses carried forward	-4,130	-4,429
Total temporary differences	24,326	24,055

Deferred tax liabilities (+) / assets (-)	4,379	4,330
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Reconciliation from nominal to actual tax rate

Profit before tax	119,451	37,203
Expected tax at nominal tax rate (18%)	21,501	6,697
Permanent differences, including Group contribution without tax effect (18%)	-21,486	-6,192
Other permanent differences (18%)	33	-422
Calculated tax expense	49	82

Effective tax rate	0.04%	0.22%
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NOTE 11. SECURITY PLEDGES AND CONTINGENT LIABILITIES

Carrying amount of debt secured by mortgages and pledges

DKK 1,000	2009	2008
Long-term debt to financial institutions	0	34,964
Short-term debt to financial institutions	15,979	3,717
Leasing debt	0	0
Total	15,979	38,681
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Carrying amount of assets pledged as security for recognised debt		
Property, plant and equipment	43,434	39,263
Non-current financial assets	241,229	118,879
Receivables	81,109	4,103
Total	365,772	162,245

The company has guaranteed as self-debtor for the balance for each group company in the merged Bakkafrost group.

Mortgages in each group company also counts as collateral for the bank debt of other group companies. As part of the guarantees are also any insurance refunds.

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