

P/F Bakkafrost

Condensed Consolidated

Interim Report for

Q2 2010

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Highlights

- Bakkafrost Group's operational* EBIT* for Q2 2010 was DKK 58.7 million (DKK 59.0 million in proforma Q2 2009). Operational* EBIT for H1 2010 was DKK 109.1 million (DKK 91.0 million in proforma H1 2009).
- Operational* EBIT/kg in Q2 2010 was DKK 10.98 (NOK 11.68) (DKK 7.96 (NOK 8.98) in proforma Q2 2009). Operational* EBIT/kg in H1 2010 was DKK 9.84 (NOK 10.59) (DKK 6.11 (NOK 7.29) in proforma H1 2009). The Group's net interest bearing debt at the end of Q2 2010 was DKK 65.1 million (DKK 251 million in proforma at year-end 2009 and DKK 108.3 at the end of Q1 2010).
- The harvested volumes have been in line with expectations. The total harvested volume in Q2 2010 was 5,341 tonnes gutted weight (7,406 tonnes gutted weight in proforma Q2 2010 and 5,744 tonnes gutted weight in Q1 2010). For H1 2010, the harvested volume was 11,085 tonnes gutted weight (14,900 tonnes gutted weight in proforma H1 2010).
- Bakkafrost Farming West made a profit of NOK 14.82 per kg gutted weight in the second quarter 2010 compared with NOK 1.57 in first quarter 2010
- Bakkafrost Farming North made a profit of NOK 18.28 per kg gutted weight in the second quarter 2010 compared with NOK 11.29 in the first quarter 2010.
- The planned operational changes post merger of Vestlax into Bakkafrost is on track.
- The company has a strong balance sheet with high equity ratio and high available credit facilities.

*Aligned for fair value adjustment of biomass, onerous contracts provisions and costs related to the listing of the company on Oslo Børs. The proforma figure also excludes non-operational losses in Vestlax of DKK 16.9 million.

Key Figures

DKK 1,000	Proforma		Proforma		Proforma
	Q2 2010	Q2 2009	H1 2010	H1 2009	2009
Operating revenue	199,564	243,246	390,012	428,942	921,688
EBIT	41,925	72,256	100,625	104,775	239,319
Net interest	-2,242	-6,918	-4,573	-20,094	-38,177
Profit for the period	32,540	56,721	78,763	72,582	164,799
Operational EBIT*	58,666	58,947	109,079	90,979	221,910
Operational EBIT margin	29.40%	24.23%	27.97%	21.21%	24.08%
Operational EBIT/kg (DKK)	10.98	7.96	9.84	6.11	7.24
Operational EBIT/kg (NOK)	11.68	8.98	10.59	7.29	8.48
DKK/NOK (average)	94.07	88.64	92.95	83.81	85.38
Earnings per share (DKK)	0.67	1.62	1.67	2.08	4.72
Cash flow from operations	82,610		124,252		298,067
Total Assets	972,543		972,543		1,003,901
Net interest bearing debt	65,130		65,130		250,972
Equity ratio	74%		74%		57%
Harvested volume (tonnes gutted weight)	5,341	7,406	11,085	14,900	30,650

* Aligned for fair value adjustment of biomass, onerous contracts provisions and costs related to the listing of the company on Oslo Børs. The proforma figures for H1 2009 and 2009 in total are also adjusted for non-operational losses in Vestlax of DKK 16.9 million.

Smolt released

Bakkafrost Group

1,000 pieces	2008	2009	2010E	2011E
Farming North, <i>salmon</i>	3,200	4,000	3,400	4,800
Farming West, <i>trout</i>	700	300	0	0
Farming West, <i>salmon</i>	1,400	2,100	3,600	2,700
Total	5,300	6,400	7,000	7,500

Financial Review

In the following review, the realised figures for the Bakkafrost Group are commented and compared to proforma figures presented as if Bakkafrost and Vestlax were merged 1 January 2009. The Bakkafrost Group and the Vestlax Group were merged effective from 1 January 2010. The realised and proforma figures are presented in note 5 together.

Income statement

The operating revenues amounted to DKK 199.6 million in Q2 2010 (DKK 243.2 million in proforma Q2 2009). In H1 2010, the operating revenue amounted to DKK 390.0 million (DKK 428.9 million in proforma H1 2009). The reason for the decrease from 2009 to 2010 in Q2 is due to 28% lower harvested volumes, but offset by higher prices, as the revenue has only declined by 18%.

Bakkafrost harvested a total of 5,341 tonnes gutted weight in Q2 2010 (7,406 tonnes gutted weight in proforma Q2 2009). Of this, 2,739 tonnes gutted weight (4,918 tonnes gutted weight Q2 2009) were harvested in Bakkafrost Farming North, and 2,602 tonnes gutted weight (2,487 tonnes gutted weight Q2 2009) were harvested in Bakkafrost Farming West (previously Vestlax). In H1 2010, Bakkafrost harvested a total of 11,085 tonnes gutted weight (14,900 tonnes gutted weight in proforma H1 2009). Of this, 7,722 tonnes gutted weight (9,991 tonnes gutted weight H1 2009) were harvested in Bakkafrost Farming North, and 3,363 tonnes gutted weight (4,909 tonnes gutted weight H1 2009) were harvested in Bakkafrost Farming West (previously Vestlax).

Operational EBIT, which is EBIT before fair value adjustment of the biomass and provision for onerous contracts, was DKK 58.7 million in Q2 2010 (DKK 59.0 million in proforma Q2 2009). The provision for onerous contracts is recognised, as Bakkafrost has entered into fixed price contracts for delivery of value added products in the future which are at a lower price compared to the sales price used for the fair value adjustment for the biomass at the end of the quarter. Operational EBIT for H1 2010 was DKK 109.1 million (DKK 91.0million in H1 2009).

For Q2 2010, the Operational EBIT was DKK 10.98 (NOK 11.68) per kg gutted weight, compared to DKK 7.96 (NOK 8.98) per kg gutted weight in proforma Q2 2009 for Bakkafrost in total.

Net interest in Q2 2010 amounted to DKK -2.2 million (DKK -6.9 million in proforma Q2 2009). For H1 2010, the interest amounted to DKK -4.6 million (DKK -20.1 million in proforma H1 2009).

Taxes amounted to DKK -7.1 million in Q2 2010 (DKK -8.6 million in proforma Q2 2009). For H1 2010, taxes amounted to DKK -17.3 million (DKK -12.1 million in proforma H1 2009).

Profit for Q2 2010 was DKK 32.5 million (DKK 56.7 million in proforma Q2 2009). Profit for H1 2010 was DKK 78.8 million (DKK 72.6 million in proforma H1 2009).

The volume of marine-phase biomass at the end of the second quarter 2010 was 28 per cent lower than at the same time last year. The volume at the start of the year was 29 per cent lower than the year before. So far in 2010 feed used have reduced by 29 per cent compared with the same period last year. The relatively low biomass 1H 2010 compared with last year, is due to the change of production strategy from trout to salmon. The increased number of fish released into the sea the last year, can be monitored by the total number of fish in the sea, which at the end of the second quarter 2010 was 21% higher than at the same point in time last year.

Segments

Farming:

The operating revenue for Bakkafrost's farming segment was DKK 202.1 million in Q2 2010 (DKK 217.7 million in proforma Q2 2009). For H1 2010, the operating revenue was DKK 376.8 million, compared to DKK 388.3 million in proforma H1 2009. Included in the gross operating revenue is internal sale between farming and VAP. Operational EBIT, which is EBIT before fair value adjustments on biological assets, amounted to DKK 83.7 million, compared to DKK 23.0 million in proforma Q2 2009. The increase in Q2 2010 is due to more favourable prices, as the quantum harvested was 2,065 tonnes gutted weight less in Q2 2010 compared to proforma Q2 2009.

Operational EBIT for H1 2010 amounted to DKK 136.4 million (DKK 55.9 million in proforma H1 2009). Operational EBIT is EBIT adjusted for fair value adjustments on biological assets and listing costs. In addition to this, the proforma figures for H1 2009 are adjusted for an extraordinary loss in Vestlax of DKK 16.9 million.

Operational EBIT/kg for the farming segment was DKK 15.67 (NOK 16.65) in Q2 2010, compared to DKK 3.10 (NOK 3.50) in proforma Q2 2009. For H1 2010, the operational EBIT/kg was DKK 12.31 (NOK 13.24), compared to DKK 5.76 (NOK 6.90) in proforma H1 2009. The overall increase in the performance of the Group's farming segment reflects the increase in the salmon price, the excellent biological situation and improved performance in general.

Bakkafrost Farming North (former Bakkafrost) had a calculated operational EBIT of DKK 17.20 (NOK 18.28) in Q2 2010, and Bakkafrost Farming West (former Vestlax) had an operational EBIT of DKK 13.94 (NOK 14.82) in Q2 2010.

For H1 2010, Bakkafrost Farming North (former Bakkafrost) had a calculated operational EBIT of DKK 12.85 (NOK 13.83), and Bakkafrost Farming West (former Vestlax) had an operational EBIT of DKK 11.35 (NOK 12.21).

The profit after tax for the farming segment for Q2 2010 was DKK 52.3 million (DKK 47.2 million in proforma Q2 2009). For H1 2010, the result was DKK 123.3 million, compared to DKK 64.7 million in proforma H1 2009.

Value Added Products (VAP):

The operating revenue for the value added segment amounted to DKK 124.8 million in Q2 2010 (DKK 77.3 million in proforma Q2 2009). The operating revenue in H1 2010 was DKK 245.1 million (DKK 145.6 million in proforma 2009). Operational EBIT, which is EBIT adjusted for provisions for onerous contracts, amounted to DKK -25.0 million in Q2 2010 (DKK 36.0 million in proforma Q2 2009). This corresponds to a negative operational EBIT of DKK -6.94 (NOK -7.38) per kg gutted weight, compared to DKK 14.14 (NOK 15.96) per kg in proforma Q2 2009.

For H1 2010, operational EBIT amounted to DKK -27.4 million (DKK 35.1 million in proforma H1 2009), which corresponds to an operational EBIT of DKK -3.78 (NOK -4.07) per kg gutted weight (DKK 6.98 (NOK 8.33) per kg in proforma H1 2009).

The continued increase in the salmon price from 2009 and during H1 2010 reflects the result from the value added segment, as this was negative. The reason is that there is a time lag between the movements in the fresh salmon price and the contract price for value added products, leading to a significant negative result when spot market prices are increasing and a positive result when spot market prices are decreasing.

Of the total operating revenue, 63% (Q2 2009 proforma 32%) came from VAP contracts in Q2 2010, corresponding to 67% (Q2 2010 proforma 34%) of the total harvested volume. For H1 2010, 63% (Q2

2009 proforma 34%) of the operating revenue came from VAP contracts, corresponding to 65% (H1 2010 proforma 34%) of the total harvested volume in Q2 2010.

Statement of financial position

The Group's total assets as of 30 June 2010 amounted to DKK 972.5 million, compared to DKK 1,003.9 million in the proforma figures at the end of 2009.

The Group's non-current assets amounted to DKK 503.6 million at the end of Q2 2010, compared to DKK 484.2 million in the proforma figures at the end of 2009. The increase relates first of all to investments in property, plant and equipment.

The Group's book value (fair value) of biological assets (fish in the sea) amounted to DKK 329.0 million at the end of Q2 2010. The total fair value adjustment of the biomass amounted to DKK 74.9 million at 30 June 2010, compared to DKK 50.3 million in the proforma figures at the end of 2009.

The Group's equity increased from DKK 573.3 million (proforma) at the start of the year to DKK 721.1 million at the end of Q2 2010. The increase in equity can be attributed to the merger with Vestlax, the share capital increase in connection with listing on Oslo Børs, the sale of own shares and the good net result in H1 2010.

The Group's total non-current liabilities amounted to DKK 138.6 million at 30 June 2010, compared to DKK 142.0 million (proforma) at the end of 2009. Included in the non-current liabilities are deferred and other taxes amounting to DKK 97.1 million, while the long-term debt is DKK 41.5 million. The Group's total current liabilities are DKK 112.9 million at the end of Q2 2010, compared to DKK 288.6 million (proforma) at the end of 2009. The decrease is mainly due to paying down interest bearing debt.

Bakkafrost's net interest bearing debt amounted to DKK 65.1 million at the end of Q2 2010, compared to DKK 251.0 million (proforma) at the end of 2009. Bakkafrost had an equity ratio of 74% as of 30 June 2010, compared to 57% at the end of 2009 (proforma). 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

In Q2 2010, the Group had a strong cash flow. The total cash flow from operating activities in Q2 2010 was DKK 82.6 million. For H1 2010, the cash flow from operating activities was DKK 124.3 million.

The cash flow from investment activities in Q2 2010 amounted to DKK -20.2 million. For H1 2010, the cash flow from investment activities amounted to DKK -40.0 million. The group has invested approx. DKK 40 million in property, plant and equipment. The company's bank syndicate has approved investments of up to DKK 70 million in 2010 and 2011 each year.

Cash flow from financing activities totalled DKK -48.3 million in Q2 2010, which reflects primarily a net payment of bank funding. Net cash flow in Q2 2010 amounted to DKK 14.1 million. The cash flow from financing in H1 2010 was DKK -94.8 million. The group has paid down debt of DKK 201 million, dividend of DKK 17.6 million and interest of DKK 6.8 million. On the other hand, the group has received net proceeds from the share capital increase in connection with the listing on Oslo Børs and the merger with Vestlax of DKK 112.6 million, proceeds from sale of own shares of DKK 15.7 million and interest income of DKK 2.2 million. Cash at 30 June 2010 was DKK 25.0 million. Together with established credit facilities with its banking partners, the Group's liquidity and financial strength is considered to be very good. The Group's net interest bearing debt amounted to DKK 65.1 million, and solvency was in excess of 74%. At the end of Q2 2010, Bakkafrost had net undrawn loan facilities in excess of DKK 350 million.

Outlook

The margin in the second quarter was significantly improved compared with the first quarter; the improvements were mainly driven by good market prices and better capacity utilisation in the West division. Bakkafrost expects lower spot prices in second half of 2010, but higher contract prices, as new contracts will begin to materialise. The forward prices for the second half of 2010 are currently traded around 34 NOK/kg and around 35 NOK/kg for H1 2011.

The ratio of harvested fish sold on long-term contracts in 2Q was 67%. Bakkafrost intends to sell around 50% of its harvested fish as VAP products on long-term contracts in the future; this is expected to be reached as the total quantity of harvested fish is expected to rise significantly in 2011.

Bakkafrost expects to harvest from its farming sites 24,000 tonnes gutted weight in 2010, and we're on target for 60,000 tonnes gutted weight for the years 2010 and 2011 in total. In H1 2010, Bakkafrost accounted for 61% of the 18,200 tonnes gutted weight of the total exported volume of farmed fish from the Faroe Islands.

The planned operational changes post merger of Vestlax into Bakkafrost is on track. Following Sundalagið south and north have been synchronised together with other farmers in the region during the last months. New smolts are now released into this area. We believe that the changes in Sundalagið will have a positive effect for the operations in the future.

The financial position of Bakkafrost is very strong, and the company has a good solvency. We believe the solvency of the company will be strong to secure organic growth for the coming years, to be in a position to take advantage of M&A activities, as well as to handle the risks involved in our industry. The current liquidity buffer and high solvency gives Bakkafrost a good platform to grow in the coming years.

Risks

Bakkafrost has not identified any additional risk exposure beyond the risks described in note 3 in this report and the 2009 Annual Report.

Post- Balance Sheet Events

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

Confirmation from the Board of Directors and the CEO

We confirm, to the best of our knowledge, that the interim financial report for the first half of 2010 has been prepared in accordance with IFRS, as adopted by EU, and gives a true and fair view of the Group's consolidated assets, liabilities, financial position and results for the period. Furthermore, we confirm that the interim management report includes a fair review of the information required under the Norwegian Securities Trading Act § 5 – 6, fourth paragraph.

Glyvrrar, 20 August 2010

The Board of Directors of P/F Bakkafrost

Rúni M Hansen
Chairman of the Board

Johannes Jensen

Trine Sæther Romuld

Virgar Dahl

Annika Frederiksberg

Odd Eliassen

Johan Regin Jacobsen
CEO

Consolidated Profit and Loss Account

For the period ended 30 June 2010

DKK 1,000	2Q 2010	Pre- merger 2Q 2009	H1 2010	Pre- merger H1 2009
Operating revenue	199,564	157,625	390,012	277,188
Purchase of goods	-57,167	-49,996	-94,374	-90,334
Change in inventory and biological assets (at cost)	-2,567	-19,428	-16,292	-36,889
Fair value adjustments on biological assets	-17,754	26,742	24,635	31,200
Fair value (excess of costs) on biological assets acquired and harvested	0	0	3,371	0
Salary and personnel expenses	-29,647	-19,343	-60,914	-37,797
Other operating revenue	0	0	0	0
Other operating expenses	-41,115	-43,749	-88,714	-32,328
Onerous contracts	1,013	0	-23,809	-23,434
Listing costs	0	0	-12,651	0
Income from associates	0	0	0	0
Depreciation	-10,401	-5,201	-20,638	-10,237
Earnings before interest and taxes (EBIT)	41,925	46,650	100,625	77,369
Financial income	607	1,014	664	1,446
Net interest expenses	-2,453	-3,656	-5,514	-8,557
Net currency effects	705	-112	1,537	-187
Other financial expenses	-1,102	-101	-1,261	-269
Earnings before taxes (EBT)	39,683	43,795	96,052	69,802
Taxes	-7,143	-7,783	-17,289	-12,464
Profit for the period	32,540	36,012	78,763	57,338
Earnings per share continued operations (DKK)	0.67	1.03	1.67	1.64
Diluted earnings per share (DKK)	0.67	1.03	1.67	1.64

Statement of Comprehensive Income

For the period ended 30 June 2010

	Q2 2010	Pre- merger 2Q 2009	H1 2010	Pre- merger H1 2009
Profit for the period	32,540	36,012	78,763	57,338
Adjustment 01.01	0	0	-34	0
Fair value adjustment	0	588	0	1,176
Tax on fair value adjustment	0	-106	0	-212
Total comprehensive income for the period net tax	32,540	36,495	78,729	58,303

Consolidated Statement of Financial Position

As of 30 June 2010

DKK 1,000	Note	30 June 2010	Pre-merger End 2009
ASSETS			
Non-current assets			
Intangible assets		136,245	0
Property, plant and equipment		349,969	231,002
Financial assets		16,369	26,262
Long-term receivables		989	477
TOTAL NON-CURRENT ASSETS		503,572	257,741
Current assets			
Biological assets (biomass)	6	329,018	227,497
Inventory		34,094	20,527
Total inventory		363,112	248,024
Accounts receivable		80,155	66,644
Other receivables		662	13,304
Total receivables		80,818	79,948
Cash and cash equivalents		25,043	35,319
Total current assets		468,971	363,291
TOTAL ASSETS		972,543	621,032

Consolidated Statement of Financial Position

As of 30 June 2010

DKK 1,000	30 June 2010	Pre-merger End 2009
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	2,992
Other equity	672,203	385,895
Total equity	721,061	388,887
Non-current liabilities		
Deferred taxes and other taxes	97,057	57,082
Long-term interest bearing debts	41,535	34,350
Total non-current liabilities	138,591	91,431
Current liabilities		
Short-term interest bearing debt	48,638	98,262
Accounts payable and other debt	64,252	42,451
Total current liabilities	112,890	140,713
Total liabilities	251,482	232,145
TOTAL EQUITY AND LIABILITIES	972,543	621,032

Consolidated Cash Flow Statement

For the period ended 30 June 2010

DKK 1,000	Q2 2010	Pre-merger Q2 2009	H1 2010	Pre-merger H1 2009
Operating profit (EBIT)	41,926	46,650	100,625	77,369
Adjustments for write-downs and depreciation	10,401	5,201	20,638	10,237
Adjustments for value adjustments on biomass	17,754	-26,742	-28,006	-31,200
Taxes paid	0	0	0	0
Change in inventory	20,320	19,428	-8,334	36,889
Change in other current assets	25,620	2,187	48,466	-11,768
Change in current debts	-33,412	28,644	-9,138	10,691
Cash flow from operations	82,610	75,367	124,252	92,218
Cash flow from investments				
Proceeds from sale of fixed assets	300	0	300	0
Payments made for purchase of fixed assets	-20,290	-4,135	-39,799	-6,838
Purchase of shares and other investments	97	-45	-39	-45
Change in long-term receivables	-331	-174	-511	-600
Cash flow from investments	-20,224	-4,354	-40,049	-7,483
Cash flow from financing				
Paying down of interest bearing debt (short and long)	-38,927	-61,187	-200,974	-69,546
Proceeds from share capital increases*	-7,164	0	112,681	0
Received interest	1,313	1,014	2,201	1,446
Net proceeds from sale of own shares	0	0	15,669	0
Paid interest	-3,555	-3,869	-6,774	-9,013
Dividend paid	0	-4,409	-17,643	-5,000
Cash flow from financing	-48,333	-68,451	-94,840	-82,113
Net change in cash and cash equivalents in period	14,053	2,564	-10,637	2,622
Cash and cash equivalents – opening balance	10,990	530	35,680	471
Cash and cash equivalents – closing balance total	25,043	3,094	25,043	3,094

*The amount of DKK -7,164 is due to a reclassification from Purchase of shares and other investments compared to Q1 2010.

Consolidated Changes in Equity

As of 30 June 2010

DKK 1,000	H1 2010	Pre-merger End 2009
Total equity 01.01	388,887	241,650
Profit for the period to equity	78,763	148,728
Adjustment to 01.01	-34	0
Fair value adjustment on securities available for sale	0	4,279
Deferred tax on securities available for sale	0	-770
Total other comprehensive income	-34	3,509
Proposed dividend	0	-18,000
Total gains and losses charged directly to equity	0	-18,000
Total recognised income and expense to equity	78,729	134,237
Equity transactions between the company and its shareholders		
Share issue related to IPO	75,000	0
Sale of treasury shares related to IPO	15,669	0
Tax on sale of treasury shares	-2,820	0
Costs related to IPO	-6,972	0
Net proceeds from share capital increases	80,877	0
Equity increase by merger		
Proceeds from merger	209,039	0
Deferred tax on recognised excess fair values	-18,828	0
Equity increase by merger	190,211	0
Distribution of dividend	-18,000	-5,000
Dividends on treasury shares	357	0
Proposed dividend	0	18,000
Total equity to shareholders during the year	253,445	13,000
Total change in equity during the period	332,174	147,237
Total equity at the end of the period	721,061	388,887

Notes to the Accounts

Accounting policy

General information

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

The Annual and Consolidated Annual Reports of the Group as at and for the year ended 31 December 2009 are available upon request from the Company's registered office at Bakkavegur 8, FO-625 Glyvrar, Faroe Islands or at www.bakkafrost.com.

This Condensed Consolidated Interim Report is presented in DKK.

Note 1. Statement of compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all of the information required for the full Annual Report, and should be read in conjunction with the Annual Report for the Group as at and for the year ended 31 December 2009.

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

Note 2. Significant accounting policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied in the consolidated accounts in the Annual Report as at and for the year ended 31 December 2009.

Note 3. Risk

Reference is made to the Management Statement in the Annual Report for 2009, where Bakkafrost's operational and financial risk is described, as well as to note 19 (Financial market risk) in the same report.

The risks and uncertainties described therein are expected to remain for the next six months. Since the issuance of the Annual Report for 2009, the markets have been strong, and the prices have increased during the first half of the year. The strong market balance is expected to continue and may increase the risk of market destruction.

The overall risk management is unchanged.

Note 4. Acquisitions through business combination

By 1 January 2010, P/F Bakkafrost 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 is the acquiring company and P/F Vestlax Holding the acquired company. Following the merger, the shareholders of P/F Vestlax Holding owned 24.52% of the continuing company. Details of the fair value allocation and the effect on the statement of financial position are presented in the table below:

DKK 1,000	Impact on Consolidated Accounts
Intangible assets	136,245
Property, plant and equipment	100,106
Financial assets	-9,932
Biomass	102,379
Other current assets	54,071
Deferred tax	-18,828
Long-term interest bearing debt	-37,065
Short-term interest bearing debt	-116,975
Other short-term liabilities	-25,623
Other IFRS adjustment on equity	<u>3,564</u>
Total effect on equity	187,942

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

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

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

According to IFRS 3, deferred tax is calculated on excess values of licences, and entered to liabilities; this amounts to DKK 23.9 million, less tax assets in Vestlax Group of DKK 5.1 million. Goodwill is by definition a residual, and no deferred tax is entered. The Vestlax Group and the sea farming activity of Bakkafrost Group perform similar activities and will potentially benefit from economies of scale.

Under the item Investment in financial assets, DKK 16.1 million is eliminated, as this relates to Bakkafrost's share of the share capital in Vestlax. An adjustment to Accounts receivable of DKK 5.3 million relates mainly to intergroup receivables that are eliminated.

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

Note 5. Realised figures compared to proforma figures

Consolidated Profit and Loss Account

For the period ended 30 June 2010

DKK 1,000	2Q 2010	Proforma 2Q 2009	H1 2010	Proforma H1 2009	Proforma 2009
Operating revenue	199,564	243,246	390,012	428,942	921,688
Purchase of goods	-57,167	-64,019	-94,374	-132,941	-272,638
Change in inventory and biological assets (at cost)	-2,567	-43,209	-16,292	-69,850	-105,659
Fair value adjustments on biological assets	-17,754	36,566	24,635	54,130	31,923
Fair value (excess of costs) on biological assets acquired and harvested	0	0	3,371	0	2,563
Salary and personnel expenses	-29,647	-29,799	-60,914	-59,134	-123,895
Other operating revenue	0	0	0	9,500	9,500
Other operation expenses	-41,115	-37,722	-88,714	-83,729	-186,727
Onerous contracts	1,013	-23,257	-23,809	-23,434	0
Listing costs	0	0	-12,651	0	0
Income from associates	0	0	0	0	699
Depreciation	-10,401	-9,550	-20,638	-18,709	-38,134
Earnings before interest and taxes (EBIT)	41,925	72,256	100,625	104,775	239,319
Financial income	607	588	664	594	1,197
Net interest expenses	-2,453	-9,723	-5,514	-22,013	-37,290
Net currency effects	705	2,318	1,537	1,594	1,577
Other financial expenses	-1,101	-101	-1,261	-269	-3,661
Earnings before taxes (EBT)	39,683	65,338	96,052	84,681	201,142
Taxes	-7,143	-8,617	-17,289	-12,099	-36,343
Profit for the period	32,540	56,721	78,763	72,582	164,799

Consolidated Statement of Financial Position
As of 30 June 2010

DKK 1,000	Note	30 June 2010	Proforma End 2009
ASSETS			
Non-current assets			
Intangible assets		136,245	136,245
Property, plant and equipment		349,969	331,108
Financial assets		16,369	16,330
Long-term receivables		989	478
TOTAL NON-CURRENT ASSETS		503,572	484,161
Current assets			
Biological assets (biomass)	6	329,018	329,876
Inventory		34,094	24,902
Total inventory		363,112	354,778
Accounts receivable		80,155	114,199
Other receivables		662	15,084
Total receivables		80,818	129,283
Cash and cash equivalents		25,043	35,680
Total current assets		468,971	519,741
TOTAL ASSETS		972,543	1,003,902

Consolidated Statement of Financial Position
As of 30 June 2010

DKK 1,000	30 June 2010	Proforma End 2009
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	3,964
Other equity	672,203	569,301
Total equity	721,061	573,265
Non-current liabilities		
Deferred and other taxes	97,057	70,595
Long-term interest bearing debts	41,535	71,415
Total non-current liabilities	138,591	142,010
Current liabilities		
Short-term interest bearing debt	48,638	215,237
Accounts payable and other debt	64,252	73,390
Total current liabilities	112,890	288,627
Total liabilities	251,482	430,637
TOTAL EQUITY AND LIABILITIES	972,543	1,003,902

Consolidated Cash Flow Statement
For the period ended 30 June 2010

DKK 1,000	Q2 2010	H1 2010	Proforma 2009
Operating profit (EBIT)	41,926	100,625	239,319
Adjustments for write-downs and depreciation	10,401	20,638	38,134
Adjustments for value adjustments on biomass	17,754	-28,006	-34,486
Taxes paid	0	0	0
Change in inventory	20,320	-8,334	105,639
Change in other current assets	25,620	48,466	-27,586
Change in current debts	-33,412	-9,138	-22,954
Cash flow from operations	82,610	124,252	298,067
Cash flow from investments			
Proceeds from sale of fixed assets	300	300	50
Payments made for purchase of fixed assets	-20,290	-39,799	-37,441
Purchase of shares and other investments	97	-39	-8,734
Change in long-term receivables	-331	-511	6,509
Cash flow from investments	-20,224	-40,049	-39,616
Cash flow from financing			
Paying down of interest bearing debt (short and long)	-38,927	-200,974	-191,556
Proceeds from share capital increases	-7,164	112,681	0
Received interest	1,313	2,201	3,404
Net proceeds from sale of own shares	0	15,669	0
Paid interest	-3,555	-6,774	-41,581
Dividend paid	0	-17,643	-5,000
Cash flow from financing	-48,333	-94,840	-234,733
Net change in cash and cash equivalents in period	14,053	-10,637	23,718
Cash and cash equivalents – opening balance	10,990	35,680	11,962
Cash and cash equivalents – closing balance total	25,043	25,043	35,680

Note 6. Biomass

DKK 1,000	30 June 2010	Bakkafrost pre-merger 2009
Biological assets carrying amount 01.01	227,497	229,720
Increase due to production or purchases	167,413	272,139
Increase due to acquisitions	98,986	0
Reduction due to harvesting or sale (costs of goods sold)	-192,883	-308,017
Fair value adjustment at the beginning of the period reversed	-46,866	-13,211
Fair value adjustments at the end of the period	74,872	46,866
Biological assets carrying amount 30.06	329,018	227,497
Cost price biological assets	254,146	180,631
Fair value adjustments at the end of the period	74,872	46,866
Biological assets carrying amount	329,018	227,497

Note 7. Segments

Farming segment	Pre-merger			Pre-merger			
	Q2	Q2	Proforma	H1	H1	Proforma	Proforma
	DKK 1,000	2010	2009	Q2 2009	2010	2009	H1 2009
Operating revenue	202,102	132,032	217,653	376,849	236,659	388,315	812,990
Depreciation and amortisation	-9,397	-3,948	-8,297	-18,641	-8,048	-16,520	-34,334
Operating expenses	-109,026	120,884	-186,374	-221,763	-194,106	-342,314	-614,835
Fair value adjustments on biological assets	-17,754	26,742	36,566	28,006	31,200	54,130	34,486
Listing costs	0	0	0	-10,121	0	0	0
Other operating revenue	0	0	0	0	0	9,500	9,500
Income from associates	0	0	0	0	0	0	671
Earnings before interest and taxes (EBIT)	65,925	33,942	59,548	154,330	65,705	93,111	208,477
Net interests	-2,128	-1,772	-5,835	-3,936	-5,494	-18,021	-35,869
Earnings before taxes (EBT)	63,797	32,170	53,713	150,394	60,211	75,090	172,608
Taxes	-11,483	-5,717	-6,551	-27,071	-10,764	-10,399	-31,230
Profit for the period	52,314	26,453	47,162	123,322	49,447	64,691	141,378

Value added products	Pre-merger			Pre-merger			
	Q2	Q2	Proforma	H1	H1	Proforma	Proforma
	DKK 1,000	2010	2009	Q2 2009	2010	2009	H1 2009
Operating revenue	124,798	77,323	77,323	245,126	145,637	145,637	358,709
Depreciation and amortisation	-1,005	-1,253	-1,253	-1,998	-2,189	-2,189	-3,800
Operating expenses	-148,806	-40,105	-40,105	-270,494	108,350	-108,350	-324,095
Provision for onerous contracts	1,013	-23,257	-23,257	-23,809	-23,434	-23,434	0
Listing costs	0	0	0	-2,530	0	0	0
Income from associates	0	0	0	0	0	0	28
Earnings before interest and taxes (EBIT)	-24,000	12,708	12,708	-53,705	11,664	11,664	30,842
Net interests	-114	-1,083	-1,083	-637	-2,073	-2,073	-2,308
Earnings before taxes (EBT)	-24,114	11,625	11,625	-54,342	9,591	9,591	28,534
Taxes	4,341	-2,066	-2,066	9,782	-1,700	-1,700	-5,113
Profit for the period	-19,773	9,559	9,559	-44,560	7,891	7,891	23,421

Note 8. Harvest

Distribution of harvested and purchased volume (gwt)	Q2	Proforma Q2	H1	Proforma H1	Proforma
	2010	2009	2010	2009	2009
Harvested volume used in VAP production	3,602	2,543	7,239	5,029	10,977
Harvested volume sold fresh/frozen	1,739	4,862	3,846	9,871	19,673
Harvested and purchased volume (gwt)	5,341	7,406	11,085	14,900	30,650

Note 9. Transactions with related parties

Note 22 in Bakkafrost's Annual Report for 2009 provide detailed information on related parties' transactions.

P/F Havsbrún is currently a major shareholder of P/F Bakkafrost. Havsbrún is also the central feed supplier to the sea farming activity of Bakkafrost. During the first half of 2010, Bakkafrost purchased feed for DKK 86 million from P/F Havsbrún. The transactions took place at arm's-length. At 30 June 2010, the Bakkafrost Group owed DKK 25 million to P/F Havsbrún for supply of feed.

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