

P/f Bakkafrost

Condensed Consolidated

Interim Report for

Q2 2011 and 1H 2011

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Highlights

DKK 1,000	Q2 2011	Q2 2010	H1 2011	H1 2010
Operating revenue	314,300	199,564	554,580	390,012
Earnings before interest and taxes (EBIT)	-24,248	41,925	103,618	100,625
Net interest	-2,823	-2,243	-3,566	-4,574
Profit for the period	-25,630	32,540	77,889	78,763
Operational EBIT*	126,922	58,667	219,204	109,080
Operational EBIT margin	40.38%	29.40%	39.53%	27.97%
Operational EBIT/kg (DKK)	15.68	10.98	16.18	9.84
Operational EBIT/kg (NOK)	16.46	11.68	16.97	10.59
DKK/NOK (average)	95.28	94.07	95.29	92.95
Earnings per share (DKK)	-0.52	0.67	1.59	1.67
Cash flow from operations	167,824	75,635	268,598	168,904
Total Assets	1,709,950	972,543	1,709,950	972,543
Net interest bearing debt	594,359	65,130	594,359	65,130
Equity ratio	48%	74%	48%	74%
Harvested volume (tonnes gutted weight)	8,092	5,341	13,552	11,085

* Aligned for fair value adjustment of biomass, onerous contracts provisions and acquisitions costs.

Summary of the Second Quarter 2011 and year-to-date 2011

The results for the second quarter (Q2) 2011 were strong. Bakkafrost made an operational EBIT of DKK 126.9 million in Q2 2011, corresponding to an EBIT/kg of DKK 15.68 (NOK 16.46). The result reflects a continuing sustainable biological operation and good market prices during the period.

The farming segment made substantial profit, but the VAP segment also contributed with a positive operational result. Due to a decline in the market price at the end of Q2, the fair value adjustments on biological assets amounted to DKK -158.4 million. The result after tax was DKK -25.6 million for Q2 2011.

For the first half (H1) of 2011, operational EBIT was DKK 219.2 million, corresponding to an EBIT/kg of DKK 16.18 (NOK 16.97). The result after tax amounted to DKK 77.9 million after a negative fair value adjustment of DKK 117.4 million.

- The total harvested volume in Q2 2011 was 8,092 tonnes gutted weight (5,341 tonnes gutted weight in Q2 2010). In H1 2011, 13,552 tonnes gutted weight (11,085 tonnes gutted weight in H1 2010) were harvested.
- EBIT/KG performance:

	Q2	Q2	H1	H1
Operational EBIT/kg harvested	2011	2010	2011	2010
Group EBIT/kg (DKK)	15.68	10.98	16.18	9.84
Group EBIT/kg (NOK)	16.46	11.68	16.97	10.59
Farming EBIT/kg (DKK)	15.54	15.67	15.98	12.31
Farming EBIT/kg (NOK)	16.31	16.65	16.77	13.24
VAP EBIT/kg (DKK)	0.37	-6.94	0.41	-3.78
VAP EBIT/kg (NOK)	0.39	-7.38	0.43	-4.07

- Bakkafrost released approximately 2.4 million smolts in Q2 2011 and 3.9 million in H1 2011.
- The Group had a net interest bearing debt at the end of Q2 2011 amounting to DKK 594.4 million (DKK 70.2 million at year-end 2010). The company has increased the debt to fund the acquisition of the feed producer Havsbrún. Bakkafrost had undrawn credit facilities of DKK 271 million at the end of June 2011.
- In April 2011, Bakkafrost paid out dividend amounting to DKK 191 million to its shareholders.
- In Q2 2011, Bakkafrost accounted for 63% of the 12,913 tonnes gutted weight of the total exported volume of farmed fish from the Faroe Islands.
- On 1 July 2011, Bakkafrost purchased all the outstanding shares in P/f Havsbrún. P/f Havsbrún, a modern, internationally renowned producer of fish meal, fish oil and fish feed, is situated in the Faroe Islands and owns 78.1% of two farming companies. The purchase price was DKK 1,100 million. The payment was made as a combination of existing shares in Bakkafrost, which Havsbrún owned, and cash. Therefore, Bakkafrost signed a term sheet covering a DKK 500 million instalment loan which was used as payment. At the same time, Bakkafrost also acquired all the minorities' shares in the farming company Viking Seafood, which now is a wholly owned subsidiary.

- Following the acquisition of P/f Havsbrún, it has been decided to adjust the Group Management. Regin Jacobsen will continue as the CEO of the Bakkafrost Group. In addition to this, he will continue to be responsible for the farming activities, i.e. Bakkafrost's activities prior to the acquisition of Havsbrún. The farming activities will, from now, also comprise the activities of Viking and Faroe Farming. Following the acquisition of Havsbrún, Bergur Poulsen will step into the Group Management reporting to the CEO and will be responsible for the Havsbrún activities (Feed, meal and oil). Bergur Poulsen has been Managing Director of Havsbrún for the last 16 years and holds a degree in pharmacy from the University of Copenhagen. The Group Management now consists of Regin Jacobsen, CEO; Bergur Poulsen Managing Director; and Teitur Samuelsen, CFO.

Smolt Release

Bakkafrost Group 1,000 pieces	2008	2009	2010	2011E
Farming North, <i>salmon</i>	3,200	4,000	4,100	5,000
Farming West, <i>trout</i>	700	300	0	0
Farming West, <i>salmon</i>	1,400	2,100	4,100	3,000
Farming Havsbrún		1,700	2,800	2,000
Total	5,300	8,100	11,000	10,000

Financial Review

Income Statement

The operating revenues amounted to DKK 314.3 million in Q2 2011 (DKK 199.6 million in Q2 2010). For H1 2011, the operating revenue amounted to DKK 554.6 million (DKK 390.0 million in H1 2010). The reason for the increase in the revenue quarter-on-quarter is higher harvested volume and higher prices. The revenue increased by 57.4%, and the harvested volumes are 52% higher in Q2 2011 compared to Q2 2010. In addition, the harvested volumes and salmon prices for H1 were higher than in the comparable period in 2010.

Bakkafrost harvested the following:

	Q2	Q2	H1	H1	Estimate*
Harvested volumes (gwt)	2011	2010	2011	2010	2011
Total harvested volumes (gwt)	8,092	5,341	13,552	11,085	42,000

*Including Viking and Faroe Farming

Operational EBIT, which is EBIT before fair value adjustment of the biomass, provision for onerous contracts and acquisition costs, was DKK 126.9 million in Q2 2011 (DKK 58.7 million in Q2 2010). Operational EBIT for H1 2011 came to DKK 219.2 million (DKK 109.1 million in H1 2010).

Net interest in Q2 2011 amounted to DKK -2.8 million (DKK -2.2 million in Q2 2010). For H1 2011, net interest was DKK 3.6 million, compared to DKK -4.6 million H1 2010.

Taxes amounted to DKK 1.4 million in Q2 2011 (DKK -7.1 million in Q2 2010) and DKK -22.1 million for H1 2011 (DKK -17.3 million in H1 2010).

The result for Q2 2011 was DKK -25.6 million (DKK 32.5 million in Q2 2010). The result for H1 2011 was DKK 77.9 million, compared to DKK 78.8 million for H1 2010.

The number of fish in cages is 30% higher at the end of Q2 2011 than at the same time last year. The average size of the fish is 35% higher. The growth in H1 2011 was 76% higher than the same period in 2010. These numbers indicate the increase in production in Bakkafrost during 2011 compared to 2010.

Segments

Bakkafrost has two operating segments: one farming segment and one segment for value added products (VAP). Fresh/frozen salmon is sold on the spot market, while VAP products are sold on long-term contracts.

Distribution of harvested volume (gwt)	Q2 2011	Q2 2010	H1 2011	H1 2010
Harvested volume used in VAP production	44%	67%	48%	65%
Harvested volume sold fresh/frozen	56%	33%	52%	35%
Harvested and purchased volume (gwt)	100%	100%	100%	100%

The ratio of harvested fish sold fresh/frozen was 56% and for VAP products 44% in Q2 2011. The reason for the lower percentage used in VAP production is the relatively high volume harvested in the period compared to Q2 2010. Bakkafrost aims to produce around 40% of the harvested volume as VAP products.

Farming:

The operating revenue for Bakkafrost's farming segment was DKK 290.1 million in Q2 2011 (DKK 202.1 million in Q2 2010). For H1 2011, the revenue was DKK 502.7 million (DKK 376.8 million in H1 2010). Included in the gross operating revenue is internal sale between the farming segment and the VAP segment.

Operational EBIT, which is EBIT before fair value adjustments on biological assets and acquisition costs, amounted to DKK 125.7 million in Q2 2011 (DKK 83.7 million in Q2 2010). For H1 2011, operational EBIT was DKK 216.5 million (DKK 136.4 million for H1 2010). The increase in Q2 2011 and H1 2011 compared to the same periods in 2010 is due to higher volumes and a higher sales price in the beginning of H1 2010.

Operational EBIT/kg for the farming segment was DKK 15.54 (NOK 16.31) in Q2 2011, compared to DKK 15.67 (NOK 16.65) in Q2 2010. The performance of the Group's farming segment reflects good salmon prices, the strong biological situation and good performance in general. Operational EBIT/kg for the farming segment was DKK 15.98 (NOK 16.77) in H1 2011, compared to DKK 12.31 (NOK 13.24) in H1 2010.

The result after tax for the farming segment for Q2 2011 was DKK -32.7 million (DKK 52.3 million in Q2 2010). For H1 2011, the result after tax was DKK 74.6 million (DKK 123.3 million in H1 2010).

Value Added Products (VAP):

The operating revenue for the value added segment amounted to DKK 137.9 million in Q2 2011 (DKK 124.8 million in Q2 2010). The increase is due to increased prices, as the amount that went into VAP was slightly lower in Q2 2011. For H1 2011, the operating revenue was DKK 268.7 million (DKK 245.1 million in H1 2010). The increase from H1 2010 to H1 2011 is also due to increased prices, as the amount that went into VAP in H1 2011 was slightly lower than in H1 2010.

Operational EBIT, which is EBIT adjusted for provision for onerous contracts and acquisition costs, amounted to DKK 1.3 million in Q2 2011 (DKK -25.0 million in Q2 2010). This corresponds to an Operational EBIT of DKK 0.37 (NOK 0.39) per kg gutted weight (DKK -6.94 (NOK -7.38) per kg in Q2 2011). For H1 2011, the Operational EBIT was DKK 2.7 million (DKK -27.3 million in H1 2010), which corresponds to an operational EBIT/kg of DKK 0.41 (NOK 0.43), compared to DKK -3.78 (NOK -4.07) for H1 2010.

The spot market price on salmon continued to increase from 2009, during 2010 and into May 2011. It took time for the contract prices for VAP products to close the gap between the spot prices and the contract prices. The VAP segment had a positive result in Q1 2011, but with strong spot prices in April and May 2011, it was difficult to generate positive operating results. But with falling spot prices at the end of Q2 2011, the VAP segment again started to generate positive operational EBIT.

The result after tax for Q2 2011 was DKK 7.1 million (DKK -19.8 million in Q2 2010). And for H1 2011, the result after tax was DKK 3.3 (DKK -44.6 million in H1 2010).

Statement of Financial Position

The Group's total assets as of 30 June 2011 amounted to DKK 1,709.9 million, compared to DKK 1,184.7 million at the end of 2010. There are two main reasons for the increase. First, other receivables have increased by DKK 570 million, which is related to the payment for Havsbrún. On the other hand, biological assets have decreased by DKK 97 million, as the salmon prices have decreased and therefore the fair value of the biomass has also decreased.

The Group's non-current assets amounted to DKK 583.4 million as of 30 June 2011, compared to DKK 519.4 million at the end of 2010. The increase relates mainly to investments in property, plant and equipment, and a write-up of securities available for sale.

The Group's book value (fair value) of biological assets (fish in the sea) amounted to DKK 385.4 million at 30 June 2011, compared to DKK 482.1 million at the end of 2010. The total fair value adjustment of the biomass amounted to DKK 13.4 million at 30 June 2011, compared to DKK 130.8 million at 31 December 2010, and reflects the decrease in the salmon price from year-end 2010 to 30 June 2011.

The Group's total inventories amounted to DKK 35.5 million as of 30 June 2011, compared to DKK 28.5 million as of year-end 2010.

The Group's total receivables amounted to DKK 700.2 million as of 30 June 2011, compared to DKK 145.5 million at the end of 2010. The increase is mainly due to the deposit into trust account for the partial payment for the acquisition of the Havsbrún Group, amounting to DKK 559 million.

The Group's equity declined from DKK 902.3 million at the start of the year to DKK 827.7 million at 30 June 2011. The decline in equity is because of distribution of dividend of DKK 191 million and a comprehensive income for H1 2011 of DKK 116.4 million.

The Group's total non-current liabilities amounted to DKK 482.4 million at the end of Q2 2011, compared to DKK 157.4 million at the end of 2010. Deferred and other taxes amounts to DKK 148.6 million, compared to DKK 120.0 million at the end of 2010. Long-term debt increased from DKK 37.4 million at the end of 2010 to DKK 333.9 million at the end of June 2011. The increase relates to the acquisition of Havsbrún which took place on 1 July 2011. To partly fund the acquisition of the Havsbrún Group, Bakkafrost took an acquisition loan amounting to DKK 500 million. The loan is repayable with DKK 100 million at 6-month intervals. Therefore, DKK 300 million of this loan is classified as long-term debt, while DKK 200 million is classified as a short-term interest bearing debt.

The Group's total current liabilities are DKK 399.8 million at the end of Q2 2011, compared to DKK 125.0 million at the end of 2010. The increase is mainly in short-term interest bearing debts, for the purpose of the acquisition of Havsbrún as mentioned above.

Bakkafrost had an equity ratio of 48% as of 30 June 2011, compared to 76% at the end of 2010. 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 operations in Q2 2011 was DKK 167.8 million (Q2 2010 DKK 75.6 million), reflecting the high salmon prices. For H1 2011, it was DKK 268.6 million (H1 2010 DKK 168.9 million).

The cash flow from investment activities in Q2 2011 amounted to DKK -577.9 million (Q2 2010 DKK -20.2 million), of which DKK 559.3 million was deposited into a trust account for the acquisition of Havsbrún and DKK 19.6 million was payment for purchase of fixed assets. For H1 2011, the cash flow from investments activities amounted to DKK -598.2 million (DKK -40.0 million in H1 2010).

Cash flow from financing activities totalled DKK 361.6 million in Q2 2011 (Q2 2010 DKK -41.3 million), caused by the absorption of the loan for the acquisition of Havsbrún and distribution of dividend. For H1 2011, it was DKK 325.9 million (H1 2010 DKK -139.5 million).

Net cash flow in Q2 2011 amounted to DKK -48.4 million (Q2 2010 DKK 14.0 million). For H1 2011, net cash flow was DKK -3.7 million (H1 2010 DKK -10.6 million).

At the end of June and prior to the acquisition of Havsbrún, Bakkafrost had unused credit facilities of approximately DKK 271 million.

Outlook

Bakkafrost – Salmon Farming and VAP

The margins for first half of 2011 are the highest margins ever for Bakkafrost. During Q1 and Q2 2011, we have seen record high salmon prices, both on the spot market and for value added salmon products, combined with good biological results. In the last weeks of Q2 2011 and in July/August 2011, we have seen salmon prices decrease significantly. But we believe that this level is sustainable for the industry and may have a positive impact on the ability to expand on existing and new markets and thus increase total demand for salmon.

Bakkafrost has ramped up the harvesting volumes during H1 2011. This has had a positive effect on the capacity utilisation and thus reduced costs per kg harvested salmon. In 2011, Bakkafrost expects to harvest 42,000 tonnes gutted weight (including minorities in Faroe Farming). The expected harvesting in 2H 2011 is 26,500 tonnes gutted weight. We expect that the volumes harvested each quarter will increase from the level of 9,000 tonnes in Q2 2011 to around 11,000–14,000 tonnes each quarter going forward. The company has further unused farming capacity beyond 2012, as Bakkafrost still has two farming sites not in use and space for increased biomass on other sites.

The estimated smolt release is 10 million pieces for 2011, including 2 million pieces in Viking Seafood and Faroe Farming.

Havsbrún – Fish Feed

Following the acquisition of Havsbrún, Bakkafrost has expanded and improved its value chain with increased farming activities and an additional platform with production of fish meal and fish oil and own production of fish feed. Havsbrún's production of fish meal and fish oil goes into its own production of fish feed. Havsbrún's main market for fish feed is sale to the Faroese farming industry, including Bakkafrost. The market outlook for Havsbrún's sale of fish feed is good. The management and Board expects that the Faroese farming industry will increase its production in the coming years, from a production in 2010 of 39,100 tonnes to 57,000 tonnes in 2012, an increase of 46%, which means an increase in the demand for fish feed. Havsbrún expects to sell around 72,000 tonnes of fish feed in 2011.

With this new platform of Havsbrún, Bakkafrost is less vulnerable to significant fluctuations in the salmon prices than companies with only farming and VAP activities.

Risks

Bakkafrost has not identified any additional risk exposure beyond the risks described in Note 3 in this report and the 2010 Annual Report.

Post- Balance Sheet Events

On 1 July 2011, Bakkafrost purchased all the outstanding shares in P/f Havsbrún. P/f Havsbrún, a modern, internationally renowned producer of fish meal, fish oil and fish feed, is situated in the Faroe Islands. P/f Havsbrún purchased 116,000 tonnes of raw material in 2010 and produced approx. 60,250 tonnes of feed, 25,000 tonnes of fish meal and 9,900 tonnes of fish oil. Almost all of the produced fish meal and oil is used for its own fish feed production, and only a small part is being exported. P/f Havsbrún owns 78.1% of the farming companies P/f Faroe Farming and P/f Viking Seafood, with a total of 5 licenses and a total production of around 9,000 tonnes gwt of salmon in 2010. The estimated capacity is 15,000 gwt of salmon per year. On 1 July, Bakkafrost also acquired the 21.9% owned by other investors in Viking Seafood. Thus, Bakkafrost now owns 100% of the shares in Viking Seafood. The Board of Directors is satisfied with the deal, as it gives Bakkafrost additional farming capacity and thus opportunities of economy of scale. In addition, it gives Bakkafrost full control of the value chain from production of fish oil and fish meal to finished salmon products. The Havsbrún Group is acquired with effect from 1 January 2011, but will be, according to IFRS 3, consolidated into Bakkafrost's financial statement from the date of change of control, which was 1 July 2011.

Prior to the acquisition of the Havsbrún Group, Bakkafrost owned 11 licenses, which accounted for approx. 39% of the licenses on the Faroe Islands. Regulations limit the number of licenses controlled by one company to 50% of the total licenses. With the purchase of Havsbrún, Bakkafrost has 2 licenses above the 50% limit. Bakkafrost has received a grace period to fulfil the legal requirements.

The agreed purchase price amounts to DKK 1,100 million. The sellers received approximately DKK 403 million of the payment in the form of shares in Bakkafrost, as P/f Havsbrún was the second largest shareholder of Bakkafrost, with an ownership of approximately 16.7% of the outstanding shares in Bakkafrost. The remaining payment was paid in cash and was financed by a combination of new debt financing and existing facilities. Therefore, Bakkafrost signed a DKK 500 million instalment loan. The instalment loan shall be repaid in instalments of DKK 100 million on each of the dates falling due in 6-month intervals after the first drawdown.

The management and key employees of P/f Havsbrún will continue in the company.

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 this report.

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 2011 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, 16 August 2011

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

Regin Jacobsen
CEO

Consolidated Profit and Loss Account

For the period ended 30 June 2011

DKK 1,000	Q2 2011	Q2 2010	H1 2011	H1 2010
Operating revenue	314,300	199,564	554,580	390,012
Purchase of goods	-94,821	-57,167	-171,275	-94,374
Change in inventory and biological assets (at cost)	7,739	-2,567	27,372	-16,292
Salary and personnel expenses	-35,091	-29,647	-64,413	-60,914
Other operating expenses	-54,101	-41,115	-105,198	-88,714
Depreciation	-11,104	-10,401	-21,862	-20,638
Operational EBIT	126,922	58,667	219,204	109,080
Fair value adjustments on biological assets	-158,424	-17,754	-117,350	24,635
Fair value (excess of costs) on biological assets acquired and harvested	0	0	0	3,371
Onerous contracts	8,048	1,013	2,856	-23,809
Listing costs	0	0	0	-12,651
Acquisition costs	-794	0	-1,092	0
Earnings before interest and taxes (EBIT)	-24,248	41,925	103,618	100,625
Financial income	444	607	2,460	664
Net interest expenses	-2,203	-2,453	-3,530	-5,514
Net currency effects	-687	705	-2,052	1,537
Other financial expenses	-377	-1,102	-444	-1,261
Earnings before taxes (EBT)	-27,071	39,683	100,052	96,052
Taxes	1,441	-7,143	-22,163	-17,289
Profit for the period	-25,630	32,540	77,889	78,763
Earnings per share continued operations (DKK)	-0.52	0.67	1.59	1.67
Diluted earnings per share (DKK)	-0.52	0.67	1.59	1.67

Statement of Comprehensive Income

For the period ended 30 June 2011

DKK 1,000	Q2 2011	Q2 2010	H1 2011	H1 2010
Profit for the period	-25,630	32,540	77,889	78,763
Adjustment 01.01	0	0		-34
Fair value adjustment on securities available for sale	0	0	47,009	0
Tax on fair value adjustment	0	0	-8,462	0
Total comprehensive income for the period net tax	-25,630	32,540	116,436	78,729

Consolidated Statement of Financial Position

As of 30 June 2011

DKK 1,000	Note	30 June	
		2011	2010
ASSETS			
Non-current assets			
Intangible assets		136,245	136,245
Property, plant and equipment		373,523	356,419
Financial assets		72,976	25,967
Long-term receivables		641	796
Total non-current assets		583,385	519,427
Current assets			
Biological assets (biomass)	4	385,370	482,091
Inventory		35,511	28,501
Total inventory		420,881	510,592
Accounts receivable		110,610	125,619
Other receivables		589,610	19,890
Total receivables		700,220	145,509
Cash and cash equivalents		5,464	9,128
Total current assets		1,126,565	665,229
TOTAL ASSETS		1,709,950	1,184,656

Consolidated Statement of Financial Position

As of 30 June 2011

DKK 1,000	30 June 2011	2010
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	778,832	853,431
Total equity	827,690	902,289
Non-current liabilities		
Deferred taxes and other taxes	148,570	120,009
Long-term interest bearing debts	333,860	37,357
Total non-current liabilities	482,430	157,366
Current liabilities		
Short-term interest bearing debt	265,963	41,961
Accounts payable and other debt	133,867	83,039
Total current liabilities	399,830	125,000
Total liabilities	882,260	282,367
TOTAL EQUITY AND LIABILITIES	1,709,950	1,184,656

Consolidated Cash Flow Statement

For the period ended 30 June 2011

DKK 1,000	Q2 2011	Q2* 2010	H1 2011	H1* 2010
Earnings before interest and taxes (EBIT)	-24,248	41,925	103,618	100,625
Adjustments for write-downs and depreciation	11,104	10,401	21,862	20,638
Adjustments for value adjustments on biomass	158,424	17,754	117,350	-28,006
Taxes paid	0	0	0	0
Provision for onerous contracts	-8,048	-1,013	-2,856	23,809
Change in inventory	-7,738	19,234	-27,639	36,340
Change in receivables	-10,639	1,810	4,643	24,656
Change in current debts	48,968	-14,477	51,620	-9,158
Cash flow from operations	167,824	75,635	268,598	168,904
Cash flow from investments				
Deposit into trust account for the acquisition of Havsbrún	-559,354	0	-559,354	0
Proceeds from sale of fixed assets	882	300	882	300
Payments made for purchase of fixed assets	-19,602	-20,290	-39,848	-39,799
Purchase of shares and other investments	0	97	0	-39
Change in long-term receivables	155	-331	155	-511
Cash flow from investments	-577,919	-20,224	-598,165	-40,049
Cash flow from financing				
Paying down / increase of interest bearing debt (short and long)	555,511	-38,927	520,505	-200,974
Proceeds from share capital increases	0	-190	0	68,028
Received interest	444	1,313	2,460	2,201
Net proceeds from sale of own shares	0	0	0	15,669
Paid interest	-3,267	-3,555	-6,026	-6,774
Dividend paid	-191,035	0	-191,035	-17,643
Cash flow from financing	361,653	-41,359	325,904	-139,493
Net change in cash and cash equivalents in period	-48,442	14,052	-3,663	-10,638
Cash and cash equivalents – opening balance	53,907	10,990	9,128	35,680
Cash and cash equivalents – closing balance total	5,464	25,043	5,464	25,043

* The statement of cash flow for Q2 2010 and H1 2010 has been adjusted compared to the accounts for Q2 2010. For Q2 2010 and H1 2010, cash flow from operations has been net decreased by DKK 6.975 million and net increased by DKK 44.652 million, respectively. For Q2 2010 and H1 2010, cash flow from financing has been increased by net DKK 6.975 million and decreased by DKK 44.652 million, respectively.

Consolidated Changes in Equity

As of 30 June 2011

DKK 1,000	30 June 2011	2010
Total equity 01.01	902,289	388,887
Profit for the period to equity	77,889	259,711
Adjustment to 01.01	0	1,371
Fair value adjustment on securities available for sale	47,009	5,830
Deferred tax on securities available for sale	-8,462	-1,594
Total other comprehensive income	38,547	4,236
Proposed dividend	0	-191,035
Total gains and losses charged directly to equity	0	-191,035
Total recognised income and expense to equity	116,436	74,283
Equity transactions between the company and its shareholders		
Share issue related to IPO	0	75,000
Sale of treasury shares related to IPO	0	15,669
Tax on sale of treasury shares	0	-2,820
Costs related to IPO	0	-7,273
Net proceeds from share capital increases	0	80,576
Equity increase by merger		
Proceeds from merger	0	209,039
Deferred tax on recognised excess fair values	0	-23,888
Equity increase by merger	0	185,151
Distribution of dividend	-191,035	-18,000
Dividends on treasury shares	0	357
Proposed dividend	0	191,035
Total equity to shareholders during the year	-191,035	173,392
Total change in equity during the period	-74,599	513,402
Total equity at the end of the period	827,690	902,289

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 Reports and Accounts of the Group as at and for the year ended 31 December 2010 are available upon request from the company's registered office at Bakkavegur 9, 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 and Consolidated Report and Accounts and should be read in conjunction with the Annual and Consolidated Report and Accounts for the Group as at and for the year ended 31 December 2010.

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

Note 2. Significant Accounting Policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied in the Annual and Consolidated Report and Accounts as at and for the year ended 31 December 2010.

Note 3. Risk

Reference is made to the Management Statement in the Annual Report for 2010, where Bakkafrost's operational and financial risk is described, as well as to note 20 (Financial market risk) in the same report.

The risks and uncertainties described therein are expected to remain for the next six months. Since the issuance of the Annual Report for 2010, the markets have been strong, even if we have seen a reduction in the salmon price lately.

Following the acquisition of the Havsbrún Group, Bakkafrost is now further exposed to risks related to the price of meal, fish oil and fish feed. In addition to this, Bakkafrost is exposed to risk related to feed contaminants, customer contractual structure exposure, operational risks and risk related to availability of raw material.

The overall risk management is unchanged.

Note 4. Biomass

DKK 1,000	30 June 2011	2010
Biological assets carrying amount 01.01	482,091	227,497
Increase due to production or purchases	241,509	442,289
Increase due to acquisitions	0	98,986
Reduction due to harvesting or sale (costs of goods sold)	-220,881	-370,607
Fair value adjustment at the beginning of the period reversed	-130,792	-46,866
Fair value adjustments at the end of the period	13,443	130,792
Biological assets carrying amount 30.06	385,370	482,091
Cost price biological assets	371,927	351,299
Fair value adjustments at the end of the period	13,443	130,792
Biological assets carrying amount	385,370	482,091

Note 5. Segments

Farming segment DKK 1,000	Q2 2011	Q2 2010	H1 2011	H1 2010
External revenue	176,376	74,766	285,833	144,886
Internal revenue	113,681	127,336	216,823	231,963
Operating revenue	290,057	202,102	502,656	376,849
Operating expenses	-154,411	-109,026	-266,599	-221,763
Depreciation and amortisation	-9,924	-9,397	-19,528	-18,641
Operational EBIT	125,722	83,679	216,529	136,445
Fair value adjustments on biological assets	-158,423	-17,754	-117,349	28,006
Listing costs	0	0	0	-10,121
Acquisition costs	-635	0	-874	0
Earnings before interest and taxes (EBIT)	-33,336	65,925	98,306	154,330
Net interest	-2,419	-2,128	-2,319	-3,936
Earnings before taxes (EBT)	-35,755	63,797	95,987	150,394
Taxes	3,006	-11,483	-21,430	-27,071
Profit for the period	-32,749	52,314	74,557	123,323

Value added products DKK 1,000	Q2 2011	Q2 2010	H1 2011	H1 2010
Operating revenue	137,925	124,798	268,748	245,126
Internal purchase of raw material	-113,681	-127,336	-216,823	-231,963
Operating expenses	-21,745	-21,470	-46,916	-38,531
Depreciation and amortisation	-1,180	-1,005	-2,334	-1,998
Operational EBIT	1,319	-25,013	2,675	-27,366
Provision for onerous contracts	8,048	1,013	2,856	-23,809
Listing costs	0	0	0	-2,530
Acquisition costs	-278	0	-218	0
Earnings before interest and taxes (EBIT)	9,089	-24,000	5,313	-53,705
Net interest	-404	-114	-1,247	-637
Earnings before taxes (EBT)	8,685	-24,114	4,066	-54,342
Taxes	-1,565	4,341	-733	9,782
Profit for the period	7,120	-19,773	3,333	-44,560

Note 6. Harvest

Distribution of harvested volume (gwt)	Q2 2011	Q2 2010	H1 2011	H1 2010
Harvested volume used in VAP production	3,558	3,602	6,532	7,239
Harvested volume sold fresh/frozen	4,534	1,739	7,020	3,846
Harvested and purchased volume (gwt)	8,092	5,341	13,552	11,085

Note 7. Transactions with related parties

Note 23 in Bakkafrost's Annual Report for 2010 provides detailed information on related parties' transactions. P/f Havsbrún was, on 30 June, 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 2011, Bakkafrost purchased feed in the amount of DKK 155.8 million from P/f Havsbrún. The transactions took place at arm's length. On 30 June 2011, the Bakkafrost Group owed DKK 80.2 million to P/f Havsbrún for supply of feed.

Note 8. Business combinations

On 1 July 2011, Bakkafrost purchased all the outstanding shares in P/f Havsbrún. P/f Havsbrún, a modern, internationally renowned producer of fish meal, fish oil and fish feed, is situated in the Faroe Islands. P/f Havsbrún purchased 116,000 tonnes of raw material in 2010 and produced approx. 60,250 tonnes of feed, 25,000 tonnes of fish meal and 9,900 tonnes of fish oil. Almost all of the produced fish meal and oil is used for its own fish feed production, and only a small part is being exported. P/f Havsbrún owns 78.1% of the farming companies P/f Faroe Farming and P/f Viking Seafood, with a total of 5 licenses and a total production of around 9,000 gwt of salmon in 2010. The estimated capacity is 15,000 gwt of salmon per year. On 1 July, Bakkafrost also acquired the 21.9% owned by other investors in Viking Seafood. Thus, Bakkafrost now owns 100% of the shares in Viking Seafood. The Board of Directors is satisfied with the deal, as it gives Bakkafrost additional farming capacity and thus opportunities of economy of scale. In addition, it gives Bakkafrost full control of the value chain from production of fish oil and fish meal to finished salmon products. The Havsbrún Group is acquired with effect from 1 January 2011, but will be, according to IFRS 3, consolidated into Bakkafrost's financial statement from the date of change of control, which was 1 July 2011.

Prior to the acquisition of the Havsbrún Group, Bakkafrost owned 11 licenses, which accounted for approx. 39% of the licenses on the Faroe Islands. Regulations limit the number of licenses controlled by one company to 50% of the total licenses. With the purchase of Havsbrún, Bakkafrost has 2 licenses above the 50% limit. Bakkafrost has received a grace period to fulfil the legal requirements.

Consideration transferred

DKK 1,000

Cash	597,241
Havsbrún's shares in Bakkafrost	403,939
Bakkafrost's shares in Havsbrún	66,954
Havsbrún's own shares	31,867
Total consideration	1,100,000

The cash payment was paid in cash and was financed by a combination of new debt financing and existing facilities. Therefore, Bakkafrost signed a DKK 500 million instalment loan. The instalment loan shall be repaid in instalments of DKK 100 million on each of the dates falling due in 6-month intervals after the first drawdown.

The management and key employees of P/f Havsbrún will continue in the company.

Identifiable assets and liabilities assumed:

DKK 1,000	Note	H1 2011
Intangible assets	1)	303,612
Property, plant and equipment	2)	141,930
Financial assets	3)	434,222
Long-term receivables		136
Biological assets (biomass)		144,206
Inventory		279,833
Accounts receivable	4)	128,839
Other receivables		14,153
Cash and cash equivalents		10,097
Deferred taxes and other taxes		-116,383
Long-term interest bearing debts		-113,932
Short-term interest bearing debt		-146,255
Accounts payable and other debt		-127,711
Total net identifiable assets		952,748

The following fair values have been determined on a provisional basis:

- 1) The fair value of intangible assets (The Havsbrún Group holds 5 farming licences) has been determined on a provisional basis. Fair values have been identified in farming licenses by employing generally accepted valuation techniques. The market value of licences is measured at DKK 303.6 million.
- 2) The fair value of property, plant and equipment has been provisionally determined based on the booked value in the Havsbrún Group's financial statements. The fair value of property, plant and equipment is pending a completion of an independent valuation. It is expected that there will be a material fair value adjustment of property, plant and equipment, thus reducing goodwill.
- 3) Financial assets include the fair value of Havsbrún's share in Bakkafrost, amounting to DKK 403.9 million.
- 4) Accounts receivable include DKK 80.2 million payable by Bakkafrost.

Accounts receivable comprise amounts receivable of DKK 128.8 million, all of which is expected to be collectible on 30 June 2011.

Acquisition-related costs:

The Group incurred acquisition-related costs of DKK 1 million relating to external legal fees and due diligence costs. The amount has been disclosed on a separate line in the Consolidated Profit and Loss Accounts. A material part of the total acquisition-related costs is based on a success fee. These have not been settled yet and are therefore not included in the figures.

Contacts

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