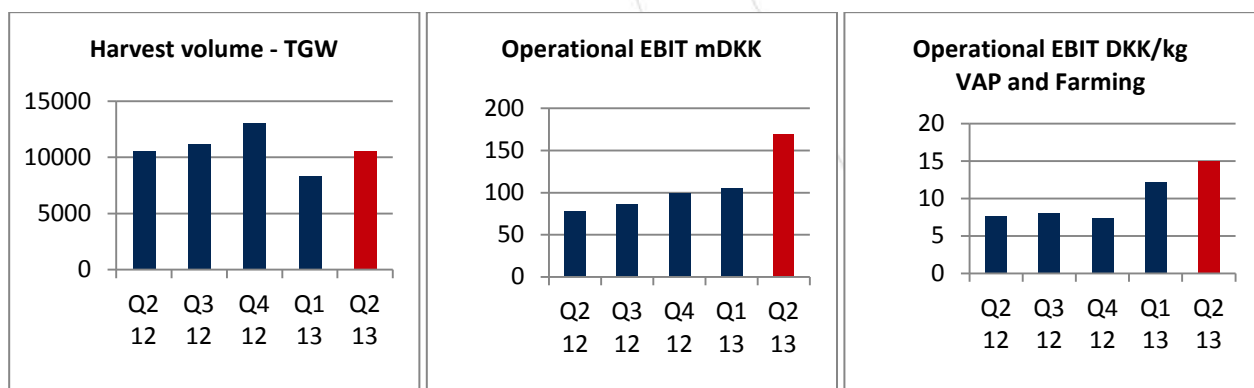


# P/F Bakkafrost

## Condensed Consolidated Interim Report for Q2 2013 and H1 2013



## Table of Contents

Highlights.....	2
Summary of the 2 <sup>nd</sup> Quarter 2013 and H1 2013.....	3
Financial Review.....	4
Outlook.....	8
Risks.....	9
Post-Balance Sheet Events.....	10
Confirmation from the Board of Directors and the CEO.....	10
Consolidated Income Statement.....	11
Consolidated Statement of Comprehensive Income.....	12
Consolidated Statement of Financial Position.....	13
Consolidated Cash Flow Statement.....	15
Consolidated Statement of Changes in Equity.....	16
Notes to the Account.....	17
Contacts.....	27

## Highlights

DKK 1,000	Q2 2013	Q2 2012	YTD 2013	YTD 2012
<b>INCOME STATEMENT AND CASH FLOW</b>				
Group - Operating revenue	610,002	416,270	1,083,303	816,335
Group - Operational EBIT*	169,346	77,667	274,377	137,668
Group - Profit for the period (continuing and discontinuing operations)	184,248	90,911	251,722	107,338
Operational EBIT (Farming and VAP)(DKK)	157,754	78,311	259,037	138,568
Operational EBIT*/kg (Farming and VAP)(DKK)	14.97	7.66	13.75	6.43
Operational EBIT*/kg (Farming and VAP) (NOK)	15.29	7.78	13.81	6.53
Farming - Operating revenue	520,387	296,810	945,361	609,278
Farming - Operational EBIT*	199,543	67,745	324,054	116,506
Farming - Operational EBIT margin	38%	23%	34%	19%
Farming - Operational EBIT/kg (DKK)	18.93	6.63	17.20	5.40
Farming - Operational EBIT/kg (NOK)	19.34	6.73	17.27	5.49
VAP - Operating revenue	168,138	129,608	315,873	251,105
VAP - Operational EBIT*	-41,789	10,566	-65,017	22,062
VAP - Operational EBIT margin	-25%	8%	-21%	9%
VAP - Operational EBIT/kg (DKK)	-8.61	2.67	-7.14	2.78
VAP - Operational EBIT/kg (NOK)	-8.80	2.72	-7.17	2.83
Feed - Operating revenue	250,763	191,040	408,233	341,158
Feed - EBITDA	30,855	13,736	55,658	24,814
Feed - EBITDA margin	12.30%	7.19%	13.6%	7.27%
Cash flow from operations	173,111	154,665	199,804	235,095
DKK/NOK (average)	97.91	98.50	99.61	98.40
<b>FINANCIAL POSITION</b>				
Total Assets**	2,796,150	2,570,911	2,796,150	2,570,911
Equity**	1,382,687	1,262,912	1,382,687	1,262,912
Equity ratio**	49%	49%	49%	49%
Net interest bearing debt**	785,812	806,903	785,812	806,903
<b>PROFITABILITY</b>				
Basic earnings per share (DKK)	3.77	1.47	5.15	2.20
Diluted earnings per share (DKK)	3.77	1.47	5.15	2.20
ROE***	13.7%	8.7%	36.4%	17.0%
ROCE (for the last quarter)****	7.9%	4.5%	13.2%	7.7%
ROCE (for the last 4 quarters)	21.5%	14.6%	39.9%	34.9%
ROIC (for the last quarter)*****	9.9%	5.3%	19.9%	10.4%
ROIC (for the last 4 quarters)	27.8%	35.4%	46.7%	52.7%
<b>VOLUMES</b>				
Harvested volume continuing operation (tonnes gutted weight)	10,540	10,219	18,836	21,567
Harvested volume discontinuing operation (tonnes gutted weight)	0	292	0	1,173
VAP produced volume (tonnes gutted weight)	4,852	3,950	9,104	7,925
Sold feed tonnes	18,196	20,762	33,102	36,061

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

\*\* Comparing figures from end 2012

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

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

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

## Summary of the 2<sup>nd</sup> quarter 2013 and H1 2013

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

**The Bakkafrost Group delivered a total operating EBIT of DKK 169.3 million in Q2 2013. The combined farming and VAP segment made an operational EBIT of DKK 157.8 million in Q2 2013. The salmon spot prices stayed on a high level during the quarter, compared to previous quarters. Because of the high salmon prices, the VAP segment had an operating loss of DKK -41.8 million, as the contracts prices still do not reflect the current market situation. The EBITDA for the feed segment was DKK 30.9 million in Q2 2013.**

The Group made a profit for the quarter of DKK 184.2 million (DKK 90.9 million). For H1 2013 the profit was DKK 251.7 million (DKK 107.3 million).

The total volumes harvested in Q2 2013 were 10,540 tonnes gutted weight (10,219 tgw). The total harvested volumes in H1 2013 were 18,836 tonnes gutted weight (21,567 tgw). The reason for the decrease in the harvested volumes year on year is that the harvested profile is more backend loaded in 2013, compared to 2012.

Bakkafrost transferred 1.8 million smolts in Q2 2013 (2.3 million), which is in line with the company's plans. Year to date 3.9 million have been transferred (4.8 million). The smolt release is less in 2013 compared to 2012, due to available sites for smolt release.

In July 2013, Bakkafrost announced a five-year plan for optimising its value chain, resulting in savings, increased production and reduced biological risk. The yearly investments amount to DKK 170 million per year, in addition to investment in a new well boat operated by Bakkafrost, estimated to DKK 230 million. The purpose of the investment plan is to continue to have one of the most costs efficient value chains in the farming industry, increase efficiency and reduce the biological risk, to meet the futures consumers' trends and be more end-customer orientated.

All business activities will be retained, but the key changes to the value chain are the centralisation of the production units – Packaging, Harvest and VAP on Glyvrrar in the Faroes. The investments for the centralisation amounts to DKK 300-350 million and will result in savings of DKK 50-70 million per year, when the plan is fully implemented in 2017. Today, Bakkafrost operates two plants for production of styropore boxes (Packaging), three harvesting sites (Harvest), two well boats for transportation of live fish and two VAP factories (VAP).

In addition to the centralisation, Bakkafrost will build a new 3,000 m<sup>3</sup> well boat owned and operated by Bakkafrost.

Another part of the plan is related to organic growth. The plan is to increase the smolt production in terms of number and size of the smolts. This will result in shorter production time at sea and reduce the biological risk. By doing this, Bakkafrost is able to increase the production within the existing licenses. In the Farming division, the plan is to increase the capacity and fish welfare by being able to farm salmon in more weather exposed areas with better water conditions. Finally, Bakkafrost plans to increase the salmon feed production.

No redundancies are expected due to increased production and natural leavers.

The combined farming and VAP segment made an operational EBIT of DKK 157.8 million (DKK 78.3 million) in Q2 2013. For H1 2013 the combined farming and VAP segment made an operational EBIT of DKK 259.0 million (DKK 138.6 million).

The farming segment made an operational EBIT of DKK 199.5 million (DKK 67.7 million). The improved result is due to increased sales prices in the quarter, compared to Q2 2012. For H1 2013 the operational EBIT was DKK 324.1 million (DKK 116.5 million).

As expected, the VAP segment had a loss on its operations in Q2 due to high salmon spot prices. The VAP segment made an operational EBIT of DKK -41.8 million (DKK 10.6 million) for Q2 2013. For H1 2013 the accumulated losses amount to DKK -65.0 million (DKK 22.1 million). There is normally a time lag between the changes in the spot prices and the changes in the contract prices. Therefore, typically the VAP segment has losses the first quarters in a longer period with increasing salmon prices.

The third segment – fishmeal, oil and feed – made an operational EBITDA of DKK 30.9 million (DKK 13.7 million) in Q2 2013 and for H1 2013 the

operational EBITDA amounted to DKK 55.7 million (DKK 24.8 million). The increase in the EBITDA is primarily due to higher production of fishmeal and fish oil.

In Q2 2013, Havsbrún sourced 42 thousand tonnes of raw material (6 thousand tonnes), and for H1 2013 the raw material intake was 74 thousand tonnes (30 thousand tonnes).

The Bakkafrost Group had a net interest bearing debt at the end of Q2 2013 amounting to DKK 785.8 million (DKK 806.9 million at year-end 2012) and had undrawn credit facilities of approx DKK 617.2 million, of which DKK 15.0 million are restricted.

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

On 14 February 2013, Bakkafrost issued unsecured bonds at a total nominal value of NOK

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

In Q2 all full-time employees from 2012, still employed in Bakkafrost, have received bonus shares in Q2 with a total value of 2% of paid out salary in 2012. In total Bakkafrost has allocated 45,957 shares to its employees at a fair value on DKK 3,206 million. The grant date was on 22 May 2013 and the share price was DKK 69.65 (NOK 69.75) per share.

## Segment performance per harvested kg

Operational EBIT/kg harvested (continuing operations)	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Farming EBIT/kg (DKK)	18.93	6.63	17.20	5.40
Farming EBIT/kg (NOK)	19.34	6.73	17.27	5.49
VAP EBIT/kg (DKK)	-8.61	2.67	-7.14	2.78
VAP EBIT/kg (NOK)	-8.80	2.72	-7.17	2.83
Feed EBITDA/kg (DKK)	1.70	0.66	1.68	0.69
Feed EBITDA/kg (NOK)	1.73	0.67	1.69	0.70

## Smolt transfer

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

## Financial Review

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

### Income Statement

The operating revenues amounted to DKK 610.0 million in Q2 2013 (DKK 416.3 million). The increase is mainly due to higher spot prices in Q2 2013, compared to Q2 2012, as harvested volumes were on the same level. For H1 2013 the operating revenues amounted to DKK 1,083.3 million in Q2 2013 (DKK 816.3 million).

Operational EBIT was DKK 169.3 million in Q2 2013 (DKK 77.7 million). The increase is mainly due to higher margins in the farming segment due to higher spot prices. However, the performance in the fish oil and feed segment has also improved. For H1 2013, the operational EBIT was DKK 274.4 million (DKK 137.7 million).

A fair value adjustment of the Group's biological assets has been recognised in Q2 2013 amounting to DKK 38.6 million (DKK 16.7 million). For H1 2013 the fair value adjustment is DKK 33.9 million (DKK 9.3 million).

Bakkafrost has made provisions for onerous contracts of DKK 3.0 million in Q2 (DKK 0 million). Provisions are made as Bakkafrost has long term contracts to deliver value added salmon products at a fixed price in the future, while the raw material prices at the end of Q2 2013 were higher, thus the contracts are onerous. For H1 2013 Bakkafrost has made a total provision of DKK 27.2 million (DKK 0 million).

Income from associated companies in Q2 2013 amounted to DKK 7.0 million (DKK 0 million). The

amount relates mainly to a profit from Faroe Farming, in which Bakkafrost holds 49%, and Hanstholm Fiskemelsfabrik, in which Bakkafrost has a shareholding of 39.9%. For H1 2013 income from associates was DKK 12.1 million (DKK -3.1 million).

Net interest in Q2 2013 was DKK 14.7 million (DKK -2.2 million). In Q2 there is posted a positive unrealised exchange rate adjustment of DKK 23.0 million mainly related to the bond loan of NOK 500 million. For H1 2013 net interests were DKK 16.0 million (DKK -9.8 million) including an unrealised net exchange difference of DKK 30.4 million.

Net taxes in Q2 2013 amounted to DKK -42.3 million (DKK -20.4 million). For H1 2013 net taxes amounted to DKK -57.6 million (DKK -27.1 million).

The result for Q2 2013 for the continuing operations was DKK 184.2 million (DKK 71.8 million). The result for H1 2013 for the continuing operations was DKK 251.7 million (DKK 107.0 million).

The result after tax for Q2 2013 for the discontinuing operations was DKK 0 million (DKK 19.1 million) and it was also DKK 0 million (DKK 0.3) for H1 2013.

For Q2 2013 the result was DKK 184.2 million (DKK 90.9 million) and for H1 2013 the result was DKK 251.7 million (DKK 107.3 million).

### Harvested volumes

Harvested volumes (t <sub>gw</sub> )	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Farming North	9,746	7,919	14,103	9,248
Farming West	794	2,300	4,733	12,319
<b>Total harvested volumes (t<sub>gw</sub>)</b>	<b>10,540</b>	<b>10,219</b>	<b>18,836</b>	<b>21,567</b>
Faroe Farming (discontinuing operation)	0	292	0	1,173
<b>Total harvested volumes (t<sub>gw</sub>)</b>	<b>10,540</b>	<b>10,511</b>	<b>18,836</b>	<b>22,740</b>

## Segments

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

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

Distribution of harvested volumes (t <sub>gw</sub> )	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Harvested volumes used in VAP production	46%	38%	48%	35%
Harvested volumes sold fresh/frozen	54%	62%	52%	65%
<b>Harvested and purchased volumes (t<sub>gw</sub>)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Of the total harvested volumes in Q2 2013, 46% (38%) went for the production of VAP products and 54% (62%) were sold as whole gutted salmon in Q2 2013. The reason for the increase of volumes used in the VAP segment is higher production of VAP products. For H1 2013 the same allocation was 48% (35%) and 52% (65%).

### *Farming:*

The operating revenue for Bakkafrost's farming segment was DKK 520.4 million in Q2 2013 (DKK 296.8 million) and DKK 945.4 million for H1 2013 (DKK 609.3 million).

Operational EBIT, which is EBIT before fair value adjustments on biological assets, amounted to DKK 199.5 million in Q2 2013 (DKK 67.7 million), and for H1 2013 it was DKK 324.1 million (DKK 116.5 million).

Operational EBIT/kg for the farming segment was DKK 18.93 (NOK 19.34) in Q2 2013, compared to DKK 6.63 (NOK 6.73) in Q2 2012. The salmon prices in Q2 2013 have been stronger than in Q2 2012 and thus higher margins. Operational EBIT/kg for H1 2013 was DKK 17.20 (NOK 17.27), compared to DKK 5.40 (NOK 5.49) for H1 2012.

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

The operating revenue for the value added segment amounted to DKK 168.1 million in Q2 2013 (DKK 129.6 million). For H1 2013 the revenue was DKK 315.9 million (DKK 251.1 million). The increase in the revenue from Q2 2012 to Q2 2013 is 30%, while the volumes that went for VAP products only increased by 23%.

Operational EBIT amounted to DKK -41.8 million in Q2 2013 (DKK 10.6 million), corresponding to an operational EBIT of DKK -8.61 (NOK 8.80) per kg gutted weight in Q2 2013 (DKK 2.67 (NOK 2.72) per kg gutted weight). The decrease in the operational EBIT margins is due to higher salmon spot prices. The VAP segment acquires its raw material (fresh salmon) at spot prices each week. For H1 2013 Operational EBIT amounted to DKK -65.0 million (DKK 22.1 million), corresponding to an operational EBIT of DKK -7.14 (NOK -7.17) per kg gutted weight in H1 2013 (DKK 2.78 (NOK 2.83) per kg gutted weight).

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

The operating revenue for the fishmeal, fish oil and fish feed segment amounted to DKK 250.8 million (DKK 191.0 million) in Q2 2013, of which DKK 152.8 million represents sales to Bakkafrost's farming segment corresponding to 60.1% (59.7%). For H1 2013 the revenue was DKK 408.2 million (DKK 341.2 million), of which DKK 269.2 million represents sales to Bakkafrost's farming segment corresponding to 65.9% (63.9%).

Operational EBITDA was DKK 30.9 million (DKK 13.7 million) in Q2 2013, and the operational EBITDA margin was 12.3% (7.19%). For H1 2013 the EBITDA was DKK 55.7 million (DKK 24.8 million), and the margin was 13.6% (7.27%).

Sales of feed amounted to 18,196 tonnes (20,762 tonnes) in Q2 2013, of which the farming segment internally used 14,412 tonnes (12,376 tonnes). In H1 2013, the feed sale was 33,102 tonnes (36,061 tonnes). The internal sale was 25,403 tonnes (24,203 tonnes).



## Statement of Financial Position

(Figures in parenthesis refer to end 2012)

The Group's total assets as of end Q2 2013 amounted to DKK 2,796.1 million, compared to DKK 2,570.9 million at the end of 2012.

The Group's intangible assets amounted to DKK 293.7 million at the end of Q2 2013 (DKK 293.7 million) and comprise primarily the fair value of acquired farming licences. No licences in the North region are recorded with a value in the Bakkafrost accounts.

Property, plant and equipment amounted to DKK 832.8 million at the end of Q2 2013, compared to DKK 812.8 million at the end of 2012. In Q2 2013 Bakkafrost made investments in PP&E amounting to DKK 40.0 million and in H1 for DKK 62.3 million.

Non-current financial assets amounted to DKK 109.5 million at the end of Q2 2013, compared to DKK 91.2 million at the end of 2012. The increase in the financial assets relates mainly to the positive result in Faroe Farming, Hanstholm Fiskemel-fabrik and a financial investment.

The Group's carrying amount (fair value) of biological assets amounted to DKK 815.5 million at the end of Q2 2013, compared to DKK 747.0 million at the end of 2012. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 215.0 million, compared to DKK 181.1 million at the end of 2012.

The Group's total inventories amounted to DKK 348.5 million as of end Q2 2013, compared to DKK 242.9 million at year-end 2012. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed, in addition to feed at the feed stations, packing materials and other raw materials. Due to higher raw material intake at Havsbrún in 2013, than in 2012, the increase in the inventories of around DKK 100 million relates to Havsbrún's inventory.

The Group's total receivables amounted to DKK 306.7 million as of end Q2 2013, compared to DKK 358.4 million at the end of 2012. The decrease is primarily due to reduction in receivables from an associated company. On the other hand, accounts receivables have increased slightly, due to higher salmon prices.

The Group's equity as at 30<sup>th</sup> June 2013 is DKK 1,382.7 million, compared to DKK 1,262.9 million at the end of 2012. The change in equity in H1 2013 primarily consists of the profit for the period, a negative fair value adjustment to a currency-/interest rate swap related to the bond financing and payment of dividend to the shareholders. Bakkafrost paid out DKK 97.7 million in dividend in Q2 2013.

The Group's total non-current liabilities amounted to DKK 1,081.4 million at the end of Q2 2013, compared to DKK 990.4 million at the end of 2012. Deferred and other taxes amounted to DKK 308.5 million, compared to DKK 258.4 million at the end of 2012. Long-term debt was DKK 772.8 million at the end of Q2 2013, compared to DKK 731.9 million at the end of 2012.

Bakkafrost's interests bearing debt consists of two bank loans and a bond loan. The bank loans are one instalment loan of DKK 350 million, payable with DKK 25 million each quarter, and one loan payable in 2016 with the full amount of DKK 553 million. The bond loan of NOK 500 million, was issued at 14 February 2013 and is payable in full after five years at 14 February 2018. The interest rates of the bonds are NIBOR 3m + 4.15%. Following the issuance of the bonds, Bakkafrost has entered into a currency/interest rate swap, hedging the exchange rate and switched the interest rate from NIBOR 3m to CIBOR 3m. Bakkafrost has entered the swap due to its exposure to DKK, as a large part of the income and costs are in DKK and EUR.

At the end of Q2 2013, the Group's total current liabilities are DKK 332.0 million, compared to DKK 317.6 million at the end of 2012. Short-term interest bearing debt amounts to DKK 100.0 million and relates to a short-term part of long-term debt as described above. Accounts payable amount to DKK 232.0 million, compared to DKK 217.6 million at the beginning of the year.

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



## Cash Flow

The cash flow from operations in Q2 2013 was DKK 173.1 million (DKK 154.6 million). The Cash flow from operations was aggravated by primarily increased inventory amounting to DKK 40.0 million. For H1 2013 the cash flow from operations was DKK 199.8 million (DKK 235.0 million).

The cash flow from investment activities in Q2 2013 amounted to DKK -40.7 million (DKK -19.8 million). The amount relates primarily to investments in fixed assets. For H1 2013 the cash flow from investments amounts to DKK -69.3 million (DKK -36.8 million).

Cash flow from financing activities totalled DKK -169.3 million in Q2 2013 (DKK -125.1 million). The

short-term debt was increased by DKK 50.3 million, and changes in financing of associated companies contributed negatively with DKK -5.6 million. In Q2 2013 Bakkafrost paid out dividend to its shareholders amounting to DKK 97.6 million. For H1 2013 cash flow from financing amounted to DKK -68.5 million (DKK -166.3 million).

Net change in cash flow in Q2 2013 amounted to DKK -36.9 million (DKK 14.3 million) and for H1 2013 DKK 62.0 million (DKK 31.9 million).

At the end of Q2 2013 Bakkafrost had unused credit facilities of approximately DKK 617.2 million of which DKK 15.0 million is restricted.

## Outlook

### MARKET

The outlook for the salmon market is good. The global supply of salmon in 2013 is expected to increase by 2-3%, compared to 2012. The increase is mainly in Chile, while the supply in Europe is expected to be lower than in 2012. Historically the demand for salmon has increased 6-7% per year, theoretically resulting in higher salmon prices in 2013, compared to 2012, due to the low supply growth. The average NOS price in Q2 2013 was NOK 41.50 pr. kg, compared to NOK 26.90 pr. kg in Q2 2012. Due to seasonally higher harvest in Q3 and Q4, salmon prices are expected to decrease during the second half of 2013.

### FARMING

Bakkafrost expects to harvest around 45,000 tonnes gutted weight in 2013, which is on the same level as in 2012. This means that Bakkafrost will harvest approx 26,000 tonnes gutted weight in H2 2013.

Faroe Farming, which Bakkafrost holds 49% in, expects to harvest 4,500 tonnes in 2013 resulting in harvest of 1,300 tonnes in H2 2013.

The number of smolts released is one key element of predicting the future production for the Group. Bakkafrost's forecast for the smolt release in 2013 is unchanged at 10 million smolts, which is slightly less than in 2012, due to available sites for smolt release in 2013.

The estimates for harvesting volumes and smolt releases, is as always dependent on the biological

situation in the Faroe Islands. The overall biological situation in the Faroe Islands is good. The number of sea lice is lower than in previous years after a coordinated treatment in the whole Faroese farming area in the spring. The number has been significantly lower during the summer, compared to previous years.

### Value added products (VAP)

Bakkafrost expects to sell around 60-70% of the harvested volume of salmon on the spot market in 2013. The market place is one of Bakkafrost's most significant risk areas. To reduce the exposure to the market risk, Bakkafrost has a geographical approach and a market price approach. To diversify the geographical market risk, Bakkafrost sells its products to some of the largest salmon markets in the world, Europe, US, Russia and the Far East. Bakkafrost's strategy of selling 40% to 50% of the harvested volume on contracts reduces the fluctuations in the selling prices. The sales of value added products are based on fixed contracts normally lasting between 6 to 12 months, while the whole gutted salmon is sold in the spot market.

The market for contracted VAP products follows a more stable pattern with trends instead of short-term fluctuations. Bakkafrost has committed contracts representing in excess of 90% of the VAP capacity for the rest of 2013, representing approximately 31% of the expected harvest for the rest of 2013. As the salmon prices have increased significantly in a short time period, the earnings in the VAP segment are negative in H1 2013 and most likely will be negative in the short term,

compared to sales in the spot market. The time lag between the fluctuations in the spot market and the fixed contracts for VAP products are causing these patterns.

**Fish oil, -meal and feed**

The major market for Havsbrún’s fish feed is the local Faroese market. It is expected that the total consumption for fish feed in the Faroe Islands will be approximately 90,000 tons in 2013. Depending on the purchase from external costumers in the Faroe Islands and abroad, the sale of fish feed will be in the range of 80-90,000.

Havsbrún intends to increase the production of own fishmeal and fish oil in 2013, compared to 2012. With increasing quotas for Blue whiting in the North Atlantic and test fishing for local Norway pout, the access to raw material should improve. However, depending on supply, demand and the price level, the sourcing of raw material for the production of fish oil and -meal is very uncertain. An alternative to Havsbrún’s production of fish oil and -meal is purchasing from other producers, which has been common in recent years.

**Investments**

In July 2013, Bakkafrost announced its investment plan for the period 2013-2017. The yearly investments amount to DKK 170 million per year, in addition to investments in a new well boat, operated by Bakkafrost. The investments in the well boat are estimated to be around DKK 230 million. Thus, the total investments will exceed DKK 1 billion.

All business activities in the value chain will be retained, but the key changes, are the centralisation of the production units – Packaging, Harvest and VAP on Glyvrrar in the Faroes. The investments for the centralisation amounts to DKK 300-350 million and will result in savings of DKK 50-70 million per year, when the plan is fully implemented in 2017. Today, Bakkafrost operates

two plants for production of styropore boxes (Packaging), three harvesting sites (Harvest), two well boats for transportation of live fish and two VAP factories (VAP).

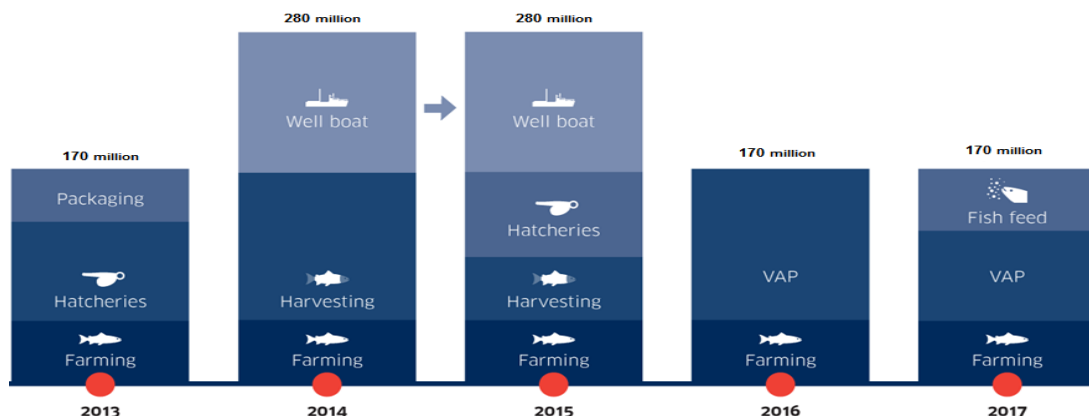
The purpose with the optimisation is to continue to have one of the most costs efficient value chains in the farming industry, increase efficiency and reduce the biological risk and to meet the future consumers’ trends and be more end-customer orientated.

The investments will be financed with cash flow from the operations, by the company’s existing financing facilities, and partly with additional financing, if this is beneficial. Bakkafrost’s dividend policy will be unchanged.

To reduce Bakkafrost’s financial risk, the investments are not interdependent and will be made independent of each other. The investment in the well boat and the new harvesting plant is to some extent dependent on each other, as a new well boat cannot be fully used without one large harvesting plant. The commitment for the other investments will be made project by project during the coming years.

**Financial**

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



## Risks

Bakkafrost has not identified any additional risk exposure beyond the risks described in the 2012 Annual and Consolidated Report and Accounts. The 2012 Annual and Consolidated Report and Accounts is available on request from Bakkafrost and on Bakkafrost's website, [www.bakkafrost.com](http://www.bakkafrost.com).

Bakkafrost is, as explained in the 2012 Annual and Consolidated Report and Accounts, exposed to the

salmon price. We expect that the market balance will be in favour of the suppliers, resulting in salmon spot prices higher in 2013, compared to 2012.

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

## Post-Balance Sheet Events

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

Bakkafrost has entered into a contract to building a new well boat that will be owned and operated by Bakkafrost. The estimated total costs for the well

boat is DKK 230 million. The boat is planned to be delivered in mid 2015.

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

## 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 2013 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, August 27<sup>th</sup> 2013

The Board of Directors of P/F Bakkafrost

Rúni M. Hansen  
Chairman of the Board

Johannes Jensen  
Vice-Chairman of the Board

Trine Sæther Romuld

Virgar Dahl

Annika Frederiksberg

Regin Jacobsen  
CEO

## Consolidated Income Statement

For the period ended 30<sup>th</sup> June 2013

DKK 1,000	Q2 2013	Q2 2012	YTD 2013	YTD 2012
<b>Operating revenue</b>	<b>610,002</b>	<b>416,270</b>	<b>1,083,303</b>	<b>816,335</b>
Purchase of goods	-284,976	-134,273	-569,508	-274,455
Change in inventory and biological assets (at cost)	78,537	-21,264	192,015	-51,656
Salary and personnel expenses	-61,000	-51,622	-115,390	-102,399
Other operating expenses	-151,859	-111,700	-273,811	-210,666
Depreciation	-21,358	-19,744	-42,232	-39,491
<b>Operational EBIT</b>	<b>169,346</b>	<b>77,667</b>	<b>274,377</b>	<b>137,668</b>
Fair value adjustments on biological assets	38,572	16,711	33,917	9,326
Onerous contracts	-3,041	0	-27,158	0
Income from associates	7,048	0	12,134	-3,098
<b>Earnings before interest and taxes (EBIT)</b>	<b>211,925</b>	<b>94,378</b>	<b>293,270</b>	<b>143,896</b>
Financial income	954	603	1,998	669
Net interest expenses	-8,011	-5,870	-14,022	-11,518
Net currency effects	23,072	3,606	30,441	1,999
Other financial expenses	-1,358	-555	-2,386	-987
<b>Earnings before taxes (EBT)</b>	<b>226,582</b>	<b>92,162</b>	<b>309,301</b>	<b>134,059</b>
Taxes	-42,334	-20,356	-57,579	-27,064
<b>Profit or loss for the period continuing operations</b>	<b>184,248</b>	<b>71,806</b>	<b>251,722</b>	<b>106,995</b>
<b>Discontinued operations</b>				
Profit or loss from discontinued operations, after tax	0	19,105	0	342
<b>Profit or loss for the period</b>	<b>184,248</b>	<b>90,911</b>	<b>251,722</b>	<b>107,337</b>
<b>Profit or loss for the year attributable to</b>				
Non-controlling interests	0	0	0	0
<b>Owners of P/F Bakkafrost</b>	<b>184,248</b>	<b>90,911</b>	<b>251,722</b>	<b>107,337</b>
Earnings per share (DKK), continuing operations	3.77	1.47	5.15	2.20
Earnings per share (DKK), discontinuing operations	0.00	0.39	0.00	0.01
Diluted earnings per share (DKK), continuing operations	3.77	1.47	5.15	2.20

## Consolidated Statement of Comprehensive Income

For the period ended 30<sup>th</sup> June 2013

DKK 1,000	Q2 2013	Q2 2012	YTD 2013	YTD 2012
<b>Profit for the period</b>	<b>184,248</b>	<b>90,911</b>	<b>251,722</b>	<b>107,337</b>
Fair value adjustment on financial derivatives	-24,081	-595	-40,886	-475
Income tax effect	7,359	0	7,359	0
Fair value adjustment on purchased non-controlling interests	0	0	0	1,634
Adjustment treasury shares	-817	0	-817	0
Fair value adjustment on securities available for sale	0	-90	0	-90
Income tax effect	0	16	0	16
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-17,539</b>	<b>-669</b>	<b>-34,344</b>	<b>1,085</b>
<b>Net other comprehensive income not to be reclassified to profit or loss in subsequent periods</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Other comprehensive income</b>	<b>-17,539</b>	<b>-669</b>	<b>-34,344</b>	<b>1,085</b>
<b>Total other comprehensive income for the period</b>	<b>166,709</b>	<b>90,242</b>	<b>217,378</b>	<b>108,422</b>
<b>Comprehensive income for the period attributable to</b>				
Non- controlling interests	0	0	0	0
Owner of P/F Bakkafrost	166,709	90,258	217,378	108,439

## Consolidated Statement of Financial Position

As of 30th June 2013

DKK 1,000	30 June 2013	End 2012
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	293,675	293,675
Property, plant and equipment	832,817	812,768
Financial assets	109,530	91,212
Long term receivables	2,356	0
<b>Total non-current assets</b>	<b>1,238,378</b>	<b>1,197,655</b>
<b>Current assets</b>		
Biological assets (biomass) (See note 4)	815,543	746,958
Inventory	348,487	242,898
<b>Total inventory</b>	<b>1,164,030</b>	<b>989,856</b>
Accounts receivable	216,163	212,357
Other receivables	90,544	145,998
<b>Total receivables</b>	<b>306,707</b>	<b>358,355</b>
<b>Cash and cash equivalents</b>	<b>87,035</b>	<b>25,045</b>
<b>Total current assets</b>	<b>1,557,772</b>	<b>1,373,256</b>
<b>TOTAL ASSETS</b>	<b>2,796,150</b>	<b>2,570,911</b>

## Consolidated Statement of Financial Position

As of 30<sup>th</sup> June 2013

DKK 1,000	30 June 2013	End 2012
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	48,858	48,858
Other equity	1,333,829	1,214,054
<b>Total equity</b>	<b>1,382,687</b>	<b>1,262,912</b>
<b>Non-current liabilities</b>		
Deferred taxes and other taxes	308,536	258,441
Long-term interest bearing debts	772,847	731,948
<b>Total non-current liabilities</b>	<b>1,081,383</b>	<b>990,389</b>
<b>Current liabilities</b>		
Short-term interest bearing debt	100,000	100,000
Accounts payable and other debt	232,080	217,610
<b>Total current liabilities</b>	<b>332,080</b>	<b>317,610</b>
<b>Total liabilities</b>	<b>1,413,463</b>	<b>1,307,999</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>2,796,150</b>	<b>2,570,911</b>



## Consolidated Cash Flow Statement

For the period ended 30<sup>th</sup> June 2013

DKK 1,000	Q2 2013	Q2 2012	YTD 2013	YTD 2012
<b>Earnings before interest and taxes (EBIT)</b>	<b>211,925</b>	<b>94,378</b>	<b>293,270</b>	<b>143,896</b>
Adjustments for write-downs and depreciation	21,358	19,744	42,232	39,491
Adjustments for value adjustments on biomass	-38,572	-16,711	-33,917	-9,326
Adjustments for income from associates	-7,048	0	-12,134	3,098
Adjustments for currency effects*	30,441	3,606	30,441	1,999
Taxes paid	0	0	0	-2,878
Provision for onerous contracts	3,041	0	27,158	0
Change in inventory	-39,965	10,938	-140,257	49,812
Change in receivables	-9,278	46,106	-21,585	-9,812
Change in current debts	1,209	-3,396	14,596	18,815
<b>Cash flow from operations</b>	<b>173,111</b>	<b>154,665</b>	<b>199,804</b>	<b>235,095</b>
<b>Cash flow from investments</b>				
Payments made for purchase of fixed assets	-40,020	-19,826	-62,281	-36,840
Purchase of shares and other investments	-906	0	-7,253	0
Change in long-term receivables	222	0	222	0
<b>Cash flow from investments</b>	<b>-40,704</b>	<b>-19,826</b>	<b>-69,312</b>	<b>-36,840</b>
<b>Cash flow from financing</b>				
Change of interest bearing debt (short and long)	-50,342	-40,805	13	-75,862
Acquisition of minorities	0	-30,000	0	-30,000
Financial income*	-6,415	144	1,998	255
Financial expenses	-9,369	-5,674	-16,408	-11,855
Financing of associate	-5,599	0	43,497	0
Dividend paid	-97,602	-48,858	-97,602	-48,858
<b>Cash flow from financing</b>	<b>-169,327</b>	<b>-125,193</b>	<b>-68,502</b>	<b>-166,320</b>
<b>Cash flow from discontinuing operations</b>				
Net cash from operating activities	0	-17,937	0	-21,879
Net cash used for investing activities	0	-738	0	-1,241
Net cash used for financing activities	0	23,288	0	23,122
<b>Net cash from discontinuing operations</b>	<b>0</b>	<b>4,613</b>	<b>0</b>	<b>2</b>
<b>Net change in cash and cash equivalents in period</b>	<b>-36,920</b>	<b>14,259</b>	<b>61,990</b>	<b>31,937</b>
Cash and cash equivalents – opening balance	123,955	34,546	25,045	16,868
<b>Cash and cash equivalents – closing balance total</b>	<b>87,035</b>	<b>48,805</b>	<b>87,035</b>	<b>48,805</b>

\* There is made a reclassification of adjustments for currency effects and financial income in Q1 2013 of DKK 7,369 thousand. The correction was incorporated into the cash flow statement for Q2 2013 presented above. Comparing figures for 2012 are adjusted accordingly. The reclassification is DKK 3,606 thousand.

## Consolidated Statement of Changes in Equity

As of 30<sup>th</sup> June 2013

DKK 1,000	30 June 2013	30 June 2012
<b>Total equity 01.01</b>	<b>1,262,911</b>	<b>1,061,010</b>
<b>Profit for the period to equity</b>	<b>251,722</b>	<b>107,337</b>
<b>Adjustment to 01.01</b>	<b>0</b>	<b>0</b>
Fair value adjustment on financial derivatives	-40,886	-475
Income tax effect	7,359	0
Treasury shares	-818	0
Reversal of fair value adjustment on securities available for sale	0	-90
Reversal of deferred tax on securities available for sale	0	102
Fair value adjustment on purchased non-controlling interests	0	1,634
<b>Total other comprehensive income</b>	<b>-34,344</b>	<b>1,171</b>
Proposed dividend	0	0
<b>Total proposed dividend</b>	<b>0</b>	<b>0</b>
<b>Total recognised income and expense to equity</b>	<b>217,378</b>	<b>108,508</b>
<b>Equity transactions between the Company and its shareholders</b>		
Acquisition of minorities	0	-31,634
<b>Equity decrease by acquisition of minorities</b>	<b>0</b>	<b>-31,634</b>
Distribution of dividend	-97,602	-48,858
Proposed dividend	0	0
<b>Dividend distribution</b>	<b>-97,602</b>	<b>-48,858</b>
<b>Total change in equity during the period</b>	<b>119,776</b>	<b>28,016</b>
<b>Non-controlling interests at the end of the period</b>	<b>0</b>	<b>0</b>
<b>Total equity at the end of the period</b>	<b>1,382,687</b>	<b>1,089,026</b>

## Notes to the Account

### Accounting Policy

#### General Information

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

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

registered office at Bakkavegur 9, FO-625 Glyvrrar, Faroe Islands, or at [www.bakkafrost.com](http://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 31<sup>st</sup> December 2012.

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

#### Note 2. Significant Accounting Policies

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

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

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

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

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

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

### Note 3. Estimates and risk exposure

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

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

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

The risks and uncertainties described therein are expected to remain for the next six months. Since the issuance of the Annual Report for 2012, the markets have been strong and may lead to reduced demand.

The overall risk management is unchanged.

### Note 4. Biomass

DKK 1,000	30 June 2013	End 2012
Biological assets carrying amount 01.01	746,958	700,336
Increase due to production or purchases	451,916	847,756
Reduction due to harvesting or sale (costs of goods sold)	-415,902	-767,828
Fair value adjustment at the beginning of the period reversed	-181,050	-86,037
Fair value adjustments at the end of the period	214,967	181,050
Biological assets sold	0	-130,752
Reversal of elimination at the beginning of the period	23,889	26,322
Eliminations	-25,235	-23,889
<b>Biological assets carrying amount at the end of the period</b>	<b>815,543</b>	<b>746,958</b>
Cost price biological assets	611,569	576,611
Capitalised interest	14,242	13,186
Fair value adjustments at the end of the period	214,967	181,050
Eliminations	-25,235	-23,889
<b>Biological assets carrying amount</b>	<b>815,543</b>	<b>746,958</b>

## Note 5. Segments

Farming segment	Q2	Q2	YTD	YTD
DKK 1,000	2013	2012	2013	2012
External revenue	343,862	209,685	628,391	442,233
Internal revenue	176,525	87,125	316,970	167,045
<b>Total revenue</b>	<b>520,387</b>	<b>296,810</b>	<b>945,361</b>	<b>609,278</b>
Operating expenses	-307,429	-216,771	-594,624	-468,183
Depreciation and amortisation	-13,415	-12,294	-26,683	-24,589
<b>Operational EBIT</b>	<b>199,543</b>	<b>67,745</b>	<b>324,054</b>	<b>116,506</b>
Fair value adjustments on biological assets	38,572	16,711	33,917	9,326
Income from associates	1,190	0	-1,583	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>239,305</b>	<b>84,456</b>	<b>356,388</b>	<b>125,832</b>
Net interest	14,889	-3,481	15,142	-11,979
<b>Earnings before taxes (EBT)</b>	<b>254,194</b>	<b>80,975</b>	<b>371,530</b>	<b>113,853</b>
Taxes	-44,937	-16,832	-63,712	-20,949
<b>Profit for the period (continuing operations)</b>	<b>209,257</b>	<b>64,143</b>	<b>307,819</b>	<b>92,904</b>
Profit or loss from discontinued operations, after tax	0	19,105	0	343
<b>Profit or loss for the period</b>	<b>209,257</b>	<b>83,248</b>	<b>307,819</b>	<b>93,247</b>

Value added products	Q2	Q2	YTD	YTD
DKK 1,000	2013	2012	2013	2012
<b>External revenue</b>	<b>168,138</b>	<b>129,608</b>	<b>315,873</b>	<b>251,105</b>
Internal purchase of raw material	-176,525	-87,125	-316,970	-167,045
Operating expenses	-31,574	-30,456	-60,528	-59,043
Depreciation and amortisation	-1,828	-1,461	-3,392	-2,955
<b>Operational EBIT</b>	<b>-41,789</b>	<b>10,566</b>	<b>-65,017</b>	<b>22,062</b>
Provision for onerous contracts	-3,040	0	-27,157	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>-44,829</b>	<b>10,566</b>	<b>-92,174</b>	<b>22,062</b>
Net interest	78	405	432	720
<b>Earnings before taxes (EBT)</b>	<b>-44,751</b>	<b>10,971</b>	<b>-91,742</b>	<b>22,782</b>
Taxes	8,055	-1,975	16,514	-4,101
<b>Result for the period, continuing operations</b>	<b>-36,696</b>	<b>8,996</b>	<b>-75,228</b>	<b>18,681</b>

Fishmeal, Fish Oil and Fish Feed	Q2	Q2	YTD	YTD
DKK 1,000	2013	2012	2013	2012
External revenue	98,002	76,977	139,039	122,997
Internal revenue	152,761	114,063	269,194	218,161
<b>Total revenue</b>	<b>250,763</b>	<b>191,040</b>	<b>408,233</b>	<b>341,158</b>
Purchase of goods	-183,201	-148,652	-285,742	-263,596
Operating expenses	-36,707	-28,652	-66,833	-52,748
Depreciation and amortisation	-6,115	-5,989	-12,157	-11,947
<b>Operational EBIT</b>	<b>24,740</b>	<b>7,747</b>	<b>43,501</b>	<b>12,867</b>
Income from associates	5,858	0	13,717	-3,098
<b>Earnings before interest and taxes (EBIT)</b>	<b>30,598</b>	<b>7,747</b>	<b>57,218</b>	<b>9,769</b>
Net interest	-310	860	457	1,422
<b>Earnings before taxes (EBT)</b>	<b>30,288</b>	<b>8,607</b>	<b>57,675</b>	<b>11,191</b>
Taxes	-5,452	-1,549	-10,382	-2,014
<b>Profit for the period</b>	<b>24,836</b>	<b>7,058</b>	<b>47,294</b>	<b>9,177</b>

Reconciliation of reportable segments to Group				
earnings before taxes (EBT)	Q2	Q2	YTD	YTD
DKK 1,000	2013	2012	2013	2012
Farming (before discontinued operations)	254,194	80,975	371,530	113,853
Value added products	-44,751	10,971	-91,742	22,782
Fishmeal, Fish Oil and Fish Feed	30,288	8,607	57,675	11,191
Eliminations	-13,148	-8,391	-28,161	-13,767
<b>Group earnings before taxes (EBT)</b>	<b>226,583</b>	<b>92,162</b>	<b>309,302</b>	<b>134,059</b>

Assets and liabilities per segment DKK 1,000	30 June 2013	End 2012
Farming	3,085,502	2,669,228
Value added products	69,948	64,766
Fishmeal, Fish Oil and Fish Feed	731,115	637,004
Eliminations	-1,090,415	-800,087
<b>Total assets</b>	<b>2,796,150</b>	<b>2,570,911</b>
Farming	1,230,064	2,114,214
Value added products	84,183	11,329
Fishmeal, Fish Oil and Fish Feed	686,582	118,389
Eliminations	-587,366	-935,933
<b>Total liabilities</b>	<b>1,413,463</b>	<b>1,307,999</b>



## Note 6. Harvest and Feed Sale

Distribution of harvested volumes (tgv)	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Harvested volumes used in VAP production	4,852	3,950	9,104	7,925
Harvested volumes sold fresh/frozen	5,688	6,561	9,732	14,815
<b>Harvested and purchased volumes (tgv)</b>	<b>10,540</b>	<b>10,511</b>	<b>18,836</b>	<b>22,740</b>

Harvested volumes (tgv)	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Farming North	9,746	7,919	14,103	9,248
Farming West	794	2,300	4,733	12,319
<b>Total harvested volumes (tgv)</b>	<b>10,540</b>	<b>10,219</b>	<b>18,836</b>	<b>21,567</b>
Faroe Farming (discontinuing operation)	0	292	0	1,173
<b>Total harvested volumes (tgv)</b>	<b>10,540</b>	<b>10,511</b>	<b>18,836</b>	<b>22,740</b>

Distribution of harvested volumes (tgv)	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Harvested volumes used in VAP production	46%	38%	48%	35%
Harvested volumes sold fresh/frozen	54%	62%	52%	65%
<b>Harvested and purchased volumes (tgv)</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Feed sold volume (tonnes)	Q2 2013	Q2 2012	YTD 2013	YTD 2012
Internal sale	14,412	12,376	25,403	24,203
External sale	3,784	8,386	7,699	11,858
<b>Sold tonnes feed</b>	<b>18,196</b>	<b>20,762</b>	<b>33,102</b>	<b>36,061</b>

## Note 7. Discontinuing operation

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

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

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

Profit and loss for the period	YTD
DKK 1,000	2012
<b>Operating revenue</b>	<b>30,086</b>
Expenses	-29,717
<b>Operational EBIT</b>	<b>369</b>
Fair value adjustments on biological assets	15,696
Impairment loss recognised on re-measurement to fair value	-14,938
<b>Earnings before interest and taxes (EBIT)</b>	<b>1,127</b>
Net Financial items	-583
<b>Earnings before interest and taxes (EBIT)</b>	<b>544</b>
Tax related to current profit/loss	-2,892
Tax related to fair value	2,689
<b>Profit or loss for the period discontinuing operations</b>	<b>341</b>

## Note 8. Business combinations

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

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

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

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

## Note 9. Capital commitments

The Group had capital expenditure committed but not provided in these accounts at the date of the

Statement of Financial Position of approximately DKK 40.0 million.

## Note 10. Transactions with related parties

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

Faroe Farming purchased for DKK 22.7 million from Bakkafrost in Q2 2013, and Bakkafrost purchased raw material amounting to DKK 35.9 million from Faroe Farming. For H1 2013 Faroe Farming purchased for DKK 35.6 million from Bakkafrost, and Bakkafrost purchased raw material amounting to DKK 114.9 million from Faroe Farming.

At the end of Q2 2013, Faroe Farming owed DKK 63.7 million to the Bakkafrost Group.

Hanstholm Fiskemelsfabrik A/S is a supplier in the feed segment. During Q2 and H1 2013, Hanstholm Fiskemelsfabrik A/S sold fishmeal and fish oil amounting to DKK 0 million to the Bakkafrost Group. At the end of Q2 2013, Hanstholm Fiskemelsfabrik A/S owed Bakkafrost DKK 14.3 million.

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

## Note 11. Fair value measurements

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

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

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

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

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

During Q2 2013, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

As at 30 June 2013, the Group held the following classes of assets/liabilities measured at fair value:

Assets and Liabilities measured at fair value	30 June			
	2013	Level 1	Level 2	Level 3
<b>Assets measured at fair value</b>				
Intangible assets	293,675	0	0	293,675
Financial assets	753	753	0	0
Biological assets (biomass)	815,543	0	815,543	0
<b>Liabilities measured at fair value</b>				
Long-term interest bearing debts	473,000	473,000	0	0





## Contacts

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