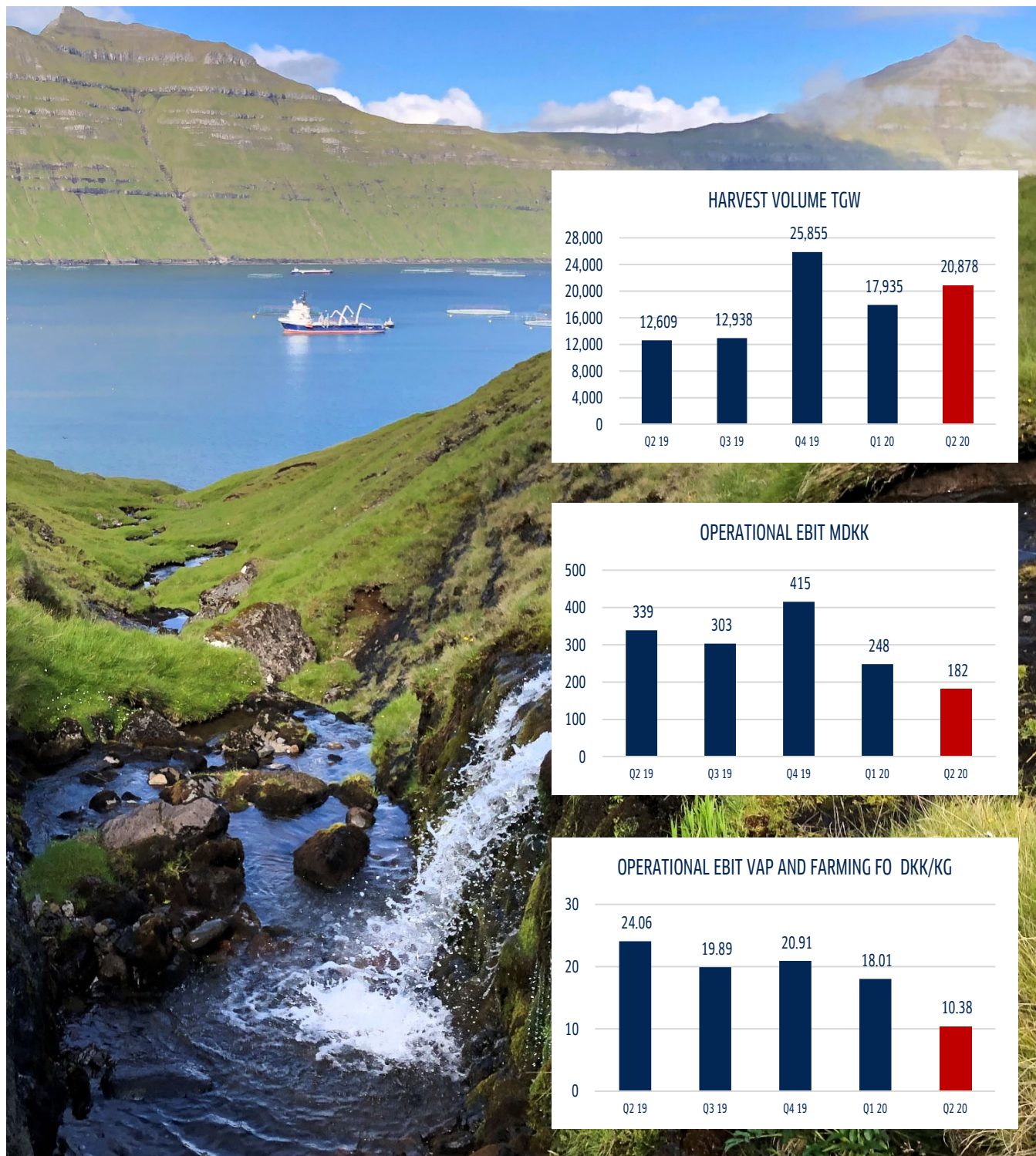


# INTERIM REPORT

Q2 2020  
and  
H1 2020



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# Highlights

DKK 1,000	Q2 2020	Q2 2019	H1 2020	H1 2019
<b>INCOME STATEMENT</b>				
Group - Operating revenue	1,134,222	946,506	2,389,448	1,910,215
Group - Operational EBIT*	181,897	338,764	429,980	606,468
Group - EBIT	585,914	236,789	404,154	497,317
Group - Profit for the period	471,681	188,602	323,700	401,438
Operational EBIT* (FO Farming and VAP) (DKK)	134,372	303,404	326,499	534,471
Operational EBIT/kg (FO Farming and VAP) (DKK)	10.38	24.06	13.83	20.31
Operational EBIT/kg (FO Farming and VAP) (NOK)	15.34	31.31	19.83	26.46
Farming Faroe Islands - Operating revenue	574,189	758,613	1,206,722	1,514,015
Farming Faroe Islands - Operational EBIT*	85,750	303,439	288,675	533,182
Farming Faroe Islands - Operational EBIT margin	14.9%	40.0%	23.9%	35.2%
Farming Faroe Islands - Operational EBIT/kg (DKK)	6.63	24.07	12.23	20.26
Farming Faroe Islands - Operational EBIT/kg (NOK)	9.79	31.31	17.54	26.39
Farming Scotland - Operating revenue	377,430	n/a	789,825	n/a
Farming Scotland - Operational EBIT*	28,794	n/a	58,534	n/a
Farming Scotland - Operational EBIT margin	7.6%	n/a	7.4%	n/a
Farming Scotland - Operational EBIT/kg (DKK)	3.63	n/a	3.85	n/a
Farming Scotland - Operational EBIT/kg (NOK)	5.36	n/a	5.52	n/a
VAP - Operating revenue	307,763	237,552	582,071	498,126
VAP - Operational EBIT*	48,622	-35	37,824	1,289
VAP - Operational EBIT margin	15.8%	0.0%	6.5%	0.3%
VAP - Operational EBIT/kg (DKK)	7.57	-0.01	3.20	0.15
VAP - Operational EBIT/kg (NOK)	11.19	-0.01	4.59	0.19
FOF - Operating revenue	268,611	283,447	578,580	566,858
FOF - EBITDA	49,921	58,382	90,133	123,634
FOF - EBITDA margin	18.6%	20.6%	15.6%	21.8%
NOK/DKK (average)	67.70	76.86	69.73	76.76

DKK 1,000	Q2 2020	Q2 2019	H1 2020	H1 2019
<b>FINANCIAL POSITION AND CASH FLOW</b>				
Total Assets***	12,513,507	13,101,405	12,513,507	13,101,405
Equity***	8,581,430	8,496,875	8,581,430	8,496,875
Equity ratio***	69%	65%	69%	65%
Net interest-bearing debt***	1,116,123	1,018,685	1,116,123	1,018,685
Cash flow from operations	111,399	326,815	476,648	403,318
Cash flow from financing	-261,957	-188,700	-1,034,416	-134,554
<b>PROFITABILITY</b>				
Basic earnings per share (DKK)	7.98	3.88	5.48	8.25
Diluted earnings per share (DKK)	7.98	3.88	5.48	8.25
ROCE**	1.6%	5.8%	3.7%	10.8%
<b>VOLUMES</b>				
Harvested volumes Faroe Islands (tgv)	12,941	12,609	23,608	26,316
Harvested volumes Scotland (tgv)	7,937	n/a	15,205	n/a
VAP produced volumes (tgv)	6,420	4,088	11,828	8,777
Sold feed tonnes	22,121	18,872	41,244	35,136
Internal feed sales tonnes	16,159	15,689	30,476	29,649
Smolt released thousand Faroe Islands (pcs)	2,922	3,580	5,185	5,300
Smolt released thousand Scotland (pcs)	2,835	n/a	3,867	n/a

\* Aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates and revenue tax - refer to Note 10

\*\* Return on average capital employed, based on operational EBIT - refer to Note 10

\*\*\* Comparing figures from end 2019

## Summary of the 2<sup>nd</sup> Quarter 2020 and H1 2020

(Figures in parenthesis refer to the same period last year).

**The Bakkafrøst Group delivered a total operating EBIT of DKK 181.9 million in Q2 2020.**

**Total harvested volumes were 20.9 thousand tonnes gutted weight (tgw). Faroe Islands (FO): 12.9 tgw, Scotland (SCT): 7.9 tgw.**

**The combined FO farming and VAP segments made an operational EBIT of DKK 134.4 million. The FO farming segment made an operational EBIT of DKK 85.8 million. The SCT farming segment made an operational EBIT of DKK 28.8 million. Volumes increased and thus had a positive effect on the operational EBIT.**

**The VAP segment made an operational EBIT of DKK 48.6 million. The EBITDA for the FOF segment was DKK 49.9 million.**

The Group made a profit for Q2 2020 of DKK 471.7 million (DKK 188.6 million). For H1 2020, the profit was DKK 323.7 million (DKK 401.4 million).

Total harvested volumes for Q2 2020 were 20,878 tonnes gutted weight. FO: 12,941 tgw (12,609 tgw), SCT: 7,937 tgw (n/a). Total harvested volumes in H1 2020 were 38,813 tgw (26,316 tgw). FO: 23,608 tgw (26,316 tgw), SCT: 15,205 tgw (n/a).

In total, 5.8 million (3.6 million) smolts were transferred during Q2 2020. FO: 2.9 million (3.6 million), SCT: 2.8 million (n/a). In H1 2020, 9.1 million (5.3 million) smolts were transferred. FO: 5.2 million (5.3 million), SCT 3.9 million (n/a).

The combined FO farming and VAP segments made an operational EBIT of DKK 134.4 million (DKK 303.4 million) in Q2 2020. The operational EBIT per kg in Q2 2020 was DKK 10.38 (DKK 24.06), which corresponds to NOK 15.34 (NOK 31.31) for the combined FO farming and VAP segments. For H1 2020, the combined FO farming and VAP segments made an operational EBIT of DKK 326.5 million (DKK 534.5 million).

The FO farming segment made an operational EBIT of DKK 85.8 million (DKK 303.4 million) in Q2 2020. The harvested volumes were slightly higher and the achieved prices were lower in Q2 2020, compared to Q2 2019. For H1 2020, the operational EBIT was DKK 288.7 million (DKK 533.2 million).

The SCT farming segment made an operational EBIT of DKK 28.8 million in Q2 2020. For H1 2020, the operational EBIT was DKK 58.5 million.

The VAP segment made an operational EBIT of DKK 48.6 million (DKK 0.0 million) for Q2 2020. For H1 2020, the operational EBIT was DKK 37.8 million (DKK 1.3 million).

The FOF segment (fishmeal, oil and feed) made an EBITDA of DKK 49.9 million (DKK 58.4 million) for Q2 2020, and the EBITDA margin was 18.6% (20.6%). The EBITDA was DKK 90.1 million in H1 2020 (DKK 123.6 million), corresponding to an EBITDA margin of 15.6% (21.8%).

During Q2 2020, Havsbrún sourced 122,512 tonnes (110,109 tonnes) of raw material, and in H1 2020, Havsbrún sourced 187,319 tonnes (225,639 tonnes) of raw material.

In Q2 2020, Bakkafrøst's full-time employees from 2019, still employed in Bakkafrøst, have received bonus shares with the value of 2% of their salary in 2019. In total, Bakkafrøst allocated 14,368 shares to its employees. The total allocation amounted to DKK 6.2 million and was based on the closing share price on the allocation day, 3 June 2020.

The Group has been impacted by the market disruption from Covid-19 from late Q1 2020.

The net interest-bearing debt amounted to DKK 1,116 million at the end of Q2 2020, compared to DKK 1,019 million at year-end 2019. Undrawn credit facilities amounted to DKK 2,323 million at the end of Q2 2020.

The equity ratio was 69% at 30 June 2020, compared to 65% at the end of 2019.

Bakkafrøst aims at giving the shareholders a competitive return on their investment, both through payments of dividends and by value growth of the equity through positive operations. The long-term goal of the Board of Directors is that 30-50% of earnings per share shall be paid out as dividend.

Bakkafrøst's financial position is strong with a solid balance sheet, a competitive operation and available credit facilities, but due to the uncertainty imposed by the Covid-19 pandemic in Q1 2020, the Board of Directors have previously decided to postpone the decision on dividend payment for 2019 until Bakkafrøst's H1 presentation on 25 August 2020, at which time the Board of Directors expected the level of uncertainty to have reduced. The Board of Directors have now concluded that the uncertainty is still high and have therefore decided not to propose payments of dividends for 2019.

# Financial Review

## Income Statement

(Figures in parenthesis refer to the same period last year).

The Group's operating revenue amounted to DKK 1,134.2 million (DKK 946.5 million) in Q2 2020, and for H1 2020, the operating revenue amounted to DKK 2,389.4 million (DKK 1,910.2 million).

The FO farming segment's harvest volumes were higher, but the achieved prices were lower in Q2 2020, compared to the same quarter last year. The VAP segment had higher revenues because of higher volumes in Q2 2020, compared to Q2 2019. The FOF segment had lower revenue in Q2 2020, due to lower sales of fishmeal, sales of fish feed were, however, higher, compared to Q2 2019.

The Group's operational EBIT was DKK 181.9 million (DKK 338.8 million) in Q2 2020. The combined FO farming and VAP segments had lower operational EBIT in Q2 2020, compared to Q2 2019. Farming Scotland's operational EBIT was DKK 28.8 million. The FOF segment had lower EBITDA in Q2 2020, compared to Q2 2019. For H1 2020, the Group's operational EBIT was DKK 430.0 million (DKK 606.5 million).

The fair value adjustment of the Group's biological assets amounted to DKK 426.7 million (DKK -65.5 million) in Q2 2020. The adjustment is due to higher forward market prices for salmon at the end of the quarter, compared to the beginning of the quarter. For H1 2020, the fair value adjustment amounted to DKK 15.9 million (DKK -47.7 million).

Change in provisions for onerous contracts amounted to DKK 0 million (DKK 0 million) in Q2 2020. For H1 2020, the change in provisions for onerous contracts amounted to DKK 0 million (DKK 0 million).

The revenue tax amounted to DKK -22.6 million (DKK -32.0 million) in Q2 2020. For H1 2020, the revenue tax was DKK -41.8 million (DKK -64.0 million).

Net financial items in Q2 2020 were DKK -14.6 million (DKK -7.6 million). For H1 2020, net interests were DKK -13.9 million (DKK -8.8 million).

Net taxes amounted to DKK -99.6 million (DKK -40.6 million) in Q2 2020. For H1 2020, net taxes amounted to DKK -66.5 million (DKK -87.1 million).

The result for Q2 2020 was DKK 471.7 million (DKK 188.6 million), and for H1 2020, the result was DKK 323.7 million (DKK 401.4 million).

## Statement of Financial Position

(Figures in parenthesis refer to end last year).

The Group's total assets amounted to DKK 12,513.5 million (DKK 13,101.4 million) at the end of Q2 2020.

Intangible assets amounted to DKK 4,377.9 million (DKK 4,395.7 million) at the end of Q2 2020.

Property, plant and equipment amounted to DKK 3,894.1 million (DKK 3,780.5 million) at the end of Q2 2020. Right of use assets amounted to DKK 431.5 million (DKK 332.8 million) in Q2 2020. Bakkafrøst made investments in PP&E amounting to DKK 198.5 million during Q2 2020.

Non-current financial assets amounted to DKK 116.7 million (DKK 119.1 million) at the end of Q2 2020.

The carrying amount (fair value) of biological assets amounted to DKK 1,903.4 million (DKK 1,901.7 million) at the end of Q2 2020. Compared to year end 2019, biological assets have been fairly stable. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 43.6 million (DKK 27.7 million) at the end of Q2 2020.

Inventories amounted to DKK 720.8 million (DKK 548.5 million) at the end of Q2 2020.

Total receivables, including long-term receivables and deferred tax assets, amounted to DKK 614.7 million (DKK 713.5 million) at the end of Q2 2020.

Total cash and cash equivalents amounted to DKK 454.4 million (DKK 1,309.5 million) at the end of Q2 2020.

The Group's equity amounted to DKK 8,581.4 million (DKK 8,496.9 million) at the end of Q2 2020. The change in equity consists primarily of the result for H1 2020, but also acquisition of minorities amounting to DKK 167.6 million in Q1 2020.

Total non-current liabilities amounted to DKK 3,002.9 million (DKK 3,679.6 million) at the end of Q2 2020.

Deferred taxes amounted to DKK 1,182.0 million (DKK 1,123.8 million) at the end of Q2 2020.

Long-term interest-bearing debt was DKK 1,570.5 million (DKK 2,328.2 million) at the end of Q2 2020.

Long-term leasing debt amounted to DKK 249.2 million (DKK 225.6 million) and short-term leasing debt amounted to DKK 195.1 million (DKK 107.8 million). In total DKK 444.3 million (DKK 333.4 million) at the end of Q2 2020.

At the end of Q2 2020, the Group's total current liabilities were DKK 929.1 million (DKK 925.0 million). The current liabilities consist of financial derivatives, short-term leasing debt and accounts payable and other debt.

Total derivatives amounted to DKK 19.3 million (DKK 15.5 million) at the end of Q2 2020.

The equity ratio was 69% at the end of Q2 2020, compared to 65% at the end of 2019.

## Cash Flow

(Figures in parenthesis refer to the same period last year).

The cash flow from operations was DKK 111.4 million (DKK 326.8 million) in Q2 2020. The changes in working capital had a negative effect on the cash flow from operations. For H1 2020, the cash flow from operations was DKK 476.6 million (DKK 403.3 million).

The cash flow from investment activities amounted to DKK -196.1 million (DKK -157.0 million) in Q2 2020. The amount relates to investments in property, plant and equipment. For H1 2020, the cash flow from investments amounted to DKK -297.4 million (DKK -263.0 million).

The cash flow from financing activities totalled DKK -262.0 million (DKK -188.7 million) in Q2 2020. For H1 2020, cash flow from financing amounted to DKK -1,034.4 million (DKK -134.6 million).

In Q2 2020, net change in cash flow amounted to DKK -346.7 million (DKK -18.9 million). For H1 2020, net change in cash flow amounted to DKK -855.2 million (DKK 5.8 million).

At the end of Q2 2020, the Group had unused credit facilities of DKK 2,323 million (DKK 742 million).



## Farming Segment – Faroe Islands (FO)

The Faroese farming segment produces high quality Atlantic salmon from juveniles to harvest size salmon. The salmon is sold to fresh fish markets globally and to the internal VAP production. The farming sites are in the Faroe Islands.

### Volumes

The total volumes harvested in Q2 2020 were 12,941 tonnes gutted weight (12,609 tgw) – a change in volume of 3%. 12,941 tgw came from the North region, 0 tgw from the West region and 0 tgw from the South region. Total harvested volumes for H1 2020 were 23,608 tonnes gutted weight (26,316 tgw), which is in line with the forecast for 2020.

2.9 million (3.6 million) smolts were transferred in Q2 2020. In H1 2020, 5.2 million (5.3 million) smolts were transferred. This is in line with the smolt transfer plan.

DKK 1,000	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
<b>Financial</b>						
Total revenue	574,189	758,613	-24%	1,206,722	1,514,015	-20%
EBIT	201,071	205,872	-2%	49,157	424,031	-88%
Operational EBIT	85,750	303,439	-72%	288,675	533,182	-46%
Operational EBIT/kg (DKK)	6.63	24.07	-72%	12.23	20.26	-40%
Operational EBIT margin	15%	40%	-63%	24%	35%	-32%
<b>Volumes</b>						
Harvested volumes Faroe Islands (tgw)	12,941	12,609	3%	23,608	26,316	-10%
- Farming North	12,941	7,858	65%	19,206	14,601	32%
- Farming West	0	4,751	-100%	2,769	11,715	-76%
- Farming South	0	0	-	1,633	0	-
Smolts released (thousand)	2,922	3,580	-18%	5,185	5,300	-2%
- Farming North	0	1,090	-100%	1,080	2,810	-62%
- Farming West	1,213	1,100	10%	2,396	1,100	118%
- Farming South	1,709	1,390	23%	1,709	1,390	23%

### Financial Performance

In Q2 2020, the operating revenue for the FO farming segment was DKK 574.2 million (DKK 758.6 million). The total revenue for the farming segment decreased in Q2 2020, compared with Q2 2019, because of lower sales prices. The operating revenue for the FO farming segment for H1 2020 was DKK 1,206.7 million (DKK 1,514.0 million).

In Q2 2020, the FO farming segment's EBIT amounted to DKK 201.1 million (DKK 205.9 million). The FO farming segment's EBIT for H1 2020 was DKK 49.2 million (DKK 424.0 million).

Operational EBIT amounted to DKK 85.8 million (DKK 303.4 million) in Q2 2020, which corresponds to an operational EBIT margin of 15% (40%). In H1 2020, operational EBIT was DKK 288.7 million (DKK 533.2 million).

Operational EBIT/kg for the FO farming segment was DKK 6.63 (NOK 9.79) in Q2 2020, compared with DKK 24.07 (NOK 31.31) in Q2 2020. Operational EBIT/kg for H1 2020 was DKK 12.23 (NOK 17.54), compared with DKK 20.26 (NOK 26.39) for H1 2019.

Volumes and EBIT were impacted during Q2 by the global market disruption caused by Covid-19.

## Farming Segment – Scotland (SCT)

(Please note that the comparable figures and the narrative in this section are pro forma and are not part of the consolidated Bakkafrøst accounts.)

**The Scottish farming segment represents the operating business of The Scottish Salmon Company PLC (SSC) which was consolidated from 8 October 2019, when Bakkafrøst gained control. The Scottish Salmon Company is committed to producing the finest quality Scottish Salmon with Scottish Provenance and full traceability. SSC has sites across the West Coast of Scotland and Hebridean Islands.**

### Volumes

The total volumes harvested in Q2 2020 were 7,937 tonnes gutted weight (9,738 tgw). Total harvested volumes for H1 2020 were 15,205 tonnes gutted weight (18,463 tgw), which is in line with the forecast for 2020.

2.8 million smolts were transferred in Q2 2020 (2.7 million). In H1 2020, 3.9 million (5.2 million) smolts were transferred. This is in line with the smolt transfer plan.

DKK 1,000	Q2 2020	H1 2020
<b>Financial</b>		
Total revenue	377,430	789,825
EBIT	317,490	272,226
Operational EBIT	28,794	58,534
Operational EBIT/kg (DKK)	3.63	3.85
Operational EBIT margin	8%	7%
<b>Volumes</b>		
Harvested volumes (tgw)	7,937	15,205
Smolts released (thousand)	2,835	3,867

### Financial Performance

In Q2 2020, the operating revenue for the SCT farming segment was DKK 377.4 million. The operating revenue for the SCT farming segment for H1 2020 was DKK 789.8 million.

Operational EBIT amounted to DKK 28.8 million, which corresponds to an operational EBIT margin of 7.6%. In H1 2020, operational EBIT was DKK 58.5 million, which corresponds to an operational EBIT margin of 7.4%.

Operational EBIT/kg for the farming segment in Scotland was DKK 3.63 (NOK 5.36) in Q2 2020. Operational EBIT/kg for H1 2020 was DKK 3.85 (NOK 5.52).

Volumes and EBIT were impacted during Q2 by the global market disruption caused by Covid-19 as well as operational challenges to reduce transmission risk.



## VAP Segment

The VAP (value added products) segment produces skinless and boneless portions of salmon in the Faroe Islands. The main market for the VAP products is Europe with increasing sales in other markets. The VAP products are sold on long-term fixed price contracts.

### Volumes

50% (32%) of the total Faroese harvested volumes in Q2 2020 went to the production of VAP products, and 50% (33%) of the harvested volumes in H1 2020 went to production of VAP products.

The VAP production in the Faroe Islands was 6,420 tonnes gutted weight (4,088 tgw) in Q2 2020, an increase of 57%, compared to Q2 2019. The volumes were higher, compared to Q2 2019. In H1 2020, the VAP production was 11,828 tgw (8,777 tgw).

DKK 1,000	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
<b>Financial</b>						
Total revenue	307,763	237,552	30%	582,071	498,126	17%
EBIT	48,622	-35	-	37,824	1,289	-
Operational EBIT	48,622	-35	-	37,824	1,289	-
VAP - Operational EBIT/kg (DKK)	7.57	-0.01	-	3.20	0.15	-
Operational EBIT margin	16%	0%	-	6%	0%	-
<b>Volumes</b>						
VAP produced volumes (tgw)	6,420	4,088	57%	11,828	8,777	35%
Harvested volumes used in VAP production	50%	32%	53%	50%	33%	50%
Harvested volumes sold fresh/frozen	50%	68%	-25%	50%	67%	-25%

### Financial Performance

The operating revenue for the VAP segment amounted to DKK 307.8 million (DKK 237.6 million) in Q2 2020. The increase in revenue is due to higher volumes in Q2 2020, compared with Q2 2019. In H1 2020, the VAP revenue was DKK 582.1 million (DKK 498.1 million).

The VAP segment had an EBIT amounting to DKK 48.6 million (DKK 0.0 million) in Q2 2020. Changes in onerous contracts were DKK 0.0 million (DKK 0.0 million). In H1 2020, the VAP segment's EBIT amounted to DKK 37.8 million (DKK 1.3 million).

Operational EBIT amounted to DKK 48.6 million (DKK 0.0 million) in Q2 2020, corresponding to an operational EBIT of DKK 7.57 (NOK 11.19) per kg gutted weight in Q2 2020, compared with DKK -0.01 (NOK -0.01) per kg gutted weight in Q2 2019. Operational EBIT/kg for H1 2020 was DKK 3.20 (NOK 4.59), compared with DKK 0.15 (NOK 0.19) for H1 2019.

## FOF Segment

The FOF (fishmeal, oil and feed) segment produces fishmeal, fish oil and fish feed. Most of the production is used for fish feed, used internally in the FO farming segment. The quality of the fish feed is important to the quality of the salmon from Bakkafrost FO. Fishmeal, fish oil and fish feed are also sold externally.

### Volumes

Havsbrún received 122,512 tonnes (110,109 tonnes) of raw material to produce fishmeal and fish oil in Q2 2020. The raw material intake depends on the fishery in the North Atlantic and available species of fish. In H1 2020, Havsbrún received 187,319 tonnes (225,639 tonnes) of raw material.

The production of fishmeal in Q2 2020 was 24,939 tonnes (23,021 tonnes). For H1 2020, Havsbrún produced 39,074 tonnes (47,759 tonnes) of fishmeal.

The production of fish oil in Q2 2020 was 946 tonnes (679 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For H1 2020, Havsbrún produced 2,479 tonnes (4,773 tonnes) of fish oil.

Sales of fish feed amounted to 22,121 tonnes (18,872 tonnes) in Q2 2020, of which the FO farming segment internally used 15,709 tonnes (15,689 tonnes) or 71.0% (83.1%), and the SCT farming segment internally used 450 tonnes or 2.0%. For H1 2020, Havsbrún sold 41,244 tonnes (35,136 tonnes) of fish feed.

### Financial Performance

The operating revenue for the FOF segment amounted to DKK 268.6 million (DKK 283.4 million) in Q2 2020, of which DKK 172.6 million (DKK 159.0 million) represented sales to Bakkafrost's farming segments, corresponding to 64% (56%). For H1 2020, the revenue amounted to DKK 578.6 million (DKK 566.9 million) of which DKK 316.4 million (DKK 298.3 million) represented sales to Bakkafrost's farming segments, corresponding to 55% (53%).

DKK 1,000	Q2 2020	Q2 2019	Change	H1 2020	H1 2019	Change
<b>Financial</b>						
Total revenue	268,611	283,447	-5%	578,580	566,858	2%
EBIT	42,412	46,817	-9%	75,421	109,329	-31%
EBITDA	49,921	58,382	-14%	90,133	123,634	-27%
FOF - EBITDA margin	18.6%	20.6%	-10%	15.6%	21.8%	-29%
<b>Volumes (tonnes)</b>						
Total Feed sold	22,121	18,872	17%	41,244	35,136	17%
- Feed internal sale	16,159	15,689	3%	30,476	29,649	3%
- Feed external sale	5,962	3,183	87%	10,768	5,487	96%
Fishmeal external sale	2,702	7,371	-63%	14,474	17,358	-17%
Fish oil external sale	4	0	-	9	1	800%
Received raw material	122,512	110,109	11%	187,319	225,639	-17%
Fishmeal production	24,939	23,021	8%	39,074	47,759	-18%
Fish oil production	946	679	39%	2,479	4,773	-48%

Total revenue for the FOF segment in Q2 2020 decreased 5%, compared to the same quarter last year. The internal revenue is higher in Q2 2020, compared to Q2 2019. The decrease in external revenue is due to lower volumes of fishmeal sold in Q2 2020, compared to Q2 2019.

EBITDA was DKK 49.9 million (DKK 58.4 million) in Q2 2020, and the EBITDA margin was 18.6% (20.6%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed. For H1 2020, the EBITDA was DKK 90.1 million (DKK 123.6 million), corresponding to an EBITDA margin of 15.6% (21.8%).

## Outlook

### Market

The global harvest of Atlantic salmon was 3.4% higher in Q2 2020, compared to Q2 2019, according to the latest estimate from Kontali Analyse. The market was affected negatively by the market disruption caused by the Covid-19 pandemic.

Looking forward, the market dynamics will still be affected by the Covid-19 situation which imposes greater than normal uncertainty to the market development estimates. In Q3 2020, the global harvest of Atlantic salmon is expected to increase around 5%, compared to Q3 2019. The estimated global harvest of Atlantic salmon for 2020 is an increase of around 3-4%, compared to 2019.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia. The Covid-19 pandemic has caused significant impact in the global market, especially in the food service segment. These issues will continue for some time, but a high focus has been kept to ensure the flow in the market, and Bakkafrost aims to balance the market diversification to reduce market risk.

### Farming

The size of transferred smolt is increasing, and will gradually impact the farming output over the next couple of years. The losses of fish to the severe storm, that hit the Faroe Islands in late February, caused a severe damage and took the harvest volume down from expected 57,000 tonnes to 50,000 tonnes in 2020. The operation in Scotland is gradually improving its key performing indicators and is expected to improve further over the coming years as further investments in the operation will add benefits.

Bakkafrost focuses on reducing biological risk continuously and has over the past years made significant investments to diminish this risk, but also to improve efficiency and ensures sustainable growth.

The Strond hatchery is now in full operation producing high-quality smolts and gradually increasing the average smolt size to reach 500g as part of Bakkfrost's large-smolt strategy. This strategy will also be extended to the Scottish farming operation where the plan is to invest in 2 or 3 large hatcheries in the coming years in order to become self-sufficient with large smolts.

Overall, the biological performance in the Faroese and Scottish operations have been strong during Q2 2020 with good growth and low mortality rate on harvested fish. Bakkafrost's expected harvest volume in 2020 in the Faroe Islands is 50,000 tonnes gutted weight, while the expected harvest in 2020 in Scotland is 39,000 tonnes gutted weight. Harvest volumes for 2021 in the Faroe Islands are expected to reach 62,500 tonnes gutted weight and 44,000 tonnes gutted weight in Scotland.

Bakkafrost expects to release 15.0 million smolts in 2020 in the Faroe Islands, compared to 12.7 million smolts in 2019 and 12.6 million smolts in 2018. The smolt release in Scotland is expected to be 10.7 million smolts in 2020, compared to 12.4 million smolts in 2019 and 8.6 million smolts in 2018. The number and average weight of smolts released are key elements of predicting Bakkafrost's future production.

The estimates for harvest volumes and smolt releases in both geographies are dependent on the biological development.

### VAP (Value added products)

Bakkafrost has made large investments in building a highly flexible value chain which includes a state-of-the-art VAP factory with high capacity. This enables Bakkafrost to adapt well to the rapidly changing market situations, which is a great advantage during market disruptions as the one seen during the Covid-19 pandemic. Due to the flexibility and large capacity of the VAP factory, Bakkafrost has been able to meet the significantly increased demand from the retail segment by redirecting volumes into the VAP segment.

Bakkafrost has signed contracts covering around 33% of the expected volumes for H2 2020.

Bakkafrost's long-term strategy is to sell around 40% of the harvested volumes of salmon as VAP products at contracts.

The contracts are at fixed prices, based on the salmon forward prices at the time they are agreed and the expectations for the salmon spot price for the contract period. The contracts last for 6 to 12 months.

### FOF (Fishmeal, oil and feed)

The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material.

The ICES 2020 recommendation for blue whiting is 1,162 thousand tonnes, which corresponds to an increase of 2%, compared to ICES's recommendation for 2019.

Bakkafrost expects a decrease in production volumes of fishmeal and fish oil in 2020, compared to 2019.

Havsbrún's sales of fish feed in 2020 are expected to be 110,000 tonnes, depending on external sales.

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

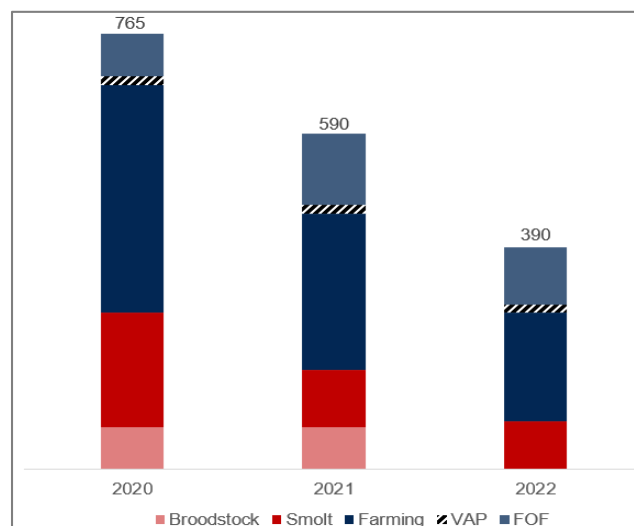
### Investments

Bakkafrost's investment programme for the period from 2020 to 2022, excluding investments in The Scottish Salmon Company, will amount to around DKK 1.8 billion, including maintenance capex, and will reinforce Bakkafrost's integrated business model and ensure a capacity across the value chain to be able to produce 100,000 tonnes gutted weight of salmon in the Faroe Islands. The aim of the investment programme is to minimize the biological risk, increase efficiency and create sustainable organic growth. Bakkafrost's focus on producing larger smolts plays a key role in achieving this goal.

Bakkafrost's recently finished Biogas plant is an important step-stone on Bakkafrost's sustainable growth path, as it delivers an efficient and sustainable solution to waste management. By converting the growing biological waste from the increasing operation into clean energy, the biogas plant alone is expected to save the environment from 11,000 tonnes of CO<sup>2</sup> per year.

In addition to the planned investments in the value chain in the Faroe Islands, Bakkafrost expects to make investments of around DKK 350 million per year for 2020-2024 in The Scottish Salmon Company. A significant part of this will be invested in building increased smolt capacity in order to become self-sufficient with large smolt.

Investment programme 2020-2022 - mDKK



### Financial

Despite the uncertainties imposed by the Covid-19 pandemic, long term market balances in the world market for salmon products will most likely remain favourable for Bakkafrost. Bakkafrost has a long value chain and a cost-efficient production of high-quality salmon products and will likely maintain the financial flexibility going forward.

During Q4 2019, Bakkafrost refinanced its bank facilities amounting to 352 mEUR with a further accordion option of 150 mEUR. In addition, bank facilities amounting to 100 mGBP were ensured to refinance The Scottish Salmon Company.

A high equity ratio together with Bakkafrost's bank financing, makes Bakkafrost's financial situation strong. This enables Bakkafrost to carry out its investment plans in the Faroe Islands as well as in Scotland, hereby strengthening the Group, enabling M&A's and organic growth opportunities as well as to fulfil its unchanged dividend policy in the future.

### Covid-19 pandemic

Bakkafrost plays an important role in ensuring healthy food for the world's growing population, and this role is especially important in the difficult times the world is facing at present.

During the Covid-19 pandemic, Bakkafrost's ability to operate in the Faroe Islands has not been affected by the pandemic, and the operation in Scotland has been only mildly affected. A range of preventive measures have been implemented to protect our workforce and ensure continuous production. New procedures and social distancing are implemented widely in the business, and production and office facilities have been modified where necessary to prevent infection. In the Faroe Islands, all our employees are offered regular free Covid-19 screening by health professionals.

As the market situation is significantly affected by the Covid-19 pandemic, Bakkafrost is taking all necessary steps to protect the business and constantly adapts to the changing market conditions and shifting demands from customers.

## Risks

Biological risk has been and will be a substantial risk for Bakkafrost. The Annual Report 2019 gives more explanation on the biological risk and Bakkafrost's risk management in this regard.

Reference is made to the Outlook section of this report for other comments on Bakkafrost's risk exposure and to Note 3. Please note the comments on Covid-19, which impose significant risks.

Bakkafrost is, as explained in the Annual Report 2019, exposed to the salmon price.

The Annual Report 2019 is available on request from Bakkafrost and on Bakkafrost's website, [www.bakkafrost.com](http://www.bakkafrost.com).

## Events after the Date of the Statement of Financial Position

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

## Statement by the Management and the Board of Directors on the Interim Report

The Management and the Board of Directors have today considered and approved the interim report of P/F Bakkafrøst for the period 1 January 2020 to 30 June 2020.

The interim report, which has not been audited or reviewed by the company's independent auditors, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the interim report gives a true and fair view of the Group's financial positions at 30 June 2020 as well as the results of the Group activities and cash flows for the period 1 January 2020 to 30 June 2020.

In our opinion, the management's review provides a true and fair presentation of the development in the Group operations and financial circumstances of the

results for the period and of the overall financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group.

Over and above the disclosures in the interim report, no changes in the Group's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2019.

Glyvvar, August 24<sup>th</sup>, 2020

Management:

Regin Jacobsen  
CEO

The Board of Directors of P/F Bakkafrøst:

Rúni M. Hansen  
Chairman of the Board

Johannes Jensen  
Deputy Chairman of the Board

Teitur Samuelsen  
Board Member

Øystein Sandvik  
Board Member

Annika Frederiksberg  
Board Member

Einar Wathne  
Board Member

## Consolidated Income Statement

For the period ended 30 June 2020

DKK 1,000	Q2 2020	Q2 2019	H1 2020	H1 2019
<b>Operating revenue</b>	<b>1,134,222</b>	<b>946,506</b>	<b>2,389,448</b>	<b>1,910,215</b>
Purchase of goods	-1,490,182	-366,899	-1,774,228	-728,439
Change in inventory and biological assets (at cost)	1,062,649	134,296	874,752	168,309
Salary and personnel expenses	-159,987	-117,690	-308,700	-232,242
Other operating expenses	-249,039	-199,656	-516,509	-399,809
Depreciation	-115,766	-57,793	-234,783	-111,566
<b>Operational EBIT*</b>	<b>181,897</b>	<b>338,764</b>	<b>429,980</b>	<b>606,468</b>
Fair value adjustments of biological assets	426,650	-65,536	15,939	-47,665
Onerous contracts	0	0	0	0
Income from associates	0	-4,408	0	2,539
Revenue tax	-22,633	-32,031	-41,765	-64,025
<b>Earnings before interest and taxes (EBIT)</b>	<b>585,914</b>	<b>236,789</b>	<b>404,154</b>	<b>497,317</b>
Net interest revenue	344	638	1,147	749
Net interest expenses	-10,057	-2,534	-19,584	-4,399
Net currency effects	-2,554	-4,760	12,894	-3,335
Other financial expenses	-2,355	-974	-8,370	-1,838
<b>Earnings before taxes (EBT)</b>	<b>571,292</b>	<b>229,159</b>	<b>390,241</b>	<b>488,494</b>
Taxes	-99,611	-40,557	-66,541	-87,056
<b>Profit or loss for the period</b>	<b>471,681</b>	<b>188,602</b>	<b>323,700</b>	<b>401,438</b>
<b>Profit or loss for the year attributable to</b>				
Non-controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	471,681	188,602	323,700	401,438
Earnings per share (DKK)	7.98	3.88	5.48	8.25
Diluted earnings per share (DKK)	7.98	3.88	5.48	8.25

\* Operational EBIT is EBIT before fair value of biomass, onerous contracts, income from associates and revenue tax.

## Consolidated Statement of Comprehensive Income

For the period ended 30 June 2020

DKK 1,000	Q2 2020	Q2 2019	H1 2020	H1 2019
<b>Profit for the period</b>	<b>471,681</b>	<b>188,602</b>	<b>323,700</b>	<b>401,438</b>
Changes on financial derivatives	749	596	752	322
Hereof income tax effect	-114	-91	-106	-58
Reserve to share-based payment	910	1,295	-650	2,134
Currency translation differences	-28,595	708	-77,379	709
Adjustment of treasury shares	6,323	633	4,713	-2,360
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>-20,727</b>	<b>3,141</b>	<b>-72,670</b>	<b>747</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>-20,727</b>	<b>3,141</b>	<b>-72,670</b>	<b>747</b>
<b>Total other comprehensive income for the period</b>	<b>450,954</b>	<b>191,743</b>	<b>251,030</b>	<b>402,185</b>
<b>Comprehensive income for the period attributable to</b>				
Non- controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	450,954	191,743	251,030	402,185



# Consolidated Statement of Financial Position

As at 30 June 2020

DKK 1,000	30 June 2020	31 Dec. 2019
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	4,377,948	4,395,687
Property, plant and equipment	3,894,070	3,780,499
Right of use assets	431,525	332,824
Financial assets	116,712	119,084
Long-term receivables	4,422	4,422
Deferred tax assets	35,718	37,593
<b>Total non-current assets</b>	<b>8,860,395</b>	<b>8,670,109</b>
<b>Current assets</b>		
Biological assets (biomass)	1,903,359	1,901,729
Inventory	720,764	548,508
<b>Total inventory</b>	<b>2,624,123</b>	<b>2,450,237</b>
Accounts receivable	563,364	625,993
Other receivables	11,236	45,520
<b>Total receivables</b>	<b>574,600</b>	<b>671,513</b>
<b>Cash and cash equivalents</b>	<b>454,389</b>	<b>1,309,546</b>
<b>Total current assets</b>	<b>3,653,112</b>	<b>4,431,296</b>
<b>TOTAL ASSETS</b>	<b>12,513,507</b>	<b>13,101,405</b>

DKK 1,000	30 June 2020	31 Dec. 2019
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	59,143	59,143
Other equity	8,522,287	8,270,112
Non-controlling interests	0	167,620
<b>Total equity</b>	<b>8,581,430</b>	<b>8,496,875</b>
<b>Non-current liabilities</b>		
Deferred taxes and other taxes	1,181,972	1,123,796
Long-term interest-bearing debt	1,570,512	2,328,231
Long-term leasing debt	249,178	225,585
Financial derivatives	1,282	1,966
<b>Total non-current liabilities</b>	<b>3,002,944</b>	<b>3,679,578</b>
<b>Current liabilities</b>		
Financial derivatives	18,042	13,493
Short-term leasing debt	195,140	107,808
Accounts payable and other debt	715,951	803,651
<b>Total current liabilities</b>	<b>929,133</b>	<b>924,952</b>
<b>Total liabilities</b>	<b>3,932,077</b>	<b>4,604,530</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>12,513,507</b>	<b>13,101,405</b>

# Consolidated Cash Flow Statement

For the period ended 30 June 2020

DKK 1,000	Q2 2020	Q2 2019	H1 2020	H1 2019
<b>Earnings before interest and taxes (EBIT)</b>	<b>585,914</b>	<b>236,789</b>	<b>404,154</b>	<b>497,317</b>
Adjustments for write-downs and depreciation	153,656	57,793	304,087	111,566
Adjustments for value adjustment of biomass	-426,650	65,536	-15,939	47,665
Adjustments for income from associates	0	4,408	0	-2,539
Adjustments for currency effects	-14,643	-4,578	-47,979	-402
Change in inventory	-181,303	-140,343	-126,404	-178,924
Change in receivables	77,552	55,449	96,664	-112,007
Change in current debts	-83,127	51,761	-137,935	40,642
<b>Cash flow from operations</b>	<b>111,399</b>	<b>326,815</b>	<b>476,648</b>	<b>403,318</b>
<b>Cash flow from investments</b>				
Payments for purchase of fixed assets	-198,536	-156,995	-299,793	-266,952
Net investment in financial assets	2,404	0	2,404	3,988
<b>Cash flow from investments</b>	<b>-196,132</b>	<b>-156,995</b>	<b>-297,389</b>	<b>-262,964</b>
<b>Cash flow from financing</b>				
Change in interest-bearing debt (short and long)	-219,025	209,931	-758,730	269,446
Acquisition of minorities	0	0	-167,620	0
Financial income	344	640	1,147	751
Financial expenses	-12,412	-3,508	-27,954	-6,237
Lease payments	-37,890	0	-69,568	0
Dividend paid	0	-401,513	0	-401,513
Net proceeds from sale of own shares	7,026	5,750	-11,691	2,999
<b>Cash flow from financing</b>	<b>-261,957</b>	<b>-188,700</b>	<b>-1,034,416</b>	<b>-134,554</b>
<b>Net change in cash and cash equivalents in period</b>	<b>-346,690</b>	<b>-18,880</b>	<b>-855,157</b>	<b>5,800</b>
Cash and cash equivalents - opening balance	801,079	341,574	1,309,546	316,894
<b>Cash and cash equivalents - closing balance total</b>	<b>454,389</b>	<b>322,694</b>	<b>454,389</b>	<b>322,694</b>

# Consolidated Statement of Changes in Equity

As at 30 June 2020

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share-based Payment	Currency translation differences	Derivatives	Proposed Dividend	Biomass Fair value adjustments	Retained Earnings	Total Equity
<b>Equity 01.01.2020</b>	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,012,041	8,329,255
<b>Consolidated profit</b>	0	0	0	0	0	0	0	15,939	308,907	324,846
<i>Other comprehensive income:</i>										
Changes in financial derivatives	0	0	0	0	0	752	0	0	0	752
Hereof income tax effect	0	0	0	0	0	-106	0	0	0	-106
Share-based payment	0	0	0	-650	0	0	0	0	0	-650
Currency translation differences	0	0	0	0	-77,379	0	0	0	0	-77,379
<b>Total other comprehensive income</b>	0	0	0	-650	-77,379	646	0	0	0	-77,383
<b>Total comprehensive income</b>	0	0	0	-650	-77,379	646	0	15,939	308,907	247,463
<i>Transaction with owners:</i>										
Treasury shares	0	0	4,713	0	0	0	0	0	0	4,713
Proposed dividend	0	0	0	0	0	0	0	0	0	0
<b>Total transaction with owners</b>	0	0	4,713	0	0	0	0	0	0	4,713
<b>Total changes in equity</b>	0	0	4,713	-650	-77,379	646	0	15,939	308,907	252,176
Non-controlling interest 01.01.20										167,620
Change in non-controlling interest										-167,620
<b>Non-controlling interest 30.06.20</b>										0
<b>Total equity 30.06.2020</b>	59,143	4,027,375	4,645	4,409	1,471	-14,702	0	178,142	4,320,948	8,581,431
<b>Equity 01.01.2019</b>	48,858	306,537	-15,525	6,153	6,176	-264	403,079	382,770	2,939,245	4,077,028
<b>Consolidated profit</b>	0	0	0	0	0	0	0	-220,567	1,071,230	850,663
<i>Other comprehensive income:</i>										
Changes in financial derivatives	0	0	0	0	0	-17,789	0	0	0	-17,789
Hereof income tax effect	0	0	0	0	0	2,705	0	0	0	2,705
Share-based payment	0	0	0	-1,094	0	0	0	0	0	-1,094
Currency translation differences	0	0	0	0	72,674	0	0	0	0	72,674
<b>Total other comprehensive income</b>	0	0	0	-1,094	72,674	-15,084	0	0	0	56,496
<b>Total comprehensive income</b>	0	0	0	-1,094	72,674	-15,084	0	-220,567	1,071,230	907,159
<i>Transaction with owners:</i>										
Share Capital increase	10,285	3,720,838	0	0	0	0	0	0	0	3,731,123
Treasury shares	0	0	15,457	0	0	0	0	0	0	15,457
Paid-out dividend	0	0	0	0	0	0	-403,079	0	1,566	-401,513
<b>Total transaction with owners</b>	10,285	3,720,838	15,457	0	0	0	-403,079	0	1,566	3,345,067
<b>Total changes in equity</b>	10,285	3,720,838	15,457	-1,094	72,674	-15,084	-403,079	-220,567	1,072,796	4,252,226
<b>Non-controlling interest</b>									167,620	167,620
<b>Total equity 31.12.2019</b>	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,179,661	8,496,875
<b>Equity 01.01.2019</b>	48,858	306,537	-15,525	6,153	6,176	-264	403,079	382,770	2,939,246	4,077,030
<b>Consolidated profit</b>	0	0	0	0	0	0	0	-47,665	455,260	407,595
<i>Other comprehensive income:</i>										
Changes in financial derivatives	0	0	0	0	0	332	0	0	0	332
Hereof income tax effect	0	0	0	0	0	-58	0	0	0	-58
Share-based payment	0	0	0	-2,360	0	0	0	0	0	-2,360
Currency translation differences	0	0	0	0	709	0	0	0	0	709
<b>Total other comprehensive income</b>	0	0	0	-2,360	709	264	0	0	0	-1,387
<b>Total comprehensive income</b>	0	0	0	-2,360	709	264	0	-47,665	455,260	406,208
<i>Transaction with owners:</i>										
Treasury shares	0	0	2,134	0	0	0	0	0	0	2,134
Paid-out dividend	0	0	0	0	0	0	-403,078	0	1,566	-401,512
<b>Total transaction with owners</b>	0	0	2,134	0	0	0	-403,079	0	1,566	-399,379
<b>Total changes in equity</b>	0	0	2,134	-2,360	709	264	-403,079	-47,665	456,826	6,829
<b>Total equity 30.06.2019</b>	48,858	306,537	-13,391	3,793	6,885	0	0	335,105	3,396,072	4,083,859

# Notes to the Account

## Accounting Policy

### General Information

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

The Group's Annual Report as at 31 December 2019 is 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 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 December 2019.

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 Report as at and for the year ended 31 December 2019.

### Note 3. Estimates and Risk Exposures

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 recognized amounts of assets, liabilities, income and expenses. The most significant estimates relate to the valuation of biological assets, which are measured at fair value. Estimates and underlying assumptions are reviewed on an ongoing 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.

As a result of the outbreak of Covid-19 during the first quarter of 2020, all significant estimates have been reviewed in the light of this situation, including estimates related to the expected credit loss on trade receivables, inventory valuation and impairment test on intangible assets. As at the date of these interim financial statements, no significant changes in estimates have been performed. Bakkafrost has not identified significant Covid-19 impact to the interim condensed consolidated financial statements as at 30 June 2020.

The accounting estimates are described in the notes to the financial statements in the Annual Report 2019.

## Note 4. Biomass

	30 June 2020	30 June 2019	31 Dec 2019
<b>DKK 1,000</b>			
Biological assets carrying amount 01.01.	1,901,730	1,358,462	1,358,462
Increase due to production or purchases	978,010	699,144	2,021,601
Increase due to acquisitions - incl. fair value	0	0	667,482
Reduction due to harvesting or sale (costs of goods sold)	-988,071	-789,061	-1,921,456
Fair value adjustment at the beginning of the period reversed	-27,695	-382,775	-244,034
Fair value adjustment at the end of the period	43,634	335,110	27,695
Reversal of elimination at the beginning of the period	59,121	53,790	53,790
Eliminations	-54,120	-43,175	-59,121
Currency translation differences	-9,250	0	-2,689
<b>Biological assets carrying amount at the end of the period</b>	<b>1,903,359</b>	<b>1,231,495</b>	<b>1,901,730</b>
Cost price biological assets	1,922,207	939,560	1,935,845
Fair value adjustment at the end of the period	43,634	335,110	27,695
Eliminations	-53,232	-43,175	-59,121
Currency translation differences	-9,250	0	-2,689
<b>Biological assets carrying amount</b>	<b>1,903,359</b>	<b>1,231,495</b>	<b>1,901,730</b>
<b>Biomass (tonnes)</b>			
< 1 kg	5,307	2,214	5,210
1 kg < 2 kg	10,687	5,103	8,649
2 kg < 3 kg	10,172	3,550	10,334
3 kg < 4 kg	12,285	4,635	14,146
4 kg <	19,390	17,756	22,980
<b>Volume of biomass at sea</b>	<b>57,841</b>	<b>33,258</b>	<b>61,319</b>

	30 June 2020	30 June 2019	31 Dec 2019
<b>Number of fish (thousand)</b>			
< 1 kg	10,499	5,170	12,801
1 kg < 2 kg	6,879	3,713	5,481
2 kg < 3 kg	4,203	1,454	4,271
3 kg < 4 kg	3,507	1,358	4,148
4 kg <	4,069	3,335	4,633
<b>Total number of fish at sea</b>	<b>29,157</b>	<b>15,030</b>	<b>31,334</b>
<b>Number of smolt released YTD (thousand)</b>			
Farming North	1,080	2,811	5,585
Farming West	2,396	1,100	5,270
Farming South	1,709	1,390	1,797
Farming Scotland	2,969	n/a	5,696
<b>Total number of smolts released YTD</b>	<b>8,154</b>	<b>5,301</b>	<b>18,348</b>
<b>Sensitivity in DKK 1,000</b>			
Change in discount rate +1%	-129,940	-111,342	-101,607
Change in discount rate -1%	147,848	98,425	115,364
Change in sales price +5 DKK	425,744	210,244	251,416
Change in sales price -5 DKK	-425,278	-210,244	-251,416
Change in biomass volume +1%	4,399	17,615	5,836
Change in biomass volume -1%	-4,399	-5,886	-5,836
<b>One-year forward prices in EUR FCA Oslo*</b>			
Period end	6.11	6.56	7.24
1 Q (forward)	4.60	6.03	6.72
2 Q (forward)	4.90	5.93	6.75
3 Q (forward)	5.82	6.51	5.51
4 Q (forward)	5.86	6.61	5.62
* Source Fish Pool			

## Note 5. Segments

Farming - FO	Q2	Q2	H1	H1
DKK 1,000	2020	2019	2020	2019
External revenue	352,986	584,527	755,396	1,143,497
Internal revenue	221,203	174,086	451,326	370,518
<b>Total revenue</b>	<b>574,189</b>	<b>758,613</b>	<b>1,206,722</b>	<b>1,514,015</b>
Operating expenses	-432,459	-409,291	-807,311	-893,055
Depreciation and amortization	-55,980	-45,883	-110,736	-87,778
<b>Operational EBIT</b>	<b>85,750</b>	<b>303,439</b>	<b>288,675</b>	<b>533,182</b>
Fair value adjustments of biological assets	137,954	-65,536	-197,753	-47,665
Income from associates	0	0	0	2,539
Revenue tax	-22,633	-32,031	-41,765	-64,025
<b>Earnings before interest and taxes (EBIT)</b>	<b>201,071</b>	<b>205,872</b>	<b>49,157</b>	<b>424,031</b>
Net financial items	-13,876	-7,043	-9,093	-9,500
<b>Earnings before taxes (EBT)</b>	<b>187,195</b>	<b>198,829</b>	<b>40,064</b>	<b>414,531</b>
Taxes	-25,651	-33,098	1,746	-79,864
<b>Profit or loss for the period</b>	<b>161,544</b>	<b>165,731</b>	<b>41,810</b>	<b>334,667</b>

<b>Farming - SCT</b>	<b>Q2</b>	<b>H1</b>
<b>DKK 1,000</b>	<b>2020</b>	<b>2020</b>
<b>External revenue</b>	<b>377,430</b>	<b>789,825</b>
Operating expenses	-301,109	-631,569
Depreciation and amortization	-47,527	-99,722
<b>Operational EBIT</b>	<b>28,794</b>	<b>58,534</b>
Fair value adjustments of biological assets	288,696	213,692
<b>Earnings before interest and taxes (EBIT)</b>	<b>317,490</b>	<b>272,226</b>
Net financial items	-5,450	8,133
<b>Earnings before taxes (EBT)</b>	<b>312,040</b>	<b>280,359</b>
Taxes	-56,943	-50,487
<b>Profit for the period</b>	<b>255,097</b>	<b>229,872</b>



Value added products DKK 1,000	Q2 2020	Q2 2019	H1 2020	H1 2019
<b>External revenue</b>	<b>307,763</b>	<b>237,552</b>	<b>582,071</b>	<b>498,126</b>
Internal purchase of raw material	-221,203	-174,086	-451,326	-370,518
Operating expenses	-33,188	-58,748	-83,309	-116,836
Depreciation and amortization	-4,750	-4,753	-9,612	-9,483
<b>Operational EBIT</b>	<b>48,622</b>	<b>-35</b>	<b>37,824</b>	<b>1,289</b>
Provision of onerous contracts	0	0	0	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>48,622</b>	<b>-35</b>	<b>37,824</b>	<b>1,289</b>
Net financial items	-174	-44	-392	-101
<b>Earnings before taxes (EBT)</b>	<b>48,448</b>	<b>-79</b>	<b>37,432</b>	<b>1,188</b>
Taxes	-8,720	14	-6,737	-214
<b>Profit or loss for the period</b>	<b>39,728</b>	<b>-65</b>	<b>30,695</b>	<b>974</b>

In H1 2020, one customer - as defined in IFRS 8.34 - represents DKK 281 million, corresponding to 48% of the revenue in the VAP segment.

<b>Fishmeal, Fish Oil and Fish Feed</b>	<b>Q2</b>	<b>Q2</b>	<b>H1</b>	<b>H1</b>
<b>DKK 1,000</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
External revenue	96,043	124,427	262,156	268,593
Internal revenue	172,568	159,020	316,425	298,265
<b>Total revenue</b>	<b>268,611</b>	<b>283,447</b>	<b>578,580</b>	<b>566,858</b>
Cost of goods sold	-165,754	-169,273	-384,978	-330,356
Operating expenses	-52,936	-55,792	-103,469	-112,868
Depreciation and amortization	-7,509	-7,157	-14,712	-14,305
<b>Operational EBIT</b>	<b>42,412</b>	<b>51,225</b>	<b>75,421</b>	<b>109,329</b>
Income from associates	0	-4,408	0	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>42,412</b>	<b>46,817</b>	<b>75,421</b>	<b>109,329</b>
Net financial items	4,878	-543	-12,561	779
<b>Earnings before taxes (EBT)</b>	<b>47,290</b>	<b>46,274</b>	<b>62,861</b>	<b>110,108</b>
Taxes	-8,512	-8,329	-11,315	-19,819
<b>Profit or loss for the period</b>	<b>38,778</b>	<b>37,945</b>	<b>51,546</b>	<b>90,288</b>

**Reconciliation of reportable segments****to Group earnings before taxes (EBT)**

<b>DKK 1,000</b>	<b>Q2</b>	<b>Q2</b>	<b>H1</b>	<b>H1</b>
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Farming Faroe Islands	187,195	198,829	40,064	414,531
Farming Scotland	312,040	0	280,359	0
VAP (Value added products)	48,448	-79	37,432	1,188
FOF (Fishmeal, Fish oil and fish Feed)	47,290	46,274	62,861	110,108
Eliminations	-23,680	-15,865	-30,473	-37,331
<b>Group earnings before taxes (EBT)</b>	<b>571,293</b>	<b>229,159</b>	<b>390,243</b>	<b>488,495</b>

### Note 6. Capital Commitments

The Group had capital expenditures committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 649 million which relate to the farming segments in both the Faroe Islands and Scotland.

### Note 7. Transactions with Related Parties

Note 5.2 in Bakkafrøst's Annual Report for 2019 provides detailed information on related parties' transactions.

Transactions between P/F Bakkafrøst 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 8. Fair Value Measurements

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

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

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

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

For biological assets, the fair value calculation is done using a valuation model (level 3 in the valuation hierarchy) where the value is estimated based on observable market prices per period end.

For more information on these calculations, please refer to Note 4.

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

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

As at 30 June 2020, the Group held the following classes of assets/liabilities measured at fair value:

<b>DKK 1,000</b>	<b>Cost</b>				
<b>Assets and liabilities measured at fair value</b>	<b>Fair value</b>	<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Biological assets (biomass)	1,903,359	1,859,725	0	0	1,903,359
<b>Assets measured at fair value 30/6-2020</b>	<b>1,903,359</b>	<b>1,859,725</b>	<b>0</b>	<b>0</b>	<b>1,903,359</b>
<b>Liabilities measured at fair value 30/6-2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Biological assets (biomass)	1,901,730	1,874,035	0	0	1,901,730
<b>Assets measured at fair value 31/12-2019</b>	<b>1,901,730</b>	<b>1,874,035</b>	<b>0</b>	<b>0</b>	<b>1,901,730</b>
<b>Liabilities measured at fair value 31/12-2019</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 9. Business Combinations

### H1 2020

There have been no new business combinations in H1 2020.

### 2019

On 25 September 2019, Bakkafrøst signed a binding Share Purchase Agreement (SPA) to acquire 68.6% of the outstanding shares in The Scottish Salmon Company Plc (SSC) from Northern Link Ltd. The closing date was 8 October 2019. Further acquisition has been made in Q4, and at 31 December 2019, Bakkafrøst held 95.6% of the shares in SSC.

SSC is an integrated salmon farming business operating exclusively in Scotland with 60 sites across the West Coast and Hebridean Islands. The company is engaged in nearly all stages of the value chain ensuring full traceability and total supply chain integrity. The current annual production capacity is 50,000 tonnes. SSC produced 33,798 tonnes gutted weight in 2019 and exported to 21 countries with a focus on North America and the Far East. SSC has developed a range of strong flagship brands, including Native Hebridean Salmon, Tartan Salmon Label Rouge and Lochlander Salmon. The company has 651 employees.

SSC's main office is in Edinburgh, Scotland.

### Strategic Rationale

The strategic rationale for the acquisition includes the following:

- Increases the scope of Bakkafrøst's operation significantly and brings new growth and development opportunities to the Group.

- Provides Bakkafrøst access to the Scottish farming region, diversifying our farming operation into a new geography, which is a niche farming region with Scottish provenance products priced at a premium to the market.
- Creates a combined differentiated global leader in premium salmon with dual exposure to both Faroe Islands and Scottish premium salmon.
- Positive diversification of Bakkafrøst's operations from a pure play Faroe Islands company to a presence in two attractive salmon farming markets, while remaining both focused on developed markets and markets for premium products.
- Potential for material improvement in The Scottish Salmon Company's profitability over a five-year horizon through realization of identified synergies, transfer of best practices and a targeted investment programme. Bakkafrøst expects to generate synergies in three key areas mainly related to Feed and Procurement, Sales Cooperation and SG&A and Overhead savings.
- Feed & Procurement: Bakkafrøst produces fish feed with a significantly higher marine index, compared to industry feed. Supplying feed to SSC would result in fixed cost efficiency at Bakkafrøst's feed facilities through intercompany sales of higher quality feed to SSC. Net synergy estimated at DKK 1.2 per kg feed, equating to annual synergies of approximately DKK 70 million from 2022 onwards (~NOK 2.6 / kg of SSC harvested salmon).

- Sales Cooperation: Both SSC and Bakkafrøst market premium salmon and brands that obtain a significantly higher price due to provenance and product differentiation. Both companies plan to drive efficiencies by coordinating sales efforts going forward, taking advantage of relative distribution strengths in global markets.
- SG&A & Overheads: Leaner head office structure in Scotland (through discontinuing the listed functions of SSC).

Bakkafrøst also believes that there is the potential for transfer of best practices including (i) secondments to stimulate identification and transfer of best practices, (ii) implementation of better farming procedures for improved cost performance, (iii) gradual consolidation of sites, (iv) mitigation of biological threats through de-lousing expertise. The overall result of these actions is expected to result in larger fish, improving price achievement and profitability.

Bakkafrøst also plans to make targeted investments to achieve the efficiencies outlined above. These include investment in a new modern recirculation plant for smolt production, replacing SSC's large number of small smolt facilities. Additionally, investments are planned to be directed towards replacing SSC's existing sea water equipment.

Bakkafrøst is committed to strong cooperation with local communities and authorities and hopes to stimulate employment through significant investment in the business. Additionally, Bakkafrøst is committed to ongoing work to strengthen the Scottish regulatory framework.

### Net assets acquired

Most of SSC's intangible assets are related to licenses. Licenses are viewed as perpetual in nature and are thus not amortized but made subject to an annual impairment review.

We have identified three significant brand names in SSC, namely Tartan Salmon, Lochlander Salmon and Native Hebridean. The remaining volumes are sold under the general Scottish Salmon Company brand, to a large extent to wholesalers and directly to customers. Brand is valued by the income approach by calculating the net present value (NPV).

We expect that most of the excess value from the transaction is related to licenses, and the question will be, where to draw the line between goodwill and licenses. In the PPA, we have allocated value to all other identified assets including brand value, and the remaining excess value is subsequently allocated to licenses. We have then assessed this value by utilizing a top-down market approach. Please refer to the present page regarding strategic rationale.

We have not seen any indicators that the respective trade names have a definite expected life.

The aggregated goodwill of DKK 550.4 million recognized, arises from the tax calculations on the fair value adjustments. The table below summarizes the consideration paid for SSC and the assessed fair value of the assets acquired and liabilities assumed, recognized at the acquisition date.

The figures provided are subject to further scrutiny and may change as Bakkafrøst becomes able to gain access to more information from SSC within the 12-month period stipulated by IFRS 3.

Acquisition-related costs were expensed to the profit or loss as incurred and included within operating cash flows in the Statement of Cash Flow. Total cost for Bakkafrøst is DKK 10.8 million, and costs held by SSC are DKK 57.0 million.

The assets and liabilities recognized are as follows:

	Book Value	Fair Value	
DKK 1,000,000	8/10/2019	adjustment	8/10/2019
Goodwill	50.9	499.6	550.4
Licenses	201.8	3,131.6	3,333.5
Brands	-	108.4	108.4
Property, plant and equipment	702.2	-	702.2
Accounts receivables	123.4	-	123.4
Inventories	31.7	-	31.7
Biological assets	660.5	-	660.5
Other current assets, excluding cash and bank	40.9	-	40.9
Cash, bank and marketable securities	32.5	-	32.5
<b>Total assets</b>	<b>1,844.0</b>	<b>3,739.6</b>	<b>5,583.6</b>
Deferred taxes	1.7	551.3	552.9
Other long-term liabilities	198.5	-	198.5
Long-term liabilities, interest-bearing	192.7	-	192.7
Current liabilities, interest-bearing	108.4	-	108.4
Accounts payable	201.8	-	201.8
Other current liabilities	239.4	-	239.4
Current taxes	8.3	-	8.3
<b>Total liabilities</b>	<b>950.7</b>	<b>551.3</b>	<b>1,502.0</b>
<b>Net assets acquired</b>			<b>4,081.5</b>
<b>Purchase price allocation:</b>			
Purchase price for shares (68.6%)			2,800.4
Purchase price for shares (100%)			4,081.5
<b>Transaction value (market value of equity)</b>			<b>4,081.5</b>

**Note 10. APM****- Alternative Performance Measures**

Bakkafrost's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, the management's intention is to provide alternative performance measures, which are regularly reviewed by the management to enhance the understanding of the company's performance, but not replacing the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. Bakkafrost's experience is that these APM's are frequently used by analysts, investors and other parties.

These APM's are adjusted IFRS measures, defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant.

**NIBD**

Net interest-bearing debt consists of both current and non-current interest-bearing liabilities, less related current and non-current hedging instruments, lease liabilities, financial instruments, such as debt instruments and derivatives and cash and cash equivalents. The net interest-bearing debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current), derivatives and cash and cash equivalents. A reconciliation is provided below.

	30 June	31 Dec.
DKK 1,000	2020	2019
Cash and cash equivalents	454,389	1,309,546
Long- and short-term interest-bearing debt	-1,570,512	-2,328,231
<b>Net interest-bearing debt</b>	<b>-1,116.123</b>	<b>-1,018,685</b>

**Operational EBIT**

Operational EBIT is EBIT aligned for fair value adjustments, onerous contracts provisions, income from associates and revenue tax.

Operational EBIT is a major alternative performance measure in the salmon farming industry. A reconciliation from EBIT to Operational EBIT is provided below.

	Q2	Q2	H1	H1
DKK 1,000	2020	2019	2020	2019
<b>EBIT</b>	<b>585,914</b>	<b>236,789</b>	<b>404,154</b>	<b>497,317</b>
Fair value adjustments of biological assets	-426,650	65,536	-15,939	47,665
Income from associates	0	4,408	0	-2,539
Revenue tax	22,633	32,031	41,765	64,025
<b>Operational EBIT</b>	<b>181,897</b>	<b>338,764</b>	<b>429,980</b>	<b>606,468</b>

**Operational EBIT per kg**

Farming segment:	<u>Operational EBIT Farming segment</u>
	Total harvested volumes (gw)
VAP segment:	<u>Operational EBIT VAP segment</u>
	Total volumes produced (raw material gw)
Farming and VAP:	<u>Operational EBIT Farming and VAP segment</u>
	Total harvested volumes (gw)

**EBITDA**

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Bakkafrøst's FOF segment. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations and is reconciled in the section Group overview. This measure is useful to users of Bakkafrøst's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciations and amortization expenses related primarily to capital expenditures and acquisitions, which occurred in the past, nonrecurring items, as well as evaluating operating performance in relation to Bakkafrøst's FOF segment's competitors. The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

**Adjusted EPS**

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

	Q2	Q2	H1	H1
DKK 1,000	2020	2019	2020	2019
Profit for the period to the shareholders of P/F Bakkafrøst	471,681	188,602	323,700	401,438
Fair value adjustment of biomass	-426,650	65,536	-15,939	47,665
Tax on fair value adjustment and onerous contracts provisions	76,797	-11,796	2,869	-8,580
<b>Adjusted profit for the period to shareholders of P/F Bakkafrøst</b>	<b>121,828</b>	<b>242,342</b>	<b>310,630</b>	<b>440,523</b>
<b>Time-weighted average number of shares outstanding through the period</b>	<b>59,115,066</b>	<b>48,669,668</b>	<b>59,115,066</b>	<b>48,669,668</b>
<b>Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)</b>	<b>2.06</b>	<b>4.98</b>	<b>5.25</b>	<b>9.05</b>

**ROCE**

Return on average capital employed (ROCE) is defined as the period's operational EBIT divided by the average capital employed, which is total assets adjusted for total current liabilities. The performance measure is expressed as a percentage and is useful for evaluating Bakkafrøst's profitability.

	Q2	Q2	H1	H1
DKK 1,000	2020	2019	2020	2019
Group -Operational EBIT	181,897	338,764	429,980	606,468
Average Capital Employed	11,431,799	5,819,464	11,727,839	5,633,791
<b>ROCE</b>	<b>1.6%</b>	<b>5.8%</b>	<b>3.7%</b>	<b>10.8%</b>



## Contacts

P/F **BAKKAFROST**

Bakkavegur 9

FO-625 Glyvvar

Faroe Islands

Telephone: +298 40 50 00

Fax: +298 40 50 09

Email: [bakkafrost@bakkafrost.com](mailto:bakkafrost@bakkafrost.com)

Website: [www.bakkafrost.com](http://www.bakkafrost.com)