

P/F Bakkafrost

Condensed Consolidated Interim Report for Q2 2014 and H1 2014

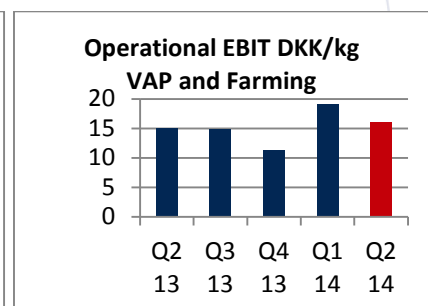
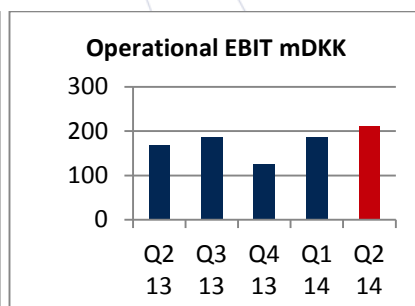
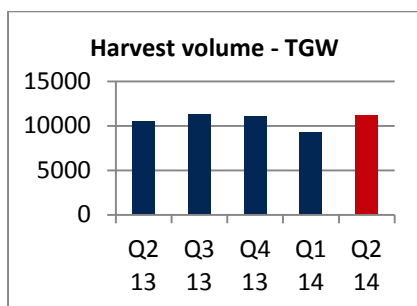


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Highlights

	Q2	Q2	YTD	YTD
DKK 1,000	2014	2013	2014	2013

INCOME STATEMENT, SEGMENTS AND CASH FLOW

Group - Operating revenue	710,602	610,002	1,341,913	1,083,303
Group - Operational EBIT*	212,114	169,346	397,617	274,377
Group - Profit for the period (continuing and discontinuing operations)	126,210	184,248	213,390	251,722
Operational EBIT (Farming and VAP)(DKK)	179,985	157,754	356,706	259,037
Operational EBIT*/kg (Farming and VAP)(DKK)	16.05	14.97	17.42	13.75
Operational EBIT*/kg (Farming and VAP) (NOK)	17.66	15.29	19.35	13.81
Farming - Operating revenue	515,578	520,387	1,033,690	945,361
Farming - Operational EBIT*	159,524	199,543	345,708	324,054
Farming - Operational EBIT margin	31%	38%	33%	34%
Farming - Operational EBIT/kg (DKK)	14.23	18.93	16.88	17.20
Farming - Operational EBIT/kg (NOK)	15.65	19.34	18.75	17.27
VAP - Operating revenue	266,951	168,138	499,203	315,873
VAP - Operational EBIT*	20,461	-41,789	10,998	-65,017
VAP - Operational EBIT margin	8%	-25%	2%	-21%
VAP - Operational EBIT/kg (DKK)	3.44	-8.61	0.93	-7.14
VAP - Operational EBIT/kg (NOK)	3.79	-8.80	1.04	-7.17
FOF - Operating revenue	280,117	250,763	458,169	408,233
FOF - EBITDA	56,951	30,855	79,115	55,658
FOF - EBITDA margin	20.33%	12.30%	17.27%	13.63%
Cash flow from operations	307,794	173,111	416,133	199,804
DKK/NOK (average)	90.89	97.91	90.02	99.61

FINANCIAL POSITION

Total Assets**	3,140,279	3,112,226	3,140,279	3,112,226
Equity**	1,662,737	1,665,277	1,662,737	1,665,277
Equity ratio**	53%	54%	53%	54%
Net interest bearing debt (incl. fin. derivatives)**	554,958	638,563	554,958	638,563

PROFITABILITY

Basic earnings per share (DKK)	2.60	3.77	4.40	5.15
Diluted earnings per share (DKK)	2.60	3.77	4.40	5.15
ROE***	7.4%	13.7%	12.8%	19.0%
ROCE (for the last quarter)****	9.0%	7.9%	17.0%	13.2%
ROCE (for the last 4 quarters)	37.9%	23.9%	32.8%	23.3%
ROIC (for the last quarter)*****	10.5%	11.0%	17.3%	15.8%
ROIC (for the last 4 quarters)	37.1%	28.9%	36.6%	28.3%

VOLUMES

Harvested volume (tonnes gutted weight)	11,212	10,540	20,481	18,836
VAP produced volume (tonnes gutted weight)	5,941	4,852	11,772	9,104
Sold feed tonnes	18,827	18,196	32,783	33,102

* 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 of average invested capital based on operational EBIT

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

Summary of the 2nd Quarter 2014 and H1 2014

(Figures in parenthesis refer to the same period in 2013)

The Bakkafrost Group delivered a total operating EBIT of DKK 212.1 million in Q2 2014. The combined farming and VAP segment made an operational EBIT of DKK 180.0 million in Q2 2014. The Farming segment made an operational EBIT of DKK 159.5 million. The salmon spot prices decreased during the quarter, while the VAP contract prices stayed on a record high level. Because of the decreasing spot prices, the performance in the VAP segment improved during the quarter, and the operational EBIT came to DKK 20.5 million in Q2 2014. The EBITDA for the FOF segment was DKK 57.0 million in Q2 2014.

The Group made a profit for the quarter of DKK 126.2 million (DKK 184.2 million). For H1 2014, the profit was DKK 213.4 million (DKK 251.7 million).

The total volumes harvested in Q2 2014 were 11,212 tonnes gutted weight (10,540 t_{gw}). The total harvested volumes in H1 2014 were 20,481 tonnes gutted weight (18,836 t_{gw}). The reason for the increase in the harvested volumes year on year is that Bakkafrost will harvest higher volumes this year compared to the year before.

Bakkafrost transferred 1.9 million smolts in Q2 2014 (1.8 million), which is in line with the company's plans. Year to date 4.9 million have been transferred (3.9 million). The smolt release is higher in 2014 compared to 2013, due to available sites for smolt release.

In Q2 2014, the associated company P/F Faroe Farming harvested 47 tonnes gutted weight (943 t_{gw}). In H1 2014, Faroe Farming harvested 2,212 tonnes gutted weight (3,298 t_{gw}).

On the 24th of April 2014, Bakkafrost – via its 100% owned subsidiary Havsbrún – acquired an additional 41.15% in Hanstholm Fiskemelsfabrik. After the acquisition, Bakkafrost owned 81.01% of the company. The 9th May 2014, Bakkafrost divested all its shares in Hanstholm Fiskemelsfabrik to FF Skagen A/S. In return, Bakkafrost, via its subsidiary P/F Havsbrún, received a 17% share interest in FF Skagen A/S. The investment is a strategic investment and part of the consolidation of the fishmeal and fish oil industry.

In accordance with the Group's dividend policy, Bakkafrost paid out DKK 4.50 (NOK 4.98) per share in April 2014. The amount corresponds to approximately DKK 219.9 million (NOK 243.3 million).

In February 2014, a routine surveillance test detected a possible pathogenic ISA-virus at Bakkafrost's farming site A-80. There was no increase in mortality, and no impact on fish health or fish welfare, however. Bakkafrost decided to activate the ISA-contingency plan immediately and hence enforced slaughtering of the last cage at the

farming site A-80 Selatrað. The detected site, together with all the neighbouring sites are now empty. No signs of ISA have been observed since, and no cost increase was related to the detection.

The farming companies and the authorities have put a lot of work into maintaining the good biological status in the Faroe Islands. Regular surveillance tests for ISA-viruses have been performed at all farms during the last approx. 10 years at sea sites in the Faroes. Bakkafrost and the other farmers in the Faroe Islands will work with the Faroese Food and Veterinary authority to avoid the introduction of AGD and ISA.

The combined farming and VAP segment made an operational EBIT of DKK 180.0 million (DKK 157.8 million) in Q2 2014. For H1 2014, the combined farming and VAP segment made an operational EBIT of DKK 356.7 million (DKK 259.0 million).

The farming segment made an operational EBIT of DKK 159.5 million (DKK 199.5 million) in Q2 2014. The reason for the decrease is lower spot prices in Q2 2014, as the harvested volumes are higher. For H1 2014, the operational EBIT was DKK 345.7 million (DKK 324.1 million).

The VAP segment made an operational EBIT of DKK 20.5 million (DKK -41.8 million) for Q2 2014. The improved result is primarily due to a combination of improved contract prices and lower raw material prices. There is normally a time lag between the changes in the spot prices and the changes in the contract prices. The contract prices have increased significantly from the level in 2013, due to the high salmon spot prices. When the spot prices decreased during the quarter, the contracts became profitable, compared to selling the salmon on the spot market. For H1 2014, the operational EBIT was DKK 11.0 million (DKK -65.0 million).

The third segment – FOF (fishmeal, oil and feed), made an operational EBITDA of DKK 57.0 million (DKK 30.9 million) in Q2 2014, and for H1 2014, the operational EBITDA amounted to DKK 79.1 million (DKK 55.7 million). The increase in the EBITDA is primarily due to higher production of fishmeal and

fish oil, as the raw material intake has increased significantly.

In Q2 2014, Havsbrún sourced 107,372 tonnes of raw material (42,782 tonnes) and in H1, Havsbrún sourced 151,531 tonnes of raw material (73,519 tonnes).

The Bakkafrost Group had a net interest bearing debt at the end of Q2 2014 amounting to DKK 555.0 million (DKK 638.6 million at year-end 2013)

including deposits and losses on financial derivatives relating to the interest bearing debt. Bakkafrost had undrawn credit facilities of approximately DKK 738.0 million, of which DKK 16.0 million were restricted at the end of Q2 2014.

Bakkafrost's equity ratio is 53%, compared to 54% at the end of 2013.

Segment performance per kg

	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Operational EBIT/kg				
Farming EBIT/kg (DKK)	14.23	18.93	16.88	17.20
Farming EBIT/kg (NOK)	15.65	19.34	18.75	17.27
VAP EBIT/kg (DKK)	3.44	-8.61	0.93	-7.14
VAP EBIT/kg (NOK)	3.79	-8.80	1.04	-7.17

Smolt transfer

Bakkafrost Group						
1,000 pieces	2009	2010	2011	2012	2013	2014E
Farming North, <i>salmon</i>	4,000	4,100	5,000	6,500	7,200	4,900
Farming West, <i>trout</i>	300	0	0	0	0	0
Farming West, <i>salmon</i>	2,100	4,100	2,600	4,200	2,300	6,700
Viking	1,700	1,800	1,000	0	0	0
Total	8,100	10,000	8,600	10,700	9,500	11,600

Financial Review

(Figures in parenthesis refer to the same period in 2013)

Income Statement

The operating revenues amounted to DKK 710.6 million in Q2 2014 (DKK 610.0 million). The increase in the revenue is mainly due to improved contract prices for VAP products, but the FOF segment also contributed to the increase in the revenue, due to higher sale of fishmeal and oil. For H1 2014, the operating revenues amounted to DKK 1,341.9 million (DKK 1,083.3 million).

Operational EBIT was DKK 212.1 million in Q2 2014 (DKK 169.3 million). The improved operational EBIT margin is due to higher margins in the VAP and FOF segments. The Farming segment had lower margins this quarter compared to same quarter last year. For H1 2014, the operational EBIT was DKK 397.6 million (DKK 274.4 million).

A reversal of a fair value adjustment of the Group's biological assets has been recognized in Q2 2014, amounting to DKK -9.8 million (DKK 38.6 million). The negative adjustment is mainly due to lower salmon prices at the end of Q2 2014 compared to the beginning of the year. For H1 2014 the fair value adjustment is DKK -123.6 million (DKK 33.9 million).

In Q2 2014, only minor changes were made to the provisions of onerous contracts, as almost no contracts were onerous at the beginning and at the end of the quarter.

In H1 2014, Bakkafrost has made reversion of previous made provisions for onerous contracts of DKK 70.9 million (DKK -27.2 million). The reversion is mainly due to lower salmon spot prices. At the end of 2013, the salmon price was NOK 53.08, compared to NOK 32.30 at the end of Q2 2014.

In Q2 2014, there was a profit from associated companies amounting to DKK 10.1 million (DKK 7.0 million). This result is mainly from Faroe Farming, a salmon farming company in the Faroes Islands, in which Bakkafrost holds 49%.

Net interests in Q2 2014 were DKK -0.5 million (DKK 14.7 million). In Q2 there is a positive unrealised exchange rate adjustment of DKK 8.4 million mainly related to the bond loan of NOK 500 million, interest costs of DKK -8.0 million. For H1 2014, net interests were DKK -18.0 million (DKK 16.0 million).

Net taxes in Q2 2014 amounted to DKK -85.7 million (DKK -42.3 million). For H1 2014, net taxes amounted to DKK -116.5 million (DKK -57.6 million).

For Q2 2014, the result was DKK 126.2 million (DKK 184.2 million) and for H1 2014 the result was DKK 213.4 million (DKK 251.7 million).

Harvested volumes

	Q2	Q2	YTD	YTD
Harvested volumes (tgv)	2014	2013	2014	2013
Farming North	7,874	9,746	8,195	14,103
Farming West	3,338	794	12,286	4,733
Total harvested volumes (tgv)	11,212	10,540	20,481	18,836

Segments

Bakkafrost has three operating segments: a farming segment, a segment for value added products (VAP) and a segment for FOF (fishmeal, fish oil, and

fish feed production). The fresh/frozen salmon is sold in the spot market, while VAP products are sold on long-term contracts.

Distribution of harvested volumes (tgv)	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Harvested volume used in VAP production	53%	46%	53%	48%
Harvested volume sold fresh/frozen	47%	54%	47%	52%
Harvested and purchased volumes (tgv)	100%	100%	100%	100%

Of the total harvested volumes in Q2 2014, 53% (46%) went for the production of VAP products and 47% (54%) were sold as whole gutted salmon in Q2 2014. In addition to the harvested volumes that went for the VAP production, Bakkafrost also sourced some salmon for the operation from a third party. For H1 2014, the allocation was the same.

Farming:

The operating revenue for Bakkafrost's farming segment was DKK 515.6 million in Q2 2014 (DKK 520.4 million) and DKK 1,033.7 million for H1 2014 (DKK 945.4 million).

Operational EBIT, which is EBIT before fair value adjustments on biological assets, amounted to DKK 159.5 million in Q2 2014 (DKK 199.5 million), and for H1 2014, it was DKK 345.7 million (DKK 324.1 million).

Operational EBIT/kg for the farming segment was DKK 14.23 (NOK 15.65) in Q2 2014, compared to DKK 18.93 (NOK 19.34) in Q2 2013. The salmon prices in Q2 2014 have been weaker in average, compared to Q2 2013 and thus lower margins. Operational EBIT/kg for H1 2014 was DKK 16.88 (NOK 18.75), compared to DKK 17.20 (NOK 17.27 for H1 2013).

Value Added Products (VAP):

The operating revenue for the value added segment amounted to DKK 267.0 million in Q2 2014 (DKK 168.1 million). For H1 2014, the revenue was DKK 499.2 million (DKK 315.9 million). The increase in the revenue from Q2 2013 to Q2 2014 is 59%, while the volumes that went for VAP products only increased by 21%.

Operational EBIT amounted to DKK 20.5 million in Q2 2014 (DKK -41.8 million), corresponding to an operational EBIT of DKK 3.44 (NOK 3.79) per kg gutted weight in Q2 2014 (DKK -8.61 (NOK -8.80) per kg gutted weight). The increase in the operational EBIT margins is due to higher contract prices and a decrease in the raw material prices. The VAP segment acquires its raw material (fresh salmon) at spot prices each week. For H1 2014, operational EBIT amounted to DKK 11.0 million (DKK -65.0 million), corresponding to an operational EBIT of DKK 0.93 (NOK 1.04) per kg gutted weight in H1 2014 (DKK -7.14 (NOK -7.17) per kg gutted weight).

FOF (Fishmeal, Fish Oil and Fish Feed):

The operating revenue for the FOF segment amounted to DKK 280.1 million (DKK 250.8 million) in Q2 2014, of which DKK 146.7 million (DKK 152.8 million) represents sales to Bakkafrost's farming segment corresponding to 52.4% (60.9%). For H1 2014, the revenue was DKK 458.2 million (DKK 408.2 million), of which DKK 239.7 million (DKK 269.2 million) represents sales to Bakkafrost's farming segment corresponding to 52.4% (65.9%).

Operational EBITDA was DKK 57.0 million (DKK 30.9 million) in Q2 2014, and the operational EBITDA margin was 20.3% (12.3%). For H1 2014, the EBITDA was DKK 79.1 million (DKK 55.7 million), and the margin was 17.3% (13.6%).

Sales of feed amounted to 18,827 tonnes (18,196 tonnes) in Q2 2014, of which the farming segment internally used 14,784 tonnes (14,412 tonnes). In H1 2014, the feed sale was 32,783 tonnes (33,102 tonnes). The internal sale was 25,382 tonnes (25,403 tonnes).

In the quarter, Havsbrún received 107,372 tonnes (42,783 tonnes) of raw material for the production of fishmeal and fish oil. The raw material intake depends on the fishery in the North Atlantic and available species of fish. In H1 2014, Havsbrún received 151,531 tonnes (73,720 tonnes) of raw material.

The production of fishmeal in Q2 2014 was 21,925 tonnes (8,929 tonnes). In H1 2014, Havsbrún produced 31,939 tonnes (15,767 tonnes) of fishmeal.

Statement of Financial Position

(Figures in parenthesis refer to end 2013)

The Group's total assets as of end Q2 2014 amounted to DKK 3,140.3 million, compared to DKK 3,112.2 million at the end of 2013.

The Group's intangible assets are unchanged, compared to the beginning of the year and amounted to DKK 294.7 million. Intangible assets comprise primarily the fair value of acquired farming licences. For the licences in the North region, there is not recorded a value in the Bakkafrost accounts.

Property, plant and equipment amounted to DKK 949.5 million at the end of Q2 2014, compared to DKK 916.7 million at the end of 2013. In Q2 2014 Bakkafrost made investments in PP&E amounting to DKK 61.0 million and in H1 2014, investments were made for DKK 78.7 million.

Financial assets amounted to DKK 131.7 million at the end of Q2 2014, compared to DKK 115.3 million at the end of 2013. The increase in the financial assets relates mainly to the investment in the new pelagic processing company Pelagos next to Havsbrún in Fuglafjörður, but also to the ownership in Hanstholm Fiskemelshöfðuneyti, that was sold to FF Skagen.

Long-term receivables have increased from DKK 1.5 million to DKK 15.0 million due to a feed financing agreement.

The Group's carrying amount (fair value) of biological assets amounted to DKK 812.8 million at the end of Q2 2014, compared to DKK 965.9 million at the end of 2013. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 172.8 million, compared to DKK 296.4 million at the end of 2013. The decrease is primarily due to lower salmon prices at the end of Q2 2014 compared to end 2013, but also due to seasonal lower biomass at sea.

The production of fish oil in Q2 2014 was 391 tonnes (1,936 tonnes). In H1 2014, Havsbrún produced 1,659 tonnes (3,541 tonnes) of fish oil. The production of fish oil varies, depending on the species of fish sourced for production. In both Q2 and H1 2014, the raw material intake of blue whitening was high, but the blue whitening has a low content of fish oil.

The Group's total inventories amounted to DKK 284.1 million as of end Q2 2014, compared to DKK

235.5 million at year-end 2013. 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.

The Group's total receivables amounted to DKK 389.8 million as of end Q2 2014, compared to DKK 400.6 million at the end of 2013.

The Group's equity at the end of Q2 2014 is DKK 1,662.7 million, compared to DKK 1,665.3 million at the end of 2013. The change in equity consists primarily of the positive result for H1 and the gross dividend of DKK 219.9 million paid out in April.

The Group's total non-current liabilities amounted to DKK 1,161.6 million at the end of Q2 2014, compared to DKK 1,071.0 million at the end of 2013.

Deferred and other taxes payable in 2015 amounted to DKK 417.3 million, compared to DKK 310.9 million at the end of 2013. Because of the increase in the special tax on farming companies and the change from a provisional tax to a permanent tax, the deferred tax has increased by DKK 42.6 million from end 2013 to end Q2 2014.

Long-term debt was DKK 671.4 million at the end of Q2 2014, compared to DKK 685.2 million at the end of 2013. Derivatives amounted to DKK 73.0 million at the end of Q2 2014, compared to DKK 74.9 million at the end of 2013.

Bakkafrost's interests bearing debt consists of two bank loans and a bond loan. The bank loans are an instalment loan of DKK 250 million, payable with DKK 25 million each quarter, and an overdraft facility payable in 2016 with the full amount of DKK

553 million. The bond loan of NOK 500 million has a five-year maturity and is payable 14 February 2018. The interest rate of the bonds is NIBOR 3m + 4.15%. Following the issuance of the bonds, Bakkafrost has entered into a currency/interest rate swap, hedging the exchange rate and has 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 2014, the Group's total current liabilities are DKK 315.9 million, compared to DKK

Cash Flow

The cash flow from operations improved significantly in Q2 2014 compared to Q2 2013. The cash flow from operations in Q2 2014 was DKK 307.8 million (DKK 173.1 million). The Cash flow from operations has been positively affected from reduction in working capital. For H1 2014, the cash flow from operations was DKK 416.1 million (DKK 199.8 million).

The cash flow from investment activities in Q2 2014 amounted to DKK -71.5 million (DKK -40.7 million). The amount relates mainly to investments in fixed assets. For H1 2014, the cash flow from investments amounted to DKK -105.7 million (DKK -69.3 million).

376.0 million at the end of 2013. 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 215.9 million, compared to DKK 276.0 million at the beginning of the year. The decrease is primarily due to lower provisions for onerous contracts.

Bakkafrost's equity ratio is 53%, compared to 54% at the end of 2013.

Cash flow from financing activities totalled DKK -217.0 million in Q2 2014 (DKK -169.3 million). The interest bearing debt decreased by DKK 51.9 million, and financing of an associated company contributed positively with DKK 45.4 million, and net payment of dividends amounted to DKK 218.2 million. For H1 2014, cash flow from financing amounted to DKK -229.7 million (DKK -68.5 million).

Net change in cash flow in Q2 2014 amounted to DKK 19.3 million (DKK -36.9 million) and for H1 2014 DKK 80.7 million (DKK 62.0 million).

At the end of Q2 2014, Bakkafrost had unused credit facilities of approximately DKK 738.0 million of which DKK 16.0 million are restricted.

Outlook

MARKET

The supply of farmed salmon is expected to increase by around 8% in 2014, compared with 2013. The reason for the increase is due to high seawater temperatures in Norway and higher production in Chile. The supply increase that commenced in Q2 is expected to continue during Q3. In Q4, there is no significant expected increase in the supply compared to the year before, and therefore higher prices are expected, but the conflict with Russia may impact the salmon prices negatively – especially short term. The outlook for 2015 is favourable for the salmon farming industry, as only a limited growth of 1% is expected.

Due to the changes in the MAB system in Norway, it is likely that some harvest of salmon will be postponed from 2014 to 2015. This will reduce the supply in H2 2014 and increase the supply in H1 2015.

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, US, the Far East, Europe and Russia. The sale to Russia has been low the last quarters, but may increase the coming quarters, as salmon from the Faroes Islands is not covered by the import ban put into effect by the Russian authorities.

FARMING

The outlook for the farming segment is good. The biological situation is good, and the price outlook in the spot market is good.

Bakkafrost's expected harvest is unchanged at 45,000-48,000 tonnes gutted weight in 2014 of which 55% will be sold on the spot market, while 45% is planned to be sold as value added products (VAP).

Faroe Farming, a company in which Bakkafrost holds 49%, expects to harvest around 5,000 tonnes in 2014.

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 2014 is 11.6 million smolts. The smolt release for 2014 shall be compared to the smolts released in 2012, when the smolt release was 10.7 million. The same

sites are available for smolt release in 2014 as in 2012.

The estimates for harvesting volumes and smolt releases is as always dependent on the biological situation. The biological situation in the Faroe Islands is good, and Bakkafrost will continue to focus on a good biological situation and improve procedures where possible.

Value added products (VAP)

The outlook for the sale of value added products is good. Bakkafrost has signed contracts covering 85% of the VAP capacity for the rest of 2014, corresponding to more than 30% of the expected harvested volumes for the rest of 2014. The last 15 % of the VAP capacity will be committed during the rest of the year. The contracts are at fixed prices based on the salmon 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. The long-term strategy is to sell around 40-50% of the harvested volumes of salmon as VAP products on fixed price contracts. Selling the products at fixed prices reduces the financial risk with fluctuating salmon prices. The market price for contracted VAP products follows a more stable pattern with trends instead of short-term fluctuations as in the spot market.

FOF (Fish oil, -meal and feed)

The outlook for the production of fish oil and fishmeal has improved, as the available raw material for the production of fish oil and -meal has increased.

The quotas for catching blue whiting in the North Atlantic has increased, and the opening of a new pelagic processing plant next to Havsbrún's production facilities improved the possibilities for getting access to offcuts and raw material that cannot be used for human consumption, but for the production of fishmeal and oil.

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 these raw materials from other producers, which has been common in recent years. Fish oil and -meal is the most important raw

material in the production of a high quality fish feed for the Bakkafrost salmon.

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

It is expected that the total consumption of fish feed in the Faroe Islands will be approximately 90,000-95,000 tons in 2014. Depending on the purchase from external customers in the Faroe Islands and abroad, the sale of fish feed will be approximately 83,000-87,000 tonnes.

Investments

In July 2013, Bakkafrost announced a five-year investment plan for optimising its value chain, resulting in savings, increased production and reduced biological risk. The yearly investments were planned to amount to DKK 170 million per year in addition to a new wellboat, estimated to DKK 230 million. For the period 2014-2017, the investments were forecasted to DKK 900 million. Bakkafrost has now decided to increase the level of ambition with two main changes.

1. Part of the plan was a new Harvest/VAP factory estimated to DKK 300-350 million, resulting in operational savings of DKK 50-70 million per year from 2017. The company has decided to advance the investment, so the plant will be up running in 2016. Further, the plant will be made more efficient, so that the yearly operational savings will increase from DKK 50-70 million per year to DKK 70-90 million per year. By doing this, the investment will increase from DKK 300-350 million to DKK 450 million.

2. Part of the investment plan was also to increase the smolt capacity, making Bakkafrost self-supplied and increasing the smolt size from ~100g to ~150g. Bakkafrost has now decided to speed up this plan to increase the size to 200-300g before end 2017. This will result in increased investments in smolt capacity from DKK 50 million to DKK 420 million. The benefits are shorter production time at sea and reduced biological risk. Due to the shorter time at sea, Bakkafrost can gradually increase the farming production by 10-15%.

The total investments for the period 2014-2017 will thus be DKK 1.370 million. The investments will be financed by free cash flow from operation, existing financing facilities and partly new financing if advantageous. In addition, Bakkafrost has the possibility to postpone investments in case of adverse events. The dividend policy will be unchanged.

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 2013 Annual and Consolidated Report and Accounts.

The 2013 Annual and Consolidated Report and Accounts are available on request from Bakkafrost and on Bakkafrost's website, www.bakkafrost.com.

Bakkafrost is, as explained in the 2013 Annual and Consolidated Report and Accounts, exposed to the salmon price. We expect an increase in the supply during the summer and autumn period, but a more tight salmon market towards the end of 2014.

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

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 affect 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 2014 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 26th 2014

The Board of Directors of P/F Bakkafrost

Rúni M. Hansen
Chairman of the Board

Johannes Jensen
Vice-Chairman of the Board

Øystein Sandvik

Virgar Dahl

Annika Frederiksberg

Thor Magne Lønnum

Regin Jacobsen
CEO

Consolidated Income Statement

For the period ended 30th June 2014

DKK 1,000	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Operating revenue	710,602	610,002	1,341,913	1,083,303
Purchase of goods	-252,610	-284,976	-483,503	-569,508
Change in inventory and biological assets (at cost)	13,128	78,537	28,351	192,015
Salary and personnel expenses	-71,970	-61,000	-133,648	-115,390
Other operating expenses	-163,685	-151,859	-309,571	-273,811
Depreciation	-23,351	-21,358	-45,925	-42,232
Operational EBIT	212,114	169,346	397,617	274,377
Fair value adjustments on biological assets	-9,838	38,572	-123,618	33,917
Onerous contracts	22	-3,041	70,908	-27,158
Income from associates	10,075	7,048	2,978	12,134
Earnings before interest and taxes (EBIT)	212,373	211,925	347,885	293,270
Net interest revenue	690	954	1,289	1,998
Net interest expenses	-7,971	-8,011	-16,508	-14,022
Net currency effects	8,425	23,072	-26	30,441
Other financial expenses	-1,597	-1,358	-2,720	-2,386
Earnings before taxes (EBT)	211,920	226,582	329,920	309,301
Taxes	-85,710	-42,334	-116,530	-57,579
Profit or loss for the period	126,210	184,248	213,390	251,722
Profit or loss for the year attributable to				
Non-controlling interests	0	0	0	0
Owners of P/F Bakkafrost	126,210	184,248	213,390	251,722
Earnings per share (DKK)	2.60	3.77	4.40	5.15
Diluted earnings per share (DKK)	2.60	3.77	4.40	5.15

Consolidated Statement of Comprehensive Income

For the period ended 30th June 2014

DKK 1,000	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Profit for the period	126,210	184,248	213,390	251,722
Fair value adjustment on financial derivatives	-11,247	-24,081	-893	-40,886
Income tax effect	1,715	7,359	136	7,359
Currency translation differences	312	0	-81	0
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-9,220	-16,722	-838	-33,527
Acquisition of treasury shares	2,693	-817	2,693	-817
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	2,693	-817	2,693	-817
Other comprehensive income	-6,527	-17,539	1,855	-34,344
Total other comprehensive income for the period	119,683	166,709	215,245	217,378
Comprehensive income for the period attributable to				
Non- controlling interests	0	0	0	0
Owner of P/F Bakkafrost	119,683	166,709	215,245	217,378

Consolidated Statement of Financial Position

As at 30 June 2014

DKK 1,000	30 June 2014	End 2013
ASSETS		
Non-current assets		
Intangible assets	294,675	294,675
Property, plant and equipment	949,481	916,696
Financial assets	131,693	115,304
Long term receivables	15,035	1,504
Total non-current assets	1,390,884	1,328,179
Current assets		
Biological assets (biomass)	812,782	965,896
Inventory	284,056	235,489
Total inventory	1,096,838	1,201,385
Accounts receivable	311,474	278,432
Other receivables	78,276	122,153
Total receivables	389,750	400,585
Cash and cash equivalents	262,807	182,077
Total current assets	1,749,395	1,784,047
TOTAL ASSETS	3,140,279	3,112,226

Consolidated Statement of Financial Position

As at 30 June 2014

DKK 1,000	30 June 2014	End 2013
EQUITY AND LIABILITIES		
Equity		
Share capital	48,858	48,858
Other equity	1,613,879	1,616,419
Total equity	1,662,737	1,665,277
Non-current liabilities		
Deferred taxes and other taxes	417,277	310,925
Long-term interest bearing debts	671,376	685,151
Financial derivatives	72,969	74,889
Total non-current liabilities	1,161,622	1,070,965
Current liabilities		
Short-term interest bearing debt	100,000	100,000
Accounts payable and other debt	215,920	275,984
Total current liabilities	315,920	375,984
Total liabilities	1,477,542	1,446,949
TOTAL EQUITY AND LIABILITIES	3,140,279	3,112,226

Consolidated Cash Flow Statement

For the period ended 30th June 2014

DKK 1,000	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Earnings before interest and taxes (EBIT)	212,373	211,925	347,885	293,270
Adjustments for write-downs and depreciation	23,351	21,358	45,925	42,232
Adjustments for value adjustments on biomass	9,838	-38,572	123,618	-33,917
Adjustments for income from associates	-10,075	-7,048	-2,978	-12,134
Adjustments for currency effects*	8,425	30,441	-26	30,445
Provision for onerous contracts	-22	3,041	-70,908	27,158
Change in inventory	-13,128	-39,965	-19,071	-140,257
Change in receivables	50,422	-9,278	64,736	-21,585
Change in current debts	26,610	1,209	-73,048	14,592
Cash flow from operations	307,794	173,111	416,133	199,804
Cash flow from investments				
Payments made for purchase of fixed assets	-61,030	-40,020	-78,710	-62,281
Sale/Purchase of shares	3,140	-906	-13,409	-7,253
Change in long-term receivables	-13,563	222	-13,563	222
Cash flow from investments	-71,453	-40,704	-105,682	-69,312
Cash flow from financing				
Change of interest bearing debt (short and long)	51,943	-50,342	-14,139	13
Financial income*	690	-6,415	1,289	1,998
Financial expenses	-9,568	-9,369	-19,228	-16,408
Acquisition of treasury shares	3,437	0	3,437	0
Financing of associate	-45,378	-5,599	17,080	43,497
Dividend paid	-218,160	-97,602	-218,160	-97,602
Cash flow from financing	-217,036	-169,327	-229,721	-68,502
Net change in cash and cash equivalents in period	19,305	-36,920	80,730	61,990
Cash and cash equivalents – opening balance	243,502	123,955	182,077	25,045
Cash and cash equivalents – closing balance total	262,807	87,035	262,807	87,035

* Currency effects have, in the comparing period, been reclassified from cash flow from financing to cash flow from operations

Consolidated Statement of Changes in Equity

As at 30 June 2014

DKK 1,000	30 June 2014	30 June 2013
Total equity 01.01	1,665,277	1,262,911
Profit for the period to equity	213,390	251,722
Fair value adjustment on financial derivatives	-892	-40,885
Income tax effect	136	7,359
Acquisition treasury shares	2,693	-818
Currency translation differences	293	0
Total other comprehensive income	2,230	-34,344
Total recognized income and expense to equity	215,620	217,378
Equity transactions between the Company and its shareholders		
Distribution of dividend	-219,861	-97,714
Dividends on treasury shares	1,701	112
Dividend distribution	-218,160	-97,602
Total change in equity during the period	-2,540	1,382,687
Total equity at the end of the period	1,662,737	1,382,687

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 31st December 2013 are available upon request from the company's registered office at

Bakkavegur 9, FO-625 Glyvrar, Faroe Islands, or at www.bakkafrost.com.

This Condensed Consolidated Interim Report is presented in DKK.

Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all of the information required for the full Annual and Consolidated Report and

Accounts and should be read in conjunction with the Annual and Consolidated Report and Accounts for the Group as at 31st December 2013.

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 31st December 2013.

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 recognized 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 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.

The accounting estimates are described in Note 3 to the financial statements in the Annual Report 2013.

On the 9th of February 2014, Bakkafrost announced a suspicion of a possible pathogenic ISA-virus at a Bakkafrost farming site.

The detection of a possible pathogenic ISA-virus was not connected to any increase in mortality, and there was no impact on fish health or fish welfare. Bakka-frost decided to activate the ISA-contingency

plan immediately and hence enforced slaughtering of the last cage at the farming site A-80 Selatrað. The site was empty a few days after the detection.

Since the detection, no further possible pathogenic ISA-viruses have been observed.

For other risk exposures, reference is made to the Management Statement in the Annual Report for 2013, where Bakkafrost's operational and financial risks are described, as well as to Note 21 (Financial risk management) in the same report.

The risks and uncertainties described therein are expected to remain.

Since the issuance of the Annual Report for 2013, the market has been strong and we have seen high salmon prices, but during Q2 2014, the salmon prices have decreased somewhat due to increase in the supply of salmon.

Except for the risks related to the possible detection of ISA virus, the overall risk management is unchanged.

Note 4. Biomass

DKK 1,000	30 June 2014	End 2013
Biological assets carrying amount 01.01	965,895	746,958
Increase due to production or purchases	382,679	1,074,059
Reduction due to harvesting or sale (costs of goods sold)	-413,192	-960,625
Fair value adjustment at the beginning of the period reversed	-296,402	-181,050
Fair value adjustments at the end of the period	172,784	296,402
Reversal of elimination at the beginning of the period	33,738	23,889
Eliminations	-32,720	-33,738
Biological assets carrying amount at the end of the period	812,782	965,895
Cost price biological assets	656,846	689,223
Capitalised interest	15,872	14,008
Fair value adjustments at the end of the period	172,784	296,402
Eliminations	-32,720	-33,738
Biological assets carrying amount	812,782	965,895

Note 5. Segments

Farming segment DKK 1,000	Q2 2014	Q2 2013	YTD 2014	YTD 2013
External revenue	310,274	343,862	624,229	628,391
Internal revenue	205,304	176,525	409,461	316,970
Total revenue	515,578	520,387	1,033,690	945,361
Operating expenses	-340,986	-307,429	-658,383	-594,624
Depreciation and amortisation	-15,068	-13,415	-29,599	-26,683
Operational EBIT	159,524	199,543	345,708	324,054
Fair value adjustments on biological assets	-9,838	38,572	-123,618	33,917
Income from associates	5,974	1,190	-5,242	-1,583
Earnings before interest and taxes (EBIT)	155,660	239,305	216,848	356,388
Net interest revenue	21	602	410	180
Net interest expenses	-1,032	-8,028	-2,876	-14,035
Net currency effects	10,242	23,584	1,715	31,106
Other financial expenses	-1,524	-1,269	-2,552	-2,109
Earnings before taxes (EBT)	163,367	254,194	213,545	371,530
Taxes	-73,643	-44,937	-90,948	-63,712
Profit or loss for the period	89,724	209,257	122,597	307,819

Value added products DKK 1,000	Q2 2014	Q2 2013	YTD 2014	YTD 2013
External revenue	266,951	168,138	499,203	315,873
Internal purchase of raw material	-205,304	-176,525	-409,461	-316,970
Operating expenses	-39,238	-31,574	-74,876	-60,528
Depreciation and amortisation	-1,948	-1,828	-3,868	-3,392
Operational EBIT	20,461	-41,789	10,998	-65,017
Provision for onerous contracts	21	-3,040	70,908	-27,157
Earnings before interest and taxes (EBIT)	20,482	-44,829	81,906	-92,174
Net interest revenue	247	146	248	615
Net interest expenses	-3	-65	-878	-66
Net currency effects	0	0	0	-15
Other financial expenses	-5	-3	-12	-102
Earnings before taxes (EBT)	20,721	-44,751	81,264	-91,742
Taxes	-3,730	8,055	-14,628	16,514
Profit and loss for the period	16,991	-36,696	66,636	-75,228

Fishmeal, Fish Oil and Fish Feed - FOF	Q2	Q2	YTD	YTD
DKK 1,000	2014	2013	2014	2013
External revenue	133,377	98,002	218,481	139,039
Internal revenue	146,740	152,761	239,688	269,194
Total revenue	280,117	250,763	458,169	408,233
Purchase of goods	-163,643	-183,201	-283,476	-285,742
Operating expenses	-59,523	-36,707	-95,578	-66,833
Depreciation and amortisation	-6,335	-6,115	-12,458	-12,157
Operational EBIT	50,616	24,740	66,657	43,501
Income from associates	4,101	5,858	8,220	13,717
Earnings before interest and taxes (EBIT)	54,717	30,598	74,877	57,218
Net interest revenue	422	206	631	1,203
Net interest expenses	-6,936	82	-12,754	79
Net currency effects	-1,817	-512	-1,741	-650
Other financial expenses	-68	-86	-156	-175
Earnings before taxes (EBT)	46,318	30,288	60,857	57,675
Taxes	-8,337	-5,452	-10,954	-10,382
Profit for the period	37,981	24,836	49,903	47,294

Reconciliation of reportable segments to Group earnings before taxes (EBT)	Q2	Q2	YTD	YTD
DKK 1,000	2014	2013	2014	2013
Farming	163,367	254,194	213,545	371,530
VAP (Value added products)	20,721	-44,751	81,264	-91,742
FOF (Fishmeal, Fish Oil and Fish Feed)	46,318	30,288	60,857	57,675
Eliminations	-18,487	-13,148	-25,746	-28,161
Group earnings before taxes (EBT)	211,919	226,583	329,920	309,302

Assets and liabilities per segment	30 June	End
DKK 1,000	2014	2013
Farming	3,163,710	2,985,373
VAP (Value added products)	113,131	67,098
FOF (Fishmeal, Fish Oil and Fish Feed)	849,434	671,732
Eliminations	-985,996	-611,977
Total assets	3,140,279	3,112,226
Farming	-981,867	-993,941
VAP (Value added products)	-9,460	-36,211
FOF (Fishmeal, Fish Oil and Fish Feed)	-695,004	-511,529
Eliminations	208,789	94,732
Total liabilities	-1,477,542	-1,446,949

Note 6. Harvest and Feed Sale

Distribution of harvested volumes (tgw)	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Harvested volume used in VAP production	5,895	4,852	10,947	9,104
Harvested volume sold fresh/frozen	5,317	5,688	9,534	9,732
Harvested and purchased volume (tgw)	11,212	10,540	20,481	18,836

Harvested volumes (tgw)	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Farming North	7,874	9,746	8,195	14,103
Farming West	3,338	794	12,286	4,733
Total harvested volumes (tgw)	11,212	10,540	20,481	18,836

Distribution of harvested volumes (tgw)	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Harvested volume used in VAP production	53%	46%	53%	48%
Harvested volume sold fresh/frozen	47%	54%	47%	52%
Harvested and purchased volumes (tgw)	100%	100%	100%	100%

Feed sold volume (tonnes)	Q2 2014	Q2 2013	YTD 2014	YTD 2013
Internal sale	14,784	14,412	25,382	25,403
External sale	4,043	3,784	7,401	7,699
Sold tonnes feed	18,827	18,196	32,783	33,102

Note 8. 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 219.2 million, of which DKK 164.5 million is related to the building of a new wellboat, which will be operated by Bakkafrost.

Note 9. Transactions with related parties

Note 26 in Bakkafrost's Annual Report for 2013 provides detailed information on related parties' transactions.

Faroe Farming, an associated company of Bakkafrost, purchased for DKK 14.1 million from Bakkafrost in Q2 2014 and DKK 21.4 million in H1 2014. Bakkafrost purchased raw material amounting to DKK 1.6 million from Faroe Farming in Q2 2014 and DKK 86.9 million in H1 2014. At the end of Q2 2014, Faroe Farming owed DKK 52.7 million to the Bakkafrost Group.

Hanstholm Fiskemelsfabrik A/S is a supplier in the FOF segment. During Q2 2014, Bakkafrost purchased fishmeal and fish oil amounting to DKK 15.0

million, and DKK 20.0 million in H1 2014. At the end of Q2 2014, Bakkafrost owed DKK 0 million to Hanstholm Fiskemelsfabrik A/S. In Q2 2014 Bakkafrost sold its shares in Hanstholm Fiskemelsfabrik. Therefore, it is no longer a related party to Bakkafrost.

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 10. 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 recognized 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 2014, 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 2014, the Group held the following classes of assets/liabilities measured at fair value:

Assets and Liabilities measured at fair value	30 June			
	2014	Level 1	Level 2	Level 3
Assets measured at fair value				
Intangible assets	294,675	0	0	294,675
Financial assets	434	434	0	0
Biological assets (biomass)	812,782	0	812,782	0
Liabilities measured at fair value				
Long-term interest bearing debt	443,600	443,600	0	0

Contacts

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