

RUSSIA – A “SUMMER ROMANCE” OR A LONG TERM RELATIONSHIP?

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- **SUMMARY OF Q3 2014**
- STATUS ON INVESTMENT
- CLEANING FISH OIL
- RUSSIA – A “SUMMER ROMANCE”
OR A LONG TERM RELATIONSHIP?

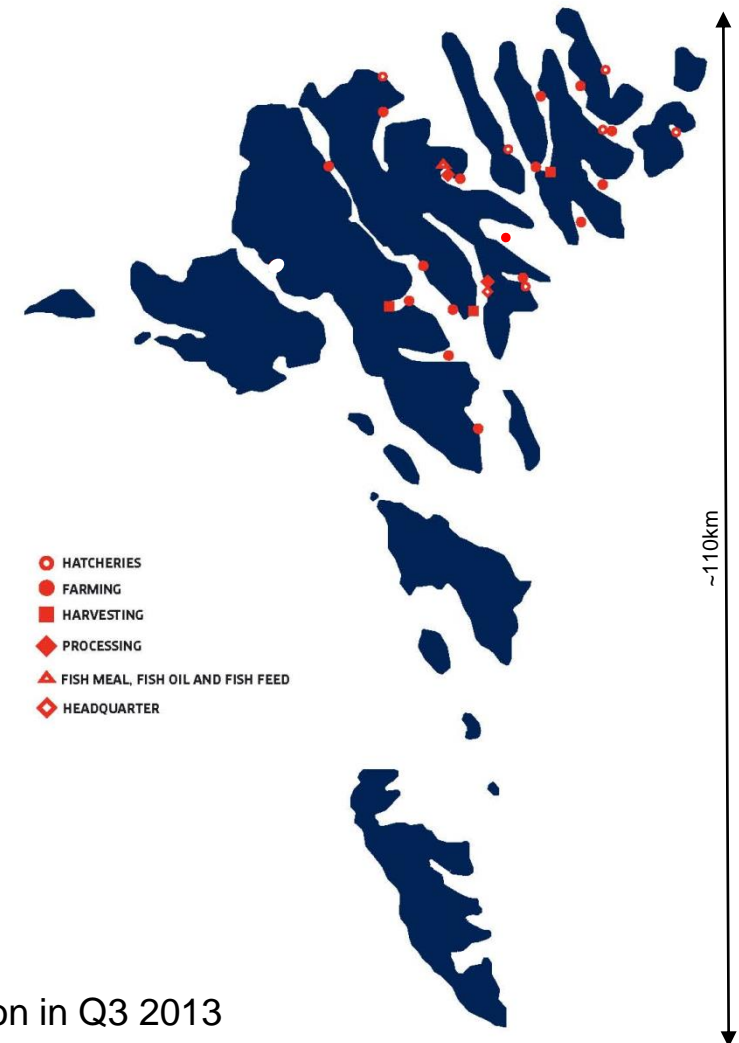


BAKKAFROST

– THE LARGEST FISH FARMING COMPANY IN THE FAROE ISLANDS



- **Largest salmon farming company in the Faroe Islands**
 - ~63% of harvest volumes in Q3 2014
 - 50% of farming licenses
- **Harvested** 10,881 t_{gw} in Q3 2014 (11,335 t_{gw} in Q3 2013)
- **Feed sale** of 29,808 tonnes in Q3 2014* (31,961 tonnes in Q3 2013*)
- **Revenues** of DKK 584 million in Q3 2014 (DKK 741 million in Q3 2013)
- **Operational EBIT** of DKK 209 million in Q3 2014
(DKK 187 million in Q3 2013)
- **Highest profit after tax ever**
- **Cash flow from Operations** of DKK 280 million in Q3 2014 (DKK 131 million in Q3 2013)
- **Positive results** from all segments



*) Including internal sale of 23,587 tonnes in Q3 2014 (23,681 tonnes in Q3 2013)

SUMMARY OF THE QUARTER

All segments contributing to the good result

- Combination of contracts and spot sale boosted earnings
- Farming/VAP division increased margin from 15.76 to 19.73 NOK/kg
- VAP margin increased significantly from -4.96 to 6.77 NOK/kg
- Farming margins decreased due to lower spot prices
- Group Operational EBIT increased by 12%

(DKK million)	Q3 2014	Q3 2013	M9 2014	M9 2013
Operating revenues	584.1	741.1	1,926.0	1,824.4
Operational EBITDA	232.9	208.4	676.4	525.0
Operational EBIT	208.7	186.8	606.3	461.1
Profit for the period	211.3	199.6	424.7	451.4
Operational EBITDA margin	39.9%	28.1%	35.1%	28.8%
Operational EBIT margin	35.7%	25.2%	31.5%	25.3%
Operational EBIT/Kg (Farming) (NOK)	17.02	17.59	18.15	17.02
Operational EBIT/Kg (Farming and VAP) (NOK)	19.73	15.76	19.48	14.21
Operational EBIT/Kg (VAP) (NOK)	6.77	-4.96	2.58	-6.38
EBITDA margin (Fishmeal, oil and feed)	21.46%	11.55%	18.88%	12.57%

SEGMENT FISHMEAL, OIL AND FEED (FOF)

- Sale of fishmeal normalised in Q3 2014 compared to Q3 2013
- EBITDA margin increased due to favourable market development
- Sale in 2014 in line with expectations
- Raw material intake YTD is 171,313 tonnes, of which 120,000 is sufficient for Havsbrún's high quality salmon feed production

Fishmeal, Oil and Feed

(DKK million)	Q3 2014	Q3 2013	M9 2014	M9 2013
Operating revenues	287	422	746	831
EBITDA	62	48	141	104
EBITDA Margin	21.5%	12%	18.9%	13%
Sale of feed (tonnes)*	29,808	31,961	62,591	65,063

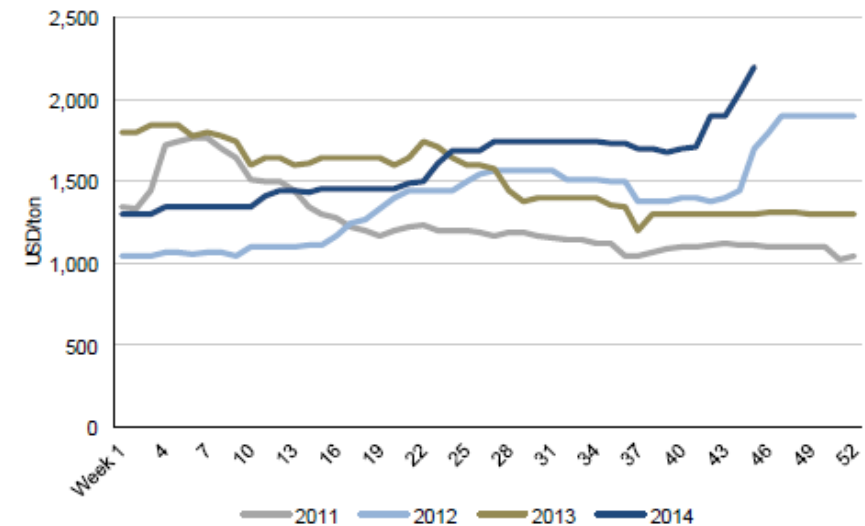


* Including sale to Bakkafrost corresponding to ~79% of feed volumes in Q3 2014 (Q3 2013: 74%)

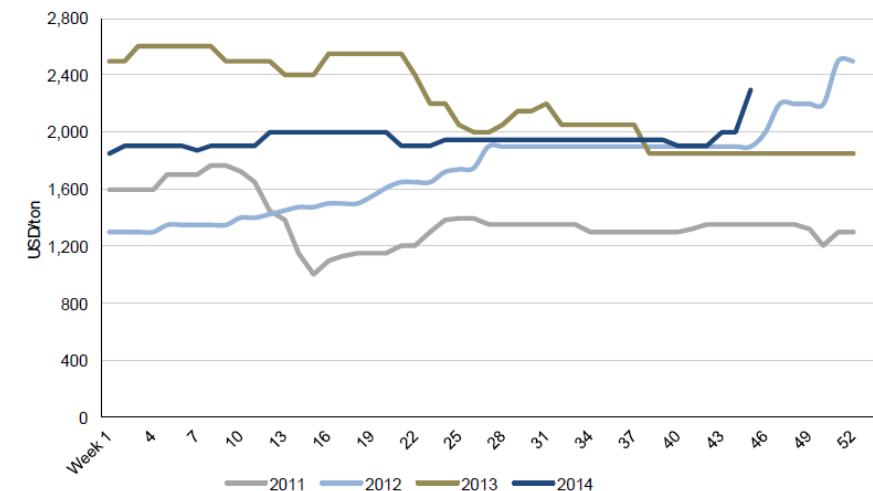
Increased costs on marine raw materials

- Raw material prices increased during 2014
- All time high fish meal price
 - increased from around 1,300 USD to 2,200 USD
- Fish Oil price increased from around 1,800 USD to around 2,300 USD

Fish meal price development



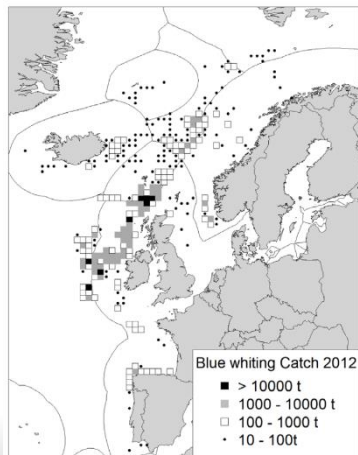
Fish Oil price development



3 HOUR'S FROM RAW FISH TO FEEDING THE SALMON

Short distant from fishing ground to feeding the salmon

- Blue whiting concentrated south of Faroe Island
- New Pelagic fleet with super cooling system
- A unique 3 hour's process step
- A marine based recipe
- Advantages in key factors
- Consumers are able to taste the different



CLEANING FISH OIL

Bakkafrost salmon becomes even healthier

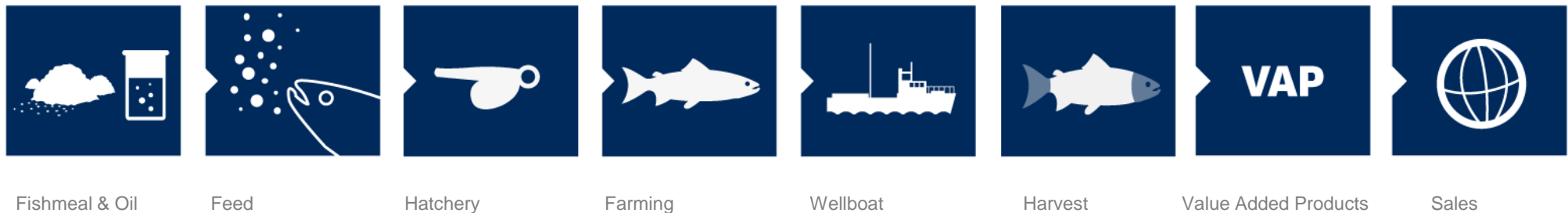
- In Q1-2015 Havsbrún will start cleaning all relevant fish oil used for Bakkafrost salmon
- Cleaning of fish oils removes environmental pollutants
- This sort of cleaning is not currently being carried in production of salmon and will be a differentiator for Bakkafrost
- From time to time this topic about limitation of salmon meals arises in media. By cleaning these pollutants we expect to remove doubts regarding salmon intake
- Consumer confidence
- Should make intake limitations for salmon redundant

Fish Oil without any environmental pollutants



- SUMMARY OF Q3 2014
- **STATUS ON INVESTMENT**
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The investments will be made step by step in the relevant parts in the value chain to secure:

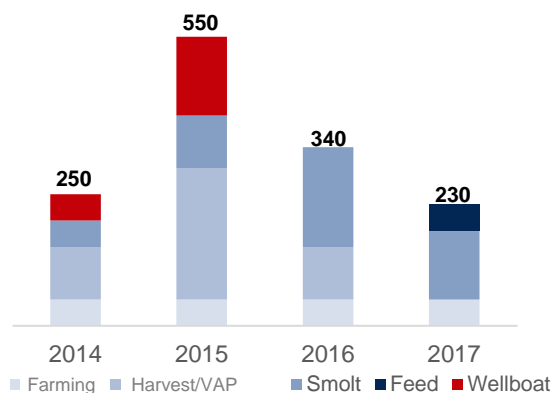
- Efficiency
- Biological risk
- Organic growth

INVESTMENTS – PROGRAMME 2014 - 2017

Status on main investments

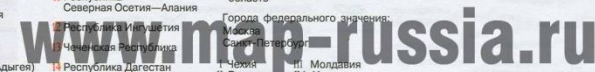
- **Harvest/VAP factory**
 - Design finalised
 - Contracts for building and machinery signed
 - Harvest expected to start up early 2016
 - VAP expected to start up by end 2017
- **New Hatchery Norðtoftir**
 - Completed summer 2014
 - Total investment DKK 55 mill
 - Recycling of 99% of water
 - saving water and heating
 - Capacity of 3 million 100g smolts per year
 - Increases Bakkafrost capacity by 30%
- **Hans á Bakka**
 - Wellboat under construction in Yalova in Turkey
 - Construction progressing according to plans
 - Delivery planned to be 25th April 2015

Total investment programme 2014 – 2017
1,370 million DKK



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RUSSIA SALES GEOGRAPHY

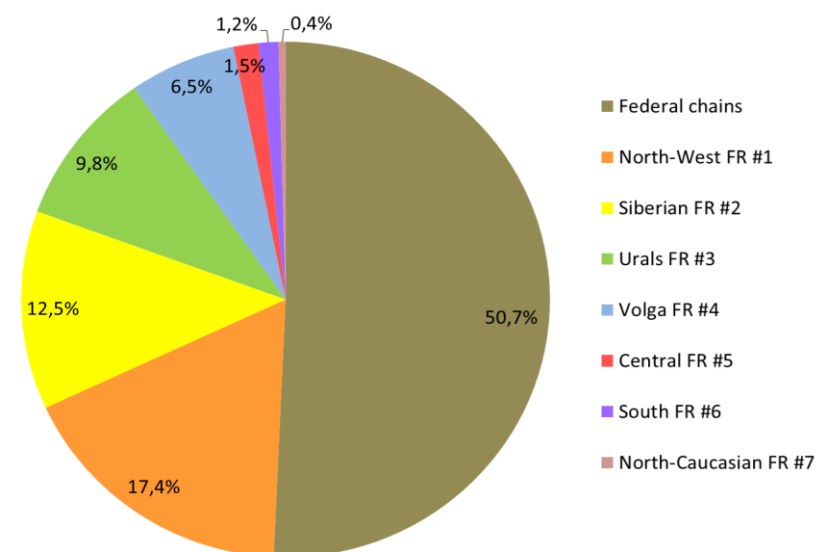
Federal regions in Russia



Population density in Russia



Sales break down of fresh salmon in Russia 3Q 2014

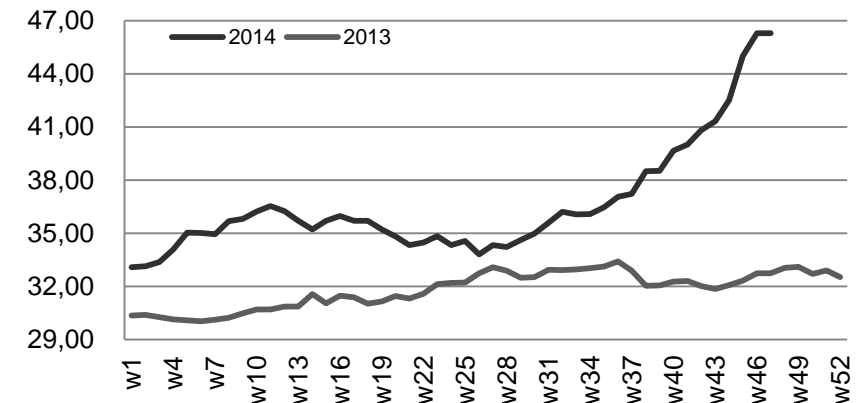


RUSSIAN RUBLE LOST VALUE

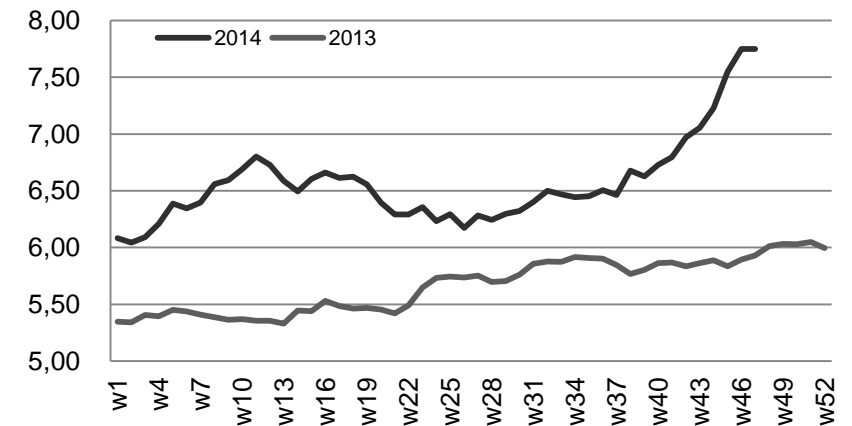
The Russian ruble is down against major currencies

- RUB to USD down 35% since July and RUB to DKK down 20%
- Resulting in significantly higher domestic prices which has a negative impact on demand for imported products
- Demand from high-end segments less affected

USD/RUB Development



DKK/RUB Development

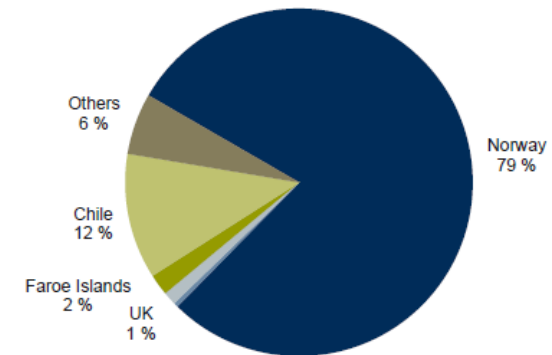


Source: Kontali

Limited supply availability from Faroe Islands

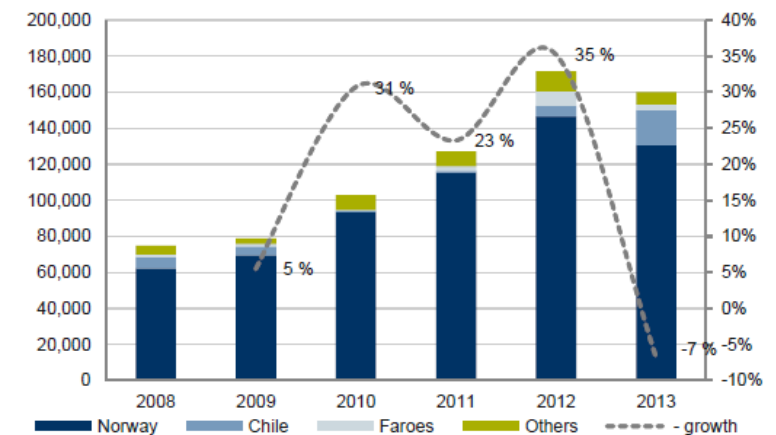
- Russia imported 160.000 tonnes of Atlantic Salmon in 2013
- Salmon from the Faroe Islands only had 2% market share in 2013
- Salmon from the Faroe Islands targeting high-end segments worldwide
- Salmon from the Faroe Islands is today used to supply Russian customers who demand top quality salmon

Market share for salmon supply to Russia - 2013



Source: Kontali

Total Atlantic salmon supply to Russia, tonnes



Source: Kontali

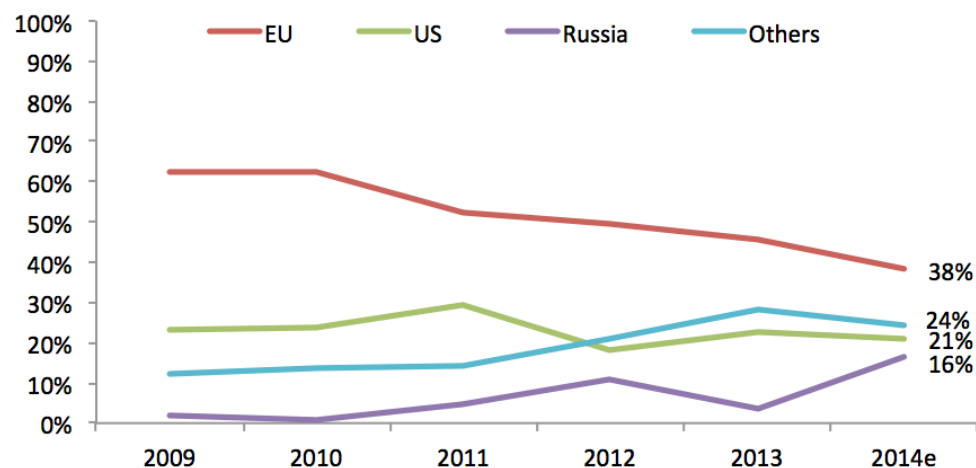
Market transformation during the last five years

- EU was main market, now only one of four main market areas
- Geographical diversification
- Exports to the US and Asia increased
- Exports to Russia increased in 2014

Export from the Faroe Islands to key markets

Year	Total	EU	US	Russia	Others
2009	43,300	27,000	10,100	900	5,300
2010	38,100	23,700	9,000	200	5,200
2011	51,500	26,900	15,000	2,300	7,300
2012	64,600	32,100	11,700	7,200	13,600
2013	66,100	30,100	14,800	2,400	18,800
2014e	73,000	28,000	15,400	11,900	17,700

YoY-Ch.	Total	EU	US	Russia	Others
09-10	↓ -5,200	↓ -3,300	↓ -1,100	↓ -700	↓ -100
10-11	↑ 13,400	↑ 3,200	↑ 6,000	↑ 2,100	↑ 2,100
11-12	↑ 13,100	↑ 5,200	↓ -3,300	↑ 4,900	↑ 6,300
12-13	↑ 1,500	↓ -2,000	↑ 3,100	↓ -4,800	↑ 5,200
13-14	↑ 6,900	↓ -2,100	↑ 600	↑ 9,500	↓ -1,100

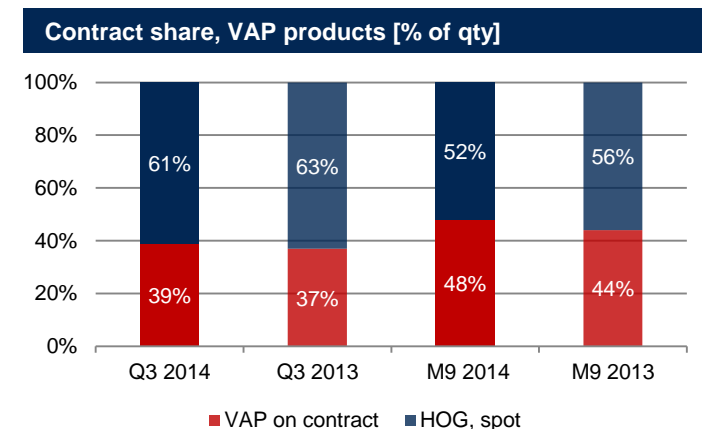


Bakkafrost benefits of the global salmon market

- Strong position on all growth markets
- Increased sale to Eastern Europe due to higher harvest and changed market balance
 - Q3 2012: 20%
 - Q3 2013: 4%
 - Q3 2014: 24%
- VAP/contract share 39% of total volume in Q3 2014
- Estimate for the year 45% VAP of total harvest
- VAP share will decrease in Q4 as harvested volumes will increase

Total sales of salmon by markets	Q3 2014	Q3 2013	M9 2014	M9 2013
EU	35%	47%	46%	50%
USA	21%	24%	22%	21%
Asia	20%	25%	22%	26%
Eastern Europe	24%	4%	10%	3%

Fresh salmon only by markets	Q3 2014	Q3 2013	M9 2014	M9 2013
EU	9%	20%	11%	24%
USA	29%	34%	36%	34%
Asia	29%	36%	37%	37%
Eastern Europe	33%	10%	16%	5%



INCREASED SUPPLY TO THE RUSSIAN MARKET IN Q3 2014

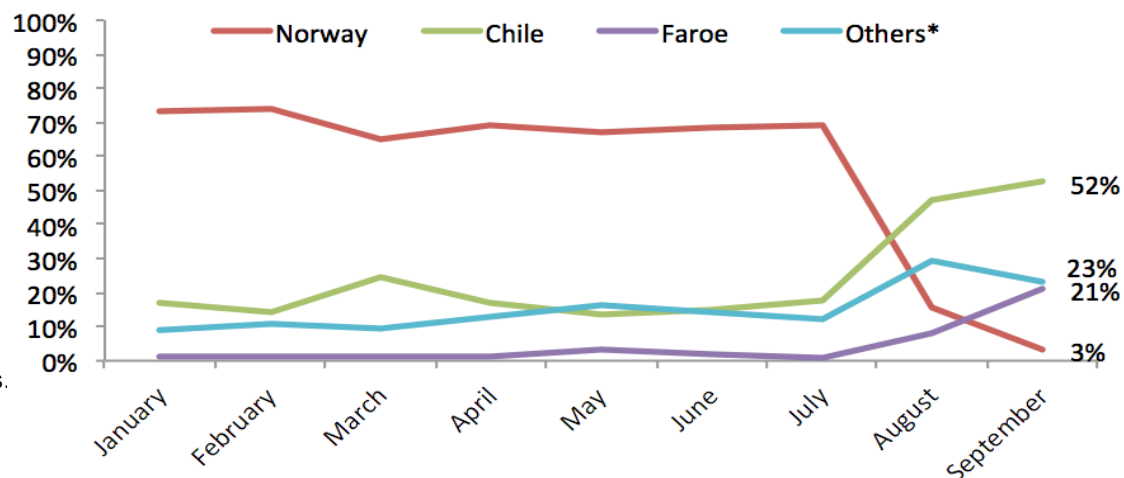
Sales to Russia increased in 2014 compared with 2013

- Updated figures shows Supply increase in Q3-2014 by 1,400 tonnes compared with Q3-2013
- Increased Chilean supply of frozen Atlantic Salmon – offsetting some of the Russian demand
- Increased supply from 3rd countries
- Bakkafrost's sale to Russia was only 60% of the volume in 2012, but 2.5 times higher than in 2013

Supply of Atlantic Salmon (hog-equivalents)

By month	Total	Norway	Chile	Faroe	Others*
January	10,000	7,300	1,700	100	900
February	8,500	6,300	1,200	100	900
March	10,300	6,700	2,500	100	1,000
April	10,000	6,900	1,700	100	1,300
May	9,800	6,600	1,300	300	1,600
June	10,500	7,200	1,600	200	1,500
July	11,700	8,100	2,100	100	1,400
August	9,800	1,500	4,600	800	2,900
September	12,800	400	6,700	2,700	3,000

YoY-Ch.	Total	Norway	Chile	Faroe	Others*
Q1	↓ -4,600	↓ -5,500	↑ 100	↑ 200	↑ 600
Q2	↓ -600	↓ -1,200	↓ -2,300	↑ 500	↑ 2,400
Q3e	↑ 1,400	↓ -14,000	↑ 8,100	↑ 2,800	↑ 4,500



All figures above are in tonnes hog-equivalents, and are rounded to the nearest 100 tonnes.

Others include re-export from 3rd countries & domestic supply.

Figures in italics are current supply estimates.

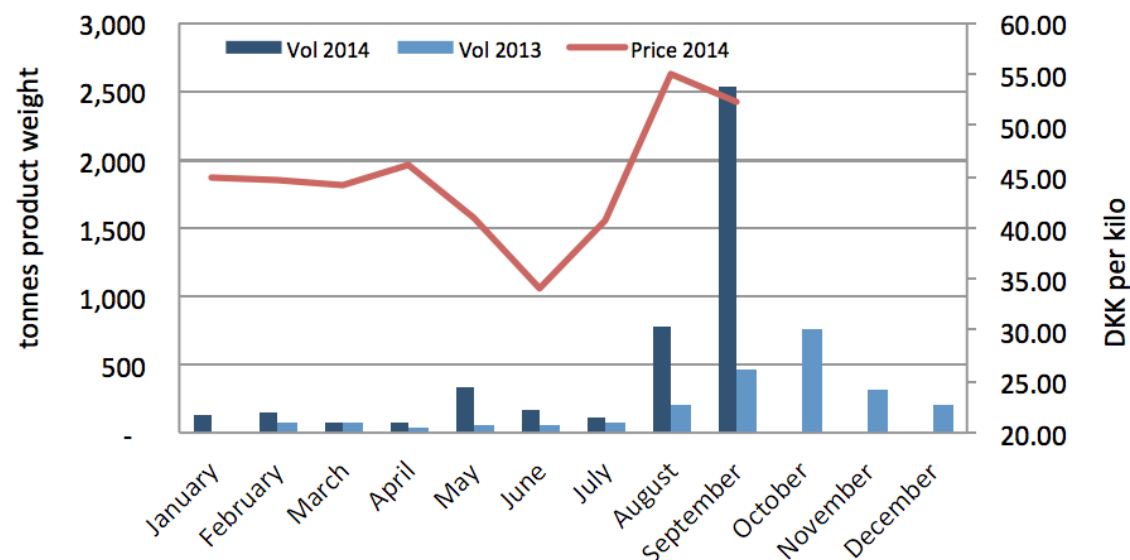
Source: Kontali

RUSSIAN IMPORT BAN IMPOSED ON AUGUST 7TH

Russia has not banned imports from Faroe Islands

- The import ban is on Norwegian and EU fish
- Demand from the Faroe Islands has increased strongly, as Faroe Islands can supply fresh salmon
- Prices have increased

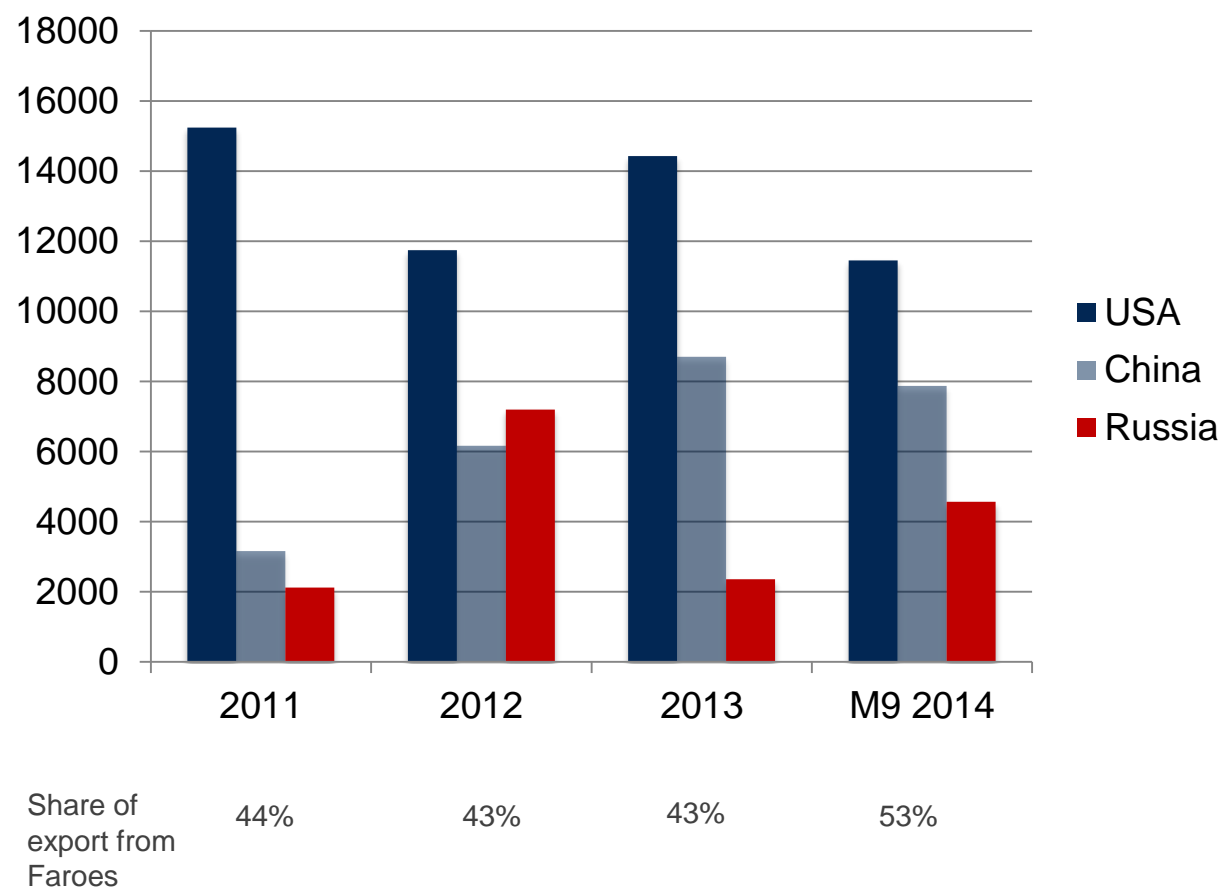
Faroe Supply of Fresh Whole Atlantic Salmon to Russia



EXPORT OF FAROE ISLANDS SALMON TO RUSSIA, US, CHINA (TONS)

Russian market share increased

- The export from Faroe Islands to USA, China and Russia has increased from a level around 43% to 53% in 2014
- We predict that Faroe Island can at a maximum supply the Russian market with 15.000-18000.



STRATEGY OF TARGETING TOP SEGMENTS ALL OVER THE WORLD



Building a global brand based on a good product and a good story

The Faroe Islands Origin

Unique natural conditions for salmon

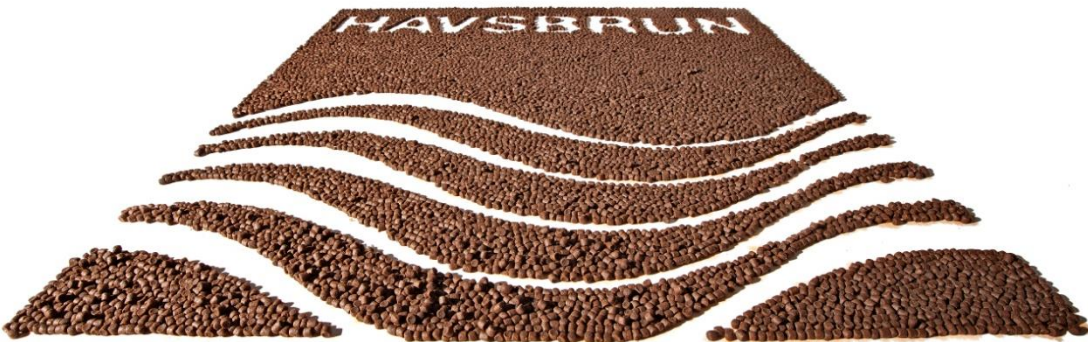
Natural growing grounds for salmon, pristine waters, strong currents, cool and steady sea temperature

World's most stringent veterinarian legislation

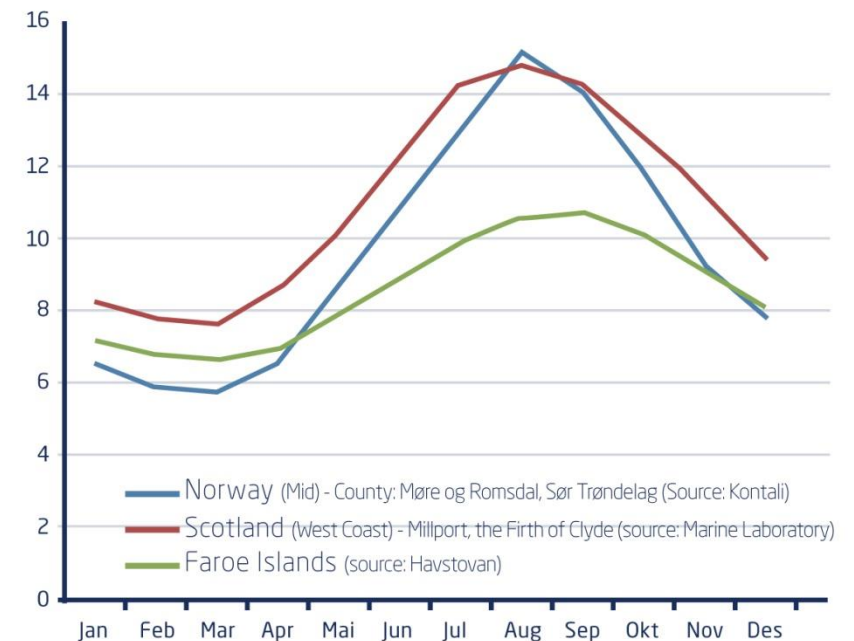
All in all out, mandatory fallowing of fjords, no antibiotics, non GMO feed, industry's lowest smolt yield

Boutique origin for salmon

Top quality feed, world leader in 6 kg+, in demand from discerning buyers in high-end segment around the globe, limited availability.



Average monthly sea temperature in Faroe Islands, Scotland and Norway



A NORMAL MARKET SITUATION

- **Better understanding of the Russian market**
- **The Russian have a better understanding of Faroe Islands, and our salmon.**
- **We have succeed with the logistic challenges**
- **Russian company are confident with the way we are doing business**

In a normal market we aim to obtain these advantages:

- **The Bakkafrost brand is well known and Bakkafrost is a reliable partner**
- **Salmon from Bakkafrost is the most exclusive salmon on the Russian marked**
- **You can taste the different**
- **Salmon from Bakkafrost is the preferred salmon in high end & Sushi restaurant**
- **If you seek health food, Salmon from Bakkafrost is a good natural choice**

SUMMER ROMANCE OR LONG LASTING RELATIONSHIP?

Long lasting relationship:

- History has proven the staying power of Faroe Islands salmon e.g. China and USA
- Top segments appreciate the high quality Faroe Salmon from Bakkafrost and our stable and reliable supply
- Brand awareness for Faroe Salmon from Bakkafrost in Russia is increasing month by month



Summer Romance:

- Geographical challenges compared with Norway
- Limited supply of Faroe Island salmon
- Growing demand from well paying established markets for Faroe Salmon from Bakkafrost.



Long lasting relationship

- Faroe Salmon from Bakkafrost will continue to have a powerful presence in top segments in the Russian market, also in the future
- Quantities to Russia will decrease when trade is normalized





ESTABLISHED 1968



Rúni
Manager
Feed Division
Havsbrún

Sigríð
Hatchery employee
Bakkafrost Farming

Ray-Keth og Bjarni
Foremen Farming
Bakkafrost Farming

Sandy
Captain
Bakkafrost Harvest

Tordís
Harvest employee
Bakkafrost Harvest

Tórfriður
Foreman
Bakkafrost Packaging

Beinta
VAP employee
Bakkafrost Harvest

Anna
Senior Quality Manager
Bakkafrost Holding

Bárður
Technician
Havsbrún

Maibritt
Logistics
Bakkafrost Sales

Annika
Business Controller
Bakkafrost Holding

Árni
Marketing Manager
Bakkafrost Sales

thank you

TOP QUALITY SALMON FROM BAKKAFROST – TASTE OF THE FAROE ISLANDS



BAKKAFROST

