

# Q4 2013

FOURTH QUARTER BAKKAFROST GROUP  
Glyvrrar 25 February 2014

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## ■ SUMMARY OF Q4 2013

- MARKETS AND SALES
- FINANCIAL HIGHLIGHTS
- SEGMENT INFORMATION
- GROUP FINANCIALS
- INVESTMENTS 2014-2017
- OUTLOOK

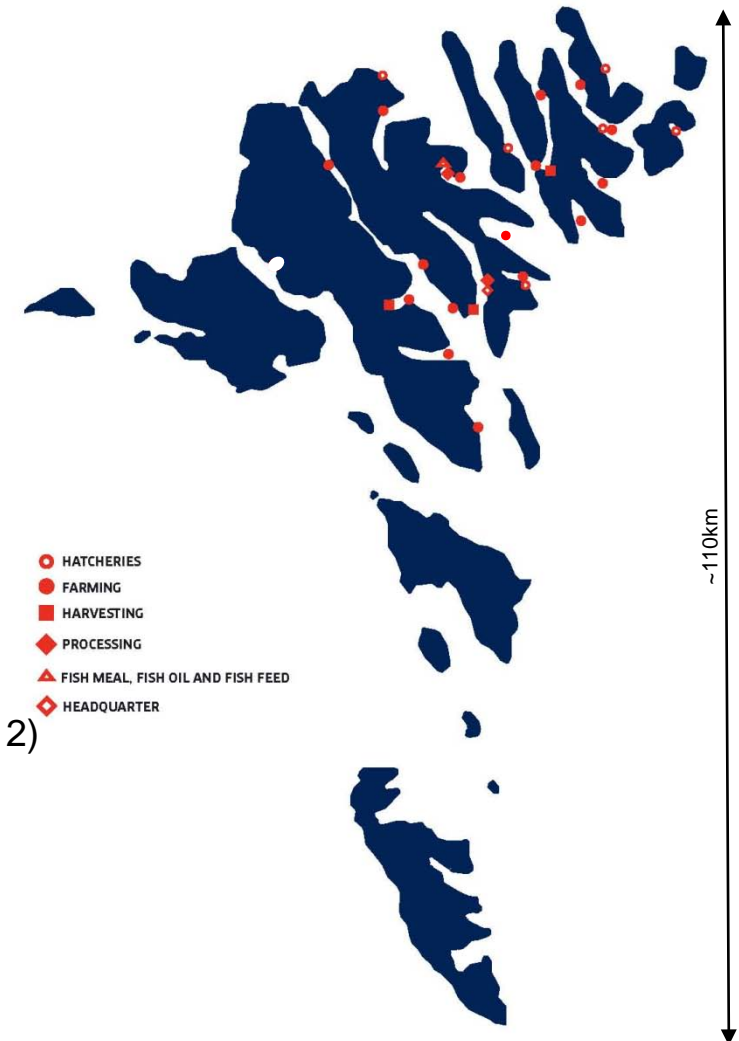


# BAKKAFROST

## – THE LARGEST FISH FARMING COMPANY IN THE FAROE ISLANDS



- **Largest salmon farming company in the Faroe Islands**
  - ~65% of harvest volumes in Q4 2013
  - 50% of farming licenses
- **Harvested** 11,097 tkg in Q4 2013 (13,044 tkg in Q4 2012)
- **Feed sale** of 20,270 tonnes in Q4 2013\* (25,047 tonnes in Q4 2012\*)
- **Revenues** of DKK 667 million in Q4 2013 (DKK 582 million in Q4 2012)
- **Operational EBIT** of DKK 126 million in Q4 2013 (DKK 99 million in Q4 2012)
- Positive results from Farming and Feed, loss on VAP
- Propose dividend of DKK 4.50 per share (NOK 5.03)



\*) Including internal sale of 14,736 tonnes in Q4 2013 (16,210 tonnes in Q4 2012)

## Margin

- Strong results
  - Farming EBIT/kg NOK 13.02 (Q4 2012 6.40 NOK/kg)
  - Fishmeal, Oil and Feed 8.45% EBITDA margin
  - VAP negative EBIT/kg of NOK -1.29

## Market

- Tight market and high prices
- Strong salmon prices despite global salmon production is running close to full capacity

## Operation

- Harvested volumes lower in Q4 2013 compared to Q4 2012
- Transferred 2.8 million smolts in Q4 2013
- ISA virus detected at A-80 Selatrað, no clinical detection and no mortality, site now empty
- Test programme on neighbour sites (monitoring zone) without any positive detection
- Biology good and stable

## **Regular inspection and testing**

- Daily, every two weeks, monthly and quarterly
- Inspection check, lice and gill test, veterinary inspection and sampling, authority inspection and sampling

## **Four farming companies operate in the Faroes**

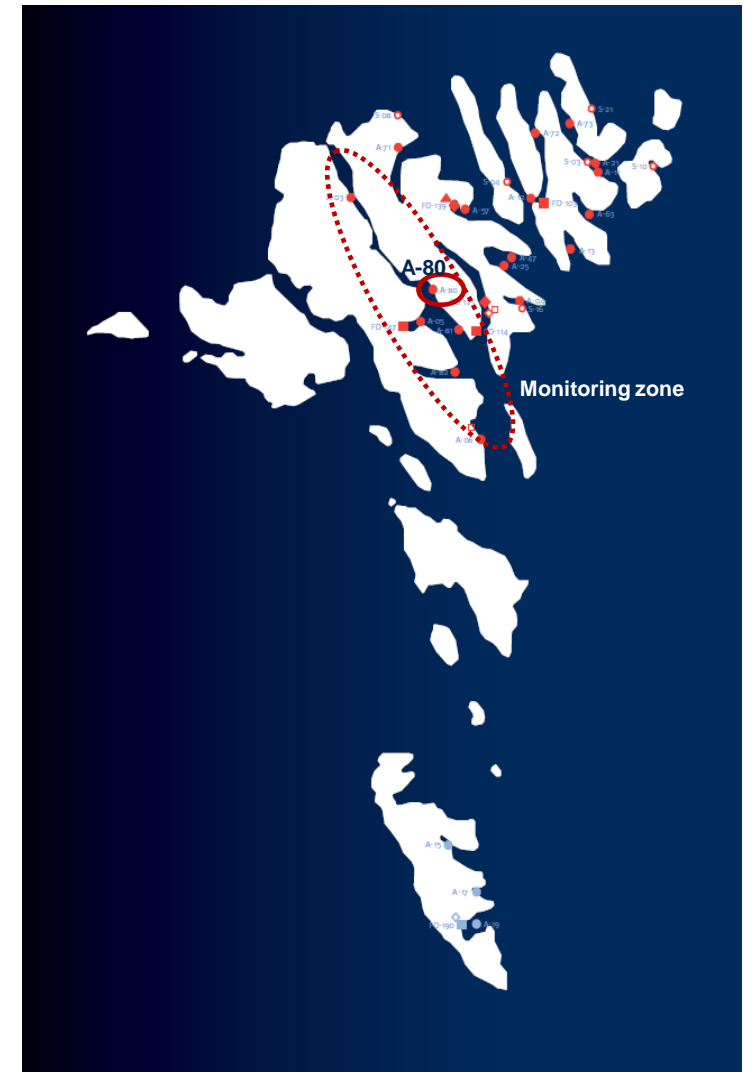
- Easier to coordinate biological improvement
- Knowledge sharing
- Good cooperation with authorities

## **Bakkafrost's fish health team**

- A strong team with proved track record, certified veterinarians, biologists, and assistants

## Suspicion of a possible pathogenic ISA-virus at Bakkafrost farming site A-80 announced the 9<sup>th</sup> of February this year

- The announcement referred to farming site A-80, where only one cage of fish was left for harvesting
- No clinical signs have been found in the fish
- 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 farm was emptied within five days
- A-80 results:
  - Originally released 711,731 pcs in Aug. 2012
  - Harvested a total of 662,744 pcs (93%) - 3,397 tonnes HOG,
  - Average weight was 5.13 kg HOG, and
  - FCR was 1.08
- Tests of all farms in monitoring zone have not detected further *HPR-del* virus
- The Faroese Veterinary System proved its Early warning abilities



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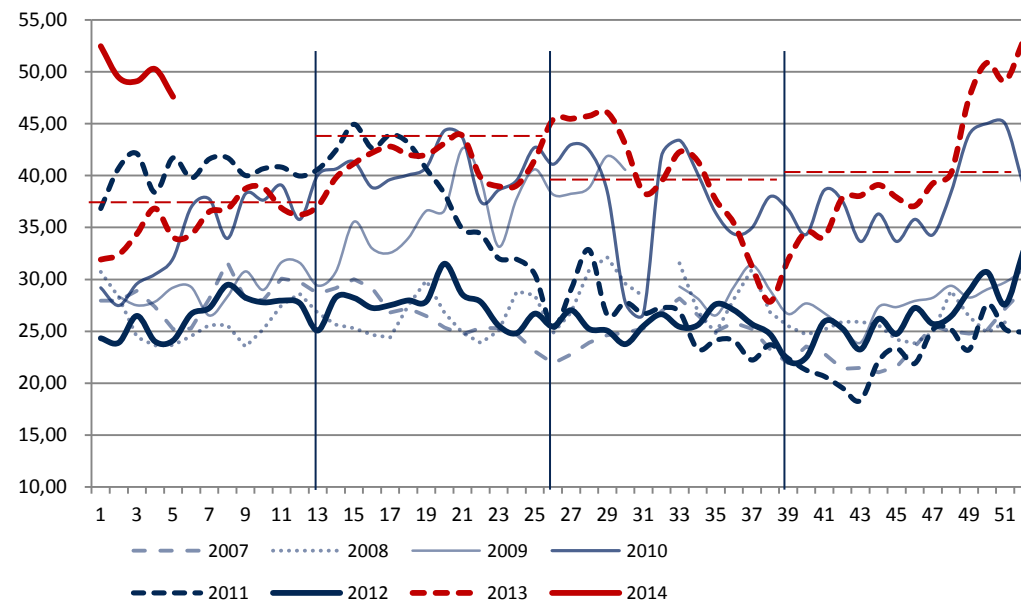
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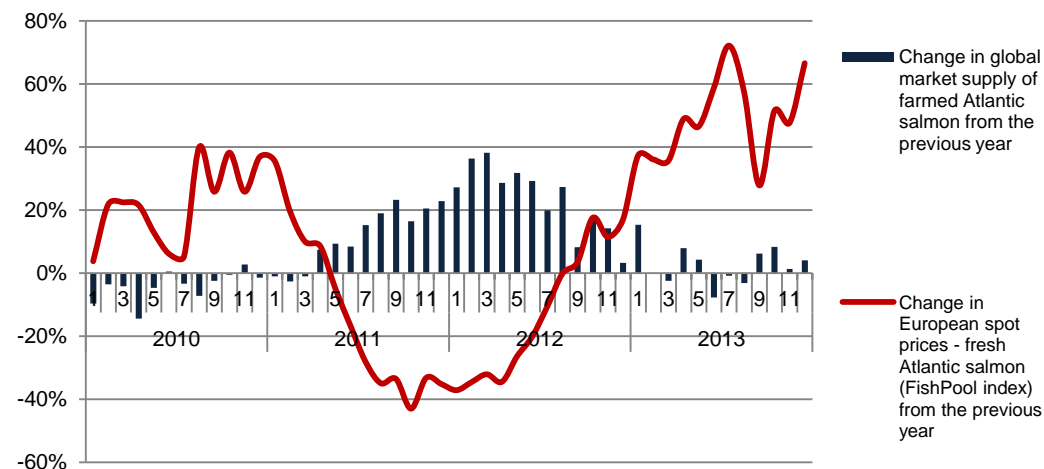


- The NASDAQ salmon price on size 4-5kg increased in Q4 2013 by ~58% compared with Q4 2012 - from 26.38 to 41.73 NOK/kg
- The increase was 2% from Q3 2013 to Q4 2013, from 39.94 to 40.73 NOK/kg – 0.79 NOK up per kg
- The global supply of salmon increased 2% in 2013 compared with 2012, from 1,788 million tons gutted weight up to 1,830 million tons
- The salmon prices have increased to the highest level for the past 10 years due to high demand and low supply growth

Spot prices on fresh salmon 4-5 [NOK/kg HOG]



Change in global market supply and market price



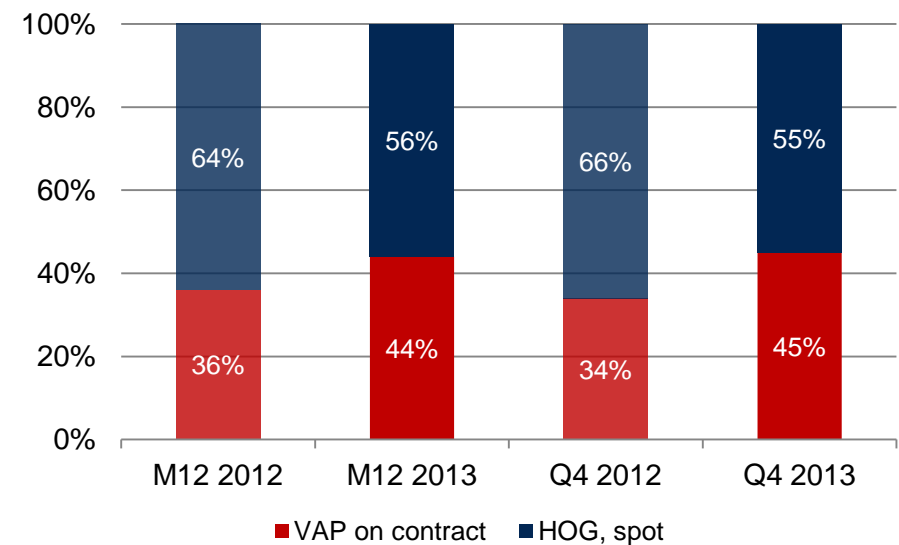
Source: Kontali Analyse

## Overseas High-End markets also dominated Q4 2013

- Asian market becoming more and more important
- Eastern European market reduced from 18% in Q4 2012 to 11% in Q4 2013 of total sales
- EU market most important market for VAP products, but not for fresh whole salmon
- VAP/contract share 45% of total volume in Q4 2013 - in line with strategy

Sales by markets	Q4 2013	Q4 2012	2013	2012
EU	50%	41%	47%	50%
USA	17%	20%	19%	16%
Asia	22%	21%	27%	19%
Eastern Europe	11%	18%	6%	15%

## Contract share, VAP products [% of qty]



## LOW SUPPLY GROWTH EXPECTED IN 2014 AND 2015

- We expect a back-end loaded total global supply growth of 4-6% in 2014 and 1% in 2015
  - Norway is expected to increase volumes 6-7% in 2014 due to mild winter, especially in H2 2014
  - Chile is expected to increase production 3-4% in 2014
  - Faroes is expected to increase by 6% in 2014
- Growth in supply below 7% has historically led to increase in prices. Average NOS price in 2013 was NOK 39.07
- A 7% increase from 2013 to 2014 is equivalent to 128,000 tonnes, while the estimate is 96,000 tonnes

Global supply of Atlantic Salmon (head on gutted - HOG)					
	2011	2012	2013E	2014E	2015E
Norway	904	1.066	1.029	1.096	1.103
UK	139	143	142	143	147
Ireland	14	14	10	12	12
Faroes	51	64	65	69	67
<b>Total Europe</b>	<b>1.109</b>	<b>1.287</b>	<b>1.246</b>	<b>1.321</b>	<b>1.328</b>
Chile	196	318	418	433	430
Canada	108	123	104	105	116
USA	16	18	18	18	18
<b>Total Americas</b>	<b>320</b>	<b>459</b>	<b>539</b>	<b>556</b>	<b>564</b>
Other	38	42	45	49	52
<b>Total (Sold Quantity)</b>	<b>1.467</b>	<b>1.788</b>	<b>1.830</b>	<b>1.926</b>	<b>1.944</b>
<b>Supply growth - Global</b>		<b>22%</b>	<b>2%</b>	<b>5%</b>	<b>1%</b>
Supply growth - Europe		16%	-3%	6%	1%
Supply growth - Americas		43%	18%	3%	2%

Source: Kontali & Bakkafrost

# DEMAND DEVELOPMENT SPLIT BY MARKETS

- The EU market is still the largest market for salmon
- US, Latin America and ASEAN largest growth in percentage and tonnes
- The Russian market has suffered in 2013

## Salmon markets, sold quantity (head on gutted - HOG)

Markets	Estimated volumes		Q4 comparison	
	Q4 2013 E	Q4 2012	Volume	%
EU	236.400	233.600	2.800 ↑	1%
USA	85.500	79.500	6.000 ↑	8%
Russia	45.600	48.300	-2.700 ↓	-6%
Japan	17.600	13.900	3.700 ↑	27%
Greater China	18.900	20.900	-2.000 ↓	-10%
ASEAN	21.700	13.500	8.200 ↑	61%
Latin America	35.400	32.400	3.000 ↑	9%
Ukraine	6.800	9.500	-2.700 ↓	-28%
Other markets	57.700	54.800	2.900 ↑	5%
<b>Total all markets</b>	<b>525.600</b>	<b>506.400</b>	<b>19.200 ↑</b>	<b>4%</b>

## Salmon markets, sold quantity (head on gutted - HOG)

Markets	Estimated volumes		FY comparison	
	FY 2013 E	FY 2012	Volume	%
EU	816.700	825.700	-9.000 ↓	-1%
USA	333.500	310.200	23.300 ↑	8%
Russia	142.700	154.500	-11.800 ↓	-8%
Japan	53.400	57.000	-3.600 ↓	-6%
Greater China	71.000	70.000	1.000 ↑	1%
ASEAN	66.500	51.800	14.700 ↑	28%
Latin America	124.000	104.900	19.100 ↑	18%
Ukraine	25.300	26.400	-1.100 ↓	-4%
Other markets	197.300	187.500	9.800 ↑	5%
<b>Total all markets</b>	<b>1.830.400</b>	<b>1.788.000</b>	<b>42.400 ↑</b>	<b>2%</b>

Greater China = China / Hong Kong / Taiwan

ASEAN = Association of Southeast Asian Nations

Latin America (including both Mexico and Caribbean + domestic consumption in Chile)

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

Note that not all countries have published export/import statistics for December and Q4 figures may be adjusted

Source: Kontali

**Sustainability**

**Cooperation**

**Transparency**



**gsi** GLOBAL  
SALMON  
INITIATIVE

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# FINANCIAL HIGHLIGHTS

## Improved results compared to last year

- Strong salmon spot prices main reason for higher operational EBIT
- Result hampered due to early harvest of site in Fuglafjörður, increased farming costs and one off costs for scrapping incl. abandoned packaging building, due to new buildings
- Operational EBIT increased by 27% despite volumes decreased by 15%
- Increased EBIT/Kg (Farming/VAP) from NOK 7.25 to NOK 12.44
- Increased EBITDA in FOF compared to Q4 2012, due to higher production of fishmeal and -oil

(DKK million)	Q4 2013	Q4 2012	2013	2012
Operating revenues	666.6	582.1	2,491.1	1,855.5
Operational EBITDA	148.7	119.8	673.7	403.3
<b>Operational EBIT</b>	<b>125.9</b>	<b>99.2</b>	<b>587.0</b>	<b>323.0</b>
<b>Profit for the period</b>	<b>137.9</b>	<b>148.2</b>	<b>589.2</b>	<b>281.3</b>
Operational EBITDA margin	22.3%	20.6%	27.0%	21.7%
Operational EBIT margin	18.9%	17.0%	23.6%	17.4%
Operational EBIT/Kg (Farming and VAP) (NOK)	12.44	7.25	13.98	7.04
EBITDA margin (Fishmeal, oil and feed)	8.45%	7.43%	11.61%	9.50%

## KEY FINANCIALS, GROUP

- Improved cash flow from operations in Q4 2013 – mainly due to decrease in inventory since Q3 2013
- Increase in total assets relates to investments in PPE, higher fair value of biomass and debtors due to the increase in salmon prices
- NIBD reduced by DKK 130 million from end 2012 despite investments and increase in working capital
- The Group has undrawn loan facilities of DKK 684.0 million, of which DKK 15.6 million is restricted

(DKK million)	Q4 2013	Q4 2012	2013	2012
Cash flow from operations	187.1	103.8	517.5	285.6
Total assets*	3,112.2	2,570.9	3,112.2	2,570.9
NIBD*	678.0	806.9	678.0	806.9
Equity ratio*	54%	49%	54%	49%

\* Comparing figure are at year-end 2012

# FARMING – HARVEST VOLUME

## Harvested volumes

- Harvested volumes decreased by 15% from 13,044 tgv in Q4 2012 to 11,097 tgv in Q4 2013 due to the 2 year harvesting cycle
- North 73% compared with 57% in Q4 2012

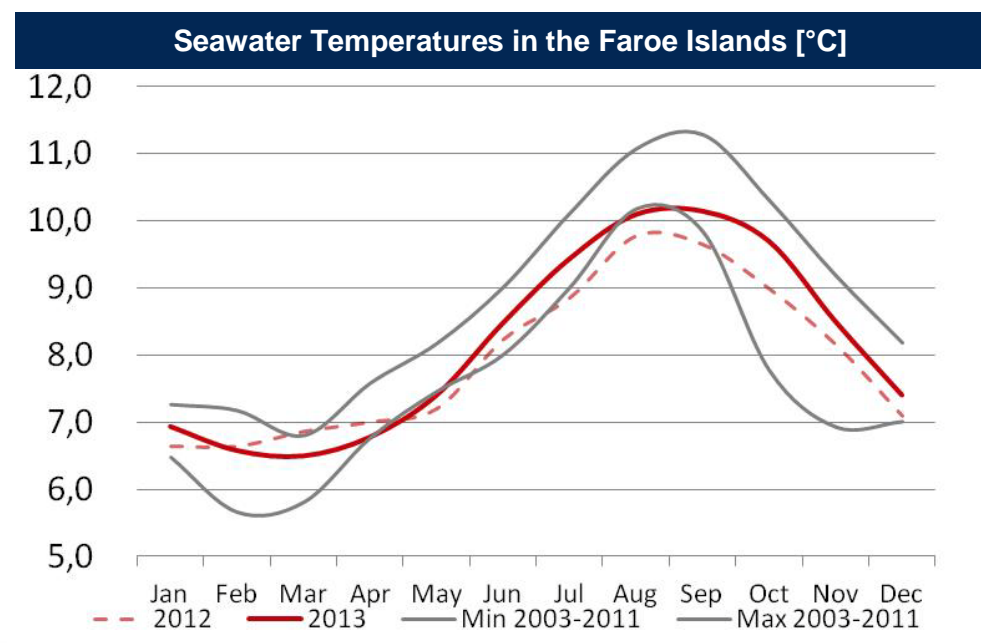
## Smolt transfer

- Smolt transfer in Q4 2013 was 2.8 million pieces. YTD the transfer was 9.5 million pieces.

## Seawater temperature in the Faroe Islands

- 0.3°C higher in 2013 than in 2012, but 0.2°C lower than 10year average
- Volumes in Faroe Farming for Q3 and H1 2012 included as Faroe Farming was discontinuing operation

Harvest Volume tonnes [HOG]*	Q4 2013	Q4 2012	2013	2012
West	2,992	5,590	12,065	20,847
North	8,105	7,454	29,203	23,494
<b>Total</b>	<b>11,097</b>	<b>13,044</b>	<b>41,268</b>	<b>44,341</b>
Faroe Farming*	0	0	0	2,557
<b>Gross harvested</b>	<b>11,097</b>	<b>13,044</b>	<b>41,268</b>	<b>46,898</b>



### Revenues and margin

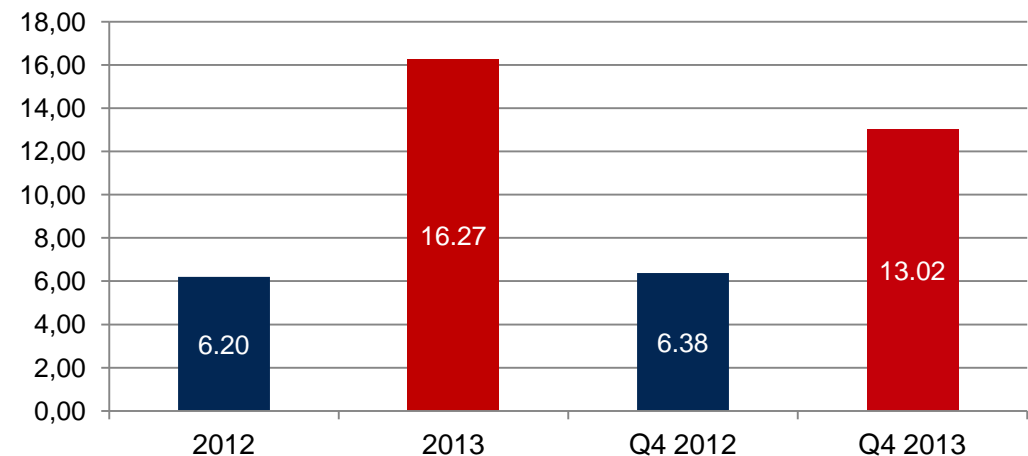
- Revenues increased in Q4 2013 due to higher salmon prices despite decrease in volumes
- Margin increased from 19% in Q4 2012 to 25% in Q4 2013 mainly due to higher market prices
- The strong salmon spot market is reflected in the EBIT/Kg in Q4 2013 compared to Q4 2012

(DKK million)	Q4 2013	Q4 2012	2013	2012
Operating revenues	526	435	1,992	1,372
Operational EBIT	131	84	642	274
Operational EBIT margin	25%	19%	32%	20%

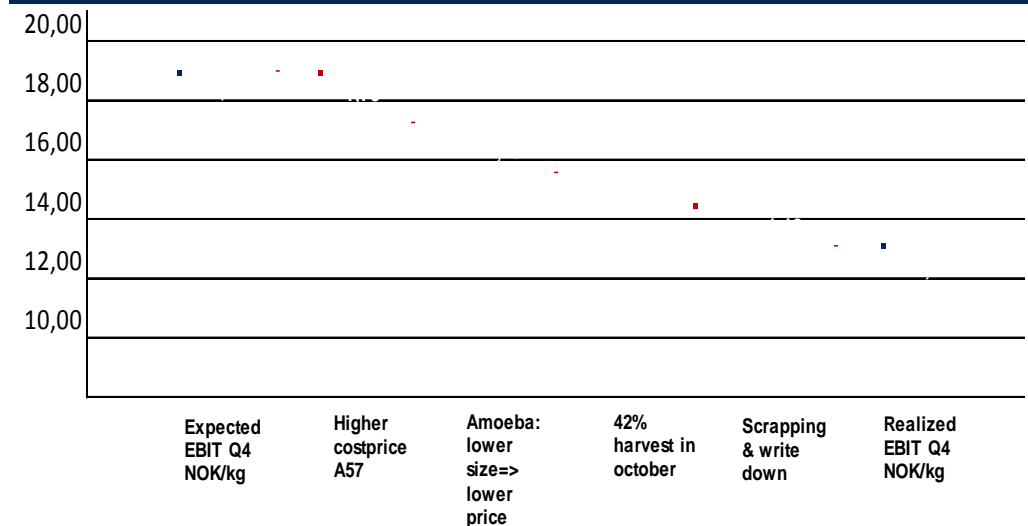
## Operation

- Margin more than doubled in Q4 2013 compared with Q4 2012, and increased 162% for the full year 2013 compared with 2012, from 6.20 NOK/kg up to 16.27 NOK/kg
- Margin in Q4 2013 hampered by higher costs in A-57 and unfortunate harvest profile (42% in Oct.)
- Surveillance tests detected Neoparamoeba perurans in Oct-13. Sites treated with Hydrogen Peroxide and harvested, lower average weight
- Harvest below guidance due to harvest in Fuglafjörður at a lower than expected weight

**Margin - EBIT per kg total harvested quantity [NOK/kg]**



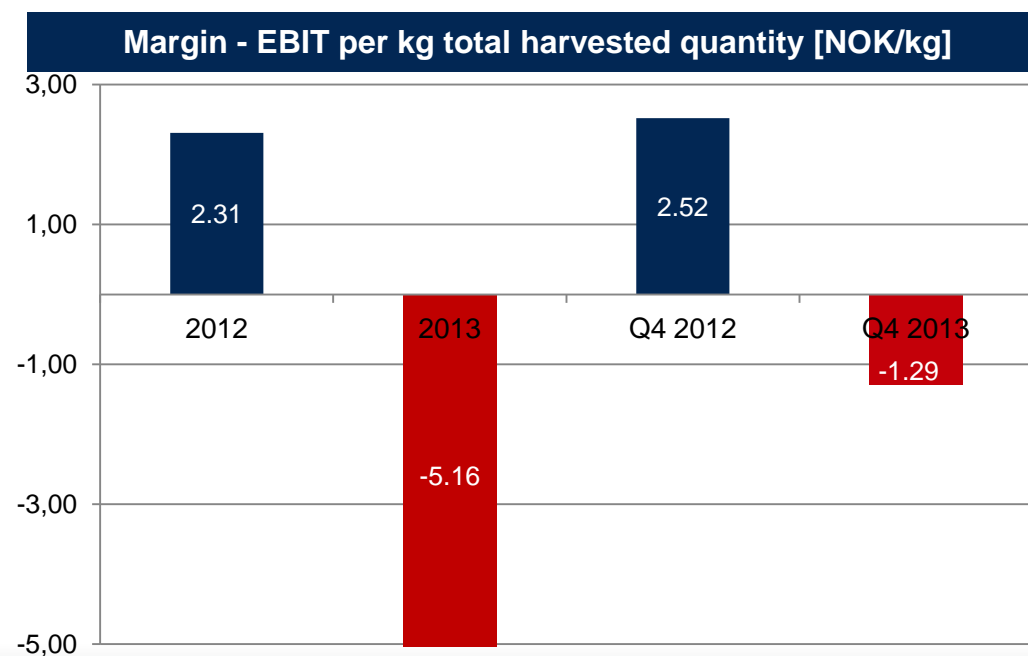
**Margin – negative impacted [NOK/kg]**



### Revenues and margin

- Revenues increased 33%, while volume increased 12%
- Margins negative in Q4 in total, but margins were positive in November
- 40-45% of total harvested volume in 2014 is expected to be sold as VAP on contracts
- Second shift in VAP-Fuglafjörður started in November 2013. Now two shifts in both factories

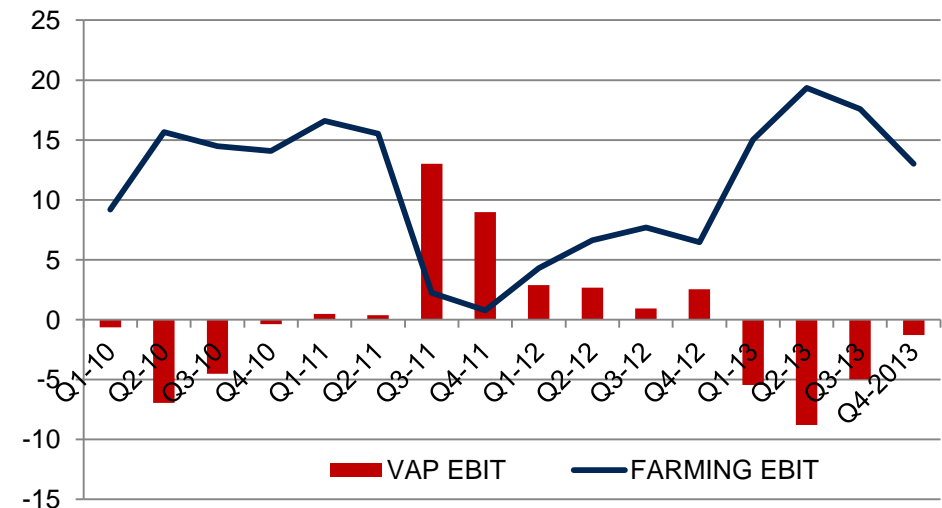
(DKK million)	Q4 2013	Q4 2012	2013	2012
Operating revenues	203	153	666	526
Operational EBIT	-6	11	-90	37
Operational EBIT margin	-3%	7%	-14%	7%
VAP produced volumes (tgv)	5,033	4,495	18,333	16,054



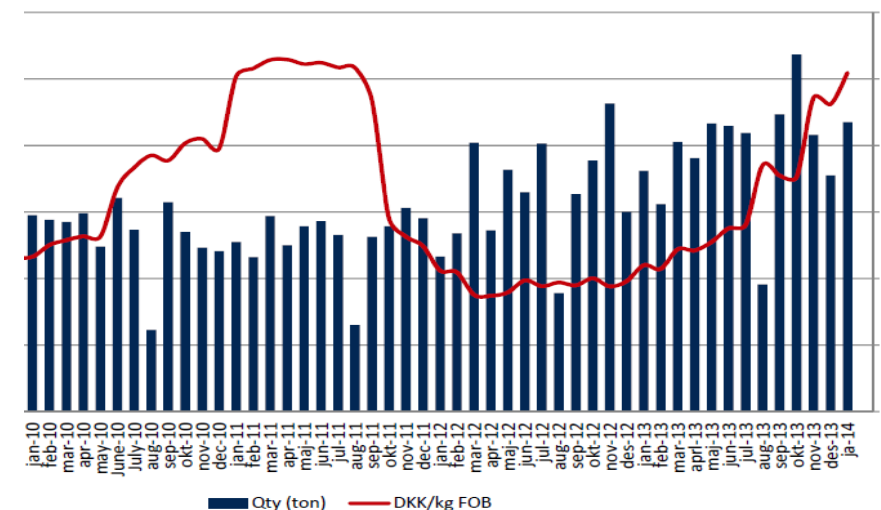
## Strategy

- VAP production is a long term strategy. Sales of products are directly to end markets. Contracting products optimizes markets and stabilises cash flow
- Losses during periods with high increase in spot prices, and gains during periods with drop in spot prices
- Contract prices increasing significantly in Q4 2013 and in 2014
- 70% of the VAP capacity for 2014 sold

Margin - EBIT per kg total harvested quantity [NOK/kg]



Sales prices and volumes



## SEGMENT FISHMEAL, OIL AND FEED (FOF)

- Raw material intake for fishmeal/oil production was 18 thousand tonnes in Q4 2013 compared with 8 thousand tonnes in Q4 2012
- EBITDA margin increased from 7.43% to 8.45% due to higher production of fishmeal and oil
- Sale of fish feed lower in Q4 2013 than in Q4 2012 due to timing
- Sale in 2013 in line with expectations

### Fishmeal, Oil and Feed

(DKK million)	Q4 2013	Q4 2012	2013	2012
Operating revenues	253	248	1,083	889
EBITDA	21	18	126	85
EBITDA Margin	8.45%	7.43%	11.61%	9.5%
Sale of feed (tonnes)*	20,270	25,047	85,333	91,398



\* Including sale to Bakkafrost corresponding to ~73% of feed volumes in Q4 2013 (Q4 2012: 65%)

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# GROUP PROFIT AND LOSS

- Revenue up 15% corresponding to DKK 85 million) due to:
  - Improved market prices for salmon (spot and VAP)
  - Harvest volumes down 15%
- Operating EBIT increased by 27% from DKK 99 million in Q4 2012 to DKK 126 million in Q4 2013
- Increase in fair value of biomass due to high salmon prices
- Increased provision for onerous contracts due to high spot prices at year end
- Improved financial costs due to unrealised currency gains
- Profit after tax decreased from DKK 148 million to DKK 138 million from Q4 2012 to Q4 2013

(DKK million)	Q4 2013	Q4 2012	2013	2012
Operating revenues	667	582	2,491	1,855
<b>Operational EBITDA*</b>	<b>149</b>	<b>120</b>	<b>674</b>	<b>403</b>
<b>Operational EBIT*</b>	<b>126</b>	<b>99</b>	<b>587</b>	<b>323</b>
Fair value adjustment on biological assets	94	114	115	91
Onerous contracts	-64	-46	-25	-46
Income from associates	11	8	24	-6
Loss from sale of subsidiary	0	0	0	-18
<b>EBIT</b>	<b>167</b>	<b>175</b>	<b>701</b>	<b>344</b>
Net Financial items	7	-7	26	-20
<b>EBT</b>	<b>174</b>	<b>168</b>	<b>727</b>	<b>324</b>
Taxes	-36	-20	-138	-56
<b>Profit for the period continuing operations</b>	<b>138</b>	<b>148</b>	<b>589</b>	<b>268</b>
Profit for the period discontinuing operations	0	0	0	13
<b>Profit for the period</b>	<b>138</b>	<b>148</b>	<b>589</b>	<b>281</b>
<b>Operational EBITDA margin</b>	<b>22.3%</b>	<b>20.6%</b>	<b>27.0%</b>	<b>21.7%</b>
<b>Operational EBIT margin</b>	<b>18.9%</b>	<b>17.0%</b>	<b>23.6%</b>	<b>17.4%</b>
<b>Operational EBIT/Kg (Farming and VAP) (NOK)</b>	<b>12.44</b>	<b>7.25</b>	<b>13.98</b>	<b>7.04</b>
<b>EBITDA margin (fishmeal, oil and feed)</b>	<b>8.45%</b>	<b>7.43%</b>	<b>11.61%</b>	<b>9.50%</b>

\*Operational EBITDA and EBIT adjusted for non-operational related items, such as fair value adjustment of biomass, onerous contracts, income/loss from associates etc.

# BALANCE SHEET

- Investments in PPE of DKK ~64 million in Q4 2013 and 165 million YTD 2013 in addition to prepayments of DKK 34 on construction of PPE
- Financial assets increased due to positive operation in Faroe Farming
- Increased biomass at sea and fair value of biological assets
- Increased receivables due to improved salmon prices
- Equity increased as a result of positive operations.
- NIBD at DKK 678 million down from DKK 806 million at end 2012
- Equity ratio 54% (Covenants 40%)

(DKK million)	2013	2012
Intangible assets	295	294
Property, plant and equipment	917	813
Financial assets	115	91
Long term receivables	2	0
Biological assets	966	747
Inventory	235	243
Receivables	278	212
Other receivables	122	146
Cash and cash equivalents	182	25
<b>Total Assets</b>	<b>3,112</b>	<b>2,571</b>
Equity	1,665	1,263
Deferred tax and other taxes	311	258
Long term interest bearing debt	760	732
Short term interest bearing debt	100	100
Account and other payables	276	218
<b>Total Equity and Liabilities</b>	<b>3,112</b>	<b>2,571</b>

# CASH FLOW

- Improved cash flow from operations in Q4 2013 improved due to strong salmon prices
- Cash flow from investments represents investments in property plant and equipment and prepayment for assets under construction
- Undrawn loan facility of DKK 684 million of which DKK 15 million is restricted

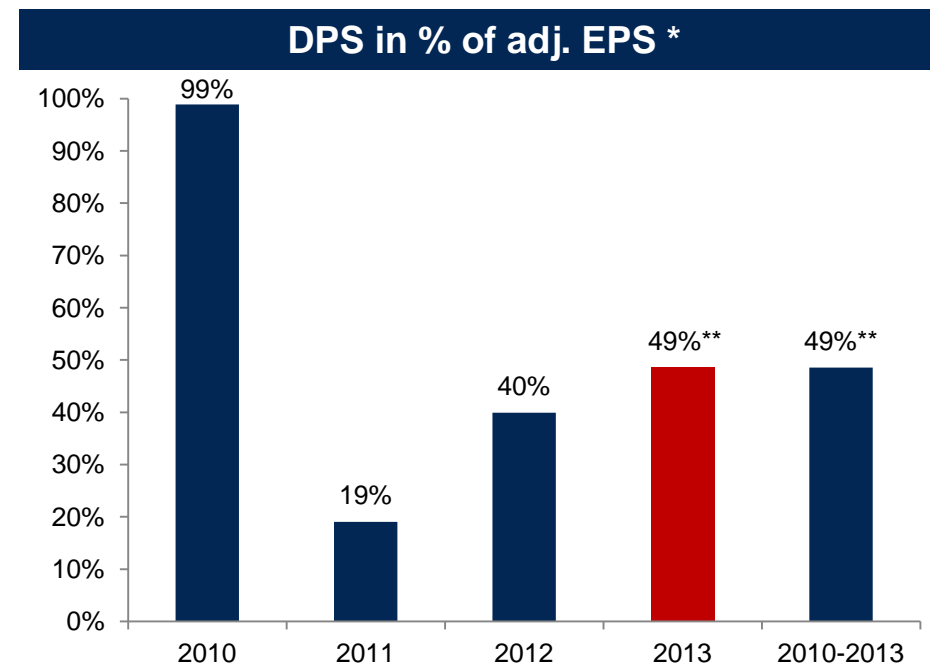
(DKK million)	Q4 2013	Q4 2012	2013	2012
Cash flow from operations	187	104	518	285
Cash flow from investments	-97	-45	-205	-67
Cash flow from financing	-72	-44	-156	-211
Net change in cash	18	15	157	8
Cash at the end of the period	182	25	182	25
Undrawn facilities	684	146	684	146

## Dividend

- Proposed dividend of DKK 4.50 (NOK ~5.03) per share to be paid out in Q2 2014
- Bakkafrost purchased treasury shares in 2013, equivalent to DKK 0.59 (NOK 0.66) per share.
- Dividend incl. an acquisition of treasury shares is DKK 5.09 (NOK ~5.69)

## Dividend policy

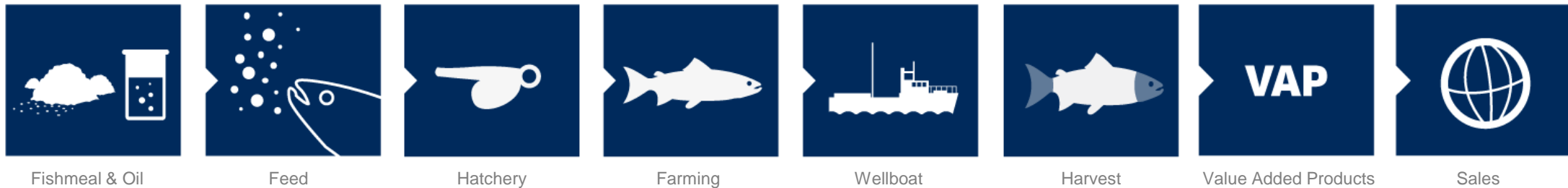
- Competitive return through:
  - Dividends
  - Increase in the value of the equity
- Generally the company shall pay dividends to its shareholders
- A long-term goal for the Board of Directors is that 30–50% of EPS shall be paid out as dividend



\* Operational EBIT is EBIT adjusted for fair value adjustment of biomass, onerous contracts, income/loss from associates, acquisition costs and goodwill

\*\* Proposed dividend including acquisition of treasury shares

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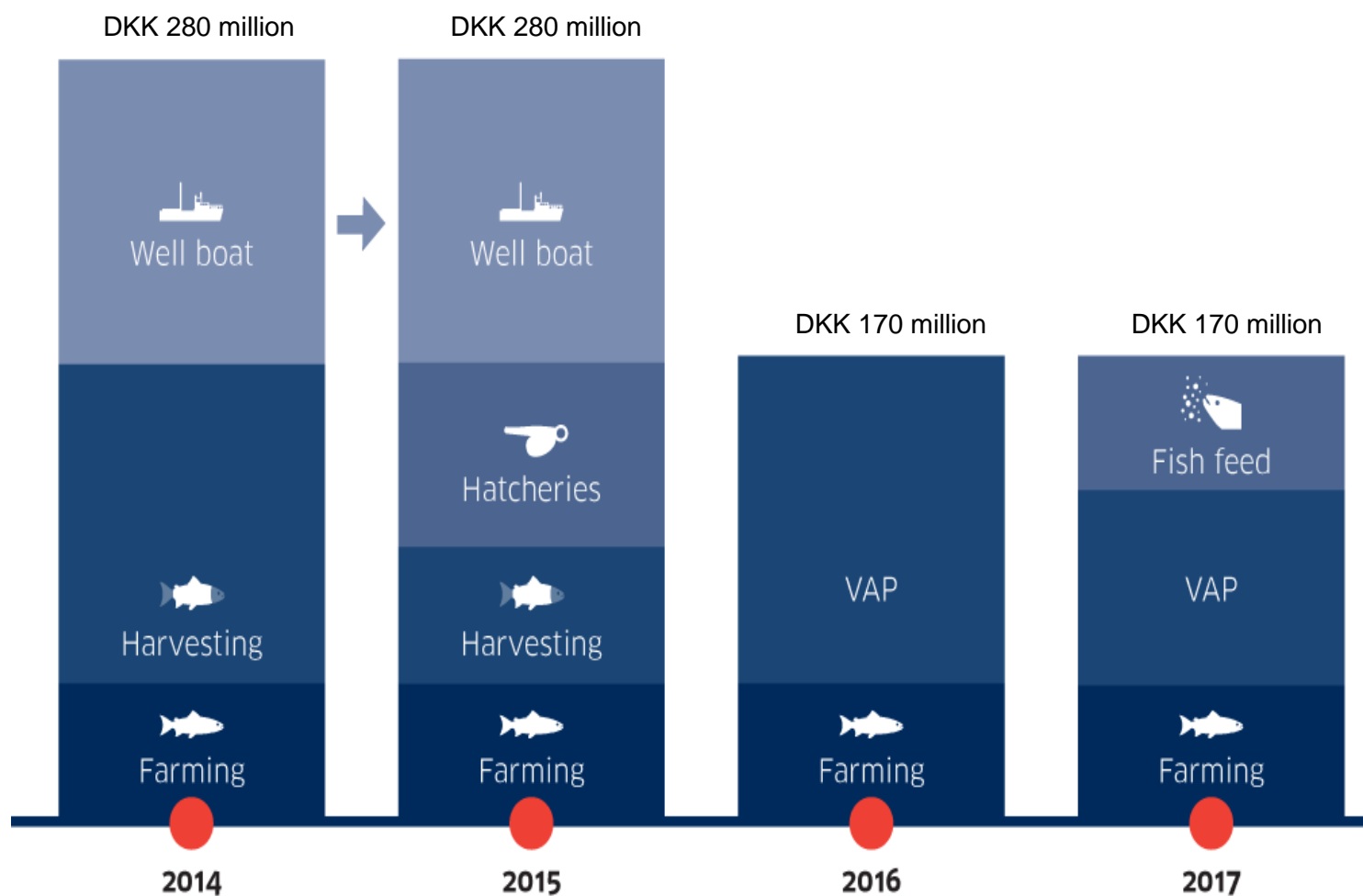


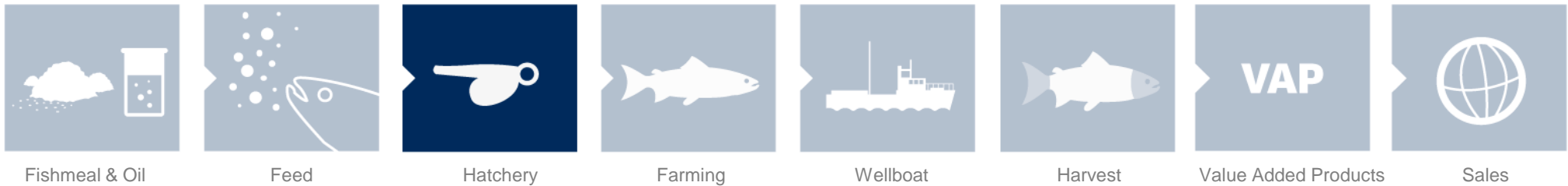
### Investment plan 2013-2017:

- Seven plants into one integrated plant (Packaging, Harvest and VAP) at Glyvrrar to take out synergies, reduce costs and meet future market trends
- New well boat to increase capacity, improve quality and reduce biological risk
- Increase smolt capacity to increase farming capacity and reduce biological risk
- Increase feed capacity to meet future demands

## INVESTMENTS - PREPARING FOR THE FUTURE

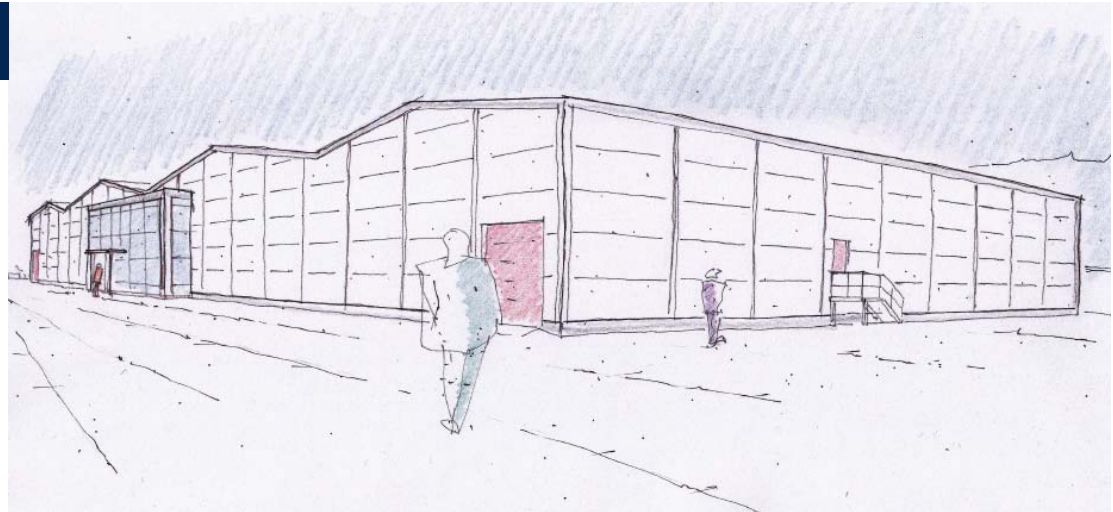
### INVESTMENTS 2014 - 2017





### Hatchery at Norðtoftir

- Finalised spring 2014
- Investment of DKK 53 million
- Recycling of 99% of water
  - saving water and heating
- Capacity of 2 million 100g smolts per year
- Increased BakkaFrost total capacity by 30%



## INVESTMENTS - PREPARING FOR THE FUTURE

### Building a new well boat

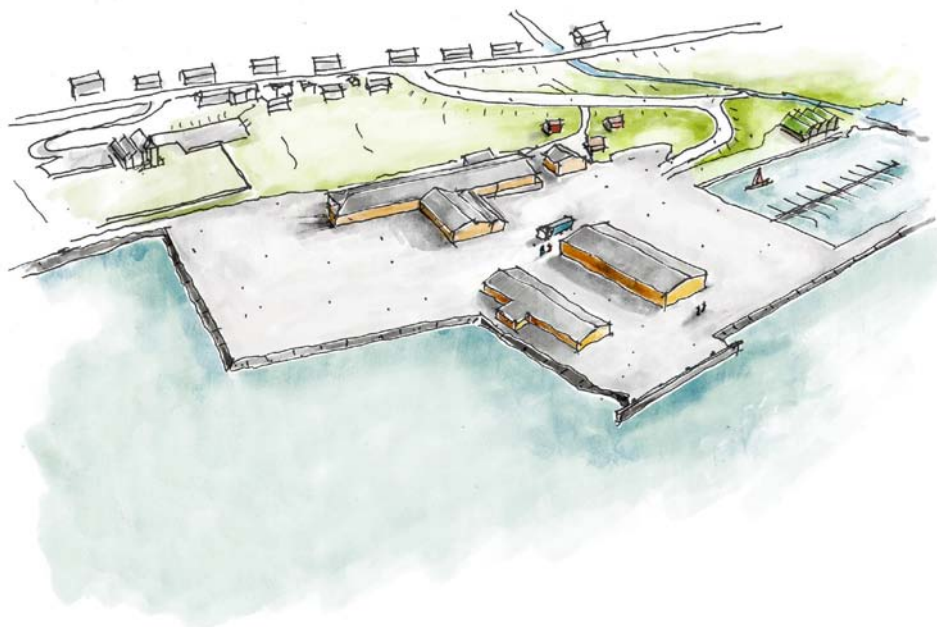
- Owned and operated by Bakkafrost
- Rolls Royce design
- Contract signed with the shipyard Tersan in Yalova, Turkey
- Planned to be delivered mid 2015
- Estimated total costs DKK 230 million



### Specifications

- Length overall 75.8 meters
- Width mid 16 meters
- Fish hold 3,000 CUM
- 450 tonnes of salmon live fish carrier

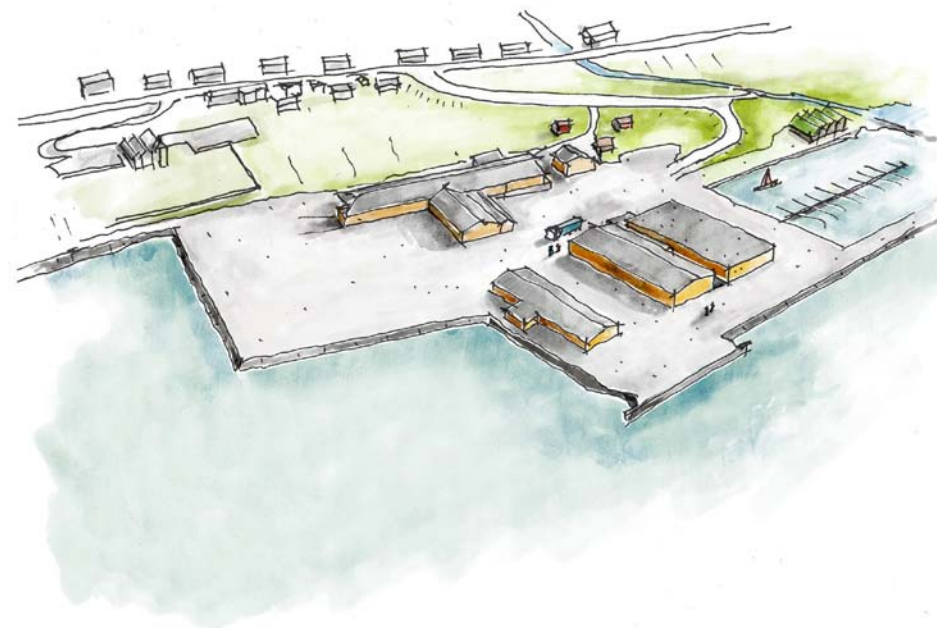
### Present Packaging plant at Glyvrrar



### New Packaging plant at Glyvrrar

#### Phase 1: Integration with Harvest

- Construction in process
- Estimated costs DKK 26 million
- Start up during summer 2014
- 3,500 m<sup>2</sup> including existing 1,300 m<sup>2</sup> storage



- SUMMARY OF Q4 2013
- MARKETS AND SALES
- FINANCIAL HIGHLIGHTS
- SEGMENT INFORMATION
- GROUP FINANCIALS
- INVESTMENTS 2014-2017
- **OUTLOOK**



# OUTLOOK

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## Market

- Tight salmon market expected in H1 2014
- Increase in supply in H2 2014
- Spot prices now around NOK 48 per kg
- Forward prices for 2014 are between NOK 35 and NOK 45 per kg
- Global supply growth estimated to 4-6% in 2014

## Farming

- Estimate to harvest 45,000-48,000 tonnes HOG in 2014
- Smolt release 2014 expected to be 11.6 million pieces

## Biology

- Good biology and fish health
- Surveillance tests discovered ISA virus in Febr-14, fish harvested within one week at full size
- No further positive PCR ISA-V results despite full checks of neighbour sites
- No clinical ISA

## VAP

Around 70% of the VAP capacity for 2014 contracted.

- Contracted volumes corresponds to 30% of harvested volumes in 2014
- Contract prices on a significant higher level than in 2013

## Fishmeal, oil and Feed

- Forecast for Feed sales 83,000 - 87,000 tonnes in 2014

## Business development

- Optimise the Value Chain according to the announced investment plan
- Pursue Organic Growth
- Financial flexibility enables M&A

## Tax proposal to be voted in near future

- Government propose to increase tax on companies holding farming licenses:
  - Increase on tax on taxable income from 2.5% to 4.5%
  - Introduce 0.5% tax on revenue
- Only partly effect on the BakkaFrost Group's payable tax



ESTABLISHED 1968

THANK YOU!



- 18 islands – 1,387 km<sup>2</sup>
- 48,282 inhabitants (June 1<sup>st</sup> 2013)
- Home rule – within the Kingdom of Denmark
- Part of the Danish monetary union, Danish krone (DKK)

## Key sectors (% of wage earners, 2012)

- Service/public admin.: ~36%
  - Private service: ~33%
  - Construction: ~12%
  - Fishing : ~19%
  - Unemployment rate (end 2012): 5.5%
  - Total working force (no of people 2012): 23,678
- 
- GDP: DKK 13.3 bn (2011)
  - GDP/capita: DKK 274,000 (2011) (EU: 175,530) (2009)

## Total export of fish products (2013)

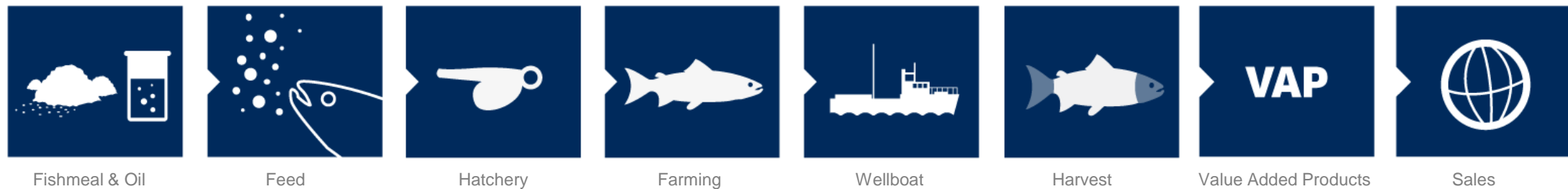
- DKK 5,766 million
- whereof farmed fish accounts for 42.5%

## TAXES

- Total Percent of GDP: 45.2% (2011)
- Corporate Tax: 18%
- Farming Licence Tax 2013: 2.5%
- Restriction on a single foreign ownership of 20% in farming companies
- One company may max. control 50% of licences in the Faroe Islands



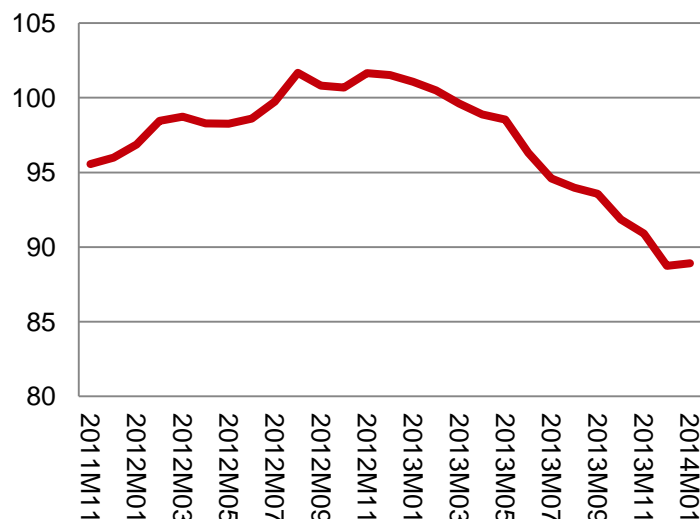
Source: Hagstova Føroya



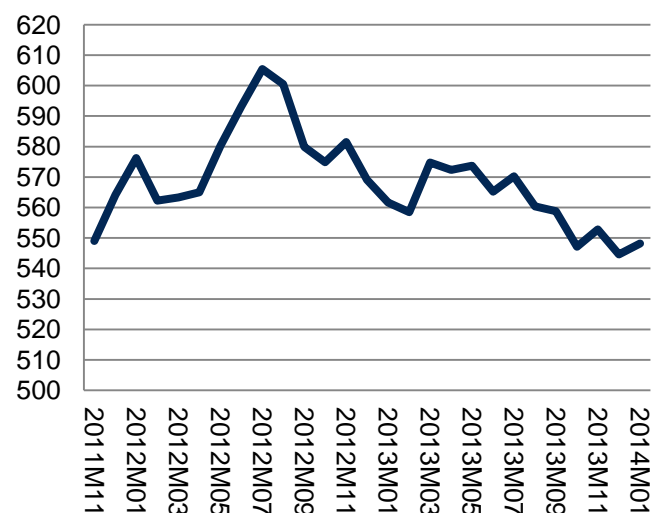
- One of the most vertical integrated salmon farming companies in the world
- Full traceability to the benefit of our customers
- 45 years of experience
- Focus on cost centres
- Vertical integration reduces operational and financial risk
- A market focused company with own sale and marketing department

# MONTHLY EXCHANGE RATES

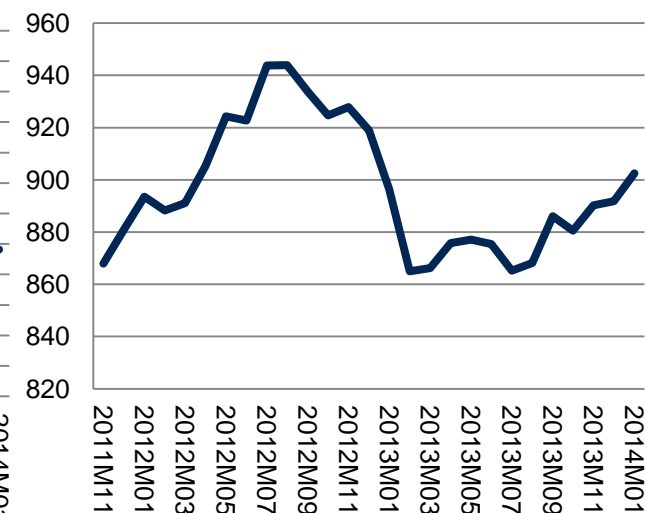
**NOK/DKK**



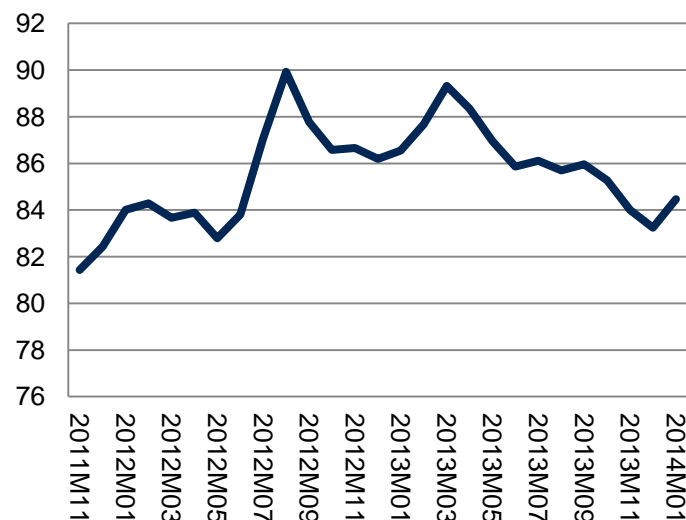
**USD/DKK**



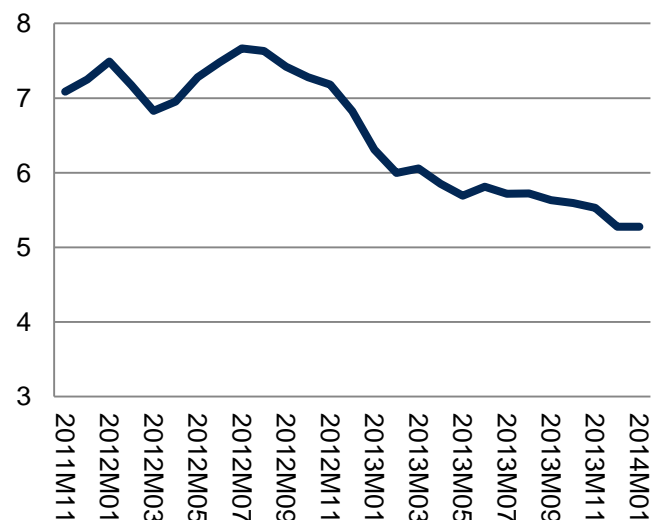
**GBP/DKK**



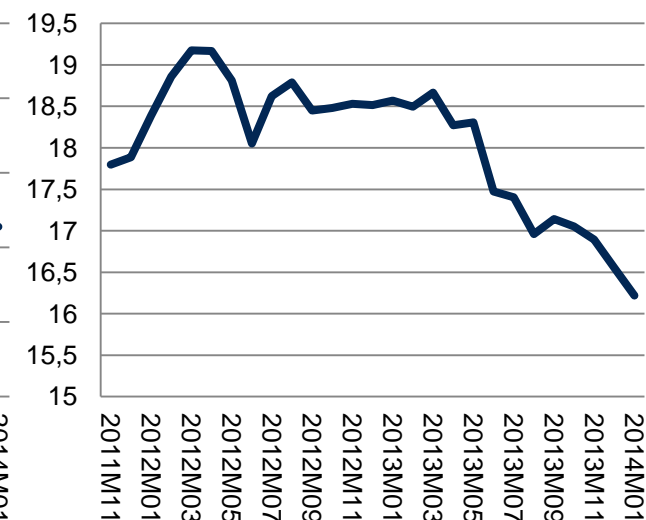
**SEK/DKK**



**JPY/DKK**



**RUB/DKK**



# FAROE ISLANDS

## – EXCELLENT CONDITIONS FOR COST EFFECTIVE FARMING

### GEOGRAPHY

- Natural growth area for wild salmon
- Faroese fjords provide separation between locations
- Improves biological control and area management

### WATER

- Stable seawater temperatures throughout the year between 6-12 degrees Celsius
- Excellent water quality and circulation conditions

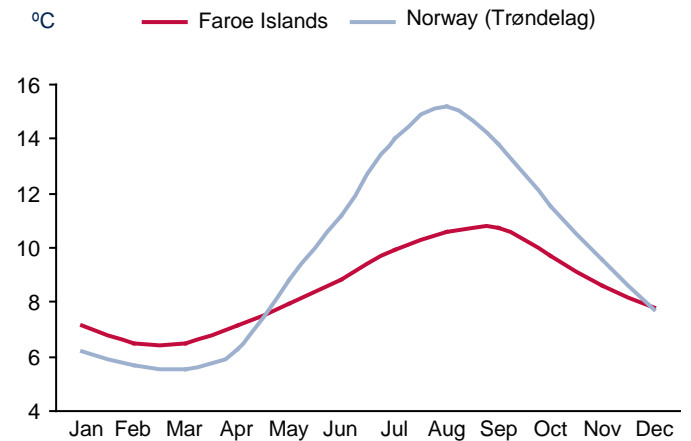
### LOCATION

- Efficient distribution to European, US and Far Eastern markets

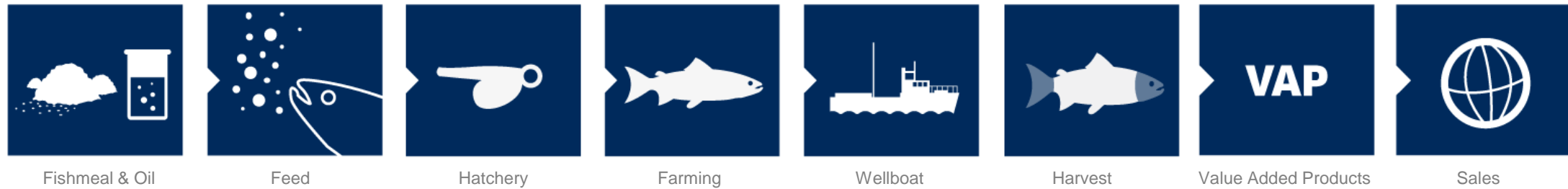
### BIOMASS

- Biological sustainability setting the biomass target per license

### Average Seawater Temperatures



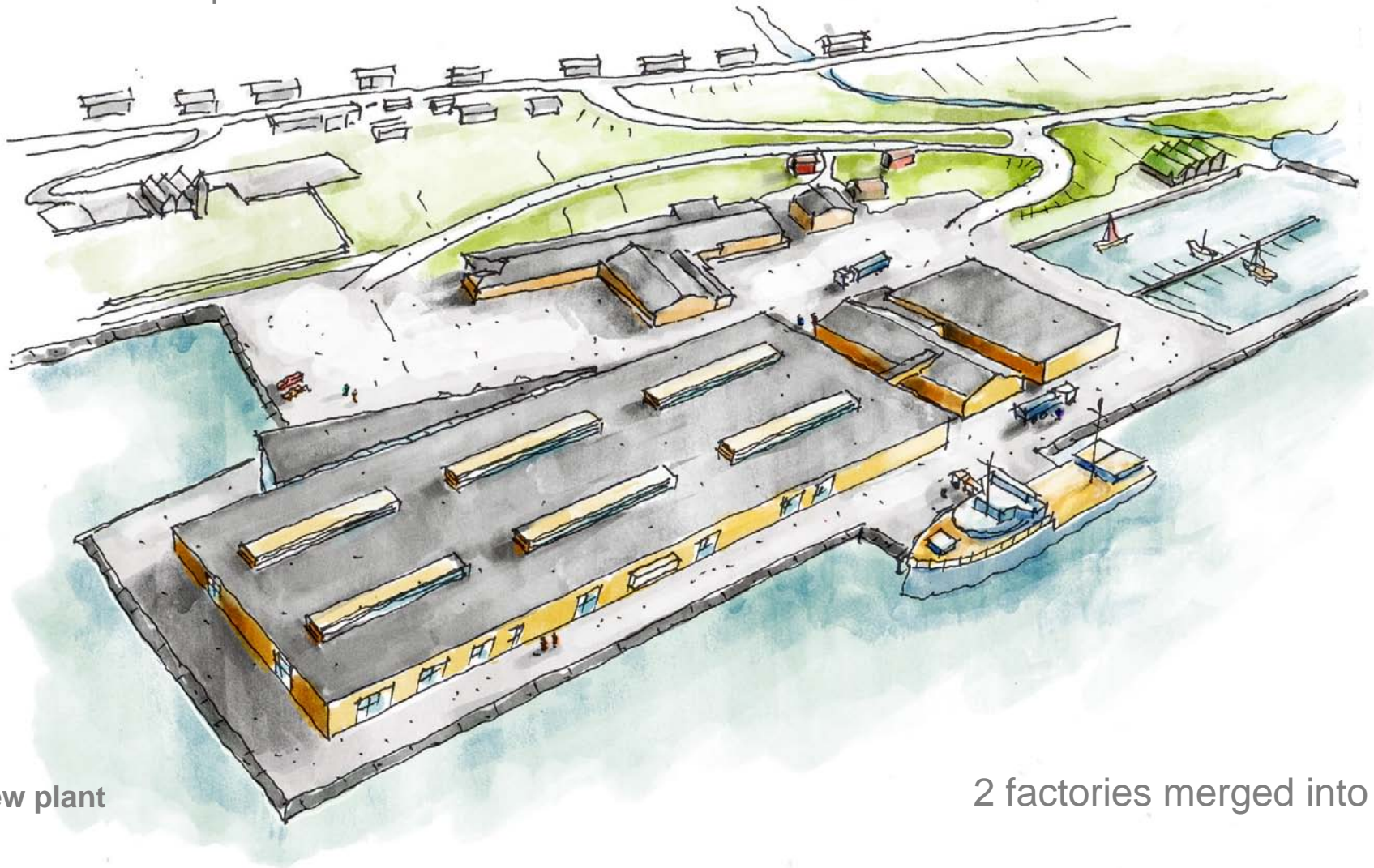
Source: Company material, Havforskningsinstituttet



**The investments will be made step by step in the relevant parts in the value chain to secure:**

- **Efficiency**
- **Biological risk**
- **Organic growth**

### Phase 3: New VAP operation



Draft of new plant

2 factories merged into one

### **Financing of the investments 2014-2017**

- Use free cash flow from operation
- Unused financing of DKK 684 million
- Partly new financing if advantageous

### **Unchanged dividend policy**



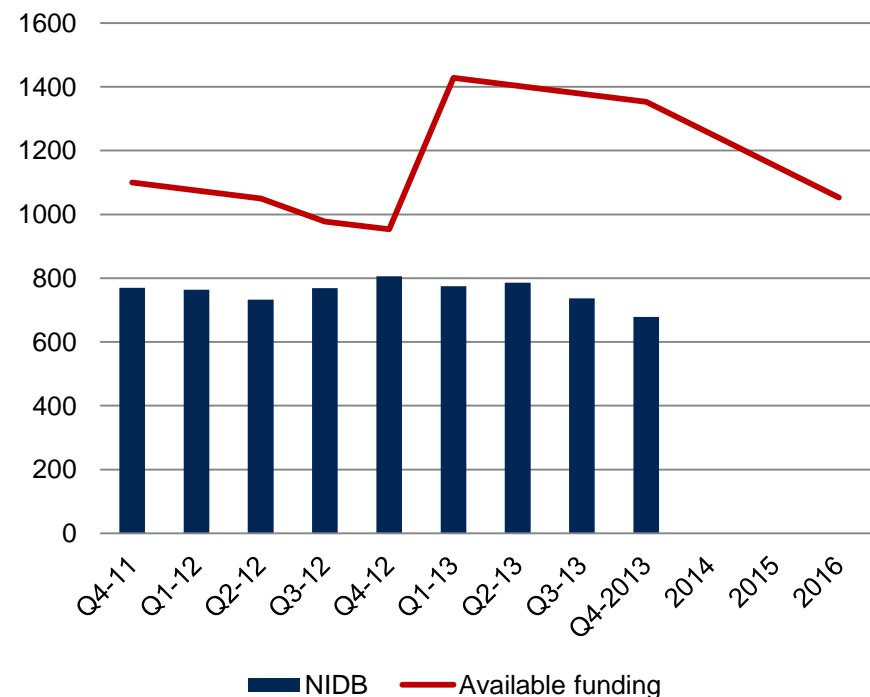
## Financing of the Group

- Total funding to DKK ~ 1,353 million
- Bonds NOK 500 million due Feb 2018 (swapped into DKK)
- Instalment loan of DKK 300 million, repayable with DKK 25 million each quarter
- Revolving credit facility of DKK 553 million due in 2017
- NIBD end 2014: DKK 678 million

## Covenant loans

- NIBD/ EBITDA max 3.5 over 12 months ( Bonds 4.0)
- From year end 2013: Equity ratio of 40.0%

## NIBD and available funding



## WHY ARE WE DOING THIS?

- Business as usual is no longer an option
- If the industry is to expand its social license, the way we operate has to improve
- By working together we can share knowledge on how best to protect the environment
- Improvements can be made faster and more effectively

*"The salmon sector is finally working together and embracing sustainability. This is going to radically change aquaculture and have ripple effects in the entire global food industry."*



## WHAT ARE WE FOCUSING ON?

### Standards

All GSI members have committed to reaching the ASC standard by 2020

### Biosecurity

Make significant progress on sea lice management, through the cooperation and support of all GSI members

### Feed

Working with our partners to identify sustainable sources of feed

3x



Global salmon consumption is 3 times higher than it was in 1980

70%



Salmon aquaculture is the world's fastest growing food production system—accounting for 70% of the market

## GSI MEMBER COMPANIES



Empresas  
AquaChile



Bakkafrost



Blumar Seafoods



Compañía Pesquera  
Camanchaca



Cermaq



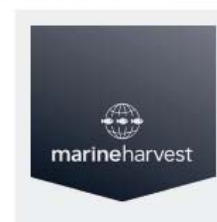
Grieg Seafood



Lerøy  
Seafood Group



Los Fiordos



Marine Harvest



Norway  
Royal Salmon



SalMar



Multiexport  
Foods SA



Scottish  
Sea Farms



The Scottish  
Salmon Company

# LARGEST SHAREHOLDERS

## 20 largest shareholders

No of shares	share	Name	Origin
4.594.901	9,5%	JACOBSEN Oddvør	Føroyar
4.491.217	9,3%	JACOBSEN Regin	Føroyar
2.454.264	5,1%	TF ÍLØGUR P/F	Føroyar
1.310.750	2,7%	SKANDINAVISKA ENSKILDA BANKEN AB	SVERIGE
1.235.662	2,5%	J.P. MORGAN CHASE BANK N.A. LONDON	STORBRITANNIA
1.170.800	2,4%	JP MORGAN CHASE BANK, NA	Norge
1.066.506	2,2%	J.P. MORGAN CHASE BANK N.A. LONDON	STORBRITANNIA
1.038.203	2,1%	MORGAN STANLEY & CO INTERNAT. PLC	STORBRITANNIA
964.951	2,0%	J.P. MORGAN CHASE BANK N.A. LONDON	STORBRITANNIA
879.307	1,8%	J.P. MORGAN LUXEMBOURG S.A.	STORBRITANNIA
866.702	1,8%	STATE STREET BANK AND TRUST CO	U.S.A.
750.000	1,5%	VERDIPAPIRFONDET HANDELSBANKEN	Norge
715.392	1,5%	NORDEA NORDIC SMALL CAP FUND	STORBRITANNIA
668.457	1,4%	STATE STREET BANK AND TRUST CO.	U.S.A.
659.710	1,4%	Føroya Lívstrygging	Føroyar
641.926	1,3%	PICTET & CIE (EUROPE) S.A.	LUXEMBOURG
636.770	1,3%	STENSCHAGEN INVEST AS	Norge
569.232	1,2%	CACEIS BANK FRANCE	FRANKRIKE
562.441	1,2%	KATRIN DAHL JAKOBSEN	Føroyar
554.588	1,1%	SEB PRIVATE BANK S.A. (EXTENDED)	LUXEMBOURG
<b>25.831.779</b>	<b>53,3%</b>	<b>Total share 20 largest shareholders</b>	
<b>48.479.484</b>		<b>Total number of outstanding shares as per February 20th 2014</b>	
<b>48.858.065</b>		<b>Total number of shares as per February 20th 2014</b>	
<b>378.581</b>	<b>0,8%</b>	<b>Whereof own shares</b>	

## Origin of shareholders, 5 largest countries

No of shares	share	No of shareholders
15.932.528	32,9%	Føroyar 822
10.810.633	22,3%	STORBRITANNIA 73
10.447.102	21,5%	Norge 1.400
4.329.101	8,9%	U.S.A. 42
1.748.806	3,6%	SVERIGE 12

**Total number of shareholders: 2,432**

## Share price development since listing in NOK

Last 12 months



2010-2014



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