

# Q3 2014

**BAKKAFROST GROUP**  
Glyvrar 28 October 2014

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- **SUMMARY OF Q3 2014**

- MARKETS AND SALES
- SEGMENT INFORMATION
- GROUP FINANCIALS
- STATUS ON INVESTMENT
- OUTLOOK
- APPENDIX

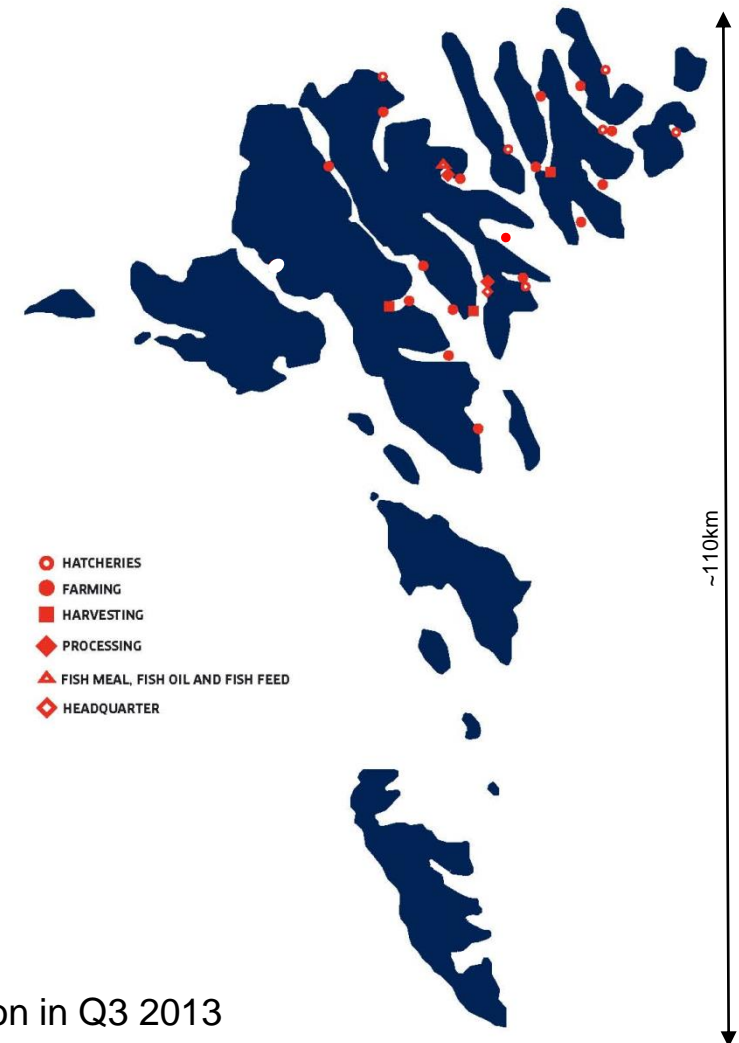


# BAKKAFROST

## – 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<sub>gw</sub> in Q3 2014 (11,335 t<sub>gw</sub> 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
<b>Operational EBIT</b>	<b>208.7</b>	<b>186.8</b>	<b>606.3</b>	<b>461.1</b>
<b>Profit for the period</b>	<b>211.3</b>	<b>199.6</b>	<b>424.7</b>	<b>451.4</b>
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%

## ■ Market

- The balance tipped last month in Q3
- VAP products strong performance
- High demand despite market challenges
- Market interruption by the import ban put into effect by the Russian authorities

## ■ Operation

- Harvested volumes 4% lower compared with Q3 2013
- Transferred 2.2 million smolts in Q3 2014
- Biology good
- Feed sales 7% lower compared with Q3 2013
- Fishmeal and oil benefitting from increased market prices during the quarter



Bakkafrost's new wellboat "Hans á Bakka" under construction at Tersan shipyard, Istanbul, to be delivered in May 2015  
(Picture taken 14th October 2014)



- SUMMARY OF Q3 2014

- **MARKETS AND SALES**

- SEGMENT INFORMATION

- GROUP FINANCIALS

- STATUS ON INVESTMENT

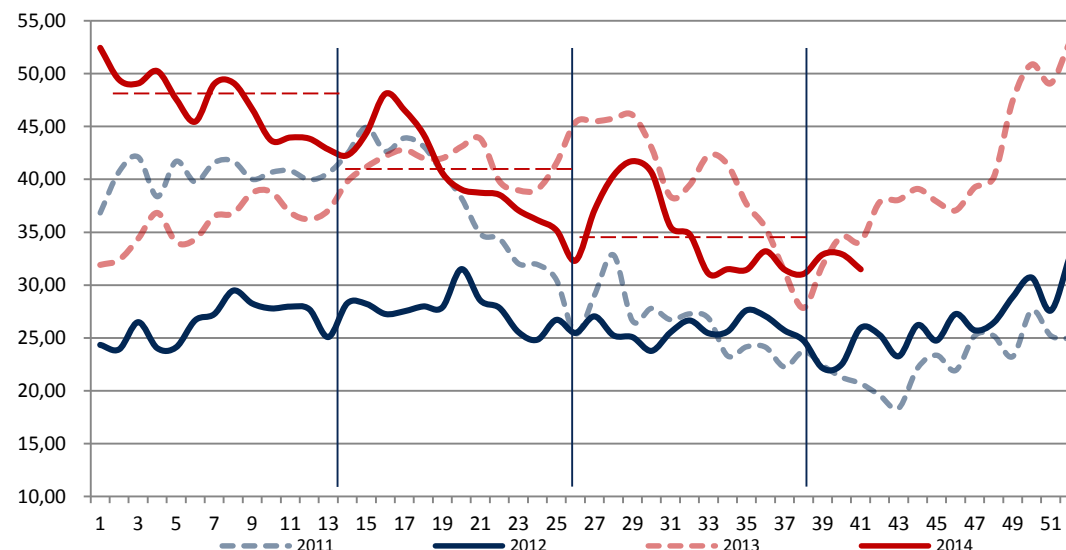
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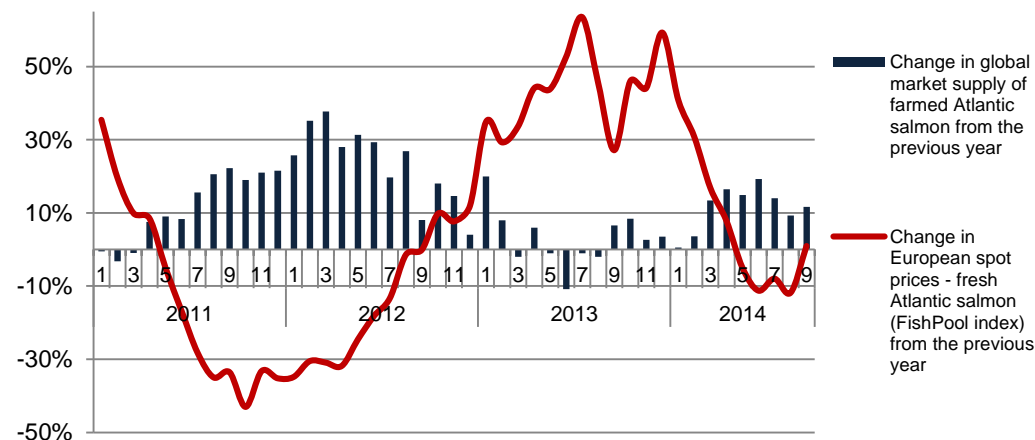


- The NASDAQ salmon price for size 4-5 decreased:
  - y/y Q3 2014 / Q3 2013 by ~10%  
- by 3.91 NOK/kg from 38.59 to 34.68
  - q/q Q3 2014 / Q2 2014 by ~14%  
- by 5.64 NOK/kg from 40.32 to 34.68
- The growth rate of global supply was between 9% and 14% each month, in average 13%
- The relative price change was slightly positive y/y in the last month of Q3 2014 by 1% - marking the tipping point of the market

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



## Change in global market supply and market price



Source: Kontali Analyse

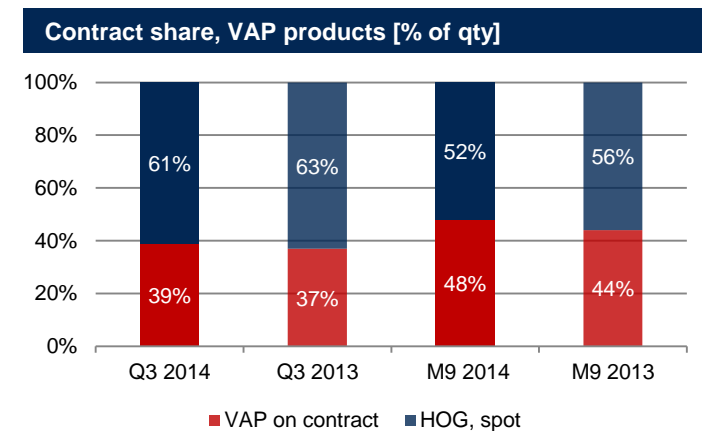


## Bakkafrost benefits of the global salmon market

- 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%



## A MARKET IN BALANCE IN 2014, LIMITED GROWTH EXPECTED IN 2015

- The expected supply in 2014 from Norway has been reduced 20,000 tonnes since Q2
  - Norway is expected to increase volumes by 6% rather than of 4% in 2014
  - Chile is expected to increase production by 22% in 2014 instead of 15% expected in Q2, 28.000 tonnes up
- Overall expected global supply increase in 2014 is 8%.
- Tight market expected in 2015 with only 3% increase in supply, while demand increase is appr. 7% per year

### Global supply of Atlantic Salmon (head on gutted - HOG)

	2011	2012	2013	2014E	2015E
Norway	904	1.066	1.029	1.075	1.139
UK	139	143	142	148	153
Ireland	14	14	10	11	12
Faroes	51	65	66	73	66
<b>Total Europe</b>	<b>1.109</b>	<b>1.288</b>	<b>1.247</b>	<b>1.307</b>	<b>1.369</b>
Chile	196	318	418	509	481
Canada	108	123	104	100	116
USA	16	18	18	18	18
<b>Total Americas</b>	<b>320</b>	<b>459</b>	<b>539</b>	<b>628</b>	<b>615</b>
Other	38	44	48	53	61
<b>Total (Sold Quantity)</b>	<b>1.467</b>	<b>1.791</b>	<b>1.834</b>	<b>1.988</b>	<b>2.045</b>
<b>Supply growth - Global</b>		<b>22%</b>	<b>2%</b>	<b>8%</b>	<b>3%</b>
Supply growth - Europe		16%	-3%	5%	5%
Supply growth - Americas		43%	18%	16%	-2%

Source: Kontali

# DEMAND DEVELOPMENT SPLIT BY MARKETS

- The supply growth in Q3 2014 was 13% compared with Q3 2013
- The total volume increased 57,400 tonnes
- YTD 138,900 tonnes more salmon sold in the market
- Despite high average prices YTD 2014, we see very high growth rates in many markets
- High demand in the EU market increased the volume by 25,300 tonnes
- Strong demand in the US market and Asia

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

Markets	Estimated volumes		Q3 comparison		Estimated volumes		YTD comparison	
	Q3 2014e	Q3 2013	Volume	%	YTD 2014e	YTD 2013	Volume	%
EU	229.700	204.400	25.300 ↑	12%	635.800	578.900	56.900 ↑	10%
USA	91.300	79.400	11.900 ↑	15%	268.100	248.000	20.100 ↑	8%
Russia	32.700	33.000	-300 ↓	-1%	91.800	97.400	-5.600 ↓	-6%
Japan	14.000	13.300	700 ↑	5%	42.000	35.800	6.200 ↑	17%
Greater China	25.600	21.700	3.900 ↑	18%	74.200	57.400	16.800 ↑	29%
ASEAN	16.800	14.100	2.700 ↑	19%	44.400	39.700	4.700 ↑	12%
Latin America	32.000	30.100	1.900 ↑	6%	104.700	88.600	16.100 ↑	18%
Ukraine	4.100	6.200	-2.100 ↓	-34%	11.800	18.500	-6.700 ↓	-36%
Other markets	65.200	51.800	13.400 ↑	26%	173.700	143.300	30.400 ↑	21%
<b>Total all markets</b>	<b>511.400</b>	<b>454.000</b>	<b>57.400 ↑</b>	<b>13%</b>	<b>1.446.500</b>	<b>1.307.600</b>	<b>138.900 ↑</b>	<b>11%</b>

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

	2011	2012	2013	2014E	2015E
EU-27	704	826	814	877	914
USA	260	310	333	365	377
Japan	41	57	53	58	56
Russia	114	155	144	117	130
Others	348	443	489	571	567
<b>Total (Sold Quantity)</b>	<b>1.467</b>	<b>1.791</b>	<b>1.834</b>	<b>1.987</b>	<b>2.045</b>

### Comments:

Greater China = China / Hong Kong / Taiwan (Incl. estimated re-export from Vietnam)

ASEAN = Association of Southeast Asian Nations (Estimated re-export from Vietnam subtracted)

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 May & June and Q2 figures may be adjusted.

Source: Kontali

# SUPPLY OF ATLANTIC SALMON TO THE RUSSIAN MARKET

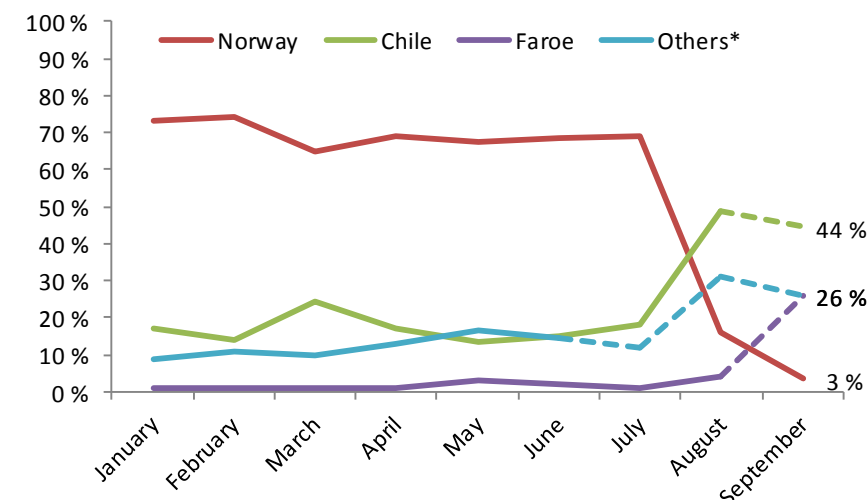
- Overall supply of Atlantic salmon to Russia continues to fall - down 6 % so far this year
- Norwegian supply share down from 70% to an estimated 3% in just two months – leading to shortage of fresh salmon products
- Increased Chilean supply of frozen Atlantics – offsetting some of the Russian demand
- Increased supply from 3rd countries
- Bakkafrost's sale to Russia 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	9 400	1 500	4 600	400	2 900
September	11 500	400	5 100	3 000	3 000

YoY-Ch.	Total	Norway	Chile	Faroe	Others*
Q1	↓ -4 600	↓ -5 500	↑ 100	↑ 200	↑ 600
Q2	↓ -600	↓ -1 200	↓ -2 300	↑ 500	↑ 2 200
Q3e	↓ -300	↓ -13 900	↑ 6 500	↑ 2 600	↑ 4 400

## Supply Shares (%) of Atlantic Salmon



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



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## Harvested volumes

- Harvested volumes decreased by 4% in the quarter but are up 4% YTD
- 91% of the volumes from the North region

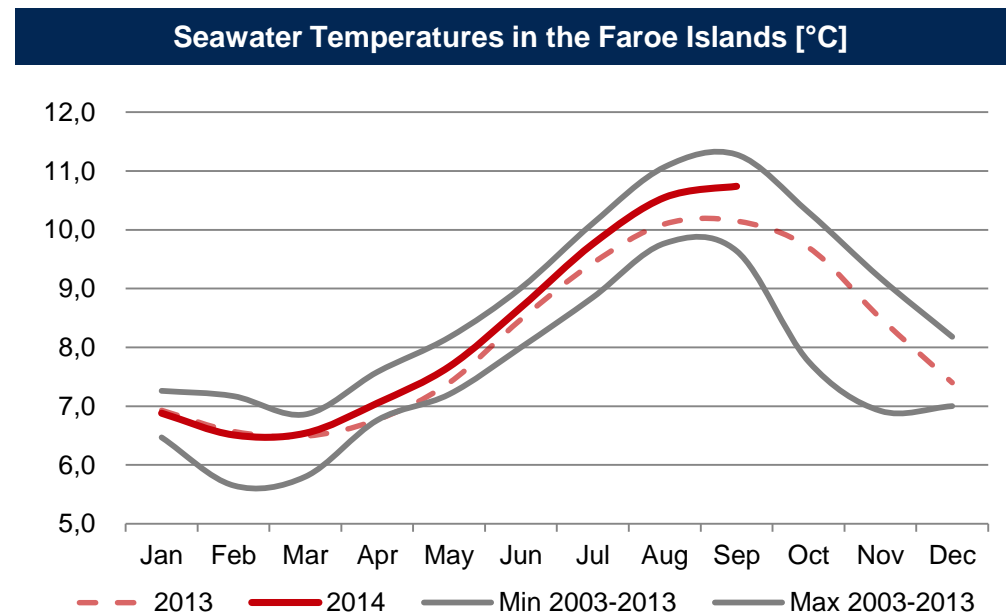
## Smolt transfer

- Smolt transfer 2.2 million pieces (Q3 2013 2.8) million
- Expected smolt release in 2014 10.7 million pieces
- Smolt release all months during the year due to favourable seawater temperatures

## Seawater temperature in the Faroe Islands

- Half degree warmer in Q3-2014 compared to the same period last year

Harvest Volumes tonnes [HOG]	Q3 2014	Q3 2013	M9 2014	M9 2013
West	1,033	4,340	13,319	9,073
North	9,848	6,995	18,043	21,098
<b>Total</b>	<b>10,881</b>	<b>11,335</b>	<b>31,362</b>	<b>30,171</b>



## Revenues and margin

- Operational EBIT margin increased from 36% to 38%
- Good biology and fish health
- Satisfying costs on harvested fish

(DKK million)	Q3 2014	Q3 2013	M9 2014	M9 2013
Operating revenues	435	520	1,469	1,466
Operational EBIT	167	188	513	512
Operational EBIT margin	38%	36%	35%	35%

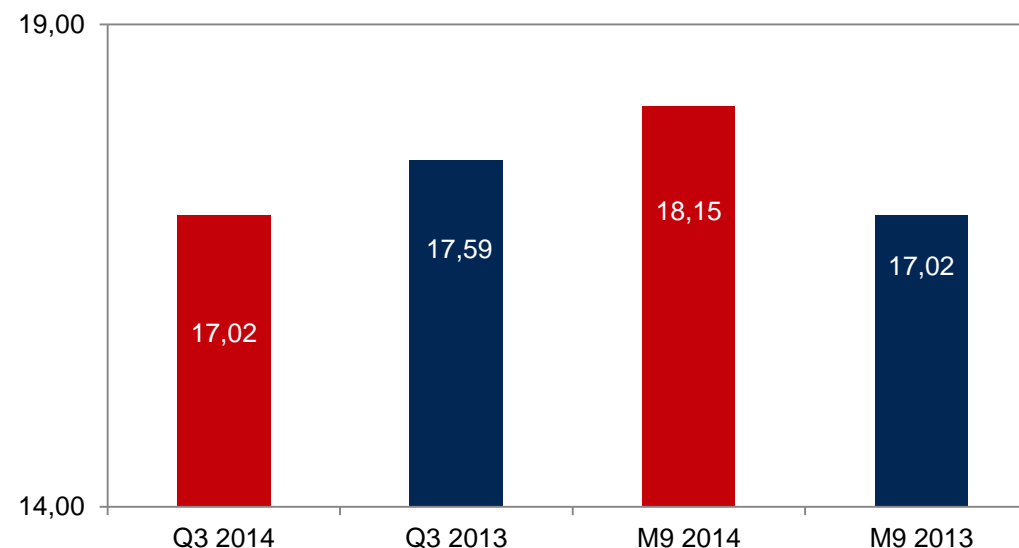


## Operation

- Lower EBIT/kg due to increased supply of salmon during the quarter and hence lower spot prices
- Harvested fish with good biological and financial performance

- Front end loaded harvest in West at higher market prices
- Backend loaded harvest in North at lower market prices

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

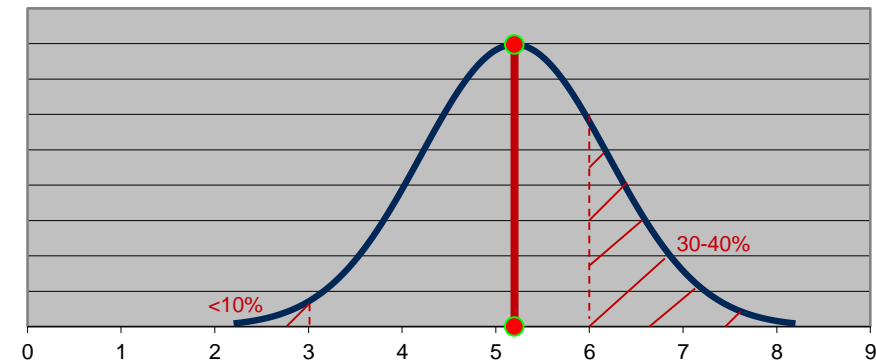


(NOK/kg)	Q3 2014		
Farming	Farming North	Farming West	Farming
Operational EBIT/kg gwt	16.67	20.39	17.02

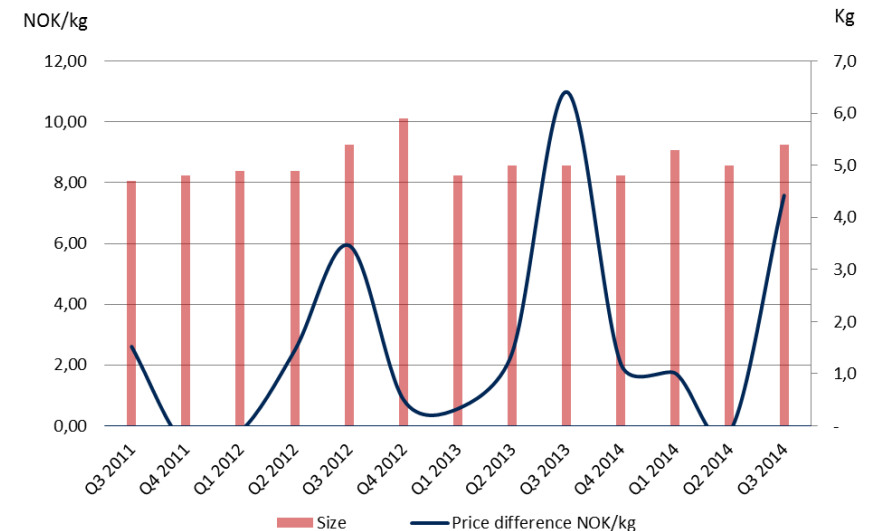


- The salmon size follows a normal distribution. Increased average weight means increased quantity of large fish and decreased quantity of small fish
- The average size of the harvested salmon was 7% higher in Q3 2014 than in Q3 2013 (5.4 kg gw in Q3 2014, compared to 5.0 kg gw in Q3 2013)
- The price spread between salmon 3-4 kg and 6-7 kg gw was around 7 NOK/kg during Q3 2014

Normal Distribution of Harvest Size gw/Kg)



Price difference between 3-4 Kg and 6-7 kg gw [NOS]

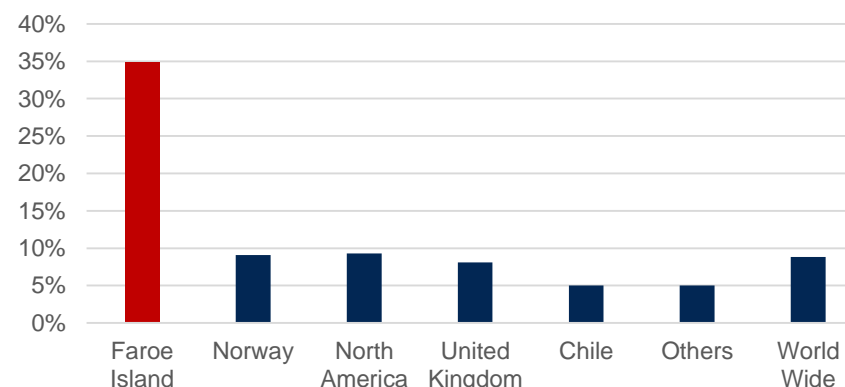


- Faroe Islands have the largest global share of large Atlantic Salmon
- The extra value of large Atlantic Salmon the last 3 years has in average been 2.78 NOK/kg (size 6-7 compared with 3-4)
- Especially in Q3 there has been a higher price gap in the NOS price:
  - In Q3 2014 NOK/kg 7.58
  - In Q3 2013 NOK/kg 11.99
  - In Q3 2012 NOK/kg 5.93
  - In Q3 2011 NOK/kg 2.61

## Distribution of sizes in producing countries, Q3 2014

in percent (est.)							
Country	1-2	2-3	3-4	4-5	5-6	6-7	7+
Faroe Island	0,1 %	1,0 %	7,2 %	23,0 %	33,9 %	23,9 %	10,9 %
Norway	0,8 %	8,4 %	26,9 %	33,9 %	20,9 %	6,5 %	2,5 %
North America	0,7 %	12,0 %	31,0 %	29,0 %	18,0 %	6,5 %	2,8 %
United Kingdom	1,2 %	9,0 %	27,3 %	30,7 %	23,7 %	5,5 %	2,6 %
Chile	1,0 %	17,0 %	31,0 %	29,0 %	17,0 %	4,0 %	1,0 %
Others	2,0 %	16,0 %	32,0 %	29,0 %	16,0 %	4,0 %	1,0 %
<b>World Wide</b>	<b>0,9 %</b>	<b>10,8 %</b>	<b>27,7 %</b>	<b>31,6 %</b>	<b>20,3 %</b>	<b>6,4 %</b>	<b>2,4 %</b>

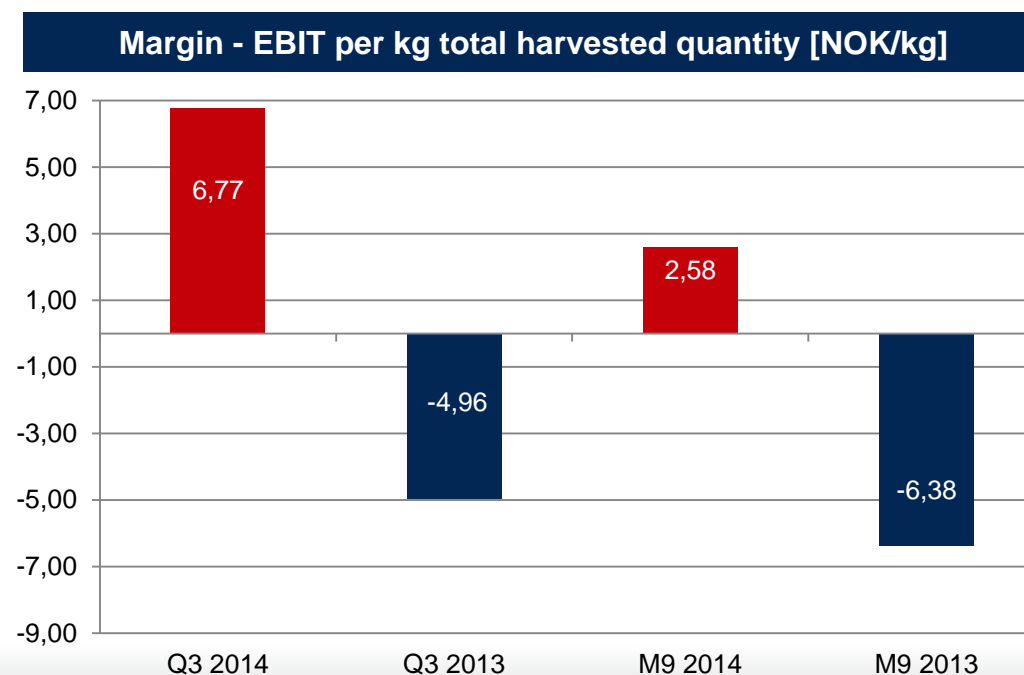
## Share of 6+



## Revenues and margin

- Strong result in in VAP due to high contracts prices and spot prices under pressure
- Utilised low salmon prices to produce on stock
  - Increased stock will positively affect result for Q4
- VAP strategy contributing to long-term group result
- 45% of total harvested volumes in 2014 is expected to be sold as VAP on contracts
- Started to sign contracts for 2015

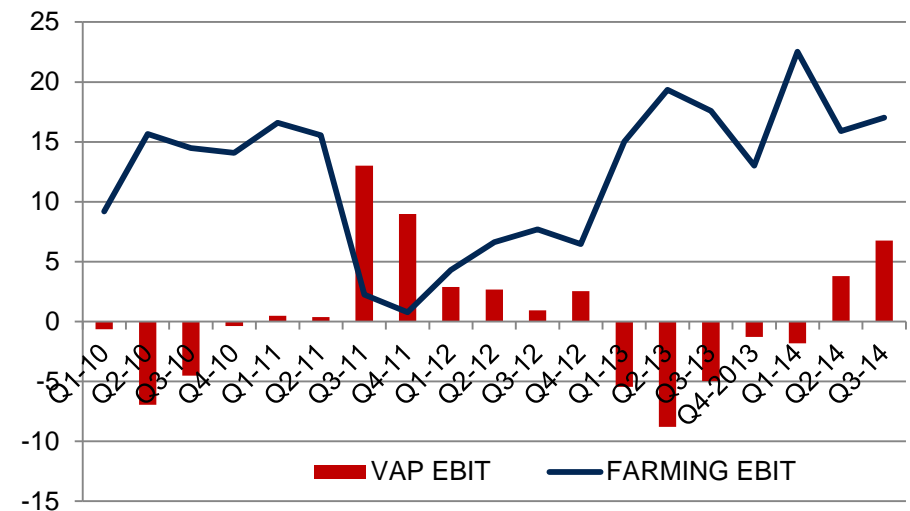
(DKK million)	Q3 2014	Q3 2013	M9 2014	M9 2013
Operating revenues	155	148	654	464
Operational EBIT	27	-20	38	-85
Operational EBIT margin	17%	-13%	6%	-18%
VAP produced volumes (tgv)	4,350	4,196	16,122	13,300



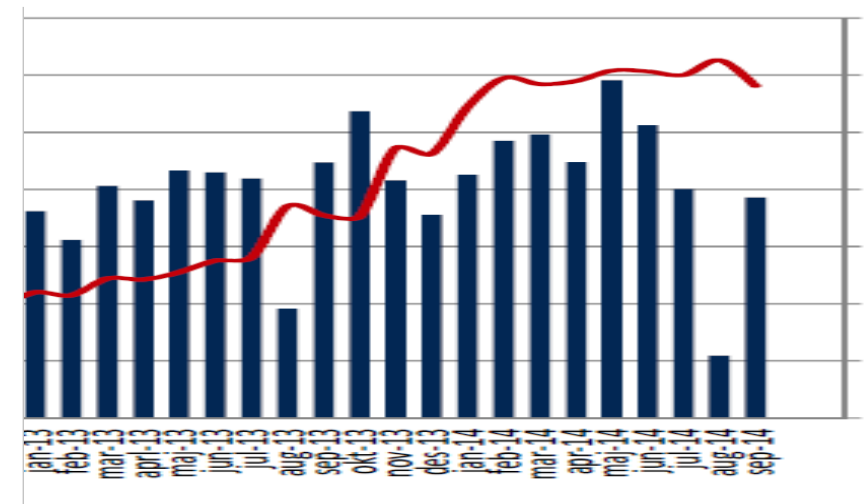
## Strategy

- Bakkafrøst's strategy is to sell 40-50% of our products as VAP products directly to end markets in Europe and US
- Contract period is normally between 6 and 12 months
- Losses during periods with high increase in spot prices, and gains during periods with drop in spot prices
- All VAP capacity for 2014 contracted
- Long term strategy, optimizing markets and stabilizes cash flow – benefitting in periods with spot prices under pressure

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



VAP Products, sales prices and volumes





## 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



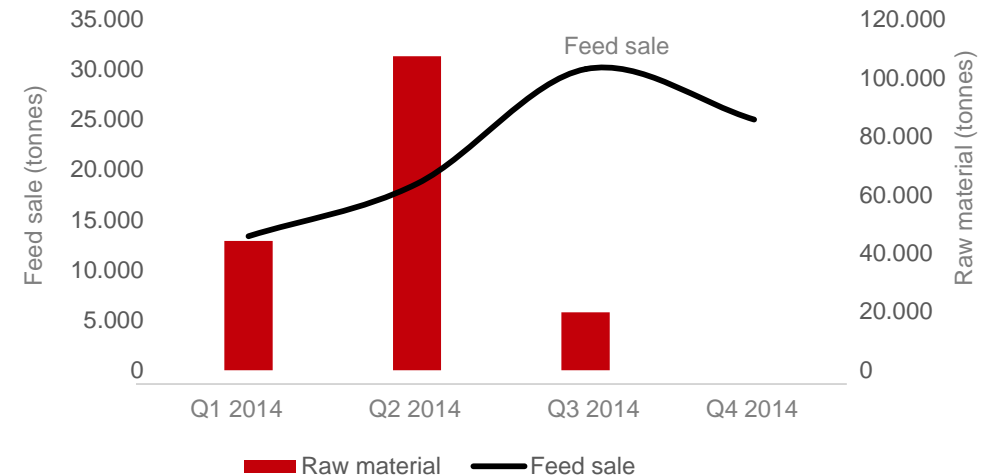
\* Including sale to Bakkafrost corresponding to ~79% of feed volumes in Q3 2014 (Q3 2013: 74%)

# RAW MATERIAL PRICES AND FEED SALE

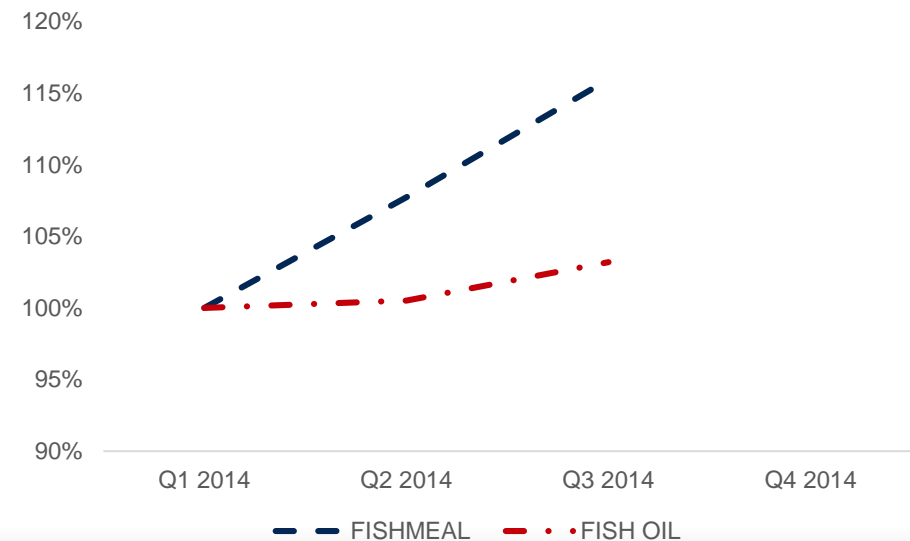
## Timing of raw material purchase affects profit

- Purchased high volumes of raw material for fishmeal production in Q2 at low prices
- Feed sale peaks in Q3 and Q4
- Price of salmon feed is based on actual and expected raw material prices at the beginning of the quarter
- Havsbrún's high quality salmon feed is based on high content of marine raw material

### Volumes of raw material purchase and feed sale [tonnes]



### Fishmeal price index (Q1 2014 =100)



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# GROUP PROFIT AND LOSS

- Lower revenues due to normalised sale from FOF in addition lower spot prices and harvested volumes
- Operational EBIT increased due to:
  - Improved margins from Value Added Products and improved result in Havsbrún
  - Decreased farming result
- Increase in fair value of biomass due to higher biomass at sea
- No provision for onerous contracts

(DKK million)	Q3 2014	Q3 2013	M9 2014	M9 2013
Operating revenues	584	741	1,926	1,824
<b>Operational EBITDA*</b>	<b>233</b>	<b>208</b>	<b>676</b>	<b>525</b>
<b>Operational EBIT*</b>	<b>209</b>	<b>187</b>	<b>606</b>	<b>461</b>
Fair value adjustment on biological assets	60	-13	-63	21
Onerous contracts	0	67	71	40
Income from associates	0	0	3	13
<b>EBIT</b>	<b>269</b>	<b>241</b>	<b>617</b>	<b>535</b>
Net Financial items	-14	3	-32	18
<b>EBT</b>	<b>255</b>	<b>244</b>	<b>585</b>	<b>553</b>
Taxes	-44	-44	-160	-102
<b>Profit for the period</b>	<b>211</b>	<b>200</b>	<b>425</b>	<b>451</b>
<b>Operational EBITDA margin</b>	<b>39.9%</b>	<b>28.1%</b>	<b>35.1%</b>	<b>28.8%</b>
<b>Operational EBIT margin</b>	<b>35.7%</b>	<b>25.2%</b>	<b>31.5%</b>	<b>25.3%</b>
<b>Operational EBIT/kg (Farming and VAP) (NOK)</b>	<b>19.73</b>	<b>15.76</b>	<b>19.48</b>	<b>14.21</b>
<b>EBITDA margin (fishmeal, oil and feed)</b>	<b>21.5%</b>	<b>11.6%</b>	<b>18.9%</b>	<b>12.6%</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 ~48 million in Q3 2014 and YTD of DKK ~ 127 million
- Increase in financial assets primarily due to investment in pelagic processing plant (Bakkafrost owns 30%)
- High inventory due to increased raw material intake and inventory of VAP products, both at low raw material prices
- Decrease in receivables due to entering of factoring agreement for 20% of revenue
- Increase in equity. Positive result, but dividend is paid out in Q2 2014 of DKK 220 million
- NIBD at DKK 357 million down from DKK 638 million at end 2013\*
- Equity ratio 57% (Covenants 40%)

(DKK million)	End Q3 2014	2013
Intangible assets	295	295
Property, plant and equipment	973	917
Financial assets	132	116
Long term receivables	14	1
Biological assets	960	966
Inventory	286	235
Receivables	184	278
Other receivables	114	122
Cash and cash equivalents	368	182
<b>Total Assets</b>	<b>3,327</b>	<b>3,112</b>
Equity	1,892	1,665
Deferred tax and other taxes	451	311
Long term interest bearing debt	583	685
Financial derivatives	54	75
Short term interest bearing debt	100	100
Accounts and other payables	245	276
<b>Total Equity and Liabilities</b>	<b>3,327</b>	<b>3,112</b>

\* Incl. unrealised exchange gain, losses and deposits on financial derivatives related to the debt

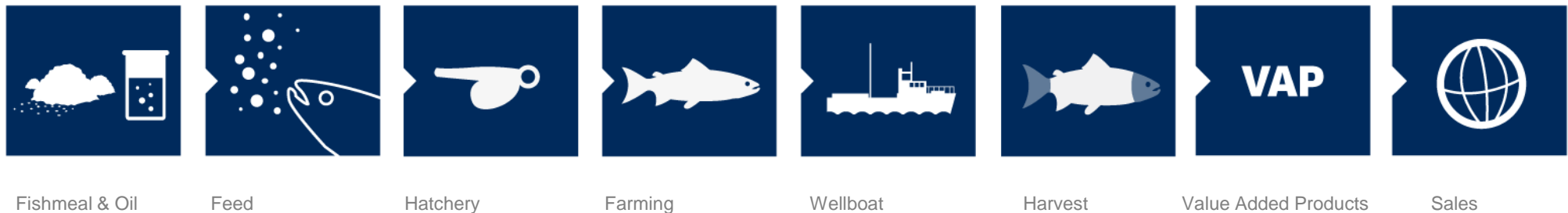
# CASH FLOW

- Significantly increased cash flow from operation due to:
  - Higher operational earnings
  - Entering of factory agreement and thus less receivables
- Cash flow from investments represents investments in property plant and equipment
- Undrawn loan facility of DKK 921 million of which DKK 15 million is restricted

(DKK million)	Q3 2014	Q3 2013	M9 2014	M9 2013
Cash flow from operations	280	131	697	330
Cash flow from investments	-47	-38	-153	-108
Cash flow from financing	-127	-15	-357	-84
Net change in cash	106	77	186	139
Cash at the end of the period	368	164	368	164
Undrawn facilities	921	601	921	601

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- APPENDIX





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

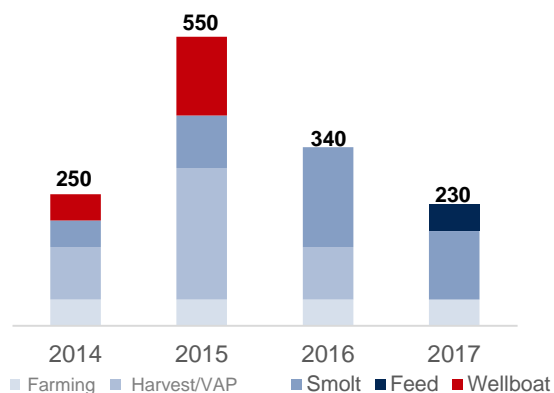
- Efficiency
- Biological risk
- Organic growth

## 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 2 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 25<sup>th</sup> April 2015

**Total investment programme 2014 – 2017**  
1,370 million DKK





- SUMMARY OF Q3 2014
- MARKETS AND SALES
- SEGMENT INFORMATION
- GROUP FINANCIALS
- STATUS ON INVESTMENT
- **OUTLOOK**
- APPENDIX



## Market

- Tight market from Q4 2014
- Forward prices for the rest of 2014 are around NOK 39 per kg
- Global supply growth estimated to 8% in 2014 and only 3% in 2015 – shortage

## Farming

- Estimated harvest volumes unchanged at 45,000 - 48,000 tonnes HOG in 2014
- Estimated harvest volumes at 49,000 - 51,000 tonnes HOG in 2015
- Expected smolt release in 2015 10.4 million pieces

## Fishmeal, oil and feed

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

## Business development

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

- SUMMARY OF Q3 2014
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### Financing of the investments 2014-2017

- Use free cash flow from operations
- Unused financing of approximately DKK 921 million
- Partly new financing if advantageous
- Flexibility to postpone investment in case of adverse events

### Unchanged dividend policy



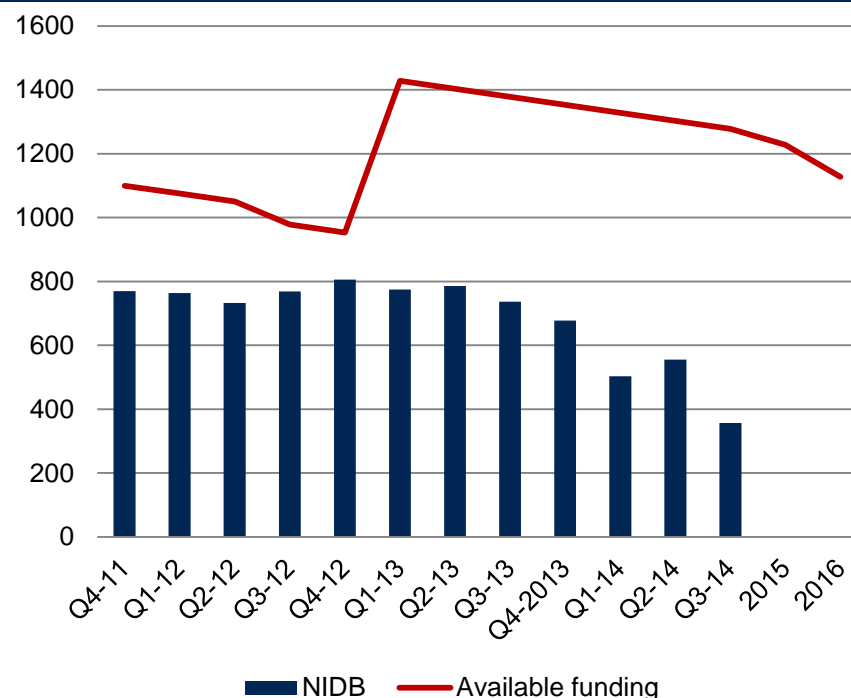
## Financing of the Group

- Total funding to DKK ~ 1,278 million
  - Bonds NOK 500 million due Feb 2018 (swapped into DKK)
  - Instalment loan of DKK 225 million, repayable with DKK 25 million each quarter
  - Revolving credit facility of DKK 553 million due in 2017
- NIBD end Q3 2014: DKK 357 million

## Covenant loans

- NIBD/ EBITDA max 3.5 over 12 months (Bonds 4.0)
- Equity ratio of 40.0%

## NIBD and available funding





- 18 islands – 1,387 km<sup>2</sup>
- 48,288 inhabitants (February 28 2014)
- Home rule – within the Kingdom of Denmark
- Part of the Danish monetary union, Danish krone (DKK)

## Key sectors (% of wage earners, 2014)

- Service/public admin.: ~40%
  - Private service: ~31%
  - Construction: ~12%
  - Fishing : ~17%
  - Unemployment rate (Feb 2014): 4.3%
  - Total working force (no of people Feb 2014): 27,075
- 
- GDP: DKK 13.6 bn (2012)
  - GDP/capita: DKK 282,000 (2012) (Norway: 300,000) (2010)

## Total export of fish products (2013)

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

## TAXES

- Total Percent of GDP: 44.8% (2012)
- Corporate Tax: 18%
- Farming Licence Tax : 4.5% plus 0.5% of revenues
- 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

# 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

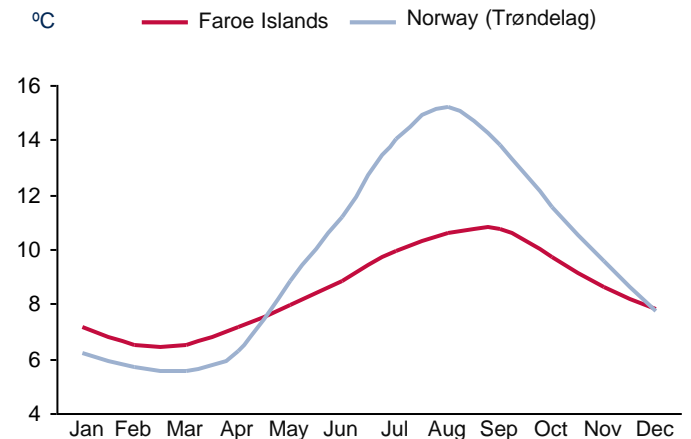
### BIOMASS

- Biological sustainability setting the biomass target per license

### FEED

- Sustainable feed, based on local marine raw materials. High on Omega-3, proved track record with best performance on high SGR and low FCR

### Average Seawater Temperatures



Source: Company material, Havforskningsinstituttet

### New Harvest and VAP operation



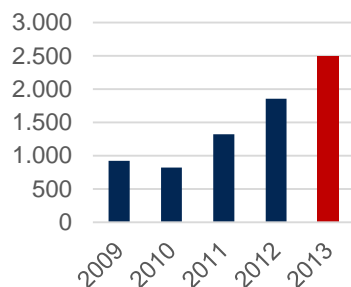
The new plant and HQ

7 factories merged into one

## DEVELOPMENT PER QUARTER Q1 2012 – Q2 2014

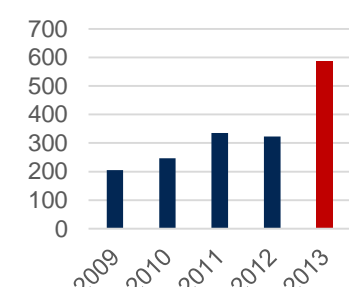
(mDKK)	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Revenue	584	711	631	667	741	610	473	582	457	416	400
Op. EBIT	209	212	186	124	187	169	105	99	86	78	60
Profit/Loss	211	126	87	138	200	184	67	148	26	91	16
Harvest (tgv)	10,881	11,212	9,269	11,097	11,335	10,54	8,296	13,044	9,73	10,219	11,348
Op. EBIT Farming & VAP (NOK/kg)	19,73	17.66	21.37	12.44	15.76	15.29	12.16	7.25	8.00	7.78	5.42
Equity ratio	57%	53%	57%	54%	52%	49%	48%	49%	47%	47%	43%
NIBD	357	555	503	641	728	786	775	807	770	733	764

### Turnover (mDKK)



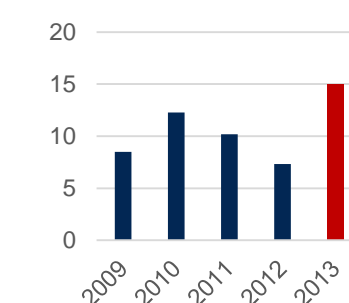
Turnover for Bakkafrost group has increased from 820 mDKK in 2010 to 2.5 bDKK in 2013

### Operational EBIT (mDKK)



Operational EBIT for Bakkafrost Group has increased from 247 mDKK in 2010 to 587 mDKK in 2013

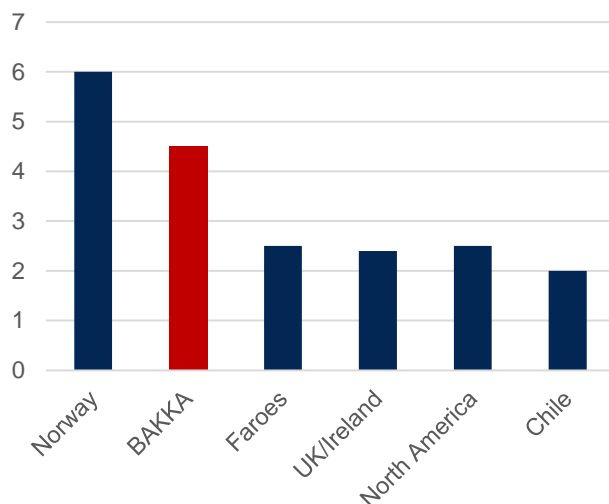
### Farming margin Op. EBIT (NOK/kg)



The margin in Farming was 15 NOK in 2013 – the highest ever. Even in 2012, when the global supply increased by 22%, the company had a margin of 7.3 NOK/kg

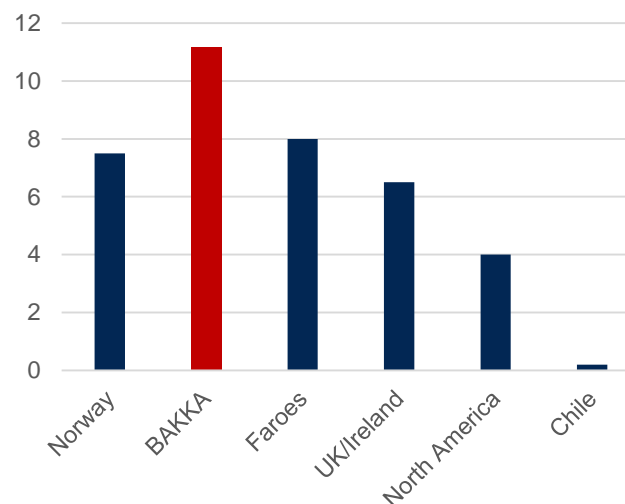
# INDUSTRY STRUCTURE HAS INFLUENCE ON THE COMPETITIVENESS

Margin EBIT/kg last 15 years (NOK/kg)



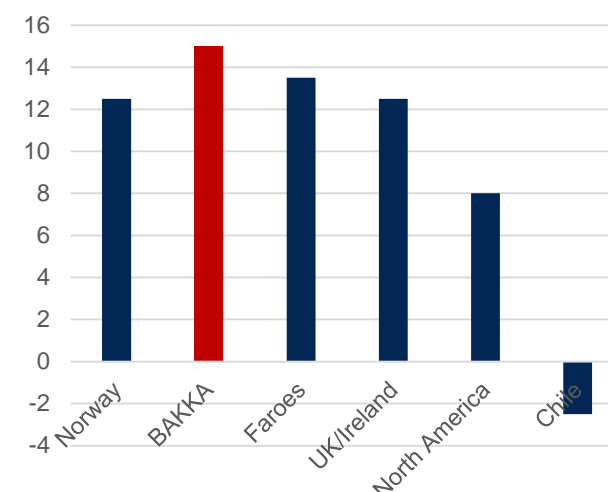
During the last 15 years, Norway had far the highest margin of the farming countries with 6 NOK/kg in average, while BAKKA had 4.5 NOK/kg.

Margin EBIT/kg last 5 years (NOK/kg)



The last five years BAKKA had a strong average margin of 11.18 NOK/kg

Margin EBIT/kg 2013E (NOK/kg)



In 2013 BAKKA had a Farming margin of 15 NOK/kg

Reorganizing the industry in the Faroe Islands and company specific strategy has paid off

Source: Kontali and Bakkafrøst



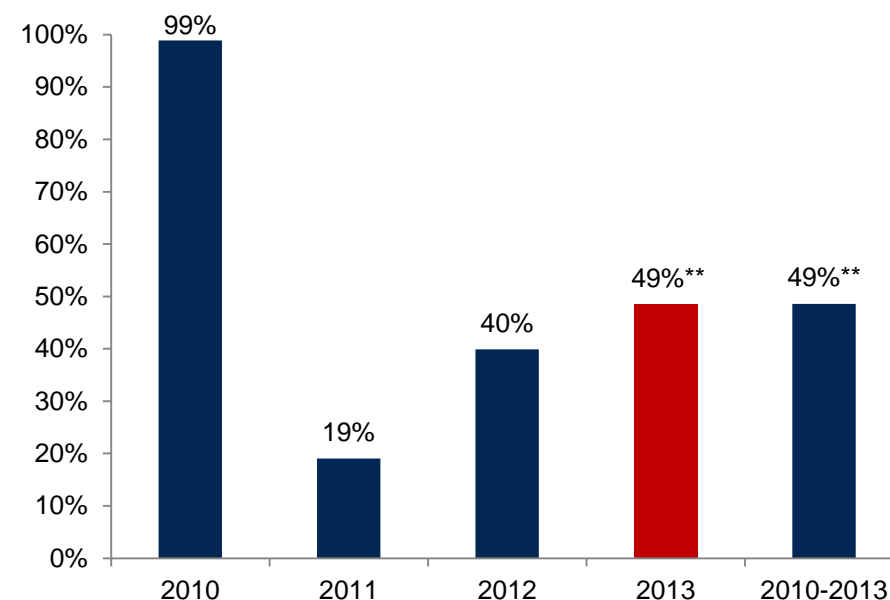
## Dividend

- Dividend of DKK 4.50 (NOK ~4.98) per share paid out in April 2014
- Bakkafrost purchased treasury shares in 2013, equivalent to DKK 0.59 (NOK 0.66) per share
- Dividend incl. the acquisition of treasury shares is DKK 5.09 (NOK ~5.64)

## 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

### DPS in % of adj. EPS \*



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

\*\* Dividend and acquisition of treasury shares

# LARGEST SHAREHOLDERS

## 20 largest shareholders

20 largest shareholders

No of shares	%	Name	Origin
4.594.437	9,4	Jacobsen Oddvør	FRO
4.492.020	9,2	Jacobsen Regin	FRO
2.831.829	5,8	SPAR NORD BANK A/S S/A CLIENT ACCOU NOM	DNK
2.149.645	4,4	DANSKE BANK 3993 NORDIC SETTLEME	DNK
1.960.772	4,0	Skandinaviska Enskil A/C CLIENTS ACCOU NOM	SWE
1.334.993	2,7	J.P. Morgan Chase Ba EUROPEAN RESIDEN NOM	GBR
1.281.389	2,6	J.P. Morgan Chase Ba LUXEMBOURG OFFS NOM	LUX
1.012.785	2,1	STATE STREET BANK AN A/C CLIENT OMNI NOM	USA
996.445	2,0	J.P. Morgan Luxembou NORDEA LUX LENE NOM	LUX
964.043	2,0	MORGAN STANLEY & CO S/A MSIL IPB CLII NOM	GBR
950.646	2,0	J.P. Morgan Chase Ba A/C US RESIDENT N(NOM	USA
767.347	1,6	JP Morgan Chase Bank HANDELSBANKEN	NOM
703.829	1,4	VERDIPAPIRFONDET DNB	NOM
688.182	1,4	SEB Private Bank S.A	LUX
650.000	1,3	VERDIPAPIRFONDET HAN NORGE	NOR
620.375	1,3	J.P. Morgan Chase Ba NORDEA TREATY ACNOM	GBR
608.290	1,3	STATE STREET BANK AN A/C CLIENT OMNI NOM	USA
565.728	1,2	SKANDINAVISKA ENSKIL A/C CLIENTS ACC NOM	DNK
537.480	1,1	The Bank of New York BNY MELLON	USA
502.679	1,0	HOLTA INVEST AS	NOR
<b>28.212.914</b>	<b>57,7</b>	<b>Total share 20 largest shareholders</b>	
<b>48.858.065</b>		<b>100 Total number of shares as per August 18th 2014</b>	
<b>342.569</b>	<b>0,7</b>	<b>Wherof own shares</b>	
<b>48.515.496</b>	<b>99,3</b>	<b>Total number of outstanding shares as per October 22nd 2014</b>	

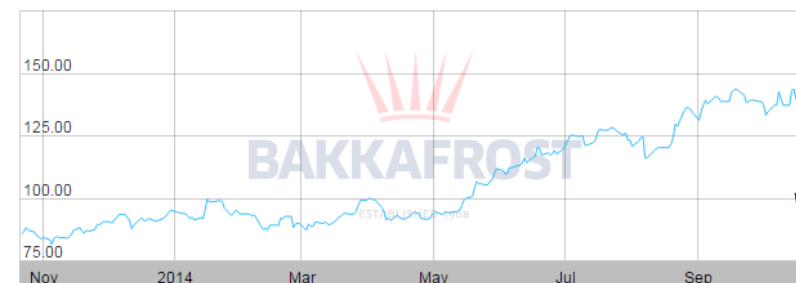
## Origin of shareholders, 5 largest countries

No of shares	%	Origin	No of shareholders
14.705.767	28,8	Faroe Isl	808
12.155.401	24,5	UK	92
9.200.135	19,4	Norway	1410
4.556.889	9,6	USA	54
2.558.471	5,3	Sweeden	15

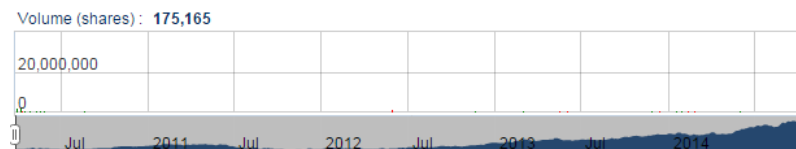
Total number of shareholders: 2,492 - from 21 different contries

## Share price development since listing in NOK

Last 12 months



2010-2014



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<http://bakka.com/default.asp?menu=246>

## Licence tax on farming companies in the Faroes\*

- Approved by the parliament in May 2014
- From a provisional tax to a permanent tax
- Licence tax of:
  - 4.5% on taxable income
  - 0.5% on farming revenues

Effect on YTD 2014 compared to 2013 tax rates estimated to:

- Tax payable increases by DKK 10 million
- Deferred tax increases by DKK 42 million as the new tax is permanent

\* For 2014 a provisional extra tax of 7% was implemented, compared to the 2.5% for 2013. The provisional 7% tax has been changed to a permanent 4.5% tax and a permanent 0.5% tax on revenues. The change from a provisional to a permanent tax affects deferred tax.





# BAKKAFROST

ESTABLISHED 1968

