

CREATING SUSTAINABLE VALUE

BAKKAFROST GROUP
Bergen 5th March 2015

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- **THE IMPORTANCE OF A GOOD
REGULATORY FARMING ENVIRONMENT**

- SUMMARY OF Q4-2014
- A UNIQUE VALUE CHAIN
- BAKKAFROST SALMON – A UNIQUE PRODUCT
- MARKET DIVERSIFICATION
- STATUS ON INVESTMENTS

Bakkafrost's Farming Site in Gøtu A-25



A GOOD REGULATORY FARMING ENVIRONMENT

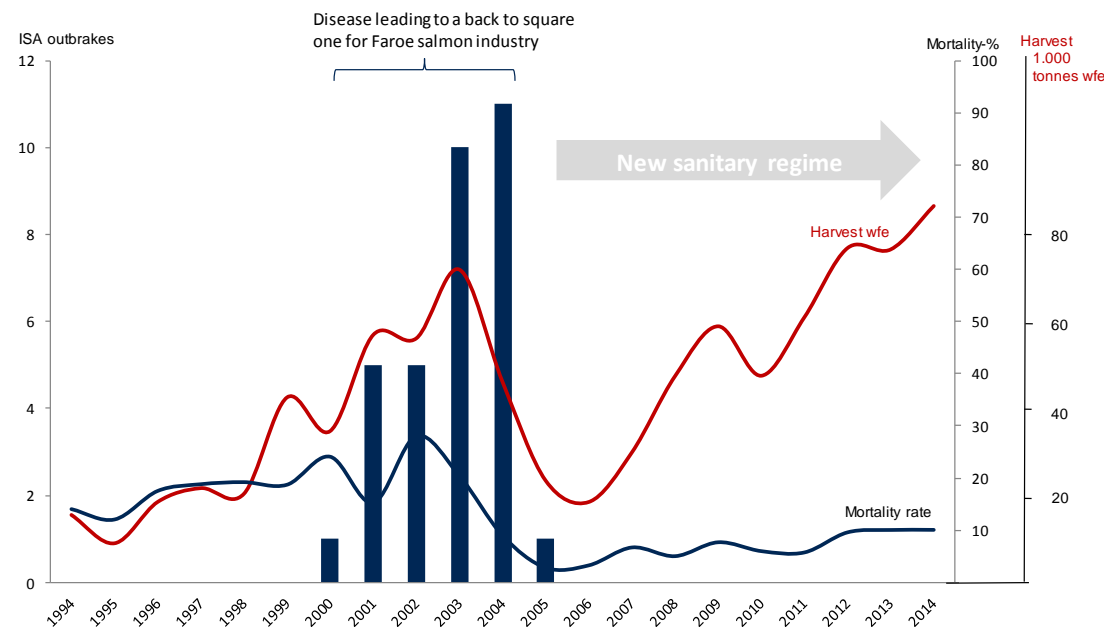
During the period 2001-2004 the Faroe Islands were severely struck by ISA outbreaks

New legislation and regulation was introduced in 2003 known as "The Faroese Veterinary Model":

- One generation based farming model
- Following periods between each generation
- Immunisation and vaccination programs
- Restricting movement of equipment and fish
- Density limits introduced
- Brood stock facilities allowed on land only
- Fish for harvest not allowed in open waiting cages at harvest station
- Minimum distances between farms and hatcheries
- Rules to fight and control sea-lice introduced

The Model has resulted in one of the most predictable fish production environments in the world with good KPI for salmon farming, such as FCR, Mortality and Growth rate

Key Performing Indicators developed positively post New Veterinary System

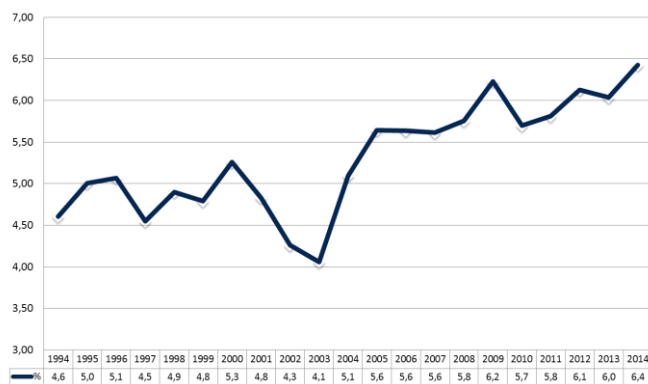


Source: Bakkafrost

The mortality rate with the Faroese Veterinary Model has been between 5 and 10% compared to 20 to 25% before – despite the annual production has never been higher than now

DEVELOPMENT OF KPI 1994 - 2014

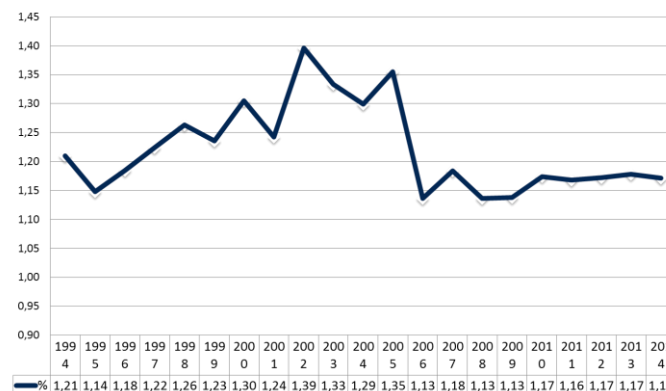
Average weight on harvested fish (kg wfe)



Larger fish - a sign of a good biology

- Average size increased from 5.6 kg in 2010 to 6.4 kg in 2014 – the highest ever

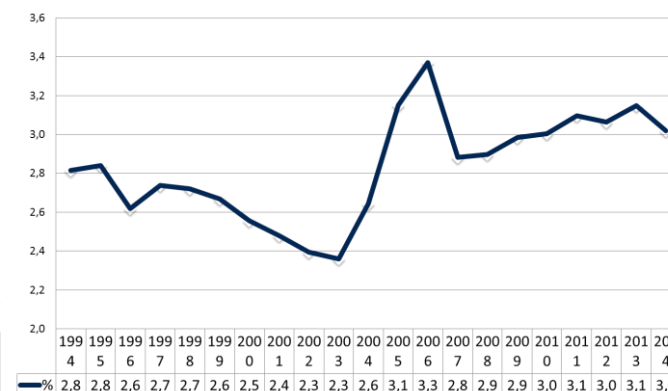
Economical FCR



A low Economical Feed Conversion Rate (EFCR) – lower costs

- FCR on a low level since new Veterinary system between 1.13 – 1.17

Growth rate

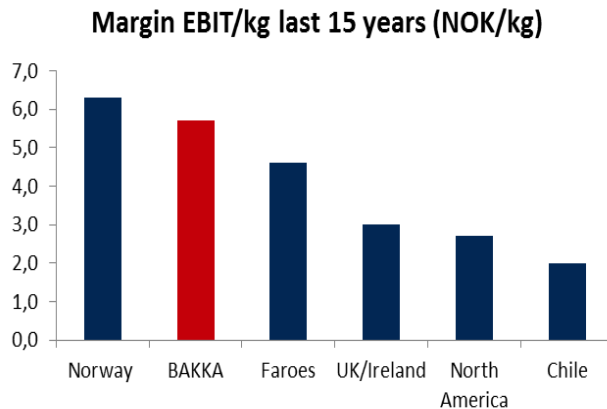


A High Growth Rate - higher productivity

- High growth rate in the period, TGC around 3 – 3.1

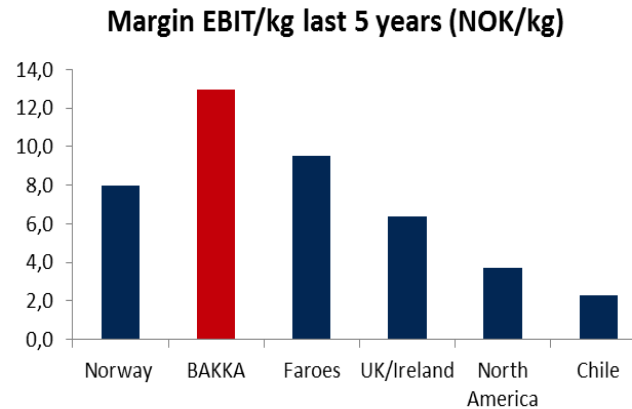
THE VALUE OF A STRICT SANITARY REGIME

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



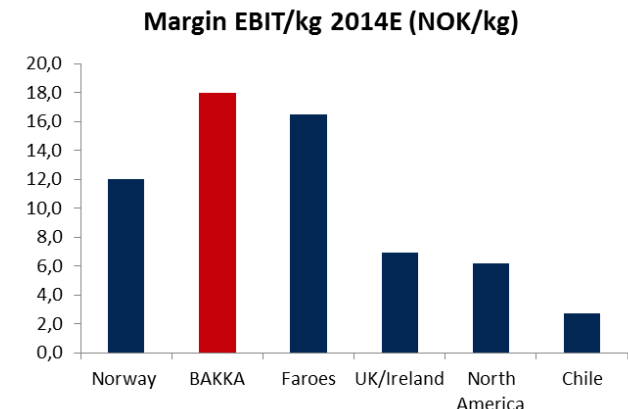
During the last 15 years, 2000 - 2014, Norway had the highest margin of the farming countries with 6.3 NOK/kg in average, while BAKKA had 5.7 NOK/kg

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



The last five years - 2010-2014 BAKKA had a strong average margin of 13.00 NOK/kg

Margin EBIT/kg 2014E (NOK/kg)



In 2014 BAKKA had a farming margin of 17.7 NOK/kg

Higher value from:

- a good regulatory farming environment
- the new structure of the industry in the Faroe Islands and
- company specific strategy

Source: Kontali

- THE IMPORTANCE OF A GOOD REGULATORY FARMING ENVIRONMENT

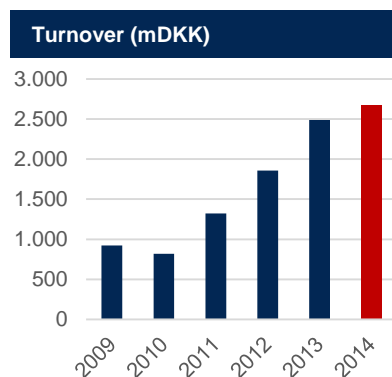
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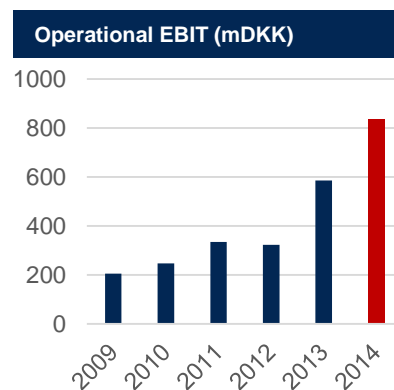


DEVELOPMENT PER QUARTER Q1 2012 – Q4 2014

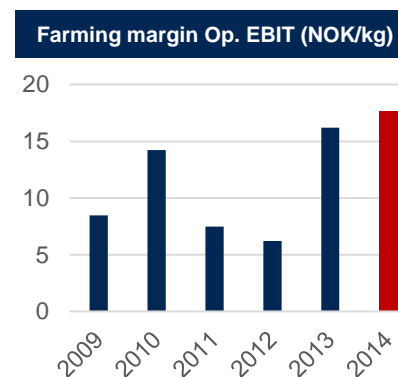
| (mDKK) | Q4 2014 | Q3 2014 | Q2 2014 | Q1 2014 | Q4 2013 | Q3 2013 | Q2 2013 | Q1 2013 | Q4 2012 | Q3 2012 | Q2 2012 | Q1 2012 |
|---------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Revenue | 757 | 584 | 711 | 631 | 667 | 741 | 610 | 473 | 582 | 457 | 416 | 400 |
| Op. EBIT | 227 | 209 | 212 | 186 | 124 | 187 | 169 | 105 | 99 | 86 | 78 | 60 |
| Profit/Loss | 222 | 211 | 126 | 87 | 138 | 200 | 184 | 67 | 148 | 26 | 91 | 16 |
| Harvest (tgw) | 12,651 | 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) | 19.48 | 19.73 | 17.66 | 21.37 | 12.44 | 15.76 | 15.29 | 12.16 | 7.25 | 8.00 | 7.78 | 5.42 |
| Equity ratio | 60% | 57% | 53% | 57% | 54% | 52% | 49% | 48% | 49% | 47% | 47% | 43% |
| NIBD | 233 | 357 | 555 | 503 | 641 | 728 | 786 | 775 | 807 | 770 | 733 | 764 |



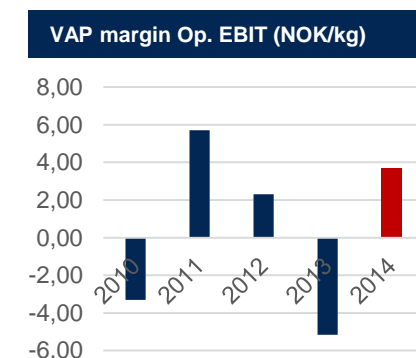
Turnover for BakkaFrost group has increased from 820 mDKK in 2010 to 2.7 bDKK in 2014



Operational EBIT for BakkaFrost Group has increased from 247 mDKK in 2010 to 834 mDKK in 2014



The margin in Farming was NOK 17.65 per kg in 2014 – the highest ever.



The margin in VAP was NOK 3.69 per kg in 2014 – at the same time as Farming margin was record high

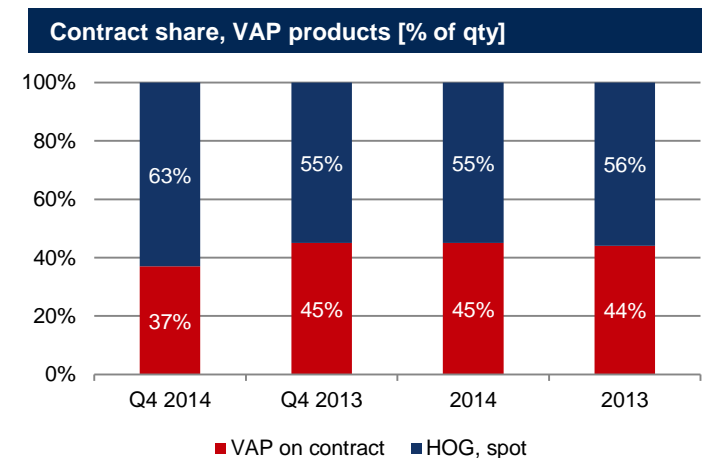
Bakkafrost benefits of the global salmon market

- Access to all markets
- Flexible and efficient market adaptation
- Market position improved on Eastern European market in 2014, especially with fresh salmon
- Sales to EU dropped on fresh from 25% to 11% in 2014
- VAP/contract share 45% of total volume in 2014



| Total sales of salmon by markets | 2014 | 2013 |
|----------------------------------|------|------|
| EU | 45% | 47% |
| USA | 19% | 19% |
| Asia | 16% | 27% |
| Eastern Europe | 20% | 6% |

| Fresh salmon only by markets | 2014 | 2013 |
|------------------------------|------|------|
| EU | 11% | 25% |
| USA | 31% | 33% |
| Asia | 27% | 33% |
| Eastern Europe | 31% | 9% |

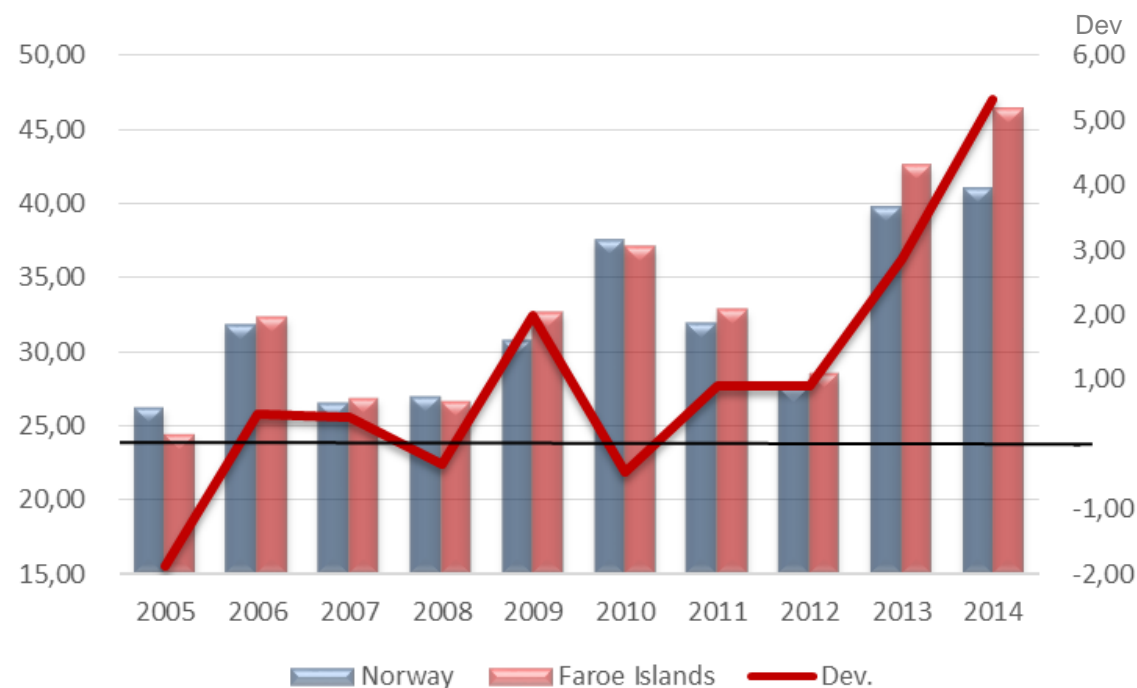


ACHIEVED MARKET PRICE

Increased value from market focus

- Faroese salmon achieved 5.3 NOK/kg higher value per kg exported salmon than Norway compared with 2.9 NOK/kg in 2013

FOB Export price, [NOK/kg]

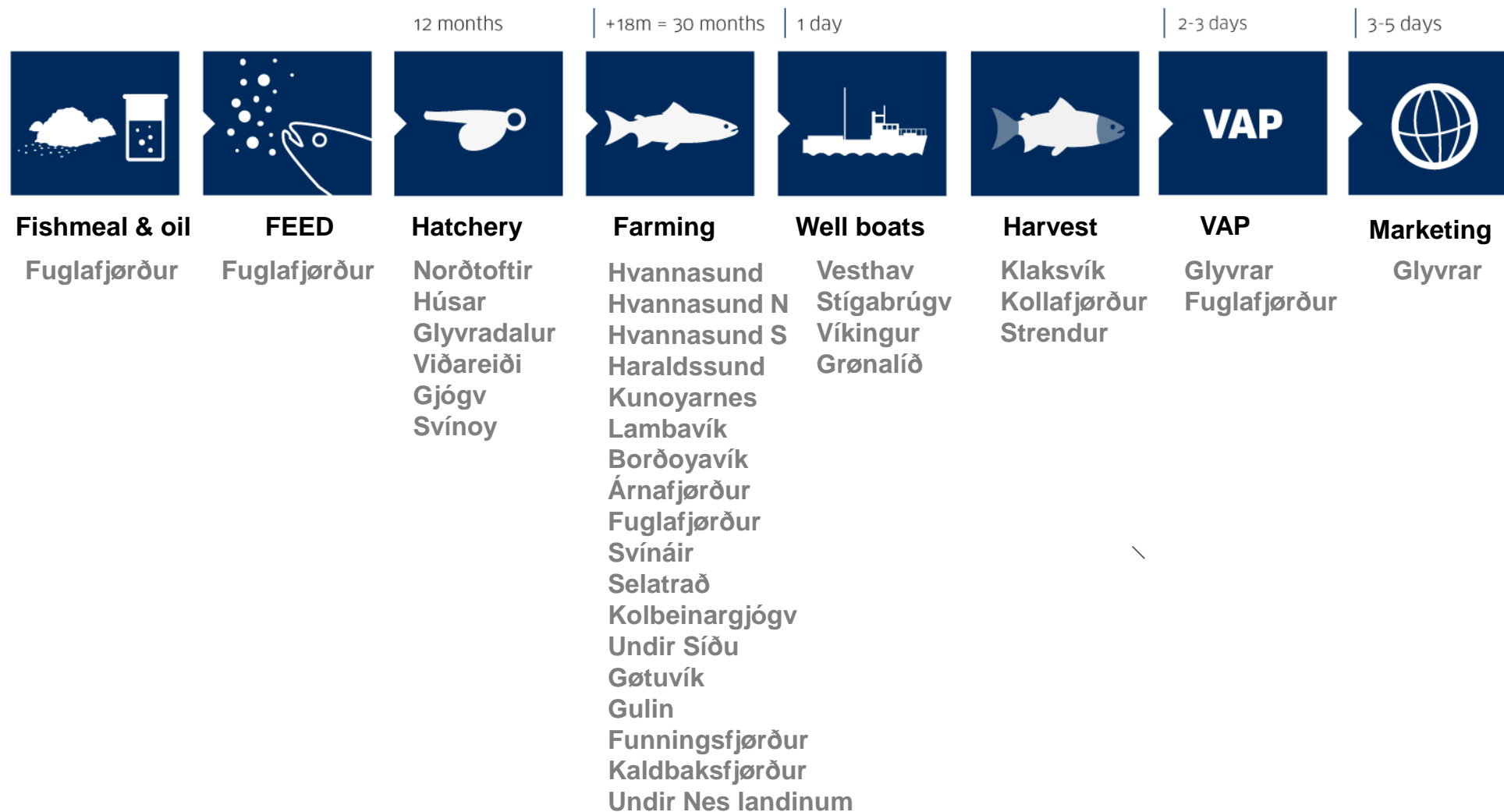


Source: Kontali Analyse

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A UNIQUE VALUE CHAIN



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A UNIQUE PRODUCT

Bakkafrost salmon has achieved highest quality reputation

- Local rawmaterials for feed production
- A different taste – taste of the Faroe Islands
- Full traceability
 - from finished products to salmon roe and
 - raw materials used for feed
- Larger fish
- An excellent Farming System
 - No antibiotics use in the Faroe Islands
 - Lower mortality rate
 - No disease
 - KPI best in class

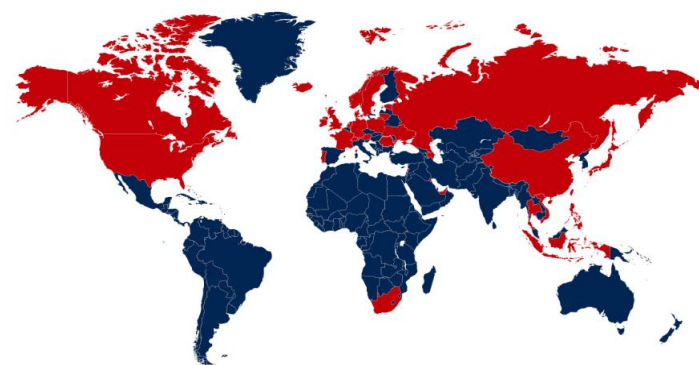


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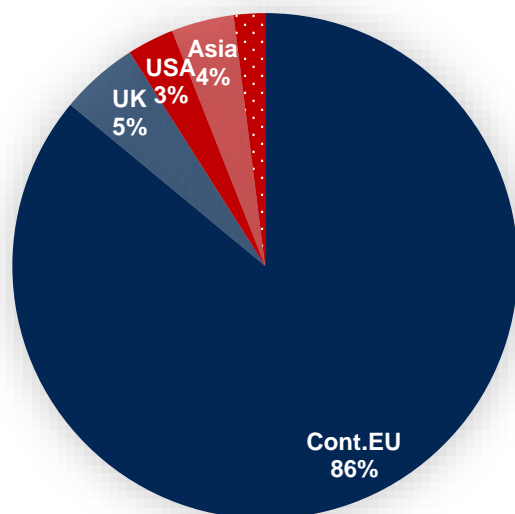


Bakkafrost salmon is a global product sold in all continents

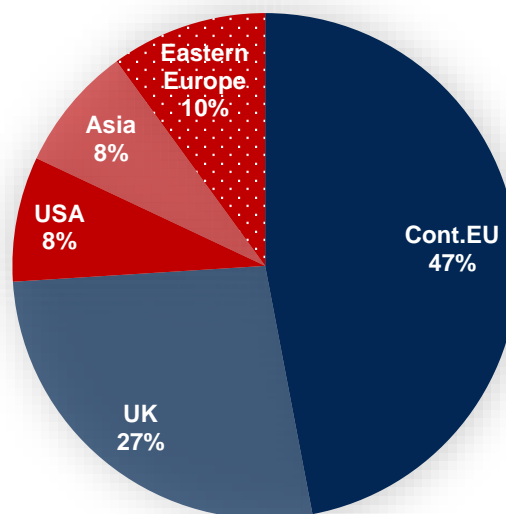
- 86% of sales came from continental Europe in 2002
- 45% of sales came from Continental Europe in 2014. Other main markets are more or less equal. The market is now very diversified on all continents



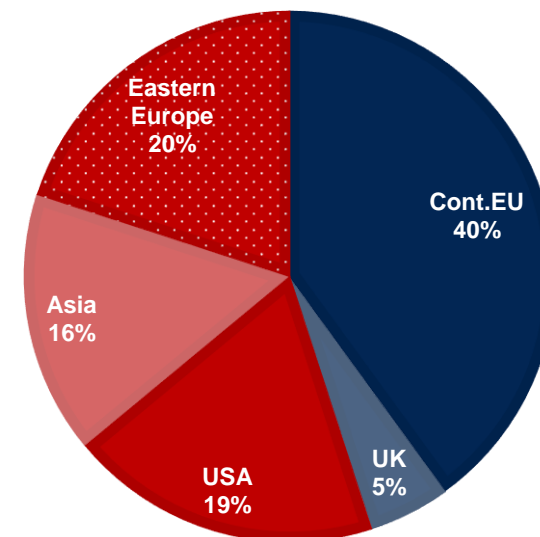
2002



2007



2014

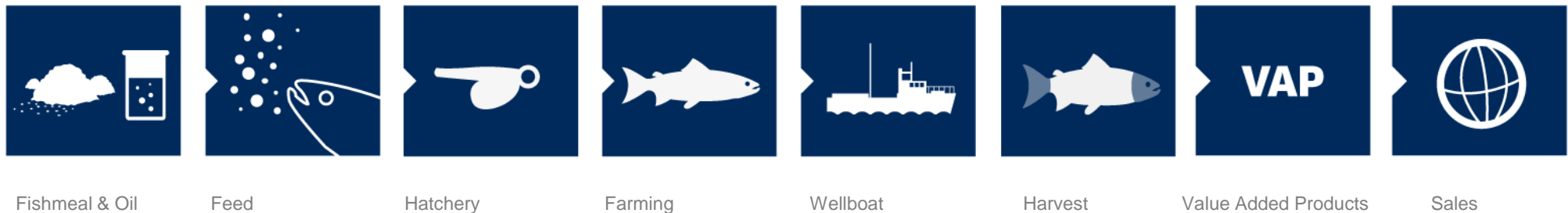


Source: Bakkafrost

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Building ground for Bakkafrost's new Harvest- & VAP plant in Glyvrrar. To be in operation in Q1-2016
Picture from early January-2015



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

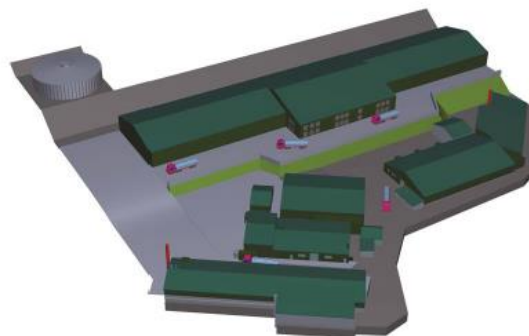
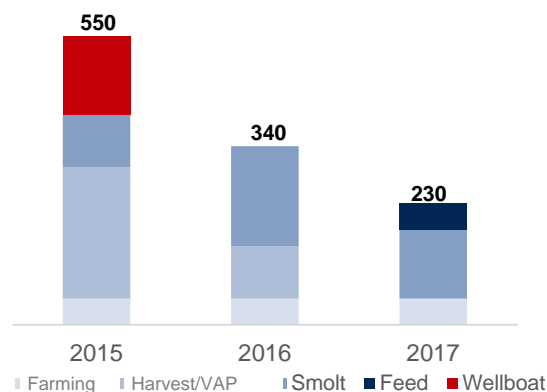
- Efficiency
- Biological risk
- Organic growth

INVESTMENTS – PROGRAMME 2015 - 2017

Status on main investments

- **Harvest/VAP factory**
 - Building process started
 - Contracts for machinery partly signed
 - Harvest expected to start up in Q1-2016
 - VAP expected to start up by end 2016
- **New Hatchery Viðareði**
 - Contracted Feb-2015
 - Total investment DKK 125 mill
 - Recycling of 99% of water
 - saving water and heating
 - To be completed in Q2-2016
 - Goal to increase smolt size gradually to 300g within ~3 years
- **Hans á Bakka**
 - Wellboat under construction in Yalova in Turkey
 - Construction progressing according to plans
 - Delivery planned to be 12th June 2015

Total investment programme 2015 – 2017
1,120 million DKK



Drawing of Bakkafrost's new Hatchery in Viðareði. New Hatchery on top and existing facilities below

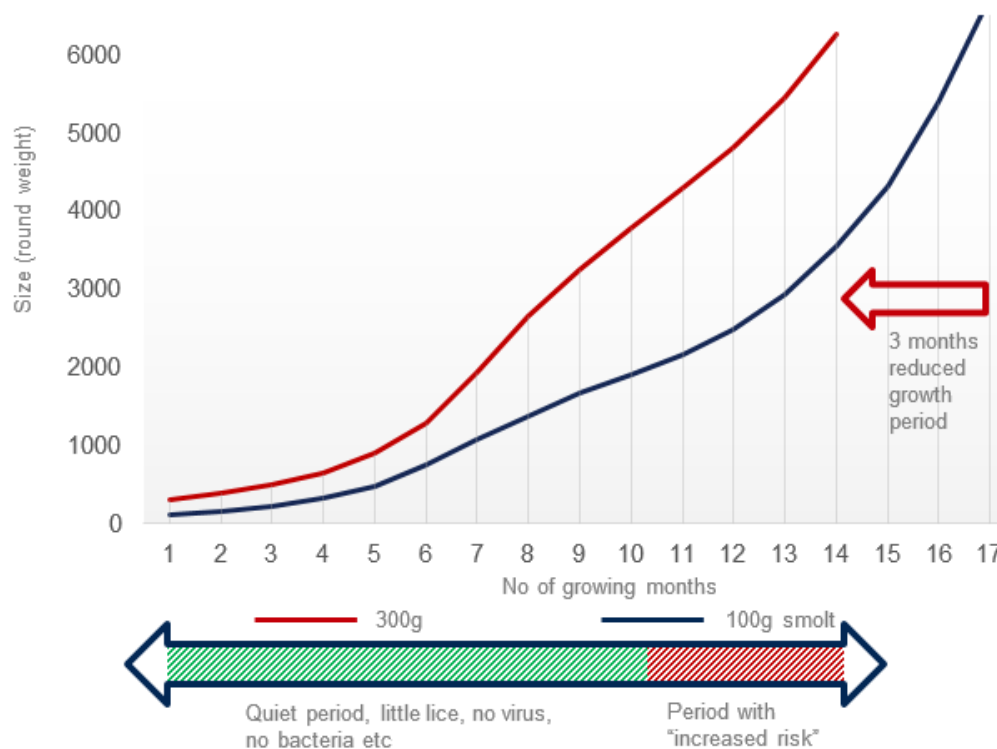


LARGER SMOLT – REDUCED RISK AND ORGANIC GROWTH

Productivity increase and risk reduced

- Investment program includes 3,5 fold increased capacity within 2017
- First capacity available mid 2014. Gradually more capacity available until end 2017
- Larger smolt
- Higher quality smolt
 - Reduce growth period in sea farming
 - Reduced lice
 - Reduced biological and veterinary risk
 - Reduce number of treatments and costs
 - Reduce mortality

Growth speed with 100g vs 300g smolts

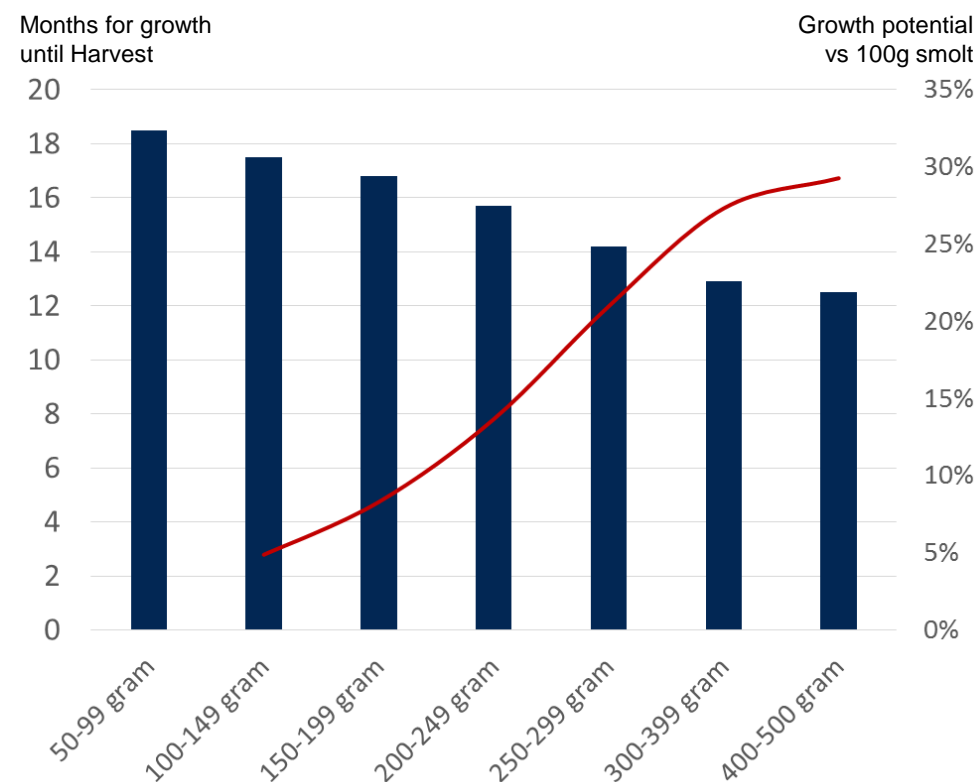


LARGER SMOLT – REDUCED RISK AND ORGANIC GROWTH

Actual growth period with larger smolt

- Reduced risk
 - Up to 6 months reduced growth period will reduce risk significantly
 - Reduced mortality
 - Fewer treatments and lower treatment costs
- Organic growth
 - Shorter production cycle in farms will increase production
 - Around 30% theoretical growth potential with size increase from 100g to 500g

Results with large smolt in Faroe Islands



The graph shows actual growth period until harvest at 6 kg wfe in Faroe Islands in the period 2005-2014

New Harvest and VAP operation



The new plant and HQ

7 factories merged into one



Profiles from the National Football Team enjoying top quality Bakkafrost salmon. Bakkafrost is the main sponsor of the Faroe Islands National Football Team.