

# GOOD BIOLOGY – GOOD PERFORMANCE

**BAKKAFROST GROUP**

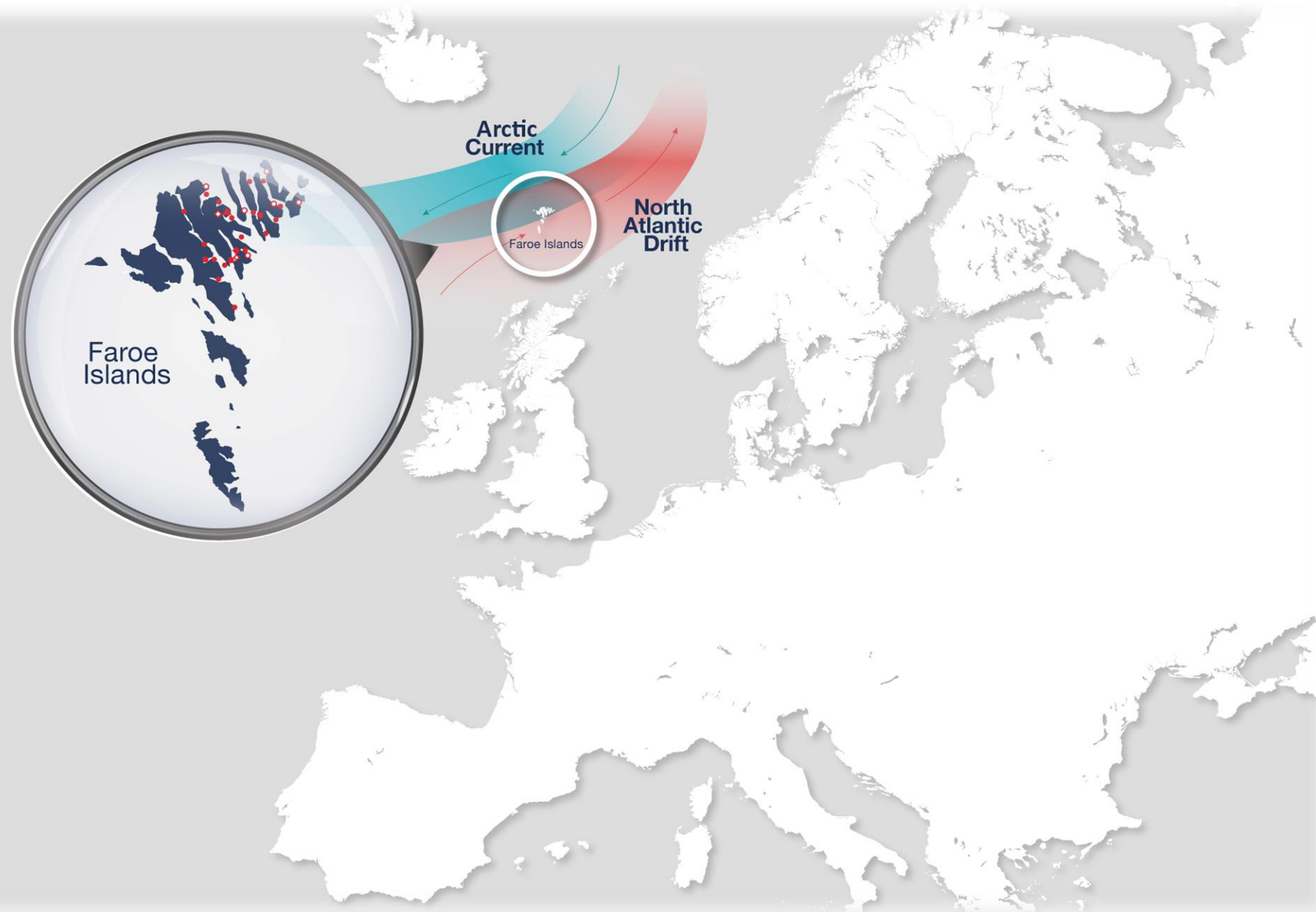
North Atlantic Seafood Forum, Bergen 3 March 2016

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- **WHAT IS GOOD BIOLOGY**
- FARMING PERFORMANCE
- INVESTMENTS REQUIRED TO IMPROVE
- SUMMARY OF Q4 2015



# NATURAL CONDITIONS



# 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

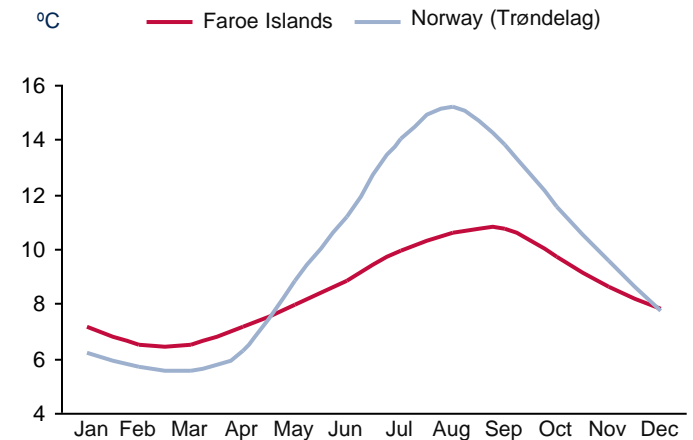
### BIOMASS

- 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

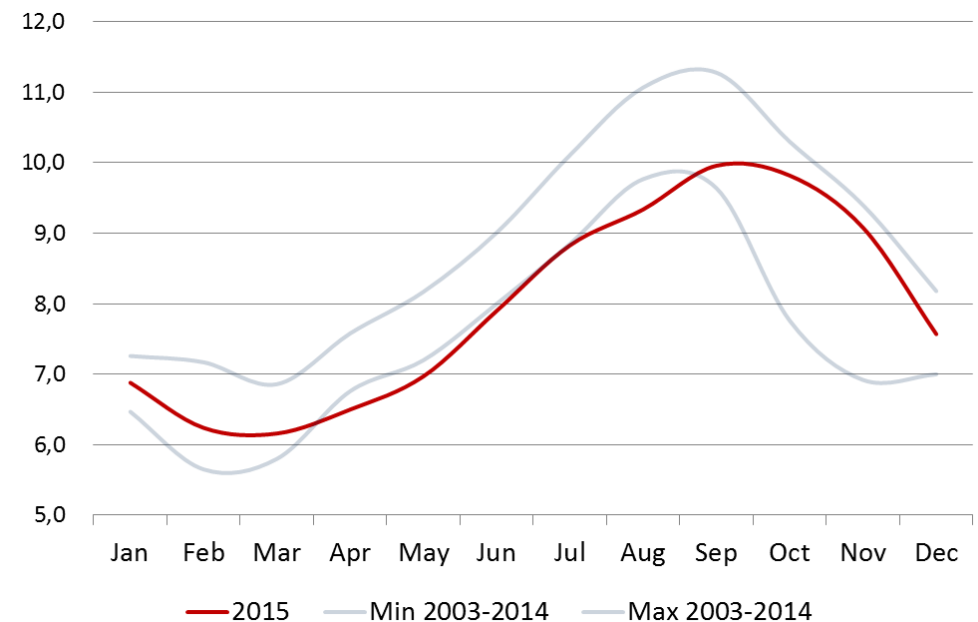


Source: Company material, Havforskningsinstituttet

## Temperatures

- Average temperature in 2015 was 7.94°C, which is 0.35°C lower than average for the last 13 years
- Highest average month temperature the last 13 years was in September 2003 at 11.28°C, compared to 9.96°C in September 2015, highest average month temperature in 2015

Seawater Temperatures in the Faroe Islands 2003 – 2015 [°C]

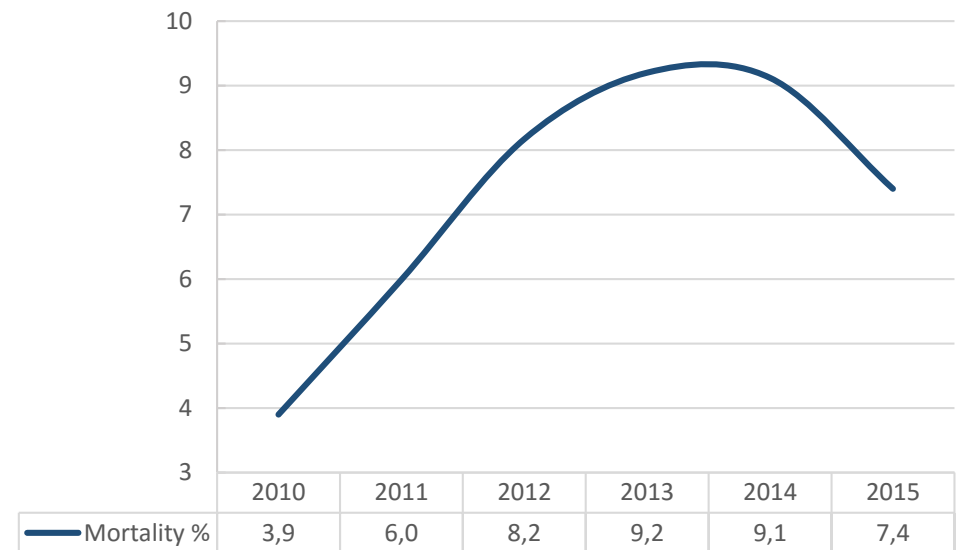


- Local raw materials
- High marine ingredient in feed
- A different taste – taste of the Faroe Islands
- Full traceability
- Certifications and quality systems
- Fish oil cleaned for pollutants



- Mortality rate stable
- No disease outbreak in period
- Mortality mainly related to smolt release and sea lice treatment
- Average mortality rate on 7.3% over the last six years
- Mortality was 7.4% in 2015

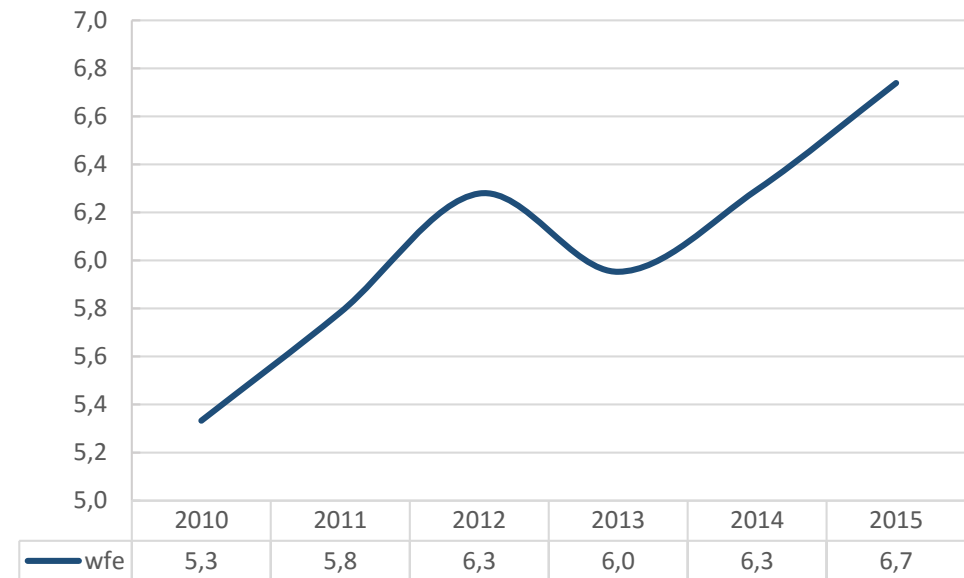
Mortality [percent of pieces]



## AVERAGE HARVEST SIZE

- Highest harvest size ever on 6.7 kg (wfe) in 2015
- Harvest size > 6 kg last four years
- Indication of good biology
- Attractive product on the market

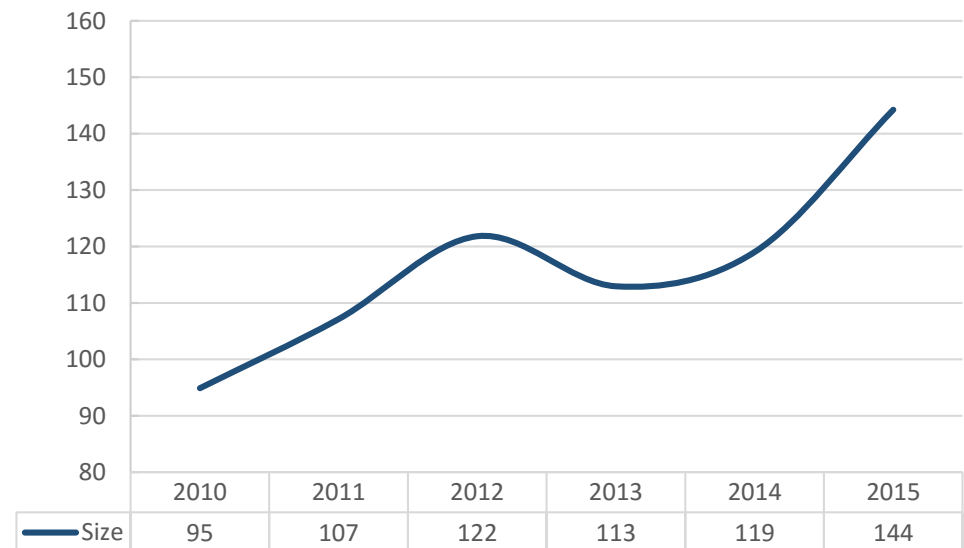
Harvest size [wfe] kg



## AVERAGE SMOLT SIZE

- Bakkafrøst has 6 hatcheries on different locations
- Average smolt size in 2015 was 144 gram, which is an increase of 25 gram, compared to 2014
- The goal is to reach smolt size of 300 gram in 2018
- Investment required to reach the goal
- New facility in Viðareiði will start-up in Q2 2016

Smolt size at release (gram)

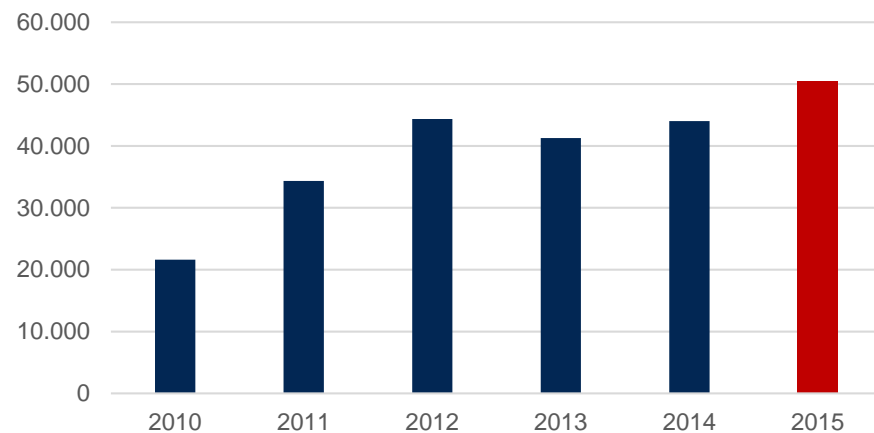


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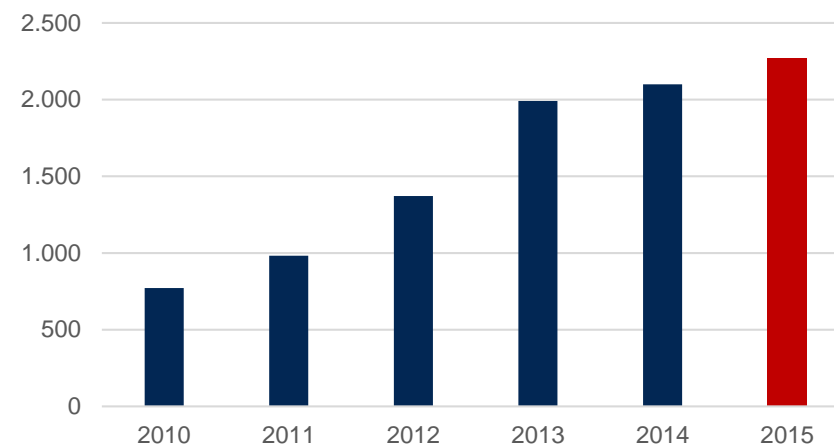


## PERFORMANCE IN BAKKAFROST FARMING

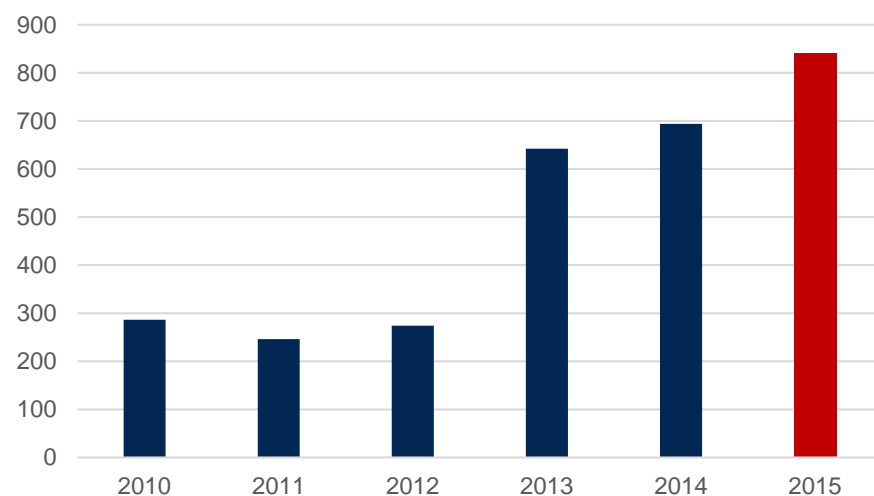
Farming harvested (tonnes)



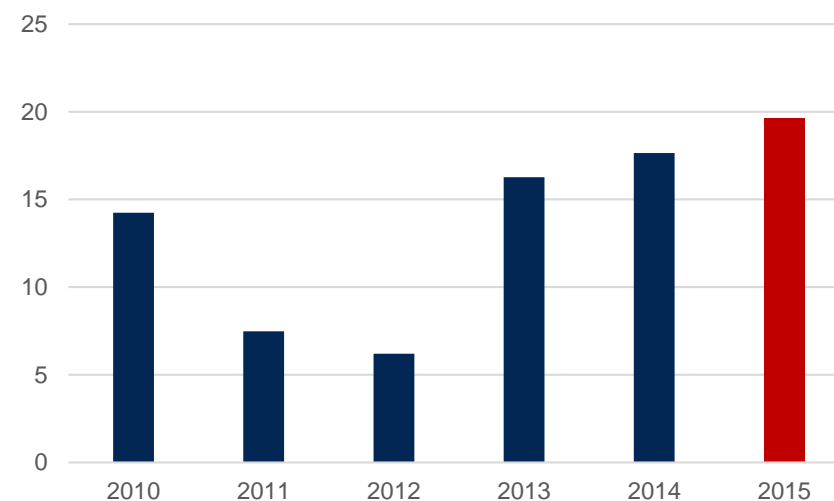
Farming revenue (mDKK)



Farming operational EBIT (mDKK)

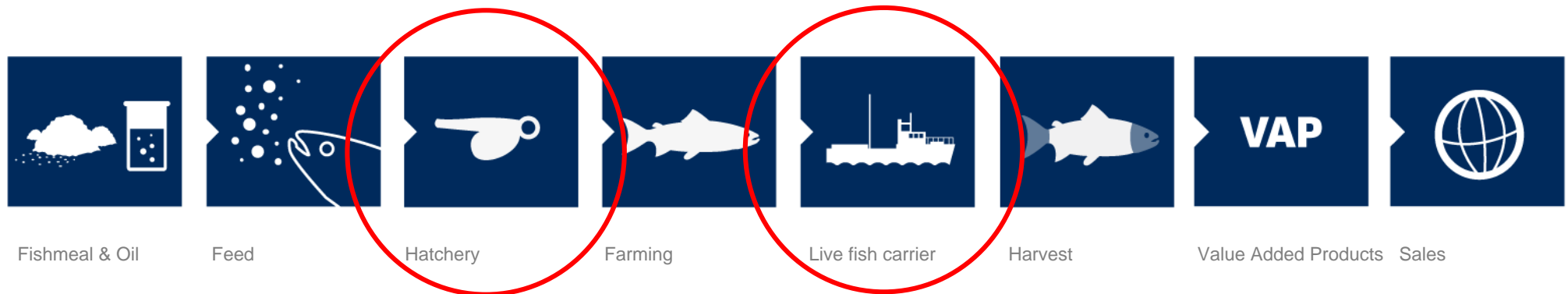


Farming operational EBIT/kg (NOK)



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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

## BUILDING NEW HATCHERIES

- **Significant capacity expansion in progress**
  - 99% of the water is recycled
    - saving water and heating
  - The goal is to increase average size of smolts from 100 gram to 300 gram in 2018
  - Reduce risk in farming
  - Reduce total time of production cycle at sea
  - Viðareiði facility to start-up in Q2 2016
  - New hatchery project to start-up in H1 2016 to be finalized in H1 2018

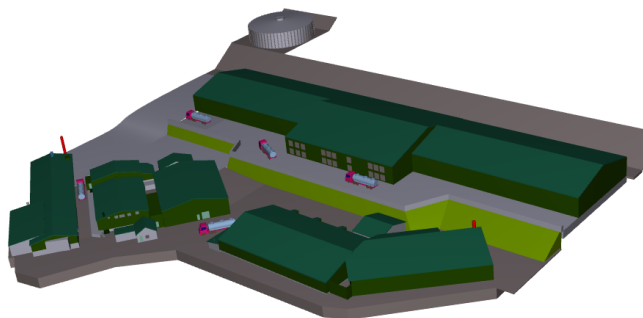
### New Hatchery in Viðareiði (S-21)



Nov 2015



Jan 2016



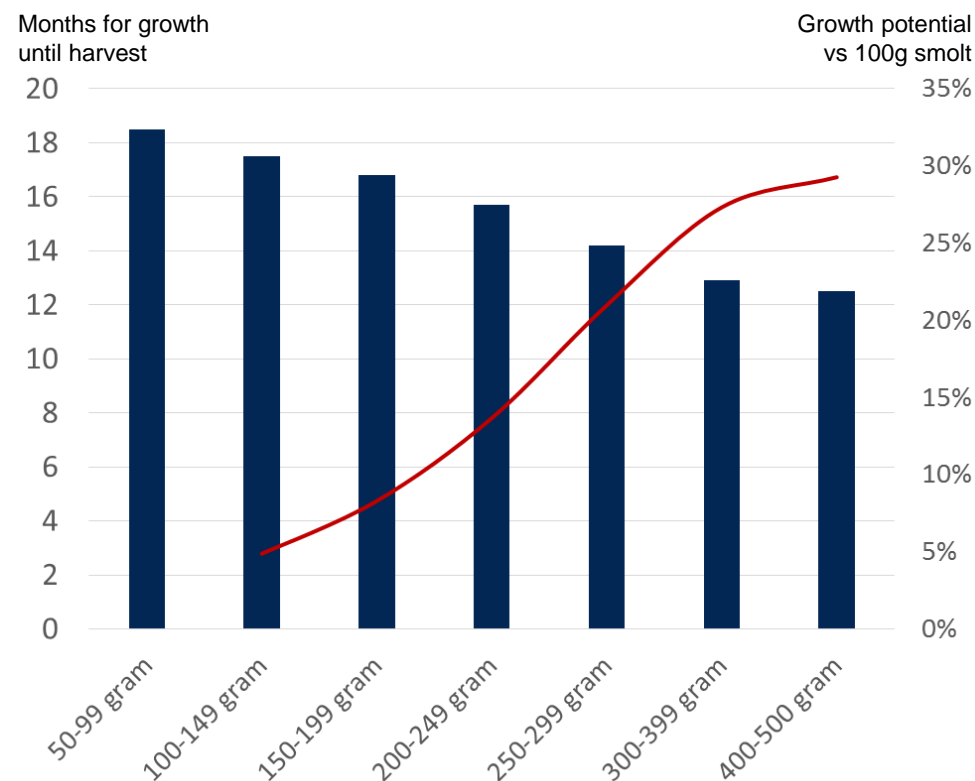
Building new 8,000m<sup>3</sup> Hatchery in Viðareiði to be finalized in summer 2016

## LARGER SMOLT – REDUCED RISK AND ORGANIC GROWTH

### Advantages 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 100 gram to 500 gram

### Results with large smolt in the Faroe Islands



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

### Sea lice a biological challenge

- Operation started in 2015
- Main focus on freshwater treatment
- Promising results – up to 99% total efficiency
- Until end of February 2016 3.1 million pieces treated with freshwater

M/S Hans á Bakka



M/S Hans á Bakka in operation

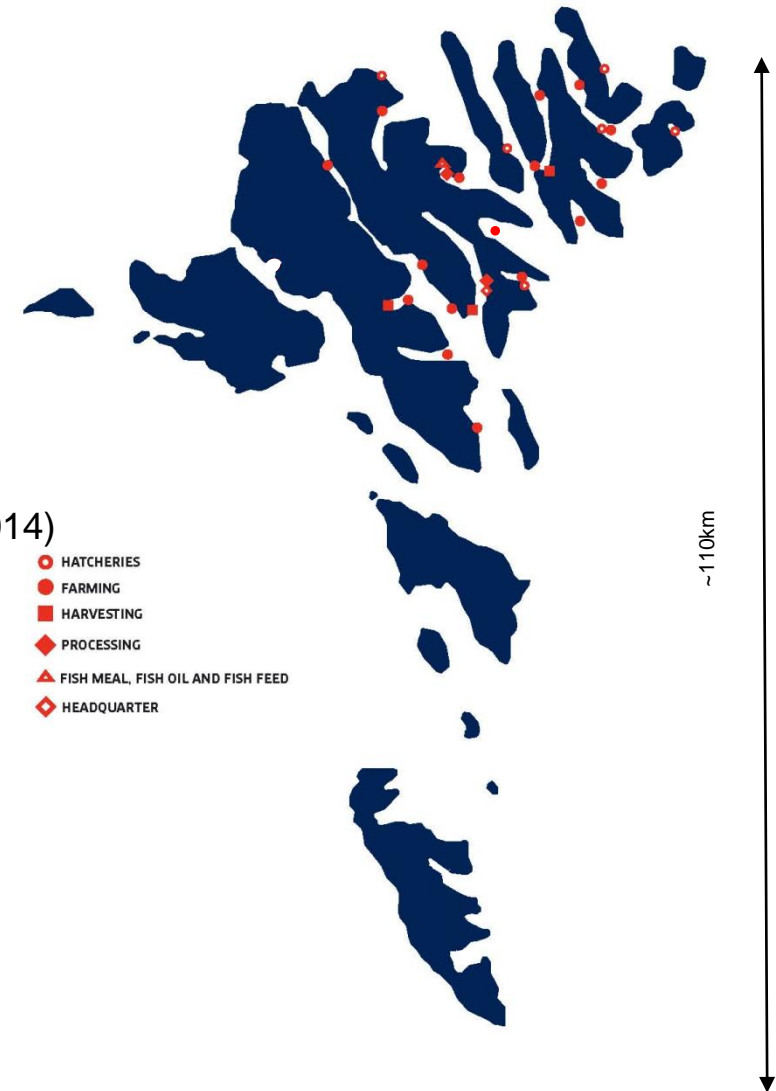
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# HIGHLIGHTS OF FOURTH QUARTER 2015

## Higher volumes from Farming

- **Harvested** 13,675 t<sub>gw</sub> in Q4 2015 (12,651 t<sub>gw</sub> in Q4 2014)
- **Feed sales** of 19,797 tonnes in Q4 2015\* (23,133 tonnes in Q4 2014\*)
- **Revenues** of DKK 760 million in Q4 2015 (DKK 757 million in Q4 2014)
- **Operational EBIT** of DKK 257 million in Q4 2015 (DKK 227 million in Q4 2014)
- **Positive results** in all segments
- **Completed refinancing** of 5 year bank facilities
- **Proposed dividend** of DKK 8.25 per share (DKK 6.00 per share 2014)



\*) Including internal sale of 18,042 tonnes in Q4 2015 (19,218 tonnes in Q4 2014)

# SUMMARY OF FOURTH QUARTER 2015

## Positive results in all segments

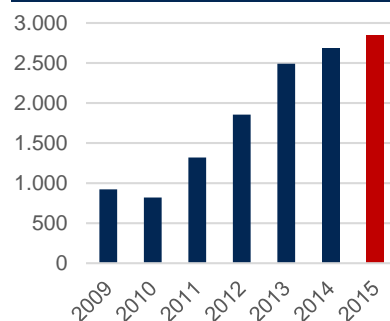
- Farming/VAP division increased margin from 19.48 NOK/kg in Q4 2014 to 21.83 NOK/kg in Q4 2015
- VAP segment delivered a margin of 6.09 NOK/kg in Q4 2015, compared with 7.36 NOK/kg in Q4 2014
- Farming margin was 19.67 NOK/kg in Q4 2015, compared with 16.53 NOK/kg in Q4 2014.
- FOF delivered a margin of 18.7% in Q4 2015, compared with 18.1% in Q4 2014
- Group Operational EBIT was DKK 257 million in Q4 2015, compared with DKK 227 million in Q4 2014

| (DKK million)                               | Q4<br>2015 | Q4<br>2014 | 2015         | 2014       |
|---|------------|------------|--------------|------------|
| Operating revenues                          | 760        | 757        | 2,850        | 2,683      |
| Operational EBITDA                          | 285        | 255        | 1,109        | 931        |
| <b>Operational EBIT</b>                     | <b>257</b> | <b>227</b> | <b>1,001</b> | <b>834</b> |
| <b>Profit for the period</b>                | <b>319</b> | <b>222</b> | <b>810</b>   | <b>647</b> |
|   |            |            |              |            |
| Operational EBITDA margin                   | 37.6%      | 33.6%      | 38.9%        | 34.7%      |
| Operational EBIT margin                     | 33.8%      | 30.0%      | 35.1%        | 31.1%      |
|   |            |            |              |            |
| Operational EBIT/Kg (Farming) (NOK)         | 19.67      | 16.53      | 19.63        | 17.65      |
| Operational EBIT/Kg (Farming and VAP) (NOK) | 21.83      | 19.48      | 21.64        | 19.43      |
| Operational EBIT/Kg (VAP) (NOK)             | 6.09       | 7.36       | 5.58         | 3.69       |
| EBITDA margin (Fishmeal, oil and feed)      | 18.71%     | 18.11%     | 19.28%       | 18.70%     |

## DEVELOPMENT PER QUARTER Q1 2012 – Q4 2015

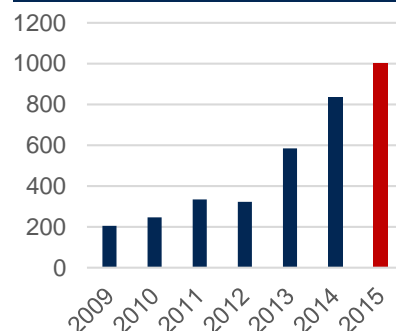
| (mDKK)                          | Q4<br>2015 | Q3<br>2015 | Q2<br>2015 | Q1<br>2015 | Q4<br>2014 | Q3<br>2014 | Q2<br>2014 | Q1<br>2014 | Q4<br>2013 | Q3<br>2013 | Q2<br>2013 | Q1<br>2013 | Q4<br>2012 | Q3<br>2012 | Q2<br>2012 | Q1<br>2012 |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenue                         | 760        | 677        | 800        | 613        | 757        | 584        | 711        | 631        | 667        | 741        | 610        | 473        | 582        | 457        | 416        | 400        |
| Op. EBIT                        | 257        | 206        | 303        | 235        | 227        | 209        | 212        | 186        | 124        | 187        | 169        | 105        | 99         | 86         | 78         | 60         |
| Profit/Loss                     | 319        | 168        | 191        | 132        | 222        | 211        | 126        | 87         | 138        | 200        | 184        | 67         | 148        | 26         | 91         | 16         |
| Harvest (tgw)                   | 13,675     | 12,982     | 14,182     | 9,726      | 12,651     | 10,881     | 11,212     | 9,269      | 11,097     | 11,335     | 10,540     | 8,296      | 13,044     | 9,730      | 10,219     | 11,348     |
| Op. EBIT Farming & VAP (NOK/kg) | 21.83      | 18.10      | 22.62      | 26.12      | 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                    | 66%        | 63%        | 61%        | 61%        | 60%        | 57%        | 53%        | 57%        | 54%        | 52%        | 49%        | 48%        | 49%        | 47%        | 47%        | 43%        |
| NIBD                            | 391        | 182        | 302        | 227        | 233        | 357        | 555        | 503        | 641        | 728        | 786        | 775        | 807        | 770        | 733        | 764        |

Turnover (mDKK)



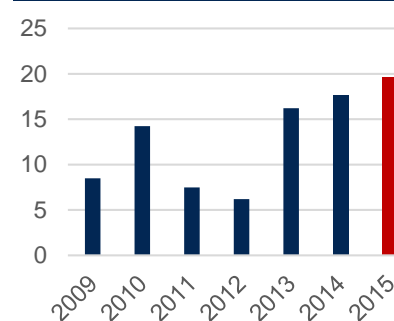
Turnover for the Bakkafrost Group has increased from 820 mDKK in 2010 to 2.9 bDKK in 2015.

Operational EBIT (mDKK)



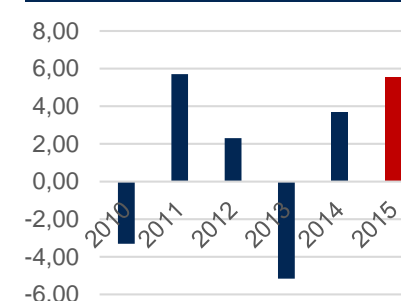
Operational EBIT for the Bakkafrost Group has increased from 247 mDKK in 2010 to 1.0 bDKK in 2015.

Farming margin Op. EBIT (NOK/kg)



The margin in Farming was NOK 19.63 per kg in 2015 – the highest ever.

VAP margin Op. EBIT (NOK/kg)



The margin in VAP was NOK 5.58 per kg in 2015 – at the same time as Farming margin was record high.



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