

THE FAROESE ORIGIN IS IMPERATIVE

BAKKAFROST GROUP

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ORIGIN IS THE FULCRUM IN THE VALUE CHAIN



DIVERCIFICATION BY LOCAL RAW MATERIAL – AND OWN FEED RECIPE

Low CO₂ footprint

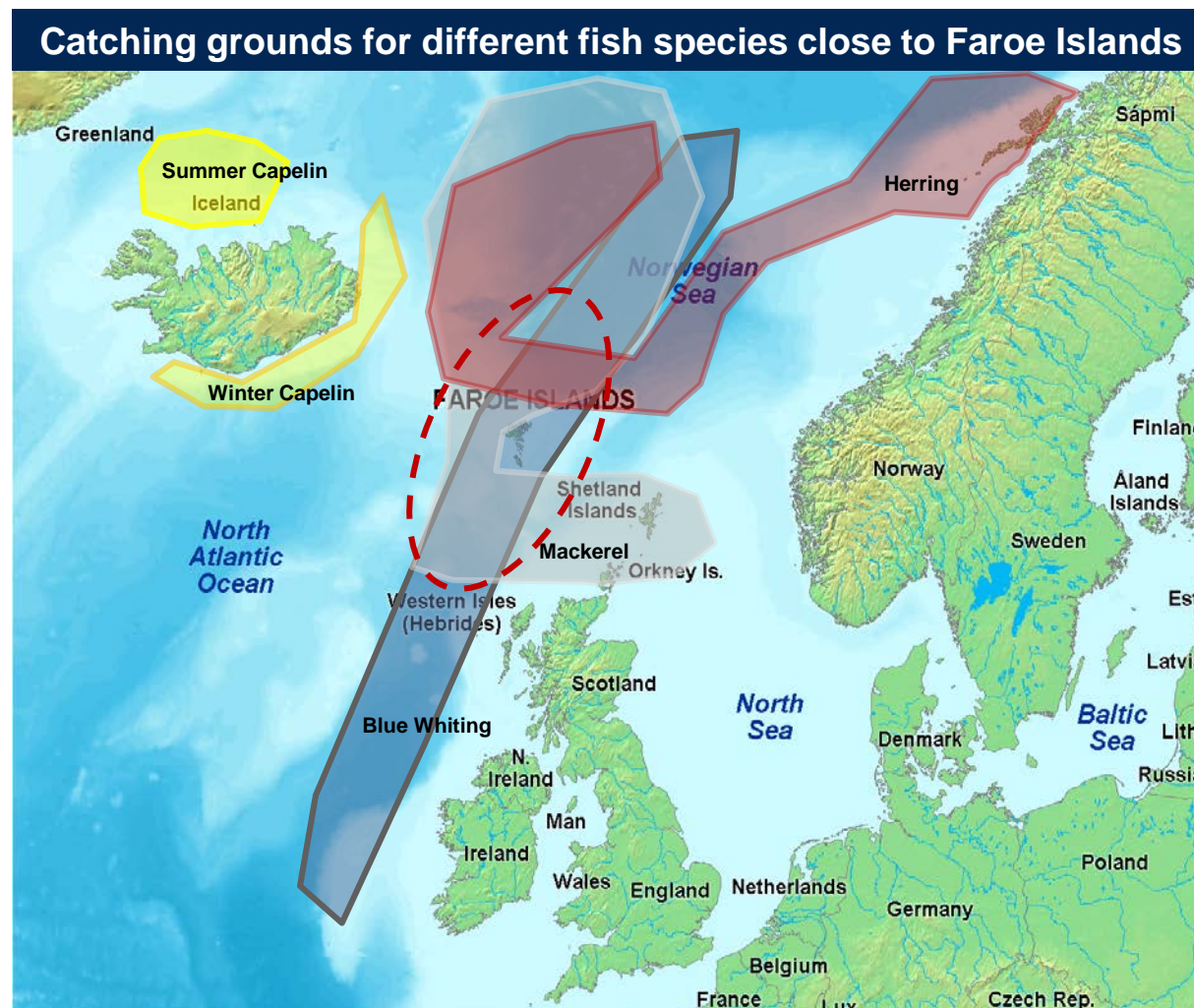
- No need to import raw material from afar

Optimal raw material availability

- Blue Whiting
- Winter Capelin
- Summer Capelin
- Mackerel
- Herring

Short distance from fishing grounds to feeding the salmon

- Blue Whiting concentrated south of Faroe Islands
- New pelagic fleet with super cooling system



ADDITIONAL RAW MATERIAL FROM BY PRODUCTS / OFF-CUTS

New Pelagic industry in the Faroe Islands

- The Faroe Islands have built a large pelagic processing industry since 2012
- By-products / fish offcuts important resource
- Bakkafrost can apply these products sustainably
 - No conflict with human consumption

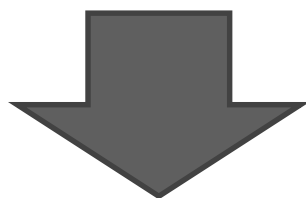
Salmon guts

- Additional raw material will be available from the new processing/VAP plant for processing of salmon meal and salmon oil

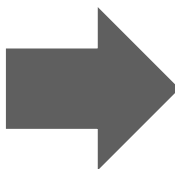
Benefits from large pelagic industry



- Value increase of fish by-product, fish offcuts
 - Fish not suitable for human consumption
 - Fish for which there is no market
- Rejected pelagic fish for human consumption



- Valuable fish proteins and vital essential fish oil



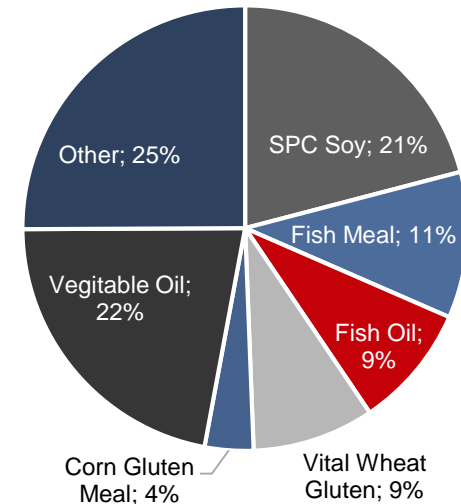
BAKKAFROST OFFERS A PREMIUM PRODUCT

- Supply constraints makes fish oil and fish meal costly ingredients
- Keeping the diet closer to the natural diet of wild salmon provides measurable benefits
 - Healthier nutritional profile of end product
 - Superior meat structure
 - Higher production efficiency due to animal welfare has positive impact on non-feed cost elements

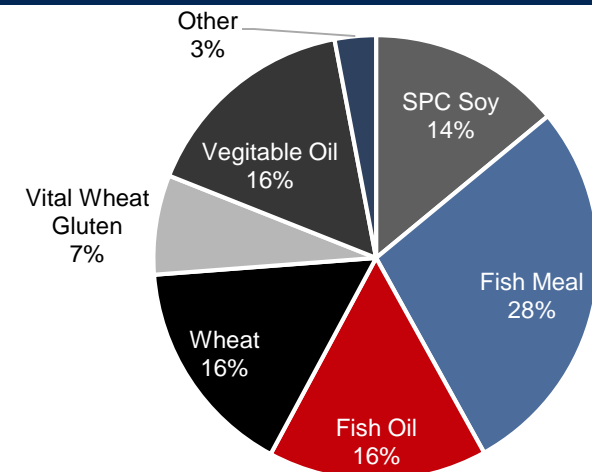


Source: Holtermann, Bakkafrost Note: (1) Norway

Standard feed recipe 2016E⁽¹⁾



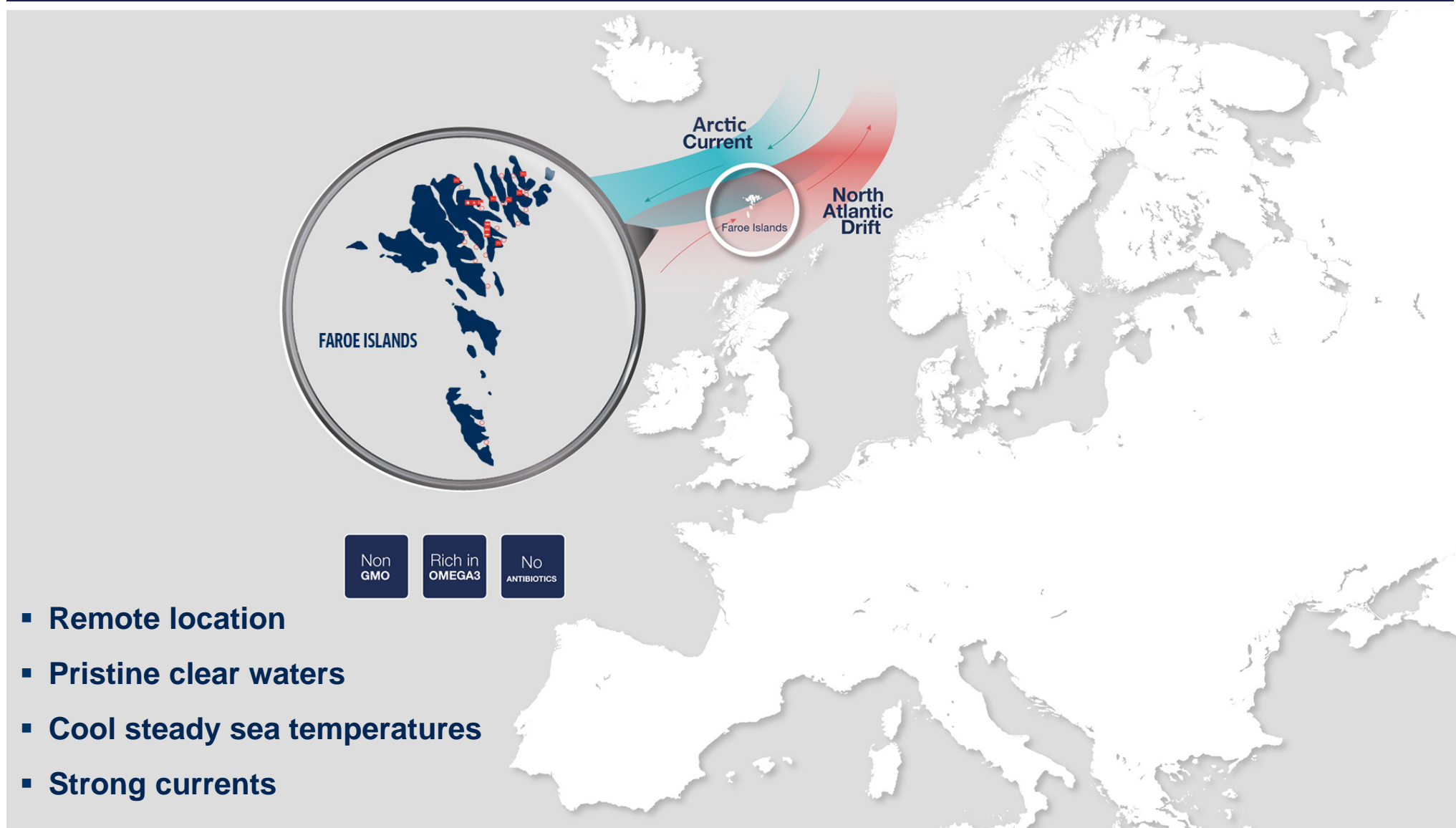
Feed recipe Bakkafrost 2015



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NATURAL CONDITIONS



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The salmon industry in the Faroe Islands launched the project “Salmon from the Faroe Islands” in 2010



In Bakkafrost acquired fishmeal, -oil and feed producer Havsbrún in 2011



Havsbrún started cleaning all relevant fish oil used for Bakkafrost salmon in 2015

- Removes and reduces environmental pollutants
- Removes doubts regarding salmon intake and should make intake limitations for salmon redundant
- Salmon feed purified fish oil is new in the global salmon market and could be a differentiator



YOU CAN TASTE THE DIFFERENCE!



Special high-performance feed

- Higher content of marine ingredients, compared with industry standard (Natural diet)
- Especially rich in Omega 3 fatty acids
- Purified fish oil



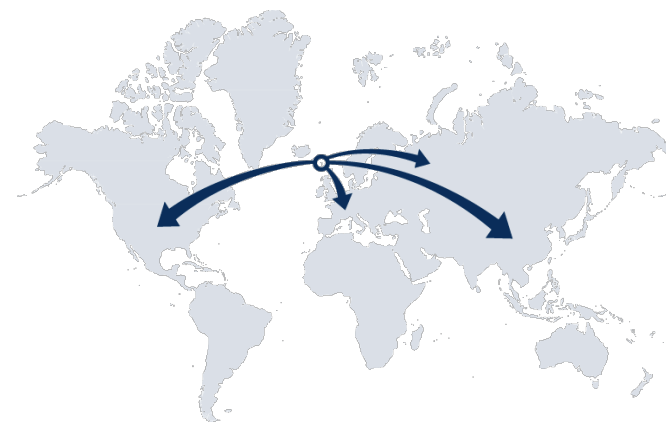
Produced of fish from sustainable quotas

- Produced from off-cuts and fish, which is not used for human consumption
- Only use of non GMO-ingredients
- Total traceability from initial catch to final feed
- Locally caught fish used for the feed

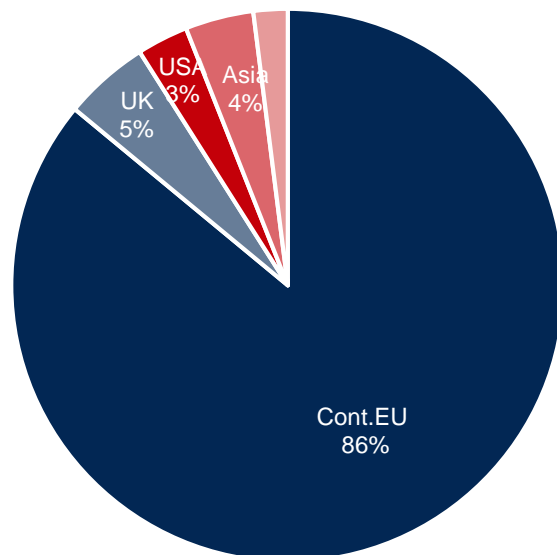


Bakkafrost salmon is a global product sold worldwide

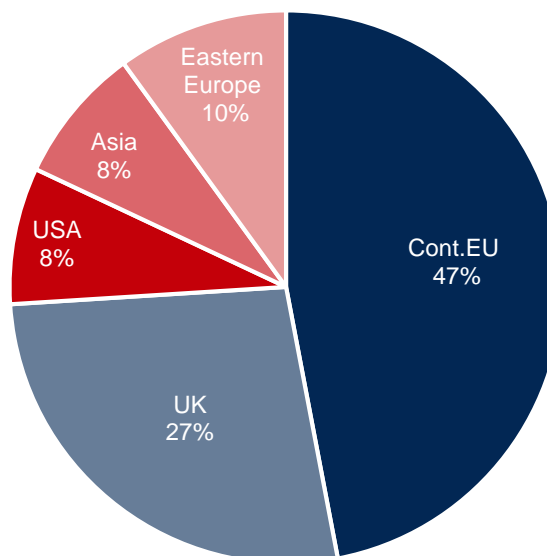
- 86% of sales came from Continental Europe in 2002
- 34% of sales came from Continental Europe in first nine months in 2016. Other main markets are more or less equal. The market is now diversified on all continents



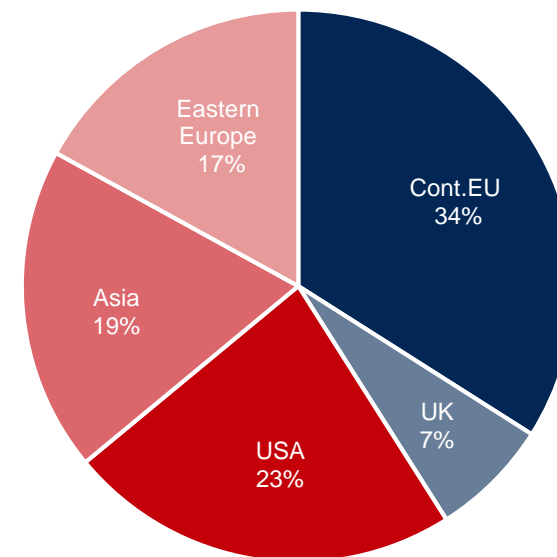
2002



2007



M9 2016

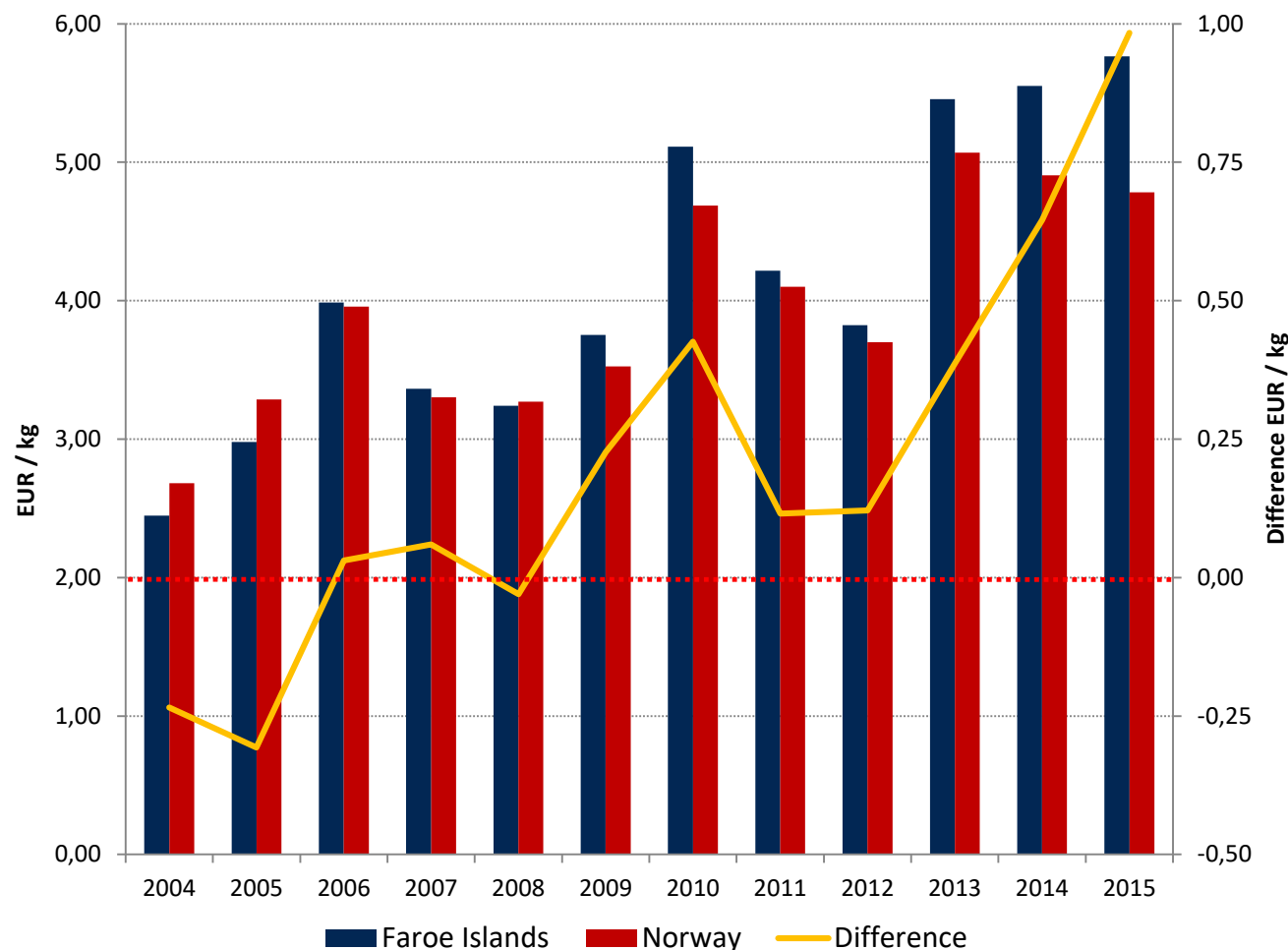


Source: Bakkafrost

THE MARKET IS WILLING TO PAY UP FOR PREMIUM PRODUCTS

- Consistent large sized fish forms baseline for price premium
- Bakkafrost has further tailored its product for the premium market through
 - Investing in very high inclusion rates of marine raw materials
 - Development of a demand driven value added processing franchise
 - Including capability of “upgrading” parts of ~10% of fish normally sold at discount as “downgraded” due to skin scars, deformities etc.
- Superior market access as the Faroe Islands is rarely part of recurring trade sanctions/embargos/dumping duties etc.

Export price, Fresh Atlantic Salmon (head on)



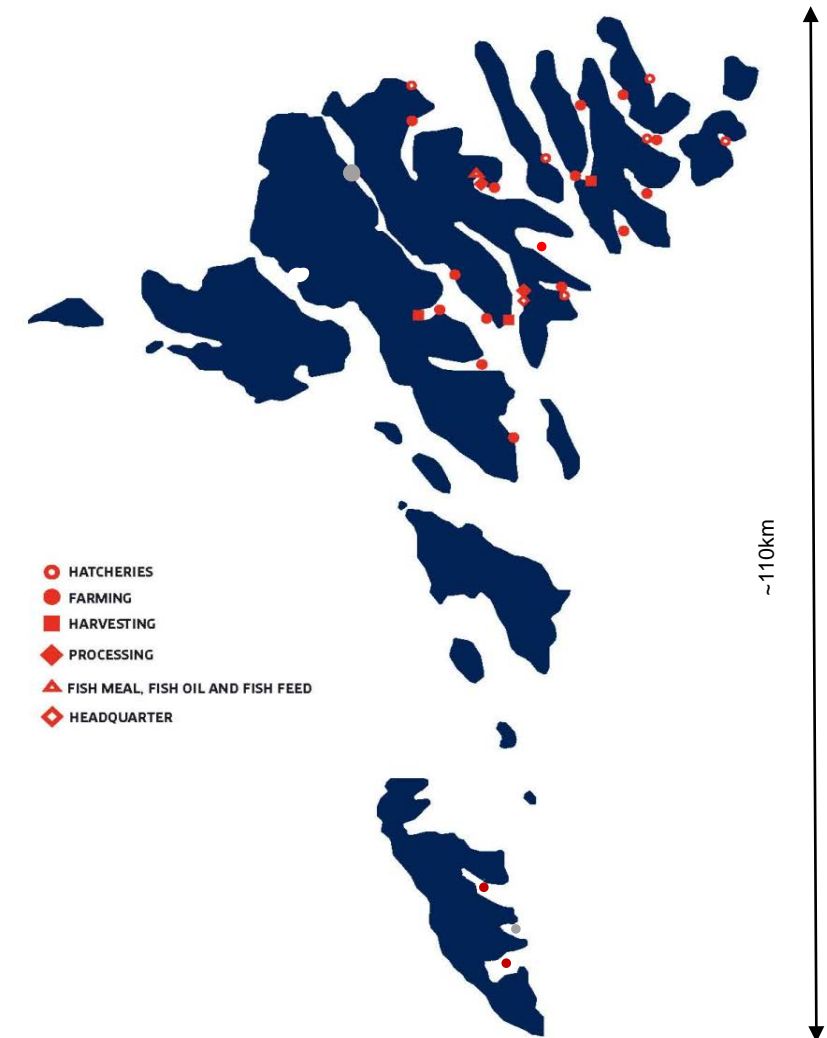
Source: Kontali

- **SUMMARY OF Q3 2016**



Acquisition of Faroe Farming and strong result

- **Harvested** 10,664 t_{gw} in Q3 2016 (12,982 t_{gw} in Q3 2015)
- **Feed sales** of 28,850 tonnes in Q3 2016* (27,011 tonnes in Q3 2015*)
- **Raw material purchase** of 11,003 tonnes in Q3 2016 (10,417 tonnes in Q3 2015)
- **Revenues** of DKK 640 million in Q3 2016 (DKK 677 million in Q3 2015)
- **Operational EBIT**** of DKK 255 million in Q3 2016 (DKK 206 million in Q3 2015)
- **Faroe Farming** part of Bakkafrost from 1 July 2016
- **Positive results** in Farming and FOF segments, while loss in VAP segment



*) Including internal sale of 27,344 tonnes in Q3 2016 (24,071 tonnes in Q3 2015)

**) EBIT before fair value on biomass, onerous contracts, income from associates and revenue tax

SUMMARY OF THE QUARTER

Strongest quarterly result from combined Farming/VAP per kg, although VAP segment is still struggling. FOF segment has good result

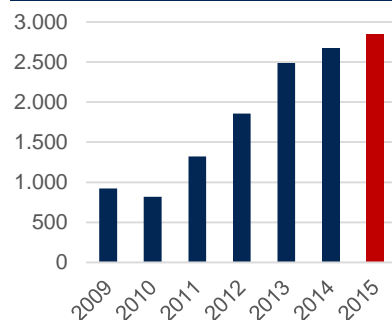
- Farming/VAP division increased margin from 18.10 NOK/kg in Q3 2015 to 28.97 NOK/kg in Q3 2016
- VAP segment delivered a margin of -14.15 NOK/kg in Q3 2016, compared with 2.95 NOK/kg in Q3 2015
- Farming margin was 34.44 NOK/kg in Q3 2016, compared with 17.25 NOK/kg in Q3 2015.
- FOF delivered a margin of 19.5% in Q3 2016, compared with 13.0% in Q3 2015
- Group Operational EBIT was DKK 255 million in Q3 2016, compared with DKK 206 million in Q3 2015

(DKK million)	Q3 2016	Q3 2015	M9 2016	M9 2015
Operating revenues	640	677	2,334	2,091
Operational EBITDA	287	232	905	823
Operational EBIT	255	206	815	744
Profit for the period	346	168	783	492
Operational EBITDA margin	44.8%	34.3%	38.8%	39.4%
Operational EBIT margin	39.8%	30.4%	34.9%	35.6%
Operational EBIT/Kg (Farming) (NOK)	34.44	17.25	33.22	20.03
Operational EBIT/Kg (Farming and VAP) (NOK)	28.97	18.10	28.13	22.03
Operational EBIT/Kg (VAP) (NOK)	-14.15	2.95	-14.75	5.52
EBITDA margin (Fishmeal, -oil and feed)	19.5%	13.0%	21.4%	19.5%

DEVELOPMENT PER QUARTER Q1 2013 – Q3 2016

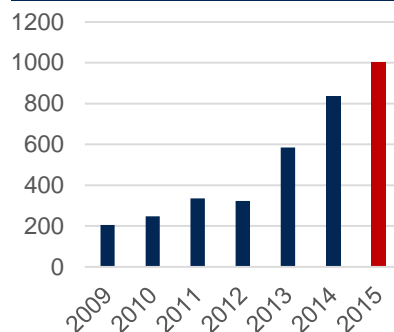
(mDKK)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	640	790	905	760	677	800	613	757	584	711	631	667	741	610	473
Operational EBIT	255	307	254	257	206	303	235	227	209	212	186	125	187	169	105
Profit/Loss	347	224	213	319	168	191	132	222	211	126	87	138	200	184	67
Harvest (tgw)	10,664	13,004	10,934	13,675	12,982	14,182	9,726	12,651	10,881	11,212	9,269	11,097	11,335	10,540	8,296
Op. EBIT Farming & VAP (NOK/kg)	28.97	27.88	27.55	21.83	18.10	22.62	26.12	19.48	19.73	17.66	21.37	12.44	15.76	15.29	12.16
Equity ratio	63%	61%	66%	66%	63%	61%	61%	60%	57%	53%	57%	54%	52%	49%	48%
NIBD	504	603	218	391	182	302	227	233	357	555	503	641	728	786	775

Turnover (mDKK)



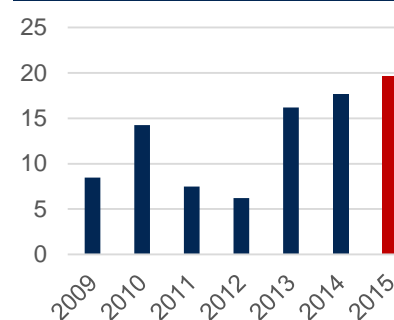
Turnover for the Bakkafrost Group has increased from 820 mDKK in 2010 to 2.9 bDKK in 2015.

Operational EBIT (mDKK)



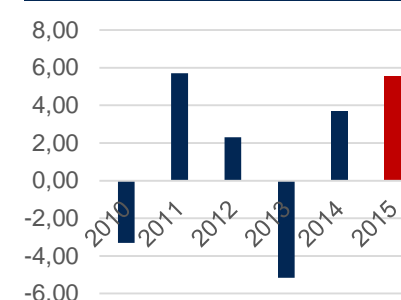
Operational EBIT for the Bakkafrost Group has increased from 247 mDKK in 2010 to 1.0 bDKK in 2015.

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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