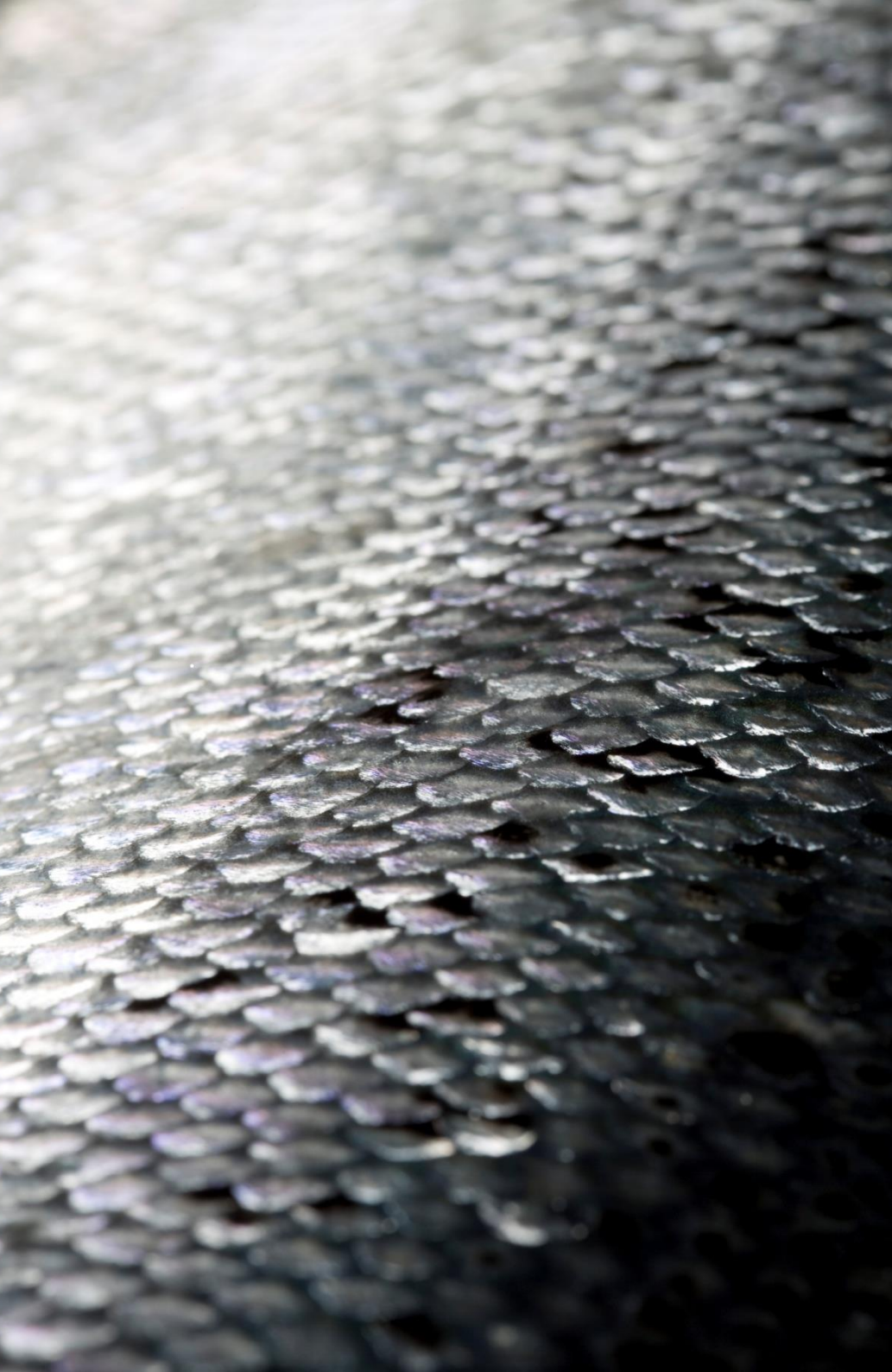


PRESENTATION BAKKAFROST

KØBENHAVN 10 JANUAR 2017

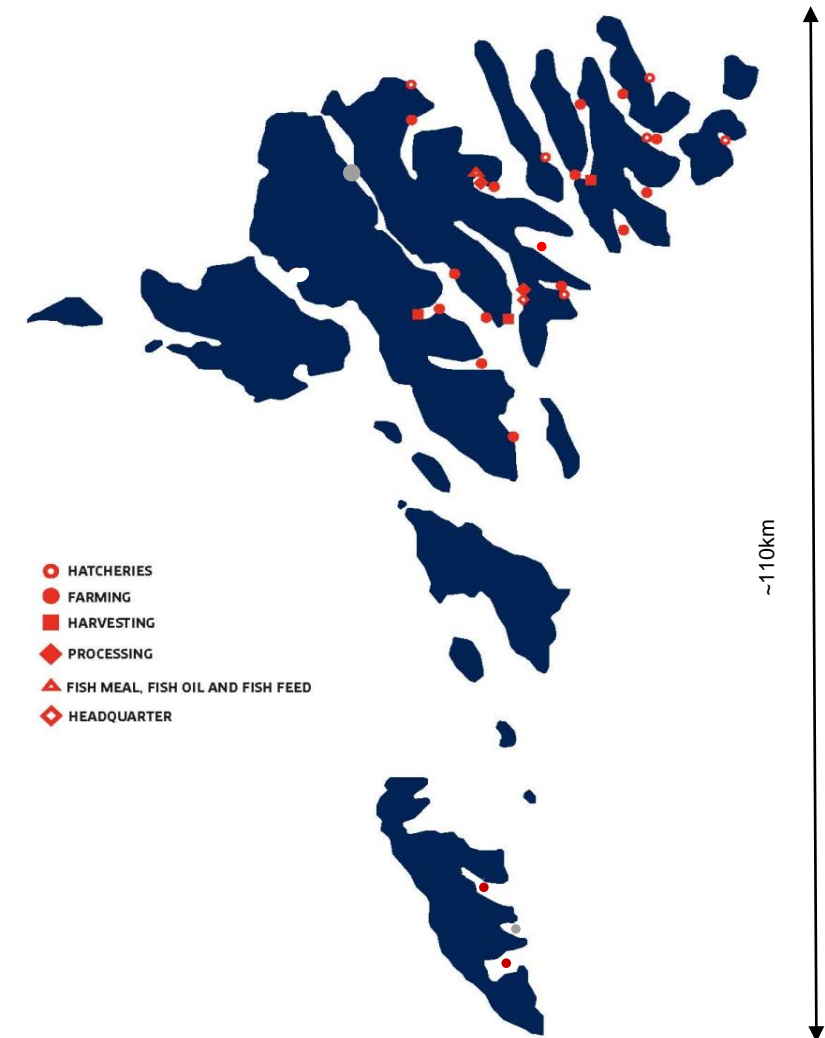
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- **HIGHLIGHTS Q3 2016**
- **OUTLOOK AND GUIDANCE 2017**
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Acquisition of Faroe Farming and strong result

- **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

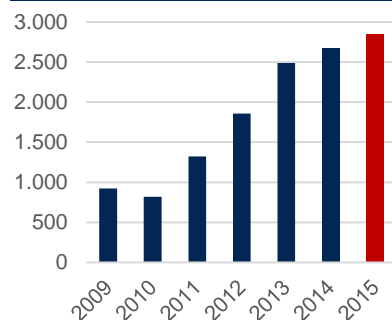
- Farming/VAP division increased margin from 18.10 NOK/kg in Q3 2015 to 28.97 NOK/kg in Q3 2016
- VAP segment delivered a margin of -14.15 NOK/kg in Q3 2016, compared with 2.95 NOK/kg in Q3 2015
- Farming margin was 34.44 NOK/kg in Q3 2016, compared with 17.25 NOK/kg in Q3 2015.
- FOF delivered a margin 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

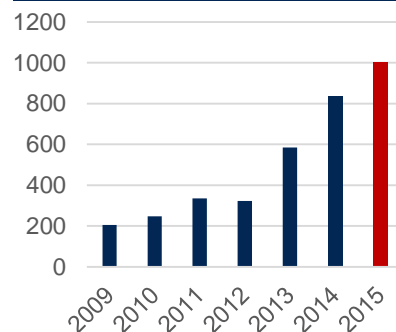
(mDKK)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	640	790	905	760	677	800	613	757	584	711	631	667	741	610	473
Operational EBIT	255	307	254	257	206	303	235	227	209	212	186	125	187	169	105
Profit/Loss	347	224	213	319	168	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)



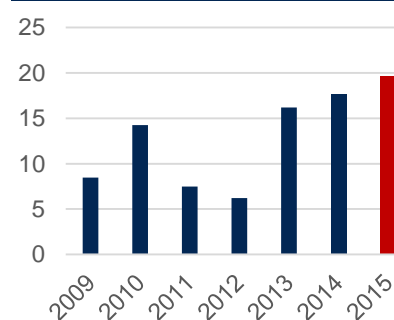
Turnover for the Bakkafrost Group has increased from 820 mDKK in 2010 to 2.9 bDKK in 2015.

Operational EBIT (mDKK)



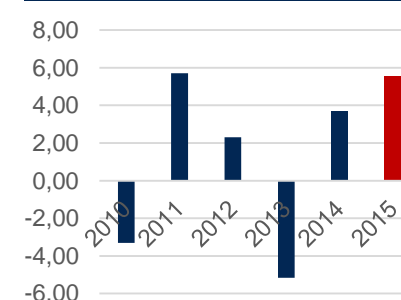
Operational EBIT for the Bakkafrost Group has increased from 247 mDKK in 2010 to 1.0 bDKK in 2015.

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.

Market

- Global supply in 2017 expected to increase only around 1%, compared to 2016 (back end loaded).

Farming

- Bakkafrost expects to increase volume by 18% in 2017 compared with 2016. Harvest of 56,000 tonnes compared with 47,500 tonnes in 2016
- Expected smolt release
 - in 2016, 11.5 million pieces (incl. Faroe Farming)
 - in 2017 total 11.5 million pieces

VAP

- Contracted 50% of the goal for the VAP production for 2017

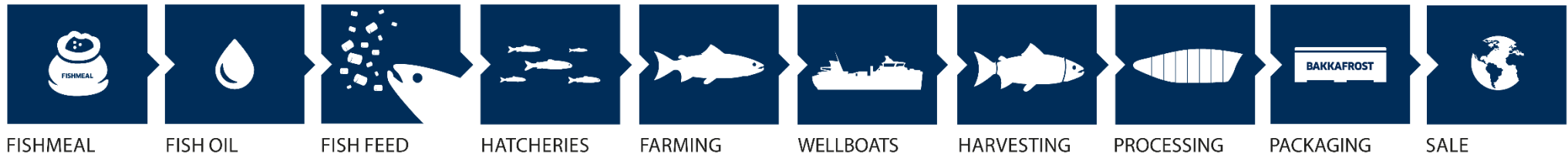
Fishmeal, -oil and feed

- Forecast 8% increased feed sales
 - 85,000 tonnes in 2017 compared with 80,000 tonnes in 2016



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SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM



- History with salmon farming – Established in 1968
 - Involved with aquafarming in the Faroe Islands since the beginning
 - Rich traditions with salmon farming in the company – Same people
- Location - The location of Faroe Islands is crucial for raising Premium Quality Salmon
 - Steady temperature between 6-12 degrees Celsius gives a balanced growth and minimizes the biological risks
 - Strong currents give a high level of water replacement which minimizes the biological risks
 - Short distances between Bakkafrost facilities which reduces the carbon footprint
 - Strict national aqua cultural legislation
- Completely vertically integrated value chain
 - From initial ingredients to final delivery to the customer
 - Maximum control of the quality of each parameter in the production process



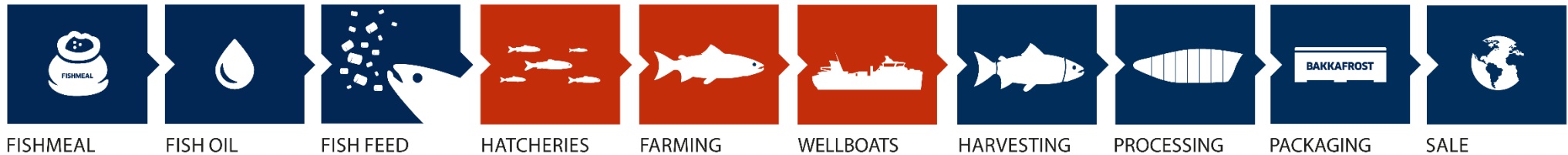
SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM



- 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 (Free of toxins)
 - Produced of fish from sustainable quotas
 - Produced from off-cuts and fish which is not used for human consumption
 - Only use GMO-free ingredients
 - Total traceability from initial catch to final feed
 - Locally caught fish used for the feed

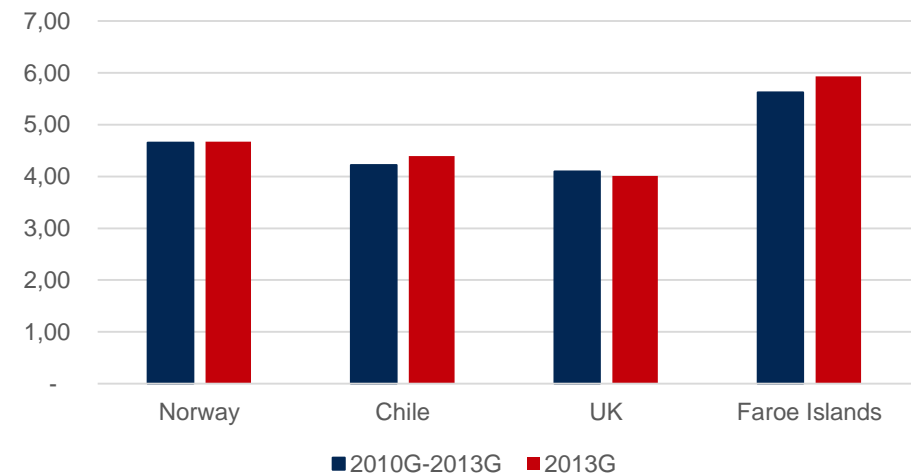


SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM



- Large smolt in new hatcheries minimizes the biological risks
- No use of antibiotics
- Environmentally friendly treatment for sea-lice on farming sites (Fresh water treatment for sea-lice)
- Healthy salmon give Bakkafrost the possibility to have the salmon in the ocean for a longer time
 - Opportunity for bigger salmon sizes

Average harvest weight (HOG)



SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM



- Gentle harvest - Pick up of state-of-the art wellboats
 - Transportation in salt water tanks
- Short distance from farming sites to harvest plant
 - Minimal stress
 - Minimal carbon foot-print
- Efficient and quick harvest
 - Chilled for optimal animal-welfare and stress less
- Efficient production according individual requirements
 - Optimal quality
 - Complete satisfaction



SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM



- Customized packaging to individual customer
- Flexible delivery
 - Sea freight (Economical delivery of large quantities)
 - Air freight (Fast delivery with freshness in mind)
- Markets
 - Strategy – 60/40 split between spot and contract market
 - Divide our supply between North America, Europe, Asia and Eastern Europe (EU=25% US=25% Asia=25% Other=25%)
 - Target high-end market (Sushi-market; high-end retail)
 - Close long-term relationship with our customers

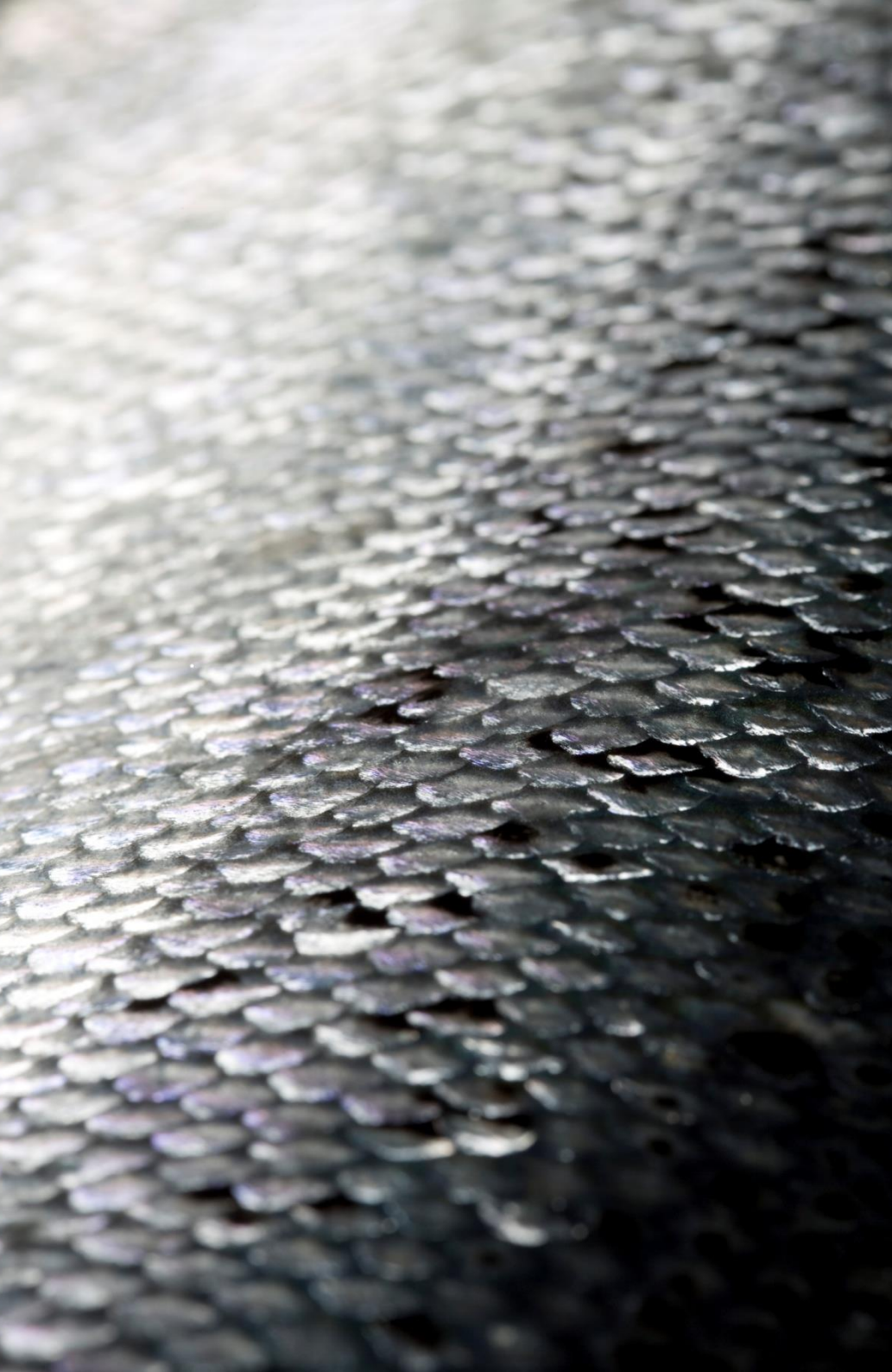


Treats

- Increased dependence on IT systems
 - Stability (operational performance)
 - Liability (implementation)
 - Integrity (increased data increases possible errors)
- IT complexity outgrows competences (i.e. farming staff)

Opportunities

- Converging data for real-time usage (Operational Intelligence)
 - Faster decision making
 - Proactive instead of reactive approach
- KPI's and statistics (Business Intelligence)
 - Reporting
 - Using historical data to plan
 - Optimization
 - Benchmarking
- Increased traceability throughout Bakkafrost's value chain (increases value both for Bakkafrost and customer)



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

- Biological risk
- Efficiency
- Organic growth

INVESTMENT PROGRAMME 2016 - 2020

Investment program of DKK 2.2b from 2016 to 2020

Fishmeal, Oil & Feed (DKK 380m)

- New salmon meal and –oil plant
- New Feed line increase capacity
- Advanced feed line capabilities

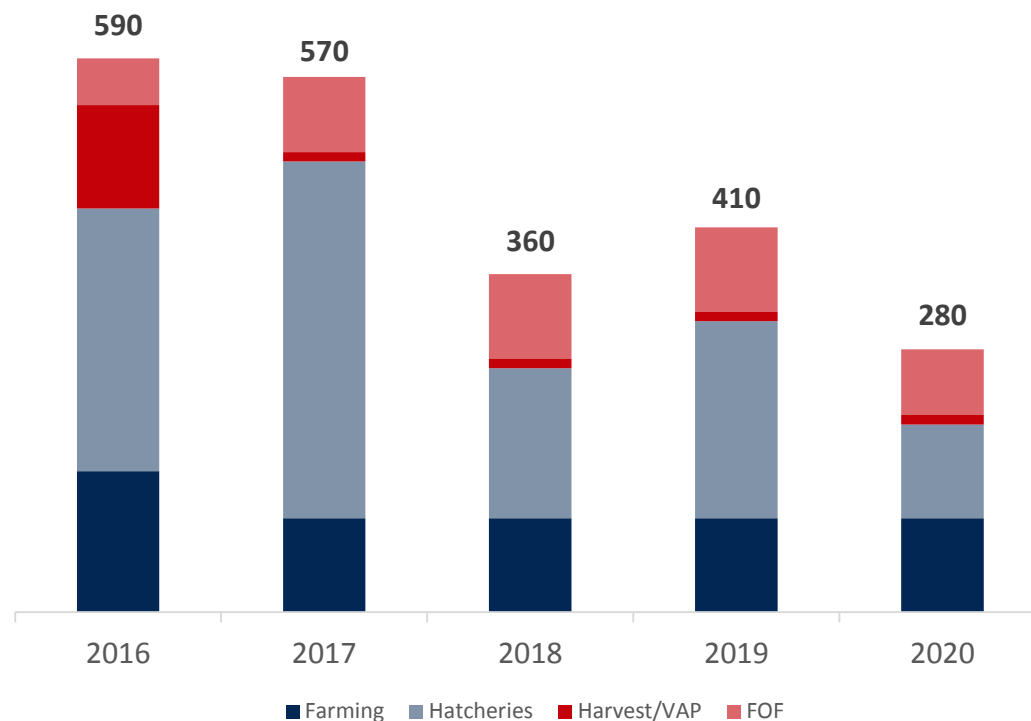
Smolt (DKK 1,130m)

- Viðareiði 2016 – finalizing facility
- Strond 2018 – new facility
- New site 2019
- Upgrade existing facilities 2019-2020

Harvest/VAP Finalizing new plant (DKK 160m)

- Consolidating fragmented processing structure into one state of the art facility
- Represents large efficiency benefits
- Improves capability of extracting benefits of a premium product in the fresh category

Investment Programme 2016 – 2020 (DKK m)

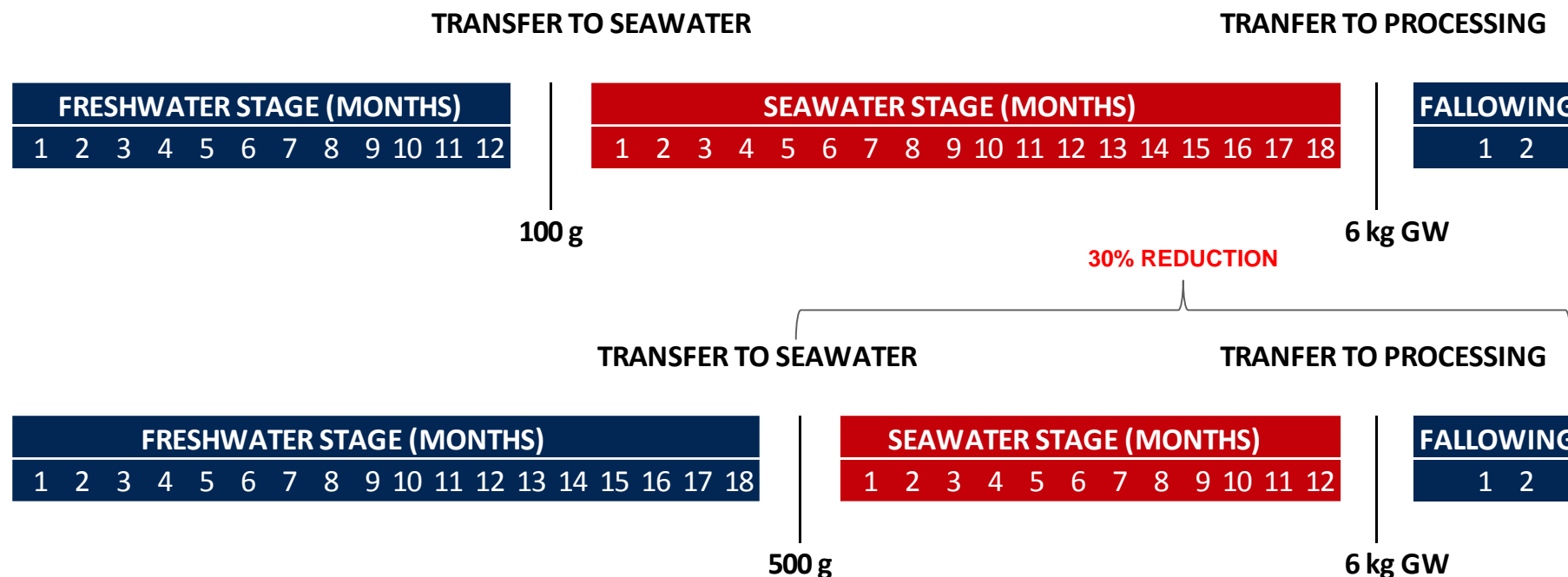


Results in

- Reduces biological risk
- Give opportunities for organic growth
- Better usage of off-cuts from salmon production
- 5-6 years pay back on investments



DE-BOTTLENECKING: SHORTENING THE SEA-WATER PRODUCTION CYCLE



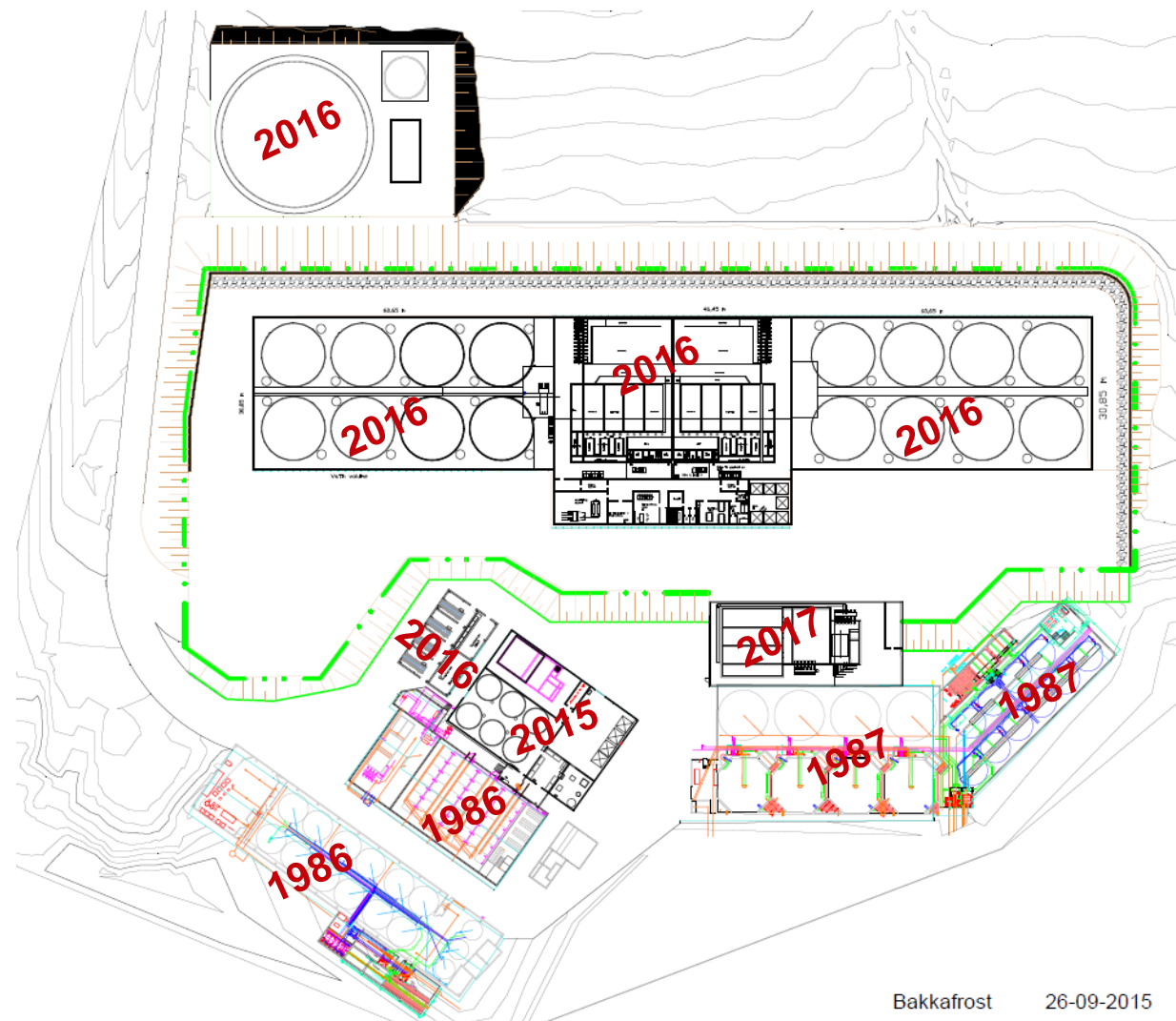
- Allowing for ~30% increased production capacity
 - De-bottlenecking of value chain – cycle in sea reduced by ~5 months (~30%)
- Synchronised fallowing
 - Sites/companies in each area need to implement new cycle simultaneously to achieve full capacity effect
- Reducing exposure to biological risks in the sea water environment
 - Both spring and fall releases exposed to one summer season

VIÐAREIÐI S-21 EXPANSION 2016

Overview S-21

New site expansion 2016

- Volume expansion of 8,000 m³
- Total tank capacity after expansion: 11,200 m³
- Production 2015 – 3.3 million smolts with a size of 115 gram
- Production will increase to 4.5 million smolts with an average weight of 300 gram
- Hatchery Manager: Sigurð Jacobsen
- No of employees: 8



Bakkafrost

26-09-2015

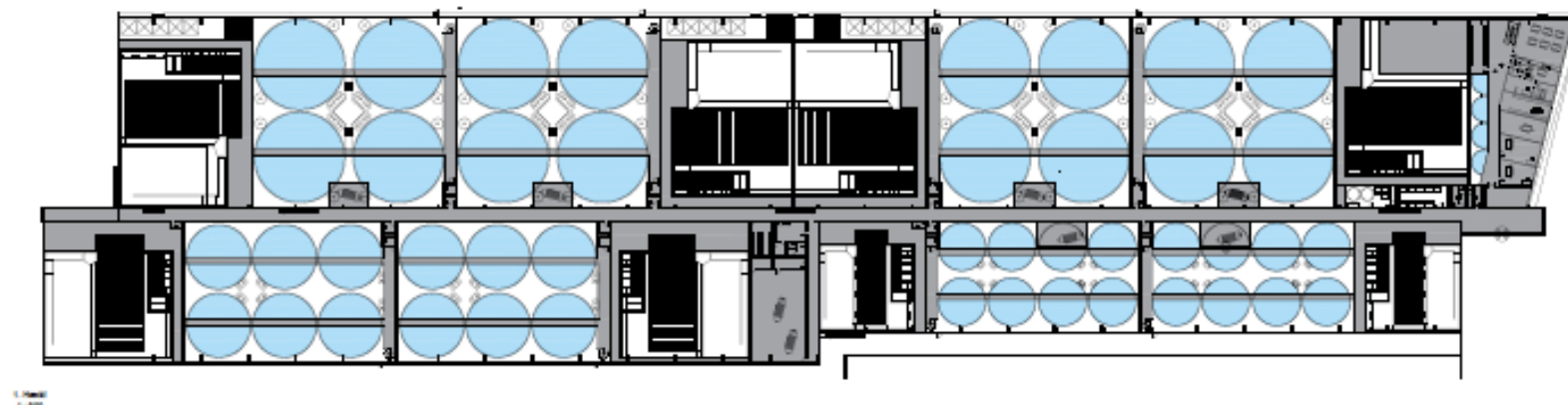
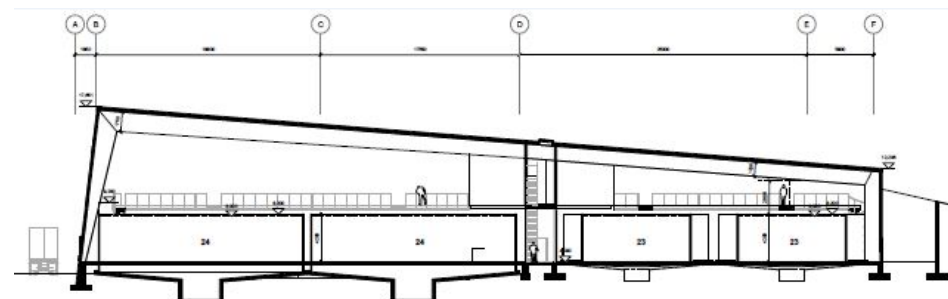
Building

- Ground floor 20,000 m²
- Total floor space 26,000 m²
- Total tank volume 28,760 m³
- Length 290 m – width 80 m

Construction period 2016 to 2018

- Number of employees: 12

Strond S-24 Construction period 2016-2018



LARGER SMOLT

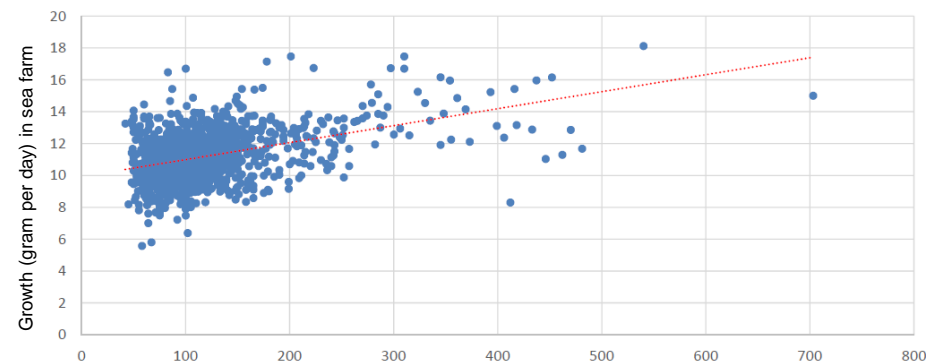
Reduce risk

- Time in sea water will be reduced by 6 months
- Reduced mortality
- Reduced need for treatment against sea-lice

Increase in production

- Possible to increase production by 30%
- Time in hatchery will be longer than in the sea

Size smolts and growth per day in farms (gram)



Size of smolts and growth time in sea to 6kg HOG (months)

Size of smolts	100	200	300	400	500	600
Growth (gram per day)	11,0	12,0	13,2	14,3	15,5	16,6
No of months to 6 kg	17,6	15,8	14,2	12,8	11,6	10,7

AVRIK
Benchmarking

Time in hatchery from egg to 0,5 kg ca 16 months

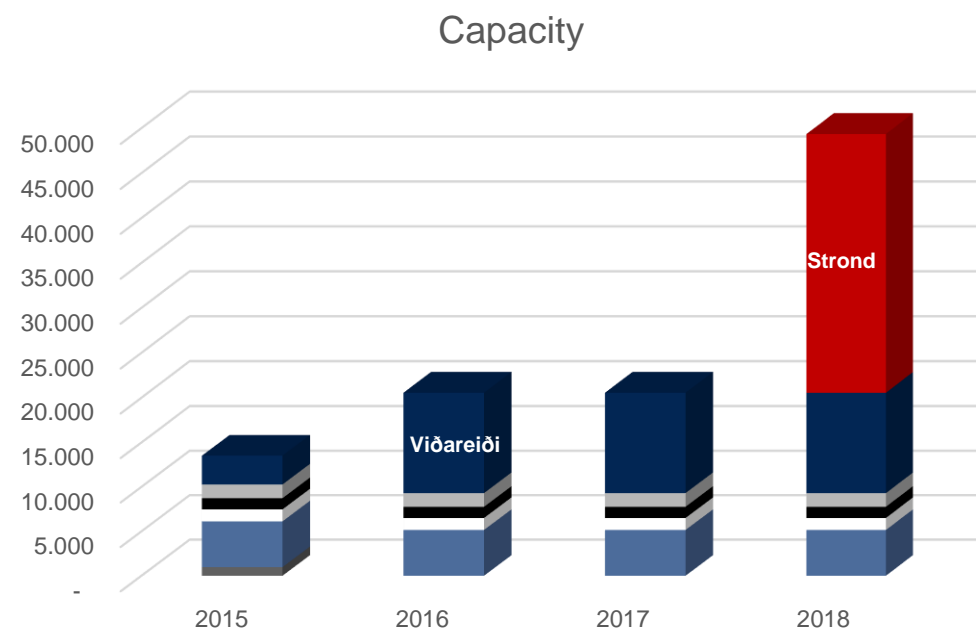
Time in seawater from 0,5 gr to 6 kg ca 12 months

FRESH WATER DIVISION CAPACITY INCREASE

Capacity increase in order to produce large smolt

- The capacity increases in 2016 with the new Hatchery at Viðareiði 8,000m³
- New Hatchery at Strond 29,000m³ in operation in 2018
- Total capacity 4 folded from 2015 to 2018

Capacity development

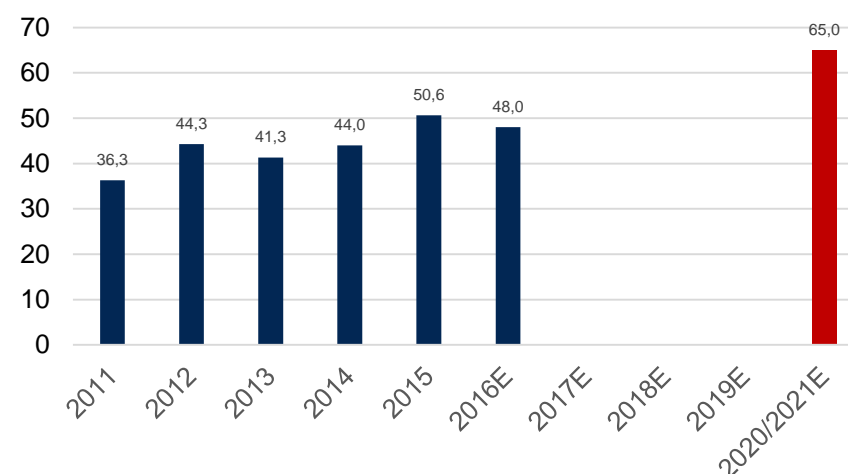


INCREASED VOLUME BASED ON LARGER SMOLT

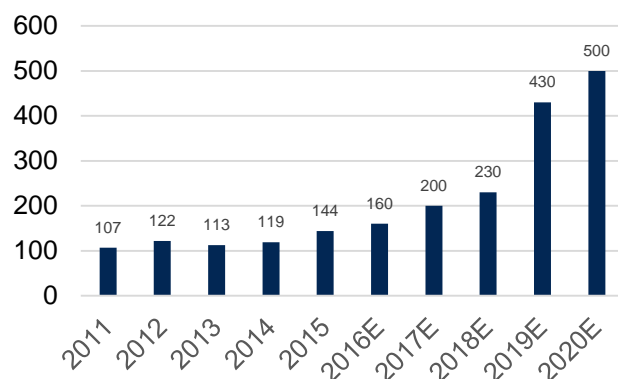
Larger smolt (PS) will reduce time of cycle in farming

- Smolt size will gradually increase to 500 gram by 2020
- Smolt release will gradually increase to ~14 million pcs as production cycle decreases from 24 to ~14 months (incl. following period)
- Production volume will gradually increase to ~7 thousand tonnes

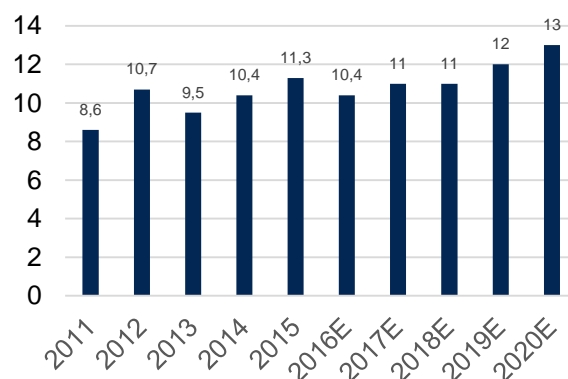
Farming volume – growth potential with PS (1,000 tonnes)



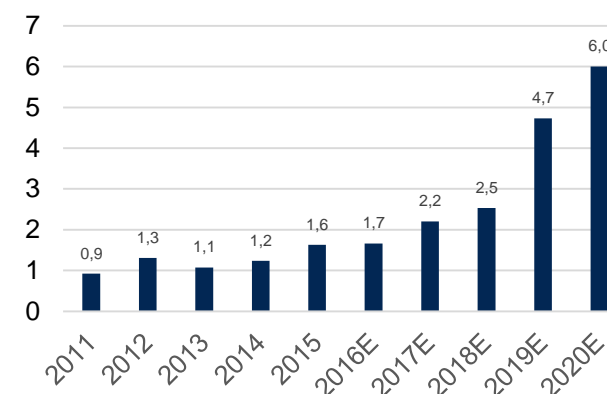
Smolt size on released fish (size gram)



Smolt release (million pcs)



Production volume (1,000 tonnes)



NEW HATCHERY S-24 STROND IN KLAKSVÍK

- In operation in H2 2018
- Capacity to produce ~7 million smolts á 500 gram
- Goal to secure improvements in the following areas:
 - Efficiency
 - Biological risk
 - Organic growth

New Hatchery Strond in Klaksvík



STRATEGY: NATURAL TREATMENTS OF SEA-LICE

Increased farming operation requires steps to reduce sea lice

- Lump fish
- Fresh water SPA
- Warm water SPA



Lumpfish



M/S Martin



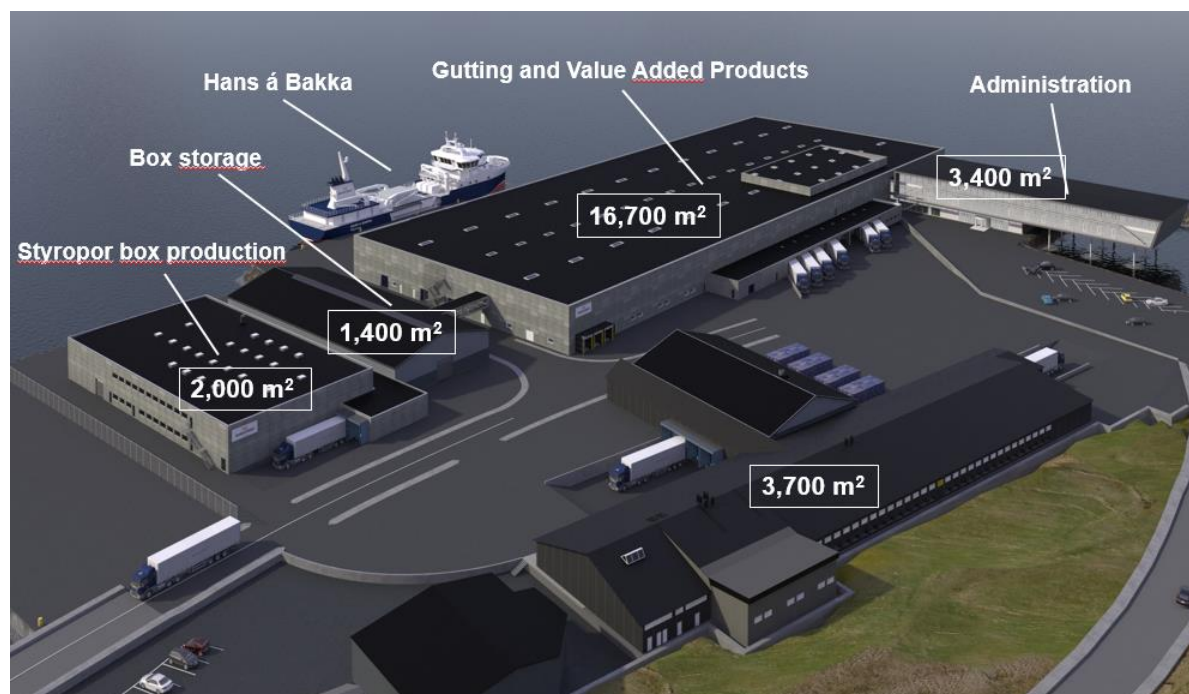
M/S Hans á Bakka

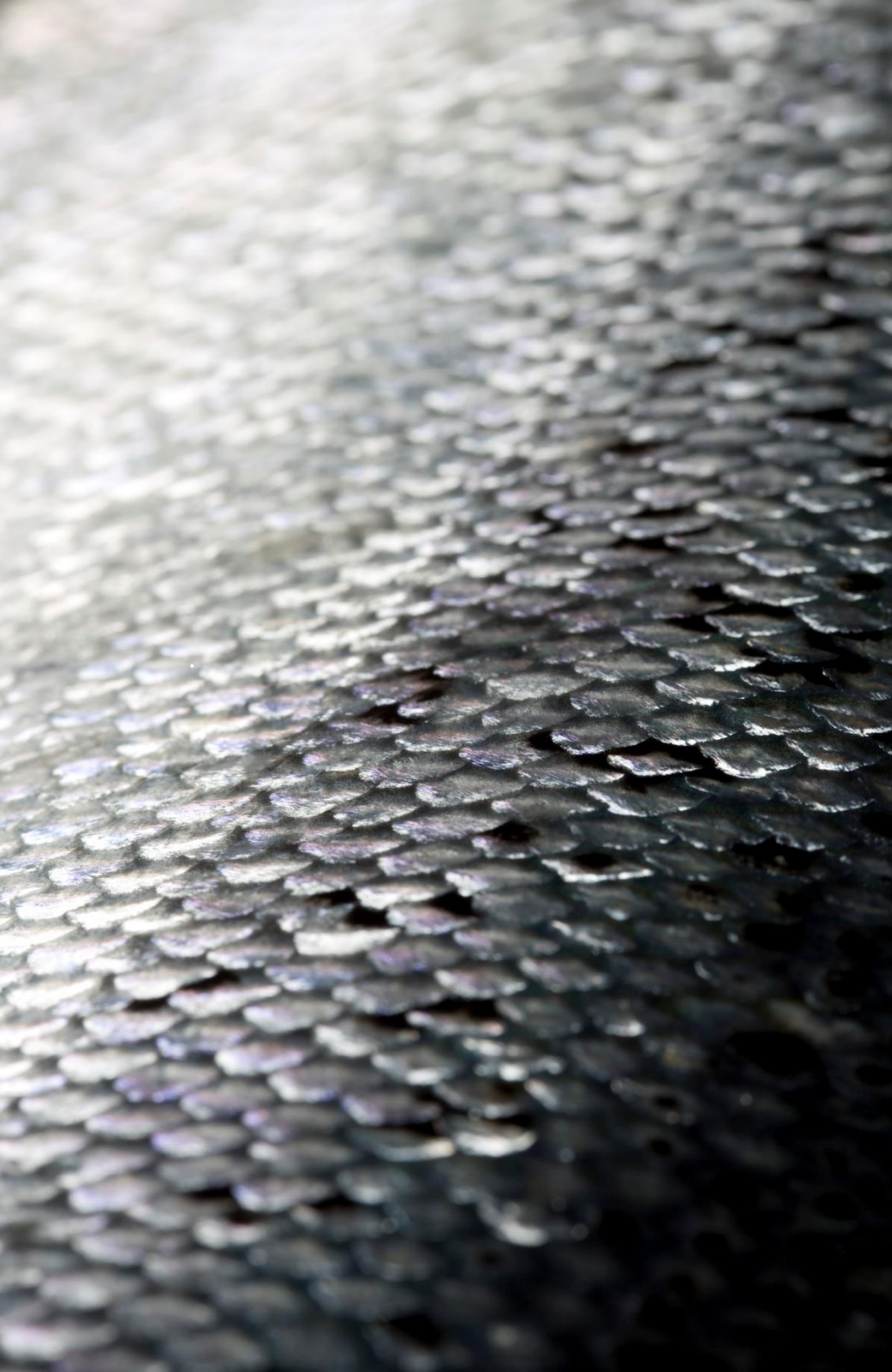
New plant in operation in H2-2016

- Reduced costs in:

- Logistics
- Operation
- Energy
- Maintenance

Amounting to DKK 70 – 90 million per year





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BIOLOGICAL CONTROL – CRITERIA 1

A GOOD REGULATORY FARMING ENVIRONMENT

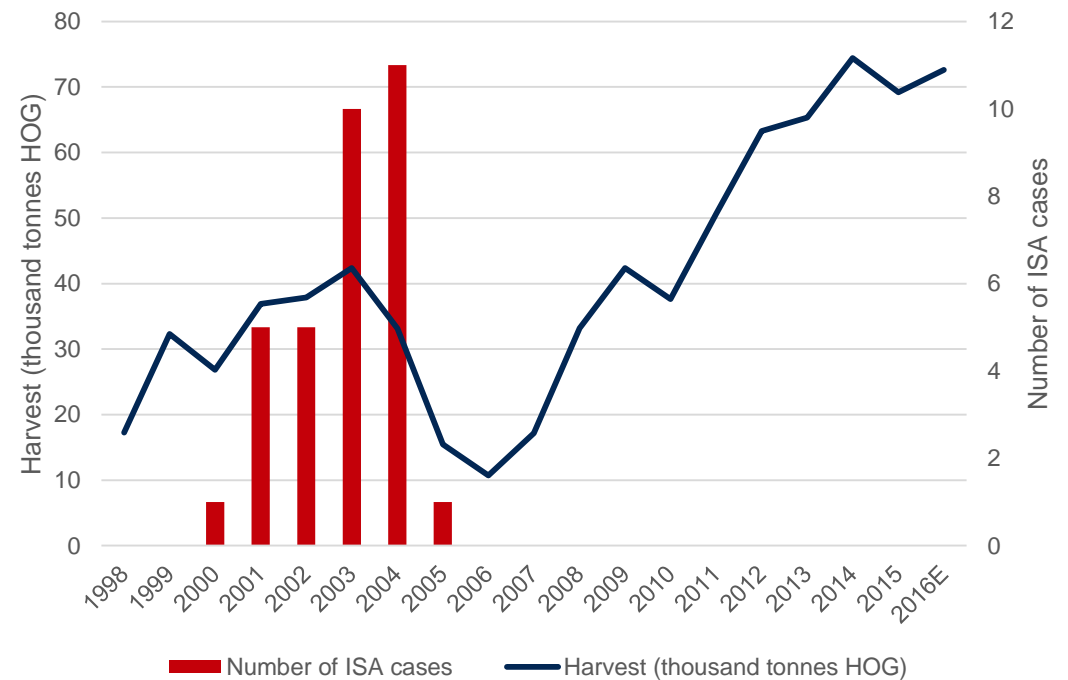
During the period 2001-2004 the Faroe Islands were severely struck by ISA outbreaks

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

Biological meltdown paved way for robust regulatory regime



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

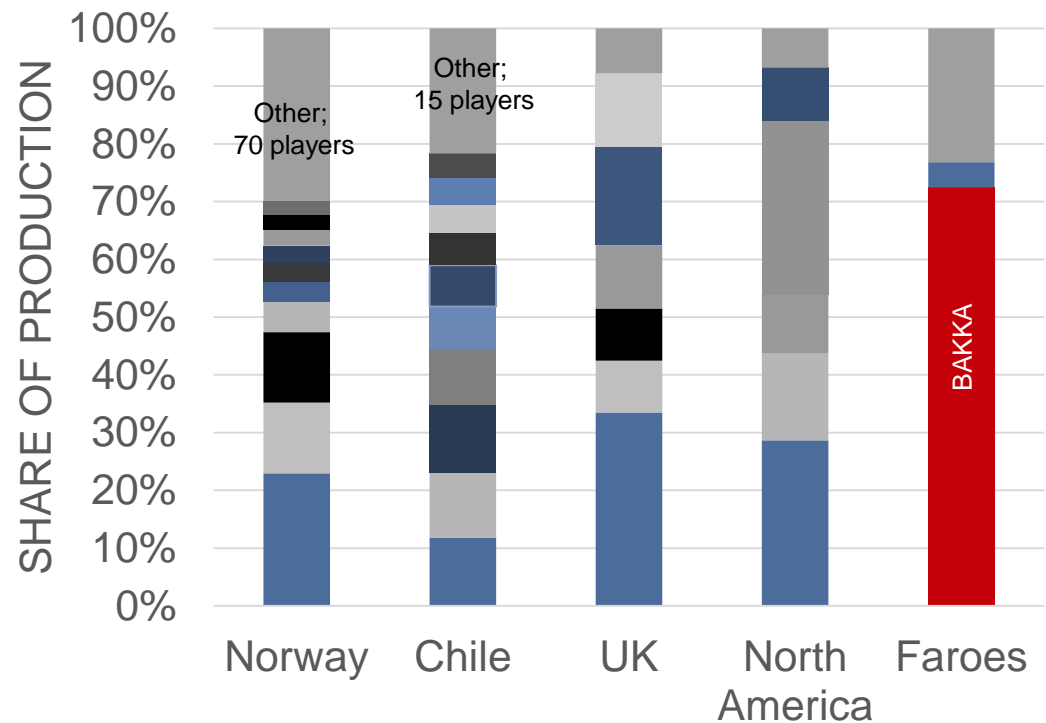
Source: Bakkafrost, Kontali

BIOLOGICAL CONTROL – CRITERIA 2

FEW PLAYERS IN EACH PRODUCTION REGION

- A tight regulatory regime is not enough
- A large number of decisions will always be left to the operators
- As opposed to most other industries, operators are directly exposed to each others behaviour
- Efficient production requires a high degree of cooperation in the waters, e.g.
 - Coordinated fallowing periods
 - Coordinated lice treatment in direction of current
- Hard to get «all the ducks in a row» as coordination will always carry a cost to some operator, e.g.
 - Requirement to await next generation to join new fallowing regime
 - Self reporting of disease in order to protect surrounding farms

Highly fragmented industry, except Faroes



The “tragedy of the commons” is challenging to avoid in a fragmented industry

Source: Kontali



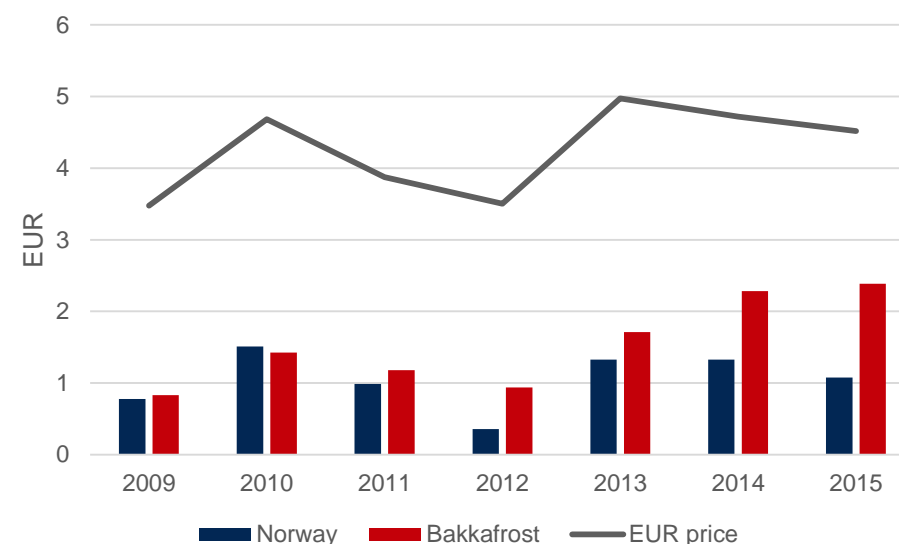
BAKKAFROST

EBIT PER KG

Margin diverged since 2010

- Compared to a large selection of production in Norway, EBIT per kg has diverged significantly since 2010
- The absolute improvement for Bakkafrøst is a function of
 - Robust farming framework with ability to maintain biological control
 - Market recognition of high end product (price achievement)
 - Efficiency in the value chain

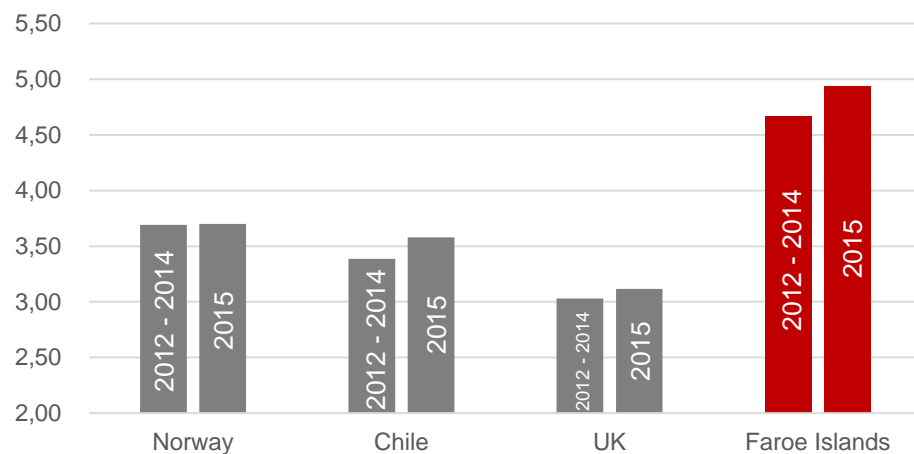
Price and EBIT per kg



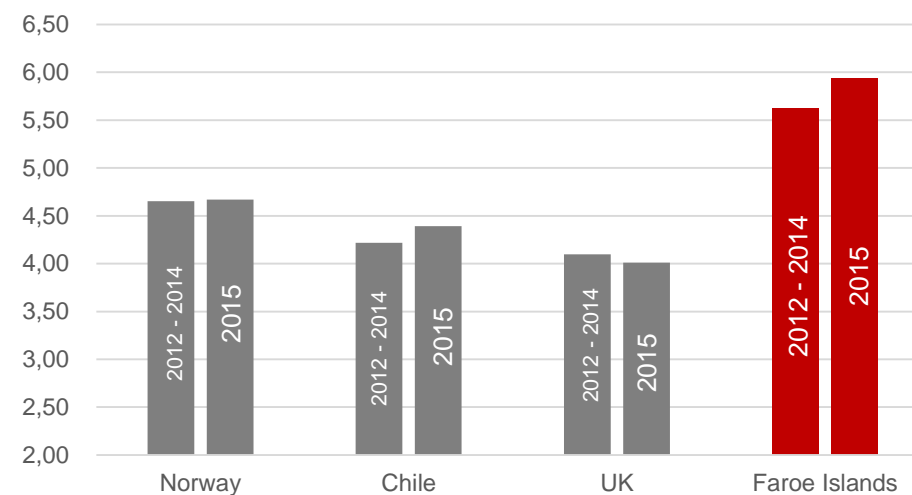
Source: Kontali, Annual reports

SIZE AND SURVIVAL MATTERS

Yield per smolt (HOG)

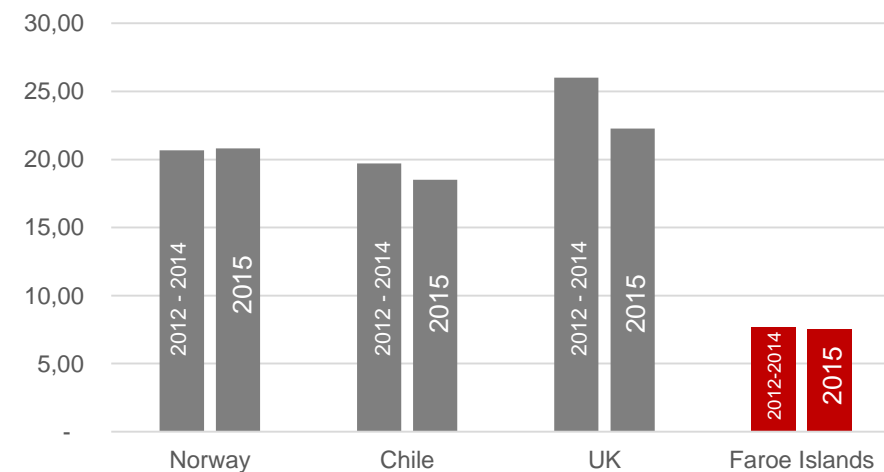


Average harvest weight (HOG)



- Yield per smolt a key KPI
- Function of average harvest weight and mortality
- Faroe Island performs on both parameters

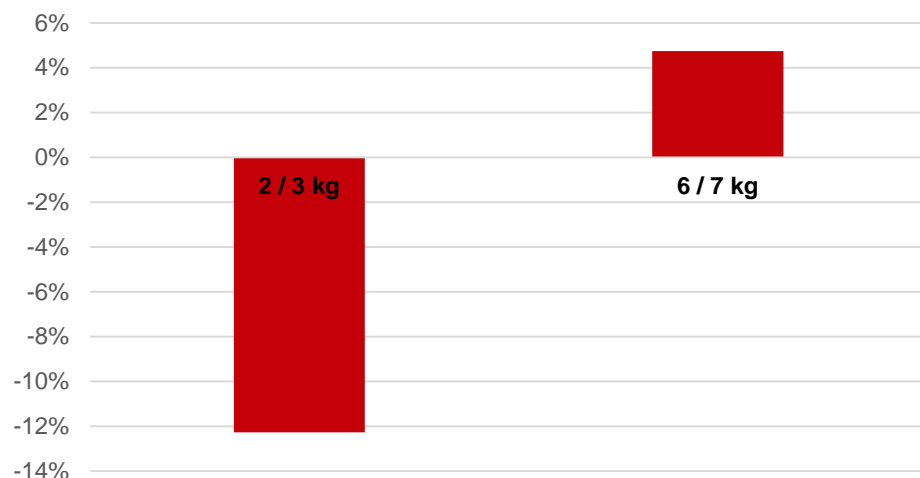
Average mortality (%)



Source: Kontali

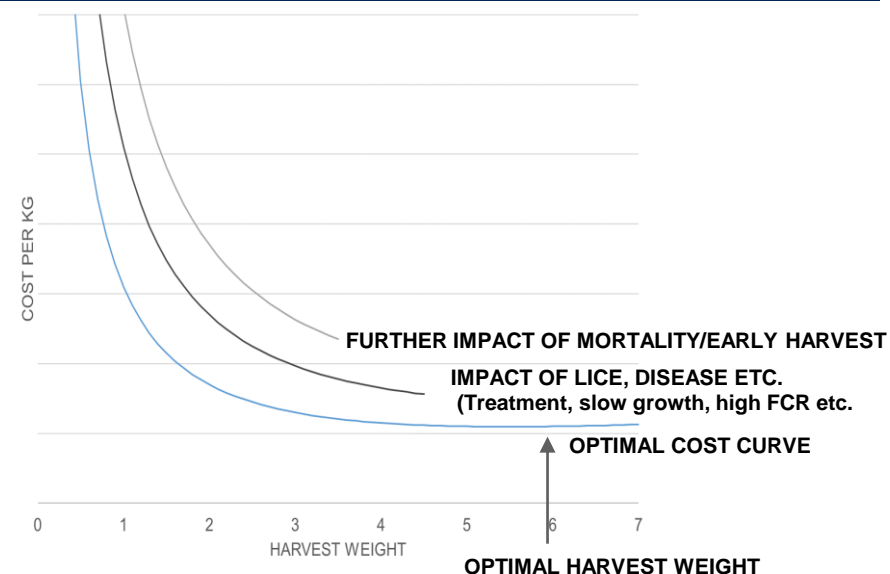
SIZE AND SURVIVAL MATTERS!

Average price diff. vs. 4/5 kg (2014-2016)

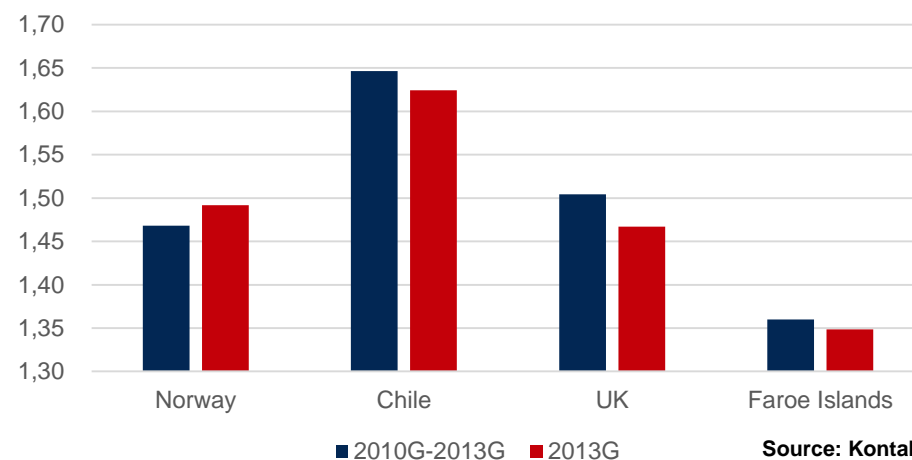


- Significant benefits of yield per smolt performance
- Larger fish generally catches a price premium, early/accelerated harvest is punisher with discount
- Healthy fish keeps costs down
 - Low mortality
 - Less treatments, better feed conversion and faster growth
 - Fixed cost dilution with larger size

Illustration of cost dynamics



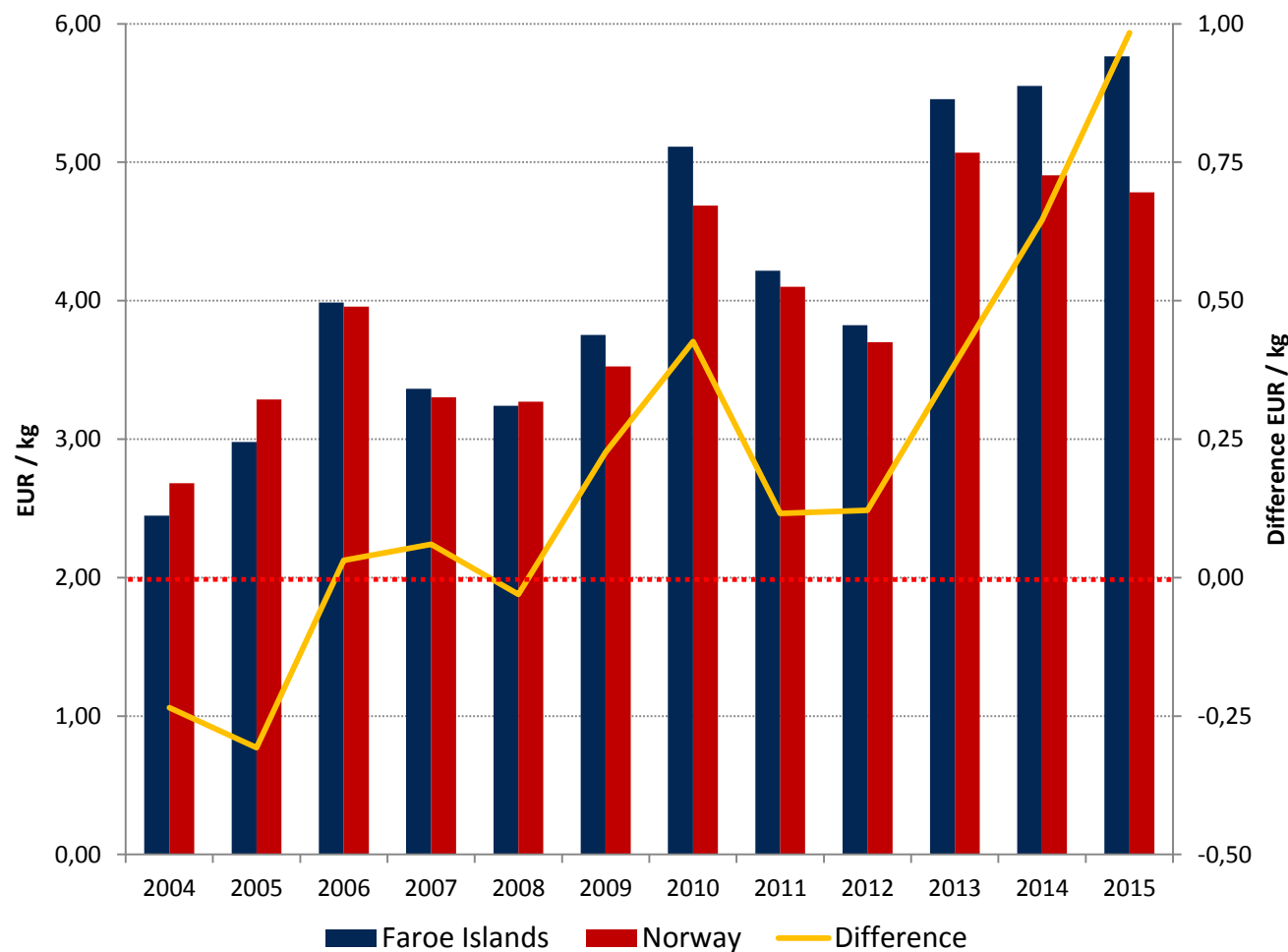
Feed used/harvest volume (HOG), EFCR



THE MARKET IS WILLING TO PAY UP FOR PREMIUM PRODUCTS

- Consistent large sized fish forms baseline for price premium
- Bakkafrøst 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



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SALMON MARKETS, SOLD QUANTITY (HEAD ON GUTTED – HOG)

Supply decreased in Q3 2016

- 35,600 tonnes lower supply compared with Q3 2015
 - Russia and Latin America affected most, -46% and -24% respectively
 - USA market down 3,000 tonnes, corresponding to -3%
 - Greater China market down 3,300 tonnes, corresponding to -13%

Supply YTD decreased

- 1,475,300 tonnes sold YTD
- Russia and Latin America decreased most
- Only USA, Japan and ASEAN increased

Reduced supply in Q3 2016 and YTD of Atlantic Salmon (head on gutted - HOG)

Markets	Estimated volumes		Q3 comparison	
	Q3 2016E	Q3 2015	Volume	%
EU	246.400	248.500	-2.100	↓ -1%
USA	88.700	91.700	-3.000	↓ -3%
Russia	15.900	29.200	-13.300	↓ -46%
Japan	14.000	14.800	-800	↓ -5%
Greater China	22.700	26.000	-3.300	↓ -13%
ASEAN	14.000	14.400	-400	↓ -3%
Latin America	31.300	41.000	-9.700	↓ -24%
Ukraine	1.800	2.200	-400	↓ -18%
Other markets	61.000	63.600	-2.600	↓ -4%
Total all markets	495.800	531.400	-35.600	↓ -6,7 %

Estimated volumes		YTD Q3 comparison	
YTD 2016E	YTD 2015	Volume	%
696.000	705.200	-9.200	↓ -1%
287.000	277.600	9.400	↑ 3%
49.200	73.300	-24.100	↓ -33%
41.300	36.600	4.700	↑ 13%
70.700	73.600	-2.900	↓ -4%
49.500	45.600	3.900	↑ 9%
105.800	118.100	-12.300	↓ -10%
6.000	6.100	-100	↓ -2%
169.800	174.900	-5.100	↓ -3%
1.475.300	1.511.000	-35.700	↓ -2,4 %

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.

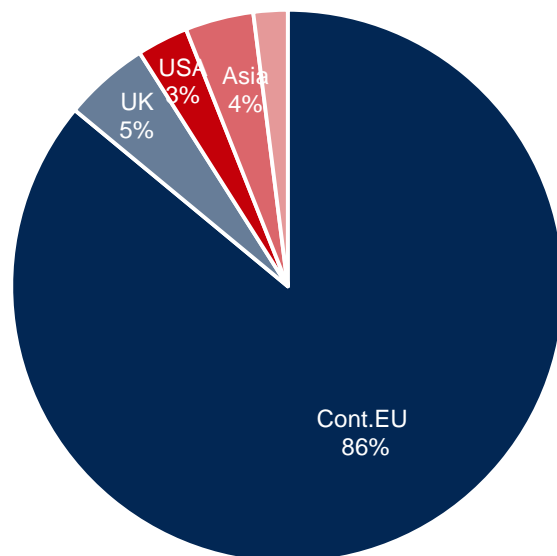
Source: Kontali

Bakkafrost salmon is a global product sold worldwide

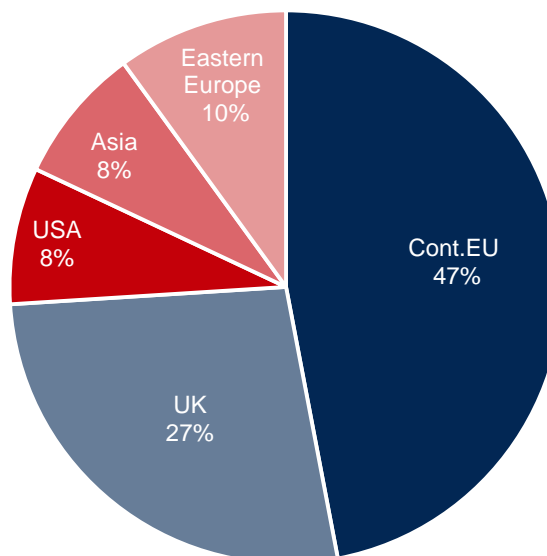
- 86% of sales came from Continental Europe in 2002
- 34% of sales came from Continental Europe in first nine months in 2016. Other main markets are more or less equal. The market is now diversified on all continents



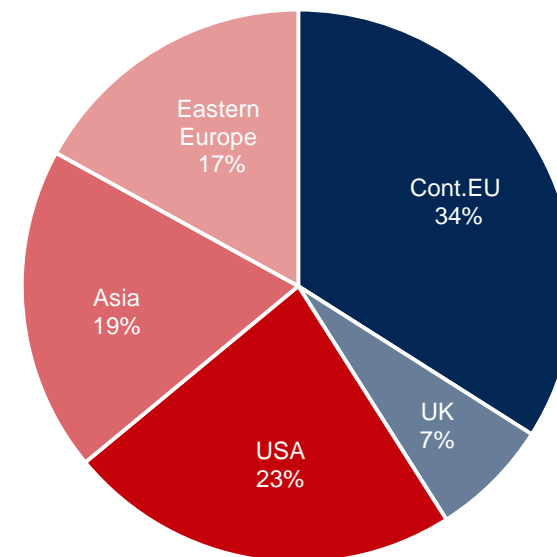
2002



2007



M9 2016



Source: Bakkafrost



ESTABLISHED 1968

