

# Q4 2017

**BAKKAFROST GROUP**  
Oslo 20 February 2018

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- **SUMMARY OF Q4 2017**

- MARKETS AND SALES
- SEGMENT INFORMATION
- GROUP FINANCIALS
- OUTLOOK
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## Operation

- **Harvested** 11,470 t<sub>gw</sub> in Q4 2017 (12,940 t<sub>gw</sub> in Q4 2016)
- **Feed sales** of 18,955 tonnes in Q4 2017\* (24,988 tonnes in Q4 2016\*)
- **Raw material purchase** of 50,852 tonnes in Q4 2017 (34,680 tonnes in Q4 2016)

## Revenues and Operational EBIT

- **Revenues** of DKK 906 million in Q4 2017 (DKK 868 million in Q4 2016)
- **Operational EBIT\*\*** of DKK 331 million in Q4 2017 (DKK 350 million in Q4 2016)

## Cash Flow

- **Cash flow from operations** of DKK 261 million in Q4 2017 (DKK 72 million in Q4 2016)

## Segments

- **Positive operational EBIT** in all segments

\*) Including internal sales of 17,597 tonnes in Q4 2017 (23,176 tonnes in Q4 2016)

\*\*) EBIT before fair value adjustments of biomass, onerous contracts provisions, income from associates, goodwill and revenue tax



## SUMMARY OF THE QUARTER

The result of the Farming segment decreased due to lower salmon prices, but the VAP result increased significantly. The FOF segment had a strong result.

- Farming/VAP margin decreased from 32.00 NOK/kg in Q4 2016 to 29.88 NOK/kg in Q4 2017
- VAP segment had a significant lift in its margin from -11.95 NOK/kg in Q4 2016 to 9.54 NOK/kg in Q4 2017
- Farming margin was 25.76 NOK/kg in Q4 2017, compared with 37.70 NOK/kg in Q4 2016
- FOF delivered a strong margin of 25.5% in Q4 2017, compared with 21.5% in Q4 2016
- Group Operational EBIT was DKK 331 million in Q4 2017, compared with DKK 350 million in Q4 2016

(DKK million)	Q4 2017	Q4 2016	2017	2016
Operating revenues	906	868	3,770	3,203
Operational EBITDA	378	393	1,561	1,298
<b>Operational EBIT</b>	<b>331</b>	<b>350</b>	<b>1,378</b>	<b>1,165</b>
<b>Profit for the period</b>	<b>-22</b>	<b>555</b>	<b>511</b>	<b>1,339</b>
Operational EBITDA margin	41.7%	45.3%	41.4%	40.5%
Operational EBIT margin	36.6%	40.3%	36.5%	36.4%
Operational EBIT/Kg (Farming) (NOK)	25.76	37.70	30.02	34.50
Operational EBIT/Kg (Farming and VAP) (NOK)	29.88	32.00	28.29	29.23
Operational EBIT/Kg (VAP) (NOK)	9.54	-11.95	-4.96	-13.82
EBITDA margin (Fishmeal, -oil and feed)	25.5%	21.5%	20.4%	21.4%

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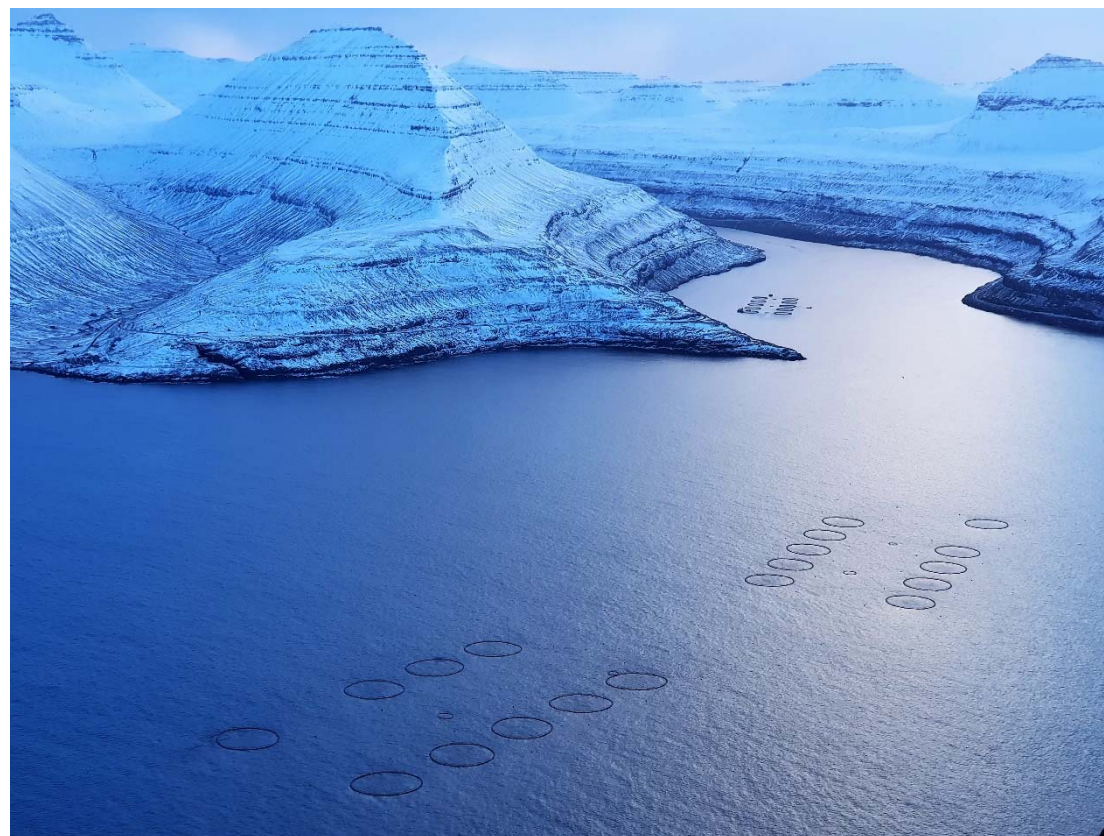
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**Farming site A-71 Funningsfjörður**

Picture taken 13.02.2018 from Tyril, Gjógv  
By curtesy of Pól Sundskarð [www.hiking.fo](http://www.hiking.fo)

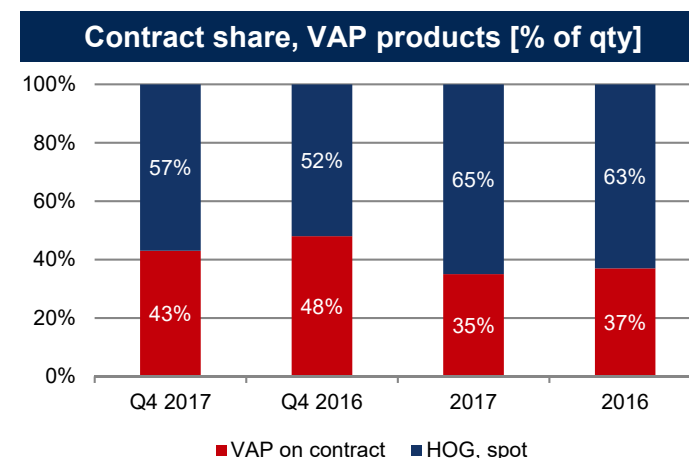
**Sales to Eastern Europe increased, and sales to EU decreased in Q4 2017, compared to Q4 2016. VAP on contract decreased to 43%**

- EU market had a decrease of 3% from 48% in Q4 2016 to 45% in Q4 2017
- USA decreased from 23% to 17%
- Asia increased from 14% to 15%
- Eastern Europe increased from 15% to 23%
- VAP/contract share was 43% in Q4 2017, compared with 48% in Q4 2016



Total sales of salmon by markets	Q4 2017	Q4 2016	2017	2016
EU	45%	48%	45%	43%
USA	17%	23%	18%	23%
Asia	15%	14%	16%	17%
Eastern Europe	23%	15%	21%	17%

Fresh salmon only by markets	Q4 2017	Q4 2016	2017	2016
EU	12%	19%	23%	19%
USA	25%	37%	24%	33%
Asia	23%	23%	23%	25%
Eastern Europe	40%	21%	30%	23%



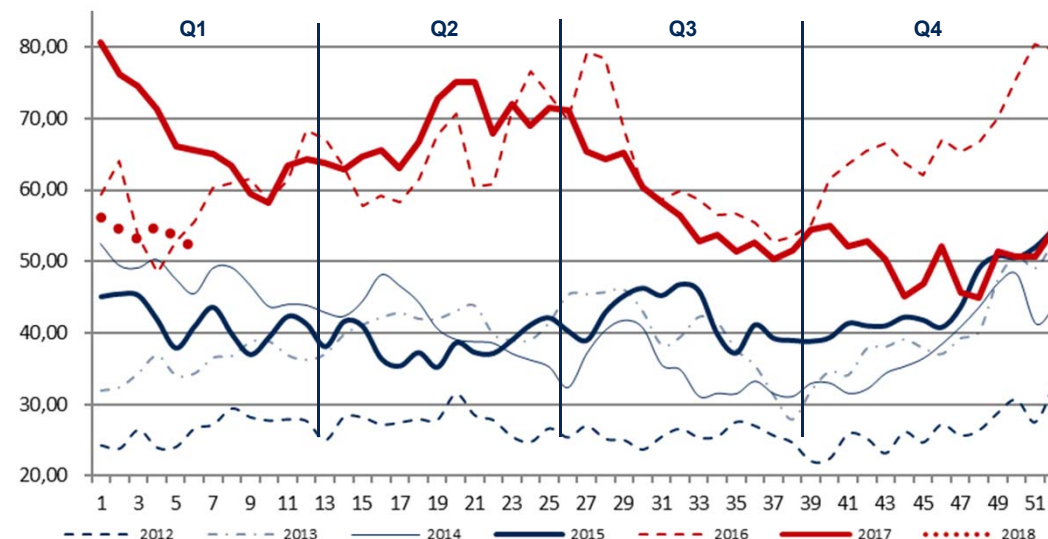
## Lower salmon prices in Q4 2017

- Prices decreased
  - y/y by 18.14 NOK/kg ~26.6%  
- from 68.30 to 50.16
  - q/q by 6.53 NOK/kg ~11.5%  
- from 56.70 to 50.16

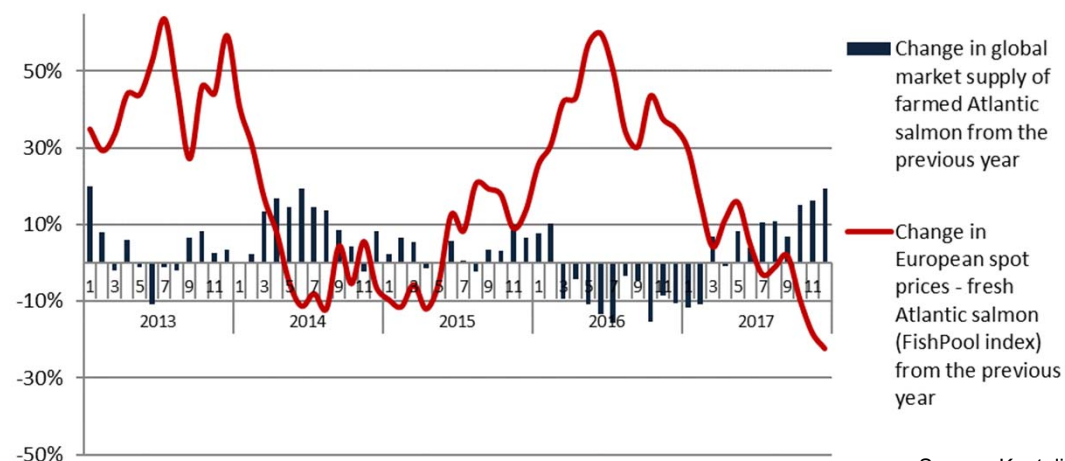
## Increased global supply in Q4 2017

- 11.8% increased global supply in Q4 2017, compared with Q4 2016, corresponding to 61,100 tonnes

Spot prices (NASDAQ) on superior 4-5 [NOK/kg HOG]



Change in global market supply and market price



Source: Kontali



## DEVELOPMENT IN HARVESTED AND SOLD QUANTITY BY ORIGIN

### 12% increase in supply to the markets (Q/Q)

- 16% increase in global harvest
- Large inventory build up in the quarter
  - Market players are rebuilding “normal” frozen inventory levels from low levels
  - Both in Norway and European harvest increased by 10%

### European harvest increased by 10%

- Norway benefited from improved productivity
- Scotland experienced accelerated harvest due to biological challenges

### American harvest increased by 29%

- Ramp up in Chile after algae bloom problems in 2016
  - Productivity has exceeded expectations
- Normal variation around stable level in Canada

SUPPLY DEVELOPMENT (head on gutted - HOG)	Q4 2017	Q4 2016	Change %
Norway	321.8	289.5	11.2 %
UK	40.3	36.6	10.1 %
Ireland	3.9	4.1	-5.5 %
Faroes	18.7	20.1	-6.7 %
<b>Total Europe</b>	<b>384.8</b>	<b>350.3</b>	<b>9.8 %</b>
Chile	158.0	115.7	36.7 %
Canada	34.7	32.4	6.9 %
USA	5.1	5.9	-13.6 %
<b>Total Americas</b>	<b>197.8</b>	<b>154.0</b>	<b>28.5 %</b>
Other	20.8	15.6	33.5 %
<b>Total (Harvested quantity)</b>	<b>603.4</b>	<b>519.9</b>	<b>16.1 %</b>
Inventory movements	-25.0	-2.7	811.5 %
<b>Total (Sold Quantity)</b>	<b>578.3</b>	<b>517.1</b>	<b>11.8 %</b>

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

### EU underperformed other markets

- High contract prices and lead times in transferring reduced spot prices to end consumers

### USA performed well in the quarter

- Consumption growth 17%

### Russia increasing from low level

- Consumption impacted by trade sanctions
- Increase mainly supplied by Chile

### Japan

- Consumption impacted by adverse currency movement

### Greater China and ASEAN

- Significant growth in consumption
- Cover shortfall from the EU and the US

### Positive development in other markets

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

Markets	Estimated volumes		Q4 comparison			Estimated volumes		FY comparison		
	Q4 2017E	Q4 2016	Volume	%		FY 2017 E	FY 2016	Volume	%	
EU	268,100	250,800	17,300	↑	7%	918,200	940,500	-22,300	↓	-2%
USA	103,100	87,900	15,200	↑	17%	396,300	379,900	16,400	↑	4%
Russia	23,000	20,100	2,900	↑	14%	67,700	68,900	-1,200	↓	-2%
Japan	16,000	16,800	-800	↓	-5%	57,600	58,700	-1,100	↓	-2%
Greater China	31,300	22,600	8,700	↑	38%	103,300	94,700	8,600	↑	9%
ASEAN	20,800	15,600	5,200	↑	33%	81,900	64,400	17,500	↑	27%
Latin America	36,100	32,200	3,900	↑	12%	135,400	137,400	-2,000	↓	-1%
Ukraine	4,700	2,900	1,800	↑	62%	13,500	9,000	4,500	↑	50%
Other markets	75,200	68,300	6,900	↑	10%	256,800	242,700	14,100	↑	6%
<b>Total all markets</b>	<b>578,300</b>	<b>517,200</b>	<b>61,100</b>	↑	<b>12 %</b>	<b>2,030,700</b>	<b>1,996,200</b>	<b>34,500</b>	↑	<b>2 %</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)

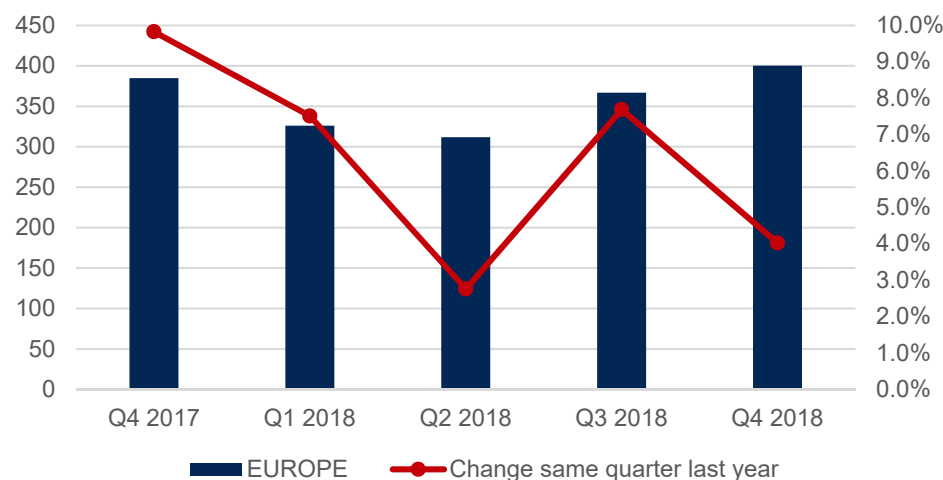
All figures above are in tonnes hog, and are rounded to the nearest 100 tonnes.

## SHORT TERM SUPPLY OUTLOOK

### Lower supply growth

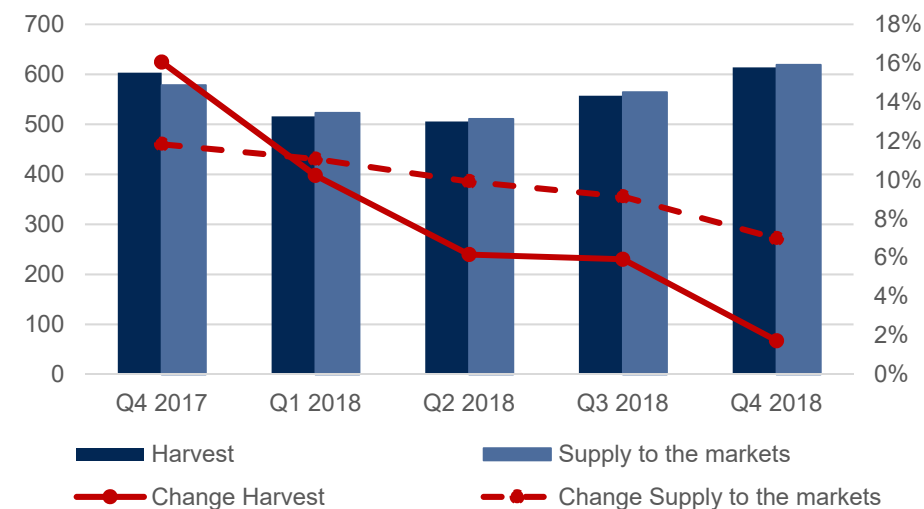
- Supply to the market likely to be impacted by inventory reductions
- Supply from Europe expected to be volatile in the coming quarters
- Supply growth from Americas expected to drop

### SUPPLY - EUROPE

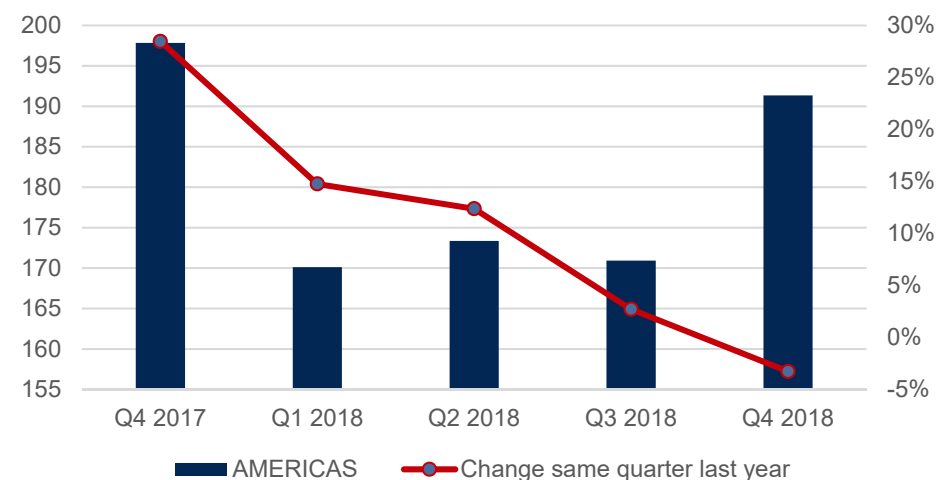


Source: Kontali

### SUPPLY - TOTAL



### SUPPLY - AMERICAS



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## Harvested volumes

- All volumes harvested in Q4 2017 came from the West Region, 66% came from A-57 Fuglafjørð at average 6.6 kg wfe
- Harvested volumes decreased by 11% in Q4 2017, compared with Q4 2016
- Average weight of harvested fish in the quarter was 6.2 wfe

Harvest Volumes tonnes [HOG]	Q4 2017	Q4 2016	2017	2016
North Region	0	3,983	30,251	24,768
West Region	11,470	8,957	24,364	22,774
<b>Total</b>	<b>11,470</b>	<b>12,940</b>	<b>54,615</b>	<b>47,542</b>

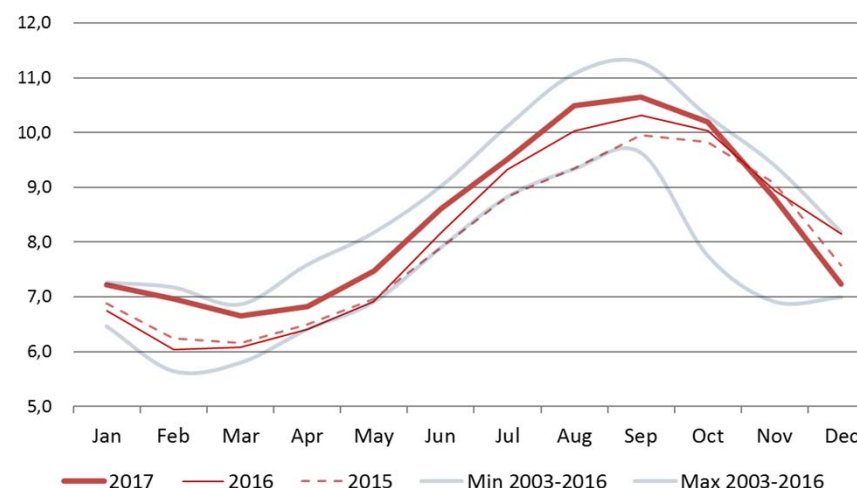
## Smolt transfer

- BakkaFrost transferred 3.4 million smolts in Q4 2017 (3.3 million smolts in Q4 2016), the planned transfer to A71 was delayed to January

## Seawater temperatures in the Faroe Islands

- Temperatures in Q4 2017 were in average 8.8°C, compared with 9.0°C in Q4 2016 and 8.7°C in average previous 5 years

### Seawater Temperatures in the Faroe Islands 2003 – 2017 [°C]



### Reduced margin at lower prices

- The operational EBIT decreased by 43% from DKK 402 million in Q4 2016 to DKK 229 million in Q4 2017

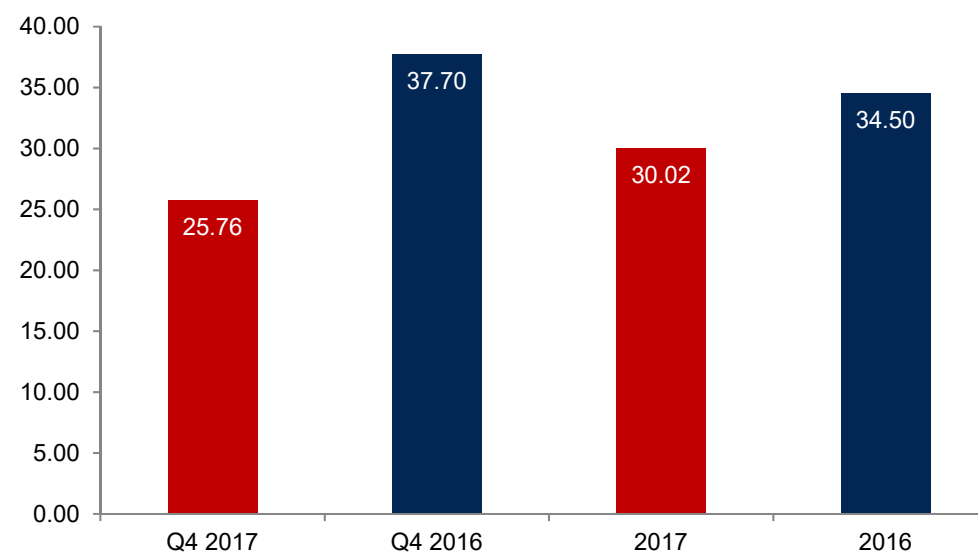
(DKK million)	Q4 2017	Q4 2016	2017	2016
Operating revenues	577	777	2,987	2,841
Operational EBIT	229	402	1,308	1,315
Operational EBIT margin	40%	52%	44%	46%



## Operation

- Farming EBIT down by 11.94 NOK per kg to 25.76 in Q4 2017, compared to 37.70 in Q4 2016
- Farming EBIT has decreased approximately 10 NOK in second half 2017, compared with first half 2017. The reason is the price reduction during 2017

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



(NOK/kg)	Q4 2017		
	North Region	West Region	Farming
Operational EBIT/kg gw	0.00	25.76	25.76

## VALUE ADDED PRODUCTS (VAP)

### VAP margin positive for first time since Q4 2015

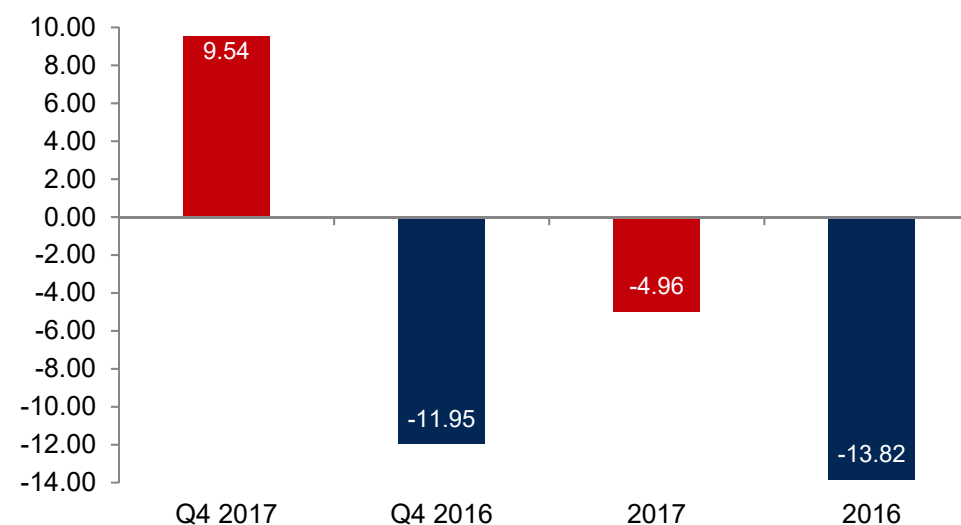
- Revenues decreased by 8% to DKK 288 million in Q4 2017, from DKK 313 million in Q4 2016
- Operating EBIT in Q4 2017 was DKK 37 million, compared with DKK -61 million in Q4 2016

(DKK million)	Q4 2017	Q4 2016	2017	2016
Operating revenues	288	313	999	881
Operational EBIT	37	-61	-75	-201
Operational EBIT margin	13%	-19%	-8%	-23%
VAP produced volumes (tgw)	4,949	6,177	19,067	18,120

### Performance improved and lower raw material prices in Q4 2017

- Operation in the new VAP factory improved in Q4 2017, and the lower salmon spot prices in Q4 2017, compared to Q4 2016, resulted in reduced raw material cost

### Margin - EBIT per kg total VAP produced [NOK/kg]





## Very strong margin in the quarter

- EBITDA of DKK 94 million in Q4 2017, compared with DKK 71 million in Q4 2016
- EBITDA margin of 25.5% in Q4 2017, compared with 21.5% in Q4 2016
- Feed sales decreased 24% in Q4 2017, compared to Q4 2016
- External sales of fishmeal increased almost 13 thousand tonnes in Q4 2017, compared to Q3 2017, due to record high sourcing in 2017

## Havsbrún sourced 342 thousand tonnes in 2017, which is a record in its history

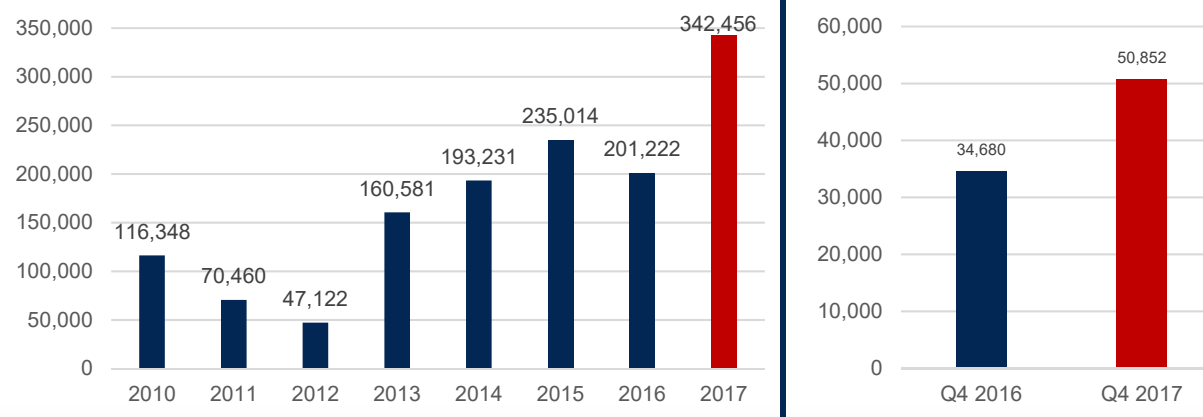
- Havsbrún sourced 50,852 tonnes of raw material in Q4 2017, compared with 34,680 tonnes in Q4 2016

\* Including sales to Bakkafrost, corresponding to ~93% of feed volumes in Q4 2017 (Q4 2016: 93%)

### Fishmeal, Oil and Feed

(DKK million)	Q4 2017	Q4 2016	2017	2016
Operating revenues	367	330	1,303	1,158
EBITDA	94	71	266	248
EBITDA margin	25.5%	21.5%	20.4%	21.4%
Feed sold (tonnes)*	18,955	24,988	78,134	84,586
Fishmeal sold external (tonnes)	18,955	6,166	59,006	23,461

### Sourcing of raw material (tonnes)



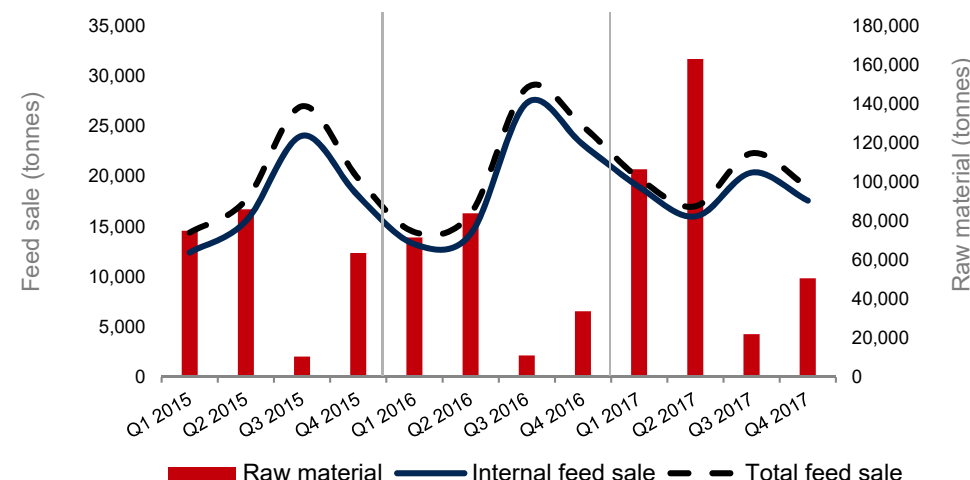
## Feed sales decreased

- Quantity of feed sold was 18,955 tonnes in Q4 2017, compared with 24,988 tonnes in Q4 2016
- Negative growth conditions from Q3 2017 continued in Q4 2017, mainly because of treatments against sea lice

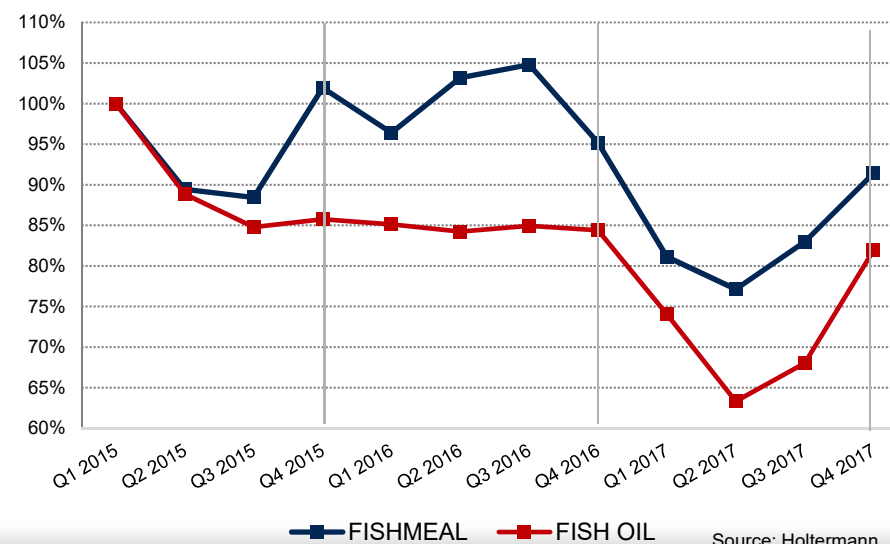
## The market prices for marine ingredients increase again on the spot market

- Both fishmeal and fish oil prices increased in Q4 2017, compared with Q3 2017, and are now nearly on same level as in Q4 2016

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



## Fishmeal and fish oil price index in DKK (Q1 2015 =100)



Source: Holtermann

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Construction of the new hatchery at Strond in Klaksvík (photo from Jan 11th 2018)

The operation is expected to start mid-2018. At full operation in 2019/2020 the hatchery is expected to produce 7 million smolt at 500 gram each.

# GROUP PROFIT AND LOSS

- Revenues increased from DKK 868 million in Q4 2016 to DKK 906 million in Q4 2017.
- Operational EBIT in Q4 2017 decreased to DKK 331, compared to DKK 350 million in Q4 2016
- Fair value of biomass decreased due to lower prices, compared to the end of last quarter, and no provision for onerous contracts
- Income from associates was DKK 18 million in Q4 2017, compared to DKK 10 million in Q4 2016
- Revenue tax, recognized as cost, amounted to DKK -20 million
- Financial items amounted to DKK 2 million, whereof DKK 17 million is related to the NOK bond loan
- Taxes amounted to DKK 5 million
- There was a loss after tax of DKK -22 million, due to the large negative fair value adjustment of biological assets

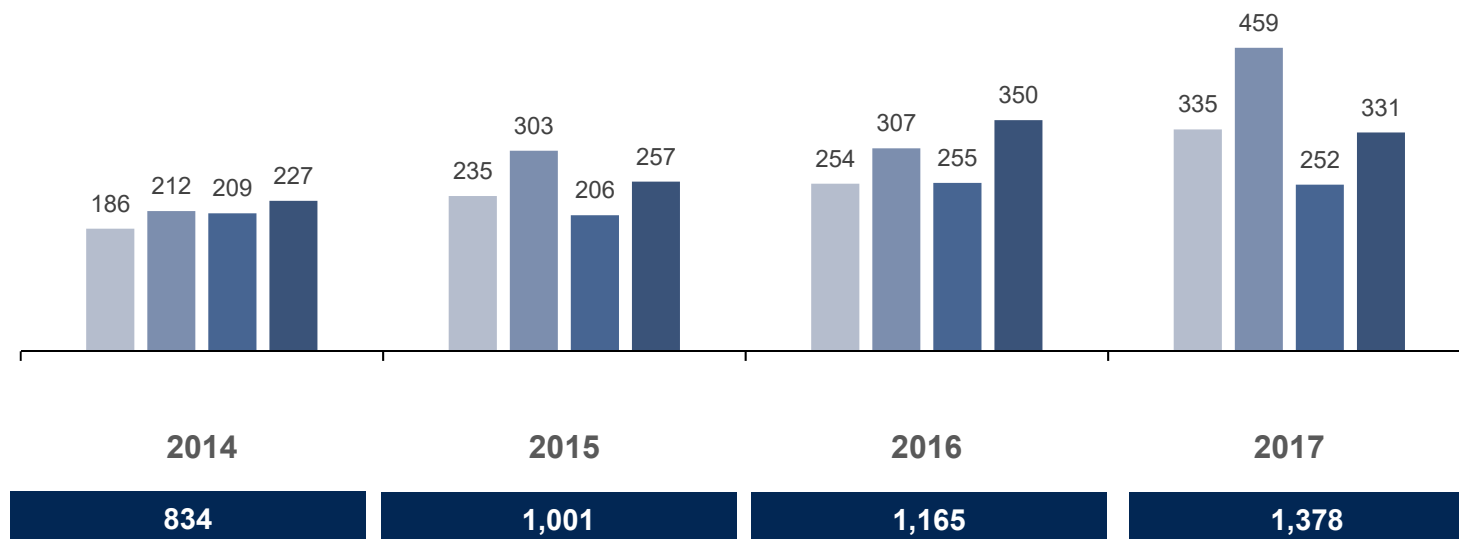
(DKK million)	Q4 2017	Q4 2016	2017	2016
Operating revenues	906	868	3,770	3,203
<b>Operational EBITDA*</b>	<b>378</b>	<b>393</b>	<b>1,561</b>	<b>1,298</b>
<b>Operational EBIT*</b>	<b>331</b>	<b>350</b>	<b>1,378</b>	<b>1,165</b>
Fair value adjustment of biological assets	-359	408	-694	608
Onerous contracts	0	-66	67	-16
Income from associates	18	10	17	15
Revenue tax	-20	-33	-120	-108
Badwill	0	0	0	10
<b>EBIT</b>	<b>-29</b>	<b>669</b>	<b>649</b>	<b>1,674</b>
Net Financial items	2	8	-25	-41
<b>EBT</b>	<b>-27</b>	<b>677</b>	<b>624</b>	<b>1,633</b>
Taxes	5	-121	-112	-294
<b>Profit for the period</b>	<b>-22</b>	<b>555</b>	<b>511</b>	<b>1,339</b>
<b>Operational EBITDA margin</b>	<b>41.7%</b>	<b>45.3%</b>	<b>41.4%</b>	<b>40.5%</b>
<b>Operational EBIT margin</b>	<b>36.6%</b>	<b>40.3%</b>	<b>36.5%</b>	<b>36.4%</b>
<b>Operational EBIT/kg (Farming and VAP) (NOK)</b>	<b>29.88</b>	<b>32.00</b>	<b>28.29</b>	<b>29.23</b>
<b>EBITDA margin (fishmeal, -oil and feed)</b>	<b>25.5%</b>	<b>21.5%</b>	<b>20.4%</b>	<b>21.4%</b>

\* Operational EBITDA and EBIT adjusted for fair value adjustment of biomass, onerous contracts, income from associates, badwill and revenue tax.

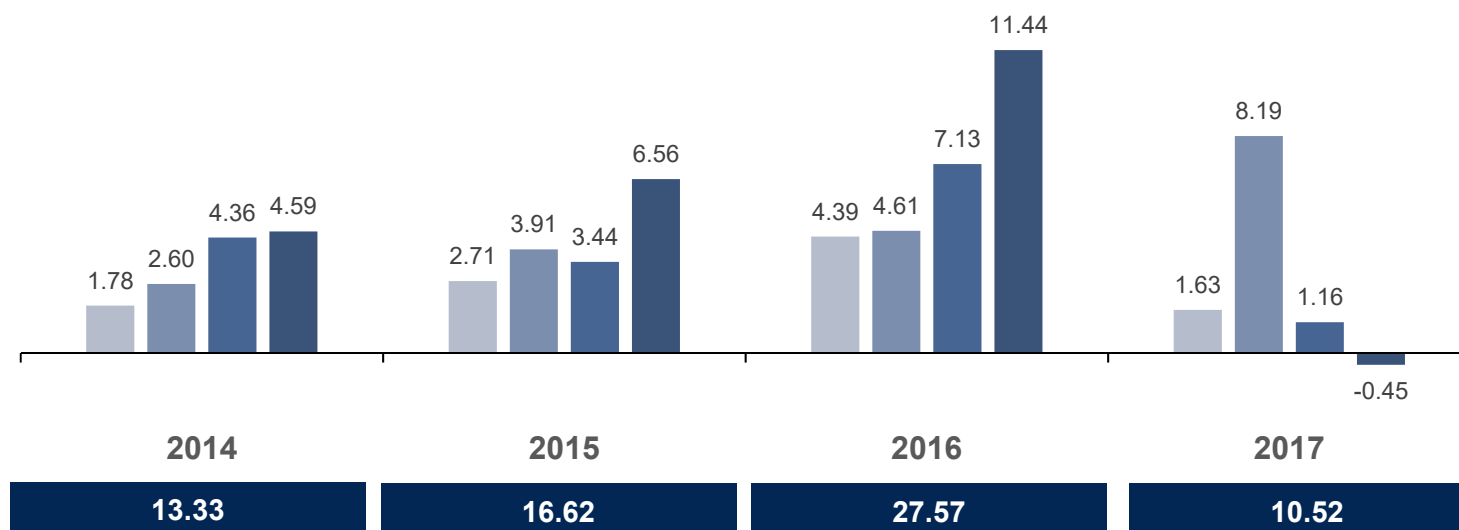


# OPERATIONAL EBIT\* AND EARNINGS PER SHARE

## Operational EBIT\* (DKK million)



## Earnings per share (DKK)



\*) EBIT before fair value adjustments of biomass, onerous contracts provisions, income from associates, goodwill and revenue tax

# BALANCE SHEET

- Intangible assets at the end of Q4 2017 are unchanged from Q4 2016
- Investments in PPE of DKK 169 million in Q4 2017
- Financial assets amount to DKK 77 million.
- The carrying amount of biological assets amounts to DKK 1,097 million, whereof fair value adjustment amounts to DKK 187 million
- Inventory decreased by DKK 50 million from the end of 2016 to DKK 306 million at the end of Q4 2017
- Changes in equity because of positive results in 2017. Equity ratio is 70% (Covenants 35%)
- NIBD at DKK 258 million down from DKK 635 million at end 2016\*

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

(DKK million)	2017	2016
Intangible assets	377	377
Property, plant and equipment	2,570	2,118
Financial assets	77	59
Long term receivables	0	13
Biological assets	1,097	1,858
Inventory	306	356
Receivables	262	292
Other receivables	157	110
Cash and cash equivalents	310	235
<b>Total Assets</b>	<b>5,156</b>	<b>5,418</b>
Equity	3,626	3,549
Deferred tax and other taxes	455	546
Long-term interest bearing debt	147	827
Financial derivatives	127	101
Short-term interest bearing debt	379	0
Accounts and other payables	422	395
<b>Total Equity and Liabilities</b>	<b>5,156</b>	<b>5,418</b>

# CASH FLOW

- Cash flow from operations higher in Q4 2017, compared to Q4 2016, due to changes in working capital
- Cash flow from investments represents investments in PPE
- Cash flow from financing is affected by change in interest bearing debt

(DKK million)	Q4 2017	Q4 2016	2017	2016
Cash flow from operations	261	72	1,458	850
Cash flow from investments	-169	-193	-636	-740
Cash flow from financing	-130	115	-748	24
Net change in cash	-38	-6	75	133
Cash at the end of the period	310	235	310	235
Undrawn facilities	1,005	655	1,005	655

# NET INTEREST BEARING DEBT (NIBD)

## Net Interest Bearing Debt

- Cash flow from operating activities and changes in working capital decreased the NIBD with DKK 402 million in Q4 2017
- Net investments and other in Q4 2017 increased the NIBD with DKK NIBD169 million
- Paid taxes increased the with 140 million in Q4 2017

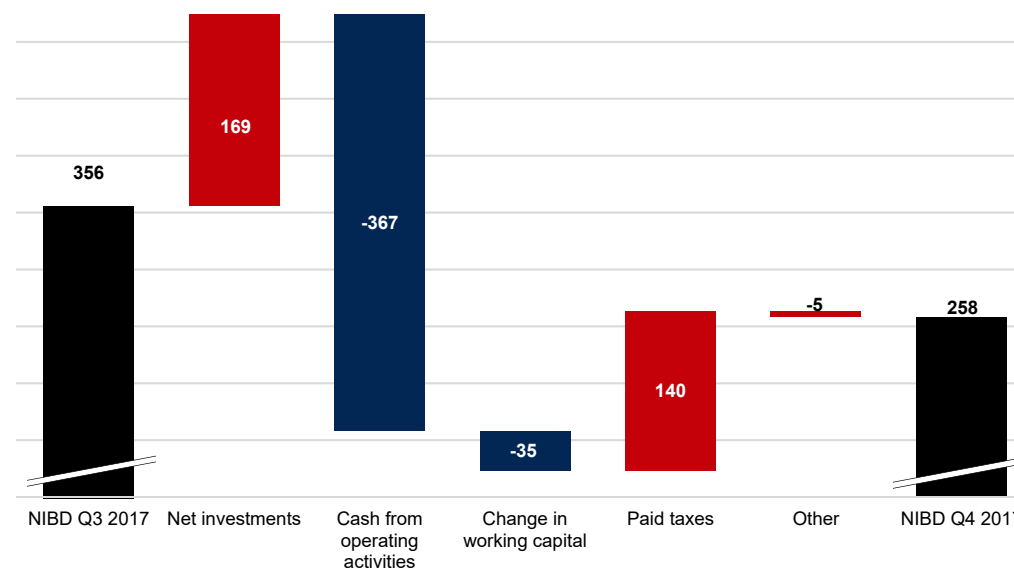
## Financing end Q4 2017

- Total funding to ~ DKK 1,271 million
- NIBD: DKK 258 million
- Undrawn loan facilities: DKK 1,005 million

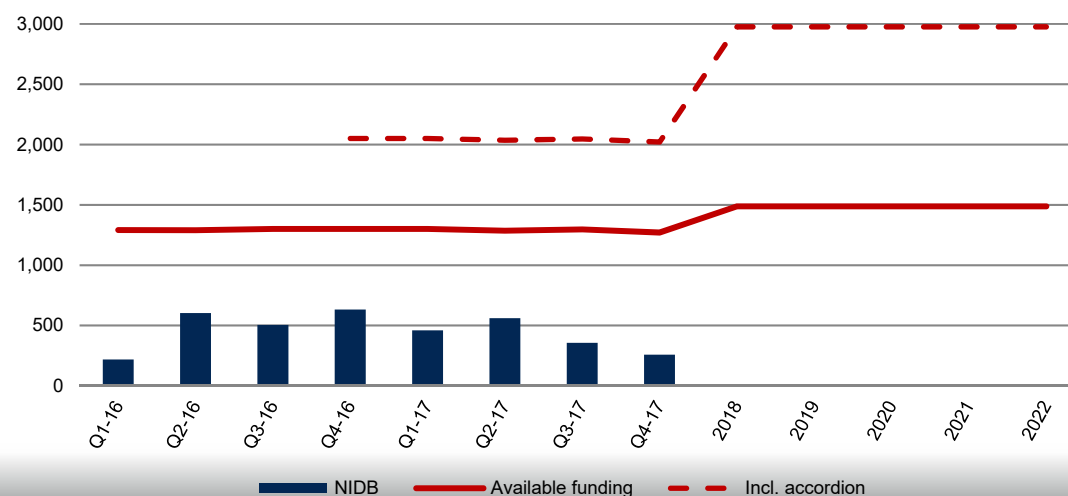
## New financing in 2018

- Bond Loan is paid in Q1 2018
- New Credit Facility EUR 200 million agreed in Q1 2018

## Development in NIBD in DKK millions



## NIBD and available funding





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## Market

- Global supply in Q4 2017 estimated to increase around 12%, compared to Q4 2016
- Global harvest increase in 2018 expected to be around 6%

## Farming

- Bakkafrost expects to harvest 51,000 tonnes in 2018
- Expected total smolt release in 2018 is 13.9 million pieces, compared with 9.9 million pieces in 2017 and 11.7 million pieces in 2016
- Bakkafrost has made an agreement with Fiskaaling and the Faroese Authorities to take responsibility of the Faroese broodstock program with the option to get the genome rights in 2021

## VAP

- Contracted around 14% of expected harvest for the rest of 2018
- Bakkafrost long-term strategy is to sell 40-50% of the harvested volumes as VAP products at fixed price contracts

## Fishmeal, Oil and Feed

- Feed sales in 2018 is expected to be around 85,000 tonnes
- The new salmon fishmeal and -oil production is expected to start operation in beginning of Q2 2018 and have full production in second half 2018

## Business development

- Optimizing of the value chain according to the announced investment plan continues
- Pursuing organic growth
- Financial flexibility enables M&A

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## DEVELOPMENT IN HARVESTED AND SOLD QUANTITY BY ORIGIN

### 9% supply increase in 2018

- Total supply growth of 2% in 2017
- Total supply growth of 9% in 2018

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

	2014	2015	2016	2017E	2018E
Norway	1,076	1,112	1,055	1,078	1,180
UK	153	150	142	157	143
Ireland	11	14	14	15	16
Faroes	75	69	66	68	72
<b>Total Europe</b>	<b>1,316</b>	<b>1,345</b>	<b>1,277</b>	<b>1,319</b>	<b>1,412</b>
Chile	508	529	503	490	571
Canada	86	122	131	126	135
USA	22	18	20	20	16
<b>Total Americas</b>	<b>615</b>	<b>669</b>	<b>654</b>	<b>635</b>	<b>723</b>
Other	54	64	64	77	82
<b>Total (Sold Quantity)</b>	<b>1,985</b>	<b>2,079</b>	<b>1,996</b>	<b>2,031</b>	<b>2,217</b>
<b>Supply growth - Global</b>	<b>8%</b>	<b>5%</b>	<b>-4%</b>	<b>2%</b>	<b>9%</b>
Supply growth - Europe	6%	2%	-5%	3%	7%
Supply growth - Americas	14%	9%	-2%	-3%	14%

#### Salmon Markets (head on gutted - HOG)

	2014	2015	2016	2017E	2018E
EU	911	973	941	918	981
USA	336	380	380	396	433
Japan	58	54	59	58	61
Russia	131	96	69	68	75
Others	550	577	548	591	667
<b>Total (Sold Quantity)</b>	<b>1,985</b>	<b>2,080</b>	<b>1,996</b>	<b>2,031</b>	<b>2,217</b>

#### Notes:

All figures are in hog-equivalents and thousand tonnes.

Figures represent sold quantity of Atlantic Salmon from each producing country

Source: Kontali

## Q3 MARKET ENVIRONMENT

### Reduced spot prices in Europe driven by supply growth

- Nasdaq Norway price EUR 5.1 in Q4 2017
  - 31% decrease vs. Q4 2016
  - 15% decrease compared to Q3 2017
- Fixed contracts realised at significant premium to spot prices

### Less price pressure in the US

- Urner Barry East coast prices
  - 13% decrease vs. Q4 2016
  - Flat prices compared to Q3 2017

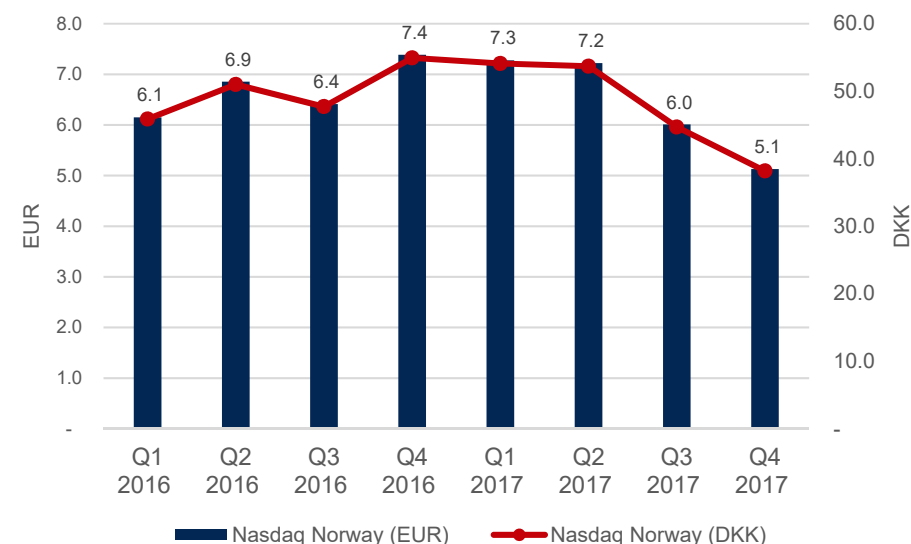
### Large inventory build-up impacted prices positively

MARKET CURRENCY	Q4 2017	Q4 2016	Change %
Nasdaq Norway (EUR)	5.13	7.38	-30.5 %
UB North East US 12-14lb HOG (USD per kg)	8.19	9.41	-13.0 %

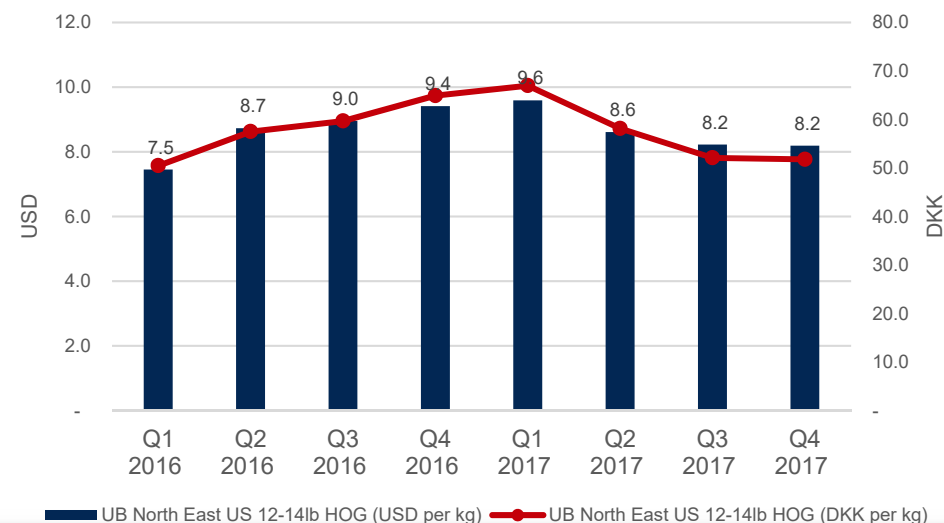
DKK	Q4 2017	Q4 2016	Change %
Nasdaq Norway	38.17	54.93	-30.5 %
UB North East US 12-14lb HOG (per kg)	51.77	64.91	-20.2 %

Source: Kontali

### PRICE NORWAY



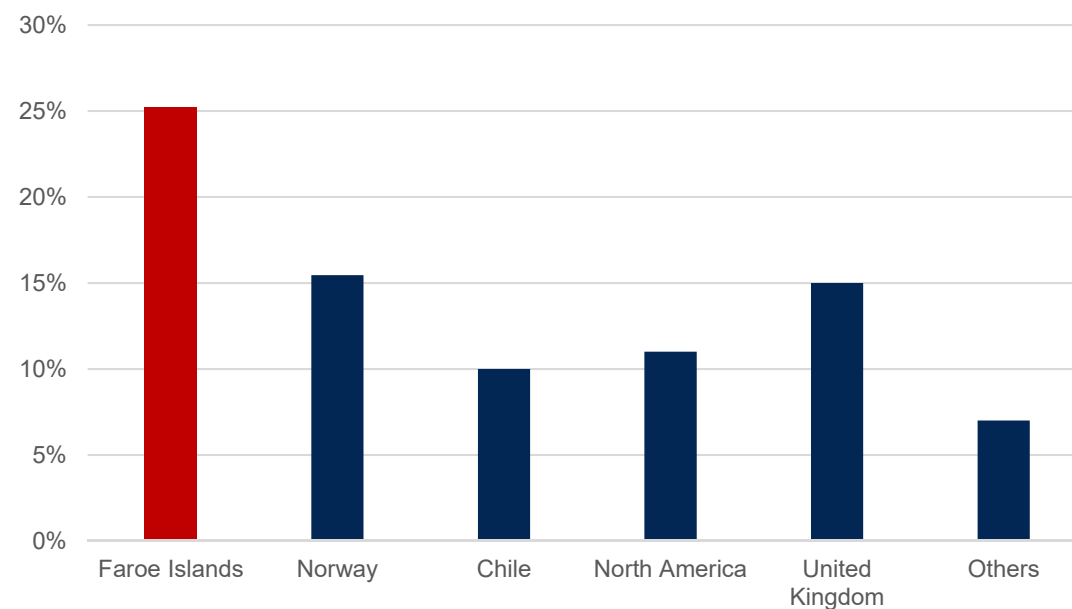
### PRICE US – NORTH EAST



### Share of large fish

- Share of large fish 25% in Q4 2017, compared with average of 14%
- Large fish share generally indicator on good performance and better market diversification

### Share of large fish (>6kg)



#### Notes:

All figures are in hog-equivalents and thousand tonnes.

Figures represent sold quantity of Atlantic Salmon from each producing country

Source: Kontali





**Investments will be made step by step in the relevant parts of 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 (380 mDKK)

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

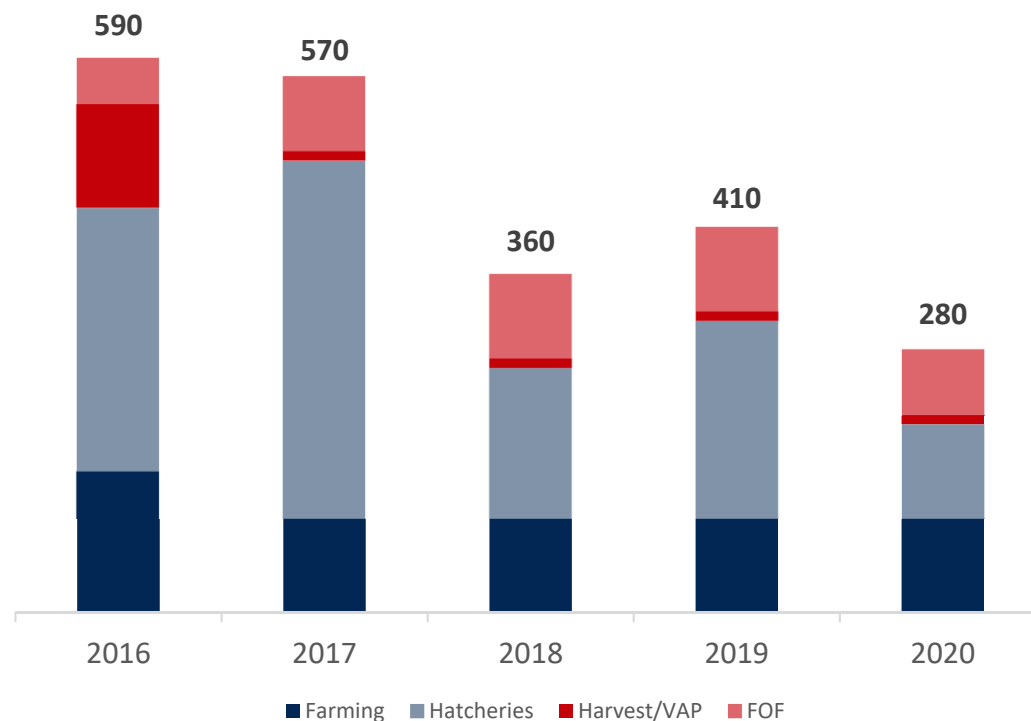
#### Smolt (1,130 mDKK)

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

#### Harvest/VAP Finalizing new plant (160 mDKK)

- 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 (mDKK)



#### Results in

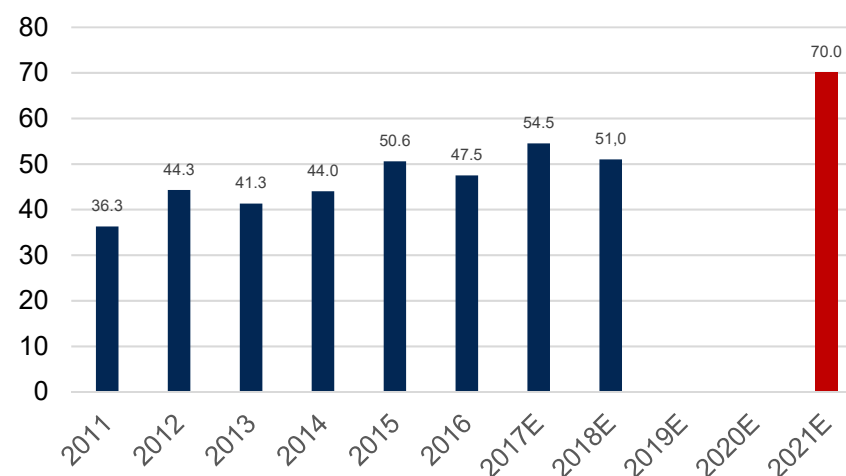
- reduced biological risk
- opportunities for organic growth
- better usage of off-cuts from the salmon production
- 5-6 years pay back on investments

## INCREASED SMOLT PRODUCTION LEADS TO INCREASED PRODUCTION

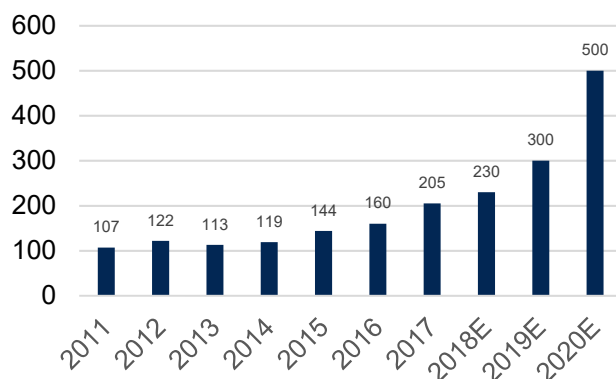
### Larger smolt (PS) will reduce time of cycle in farming

- Harvest cycle every second year from the same fjords until effect from larger smolt evolves
- 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. fallowing period)
- Production volume will gradually increase to ~70 thousand tonnes

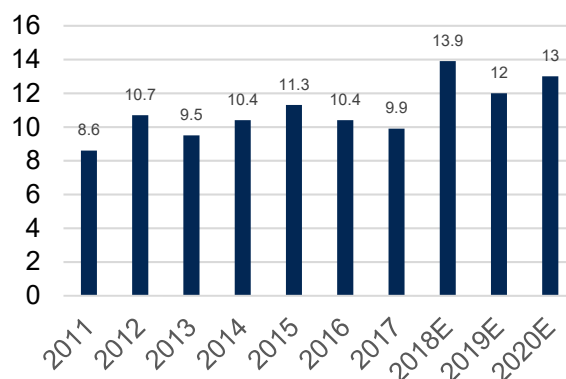
### Farming volume – growth potential with PS (1,000 tonnes)



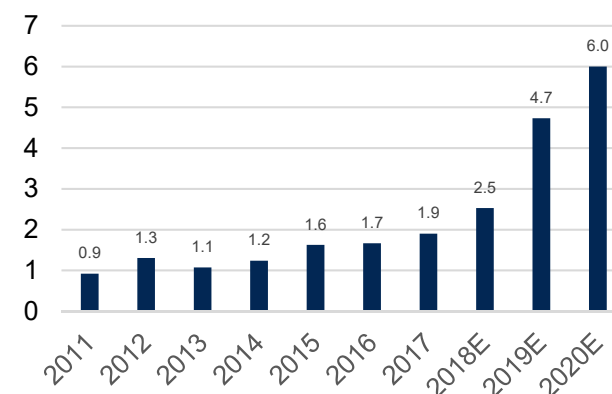
### Smolt size on released fish (size gram)



### Smolt release (million pcs)



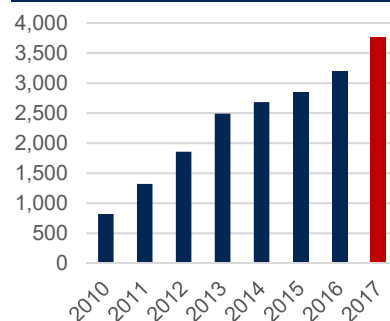
### Smolt production (1,000 tonnes)



## DEVELOPMENT PER QUARTER Q1 2014 – Q4 2017

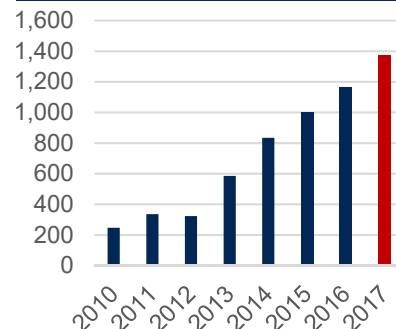
(mDKK)	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Revenue	906	804	1,206	854	868	640	790	905	760	677	800	613	757	584	711	631
Operational EBIT	331	252	459	335	350	255	307	254	257	206	303	235	227	209	212	186
Profit/Loss	-22	56	398	79	555	347	224	213	319	168	191	132	222	211	126	87
Harvest (tgv)	11,470	11,585	18,402	13,158	12,940	10,664	13,004	10,934	13,675	12,982	14,182	9,726	12,651	10,881	11,212	9,269
Op. EBIT Farming & VAP (NOK/kg)	29.88	23.02	29.77	29.40	32.00	28.97	27.88	27.55	21.83	18.10	22.62	26.12	19.48	19.73	17.66	21.37
Equity ratio	70%	68%	64%	65%	66%	63%	61%	66%	66%	63%	61%	61%	60%	57%	53%	57%
NIBD	258	356	560	459	635	504	603	218	391	182	302	227	233	357	555	503

Revenue (mDKK)



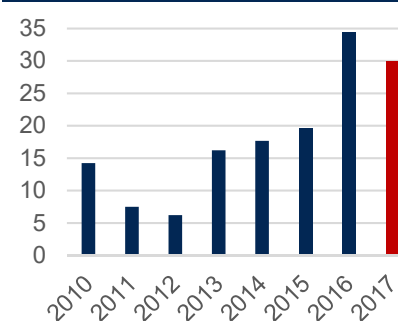
Revenue for the Bakkafrost Group has increased from 820 mDKK in 2010 to 3.8 bDKK in 2017.

Operational EBIT (mDKK)



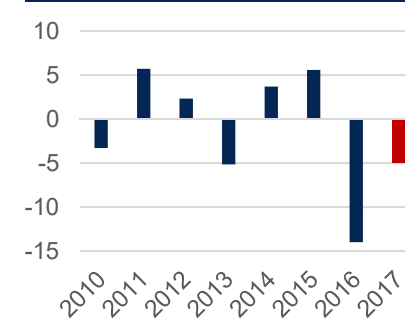
Operational EBIT for the Bakkafrost Group has increased from 247 mDKK in 2010 to 1.4 bDKK in 2017.

Farming margin Op. EBIT (NOK/kg)



The margin in Farming was NOK 30.02 per kg in 2017.

VAP margin Op. EBIT (NOK/kg)



The margin in VAP was NOK -4.96 per kg in 2017.

## Dividend

- Dividend for 2017 of DKK 10.50 (NOK 13.65\*\*\*\*) per share will be paid out in Q2 2018

## Dividend policy

- Competitive return through:
  - Dividends
  - Increase in the value of the equity
- Generally, Bakkafrost shall pay dividend to its shareholders
- A long-term goal is that 30–50% of EPS shall be paid out as dividend

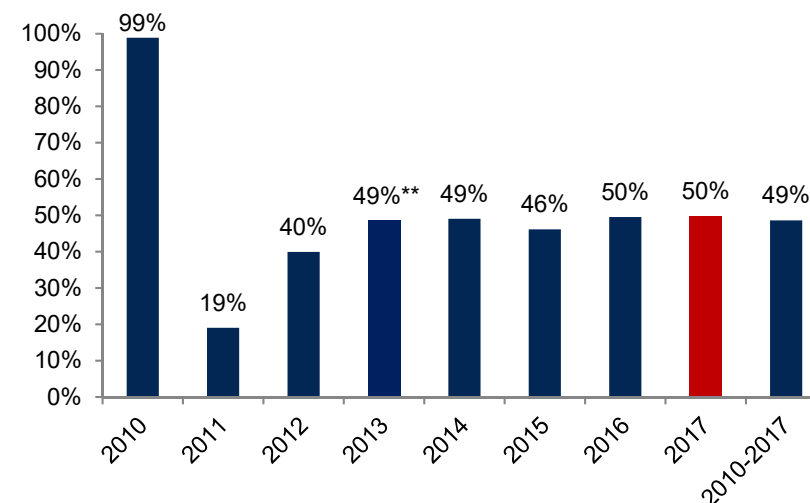
\* Adj. EPS is EPS adjusted for fair value adjustments of biomass and onerous contracts provisions

\*\* Dividend and acquisition of treasury shares

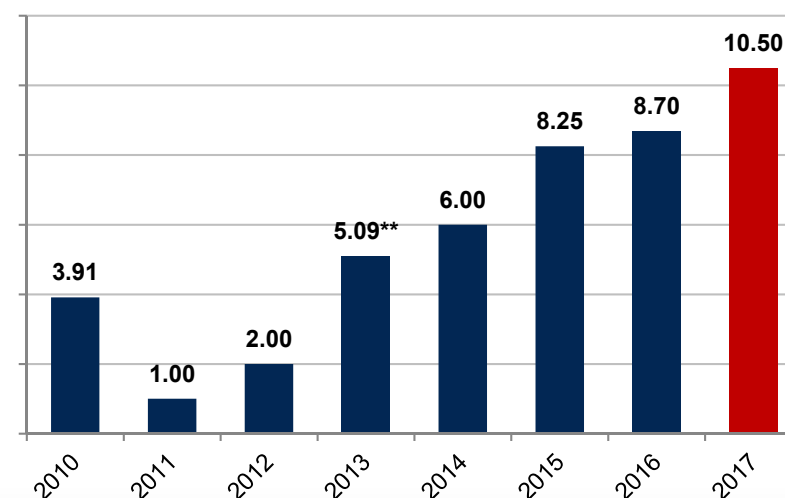
\*\*\* Dividend is paid out the following year

\*\*\*\* The dividend per share in NOK is subject to changes depending on the exchange rate between DKK and NOK, which will be announced after the Annual General Meeting.

## Dividend per share in % of adj. EPS \*



## Dividend per share (DKK) \*\*\*



- 18 islands – 1,387 km<sup>2</sup>
- 50,498 inhabitants (Jan 2018)
- Home rule – within the Kingdom of Denmark
- Part of the Danish monetary union, Danish krone (DKK)

## Key sectors (% of wage earners, 2016)

- Service/public admin.: ~34%
  - Private service: ~31%
  - Construction: ~13%
  - Fishing : ~21%
  - Unemployment rate (Des 2017): 2.2%
  - Total working force (Nov 2017): 26,358
- 
- GDP: DKK ~18bn (2016)
  - GDP/capita: DKK 360,000 (2016) (Norway: DKK 455,000) (2016)

## Total export of fish products (2016) 15% increased

- DKK 7,680 million
- whereof farmed fish accounts for 48%

## TAXES

- Total percent of GDP: 42.4% (2013)
- Corporate tax: 18%
- Farming revenue tax : 4.5% of revenues from 1 January 2016  
more details see page 44 in Bakkafrost CMD presentation from June 2016
- Restriction on single foreign ownership of 20% in farming companies
- One company may max. control 50% of licences in the Faroe Islands



Source: Hagstova Føroya



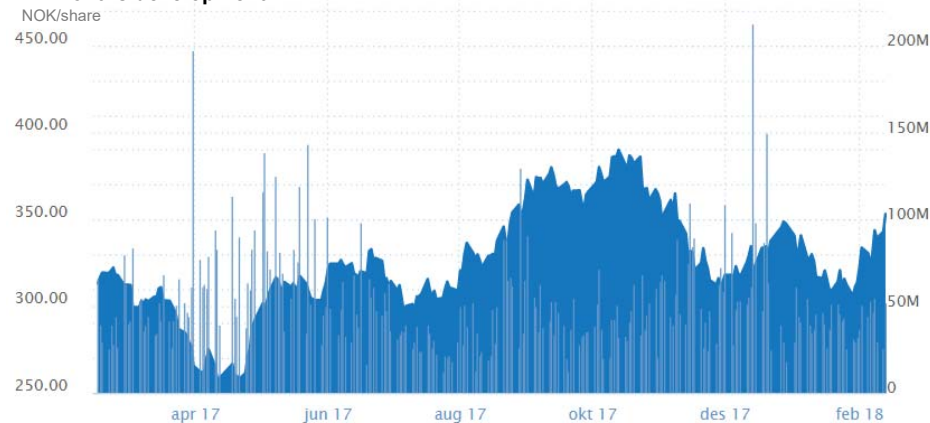
# LARGEST SHAREHOLDERS

## 20 largest shareholders

No of shares	Account name	type	Citizenship
4,594,437	9.4% Oddvør M. Jacobsen		FRO
4,494,825	9.2% JACOBSEN JOHAN REGIN		FRO
3,531,841	7.2% FOLKETRYGDFONDET		NOR
3,497,015	7.2% Nordea Bank AB Denmark Branch, CCA	NOM	DNK
1,276,977	2.6% CLEARSTREAM BANKING	NOM	LUX
985,433	2.0% SWEDBANK ROBUR SMABO NORDEN		SWE
888,989	1.8% AVIVA INVESTORS JPML SA RE CLT AVIVA		LUX
821,529	1.7% JPMorgan Chase Bank, S/A NON-TREATY LENDI	NOM	GBR
715,565	1.5% State Street Bank an A/C CLIENT OMNIBUS F	NOM	USA
683,293	1.4% VERDIPAPIRFONDET DNB V/DNB ASSET MANAGEME		NOR
638,468	1.3% NN (L) Global Sustai BROWN BROTHERS HARRI		LUX
598,750	1.2% State Street Bank an OY59-EXEMPT LUX REGI	NOM	USA
581,260	1.2% JPMorgan Chase Bank, JPMCB RE HB SWED FUN	NOM	SWE
580,000	1.2% HANDELSBANKEN NORDEN NAJPMELS CLT H/BANKE		SWE
554,502	1.1% Skandinaviska Enskil SEB AB, UCITS V - Sw	NOM	SWE
550,080	1.1% SEB SVERIGEFOND Skandinaviska Enskil		SWE
526,499	1.1% JPMorgan Chase Bank, A/C VANGUARD BBH LEN	NOM	USA
496,894	1.0% NORDEA NORDIC FUND		FIN
478,139	1.0% VERDIPAPIRFONDET ALF SEB Investor World G		NOR
475,973	1.0% NN PARAPLUFONDS 1 N. BNY MELLON SA/NV		NLD
<b>26,970,469</b>	<b>55.2%</b>		
<b>48,858,065</b>	<b>100</b>	Total number of shares as per 15 February 2018	
<b>225,979</b>	<b>0.7</b>	Wherof own shares	
<b>48,632,086</b>	<b>99.3</b>	Total number of outstanding shares	

## Share development

### 12 months development



### 5 years development



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