Operational EBIT of DKK 268 Million for the First Quarter of 2019

(Figures in parenthesis refer to the same period last year unless otherwise specified)

The Bakkafrost Group delivered a total operating EBIT of DKK 267.7 million in Q1 2019. Harvested volumes were 13.7 thousand tonnes gutted weight. The combined farming and VAP segments made an operational EBIT of DKK 231.1 million. The farming segment made an operational EBIT of DKK 229.7 million. The salmon spot price increased in the quarter, compared to Q4 2018 and to Q1 2018. Bakkafrost's achieved prices in this quarter, however, were lower than in Q1 2018, and thus had a negative effect on the operational EBIT. The VAP segment made an operational EBIT of DKK 1.3 million. The EBITDA for the FOF segment was DKK 65.3 million.

The Group made a profit for Q1 2019 of DKK 212.8 million. The total volumes harvested in Q1 2019 were 13,707 tonnes gutted weight. Bakkafrost transferred 1.7 million smolts, and Havsbrún sourced 115.5 thousand tonnes of raw material in Q1 2019.

The farming segment made an operational EBIT of DKK 229.7 million for Q1 2019, which corresponds to NOK 21.86 per kg. The VAP segment made an operational EBIT of DKK 1.3 million for Q1 2019. The VAP production was 4.7 thousand tonnes gutted weight in Q1 2019, compared to 2.1 thousand tons gutted weight in Q1 2018. The combined farming and VAP segments made an operational EBIT of DKK 231.1 million for Q1 2019, which corresponds to NOK 21.99 per kg. The operational EBITDA for the FOF segment (fishmeal, oil and feed) was DKK 65.3 million for Q1 2019.

Commenting on the result, CEO Regin Jacobsen said:

The disrupted market balance from Q4 2018 into Q1 2019 resulted in a weaker than expected result in the farming segment in the first part of Q1 2019. We are pleased, however, to experience a better market development and more activity in the VAP segment.

The new hatchery at Strond is now about to start the fourth batch, since the first eggs were hatched last summer. The first smolts will be transferred to sea sites in the second half of 2019.

The biological development was very positive during Q1 2019.

Investments in reducing risks, improving efficiency and creating growth continue with several new projects, mainly focusing on smolt capacity in addition to a new live fish carrier and a new biogas plant.

Bakkafrost aims at giving the shareholders a competitive return on their investment, both through payments of dividends and by securing an increase in the value of the equity through positive operations. The long-term goal of the Board of Directors is that 30-50% of earnings per share shall be paid out as dividend. The financial position of Bakkafrost is strong with a solid balance sheet, a competitive operation and available credit facilities. The Annual General Meeting, convened on 5 April

2019, decided to pay out a dividend of DKK 8.25, corresponding to NOK 10.65 per share. The total dividend of DKK 403.1 million (NOK 520.3 million) was paid out on 26 April 2019.

The net interest-bearing debt amounted to DKK 522 million at the end of Q1 2019. Undrawn credit facilities amounted to DKK 971.1 million at the end of Q1 2019.

The equity ratio was 70% at 31 March 2019, compared to 70% at the end of 2018.

OUTLOOK

Market

The average salmon spot price increased around NOK 2.40 in Q1 2019, compared with Q1 2018. The latest update from Kontali Analyse estimates that the global supply of Atlantic salmon increased around 5% in Q1 2019, compared to Q1 2018. The global harvest growth is expected to be around 5-7% for 2019, followed by a reduction in growth rate from Q1 2020.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia. Variation in sales distribution between the different markets is driven by the change in demand from quarter to quarter in the different regions. Bakkafrost, however, aims to have a balanced market diversification to reduce market risk.

Farming

The outlook for the farming segment is good. The estimates for harvest volumes and smolt releases are dependent on the biological development.

Bakkafrost focuses on reducing biological risk continuously and has made several new investments and procedures to diminish this risk. Bakkafrost focuses on using non-medical methods in treatments against sea lice and has invested in new technology to comply with this strategy. Since September 2017, Bakkafrost has not used medical methods in treatments against sea lice.

Bakkafrost expects to harvest 54,500 tonnes gutted weight in 2019.

Bakkafrost expects to release 13.5 million smolts in 2019, compared with 12.5 million smolts in 2018 and 9.9 million smolts released in 2017. The number of smolts released is a key element of predicting Bakkafrost’s future production.

Bakkafrost aims at being self-supplied with 500 grams smolts by 2021. The benefits are a shorter production time at sea as well as reduced biological risk. The new hatchery under construction at Strond, Klaksvík, is an important part of this plan. The hatchery has begun operation and is expected to be in full operation by year-end 2020. The capacity growth from this investment program will gradually appear in harvested volumes from 2021.

VAP (Value added products)

Bakkafrost has signed contracts covering around 33% of the expected harvested volumes for 2019, compared to 19% for 2018. In Q1 2019, 34% of the total harvested volumes went to the production of VAP products, compared to 17% in Q1 2019. Bakkafrost’s long-term strategy is to sell around 40-50% of the harvested volumes of salmon as VAP products at fixed price contracts.

The VAP contracts are at fixed prices, based on the salmon forward prices at the time they are agreed and the expectations for the salmon spot price for the contract period. The contracts last for 6 to 12 months.

FOF (Fishmeal, -oil and feed)

The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material. The ICES 2019 recommendation for blue whiting is 1,143 thousand tonnes, compared with 1,388 thousand tonnes in 2018.

The production of fishmeal and fish oil in 2018 was high because of good availability of raw material. Bakkafrost expects a decrease in production volumes of fishmeal and fish oil in 2019.

The major market for Havsbrún´s fish feed is the local Faroese market including Bakkafrost's internal use of fish feed.

Havsbrún's sales of fish feed in 2019 are expected to be at 85,000 tonnes, depending on external sales.

Investments

Bakkafrost's investment program for the period from 2018 to 2022 will amount to DKK 3 billion, including maintenance capex, and will reinforce Bakkafrost's integrated business model. The aim of the investment program is to minimize the biological risk, increase efficiency and create sustainable organic growth.

Bakkafrost's strategy and investment program will be presented at Bakkafrost's Capital Markets Day on 12 June 2019 in the Faroe Islands.

Financial

Favourable market balances in the world market for salmon products and cost-conscious production will likely maintain the financial flexibility going forward.

A high equity ratio together with Bakkafrost's bank financing, makes Bakkafrost's financial situation strong. This enables Bakkafrost to carry out its investment plans to further focus on strengthening the Group, M&A's, organic growth opportunities and to fulfil its dividend policy in the future, which is unchanged although a new investment program is announced.

Please find the Company's Q1 2019 report and the Q1 2019 presentation enclosed.

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About Bakkafrost:

Bakkafrost is the largest salmon farmer in the Faroe Islands. The Group is fully integrated from feed production to smolt, farming, VAP and sales. The Group has production of fishmeal, fish oil and salmon feed in Fuglafjørður. The Group has primary processing in Glyvrar and Vágur, and secondary processing (VAP) in Glyvrar. The Group operates sea farming in Norðoyggjar, Eysturoy, Streymoy, Sandoy and Suðuroy. The Group has broadstock operations in Streymoy and Sandoy and is building a Biogas plant in Streymoy. The headquarter is located in Glyvrar, and the company has 976 employees.

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