

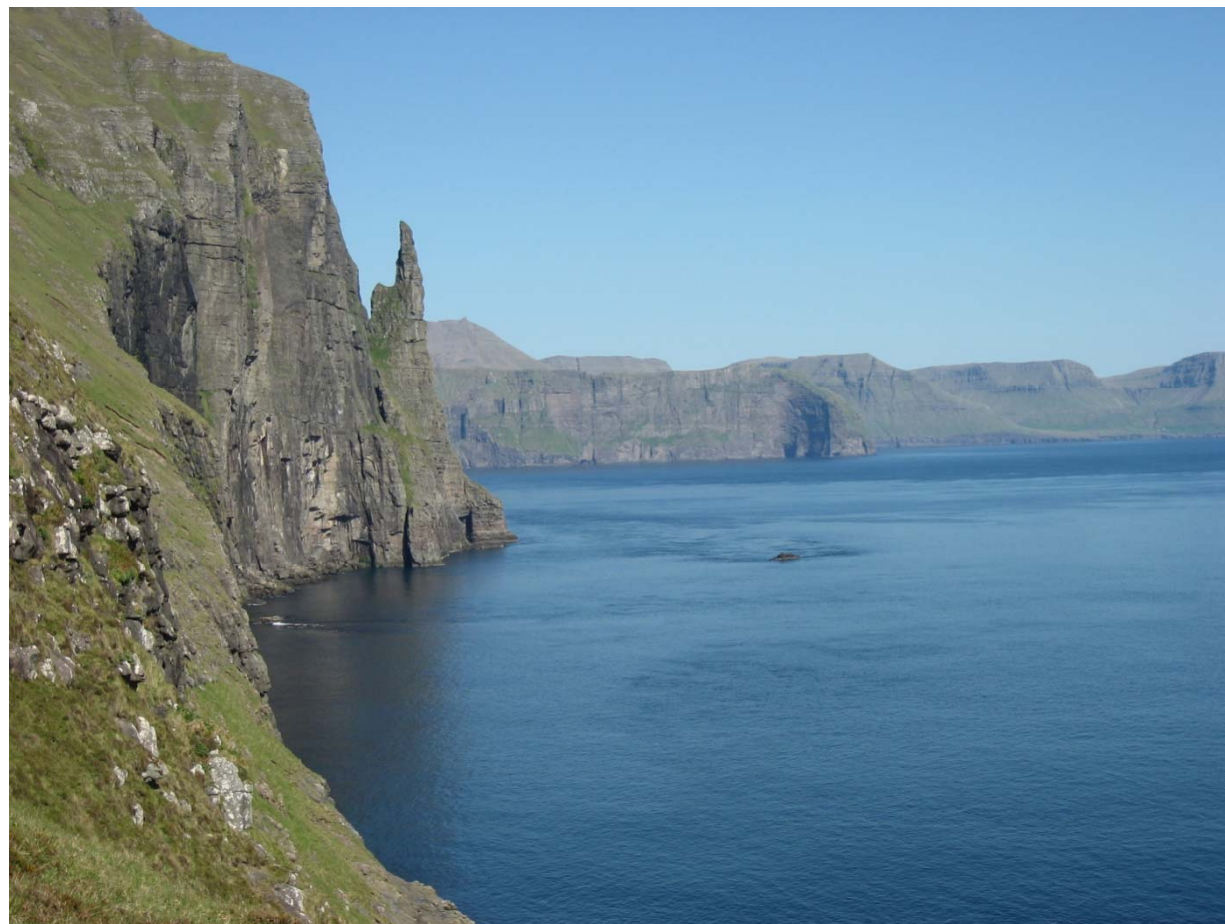
# PRESENTATION Q2 2011

**CEO Regin Jacobsen / CFO Teitur Samuelsen**

Oslo August 16<sup>th</sup> 2011

- This presentation includes statements regarding future results, which are subject to risks and uncertainties. Consequently, actual results may differ significantly from the results indicated or implied in these statements.
- No representation or warranty (expressed or implied) is made as to, and no reliance should be placed on, the fairness, accuracy or completeness of the information contained herein. Accordingly, none of the Company, or any of its principal shareholders or subsidiary undertakings or any of such person's officers or employees or advisors accept any liability whatsoever arising directly or indirectly from the use of this document.

- Summary of Q2
- Financial Highlights
- Segment Information
- Group Financials
- Acquisition of Havsbrún
- Outlook



- 18 islands – 1,400 km<sup>2</sup>
- 48,565 inhabitants (1. Feb 2011)
- Self-governing part of the Kingdom of Denmark
- Part of the Danish monetary union
- Key sectors (% of wage earners, 2009)
  - Service/public admin.: ~37%
  - Private service: ~33%
  - Fishing industry: ~17%
- GDP: DKK 11.784 bn (2009)
- GDP/capita: DKK 242,220 (EU: 175,530) (2009)
- Total export of products (2010):
  - 4,360 mill DKK,
  - whereof farmed fish accounts for 34%
- Corporate Tax: 18%
- Farming Licence Tax 2011: 2.5%



Source: Hagstova Føroya

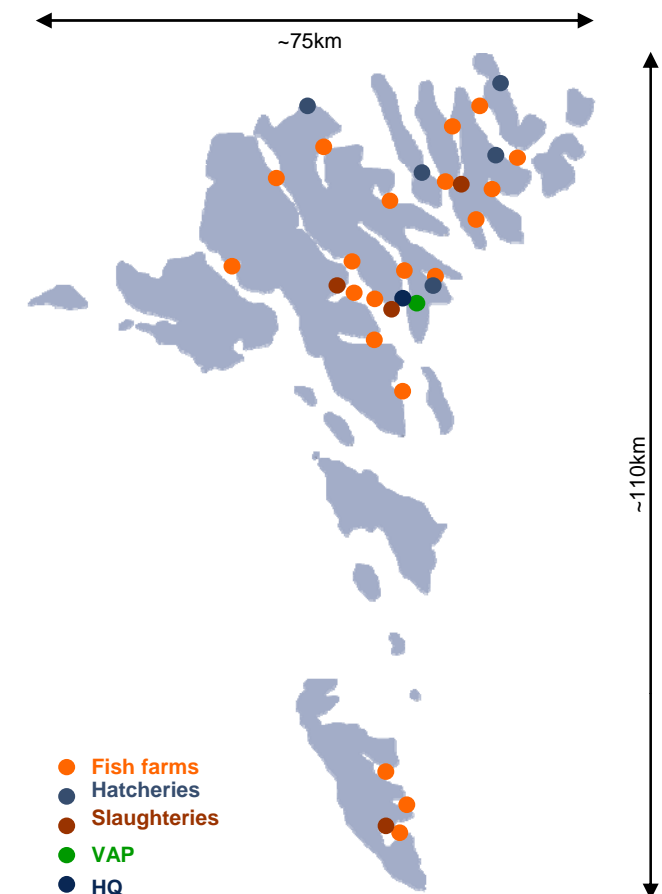


# BAKKAFROST

## – THE LARGEST FISH FARMING COMPANY IN THE FAROE ISLANDS



- **Largest salmon farming company in the Faroe Islands**
  - ~63 % of harvest volumes (Q2 2011) (excl Viking and Faroe Farming)
  - ~57 % of farming licenses (01.07.2011) (incl. Viking and Faroe Farming)
  - ~68 % of salmon licenses (01.07.2011)\*
- **Acquisition of Havsbrún 1 July 2011 with effect from 01.01.2011**
- **Produced a total of 8,092 gwt in Q2 2011 (5,341 tonnes gwt in Q2 2010)**
- **Revenues DKK 314 million in Q2 2011 (Q2 2010 DKK 200 million)**
- **Operational EBIT DKK 127 million in Q2 2011 (Q2 2010 of DKK 59 million)**



\*) Calculation from competition authorities 29.06.2011

# FAROE ISLANDS

## – EXCELLENT CONDITIONS FOR COST EFFECTIVE FARMING

### GEOGRAPHY

- 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

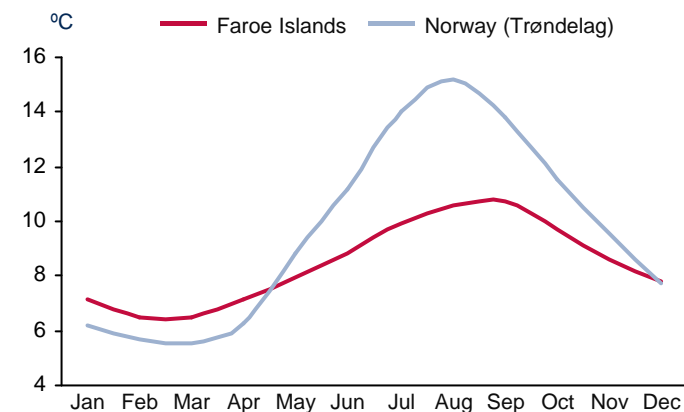
### LOCATION

- Efficient distribution to both the European- and US markets

### BIOMASS

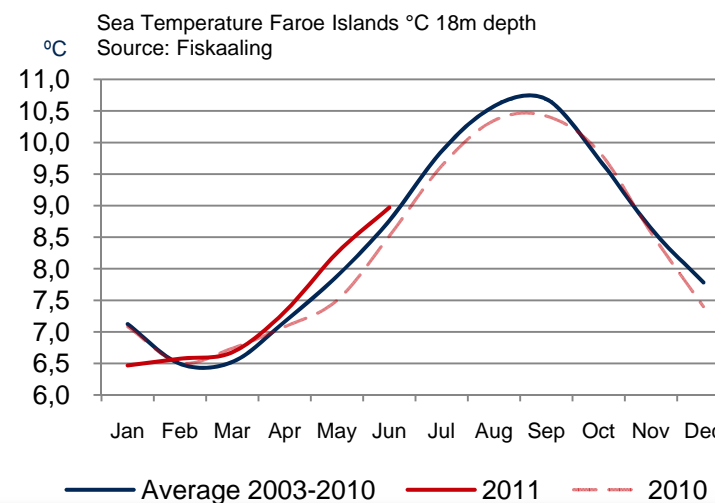
- Biological sustainability setting the biomass target per license

### Average Seawater Temperatures 2003-2009



Source: Company material, Havforskningsinstituttet

### Average Seawater Temperatures 2011



## Market

- Increased sales of HOG on new markets
- Achieved prices in Q2 2011 increased compared with last year

## Strategy

- Acquisition of Havsbrún finally approved
- Take advantages of economy of scale
- Strengthening the position as a high quality Atlantic Salmon producer

## Financial

- Operational EBIT increased 216%
- 40% operational EBIT margin for the quarter
- NIBD DKK 594 million – after dividend of DKK 191 million and acquisition of Havsbrún – NIBD of DKK 35 excl. the acquisition of Havsbrún

## Biology

- 2009 generation harvested out - strong operational performance
- 76% higher total growth in H1 2011 compared with H1 2010

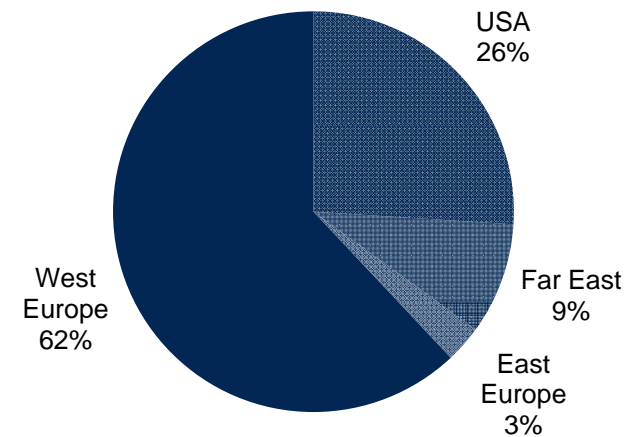
## Outlook

- Volume in 2011 expected to 42,000 tonnes gutted weight (incl. Havsbrún)
- New market opportunities with salmon prices even more competitive to other products

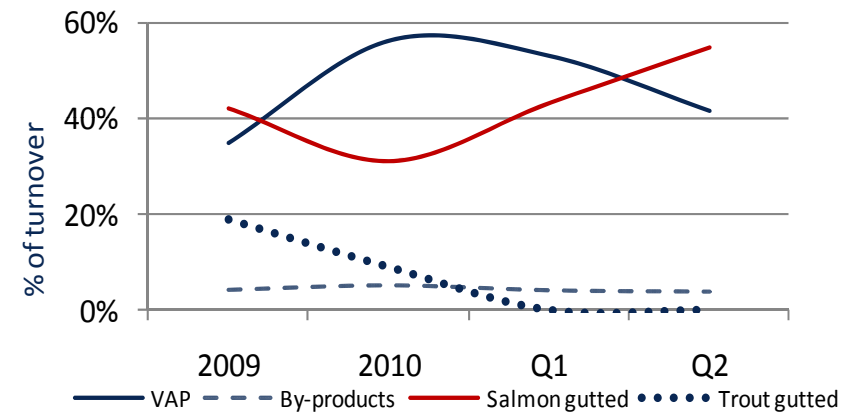
## ■ New market opportunities

- Demand driven by:
  - Lower market prices
  - Campaigns' At even more competitive prices
  - Promotions – boosting volume
  - New markets increasing its share More than 1/3 of Bakkafrost's sales
- Sales of gutted whole salmon increased from 37% in Q2 2010 to 56% in Q2 2011
- VAP reduced from 63% in Q2 2010 to 44% in Q2 2011

## Sales, divided on markets [by Value]



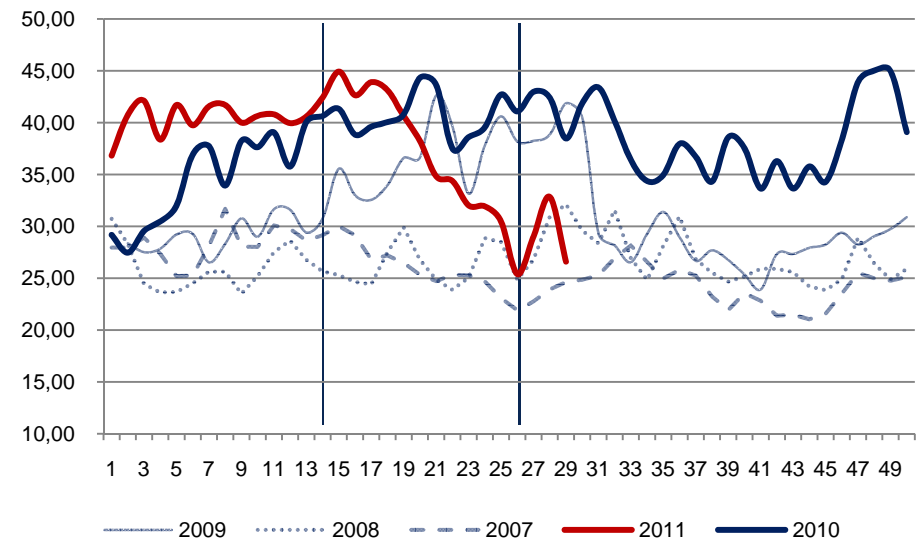
## Sales split by product





- Salmon spot price dropped during Q2
  - Farmed salmon now even more competitive to other food products opening up for new possibilities
  - The market price for salmon dropped close to 25 NOK/kg during Q2
  - Earlier than expected adjustment due to increased supply
  - Bakkafrost's portfolio of long-term VAP fixed price contracts reduces the impact of such price fluctuations

## Spot prices on fresh salmon [NOK/kg HOG]



# FINANCIAL HIGHLIGHTS



# FINANCIAL HIGHLIGHTS

- **Total harvested quantity increased 52% compared with Q2 2010**
  - Differences in EBIT/kg due to available sites to harvest each period
  - North harvested at higher prices - earlier in the period
- **Cost improvements materialize with higher volumes**
  - Better utilization of existing farming sites
  - Smolt costs reduced
  - Harvesting costs reduced
  - Overhead costs reduced

(NOK)	Q2 2011		Q2 2010	
Farming:	North	West	North	West
Operational EBIT/kg gwt	16.89	11.56	18.28	14.82
Harvested volumes 1000 [gwt]	7,200	892	2,739	2,602

- **Strong Cash flow from operations in Q2 2011 used to finance:**

- Biomass
  - *Increased production*
- Investments
  - *To increase capacity*
- Reduce debt before acquisition of Havsbrún
- Dividend payout of NOK 4.08/share (Total DKK 191 million)
- DKK 559 million reserved for payment of Havsbrún 1. July – (NIBD DKK 35 excl. Havsbrún, but incl. dividend of DKK 191 million)
- NIBD increased to finance the acquisition of Havsbrún, which has negative impact on Equity ratio

(DKKm)	Q2 2011	Q2 2010
Cash flow from operations	168**	76
Total assets	1,710	1,184*
NIBD	594	70*
Equity ratio	48%	76%*

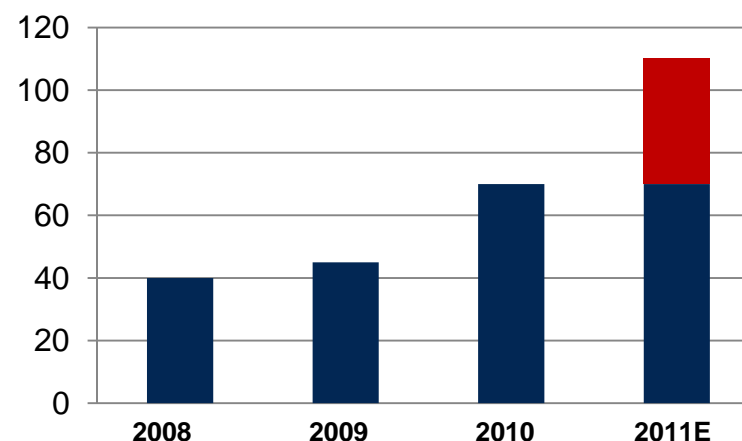
\*\* DKK 34 million paid to vendors 1 July 2011

\* End 2010

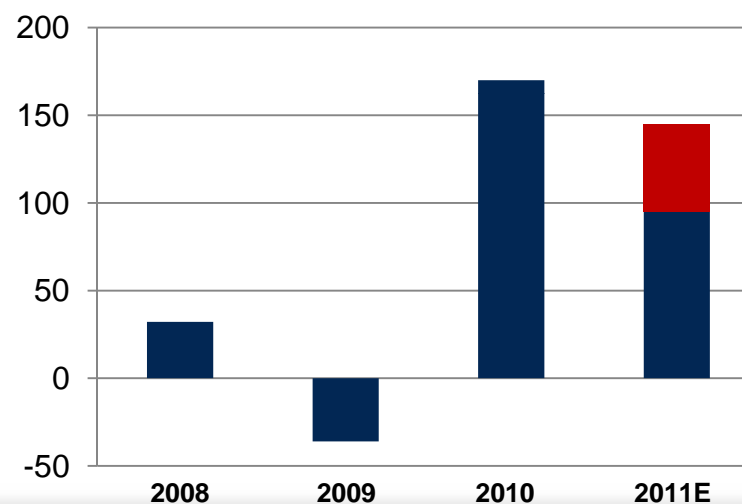
## PLANNED INVESTMENTS IN 2011 FOR BAKKAFROST AND HAVSBRÚN

- Investments in PPE is estimated to be 70 million DKK in 2011, which is same amount as in 2010
  - The investments are made in:
    - Hatchery division
    - Farming division
    - Harvesting division and
    - VAP division
- Havsbrún (incl. Viking & Faroe Farming) investments in PPE in 2011 expected to be in the level of 40 mill DKK
- Increased production leads to increased biomass. Bakkafrost has invested in increased biomass:
  - In 2008 32,2 million DKK excl. Vestlax
  - In 2009 -36 million DKK excl. Vestlax
  - In 2010 170 million DKK
  - In 2011 we expect to invest ~ 90 -100 million
  - Havsbrún (incl. Viking & Faroe Farming) biomass expected to be in the level of 50 mill DKK

Investments in PPE [Mio DKK]



Increased biomass [Mio DKK]





# SEGMENT INFORMATION





- Revenues increased by 44% and volumes increased by 52% from Q2 2010 to Q2 2011
  - Improved margin
  - High prices in Q2 2011

(DKKm)	Q2 2011	Q2 2010
Operating revenues	290	202
Operational EBIT	126	84
Operational EBIT margin	43,5%	41.6%

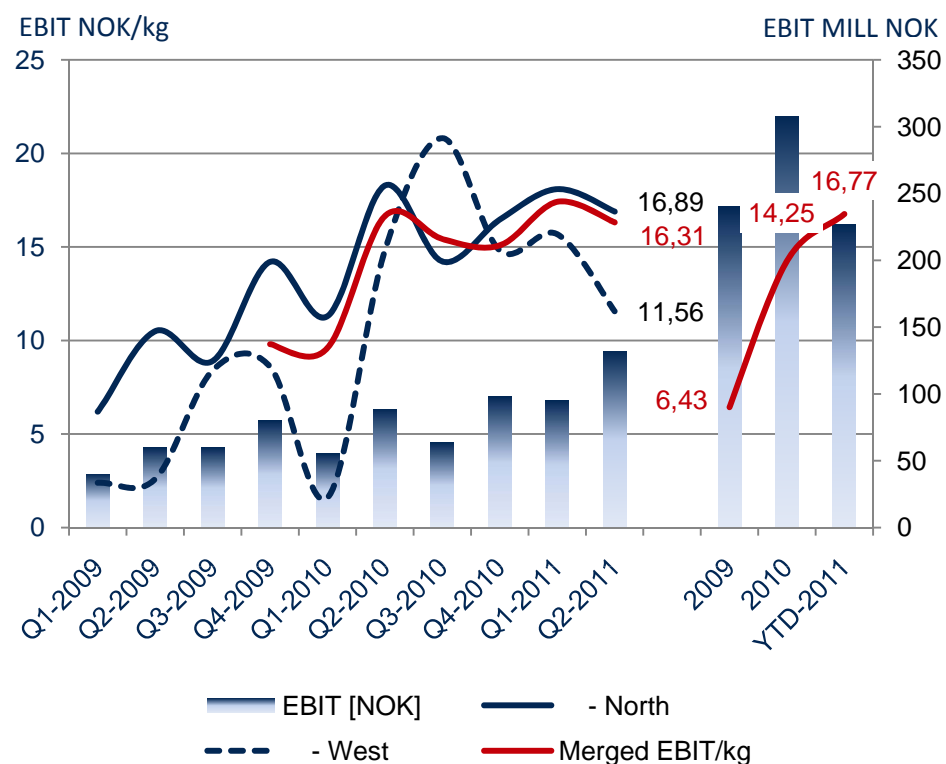
# FARMING – OPERATIONAL PERFORMANCE

## ■ Highest Operational EBIT ever:

- The Operational EBIT from the farming segment amounted to DKK126.9 million for Q2 2011.
- The margin for the farming segment was 16.31 NOK/kg gwt in Q2 2011 and 16.77 NOK/kg gwt in H1 2011
- Harvested quantity 8.092 gwt in the quarter and 13.552 in H1 2011
- Increased volume going forwards

## Operational Performance

### Operational Performance



- **Harvested volume:**

- 52% increase in Q2 2011 compared with Q2 2010
- Smolt release in H1 2011 4.4 million pieces smolt\*
- Guidance 10 million pieces smolt released in 2011\*
- Forecast for 2011: 42,000 tonnes gwt\*

[tonnes gwt]	Q2 2011	Q2 2010	H1 2011	2010	2009
West	892	2,602	2,439	7,792	11,970
North	7,200	2,739	11,113	13,834	18,680
<b>Total</b>	<b>8,092</b>	<b>5,341</b>	<b>13,552</b>	<b>21,626</b>	<b>30,650</b>

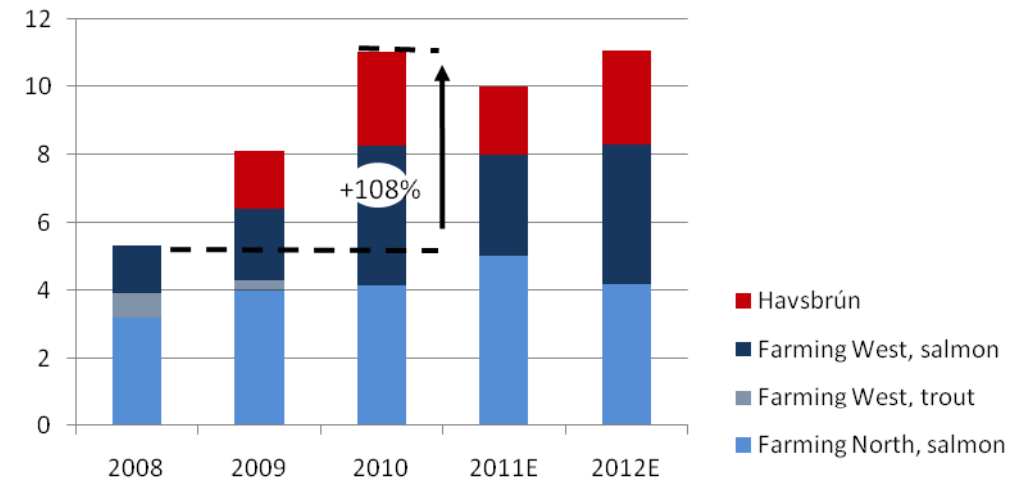
\* Including Viking and Faroe Farming

## STRONG EXPECTED VOLUME GROWTH

- Increased smolt release by 108% from 2008 to 2010
- Still two sites with no fish, to be started up in 2012
- Harvest scaled up from Q2 2011 and onwards

### Smolt Release (million)

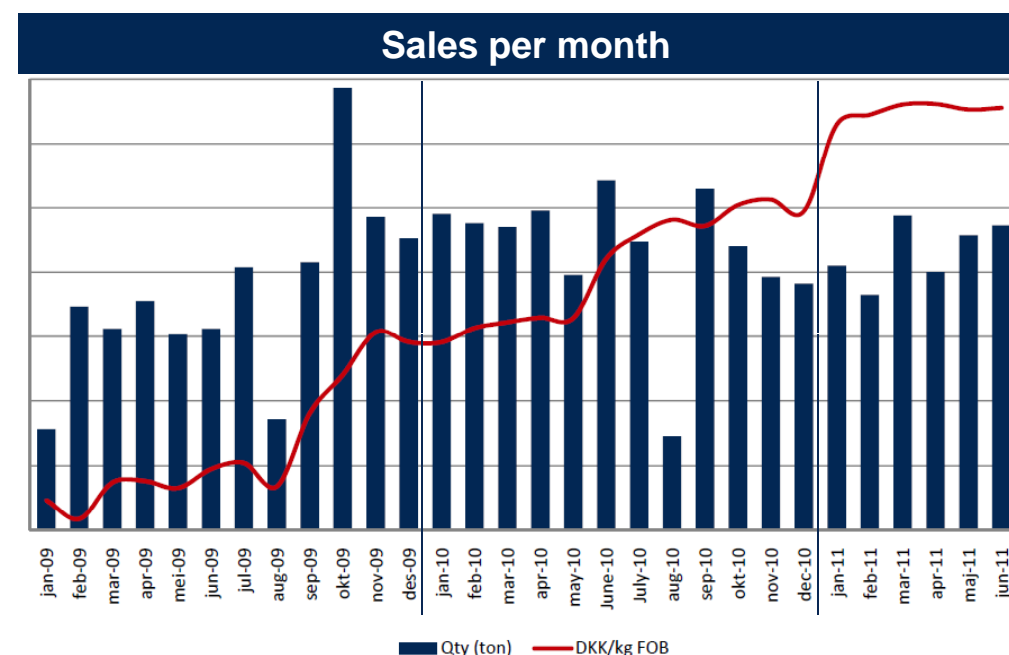
million pcs



## SEGMENTS VAP

- Revenue increased by 10% despite 6% lower volumes sold
- VAP contributing to Group Operational EBIT
- Result affected by high raw material prices in April/May
- High contract portfolio in VAP segment for 2011
- Continuing price increase in the period 2009 to 2011 directly to end-consumers

(DKKm)	Q2 2011	Q2 2010
Operating revenues	138	125
Operational EBIT	1	-25
Operational EBIT margin	0,7%	-20%



# GROUP FINANCIALS





# GROUP PROFIT AND LOSS

- Revenues increased by 57% and volumes increased by 50% - strong market in Q2
- Operating EBIT increased by 216%
- Group EBIT/KG of NOK 16.46 (Q2 2010 NOK 11.68/kg) an increase of 41%
- Strong operation but negative fair value adjustment on biomass of DKK 158.4 million.
- No onerous contract in portfolio
- EPS DKK -0.52 in Q2 2011

(DKKm)	Q2 2011	Q2 2010	H1 2011	H1 2010
Operating revenues	314.3	199.6	554.6	390.0
Purchase of goods	-94.8	-57.2	-171.3	-94.4
Change in inventory and biological assets (at cost)	7.7	-2.6	27.4	-16.3
Salary and personnel exp.	-35.1	-29.6	-64.4	-60.9
Other op. expenses	-54.1	-41.1	-105.2	-88.7
Depreciation	-11.1	-10.4	-21.9	-20.6
<b>Operating EBIT</b>	<b>126.9</b>	<b>58.7</b>	<b>219.2</b>	<b>109.1</b>
Fair value adj.	-158.4	-17.8	-117.4	28.6
Onerous contr.	8.0	-1.0	2.9	-23.8
Listing costs	0	0	0	-12.7
Acquisition costs	-0.8	0	-1.1	0
<b>EBIT</b>	<b>-24.2</b>	<b>41.9</b>	<b>103.6</b>	<b>100.6</b>
Financial items	-2.8	-2.2	-3.5	-4.5
<b>EBT</b>	<b>-27.0</b>	<b>39.7</b>	<b>100.1</b>	<b>96.1</b>
Taxes	1.4	-7.1	-22.2	-17.3
<b>Profit for the period</b>	<b>-25.6</b>	<b>32.5</b>	<b>77.9</b>	<b>78.8</b>

## BALANCE SHEET – AS PER 30 JUNE 2011

- Continue to invest in PPE to carry out the organic growth
- Further building up biomass as planned – booked value decreased due reversal of fair value adjustment
- NIBD DKK 594 million as part of the Havsbrún deal – (NIBD DKK 35 excl. Havsbrún, but incl. dividend of DKK 191 million)
- Equity ratio 48% (72% excl. new debt for Havsbrún aquisition)
- Dividend of DKK 191 mill paid out in April 2011 (DPS NOK 4.08)
- Havbrún deal included from Q3 2011
- Acqusition loan of DKK 500 milllion sceduled to be refinanced later in 2011

(DKKm)	30.06.2011	31.12.2010
Intangible assets	136.2	136.2
Property, plant and equipment	373.5	356.4
Financial assets	73.0	26.0
Long term receivables	0.7	0.7
Biological assets	385.4	482.1
Inventory	35.5	28.5
Receivables	700.2	145.5
Cash and cash equivalents	5.5	9.1
<b>Total Assets</b>	<b>1,709.9</b>	<b>1,184.7</b>
Equity	827.7	902.3
Deferred tax	148.6	120.0
Long term interest bearing debt	333.9	37.4
Short term interest bearing debt	266.0	42.0
Account payables	133.9	83.0
<b>Total Equity and liabilities</b>	<b>1,709.9</b>	<b>1,184.7</b>

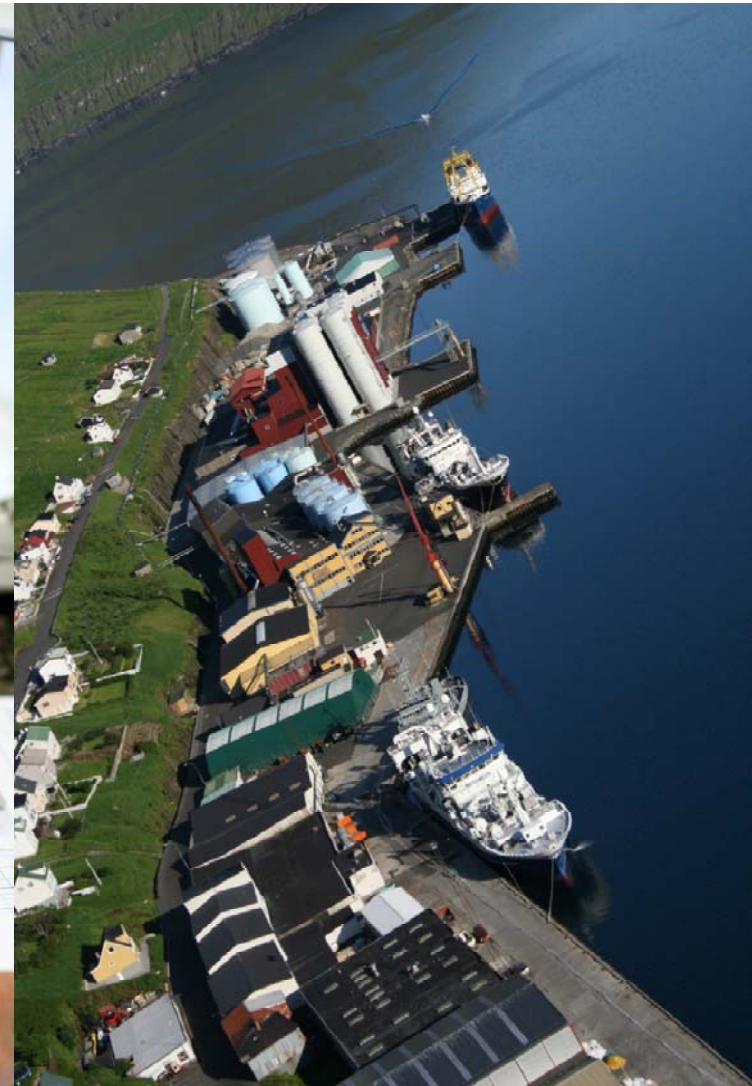
## CASH FLOW – FOR Q2 2011

- Strong cash flow from operations
- Cash flow used to build up biomass, investments and dividend to shareholders
- Bakkafrost had undrawn facilities of approximately DKK 271 million at end of Q2 2011
- Going forward – expect strong cash flow from operations, as harvested volumes will be on a high level the coming quarters

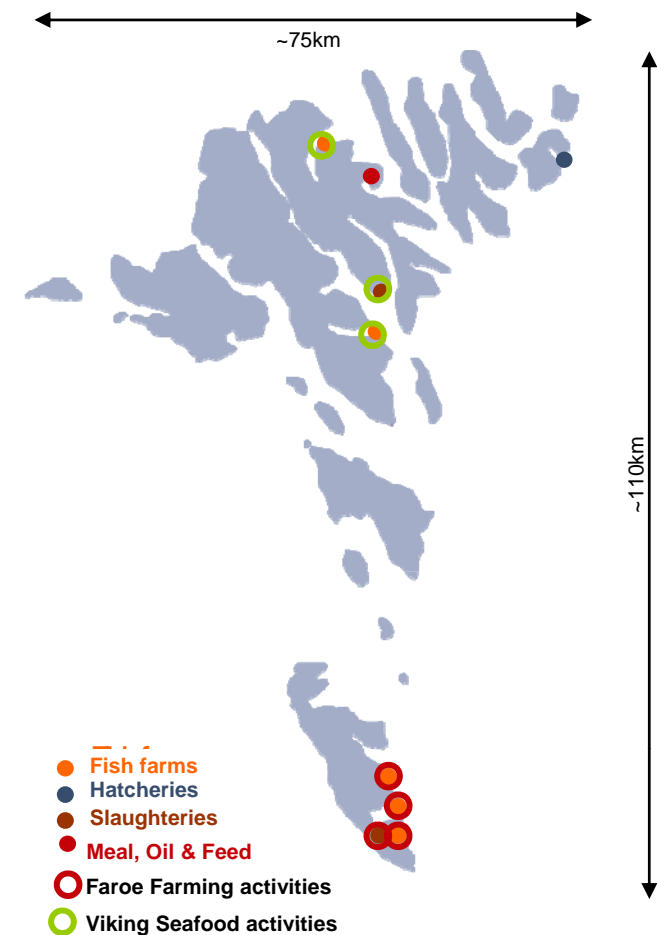
(DKKm)	Q2 2011	Q2 2010	H1 2011	H1 2010
Cash flow from operations	167.8	75.6	268.6	168.9
Cash flow from investments	-577.9*	-20.2	-598.2*	-40.1
Cash flow from financing	361.7	-41.4	325.9	-139.5
Net change in cash	-48.4	14.1	-3.7	-10.6
Cash at the end of the period	5.4	25.0	5.4	25.0

\*Incl. DKK 559 million related to Havsbrún acquisition

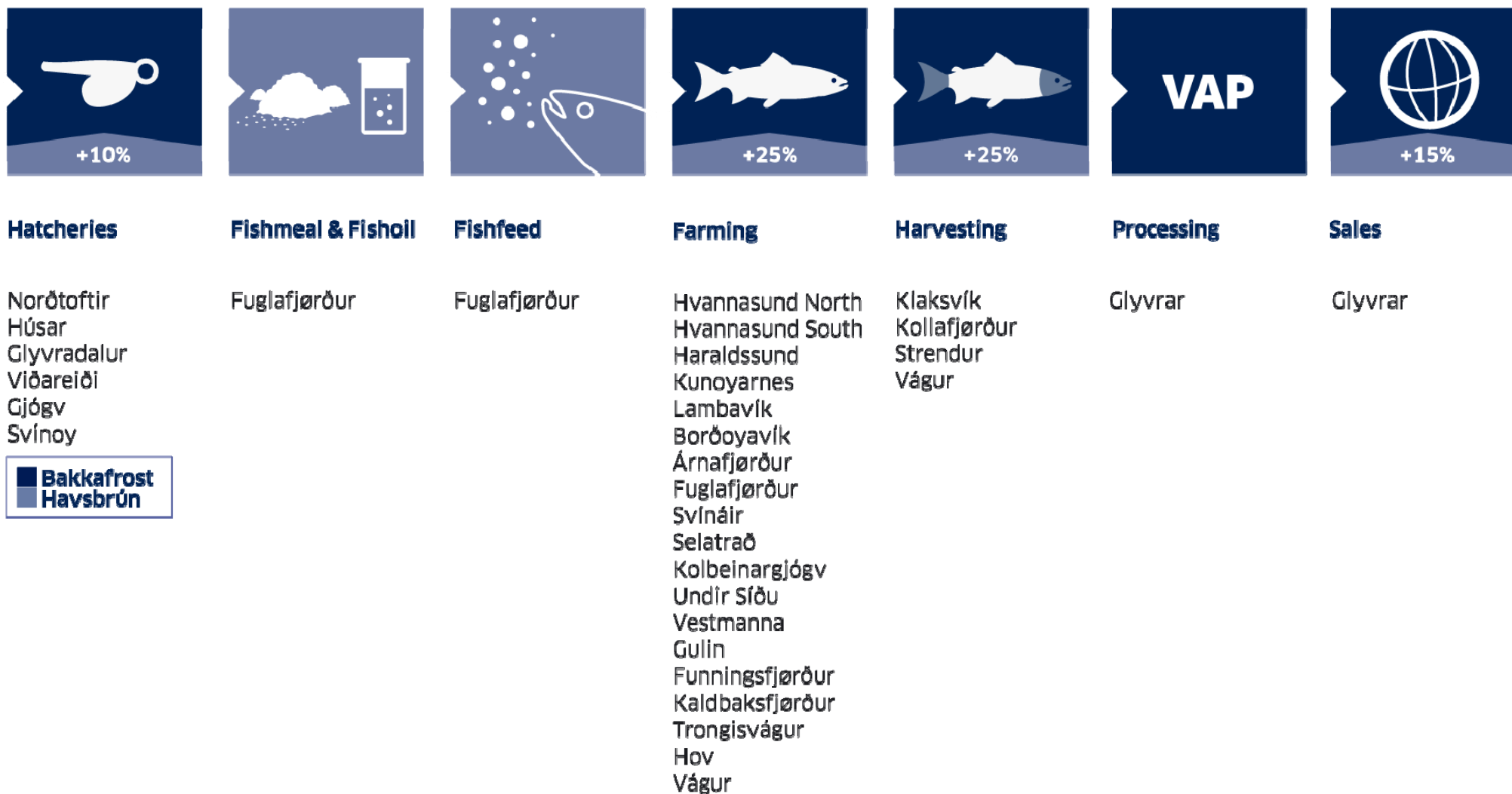
# HAVSBRÚN-VIKING SEAFOOD-FAROE FARMING



- Acquired 1<sup>st</sup> July 2011, with financial effect from 1<sup>st</sup> January 2011
  - All formalities approved
  - Increases Bakkafrost farming capacity
  - Extend Bakkafrost Value Chain (Fish meal, Fish oil and Fish feed)
  - Economy of scale
  - Bakkafrost less vulnerable to fluctuations in salmon prices
  - Will be consolidated into Bakkafrosts accounts from Q3 2011



# BAKKAFROST NEW VALUECHAIN





## Capacity

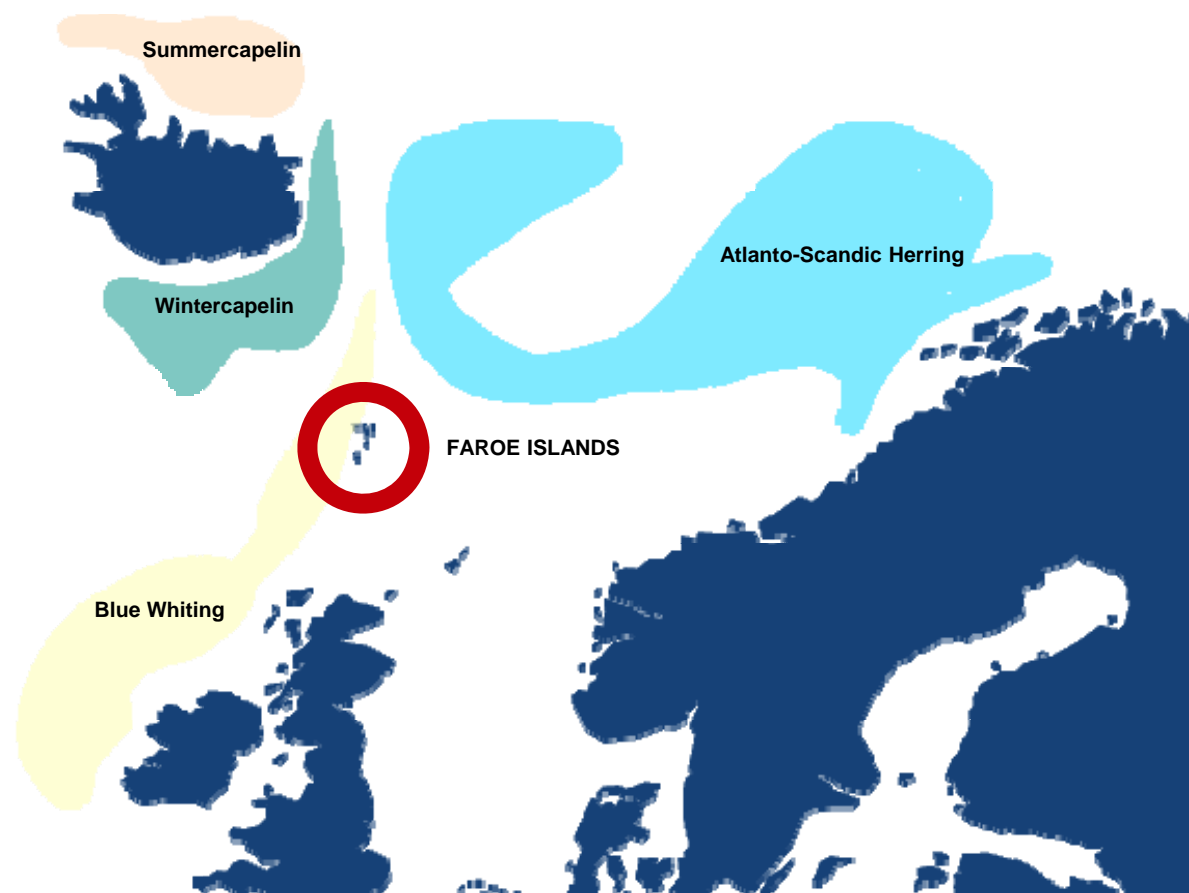
### ■ Production capacities:

- 2,400 tonnes fish per day to fish meal and oil
- 600 tonnes salmon feed per day

### ■ Storage capacities:

- Raw material tanks:  
4 x 1200 tons
- Fish meal storage: 20,000 tons
- Fish oil tanks: 10,000 tons

## Faroe Islands surrounded by several main fish resources



# MODERN FISH FEED FACTORY LOCATED CLOSE TO THE FARMING SITES

## Capacity and production

- **Production capacities:**
  - 600 tonnes salmon feed per day\*
  - High percentage of marine ingredients
  - Fresh feed for direct transport to customer
- **Production 2010:**
  - 60,250 tonnes salmon feed
- **Logistics:**
  - Main fish farming areas within a distance of 25 km

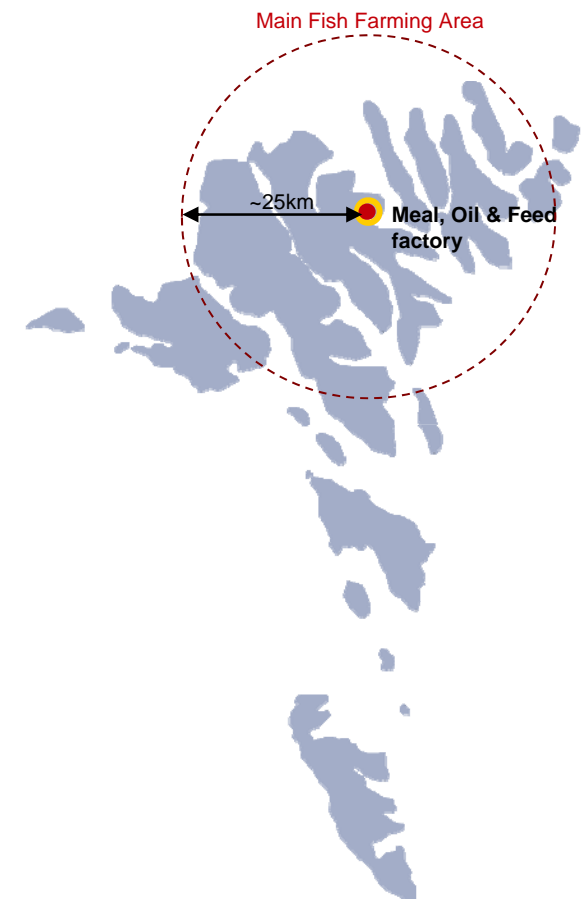
\*100.000 tonnes a year

## Fish feed factory



FUGLAFJÖRÐUR

Bakkafrost fishfarm A-57 in the foreground and Havsbrún fish-meal and feed factory in the background



- Margins lower due to loss on inventory in H1 2011
- In 2010 increased market prices on fish meal and oil influenced the margin positively. The situation was opposite in H1 2011
- Estimated sale of fish feed in 2011 72,000 tonnes
- Increased NIBD primarily due to increased inventory and debtors (seasonality in sale)

## Meal, Oil and Feed [million DKK]

(DKKm) – FO GAAP*	H1 2011	2010	2009
Operating revenues**	264.8	576.6	491.5
EBITDA	27.0	159.4	72.1
EBITDA Margin	10.2%	27.6%	14.7%
NIBD	197.5	88.5	90.9
Sale of feed (tonnes)	30,702	60,250	68,107



Havsrún feed silo system

\* Preliminary figures

\*\* Including sale to Bakkafrost, Viking and Faroe Farming of DKK 203 million.

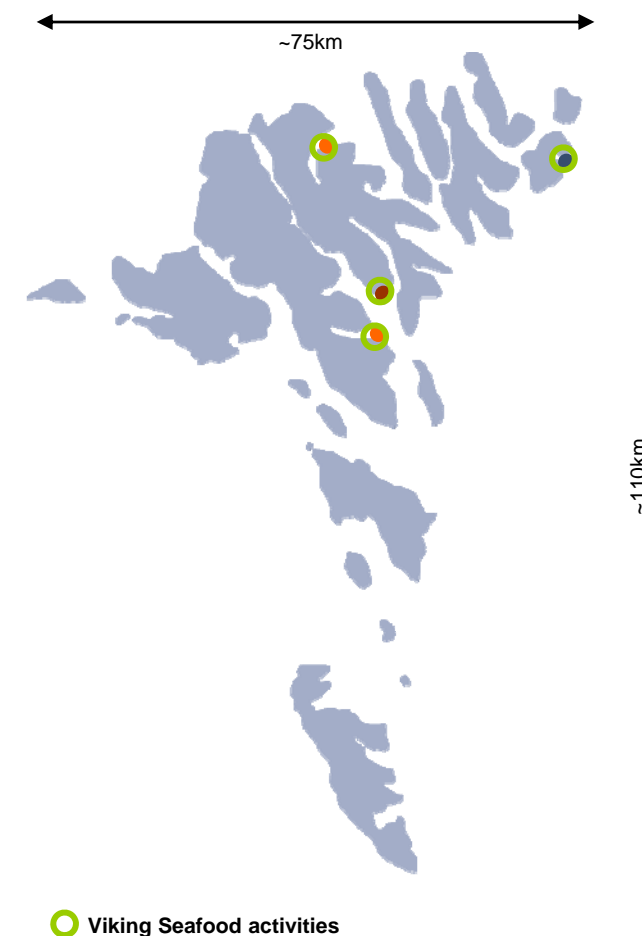
## Fish Farming, primary processing

- BakkaFrost owns 100.0% of the company
- Well run company
- 2 licenses with an estimated capacity of 8,500 tonnes gw
- Located in close proximity to BakkaFrost's existing locations
- Slaughterery located in Strendur with a yearly capacity of 12,000 tonnes per shift
- Back end loaded harvesting profile for 2011 ~3,500 tonnes gwt in H2 2011

(DKKm) – FO GAAP*	H1 2011	2010
Operating revenues	39.3	116.7
EBIT	12.8	46.6
Harvest volume (gwt)	895	3,148
EBIT [NOK/kg]	15.00	15.92
NIBD	25.8	38.1

\* Preliminary figures

## Locations



## Fish Farming and primary processing

- BakkaFrost owns 78.1% of the company
- Well run company
- 3 licenses with an estimated capacity of 6,500 tonnes gutted weight
- Located on the southern island of Suðuroy, 70 kilometers from Glyvrar
- Slaughtery located in Vág with a yearly capacity of 6,000 tonnes per shift
- Back end loaded harvesting profile for 2011 ~4,000 tonnes in H2 2011

(DKK <sup>m</sup> ) – FO GAAP*	H1 2011	2010
Operating revenues	42.6	130.0
EBIT	15.0	49.4
Harvest volume (gwt)	1,173	3,600
EBIT [NOK/kg]	13.39	14.76
NIBD**	29.2	0.0

\*Preliminary figures

\*\* Used to build up biomass and PPE

## Locations



 Faroe Farming activities

- The spot price below expected level is expected to boost demand both on existing and new markets
- Smolt release for Bakkafrost at 10\* million pieces in 2011
- Building up biomass
- Investments in PPE to be carried out to ensure the growth in production
- Increase harvested volumes for Bakkafrost from ~ 33,000 tonnes gwt to ~ 42,000 tonnes following the acquisition of Havsbrún
- Started to commit contracts for 2012
- Feed sales estimated to 72,000 tonnes in 2011
- The acquisition of Havsbrún gives Bakkafrost:
  - higher growth potential in the coming years
  - a better position as a high quality Atlantic Salmon producer with full control and responsibility from salmon feed production to final salmon product
- Havsbrún, Viking and Faroe Farming to be consolidated from Q3

\* Including Viking and Faroe Farming



# APPENDIX

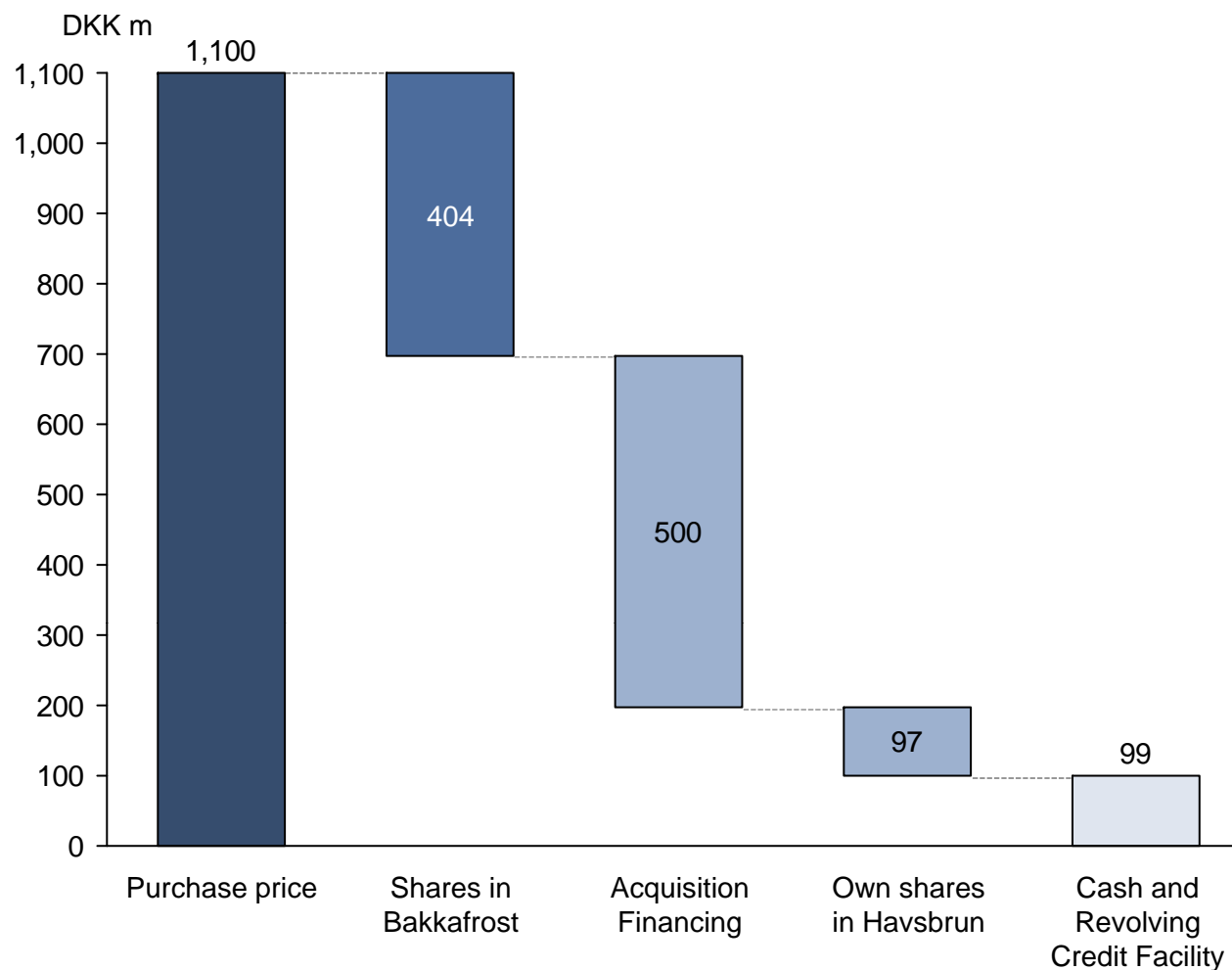


# ACQUISITION OF HAVSBRÚN – TRANSACTION DETAILS

- **Bakkafrost to pay DKK 1,100 million for 100% of Havsbrún**

- Includes 16.71% of Bakkafrost owned by Havsbrún
- The shares in Bakkafrost will be used as a part of the consideration
- Acquisition financing from Nordea and BankNordik of DKK 500 million
- Bakkafrost and Havsbrún own shares in Havsbrún of DKK 97 million
- The remaining DKK 99 million to be paid with cash and draw on Revolving Credit Facility

## Financing



# LARGEST SHAREHOLDERS

## 20 largest shareholder

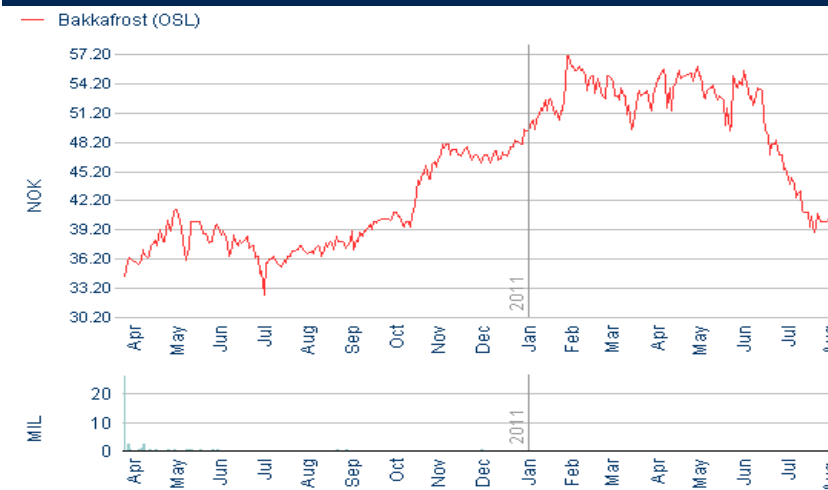
SALMAR ASA	NOR	23,29
Jacobsen Hans	FRO	9,40
Jacobsen Jóhan Regin	FRO	9,19
JPMORGAN CHASE BANK	GBR	4,62
TF ILØGUR P/F	FRO	4,15
P/F Rundingur	FRO	4,07
NORDEA BANK DENMARK A/S	DNK	3,45
DANSKE BANK A/S	DNK	2,81
P/F Føroya Livstrygging	FRO	2,08
SP/F KERID	FRO	2,04
MORGAN STANLEY & CO INTERNAT. PLC	GBR	1,99
JPMBSA	LUX	1,79
STATE STREET BANK AND TRUST	USA	1,67
HOLBERG NORGE	NOR	1,52
JPMORGAN CHASE BANK	LUX	1,14
UBS (LUXEMBOURG) S.A.	LUX	1,08
Holberg Norden	NOR	1,05
OM Holding AS	NOR	1,02
P/F Hvalnes	FRO	0,98
Pareto Securities Emisjonskonto innland	NOR	0,95

## TOTAL SHARE 20 LARGEST SHAREHOLDERS

78,28%

As per August 7<sup>th</sup> 2011

## Share price development since listing [NOK]



Subscribe Oslo Stock Exchange Releases from BAKKA by e-mail on:

<http://bakka.com/default.asp?menu=246>





# BAKKAFROST

ESTABLISHED 1968

P/F Bakkafrost · Bakkavegur 9 · FO-625 Glyvrar  
Faroe Islands · [www.bakkafrost.com](http://www.bakkafrost.com)