

# Q1 2016

**BAKKAFROST GROUP**  
Oslo 10 May 2016

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- **SUMMARY OF Q1 2016**
- **MARKETS AND SALES**
- **SEGMENT INFORMATION**
- **GROUP FINANCIALS**
- **OUTLOOK**
- **APPENDIX**

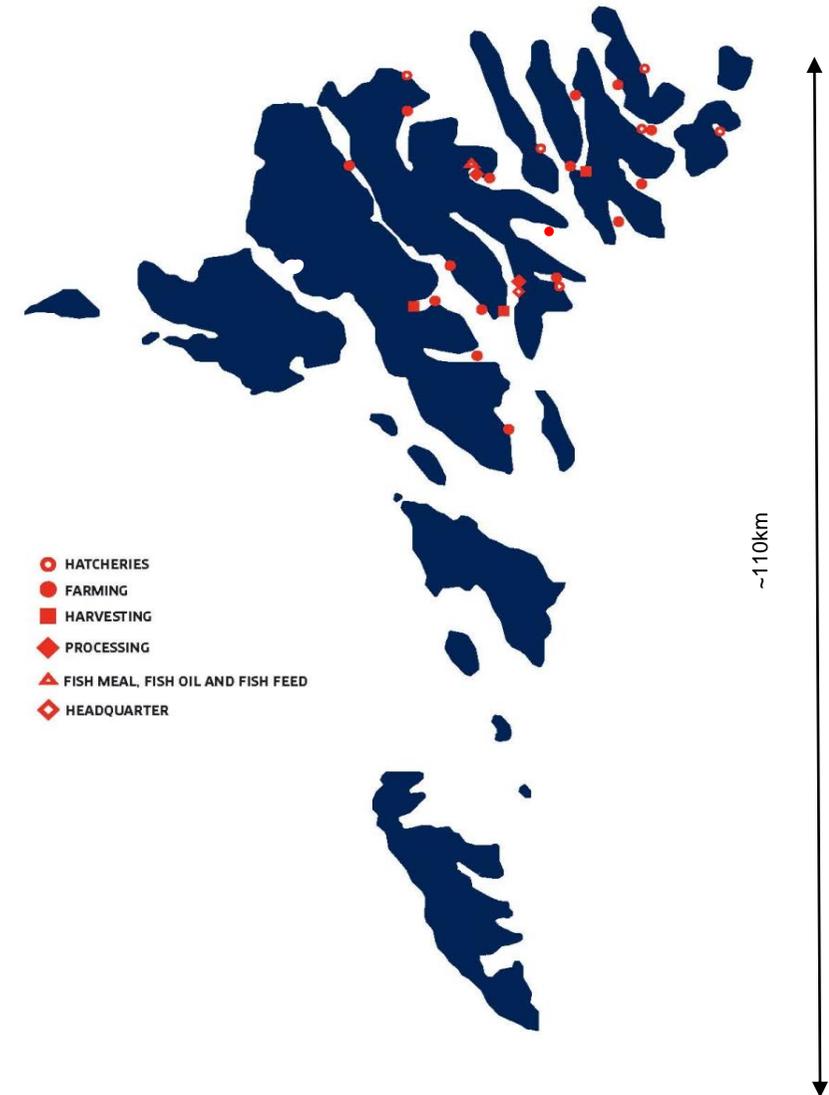


## High spot prices – positive for Farming, negative for VAP

- **Harvested** 10,934 t<sub>gw</sub> in Q1 2016 (9,726 t<sub>gw</sub> in Q1 2015)
- **Feed sales** of 14,454 tonnes in Q1 2016\* (14,400 tonnes in Q1 2015\*)
- **Revenues** of DKK 905 million in Q1 2016 (DKK 613 million in Q1 2015)
- **Operational EBIT\*\*** of DKK 254 million in Q1 2016 (DKK 235 million in Q1 2015)
- **Positive results** in Farming and FOF segments, while loss in VAP segment
- **Ambitious hatchery investment** announced with a new DKK 650 million facility

\*) Including internal sale of 13,249 tonnes in Q1 2016 (12,410 tonnes in Q1 2015)

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



## SUMMARY OF THE QUARTER

### Positive results in Farming and FOF segments, but negative result in VAP segment

- Farming/VAP division increased margin from 26.12 NOK/kg in Q1 2015 to 27.55 NOK/kg in Q1 2016
- VAP segment delivered a margin of -10.03 NOK/kg in Q1 2016, compared with 5.66 NOK/kg in Q1 2015
- Farming margin was 30.45 NOK/kg in Q1 2016, compared with 23.49 NOK/kg in Q1 2015.
- FOF delivered a margin of 24.0% in Q1 2016, compared with 30.5% in Q1 2015
- Group Operational EBIT was DKK 254 million in Q1 2016, compared with DKK 235 million in Q1 2015

(DKK million)	Q1 2016	Q1 2015	2015	2014
Operating revenues	905	613	2,850	2,683
Operational EBITDA	282	261	1,109	931
<b>Operational EBIT</b>	<b>254</b>	<b>235</b>	<b>1,001</b>	<b>834</b>
<b>Profit for the period</b>	<b>213</b>	<b>132</b>	<b>810</b>	<b>647</b>
Operational EBITDA margin	31.2%	42.6%	38.9%	34.7%
Operational EBIT margin	28.0%	38.3%	35.1%	31.1%
Operational EBIT/Kg (Farming) (NOK)	30.45	23.49	19.63	17.65
Operational EBIT/Kg (Farming and VAP) (NOK)	27.55	26.12	21.64	19.43
Operational EBIT/Kg (VAP) (NOK)	-10.03	5.66	5.58	3.69
EBITDA margin (Fishmeal, -oil and feed)	23.97%	30.53%	19.28%	18.70%

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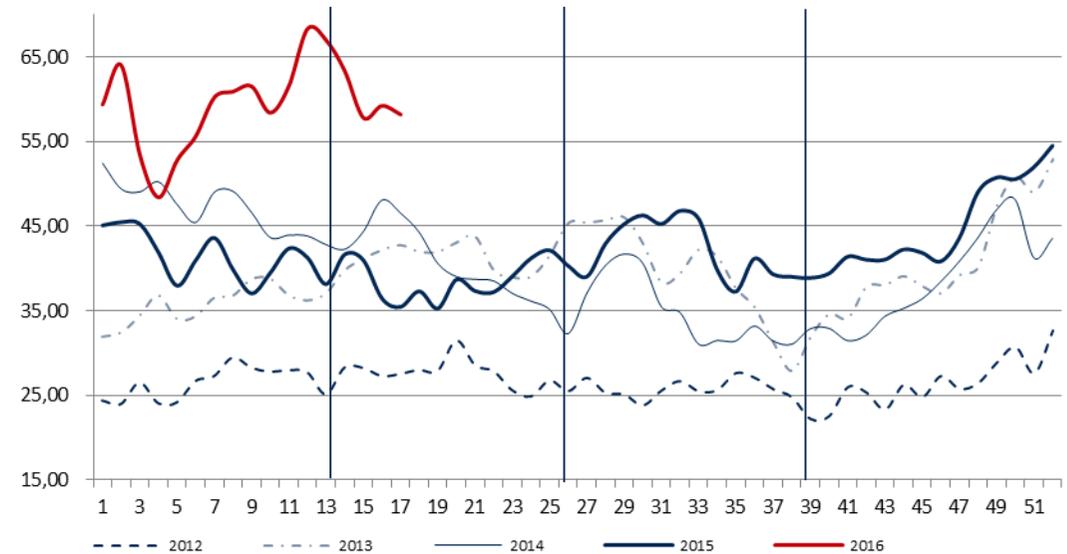
## Very high market price for salmon

- The NASDAQ salmon price for size 4-5
  - Increased y/y Q1 2016 / Q1 2015 by ~43%  
- by 17.95 NOK/kg from 41.43 to 59.38
  - Increased q/q Q1 2016 / Q4 2015 by ~27%  
- by 12.68 NOK/kg from 46.70 to 59.38

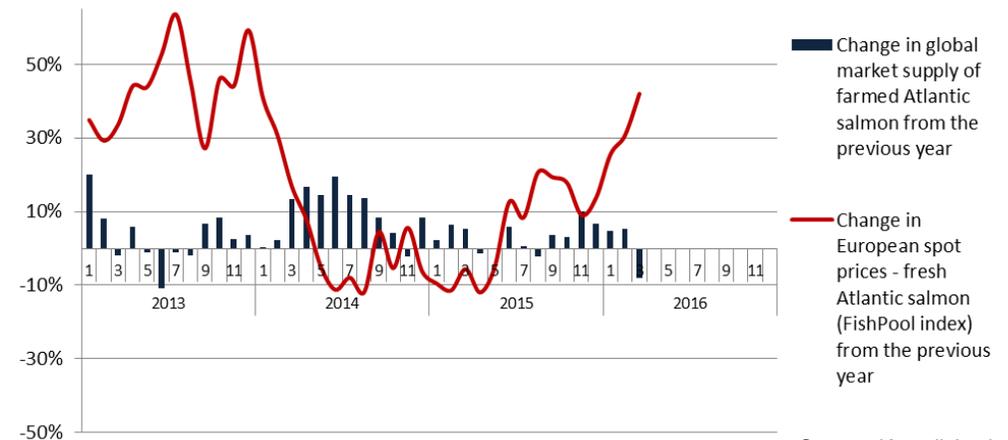
## Supply growth

- 3.8% global supply growth in Q1 2016, compared with Q1 2015, corresponding to 18,500 tonnes

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



Change in global market supply and market price



Source: Kontali Analyse

## Good market diversification

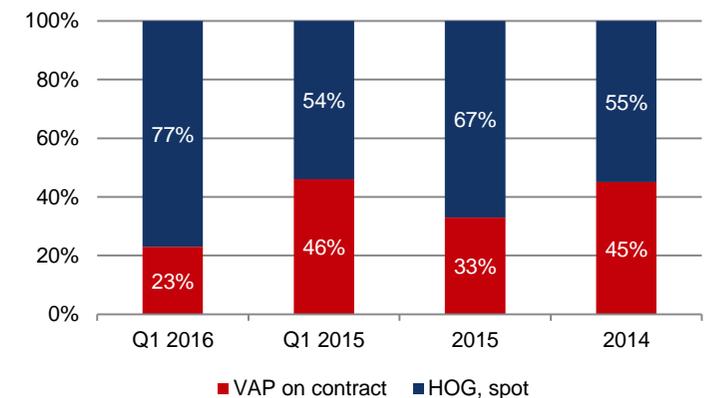
- EU similar market share in Q1 2016, compared with Q1 2015
  - USA increased from 18% to 22%
  - Asia increased from 8% to 22%
  - Eastern Europe decreased from 35% to 18%
- 
- VAP/contract share was 23% in Q1 2016, compared with 46% in Q1 2015



Total sales of salmon by markets	Q1 2016	Q1 2015	2015	2014
EU	38%	39%	36%	45%
USA	22%	18%	19%	19%
Asia	22%	8%	15%	16%
Eastern Europe	18%	35%	30%	20%

Fresh salmon only by markets	Q1 2016	Q1 2015	2015	2014
EU	19%	7%	11%	11%
USA	29%	28%	26%	31%
Asia	29%	12%	21%	27%
Eastern Europe	23%	53%	42%	31%

**Contract share, VAP products [% of qty]**



# 6% GLOBAL VOLUME REDUCTION EXPECTED IN 2016

## 3.8% supply increase in Q1 2016

- The supply increase in Q1 2016 increased 18,500 tonnes HOG

## 6% reduced supply expected in 2016

- The reduction in volume expectations in 2016 is mainly due to reduced supply from Norway (44kt) and Chile (83kt)
- Biological issues and fully utilized licenses are the main constraints for further growth
- Similar supply from Faroe Islands expected in 2016 as in 2014

### Increased supply in Q1-2016 of Atlantic Salmon (head on gutted - HOG)

Markets	Estimated volumes		Q1 comparison		Estimated volumes		YTD comparison	
	Q1 2016E	Q1 2015	Volume	%	2015	2014	Volume	%
EU	221.300	221.800	-500 →	0%	978.400	914.900	63.500 ↑	7%
USA	101.300	89.900	11.400 ↑	13%	374.000	330.500	43.500 ↑	13%
Russia	20.400	18.400	2.000 ↑	11%	98.600	132.200	-33.600 ↓	-25%
Japan	14.400	11.100	3.300 ↑	30%	54.500	57.600	-3.100 ↓	-5%
Greater China	22.600	23.500	-900 ↓	-4%	98.200	96.800	1.400 ↗	1%
ASEAN	19.800	17.700	2.100 ↑	12%	65.700	63.000	2.700 ↑	4%
Latin America	44.100	41.900	2.200 ↑	5%	160.300	145.000	15.300 ↑	11%
Ukraine	2.000	2.000	0 →	0%	9.100	16.100	-7.000 ↓	-43%
Other markets	54.100	55.200	-1.100 ↘	-2%	235.000	228.000	7.000 ↑	3%
<b>Total all markets</b>	<b>500.000</b>	<b>481.500</b>	<b>18.500 ↑</b>	<b>3,8 %</b>	<b>2.073.800</b>	<b>1.984.100</b>	<b>89.700 ↑</b>	<b>4,5 %</b>

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

	2012	2013	2014	2015E	2016E
Norway	1.066	1.029	1.076	1.112	1.068
UK	143	142	153	150	154
Ireland	14	10	11	14	15
Faroes	65	66	75	69	73
<b>Total Europe</b>	<b>1.288</b>	<b>1.247</b>	<b>1.316</b>	<b>1.345</b>	<b>1.309</b>
Chile	318	418	510	531	448
Canada	123	104	86	122	123
USA	18	18	22	18	18
<b>Total Americas</b>	<b>459</b>	<b>539</b>	<b>617</b>	<b>671</b>	<b>590</b>
Other	45	47	51	57	59
<b>Total (Sold Quantity)</b>	<b>1.792</b>	<b>1.833</b>	<b>1.984</b>	<b>2.073</b>	<b>1.958</b>
<b>Supply growth - Global</b>	<b>22%</b>	<b>2%</b>	<b>8%</b>	<b>5%</b>	<b>-6%</b>
Supply growth - Europe	16%	-3%	6%	2%	-3%
Supply growth - Americas	43%	18%	14%	9%	-12%

Source: Kontali

## 3.8% increased sales in global markets

- Total quantity increased 18,500 tonnes in the quarter, compared with last year, corresponding to 3.8%
- All markets will suffer in 2016 with availability of salmon
- The difference in market prices in different regions will be a key driver in this development

### Demand - split by markets, sold quantity (head on gutted - HOG)

Markets	Estimated volumes		Q1 comparison	
	Q1 2016E	Q1 2015	Volume	%
EU	221.300	221.800	-500 ➡	0%
USA	101.300	89.900	11.400 ⬆	13%
Russia	20.400	18.400	2.000 ⬆	11%
Japan	14.400	11.100	3.300 ⬆	30%
Greater China	22.600	23.500	-900 ⬇	-4%
ASEAN	19.800	17.700	2.100 ⬆	12%
Latin America	44.100	41.900	2.200 ⬆	5%
Ukraine	2.000	2.000	0 ➡	0%
Other markets	54.100	55.200	-1.100 ⬇	-2%
<b>Total all markets</b>	<b>500.000</b>	<b>481.500</b>	<b>18.500 ⬆</b>	<b>3,8 %</b>

Estimated volumes		YTD comparison	
2015	2014	Volume	%
978.400	914.900	63.500 ⬆	7%
374.000	330.500	43.500 ⬆	13%
98.600	132.200	-33.600 ⬇	-25%
54.500	57.600	-3.100 ⬇	-5%
98.200	96.800	1.400 ➡	1%
65.700	63.000	2.700 ⬆	4%
160.300	145.000	15.300 ⬆	11%
9.100	16.100	-7.000 ⬇	-43%
235.000	228.000	7.000 ⬆	3%
<b>2.073.800</b>	<b>1.984.100</b>	<b>89.700 ⬆</b>	<b>4,5 %</b>

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

	2012	2013	2014	2015E	2016E
EU	842	839	915	978	946
USA	294	308	330	374	355
Japan	57	53	58	54	52
Russia	154	144	132	99	79
Others	445	489	549	568	526
<b>Total (Sold Quantity)</b>	<b>1.792</b>	<b>1.834</b>	<b>1.984</b>	<b>2.074</b>	<b>1.959</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.

Source: Kontali

- SUMMARY OF Q1 2016
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- **SEGMENT INFORMATION**
- GROUP FINANCIALS
- OUTLOOK
- APPENDIX



## Harvested volumes

- Harvested volumes increased by 12% in Q1 2016, compared with Q1 2015
- The West region harvested 86% of the total quantity in the quarter. Split in West was Sundalagið 70% and A-57 Fuglafjørður 30%. The North region harvested 14% of the total quantity – from A-72 Haraldssund.

Harvest Volumes tonnes [HOG]	Q1 2016	Q1 2015	2015	2014
West	9,425	2,541	22,946	18,342
North	1,509	7,185	27,619	25,671
<b>Total</b>	<b>10,934</b>	<b>9,726</b>	<b>50,565</b>	<b>44,013</b>

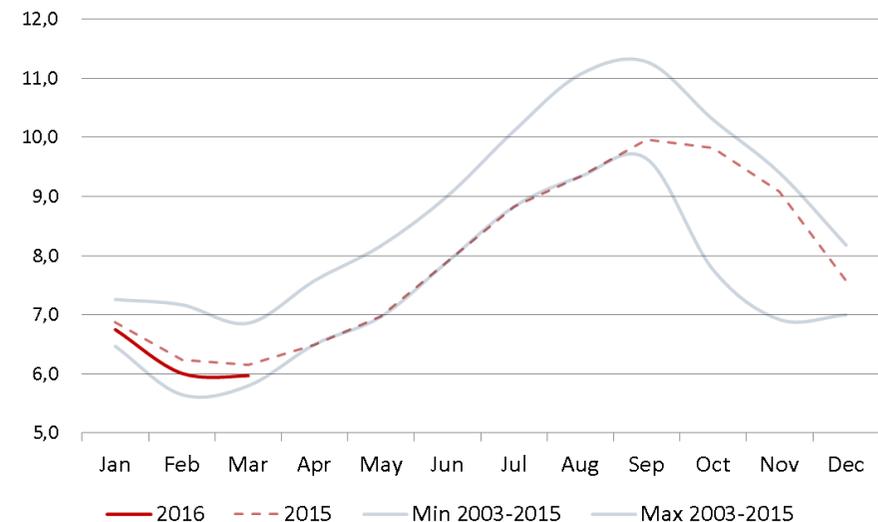
## Smolt transfer

- Bakkafrost transferred 1.9 million smolts in Q1 2016 (2.2 million smolts in Q1 2015)
- The plan is to transfer 10.4 million smolts in 2016

## Seawater temperatures in the Faroe Islands

- Temperatures in Q1 2016 were 0.2°C lower than last year

Seawater Temperatures in the Faroe Islands 2003 – 2016 [°C]



## High prices and good margin

- The operational EBIT increased 34% from DKK 195 million in Q1 2015 to DKK 261 million in Q1 2016
- Good biological performance of harvested fish
  - Average harvest weight per fish 5,32 kg in Q1-2016 compared with 5,05 kg in Q1-2015
- Sundalagið finished harvest last week, now started in Haraldssund

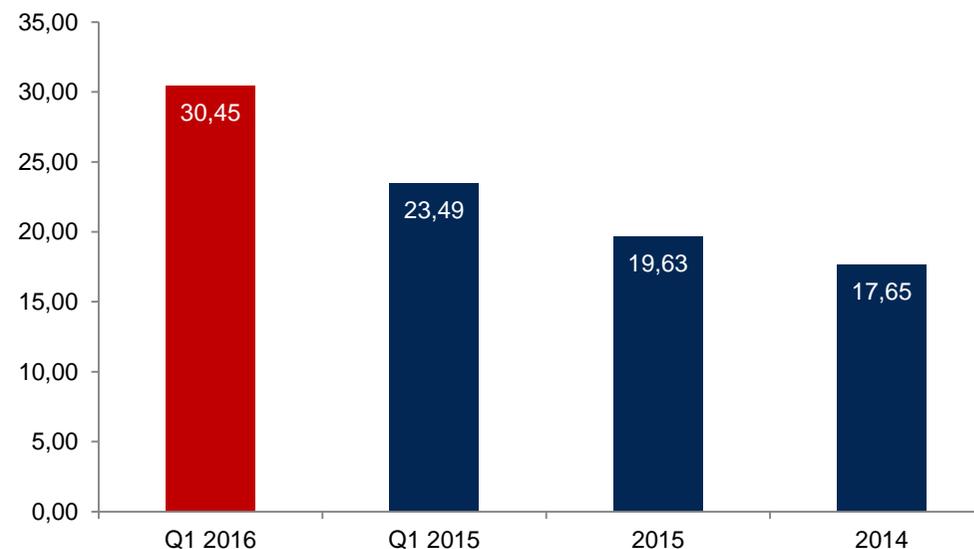
(DKK million)	Q1 2016	Q1 2015	2015	2014
Operating revenues	702	471	2,274	2,099
Operational EBIT	261	195	841	694
Operational EBIT margin	37%	41%	37%	33%



## Operation

- Farming EBIT of NOK 30.45 per kg in Q1 2016, compared to 23.49 in Q1 2015
- High prices and satisfying biological performance
- Farming West harvested throughout the quarter, and Farming North harvested late in the quarter

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



(NOK/kg)	Q1 2016		
	Farming North	Farming West	Farming
Operational EBIT/kg gw	35.41	29.66	30.45

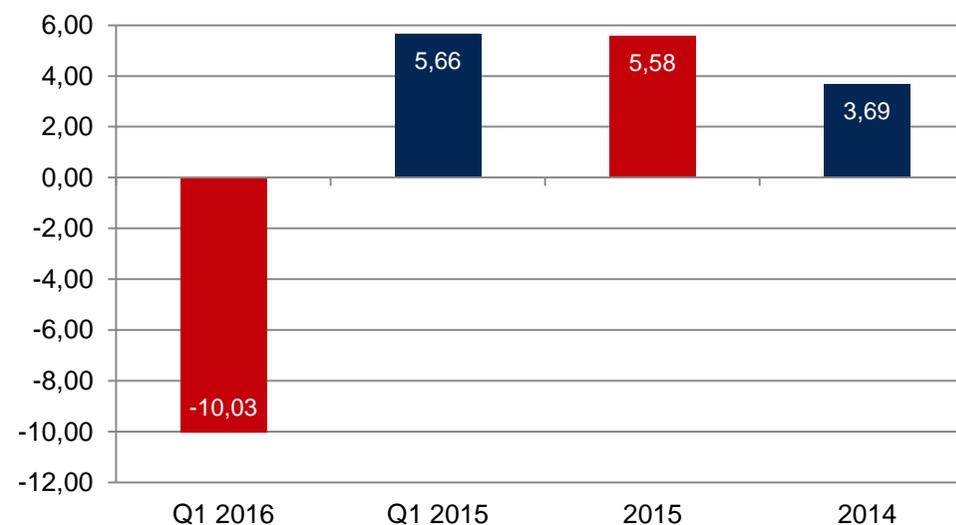
# VALUE ADDED PRODUCTS (VAP)

## VAP revenues and margin

- Revenues reduced by 5% to DKK 180 million in Q1 2016 from DKK 190 million in Q1 2015
- Lower inventory of goods for sale by end Q1 2016 than by end Q4 2015
- Operating EBIT in Q1 2016 DKK -25 million, compared with DKK 22 million in Q1 2015
- Contracts not reflecting recent development in spot prices
- 25% contract share of total volumes for rest of 2016

(DKK million)	Q1 2016	Q1 2015	2015	2014
Operating revenues	180	190	737	913
Operational EBIT	-25	22	86	70
Operational EBIT margin	-14%	12%	12%	8%
VAP produced volumes (tgv)	3,160	4,575	18,196	21,196

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



## Good margin

- EBITDA DKK 69 million in Q1 2016, compared with DKK 63 million in Q1 2015
- EBITDA margin of 24.0% in Q1 2016, compared with 30.5% in Q1 2015

## Good sourcing situation

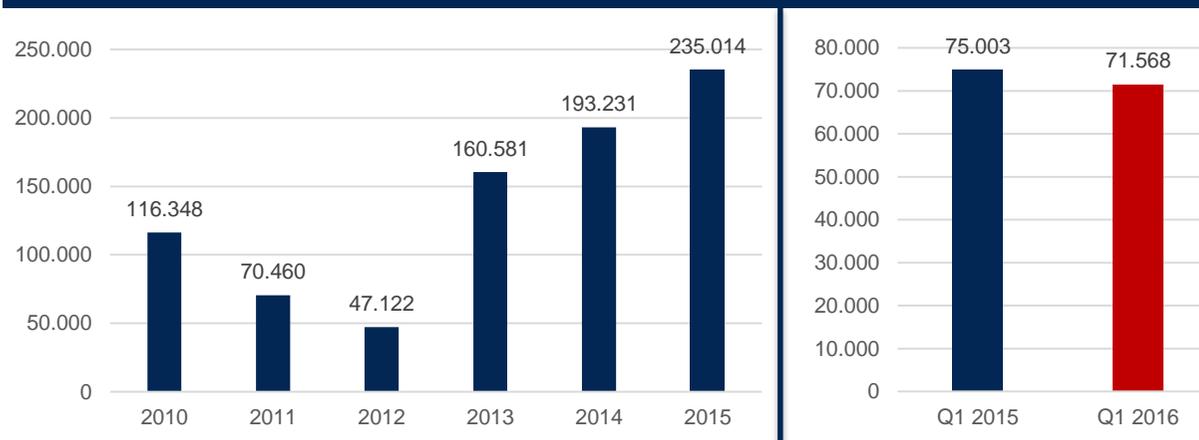
- Havsbrún sourced 71,568 tonnes of raw material in Q1 2016, compared with 75,003 tonnes in Q1 2015

\*Including sales to Bakkafrost, corresponding to ~92% of feed volumes in Q1 2016 (Q1 2015: 86%)

## Fishmeal, Oil and Feed

(DKK million)	Q1 2016	Q1 2015	2015	2014
Operating revenues	288	205	1,048	971
EBITDA	69	63	202	182
EBITDA margin	24.0%	30.5%	19.3%	18.7%
Feed sold (tonnes)*	14,454	14,400	78,865	85,724
Fishmeal sold external (tonnes)	11,716	5,351	23,226	16,999
Fish Oil sold external (tonnes)	5	1	14	3,374

## Sourcing of raw material (tonnes)



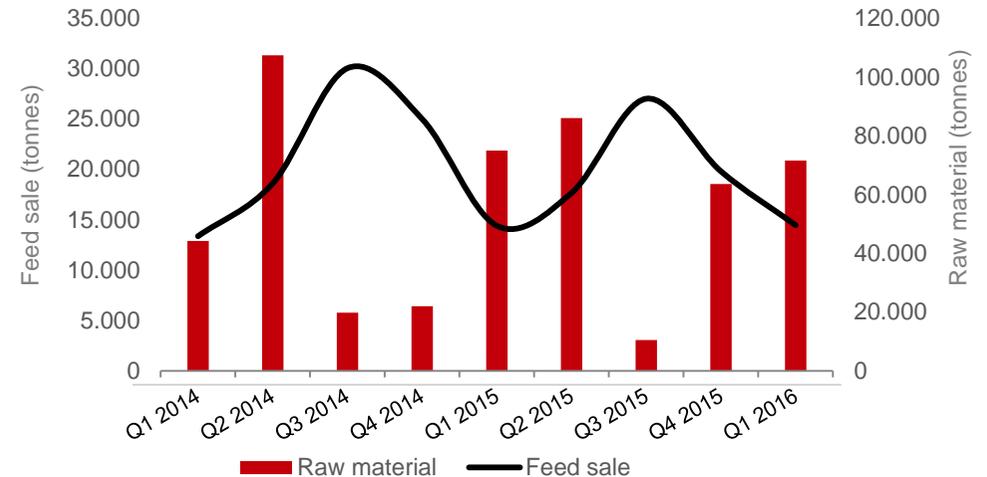
## Feed sales unchanged and fishmeal increased

- Quantity of feed sold was 14,454 tonnes in Q1 2016, compared with 14,400 tonnes in Q1 2015
- Internal feed sales increased and external feed sales decreased
- Double external sales of fishmeal in Q1 2016, compared with Q1 2015

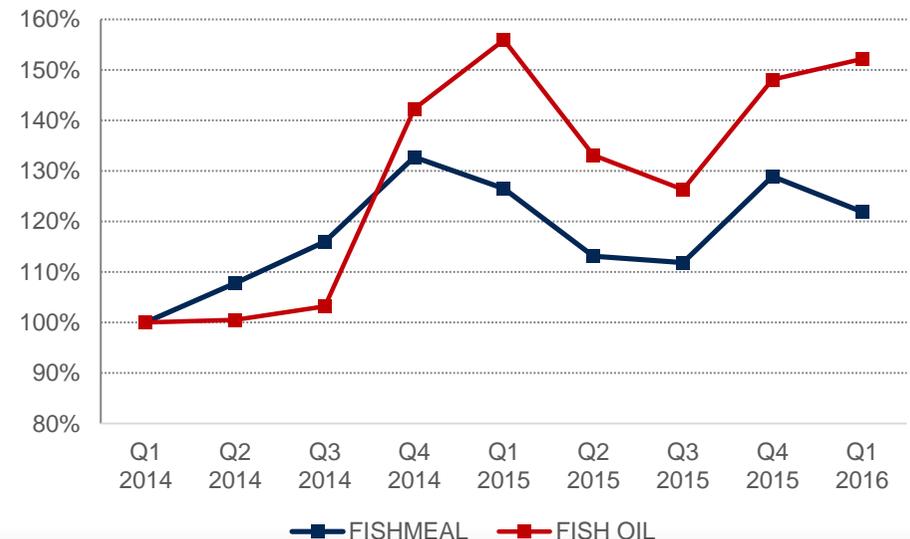
## Market prices on fishmeal decrease and -oil increased

- Similar to Q1 2015, the market prices for fishmeal decreased, while fish oil increased in Q1 2016
- Similar level in Q1 2016 as in Q1 2015, slightly lower

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



### Fishmeal and fish oil price index in DKK (Q1 2014 =100)



- SUMMARY OF Q1 2016
- MARKETS AND SALES
- SEGMENT INFORMATION
- **GROUP FINANCIALS**
- OUTLOOK
- APPENDIX



# GROUP PROFIT AND LOSS

- Revenues of DKK 905 million. Higher harvested volumes, higher spot prices and higher sales in FOF, but lower VAP volumes
- Operational EBIT increased from DKK 235 million to DKK 254 million
- Increase in fair value of biomass due to higher spot prices at the end of Q1 2016
- Revenue tax (4.5% of harvested volumes at Nasdaq prices) recognised as cost, amounted to DKK -23 million
- Provision for onerous contracts DKK -60 million due to high spot prices at the end of Q1 2016
- Financial items negative by DKK 22 million
- Taxes amounted to DKK -47 million
- Profit after tax increased from DKK 132 million in Q1 2015 to DKK 213 million in Q1 2016

(DKK million)	Q1 2016	Q1 2015	2015	2014
Operating revenues	905	613	2,850	2,683
<b>Operational EBITDA*</b>	<b>282</b>	<b>261</b>	<b>1,109</b>	<b>931</b>
<b>Operational EBIT*</b>	<b>254</b>	<b>235</b>	<b>1,001</b>	<b>834</b>
Fair value adjustment on biological assets	108	-55	-28	-12
Onerous contracts	-60	0	-51	71
Income from associates	3	-3	7	-1
Revenue tax	-23	0	0	0
<b>EBIT</b>	<b>282</b>	<b>177</b>	<b>929</b>	<b>892</b>
Net Financial items	-22	-11	-4	7
<b>EBT</b>	<b>260</b>	<b>166</b>	<b>924</b>	<b>899</b>
Taxes	-47	-34	-114	-252
<b>Profit for the period</b>	<b>213</b>	<b>132</b>	<b>810</b>	<b>647</b>
<b>Operational EBITDA margin</b>	<b>31.2%</b>	<b>42.6%</b>	<b>38.9%</b>	<b>34.7%</b>
<b>Operational EBIT margin</b>	<b>28.0%</b>	<b>38.3%</b>	<b>35.1%</b>	<b>31.1%</b>
<b>Operational EBIT/kg (Farming and VAP) (NOK)</b>	<b>27.55</b>	<b>26.12</b>	<b>21.64</b>	<b>19.43</b>
<b>EBITDA margin (fishmeal, -oil and feed)</b>	<b>24.0%</b>	<b>30.5%</b>	<b>19.3%</b>	<b>18.7%</b>

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

# BALANCE SHEET

- Investments in PPE of DKK ~ 119 million in Q1 2016
- Financial assets unchanged
- The carrying amount of biological assets has increased, compared to end 2015
- Inventory decrease DKK 51 million from end of 2015
- Increase in equity because of positive results in the period
- NIBD at DKK 218 million down from DKK 391 million at end 2015\*
- Equity ratio 66% (Covenants 35%)

(DKK million)	Q1 2016	End 2015
Intangible assets	295	295
Property, plant and equipment	1,622	1,531
Financial assets	131	131
Biological assets	1,130	1,060
Inventory	371	422
Receivables	241	199
Other receivables	114	180
Cash and cash equivalents	320	102
<b>Total Assets</b>	<b>4,224</b>	<b>3,920</b>
Equity	2,802	2,580
Deferred tax and other taxes	398	349
Long-term interest bearing debt	492	448
Financial derivatives	120	129
Accounts and other payables	412	414
<b>Total Equity and Liabilities</b>	<b>4,224</b>	<b>3,920</b>

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

- Cash flow from operations higher in Q1 2016 than Q1 2015:
  - High operational earnings
  - Working capital nearly unchanged in Q1 2016
- Cash flow from investments represents investments in property, plant and equipment
- Cash flow from financing is affected positively by increased interest bearing debt and by financing of associated company
- Undrawn loan facilities of DKK 1,074 million, of which DKK 53 million is restricted

(DKK million)	Q1 2016	Q1 2015	2015	2014
Cash flow from operations	244	81	768	877
Cash flow from investments	-119	-106	-602	-240
Cash flow from financing	94	35	-470	-414
Net change in cash	219	10	-303	223
Cash at the end of the period	321	415	102	405
Undrawn facilities	1,074	971	890	958

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# OUTLOOK

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## Market

- Tight market balance in 2016, global supply reduction of 6%

## Farming

- 2016 estimated harvest volumes at 48,000 tonnes
- Expected smolt release in 2016, 10.4 million pieces

## VAP

- Contracted 25% of expected harvest for rest of 2016

## Fishmeal, -oil and feed

- Forecast for feed sales, 80,000 tonnes in 2016

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

- Efficiency
- Biological risk
- Organic growth

## INVESTMENT PROGRAMME 2016 - 2018

### Status on main investments

- **Harvest/VAP factory**

- Installation of machinery in progress
- Harvest operation to start up in Q2 2016
- VAP operation to start up in 2H 2016

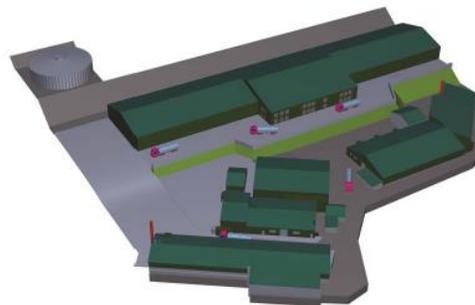
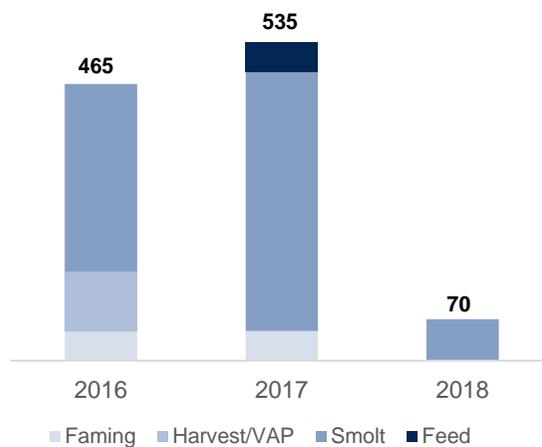
- **New 8,000 m<sup>3</sup> hatchery at Viðareiði**

- Construction in progress
- Hatchery is finalised in Q3 2016
- However, start up operation in Q2 2016

- **New 29,000 m<sup>3</sup> hatchery á Strond**

- Investment announced in March 2016
- Construction starts Q2 2016
- Hatchery is planned to be finished in 2018

Total investment programme 2016 - 2018  
DKK 1,070 million



Bakkafrost's new hatchery at Viðareiði. New hatchery above and existing facilities below



## BUILDING NEW HARVEST & VAP FACTORY

### New Harvest & VAP factory at Glyvrrar

#### Merging 7 factories into one facility

- Improve efficiency and create synergies
- Double capacity
- Significant reduction of internal transportation between own factories
- New products
- Reduce risk in farming
- Start up in Q2 2016



New Harvest & VAP factory to be completed in 2H 2016

## BUILDING NEW HATCHERIES - VIÐAREIÐI

### New hatchery at Viðareiði (S-21)

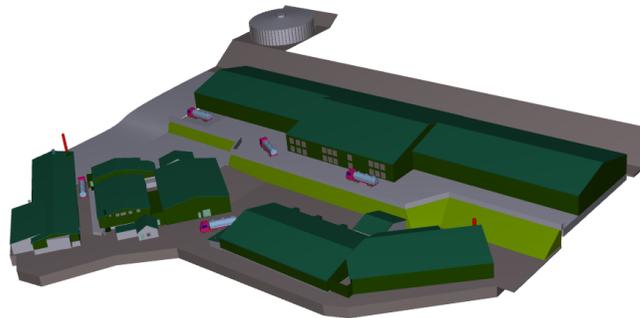
- **Capacity expansion in finalising stages**
  - Reduce risk in farming
  - Reduce total time of production cycle at sea
  - Recycling of 99% of water
    - saving water and heating
  - Viðareiði facility to start up operation in Q2 2016 and will be finalized in Q3 2016



November 2015



April 2016



Building new 8,000m<sup>3</sup> hatchery at Viðareiði to be finalized in summer 2016

## BUILDING NEW HATCHERIES – Á STROND

### New hatchery á Strond

- **Further significant capacity expansion commences**
  - Reduce risk in farming
  - Reduce total time of production cycle at sea
  - Recycling of 99% of water
    - saving water and heating
  - Sludge treatment of discharge water and recycling of nutrients
  - The goal is to increase size of smolt to above 400g in 2019
  - Plan to be in operation in H2 2018
  - Capacity to produce 7 million smolts á 500g



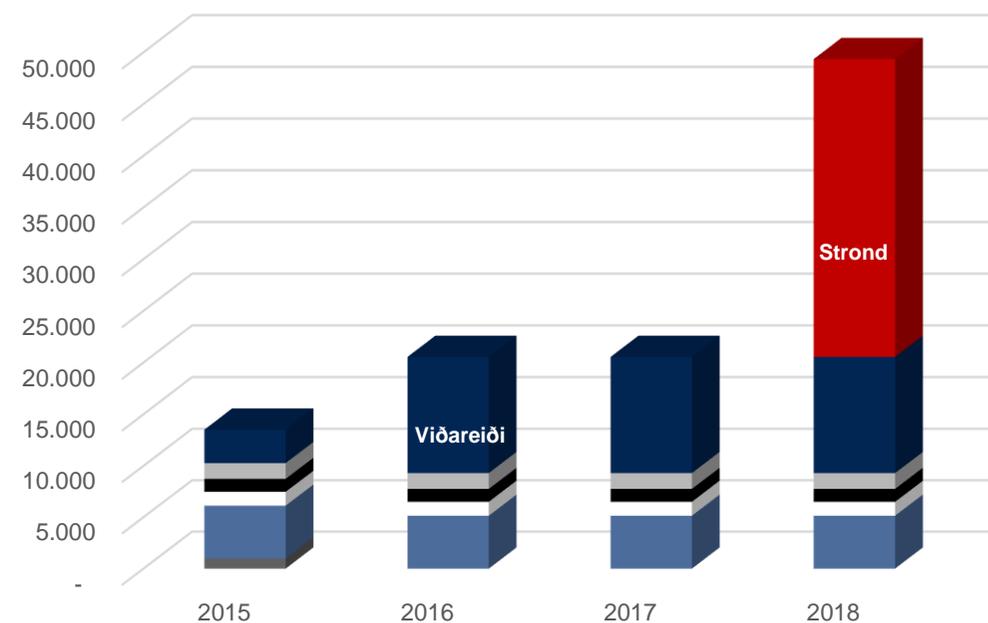
April 2016

## INVESTMENTS IN HATCHERY CAPACITY

### Significant increase of capacity

- Startup of Viðareiði (S-21) in 2016 will increase Bakka Frost's total capacity by 70%
- Strond - Klaksvík will increase the capacity further with 29.000 m<sup>3</sup> to a total of 50.000 m<sup>3</sup>
- Total capacity four folded from 2015 til 2018

Capacity (m<sup>3</sup>)

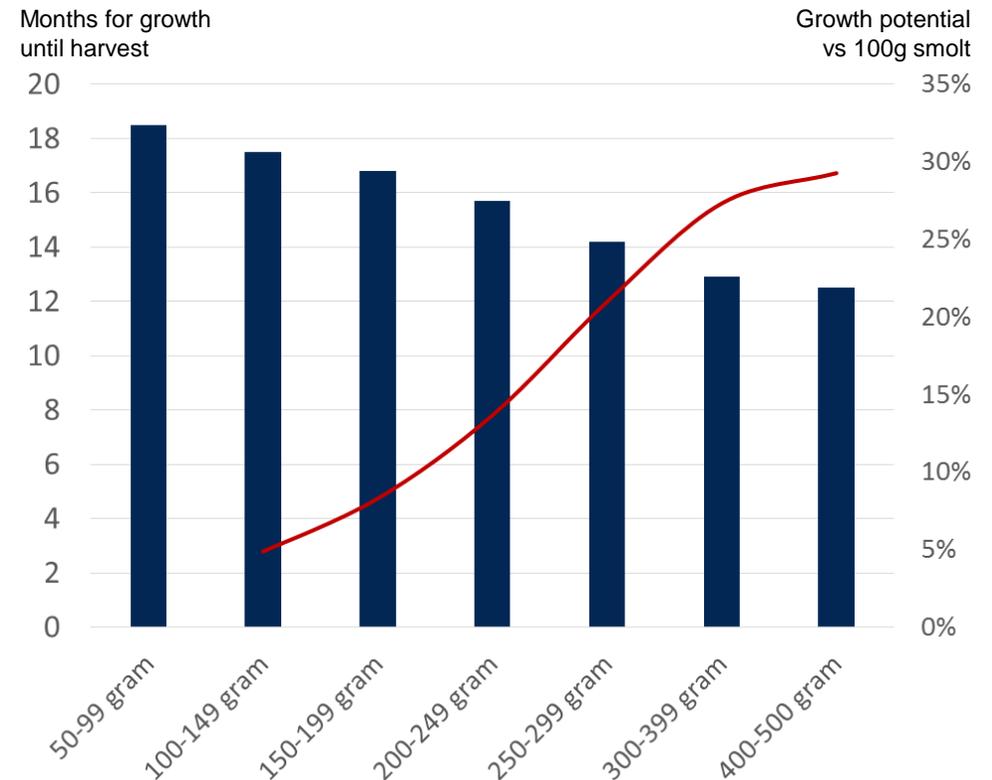


# LARGER SMOLT – REDUCED RISK AND ORGANIC GROWTH

## Actual growth period with larger smolt

- Reduced risk
  - Up to 6 months reduced growth period will reduce risk significantly
  - Reduced mortality
  - Fewer treatments and lower treatment costs
- Organic growth
  - Shorter production cycle in farms will increase production
  - Around 30% theoretical growth potential with size increase from 100 g to 500 g

## Results with large smolt in the Faroe Islands



The graph shows actual growth period until harvest at 6 kg wfe in Faroe Islands in the period from 2005-2014

### Financing of the investments 2016-2018

- Use free cash flow from operations
- Unused financing of approximately DKK 1,074 million
- Partly new financing if advantageous

### Unchanged dividend policy



# FAROE ISLANDS

## – EXCELLENT CONDITIONS FOR COST EFFECTIVE FARMING

### GEOGRAPHY

- Natural growth area for wild salmon
- 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 European, US and Far Eastern markets

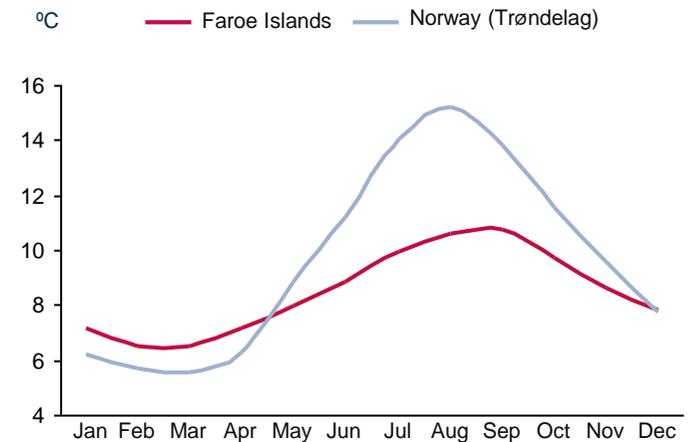
### BIOMASS

- Biological sustainability setting the biomass target per license

### FEED

- Sustainable feed, based on local marine raw materials. High on Omega-3, proved track record with best performance on high SGR and low FCR

### Average Seawater Temperatures

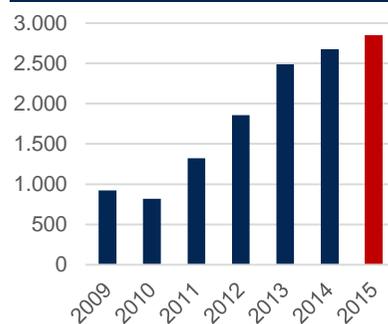


Source: Company material, Havforskningsinstituttet

## DEVELOPMENT PER QUARTER Q1 2013 – Q1 2016

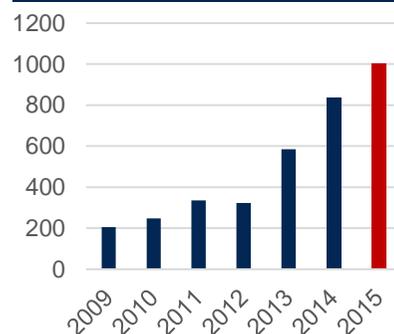
(mDKK)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	905	760	677	800	613	757	584	711	631	667	741	610	473
Op. EBIT	254	257	206	303	235	227	209	212	186	124	187	169	105
Profit/Loss	213	319	168	191	132	222	211	126	87	138	200	184	67
Harvest (tgw)	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)	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	66%	66%	63%	61%	61%	60%	57%	53%	57%	54%	52%	49%	48%
NIBD	218	391	182	302	227	233	357	555	503	641	728	786	775

Turnover (mDKK)



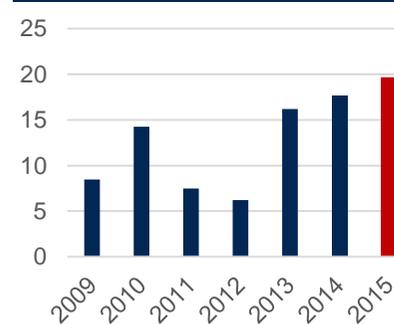
Turnover for the Bakkafrøst Group has increased from 820 mDKK in 2010 to 2.9 bDKK in 2015.

Operational EBIT (mDKK)



Operational EBIT for the Bakkafrøst 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.

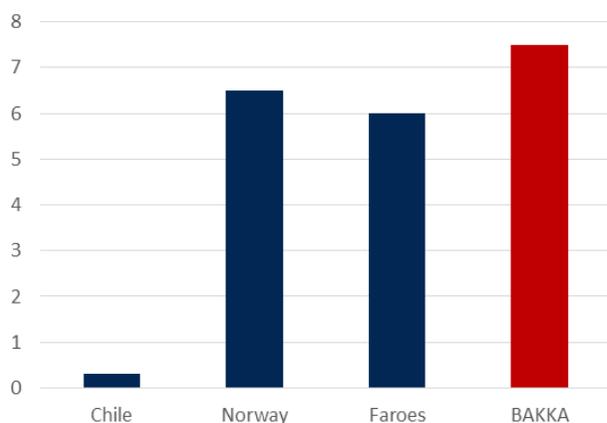
VAP margin Op. EBIT (NOK/kg)



The margin in VAP was NOK 5.58 per kg in 2015 – at the same time as Farming margin was record high.

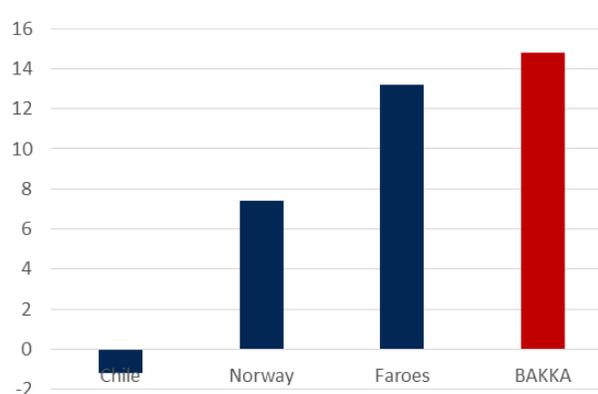
# THE VALUE OF A STRICT SANITARY REGIME

Margin EBIT/kg last 15 years (NOK/kg)



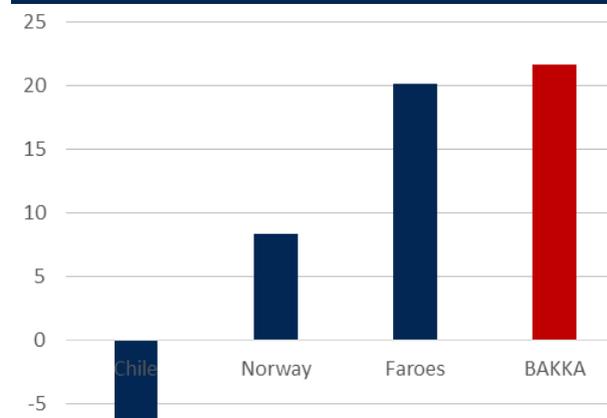
During the last 15 years, 2001–2015 Norway had the highest margin of the farming countries with 6.5 NOK/kg in average, while BAKKA had 7.5 NOK/kg

Margin EBIT/kg last 5 years (NOK/kg)



During the last five years: 2011–2015 BAKKA had a strong average margin of 14.8 NOK/kg

Margin EBIT/kg 2014E (NOK/kg)



In 2015, BAKKA had a farming margin of 21.6 NOK/kg

Source: Kontali

Higher value from:

- a good regulatory farming environment
- the new structure of the industry in the Faroe Islands
- company specific strategy

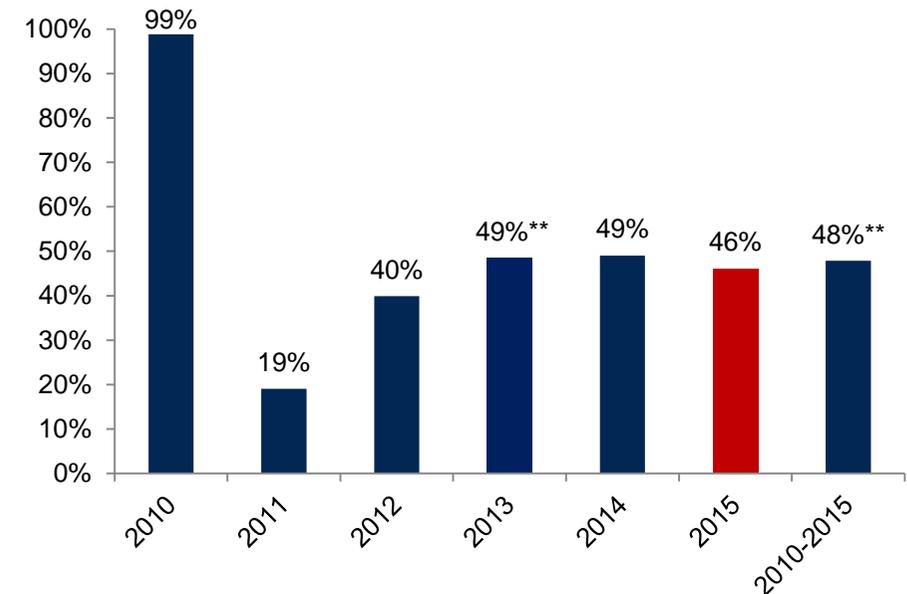
## Dividend

- Dividend of DKK 8.25 (NOK 10.38) per share paid out in Q2 2016

## Dividend policy

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

## DPS in % of adj. EPS \*



\* Operational EBIT is EBIT adjusted for fair value adjustment of biomass, onerous contracts, income/loss from associates, revenue tax, acquisition costs and badwill.

\*\* Dividend and acquisition of treasury shares

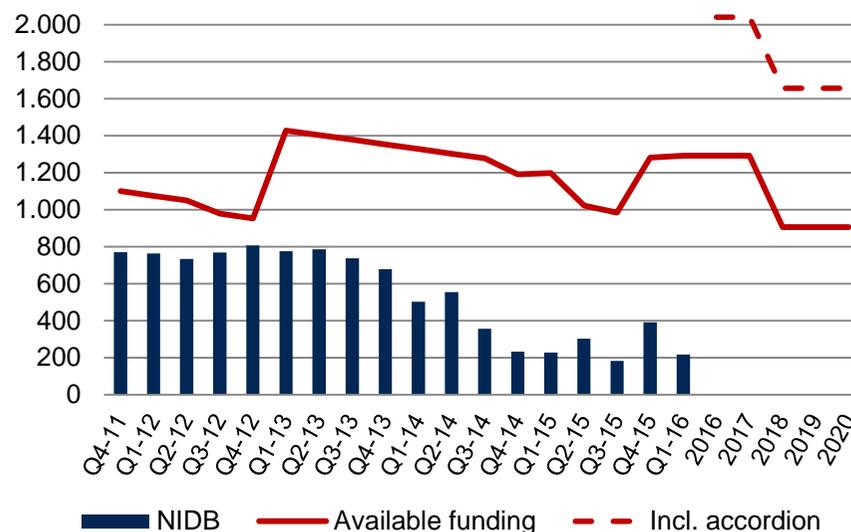
## Financing of the Group

- Total funding to ~ DKK 1,291 million
  - Bonds NOK 500 million due Feb 2018 (swapped into DKK)
  - Revolving credit facility of DKK 850 million due in 2020
- NIBD end Q4 2015: DKK 218 million

## Financial covenants

- **Bond**
  - NIBD/EBITDA max 4.0 over 4 quarters
  - Equity ratio of 35%
- **Bank financing**
  - NIBD/ EBITDA max 4.5 over 4 quarters
  - Equity ratio of 35%

## NIBD and available funding



## Changes in license tax on farming in the Faroes

- Approved by the parliament in December 2015
- Effective from 1 January 2016
- From 2016, revenue tax is classified as cost in the income statement, as revenue tax cannot be classified as tax according to IFRS

Changes in licence tax	2016	2014 and 2015
Taxable income	0%	4.5%
Farming revenue	4.5%	0.5%

- 18 islands – 1,387 km<sup>2</sup>
- 49,192 inhabitants (January 2016)
- Home rule – within the Kingdom of Denmark
- Part of the Danish monetary union, Danish krone (DKK)

## Key sectors (% of wage earners, 2014)

- Service/public admin.: ~40%
  - Private service: ~31%
  - Construction: ~12%
  - Fishing : ~17%
  - **Unemployment rate (June 2015): 3.8%**
  - **Total working force, (number of people 2014): 28,707**
- 
- **GDP: DKK 14.7bn (2013)**
  - **GDP/capita: DKK 305,000 (2013) (Norway: 360,000) (2013)**

## Total export of fish products (2013)

- DKK 6,171 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. Jan 2016 – see page 38**
- **Restriction on a single foreign ownership of 20% in farming companies**
- **One company may max. control 50% of licences in the Faroe Islands**



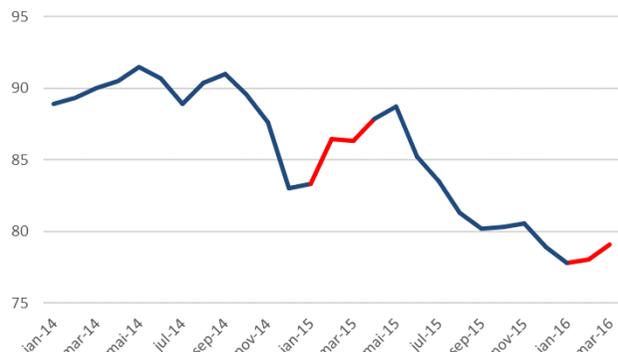
Source: Hagstova Føroya

# MONTHLY EXCHANGE RATES

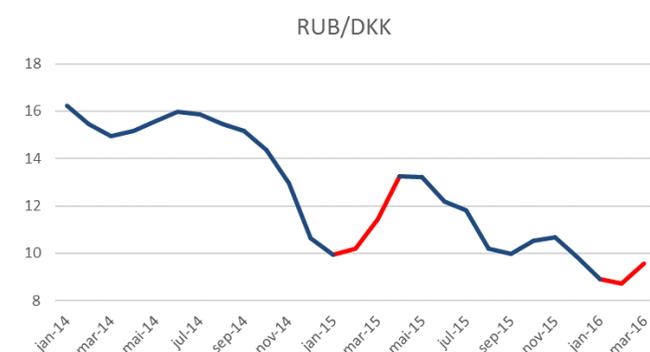
### USD/DKK



### NOK/DKK



### RUB/DKK



- USD decreased in value Q1 2016
- More than 50% of the revenue of Bakkafrøst is in USD
- Bakkafrøst has to some extent a natural hedge with large import of raw materials in USD
- So far Bakkafrøst has not been hedging currency risks

- NOK reduced value in 2015 against most currencies, but regained somewhat in Q1 2016
- This means that the competitive advantage gained in 2015 for Norwegian export was more flat in Q1 2016, as a big share of costs are priced in NOK

- RUB has lost value since April 2015, and is now at its lowest
- The consumption in Russia is negatively affected by the development

# LARGEST SHAREHOLDERS

## 20 largest shareholders

No of shares		Account name	type	Citizenship
4.594.437	9,4%	Jacobsen Oddvør		FRO
4.493.140	9,2%	Jacobsen Johan Regin		FRO
3.429.742	7,0%	Nordea Bank Danmark S/A NORDEA (DK) C	NOM	DNK
1.812.188	3,7%	Skandinaviska Enskil A/C CLIENTS ACCOUM	NOM	SWE
1.660.873	3,4%	FOLKETRYGDFONDET		NOR
1.395.291	2,9%	CLEARSTREAM BANKING	NOM	LUX
940.425	1,9%	STATE STREET BANK AN A/C EXEMPT LU	NOM	USA
926.904	1,9%	SWEDBANK ROBUR SMABO NORDEN		SWE
907.878	1,9%	JP Morgan Bank Luxem JPML SA RE CLT A	NOM	LUX
839.108	1,7%	J.P. Morgan Chase Ba A/C US RESIDENT N	NOM	USA
821.756	1,7%	The Bank of New York BNY MELLON	NOM	USA
815.573	1,7%	VERDIPAPIRFONDET DNB		NOR
809.683	1,7%	STATE STREET BANK AN A/C CLIENT OMM	NOM	USA
692.194	1,4%	UBS (LUXEMBOURG) S.A UBS(LUXEMBOL	NOM	LUX
523.318	1,1%	STATE STREET BANK & A/C CLIENT FUND	NOM	USA
461.066	0,9%	SKANDINAVISKA ENSKIL SEB S.A. CLIENT	NOM	LUX
440.000	0,9%	VERDIPAPIRFONDET HAN NORGE		NOR
421.042	0,9%	DEUTSCHE BANK AG		GBR
417.329	0,9%	VERDIPAPIRFONDET DEL JPMORGAN EUROPE LT	NOR	NOR
408.338	0,8%	STATE STREET BANK & S/A SSB CLIENT C	NOM	USA
<b>26.810.285</b>	<b>54,9%</b>			
<b>48.858.065</b>		<b>100 Total number of shares as per 4.May 2016</b>		
<b>297.092</b>		<b>0,7 Wherof own shares</b>		
<b>48.560.973</b>		<b>99,3 Total number of outstanding shares</b>		

## Origin of shareholders, 5 largest countries

No of shares	% Origin	No of shareholders
12.560.735	25,7% Faroe Isl	930
9.825.553	20,1% UK	107
9.553.885	19,6% Norway	3.192
6.404.716	13,1% USA	86
3.465.672	7,1% Luxembourg	31

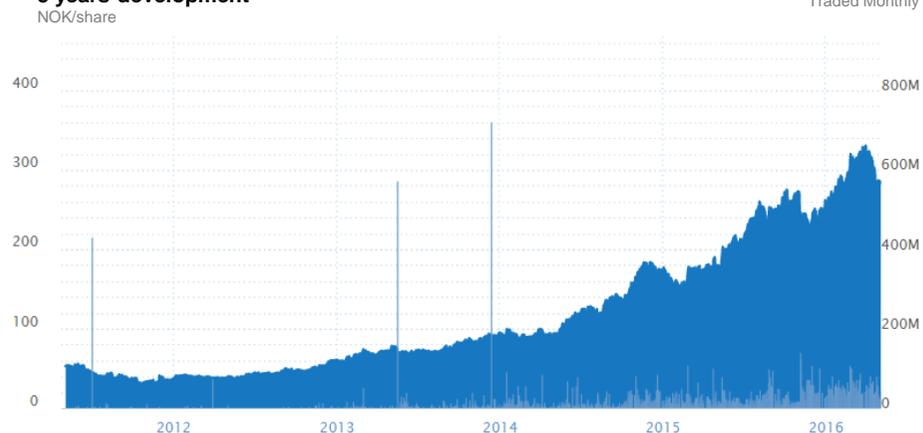
Total number of shareholders: 4,538 - from 24 different countries

## Share development

### 12 months development



### 5 years development



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