

# Q3 2016

**BAKKAFROST GROUP**  
Oslo 8 November 2016

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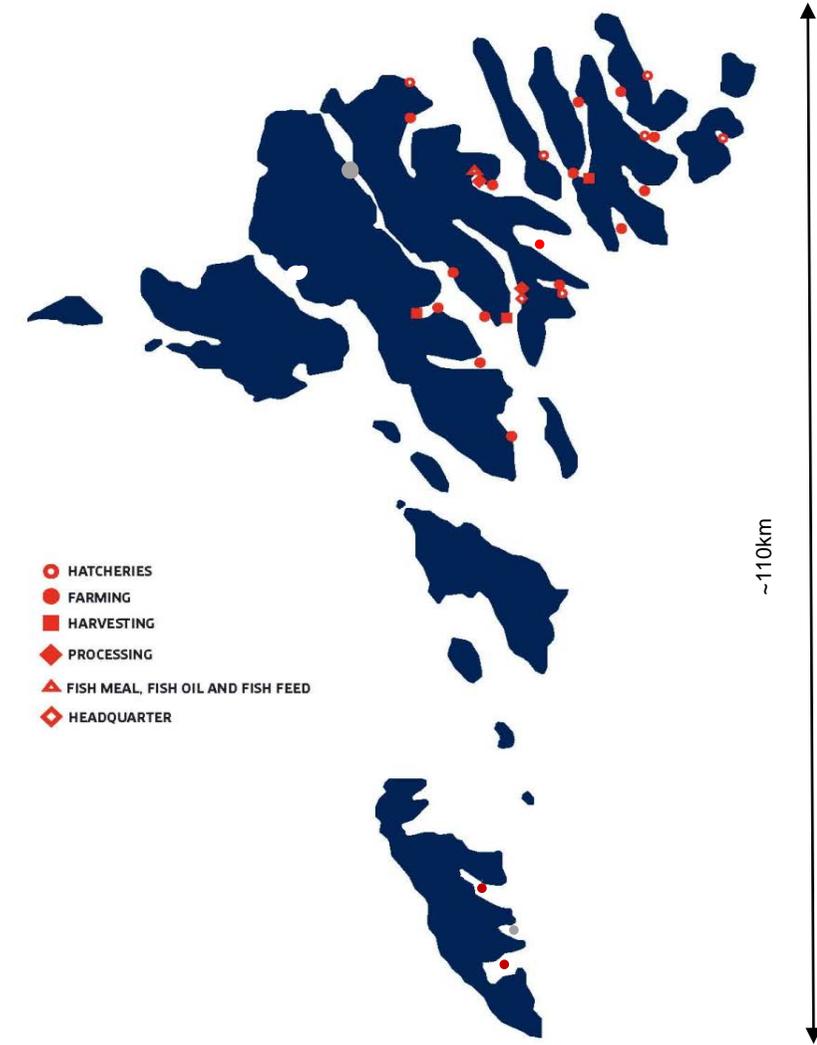
- **SUMMARY OF Q3 2016**

- **MARKETS AND SALES**
- **SEGMENT INFORMATION**
- **GROUP FINANCIALS**
- **OUTLOOK**
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## Acquisition of Faroe Farming and strong result

- **Harvested** 10,664 t<sub>gw</sub> in Q3 2016 (12,982 t<sub>gw</sub> in Q3 2015)
- **Feed sales** of 28,850 tonnes in Q3 2016\* (27,011 tonnes in Q3 2015\*)
- **Raw material purchase** of 11,003 tonnes in Q3 2016 (10,417 tonnes in Q3 2015)
- **Revenues** of DKK 640 million in Q3 2016 (DKK 677 million in Q3 2015)
- **Operational EBIT\*\*** of DKK 255 million in Q3 2016 (DKK 206 million in Q3 2015)
- **Faroe Farming** part of Bakkafrost from 1 July 2016
- **Positive results** in Farming and FOF segments, while loss in VAP segment



\*) Including internal sale of 27,344 tonnes in Q3 2016 (24,071 tonnes in Q3 2015)

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

## SUMMARY OF THE QUARTER

**Strongest quarterly result from combined Farming/VAP per kg, although VAP segment is still struggling. FOF segment has good result**

- Farming/VAP division increased margin from 18.10 NOK/kg in Q3 2015 to 28.97 NOK/kg in Q3 2016
- VAP segment delivered a margin of -14.15 NOK/kg in Q3 2016, compared with 2.95 NOK/kg in Q3 2015
- Farming margin was 34.44 NOK/kg in Q3 2016, compared with 17.25 NOK/kg in Q3 2015.
- FOF delivered a margin of 19.5% in Q3 2016, compared with 13.0% in Q3 2015
- Group Operational EBIT was DKK 255 million in Q3 2016, compared with DKK 206 million in Q3 2015

(DKK million)	Q3 2016	Q3 2015	M9 2016	M9 2015
Operating revenues	640	677	2,334	2,091
Operational EBITDA	287	232	905	823
<b>Operational EBIT</b>	<b>255</b>	<b>206</b>	<b>815</b>	<b>744</b>
<b>Profit for the period</b>	<b>346</b>	<b>168</b>	<b>783</b>	<b>492</b>
Operational EBITDA margin	44.8%	34.3%	38.8%	39.4%
Operational EBIT margin	39.8%	30.4%	34.9%	35.6%
Operational EBIT/Kg (Farming) (NOK)	34.44	17.25	33.22	20.03
Operational EBIT/Kg (Farming and VAP) (NOK)	28.97	18.10	28.13	22.03
Operational EBIT/Kg (VAP) (NOK)	-14.15	2.95	-14.75	5.52
EBITDA margin (Fishmeal, -oil and feed)	19.5%	13.0%	21.4%	19.5%

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## Sales to EU and USA increased and consequently sales to Asia and Eastern Europe decreased

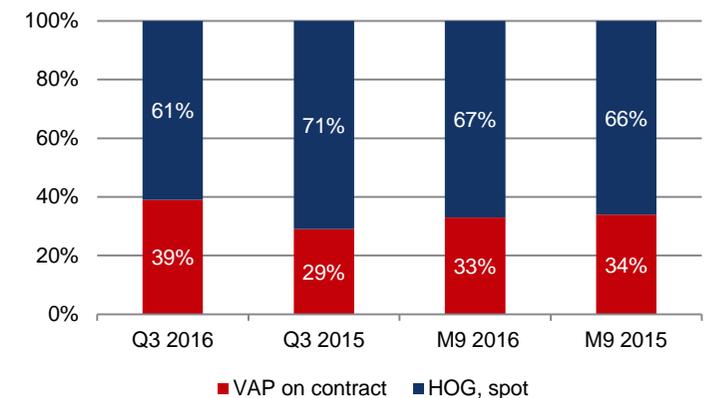
- EU market share increased from 34% in Q3 2015 to 46% in Q3 2016
  - USA increased from 19% to 24%
  - Asia decreased from 17% to 13%
  - Eastern Europe decreased from 30% to 17%
- 
- VAP/contract share was 39% in Q3 2016, compared with 29% in Q3 2015



Total sales of salmon by markets	Q3 2016	Q3 2015	M9 2016	M9 2015
EU	46%	34%	41%	34%
USA	24%	19%	23%	18%
Asia	13%	17%	19%	14%
Eastern Europe	17%	30%	17%	34%

Fresh salmon only by markets	Q3 2016	Q3 2015	M9 2016	M9 2015
EU	21%	9%	20%	8%
USA	36%	25%	31%	25%
Asia	19%	24%	26%	20%
Eastern Europe	24%	42%	23%	47%

Contract share, VAP products [% of qty]

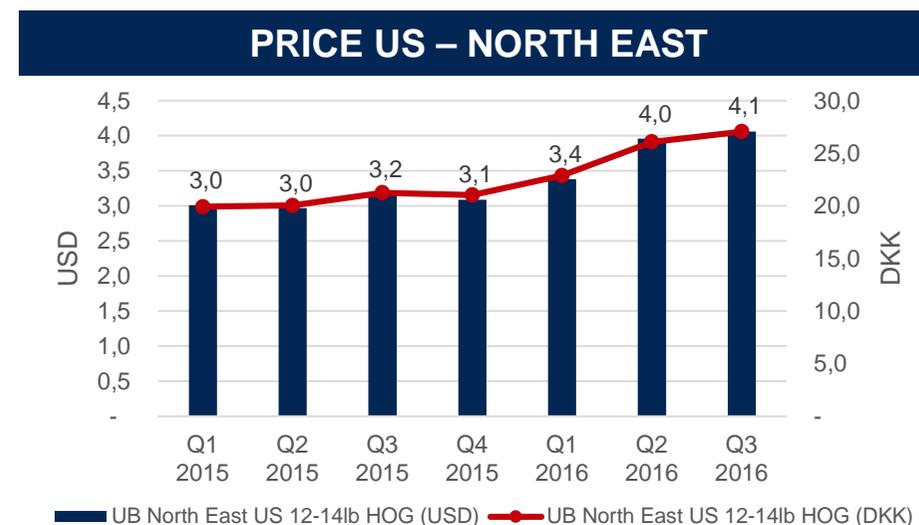
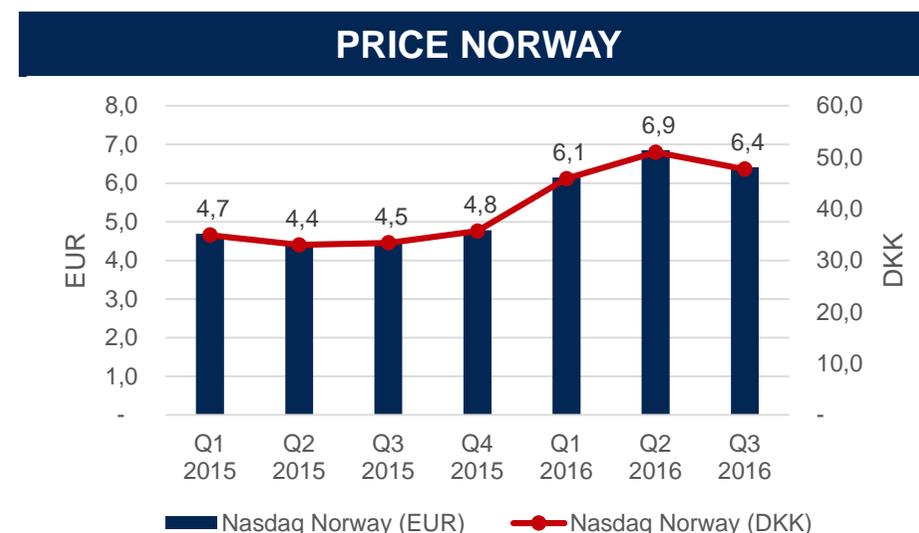


# MARKET ENVIRONMENT Q3 2016

MARKET CURRENCY	Q3 2016	Q3 2015	Change %
Nasdaq Norway (EUR)	6.41	4.48	43.2 %
UB North East US 12-14lb HOG (USD)	4.06	3.17	28.2 %

DKK	Q3 2016	Q3 2015	Change %
Nasdaq Norway	47.71	33.40	42.9 %
UB North East US 12-14lb HOG	27.07	21.25	27.4 %

SUPPLY DEVELOPMENT	Q3 2016	Q3 2015	Change %
Norway	271,350	273,870	-0.9 %
UK	36,630	43,650	-16.1 %
Ireland	3,870	4,140	-6.5 %
Faroes	14,670	16,650	-11.9 %
<b>Total Europe</b>	<b>326,520</b>	<b>338,310</b>	<b>-3.5 %</b>
Chile	100,890	131,490	-23.3 %
Canada	31,500	30,420	3.6 %
USA	6,100	5,100	19.6 %
<b>Total Americas</b>	<b>138,490</b>	<b>167,010</b>	<b>-17.1 %</b>
Other	17,750	16,950	4.7 %
Inventory movements	13,040	9,000	44.9 %
<b>Total (Sold Quantity)</b>	<b>495,800</b>	<b>531,270</b>	<b>-6.7 %</b>



Source: Kontali

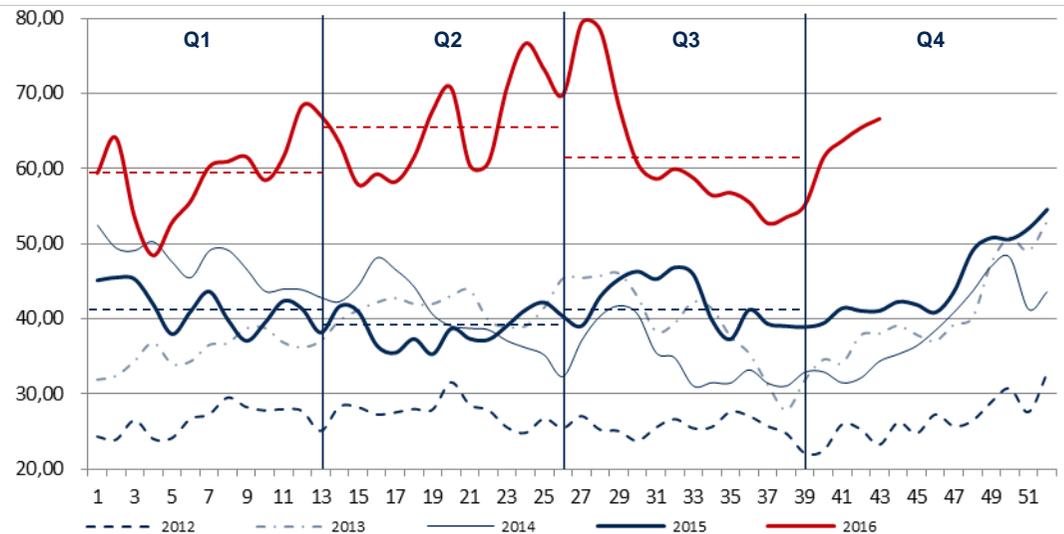
## Undersupply leads to high market prices

- The NASDAQ salmon price for size 4-5
  - Increased y/y by 19.04 NOK/kg ~55%  
- from 42.08 to 61.10
  - Reduced q/q by 4.29 NOK/kg ~7%  
- from 65.41 to 61.10

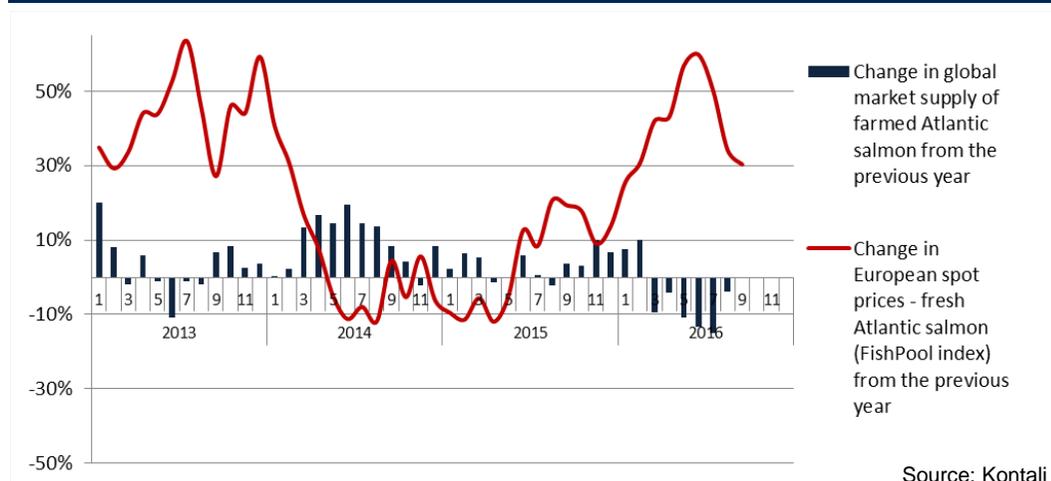
## Reduced global supply in Q3 2016

- 6.7% reduced global supply in Q3 2016, compared with Q3 2015, corresponding to 35,600 tonnes

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



**Change in global market supply and market price**



Source: Kontali

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

### Supply decreased in Q3 2016

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

### Supply YTD decreased

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

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

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

Markets	Estimated volumes		YTD Q3 comparison	
	YTD 2016E	YTD 2015	Volume	%
EU	696.000	705.200	-9.200	-1%
USA	287.000	277.600	9.400	3%
Russia	49.200	73.300	-24.100	-33%
Japan	41.300	36.600	4.700	13%
Greater China	70.700	73.600	-2.900	-4%
ASEAN	49.500	45.600	3.900	9%
Latin America	105.800	118.100	-12.300	-10%
Ukraine	6.000	6.100	-100	-2%
Other markets	169.800	174.900	-5.100	-3%
<b>Total all markets</b>	<b>1.475.300</b>	<b>1.511.000</b>	<b>-35.700</b>	<b>-2,4 %</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)

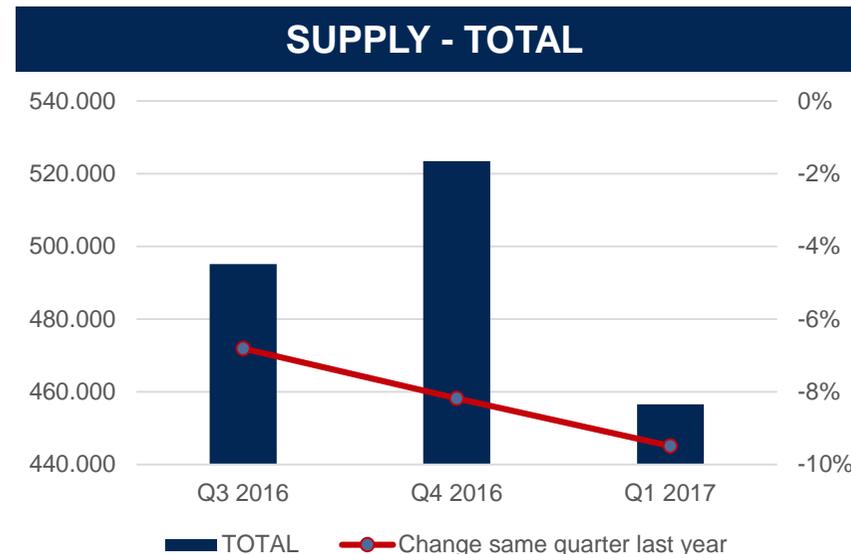
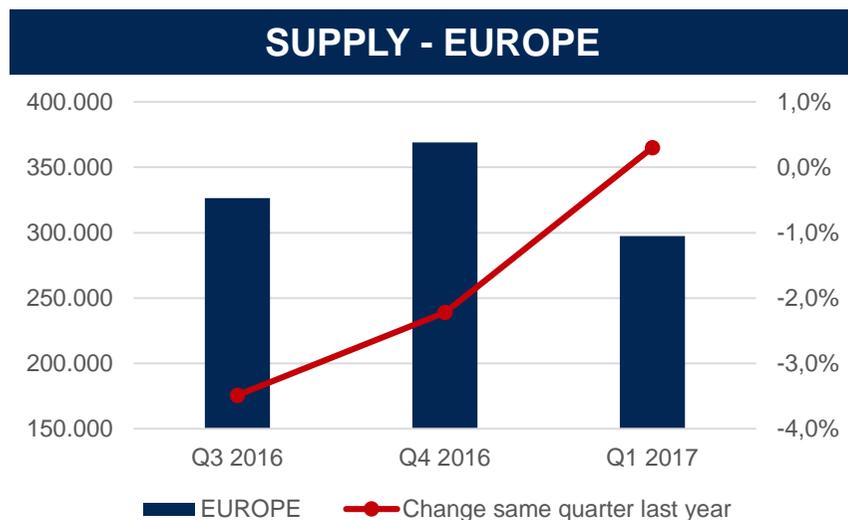
All figures above are in tonnes hog, and are rounded to the nearest 100 tonnes.

Source: Kontali

## SHORT TERM SUPPLY OUTLOOK

### Low supply to continue

- 8-9% drop in global supply expected for the next two quarters, compared to the same quarters last year
  - Temporary reduction in Norway
  - Biological challenges in Chile
- Europe expected to regain same volume in Q1 2017, compared to last year
- Chile continues to drop



Source: Kontali

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## Harvested volumes

- Nearly all harvest, 97%, was from the North region. Average weight of harvested fish was 5.3 kg gw
- Harvested volumes decreased by 18% in Q3 2016, compared with Q3 2015
- The farming operation in Faroe Farming is part of the West Region, but had no harvest in Q3 2016

Harvest Volumes tonnes [HOG]	Q3 2016	Q3 2015	M9 2016	M9 2015
North Region	10,372	3,846	20,785	22,712
West Region	292	9,136	13,817	14,178
<b>Total</b>	<b>10,664</b>	<b>12,982</b>	<b>34,602</b>	<b>36,890</b>

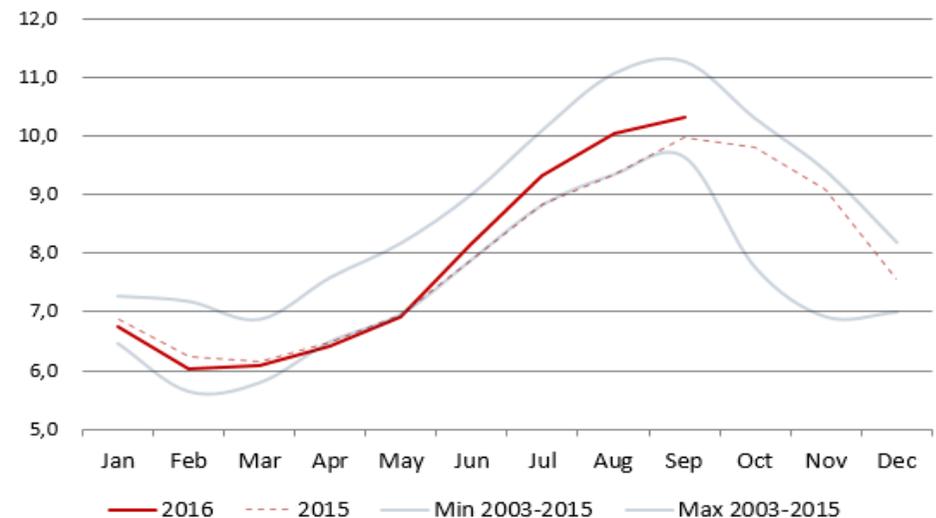
## Smolt transfer

- Bakkafrost transferred 3.8 million smolts in Q3 2016 (2.8 million smolts in Q3 2015)
- Total transfer for 2016 expected to be 11.5 million (including Faroe Farming)

## Seawater temperatures in the Faroe Islands

- Temperatures in Q3 2016 were in average 0.4°C higher, compared with Q3 2015

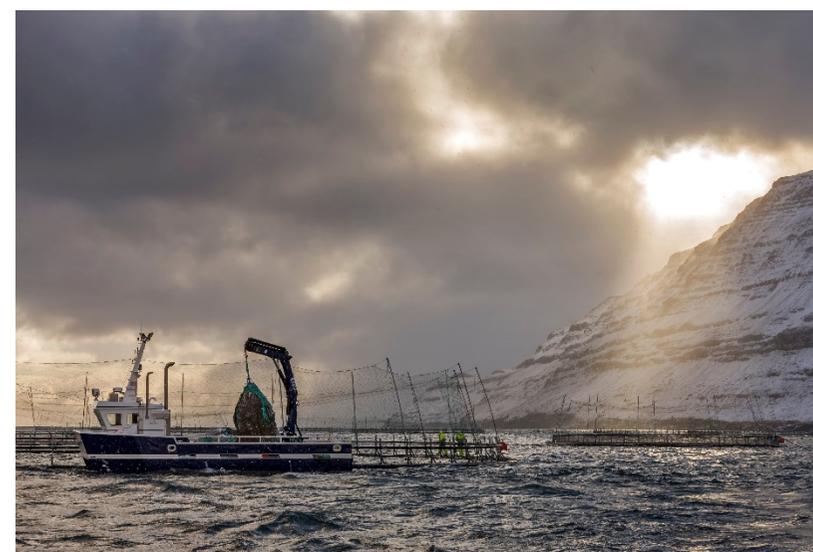
Seawater Temperatures in the Faroe Islands 2003 – 2016 [°C]



## High prices and good margin

- The operational EBIT increased 61% from DKK 183 million in Q3 2015 to DKK 294 million in Q3 2016
- Good biological performance of harvested fish
- Lambavík, Kunoyarnes, Borðoyarvík and Haraldssund in the North Region were harvested in this quarter. Gulin in the West Region started harvest at the end of Q3 2016
- No news regarding the suspicion of ISA despite intensive testing since the announcement on 14 July 2016

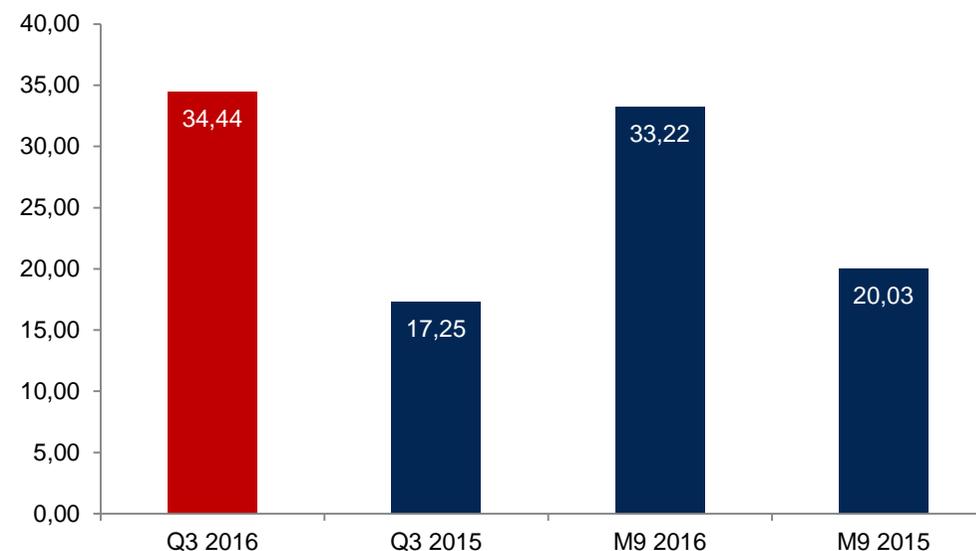
(DKK million)	Q3 2016	Q3 2015	M9 2016	M9 2015
Operating revenues	610	558	2,064	1,639
Operational EBIT	294	183	913	626
Operational EBIT margin	48%	33%	44%	38%



## Operation

- Farming EBIT of NOK 34.44 per kg in Q3 2016, compared to 17.25 in Q3 2015
- High prices and good biological performance
- Performance similar in North and West Region

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

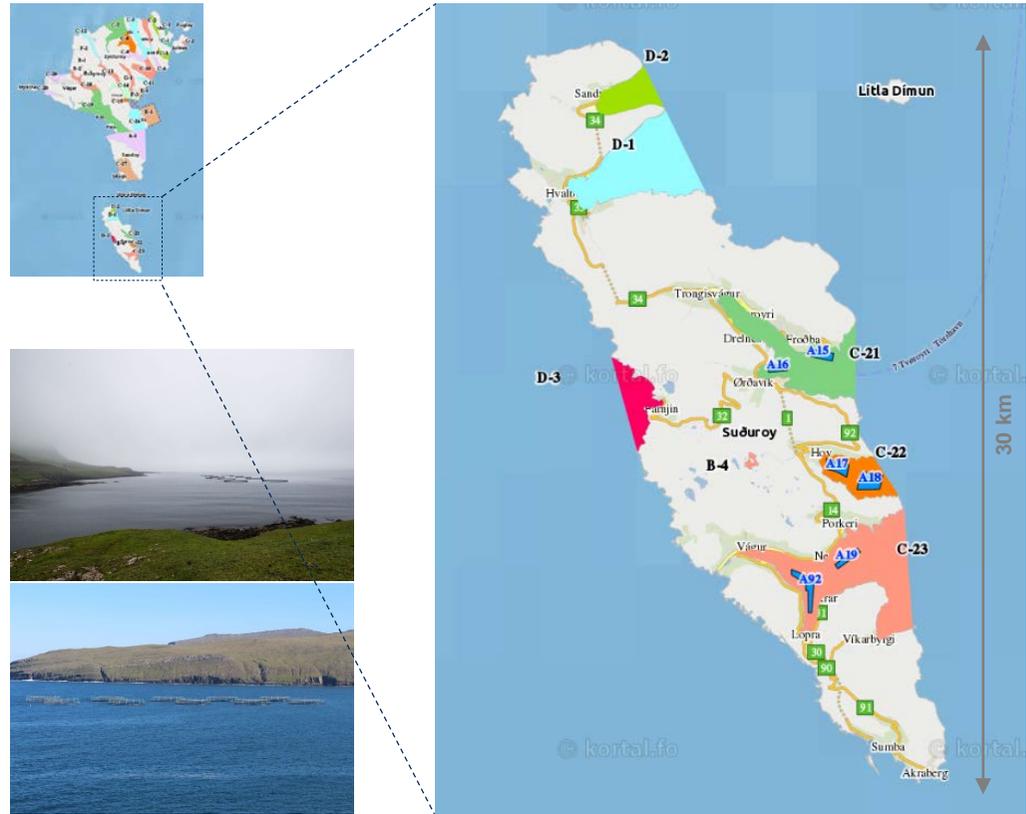


(NOK/kg)	Q3 2016		
	North Region	West Region	Farming
Operational EBIT/kg gw	34.38	36.37	34.44

## Part of Bakkafrost Group 1 July 2016

- Faroe Farming's operation integrated into Bakkafrost's West Region
- No harvest in Q3 2016
- Three farming sites, whereof one is relinquished in order to comply with legislation
  - C-21 Trongisvágur, two sites A-15 and A-16
  - C-22 Hovsfjørður, two sites A-17 and A-18
  - C-23 Vágshjørður, two sites A-92 and A-19
- Increase total volume for Bakkafrost
- Increased efficiency for Faroe Farming to be expected after a start up period

## Faroe Farming – located at the South Island in the Faroe Islands



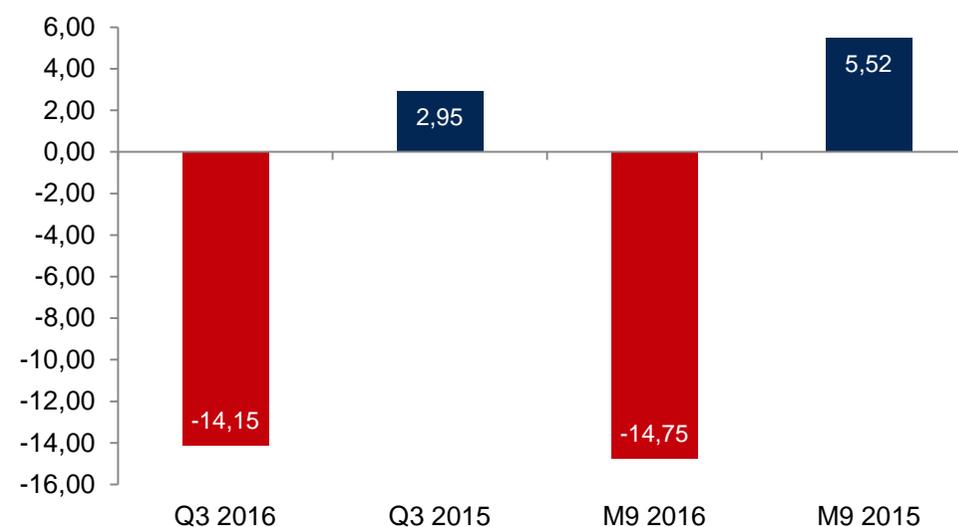
# VALUE ADDED PRODUCTS (VAP)

## VAP revenues and margin

- Revenues increased by 20% to DKK 201 million in Q3 2016, from DKK 167 million in Q3 2015
- Operating EBIT in Q3 2016 DKK -47 million, compared with DKK 9 million in Q3 2015
- Part of contracts for 2016 renegotiated prices from September 2016, but limited effect in Q3 2016

(DKK million)	Q3 2016	Q3 2015	M9 2016	M9 2015
Operating revenues	201	167	568	547
Operational EBIT	-47	9	-140	62
Operational EBIT margin	-23%	5%	-25	11%
VAP produced volumes (tgv)	4,119	3,745	11,943	13,334

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



## High margin

- EBITDA DKK 62 million in Q3 2016, compared with DKK 42 million in Q3 2015
- EBITDA margin of 19.5% in Q3 2016, compared with 13.0% in Q3 2015

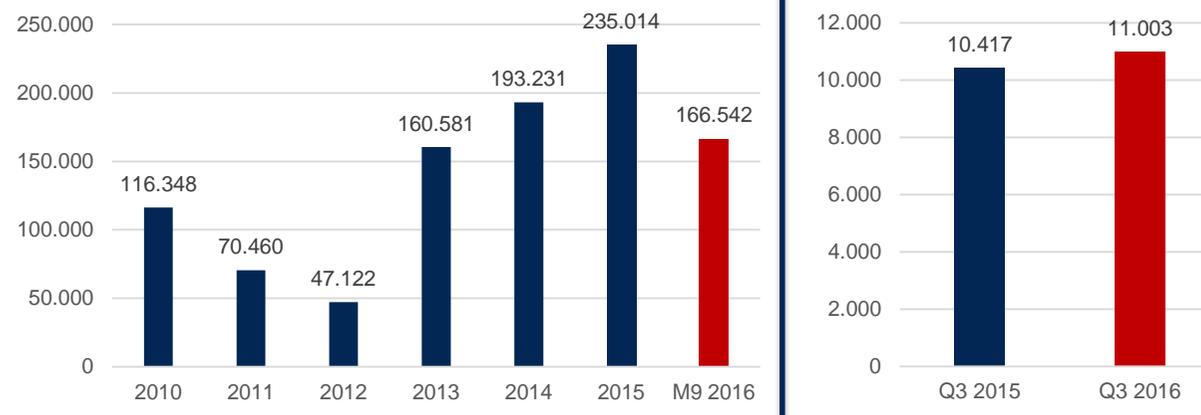
## Fishmeal, Oil and Feed

(DKK million)	Q3 2016	Q3 2015	M9 2016	M9 2015
Operating revenues	320	320	828	809
EBITDA	62	42	177	157
EBITDA margin	19.5%	13.0%	21.4%	19.4%
Feed sold (tonnes)*	28,850	27,011	59,598	59,068
Fishmeal sold external (tonnes)	1,516	4,701	17,295	19,952

## Raw material sourcing seasonal low

- Havsbrún sourced 11,003 tonnes of raw material in Q3 2016, compared with 10,417 tonnes in Q3 2015

## Sourcing of raw material (tonnes)

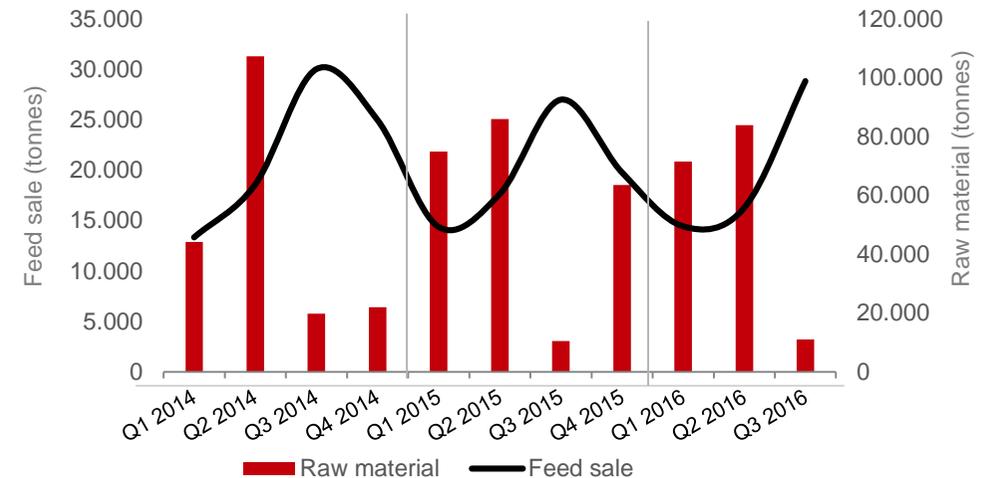


\*Including sales to Bakkafrøst, corresponding to ~95% of feed volumes in Q3 2016 (Q3 2015: 89%)

## Feed sales higher

- Quantity of feed sold was 28,850 tonnes in Q3 2016, compared with 27,011 tonnes in Q3 2015

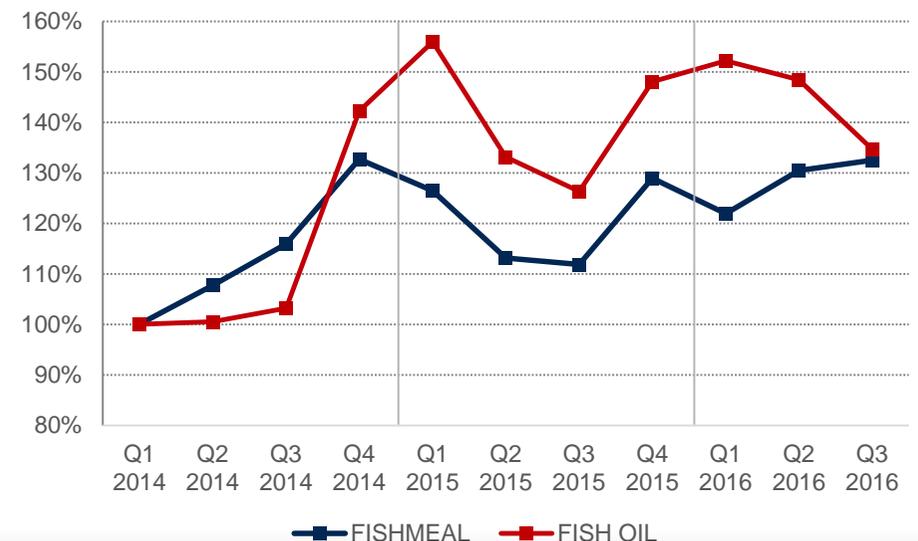
## Volumes of raw material purchase and feed sale [tonnes]



## Higher market prices on the spot market for marine ingredients in Q3 2016, compared with Q3 2015, fishmeal in particular

- Fishmeal prices increased marginally in Q3 2016, compared with Q2 2016
- Fish oil prices decreased significantly in Q3 2016, compared with Q2 2016

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



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# GROUP PROFIT AND LOSS

- Revenues decreased from DKK 677 million in Q3 2015 to DKK 640 million in Q3 2016, as harvested volumes were lower, but decrease limited because of higher spot prices
- Operational EBIT increased from DKK 206 million to DKK 255 million
- Fair value of biomass increased due to higher biological assets and higher prices
- Provision for onerous contracts DKK 86 million, mainly due to improved prices on contracts signed in Q3 2016
- Revenue tax (4.5% of harvested volumes at Nasdaq prices) recognised as cost, amounted to DKK -23 million
- Financial items amounted to DKK -21 million, whereof DKK -15 million is related to NOK bond loan
- Taxes amounted to DKK -78 million
- Profit after tax increased from DKK 168 million in Q3 2015 to DKK 347 million in Q3 2016

(DKK million)	Q3 2016	Q3 2015	M9 2016	M9 2015
Operating revenues	640	677	2,334	2,091
<b>Operational EBITDA*</b>	<b>287</b>	<b>232</b>	<b>905</b>	<b>823</b>
<b>Operational EBIT*</b>	<b>255</b>	<b>206</b>	<b>815</b>	<b>744</b>
Fair value adjustment on biological assets	122	-18	200	-111
Onerous contracts	86	0	49	0
Income from associates	-5	0	5	-14
Revenue tax	-23	0	-75	0
Badwill	10	0	10	0
<b>EBIT</b>	<b>445</b>	<b>188</b>	<b>1,005</b>	<b>620</b>
Net Financial items	-21	23	-49	-5
<b>EBT</b>	<b>424</b>	<b>212</b>	<b>956</b>	<b>615</b>
Taxes	-78	-43	-173	-123
<b>Profit for the period</b>	<b>347</b>	<b>168</b>	<b>783</b>	<b>492</b>
<b>Operational EBITDA margin</b>	<b>44.8%</b>	<b>34.3%</b>	<b>38.8%</b>	<b>39.4%</b>
<b>Operational EBIT margin</b>	<b>39.8%</b>	<b>30.4%</b>	<b>34.9%</b>	<b>35.6%</b>
<b>Operational EBIT/kg (Farming and VAP) (NOK)</b>	<b>28.97</b>	<b>18.10</b>	<b>28.13</b>	<b>22.03</b>
<b>EBITDA margin (fishmeal, -oil and feed)</b>	<b>19.5%</b>	<b>13.0%</b>	<b>21.4%</b>	<b>19.4%</b>

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

# BALANCE SHEET

- Increase of DKK 82 million in intangible assets relates to acquisition of Faroe Farming (acquired farming licenses)
- Investments in PPE of DKK ~ 154 million in Q3 2016
- Financial assets decreased as Faroe Farming is now part of Bakkafrost Group
- The carrying amount of biological assets has increased with biological assets from Faroe Farming and higher biomass
- Inventory decreased DKK 44 million from end of 2015
- Changes in equity because of positive results in the period and payment of dividend in quarter
- NIBD at DKK 504 million up from DKK 391 million at end 2015\*
- Equity ratio 63% (Covenants 35%)

(DKK million)	End M9 2016	End M9 2015	End 2015
Intangible assets	377	295	295
Property, plant and equipment	1,971	1,346	1,531
Financial assets	49	113	131
Biological assets	1,413	947	1,060
Inventory	378	297	422
Receivables	223	128	199
Other receivables	88	194	180
Cash and cash equivalents	241	250	102
<b>Total Assets</b>	<b>4,741</b>	<b>3,570</b>	<b>3,920</b>
Equity	2,997	2,260	2,580
Deferred tax and other taxes	568	530	349
Long-term interest bearing debt	708	389	448
Financial derivatives	94	127	129
Accounts and other payables	373	263	414
<b>Total Equity and Liabilities</b>	<b>4,741</b>	<b>3,570</b>	<b>3,920</b>

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

# CASH FLOW

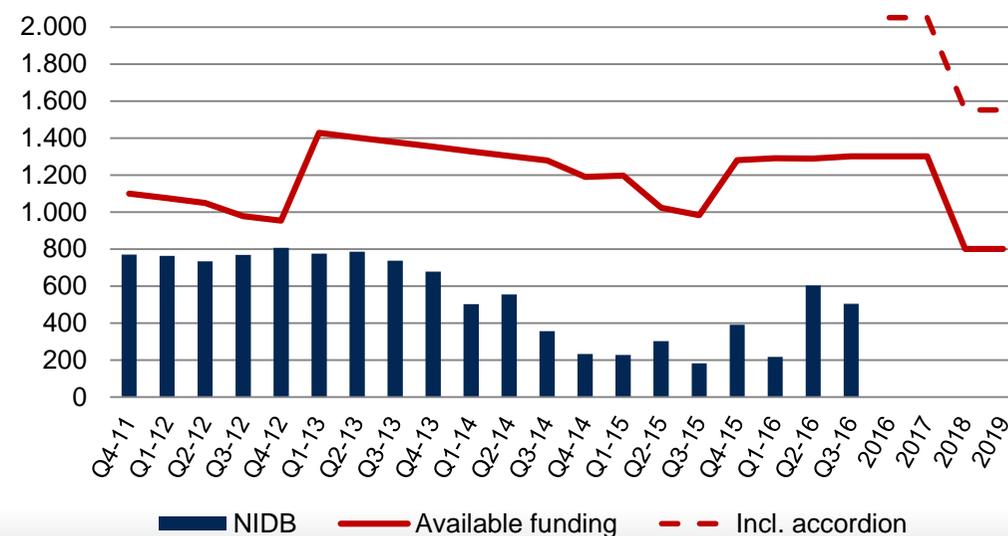
- Cash flow from operations lower in Q3 2016 than in Q3 2015, due to increase in total inventory. Changes in receivables and current debts had positive effect
- Cash flow from investments represents investments in PPE and remaining outstanding shares in Faroe Farming
- Cash flow from financing is affected positively by financing of associate, but negatively by change in interest bearing debt and financial expenses

(DKK million)	Q3 2016	Q3 2015	M9 2016	M9 2015
Cash flow from operations	285	367	777	773
Cash flow from investments	-230	-204	-546	-382
Cash flow from financing	12	-208	-92	-546
Net change in cash	67	-46	139	-155
Cash at the end of the period	241	250	241	250
Undrawn facilities	767	802	767	802

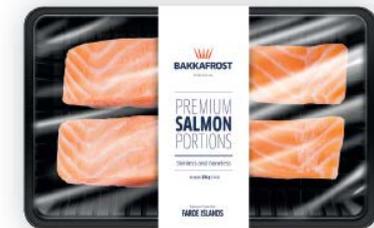
## Financing end Q3 2016

- Total funding to ~ DKK 1,301 million
- NIBD: DKK 504 million
- Undrawn loan facilities: DKK 767 million

## NIBD and available funding



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# OUTLOOK

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## Market

- Tight market balance in 2016, global supply reduction of 4% in 2016, compared to 2015
- Global supply in 2017 expected to increase only around 1%, compared to 2016

## Farming

- 2016 estimated harvest volume is reduced from 49,000 tonnes (incl. Faroe Farming 2H 2016) to 47,500 tonnes, in order to optimize harvest size
- Bakkafrost expects to harvest 56,000 tonnes in 2017
- Expected smolt release
  - in 2016, 11.5 million pieces (incl. Faroe Farming)
  - in 2017 total 11.5 million pieces

## VAP

- Contracted 100% of the goal for the VAP production for the rest of 2016, corresponding to around 43% of expected harvest for the rest of 2016
- Contracted 50% of the goal for the VAP production for 2017

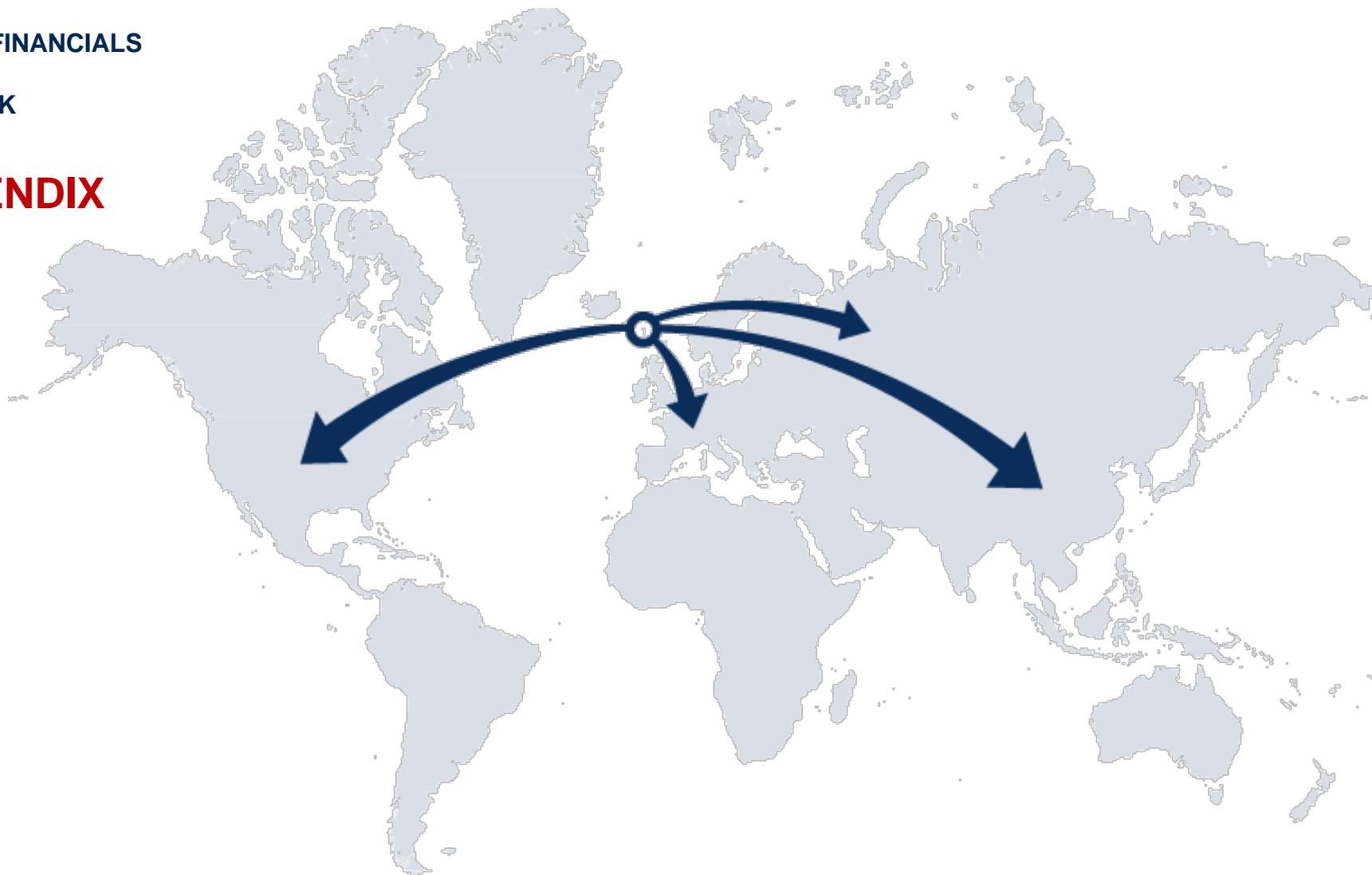
## Fishmeal, -oil and feed

- Forecast for feed sales,
  - 80,000 tonnes in 2016
  - 85,000 tonnes in 2017

## Business development

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

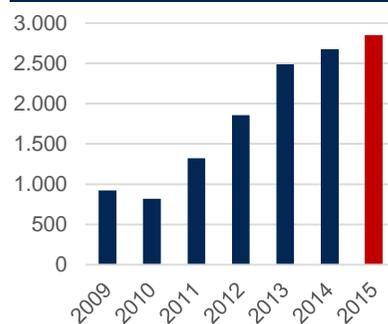
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## DEVELOPMENT PER QUARTER Q1 2013 – Q3 2016

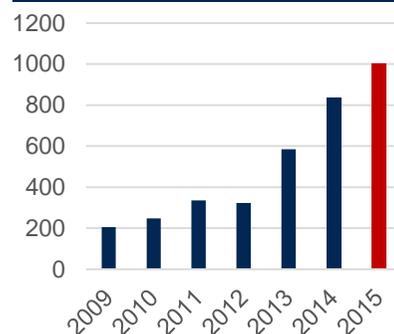
(mDKK)	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Revenue	640	790	905	760	677	800	613	757	584	711	631	667	741	610	473
Operational EBIT	255	307	254	257	206	303	235	227	209	212	186	125	187	169	105
Profit/Loss	347	224	213	319	168	191	132	222	211	126	87	138	200	184	67
Harvest (tgw)	10,664	13,004	10,934	13,675	12,982	14,182	9,726	12,651	10,881	11,212	9,269	11,097	11,335	10,540	8,296
Op. EBIT Farming & VAP (NOK/kg)	28.97	27.88	27.55	21.83	18.10	22.62	26.12	19.48	19.73	17.66	21.37	12.44	15.76	15.29	12.16
Equity ratio	63%	61%	66%	66%	63%	61%	61%	60%	57%	53%	57%	54%	52%	49%	48%
NIBD	504	603	218	391	182	302	227	233	357	555	503	641	728	786	775

Turnover (mDKK)



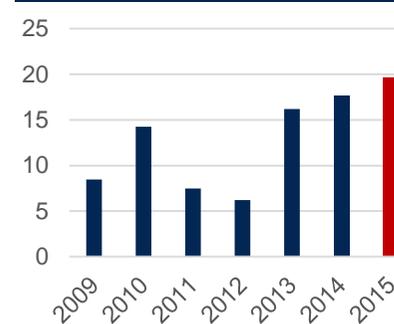
Turnover for the Bakkafrøst Group has increased from 820 mDKK in 2010 to 2.9 bDKK in 2015.

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)

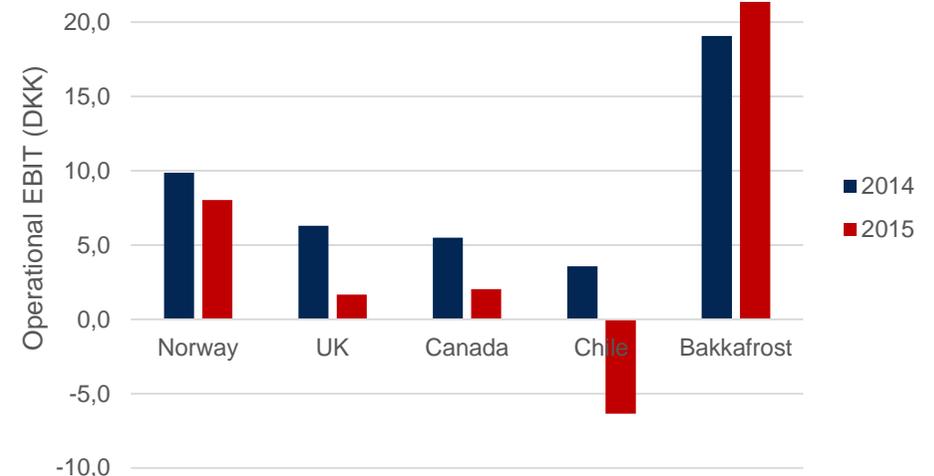


The margin in VAP was NOK 5.58 per kg in 2015 – at the same time as Farming margin was record high.

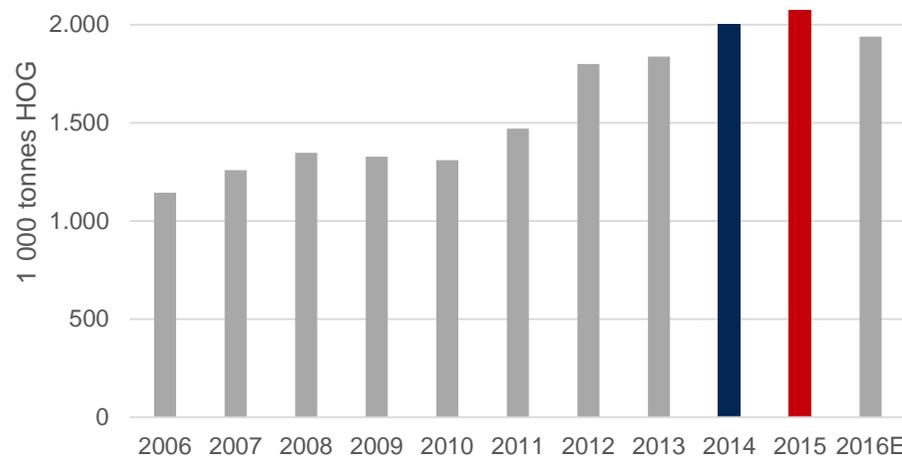
## RECORD PRICES, YET CHALLENGING TO RETAIN WINDFALL PROFITS

- Global output has generally exceeded practical capacity given current tools (technology, regulations, industry cooperation/practice and pharmacy)
- Pending progress in the constraining factors, nature responds by increased biological problems and in turn escalating costs
- The Faroe Islands implemented a robust, scalable regime after its biological issues in 2003
- The Faroese production has hence become an exception and in a position to retain windfall profits

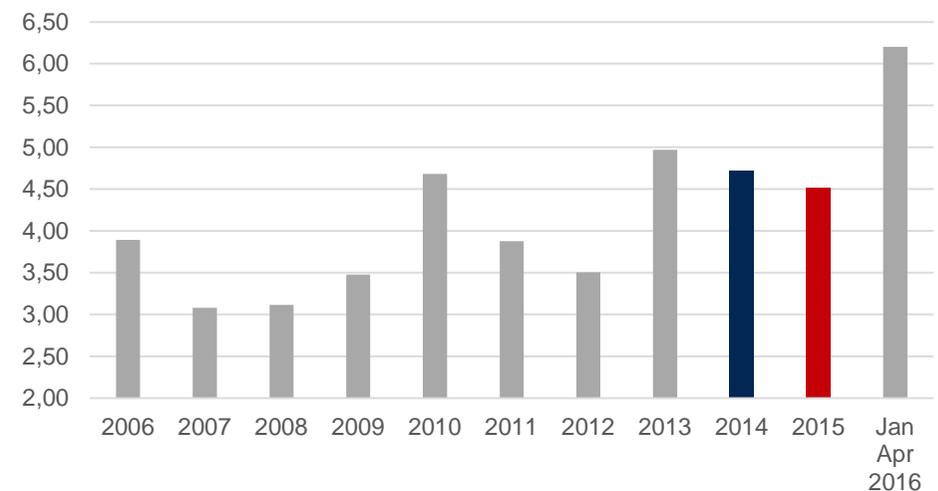
### DKK EBIT/kg (Largest public players)



### Global output (1,000 tonnes HOG)



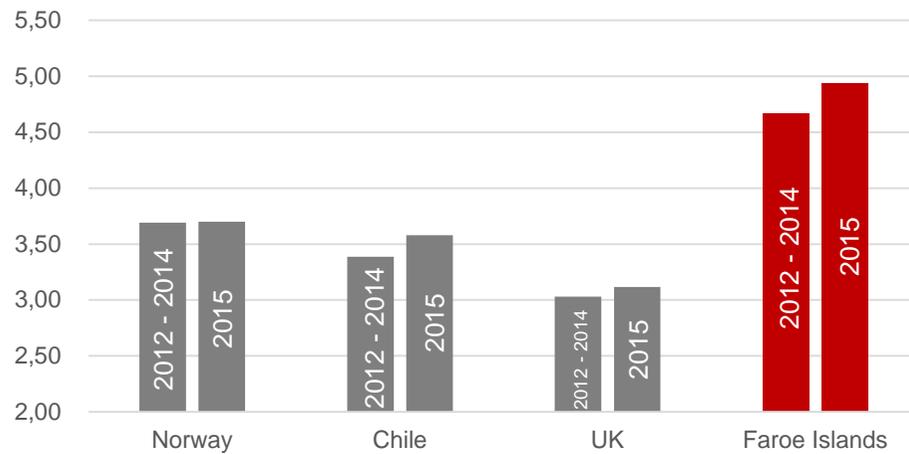
### Market price (EUR/kg)



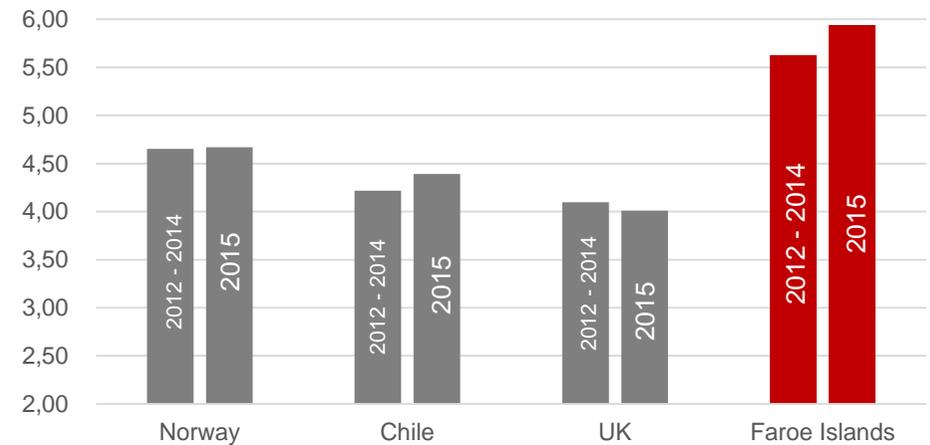
Source: Kontali, Annual reports

## SIZE AND SURVIVAL MATTERS!

**Yield per smolt (HOG) 2010-2012G vs 2013G**

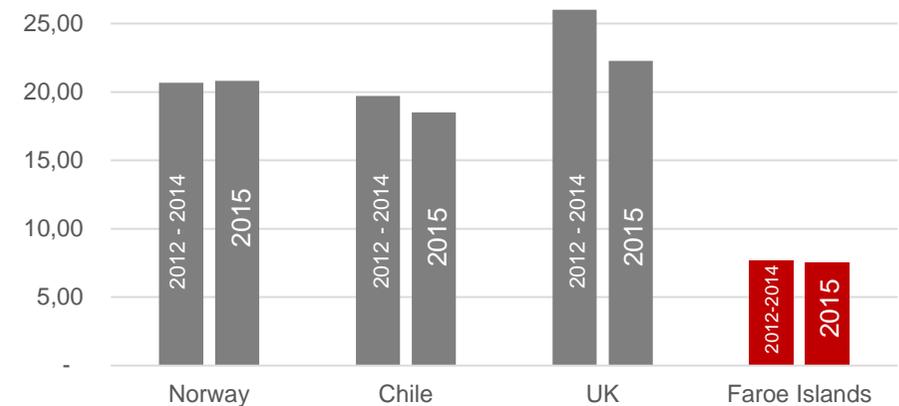


**Average harvest weight (HOG) 2010-2012G vs 2013G**



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

**Average mortality (%) 2010-2012G vs 2013G**





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

- Efficiency
- Biological risk
- 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

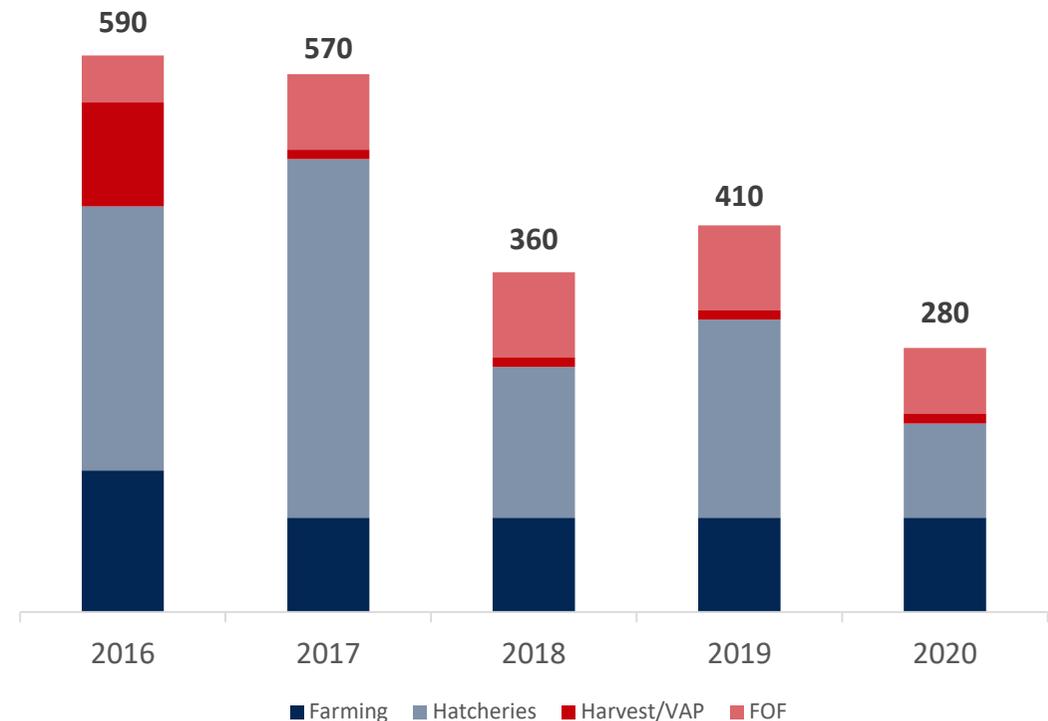
#### Smolt (1,130 mDKK)

- 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

## INVESTMENTS - FUTURE VS. PAST

### Past 3 years

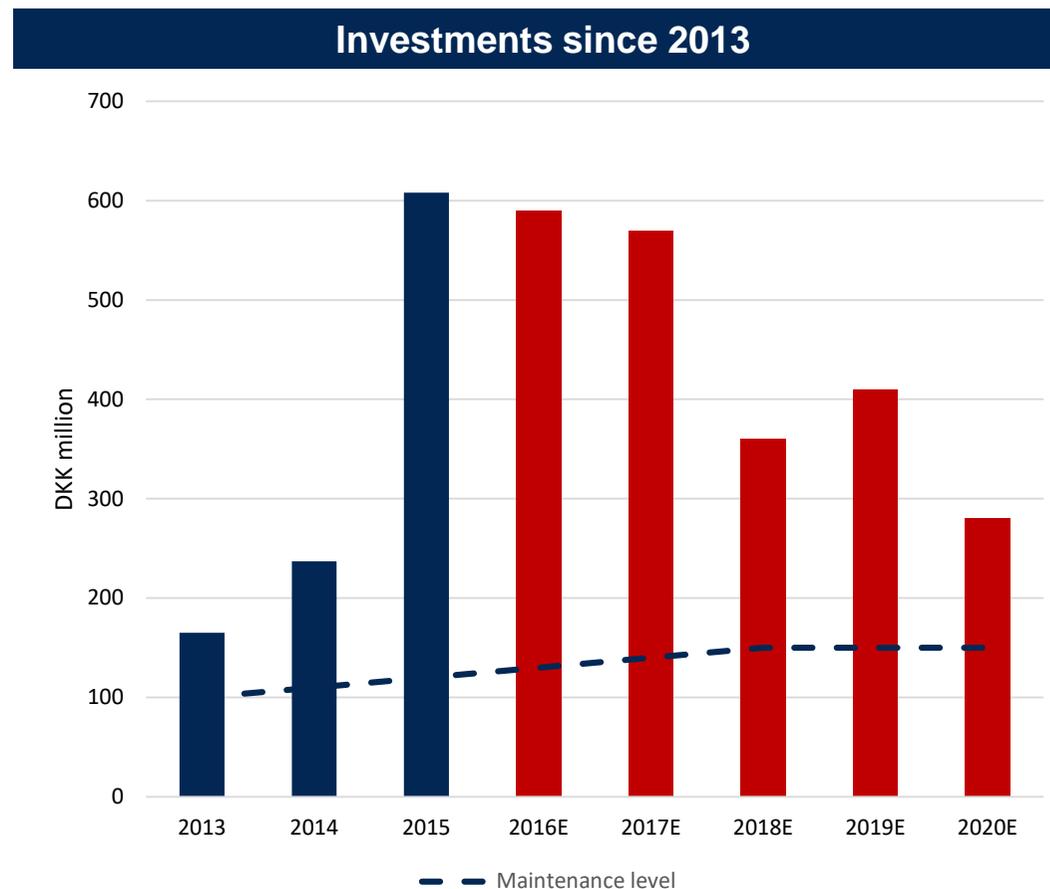
- Investments 2013 – 2015
  - DKK 1.0 billion (incl. maintenance)

### Future 5 years

- Investments 2016 – 2020
  - DKK 2.2 billion (incl. maintenance)

### Maintenance level

- Maintenance level has increased since 2013 and is expected to be in the range of DKK 125-175 million yearly in 2020

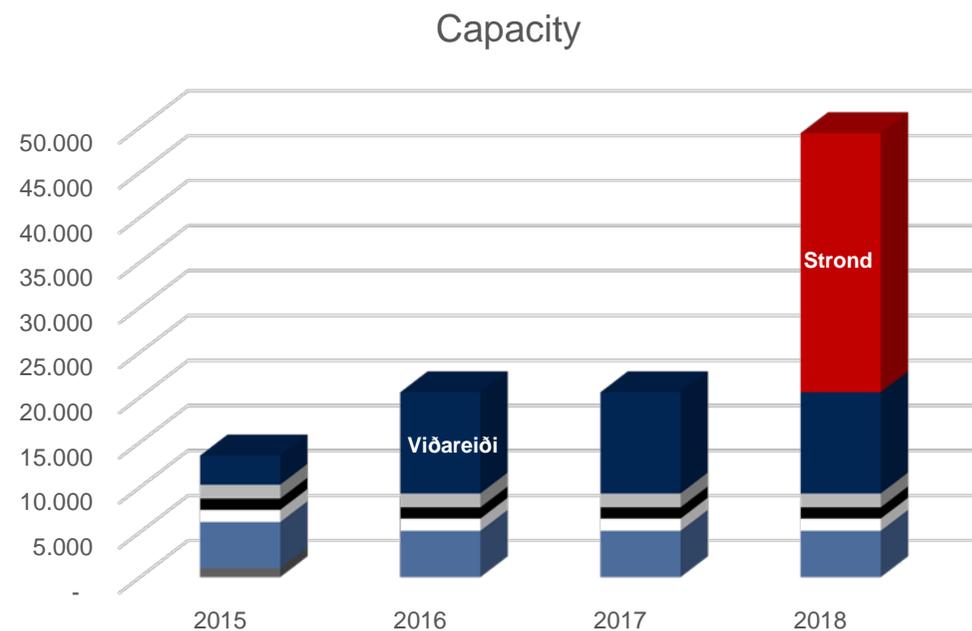


## FRESH WATER DIVISION CAPACITY INCREASE

### Capacity increase in order to produce larger smolt

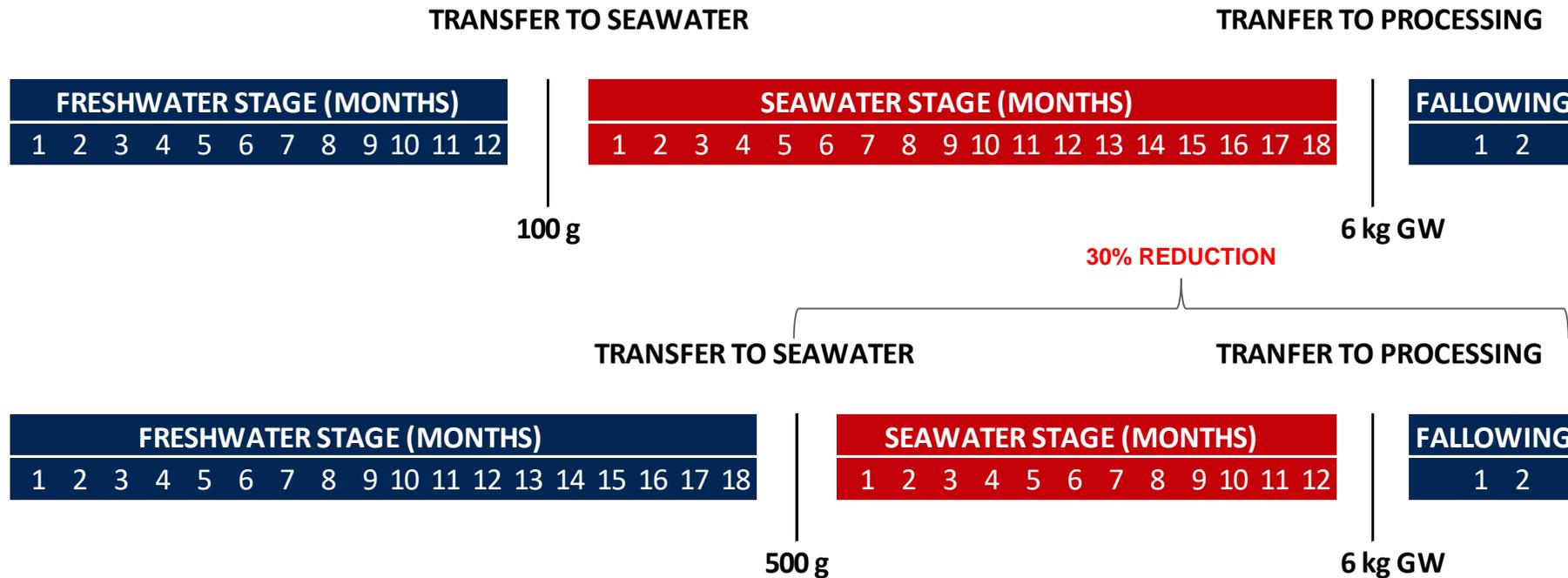
- The capacity increases in 2016 with the new Hatchery at Viðareiði 8,000m<sup>3</sup>
- New Hatchery at Strond 29,000m<sup>3</sup> in operation in 2018
- Total capacity 4 folded from 2015 to 2018

### Capacity development





# DE-BOTTLENECKING: SHORTENING THE SEA-WATER PRODUCTION CYCLE



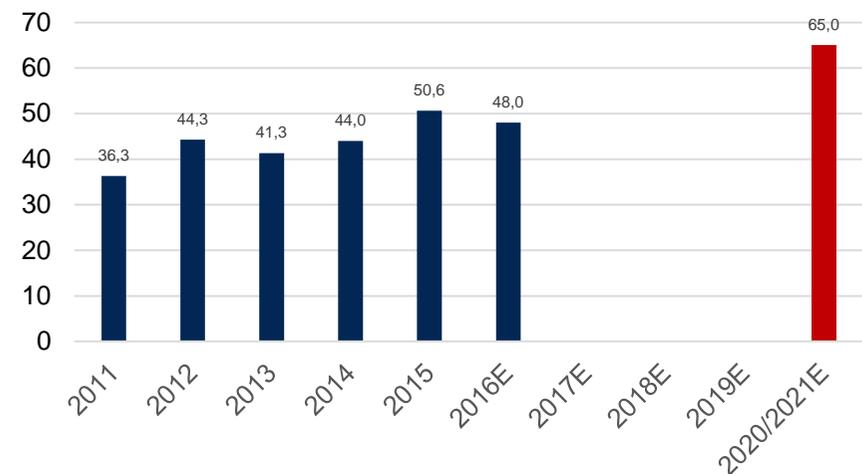
- Allowing for ~30% increased production capacity
  - De-bottlenecking of value chain – cycle in sea reduced by ~5 months (~30%)
- Synchronised fallowing
  - Sites/companies in each area need to implement new cycle simultaneously to achieve full capacity effect
- Reducing exposure to biological risks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

# INCREASED SMOLT SIZE LEADS TO INCREASED TOTAL VOLUME\*

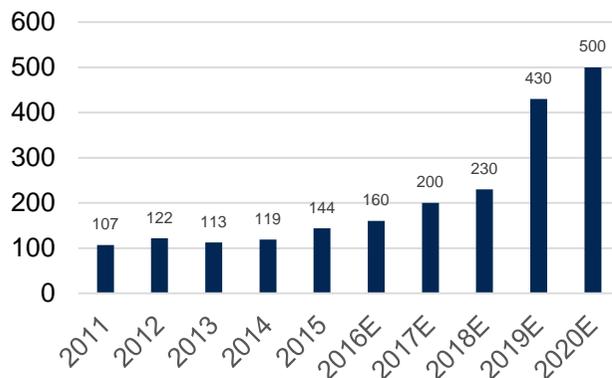
## Larger smolt (PS) will reduce time of cycle in farming

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

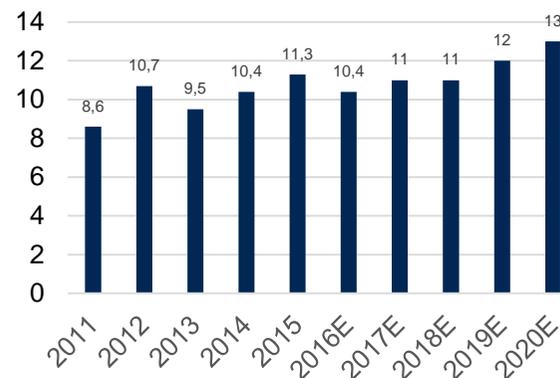
### Farming volume – growth potential with PS (1,000 tonnes)



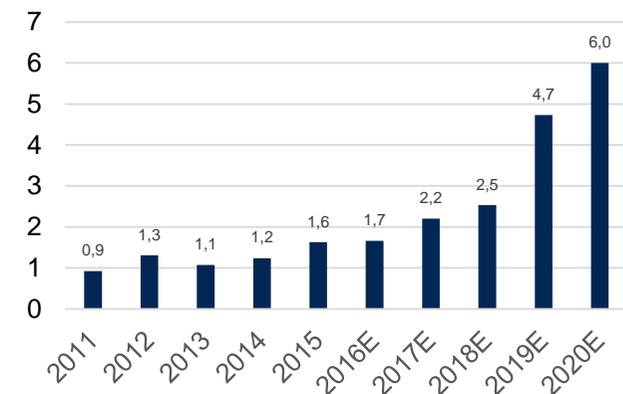
### Smolt size on released fish (size gram)



### Smolt release (million pcs)



### Production volume (1,000 tonnes)

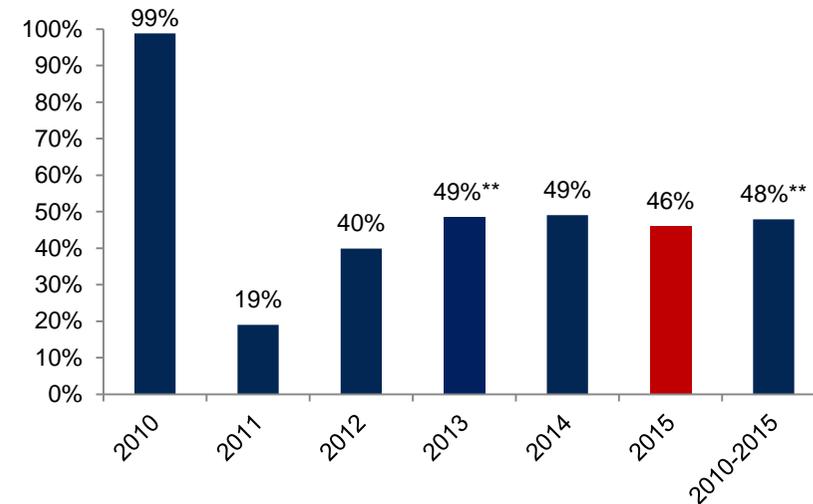


\* Info from Capital Markets Day June 2016 (before including Faroe Farming)

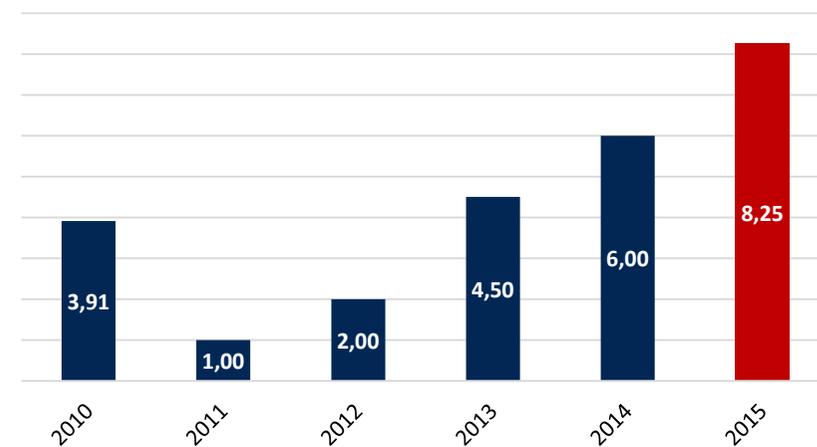
## Dividend policy

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

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



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



\* 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

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

- 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**  
more details see page 44 in Bakkafrost presentation CMD june-2016
- **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

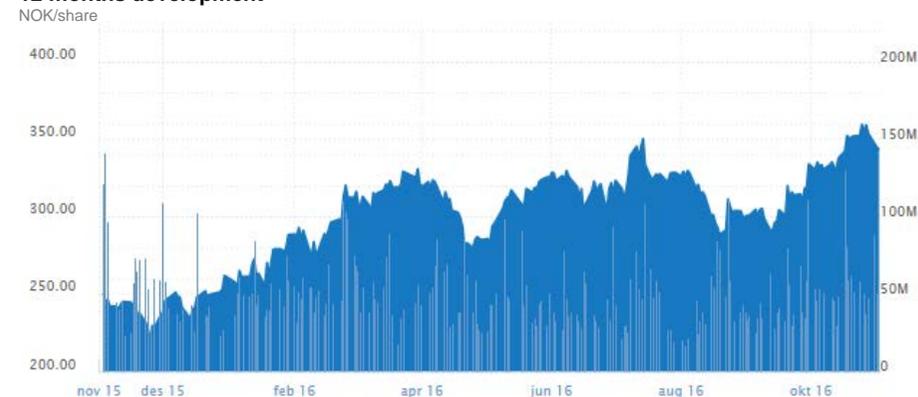
# LARGEST SHAREHOLDERS

## 20 largest shareholders

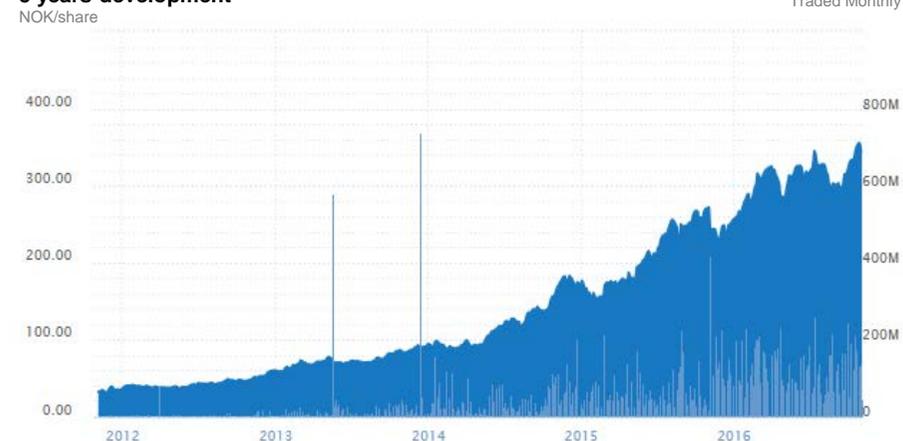
No of shares		Account name	type	Citizens
4.594.437	9,4%	Jacobsen Oddvør		FRO
4.493.465	9,2%	Jacobsen Johan Regin		FRO
3.392.623	6,9%	Nordea Bank Danmark S/A NORDEA (DK)	NOM	DNK
2.343.633	4,8%	FOLKETRYGDFONDET		NOR
1.220.319	2,5%	CLEARSTREAM BANKING	NOM	LUX
1.102.277	2,3%	SWEDBANK ROBUR SMABO NORDEN		SWE
984.892	2,0%	Skandinaviska Enskil SEB AB, UCITS V - S	NOM	SWE
942.974	1,9%	STATE STREET BANK AN A/C CLIENT OM	NOM	USA
858.796	1,8%	J.P. Morgan Chase Ba A/C US RESIDENT	NOM	USA
821.100	1,7%	VERDIPAPIRFONDET DNB		NOR
780.552	1,6%	STATE STREET BANK AN A/C EXEMPT L	NOM	USA
636.752	1,3%	JP Morgan Bank Luxem JPML SA RE CLT	NOM	LUX
585.000	1,2%	VERDIPAPIRFONDET HAN NORGE		NOR
522.148	1,1%	SEB NORDENFOND Skandinaviska Enskil		SWE
512.370	1,0%	STATE STREET BANK & A/C CLIENT FUN	NOM	USA
505.577	1,0%	NORDEA NORDIC FUND		FIN
478.139	1,0%	VERDIPAPIRFONDET ALF		NOR
443.005	0,9%	KLP AKSJENORGE INDEK		NOR
423.510	0,9%	VERDIPAPIRFONDET DEL JPMORGAN EUROPE		NOR
393.482	0,8%	VERDIPAPIRFONDET ALF		NOR
<b>26.035.051</b>	<b>53,3%</b>			
<b>48.858.065</b>		<b>100 Total number of shares as per 8. Nov 2016</b>		
<b>275.952</b>		<b>0,7 Wherof own shares</b>		
<b>48.582.113</b>		<b>99,3 Total number of outstanding shares</b>		

## Share development

### 12 months development



### 5 years development



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