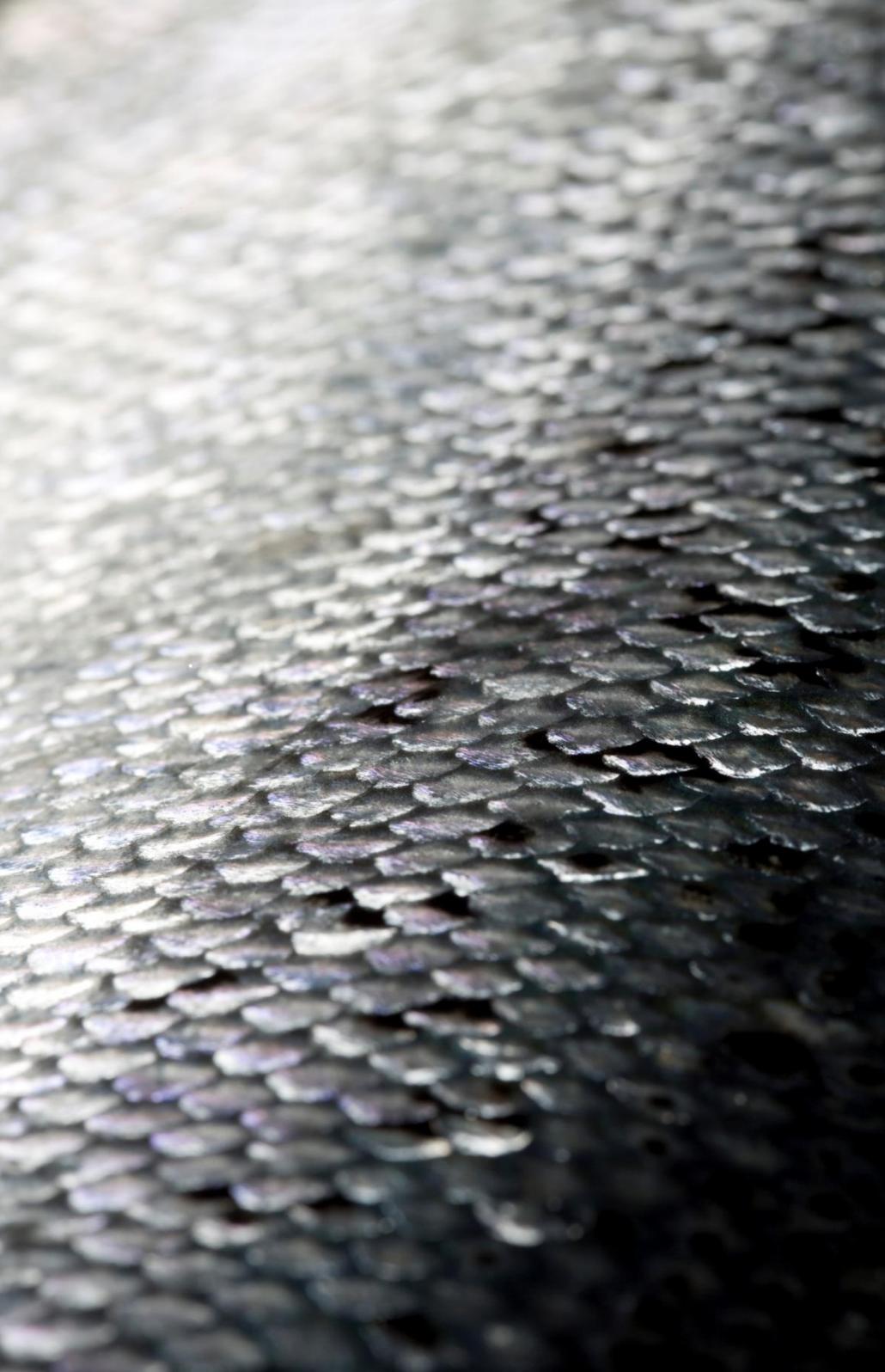


BAKKAFROST – CAPITAL MARKETS DAY

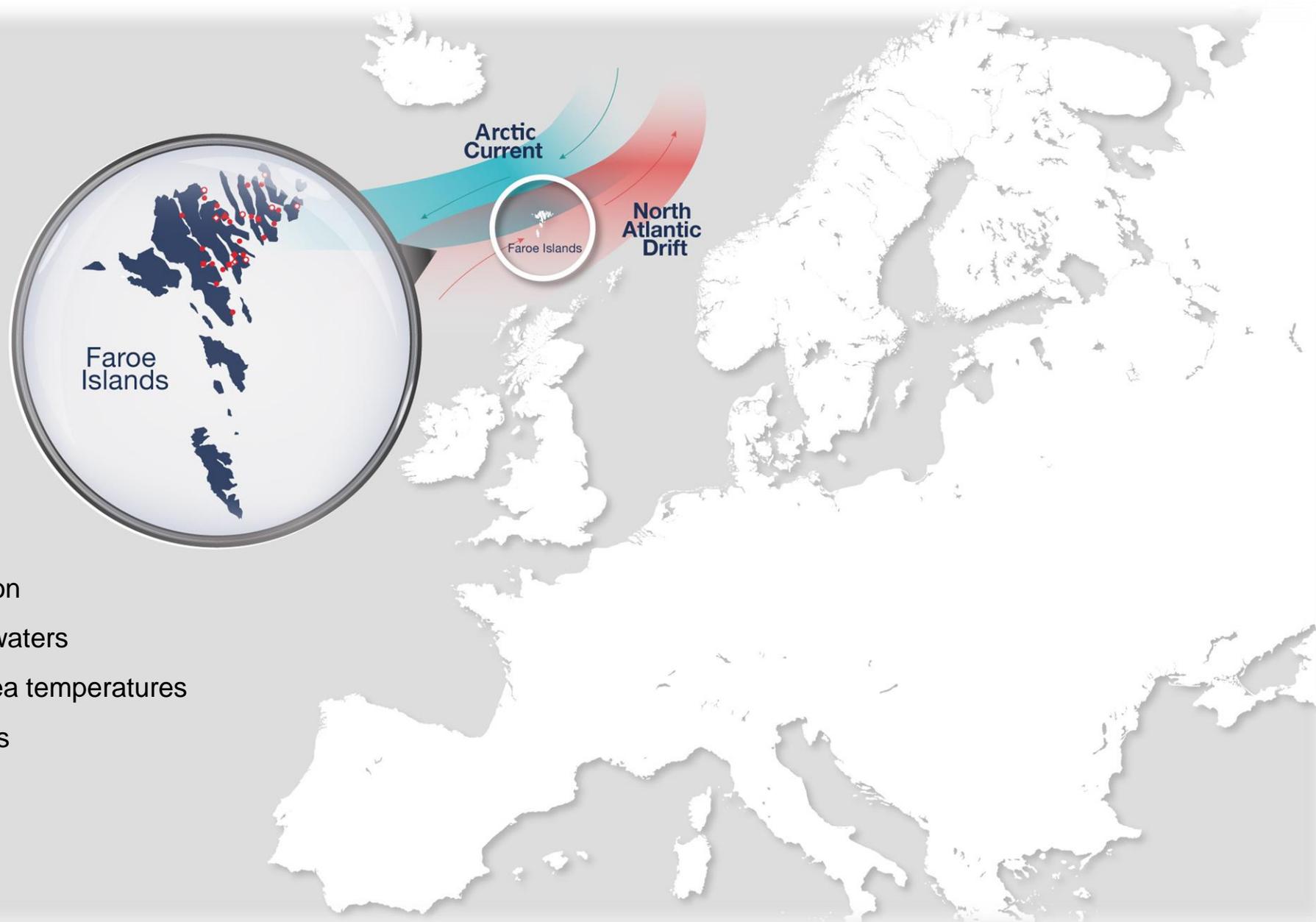
Glyvrar, Faroe Islands, 7 June 2016

Regin Jacobsen, CEO & Gunnar Nielsen, CFO

- 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.



- **BOUTIQUE ORIGIN FOR SALMON
- MADE IN THE FAROE ISLANDS**
- INVESTMENTS 2016 - 2020
- GLOBAL SUPPLY PICTURE 2016 - 2020
- FINANCE
- SUMMARY
- APPENDIX



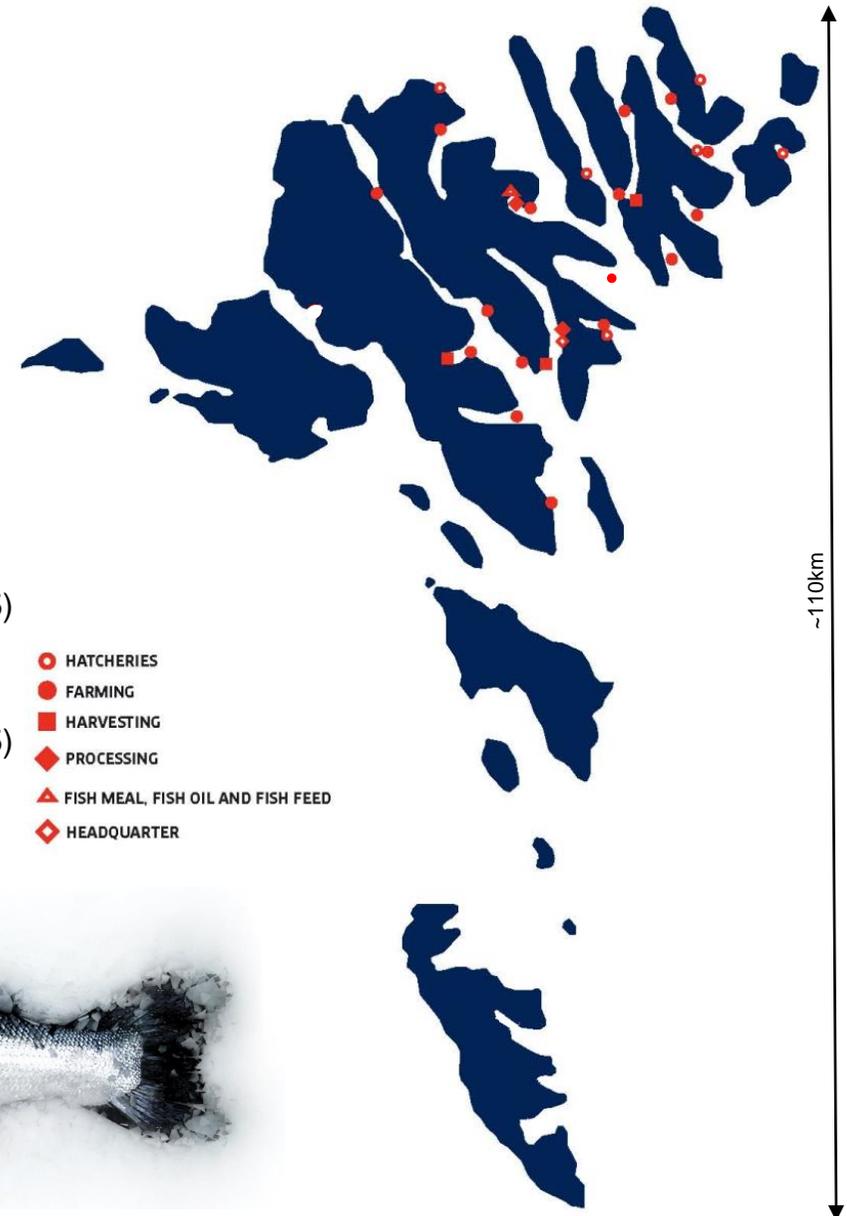
- Remote location
- Pristine clear waters
- Cool steady sea temperatures
- Strong currents

BAKKAFROST

– A WORLD CLASS SALMON FARMING COMPANY



- **Located in the Faroe Islands**
725 full time employees
- **Harvest quantity**
50,565 tonnes in 2015
10,934 tgw in Q1 2016 (9,726 tgw in Q1 2015)
- **Feed sales**
78,865 tonnes in 2015
14,454 tonnes in Q1 2016* (14,400 tonnes in Q1 2015*)
- **Raw material intake for fishmeal & oil**
235,014 tonnes in 2015
- **Revenues**
DKK 2.9 billion 2015
DKK 905 million in Q1 2016 (DKK 613 million in Q1 2015)
- **Operational EBIT**
DKK 1 billion in 2015
DKK 254 million in Q1 2016 (DKK 235 million in Q1 2015)
- **Equity**
DKK 2.6 billion (66% equity share)

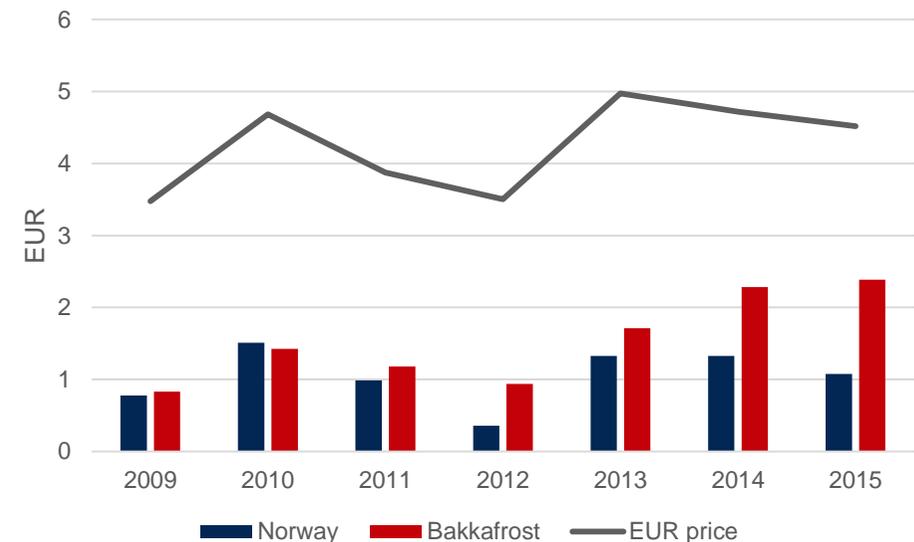


EBIT PER KG

Margin diverted since 2010

- Compared to a large selection of production in Norway, EBIT per kg has diverted significantly since 2010
- The absolute improvement for Bakkafrost is a function of
 - Robust farming framework with ability to maintain biological control
 - Market recognition of high end product (price achievement)
 - Efficiency in the value chain

Price and EBIT per kg



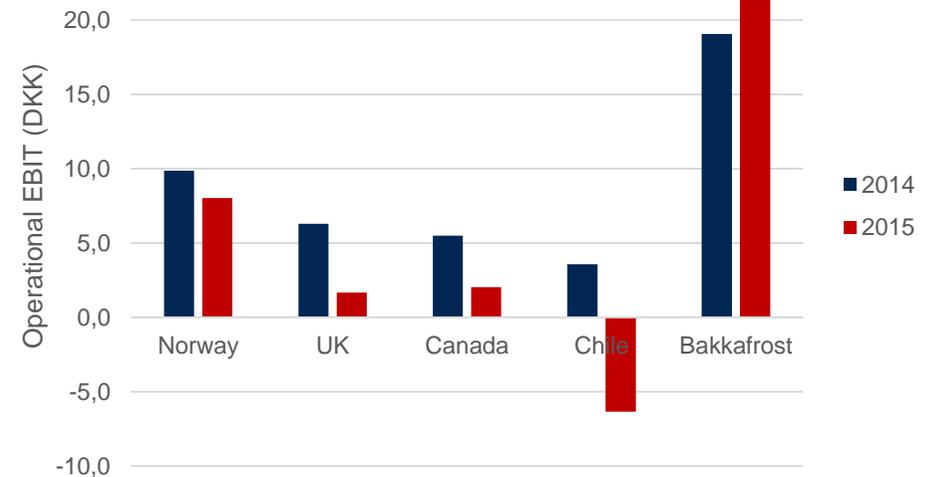
Source: Kontali, Annual reports



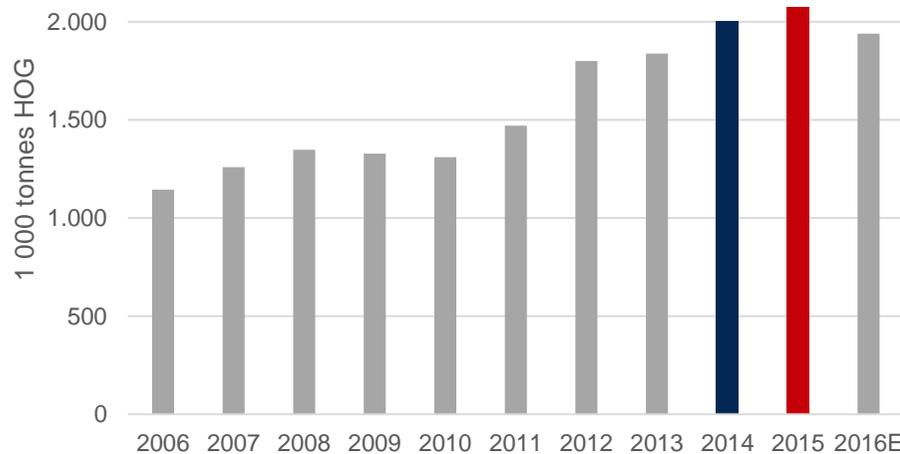
RECORD PRICES, YET CHALLENGING TO RETAIN WINDFALL PROFITS

- 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

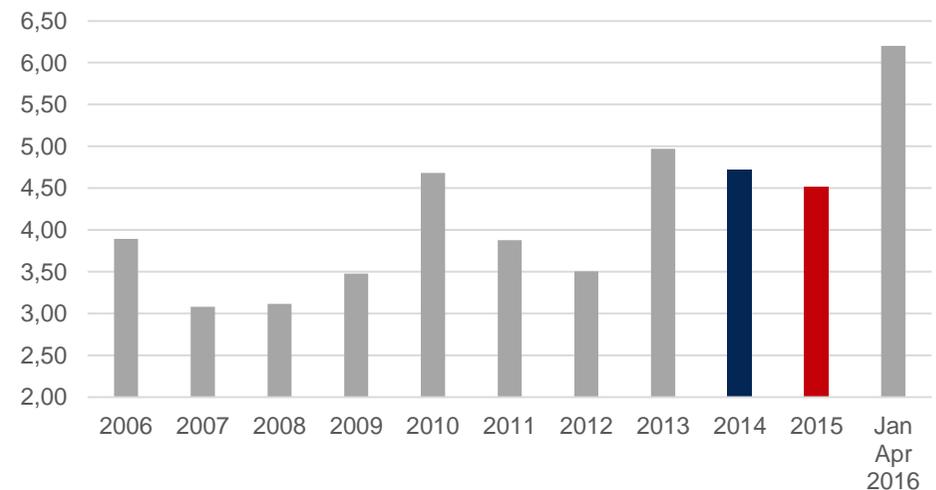
DKK EBIT/kg (Largest public players)



Global output (1,000 tonnes HOG)



Market price (EUR/kg)



Source: Kontali, Annual reports

Biological meltdown paved way for robust regulatory regime

During the period 2001-2004 the Faroe Islands were severely struck by ISA outbreaks

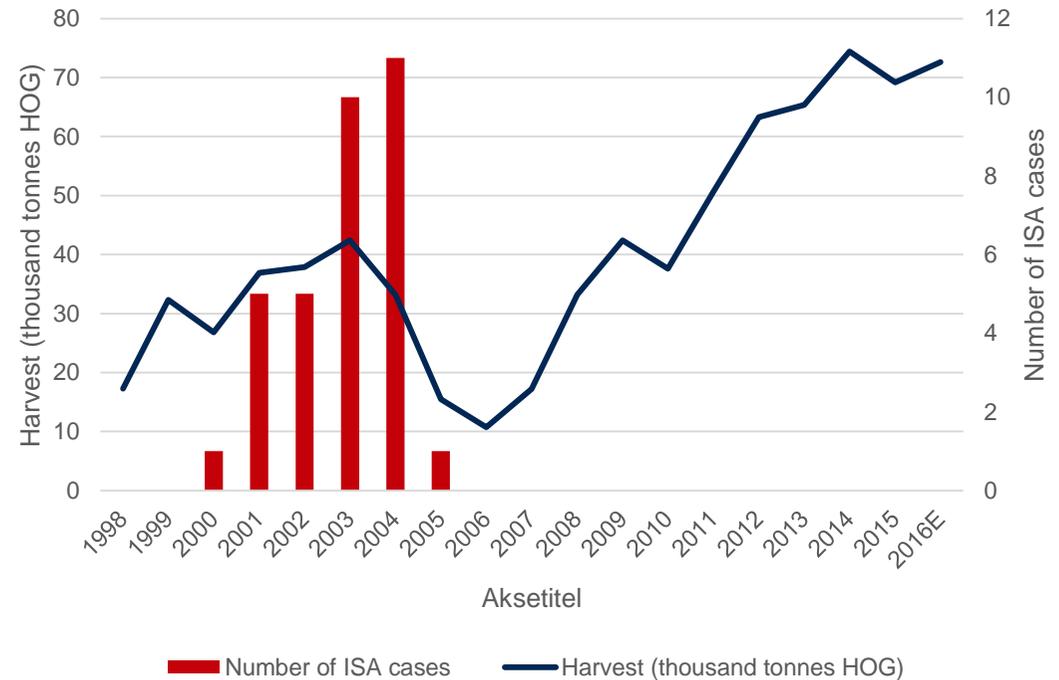


New legislation and regulation was introduced in 2003 known as "The Faroese Veterinary Model":

- One generation based farming model
- Fallowing periods between each generation
- Immunisation and vaccination programs
- Restricting movement of equipment and fish
- Density limits introduced
- Brood stock facilities allowed on land only
- Fish for harvest not allowed in open waiting cages at harvest stations
- Minimum distances between farms and hatcheries
- Rules to fight and control sea-lice introduced



The Model has resulted in one of the most predictable fish production environments in the world with good KPI for salmon farming, such as FCR, Mortality and Growth rate



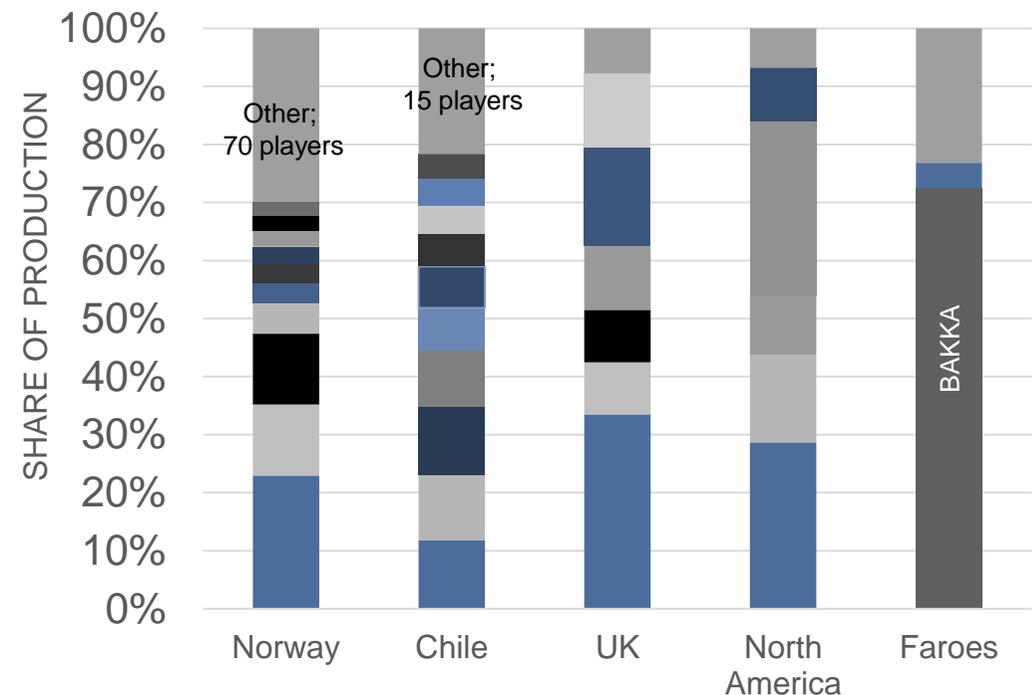
The mortality rate with the Faroese Veterinary Model has been between 5 and 10%, compared to 20 to 25% before – although the annual production has never been higher than now

Source: Bakkafrost, Kontali

BIOLOGICAL CONTROL – CRITERIA 2 FEW PLAYERS IN EACH PRODUCTION REGION

- A tight regulatory regime is not enough
- A large number of decisions will always be left to the operators
- As opposed to most other industries, operators are directly exposed to each others behaviour
- Efficient production requires a high degree of cooperation in the waters, e.g.
 - Coordinated fallowing periods
 - Coordinated lice treatment in direction of current
- Hard to get «all the ducks in a row» as coordination will always carry a cost to some operator, e.g.
 - Requirement to await next generation to join new fallowing regime
 - Self-reporting of disease in order to protect surrounding farms

Highly fragmented industry, except Faroes



The “tragedy of the commons” is challenging to avoid in a fragmented industry

BIOLOGICAL CONTROL – CRITERIA 3

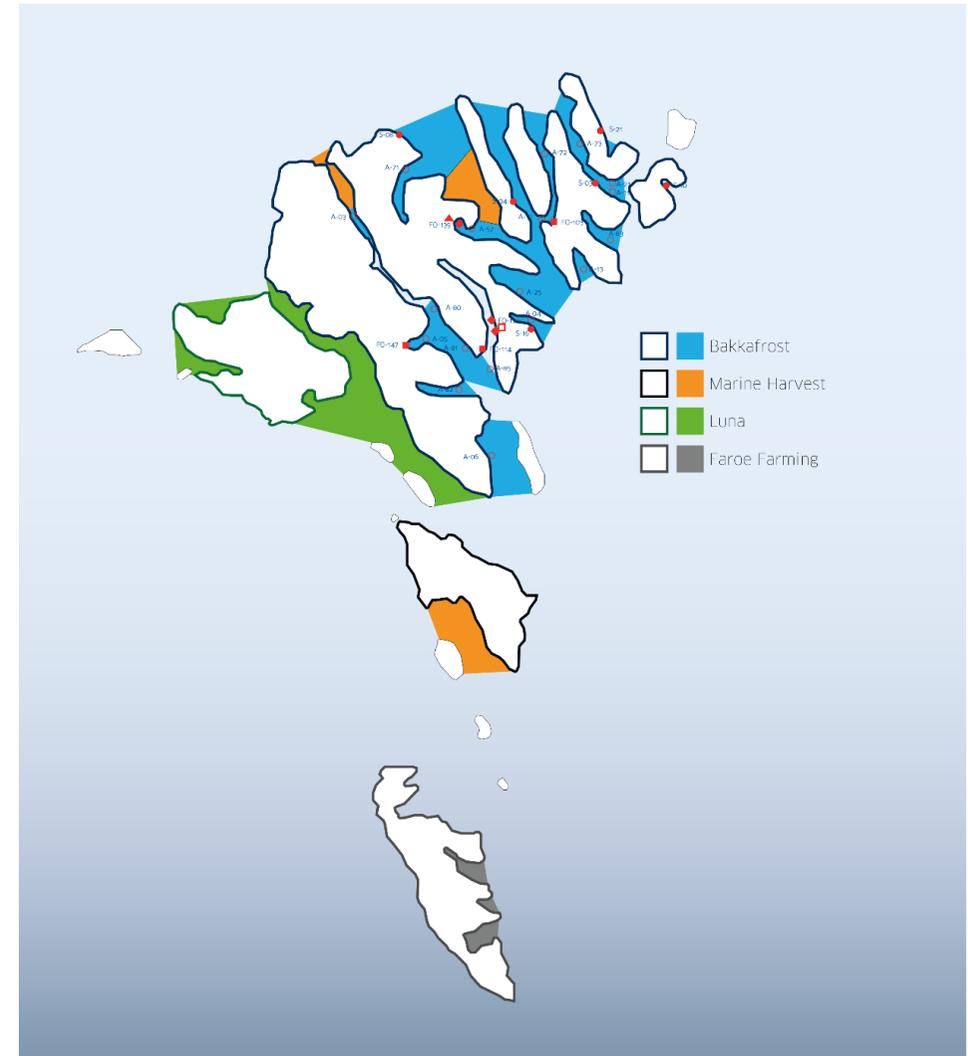
MINIMISE EXPOSURE TO OTHER COMPANIES IN EACH PRODUCTION AREA

Structure of production zones

- Strong regulatory framework
- Few players to agree on coordination of unregulated matters – avoids “tragedy of the commons”
- Limited overlap of players within production zones
- Swaps have enforced each players “independence”

Licenses

- Existing licenses are operated on a 12-year rolling lifespan system
- Automatic renewal unless
 - Failure to fulfil the veterinary conditions
 - Conflict with governmental or municipalities’ planning areas
 - Conflict with animal welfare
 - Conflict with environmental protection
- License give right to utilise given area of fjords for farming fish
- No MAB, but strict regulative measures on farming activity maintaining environmentally sustainability



....BUT NO-ONE IS PROTECTED

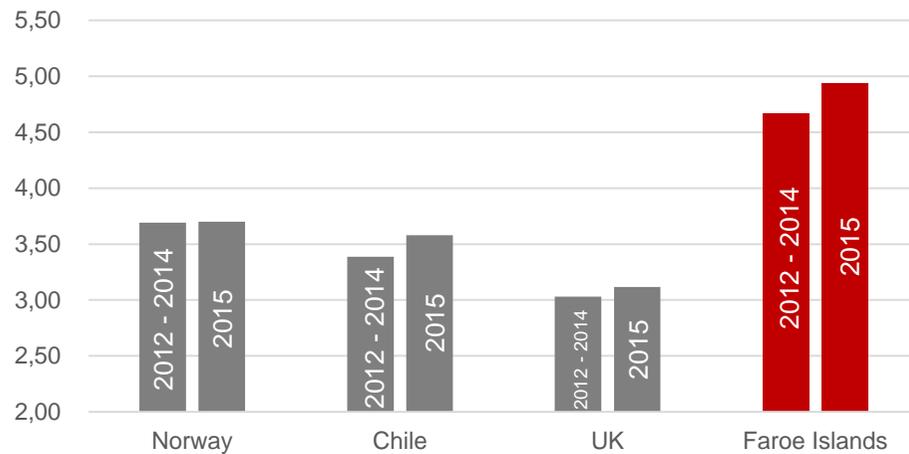
Risks

- Biological risk
 - Diseases, such as ISA, PD, AGD etc.
 - Sea lice
- Weather condition - storms
- Price of salmon
- Geopolitical situation – market access
- Fishery and quotas in the North Atlantic Ocean – raw material for FOF segment
- Feed contaminants
- Financial risks
 - Foreign exchange risk
 - Credit risk
 - Counterparty risk
 - Liquidity risk

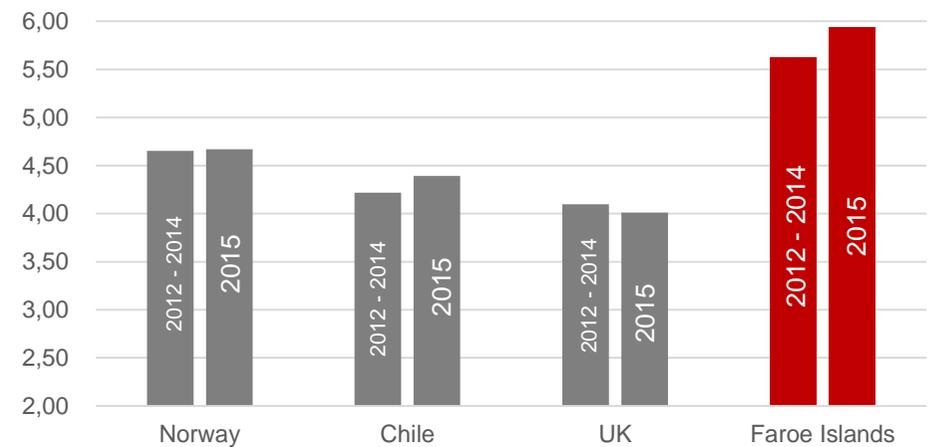


SIZE AND SURVIVAL MATTERS!

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

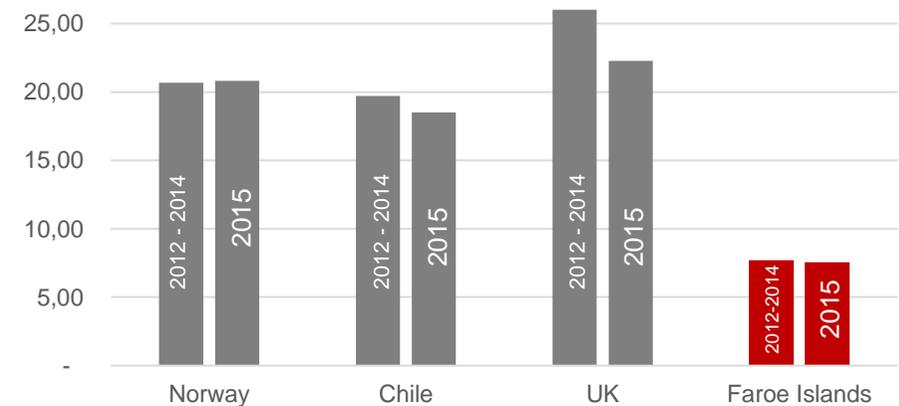


Average harvest weight (HOG) 2010-2012G vs 2013G



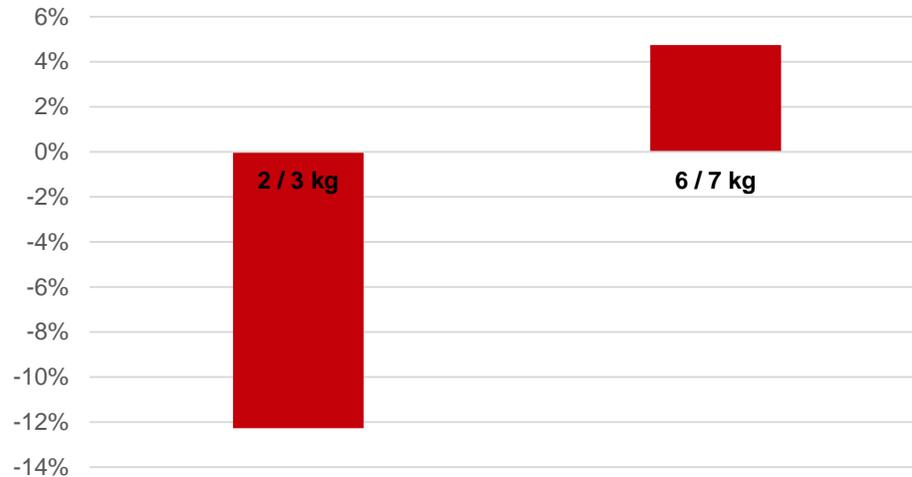
- Yield per smolt a key KPI
- Function of average harvest weight and mortality
- Faroe Island performs on both parameters

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



SIZE AND SURVIVAL MATTERS!

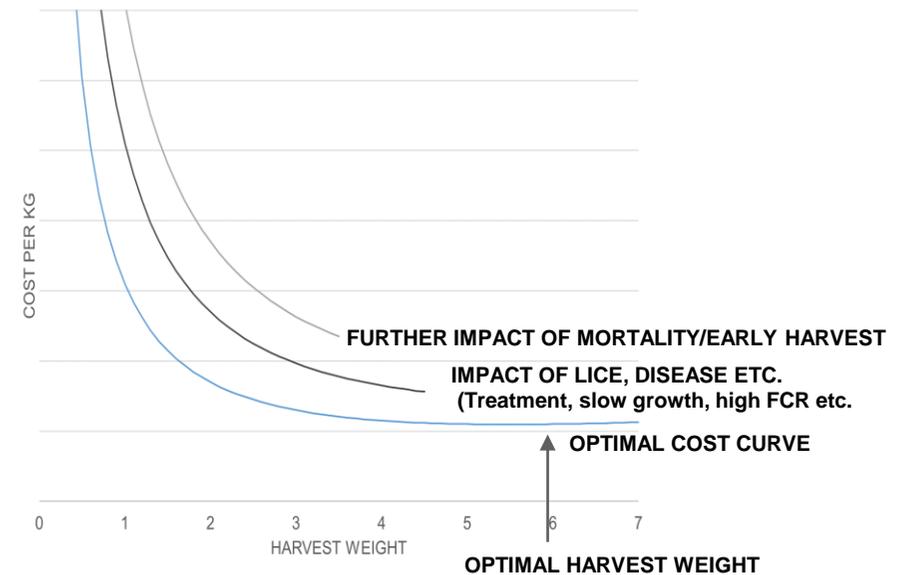
Average price diff. vs. 4/5 kg (2014-2016)



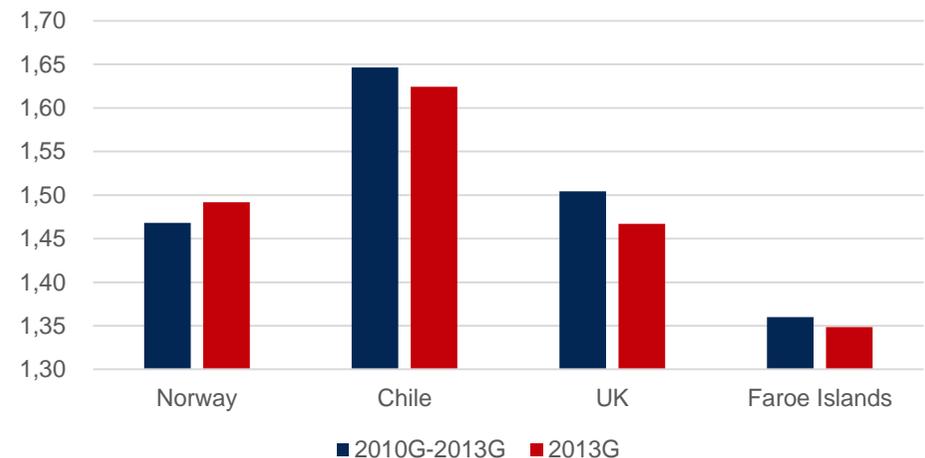
- Significant benefits of yield per smolt performance
- Larger fish generally catches a price premium; early/accelerated harvest is punisher with discount
- Healthy fish keeps costs down
 - Low mortality
 - Less treatments, better feed conversion and faster growth
 - Fixed cost dilution with larger size

Source: Kontali

Illustration of cost dynamics



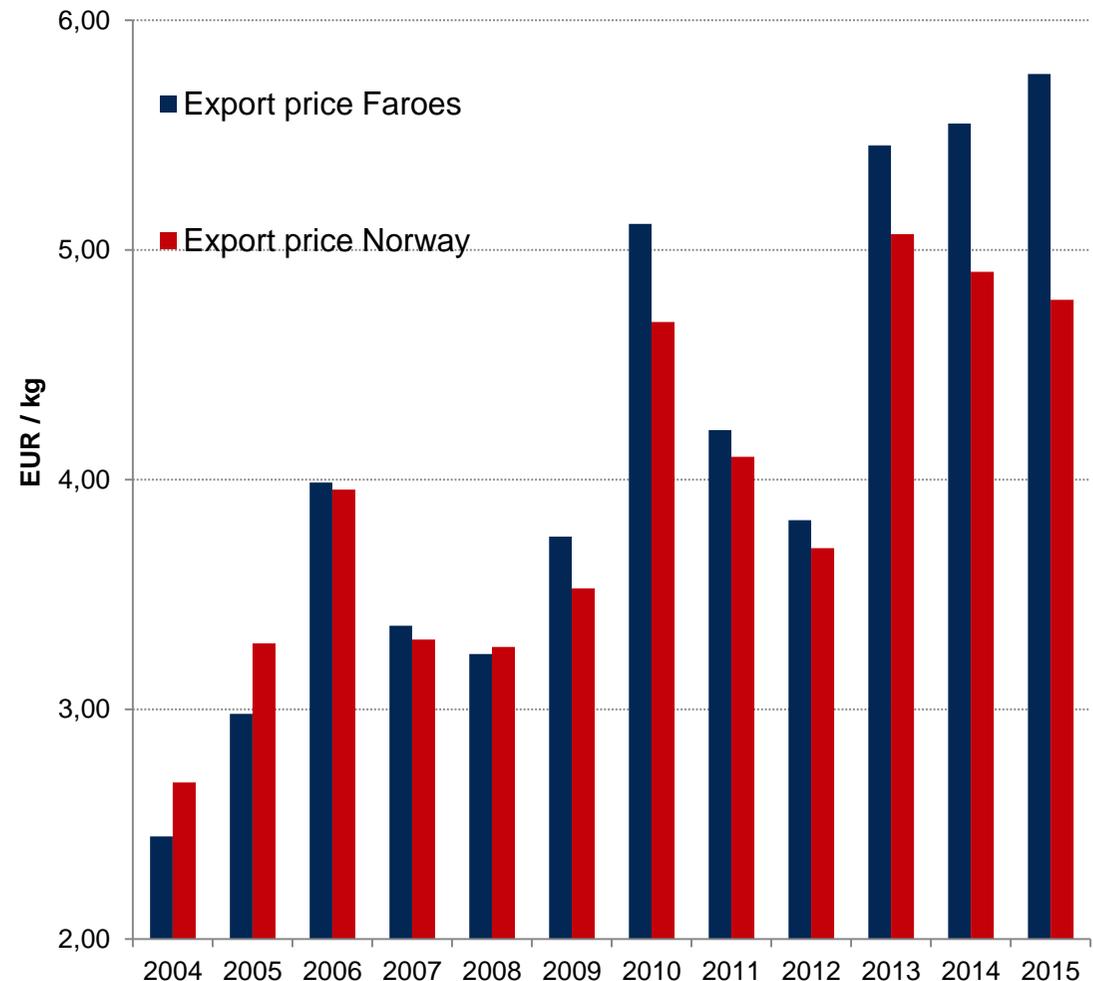
Feed used/harvest volume (HOG), EFCR



THE MARKET IS WILLING TO PAY UP FOR PREMIUM PRODUCTS

- Consistent large sized fish forms baseline for price premium
- Bakkafrost has further tailored its product for the premium market through
 - Investing in very high inclusion rates of marine raw materials
 - Development of a demand driven value added processing franchise
 - Including capability of “upgrading” parts of ~10% of fish normally sold at discount as “downgraded” due to skin scars, deformities etc.
- Superior market access as the Faroe Islands is rarely part of recurring trade sanctions/embargos/dumping duties etc.

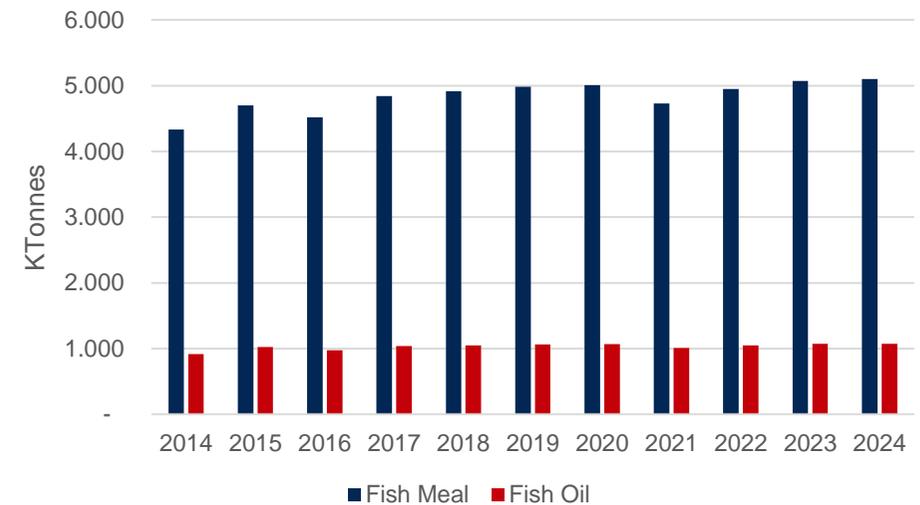
Price differential, Norway/Faroes



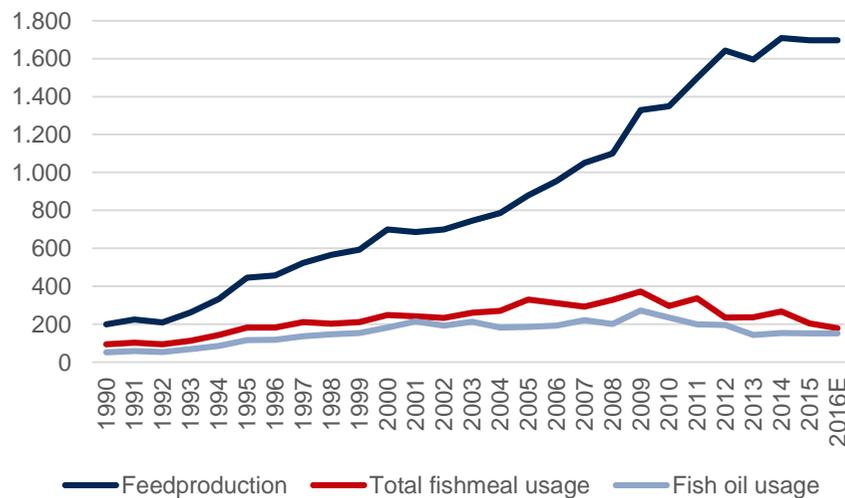
MARINE RAW MATERIAL IS A FINITE RESOURCE

- Fishmeal and fish oil key raw material for aquaculture (salmonids in particular)
- Extracted from wild catch (pelagic fish) with finite supply
- Growing demand requires reduced inclusion rates

Constant marine raw material availability

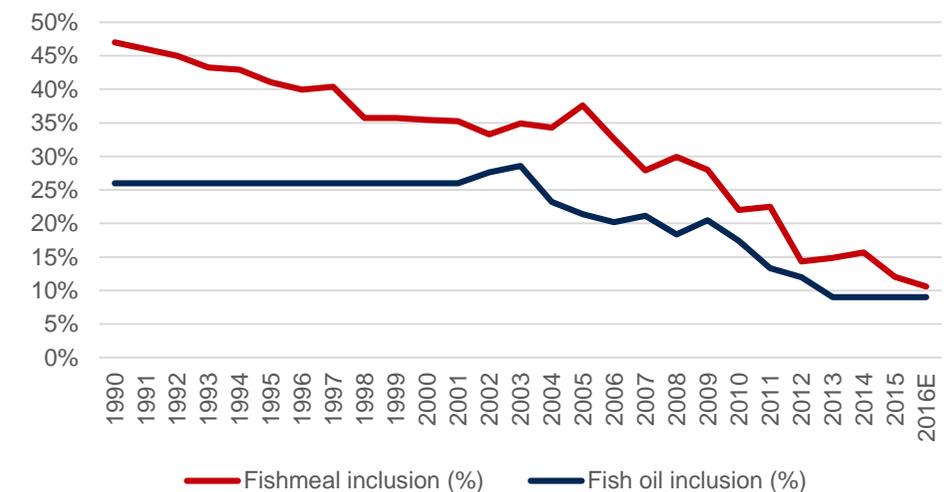


Development in usage(1)



Source: Holtermann, Bakkafrøst Note: (1) Norway

Development in inclusion rates(1)



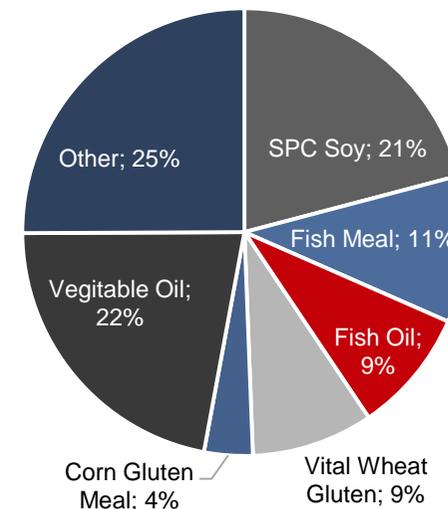
BAKKAFROST OFFERS A PREMIUM PRODUCT

- Supply constraints makes fish oil and fish meal costly ingredients
- Keeping the diet closer to the natural diet of wild salmon provides measurable benefits
 - Healthier nutritional profile of end product
 - Superior meat structure
 - Higher production efficiency due to animal welfare has positive impact on non-feed cost elements

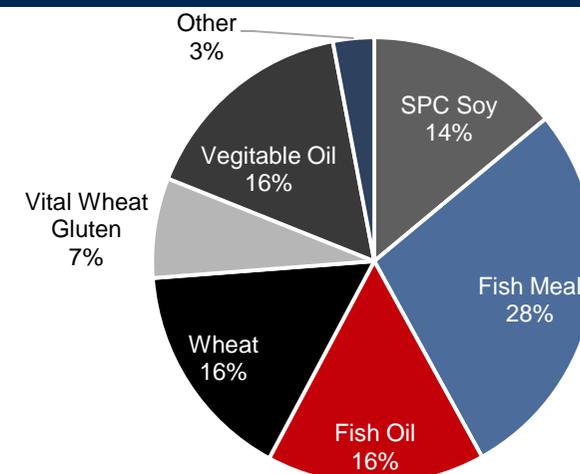


Source: Holtermann, Bakkafrost Note: (1) Norway

Standard feed recipe 2016E⁽¹⁾



Feed recipe Bakkafrost 2015



- Local raw materials
- High marine ingredient in feed
- A different taste – taste of the Faroe Islands
- Full traceability
- Certifications and quality systems
- Fish oil cleaned for pollutants



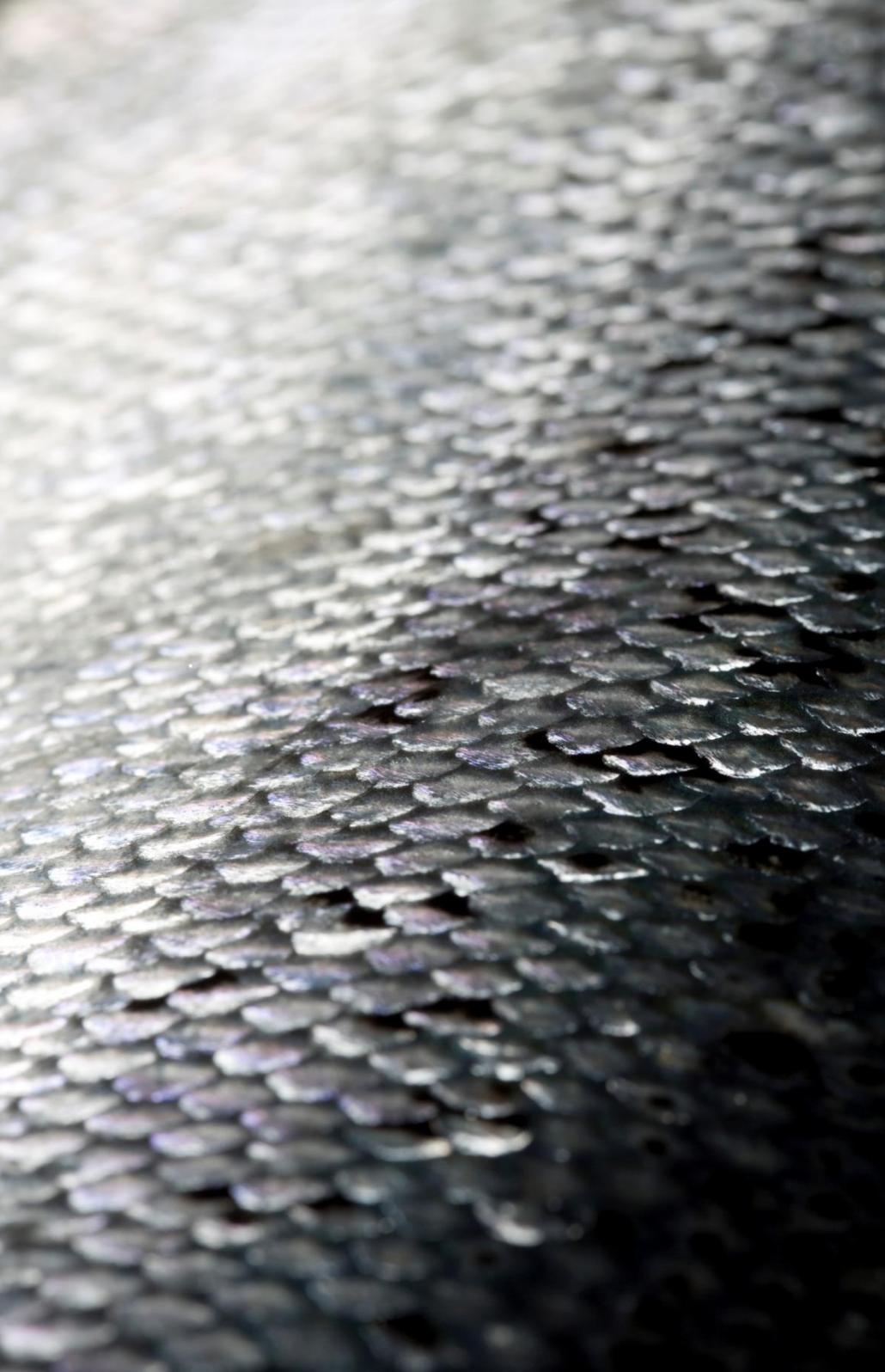
**TRADE PATTERNS DRIVEN BY LOGISTICAL COSTS AND TRADE BARRIERS****Trade barriers**

- Trade issues such as the Russia sanctions and strained relationship between Norway and China favours “independent” origins

2015	EU	USA	Russia	Brazil	China	Japan	Other	Total Production
Norway	821	46	0		28	39	176	1 111
Chile	40	202	55	99	16	12	107	532
UK	109	15			13	0	12	150
Canada		84			2	1	35	122
Faroe Isl.	17	13	25		9		6	69
Australia					6	1	34	41
Ireland	13						1	14
USA		12					6	18
Other/re-export	-22	3	19		2	1	15	18
Total Consumption	978	374	99	99	77	54	392	2 075

2015	EU	USA	Russia	Brazil	China	Japan	Other	Total Production
Norway	74 %	4 %	0 %		3 %	4 %	16 %	100 %
Chile	8 %	38 %	10 %	19 %	3 %	2 %	20 %	100 %
UK	73 %	10 %			9 %	0 %	8 %	100 %
Canada		69 %			2 %	1 %	29 %	100 %
Faroe Isl.	25 %	19 %	36 %		12 %		8 %	100 %
Australia					14 %	2 %	84 %	100 %
Ireland	94 %						6 %	100 %
USA		68 %					32 %	100 %
Other/re-export	-121 %	14 %	103 %		13 %	6 %	85 %	100 %
Total Consumption	47 %	18 %	5 %	5 %	4 %	3 %	19 %	100 %

Source: Kontali



- BOUTIQUE ORIGIN FOR SALMON
- MADE IN THE FAROE ISLANDS
- **INVESTMENTS 2016 - 2020**
- GLOBAL SUPPLY PICTURE 2016 - 2020
- FINANCE
- SUMMARY
- APPENDIX



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 - 2020

Investment program of DKK 2.2b from 2016 to 2020

Fishmeal, Oil & Feed (DKK 380m)

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

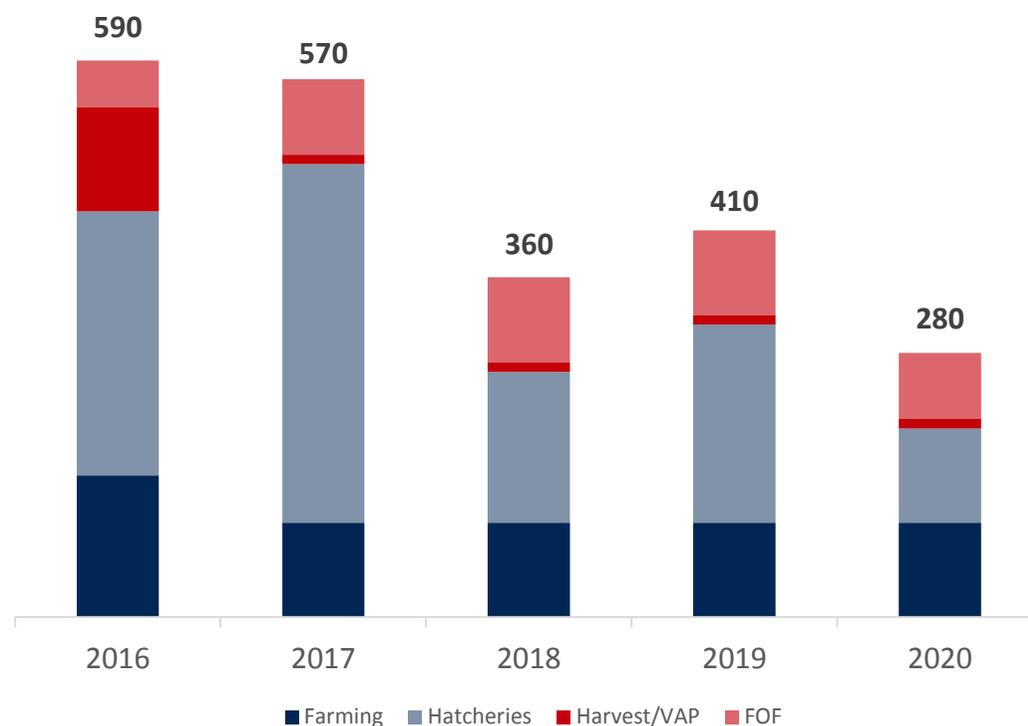
Smolt (DKK 1,130m)

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

Harvest/VAP Finalizing new plant (DKK 160m)

- 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 (DKK m)



Results in

- Reduces biological risk
- Give opportunities for organic growth
- Better usage of off-cuts from salmon production
- 5-6 years pay back on investments

ILLUSTRATION OF CAPACITY INCREASE WITH INVESTMENTS

Smolt

- Capacity expansion of 600% in order to reach 500g
- Will lead to Farming capacity expansion of 30%

Harvest/VAP Finalizing new plant

- Capacity expansion from 60kt to ~110kt HOG

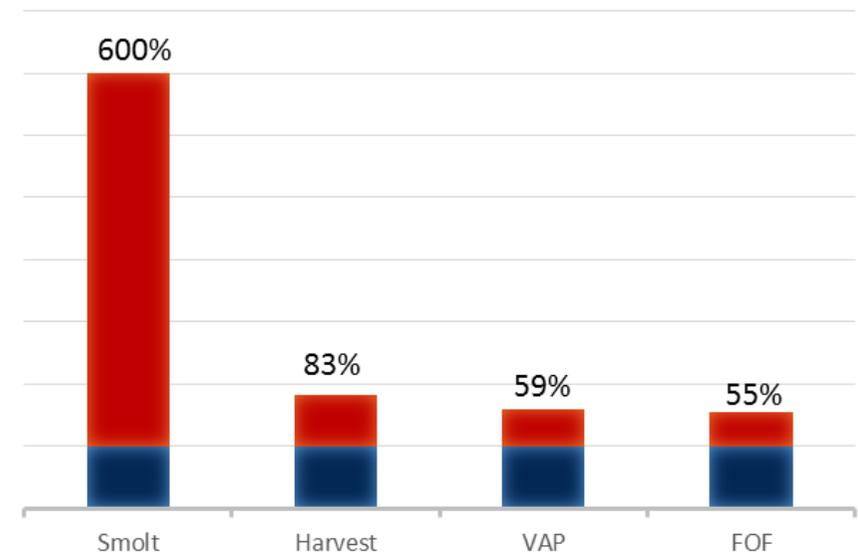
VAP

- New line increase capacity from 22kt to ~35kt

Fishmeal, Oil & Feed

- New Feed line increase capacity from 100kt to ~160kt
- Advanced feed line capabilities

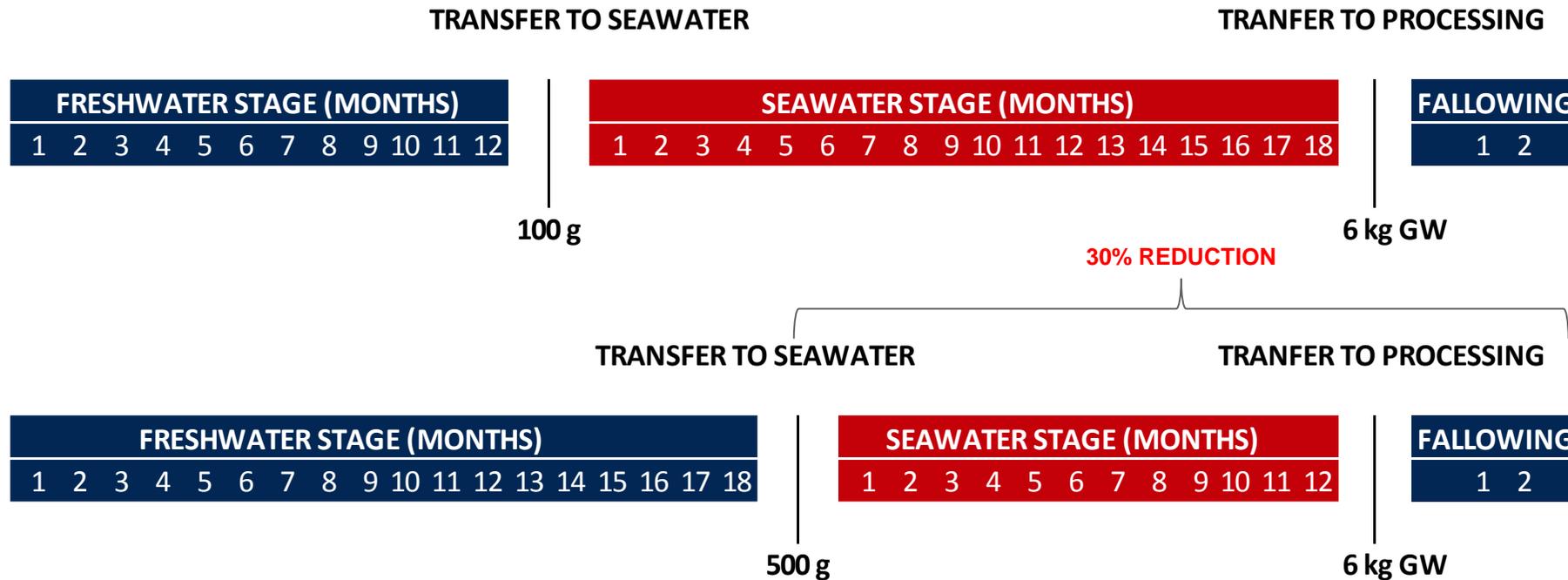
Capacity increase with investment program





DE-BOTTLENECKING: SHORTENING THE SEA-WATER PRODUCTION CYCLE

BAKKAFROST



- Allowing for ~30% increased production capacity
 - De-bottlenecking of value chain – cycle in sea reduced by ~5 months (~30%)
- Synchronised following
 - 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

VIÐAREIÐI S-21 EXPANSION 2016

Overview S-21

New site expansion 2016

- Volume expansion of 8,000 m³
- Total tank capacity after expansion: 11,200 m³
- Production 2015 – 3.3 million smolts with a size of 115 gram
- Production will increase to 4.5 million smolts with an average weight of 300 gram
- Hatchery Manager: Sigurð Jacobsen
- No of employees: 8



Bakkafrost 26-09-2015

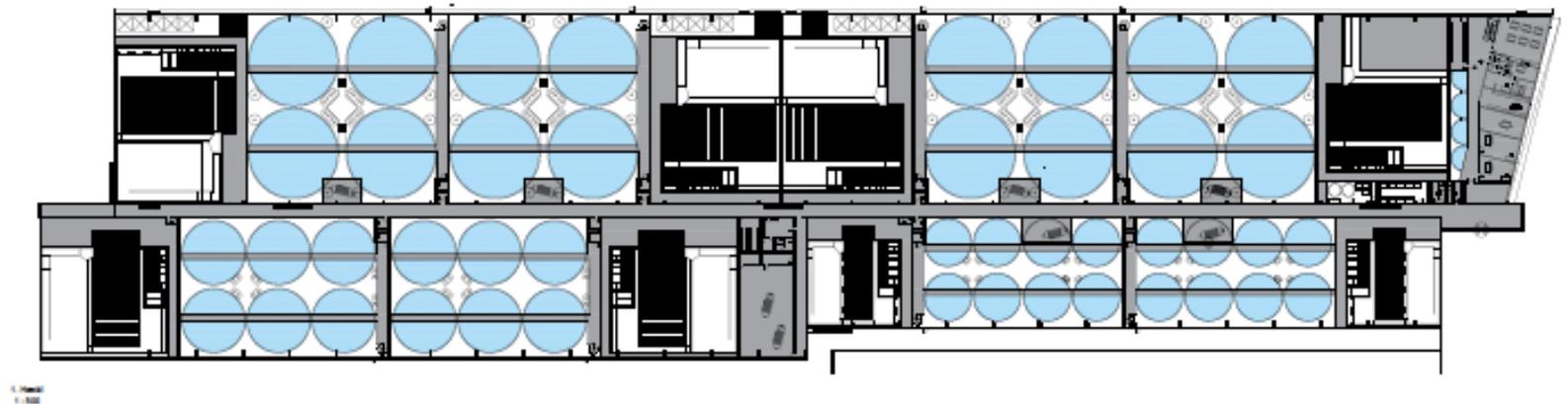
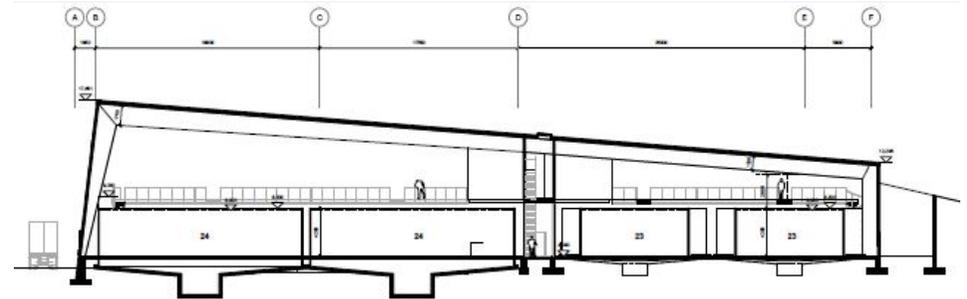
Building

- Ground floor 20,000 m²
- Total floor space 26,000 m²
- Total tank volume 28,760 m³
- Length 290 m – width 80 m

Construction period 2016 to 2018

- Number of employees: 12

Strond S-24 Construction period 2016-2018



LARGER SMOLT

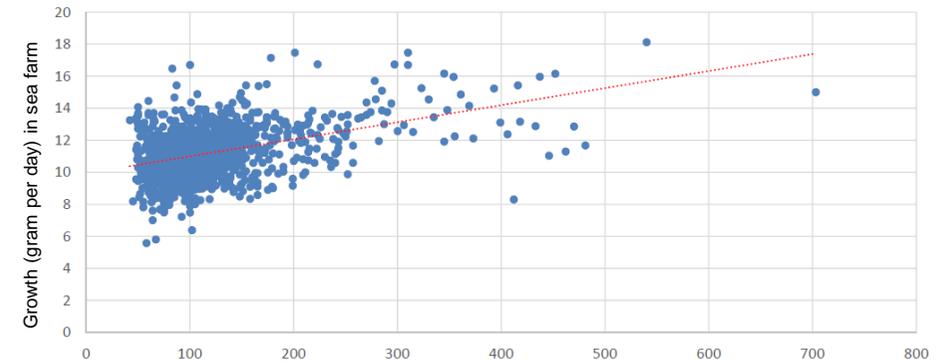
Reduce risk

- Time in sea water will be reduced by 6 months
- Reduced mortality
- Reduced need for treatment against sea-lice

Increase in production

- Possible to increase production by 30%
- Time in hatchery will be longer than in the sea

Size smolts and growth per day in farms (gram)



Size of smolts and growth time in sea to 6kg HOG (months)

Size of smolts	100	200	300	400	500	600
Growth (gram per day)	11,0	12,0	13,2	14,3	15,5	16,6
No of months to 6 kg	17,6	15,8	14,2	12,8	11,6	10,7

Time in hatchery from egg to 0,5 kg ca 16 months

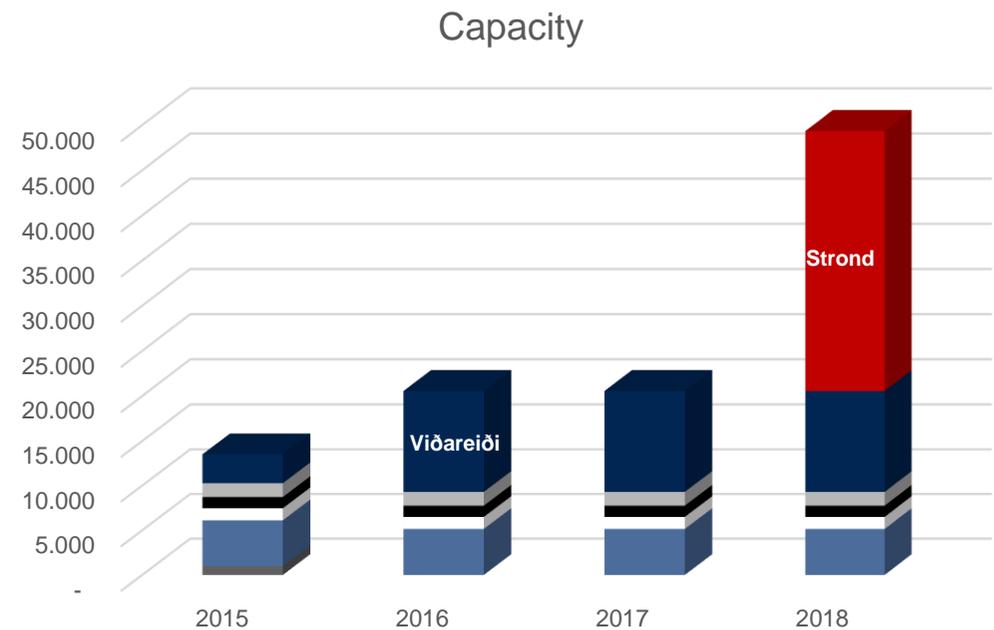
Time in seawater from 0,5 gr to 6 kg ca 12 months

FRESH WATER DIVISION CAPACITY INCREASE

Capacity increase in order to produce large smolt

- The capacity increases in 2016 with the new Hatchery at Viðareiði 8,000m³
- New Hatchery at Strond 29,000m³ in operation in 2018
- Total capacity 4 folded from 2015 to 2018

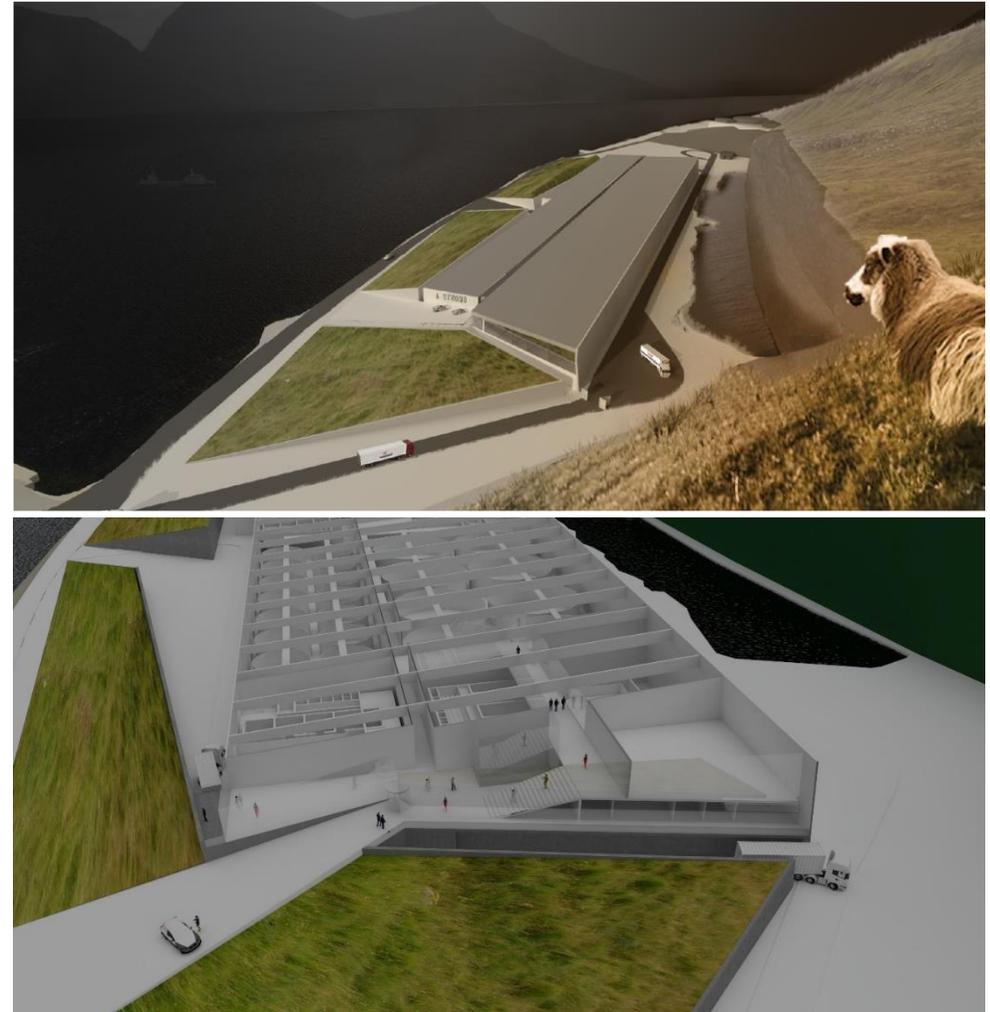
Capacity development



NEW HATCHERY S-24 STROND IN KLAKSVÍK

- In operation in H2 2018
- Capacity to produce ~7 million smolts á 500 gram
- Goal to secure improvements in the following areas:
 - Efficiency
 - Biological risk
 - Organic growth

New Hatchery Strond in Klaksvík



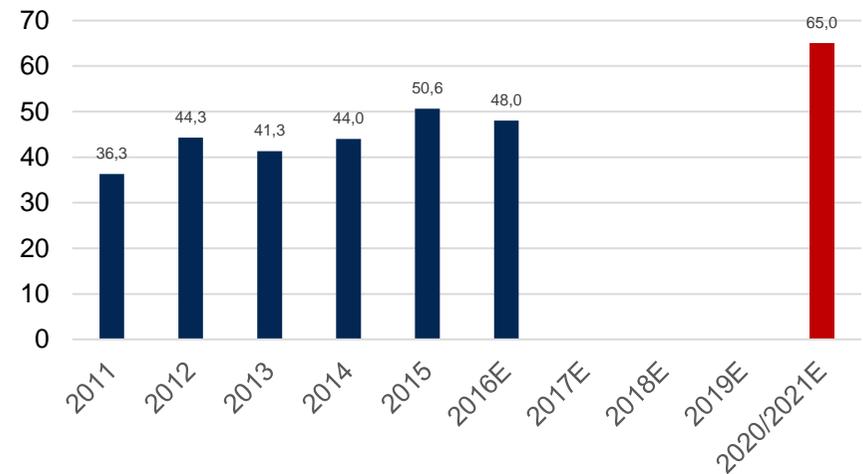


INCREASED SMOLT PRODUCTION LEADS TO INCREASED PRODUCTION

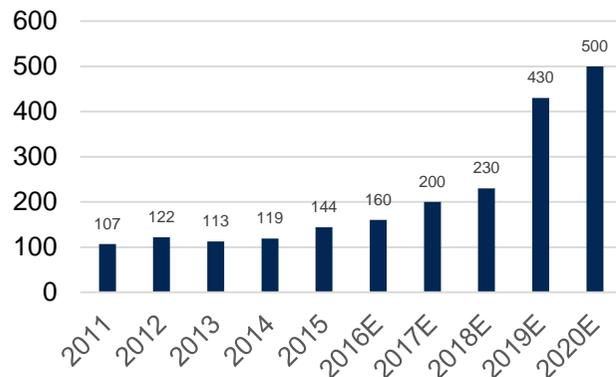
Larger smolt (PS) will reduce time of cycle in farming

- 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

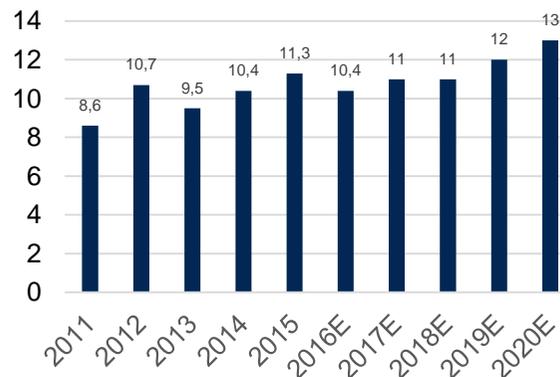
Farming volume – growth potential with PS (1,000 tonnes)



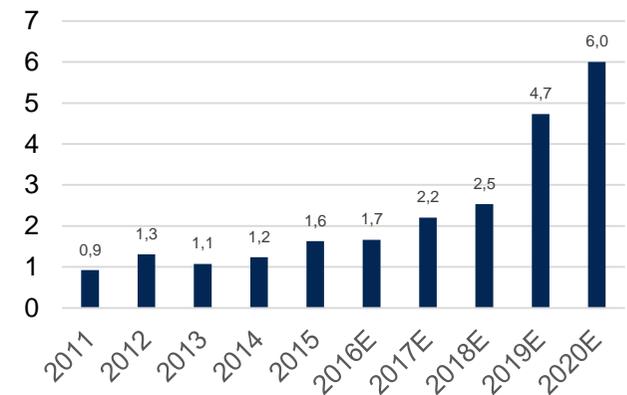
Smolt size on released fish (size gram)



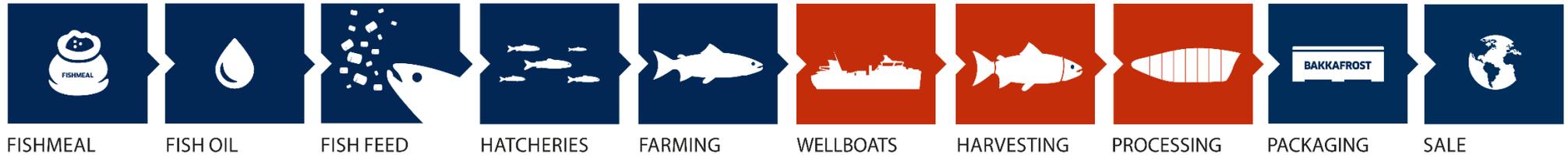
Smolt release (million pcs)



Production volume (1,000 tonnes)



EXPANDING PROCESSING AND VAP CAPACITY



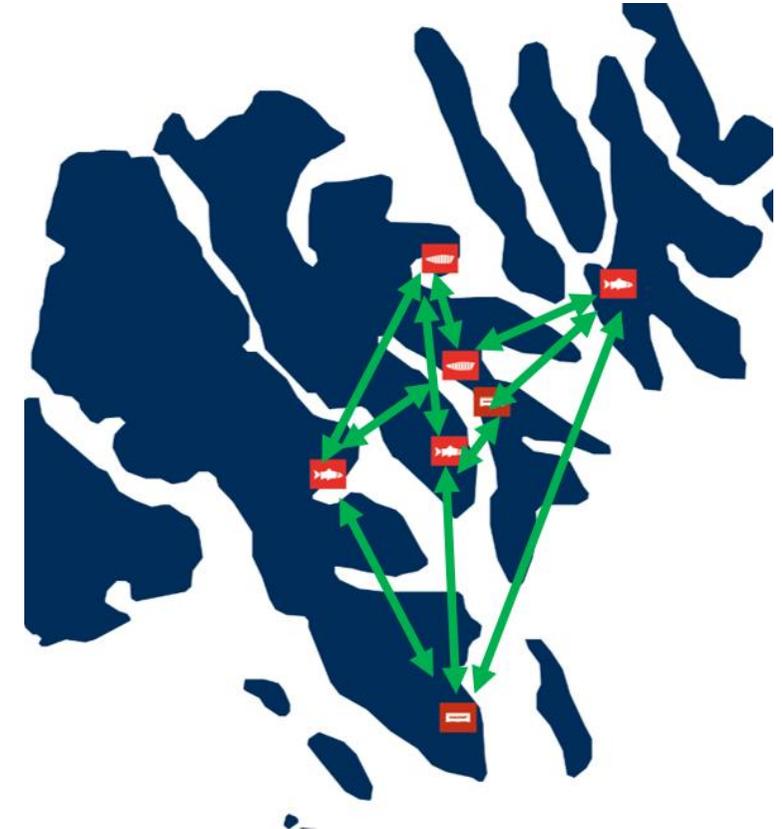
Goals

- Increase capacity
- Highest efficiency
- Best flexibility
- Highest quality
- Reduce biological risk

Overview of 7 Harvest- & VAP factories

Fragmented inefficient processing structure

- 7 Sites
 - 3 Harvest plants
 - 2 VAP plants
 - 2 Styropor plants
- Internal transport
 - 25 trucks daily
- Challenge to optimize production and orders
- No Pre-rigor production

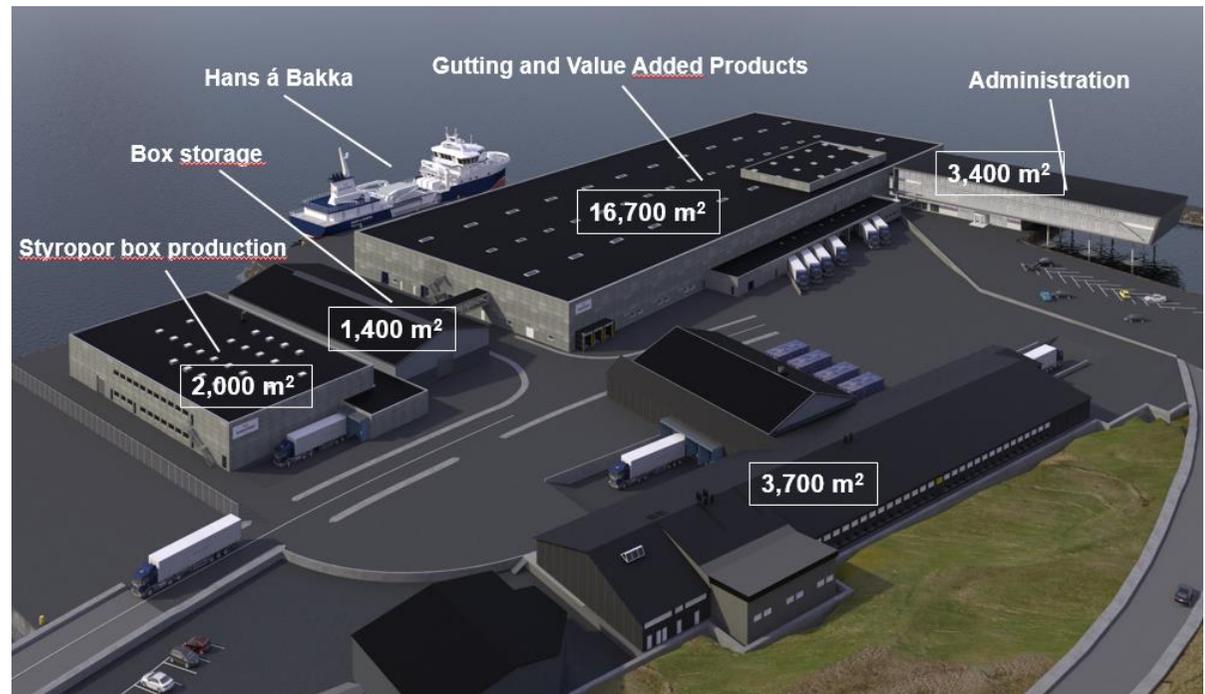


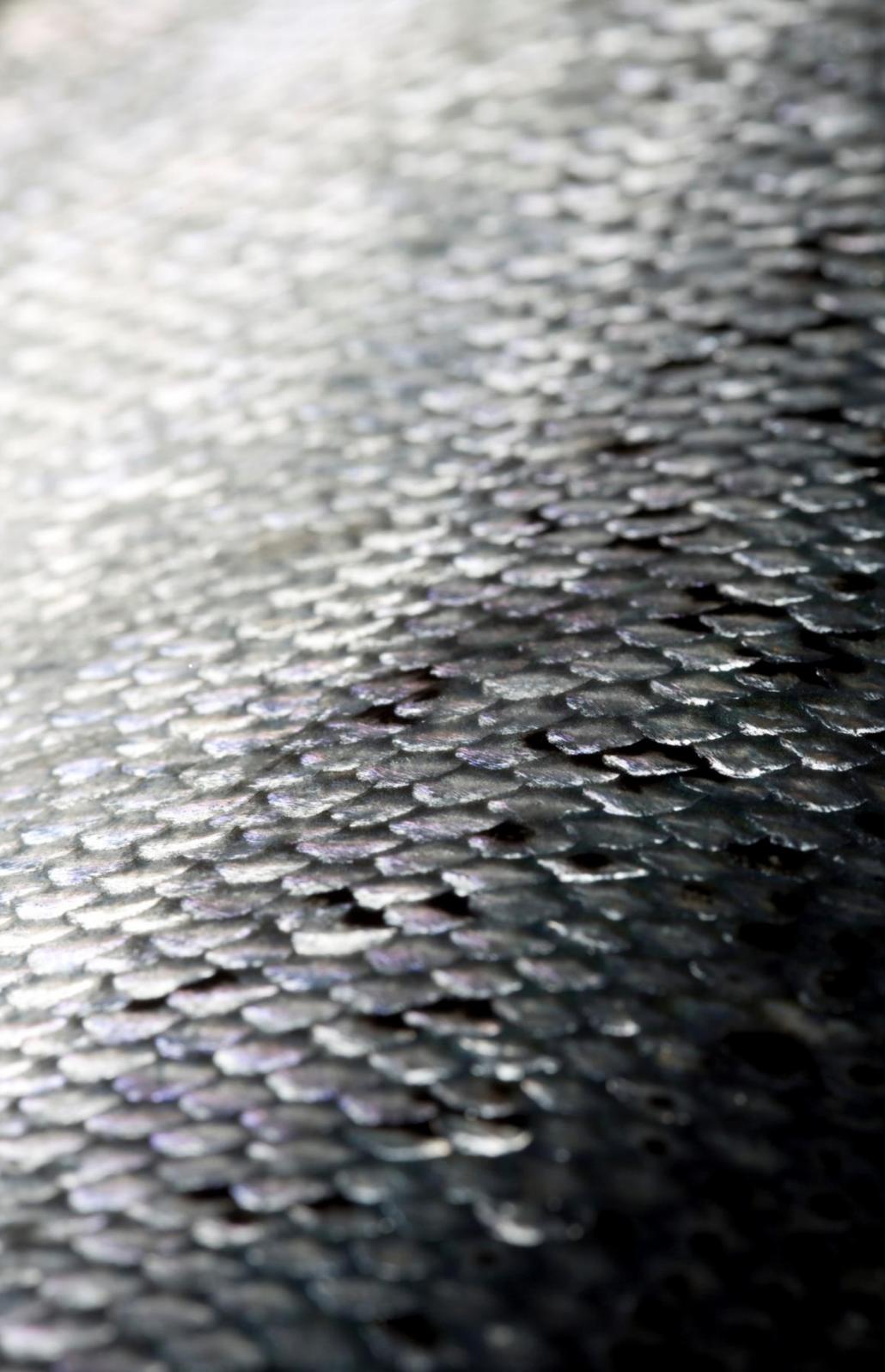
New plant in operation in H2-2016

- Reduced costs in:

- Logistics
- Operation
- Energy
- Maintenance

Amounting to DKK 70 – 90 million per year





- BOUTIQUE ORIGIN FOR SALMON
- MADE IN THE FAROE ISLANDS
- INVESTMENTS 2016 - 2020
- **GLOBAL SUPPLY PICTURE 2016 - 2020**
- FINANCE
- SUMMARY
- APPENDIX

KONTALI'S FORWARD LOOKING ESTIMATES FOR OUTPUT

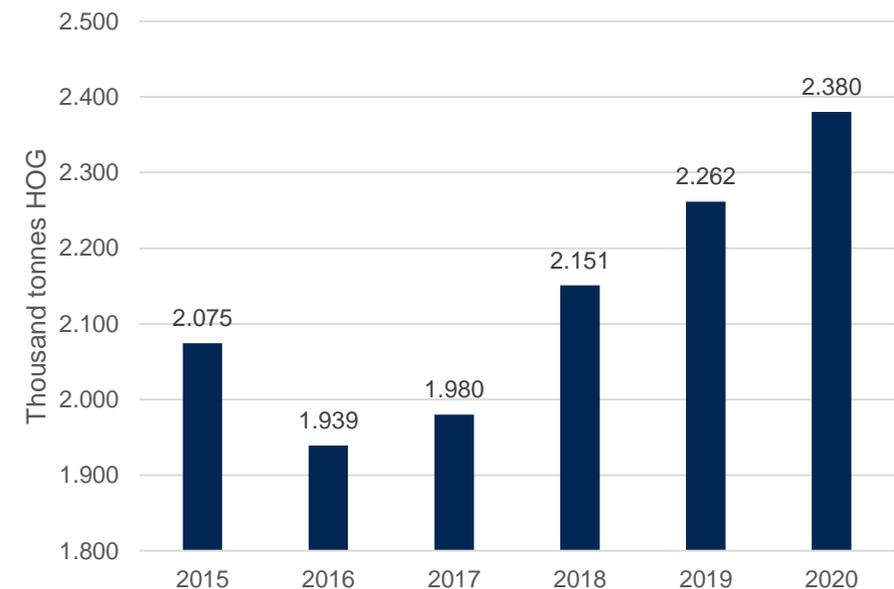
FACTORS DRIVING HIGHER GROWTH

- Lower sea lice pressure Norway - reduced treatment
- Faster development of alternatives to antibiotics, for control/combat of SRS - Chile
- Higher & faster than expected granting of development licences - Norway
- Positive sea lice situation through 16/17, allowing for full, green "traffic-light" based capacity growth
- Improvement in survival/yields - particularly in larger regions
- Implementation larger smolt - taking place faster than anticipated

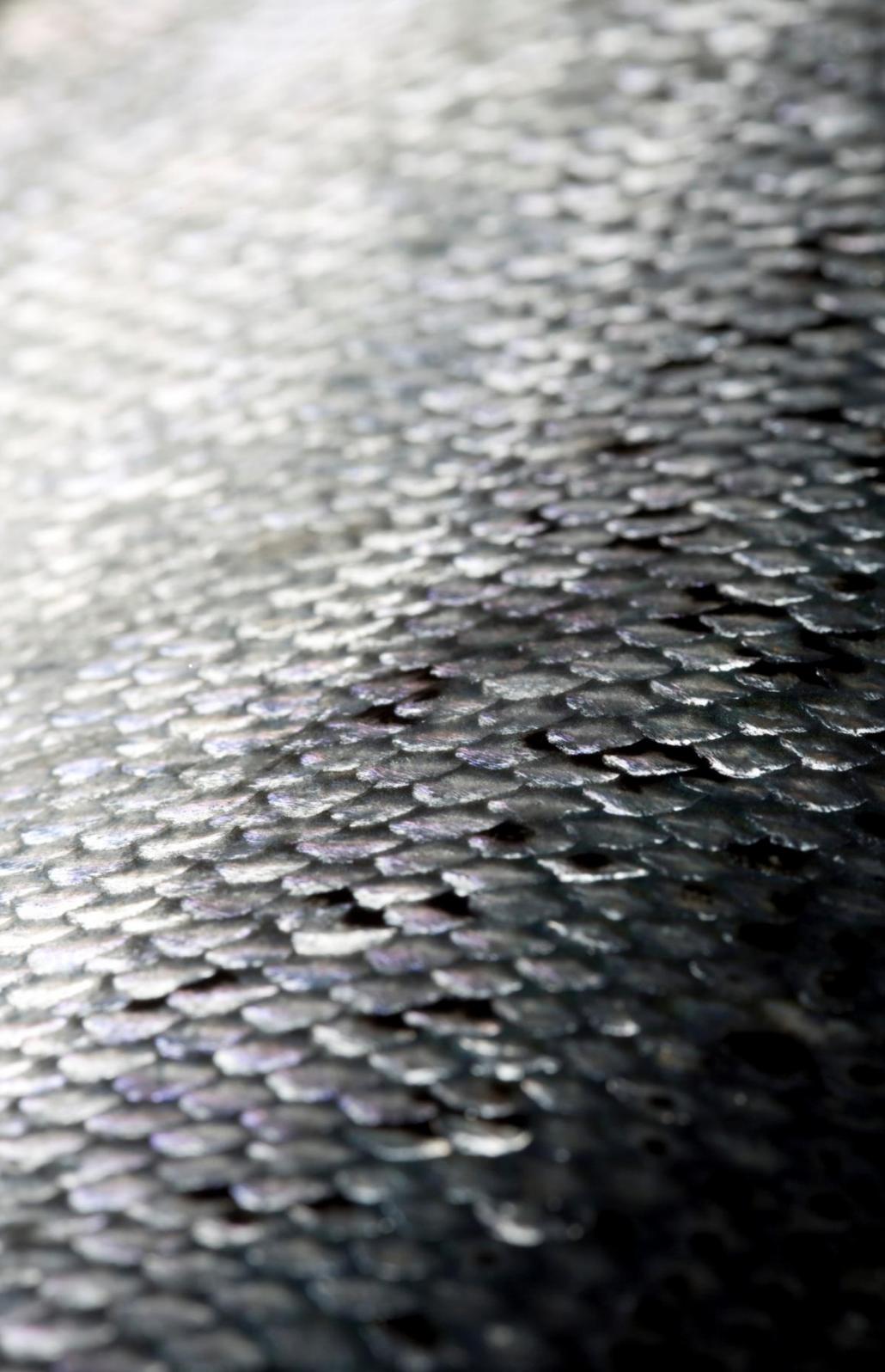
FACTORS DRIVING LOWER GROWTH

- Low and slow issuance of development licences - Norway
- Continued high prevalence of SRS & sea lice Chile - Limiting earnings & cash flow
- Negative sea lice-situation in 16/17, reducing "traffic-light" based capacity growth
- Set-backs linked to biology or fish-health related issues - Particularly Norway / Chile
- General deterioration in productivity factors, such as survival, yields etc.

Estimated supply 2015 – 2020 (HOG Farmed Atlantic Salmon)



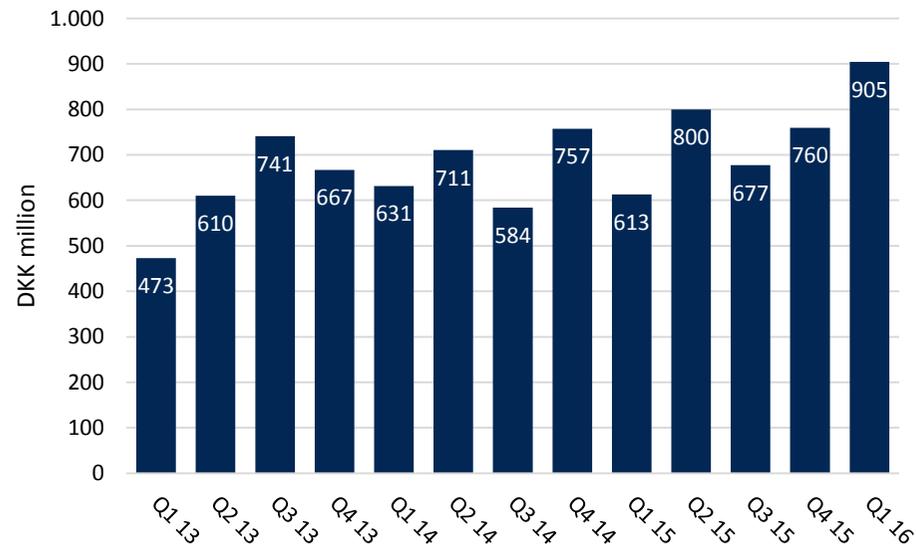
Source: Kontali, Bakkafrøst



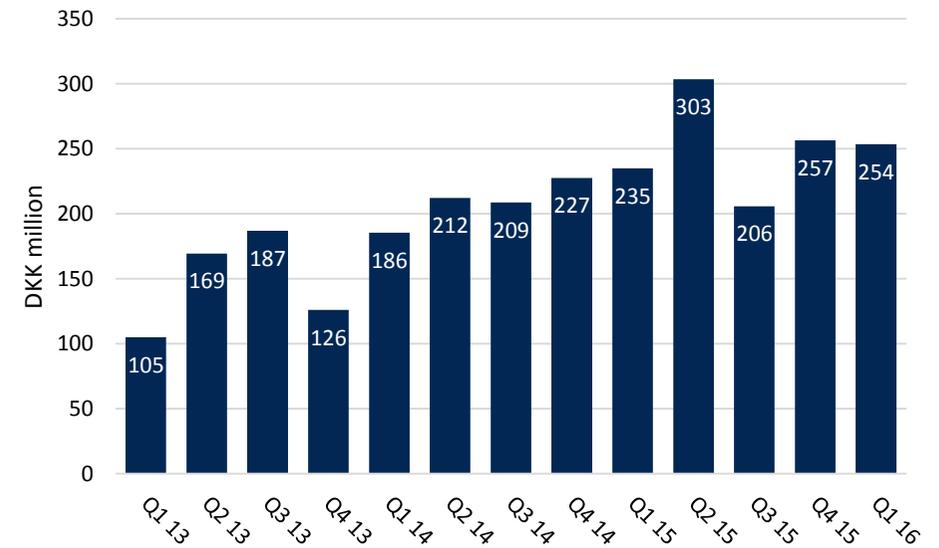
- BOUTIQUE ORIGIN FOR SALMON
- MADE IN THE FAROE ISLANDS
- INVESTMENTS 2016 - 2020
- GLOBAL SUPPLY PICTURE 2016 - 2020
- **FINANCE**
- SUMMARY
- APPENDIX

KEY FINANCIALS

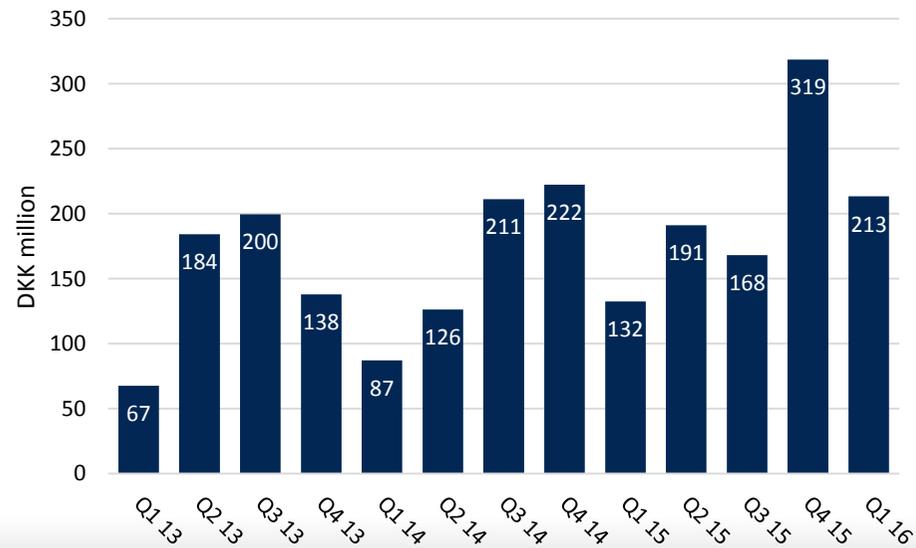
Revenue



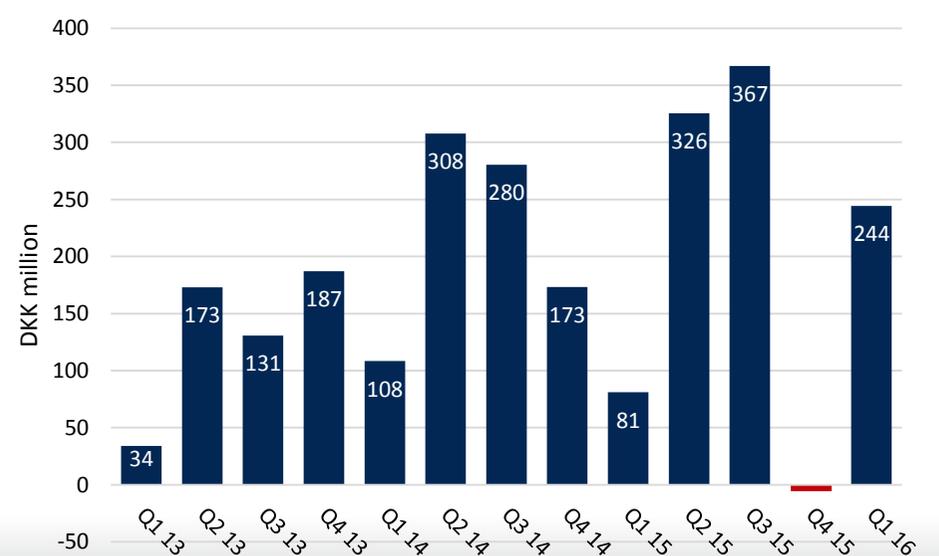
Operational EBIT



Profit for the period



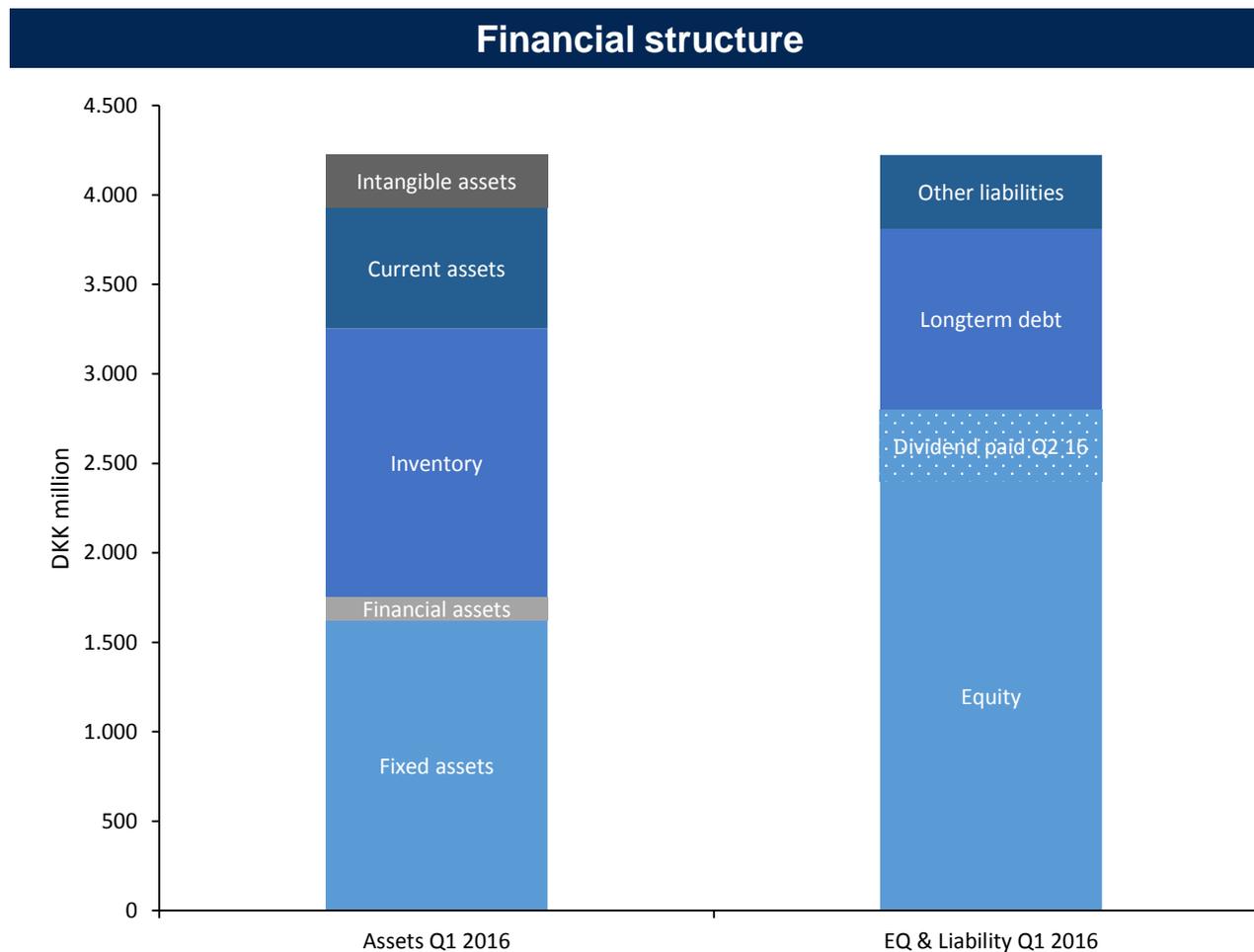
Cash Flow from operations



FINANCIAL POSITION

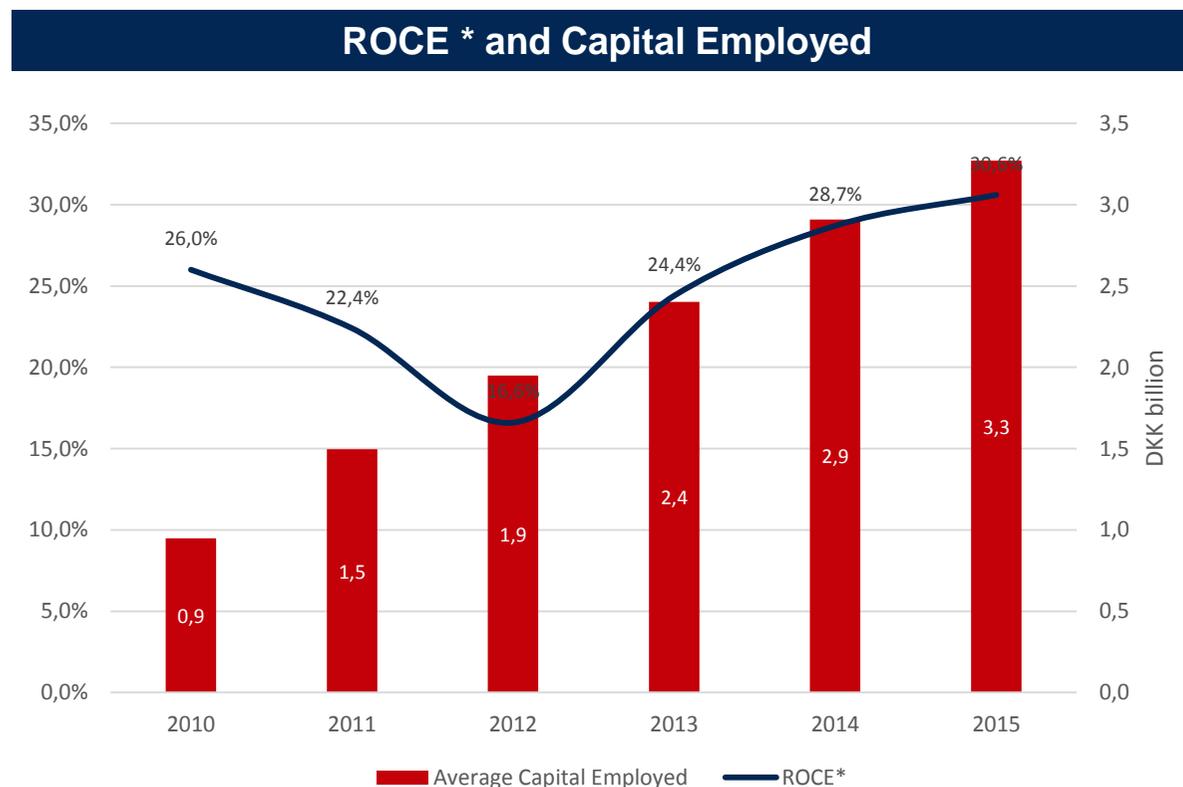
Strong balance sheet

- NIBD DKK 218 million
- Dividend DKK 403 million paid out Q2 2016
- Necessary to handle
 - Investments 2016 - 2020
 - Dividend policy
 - Cyclicity



RETURN ON CAPITAL EMPLOYED

- Capital employed has in average increased 23% yearly from 2010 to 2015
- Return on capital employed has varied from 16.6% in 2012 to 30.6% in 2015

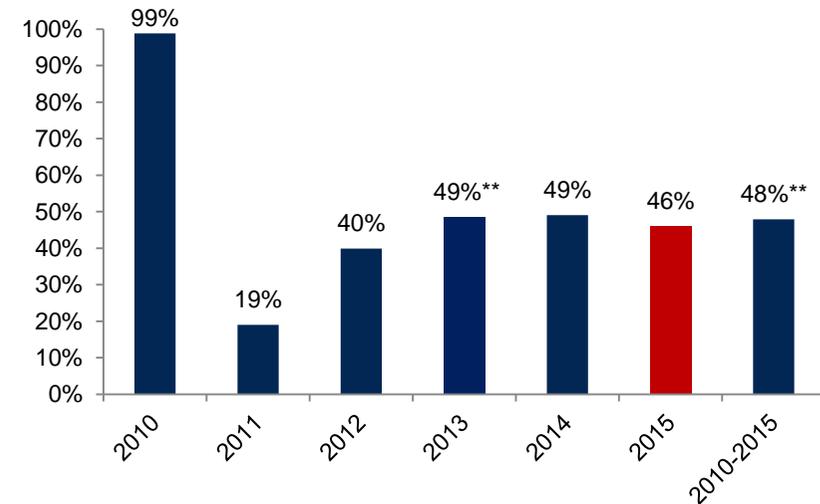


*) ROCE = Operational EBIT on Average Capital Employed

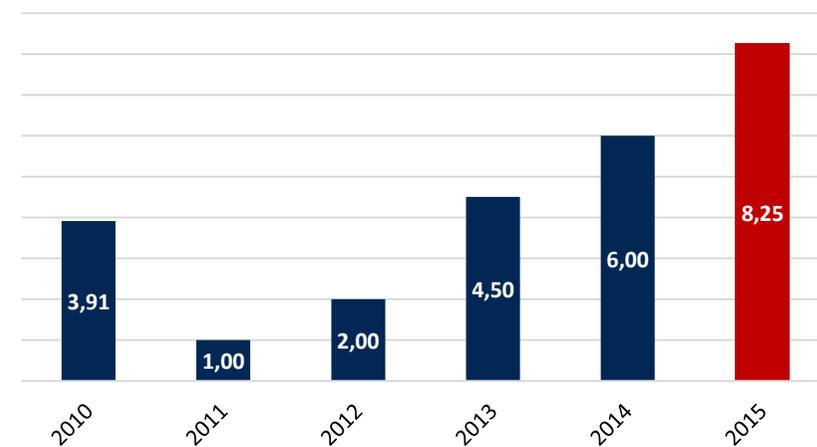
Dividend policy

- 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

FINANCIAL TARGETS

Financial targets

VAP contract coverage: 40-50% on a 12 month roll

Equity target: > 50%

Dividend: 30-50% of adj. EPS

Growth: 30% over next 5 years

Status per Q1 2016

VAP contract coverage last four quarters: 32%

Equity ratio: 66%

Dividend (pay-out 2010-2015): 48%



NIBD & CASH FLOW – SOURCES AND USES

Significant cash outflow from 2013 to 2015:

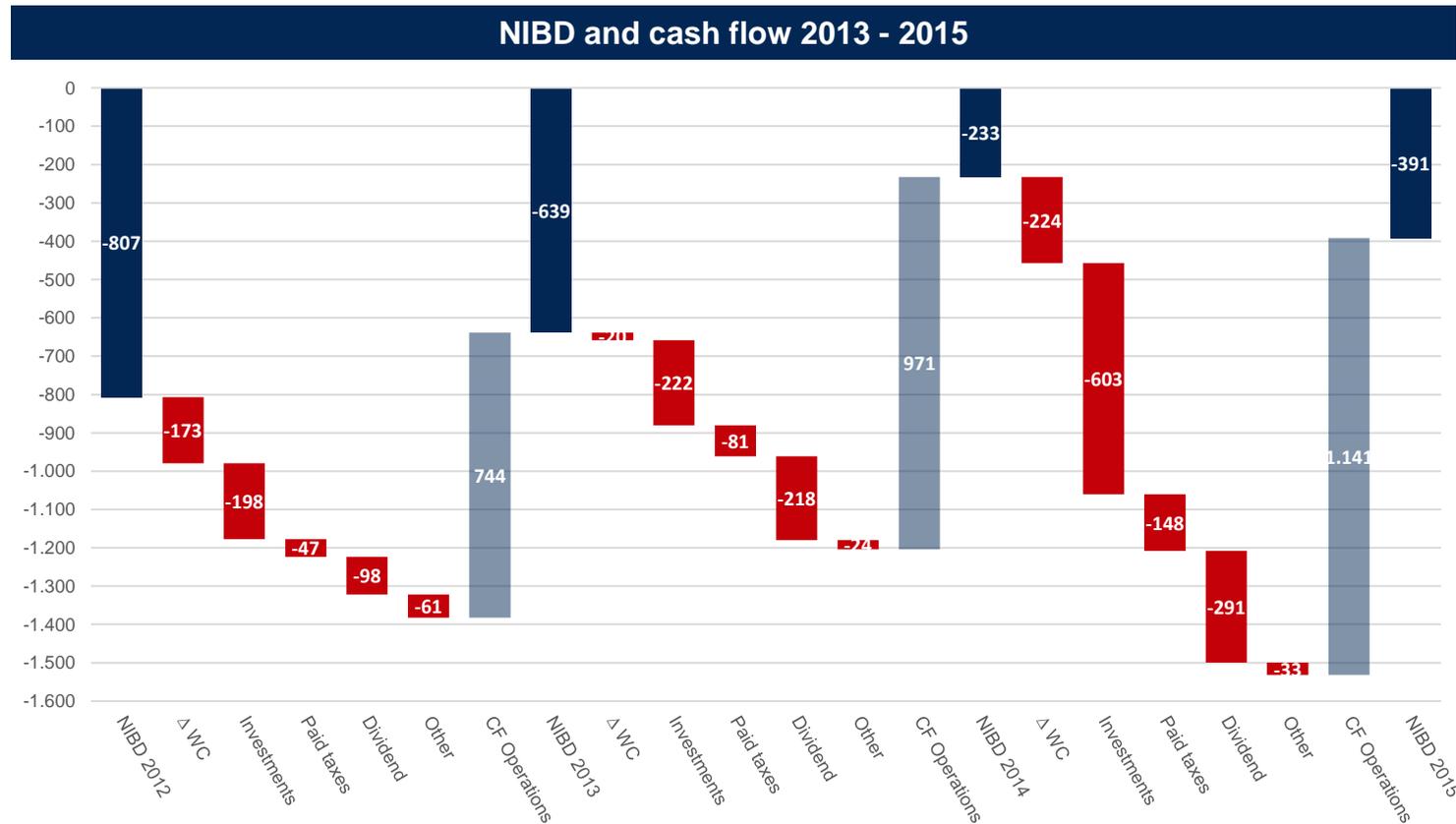
- Investments DKK 1,023 million
- Δ Working Capital DKK 417 million
- Dividend payment DKK 607 million

Significant cash outflow from 2013 to 2015 is supported by strong cash inflow from operations

- CF Operations DKK 2,856 million

Bakkafrost has decreased NIBD from DKK 807 million at the end of 2012 to DKK 391 million at the end of 2015, and

- Investment program proceeded according to plan
- Paid out dividend according to dividend policy



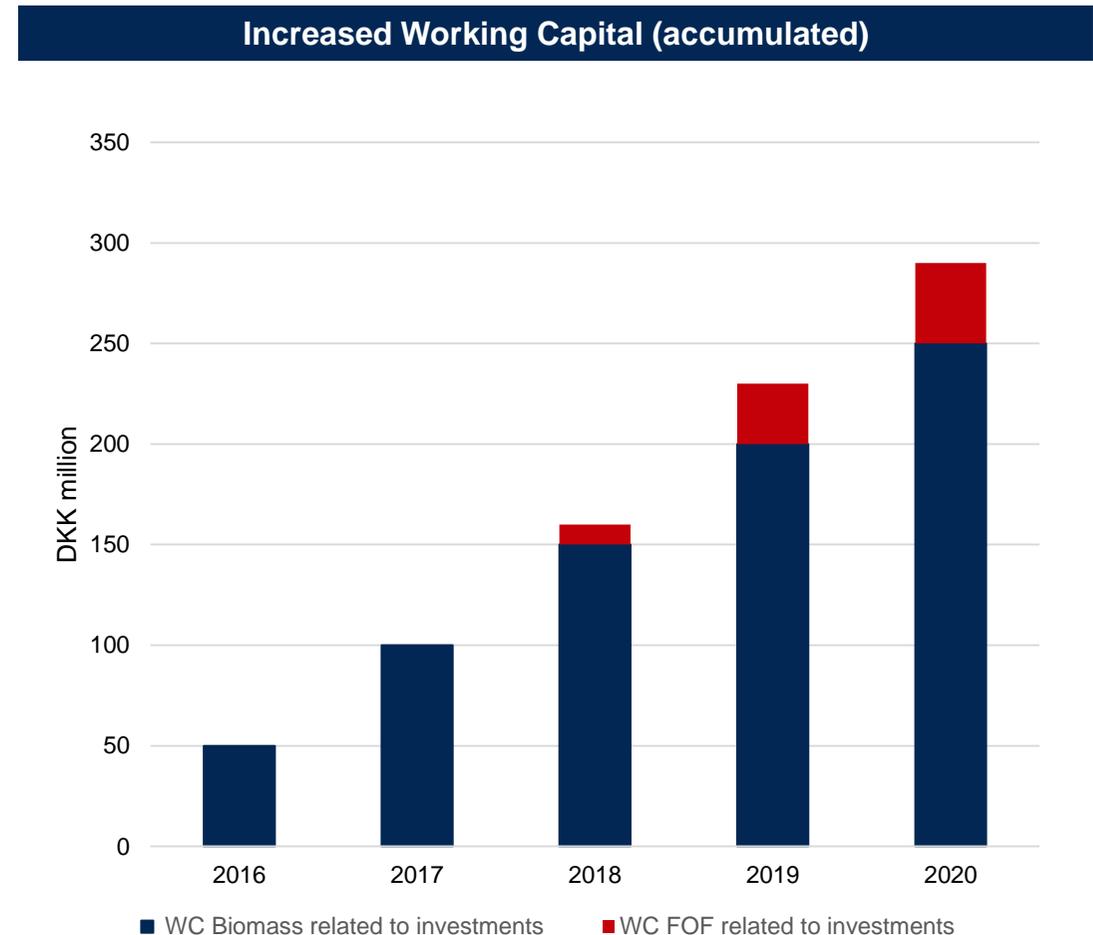
WORKING CAPITAL IMPLICATIONS

Hatchery investment

- The investment in hatcheries will increase capacity and thus biomass, both on land and at sea
- Will result in increased future volume harvested
- The blue bars on the graph illustrate a linear accumulated increase of biomass until 2020

FOF investment

- The investment in increased feed line and new salmon meal and –oil plant will increase inventory
- Increase inventory depends on quantities and prices



INVESTMENTS - FUTURE VS. PAST

Past 3 years

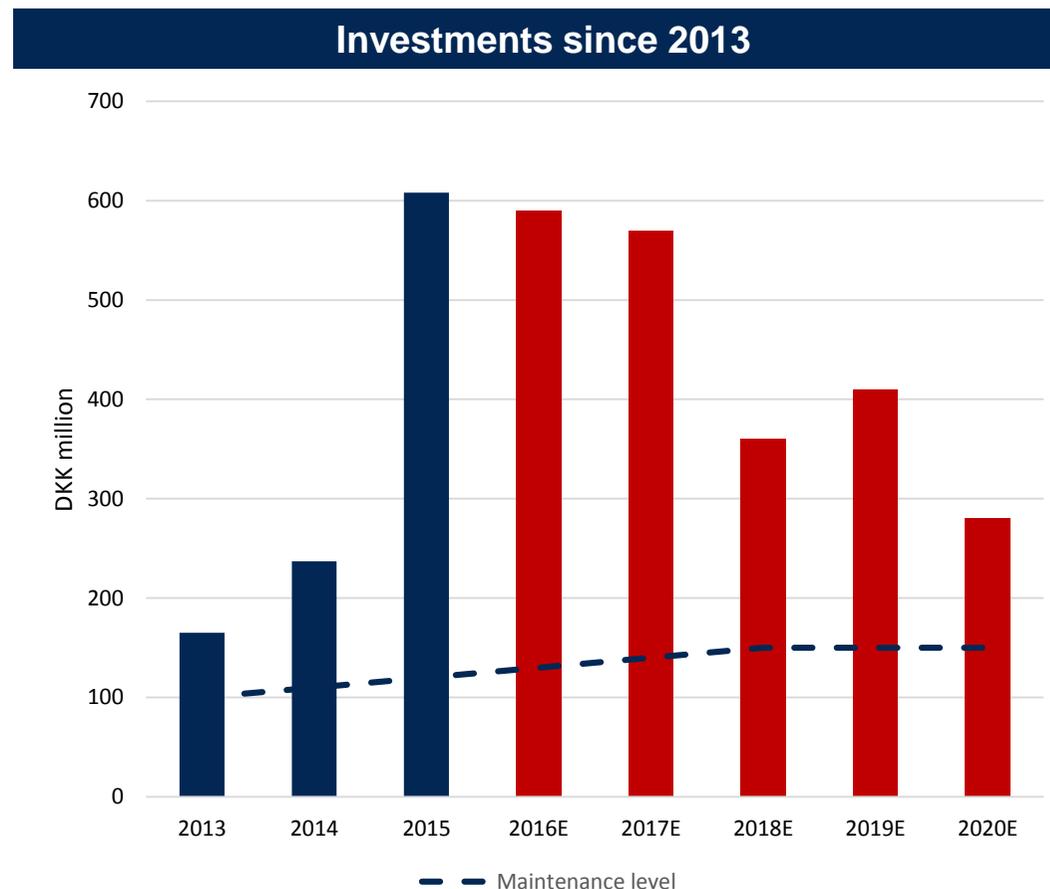
- Investments 2013 – 2015
 - DKK 1.0 billion (incl. maintenance)

Future 5 years

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

Maintenance level

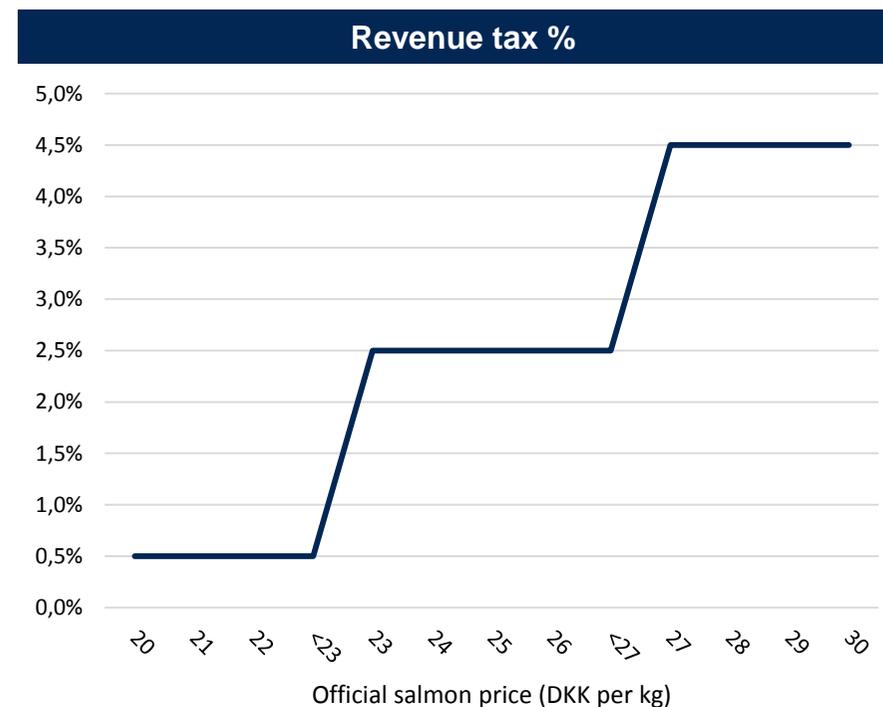
- Maintenance level have increased since 2013 and is expected to be in the range DKK 125-175 million yearly in 2020



TAX REGIME IN THE FAROE ISLANDS

Two types of taxes for sea farming companies

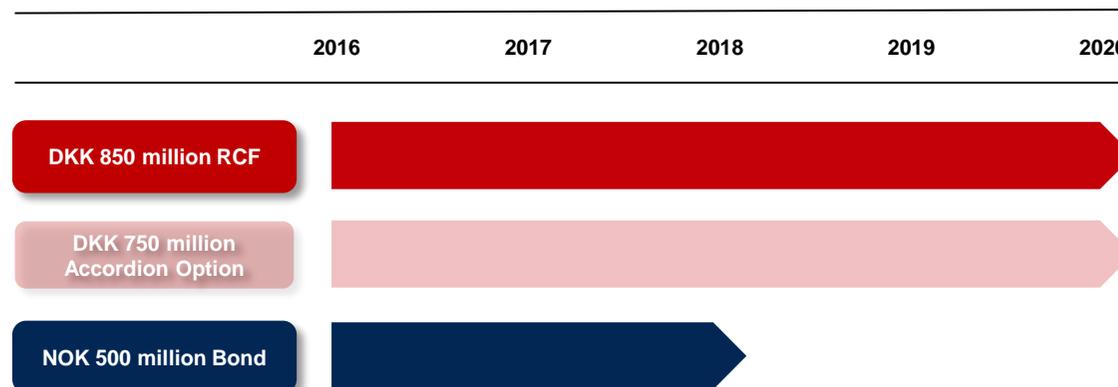
- **The corporate tax** is 18%
 - Corporate tax is paid in Q4 following year
- **The revenue tax** is calculated on basis of harvested volume and international official salmon prices
 - Three steps in the international official salmon price
 - under 23 DKK per kg, results in 0.5% revenue tax
 - between 23 DKK and 27 DKK per kg, results in 2.5% revenue tax
 - over 27 DKK per kg, results in 4.5% revenue tax
 - The international official salmon price is based on the monthly average spot price according to Fish Pool Index
 - The revenue tax is deductible in the corporate tax calculation
 - Exception is made for harvest ordained by a veterinarian
 - Quarterly payment of revenue tax



FINANCING OF BAKKAFROST

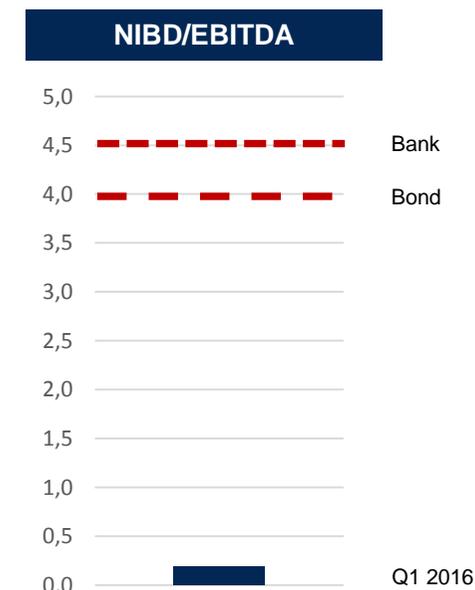
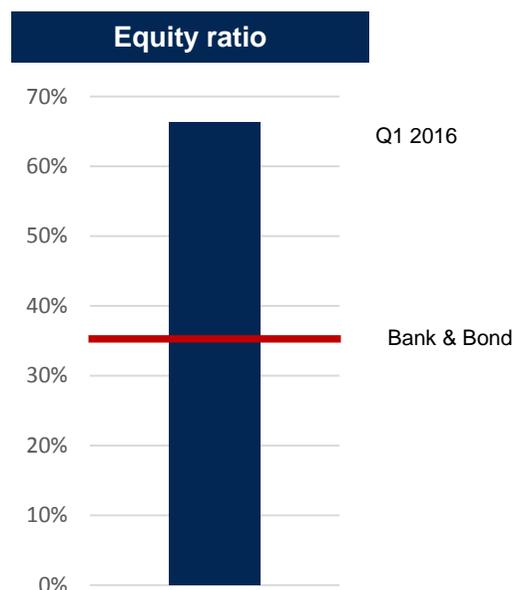
Bank loan and Bond

- DKK 850 multicurrency revolving credit facility
- DKK 750 million accordion option
- NOK 500 million bond (swapped into DKK)



Financial covenants

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

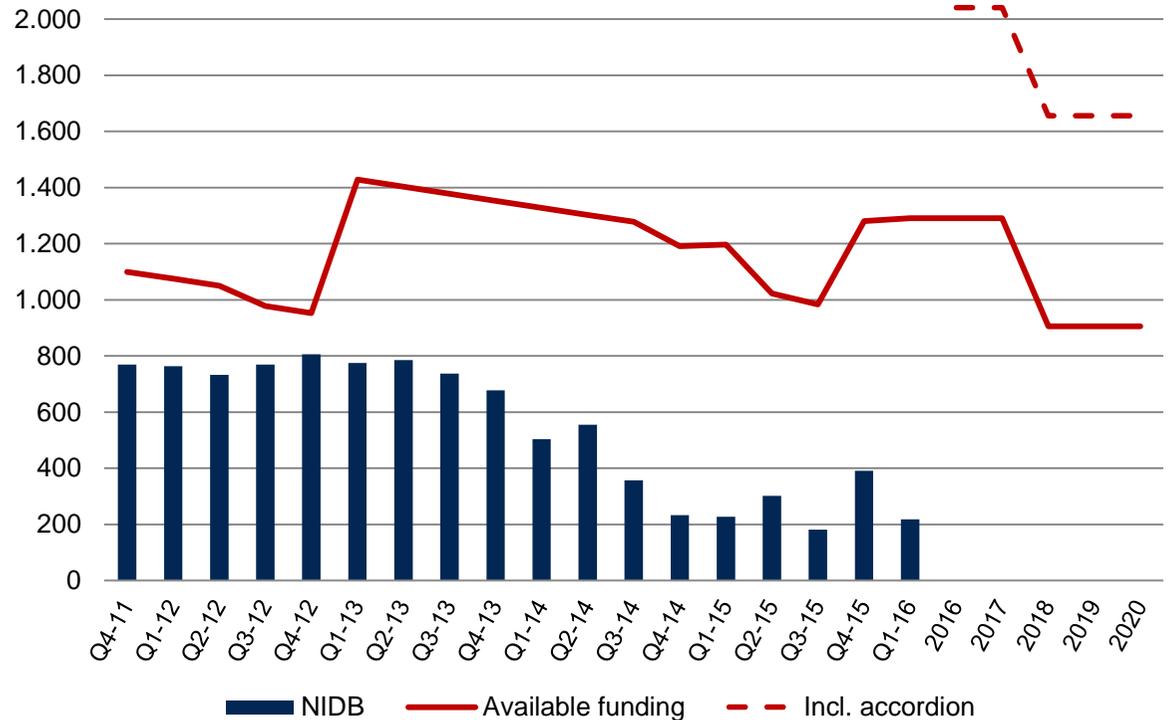


Financing of the Group

- 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
 - Can be increased by DKK 750 million in accordion option, total funding would be ~ DKK 2,041 million



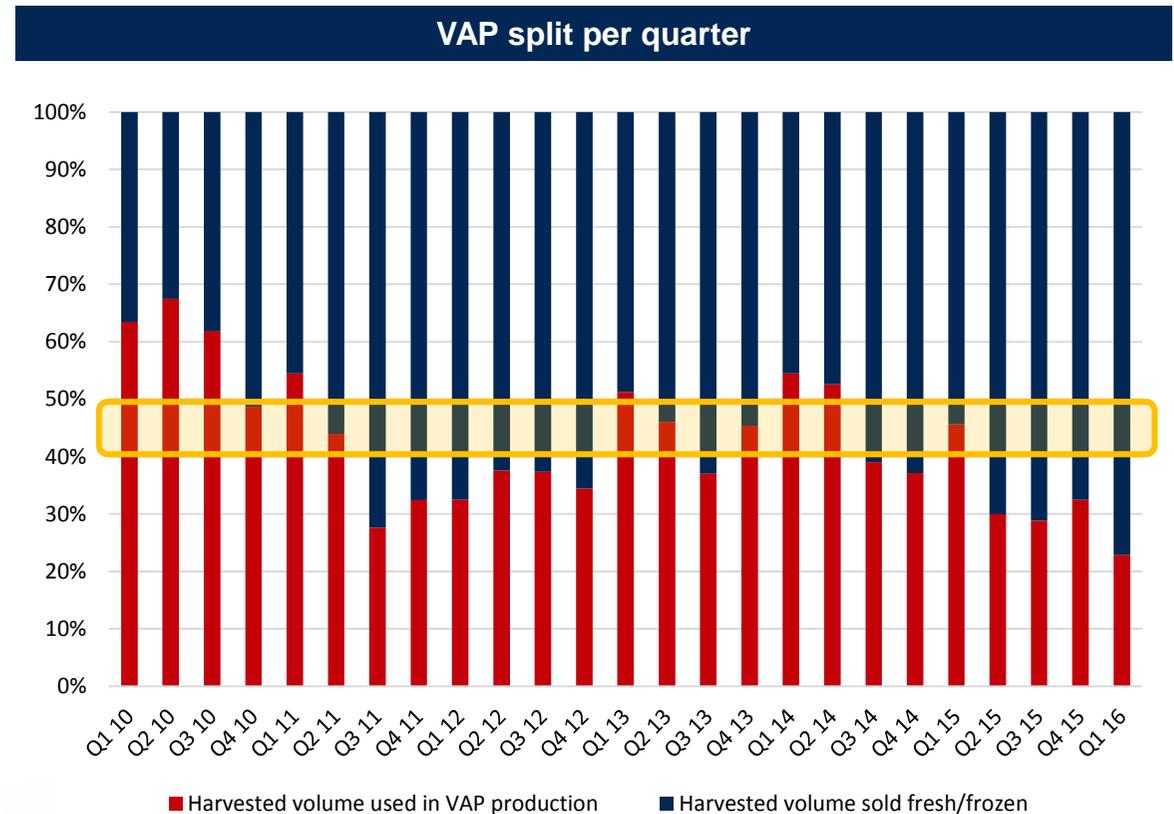
NIBD and available funding

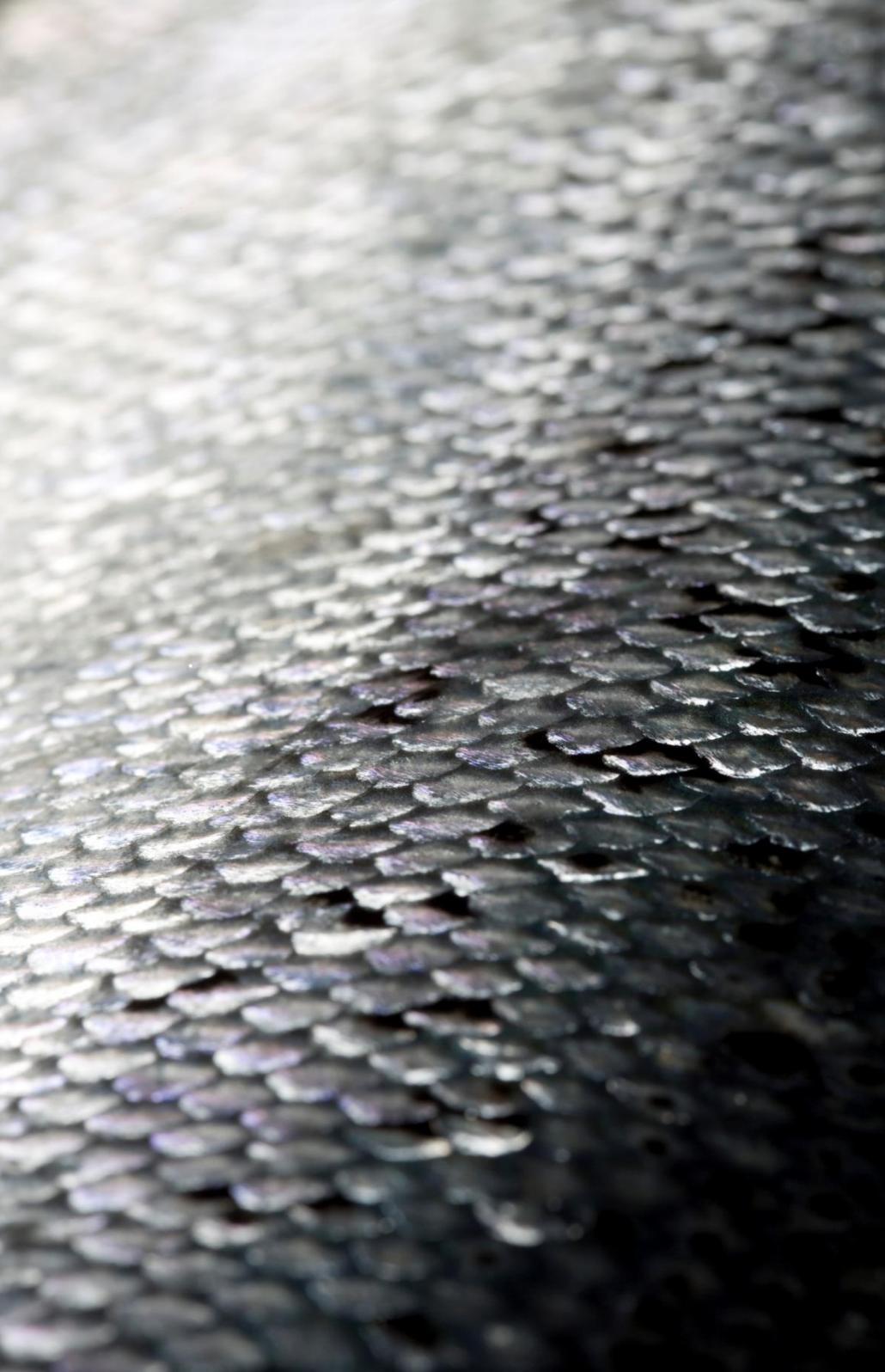


SALES CONTRACTS

Strategic goal

- Value added products are sold on long-term contracts
- Long-term strategy is to sell
 - 40-50% of the harvested volumes of salmon on fixed price contracts
 - Fixed price contracts vary from 6 to 12 months
- The price for contracted value added products is more stable, compared to the short-term fluctuations on the spot market





- BOUTIQUE ORIGIN FOR SALMON
- MADE IN THE FAROE ISLANDS
- INVESTMENTS 2016 - 2020
- GLOBAL SUPPLY PICTURE 2016 - 2020
- FINANCE
- **SUMMARY**
- APPENDIX

Vision

- To keep on developing the company into being a world-class company in the salmon industry.
- The Group's strategic focus is to develop the core business further and to focus on activities, which create the best possible value for customers and shareholders.
- The strategic objective is to secure a healthy, attractive and competitive cost effective salmon farming group with highest quality of products.

Investment plan 2016 – 2020 DKK 2,2b

Fresh Water Ambition level increased in order to reach 500g by 2020 and 14 million fish per year

Fishmeal, Oil and Feed

- New salmon meal and –oil plant in operation by 2017 to optimize value
- New feed line in operation by 2019 to follow volume
- New advanced feed line capabilities to reduce costs and optimize production

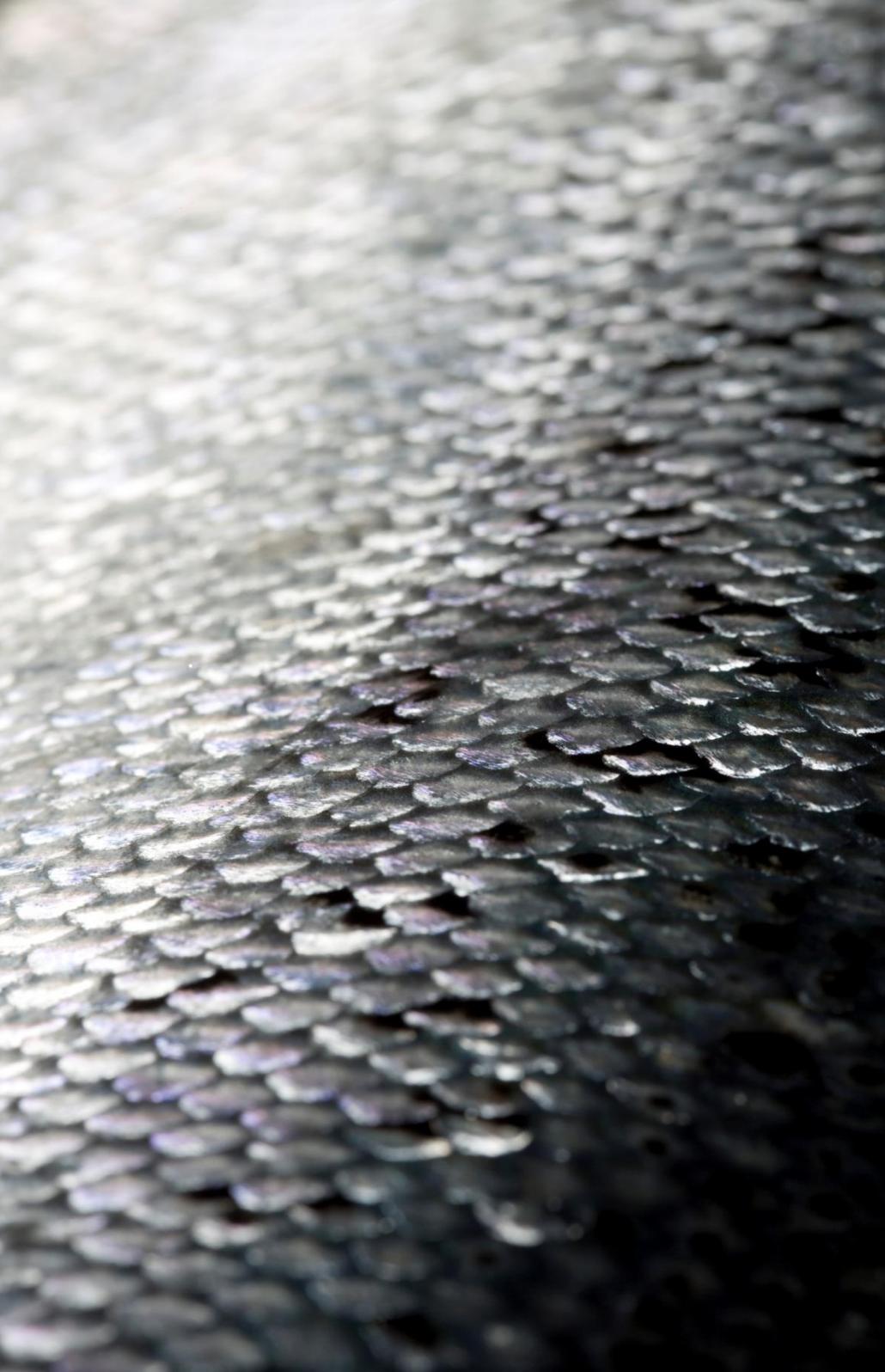
Harvest/VAP

Consolidate fragmented processing structure into one state of the art facility 2H-2016

Business development

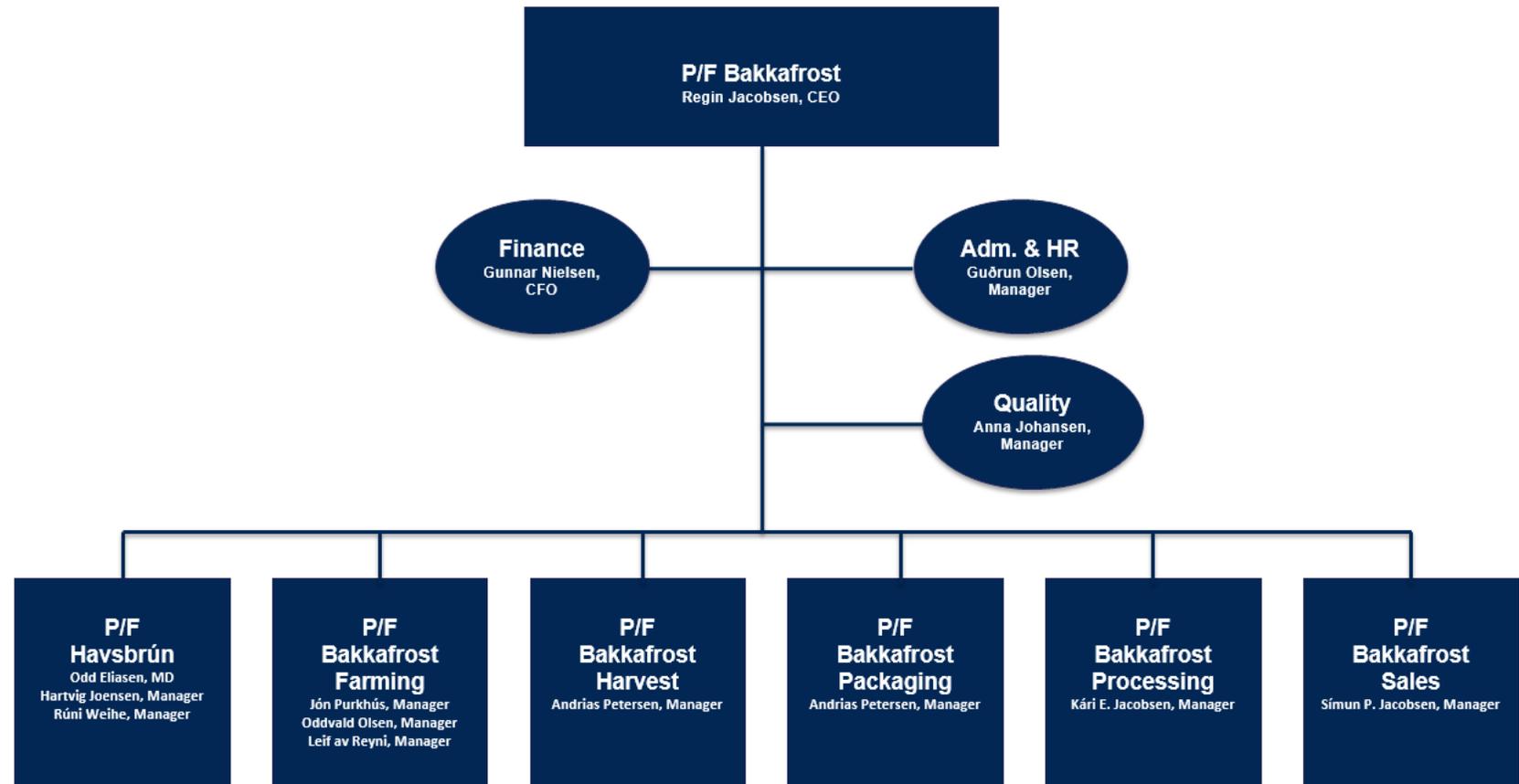
- Pursuing organic growth
- Financial flexibility enables M&A

Strong balance sheet and available financing



- BOUTIQUE ORIGIN FOR SALMON
- MADE IN THE FAROE ISLANDS
- INVESTMENTS 2016 - 2020
- GLOBAL SUPPLY PICTURE 2016 - 2020
- FINANCE
- SUMMARY
- **APPENDIX**

Group Organisation Chart

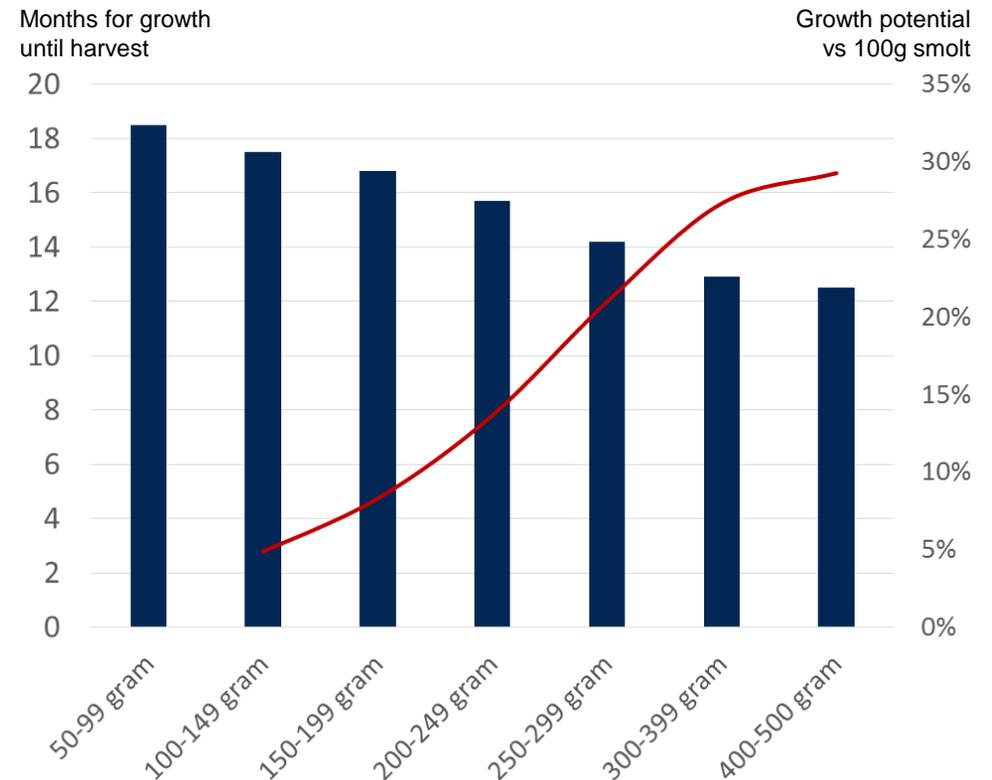


LARGER SMOLT – REDUCED RISK AND ORGANIC GROWTH

Actual growth period with larger smolt

- Reduced risk
 - Up to 6 months of 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 gram to 500 gram

Results with large smolt in the Faroe Islands



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

BAKKAFROST FARMING – FRESH WATER DIVISION

*Capital Markets Day, Viðareiði, Faroe Islands
Leif av Reyni, Fresh Water Manager*



Hatchery Division
Leif av Reyni, Manager

Hatcheries:

- S-03 Norðtoftir**
- S-04 Húsar**
- S-08 Gjógv**
- S-10 Svínø**
- S-16 Glyvradalur**
- S-21 Viðareiði**

Leif av Reyni, Fresh Water Manager

Leif av Reyni (born 1976) holds a BSc in Aquaculture from Høgskolen in Sogndal, Norway (1999– 2002) and an MSc degree in Aquaculture from Stirling University, Scotland. From 2003–2004, Mr. Reyni worked for Vestlax and from 2004–2005, Mr. Reyni worked as project manager for the local Aquaculture Research Station in the Faroe Islands. From 2005 to 2009, he was production manager at Vestlax and responsible for sea sites and hatcheries. Following the merger of the Vestlax Group with the Bakkafrost Group, Mr. Reyni has been Freshwater Manager responsible for the hatcheries. Since 2006, he has been on the board of the Faroese Aquaculture Research Station.

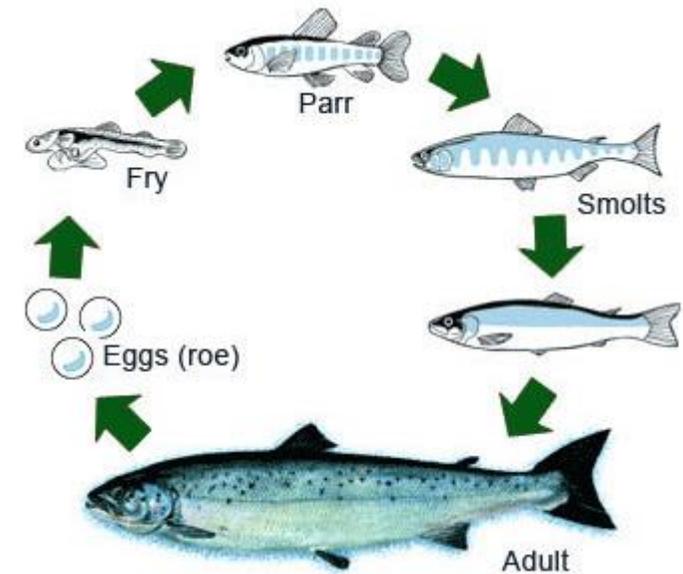
Overview of facilities



Salmon life cycle

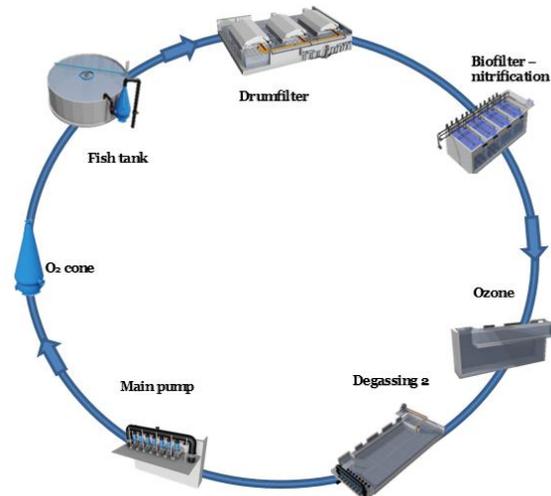
- Farming of smolts from eyed eggs
- Imitating nature
- Creating the perfect environment
- Quality above costs
- Time from eyed eggs to 150 gram is approx. 12 months

From egg to adult salmon

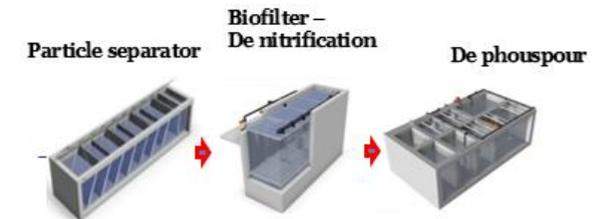


LEADING IN RECIRCULATION TECHNOLOGY FOR SMOLT PRODUCTION

Water Recirculation Principle



Zero Water Change System



Full recirculation

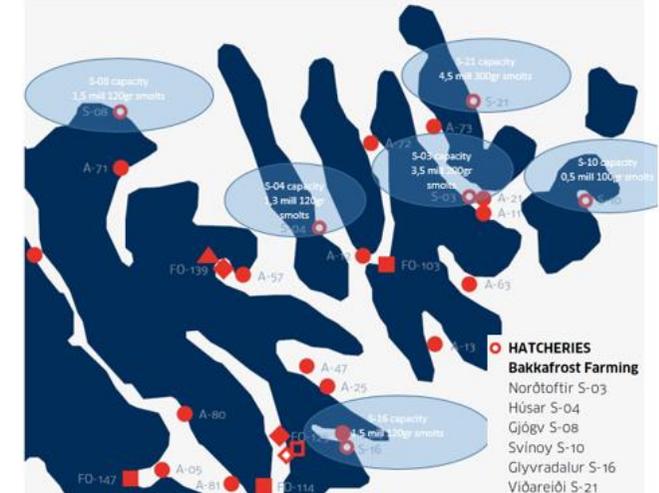
- New technology for zero water exchange
- Improved growth potential
- Stable environment
- Fresh water is a bottleneck for smolt production in the Faroe Islands

SMOLT PRODUCTION HATCHERY DIVISION

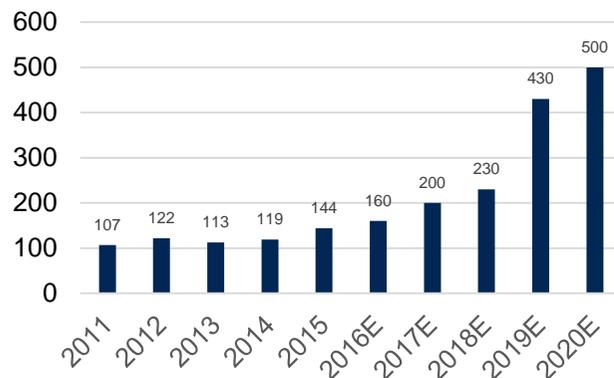
Larger smolt will reduce time of cycle in farming

- 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

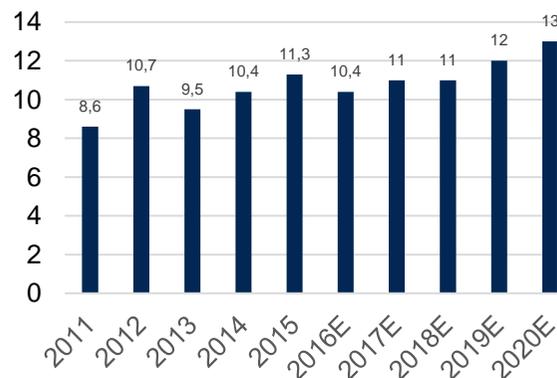
Bakkafrost hatchery sites



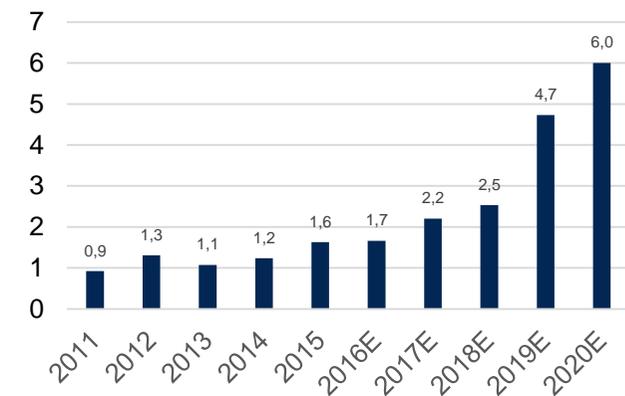
Smolt size on released fish (size gram)



Smolt release (million pcs)



Production volume (1,000 tonnes)



VIÐAREIÐI S-21 EXPANSION 2016

Overview S-21

New site expansion 2016

- Volume expansion of 8,000 m³
- Total tank capacity after expansion: 11,200 m³
- Production 2015 – 3.3 million smolts with a size of 115 gram
- Production will increase to 4.5 million smolts with an average weight of 300 gram
- Hatchery Manager: Sigurð Jacobsen
- No of employees: 8



Bakkafrost 26-09-2015

VIÐAREIÐI S-21



THE WORLDS LARGEST HATCHERY STROND S-24



NEW HATCHERY S-24 STROND IN KLAKSVÍK

- Significant capacity expansion
 - Increase average size of smolts for Bakkafrost Group up to above 400 gram in 2019
 - Reduce risk in farming
 - Reduce total time of production cycle at sea
- Environment
 - Recycling of 99.7% of water
 - saving water and heating
 - Sludge treatment of discharge water and recycling of nutrients

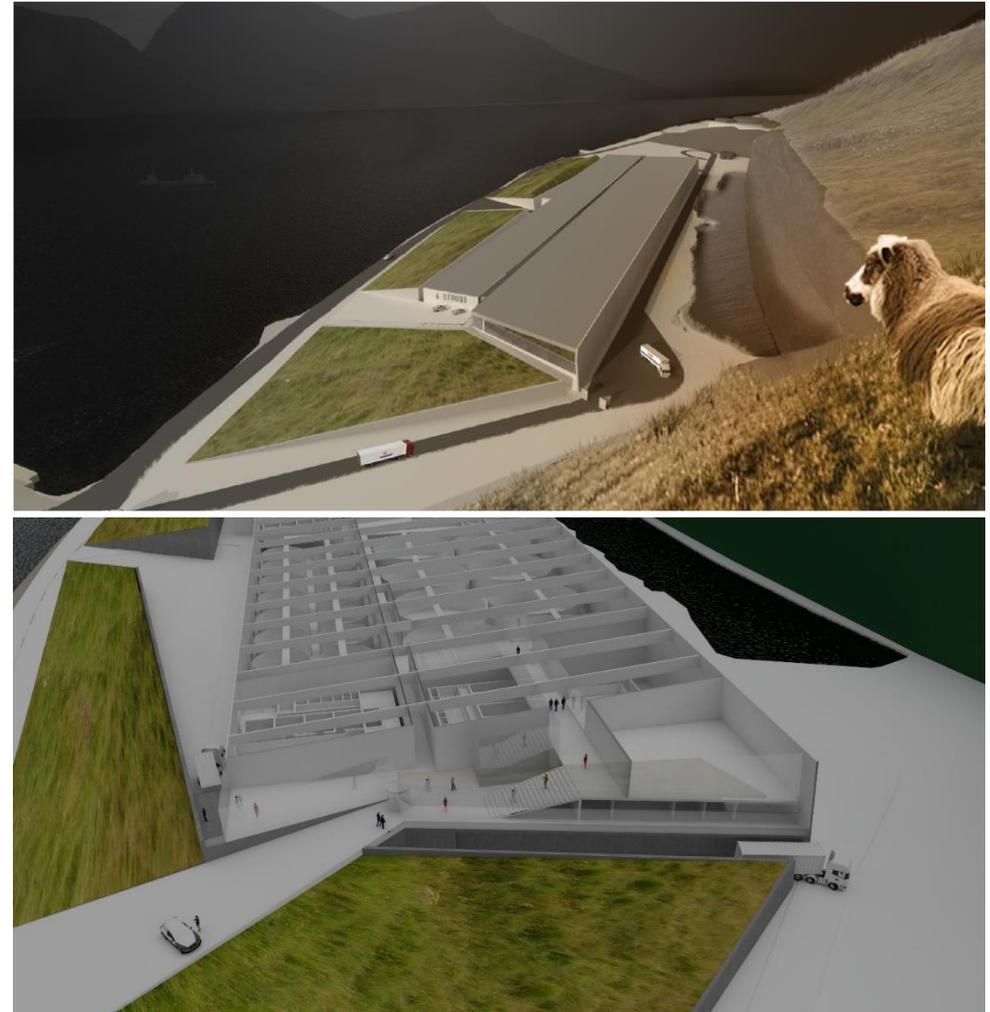
New Hatchery Strond in Klaksvík



NEW HATCHERY S-24 STROND IN KLAKSVÍK

- In operation in H2 2018
- Capacity to produce 7 million smolts á 500 gram
- Goal to secure improvements in the following areas:
 - Efficiency
 - Biological risk
 - Organic growth

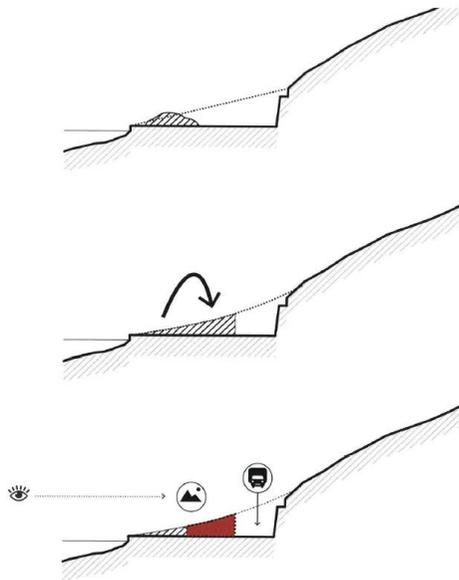
New Hatchery Strond in Klaksvík



STROND S-24

Located in a 73,000 m² quarry at Strond beside Haraldssund

- *The architect has put a lot of effort in recreating nature*
- Good access to sea- and freshwater



S-24 Building site Strond in Klaksvík

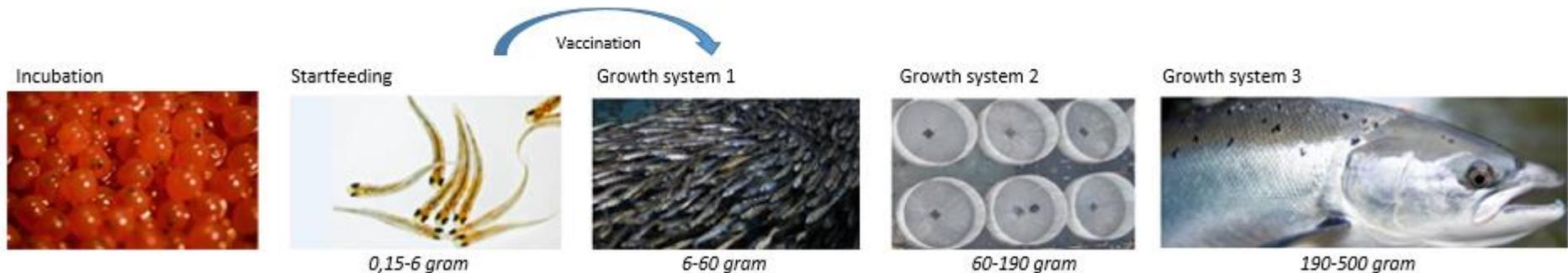


Production capacity

- 35,0 million 100 gram smolts
- 17,5 million 200 gram smolts
- 11,7 million 300 gram smolts
- 8,8 million 400 gram smolts
- 7,0 million 500 gram smolts
- 5,8 million 600 gram smolts

Tank overview

	No.tanks	Tank volume	Total volume	Fish size (gr)
Incubation	8			
Startfeeding	12	30 m ³	360 m ³	0.15-5.9
Growth system 1	8	200 m ³	1,600 m ³	5.9-57
Growth system 1	8	200 m ³	1,600 m ³	5.9-57
Growth system 2	6	500 m ³	3,000 m ³	57-188
Growth system 2	6	500 m ³	3,000 m ³	57-188
Growth system 3	4	1,200 m ³	4,800 m ³	188-600
Growth system 3	4	1,200 m ³	4,800 m ³	188-600
Growth system 3	4	1,200 m ³	4,800 m ³	188-600
Growth system 3	4	1,200 m ³	4,800 m ³	188-600
Total			28,760 m³	



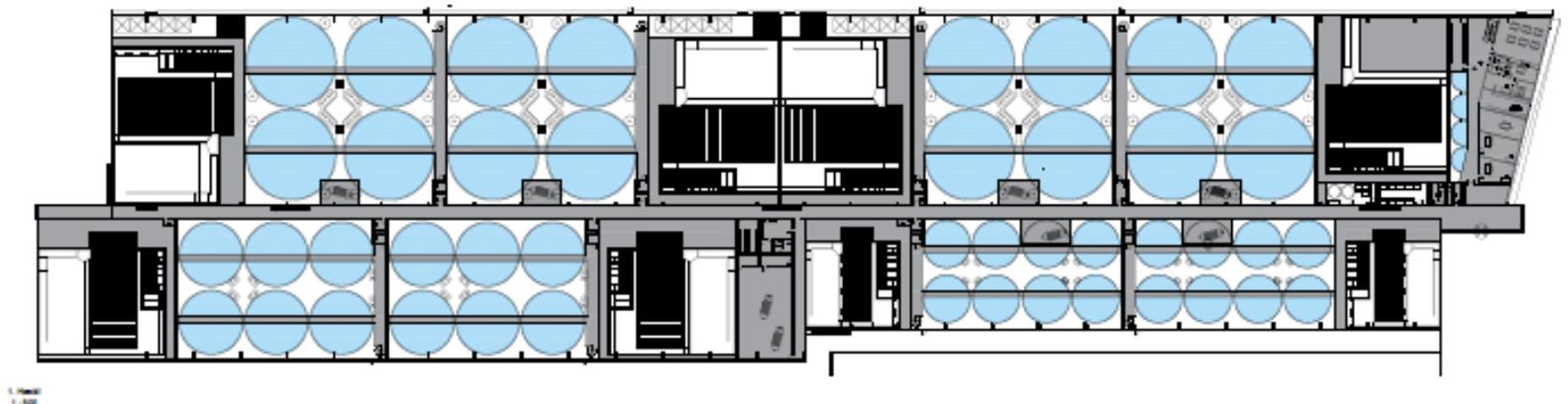
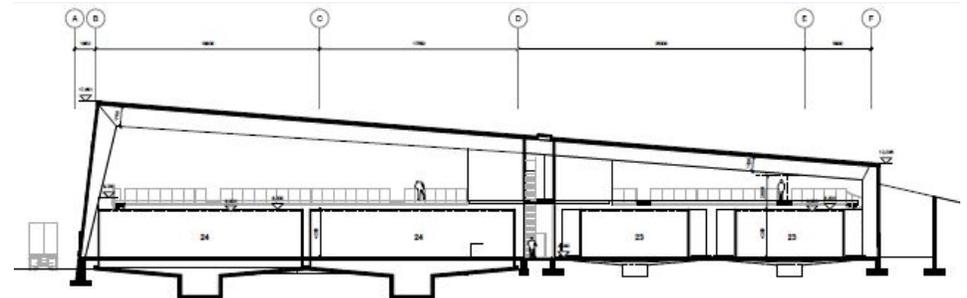
Building

- Ground floor 20,000 m²
- Total floor space 26,000 m²
- Total tank volume 28,760 m³
- Length 290 m – width 80 m

Construction period 2016 to 2018

- Number of employees: 12

Strond S-24 Construction period 2016-2018



LARGER SMOLT

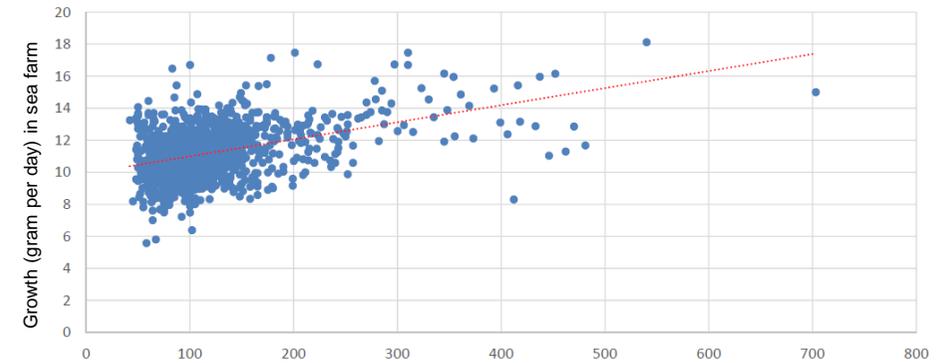
Reduce risk

- Time in sea water will be reduced by 6 months
- Reduced mortality
- Reduced need for treatment against sea-lice

Increase in production

- Possible to increase production by 30%
- Time in hatchery will be longer than in the sea

Size smolts and growth per day in farms (gram)



Size of smolts and growth time in sea to 6kg HOG (months)

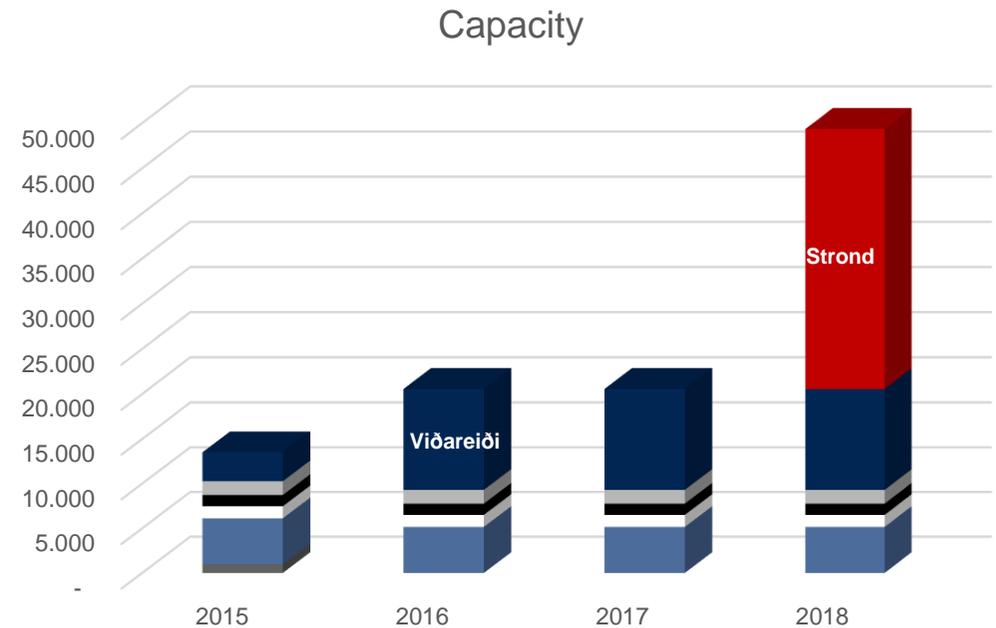
Size of smolts	100	200	300	400	500	600
Growth (gram per day)	11,0	12,0	13,2	14,3	15,5	16,6
No of mths to 6 kg	17,6	15,8	14,2	12,8	11,6	10,7

Time in hatchery from egg to 0,5 kg ca 16 months

Time in seawater from 0,5 gr to 6 kg ca 12 months

- Significant capacity expansion
 - The capacity increases in 2016 with the new Hatchery at Viðareiði 8,000m³
 - New Hatchery at Strond 29,000m³ in operation in 2018
 - Total capacity 4 folded from 2015 to 2018

Capacity development

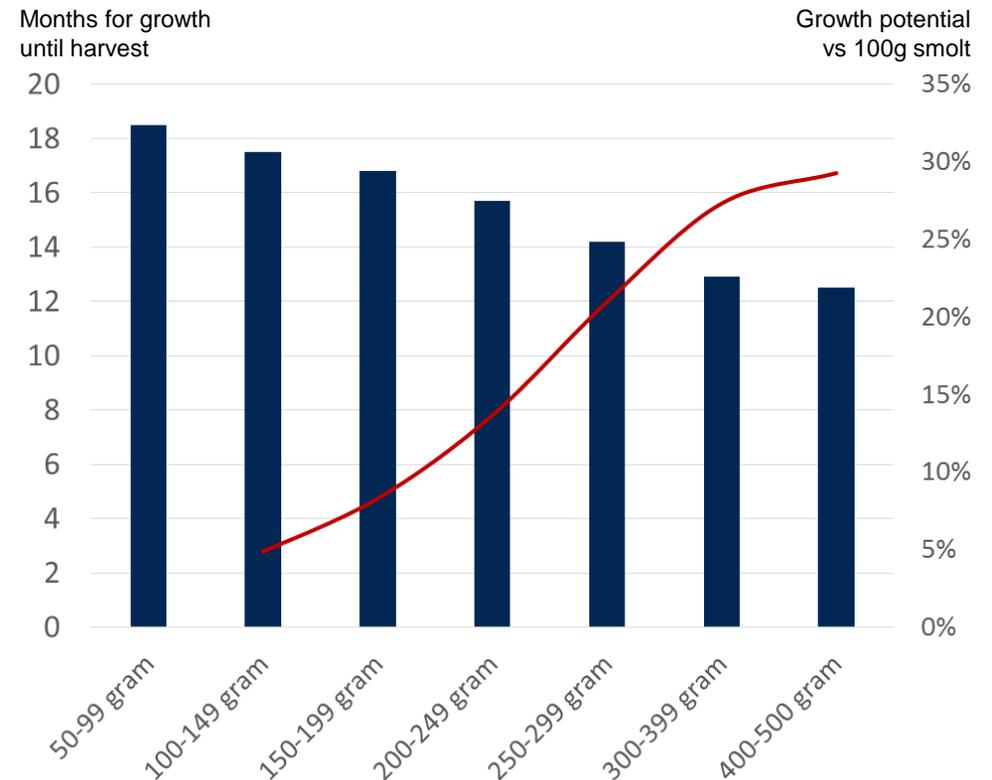


LARGER SMOLT – REDUCED RISK AND ORGANIC GROWTH

Actual growth period with larger smolt

- Reduced risk
 - Up to 6 months of 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 gram to 500 gram

Results with large smolt in the Faroe Islands



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

BAKKAFROST – FISHMEAL, OIL- & FEED

*Capital Markets Day, Fuglafjørður, Faroe Islands
Odd Eliassen, Managing Director Havsbrún*

WELCOME TO HAVSBRÚN – BENEFITS FROM RAW MATERIAL, AVAILABILITY AND SHORT DISTANCES

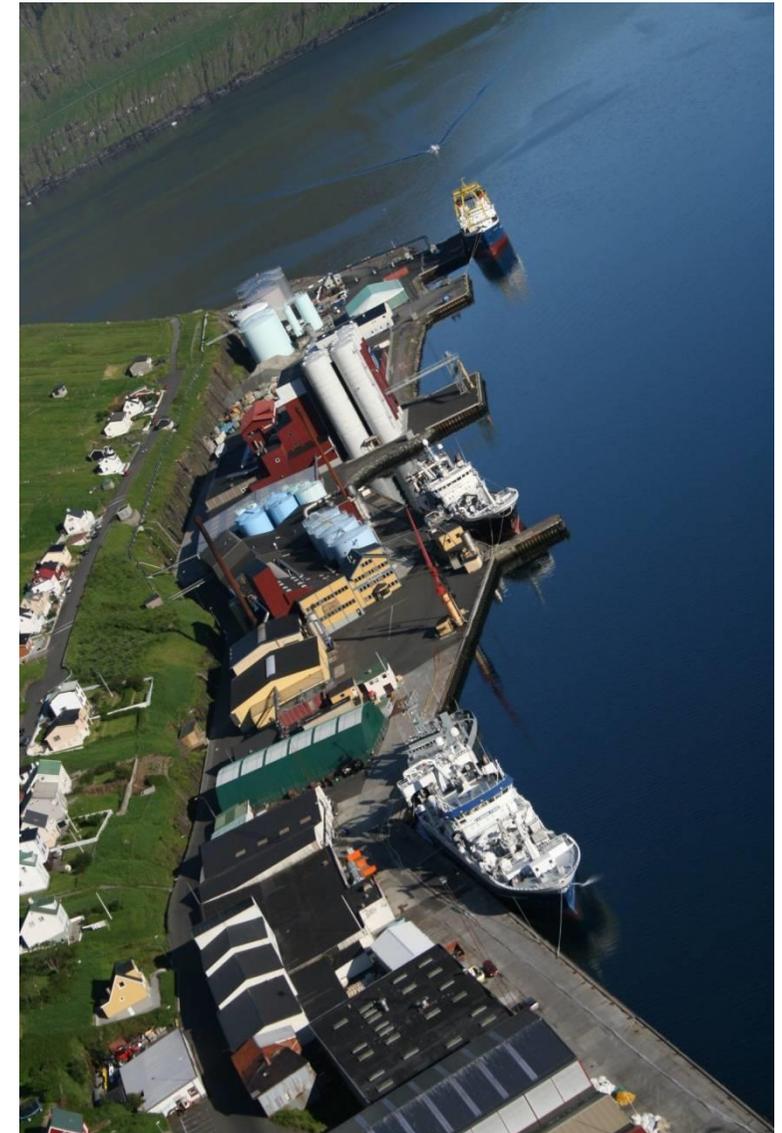
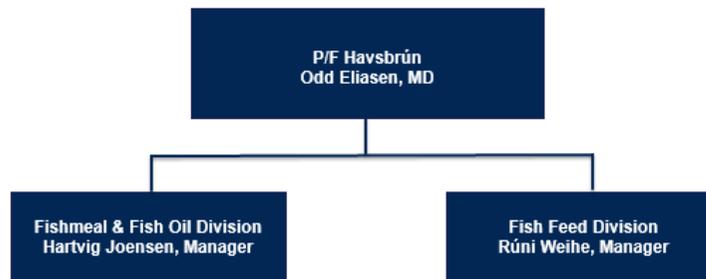


“We can provide fresh high quality marine based feed to Bakkafrost’s salmon within 3 hours from landing of pelagic fish”

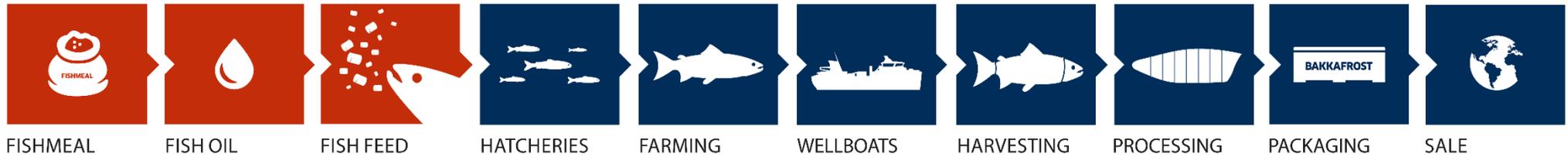
Mr. Eliassen has broad experience from the fish farming industry and has been an active player in restructuring the fish farming industry in the Faroe Islands. Mr. Eliassen has been responsible for Havsbrún’s farming activities and has held various board positions in the industry. Mr. Eliassen was board member of Bakkafrost from 2006 to 2012, when he was appointed Managing Director for Havsbrún and member of the Bakkafrost Group Management.

Education: Teacher Certificate Exam, Faroese Teacher Training College.

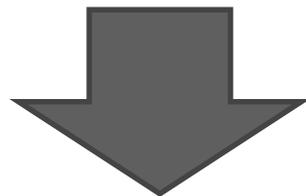
Number of shares in Bakkafrost: Holds 171,565 shares.



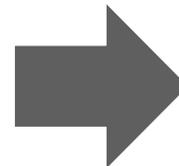
Separate business unit with its own P&L



- Value increase of fish by-product, fish offcuts
 - Fish not suitable for human consumption
 - Fish for which there is no market
- Rejected pelagic fish for human consumption



- Valuable fish proteins and vital essential fish oil



FACTS – HAVSBRÚN (FOF)

Production capacity

- Conversion of 2,000 tonnes of raw material per day to fishmeal and oil
- 550 tonnes of feed per day

Large storage capacity

- 4,800 tonnes of raw material
- 35,000 tonnes of fishmeal
- 13,500 tonnes of fish oil
- 3,000 tonnes fish feed



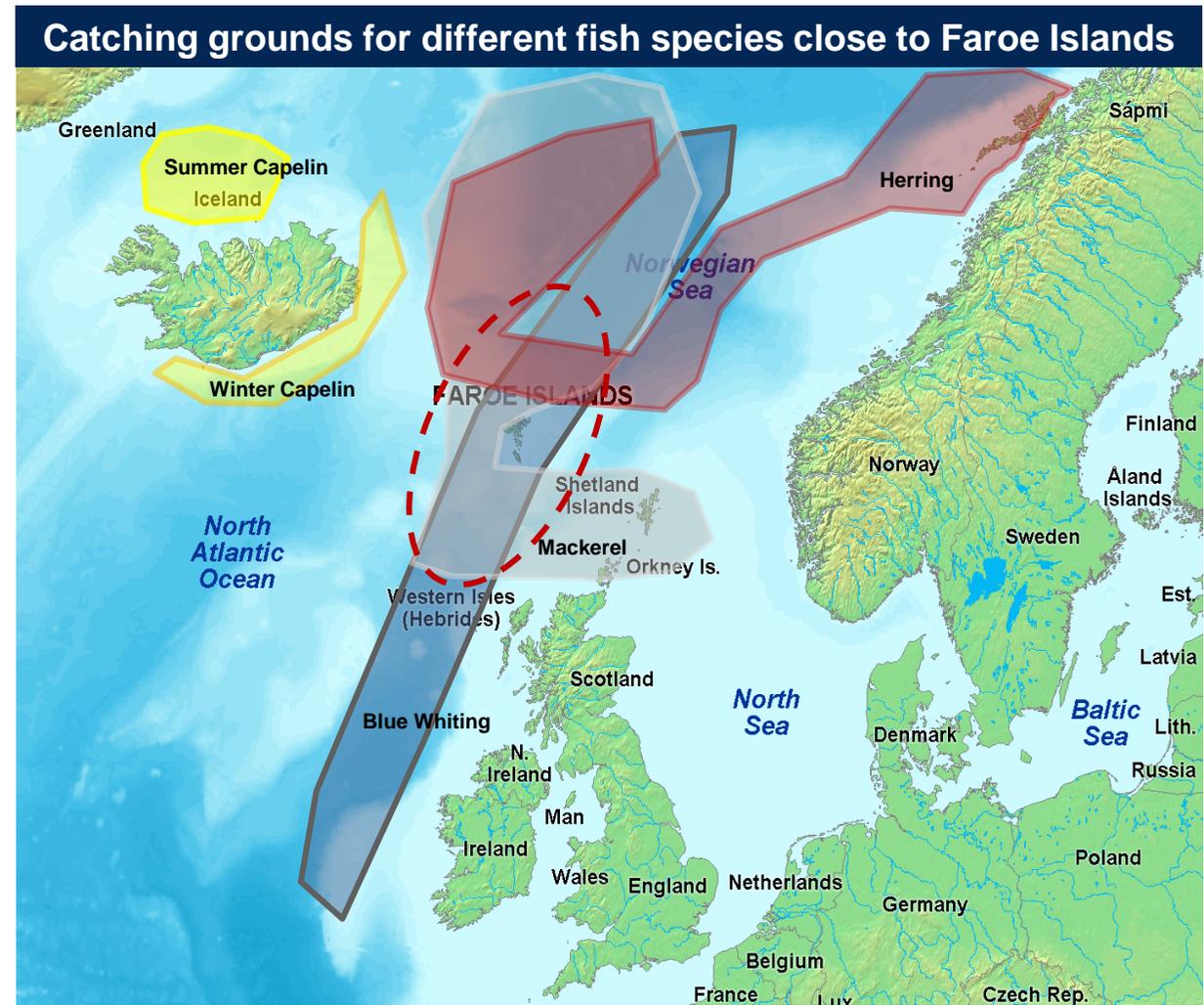
NO NEED TO IMPORT RAW MATERIAL FROM AFAR

Optimal raw material availability

- Blue Whiting
- Winter Capelin
- Summer Capelin
- Mackerel
- Herring

Short distance from fishing grounds to feeding the salmon

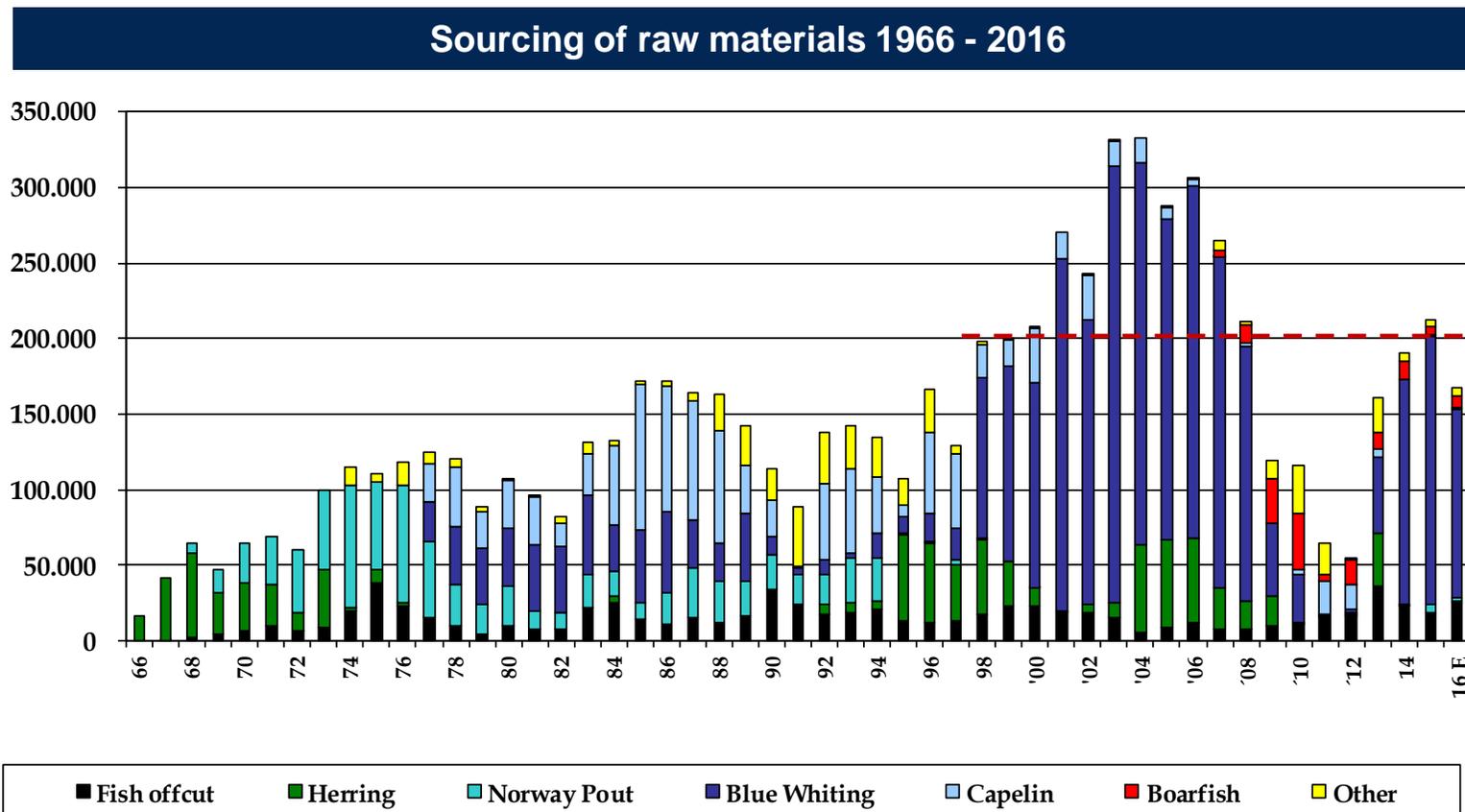
- Blue Whiting concentrated south of Faroe Islands
- New pelagic fleet with super cooling system



DEVELOPMENT OF FISH DELIVERIES TO HAVSBRÚN

Raw material sourcing

- Since 1998 Blue Whiting is main species
- Blue Whiting requires high power (new technology) fishing vessels
- Since 1998 the quantity has been below 200,000 tonnes in the period from 2009 - 2014



ADDITIONAL RAW MATERIAL FROM BY PRODUCTS / OFF-CUTS

New Pelagic industry in the Faroe Islands

- The Faroe Islands have built a large pelagic processing industry since 2012
- By-products / fish offcuts important resource
- Bakkafrost can apply these products sustainably
 - No conflict with human consumption

Salmon guts

- Additional raw material will be available from the new processing/VAP plant for processing of salmon meal and salmon oil

Benefits from large pelagic industry



3 HOUR'S FROM RAW FISH TO FEEDING THE SALMON

Short distance from fishing grounds to feeding the salmon

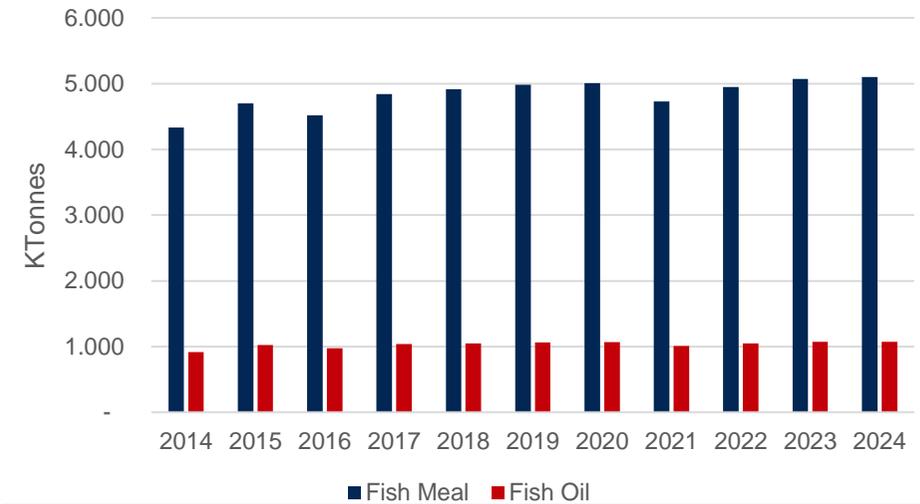
- Blue Whiting concentrated south of Faroe Islands
- New pelagic fleet with super cooling system
- A unique 3 hours process step
- A marine based recipe
- Advantages in key factors
- Consumers are able to taste the difference



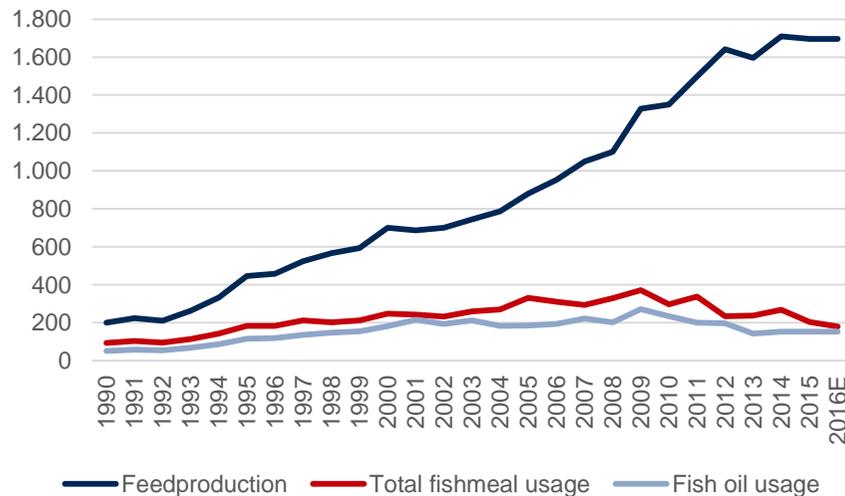
MARINE RAW MATERIAL IS A FINITE RESOURCE

- Fishmeal and fish oil key raw material for aquaculture (salmonids in particular)
- Extracted from wild catch (pelagic fish) with finite supply
- Growing demand requires reduced inclusion rates

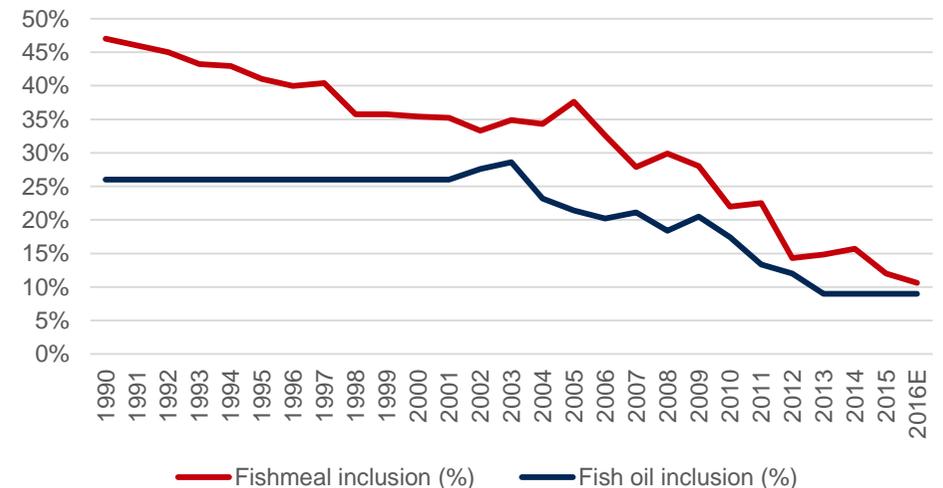
Constant marine raw material availability



Development in usage⁽¹⁾



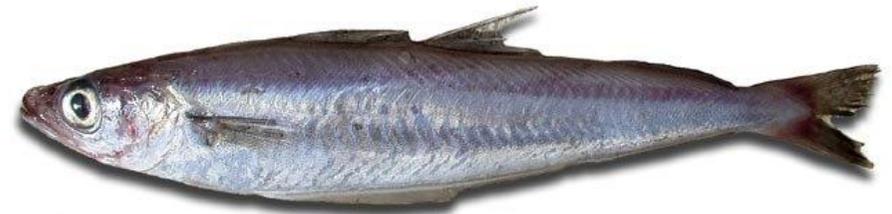
Development in inclusion rates⁽¹⁾



Source: Holtermann Note: (1) Norway

Special high-performance feed

- Higher content of marine ingredients, compared with industry standard (Natural diet)
 - Especially rich in Omega 3 fatty acids
 - Purified fish oil



Produced of fish from sustainable quotas

- Produced from off-cuts and fish, which is not used for human consumption
- Only use of non GMO-ingredients
- Total traceability from initial catch to final feed
- Locally caught fish used for the feed



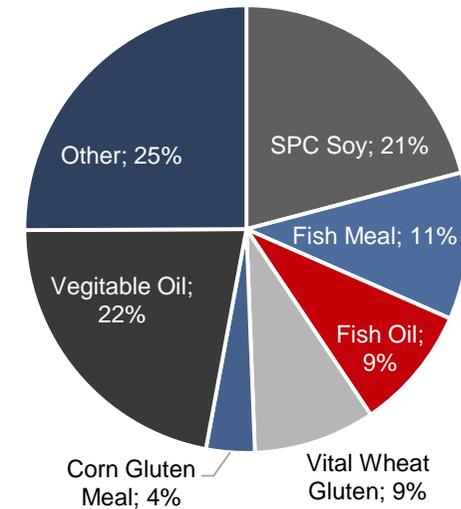
BAKKAFROST OFFERS A PREMIUM PRODUCT

- Supply constraints makes fish oil and fishmeal costly ingredients
- Keeping the diet closer to the natural diet of wild salmon provides measurable benefits
 - Healthier nutritional profile of end product
 - Superior meat structure
 - Higher production efficiency due to animal welfare has positive impact on non-feed cost elements

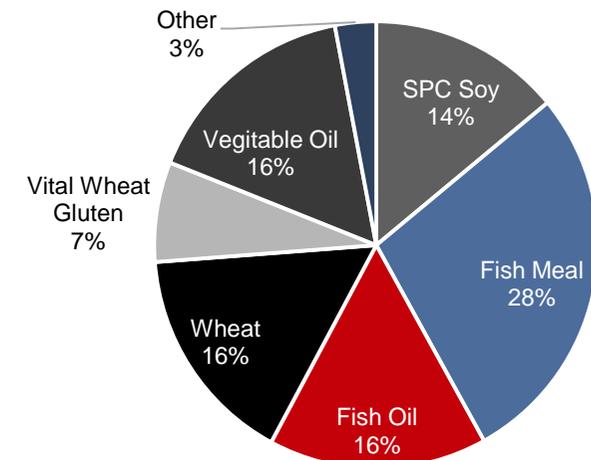


Source: Holtermann, Bakkafrost Note: (1) Norway

Standard feed recipe 2016E⁽¹⁾



Feed recipe Bakkafrost 2015

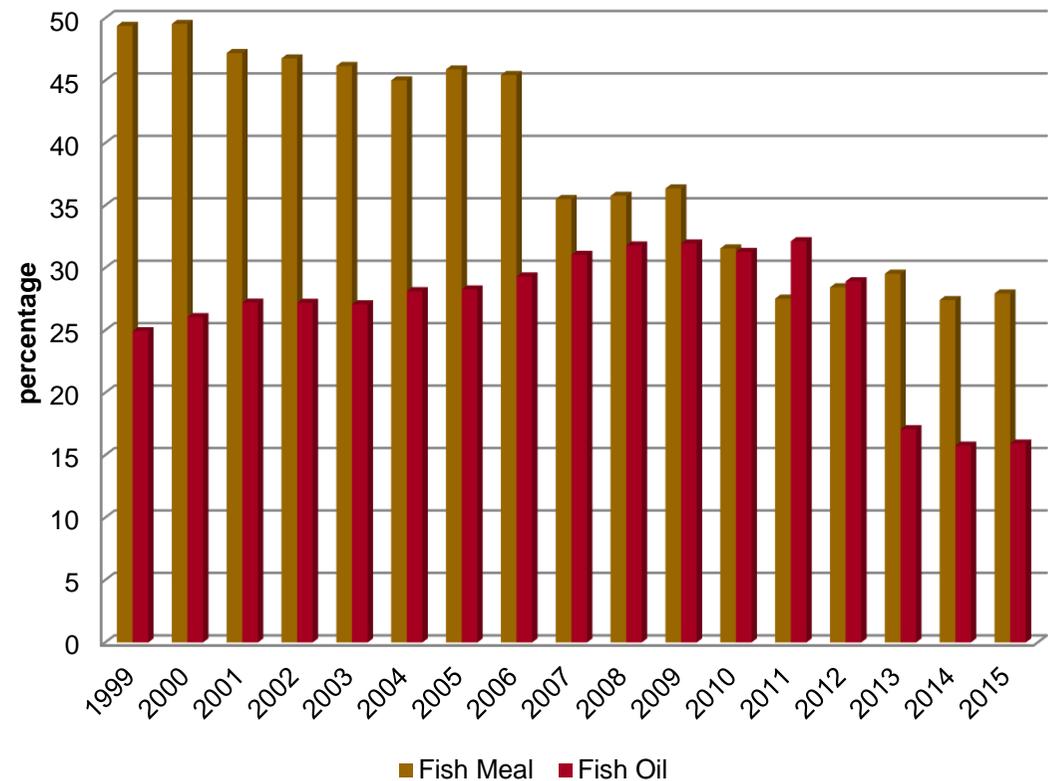


DEVELOPMENT IN FISH OIL/MEAL INCLUSION RATES

Marine ingredients reduced over time

- Over the last 20 years inclusion of marine ingredients have been reduced from 72% in total to 44% in total

Inclusion rates of marine ingredients in Bakkafrost feed



Cleaning of fish oil

- In Q1 2015 Havsbrún started cleaning all relevant fish oil used for Bakkafrost salmon
- Cleaning of the fish oil removes and reduces environmental pollutants
- By cleaning pollutants we expect to remove doubts regarding salmon intake
- Should make intake limitations for salmon redundant
- Salmon feed with purified fish oil is new in the global salmon market and could be a differentiator



- **Lowest mortality**
- **Best fish welfare**
- **Highest yield per smolt**
- **Highest harvest weight**
- **Lowest FCR**
- **High growth - high TGC**
- **Highest fillet yield, low harvest yield**
- **Highest in Omega 3**
- **Highest market price**

YOU CAN TASTE THE DIFFERENCE!



BAKKAFROST FARMING – SEAFARMING DIVISION

Capital Markets Day, Faroe Islands

Jón Purkhús, Farming Manager

Oddvald Olsen, Farming Manager



West Division (sea farming)
Oddvald Olsen, Manager

- Farming Sites:**
- A-05 Undir Síðu
 - A-04 Gulín
 - A-25 Gøtuvík
 - A-57 Fuglafjörður
 - A-71 Funningsfjörður
 - A-80 Selatrað
 - A-81 Kolabeinagjógv
 - A-82 Kaldbaksfjörður



North Division (sea farming)
Jón Purkhús, Manager

- Farming Sites:**
- A-04 Lambavík
 - A-11 Hvannasund
 - A-12 Kunoyarnes
 - A-13 Borðoyarvík
 - A-21 Hvannasund South
 - A-63 Árnafjörður
 - A-72 Haraldssund
 - A-73 Hvannasund North



— W — N

SITE VISIT FARMING

Main objectives

- Zero disease, zero lice and low environmental impact
- Efficient feed conversion (EFCR to HOG of about 1,3)
- Low mortality (<5%)
- Growth (TGC) of 3.0 – 3.2 (between 17.2 – 18.3 months from 100 gram to 5.2 kg HOG)
- To gradually introduce larger smolt in order to limit exposure to biological issues and avoid bottlenecks in the value chain



Fuglafjørður is the fourth largest town of the Faroe Islands with 1,514 citizens (01.01.2015). The town is located in Eysturoy, and is the home of Havsbrún. The harbour in Fuglafjørður is busy, as the town's economy is based on the processing of fish and fishmeal. There is fishing-industry, a slip, production of trawl and also oil-depots.

Where the Gjógvá stream meets the sea in the village, archaeologists have discovered the remains of a Viking longhouse, seventeen metres (56 feet) in length, with walls 1.5 metres (4 feet 11.1 inches) thick. It was found by removing four or five more recent layers of ruins, showing a continuity of habitation for many centuries.

In the 1840s, the small village Hellur north of Fuglafjørður was established. However, this village never grew large and now only approximately 30 of the municipality's inhabitants live there.

In the 1980s, the suburb of Kambsdalur was established, and now about 180 of the population in the municipality live here. In Kambsdalur there is also a large industrial cluster, the educational centre of the northeastern Faroes and the regional sportscentre used mainly for handball, volleyball and indoor football.

LEARNED FROM A HARD LESSON – ROBUST SCALABLE FRAMEWORK

During the period 2001-2004 the Faroe Islands were severely struck by ISA outbreaks



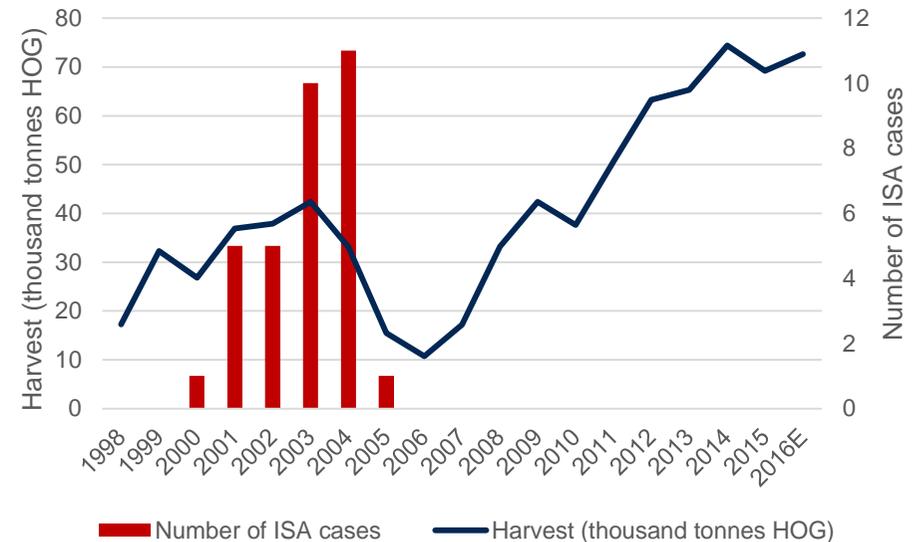
New legislation and regulation was introduced in 2003 known as "The Faroese Veterinary Model":

- One generation based farming model
- Fallowing periods between each generation
- Immunisation and vaccination programs
- Restricting movement of equipment and fish
- Density limits introduced
- Brood stock facilities allowed on land only
- Fish for harvest not allowed in open waiting cages at harvest stations
- Minimum distances between farms and hatcheries
- Rules to fight and control sea-lice introduced



The Model has resulted in one of the most predictable fish production environments in the world with good KPI for salmon farming, such as FCR, Mortality and Growth rate

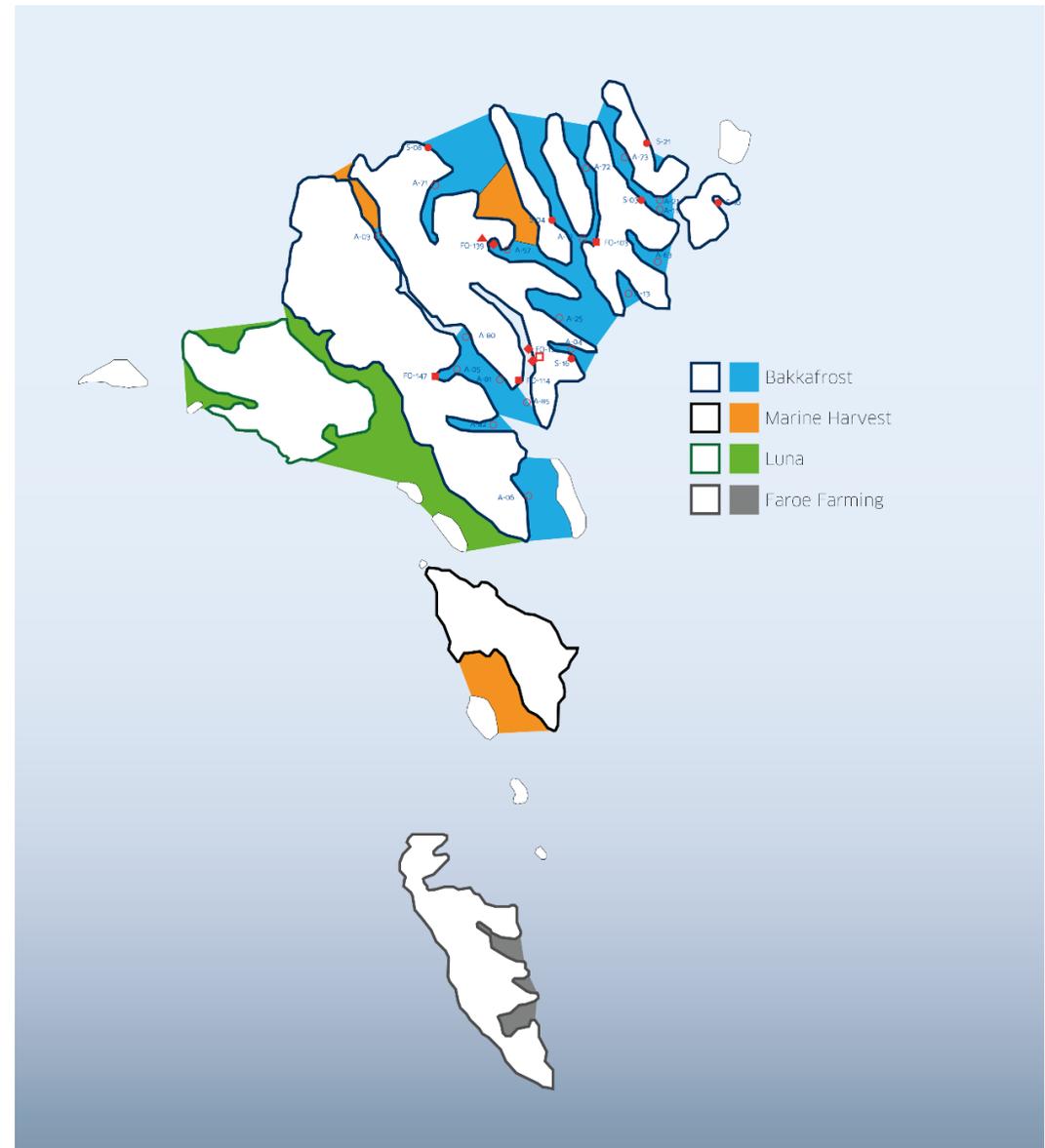
Biological meltdown paved way for tight regulatory regime



The mortality rate with the Faroese Veterinary Model has been between 5 and 10%, compared to 20 to 25% before – despite the annual production has never been higher than now

COORDINATED PRODUCTION AND REGULATIONS KEY SUCCESS FACTOR

- Strong regulatory framework
- Few players to agree on coordination of unregulated matters – avoids “tragedy of the commons”
- Limited overlap of players within production zones
- Swaps have enforced each players “independence”
- Existing licenses are operated on a 12-year rolling lifespan system
- Automatic renewal unless
 - Failure to fulfill the veterinary conditions
 - Conflict with governmental or municipalities’ planning areas
 - Conflict with animal welfare
 - Conflict with environmental protection
- License give right to utilise given area of fjords for farming fish
- No MAB, but strict regulative measures on farming activity maintaining environmentally sustainability

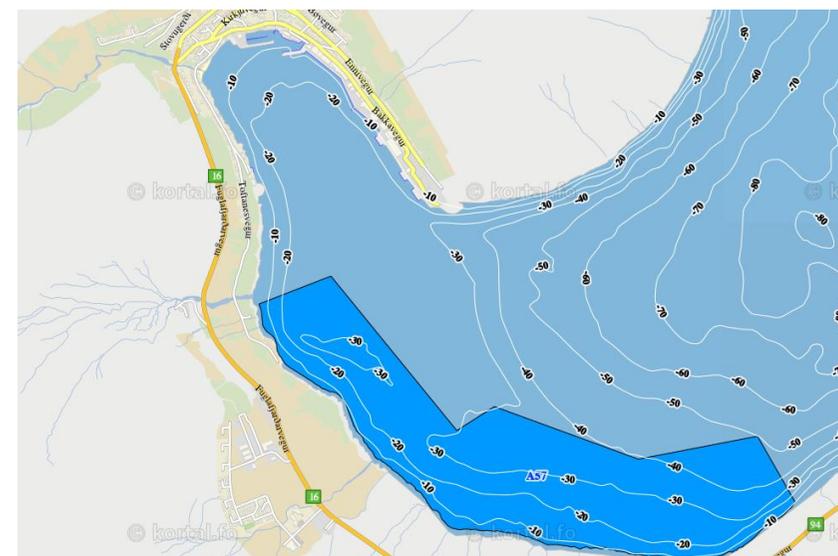
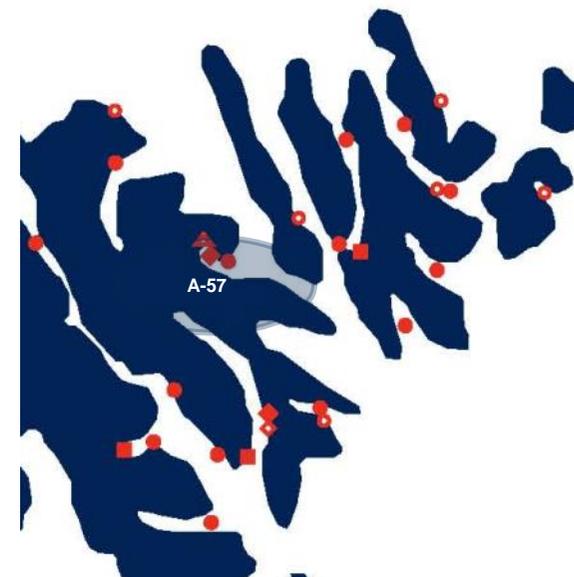


Farming area and 2014 generation results

- Depth 30-35m
- High current

Latest results (Q3 2015)

- Harvested 1.62 mill pcs
 - Average weight: 5.8 kg HOG
 - Total 9,500 tonnes HOG
 - FCR: 1.15
 - Mort 4.6%
 - TGC 2.93
- Costs per kg wfe (DKK)
 - Smolts 1.78
 - Feed 11.05
 - Other 4.31
 - **Total 17.13**



SITE #1: A-57 FUGLAFJØRÐUR

2016 generation

- Released during April and first two weeks of May 2016
- A total number of 1,670 thousand smolts released
- Current average weight 218 gram (last week)

Expected harvest

- Harvesting period: Q2 2017
 - 9,018 tons HOG
- 20 cages
- Current feed usage per day: 5 tonnes
- Growth per day: 19,680 meals
 - Value increase per day: 350,000 NOK
- Current value of estimated harvest: 496,000,000 NOK

A-57 Fuglafjörður, status 29th May 2016

Cage no	Origin	Count	Size (g)	Biomass (kg)	Date released
01-00620	S-08 FA Apr.16	100.355	235	23.620	06-04-2016
02-00651	S-21 FA/S mai-16	63.643	129	8.231	11-05-2016
03-00619	S03-FA-apr.16	98.400	258	25.355	22-04-2016
04-00807	S-21 FA/S mai-16	81.172	128	10.412	12-05-2016
05-00806	S03-FA-apr.16	96.794	278	26.940	21-04-2016
06-00809	S03-FA-apr.16	101.965	301	30.704	20-04-2016
07-00450	S-21 FA/S Apr.	98.165	212	20.791	18-04-2016
08-00808	S-21 FA/S Apr.	102.258	209	21.401	14-04-2016
09-00777	S-21 FA/S Apr.	102.361	199	20.402	14-04-2016
10-00727	S-08 FA Apr.16	100.211	230	23.083	04-04-2016
11-00728	S-08 FA Apr.16	101.517	228	23.117	05-04-2016
12-00778	S-21 FA/S Apr.	99.628	224	22.299	11-04-2016
13-00149	S-21 FA/S mai-16	67.917	174	11.811	02-05-2016
14-00587	S-16 FA/NO mai-16	68.987	204	14.100	03-05-2016
15-00613	S-03 FA mai	66.887	210	14.061	20-04-2016
16-00649	S-16 FA 20apr.16	61.618	261	16.069	07-04-2016
17-00850	S-03 FA mai	65.933	261	17.212	20-04-2016
18-00146	S-16 FA mai-16	66.928	196	13.093	02-05-2016
19-00648	S-21 FA/S mai-16	64.756	119	7.709	11-05-2016
20-00612	S-21 FA/S Apr.	60.594	212	12.849	11-04-2016
Sum/Miðal		1.670.089	218	363.259	

Farming area and 2014 generation results

- Depth 40m
- High current

Latest results (Q2 2015)

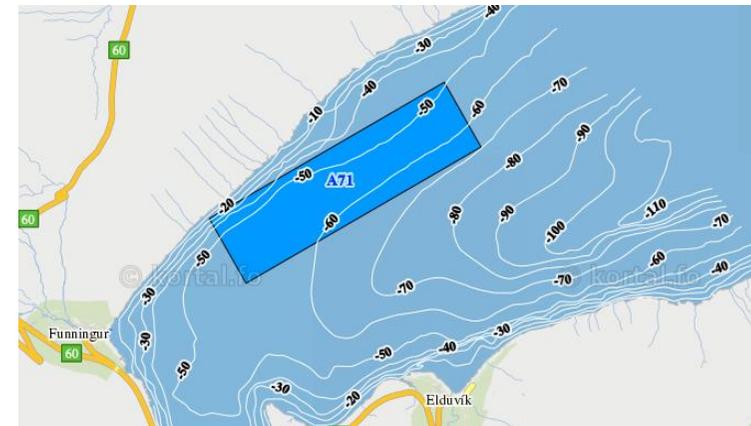
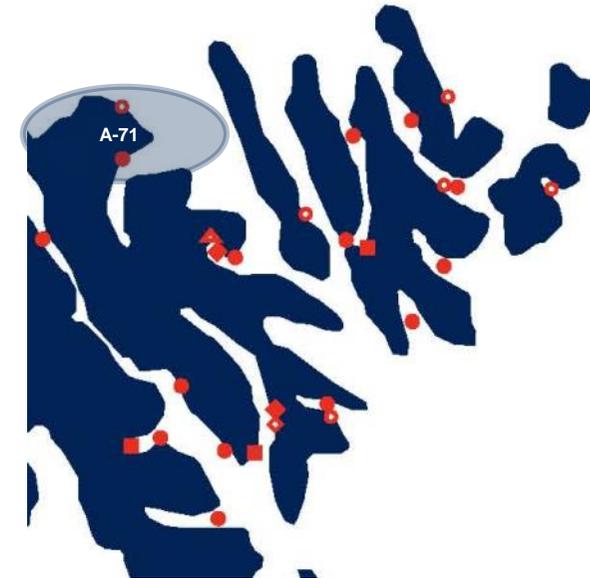
- Harvested 1.8 mill pcs
- Average weight: 5.4 kg HOG
- Total 9,836 tonnes HOG
- FCR: 1.28
- Mort 9.8%
- TGC 2.91

Costs per kg wfe (DKK)

- Smolts 1.92
- Feed 12.29
- Other 4.48
- **Total 18.68**

Issues last generation

- Lights broke during bad weather in Q1-2015 and caused 14% of matured fish from A-71, when harvested in Q3 (downgraded)



SITE #2: A-71 FUNNINGSFJØRÐUR

2016 generation

- Released during Dec-Jan and two cages in April 2016
- A total number of 2.1 million smolts released
- Current average weight 479 gram (last week)

Expected harvest

- Harvesting period: Q2 2017
- 10,972 tons HOG
- 12 cages
- Current feed usage per day: 7 tonnes
- Growth per day: 27,552 meals
 - Value increase per day: 490,000 NOK
- Current value of estimated harvest: 603,000,000 NOK

A-57 Funningsfjørður, status 29th May 2016

Cage no	Origin	Count	Size (g)	Biomass (kg)	Date released
02-00631	S21 S04 SBST Des15	182.642	444	81.071	19-12-2015
01-00633	S21 SB Des15	192.446	476	91.626	21-12-2015
03-00628	S03 FA Jan16	208.582	388	80.993	28-12-2015
04-00630	S03 FA Des15	207.054	562	116.392	21-12-2015
05-00629	S03 FA Jan16	207.907	438	90.970	14-01-2016
06-00805	S16 SB Des15	188.826	473	89.223	23-12-2015
07-00053	S03 FA Jan16	186.534	494	92.154	08-01-2016
08-00632	S03 ST Des15	185.730	674	125.119	20-12-2015
09-00052	S21 SB Des15	173.946	550	95.745	16-12-2015
10-00157	S12S21 SB Des15	183.038	549	100.507	14-12-2015
11-00203	S03 FA Apr16	100.108	252	25.191	11-04-2016
12-00556	S21 FA SF Apr16	93.579	243	22.761	08-04-2016
Sum/average		2.110.392	479	1.011.752	

SITE #3: A-21&A11 HVANNASUND SUÐUR

Farming area and 2013 generation results

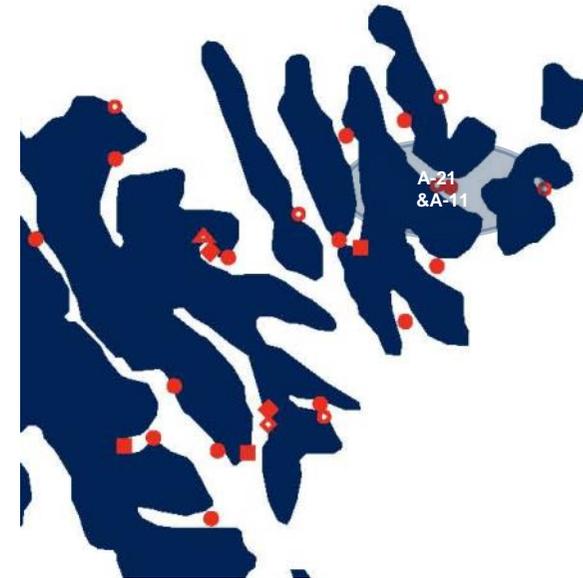
- Depth 50 – 60m
- High current

Latest results (Q1-2015)

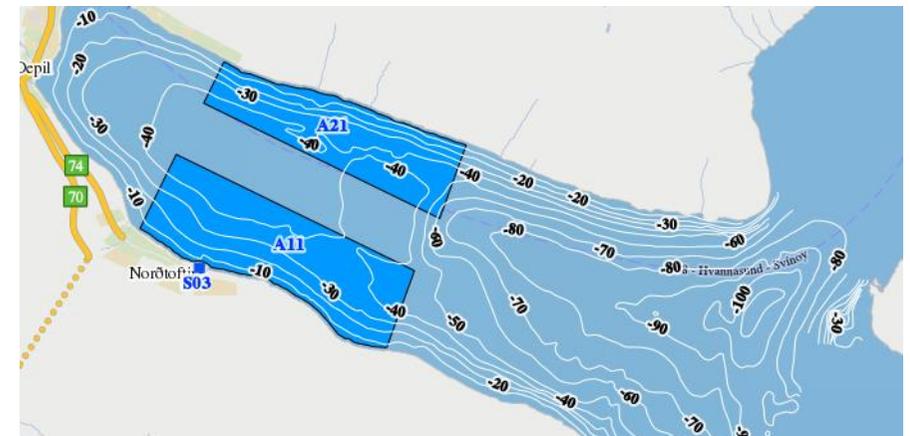
- Harvested 2.5 mill pcs
- Average weight: 5.8 kg HOG
- Total 14,638 tonnes HOG
- FCR: 1.13
- Mort 4.9%
- TGC 3.27

Costs per kg wfe (DKK)

- Smolts 1.43
- Feed 10.55
- Other 4.64
- **Total 16.62**



Won Award: Best Harvested salmon generation in the Faroes in 2015



SITE #3: A-21&A11 HVANNASUND SUÐUR



2015 generation

- Released during Oct and Nov and two cages in Dec 2015
- A total number of 2.7 million smolts released
- Current average weight 1,091 gram (last week)

Expected harvest

- Harvesting period: Q1 2017
- 14,000 tons HOG
- 32 cages
- Current feed usage per day: 20 tonnes
- Growth per day: 78,720 meals
 - Value increase per day: 1,200,000 NOK
- Current value of estimated harvest: 770,000,000 NOK

A-11 & A21 Hvannasund Suður, status 29th May 2016

Cage no	Origin	Count	Size (g)	Biomass (kg)	Date released
A-11					
01-00822	S-03 SF Okt 14	70.845	1.179	83.554	12-11-2015
02-00635	S-03 SF Okt 14	69.589	1.318	91.687	12-11-2015
03-00641	S-03 SF Okt 14	68.462	1.375	94.108	13-11-2015
04-00636	S-03 SF Okt 14	66.006	1.002	66.123	17-11-2015
05-00644	S-03 SF Okt 14	66.842	1.113	74.401	17-11-2015
06-00645	S-03 SF Okt 14	66.096	1.144	75.636	18-11-2015
07-00642	S-03 SF Okt 14	65.431	1.151	75.290	18-11-2015
08-00643	S-03 SF Okt 14	68.599	1.086	74.518	19-11-2015
09-00259	S-12 MH Des 14	103.538	1.267	131.232	05-11-2015
10-00407	S-12 MH Des 14	104.358	1.311	136.859	02-11-2015
11-00055	S-12 MH Des 14	110.934	1.350	149.809	10-11-2015
12-00537	S-12 MH Des 14	101.818	1.361	138.556	03-11-2015
13-00522	S-04 SF feb 15	104.252	812	84.633	25-11-2015
14-00538	S-12 MH Des 14	106.375	1.145	121.820	04-11-2015
15-00218	S-12 MH Des 14	90.694	857	77.722	11-12-2015
16-00146	S-12 MH Des 14	104.565	911	95.218	04-12-2015
Sum/average		1.368.404	1.148	1.571.166	
A-21					
01-00454	S-04 Feb15	115.491	987	113.997	30-10-2015
02-00082	S-03 STOF okt14	100.860	1.215	122.576	08-10-2015
03-00150	S-03 STOF okt14	107.308	1.179	126.468	09-10-2015
04-00141	S-03 STOF okt14	98.488	1.123	110.626	14-10-2015
05-00215	S-03 STOF okt14	104.656	1.131	118.361	15-10-2015
06-00045	S-03 Jul14	103.894	1.133	117.689	15-10-2015
07-00035	S-08 Aug14	84.413	842	71.085	11-11-2015
08-00197	S-08 Aug14	92.934	817	75.902	25-11-2015
09-00634	S-21 Sept14	70.172	1.057	74.171	21-10-2015
10-00638	S-08 Aug14	65.055	1.163	75.691	23-10-2015
11-00640	S-21 Sept14	70.801	1.028	72.748	20-10-2015
12-00646	S-08 Aug14	67.286	1.165	78.395	22-10-2015
13-00637	S-16 SB2014	64.449	754	48.586	19-11-2015
14-00639	S-21 Sept14	63.965	828	52.943	20-10-2015
15-00647	S-16 SB2014	65.995	1.062	70.091	29-10-2015
16-00823	S-21 SB des14	71.617	869	62.217	16-11-2015
Sum/average		1.347.384	1.033	1.391.546	
A-21					
A-21 + A11		2.715.788	1.091	2.962.712	

BAKKAFROST QUALITY DEPARTMENT

Capital Markets Day, Faroe Islands

Anna Johansen, Group Quality Manager



Anna Johansen, Group Quality Manager

Anna Johansen (born 1974) holds a cand.scient in biology from the University of Copenhagen, Denmark (2002). From 2003–2007, she worked with the Faroese Food,

Veterinary and Environmental Agency as an environmental supervisor and a project manager. Anna Johansen has been quality manager for P/F Vestlax and P/F Vestsalmon since 2007 until the merger with Bakkafrost, when she started as Senior Group Quality Manager.

Quality Department

Areas

- Food safety/quality
- Fish health and welfare: Bio security
- Environment
- HSE– health, safety and environment – working environment
- Maintenance system - OPUS
- R&D – coordination

Overview of Key Personnel in QD



Supervision and advice

- Purpose QD:
- Ensure that Bakkafrost complies with all external and internal demands, relating to legislation, customers and standards
- Development of quality systems, advice for practical solutions and supervision
- Development of procedures and ensure implementation
- (Proactive) advical role relating to challenges regarding quality, biosecurity, sustainability, HSE and evaluation of these.
- Coordination of research within these areas.

Supervision - standards, customer demands, certifications etc.

GLOBALG.A.P.



CERTIFICATIONS

- Entire value chain is certified according to the GlobalGAP standard
 - Global GAP is an international standard which focuses on
 - Food safety throughout the whole production (based on HACCP)
 - Fish welfare
 - Health, safety and minimizing the impact on the environment
 - The entire value chain is Global GAP certified; including feed production, hatcheries, all our sea sites, our harvesting and processing plant



Furthermore

- The VAP production is certified according to the BRC and IFS standards (food safety standards)
- The Harvest and VAP production furthermore hold the ASC CoC certification
- Havsbrún, the meal, oil and feed production, holds multiple certifications, incl. ISO9001:2000, GMP+ standards and the IFFO RS certification
- 1 farming site (Gøtuvík) ASC certified and the next to be certified mid June

The quality management team has worked closely with the construction teams for the new builds to secure optimal adaptation to the various certification criteria

ASC CERTIFICATION PROCESS

- The Aquaculture Stewardship Council (ASC) has defined a certification system together with WWF
 - Objective to minimize or eliminate the key negative environmental and social impacts of salmon farming
- Difference from other standards:
 - Measureable parameters /common indicators
- Bakkafrost had its first site certified in 2015 and expect all sites to be certified by 2020
 - 2015: First certification – A 25 Gøtuvík
 - 2016: A-06 Gulin – already audited, expected certification mid 2016
 - 2017: A-57 Fuglafjørður og A-71 Funningsfjørður
 - 2018: A-12 Kunoyarnes



ASC CERTIFICATION PROCESS

- The standard has 7 main principles/criteria – with key indicators
 1. Legal compliance (obeying the law, the legal right to operate)
 2. Preservation of the natural environment and biodiversity
 3. Preservation of water resources
 4. Preservation of diversity of species and wild populations, e.g. preventing escapes
 5. Responsible use of animal feed and other resources
 6. Animal health - no unnecessary use of antibiotics and chemicals
 7. Social responsibility, e.g. no child labour, health and safety of workers, freedom of assembly, community relations
- Main practical implementation challenges/process changes include:
 - Compliance to threshold of 9 lethal incidents marine mammals/birds per 2 years
 - Requires diligence wrt. entanglement etc.
 - Reduce copper levels by discontinuing copper impregnation of nets
 - Compliance to tight upper limit for parasitic treatment index through:
 - Bigger smolt size to reduce exposure to biological threats in sea water stage
 - Non medicinal solution, e.g. fresh water treatment in new well boat, lumpfish, thermolicer

QUALITY MANAGEMENT INTEGRATED IN ON-GOING INVESTMENTS

- The construction teams have had quality management as an integral part of the ongoing construction projects in order to secure optimal adaptation to the various certification criteria
 - Bakkafrost has a central quality management team, which has supported the implementation
- Bakkafrost has initiated a number of investments aimed at improving quality, biosecurity and ability to rapidly solve undesired events. Investments are also aimed at reducing emissions and improving HES factors and general efficiency
- **Examples within farming and fish transport:**
 - Larger sea water farming cages resulting in lower density
 - Central surveillance of oxygen measurement including alarms, in order to improve reaction time when low oxygen levels are measured
 - Gradual phasing out the use of copper impregnated nets
 - Improved well boat capacity
 - Reduced handling of fish, which in turn reduces stress levels and improves the quality of animal welfare and the quality of the product
 - Efficient lice filters

QUALITY MANAGEMENT INTEGRATED IN ONGOING INVESTMENTS

- Examples within primary processing and VAP:
 - New electric stunning system
 - Improved cooling chain
 - Optimal utilisation of gutting machines through sorting of based on sizes
 - Reduced risk of microbiological contamination through securing appropriate production flow
 - Hygienic design
 - CIP cleaning
 - In house styropor box production
 - Integrated Innova quality module
 - Electronic registration
 - Eases possibility to run trend analysis for optimisation, focus areas and traceability
 - Green profile
 - No transport of flamingo boxes and plastic fish boxes between sites
 - Use of surplus heat from the styrofoam plant
 - Disinfection of surplus water

BAKKAFROST SALES

*Capital Markets Day, Glyvrar Faroe Islands
Símun P. Jacobsen Sales Manager*



Símun P. Jacobsen, Senior Sales Manager

Símun P. Jacobsen (born 1963), was appointed Senior Sales Manager for the Bakkafrost Group in 2012.

Mr. Jacobsen holds a Graduate Diploma in Business Administration and Accounting (HD-R) from Handelshøjskolen Syd in Denmark. Mr. Jacobsen has an extensive career within the business of sales and management in the white fish industry as well as sales of salmon products to European supermarket chains.

He was sales manager for United Seafood from 1998 and for Faroe Seafood from 2005.

Salesoffice in Faroe Islands (World-Wide Sales)



Símun P. Jacobsen
Head of Sales



Annika Fredriksberg
Fresh by Air



Pól í Skorini
Fresh by Sea



Jan Nónklett
Frozen & By-products



Poul A. Jacobsen
Marketing

Salesoffice in United Kingdom (UK Sales)



Torkil Davidsen
Fresh - UK



Jane Foulis
Frozen - UK

Logistics



Anna Høgnesen



Maibritt Festirstein



Yan Jingrui

Global sales and marketing

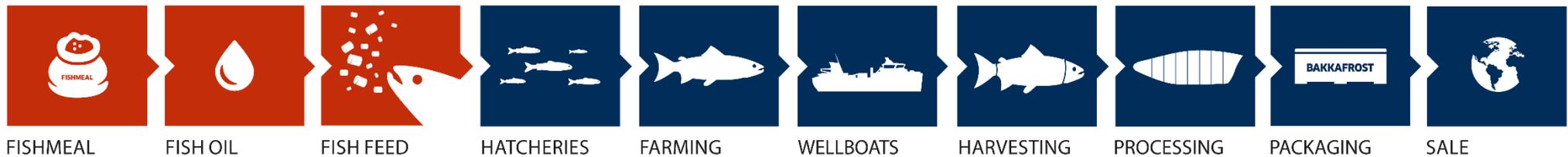


SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM



- History with salmon farming – Established in 1968
 - Involved with aquafarming in the Faroe Islands since the beginning
 - Rich traditions with salmon farming in the company – Same people
- Location - The location of Faroe Islands is crucial for raising Premium Quality Salmon
 - Steady temperature between 6-12 degrees Celsius gives a balanced growth and minimizes the biological risks
 - Strong currents give a high level of water replacement which minimizes the biological risks
 - Short distances between Bakkafrost facilities which reduces the carbon footprint
 - Strict national aqua cultural legislation
- Completely vertically integrated value chain
 - From initial ingredients to final delivery to the customer
 - Maximum control of the quality of each parameter in the production process

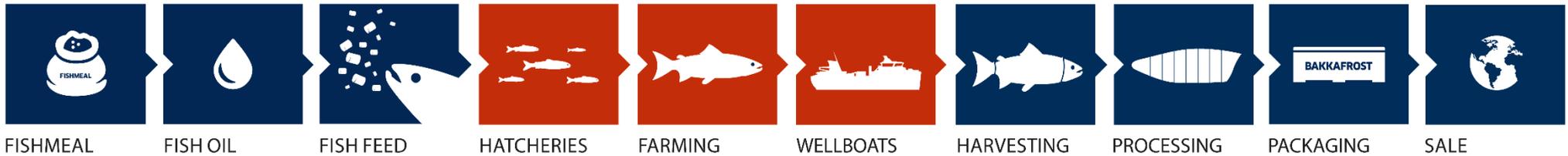




- Special high-performance feed
 - Higher content of marine ingredients compared with industry standard (Natural diet)
 - Especially rich in Omega 3 fatty acids
 - Purified fish oil (Free of toxins)
 - Produced of fish from sustainable quotas
 - Produced from off-cuts and fish which is not used for human consumption
 - Only use GMO-free ingredients
 - Total traceability from initial catch to final feed
 - Locally caught fish used for the feed

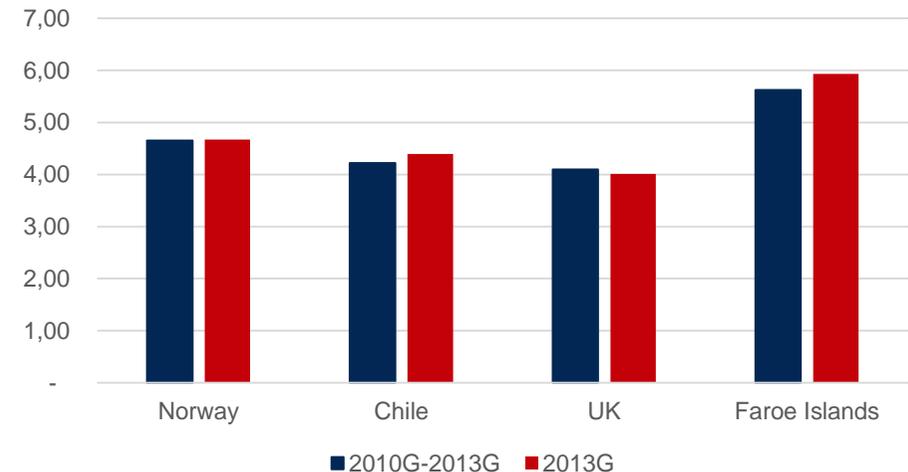


SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM

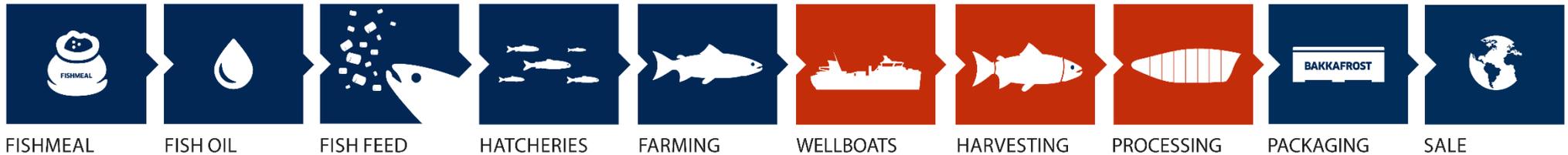


- Large smolt in new hatcheries minimizes the biological risks
- No use of antibiotics
- Environmentally friendly treatment for sea-lice on farming sites (Fresh water treatment for sea-lice)
- Healthy salmon give Bakka Frost the possibility to have the salmon in the ocean for a longer time
 - Opportunity for bigger salmon sizes

Average harvest weight (HOG)



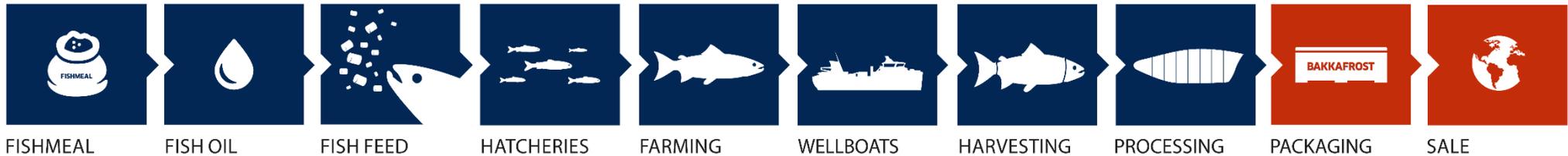
SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM



- Gentle harvest - Pick up of state-of-the art wellboats
 - Transportation in salt water tanks
- Short distance from farming sites to harvest plant
 - Minimal stress
 - Minimal carbon foot-print
- Efficient and quick harvest
 - Chilled for optimal animal-welfare and stress less
- Efficient production according individual requirements
 - Optimal quality
 - Complete satisfaction



SALES & MARKETING - PREMIUM QUALITY IS THE FULCRUM



- Customized packaging to individual customer
- Flexible delivery
 - Sea freight (Economical delivery of large quantities)
 - Air freight (Fast delivery with freshness in mind)
- Markets
 - Strategy – 60/40 split between spot and contract market
 - Divide our supply between North America, Europe, Asia and Eastern Europe (EU=25% US=25% Asia=25% Other=25%)
 - Target high-end market (Sushi-market; high-end retail)
 - Close long-term relationship with our customers



BAKKAFROST – ADM. & HR

*Capital Markets Day, Faroe Islands
Guðrun Olsen, Group HR Manager*

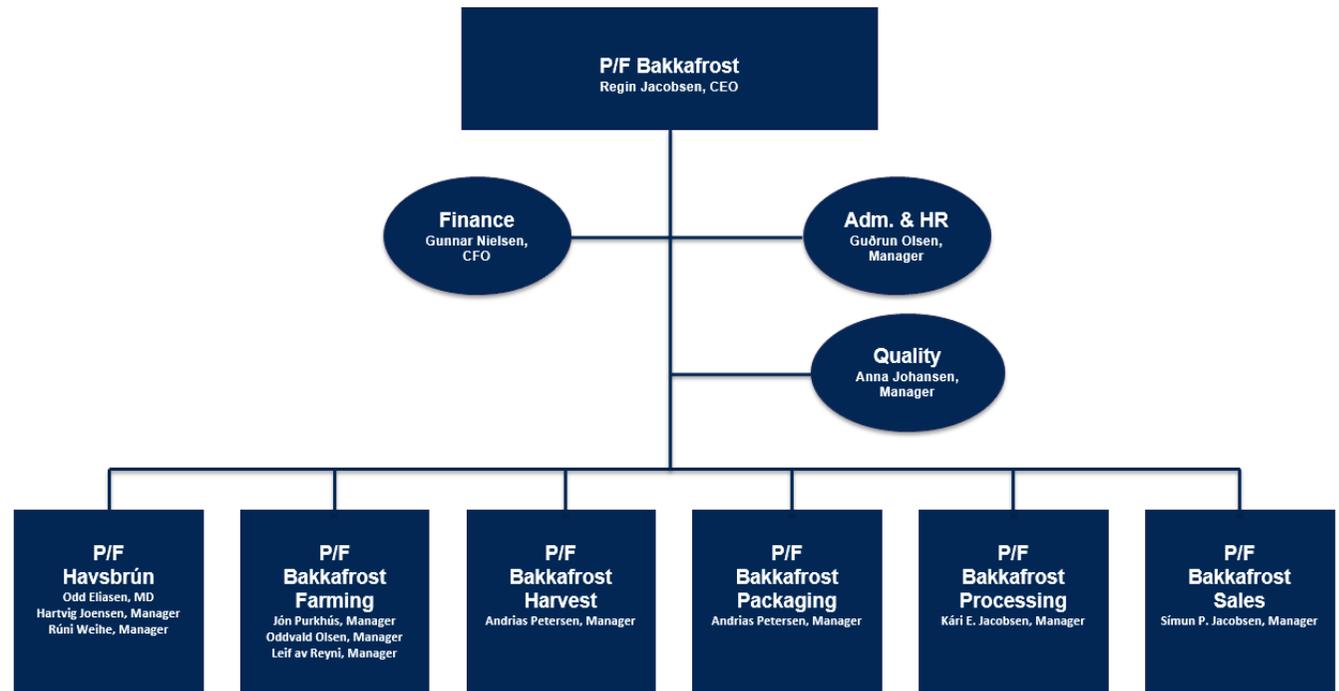


Guðrun Olsen, Group HR Manager

Guðrun Olsen (born 1964) holds a BA from the Copenhagen Business School and a MA degree in International Corporate Communication from the University of Southern Denmark in Odense.

From 1994 to 2004, Mrs. Olsen held positions as company secretary and HR & adm. manager at Faroe Seafood. Guðrun Olsen has been Group HR Manager of Bakkafrost since 2012.

Group Organisation Chart



- **Area of Activity & Responsibility**
 - ***Administration***
 - Services
 - Registration & Record office
 - Salaries & Personnel***
 - Wages & Salaries
 - Employment of personnel (total cyclus)
 - Statistics
 - ***HR, Development & Internal Communication***
 - Mapping & Analysing
 - Developing concepts
 - Development processes (professional & leadership)
 - Internal communication
 - Organizational development

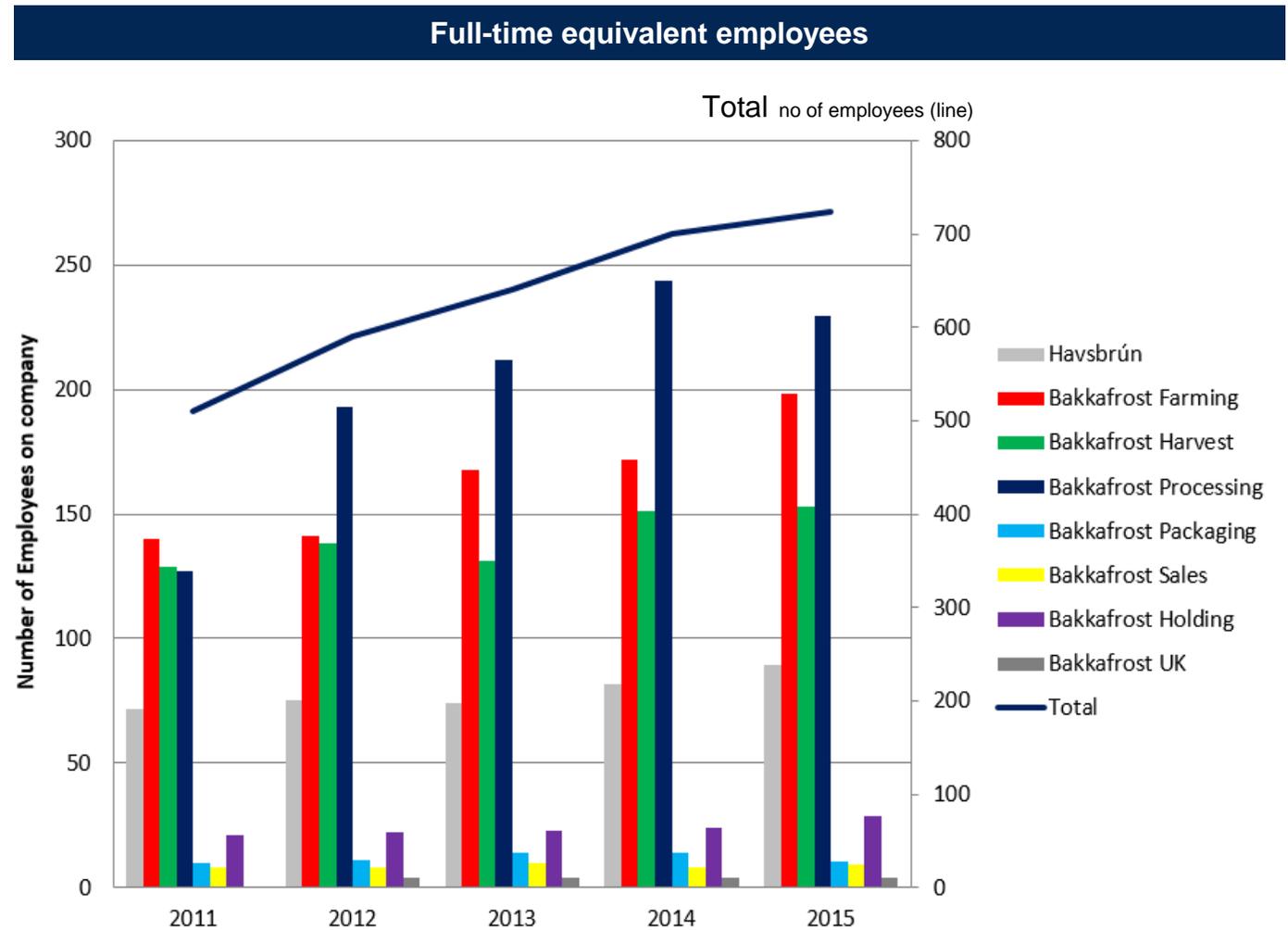
Personnel

- Salaries amounted to DKK 267 million
- Number of full-time equivalent employees was 725
- In total 1,302 employees were paid a salary from Bakkafrost
- The average age of Bakkafrost employees was 41 years
- Distribution between males and females was:
 - 42% females
 - 58% males



Development 2011 - 2015

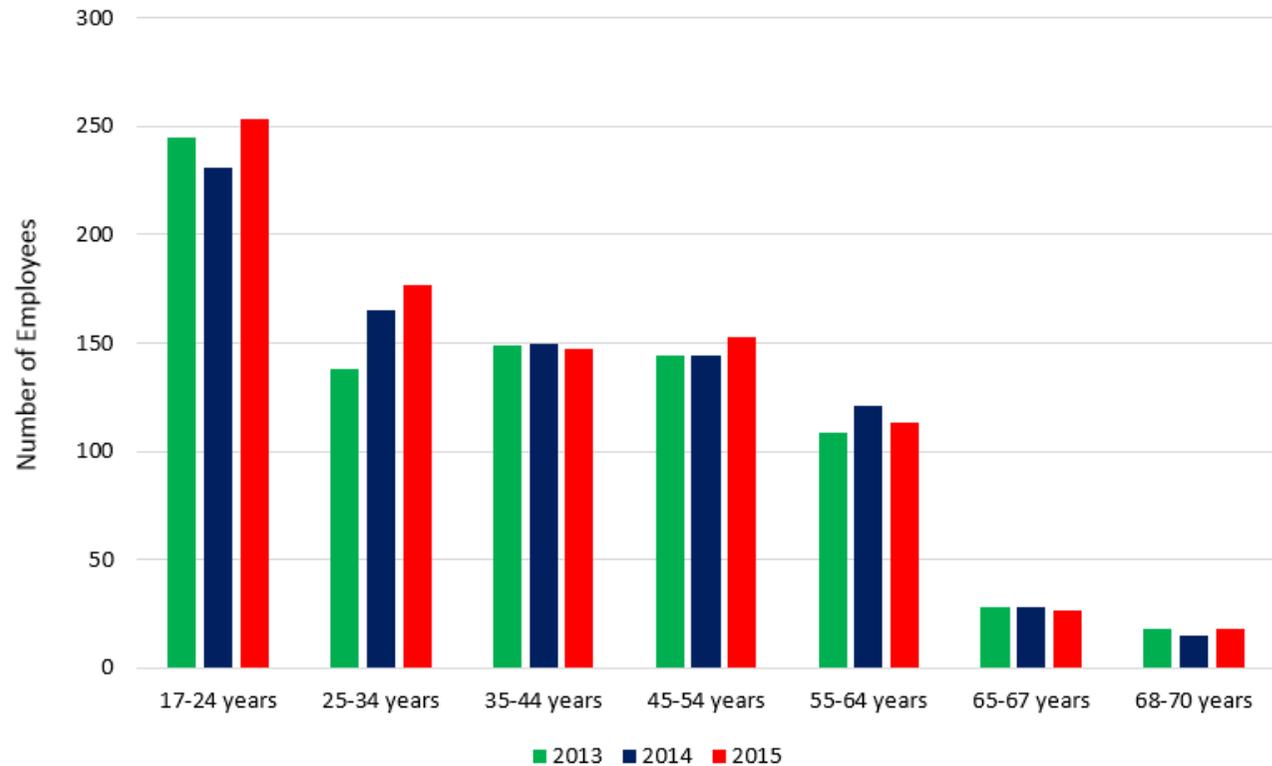
- Number of employees increased by 45% from 2011 to 2015



Age distribution 2013 – 2015 (no of employees)

Development 2013 - 2015

- Average age of employees is 41 years
- Group of employees age 25-34 years is increasing



WHERE DO BAKKAFROST EMPLOYEES RESIDE?

Residence of Bakkafrost employees (red dots)



Good representation from all Islands in 2015

- 49,192 Faroe Islanders allocated on 30 different municipalities
- Number of full-time equivalent employees in Bakkafrost was 725
- 19 out of 30 Faroese municipalities are represented among Bakkafrost employees

BAKKAFROST - VAP/HARVEST

Capital Markets Day, Glyvrar, Faroe Islands

Kári Egholm Jacobsen, Manager VAP production and processing

Andrias Petersen, Manager Harvest

HARVEST & VAP PROCESSING



Kári Egholm Jacobsen, Manager - VAP Production and Processing

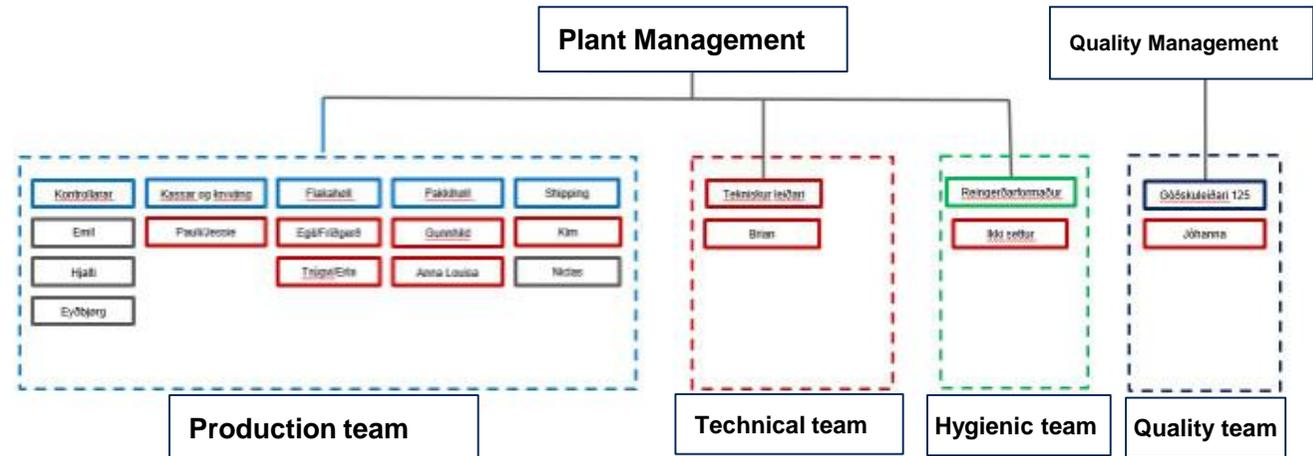
Kári Jacobsen (born 1963) has been Manager of VAP Production and Processing since 2008. He was educated at Statens Fagskole for Fiskeindustri in Vardø (1982/1983). Kári Jacobsen was production manager for Tavan from 1984 to 1994 and from 1999 to 2008. Kári Jacobsen was production manager for United Seafood from 1994 to 1998.



Andrias Petersen, Harvest Manager

Andrias Petersen (born 1973) holds a BSc in Chemical Engineering from the Technical University of Denmark (2001), and has since then completed courses in general-, project- and quality management. From 2002–2008, he worked with the Faroese Food, Veterinary and Environmental Agency in positions as official supervisor, quality manager and head of the department of fish health, where he obtained a thorough knowledge of the Faroese fish farming industry. From 2008, Mr. Petersen was production manager at the former Vestsalmon, and following the merger of the Vestlax Group with the Bakkafrost Group, Mr. Petersen has been Harvest Manager.

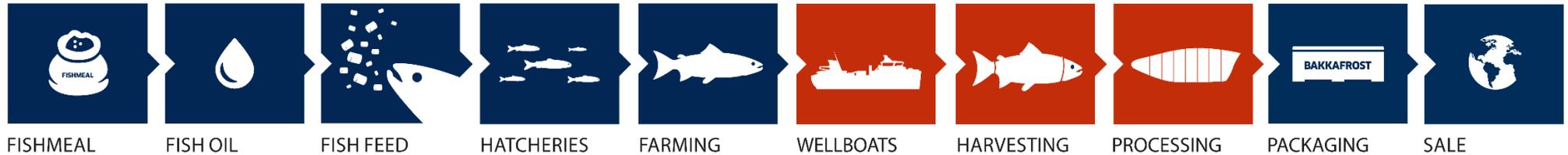
Organisation – á BAKKA



PLAN FOR SITE VISIT - Á BAKKA

1. Presentation
2. Walk through on site
3. Q&A





Goals

- Increase capacity
- Highest efficiency
- Best flexibility
- Highest quality
- Reduce biological risk

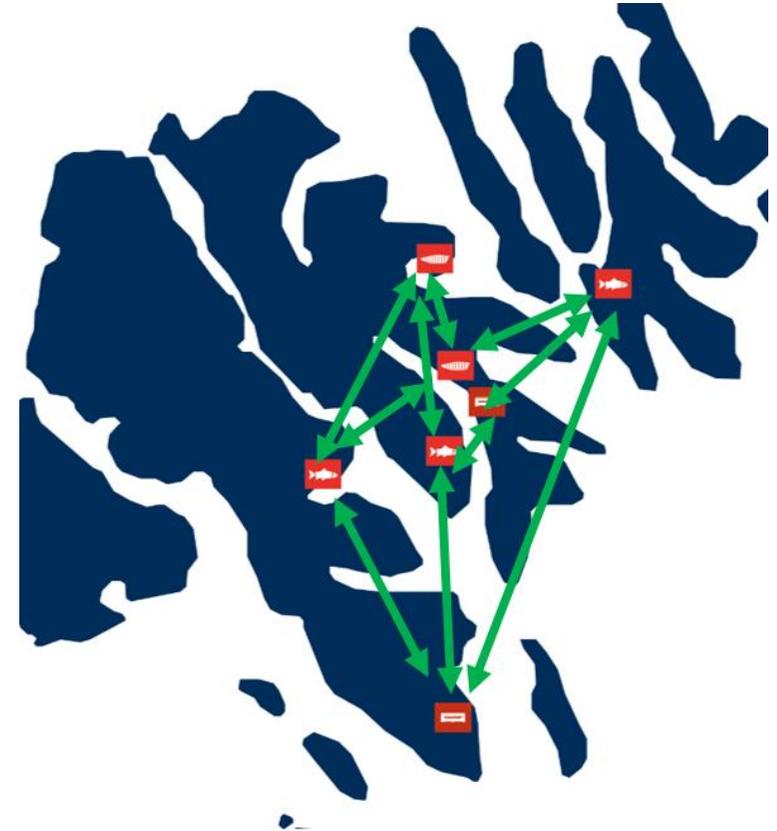
Overview of 7 Harvest- & VAP factories

- Bottlenecks
- Capacities
- Productivity
- Logistics
- Flexibility
- New products
- Quality
- Contingency plan



- 7 Sites
 - 3 Harvest plants
 - 2 VAP plants
 - 2 Styropor plants
- Internal transport
 - 25 trucks daily
- Challenge to optimize production and orders
- No Pre-rigor production

Overview of 7 Harvest- & VAP factories



Centralisation of activities

- Packaging, Harvest and VAP

Synergies

- All capacity available for all sites
- Reduce costs per kg
- Improved quality
- Meet future market trends

Merging 7 factories into 1



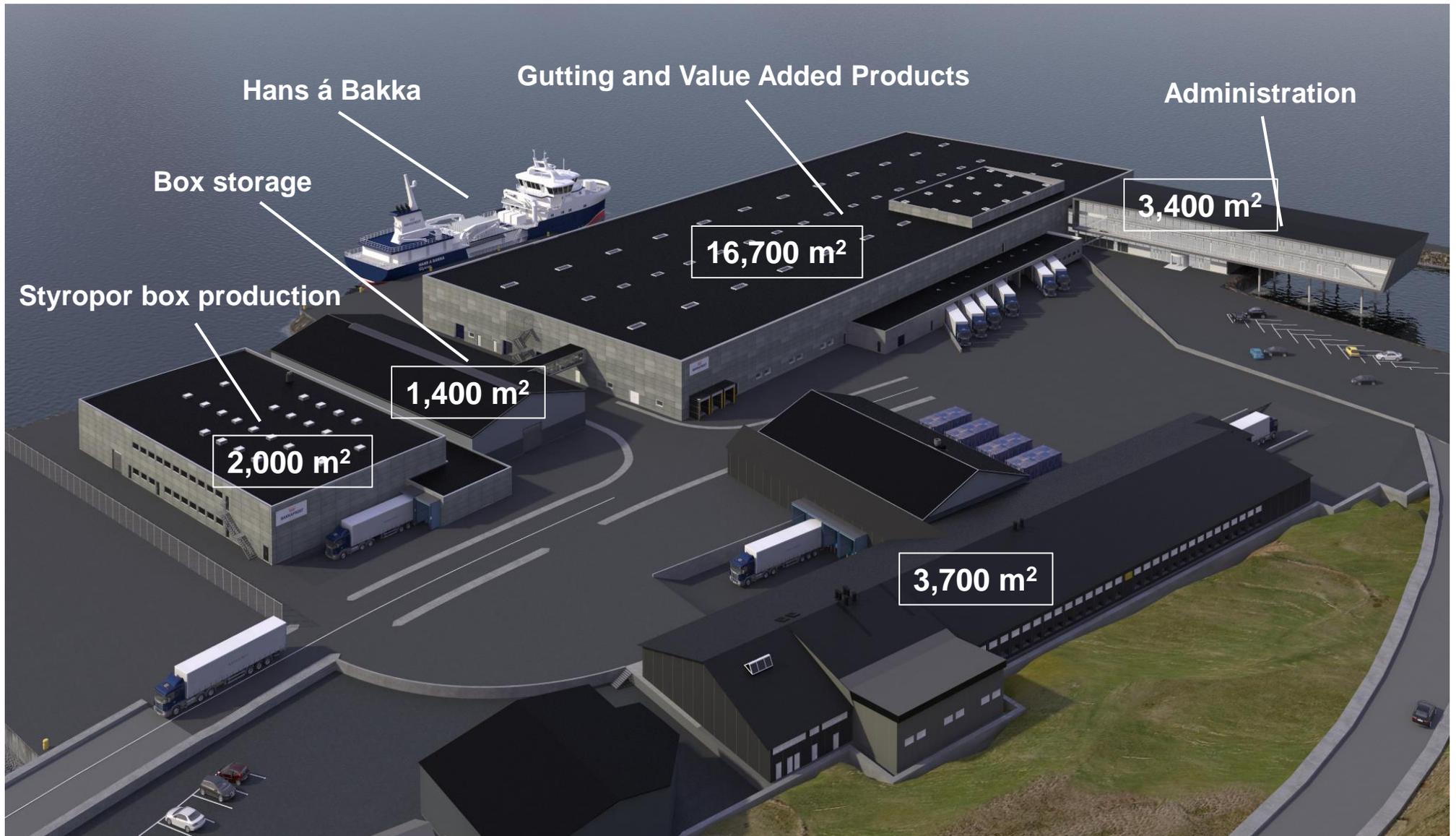
MAIN ELEMENTS IN THE INVESTMENT PLAN

- Flexibility in production and product port folio
- Reduce bottlenecks in the production
- Reduced wage costs per kg finished product
- High capacity line(s) and maximized yield
- Health, Environment and Safety in accordance with modern food processing facilities
- Hygienic design and focus on minimized bacteria growth
- High focus on traceability
- Reduced risk in farming

Merging 7 factories into 1



BAKKA PRODUCTION FACILITIES



MAIN CHARACTERISTICS OF THE NEW PLANT

- New project 23,500 m²
- Capacities per day
 - Receiving - 450 tonnes live fish
 - Gutting – 375 tonnes HOG
 - Filleting – 160 tonnes
- 100,000 tonnes harvest per year



MAIN CHARACTERISTICS OF THE NEW PLANT

- Fresh and frozen products
- Good flexibility to produce finished products demanded by the market in fresh & frozen natural products
- Highest quality from live to finished products within 4 hours
 - Super cooling
 - Various types of packaging
 - Retail and catering
 - Highest productivity
- State of the art equipment
- High capacity
 - 30 – 35,000 tonnes of raw material / year
- Lowest cost of production per unit
- High flexibility
- Multi product capability

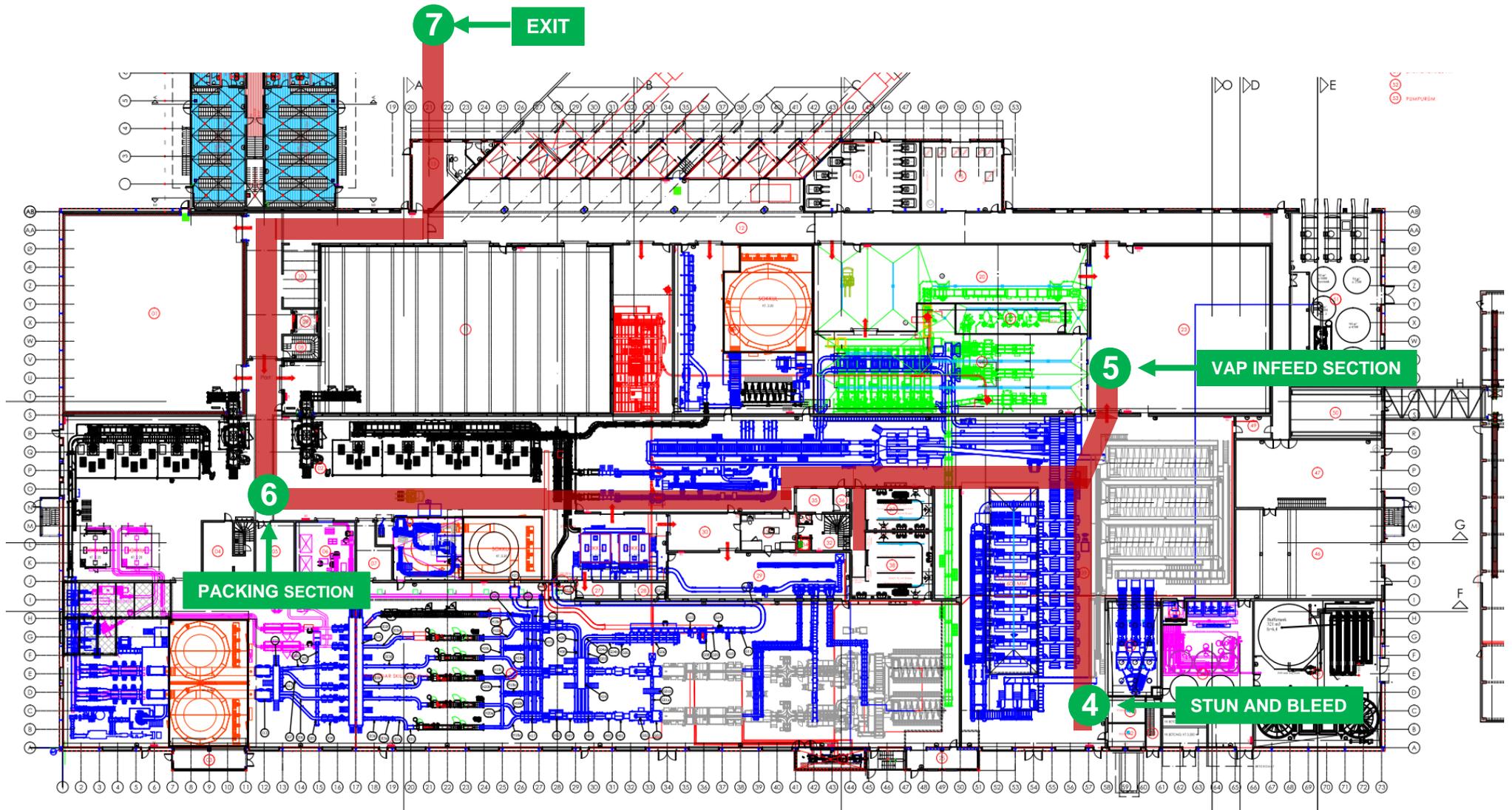


MAIN CHARACTERISTICS OF THE NEW PLANT

- Estimated savings DKK 70 – 90 million per year
 - Logistics
 - Reduced production costs
 - Energy
 - Maintenance



PRODUCTION FLOOR





BAKKAFROST

ESTABLISHED 1968

