

Presentation Q2 2010



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Oslo August 20th 2010

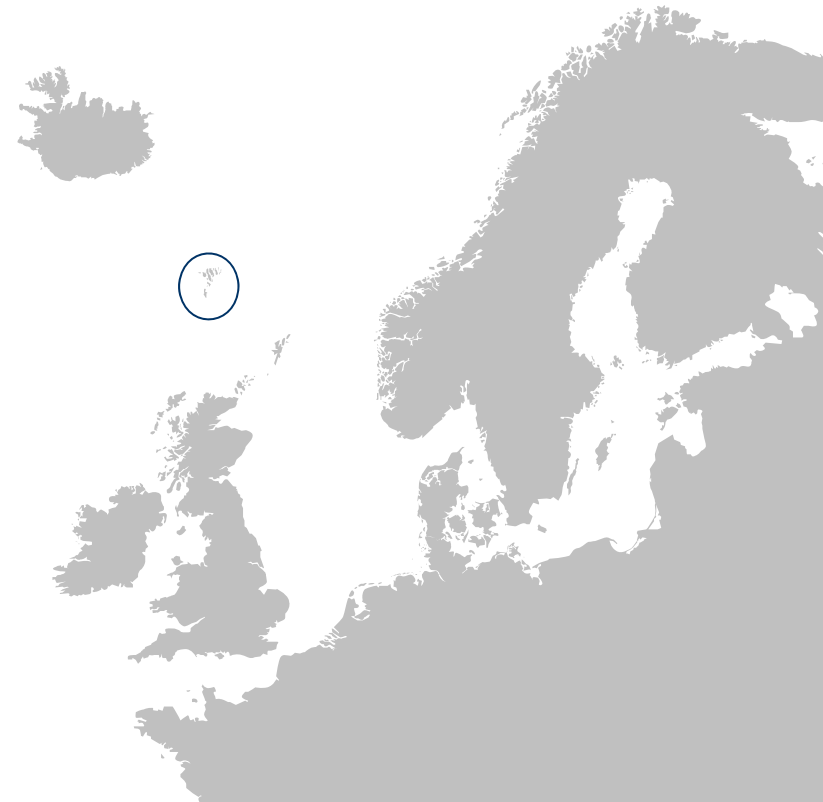
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Faroe Islands



- 18 islands - 1,400 km²
- 48,600 inhabitants
- Self-governing part of the Kingdom of Denmark
- Part of the Danish monetary union
- Key sectors (% of wage earners, 2008)
 - Service/public admin.: 35%
 - Private service: 33%
 - Fishing industry: 18%
- GDP: DKK 12.4 bn (2008)
- GDP/capita: DKK 255,000 (EU: 187,000) (2008)
- Corporate Tax: 18%



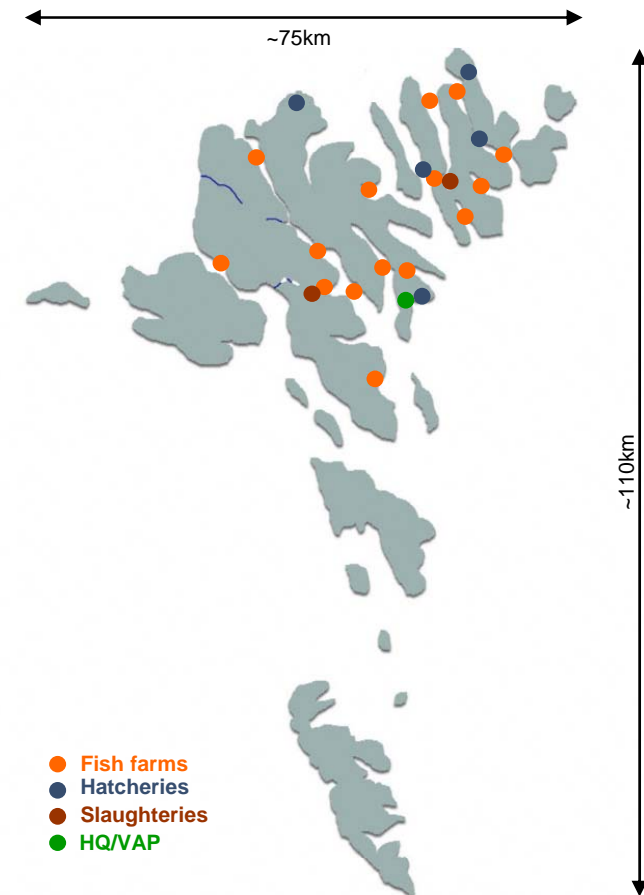
Source: Hagstova Føroya



BAKKA Frost

Bakka Frost – The largest fish farming company on the Faroe Islands

- **Largest salmon farming company on the Faroe Islands**
 - ~60 % of harvest volumes (H1 2010)
 - ~44 % of existing licenses (H1 2010)
- **Vestlax was merged into Bakka Frost 1 January 2010**
- **Produced a total of 11,085 gwt in H1 2010 (30,650 tonnes gwt in 2009)**
- **Revenues 390 million in H1 2010 (2009 DKK 922 million)**
- **Operational EBIT 109 million in H1 2010 (2009 of DKK 222 million)**



Faroe Island's: Excellent conditions for cost effective farming

Geography

- Faroese fjords provide separation between locations
- Improves biological control and area management

Water

- Stable water temperatures throughout the year between 6-12 degrees Celsius
- Excellent water quality and circulation conditions

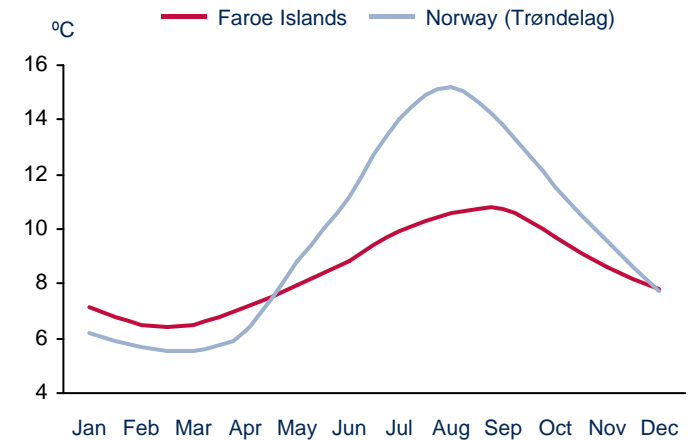
Location

- Efficient distribution to both the European- and US markets

Biomass

- Biological sustainability setting the biomass target per license

Average water temperatures 2002-2008



Source: Company material, Havforskningsinstituttet



Her Majesty The Queen of Denmark and His Royal Highness The Prince, visited at Bakkafrost 29th of June



Summary 2Q 2010

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Marked

- Improved margin driven by good market prices and good operational and biological performance
- Challenging market for VAP with high salmon prices

Strategy

- Planned operational changes on track

Financial

- Strong financial position, and good cash flow from operations
- Production in farming West up from 761 t in Q1 2010 to 2,602 t in Q2 2010

Biology

- Good biological and operational performance – to be further improved due to improved capacity utilisation
- Smolt releases in line with plans

Outlook

- Production ramped up, harvest to be ramped up from Q4.
- Volume 2010 and 2011 expected around 60.000 tonnes gutted weight in total

Financial Highlights group



- **Strong profit based on good performance**

- Strong salmon market drives prices and margins up to record high levels

- Operational performance improved

- Harvested will increase from Q4 2010.

- Good margins in farming despite low harvested quantity in Q2 2010

- VAP 67% of whole fish and 63% of sales to be reduced from H2 2010

(NOK)	Q2 2010		Q2 2009 Proforma	
<i>Farming:</i>	<u>North</u>	<u>West</u>	<u>North</u>	<u>West</u>
EBIT* NOK/kg gwt	18.28	14.82	11.15	2.60
Harvested volumes [tgmt]	2,739	2,602	4,918	2,487

* Aligned for fair value adjustment of biomass, onerous contracts provisions and costs related to the listing of the company on Oslo Børs.

Key financials, Group



- Strong cash flow
- Low interest bearing debt

(DKKm)	Q2 2010	2009 Proforma
Cash flow from operations	83	298
Total assets	973	1,004
NIBD	65	251
Equity ratio	74%	57%

SEGMENT INFORMATION



Segments Farming

- Strong operating results
 - High prices on salmon
 - Good biological and operating performance
- Revenues down 7% in Q2 2010 compared with Q2 2009
 - Harvested volumes reduced by 28%, but higher prices compensate

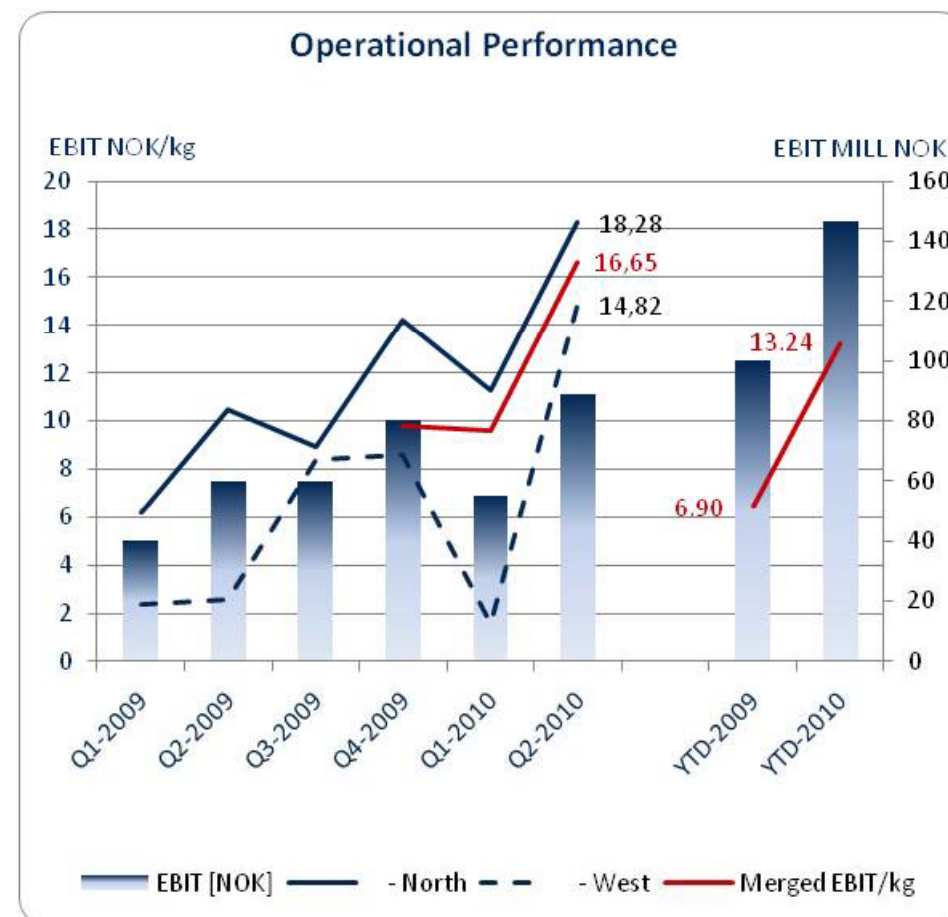
(DKKm)	Q2 2010	Q2 2009 Proforma
Op. revenues	202	218
EBIT*	84	23

* Aligned for fair value adjustment of biomass, onerous contracts provisions and costs related to the listing of the company on Oslo Børs.

Farming

- Operational performance

- Operational EBIT* /kg and margin increased to highest level ever
- Margin difference between North and West reduced



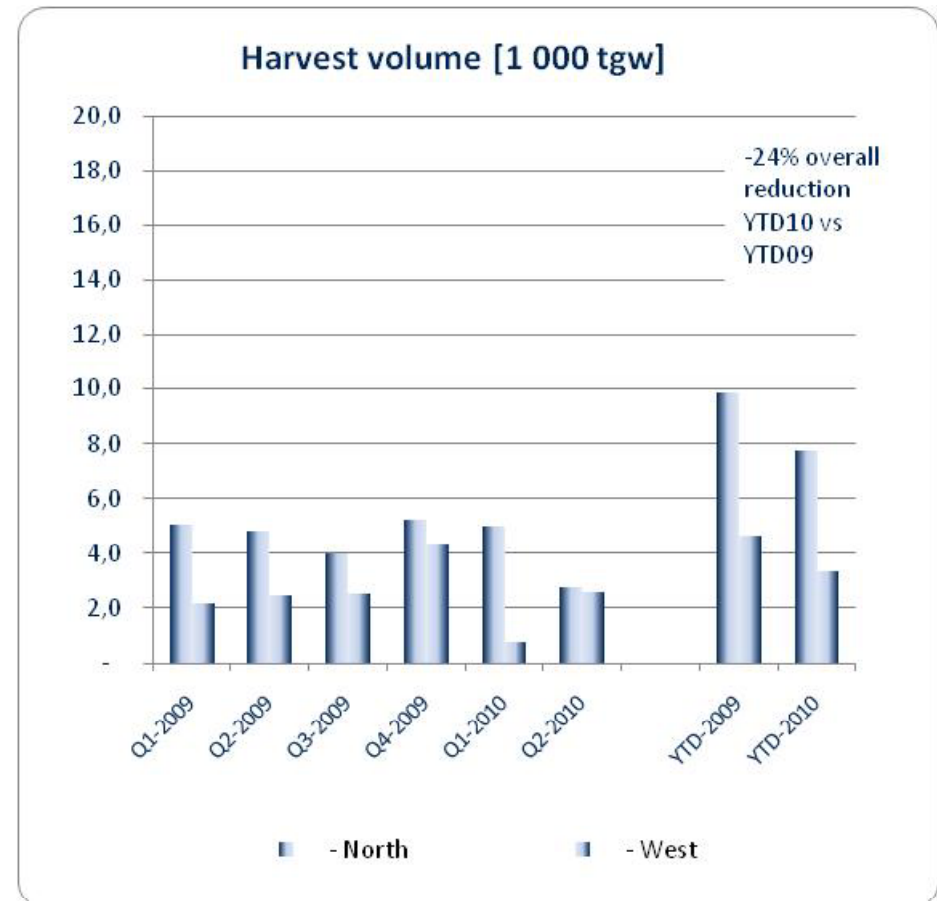
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Farming

- Harvest volume [1 000 t_{gw}]

Harvested volume

- North:
2.7 [4.8 Q2-2009 / 5.0 Q1-2010]
- West
2.6 [2.5 Q2-2009 / 0.8 Q1-2010]
- Harvested volumes will increase from Q4 2010, estimated quantity for 2010 24,000 t_{gw}.
- Forecast maintained for 2010 and 2011 at total ~ 60,000 t_{gw}.



Segments VAP

- Operating revenue increase by 61%
- Volume growth by 37%
- Increased raw material costs not fully covered by higher VAP prices. VAP division purchases raw material at spot prices.
- Contracts reduce fluctuations in the cash flow

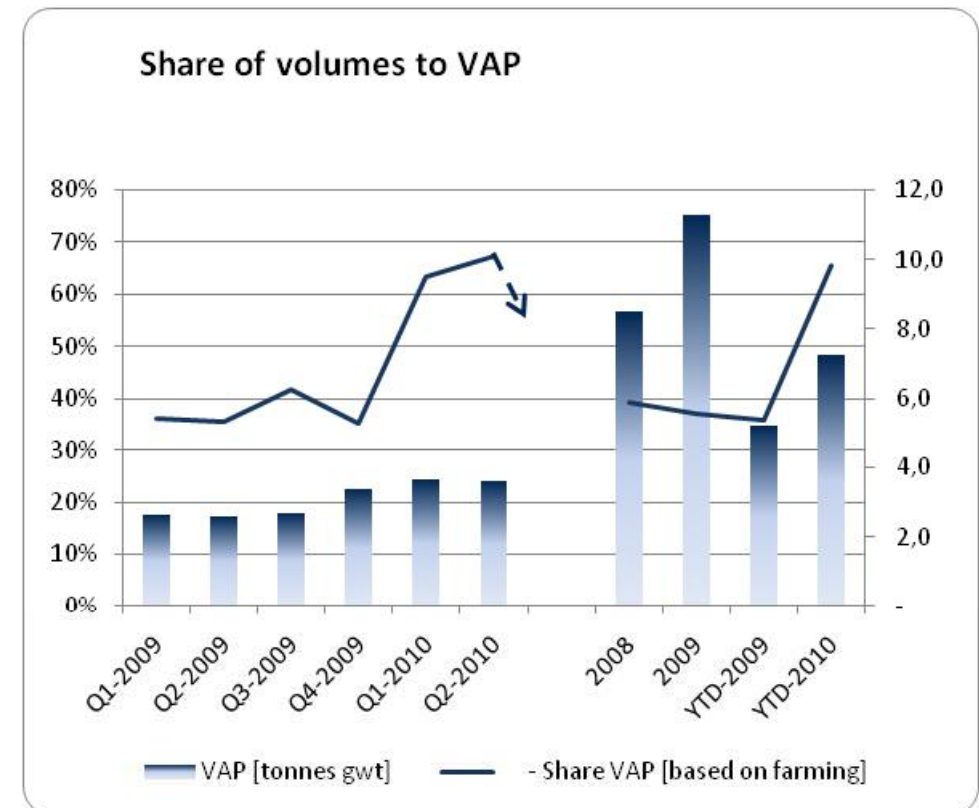
<i>(DKKm)</i>	Q2 2010	Q2 2009 Proforma
Op. Revenues	125	77
EBIT*	-26	-13

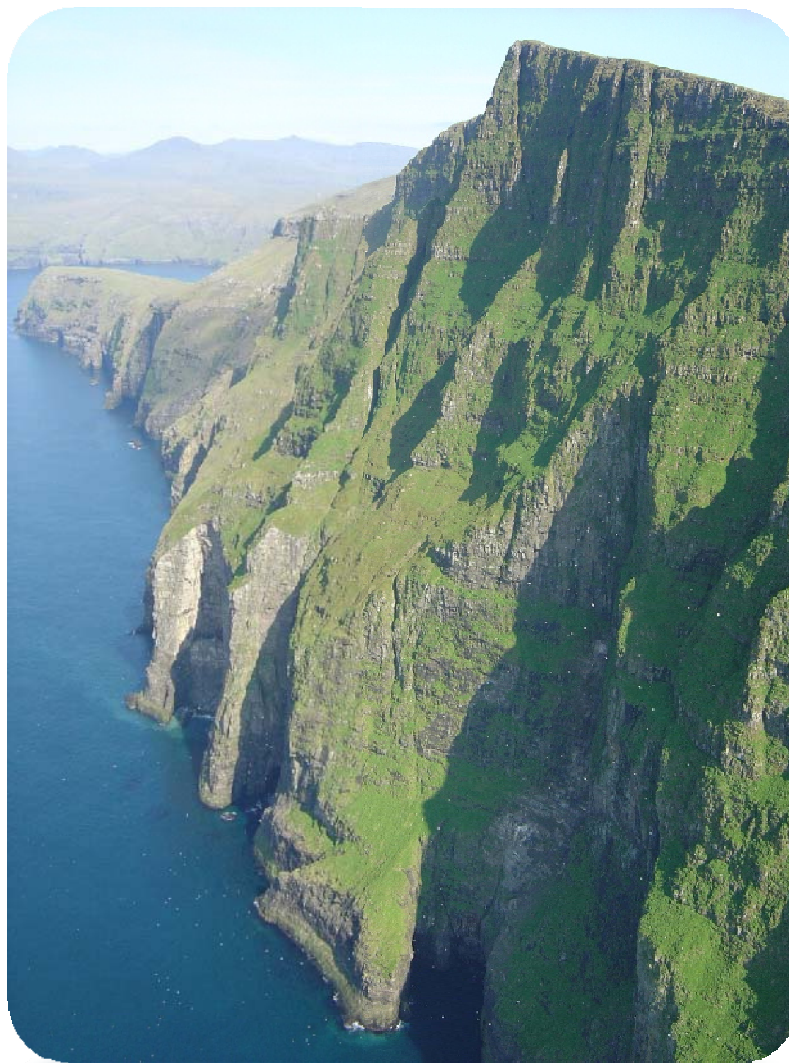
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VAP

- Operational performance

- High capacity utilisation in VAP factory
 - High VAP share in H1 2010 primarily due to reduction in harvested volumes, to come down in H2 to around 50%
- VAP challenged by increased raw material prices, continues to materialize increased prices
- Time lag between spot prices and contract prices





GROUP FINANCIALS

Group profit and Loss

	(DKKm)	Q2 2010	Q2 2009 Proforma	H1 2010	H1 2009	2009 Proforma
<ul style="list-style-type: none"> Revenues decreased by 18% but volumes decreased by 28% - strong market Operating EBIT on same level despite decrease in volumes Reduced interests costs EPS NOK 0.71 						
	Operating revenues	199.6	243.2	390.0	428.9	921.7
	Purchase of goods	-57.2	-64.0	-94.4	-132.9	-272.6
	Change in inventory and biological assets (at cost)	-2.6	-43.2	-16.3	-69.9	-105.7
	Salary and personnel exp.	-29.6	-29.8	-60.9	-59.1	-123.9
	Other op. revenue	0	0	0	9.5	9.5
	Other op. expenses	-41.1	-37.7	-88.7	-83.7	-186.7
	Income from associates	0	0	0	0	0.7
	Depreciation	-10.4	-9.6	-20.6	-18.7	-38.1
	Operating EBIT	58.7	58.9	109.1	74.1	204.9
	Fair value adj	-17.8	36.6	28.0	54.1	34.5
	Onerous contr.	1.0	-23.3	-23.8	-23.4	0
	Listing costs	0	0	-12.7	0	0
	EBIT	41.9	72.2	100.6	104.8	239.3
	Financial items	-2.2	-6.9	-4.5	-20.1	-38.2
	EBT	39.7	65.3	96.1	84.7	201.1
	Taxes	-7.1	-8.6	-17.3	-12.1	-36.3
	Profit for the period	32.5	56.7	78.8	72.6	164.8

Balance Sheet – as per 30. June 2010



- Investments in PPE to carry out the organic growth
- Reduced NIBD significantly
- Strong balance sheet - NIBD/Equity 9%

	30 June 2010	End 2009 Proforma
(DKKm)		
Intangible assets	136.2	136.2
Property, plant and equipment	350.0	331.1
Financial assets	16.4	16.4
Long term receivables	1.0	0.5
Biological assets	329.0	329.9
Inventory	34.1	24.9
Receivables	80.8	129.3
Cash and cash equivalents	25.0	35.7
Total Assets	972.5	1,003.9
Equity	721.1	573.3
Long term interest bearing debt	41.5	71.4
Deferred and other taxes	97.1	70.6
Short term interest bearing debt	48.6	215.2
Account payables	64.3	73.4
Total Equity and liabilities	972.5	1,003.9

Cash Flow – for 2Q 2010

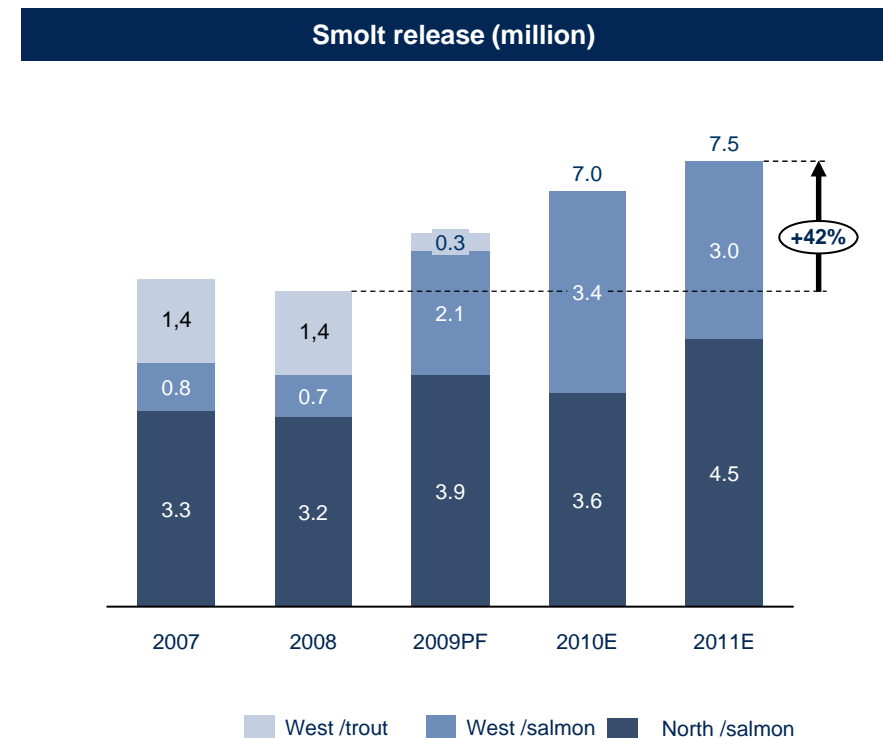
- Strong cash flow from operation – used to investments and paydown debt
- Strong liquidity – DKK 350M of undrawn facilities

	Q2 2010	H1 2010	2009 Proforma
(DKK M)			
Operating profit	41.9	100.6	239.3
Cash flow from operations	82.6	124.3	298.1
Cash flow from investments	-20.2	-40.0	-39.6
Cash flow from financing	-48.3	-94.8	-234.7
Net change in in cash	14.1	-10.6	23.7
Cash at the end of the period	25.1	25.0	35.7

- **A strong market with reduced supply leads to high price level**
- **Higher contracts prices will materialize in 2H 2010 (entered in 1H 2010)**
- **Harvested volumes will increase from Q4 2010. Expect to harvest 24,000 tonnes in 2010 and maintain total production goal for 2010 and 2011 to be around 60,000 tonnes gwt.**
- **Continue to have high solvency to pursue opportunities - organic and M&A - in the coming years and to manage risks in the industry**
- **Switching to purely produce salmon from late Q3-2010**
- **Maintain focus on a healthy biological environment**
- **Building up biomass in 2H 2010**

Strong expected volume growth in existing licenses

- Expects to release 42% more smolt in 2011 than 2008
- No absolute biomass restrictions
- Trout to be phased out





APPENDIX



BAKKAFROST

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