

Q1 | 2013

FIRST QUARTER BAKKAFROST GROUP

Glyvrar 22 May 2013

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■ SUMMARY OF Q1 2013

- MARKETS AND SALES
- FINANCIAL HIGHLIGHTS
- SEGMENT INFORMATION
- GROUP FINANCIALS
- INVESTMENTS
- OUTLOOK

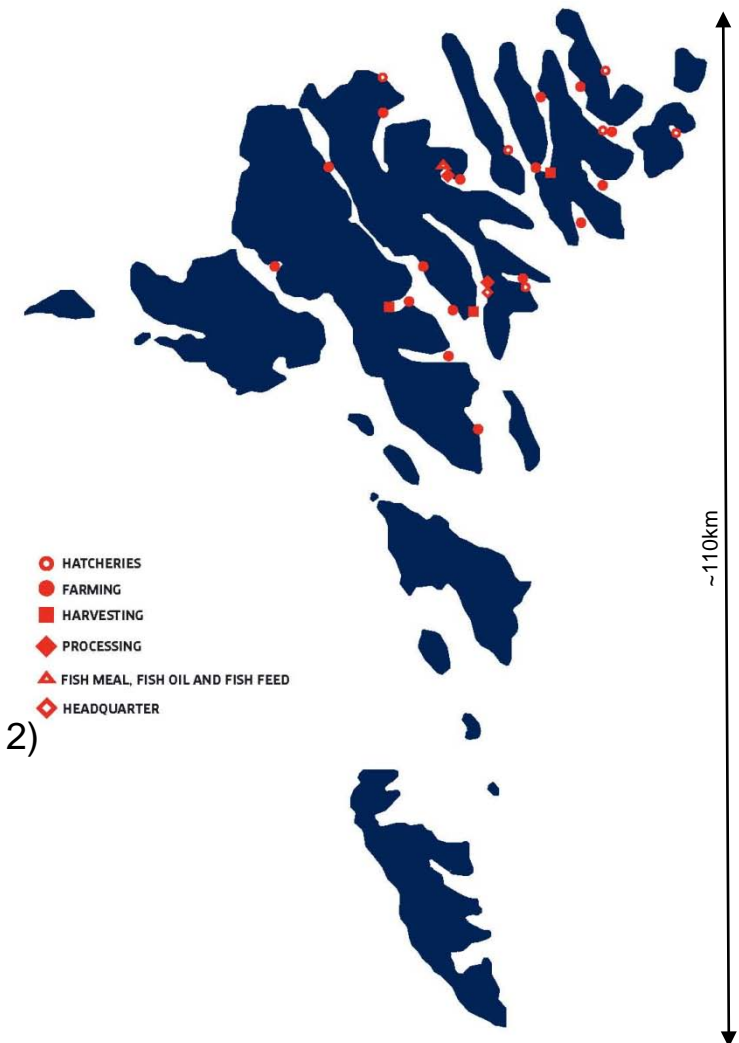
BAKKAFROST

– THE LARGEST FISH FARMING COMPANY IN THE FAROE ISLANDS



- **Largest salmon farming company in the Faroe Islands**
 - ~55% of harvest volumes in Q1 2013
 - 50% of farming licenses
- **Harvested** 8,296 t_{gw} in Q1 2013 (11,348 t_{gw} in Q1 2012)
- **Feed sale** of 14,906 tonnes in Q1 2013* (15,299 tonnes in Q1 2012*)
- **Revenues** of DKK 473 million in Q1 2013 (DKK 400 million in Q1 2012)
- **Operational EBIT** of DKK 105 million in Q1 2013 (DKK 60 million in Q1 2012)
- **Positive results from Farming and Feed, loss on VAP**
- **Dividend of DKK 2 per share (NOK~ 2.04) paid out in May 2013**
- **Issued and listing of unsecured bonds amounting to NOK 500 million**

*) Including internal sale of 10,991 tonnes in Q1 2013 (11,827 tonnes in Q1 2012).



Margin

- Strong results - Operational EBIT DKK 105m
 - Farming EBIT/kg NOK 14.95
 - Fishmeal, Oil and Feed 15.75% EBITDA margin
 - VAP negative EBIT/kg of NOK 5.44

Market

- Improved salmon prices on back of reduced supply
- Supply drop estimated to 3 - 5% in Q1 2013 compared to Q1 2012

Operation

- Volume reduction of harvested fish was 27% due to less availability of large fish in Q1 2013
- Smolt transfer in Q1 according to plan and on same level as last year
- Biology good and stable



- SUMMARY OF Q1 2013

- **MARKETS AND SALES**

- FINANCIAL HIGHLIGHTS

- SEGMENT INFORMATION

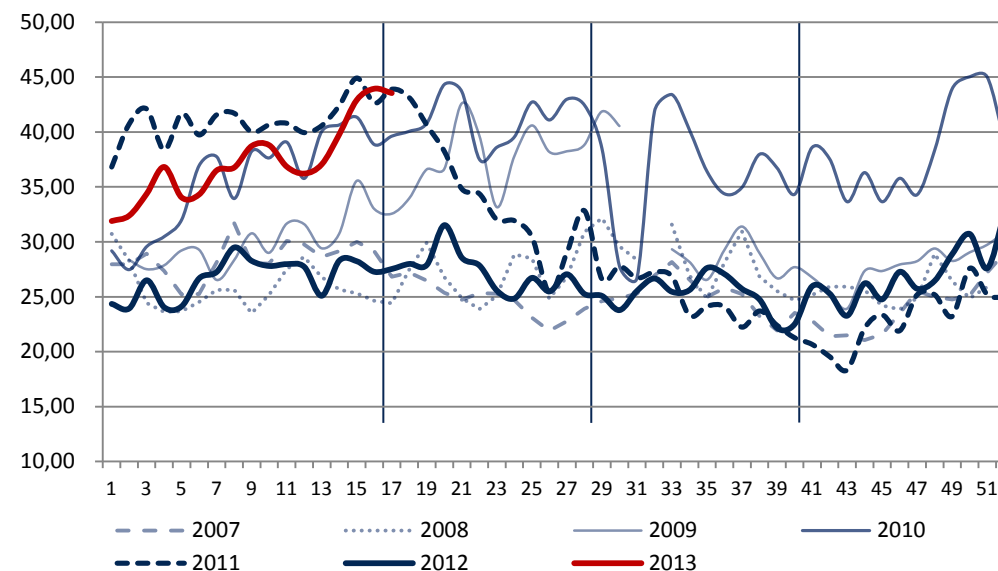
- GROUP FINANCIALS

- INVESTMENTS

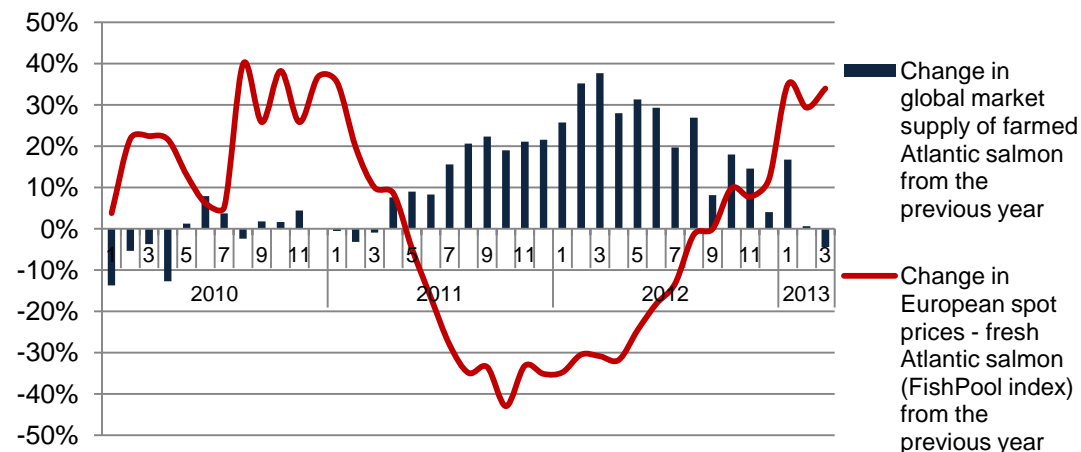
- OUTLOOK

- The NASDAQ prices for salmon increased in Q1 2013 by
~35% compared with Q1 2012
- from 26.39 to 35.75 NOK/kg
- From a massive supply increase during 18 months up to the third quarter in 2012, the global supply is now stable or even declining leading to a shortage of salmon

Spot prices on fresh salmon 4-5 [NOK/kg HOG]



Change in global market supply and market price



Source: Kontali Analyse

LOW SUPPLY GROWTH EXPECTED IN 2013 AND 2014

- We expect the global supply growth of Atlantic Salmon in 2013 to be only 2%:
 - Negative growth of 4% in Europe and
 - Growth of 20% in Americas
- In 2014 the supply growth is expected to be 4% globally, divided on 6% in Europe and 4% from Americas
- Since Chilean harvest of Atlantic salmon hit the bottom in 2010, harvest has almost tripled. The rapid growth in production caused major market challenges in 2012

Global supply of Atlantic Salmon				
	2011E	2012E	2013E	2014E
Norway	1.006	1.183	1.136	1.200
UK	157	155	150	160
Ireland	16	17	18	19
Faroes	56	74	74	80
Iceland				
Total Europe	1.235	1.429	1.378	1.459
Chile	221	368	480	500
Canada	110	122	112	113
USA	18	20	21	22
Total Americas	349	510	613	635
Australia/Other	40	44	40	42
Total Atlantic (Harvest volumes)	1.624	1.983	2.031	2.136
Total supply growth Europe		16%	-4%	6%
Total supply growth Americas		46%	20%	4%

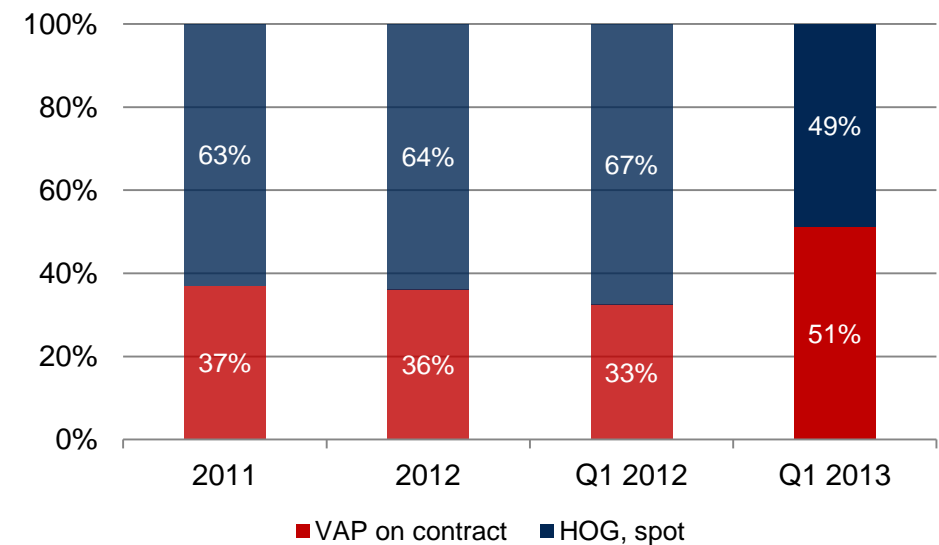
Source: Kontali Analyse, Bakkafrost

Overseas High-End markets dominated Q1 2013

- The demand in the US and Asian market dominated the sales in the first quarter
- Eastern European market reduced from 15% in Q1 2012 to only 2% in Q1 2013 of total sales
- EU market dropped to 42% from 58% last year and 50% for all 2012
- VAP/contract share 51% of total volume in Q1 2013 compared to 33% in Q1 2012 due to reduced total quantity in the quarter

Sales by markets	Q1 2013	Q1 2012	2012	2011
EU	42%	58%	50%	60%
USA	22%	11%	16%	23%
Asia	34%	16%	19%	9%
Eastern Europe	2%	15%	15%	8%

Contract share, VAP products [% of qty]



- **Top Quality Salmon**

Salmon from the Faroe Islands is building a strong reputation as a boutique origin for top quality salmon

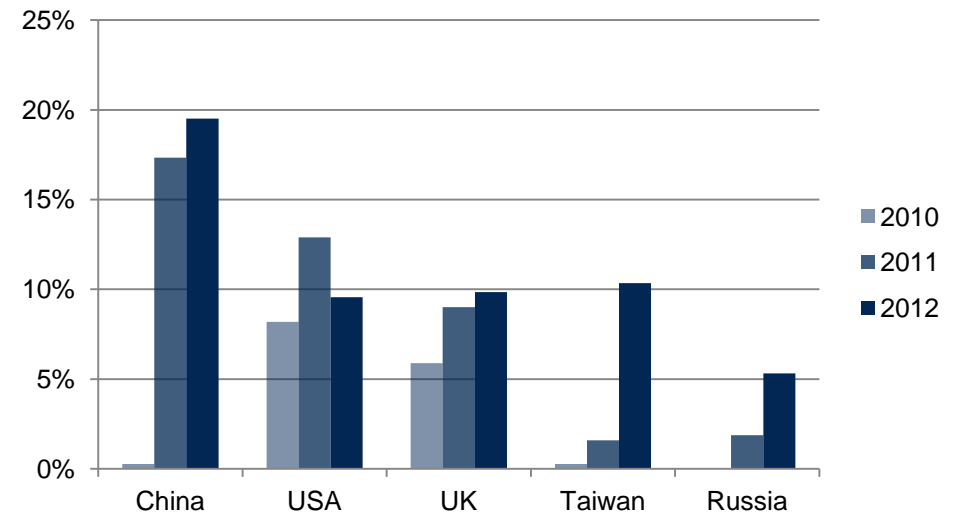
- **Limited volume (niche product)**

Growing demand from existing and new markets combined with stable production creates value

- **Market diversification**

We believe that our market diversification and positioning strategy will secure and strengthen our market leading position and increase values

Market share, selected markets *Salmon from the Faroe Islands*



The Market share is calculated as quantity from Faroe Islands as a part of total quantity sold on the market

Source: Kontali Analyse



FINANCIAL HIGHLIGHTS

Satisfying results at the given price level

- Strong salmon prices generated higher revenues and EBIT
- Volume reduced 27%
- Operational EBIT increased by 75%

Increased margins in Farming and Fishmeal, Oil and Feed, but loss in VAP, due to increased spot prices

- Increased EBIT/Kg (Farming/VAP) from NOK 5.42 to NOK 12.16 due to 3-5% decline in the supply of salmon YoY
- Higher EBITDA margin in Fishmeal, oil and feed compared to Q1 2012, due to:
 - Increased raw material intake and thus better capacity utilisation
 - Raw material prices in Q4 2012 reflected in feed prices in Q1 2013

(DKK million)	Q1 2013	Q1 2012	2012	2011
Operating revenues	473.3	400.1	1,855.5	1,321.1
Operational EBITDA	125.9	79.7	403.3	402.5
Operational EBIT	105.0	60.0	323.0	335.1
Profit for the period	67.5	16.4	281.3	323.4
Operational EBITDA margin	26.6%	19.9%	21.7%	30.5%
Operational EBIT margin	22.2%	15.0%	17.4%	25.4%
Operational EBIT/Kg (Farming and VAP) (NOK)	12.16	5.42	7.04	9.59
EBITDA margin (Fishmeal, oil and feed)	15.75%	7.38%	9.50%	13.5%

KEY FINANCIALS, GROUP

- Slightly lower cash flow from operations – mainly due to increased inventory (raw material at Havsbrún and biological assets)
- Total assets increased due to increase in inventory and cash and cash equivalents
- NIBD reduced by DKK 32 million from end 2012 despite investments and increase in working capital
- The Group has undrawn loan facilities of DKK 652.8 million of which DKK 15.0 million is restricted
- In January 2013 Bakka Frost issued unsecured bonds amounting to NOK 500 million

(DKK million)	Q1 2013	Q1 2012
Cash flow from operations	26.7	33.2
Total assets*	2,717.3	2,570.9
NIBD*	775.2	806.9
Equity ratio*	48.3%	49.1%

* Comparing figure are at year-end 2012

Harvested volume

- Harvested volumes came down by 27% from 11,348 tgv in Q1 2012 to 8,296 tgv in Q1 2013
- North 53% compared with 12% in Q1 last year

Smolt transfer

- Smolt transfer in Q1 2013 was 2.1 million pieces. Plan for full year 10 million pieces

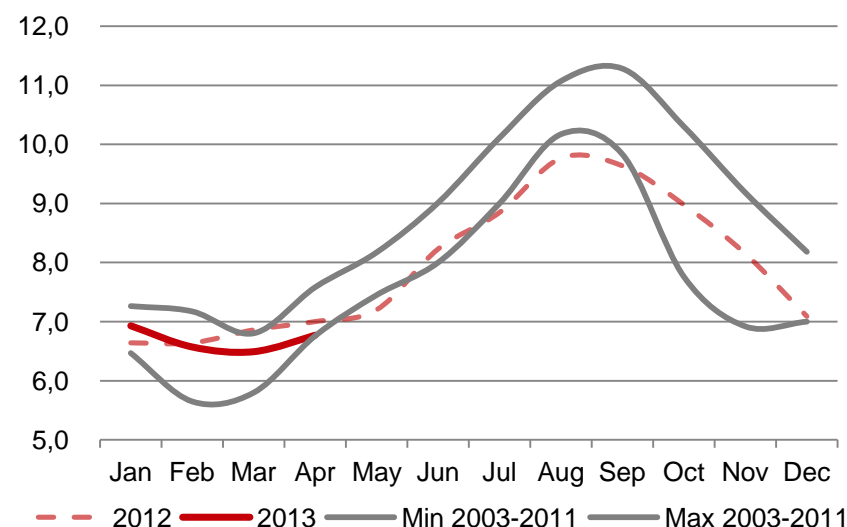
[tgv]*	Q1 2013	Q1 2012	2012	2011
West	3,939	10,019	20,847	9,586
North	4,357	1,329	23,494	21,052
Total	8,296	11,348	44,341	30,638
Faroe Farming*	0	881	2,557	3,717
Gross harvested	8,296	12,229	46,898	34,355

Seawater Temperature in Faroe Islands

- The seawater temperature in 2012 was 7,9°C compared to 8,4°C in average from 2003-2011. YTD 2013 slightly below same period 2012

* Viking volumes added to West and included from July 1st 2011. All volumes from Faroe Farming until the divestment in 2012 are classified as discontinuing operation. Faroe Farming harvested in 2012 4,358 tonnes tgv.

Seawater Temperatures in Faroe Islands [°C]



Revenues and margin

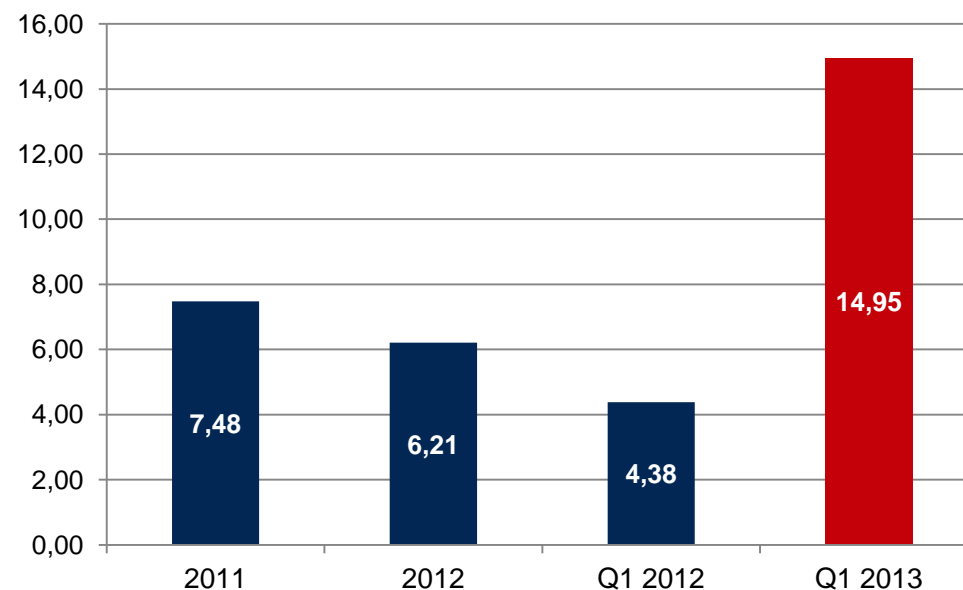
- Revenues increased in Q1 2013 compared with Q1 2012 from DKK 312 million to DKK 425 million
- Margin increased from 16% in Q1 2012 to 29% in Q1 2013 mainly due to higher market prices
- Superior quality share decreased from 94% to 92% Q on Q

(DKK million)	Q1 2013	Q1 2012
Operating revenues	425	312
Operational EBIT	125	49
Operational EBIT margin	29%	16%
Superior quality share	92%	94%

Operation

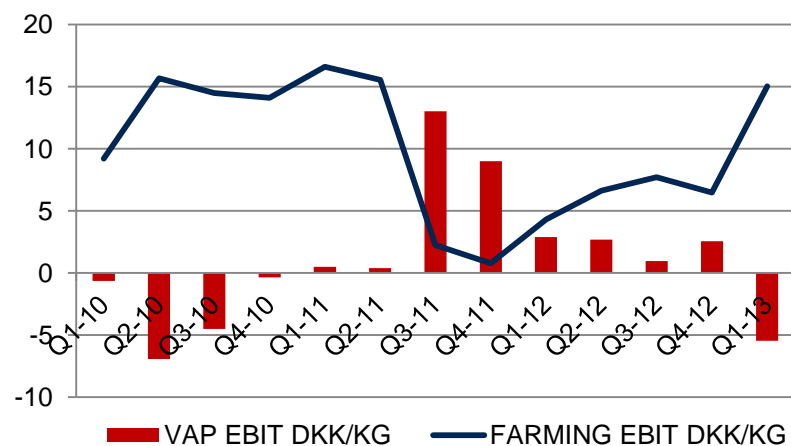
- Overall good performance
- Average harvest weight of 4.7 kg gwt in Q1 2013
- Low sea temperatures

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



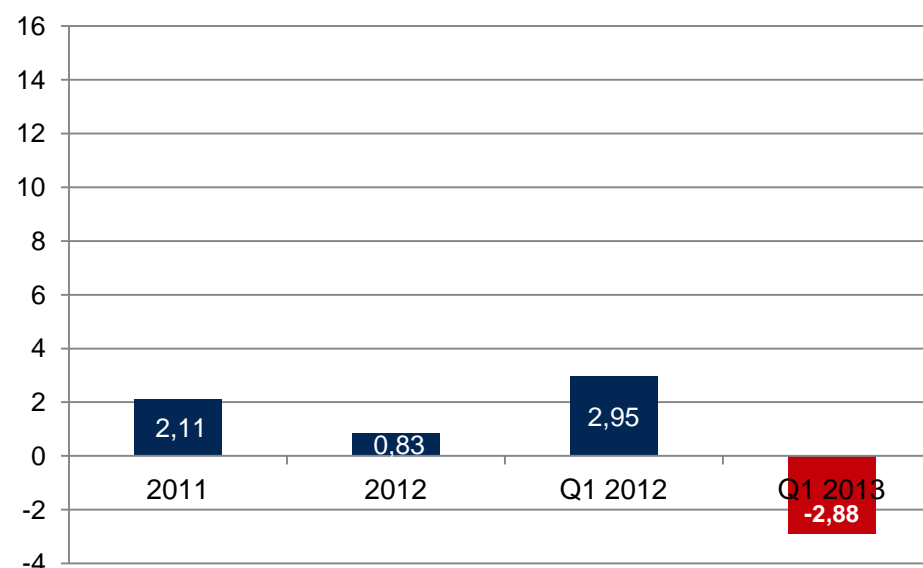
Revenues and margin

- Revenues increased 22% while volume increased 7%
- Margin went negative on back of dramatic price increase in the salmon spot market
- Around 35-38% of total harvested volume in 2013 expected to be sold as VAP on contracts
- VAP production is a long term strategy, optimizing markets and stabilises cash flow



(DKK million)	Q1 2013	Q1 2012
Operating revenues	148	121
Operational EBIT	-23	11
Operational EBIT margin	-16%	9%
VAP produced volumes (tgv)	4,252	3,975

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



SEGMENT FISHMEAL, OIL AND FEED

- Raw material intake for fishmeal/oil production 30,938 tonnes in Q1 2013 compared with 23,514 tonnes in Q1 2012
- Revenues increased 5% due to higher selling prices from fishmeal, oil and feed
- EBITDA margin increased from 7% to 16% also due to increased prices and better capacity utilisation
- Forecast for feed sale for 2013 is ~ 80-90,000 tonnes

Meal, Oil and Feed

(DKK million)	Q1 2013	Q1 2012
Operating revenues*	157	150
EBITDA	25	11
EBITDA Margin	16%	7%
Sale of feed (tonnes)	14,906	15,299

* Including sale to Bakkafrost corresponding to ~74% of feed volumes in Q1 2013 (Q1 2012: 69%)





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GROUP PROFIT AND LOSS

- Revenue up 18% corresponding to DKK 73 million) due to:
 - Improved market prices
 - Sale of salmon for 3rd party
 - Harvest volumes down 27% due to back end loaded harvesting profile in 2013
- Operating EBIT increased by 75% from DKK 60 million in Q1 2012 to DKK 105 million in Q1 2013
- Further increase in provision for onerous contracts amounting to DKK 24 millions in Q1 2013, due to increased spot prices
- Improved financial costs in Q1 2013 compared to Q1 2012, due to currency gains on bond loan
- Result after tax of DKK 67 million compared to DKK 16 in Q1 2012

(DKK million)	Q1 2013	Q1 2012	2012	2011
Operating revenues	473	400	1,856	1,321
Operational EBITDA*	126	80	403	402
Operational EBIT*	105	60	323	335
Fair value adjustment on biological assets	-5	-7	91	-46
Onerous contracts	-24	0	-46	3
Other non operational items**	0	0	0	111
Income from associate	5	-3	-6	-2
Loss from sale of subsidiary	0	0	-18	0
EBIT	81	50	344	401
Net Financial items	2	-8	-20	-31
EBT	83	42	324	370
Taxes	-15	-7	-56	-47
Profit for the period continuing operations	67	35	268	323
Profit for the period discontinuing operations	0	-19	13	0
Profit for the period	67	16	281	323
Operational EBITDA margin	26.6%	20.0%	21.7%	30.4%
Operational EBIT margin	22.2%	15.0%	17.4%	25.4%
Operational EBIT/Kg (Farming and VAP) (NOK)	12.16	5.42	7.04	9.59
EBITDA margin (Fish meal, oil and feed)	15.75%	7.38%	9.5%	13.5%

*Operational EBITDA and EBIT adjusted for non-operational related items, such as fair value adjustment of biomass, onerous contracts, income/loss from associate, acquisition costs and badwill etc.

** Other non operational items comprise: Impairments, acquisition costs and badwill.

BALANCE SHEET

- Investments in PPE of DKK ~22 million in Q1 2013
- Higher carrying amount on inventory due to increase in raw material intake and higher inventory of raw material for feed production
- Decrease in other receivables from financing of associated company
- Equity increased as a result of positive operations. Dividend of DKK 97 million has been paid out in Q2
- NIBD at DKK 775 million down from DKK 806 million at end 2012
- Equity ratio 48% (Covenants 37,5%)

(DKK million)	Q1 2013	2012
Intangible assets	294	294
Property, plant and equipment	814	813
Financial assets	103	91
Long term receivables	3	0
Biological assets	770	747
Inventory	316	243
Receivables	214	212
Other receivables	81	146
Cash and cash equivalents	124	25
Total Assets	2,717	2,571
Equity	1,314	1.263
Deferred tax and other taxes	274	258
Long term interest bearing debt	799	732
Short term interest bearing debt	100	100
Account an other payables	231	218
Total Equity and Liabilities	2,717	2,571

CASH FLOW

- Cash flow from operations in Q1 2013 hampered by increase in inventory at Havsbrún
- Cash flow from investments represent payments for purchase of fixed assets and a financial investment
- Cash flow from financing reflects decreased receivables from financing of associated companies and increased debt
- Undrawn loan facility of DKK 653 million of which DKK 15 million is restricted

(DKK million)	Q1 2013	Q1 2012	2012	2011
Cash flow from operations	27	33	283	410
Cash flow from investments	-29	-17	-67	-723
Cash flow from financing	101	6	-208	322
Net change in cash	99	18	8	8
Cash at the end of the period	124	35	25	17
Available undrawn facilities	653	310	146	283

BONDS ISSUED IN Q1 2013

Bakkafrost entered the Norwegian bond market

- Bond's raised in Q1 2013 of NOK 500 million,
- 3m NIBOR + 4.15% swapped into DKK and CIBOR 3m + 3.94%
- Swapped into DKK to reduce currency risk.
- DKK is Bakkafrost's functional currency

Purpose of the bond issue:

- Increase sources of financing
- Increase financial flexibility
- Reduce financial risk
- Bank financing payable with DKK 100 million per year
- High investments coming years (DKK 170 million in 2013)
- Continue to be dividend paying

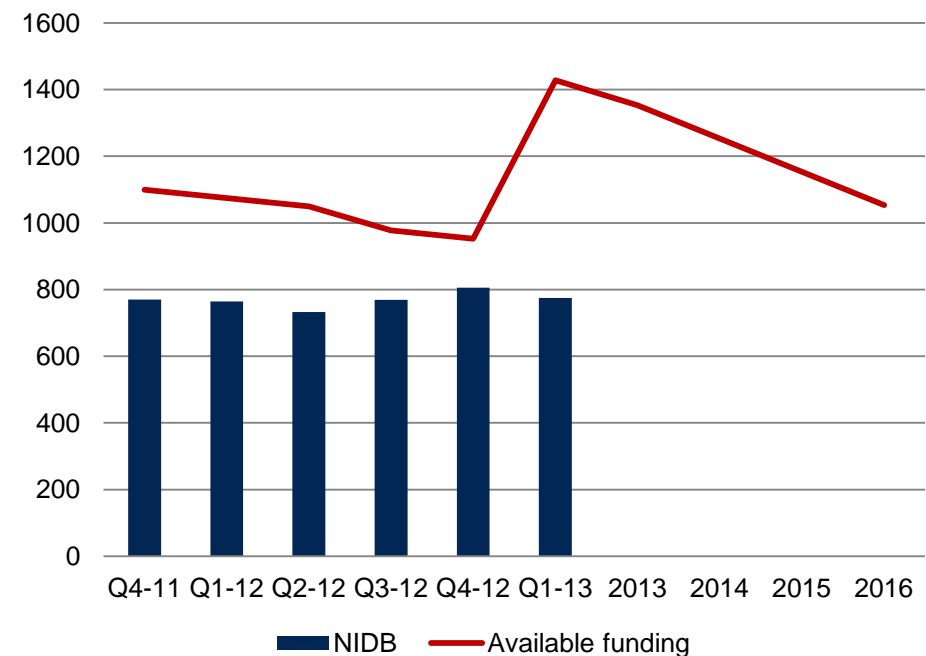
Financing of the Group

- Total funding increased from DKK 928 million to DKK1,428 million
- Bond NOK 500 million due Feb 2018 (swapped into DKK)
- Instalment loan of DKK 375 million, repayable with DKK 25 million each quarter
- Revolving credit facility of DKK 553 million due in 2017
- NIBD end Q1 2013: DKK 775 million

Covenant loans

- NIBD/ EBITDA max 3.5 over 12 months (Bonds 4.0)
- From year end 2012: Equity ratio of 37.5%
- From year end 2013: Equity ratio of 40.0%

NIBD and available funding



Dividend proposal

- Dividend of DKK 2.00 (NOK 2.04) per share paid out in Q2 2013

Dividend policy

- Competitive return through:
 - Dividends
 - Increase in the value of the equity
- Generally the company shall pay dividends to its shareholders
- A long-term goal for the Board of Directors is that 30–50% of EPS shall be paid out as dividend when the Group's equity ratio is above 60%

* Operational EBIT is EBIT adjusted for fair value adjustment of biomass, onerous contracts, income/loss from associate, acquisition costs and goodwill

** Adj. EPS is EPS adjusted for fair value adjustment of biomass and provisions onerous contracts, goodwill and the net tax effect of the adjustments.

*** Equity adjusted for fair value adjustment of biomass and provisions onerous contracts.

Dividend history

	2012	2011	2010
Dividend (DKK mill.)	97	48	191
DPS (DKK)	2.00	1.00	3.91
Adj. EPS** (DKK)	5.01	5.26	3.96
Equity ratio	49%	46%	76%
NIBD	806	817	70
NIBD/adj.EK***	73%	84%	9%

PLANNED INVESTMENTS IN 2012 AND 2013

Unchanged forecast on investments in PPE

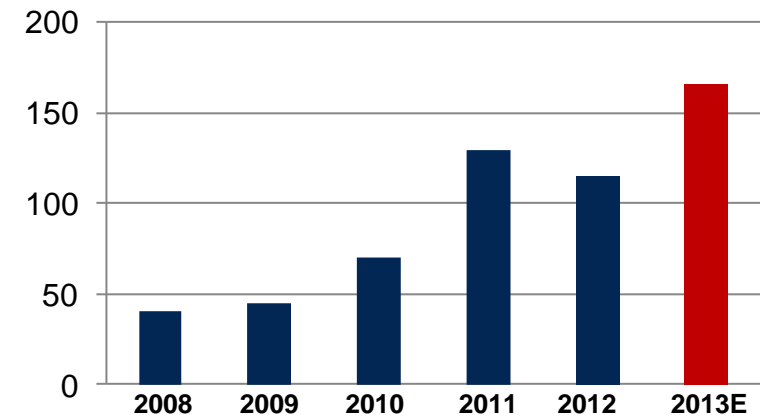
- Investments in 2013 of DKK 170
- The investments are made in:
 - Hatchery division
 - Farming division
 - Fishmeal/oil and feed
 - Harvesting division and
 - VAP division

Purpose of investments: organic growth and to increase productivity

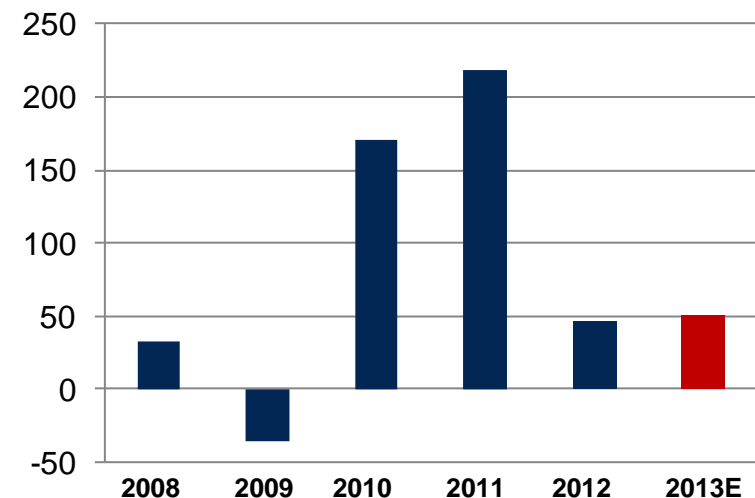
Same growth in biomass in 2013, compared to 2012

- Following a step increase in previous year, we now have a more moderate increase in biomass while monitoring the biological situation
- Still room for improved utilization at some sites

Investments in PPE (DKK million)



Increased biomass (DKK million)





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- Good market outlook for Bakkafrost's products
 - Increase in supply expected to be lower than increase in demand
 - 27% of expected volumes for the rest of 2013 contracted per end Q1 as VAP products
 - Increased spot prices will give short term losses for VAP products
- Estimated harvest of 45,000 tonnes tgw in 2013
 - Faroe Farming is estimated to harvest 4,000 tonnes tgw in 2013
- Smolt release in 2013 expected to be 10 million pieces
- Forecast for Feed sales is 80-90,000 tonnes in 2013
- To optimise the Value Chain and pursue Organic Growth increasing investments in 2013 to DKK 170 million, including maintenance CAPEX of DKK 80-90 million
- Improved financial flexibility enables M&A and organic growth opportunities





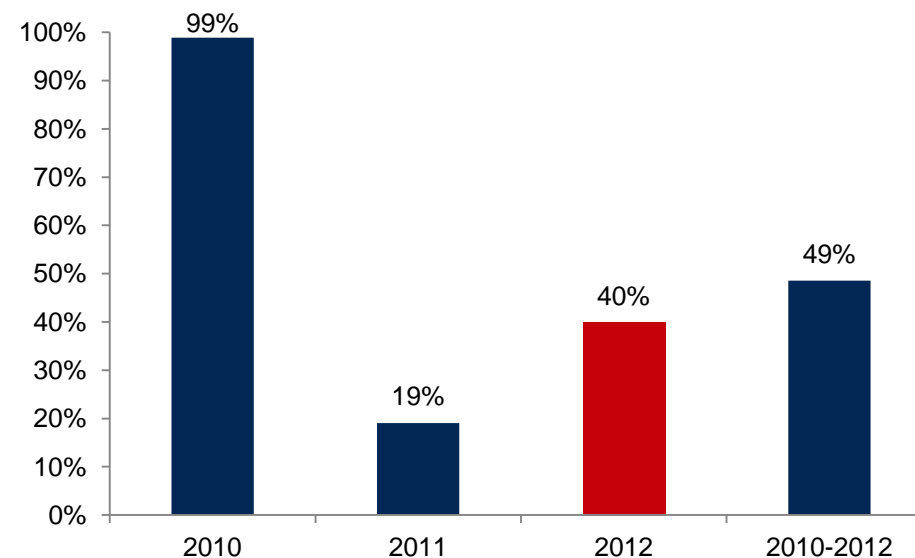
THANK YOU!



Dividend for 2012

- DPS of DKK 2.00 per share (NOK 2.04)
~40 % of adjusted EPS
- For 2010 - 2012 49% of adj. EPS is paid out as dividend in addition to a significant acquisition made in 2011
- Double DPS in 2012, compared with 2011
- A total dividend of DKK 97.8m (NOK 99.8m)

DPS in % of adj. EPS *



* Adjusted for fair value adjustment of biological assets, onerous contracts, goodwill and the net tax effects of the adjustments.

- 18 islands – 1,387 km²
- 48,285 inhabitants (March 1st 2012)
- Home rule – within the Kingdom of Denmark
- Part of the Danish monetary union, Danish krone (DKK)
- Key sectors (% of wage earners, 2011)
 - Service/public admin.: ~38%
 - Private service: ~33%
 - Fishing industry: ~15%
- GDP: DKK 13.0 bn (2011)
- GDP/capita: DKK 270,000 (2011) (EU: 175,530) (2009)
- Total export of products (2012):
 - DKK 4,994 million
 - whereof farmed fish accounts for 36.3%
- Corporate Tax: 18%
- Farming Licence Tax 2013: 2.5%
- Restriction on a single foreign ownership of 20% in farming companies
- One company may max. control 50% of licences in the Faroe Islands



Source: Hagstova Føroya

LARGEST SHAREHOLDERS

20 largest shareholders

1	SALMAR ASA	NOR	25,21
2	Jacobsen Oddvør	FRO	9,4
3	Jacobsen Johan Regin	FRO	9,19
4	TF ILØGUR P/F	FRO	5,02
5	PARETO BANK ASA	NOR	4,66
6	MORGAN STANLEY & CO S/A MSIL IPB CLIENT	NOM GBR	2,05
7	JPMORGAN CHASE BANK NORDEA TREATY ACCOUN	NOM GBR	1,99
8	STATE STREET BANK AN A/C SEC FIN PRIN ECM	NOM USA	1,91
9	STENSHAGEN INVEST AS	NOR	1,74
10	NORDEA NORDIC SMALL	FIN	1,5
11	FØROYA LIVSTRYGGING	FRO	1,35
12	JPMIBLSA NORDEA LUX LENDING A	NOM LUX	1,27
13	KATRIN DAHL JACOBSEN	FRO	1,15
14	HOLBERG NORGE VERDIPAPIRFONDET V/HOLBERG FONDSFORVA	NOR	1,08
15	DELPHI NORGE JPMORGAN EUROPE LTD,	NOR	1,08
16	SP/F KERID	FRO	1,01
17	HOLBERG NORDEN VERDIPAPIRFONDET V/HOLBERG FONDSFORVA	NOR	0,98
18	P/F Hvalnes	FRO	0,98
19	VERDIPAPIRFONDET HAN NORGE	NOR	0,86
20	Northern Trust Globa TREATY CLIENTS	NOR	0,85

Total share 20 largest shareholders

73,28

As per May 15th 2013

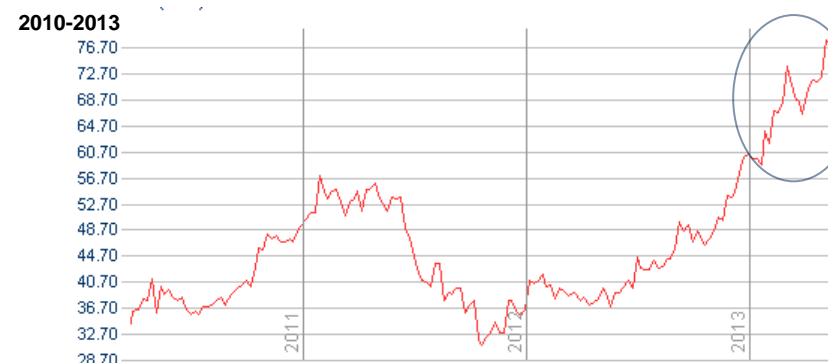
Total number of shares:

48.858.065

Stock announcement May 16th:

SALM, now holding 7,268,904 shares (including the 2,277,600 shares held under a TRS agreement) or approximately 14.9 percent of the outstanding shares in BAKKA, has undertaken customary lock-up for all their remaining shares in the Company lasting until 1 January 2014.

Share price development since listing in NOK



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