

# Q4 2015

**BAKKAFROST GROUP**  
Oslo 24 February 2016

- 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.

## ■ SUMMARY OF Q4 2015

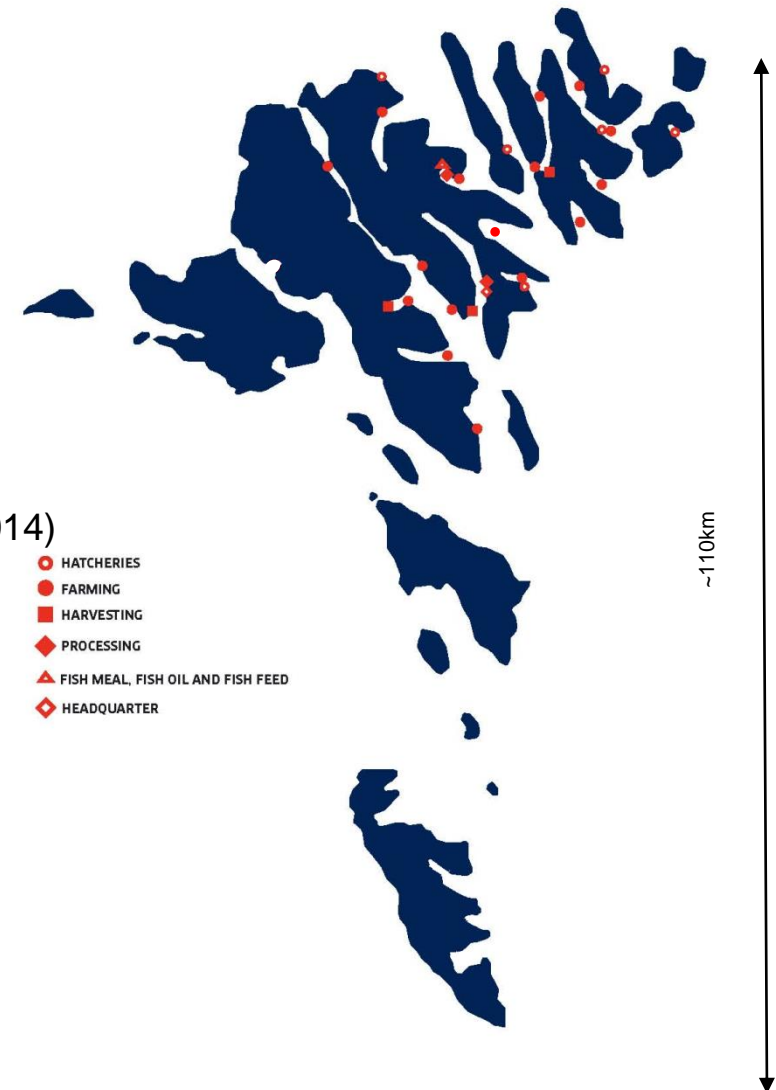
- MARKETS AND SALES
- SEGMENT INFORMATION
- GROUP FINANCIALS
- OUTLOOK
- APPENDIX



## Higher volumes from Farming

- **Harvested** 13,675 t<sub>gw</sub> in Q4 2015 (12,651 t<sub>gw</sub> in Q4 2014)
- **Feed sales** of 19,797 tonnes in Q4 2015\* (23,133 tonnes in Q4 2014\*)
- **Revenues** of DKK 760 million in Q4 2015 (DKK 757 million in Q4 2014)
- **Operational EBIT** of DKK 257 million in Q4 2015 (DKK 227 million in Q4 2014)
- **Positive results** in all segments
- **Completed refinancing** of 5 year bank facilities
- **Proposed dividend** of DKK 8.25 per share (DKK 6.00 per share 2014)

\*) Including internal sale of 18,042 tonnes in Q4 2015 (19,218 tonnes in Q4 2014)



# SUMMARY OF THE QUARTER

## Positive results in all segments

- Farming/VAP division increased margin from 19.48 NOK/kg in Q4 2014 to 21.83 NOK/kg in Q4 2015
- VAP segment delivered a margin of 6.09 NOK/kg in Q4 2015, compared with 7.36 NOK/kg in Q4 2014
- Farming margin was 19.67 NOK/kg in Q4 2015, compared with 16.53 NOK/kg in Q4 2014.
- FOF delivered a margin of 18.7% in Q4 2015, compared with 18.1% in Q4 2014
- Group Operational EBIT was DKK 257 million in Q4 2015, compared with DKK 227 million in Q4 2014

| (DKK million)                               | Q4<br>2015 | Q4<br>2014 | 2015         | 2014       |
|---|------------|------------|--------------|------------|
| Operating revenues                          | 760        | 757        | 2,850        | 2,683      |
| Operational EBITDA                          | 285        | 255        | 1,109        | 931        |
| <b>Operational EBIT</b>                     | <b>257</b> | <b>227</b> | <b>1,001</b> | <b>834</b> |
| <b>Profit for the period</b>                | <b>319</b> | <b>222</b> | <b>810</b>   | <b>647</b> |
|   |            |            |              |            |
| Operational EBITDA margin                   | 37.6%      | 33.6%      | 38.9%        | 34.7%      |
| Operational EBIT margin                     | 33.8%      | 30.0%      | 35.1%        | 31.1%      |
|   |            |            |              |            |
| Operational EBIT/Kg (Farming) (NOK)         | 19.67      | 16.53      | 19.63        | 17.65      |
| Operational EBIT/Kg (Farming and VAP) (NOK) | 21.83      | 19.48      | 21.64        | 19.43      |
| Operational EBIT/Kg (VAP) (NOK)             | 6.09       | 7.36       | 5.58         | 3.69       |
| EBITDA margin (Fishmeal, oil and feed)      | 18.71%     | 18.11%     | 19.28%       | 18.70%     |

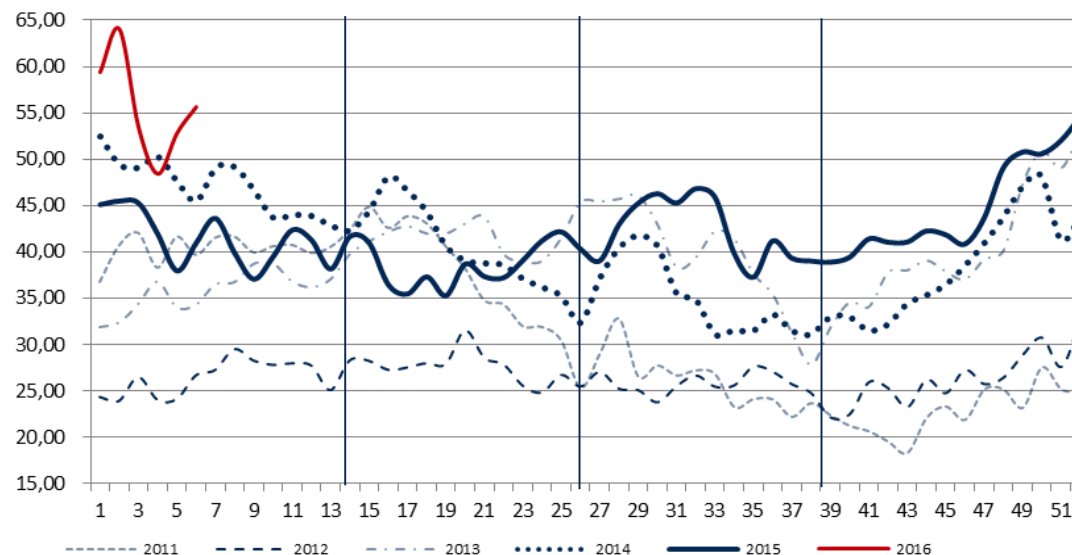


- SUMMARY OF Q4 2015
- **MARKETS AND SALES**
- SEGMENT INFORMATION
- GROUP FINANCIALS
- OUTLOOK
- APPENDIX

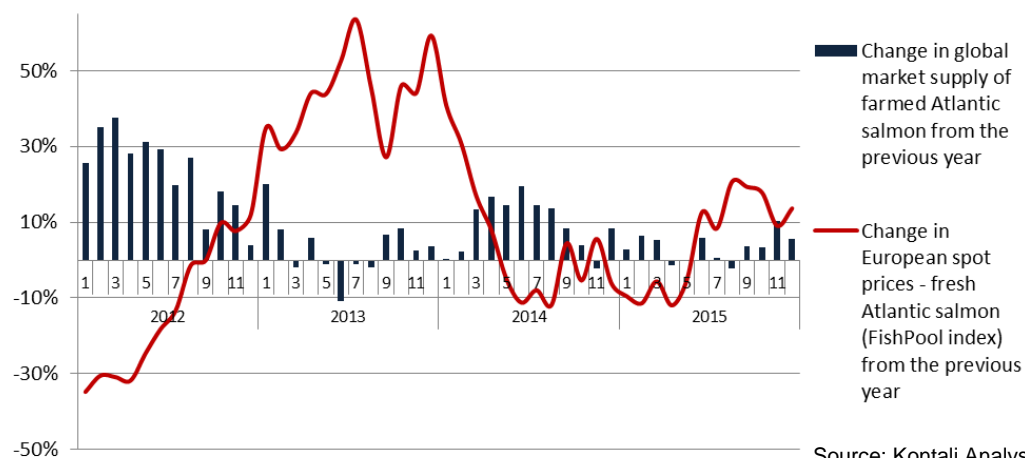


- The NASDAQ salmon price for size 4-5:
  - Increased y/y Q4 2015 / Q4 2014 by ~19%  
- by 7.32 NOK/kg from 39.38 to 46.70
  - Increased q/q Q4 2015 / Q3 2015 by ~11%  
- by 4.80 NOK/kg from 41.89 to 46.70
- 5% global supply growth in Q4 2015, compared with Q4 2014, corresponding to 25,900 tonnes
- FX-market still beneficial for suppliers with costs in NOK and income in other currencies

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



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



Source: Kontali Analyse

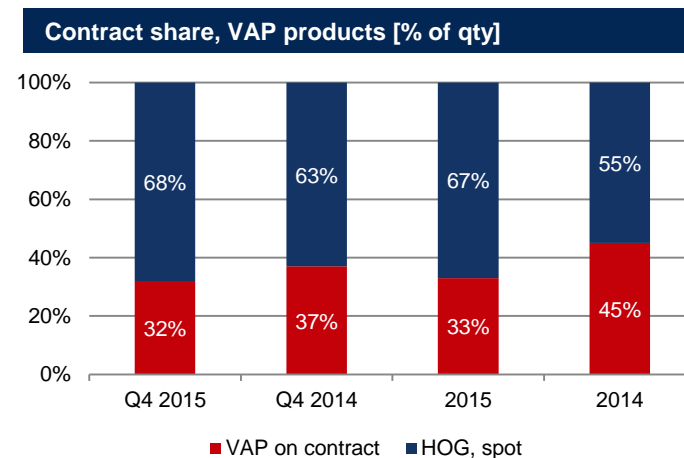
## Good market diversification

- Flat split between USA, Asia and Eastern Europe
- Total sales to EU was 39% in Q4 2015, compared with 40% in Q4 2014 – and 36% in 2015, compared with 45% in 2014
- VAP/contract share was 32% in Q4 2015, compared with 37% last year



| Total sales of salmon by markets | Q4 2015 | Q4 2014 | 2015 | 2014 |
|----------------------------------|---------|---------|------|------|
| EU                               | 39%     | 40%     | 36%  | 45%  |
| USA                              | 20%     | 13%     | 19%  | 19%  |
| Asia                             | 18%     | 10%     | 15%  | 16%  |
| Eastern Europe                   | 23%     | 37%     | 30%  | 20%  |

| Fresh salmon only by markets | Q4 2015 | Q4 2014 | 2015 | 2014 |
|------------------------------|---------|---------|------|------|
| EU                           | 17%     | 8%      | 11%  | 11%  |
| USA                          | 27%     | 18%     | 26%  | 31%  |
| Asia                         | 25%     | 16%     | 21%  | 27%  |
| Eastern Europe               | 31%     | 58%     | 42%  | 31%  |





## 3% GLOBAL VOLUME REDUCTION EXPECTED IN 2016

### 4.8% supply increase in Q4-2015

- The supply increase in Q4-2015 increased 26,000 tonnes HOG, whereof 9,800 tonnes came from Norway and 7,400 tonnes from Chile

### 3% reduced supply expected in 2016

- The reduction in volume expectations in 2016 is mainly due to lower expectations from Norway (46kt) and Chile (25kt)
- Biological issues and fully utilized licenses are the main constraints for further growth
- Same supply from Faroe Islands expected in 2016 as in 2014

### Increased supply in Q4-2015 of Atlantic Salmon (head on gutted - HOG)

| Suppliers                  | Estimated volumes |                | Q4 comparison   |              | Estimated volumes |                  | YTD comparison  |              |
|----------------------------|-------------------|----------------|-----------------|--------------|-------------------|------------------|-----------------|--------------|
|                            | Q4 2015E          | Q4 2014        | Volume          | %            | 2015E             | 2014             | Volume          | %            |
| Norway                     | 309.000           | 299.200        | 9.800 ↑         | 3%           | 1.112.700         | 1.076.100        | 36.600 ↑        | 3%           |
| Scotland                   | 43.600            | 36.400         | 7.200 ↑         | 20%          | 154.200           | 154.400          | -200 →          | 0%           |
| Faroe Islands              | 22.900            | 23.500         | -600 ↓          | -3%          | 69.500            | 75.000           | -5.500 ↓        | -7%          |
| Ireland                    | 4.100             | 3.300          | 800 ↑           | 24%          | 14.100            | 11.100           | 3.000 ↑         | 27%          |
| <b>Total Europe</b>        | <b>379.600</b>    | <b>362.400</b> | <b>17.200 ↑</b> | <b>4,7 %</b> | <b>1.350.500</b>  | <b>1.316.600</b> | <b>33.900 ↑</b> | <b>2,6 %</b> |
| Chile                      | 139.600           | 132.200        | 7.400 ↑         | 6%           | 530.700           | 510.200          | 20.500 ↑        | 4%           |
| North America              | 36.800            | 31.500         | 5.300 ↑         | 17%          | 139.900           | 109.300          | 30.600 ↑        | 28%          |
| <b>Total Americas</b>      | <b>176.400</b>    | <b>163.700</b> | <b>12.700 ↑</b> | <b>7,8 %</b> | <b>670.600</b>    | <b>619.500</b>   | <b>51.100 ↑</b> | <b>8,2 %</b> |
| Australia                  | 10.500            | 9.000          | 1.500 ↑         | 17%          | 39.300            | 35.100           | 4.200 ↑         | 12%          |
| Others *                   | 3.700             | 9.100          | -5.400 ↓        | -59%         | 15.000            | 15.000           | 0 →             | 0%           |
| <b>Total global supply</b> | <b>570.200</b>    | <b>544.200</b> | <b>26.000 ↑</b> | <b>4,8 %</b> | <b>2.075.400</b>  | <b>1.986.200</b> | <b>89.200 ↑</b> | <b>4,5 %</b> |

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

|                               | 2012         | 2013         | 2014         | 2015E        | 2016E        |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|
| Norway                        | 1.066        | 1.029        | 1.076        | 1.112        | 1.066        |
| UK                            | 143          | 142          | 154          | 154          | 162          |
| Ireland                       | 14           | 10           | 11           | 14           | 14           |
| Faroes                        | 65           | 66           | 75           | 69           | 74           |
| <b>Total Europe</b>           | <b>1.288</b> | <b>1.247</b> | <b>1.316</b> | <b>1.350</b> | <b>1.316</b> |
| Chile                         | 318          | 418          | 510          | 531          | 506          |
| Canada                        | 123          | 104          | 91           | 121          | 120          |
| USA                           | 18           | 18           | 18           | 18           | 18           |
| <b>Total Americas</b>         | <b>459</b>   | <b>539</b>   | <b>619</b>   | <b>670</b>   | <b>644</b>   |
| Other                         | 46           | 47           | 51           | 55           | 56           |
| <b>Total (Sold Quantity)</b>  | <b>1.793</b> | <b>1.833</b> | <b>1.986</b> | <b>2.075</b> | <b>2.017</b> |
| <b>Supply growth - Global</b> | <b>22%</b>   | <b>2%</b>    | <b>8%</b>    | <b>4%</b>    | <b>-3%</b>   |

Source: Kontali

## 4.6% increased sales in global markets

- Total quantity increased 25,300 tonnes in the quarter, compared with last year, corresponding to 4.6%
- Strong demand in EU and US market
  - Combined volume growth in volume by 114,600 tonnes in 2015, compared with 2014
  - The volume increase sold on the US market was 18% in Q4 2015 and 14% for the full year
- Challenging market in Eastern Europe

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

| Markets                  | In tonnes HOG     |                |                 |              | In tonnes HOG     |                  |                 |              |
|--------------------------|-------------------|----------------|-----------------|--------------|-------------------|------------------|-----------------|--------------|
|                          | Estimated volumes |                | Q4 comparison   |              | Estimated volumes |                  | FY comparison   |              |
|                          | Q4 2015E          | Q4 2014        | Volume          | %            | 2015E             | 2014             | Volume          | %            |
| EU                       | 277 100           | 260 600        | 16 500 ↑        | 6 %          | 984 100           | 916 800          | 67 300 ↑        | 7 %          |
| USA                      | 96 900            | 82 400         | 14 500 ↑        | 18 %         | 374 500           | 327 200          | 47 300 ↑        | 14 %         |
| Russia                   | 24 800            | 37 300         | -12 500 ↓       | -34 %        | 95 900            | 130 800          | -34 900 ↓       | -27 %        |
| Japan                    | 17 800            | 15 900         | 1 900 ↑         | 12 %         | 54 500            | 57 600           | -3 100 ↓        | -5 %         |
| Greater China            | 24 700            | 23 200         | 1 500 ↑         | 6 %          | 98 300            | 96 800           | 1 500 ↑         | 2 %          |
| ASEAN                    | 19 000            | 18 000         | 1 000 ↑         | 6 %          | 64 700            | 63 000           | 1 700 ↑         | 3 %          |
| Latin America            | 41 900            | 38 200         | 3 700 ↑         | 10 %         | 160 300           | 145 000          | 15 300 ↑        | 11 %         |
| Ukraine                  | 2 800             | 4 300          | -1 500 ↓        | -35 %        | 8 900             | 16 100           | -7 200 ↓        | -45 %        |
| Other markets            | 65 300            | 65 100         | 200 →           | 0 %          | 234 300           | 233 600          | 700 →           | 0 %          |
| <b>Total all markets</b> | <b>570 300</b>    | <b>545 000</b> | <b>25 300 ↑</b> | <b>4,6 %</b> | <b>2 075 500</b>  | <b>1 986 900</b> | <b>88 600 ↑</b> | <b>4,5 %</b> |

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

|                              | 2012         | 2013         | 2014         | 2015E        | 2016E        |
|------------------------------|--------------|--------------|--------------|--------------|--------------|
| EU                           | 842          | 839          | 916          | 984          | 953          |
| USA                          | 294          | 308          | 327          | 374          | 361          |
| Japan                        | 57           | 53           | 58           | 55           | 51           |
| Russia                       | 155          | 144          | 131          | 96           | 90           |
| Others                       | 445          | 489          | 554          | 567          | 562          |
| <b>Total (Sold Quantity)</b> | <b>1.793</b> | <b>1.834</b> | <b>1.986</b> | <b>2.075</b> | <b>2.017</b> |

### Comments:

Greater China = China / Hong Kong / Taiwan (incl. estimated re-export from Vietnam)

ASEAN = Association of Southeast Asian Nations (estimated re-export from Vietnam subtracted)

Latin America (including both Mexico and Caribbean + domestic consumption in Chile)

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

Source: Kontali

- SUMMARY OF Q4 2015
- MARKETS AND SALES
- **SEGMENT INFORMATION**
- GROUP FINANCIALS
- OUTLOOK
- APPENDIX



Fuglafjörður, Fishmeal, -oil and feed plant Havsbrún and A 57 Farming site

## Harvested volumes

- Harvested volumes increased by 8% in Q4 2015, compared with Q4 2014
- The West region harvested 64% of the total quantity in the quarter, and the North region harvested 36% of the total quantity

## Smolt transfer

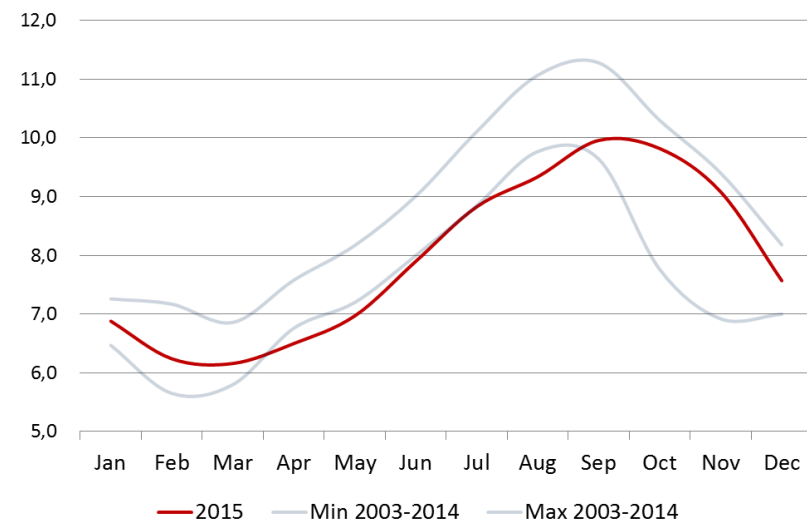
- Bakkafrost transferred 4.9 million smolts in Q4 2015 (3.2 million smolts in Q4 2014)
- Smolt transfer in 2015 was 11.3 million smolts (10.4 million smolts 2014)

## Seawater temperatures in the Faroe Islands

- Temperatures in Q4 2015 were 0.4°C lower than last year, but 0.2°C higher than average temperatures the last 12 years

| Harvest Volumes tonnes [HOG] | Q4 2015       | Q4 2014       | 2015          | 2014          |
|------------------------------|---------------|---------------|---------------|---------------|
| West                         | 8,768         | 5,023         | 22,946        | 18,342        |
| North                        | 4,907         | 7,628         | 27,619        | 25,671        |
| <b>Total</b>                 | <b>13,675</b> | <b>12,651</b> | <b>50,565</b> | <b>44,013</b> |

Seawater Temperatures in the Faroe Islands 2003 – 2015 [°C]



## Improved margin

- The operational EBIT increased 19% from DKK 181 million in Q4 2014 to DKK 215 million in Q4 2015
- Technical issues with freshwater treatment startup in 2H 2015 delayed effective treatments. Effective treatments from 24 November 2015
- Good biological performance of harvested fish

| (DKK million)           | Q4<br>2015 | Q4<br>2014 | 2015  | 2014  |
|-------------------------|------------|------------|-------|-------|
| Operating revenues      | 635        | 630        | 2,274 | 2,099 |
| Operational EBIT        | 215        | 181        | 841   | 694   |
| Operational EBIT margin | 34%        | 29%        | 37%   | 33%   |



Farming site A57 Fuglafjörður, part of West region,  
49% of harvested fish in the quarter

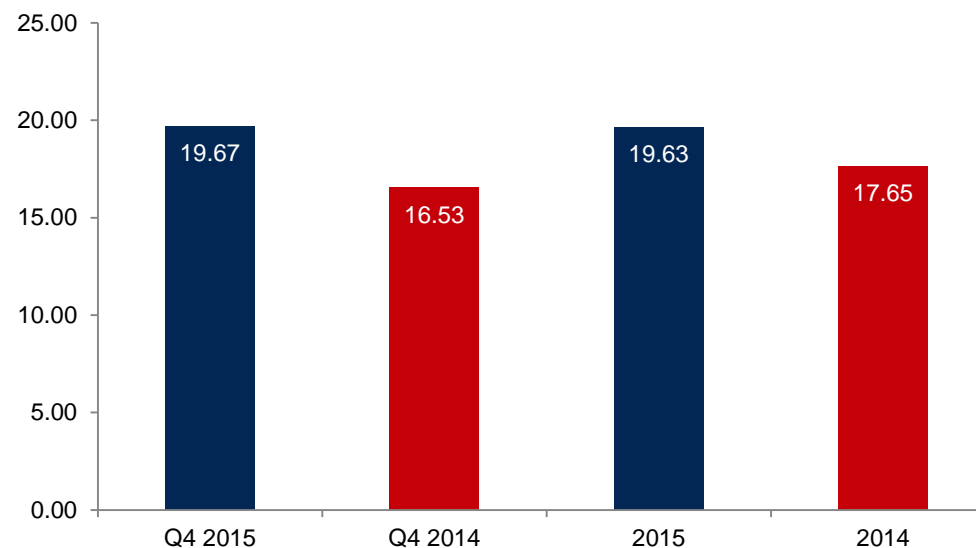


Farming site A73 Hvannasund Norður, part of North region,  
36% of harvested fish in the quarter

## Operation

- Farming EBIT of NOK 19.67 per kg in Q4 2015, compared to 16.53 in Q4 2014
- Better performance, lower costs in the quarter
- Farming North harvested early in the quarter and West harvested late in the quarter
- West (A57 Fuglafjörður) NOK 2.27 per kg lower costs than North (A73 Hvannasund North)

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



| (NOK/kg)               | Q4 2015       |              |         |
|------------------------|---------------|--------------|---------|
|                        | Farming North | Farming West | Farming |
| Operational EBIT/kg gw | 14.12         | 22.77        | 19.67   |



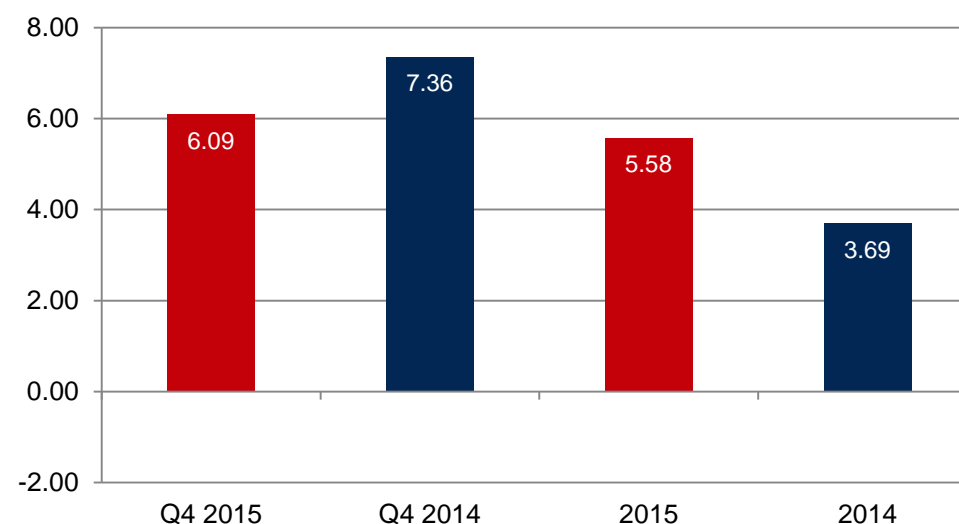
# VALUE ADDED PRODUCTS (VAP)

## VAP revenues and margin

- Revenues reduced by 26% to DKK 190 million in Q4 2015 from DKK 259 million in Q4 2014
- Higher inventory of goods for sale by end of Q4 2015
- Operating EBIT in Q4 2015 DKK 24 million, compared with DKK 32 million in Q4 2014
- BakkaFrost has signed contracts covering 60% of VAP capacity for 2016

| (DKK million)              | Q4 2015 | Q4 2014 | 2015   | 2014   |
|----------------------------|---------|---------|--------|--------|
| Operating revenues         | 190     | 259     | 737    | 913    |
| Operational EBIT           | 24      | 32      | 86     | 70     |
| Operational EBIT margin    | 12%     | 13%     | 12%    | 8%     |
| VAP produced volumes (tgv) | 4,862   | 5,074   | 18,196 | 21,196 |

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



## Stable margin

- EBITDA DKK 45 million in Q4 2015, compared with DKK 41 million in Q4 2014
- EBITDA margin of 18.7% in Q4 2015, compared with 18.1% in Q4 2014

## 22% increased sourcing

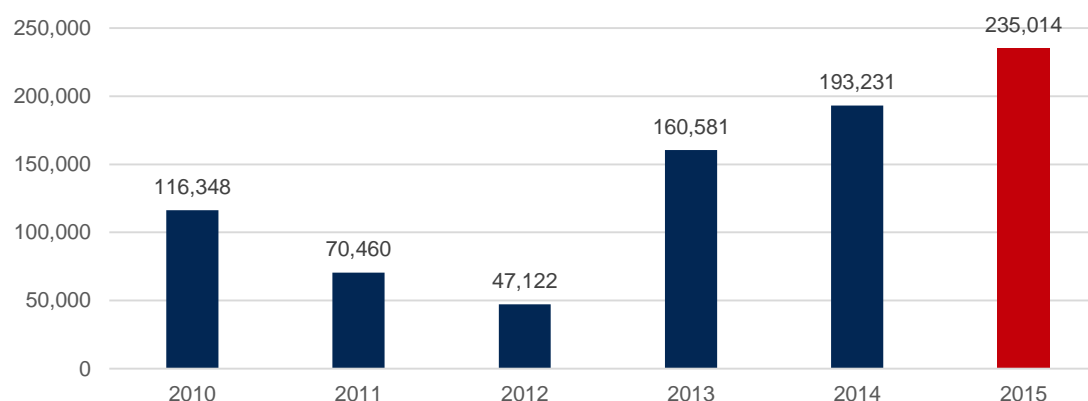
- Havsbrún sourced 235,014 tonnes of raw material, compared with 193,231 tonnes in 2014

\*Including sales to Bakkafrost, corresponding to ~91% of feed volumes in Q4 2015 (Q4 2014: 83%)

## Fishmeal, Oil and Feed

| (DKK million)                   | Q4 2015 | Q4 2014 | 2015   | 2014   |
|---------------------------------|---------|---------|--------|--------|
| Operating revenues              | 239     | 225     | 1,048  | 971    |
| EBITDA                          | 45      | 41      | 202    | 182    |
| EBITDA margin                   | 18.7%   | 18.1%   | 19.3%  | 18.7%  |
| Feed sold (tonnes)*             | 19,797  | 23,133  | 78,865 | 85,724 |
| Fishmeal sold external (tonnes) | 3,274   | 1,115   | 23,226 | 16,999 |
| Fish Oil sold external (tonnes) | 3       | 10      | 14     | 3,374  |

## Sourcing of raw material (tonnes)



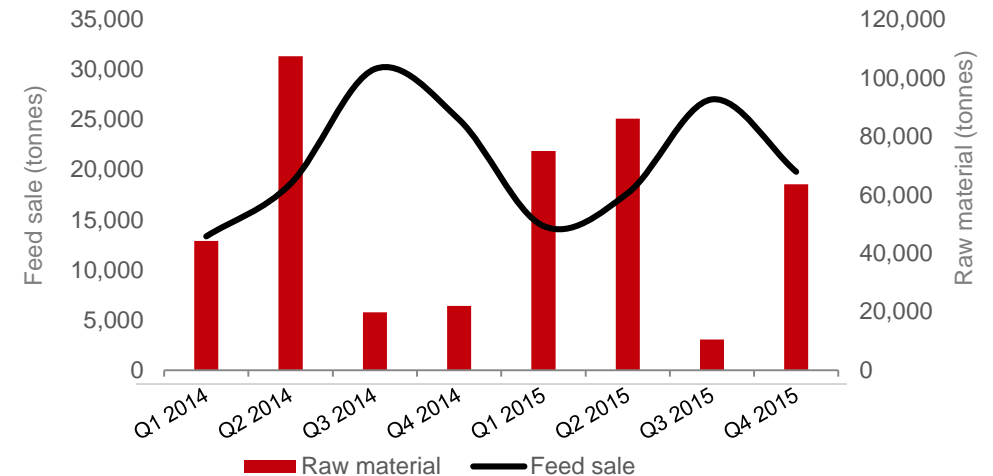
## Tripled raw material intake in Q4 2015

- In Q4 2015, Havsbrún sourced 63,582 tonnes of raw material, compared with 21,918 tonnes in Q4 2014
- Quantity of feed sold was 19,797 tonnes in Q4 2015, compared with 23,133 tonnes in Q4 2014, corresponding to a decrease of 14%
- Both internal and external feed sales decreased

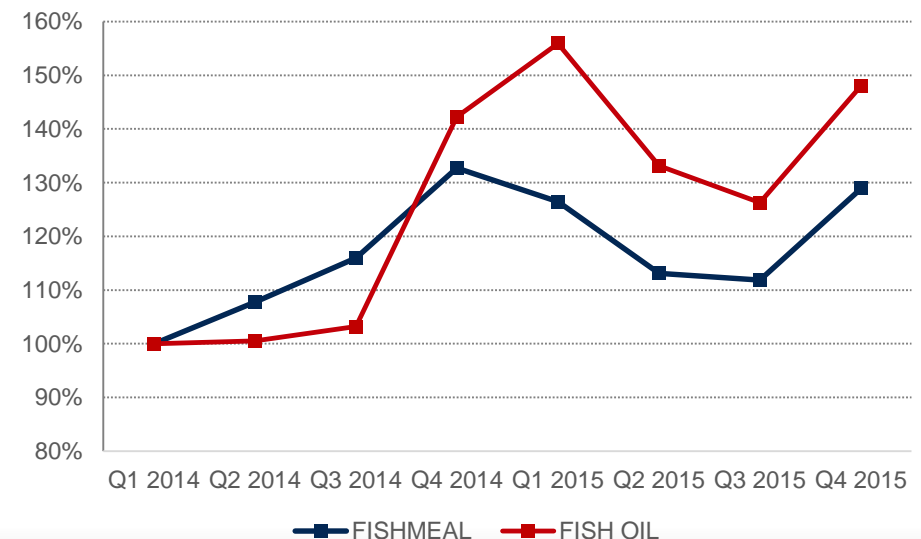
## Market prices on fishmeal and oil increased

- The market prices for fishmeal and oil increased during H2 2015, but were on similar level in Q4 2015 as in Q4 2014

Volumes of raw material purchase and feed sale [tonnes]



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



- SUMMARY OF Q4 2015
- MARKETS AND SALES
- SEGMENT INFORMATION
- **GROUP FINANCIALS**
- OUTLOOK
- APPENDIX



## GROUP PROFIT AND LOSS

- Revenues nearly unchanged at DKK 760 million. Harvested volumes are higher, but lower VAP volumes
- Operational EBIT increased from DKK 227 million to DKK 257 million due better margins in all segments
- Increase in fair value of biomass due to higher spot prices at the end of Q4 2015. Fair value negatively affected by new revenue tax.
- Provision for onerous contracts DKK -51 million due to high spot prices at year end
- Financial items positive by DKK 1 million, whereof DKK 3.6 million positive unrealised currency gain relates to the bond loan of NOK 500 million
- Taxes positive due to reduction of deferred taxes. Reduction a consequence of the tax changes in December 2015
- Profit after tax increased from DKK 222 million in Q4 2014 to DKK 319 million in Q4 2015

| (DKK million)                                      | Q4<br>2015   | Q4<br>2014   | 2015         | 2014         |
|--|--------------|--------------|--------------|--------------|
| Operating revenues                                 | 760          | 757          | 2,850        | 2,683        |
| <b>Operational EBITDA*</b>                         | <b>285</b>   | <b>255</b>   | <b>1,109</b> | <b>931</b>   |
| <b>Operational EBIT*</b>                           | <b>257</b>   | <b>227</b>   | <b>1,001</b> | <b>834</b>   |
| Fair value adjustment on biological assets         | 83           | 52           | -28          | -12          |
| Onerous contracts                                  | -51          | 0            | -51          | 71           |
| Income from associates                             | 20           | -4           | 7            | -1           |
| <b>EBIT</b>  | <b>309</b>   | <b>275</b>   | <b>929</b>   | <b>892</b>   |
| Net Financial items                                | 1            | 39           | -4           | 7            |
| <b>EBT</b>   | <b>310</b>   | <b>314</b>   | <b>924</b>   | <b>899</b>   |
| Taxes  | 9            | -92          | -114         | -252         |
| <b>Profit for the period</b>                       | <b>319</b>   | <b>222</b>   | <b>810</b>   | <b>647</b>   |
| <b>Operational EBITDA margin</b>                   | <b>37.6%</b> | <b>33.6%</b> | <b>38.9%</b> | <b>34.7%</b> |
| <b>Operational EBIT margin</b>                     | <b>33.8%</b> | <b>30.0%</b> | <b>35.1%</b> | <b>31.1%</b> |
| <b>Operational EBIT/kg (Farming and VAP) (NOK)</b> | <b>21.83</b> | <b>19.48</b> | <b>21.64</b> | <b>19.43</b> |
| <b>EBITDA margin (fishmeal, oil and feed)</b>      | <b>18.7%</b> | <b>18.1%</b> | <b>19.3%</b> | <b>18.7%</b> |

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

# BALANCE SHEET

- Investments in PPE of DKK ~ 224 million in Q4 2015
- Financial assets increased due to positive operation in associated companies
- The carrying amount of biological assets has increased, compared to end 2014
- Increase in inventory due to intake of raw material
- Increase in equity because of positive results in the period
- NIBD at DKK 391 million up from DKK 233 million at end 2014\*
- Equity ratio 66% (Covenants 35%)

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

| (DKK million)                       | 2015         | 2014         |
|-------------------------------------|--------------|--------------|
| Intangible assets                   | 295          | 295          |
| Property, plant and equipment       | 1,531        | 1,041        |
| Financial assets                    | 131          | 126          |
| Long-term receivables               | 0            | 1            |
| Biological assets                   | 1,060        | 1,014        |
| Inventory                           | 422          | 267          |
| Receivables                         | 199          | 172          |
| Other receivables                   | 180          | 142          |
| Cash and cash equivalents           | 102          | 405          |
| <b>Total Assets</b>                 | <b>3,920</b> | <b>3,463</b> |
|                                     |              |              |
| Equity                              | 2,580        | 2,064        |
| Deferred tax and other taxes        | 349          | 414          |
| Long-term interest bearing debt     | 448          | 505          |
| Financial derivatives               | 129          | 117          |
| Short-term interest bearing debt    | 0            | 100          |
| Accounts and other payables         | 414          | 263          |
| <b>Total Equity and Liabilities</b> | <b>3,920</b> | <b>3,463</b> |



# CASH FLOW

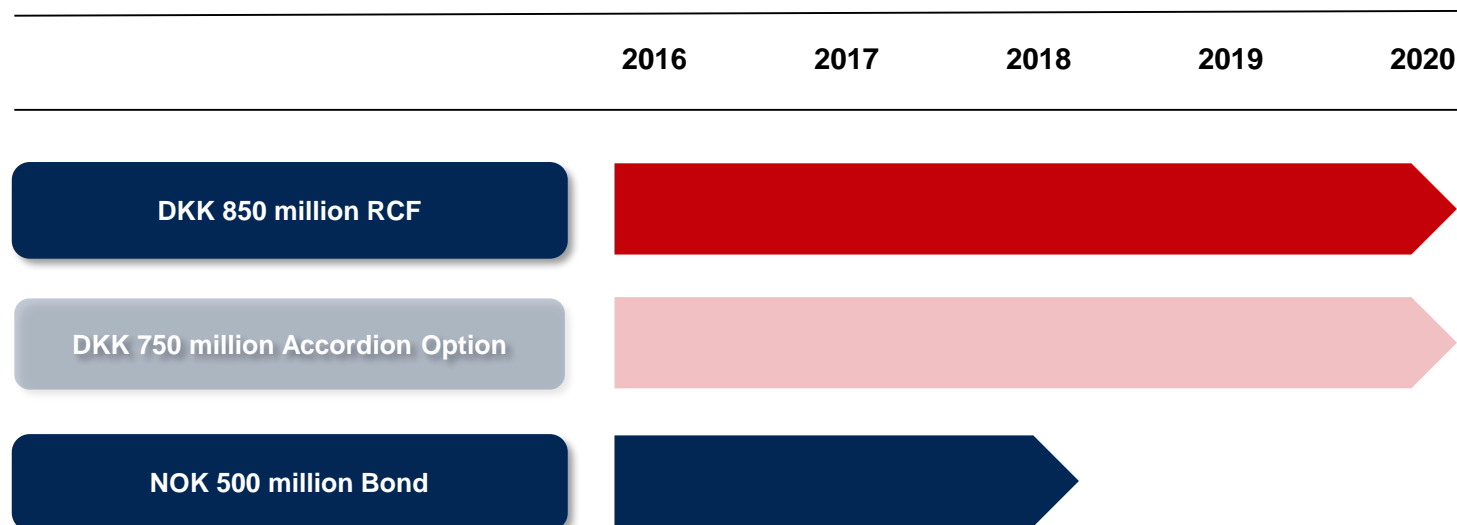
- Cash flow from operations was negatively affected by changes in inventory and paid taxes in Q4 2015
- Cash flow from investments represents investments in property, plant and equipment
- Cash flow from financing is affected positively by increased interest bearing debt and by financing of associated company
- Undrawn loan facilities of DKK 890 million, of which DKK 38 million is restricted

| (DKK million)                 | Q4<br>2015 | Q4<br>2014 | 2015 | 2014 |
|-------------------------------|------------|------------|------|------|
| Cash flow from operations     | -6         | 173        | 768  | 870  |
| Cash flow from investments    | -219       | -79        | -602 | -232 |
| Cash flow from financing      | 76         | -57        | -470 | -414 |
| Net change in cash            | -148       | 37         | -303 | 223  |
| Cash at the end of the period | 102        | 405        | 102  | 405  |
| Undrawn facilities            | 890        | 958        | 890  | 958  |

# REFINANCING OF BANK LOAN

## New financing in place

- DKK 850 multicurrency revolving credit facility
- DKK 750 million accordion option
- Five years period
- Flexibility
- Reflects good market condition



## Covenants:

- Equity ratio 35%
- Leverage ratio (NIBD / EBITDA) max. 4.5

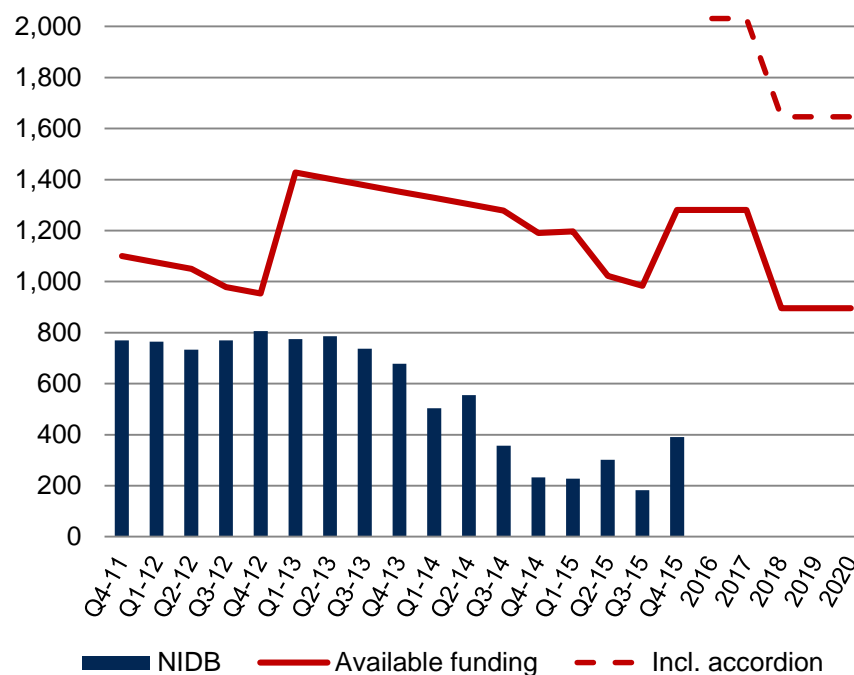
## Financing of the Group

- Total funding to ~ DKK 1,281 million
  - Bonds NOK 500 million due Feb 2018 (swapped into DKK)
  - Revolving credit facility of DKK 850 million due in 2020
- NIBD end Q4 2015: DKK 391 million

## Financial covenants

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

## NIBD and available funding



## Changes in license tax on farming in the Faroes

- Approved by the parliament in December 2015
- Effective from 1 January 2016
- Effect on Q4 2015
  - Temporary differences in the farming segment will not be taxed by the previous additional 4.5% in the future, but only by normal corporate tax, 18%
  - Therefore, deferred taxes decreases by DKK 79.8 million
- From 2016, license revenue tax will be classified as cost in the income statement, as current license revenue tax cannot be classified as tax according to IFRS

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

- SUMMARY OF Q4 2015
- MARKETS AND SALES
- SEGMENT INFORMATION
- GROUP FINANCIALS
- **OUTLOOK**
- APPENDIX



## Market

- Tight market balance in 2016, global supply reduction of 3%
- Forward prices for 2016 have increased to NOK 50 per kg

## Farming

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

## VAP

- Contracted 60% of available capacity for 2016

## Dividend to shareholders

- Proposed dividend of DKK 8.25 per share (DKK 6.00 per share 2014)

## Fishmeal, oil and feed

- Forecast for feed sales 80,000 tonnes in 2016

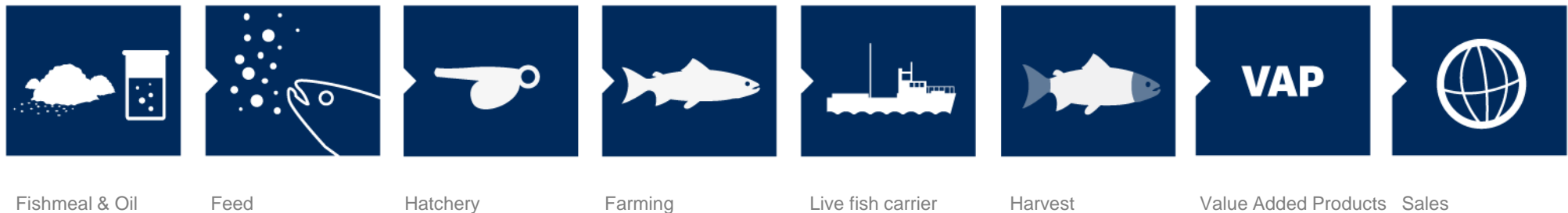
## Business development

- Optimizing of the Value Chain according to the announced investment plan continues
- Pursue Organic Growth
- Financial flexibility enables M&A



- SUMMARY OF Q4 2015
- MARKETS AND SALES
- SEGMENT INFORMATION
- GROUP FINANCIALS
- OUTLOOK
- **APPENDIX**





**The investments will be made step by step in the relevant parts in the value chain to secure:**

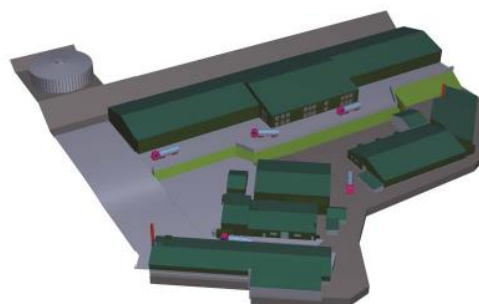
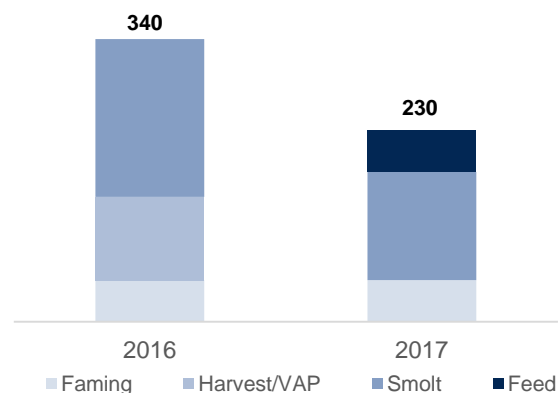
- Efficiency
- Biological risk
- Organic growth

## INVESTMENTS – PROGRAMME 2016 - 2017

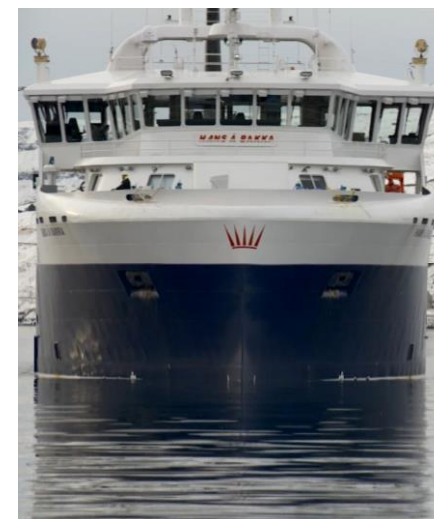
### Status on main investments

- **Harvest/VAP factory**
  - Installation of machinery in progress
  - Operation to start up in Q2 2016
- **New 8,000m<sup>3</sup> Hatchery at Viðareiði**
  - Construction in progress
  - To start operation in Q2 2016
- **Live fish carrier *Hans á Bakka***
  - Operation started
  - Main focus on freshwater treatment
  - Promising results – up to 99% total efficiency

Total investment programme 2016 – 2017  
570 million DKK



Drawing of Bakkafrost's new Hatchery in Viðareiði. New Hatchery on top and existing facilities below



## BUILDING NEW HARVEST & VAP FACTORY

### New Harvest & VAP factory in Glyvrrar

#### Merging 7 factories into one facility

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



Building new Harvest & VAP factory to be completed in Q2 2016

## BUILDING NEW HATCHERIES

### New Hatchery in Viðareiði (S-21)

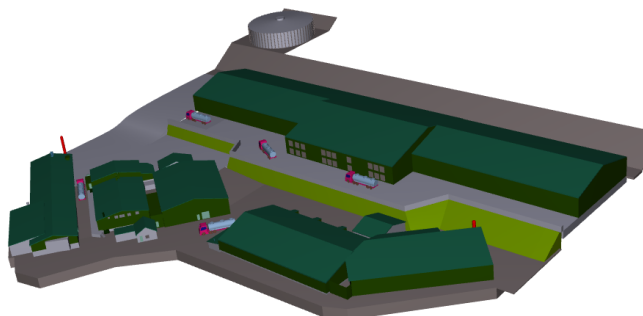
- **Significant capacity expansion in progress**
  - Recycling of 99% of water
    - saving water and heating
  - The goal is to increase average size of smolts from 100g to 300g in 2018
  - Reduce risk in farming
  - Reduce total time of production cycle at sea
  - Viðareiði facility to start-up in Q2 2016
  - New hatchery project to start-up in H1 2016 to be finalized in H1 2018



Nov 2015



Jan 2016



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



### Financing of the investments 2016-2017

- Use free cash flow from operations
- Unused financing of approximately DKK 890 million
- Partly new financing if advantageous
- Flexibility to postpone investment in case of adverse events



### Unchanged dividend policy

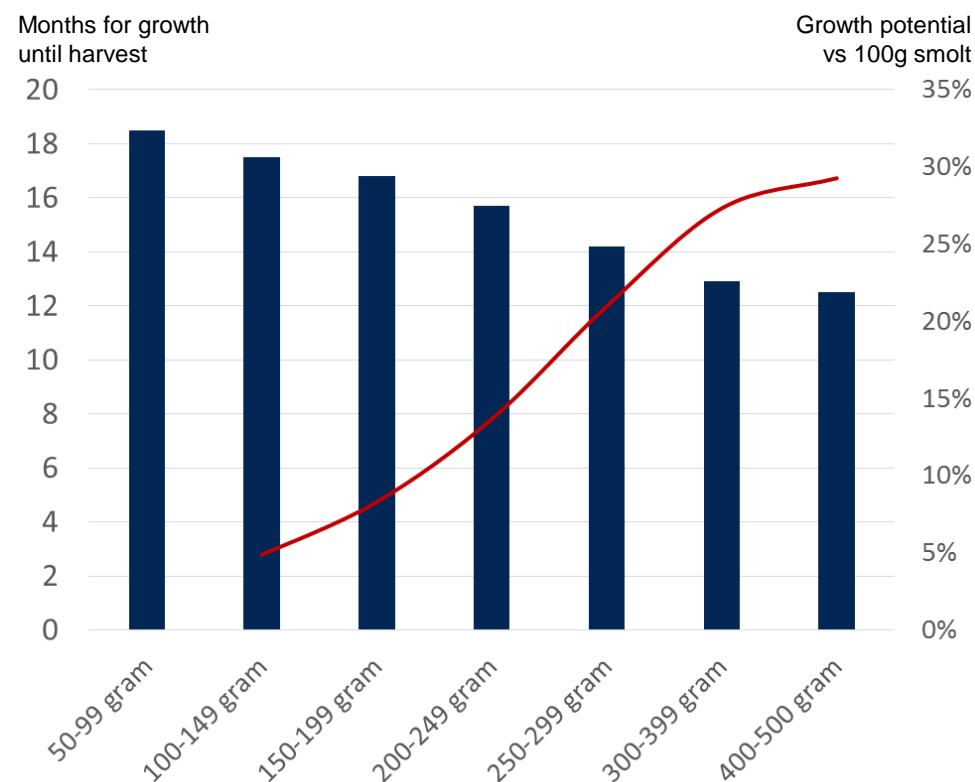


## LARGER SMOLT – REDUCED RISK AND ORGANIC GROWTH

### Actual growth period with larger smolt

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

### Results with large smolt in the Faroe Islands



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

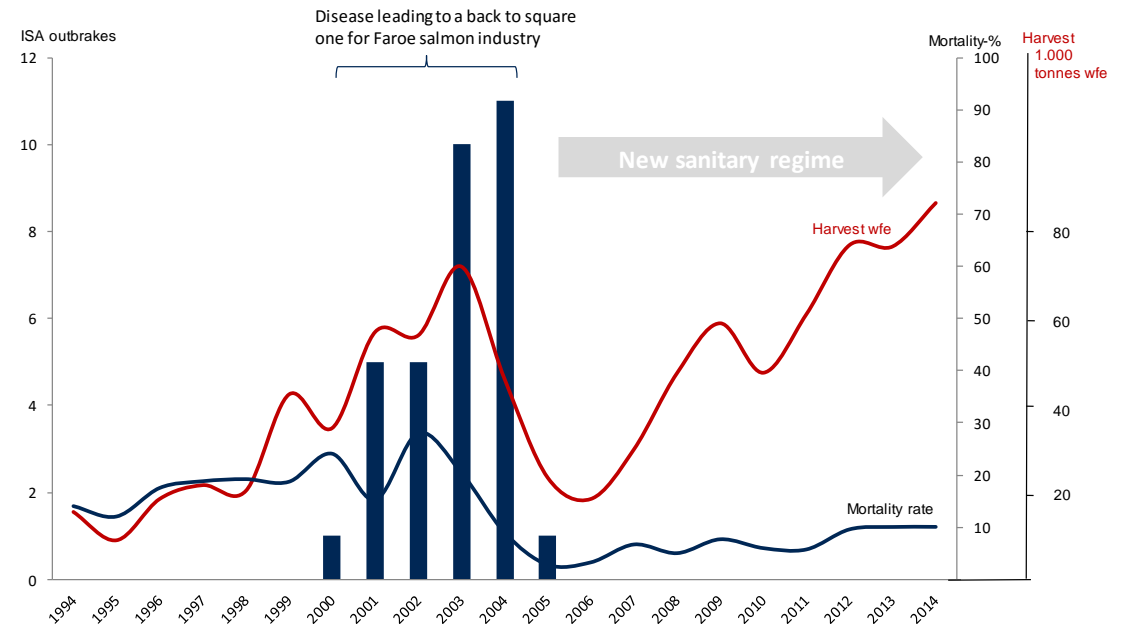
During the period 2001-2004 the Faroe Islands were severely struck by ISA outbreaks

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

- One generation based farming model
- Following 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 station
- 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

### Key Performing Indicators developed positively post New Veterinary System



Source: Bakkafrost

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

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

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

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

## Total export of fish products (2013)

- DKK 6,171 million
- whereof farmed fish accounts for 48%

## TAXES

- Total Percent of GDP: 42.4% (2013)
- Corporate Tax: 18%
- Farming Licence Tax : 4.5% of revenues from 1. Jan 2016 – see page 24
- 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

# FAROE ISLANDS

## – EXCELLENT CONDITIONS FOR COST EFFECTIVE FARMING

### GEOGRAPHY

- Natural growth area for wild salmon
- Faroese fjords provide separation between locations
- Improves biological control and area management

### WATER

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

### LOCATION

- Efficient distribution to European, US and Far Eastern markets

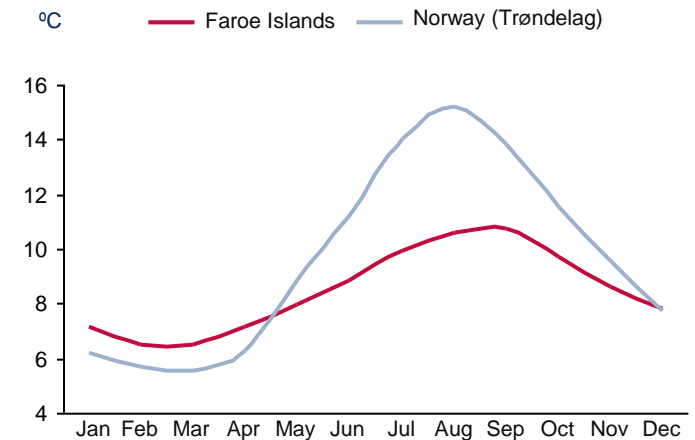
### BIOMASS

- Biological sustainability setting the biomass target per license

### FEED

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

### Average Seawater Temperatures

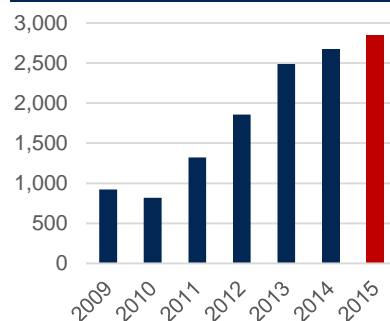


Source: Company material, Havforskningsinstituttet

## DEVELOPMENT PER QUARTER Q1 2012 – Q4 2015

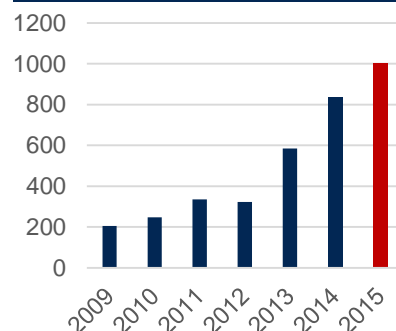
| (mDKK)                          | Q4<br>2015 | Q3<br>2015 | Q2<br>2015 | Q1<br>2015 | Q4<br>2014 | Q3<br>2014 | Q2<br>2014 | Q1<br>2014 | Q4<br>2013 | Q3<br>2013 | Q2<br>2013 | Q1<br>2013 | Q4<br>2012 | Q3<br>2012 | Q2<br>2012 | Q1<br>2012 |
|---------------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Revenue                         | 760        | 677        | 800        | 613        | 757        | 584        | 711        | 631        | 667        | 741        | 610        | 473        | 582        | 457        | 416        | 400        |
| Op. EBIT                        | 257        | 206        | 303        | 235        | 227        | 209        | 212        | 186        | 124        | 187        | 169        | 105        | 99         | 86         | 78         | 60         |
| Profit/Loss                     | 319        | 168        | 191        | 132        | 222        | 211        | 126        | 87         | 138        | 200        | 184        | 67         | 148        | 26         | 91         | 16         |
| Harvest (tgw)                   | 13,675     | 12,982     | 14,182     | 9,726      | 12,651     | 10,881     | 11,212     | 9,269      | 11,097     | 11,335     | 10,540     | 8,296      | 13,044     | 9,730      | 10,219     | 11,348     |
| Op. EBIT Farming & VAP (NOK/kg) | 21.83      | 18.10      | 22.62      | 26.12      | 19.48      | 19.73      | 17.66      | 21.37      | 12.44      | 15.76      | 15.29      | 12.16      | 7.25       | 8.00       | 7.78       | 5.42       |
| Equity ratio                    | 66%        | 63%        | 61%        | 61%        | 60%        | 57%        | 53%        | 57%        | 54%        | 52%        | 49%        | 48%        | 49%        | 47%        | 47%        | 43%        |
| NIBD                            | 391        | 182        | 302        | 227        | 233        | 357        | 555        | 503        | 641        | 728        | 786        | 775        | 807        | 770        | 733        | 764        |

Turnover (mDKK)



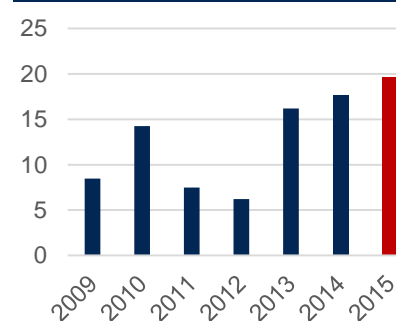
Turnover for the Bakkafrost Group has increased from 820 mDKK in 2010 to 2.9 bDKK in 2015.

Operational EBIT (mDKK)



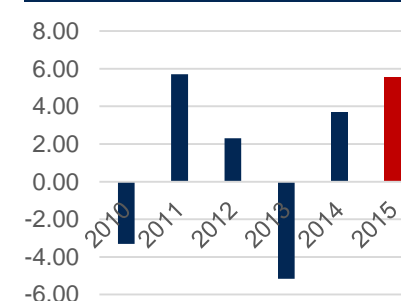
Operational EBIT for the Bakkafrost Group has increased from 247 mDKK in 2010 to 1.0 bDKK in 2015.

Farming margin Op. EBIT (NOK/kg)



The margin in Farming was NOK 19.63 per kg in 2015 – the highest ever.

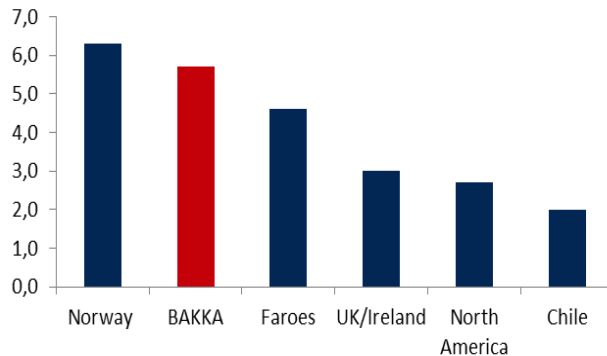
VAP margin Op. EBIT (NOK/kg)



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

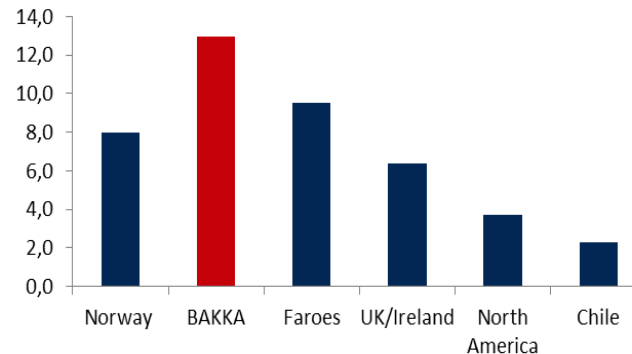
# THE VALUE OF A STRICT SANITARY REGIME

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



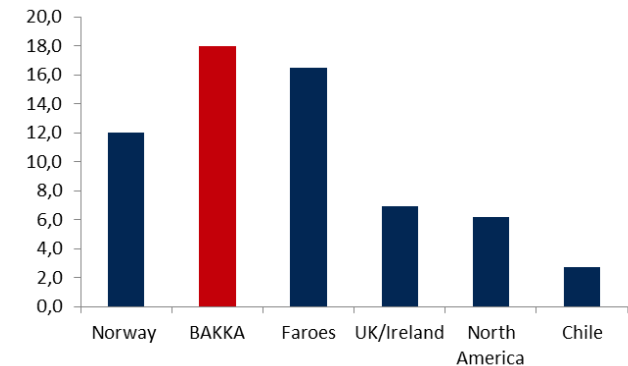
During the last 15 years, 2000 - 2014 Norway had the highest margin of the farming countries with 6.3 NOK/kg in average, while BAKKA had 5.7 NOK/kg.

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



The last five years - 2010-2014 BAKKA had a strong average margin of 13.00 NOK/kg.

**Margin EBIT/kg 2014E (NOK/kg)**



In 2014, BAKKA had a farming margin of 17.7 NOK/kg.

Higher value from:

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

Source: Kontali

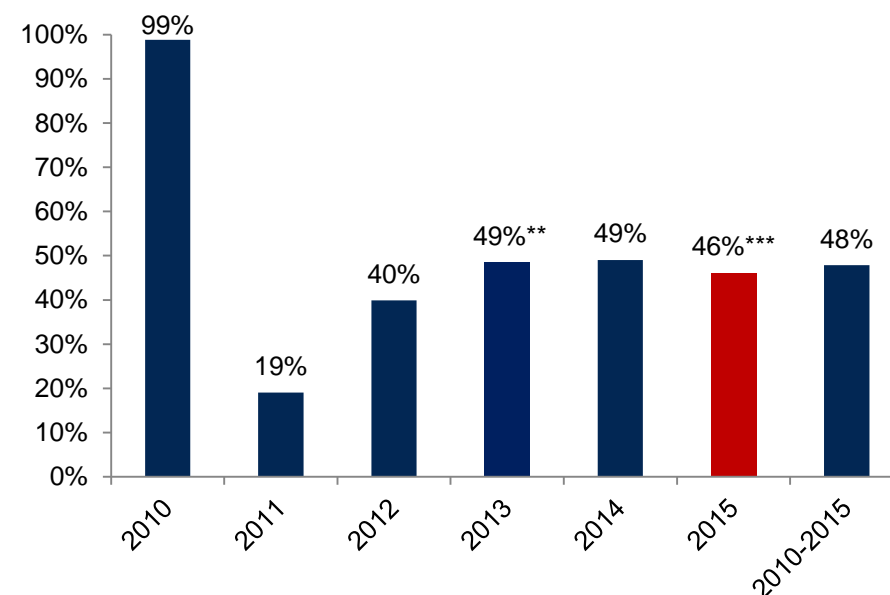
## Dividend

- Proposed dividend of DKK 8.25 (NOK 10.38) per share to be paid in Q2 2016

## Dividend policy

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

### DPS in % of adj. EPS \*



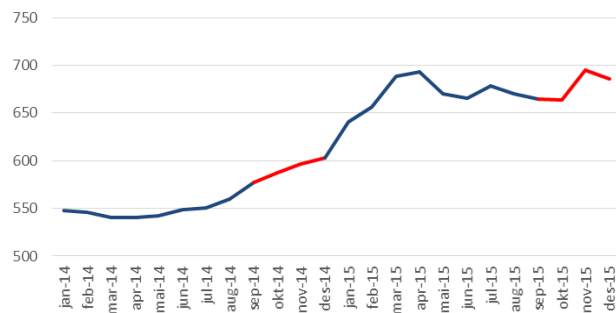
\* Operational EBIT is EBIT adjusted for fair value adjustment of biomass, onerous contracts, income/loss from associates, acquisition costs and badwill.

\*\* Dividend and acquisition of treasury shares

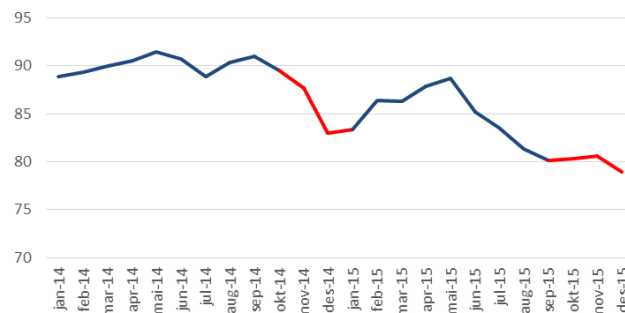
\*\*\* Proposed dividend

# MONTHLY EXCHANGE RATES

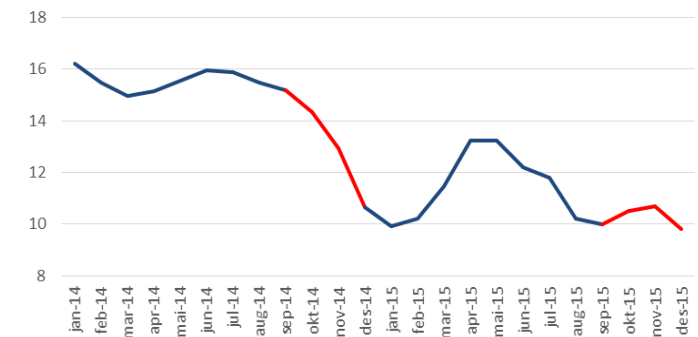
**USD/DKK**



**NOK/DKK**



**RUB/DKK**



- USD increased in value Q4 2015
- More than 50% of the revenue of Bakkafrøst is in USD
- Bakkafrøst has to some extent a natural hedge with large import of raw materials in USD
- So far Bakkafrøst has not been hedging currency risks
- NOK has reduced value in 2015 against most currencies. This means Norwegian export has gained competitive advantage, as a big share of costs are priced in NOK
- RUB has lost value since April 2015, and is now at its lowest
- The consumption in Russia is negatively affected by the development



# LARGEST SHAREHOLDERS

## 20 largest shareholders

| No of shares      |              | Account name   | type | Citizenship |
|-------------------|--------------|--|------|-------------|
| 4.594.437         | 9,4%         | Jacobsen Oddvør  |      | FRO         |
| 4.491.217         | 9,2%         | Jacobsen Johan Regin                                     |      | FRO         |
| 3.510.329         | 7,2%         | NORDEA BANK DANMARK A/S                                  | NOM  | DNK         |
| 1.719.461         | 3,5%         | SKANDINAVISKA ENSKILDA BANKEN AE                         | NOM  | DNK         |
| 1.324.921         | 2,7%         | CLEARSTREAM BANKING S.A.                                 | NOM  | SWE         |
| 1.098.354         | 2,2%         | FOLKETRYGDFONDET   | NOM  | LUX         |
| 990.026           | 2,0%         | VERDIPAPIRFONDET DNB NORGE (IV)                          |      | NOR         |
| 940.886           | 1,9%         | STATE STREET BANK AND TRUST CO.                          |      | SWE         |
| 926.904           | 1,9%         | SWEDBANK ROBUR SMABOLAGSFOND                             | NOM  | USA         |
| 913.914           | 1,9%         | JP MORGAN BANK LUXEMBOURG S.A                            | NOM  | USA         |
| 859.782           | 1,8%         | J.P. MORGAN CHASE BANK N.A. LONDO                        | NOM  | GBR         |
| 823.479           | 1,7%         | STATE STREET BANK AND TRUST CO.                          | NOM  | USA         |
| 723.976           | 1,5%         | UBS (LUXEMBOURG) S.A.                                    | NOM  | USA         |
| 657.109           | 1,3%         | STATE STREET BANK & TRUST CO.                            | NOM  | GBR         |
| 654.511           | 1,3%         | J.P. MORGAN CHASE BANK N.A. LONDO                        | NOM  | LUX         |
| 615.285           | 1,3%         | SKANDINAVISKA ENSKILDA BANKEN S..                        | NOM  | USA         |
| 540.789           | 1,1%         | THE BANK OF NEW YORK MELLON                              | NOM  | LUX         |
| 462.901           | 0,9%         | SKANDINAVISKA ENSKILDA BANKEN A/S                        |      | NOR         |
| 453.236           | 0,9%         | DEUTSCHE BANK AG   | NOM  | DNK         |
| 451.035           | 0,9%         | VERDIPAPIRFONDET ALFRED BERG NORGE                       |      | NOR         |
| <b>26.752.552</b> | <b>54,8%</b> |  |      |             |
| <b>48.858.065</b> |              | <b>100 Total number of shares as per 24.Februar 2016</b> |      |             |
| <b>299.567</b>    |              | <b>0,7 Wherof own shares</b>                             |      |             |
| <b>48.558.498</b> |              | <b>99,3 Total number of outstanding shares</b>           |      |             |

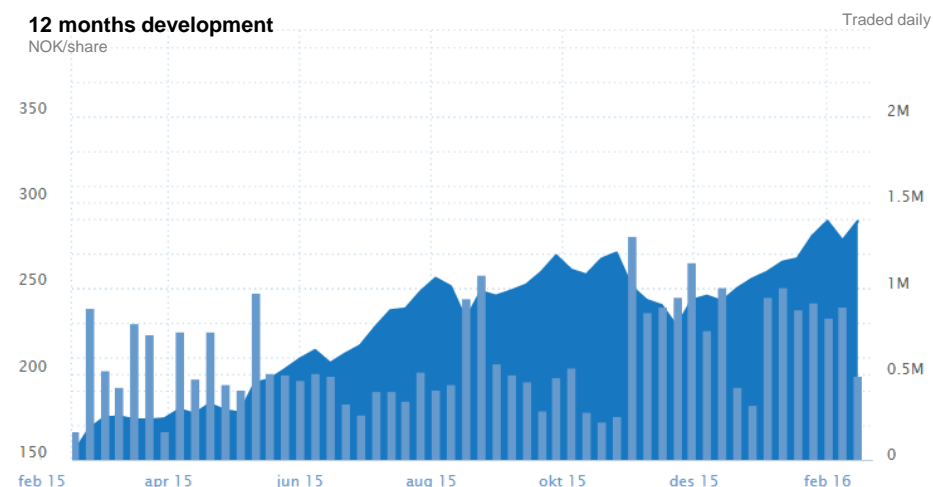
## Origin of shareholders, 5 largest countries

| No of shares | % Origin        | No of shareholders |
|--------------|-----------------|--------------------|
| 12.748.927   | 26,1% Faroe Isl | 922                |
| 10.123.973   | 20,7% UK        | 103                |
| 9.502.503    | 19,4% Norway    | 3.011              |
| 6.315.528    | 12,9% USA       | 83                 |
| 3.715.882    | 7,6% LUXEMBOURG | 30                 |

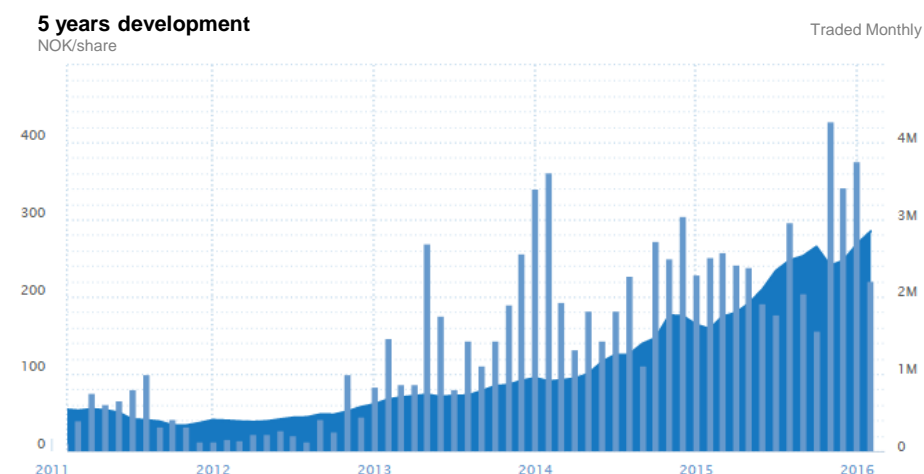
Total number of shareholders: 4,335 - from 22 different countries

## Share development

### 12 months development



### 5 years development



Subscribe Oslo Stock Exchange Releases from BAKKA by e-mail on:

<http://www.bakkafrost.com/en/frontpage/>



ESTABLISHED 1968

