

# Q3 2018

**BAKKAFROST GROUP**  
Oslo 6 November 2018

## DISCLAIMER

- 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 Q3 2018**
- **MARKETS AND SALES**
- **SEGMENT INFORMATION**
- **GROUP FINANCIALS**
- **OUTLOOK**
- **APPENDIX**



## Operation

- **Harvested** 7,217 t<sub>gw</sub> in Q3 2018 (11,585 t<sub>gw</sub> in Q3 2017)
- **Feed sales** of 23,468 tonnes in Q3 2018\* (22,320 tonnes in Q3 2017\*)
- **Raw material purchase** of 7,496 tonnes in Q3 2018 (21,937 tonnes in Q3 2017)

## Revenues and Operational EBIT

- **Revenues** of DKK 622 million in Q3 2018 (DKK 804 million in Q3 2017)
- **Operational EBIT\*\*** of DKK 168 million in Q3 2018 (DKK 252 million in Q3 2017)

## Cash Flow

- **Cash flow from operations** of DKK 324 million in Q3 2018 (DKK 334 million in Q3 2017)

## Segments

- **Positive operational EBIT for all segments**

\*) Including internal sales of 20,783 tonnes in Q3 2018 (20,398 tonnes in Q3 2017)

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



## SUMMARY OF THE QUARTER

**Operational EBIT for the Farming segment decreased due to lower volumes. Positive operational EBIT for the VAP segment, but lower EBITDA margin for the FOF segment.**

- Farming/VAP margin increased from 23.02 NOK/kg in Q3 2017 to 25.34 NOK/kg in Q3 2018
- VAP segment had a positive margin of 2.49 NOK/kg in Q3 2018, compared to -1.08 NOK/kg in Q3 2017
- Farming margin was 24.85 NOK/kg in Q3 2018, compared to 23.51 NOK/kg in Q3 2017
- FOF margin was 11.7% in Q3 2018, compared to 23.2% in Q3 2017.
- Group Operational EBIT was DKK 168 million in Q3 2018, compared to DKK 252 million in Q3 2017

(DKK million)	Q3 2018	Q3 2017	M9 2018	M9 2017
Operating revenue	622	804	2,427	2,864
Operational EBITDA	221	302	992	1,184
<b>Operational EBIT</b>	<b>168</b>	<b>252</b>	<b>844</b>	<b>1,046</b>
<b>Profit for the period</b>	<b>356</b>	<b>56</b>	<b>967</b>	<b>533</b>
Operational EBITDA margin	35.6%	37.6%	40.9%	41.3%
Operational EBIT margin	27.1%	31.3%	34.8%	36.5%
Operational EBIT/Kg (Farming) (NOK)	24.85	23.51	30.28	31.05
Operational EBIT/Kg (Farming and VAP) (NOK)	25.34	23.02	29.25	27.82
Operational EBIT/Kg (VAP) (NOK)	2.49	-1.08	-6.01	-9.84
EBITDA margin (Fishmeal, -Oil and Feed)	11.7%	23.2%	19.8%	18.4%

- SUMMARY OF Q3 2018
- **MARKETS AND SALES**
- SEGMENT INFORMATION
- GROUP FINANCIALS
- OUTLOOK
- INVESTMENT PLAN 2018 - 2022
- APPENDIX



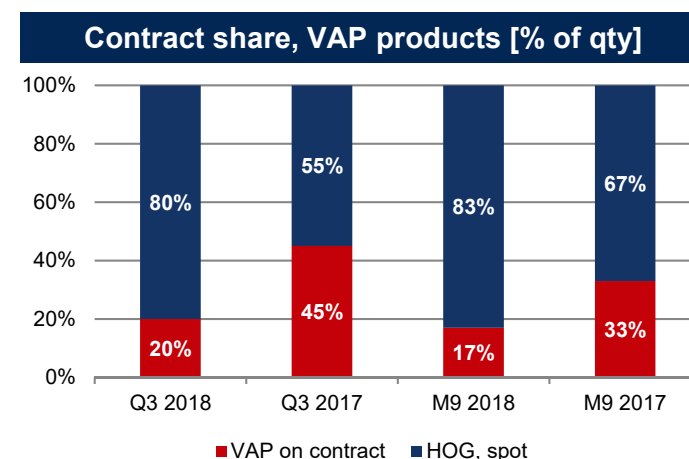
Sales distribution in Q3 2018 had similar trends as in the first half of 2018. Sales to Eastern Europe increased and sales to EU decreased in Q3 2018, compared to Q3 2017. Small changes in sales to USA and Asia. VAP on contract is still on a low level at 20%

- EU market decreased from 45% in Q3 2017 to 27% in Q3 2018
- USA decreased from 20% to 18%
- Asia increased from 21% to 23%
- Eastern Europe increased from 14% to 32%
- Harvest volumes used in VAP were 20% in Q3 2018, compared to 45% in Q3 2017



Total sales of salmon by markets	Q3 2018	Q3 2017	M9 2018	M9 2017
EU	27%	45%	29%	46%
USA	18%	20%	16%	17%
Asia	23%	21%	23%	15%
Eastern Europe	32%	14%	32%	22%

Fresh salmon only by markets	Q3 2018	Q3 2017	M9 2018	M9 2017
EU	19%	15%	21%	28%
USA	18%	28%	16%	23%
Asia	26%	34%	26%	20%
Eastern Europe	37%	23%	37%	29%



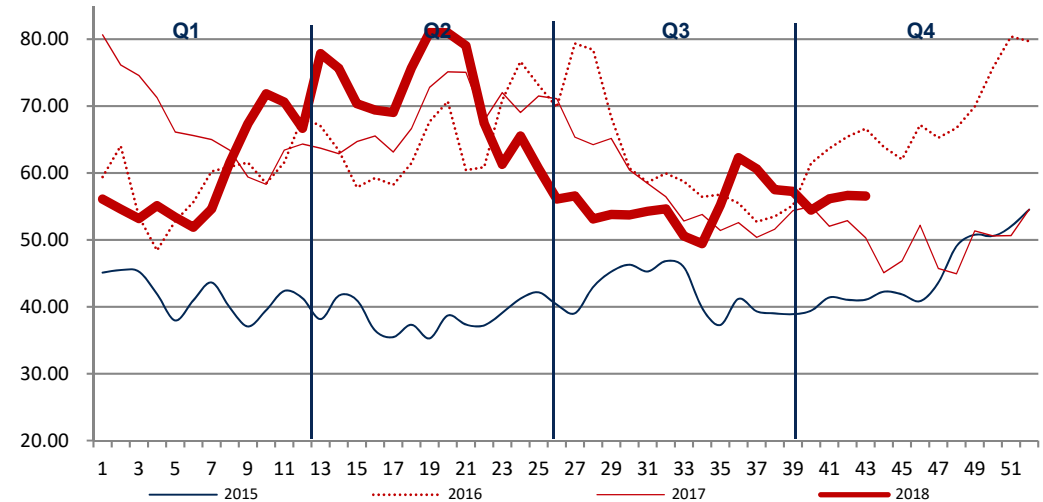
## Lower prices in Q3 2018

- Prices dropped 3% compared with Q3-2017
  - y/y by 1.39 NOK/kg ~2%  
- from NOK 56.70 to NOK 55.31
  - q/q by 14.86 NOK/kg ~21%  
- from NOK 70.17 to NOK 55.31

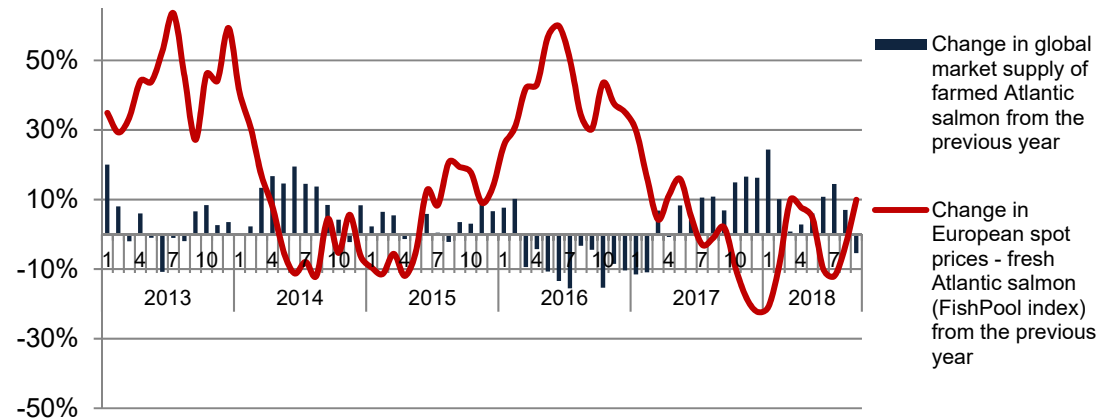
## Increased global supply in Q3 2018

- 5.4% increased global supply in Q3 2018, compared with Q3 2017, corresponding to 28,300 tonnes

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



Change in global market supply and market price



Source: Kontali



## DEVELOPMENT IN HARVESTED AND SOLD QUANTITY BY ORIGIN

### 5.4% global supply growth in Q3 2018

- Supply increase exceeded change in harvest due to inventory movements in Chile

### Flat **European** harvest

- Norway** increased harvest by 4%
  - Some acceleration in harvest due to challenges
  - Increased lice challenges in the North
- UK** reduced harvest by 20%
  - Impacted by past biological challenges
  - Improved underlying performance

### **Americas** harvest increased by 13%

- Chile** increased harvest by 18%
  - Very strong biological performance
- Reduced harvest in **Canada** and in **USA**

SUPPLY DEVELOPMENT (HOG - 1,000 tonnes)	Q3 2018	Q3 2017	Change %
Norway	292.2	280.7	4.1 %
UK	33.8	42.0	-19.5 %
Ireland	3.2	4.1	-22.2 %
Faroes	11.3	15.8	-29.0 %
<b>Total Europe</b>	<b>340.5</b>	<b>342.6</b>	<b>-0.6 %</b>
Chile	149.9	127.2	17.9 %
Canada	33.6	34.2	-1.8 %
USA	4.6	4.9	-5.6 %
<b>Total Americas</b>	<b>188.1</b>	<b>166.2</b>	<b>13.2 %</b>
Other	19.0	18.6	1.9 %
<b>Total (Harvested quantity)</b>	<b>547.6</b>	<b>527.5</b>	<b>3.8 %</b>
Inventory movements	1.0	-7.3	-113.6 %
<b>Total (Sold Quantity)</b>	<b>548.6</b>	<b>520.2</b>	<b>5.4 %</b>

Source: Kontali

# SALMON MARKETS, SOLD QUANTITY (HOG)

## Strong momentum in most markets

### Marginal growth in the EU

- Reflecting 1% harvest decline in Europe

### Strong US growth at increased prices

- However prices are reduced from previous quarter

### Growth in Russia

- Chile major contributor to the growth

### Greater China/ASEAN

- Marginal combined decline
- Significant growth in supply from Chile
- Boost from Norway – China relations
- Inaccurate quarterly number – should be read in concert

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

Markets	Estimated volumes		Q3 comparison		Estimated volumes		YTD comparison	
	Q3 2018	Q3 2017	Volume	%	M9 2018	M9 2017	Volume	%
EU	247,700	245,200	2,500 🟡	1.0%	678,600	654,000	24,600 🟢	3.8%
USA	107,400	95,700	11,700 🟢	12.2%	327,000	293,600	33,400 🟢	11.4%
Russia	23,900	17,800	6,100 🟢	34.3%	66,700	45,400	21,300 🟢	46.9%
Japan	13,400	13,300	100 🟡	0.8%	38,300	41,700	-3,400 🟠	-8.2%
Greater China	30,800	27,600	3,200 🟢	11.6%	91,900	75,000	16,900 🟢	22.5%
ASEAN	16,500	20,400	-3,900 🟠	-19.1%	49,100	61,500	-12,400 🟠	-20.2%
Latin America	37,400	33,200	4,200 🟢	12.7%	114,500	99,300	15,200 🟢	15.3%
Ukraine	3,900	3,400	500 🟢	14.7%	10,500	8,900	1,600 🟢	18.0%
Other markets	67,600	63,700	3,900 🟢	6.1%	195,500	178,600	16,900 🟢	9.5%
<b>Total all markets</b>	<b>548,600</b>	<b>520,300</b>	<b>28,300 🟢</b>	<b>5.4 %</b>	<b>1,571,900</b>	<b>1,457,800</b>	<b>114,100 🟢</b>	<b>7.8 %</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)

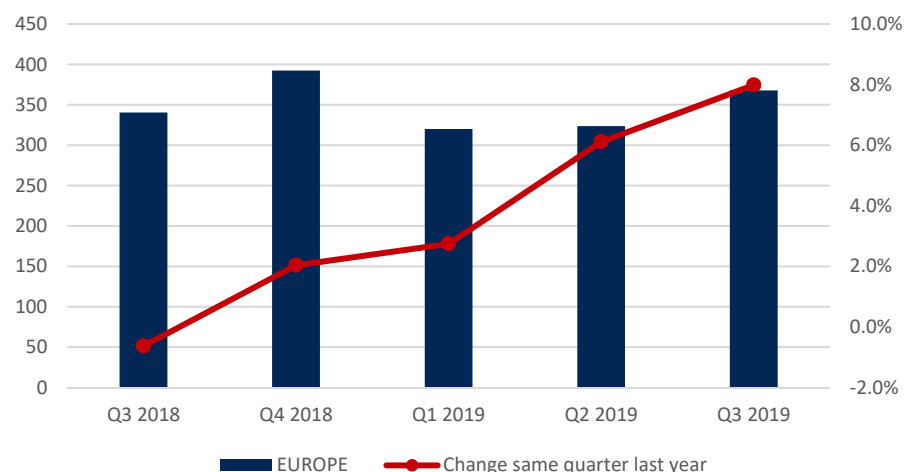
Latin America (including both Mexico and Caribbean + domestic consumption in Chile)

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

## SHORT TERM SUPPLY OUTLOOK

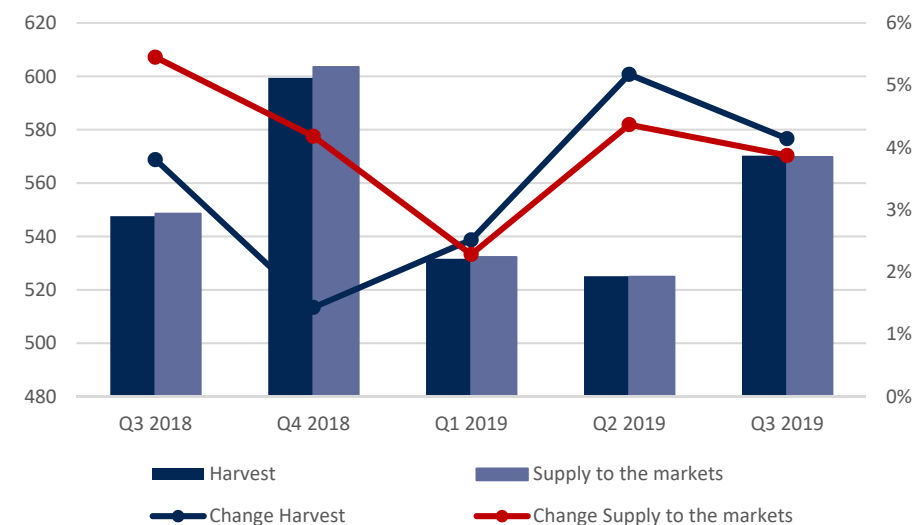
- Modest supply growth expected coming quarters
  - Growth rate impacted by inventory movements
  - Growth in harvest likely to be instrumental for pricing
  - Frozen products are materially sold through alternative channels
- Europe – Increasing, but still limited growth
  - Uncertainty linked to biological performance in Norway
  - Scotland expected to recover
- Americas – Limited growth
  - Chile expected to grow modestly due to regulatory constraints
  - May be surprise on the upside

### SUPPLY - EUROPE

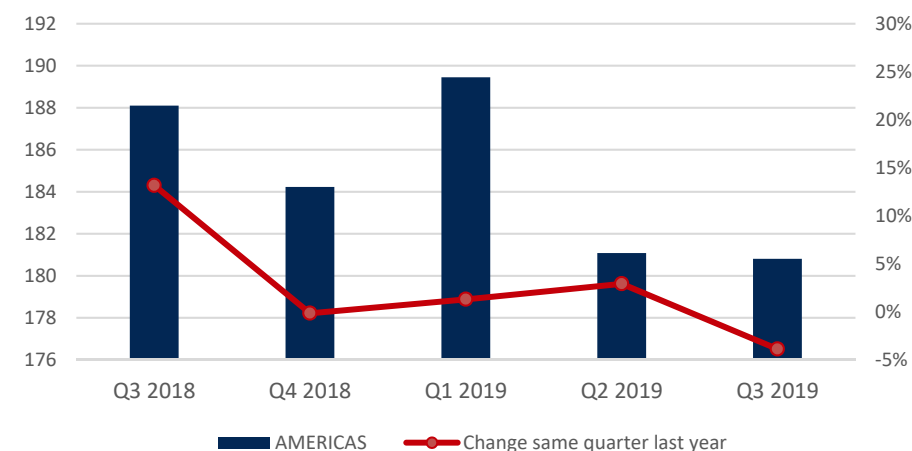


Source: Kontali

### SUPPLY - TOTAL



### SUPPLY - AMERICAS



- SUMMARY OF Q3 2018
- MARKETS AND SALES
- **SEGMENT INFORMATION**
- GROUP FINANCIALS
- OUTLOOK
- INVESTMENT PLAN 2018 - 2022
- APPENDIX



### Harvested volumes

- Harvested volumes decreased by 38% in Q3 2018, compared with Q3 2017
- The harvest in the North Region was 87% and harvest in the West Region was 13% in Q3 2018
- Average weight of harvested fish in Q3 2018 was 5.2 kg head on gutted

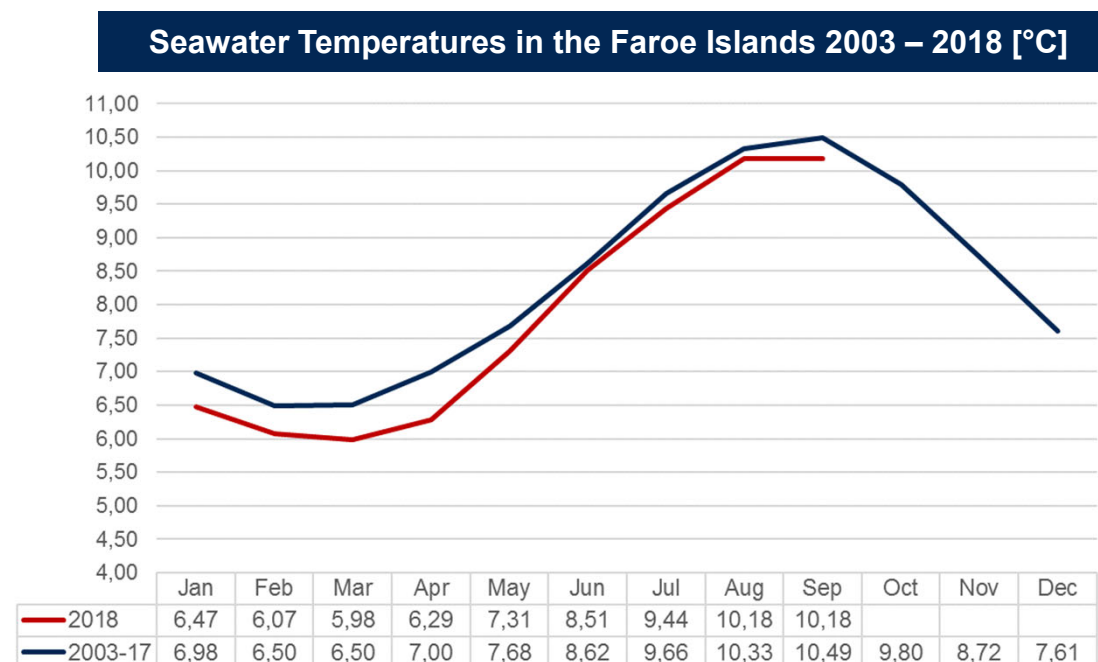
Harvest Volumes tonnes [HOG]	Q3 2018	Q3 2017	M9 2018	M9 2017
North Region	6,254	1,659	21,892	24,364
West Region	963	9,926	10,464	18,781
<b>Total</b>	<b>7,217</b>	<b>11,585</b>	<b>32,356</b>	<b>43,145</b>

### Smolt transfer

- Bakkafrost transferred 3.3 million smolts in Q3 2018 (3.2 million smolts in Q3 2017)
- Moved 1 million smolts from Q4 2018 to Q1 2019. Expected smolt release in 2018 is therefore reduced, from 13.9 million to 12.9 million smolts

### Seawater temperatures in the Faroe Islands

- Average temperatures in Q3 2018 were 0.28 °C down – from 10.22 °C in Q3 2017 to 9.93 °C in Q3 2018





## A-81 KOLBANAGJÓGV – ALGAE WIPED OUT HALF OF THE SITE

### Critical incident at A-81 Kolbanagjógv September 2018

Algae killed 700,000 smolts at A-81 within hours

#### Wednesday 19<sup>th</sup> of September

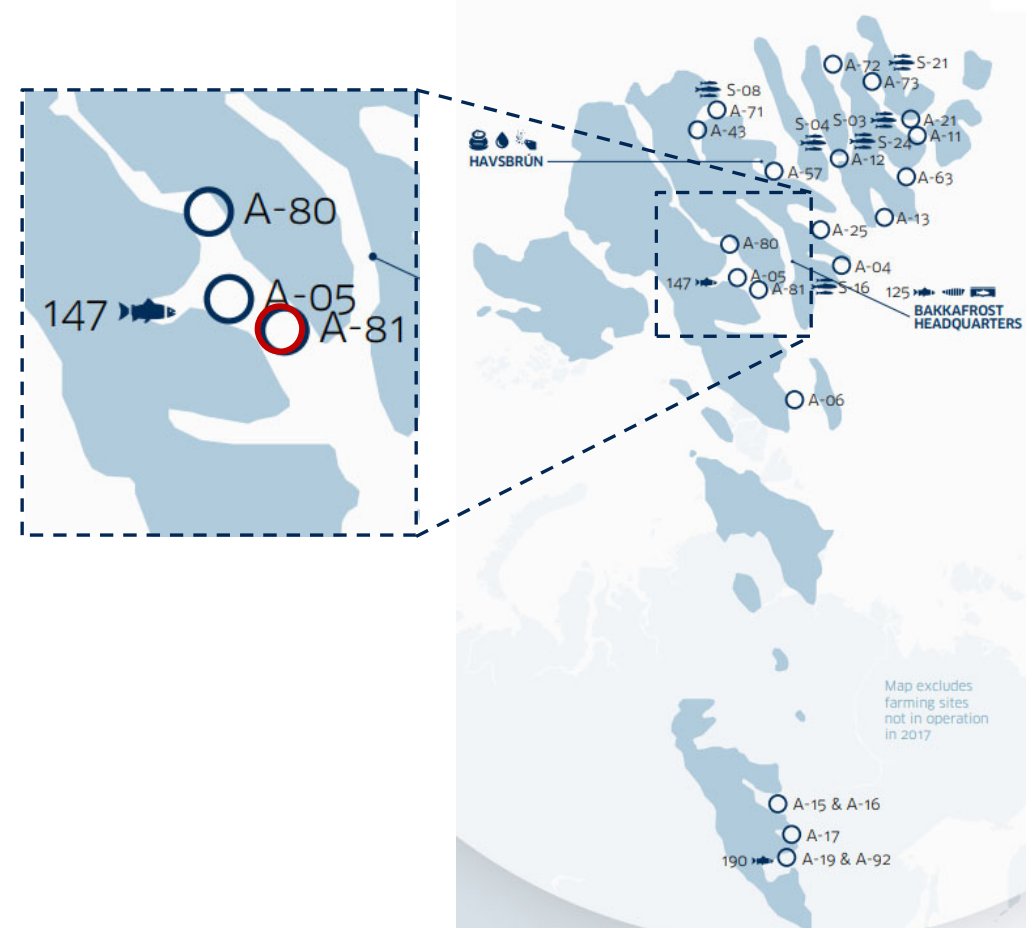
- Farmers reported lower appetite
- Sea lice disappeared from lumpfish
- Samples taken to check for algae

#### Thursday 20<sup>th</sup> of September

- Farmers reported high mortality started from the morning
- Samples taken by vet and bio to check fish health and environmental tests
- Results from tests indicate presence of algae
- Mortality stops in the afternoon

### Total loss of nearly 700,000 smolts out of 1.37 million smolts registered due to the incident

- The remaining fish are in a good and healthy condition, good appetite – growth from 500 to 825g since the incident
- Nothing registered at neighbour site A-05, distance of 1 km

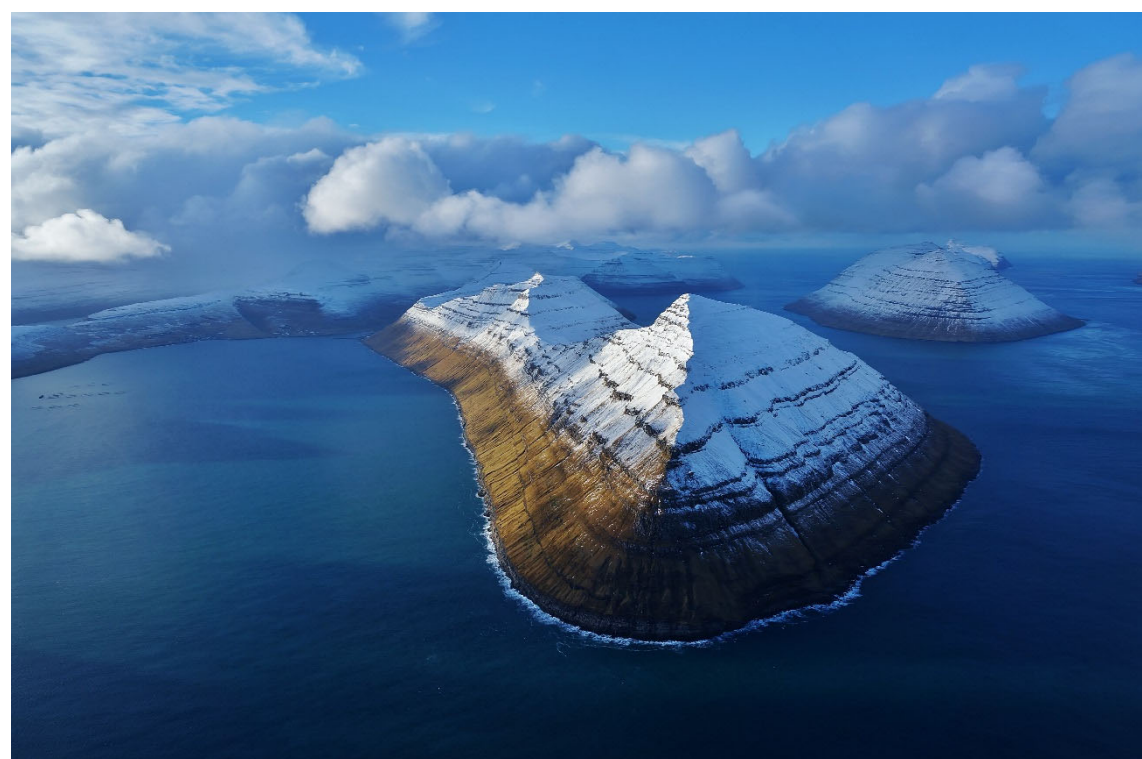


## FARMING – OPERATIONAL PERFORMANCE

### Lower volumes and incident at Kolbanagjógv had a negative impact on costs

- The operational EBIT decreased from DKK 217 million in Q3 2017 to DKK 140 million in Q3 2018
- Operational EBIT margin was 31% in Q3 2018, compared to 35% in Q3 2017
- Mortality at Kolbanagjógv due to algae on September 20<sup>th</sup> caused a net expense of DKK 7.2 million in Q3 2018
- Delay in starting new harvesting factory in Suðuroy from September to mid October moves harvest of 3,000 tonnes gw from Q4 2018 to Q1 2019

(DKK million)	Q3 2018	Q3 2017	M9 2018	M9 2017
Operating revenue	445	619	1,887	2,409
Operational EBIT	140	217	761	1,079
Operational EBIT margin	31%	35%	40%	45%

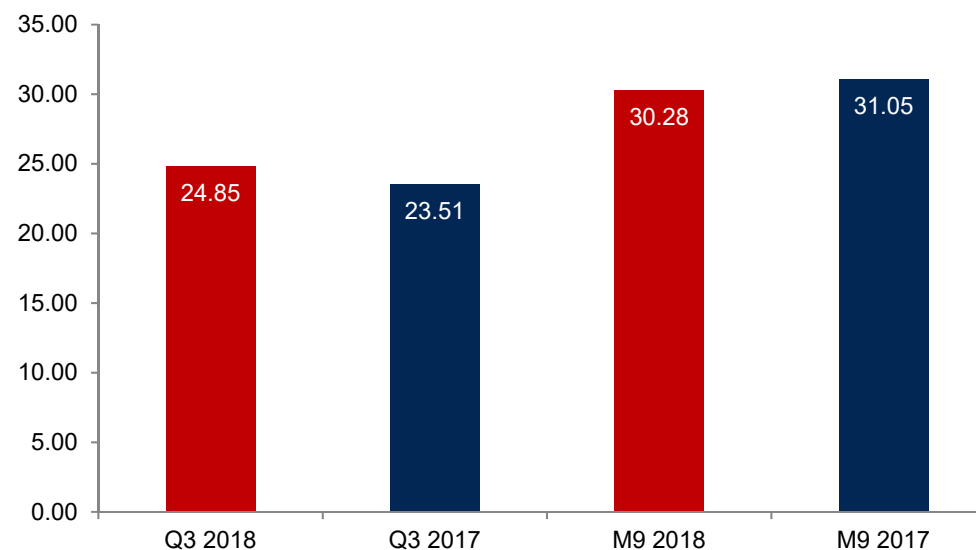


A25-Gøtuvík

### Operation

- Farming operational EBIT increased by NOK 1.34 per kg from NOK 23.51 in Q3 2017 to NOK 24.85 in Q3 2018
- Operational EBIT per kg in the North Region was NOK 23.95 and in the West Region NOK 30.68 in Q3 2018
- Majority of harvest in the North Region was in the beginning of Q3 2018
- Mortality at Kolbanagjógv due to algae on September 20<sup>th</sup> affected Farming operational EBIT by NOK 1.28 per kg in Q3 2018

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



(NOK/kg)	Q3 2018		
	North Region	West Region	Farming
Operational EBIT/kg gw	23.95	30.68	24.85

## VALUE ADDED PRODUCTS (VAP)

### VAP operational EBIT margin positive again

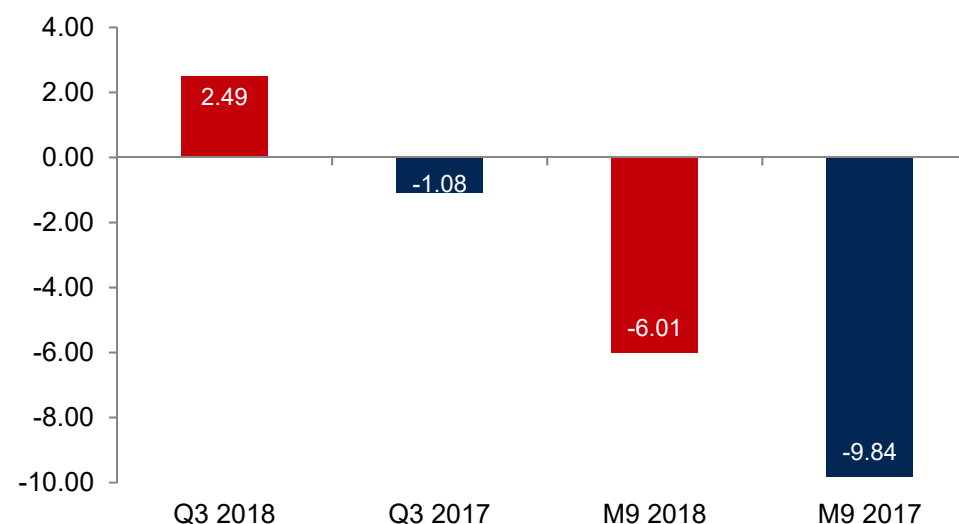
- Substantial decrease in revenue by 72% to DKK 69 million in Q3 2018, from DKK 246 million in Q3 2017
- Operating EBIT in Q3 2018 was DKK 3 million, compared with DKK -4 million in Q3 2017

(DKK million)	Q3 2018	Q3 2017	M9 2018	M9 2017
Operating revenue	69	246	256	710
Operational EBIT	3	-4	-26	-112
Operational EBIT margin	4%	-2%	-10%	-16%
VAP produced volumes (tgv)	1,425	5,209	5,510	14,118

### Lower raw material prices and lower activity in Q3 2018

- The low salmon spot prices in Q3 2018 affected the margin in the VAP segment positively, but the low production activity had a negative effect on the margin
- Operational EBIT per kg was NOK 2.49 in Q3 2018, compared to NOK -1.08 in Q3 2017

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



## Reduced EBITDA margin in the quarter

- EBITDA of DKK 41 million in Q3 2018, compared with DKK 79 million in Q3 2017
- EBITDA margin of 11.7% in Q3 2018, compared with 23.2% in Q3 2017
- Feed sales had a small increase, but external fishmeal sales decreased by 20% in Q3 2018, compared to Q3 2017

## Fishmeal, Oil and Feed

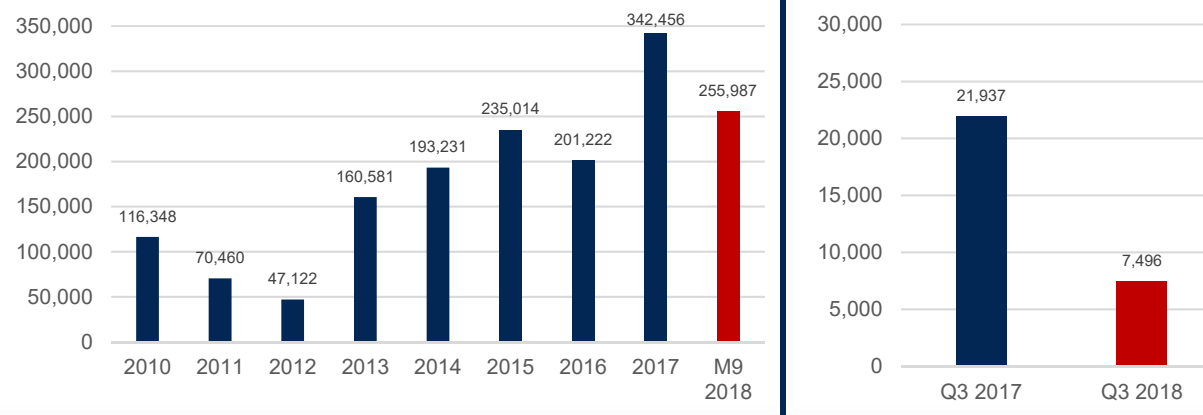
(DKK million)	Q3 2018	Q3 2017	M9 2018	M9 2017
Operating revenue	354	342	981	936
EBITDA	41	79	194	172
EBITDA margin	11.7%	23.2%	19.8%	18.4%
Feed sold (tonnes)*	23,468	22,320	53,064	59,179
Fishmeal sold external (tonnes)	11,648	14,547	39,453	40,051

## Raw material sourcing lower than same quarter last year

- Havsbrún sourced 66% less raw material in Q3 2018, compared to Q3 2017
- Third quarter is normally a weak sourcing quarter for Havsbrún

\* Including sales to Bakkafrost, corresponding to ~ 89% of feed volumes in Q3 2018 (Q3 2017: 91%)

## Sourcing of raw material (tonnes)





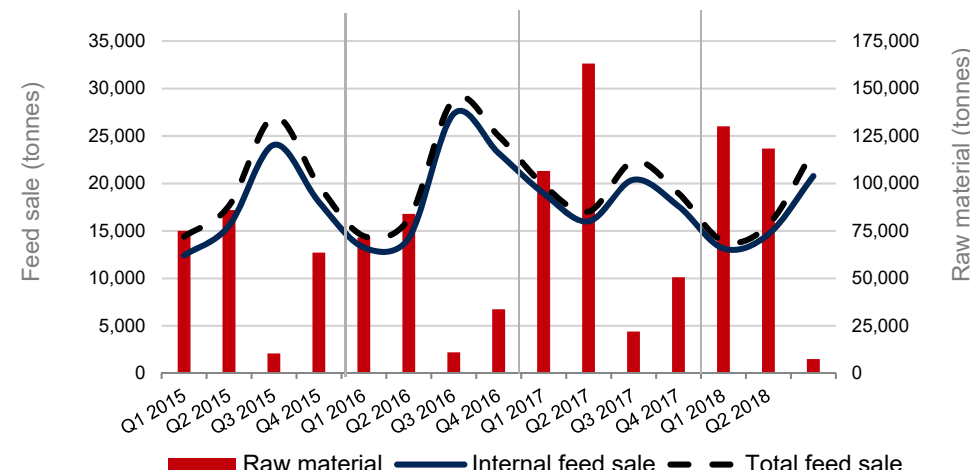
## Increase in feed sales

- Quantity of feed sold was 23,468 tonnes in Q3 2018, compared to 22,320 tonnes in Q3 2017
- External feed sales higher in Q3 2018, compared to Q3 2017

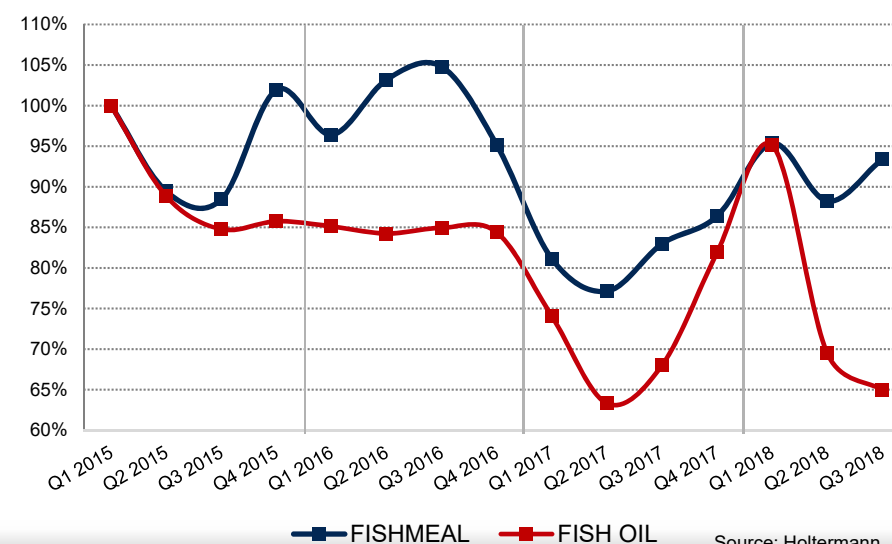
## Market fluctuations

- Drop in fish oil prices continued, fishmeal prices increased in Q3 2018
- Fishmeal prices increased in Q3 2018 and are now approaching 2016 levels
- Fish oil prices dropped moderately in Q3 2018 from a significant drop previous quarter.
- Fish oil prices in Q3 2018 approached mid 2017 prices

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



## Fishmeal and fish oil price index in DKK (Q1 2015 = 100)



Source: Holtermann

- SUMMARY OF Q3 2018
- MARKETS AND SALES
- SEGMENT INFORMATION
- **GROUP FINANCIALS**
- OUTLOOK
- INVESTMENT PLAN 2018 - 2022
- APPENDIX



## GROUP PROFIT AND LOSS

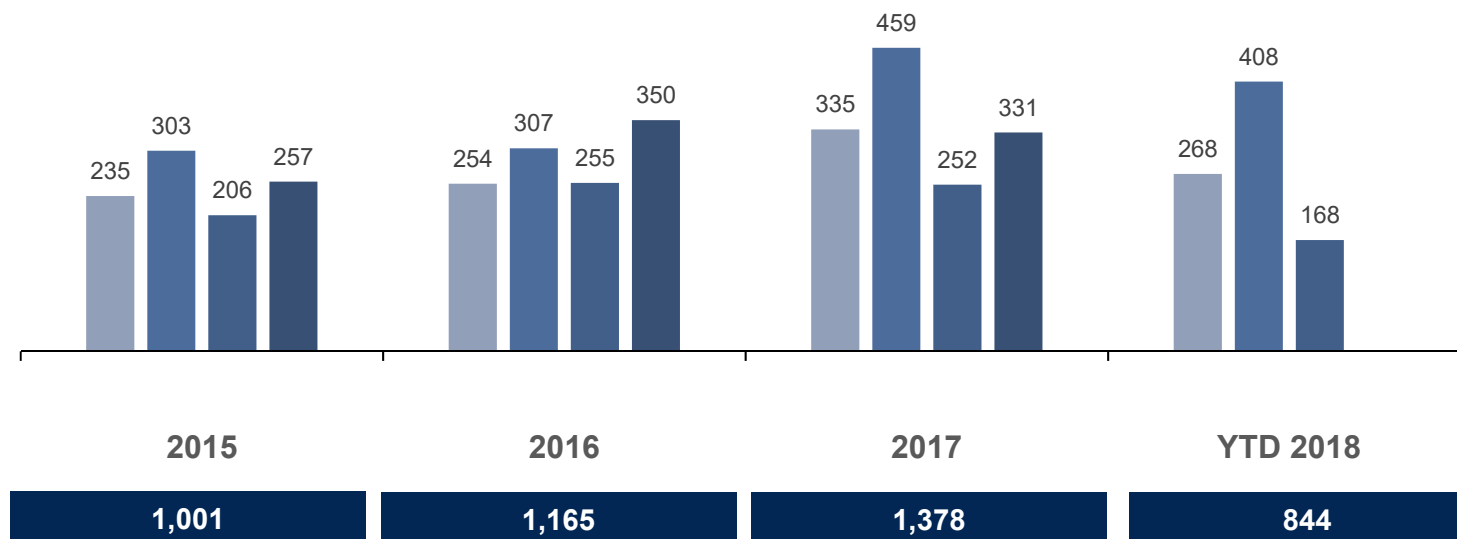
- Revenue on lower level in Q3 2018, due to lower harvest. Revenue in Q3 2018 amounted to DKK 622 million, compared to DKK 804 million in Q3 2017.
- Operational EBIT in Q3 2018 decreased to DKK 168 million, compared to DKK 252 million in Q3 2017
- Fair value of biomass increased due to higher salmon prices, compared to Q3 2017
- Revenue tax, recognized as cost, amounted to DKK -14 million in Q3 2018, compared to DKK -24 million in Q3 2017
- Financial items amounted to DKK -1 million and taxes amounted to DKK -78 million in Q3 2018
- Profit after tax for Q3 2018 was DKK 356 million, compared to DKK 56 million in Q3 2017

(DKK million)	Q3 2018	Q3 2017	M9 2018	M9 2017
Operating revenue	622	804	2,427	2,864
<b>Operational EBITDA*</b>	<b>221</b>	<b>302</b>	<b>992</b>	<b>1,184</b>
<b>Operational EBIT*</b>	<b>168</b>	<b>252</b>	<b>844</b>	<b>1,046</b>
Fair value adjustment of biological assets	293	-155	435	-335
Onerous contracts	-11	12	-17	67
Income from associates	-2	-1	-2	-1
Revenue tax	-14	-24	-72	-99
<b>EBIT</b>	<b>435</b>	<b>84</b>	<b>1,189</b>	<b>678</b>
Net Financial items	-1	-16	-10	-27
<b>EBT</b>	<b>434</b>	<b>68</b>	<b>1,179</b>	<b>651</b>
Taxes	-78	-12	-212	-118
<b>Profit for the period</b>	<b>356</b>	<b>56</b>	<b>967</b>	<b>533</b>
<b>Operational EBITDA margin</b>	<b>35.6%</b>	<b>37.6%</b>	<b>40.9%</b>	<b>41.3%</b>
<b>Operational EBIT margin</b>	<b>27.1%</b>	<b>31.3%</b>	<b>34.8%</b>	<b>36.5%</b>
<b>Operational EBIT/kg (Farming and VAP) (NOK)</b>	<b>25.34</b>	<b>23.02</b>	<b>29.25</b>	<b>27.82</b>
<b>EBITDA margin (fishmeal, -oil and feed)</b>	<b>11.7%</b>	<b>23.2%</b>	<b>19.8%</b>	<b>18.4%</b>

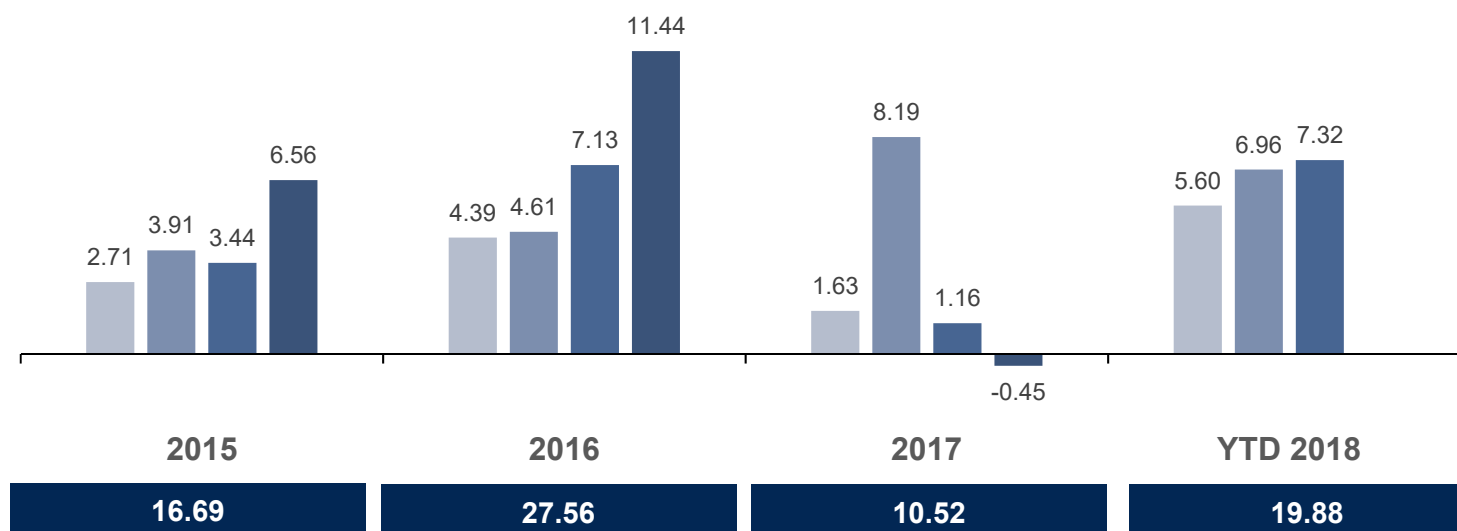
\* Operational EBITDA and EBIT aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates and revenue tax.

## OPERATIONAL EBIT\* AND EARNINGS PER SHARE

### Operational EBIT\* (DKK million)



### Earnings per share (DKK)



\*) Operational EBIT is EBIT before fair value adjustments of biomass, onerous contracts provisions, income from associates and revenue tax

## BALANCE SHEET

- Intangible assets increased by DKK 12 million in the quarter and amounts to DKK 389 million at the end of Q3 2018
- Investments in PPE of DKK 127 million in Q3 2018 and PPE amounts to DKK 2.8 billion
- Financial assets amount to DKK 102 million
- The carrying amount of biological assets amounts to DKK 1,563 million, whereof fair value adjustment amounts to DKK 622 million
- Inventory amounts to DKK 331 million at the end of Q3 2018
- Changes in equity consist primarily of the positive results in Q3 2018. Equity ratio is 70% at the end Q3 2018
- NIBD is DKK 286 million at the end of Q3 2018, compared with DKK 258 million at end 2017

(DKK million)	End M9 2018	End M9 2017	End 2017
Intangible assets	389	377	377
Property, plant and equipment	2,789	2,448	2,570
Financial assets	102	58	77
Long-term receivables	9	0	0
Biological assets	1,563	1,417	1,097
Inventory	331	353	306
Receivables	248	333	262
Other receivables	54	32	157
Cash and cash equivalents	306	347	310
<b>Total Assets</b>	<b>5,791</b>	<b>5,365</b>	<b>5,156</b>
Equity	4,082	3,662	3,626
Deferred tax and other taxes	691	661	455
Long-term interest-bearing debt	592	256	147
Financial derivatives	1	111	127
Short-term interest-bearing debt	0	395	378
Accounts and other payables	426	280	421
<b>Total Equity and Liabilities</b>	<b>5,791</b>	<b>5,365</b>	<b>5,156</b>



## CASH FLOW

- Cash flow from operations amounted to DKK 324 million in Q3 2018, compared to DKK 334 million in Q3 2017
- Cash flow from investments amounted to DKK -164 million in Q3 2018, compared to DKK -118 million in Q3 2017
- Cash flow from financing is affected by change in interest-bearing debt

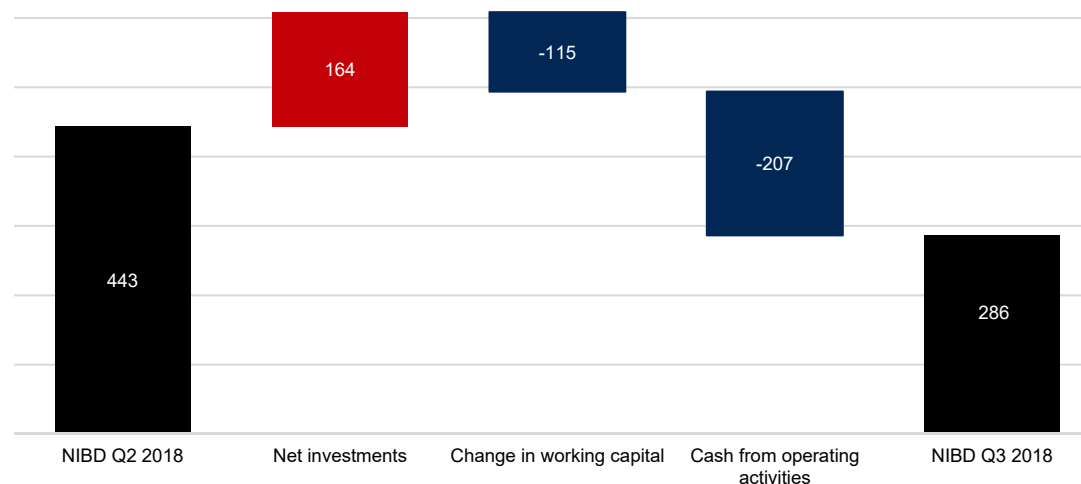
(DKK million)	Q3 2018	Q3 2017	M9 2018	M9 2017
Cash flow from operations	324	334	972	1,197
Cash flow from investments	-164	-118	-384	-467
Cash flow from financing	-138	-222	-591	-618
Net change in cash	22	-6	-3	112
Cash at the end of the period	306	347	306	347
Undrawn facilities	1,205	933	1,205	933

## NET INTEREST-BEARING DEBT (NIBD)

### Net Interest-Bearing Debt

- Cash flow from operating activities decreased the NIBD with DKK 207 million in Q3 2018
- Net investments increased the NIBD with DKK 164 million in Q3 2018
- Change in working capital in Q3 2018 decreased the NIBD with DKK 115 million

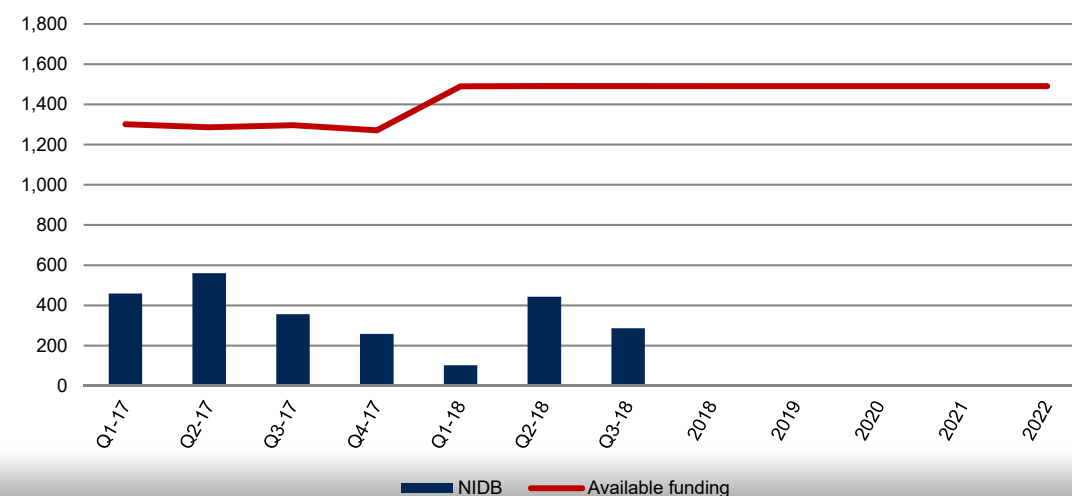
### Development in NIBD in DKK millions



### Financing end Q3 2018

- Bank facilities of EUR 200 million
- NIBD: DKK 286 million
- Undrawn loan facilities: DKK 1,205 million

### NIBD and available funding



- SUMMARY OF Q3 2018
- MARKETS AND SALES
- SEGMENT INFORMATION
- GROUP FINANCIALS
- **OUTLOOK**
- INVESTMENT PLAN 2018 - 2022
- APPENDIX



## Market

- Global supply in Q3 2018 increased around 5%, compared to Q3 2017
- Global harvest in Q4 2018 is expected to increase 1%
- Global supply increase in 2018 expected to be around 7%, compared to 2017
- Global supply growth in 2019 is expected to be around 4%, compared to 2018

## Farming

- Bakkafrost's guidance for harvest in 2018 is reduced by 3,000 tonnes gw, from 49,000 to 46,000 tonnes gw, as the new harvest factory at Vágur, Suðuroy, started operation in October rather than September 2018
- Bakkafrost expects to harvest 53,000 tonnes gw in 2019
- Bakkafrost has postponed release of 1.0 million smolts from 2018 to 2019. Expected smolt release for 2018 will therefore be 12.9 million, compared to 9.9 million smolts in 2017 and 11.7 million smolts released in 2016
- Bakkafrost expect to release 13.5 million smolts in 2019

## VAP

- Contracted around 12% of expected harvest for the rest of 2018
- Bakkafrost is presently negotiating new contracts for 2019

## Fishmeal, Oil and Feed

- Feed sales in 2018 are expected to be around 80,000 tonnes
- Feed sales in 2019 are expected to be around 85,000 tonnes

## Business development / Investment program

- Pursuing sustainable organic growth
- Financial flexibility enables M&A
- New 2018 – 2022 investment program
  - Totalling ~ DKK 3 billion over five years

- SUMMARY OF Q3 2018
- MARKETS AND SALES
- SEGMENT INFORMATION
- GROUP FINANCIALS
- OUTLOOK
- INVESTMENT PLAN 2018 - 2022
- **APPENDIX**







### Same aim as in previous investment programs:

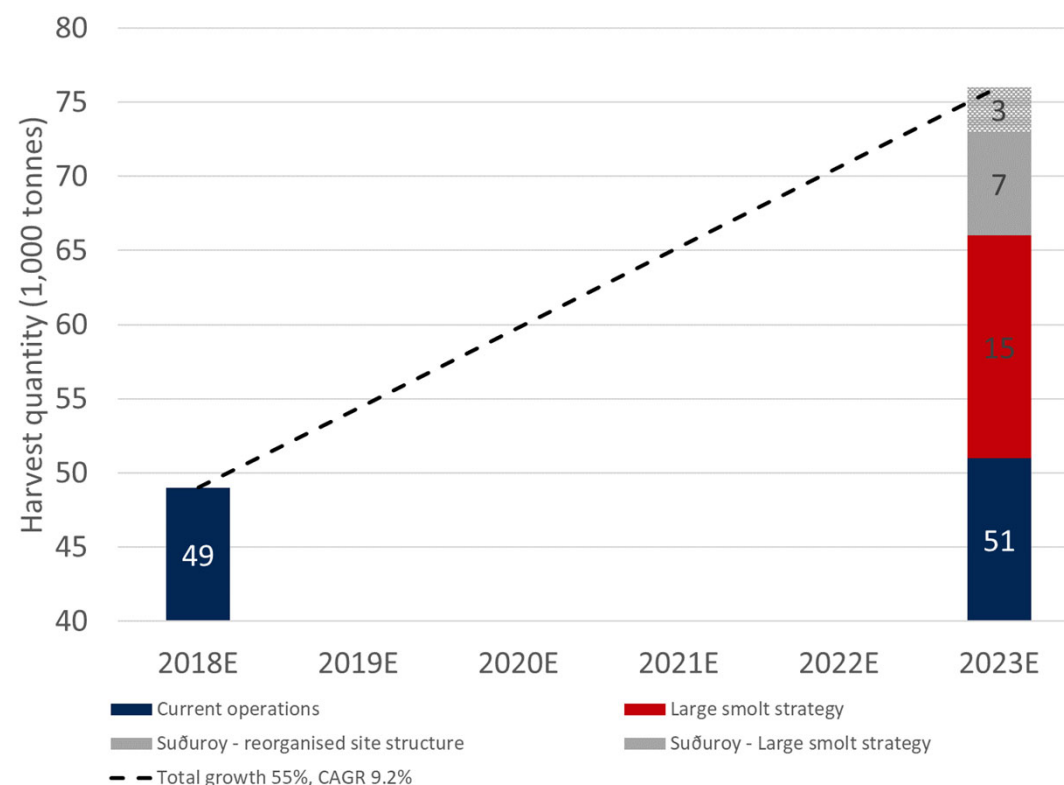
- Biological risk
- Efficiency
- Sustainable growth

**And investments will be made step by step in the relevant parts of the value chain**

## ~55% SUSTAINABLE GROWTH IN HARVEST EXPECTED BY 2023 (CAGR 9.2%)

### Sustainable Growth part of Investment Program

- **New portfolio of sites in Suðuroy**
  - 10,000 tonnes expected by 2023
  - Full infrastructure to be upgraded
- **Roll-out of large smolt strategy**
  - 15,000 tonnes expected by 2022 <sup>(1)</sup>
- **R&D projects**
  - Aimed at identifying growth beyond current horizon

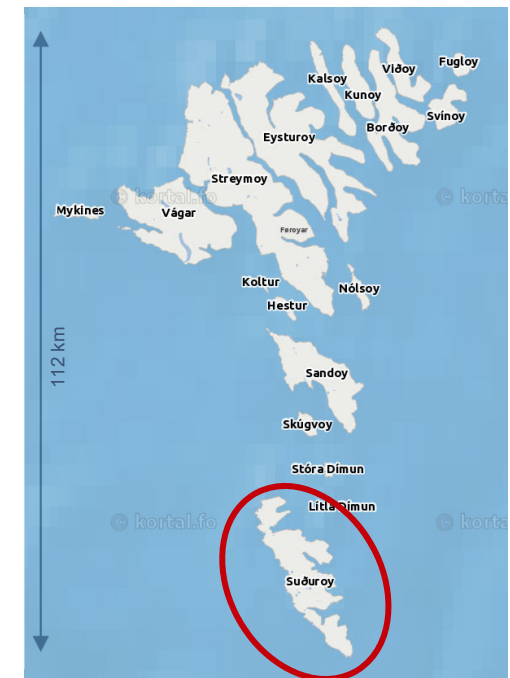
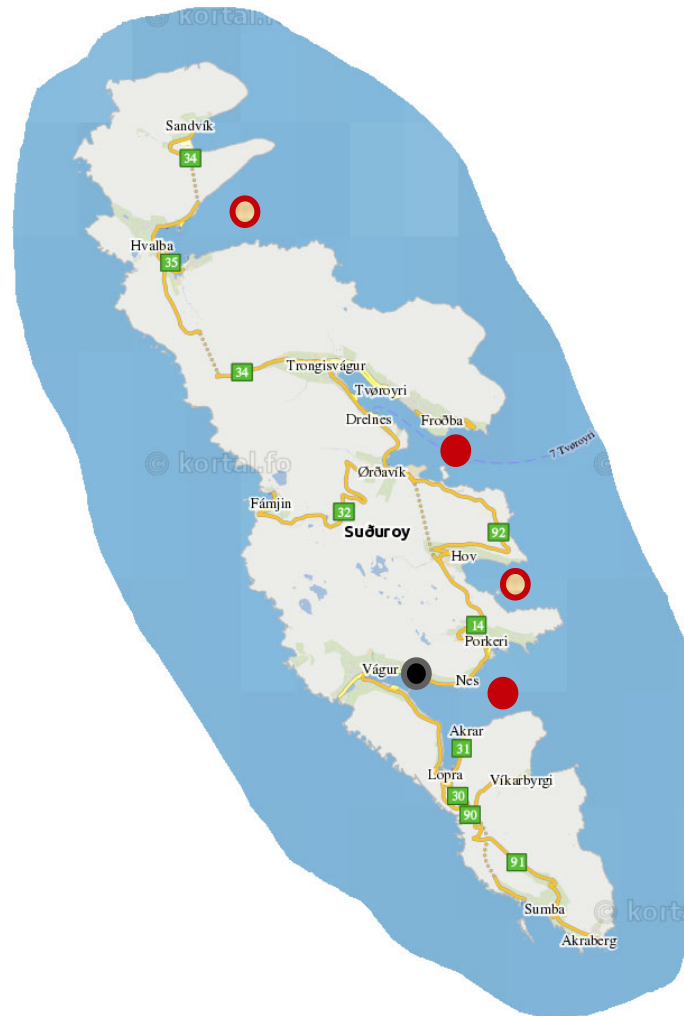


Note: (1) Full harvest effect from large smolt strategy deferred from 2021 to 2022, compared to previous communication, due delay in construction and start up of the Strond smolt plant

## SUÐUROY – SOLE OPERATOR IN REORGANIZED PRODUCTION CLUSTER

- To be operated with separate infrastructure
- Harvest capacity of 15,000 tonnes annually
  - Of which 5,000 tonnes from large smolt
- Separate hatchery for large smolt
- Four farming sites
  - Only operator in area secures biological control
- Separate harvest facility in place

### Suðuroy - Reorganized production cluster



- Existing farming site
- New farming site
- Harvesting facility
- Location of hatchery to be determined

## PREPARING FOR THE FUTURE – UPDATED INVESTMENT PLAN (DKK 3 BILLION)

### Fishmeal, oil and feed (DKK ~ 425 million)

- Increased fish oil capacity to support marine index
- Increased feed capacity and advanced feed line capabilities

### Development of unique Faroese breeding program (DKK ~ 200 million)

- Support product differentiation and adaptability to local biology

### Completion of existing smolt projects and new development (DKK ~ 1,000 million)

- Support growth and reduce biological risk

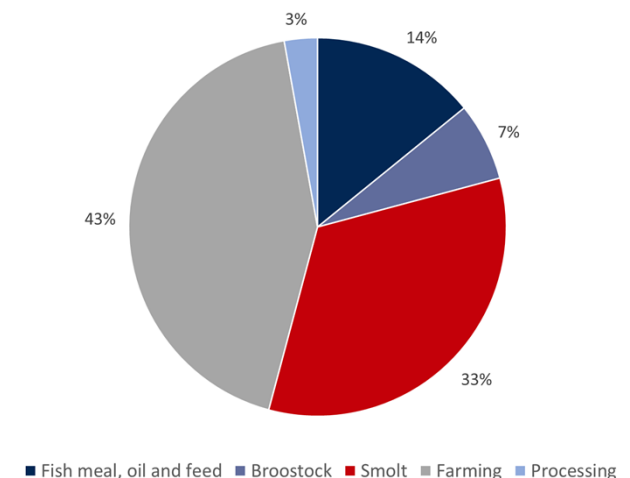
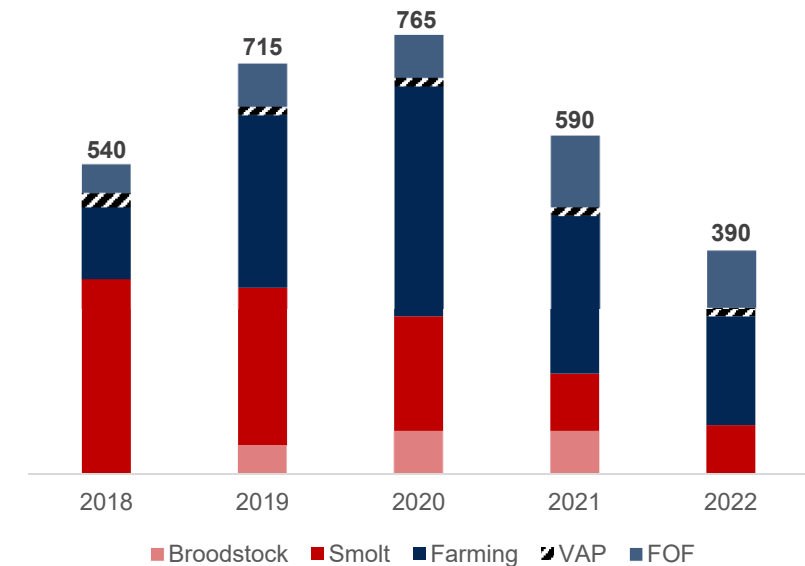
### Farming investments to allow sustainable growth (DKK ~ 1,300 million)

- Farming equipment, fish transportation and biogas plant
- Selected R&D investments to cater for growth beyond current horizon

### Market driven investments within processing (DKK ~ 85 million)

**Note:** Total aggregate spend for 2018 – 2020 increased by DKK 970 million, compared to previous investment plan

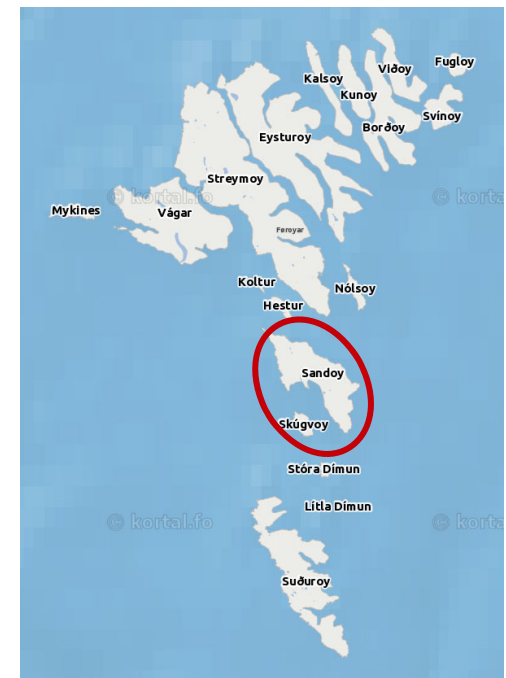
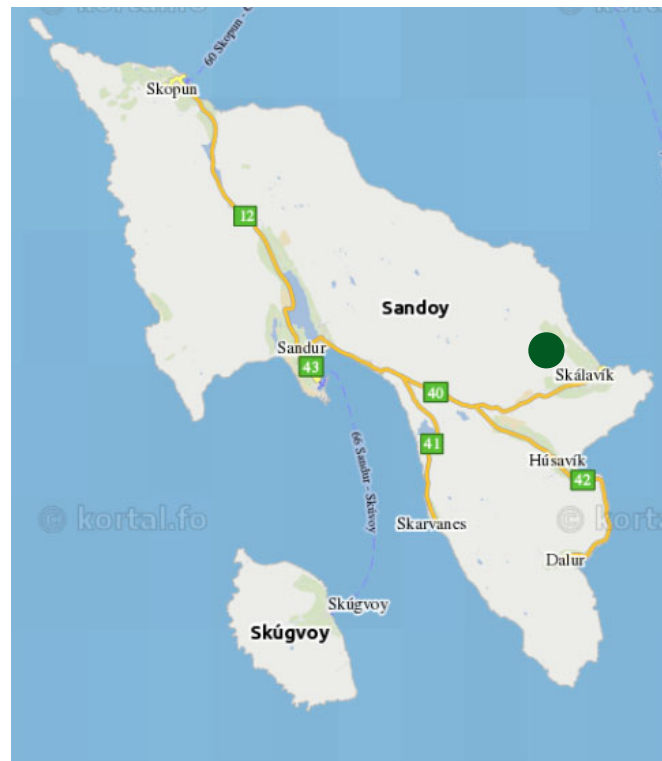
### Investment program 2018 - 2022



## IN-HOUSE BROODSTOCK OPERATION

- Breeding program based on gene pool of local wild salmon strain
  - Adaptability to local biology
  - Product differentiation
  - Support branding strategy
  - Independence of external suppliers
  - Veterinary control
- Location in remote area with no farming operation

### Sandoy east side – remote and good location for broodstock site

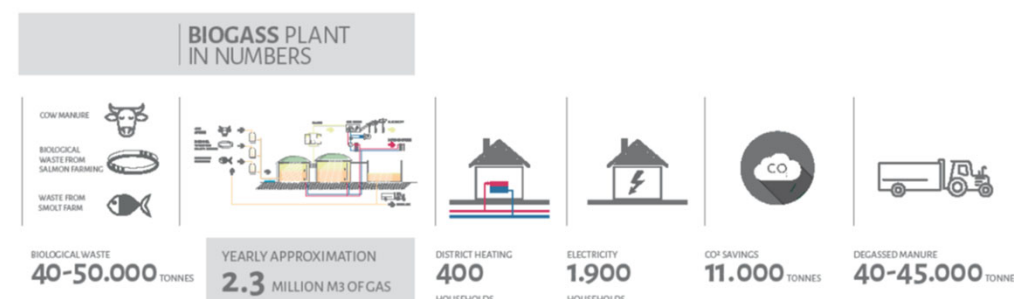
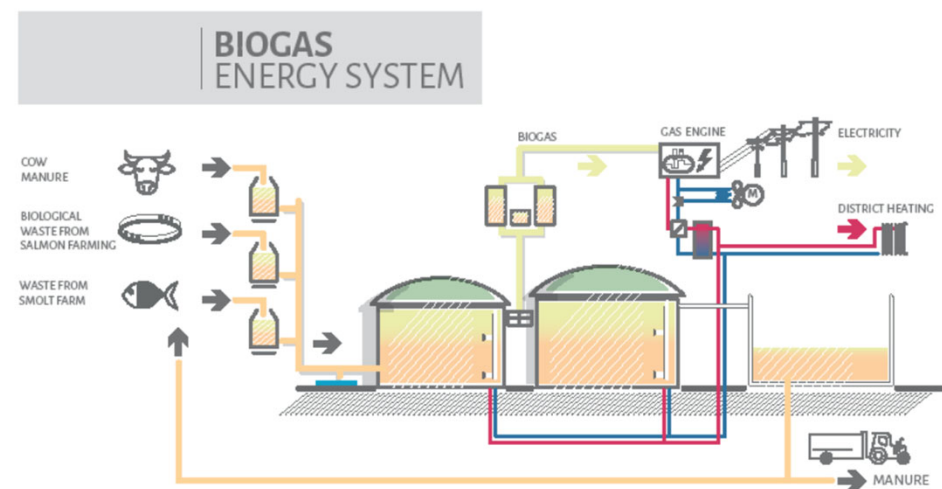


 New broodstock plant

# SUSTAINABILITY UPDATE – BIOGAS PLANT INVESTMENT

## Faroe Islands Biogas Plant Investment (2019-)

- **Sustainability commitment**
  - Part of Bakkafrost's 2020 Healthy Living Plan
- **Waste management**
  - 40-50,000 tonnes from salmon and dairy farms to be processed annually
- **Heat and electricity production**
  - Enough heat for 400 homes and electricity for 1,900 homes
- **Contribution to national renewable target**
  - 100% electricity from renewable sources by 2030
- **Reducing carbon emissions**
  - Projected to save 11,000 tonnes of CO<sub>2</sub> emissions annually
- **Reducing fertilizer imports**
  - 40-45,000 tonnes of liquid fertilizer to be distributed annually





## UPDATED INVESTMENT PROGRAM TO SUPPORT SUSTAINABLE GROWTH

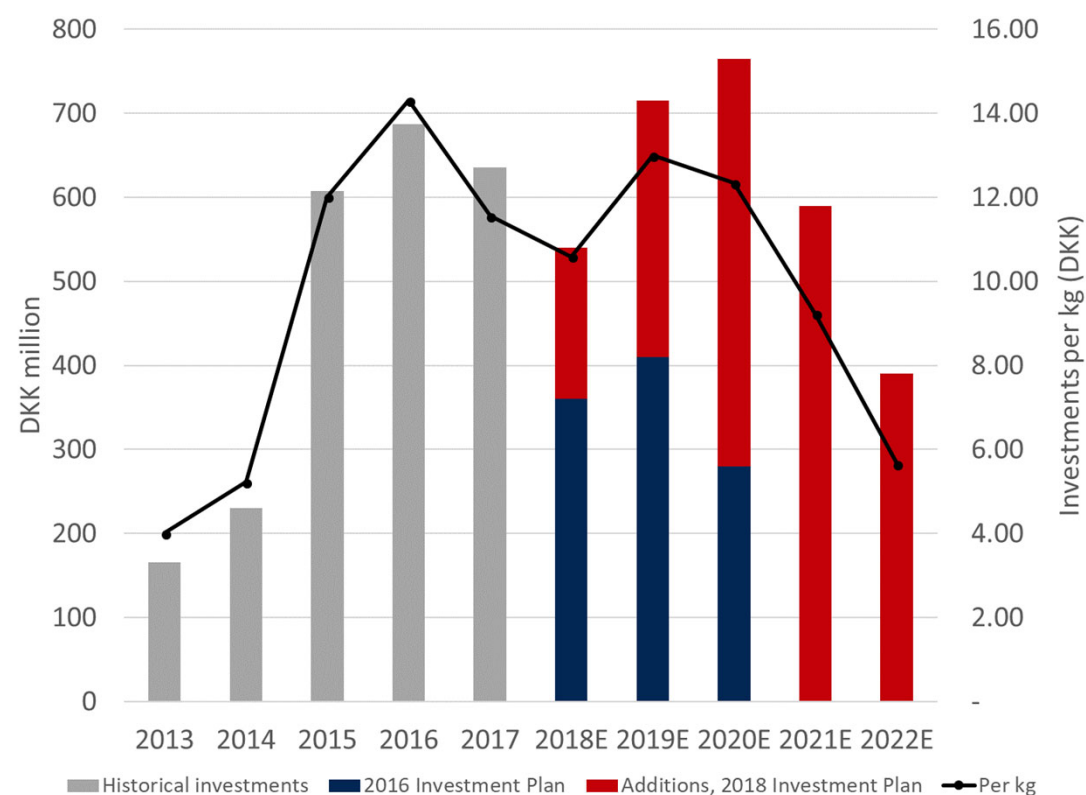
### Total investments of DKK 3 billion (2018-2022)

- Front loaded average investment level of DKK 10/kg
- Incremental investments of DKK 120/kg growth (25k tgw)

### Completes upgrading of entire infrastructure in value chain

- Total investments of DKK 5.3 billion (2013-2022)

**Average cash conversion ratio<sup>1</sup> 2016-2017 > 50%**



Note 1: (Adj. EBITDA – capex – delta WC) / Adj. EBITDA

## DEVELOPMENT IN HARVESTED AND SOLD QUANTITY BY ORIGIN

- 7% supply growth expected in 2018
  - 1% in Europe
  - 13% in Americas
- 4% supply growth expected in 2019
  - 6% in Europe
  - 2% in Americas

Global Supply of Atlantic Salmon (head on gutted - HOG)								
	2012	2013	2014	2015	2016	2017	2018E	2019E
Norway	1,066	1,029	1,076	1,113	1,054	1,087	1,136	1,187
United Kingdom	143	142	154	150	142	159	136	159
Ireland	14	10	11	14	14	15	13	15
Faroe Islands	64	65	74	68	70	72	64	68
<b>Total Europe</b>	<b>1,287</b>	<b>1,246</b>	<b>1,314</b>	<b>1,344</b>	<b>1,279</b>	<b>1,334</b>	<b>1,349</b>	<b>1,430</b>
Chile	318	417	508	529	454	508	587	597
Canada	123	104	85	122	131	125	131	137
USA	18	18	22	18	20	20	17	16
<b>Total Americas</b>	<b>459</b>	<b>539</b>	<b>615</b>	<b>669</b>	<b>606</b>	<b>652</b>	<b>735</b>	<b>750</b>
Other	45	47	54	64	115	51	91	91
<b>Total (Sold Quantity)</b>	<b>1,791</b>	<b>1,832</b>	<b>1,984</b>	<b>2,078</b>	<b>2,000</b>	<b>2,037</b>	<b>2,175</b>	<b>2,271</b>
<b>Supply growth - Global</b>		<b>2%</b>	<b>8%</b>	<b>5%</b>	<b>-4%</b>	<b>2%</b>	<b>7%</b>	<b>4%</b>
Supply growth - Europe		-3%	6%	2%	-5%	4%	1%	6%
Supply growth - Americas		17%	14%	9%	-10%	8%	13%	2%

Comments:

All figures are in hog-equivalents and thousand tonnes.

Figures represents sold quantity of Atlantic Salmon from each producing country

Salmon Markets (head on gutted - HOG)					
	2015	2016	2017	2018E	2019E
EU	974	943	922	956	1,004
USA	380	380	397	436	461
Japan	54	59	58	54	56
Russia	94	70	69	94	97
Others	575	549	592	636	652
<b>Total (Sold Quantity)</b>	<b>2,078</b>	<b>2,000</b>	<b>2,037</b>	<b>2,175</b>	<b>2,270</b>

## Q3 2018 MARKET ENVIRONMENT

- Reduced market prices in third quarter
- Nasdaq Norway price EUR 5.7 in Q3 2018
  - 5% decrease vs. Q3 2017
  - 20% decrease vs. Q2 2018
- 1% increase in Urner Barry East Coast price
  - 2.2% decrease in DKK

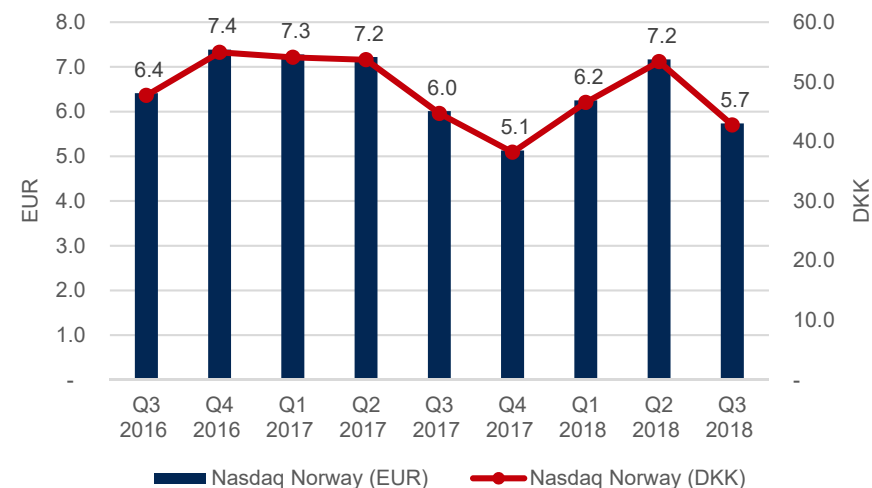
MARKET CURRENCY	Q3 2018	Q3 2017	Change %
Nasdaq Norway (EUR)	5.73	6.01	-4.6 %
UB North East US 14-16lb HOG (USD per kg)	8.30	8.22	0.9 %

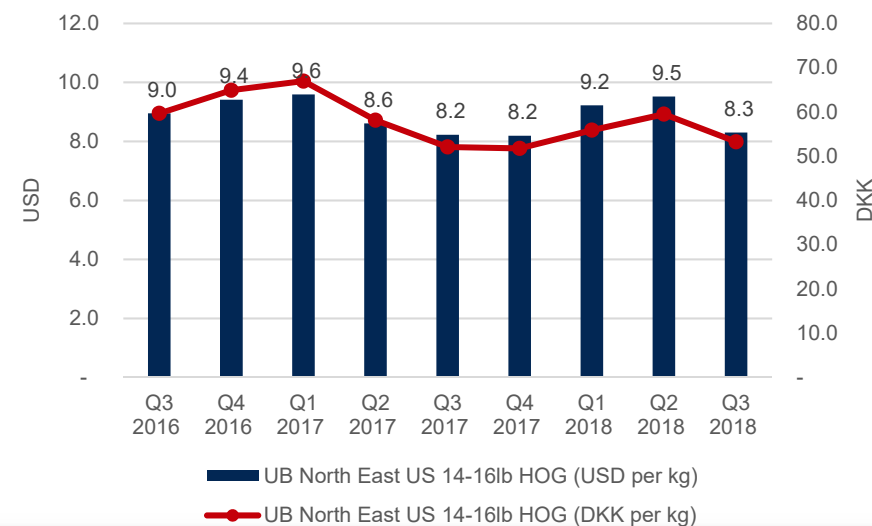
DKK	Q3 2018	Q3 2017	Change %
Nasdaq Norway	42.74	44.69	-4.4 %
UB North East US 14-16lb HOG (per kg)	53.24	52.08	2.2 %

Source: Kontali

### PRICE NORWAY



### PRICE US – NORTH EAST



# SUPERIOR BIOLOGY COMBINED WITH STATE OF THE ART INFRASTRUCTURE

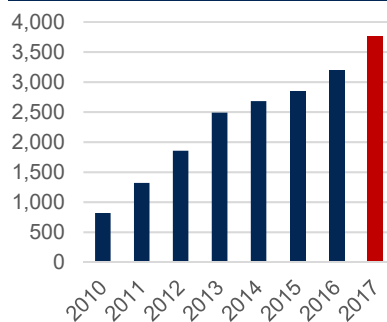
	FISHMEAL, OIL AND FEED	BROODSTOCK	SMOLT	SEA WATER	PROCESSING	SALES/MARKETING
<b>CURRENT CAPACITY</b>	Equivalent to 100k (tgw) annual harvest @ marine index of 44%	None	12 million @ 200 grams	21 farming sites/17 fjords 55k (tgw) @100g smolt/ 65k (tgw) @500g smolt 4 well boats 2 service vessels	130k primary (tgw) 40k secondary (tgw) 80k packaging material (tgw)	Central sales Faroes UK sales office US sales office Branding
<b>ONGOING/ PLANNED INVESTMENTS</b>	Additional 65k (tgw) annual harvest @ marine index of 44%	Own breeding programme Full self sufficiency	19 million @ 500 grams	Upgraded infrastructure Fish transportation R&D	Selected upgrading, efficiency and functionality	Marketing/sales initiatives Market penetration
<b>PURPOSE</b>	Sustainable Growth Flexibility  Efficiency/streamlining Innovation Environmental improvement Food safety	Adaptability to local biology Product differentiation Support branding strategy (immaterial property) Independence of external suppliers Veterinary control	Sustainable growth Reduced exposure in sea	>76k (tgw) @ 500g smolt	Product quality Product presentation  Product differentiation Fresh premium product capability	Premium price achievement Reduced spot price sensitivity  Maintain low exposure to single markets

- Entire infrastructure wholly owned and on balance sheet

## DEVELOPMENT PER QUARTER Q1 2015 – Q2 2018

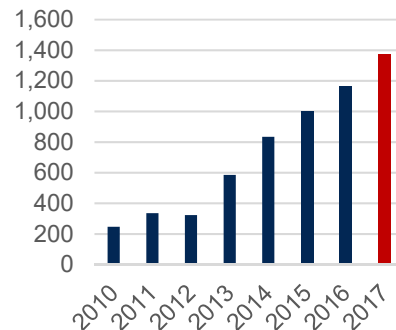
(mDKK)	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016	Q3 2016	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Revenue	622	954	851	906	804	1,206	854	868	640	790	905	760	677	800	613
Operational EBIT	168	408	268	331	252	459	335	350	255	307	254	257	206	303	235
Profit/Loss	356	339	272	-22	56	398	79	555	347	224	213	319	168	191	132
Harvest (tgv)	7,217	12,902	12,237	11,470	11,585	18,402	13,158	12,940	10,664	13,004	10,934	13,675	12,982	14,182	9,726
Op. EBIT Farming & VAP (NOK/kg)	25.34	37.41	22.92	29.88	23.02	29.77	29.40	32.00	28.97	27.88	27.55	21.83	18.10	22.62	26.12
Equity ratio	70%	68%	69%	70%	68%	64%	65%	66%	63%	61%	66%	66%	63%	61%	61%
NIBD	286	443	102	258	356	560	459	635	504	603	218	391	182	302	227

Revenue (mDKK)



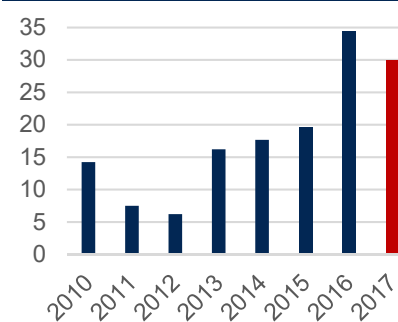
Revenue for the Bakkafrost Group has increased from 820 mDKK in 2010 to 3.8 bDKK in 2017.

Operational EBIT (mDKK)



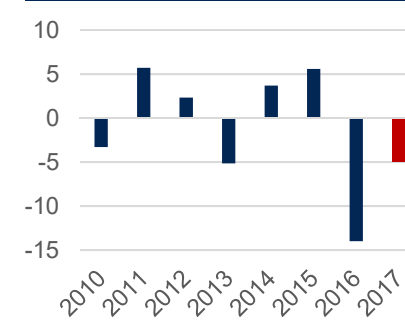
Operational EBIT for the Bakkafrost Group has increased from 247 mDKK in 2010 to 1.4 bDKK in 2017.

Farming margin Op. EBIT (NOK/kg)



The margin in Farming was NOK 30.02 per kg in 2017.

VAP margin Op. EBIT (NOK/kg)



The margin in VAP was NOK -4.96 per kg in 2017.

## Dividend

- Dividend for 2017 of DKK 10.50 (NOK 13.52) per share was paid in Q2 2018

## Dividend policy

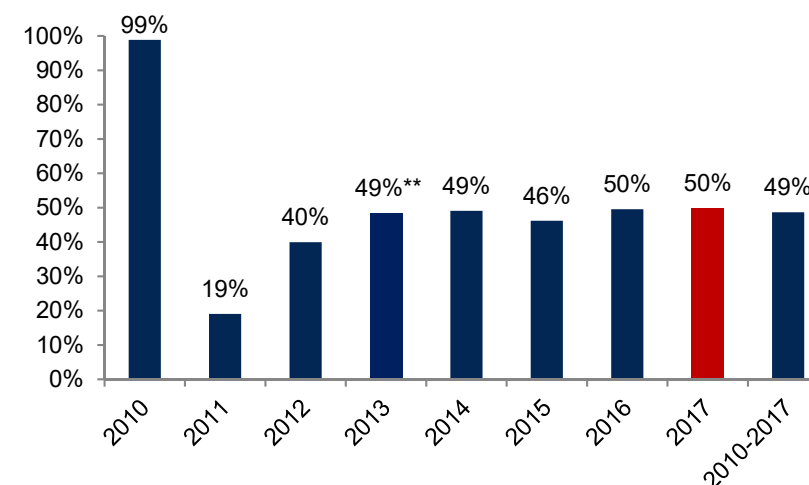
- Competitive return through:
  - Dividends
  - Increase in the value of the equity
- Generally, Bakkafrøst shall pay dividend to its shareholders
- A long-term goal is that 30–50% of EPS shall be paid out as dividend

\* Adj. EPS is EPS adjusted for fair value adjustments of biomass and onerous contracts provisions

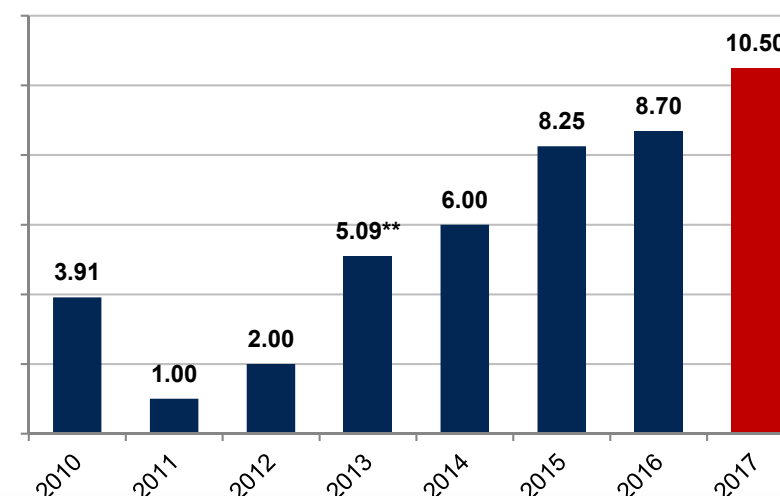
\*\* Dividend and acquisition of treasury shares

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

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



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





# Bakkafrost at a Glance



## BAKKAFROST

Salmon, packaging, fishmeal, oil and feed producer

**Location:** Faroe Islands

**Headquarters:** Glyvvar, Eysturoy

**Listed on:** Oslo Børs

**Brands:** Bakkafrost and Havsbrún

1,104 employees (960 full time equivalent)

Business to business

Longest integrated supply chain in the industry



## FISHMEAL

450 tonnes of fishmeal daily capacity



## FISH OIL

300 tonnes of fish oil daily capacity



## FISH FEED

700 tonnes of fish feed daily capacity



## HATCHERIES

14 million smolts annual capacity



## FARMING

21 farming sites operating across 17 fjords

18% salmon sales to USA



## FSV (FARMING SERVICE VESSELS)

4 live fish carriers and two service vessels



## HARVESTING

54.6 thousand tonnes of salmon harvested in 2017



## PROCESSING

130,000 tonnes in primary and 40,000 tonnes in secondary annual processing capacity



## PACKAGING

70,000 tonnes annual salmon packaging capacity



## SALES

3.8 DKK billion operating revenues for salmon, fishmeal, oil and feed



HAVSBRÚN



BAKKAFROST HEADQUARTERS

44% salmon sales to EU

21% salmon sales to Eastern Europe

17% salmon sales to Asia

Map excludes farming sites not in operation in 2017

- 18 islands – 1,387 km<sup>2</sup>
- 51,060 inhabitants (Sept 2018)
- Home rule – within the Kingdom of Denmark
- Part of the Danish monetary union, Danish krone (DKK)

## Key sectors (% of wage earners, 2017)

- Service/public admin.: ~36%
  - Private service: ~33%
  - Construction: ~16%
  - Fish & aquaculture: ~15%
  - Unemployment rate (Aug 2018): 1.5%
  - Total working force (July 2018): 27,977
- 
- **GDP:** DKK ~19.2bn (2018e)
  - **GDP/capita:** DKK 380,000 (2018e) (Norway: DKK 463,000) (2017)

## Total export of fish products (2017)

- DKK 8,412 million 10% increase from 2016
- whereof farmed fish accounts for 46%

## TAXES

- **Total percent of GDP:** 41.8% (2016)
- **Corporate tax:** 18%
- **Farming revenue tax :** 4.5% of revenues since 1 January 2016  
more details see page 44 in Bakkafrost CMD presentation from June 2016
- **Restriction on single foreign ownership of 20% in farming companies**
- **One company may max. control 50% of licences in the Faroe Islands**



Source: Hagstova Føroya

# LARGEST SHAREHOLDERS

## 20 largest shareholders

No of shares	%	Name	Type	Nationality
Beholdning	Andel	Navn	Konto type	Statsborger
4 594 437	9,40	JACOBSEN ODDVØR MARITA Glyvravegur 30		FRO
4 491 217	9,19	JACOBSEN JOHAN REGIN		FRO
3 721 841	7,62	FOLKETRYGDFONDET JPMBL SA OSLO LEND		NOR
2 516 389	5,15	Nordea Bank Abp Nordea DK/ Clients	NOM	DNK
1 337 294	2,74	State Street Bank an A/C CLIENT OMNIBUS F	NOM	USA
1 005 579	2,06	State Street Bank an S/A SSB CLIENT OMNI	NOM	USA
933 028	1,91	The Bank of New York c/o BNYMSANV RE BNYM	NOM	GBR
896 454	1,83	SWEDBANK ROBUR SMABO NORDEN		SWE
822 017	1,68	JPMorgan Chase Bank, S/A NON-TREATY LENDI	NOM	GBR
797 796	1,63	CLEARSTREAM BANKING	NOM	LUX
701 876	1,44	NN PARAPLUFONDS 1 N. BNY MELLON SA/NV		NLD
640 000	1,31	HANDELSBANKEN NORDEN BO 112033 LD		SWE
597 220	1,22	State Street Bank an OY59-EXEMPT LUX REGI	NOM	USA
595 197	1,22	JPMorgan Chase Bank, A/C VANGUARD BBH LEN	NOM	USA
554 260	1,13	NN (L) Global Sustai BROWN BROTHERS HARRI		LUX
528 164	1,08	RBC Investor Service	NOM	CAN
480 413	0,98	INVECO FUNDS BNY MELLON SA/NV		LUX
437 773	0,90	STOREBRAND NORGE I V JPMORGAN EUROPE LTD,		NOR
410 241	0,84	State Street Bank an A/C WEST NON-TREATY	NOM	USA
406 324	0,83	KLP AKSJENORGE INDEK		NOR
<b>26.467.520</b>	<b>54,16</b>			

## Share development

### 12 months development



### 5 years development



Subscribe Oslo Stock Exchange Releases from BAKKA by e-mail on:  
[http://www.bakkafrost.com/en/bakkafrost\\_investor/](http://www.bakkafrost.com/en/bakkafrost_investor/)



**BAKKAFROST**

ESTABLISHED 1968