



SUPERIOR
QUALITY
SALMON



Bakkafrost presentation
A world-class company in the salmon industry

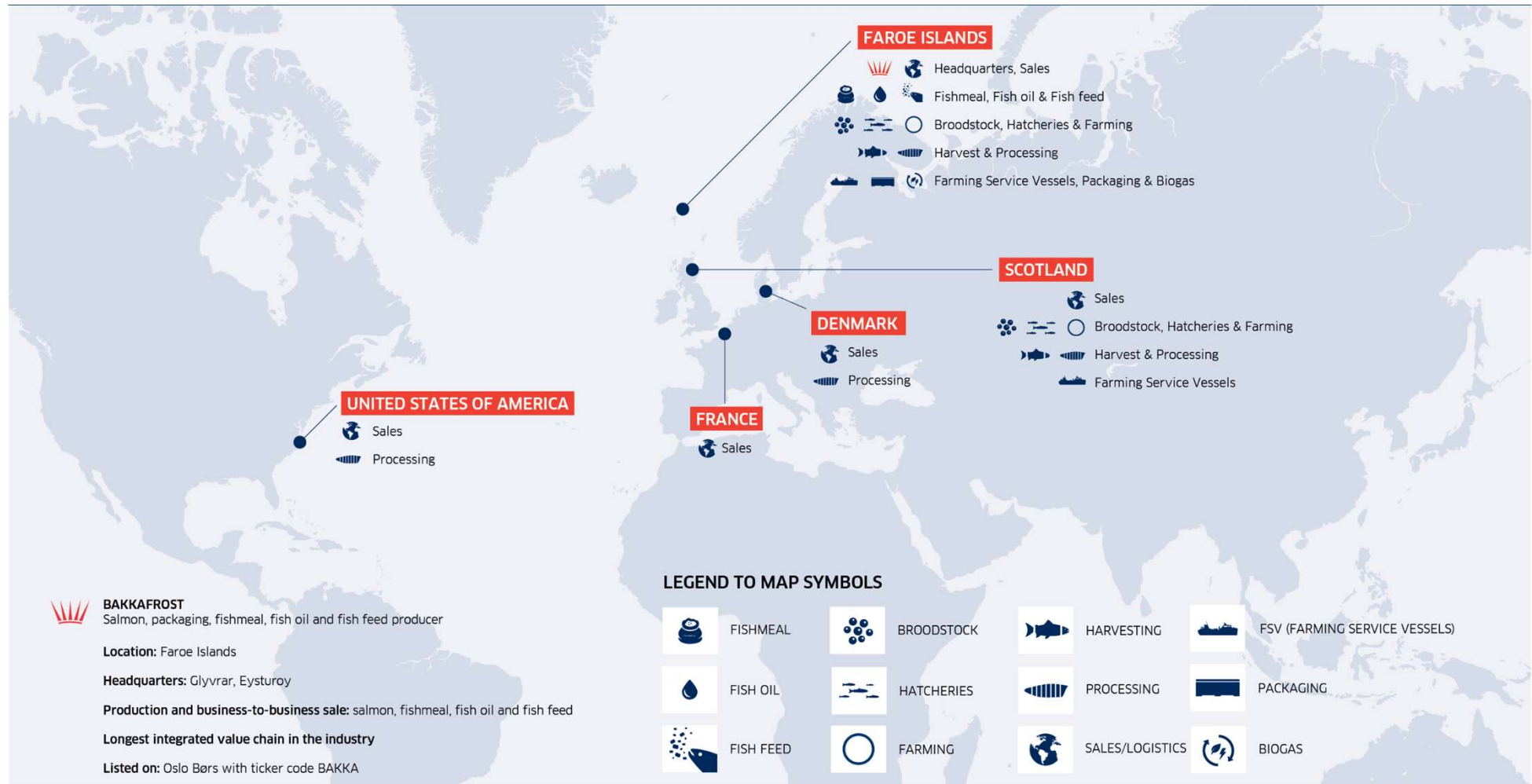
Capital Markets Day – Part 1

Scotland 6 June 2023

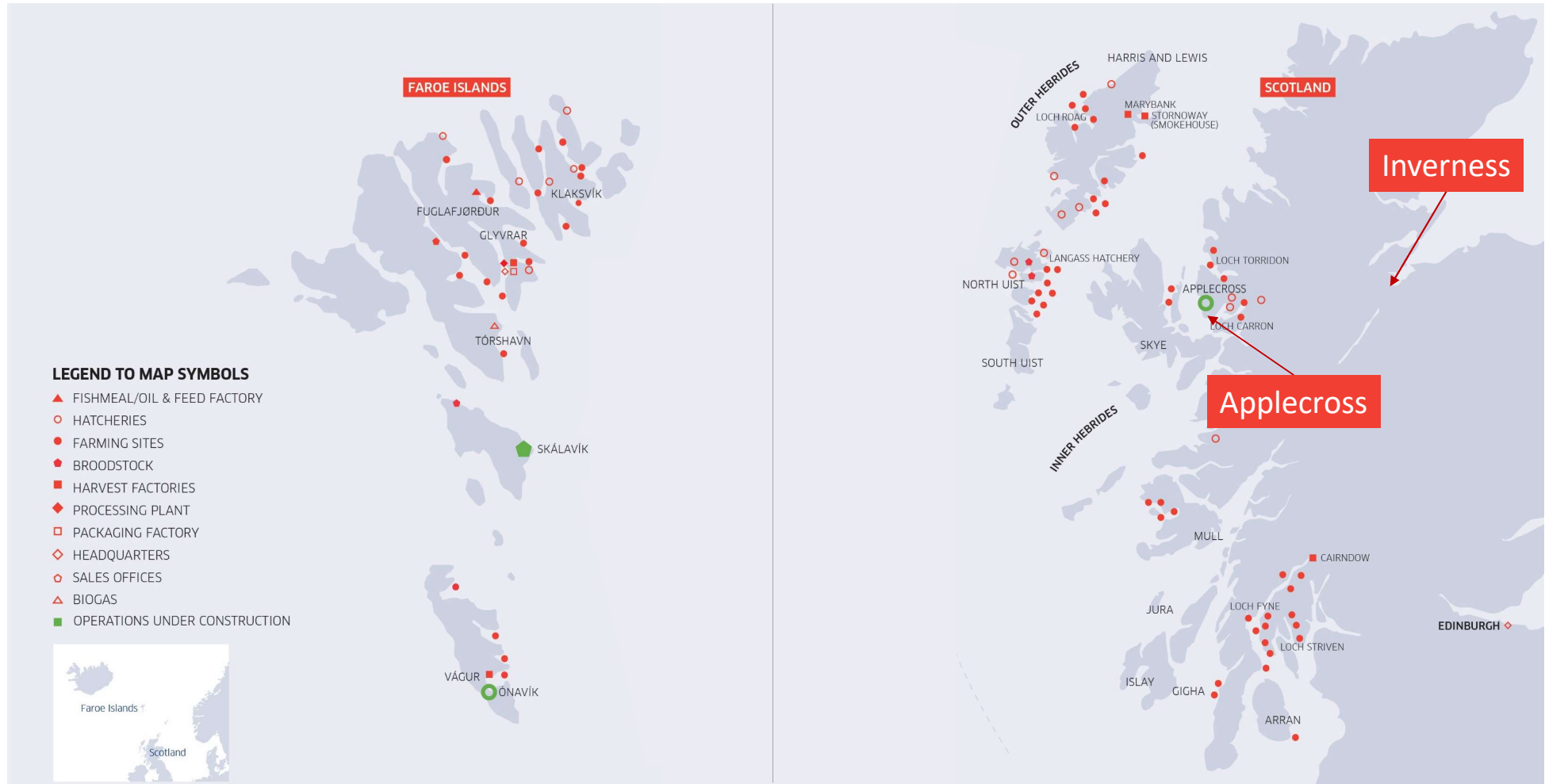
Bakkafrost - Faroe Islands

Høgni Dahl Jakobsen
CFO










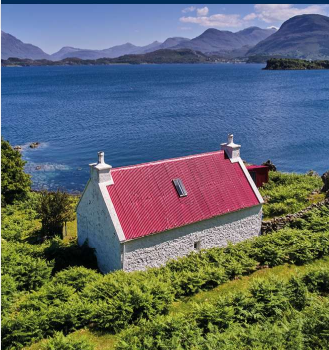
BAKKAFROST – OVERVIEW



BAKKAFROST – FARMING SITE OVERVIEW



OUR PILLARS AND VALUES

 <h3>HEALTHY BUSINESS</h3> <p>Responsible growth</p> <ul style="list-style-type: none"> Sustainable growth Ethical conduct Partnership 	 <h3>HEALTHY SALMON</h3> <p>Exceeding leading standards</p> <ul style="list-style-type: none"> Integrated value chain Health & welfare Best practice 	 <h3>HEALTHY PEOPLE</h3> <p>Preferred employer</p> <ul style="list-style-type: none"> Employees Health, safety & wellbeing Human rights 	 <h3>HEALTHY ENVIRONMENT</h3> <p>Committed to environmental stewardship</p> <ul style="list-style-type: none"> Biodiversity Resource efficient Climate change & energy 	 <h3>HEALTHY COMMUNITIES</h3> <p>Create shared value</p> <ul style="list-style-type: none"> Responsible leadership Community engagement & transparency Creating value 
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PROVENANCE
Committed to provenance

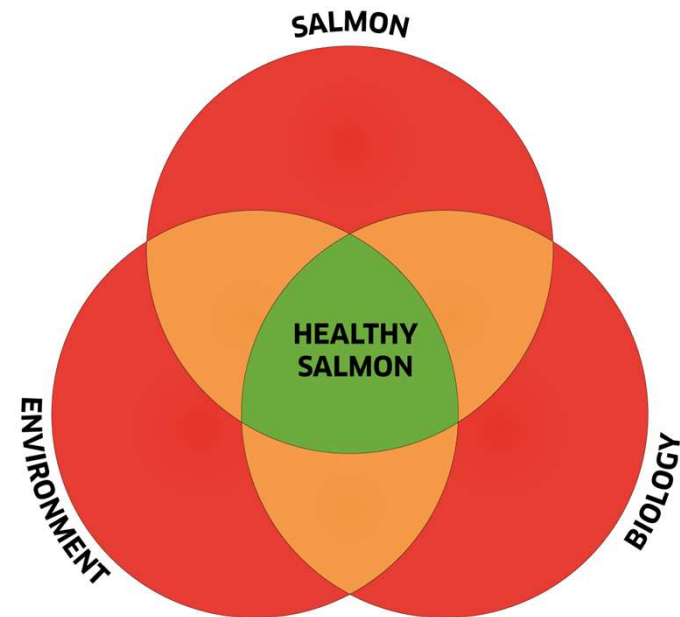
PASSION
Passion of our people

RESPECT
Respect for our natural environment
and our communities

FARMING SALMON IS A VULNERABLE PROCESS

Good health is maintained when:

- The salmon is robust
- Environment is optimal and threats mitigated
- Biological threats are well controlled



SALMON HEALTH HINGES ON UNBROKEN CHAIN OF RESOURCES IN THE VALUE CHAIN

Farming process highly exposed to external variables

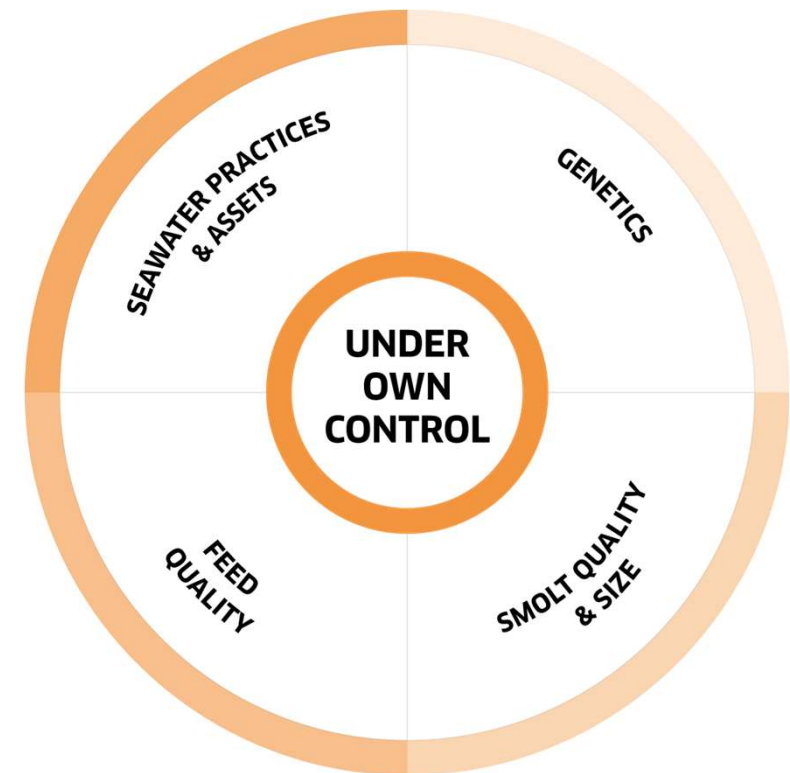
Unbroken chain of resources required to control process

Glitch in resources can cause material adverse effects, e.g.

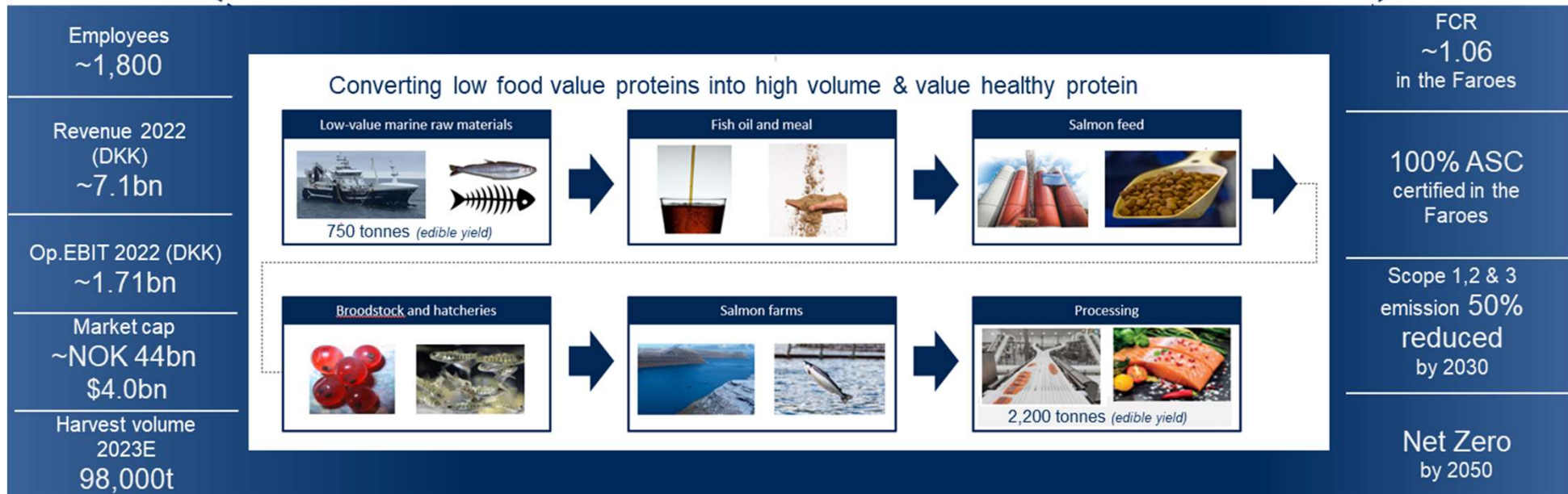
- Poor egg and smolt quality
- Insufficient quality of assets and technology
- Absence of analysis and due action
- Vessels capacity for urgent treatment and transportation
- Lack of processing capacity to handle emergency harvest

Challenges normally pile up during autumn months

- Requirement for abundant resources most of the year
- Reliance on third party represent risk and complexity



STATE-OF-THE ART AND FULLY INTEGRATED VALUE CHAIN STRONG CONTROL IN THE FAROE ISLANDS



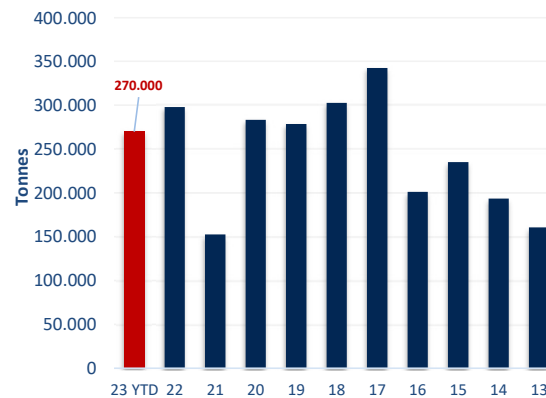
VALUE CHAIN INSIGHT – FISHMEAL, -OIL & FEED



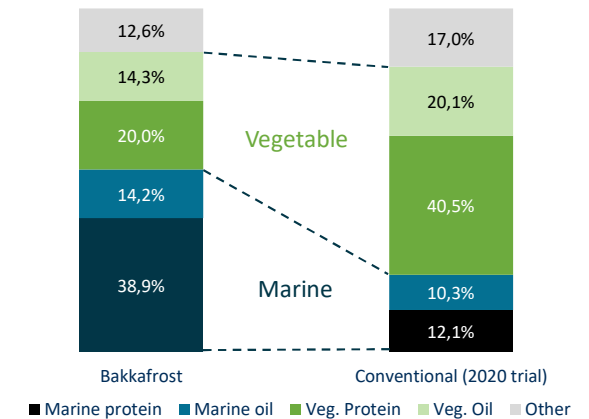
Strategically well positioned near fishery



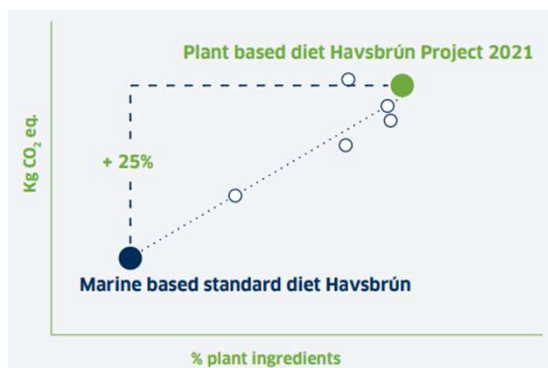
Good sourcing of marine raw material



Bakkafrost feed vs. conventional feed

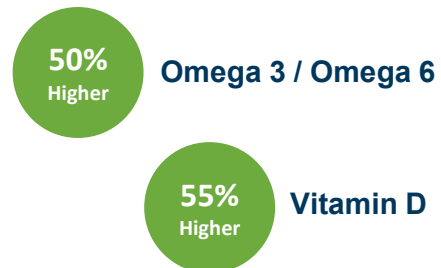


High marine content = Low Carbon Footprint



**Tasty, Healthy &
Sustainable Salmon**

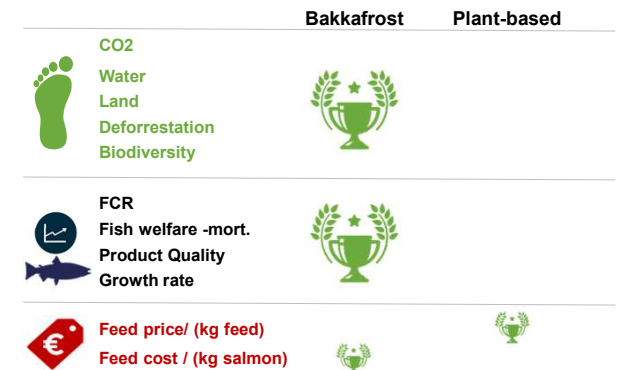
Positive nutritional effect from high-marine feed



..than Norwegian average (consumer portions 2021)*

Source: Sjømatdatabasen, Bakkafrost

Bakkafrost feed performance vs. plant-based



VALUE CHAIN INSIGHT - BROODSTOCK OWNERSHIP OF UNIQUE SALMON STRAINS



**Bakkafrost owns the
Intellectual Rights of two
origin-based salmon strains**



*Broodstock programme
Historical data since 1978*



*Broodstock programme initially based
on wild salmon in outer Hebrides*

*400-500 families of fish
in land-based biosecure facility*

2018 – 2022 achievement

Identification of genetic variations (SNP's) associated with:

- ✓ IPN (Infectious pancreatic necrosis)
- ✓ PD (Pancreas Disease)
- ✓ PMCV (Piscine myocarditis virus)
- ✓ HSMI (Heart and Skeletal Muscle Inflammation)
- ✓ Early maturation
- ✓ Pigment

Current priorities:

Identification of genetic variations (SNP's) associated with:

- ☐ Sea lice resistance
(detect QTL's associated with sea lice count)
- ☐ Develop a pedigree using available genomic data
- ☐ Weight vs. genetic variation, correlation and prediction

VALUE CHAIN INSIGHT – HATCHERIES FOR SMOLT

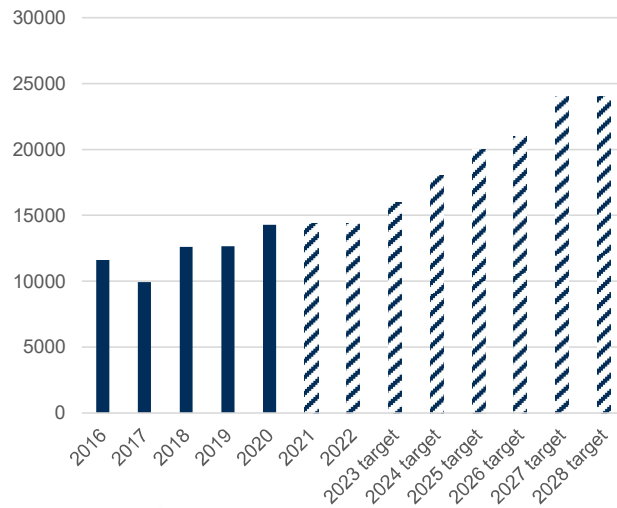
LARGE HIGH-QUALITY SMOLT ARE THE KEY TO GROWTH AND IMPROVEMENT



Current capacity

18 million smolt of 500g

Number of released smolt (1,000)



Tasty, Healthy & Sustainable Salmon

Average smolt weight

✓ Glyvradal expansion



✓ Norðtoftir expansion



✓ Viðareiði expansion



New hatchery



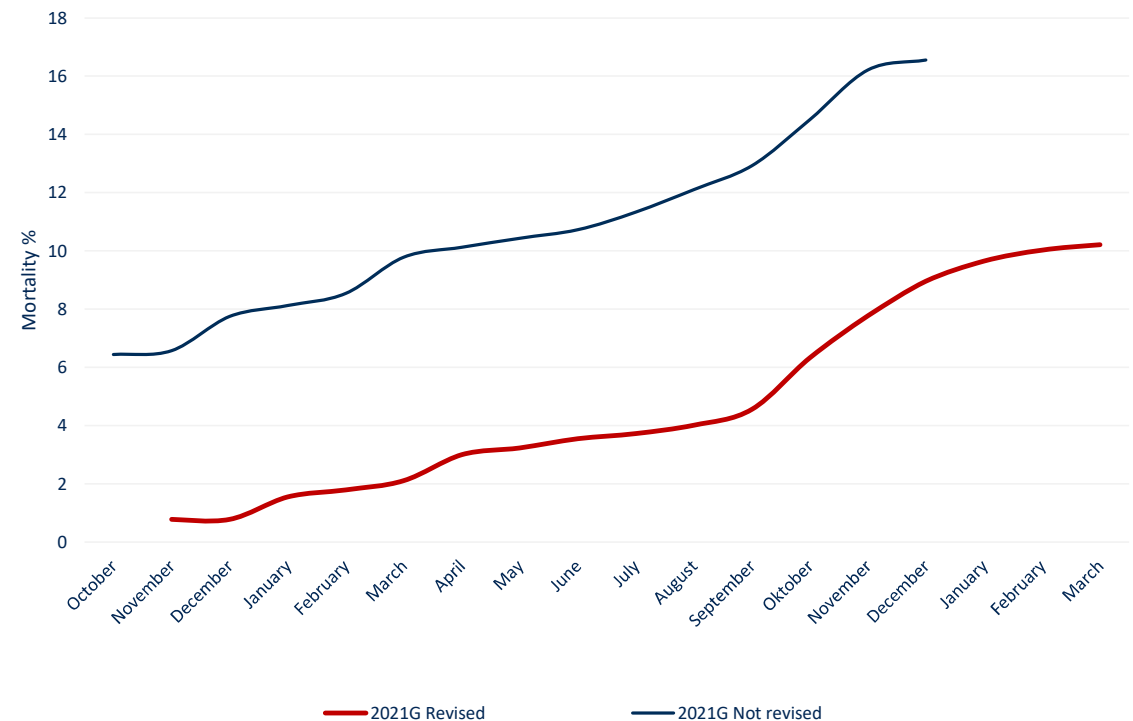
✓ Strond



54% lower mortality with revised production regime

- Production of large smolt is complicated
- First generations in the Faroes did not perform as intended
- Production regime for large smolt has been **revised and fine tuned** on a number of parameters
- **54% lower mortality** in the seawater phase after revision of large-smolt production regime (2021G vs. 2020G)

Effect of revised smolt production regime on accumulated mortality (2021G)



VALUE CHAIN INSIGHT – HATCHERIES FOR SMOLT

IMPROVED GROWTH RATE IN H2 AFTER REVISING SMOLT PRODUCTION REGIME



During the autumn, previous smolt generations had low growth rate, higher mortality and more maturation issues

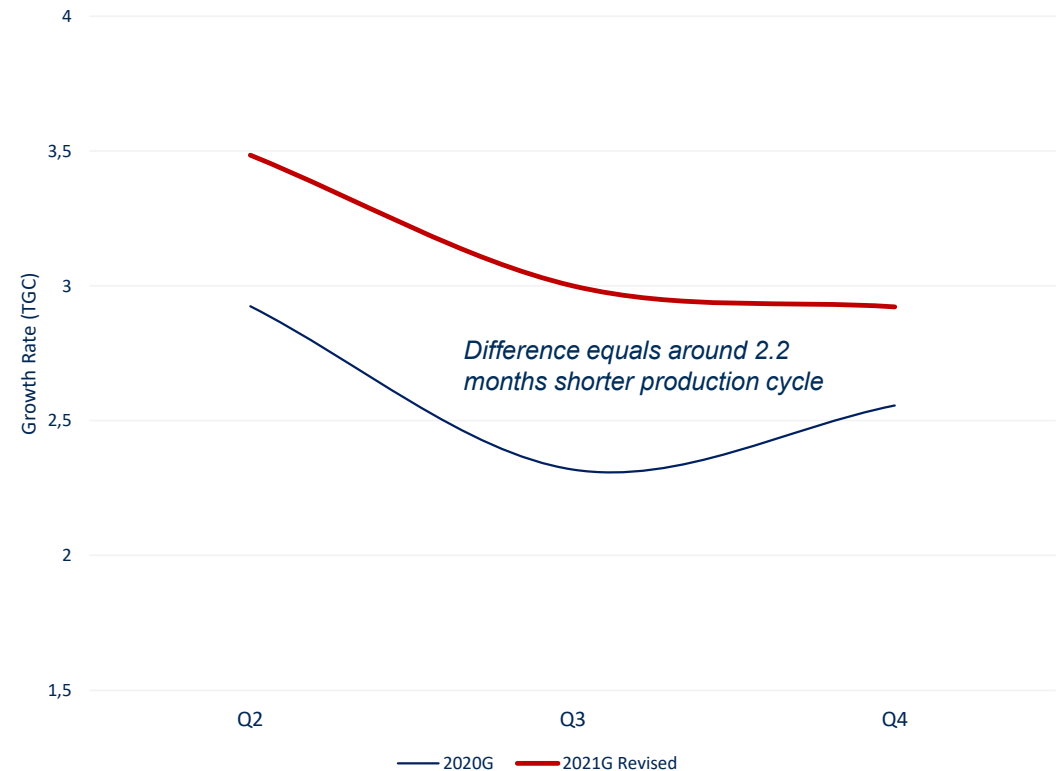
25.8% increased growth

reduced maturation

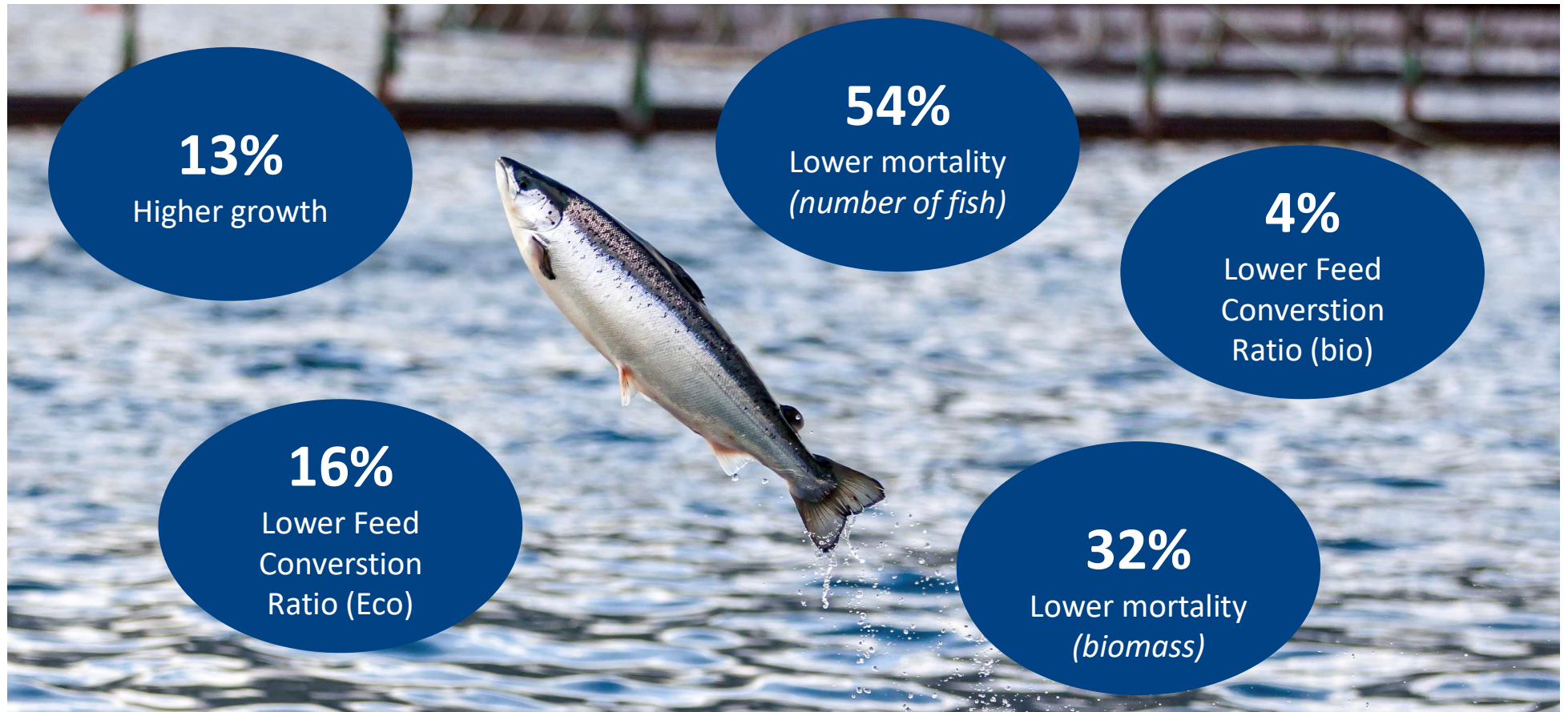
lower mortality

in H2 with revised production regime

Growth rate (TGC) Q2-Q4
2020G vs 2021G Revised production regime



VALUE CHAIN INSIGHT – HATCHERIES FOR SMOLT IMPROVEMENTS OF LARGE-SMOLT QUALITY (2020G VS. 2021G)



VALUE CHAIN INSIGHT - FARMING

CONTINUOUSLY IMPROVING GROWTH AND REDUCING THE FEED CONVERSION RATIO



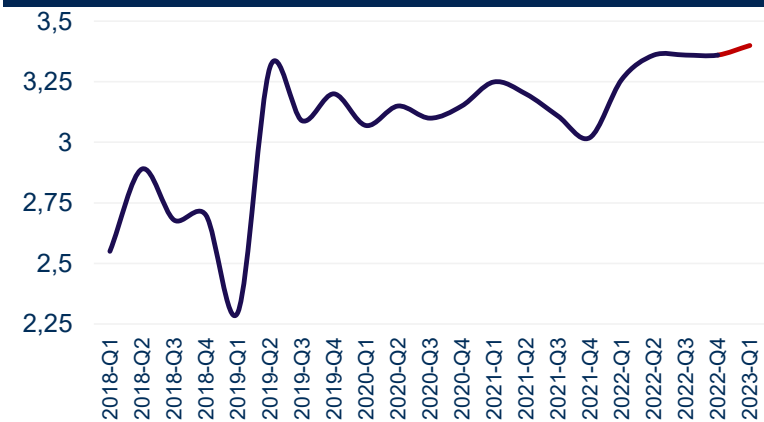
Good growth rate ✓

- Very strong development in growth
- Indication of good fish welfare and strong biology

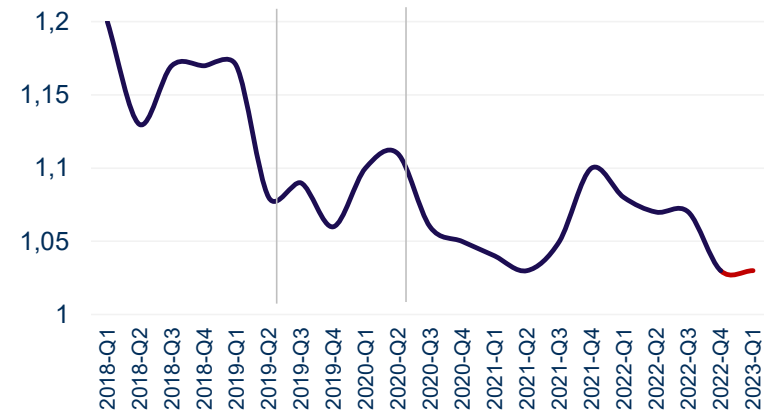
Low Feed Conversation Ratio FCR ✓

- Strong development continues
- All time low – 1.03 Q4/22 continues into Jan 2023 for harvested fish

Growth 2018 – 2023 (TGC)



Feed Conversation Rate 2018 – 2023 (bFCR)



VALUE CHAIN INSIGHT – FARMING

INCREASING SURVIVABILITY AND REDUCING SEA LICE



High survival rate* ✓

- Survival rate **~95%** in 2022 improved from **91.76%** in 2021
- Our goal is above 95% survival to harvest

* GSI calculation method 12m rolling

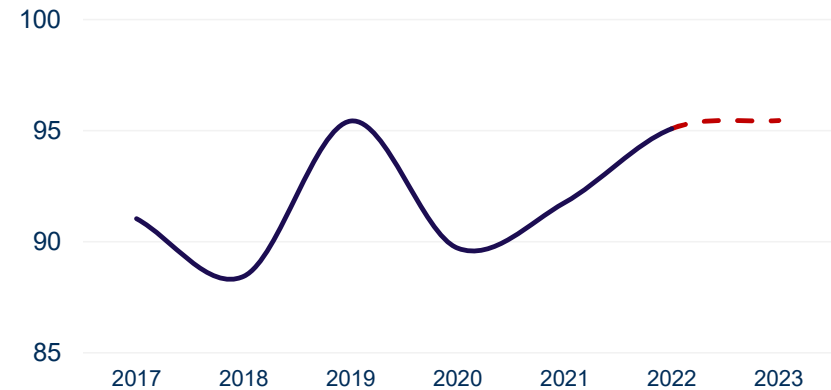
Sea lice numbers **all time low** ✓

- Dropped to 0.28 in 2022 from 0.45 in 2021
- The new FSV Bakkafoossur brings dual treatment systems (freshwater and sealice removal) adding more sustainable solutions to our toolbox

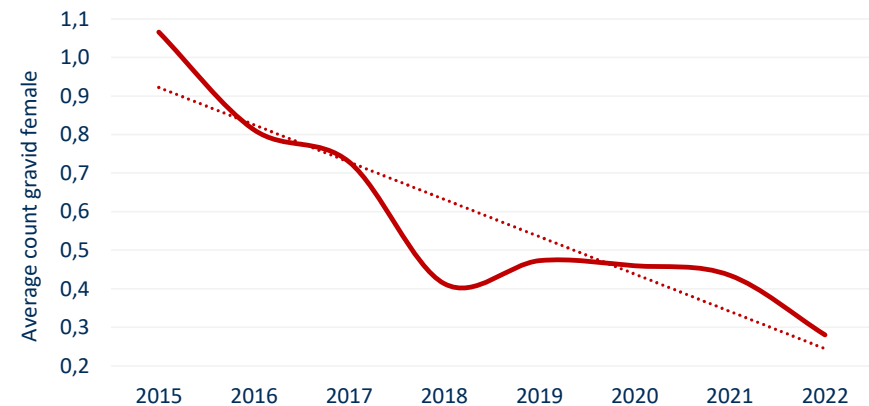


Tasty. Healthy & Sustainable Salmon

Bakkafrost Faroes – Survivability 2018 - 2023



Average count of sealice Adult Female 2015 - 2022



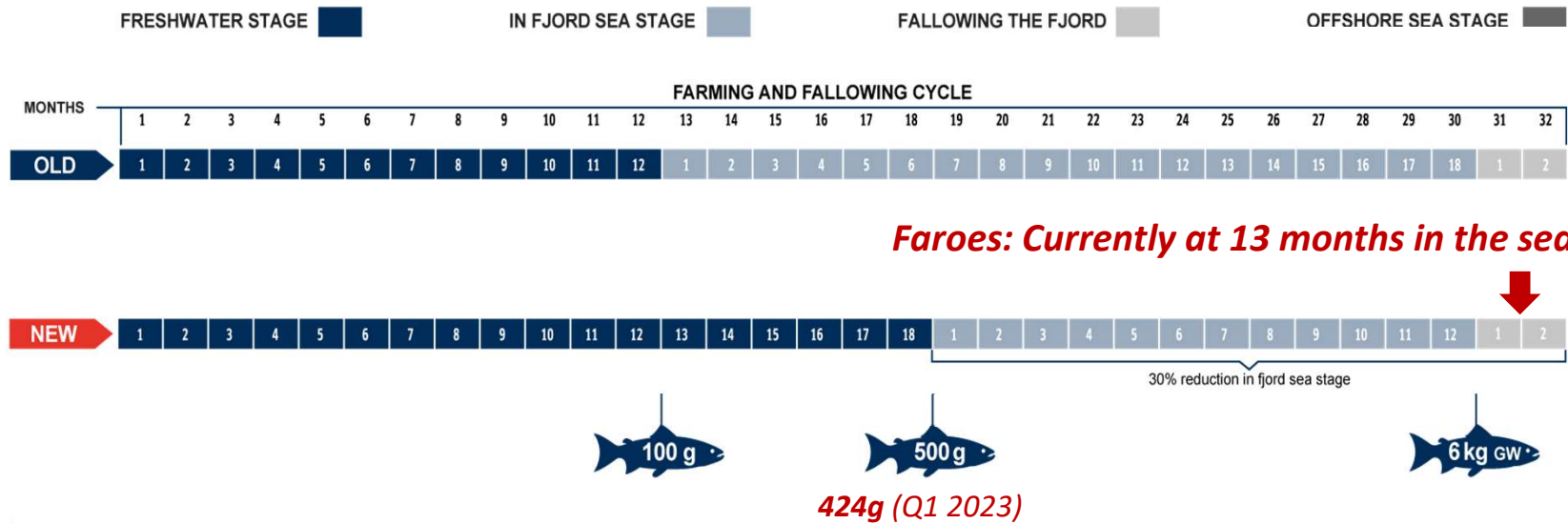
VALUE CHAIN INSIGHT

FARMING CYCLES GETTING SHORTER WITH LARGE HIGH-QUALITY SMOLT



Large Smolt Strategy

- Reduced biological risk
- Increased production efficiency
- Enables Sustainable Growth



Good capacity with treatment vessels, wellboats and now also with unique dual-treatment systems:

- Combined treatment for gill-related issues and sea lice removal
- Gentle treatment
- Bakkafossur is able to do pre-treatment sorting of fish
- Very low mortality
- High clearance of sea lice (close to 100%)

Vessels

M/S Bakkafossur



- Combined live fish carrier and utility vessel
- 7,000 m³ capacity for freshwater treatments for improved gill health and option for enclosed treatments with anti-parasitic agents
- Two-line flushing delousing system will be added in April 2023

M/S Hans á Bakka



- Combined live fish carrier and utility vessel
- 3,000 m³ capacity for freshwater treatments for improved gill health

M/S Martin



- Utility vessel
- Four-line thermic system for luke warm water treatment
- Six-line flushing delousing system

M/S Róland



- Utility vessel
- Four-line thermic system for luke warm water treatment

M/S Bakkanes



- Utility vessel
- Four-line flushing delousing system

4,000 m³ vessel in Scotland



- Combined live fish carrier and utility vessel
- 4000 m³ capacity for freshwater treatments for improved gill health
- One-line flushing delousing system

2,500 m³ vessel in Scotland

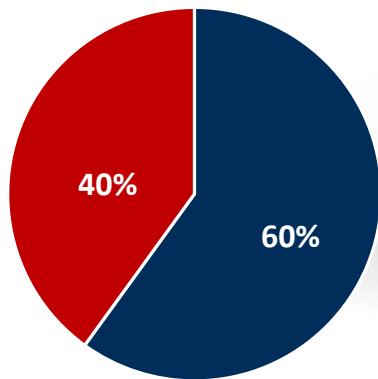


- Combined live fish carrier and utility vessel
- 2500 m³ capacity
- One-line flushing delousing system

VALUE CHAIN INSIGHT – VAP & PROCESSING EXTENDED PRODUCT RANGE



VAP strategy
(Share of harvest volume)



■ Spot ■ Contract (VAP)



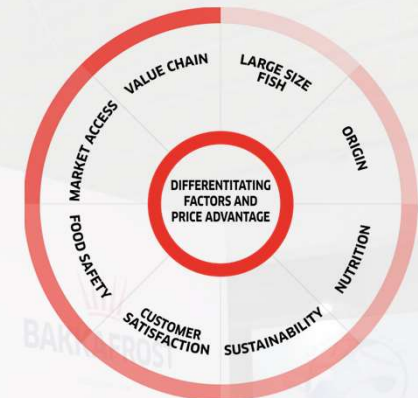
VAP production capacity in the Faroes equates to 40,000 tonnes HOG

VALUE CHAIN INSIGHTS - SALES & LOGISTICS

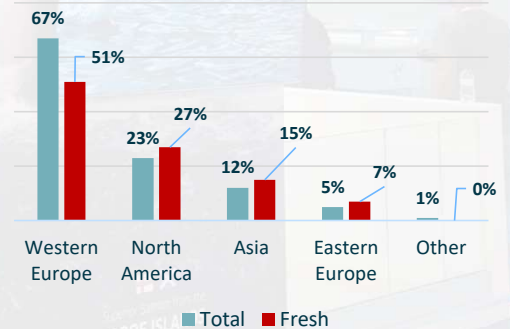
ONE SALES TEAM COVERING ALL MARKETS



Differentiation



Markets served (2022)



INVESTMENTS IN A STATE-OF-THE-ART VALUE CHAIN IS KEY TO PERFORMANCE

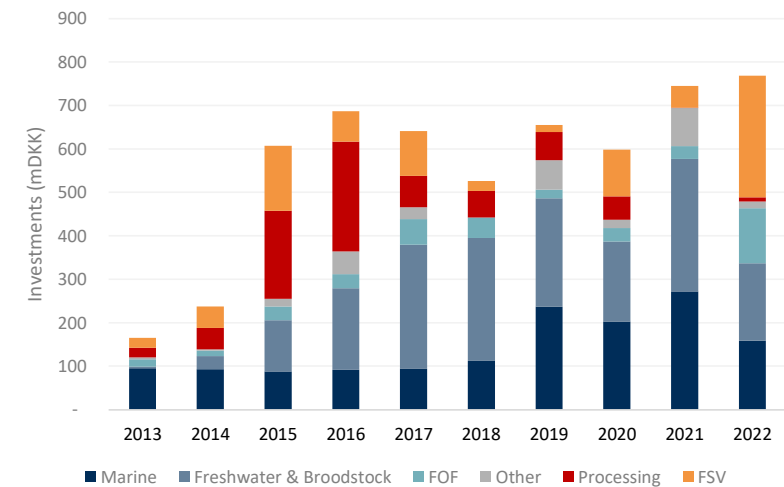
5.6BN DKK OF INVESTMENT IN THE FAROES SINCE 2013

Past investments:

- **Hatcheries** *RAS and advanced vaccination technology delivering on the large-smolt strategy*
- **Farming equipment** *Heavy-duty, “weather-resistant” & predator proof*
- **Fleet of FSV's** *Improving fish welfare without compromising environment (freshwater and non-chemical)*
- **Feeding systems** *Technologically advanced*
- **Digitalisation** *Continuous monitoring fish welfare and optimizing value creation*

Bakkafrost's high-quality assets has a positive impact on fish welfare

5.6bn DKK invested in the Faroe Islands since 2013



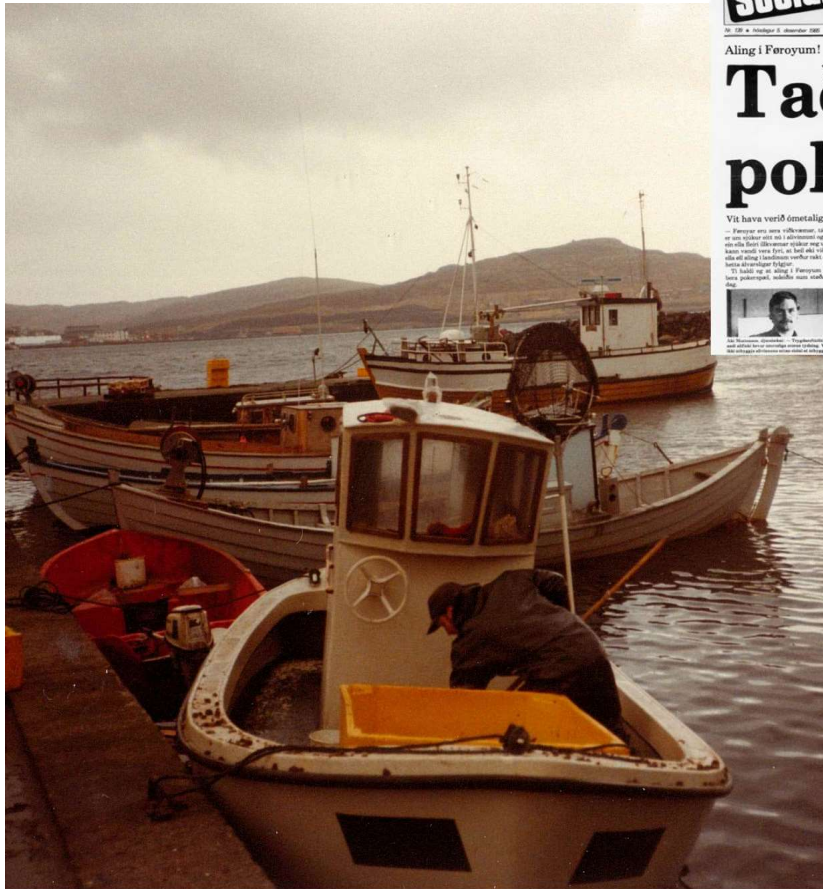
TODAY STATE-OF-THE-ART ASSETS IN THE FAROE ISLANDS



Bakkafrost in the past

Odd Eliassen
Managing Director

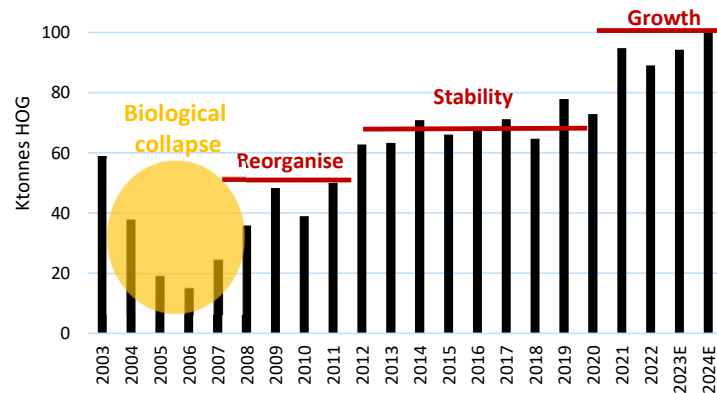
IT WAS VERY DIFFERENT IN THE PAST



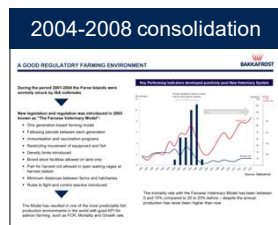
20-YEAR HISTORY: **READY, STEADY – GO!**

RIISING FROM THE DUST, GAINING STABILITY AND THEN GROW AND OUTPERFORM

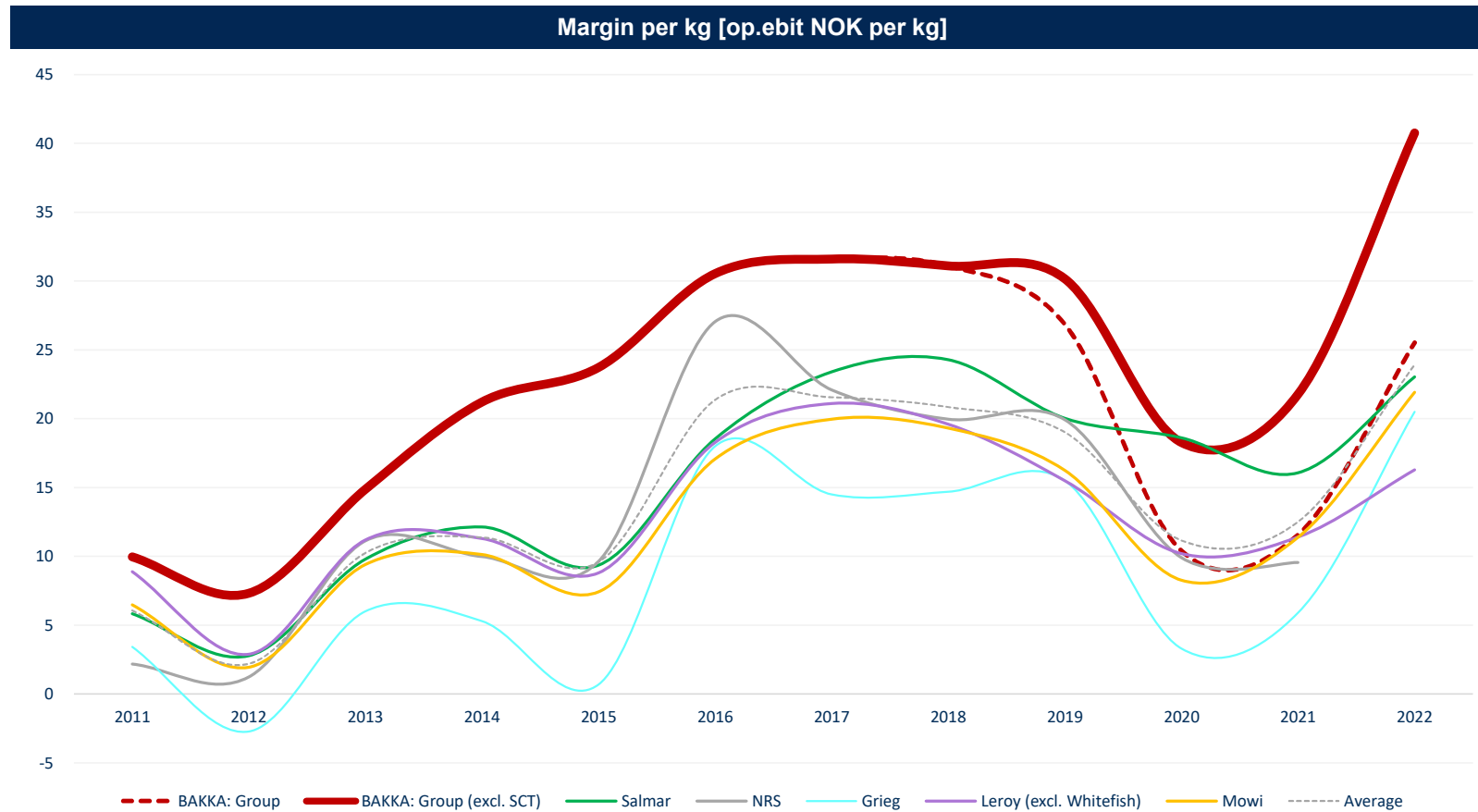
Faroese industry (k tonnes hog)



- The Faroese salmon industry re-organised after biological meltdown
 - Industry consolidation to three operators
 - Regulatory and operational framework changed
- Successful rebuild of industry to sustainable level of 60-70kt (HOG)
- Another step-up through large smolt and abundant treatment capacity



IN PAST DECADE, BAKKAFROST DELIVERED BETTER MARGINS THAN LISTED PEERS



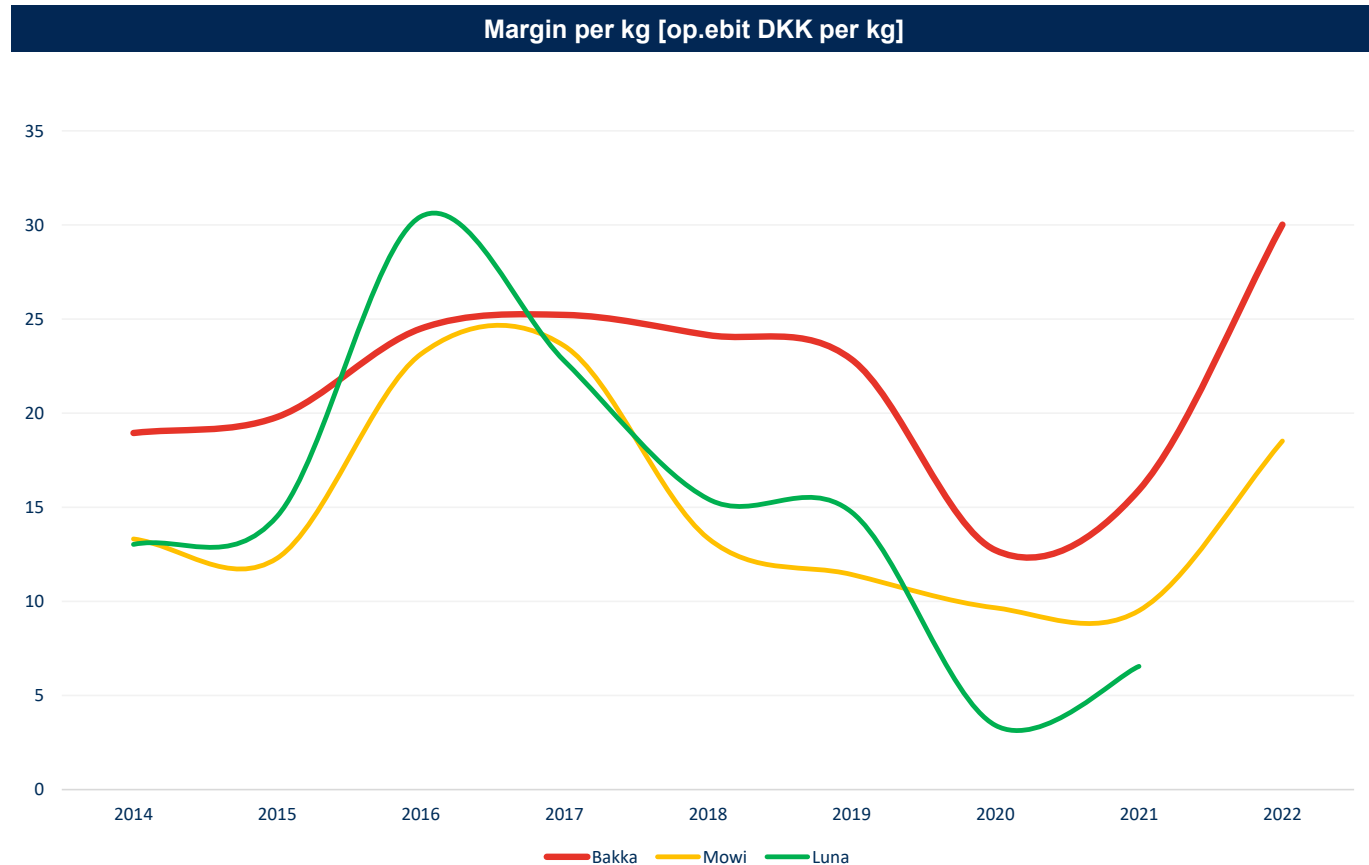
Source: Financial reports

BAKKAFROST ALSO PERFORMS BETTER THAN PEERS IN THE FAROE ISLANDS

Record high margin dkk 17.31
per kg average 2014 - 2022

- Bakka dkk 21,58 /kg
- Luna dkk 15,12 /kg
- Mowi dkk 14,98 /kg

Source: Annual reports



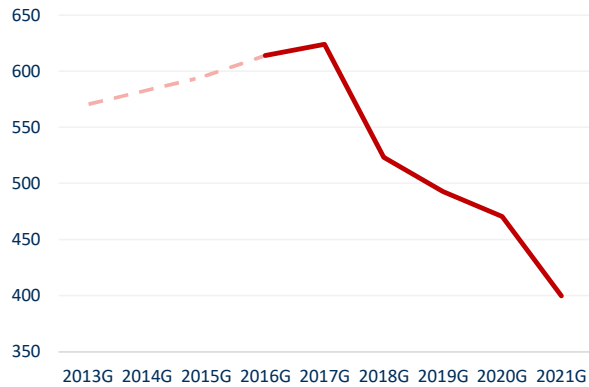
A RECENT CASE-STORY: SUÐUROY TURNAROUND AS PROOF-OF-CONCEPT

- In the past, Suðuroy was one of the weak performing area in the Faroe Islands
- Many thought it was not viable to farm salmon in Suðuroy
- In 2016, Bakkafrost took over all farming sites in Suðuroy
- Since then, Bakkafrost has changed everything
 - *Farming equipment*
 - *Vessels*
 - *Feed*
 - *Large high-quality smolt*
 - *Implemented Bakkafrost best practices*
- ...except the environmental foundation dictated by nature

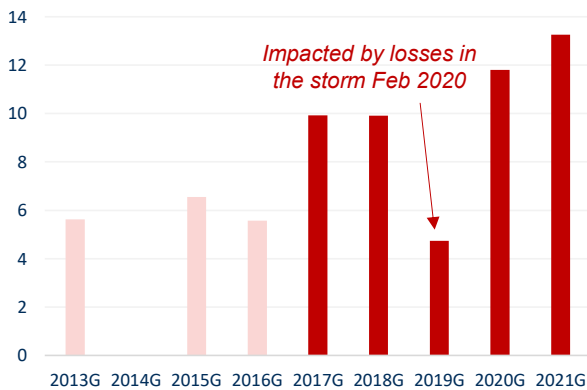


SUÐUROY = PROOF OF CONCEPT NOW ONE OF THE BEST

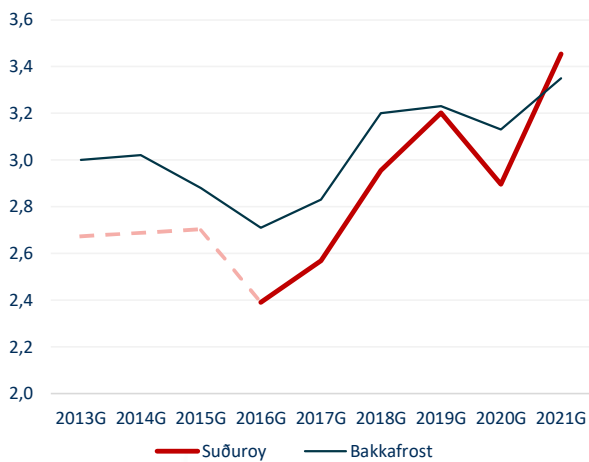
Average number of days at sea



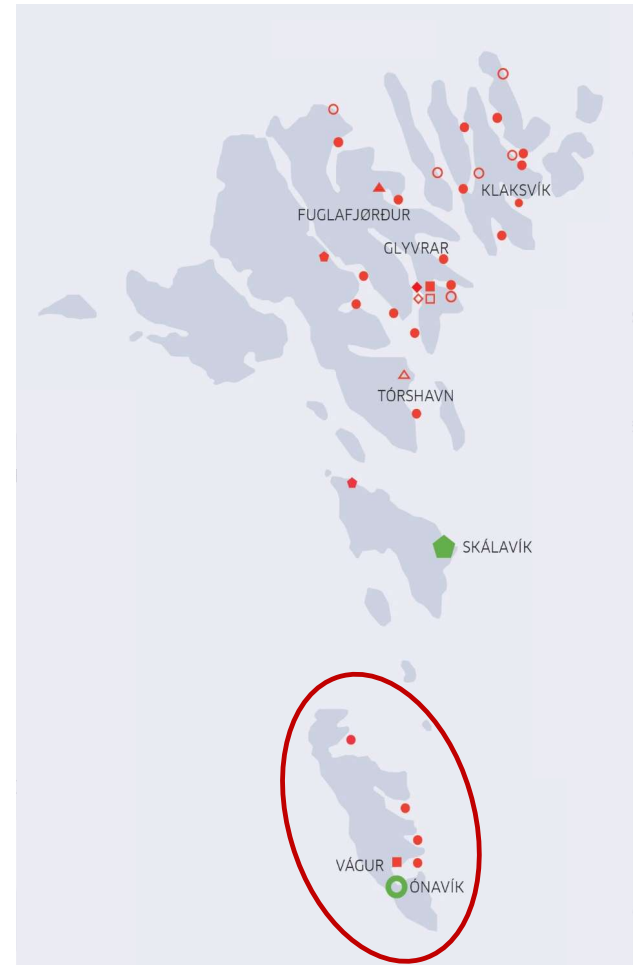
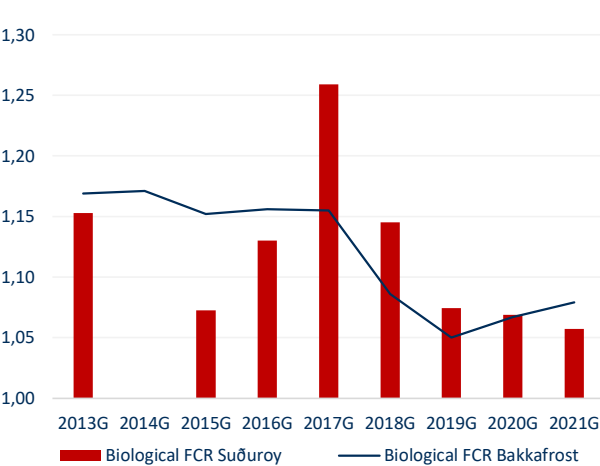
Produced tonnes per day



Growth (TGC per generation)



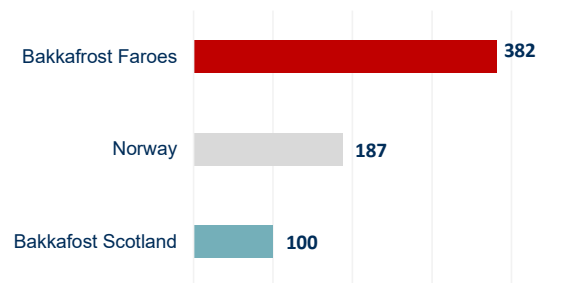
Biological Feed Conversion Ratio per generation



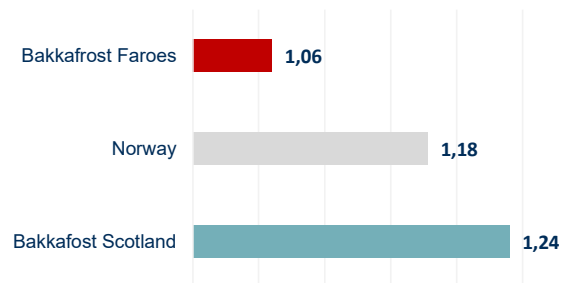
PERFORMANCE

BEST PRACTICES & WELL-INVESTED VALUE CHAIN DRIVES PERFORMANCE

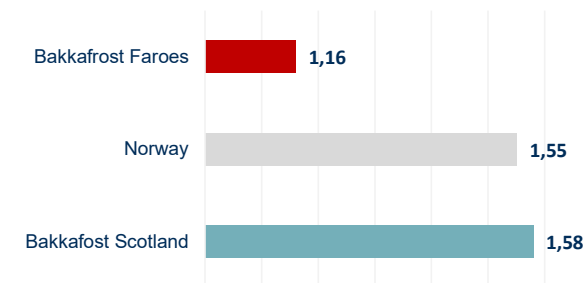
Smolt weight (g) (2021 Full Gen.)



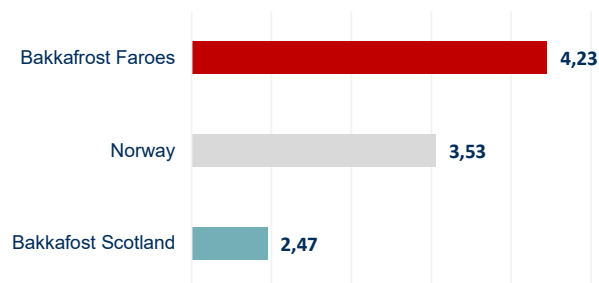
Biological Feed Conversion Ratio (2021 Full Gen.)



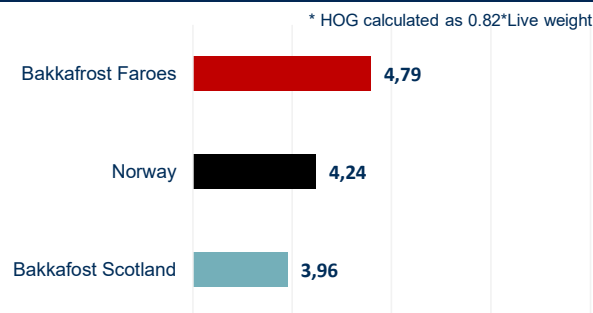
Economic Feed Conversion Ratio (2021 Full Gen.)



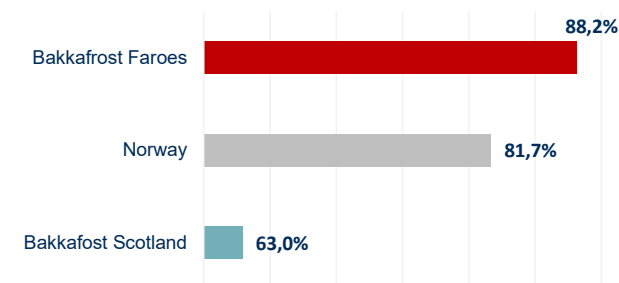
Yield per smolt (2021 Full Gen.)



Average harvest weight (HOG*) (2021 Full Gen.)



Survival Rate (2021 Full Gen.)



*In late 2019, Bakkafrosts acquired the 2nd largest salmon producer in Scotland
...a company with potential for significant improvement*

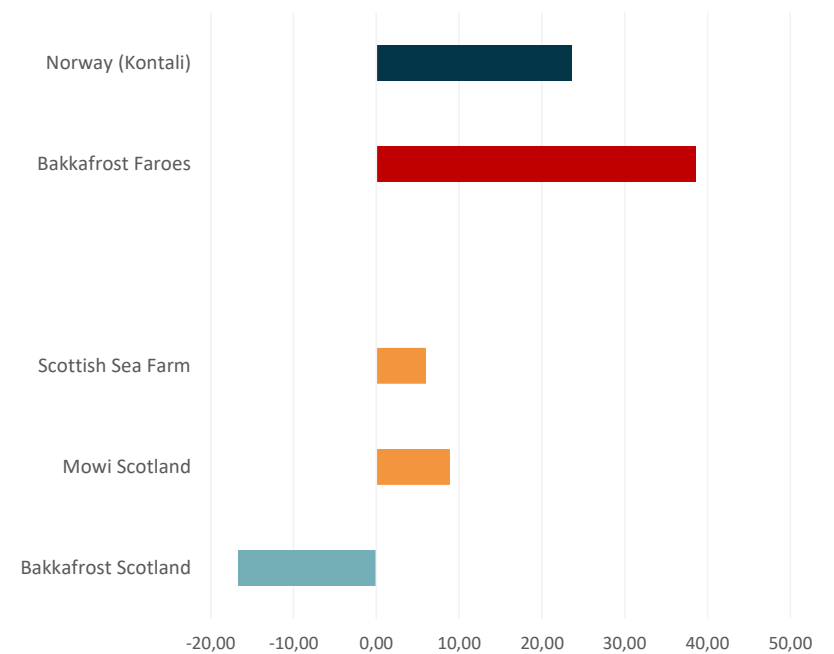
SCOTTISH INDUSTRY AND BAKKAFROST SCOTLAND GENERALLY LAGGING BEHIND

A POOR PERFORMANCE IS A GOOD STARTING POINT FOR A TURNAROUND

Bakkafrost Scotland has been
under-resourced and **under-invested**



Margin comparison EBIT/kg HOG (NOK, 2022 generation)



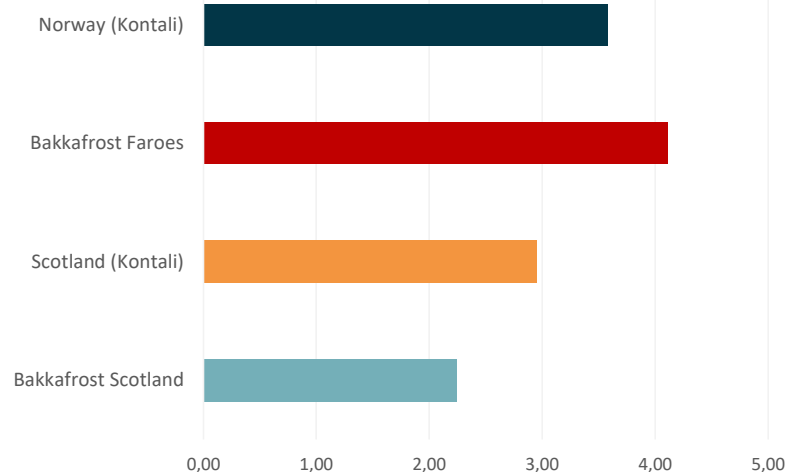
Sources: Bakkafrost, Kontali, Company reports

YIELD PER SMOLT

HIGH SURVIVABILITY AND HARVEST WEIGHT ARE FUNDAMENTAL

The main cause for low yield per smolt is **low survivability** and **low average harvest weight**

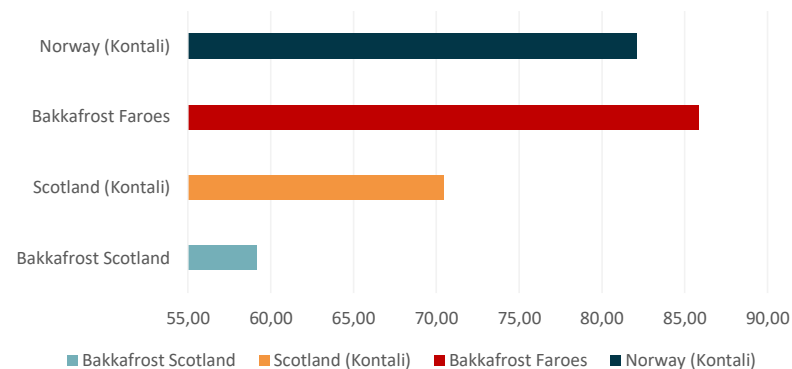
Yield pr. Smolt (kg HOG)



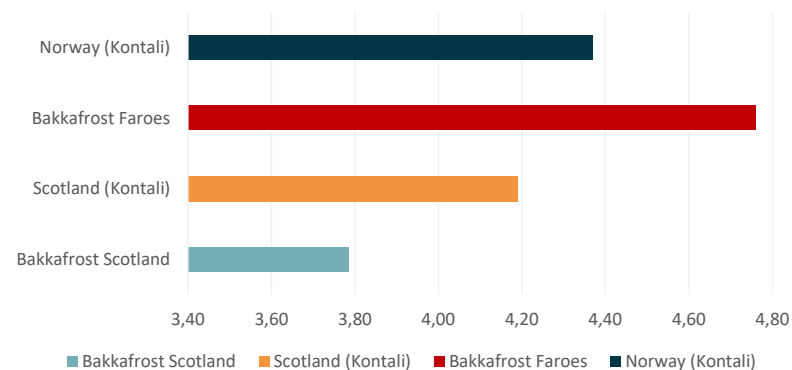
Note: Average 2020/2021 generations

Sources: Bakkafrøst, Kontali

Survivability by generation (%)



Average harvest weight by generation (kg HOG)



Note: Average 2020/2021 generations

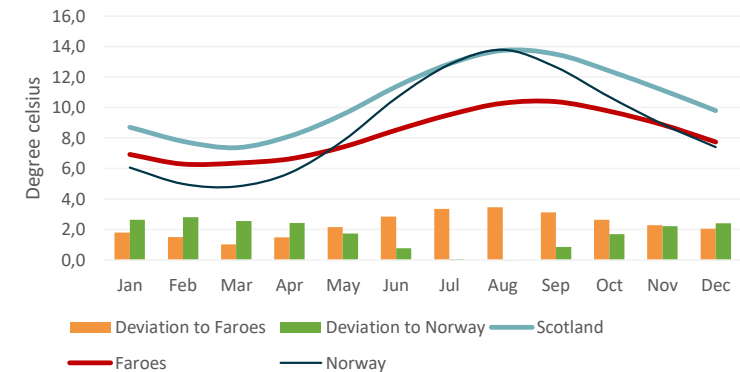
Sources: Bakkafrøst, Kontali

THE UPSIDE IN SCOTLAND IS SIGNIFICANT

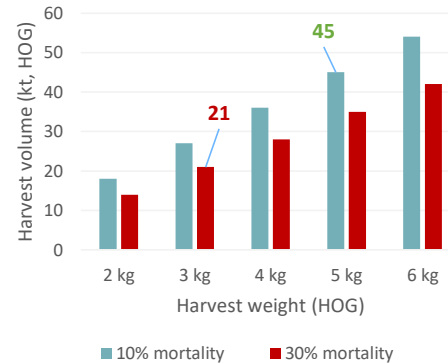
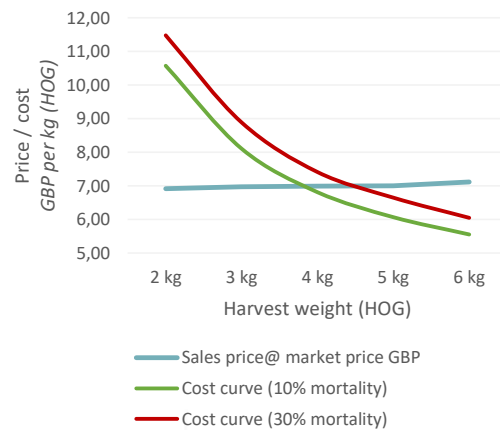
Requires:

- Good control of biological threats
- State of the art farming and surveillance equipment
- Sufficient treatment and transportation vessels
- Reduced seawater exposure with large smolt

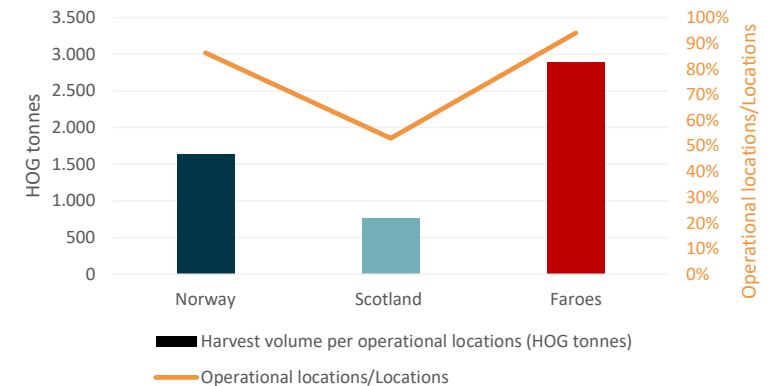
Higher growth in Scotland during the winter with warmer seawater



Illustrative: Effect of mortality and average harvest weight on cost and harvest volume



Scotland: Highly consolidated industry, but low capacity utilisation



Sources: Bakkafrost, Kontali