

Bakkafrost presentation A world-class company in the salmon industry

Capital Markets Day – Part 2

Scotland 06 June 2023







Scotland

Ian Laister, Managing Director Dave Cockerill, Biology Director



You are here

Edinburgh

Applecross

Glasgow

Fairlie

	Previous CMD	Current
HATCHERIES	7 sites Capacity 10.7k m3 6.0m @ 85g	4 sites (+3 rd parties) Capacity 22k m3 11m @ 150g
FARMING	42 Sites	37 active sites 69,037T Consent (total consent: 86kt)
PROCESSING	2 Processing facilities 2 Harvest stations Capacity 185T/day	2 Processing facilities 2 Harvest stations Capacity 185T/day
FSV	2,100 m3 Harvest150T/hr Delousing2500 m3 FW treatment	2,840 m3 Harvest 200T/hr Delousing 6,500 m3 FW / delousing
PEOPLE	610 fte 49T/fte	535 fte 55T/fte

*) fte: Full Time Equivalent

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OUR PERFORMANCE – 2021 TO DATE

HEALTHY LIVING SURVIVABILITY AND HARVEST WEIGHTS IMPACTING FINANCIAL RESULTS...BUT STRATEGY SHOWING IMPROVEMENT



Tasty, Healthy & Sustainable Salmon 

OUR PERFORMANCE – 2021 TO DATE EBIT ANALYSIS V SCOTTISH PEERS





Structural differences to **Scottish Peers:**

- Economies of scale
- Geographic concentration
- Marine resource
- **Reduced biological** challenge (Northern Isles)
- Historical investment
- High quality smolt



INVESTMENT TO MITIGATE RISK & DELIVER OUR STRATEGIC OBJECTIVES INVESTMENT PRIOITISATION STRATEGY



\\\// BAKKAFROST





GILL HEALTH IS CRITICAL TO GROWTH & SURVIVABILITY BY FAR THE LARGEST DIRECT AND INDIRECT MORTALITY CAUSE



Principle underlying causes for weak gill health

- Amoebic gill disease (AGD)
- · Plankton specific harmful species
- Jellyfish specific harmful species

Challenged gill health amplifies impact of other issues

- · High mortality during and after treatment for other issues
- Increased vulnerability during periods of poor water quality

Weak fish generally vulnerable during handling / transportation

Other causes of mortality include exposure to viral diseases:

- PD (Pancreas Disease)
- CMS (Cardiomyopathy Syndrome)



Note: Tail of 2021G still being harvested



HEALTHY LIVING



IMPLEMENTED AND PLANNED MEASURES TO REDUCE BIOLOGICAL RISK



EXPECTED EFFICACY ON MORTALITY CAUSES





SIGNS OF IMPROVING BIOLOGY ENCOURAGING SIGNS OF PERFORMANCE FROM GENERATIONS IN SEA



GILLS - 2023 RPL maintained at lowest ever recorded levels (-92%)



HARVEST - 2023 harvest MWs +1.5kg on 2022, consistent supply



GILLS – 2023 mortality 45% lower than industry av.



MORTALITY – Encouraging signs against the Scottish industry (-38% v peak)



LICE - 2023 maintained at lowest ever recorded levels (-50%)



MORTALITY – Latest generations to sea c. 3% lower to date

Havsbrun Feed : State of the art farming and surveillance equipment : Best practice husbandry : Fleet capacity

RISK REMAINS ELEVATED PENDING LARGE HEALTHY SMOLT







OUR INCREASED FRESHWATER TREATMENT CAPACITY HAS IMPROVED GILL HEALTH BUT IT DOES NOT REMOVE ALL RISKS....



- Since Q4 2022, we have reported on the new capabilities for efficient and gentle dual-treatment for gill health (freshwater) and sea lice (FLS delousing)
- Now permanently two Farming Service Vessels in service all year around to clear gills and sea-lice





MITIGATION OF MANY RISKS HAVE ALREADY BEEN IMPLEMENTED LARGE SMOLT WILL SIGNIFICANTLY TIP THE BALANCE TO REDUCED RISK





Gill Health - Dual treatment FW / FLS (92% RPL / AGD reduction)



Plankton - Aeration + Advanced detection Better control of secondary AGD



Sea lice - Dual treatment FW / FLS (45% lice reduction), with safer treatments as a result of better gill health



PD - Vaccine, review and benchmarking. Improved gill health indirectly reduces PD (and CMS) mortality







Large smolt Sites secured or under development



OUR RISK MANAGEMENT JOURNEY FRESHWATER & FARMING TRANSFORMATION







LARGE SMOLT REDUCES BIOLOGICAL RISK EXTENDED RISK EXPOSURE IN THE MARINE PHASE DRIVES MORTALITY



- Extended exposure to biological risks and stress leads to increased mortality
- 2/3 of the mortality occurs in the second year at sea
- Large smolt will reduce time at sea to around 12 months, hence removing risk exposure and reducing mortality



Note: Average of spring smolt releases 2019, 2020 and 2021



DELIVERING LARGE HEALTHY SMOLT





HEALTHY LIVING

Fairlie - Planning 8m smolt at 500g 32,300m³ capacity



Applecross - Construction 7m smolt at 500g 29,300m³ capacity





LARGE SMOLT....AND REDUCED RISK

REDUCED EXPOSURE TO BIOLOGICAL & ENVIRONMENTAL RISK - ONE SUMMER

500g smolt reduces exposure to the 2nd summer

• Farming cycles reduce from up to 24 months, to around 12 months

Benefits of 'One Summer' cycles

- Survivability 2nd summer drives 2/3 of mortality
- Health is improved with reduced biological challenge
- TGC increases as healthier fish feed & grow

Other benefits

- · Capacity higher turnover of seawater sites
- RAS efficiency higher frequency of smolt release
- Consistency less variation in harvest patterns, consistent customer supply
- · Productivity asset utilisation, lower cost per kg







LARGE SMOLT....AND HEALTHY GROWTH TARGETING SIGNIFICANTLY REDUCED SEAWATER PHASE

Growth / TGC

- · Driven by smolt weight and temperature
- Scotland's comparatively higher water temperatures provide an opportunity for growth
- Good health (particularly **Gill health**) is fundamental to good growth

Virtuous Health impact

- Healthy smolt (from RAS) have no retained stress or challenge
- **Higher TGC** (healthy growth) reduces time in sea, and thus exposure to risks (health challenges)

Large healthy smolt

- Large healthy smolt, reduces the time in sea and exposure to biological and environmental risk
- **Maintaining Gill health**, delivers a high TGC, reducing time in the sea further
- **Smolt from RAS** (3rd parties), and of specific Strains, have shown exceptional growth





Notes:

- (1) Seawater production from smolt release to harvest weight of ~5.1kg (HOG) Assuming thermal growth coefficient (TGC) 3.0 (poor growth) - 3,8 (good growth)
- (2) 2021G seawater production period to average harvest weight of ~4kg HOG





BAKKAFROST SCOTLAND – LARGE CAPACITY HEADROOM



Global salmon farming licences generally "fully utilised" Scottish output constrained by biological thresholds

• Permitted volume have not been practically achievable

Bakkafrost Scotland has a large scope for growth

- · Existing headroom within consent (health driven)
- Higher turnover of sites with large smolt (cycle length / productivity)
- Site development (new / increased consent)

Priority for growth until 2028

- · Stabilise and ensure profitability
- · Best practice husbandry & strategic investment
- Growth through larger smolt
- · Site development and capacity increase



Bakkafrost Scotland – Harvest projections (HOG 1,000 tonnes)





Cost principles – Harvest weight



Cost / kg diminishes with harvest size due to:

- High asset utilisation, with short cycles
- Smolt and other fixed costs diluted
- Mortality cost reduced

Cost principles – Large smolt

500g smolt drives:

- More efficient utilisation of consent (yield)
- Increased survivability
- Reduced cost/kg

Production volume & cost trend by smolt size



Target volume of 55kT by 2028



STARTING HARVEST FROM LARGER SMOLT 2024 ONWARDS



- First release of large smolt expected Q3 2023
- First harvest from 250g smolt expected H2 2024
- A 250g smolt with a high TGC can grow to harvest weight above 5kg HOG, in around 13-14 months
- Harvest will be driven by 250g smolt until the 2nd hatchery enters production



Average smolt size, smolt release and timing of harvest





Mean weight – Market level



Clear strategy to materially increase harvest weights

- Larger fish priced at premium
- · Positive volume effect of larger harvest weight

Consistency of volume is attractive to customers

- Scottish origin is key in some markets ٠
- Improved basis for long-term contracts

A consistent supply of larger fish helps develop the brand value further

- Existing B2B and B2C brands
- Nutrition though high feed marine index forms Tasty, Healthy & Sustainable Salmon

Mean weight – Leveraging our regions



Underlying price (based on 2022 comparative MWs)

- Market price led (demand ahead of supply) +£1.5/kg
- Mean Weight led (higher MWs) +£0.6/kg
- Bakka premium led (Faroes origin sales channel for large fish) +£1.0/kg

Sales Price performance Q1'23 vs Q1'22 (HOG Spot only)





SUMMARY: BUILDING A HEALTHY BUSINESS IN SCOTLAND STRATEGIC OBJECTIVES CONVERTING TO FINANCIAL PERFORMANCE



200 6 0 2028: 2026: Havsbrun Feed efficiency feed >5kg 55kt (HOG) HOG Higher average 2028: Seal pro **Production growth** harvest weight 15m nets @500g 6 **Q**2026: Large smolt Aeration 90% (GSI calculation) **Higher survivability Higher prices** Advanced monitoring 2028: **Freshwater FLS** 12m Broodstock Reduced cycle Lower cost Site Vaccines development