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Bakkafrost acquires 68.6% of The Scottish Salmon Company

25 September 2019: P/F Bakkafrost ("Bakkafrost" or the "Company") is pleased to announce today that it has signed a binding agreement for the acquisition of 68.6% of The Scottish Salmon Company Plc ("SSC") from Northern Link Ltd (the "Transaction"). SSC was the #2 Scottish salmon farming company by harvest volumes in 2018 as reported, and is listed on the Oslo Bors. Successful acquisition of the 68.6% majority stake will trigger a Mandatory Tender Offer for the remaining 31.4% free float in SSC. The agreed acquisition price of NOK28.25 / SSC share implies an Enterprise Value for SSC of DKK 4,351.9m.

The Transaction and any subsequent Mandatory Tender Offer will be funded via a mix of debt and equity, including an accelerated bookbuild offering of approx.15% of share capital and a directed share issuance of approximately 5% of share capital to Northern Link Ltd ("Northern Link"). The accelerated bookbuild offering will be launched imminently

The Scottish Salmon Company is a leading salmon farming company with operational headquarters in Edinburgh, Scotland. The company's operations are on the West Coast of Scotland and the Hebrides with a clear vision and ambition to "Bringing Scotland's finest salmon to the World." SSC has exclusive genetics to Native Hebridean Salmon which is stronger, leaner and noticeable firmer compared to Atlantic salmon. SSC had a harvest of 29,913 tonnes in 2018, an 18,463 tonnes harvest in H1-2019 and has total harvest capacity of 50,000 tonnes. The company generated an EBITDA of £56.7m in 2018 and £35.7m in H1-2019.

Regin Jacobsen, CEO of Bakkafrost since 1989, commenting on the transaction "Bakkafrost's journey has been characterised by delivering industry leading growth and profitability combined with a focus on shareholder value creation. The Scottish Salmon Company represents an attractive acquisition at this juncture providing exposure to the attractive and premium Scottish salmon farming region with potential for synergies and transfer of best practices. The entire Bakkafrost team is looking forward to working with the SSC management team to continue to enhance performance of the business and drive value in the years ahead."

Strategic Rationale

The strategic rationale for the acquisition includes

- Provides Bakkafrost access to the Scottish farming region which is a niche farming region with Scottish provenance products priced at a premium to the market
- Creates a combined differentiated global leader in premium salmon with dual exposure to both Faroe Islands and Scottish premium salmon
- Positive diversification of Bakkafrost's operations from a pure play Faroe Islands company to a presence in two attractive salmon farming markets while remaining both developed markets and premium product focused.

- Potential for material improvement in The Scottish Salmon Company's profitability over a five year horizon through realisation of identified synergies, transfer of best practices and a targeted investment programme

Bakkafrost expects to generate synergies in three key areas mainly related to Feed and Procurement, Sales Cooperation and SG&A and Overhead savings.

- Feed & Procurement: Bakkafrost produces fish feed with a significantly higher marine index compared to industry feed. Supplying feed to SSC would result in fixed cost efficiency at Bakkafrost feed facilities through intercompany sales of higher quality feed to SSC. Net synergy estimated at DKK 1.2 per kg feed, equating to annual synergies of approximately DKK 70mm from 2022 onwards (~NOK2.6 / kg of SSC harvested salmon)
- Sales Cooperation Both SSC and Bakkafrost market premium salmon and brands that obtain a significantly higher price due to provenance and product differentiation. Both companies plan to drive efficiencies by coordinating sales efforts going forward taking advantage of relative distribution strengths in global markets.
- SG&A & Overheads: Leaner head office structure in Scotland (through discontinuing the listed functions of SSC).

Bakkafrost also believes that there is the potential for transfer of best practices including (i) secondments to stimulate identification and transfer of best practices, (ii) implementation of better farming procedures for improved cost performance, (iii) gradual consolidation of sites, (iv) mitigation of biological threats through de-licensing expertise. The overall result of these actions is expected to result in larger fish improving price achievement and profitability.

Bakkafrost also plans to make targeted investments to achieve the efficiencies outlined above. These include investment in a new modern recirculation plant for smolt production replacing SSC's large number of small smolt facilities. Additionally, investments are planned to be directed towards replacing SSC's existing seawater equipment.

Bakkafrost is committed to strong cooperation with local communities and authorities and hopes to stimulate employment through significant investment in the business. Additionally, Bakkafrost is committed to ongoing work to strengthen the Scottish regulatory framework.

Transaction Structure & Terms

Bakkafrost has signed a binding agreement for the acquisition of 68.6% of SSC from Northern Link for an acquisition price of NOK28.25 / share. As per regulations Bakkafrost will be required to make a Mandatory Tender Offer for the remaining shares of SSC at the same price. The NOK28.25 / share price represents an 8.5% premium to 3 month SSC VWAP and implies an Enterprise Value of DKK 4,351.9m an EV / EBITDA multiple of 7.2x (assuming H1-2019 annualised SSC EBITDA excluding synergies).

Financing Structure & Terms

Bakkafrost has fully committed acquisition financing in place to secure funding of the Transaction. The Transaction will be funded by a mix of debt and equity including an accelerated bookbuild offering of 15% of Bakkafrost share capital, a directed share issuance of 5% of Bakkafrost share capital to Northern Link and an additional debt facility.

- Private placement of 15% of Bakkafrost share capital via an accelerated bookbuild offering
 - The Board of Directors is authorized to issue shares equal to 10% of the existing share capital. In order to facilitate immediate settlement of the full 15% of the private placement, the Company and the settlement bank in the offering will enter into a share lending agreement

with its largest shareholder. The Company will redeliver such number of borrowed shares not being covered by the current share issue authorization subject to the approval by an upcoming extraordinary general meeting ("EGM")

- Directed share issuance of 5% of Bakkafrøst share capital to Northern Link
 - As part of the consideration received, the Company will issue shares representing approx. 5% of current share capital to Northern Link
 - The share issuance will be subject to the approval by the EGM
- In addition, the Company will use an additional debt facility to fund the acquisition of potentially up to 100% of the outstanding shares in The Scottish Salmon Company.

In case shareholders do not approve the issue of additional Bakkafrøst shares, the Company will use an additional bank facility to settle the share loan in cash and Northern Link will receive a cash consideration for an amount equivalent to the approximate 5% share issuance they would have otherwise received.

DNB, Goldman Sachs International and Nordea acted as joint financial advisors to Bakkafrøst. Daiwa Corporate Advisory Limited (DC Advisory) acted as financial advisor to SSC.

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Any Mandatory Tender Offer by Bakkafrøst to SSC's shareholders may be restricted by law in certain jurisdictions. In particular, SSC's shareholders resident in the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia (the "United States") may not be eligible to participate in any Mandatory Tender Offer and the Mandatory Tender Offer may not be made, directly or indirectly, in or into the United States.

To the extent that SSC's shareholders resident in the United States will be included in any Mandatory Tender Offer, such offer may be made to SSC's shareholders resident in the United States in reliance on, and in compliance with, Section 14(e) of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"), and Regulation 14E thereunder, or an exemption therefrom. To the extent Regulation 14E is applicable, Bakkafrøst and/or its financial advisors and their affiliates may acquire shares of SSC outside any Mandatory Tender Offer during the applicable offer period in accordance with applicable law and regulations and the provisions of the exemption provided under Rule 14e-5 under the Exchange Act, if available. Any of the purchases referred to in this paragraph may occur either in the open market at prevailing prices or in private transactions at negotiated prices. Information about such purchases will be disclosed as and if required by applicable securities laws.

This document includes forward-looking statements. The words "believes", "expects", "may", "will", "seek", "would", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" and similar expressions (or their negative) identify certain of these forward-looking statements. These forward-looking statements are statements regarding Bakkafrøst's intentions, beliefs or current expectations concerning, among other things, Bakkafrøst's results of operations, financial condition, liquidity, prospects, growth, strategies and the industry in which Bakkafrøst operates. The forward-looking statements in this document are based on numerous assumptions regarding Bakkafrøst's present and future business strategies and the environment in which Bakkafrøst will operate in the future. Forward-looking statements involve inherent known and unknown risks, uncertainties and contingencies because they relate to events and depend on circumstances that may or may not occur in the future and may cause the actual results, performance or achievements of Bakkafrøst to be materially different from those expressed or implied by such forward looking statements. Many of these risks and uncertainties relate to factors that are beyond Bakkafrøst's ability to control or estimate precisely, such as future market conditions, currency fluctuations, the behaviour of other market participants, the actions of regulators and other factors such as Bakkafrøst's ability to continue to obtain financing to meet its liquidity needs, changes in the political, social and regulatory framework in which Bakkafrøst operates or in economic or technological trends or conditions. Past performance should not be taken as an indication or guarantee of future results, and no redocument or warranty, express or implied, is made regarding future performance. Bakkafrøst and each of the joint financial advisors expressly disclaim any obligation or undertaking to release any updates or revisions to these forward-looking statements to reflect any change in Bakkafrøst's expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based after the date of this document or to update or to keep current any other information contained in this document. Accordingly, undue reliance should not be placed on the forward-looking statements, which speak only as of the date of this document.