



ANNUAL REPORT

2020

Faroese Company Registration No. 1724



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Chairman's Statement



RÚNI M. HANSEN
Chairman of the Board

AN UNUSUAL YEAR

2020 has been an unusual year in many ways. In the beginning of 2020, it was hard to imagine that a small invisible virus could cause such disruption to everyone's lives. Fortunately, our staff has been kept safe throughout the Covid-19 pandemic and Bakkafróst's operation has only mildly been affected. It is however a completely different story with the global salmon market.

During 2020 the salmon market changed in many ways as different parts of the world experienced one wave after another with increasing cases of Covid-19 infection. The lockdowns of the HoReCa segment in our key markets has had a negative impact on Bakkafróst's revenue and profitability, as we normally sell our large sized superior salmon to high-end restaurants across the world. People have also travelled less during 2020 and commercial flights have been reduced. This has reduced the access to cost-efficient air cargo capacity and more than doubled airfreight rates to US and early during the pandemic also to China.

Earnings were not only affected by increased freight prices in 2020. Average spot price on salmon decreased by 24.1% during the year and the downward trend was especially predominant from the end of the second quarter to the end of the year.

During the pandemic, Bakkafróst has benefited from its flexible value chain. As the demand in the HoReCa segment for fresh salmon has decreased, Bakkafróst has been able to swiftly divert volumes to the VAP-segment. This segment produces consumer-packed products for the retail industry where the demand for salmon has been very strong throughout the pandemic. The market for global salmon market has grown during 2020 and the growth has been especially strong in US and Europe.

In Q4 2019 Bakkafróst acquired The Scottish Salmon Company (SSC) and hereby diversified our farming operation into a new geography. The acquisition increased the scope of Bakkafróst's operation and brought new growth and development opportunities to the Group. The acquisition was made on low multiples relative to industry peers. We see this as a 5-year turnaround case and during 2020 we have worked closely with the organisation in Scotland to begin transforming of the operation using targeted investments and redefined processes, based on best practice. We are convinced that the investment case is strong and see a good upside potential.

One of the important measures to improve the performance in the farming operation in Scotland is to increase the size and quality of the released smolt. Therefore, Bakkafróst plans to construct three large and modern RAS-based hatcheries in Scotland, similar to the hatcheries Bakkafróst has in the Faroe Islands. This will enable us to extend Bakkafróst's large-smolt strategy to the farming operation in Scotland. By increasing the quality and smolt size to 500g the cycle time at sea is reduced to 10-12 months, hereby reducing the biological risk as well as enabling sustainable growth in harvest volume. The first of these 3 hatcheries in Scotland is the hatchery at Applecross, which is an existing hatchery now being expanded and converted into RAS-technology. This expansion will gradually increase smolt size and quality and is expected to be completed by 2023, whereafter we will be self-sufficient with 250g smolt in Scotland. This alone will be a game-changer for the farming operation in Scotland and will improve further when the next two hatcheries are finalised and average size of smolts is increased to 500g.

Over the past years Bakkafróst has made large investments across its value chain in the Faroe Islands to grow production capacity sustainably to 100,000 tonnes head-on gutted (HOG). These investments, totalling 3 billion DKK, were outlined in our 5-year investment plan for the period 2018-2022. Some



of these investments have been made in the fishmeal, -oil and -feed segment (FOF), which can now provide all the feed for the farming operation in the Faroe Islands as well as to Scotland. Most of the investments in the 2018 investment plan have now been completed or are well underway. One example of completed investments is the very large hatchery at Strond which is now in full production of large smolts of very high quality. The year 2021 will be the year where we really begin to see the results of the investments. Hence, we see increasing harvest volume in the Faroe Islands for 2021 where we expect to harvest 66,000 tonnes HOG. This is a significant increase over previous years. Over the next years this volume will increase steadily until we reach 100,000 tonnes HOG, most likely around 2025-2026.

To grow Bakkafrøst's harvest volumes in the Faroe Islands sustainably beyond the 100,000 tonnes HOG, we believe that offshore farming presents is great potential for Bakkafrøst. The conditions on the eastern coast of the Faroe Is-

lands are good for offshore farming and the legislation in the Faroe Islands has been prepared for issuing offshore farming licenses. The location is also well suited for Bakkafrøst as it is within short distances to Bakkafrøst's operation. We have applied for an offshore farming license and expect to receive it during 2021.

It is however important to us that our growth ambitions are well balanced with the natural boundaries given to us. We strongly believe, that farmed salmon is one of the solutions to ensure sustainably produced food for the world's growing population. Our salmon has an industry-leading low feed-to-food conversion factor and a low carbon footprint. Therefore, we need to grow but without outgrowing our planet.

We continuously work on improving the resource-efficiency of the operation and incorporate circular thinking and new innovations in our value chain. One example of such is our Biogas plant, which was completed in 2020. This award-win-

ning circular system in our value chain is now efficiently solving a biological waste issue for Bakkafrøst as well as for local dairy farmers. Simultaneously it is producing renewable energy for the public electricity grid and district heating system in the Faroe Islands. Even the biproduct from the biogas plant has value as the plant delivers high-quality fertiliser for the Faroese dairy farmers. The big winner is of course the environment with a reduced CO2 emission of around 11,000 tonnes per year.

Sustainable sourcing of raw materials and sustainable farming is also key to us. For our feed production, we only use sustainably certified raw materials. In our farming operation, we are very proud of achieving our 2020-goal of having 100% of our farming sites in the Faroe Islands ASC-certified.

It has always been important for Bakkafrøst to take good care of the environment, which is the precondition for a healthy operation in the long run. Preserving and respecting our heritage, operating in a society so dependent on nature – it is essential that the balance with nature is right and sustainable. We are very much aware of the current and future challenge we face, to be able to feed the world's growing population with safe and healthy food but without compromising our planet.

RETURN TO SHAREHOLDERS

The Board of Directors will propose a dividend of DKK 3.65 per share at the Annual General Meeting convened in April 2021. This corresponds to a total dividend of DKK 215.9 million.

THANK YOU TO OUR EMPLOYEES

On behalf of the Board of Directors, I express our appreciation to all employees in the Bakkafrøst Group for the commitment and hard work in 2020.

Statement by the Management and the Board of Directors

MARKET DISRUPTIONS AND NEW RECORDS

In the beginning of 2020 salmon prices were amongst the highest ever. This was a continuation of the steep increase in salmon prices during the fourth quarter of 2019. However, the positive market situation suddenly changed when the Covid-19 pandemic began to spread, which caused a significant drop in salmon spot prices towards the end of the first quarter.

The Chinese market was first affected and Bakkafrøst's sale to Asia dropped down to 14% of the Faroese harvest volume in the first quarter 2020, compared to 24% in the first quarter of 2019. Airfreight rates to US and China increased significantly and were at times more than tripled, compared to normal rates.

The Chinese market is mostly a fresh market for Bakkafrøst and with the reduced sale to China in the first quarter we choose to divert volumes from the fresh market to the VAP-segment, serving the retail industry. By the end of the first quarter Bakkafrøst had increased the share of the Faroese harvest volume used in the VAP segment to 51%. This was made possible by our high production capacity in the VAP factory at Glyvrrar in the Faroe Islands.

In late February, the Faroe Islands were hit by a severe storm that lasted for several days. Severe storms are frequent in the Faroe Islands and Bakkafrøst has equipped itself accordingly, however the characteristics of this storm were unusual, and it caused great damage and loss of around 1.2 million fish planned for harvest later in 2020. As a result, we reduced the expected harvest for 2020 from 57,000 t_{gw} to 50,000 t_{gw}.

Despite challenges in the first quarter of 2020, Bakkafrøst had good results and good biological development in the farming segment in the Faroe Islands and were profitable in Scotland.

Coming into the second quarter of 2020, salmon prices reduced further – except for a few weeks with high prices in the second half of the quarter. At the same time the Norwegian krona weakened significantly against the Euro and Danish krona, which is Bakkafrøst's base currency. This had a negative effect on Bakkafrøst's competitive position in the market.

Sale to China picked up again early in the second quarter and airfreight rates to China were normalised again during the quarter. In early June however, China again imposed again strict import restrictions on seafood after closing a fish market in Beijing. This affected Bakkafrøst's sales to China negatively for the rest of 2020.

The farming operation in the Faroe Islands performed well in the second quarter and the biological development was good. In Scotland the farming operation gradually improved as well. The VAP-production volume increased further in the second quarter and contributed with positive margins. The sourcing of raw material to the FOF-segment also increased, after a soft start in the beginning of the year due to stormy weather hindering fishery around the Faroe Islands.

At the very beginning of the pandemic, we implemented strict measures to protect our employees. This was done in close cooperation with health professionals. Early in the second quarter of 2020 Bakkafrøst also began to offer bi-weekly Covid-19 screening to its employees.

Due to the increased uncertainty on the development of the Covid-19 pandemic, the Board of Directors choose to call off dividend payments for 2019.

Salmon prices continued to decrease during the third and fourth quarters towards the lowest levels since 2015 by the end of the fourth quarter. Normally salmon prices tend to increase towards the end of the year, but this did not happen



in 2020. Despite lockdowns and restrictions imposed in most markets the demand for salmon has been strong during the pandemic and supplied volumes to the markets have been increasing. Especially the demand from the retail industry in European and the US market has been growing. For the full year 2020 Bakkafrøst diverted 47% of the harvested volume in the Faroe Islands into the VAP segment, supplying retail customers. In comparison 29% of the harvest volume in 2019 was used in the VAP segment.

For the full year 2020, 70% of Bakkafrøst's sales went to EU, compared to 50% in 2019. Sale to the US market is reduced to 17% in 2020 from 21% in 2019. The most significant change were sales to Asia (mainly China), which dropped to 7% from 21% the year before. Sale to Eastern Europe also dropped to 5% from 8% the year before. This is partly due to Bakkafrøst being denied access to the Russian market in the period from February to end of September 2020.

During the second half of 2020, the farming operation in Scotland continued to improve its key performing indicators, however mortality was higher, especially driven by biological issues induced by a severe rainfall in August. History has demonstrated that biological challenges in the second half of the year have been a repeating pattern in the Scottish Salmon Company. This pattern is expected to be broken with the transformation of the farming operation, that we will be making in the Scottish operation in coming years.

Overall for the year, the farming operation in the Faroe Islands has performed well with strong growth and exceptionally high quality. Feeding set new records in the autumn, surpassing 10,000 tonnes per month. The harvest volumes in the Faroe Islands for 2020 were 50,700 tgv, compared to 57,184 tgv in 2019. The lower harvest volume in the Faroe Islands was a consequence of the lost fish in the storm in February 2020. In Scotland the harvest volume for 2020 was 34,986 tgv, whereof 9,305 tgv were harvested in the fourth quarter. In comparison 7,925 tgv were harvested in the fourth quarter of 2019.

During 2020, Bakkafrøst has transferred 24.6 million smolt to sea, compared to 18.3 million smolt in 2019. 14.3 million (12.7 million in 2019) have been transferred in the Faroe Islands and 10.3 million (5.3 million) in Scotland. The upscaling of capacity in the freshwater division in Faroe Islands has made good contribution in the year with average smolt size setting new records. The average size of the transferred smolt was 343g in Q4 2020 in the Faroe Islands, compared with 195g in the same quarter in 2019. The performance of the smolt after transfer has been very good and the growth rate during the first period after the smolt have been transferred has never been as high as in 2020.

Bakkafrøst's large smolt strategy that is being implemented in the Faroe Islands is largely driven by large investments in hatcheries. The large hatchery at Strønd is now in full pro-

duction and the expansions of the hatcheries at Glyvradal and Norðtoftir in the Faroe Islands are underway. With the increased hatchery capacity hereby added during 2021 and 2022 the average size of the transferred smolt in the Faroe Islands will increase to 400g in 2021 and 500g in 2022. Once completed, these expansions will give Bakkafröst the capacity to produce more than 20 million smolts at 500g by the end of 2022.

The Bakkafröst Group's operational EBIT was DKK 621 million for 2020, compared to DKK 1,325 million for 2019. The decreased operational EBIT was mainly due to lower salmon prices in 2020 than the year before. The margins were severely affected by the Covid-19 pandemic's disruptive effect on the salmon market. The combined Farming and VAP segment in the Faroe Islands made an operational EBIT of DKK 587.5 million, compared to DKK 1,166.7 million in 2019. This corresponds to an EBIT/kg of 11.59 DKK compared to 20.40 DKK in 2019.

The farming segment in Scotland made an operational EBIT of DKK -24.0 million, compared to DKK 18.1 million in 2019. This corresponds to an EBIT/kg of -0.69 DKK, compared to 2.29 in Q4 2019 which was the first quarter after the acquisition.

The VAP segment made an operational EBIT of DKK 139.7 million, compared to DKK 63.7 million in 2019. This corresponds to an EBIT/kg of 5.84 DKK, compared to 3.82 DKK in 2019. The VAP production was 23,931 t_{gw}, compared to 16,690 t_{gw} in 2019. In the fourth quarter, the VAP segment set new records for production in one quarter with 6,790 t_{gw} produced.

The FOF segment had an EBITDA of DKK 207.7 million in 2020, compared to DKK 275.8 in 2019. Havsbrún sourced 283,307 tonnes of raw material in 2020, compared to 278,664 tonnes in 2019. During 2020 Havsbrún began to



supply feed for the farming operation in Scotland. As existing feed contracts with external suppliers expire by first quarter of 2021, all the feed for the farming operation in Scotland will be supplied from Havsbrún.

Bakkafröst's DKK 3 billion investment programme for the period 2018-2022 targeting the Faroese operation is well underway and we are on track to achieve our goal with the

programme, which is to reduce biological risk, increase efficiency and to build annual production capacity of 100,000 tonnes in the Faroe Islands. One of the milestones of the investment programme was the expansion of our hatchery capacity. Besides the ongoing expansions of the hatcheries at Glyvradal and Norðtoftir, the new Strond hatchery is now in full production. In October 2020 we harvested fish from the first batch of smolts transferred from the Strond hatchery in

August 2019. The smolt were transferred at only 230g and harvested only 14 months later weighing 6.1 kg. Since then, the average weight of the smolt from Strond has increased steadily and we are very pleased that the performance of the hatchery and the produced smolt exceed expectations.

The large smolt strategy is also the core component of the investments planned in Scotland, where we plan to replace the 11 small and inefficient hatcheries we acquired with the company, with 3 modern RAS-based hatcheries similar to the Faroese hatcheries. Hereby we will become self-sufficient with 500g smolt in Scotland as well, which will be a game-changer for the farming operation and reduce the biological risk significantly. In total we expect to invest around 400 million DKK per year over a 5-year period in the operation in Scotland.

In 2019, Bakkafrøst acquired a new building for the operation in New Jersey, US. During 2020 we have rebuilt this into a state-of-the-art processing facility, which improves our ability to serve our customers on the eastern coast of the US with customised fresh salmon products. This facility also fulfils the online orders generated through our B2C web shop which we opened for US-consumers in the autumn of 2020.

In the second quarter 2020 Bakkafrøst commissioned a new 7,000 m³ well boat with hybrid technology, to be delivered in H1 2022. The well boat will upscale our freshwater treatment capacity as well as increase live-fish carriage capacity. This added capacity will also be needed for offshore farming, which we believe will provide us with future growth opportunities beyond 100,000 tonnes in the Faroe Islands. Bakkafrøst expects to receive a licence for offshore farming during 2021.

On the Capital Market Day 14-15 September 2021, we will present more details on the planned investments in Scotland, details on how we intend to transform the farming opera-

tion in Scotland and how we intend to grow beyond 100,000 tonnes in the Faroe Islands.

In 2019, Bakkafrøst refinanced the bank facilities for the entire Group, including SSC. The 5-year facilities included a EUR 352 million facility (plus a EUR 150 million accordion option) and a GBP 100 million facility for SSC. In 2020 the two facilities were merged into one new EUR 463 million facility agreement (plus 150 million accordion option). The Bakkafrøst Group's interest-bearing debt amounted to DKK 1,753 million at the end of 2020, compared with DKK 1,019 million at year-end 2019. The Group had undrawn credit facilities of DKK 1,677 million at the end of 2020.

The Bakkafrøst Group made a profit of DKK 463 million for 2020, compared with DKK 802 million for 2019. Bakkafrøst's equity ratio was 66% at the end of 2020, compared to 65% at the end of 2019.

The management of Bakkafrøst and our dedicated and talented employees look forward to an exciting year ahead of us.

Outlook

MARKET

The global harvest of Atlantic salmon was 10.8% higher in Q4 2020, compared to Q4 2019, according to the latest estimate from Kontali Analyse. The market was affected negatively by the market disruption caused by the Covid-19 pandemic.

Looking forward the market dynamics will still be affected by the Covid-19 situation which imposes greater than normal uncertainty on the market development estimates. However, market conditions could improve during 2021 as Covid-19 mass-vaccination progresses in key markets. In Q1 2021, the global harvest of Atlantic salmon is expected to increase around 4%, compared to Q1 2020. In 2021, the global harvest of salmon is expected to increase around 2-3%, compared to 2020. Due to the effects of inventory movements, the market supply of salmon in 2021 is expected to increase around 5-6%, compared to 2020.

The increase in supply of salmon in 2021 is mainly expected to occur during the first half of the year. During the second half of 2021, the global supply of salmon is expected to be tight due to the growth in global harvest volumes being forecasted below 1%, according to Kontali Analyse.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia. The Covid-19 pandemic has caused global market disruptions and a shift from foodservice to retail. These changes will remain for some time. However, some normalisation of the market situation is expected

during 2021. It is uncertain what “new normal” the market will settle at, once the Covid-19 pandemic has passed. During the pandemic, new and innovative business models have emerged, especially in food service, and it is not unlikely that some of these are here to stay. Due to our highly flexible value chain, Bakkafrost is well positioned to adapt to these changes. Bakkafrost also maintains a strong focus on ensuring a well-balanced flow to the different markets to increase diversification and mitigate the market risk.

FARMING

Overall, the biological performance of the harvested fish in the Faroe Islands has been strong during Q4 2020. The growth has been strong with very low feed conversion ratio. The quality of the harvested fish has improved even more and is exceptionally high. Mortality, mainly linked to sea lice treatments, has been somewhat higher than normal and this is an area of priority for 2021.

The average size of transferred smolt continues to increase in the Faroe Islands, and Bakkafrost is well on track in pursuing the large-smolt strategy. In Q4 2020, the average weight of the transferred smolt was 343g and is expected to increase to around 400g in 2021 and 500g in 2022. The main driver behind this development is the massively increased production capacity delivered by the Strond hatchery which is in full operation producing large and high-quality smolts. To add further capacity, expansion of the existing hatcheries at Norðtoftir and Glyvradalur have commenced. As these expansions are made to already existing hatcheries, the increased production output will be available in 2022, enabling Bakkafrost to produce 20 million smolts of 500g in the Faroe Islands.

The farming operation in Scotland is gradually improving, however the second half of the year is in general a more challenging period in the Scottish farming operation. In Q4 2020, the mortality has been exceptionally high in some farming

sites. Challenging 3rd and 4th quarters may be expected for the next couple of years but with gradually reduced severity as the large-smolt strategy is being implemented in the Scottish farming operation. Once fully implemented, the large-smolt strategy will be a game changer for the farming operation. To achieve this, Bakkafrost plans to invest in 3 large hatcheries in the coming years to become self-sufficient with large smolts.

Bakkafrost focuses on reducing biological risk continuously and has over the past years made significant investments to diminish this risk, but also to improve efficiency and ensures sustainable growth. The large-smolt strategy occupies a central role in this in the Faroe Islands as well as in Scotland.

Bakkafrost expects to release around 14.5 million smolts in 2021 in the Faroe Islands, compared to 14.3 million smolts in 2020, 12.7 million smolts in 2019 and 12.6 million smolts in 2018. The smolt release in Scotland is expected to be 11.0 million smolts in 2021, compared to 10.4 million smolts in 2020, 12.4 million smolts in 2019 and 8.6 million smolts in 2018. The number and average weight of smolts released are key elements of predicting Bakkafrost's future production.

Bakkafrost's harvest volumes for 2021 in the Faroe Islands are expected to be 66,000 tonnes gutted weight and 40,000 tonnes gutted weight in Scotland. Hence the total harvest volume is expected to be 106,000 tonnes gutted weight, compared with 85,686 tonnes harvested in 2020.

The estimates for harvest volumes and smolt releases in both geographies are dependent on the biological development.

VAP (VALUE ADDED PRODUCTS)

Bakkafrost has made large investments in building a highly flexible value chain which includes a state-of-the-art VAP factory with high capacity. This enables Bakkafrost to adapt well to the rapidly changing market situations, which is a



great advantage during market disruptions as the one seen during the Covid-19 pandemic. Due to the flexibility and large capacity of the VAP factory, Bakkafrøst has been able to meet the significantly increased demand from the retail segment by redirecting volumes into the VAP segment.

For 2021 Bakkafrøst has signed contracts covering around 28% of the expected harvest volumes in the Faroe Islands and Scotland combined. Bakkafrøst's long-term strategy is to sell around 40% of the harvested volumes of salmon as VAP products at contracts.

The contracts are at fixed prices, based on the salmon forward prices at the time they are agreed and the expectations for the salmon spot price for the contract period. The contracts last for 6 to 12 months.

FOF (FISHMEAL, OIL AND FEED)

The outlook for the production of fishmeal and fish oil is dependent on the availability of raw material.

The ICES 2021 recommendation for blue whiting is 929 thousand tonnes, which is a 20% reduction from the recommendation for 2020. As of 30. December 2020 the Marine Stew-

ardship Council (MSC) has suspended the certification of all Atlanto-Scandian blue whiting. During 2020, Bakkafrøst has built up inventory of certified fish meal to ensure continued ASC-certification of the Faroese farming sites in 2021.

Bakkafrøst expects a decrease in production volumes of fishmeal and fish oil in 2021, compared to 2020.

Havsbrún's sales of fish feed for 2021 is expected to be 120,000 tonnes, depending on external sales.

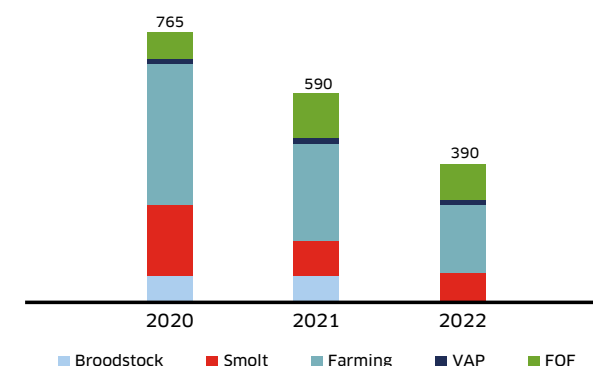
The major market for Havsbrún's fish feed is the local Faroese market, including Bakkafrøst FO's internal use of fish feed, and the feed used in the Scottish farming operation.

INVESTMENTS

Bakkafrøst's investment programme for the period from 2020 to 2022 in the Faroe Islands, will amount to around DKK 1.8 billion, including maintenance capex, and will reinforce Bakkafrøst's integrated business model and ensure

Fig. 1

INVESTMENT PLAN (MDKK)



a capacity across the value chain to be able to produce 100,000 tonnes gutted weight of salmon in the Faroe Islands. The aim of the investment programme is to minimize the biological risk, increase efficiency and create sustainable organic growth. Bakkafrost's focus on producing larger smolts plays a key role in achieving this goal.

All in all, Bakkafrost is on track with the investment programme. The hatchery at Strond is finalized, and the expansion of the hatcheries at Norðtoftir and Glyvradalur has commenced. As these expansions are made to existing hatcheries in operation, the added capacity will materialize in increased output sooner, compared to if they were greenfield projects. Hence the increased production from these hatcheries will emerge from early 2022.

In Q2 2020, Bakkafrost commissioned a new 7,000 m³ well boat with hybrid technology to reduce the carbon emission and ensure optimal energy consumption. The vessel will be delivered in H1 2022 and will play an important role in Bakkafrost's large-smolt strategy and plans to grow beyond 100,000 tonnes in the Faroe Islands with offshore farming, as well as adding freshwater treatment capacity.

Bakkafrost's recently finished Biogas plant is an important stepping-stone on Bakkafrost's sustainable growth path, as it delivers an efficient and sustainable solution to waste management. By converting the growing biological waste from the increasing operation into clean energy, the biogas plant alone is expected to save the environment from 11,000 tonnes of CO₂ per year. The Biogas plant is now operational, supplying electricity into the Faroese electricity grid as well as providing heating for the residents in Tórshavn, the capital of the Faroe Islands.

In addition to the planned investments in the value chain in the Faroe Islands, Bakkafrost expects to make investments of around DKK 350-400 million per year for 2020-2024 in the

Scottish operation. A significant part of this will be invested in building 3 large hatcheries to increase smolt capacity and become selfsufficient with large smolt. The first of these hatcheries will be the Applecross hatchery, which is being expanded and equipped with RAS technology. Other suitable sites for the next 2 large hatcheries are currently being investigated.

FINANCIAL

Despite the uncertainties imposed by the Covid-19 pandemic, long term development in the world market for salmon products will most likely remain favourable for Bakkafrost. Bakkafrost has a long value chain and a cost-efficient production of high-quality salmon products and will likely maintain the financial flexibility going forward.

During Q4 2019, Bakkafrost refinanced its bank facilities amounting to 352 million EUR with a further accordion option of 150 mEUR. In addition, bank facilities amounting to 100 million GBP were ensured to refinance The Scottish Salmon Company. In 2020 the two facilities were merged into one new EUR 463 million facility agreement (plus 150 million accordion option).

A high equity ratio together with Bakkafrost's bank financing, makes Bakkafrost's financial situation strong. This enables Bakkafrost to carry out its investment plans in the Faroe Islands as well as in Scotland, hereby strengthening the Group, enabling M&A activity and organic growth opportunities as well as to fulfil its unchanged dividend policy in the future.

Covid-19 pandemic

Bakkafrost plays an important role in ensuring healthy food for the world's growing population, and this role is especially important in the difficult times the world is facing at present.

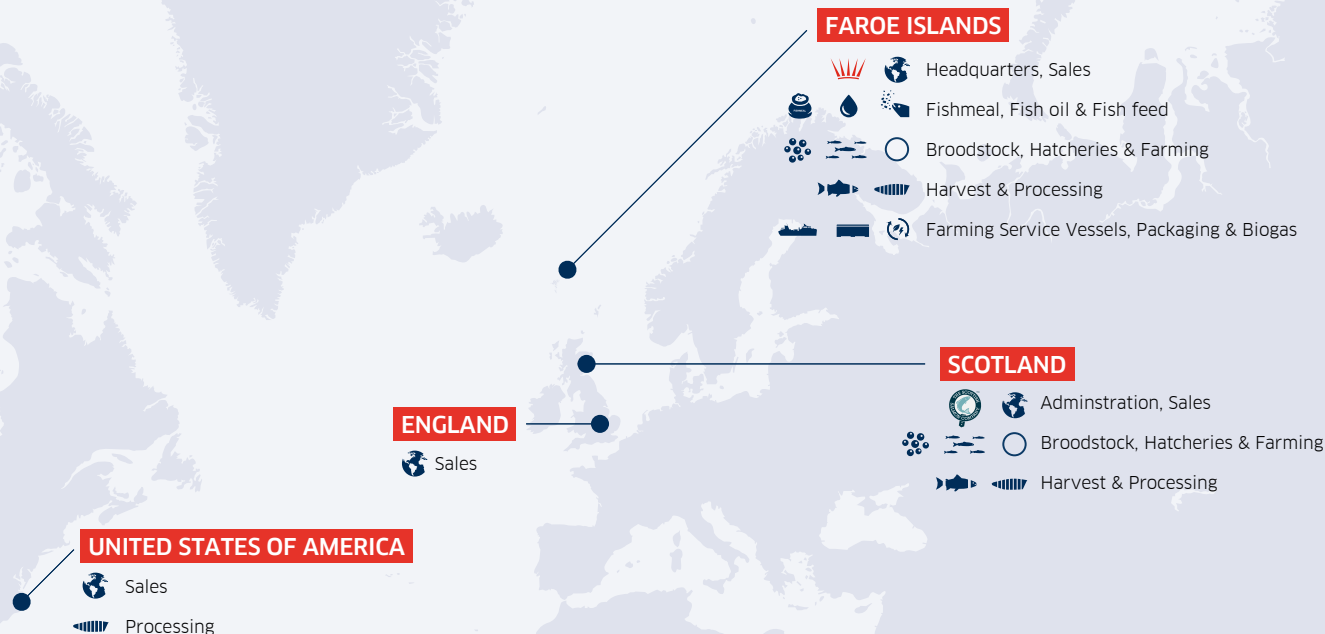
During the Covid-19 pandemic, Bakkafrost's ability to operate in the Faroe Islands has not been affected by the pan-

demic, and the operation in Scotland has been only mildly affected. A range of preventive measures have been implemented to protect our workforce and ensure continuous production. New procedures and social distancing and working from home are implemented widely in the business, and production and office facilities have been modified where necessary to prevent infection. In the Faroe Islands, all our employees have been offered regular free Covid-19 screening by health professionals.

As the market situation is significantly affected by the Covid-19 pandemic, Bakkafrost is taking all necessary steps to protect the business and constantly adapts to the changing market conditions and shifting demands from customers.



Bakkafrost at a Glance



LEGEND TO MAP SYMBOLS

	FISHMEAL		BROODSTOCK		HARVESTING		FSV (FARMING SERVICE VESSELS)
	FISH OIL		HATCHERIES		PROCESSING		PACKAGING
	FISH FEED		FARMING		SALES		BIOGAS



BAKKAFROST

Salmon, packaging, fishmeal, fish oil and fish feed producer

Location: Faroe Islands

Headquarters: Glyvrrar, Eysturoy

Production and business-to-business sale: salmon, fishmeal, fish oil and fish feed

Longest integrated value chain in the industry

Listed on: Oslo Børs with ticker code BAKKA

Facilities and locations





Key Figures

Fig. 2

(DKK 1,000)					
Income Statement	2020	2019	2018	2017	2016
Operating revenues	4,651,892	4,511,107	3,177,422	3,770,049	3,202,686
Operational EBIT *	621,158	1,325,100	1,074,912	1,377,647	1,164,953
Operational EBITDA *	1,067,923	1,635,215	1,273,810	1,561,237	1,298,214
Earnings before interest and taxes (EBIT)	691,123	1,019,217	1,184,233	649,104	1,673,587
Earnings before taxes (EBT)	625,984	981,916	1,172,066	623,884	1,632,614
Net earnings	462,845	801,885	960,292	511,402	1,338,887
Earnings per share before fair value adjustments of biomass and provision for onerous contracts (DKK)	6.20	19.04	16.44	21.08	17.57
Earnings per share after fair value adjustments of biomass and provision for onerous contracts (DKK)	7.83	15.53	19.74	10.52	27.56
Statement of Financial Position					
Total non-current assets	9,224,680	8,670,109	3,396,036	3,023,807	2,567,212
Total current assets	3,983,644	4,431,296	2,406,487	2,131,709	2,850,904
TOTAL ASSETS	13,208,324	13,101,405	5,802,523	5,155,516	5,418,116
Total equity	8,729,487	8,496,875	4,077,029	3,626,429	3,549,035
Total liabilities	4,478,837	4,604,530	1,725,494	1,529,087	1,869,081
TOTAL EQUITY AND LIABILITIES	13,208,324	13,101,405	5,802,523	5,155,516	5,418,116
Net interest-bearing debt	1,752,751	1,018,685	495,479	258,070	635,266
Equity share	66%	65%	70%	70%	66%

*Aligned for fair value adjustments of biomass, onerous contracts provision, income from associates, revenue tax and other non-operating related adjustments

Main Events



January

- Start production of salmon meal and salmon oil from salmon guts

March

- Launches third sustainability report
- Contract signed for construction of a new hatchery at Norðtoftir with capacity to produce 3.5 million smolt of 500g
- Compulsory acquisition of remaining 4.5% of the shares in SSC is completed and the company delisted from Oslo Børs
- New biogas plant starts receiving organic waste



June

- Signed agreement with the Environmental Agency to develop and build a green catamaran work boat
- New feed barge is delivered to A72 Haraldsund



August

- First biogas produced at the new biogas plant
- Heavy rainfall in the area around Loch Striven causes high mortality in the sites at Loch Striven

October

- Bakkafrøst scores above industry average in employee survey 2021

November

- Receives ASC certification for the last farming site and is now 100% ASC certified in the Faroe Islands
- Bakkafrøst ranked 3rd in Collier Fair Protein Producer Index and ranked as "low risk" for investors
- Bakkafrøst nominated finalist in the two categories "Business Leader of the Year" and "Circular Economy Innovation of the Year" at the edie Sustainability Leaders Awards 2021



February

- Sign contracts for construction of two new work boats
- Severe storm hits the Faroe Islands. Bakkafrøst loses 1.2 million fish

April

- Commissioning a 7,000 m3 live-fish carrier to be built by the Sefine shipyard in Turkey. Delivery in H1 2022
- Beginning offering bi-weekly Covid-19 screening to employees in the Faroe Islands
- SSC becomes the first salmon producer in Europe to be recognised with a 4-star BAP certification



July

- Book about Bakkafrøst's history is published
- Construction of the new shore base at A12 Kunoyarnes is finished

September

- Groundwork for new broodstock facility in Skálavík is sent out for tender / RfP
- First 100 orders received in Bakkafrøst US' new B2C webshop
- First orders for the new smokery are received
- The biogas plant sells the first kWh's of renewable electricity



December

- Production begins at Bakkafrøst's new processing facility in New Jersey, US, which is now complete
- The keel laying for the new live-fish carrier is complete.

STRATEGY



Business Objectives and Strategy

VISION

To be a world-class company in the salmon industry

MISSION

To produce healthy world-class salmon

VALUES

To be responsible, respectful, persistent, efficient and ambitious

Bakkafrost's vision is to be a world-class company in the salmon industry. Our mission is to produce healthy world-class salmon to meet the world's growing demand for sustainably and responsibly produced protein and essential fatty acids.

Bakkafrost's experience within the seafood industry dates back to 1968, and since then, our priority has been to run a healthy, attractive and competitive cost-conscious salmon farming group.

Our strategy is focused on sustainable value creation. This extends beyond healthy financial returns, to the strength, capability and reputation of the business, the quality of our workforce, and collective social and environmental wellbeing. We recognize that by investing in the health of our business, our people, our salmon, the environment and the communities in which we operate, we will be in a better position to achieve this.

Today, our seven financial and non-financial strategic objectives are:

• Development & Growth

We strive for a continuous market driven increase and development in feed, farming, production and sales, in addition to other potential prospects for growth.

• Efficiency & Creating value

We are dedicated to optimizing the total value chain – from feed to finished product – and utilizing the benefits of competitive advantages throughout the value chain.

• Food safety & Top quality

We aim at delivering products that match or exceed the requirements of our customers.

• Sustainability

We are committed to securing a long-term sustainable increase in production, while balancing animal welfare and a cost-conscious production. See our sustainability report www.bakkafrost.com/sustainability for more information on our progress in 2020.

• Biological security

Fish health, fish welfare and the prevention of diseases are areas of vital importance to us. We aim at farming salmon in a sustainable environment securing the welfare and wellbeing of the salmon. See our sustainability report www.bakkafrost.com/sustainability for more information on our progress in 2020.

• Attractive company culture

We are dedicated to creating an interesting place of work, promoting dialogue and making room for different points of view to find the best solutions.

• Sales & Marketing

We are focused on maintaining and strengthening our position in the marketplace as a reliable partner and supplier of healthy and nutritious salmon products. These priorities shape our actions with the purpose of creating value to our customers and shareholders. Furthermore, we aim at contributing to the society and continue pursuing the company's growth strategy.

Our core values, which support our performance and guide our behaviour, reflect our commitment to creating long-term value for our customers, shareholders and the society by acting responsibly, showing respect, and being persistent, efficient and ambitious.

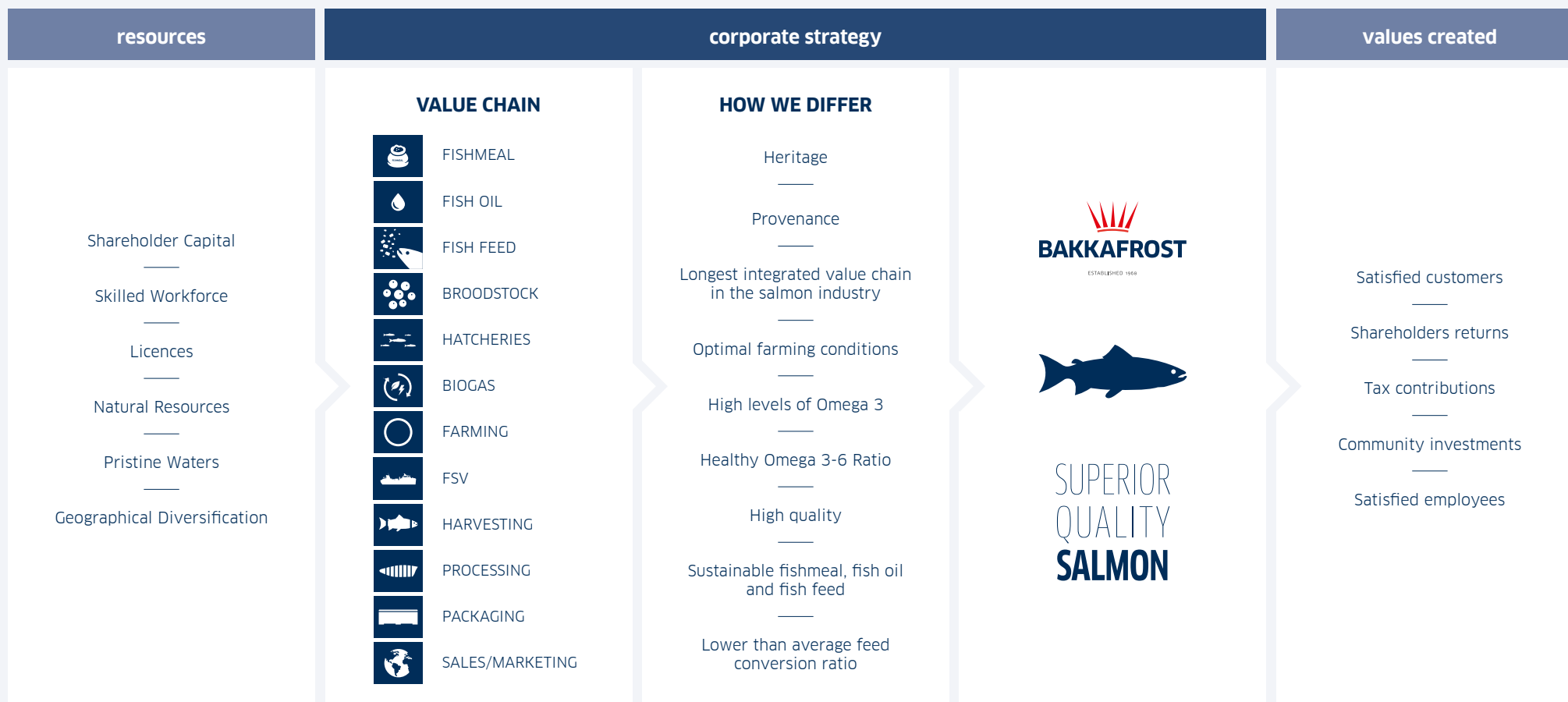
In 2020, we reviewed our corporate strategy and aligned our strategic objectives with our Healthy Living Plan, outlined in our sustainability report.



Business Model

Bakkafrost is probably the most vertically integrated salmon farming company in the world, which gives Bakkafrost full control and responsibility over all aspects of production. This enables Bakkafrost to have optimal control over the quality of its salmon and the costs of production.

Fig. 3



Outline of Bakkafrøst's History

For more details on Bakkafrøst's history, please visit www.bakkafrøst.com/about/history

1968

The Bakkafrøst business is established by the two brothers Hans and Róland Jacobsen. The first processing plant is built the same year. The third brother, Martin Jacobsen, joins the company in 1971.

1979

Bakkafrøst starts fish farming activities – one of the first companies in the Faroe Islands to do so.

1995

Bakkafrøst builds a factory for value adding salmon at Glyvvar. Although the investment is limited and the capacity is low, this is Bakkafrøst's starting point of value-added salmon production.

2006

The Bakkafrøst Group grows through acquisitions and mergers with several farming companies. Bakkafrøst's farming operation increases significantly, both on land and at sea.

2010

The shareholders of Bakkafrøst and Vestlax agree to merge the companies. Vestlax Group's shareholders agree to be remunerated in Bakkafrøst shares. The Vestlax Group is a farming company with a harvest factory in Kollafjørður. The Bakkafrøst Group is an integrated farming company, ranging from smolt production, fish farming, production of packaging materials to finished VAP products and Sales.

Bakkafrøst is listed on Oslo Børs and broadens its shareholder base. In addition to local Faroese investors, the company is now owned by international investors from all over Europe and the USA.

2011

Bakkafrøst acquires P/F Havsbrún, a modern, internationally renowned producer of fishmeal, fish oil and fish feed, situated in the Faroe Islands.

2013

Bakkafrøst announces its five-year investment plan to make the onshore operation more efficient, to increase organic growth and to reduce the biological risk.

2016

Bakkafrøst updates a new five-year investment plan with the same goals as in 2013. Bakkafrøst enhances the onshore operation and aims at producing 500 grams smolt by 2020.

2017

Bakkafrøst's new harvest/VAP factory and the headquarters in Glyvvar are finished. The public is invited to visit the facilities in September.

FSVs Martin and Róland start operation.

2018

Bakkafrøst starts the integration of the Faroese broodstock programme. Bakkafrøst's new hatchery at Strond starts operation. Bakkafrøst closes the acquisition of the business and assets in the US salmon importer North Landing.

Bakkafrøst updates the investment programme for 2018-2022 focusing on growth to 100,000 tgr in the Faroe Islands.

2019

Bakkafrøst acquires The Scottish Salmon Company PLC, an integrated salmon farming business in Scotland with focus on traceability and total supply chain integrity.

Bakkafrøst issued new shares for the first time since listing on Oslo Børs to finance the acquisition.

The Value Chain

The Bakkafrøst Group controls the entire value chain from own production of fishmeal, fish oil and fish feed to sales and marketing of finished VAP products. Control of the entire value chain is considered important to ensure availability, traceability and to be able to control the product flow daily. Both customers and processing facilities depend on a daily availability of salmon and depend entirely on a steady flow of harvested fish.

The quality of the salmon is the result of the whole operation, from production of fishmeal and fish oil to the processing of the salmon. The documentation and traceability from the finished product back to the raw material in the feed and the salmon eggs is important for the customers and therefore important to Bakkafrøst.

The control of the entire value chain enables Bakkafrøst to make long-term delivery contracts and long-term customer relationships without being dependent on any third party to ensure the quality and predictability of the deliveries. It

further enables better utilization of the facilities throughout the value chain and prevents sub-optimization between cost centres.

Bakkafrøst continues to improve, adjust and extend the value chain on an ongoing basis. In 2018, broodstock and biogas were added to the value chain. And in 2019, Bakkafrøst acquired The Scottish Salmon Company, which is a good fit and a considerable addition, to the following parts of our value chain; Broodstock, Hatcheries, Farming, FSV, Harvesting, Processing and Sales.

Fig. 4

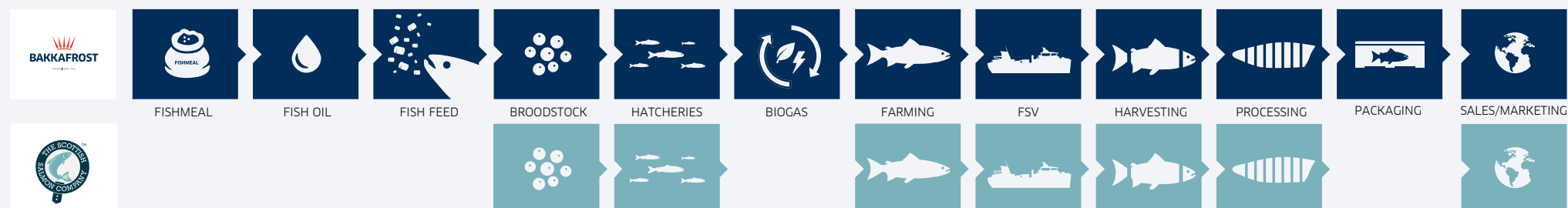
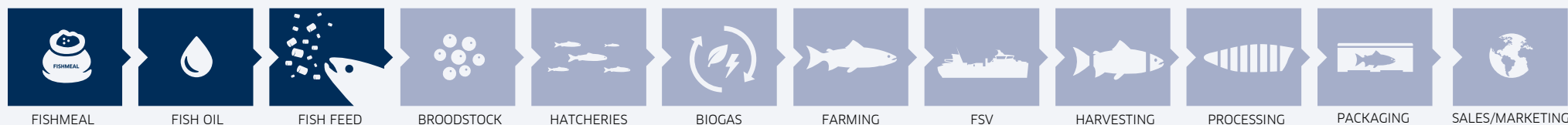


Fig. 5



FISHMEAL, FISH OIL AND FISH FEED

Bakkafrost sources fish materials to produce fishmeal and fish oil. This is mainly based on various pelagic species. In addition to whole fish, we also utilize co-products of fish destined for direct human consumption such as fish trimmings and fish silage. The demands to high quality fish material combined with our processing technology enables us to manufacture top-quality fishmeal, fish oil and fish feed. Fishmeal is rich in protein with a balanced amino acid profile which makes it an ideal ingredient in fish feed. Fish oil is a great source of energy and contains the essential and health beneficial long-chain omega-3 fatty acids. The fish material comes mainly from Faroese vessels and fish processing factories as well as foreign vessels operating in the North Atlantic.

As producers of our own high-quality fish feed ingredients, Havsbrún is uniquely positioned to select the very best fishmeal and fish oil for our feed production. The fish species which we transform to fishmeal and fish oil constitutes a part of the natural food sources which salmon feed on in the wild. Thus, the main ingredients in our dietary feed composition provides a foundation for good growth for the salmon in our farmed salmon.

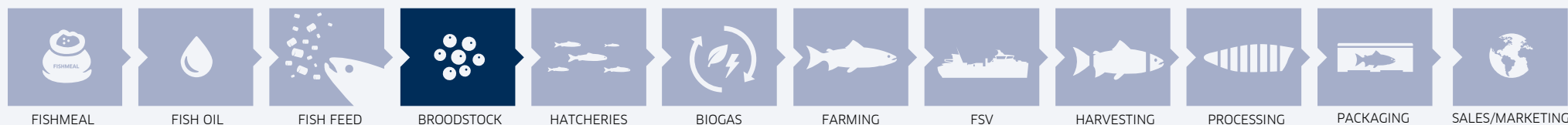
Before the fish oil is included in our feed it has undergone a carbon cleansing filtration to minimize the content of Dioxin and Dioxin-Like-PCBs (DL-PCBs). Dioxin and DL-PCBs can be detected in a variety of foods. Limits for the content of these environmental pollutants are strictly regulated. Prior to the implementation of using carbon filtered fish oil, results from the surveillance program of Faroese salmon conducted by the Faroese Food and Veterinary Authority found that levels of these pollutants were far below all assigned limits. However, we have chosen to strengthen the product position of the Bakkafrost brand on the market with a differentiated healthy salmon product by, among other things, exclusively using carbon filtered fish oil in our Havsbrún feed.

We are dedicated to maintain a high marine profile in the fish feed, aiming at keeping the salmon's diet as close as possible to the natural diet of the wild salmon to create a nutritious and superior Bakkafrost product for end customers.

It is important to us, that the raw materials for our feed production are responsibly sourced. We strongly prioritise only using raw materials that are sustainably certified in the feed production for our salmon. In 2020 all Bakkafrost salmon was fed on feed produced from sustainably certified raw material only.

- **450 tonnes of fishmeal daily capacity**
- **300 tonnes of fish oil daily capacity**
- **700 tonnes of fish feed daily capacity**

Fig. 6



BROODSTOCK

Native Faroese broodstock programme

In April 2018, Bakkafrøst took full ownership and responsibility of the Faroese broodstock programme. Bakkafrøst has the option to obtain the genome rights in 2021.

The broodstock programme is part of our strategy to maximize biosecurity, breeding and genetics, and to have the longest integrated value chain in the industry.

The programme will enable accelerated development of more resilient roe – reducing risks of disease in farmed salmon – but also protect the intellectual capital in the Faroe Islands, which has been built up over the years with the programme. The investment into new infrastructure at a new site on the island of Sandoy, will provide the necessary conditions for the programme to be fully developed with a highly skilled team of employees.

The breeding programme was resurrected in 2016 with support from the Government of the Faroe Islands, using the remaining Faroese salmon. 1,200 families were created, 300 families for each year in a 4-year generation interval.

The selective breeding program is using targeted mating to concentrate the following important traits: growth, quality and disease resistance.

Native Hebridean broodstock programme

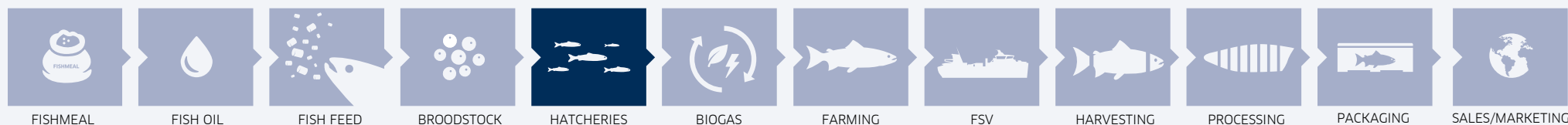
In Scotland, the Group operates a unique Native Hebridean broodstock programme producing pure Scottish Island salmon, originally bred from wild stock and farmed only in Hebridean waters which results in a strong, lean and noticeably firmer salmon than other Atlantic salmon.

The broodstock programme is managed from our Langass facility in North Uist with broodstock reared under an out-sourced arrangement with a third party.

The Native Hebridean broodstock programme has the capacity to produce 6 million eggs with proposed investment to increase to 10 million eggs per year.

- **Native Faroese broodstock programme taken over in 2018**
- **Native Faroese genome rights in 2021**
- **New Native Faroese broodstock facility in Skálavík in 2023**
- **Native Hebridean broodstock annual capacity to produce 6 million eggs**

Fig. 7



HATCHERIES

Hatcheries in the Faroe Islands

The Bakkafrøst Group operates six hatcheries in the Faroe Islands. 14.3 million smolts were transferred to sea in 2020 at an average weight of 318g. This will increase during 2021 to 14.5 million smolts at 370g per year.

Bakkafrøst purchases salmon eggs externally. The capacity of the suppliers is sufficient to meet the current and future need of eggs.

The vitality of the fish is important. Therefore, the selection of the best genetic properties is vital. The fish's resistance to diseases is an important property of the fish. To ensure access to high-quality eggs, Bakkafrøst's strategy is to buy eggs from selected external suppliers that invest significant efforts and resources to improve product quality and performance.

Bakkafrøst's hatcheries are located in environments with large quantities of clean fresh water, where no villages or industries are competing for the water. This is important, as there is no ground water available in the Faroe Islands. The hatcheries are equipped with closed water circulation systems with biofilters, and the fish tanks are inside buildings in order to limit the effect of external factors, such as weather,

birds and other pollution. Bakkafrøst has highly educated and experienced staff at the hatcheries; some who have been at Bakkafrøst for decades.

Bakkafrøst aims at producing all smolts for release at an average weight of 500 grams by 2022. The benefits are a shorter production time at sea as well as reduced biological risk.

In January 2019, Bakkafrøst announced the plan to increase the capacity of the hatcheries by a total of 30,000m³. This will be achieved by increasing the capacity of our current hatchery sites in Norðtoftir and Glyvradalur to begin operation in 2022. In addition, we plan to build a new hatchery at Ónavík in Suðuroy. This hatchery is expected to have an annual production capacity of around 3 million smolts.

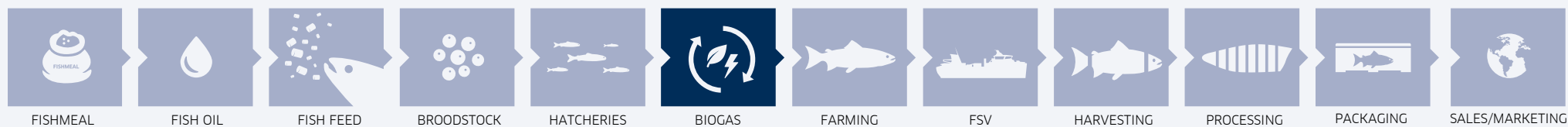
Hatcheries in Scotland

In Scotland, the Bakkafrøst Group operates 11 older fresh-water hatcheries. Bakkafrøst intends to replace these with 3 large and modern hatcheries with RAS technology over the next 3 years or so. The first of these hatcheries will be the Applecross hatchery. Other suitable sites for the next 2 large hatcheries are currently being investigated.

The annual capacity of our hatcheries in Scotland is circa 8 million smolts with an average size of just over 90g.

- **The new hatchery at Strond in the Faroe Islands is now fully operational, 9 million smolt at 500 grams**
- **Increased capacity in 2023 at Norðtoftir and Glyvradalur, 9.1 million smolt at 500 grams**
- **Increased capacity in 2023 at Applecross, 11 million smolt at 250 grams**

Fig. 8



BIOGAS

The new biogas plant will use waste products from our farms and other fish and dairy farmers to produce renewable energy and fertilizer. The process works by breaking down the organic matter in the biomass into smaller molecules through anaerobic digestion. Upon completion of this process, the biomass is converted into biogas, namely carbon dioxide and methane (the latter which is used for renewable energy production), and digestate (which is used as fertilizer).

When in operation, the plant has the capacity to convert up to 45-50,000 tonnes annually of all waste from farms, providing enough renewable heat for 400 homes and electricity for 1,900 homes with the current input predicted.

This is projected to save 11,000 tonnes of CO₂ emissions (based on the equivalent fossil fuel replacement) annually.

As well as producing renewable energy, it will produce 45-50,000 tonnes of natural liquid fertilizer annually, which will be redistributed to farmers across the islands, free of charge. The fertilizer's higher absorption potential is expected to decrease runoff into fjords.

The renewable energy produced will feed into the national grid, contributing to the Faroe Islands' national target to have 100% electricity from renewable sources by 2030.

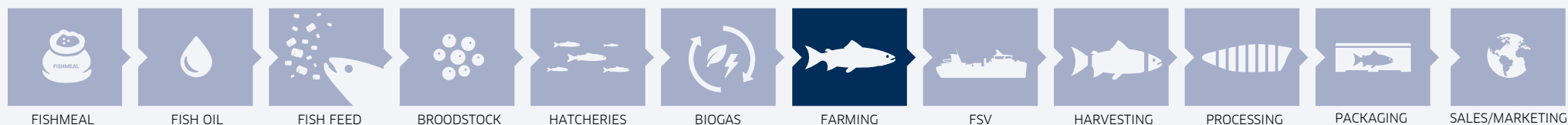
Construction of the biogas plant started in 2019, and the plant was operational in the summer of 2020.

Our ambitious investment strategy focusses on efficient growth to meet the growing demand for sustainably produced protein. This includes advancing circular solutions such as this one, which reduce waste, reduce and avoid CO₂ emissions, and stimulate sustainability through other industries.

- **New biogas plant operational in the summer of 2020**
- **45-50,000 tonnes of natural liquid fertilizer annual estimated production**



Fig. 9



FARMING

The main goal of the farming operation is to produce salmon at a low feed conversion rate and with low mortality. To reach this goal, Bakkafrøst believes the environment is important, and therefore does its utmost to create and maintain a healthy environment for the fish. Following national regulations, environmental investigations are undertaken each year by external agencies at each farming location. The result of each survey becomes input data used in the tactical planning to achieve the best environmental and sustainable farming results possible.

Farming in the Faroe Islands

Bakkafrøst's 19 salmon farming sites in operation in 2020 extend across 17 of the islands' fjords and benefit from excellent water quality and circulation due to strong currents and cool steady sea temperatures.

The fish are kept, fed and nurtured in large sea pens, providing the fish with abundant space to grow for a period of 16–18 months. During this period, the fish grow from around 300g+ up to target weight of about 6.0–6.5 kg wfe. This target weight is considered to provide an optimal breakdown/

mix of sizes in order to serve both the fresh fish market and the internal VAP production.

As a rule, the larger fish are distributed as fresh fish and the smaller fish are used as raw material in the VAP production. The fish are fed several times a day, and the feed consumption is monitored continuously.

During the entire production period, each generation is kept in a separate fjord, and after all locations in a fjord have been harvested, the fjord is set aside for 2–4 months before a new generation is released.

Farming in Scotland

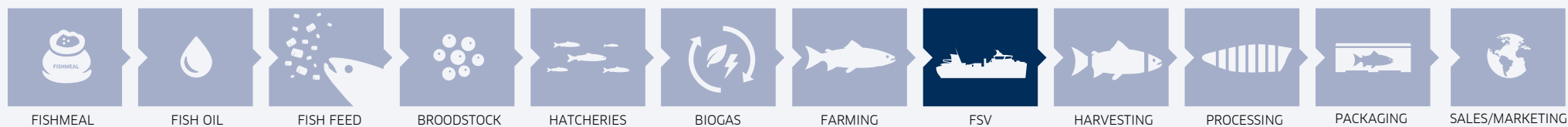
The Bakkafrøst Group operates 44 marine sites in the unique natural environment of the West Coast of Scotland and the Hebridean Islands with 74,765 tonnes of current permitted licence volume.

The fish are kept, fed and nurtured in large sea pens, providing the fish with abundant space to grow for a period of around 18–24 months. During this period, the fish grows from around 90g up to average target weight of about 5.0 kg wfe.

After total harvest the site is set aside for 2+ months before a new generation is released

- **19 farming sites in operation across 17 fjords in the Faroe Islands**
- **44 farming sites in operation across the West Coast of Scotland and the Hebridean Islands**

Fig. 10



FARMING SERVICE VESSELS (FSV)

FSV in the Faroe Islands

Bakkafrost's FSV fleet in the Faroe Islands consist of six vessels: Four live fish carriers and two service vessels.

The live fish carrier fleet again consists of two vessels for smolt transport and two vessels for transportation of fish to harvest.

Of the two vessels for transportation of fish to harvest, one is a medium size live fish carrier (660m³/110 tonnes wfe) and one is a large live fish carrier (3,500m³/450 tonnes wfe) equipped with the latest technology and both with closed systems. In addition to transporting fish to harvest, the larger live fish carrier is equipped for treatment of the fish in fresh water.

The two service vessels are equipped with various non-medical systems for lice-treatment, systems for net-cleaning and are also equipped to do other operations.

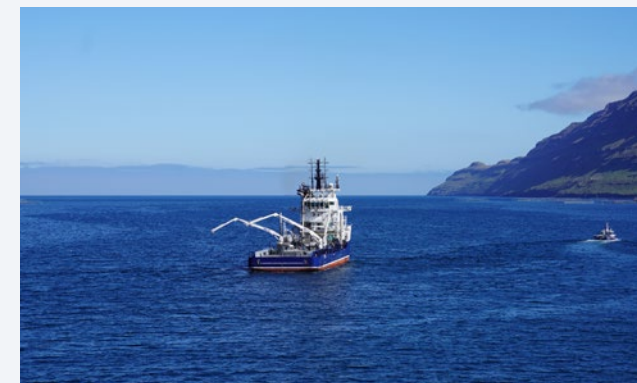
As part of the company's strategy to produce larger quantities of sustainable farmed salmon, Bakkafrost has ordered a new wellboat. The wellboat is built at the Sefine shipyard in Turkey and is expected to be completed in 2022.

The new wellboat is 109 meters long and 22 meters wide. It has a capacity of 10.000 m³, where the four wells have a total capacity of 7.000 m³ of seawater, and the tanks have a total capacity of 3.000 m³ of freshwater. The vessel has a capacity of 1.000 tons of salmon.

Bakkafrost is continually seeking to improve methods for de-lousing without using any chemicals and creating lowest possible stress on the salmon.

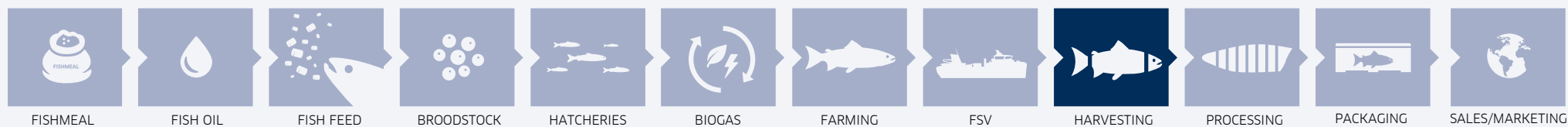
FSV in Scotland

In Scotland the Bakkafrost Group operates a fleet of six vessels, four wellboats and two large workboats all under long term charter agreements along with a fleet of smaller vessels for site operations which are largely owned.



- **6 farming service vessels (including 4 live fish carriers and 2 large work boats) in the Faroe Islands**
- **6 farming service vessels (including 4 live fish carriers and 2 large work boats) in Scotland**
- **New farming service vessel to support biosecurity strategy in 2022**

Fig. 11



HARVESTING

Harvesting in the Faroe Islands

In the Faroe Islands, all Bakkafrost's fish is harvested at the harvest factories in Glyvvar and Vágur. The harvest factory in Glyvvar has a daily capacity of around 350 tonnes wfe at the current run rate with one shift on average but can increase the daily capacity by 100-150 tonnes wfe. The harvest factory in Vágur has a daily capacity of 100 tonnes wfe.

The fish is transported from the farming sites to the harvest factory in live fish carriers with closed water systems.

Harvesting in Scotland

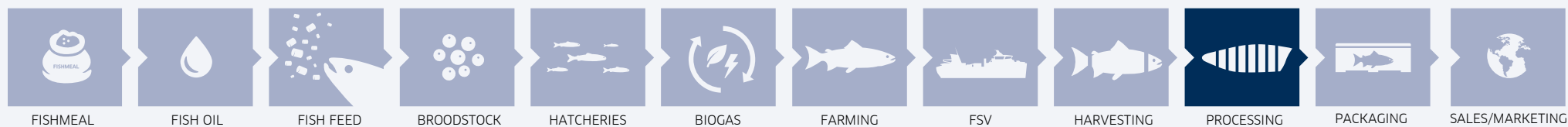
The Bakkafrost Group operates two harvest stations, Arnish Point in the North of Scotland and Ardyne in the South. The total daily capacity is 266 tonnes.

Fish are transported from the farming sites to the harvest sites in live fish carriers.

- **Total daily harvesting capacity of 450 tonnes wfe in the Faroe Islands, and 266 tonnes in Scotland**



Fig. 12



PROCESSING

Processing in the Faroe Islands

The 4,000m² VAP factory at Glyvrrar has a production capacity of 100 tons of value-added products a day. The primary customers for these products are the supermarket chains and the HoReCa segment.

Another market segment important for the VAP products is industrial customers buying whole fillets for further processing and by-products. This market has been developed during the last decade. The customers in this segment are mainly European or from the Far East.

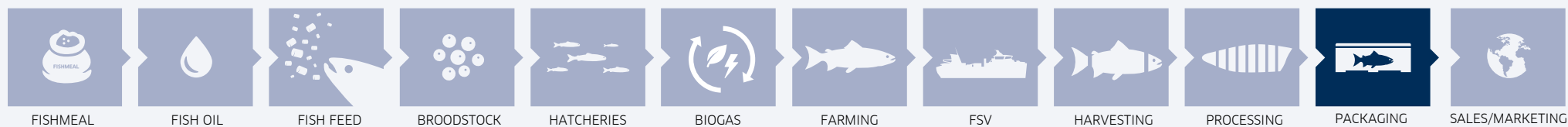
Processing in Scotland

The Bakkafrost Group operates two processing factories, Marybank in the North of Scotland and Cairndow in the South, as well as a Smokehouse in Stornoway. Both processing plants are equipped with pre-rigour filleting, portioning and packaging facilities.

- **40,000 tonnes annual secondary processing capacity in the Faroe Islands**
- **Combined primary and secondary annual capacity in Scotland increases to 50,000 tonnes during 2020**



Fig. 13



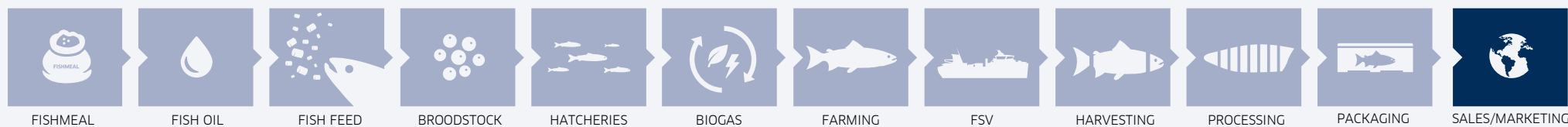
PACKAGING

Bakkafrost has a packaging factory, which is located and integrated into the Glyvvar processing facility. The packaging factory produces styropor boxes for the fresh salmon, both for sea and air freight. The packaging factory at Glyvvar meets all Bakkafrost's need for styropor boxes and has equipment to customize the boxes with logo etc.



- **70,000 tonnes of salmon, annual packaging capacity**

Fig. 14



SALES AND DISTRIBUTION

The Group's strategy is to balance the sales mix between different geographical markets and different product segments. The most important markets are the European, US, Chinese and Russian market. As a rule, the whole fish from the Faroe Islands is sold on the spot market, while the whole fish from Scotland is sold both on the spot market and on long-term contracts. The VAP products are only sold on long-term contracts.

Bakkafrost believes that its capability to serve these geographical markets with the two categories of products efficiently reduces cross-cycle fluctuations in both revenues and profitability.

The strategy is to offer advantages to the larger supermarket chains by securing product availability and stable high quality and preferred products.

Distribution from the Faroe Islands

The current distribution network from the Faroe Islands is based on transportation by ship to Europe and Russia and by plane to the US and China from the UK and/or Denmark. Bakkafrost can distribute both fresh and frozen fish to the various markets.

With the existing distribution network, Bakkafrost can ship products from the Faroe Islands to the UK within 20 hours by ship and to Denmark within 36 hours. From the UK and Denmark, the products are distributed by plane to major airports in the US and China within 24 hours.

Products planned for the European and Russian markets are transported by ship to Denmark or the UK within two days for further distribution on trucks.

Distribution from Scotland

The distribution network from Scotland is based on transportation by Eurotunnel to Europe and by plane to North America, Asia and other export markets from the UK.

- **Markets served:**
 - Western Europe (67%)
 - North America (18%)
 - Asia (8%)
 - Eastern Europe (5%)
 - Other (2%)

PERFORMANCE



Operational Review

FARMING

Bakkafrost holds sea farming licenses in the north-east and south parts of the Faroe Islands as well as licenses in the north-west of Scotland. The licenses give the right to utilize a given area of fjords for farming fish. Farming authorities focus on veterinary and environmental key performing indicators. Yearly reports and plans, approved by the authorities, are requested in order to certify the operation.

The Gulf Stream provides stable farming conditions in the Faroe Islands and Scotland throughout the year as well as excellent water quality. The water temperature in the regions is steady, with a fluctuation of only 6-8 °C during the year. The lowest temperatures, approximately 6 °C, are usually reached in February, and the highest temperatures, approximately 10.5 °C in the Faroe Islands and 14.5 °C in Scotland, are reached in the late summer months.

All farm sites in the Faroe Islands and Scotland are environmentally certified and yearly audited by agencies. Salmon farming in Scotland is one of the most transparent and highly regulated farming sectors in the UK and our sites are regularly audited by a range of bodies, including Marine Scotland, Scottish Environmental Protection Agency (SEPA), Fish Health Inspectorate and Scottish Natural Heritage. SSC are committed to operating transparently and share data on both a compulsory and voluntary basis through a variety of channels including the Scottish Salmon Producers' Organisation (SSPO) and Marine Scotland.

Production plans in the Faroe Islands are approved on a yearly basis by both veterinary and environmental authorities. The biological situation in the Faroe Islands provides the opportunity to grow salmon with a higher-than-average weight, which minimizes unit costs, biological feed conversion rate and gives best in class performance. The excellent biological situation is crucial to maintain production costs at current levels and to maximize returns on invested capital.

COST-CONSCIOUS PRODUCER AND VETERINARY MODEL

In terms of production costs, our farming operation in the Faroe Islands has delivered strong results, compared to peers.

The objective of the Bakkafrost farming method in the Faroe Islands is to increase biological and veterinary security and to support a sustainable and healthy operation, by total separation of salmon generations, vaccination against different diseases (ISA among others), strict regulation of movement of equipment and fish and other regulations. This method continuous to improve fish health and reduce costs.

The farming in Scotland differs in biology and legislation from the farming in the Faroe Islands. It will therefore take time to refine and improve the farming method in Scotland. Also, significant investments across the value chain are needed.

The farming costs have increased in recent years, especially because of increased feed costs and health costs. In the Faroe Islands, farming sites have been moved further out the fjords to more exposed areas, where more expensive equipment is needed. The plan is also to do so in Scotland where possible.

Salmon feed with a high marine content, similar to the diet in the wild, is used in both the Faroes and Scotland, this results in relatively high feed costs. However, benefits are evident in higher production efficiency, this is also impacted by the high standards of animal welfare which have a positive impact on non-feed cost elements.

The health costs mainly relate to treatments against sea lice. From 2015, Bakkafrost has mainly used non-medical treatments, including freshwater, lukewarm sea water and flushing with clean sea water with ambient temperature. These new mechanical treatments resulted in elevated mortality, but after a start-up phase and more experience and better knowledge of the equipment and the treatment methods, the

mortality level has improved, but Bakkafrøst is still working on improving the negative side effects of these mechanical treatments.

In addition to this, Bakkafrøst has used lumpfish at some farming sites to reduce the number of sea lice. The purpose of these initiatives is to maintain a sustainable, cost-conscious farming operation.

INVESTMENTS TO REDUCE BIOLOGICAL RISK

Bakkafrøst has invested DKK 3,9 billion since 2015 in all parts of its value chain. The five-year investment plan from August 2018 amounted to around DKK 3 billion. Around DKK 1.6 billion has been invested in the last two years. In addition to the planned investments in the value chain in the Faroe Islands, Bakkafrøst expects to make investments of around DKK 400 million per year for 2020-2024 in Scotland. Some of these investments, e.g. the Applecross hatchery and processing facility at Marybank, have been initiated while others are at a planning stage.

The goals for the investment plan are to reduce the biological risk, increasing efficiency and giving organic growth.

Around DKK 1 billion will be invested in the smolt operation in the Faroe Islands. The operation in the Faroes is self-supplied with smolt and aims to have an average weight of 500g for all smolts released into the sea. The hatcheries at Norðtoftir and Viðareidí have been expanded and further expansions of the hatchery at Glyvradal and Norðtoftir are in progress. The new hatchery at Strond has also been completed and is in full production. This increases the Faroese smolt capacity substantially. When the added capacity from Glyvradal and Norðtoftir are available the capacity will exceed 20 million smolts with an average weight of 500g.

Bakkafrøst also plans to build a new hatchery in Suðuroy to enable further growth in Bakkafrøst's smolt production.

The average release size of smolt in the Faroe Islands has increased from around 120g in 2014 to around 319g in 2020, corresponding to a 166% increase in size.

The larger smolts will have a positive effect on the biological risk and the future growth potential, as larger smolts will reduce the production time at sea in the farming sites. The plan is also to increase the sizes of smolts in Scotland.

Bakkafrøst has invested in new equipment in the farming operation. Since 2015, Bakkafrøst has acquired three ships, one live fish carrier and two service vessels. In addition, a new 7,000 m3 live fish carrier was commissioned in 2020 for delivery in 2022. Significant amount has also been invested in new equipment at Bakkafrøst's farming sites, e.g. new feeding barges, catamarans and larger pens.

CERTIFICATES

To ensure prime quality, Bakkafrøst has implemented a series of procedures and quality control systems, not only at our own salmon farms and processing plants, but also for our suppliers. All stages of our Faroese production chain are Global G.A.P. compliant. Other certifications include ASC, HACCP, IFS, GMP+, MSC, ISO9001:2008 and BRC. Bakkafrøst is a member of the Global Salmon Initiative (GSI). GSI is focused on three pillars of sustainability: Reducing environmental impact, increasing social contribution and maintaining economic growth.

Bakkafrøst was proud to reach its goal to have all of its farming sites in the Faroe Islands ASC certified by 2020 – the

Fig. 15

MORTALITY % OF OUTPUT FARMING FO

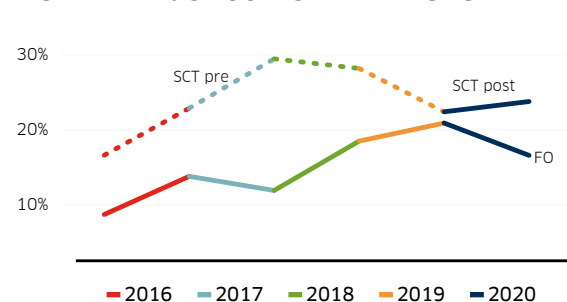


Fig. 16

BIOLOGICAL FEED FACTOR FARMING FO

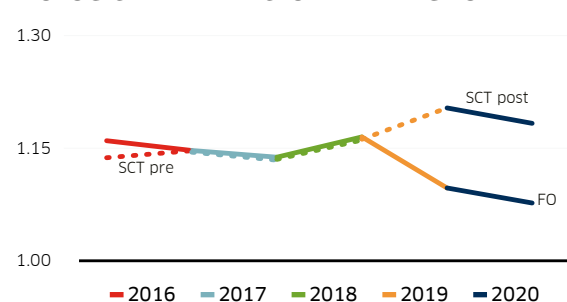


Fig. 17

AVERAGE HARVEST WEIGHT FARMING FO (KG LW)

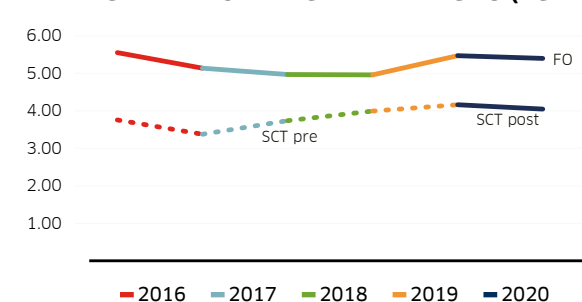
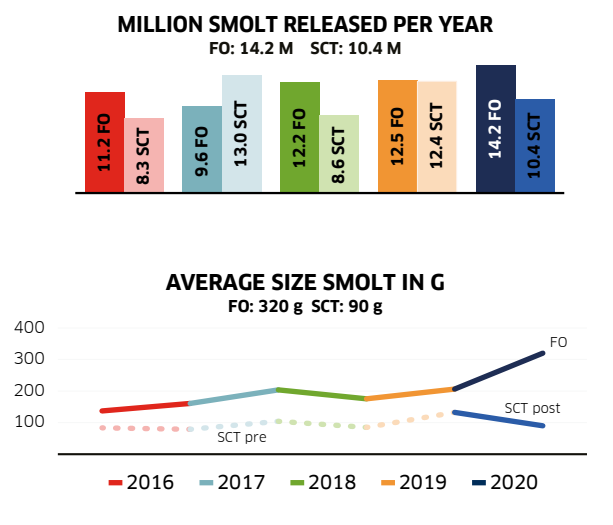


Fig. 18



latest site was certified in November. The ASC standard was developed in cooperation with WWF and is seen as the most stringent standard in the aquaculture industry with requirements regarding fish welfare, sea lice, smolt production, feed production and the environment.

Farming Scotland holds national and international accreditations and certifications across the value chain, including Global G.A.P. Farming Scotland was the first salmon producer in the EU to be awarded 4-star Best Aquaculture Practice (BAP) certification for all its marine and processing sites, as well as the feed suppliers. This is the highest designation in the BAP third-party certification programme. The processing facilities have been awarded the highest level of British Retail Consortium (BRC) Accreditation for food safety, processing and supply chain management.

GEOGRAPHICAL LOCATION

Salmon farms in the Faroe Islands and Scotland are located in areas with attractive qualities for salmon farming in terms of water quality, water temperature and circulation. The Faroese fjords provide separation between locations, which improves biological control and area management. Relatively short distances between farming areas and processing facilities and well-developed infrastructure offer cost-efficient transportation of both feed and fish on land and at sea.

STRONG CUSTOMER BASE IN ALL MAJOR MARKETS

By focusing on meeting existing customers' demands, Bakkafrøst benefits from its long-term relationships with many customers. The relationships with customers have proven to give a competitive advantage through product development and marketing.

Over the past many years Bakkafrøst has developed a differentiated market strategy. This has ensured Bakkafrøst a good market position in the main markets: EU, Asia, US and Eastern Europe.

VAP

Bakkafrøst has a long-term experience in producing and selling value added products (VAP). Bakkafrøst's long-term strategy is that VAP products shall represent around 40% of the Faroese harvested volumes. The sales of VAP products stabilize the Group's earnings, as the sales are based on fixed-price contracts. The contract prices are not as volatile as the spot market prices for fresh salmon. There is a time lag between the increase in the spot prices and a subsequent increase in the contract prices for VAP products. On the other hand, when the spot prices decrease, there is a time lag until the contract prices decrease.

In 2020 47% of the Faroese harvest volumes was used in the VAP segment. The high volume share for VAP was caused by increased demand for retail products from the VAP seg-

ment. The driver for this change in demand was the market disruption caused by the Covid-19 pandemic. The VAP segment produced 23,931 tonnes in 2020, compared to 16,690 tonnes in 2019. The higher volumes in the VAP segment for 2020 had a positive effect on the margins in the VAP segment.

PRODUCTION OF FISHMEAL, OIL AND FEED

Havsbrún - FOF segment - performed again very well in 2020 and had good access to raw material. Havsbrún received 283,307 tonnes of raw materials in 2020, an increase of 2%, compared with 2019. The production of fishmeal and fish oil depends on the sourcing of raw material, and the availability is highly related to the quotas for pelagic fishery in the North Atlantic. The raw material situation will be volatile in the future. Quotas for fishing blue whiting, however, have decreased over the last years. As of 30 December 2020 the Marine Stewardship Council (MSC) has suspended the certification of all Atlanto-Scandian blue whiting. During 2020, Havsbrún has built up inventory of certified fish meal to ensure continued ASC-certification of the Faroese farming sites in 2021.

Beside sourcing wild caught pelagic fish, Havsbrún also sourced offcuts from pelagic fish factories in the Faroe Islands. Processing plants for pelagic species have been built in the Faroe Islands in recent years, increasing access to offcuts from this production.

Havsbrún sold 18,675 tonnes of fishmeal externally in 2020, compared with 31,769 tonnes in 2019, a decrease of 41%. Going forward, external sale of fishmeal is likely to reduce as the internal consumption increases. All the production of fish oil is used for feed production.

Havsbrún sold 111,998 tonnes of feed in 2020, of which 84% was used internally. In 2019, Havsbrún sold 97,408 tonnes of feed.



Size: 3mm



Size: 4mm



Size: 6mm



Size: 9-12mm

Extruded feed for smolt

The world's total production of fish oil has been relatively stable for many decades, while the demand for fish oil has increased. Therefore, fish oil is expected to be a scarce resource in the future but decreasing content of fish oil in the salmon feed, led by the major producers, will reduce some of the demand. Bakkafrøst's strategy is to have a high content of fish oil in the feed, resulting in a salmon with a high content of omega 3.

PEOPLE

Our most important resource is our employees, and for Bakkafrøst to remain a high-performing organization and expand our leading market position, it is vital to attract and retain employees with the right competences and knowledge. Therefore, we shall maintain and further strengthen the focus on HR, work satisfaction and developing the competences of employees.

The foundations of our human resource development are the company culture and the fundamental values of Bakkafrøst to be a reliable and responsible partner. Many great results

have been achieved during the past years and we strive continuously to nurture our company culture.

We aim at strengthening the competences of our employees on all levels in the Group on a continuous basis by implementing relevant training schemes to meet current and future demands for a qualified workforce. Supporting Bakkafrøst's strategy and securing high standards in our business conduct in addition to creating the best possible value for our customers is essential for all training efforts.

Bakkafrøst's training is performed as work-related training, in-house and external courses, and other forms of training. It is an ongoing process to further developing professional competences as well as developing leadership skills at all levels in the Group.

For work-related training, in-house and external courses, as well as other forms of training, we engage and form partnerships with local educational institutions and experts focusing on health, safety, business and commerce education.

During the Covid-19 pandemic in 2020 it has been critical for us to keep our employees safe. From the very beginning of the pandemic a range of safety measures were implemented to protect our employees from being infected by the Corona virus and to reduce the potential impact of an outbreak within the company. Our employees have showed a remarkable understanding and engagement during the pandemic, which has helped to ensure that the negative impact from Covid has been held at a minimum. Bakkafrøst allied with competent healthcare professionals who have guided us well. In April 2020 Bakkafrøst began to offer bi-weekly Covid-19 screening for all employees in the Faroe Islands.

In 2020, the number of full-time equivalent employees in the Bakkafrøst Group was 1,699 employees (FO: 940, SCT: 714, US/UK: 45), compared to 1,553 employees in 2019. There are strong seasonal variations related to the Harvest and VAP divisions, primarily due to short-term employment.

For further information see our Sustainability Report 2020.



Financial Review

The supply of salmon to the world market increased by around 4% in 2020 (2019: 6% increase). The average salmon spot price in 2020 was DKK 38.78, compared to DKK 44.20 in 2019 a decrease of 12%.

The prices for value added products (VAP) flatten out in 2020 and are on the same level as in 2019. Important for the result for the VAP segment are also the raw material prices, as the VAP segment purchases its raw material based on the salmon spot market every week. In 2020, the average price was lower, compared to 2019. The margins of Bakkafrøst's value added production were positively affected by lower production costs in 2020, as volumes were higher. Therefore, the VAP segment made a profit in 2020. The value added products are typically sold on fixed price contracts with duration of 6-12 months, where the prices for value added products follow the trend on the spot market with a time lag.

The average feed price was higher than the average feed price in 2019. The reason for the fluctuations in the feed price is the market situation for fish oil and fishmeal, which are the main ingredients in Bakkafrøst's salmon feed. The fluctuations in the feed prices will be reflected in the production costs for salmon.

Income statement

DKK 1,000	2020	2019
Operating revenue	4,651,892	4,511,107
Purchase of goods	-2,358,623	-1,354,921
Change in inventory and biological assets (at cost)	401,679	-29,423
Salary and personnel expenses	-608,347	-512,761
Other operation expenses	-1,062,719	-978,787
Depreciation	-446,765	-310,115
Other income	44,041	0
Operational EBIT	621,158	1,325,100
Fair value adjustments of biological assets	118,003	-220,567
Income from associates	5,546	13,812
Revenue tax	-53,584	-99,128
EBIT	691,123	1,019,217
EBT	625,984	981,916
Taxes	-163,139	-180,031
Profit or loss for the period	462,845	801,885

The Bakkafrøst Group generated gross operating revenues of DKK 4,651.9 million in 2020, compared to DKK 4,511.1 million in 2019. Revenue in 2019 only includes SSC from 8 October 2019. The increase in revenue is mainly due to higher volumes of both fresh/frozen salmon and value added products in 2020. Harvested volumes of salmon increased 32% in 2020, compared to 2019, mostly coming from SSC being consolidated for the whole 2020. The volumes sold as value added products increased 43% in 2020. The Group harvested a total of 85,687 tonnes gutted weight, compared to 65,109 tonnes in 2019. The external revenue from sales of fishmeal decreased in 2020, compared to 2019. The external sales of fishmeal decreased 41%.

Operational EBIT was DKK 621.2 million, compared to DKK 1,325.1 million in 2019. A positive fair value adjustment of the Group's biological assets has been recognized in 2020 amounting to DKK 118.0 million, compared to an adjustment of DKK -220.6 million in 2019. The positive fair value adjustment mostly relates to a higher volume of biomass at sea and shorter production time until harvest.

No provisions are made for onerous contracts, as Bakkafrøst has no long-term contracts to deliver at a fixed price in the future with a negative margin.

In 2020, the Group's associated companies made a net result to Bakkafrøst of DKK 5.5 million, compared to DKK 13.8 million in 2019.

Financial income in 2020 amounted to DKK 1.4 million, compared to DKK 5.0 million in 2019. Net interest expenses amounted to DKK -36.3 million, compared to DKK -17.1 million in 2019. Net currency effects amounted to DKK -13.1 million, compared to DKK -12.7 million in 2019. Other financial expenses amounted to DKK -17.1 million, compared to DKK -12.5 million in 2019.

Net taxes amounted to DKK -163.1 million, compared to DKK -180.0 million in 2019.

The consolidated net profit totalled DKK 462.8 million in 2020, compared to DKK 801.9 million in 2019. Earnings per share totalled DKK 7.83 in 2020, compared to DKK 15.53 in 2019.

STATEMENT OF FINANCIAL POSITION

The Group's total assets as at end 2020 amounted to DKK 13,208.3 million, compared to DKK 13,101.4 million at the end of 2019.

The Group's intangible assets amounted to DKK 4,493.4 mil-

lion at the end of 2020, compared to DKK 4,395.7 million at the end of 2019. Intangible assets comprise primarily of the acquisition of The Scottish Salmon Company Plc, the fair value of acquired farming licences in Scotland and the Faroe Islands.

Property, plant and equipment amounted to DKK 4,220.6 million at the end of 2020, compared to DKK 3,780.5 million at the end of 2019. In 2019, Bakkafrøst made investments in PP&E amounting to DKK 836.4 million, compared to DKK 701.5 million in 2019. The most significant investments, Bakkafrøst carried out in 2020, were in hatcheries a new wellboat. Other investments relate mainly to maintenance investments.

Right of use assets amounted to DKK 353.2 million at the end of 2020, compared to DKK 332.8 at the end of 2019.

Investments in associated companies and stocks and shares amounted to DKK 122.5 million at the end of 2020, compared to DKK 119.1 million at the end of 2019. The increase in financial assets relates to the result from the associated companies.

Bakkafrøst had DKK 8.1 million in long-term receivables at the end of 2020, compared to DKK 4.4 million at the end of 2019.

The Group's carrying amount (fair value) of biological assets amounted to DKK 2,117.0 million at the end of 2020, compared to DKK 1,901.7 million at the end of 2019. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 145.4 million, compared to DKK 27.7 million at the end of 2019.

The Group's total inventories amounted to DKK 776.0 million as at the end of 2020, compared to DKK 548.5 million at year-end 2019. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed in addition

to feed at the feed stations, finished VAP products, packing materials and other raw materials.

The Group's total receivables amounted to DKK 623.6 million as at the end of 2020, compared to DKK 671.5 million at the end of 2019.

Cash and cash equivalents at the end of 2020 amounted to DKK 466.9 million, compared to DKK 1,309.5 million at the end of 2019.

The Group's equity at the end of 2020 was DKK 8,729.5 million, compared to DKK 8,496.9 million at the end of 2019. The increase in equity is primarily due to the increase of the positive result for 2020.

The Group's total non-current liabilities amounted to DKK 3,708.6 million at the end of 2020, compared to DKK 3,679.6 million at the end of 2019. Deferred taxes amounted to DKK 1,222.2 million, compared to DKK 1,123.8 million at the end of 2019.

Long-term debt was DKK 2,219.7 million at the end of 2020, compared to DKK 2,328.2 million at the end of 2019.

Derivatives amounted to DKK 11.2 million at the end of 2020, compared to DKK 15.5 million at the end of 2019.

At the end of 2020, the Group's total current liabilities were DKK 770.2 million, compared to DKK 925.0 million at the end of 2019.

Trade payable amounted to DKK 563.9 million, compared to DKK 584.4 million at the beginning of the year.

Bakkafrøst's equity ratio was 66% at the end of 2020, compared to 65% at the end of 2019.

DKK 1,000	2020	2019
ASSETS		
Non-current assets		
Intangible assets	4,493,395	4,395,687
Property, plant and equipment	4,573,791	4,113,323
Financial assets	157,494	161,099
NON-CURRENT ASSETS	9,224,680	8,670,109
Current assets		
Inventory	2,893,056	2,450,237
Receivables	623,649	671,513
Cash and cash equivalents	466,939	1,309,546
CURRENT ASSETS	3,983,644	4,431,296
ASSETS	13,208,324	13,101,405
Equity	8,729,487	8,496,875
Deferred taxes	1,222,222	1,123,796
Long-term interest-bearing debt	2,219,690	2,328,231
Long-term leasing debt	265,235	225,585
Derivatives	1,480	1,966
Non-current liabilities	3,708,627	3,679,578
Current liabilities		
Derivatives	9,710	13,493
Trade payables	563,857	584,435
Current tax liabilities	37,422	195,484
Short-term leasing debt	131,336	107,808
Other current liabilities	27,885	23,732
Current liabilities	770,210	924,952
Total liabilities	4,478,837	4,604,530
EQUITY AND LIABILITIES	13,208,324	13,101,405

Cash flow

The total cash flow from operations in 2020 was DKK 474.0 million, compared to DKK 1,036.4 million in 2019. The cash flow from operations in 2020 is primarily due to positive results. Paid taxes and change in inventory had a negative effect on the cash flow from operations in 2020. Cash flow from investment activities amounted to DKK -816.1 million, compared to DKK -4,601.2 million in 2019.

For 2020, cash flow from financing amounted to DKK -500.4 million, compared to DKK 4,557.5 million for 2019. The change in long-term interest-bearing debt of DKK -107.5 million had a negative effect on the cash flow from financing in 2020. Other 2020 figures include acquisition of minorities of DKK -167.6, financial expenses of DKK -53.4 million and lease payments of DKK -134.6 million.

With the established credit facilities, the Group's liquidity and financial strength is considered good. Bakkafrøst had undrawn credit facilities of approximately DKK 1,674.4 million at the end of 2020.

DKK 1,000	2020	2019
Cash flow from operations		
Operating profit (EBIT)	691,123	1,019,217
Cash flow from operations	473,970	1,036,407
Cash flow from investments	-816,128	-4,601,246
Cash flow from financing	-500,449	4,557,491
Cash and cash equivalents - opening balance	1,309,546	316,894
Cash and cash equivalents - closing balance total	466,939	1,309,546

Farming Segment - Faroe Islands (FO)

The farming FO segment produces high quality Atlantic salmon from roe to harvest size salmon. The salmon is sold to fresh fish markets globally and to the internal VAP production. The farming sites are located in the Faroe Islands.

DKK 1,000	2020	2019	Change
Total revenue	2,340,261	3,152,462	-26%
EBIT	180,689	1,028,840	-82%
Operational EBIT	447,829	1,103,001	-59%
Farming - Operational EBIT/kg (DKK)	8.83	19.29	-54%
Harvested volume (tgw)	50,700	57,184	-11%
Smolts released (thousand)	14,278	12,651	13%

VOLUMES

The Group's farming segment harvested 50,700 tonnes gutted weight in 2020, compared to 57,184 tonnes gutted weight in 2019. Farming North harvested 31,030 tonnes gutted weight in 2020, compared to 18,252 tonnes gutted weight in 2019. Farming West harvested 14,415 tonnes gutted weight in 2020, compared to 32,210 tonnes in 2019. Farming South harvested 5,255 tonnes gutted weight in 2020, compared to 6,722 tonnes in 2019.

The Group released 14.3 million smolts into the sea in 2020. The smolt release in 2019 was 12.7 million smolts.

FINANCIAL PERFORMANCE

Volumes and EBIT were impacted from late Q1 to Q4 by the global market disruption caused by Covid-19. For 2020, costs of DKK 36 million were relate to incident-based mortality.

Total revenues for Bakkafrøst's farming segment in 2020 amounted to DKK 2,340.3 million, compared to DKK 3,152.5 million in 2019, a change of -26%. Gross external operating revenues for Bakkafrøst's farming segment decreased to DKK 1,548.6 million in 2020, down from DKK 2,501.6 million in 2019. The volumes sold externally decreased in 2020, compared to 2019. The internal revenue increased in 2020 from DKK 650.8 million in 2019 to DKK 791.6 million in 2020. The volumes sold to the VAP segment were higher in 2020 than in 2019.

In 2020, operational EBIT totalled DKK 448 million, compared to DKK 1,103 million in 2019. This corresponds to an operational EBIT of DKK 8.83 (NOK 12.69) per kg gutted weight, compared to DKK 19.29 (NOK 25.44) per kg gutted weight in 2019.

Fig. 19

TOTAL REVENUE (DKK 1,000)

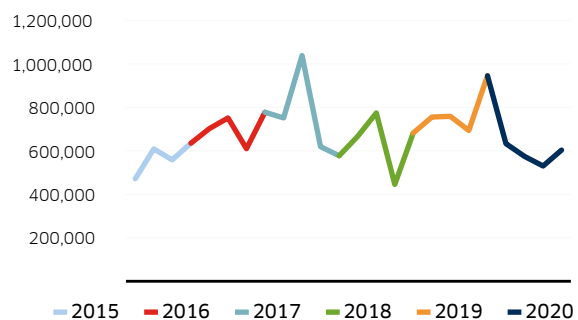


Fig. 20

OPERATIONEL EBIT/KG (DKK)

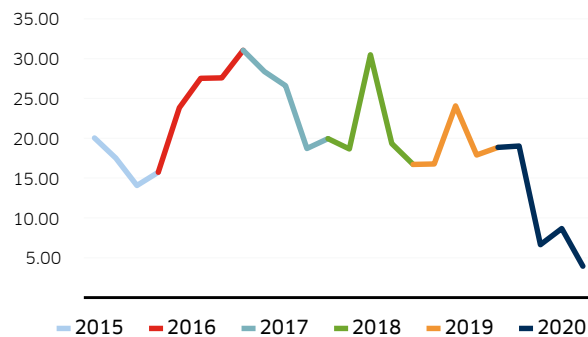


Fig. 21

HARVESTED VOLUME (TGW)

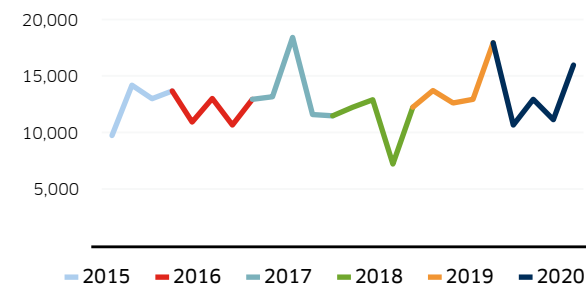


Fig. 22

SMOLT RELEASE - MILLION SMOLTS

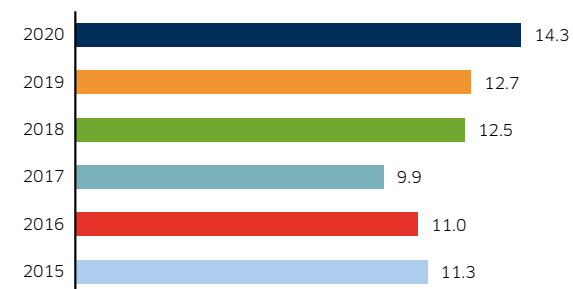
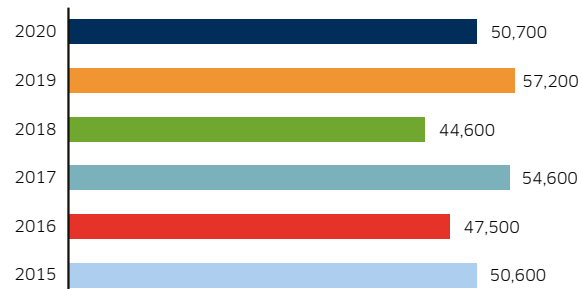


Fig. 23

HARVEST VOLUMES (TGW)



Farming Segment - Scotland (SCT)

Please note that the comparable figures and the narrative in this section are proforma and are not part of the consolidated Bakkafrøst accounts.

The Scottish farming segment represents the operating business of The Scottish Salmon Company PLC (SSC) which was consolidated from 8 October 2019, when Bakkafrøst gained control. The Scottish Salmon Company is committed to producing the finest quality Scottish Salmon with Scottish Provenance and full traceability. SSC has sites across the West Coast of Scotland and Hebridean Islands and is exporting globally.

DKK 1,000	2020	2019	Change
Financial			
Total revenue	1,595,561	437,171	n/a
EBIT	308,265	-224,285	n/a
Operational EBIT	-24,013	18,129	n/a
Farming - Operational EBIT/kg (DKK)	-0.69	2.29	n/a
Harvested volumes (tgv)	34,986	7,925	n/a
Smolts released (thousand)	10,354	5,696	n/a

VOLUMES

The total volumes harvested in 2020 were 34,986 tonnes gutted weight, compared to 33,799 tonnes gutted weight (proforma) for the full year 2019.

10.4 million smolts were transferred in 2020, compared to 12.4 million smolts for the full year 2019 (proforma).

FINANCIAL PERFORMANCE

Volumes and EBIT were impacted from late Q1 to Q4 by the global market disruption caused by Covid-19. For 2020, costs of DKK 90 million relate to incident-based mortality.

In 2020, the operating revenue for the SCT farming segment was DKK 1,595.6 million, compared to DKK 437.2 million in 2019.

Operational EBIT amounted to DKK -24.0 million, compared to DKK 18.1 million in 2019 (proforma). This corresponds to an operational EBIT of DKK -0.69 (NOK -0.99) per kg gutted weight, compared to DKK 4.22 (NOK 5.57) per kg gutted weight in 2019 (proforma).

Fig. 24

TOTAL REVENUE (DKK 1,000)

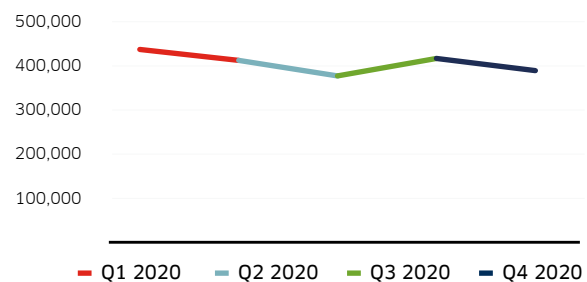


Fig. 25

OPERATIONEL EBIT/KG (DKK)

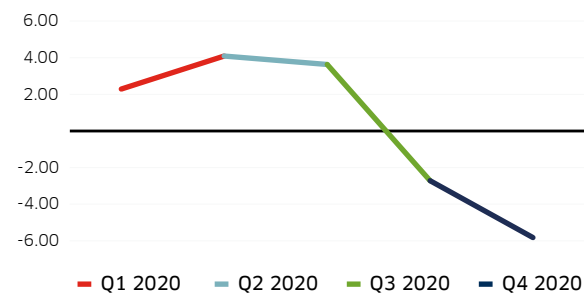


Fig. 26

HARVEST VOLUME (TGW)

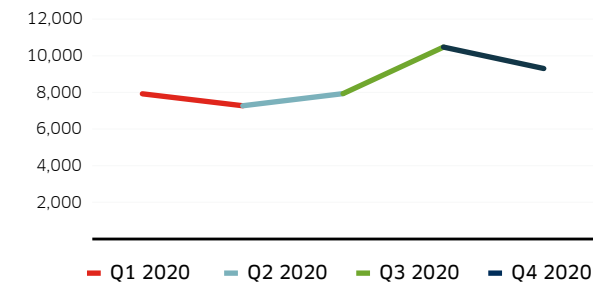


Fig. 27

SMOLT RELEASE - MILLION SMOLTS

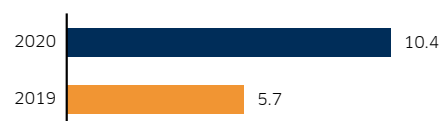
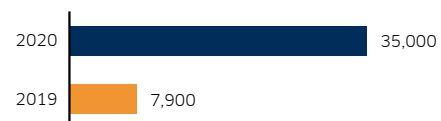


Fig. 28

HARVEST VOLUMES (TGW)



VAP Segment

The VAP (value added products) segment produces skinless and boneless portions of salmon in the Faroe Islands. The main market for the VAP products is Europe with increasing sales in other markets. The VAP products are sold on long-term fixed-price contracts.

DKK 1,000	2020	2019	Change
Total revenue	1,116,216	964,484	16%
EBIT	139,693	63,727	119%
Operational EBIT	139,693	63,727	119%
VAP - Operational EBIT/kg (DKK)	5.84	3.82	53%
VAP produced volume (tgv)	23,931	16,690	43%

VOLUMES

Bakkafrost has a long-term strategy of producing 40-50% of its harvested salmon as value added products. The output is predominantly portions for the retail market in Europe, but some sales are also to the US retail market. The strategy with value added products is – in addition to increasing the Group's earnings – to reduce the volatility in Bakkafrost Group's net earnings, as these products are sold under different fixed-price contracts for a period of up to 12 months. As there is a time lag between the movement in fresh salmon prices and the contract prices, Bakkafrost normally makes a profit in the VAP segment, when the spot prices are decreasing and vice versa, when the spot prices increase during a period.

For 2020, 47% of the total harvested volumes went to the production of VAP products, compared to 29% in 2019.

The VAP production in 2020 was 23,931 tonnes gutted weight, compared to 16,690 tonnes gutted weight in 2019.

FINANCIAL PERFORMANCE

The contract prices in 2020 have not decreased at the same rate as the spot prices, but the contract prices were on a lower level than in 2019. The VAP segment's operating revenue amounted to DKK 1,116.2 million in 2020, compared to DKK 964.5 million in 2019, an increase of 16%.

Operational EBIT in 2020, which is EBIT adjusted for provision for onerous contracts etc., totalled DKK 139.7 million, compared to DKK 63.7 million in 2019. This corresponds to an operational EBIT of DKK 5.84 (NOK 8.39) per kg gutted weight, compared to DKK 3.82 (NOK 5.04) per kg gutted weight in 2019.

The VAP segment had no onerous contracts neither at the end of 2020 nor 2019.

Fig. 29

TOTAL REVENUE (DKK 1,000)

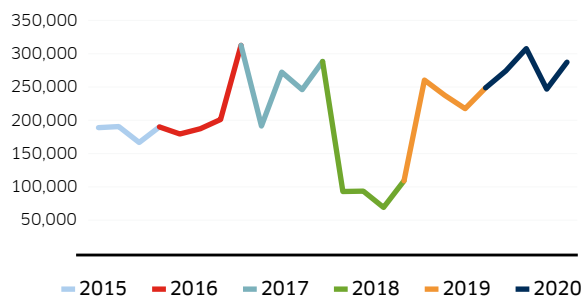


Fig. 30

OPERATIONEL EBIT/KG (DKK)

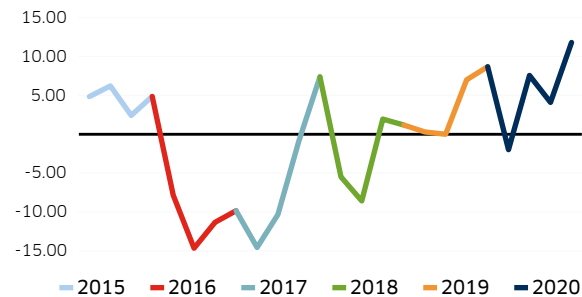


Fig.31

VAP VOLUME (TGW)

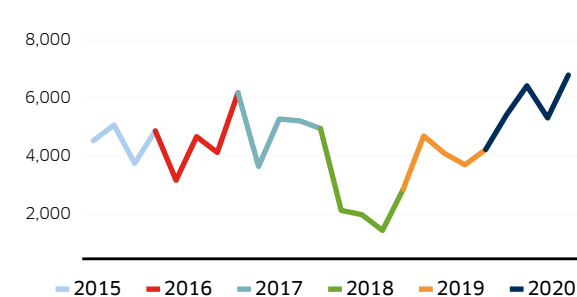


Fig. 32

PRODUCT WEIGHT OF VAP (TGW)

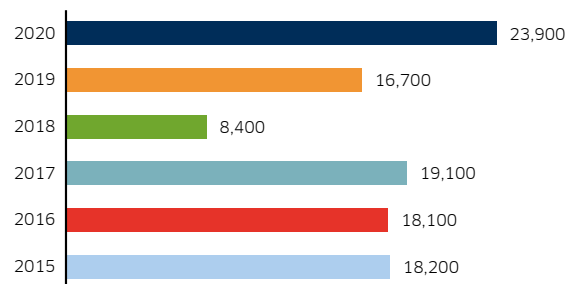
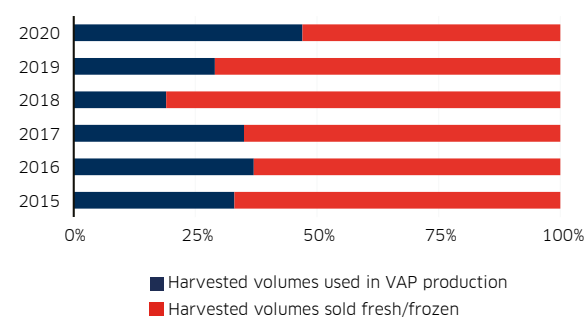


Fig. 33

DISTRIBUTION OF HARVESTED VOLUMES (%)



FOF Segment

The FOF (fishmeal, -oil and feed) segment produces fishmeal, fish oil and fish feed. Most of the production is used for fish feed, which is used internally in the farming segment. The quality of the fish feed is important to the quality of the salmon from Bakkafrost. Fishmeal, fish oil and fish feed are also sold externally.

DKK 1,000	2020	2019	Change
Total revenue	1,418,970	1,388,461	2%
EBIT	181,610	257,870	-30%
EBITDA	207,695	275,796	-25%
FOF - EBITDA margin	14.6%	19.9%	-26%
Sold feed tonnes	111,998	97,408	15%

VOLUMES

Havsbrún, which represents the FOF segment, has over the last couple of years had an improving raw material situation for fishmeal and fish oil production. The produced fishmeal and oil were partly used internally for feed production, and partly exported. In 2020, Havsbrún sourced 283,307 tonnes of raw material, compared to 278,664 tonnes in 2019, which corresponds to a increase of 2%. The raw material intake depends on the fishery in the North Atlantic and available species of fish.

The production of fishmeal in 2020 was 60,661 tonnes, compared to 60,646 tonnes in 2019. The production of fish oil in 2019 was 9,932 tonnes, compared to 9,633 tonnes in 2019. The production of fish oil varies, depending on the species of fish available for production and the timing of catches.

Havsbrún sold 111,998 tonnes of feed in 2020, compared to 97,408 tonnes in 2019. Bakkafrost used 94,345 tonnes of sold feed in 2020 internally, corresponding to 84%. The internal use in 2019 was 76,583 tonnes, corresponding to 79%.

FINANCIAL PERFORMANCE

Total revenues for Bakkafrost's FOF segment in 2020 amounted to DKK 1,419.0 million, compared to DKK 1,388.5 million in 2019, an increase of 2%.

The external operating revenue for the FOF segment amounted to DKK 391.5 million in 2020, compared to DKK 607.8 million in 2019. The decrease in external revenue from 2019 to 2020 was mainly due to lower external sale of fish feed and fishmeal.

The internal revenue in 2020 amounted to DKK 1,027.5 million, compared to DKK 780.7 million in 2019. The internal revenue comprises the sales of feed to Bakkafrost's farming activities, both in Scotland and the Faroe Islands.

EBITDA was DKK 207.7 million in 2020, compared to DKK 275.8 million in 2019, and the EBITDA margin was 14.6% in 2020, compared to 19.9% in 2019.

Fig. 34

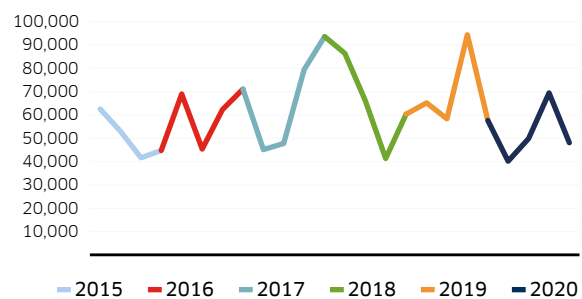
TOTAL EBITDA (DKK 1,000)

Fig. 35

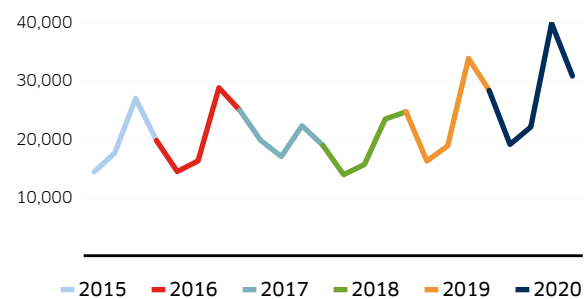
SOLD FEED TONNES

Fig. 36

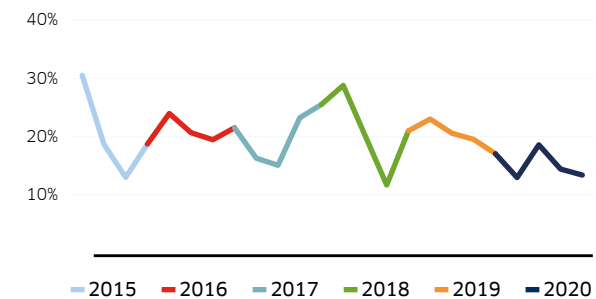
EBITDA MARGIN (%)

Fig. 37

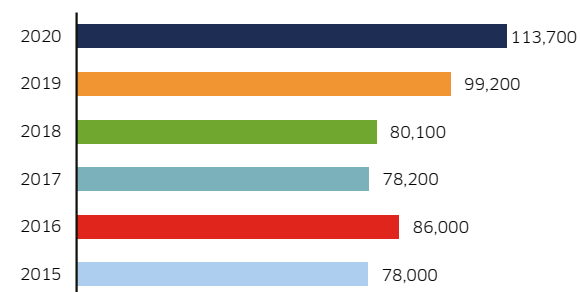
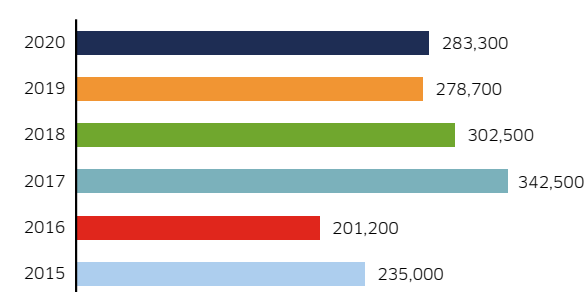
FISH FEED PRODUCTION VOLUMES (TONNES)

Fig. 38

SOURCING OF RAW MATERIAL (TONNES)



Market Review

Bakkafrost is committed to producing; tasty, healthy, sustainable and quality salmon, truly creating value for customers. This ensures a price premium can be achieved which in turn reflects positively in the Group's results.

The Bakkafrost Group plans to further strengthen this position by investing in differentiation and the following USPs (unique selling points).

ORIGIN

The natural conditions and cold waters in the North Atlantic around the Faroe Islands as well in Scotland are perfect for raising salmon. Bakkafrost will further promote this unique provenance as producing exceptional quality salmon.

LIMITED VOLUMES

Both salmon from The Faroe Islands and Scotland is recognized globally as top quality, but as the Faroe Islands only produce about 3.0% and Scotland 6.7% of the world's salmon, the salmon from these two origins is in high demand. Bakkafrost salmon is sought after around the world with accepted premium positioning and is preferred by select customers..

LARGE SALMON

The Faroe Islands aquaculture industry is recognized as producing the largest Atlantic salmon in the world. In recent years, a significant price difference has been evident between the different sizes of salmon. Due to lack of supply, salmon over 6 kg achieved a considerable price premium. With good supply of larger sizes, Bakkafrost was well placed to capitalize on this position. Farming large salmon demands good biology. The longer the salmon is at sea, the more it is exposed to different risks as in any natural environment.

SALES AND GEOGRAPHICAL DIVERSIFICATION

The Sales and Marketing Department at Bakkafrost is responsible for the worldwide sales of Bakkafrost Salmon. The Group focusses on direct sales into channels, where the

quality attributes of Bakkafrost Salmon are recognised and a price premium is achieved. The strategy continues to ensure geographical sales diversification thereby minimizing the risk of market fluctuations.

WORLDWIDE REACH

Fast reliable logistics with global reach is vital for the distribution of fresh perishable produce which is sought after around the world. To maintain the leading position, Bakkafrost works closely with key freight forwarders to ensure effective logistics and first-class customer service worldwide, ensuring that Bakkafrost's salmon is always delivered as fresh as possible by freight carriers to major airports and then linking with further passenger airlines to diverse worldwide locations.

SEGMENTATION

The Bakkafrost brand is particularly strong in USA, where demand for salmon over 6 kg is strong, predominantly in the sushi segment, market share in China is also strong.

The strong sustainability profile of Bakkafrost Salmon is particularly important to clients in the premium sushi segment. Bakkafrost does not use any antibiotics and uses only non-GMO ingredients in feed.

Fig. 39



VAP

Bakkafrost holds a leading position in frozen salmon portions, the main markets are leading European and US retailers. Bakkafrost adds value to VAP production by producing the highest quality product and being recognized as a reliable and responsible supplier.

The diversification of the Bakkafrost product mix brings additional benefits for the Group; it ensures increased revenue stability with 6 and 12 months contracts being negotiated and offers an outlet for whole fresh fish in adverse market conditions.

FEED

Feed is recognized as one of the most important aspects in salmon production with regard to the quality of salmon and cost.

VERTICAL INTEGRATION

Bakkafrost is one of the most vertically integrated salmon farming companies in the world and uniquely produces its own fishmeal and fish oil. This ensures that Bakkafrost has full control and responsibility over all aspects of production and gives clients unparalleled traceability.

FEED RICH IN MARINE CONTENT

Vertical integration means that Bakkafrost has the expertise to decide to invest in salmon feed with substantially higher marine content. The natural diet for wild salmon is rich in marine resource. By keeping the Bakkafrost diet close to this, the Group is able to have one of the industry's best Feed Conversion Ratios (FCR) which is a key indicator of fish welfare and low production costs.

A diet rich in marine content is the most important factor for the quality of Bakkafrost Salmon, the marine content ensures the optimum fat content, rich in healthy Omega 3 fatty acids DHA and EPA. The natural diet also ensures enjoyment in the exceptional taste of Bakkafrost Salmon.

ASC

Bakkafrost is committed to sustainability and care for the environment in which it operates, this is fundamental for discerning customers. Bakkafrost was one of the first companies to achieve ASC certification, which underpins the Bakkafrost commitment, and is rigorously pursuing ASC certification across all sites by 2021.

SEAFOOD CONSUMPTION

In 2018, the capture fisheries and aquaculture market was estimated at about 178 million tonnes, of which roughly 156 million tonnes were utilized as food. This corresponds to a per capita consumption of seafood of 20 kg (live weight equivalent). In the EU, the overall supply for 2018 was estimated at 14.7 million tonnes for the main market for fisheries and aquaculture suppliers in Europe. This represents a 1% decrease from 2017. Per capita consumption in the EU for 2018 was estimated at 24.4 kg live weight.

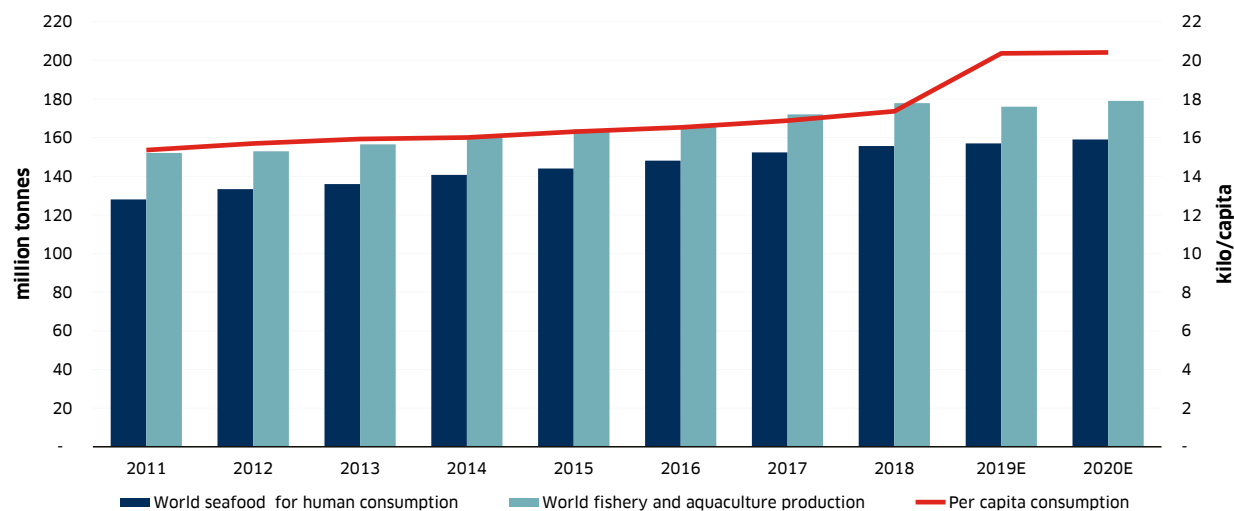
Overall, global capture fisheries production continues to remain stable above 90 million tonnes, of which about 20 million is utilized in the production of fishmeal and fish oil. The

share of non-food uses has remained at a steady level over the last couple of years.

As capture fisheries production remains stable, aquaculture production continues to cover the increasing demand for seafood. This trend is most likely to continue in the upcoming years.

Fig. 40

WORLD SEAFOOD PRODUCTION FOR HUMAN CONSUMPTION AND CONSUMPTION PER CAPITA



Source: Kontali, FAO

MAIN MARKETS FOR SALMON AND CONSUMPTION TRENDS

In 2020, worldwide supply of farmed Atlantic salmon increased by 4% and exceeded 2.6 million tonnes wfe. This corresponds to an increase of just below 100,000 tonnes wfe. Of this, supply to Europe (+60,000 tonnes wfe) and North America (+40,000 tonnes wfe) experienced growth while a decline was observed for all other regions.

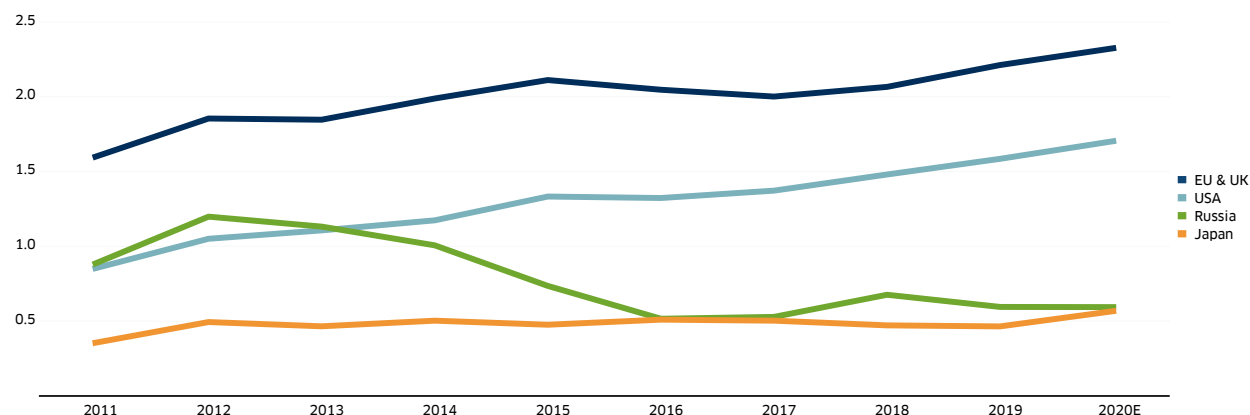
The supply of Atlantic salmon in 2020 must be seen in relation to the COVID-19 pandemic, where restrictions and lockdowns have reduced the demand from foodservice, thereby increasing the dependency on sales through the retail segment. In addition, logistical barriers such as reduced airline

cargo capacity and increased airfreight rates have further limited market access and potential.

European spot prices for Atlantic salmon in 2020 ended just above 55 NOK per kg (-5%) or 5.2 EUR per kg (-13%). Particularly, increased dependency on the European market (retail sector) and secondary processing led to low price achievement from Q2 2020. A similar trend was observed on the US market with lower market prices for Atlantic salmon products and dependency on sales through retail.

Fig. 41

PER CAPITA CONSUMPTION OF ATLANTIC SALMON (kg wfe / capita)



THE US MARKET

In 2020, the US market for farmed Atlantic salmon grew by more than 40,000 tonnes wfe to a total supply of 562,100 tonnes. With a population of 329 million, this corresponds to a per capita consumption of approx. 1.7 kg wfe, indicating 5-6 meals per capita each year.

Despite the US being the most heavily affected country by the COVID-19 pandemic in terms of number of cases (27 million cases and 466 thousand deaths *Jan 2021), there was a significant increase in imports of Atlantic salmon.

The East-coast market was heavily impacted in the initial phase of the pandemic where a large part of the HoReCa segment had to temporarily close. This had a strong impact on salmon supply from European producers. However, in the later stages of the pandemic, other geographical regions in the USA have also closed. Supply of Atlantic salmon to the US market has changed significantly during 2020. Suppliers have adapted to the situation by focusing on the retail sector, a sector from which sales have grown significantly during the pandemic. This adaption implies higher foreign supplies of fresh and frozen fillets to the US market.

The 40,000 tonnes supply increase from Chile (+14%) must be seen in relation to production growth and increased harvest volume. In addition, the COVID-19 pandemic, reduced demand, and logistical obstacles have created challenging market condition for Chilean farmed salmon. Access to the U.S market alongside the retail industry's availability to absorb volumes allowed for this increase in supply. Simultaneously, average export price for Chilean salmon fillets fell from 10 USD/kg in 2019 to 7.8 USD/kg last year (-22%).

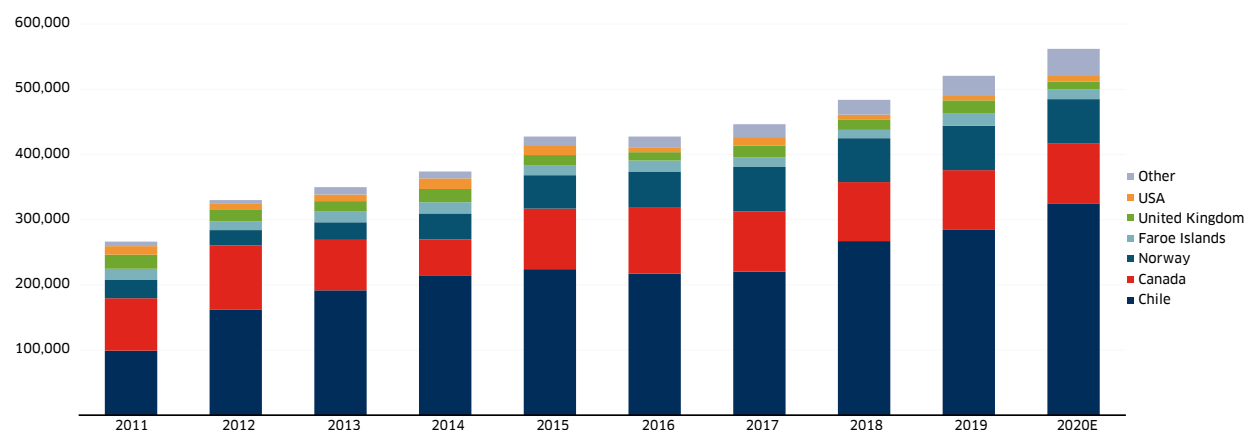
Fig. 42

SUPPLY OF ATLANTIC SALMON IN THE US MARKET

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E
Chile	99,100	162,200	191,600	214,700	224,100	217,300	220,400	267,200	284,300	325,100
Canada	80,400	98,200	77,400	55,000	92,900	100,900	92,100	90,500	91,600	91,600
Norway	28,700	23,700	27,000	39,900	51,200	55,700	68,400	67,300	68,300	68,200
Faroe Islands	16,600	13,100	16,400	17,100	14,700	16,900	14,800	12,800	18,500	14,800
United Kingdom	21,500	17,700	16,100	20,400	16,300	12,700	18,000	16,100	20,300	11,900
USA	13,200	9,400	10,100	16,200	13,800	7,700	13,100	7,300	8,100	8,900
Other	6,800	5,700	11,400	10,600	14,600	16,300	19,600	22,700	29,700	41,600
Total	266,300	330,000	350,000	373,900	427,600	427,500	446,400	483,900	520,800	562,100

Fig. 43

SUPPLY OF ATLANTIC SALMON TO THE US MARKET (TONNES WFE)



THE EUROPEAN MARKET

In 2020, the EU market (including the United Kingdom) for farmed Atlantic salmon increased by 5.3 %, or 60,000 tonnes wfe, to a total supply of 1.19 million tonnes wfe. With a combined population of 512 million, this corresponds to a per capita consumption of 2.3 kg wfe per year, indicating 7-8 meals per capita per year.

Germany, France, and the United Kingdom account for approx. 50% of the total consumption, making them the largest markets for salmon consumption in Europe.

The COVID-19 pandemic has caused a higher share of sales from European producers to be allocated in the European market. The backdrop for this was the logistical challenges in the airfreight markets and in addition to restrictions and lockdowns which reduced the demand from the foodservice segments. Trade flows were impacted by a more concentrated market, with increased dependency on sales through the retail segment where salmon hubs/countries with secondary processing capacity (e.g. Poland +20%) saw a significant increase in volume in 2020.

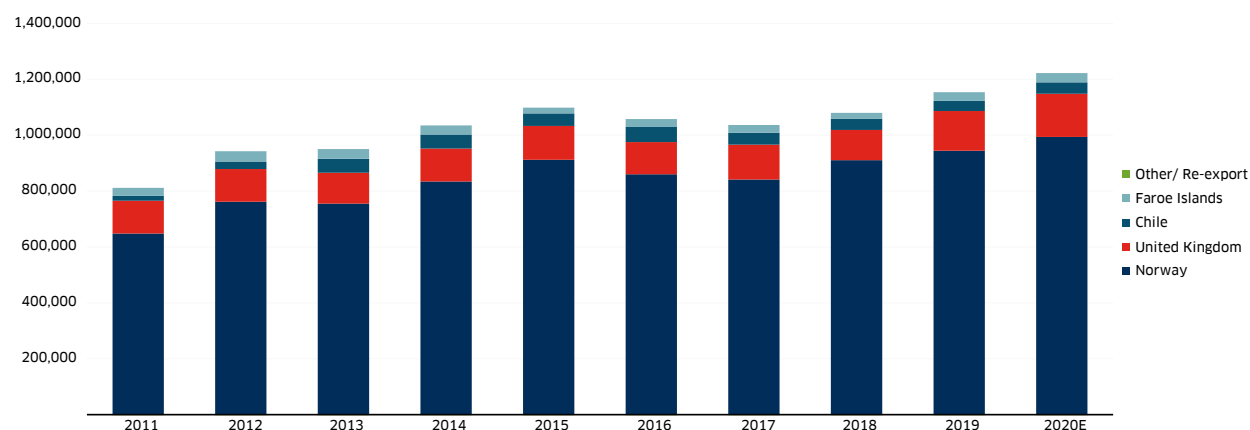
Fig. 44

SUPPLY OF ATLANTIC SALMON TO EU AND UK MARKET

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E
Norway	648,400	761,900	755,500	834,600	912,200	860,200	841,400	910,800	944,500	993,800
United Kingdom	117,500	117,000	110,300	117,800	121,100	115,400	124,900	108,000	142,300	154,700
Chile	17,200	27,000	50,200	50,500	44,900	53,900	42,500	40,700	36,200	40,900
Faroe Islands	28,700	36,800	34,300	32,300	20,400	28,400	27,800	20,600	30,800	33,200
Other/ Re-export	-9,000	-9,600	-19,100	-30,100	-27,700	-16,900	-17,100	-25,800	-23,200	-32,800
Total	802,800	933,100	931,200	1,005,100	1,070,900	1,041,000	1,019,500	1,054,300	1,130,600	1,189,800

Fig. 45

SUPPLY OF ATLANTIC SALMON TO THE EU+UK MARKET (TONNES WFE)



Source: Kontali

CHINA AND HONG KONG

From 2010 to 2019, the supply of Atlantic salmon to China and Hong Kong experienced more than a 3-fold increase, reaching 124,000 tonnes wfe. Most noteworthy, the supply increased from Chile, but also from producing regions in Europe (Norway, Faroe Islands and the United Kingdom). Supply to China is mainly fresh whole salmon and large sizes (6+ kg), with the foodservice-segment covering a high share of consumption.

Supply to China and Hong Kong fell by more than 30% (40,000 tonnes wfe) in the 1st half of 2020 due to the COVID-19 close-down in China. Reduction in airfreight capacity, as from Q2, and a vast increase in freight rates impacted the market potential.

Another factor limiting demand in the 2nd half of 2020 was concern that COVID-19 could be transmitted through fresh and frozen food products. The introduction of new inspection schemes on imported seafood to China caused delays for fresh seafood, including Atlantic salmon. This was followed up by certification schemes for suppliers (inspection and quarantine certificate, traceability info etc.)

Supply to China from both Chile (-17,000 tonnes wfe) and Europe (-26,500 tonnes wfe) fell significantly last year, while Australia saw an increased supply (+3,000 tonnes wfe) due to geographic proximity and a less severe impact of COVID-19.

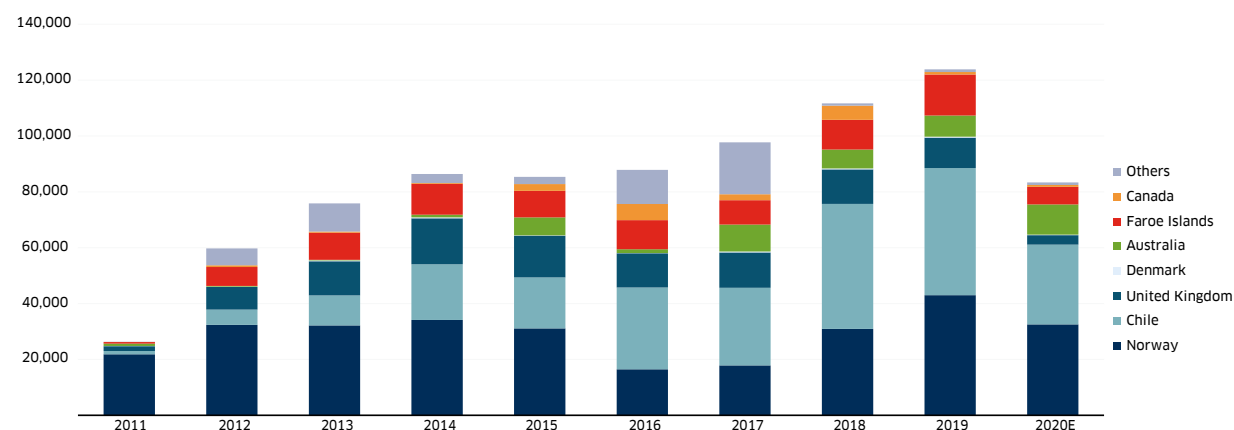
Fig. 46

SUPPLY OF ATLANTIC SALMON TO CHINESE MARKET (INKL. HONG KONG)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E
Norway	21,840	32,370	32,190	34,140	31,110	16,480	17,860	30,920	42,990	32,540
Chile	1,180	5,470	10,750	19,960	18,270	29,280	27,790	44,770	45,540	28,580
United Kingdom	1,740	8,120	12,200	16,430	14,920	12,250	12,660	12,370	10,900	3,360
Denmark	50	90	300	350	130	80	340	330	320	220
Australia	870	270	230	940	6,420	1,360	9,630	6,770	7,590	10,810
Faroe Islands	530	6,780	9,710	11,050	9,520	10,410	8,730	10,620	14,690	6,280
Canada	60	600	410	280	2,430	5,790	2,120	5,090	870	680
Others	70	6,060	10,090	3,240	2,570	12,220	18,590	800	960	920
Total	26,340	59,760	75,880	86,390	85,370	87,870	97,720	111,670	123,860	83,390

Fig. 47

SUPPLY OF ATLANTIC SALMON TO CHINA AND HONG KONG (TONNES WFE)



Source: Kontali

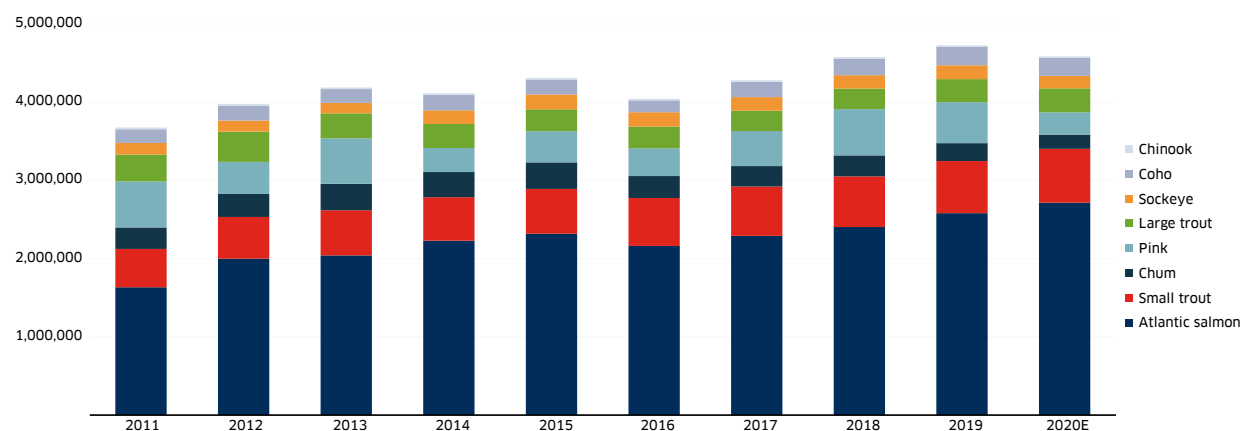
Fig. 48

HISTORICAL SUPPLY OF ALL SALMONIDS

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E
Atlantic salmon	1,633,400	1,998,550	2,041,250	2,229,300	2,318,600	2,162,550	2,291,400	2,403,400	2,581,800	2,715,400
Small trout	490,600	534,100	577,500	555,700	573,400	612,700	630,800	648,300	666,300	689,300
Chum	274,600	294,700	338,300	321,900	338,100	280,900	261,100	268,600	228,600	180,600
Pink	587,500	410,300	580,600	307,900	398,900	354,300	448,400	591,400	524,500	285,200
Large trout	344,400	385,900	320,600	307,300	280,400	278,100	260,400	262,400	293,600	307,100
Sockeye	148,800	142,300	133,200	173,700	190,300	183,000	173,700	171,600	178,400	160,200
Coho	174,400	191,000	176,800	200,400	190,600	151,800	194,900	211,100	234,600	227,800
Chinook	22,000	18,800	19,500	18,800	20,900	19,200	19,900	19,800	20,600	20,600
Total	3,675,700	3,975,650	4,187,750	4,115,000	4,311,200	4,042,550	4,280,600	4,576,600	4,728,400	4,586,200

Fig. 49

GLOBAL SUPPLY OF ALL FARMED AND WILD SALMONIDS (TONNES WFE)



GLOBAL HARVEST OF FARMED ATLANTIC SALMON

Norway is the largest producing country of Atlantic salmon in the world and accounted for 50% of global production in 2020. During the past few years, increased MAB capacity through both the traffic-light system and new development licenses have allowed for increased stocking and growth. However, during the same period, sea lice regulation and high treatment frequency have limited the productivity (lost feeding days impacting the harvest weight potential).

The second largest producing country of Atlantic salmon, Chile, accounted for 29% of the global production in 2020. Chile has recovered biology-wise since the ISA-crisis in 2008-2009 and seen improved productivity year after year. Following the heavy losses caused by the Algae bloom crisis in 2016, the Chilean industry has continued to show improvements in key production parameter. In 2020, harvest volume was all time high.

In other European farming regions, the total harvest volume declined by 3%, with lower production in both the Faroe Islands and in the United Kingdom last year. Production in North America (Canada) continued at a stable level, while Iceland and Australia saw an increase.

Other regions with conventional farming include Ireland and Russia with marginal production below 20,000 tonnes wfe. In addition, the global harvest volume from landbased (grow-out) plants is estimated at approximately 8,500 tonnes wfe in 2020.

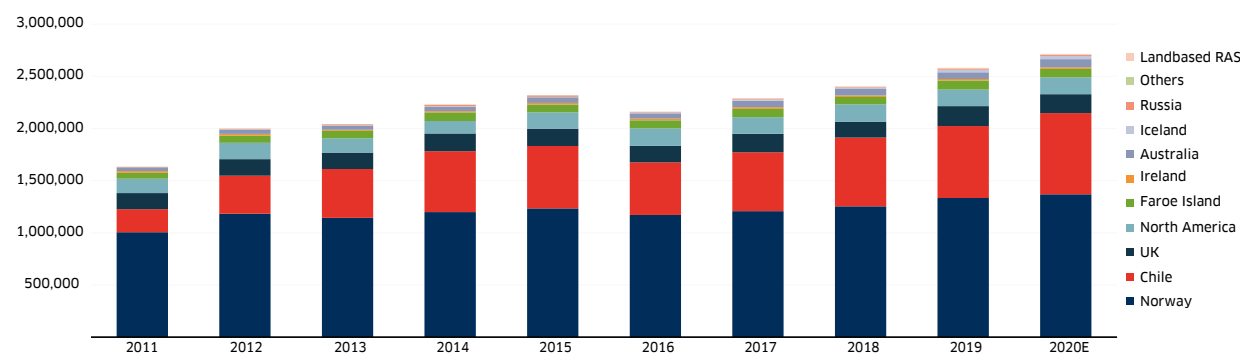
Fig. 50

HARVEST OF ATLANTIC SALMON IN TONNES (TONNES WFE)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E
Norway	1,005,600	1,183,100	1,143,600	1,199,000	1,234,200	1,171,100	1,207,800	1,253,400	1,333,400	1,369,200
Chile	221,000	364,000	468,100	582,900	598,200	504,400	564,200	660,100	690,300	778,400
UK	154,700	159,400	157,800	170,500	166,300	157,400	177,200	152,100	190,500	181,200
North America	137,800	156,100	135,400	119,000	155,400	168,500	158,700	165,400	158,800	161,400
Faroe Island	56,300	70,300	72,600	82,700	75,600	77,300	80,300	71,700	86,600	80,800
Ireland	16,000	15,600	10,600	12,300	15,700	15,800	17,000	14,300	15,500	15,800
Australia	36,000	40,000	39,000	42,000	54,400	50,900	61,200	62,600	64,000	77,800
Iceland	1,200	3,250	3,350	4,400	3,600	8,100	11,600	13,600	24,500	31,200
Russia	4,000	6,000	10,000	14,500	13,600	5,000	8,600	5,400	11,500	11,000
Others	700	300	300	300	300	450	500	500	500	500
Landbased RAS	100	100	300	1,800	1,300	3,500	4,200	4,300	6,200	8,300
*Total	1,633,400	1,998,150	2,041,050	2,229,400	2,318,600	2,162,450	2,291,300	2,403,400	2,581,800	2,715,600

Fig. 51

GLOBAL HARVEST OF ATLANTIC SALMON (TONNES WFE)



Source: Kontali

SUPPLY OF FARMED ATLANTIC SALMON FROM THE FAROE ISLANDS

The biological performance of the Faroese salmon has over the last decade been the best in the world with low loss rates and high average harvest weights. This has led to the highest smolt yield in the industry.

The Faroese industry has faced biological challenges with fish health issues like gill disease (e.g. losses in 2017), higher levels of sea lice, and extraordinary events like losses due to bad weather which have periodically affected production over the past 5 years. In 2019, a strong harvest volume was recorded with supply exceeding 85,000 tonnes wfe (+21%) for the first time in history. Last year, supply fell by approximately 7% (5-6,000 tonnes) although it was still estimated to exceeded 80,000 tonnes wfe.

Supply in 2020 was highly impacted by challenging market conditions. This applies to the greatest extent in markets where salmon is distributed by airfreight (e.g. China). However, sales to markets supplied by ship and truck trended in the opposite direction both in nominal and relative terms. The share of Faroese export to the Russian market in 2020 is estimated to 24%, up from 21% in 2019. Simultaneously, the export share to EU, the main market for Faroese salmon, reached 40% in 2020, an increase of approximately 5% points from 2019.

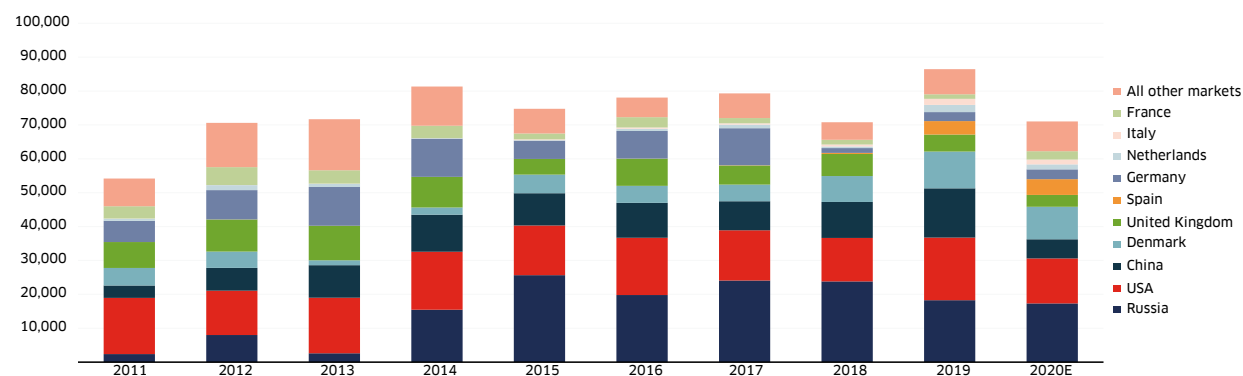
Fig. 52

FO SUPPLY OF ATLANTIC SALMON

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E
Russia	2,373	7,997	2,613	15,465	25,660	19,798	24,096	23,812	18,276	17,318
USA	16,579	13,085	16,394	17,105	14,671	16,908	14,820	12,829	18,469	13,297
China	3,648	6,738	9,603	10,945	9,505	10,305	8,556	10,615	14,539	5,633
Denmark	5,195	4,806	1,447	2,122	5,489	5,010	4,920	7,654	10,860	9,600
United Kingdom	7,631	9,466	10,199	9,050	4,633	8,024	5,621	6,538	5,015	3,494
Spain	3	33	0	0	-	19	92	306	3,973	4,653
Germany	6,265	8,637	11,439	11,256	5,404	8,156	10,916	1,421	2,646	2,888
Netherlands	637	1,466	906	176	138	651	1,056	460	2,150	1,472
Italy	43	25	75	0	253	363	404	599	1,776	1,438
France	3,636	5,304	3,938	3,663	1,740	3,061	1,557	1,375	1,352	2,459
All other markets	8,158	13,056	15,071	11,557	7,266	5,780	7,273	5,183	7,399	8,782

Fig. 53

SUPPLY OF ATLANTIC SALMON FROM THE FAROE ISLANDS TO DIFFERENT MARKETS (TONNES WFE) (ILLUSTRATES THE MARKET DIVERSIFICATION)



Source: Kontali

CHANGE IN MARKET SUPPLY AND MARKET PRICES

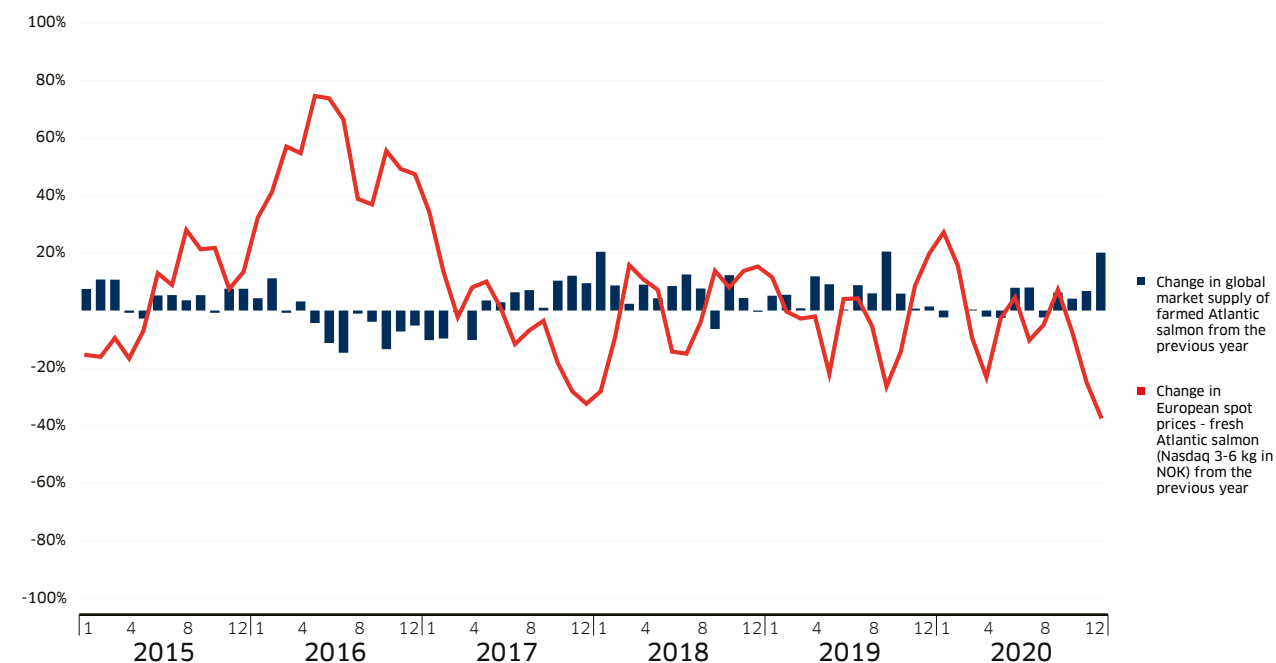
Salmon prices averaged at high levels, around 70 NOK per kg, in the first quarter of 2020 with no growth in global supply and the European market not yet impacted by COVID-19.

The spread of COVID-19 worldwide led to restrictions on travel and lockdowns which impacted the demand from the foodservice industry. As result, the global salmon market became much more concentrated with increased dependency on sales through the retail-sector and both the market balance and price achievement for fresh whole salmon was impacted from Q2. Combined with growth in supply, average European spot prices for fresh whole superior salmon averaged around 46 NOK/kg in the second half of 2020.

The salmon processing industry in Europe has had an historically important role during the crisis in 2020 with their capacity and opportunity to absorb larger volumes, producing and increasing sales of smoked salmon, fresh fillet, and frozen product to the retail sector. Poland, the largest salmon hub for secondary processing, noted a significant increase in supply in Q3 and Q4 of 2020. This indicates the increased dependency and market concentration which has continued into 2021.

Fig. 54

SUPPLY AND MARKET PRICES



Source: Kontali

TOP 15 - FARMING COMPANIES (SALMONIDS)

In 2019, the world's largest 15 salmon farming companies harvested approximately 1.9 million tonnes wfe of salmonids (Atlantic Salmon, Coho Salmon, Chinook, Big Trout), representing 62% of the total harvest quantity. In Norway, these companies made up 59% of the total harvest and 70% in Chile.

Fig. 55

TOP 15 SALMON FARMING COMPANIES 2019 - HARVEST VOLUME, ALL FARMED SALMONID SPECIES (TONNES WFE)

Group	Head office	Total	Norway	United K.	Chile	North Am.	Faroe Isl.	Other
Mowi	NO	484,300	263,200	72,600	73,000	60,400	7,700	7,400
Agrosuper * ("New Aquachile")	CL	218,000			218,000			
Cermaq Group	NO	210,000	80,700		109,500	19,800		
Lerøy Seafood Group **	NO	175,800	175,800					
Salmar **	NO	170,100	159,200					10,900
Cooke Aquaculture	CA	107,800		26,000	19,000	62,800		
Multiexport	CL	95,500			95,500			
Grieg Seafood	NO	92,200	64,000	12,500		15,700		
Australis Seafood	CL	72,000			72,000			
Bakkafrost ***	FO	63,500					63,500	
Salmones Camanchaca	CL	58,000			58,000			
Nova Sea ****	NO	51,100	51,100					
Nordlaks	NO	43,900	43,900					
The Scottish Salmon Company ***	UK	37,600		37,600				
Salmones Blumar	CL	36,800			36,800			
Top 15		1,916,600	837,900	148,700	681,800	158,700	71,200	18,300
Global harvest - Farmed Salmonids		3,098,300	1,411,700	195,300	977,400	169,300	86,600	258,000
Share		62%	59%	76%	70%	94%	82%	7%

* Aquachile, Salmones Magallanes, Los Fiordos and Friosur merged in 2018

** Volumes from Scottish Sea Farms (50% stake) not included

*** Bakkafrost acquired The Scottish Salmon Company in Q4 2019

**** Mowi has 48% ownership in Nova Sea

All farmed salmonids (Atlantic salmon, Large Trout, Coho and Chinook). Figures rounded to nearest 100 tonnes WFE (round bled weight)

Source: Kontali

BUSINESS REVIEW – FISH FEED

The total feed consumption of ocean-farmed salmonids have seen an increase of approximately 1,3 million tonnes over the past decade, exceeding 4.6 million tonnes of feed in 2020. Norway and Chile accounts for approximately 75% of this increase.

The granting of new license capacity and increased smolt stocking in Norway has facilitated production growth and increased feed consumption the last few years. In Chile, both higher stocking and improved productivity (increased weights) have driven the growth.

In 2020, total feed consumption in Europe ended strong with a record growth rate of 8%. The last quarter showed an increase of close to 16% in Norway, driven by strong growth in the newest generation (20G due to earlier stocking and a significant increase in the share of large smolt (+250 gram)). At the same time, there was strong growth (close to 10%) in other European producing regions, particularly in the United Kingdom, Faroe Islands, and Iceland.

Feed consumption in Chile has trended downwards (H2 2020) following a strong increase in feed consumption in 2019 and growth in the harvest volume of 2020. This must be seen in relation to lower stocking in both H2 2019 and H1 2020 and lower standing biomass at the end of 2020.

The share of marine ingredients in feed for farmed salmonids has over the last decade shown a decreasing trend. However, both fishmeal and fish oil prices still impact the feed-price delivered to farmers.

Global fishmeal and fishoil supply improved from the year before due to an increase in Peruvian Anchoveta fisheries in 2020. World fishmeal production is estimated to have increase by around 5% to 5.1 million tonnes and fishoil production is estimated to increase around 7% to 1.25 million tonnes in 2020.

Roughly 1.4 million tonnes of fishmeal was imported by China in 2020, which was around the same volume as the year before but above the last 10 years average of 1.3 million tonnes. Of this, 46% of the volumes was sourced from Peru, 8% from Chile, while the remaining 18% came from other Asian suppliers (mainly Vietnam and Thailand). Imports from Peru were heavily interrupted by the pandemic until August last year but nearly compensated for the “loss” in the following months.

The prices for fishmeal are expected to remain high, as the demand for fishmeal remains strong and large shares of the latest Peruvian production are presold before the season. The current high price level of soyameal and soy oil, the largest substitute for marine proteins and oils, also point to prices remaining high. If soyameal prices remain at today's level, the attractiveness of buying fishmeal will strengthen, and fishmeal and fish oil prices will likely continue to increase. The price ratio of fishmeal (Hamburg) vis-a-vis soy meal (Hamburg) reduced to less than 3 towards the end of 2020, the lowest level since March 2014, and sharply below the recent high of 4.5 in June 2020.

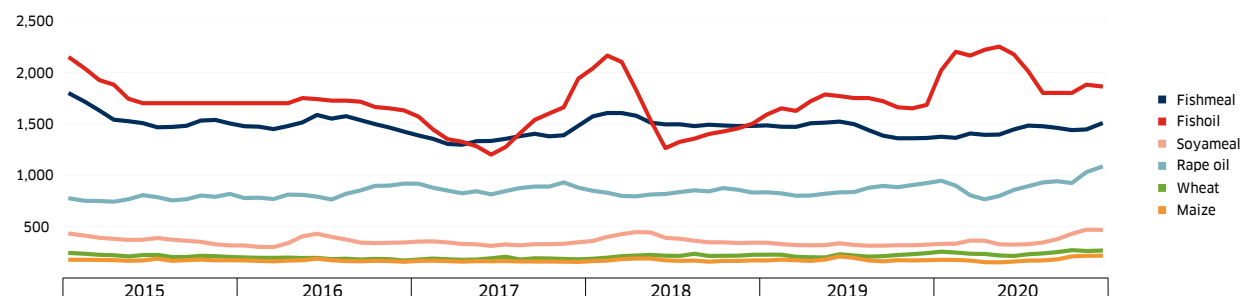
Fig. 56

ESTIMATED FEED CONSUMPTION/SALE TO SALMONIDS FOR SELECTED SALMONID PRODUCING REGIONS (ATLANTIC SALMON, LARGE TROUT, COHO, CHINOOK) (1,000 TONNES)

Country	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020E
Norway	1,494	1,652	1,618	1,738	1,743	1,704	1,822	1,837	1,965	2,120
Chile	1,037	1,255	1,209	1,263	1,239	1,036	1,191	1,269	1,406	1,336
UK	227	210	223	231	245	244	242	249	273	286
North America	225	235	202	235	255	264	282	289	307	286
Faroe Islands	85	89	96	98	103	107	101	103	108	116
Others	263	280	291	324	346	354	382	393	440	455
Total	3,330	3,720	3,640	3,890	3,930	3,710	4,020	4,140	4,500	4,600

Fig. 57

RAW MATERIAL PRICES 2011-2018 (USD/TONNES)



Source: Kontali

RISKS



Risk Management

The Bakkafrøst Group is exposed to a number of different risks, and risks will always be a natural part of our business activities. Risk management is therefore crucial, so that the risks Bakkafrøst is exposed to, and the potential financial impact of these, are reduced to an acceptable level.

Bakkafrøst has general operational and business risks arising from the normal business activities in the value chain. In addition to the operational risks, Bakkafrøst is exposed to markets and financial risks arising from the normal business activities in the value chain.

RISK MANAGEMENT STRUCTURE AND PROCESS

The Board of Directors has the final responsibility for the risk management of the Group. The Board of Directors determines the framework for identifying and mitigating risks. The Audit Committee supervises the risk management.

The Group Management is responsible for the daily compliance with the risk management framework and the Group's daily risk management. The Group Management assesses the Group's main risks on an ongoing basis, based on weekly or monthly reporting from the organization on business activities, market development, technology etc. The ongoing risk assessment is followed up yearly with an extensive risk analysis for the whole Group. The risks are assessed and quantified and reported to the Group Management. The latest analysis of the Group's risks was in December 2020.

At year-end, status on main risks are reported to the Audit Committee and is approved by both the Audit Committee and the Board of Directors.

OPERATIONAL RISKS

Farming

One of the largest risk factors, Bakkafrøst is exposed to, is the biological risk in the sea water grow-out stage. Examples of such risks are direct threats to the fish such as diseases, sea lice and algae blooms. Although comprehensive measures are put in place to mitigate negative impact arising from exposure to such threats, there is always a variation in key performance indicators such as mortality, growth, yield per smolt, price achievement versus reference prices, feed conversion ratio, costs of mechanical and medicinal treatment and required following time between generations for sites or larger geographic areas. The impact from being exposed to such risks can vary from minor cost variations to a complete wipe-out of the biomass in a vast geographic area. Due to exceptionally good mitigating measures in the Faroe Islands, outcome on key performance indicators has been attractive in recent years. In Scotland, however, the corresponding scores have generally been less attractive and have had a significantly higher volatility.

Although operational risks are to a certain extent reflected in budgets by means of estimates for mortality and the percentage of fish whose quality is downgraded in connection with primary processing, such risks might, if occurring, materially affect Bakkafrøst's results and financial condition. Bakkafrøst's operations can also be materially impacted by what is classified as normal operating risks, e.g. quality from suppliers and sub-suppliers, etc. The salmon farming industry is associated with a high level of biological risk, and Bakkafrøst aims at reducing that risk through the entire production cycle by means of systematic group-wide biosecurity auditing.

Mortality

The farming industry in the Faroe Islands has in the last decade experienced a lower mortality rate than the rest of the farming industry. However, in recent years, Bakkafrøst experienced an increase in the mortality rate mainly due to a shift

from medical to mechanical lice treatment and some incident based cases. The increase in mortality in recent years demonstrates that changes in farming methods can have a significant impact on the mortality. Bakkafrøst is continuously working on reducing the mortality towards the goal of having 94% survival rate

Price premium

In recent years, Bakkafrøst and SSC have had a higher price achievement, comparing to reference prices. This price premium is based on, amongst other things, brand, salmon quality and size. This price premium can only be obtained if Bakkafrøst as a Group continues to be able to differentiate from the rest of the farming industry. Bakkafrøst Group strives to maintain this position in the market.

Storms

The growth rate of farmed salmon depends, among other things, on weather conditions. Unexpected warm or cold temperatures can have a significant negative impact on growth rates and feed consumption. Bakkafrøst operates at sea under sometimes challenging conditions. This can result in incidents or necessary measures that may have significant cost implications, e.g. unexpected maintenance/repairs or escaped fish, even if Bakkafrøst is continually working on reducing risks using experience with equipment, location and operational organization. Bakkafrøst's facilities are located in areas, where the weather conditions are well known and the facilities well secured, though other weather conditions, such as storms or floods, could also lead to unexpected losses at facilities.

Disease

Operation of fish farming facilities involves considerable risk with regard to diseases. In the case of an outbreak of disease, Bakkafrøst will, in addition to the direct loss of fish, incur substantial costs in the form of premature harvesting, loss of quality of harvested fish and subsequent periodic reduced

production capacity. Examples of diseases being prevalent in the Faroe Islands in recent years are Amoebic gill disease (AGD), Bacterial kidney disease (BKD), Infectious salmon anaemia (ISA), Cardiomyopathy syndrome (CMS) and Heart and skeletal muscle inflammation (HSMI). Corresponding diseases prevalent in Scotland are in addition to the above, Pancreas disease (PD) as an example.

Sea lice

The increasing number of sea lice is one of the largest risks and challenges in the farming industry globally and in the Faroe Islands today. Increased number of sea lice may cause stress, which can lead to diseases. Bakkafrøst has procedures for reducing the number of sea lice with different types of treatment. The procedures are improved on a continuing basis.

Bakkafrøst uses lumpfish as cleaner fish for sea lice. Lumpfish is the only cleaner fish used in the Faroe Islands and is an important preventive measure against sea lice. Bakkafrøst will increase the use of lumpfish in its farming sites. Bakkafrøst uses both a freshwater bath on-board a live fish carrier, and lukewarm seawater treatment in two farming service vessels as sea lice treatment. Additionally, Bakkafrøst strives to improve delousing methods continuously.

Escapes

Bakkafrøst has a zero tolerance for escape of farmed salmon. The company operates, however, a large number of sea water sites, each of which are exposed to risks linked to bad weather, handling of fish, changing of nets, operations of workboats and well boats, predators etc. Escapes normally occur as a result of equipment failure or mistakes made by personnel. The direct financial exposure to escapes is moderate due to the geographic diversification of the sites. The indirect effects such as spread of diseases, negative impact on wild salmon, governmental penalties and negative publicity are hard to quantify for the accounts of Bakkafrøst and for the society as a whole. Procedures, quality assurance systems

and new technological solutions are important elements to mitigate the risk of escapes.

Deformities

As the aquaculture industry has evolved and developed, the biological limits for how fast fish can grow have also been challenged. As with all other forms of intensive food production, a number of production-related disorders arise, i.e. disorders caused by intensive farming methods.

As a rule, such disorders appear infrequently, but certain populations can be severely affected. The most important production-related disorders relate to physical deformities and cataracts. These invariably cause financial loss by way of reduced growth and inferior health, reduced quality on harvesting and damage to the industry's reputation.

Cyber security

With the increased use of technologies such as the internet to conduct business, the Group, service providers to the Group and Oslo Børs are susceptible to operational information security and related "cyber" risks both directly and indirectly, which could result in material adverse consequences for the Group and the shareholders, such as causing disruptions and impacting business operations, potentially resulting in financial losses. Unlike many other types of risks faced by the Group, these risks are typically not covered by any insurance. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber incidents include, but are not limited to, gaining unauthorized access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorized access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). In recent periods, examples have shown that large industrial groups

can be subject to complete shutdowns as a result of cyber-attacks. For Bakkafrøst, such an incident would require personnel to apply manual back-up systems to the extent possible. The most exposed area of the Company's value chain in case of cyber-attacks is processing and sales. For shorter periods of time, harvestable fish can be held in sea water sites pending a solution to such negative event, which would imply a delay in profits and cash flows.

Fishmeal, fish oil and fish feed

The production of fishmeal, fish oil and fish feed follow established methods with automated and controlled processes. As self-sufficient operator of fish meal, fish oil and fish feed, Bakkafrøst is exposed to certain risks which may require purchase of fish feed from a third party. For example, Bakkafrøst is vulnerable to food safety incidents, downtime and possible insufficient supply of raw material input. Unexpected shortfalls in raw material due to limited catch volumes or limited delivery or purchase of fish or supply of substitutes, could affect the volumes produced in the factory. This may result in incidents or necessary measures that may have significant cost implications. Bakkafrøst is continually working on reducing risks. The Company's fishmeal, fish oil and fish feed department at Havsbrún's facilities is located in the Faroe Islands, in which case the Company's business could be materially adversely affected directly from any trade restrictions, or indirectly through restrictions on ocean harvests or quotas. Although any salmon farmer, being a net buyer of fish feed is also indirectly exposed to the same risk factors, this risk is normally mitigated contractually through replacement obligations from third party.

Feed contaminants

Feed may, through its use of different types of raw materials and ingredients and through its production processes, be exposed to contamination by a number of undesirable substances. Most contaminants are accumulated in organisms, such as marine wild catch used to produce fishmeal and fish



oil. These contaminants are deposited into the organism's fat, and the concentration is greater the higher up the food chain. Authorities set maximum allowable levels for the most important contaminants. These limits are continuously monitored by the authorities and may be altered. There is also the possibility of "new" contaminants being added periodically to the list.

Generally, contamination may occur either accidentally or deliberately through malicious product tampering. Such contamination has the potential to affect the environment, fish

health and/or food safety with a potential negative impact on the public's confidence in eating salmon. Any of these events could have a negative impact on Bakkafrost's operating result and financial condition. Future legislation may increase the risk of non-compliance and the cost of ensuring compliance. The reputation risk associated with non-compliance may be significant even if there is no impact on the environment, fish health or food safety.

The Company's feed department, Havsbrún, operates a number of controls to reduce the risk of contamination. Examples

of measures and controls, included in HACCP and ISO procedures, include supplier audits and supplier specifications of raw materials, targeted sourcing of raw materials, regular raw material and finished feed quality control analyses, procedures for cleaning of fish oils, etc. and strict plant security procedures. The risks, however, can never be completely eliminated.

Contaminants that may be a risk for fish feed include, but are not limited to, organic contaminants such as dioxins and DL-PCBs, mycotoxins, pesticides, antioxidants such as

Ethoxyquin and BHT, brominated flame retardants and bacterial contamination and inorganic contaminants such as lead, mercury, arsenic and cadmium.

Even though all tests show that the levels of pollutants in the Bakkafrøst salmon are well within the safety limits, imposed by e.g. the European Union, Bakkafrøst has from early 2015 cleaned the fish oil used for Bakkafrøst's salmon feed for DL-PCBs and other pollutants, and since early 2018, the antioxidant, Ethoxyquin, has been replaced with natural antioxidant.

The feed may also, through accidents or tampering, be contaminated by other inorganic substances such as mineral oil, physical objects, etc. Several substances in addition to the list above are being monitored.

Regulatory

Regulatory impositions due to environmental or animal welfare concerns, may materially impact the Company's operations and financial condition. The Company emphasizes organizing its operations so that the risk for unexpected measures is reduced, but there will always be a latent risk that the regulatory authorities will impose restrictions and/or sudden changes in the industry framework.

Salmon farming is regulated by licenses. The Group has good dialogue with the Faroese and Scottish authorities regarding the prerequisites and restrictions that are connected to a farming license.

In Scotland, all licenses and consents, policies and regulations are overseen by the Scottish Environment Protection Agency (SEPA).

The Faroese authorities may withdraw licenses for fish farming operations if substantial preconditions have been changed since the license was issued, or if the license goes against overall development plans and protective measures, or if the licensee breaches the conditions set in connection

with the issuance of the license. The license may also be withdrawn if the company breaches the rule on maximum ownership of licenses, or if the company does not use the license. The license may also be withdrawn, if the environmental license of the company is repealed.

In the Faroese Islands, a salmon farming license is issued for a period of 12 years from the date of issue. The Faroese government may prolong the license period. If the company fulfils the conditions in the license and if a continuation of the activities is not contrary to overall development plans, which have been adopted, it must be assumed (but there can be no assurance) that the company has a legal claim to have the license period prolonged.

Under the Act on Environmental Protection and under existing practice, the relevant environmental authorities may demand a reduction in the stocking of fry, compared to the last stocking, in case examinations of the seabed or other environmental studies show that pollution of the environment exceeds certain specified limits. The Faroese environment has become the subject of increasing attention and publicity in relation to aquafarming, and therefore it can be expected that the rules on this area may become stricter or that existing practice will become stricter.

IT

IT-related risks have increased in recent years, as IT has become more integrated in Bakkafrøst's operations. Therefore, breakdown of Bakkafrøst's control systems and administrative systems will have negative effect on Bakkafrøst's operations. The IT risks are assessed continuously, based on the importance of a potential event for Bakkafrøst operations and the likelihood that the event may occur.

MARKET RISKS

Price on farmed salmon

The Company's financial position and future development depend to a considerable extent on the price of farmed salmon,

which has historically been subject to substantial fluctuations. Farmed salmon is a commodity, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for farmed salmon is a key parameter.

Price on fishmeal and fish oil

Bakkafrøst's financial position and future development depend to some extent on the price of fishmeal and fish oil, which have historically been subject to substantial fluctuations. Fishmeal and fish oil are commodities, and it is therefore reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for fishmeal and fish oil is a key parameter. Decreased supply may cause prices to increase. This could in turn have an impact on the company's profitability and cash position.

Price on fish feed

Feed costs account for a significant proportion of the total production costs within the salmon farming segment, and fluctuations in feed prices could therefore have a major impact on profitability. Feed prices are affected by both the global market for fishmeal and marine/animal/vegetable oils, and the feed industry is dominated by a small number of large, global producers.

Natural limitations in the marine resource base could lead to global shortages of fishmeal and fish oil for the fish feed production. The feed producers have come a long way, however, in their efforts to replace some of the marine based input factors with vegetable raw materials. Furthermore, the production of fish feed is an integrated part in Bakkafrøst's value chain and thus reducing this risk.

FINANCIAL RISKS

Bakkafrøst seeks to manage financial risks through operational measures or (where such measures are not available)

through the use of financial derivatives. A policy on the management of these risks has been approved by the Board of Directors.

The follow-up of internal procedures associated with financial reporting is undertaken as part of the management's day-to-day supervision and the process owners' follow-up. Please refer to Note 4.1 for additional information.

Foreign exchange risk

Bakkafrost trades in the world market for farmed salmonids. The revenues and accounts receivable are predominantly denominated in DKK, EUR, USD and GBP, but to some small extent also in other foreign currencies. On the other hand, purchases of raw materials etc. are predominantly denominated in DKK, which has a relatively stable rate, compared to EUR. Therefore, Bakkafrost has some natural hedging. For those currencies not fully hedged, fluctuations in foreign exchange rates present a financial risk to Bakkafrost. The Company's financing is bank financing and is in DKK, EUR and GBP, but Bakkafrost has the possibility to finance in other currencies. In connection with some material investments, Bakkafrost is in some degree exposed to NOK, GBP, USD and EUR. SSCs main transaction currency is GBP, which is also the main currency for the majority of contracted revenues. Traded and export sales can be denominated in other currencies, the most significant of which is EUR. As exports continue to become an increasingly significant source of revenue for the Group, the Board will continue to adapt its currency hedging strategy.

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered relatively low, since losses due to bad debts historically have been small. Bakkafrost has guidelines to ensure that sales are made only to customers that have not previously had payment problems and that outstanding balances do not exceed fixed credit

limits. The majority of total accounts receivable is insured. As not all receivables are insured, Bakkafrost must accept a certain risk element in accounts receivable.

The main credit risk on the date of the statement of financial position regards Bakkafrost's receivables portfolio.

Liquidity risk

Liquidity risk is the risk that Bakkafrost will not be able to meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure, which is secured by means of established borrowing facilities. Bakkafrost's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities and terms are described in Note 4.1.

Capital structure and equity

The prime objective of Bakkafrost's capital management is to ensure that it maintains a good credit rating to achieve favourable borrowing terms. By ensuring a good debt-to-equity ratio, Bakkafrost will support its business operations. Bakkafrost manages and makes changes to its capital structure in response to an ongoing assessment of financial conditions under which the business operates and its short- and medium-term outlook, including any adjustment in dividend pay-outs, buyback of own shares, capital reduction or issue of new shares.

GOVERNANCE



Corporate Governance

P/F Bakkafrøst is dedicated to maintaining high standards of corporate governance. The company endeavours to be in compliance with the Norwegian corporate governance regime, as detailed in the Norwegian Code of Practice for Corporate Governance, published on 17 October 2018 by the Norwegian Corporate Governance Board (the "Code of Practice"). The recommendation may be found at www.nves.no. Beside the Corporate Governance description in our annual report, Bakkafrøst publishes a more detailed report on Corporate Governance, which may be found on our website.

Bakkafrøst does not comply with the following recommendations in the Norwegian Code of Practice for Corporate Governance:

- Section 3 stipulates, "that mandates granted to the board should be limited in time to no later than the date of the next annual general meeting".

Bakkafrøst's Articles of Association § 4A gives the Board of Directors authorization to increase the share capital until the ordinary general meeting of the company in 2022, and § 4B gives the Board of Directors authorization to buy own shares on behalf of the company until the annual general meeting is held in 2022. According to the Faroese company law, a company may in its Articles of Association decide that the AGM may give the Board of Directors authority to increase the share capital and buy own shares. This permission may last for more than one year. For practical reasons, this has been implemented into the Articles of Association of P/F Bakkafrøst. It is the board's view that if shareholders find this authorization unacceptable, the board will support a change to the Articles of Association.

BAKKAFRØST'S GOVERNANCE MODEL

SHAREHOLDERS

GENERAL MEETING

Bakkafrøst's shareholders exercise their rights at the General Meeting.

NOMINATION COMMITTEE

Consists of four members, which are elected by AGM. Recommends candidates for election to the Board of Directors and Directors' fees.

BOARD OF DIRECTORS

Consists of 3-7 members, which are elected every year. The Board of Directors is responsible for the overall management of Bakkafrøst.

AUDIT COMMITTEE

Consists of three members from the Board of Directors and is chaired by the Board of Directors' Chairman.

GROUP EXECUTIVE MANAGEMENT

The Group Executive Management is responsible for the day-to-day management of Bakkafrøst.

Bakkafrost's Governance Model

To ensure adherence to the principles, the company has elaborated specific instructions regarding rules of procedure for the Board of Directors, instructions for the Nomination Committee, instructions for the Chief Executive Officer and other management, guidelines with regards to values and ethics, instructions for the Audit Committee, an investor relations policy, guidelines relating to takeover bids and guidelines for related-party transactions.

Shareholders and General Meeting

Shareholders exercise their rights at Bakkafrost's general meeting – such as appointing Bakkafrost's Nomination Committee, Board of Directors and auditor.

The procedures at Bakkafrost's general meeting follow the standard rules stipulated in the Faroese company law and Bakkafrost's Articles of Association.

Nomination Committee

The Nomination Committee recommends candidates for election to the Board of Directors and the Directors' fees. The deadlines for submitting proposals to the Nomination Committee is 31 January.

Bakkafrost's General Meeting elects the members, hereunder its chairman, for the Nomination Committee for a period of two years, unless the General Meeting decides otherwise. The remuneration payable to the Nomination Committee's members is also determined by the General Meeting.

The regulations governing the work of the Nomination Committee are incorporated in Bakkafrost's Articles of Association.

At the end of 2020, the members of the Nomination Committee were:

- Gunnar í Liða (Chairman)
- Eyðun Rasmussen
- Rógvi Jacobsen
- Leif Eriksrød

Board of Directors

Bakkafrost's Board of Directors is responsible for the overall management of the company and appoints a management of one or several managers to manage the daily business of Bakkafrost. The Board of Directors sets out the strategy for Bakkafrost and decides major investments and divestments. The Board of Directors is also responsible for ensuring that Bakkafrost has at any time an appropriate capital base, key policies and controls and for reviewing audit matters. The Board of Directors is responsible for Bakkafrost's Risk Management and material operational decisions

The majority of the members of the Board of Directors shall be residents in the Faroe Islands. The chairman of the Board of Directors is elected by the general meeting, whilst the vice-chairman is appointed by the Board of Directors. The Board of Directors shall have between three and seven members. Information about the members of the Board of Directors may be found in "Directors' Profiles" in the Annual Report.

The Board of Directors has laid down detailed rules regarding its activities in a working procedure, which is reviewed regularly.

The Board of Directors held ten meetings in 2020. Below under each Director's profile is disclosed each Director's participation in the Board meetings held during 2020.

The members of the Board of Directors receive a fixed remuneration, which is approved by the general meeting. The

members of the Board of Directors are not part of Bakkafrost's share savings plan for employees.

Audit Committee

The Audit Committee is a sub-committee of the Board of Directors and assists the Board of Directors in overseeing the financial and non-financial reporting process, financial and business-related risks, internal controls and compliance with statutory and other requirements from public authorities.

The Audit Committee decides the framework of Bakkafrost's external auditors, evaluates the auditors' independence and qualifications.

The company's audit committee met five times during 2020 to review accounting and operational issues in detail. The committee consists of Rúni M. Hansen (Chairman), Øystein Sandvik and Teitur Samuelsen.

Group Executive Management

The Group Executive Management leads Bakkafrost's daily business and shall adhere to any decisions made by the Board of Directors as well as to any rules and requests from the Board of Directors.

The Board of Directors has in executive instructions laid down specific rules regarding the authority and duties of the Group Executive Management. The Board of Directors also decides the employment conditions of the Group Executive Management and gives more specific rules regarding its work.

The Group Executive Management consist of CEO Regin Jacobsen, CFO Hogni D. Jakobsen and managing director of Havsbrún, Odd Eliassen. Information about the Group Executive Management may be found in "Group Managements' Profiles" in the Annual Report.

Corporate Responsibility and Sustainability

Governance and management

Bakkafrost's core values specify an intent to act responsibly, this includes thinking long-term on economic, social, and environmental issues. The company follows a precautionary approach to the management of sustainability risk through our risk assessment process. The process allocates responsibility for the mitigation of significant operational risks. Risks are monitored throughout the supply chain and reported internally on a regular basis and externally on an annual basis in the Annual Report and Sustainability Report.

The Audit Committee assists the Board in overseeing financial and business-related risks, internal controls and compliance with statutory and other requirements from public authorities. Sustainability strategy, management and reporting is overseen by the Board of Directors and is the day-to-day responsibility of Bakkafrost's Management Team.

Sustainability is covered in Bakkafrost's corporate strategy and management plans and will continue to be integrated into these in 2021, through the Healthy Living Plan.

Compliance and ethical conduct

Bakkafrost acts in accordance with strict national workplace health and safety, environmental, and fish health and welfare regulation in the Faroes. The company has an ongoing commitment to have zero cases of non-compliance.

The company upholds and promotes good business practice throughout the value chain, consistent with Bakkafrost's core values and principles. Its values guide its behaviour and approach to creating long-term value for customers, shareholders and society and are outlined in Bakkafrost's Code of Conduct, which aims to create a sound corporate culture. The Code requires all employees to observe high standards of business and personal ethics in the conduct of their duties and responsibilities. They must employ a fair and honest approach in every dealing with fellow employees and all external stakeholders.

Further commitment to voluntary sustainability standards and certifications is outlined below.

Workplace and human rights

The company is committed to respecting the protection of human rights and to making sure that it is not complicit in human rights abuses.

Its Code states a commitment to ensure that neither Bakkafrost nor its business partners shall exploit children as a labour force. This is supported by the standards, suppliers are asked to sign up to, when entering into agreements.

Bakkafrost's Code of Conduct also outlines its approach to creating optimal working conditions and culture, including a commitment to create a professional and positive work environment which is inclusive and free from discrimination.

In 2018, Bakkafrost strengthened its commitment in this area by signing up to the ten principles of the UN Global Compact to pledge to protect human rights; respect the freedom of association and the right to collective bargaining; and to have a workforce free from forced/compulsory/child labour, and discrimination. The company communicates its progress against these principles annually in the Healthy Living Sustainability Report.

Human capital

Bakkafrost employs 1,699 employees in the Faroe Islands, UK, Scotland and USA. It acknowledges that in order to achieve its mission and meet its strategic objectives, it must have a capable and engaged workforce, which is committed to its core values.

The company is dedicated to having a diverse and inclusive workplace, to attract and retain talent and expertise, to build workforce competency, and to maintain high employee engagement. The 2023 Healthy Living Plan will outline areas

in which the company will increase focus, to strengthen its human capital.

Health, safety and wellbeing

Protecting human capital involves maintaining a high standard of occupational health and safety and creating a healthy working culture.

The company's Code outlines its intention to ensure a systematic approach to attaining an injury and accident-free workplace. This is achieved through a set of guidelines based on the highest health, safety and environment standards. Employees receive regular training on these.

Product quality and safety

Through various best practice standards and certification programmes (outlined below), Bakkafrøst ensures industry-leading product quality and safety standards. A comprehensive internal control system is in place, which is regularly inspected by the authorities; this involves daily product testing and monitoring for compliance with national health and food safety regulations. As well as ongoing adherence to the highest standards, the company has made a commitment to maintain our high omega 3 levels and maintain high customer product quality scores.

Biosecurity, fish health and welfare

Bakkafrøst is committed to upholding leading welfare standards and reducing the use of chemicals and medicines in the prevention of disease and sea lice. The experienced fish health team – made up of certified veterinarians, biologists, and assistants – has a strategy in place to achieve this, which includes surveillance across all sites to ensure that optimal health and welfare is always maintained. The company has made a commitment to maintain high fish survival rates, to maintain an industry-leading approach to animal welfare, and to have zero fish escapes.

Environmental management and sustainable feed

Bakkafrøst is committed to minimizing pollution of the environment from each stage of the value chain. The company's Code outlines an intention to strive to be market leading in environmental protection. All employees will be required to bear in mind the environmental effects work-related activities have on nature and the environment and apply environmentally friendly solutions to the extent reasonably possible.

The company is focused on optimizing its efficient use of fossil fuels and has made a series of commitments towards the health of the environment, including meeting a third-party environmental standard, reducing the impact from packaging on the environment, and reducing its GHG emissions.

Collaboration and certification

As well as collaborating with the salmon industry through the Faroese Aquaculture Association and the Global Salmon Initiative (GSI), Bakkafrøst subscribes to several external standards and certification programmes to ensure product sustainability, quality and safety. The entire value chain in the Faroe Islands – feed production, broodstock, hatcheries, farming sites, and harvesting and processing plant – is certified according to the international GLOBAL G.A.P. standard, which focuses on food safety throughout the production, fish welfare, health and safety, and environmental management. Our value chain also has the Ohne Gentechnik Non-GMO add on.

The operation in Scotland is accredited according to BAP (4-star) and BRC for the processing plants and the smokehouse.

Bakkafrøst's harvesting and value-added product (VAP) production has the Aquaculture Stewardship Council (ASC) Chain of Custody certification, and the VAP production is certified according to the BRC and IFS food safety standards. The fishmeal, oil and feed production at Havsbrún, hold multiple certifications; all units are certified to ISO9001:2015, and the



fishmeal and fish oil division is certified according to the GMP+ standards, the IFFO RS certification and the MSC Chain of Custody standard. Our salmon meal and oil also have GMP+.

All farming sites in the Faroe Islands are ASC certified.

Responsible leadership and value generation

The considerable value generated by Bakkafrøst to the Faroe Islands, through employment, taxes and returns, means it has a big responsibility to everyone with an invested interest in the company. The company has made a commitment to demonstrate responsible leadership at both a local and international level, and increase transparency on issues of high stakeholder interest, such as community investment.

Further information on Bakkafrøst's management approach to these issues, its plan to meet its commitments, and its 2020 performance against them, can be found in Bakkafrøst's 2020 Healthy Living Sustainability Report.

Shareholder Information

Information to shareholders has high priority in Bakkafrøst. The company aims at maintaining a regular dialogue with the Group's shareholders through the formal channel of stock exchange announcements, interim reports, annual reports, annual general meetings and presentations to investors and analysts.

AUDITORS

The consolidated accounts have been audited by P/F Januar, l ggilt grannsko anarvirki (State Authorized Public Accountants), which is also the auditor of the parent company and all its subsidiaries, registered in the Faroe Islands. Auditor for subsidiaries

- Bakkafrøst UK Ltd is Forrester Boyd Chartered Accountants, Grimsby
- Bakkafrøst USA LLC is Clifton Larsen Allen LLC. New Jersey.
- The Scottish Salmon Company Plc is Azets, Glasgow.

DIVIDEND POLICY

Bakkafrøst aims to give its shareholders a competitive return on their investment, both through payment of dividends from the company and by securing an increase in the value of the equity through positive operations.

Generally, the company should pay dividends to its shareholders, but it is the responsibility of the Board of Directors to make an overall assessment to secure the company a healthy capital base, both for the daily operations and for a healthy future growth of the company.

A long-term goal for the Board of Directors is that 30-50% of adjusted EPS shall be paid out as dividends.

Bakkafrøst's financial position is strong with a healthy balance sheet, a competitive operation and undrawn available credit facilities. The Board of Directors has therefore decided to propose to the Annual General Meeting that DKK 3.65 (NOK 5.03*) per share shall be paid out as dividends. This corresponds to DKK 216 million (NOK 297* million).

PARENT COMPANY'S FINANCIAL STATEMENTS AND ALLOCATION OF PROFIT FOR THE YEAR

The parent company P/F Bakkafrøst had a net profit of DKK 981 million for 2020. The Board of Directors has decided to propose to the Annual General Meeting that DKK 3.65 (approximately NOK 5.03*) per share shall be paid out as dividends. This corresponds to DKK 216 million (NOK 297* million).

The Board thereby proposes the following allocation of funds:

- Result for 2020: DKK 981 million
- Transferred to other equity: DKK 765 million
- Total provision for dividends: DKK 216 million

After payment of dividends, the distributable equity totals DKK 8,822 million.

SHAREHOLDERS, CAPITAL AND VOTES

P/F Bakkafrøst had, on 31 December 2020, a total of 59,143,000 shares outstanding, each with a nominal value of DKK 1. Of the 59,143,000 shares outstanding, P/F Bakkafrøst holds 98,929 treasury shares as at 31 December 2020.

Ticker code: BAKKA

LARGEST SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2020: Oddv r Jacobsen, Regin Jacobsen and Folketrygdfondet.

* The dividend per share in NOK is subject to changes, depending on the currency rate NOK/DKK. The currency rate NOK/DKK will be announced on ex-date.

Directors and Management



Directors' Profiles



RÚNI M. HANSEN **Chairman of the Board**

Born 1967. Faroese citizen. Joined the Board in 2009 and has been Chairman since. Term of office expires in 2021. Is considered to be independent. Executive chairman of the industry holding company Tjaldur.

Education:

MSc. in Economics and Business Administration, Copenhagen Business School. Postgraduate, Lancaster University.

Board meetings in 2020:

Participated in all 10 Board meetings in 2020.

Number of shares held in Bakkafrost:

Holds 10,761 shares at year-end 2020. Mr. Hansen is member of The UN Global Compact's Platform for Sustainable Ocean Business. He was a member of the World Economic Forum's Agenda Council on the Arctic in the Period 2012-2016. Mr. Hansen has extensive experience in the international oil and gas industry. He was among other member of Equinor's Exploration Executive team. During his time in Equinor (former Statoil) he has been based in London, Copenhagen, Oslo and The Faroe Islands. Prior to Equinor (Statoil) he was in the seafood and shipping industry.



JOHANNES JENSEN **Deputy Chairman of the Board**

Born 1962. Faroese citizen. Joined the Board in 2009 and has been Deputy Chairman since. Term of office expires in 2021. Is considered to be independent. Managing Director at P/F Gist & Vist.

Education:

MBA, Lancaster University Management School.

Board meetings in 2020:

Participated in all 10 Board meetings in 2020.

Number of shares held in Bakkafrost:

Holds no shares at year-end 2020 - no change in portfolio in 2020.

Mr. Jensen has extensive experience in seafood and marketing. He had a long career at Faroe Seafood, where he was Marketing Director from 1992 to 2001. Mr. Jensen is presently also Chairman of P/F Frost and of P/F Visit Faroe Islands.



TEITUR SAMUELSEN **Board member**

Born 1972. Faroese citizen. Joined the Board in 2016. Term of office expires in 2021. Is considered to be independent. Managing Director at P/F Eystur- og Sandoyartunlar.

Education:

MSc. in Business Economics & Auditing, Copenhagen Business School.

Board meetings in 2020:

Participated in all 10 Board meetings in 2020.

Number of shares in Bakkafrost:

Holds 100 shares - no change in portfolio in 2020.

Mr. Samuelsen has an extensive experience from accounting and finance. He has worked at KMPG and Dong E/P in Denmark and has been CFO at Atlantic Petroleum (2005-2009) and Bakkafrost (2009-2014). Mr. Samuelsen is presently a member of the Board of Directors at P/F 6. September and Betri Trygging.



ANNIKA FREDERIKSBERG

Board member

Born 1971. Faroese citizen. Joined the Board in 2008. Term of office expires in 2021. Is not considered to be independent. Sales Manager at Bakkafrost.

Education:

Basic Vocational Course, Commercial Line, Faroese Business School.

Board meetings in 2020:

Participated in all 10 Board meetings in 2020.

Number of shares in Bakkafrost:

Holds directly and indirectly 16,063 shares at year-end 2020-change in portfolio in 2020: +253 shares.

Mrs. Frederiksberg has extensive experience in the salmon industry and sales. She has been part of Bakkafrost's administration team and sales team for over 25 years.



ØYSTEIN SANDVIK

Board member

Born 1948. Norwegian citizen. Joined the Board in 2013. Term of office expires in 2021. Is considered to be independent.

Education:

Bank Economist.

Board meetings in 2020:

Participated in all 10 Board meetings in 2020.

Number of shares in Bakkafrost:

Holds no shares - no change in portfolio in 2020.

Mr. Sandvik has extensive experience from the finance sector and seafood. He has held several positions at Nordea Bank Norge within fish farming and fishery. Mr. Sandvik is presently a member of the Board of Directors of Coldwater Prawns of Norway AS and in Drevik International AS.



EINAR WATHNE

Board member

Born 1961. Norwegian citizen. Joined the Board in 2019. Term of office expires in 2021. Is considered to be independent.

Education:

Master in Animal Nutrition at NMBU.
Ph.D. in Aquaculture, NMBU.
MBA, Handelshøyskolen BI.

Board meetings in 2020:

Participated in all 10 Board meetings in 2020.

Number of shares in Bakkafrost:

Holds no shares - no change in portfolio in 2020.

Mr. Wathne has extensive experience from seafood business and has held positions as CEO in Cargill and EWOS.

Group Management's Profiles



REGIN JACOBSEN **Chief Executive Officer**

Born 1966. Faroese citizen. Mr. Jacobsen has been Chief Executive Officer of Bakkafrost since 1989.

Education:

Graduate Diploma in Business Administration and Accounting (HD-R), Aarhus School of Business.

Number of shares held in Bakkafrost:

Holds 4,616,755 shares at year-end 2020.

Changes in portfolio in 2020: +792 shares.

Mr. Jacobsen has extensive experience from the salmon industry and finances. He was Financial Manager of Bakkafrost before he became Chief Executive Officer of Bakkafrost.



HØGNI DAHL JAKOBSEN **Chief Financial Officer**

Born 1972. Faroese & Swedish citizen. Mr. Jakobsen has been Chief Financial Officer of Bakkafrost since 2019.

Education:

Business Design, Henley Business School.
MSc in Business Administration and Computer Science (cand. merc.dat), Copenhagen Business School.

Number of shares held in Bakkafrost:

Holds directly and indirectly 412 shares at year-end 2020.

Changes in portfolio in 2020: +272 shares.

Mr. Jakobsen has extensive experience from the management consulting sector. Before joining Bakkafrost he has held positions as Senior Partner in Quorum Consulting and been Management Consultant at PA Consulting Group.



ODD ELIASSEN **Managing Director of Havsbrún**

Born 1965. Faroese citizen. Mr. Eliassen has been Managing Director of Havsbrún since 2012 and Chief Executive Officer of the Scottish Salmon Company since 2019.

Education:

Teacher Certificate Exam, University of the Faroe Islands.

Number of shares held in Bakkafrost:

Holds 184,479 shares at year-end 2020.

Changes in portfolio in 2020: +609 shares.

Mr. Eliassen has broad experience from the fish farming industry and has been an active player in restructuring the fish farming industry in the Faroe Islands. He has been responsible for Havsbrún's farming activities and has held various board positions in the industry. Mr. Eliassen was a board member of Bakkafrost from 2006 to 2012.

Statement by the Management and the Board of Directors on the Annual Report

The Management and the Board of Directors have today considered and approved the Annual and Consolidated Report and Accounts of P/F Bakkafrøst for the financial year 1 January 2020 to 31 December 2020.

The Annual Report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the Annual and Consolidated Report and Accounts gives a true and fair view of the Group's and parent company's financial positions at 31 December 2020, as well as the results of the Group's and the parent company's activities and cash

flows for the financial year 1 January 2020 to 31 December 2020.

In our opinion, the management's review provides a true and fair account of the development in the Group's and the parent company's operations and financial circumstances, of the results for the year and of the overall financial position of the Group and the parent company as well as a description of the most significant risks and elements of uncertainty facing the Group and the parent company.

We recommend that the annual report be adopted at the annual general meeting.

Glyvvar, 10 March 2021

Management:

Regin Jacobsen
CEO

The Board of Directors of P/F Bakkafrøst

Rúni M. Hansen
Chairman of the Board

Johannes Jensen
Deputy Chairman of the Board

Øystein Sandvik
Board Member

Annika Frederiksberg
Board Member

Teitur Samuelsen
Board Member

Einar Wathne
Board Member

Independent Auditor's Report

To the shareholders of P/F Bakkafrost

Opinion

In our opinion, the consolidated annual accounts and the annual accounts give a true and fair view of the assets and liabilities, of the financial position of the Group and the Company as at 31 December 2020, and of the results of the Group and the Company operations as well as the consolidated cash flows for the financial year 1 January - 31 December 2020 in accordance with International Financial Reporting Standards as adopted by the EU.

Identification

We have audited the consolidated annual accounts and the annual accounts of P/F Bakkafrost for the financial year 1 January - 31 December 2020, which comprise Income Statement, Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, and notes, including a summary of accounting policies used, for both the Group and the Company, as well as consolidated statement of cash flows. The consolidated annual accounts and the annual accounts are prepared in accordance with the International Financial Reporting Standards as adopted by the EU.

Basis of opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts".

Independence

We are independent of the Group in accordance with the international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in the Faroe Islands, and we have fulfilled our additional ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit matters

Key audit matters are the matters, which the auditors consider central to their audit of the annual and consolidated accounts. The matters are considered during our audit of the accounts in their entirety and when forming our opinion. We do not provide separate opinions on these matters.

Key Audit matter

Biomass at cost

Biomass at marine sites is not accurately ascertainable prior to harvest and material accounting estimates are applied at the balance sheet date, regarding existence and valuation. Estimates are based on information on number at launch, feeding, sea temperature, exposure to daylight and treatment for lice and other health issues and knowledge about how salmon responds to these factors in terms of growth rate, mortality, feed consumption ratio, and liability to stress and decease. Material inherent risk is related to biomass at sea.

Biomass at Fair Value according to IAS41

Measuring biomass at fair value includes present value calculations based on complex inputs regarding the properties of existing biomass and forecast regarding growth and mortality rates from balance sheet date to harvest, quality distributions as well as market conditions at expected harvest date.

Valuation of licenses and goodwill

The group has acquired production licenses at significant amounts as part of business combinations where the group is identified as acquiree according to IFRS 3. During the Purchase Price Allocation process, licenses and goodwill at material amounts were identified. Carrying amounts are calculated using generally accepted valuation models, based on unobservable inputs according to level 3 inputs in IFRS13.

Our response to the matter during our audit

Summary of audit approach

During our audit, we:

- Applied our experience and knowledge about the characteristics of salmon production process when considering the accounting estimates.
- Assured ourselves, that the estimates are based on factual data, and data which can be supported empirically.
- Assured ourselves, that management is applying estimates in a way consistent with knowledge of the production process, and that the estimates are performed consistently and that the estimates are free from bias.
- Assured ourselves of the ability of management to perform these estimates by examining estimates made by management at prior balance sheet dates on a back-end basis.

Summary of audit approach

During our audit, we:

- Reviewed and reconciled the company specific characteristics of inputs into the valuation models.
- Reconciled inputs into the calculations model to observable market conditions at the balance sheet date.
- Reviewed the calculation model and ascertained that it comparable to industry standards.
- On a sample bases reperformed net present value calculation

Summary of audit approach

During our audit, we:

- Reviewed impairment model and ascertained that it is built on observable assumptions.
- Aligned inputs to board approved plans and budgets, and historical performance of the individual licenses.
- Reviewed valuation models for mathematical coherence and reperformed calculations on a test basis.
- Reviewed and challenged the indefinite useful life assumptions.

Statement on the management's review

The management is responsible for the management's review.

Our opinion on the consolidated annual accounts and the annual accounts does not cover the management's review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the consolidated annual accounts and the annual accounts, our responsibility is to read the management's review and, in that connection, consider, whether the management's review is materially inconsistent with the consolidated annual accounts and the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider, whether the management's review provides the information required under the International Financial Reporting Standards as adopted by EU.

Based on the work we have performed; we believe that the management's review is in accordance with the consolidated annual accounts and the annual accounts and that it has been prepared in accordance with the requirements of the International Financial Reporting Standards as adopted by EU. We did not find any material misstatement in the management's review.

Responsibilities for the accounts and the audit

The management's responsibilities for the consolidated annual accounts and the annual accounts

The management is responsible for the preparation of consolidated annual accounts and annual accounts that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by EU. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of con-

consolidated annual accounts and annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts and the annual accounts, the management is responsible for evaluating the Group's and the Company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the consolidated annual accounts and the annual accounts, unless the management either intends to liquidate the Group or the Company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated annual accounts and the annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts and the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or on aggregate, they could reasonably be expected to influence the economic decisions made by users based on these consolidated annual accounts and annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in the Faroe Islands, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the consolidated annual accounts and the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks and obtain audit ev-

idence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or overriding of internal control.

- Obtain an understanding of the internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal controls.
- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.
- Conclude on the appropriateness of the management's preparation of the consolidated annual accounts and the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated annual accounts and the annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the consolidated annual accounts and the annual accounts, including the disclosures in the notes, and whether the consolidated annual accounts and the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or the business activities within the Group to express an opinion on the

consolidated annual accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

We also provide a statement to the Board of Directors stating, that we adhere to the relevant ethical requirements relating to our independence, and provide information on any relation, which may reasonably be considered to influence our independence, and where relevant, security measures employed.

Based on the issues communicated to the Board of Directors, we determine which issues we consider key to our audit of the annual and consolidated accounts for the current period, and hence Key Audit Matters. We describe these matters in our report, unless legislation or other legal impediments prohibit publication of the matters, or in the extremely rare circumstances, where we determine, that matters cannot be described in our Auditors Report, because negative implications thereof may reasonably be expected to outweigh the public interest in the information provided by description of Key Audit Matters.

Tórshavn, 10 March 2021.

Januar P/F

løggilt grannskoðanarvirki

State authorized Public Accountants • Company reg.no. 5821

Heini Thomsen

State Authorised Public Accountant

Fróði Sivertsen

State Authorised Public Accountant

Financial Statements and Notes

BAKKAFROST GROUP

BAKKAFROST GROUP

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Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000		2020	2019
Operating revenue		4,651,892	4,511,107
Purchase of goods		-2,358,623	-1,354,921
Change in inventory and biological assets (at cost)		401,679	-29,423
Salary and personnel expenses	2.4	-608,347	-512,761
Other operating expenses	2.5	-1,062,719	-978,787
Depreciation	3.1/3.2/3.3	-446,765	-310,115
Other income	2.5	44,041	0
Operational EBIT*		621,158	1,325,100
Fair value adjustments of biological assets	3.7	118,003	-220,567
Income from associates		5,546	13,812
Revenue tax - FO		-53,584	-99,128
Earnings before interest and taxes (EBIT)		691,123	1,019,217
Financial income	2.7	1,399	4,996
Net interest expenses	2.7	-36,317	-17,114
Net currency effects	2.7	-13,096	-12,670
Other financial expenses	2.7	-17,125	-12,513
Earnings before taxes (EBT)		625,984	981,916
Taxes	2.8	-163,139	-180,031
Profit or loss for the period continuing operations		462,845	801,885
Profit or loss for the year attributable to			
Non-controlling interests		0	-8,382
Owners of P/F Bakkafrøst		462,845	810,267
		462,845	801,885
Earnings/Diluted earnings per share (DKK)	4.3	7.83	15.53

*Operational EBIT is EBIT before fair value adjustment of biomass, onerous contracts, income from associates and revenue tax

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	2020	2019
Profit for the year	462,845	810,267
Changes on financial derivatives	602	-17,789
Hereof income tax effect	-83	2,705
Currency translation differences	-44,303	72,673
Reserve to share based payment	1,170	-1,094
Adjustment treasury shares	-37,604	15,457
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-80,218	71,952
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0
Other comprehensive income	-80,218	71,952
Total comprehensive income for the year net tax	382,627	882,219
Total comprehensive income attributable to:		
Non-controlling interests	0	-8,382
Owners of P/F Bakkafrost	382,627	890,601

Consolidated Statement of Financial Position

AS AT 31 DECEMBER

DKK 1,000	Note	2020	2019
ASSETS			
Intangible assets		4,493,395	4,395,687
Total intangible assets	3.1	4,493,395	4,395,687
Land buildings and other real estate	3.2	1,555,019	1,174,427
Plant machinery and other operating equipment	3.2	1,703,233	1,420,379
Other operating equipment	3.2	242,147	210,750
Vessels	3.2	332,254	341,259
Prepayments for purchase of PP&E	3.2	387,946	633,683
Right of use assets	3.3	353,192	332,824
Total property, plant and equipment		4,573,791	4,113,323
Investments in associated companies	3.4	67,141	63,766
Investments in stocks and shares	3.5	55,318	55,318
Long-term receivables	3.8	8,101	4,422
Deferred tax assets	2.8	26,934	37,593
Total non-current financial assets		157,494	161,099
TOTAL NON-CURRENT ASSETS		9,224,680	8,670,109
Current assets			
Biological assets (biomass)	3.7	2,117,024	1,901,729
Inventory	3.6	776,032	548,508
Total inventory		2,893,056	2,450,237
Accounts receivable	3.8	490,075	625,993
Tax receivables		72,143	0
Other receivables	3.8	61,431	45,520
Total receivables		623,649	671,513
Cash and cash equivalents	3.9	466,939	1,309,546
TOTAL CURRENT ASSETS		3,983,644	4,431,296
TOTAL ASSETS		13,208,324	13,101,405

DKK 1,000	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Share capital	3.10	59,143	59,143
Other equity		8,670,344	8,270,112
Non-controlling interest		0	167,620
Total equity		8,729,487	8,496,875
Non-current liabilities			
Deferred taxes	2.8	1,222,222	1,123,796
Long-term interest-bearing debt	3.11	2,219,690	2,328,231
Long-term leasing debt	3.3	265,235	225,585
Derivatives	3.13	1,480	1,966
Total non-current liabilities		3,708,627	3,679,578
Current liabilities			
Financial derivatives	3.13	9,710	13,493
Trade payables		563,857	584,435
Current tax liabilities	2.8	37,422	195,484
Short-term leasing debt	3.3	131,336	107,808
Other current liabilities		27,885	23,732
Total current liabilities		770,210	924,952
TOTAL LIABILITIES		4,478,837	4,604,530
TOTAL EQUITY AND LIABILITIES		13,208,324	13,101,405

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER

Accounting Policies

The Group's statement of cash flow shows a breakdown of the Group's overall cash flow into operating, investing and financing activities. The cash flow statement is prepared according to the indirect method. The statement shows the individual activity's impact on cash and cash equivalents. The cash flow deriving from the acquisition and sale of businesses is presented under investing activities.

DKK 1,000	Note	2020	2019
Cash flow from operations			
Operating profit (EBIT)		691,123	1,019,217
Adjustments for write-downs and depreciation	3.1/3.2/3.3	446,501	313,844
Adjustments for fair value adjustments on biomass	3.7	-118,003	220,567
Adjustments for income from associates		-5,546	-13,812
Adjustments for currency effects		-65,402	-65,556
Taxes paid		-189,132	-152,000
Change in inventory		-309,873	-181,295
Change in receivables		48,252	-261,369
Change in current debts		-23,950	156,811
Cash flow from operations		473,970	1,036,407
Cash flow from investments			
Acquisition/sale of subsidiaries and activities, etc., net		0	-3,907,972
Proceeds from sale of fixed assets		18,412	669
Payments made for purchase of fixed assets	3.2	-836,383	-702,173
Purchase of shares and other investments		1,843	3,988
Change in long-term receivables		0	4,242
Cash flow from investments		-816,128	-4,601,246
Cash flow from financing			
Change in revolving credit facilities		-107,451	1,217,600
Acquisition of minorities		-167,620	0
Financial income		1,399	4,998
Financial expenses		-53,442	-20,807
Lease payment		-134,569	-42,274
Proceeds/Acquisition of treasury shares		-38,766	68,358
Proceeds from share capital increases		0	3,731,129
Dividend paid		0	-401,513
Cash flow from financing		-500,449	4,557,491
Net change in cash and cash equivalents in period		-842,607	992,652
Cash and cash equivalents - opening balance		1,309,546	316,894
Cash and cash equivalents - closing balance total		466,939	1,309,546

Consolidated Statement of Changes in Equity

AS AT 31 DECEMBER

Restricted equity comprises equity in which distribution to the shareholders may only take place adhering to specific procedures prescribed by the Faroese Limited Companies Act. Restricted equity consists of Equity Recognition Surplus and Fair Value Adjustments of Biomass. Free equity may be readily distributed to the shareholders, or otherwise disposed of, after due approval by the AGM. The composition of equity may be specified as follows:

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share-Based Payment	Currency translation differences	Derivatives	Dividend	Biomass Fair value adjustments	Retained Earnings	Total Equity
Equity 01.01.2020	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,179,661	8,496,875
Consolidated profit	0	0	0	0	0	0	0	118,003	346,196	464,199
Reclassification to 01.01.2020	0	0	0	0	0	0	0	-134,819	134,819	0
Other comprehensive income:										
Adjustment related to purchase price allocation	0	0	0	0	0	0	0	0	16,253	16,253
Fair value adjustment on financial derivatives	0	0	0	0	0	602	0	0	0	602
Hereof tax effect	0	0	0	0	0	-83	0	0	0	-83
Share-based payment	0	0		1,170	0	0	0	0	0	1,170
Currency translation differences	0	0	0		-44,305	0	0	0	0	-44,305
Total other comprehensive income	0	0	0	1,170	-44,305	519	0	0	16,253	-26,363
Total comprehensive income	0	0	0	1,170	-44,305	519	0	-16,816	497,268	437,836
Transaction with owners:										
Treasury shares	0	0	-37,604	0	0	0	0	0	0	-37,604
Proposed dividend	0	0	0	0	0	0	215,872	0	-215,872	0
Total transaction with owners	0	0	-37,604	0	0	0	215,872	0	-215,872	-37,604
Total changes in equity	0	0	-37,604	1,170	-44,305	519	215,872	-16,816	281,396	232,612
Change in non-controlling interest	0	0	0	0	0	0	0	0	-167,620	-167,620
Total equity 31.12.2020	59,143	4,027,375	-37,672	6,229	34,545	-14,829	215,872	145,387	4,293,438	8,729,487
Equity 01.01.2019	48,858	306,537	-15,525	6,153	6,176	-264	403,079	382,770	2,939,245	4,077,029
Consolidated profit	0	0	0	0	0	0	0	-220,567	1,071,230	850,663
Other comprehensive income:										
Fair value adjustment on financial derivatives	0	0	0	0	0	-17,789	0	0	0	-17,789
Hereof tax effect	0	0	0	0	0	2,705	0	0	0	2,705
Share-based payment	0	0	0	-1,094	0	0	0	0	0	-1,094
Currency translation differences	0	0	0	0	72,674	0	0	0	0	72,674
Total other comprehensive income	0	0	0	-1,094	72,674	-15,084	0	0	0	56,496
Total comprehensive income	0	0	0	-1,094	72,674	-15,084	0	-220,567	1,071,230	907,159
Transaction with owners:										
Share capital increase*	10,285	3,720,838	0	0	0	0	0	0		3,731,123
Treasury shares	0	0	15,457	0	0	0	0	0	0	15,457
Paid-out dividend	0	0	0	0	0	0	-403,079	0	1,566	-401,513
Total transaction with owners	10,285	3,720,838	15,457	0	0	0	-403,079	0	1,566	3,345,067
Total changes in equity	10,285	3,720,838	15,457	-1,094	72,674	-15,084	-403,079	-220,567	1,072,796	4,252,226
Whereof non-controlling interest	0	0	0	0	0	0	0	0	167,620	167,620
Total equity 31.12.2019	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,179,661	8,496,875

*Whereof subtracted transaction costs 99,435

Notes to the Consolidated Financial Statements

BAKKAFROST GROUP

NOTES - SECTION 1

Basis of Preparation

This section gives an overview of the financial accounting policies in general and an overview of the management's key accounting estimates.

NOTE 1. GENERAL INFORMATION

P/F Bakkafrost ("company") is a public limited company domiciled in the Faroe Islands at Bakkavegur 9, Glyvur.

P/F Bakkafrost was listed on Oslo Stock Exchange in 2010 with the ticker code: BAKKA.

NOTE 1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all periods presented.

NOTE 1.2 BASIS OF PRESENTATION

The Annual Report comprises the income statement, statement of comprehensive income, statement of financial position, specification of changes in equity, cash flow statement and note disclosures for the Group. The accounting year equals the calendar year. The financial statements were formally drawn up in accordance with International Financial Reporting Standards (IFRS) and the interpretations issued by the International Accounting Standards Board as approved by the European Community and the additional requirements in the Faroese Financial Reporting act.

The Annual and Consolidated Report and Accounts for the period 1 January to 31 December 2020 comprises both the Consolidated Annual Report and Accounts for P/F Bakkafrost and its subsidiaries (Group) and the separate Annual Accounts for the parent company.

The financial statements were formally authorized for issue by the Board of Directors on 10 March 2021.

The Annual Report has been prepared on a historical cost basis except for where IFRS requires recognition at fair value,

mainly valuation of licences, which are acquired by business combinations, and of biomass.

Preparation of the financial statements involves the use of estimates and assumptions. Changes in estimates and estimated assumptions are accounted for when they occur. Descriptions about the various estimates applied are given in the notes to the accounts where relevant.

NOTE 1.3 CONSOLIDATION PRINCIPLES

The consolidated financial statements include P/F Bakkafrost and the subsidiaries over which P/F Bakkafrost has controlling influence either by shareholding or by agreement. A controlling interest is normally deemed to exist when ownership directly or indirectly exceeds 50 percent of the voting rights. Controlling interest may also exist by nature of agreement. Similarly, limitations in voting rights by agreement may impede exercise of control, and the investment concerned will be considered an associate.

Newly acquired subsidiaries are included from the date on which a controlling interest is secured, and divested subsidiaries are included up until the date of divestment. The consolidated accounts have been prepared in accordance with uniform accounting principles for similar transactions in all companies included in the consolidated accounts.

All material transactions and balances between Group Companies have been eliminated.

Shares in subsidiaries have been eliminated in the consolidated financial statements in accordance with the acquisition method. This means that the acquired company's assets and liabilities are reported at fair value at the date of acquisition, with any excess value being classified as goodwill. Where the fair value of the assets acquired exceeds the payment made, the difference is treated as negative goodwill in the Income Statement.

When shares are acquired in stages, the value basis of the assets and liabilities is the date, the Group was formed. Later acquisition of assets in existing subsidiaries will not affect the value of assets or liabilities, except for goodwill, which is calculated with each acquisition.

Investments in companies in which the Group has a significant influence (associated companies) are treated in accordance with the equity method in the consolidated accounts. A considerable influence is normally deemed to exist when the Group owns 20–50 percent of the voting capital. The Group's share of the profits in such companies is based on profit after tax, less internal gains and depreciation on excess value due to the cost price of the shares being higher than the acquired portion of book equity. In the Income Statement, the profit share is presented on a separate line, while the assets are presented in the statement of financial position as non-current financial assets. The accounting principles used by associated companies have been changed where necessary to achieve consistency with the principles used by the Group.

NOTE 1.4 TRANSLATION OF FOREIGN CURRENCIES

For each individual entity, which is recognized in the consolidated accounts, a functional currency is determined in which the entity measures its results and financial position. The functional currency is the currency of the primary economic environment in which the entity operates. Transactions in other currencies than the functional currency are transactions in a foreign currency.

A foreign currency transaction is, on initial recognition, recorded in the functional currency at the spot exchange rate between the functional currency and the foreign currency on the date of the transaction.

At each balance sheet date, receivables, payables and other monetary items in foreign currency are translated to the

functional currency using the closing rate. Exchange differences arising on the settlement of monetary items or on translating monetary items, at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, shall be recognized in the income statement under financial revenues and expenses.

On consolidation, the results and financial position of the Group's individual entities with different functional currencies than the Group's presentation currency (DKK) are translated into the Group's presentation currency using the following procedure:

- Assets and liabilities are translated at the closing rate at the date of the balance sheet.
- Income and expenses are translated at exchange rates at the dates of the transactions.
- All resulting exchange differences are recognized directly in equity as a separate component of equity. For practical reasons an average rate for the period that approximates the exchange rates at the dates of the transactions is used.

NOTE 1.5 CLASSIFICATION PRINCIPLES

Biomass is recognized at fair value in the Statement of Financial Position. Changes in biomass and inventory measured at cost are presented as a one-line item in the Income Statement. Biomass at cost consists of all production costs. The biomass is then adjusted to fair value, i.e. market value less finishing costs, by adding or subtracting an IFRS adjustment. The IFRS adjustment is the difference between biomass measured at cost and measured at fair value.

Cash and cash equivalents consist of cash in hand and bank deposits. Assets, which form part of the production cycle and fall due for payment within 12 months, are classified as current assets. Other assets are classified as non-current assets. Liabilities, which form part of the production cycle or fall due

for payment within 12 months, are classified as current liabilities. Other liabilities are classified as noncurrent liabilities.

Dividend proposals are not classified as liabilities until the parent company has assumed an irrevocable obligation to pay the dividend, normally when dividend proposals have been approved by the Annual General Meeting.

Next year's instalments on long-term debts are classified as current liabilities.

Changes in the fair value of biological assets are presented on a line item separately from biomass changes measured at cost under operating profit/loss. This allows the reader of the Financial Report to determine both production efficiency and biomass at fair value.

NOTE 1.6 FUNCTIONAL CURRENCY

The consolidated accounts are presented in Danish Kroner (DKK), which is the Group's functional and presentation currency. All transactions in foreign currencies are translated into DKK at the time of transaction. In the statement of financial position, monetary items in foreign currencies are translated at the exchange rate in effect on the statement of financial position date.

NOTE 1.7 NEW STANDARDS

Standards and interpretations, which are issued at the date of the Group's Financial statements, but will become effective later, are disclosed below. The disclosures contain standards including amendments, which may influence recognition or measurements in the Financial statements, alter existing disclosures or require additional disclosures when effective at a future date. The standards are implemented as they become effective.

New standards, regulating issues not relevant to the Group or with insignificant impact on the Group, are omitted from this narrative.

New standards effective from 1 January 2020 and forth

Only minor adjustments have been made in standards and interpretations (IFRIC) which are effective for the financial year 2020. Neither are new standards nor amendments to these from 2021 and forth expected to have any impact on the Bakkafrost Group.

NOTE 1.8 ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with IFRS requires the management to make judgement estimates and assumptions that affect the application of accounting principles and carrying amounts of assets and liabilities, income and expenses. The estimates and underlying assumptions are based on experience and other factors perceived to be relevant and probable when the judgements were made.

Estimates are reviewed on an on-going basis, and actual values and results may deviate from the initial estimates. Revision to accounting estimates are recognized in the period in which the estimates are revised. The evaluations and estimates, deemed to be of greatest significance for Bakkafrost Group's Financial Statements, are described in the notes.

NOTES - SECTION 2

Results for the Year

This section gives more details on the results for the year, including operating segments, taxes and employee costs.

NOTE 2.1 REVENUE

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of business. Revenue is recognized net of discounts, VAT and other sales related taxes.

The revenue of the Group is mainly from sales of salmon, fishmeal, fish oil and fish feed. Sales revenue is recognized when the goods are delivered, and both title and risk have passed to the customer. This will normally be upon delivery.

NOTE 2.2 MAJOR CUSTOMERS

In 2020, there was one major customer - as defined in IFRS 8.34, representing DKK 570 million of the revenue in the VAP segment, compared to DKK 510 million in 2019. This is 52% of the total revenue in the VAP segment, compared to 53% in 2019.

NOTE 2.3 OPERATING SEGMENT INFORMATION

2020 – DKK 1,000	Farming FO	Value Added Products	Fishmeal, oil and feed	Farming SCT	Eliminations	Bakkafrost Group
External operating revenue	1,548,623	1,116,216	391,491	1,595,561	0	4,651,891
Internal operating revenue	791,638	0	1,027,480	0	-1,819,118	0
Total operating revenue	2,340,261	1,116,216	1,418,971	1,595,561	-1,819,118	4,651,891
Depreciation and amortization	-239,814	-19,530	-30,912	-156,508	0	-446,764
Operating expenses	-773,619	-165,355	-1,211,275	-1,358,626	-119,135	-3,628,010
Internal operating expenses	-878,999	-791,638	0	-148,481	1,819,118	0
Other income	0	0	0	44,041	0	44,041
Operating EBIT	447,829	139,693	176,784	-24,013	-119,135	621,158
Fair value adjustments on biological assets	-214,275	0	0	332,278	0	118,003
Income from associates	719	0	4,827	0	0	5,546
Revenue tax	-53,584	0	0	0	0	-53,584
EBIT	180,689	139,693	181,611	308,265	-119,135	691,123
Net financial items	-52,661	-631	-12,069	222	0	-65,139
Earnings before taxes	128,028	139,062	169,542	308,487	-119,135	625,984
Taxes	-30,445	-25,032	-30,517	-98,887	21,742	-163,139
Net earnings	97,583	114,030	139,025	209,600	-97,393	462,845
Operating EBITDA	687,643	159,223	207,696	132,495	-119,135	1,067,922
INVESTMENTS						
Property, plant and equipment	582,419	3,334	30,866	246,837		863,456
Depreciation	-239,814	-19,530	-30,912	-156,508		-446,764

2019 – DKK 1,000	Farming FO	Value Added Products	Fishmeal, oil and feed	Farming SCT*	Eliminations	Bakkafrost Group
External operating revenue	2,501,646	964,484	607,807	437,171	0	4,511,107
Internal operating revenue	650,816	0	780,654	0	-1,431,470	0
Total operating revenue	3,152,462	964,484	1,388,461	437,171	-1,431,470	4,511,107
Depreciation and amortization	-207,344	-17,482	-28,619	-56,670	0	-310,115
Operating expenses	-1,061,463	-232,458	-1,112,665	-362,372	-106,934	-2,875,892
Internal operating expenses	-780,654	-650,816	0	0	1,431,470	0
Operating EBIT	1,103,001	63,728	247,177	18,129	-106,934	1,325,100
Fair value adjustments on biological assets	21,847	0	0	-242,414	0	-220,567
Income from associates	3,119	0	10,693	0	0	13,812
Revenue tax - FO	-99,127	0	0	0	0	-99,127
EBIT	1,028,840	63,728	257,870	-224,285	-106,934	1,019,217
Net financial items	-25,922	-541	-5,863	-4,977	0	-37,303
Earnings before taxes	1,002,918	63,187	252,007	-229,262	-106,934	981,916
Taxes	-161,566	-11,375	-44,976	37,886	0	-180,031
Net earnings	841,352	51,812	207,031	-191,376	-106,934	801,885
Operating EBITDA	1,310,345	81,210	275,796	74,799	-106,934	1,635,216
INVESTMENTS						
Property, plant and equipment	666,776	15,212	20,185	521		702,694
Depreciation	-207,344	-17,482	-28,619	-56,670	0	-310,115

* Farming SCT is consolidated from 8 October 2019

	2020		2019	
FARMING FO - DISTRIBUTION OF HARVESTED VOLUMES	tgw	%	tgw	%
Harvested FO volume used in VAP production	23,931	47.2%	16,690	29.2%
Harvested FO volume sold fresh/frozen	26,769	52.8%	40,494	70.8%
Total harvested volumes	50,700	100.0%	57,184	100.0%

	2020		2019	
FOF SEGMENT - DISTRIBUTION OF FEED	tonnes	%	tonnes	%
Volumes used internally	94,345	84.2%	76,583	78.6%
External sold	17,653	15.8%	20,825	21.4%
Sold volumes	111,998	100.0%	97,408	100.0%

	2020		2019	
PRODUCTION OF FISHMEAL AND FISH OIL	tonnes	%	tonnes	%
Fishmeal	60,661	85.9%	60,646	86.3%
Fish oil	9,932	14.1%	9,633	13.7%
Total production	70,593	100.0%	70,279	100.0%

	2020		2019	
FARMING SCT - DISTRIBUTION OF HARVESTED VOLUMES	tonnes	%	tonnes	%
Harvested volume used in VAP production	0	0.0%	0	0.0%
Harvested volume sold fresh/frozen	34,986	100.0%	7,925	100.0%
Total harvested volumes	34,986	100.0%	7,925	100.0%

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

2020 - DKK 1,000	Farming FO	VAP	FOF	Farming SCT	Total
Western Europe	473,616	941,027	391,491	1,443,510	3,249,644
North America	594,301	94,001	0	87,573	775,875
Asia	300,792	43,929	0	11,585	356,306
Eastern Europe	179,733	37,259	0	0	216,992
Rest of the world	181	0	0	52,893	53,074
Total	1,548,623	1,116,216	391,491	1,595,561	4,651,891

2019 - DKK 1,000	Farming FO	VAP	FOF	Farming SCT	Total
Western Europe	632,916	771,587	607,807	408,318	2,420,628
North America	727,979	41,473	0	8,743	778,195
Asia	833,048	24,112	0	3,497	860,658
Eastern Europe	307,702	127,312	0	16,612	451,627
Total	2,501,646	964,484	607,807	437,171	4,511,108

The Group has four reportable segments in accordance with IFRS 8, Operating Segments. The Group's main strategic business area is aquaculture, which consists of four segments: fish farming Faroe Islands and Scotland, value added products (VAP) and production and sales of fishmeal, fish oil and fish feed (FOF).

The same accounting principles, as described for the consolidated financial statements, have been applied for the segment reporting. Intersegment transfers or transactions are entered into under normal commercial terms and conditions, and the measurement used in the segment reporting is the same as used for the third party's transactions. The pricing principle between the VAP and Farming FO segments is based on market reference prices for spot sale, and the pricing principle between the FOF and the farming FO segments is based on quarterly contracts.

ACCOUNTING POLICIES SEGMENT REPORTING

Farming FO including sales of fresh fish

Fish farming involves the breeding and on-growing of salmon as well as the harvesting, sales and distribution of salmon. The Group has production facilities around the Faroe Islands. There are no significant differences in the production properties of the licences, and the Group therefore reports the farmed salmonids, including the sale of fresh salmon, as one segment. The salmon is sold on the spot market for salmon products and to foreign seafood processing companies.

Farming SCT

The Farming SCT segment comprises the total operation in The Scottish Salmon Company Plc, which Bakkafrost gained control over on the 8 October 2019. The operation is located in Scot-

land and includes salmon farming, harvest, filleting, sales and administration.

Value added products (VAP)

A significant share of the farmed products is value added at the factory in Glyvrrar. The outputs of the factory are predominantly portions for the retail market. The business segment definition is based on the distinction between output sold to the industrial market and the value-added products for the end-consumers in the retail market.

Fishmeal, fish oil and fish feed (FOF)

Fishmeal, fish oil and fish feed involve the production and sale of fishmeal, fish oil and fish feed. The production of fishmeal, fish oil and fish feed are operated by Bakkafrost's subsidiary Havsbrún, located in Fuglafjørður.

NOTE 2.4 SALARIES AND OTHER PERSONNEL EXPENSES

DKK 1,000	2020	2019
Wages and salaries	516,445	432,550
Share based payment	3,676	2,529
Social security taxes	34,025	32,782
Pension expenses	42,656	33,214
Other benefits	11,545	11,687
Total payroll expenses	608,347	512,761
Average number of full-time employees	1,699	1,534

REMUNERATION TO CORPORATE MANAGEMENT

DKK 1,000					Total
Salary and other benefits paid	Salary	Bonus	Pension	Other	2020
Chief Executive Officer	2,145	0	146	89	2,380
Managing Director	1,703	115	124	0	1,942
Chief Financial Officer	1,328	115	98	89	1,630
Total remuneration	5,176	230	368	178	5,952

DKK 1,000					Total
Salary and other benefits paid	Salary	Bonus	Pension	Other	2019
Chief Executive Officer	2,164	300	137	88	2,689
Managing Director	1,493	115	89	0	1,697
Chief Financial Officer*	1,755	115	91	88	2,049
Total remuneration	5,412	530	317	176	6,435

* In 2019, the company has paid wages to both the resigned and the new CFO.

Fees paid to the Board of Directors

DKK 1,000		2020	2019
Rúni M. Hansen**	Chairman of the Board	479	461
Johannes Jensen	Deputy Chairman of the Board	271	261
Annika Frederiksberg*	Member of the Board	217	209
Einar Wathne***	Member of the Board	231	161
Teitur Samuelsen **	Member of the Board	262	252
Øystein Sandvik**	Member of the Board	278	265
Total remuneration		1,738	1,609

* Annika Frederiksberg is also an employee in the Bakkafrost Group. For this, she received DKK 651 thousand (2019: DKK 641 thousand).

** Member of the audit committee. Salary includes fee to the audit committee

*** Member of the Board of Directors from April 2019

Remuneration to corporate management

The total remuneration to the corporate management consists of basic salary (main element), benefits in-kind and pension schemes, but varies from person to person. The Group's Chief Executive Officer determines the remunerations to other management in agreement with the Chairman of the Board of Directors. The total remuneration is determined based on the need to offer competitive terms in the various business areas. The remunerations should promote the Group's competitiveness in the relevant labour market.

The total remuneration must neither pose a threat to Bakkafrost's reputation nor be market leading but should ensure that Bakkafrost attracts and retains senior executives with the desired skills and experience. The basic salary is subject to an annual evaluation and is determined based on general salary levels in the labour market.

Notice of Termination and Severance Payment

Bakkafrost may terminate employment by giving Group Management Executives a notice period. The company's period of notice for the Group's Chief Executive Officer is 24 months. The company's period of notice for other Group Management Executives covers a period from 6 to 12 months.

SHARE-BASED PAYMENT

Bakkafrost has established a share saving plan for its employees. It is the Board's intention that the plan shall be a continuing part of the company's employee incentive scheme. The Board shall, however, have the right to decide, in its sole discretion, whether the plan will be extended in the future, and the terms of the plan.

Employees may invest up to 5% of their base salary in Bakkafrost shares. The saved amount is deducted from the monthly net salary and used to purchase Bakkafrost shares in behalf of the employees. The purchase will be made from

Bakkafrost's treasury shares or on the market. An employee may not change the savings amount during the year, but an employee may cancel the subscription during the year. The purchase price and the number of shares acquired by the company will be reported in accordance with the applicable regulations.

After a lock-in period of two calendar years, one extra share will be awarded for each share purchased. Shares transferred to employees are acquired by the company on the market.

LOANS TO EMPLOYEES

As at 31.12.2020, there are no loans to employees.

ACCOUNTING POLICIES SHARE-BASED PAYMENTS

The share saving plan liabilities and payroll expense have been allocated over the employees' contribution period. The contribution period is from when the employee signed the share saving plan and until the shares are granted. The fair value of these liabilities will be determined using the number of shares contracted at the start of the share saving plan, using the share price on the date of the employee signature, adjustment is made for estimated leavers of the share saving plan. The difference between the fair value and the share price, when the shares are granted, will be booked as a financial item in the income statement. The liability is recognized in other equity reserves within equity.

PENSIONS

The Group operates a defined contribution pension scheme. Pension premiums are charged to the Income Statement as they accrue. The Group has no additional pension liabilities towards the employees, apart from these periodical payments.

NOTE 2.5 OTHER OPERATING EXPENSES AND OTHER INCOME

DKK 1,000	2020	2019
Maintenance	-161,327	-131,118
Operating expenses	-175,788	-152,442
Health	-127,605	-102,884
Freight	-424,575	-364,288
Energy	-167,999	-156,697
Other costs	-5,425	-71,359
Other operating expenses total	-1,062,719	-978,787
R&D expenditure tax credit in SCT	44,041	0
Other income total	44,041	0

NOTE 2.6 RESEARCH AND DEVELOPMENT EXPENSES

R&D expenditure occurs throughout the value chain. R&D is built in the Bakkafrøst business model DNA.

Bakkafrøst has a continual development of the entire value chain. This is not seen as R&D but is an integrated part of other operating expenses and salaries.

The focus of Bakkafrøst's R&D efforts has been evaluated and slightly improved during recent years. Lice abatement, bio-mass control and smolt quality remain high priorities, and the development and improvement of vaccines, nutrition and feeding, as well as operating technologies, are equally topical. In addition, Bakkafrøst continuously performs assessments of its own operating practices.

Bakkafrøst aims to expand its R&D activities in the area of feed and feeding and sees a substantial need for greater focus on basic knowledge of how the fish are fed and how we can maintain a healthy salmon. The past year has proven to be above our expectations in terms of production improvements in farming. We are convinced that our adaption of the mix of raw material has resulted in better nutritional quality in the feed. It is Bakkafrøst's clearly expressed goal to initiate better and more comprehensive research into these issues under large-scale conditions.

Bakkafrøst focuses on reducing biological risk continuously and has made several new investments and procedures to diminish this risk. Bakkafrøst focuses on using non-medical

methods in treatments against sea lice and has invested in new technology to follow this strategy.

Bakkafrøst aims at increasing smolt size to 500 grams smolts in 2023. The benefits are a shorter production time at sea as well as reduced biological risk. The new hatchery at Strønd, Klaksvík, is an important part of this plan. The hatchery is in full operation from 2020. The capacity growth from this investment programme will gradually appear in harvested volumes from 2021.

NOTE 2.7 NET FINANCIAL ITEMS

DKK 1,000	2020	2019
Other financial income	1,399	4,996
Financial income	1,399	4,996
Interest expenses on long-term loans	-33,512	-14,437
Interest expenses on credit lines	-2,476	-2,085
Interest expenses on accounts payable	-329	-592
Financial expenses	-36,317	-17,114
Other exchange differences	-13,096	-12,670
Net currency effects	-13,096	-12,670
Other financial expenses	-17,125	-12,513
Other financial items	-17,125	-12,513
Net financial items	-65,139	-37,301

ACCOUNTING POLICIES FINANCIAL INCOME

Interest income is recognized on an accrual basis. Dividend income is recognized, when the shareholders' right to receive a dividend has been approved by the Annual General Meeting.

BORROWING COSTS

Borrowings is recognized initially at fair value, net of transaction costs incurred. Borrowings is subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings. Borrowings is classified as a current liability, unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

NOTE 2.8 TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2020	2019
Tax payable	38,783	195,484
Tax credit	-23,974	0
Change in deferred tax	148,330	-4,748
Tax on treasury shares	0	-10,705
Tax expense on ordinary profit	163,139	180,031
Tax payable	38,783	195,484
Tax payable in the statement of financial position	38,783	195,484

Specifications of temporary differences and deferred tax

DKK 1,000		2020		2019
Deferred tax assets	Temporary Differences	Deferred tax	Temporary Differences	Deferred tax
Licences	0	0	-190,181	-36,134
Property, plant and equipment	43,483	8,224	35,946	6,830
Financial assets	0	0	8,860	1,683
Biomass	104,415	18,460	337,250	64,078
Receivables	1,318	224	1,089	207
Derivatives (Equity posted)	147	25	4,406	837
Other differences	0	0	486	92
Total temporary differences		26,933		37,593

DKK 1,000		2020		2019
Deferred tax liabilities	Temporary Differences	Deferred tax	Temporary Differences	Deferred tax
Licences	3,624,015	680,554	3,438,453	618,922
Property, plant and equipment	1,562,011	269,909	1,358,688	244,564
Financial assets	78,742	13,610	59,067	10,632
Biomass	1,413,357	258,023	1,390,953	250,371
Receivables	0	0	-1,245	-224
Currency effects	0	0	-1,534	-276
Derivatives (Equity posted)	0	0	-633	-114
Other differences	510	126	-437	-79
Total temporary differences		1,222,222		1,123,796
Deferred tax assets		-26,933		-37,593
Deferred tax liabilities		1,222,222		1,123,796
Deferred tax liabilities (+) / assets (-)		1,195,289		1,086,203

Reconciliation from nominal to actual tax rate

DKK 1,000	2020	2019
Profit before tax	625,984	981,916
Expected tax at nominal tax rate	106,417	176,745
Permanent differences*	56,722	3,286
Calculated tax expense	163,139	180,031
Effective tax rate excl. equity entries	26.06%	18.33%

Normal tax rate for countries in the Group:

- Faroe Islands 18%
- UK/Scotland 19%
- USA 28%

* Whereof DKK +64.9 million, relates to change in the tax rate change in Scotland from 17% to 19%

ACCOUNTING POLICIES

The tax expense is matched against the profit or loss before tax, as it appears in the accounts. Tax ascribable to equity transactions is taken to equity. The tax expense comprises tax payable (tax on the year's direct taxable income) and changes in net deferred taxes. Deferred tax liabilities and deferred tax assets are presented net in the statement of financial position to the extent that tax assets and liabilities can be netted against each other.

Deferred tax in the statement of financial position is a nominal amount calculated based on temporary differences between accounting and tax values at their intended use, as well as the taxable loss carried forward at the end of the financial year.

SIGNIFICANT ASSUMPTION ACCOUNTING FOR DEFERRED TAX LIABILITIES

The accounting of deferred taxes reflects tax rates and tax laws that have been enacted or substantively enacted by the date of the statement of financial position. The recognition of a deferred tax asset is based on expectations of profitability in the future. In addition, there are many transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain.

Deferred taxes are calculated using the nominal tax rate according to IAS 12.

SIGNIFICANT ASSUMPTION ACCOUNTING FOR DEFERRED TAX ASSETS

Deferred tax assets, including tax loss carry forwards, are assessed once a year. Losses are recognized if it is likely that they will be utilized in the foreseeable future.

NOTES - SECTION 3

Assets and Liabilities

This section gives more details on the assets that form the basis for the activities of Bakkafrost and the related liabilities.

NOTE 3.1 INTANGIBLE ASSETS

DKK 1,000	Goodwill	Licences	Brands	Total 2020
Acquisitions costs as at 01.01.20	568,885	3,720,158	108,400	4,397,443
Additions in the year as a result of adjustment to prior year acquisitions	114,245	0	0	114,245
Currency translation differences	-16,180	0	0	-16,180
Acquisitions costs as at 31.12.20	666,950	3,720,158	108,400	4,495,508
Impairments 01.01.20	-1,756	0	0	-1,756
Depreciation during the year	-357	0	0	-357
Accumulated impairments/depreciation and write-downs as at 31.12.20	-2,113	0	0	-2,113
Net book value as at 31.12.20	664,837	3,720,158	108,400	4,493,395

DKK 1,000	Goodwill	Licences	Brands	Total 2019
Acquisitions costs as at 01.01.19	18,485	372,138	0	390,623
Additions in the year as a result of acquisitions	550,400	3,348,020	108,400	4,006,820
Acquisitions costs as at 31.12.19	568,885	3,720,158	108,400	4,397,443
Impairments 01.01.19	-878	0	0	-878
Depreciation during the year	-878	0	0	-878
Accumulated impairments/depreciation and write-downs as at 31.12.19	-1,756	0	0	-1,756
Net book value as at 31.12.19	567,129	3,720,158	108,400	4,395,687

In the Faroe Islands, Bakkafrost operates its sea farming activity in 14 identifiable CGUs based on single or groups of sea farming licenses, seven out of which are issued by the government without consideration, and hence are not capitalized. These belong to the North region.

The other seven CGUs were acquired as part of business combinations. Respectively, when acquiring the Vestlax Group,

Havsbrún Group and Faroe Farming, hence three groups of CGUs. These belong to the West region. These are considered as significant in comparison to the total carrying amount of goodwill and intangible assets with indefinite useful lives.

In Scotland, Bakkafrost operates its sea farming activity in 21 identifiable CGUs based on single or groups of sea farming licenses.

Impairment testing

The Group tests intangible assets annually for impairment or more frequently if there are indications that the assets are impaired. The annual impairment test is performed at year-end. The Group has substantial assets with indefinite lives in the form of licenses. The licenses are subject to impairment testing in combination with goodwill in the annual test. The Group identifies each farming zone, which may contain one or several licences or farming sites, as one cash-generating unit.

The procedure of impairment testing

Impairment testing is carried out by calculating the net present value of estimated future cash flows (value in use) for the cash-generating unit in line with IAS 36 and comparing the net present value of the cash flow towards the carrying amount of net assets held by the cash-generating unit (CGU). The cash flow used in the calculations represents the management's best estimate at the time of reporting. If the carrying amount is higher than the calculated value in use, the assets are considered impaired. The estimated cash flow is based on the assumption of continued operation. The basis for the estimated cash flow is the strategic plan for the following years. The strategic plans have been reviewed and the targets approved by the Group management.

All CGUs have the same operating assumptions since the operating conditions are predominantly the same all over the Faroe Islands. The considered operating conditions are costs of feed, smolt, harvest, packaging, transport and other costs. Other operating conditions considered the same are mortality, production time, fallowing and harvest weight. CAPEX is also assumed to be the same for all CGUs over the calculated period. All CGUs are calculated with the same WACC. If there will be variances between the assumptions for the different CGUs in the future, this will be incorporated into the impairment test.

Indications of impairment

The impairment testing at year-end did not result in identification of impairment losses. Intangible assets were tested for impairment to evaluate if the cash flow from a conservative estimate was sufficient to support the carrying amount of net assets. The test confirmed the asset values.

The key assumptions

The key assumptions in the calculations of value in use are harvest volume, prices and costs, hence EBIDTA and WACC. Amongst other assumptions are inflation, CAPEX and terminal growth.

In general, the value in use has been determined based on future strategic plans considering the expected development in both macroeconomic and company-related conditions.

The assumptions used, rest on uncertainty regarding product prices, input prices, biological performance and future regulatory frameworks. Costs can normally be estimated with more accuracy than income. As profitability in the salmon farming industry historically has been very volatile, depending on developments in the prices of salmon. Bakkafrost uses budgets and long-term plans for the first five years of the analysis but returns to long-term historic averages for profitability in the sixth year and terminal period.

The key assumptions used in determining the value in use are:

- Harvested volume is based on the current stocking plans for each unit, and forecasted figures for growth, assumed harvest weight and mortality, based on historical figures.
- The costs are based on the Groups own assumptions, based on historical costs and expectations. The costs are expected to remain stable but are calculated to increase with an inflation rate of 0.9%.
- The forward prices are based on the Fish Pool index - which is a part of Oslo Børs ASA - at the day of the calculation. The long-term forward prices are based on third-parties' sources.

- The WACC is 7.2% (2019: 8.5%) pre-tax and calculated in accordance with IAS 36. The WACC model is used for estimating the discount rate. The input data for the model is updated each year for the annual impairment test. The choice of input data for the model significantly influences the outcome of the model, and to ensure that there is as little uncertainty as possible with regards to the calculation of the WACC, third-party sources are used where available (interest, inflation, beta). The discount rate is based on a five-year average for ten-year bonds issued by the Danish government, with an adjustment margin for the food industry in the EU.
- The inflation is set to 0.9% for the budget period. This is done based on third-parties' sources. The terminal growth is set to 0%.
- Capital expenditure (CAPEX). In the 5-year forecast period, the capital expenditure necessary to meet the expected growth in revenue and profit is taken into consideration. Capital expenditures are aligned with the growth and replacement plans. Capital expenditure to comply with current laws and regulations has been included. Capex related to committed and approved efficiency improvement programmes has also been included to support the inclusion of the benefits in the applied margin. Changes in applicable laws and regulations may affect future estimated capital expenditure needs; this is not reflected in the figures used in the impairment test. Beyond the forecast period, capital expenditure will in general equal depreciation and relate to maintenance investments.

Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been carried out. Sensitivity analysis has been performed for each of the defined cash generating units. With the assumptions used, the headroom is DKK 9,459 million.

ACCOUNTING POLICIES

Intangible assets that are purchased individually are capitalized at acquisition cost. Intangible assets acquired in connection with the purchase of a business entity are capitalized at acquisition cost when the criteria for separate recognition are met.

Intangible assets with a limited economic lifespan are depreciated systematically. Intangible assets are written down to the recoverable amount if the expected financial benefits do not cover their carrying amount.

Costs relating to research and development are charged as expenses as they accrue. R&D costs are capitalized in the statement of financial position, when it can be demonstrated that the relevant R&D projects carry economic benefits, that they can be technically finalized, and that the company intends to and is financially able to reap the economic benefits.

Capitalized R&D costs are recognized at acquisition cost less accumulated depreciation and write-downs. Capitalized R&D costs are depreciated in a straight line over the asset's estimated period of use.

Sea farming licences, which are purchased either as part of an acquisition or business combination according to IFRS 3, are capitalized at cost less accumulated write-downs according to a PPA analysis. Sea farming licences in the Faroe Islands and Scotland are considered perpetual, given that certain preconditions regarding environmental protection and animal welfare are met. Consequently, sea farming licences are not depreciated systematically, but are subject to an annual impairment test. If the carrying amount exceeds the recoverable amount, licences are considered impaired, and write-downs are entered and charged to the Income Statement.

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be appropri-

ate. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Licenses with indefinite useful lives

The sea farming licenses in the Faroe Islands are defined as the right to utilize a given area of fjords for farming fish. There are no provisions as to the maximum allowed biomass at the given site, but the legislation has imposed strict measures to regulate the farming activity in order to be environmentally sustainable.

The sea farming licenses in the Faroes are issued with a nominal lifespan of 12 years. Licenses are renewed, unless there is a specific reason against renewal, based on failure to fulfil the veterinary conditions set by the authorities. In connection with renewal of licenses, authorities may only decline renewal if specific legislation on area planning, animal welfare or environmental protection is in conflict with renewal of the licenses. Special emphasis is to be placed on the fact that it is renewals of existing licenses. This means that sea farming licenses are operated in a 12-year rolling lifespan system, where the licenses are renewed every 12th year. In the very rare cases, where the authorities have declined to renew licenses in order to use locations for other purposes, the farmers have obtained licenses from the authorities at other locations.

The sea farming licenses in Scotland are perpetual as long as certain environmental, operational and biological conditions specified in the licenses continue to be met.

The Group has therefore decided to account for sea farming licenses, which are capitalized, following the provisions for intangible rights with indefinite useful lives.

GOODWILL

When the company assumes control over a separate business entity for a consideration that exceeds the fair value of the

individual assets, the difference is entered as goodwill in the statement of financial position.

Goodwill deriving from purchases of subsidiaries and associates is presented under intangible assets. Goodwill is not depreciated but is tested for impairment annually or more often if there are indications that its value is lower than the carrying amount. When assessing the need to write-down goodwill, this is assigned to relevant cash flow generating units or groups, which are expected to benefit from the acquisition.

Write-downs are performed in accordance with an assessment of the recoverable value of each of the cash-flow generating units to which the goodwill is assigned. To identify the Group's cash-flow generating units, the assets are grouped according to the lowest level to which separate and independent cash flows may be ascribed. Recoverable value is calculated based on value in use. This is arrived at by estimating future cash flows.

If the calculated value in use is less than the carrying amount of the cash-flow generating unit, goodwill is written down first, and then other assets as required.

SPECIFICATION OF CGUS - BOOKED VALUE TESTED AND SENSITIVITY

The CGUs tested are in the West region and in Scotland.

Sensitivity analyses and booked value per CGU:

CGUs DKK 1,000	Licenses	Other assets****	Total booked value tested	WACC	Number of smolts (1,000)	EBITDA change of +/-1%	WACC change of -1%	WACC change of +1%
31.12.2020								
The Scottish Salmon Company acquisition	4,006,820	574,114	4,580,934	7.2%	23,083	311,560	379,700	-362,679
Vestlax acquisition*	132,708	1,338,793	1,724,535	7.2%	7,900	41,453	212,495	-154,003
Havsbrún acquisition**	157,430	482,380	580,033	7.2%	2,250	145,545	746,094	-540,723
Faroe Farming acquisition***	82,000	736,823	972,295	7.2%	4,200	77,378	396,657	-287,473
TOTAL	4,378,958	3,132,110	7,857,797	7.2%	37,433	575,936	1,764,946	-1,344,878
31.12.2019								
The Scottish Salmon Company acquisition	4,006,820	695,706	4,702,526	7.4%	23,083	142,248	321,873	-91,078
Vestlax acquisition*	132,708	1,591,827	1,724,535	7.4%	7,670	48,201	195,123	-134,045
Havsbrún acquisition**	157,430	422,603	580,033	7.4%	2,250	163,560	662,102	-454,849
Faroe Farming acquisition***	82,000	890,295	972,295	7.4%	3,500	83,946	339,820	-233,449
TOTAL	4,378,958	3,600,431	7,979,389	7.4%	36,503	437,955	1,518,918	-913,421

* 4 CGUs in license numbers A-03, A-05, A-06, A-25, A-57, A-80 and A-81. Acquired in 2010.

** 2 CGUs in license numbers A-71 and A-82. Acquired in 2011.

*** 1 CGU in license numbers A-15 and A-92. Acquired in 2016.

**** Other assets consist of goodwill, PP&E, inventory, receivables, etc. which can be allocated to CGUs or are directly attributable to CGUs.

NOTE 3.2 PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Operating equipment, fixtures etc.	Other operating equipment	Vessels	Assets under construction	Total
Acquisition costs as at 01.01.20	1,491,693	2,326,299	343,733	427,014	633,683	5,222,422
Reclassification	343,386	172,562	847	977	-539,554	-21,781
Acquisitions during the year	145,918	356,500	62,418	26,846	293,556	885,238
Disposals and scrapping during the year	-33,008	-93,169	-386	-690	0	-127,253
Currency translation differences	-11,022	-15,517	-119	-3,248	261	-29,645
Acquisition costs as at 31.12.20	1,936,967	2,746,675	406,493	450,899	387,946	5,928,980
Accumulated depreciations and write-downs as at 01.01.20	-317,266	-905,920	-132,983	-85,755	0	-1,441,924
Depreciations during the year	-67,606	-216,699	-33,882	-33,613	0	-351,800
Accumulated depreciations and write-downs on disposals and scrapping	1,825	82,909	386	603	0	85,723
Currency translation differences	1,099	-3,732	2,133	121	0	-379
Accumulated depreciations and write-downs as at 31.12.20	-381,949	-1,043,442	-164,346	-118,644	0	-1,708,381
Net book value as at 31.12.20	1,555,019	1,703,233	242,147	332,254	387,946	4,220,599
Acquisition costs as at 01.01.19	1,248,933	1,688,862	271,661	416,440	447,059	4,072,955
Reclassification	23,910	121,847	-44,002	96	-101,851	0
Acquisition of subsidiary	28,210	271,092	41,982	3,594	120,698	465,576
Acquisitions during the year	191,506	259,463	76,333	7,093	167,778	702,173
Disposals and scrapping during the year	-865	-14,965	-2,242	-210	0	-18,282
Acquisition costs as at 31.12.19	1,491,693	2,326,299	343,733	427,014	633,683	5,222,422
Accumulated depreciations and write-downs as at 01.01.19	-254,579	-762,528	-111,598	-59,925	0	-1,188,630
Depreciations during the year	-63,400	-154,685	-22,974	-25,835	0	-266,894
Accumulated depreciations and write-downs on disposals and scrapping	714	11,318	1,590	9	0	13,631
Currency translation differences	-1	-25	-1	-3	0	-30
Accumulated depreciations and write-downs as at 31.12.19	-317,266	-905,920	-132,982	-85,754	0	-1,441,923
Net book value as at 31.12.19	1,174,427	1,420,379	210,750	341,259	633,683	3,780,500

Description of depreciations	Estimated lifetime	Depreciation method	Scrap value
Land and buildings	10-25 years	linear	10%
Plant, machinery, operating equipment, fixtures etc.	3-20 years	linear	0%-10%
Other operating equipment	3-8 years	linear	0%
Ships	25 years	linear	10%

ACCOUNTING POLICIES

Property, plant and equipment is capitalized at acquisition cost, less accumulated depreciation and write downs. When assets are sold, or divested, the book value is deducted, and any loss or gain entered to the Income Statement. Ordinary depreciation commences from the date on which the asset goes into normal operation and is calculated based on its economic lifespan. Depreciation is assigned in a straight line over the expected economic lifespan of the assets, taking into consideration the estimated residual value.

If an asset comprises significant components with varying lifespan, these components are depreciated separately. The scrap value of the property, plant and equipment as well as the depreciation period and depreciation method employed are reassessed annually.

Facilities under construction are not depreciated. Depreciation is charged to expenses when the facilities are ready for use. If the situation or circumstances indicate that the carrying amount of an asset cannot be recovered, an assessment is made about whether to write-down its value. If the recoverable value of the assets is less than the carrying amount and the impairment is not expected to be temporary, the assets are written down to the recoverable value. The recoverable value is the greater of net sales price or value in use. Value in use is the present value of the future cash flows, which the asset will generate.

NOTE 3.3 LEASING

Right of use assets

DKK 1,000	Land, buildings & property	Motor vehicles	Ships, boats and plant & equipment	Total
Opening Cost at 01.01.20	140,809	10,116	223,304	374,230
Acquisition costs from merged company	-2,586	-571	-16,608	-19,765
Additions	0	0	189,019	189,020
Disposals	-28	0	-19,125	-47,401
Remeasurements	15,686	-1,876	2,771	16,580
Closing cost at 31.12.20	125,633	7,669	379,361	512,663
Opening Depreciation at 01.01.20	-7,092	-881	-33,433	-41,405
Charge for year	-11,281	-2,770	-89,325	-103,376
Charge for the year posted under other costs	0	0	-27,331	-27,331
Currency translation differences	178	103	3,978	4,259
Eliminated on disposal	0	0	8,382	8,382
Closing Depreciation at 31.12.20	-18,195	-3,548	-137,729	-159,471
Closing NBV at 31.12.20	107,439	4,122	241,632	353,193

Lease liability	Land, buildings & property	Motor vehicles	Ships, boats and plant & equipment	Total
Opening Liability at 01.01.20	135,140	9,327	188,926	333,393
Additions/remeasurements	15,772	-1,886	198,246	212,131
Paid during the year	-12,745	-2,911	-118,913	-134,569
Interest charge	2,566	170	7,646	10,382
FX adjustment	0	0	-8,497	-8,497
Currency translation differences	-2,962	-478	-12,828	-16,268
Closing Liability at 31.12.20	137,771	4,222	254,579	396,572
Due < 1 year	11,743	2,858	116,735	131,337
Due > 1 year	126,027	1,364	137,844	265,235

Right of use assets

DKK 1,000	Land, buildings & property	Motor vehicles	Ships, boats and plant & equipment	Total
Opening Cost at 01.01.19	94,106	0	0	94,106
Acquisition costs from merged company	46,703	7,526	214,058	268,287
Additions	0	2,590	9,246	11,836
Closing cost at 31.12.19	140,809	10,116	223,304	374,230
Opening Depreciation at 01.01.19	0	0	0	0
Charge for the year	-7,090	-880	-33,391	-41,361
Currency translation differences	-2	-1	-42	-45
Closing Depreciation at 31.12.19	-7,092	-881	-33,433	-41,405
Closing NBV at 31.12.19	133,718	9,235	189,872	332,824

Lease liability

	Land, buildings & property	Motor vehicles	Ships, boats and plant & equipment	Total
Opening Liability at 01.01.2019	94,106	0	0	94,106
Opening Liability from merged company	47,061	7,598	214,783	269,442
Additions/remeasurements	0	2,595	9,264	11,858
Paid during the year	-7,319	-929	-34,027	-42,274
Interest charge	1,292	63	1,819	3,174
Currency translation differences	0	0	-2,913	-2,913
Closing Liability at 31.12.2019	135,140	9,327	188,926	333,393
Due < 1 year	11,972	3,502	92,335	107,808
Due > 1 year	123,168	5,826	96,591	225,585

Bakkafrost has applied the rules for short-term leases and leases with low value leasing assets and has expensed these in the income statement. The amount is not material to the Group.

Accounting policies

Based on the accounting policy applied, Bakkafrost recognizes a right-of-use asset and a lease liability at the commencement date of the contract for all leases, conveying the right to control the use of an identified asset for a period of time. The commencement date is the date on which a lessor makes an underlying asset available for use by a lessee.

The right of use assets is recognized at cost. The cost of the asset consists of the total discounted lease payments (the lease obligation), plus lease payments paid at contract of the agreement (e.g. upfront payments) less any lease incentives received, plus any costs directly related to the conclusion of the agreement and the obligation to demolish or restore the asset after use.

Subsequent measurement of the leasing asset is done according to the same practice as for similar assets, that is owned by the company. This means that leased assets are classified as tangible fixed assets, even if it is legally a right of use asset.

The lease obligation is recognized at the present value of the lease payments obtained by discounting the lease payments, using the company's marginal borrowing rate, since the internal rate cannot be reasonably defined.

The lease payments consist of the fixed lease payments, guaranteed residual values and payment for exercise of purchase option or payment for cancellation of lease when considered reasonably certain that the options are exercised. In addition, variable lease payments which are adjusted, based on an index, whereas consumption-based leasing payments are not recognized as part of the cost of the lease asset and liability.

The lease payments are distributed between an instalment portion and an interest portion. The lease obligation is recalculated at a constant interest rate, corresponding to the discount rate used. At initial recognition, the value of the leased asset corresponds to the value of the lease obligation, unless upfront payments and/or there are recovery obligations regarding the asset.

The Group chose to apply the two practical exceptions in IFRS 16 regarding short term leases and low value assets. Short term leases represent lease agreements shorter than 12 months from the date of the contract, and low value assets represent lease agreements that are lower than DKK 35,000 each.

NOTE 3.4 COMPANIES IN THE GROUP

The consolidated accounts for 2020 include the following subsidiaries and associates:

Subsidiary Companies

					Nominal
	Currency	Nature of Business	Head Office	Ownership	share capital
P/F Bakkafrost Farming	DKK	Salmon farming	Glyvrrar	100%	19,762
P/F Bakkafrost Processing	DKK	Value adding of salmon (VAP)	Glyvrrar	100%	50,000
P/F Bakkafrost Sales	DKK	Sales of salmon and VAP products	Glyvrrar	100%	667
P/F Bakkafrost Packaging	DKK	Production of styrofoam boxes	Glyvrrar	100%	8,022
P/F Havsbrún	DKK	Production and sales of fishmeal, fish oil and fish feed	Fuglafjörður	100%	2,000
Bakkafrost UK Ltd.	GBP	Sales of salmon	Grimsby	100%	2£
Bakkafrost USA LLC	USD	Sales of salmon	Clifton, New Jersey	100%	2 mUSD
P/F Förka	DKK	Production of biogas and fertilizer	Glyvrrar	100%	5,000

Subsidiary Companies

					Nominal
	Currency	Nature of Business	Head Office	Ownership	share capital
The Scottish Salmon Company Limited	GBP	Salmon Farming	Edinburgh	100%	20,000,000
The Scottish Salmon Company PLC	GBP	Dormant	Jersey	100%	17,530,000
Salmon Finance (Scotland) Ltd	GBP	Group Finance	Edinburgh	100%	1
Harris & Lewis Smokers Trading Ltd	GBP	In liquidation	Edinburgh	100%	100
Bradán Cuan Sair Ltd	GBP	Dormant	Edinburgh	100%	5,000
Lighthouse Caledonia Ltd	GBP	Dissolved on 12 January 2021	Edinburgh	100%	2
West Minch Salmon Ltd	GBP	Dormant	Edinburgh	100%	7,000
Atlantic West Salmon Company Ltd	GBP	Dormant	Edinburgh	100%	12,505
Sidinish Salmon Ltd	GBP	Dormant	Edinburgh	100%	50,000
Hebridean Salmon (Scotland) Ltd	GBP	Dissolved on 12 January 2021	Edinburgh	100%	100
Scottish Smoked Salmon Ltd	GBP	Dissolved on 12 January 2021	Edinburgh	100%	100
Hebridean Smoked Salmon Ltd	GBP	Dissolved on 12 January 2021	Edinburgh	100%	100
Loch Fyne Salmon (Scotland) Ltd	GBP	Dissolved on 12 January 2021	Edinburgh	100%	100
Loch Fyne Salmon Ltd	GBP	Dissolved on 12 January 2021	Edinburgh	100%	100
Murray Seafoods Ltd	GBP	Dormant	Edinburgh	100%	130,000
Corrie Mhor Salmon Ltd	GBP	Dormant	Edinburgh	100%	20,000
Minnamurra Ltd	GBP	Dormant	Edinburgh	100%	5,408,023
Fjord Seafood Scotland Farming Ltd	GBP	Dormant	Edinburgh	100%	5,928,594
Pieters UK Ltd	GBP	Dormant	Edinburgh	100%	2
Fjord Seafoods Scotland Ltd	GBP	Dormant	Edinburgh	100%	300,000
Highland Fish Farmers Ltd	GBP	Dormant	Edinburgh	100%	3,190,001
Mull Salmon Ltd	GBP	Dissolved on 12 January 2021	Edinburgh	100%	340
Kenmore Salmon Farms Ltd	GBP	Dormant	Edinburgh	100%	39,750
Portree Salmon Farmers Ltd	GBP	Dormant	Edinburgh	100%	2,500
Pulford (Scotland) Ltd	GBP	Dissolved on 12 January 2021	Edinburgh	100%	100
Scotfish Farms Ltd	GBP	Dormant	Edinburgh	100%	2,200
Sea Catch Ltd	GBP	Dormant	Edinburgh	100%	934,558
Tobson Fish Farms Ltd	GBP	Dormant	Edinburgh	100%	10,000

Associated Companies DKK 1,000	Head Office	Ownership	Net Additions	Share of the result	Carrying value 2020	Carrying value 2019
P/F Pelagos	Fuglafjörður	30%	0	0	59,887	56,778
P/F Salmon Proteins*	Eiði	79%	0	0	6,521	6,255
Svínoyar rognkelsisstöð**	Svínoy	42%	733	733	733	733
Total					67,141	63,766

	Total assets 2020	Total assets 2019	Equity 2020	Equity 2019	Result 2020	Result 2019
P/F Pelagos	331,598	360,039	197,645	187,385	18,519	35,190
P/F Salmon Proteins*	9,537	11,128	8,275	7,936	340	255
Svínoyar rognkelsisstöð**	6,896	N/A	-5	N/A	-1,480	-1,480

*Voting rights 30%. The voting rights are limited in the Articles of Association of P/f Salmon Proteins.

**Information from 2019

NOTE 3.5 SHARES AND HOLDINGS IN OTHER COMPANIES

DKK 1,000	Carrying amount	Carrying amount
Companies	2020	2019
Others	55,318	55,318
Total	55,318	55,318

ACCOUNTING POLICIES

Investments in other companies are classified as available for sale. Shares and holdings in which the Group does not have significant influence are valued at cost as fair value cannot be measured reliably.

NOTE 3.6 INVENTORY

DKK 1,000	2020	2019
Raw materials and goods in-progress	576,355	422,765
Finished goods	199,677	125,743
Total inventory	776,032	548,508

Raw materials primarily consist of raw material for the production of fishmeal, fish oil and fish feed and packaging materials used in processing.

Goods in-progress include semi-finished products and spare parts.

Finished products include all products ready for sale, such as fish feed, fresh and frozen whole salmon, as well as processed salmon products.

Inventories are measured at full cost price.

ACCOUNTING POLICIES

Inventories consist of inventories in the Farming FO unit, Farming SCT unit, VAP unit and the FOF unit.

FARMING FO AND FARMING SCT

Inventories include mainly feed, packaging materials and finished goods. Inventories of goods are stated at the lower of cost and net realizable value.

The cost of processed goods is a full production cost that includes direct material and personnel costs, and a percentage of indirect processing costs. Interest costs are not included in the value of inventory.

The cost price of purchased goods is the acquisition price. Cost is based on the first-in first-out principle.

Net realizable value is estimated sales price less selling expenses.

VAP

Inventories consist of raw material, additives, packaging material and finished goods. Raw material in the VAP unit consist basically of processed salmonids. Raw material is measured at fair value at the time of harvesting.

Packaging material and additives are valued at the lesser of cost or expected sales price less sales costs. The FIFO principle is used concerning the periodic assignment of inventory costs.

Finished goods in inventory, fresh or frozen, are measured at the lesser of cost or the expected sales price less sales costs. In a case, where the cost price exceeds the sales price less sales cost, impairment is entered and charged to the Income Statement.

The cost price of goods produced in-house is the full production cost, including production costs, which can be only indirectly allocated to produce goods, less general administration costs.

FOF

Raw materials and purchased commodities are valued at the lower of historical cost and net realizable value in accordance with the FIFO principle.

Finished goods are fishmeal, oil and feed ready for delivery to customer, valued at the lower of cost and net realizable value. The cost of finished goods includes any processing costs that have incurred. Processing costs consist of logistics, handling and storage costs.

The cost price of goods produced in-house is the full production cost, including production costs, which can be only indirectly allocated to produce goods, less general administration costs.

NOTE 3.7 BIOLOGICAL ASSETS

DKK 1,000	2020	2019
Biological assets carrying amount 01.01.	1,901,730	1,358,462
Increase due to production or purchases	3,012,251	2,021,601
Increase due to acquisitions	0	667,482
Reduction due to harvesting or sale (costs of goods sold)	-2,761,374	-1,921,456
Reduction due to mortality (costs of incidents based mortality)	-125,806	0
Fair value adjustment at the beginning of the period reversed	-27,695	-248,262
Fair value adjustments at the end of the period	145,387	27,695
Reversal of elimination at the beginning of the period	59,121	53,790
Eliminations	-80,083	-59,121
Currency translation differences	-6,507	1,539
Biological assets carrying amount 31.12.	2,117,024	1,901,730
Cost price biological assets	2,058,228	1,931,617
Fair value adjustments at the end of the period	145,387	27,695
Eliminations	-80,083	-59,121
Currency translation differences	-6,508	1,539
Biological assets carrying amount	2,117,024	1,901,730
Biomass on average (tonnes)		
< 1 kg	5,777	5,210
1 < 2 kg	10,258	8,649
2 < 3 kg	10,880	10,334
3 < 4 kg	11,921	14,146
4 kg <	25,642	22,980
Volume of biomass at sea	64,478	61,319
Number of fish on average (thousand)		
< 1 kg	11,960	12,801
1 < 2 kg	6,192	5,481
2 < 3 kg	4,338	4,271
3 < 4 kg	3,415	4,148
4 kg <	5,324	4,633
Total number of fish at sea	31,229	31,334

	2020	2019
Harvested volumes	85,686	65,109
Number of smolts released (thousand)*		
Q1	3,295	1,721
Q2	5,757	3,580
Q3	6,161	2,365
Q4	9,418	10,682
Total number of smolts released	24,631	18,348

*SSC released 6.7 million smolts from Q1 to Q3 2019

Sensitivity analysis of biomass DKK 1,000

Change in discount rate +1%	-150,403	-101,607
Change in discount rate -1%	169,708	115,364
Change in sales price +5 DKK	466,110	251,416
Change in sales price -5 DKK	-465,110	-251,416
Change in biomass volume +1%	5,414	5,836
Change in biomass volume -1%	-5,414	-5,836

One year forward prices in EUR FCA Oslo*

At year end	4.36	7.24
Q1 (forward)	4.85	6.72
Q2 (forward)	5.39	6.75
Q3 (forward)	5.10	5.51
Q4 (forward)	5.25	5.62

* Source Fish Pool

VALUATION OF BIOLOGICAL ASSETS

IAS 41 requires biomass to be accounted for at the estimated fair value net of sales costs and harvesting costs. The calculation of the estimated fair value is based on market prices for harvested fish. In the accounts, the change in estimated fair value is entered to the Income Statement on a continuous basis.

The Group's biological assets are salmon at all stages of the life cycle. The fish are divided into two main groups, depending on the stage of the life cycle. The first group is fish produced on land in fresh water. The second is, when the fish are released to sea.

For the first group, historical cost is deemed a reasonable approach to fair value, as there is little biological transformation. This assessment must be seen in the light of the fact that smolts are currently released to sea at a stage when their weight is still relatively low.

For the second group, the fair value is calculated by applying a present value model at level 3 in the fair value hierarchy in IFRS 13. In accordance with the principle in IFRS 13 for highest and best use, the Group considers optimal harvest weight to be for Farming FO 5.2 kg gutted weight (6.3 kg live weight) and for Farming SCT 4.9 kg gutted weight (6.0 kg live weight).

The valuation model

The valuation model calculates the net present value of expected cash flow from biological assets.

Changes to estimated fair value of biological assets are presented on the line Fair value adjustments of biological assets in the Income Statement.

The measurement unit is the individual fish. However, for practical reasons, cash flows and estimates are carried out per locality.

Main components in the model are:

- Volume
- Production costs
- Sales price
- Discount rate

Volume

Estimated harvest volume is based on the actual number of fish in the sea on the balance sheet date, minus estimated future mortality from balance sheet date and multiplied by optimal harvest weight per fish.

Future monthly mortality is estimated to be for Farming FO 0.6% and for Farming SCT 1.0% of the number of incoming fish per month.

Cost

Estimated future costs are based on the Group's prognoses per locality. Cost comprises mainly feed, production, harvest and transport costs.

Price

Estimated sales prices are based on externally quoted prices from Fish Pool with adjustments to local conditions.

Fish Pool is a marketplace for financial purchase and sale agreements for superior Norwegian salmon size 3-6 kg gutted weight. The volume on Fish Pool is, however, limited. This market may therefore be considered insufficiently active and effective. Despite this, Bakkafrøst's opinion is that the observable forward prices must be seen as the best approach to a price for the sale of salmon.

The prices are reduced for harvesting costs, freight costs to market to arrive at a net value back-to-farm and for Farming FO also revenue tax. The valuation also reflects the expected quality grading.

Discounts

The estimated future cash flow is discounted monthly. The monthly discount rate at 31 December 2020 is estimated to be 6% per month. The discount rate takes into account a risk

adjustment and time value. The risk adjustment takes into account the volatility in volume, cost and price.

Mortality

Mortality above normal will be accounted for when a farming site either experiences elevated mortality over time or mortality due to an incident.

Costs related to abnormal mortality will be recognized in the Income Statement and presented on the line for changes in inventory, while normal mortality is classified as part of production costs.

Bakkafrost uses a common indicator and threshold for all farming sites to assess normal and abnormal mortality. Indication of abnormal mortality is when a farming site in a month registers mortality exceeding 1.5% for Farming FO and 4% for Farming SCT of the incoming number of fish. A more detailed assessment is then carried out to evaluate, whether mortality is abnormal. These assessments take into account the cause of mortality and the size of the fish.

SIGNIFICANT ASSUMPTIONS SENSITIVITY

The estimate of fair value of biomass will always be based on uncertain assumptions, even though the company has built substantial expertise in assessing these factors.

The Group considers three components to be key parameters for valuation. These are: average price, monthly discount rate and estimated biomass volume. In the table above a simulated sensitivity analysis to changes in fair value of the biological assets is portrayed in the event of changes in these parameters.

NOTE 3.8. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

DKK 1,000	2020	2019
Accounts receivable	490,116	625,993
Provisions for bad debts	-41	0
Net accounts receivables	490,075	625,993
VAT	12,087	24,782
Other	49,344	20,738
Other receivables	61,431	45,520
Total short-term receivables	551,506	671,514
Long-term receivables	8,101	4,422
Total accounts receivable and other receivables	559,607	675,935
AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE		
DKK 1,000	2020	2019
Receivables not overdue	420,212	515,125
Overdue 0–6 months	66,194	107,945
Overdue more than 6 months	3,669	2,923
Total	490,075	625,993

The Group's exposure to credit risks related to accounts receivables is disclosed in Note 4.1.

CURRENCY EXPOSURE TO ACCOUNTS RECEIVABLE

The Group holds accounts receivable in foreign currencies amounting to DKK 430.9 million at year-end 2020. (2019: DKK 576.0 million).

Below is presented the book value of receivables specified in currency, translated into DKK employing the currency value at 31.12.

CURRENCY DISTRIBUTION OF RECEIVABLES

DKK 1,000	2020	2019
DKK	59,217	49,953
EUR	113,778	294,621
USD	214,800	109,054
GBP	80,200	115,605
NOK	16,567	36,025
Others	5,513	20,735
Total	490,075	625,993

ACCOUNTING POLICIES

Accounts receivable and other receivables are presented at face value less provisions for bad debts. Provisions for bad debts are made on the basis of an individual assessment of the receivables concerned. Due to insignificant cost and the short credit period, amortized cost is equivalent to face value less foreseeable losses.

NOTE 3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of short-term bank deposits and were DKK 467 million at year-end 2020, compared to DKK 1,309 million at year-end 2019.

NOTE 3.10 SHARE CAPITAL AND MAJOR SHAREHOLDERS

Share capital:

DKK 1,000	2020	2019
Share capital at 1 January	59,143	48,858
Emission - increase of share capital	0	10,285
Share capital at 31 December	59,143	59,143

The parent company's share capital comprises:

DKK	No. of Shares	Face Value	Share Capital
Ordinary shares	59,143,000	1	59,143,000
Total share capital			59,143,000

Reconciliation of outstanding shares:

	2020	2019
Outstanding shares at 1 January	59,142,108	48,655,500
Purchase of treasury shares	-	134,500
Sale of own shares to cover the employee bonus program	36,463	201,673
Issuing new shares	0	10,284,935
Outstanding shares at 31 December	59,044,071	59,142,108
Treasury shares at 31 December	98,929	892

All full-time employees from 2019, still employed in Bakka-frost, have received bonus shares in 2020 with a total value of 2% of paid out salary in 2019. In total, Bakka-frost has allocated 14,368 shares to its employees at a fair value of DKK 6.2 million. The grant date was 3 June 2020, and the share price was DKK 429.04 (NOK 614.50) per share.

SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2020: Oddvør Jacobsen, Regin Jacobsen and Folketrygdfondet.

Shares owned directly and indirectly by the members of the Board of Directors and Group Management:

Name	Position	No. of shares	Shareholding
Rúni M. Hansen	Chairman of the Board	10,761	0.02%
Johannes Jensen	Deputy Chairman of the Board	0	0.00%
Teitur Samuelsen	Member of the Board	100	0.00%
Annika Frederiksberg	Member of the Board	16,063	0.03%
Øystein Sandvik	Member of the Board	0	0.00%
Einar Wathne	Member of the Board	0	0.00%
Regin Jacobsen	Chief Executive Officer	4,616,755	7.80%
Odd Eliassen	Managing Director	184,479	0.31%
Høgne D. Jakobsen	Chief Financial Officer	412	0.00%

Dividend

The Board has proposed a dividend per share of DKK 3.65 for 2020. No dividend was paid out for 2019. The dividends proposed are to be approved at the Annual General Meeting and if approved, the total dividend payment will amount to DKK 215.9 million. The dividend proposal has not been recognized as a liability at 31 December 2020 but is presented as an item within equity.

NOTE 3.11 INTEREST-BEARING DEBT

DKK 1,000	2020	2019
Long-term interest-bearing debt	2,219,690	2,328,232
Next year instalments on long-term interest-bearing debt	0	0
Total long-term interest-bearing debt 31.12.	2,219,690	2,328,232
Total interest-bearing debt	2,219,690	2,328,232
Cash and cash equivalents	-466,939	-1,309,546
Net interest-bearing debt	1,752,751	1,018,686

The maturity structure of the Group's financial commitments is based on undiscounted contractual payments. As the credit limit is not necessarily in the same currency of debt drawn, currency fluctuations affect the amount available under the facilities at any time.

The maturity plan of the Group's interest-bearing debt is as follows

DKK 1,000	2020		2019	
	Carrying amount	Contractual payments	Carrying amount	Contractual payments
Credit facilities	2,219,690	2,237,307	2,328,231	2,348,488
Gross interest-bearing debt	2,219,690	2,237,307	2,328,231	2,348,488
Credit line		3,444,396		3,505,974
Bank guarantee		17,200		0
Available credit lines		1,207,506		1,177,742
Cash and cash equivalents		466,939		1,309,546
Total available credit lines		1,674,445		2,487,288

REMAINING PERIOD

31.12.2020	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing bank loans	0	0	2,219,690	0	2,219,690
Accounts payable and other debt	591,742	37,422	0	0	629,164

REMAINING PERIOD

31.12.2019	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing bank loans	0	0	2,328,231	0	2,328,232
Accounts payable and other debt	608,167	195,484	0	0	803,651

The difference between the carrying amount and the total expected payments in the table above is due to upfront arrangement and legal fees incurred in connection with the refinancing of the credit facilities and the bond issue. One long-term bank borrowing is drawn from a revolving credit facility, under which the Group may draw and pay down any amount. The contractual payments illustrated in the table above do not reflect rollover dates of loans drawn but are based on the maturity date of the credit facilities.

INTEREST-BEARING DEBT IN MORE DETAIL

Financing of the Bakkafrost Group is mainly executed by the parent company. Subsidiaries can only enter into external financing if it is seen favourable for the whole Bakkafrost Group. The Group entered two financing agreements in 2019 which in September 2020 were merged in to one agreement.

Merging of the two agreements

The two agreements from December 2019 (352 million EUR and 100 million GBP) were in September 2020 merged into one fully secured five-year credit facility of in aggregate EUR 463 million with Coöperatieve Rabobank U.A, DNB Bank ASA and Nordea Bank ABP (Filial i Norge). This merged facility comprised of a EUR 95 million multicurrency term loan facility and a EUR 368 million multicurrency revolving loan facility and allows for a future increase of the facilities of up to EUR 150 million subject to agreement with lenders.

Regarding the Merged Agreement, the covenant stipulates are identical to the New Agreement from December 2019; the equity ratio of the Group must be at least 35%. Furthermore, the interest cover shall not be less than 3.00.

The Bakkafrost Group complied with its covenants at the end of 2020.

The undrawn amount at 31 December 2020 was DKK 1,677.0 million.

Maturity analysis - contractual payments

DKK 1,000	2021	2022	2023	2024	2025
Long-term credit facilities	0	0	0	2,328,232	0
Gross interest-bearing debt	0	0	0	2,328,232	0

Reconciliation of development in interest-bearing debt

	2019	Cash flows	Acquisition	Reclassification	FX movements	2020
Long term interest-bearing debt	2,328,232	-108,542	0	0	0	2,219,690
Total interest-bearing debt	2,328,232	-108,542	0	0	0	2,219,690

	2018	Cash flows	Acquisition	Reclassification	FX movements	2019
Long term interest-bearing debt	812,053	1,211,347	304,832	0	0	2,328,232
Total interest-bearing debt	812,053	1,211,347	304,832	0	0	2,328,232

NOTE 3.12 MORTGAGES AND GUARANTEES

Carrying amount of debt secured by mortgages and pledges

The Bakkafrost Group has a group financing. The Group companies are liable jointly and severely for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds.

DKK 1,000	2020	2019
Long-term debt to financial institutions	1,752,751	2,328,232
Carrying amount of assets pledged as security for recognized debt		
Licences	4,493,395	4,277,587
Property, plant and equipment	3,320,949	3,051,180
Financial assets	67,141	1,428,628
Biological assets (biomass)	2,117,024	1,901,728
Inventory	763,146	548,509
Total	10,761,655	11,207,632

NOTE 3.13 DERIVATIVES

DKK 1,000	2020	2019
Currency swaps regarding forward contracts	6,449	14,452
Interest and currency swaps regarding bonds	4,741	1,007
Derivatives total	11,190	15,459

The fair value of derivatives held at the balance sheet date can be allocated as follows:

DKK 1,000	Fair Value 2020	Recognized in the Income Statement 2020	Recognized in equity 2020	Fair Value 2019	Recognized in the Income Statement 2019	Recognized in equity 2019
Currency derivatives	6,449	0	6,449	14,452	0	14,452
Interest and currency derivatives	4,741	0	4,741	1,007	0	1,007
Total	11,190	0	11,190	15,459	0	15,459

The expected timing of the effect on the income statement is as follows:

	Currency derivatives	Interest and currency derivatives	Total 2020	Currency derivatives	Interest and currency derivatives	Total 2019
Within one year	6,212	3,498	9,710	11,483	2,010	13,493
Between one and five years	237	1,243	1,480	2,969	-1,003	1,966
After five years	0	0	0	0	0	0
Total	6,449	4,741	11,190	14,452	1,007	15,459

FINANCIAL INSTRUMENTS

In accordance with IFRS 9, financial instruments falling within its remit are classified into the following categories: fair value with changes in value entered to the Income Statement, held until maturity, loans and receivables, available for sale, and other liabilities.

Financial instruments at fair value with changes in value entered to the Income Statement

Financial instruments, which are held primarily for buying or selling in the short term, are classified as being held for trading purposes. These instruments are included in the category of financial instruments recognized at fair value with changes in value entered to the Income Statement alongside forward currency contracts, which are recognized at fair value with changes in value, entered to the Income Statement.

Hedge accounting

Bonds are measured at fair value.

Interest rate swaps and forward currency settlement contracts are used as hedges of its exposure to foreign currency risk, interest expenses and instalment payments in foreign currencies. The hedges are cash flow hedges.

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve.

Amounts recognized as other comprehensive income are transferred to the Income Statement, when the hedged transaction affects profit or loss, and when financial liabilities are settled, such as when the hedged financial income or financial expense is recognized.

If the forecast transactions or commitments are no longer expected to occur, the cumulative gain or loss, previously recognized in equity, is transferred to the Income Statement. If

the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, any cumulative gain or loss, previously recognized in other comprehensive income, remain in other comprehensive income until firm commitment affects profit or loss, or settlement payments are made.

NOTE 3.14 PROVISIONS

A provision is recognized when, and only when, the company has a valid liability (legal or self-imposed) deriving from an event which has occurred, and when it is probable (more likely than not) that a financial settlement will take place because of that liability, and when the amount in question can be reliably quantified. Provisions are reviewed on each closing date, and the level reflects the best estimate for the liability. The Group has no provisions as per 31 December 2020.

PROVISIONS FOR ONEROUS CONTRACTS

ACCOUNTING POLICIES

The Group enters into sales contracts for value added salmon products (VAP) on an on-going basis. The contracts involve physical settlement, and deliveries associated with the contracts form part of the Group's normal business activities. The contracts contain no built-in derivative elements.

With respect to fixed-price contracts, which result in the Group being obligated to sell salmon products at a price less than production cost (including fair value adjustment of raw materials at the point of harvesting), the contracts are considered onerous, and provisions are calculated and entered to the statement of financial position. The provision is charged to the Income Statement.

SIGNIFICANT ASSUMPTION

The company holds long-term sale contracts related to salmon products. These contracts do not contain any elements

of embedded derivatives and are therefore not treated as financial instruments. The contracts are settled, based exclusively on the assumption that delivery of salmon products should take place. The contracts are not tradable, nor do they contain a clause for settlement in cash or cash equivalents.

Provisions are made for estimated onerous contracts that oblige the Group to sell fish at a price less than calculated production costs including raw materials, biomass, measured at fair value.

NOTES - SECTION 4

Capital Structure and Financing Items

This section gives an insight into the capital structure and financing items.

NOTE 4.1 FINANCIAL RISK MANAGEMENT

CAPITAL MANAGEMENT

The Group's objective, when managing capital, is to maintain a capital structure able to support the operations and maximize shareholder value. The farming business is characterized by price volatility and challenging production dynamics. The Group must be financially solid in order to be able to cope with fluctuations in profits and financial position, and the consolidated equity ratio shall at no time be lower than 35 percent. At 31 December 2020, the Group's equity ratio was 66 percent.

According to the Group's dividend policy, under normal circumstances, average dividends over several years should be 30 to 50 percent of the adjusted net profit. Due to COVID-19 no dividend was paid out in 2019. The Board has proposed a dividend of DKK 3.65 per share for the financial year 2020, corresponding to a distribution to shareholders of DKK 215.9 million.

The Group manages the capital structure and adjusts corresponding to changes in the underlying economic conditions. The Group monitors continuously access to borrowed capital and has ongoing dialogue with its lenders. The Group is financed by bank loans. At 31 December 2020, net interest-bearing debt amounted to DKK 1,752.8 million. Note 3.10 provides an overview of the debt's maturity profile and information on the debt's financial covenants. Bakkafrøst complied with the covenants loan agreements at the end of 2020.

FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: market risk, liquidity risk and credit risk. This note presents information about the Group's exposure to each of these risks, the Group's objectives, policies and procedures for measuring and managing risks.

Further quantitative disclosures are included throughout these consolidated financial statements.

The main objective of Bakkafrøst's financial risk management policies is to ensure the ongoing liquidity of the Group, defined as being at all times in a position to meet the liabilities of the Group as they fall due. This also includes being able to meet financial covenants on Group debt under normal circumstances.

Concerning insurance coverage, the Group insures against material risks, where the insurance is economically viable. The balance between the amount covered by insurance and what is left to own risk varies, depending on the nature of the risk, the value of the assets and prospective liabilities and the cost, actual coverage and the availability of insurance.

The Board of Directors believe that the most important measure against any risk is to have a strong financial position. At 31 December 2020, the Group's equity ratio was 66%.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

FINANCIAL RISK

Financial risk can be defined as the risk that the Group will not be able to meet its financial obligations.

In addition to bank loans, the Group has financial instruments such as accounts receivables, cash, shares, accounts payables, etc., which are ascribable directly to day-to-day business operations.

The Group uses financial derivatives, mainly currency forward contracts. The purpose of these instruments is to manage the currency risks arising from the Group's operations.

The Group does not employ financial instruments, including financial derivatives, for the purpose of arbitrage.

The most important financial risks, to which the company is exposed, are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The management monitors these risks on an on-going basis and draws up guidelines, for how these should be managed.

MARKET RISK

Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rates risk and other price risk (such as commodity prices and salmon spot prices).

Market risk is monitored and actively managed by the Group. Exposure to these risks is reduced by diversification, suitable controls and business tactics. In some cases, market risks are transferred to third parties via contractual price adjustment clauses, but rarely by means of financial derivatives. As hedging activities normally result in lower average expected return, the Group only uses external hedging, where there is a significant risk of breach of financial covenants.

Foreign exchange risk

Because of the international nature of its operations, the Group is exposed to fluctuations of foreign currency rates. For risk management purposes, three types of currency exposure have been identified: Translational exposure, Transactional exposure and Economic currency exposure:

Translational exposure

Bakkafrost has subsidiaries abroad in Scotland, England and USA. Thus, Bakkafrost faces currency risks arising from the translation of subsidiaries whose functional currency differ from the presentation currency of the Group. The exposure

related to equity of foreign subsidiaries is generally not hedged, as it is not considered material.

Transactional exposure

Most of the operating companies in the Group are exposed to changes in the value received or paid under foreign currency denominated committed transactions. For the farming segment, exposure arises mainly from export sales, while for the FOF segment, exposure results from the sourcing of raw materials in the international commodities markets.

Transactional exposure for the Group is mitigated by diversification benefits. Where opposite exposure from different segments are not perfectly offset, the residual effect of adverse movements in foreign currency rates on transaction streams could negatively impact the results and financial position of the Group, thus affecting covenants based on accounting measures.

The table below summarizes the foreign currency exposure on the net monetary position of all Group entities against their functional currency. The exposure on translating the financial statements of subsidiaries into the presentation currency is not included in the analysis.

Exposure to currency risk

Currency

DKK 1,000

2020	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
Cash and cash equivalents	211,736	0	125,532	0	9,239
Accounts receivable	113,778	80,200	214,800	16,566	0
Trade payables	-35,530	-125,931	-26,581	-37,265	0
Interest-bearing debt	-706,733	-724,465	0	-9,075	0
Forward contracts	0	0	0	11,190	0
Net exposure	-416,749	-770,196	313,751	-18,584	9,239

2019	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
Cash and cash equivalents	478,875	88,869	309,152	288,238	8,585
Accounts receivable	304,021	115,608	109,840	36,025	10,618
Trade payables	-6,565	-211,901	-38,746	-12,262	0
Interest-bearing debt	-373,485	-517,124	0	0	0
Forward contracts	0	0	-25	-192,768	0
Net exposure	402,846	-524,548	380,221	119,233	19,203

Sensitivity analysis

Currency

DKK 1,000

2020	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK	Result
Net exposure	-416,749	-770,196	313,751	-18,584	9,239	
Historical volatility for the last 5 years	0.31%	8.63%	7.08%	9.05%	8.71%	
Total effect on Profit of +movements	-1,292	-66,468	22,214	-1,682	805	-46,423
Total effect on Profit of -movements	1,292	66,468	-22,214	1,682	-805	46,423

2019	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK	Result
Net exposure	402,845	-524,548	380,221	119,232	19,202	
Historical volatility for the last 5 years	0.33%	8.83%	8.12%	7.42%	8.99%	
Total effect on Profit of +movements	1,329	-46,318	30,874	8,847	1,726	-3,542
Total effect on Profit of -movements	-1,329	46,318	-30,874	-8,847	-1,726	3,542

The analysis is based on the currencies that the Group is most exposed to at the end of 2020. The reasonable shifts in exchange rates in the table above are based on 5 years historical volatility.

If the relevant cross foreign exchange rates moved by the amounts showed in the table above, the effect on the Group's net income would be DKK -46.4 million (2019: DKK 3.5 million). The Group does not hedge transaction exposure in the financial markets as a general rule. Currency protection measures may be allowed to prevent situations of financial distress in those cases, where the exposure cannot be effectively reduced by use of operational hedges.

Currency forward contracts as at 31 December 2020

Bakkafrost Group buys		Bakkafrost Group sells	
DKK 1,000			
NOK	138,730	GBP	12,684

Currency forward contracts as at 31 December 2019

Bakkafrost Group buys		Bakkafrost Group sells	
DKK 1,000			
DKK	26,742	USD	4,002
DKK	30,000	NOK	40,840
NOK	253,423	GBP	23,185

Economic currency exposure

The Group is exposed to the risk that medium/long-term trend shifts in exchange rates might affect its competitive position. This strategic currency exposure is regularly monitored, but as the exposure is currently considered limited it is not actively hedged.

Significant exchange rates (average) during the year	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
2020	743.93	823.78	605.76	70.53	5.88
2019	746.60	850.93	667.03	75.80	6.12

Interest rate risk

The Group is exposed to increase in interest rates as a result of having debt with floating interest rate terms. An increased cost of borrowing might adversely affect the Group's profitability. The Group does not have fixed interest rate debt.

According to the Group's finance policy, the main objective of interest rate risk management activities should be to minimize the risk of breach of the Group's debt covenants and to avoid situations of financial distress that might jeopardize strategic flexibility. Trading in interest rate derivatives is

undertaken to cover existing exposures. Purely speculative transactions are not allowed.

The Group has no fixed rate liabilities and is therefore not exposed to the risk that changes in interest rates might drive changes in market value of outstanding debt.

A 100 basis points increase in interest rate at the reporting date would have a negative impact on the income statement amounting to DKK 17.5 million (2019: DKK 10.2 million), based on NIBD.

Price risk

The farming segment is sensitive to fluctuations in the spot prices of salmon, which are determined by global supply and demand. The impact of changes in salmon spot prices is partly mitigated by long-term contracts at fixed prices in the VAP segment and financial contracts, however, due to long production cycles, it is difficult to respond quickly to global trends in market prices. Salmon is to a large extent traded based on spot prices, although this would vary with different markets and with the market position of the Group.

Other price risk

The Group's FOF segment is active in the international commodity markets. A large portion of raw materials needed in production is contracted in advance of periodic sales price regulations, this way the risk associated with increases in commodity prices is effectively transferred to feed customers, mainly inside the Group. Constraints in the availability of certain raw materials might result in increased sourcing costs in those cases, where an unexpected surge in sales volume makes it necessary to purchase raw materials outside of previously negotiated purchase agreements. Under these circumstances, it might not be possible to charge the customers with the increased cost, and profitability would thus suffer.

Liquidity risk

Liquidity risk arises from the Group's potential inability to meet its financial obligations towards suppliers and debt capital providers. The Group's liquidity situation is closely monitored, and rolling forecasts of cash flows and cash holdings are prepared regularly.

Liquidity risk is managed through maintaining flexibility in funding by securing available committed credit lines, provided by our bank, and through maintaining sufficient liquid assets with the same relationship bank.

The Group seeks to maintain committed facilities to cover forecast borrowings for the next 12 months, plus financial headroom to cover the planned investments and unforeseen movements in cash requirements. Please also refer to Note 3.11 for information on committed credit facilities, available credit lines, and maturity of interest-bearing debt.

In addition to the above described sources of liquidity, Bakkafrøst monitors funding options available in the capital markets as well as trends in the availability and cost of such funding with a view to maintain financial flexibility and limiting refinancing risk. Bakkafrøst's overall liquidity as at 31 December 2020 included DKK 467 million (2019: DKK 1.310 million) (see Note 3.11) of cash and cash equivalents held in various currencies.

Credit risk

Credit risk represents the accounting loss that would have to be recognized if other parties failed to perform as contracted and is related to financial instruments such as cash and cash equivalents, receivables and derivative financial instruments.

Bakkafrøst has a Group-wide credit management policy, governed by Bakkafrøst's credit committee. The committee is responsible for granting credits to the Groups customers. In general, Bakkafrøst uses credit insurance, bank guarantees, parent company guarantees, or other securities such as pledges on biological assets, thus reducing the actual risk on outstanding receivables significantly. Historically, losses due to bad debts have been low in Bakkafrøst. Recoverable VAT, included in the balance, also reduces the risk. In addition to such risk mitigating measures, the Group focuses on detailed credit management in operating companies, supported by regular follow up by central functions.

Concentration of credit risk is at the outset not considered significant, since the Group's customers represent various

industries and geographic areas. Counterparty risk against financial institutions is not considered significant, due to limited liquid assets and low traded volumes in derivatives. For these transactions, the Group relies upon Nordic relationship banks, other relationship banks or widely recognized commodity exchanges.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date consists of accounts receivables, other receivables and cash and cash equivalents and amounts to DKK 1,018 million as at 31 December 2020 (2019: DKK 1,981 million). For age distribution of accounts receivable, please refer to Note 3.8.

Credit Risk	2020	2019
Accounts receivable	490,075	625,993
Other receivables	61,431	45,520
Cash and Cash equivalents	466,939	1,309,546
Total	1,018,445	1,981,059

Bakkafrøst has implemented a Group-wide cash management policy with the overall objective of minimizing cash holdings, while ensuring sufficient liquidity to meet business needs, avoid shortage of cash and limit the need for borrowing. The cash management is carried out from the Group's head office.

The Group does not make extensive use of financial derivatives, and in those cases, where it is deemed appropriate to hedge an existing exposure on the financial markets, agreements are entered with one of the Group's relationship banks.

NOTE 4.2 CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

All assets/liabilities, for which fair value is recognized or disclosed, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For biological assets, the fair value calculation is done using a valuation model (level 3 in the valuation hierarchy), where the value is estimated based on observable market prices per period end. For more information on these calculations, refer to Note 3.6.

For assets/liabilities that are recognized at fair value on a recurring basis, the Group determines, whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement).

There have been no transfers into or out of Level 3 fair value measurements.

As at December 31st the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000

Assets and liabilities measured at fair value	Fair value	Cost amount	Level 1	Level 2	Level 3
Biological assets (biomass)	2,117,024	1,971,637	0	0	2,117,024
Assets measured at fair value 31-12-20	2,117,024	1,971,637	0	0	2,117,024
Liabilities measured at fair value 31-12-20	0	0	0	0	0
Biological assets (biomass)	1,901,729	1,874,034	0	0	1,901,729
Assets measured at fair value 31-12-19	1,901,729	1,874,034	0	0	1,901,729
Liabilities measured at fair value 31-12-19	0	0	0	0	0

NOTE 4.3 EARNINGS PER SHARE

DKK 1,000	2020	2019
Profit for the year to the shareholders of P/F Bakkafrøst	462,845	801,885
Fair value adjustment of biomass (IAS 41)	-118,003	220,567
Tax on fair value adjustment	21,241	-39,702
Adjusted profit for the year to shareholders of P/F Bakkafrøst	366,083	982,750
Ordinary shares as at 01.01.	59,143,000	48,858,065
Emission - increase of share capital	0	10,284,935
Ordinary shares as at 31.12.	59,143,000	59,143,000
Time-weighted average number of shares outstanding through the year	59,090,092	51,624,366
	2020	2019
Earnings per share		
Basic (DKK)	7.83	15.53
Diluted (DKK)	7.83	15.53
Adjusted earnings per share (before fair value adjustments of biomass and provision for onerous contracts (adjusted EPS))		
Basic (DKK)	6.20	19.04
Diluted (DKK)	6.20	19.04

Bakkafrøst Group has no stock option programme running at present.

Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share

Diluted earnings per share are adjusted for the dilution effect of issued share options. Bakkafrøst has no share options outstanding.

Adjusted earnings per share

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table above, as it is Bakkafrøst's view that this figure provides a more reliable measure of the underlying performance.

NOTES - SECTION 5

Other Disclosures

This section gives more details on the statutory notes that have secondary importance from the perspective of Bakkafrost

NOTE 5.1. CAPITAL COMMITMENTS

2020	2021	2022
Total contractual new Hatchery stations in the Faroe Islands	340,883	202,587
Total contractual new marine sites and development of an existing freshwater site in Scotland.	102,216	0
Total contractual other PPE investments	109,692	269,253
Total	552,791	471,840

2019	2020	2021
Total contractual new Hatchery stations in the Faroe Islands	53,600	53,600
Total contractual new marine sites and development of an existing freshwater site in Scotland.	121,000	0
Total contractual new Biogas plant	7,100	0
Total contractual other PPE investments	89,700	0
Total	271,400	53,600

The Group had capital expenditure committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 1,025 million. DKK 553 million for 2021 and DKK 472 million for 2022.

NOTE 5.2 RELATED-PARTY TRANSACTIONS

Related parties are in this respect considered as persons or legal entities, which directly or indirectly possess significant influence on the Bakkafrost Group through shareholding or position and vice versa. Related party transactions are at arm's length terms.

DKK 1,000	2020	2019
Based on key personnel		
Revenues - Betri P/F	0	17,189
Purchase - Betri P/F	0	32,490
Accounts payable - Betri P/F	0	1,332
Revenues - Gist & Vist P/F	806	1,017
Purchase - Gist & Vist P/F	24	676
Accounts receivable - Gist & Vist P/F	92	166
Accounts payable - Gist & Vist P/F	0	4
Revenues - Frost P/F	8	0
Purchase - Frost P/F	3,289	1,425
Accounts payable - Frost P/F	592	248
Purchase - P/f Vest Pack	15,293	13,021
Accounts payable P/f Vest Pack	1,579	1,427
Purchase - Tjaldur P/F	66,397	86,118
Accounts payable - Tjaldur	6,903	6,246
Based on association		
Purchase - FF Skagen A/S	98	10,647
Accounts payable - FF Skagen A/S	83	189
Purchase - Pelagos P/F	40,752	32,239
Revenues - Salmon Proteins P/F	560	4,350
Accounts receivable - Salmon Proteins P/F	91	0
Accounts payable - Salmon Proteins P/F	0	671

NOTE 5.3 BUSINESS COMBINATIONS

2020

There have been no new business combinations in 2020.

2019

On 25 September 2019, Bakkafrøst signed a binding Share Purchase Agreement (SPA) to acquire 68.6% of the outstanding shares in The Scottish Salmon Company Plc (SSC) from Northern Link Ltd. The closing date was 8 October 2019. Further acquisition was made in Q4, and at 31 December 2019, Bakkafrøst held 95.6% of the shares in SSC. Further acquisition was made in Q1 2020, and Bakkafrøst now holds 100% of the shares in SSC.

SSC is an integrated salmon farming business operating exclusively in Scotland with 60 sites across the West Coast and Hebridean Islands. The company is engaged in nearly all stages of the value chain ensuring full traceability and total supply chain integrity. The current annual production capacity is 50,000 tonnes. SSC produced 33,798 tonnes gutted weight in 2019 and exported to 21 countries with a focus on North America and the Far East. SSC has developed a range of strong flagship brands, including Native Hebridean Salmon, Tartan Salmon Label Rouge and Lochlander Salmon. The company has 651 employees.

SSC's main office is in Edinburgh, Scotland.

Strategic Rationale

The strategic rationale for the acquisition includes the following:

- Increases the scope of Bakkafrøst's operation significantly and brings new growth and development opportunities to the Group.
- Provides Bakkafrøst access to the Scottish farming region, diversifying our farming operation into a new geography, 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 Bakkafrøst's operations from a pure play Faroe Islands company to a presence in two attractive salmon farming markets, while remaining both focused on developed markets and markets for premium products.
- Potential for material improvement in The Scottish Salmon Company's profitability over a five-year horizon through realization of identified synergies, transfer of best practices and a targeted investment programme. Bakkafrøst expects to generate synergies in three key areas mainly related to Feed and Procurement, Sales Cooperation and SG&A and Over-head savings.
- Feed & Procurement: Bakkafrøst produces fish feed with a significantly higher marine index, compared to industry feed. Supplying feed to SSC would result in fixed cost efficiency at Bakkafrøst's feed facilities through inter-company sales of higher quality feed to SSC. Net synergy estimated at DKK 1.2 per kg feed, equating to annual synergies of approximately DKK 70 million from 2022 onwards (~NOK 2.6 / kg of SSC harvested salmon).
- Sales Cooperation: Both SSC and Bakkafrøst 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).

Bakkafrøst 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 delousing expertise. The overall result of these actions is expected to result in larger fish, improving price achievement and profitability.

Bakkafrøst 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 sea water equipment.

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

Net assets acquired

Most of SSC's intangible assets are related to licenses. Licenses are viewed as perpetual in nature and are thus not amortized but made subject to an annual impairment review.

We have identified three significant brand names in SSC, namely Tartan Salmon, Lochlander Salmon and Native Hebridean. The remaining volumes are sold under the general Scottish Salmon Company brand, to a large extent to wholesalers and directly to customers. Brand is valued by the income approach by calculating the net present value (NPV).

We expect that most of the excess value from the transaction is related to licenses, and the question will be, where to draw the line between goodwill and licenses. In the PPA, we have allocated value to all other identified assets including brand value, and the remaining excess value is subsequently allocated to licenses. We have then assessed

this value by utilizing a top-down market approach. Please refer to the previous page regarding strategic rationale.

We have not seen any indicators that the respective trade names have a definite expected life.

The aggregated goodwill of DKK 665.0 million recognized, arises from the tax calculations on the fair value adjustments and the adjustment made in Q3 2020. The table below summarizes the consideration paid for SSC and the assessed fair value of the assets acquired and liabilities assumed, recognized at the acquisition date.

The figures provided were subject to further scrutiny and could change as Bakkafrøst became able to gain access to more information from SSC within the 12-month period stipulated by IFRS 3.

In the period after the acquisition date, Bakkafrøst has considered all pertinent factors in determining whether information obtained after the acquisition date should result in an adjustment to the provisional amounts recognized, or whether that information results from events that occurred after the acquisition date.

Bakkafrøst has obtained information during the measurement period that results in adjustments to the provisional amounts. Bakkafrøst has recognized a change in provisional amounts for Property, plant and equipment, Biological assets, Deferred tax, Other debt and Goodwill.

Acquisition-related costs were expensed to the profit or loss as incurred and included within operating cash flows in the Statement of Cash Flow. Total cost for Bakkafrøst is DKK 10.8 million, and costs held by SSC are DKK 57.0 million.

The assets and liabilities recognized are as follows:

DKK 1,000,000	Book Value 08.10.2019	Fair Value adjustment	PPA adjustment in Q3 2020	Adjusted fair value
Goodwill	50.9	499.6	114.6	665.1
Licenses	201.8	3,131.6	-	3,333.4
Brands	-	108.4	-	108.4
Property, plant and equipment - incl. IFRS 16	702.2	-	-66.0	636.2
Accounts receivables	123.4	-	-	123.4
Inventories	31.7	-	-	31.7
Biological assets	660.5	-	-24.9	635.6
Other current assets, excluding cash and bank	41.0	-	-	41.0
Cash, bank and marketable securities	32.5	-	-	32.5
Total assets	1,844.0	3,739.6	23.7	5,607.3
Total shareholders' equity	893.2	3,188.3	-	4,081.5
Deferred taxes	1.7	551.3	-3.2	549.9
Other long-term liabilities incl. IFRS 16	198.5	-	-	198.5
Long-term liabilities, interest-bearing	192.7	-	-	192.7
Current liabilities, interest-bearing	108.4	-	-	108.4
Accounts payable	201.8	-	-	201.8
Other current liabilities incl. IFRS 16	239.4	-	26.9	266.3
Current taxes	8.3	-	-	8.3
Total shareholders' equity and liabilities	1,844.0	3,739.6	23.7	5,607.3
Liabilities	950.7	551.3	23.7	1,525.7
Net assets				4,081.5
Purchase price allocation:				
Purchase price for shares (68.6%)				2,800.4
Purchase price for shares (100%)				4,081.5
Transaction value (market value of equity)				4,081.5

NOTE 5.4 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

This is regarding new information regarding the company's financial position on the statement of financial position, which is received after the date of the statement of financial position, has been recognized in the annual accounts. Events after the date of the statement of financial position, which do not affect the company's financial position on the statement of financial position date, but which will affect the company's future financial position, are disclosed if material.

Bakkafrost discloses that from the date of the statement of financial position until today, no events have occurred which materially influence the information provided by this report.

NOTE 5.5 AUDITOR'S FEES

Fees paid to auditors (ex. VAT) break down as follows:

DKK 1,000	2020	2019
Statutory auditing	1,357	947
Tax advisory services	50	12
Other services	407	309
Total auditor's fees	1,814	1,268

NOTE 5.6 GOING CONCERN

With reference to the Group's profits, financial strength and long-term forecasts for the years ahead, it is confirmed that the financial statements for 2020 are based on the assumption that Bakkafröst is a going concern. In the opinion of the Board, the Group's financial position is good.

NOTE 5.7 ALTERNATIVE PERFORMANCE MEASURES

The Group's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, the management's intention is to provide alternative performance measures, which are regularly reviewed by the management to enhance the understanding of the company's performance, but not replacing the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. Bakkafröst's experience is that these APM's are frequently used by analysts, investors and other parties.

These APM's are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant.

NIBD

Net interest-bearing debt consists of both current and non-current interest-bearing liabilities, less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives, and cash and cash equivalents. The net interest-bearing debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current) and cash and cash equivalents. A reconciliation from these to net debt is provided below.

	31.12.2020	31.12.2019
DKK 1,000		
Cash and cash equivalents	466,939	1,309,546
Long- and short-term interest-bearing debt	-2,219,690	-2,328,231
Net interest-bearing debt	-1,752,751	-1,018,685

Operational EBIT

Operational EBIT is EBIT aligned for fair value adjustments, onerous contracts provisions, income from associates and revenue tax - FO.

Operational EBIT is a major alternative performance measure in the salmon farming industry. A reconciliation from EBIT to Operational EBIT is provided below.

	2020	2019
DKK 1,000		
EBIT	691,123	1,019,217
Fair value adjustments of biological assets	-118,003	220,567
Income from associates	-5,546	-13,812
Revenue tax - FO	53,584	99,128
Operational EBIT	621,158	1,325,100

Operational EBIT per kg:

Farming segment:

Operational EBIT Farming segment

Total harvested volumes (gw)

VAP segment:

Operational EBIT VAP segment

Total volumes produced (raw material gw)

Farming and VAP:

Operational EBIT Farming and VAP segment

Total harvested volumes (gw)

EBITDA

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Bakkafrøst's FOF segment. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations and is reconciled in the section Group overview. This measure is useful to users of Bakkafrøst's financial information in evaluating operating profitability on a more variable cost basis, as it excludes depreciations and amortization expenses related primarily to capital expenditures and acquisitions, which occurred in the past, nonrecurring items, as well as evaluating operating performance in relation to Bakkafrøst's FOF segments competitors. The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

DKK 1,000	2020	2019
Profit for the year to the shareholders of P/F Bakkafrøst	462,845	801,885
Fair value adjustment of biomass	-118,003	220,567
Tax on fair value adjustment and onerous contracts provisions	21,241	-39,702
Adjusted profit for the year to shareholders of P/F Bakkafrøst	366,083	982,750
Time-weighted average number of shares outstanding through the year	59,090,092	51,624,366
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)	6.20	19.04

Adjusted EPS

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table above, as it is Bakkafrøst's view that this figure provides a more reliable measure of the underlying performance.

Financial Statements

P/F BAKKAFROST



P/F BAKKAFROST

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P/F BAKKAFROST

Income Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2020	2019
Operating revenue		164,253	147,843
Salary and personnel expenses	2	-36,395	-37,271
Other operating expenses		-100,522	-94,188
Depreciation	4	-29,642	-30,729
Earnings before interest and taxes (EBIT)		-2,306	-14,345
Dividends from subsidiaries		989,908	841,190
Income from other investments in shares	6	36	36
Financial income	3	17,187	12,265
Net interest expenses	3	-21,110	-9,985
Net currency effects	3	1,350	-10,842
Other financial expenses	3	-6,175	-13,124
Earnings before taxes (EBT)		978,890	805,195
Taxes	8	1,834	-4,365
Profit to shareholders of P/F Bakkafrøst		980,724	800,830
Distribution of profit			
Dividend proposed		215,872	0
Retained earnings		764,852	800,830
Distribution in total		980,724	800,830

P/F BAKKAFROST

Statement of Financial Position

AS AT 31 DECEMBER

DKK 1,000	Note	2020	2019
ASSETS			
Non-current assets			
Intangible assets		1,000	1,000
Total intangible assets		1,000	1,000
Property, plant and equipment			
Land, buildings and other real estate	4	226,706	348,319
Plant, machinery and other operating equipment	4	107,423	15,196
Total property plant and equipment		334,129	363,515
Non-current financial assets			
Investments in subsidiaries	5	5,576,500	5,408,693
Investments in stocks and shares	6	1,273	1,236
Receivables from Group companies		0	100,599
Total non-current financial assets		5,577,773	5,510,528
TOTAL NON-CURRENT ASSETS		5,912,902	5,875,043
Inventory		23,840	18,448
Total inventory		23,840	18,448
Receivables from Group companies		5,041,764	3,688,612
Accounts receivable		2,780	2,461
Other receivables		17,592	236
Total receivables		5,062,136	3,691,309
Cash and cash equivalents		348,385	589,264
TOTAL CURRENT ASSETS		5,434,361	4,299,021
TOTAL ASSETS		11,347,263	10,174,064

DKK 1,000	Note	2020	2019
EQUITY AND LIABILITIES			
Equity			
Share capital	7	59,143	59,143
Other equity		9,038,737	8,093,403
Total equity		9,097,880	8,152,546
Non-current liabilities			
Long-term interest-bearing debt	9	2,219,652	1,710,672
Deferred taxes	8	11,471	11,372
Total non-current liabilities		2,231,123	1,722,044
Current liabilities			
Derivatives	3.12	0	633
Payables to Group companies		0	274,878
Accounts payable		12,619	13,741
Other short-term liabilities		5,641	10,222
Total current liabilities		18,260	299,474
Total liabilities		2,249,383	2,021,518
TOTAL EQUITY AND LIABILITIES		11,347,263	10,174,064

P/F BAKKAFROST

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2020	2019
Cash flow from operations			
Operating profit (EBIT)		-2,306	-14,345
Adjustments for write-downs and depreciation	4	29,642	30,729
Adjustments for net currency effects		1,350	-10,842
Adjustments for share-based payment	2	810	503
Taxes paid	8	-4,284	-21,970
Change in inventory		-5,392	-2,361
Change in receivables		-17,675	23,836
Change in current debts		1,930	2,895
Cash flow from operations		4,075	8,445
Cash flow from investments			
Increase of share capital in subsidiaries, etc., net	5	-167,807	-4,008,022
Proceeds from sales of purchase of fixed assets		0	522
Payments made for purchase of fixed assets	4	-256	-3,034
Cash flow from investments		-168,063	-4,010,534
Cash flow from financing			
Changes in interest-bearing debt (short and long)		508,347	945,421
Financial income		17,187	12,265
Financial expenses		-27,285	-23,109
Financing of associates/subsidiaries		-1,527,431	-724,542
Acquisition/sale treasury shares		-37,616	75,349
Dividend from subsidiaries	5	989,908	841,190
Emission - increase of share capital		0	3,731,123
Dividend paid		0	-401,512
Cash flow from financing		-76,890	4,456,185
Net change in cash and cash equivalents		-240,878	454,096
Cash and cash equivalents - opening balance		589,264	135,168
Cash and cash equivalents - closing balance total		348,385	589,264

P/F BAKKAFROST

Statement of Changes in Equity

AS AT 31 DECEMBER

DKK 1,000	Share capital	Share premium account	Treasury shares	Share-based payment	Derivatives	Proposed dividends	Retained earnings	Total
1 January 2020	59,143	3,838,206	-68	1,001	-520	0	4,254,784	8,152,546
Net annual profit	0	0	0	0	0	0	982,078	982,078
Other comprehensive income:								
Fair value adjustment on financial derivatives	0	0	0	0	520	0	0	520
Total other comprehensive income	0	0	0	0	520	0	0	520
Total comprehensive income	0	0	0	0	520	0	982,078	982,598
Transaction with owners:								
Treasury shares	0	0	-37,617	0	0	0	0	-37,617
Share-based payment	0	0	0	353	0	0	0	353
Proposed dividends	0	0	0	0	0	215,872	-215,872	0
Total transaction with owners	0	0	-37,617	353	0	215,872	-215,872	-37,264
Total changes in equity	0	0	-37,617	353	520	215,872	766,206	945,334
31 December 2020	59,143	3,838,206	-37,685	1,354	0	215,872	5,020,990	9,097,880
1 January 2019	48,858	117,368	-15,525	1,219	-265	403,079	3,392,492	3,947,226
Net annual profit	0	0	0	0	0	0	860,725	860,725
Other comprehensive income:								
Fair value adjustment on financial derivatives	0	0	0	0	-311	0	0	-311
Income tax effect	0	0	0	0	56	0	0	56
Total other comprehensive income	0	0	0	0	-255	0	0	-255
Total comprehensive income	0	0	0	0	-255	0	860,725	860,470
Transaction with owners:								
Emission - increase share capital	10,285	3,720,838	0	0	0	0	0	3,731,123
Treasury shares	0	0	15,457	0	0	0	0	15,457
Share-based payment	0	0	0	-218	0	0	0	-218
Dividend treasury shares	0	0	0	0	0	0	1,567	1,567
Proceeds/acquisition treasury shares	0	0	0	0	0	0	0	0
Paid-out dividends	0	0	0	0	0	-403,079	0	-403,079
Proposed dividends	0	0	0	0	0	0	0	0
Total transaction with owners	10,285	3,720,838	15,457	-218	0	-403,079	1,567	3,344,850
Total changes in equity	10,285	3,720,838	15,457	-218	-255	-403,079	862,292	4,205,320
31 December 2019	59,143	3,838,206	-68	1,001	-520	0	4,254,784	8,152,546

P/F BAKKAFROST

Notes to the Financial Statements

NOTE 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), endorsed by the European Union (EU), and the additional requirements according to the Faroese Financial Reporting Act. The accounting policies applied to the consolidated accounts have also been applied to the parent company, P/F

Bakkafrost. The notes to the consolidated accounts provide additional information to the parent company's accounts, which is not presented here separately. The company's financial statements are presented in DKK. Investments in subsidiaries are measured at historic cost unless there is any indication of impairment. In case of impairment, an investment is written down to fair value.

NOTE 2. SALARIES AND OTHER PERSONNEL EXPENSES

DKK 1,000	2020	2019
Wages and salaries	27,754	28,426
Share based payments	810	503
Social security taxes	1,773	1,137
Pension expenses	1,995	1,301
Other benefits	4,063	5,904
Total payroll expenses	36,395	37,271
Average number of full-time employees	40	35

REMUNERATION TO SENIOR EXECUTIVES AND AUDITORS

For details of remuneration paid to senior executives, see notes to the consolidated financial statements. The company

paid DKK 45,000 for audit service and DKK 10,000 for tax advisory. For other services, see note to the consolidated financial statements.

NOTE 3. NET FINANCIAL ITEMS

DKK 1,000	2020	2019
Interests received from Group companies	16,289	7,378
Other financial income	898	4,888
Financial income	17,187	12,266
Interest expenses on long- and short-term loans	-21,110	-9,986
Financial expenses	-21,110	-9,986
Other exchange differences	1,350	-10,842
Net currency effects	1,350	-10,842
Other financial expenses	-6,175	-13,124
Other financial items	-6,175	-13,124
Net financial items	-8,748	-21,686

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Other equipment	Total
Acquisition cost as at 01.01.20	415,940	52,313	468,253
Reclassification	-126,167	126,167	0
Acquisitions during the year	0	257	257
Acquisition cost as at 31.12.20	289,773	178,737	468,510
Accumulated depreciation and write-down as at 01.01.20	-67,622	-37,117	-104,739
Reclassification	15,982	-15,982	0
Depreciations during the year	-11,427	-18,216	-29,643
Accumulated depreciation and write-down as at 31.12.20	-63,067	-71,315	-134,382
Net book value as at 31.12.20	226,706	107,423	334,129
Acquisition cost as at 01.01.19	415,081	50,735	465,816
Disposals and scrapping during the year - reclass		-597	-597
Acquisitions during the year	859	2,175	3,034
Acquisition cost as at 31.12.19	415,940	52,313	468,253
Accumulated depreciation and write-down as at 01.01.19	-56,218	-17,867	-74,085
Depreciations during the year related to disposals	0	75	75
Depreciations during the year	-11,404	-19,325	-30,729
Accumulated depreciation and write-down as at 31.12.19	-67,622	-37,117	-104,739
Net book value as at 31.12.19	348,319	15,196	363,515

A significant part of Bakkafrost's buildings is located on rented land.

	Estimated lifetime	Depreciation method	Scrap value
Land and buildings	15-25 years	linear	10%
Other operating equipment	3-8 years	linear	0%

NOTE 5. SUBSIDIARIES AND ASSOCIATES

DKK 1,000	2020	2019
Acquisition cost as at 01.01.	5,411,459	1,403,437
Additions during the year	167,807	4,008,022
Acquisition cost as at 31.12.	5,579,266	5,411,459
Re-evaluations as at 01.01.	-2,766	-2,766
Re-evaluations as at 31.12.	-2,766	-2,766
Net book value as at 31.12.	5,576,500	5,408,693

DKK 1,000 Company	Cost Method Yes/No	Head Office	Ownership	Voting share	Carrying amount in P/F Bakkafrøst 2020	Carrying amount in P/F Bakkafrøst 2019
P/F Bakkafrøst Processing	Yes	Glyvvar	100%	100%	258,591	258,591
P/F Bakkafrøst Sales	Yes	Glyvvar	100%	100%	879	879
P/F Bakkafrøst Packaging	Yes	Glyvvar	100%	100%	7,781	7,781
P/F Bakkafrøst Farming	Yes	Glyvvar	100%	100%	314,887	314,887
P/F Havsbrún	Yes	Glyvvar	100%	100%	908,884	908,884
Bakkafrøst UK Ltd	Yes	Grimsby	100%	100%	4,649	4,649
Bakkafrøst Danmark ApS	Yes	Glyvvar	100%	100%	50	50
Scottish Salmon Company Plc	Yes	Jersey	100%	100%	4,075,779	3,907,972
The Scottish Salmon Company Ltd	Yes	Edinburgh	100%	100%	0	0
P/F Förka	Yes	Glyvvar	100%	100%	5,000	5,000
Total subsidiaries					5,576,500	5,408,693

DKK 1,000	Dividends*	Excess dividends on result	Result 2020	Result 2019
P/F Bakkafrøst Farming	168,100	24,096	192,196	616,897
P/F Bakkafrøst Sales	0	-2,181	-2,181	136,252
P/F Bakkafrøst Packaging	190	12	202	13,178
P/F Bakkafrøst Processing	0	140,064	140,064	30,723
P/F Havsbrún	113,851	5,169	119,020	207,075
Bakkafrøst UK Ltd.	0	3,340	3,340	12,059
Scottish Salmon Company Plc**	0	184,609	184,609	-191,377
P/F Förka	0	-2,678	-2,678	-166
Total revenue Group contribution	282,141	352,431	634,572	824,641

* Dividends from subsidiaries paid out in 2021

** Since acquisition 8/10-19

NOTE 6. INVESTMENTS IN STOCKS AND SHARES

DKK 1,000	2020	2019
Acquisition cost as at 01.01.	183	183
Acquisition cost as at 31.12.	183	183
Re-evaluations as at 01.01.	1,053	1,581
Re-evaluations during the year	37	-528
Re-evaluations as at 31.12.	1,090	1,053
Net book value as at 31.12.	1,273	1,236

Shares and holdings, in which the Group does not have significant influence. These are valued at cost, since fair value cannot be measured reliably..

NOTE 7. SHARE CAPITAL AND MAJOR SHAREHOLDERS

DKK 1,000	2020	2019
Share capital at 31.12.	59,143	48,858
Emission - increase of share capital	0	10,285
Share capital at 31.12.	59,143	59,143

The share capital is distributed into shares of DKK 1 and multiples thereof. For shareholders holding more than 5% in the Company as at 31 December 2020, see Group Accounts.

NOTE 8. TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2020	2019
Tax payable	1,819	-4,284
Change in deferred tax	15	-81
Tax expense on ordinary profit	1,834	-4,365
Tax in the statement of financial position		
Deferred tax	11,471	11,372
Tax in the statement of financial position	11,471	11,372
Specification of temporary differences		
Property, plant and equipment	63,691	63,811
Swaps	0	-633
Total temporary differences	63,691	63,178
Deferred tax liabilities (+) / assets (-)	11,471	11,372
Reconciliation from nominal to actual tax rate		
Profit before tax	978,890	805,195
Expected tax at nominal tax rate (18%)	-176,200	-144,935
Permanent differences, including Group contribution without tax effect (18%)	178,183	151,414
Other permanent differences (18%)	-149	-10,844
Calculated tax expense	1,834	-4,365
Effective tax rate	0.19%	-0.54%

As Parent company in the Bakkafrost Group, Bakkafrost P/F is the administrating company in the Group Joint Taxation and is liable towards the Faroese Tax Authorities for taxes payable on behalf of its subsidiaries.

NOTE 9. SECURITY PLEDGES AND CONTINGENT LIABILITIES

Carrying amount of debt secured by mortgages and pledges:

DKK 1,000	2020	2019
Long-term debt to financial institutions	2,219,652	1,710,672
Total	2,219,652	1,710,672

Carrying amount of assets pledged as security for recognized debt

Property, plant and equipment	334,129	363,515
Non-current financial assets	5,577,773	5,510,528
Receivables	5,062,136	3,691,309
Total	10,974,038	9,565,352

The company participates in a Group financing for the Bakka-frost Group. In connection to this, the company has together with other Group companies pledged licenses, property, plant and equipment, shareholdings, inventory and receivables as surety for the Group's total debt to the banks. In addition, the Group companies have guaranteed severally and jointly for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds.

As Parent company in the Bakkafrost Group, Bakkafrost P/F is the administrating company in the Group Joint Taxation and is liable towards the Faroese Tax Authorities for taxes payable on behalf of its subsidiaries.

NOTE 10. RELATED-PARTY TRANSACTIONS

The company operates cash pooling arrangements in the Group. Further, the company extends loans to subsidiaries and associates at terms and conditions reflecting prevailing market conditions for corresponding services, allowing a margin to cover administration and risk. The company allocates costs for corporate staff services and shared services to subsidiaries and renting of buildings.

The total amounts for rent are DKK 21.2 million (2019: DKK 21.2 million), allocation of administration etc. DKK 82.1 million (2019: DKK 73.6 million), financial incomes of DKK 16.7 million (2019: DKK 7.4 million) and financial expenses DKK 0.4 million (2019: DKK 0.0 million). The principle of arm's length is used in all transactions with related parties.

APPENDIX

Quarterly financial figures 2018-2020

DKK 1,000	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
Operating revenue	851,156	954,316	621,602	750,348	963,709	946,506	996,050	1,604,842	1,255,226	1,134,222	1,123,147	1,139,297
Purchase of goods	-289,145	-254,324	-177,389	-332,721	-361,540	-366,899	-274,775	-351,707	-415,276	-642,818	-574,394	-726,135
Change in inventory and biological assets (at cost)	31,393	6,770	7,117	154,416	34,013	134,296	-34,510	-163,222	-56,667	215,285	22,773	220,288
Salary and personnel expenses	-91,183	-87,115	-71,940	-103,518	-114,552	-117,690	-95,713	-184,806	-148,713	-159,987	-135,441	-164,206
Other operating expenses	-188,224	-163,172	-158,008	-186,569	-200,153	-199,656	-218,367	-360,611	-267,470	-249,039	-248,265	-297,945
Depreciation	-45,775	-48,582	-53,094	-51,447	-53,773	-57,793	-69,304	-129,245	-119,017	-115,766	-85,157	-126,825
Other income	0	0	0	0	0	0	0	0	0	0	0	44,041
Operational EBIT	268,222	407,893	168,288	230,509	267,704	338,764	303,381	415,251	248,083	181,897	102,663	88,515
Fair value adjustments on biological assets	107,131	34,777	293,459	-239,548	17,871	-65,536	-69,804	-103,098	-410,711	426,650	124,429	-22,365
Onerous contracts	0	-6,109	-10,968	17,076	0	0	0	0	0	0	0	0
Income from associates	2,419	-1,695	-2,459	11,104	6,947	-4,408	7,620	3,653	0	0	0	5,546
Revenue tax - FO	-26,327	-31,411	-14,092	-24,036	-31,994	-32,031	-20,616	-14,487	-19,132	-22,633	-9,353	-2,466
Earnings before interest and taxes (EBIT)	351,445	403,455	434,228	-4,895	260,528	236,789	220,581	301,319	-181,760	585,914	217,739	69,230
Net interest revenue	1,001	621	467	562	111	638	850	3,397	803	344	101	151
Net interest expenses	-4,925	-3,019	-2,271	-2,262	-1,865	-2,534	-3,011	-9,704	-9,527	-10,057	-6,446	-10,287
Net currency effects	-13,159	12,347	1,938	293	1,425	-4,760	5,165	-14,500	15,448	-2,554	-12,284	-13,706
Other financial expenses	-1,627	-815	-799	-519	-864	-974	-935	-9,740	-6,015	-2,355	-3,919	-4,836
Earnings before taxes (EBT)	332,735	412,589	433,563	-6,821	259,335	229,159	222,650	270,772	-181,051	571,292	195,191	40,552
Taxes	-60,434	-73,833	-77,708	201	-46,499	-40,557	-41,715	-51,260	33,070	-99,611	-18,369	-78,229
Profit or loss for the period	272,301	338,756	355,855	-6,620	212,836	188,602	180,935	219,512	-147,981	471,681	176,822	-37,677
Earnings per share (DKK)	5.60	6.96	7.32	-0.14	4.37	3.88	3.67	4.25	-2.50	7.98	2.99	-0.64
Diluted earnings per share (DKK)	5.60	6.96	7.32	-0.14	4.37	3.88	3.67	4.25	-2.50	7.98	2.99	-0.64

*Operational EBIT is EBIT before fair value of biomass, onerous contracts and income from associates, and revenue tax - FO

DKK 1,000	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
ASSETS												
Non-current assets												
Intangible assets	376,675	376,675	388,934	389,745	391,042	390,456	390,456	4,395,687	4,386,056	4,377,948	4,491,387	4,493,395
Property, plant and equipment	2,636,126	2,714,633	2,788,753	2,884,325	3,004,587	3,112,331	3,215,676	3,780,499	3,762,740	3,894,070	3,977,620	4,220,599
Right of use assets	0	0	0	0	0	0	0	332,824	480,085	431,525	380,121	353,192
Financial assets	79,121	79,310	101,864	112,766	115,725	111,268	494,006	119,084	119,116	116,712	116,702	122,459
Long-term receivables	9,200	9,200	9,200	9,200	7,688	3,446	3,446	4,422	4,422	4,422	8,737	8,101
Deferred tax assets	0	0	0	0	0	0	0	37,593	37,840	35,718	58,238	26,934
Total non-current assets	3,101,122	3,179,818	3,288,751	3,396,036	3,519,042	3,617,501	4,103,584	8,670,109	8,790,259	8,860,395	9,032,805	9,224,680
Current assets												
Biological assets (biomass)	1,114,678	1,107,275	1,562,940	1,358,462	1,290,944	1,231,495	1,268,948	1,901,729	1,492,337	1,903,359	2,146,338	2,117,024
Inventory	428,639	478,872	330,851	438,847	562,817	697,073	534,057	548,508	523,833	720,764	613,505	776,032
Total inventory	1,543,317	1,586,147	1,893,791	1,797,309	1,853,761	1,928,568	1,803,005	2,450,237	2,016,170	2,624,123	2,759,843	2,893,056
Financial derivatives	0	0	0	0	0	0	575	0	0	0	0	0
Accounts receivable	244,231	352,437	247,657	269,348	429,608	371,960	356,026	625,993	629,372	563,364	524,943	490,075
Other receivables	75,008	67,591	54,365	22,936	22,444	28,884	35,970	45,520	22,780	11,236	57,546	133,574
Total receivables	319,239	420,028	302,022	292,284	452,052	400,844	392,571	671,513	652,152	574,600	582,489	623,649
Cash and cash equivalents	668,361	284,329	306,167	316,894	341,574	322,694	2,611,554	1,309,546	801,079	454,389	445,929	466,939
Total current assets	2,530,917	2,290,504	2,501,980	2,406,487	2,647,387	2,652,106	4,807,130	4,431,296	3,469,401	3,653,112	3,788,261	3,983,644
TOTAL ASSETS	5,632,039	5,470,322	5,790,731	5,802,523	6,166,429	6,269,608	8,910,714	13,101,405	12,259,660	12,513,507	12,821,066	13,208,324

DKK 1,000	Q1 2018	Q2 2018	Q3 2018	Q4 2018	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020
EQUITY AND LIABILITIES												
Equity												
Share capital	48,858	48,858	48,858	48,858	48,858	48,859	53,658	59,143	59,143	59,143	59,143	59,143
Other equity	3,842,919	3,676,540	4,033,116	4,028,171	4,240,869	4,035,000	5,984,391	8,270,112	8,070,356	8,522,287	8,702,346	8,670,344
Non-controlling interests	0	0	0	0	0	0	0	167,620	0	0	0	0
Total equity	3,891,777	3,725,398	4,081,974	4,077,029	4,289,727	4,083,859	6,038,049	8,496,875	8,129,499	8,581,430	8,761,489	8,729,487
Non-current liabilities												
Deferred and other taxes	538,840	613,025	690,629	534,430	581,371	622,500	672,628	1,123,796	1,097,117	1,181,972	1,218,379	1,222,222
Long-term interest-bearing debt	770,383	727,474	591,956	812,053	862,944	1,066,266	1,340,073	2,328,231	1,789,537	1,570,512	1,702,579	2,219,690
Long-term leasing debt	0	0	0	0	60,816	71,445	71,109	225,585	261,105	249,178	287,937	265,235
Financial derivatives	0	0	0	0	0	0	0	1,966	1,966	1,282	-1,077	1,480
Total non-current liabilities	1,309,223	1,340,678	1,282,585	1,346,483	1,505,131	1,760,211	2,083,810	3,679,578	3,149,725	3,002,944	3,207,818	3,708,627
Current liabilities												
Financial derivatives	0	0	630	320	613	0	0	13,493	13,158	18,042	17,371	9,710
Short-term leasing debt	0	0	0	0	0	0	0	107,808	201,047	195,140	130,043	131,336
Accounts payable and other debt	431,039	404,246	425,542	378,691	370,958	425,538	788,855	803,651	766,231	715,951	704,345	629,164
Total current liabilities	431,039	404,246	426,172	379,011	371,571	425,538	788,855	924,952	980,436	929,133	851,759	770,210
Total liabilities	1,740,262	1,744,924	1,708,757	1,725,494	1,876,702	2,185,749	2,872,665	4,604,530	4,130,161	3,932,077	4,059,577	4,478,837
TOTAL EQUITY AND LIABILITIES	5,632,039	5,470,322	5,790,731	5,802,523	6,166,429	6,269,608	8,910,714	13,101,405	12,259,660	12,513,507	12,821,066	13,208,324

Market Announcements Published in 2020

Exclusive Invitations, Managements', Board of Directors' and large shareholders' notification of trade and notification of trade regarding Bakkafrost's Share Savings Plan

Q1 2020

3 January 2020: Q4 2019 Trading Update
25 February 2020: Q4 2019 Interim Results and Full Year 2019
27 February 2020: Key Information Regarding Cash Dividend for Bakkafrost
8 March 2020: Severe storm hit the Faroe Islands and damaged two farming sites resulting in the loss of 1 million fish
10 March 2020: Notice to the Annual General Meeting
10 March 2020: Annual Report 2019 and Sustainability Report 2019

Q2 2020

2 April 2020: Q1 2020 Trading Update
3 April 2020: Protocol from Annual General Meeting
5 May 2020: Q1 2020 Interim Results

Q3 2020

2 July 2020: Q2 2020 Trading Update
25 August 2020: Q2 2020 Interim Results

Q4 2020

2 October 2020: Q3 2020 Trading Update
7 October 2020: Financial Calendar
10 November 2020: Q3 2020 Interim Results

Financial Calendar for 2021

■ 9 April 2021	Annual General Meeting
■ 11 May 2021	Presentation of Q1 2021
■ 24 August 2021	Presentation of Q2 2021
■ 14 September 2021	Capital Markets Day 2021
■ 9 November 2021	Presentation of Q3 2021

Annual General Meeting will take place at Bakkavegur 9, Glyvrar, Faroe Islands.

Please note that the financial calendar is subject to change.

Any changes will be announced via Oslo Børs, and the Group's website, www.bakkafrost.com, will be updated accordingly.

Glossary

AGM: Annual General Meeting
ASC: Aquaculture Stewardship Council

CGU: Cash-generating Unit

EBT: Earnings Before Tax
EBIT: Earnings Before Interest and Tax
EBITA: Earnings Before Interest, Amortization and Tax
EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization
EPS: Earnings Per Share

FOF: Fishmeal, Oil and Feed

FO: Faroe Islands

HACCP: Hazard Analyses Critical Control Point

IAS: International Accounting Standards
IFRS: International Financial Reporting Standards
ISO: International Organization for Standardization

LW: Live Weight

NIBD: Net Interesting Bearing Debt

PP&E: Property, Plant and Equipment

R&D: Research and Development Costs

SCT: Scotland

SSC: The Scottish Salmon Company Plc

TGW: Tonnes Gutted Weight

USP: Unique Selling Points

VAT: Value Added Tax

VAP: Value Added Products; Value Added Production

WACC: Weighted Average Cost of Capital

WFE: Whole Fish Equivalent

