



ESTABLISHED 1968

ANNUAL REPORT

2022

Faroese Company Registration No. 1724



Contents

Statement by the Management and the Board of Directors	4		
Outlook	8		
Bakkafrost at a Glance	12		
Key Figures	15		
Main Events	16		
■ STRATEGY	17		
Business Objectives and Strategy	18		
Business Model	20		
Differentiators	21		
Outline of Bakkafrost's History	23		
The Value Chain	24		
■ PERFORMANCE	30		
Operational Review	31		
Financial Review	35		
Farming Segment - Faroe Islands (FO)	38		
Farming Segment - Scotland (SCT)	40		
VAP Segment	42		
FOF Segment	44		
Market Review	47		
■ RISKS	58		
Risk Management	59		
■ GOVERNANCE	68		
Corporate Governance	69		
Corporate Responsibility and Sustainability	71		
Shareholder Information	73		
Directors and Management	74		
Directors' Profiles	75		
Group Management's Profiles	77		
Statement by the Management and the Board of Directors on the Annual Report	78		
Independent Auditor's Report	79		

Contents

FINANCIAL STATEMENTS AND NOTES - BAKKAFROST GROUP	84	FINANCIAL STATEMENTS - P/F BAKKAFROST	149
Consolidated Income Statement	88	P/F BAKKAFROST - Income Statement	151
Consolidated Statement of Other Comprehensive Income	89	P/F BAKKAFROST - Statement of Financial Position	152
Consolidated Statement of Financial Position	90	P/F BAKKAFROST - Cash Flow Statement	154
Consolidated Cash Flow Statement	92	P/F BAKKAFROST - Statement of Changes in Equity	155
Consolidated Statement of Changes in Equity	93		
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS - BAKKAFROST GROUP	94	P/F BAKKAFROST - NOTES TO THE FINANCIAL STATEMENTS	156
■ NOTES - SECTION 1 Basis of Preparation	95		
■ NOTES - SECTION 2 Results for the Year	98	APPENDIX	164
■ NOTES - SECTION 3 Assets and Liabilities	109	Quarterly financial figures 2020-2022	164
■ NOTES - SECTION 4 Capital Structure and Financing Items	134	Market Announcements Published in 2022	167
■ NOTES - SECTION 5 Other Disclosures	141	Financial Calendar for 2023	168
		Glossary	169

Statement by the Management and the Board of Directors



RÚNI M. HANSEN
Chairman of the Board

A TURBULENT YEAR

Bakkafrost has managed to navigate well through 2022 which was a year with great market turbulence and uncertainties in the global economy. Overall we are satisfied with the results – especially in the operation in the Faroe Islands. The turbulent year can be characterized as a year of two halves with highly volatile salmon prices.

Volatile market

At the beginning of the year, the market outlook was positive as the global market was increasingly unwound from Covid. The reopening of the food service industries increased the demand for salmon. Combined with the negative supply growth of salmon in the first half of 2022, this led to substantially higher salmon prices, reaching all-time high levels of 126.22 NOK/kg¹ in the last week of April 2022. However, following Russia's invasion of Ukraine in February, global supply chains were again disrupted, and the world economy faced significant challenges and increased uncertainties. Bakkafrost stopped all trade with Russia following the invasion of Ukraine and managed to divert the affected sales volumes into other markets and find new suppliers and raw materials that could no longer be sourced from Ukraine. In the second half of 2022, spot prices fell as low as 57.45 NOK/kg¹ in August to increase into Q4 and reach 85.97 NOK/kg¹ at year-end.

The global volume of salmon sold was reduced by 2.1% in 2022 compared to 2021. Most notably, the sale to Russia and Ukraine was reduced 43% each. Global sales to the EU and China declined by 1% and 2%, respectively, while sales to the US increased by 3%. Hence, the US market was one of the strongest in 2022, just as during 2021 when the global sales to the US market grew 13%.

In 2022, Bakkafrost sold 67% of the volume to the EU market, compared to 61% in 2021. Sales to the US and Asia were

¹ NASDAQ superior 4-5kg (HOG)

18% and 9%, respectively, compared to 19% and 11%, in 2021. Bakkafrost sold 40% of the harvested volume from the Faroe Islands to the retail market, compared to 33% in 2021. Bakkafrost has an excellent capacity to produce retail products in the VAP segment and has a strategy of selling around 35-40% of the harvest volume to the retail market. However, the food service market is important to Bakkafrost as we usually achieve a higher price premium.

The high inflation and uncertain supply chains in 2022 were unforeseen, but Bakkafrost has managed to navigate well through this through careful procurement planning. Raw material prices for feed production have been impacted the most, but the effect of this has been more than offset by the increased salmon price, which is believed to have left the level of around 60 NOK/kg, it has fluctuated since 2016. With general inflation and a tight salmon market outlook taken into account, it is likely that the salmon price will remain at a higher level in the coming years.

Bakkafrost harvested 90.6 thousand tonnes of salmon head-on gutted weight in 2022, of which 66.7 thousand tonnes were harvested in the Faroe Islands, and 23.9 thousand tonnes in Scotland. In comparison, Bakkafrost harvested 96.9 thousand tonnes in 2021. Bakkafrost had all-time high revenues of 7,130 mDKK in 2022, compared to 5,554 mDKK in 2021. Operational EBIT was also all-time high at 1,705 mDKK, compared to 821 mDKK in 2021. The results from the operation in the Faroe Islands were satisfactory, while the results from Scotland were weak and negatively affected by exceptional mortality costs.

Scotland improving

When Bakkafrost acquired Bakkafrost Scotland (previously named "The Scottish Salmon Company") in Q4 2019, it was fully known that this was a turnaround case, requiring significant investments to be made over 5 years. This also was



detailed at our 2021 Capital Markets Day, where a 6.2bn DKK was announced, whereof 2.8bn DKK is planned for Scotland.

The first years during the turnaround period were expected to be difficult, however less challenging than experienced in 2021 and 2022. During these two years, farming conditions have been more difficult than usual. Bakkafrost suffered significant biological challenges leading to high mortality costs

for our fish. Significant challenges in Scotland are poor quality smolt and gill challenges in marine farming.

The turnaround of the Scottish operation is mainly driven by the same kind of investments as Bakkafrost has made in the Faroe Islands, where we have successfully demonstrated that biological risk can be reduced and efficiency improved. In Scotland, the most important investments are the replacement of the old obsolete hatcheries acquired with three new

state-of-the-art hatcheries based on the same technology and experience from the Faroe Islands.

Now, three years into the process, we see some early indications of improvements. However, the real test being in the autumn when sea water temperature and biological risks peak. The first of the new hatcheries, Applecross, is expected to deliver the first batch of large smolt in Q2 2023, and the second hatchery is expected to start construction in H2 2023.

We have also seen good results from our increased treatment vessel capacity in Scotland, most recently in late Q3 2022 with the arrival of our second Farming Service Vessel for freshwater treatment. The vessel is uniquely equipped with dual treatment systems, treating gill health issues with fresh water and removing sea lice. At the beginning of 2023, we have seen the benefit of this on the sales value of our fish by being able to adapt harvest to the improved biological situation, thereby growing the fish larger to achieve higher value in the market.

We have already made several improvements in Scotland besides building hatcheries and treatment vessel capacity. This includes substantial investments in processing capacity, technology and marine farming operations. In addition, best practices have been shared across the Faroe Islands and Scotland to extract and implement the best of two worlds. We have focused on collaboration and knowledge transfer, supported by new organisational structures and simplicity via our strategic focus, "One Company". One important milestone was passed in May 2022 when we renamed the Scottish Salmon Company "Bakkafrost Scotland".

Strong development in the Faroe Islands

Bakkafrost's operation in the Faroe Islands is robust. During 2022 the biological performance has continued to improve with strong growth, all-time low sea lice, historically

low mortality and biological feed conversion ratio. This is partly due to efficient treatment strategy and improvements to the large smolt production method. This has been adjusted and improved continuously, resulting in more robust and better-performing smolt.

Significant investments have been made in increased hatchery capacity to produce large smolt of around 500 g. In Q4 2022, the expanded capacity at the Norðtoftir hatchery was commissioned and started production. In Q1 2023, the same applies to the expanded hatchery at Glyvradal, which will be followed by the commissioning of the expansion of the Viðareiði hatchery. Combined, these hatcheries provide an additional annual production capacity of 6.5 million smolt of 500 g. In addition, we expect to start the construction of a new hatchery at Ónavík in H1 2023, which will expand the annual smolt production capacity to more than 23 million smolt of 500 g.

Production capacity is also increased throughout the value chain. In coming years, we expect actual harvest volumes to grow towards the guidance target for 2026, which is 100,000 tonnes of head-on gutted weight. This is only the beginning, as the full effect of the large smolt strategy has yet to materialise, but this will gradually reveal itself in the coming years.

Fishmeal, Oil and Feed scaling up for the future

One of the expected synergies following the acquisition of Bakkafróst Scotland was increased efficiency at our fishmeal, -oil and feed plant, Havsbrún. In 2022, 83% of the feed in Scotland was supplied from Havsbrún, and the operational efficiency has improved noticeably. To prepare for future growth, Havsbrún has in 2022 started expanding its feed production capacity with a new feed line.

Feeding our Scottish salmon with the same feed from Havsbrún used to feed our salmon in the Faroe Islands is an



essential step towards harmonizing the quality and customer perception of our salmon. This increases the flexibility in sales and helps us develop further the value proposition to our customers.

Sustainability

Bakkafróst is uniquely located in one of the best natural environments for salmon farming, with excellent and sustainable

access to marine raw material for fish feed production. Given our location in the North Atlantic Ocean and the challenge of ensuring enough healthy and sustainably produced food for the world's growing population, we see it as our obligation to increase our supply of salmon to the world. Salmon is amongst the most sustainable and resource-efficient sources of healthy animal protein. Over the following years, we will increase our supply significantly, reaching 150,000 tonnes

of head-on gutted weight in 2026. Hence, it is vital that we firmly address the sustainability challenges. Bakkafrost is committed to contributing to UN SGDs and is being evaluated by increasing sustainability-focused analysts and rating organisations. We provide comprehensive and transparent sustainability reporting and demonstrate that Bakkafrost is at the forefront of sustainable food production.

We have committed ourselves to reducing scope 1 & 2 carbon emissions by 50% and scope 3 carbon emissions by 52% in 2030. We have also committed ourselves to net-zero in 2050. These targets are science-based, in line with the Paris Treaty, and scheduled for SBTi approval in 2023. The details on our progress and achievements towards our sustainability targets are disclosed in our 2022 Healty Living Sustainability Report.

Bakkafrost has a long value chain, which gives us more autonomy to seek opportunities to reduce our environmental footprint. For example, we rely on air cargo to overseas markets. To reduce our carbon emissions from air freight, we have decided to acquire our own cargo plane to set up direct transport to the US market. We expect this to be operational in H1 2023, and it will enable us to shorten the flown distance and omit the weight of ice transported. The result is a reduced carbon emission for the fresh salmon sold to the US by around 40-50% for each kg of edible product.

Investments

In September 2021, Bakkafrost held its biennial Capital Markets Day in the Faroe Islands, where the Group's investment plan for 2022-2026 and strategy were disclosed. The large smolt strategy is the main game changer for operation in Scotland, reducing biological risk, improving efficiency, reducing cost, and providing an opportunity for further sustainable growth. Another strategic priority is the "One Company" pillar of the strategy, whereby the Faroese and

Scottish operations gradually evolve into one, building on the strengths and best practices of both.

With the disclosed investment plan, Bakkafrost expects to grow harvest volumes to 150,000 tonnes of head-on gutted weight in 2026 while simultaneously building production capacity for 180,000 tonnes and preparing for further growth.

Bakkafrost will host the next Capital Markets Day on 6-7 June 2023. The Capital Markets Day will be held in Scotland.

Tax uncertainties

In September 2022, the Norwegian Government proposed a new resource tax for the Norwegian salmon industry. This caused great uncertainty to the Norwegian salmon and the financial market with interests in this industry. As Bakkafrost has no operation in Norway, Bakkafrost is not subject to Norwegian tax. However, since 2014 there has been a special revenue tax on salmon farming in the Faroes. The Faroese Government is expected to make adjustments to the revenue tax. These adjustments are expected to increase the revenue tax at very high salmon prices while giving improved downside protection when salmon prices are low.

In Scotland, there is no special tax on the salmon industry.

Strong financial position

In December 2021, Bakkafrost entered a term sheet for a sustainability-linked revolving multicurrency financing agreement of 700 mEUR. With this agreement, we have ensured the funding of our investment program for 2022-2026.

The applicable interest margin depends on Bakkafrost's performance against several sustainability KPIs. These include increasing the survivability rate of the fish, decreasing the biological feed conversion ratio and generating our own production of renewable energy.

The Bakkafrost Group's interest-bearing debt was DKK 2,664 million at the end of 2022, compared with DKK 2,126 million at the year-end 2021. The Group had undrawn committed credit facilities of DKK 2,542 million at the end of 2022.

The Bakkafrost Group made a profit of DKK 1,344 million in 2022, compared with DKK 964 million in 2021. Bakkafrost's equity ratio was 62% at the end of 2022, compared to 64% at the end of 2021.

Return to shareholders

The Board of Directors will propose a dividend of DKK 10.00 per share at the Annual General Meeting convened on 28 April 2023. This corresponds to a total dividend of DKK 591,430 million.

Thank you to our employees

On behalf of the Board of Directors and Management, we thank all employees in the Bakkafrost Group for their commitment and hard work in 2022.

Outlook

Market

Supply decreased in 2022

The supply of salmon decreased by 2% in 2022 compared to 2021, incl. inventory movements.

44% higher salmon prices

Salmon spot prices were 44% higher this year compared to 2021. Strong demand for salmon, low supply increase and general inflation have contributed to high salmon prices this year.

Low growth in 2023

In H1 2023, the global supply is expected to be on the same level as in H1 2022. In H2 2023, the global supply is expected to grow around 4-5%. For the full year 2023, the global supply growth is expected to be around 2%, excluding inventory movements.

Bakkafrost has a strong focus on ensuring a well-balanced flow to the different markets to increase diversification and mitigate market risk. Bakkafrost operates in the main salmon markets, Europe, the USA, and the Far East. Since the beginning of the war in Ukraine, Bakkafrost has stopped all trading with Russia.

Farming

The strong biological performance in the Faroese farming operation seen in previous years has continued this year. Sea

lice levels have been maintained at all-time low this year, and the low mortality rates have continued.

Bakkafrost's new 10,000 m³ Live Fish Carrier, Bakkafossur, arrived in the Faroe Islands at the beginning of January 2023 and will play an important role in strengthening Bakkafrost's capabilities to maintain low biological risk in the Faroe Islands. Also, the vessel is designed to support future off-shore farming in the Faroe Islands.

The Norðtoftir hatchery is now in operation and has successfully released the first batch of large smolt since the expansion. The hatchery expansion at Glyvradal is about to be finished and will start operation in Q1 2023. Combined, these capacity expansions will increase the smolt production capacity in the Faroe Islands with around 6.5 million smolts of 500 g. These are important milestones to fulfil Bakkafrost's goal to build an annual smolt production capacity in the Faroe Islands of over 23 million smolts of 500 g in 2026.

In Scotland, farming conditions in 2022 have followed the normal seasonal pattern with more biological challenges in the second half of the year, compared to the first half. However, the biological situation improved considerably in the second half of Q4, and Bakkafrost decided to slow down harvest to let the fish continue growing and gain weight. This reduced the harvest volume in Q4 2022 but will increase value with harvesting larger fish in Q1 2023. Overall, the mortality in Q4 2022 was lower than the same quarter the year before, and from the beginning of December 2022, mortality levels have been at the same level as normally found in the first half of the year.

One contributing factor to the improved biological development in late Q4 in Scotland was the arrival of the new 4,000 m³ Live Fish Carrier in late September 2022. Equipped with freshwater treatment capacity as well as an innovative in-line freshwater-based sea lice removal system this vessel



can efficiently do dual treatments for gill-related issues as well as sea lice removal in one operation. The operation has proven to be efficient and Bakkafrost has decided to implement the same systems on the second Live Fish Carrier in Scotland as well as on the new Live Fish Carrier in the Faroe Islands, Bakkafossur.

The biological risk in Scotland is still higher than in the Faroe Islands but is expected to be transformed with the implementation of Bakkafrost's large-smolt strategy. As demonstrated in the Faroe Islands, large high-quality and robust smolt will have a lower risk exposure in the marine environment due to shorter production cycles in the sea. This is expected to significantly reduce the biological risk in Scotland and is fundamental to the turnaround of the farming operation. Therefore, it is Bakkafrost's topmost priority in Scotland to build new modern hatcheries. The ongoing expansion of the Applecross hatchery is progressing well, and the Applecross 4 expansion is expected to be operational with fish in the tanks in March 2023. The first batch of large smolt delivered from Applecross 4 is planned for Q2 2023 and will contribute to increasing the mean weights and quality of the smolt stocked in Scotland in 2023.

The full capacity of the Applecross hatchery, including the next expansions, will be in operation in mid-2024, bringing the overall annual production capacity from Applecross to around 10 million high-quality smolts of around 500 g.

In 2022, the average weight of released smolt in Scotland was 107 g, which is 12% higher than in 2021.

Bakkafrost plans to build 3 large hatcheries in Scotland, which will increase the total annual production capacity to around 18 million smolts of around 500 g in 2026.

Smolt release

Bakkafrost expects to release around 16 million large smolts in 2023 in the Faroe Islands and around 9.6 million smolts in Scotland. The number and the average weight of smolts released are key elements of predicting Bakkafrost's future production.

Million smolt released	'23e	'22	'21	'20	'19	'18
FO	16.0	14.4	14.4	14.3	12.7	12.6
SCT	9.6	11.0	11.1	10.4	12.4	8.6

The average weight of the smolt released in Scotland in 2023 is expected to increase to around 150-175 g. In 2023, the number of released smolt will be lower than in previous years as the focus is on stabilising the operation before increasing the volume. In this respect, smolt quality is more important than the released volume.

Harvest volumes for 2022 in the Faroe Islands were 66.7 thousand tonnes gutted weight and 23.9 thousand tonnes gutted weight in Scotland, giving a total of 90.6 thousand tonnes gutted weight.

In 2023, Bakkafrost expects to harvest around 68,000 tonnes gutted weight in the Faroe Islands and 30,000 tonnes gutted

weight in Scotland, giving a total of around 98,000 tonnes gutted weight.

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

VAP (Value added products)

Bakkafrost's highly flexible value chain includes a state-of-the-art VAP factory with high capacity. This enables Bakkafrost to adapt well to the rapidly changing market situations.

Bakkafrost's long-term strategy is to sell around 40% of the harvested volumes of salmon as VAP products on contracts. The contracts are at fixed prices with a duration of 6 to 12 months.

For 2023, Bakkafrost has signed contracts covering around 23% of the expected harvest volumes in the Faroe Islands and Scotland combined.

FOF (Fishmeal, oil and feed)

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

The ICES 2023 recommendation for blue whiting is 1,360 thousand tonnes, which is an 81% increase from the recommendation for 2022.

In 2023 Bakkafrost expects similar production volumes of fishmeal and fish oil as in 2022.

Havsbrún's sales of fish feed in 2022 was 128,000 tonnes and is expected to increase up to around 130,000 tonnes in 2023.

The major market for Havsbrún's fish feed are the internal Faroese and Scottish Farming segments.

Lately, the prices on vegetable raw materials have increased significantly. This affects the whole animal protein market as well as other food producers. Bakkafrost is in a relatively good competitive position due to the low inclusion of vegetable ingredients in the feed combined with a low feed conversion ratio and good access to marine raw materials.

Investments

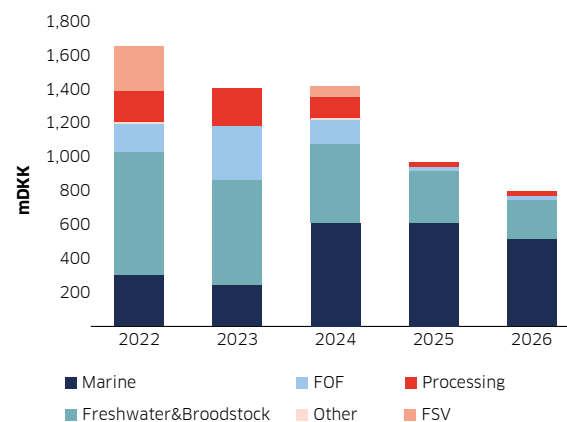
On the Capital Markets Day on 14-15 September 2021, Bakkafrost announced a 6.2bn DKK investment plan for 2022-2026. The investments will enable a transformation of the operation in Scotland and provide sustainable growth in the Faroe Islands as well as Scotland.

The main purpose of the investments in Scotland is to replicate Bakkafrost's successful operation in the Faroe Islands. Bakkafrost plans to build 3 large energy-efficient hatcheries in Scotland, enabling the implementation of Bakkafrost's large smolt strategy and giving an annual production capacity above 18 million smolts at 500 g. Having large smolt in Scotland will transform the performance, lower the biological risk and increase harvest volumes. In addition to building hatchery capacity, Bakkafrost plans to build a new processing plant to strengthen processing capabilities and increase flexibility in operation. Bakkafrost will also invest in more service vessel capacity to improve the mitigation of biological risk. Further, Bakkafrost will make investments in marine site development.

The investments in the Faroe Islands include increasing annual hatchery production capacity to around 23 million smolts at 500 g, investments in a brood stock facility and expansion of feed production capacity.

With the investment plan, Bakkafrost expects to sustainably grow the total annual harvest volumes to 150,000 tonnes in 2026. Over the same period, the total annual production capacity in Bakkafrost's value chain will reach 180,000 tonnes gutted weight.

Fig. 1

6.2BN DKK INVESTMENT PROGRAMME 2022-2026**Capital Market Day in Scotland in 2023**

Bakkafrost's next Capital Markets Day will be on 6-7 June 2023 and will be held in Scotland.

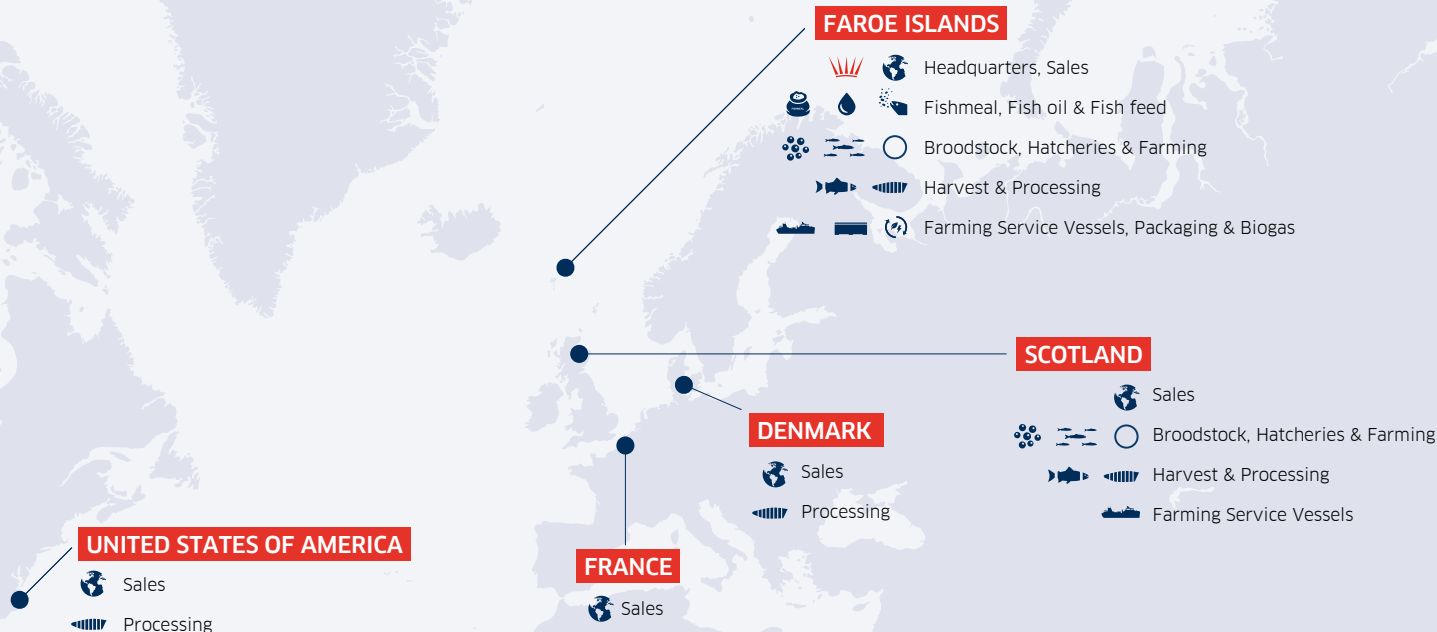
Financial

The long-term market balance in the global 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 financial flexibility going forward.

In March 2022, Bakkafrost finalized a new sustainability-linked 700 mEUR multicurrency revolving credit facility agreement with an additional accordion option of 150 mEUR. The facility has a tenor of five years plus an extension of one year. In combination with Bakkafrost's high equity ratio, the facility gives the necessary financial strength and flexibility for the Group's investment plans aimed at significant organic growth and structural cost reductions in Scotland. It will also enable M&A's and further organic growth opportunities as well as support an unchanged dividend policy in the future.



Bakkafrost at a Glance



LEGEND TO MAP SYMBOLS

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





Key Figures

Fig. 2

(DKK 1,000)					
Income Statement	2022	2021	2020	2019	2018
Operating revenues	7,129,967	5,553,849	4,651,892	4,511,107	3,177,422
Operational EBIT *	1,705,165	821,194	621,158	1,325,100	1,074,912
Operational EBITDA *	2,242,645	1,351,628	1,067,923	1,635,215	1,273,810
Earnings before interest and taxes (EBIT)	1,826,153	1,144,685	691,123	1,019,217	1,184,233
Earnings before taxes (EBT)	1,690,335	1,137,662	625,984	981,916	1,172,066
Net earnings	1,344,330	964,036	462,845	801,885	960,292
Earnings per share before fair value adjustments of biomass and provision for onerous contracts (DKK)	19.02	10.28	6.20	19.04	16.44
Earnings per share after fair value adjustments of biomass and provision for onerous contracts (DKK)	22.75	16.32	7.83	15.53	19.74
Statement of Financial Position					
Total non-current assets	11,164,639	10,059,184	9,224,680	8,670,109	3,396,036
Total current assets	5,716,933	4,568,984	3,983,644	4,431,296	2,406,487
TOTAL ASSETS	16,881,572	14,628,168	13,208,324	13,101,405	5,802,523
Total equity	10,395,813	9,347,545	8,729,487	8,496,875	4,077,029
Total liabilities	6,485,759	5,280,623	4,478,837	4,604,530	1,725,494
TOTAL EQUITY AND LIABILITIES	16,881,572	14,628,168	13,208,324	13,101,405	5,802,523
Net interest-bearing debt	2,663,686	2,125,811	1,752,751	1,018,686	495,479
Equity share	62%	64%	66%	65%	70%

*Aligned for fair value adjustments of biomass, onerous contracts provision, income from associates

Main Events



January

- Bakkafrost announces the acquisition of 90% of the shares in Munkebo Seafood A/S, a seafood canning business in Munkebo, Denmark. Bakkafrost has been one of the largest suppliers of raw materials for the company in recent years.

March

- Native Hebridean Smoked Salmon wins coveted International Food Award
- Bakkafrost launches its fifth Healthy Living Sustainability Report alongside the 2021 Annual Report



June

- Bakkafrost rated amongst top-performing sustainable companies as Oslo Stock exchange includes Bakkafrost in their new ESG index
- Key stakeholder event at opening of Office in Report alongside the 2021 Annual Report, focussed on 5 pillars of our Healthy Living Plan

October

- Native Hebridean salmon winning top overall award at Scotland Food & Drink Awards and sustainability prize and Highland Food and Drink Awards



August

- Bakkafrost signs contract to expand the hatchery at Viðareiði in the Faroe Islands

November

- Arranged our first Bakkafrost Supplier Day to engage with our most significant suppliers in the Faroe Islands to drive carbon reduction and general ESG reporting
- Open day for key stakeholders, our communities and employees on our new hybrid 4,000 m³ wellboat in Stornoway, Isle of Lewis equipped with flushing technology and reverse osmosis to increase freshwater treatment capacity.

February

- Bakkafrost subsidiary Munkebo launches vegan soup

April

- Native Hebridean smoked salmon awarded 2 star in UK Great Taste Awards

July

- Bakkafrost contributes to annual local Salmon Market, opening our HQ to the public and serving salmon to participants



December

- Bakkafrost receives the new 10,000 m³ wellboat, Bakkafossur, planned for operation in the Faroe Islands
- Bakkafrost is ranked "B" against the CDP Climate Change index. This was also the first time Bakkafrost disclosed against the CDP Water Security index
- Bakkafrost Smoked Salmon 'Heimland' voted 'best product in test' in the renowned Danish food magazine 'Gastro'
- The University of Faroe Islands and Bakkafrost extend research collaboration to support research in aquaculture. The new agreement will partially fund a new Faroese Centre for Ocean Modelling
- The Norðtoftir hatchery in the Faroe Islands release the first batch of large smolt from the expanded part of the hatchery



May

- The Scottish Salmon Company is formally renamed to Bakkafrost Scotland and introduces the brand "Bakka Salmon" to be used for salmon from the Faroe Islands and Scotland

September

- Bakkafrost takes delivery of our first 100% electric catamaran workboat 'Grønarók'
- Bakkafrost Scotland receives a second wellboat with a capacity of 4,000 m³.
- Position Green (formerly The Governance Group) appoints Bakkafrost among top performers in Scandinavia in sustainability reporting
- Launched our first Summary Sustainability Report
- Bakkafrost announces the acquisition of P/F Faroe Seafood 2011 and its subsidiary Bakkafrost France which is renamed "Bakkafrost France"

STRATEGY



Business Objectives and Strategy

VISION

To be a significant contributor in fulfilling the world's growing demand for healthy and sustainably produced protein

Bakkafrost's vision is to be a significant contributor in fulfilling the world's growing demand for healthy and sustainably produced protein. Our mission is to produce the best salmon in the world.

We are proud of our **Provenance**, bringing together our cultural differences to raise sustainable, nutritional salmon, with full value chain integrity.

We celebrate our **Passion** for our business and our people, who go above and beyond to accomplish our shared purpose, together. This is our competitive advantage.

We **Respect** and care for our natural environment, each other, our employees and our local communities in which we live and work - sustainability is at the heart of everything we do.

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 well-being. We recognize that by investing in the health of our business, our people, our salmon, the environment and the

MISSION

To produce the best salmon in the world!

communities in which we operate, we will be in a better position to achieve this.

Today, our five business objectives are:

- **Growth**

We strive for a continuous market driven growth of harvest volumes as well as of the value of our products, while building strategic strongholds in selected markets.

- **One Company**

We will be one united company where our employees share values, identity and culture and operate efficiently "as one" according to best practices and within simple organisational and governance structures.

- **Differentiation**

We differentiate ourselves by increasing brand awareness, based upon the provenance, superior quality, taste and nutritional profile of our salmon with full traceability.

- **SSC Turnaround**

We will transform the performance of our Scottish operation through targeted investments and applied best practices, which will reduce biological risks, reduce costs, improve product quality, enable simpler processes and release synergies.

- **Sustainability**

We embed sustainability deeply in our decision-making processes and demonstrate our commitment to sustainability through our actions and achievements for which we aspire to be acknowledged as industry leading. See our sustainability report www.bakkafrost.com/sustainability for more information on our progress in 2022.

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.

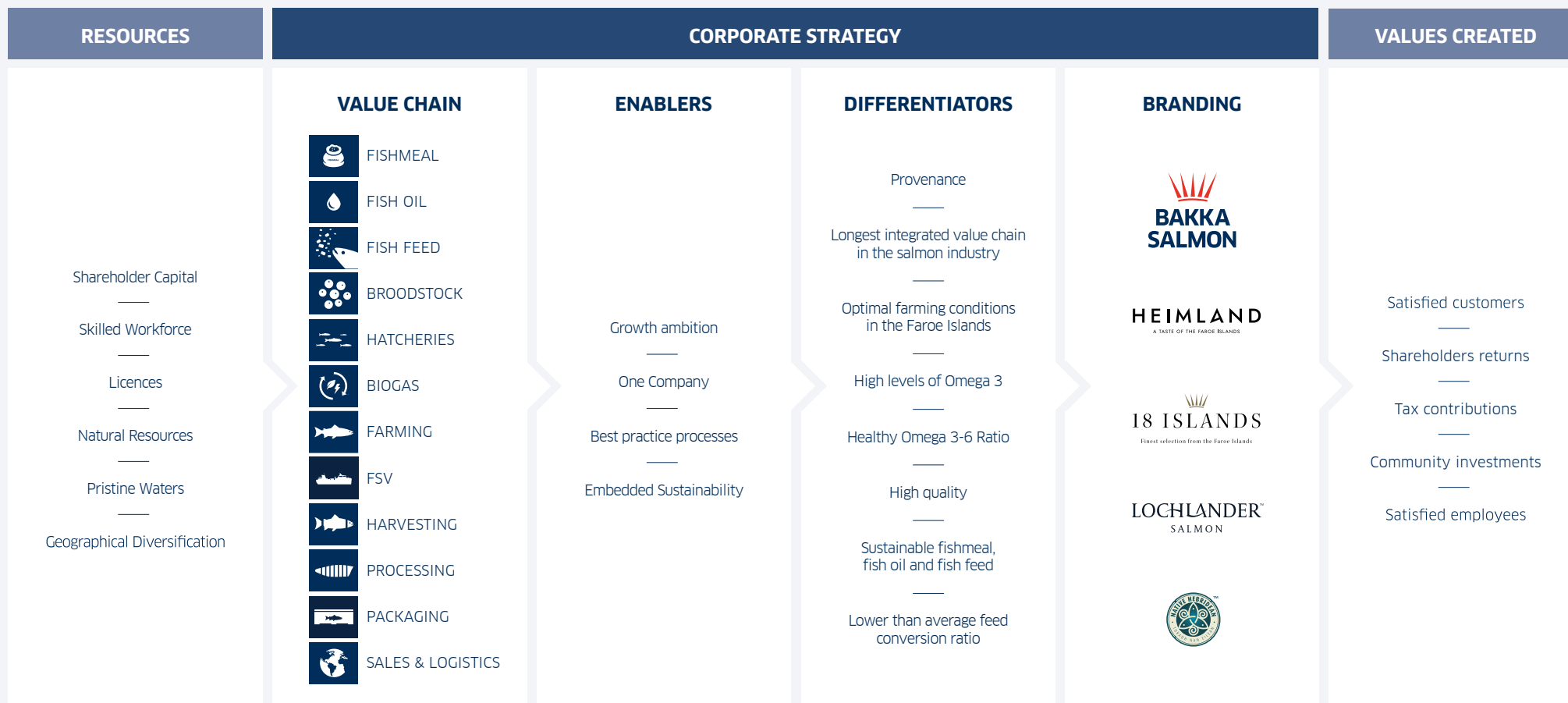
In 2021, we reviewed our corporate strategy and aligned our strategic objectives with our Healthy Living Plan, outlined in our sustainability report.



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



Differentiators

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).

PROVENANCE

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

Both salmon from The Faroe Islands and Scotland is recognized globally as top quality, but as the Faroe Islands only produce about 3.5% (3.0%) and Scotland 5.8% (6.0%) 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.

LONGEST INTEGRATED VALUE CHAIN

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.

LARGE SALMON OF HIGH QUALITY RICH ON OMEGA-3 LEVELS

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 is well placed to capitalize on this position. Farming large salmon requires good biology. The longer the salmon is at sea, the more it is exposed to different risks as in any natural environment.

Bakkafrost's salmon are raised on a diet rich in marine content. This is also the most important factor for the quality of Bakkafrost Salmon, as 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 and contributes to the high quality.

FEED RICH IN MARINE CONTENT

Bakkafrost has an integrated value chain that includes own production of fish meal, oil and feed. With its rich access to marine raw material from the waters surrounding the Faroe Islands, Bakkafrost is uniquely positioned to maintain a substantially higher marine inclusion in the salmon feed, compared to peers in the industry. The natural diet for wild salmon is rich in marine resources. By keeping the Bakkafrost diet close to this, the Bakkafrost 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.

SALES AND GEOGRAPHICAL DIVERSIFICATION

The Sales and Marketing Department at Bakkafrost is responsible for the worldwide sales of Bakkafrost Salmon, whether it is farmed in the Faroe Islands or Scotland. 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

Bakkafrost uses ship transport and trucking whenever possible, such as for all frozen products and fresh products to nearby markets. Fresh salmon delivered to long-distance markets such as US and Asia are transported by air.

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. Bakkafrost expects to have its own airplane in operation in H1 2023, primarily serving the US market. This will strengthen Bakkafrost's position as a supplier of superior quality fresh salmon.

SEGMENTATION

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

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 is 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.

SUSTAINABILITY

Bakkafrost is committed to sustainability and care for the environment in which it operates, this is fundamental for discerning customers. Sustainability is deeply embedded in the business strategy and drives and shapes the business and operations. Bakkafrost relies on certifications, such as the MSC, ASC and BAP certifications. 100% of Bakkafrost's sites in the Faroe Islands and many of the sites in Scotland are ASC certified and the Scottish operation is 4-star BAP certified.



Outline of Bakkafrost's History

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

1968

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

1979

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

1995

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

2006

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

2010

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

Bakkafrost 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

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

2015

In July, Bakkafrost's new live fish carrier M/S Hans á Bakka was delivered.

2017

Bakkafrost's new harvest/VAP factory and the headquarters in Glyvrrar are finished.

2018

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

2019

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

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

2020

First biogas produced at the new biogas plant and sold the first kWh's of renewable electricity.

Received ASC certification for the last farming site and is now 100% ASC certified in the Faroe Islands.

2021

Bakkafrost and 10 other business in the Faroe Islands join forces to work together on a three-year corporate sustainability initiative.

Bakkafrost announced an updated new five-year investment plan for 2022-2026.

The Value Chain

The Bakkafrost 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 Bakkafrost.

The control of the entire value chain enables Bakkafrost 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.

In January 2022, Bakkafrost acquired Munkebo Seafood, a danish canned seafood producer supplementing Bakkafrost's other consumer packaged products. The acquisition is an addition to the Processing part of the value chain.

Fig. 4

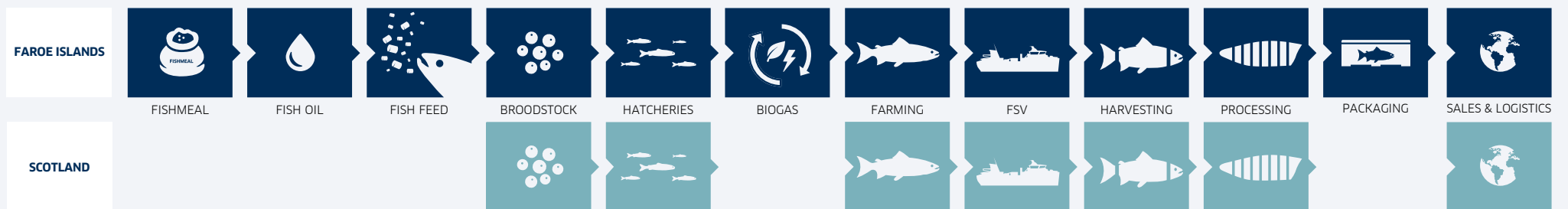


Fig. 5



FISHMEAL

FISH OIL

FISH FEED

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 enable 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, we are 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 wild salmon eats. Thus, the main ingredients in our dietary feed composition provides a foundation for healthy and efficient growth for our farmed salmon.

Fig. 6



BROODSTOCK

BROODSTOCK

Native Faroese broodstock programme

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

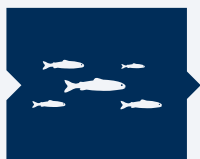
The selective breeding programme uses targeted mating to concentrate the following important traits: growth, quality and disease resistance.

A new broodstock facility will be built in Skálavík and finalised in 2026.

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.

Fig. 7



HATCHERIES

HATCHERIES

Bakkafrost aims at producing all smolts for release at an average weight of 500 grams by 2024 in the Faroe Islands and by 2026 in Scotland. The benefits are a shorter production time at sea and reduced biological risk.

Hatcheries in the Faroe Islands

Bakkafrost operates six hatcheries in the Faroe Islands. The hatcheries are 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 to limit the effect of external factors, such as weather, birds, and other pollution.

In September 2021, Bakkafrost announced the plan to increase the capacity of the hatcheries to a total of 85,600m³. This will be achieved by increasing the capacity of our current hatcheries in Norðtoftir, Glyvradalur and Viðareiði and building a new hatchery in Ónavík.

Hatcheries in Scotland

In Scotland, the Bakkafrost Group intends to replace the current hatcheries with three large and modern hatcheries with RAS technology over the next years. These hatcheries will be around the same size as the hatchery at Strond in the Faroe Islands. The Applecross hatchery will have a capacity of 10 million smolts at 500 grams and will start production in 2023 and will be in full operation in 2025. The other two new hatcheries will be in the northern part and in the southern part of operations in Scotland.

Fig. 8



BIOGAS

BIOGAS

The biogas plant uses 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).

- **2.4 %** of Faroe Island's renewable electricity production in 2022 came from our biogas plant
- Capacity to convert up to **45-50,000** tonnes annually of waste
- Providing heat for **400** homes and electricity for **1,900** homes
- **30,345** tonnes of natural liquid fertilizer produced in 2022

Fig. 9



FARMING

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, Bakkafrost believes the environment is important and therefore does its utmost to create and maintain a healthy environment for the fish. Following national regulations, external agencies undertake environmental investigations at each farming location each year. The result of each survey becomes input data used in the tactical planning to achieve the best environmental and sustainable farming results possible.

The fish are fed several times a day, and the feed consumption is monitored continuously.

Bakkafrost's salmon farming sites benefit from excellent water quality and circulation due to strong currents and cool, steady sea temperatures in the Faroe Islands. The operations in Scotland, are in the unique natural environment of the West Coast of Scotland and the Hebridean Islands.

The fish are kept, fed, and nurtured in large sea pens, providing the fish with abundant space to grow for 14-16 months in the Faroe Islands and for around 16-22 months in Scotland. During this period, the fish grows to a target weight of approx. 6.3 kg LW in the Faroe Islands and approx. 5.9 kg LW in Scotland.

- **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



FSV

FARMING SERVICE VESSELS (FSV)

Bakkafrost continually seeks to improve methods for delousing without using any chemicals and creating lowest possible stress on the salmon. Bakkafrost uses a combination of owned and leased vessels.

FSV in the Faroe Islands consists of a fleet of seven. Two vessels for smolt transport, two vessels for transportation of fish to harvest and 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.

The new well boat Bakkafossur 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 freshwater tanks have a total capacity of 3,000 m³. The vessel can carry 1,000 tons of salmon but is also equipped with non-medical systems for lice-treatment.

FSV in Scotland consists of a fleet of eight. One vessel for smolt transport, two vessels for transportation of fish to harvest and five service vessels are equipped with various non-medical systems for freshwater- and lice-treatment and other services. The fleet is leased whereof one of the farming service vessels is leased from the operation in the Faroes.

Fig. 11



HARVESTING

HARVESTING

Harvesting in the Faroe Islands

In the Faroe Islands, all Bakkafrost's fish is harvested at the harvest factories in Glyvrar and Vágur. The harvest factory in Glyvrar has a daily capacity of around 375 tonnes HOG and the harvest factory in Vágur has a daily capacity of around 110 tonnes HOG.

The fish is transported from the farming sites to the harvest factory in live fish carriers with closed seawater 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 206 tonnes HOG and 103 tonnes HOG in each factory.

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

Fig. 12



PROCESSING

PROCESSING

Processing in the Faroe Islands

The 4,000m² VAP factory at Glyvrar has a production capacity of 160 tonnes HOG of value-added products a day. The VAP factory also has a daily capacity of 4 tonnes for smoked salmon.

Processing in Scotland

The Bakkafrost Group operates two processing plants, Marybank in the North of Scotland, Cairndow in the South, and a Smokehouse in Stornoway. The daily production capacity is 51 tonnes HOG of value-added products, and 1 tonsne smoked of products.

As part of the investment plan 2022-2026, Bakkafrost plans to build a new state-of-the art processing facility in Scotland.

Processing in US

A modern filleting facility in New Jersey which offers a wide range of fresh value-added products.

Processing in Denmark

A modern canning facility at Munkebo which offers a wide range of products, of which a larger share is based on salmon and other seafood.

Fig. 13



PACKAGING

PACKAGING

Bakkafrost has a packaging plant, which is located and integrated into the Glyvrrar processing facility. The packaging plant has a capacity to produce polystyrene boxes for the fresh salmon, both for sea and air freight equivalent to 70,000 tonnes of salmon.

Fig. 14



SALES & LOGISTICS

SALES AND DISTRIBUTION

The most important markets are the European, US, and Chinese markets. 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 distribution network is based on transportation by ship, truck and/or train to Europe and by plane to the US and China. 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.

Bakkafrost is in the process of acquiring a cargo plane, which will be used to transport fresh salmon directly from the Faroe Islands to the US market within 24 hours. This will reduce carbon emission per kg by 40-50% for fresh salmon sold to the US market.

PERFORMANCE



Operational Review

FARMING

Bakkafrost holds sea farming licenses in the north-east and south parts of the Faroe Islands and licenses in the north-west of Scotland. The licenses give exclusive right to utilise 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 to certify the operation.

The Gulf Stream provides stable farming conditions in the Faroe Islands and Scotland and excellent water quality throughout the year. The water temperature in the Faroe Islands is steady, with a fluctuation of only 4-5 °C during the year. The lowest temperatures, approximately 6 °C, are usually reached in February, and the highest temperatures of around 10.5 °C are reached in the late summer months. The water temperature is slightly higher in Scotland, between 7 °C and 14.5 °C.

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. Our sites are regularly audited by various bodies, including Marine Scotland, Scottish Environmental Protection Agency (SEPA), Fish Health Inspectorate and Scottish Natural Heritage. Bakkafrost is committed to operating transparently and sharing data on both a compulsory and voluntary basis through various 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 and regulatory system in the Faroe Islands provide the opportunity to grow salmon with a higher-than-average weight, which minimises unit costs, biological feed conversion rate and gives best in class performance.

The ideal biological situation is crucial for maintaining low production costs and maximising returns on invested capital.

COST-CONSCIOUS PRODUCER AND VETERINARY MODEL

Our farming operation in the Faroe Islands has delivered strong results in production costs 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 is critical to improve fish health and reduce costs.

The farming in Scotland differs in biology and legislation from the farming in the Faroe Islands. Bakkafrost is adapting the farming methods in Scotland based on the best practices from the farming operation in the Faroe Islands combined with key insights into the specific farming conditions in Scotland. The process will take some time to complete. Also, significant investments across the value chain are needed.

The farming costs have increased in recent years, partly because of increased feed and health costs but especially due to higher costs of large smolt. Following the significant investments made in the Faroe Islands to enable Bakkafrost's large smolt strategy, smolt costs have increased and transcended into increased total farming costs. Bakkafrost expects the total farming costs to reduce as the benefits from the larger smolts and the increased capacity utilisation will fully materialise. 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 high marine content, like 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 animal welfare standards, which positively impact non-feed cost elements.

The health costs mainly relate to treatments against sea lice. Since 2015, Bakkafrost has mainly used non-medical treatments, including freshwater, lukewarm seawater and flushing with clean seawater with ambient temperature. These 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 Bakkafrost is continuously improving these mechanical treatment methods.

In addition to this, Bakkafrost is using lumpfish and wrasse to reduce the number of sea lice in the Faroe Islands and Scotland. These initiatives aim to maintain a sustainable, cost-conscious farming operation.

INVESTMENTS TO REDUCE BIOLOGICAL RISK, ENABLE ORGANIC GROWTH AND TURNAROUND SCOTTISH OPERATION

Bakkafrost has invested more than DKK 6.0 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 2.4 billion has been invested in the last two years.

Bakkafrost has announced a DKK 6.2 billion investment plan for 2022-2026 for the Group. The goals for the investment plan are to reduce the biological risk, enable organic growth and turn around the operation in Scotland. With these investments, Bakkafrost will build production capacity of 180,000 tonnes head-on gutted weight and an actual harvest volume in 2026 of 150,000 tonnes. Also, the investment plan enables turnaround of the operation in Scotland. A significant part of the investment plan is dedicated to build hatchery capacity for large smolt in the Faroe Islands and Scotland.

The operation in the Faroes is self-supplied with smolt and aims to have an average weight of 500 g for all smolts released into the sea. Expansions of the hatcheries at Glyvradal and Norðtoftir are in progress and the expansion in Viðareiði

and a new hatchery at Ónavík will start soon. Once completed, Bakkafrost will be able to produce more than 23 million smolts with an average weight of 500 g.

The average release size of smolt in the Faroe Islands has increased from around 120 g in 2014 to around 345 g in 2022, corresponding to a 188% increase in size.

The investment plan 2022-2026 includes three large hatcheries for Scotland, the first being the Applecross hatchery. Once completed, these hatcheries will enable the production of more than 18 million smolts of 500 g.

Significant amounts have been invested in new equipment at Bakkafrost's farming sites, e.g., new feeding barges, catamarans and larger pens.

Bakkafrost has over the years acquired and leased several vessels, and in 2022 operates 14 vessels, fully capable of servicing the groups farming operation.

Fig. 15

MORTALITY % OF OUTPUT FARMING

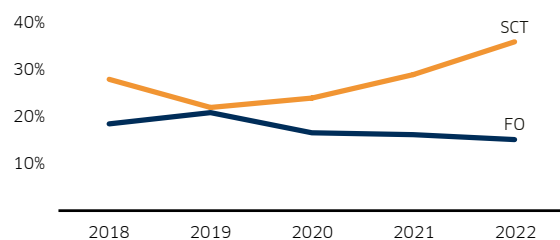


Fig. 16

BIOLOGICAL FEED FACTOR FARMING

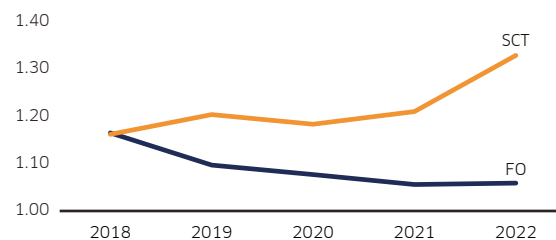


Fig. 17

AVERAGE HARVEST WEIGHT FARMING (KG LW)

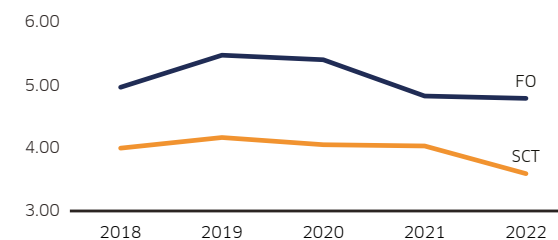
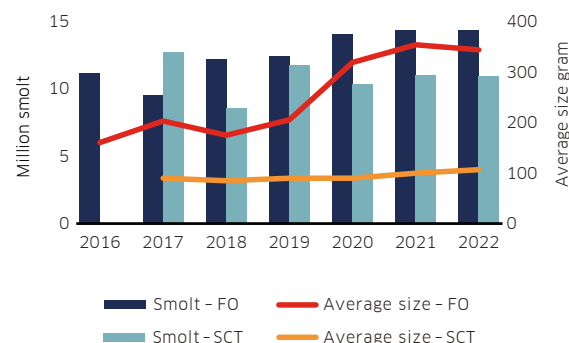


Fig. 18



CERTIFICATES

To ensure prime quality, Bakkafrost has implemented a series of procedures and quality control systems, not only at our 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, BAP, HACCP, IFS, GMP+, MSC, ISO9001:2008 and BRC. Bakkafrost is a member of the Global Salmon Initiative (GSI). GSI focuses on three pillars of sustainability: Reducing environmental impact, increasing social contribution, and maintaining economic growth.

Bakkafrost was proud to reach its goal to have all of its farming sites in the Faroe Islands ASC certified by 2020. 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 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, Bakkafrost benefits from its long-term relationships with many customers. Customer relationships have proven a competitive advantage through product development and marketing.

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

VAP

Bakkafrost has long-term experience producing and selling value added products (VAP). Bakkafrost's long-term strategy is that VAP products shall represent around 40% of the Faroese harvested volumes. The sales of VAP products stabilise the Group's earnings, as the deals 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 drop.

In 2022 40% of the Faroese harvest volumes was used in the VAP segment. The demand from retail was strong driven by the disruption by Covid-19 pandemic. The VAP segment produced 26,747 tonnes in 2022, compared to 22,180 tonnes in 2021. Higher spot prices in 2022 compared to 2021 had a negative effect on the margins in the VAP segment.

PRODUCTION OF FISHMEAL, OIL AND FEED

Havsbrún - FOF segment - performed very well in 2022, with both higher raw material sourcing and higher external sale of fish meal and feed. Havsbrún received 297,814 tonnes of raw materials in 2022, compared to 152,383 tonnes in 2021. The production of fishmeal and fish oil depends on sourcing raw materials. The availability is highly related to the quotas for the pelagic fishery in the North Atlantic. The raw material situation will be volatile in the future. However, quotas for fishing blue whiting have decreased over the last years, but have increased for 2023.

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

Havsbrún sold 34,667 tonnes of fishmeal externally in 2022, compared with 16,376 tonnes in 2021. External sale of fish oil in 2022 was 5,285 tonnes, compared to 41 tonnes in 2021.

Havsbrún sold 127,840 tonnes of feed in 2022, of which 96% was used internally. In 2021, Havsbrún sold 128,489 tonnes of feed.

Size: **3mm**Size: **4mm**Size: **6mm**Size: **9-12mm**

Extruded feed for smolt

The world's total fish oil production 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 fish oil content in the salmon feed, led by the major producers, will reduce some demand. Bakkafrost's strategy is to have a high fish oil content in the feed, resulting in salmon with a high content of omega 3.

PEOPLE

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

The foundations of our human resource development are the company culture and the fundamental values of Bakkafrost to be a reliable and responsible partner. Many excellent results have been achieved during the past years, and we strive continuously to nurture our company culture.

One of our strategic priorities is to merge the acquired business in Scotland with Bakkafrost into "One Company". Several workstreams are set up to facilitate collaboration, knowledge sharing, and synthesis of best practices, drawing upon both organisations' strengths and unique insights. Over time, company culture and values will also merge, hence becoming truly "One Company".

We aim to continuously strengthen our employees' competencies on all levels in the Group by implementing relevant training schemes to meet current and future demands for a qualified workforce. Supporting Bakkafrost's strategy and securing high standards in our business conduct and creating the best possible value for our customers is essential for all training efforts.

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

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

In 2022, the number of full-time equivalent employees in the Bakkafrost Group was 1,778 employees (FO: 1.076, SCT/UK: 600, US: 63, DK: 38 and FR: 1), compared to 1,653 employees in 2021.

For further information, see our Sustainability Report 2022.

Financial Review

The supply of salmon to the world market decreased by around 2% in 2022 (2021: 9% increase). The average salmon spot price in 2022 was DKK 61.29, compared to DKK 42.69 in 2021, an increase of 44%.

The prices for value added products (VAP) have increased during 2022 and are on a higher level than in 2021. 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 2022, the average price was higher compared to 2021. Therefore, the VAP segment made a lower profit in 2022. The value-added products are typically sold on fixed-price contracts with a 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 during 2022 was higher than the average feed price in 2021. The reason for the fluctuations in the feed price is the market situation for fish oil and fish meal, which are the main ingredients in Bakkafrost's salmon feed. The market situation for salmon feed ingredients is negatively affected by the war in Ukraine. The fluctuations in the feed prices will be reflected in the production costs for salmon.

Income statement

DKK 1,000	2022	2021
Operating revenue	7,129,967	5,553,849
Purchase of goods	-2,756,273	-1,692,501
Change in inventory and bio-logical assets (at cost)	666,550	-178,060
Salary and personnel expenses	-831,679	-728,423
Other operation expenses	-1,990,299	-1,632,114
Depreciation	-537,480	-530,434
Other income	24,379	28,877
Operational EBIT	1,705,165	821,194
Fair value adjustments of biological assets	278,392	434,868
Income from associates	57,597	30,112
Revenue tax	-215,001	-141,489
EBIT	1,826,153	1,144,685
EBT	1,690,335	1,137,662
Taxes	-346,005	-173,626
Profit or loss for the period	1,344,330	964,036

The Bakkafrost Group generated gross operating revenues of DKK 7,130 million in 2022, compared to DKK 5,554 million in 2021. The increase in revenue is mainly due to higher prices in 2022. Harvested volumes of salmon decreased 6% in 2022, compared to 2021, mostly coming from lower harvested volumes in Scotland. The volumes sold as value added products increased 21% in 2022. The Group harvested a total of 90,603 tonnes gutted weight, compared to 96,889 tonnes in 2021. The external revenue from sales of fishmeal and fish oil increased in 2022, compared to 2021. The external sales of fishmeal and fish oil increased 143%.

Operational EBIT was DKK 1,705 million in 2022, compared to DKK 821 million in 2021. A positive fair value adjustment of the Group's biological assets has been recognized in 2022, amounting to DKK 278 million, compared to an adjustment of DKK 435 million in 2021. The positive fair value adjustment mostly relates to higher forward prices.

In 2022, the Group's associated companies made a net result to Bakkafrøst of DKK 58 million, compared to DKK 30 million in 2021.

Net interest expenses amounted to DKK -65 million, compared to DKK -41 million in 2021. Net currency effects amounted to DKK -69 million, compared to DKK 39 million in 2021.

Net taxes amounted to DKK -346 million, compared to DKK -174 million in 2021.

The consolidated net profit totalled DKK 1,344 million in 2022, compared to DKK 964 million in 2021. Earnings per share totalled DKK 22.75 in 2022, compared to DKK 16.32 in 2021.

STATEMENT OF FINANCIAL POSITION

The Group's total assets as at end 2022 amounted to DKK 16,882 million, compared to DKK 14,628 million at the end of 2021.

The Group's intangible assets amounted to DKK 4,509 million at the end of 2022, compared to DKK 4,496 million at the end of 2021. Intangible assets comprise primarily of the acquisition of Bakkafrøst Scotland Ltd., the fair value of acquired farming licences in Scotland and the Faroe Islands.

Property, plant, and equipment amounted to DKK 5,647 million at the end of 2022, compared to DKK 4,889 million at the end of 2021. In 2022, Bakkafrøst made investments in

PP&E amounting to DKK 1,236 million, compared to DKK 1,116 million in 2021. The most significant investments, Bakkafrøst carried out in 2022, were in hatcheries, a new FSV and a new feed line. Other investments relate mainly to maintenance investments.

Right of use assets amounted to DKK 439 million at the end of 2022, compared to DKK 302 million at the end of 2021.

Investments in associated companies and stocks and shares amounted to DKK 234 million at the end of 2022, compared to DKK 149 million at the end of 2021. The increase in financial assets relates to the result from the associated companies and FF Skagen A/S changing classification to an associated company during 2022.

Bakkafrøst had DKK 0 million in long-term receivables at the end of 2022, compared to DKK 8 million at the end of 2021. Deferred tax assets amounted to DKK 336 million at the end of 2022, compared to DKK 215 million at the end of 2021.

The Group's carrying amount (fair value) of biological assets amounted to DKK 2,938 million at the end of 2022, compared to DKK 2,448 million at the end of 2021. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 883 million, compared to DKK 605 million at the end of 2021.

The Group's total inventories amounted to DKK 1,074 million as at year-end 2022, compared to DKK 709 million as at year-end 2021. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed in addition to finished VAP products, packing materials and other raw materials.

The Group's total receivables amounted to DKK 985 million as at year-end 2022, compared to DKK 902 million as at year-end 2021.

Cash and cash equivalents at year-end 2022 amounted to DKK 720 million, compared to DKK 509 million at year-end 2021.

The Group's equity at the end of 2022 was DKK 10,396 million, compared to DKK 9,348 million at the end of 2021. The increase in equity is primarily due to the increase of the positive result for 2022.

DKK 1,000	2022	2021
Intangible assets	4,508,704	4,495,726
Property, plant and equipment	6,085,706	5,190,883
Financial assets	570,229	372,575
NON-CURRENT ASSETS	11,164,639	10,059,184
Inventory	4,012,829	3,157,596
Receivables	984,501	902,231
Cash and cash equivalents	719,603	509,157
CURRENT ASSETS	5,716,933	4,568,984
ASSETS	16,881,572	14,628,168
Equity	10,395,813	9,347,545
Deferred taxes	1,825,873	1,590,034
Long-term interest-bearing debt	3,383,289	2,634,968
Long-term leasing debt	353,355	245,753
Derivatives	0	3,207
Non-current liabilities	5,562,517	4,473,962
Derivatives	0	4,602
Trade payables	478,750	510,357
Current tax liabilities	237,780	170,997
Short-term leasing debt	106,215	87,668
Other current liabilities	100,497	33,037
Current liabilities	923,242	806,661
Total liabilities	6,485,759	5,280,623
EQUITY AND LIABILITIES	16,881,572	14,628,168

The Group's total non-current liabilities amounted to DKK 5,563 million at the end of 2022, compared to DKK 4,474 million at the end of 2021. Deferred taxes amounted to DKK 1,826 million, compared to DKK 1,590 million at the end of 2021.

Long-term debt was DKK 3,383 million at the end of 2022, compared to DKK 2,635 million at the end of 2021.

At the end of 2021, the Group's total current liabilities were DKK 923 million, compared to DKK 807 million at the end of 2021.

Trade payable amounted to DKK 479 million, compared to DKK 510 million at the beginning of the year.

Long- and short-term leasing debt amounted to DKK 460 million at the end of 2022, compared to DKK 333 million at the end of 2021.

Bakkafrost's equity ratio was 62% at the end of 2022, compared to 64% at the end of 2021.

Cash flow

The total cash flow from operations in 2022 was DKK 1,202 million, compared to DKK 1,125 million in 2021. The cash flow from operations in 2022 is primarily due to positive results. Paid taxes and change in inventory and receivables had a negative effect on the cash flow from operations in 2022. Cash flow from investment activities amounted to DKK -1,255 million, compared to DKK -1,112 million in 2021.

For 2022, cash flow from financing amounted to DKK 263 million, compared to DKK 30 million for 2021. The change in long-term interest-bearing debt of DKK 735 million had a positive effect on the cash flow from financing in 2022. Other 2022 figures include dividend paid of DKK -303, lease payments of DKK -117 and financial expenses of DKK -68 million.

With the established credit facilities, the Group's liquidity and financial strength is considered good. Bakkafrost had undrawn credit facilities of approximately DKK 2,542 million at the end of 2022.

DKK 1,000	2022	2021
Cash flow from operations	1,201,856	1,124,554
Cash flow from investments	-1,254,597	-1,112,239
Cash flow from financing	263,187	29,903
Cash and cash equivalents - opening balance	509,157	466,939
Cash and cash equivalents - closing balance total	719,603	509,157

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 in the Faroe Islands.

DKK 1,000	YTD 2022	YTD 2021	Change
Financial			
Total revenue	4,632,581	3,476,725	33%
EBIT	1,872,176	1,302,738	44%
Operational EBIT	1,912,534	903,820	112%
Operational EBIT/kg (DKK)	28.68	13.45	113%
Operational EBIT margin	41%	26%	
Volumes			
Harvested volumes (tgv)	66,686	67,217	-1%
Smolts released (thousand)	14,417	14,427	0%

VOLUMES

The FO farming segment harvested 66,686 tonnes gutted weight in 2022, compared to 67,217 tonnes gutted weight in 2021. The expectation for 2023 is the same as for 2022 - 68,000 tonnes gutted weight.

The FO farming segment released 14.4 million smolts into the sea in 2022. The smolt release in 2021 was 14.4 million smolts. The expectation for 2023 is higher than for 2022 - 16 million smolts.

FINANCIAL PERFORMANCE

For 2022, costs of DKK 0 million were related to incident-based mortality compared to DKK 45 million for 2021.

Total revenues for FO farming segment in 2022 amounted to DKK 4,633 million, compared to DKK 3,477 million in 2021, a change of 33%. Gross external operating revenues for FO farming segment increased to DKK 3,242 million in 2022, from DKK 2,665 million in 2021 even though the external

volumes decreased in 2022, compared to 2021. Because of both higher prices and higher volumes to the VAP segment the internal revenue increased in 2022 from DKK 811 million in 2021 to DKK 1,391 million in 2022.

In 2022, operational EBIT totalled DKK 1,913 million, compared to DKK 904 million in 2021. This corresponds to an operational EBIT of DKK 28.68 (NOK 38.47) per kg gutted weight in 2022, compared to DKK 13.45 (NOK 18.37) per kg gutted weight in 2021.

Fig. 19

TOTAL REVENUE (DKK 1,000) PER QUARTER

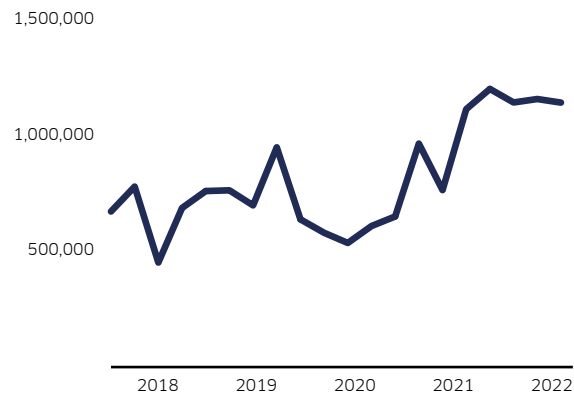


Fig. 20

OPERATIONAL EBIT/KG (DKK) PER QUARTER

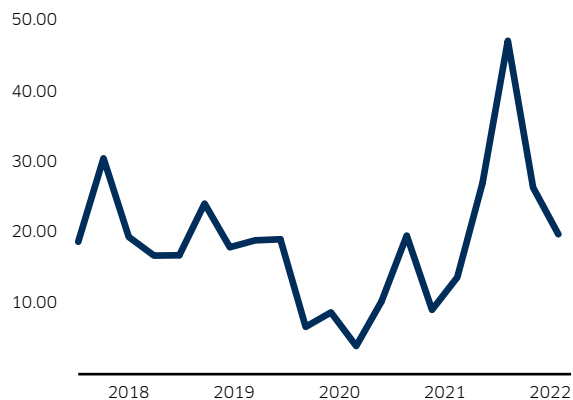


Fig. 21

HARVESTED VOLUME (TGW) PER QUARTER

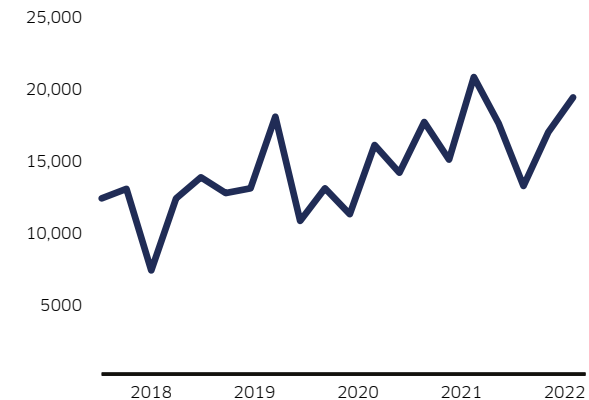


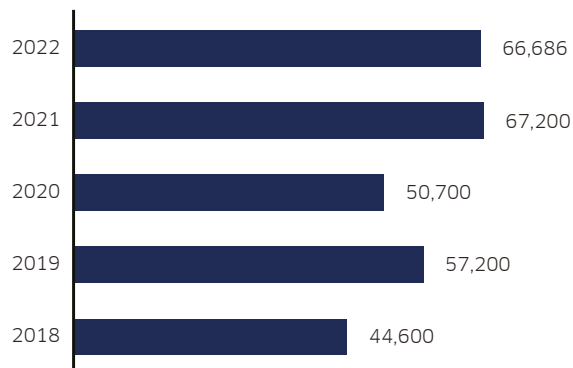
Fig. 22

SMOLT RELEASE - THOUSAND SMOLTS



Fig. 23

HARVEST VOLUMES (TGW)



Farming Segment – Scotland (SCT)

Bakkafrost's farming segment in Scotland is committed to producing the finest quality Scottish Salmon with Scottish Provenance and full traceability. The Scottish farming segment has sites across the West Coast of Scotland and Hebridean Islands and is exporting globally.

DKK 1,000	YTD 2022	YTD 2021	Change
Financial			
Total revenue	1,441,566	1,455,391	-1%
EBIT	-189,442	-353,669	46%
Operational EBIT	-297,606	-249,497	-19%
Operational EBIT/kg (DKK)	-12.44	-8.41	-48%
Operational EBIT margin	-21%	-17%	
Volumes			
Harvested volumes (t _{gw})	23,917	29,672	-19%
Smolts released (thousand pcs)	11,008	11,108	-1%

VOLUMES

The SCT farming segment harvested 23,917 in 2022, compared to 29,672 tonnes gutted weight for the full year 2021. The expectation for 2023 is higher than for 2022 – 30,000 tonnes gutted weight.

11,0 million smolts were transferred in 2022, compared to 11,1 million smolts for 2021. The expectation for 2023 is lower than for 2022 – 9.6 million smolts.

FINANCIAL PERFORMANCE

For 2022, costs of DKK 283 million relate to incident-based mortality, compared to DKK 262 million for 2021.

In 2022, the operating revenue for the SCT farming segment was DKK 1,442 million, compared to DKK 1,455 million in 2021.

Operational EBIT amounted to DKK -298 million, compared to DKK -249 million in 2021. This corresponds to an operational EBIT of DKK -12.44 (NOK -16.88) per kg gutted weight, compared to DKK -8.41 (NOK -11.49) per kg gutted weight in 2021.

Fig. 24

TOTAL REVENUE (DKK 1,000) PER QUARTER



Fig. 25

OPERATIONAL EBIT/KG (DKK) PER QUARTER



Fig. 26

HARVEST VOLUME (TGW) PER QUARTER

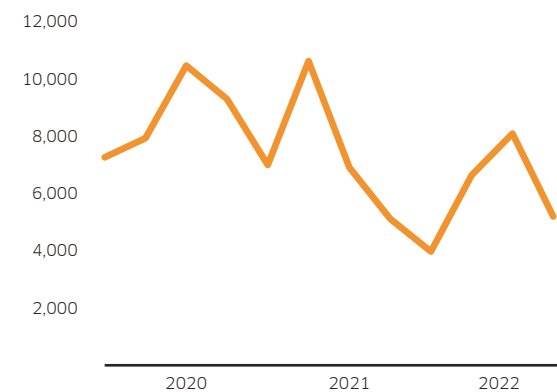


Fig. 27

SMOLT RELEASE - THOUSAND SMOLTS

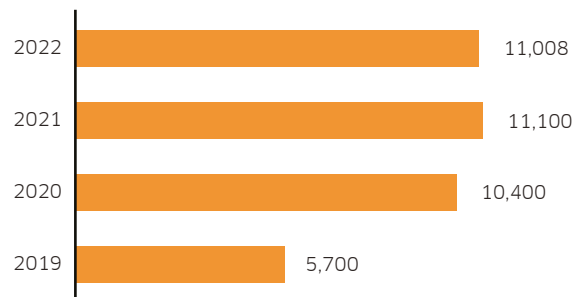
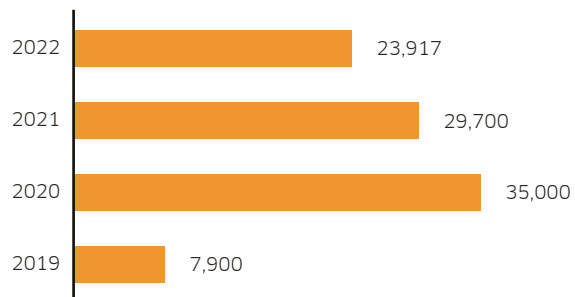


Fig. 28

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	YTD 2022	YTD 2021	Change
Financial			
Total revenue	1,703,637	1,195,195	44%
EBIT	-50,824	119,521	-143%
Operational EBIT	-50,824	119,521	-143%
VAP - Operational EBIT/kg (DKK)	-1.90	5.39	-135%
Operational EBIT margin	-3%	10%	
Volumes			
Farming FO transferred to VAP (tgv)	26,401	21,974	20%
VAP produced (tgv)	26,747	22,180	21%
Harvested volumes used in VAP production	40%	33%	
Harvested volumes sold fresh/frozen	60%	67%	

VOLUMES

Bakkafrost has a long-term strategy of producing 40% of its harvested salmon in the Faroe Islands 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.

In 2022, 40% of the total Faroese harvested volumes went to the production of VAP products, compared to 33% in 2021.

The VAP production in 2022 was 26,747 tonnes gutted weight, compared to 22,180 tonnes gutted weight in 2021.

FINANCIAL PERFORMANCE

The contract prices in 2022 have increased at the same rate as the spot prices but were achieved with a time delay compared to spot prices. The contract prices were on a higher level than in 2021. The VAP segment's operating revenue amounted to DKK 1,704 million in 2022, compared to DKK 1,195 million in 2021, an increase of 44%.

Operational EBIT in 2022, which is EBIT adjusted for provision for onerous contracts etc., totalled DKK -51 million, compared to DKK 120 million in 2021. This corresponds to an operational EBIT of DKK -1.90 (NOK -2.58) per kg gutted weight, compared to DKK 5.39 (NOK 7.36) per kg gutted weight in 2021.

Fig. 29

TOTAL REVENUE (DKK 1,000) PER QUARTER



Fig. 30

OPERATIONAL EBIT/KG (DKK) PER QUARTER

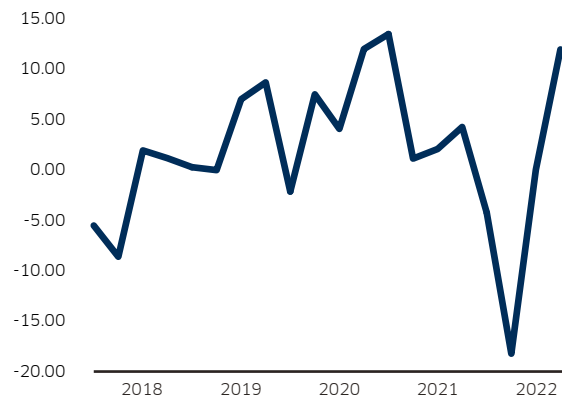


Fig.31

VAP VOLUME (TGW) PER QUARTER

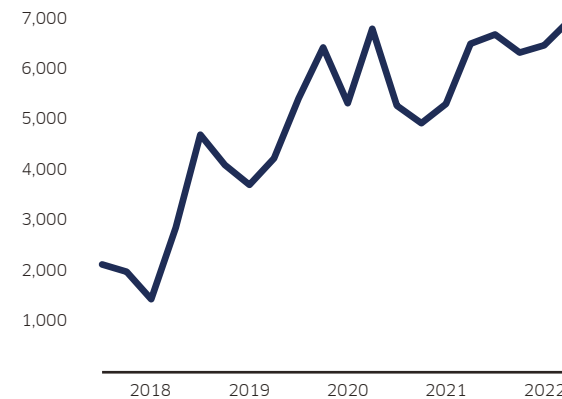


Fig. 32

PRODUCT WEIGHT OF VAP (TGW)

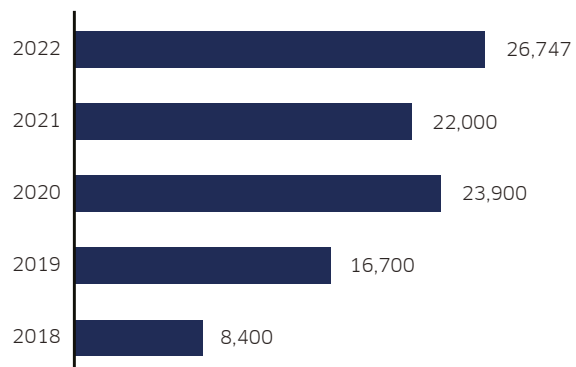
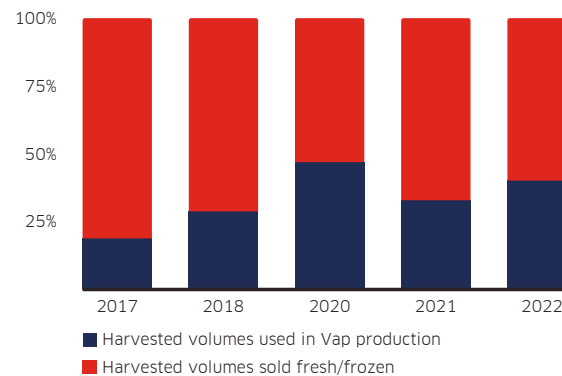


Fig. 33

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 Bakkafrøst. Fishmeal, fish oil and fish feed are also sold externally.

VOLUMES

The FOF segment, has over the last couple of years had a stable raw material intake for fishmeal and fish oil production, but in 2021 there was a decline in the raw material intake. In 2022 the raw material intake has increased to the same level again. The produced fishmeal and oil were partly used internally for feed production, and partly exported. In 2022, the FOF segment sourced 297,814 tonnes of raw material, compared to 152,383 tonnes in 2021, which corresponds to an increase of 95%. The raw material intake depends on off-cuts from the pelagic industry as well as fishery in the North Atlantic and available species of fish.

The production of fishmeal in 2022 was 65,395 tonnes, compared to 34,962 tonnes in 2021, an increase of 87%. The production of fish oil in 2022 was 23,862 tonnes, compared to 8,124 tonnes in 2021, an increase of 194%. The production of fish oil varies, depending on the species of fish available for production and the timing of catches. The expectation for 2023 is the same as for 2022.

DKK 1,000	2022	2021	Change
Financial			
Total revenue	2,433,494	1,659,351	47%
EBIT	463,450	305,988	51%
EBITDA	436,150	306,227	42%
FOF - EBITDA margin	18%	18%	
Volumes (tonnes)			
Total Feed sold	127,840	128,489	-1%
- Feed internal sale FO	79,262	94,163	-16%
- Feed internal sale SCT	43,856	30,096	46%
- Feed external sale	4,722	4,230	12%
Total Feed sold	127,840	128,489	-1%
Fishmeal external sale	34,667	16,376	112%
Fish oil external sale	5,285	41	12790%
Received raw material	297,814	152,383	95%
Fishmeal production	65,395	34,962	87%
Fish oil production	23,862	8,124	194%

The FOF segment sold 127,840 tonnes of feed in 2022, compared to 128,489 tonnes in 2021. Bakkafrøst used 123,118 tonnes of sold feed in 2022 internally, corresponding to 96%. The internal use in 2021 was 124,259 tonnes, corresponding to 97%. The expectation for 2023 is the same as for 2022 130,000 tonnes.

FINANCIAL PERFORMANCE

Total revenues for the FOF segment in 2022 amounted to DKK 2,433 million, compared to DKK 1,659 million in 2021, an increase of 47%.

The external operating revenue for the FOF segment amounted to DKK 743 million in 2022, compared to DKK 238 million in 2021. The increase in external revenue from 2021 to

2022 was mainly due to higher external sale of fish feed and fishmeal.

The internal revenue in 2022 amounted to DKK 1,691 million, compared to DKK 1,421 million in 2021. The internal revenue comprises the sales of feed to Bakkafrøst's farming activities, both in Scotland and the Faroe Islands

EBITDA was DKK 436 million in 2022, compared to DKK 306 million in 2021, and the EBITDA margin was 17,9% in 2022, compared to 18,5% in 2021.

Fig. 34

TOTAL EBITDA (DKK 1,000) PER QUARTER

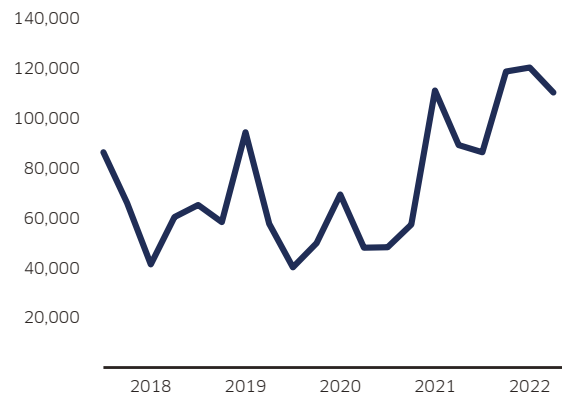


Fig. 35

SOLD FEED TONNES PER QUARTER

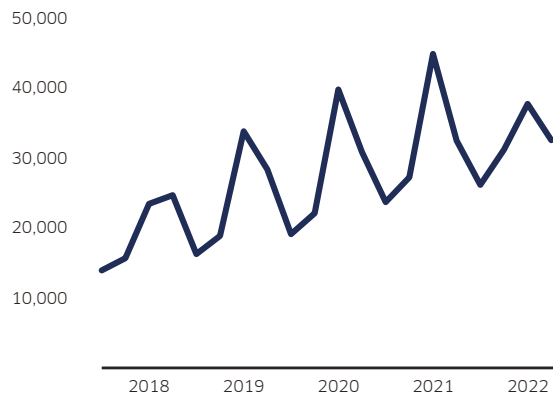


Fig. 36

EBITDA MARGIN (%) PER QUARTER

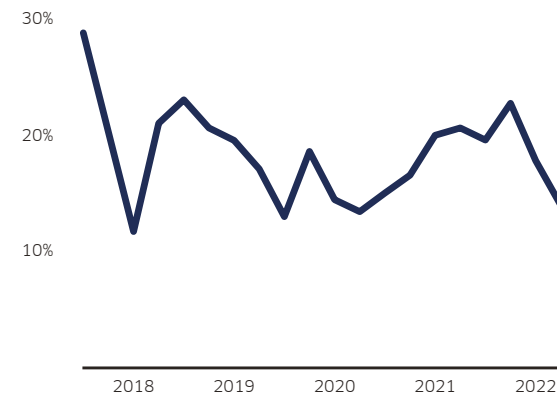


Fig. 37

FISH FEED PRODUCTION VOLUMES (TONNES)

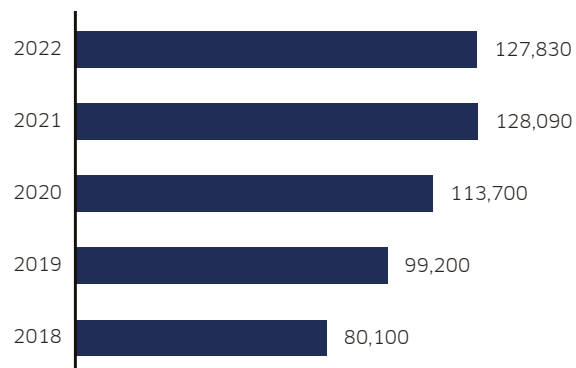
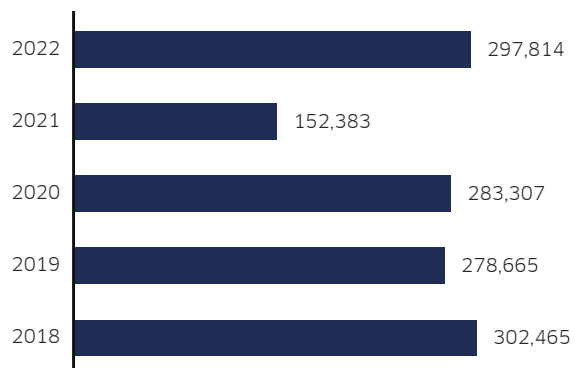


Fig. 38

SOURCING OF RAW MATERIAL (TONNES)





Market Review

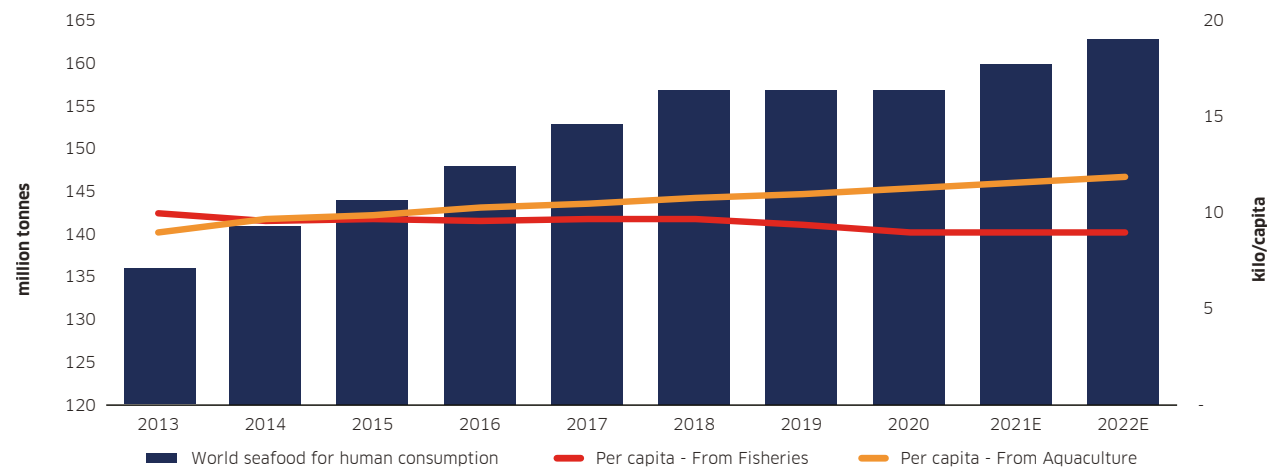
SEAFOOD CONSUMPTION

In 2020, capture fisheries and aquaculture are estimated to be about 178 million tons, of which roughly 157 million tons were utilized as food. This corresponds to a per capita consumption of seafood close to 20 kg (live weight equivalent). The drop in both catch, more limited production growth and consumption must be seen in relation to and a direct result of the contraction of demand caused by the Covid-19 pandemic. While estimates suggest an increase in consumption in 2021, the high price of fish products in 2022, compromises future growth for the aquaculture segment.

Salmon and trout became the most important commodity traded in value terms in 2013, and in 2022 the specie accounted for about 17 per cent of the total value of internationally traded fish products - with a total export value close to 21 bn EUR. Shrimps and prawns came at a close 2nd place, just above 20 bn EUR, followed by groundfish (hake, cod, haddock and Alaska pollock) and tuna.

Fig. 39

WORLD SEAFOOD PRODUCTION (FOR HUMAN CONSUMPTION) AND CONSUMPTION PER CAPITA.



Source: Kontali, FAO

MARKET TRENDS IN 2022 - ATLANTIC SALMON

Worldwide, the supply of farmed Atlantic salmon fell by 2% in 2022 to 2,83 million tons wfe following strong supply growth the previous year and demand recovering following the COVID-19 pandemic. Russia's attack on Ukraine and its continued warfare and occupation have had far-reaching social and global economic consequences.

Major disruptions to logistics and logistic costs, price shocks to most major protein resources, a prolonging of the pandemic-driven supply shortage for major categories of commodities, spare parts, and not least - a European energy crisis, with ripple effects also into other continents. Probably, energy shortage is an issue that we would have seen coming but expedited and escalated by the war. This has led to the most significant increase in salmon production costs seen in at least a decade.

Coupled with increases in interest rates, and food and housing inflation, these effects of both the pandemic and the war have impacted - and will continue to impact consumer behavior and choices in the seafood segment. For salmon, there are both drivers suggesting strong reliance versus competing categories, but also certain threats of downtrading to cheaper proteins - in times such as we are facing.

Despite significant uncertainty, the good, old, universal drivers for supply, demand and price development on salmon - are fully operating. 2022 has been characterized by two distinct periods; January-July, with a decline in market supply of close to 6 %, and August-December, for which supply growth is estimated to be slightly higher than 4 %. These two periods had quite different pricing situations. In 2022 most salmon-producing regions experienced issues that affect growth and growth opportunities, being of a biological kind - or the regulatory eye of the needle getting tighter and tighter.

European spot prices (Nasdaq 3-6 kg) for Atlantic salmon in 2022 ended on average just above 8,1 EUR per kg (+40%). Adjusted for inflation of 8,3 % in the Euro area - price achievement in real terms is on a similar level as peak during 2016.

Fig. 40

PER CAPITA CONSUMPTION OF FARMED ATLANTIC SALMON FOR SELECTED MARKETS.

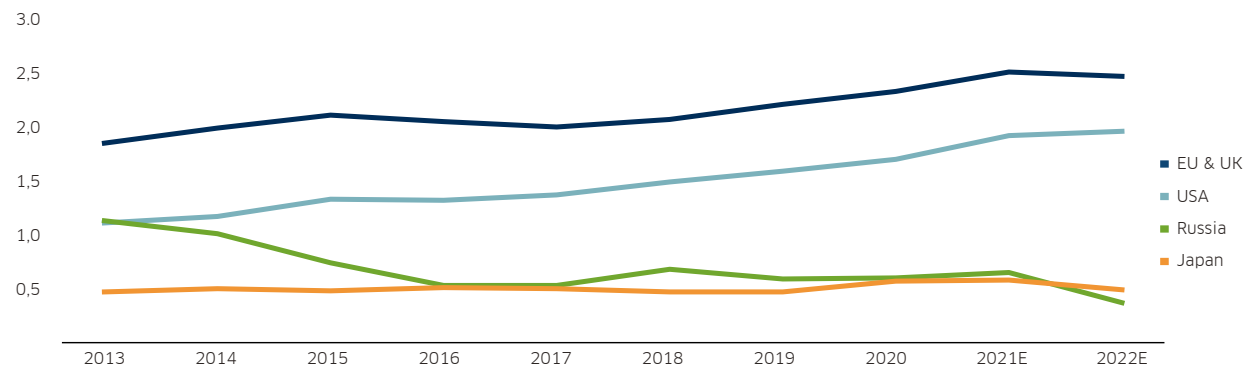
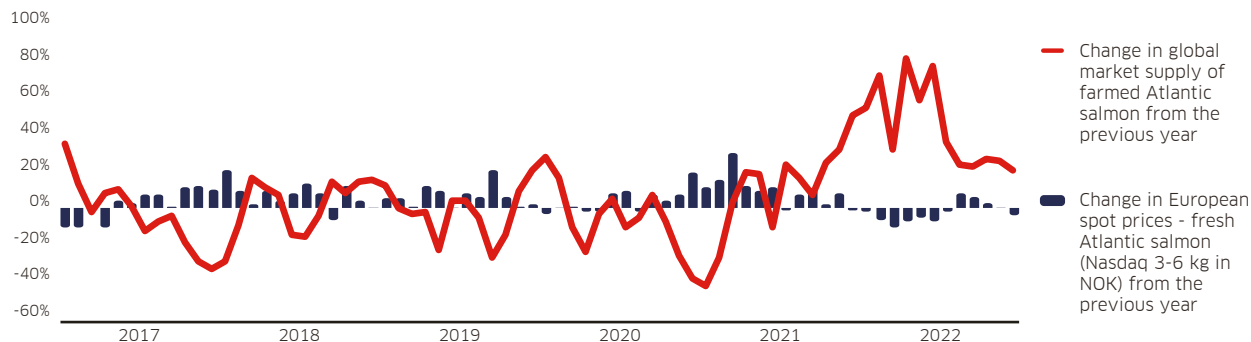


Fig. 41

RELATIVE CHANGE IN GLOBAL SUPPLY OF ATLANTIC SALMON AND EUROPEAN SPOT PRICES FOR FRESH ATLANTIC SALMON



Source: Kontali, FAO

US MARKET

Despite the US being heavily affected by the COVID-19 pandemic, both in 2020 and 2021, the supply and consumption of Atlantic salmon have continued to grow at an impressive rate – both measured in volume and value. For the first time, 2022 represents a market size exceeding 650 thousand tons wfe for Atlantic salmon only.

A US population of 332 million and consumption of 652,000 tons wfe in 2022 correspond to a per capita consumption of approx. 2.0 kg wfe, indicating about 6-7 meals per capita yearly. Salmon was the second most consumed seafood specie by US consumers, while shrimp still firmly holds the top spot.

Average export prices for Chilean salmon fillets (approximately 35-40% of the total US market) increased from 10,30 USD/kilogram in 2021 to 12,10 USD/kilogram in 2022 – corresponding to an increase of 17%. This illustrates the strong demand growth in the US market.

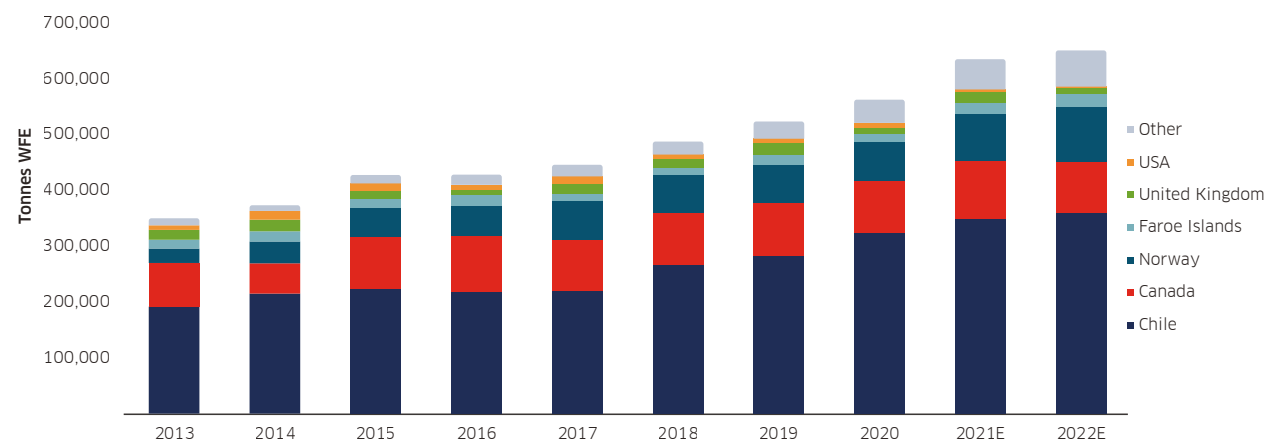
Fig 42

SUPPLY OF ATLANTIC SALMON IN THE US MARKET

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E
Chile	191,600	214,700	224,100	217,300	220,400	267,200	284,300	325,100	349,600	362,000
Canada	77,400	55,000	92,900	100,900	92,100	93,800	94,300	92,900	104,300	88,800
Norway	27,000	39,900	51,200	55,700	68,400	67,300	68,300	69,100	82,900	99,300
Faroe Islands	16,400	17,100	14,700	16,900	14,800	12,800	18,500	14,400	20,800	23,300
United Kingdom	16,100	20,400	16,300	12,700	18,000	16,100	20,300	11,500	17,100	9,200
USA	10,100	16,200	13,800	7,700	13,100	7,300	8,100	8,800	6,200	3,500
Other	11,000	10,400	14,600	16,100	19,200	22,300	29,400	40,500	54,300	65,600
Total	349,600	373,700	427,600	427,300	446,000	486,800	523,200	562,300	635,200	651,700

Fig. 42

SUPPLY OF ATLANTIC SALMON TO US MARKET



EUROPEAN MARKET

In 2022, the EU market (including the United Kingdom) for farmed Atlantic salmon declined by 1 %, or 15,000 tons wfe, to a total supply of 1,27 million tonnes wfe. Norway accounted for approx. 85 % of the total supply volume. With a combined population of 513 million, this corresponds to a per capita consumption of 2,5 kg wfe per year, indicating 8-9 meals per capita per year.

Within Europe, Germany, France, and the United Kingdom accounted for approx. 50 % of the total consumption, making them the largest market for salmon. Trade flow is also characterized by large salmon processing hubs (e.g. Poland, Denmark, Netherlands). Supply growth was notable both in Italy and Spain (Southern Europe) in recent years.

During 2022, demand from high-value segments (food service) has continued to recover following the Covid-19 pandemic in combination with limited growth in terms of volume. Re-allocation of Russian volume had a marginal impact, with the European market share of global supply increasing from 44,5% to 44,9% in 2022.

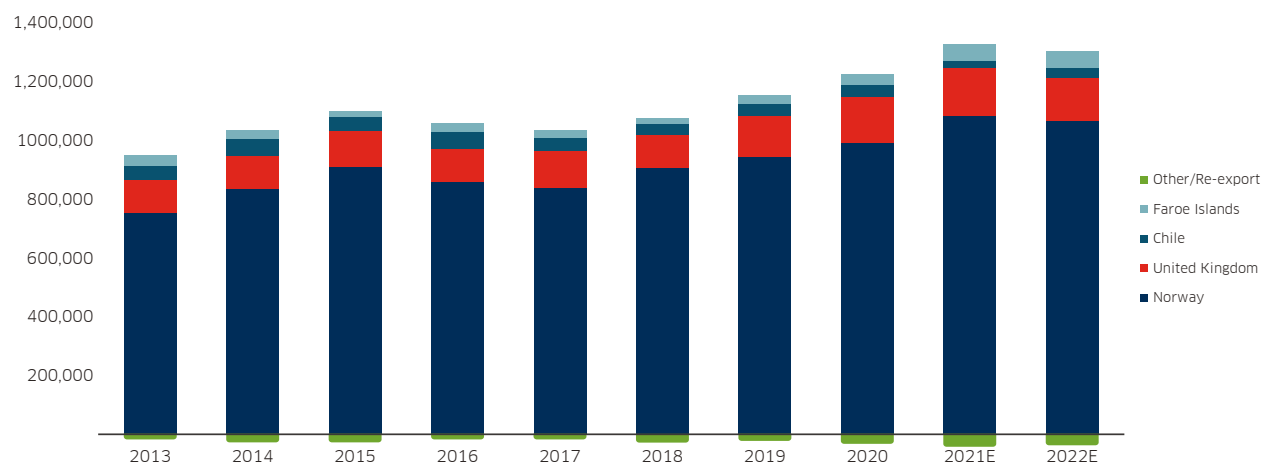
Fig. 43

SUPPLY OF ATLANTIC SALMON TO EU+UK MARKET

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E
Norway	755,500	834,600	912,200	860,200	841,400	910,800	944,500	995,600	1,085,500	1,071,200
United Kingdom	110,300	117,800	121,100	115,400	124,900	108,100	142,300	152,500	162,800	143,800
Chile	50,200	50,500	44,900	53,900	42,500	40,700	36,200	40,900	28,400	32,800
Faroe Islands	34,300	32,300	20,400	28,400	27,800	20,600	30,800	34,400	50,600	59,000
Other/ Re-export	-18,800	-30,100	-27,700	-16,900	-17,100	-25,700	-23,200	-31,500	-40,600	-37,100
Total	931,500	1,005,100	1,070,900	1,041,000	1,019,500	1,054,500	1,130,600	1,191,900	1,286,700	1,269,700

Fig. 44

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



Source: Kontali

CHINA AND HONG KONG

From 2015 to 2019 supply of Atlantic salmon to China and Hong Kong almost doubled, reaching nearly 125,000 tons wfe (pre-pandemic). Historically, supply to China has mainly been large-sized fresh whole salmon (6+ kg), with the food service segment covering a high consumption share.

Following a steep fall in 2020 (83,000 tons, -33%) due to the COVID-19 pandemic, market supply has since recovered somewhat. In terms of volume, supply in 2022 was just above 93,000 tons wfe. Market value, however, reached a new all-time high in 2022 of 933 million USD - exceeding pre-pandemic levels.

In December 2022, the Chinese government unveiled a broad easing of its strict "Zero Covid" policy.

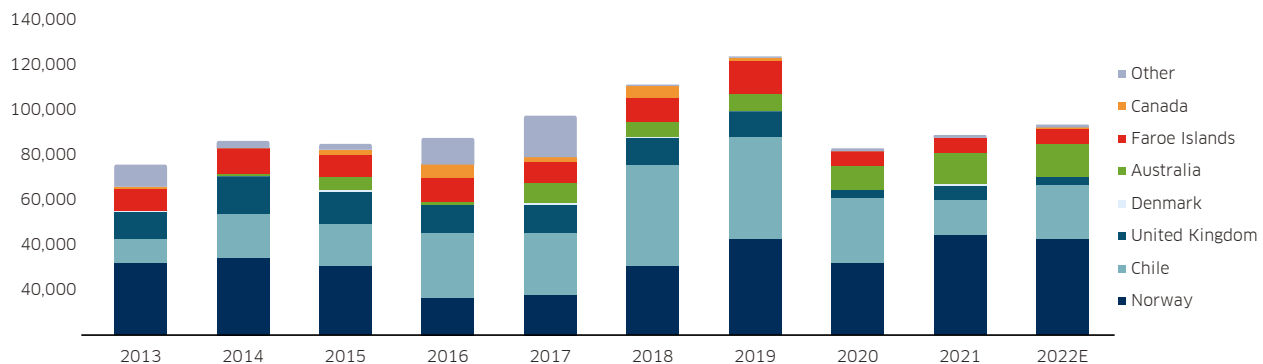
Fig. 45

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

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E
Norway	32,190	34,140	31,110	16,480	17,860	30,920	42,990	32,550	44,770	42,990
Chile	10,750	19,960	18,270	29,280	27,790	44,770	45,540	28,580	15,110	23,920
United Kingdom	12,200	16,430	14,920	12,250	12,660	12,370	10,900	3,300	7,100	3,830
Denmark	300	350	130	80	340	330	320	230	60	30
Australia	230	940	6,420	1,360	9,630	6,770	7,590	10,700	13,990	14,290
Faroe Islands	9,710	11,050	9,520	10,410	8,730	10,620	14,690	6,200	6,580	6,670
Canada	410	280	2,430	5,790	2,120	5,090	1,110	640	320	500
Others	10,090	3,240	2,570	12,220	18,590	800	970	880	1,390	1,430
Total	75,880	86,390	85,370	87,870	97,720	111,670	124,110	83,080	89,320	93,660

Fig. 46

SUPPLY OF ATLANTIC SALMON TO CHINA AND HONG KONG



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 and higher levels of sea lice in combination with stricter regulations and extraordinary events due to bad weather - which have periodically affected production. Following a record year in 2021, the harvest volume of Atlantic salmon was just below 100,000 tons wfe (-6%) last year. The increased production on the Faroe Islands is driven by major investments on land (large smolt strategy) - allowing for increased stocking and turnover of biomass in the sea.

Faroese exports saw a major shift in trade flow last year due to Russia's invasion of Ukraine. With sales to Russia suspended, the European and US market accounted for more than 80% of the total supply volume - a level of market shares not seen since 2011. However, regarding the market value, Faroe exports saw new records, totaling 765 million (+24%) measured in Euro.

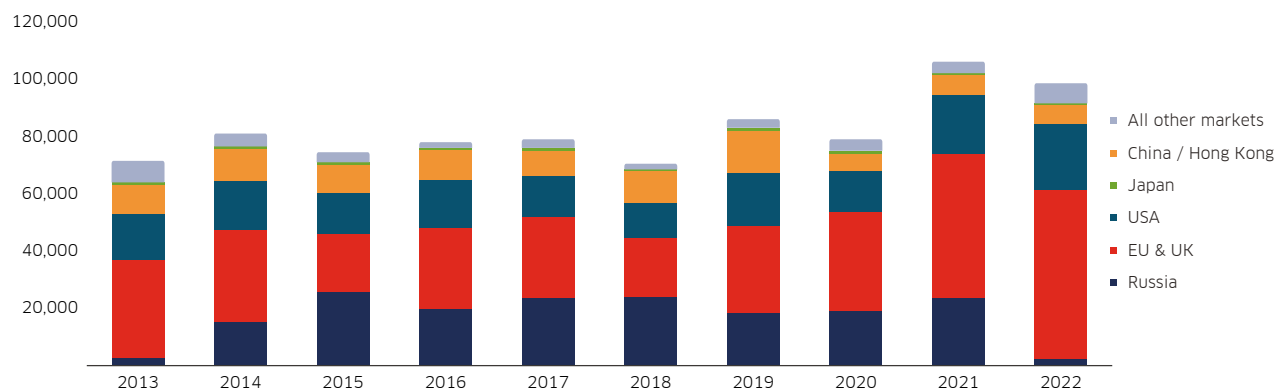
Fig 47

SUPPLY OF ATLANTIC SALMON FROM THE FAROE ISLANDS TO TOP 5 MARKETS

Country	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Russia	2,613	15,465	25,660	19,798	24,096	23,812	18,276	19,465	23,665	2,468
EU+UK	34,271	32,255	20,372	28,384	27,793	20,629	30,773	34,354	50,576	58,967
USA	16,394	17,105	14,671	16,908	14,820	12,829	18,469	14,392	20,812	23,305
China / Hong Kong	9,648	11,055	9,522	10,401	8,722	10,625	14,690	6,204	6,584	6,346
Japan	964	750	830	452	690	582	870	658	525	501
All other markets	7,795	4,731	3,706	2,138	3,191	2,314	3,368	4,243	4,261	7,020
Total	71,685	81,361	74,761	78,081	79,312	70,791	86,446	79,316	106,423	98,607

Fig. 48

SUPPLY OF ATLANTIC SALMON FROM THE FAROE ISLANDS TO TOP 5 MARKETS



Source: Kontali

GLOBAL SUPPLY OF ALL SALMONIDS

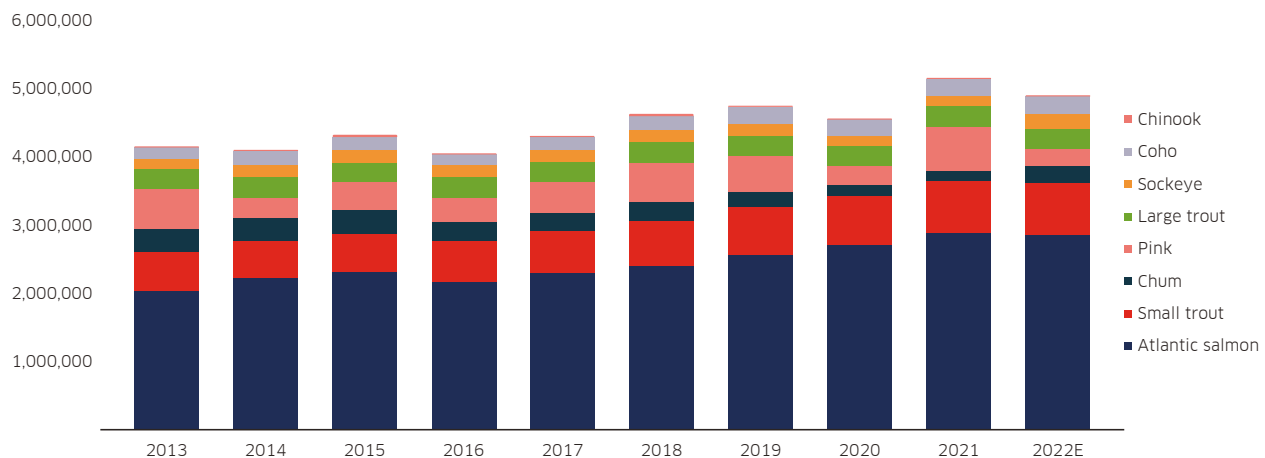
Fig. 49

HISTORICAL SUPPLY OF ALL SALMONIDS

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E
Atlantic salmon	2,041,250	2,229,000	2,317,900	2,161,100	2,293,100	2,402,650	2,577,850	2,712,500	2,896,600	2,865,700
Small trout	570,000	550,600	565,600	610,600	626,500	660,400	685,100	718,400	741,800	765,000
Chum	338,300	321,900	338,100	280,900	261,100	268,600	229,000	164,800	167,200	233,200
Pink	579,300	307,100	398,300	353,200	447,900	591,400	525,100	279,400	648,000	250,500
Large trout	300,100	300,100	300,100	300,100	300,100	300,100	300,100	300,100	300,100	300,100
Sockeye	133,200	173,700	190,300	183,000	173,700	171,600	178,500	138,900	154,200	211,300
Coho	176,800	200,400	190,600	151,800	194,900	211,100	234,700	231,700	239,100	263,600
Chinook	20,300	18,800	20,900	19,200	19,900	19,800	20,300	21,500	21,600	19,500
Total	4,159,250	4,101,600	4,321,800	4,059,900	4,317,200	4,625,650	4,750,650	4,567,300	5,168,600	4,908,900

Fig. 50

GLOBAL SUPPLY OF ALL FARMED AND WILD SALMONIDS



Source: Kontali

GLOBAL HARVEST OF FARMED ATLANTIC SALMON

Norway is the world's largest producing country of Atlantic salmon, accounting for 53 % of global production in 2022. During the past few years, increased MAB capacity through the traffic light system and new development licenses have allowed increased stocking and growth. However, during the same period, sea lice regulation and high sea lice treatment frequency have limited productivity (lost feeding days impacting the smolt yield potential).

The second largest producing country of Atlantic salmon, Chile, accounted for 25 % of the global production in 2022. Following the heavy losses caused by the algae bloom crisis in 2016, the Chilean industry has continued to show improvements in key production parameters.

In other European farming regions, the total harvest volume decreased by 5 % last year, while production in North America (Canada) dropped by 6%. Harvest volume in Australia was just above 90,000 tons wfe, while Russian production is estimated to be just below 20,000 tons wfe. In addition, the global harvest volume from land-based (grow-out) is estimated to be approximately 12,000 tons wfe in 2022 (sum of estimates for approx. 20 production plants).

The best estimate for FY 2023 corresponds to a global growth rate of 1,5 - 2,0 %.

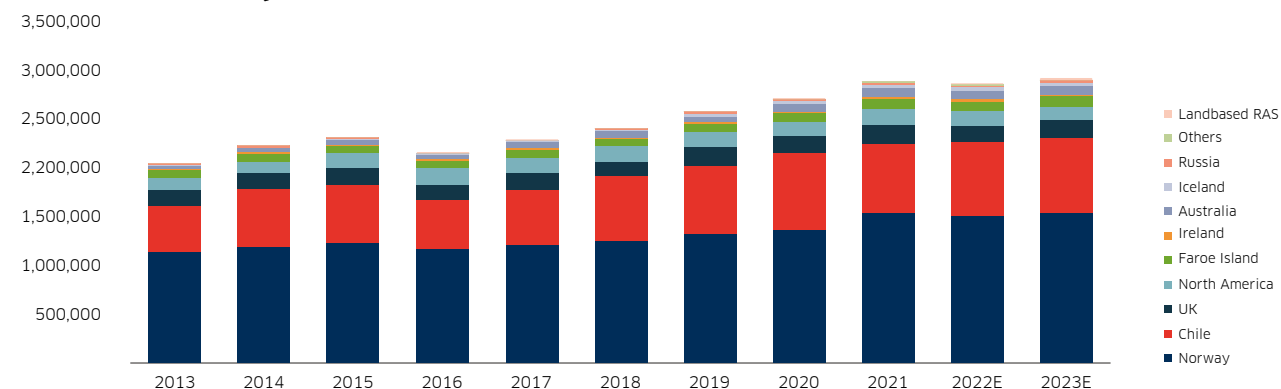
Fig. 51

THE GLOBAL HARVEST QUANTITY OF ATLANTIC SALMON

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022E	2023E
Norway	1,143,600	1,199,000	1,234,200	1,171,100	1,207,800	1,253,400	1,333,400	1,370,000	1,533,400	1,517,100	1,548,000
Chile	468,100	582,900	598,200	504,400	564,200	660,100	690,300	778,500	718,300	751,600	759,800
UK	157,800	170,500	166,300	157,400	177,200	152,100	190,500	178,300	199,200	165,000	180,100
North America	135,400	119,000	155,400	168,500	158,700	165,000	158,300	156,800	161,000	151,000	146,500
Faroe Island	72,600	82,700	75,600	77,300	80,300	71,700	86,600	80,600	105,500	99,600	103,600
Ireland	10,600	12,300	15,700	15,800	17,000	14,300	15,500	15,800	15,900	18,700	16,500
Australia	39,000	42,000	53,600	49,600	63,100	62,300	60,900	82,800	87,800	88,500	89,700
Iceland	3,350	4,400	3,600	8,100	11,600	13,600	24,500	31,200	41,500	42,900	40,100
Russia	10,000	14,500	13,600	5,000	8,600	5,400	11,400	10,500	23,000	18,500	17,000
Others	300	300	300	300	300	350	350	500	600	1,000	2,500
Landbased RAS	300	1,500	1,400	3,500	4,200	4,400	6,100	7,500	10,300	12,100	21,500
*Total	2,041,050	2,229,100	2,317,900	2,161,000	2,293,000	2,402,650	2,577,850	2,712,500	2,896,500	2,866,000	2,925,300

Fig. 52

THE GLOBAL HARVEST QUANTITY OF ATLANTIC SALMON



Source: Kontali

TOP 15 - FARMING COMPANIES (SALMONIDS)

In 2021, the world's largest 15 salmon farming companies harvested approximately 2.1 million tonnes wfe of salmonids (Atlantic Salmon, Coho Salmon, Chinook, Large Trout), representing 62 % of the total harvest quantity. In Norway, these companies comprised 62 % of the total harvest and 67 % in Chile.

Fig. 53

TOP 15 SALMON FARMING COMPANIES IN 2021 (HARVEST VOLUME, ALL FARMED SALMON SPECIES)

Group	Head off.	Total	Norway	UK	Chile	North Am.	Faroe Isl.	Australia	Other
MOWI	NO	517,800	303,300	71,700	73,300	50,600	11,100		7,800
CERMAQ	NO	223,400	99,100		101,400	22,900			
LERØY SEAFOOD GROUP *	NO	207,800	207,800						
SALMAR *	NO	202,100	189,400						12,700
AQUACHILE	CL	202,000			202,000				
COOKE AQUACULTURE	CA	130,000		31,000	28,000	71,000			
BAKKAFROST **	FO	107,700		33,000			74,700		
MULTIEXPORT	CL	97,800			97,800				
AUSTRALIS SEAFOOD	NO	84,300			84,300				
GRIEG SEAFOOD ***	NO	84,000	68,000			16,000			
SALMONES BLUMAR	CL	69,500			69,500				
NORWAY ROYAL SALMON ****	CL	55,000	42,300						12,700
NTS ASA*****	NO	50,100	37,300						12,800
NOVA SEA *****	NO	48,400	48,400						
TASSAL	NO	45,000						45,000	
Top 15		2,124,900	995,600	135,700	656,300	160,500	85,800	45,000	46,000
Global harvest -Farmed Salmonids		3,426,700	1,616,400	204,700	984,400	170,700	105,500	92,800	252,200
Share		62%	62%	66%	67%	94%	81%	48%	18%

* Volumes from Scottish Sea Farms (50% stake) not included. Owned 50/50 by Lerøy Seafood and Salmar

** Bakkafrost acquired The Scottish Salmon Company in 2019

*** Excluding UK operations, acquired by Scottish Sea Farms

**** NTS ASA has 68,1% ownership in Norway Royal Salmon

***** Including Salmonor and Arctic Fish

***** 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 was just below 4.7 million tons in 2022. Furthermore, this is marginally lower than 2021, -1%, and must be seen in relation to a challenging biological second half in Europe last year.

Norway and Chile account for approximately 75 % of fish feed consumption. Limited granting of new license capacity or rights to produce is the main barrier to further growth in salmonid fish feed demand. Other developed farming regions such as Australia, North America, and Iceland highly utilize existing capacity – considering biological constraints and issues.

Over the last decade, the share of marine ingredients in feed for farmed salmonids has shown a decreasing trend. However, fishmeal and fish oil prices still impact salmon farmers' feed prices.

In 2022, we saw a slight decrease in global fishmeal production due to the delayed second fishing season in Peru, though with stable output the season as a whole. In northern Europe, production was lifted by the large capelin quota, which increased Icelandic production to the highest level seen in many years. Unusual low oil yield in Peruvian anchoveta landings tightened the fish oil market further, lifted prices to record heights in the second half of 2022 and continues throughout the first weeks of this year.

Prices for fishmeal have remained high throughout the last year and during the latest Peruvian production season. In Europe, prices have ranged between USD 1,700 and 1,800 since the beginning of December last year. In Peru, prices have climbed up to USD 1,700/ton after the finishing of a quite satisfying production season as regards fishmeal output. Continued high prices on vegetable substitutes, particularly soy, will probably maintain the demand for fishmeal and, thus price level.

China is fully back in the market after the COVID-19 pandemic, and imports reached 1,8 million tons last year whereof 48% from Peru.

Fig. 54

ESTIMATED FEED CONSUMPTION/SALE TO SALMONIDS

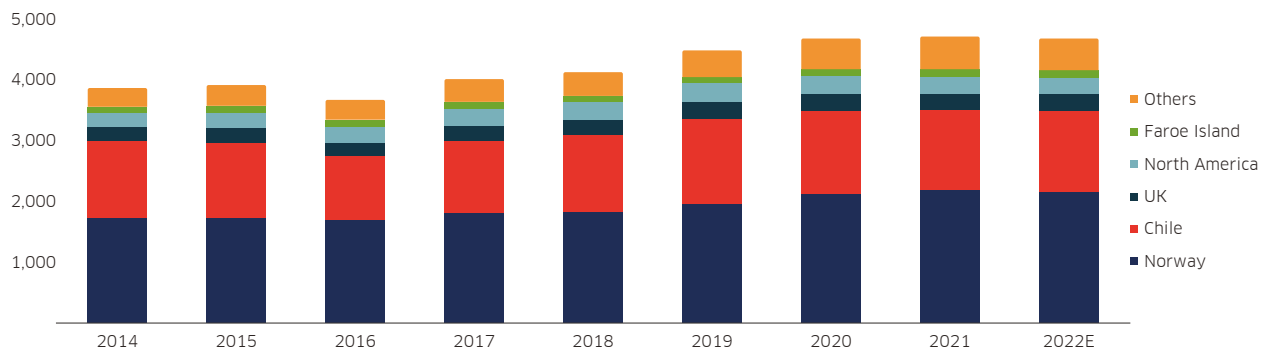
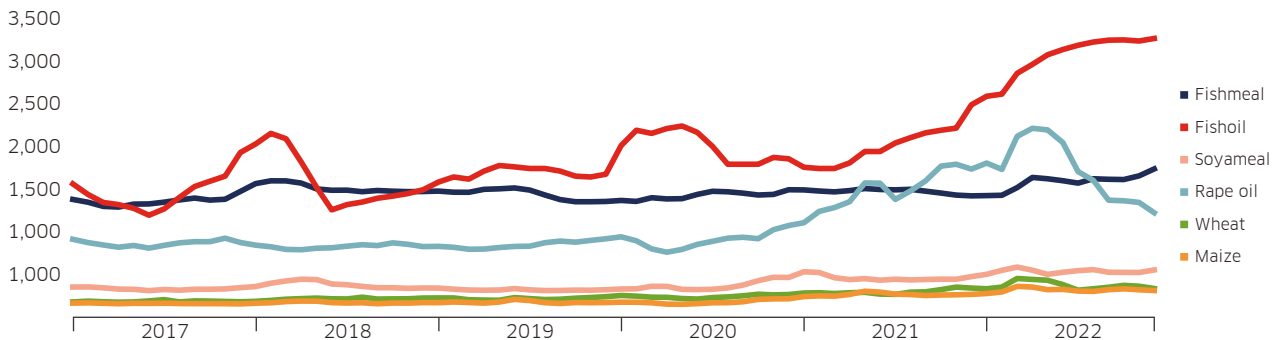


Fig. 55

DEVELOPMENT IN FISH FEED (RAW MATERIAL PRICES LAST 5 YEARS. USD/TONS)





RISKS



Risk Management

The Bakkafrost Group is exposed to several risks, which will always be a natural part of our business activities. Therefore, risk management is crucial so that the risks Bakkafrost is exposed to and the potential financial impact is reduced to an acceptable level.

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

The Group Management is responsible for daily compliance with the risk management framework and the Group's day-to-day risk management. The Group Management assesses the Group's principal risks on an ongoing basis, based on weekly or monthly reporting from the organisation on business activities, market development, technology etc. The continuous risk assessment is followed 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 January 2023.

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

OPERATIONAL RISKS

Farming

One of the most significant risk factors, Bakkafrost is exposed to is the biological risk in the seawater grow-out stage. Such risks include direct threats to the fish, such as diseases, sea lice and algae blooms. Although comprehensive measures are put in place to mitigate the 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 treatment and required following time between generations for sites or larger geographic areas. The impact of 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, the outcome on key performance indicators has been attractive in recent years. However, the corresponding scores have generally been less attractive in Scotland and have had significantly higher volatility. Bakkafrost's investment plan for Scotland is expected to reduce the risk significantly.

Although operational risks are, to a certain extent, reflected in budgets using estimates for mortality and the percentage of fish whose quality is downgraded in connection with primary processing, such risks might, if they occur, materially affect Bakkafrost's results and financial condition. Bakkafrost'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. Bakkafrost aims to reduce that risk through the entire production cycle using systematic group-wide biosecurity auditing.

Fish escapes

Bakkafrost has zero tolerance for the escape of farmed salmon. However, the company operates many seawater sites, each exposed to risks linked to bad weather, handling of fish,

changing of nets, operations of workboats and well boats, predators, etc. Escaped salmon and lumpfish may also interact with wild populations of salmon and lumpfish and cause genetic disruption of these populations. Considerably international focus is on the possible negative impact of salmon farming on biodiversity, and incidents of fish escapes may lead to a negative public image. The direct financial exposure to escapes is moderate due to the geographic diversification of the sites. The indirect effects, such as the spread of diseases, negative impact on wild salmon, governmental penalties and negative publicity, are hard to quantify for the accounts of Bakkafrost and the society. Procedures, quality assurance systems and new technological solutions, such as predator-resistant nets, are essential to mitigate the risk of escapes.

Bakkafrost has a series of mitigating actions, such as staff training, regular net inspection, etc. New wave and current measurements at exposed sites and improved assessment of physical demands for equipment.

Benthic impact

Farming activity at sea-sites can result in the local impact of feed pellets or fish faeces on the seabed that may result in elevated content of organic or inorganic matter in the sediment. While excess organic matter is typically relatively quickly mineralised by benthic fauna and bacteria, inorganic compounds like zinc added to fish feed as a dietary supplement are more persistently bound and tend to accumulate in the sediment on several farming sites. The Environment Agency has set national limits for acceptable organic impact on the seabed as well as the content of zinc and copper in sediment.

Bakkafrost mitigates benthic impact due to the continuous adaptation to relocate farming activity to more exposed locations. Since the company stopped using copper fouling, copper is no longer considered a risk. The levels are now

comparable with the background levels. Measures, such as changing the feed composition and rotating cage positions, have been taken to ensure that zinc concentrations will remain below the limit set by the Environmental Agency.

Sea lice and impact on wildlife

Sea lice are one of the most significant risks and challenges in the farming industry globally. A high number of sea lice may cause stress, which can lead to diseases. Sea lice from farming may also infect wild salmon and trout populations and contribute to a negative impact on the condition of these populations. Farming activities may also have negative impact on sea mammals and birds.

Bakkafrost has procedures for reducing the number of sea lice with different types of treatment. The procedures are improved continuously.

Bakkafrost uses lumpfish as cleaner fish for sea lice. Lumpfish is the only cleaner fish used in the Faroe Islands, while a combination of lumpfish and wrasse is used in Scotland. These cleaner fish are essential preventive measures against sea lice.

Bakkafrost uses a freshwater bath on-board live fish carriers and water flushing treatments in farming service vessels as a sea lice treatment. Additionally, Bakkafrost strives to improve delousing methods continuously.

To achieve greater knowledge of the possible negative impact on the Faroese trout population, a research project has been funded to establish if any negative impact can be seen. So far, no negative impact has been observed. Negative impacts on seals and other sea mammals are also negligible. Possible entanglement of birds in bird nets and disturbance of bird colonies are also considered to be insignificant.

Seals

Seals cause loss of fish, as well as the presence of seals, disturbs salmon resulting in lowered feeding and fish growth. Faroese law prohibits killing seals. Bakkafrost is working on implementing effective and safe preventive measures on sites where seals constitute a fish welfare issue. This has been a growing challenge to production at sea, where it is difficult to find the right solutions.

Storms

The growth rate of farmed salmon depends, among other things, on weather conditions. Unexpected warm or cold temperatures can significantly negatively impact growth rates and feed consumption. Bakkafrost 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 Bakkafrost continually reduces risks using experience with equipment, location, and operational organisation. Bakkafrost's facilities are in areas where the weather conditions are well known and the facilities well secured. However, other weather conditions, such as storms or floods, could also lead to unexpected losses at facilities. In recent years, Bakkafrost has moved several farming sites in the Faroe Islands to more exposed areas but simultaneously upgraded the farming equipment to more robust equipment to mitigate the risk of storms. Wave and current measurements at exposed sites have been improved, as well as improved assessments of physical demands for equipment.

Climate change

Climate change may have negative impact on fish health and increase the risk of harmful species. Elevated sea temperatures may lead to episodes of oxygen depletion, increased blooms of harmful algae and other plankton species, as well as more extreme weather events.

Bakkafrost has close surveillance at the site with online oxygen monitoring implemented and monitoring sea temperature at farming sites. Algae and pathogens monitoring is implemented, and the assessment and procedures for physical demands for equipment have been improved.

Algae, hydrozoa, and other plankton living species

Microalgae, hydrozoa, and other plankton species may harm fish and cause mortalities either by causing oxygen depletion, releasing toxic substances or causing gill damage. Current knowledge on the prevalence of algae and hydrozoa is limited. Recent studies on salmon on one of our sites have indicated an inflammatory response on gill health at algae levels typically found at our farming sites. Further effort ought to be put into a survey of the prevalence of plankton living species and their effect on fish health.

Surveillance of algae and other plankton living species is implemented, and Bakkafrost is working in collaboration with researchers to gain a better understanding of the occurrence of hydrozoans and other species. Bakkafrost also samples and analyse nutrients level preparing for further knowledge and possibilities of a modelling and predicting.

Treatment and handling of fish

One of the main causes of mortality, is the handling of fish during delousing procedures. Bakkafrost is continuously working on optimising delousing procedures to ensure optimal fish welfare and reduce fish mortality. Non-medicinal treatments are well implemented in our lice treatment strategy, combined with preventive use of lumpfish and lice skirts and proper veterinary procedures. Salmon lice and derivative actions to control lice infestation pressure, is however, still considered one of the biggest challenges and most critical biological risks for the company.

Fish diseases

The operation of fish farming facilities involves risks regarding diseases. In the case of an outbreak of disease, Bakkafrost 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). Related diseases prevalent in Scotland are, in addition to the above, Pancreas disease (PD) as an example.

Bakkafrost's large smolt strategy and investments in freshwater treatment capacity play essential roles in mitigating these risks. Screening procedures to ensure early detection of disease agents have been implemented. Advancements in the broodstock operation also increases the overall resistance to diseases.

Mortality

The farming industry in the Faroe Islands has experienced a lower mortality rate than the rest of the farming industry in the last decade. In Scotland, the risk of mass mortality is higher and a mass mortality event in Scotland would lead to significantly reduced harvest biomass for the period, decreasing the efficiency of the processing plant and harvesting, significantly impact EBIT and cash flow.

Bakkafrost monitors fish health on a daily. Staff is trained to identify potential risks and disease is treated when identified. Significant investments have been made in treatment capability and capacity (fresh water and sea lice) and recent site swap has been made to manage disease risk. Aeration is also installed on all sites and used 24/7 during risk period.

Full mitigation is difficult as these are environmental factors often without our control. We will continue to review opportunities for site swaps, potentially allowing more control over the spread of disease. As the size and robustness of the smolt increases in coming years, this will reduce the biological risk overall.

Bakkafrost is continuously working on reducing mortality to have a 94% survival rate in the Faroe Islands. In Scotland, the survival rate is expected to be somewhat lower, and Bakkafrost targets 88% in 2026.

Smolt

The smolts are produced in freshwater hatcheries on land. Therefore, enough freshwater is critical for smolt production as reduced freshwater intake can severely affect the water quality in the hatcheries and cause mortality. In the Faroe Islands, Bakkafrost's hatcheries use water-recycling technology (RAS), whereby more than 97% of the freshwater is recycled. This significantly reduces the risk of freshwater shortage. In Scotland, Bakkafrost's hatcheries are in part flow-through hatcheries but will all be replaced by modern RAS-based hatcheries over the following years.

Bakkafrost releases millions of smolt per year. A limited capacity in the wellboats for smolt transport can necessitate smolt transportation under sub-optimal conditions such as bad weather. This can strain the released smolt, leading to higher mortality. Bakkafrost is constantly improving handling procedures to optimise fish welfare. Transport of fish have improved considerably over the years, and a lot of this is caused by improved knowledge and experience of the workers.

In 2022, Bakkafrost increased the wellboat capacity in the Faroe Island significantly. This will help mitigate the risk associated with the smolt transfer.

Roe

Essential to a good smolt production is the quality of roe. Bakkafrost is dependent on external providers of roe to the production. Poor roe quality reduces the survival of fry in start feeding and affects the whole salmon production chain. Bakkafrost is ramping up its own roe production from the Faroese and Native Hebridean strains, which Bakkafrost owns. This reduces dependence on external providers of good quality roe, and Bakkafrost will control the productions. Also, this will reduce the risk of importing foreign pathogens into the stocks.

Broodstock

External suppliers of roe can supply Bakkafrost with roe for the whole intended production, and the Bakkafrost is therefore not solely dependent on internal supply of roe. The broodstock operation in the Faroe Islands is divided into two branches, the production part with the aim to supply Bakkafrost Farming with roe and the genetic part with the aim to produce high quality roe with the traits necessary for modern farming operations.

Over the last years an extensive amount of work is done to build up and improve the Bakkafrost brood stock. Markers for disease resistance are identified with ongoing infection trials since 2017 and testing for heredity for quality parameters started when the first fish was harvested in 2020. Resistance against specific diseases shown to be challenging for farming operations are crucial for whether the roe is suitable for production. Several of the markers are so well characterized that these can be used for selection of the most resistant families for stripping already in 2021. Crucial for the realization of this work is that the genetic material is preserved, meaning that the broodfish in the facilities is kept alive. Accidents in the facilities could result in fish mortalities and irreversible loss of genetic material that has taken several generation and research effort to build up.

As part of the 2022-2026 investment plan, Bakkafrost plans to build a new state-of-the-art broodstock facility.

OTHER OPERATIONAL RISKS

Raw materials for fishmeal, fish oil and fish feed

The production of fishmeal, fish oil and fish feed follow established methods with automated and controlled processes. As the self-sufficient operator of fish meal, fish oil and fish feed, Bakkafrost is exposed to certain risks which may require the purchase of fish feed from a third party. For example, Bakkafrost 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, geo-political issues 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 with significant cost implications. Bakkafrost is continually working on reducing risks. The Company's fishmeal, fish oil and fish feed department at Havsbrún's facilities are 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 indirectly exposed to the same risk factors, this risk is usually mitigated contractually through third-party replacement obligations.

Feed contaminants

Through its use of different types of raw materials and ingredients and its production processes, the feed may be exposed to contamination by several 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 critical 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 can affect the environment, fish health, and food safety, potentially negatively impacting the public's confidence in eating salmon. Any of these events could hurt Bakkafrost's operating results 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 several 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 fish oils, etc. and strict plant security procedures. The risks, however, can never be 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 Bakkafrost salmon are well within the safety limits imposed by, e.g., the European Union, Bakkafrost has from early 2015 cleaned the fish oil used for Bakkafrost's salmon feed for DL-PCBs and other pollutants. Since early 2018, the antioxidant, Ethoxyquin has been replaced with a natural antioxidant.

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

Fish meal spontaneous combustion

Spontaneous combustion is a serious risk that could occur when fishmeal is stored in silos or transported overseas, although very improbable. To avoid this, Havsbrún adds natural antioxidants to the fishmeal during production. The addition of an antioxidant is done according to requirements from IMO to prevent spontaneous combustion of fishmeal stored and transported overseas. IMO is a specialised agency of the UN, the global standard-setting authority for the safety, security, and environmental performance of international shipping. By not adding antioxidants to the fishmeal, the possibility of spontaneous combustion would be present, increasing the risk of an explosion/fire. The antioxidant dosage is based on research results from an IFFO report combined with equivalent internal research based on Havsbrún's storage and transport conditions.

Fire in production facility or hatchery

A fire occurrence in one of Bakkafrost's large production facilities or hatcheries could be severe. To mitigate the risk of fire, regular fire-technological inspections and assessments are made by 3rd parties who also advice on and supervise what changes should be made to reduce all possible risks of fire. To reduce the risk of fire spreading, the large production facilities and hatcheries are divided into several separate fire cells with automatic fire extinguishing systems. The walls within fire cells are covered with fire safe material and the staff are trained in handling fire handling incidents.

MARKET RISKS

Price on farmed salmon

The Company's financial position and future development depend considerably on the price of farmed salmon, which has historically been subject to substantial fluctuations. Therefore, farmed salmon is a commodity, and it is 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 crucial parameter.

In short term, covering the next 12-24 months, salmon prices are expected to be strong – hence constituting an upside risk rather than a significant downside risk. However, the volatility itself is the main risk. By selling around 40% of the harvested volumes on fixed price contracts, Bakkafrost's sales strategy alleviates a substantial part of the risk induced by salmon prices. Annual revaluation of the company's sales distribution between selling on spot and long-term contract prices. The goal is to have around 40% of the harvest volume on long-term contracts at fixed prices. The appropriate contract level is reviewed regularly and primarily towards the end of each year, covering the next year.

Since the acquisition of SSC, Bakkafrost has focused on bringing together the brands and coordinating the sales and market approach under the One Company strategic pillar. This improves Bakkafrost's agility in the market on a strategic, tactical and operational level, and helps to reduce the overall market risk.

General inflation risk

The inflation rates have increased in general. This affects revenues as well as the cost of operation and planned investments. In 2022, inflation has significantly increased the salmon spot prices as well as the contracted prices from Bakkafrost's VAP segment. While this is positive for the revenues, the input costs have also increased significantly – however not yet fully materialised in increased in cost of

harvested fish. Due to the long production cycle of salmon, cost of harvested fish will continue to increase.

The inflating input costs are to a high extent being passed on to customers. The observed inflation in 2022 on feed ingredients can also provide competitive opportunities for Bakkafrost. Bakkafrost is less exposed to the inflation of vegetable feed ingredients than its competitors, due to the much lower vegetable content in the Havsbrún feed. Also, Bakkafrost's low feed conversion ratio compared to competitors and compared to other animal (non-salmon) protein producers, can give Bakkafrost a competitive advantage. Hence, remaining the high marine inclusion in the feed and continuously improve the FCR are measures that mitigate the effects of the inflation on vegetable feed ingredients. Bakkafrost also adapts procurement to inflation (e.g. procurement pooling and securing frame agreements, fixing terms and conditions where possible and feasible). Regarding the investment plan, this is regularly revisited to reflect observed and expected inflation.

Price on fishmeal and fish oil

Bakkafrost'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 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 critical. Decreased supply may cause prices to increase. This could, in turn, impact 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 feed price fluctuations could substantially impact 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 fish feed production. However, the feed producers have come a long way 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 of Bakkafrost's value chain and thus reducing this risk.

Customer and market dependency

Single large customers or specific markets accounting for a large share of sales can constitute a risk to future revenues. Bakkafrost maintains a diversified sale strategy, spreading the sale across many customers in several markets. Bakkafrost's strategy is to sell around 30-40% of the harvested volumes in the Faroe Islands to the retail segment, whereas the remaining share is sold to the foodservice market. In addition, Bakkafrost has the flexibility and necessary production capacity to adapt the production to changes in demand, as demonstrated during the Covid-19 pandemic.

FINANCIAL, LEGAL & REGULATORY RISKS

Macro-economic factors

Bakkafrost operates in different countries and sells its products all over the world. Hence, Bakkafrost is subject to macroeconomic changes, whether local, regional or global. Such changes can be positive and negative to Bakkafrost and can significantly impact Bakkafrost. The Covid-19 pandemic and the ongoing war between Russia and Ukraine are recent examples of the world economy, market and trade flow can be disrupted. This increases the level of financial uncertainty significantly.

Bakkafrost maintains a diversified approach to the market, spreading the risk by selling products to different geographic markets and selling to different channels (retail vs food

service). Being present in different markets, which are not financially dependent on each other, lowers this risk. Likewise, Bakkafrost seeks to source raw materials and services from many suppliers to avoid relying on single suppliers. Also, Bakkafrost actively seeks good information sources on macro economical changes in areas where Bakkafrost operates or sells products.

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. Accounts payables are primarily in DKK, USD, GBP and NOK. As a group, Bakkafrost has significant natural hedging. For those currencies not fully hedged, fluctuations in foreign exchange rates present a financial risk to Bakkafrost. The Company's finance agreement is a 700 mEUR multicurrency facility giving Bakkafrost the possibility to request other currencies at utilisation.

Bakkafrost's foreign exchange risk is partly mitigated through the natural hedging within the Group. Intragroup transactions and external trade balance reduce the Group's foreign exchange rate exposure to the reporting currency. A hedging strategy for the remaining net exposure to foreign exchange rates is implemented to reduce the risk further. The performance of the hedging strategy is reviewed monthly, and the Board oversees the strategy.

Insurance risk

Bakkafrost has significant assets and trade flows at risk, and risk mitigation is sought through insurance. The insurance market has tightened in recent years, and the insurance market has become less competitive. To get appropriate insurance cover at competitive prices, Bakkafrost offers its insurances to international insurance companies, and Group policies are sought where feasible. External benchmarking is performed

regularly, and brokers are used to negotiating terms and pull quotes for a broader field of insurance providers.

Tax risk

The Bakkafrost Group is complex, with subsidiaries in several jurisdictions. This increases the risk of non-compliance with local tax rules, and transfer pricing rules becomes more complicated. In addition, the group is exposed to jurisdictions where taxation laws can change. The newly introduced resource tax for the salmon industry in Norway has increased the risk of spillover effects to the Faroe Islands and Scotland and the government in the Faroe Islands are expected to increase the revenue tax.

To mitigate this risk, Bakkafrost relies on tax and legal advice and relevant services from acknowledged competent external advisors/experts covering the jurisdictions where Bakkafrost has its operation. Bakkafrost also maintains a firm transfer pricing policy and documentation. Bakkafrost also keeps a close dialog with politicians in the Faroe Islands in order to prevent tax increases, that are unhealthy for the future growth and development of the Faroese salmon industry.

Investment risk

Bakkafrost has several large ongoing and planned investments. There is a risk that these projects do not deliver the expected benefits, deliver on time or budget. To mitigate this, major investment projects are properly organized and staffed with skilled employees with clear objectives and mandate. Programme and project management skills are in strengthened across the organisation and efficient governance structures established, rooted in well-defined project model and methodology. Project monitoring and reporting processes on projects and programmes are strengthened.

Interest rate risk

Interest rates have been historically low for years, but to combat the recent increasing inflation, interest rates have increased. It is likely, that interest rates will continue to increase during 2023, which not only affects Bakkafrost's cost of financing, but also affects the general market. Bakkafrost monitors the forecasted development in order to make appropriate and informed hedging decisions.

Credit risk

The risk that counterparties do not have the financial strength to meet their obligations is considered relatively low since historically, losses due to bad debts 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. Most accounts receivables are insured, but as not all receivables are insured, Bakkafrost must accept a certain risk element in accounts. Bakkafrost has implemented strong internal controls to reduce the credit risk. This includes centralised weekly monitoring of debtors' balances, and any non-standard credit terms need to be approved by the Credit Committee.

Liquidity risk

Bakkafrost has announced a 6.2 billion DKK investment programme for 2022-2026, which is financed with cash-flow from operation and debt. The cashflow from operation is dependent on the salmon market as well as the cost of operation and biological performance in particular. There is therefore a risk of reduced liquidity in the Group.

Bakkafrost monitors weekly the liquidity and net debt. Also, the 5-year budget is updated on a quarterly basis, which also takes into account the Group's liquidity and net debt development. If deemed necessary, the planned capex can be adapted and/or partly postponed, to reflect deteriorated liquidity forecasts. In February 2023, Bakkafrost's group of

lending banks accepted to extend their 5-year 700 mEUR finance agreement with Bakkafrost to February 2028. Unused credit facilities and terms are described in Note 3.11.

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 changes its capital structure in response to an ongoing assessment of the financial conditions under which the business operates. It's short- and medium-term outlook, including any adjustment in dividend payouts, buyback of its own shares, capital reduction or issue of new shares.

Legal & Regulatory

Due to environmental or animal welfare concerns, regulatory imposition may materially impact the Company's operations and financial condition. The Company emphasises organising its operations so that the risk for unexpected measures is reduced. Still, 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 a good dialogue with the Faroese and Scottish authorities regarding the prerequisites and restrictions connected to a farming license.

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

The authorities may withdraw licenses for fish farming operations if substantial preconditions have been changed since the license was issued, 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 does not use the license. The license may also be revoked 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 about aquafarming. Therefore it can be expected that the rules in this area may become stricter or that existing practice will become stricter.

Geographical diversification by acquiring The Scottish Salmon Company has reduced the likelihood of regulatory changes having devastating effects on a group level. In addition, continuous dialogue with regulators and politicians in the Faroes and Scotland is performed to be able to influence regulatory changes and be prepared for changes. The dialogue occurs directly and via memberships in industry organisations such as Havbúnaðarfelagið and Salmon Scotland (former SSPO).

Bakkafrost continuously monitors if the company complies with legal and regulatory requirements, such as veterinary regulations, food safety, human safety, financial regulations,

tax, corporate laws etc. This responsibility is unambiguously split between several parts of the organisation, e.g. the Quality Department (FO), Biology Department (SCO), Health & Safety and Finance. External advice and assistance are used when needed – e.g. lawyers and renowned professional services firms.

ESG RISKS

ESG rating and stakeholder management risk

Sustainability is increasingly becoming a key priority to governments, the public, NGOs, customers, investors and the financial market as a whole. Due to the inherent complexity in the "measurement of sustainability", stakeholders are increasingly relying on ESG ratings before making decisions on buying Bakkafrost's salmon, shares or providing financing. It is increasingly important to demonstrate to stakeholders clearly and convincingly that Bakkafrost takes its ESG responsibility seriously. Failing in this can negatively affect license to operate, sales, share price, and access to capital.

Bakkafrost has strengthened the capabilities and capacity to engage with organisations providing ESG ratings. Active dialogue with the most important and influential rating organisations will increase transparency and accurately picture Bakkafrost's sustainability profile and achievements. As a consequence, Bakkafrost has improved ESG-scorings in general.

In Scotland, reputational management and communications planning help reduce the risk and our membership in Salmon Scotland is important in this respect. Direct engagement with the Scottish Government, participation in industry committees is also important.

External dependencies for ESG commitments

Bakkafrost has set several ambitious targets: the scope 1 & 2 carbon emission reduction targets for 2030 and the net-zero target for 2050. To reach these targets, the main hurdle



is that Bakkafrost relies on deregulation of the electricity market in the Faroe Islands or access to sufficient amounts of renewable energy to power its operation, primarily at Havsbrún. Although the declared 2030 goal from the Faroese Government is to have 100% renewable electricity in the Faroes in 2030, there is a significant risk that this will not be achieved. Also, it is uncertain if the offered electricity prices in the Faroese national grid will be competitive compared to non-renewable alternatives.

To mitigate this risk, Bakkafrost actively engages stakeholders to facilitate the transition to cost-efficient solutions for powering Bakkafrost with renewable energy. This includes lobbying the political system and cooperation with the Faroese national electricity company, SEV. Bakkafrost is also exploring other routes to ensure access to renewable energy.

Failing to deliver on commitments

In addition to ambitious carbon reduction targets, Bakkafrost has set a number of commitments in its sustainability plan. If Bakkafrost is significantly underdelivering on these commitments, it can have a negative effect on Bakkafrost's corporate brand and reputation.

Bakkafrost performs regular reviews of target achievement and track to completion. Commitments are anchored at executive level. However, some of the commitments are linked to improvements to the biological performance in Scotland. These improvements rely on the strategic investment plan to materialise in large robust smolt in Scotland.

IT RISKS

Cyber security

With the increased use of technologies such as the internet to conduct business, the Group and its customers and service providers are susceptible to operational information security and related "cyber" risks both directly and indirectly. This 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. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber incidents include, but are not limited to, gaining unauthorised access to digital systems (e.g., through “hacking” or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data (e.g. ransomware), or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised 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 because of cyber-attacks. The most exposed areas of the Company’s value chain in case of cyber-attacks are hatcheries, processing and sales. For shorter periods, harvestable fish can be held in seawater sites pending a solution to such an adverse event, implying a delay in profits and cash flows.

The IT risks are assessed continuously, based on the importance of a potential event for Bakkafrost operations and the likelihood that the event may occur. Bakkafrost’s IT infrastructure is being restructured to increase the robustness and resilience to malicious attacks. 24/7 monitoring is in place and 3rd parties are engaged for increased security.

HR RISKS

Recruitment of Operatives in Processing

Bakkafrost is highly dependent on access to operative labour for the VAP and Harvest operations in Processing as well as operative staff for remote areas. The unemployment rate in the Faroe Islands is 0.8% and companies increasingly rely on foreign workers. In Scotland, Bakkafrost has had high staff turnover during 2022 and it has been more challenging to recruit adequate numbers and skilled employees to meet current or future requirements. Brexit has resulted in a more restricted access to labour, and we have felt that, as have other industries in UK. Furthermore, the high inflation has resulted in an increased mobility between operative staff, as the cost of living is fuelling a pressure on income.

In the Faroes, the development is monitored closely, and Bakkafrost has been able to sufficiently recruit foreign workers. In Scotland, Bakkafrost will continue to focus in the most critical areas for recruitment. Future automation through investments will require relatively fewer operative roles. Rotation patterns in key areas have been introduced to allow recruitment opportunities out-with regions. Consolidation of freshwater sites will also reduce geographical areas to hire for and investment in new processing/harvesting are planned for areas with higher concentration of labour.

GOVERNANCE



Corporate Governance

P/F Bakkafrost 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 14 October 2021 by the Norwegian Corporate Governance Board (the “Code of Practice”). The recommendation may be found at www.nues.no. Beside the Corporate Governance description in our annual report, Bakkafrost publishes a more detailed report on Corporate Governance, which may be found on our website.

Bakkafrost 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”.

Bakkafrost’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 2023, 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 2023. 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 Bakkafrost. It is the Board’s view that if shareholders find this authorization unacceptable, the Board will support a change to the Articles of Association.

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.

BAKKAFROST’S GOVERNANCE MODEL



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 deadline 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 2022, 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 eight meetings in 2022. Below under each Director's profile is disclosed each Director's participation in the Board meetings held during 2022.

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 the 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 four times during 2022 to review accounting and operational issues in detail. The committee consists of Rúni M. Hansen (Chairman), Øystein Sandvik and Teitur Samuelsen.

Remuneration Committee

The Remuneration Committee is a sub-committee of the Board of Directors and consists of three members: Øystein Sandvik (Chairman), Einar Wathne and Teitur Samuelsen.

The Remuneration Committee is responsible for setting an appropriate reward policy that motivates the Group Executive Management to achieve the long-term interests of the shareholders. Responsibilities include setting the remuneration policy for the Group Executive Management, determining individual compensation, and providing direction on salaries, bonuses and pensions and other remuneration.

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 Høgne Dahl 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 2022, 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 and Scotland. 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 1,778 FTE's in the Faroe Islands, UK, Scotland, USA, Denmark and France. It acknowledges that 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 maintaining high employee engagement. The 2023 Healthy Living Plan outlines 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), Bakkafrost 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

Bakkafrost 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

Bakkafrost 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) Bakkafrost 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.

Bakkafrost's harvesting and value-added product (VAP) production have 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 holds 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 Bakkafrost 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 Bakkafrost's management approach to these issues, its plan to meet its commitments and its 2022 performance against them, can be found in Bakkafrost's 2022 Healthy Living Sustainability Report.



Shareholder Information

Information to shareholders has high priority in Bakkafrost. 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, løggilt grannskoðanarvirki (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

- Bakkafrost UK Ltd is Forrester Boyd Chartered Accountants, Grimsby
- Bakkafrost Scotland Ltd is Azets, Glasgow.
- Munkebo A/S is Beierholm, Aarhus
- SARL Faroe France, Terninck Laurent, Saint Omer.

DIVIDEND POLICY

Bakkafrost 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.

Bakkafrost's financial position is strong with a healthy balance sheet, a competitive operation and undrawn available credit facilities.

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

The parent company P/F Bakkafrost had a net profit of DKK 756 million for 2022. The Board of Directors has decided to propose to the Annual General Meeting that DKK 10.00 (approximately NOK 14.53*) per share shall be paid out as dividends. This corresponds to DKK 591 million (NOK 836* million).

The Board thereby proposes the following allocation of funds:

- Result for 2022: DKK 756 million
- Transferred to other equity: DKK 165 million
- Total provision for dividends: DKK 591 million

After the payment of dividends, the distributable equity totals DKK 9,087 million.

SHAREHOLDERS, CAPITAL AND VOTES

P/F Bakkafrost had on 31 December 2022, 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 Bakkafrost holds 44,519 treasury shares as at 31 December 2022.

Ticker code: BAKKA

LARGEST SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2022: Oddvør Jacobsen, Regin Jacobsen, Goldman Sachs Group, Inc. 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. He joined the Board in 2009 and has been Chairman since. The term of office expires in 2023. He is considered to be independent. Executive Chairman of the industry holding company Tjaldur. Chairman of the Board of Mintra. Mintra is a listed company on Oslo Euronext Growth.

Education:

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

Board meetings in 2022:

Participated in all 8 Board meetings in 2022.

Number of shares held in Bakkafrost:

Holds 10,761 shares - no change in portfolio in 2022.

Mr Hansen is a 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 from 2012 to 2016. Mr Hansen has extensive experience in the seafood industry and the international energy industry. He was among other members 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.



TEITUR SAMUELSEN

Board member

Born 1972. Faroese citizen. He joined the Board in 2016. The term of office expires in 2023. He is considered to be independent. Managing Director at P/F Eystur- og Sandoyartunlar and P/F Suðuroyartunlar.

Education:

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

Board meetings in 2022:

Participated in all 8 Board meetings in 2022.

Number of shares in Bakkafrost:

Holds 100 shares - no change in portfolio in 2022.

Mr Samuelsen has extensive experience in 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 Betri Trygging. He is also a chairman of the board in Bústaðir, and a member of the Faroese auditor supervision board.



ANNIKA FREDERIKSBERG

Board member

Born 1971. Faroese citizen. She joined the Board in 2008. The term of office expires in 2023. She is not considered to be independent.

Sales Manager at Bakkafrost.

Education:

Basic Vocational Course, Commercial Line, Faroese Business School.

Board meetings in 2022:

Participated in all 8 Board meetings in 2022.

Number of shares in Bakkafrost:

Holds directly and indirectly 16,413 shares - change in portfolio in 2022: +163 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. He joined the Board in 2013. The term of office expires in 2023. He is considered to be independent.

Education:

Bank Economist.

Board meetings in 2022:

Participated in all 8 Board meetings in 2022.

Number of shares in Bakkafrost:

Holds no shares – no change in portfolio in 2022.

Mr Sandvik has extensive experience in 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.



EINAR WATHNE

Board member

Born 1961. Norwegian citizen. He joined the Board in 2019. The term of office expires in 2023. He is considered to be independent.

Education:

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

Board meetings in 2022:

Participated in all 8 Board meetings in 2022.

Number of shares in Bakkafrost:

Holds no shares – no change in portfolio in 2022.

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



GUÐRÍÐ HØJGAARD

Board member

Born 1972. Faroese citizen. Joined the board in 2022. Term of office expires in 2023. She is considered to be independent. She is currently CEO of Visit Faroe Islands and previously Marketing Director of Visit Stockholm.

Education:

MSc. in Business Administration & International Marketing, Copenhagen Business School and Stockholm University.

Board meetings in 2022:

Participated in 6 Board meetings in 2022.

Number of shares in Bakkafrost:

Holds no shares – no change in portfolio in 2022.

Mrs. Højgaard has extensive experience from international marketing and branding. She has worked in the travel and tourism industry in Sweden, Denmark and the Faroe Islands. Mrs. Højgaard is presently a member of the Board of Directors at P/F Postverk Føroya and The Faroese Business Development Fund (Framtak).

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 4,617,951 shares at year-end 2022.

Changes in portfolio in 2022: +600 shares.

Mr Jacobsen has extensive experience in the salmon industry and finances. He was the 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 75,024 shares at year-end 2022.

Changes in portfolio in 2022: +431 shares.

Mr Jakobsen has extensive experience in 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.

Education:

Teacher Certificate Exam, University of the Faroe Islands.

Number of shares held in Bakkafrost:

Holds 185,391 shares at year-end 2022.

Changes in portfolio in 2022: +422 shares.

Mr Eliassen has broad experience in 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

Today, the Management and the Board of Directors have considered and approved the Annual and Consolidated Report and Accounts of P/F Bakkafrost for the financial year 1 January 2022 to 31 December 2022.

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 2022, as well as the results of the Group's and the parent company's activities and cash

Glyvrar, 31 March 2023

Management:

Regin Jacobsen

CEO

The Board of Directors of P/F Bakkafrost

Rúni M. Hansen

Chairman of the Board

Øystein Sandvik

Board Member

Annika Frederiksberg

Board Member

Teitur Samuelsen

Board Member

Einar Wathne

Board Member

Guðrið Højgaard

Board Member

flows for the financial year 1 January 2022 to 31 December 2022.

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.

Independent Auditor's Report

To the Shareholders of P/F Bakkafrost

Report on the Audit of the Consolidated financial statements and parent company financial statements

Opinion

We have audited the consolidated financial statements and parent company financial statements of P/F Bakkafrost and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements and parent company financial statements give a true and fair view of the consolidated financial position of the Group and the parent company as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and further requirements in the Faroese Financial Statements Act. Our opinion is consistent with our auditor's long-form report to the audit committee and the board of directors

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in the Faroe Islands. Our responsibilities under those standards and requirements are further described in the Auditor's Responsibilities for the audit of the Consolidated financial statements and parent company financial statements section of our report.

We are independent of the Group in accordance with the International Ethics Standards Board for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in the Faroe Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

To the best of our knowledge and belief, prohibited non-audit services referred to in article 5(1) of Regulation (EU) no 537/2014 were not provided.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Appointment

P/F Januar was first appointed auditors of P/F Bakkafrost on 18 April 2013 for the financial year 2013. We have been reappointed by shareholders on AGMs for an annual engagement every year since.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion 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 the 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 IAS 41

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 the 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 the audit approach

During our audit, we:

- Applied our experience and knowledge about the characteristics of the 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 the 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 is comparable to industry standards.
- On a sample bases reperformed net present value calculation.

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.

Responsibilities of Management and Those Charged with Governance for the Consolidated financial statements and parent company financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements and parent company financial statements in accordance with IFRSs as adopted by the EU and further requirements in the Faroese Financial Statements Act, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements and parent company financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements and parent company financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated financial statements and parent company financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and parent company financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and parent company financial statements.

As part of an audit in accordance with ISAs as adopted by the EU and additional requirements applicable in the Faroe Islands, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 financial statements and parent company financial statements 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 to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and parent company

financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and parent company financial statements. 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 internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements and parent company financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Statement on the management's review

Management is responsible for the management's review. Our opinion on the consolidated financial statements and parent company financial statements does not cover the management's review, and we do not express any kind of assurance opinion thereon.

In connection with our audit of the consolidated financial statements and parent company financial statements, our responsibility is to read the management's review and, in doing so, consider whether the management's review is materially inconsistent with the consolidated financial statement or our knowledge obtained during the audit, or whether it otherwise appears to be materially misstated.

Further, it is our responsibility to consider whether the management's review provides the information required by the International Financial Reporting Standards as adopted by EU and further requirements in the Faroe Islands financial statements act.

Based on the work we have performed, we believe that the management's review is in accordance with the consolidated financial statements and parent company financial statements and that it has been prepared in accordance with the requirements of the International Financial Reporting Standards as adopted by EU and further requirements in the Faroe Islands financial statements act.

We did not identify any material misstatement in the management's review.

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements, we performed procedures to express an opinion on whether the Consolidated Financial Statements of P/F Bakkafrost for the financial year 1 January to 31 December 2022 with the filename 2138007LH70P4V112978-2022-12-31-en.zip

is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

Management is responsible for preparing a consolidated financial statement that complies with the ESEF Regulation. This responsibility includes:

- The preparing of the annual report in XHTML format.
- The selection and application of appropriate iXBRL tags, including extensions to the ESEF taxonomy and the anchoring thereof to elements in the taxonomy, for all financial information required to be tagged using judgement where necessary.
- Ensuring consistency between iXBRL tagged data and the Consolidated Financial Statements presented in human-readable format; and
- For such internal control as Management determines necessary to enable the preparation of a consolidated financial statement that is compliant with the ESEF Regulation.

Our responsibility is to obtain reasonable assurance on whether the Consolidated Financial Statement is prepared, in all material respects, in compliance with the ESEF Regulation based on the evidence we have obtained and to issue a report that includes our opinion. The nature, timing and extent of procedures selected depend on the auditor's judgement, including the assessment of the risks of material departures from the requirements set out in the ESEF Regulation, whether due to fraud or error. The procedures include:

- Testing whether the Consolidated Financial Statement is prepared in XHTML format.
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process.

- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements.
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified.
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the Consolidated Financial Report of P/F Bakkafrost for the financial year 1 January to 31 December 2022 with the file name 2138007LH7OP4V112978-2022-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Tórshavn, 31. March 2023

Januar P/F

løggilt grannskoðanarvirki

State Authorized Public Accountants • Company reg.no. 5821

Fróði Sivertsen

State Authorised Public Accountant

John Michal Petersen

State Authorised Public Accountant



Financial Statements and Notes

BAKKAFROST GROUP



Table of Contents

BAKKAFROST GROUP

Consolidated Income Statement	88
Consolidated Statement of Other Comprehensive Income	89
Consolidated Statement of Financial Position	90
Consolidated Cash Flow Statement	92
Consolidated Statement of Changes in Equity	93

NOTES - SECTION 1 - BASIS OF PREPARATION **95**

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	95
Note 1.1 Summary of Significant Accounting Policies	95
Note 1.2 Basis of Presentation	95
Note 1.3 Consolidation Principles	95
Note 1.4 Translation of Foreign Currencies	96
Note 1.5 Classification Principles	96
Note 1.6 Functional Currency	96
Note 1.7 New Standards	97
Note 1.8 Accounting Estimates	97
Note 1.9 IXBRL Reporting	97

NOTES – SECTION 2 – RESULTS FOR THE YEAR **98**

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

Note 2.1 Revenue	98
Note 2.2 Major Customers	98
Note 2.3 Operating Segment Information	99
Note 2.4 Salaries and other Personnel Expenses	103
Note 2.5 Other Operating Expenses and other Income	105
Note 2.6 Research and Development Expenses	105
Note 2.7 Net Financial Items	106
Note 2.8 Tax	107

NOTES – SECTION 3 – ASSETS AND LIABILITIES **109**

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	109
Note 3.2 Property, Plant and Equipment	113
Note 3.3 Leasing	115
Note 3.4 Companies in the Group	117
Note 3.5 Shares and Holdings in Other Companies	119
Note 3.6 Inventory	120
Note 3.7 Biological Assets	121
Note 3.8. Accounts Receivable and other Receivables	124
Note 3.9 Cash and Cash Equivalents	125
Note 3.10 Share Capital and Major Shareholders	126
Note 3.11 Interest-Bearing Debt	128
Note 3.12 Mortgages and Guarantees	131
Note 3.13 Derivatives	132

NOTES – SECTION 4 – CAPITAL STRUCTURE AND FINANCING ITEMS **134**

This section gives an insight into the capital structure and financing items.

Note 4.2 Categories and Fair Value of Financial Instruments 139

Note 4.3 Earnings Per Share 140

NOTES – SECTION 5 – OTHER DISCLOSURES **141**

This section gives more details on the statutory notes that have secondary importance from the perspective of bakkafrost.

Note 5.1. Capital Commitments 141

Note 5.2 Related-Party Transactions 142

Note 5.3 Business Combinations 143

Note 5.4 Events after the Date of the Statement of Financial Position 145

Note 5.5 Auditor's Fees 145

Note 5.6 Going Concern 146

Note 5.7 Alternative Performance Measures 146

Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000		2022	2021
Operating revenue		7,129,967	5,553,849
Purchase of goods		-2,756,273	-1,692,501
Change in inventory and biological assets (at cost)		666,550	-178,060
Salary and personnel expenses	2.4	-831,679	-728,423
Other operating expenses	2.5	-1,990,299	-1,632,114
Depreciation	3.1/3.2/3.3	-537,480	-530,434
Other income	2.5	24,379	28,877
Operational EBIT*		1,705,165	821,194
Fair value adjustments of biological assets	3.7	278,392	434,868
Income from associates		57,597	30,112
Revenue tax - FO		-215,001	-141,489
Earnings before interest and taxes (EBIT)		1,826,153	1,144,685
Financial income	2.7	7,000	5,415
Financial expenses	2.7	-65,039	-40,608
Net currency effects	2.7	-69,066	38,761
Other financial items	2.7	-8,713	-10,591
Earnings before taxes (EBT)		1,690,335	1,137,662
Taxes	2.8	-346,005	-173,626
Profit or loss for the period continuing operations		1,344,330	964,036
Profit or loss for the year attributable to			
Non-controlling interests		-780	-17
Owners of P/F Bakkafrost		1,345,110	964,053
		1,344,330	964,036
Earnings/Diluted earnings per share (DKK)	4.3	22.75	16.32

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

Consolidated Statement of Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	2022	2021
Profit for the year	1,344,330	964,036
Change in tax rate on equity posted PPA in prior years	0	-193,574
Changes on financial derivatives	11,102	12,928
Hereof income tax effect	-1,103	-1,972
Reserve to share based payment	12,760	1,570
Currency translation differences	-28,490	36,139
Reclassification - Currency translation differences fund	0	-24,452
Reclassification - Biomass Fair value adjustments fund	0	24,452
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-5,731	-144,909
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0
Other comprehensive income	-5,731	-144,909
Total comprehensive income for the year net tax	1,338,599	819,127
Total comprehensive income attributable to		
Non-controlling interests	-780	-17
Owners of P/F Bakkafrost	1,339,379	819,144
	1,338,599	819,127

Consolidated Statement of Financial Position

AS AT 31 DECEMBER

DKK 1,000	Note	2022	2021
ASSETS			
Non-current assets			
Intangible assets	3.1	4,508,704	4,495,726
Total intangible assets		4,508,704	4,495,726
Property, plant and equipment	3.2	5,647,161	4,888,778
Right of use assets	3.3	438,545	302,105
Total property, plant and equipment		6,085,706	5,190,883
Non-current financial assets			
Investments in associated companies	3.4	233,276	93,904
Investments in stocks and shares	3.5	933	55,321
Long-term receivables	3.8	0	8,102
Deferred tax assets	2.8	336,020	215,248
Total non-current financial assets		570,229	372,575
TOTAL NON-CURRENT ASSETS		11,164,639	10,059,184
Current assets			
Biological assets (biomass)	3.7	2,938,485	2,448,290
Inventory	3.6	1,074,344	709,306
Total inventory		4,012,829	3,157,596
Derivatives	3.13	7,474	0
Accounts receivables	3.8	808,755	620,324
Tax receivables	2.8	65,822	109,701
Other receivables	3.8	102,450	172,206
Total receivables		984,501	902,231
Cash and cash equivalents	3.9	719,603	509,157
TOTAL CURRENT ASSETS		5,716,933	4,568,984
TOTAL ASSETS		16,881,572	14,628,168

DKK 1,000	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Share capital	3.10	59,143	59,143
Other equity		10,333,259	9,288,269
Non-controlling interest		3,411	133
Total equity		10,395,813	9,347,545
Non-current liabilities			
Deferred taxes	2.8	1,825,873	1,590,034
Long-term interest-bearing debt	3.11	3,383,289	2,634,968
Long-term leasing debt	3.3	353,355	245,753
Derivatives	3.13	0	3,207
Total non-current liabilities		5,562,517	4,473,962
Current liabilities			
Financial derivatives	3.13	0	4,602
Trade payables		478,750	510,357
Current tax liabilities	2.8	237,780	170,997
Short-term leasing debt	3.3	106,215	87,668
Other current liabilities		100,497	33,037
Total current liabilities		923,242	806,661
Total liabilities		6,485,759	5,280,623
TOTAL EQUITY AND LIABILITIES		16,881,572	14,628,168

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	2022	2021
Cash flow from operations			
EBIT		1,826,153	1,144,685
Adjustments for write-downs and depreciation	3.1/3.2/3.3	537,480	530,434
Adjustments for value adjustments on biomass	3.7	-278,392	-434,868
Adjustments for income from associates		-57,597	-30,112
Adjustments for currency effects		-145,495	45,160
Taxes paid		-170,748	-54,327
Change in inventory		-576,841	142,314
Change in receivables		-208,951	-493,831
Change in current debts		276,247	275,099
Cash flow from operations		1,201,856	1,124,554
Cash flow from investments			
Proceeds from sale of fixed assets		368	667
Payments made for purchase of fixed assets	3.2	-1,235,680	-1,115,680
Purchase of shares and other investments		-27,387	2,775
Change in long-term receivables		8,102	-1
Cash flow from investments		-1,254,597	-1,112,239
Cash flow from financing			
Change in revolving credit facilities		735,352	404,600
Financial income		4,310	3,542
Financial expenses		-68,255	-56,427
Lease payment		-117,022	-116,897
Proceeds/Acquisition of treasury shares		12,797	10,957
Dividend paid		-303,995	-215,872
Cash flow from financing		263,187	29,903
Net change in cash and cash equivalents in period		210,446	42,218
Cash and cash equivalents - opening balance		509,157	466,939
Cash and cash equivalents - closing balance total		719,603	509,157

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	Fair value adjustments	Retained Earnings	Non controlling interest	Total Equity
Equity 01.01.2022	59,143	4,027,375	-26,767	7,799	46,232	-3,873	303,995	604,707	4,328,801	133	9,347,545
Consolidated profit	0	0	0	0	0	0	0	278,392	1,066,718	-780	1,344,330
Changes in financial derivatives	0	0	0	0	0	11,102	0	0	0	0	11,102
Hereof tax effect	0	0	0	0	0	-1,103	0	0	0	0	-1,103
Share-based payment	0	0	0	12,760	0	0	0	0	0	0	12,760
Currency translation differences	0	0	0	0	-28,490	0	0	0	0	0	-28,490
Total other comprehensive income	0	0	0	12,760	-28,490	9,999	0	0	0	0	-5,731
Total comprehensive income	0	0	0	12,760	-28,490	9,999	0	278,392	1,066,718	-780	1,338,599
Treasury shares	0	0	8,255	0	0	0	0	0	1,349	0	9,604
Addition of non-controlling interests	0	0	0	0	0	0	0	0	0	4,060	4,060
Paid-out dividend	0	0	0	0	0	0	-303,995	0	0	0	-303,995
Proposed dividend	0	0	0	0	0	0	591,430	0	-591,430	0	0
Total transaction with owners	0	0	8,255	0	0	0	287,435	0	-590,081	4,060	-290,331
Total changes in equity	0	0	8,255	12,760	-28,490	9,999	287,435	278,392	476,637	3,280	1,048,268
Total equity 31.12.2022	59,143	4,027,375	-18,512	20,559	17,742	6,126	591,430	883,099	4,805,438	3,413	10,395,813
DKK 1,000											
Equity 01.01.2021	59,143	4,027,375	-37,672	6,229	34,545	-14,829	215,872	145,387	4,293,438	0	8,729,487
Consolidated profit	0	0	0	0	0	0	0	434,868	529,185	-17	964,036
Change in tax rate on equity posted PPA in prior years	0	0	0	0	0	0	0	0	-193,574	0	-193,574
Changes in financial derivatives	0	0	0	0	0	12,928	0	0	0	0	12,928
Hereof tax effect	0	0	0	0	0	-1,972	0	0	0	0	-1,972
Share-based payment	0	0	0	1,570	0	0	0	0	0	0	1,570
Currency translation differences	0	0	0	0	36,139	0	0	0	0	0	36,139
Reclassification between funds	0	0	0	0	-24,452	0	0	24,452	0	0	0
Total other comprehensive income	0	0	0	1,570	11,687	10,956	0	24,452	-193,574	0	-144,909
Total comprehensive income	0	0	0	1,570	11,687	10,956	0	459,320	335,611	-17	819,127
Treasury shares	0	0	10,905	0	0	0	0	0	3,748	0	14,653
Addition of non-controlling interests	0	0	0	0	0	0	0	0	0	150	150
Paid-out dividend	0	0	0	0	0	0	-215,872	0	0	0	-215,872
Proposed dividend	0	0	0	0	0	0	303,995	0	-303,995	0	0
Total transaction with owners	0	0	10,905	0	0	0	88,123	0	-300,247	150	-201,069
Total changes in equity	0	0	10,905	1,570	11,687	10,956	88,123	459,320	35,364	133	618,058
Total equity 31.12.2021	59,143	4,027,375	-26,767	7,799	46,232	-3,873	303,995	604,707	4,328,801	133	9,347,545

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, Glyvrrar.

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 2022 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 31 March 2023.

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 a controlling influence either by shareholding or by agreement. A controlling interest is normally deemed to exist when ownership directly or indirectly exceeds 50% 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% 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 or 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 non-current 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 2023 and

Only minor adjustments have been made in standards and interpretations (IFRIC) which are effective for the financial year 2022. Neither are new standards nor amendments to these from 2023 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 is 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.

NOTE 1.9 IXBRL REPORTING

We are required to file our annual report in the European Single Electronic Format ('ESEF') using the XHTML format and to tag the primary consolidated financial statements using Inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. The annual report submitted to the Faroese Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a ZIP file named 2138007LH70P4V112978-2022-12-31-en.

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 2022, there were no major customers - as defined in IFRS 8.34, compared to no major customer in 2021.

NOTE 2.3 OPERATING SEGMENT INFORMATION

2022 - DKK 1,000	Farming FO	Value Added Products	Fishmeal, oil and feed	Farming SCT	Eliminations	Bakkafrost Group
External operating revenues	3,242,069	1,703,637	742,695	1,441,566	0	7,129,967
Internal operating revenues	1,390,512	0	1,690,799	0	-3,081,311	0
Total operating revenues	4,632,581	1,703,637	2,433,494	1,441,566	-3,081,311	7,129,967
Depreciation and amortization	-298,677	-21,269	-25,882	-191,652	0	-537,480
Operating expenses	-1,320,326	-342,680	-1,997,344	-982,145	-269,207	-4,911,702
Internal operating expenses	-1,101,044	-1,390,512	0	-589,755	3,081,311	0
Other income	0	0	0	24,380	0	24,380
Operating EBIT	1,912,534	-50,824	410,268	-297,606	-269,207	1,705,165
Fair value adjustments on biological assets	170,228	0	0	108,164	0	278,392
Income from associates	4,415	0	53,182	0	0	57,597
Revenue tax	-215,001	0	0	0	0	-215,001
EBIT	1,872,176	-50,824	463,450	-189,442	-269,207	1,826,153
Operating EBITDA	2,211,211	-29,555	436,150	-105,954	-269,207	2,242,645
INVESTMENTS						
Property, plant and equipment	681,395	9,170	140,624	435,867		1,267,056
Depreciation	-298,677	-21,269	-25,882	-191,652		-537,480

2021 - DKK 1,000	Farming FO	Value Added Products	Fishmeal, oil and feed	Farming SCT	Eliminations	Bakkafrost Group
External operating revenue	2,665,396	1,195,195	237,867	1,455,391	0	5,553,849
Internal operating revenue	811,326	0	1,421,484	0	-2,232,810	0
Total operating revenue	3,476,722	1,195,195	1,659,351	1,455,391	-2,232,810	5,553,849
Depreciation and amortization	-278,395	-21,316	-30,057	-200,666	0	-530,434
Operating expenses	-1,241,170	-243,032	-1,353,124	-1,163,882	-229,890	-4,231,098
Internal operating expenses	-1,052,267	-811,326	0	-369,217	2,232,810	0
Other income	0	0	0	28,877	0	28,877
Operating EBIT	904,890	119,521	276,170	-249,497	-229,890	821,194
Fair value adjustments on biological assets	539,040	0	0	-104,172	0	434,868
Income from associates	294	0	29,818	0	0	30,112
Revenue tax	-141,489	0	0	0	0	-141,489
EBIT	1,302,735	119,521	305,988	-353,669	-229,890	1,144,685
Operating EBITDA	1,183,285	140,837	306,227	-48,831	-229,890	1,351,628
INVESTMENTS						
Property, plant and equipment	601,185	720	29,430	436,533		1,067,868
Depreciation	-278,395	-21,316	-30,057	-200,666		-530,434

FARMING FO - DISTRIBUTION OF HARVESTED VOLUMES	2022		2021	
	tgw	%	tgw	%
Harvested FO volume used in VAP production	26,401	39.6%	21,974	32.7%
Harvested FO volume sold fresh/frozen	40,285	60.4%	45,243	67.3%
Total harvested volumes	66,686	100.0%	67,217	100.0%

FOF SEGMENT - DISTRIBUTION OF FEED	tonnes	%	tonnes	%
Volumes used internally	123,118	96.3%	124,259	96.7%
External sold	4,722	3.7%	4,230	3.3%
Total Sold volumes	127,840	100.0%	128,489	100.0%

PRODUCTION OF FISHMEAL AND FISH OIL	tonnes	%	tonnes	%
Fishmeal	65,395	73.3%	34,962	81.1%
Fish oil	23,862	26.7%	8,124	18.9%
Total production	89,257	100.0%	43,086	100.0%

FARMING SCT - DISTRIBUTION OF HARVESTED VOLUMES	tgw	%	tgw	%
Harvested volume sold fresh/frozen	23,917	100.0%	29,672	100.0%
Total harvested volumes	23,917	100.0%	29,672	100.0%

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

2022 - DKK 1,000	Farming FO	VAP	FOF	Farming SCT	Total
Western Europe	1,361,669	1,431,055	742,695	1,326,241	4,861,660
North America	1,102,303	119,255	0	72,078	1,293,636
Asia	583,572	51,109	0	28,831	663,512
Eastern Europe	162,103	85,182	0	14,416	261,701
Rest of the world	32,422	17,036	0	0	49,458
Total	3,242,069	1,703,637	742,695	1,441,566	7,129,967

2021 - DKK 1,000	Farming FO	VAP	FOF	Farming SCT	Total
Western Europe	1,170,908	896,396	237,867	1,178,867	3,484,038
North America	693,003	179,279	0	145,539	1,017,821
Asia	453,117	11,952	0	130,985	596,054
Eastern Europe	346,501	107,568	0	0	454,069
Rest of the world	1,867	0	0	0	1,867
Total	2,665,396	1,195,195	237,867	1,455,391	5,553,849

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**

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 part of the Group. The operation in Scotland 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 Glyvvar. 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 Fuglafjörður.

NOTE 2.4 SALARIES AND OTHER PERSONNEL EXPENSES

DKK 1,000	2022	2021
Wages and salaries	673,986	613,756
Share based payment	30,610	3,547
Social security taxes	50,809	45,825
Pension expenses	54,850	48,392
Other benefits	21,424	16,903
Total payroll expenses	831,679	728,423
Average number of full-time employees	1,778	1,653

DKK 1,000		2022	2021
Rúni M. Hansen**	Chairman of the Board	487	482
Johannes Jensen***	Deputy Chairman of the Board	90	274
Annika Frederiksberg*	Member of the Board	221	219
Einar Wathne	Member of the Board	240	236
Teitur Samuelsen**	Member of the Board	266	263
Øystein Sandvik**	Member of the Board	289	283
Guðrið Højgaard****	Member of the Board	147	0
Total remuneration		1,740	1,757

* Annika Frederiksberg is also an employee in the Bakkafrost Group. For this, she received DKK 661 thousand (2021: DKK 656 thousand) and has been awarded 245 restricted shares which equals 85 tDKK

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

*** Member of the Board of Directors until May 2022

**** Member of the Board of Directors from May 2022

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

In 2021, Bakkafrost implemented a share-based bonus scheme for all employees in the Group. According to the scheme, all employees are awarded free bonus shares dependent on achieved performance against certain KPIs and Bakkafrost Group's adjusted earnings per share being above a certain threshold. The bonus shares are awarded quarterly as restricted shares units which are released pursuant only to the Annual General Meeting resolution to pay dividends to the shareholders. Employees still employed two calendar years after being awarded bonus shares, will additionally receive free loyalty shares.

2022 - DKK 1,000	Fixed remuneration				Variable remuneration				Share saving	
	Salary	Pension	Other	Total	Bonus	RSU 1*	RSU 2**	Plan***	Total	Total
Salary and other benefits paid										
Chief Executive Officer	2,048	195	89	2,332	0	402	402	136	940	3,272
Managing Director	1,485	141	0	1,626	0	292	292	93	677	2,303
Chief Financial Officer	1,485	141	89	1,715	0	292	292	61	645	2,360
Total remuneration	5,018	477	178	5,673	0	986	986	290	2,262	7,935

2021 - DKK 1,000	Fixed remuneration				Variable remuneration				Share saving	
	Salary	Pension	Other	Total	Bonus	RSU 1*	RSU 2**	Plan***	Total	Total
Salary and other benefits paid										
Chief Executive Officer	2,099	168	89	2,356	0	0	0	117	117	2,473
Managing Director	1,727	140	0	1,867	58	0	0	97	155	2,022
Chief Financial Officer	1,362	109	89	1,560	58	0	0	0	58	1,618
Total remuneration	5,188	417	178	5,783	116	0	0	214	330	6,113

* Restricted Share Units 1 will be released out as shares if the AGM on 28 April 2023 pays out a dividend

** Restricted Share Units 2 will be released in shares in 2025 if the AGM on 8 April 2023 pays out a dividend and the employee still is hired

*** Matching shares in the share saving plan

	Movements in share-based payment in DKK 1,000				Movements in share-based payment number of shares			
	Outstanding per 01.01.22	Restricted Share based Payment	Released Share based Payment	Outstanding per 31.12.22	Outstanding per 01.01.22	Restricted Share base Payment	Released Share based Payment	Outstanding per 31.12.22
Chief Executive Officer	0	804	0	804	0	2,294	0	2,294
Managing Director	0	583	0	583	0	1,664	0	1,664
Chief Financial Officer	0	583	0	583	0	1,664	0	1,664
Total remuneration	0	1,970	0	1,970	0	5,622	0	5,622

	Outstanding per 01.01.21	Restricted Share based Payment	Released Share based Payment	Outstanding per 31.12.21	Outstanding per 01.01.21	Restricted Share based Payment	Released Share based Payment	Outstanding per 31.12.21
	Chief Executive Officer	0	0	0	0	0	0	0
Managing Director	0	0	0	0	0	0	0	0
Chief Financial Officer	0	0	0	0	0	0	0	0
Total remuneration	0	0	0	0	0	0	0	0

Each quarter, the Board reviews and determines the parameters used in the bonus scheme – e.g. overall size of bonus pool, KPIs and thresholds. The Board has the right to decide, in its sole discretion, whether the bonus scheme will be continued in the following quarter, and the terms of the plan.

SHARE SAVING PLAN

Bakkafrost has established a share saving plan for its employees in the Faroe Islands. In 2022, the plan will be extended to all employees of the Group. 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 on 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 matching 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 31.12.2022, there are no loans to employees.

NOTE 2.5 OTHER OPERATING EXPENSES AND OTHER INCOME

DKK 1,000	2022	2021
Maintenance	-239,362	-187,655
Operating expenses	-418,158	-291,690
Health	-183,070	-227,542
Freight	-686,183	-629,123
Energy	-364,513	-226,988
Other costs	-99,013	-69,116
Other operating expenses total	-1,990,299	-1,632,114
R&D Expenditure tax credit in SCT	28,877	44,041
Other income	28,877	44,041

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 2.6 RESEARCH AND DEVELOPMENT EXPENSES

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

Bakkafrost 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 Bakkafrost'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, Bakkafrost continuously performs assessments of its own operating practices.

Bakkafrost aims to expand its R&D activities in 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 Bakkafrost's clearly expressed goal to initiate better and more comprehensive research into these issues under large-scale conditions.

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

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

Bakkafrost has a large-smolt strategy and aims at increasing smolt size to around 500 grams smolts in 2023 the Faroe Islands. The strategy is also pivotal to the turnaround of the operation in Scotland. The benefits are shorter production time at sea and reduced biological risk. The hatchery at Strond, Klaksvík, is an essential part of this plan for the Faroe Islands. This hatchery is fully operational and can produce 8 million smolts at 500 g. In addition, Bakkafrost

is expanding Faroese hatchery capacity of the hatcheries at Glyvradal, Norðtoftir and the new hatchery at Ónavík. In Scotland, three large hatcheries will be built, the first being the hatchery at Applecross. All Bakkafrost's hatcheries will be based on state-of-the-art technology and advanced RAS (water recirculation) systems. The capacity growth from these investments is crucial to enable harvest volume growth to 150,000 tonnes for the Group in 2026.

NOTE 2.7 NET FINANCIAL ITEMS

DKK 1,000	2022	2021
Realised profit on financial derivatives	4,889	4,942
Other financial income	2,111	473
Financial income	7,000	5,415
Interest expenses on long-term loans	-53,135	-31,958
Loss on financial derivatives	-3,088	0
Interest expenses on credit lines	-470	-403
Interest expenses on IFRS 16 (leases)	-7,197	-7,468
Interest expenses on accounts payable	-1,149	-779
Financial expenses	-65,039	-40,608
Other exchange differences	-69,066	38,761
Net currency effects	-69,066	38,761
Other financial expenses	-8,713	-10,591
Other financial items	-8,713	-10,591
Net financial items	-135,818	-7,023

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	2022	2021
Tax payable	240,529	171,283
Tax credit	0	-1,151
Change in deferred tax	105,476	3,494
Tax expense on ordinary profit	346,005	173,626
Tax payable	237,780	170,997
Tax payable in the statement of financial position	237,780	170,997

Specifications of temporary differences and deferred tax

DKK 1,000	2022		2021	
Deferred tax assets	Temporary Differences	Deferred tax	Temporary Differences	Deferred tax
Property, plant and equipment	21,083	5,271	32,450	8,037
Biomass	135,655	24,418	175,529	36,248
Receivables	1,245	224	1,995	359
Derivatives (Equity posted)	0	0	5,099	1,275
Losses carried forward	1,228,522	305,805	677,309	169,329
Other differences	1,207	302	0	0
Total temporary differences		336,020		215,248

DKK 1,000	2022		2021	
Deferred tax liabilities	Temporary Differences	Deferred tax	Temporary Differences	Deferred tax
Licences	3,690,715	896,381	3,601,916	874,182
Goodwill	11,592	2,039	0	0
Research and development	541	119	0	0
Property, plant and equipment	2,463,339	491,927	1,539,529	353,079
Financial assets	149,582	26,925	92,302	16,614
Biomass	2,234,515	407,074	1,892,013	340,562
Currency effects	0	0	1,219	240
Derivatives (Equity posted)	7,474	1,346	0	0
Other differences	289	62	21,428	5,357
Total temporary differences		1,825,873		1,590,034
Deferred tax assets		-336,020		-215,248
Deferred tax liabilities		1,825,873		1,590,034
Deferred tax liabilities (+) / assets (-)		1,489,853		1,374,786

Reconciliation from nominal to actual tax rate

DKK 1,000	2022	2021
Profit before tax	1,690,335	1,137,662
Expected tax at nominal tax rate	292,568	178,385
Permanent differences	53,437	-4,759
Calculated tax expense	346,005	173,626
Effective tax rate excl. equity entries	20.47%	15.26%

Normal tax rate for countries in the Group:

- Faroe Islands 18%
- UK/Scotland 19% (25% from 2023)
- USA 21% + New Jersey 11.5%
- Denmark 22%
- France 25%

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
Acquisitions costs as at 01.01.22	669,319	3,720,158	108,400	4,497,877
Reclassification	-99,725	99,725	0	0
Additions in the year	12,136	0	0	12,136
Currency translation differences	-1,309	0	0	-1,309
Acquisitions costs as at 31.12.22	580,421	3,819,883	108,400	4,508,704
Depreciations and impairments 01.01.22	-2,151	0	0	-2,151
Depreciation during the year	2,151	0	0	2,151
Accumulated impairments/depreciation and write-downs as at 31.12.22	0	0	0	0
Net book value as at 31.12.22	580,421	3,819,883	108,400	4,508,704
DKK 1,000	Goodwill	Licences	Brands	Total
Acquisitions costs as at 01.01.21	666,950	3,720,158	108,400	4,495,508
Currency translation differences	2,369	0	0	2,369
Acquisitions costs as at 31.12.21	669,319	3,720,158	108,400	4,497,877
Depreciations and impairments 01.01.21	-2,113	0	0	-2,113
Depreciation during the year	-38	0	0	-38
Accumulated impairments/depreciation and write-downs as at 31.12.21	-2,151	0	0	-2,151
Net book value as at 31.12.21	667,168	3,720,158	108,400	4,495,726

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 has chosen to include all the farming in Scotland into one CGU.

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 an 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.

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 FO: 2.6% (2021: 0.9%) and SCT: 2.0% (2021: 2.3%)
- 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 with adjustments to local conditions.

- The WACC is FO: 9.6% (2021: 8.9%) and SCT 9.6% (2021: 8.9%) 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 FO: 2.6% (2021: 0.9%) and SCT: 2.0% (2021: 2.3%) 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 20,198 million (DKK 10,900 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.

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 appropriate. 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 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 conflicts 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 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 if 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

Sensitivity analyses and booked value per CGU:

CGUs (1,000)	Licenses	Other assets****	Total booked value tested	WACC	EBITDA change of +/-1%	WACC change of -1%	WACC change of +1%
31/12/2022							
The Scottish Salmon Company acquisition****	4,006,820	2,082,123	6,088,943	9.6%	455,069	2,213,869	-1,567,700
Vestlax acquisition*	132,708	1,623,586	1,756,294	9.6%	92,103	876,396	-597,990
Havsbrún acquisition**	157,430	390,749	548,179	9.6%	304,962	2,901,845	-1,980,012
Faroe Farming acquisition***	82,000	1,131,089	1,213,089	9.6%	176,018	1,674,891	-1,142,825
TOTAL	4,378,958	5,227,547	9,606,505		1,028,152	7,667,001	-5,288,527
31/12/2021							
The Scottish Salmon Company acquisition****	4,006,820	1,906,234	5,913,054	8.9%	382,619	2,378,574	-1,599,072
Vestlax acquisition*	132,708	1,318,791	1,451,499	8.9%	57,039	365,472	-269,400
Havsbrún acquisition**	157,430	301,696	459,126	8.9%	188,862	1,210,119	-892,012
Faroe Farming acquisition***	82,000	955,167	1,037,167	8.9%	109,008	514,853	-698,458
TOTAL	4,378,958	4,481,888	8,860,846		737,528	4,469,018	-3,458,942

* 4 CGUs in 7 licenses. Acquired in 2010.

** 2 CGUs in 2 licenses. Acquired in 2011.

*** 1 CGU in 2 licenses A-92. Acquired in 2016.

**** 7 CGUs in 44 licenses. Acquired in 2019.

***** 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	Plant, machinery, operating equipment, fixtures etc.	Other operating equipment	Vessels	Assets under construction	Total
Acquisition costs as at 01.01.22	2,119,115	3,229,596	449,031	642,653	782,545	7,222,940
Reclassification	-7,409	78,750	76,650	47,418	-201,554	-6,145
Acquisitions during the year	28,092	176,326	23,856	495,140	543,642	1,267,056
Disposals and scrapping during the year	-25,096	-73,359	-922	-3,120	0	-102,497
Currency translation differences	-2,757	-38,215	-509	-7,027	-9,763	-58,271
Acquisition costs as at 31.12.22	2,111,945	3,373,098	548,106	1,175,064	1,114,870	8,323,083
Accumulated depreciations and write-downs as at 01.01.22	-517,934	-1,443,109	-222,921	-150,199	0	-2,334,163
Reclassification	18,118	38,087	-38,498	-28,346	0	-10,639
Depreciations during the year	-77,220	-252,802	-58,987	-47,168	0	-436,177
Accumulated depreciations and write-downs on disposals and scrapping	24,926	67,661	73	3,053	0	95,713
Currency translation differences	783	7,546	9	1,006	0	9,344
Accumulated depreciations and write-downs as at 31.12.22	-551,327	-1,582,617	-320,324	-221,654	0	-2,675,922
Net book value as at 31.12.22	1,560,618	1,790,481	227,782	953,410	1,114,870	5,647,161
Acquisition costs as at 01.01.21	1,936,967	2,746,675	406,493	450,899	387,946	5,928,980
Reclassification	83,078	61,012	57,444	53,117	-52,912	201,739
Acquisitions during the year	72,206	432,757	41,218	81,455	440,231	1,067,867
Disposals and scrapping during the year	-2,519	-96,842	-5,023	-373	0	-104,757
Currency translation differences	29,383	85,994	-51,101	57,555	7,280	129,111
Acquisition costs as at 31.12.21	2,119,115	3,229,596	449,031	642,653	782,545	7,222,940
Accumulated depreciations and write-downs as at 01.01.21	-381,949	-1,043,442	-164,346	-118,644	0	-1,708,381
Reclassification	-44,377	-141,158	-16,205	0	0	-201,739
Depreciations during the year	-80,574	-277,445	-45,526	-30,403	0	-433,948
Accumulated depreciations and write-downs on disposals and scrapping	2,519	94,787	4,239	242	0	101,788
Currency translation differences	-13,554	-75,850	-1,082	-1,394	0	-91,882
Accumulated depreciations and write-downs as at 31.12.21	-517,935	-1,443,108	-222,920	-150,199	0	-2,334,162
Net book value as at 31.12.21	1,601,180	1,786,488	226,111	492,454	782,545	4,888,778

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	15-25 years	linear	10%-13%

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**

DKK 1,000	Land and buildings & properties	Ships, and equipment	TOTAL
Beginning balance 01.01.22	126,861	175,244	302,105
Additions	0	253,383	253,383
Adjustments	4,184	-1,012	3,172
Depreciation	-8,384	-95,070	-103,454
Effect of changes in currency exchange rate	-2,381	-14,280	-16,661
Ending balance 31.12.22	120,280	318,265	438,545

Lease liability

Beginning balance 01.01.22	-153,043	-180,378	-333,421
Additions	0	-244,898	-244,898
Effect of changes in currency exchange rate	0	2,223	2,223
Adjustments	2,212	10,518	12,730
Lease payments	13,001	97,833	110,834
Interests	-2,448	-4,132	-6,580
Ending balance 31.12.22	-145,021	-314,549	-459,570
Current lease liability	-12,682	-93,533	-106,215
Non-current lease liability	-132,339	-221,016	-353,355

Maturity analysis, undiscounted cash flow

Up to 1 year	106,215
1-2 years	96,670
2-3 years	90,716
3-4 years	53,167
4-5 years	39,090
More than 5 years	73,712

Right of use

DKK 1,000	Land and buildings & properties	Ships, and other equipment	TOTAL
Beginning balance 01.01.21	107,108	239,376	346,484
Additions	10,322	10,752	21,074
Adjustments	17,267	305	17,572
Depreciation	-7,835	-88,632	-96,467
Effect of changes in currency exchange rate	-1	13,443	13,442
Ending balance 31.12.21	126,861	175,244	302,105

Lease liability

Beginning balance 01.01.21	-136,031	-252,182	-388,213
Additions	-9,962	-3,878	-13,840
Effect of changes in currency exchange rate	0	1,898	1,898
Adjustments	-17,266	-304	-17,570
Lease payments	12,769	102,482	115,251
Interests	-2,554	-5,050	-7,604
Effect of changes in currency exchange rate	1	-23,344	-23,343
Ending balance 31.12.21	-153,043	-180,378	-333,421
Current lease liability	-9,399	-78,608	-87,668
Non-current lease liability	-143,644	-101,769	-245,753

Maturity analysis, undiscounted cash flow

Up to 1 year	87,668
1-2 years	51,216
2-3 years	48,550
3-4 years	46,710
4-5 years	11,257
More than 5 years	88,020

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. 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 2022 include the following subsidiaries and associates:

Subsidiary Companies	Currency	Nature of Business	Head Office	Ownership	Nominal share capital
Bakkafrost Farming P/F	DKK	Salmon farming	Glyvrar	100%	19,762
Bakkafrost Processing P/F	DKK	Value adding of salmon (VAP)	Glyvrar	100%	150,000
Bakkafrost Sales P/F	DKK	Sales of salmon and VAP products	Glyvrar	100%	667
Bakkafrost Packaging P/F	DKK	Production of styrofoam boxes	Glyvrar	100%	8,022
Havsbrún P/F	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 GBP
Bakkafrost USA LLC	USD	Sales of salmon	Clifton, New Jersey	100%	2,000,000 USD
Förka P/F	DKK	Production of biogas and fertilizer	Glyvrar	100%	5,000
Bakkafrost Scotland Ltd.*	GBP	Salmon Farming	Edinburgh	100%	20,000,000
Scottish Salmon 2020 (Jersey) Ltd.	GBP	In liquidation	Edinburgh	100%	17,530,000
Svínoyar rognkelsisstøð Sp/f	DKK	Lumpfish farming	Svínoy	100%	8,102,222
Faroe Seafood 2011 P/F	DKK	Trading fish	Glyvrar	100%	2,000,000
Bakkafrost France SARL	EUR	Trading fish	Boulogne, France	100%	160,000 EUR
Munkebo Seafood A/S	DKK	Production and sales of canned fish	Munkebo	90%	1,800,000
FarCargo P/F**	DKK	Freight transportation of goods	Glyvrar	70%	4,666,667

* Previously Scottish Salmon Company Ltd.

** Previously 07.07.2021 P/F



Associated Companies DKK 1,000	Head Office	Ownership	Net Additions	Share of the result	Carrying value 2022	Carrying value 2021
Pelagos P/F	Fuglafjörður	30%	0	10,427	98,734	88,307
Salmon Proteins P/F*	Eiði	79%	0	312	5,176	4,864
Svínoyar rognkelsisstøð Sp/f**	Svínoy	100%	n/a	n/a	n/a	733
FF Skagen A/S***	Skagen	25%	90,854	38,512	129,366	n/a
Total					233,276	93,904

	Total assets 2022	Total assets 2021	Equity 2022	Equity 2021	Result 2022	Result 2021
Pelagos P/F****	540,104	540,104	291,441	291,441	97,495	97,495
Salmon Proteins P/F****	9,557	9,557	6,183	6,183	407	407
Svínoyar rognkelsisstøð Sp/f****	n/a	8,386	n/a	-842	n/a	-837
FF Skagen A/S****	1,364,847	1,364,847	412,081	412,081	8,403	8,403

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

**Changed classification to a subsidiary company during 2022

***Changed classification to an associated company during 2022

****Information from 2021

NOTE 3.5 SHARES AND HOLDINGS IN OTHER COMPANIES

DKK 1,000	Carrying amount	Carrying amount
Companies	2022	2021
Others	933	55,321
Total	933	55,321

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	2022	2021
Raw materials and goods in-progress	843,909	514,977
Finished goods	230,435	194,329
Total inventory	1,074,344	709,306

Raw materials primarily consist of raw material to produce 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 FIFO 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	2022	2021
Biological assets carrying amount 01.01.	2,448,289	2,117,024
Increase due to production or purchases	3,917,146	3,158,703
Reduction due to harvesting or sale (costs of goods sold)	-3,363,747	-2,931,526
Reduction due to mortality (costs of incidents-based mortality)	-282,768	-307,551
Fair value adjustment at the beginning of the period reversed	-604,707	-145,387
Fair value reclassification currency translation differences prior year	0	-24,452
Fair value adjustments at the end of the period	883,099	604,707
Reversal of elimination at the beginning of the period	134,193	80,083
Eliminations	-135,650	-134,193
Currency translation differences	-57,370	30,881
Biological assets carrying amount 31.12.	2,938,485	2,448,289
Cost price biological assets	2,248,406	1,946,894
Fair value adjustments at the end of the	883,099	604,707
Eliminations	-135,650	-134,193
Currency translation differences	-57,370	30,881
Biological assets carrying amount	2,938,485	2,448,289
Biomass on average (tonnes)		
< 1 kg	4,737	5,070
1 < 2 kg	6,811	7,673
2 < 3 kg	8,608	10,026
3 < 4 kg	9,589	13,538
4 kg <	18,566	22,288
Volume of biomass at sea	48,311	58,595
Number of fish on average (thousand)		
< 1 kg	11,043	9,770
1 < 2 kg	4,595	5,255
2 < 3 kg	3,520	3,873
3 < 4 kg	2,717	3,920
4 kg <	3,877	4,595
Total number of fish at sea	25,752	27,413

	2022	2021
Harvested volumes (TGW)	90,603	96,889
Number of smolts released (thousand)		
Q1	4,237	4,044
Q2	6,166	5,233
Q3	6,563	7,022
Q4	8,459	9,236
Total number of smolts released	25,425	25,535
Sensitivity analysis of biomass DKK 1,000		
Change in discount rate +1%	-212,686	-150,709
Change in discount rate -1%	238,534	167,502
Change in sales price +5 DKK	353,080	423,223
Change in sales price -5 DKK	-353,080	-423,223
Change in biomass volume +1%	18,217	8,982
Change in biomass volume -1%	-18,217	-8,982
One year forward prices in EUR FCA Oslo*		
At year end	7.50	6.72
Q1 (forward)	8.58	6.86
Q2 (forward)	8.96	6.81
Q3 (forward)	7.16	5.66
Q4 (forward)	7.31	6.15

* Source Fish Pool

ACCOUNTING POLICIES:

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 is 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 0.9% (2021: 0.9%) and for Farming SCT 2.0% (2021: 1.5%) 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, Bakkafrost's opinion is that the observable forward prices are 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 on 31 December 2022 is 6.0% (2021: 6.0%) per month for Farming FO and 4.0% (2021: 4.0%) per month for Farming SCT. The discount rate considers a risk

adjustment and time value. The risk adjustment considers 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% (2021: 1.5%) for Farming FO and 4.0% (2021: 4.0%) 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 consider 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	2022	2021
Accounts receivable	808,806	620,356
Provisions for bad debts	-51	-32
Net accounts receivables	808,755	620,324
VAT	75,973	78,227
Other	26,477	93,979
Tax receivables	65,822	109,701
Other receivables	168,272	281,907
Total short-term receivables	977,027	902,231
Long-term receivables	0	8,102
Total accounts receivable and other receivables	977,027	910,333

AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE

DKK 1,000		
Receivables not overdue	614,760	508,400
Overdue 0-6 months	190,538	103,258
Overdue more than 6 months	3,508	8,666
Total	808,806	620,324

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

CURRENCY EXPOSURE TO ACCOUNTS RECEIVABLE

The Group holds accounts receivable in foreign currencies amounting to DKK 672 million at year-end 2022. (2021: DKK 528 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	2022	2021
DKK	137,009	92,104
EUR	398,970	318,369
USD	105,135	126,231
GBP	73,511	66,754
JPY	5,730	0
NOK	88,451	2,803
Others	0	14,063
Total	808,806	620,324

ACCOUNTING POLICIES

Accounts receivable and other receivables are presented at face value less provisions for bad debts. Provisions for bad debts are made based on 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 720 million at year-end 2022, compared to DKK 509 million at year-end 2021.

NOTE 3.10 SHARE CAPITAL AND MAJOR SHAREHOLDERS**Share capital:**

DKK 1,000	2022	2021
Share capital at 1 January	59,143	59,143
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:

	2022	2021
Outstanding shares at 1 January	59,075,165	59,044,071
Sale of own shares to cover the employee bonus program	23,316	31,094
Outstanding shares at 31 December	59,098,481	59,075,165
Treasury shares at 31 December	44,519	67,835

SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2022: Folketrygdfondet, Regin Jacobsen, Oddvør Jacobsen and The Goldman Sachs Group, Inc..

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%
Teitur Samuelsen	Member of the Board	100	0.00%
Annika Frederiksberg	Member of the Board	16,250	0.03%
Øystein Sandvik	Member of the Board	0	0.00%
Einar Wathne	Member of the Board	0	0.00%
Guðrið Højgaard	Member of the Board	0	0.00%
Regin Jacobsen	Chief Executive Officer	4,617,351	7.81%
Odd Eliassen	Managing Director	184,969	0.31%
Høgni D. Jakobsen	Chief Financial Officer	74,593	0.13%

Dividend

The Board has proposed a dividend per share of DKK 10.00 for 2022. DKK 304 million were paid out for 2021. The dividends proposed are to be approved at the Annual General Meeting and if approved, the total dividend payment will amount to DKK 591 million. The dividend proposal has not been recognized as a liability at 31 December 2022 but is presented as an item within equity.

NOTE 3.11 INTEREST-BEARING DEBT

DKK 1,000	2022	2021
Long-term interest-bearing debt	3,383,289	2,634,968
Total long-term interest-bearing debt 31.12.	3,383,289	2,634,968
Total interest-bearing debt	3,383,289	2,634,968
Cash and cash equivalents	-719,603	-509,157
Net interest-bearing debt	2,663,686	2,125,811

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	2022		2021	
	Carrying amount	Contractual amount	Carrying amount	Contractual payments
Credit facilities	-3,383,289	-3,408,576	-2,634,968	-2,648,059
Gross interest-bearing debt	-3,383,289	-3,408,576	-2,634,968	-2,648,059
Credit line	5,205,550		5,205,550	
Long-term interest-bearing debt	-3,383,289		-2,634,968	
Cash and cash equivalents	719,603		509,157	
Total available credit lines	2,541,864		3,079,739	

REMAINING PERIOD

31.12.2022	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing bank loans	0	0	3,383,289	0	3,383,289
Accounts payable and other debt	579,247	237,780	0	0	817,027

REMAINING PERIOD

31.12.2021	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing bank loans	0	0	2,634,968	0	2,634,968
Accounts payable and other debt 543,394		170,997	0	0	714,391

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. 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 Bakkafrøst Group is mainly executed by the parent company. Subsidiaries can only enter external financing if it is seen favourable for the whole Bakkafrøst Group.

Sustainability-linked financing

In December 2021 the Group entered a term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years. The Facility Agreement was signed in March 2022. In February 2023 the Group made use of an extension option and extended the Facility with 12 months until February 2028.

The purpose of the Facility was to refinance Bakkafrøst's existing bank facilities as well as general corporate purposes including acquisitions. The Facility will serve as a robust and flexible financial framework for the Group's investment plans aimed at organic growth for the Group and structural cost reductions in Scotland, as described at the Capital Markets Day 2021.

As The Facility is sustainability-linked means that the margin payable will be linked to Bakkafrøst's performance against certain sustainability KPIs, consistent with the Group's overall ESG targets and ambitions. The Facility includes flexibility for the parties to agree an additional amount of up to EUR 150 million during the tenor. The principal financial

Maturity analysis - contractual payments

DKK 1,000	2023	2024	2025	2026	2027	2028
Long-term credit facilities	0	0	0	0	0	3,383,289
Gross interest-bearing debt	0	0	0	0	0	3,383,289

Reconciliation of development in interest-bearing debt

	2021	Cash flows	2022
Long term interest-bearing debt	2.634.968	748.321	3.383.289
Total interest-bearing debt	2.634.968	748.321	3.383.289

	2020	Cash flows	2021
Long term interest-bearing debt	2.219.690	415.278	2.634.968
Total interest-bearing debt	2.219.690	415.278	2.634.968

covenants of the Facility are: (1) an equity ratio of no less than 35% and (2) an interest coverage ratio (EBITDA to net interest payable) of no less than 2x. The Bakkafrøst Group complied with these covenants at the end of 2022.

Coöperatieve Rabobank U.A, DNB Bank ASA and Nordea Bank ABPm (Filial i Norge), have agreed to continue their support as lenders.

At the end of 2022, the Group had unused committed credit facilities of DKK 2,542 million (DKK 3,080 million). In addition, the Group has an accordion of EUR 150 million.

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 severally for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds.

In addition, the shares in larger subsidiaries have been pledged to the bank syndicate.

DKK 1,000	2022	2021
Long-term debt to financial institutions	3,383,289	2,634,968
Carrying amount of assets pledged as security for recognized debt		
Licences	3,819,883	3,720,158
Property, plant and equipment	1,046,827	3,606,250
Biological assets (biomass)	2,938,485	2,448,289
Inventory	131,770	703,600
Total	7,936,965	10,478,297

NOTE 3.13 DERIVATIVES

DKK 1,000	2022	2021
Currency swaps regarding forward contracts	-7,474	7,809
Derivatives total	-7,474	7,809

The fair value of derivatives held at the balance sheet date can be allocated as follows:

	Fair Value 2022	Recognized in the Income Statement 2022	Recognized in equity 2022	Fair Value 2021	Recognized in the Income Statement 2021	Recognized in equity 2021
Currency derivatives	-7,474	0	-7,474	7,809	0	7,809
Total	-7,474	0	-7,474	7,809	0	7,809

The expected timing of the effect on the income statement is as follows:

	Currency derivatives	Interest and currency derivatives	Total 2022	Currency derivatives	Interest and currency derivatives	Total 2021
Within one year	-7,474	0	-7,474	4,602	0	4,602
Between one and five years	0	0	0	3,207	0	3,207
After five years	0	0	0	0	0	0
Total	-7,474	0	-7,474	7,809	0	7,809

ACCOUNTING POLICIES:

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, hold 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

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 2022, compared to no provisions as per 31 December 2021.

PROVISIONS FOR ONEROUS CONTRACTS ACCOUNTING POLICIES

The Group enters 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%. At 31 December 2022, the Group's equity ratio was 62% (64%).

The Group manages the capital structure and adjusts corresponding to changes in the underlying economic conditions. In December Bakkafrøst entered a term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years. The facility agreement was signed in March 2022. In February 2023 the Group made use of an extension option and extended the Facility with 12 months until February 2028.

According to the Group's dividend policy, under normal circumstances, average dividends over several years should be 30 to 50% of the adjusted net profit. The Board has proposed a dividend of DKK 10.00 per share for the financial year 2022, corresponding to a distribution to shareholders of DKK 591 million (DKK 304 million).

At 31 December 2022, net interest-bearing debt amounted to DKK 2,664 million (DKK 2,126 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 2022.

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 2022, the Group's equity ratio was 62% (64%).

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.

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, USA, France and Denmark. 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.

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 segments, exposure arises mainly from export sales, while for the FOF segment, exposure results from the sourcing of raw materials in the international commodities markets.

The Group has normally a net positive cash flow exposure from USD and EUR and a net negative cash flow exposure from DKK, GBP, and NOK. The predominant exposure comes from the USD. The Group has therefore a policy for a 12-months layered hedging programme of USD/DKK.

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**

2022	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
Cash and cash equivalents	358,978	0	219,246	24,031	2,324
Accounts receivable	398,970	73,511	105,135	88,451	5,730
Trade payables	0	-55,642	-22,555	-8,772	0
Interest-bearing debt	-706,467	-628,838	0	0	0
Forward contracts	0	0	-331,250	0	0
Net exposure	51,481	-610,969	-29,424	103,710	8,054

2021	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
Cash and cash equivalents	203,593	0	181,144	0	15,018
Accounts receivable	318,369	66,785	203,383	14,063	2,803
Trade payables	-1,253	-88,590	-9,992	0	0
Interest-bearing debt	-706,468	-716,025	0	-8,905	0
Forward contracts	0	0	-249,562	7,873	0
Net exposure	-185,759	-737,830	124,973	13,031	17,821

Sensitivity analysis**Currency****DKK 1,000**

2022	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK	Result
Net exposure	51,481	-610,969	-29,424	103,710	8,054	
Historical volatility for the last 5 years	0.28%	7.24%	7.35%	9.98%	8.34%	
Total effect on Profit of +movements	144	-44,234	-2,163	10,350	672	-35,231
Total effect on Profit of -movements	-144	44,234	2,163	-10,350	-672	35,231

2021	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK	Result
Net exposure	-185,759	-737,830	124,973	13,031	17,821	
Historical volatility for the last 5 years	0.28%	7.19%	6.65%	9.31%	7.21%	
Total effect on Profit of +movements	-520	-53,050	8,311	1,213	1,285	-42,761
Total effect on Profit of -movements	520	53,050	-8,311	-1,213	-1,285	42,761

The analysis is based on the currencies that the Group is most exposed to at the end of 2022. 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 -35 million (2021: DKK -43 million).

Currency forward contracts as at 31 December 2022

Bakkafrost Group buys		Bakkafrost Group sells	
DKK 1,000			
DKK	331,250	USD	46,957

Currency forward contracts as at 31 December 2021

Bakkafrost Group buys		Bakkafrost Group sells	
DKK 1,000			
DKK	249,562		39,247
NOK	10,950	GBP	7,873

Significant exchange rates (average) during the year	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
2022	743.96	872.59	708.30	73.69	5.40
2021	743.70	865.25	629.18	73.18	5.73

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 27 million (2021: DKK 21 million), based on NIBD.

Price risk

The farming segments are 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 24 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, Bakkafrost 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. Bakkafrost's overall liquidity as at 31 December 2022 included DKK 720 million (2021: DKK 509 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.

Bakkafrost has a Group-wide credit management policy, governed by Bakkafrost's credit committee. The committee is responsible for granting credits to the Groups customers. In general, Bakkafrost 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 Bakkafrost. Recoverable Tax and 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.

The 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, tax receivables and cash and cash equivalents and amounts to DKK 1,697 million as at 31 December 2022 (2021: DKK 1,411 million). For the age distribution of accounts receivable, please refer to Note 3.8.

Credit Risk	2022	2021
Accounts receivable	808,755	620,324
Other receivables	102,450	172,206
Tax receivables	65,822	109,700
Cash and Cash equivalents	719,603	509,157
Total	1,696,630	1,411,387

Bakkafrost 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.

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 3.7.

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)	2,938,485	2,055,386	0	0	2,938,485
Assets measured at fair value 31-12-22	2,938,485	2,055,386	0	0	2,938,485
Liabilities measured at fair value 31-12-22	0	0	0	0	0
Biological assets (biomass)	2,448,289	1,843,582	0	0	2,448,289
Assets measured at fair value 31-12-21	2,448,289	1,843,582	0	0	2,448,289
Liabilities measured at fair value 31-12-21	0	0	0	0	0

NOTE 4.3 EARNINGS PER SHARE

DKK 1,000	2022	2021
Profit for the year to the shareholders of P/F Bakkafrost	1,344,330	964,036
Fair value adjustment of biomass (IAS 41)	-278,392	-434,868
Tax on fair value adjustment	57,682	78,276
Adjusted profit for the year to shareholders of P/F Bakkafrost	1,123,620	607,444
Ordinary shares as at 01.01.	59,143,000	59,143,000
Ordinary shares as at 31.12.	59,143,000	59,143,000
Time-weighted average number of shares outstanding through the year	59,090,186	59,064,994

Earnings per share	2022	2021
Basic (DKK)	22.75	16.32
Diluted (DKK)	22.75	16.32

Adjusted earnings per share (before fair value adjustments of biomass and provision for onerous contracts (adjusted EPS))

Basic (DKK)	19.02	10.28
Diluted (DKK)	19.02	10.28

Bakkafrost Group has no stock option programme running at present.

Accounting policies:**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. Bakkafrost 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 Bakkafrost'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

2022	2023	2024	Total
Total contractual new Hatchery stations in the Faroe Islands	57,077	26,294	83,371
Total contractual new marine sites and development of an existing freshwater site in Scotland.	233,900	0	233,900
Total contractual other PPE investments	336,700	0	336,700
Total	627,677	26,294	653,971

2021	2022	2023	Total
Total contractual new Hatchery stations in the Faroe Islands	163,204	99,065	262,269
Total contractual new marine sites and development of an existing freshwater site in Scotland.	163,400	0	163,400
Total contractual other PPE investments	324,600	0	324,600
Total	651,204	99,065	750,269

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	2022	2021
Based on key personnel		
Revenues - Betri Trygging P/F	368	0
Purchase - Betri Trygging P/F	36,948	42,593
Accounts receivables - Betri Trygging P/F	143	0
Accounts payable - Betri Trygging P/F	2,344	50
Revenues - Gist & Vist P/F	n/a	919
Purchase - Gist & Vist P/F	n/a	106
Accounts receivable - Gist & Vist P/F	n/a	59
Purchase - Frost P/F	n/a	669
Accounts payable - Frost P/F	n/a	77
Revenues - Tjaldur P/F	108	0
Purchase - Tjaldur P/F	161,289	81,766
Accounts payable - Tjaldur P/F	12,211	5,375
Purchase - Eystur- og Sandoyartunlar P/F	813	704
Accounts payable - Eystur- og Sandoyartunlar P/F	27	2
Revenues - Posta P/F	2	n/a
Purchase - Posta P/F	7,652	n/a
Accounts receivables - Posta P/F	0	n/a
Accounts payable - Posta P/F	9	n/a
Based on association		
Revenues - FF Skagen A/S	49,242	14,019
Purchase - FF Skagen A/S	15,973	0
Accounts payable - FF Skagen A/S	6,099	0
Revenues - Pelagos P/F	0	27
Purchase - Pelagos P/F	144,702	51,401
Accounts payable - Pelagos P/F	46	4,028
Revenues - Salmon Proteins P/F	9,558	8,005
Purchase - Salmon Proteins P/F	1,794	131
Accounts receivables - Salmon Proteins P/F	0	1,941
Accounts payable - Salmon Proteins P/F	342	0
Revenues - Svínóyar Rognkelsisstøð SP/F	n/a	411
Purchase - Svínóyar Rognkelsisstøð SP/F	n/a	6,137
Accounts receivables - Svínóyar Rognkelsisstøð SP/F	n/a	8,102
Accounts payable - Svínóyar Rognkelsisstøð SP/F	n/a	722

NOTE 5.3 BUSINESS COMBINATIONS

In a transaction closed on 1 January 2022, Bakkafrost has acquired 90% of the shares in Munkebo Seafood A/S. The deal was jointly made with the General Manager of Munkebo Seafood. The shares were acquired from Paul Lybech, who has been engaged with Munkebo Seafood for almost 25 years. Following the transaction, the General Manager holds 10% of the shares in Munkebo Seafood A/S while Bakkafrost holds 90% of the shares.

Munkebo Seafood A/S was founded in 1974 and has since the formation been engaged in production of canned fish at the factory in the city of Munkebo in Denmark. Today, the company operates a modern canning facility and offers a wide range of products, of which a larger share is based on salmon. Bakkafrost has been one of the largest suppliers of raw materials for Munkebo Seafood for the past few years, making Munkebo Seafood a great extension of Bakkafrost's value chain. With a planned increase in production of salmon over the coming years, from Bakkafrost's farms in the Faroe Islands and in Scotland, Munkebo Seafood will have a strengthened raw material base and Bakkafrost will strengthen the ability to further increase the value derived from its salmon by-products.

The operations of Munkebo Seafood will remain unchanged. Munkebo Seafood has around 40 employees, and the products are currently sold mainly within the EU market to retail customers. The key employees of Munkebo AS will continue.

There is considerable spare production capacity for future growth within the current facility.

With the acquisition of Munkebo Seafood, Bakkafrost can now offer a wider range of products. Bakkafrost offers fresh, frozen, and smoked salmon products, and now canned food is added. Bakkafrost has a global sales network, and Munkebo

Seafood's products will now be offered in a wider market as a supplement to Bakkafrost's other consumer packaged products.

The fair value of intangible assets has been determined on an estimated fair value. Fair value has been identified in customer relationship employing generally accepted valuation techniques. The market value of the customer relationship is measured to DKK 6.2 million.

The fair value of property, plant and equipment has been determined based a 3rd party valuation.

The fair value of receivables has been determined based an estimate of an age-distributed debtor list and historical figures on doubtful debtors.

The fair value of the inventory has been determined based on inventory lists, historical sales data, and subtraction of obsolete goods.

There have been no other new material business combinations in 2022 and there were no new material business combinations in 2021.

DKK 1,000	Book value 31/12/2021	Fair Value adjustments	Fair value
Goodwill	0	7,586	7,586
Intangible assets	7	0	7
Property, plant, and equipment - incl. IFRS 16	13,665	0	13,665
Account's receivables	8,480	0	8,480
Inventories	21,238	0	21,238
Other current assets, excluding cash and bank	2,202	0	2,202
Total assets	45,592	7,586	53,178
Deferred taxes and other taxes	1,091	1,157	2,248
Long-term liabilities, interest-bearing	7,405	0	7,405
Accounts payable	13,733	0	13,733
Other payable	4,404	0	4,404
Liabilities	26,633	1,157	27,790
Net assets	18,959	6,429	25,388

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.

NOTE 5.5 AUDITOR'S FEES

Fees paid to auditors (ex. VAT) break down as follows:

DKK 1,000	2022	2021
Statutory auditing	1,366	1,262
Tax advisory services	9	55
Other services	361	300
Total auditor's fees	1,736	1,617

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 2022 are based on the assumption that Bakkafrøst 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. Bakkafrøst'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.

DKK 1,000	2022	2021
Cash and cash equivalents	-719,603	-509,157
Long- and short-term interest-bearing debt	3,383,289	2,634,968
Net interest-bearing debt	2,663,686	2,125,811

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.

DKK 1,000	2022	2021
EBIT	1,826,153	1,144,685
Fair value adjustments of biological assets	-278,392	-434,868
Income from associates	-57,597	-30,112
Revenue tax - FO	215,001	141,489
Operational EBIT	1,705,165	821,194

EBITDA

Earnings before interest, tax, depreciations and amortizations (EBITDA) is a key financial parameter for Bakkafrost'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 Bakkafrost'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 Bakkafrost's FOF segments competitors. The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

Operational EBIT per kg:**Farming FO segment:**

Operational EBIT Farming FO segment

Total harvested volumes FO (gw)

VAP segment:

Operational EBIT VAP segment

Total volumes produced (raw material gw)

Farming FO and VAP segment:

Operational EBIT Farming FO and VAP segment

Total harvested volumes FO (gw)

Farming SCT segment:

Operational EBIT Farming SCT segment

Total harvested volumes SCT (gw)

DKK 1,000	2022	2021
Profit for the year to the shareholders of P/F Bakkafrost	1,344,330	964,036
Fair value adjustment of biomass	-278,392	-434,868
Tax on fair value adjustment and onerous contracts provisions	57,682	78,276
Adjusted profit for the year to shareholders of P/F Bakkafrost	1,123,620	607,444
Time-weighted average number of shares outstanding through the year	59,090,186	59,064,994
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts)	19.02	10.28

Adjusted EPS

Adjusted EPS is based on the reversal of certain fair value adjustments shown in the table above, as it is Bakkafrost's view that this figure provides a more reliable measure of the underlying performance.

Financial Statements

P/F BAKKAFROST



P/F BAKKAFROST

Table of Contents

P/F Bakkafrost – Income Statement for the Year ended 31 December	151
P/F Bakkafrost – Statement of Financial Positionas at 31 December	152
P/F Bakkafrost – Cash Flow Statement for the Year Ended 31 December	154
P/F Bakkafrost – Statement of Changes in Equity As at 31 December	155
Note 1 – Accounting Policies	156
Note 2 – Salaries and Other Personnel Expenses	156
Note 3 – Net Financial Items	157
Note 4 – Property, Plant and Equipment	158
Note 5 – Subsidiaries and Associates	159
Note 6 – Investments in Stocks and Shares	161
Note 7 – Share Capital and Major Shareholders	161
Note 8 – Tax	162
Note 9 – Security Pledges and Contingent Liabilities	163
Quarterly Financial Figures 2020-2022	164
Market Announcements Published in 2022	167
Financial Calendar for 2023	168
Glossary	169

P/F BAKKAFROST

Income Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2022	2021
Operating revenue		196,657	163,467
Salary and personnel expenses	2	-49,050	-38,205
Other operating expenses		-132,592	-97,291
Depreciation	4	-29,433	-29,500
Earnings before interest and taxes (EBIT)		-14,418	-1,529
Dividends from subsidiaries		880,409	282,140
Income from other investments in shares	6	42	50
Financial income	3	84,358	44,227
Net interest expenses	3	-57,634	-31,501
Net currency effects	3	-149,523	31,014
Other financial expenses	3	-6,509	-5,822
Earnings before taxes (EBT)		736,725	318,579
Taxes	8	19,743	-6,655
Profit to shareholders of P/F Bakkafrøst		756,468	311,924
Distribution of profit			
Dividend proposed		591,430	303,995
Retained earnings		165,038	7,929
Distribution in total		756,468	311,924

P/F BAKKAFROST

Statement of Financial Position

AS AT 31 DECEMBER

DKK 1,000	Note	2022	2021
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	208,757	219,864
Plant, machinery and other operating equipment	4	73,761	90,477
Total property plant and equipment		282,518	310,341
Non-current financial assets			
Investments in subsidiaries	5	5,623,754	5,575,253
Investments in stocks and shares	6	790	750
Total non-current financial assets		5,624,544	5,576,003
TOTAL NON-CURRENT ASSETS		5,908,062	5,887,344
Current assets			
Inventory		49,635	31,059
Total inventory		49,635	31,059
Receivables from Group companies		8,342,539	6,422,500
Derivatives	3.13*	7,474	0
Accounts receivables		1,413	24,753
Other receivables		28,756	23,279
Total receivables		8,380,182	6,470,532
Cash and cash equivalents		588,639	400,145
TOTAL CURRENT ASSETS		9,018,456	6,901,736
TOTAL ASSETS		14,926,518	12,789,080

*Group note 3.13

DKK 1,000	Note	2022	2021
EQUITY AND LIABILITIES			
Equity			
Share capital	7	59,143	59,143
Other equity		9,618,988	9,146,165
Total equity		9,678,131	9,205,308
Non-current liabilities			
Long-term interest-bearing debt	9	3,353,892	2,634,362
Deferred taxes	8	12,173	10,116
Total non-current liabilities		3,366,065	2,644,478
Current liabilities			
Derivatives	3.13*	0	4,721
Payables to Group companies		1,854,811	905,003
Current tax liabilities		0	7,559
Accounts payable		10,979	15,527
Other short-term liabilities		16,532	6,484
Total current liabilities		1,882,322	939,294
Total liabilities		5,248,387	3,583,772
TOTAL EQUITY AND LIABILITIES		14,926,518	12,789,080

*Group note 3.13

P/F BAKKAFROST

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2022	2021
Cash flow from operations			
EBIT		-14,418	-1,529
Adjustments for write-downs and depreciation	4	29,433	29,500
Adjustments for net currency effects	3	-149,523	31,014
Adjustments for share-based payment	2	3,316	601
Taxes paid	8	-6,737	1,099
Change in inventory		-18,576	-7,219
Change in receivables		17,863	-27,660
Change in current debts		5,248	5,397
Cash flow from operations		-133,394	31,203
Cash flow from investments			
Increase of share capital in subsidiaries, etc., net	5	-48,541	1,770
Payments made for purchase of fixed assets	4	-1,611	-5,712
Cash flow from investments		-50,152	-3,942
Cash flow from financing			
Changes in interest-bearing debt (short and long)		717,334	415,560
Financial income	3	84,358	44,227
Financial expenses	3	-64,143	-37,323
Financing of associates/subsidiaries		-950,626	-475,733
Acquisition/sale treasury shares		8,703	11,499
Dividend from subsidiaries		880,409	282,140
Dividend paid		-303,995	-215,872
Cash flow from financing		372,040	24,498
Net change in cash and cash equivalents		188,494	51,759
Cash and cash equivalents - opening balance		400,145	348,386
Cash and cash equivalents - closing balance total		588,639	400,145

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 2022	59,143	3,838,206	-26,727	1,571	-3,871	303,995	5,032,991	9,205,308
Net annual profit	0	0	0	0	0	0	756,767	756,767
Fair value adjustment on financial derivatives	0	0	0	0	11,102	0	0	11,102
Hereof tax effect	0	0	0	0	-1,103	0	0	-1,103
Total other comprehensive income	0	0	0	0	9,999	0	0	9,999
Total comprehensive income	0	0	0	0	9,999	0	756,767	766,766
Treasury shares	0	0	8,215	0	0	0	1,349	9,564
Share-based payment	0	0	0	212	0	0	0	212
Dividend treasury shares	0	0	0	0	0	0	276	276
Paid-out dividends	0	0	0	0	0	-303,995	0	-303,995
Proposed dividends	0	0	0	0	0	591,430	-591,430	0
Total transaction with owners	0	0	8,215	212	0	287,435	-589,805	-293,943
Total changes in equity	0	0	8,215	212	9,999	287,435	166,962	472,823
31 December 2022	59,143	3,838,206	-18,512	1,783	6,128	591,430	5,199,953	9,678,131
1 January 2021	59,143	3,838,206	-37,685	1,354	0	215,872	5,020,990	9,097,880
Net annual profit	0	0	0	0	0	0	311,924	311,924
Fair value adjustment on financial derivatives	0	0	0	0	-4,721	0	0	-4,721
Hereof tax effect	0	0	0	0	850	0	0	850
Total other comprehensive income	0	0	0	0	-3,871	0	0	-3,871
Total comprehensive income	0	0	0	0	-3,871	0	311,924	308,053
Treasury shares	0	0	10,958	0	0	0	3,748	14,706
Share-based payment	0	0	0	217	0	0	0	217
Dividend treasury shares	0	0	0	0	0	0	324	324
Paid-out dividends	0	0	0	0	0	-215,872	0	-215,872
Proposed dividends	0	0	0	0	0	303,995	-303,995	0
Total transaction with owners	0	0	10,958	217	0	88,123	-299,923	-200,625
Total changes in equity	0	0	10,958	217	-3,871	88,123	12,001	107,428
31 December 2021	59,143	3,838,206	-26,727	1,571	-3,871	303,995	5,032,991	9,205,308

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	2022	2021
Wages and salaries	34,551	30,834
Share based payments	3,316	601
Social security taxes	1,476	1,349
Pension expenses	2,603	2,153
Other benefits	7,104	3,268
Total payroll expenses	49,050	38,205
Average number of full-time employees	46	41

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 641,500 (586,000) for audit service, DKK 9,000

(55,000) for tax advisory and DKK 155,500 (97,500) for other service. Please also see note 5.5 in the consolidated financial statements.

NOTE 3. NET FINANCIAL ITEMS

DKK 1,000	2022	2021
Interests received from Group companies	77,966	43,303
Realized profit on financial derivatives	4,889	861
Other financial income	1,503	63
Financial income	84,358	44,227
Interest expenses on long- and short-term loans	-57,624	-31,500
Interest expenses on accounts payable	-10	-1
Financial expenses	-57,634	-31,501
Other exchange differences	-149,523	31,014
Net currency effects	-149,523	31,014
Other financial expenses	-6,509	-5,822
Other financial items	-6,509	-5,822
Net financial items	-129,308	37,918

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Other equipment	Total
Acquisition cost as at 01.01.22	294,411	179,183	473,594
Disposals and scrapping during the year	0	-600	-600
Acquisitions during the year	361	1,600	1,961
Acquisition cost as at 31.12.22	294,772	180,183	474,955
Accumulated depreciation and write-down as at 01.01.22	-74,547	-88,707	-163,254
Depreciations during the year related to disposals	0	251	251
Depreciations during the year	-11,468	-17,966	-29,434
Accumulated depreciation and write-down as at 31.12.22	-86,015	-106,422	-192,437
Net book value as at 31.12.22	208,757	73,761	282,518
Acquisition cost as at 01.01.21	289,773	178,737	468,510
Disposals and scrapping during the year	0	-787	-787
Acquisitions during the year	4,638	1,234	5,872
Acquisition cost as at 31.12.21	294,411	179,184	473,595
Accumulated depreciation and write-down as at 01.01.21	-63,067	-71,315	-134,382
Depreciations during the year related to disposals	0	628	628
Depreciations during the year	-11,480	-18,020	-29,500
Accumulated depreciation and write-down as at 31.12.21	-74,547	-88,707	-163,254
Net book value as at 31.12.21	219,864	90,477	310,341

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	2022	2021
Acquisition cost as at 01.01.	5,578,019	5,579,266
Additions during the year	48,501	-1,247
Acquisition cost as at 31.12.	5,626,520	5,578,019
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.	5,623,754	5,575,253

DKK 1,000 Company	Cost Method Yes/No	Head Office	Ownership	Voting share	Carrying amount in P/F Bakkafrost 2022	Carrying amount in P/F Bakkafrost 2021
Bakkafrost Processing P/F	Yes	Glyvrar	100%	100%	258,591	258,591
Bakkafrost Sales P/F	Yes	Glyvrar	100%	100%	879	879
Bakkafrost Packaging P/F	Yes	Glyvrar	100%	100%	7,781	7,781
Bakkafrost Farming P/F	Yes	Glyvrar	100%	100%	314,887	314,887
Havsbrún P/F	Yes	Glyvrar	100%	100%	908,884	908,884
Bakkafrost UK Ltd	Yes	Grimsby	100%	100%	4,649	4,649
Bakkafrost Danmark ApS	Yes	Glyvrar	100%	100%	50	50
Bakkafrost Scotland Ltd	Yes	Edinburgh	100%	100%	4,074,182	4,074,182
Förka P/F	Yes	Glyvrar	100%	100%	5,000	5,000
Faroe Seafood P/F	Yes	Glyvrar	100%	100%	14,000	n/a
Munkebo Seafood A/S	Yes	Munkebo	90%	90%	22,851	n/a
FarCargo P/F	Yes	Glyvrar	70%	70%	12,000	350
Total subsidiaries					5,623,754	5,575,253

P/F Bakkafrost and subsidiaries, the Group, own a total of 78.7% in P/F Salmon Proteins, which is an associated company on the Group level.

P/F Bakkafrost owns 14.23% in P/F Salmon Proteins and this is classed in investment in stocks and shares.

DKK 1,000	Dividends*	Excess dividends on result	Result 2022	Result 2021
Bakkafrost Farming P/F	1,010,177	160	1,010,337	317,033
Bakkafrost Sales P/F	207,769	13	207,782	207,408
Bakkafrost Packaging P/F	5,023	27	5,050	15,169
Bakkafrost Processing P/F	0	-95,111	-95,111	75,074
Havsbrún P/F	295,796	57,280	353,076	252,470
Bakkafrost UK Ltd.	0	6,285	6,285	3,754
Bakkafrost Danmark ApS	0	-9	-6	-6
Bakkafrost Scotland Ltd	0	-274,334	-274,334	-253,231
Förka P/F	0	2,430	2,430	2,430
Faroe Seafood P/F	0	915	915	n/a
Munkebo Seafood A/S	0	1,425	1,425	n/a
FarCargo P/F	0	-3,155	-3,155	-56
Total revenue Group contribution	1,518,765	-304,074	1,214,694	620,045

* Dividends from subsidiaries paid out in 2023

NOTE 6. INVESTMENTS IN STOCKS AND SHARES

DKK 1,000	2022	2021
Acquisition cost as at 01.01.	183	183
Acquisition cost as at 31.12.	183	183
Re-evaluations as at 01.01.	567	1,090
Dividend	0	-573
Re-evaluations during the year	40	50
Re-evaluations as at 31.12.	607	567
Net book value as at 31.12.	790	750

Shares and holdings, in which the Group does not have significant influence. These are valued using the equity method or at cost since fair value cannot be measured reliably.

NOTE 7. SHARE CAPITAL AND MAJOR SHAREHOLDERS

DKK 1,000	2022	2021
Share capital as at 31.12.	59,143	59,143
Share capital as 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 2022, see Group Account 3.10.

NOTE 8. TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2022	2021
Tax payable	19,605	-6,737
Change in deferred tax	138	82
Tax expense on ordinary profit	19,743	-6,655
Tax in the statement of financial position		
Deferred tax	12,173	10,116
Tax in the statement of financial position	12,173	10,116
Specification of temporary differences		
Property, plant and equipment	60,154	60,883
Currency derivatives	7,474	-4,683
Total temporary differences	67,628	56,200
Deferred tax liabilities (+) / assets (-)	12,173	10,116
Reconciliation from nominal to actual tax rate		
Profit before tax	736,725	318,579
Expected tax at nominal tax rate (18%)	-132,661	-57,344
Permanent differences, including Group contribution without tax effect (18%)	158,474	50,785
Other permanent differences (18%)	-6,120	-96
Calculated tax expense	19,743	-6,655
Effective tax rate	2.68%	-2.09%

As Parent company in the Bakkafrost Group, Bakkafrost P/F is the administrating company in a Faroese Group Joint Taxation and is liable towards the Faroese Tax Authorities for taxes payable on behalf of the Faroese subsidiaries included in the Faroese Group Joint Taxation.

NOTE 9. SECURITY PLEDGES AND CONTINGENT LIABILITIES**Carrying amount of debt secured by mortgages and pledges:**

DKK 1,000	2022	2021
Long-term debt to financial institutions	3,353,892	2,634,362
Total	3,353,892	2,634,362

Carrying amount of assets pledged as security for recognized debt

Property, plant and equipment	0	219,864
Total	0	219,864

The company participates in a Group financing for the Bakkafrost 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.

In addition, the shares in larger subsidiaries have been pledged to the bank syndicate.

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 (2021: DKK 21.2 million), allocation of administration etc. DKK 83.3 million (2021: DKK 84.4 million) and financial incomes of DKK 64.8 million (2021: DKK 15.9 million). The principle of arm's length is used in all transactions with related parties.

APPENDIX

Quarterly financial figures 2020-2022

DKK 1,000	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
Operating revenue	1,255,226	1,134,222	1,123,147	1,139,297	1,175,637	1,617,534	1,272,362	1,488,316	1,639,345	1,683,824	1,866,989	1,939,809
Purchase of goods	-415,276	-642,818	-574,394	-726,135	-288,602	-399,307	-496,680	-507,912	-559,267	-565,508	-1,048,355	-583,143
Change in inventory and biological assets (at cost)	-56,667	215,285	22,773	220,288	-7,375	-79,924	30,181	-120,942	126,319	271,592	361,840	-93,201
Salary and personnel expenses	-148,713	-159,987	-135,441	-164,206	-167,570	-184,782	-177,607	-198,464	-201,234	-186,279	-203,935	-240,231
Other operating expenses	-267,470	-249,039	-248,265	-297,945	-357,934	-419,751	-434,744	-419,685	-455,576	-485,020	-525,902	-523,801
Depreciation	-119,017	-115,766	-85,157	-126,825	-130,655	-126,281	-122,967	-150,531	-136,194	-137,112	-136,428	-127,746
Other income	0	0	0	44,041	0	0	0	28,877	4,496	5,081	10,478	4,324
Operational EBIT	248,083	181,897	102,663	88,515	223,501	407,489	70,545	119,659	417,889	586,578	324,687	376,011
Fair value adjustments on biological assets	-410,711	426,650	124,429	-22,365	284,622	176,486	113,713	-139,953	177,338	575,911	-48,803	-426,054
Onerous contracts	0	0	0	0	0	0	0	0	-30,709	-33,606	64,315	0
Income from associates	0	0	0	5,546	1,317	3,081	7,963	17,751	3,345	-3,902	10,265	47,889
Revenue tax	-19,132	-22,633	-9,353	-2,466	-20,363	-41,152	-30,645	-49,329	-57,750	-62,838	-43,393	-51,020
Earnings before interest and taxes (EBIT)	-181,760	585,914	217,739	69,230	489,077	545,904	161,576	-51,872	510,113	1,062,143	307,071	-53,174
Net interest revenue	803	344	101	151	120	2,239	1,073	110	1,787	0	242	4,971
Net interest expenses	-9,527	-10,057	-6,446	-10,287	-7,605	-10,908	-7,784	-10,566	-7,704	-9,545	-8,065	-39,725
Net currency effects	15,448	-2,554	-12,284	-13,706	18,901	-1,992	6,552	22,401	-8,506	10,266	-8,427	-62,399
Other financial expenses	-6,015	-2,355	-3,919	-4,836	-7,025	-5,438	-3,319	-3,782	-3,851	-5,961	-8,508	9,607
Earnings before taxes (EBT)	-181,051	571,292	195,191	40,552	493,468	529,805	158,098	-43,709	491,839	1,056,903	282,313	-140,720
Taxes	33,070	-99,611	-18,369	-78,229	-85,736	-101,678	-26,796	40,584	-87,082	-212,300	-33,293	-13,330
Profit or loss for the period	-147,981	471,681	176,822	-37,677	407,732	428,127	131,302	-3,125	404,757	844,603	249,020	-154,050
Earnings per share (DKK)	-2.50	7.98	2.99	-0.64	6.90	7.25	2.22	-0.05	6.85	14.29	4.21	-2.61
Diluted earnings per share (DKK)	-2.50	7.98	2.99	-0.64	6.90	7.25	2.22	-0.05	6.85	14.29	4.21	-2.61

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

DKK 1,000	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
ASSETS												
Non-current assets												
Intangible assets	4,386,056	4,377,948	4,491,387	4,493,395	4,493,081	4,494,960	4,495,225	4,495,726	4,506,873	4,507,443	4,507,691	4,508,704
Property, plant and equipment	3,762,740	3,894,070	3,977,620	4,220,599	4,405,542	4,549,575	4,742,180	4,888,778	4,942,556	5,091,194	5,213,364	5,647,161
Right of use assets	480,085	431,525	380,121	353,192	337,739	314,509	308,919	302,105	279,128	280,234	468,106	438,545
Financial assets	119,116	116,712	116,702	122,459	123,204	124,225	132,313	149,225	154,467	139,162	149,188	234,209
Long-term receivables	4,422	4,422	8,737	8,101	8,202	8,101	8,204	8,102	0	0	0	0
Deferred tax assets	37,840	35,718	58,238	26,934	0	0	0	215,248	133,801	120,191	155,208	336,020
Total non-current assets	8,790,259	8,860,395	9,032,805	9,224,680	9,367,768	9,491,370	9,686,841	10,059,184	10,016,825	10,138,224	10,493,557	11,164,639
Current assets												
Biological assets (biomass)	1,492,337	1,903,359	2,146,338	2,117,024	2,441,083	2,489,210	2,703,268	2,448,290	2,636,644	3,300,603	3,268,658	2,938,485
Inventory	523,833	720,764	613,505	776,032	772,024	809,443	690,251	709,306	794,294	923,113	1,236,507	1,074,344
Total inventory	2,016,170	2,624,123	2,759,843	2,893,056	3,213,107	3,298,653	3,393,519	3,157,596	3,430,938	4,223,716	4,505,165	4,012,829
Financial derivatives	0	0	0	0	0	6,805	6,412	0	0	0	0	7,474
Accounts receivable	629,372	563,364	524,943	490,075	548,537	618,859	645,983	824,004	871,925	691,690	729,041	808,755
Other receivables	22,780	11,236	57,546	133,574	61,171	84,598	152,506	78,227	72,691	151,812	148,988	168,272
Total receivables	652,152	574,600	582,489	623,649	609,708	710,262	804,901	902,231	944,616	843,502	878,029	984,501
Cash and cash equivalents	801,079	454,389	445,929	466,939	373,706	552,981	373,318	509,157	445,079	508,193	568,165	719,603
Total current assets	3,469,401	3,653,112	3,788,261	3,983,644	4,196,521	4,561,896	4,571,738	4,568,984	4,820,633	5,575,411	5,951,359	5,716,933
TOTAL ASSETS	12,259,660	12,513,507	12,821,066	13,208,324	13,564,289	14,053,266	14,258,579	14,628,168	14,837,458	15,713,635	16,444,916	16,881,572

DKK 1,000	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021	Q1 2022	Q2 2022	Q3 2022	Q4 2022
EQUITY AND LIABILITIES												
Equity												
Share capital	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143
Other equity	8,070,356	8,522,287	8,702,346	8,670,344	9,120,850	9,336,906	9,464,500	9,288,269	9,388,880	10,219,538	10,455,923	10,333,259
Non-controlling interests	0	0	0	0	0	0	0	133	2,722	-17	2,025	3,411
Total equity	8,129,499	8,581,430	8,761,489	8,729,487	9,179,993	9,396,049	9,523,643	9,347,545	9,450,745	10,278,664	10,517,091	10,395,813
Non-current liabilities												
Deferred and other taxes	1,097,117	1,181,972	1,218,379	1,222,222	1,288,242	1,367,759	1,409,473	1,590,034	1,598,438	1,798,404	1,867,840	1,825,873
Long-term interest-bearing debt	1,789,537	1,570,512	1,702,579	2,219,690	2,312,487	2,456,065	2,359,589	2,634,968	2,636,926	2,774,792	2,994,760	3,383,289
Long-term leasing debt	261,105	249,178	287,937	265,235	235,552	249,024	247,076	245,753	232,735	235,739	427,270	353,355
Financial derivatives	1,966	1,282	-1,077	1,480	0	0	0	3,207	0	0	0	0
Total non-current liabilities	3,149,725	3,002,944	3,207,818	3,708,627	3,836,281	4,072,848	4,016,138	4,473,962	4,468,099	4,808,935	5,289,870	5,562,517
Current liabilities												
Financial derivatives	13,158	18,042	17,371	9,710	4,649	2,251	2,994	4,602	8,675	7,302	15,233	0
Short-term leasing debt	201,047	195,140	130,043	131,336	143,271	97,669	93,487	87,668	76,902	70,423	52,647	106,215
Accounts payable and other debt	766,231	715,951	704,345	629,164	400,095	484,449	622,317	714,391	833,037	548,311	570,075	817,027
Total current liabilities	980,436	929,133	851,759	770,210	548,015	584,369	718,798	806,661	918,614	626,036	637,955	923,242
Total liabilities	4,130,161	3,932,077	4,059,577	4,478,837	4,384,296	4,657,217	4,734,936	5,280,623	5,386,713	5,434,971	5,927,825	6,485,759
TOTAL EQUITY AND LIABILITIES	12,259,660	12,513,507	12,821,066	13,208,324	13,564,289	14,053,266	14,258,579	14,628,168	14,837,458	15,713,635	16,444,916	16,881,572

Market Announcements Published in 2022

Exclusive Invitations, Managements', Board of Directors' and large shareholders' notification of trade and notification of trade regarding Bakkafrost's Share Savings Plan.

Q1 2022

3 January 2022: Bakkafrost has acquired 90% of the outstanding shares of Munkebo Seafood A/S
4 January 2022: Q4 2021 Trading Update
22 February 2022: Q4 2021 Interim Results and Full Year 2021
22 February 2022: Key Information Regarding Cash Dividend for Bakkafrost
31 March 2022: Annual Report 2021 and Sustainability report 2021
31 March 2022: Notice to the Annual General Meeting

Q2 2022

4 April 2022: Q1 2022 Trading Update
25 April 2022: Currency Rate for the upcoming Cash Dividend
29 April 2022: Protocol from Annual General Meeting
2 May 2022: Ex dividend DKK 5.14 today
10 May 2022: Q1 2022 Interim Results

Q3 2022

5 July 2022: Q2 2022 Trading Update
23 August 2022: Q2 2022 Interim Results
28 September 2022: Revenue tax on salmon farming in the Faroe Islands
30 September 2022: Update on Revenue tax on salmon farming in the Faroe Islands

Q4 2022

3 October 2022: Q3 2022 Trading Update
19 October 2022: Financial Calendar
8 November 2022: Q3 2022 Interim Results

Financial Calendar for 2023

- | | |
|-------------------|-----------------------------|
| ■ 28 April 2023 | Annual General Meeting 2023 |
| ■ 09 May 2023 | Presentation of Q1 2023 |
| ■ 06 June 2023 | Capital Markets Day 2023 |
| ■ 22 August 2023 | Presentation of Q2 2023 |
| ■ 7 November 2023 | Presentation of Q3 2023 |

Annual General Meeting will take place at Bakkavegur 9, Glyvrrar, 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	NIBD:	Net Interesting Bearing Debt
ASC:	Aquaculture Stewardship Council	PP&E:	Property, Plant and Equipment
CGU:	Cash-generating Unit	R&D:	Research and Development Costs
EBT:	Earnings Before Tax	SCT:	Scotland
EBIT:	Earnings Before Interest and Tax	SSC:	The Scottish Salmon Company Ltd
EBITA:	Earnings Before Interest, Amortization and Tax	TGW:	Tonnes Guttet Weight
EBITDA:	Earnings Before Interest, Tax, Depreciation and Amortization	USP:	Unique Selling Points
EPS:	Earnings Per Share	VAT:	Value Added Tax
FIFO:	First in First out	VAP:	Value Added Products; Value Added Production
FOF:	Fishmeal, Oil and Feed	WACC:	Weighted Average Cost of Capital
FO:	Faroe Islands	WFE:	Whole Fish Equivalent
HACCP:	Hazard Analyses Critical Control Point		
IAS:	International Accounting Standards		
IFRS:	International Financial Reporting Standards		
ISO:	International Organization for Standardization		
LW:	Live Weight		

