



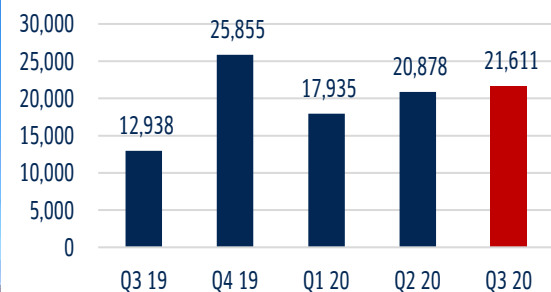
INTERIM REPORT

Q3 2020

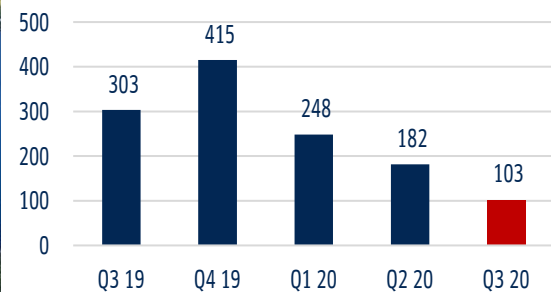
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Faroese Company Registration No. 1724

HARVEST VOLUME TGW



OPERATIONAL EBIT MDKK



OPERATIONAL EBIT VAP AND FARMING FO
DKK/KG

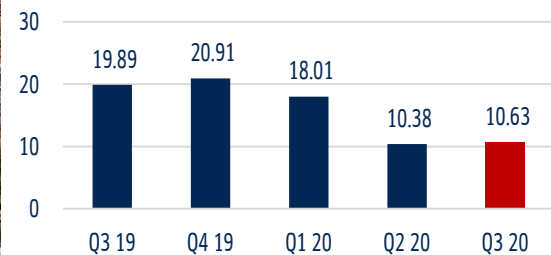


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Highlights

DKK 1,000	Q3 2020	Q3 2019	YTD 2020	YTD 2019	DKK 1,000	Q3 2020	Q3 2019	YTD 2020	YTD 2019
INCOME STATEMENT					FINANCIAL POSITION AND CASH FLOW				
Group - Operating revenue	1,123,147	996,050	3,512,595	2,906,265	Total Assets***	12,821,066	13,101,405	12,821,066	13,101,405
Group - Operational EBIT*	102,663	303,381	532,643	909,849	Equity***	8,761,489	8,496,875	8,761,489	8,496,875
Group - EBIT	217,739	220,581	621,893	717,898	Equity ratio***	68%	65%	68%	65%
Group - Profit for the period	176,822	180,935	500,522	582,373	Net interest-bearing debt***	1,256,650	1,018,685	1,256,650	1,018,685
					Cash flow from operations	104,549	779,169	581,197	1,182,487
Operational EBIT* (FO Farming and VAP) (DKK)	118,394	257,348	444,893	791,819	Cash flow from financing	62,645	2,053,216	-971,771	1,918,662
Operational EBIT/kg (FO Farming and VAP) (DKK)	10.63	19.89	12.81	20.17					
Operational EBIT/kg (FO Farming and VAP) (NOK)	15.24	26.25	18.36	26.39					
					PROFITABILITY				
Farming Faroe Islands - Operating revenue	530,077	693,251	1,736,799	2,207,266	Basic earnings per share (DKK)	2.99	3.67	8.47	11.82
Farming Faroe Islands - Operational EBIT*	96,612	231,498	385,287	764,680	Diluted earnings per share (DKK)	2.99	3.67	8.47	11.82
Farming Faroe Islands - Operational EBIT margin	18.2%	33.4%	22.2%	34.6%	ROCE**	0.9%	4.3%	4.5%	13.4%
Farming Faroe Islands - Operational EBIT/kg (DKK)	8.68	17.89	11.09	19.48					
Farming Faroe Islands - Operational EBIT/kg (NOK)	12.43	23.61	15.90	25.49	VOLUMES				
					Harvested volumes Faroe Islands (tgw)	11,135	12,938	34,743	39,254
Farming Scotland - Operating revenue	416,639	n/a	1,206,464	n/a	Harvested volumes Scotland (tgw)	10,476	n/a	25,681	n/a
Farming Scotland - Operational EBIT*	-28,407	n/a	30,127	n/a	VAP produced volumes (tgw)	5,313	3,694	17,141	12,471
Farming Scotland - Operational EBIT margin	-6.8%	n/a	2.5%	n/a	Sold feed tonnes	39,869	33,874	81,113	69,010
Farming Scotland - Operational EBIT/kg (DKK)	-2.71	n/a	1.17	n/a	Internal feed sales tonnes	34,353	26,156	64,829	55,805
Farming Scotland - Operational EBIT/kg (NOK)	-3.89	n/a	1.68	n/a	Smolt released Faroe Islands (thousand pcs)	3,556	2,365	8,741	7,665
					Smolt released Scotland (thousand pcs)	1,284	n/a	5,151	n/a
VAP - Operating revenue	246,822	217,458	828,893	715,584					
VAP - Operational EBIT*	21,782	25,850	59,606	27,139					
VAP - Operational EBIT margin	8.8%	11.9%	7.2%	3.8%					
VAP - Operational EBIT/kg (DKK)	4.10	7.00	3.48	2.18					
VAP - Operational EBIT/kg (NOK)	5.87	9.23	4.99	2.85					
FOF - Operating revenue	481,479	483,627	1,060,059	1,050,485					
FOF - EBITDA	69,466	94,463	159,599	218,097					
FOF - EBITDA margin	14.4%	19.5%	15.1%	20.8%					
NOK/DKK (average)	69.79	75.78	69.73	76.43					

* Aligned for fair value adjustment of biomass, onerous contracts provisions, income from associates and revenue tax - refer to Note 10

** Return on average capital employed, based on operational EBIT - refer to Note 10

*** Comparing figures from end 2019

Summary of the 3rd Quarter 2020 and the First Nine Months of 2020

(Figures in parenthesis refer to the same period last year).

The Bakkafrost Group delivered a total operating EBIT of DKK 102.7 million in Q3 2020.

Total harvested volumes were 21.6 thousand tonnes gutted weight (tgw). Faroe Islands (FO): 11.1 tgw, Scotland (SCT): 10.5 tgw.

The combined FO farming and VAP segments made an operational EBIT of DKK 118.4 million. The FO farming segment made an operational EBIT of DKK 96.6 million. The SCT farming segment made an operational EBIT of DKK -28.4 million.

The VAP segment made an operational EBIT of DKK 21.8 million. The EBITDA for the FOF segment was DKK 69.5 million.

The Group made a profit for Q3 2020 of DKK 176.8 million (DKK 180.9 million). For the first nine months of 2020, the profit was DKK 500.5 million (DKK 582.4 million).

Total harvested volumes for Q3 2020 were 21,611 tonnes gutted weight. FO: 11,135 tgw (12,938 tgw), SCT: 10,476 tgw (n/a). Total harvested volumes in the first nine months of 2020 were 60,424 tgw (39,254 tgw). FO: 34,743 tgw (39,254 tgw), SCT: 25,681 tgw (n/a).

In total, 4.8 million (2.4 million) smolts were transferred during Q3 2020. FO: 3.6 million (2.4 million), SCT: 1.3 million (n/a). For the first nine months of 2020, 13.9 million (7.7 million) smolts were transferred. FO: 8.7 million (7.7 million), SCT 5.2 million (n/a).

The combined FO farming and VAP segments made an operational EBIT of DKK 118.4 million (DKK 257.3 million) in Q3 2020. The operational EBIT per kg in Q3 2020 was DKK 10.63 (DKK 19.89), which corresponds to NOK 15.24 (NOK 26.25) for the combined FO farming and VAP segments. For the first nine months of 2020, the combined FO farming and VAP segments made an operational EBIT of DKK 444.9 million (DKK 791.8 million).

The FO farming segment made an operational EBIT of DKK 96.6 million (DKK 231.5 million) in Q3 2020. The harvested volumes were lower, and the achieved prices were slightly lower in Q3 2020, compared to Q3 2019. For the first nine months of 2020, the operational EBIT was DKK 385.3 million (DKK 764.7 million).

The SCT farming segment made an operational EBIT of DKK -28.4 million in Q3 2020. For the first nine months of 2020, the operational EBIT was DKK 30.1 million. Costs of DKK 41 million relate to incident-based mortality in Q3 2020.

The VAP segment made an operational EBIT of DKK 21.8 million (DKK 25.9 million) for Q3 2020. For the first nine months of 2020, the operational EBIT was DKK 59.6 million (DKK 27.1 million).

The FOF segment (fishmeal, oil and feed) made an EBITDA of DKK 69.5 million (DKK 94.5 million) for Q3 2020, and the EBITDA margin was 14.4% (19.5%). The EBITDA was DKK 159.6 million for the first nine months of 2020 (DKK 218.1 million), corresponding to an EBITDA margin of 15.1% (20.8%).

During Q3 2020, Havsbrún sourced 24,101 tonnes (17,845 tonnes) of raw material, and in the first nine months of 2020, Havsbrún sourced 211,420 tonnes (243,484 tonnes) of raw material.

The Group has been impacted by the market disruption from Covid-19 from late Q1 2020.

The net interest-bearing debt amounted to DKK 1,256.7 million at the end of Q3 2020, compared to DKK 1,018.7 million at year-end 2019. Undrawn credit facilities amounted to DKK 2,163 million at the end of Q3 2020.

The equity ratio was 68% at 30 September 2020, compared to 65% at the end of 2019.

Financial Review

Income Statement

(Figures in parenthesis refer to the same period last year).

The Group's operating revenue amounted to DKK 1,123.1 million (DKK 996.1 million) in Q3 2020. For the first nine months of 2020, the operating revenue amounted to DKK 3,512.6 million (DKK 2,906.3 million).

The FO farming segment's harvest volumes were lower, and the achieved prices were slightly lower in Q3 2020, compared to the same quarter last year. The VAP segment had higher revenues because of higher volumes in Q3 2020, compared to Q3 2019. The FOF segment had practically unchanged revenue in Q3 2020, compared to Q3 2019, but had lower sales of fishmeal and higher sales of fish feed in Q3 2020, compared to Q3 2019.

The Group's operational EBIT was DKK 102.7 million (DKK 303.4 million) in Q3 2020. For the first nine months of 2020, the Group's operational EBIT was DKK 532.6 million (DKK 909.8 million).

The combined FO farming and VAP segments had lower operational EBIT in Q3 2020, compared to Q3 2019. Farming Scotland's operational EBIT was DKK -28.4 million. The FOF segment had lower EBITDA in Q3 2020, compared to Q3 2019.

The fair value adjustment of the Group's biological assets amounted to DKK 124.4 million (DKK -69.8 million) in Q3 2020. For the first nine months of 2020, the fair value adjustment amounted to DKK 140.4 million (DKK -117.5 million).

No provisions for onerous contracts were recognized in Q3 2020/2019, nor the first months of 2020/2019.

The revenue tax amounted to DKK -9.4 million (DKK -20.6 million) in Q3 2020. For the first nine months of 2020, the revenue tax was DKK -51.1 million (DKK -84.6 million).

Net financial items in Q3 2020 were DKK -22.5 million (DKK 2.1 million). For the first nine months of 2020, net interests were DKK -36.5 million (DKK -6.8 million).

Net taxes amounted to DKK -18.4 million (DKK -41.7 million) in Q3 2020. For the first nine months of 2020, net taxes amounted to DKK -84.9 million (DKK -128.8 million).

The result for Q3 2020 was DKK 176.8 million (DKK 180.9 million), and for the first nine months of 2020, the result was DKK 500.5 million (DKK 582.4 million).

Statement of Financial Position

(Figures in parenthesis refer to end last year).

The Group's total assets amounted to DKK 12,821.1 million (DKK 13,101.4 million) at the end of Q3 2020.

Intangible assets amounted to DKK 4,491.4 million (DKK 4,395.7 million) at the end of Q3 2020.

Property, plant and equipment amounted to DKK 3,977.6 million (DKK 3,780.5 million) at the end of Q3 2020. Right of use assets amounted to DKK 380.1 million (DKK 332.8 million) in Q3 2020. Bakkafrøst made investments in PP&E amounting to DKK 175.3 million during Q3 2020.

Non-current financial assets amounted to DKK 116.7 million (DKK 119.1 million) at the end of Q3 2020.

The carrying amount (fair value) of biological assets amounted to DKK 2,146.3 million (DKK 1,901.7 million) at the end of Q3 2020. Compared to year end 2019, biological assets have increased. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 195.4 million (DKK 27.7 million) at the end of Q3 2020.

Inventories amounted to DKK 613.5 million (DKK 548.5 million) at the end of Q3 2020.

Total receivables, including long-term receivables and deferred tax assets, amounted to DKK 649.5 million (DKK 713.5 million) at the end of Q3 2020.

Total cash and cash equivalents amounted to DKK 445.9 million (DKK 1,309.5 million) at the end of Q3 2020.

The Group's equity amounted to DKK 8,761.5 million (DKK 8,496.9 million) at the end of Q3 2020. The change in equity consists primarily of the result for the first nine months of 2020. Acquisition of minorities amounted to DKK 167.6 million in Q1 2020.

Total non-current liabilities amounted to DKK 3,207.8 million (DKK 3,679.6 million) at the end of Q3 2020.

Deferred taxes amounted to DKK 1,218.4 million (DKK 1,123.8 million) at the end of Q3 2020.

Long-term interest-bearing debt was DKK 1,702.6 million (DKK 2,328.2 million) at the end of Q3 2020.

Long-term leasing debt amounted to DKK 287.9 million (DKK 225.6 million) and short-term leasing debt amounted to DKK 130.0 million (DKK 107.8 million). In total DKK 417.0 million (DKK 333.4 million) at the end of Q3 2020.

At the end of Q3 2020, the Group's total current liabilities were DKK 851.8 million (DKK 925.0 million). The current liabilities consist of financial derivatives, short-term leasing debt and accounts payable and other debt.

Total derivatives amounted to DKK 16.3 million (DKK 15.5 million) at the end of Q3 2020.

The equity ratio was 68% at the end of Q3 2020, compared to 65% at the end of 2019.

Cash Flow

(Figures in parenthesis refer to the same period last year).

The cash flow from operations was DKK 104.5 million (DKK 779.2 million) in Q3 2020. The changes in working capital had a negative effect on the cash flow from operations. For the first nine months of 2020, the cash flow from operations was DKK 581.2 million (DKK 1,182.5 million).

The cash flow from investment activities amounted to DKK -175.7 million (DKK -543.5 million) in Q3 2020. The amount relates to investments in property, plant and equipment. For the first nine months of 2020, the cash flow from investments amounted to DKK -473.0 million (DKK -806.5 million).

The cash flow from financing activities totalled DKK 62.6 million (DKK 2,053.2 million) in Q3 2020. For the first nine months of 2020, cash flow from financing amounted to DKK -971.8 million (DKK 1,918.7 million).

In Q3 2020, net change in cash flow amounted to DKK -8.5 million (DKK 2,288.9 million). For the first nine months of 2020, net change in cash flow amounted to DKK -863.6 million (DKK 2,294.7 million).

At the end of Q3 2020, the Group had unused credit facilities of DKK 2,163 million (DKK 1,481.0 million).

Farming Segment – Faroe Islands (FO)

The Faroese farming 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.

Volumes

The total volumes harvested in Q3 2020 were 11,135 tonnes gutted weight (12,938 tgw) – a change in volume of -14%. 5,337 tgw came from the North region, 4,681 tgw from the West region and 1,117 tgw from the South region. Total harvested volumes for the first nine months of 2020 were 34,743 tonnes gutted weight (39,254 tgw), which is in line with the forecast for 2020.

3.6 million (2.4 million) smolts were transferred in Q3 2020. In the first nine months of 2020, 8.7 million (7.7 million) smolts were transferred. This is in line with the smolt transfer plan.

DKK 1,000	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Financial						
Total revenue	530,077	693,251	-24%	1,736,799	2,207,266	-21%
EBIT	170,547	144,636	18%	219,704	568,667	-61%
Operational EBIT	96,612	231,498	-58%	385,287	764,680	-50%
Operational EBIT/kg (DKK)	8.68	17.89	-52%	11.09	19.48	-43%
Operational EBIT margin	18%	33%	-45%	22%	35%	-36%
Volumes						
Harvested volumes Faroe Islands (tgw)	11,135	12,938	-14%	34,743	39,254	-11%
- Farming North	5,337	3,651	46%	24,543	18,252	34%
- Farming West	4,681	7,340	-36%	7,450	19,055	-61%
- Farming South	1,117	1,947	-43%	2,750	1,947	41%
Smolts released (thousand)	3,556	2,365	50%	8,741	7,665	14%
- Farming North	838	131	540%	1,918	2,941	-35%
- Farming West	2,308	1,827	26%	4,704	2,927	61%
- Farming South	410	407	1%	2,119	1,797	18%

Financial Performance

In Q3 2020, the operating revenue for the FO farming segment was DKK 530.1 million (DKK 693.3 million). The total revenue for the farming segment decreased in Q3 2020, compared with Q3 2019, because of lower sales prices and lower volumes. The operating revenue for the FO farming segment for the first nine months of 2020 was DKK 1,736.8 million (DKK 2,207.3 million).

In Q3 2020, the FO farming segment's EBIT amounted to DKK 170.5 million (DKK 144.6 million). The FO farming segment's EBIT for the first nine months of 2020 was DKK 219.7 million (DKK 568.7 million).

Operational EBIT amounted to DKK 96.6 million (DKK 231.5 million) in Q3 2020, which corresponds to an operational EBIT margin of 18% (33%). For the first nine months of 2020, operational EBIT was DKK 385.3 million (DKK 764.7 million).

Operational EBIT/kg for the FO farming segment was DKK 8.68 (NOK 12.43) in Q3 2020, compared with DKK 17.89 (NOK 23.61) in Q3 2020. Operational EBIT/kg for the first nine months of 2020 was DKK 11.09 (NOK 15.90), compared with DKK 19.48 (NOK 25.49) for the first nine months of 2019.

Volumes and EBIT were impacted during Q3 by the global market disruption caused by Covid-19.

Farming Segment – Scotland (SCT)

(Please note that the comparable figures and the narrative in this section are pro forma and are not part of the consolidated Bakkafrøst accounts.)

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

Volumes

The total volumes harvested in Q3 2020 were 10,476 tonnes gutted weight (7,410 tgw). Total harvested volumes for the first nine months of 2020 were 25,681 tonnes gutted weight (25,573 tgw), which is in line with the forecast for 2020.

1.3 million smolts were transferred in Q3 2020 (1.5 million). For the first nine months of 2020, 5.2 million (6.7 million) smolts were transferred. This is in line with the smolt transfer plan.

DKK 1,000	Q3 2020	YTD 2020
Financial		
Total revenue	416,639	1,206,464
EBIT	12,734	284,960
Operational EBIT	-28,407	30,127
Operational EBIT/kg (DKK)	-2.71	1.17
Operational EBIT margin	-7%	2%
Volumes		
Harvested volumes (tgw)	10,476	25,681
Smolts released (thousand pcs)	1,284	5,151

Financial Performance

In Q3 2020, the operating revenue for the SCT farming segment was DKK 416.6 million. The operating revenue for the SCT farming segment for the first nine months of 2020 was DKK 1,206.5 million.

Operational EBIT amounted to DKK -28.4 million, which corresponds to an operational EBIT margin of -7%. For the first nine months of 2020, operational EBIT was DKK 30.1 million, which corresponds to an operational EBIT margin of 2%.

Operational EBIT/kg for the farming segment in Scotland was DKK -2.71 (NOK -3.89) in Q3 2020. Operational EBIT/kg for the first nine months of 2020 was DKK 1.17 (NOK 1.68).

Volumes and EBIT were impacted during Q3 by the global market disruption caused by Covid-19 and environmental challenges. Costs of Cost on DKK 41 million relate to incident-based mortality in Q3 2020.

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.

Volumes

48% (29%) of the total Faroese harvested volumes in Q3 2020 went to the production of VAP products, and 49% (32%) of the harvested volumes for the first nine months of 2020 went to production of VAP products.

The VAP production in the Faroe Islands was 5,313 tonnes gutted weight (3,694 tgw) in Q3 2020, an increase of 44%, compared to Q3 2019. The volumes were higher, compared to Q3 2019. For the first nine months of 2020, the VAP production was 17,141 tgw (12,471 tgw).

DKK 1,000	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Financial						
Total revenue	246,822	217,458	14%	828,893	715,584	16%
EBIT	21,782	25,850	-16%	59,606	27,139	120%
Operational EBIT	21,782	25,850	-16%	59,606	27,139	120%
VAP - Operational EBIT/kg (DKK)	4.10	7.00	-41%	3.48	2.18	60%
Operational EBIT margin	9%	12%	-26%	7%	4%	90%
Volumes						
VAP produced volumes (tgw)	5,313	3,694	44%	17,141	12,471	37%
Harvested volumes used in VAP production	48%	29%	67%	49%	32%	55%
Harvested volumes sold fresh/frozen	52%	71%	-27%	51%	68%	-26%

Financial Performance

The operating revenue for the VAP segment amounted to DKK 246.8 million (DKK 217.5 million) in Q3 2020. The increase in revenue is due to higher volumes in Q3 2020, compared with Q3 2019. For the first nine months of 2020, the VAP revenue was DKK 828.9 million (DKK 715.6 million).

The VAP segment had an EBIT amounting to DKK 21.8 million (DKK 25.9 million) in Q3 2020. Changes in onerous contracts were DKK 0.0 million (DKK 0.0 million). For the first nine months of 2020, the VAP segment's EBIT amounted to DKK 59.6 million (DKK 27.1 million).

Operational EBIT amounted to DKK 21.8 million (DKK 25.9 million) in Q3 2020, corresponding to an operational EBIT of DKK 4.10 (NOK 5.87) per kg gutted weight in Q3 2020, compared with DKK 7.00 (NOK 9.23) per kg gutted weight in Q3 2019. Operational EBIT/kg for the first nine months of 2020 was DKK 3.48 (NOK 4.99), compared with DKK 2.18 (NOK 2.85) for the first nine months of 2019.

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, used internally in the FO 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

Havsbrún received 24,101 tonnes (17,845 tonnes) of raw material to produce fishmeal and fish oil in Q3 2020. The raw material intake depends on the fishery in the North Atlantic and available species of fish. For the first nine months of 2020, Havsbrún received 211,420 tonnes (243,484 tonnes) of raw material.

The production of fishmeal in Q3 2020 was 5,802 tonnes (4,811 tonnes). For the first nine months of 2020, Havsbrún produced 44,876 tonnes (52,570 tonnes) of fishmeal.

The production of fish oil in Q3 2020 was 2,745 tonnes (1,945 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For the first nine months of 2020, Havsbrún produced 5,224 tonnes (6,718 tonnes) of fish oil.

Sales of fish feed amounted to 39,869 tonnes (33,874 tonnes) in Q3 2020. The FO farming segment internally used 28,281 tonnes (26,156 tonnes) or 70.9% (77.0%). The SCT farming segment internally used 6,072 tonnes or 15.2%.

For the first nine months of 2020, Havsbrún sold 81,113 tonnes (69,010 tonnes) of fish feed.

Financial Performance

The operating revenue for the FOF segment amounted to DKK 481.5 million (DKK 483.6 million) in Q3 2020, of which DKK 389.6 million (DKK 270.3 million) represented sales to Bakkafrøst's farming segments, corresponding to 81% (56%). For the first nine months of 2020, the revenue amounted to DKK

DKK 1,000	Q3 2020	Q3 2019	Change	YTD 2020	YTD 2019	Change
Financial						
Total revenue	481,479	483,627	0%	1,060,059	1,050,485	1%
EBIT	61,382	91,357	-33%	136,803	200,686	-32%
EBITDA	69,466	94,463	-26%	159,599	218,097	-27%
FOF - EBITDA margin	14.4%	19.5%	-26%	15.1%	20.8%	-27%
Volumes (tonnes)						
Total Feed sold	39,869	33,874	18%	81,113	69,010	18%
- Feed internal sale FO	28,281	26,156	8%	58,307	55,805	4%
- Feed internal sale SCT	6,072	0	n/a	6,522	0	n/a
- Feed external sale	5,516	7,718	-29%	16,284	13,205	23%
Fishmeal external sale	2,701	10,288	-74%	17,175	27,646	-38%
Fish oil external sale	5	9	-44%	14	10	40%
Received raw material	24,101	17,845	35%	211,420	243,484	-13%
Fishmeal production	5,802	4,811	21%	44,876	52,570	-15%
Fish oil production	2,745	1,945	41%	5,224	6,718	-22%

1,060.1 million (DKK 1,050.5 million) of which DKK 706.0 million (DKK 568.6 million) represented sales to Bakkafrøst's farming segments, corresponding to 67% (54%).

Total revenue for the FOF segment in Q3 2020 was nearly unchanged, compared to the same quarter last year. The internal revenue is higher in Q3 2020, compared to Q3 2019. The decrease in external revenue is due to lower volumes of fishmeal sold in Q3 2020, compared to Q3 2019.

EBITDA was DKK 69.5 million (DKK 94.5 million) in Q3 2020, and the EBITDA margin was 14.4% (19.5%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed. For the first nine months of 2020, the EBITDA was DKK 159.6 million (DKK 218.1 million), corresponding to an EBITDA margin of 15.1% (20.8%).

Outlook

Market

The global harvest of Atlantic salmon was 4.8% higher in Q3 2020, compared to Q3 2019, according to the latest estimate from Kontali Analyse. The market was affected negatively by the market disruption caused by the Covid-19 pandemic.

Looking forward, the market dynamics will still be affected by the Covid-19 situation which imposes greater than normal uncertainty to the market development estimates. In Q4 2020, the global harvest of Atlantic salmon is expected to increase around 5%, compared to Q4 2019. The estimated global harvest of Atlantic salmon for 2020 is an increase of around 4%, compared to 2019. In 2021, the global harvest of salmon is expected to increase around 1%, compared to 2020.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia. The Covid-19 pandemic has caused global market disruptions and a shift from foodservice to retail. These changes will continue for some time, but Bakkafrost has kept a high focus on ensuring the flow in the market and aims to balance the market diversification to reduce market risk.

There will be a tight supply of salmon in 2021, especially in the second half of 2021 according to Kontali Analyse. Bakkafrost will have increased harvest volumes of salmon in 2021 (106,500 tonnes combined), compared with 2020 (89,000 tonnes).

It is uncertain what “new normal” the market will settle at, once the Covid-19 pandemic has passed. During the pandemic, new and innovative business models have emerged, especially in food service. It is not unlikely that some of these are here to stay and

due to our highly flexible value chain, Bakkafrost is well positioned to adapt to these changes.

Farming

Overall, the biological performance of the harvested fish in the Faroe Islands has been strong during Q3 2020. The growth has been strong, sea lice counts low and the quality of the harvested fish has been exceptionally high. The average size of transferred smolt continues to increase in the Faroe Islands, and Bakkafrost is well on track in pursuing the large-smolt strategy. In 2020, the average weight of the transferred smolt will be around 300g, expected to increase to around 400g in 2021 and 500g in 2022. This is driven by the massively increased production capacity delivered by the Strond hatchery which is now in full operation producing large and high-quality smolts. To add further capacity, expansion of the existing hatcheries at Norðtoftir and Glyvradalur have commenced. As these expansions are made to already existing hatcheries, the increased production output will be available already in 2022, enabling Bakkafrost to produce 20 million smolts of 500g.

Some of the benefits of the large-smolt strategy are already materializing as the production cycle in the fjords are reduced to 12-14 months for the smolts released this year.

The farming operation in Scotland is gradually improving its key performing indicators, however – as historical performances from previous years have demonstrated – 3rd quarters are the most challenging quarters for the Scottish farming operation. In this quarter, the mortality has been higher, especially driven by biological issues induced by severe rainfall in August. This pattern of challenging 3rd quarters may be expected for the next couple of years or so but with

gradually reduced severity as the large-smolt strategy is being implemented in the Scottish farming operation. Once fully implemented, the large-smolt strategy will be a game changer for the farming operation. To achieve this, Bakkafrost plans to invest in 3 large hatcheries in the coming years to become self-sufficient with large smolts.

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

Bakkafrost's expected harvest volume in 2020 in the Faroe Islands is 50,000 tonnes gutted weight, while the expected harvest in 2020 in Scotland is 39,000 tonnes gutted weight. Harvest volumes for 2021 in the Faroe Islands are expected to reach 62,500 tonnes gutted weight and 44,000 tonnes gutted weight in Scotland.

Bakkafrost expects to release around 14.7 million smolts in 2020 in the Faroe Islands, compared to 12.7 million smolts in 2019 and 12.6 million smolts in 2018. The smolt release in Scotland is expected to be 10.7 million smolts in 2020, compared to 12.4 million smolts in 2019 and 8.6 million smolts in 2018. Bakkafrost expects to release 14.5 million smolts in 2021 in the Faroe Islands and 11.0 million smolts in Scotland. The number and average weight of smolts released are key elements of predicting Bakkafrost's future production.

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

VAP (Value added products)

Bakkafrost has made large investments in building a highly flexible value chain which includes a state-of-the-art VAP factory with high capacity. This enables Bakkafrost to adapt well to the rapidly changing market situations, which is a great advantage during market disruptions as the one seen during the Covid-19 pandemic. Due to the flexibility and large capacity of the VAP factory, Bakkafrost has been able to meet the significantly increased demand from the retail segment by redirecting volumes into the VAP segment.

Bakkafrost has signed contracts covering around 50% of the expected Q4 2020 harvest volumes in the Faroe Islands and around 33% for the 2021 harvest volume. For the harvest volumes in Scotland, 23% of the Q4 2020 volume is covered by contracts. Contracts for 2021 are negotiated in November and December, and so far 25% of the 2021 harvest volume in Scotland has been contracted.

Bakkafrost's long-term strategy is to sell around 40% of the harvested volumes of salmon as VAP products at contracts.

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

FOF (Fishmeal, oil and feed)

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

The ICES 2020 recommendation for blue whiting is 1,162 thousand tonnes, which corresponds to an increase of 2%, compared to ICES's recommendation for 2019. The ICES 2021 recommendation for blue whiting is down 20% to 929 thousand tonnes.

Bakkafrost expects a decrease in production volumes of fishmeal and fish oil in 2020, compared to 2019.

Havsbrún's sales of fish feed in 2020 are expected to be 110,000 tonnes, depending on external sales. Havsbrún's sales of fish feed for 2021 is expected to be 120,000 tonnes.

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

Investments

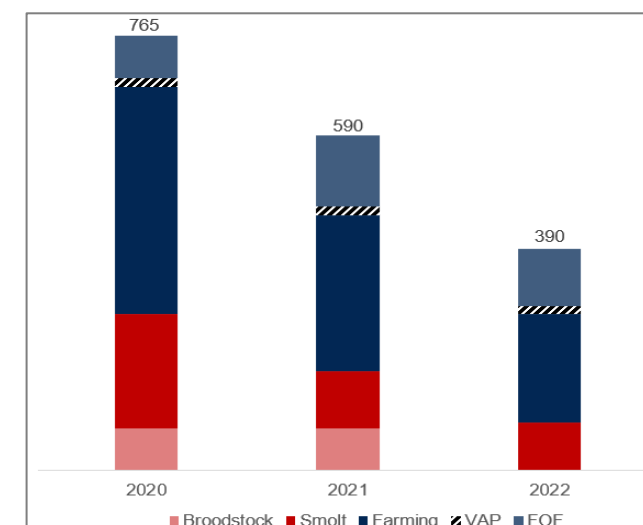
Bakkafrost's investment programme for the period from 2020 to 2022 in the Faroe Islands, will amount to around DKK 1.8 billion, including maintenance capex, and will reinforce Bakkafrost's integrated business model and ensure a capacity across the value chain to be able to produce 100,000 tonnes gutted weight of salmon in the Faroe Islands. The aim of the investment programme is to minimize the biological risk, increase efficiency and create sustainable organic growth. Bakkafrost's focus on producing larger smolts plays a key role in achieving this goal.

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

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

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

Investment programme (FO) 2020-2022 - mDKK



In addition to the planned investments in the value chain in the Faroe Islands, Bakkafrost expects to make investments of around DKK 350-400 million per year for 2020-2024 in the Scottish operation. A significant part of this will be invested in building 3 large hatcheries to increase smolt capacity and become self-sufficient with large smolt. The first of these hatcheries will be the Applecross hatchery, which is being expanded and equipped with RAS technology. Other suitable sites for the next 2 large hatcheries are currently being investigated.

Investments have also been made in expansion of the harvest capacity in Scotland to increase the flexibility of the operation and accommodate the increased harvest volumes expected in coming years.

Bakkafrost has announced that a Capital Market Day will be held on 15 June 2021, where more details on the investment plan for the Faroe Islands and Scotland will be presented.

Financial

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

During Q4 2019, Bakkafrost refinanced its bank facilities amounting to 352 mEUR with a further accordion option of 150 mEUR. In addition, bank facilities amounting to 100 mGBP were ensured to refinance The Scottish Salmon Company.

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

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

During the Covid-19 pandemic, Bakkafrost's ability to operate in the Faroe Islands has not been affected by the pandemic, and the operation in Scotland has been only mildly affected. A range of preventive measures have been implemented to protect our workforce and ensure continuous production. New procedures and social distancing and working from home are implemented widely in the business, and production and office facilities have been modified where necessary to prevent infection. In the Faroe Islands, all our employees have been offered regular free Covid-19 screening by health professionals.

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

Risks

Biological risk has been and will be a substantial risk for Bakkafrost. The Annual Report 2019 gives more explanation on the biological risk and Bakkafrost's risk management in this regard.

Reference is made to the Outlook section of this report for other comments on Bakkafrost's risk exposure and to Note 3. Please note the comments on Covid-19, which impose significant risks.

Bakkafrost is, as explained in the Annual Report 2019, exposed to the salmon price.

The Annual Report 2019 is available on request from Bakkafrost and on Bakkafrost's website, www.bakkafrost.com.

Events after the Reporting Period

From the date of the statement of financial position until today, no events have occurred which materially influence the information provided by this report.

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

The Management and the Board of Directors have today considered and approved the interim report of P/F Bakkafrost for the period 1 January 2020 to 30 September 2020.

The interim report, which has not been audited or reviewed by the company's independent auditors, has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and Faroese disclosure requirements for listed companies.

In our opinion, the accounting policies used are appropriate, and the interim report gives a true and fair view of the Group's financial positions at 30 September 2020 as well as the results of the Group activities and cash flows for the period 1 January 2020 to 30 September 2020.

In our opinion, the management's review provides a true and fair presentation of the development in the Group operations and financial circumstances of the

results for the period and of the overall financial position of the Group as well as a description of the most significant risks and elements of uncertainty facing the Group.

Over and above the disclosures in the interim report, no changes in the Group's most significant risks and uncertainties have occurred relative to the disclosures in the annual report for 2019.

Glyvrrar, November 9th, 2020

Management:

Regin Jacobsen
CEO

The Board of Directors of P/F Bakkafrost:

Rúni M. Hansen
Chairman of the Board

Johannes Jensen
Deputy Chairman of the Board

Teitur Samuelsen
Board Member

Øystein Sandvik
Board Member

Annika Frederiksberg
Board Member

Einar Wathne
Board Member

Consolidated Income Statement

For the period ended 30 September 2020

DKK 1,000	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Operating revenue	1,123,147	996,050	3,512,595	2,906,265
Purchase of goods	-546,699	-274,775	-1,604,793	-1,003,214
Change in inventory and biological assets (at cost)	-4,922	-34,510	153,696	133,799
Salary and personnel expenses	-135,441	-95,713	-444,141	-327,955
Other operating expenses	-248,265	-218,367	-764,774	-618,176
Depreciation	-85,157	-69,304	-319,940	-180,870
Operational EBIT*	102,663	303,381	532,643	909,849
Fair value adjustments of biological assets	124,429	-69,804	140,368	-117,469
Onerous contracts	0	0	0	0
Income from associates	0	7,620	0	10,159
Revenue tax	-9,353	-20,616	-51,118	-84,641
Earnings before interest and taxes (EBIT)	217,739	220,581	621,893	717,898
Net interest revenue	101	850	1,248	1,599
Net interest expenses	-6,446	-3,011	-26,030	-7,410
Net currency effects	-12,284	5,165	610	1,830
Other financial expenses	-3,919	-935	-12,289	-2,773
Earnings before taxes (EBT)	195,191	222,650	585,432	711,144
Taxes	-18,369	-41,715	-84,910	-128,771
Profit or loss for the period	176,822	180,935	500,522	582,373
Profit or loss for the year attributable to				
Non-controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	176,822	180,935	500,522	582,373
Earnings per share (DKK)	2.99	3.67	8.47	11.82
Diluted earnings per share (DKK)	2.99	3.67	8.47	11.82

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

Consolidated Statement of Comprehensive Income

For the period ended 30 September 2020

DKK 1,000	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Profit for the period	176,822	180,935	500,522	582,373
Changes on financial derivatives	1,330	279	2,082	601
Hereof income tax effect	-203	-51	-309	-109
Reserve to share-based payment	910	432	260	2,566
Currency translation differences	28,347	9	-49,032	718
Adjustment of treasury shares	-43,491	15,066	-38,778	12,706
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-13,107	15,735	-85,777	16,482
Total other comprehensive income for the period	163,715	196,670	414,745	598,855
Comprehensive income for the period attributable to				
Non- controlling interests	0	0	0	0
Owners of P/F Bakkafrøst	163,715	196,670	414,745	598,855

Consolidated Statement of Financial Position

As at 30 September 2020

DKK 1,000	30 Sep 2020	31 Dec 2019
ASSETS		
Non-current assets		
Intangible assets	4,491,387	4,395,687
Property, plant and equipment	3,977,620	3,780,499
Right of use assets	380,121	332,824
Financial assets	116,702	119,084
Long-term receivables	8,737	4,422
Deferred tax assets	58,238	37,593
Total non-current assets	9,032,805	8,670,109
Current assets		
Biological assets (biomass)	2,146,338	1,901,729
Inventory	613,505	548,508
Total inventory	2,759,843	2,450,237
Accounts receivable	524,943	625,993
Other receivables	57,546	45,520
Total receivables	582,489	671,513
Cash and cash equivalents	445,929	1,309,546
Total current assets	3,788,261	4,431,296
TOTAL ASSETS	12,821,066	13,101,405

DKK 1,000	30 Sep 2020	31 Dec 2019
EQUITY AND LIABILITIES		
Equity		
Share capital	59,143	59,143
Other equity	8,702,346	8,270,112
Non-controlling interests	0	167,620
Total equity	8,761,489	8,496,875
Non-current liabilities		
Deferred taxes and other taxes	1,218,379	1,123,796
Long-term interest-bearing debt	1,702,579	2,328,231
Long-term leasing debt	287,937	225,585
Financial derivatives	-1,077	1,966
Total non-current liabilities	3,207,818	3,679,578
Current liabilities		
Financial derivatives	17,371	13,493
Short-term leasing debt	130,043	107,808
Accounts payable and other debt	704,345	803,651
Total current liabilities	851,759	924,952
Total liabilities	4,059,577	4,604,530
TOTAL EQUITY AND LIABILITIES	12,821,066	13,101,405

Consolidated Cash Flow Statement

For the period ended 30 September 2020

DKK 1,000	Q3 2020	Q3 2019	YTD 2020	YTD 2019
Earnings before interest and taxes (EBIT)	217,739	220,581	621,893	717,898
Adjustments for write-downs and depreciation	85,157	69,304	319,676	180,870
Adjustments for value adjustment of biomass	-124,429	69,804	-140,368	117,469
Adjustments for income from associates	0	-7,620	0	-10,159
Adjustments for currency effects	-63,817	5,653	-111,796	5,251
Change in inventory	-27,891	55,759	-154,295	-123,165
Change in receivables	-7,889	4,424	88,775	-107,583
Change in current debts	25,679	361,264	-42,688	401,906
Cash flow from operations	104,549	779,169	581,197	1,182,487
Cash flow from investments				
Payments for purchase of fixed assets	-175,303	-172,649	-475,096	-439,601
Net investment in financial assets	-350	-375,118	2,054	-371,130
Change in long-term receivables	0	4,242	0	4,242
Cash flow from investments	-175,653	-543,525	-473,042	-806,489
Cash flow from financing				
Change in interest-bearing debt (short and long)	132,865	274,587	-625,865	544,033
Acquisition of minorities	0	0	-167,620	0
Financial income	101	850	1,248	1,601
Financial expenses	-10,365	-3,946	-38,319	-10,183
Lease payments	-31,893	0	-101,461	0
Net proceeds from sale of own shares	-28,063	64,927	-39,754	67,926
Proceeds from share capital increases	0	1,716,798	0	1,716,798
Dividend paid	0	0	0	-401,513
Cash flow from financing	62,645	2,053,216	-971,771	1,918,662
Net change in cash and cash equivalents in period	-8,459	2,288,860	-863,616	2,294,660
Cash and cash equivalents - opening balance	454,389	322,694	1,309,546	316,894
Cash and cash equivalents - closing balance total	445,930	2,611,554	445,930	2,611,554

Consolidated Statement of Changes in Equity

As at 30 September 2020

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share based Payment	Currency translation differences	Derivatives	Proposed Dividend	Biomass Fair value adjustments	Retained Earnings	Total Equity
Equity excl. minorities 01.01.2020	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,012,041	8,329,255
Consolidated profit	0	0	0	0	0	0	0	140,368	361,392	501,760
Adjustment related to purchase price allocation	0	0	0	0	0	0	0	0	16,251	16,251
Changes in financial derivatives	0	0	0	0	0	2,082	0	0	0	2,082
Hereof income tax effect	0	0	0	0	0	-309	0	0	0	-309
Share-based payment	0	0	0	260	0	0	0	0	0	260
Currency translation differences	0	0	0	0	-49,032	0	0	0	0	-49,032
Total other comprehensive income	0	0	0	260	-49,032	1,773	0	0	16,251	-30,748
Total comprehensive income	0	0	0	260	-49,032	1,773	0	140,368	377,643	471,012
Treasury shares	0	0	-38,778	0	0	0	0	0	0	-38,778
Total transaction with owners	0	0	-38,778	0	0	0	0	0	0	-38,778
Total changes in equity	0	0	-38,778	260	-49,032	1,773	0	140,368	377,643	432,234
Non-controlling interest 01.01.20										167,620
Change in non-controlling interest										-167,620
Non-controlling interest 30.09.20										0
Total equity 30.09.2020	59,143	4,027,375	-38,846	5,319	29,818	-13,575	0	302,571	4,389,684	8,761,489
Equity 01.01.2019	48,858	306,537	-15,525	6,153	6,176	-264	403,079	382,770	2,939,245	4,077,028
Consolidated profit	0	0	0	0	0	0	0	-220,567	1,071,230	850,663
Changes in financial derivatives	0	0	0	0	0	-17,789	0	0	0	-17,789
Hereof income tax effect	0	0	0	0	0	2,705	0	0	0	2,705
Share-based payment	0	0	0	-1,094	0	0	0	0	0	-1,094
Currency translation differences	0	0	0	0	72,674	0	0	0	0	72,674
Total other comprehensive income	0	0	0	-1,094	72,674	-15,084	0	0	0	56,496
Total comprehensive income	0	0	0	-1,094	72,674	-15,084	0	-220,567	1,071,230	907,159
Share Capital increase	10,285	3,720,838	0	0	0	0	0	0	0	3,731,123
Treasury shares	0	0	15,457	0	0	0	0	0	0	15,457
Paid-out dividend	0	0	0	0	0	0	-403,079	0	1,566	-401,513
Total transaction with owners	10,285	3,720,838	15,457	0	0	0	-403,079	0	1,566	3,345,067
Total changes in equity	10,285	3,720,838	15,457	-1,094	72,674	-15,084	-403,079	-220,567	1,072,796	4,252,226
Non-controlling interests									167,620	167,620
Total equity 31.12.2019	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,179,661	8,496,875
Equity 01.01.2019	48,858	306,537	-15,525	6,153	6,176	-264	403,079	382,770	2,939,246	4,077,029
Consolidated profit	0	0	0	0	0	0	0	-117,469	747,779	630,310
Changes on financial derivatives	0	0	0	0	0	877	0	0	0	877
Hereof income tax effect	0	0	0	0	0	-142	0	0	0	-142
Share-based payment	0	0	0	-1,727	0	0	0	0	0	-1,727
Currency translation differences	0	0	0	0	717	0	0	0	0	717
Total other comprehensive income	0	0	0	-1,727	717	735	0	0	0	-275
Total comprehensive income	0	0	0	-1,727	717	735	0	-117,469	747,779	630,035
Emission	4,800	1,711,998	0	0	0	0	0	0	0	1,716,798
Treasury shares	0	0	15,699	0	0	0	0	0	0	15,699
Paid-out dividend	0	0	0	0	0	0	-403,079	0	1,566	-401,513
Total transaction with owners	4,800	1,711,998	15,699	0	0	0	-403,079	0	1,566	1,330,984
Total changes in equity	4,800	1,711,998	15,699	-1,727	717	735	-403,079	-117,469	749,345	1,961,019
Total equity 30.09.2019	53,658	2,018,535	174	4,426	6,893	471	0	265,301	3,688,591	6,038,049

Notes to the Account

Accounting Policy

General Information

P/F Bakkafrost is a limited company incorporated and domiciled in the Faroe Islands.

The Group's Annual Report as at 31 December 2019 is available upon request from the company's registered office at Bakkavegur 9, FO-625 Glyvrar, Faroe Islands, or at www.bakkafrost.com.

This Condensed Consolidated Interim Report is presented in DKK.

Note 1. Statement of Compliance

This Condensed Consolidated Interim Report has been prepared in accordance with International Financial Reporting Standards (IFRS) IAS 34 Interim Financial Reporting as adopted by the EU. It does not include all the information required for the full Annual and Consolidated Report and Accounts and should be read in conjunction with the Annual and Consolidated Report and Accounts for the Group as at 31 December 2019.

This interim report has not been subject to any external audit.

Note 2. Significant Accounting Policies

The accounting policies applied by the Group in this Condensed Consolidated Interim Report are the same as those applied in the Annual Report as at and for the year ended 31 December 2019.

Note 3. Estimates and Risk Exposures

The preparation of financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting principles and recognized amounts of assets, liabilities, income and expenses. The most significant estimates relate to the valuation of biological assets, which are measured at fair value. Estimates and underlying assumptions are reviewed on an ongoing basis and are based on the management's best assessment at the time of reporting. All changes in estimates are reflected in the financial statements as they occur.

As a result of the outbreak of Covid-19 during the first quarter of 2020, all significant estimates are being continuously reviewed in the light of this situation, including estimates related to the expected credit loss on trade receivables, inventory valuation and impairment test on intangible assets. As at the date of these interim financial statements, no significant changes in estimates have been performed. Bakkafrost has not identified significant Covid-19 impact to the interim condensed consolidated financial statements as at 30 September 2020.

The accounting estimates are described in the notes to the financial statements in the Annual Report 2019.

Note 4. Biological Assets

DKK 1,000	30 Sep 2020	30 Sep 2019	31 Dec 2019
Biological assets carrying amount 01.01.	1,901,730	1,358,462	1,358,462
Increase due to production or purchases	2,183,616	1,122,757	2,021,601
Increase due to acquisitions - incl. fair value	0	0	667,482
Reduction due to harvesting or sale (costs of goods sold)	-1,977,754	-1,084,168	-1,921,456
Reduction due to mortality (costs of incident-based mortality*)	-86,779	0	0
Fair value adjustment at the beginning of the period reversed	-27,695	-382,775	-244,034
Fair value adjustment at the end of the period	167,752	265,306	27,695
Reversal of elimination at the beginning of the period	59,121	53,790	53,790
Eliminations	-73,178	-64,423	-59,121
Currency translation differences	-475	0	-2,689
Biological assets carrying amount at the end of the period	2,146,338	1,268,949	1,901,730
Cost price biological assets	2,024,544	1,068,066	1,935,845
Fair value adjustment at the end of the period	195,447	265,306	27,695
Eliminations	-73,178	-64,423	-59,121
Currency translation differences	-475	0	-2,689
Biological assets carrying amount	2,146,338	1,268,949	1,901,730
Biomass (tonnes)			
< 1 kg	4,511	2,194	5,210
1 kg < 2 kg	10,627	4,544	8,649
2 kg < 3 kg	11,356	7,029	10,334
3 kg < 4 kg	19,064	5,313	14,146
4 kg <	21,261	21,533	22,980
Volume of biomass at sea (tonnes)	66,819	40,613	61,319

* Costs of incident-based mortality per segment:

DKK 1,000	Q3 2020	YTD 2020
Farming FO	-12,881	-36,256
Farming SCT	-40,866	-50,523
	-53,747	-86,779

Number of fish (thousand)	Q3 2020	Q3 2019	Q4 2019
< 1 kg	8,234	4,099	12,801
1 kg < 2 kg	6,737	3,066	5,481
2 kg < 3 kg	4,287	2,604	4,271
3 kg < 4 kg	5,536	1,567	4,148
4 kg <	4,205	3,550	4,633
Total number of fish at sea (thousand)	28,999	14,886	31,334
Number of smolt released YTD (thousand)			
Farming North	1,918	2,942	5,585
Farming West	4,703	2,927	5,270
Farming South	2,119	1,797	1,797
Farming SCT	4,253	n/a	5,696
Total number of smolts released YTD (thousand)	12,993	7,666	18,348
Sensitivity in DKK 1,000			
Change in discount rate +1%	-129,099	-88,011	-101,607
Change in discount rate -1%	142,861	78,775	115,364
Change in sales price +5 DKK	447,266	244,233	251,416
Change in sales price -5 DKK	-447,266	-244,233	-251,416
Change in biomass volume +1%	6,364	5,918	5,836
Change in biomass volume -1%	-6,948	-5,918	-5,836
One-year forward prices in EUR FCA Oslo**			
Period end	4.35	4.43	7.24
1 Q (forward)	4.99	5.20	6.72
2 Q (forward)	5.81	6.01	6.75
3 Q (forward)	5.93	6.17	5.51
4 Q (forward)	5.00	5.41	5.62
** Source Fish Pool			

Note 5. Segments

Farming - FO	Q3	Q3	YTD	YTD
DKK 1,000	2020	2019	2020	2019
External revenue	367,762	565,292	1,123,158	1,708,789
Internal revenue	162,315	127,959	613,641	498,477
Total revenue	530,077	693,251	1,736,799	2,207,266
Operating expenses	-372,646	-404,430	-1,179,957	-1,297,485
Depreciation and amortization	-60,819	-57,323	-171,555	-145,101
Operational EBIT	96,612	231,498	385,287	764,680
Fair value adjustments of biological assets	83,288	-69,804	-114,465	-117,469
Income from associates	0	3,557	0	6,096
Revenue tax	-9,353	-20,615	-51,118	-84,640
Earnings before interest and taxes (EBIT)	170,547	144,636	219,704	568,667
Net financial items	-12,560	7,283	-21,653	-2,217
Earnings before taxes (EBT)	157,987	151,919	198,051	566,450
Taxes	-15,642	-21,501	-13,896	-101,365
Profit or loss for the period	142,345	130,418	184,155	465,085

Farming - SCT	Q3	YTD
DKK 1,000	2020	2020
External revenue	416,639	1,206,464
Total revenue	416,639	1,206,464
Operating expenses	-433,730	-1,065,299
Depreciation and amortization	-11,316	-111,038
Operational EBIT	-28,407	30,127
Fair value adjustments of biological assets	41,141	254,833
Earnings before interest and taxes (EBIT)	12,734	284,960
Net financial items	-7,888	245
Earnings before taxes (EBT)	4,846	285,205
Taxes	11,845	-38,642
Profit for the period	16,691	246,563

Value added products DKK 1,000	Q3 2020	Q3 2019	YTD 2020	YTD 2019
External revenue	246,822	217,458	828,893	715,584
Internal purchase of raw material	-162,315	-127,959	-613,641	-498,477
Operating expenses	-57,787	-58,837	-141,096	-175,673
Depreciation and amortization	-4,938	-4,812	-14,550	-14,295
Operational EBIT	21,782	25,850	59,606	27,139
Provision of onerous contracts	0	0	0	0
Earnings before interest and taxes (EBIT)	21,782	25,850	59,606	27,139
Net financial items	-126	-396	-518	-497
Earnings before taxes (EBT)	21,656	25,454	59,088	26,642
Taxes	-3,899	-4,582	-10,636	-4,796
Profit or loss for the period	17,757	20,872	48,452	21,847

In Q3 2020, one major customer – as defined in IFRS 8.34 – represented DKK 121 million (Q3 2019: DKK 112 million) of the revenue in the VAP segment, corresponding to 49% (51%) of the total revenue in the VAP segment.

In the first nine months of 2020, one major customer represented DKK 402 million (YTD 2019: DKK 380 million) of the revenue in the VAP segment, corresponding to 49% (53%) of the total revenue in the VAP segment.

Fishmeal, Fish Oil and Fish Feed	Q3	Q3	YTD	YTD
DKK 1,000	2020	2019	2020	2019
External revenue	91,923	213,301	354,079	481,894
Internal revenue	389,556	270,326	705,981	568,591
Total revenue	481,479	483,627	1,060,059	1,050,485
Cost of goods sold	-360,886	-349,697	-745,864	-680,053
Operating expenses	-51,127	-39,467	-154,596	-152,335
Depreciation and amortization	-8,084	-7,169	-22,796	-21,474
Operational EBIT	61,382	87,294	136,803	196,623
Income from associates	0	4,063	0	4,063
Earnings before interest and taxes (EBIT)	61,382	91,357	136,803	200,686
Net financial items	-1,974	-4,817	-14,535	-4,038
Earnings before taxes (EBT)	59,408	86,540	122,269	196,648
Taxes	-10,693	-15,577	-22,008	-35,396
Profit or loss for the period	48,715	70,963	100,260	161,251

Reconciliation of reportable segments to Group earnings before taxes (EBT)	Q3	Q3	YTD	YTD
DKK 1,000	2020	2019	2020	2019
Farming Faroe Islands	157,987	151,919	198,051	566,450
Farming Scotland	4,846	n/a	285,205	n/a
VAP (Value added products)	21,656	25,454	59,088	26,642
FOF (Fishmeal, Fish oil and fish Feed)	59,408	86,540	122,269	196,648
Eliminations	-48,706	-41,263	-79,179	-78,594
Group earnings before taxes (EBT)	195,191	222,650	585,434	711,145

Note 6. Capital Commitments

The Group had capital expenditures committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 876 million which relate to the farming segments in both the Faroe Islands and Scotland.

Note 7. Transactions with Related Parties

Note 5.2 in Bakkafrøst's Annual Report for 2019 provides detailed information on related parties' transactions.

Transactions between P/F Bakkafrøst and its subsidiaries meet the definition of related party transactions. As these transactions are eliminated on consolidation, they are not disclosed as related party transactions.

Note 8. Fair Value Measurements

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, please refer to Note 4.

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 30 September 2020, the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000	Cost				
Assets and liabilities measured at fair value	Fair value	amount	Level 1	Level 2	Level 3
Biological assets (biomass)	2,146,338	1,950,891	0	0	2,146,338
Assets measured at fair value 30/9-2020	2,146,338	1,950,891	0	0	2,146,338
Liabilities measured at fair value 30/9-2020	0	0	0	0	0
Biological assets (biomass)	1,901,730	1,874,035	0	0	1,901,730
Assets measured at fair value 31/12-2019	1,901,730	1,874,035	0	0	1,901,730
Liabilities measured at fair value 31/12-2019	0	0	0	0	0

Note 9. Business Combinations

YTD 2020

There have been no new business combinations in the first nine months of 2020.

2019

On 25 September 2019, Bakkafrøst signed a binding Share Purchase Agreement (SPA) to acquire 68.6% of the outstanding shares in The Scottish Salmon Company Plc (SSC) from Northern Link Ltd. The closing date was 8 October 2019. Further acquisition has been made in Q4, and at 31 December 2019, Bakkafrøst held 95.6% of the shares in SSC. Further acquisition was made in Q1 2020, and Bakkafrøst now holds 100% of the shares in SSC.

SSC is an integrated salmon farming business operating exclusively in Scotland with 60 sites across the West Coast and Hebridean Islands. The company is engaged in nearly all stages of the value chain ensuring full traceability and total supply chain integrity. The current annual production capacity is 50,000 tonnes. SSC produced 33,798 tonnes gutted weight in 2019 and exported to 21 countries with a focus on North America and the Far East. SSC has developed a range of strong flagship brands, including Native Hebridean Salmon, Tartan Salmon Label Rouge and Lochlander Salmon. The company has 651 employees.

SSC's main office is in Edinburgh, Scotland.

Strategic Rationale

The strategic rationale for the acquisition includes the following:

- Increases the scope of Bakkafrøst's operation significantly and brings new growth and development opportunities to the Group.

- Provides Bakkafrøst access to the Scottish farming region, diversifying our farming operation into a new geography, which is a niche farming region with Scottish provenance products priced at a premium to the market.
- Creates a combined differentiated global leader in premium salmon with dual exposure to both Faroe Islands and Scottish premium salmon.
- Positive diversification of Bakkafrøst's operations from a pure play Faroe Islands company to a presence in two attractive salmon farming markets, while remaining both focused on developed markets and markets for premium products.
- Potential for material improvement in The Scottish Salmon Company's profitability over a five-year horizon through realization of identified synergies, transfer of best practices and a targeted investment programme. Bakkafrøst expects to generate synergies in three key areas mainly related to Feed and Procurement, Sales Cooperation and SG&A and Overhead savings.
- Feed & Procurement: Bakkafrøst produces fish feed with a significantly higher marine index, compared to industry feed. Supplying feed to SSC would result in fixed cost efficiency at Bakkafrøst's feed facilities through intercompany sales of higher quality feed to SSC. Net synergy estimated at DKK 1.2 per kg feed, equating to annual synergies of approximately DKK 70 million from 2022 onwards (~NOK 2.6 / kg of SSC harvested salmon).

- Sales Cooperation: Both SSC and Bakkafrøst market premium salmon and brands that obtain a significantly higher price due to provenance and product differentiation. Both companies plan to drive efficiencies by coordinating sales efforts going forward, taking advantage of relative distribution strengths in global markets.

- SG&A & Overheads: Leaner head office structure in Scotland (through discontinuing the listed functions of SSC).

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

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

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

Net assets acquired

Most of SSC's intangible assets are related to licenses. Licenses are viewed as perpetual in nature and are thus not amortized but made subject to an annual impairment review.

We have identified three significant brand names in SSC, namely Tartan Salmon, Lochlander Salmon and Native Hebridean. The remaining volumes are sold under the general Scottish Salmon Company brand, to a large extent to wholesalers and directly to customers. Brand is valued by the income approach by calculating the net present value (NPV).

We expect that most of the excess value from the transaction is related to licenses, and the question will be, where to draw the line between goodwill and licenses. In the PPA, we have allocated value to all other identified assets including brand value, and the remaining excess value is subsequently allocated to licenses. We have then assessed this value by utilizing a top-down market approach. Please refer to the present page regarding strategic rationale.

We have not seen any indicators that the respective trade names have a definite expected life.

The aggregated goodwill of DKK 665.0 million recognized, arises from the tax calculations on the fair value adjustments and the adjustment made in Q3 2020. The table below summarizes the consideration paid for SSC and the assessed fair value of the assets acquired and liabilities assumed, recognized at the acquisition date.

The figures provided were subject to further scrutiny and could change as Bakkafrøst became able to gain access to more information from SSC within the 12-month period stipulated by IFRS 3.

In the period after the acquisition date, Bakkafrøst has considered all pertinent factors in determining whether information obtained after the acquisition date should result in an adjustment to the provisional amounts recognized, or whether that information results from events that occurred after the acquisition date.

Bakkafrøst has obtained information during the measurement period that results in adjustments to the provisional amounts. Bakkafrøst has recognized a change in provisional amounts for Property, plant and equipment, Biological assets, Deferred tax, Other debt and Goodwill.

Acquisition-related costs were expensed to the profit or loss as incurred and included within operating cash flows in the Statement of Cash Flow. Total cost for Bakkafrøst is DKK 10.8 million, and costs held by SSC are DKK 57.0 million.

The assets and liabilities recognized are as follows:

DKK 1,000,000	Book Value 08/10/2019	Fair Value adjustment	Adjustment in Q3 2020	Adjusted fair value
Goodwill	50.9	499.6	114.6	665.0
Licenses	201.8	3,131.6	-	3,333.5
Brands	-	108.4	-	108.4
Property, plant and equipment – incl. IFRS 16	702.2	-	-66.0	636.2
Accounts receivables	123.4	-	-	123.4
Inventories	31.7	-	-	31.7
Biological assets	660.5	-	-24.9	635.6
Other current assets, excluding cash and bank	40.9	-	-	40.9
Cash, bank and marketable securities	32.5	-	-	32.5
Total assets	1,844.0	3,739.6	23.7	5,607.3
Total shareholders' equity	893.2	3,188.3	-	4,081.5
Deferred taxes	1.7	551.3	-3.2	549.7
Other long-term liabilities incl. IFRS 16	198.5	-	-	198.5
Long-term liabilities, interest-bearing	192.7	-	-	192.7
Current liabilities, interest-bearing	108.4	-	-	108.4
Accounts payable	201.8	-	-	201.8
Other current liabilities incl. IFRS 16	239.4	-	26.9	266.3
Current taxes	8.3	-	-	8.3
Total shareholders' equity and liabilities	1,844.0	3,739.6	23.7	5,607.3
Liabilities	950.7	551.3	23.7	1,525.7
Net assets				4,081.5
Purchase price allocation:				
Purchase price for shares (68.6%)				2,800.4
Purchase price for shares (100%)				4,081.5
Transaction value (market value of equity)				4,081.5

Note 10. APM**- Alternative Performance Measures**

Bakkafrost'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. Bakkafrost'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, lease liabilities, 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), derivatives and cash and cash equivalents. A reconciliation is provided below.

	30 Sep	31 Dec.
DKK 1,000	2020	2019
Cash and cash equivalents	445,929	1,309,546
Long- and short-term interest-bearing debt	-1,702,579	-2,328,231
Net interest-bearing debt	-1,256,650	-1,018,685

Operational EBIT

Operational EBIT is EBIT aligned for fair value adjustments, onerous contracts provisions, income from associates and revenue tax.

Operational EBIT is a major alternative performance measure in the salmon farming industry. A reconciliation from EBIT to Operational EBIT is provided below.

	Q3	Q3	YTD	YTD
DKK 1,000	2020	2019	2020	2019
EBIT	217,739	220,581	621,893	717,898
Fair value adjustments of biological assets	-124,429	69,804	-140,368	117,469
Income from associates	0	-7,620	0	-10,159
Revenue tax	9,353	20,616	51,118	84,641
Operational EBIT	102,663	303,381	532,643	909,849

Operational EBIT per kg

Farming segment:	<u>Operational EBIT Farming segment</u>
	Total harvested volumes (gw)
VAP segment:	<u>Operational EBIT VAP segment</u>
	Total volumes produced (raw material gw)
Farming and VAP:	<u>Operational EBIT Farming and VAP segment</u>
	Total harvested volumes (gw)

EBITDA

Earnings before interest, tax, depreciations, and amortizations (EBITDA) is a key financial parameter for Bakkafrøst's FOF segment. EBITDA before other income and other expenses is defined as EBITDA less gains and losses on disposals of fixed assets and operations and is reconciled in the section Group overview. This measure is useful to users of Bakkafrøst's financial information in evaluating operating profitability on a more variable cost basis as it excludes depreciations and amortization expenses related primarily to capital expenditures and acquisitions, which occurred in the past, nonrecurring items, as well as evaluating operating performance in relation to Bakkafrøst's FOF segment's competitors. The EBITDA margin presented is defined as EBITDA before other income and other expenses divided by total revenues.

Adjusted EPS

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

	Q3	Q3	YTD	YTD
DKK 1,000	2020	2019	2020	2019
Profit for the period to the shareholders of P/F Bakkafrøst	176,822	180,935	500,522	582,373
Fair value adjustment of biomass	-124,429	69,804	-140,368	117,469
Tax on fair value adjustment and onerous contracts provisions	22,397	-12,565	25,266	-21,144
Adjusted profit for the period to shareholders of P/F Bakkafrøst	74,790	238,174	385,420	678,698
Time-weighted average number of shares outstanding through the period	59,105,888	49,289,675	59,115,066	49,289,675
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)	1.27	4.83	6.52	13.77

ROCE

Return on average capital employed (ROCE) is defined as the period's operational EBIT divided by the average capital employed, which is total assets adjusted for total current liabilities. The performance measure is expressed as a percentage and is useful for evaluating Bakkafrøst's profitability.

	Q3	Q3	YTD	YTD
DKK 1,000	2020	2019	2020	2019
Group -Operational EBIT	102,663	303,381	532,643	909,849
Average Capital Employed	11,776,841	6,982,965	11,727,839	6,772,686
ROCE	0.9%	4.3%	4.5%	13.4%

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