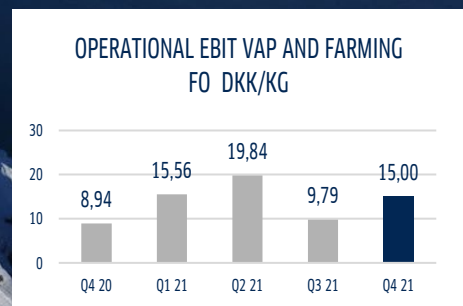
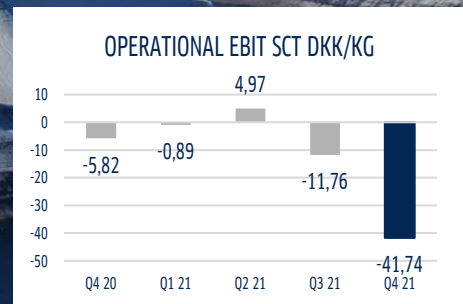
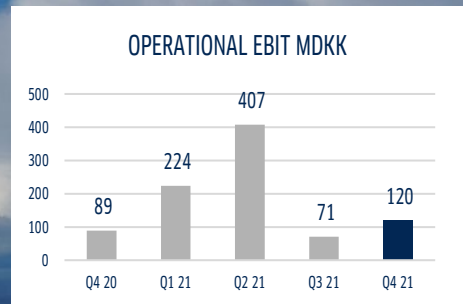
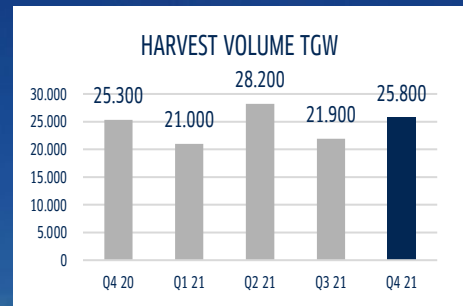


# INTERIM REPORT

## Q4 2021

Faroese Company Registration No. 1724

[www.bakkafrost.com](http://www.bakkafrost.com)



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## Highlights

DKK 1,000	Q4 2021	Q4 2020	YTD 2021	YTD 2020	DKK 1,000	Q4 2021	Q4 2020	YTD 2021	YTD 2020
<b>INCOME STATEMENT</b>					<b>FINANCIAL POSITION AND CASH FLOW</b>				
Group - Operating revenue	1,488,316	1,139,297	5,553,849	4,651,892	Total Assets***	14,628,168	13,208,324	14,628,168	13,208,324
Group - Operational EBIT*	119,659	88,515	821,194	621,158	Equity***	9,347,545	8,729,487	9,347,545	8,729,487
Group - EBIT	-51,872	69,230	1,144,685	691,123	Equity ratio***	64%	66%	64%	66%
Group - Profit for the period	-3,125	-37,677	964,036	462,845	Net interest-bearing debt***	2,125,811	1,752,751	2,125,811	1,752,751
					Cash flow from operations	188,596	-107,227	1,124,554	473,970
Operational EBIT* (FO Farming and VAP) (DKK)	310,422	142,629	1,023,341	587,522	Cash flow from financing	236,616	471,322	29,903	-500,449
Operational EBIT/kg (FO Farming and VAP) (DKK)	15.00	8.94	15.22	11.59					
Operational EBIT/kg (FO Farming and VAP) (NOK)	20.11	12.92	20.80	16.65					
					<b>PROFITABILITY</b>				
Farming Faroe Islands - Operating revenue	1,110,798	603,462	3,476,725	2,340,261	Basic earnings per share (DKK)	-0.05	-0.64	16.32	7.83
Farming Faroe Islands - Operational EBIT*	282,285	62,542	903,820	447,829	Diluted earnings per share (DKK)	-0.05	-0.64	16.32	7.83
Farming Faroe Islands - Operational EBIT margin	25%	10%	26%	19%	ROCE**	0.9%	0.7%	6.0%	5.2%
Farming Faroe Islands - Operational EBIT/kg (DKK)	13.64	3.92	13.45	8.83					
Farming Faroe Islands - Operational EBIT/kg (NOK)	18.29	5.66	18.37	12.69	<b>VOLUMES</b>				
					Harvested Faroe Islands (tgw)	20,694	15,957	67,217	50,700
Farming Scotland - Operating revenue	218,340	389,097	1,455,391	1,595,561	Harvested Scotland (tgw)	5,122	9,305	29,672	34,986
Farming Scotland - Operational EBIT*	-213,774	-54,140	-249,497	-24,013	<b>Total Harvest</b>	<b>25,816</b>	<b>25,262</b>	<b>96,889</b>	<b>85,686</b>
Farming Scotland - Operational EBIT margin	-86%	-14%	-17%	-2%	Farming FO transferred to VAP (tgw)	6,493	6,790	21,974	23,931
Farming Scotland - Operational EBIT/kg (DKK)	-41.74	-5.82	-8.41	-0.69	VAP produced (tgw)	6,603	6,688	22,180	23,594
Farming Scotland - Operational EBIT/kg (NOK)	-55.95	-8.41	-11.49	-0.99	Sold feed tonnes	32,527	30,885	128,489	111,998
					Internal feed sales tonnes	31,649	29,516	124,259	94,345
VAP - Operating revenue	359,203	287,323	1,195,195	1,116,216	Smolt released thousand Faroe Islands (pcs)	5,077	5,537	14,427	14,693
VAP - Operational EBIT*	28,137	80,087	119,521	139,693	Smolt released thousand Scotland (pcs)	4,159	3,882	11,108	10,354
VAP - Operational EBIT margin	8%	28%	10%	13%	<b>Total smolt release</b>	<b>9,236</b>	<b>9,419</b>	<b>25,535</b>	<b>25,047</b>
VAP - Operational EBIT/kg (DKK)	4.26	11.97	5.39	5.92					
VAP - Operational EBIT/kg (NOK)	5.71	17.31	7.36	8.51					
FOF - Operating revenue	433,458	358,911	1,659,351	1,418,970					
FOF - EBITDA	89,314	48,096	306,227	207,695					
FOF - EBITDA margin	20.6%	13.4%	18.5%	14.6%					
NOK/DKK (average)	74.59	69.19	73.19	69.61					

\* 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 2020

## Summary of the 4<sup>th</sup> Quarter 2021 and the year 2021

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

**The Bakkafrost Group delivered a total operating EBIT of DKK 120 million in Q4 2021.**

**Total harvested volumes were 25.8 thousand tonnes gutted weight (tgw). Faroe Islands (FO): 20.7 tgw, Scotland (SCT): 5.1 tgw.**

**The combined FO farming and VAP segments made an operational EBIT of DKK 310 million. The FO farming segment made an operational EBIT of DKK 282 million. The SCT farming segment made an operational EBIT of DKK -214 million.**

**The VAP segment made an operational EBIT of DKK 28 million. The EBITDA for the FOF segment was DKK 89 million.**

The Group made a profit for Q4 2021 of DKK -3 million (DKK -38 million). For 2021, the profit was DKK 964 million (DKK 463 million).

Total harvested volumes for Q4 2021 were 25,800 tonnes gutted weight (25,300 tgw):

- FO: 20,700 tgw (16,000 tgw),
- SCT: 5,100 tgw (9,300 tgw).

Total harvested volumes in 2021 were 97,900 tgw (86,700 tgw):

- FO: 67,200 tgw (50,700 tgw),
- SCT: 29,700 tgw (35,000 tgw).

In total, 9.2 million (9.4 million) smolts were transferred during Q4 2021:

- FO: 5.1 million (5.5 million),
- SCT: 4.2 million (3.9 million).

In 2021, 25.5 million (25.0 million) smolts were transferred:

- FO: 14.4 million (14.7 million),
- SCT 11.1 million (10.4 million).

The combined FO farming and VAP segments made an operational EBIT of DKK 310 million (DKK 143 million) in Q4 2021. The operational EBIT per kg in Q4 2021 was DKK 15.00 (DKK 8.94), which corresponds to NOK 20.11 (NOK 12.92) for the combined FO farming and VAP segments. For 2021, the combined FO farming and VAP segments made an operational EBIT of DKK 1,023 million (DKK 588 million).

The FO farming segment made an operational EBIT of DKK 282 million (DKK 63 million) in Q4 2021. The harvested volumes were higher, and the achieved prices were higher in Q4 2021, compared to Q4 2020. For 2021, the operational EBIT was DKK 904 million (DKK 448 million).

The SCT farming segment made an operational EBIT of DKK -214 million (DKK -54 million) in Q4 2021. Costs of DKK -179 million relate to incident-based mortality in Q4 2021. For 2021, the operational EBIT was DKK -249 million (DKK 24 million).

The VAP segment made an operational EBIT of DKK 28 million (DKK 80 million) for Q4 2021. For 2021, the operational EBIT was DKK 120 million (DKK 140 million).

The FOF segment (fishmeal, oil and feed) made an EBITDA of DKK 89 million (DKK 48 million) for Q4 2021, and the EBITDA margin was 21% (13%). The EBITDA was DKK 306 million (DKK 208 million) for 2021, corresponding to an EBITDA margin of 18.5% (14.6%).

Sales of fish feed amounted to 32,500 tonnes (30,900 tonnes) in Q4 2021. For 2021, Havsbrún sold 128,500 tonnes (112,000 tonnes) of fish feed.

During Q4 2021, Havsbrún sourced 27,300 tonnes (71,900 tonnes) of raw material, and in 2021, Havsbrún sourced 152,400 tonnes (283,300 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 2,126 million at the end of Q4 2021, compared to DKK 1,753 million at year-end 2020. Undrawn credit facilities amounted to DKK 3,063 million at the end of Q4 2021.

The long-term goal of the Board of Directors is that 30-50% of earnings per share shall be paid out as dividend. Bakkafrost's financial position is strong with a solid balance sheet, a competitive operation and available credit facilities. The Board of Directors proposes to the Annual General Meeting that DKK 5.14 (NOK 6.99\*) per share shall be paid out as dividend. The Annual General Meeting will be convened on Friday the 29th of April 2022.

The equity ratio was 64% on 31 December 2021, compared to 66% at the end of 2020.

On the 10 December Bakkafrost entered a term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years. The facility agreement is planned for signing by the end of February 2022.

*\*The dividend per share in NOK is subject to changes depending on the exchange rate between NOK and DKK, which will be announced after the Annual General Meeting.*

## Financial Review

### Income Statement

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

The Group's operating revenue amounted to DKK 1,488 million (DKK 1,139 million) in Q4 2021, and for the year 2021, the operating revenue amounted to DKK 5,554 million (DKK 4,652 million).

The FO farming segment's harvest volumes were higher, and the achieved prices were higher in Q4 2021, compared to the same quarter last year. The VAP segment had higher revenues because of higher volumes sold and higher prices in Q4 2021, compared to Q4 2020. The SCT Farming segment had a lower revenue mainly because of lower harvest volume. The FOF segment had higher revenue in Q4 2021, compared to Q4 2020, due to higher sales of fishmeal and higher sales of fish feed in Q4 2021, compared to Q4 2020.

The Group's operational EBIT was DKK 120 million (DKK 89 million) in Q4 2021. For the full year 2021, the Group's operational EBIT was DKK 821 million (DKK 621 million).

The combined FO farming and VAP segments had higher operational EBIT in Q4 2021, compared to Q4 2020, DKK 310 million (DKK 143 million). Farming Scotland's operational EBIT was DKK -214 million (DKK -54 million), whereof cost of incident based mortality is DKK 179 million (DKK 90 million). The FOF segment had higher EBITDA in Q4 2021, compared to Q4 2020.

The fair value adjustment of the Group's biological assets amounted to DKK -140 million (DKK -22 million) in Q4 2021. For 2021, the fair value adjustment amounted to DKK 435 million (DKK 118 million).

Change in provisions for onerous contracts amounted to DKK 0 million (DKK 0 million) in Q4 2021. For 2021, the change in provisions for onerous contracts amounted to DKK 0 million (DKK 0 million).

The revenue tax amounted to DKK -49 million (DKK -2 million) in Q4 2021. For 2021, the revenue tax was DKK -141 million (DKK -54 million).

Net financial items in Q4 2021 were DKK 8 million (DKK -29 million). For 2021, net interests were DKK -7 million (DKK -65 million).

Net taxes amounted to DKK 41 million (DKK -78 million) in Q4 2021. For 2021, net taxes amounted to DKK -174 million (DKK -163 million).

The result for Q4 2021 was DKK -3 million (DKK -38 million), and for 2021, the result was DKK 964 million (DKK 463 million).

### Statement of Financial Position

(Figures in parenthesis refer to end last year).

The Group's total assets amounted to DKK 14,628 million (DKK 13,208 million) at the end of Q4 2021.

Intangible assets amounted to DKK 4,496 million (DKK 4,493 million) at the end of Q4 2021.

Property, plant and equipment amounted to DKK 4,889 million (DKK 4,221 million) at the end of Q4 2021. Right of use assets amounted to DKK 302 million (DKK 353 million) in Q4 2021. Bakkafrøst made investments in PP&E amounting to DKK 290 million during Q4 2021.

Non-current financial assets amounted to DKK 149 million (DKK 122 million) at the end of Q4 2021.

The carrying amount (fair value) of biological assets amounted to DKK 2,448 million (DKK 2,117 million) at the end of Q4 2021. Compared to year end 2020, biological assets have increased. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 605 million (DKK 145 million) at the end of Q4 2021.

Inventories amounted to DKK 709 million (DKK 776 million) at the end of Q4 2021.

Total receivables, including long-term receivables, financial derivatives and deferred tax assets, amounted to DKK 1,126 million (DKK 659 million) at the end of Q4 2021.

Total cash and cash equivalents amounted to DKK 509 million (DKK 467 million) at the end of Q4 2021.

The Group's equity amounted to DKK 9,348 million (DKK 8,729 million) at the end of Q4 2021. The change in equity consists primarily of the result for 2021, the dividend pay-out of DKK 216 million in Q2 2021 and an adjustment on DKK -194 million on the tax posted directly to the equity in previous years.

Total non-current liabilities amounted to DKK 4,474 million (DKK 3,709 million) at the end of Q4 2021.

Deferred taxes amounted to DKK 1,590 million (DKK 1,222 million) at the end of Q4 2021.

Long-term interest-bearing debt was DKK 2,635 million (DKK 2,220 million) at the end of Q4 2021.

Long-term leasing debt amounted to DKK 246 million (DKK 265 million) and short-term leasing debt amounted to DKK 88 million (DKK 131 million). In total DKK 334 million (DKK 396 million) at the end of Q4 2021.

At the end of Q4 2021, the Group's total current liabilities were DKK 807 million (DKK 770 million). The current liabilities consist of financial derivatives, short-term leasing debt and accounts payable, tax payable and other debt.

The equity ratio was 64% at the end of Q4 2021, compared to 66% at the end of 2020.

## Cash Flow

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

The cash flow from operations was DKK 189 million (DKK -107 million) in Q4 2021. The changes in working capital had a negative effect on the cash flow from operations. For 2021, the cash flow from operations was DKK 1,125 million (DKK 474 million).

The cash flow from investment activities amounted to DKK -290 million (DKK -343 million) in Q4 2021. The amount relates to investments in property, plant and equipment. For 2021, the cash flow from investments amounted to DKK -1,115 million (DKK -816 million).

The cash flow from financing activities totalled DKK 237 million (DKK 471 million) in Q4 2021. For 2021, cash flow from financing amounted to DKK 30 million (DKK -500 million).

In Q4 2021, net change in cash flow amounted to DKK 136 million (DKK 21 million). For 2021, net change in cash flow amounted to DKK 42 million (DKK -843 million).

On the 10 December Bakkafrost entered a term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years. The facility agreement is planned for signing by the end of February 2022.

The purpose of the Facility is to refinance Bakkafrost'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 significant organic growth for the Group and structural cost reductions in Scotland, as described at the Capital Markets Day earlier this year.

At the end of Q4 2021, the Group had unused committed credit facilities of DKK 3,063 million (DKK 2,163 million). In addition, the Group has an accordion of EUR 150 million.

Bakkafrost is pleased by the increased financial flexibility and generally improved terms under the Facility. The margin payable will be linked to Bakkafrost'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 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.

Coöperatieve Rabobank U.A, DNB Bank ASA and Nordea Bank ABPm (Filial i Norge), have agreed to continue their support as lenders. These fine institutions are uniquely positioned to support Bakkafrost's continued development with capital and through their unique combined pool of skills and capabilities.

## 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 Q4 2021 were 20,694 tonnes gutted weight (15,957 tgw) – a change in volume of 30%. 9,268 tgw came from the North region, 8,904 tgw from the West region and 2,522 tgw from the South region. Total harvested volumes for 2021 were 67,217 tonnes gutted weight (50,700 tgw), which is in line with the forecast for 2021.

5.1 million (5.5 million) smolts were transferred to sea in Q4 2021. In 2021, 14.4 million (14.7 million) smolts were transferred.

DKK 1,000	Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
<b>Financial</b>						
Total revenue	1,110,798	603,462	84%	3,476,725	2,340,261	49%
EBIT	208,873	-39,015	n.a.	1,302,738	180,689	621%
Operational EBIT	282,285	62,542	351%	903,820	447,829	102%
Operational EBIT/kg (DKK)	13.64	3.92	248%	13.45	8.83	52%
Operational EBIT margin	25%	10%	145%	26%	19%	36%
<b>Volumes</b>						
Harvested volumes (tgw)	20,694	15,957	30%	67,217	50,700	33%
- Farming North	9,268	6,486	43%	26,082	31,029	-16%
- Farming West	8,904	6,965	28%	32,253	14,415	124%
- Farming South	2,522	2,506	1%	8,883	5,256	69%
Smolts released (thousand)	5,077	5,537	-8%	14,427	14,693	-2%
- Farming North	2,304	4,538	-49%	6,078	6,453	-6%
- Farming West	1,993	999	99%	5,719	5,702	0%
- Farming South	780	0	n.a.	2,630	2,538	4%

### Financial Performance

In Q4 2021, the operating revenue for the FO farming segment was DKK 1,111 million (DKK 603 million). The total revenue for the farming segment increased in Q4 2021, compared with Q4 2020, because of higher prices and higher volumes. The operating revenue for the FO farming segment for 2021 was DKK 3,477 million (DKK 2,340 million).

In Q4 2021, the FO farming segment's EBIT amounted to DKK 209 million (DKK -39 million). The FO farming segment's EBIT for 2021 was DKK 1,303 million (DKK 181 million).

Operational EBIT amounted to DKK 282 million (DKK 63 million) in Q4 2021, which corresponds to an operational EBIT margin of 25% (10%). In 2021, operational EBIT was DKK 904 million (DKK 448 million).

Operational EBIT/kg for the FO farming segment was DKK 13.64 (DKK 3.92) in Q4 2021, which corresponds to NOK 18.29 (NOK 5.66). Operational EBIT/kg for 2021 was DKK 13.45 (DKK 8.83), which corresponds to NOK 18.37 (NOK 12.69).

Costs of DKK 45 million (DKK 0 million) relate to incident-based mortality in Q4 2021.

## Farming Segment – Scotland (SCT)

The Scottish farming segment represents the operating business of The Scottish Salmon Company Ltd (SSC). 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 Q4 2021 were 5,122 tonnes gutted weight (9,305 tgw) - a change in volume of -45%. Total harvested volumes for 2021 were 29,672 tonnes gutted weight (34,986 tgw), which is lower than the original forecast for 2021.

4.2 million (3.9 million) smolts were transferred to sea in Q4 2021. In 2021, 11.1 million (10.4 million) smolts were transferred. This is in line with the smolt transfer plan.

### Financial Performance

In Q4 2021, the operating revenue for the SCT farming segment was DKK 218 million (DKK 389 million). The operating revenue for the SCT farming segment for 2021 was DKK 1,455 million (DKK 1,596 million).

In Q4 2021, the SCT farming segment's EBIT amounted to DKK -329 million (DKK 23 million). The SCT farming segment's EBIT for 2021 was DKK -354 million (DKK 308 million).

Operational EBIT amounted to DKK -214 million (DKK -54 million) in Q4 2021, which corresponds to an operational EBIT margin of -86% (-14%). For 2021, operational EBIT was DKK -249 million (DKK -24 million), which corresponds to an operational EBIT margin of -17% (-2%).

DKK 1,000	Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
<b>Financial</b>						
Total revenue	218,340	389,097	-44%	1,455,391	1,595,561	-9%
EBIT	-329,350	23,305	n.a.	-353,669	308,265	n.a.
Operational EBIT	-213,774	-54,140	-295%	-249,497	-24,013	-939%
Operational EBIT/kg (DKK)	-41.74	-5.82	-617%	-8.41	-0.69	-1125%
Operational EBIT margin	-86%	-14%	-521%	-17%	-2%	-1017%
<b>Volumes</b>						
Harvested volumes (tgw)	5,122	9,305	-45%	29,672	34,986	-15%
Smolts released (thousand pcs)	4,159	3,882	7%	11,108	10,354	7%

Operational EBIT/kg for the farming segment in Scotland was DKK -41.74 (DKK -5.82) in Q4 2021, which corresponds to NOK -55.95 (NOK -8.41). Operational EBIT/kg for 2021 was DKK -8.41 (DKK -0.69), which corresponds to NOK -11.49 (NOK -0.99).

EBIT was impacted from biological challenges. Costs of DKK 179 million (DKK 80 million) relate to incident-based mortality in Q4 2021.



## 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

31% (43%) of the total Faroese harvested volumes in Q4 2021 went to the production of VAP products, and 33% (47%) of the harvested volumes in 2021 went to production of VAP products.

The VAP production in the Faroe Islands was 6,603 tonnes gutted weight (6,688 tgw) in Q4 2021, a decrease of 1%, compared to Q4 2020. In 2021, the VAP production was 22,180 tgw (23,594 tgw).

	Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
<b>DKK 1,000</b>						
<b>Financial</b>						
Total revenue	359,203	287,323	25%	1,195,195	1,116,216	7%
EBIT	28,137	80,087	-65%	119,521	139,693	-14%
Operational EBIT	28,137	80,087	-65%	119,521	139,693	-14%
VAP - Operational EBIT/kg (DKK)	4.26	11.97	-64%	5.39	5.92	-9%
Operational EBIT margin	8%	28%	-72%	10%	13%	-20%
<b>Volumes</b>						
Farming FO transferred to VAP (tgw)	6,493	6,790	-4%	21,974	23,931	-8%
VAP produced (tgw)	6,603	6,688	-1%	22,180	23,594	-6%
Harvested volumes used in VAP production	31%	43%	-26%	33%	47%	-31%
Harvested volumes sold fresh/frozen	69%	57%	19%	67%	53%	27%

### Financial Performance

The operating revenue for the VAP segment amounted to DKK 359 million (DKK 287 million) in Q4 2021. In 2021, the VAP revenue was DKK 1,195 million (DKK 1,116 million).

The VAP segment had an EBIT amounting to DKK 28 million (DKK 80 million) in Q4 2021. Changes in onerous contracts were DKK 0.0 million (DKK 0.0 million). In 2021, the VAP segment's EBIT amounted to DKK 120 million (DKK 140 million).

Operational EBIT amounted to DKK 28 million (DKK 80) in Q4 2021, corresponding to an operational EBIT of DKK 4.26 (DKK 11.97) per kg gutted weight in Q4 2021, which corresponds to NOK 5.71 (NOK 17.31) per kg gutted weight. Operational EBIT/kg for 2021 was DKK 5.39 (DKK 5.92), which corresponds to NOK 7.36 (NOK 8.51).

## 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. The quality of the fish feed is important to the quality of the salmon from Bakkafrost. Fishmeal, fish oil and fish feed are also sold externally.

### Volumes

Havsbrún received 27,322 tonnes (71,887 tonnes) of raw material to produce fishmeal and fish oil in Q4 2021. The raw material intake depends on the fishery in the North Atlantic and available species of fish. In 2021, Havsbrún received 152,383 tonnes (283,307 tonnes) of raw material.

The production of fishmeal in Q4 2021 was 6,853 tonnes (15,785 tonnes). For 2021, Havsbrún produced 34,962 tonnes (60,661 tonnes) of fishmeal.

The production of fish oil in Q4 2021 was 2,921 tonnes (4,708 tonnes). The production of fish oil varies, depending on the species of fish sourced for production and the timing of catch. For 2021, Havsbrún produced 8,124 tonnes (9,932 tonnes) of fish oil.

Sales of fish feed amounted to 32,527 tonnes (30,885 tonnes) in Q4 2021. The FO farming segment internally used 25,930 tonnes (23,638 tonnes) or 80% (77%). The SCT farming segment internally used 5,719 tonnes (5,878 tonnes) or 18% (19%).

For 2021, Havsbrún sold 128,489 tonnes (111,998 tonnes) of fish feed.

### Financial Performance

The operating revenue for the FOF segment amounted to DKK 433 million (DKK 359 million) in Q4 2021, of which DKK 379 million (DKK 321 million) represented sales to Bakkafrost's farming segments, corresponding to 87% (90%). For 2021, the revenue amounted to DKK 1,659 million (DKK 1,419 million) of which DKK 1,421 million (DKK 1,027 million)

DKK 1,000	Q4 2021	Q4 2020	Change	YTD 2021	YTD 2020	Change
<b>Financial</b>						
Total revenue	433,458	358,911	21%	1,659,351	1,418,970	17%
EBIT	100,312	44,807	124%	305,988	181,610	68%
EBITDA	89,314	48,096	86%	306,227	207,695	47%
FOF - EBITDA margin	20.6%	13.4%	54%	18.5%	14.6%	26%
<b>Volumes (tonnes)</b>						
Total Feed sold	32,527	30,885	5%	128,489	111,998	15%
- Feed internal sale FO	25,930	23,638	10%	94,163	81,945	15%
- Feed internal sale SCT	5,719	5,878	-3%	30,096	12,400	143%
- Feed external sale	878	1,369	-36%	4,230	17,653	-76%
Fishmeal external sale	3,369	1,500	125%	16,376	18,675	-12%
Fish oil external sale	8	7	14%	41	21	95%
Received raw material	27,322	71,887	-62%	152,383	283,307	-46%
Fishmeal production	6,853	15,785	-57%	34,962	60,661	-42%
Fish oil production	2,921	4,708	-38%	8,124	9,932	-18%

represented sales to Bakkafrost's farming segments, corresponding to 86% (72%).

Total revenue for the FOF segment in Q4 2021 was higher, compared to the same quarter last year. The internal revenue is higher in Q4 2021, compared to Q4 2020. The decrease in external revenue is due to higher share of feed sales are used internally in Q4 2021, compared to Q4 2020.

EBITDA was DKK 89 million (DKK 48 million) in Q4 2021, and the EBITDA margin was 21% (13%). Havsbrún sources raw pelagic fish for the fishmeal and fish oil production, which are part of the recipe to produce salmon feed. For 2021, the EBITDA was DKK 306 million (DKK 208 million), corresponding to an EBITDA margin of 18% (15%).

## Outlook

### Market

#### *Supply increase of 3.1%*

The supply of salmon increased 3.1% in Q4 2021, compared to Q4 2020 incl. inventory movements. Without inventory movements, the supply was 4.6% higher, according to the latest estimate from Kontali Analyse.

#### *37% higher salmon prices*

Salmon prices were around 37% higher in this quarter compared to Q4 2020 as the market conditions continued to improve. This positive development is expected to continue as Covid-19 restrictions are lifted.

#### *Negative growth in H1 2022*

In H1 2022, the global supply growth of Atlantic salmon is expected to be negative with around 7%, compared to Q1 2021. Overall, the market supply of salmon in 2022 is expected to increase around 1%, compared to 2021, including inventory movements.

Bakkafrost operates in the main salmon markets, Europe, USA, the Far East and Russia and has a strong focus on ensuring a well-balanced flow to the different markets to increase diversification and mitigate the market risk.

### Farming

The biological growth rate in the Faroese farming operation has been strong in this quarter. Also, the biological feed conversion ratio has been lower than ever before. However, sea lice levels have been higher than normal which has required more treatments resulting in higher mortality. This summer a new 7,000m<sup>3</sup> wellboat with freshwater production capability is delivered to Bakkafrost. This will bring a significant uplift of the freshwater treatment capacity in the Faroe Island.

Bakkafrost continues to increase the average smolt size, but the effects on the biological performance have not yet fully materialised. The salmon harvested in the Faroe Islands in 2021 were released as smolt with an average smolt weight of around 274g. In comparison, the average weight of the smolt released in 2021 in the Faroe Islands was 382g and will be ready for harvest in 2022 and early 2023. These smolt have performed very well after being released and a lot of knowledge has been gained regarding the large smolt strategy. This knowledge is valuable as the large smolt strategy is being implemented in Scotland during the coming years.

To meet future demand for large smolt, the existing hatcheries at Norðtoftir and Glyvradalur are currently being expanded. In addition, Bakkafrost plans to construct a new hatchery at Ónavík, enabling Bakkafrost to produce more than 23 million smolts of 500g in the Faroe Islands in 2026.

The farming operation in Scotland has been very challenged in this quarter. The main root-cause for the mortality in Scotland is compromised gill health in combination with secondary complications, such as blooms of micro-jellyfish/hydrozoans and fish handling during necessary treatments. Late in the quarter, the situation stabilised on somewhat elevated mortality rates, which for a few sites remained until end of January 2022.

Bakkafrost will more than triple the freshwater treatment capacity in 2022 with two new wellboats with large freshwater treatment capability. These vessels are expected to be in operation in Q2 and Q3 2022 respectively and will play an important role in mitigating compromised gill health, hence improving overall fish health and significantly reducing risk of mortality caused by secondary complications.

Bakkafrost's implementation of the large smolt strategy in Scotland is progressing well and the current expansion phase of the Applecross hatchery is expected to be finalised by the end of 2022. By then, the hatchery will have the capacity to produce around 8 million smolt at 250g. Further planned expansion and new hatcheries will increase the production capacity up to more than 18 million smolt of around 500g in 2026. In Q4 2021 the average weight of released smolt in Scotland increased 9% to 105g, compared to 96g in Q4 2020. In 2022 the average weight of in the released smolt in Scotland is expected to be around 120g. The real impact from our freshwater investments is expected in 2023.

Having large smolt in Scotland will transform the biological risk in the marine farming operation. It will however take time for Bakkafrost to materialise this as it takes time to build the necessary hatchery capacity.

### Smolt release

Bakkafrost expects to release around 14.9 million smolts of around 500g in 2022 in the Faroe Islands, compared to 14.4 million smolts in 2021, 14.3 million smolts in 2020, 12.7 million smolts in 2019 and 12.6 million smolts in 2018. The smolt release in Scotland in 2022 is expected to be 10.8 million smolts of around 120g, compared to 11.1 million smolts in 2021, 10.4 million smolts in 2020, 12.4 million smolts in 2019 and 8.6 million smolts in 2018. The number and average weight of smolts released are key elements of predicting Bakkafrost's future production.

Harvest volumes for 2022 in the Faroe Islands are expected to reach 68,000 tonnes gutted weight and 35,000 tonnes gutted weight in Scotland, giving at total of 103,000 tonnes gutted weight.

The estimates for harvest volumes and smolt releases in both geographies are dependent on the 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 between 6 to 12 months.

For 2022 Bakkafrost has signed contracts covering around 32% of the expected harvest volumes in the Faroe Islands and Scotland combined.

**FOF (Fishmeal, oil and feed)**

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

The ICES 2022 recommendation for blue whiting is 753 thousand tonnes, which is a 19% reduction from the recommendation for 2021.

Bakkafrost expects the production volumes of fishmeal and fish oil in 2022 to be on similar levels as in 2021.

Havsbrún's sales of fish feed in 2022 is expected to be around 130,000 tonnes.

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

**Investments**

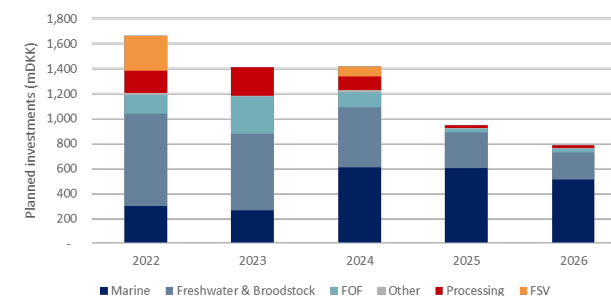
On the Capital Markets Day on 14-15 September 2021, Bakkafrost announced a 6.2bn DKK investment plan for 2022-2026. The investments will enable transformation of the operation in Scotland and provide sustainable growth in the Faroe Islands as well as Scotland.

The main purpose of the investments in Scotland is to replicate Bakkafrost's successful operation in the Faroe Islands. Bakkafrost will 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 smolt at 500g. 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 Bakkafrost will also invest in more treatment vessel capacity to improve 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 above 23 million smolt at 500g, investments in a broodstock facility and expansion of feed production capacity.

With the investment plan Bakkafrost expects to sustainably grow 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.

6.2bn DKK Investment programme 2022-2026



**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 the financial flexibility going forward.

In December 2021, Bakkafrost entered into a term sheet for a 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 and the facility agreement is planned for signing by the end of February 2022. 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.

## Risks

Biological risk has been and will be a substantial risk for Bakkafrost. The Annual Report 2020 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 2020, exposed to the salmon price.

The Annual Report 2020 is available on request from Bakkafrost and on Bakkafrost's website, [www.bakkafrost.com](http://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 2021 to 31 December 2021.

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 on 31 December 2021 as well as the results of the Group activities and cash flows for the period 1 January 2021 to 31 December 2021.

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 2020.

Glyvrrar, February 21 2021

Management:

J. 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 31 December 2021

DKK 1,000	Q4 2021	Q4 2020	YTD 2021	YTD 2020
<b>Operating revenue</b>	<b>1,488,316</b>	<b>1,139,297</b>	<b>5,553,849</b>	<b>4,651,892</b>
Purchase of goods	-507,912	-705,378	-1,692,501	-2,276,518
Change in inventory and biological assets (at cost)	-120,942	220,288	-178,060	401,679
Salary and personnel expenses	-198,464	-184,963	-728,423	-690,452
Other operating expenses	-419,685	-297,945	-1,632,114	-1,062,719
Depreciation	-150,531	-126,825	-530,434	-446,765
Other income	28,877	44,041	28,877	44,041
<b>Operational EBIT*</b>	<b>119,659</b>	<b>88,515</b>	<b>821,194</b>	<b>621,158</b>
Fair value adjustments of biological assets	-139,953	-22,365	434,868	118,003
Onerous contracts	0	0	0	0
Income from associates	17,751	5,546	30,112	5,546
Revenue tax	-49,329	-2,466	-141,489	-53,584
<b>Earnings before interest and taxes (EBIT)</b>	<b>-51,872</b>	<b>69,230</b>	<b>1,144,685</b>	<b>691,123</b>
Net interest revenue	110	151	3,542	1,399
Net interest expenses	-10,566	-10,287	-36,863	-36,317
Net currency effects	22,401	-13,706	45,862	-13,096
Other financial expenses	-3,782	-4,836	-19,564	-17,125
<b>Earnings before taxes (EBT)</b>	<b>-43,709</b>	<b>40,552</b>	<b>1,137,662</b>	<b>625,984</b>
Taxes	40,584	-78,229	-173,626	-163,139
<b>Profit or loss for the period</b>	<b>-3,125</b>	<b>-37,677</b>	<b>964,036</b>	<b>462,845</b>
<b>Profit or loss for the year attributable to</b>				
Non-controlling interests	-17	0	-17	0
Owners of P/F Bakkafrost	-3,108	-37,677	964,053	462,845

\* 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 31 December 2021

DKK 1,000	Q4 2021	Q4 2020	YTD 2021	YTD 2020
<b>Profit for the period</b>	<b>-3,125</b>	<b>-37,677</b>	<b>964,036</b>	<b>462,845</b>
Changes on financial derivatives	16,215	-1,480	12,928	602
Hereof income tax effect	-2,473	226	-1,972	-83
Reserve to share-based payment	1,052	910	1,570	1,170
Currency translation differences	4,326	4,729	36,139	-44,303
Adjustment of treasury shares	1,038	1,174	10,905	-37,604
<b>Net other comprehensive income to be reclassified to profit or loss in subsequent periods</b>	<b>20,158</b>	<b>5,559</b>	<b>59,570</b>	<b>-80,218</b>
<b>Other comprehensive income</b>	<b>20,158</b>	<b>5,559</b>	<b>59,570</b>	<b>-80,218</b>
<b>Total other comprehensive income for the period</b>	<b>17,050</b>	<b>-32,118</b>	<b>1,023,623</b>	<b>382,627</b>
<b>Comprehensive income for the period attributable to</b>				
Non- controlling interests	-17	0	-17	0
Owners of P/F Bakkafrost	17,067	-32,118	1,023,640	382,627

# Consolidated Statement of Financial Position

As on 31 December 2021

DKK 1,000	31 Dec 2021	31 Dec 2020
<b>ASSETS</b>		
<b>Non-current assets</b>		
Intangible assets	4,495,726	4,493,395
Property, plant and equipment	4,888,778	4,220,599
Right of use assets	302,105	353,192
Financial assets	149,225	122,459
Long-term receivables	8,102	8,101
Deferred tax assets	215,248	26,934
<b>Total non-current assets</b>	<b>10,059,184</b>	<b>9,224,680</b>
<b>Current assets</b>		
Biological assets (biomass)	2,448,290	2,117,024
Inventory	709,306	776,032
<b>Total inventory</b>	<b>3,157,596</b>	<b>2,893,056</b>
Accounts receivable	824,004	490,075
Other receivables	78,227	133,574
<b>Total receivables</b>	<b>902,231</b>	<b>623,649</b>
<b>Cash and cash equivalents</b>	<b>509,157</b>	<b>466,939</b>
<b>Total current assets</b>	<b>4,568,984</b>	<b>3,983,644</b>
<b>TOTAL ASSETS</b>	<b>14,628,168</b>	<b>13,208,324</b>

DKK 1,000	31 Dec 2021	31 Dec 2020
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	59,143	59,143
Other equity	9,288,269	8,670,344
Non-controlling interests	133	0
<b>Total equity</b>	<b>9,347,545</b>	<b>8,729,487</b>
<b>Non-current liabilities</b>		
Deferred taxes and other taxes	1,590,034	1,222,222
Long-term interest-bearing debt	2,634,968	2,219,690
Long-term leasing debt	245,753	265,235
Financial derivatives	3,207	1,480
<b>Total non-current liabilities</b>	<b>4,473,962</b>	<b>3,708,627</b>
<b>Current liabilities</b>		
Financial derivatives	4,602	9,710
Short-term leasing debt	87,668	131,336
Accounts payable and other debt	714,391	629,164
<b>Total current liabilities</b>	<b>806,661</b>	<b>770,210</b>
<b>Total liabilities</b>	<b>5,280,623</b>	<b>4,478,837</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>14,628,168</b>	<b>13,208,324</b>



# Consolidated Cash Flow Statement

For the period ended 31 December 2021

DKK 1,000	Q4 2021	Q4 2020	YTD 2021	YTD 2020
<b>Earnings before interest and taxes (EBIT)</b>	<b>-51,872</b>	<b>69,230</b>	<b>1,144,685</b>	<b>691,123</b>
Adjustments for write-downs and depreciation	150,531	126,825	530,434	446,501
Adjustments for value adjustment of biomass	139,953	22,365	-434,868	-118,003
Adjustments for income from associates	-17,751	-5,546	-30,112	-5,546
Adjustments for currency effects	15,805	-16,148	45,160	-65,402
Taxes paid	-54,327	-189,132	-54,327	-189,132
Change in inventory	95,970	-155,578	142,314	-309,873
Change in receivables	-318,990	-40,523	-493,831	48,252
Change in current debts	229,277	81,280	275,099	-23,950
<b>Cash flow from operations</b>	<b>188,596</b>	<b>-107,227</b>	<b>1,124,554</b>	<b>473,970</b>
<b>Cash flow from investments</b>				
Proceeds from sale of fixed assets	0	-638	0	18,412
Payments for purchase of fixed assets	-290,315	-342,237	-1,115,013	-836,383
Net investment in financial assets	840	-211	2,775	1,843
Change in long-term receivables	102	0	-1	0
<b>Cash flow from investments</b>	<b>-289,373</b>	<b>-343,086</b>	<b>-1,112,239</b>	<b>-816,128</b>
<b>Cash flow from financing</b>				
Change in interest-bearing debt (short and long)	275,379	518,414	404,600	-107,451
Acquisition of minorities	0	0	0	-167,620
Financial income	110	151	3,542	1,399
Financial expenses	-14,348	-15,123	-56,427	-53,442
Lease payments	-25,615	-33,108	-116,897	-134,569
Net proceeds from sale of own shares	1,090	988	10,957	-38,766
Dividend paid	0	0	-215,872	0
<b>Cash flow from financing</b>	<b>236,616</b>	<b>471,322</b>	<b>29,903</b>	<b>-500,449</b>
<b>Net change in cash and cash equivalents in period</b>	<b>135,839</b>	<b>21,009</b>	<b>42,218</b>	<b>-842,607</b>
Cash and cash equivalents - opening balance	373,318	445,930	466,939	1,309,546
<b>Cash and cash equivalents - closing balance total</b>	<b>509,157</b>	<b>466,939</b>	<b>509,157</b>	<b>466,939</b>

# Consolidated Statement of Changes in Equity

As on 31 December 2021

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	Non controlling interest	Total Equity
<b>Equity 01.01.2021</b>	59,143	4,027,375	-37,672	6,229	34,545	-14,829	215,872	145,387	4,293,438	0	8,729,487
<b>Consolidated profit</b>	0	0	0	0	0	0	0	434,868	532,932	-17	967,783
Adjustment related to purchase price allocation	0	0	0	0	0	0	0	0	0	0	0
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 income 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	24,452	-24,452	0	36,139
<b>Total other comprehensive income</b>	0	0	0	1,570	36,139	10,956	0	24,452	-218,026	0	-144,909
<b>Total comprehensive income</b>	0	0	0	1,570	36,139	10,956	0	459,320	314,906	-17	822,874
Treasury shares	0	0	10,905	0	0	0	0	0	0	0	10,905
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	0	0	0	0	0
<b>Total transaction with owners</b>	0	0	10,905	0	0	0	-215,872	0	0	150	-204,817
<b>Total changes in equity</b>	0	0	10,905	1,570	36,139	10,956	-215,872	459,320	314,906	133	618,057
<b>Total equity 31.12.2021</b>	59,143	4,027,375	-26,767	7,799	70,684	-3,873	0	604,707	4,608,344	133	9,347,545
<b>Equity 01.01.2020</b>	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,179,661	0	8,496,875
<b>Consolidated profit</b>	0	0	0	0	0	0	0	118,003	346,196	0	464,199
Reclassification 01.01.2020	0	0	0	0	0	0	0	-134,819	134,819	0	0
Adjustment related to purchase price allocation	0	0	0	0	0	0	0	0	16,253	0	16,253
Changes in financial derivatives	0	0	0	0	0	602	0	0	0	0	602
Hereof income tax effect	0	0	0	0	0	-83	0	0	0	0	-83
Share-based payment	0	0	0	1,170	0	0	0	0	0	0	1,170
Currency translation differences	0	0	0	0	-44,305	0	0	0	0	0	-44,305
<b>Total other comprehensive income</b>	0	0	0	1,170	-44,305	519	0	0	16,253	0	-26,363
<b>Total comprehensive income</b>	0	0	0	1,170	-44,305	519	0	-16,816	497,268	0	437,836
Treasury shares	0	0	-37,604	0	0	0	0	0	0	0	-37,604
Proposed dividend	0	0	0	0	0	0	215,872	0	-215,872	0	0
<b>Total transaction with owners</b>	0	0	-37,604	0	0	0	215,872	0	-215,872	0	-37,604
<b>Total changes in equity</b>	0	0	-37,604	1,170	-44,305	519	215,872	-16,816	281,396	0	400,232
Change in non-controlling interest	0	0	0	0	0	0	0	0	-167,620	0	-167,620
<b>Total equity 31.12.2020</b>	59,143	4,027,375	-37,672	6,229	34,545	-14,829	215,872	145,387	4,293,438	0	8,729,487

## Notes to the Accounts

### Accounting Policy

#### General Information

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

The Group's Annual Report as on 31 December 2020 is available at [www.bakkafrost.com](http://www.bakkafrost.com) or upon request from the company's registered office at Bakkavegur 9, FO-625 Glyvrrar, Faroe Islands.

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 on 31 December 2020.

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 2020.

#### 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 on 31 December 2021.

The accounting estimates are described in the notes to the financial statements in the Annual Report 2020.

## Note 4. Biological Assets

	31 Dec 2021	31 Dec 2020
Biological assets carrying amount 01.01.	2,117,024	1,901,730
Increase due to production or purchases	3,158,703	3,012,251
Reduction due to harvesting or sale (costs of goods sold)	-2,931,526	-2,761,374
Reduction due to mortality (costs of incidents-based mortality) *)	-307,551	-125,806
Fair value adjustment at the beginning of the period reversed	-145,387	-27,695
Fair value reclassification currency translation differences prior year	-24,452	
Fair value adjustment at the end of the period	604,707	145,387
Reversal of elimination at the beginning of the period	80,083	59,121
Eliminations	-134,193	-80,083
Currency translation differences	30,881	-6,508
<b>Biological assets carrying amount at the end of the period</b>	<b>2,448,289</b>	<b>2,117,024</b>
Cost price biological assets	1,946,894	2,058,228
Fair value adjustment at the end of the period	604,707	145,387
Eliminations	-134,193	-80,083
Currency translation differences	30,881	-6,508
<b>Biological assets carrying amount</b>	<b>2,448,289</b>	<b>2,117,024</b>
<b>Biomass (tonnes)</b>		
< 1 kg	5,070	5,777
1 kg < 2 kg	7,673	10,258
2 kg < 3 kg	10,026	10,880
3 kg < 4 kg	13,538	11,921
4 kg <	22,288	25,642
<b>Volume of biomass at sea (tonnes)</b>	<b>58,595</b>	<b>64,478</b>

	Q4 2021	Q4 2020	YTD 2021	YTD 2020
<b>*Costs of incident-based mortality per segment:</b>				
Faroe Islands	-45,268	0	-45,268	-36,256
Scotland	-179,030	-39,027	-262,283	-89,550
	<b>-224,298</b>	<b>-39,027</b>	<b>-307,551</b>	<b>-125,806</b>

Number of fish (thousand)	2021	2020
< 1 kg	9,770	11,960
1 kg < 2 kg	5,255	6,192
2 kg < 3 kg	3,873	4,338
3 kg < 4 kg	3,920	3,415
4 kg <	4,595	5,324
<b>Total number of fish at sea (thousand)</b>	<b>27,413</b>	<b>31,229</b>
<b>Number of smolt released YTD (thousand)</b>		
Farming North	6,078	6,453
Farming West	5,719	5,702
Farming South	2,630	2,538
Farming Scotland	11,108	10,354
<b>Total number of smolts released YTD (thousand)</b>	<b>25,535</b>	<b>25,047</b>
<b>Sensitivity in DKK 1,000</b>		
Change in discount rate +1%	-150,709	-150,403
Change in discount rate -1%	167,502	169,708
Change in sales price +5 DKK	423,223	466,110
Change in sales price -5 DKK	-423,223	-465,110
Change in biomass volume +1%	8,982	5,414
Change in biomass volume -1%	-8,982	-5,414
<b>One-year forward prices in EUR FCA Oslo**</b>		
Period end	6.72	4.36
1 Q (forward)	6.86	4.85
2 Q (forward)	6.81	5.39
3 Q (forward)	5.66	5.10
4 Q (forward)	6.15	5.25

\*\* Source Fish Pool

## Note 5. Segments

Farming - FO DKK 1,000	Q4 2021	Q4 2020	YTD 2021	YTD 2020
External revenue	856,069	425,465	2,665,399	1,548,623
Internal revenue	254,729	177,997	811,326	791,638
<b>Total revenue</b>	<b>1,110,798</b>	<b>603,462</b>	<b>3,476,725</b>	<b>2,340,261</b>
Operating expenses	-756,527	-472,661	-2,294,510	-1,652,618
Depreciation and amortization	-71,986	-68,259	-278,395	-239,814
<b>Operational EBIT</b>	<b>282,285</b>	<b>62,542</b>	<b>903,820</b>	<b>447,829</b>
Fair value adjustments of biological assets	-24,377	-99,810	539,040	-214,275
Revenue Income from associates	294	719	0	719
Revenue tax	-49,329	-2,466	-140,416	-53,584
<b>Earnings before interest and taxes (EBIT)</b>	<b>208,873</b>	<b>-39,015</b>	<b>1,302,738</b>	<b>180,689</b>
Net financial items	5,823	-31,008	9,771	-52,661
<b>Earnings before taxes (EBT)</b>	<b>214,696</b>	<b>-70,023</b>	<b>1,312,509</b>	<b>128,028</b>
Taxes	-8,602	-2,297	-217,365	-30,445
<b>Profit or loss for the period</b>	<b>206,094</b>	<b>-72,320</b>	<b>1,095,144</b>	<b>97,583</b>

Farming - SCT	Q4	Q4	YTD	YTD
DKK 1,000	2021	2020	2021	2020
External revenue	218,340	389,097	1,455,391	1,595,561
<b>Total revenue</b>	<b>218,340</b>	<b>389,097</b>	<b>1,455,391</b>	<b>1,595,561</b>
Operating expenses	-395,513	-441,808	-1,533,099	-1,507,107
Depreciation and amortization	-65,478	-45,470	-200,666	-156,508
Other income	28,877	44,041	28,877	44,041
<b>Operational EBIT</b>	<b>-213,774</b>	<b>-54,140</b>	<b>-249,497</b>	<b>-24,013</b>
Fair value adjustments of biological assets	-115,576	77,445	-104,172	332,278
<b>Earnings before interest and taxes (EBIT)</b>	<b>-329,350</b>	<b>23,305</b>	<b>-353,669</b>	<b>308,265</b>
Net financial items	730	-23	-18,010	222
<b>Earnings before taxes (EBT)</b>	<b>-328,620</b>	<b>23,282</b>	<b>-371,679</b>	<b>308,487</b>
Taxes	62,438	-60,245	79,020	-98,887
<b>Profit for the period</b>	<b>-266,182</b>	<b>-36,963</b>	<b>-292,659</b>	<b>209,600</b>

Value added products DKK 1,000	Q4 2021	Q4 2020	YTD 2021	YTD 2020
<b>External revenue</b>	<b>359,203</b>	<b>287,323</b>	<b>1,195,195</b>	<b>1,116,216</b>
Internal purchase of raw material	-254,729	-177,997	-811,326	-791,638
Operating expenses	-69,729	-24,259	-243,032	-165,355
Depreciation and amortization	-6,608	-4,980	-21,316	-19,530
<b>Operational EBIT</b>	<b>28,137</b>	<b>80,087</b>	<b>119,521</b>	<b>139,693</b>
Provision of onerous contracts	0	0	0	0
<b>Earnings before interest and taxes (EBIT)</b>	<b>28,137</b>	<b>80,087</b>	<b>119,521</b>	<b>139,693</b>
Net financial items	-140	-113	-692	-631
<b>Earnings before taxes (EBT)</b>	<b>27,997</b>	<b>79,974</b>	<b>118,829</b>	<b>139,062</b>
Taxes	-5,717	-14,396	-22,067	-25,032
<b>Profit or loss for the period</b>	<b>22,280</b>	<b>65,578</b>	<b>96,762</b>	<b>114,030</b>

<b>Fishmeal, Fish Oil and Fish Feed</b>	<b>Q4</b>	<b>Q4</b>	<b>YTD</b>	<b>YTD</b>
<b>DKK 1,000</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
External revenue	54,704	37,412	237,867	391,491
Internal revenue	378,754	321,499	1,421,484	1,027,480
<b>Total revenue</b>	<b>433,458</b>	<b>358,911</b>	<b>1,659,351</b>	<b>1,418,970</b>
Cost of goods sold	-301,623	-253,596	-1,189,833	-999,460
Operating expenses	-42,521	-57,219	-163,291	-211,815
Depreciation and amortization	-6,459	-8,116	-30,057	-30,912
<b>Operational EBIT</b>	<b>82,855</b>	<b>39,980</b>	<b>276,170</b>	<b>176,783</b>
Income from associates	17,457	4,827	29,818	4,827
<b>Earnings before interest and taxes (EBIT)</b>	<b>100,312</b>	<b>44,807</b>	<b>305,988</b>	<b>181,610</b>
Net financial items	1,750	2,466	1,905	-12,069
<b>Earnings before taxes (EBT)</b>	<b>102,062</b>	<b>47,273</b>	<b>307,893</b>	<b>169,542</b>
Taxes	-18,371	-8,509	-55,420	-30,517
<b>Profit or loss for the period</b>	<b>83,691</b>	<b>38,764</b>	<b>252,473</b>	<b>139,024</b>

<b>Reconciliation of reportable segments</b>	<b>Q4</b>	<b>Q4</b>	<b>YTD</b>	<b>YTD</b>
<b>to Group earnings before taxes (EBT)</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
<b>DKK 1,000</b>				
Farming Faroe Islands	214,696	-70,023	1,312,509	128,028
Farming Scotland	-328,620	23,282	-371,679	308,487
VAP (Value added products)	27,997	79,974	118,829	139,062
FOF (Fishmeal, Fish oil and fish Feed)	102,062	47,273	307,893	169,542
Eliminations	-59,844	-39,953	-229,890	-119,135
<b>Group earnings before taxes (EBT)</b>	<b>-43,709</b>	<b>40,553</b>	<b>1,137,662</b>	<b>625,984</b>



**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 750 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 2020 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 on 31 December 2021, the Group held the following classes of assets/liabilities measured at fair value:

<b>DKK 1,000</b>	<b>Cost</b>				
<b>Assets and liabilities measured at fair value</b>	<b>Fair value</b>	<b>amount</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Biological assets (biomass)	2,448,289	1,843,582	0	0	2,448,289
<b>Assets measured at fair value 31/12-2021</b>	<b>2,448,289</b>	<b>1,843,582</b>	<b>0</b>	<b>0</b>	<b>2,448,289</b>
<b>Liabilities measured at fair value 31/12-2021</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Biological assets (biomass)	2,117,024	1,971,637	0	0	2,117,024
<b>Assets measured at fair value 31/12-2020</b>	<b>2,117,024</b>	<b>1,971,637</b>	<b>0</b>	<b>0</b>	<b>2,117,024</b>
<b>Liabilities measured at fair value 31/12-2020</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 9. Business Combinations

There have been no new business combinations in 2020 or 2021.

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 Michael Karlsen, who has been the General Manager of Munkebo Seafood for the past many years. The shares were acquired from Paul Lybech, who has been engaged with Munkebo Seafood for almost 25 years. Following the transaction, Michael Karlsen 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 3<sup>rd</sup> 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.

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

**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.

	31 Dec	31 Dec
DKK 1,000	2021	2020
Cash and cash equivalents	509,157	466,939
Long- and short-term interest-bearing debt	-2,634,968	-2,219,690
<b>Net interest-bearing debt</b>	<b>-2,125,811</b>	<b>-1,752,751</b>

**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.

	Q4	Q4	YTD	YTD
DKK 1,000	2021	2020	2021	2020
<b>EBIT</b>	<b>-51,872</b>	<b>69,230</b>	<b>1,144,685</b>	<b>691,123</b>
Fair value adjustments of biological assets	139,953	22,365	-434,868	-118,003
Income from associates	-17,751	-5,546	-30,112	-5,546
Revenue tax	49,329	2,466	141,489	53,584
<b>Operational EBIT</b>	<b>119,659</b>	<b>88,515</b>	<b>821,194</b>	<b>621,158</b>

**Operational EBIT per kg**

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

**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.

	Q4	Q4	YTD	YTD
DKK 1,000	2021	2020	2021	2020
Profit for the period to the shareholders of P/F Bakkafrøst	-3,125	-37,677	964,036	462,845
Fair value adjustment of biomass	139,953	22,365	-434,868	-118,003
Tax on fair value adjustment and onerous contracts provisions	-25,192	-4,026	78,276	21,241
<b>Adjusted profit for the period to shareholders of P/F Bakkafrøst</b>	<b>111,636</b>	<b>-19,338</b>	<b>607,444</b>	<b>366,083</b>
<b>Time-weighted average number of shares outstanding through the period</b>	<b>59,064,994</b>	<b>59,090,092</b>	<b>59,064,994</b>	<b>59,090,092</b>
<b>Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)</b>	<b>1.89</b>	<b>-0.33</b>	<b>10.28</b>	<b>6.20</b>

**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.

	Q4	Q4	YTD	YTD
DKK 1,000	2021	2020	2021	2020
Group -Operational EBIT	119,659	88,515	821,194	621,158
Average Capital Employed	13,680,644	12,203,711	13,680,644	12,011,244
<b>ROCE</b>	<b>0.9%</b>	<b>0.7%</b>	<b>6.0%</b>	<b>5.2%</b>

**Note 11. Correction to comparative figures**

A reclassification is made in the comparative figures in 2020 between the line items "Purchase of goods" and "Salary and personnel expenses)". The correction is made for an error in the classification in the line items. The correction has no impact on other figures in the interim reports or annual account.

DKK 1,000	Before	Reclassification	After
Purchase of goods	-2,358,623	82,105	-2,276,518
Salary and personnel expenses	-608,347	-82,105	-690,452

## Contacts

### **P/F BAKKAFROST**

Bakkavegur 9

FO-625 Glyvrar

Faroe Islands

Telephone: +298 40 50 00

Fax: +298 40 50 09

Email: [bakkafrost@bakkafrost.com](mailto:bakkafrost@bakkafrost.com)

Website: [www.bakkafrost.com](http://www.bakkafrost.com)