



ANNUAL REPORT

2021

Faroese Company Registration No. 1724



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Chairman's Statement



RÚNI M. HANSEN
Chairman of the Board

PROVIDING HEALTHY AND SUSTAINABLY PRODUCED FOOD FOR THE WORLD'S GROWING POPULATION

In September 2021, Bakkafrost held its bi-annual Capital Markets Day in the Faroe Islands, where the Group's investment plan for 2022-2026 and strategy was disclosed. The large smolt strategy is the main game changer for operation in Scotland, reducing biological risk, improving efficiency, reducing cost, and providing an opportunity for further sustainable growth. Another strategic priority is the "One Company" pillar of the strategy, whereby the Faroese and Scottish operations gradually evolve into one, building on the strengths and best practices of both.

Given our location in the North-Atlantic Ocean and the challenge of ensuring enough healthy and sustainably produced food for the world's growing population, we see it as our obligation to increase our production of salmon. Salmon is amongst the most sustainable and resource-efficient sources of healthy animal protein. Bakkafrost is uniquely located in one of the best natural environments for salmon farming, with excellent and sustainable access to marine raw material for fish feed production. With the disclosed investment plan, Bakkafrost expects to grow harvest volumes to 150,000 tonnes head-on gutted weight in 2026 while simultaneously building production capacity for 180,000 tonnes and preparing for further growth.

In many ways, 2021 has been a turning point for Bakkafrost. Being the second year of market disruption caused by the Covid-19 pandemic, early signs of normalisation emerged during the first half of 2021. Overall, Bakkafrost has managed well during the pandemic. Employee safety has been the top priority, and Bakkafrost has adapted the operation and kept everyone safe. The high level of productivity has also been maintained, and Bakkafrost has been able to nav-

igate well through the rough seas of new and altered market conditions. During 2021 we have steadily unwound from the pandemic, and Bakkafrost's operation has been less and less affected.

There are two main risks in salmon farming: market risk and biology. Bakkafrost has been hard hit in Scotland on both risks during the past two years. When Bakkafrost acquired The Scottish Salmon Company in Q4 2019, it was fully known that this was a turnaround case, requiring significant investments to be made and taking some years to transform the operation. The first years during the transition period were expected to be difficult. However, being simultaneously hit by the Covid-19 market disruption and significant biological challenges in Scotland in the second half of the year was not foreseen.

Many improvements have already been made in Bakkafrost's operation in Scotland. This includes investments in hatchery capacity and marine farming operations. In addition, best practices have been shared across the Faroe Islands and Scotland to extract and implement the best of two worlds. We believe that with the changes already made in Scotland, currently ongoing and planned for 2022, the operation in Scotland is out of the deep valley and will begin to see improvement.

Bakkafrost's operation in the Faroe Islands is robust. Significant investments have been made in increased hatchery capacity to produce large smolt of around 500g. Also, production capacity is grown throughout the value chain to build a production capacity of 100,000 tonnes head-on gutted weight. Not all planned investments are finalised, but progress as planned. 2021 was the first year where the increased production capacity, driven by larger smolt, were seen in Bakkafrost's Faroese harvest volumes. This is only



the beginning as the full effect of the large smolt strategy has not yet materialised, but this will gradually reveal itself in the coming years.

We have committed ourselves to reduce our scope 1 & 2 carbon emissions by 50% and our scope 3 carbon emissions by 52% in 2030. We have also committed ourselves to net-zero in 2050.

Looking ahead at the salmon market, the winds have changed. In the first quarter of 2022, salmon prices are at a record high, and demand is strong from the retail and the foodservice market.

The supply and demand balance outlook are supportive of strong salmon prices.

We are concerned about the war in Ukraine and the tragic consequences for people across the region, and hope for a quick resolution.

RETURN TO SHAREHOLDERS

The Board of Directors will propose a dividend of DKK 5.14 per share at the Annual General Meeting convened on 29 April 2022. This corresponds to a total dividend of DKK 304 million.

THANK YOU TO OUR EMPLOYEES

On behalf of the Board of Directors, I express our appreciation to all employees in the Bakkafrøst Group for their commitment and hard work in 2021.

Statement by the Management and the Board of Directors

MARKET – NAVIGATING CHALLENGING WATERS

The salmon market was highly volatile in 2021. Prices on the spot market varied significantly during the year, and the demand in different market segments and geographies changed. At the beginning of the year, the market was still considerably hampered by the Covid-19 pandemic, which negatively affected the foodservice market. In Q1, salmon prices were much lower than in any first quarter of the preceding five years. In week 2 the Fish Pool Index was as low as 43,58 NOK/kg. During Q2, the market conditions improved, and prices strengthened. In Q3 and Q4, prices were at the upper end of the normal price range for these quarters. In the second half of Q4, spot prices increased significantly, peaking at 74,78 NOK/kg in week 50.

The global sales of salmon grew 9% in 2021, compared to 2020. All main markets grew, and of the larger markets, the US market grew impressively by 13% in volume. In most main markets, the retail segment has developed strongly with high demands from retailers. So far, this strong demand from the retail market has persisted.

In 2021, we gradually increased our sales to the foodservice segment, as Covid-restrictions were eased, and demand picked up. From the Faroe Islands Bakkafrøst sold 33% of the harvested volume to the retail market, compared to 47% in 2020. Bakkafrøst has good capacity to produce retail products in the VAP segment and has a strategy of selling around 40% of the harvest volume to the retail market. However, the foodservice market is important to Bakkafrøst as we usually achieve a higher price premium.

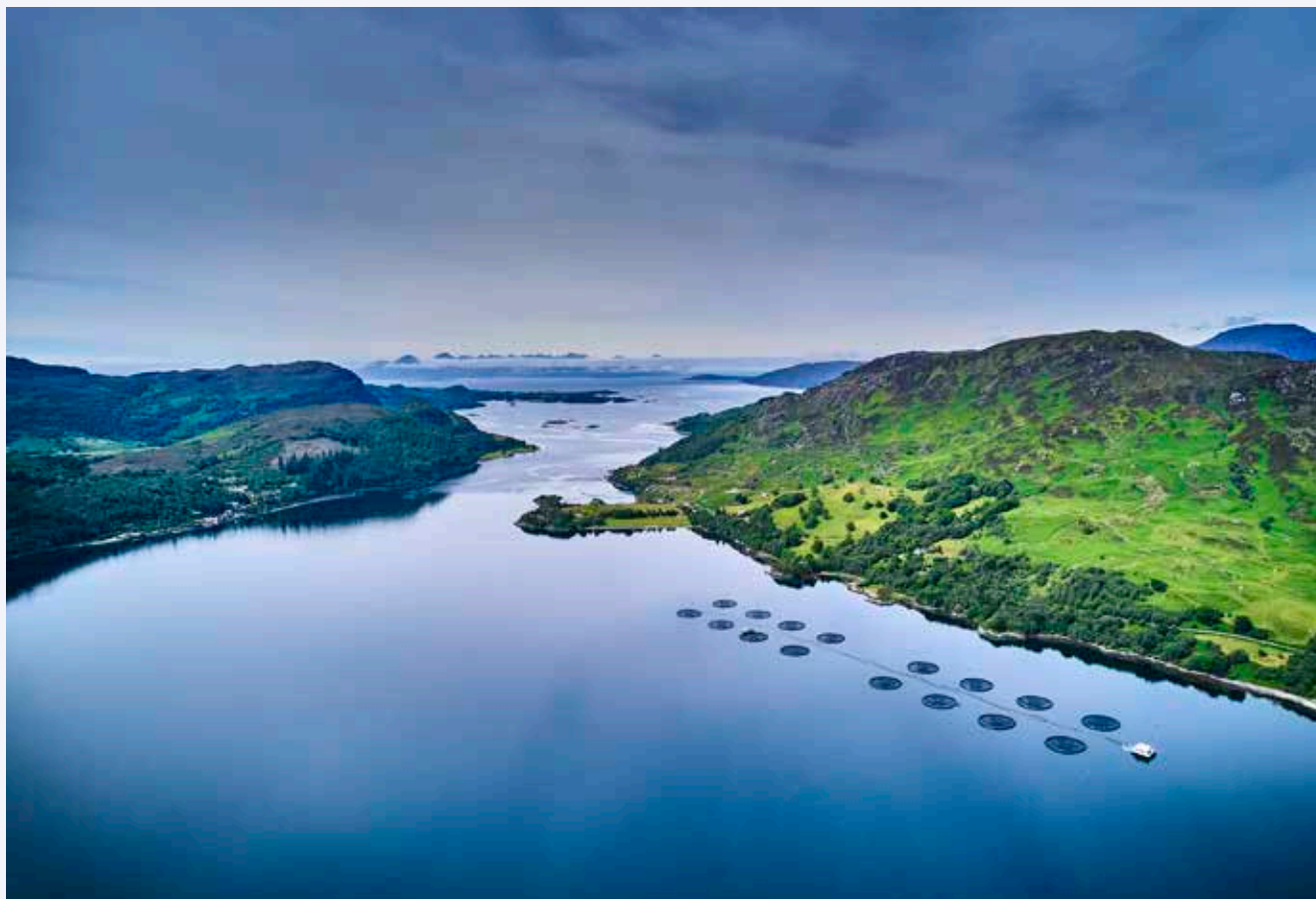
Bakkafrøst had revenues of 5,554 mDKK in 2021 and an operational EBIT of 821 mDKK. This is an improvement from 2020, but not satisfactory. 2021 can be regarded as two very different halves. The first half of the year was the strongest H1 ever since 2018, and the second quarter was solid. H2, on the other

hand, was weak due to significant biological challenges in our Scottish operation.

STRONG BIOLOGY IN THE FAROE ISLANDS – SCOTLAND WAS CHALLENGING BUT WITH A STRONG LONG-TERM OUTLOOK

Bakkafrøst harvested 96.9 thousand tonnes of salmon head-on gutted weight in 2021. 67.2 thousand tonnes hereof were harvested in the Faroe Islands. This is significantly more than previous years and marks the beginning of annual increasing harvest volumes in the Faroe Islands. This is a result of our large investments in the Faroese value chain and increased hatchery capacity for large smolt. Growing larger smolt comes with new challenges, and learnings have been done. But more importantly, we have gained a lot of knowledge of great value for implementing the large smolt strategy in our operation in Scotland. These learnings have also been implemented and tested in the Faroe Islands, and we have seen the positive effects already. The harvest in the Faroe Islands in 2021 was based on smolt transferred at 274g. The transferred smolt weight in 2021 was however 382g, we therefore will see a gradual reduction in the production cycle in next couple of years. We have observed improved biological performance of these fish in the sea which we believe relates to the larger and more robust smolt.

In 2021, we continued to improve our feed conversion ratio, reaching an impressive bFCR of 1.055 vs 1.076 in 2020 for the full year in the Faroe Islands. The growth has all time high. However, we have had more issues with sea lice in the second half of the year. This was caused by a Covid-related delay in fitting new delousing equipment onboard M/S Martin, our main delousing service vessel. The delay hindered us from following our successful and preventive delousing strategy, which aims at ensuring low sea lice levels before the autumn. As a result, the elevated sea lice levels required more aggressive treatments, including treatment of large fish, which increased the mortality in the Faroe Islands.



In 2021, we also decided to synchronise two farming sites in the Faroe Islands, A-72 Haraldsund and A-73 Viðareiði. This was done to reduce future biological risk. The consequence was a one-off reduction of the average harvest weight due to the smaller fish harvested from A-72.

In Scotland, we had severe mortality in Q3 and Q4, with a total of 262 mDKK in exceptional mortality costs. The underlying issue was linked to the reduced gill health the fish

develops due to the extended growth cycle in the marine environment, up to 22 months, due to the small average smolt size on release. The fish are exposed to hazards that impair their gills during this period. Late in Q3 and into Q4, there was a significant bloom of hydrozoans and micro-jellyfish, which deteriorated the gill health even more and led to very high mortality across several sites. In short, the micro-jellyfish bloom on top of reduced gill health was a deadly cocktail.

In the future, our freshwater treatment capacity will be expanded with two new freshwater treatment vessels. This summer, we will permanently have two freshwater vessels in Scotland and one vessel with freshwater treatment capacity in the Faroe Islands. Treating the fish regularly with freshwater is an efficient way to rinse the gills of the fish and restore their gill health. As a result, the fish become more robust.

In the longer term, the growth cycle in the marine environment in Scotland will be halved down to 10-12 months, as we raise the average smolt size to 500g. This will be a game-changer and reduce the biological risk significantly.

Our investments in new modern hatcheries in Scotland are ongoing. A significant milestone will be reached by the end of 2022, when the fourth expansion phase of our Applecross hatchery will be completed, significantly increasing our smolt production capacity and average weight. We also look forward to commencing the construction of our next large hatchery in Scotland, which is expected to start in 2022.

In 2021, we continued the implementation of a range of technical and procedural improvements in the Scottish farming operation, including a revised farming strategy. We believe in a significant improvement in the operation as the new farming strategy reveals its strengths and as the investments in the value chain starts to have an impact.

SIGNIFICANT FEED SYNERGIES

One of the planned synergies with the acquisition of The Scottish Salmon Company relates to feed production and sale. During 2021, we gradually increased the supply of feed from Havsbrún to Scotland. From the beginning of 2022, all our seawater farming sites in Scotland are supplied with feed from Havsbrún. Consequently, external feed sales at Havsbrún were only 3% (16% in 2020) of the total feed sold and will reduce even more in the future, as the internal feed consumption increases with the growing harvest volumes. With

the increasing feed volume and changed feed consumption profile induced by the farming operation in Scotland, Havsbrún can utilise the production capacity more efficiently.

MASSIVE RESEARCH AND DEVELOPMENT ACTIVITIES

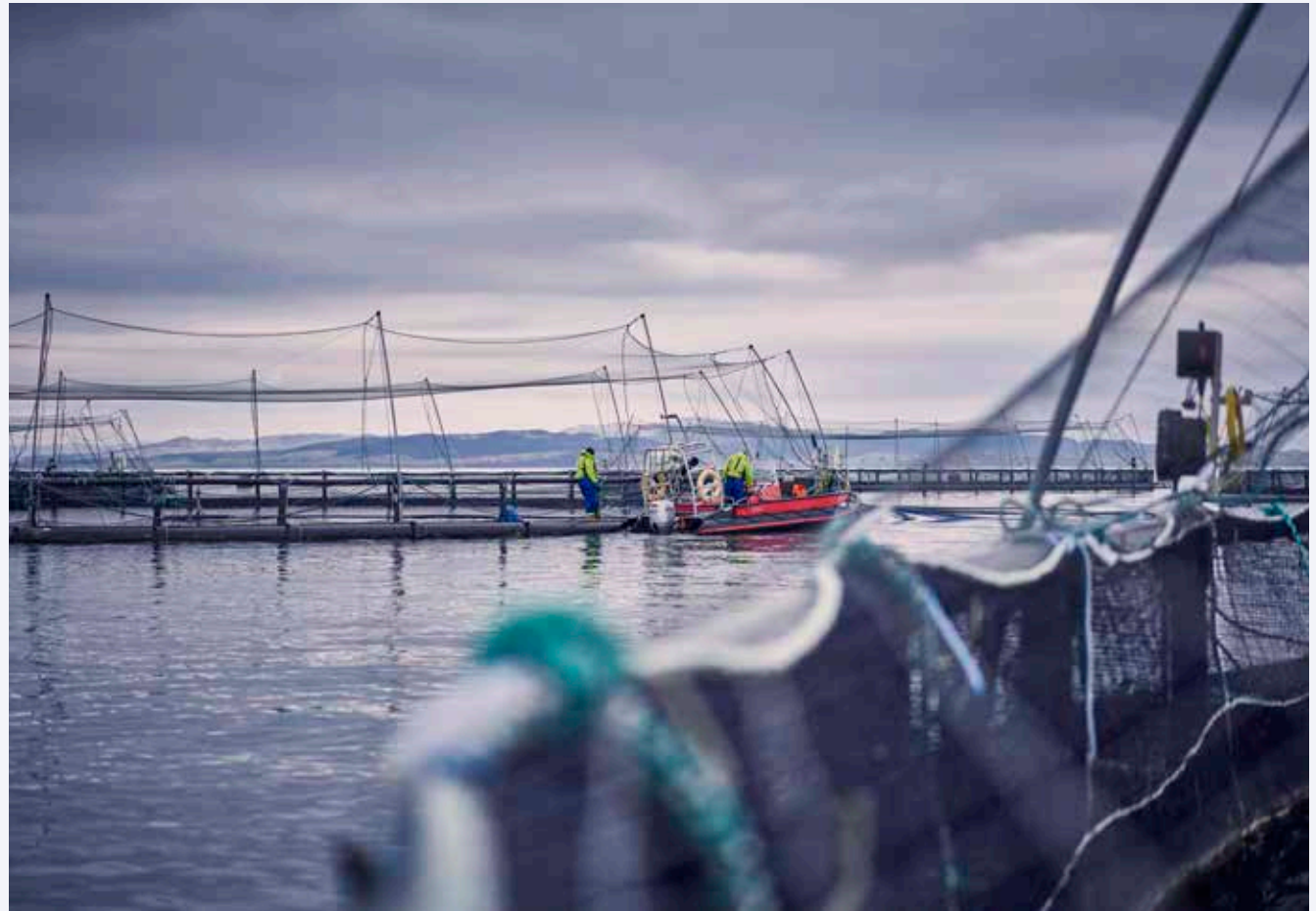
Bakkafrost needs to improve its operation continuously. Therefore, we have extensive research and development activities deeply embedded in the entire value chain, through which innovative solutions emerge. 2021 has been another busy year regarding R&D. Some examples are outlined below. These examples are not exhaustive, and more details are found in our sustainability report.

In 2021, we conducted feed trial projects to optimise feed recipes and the absorption of nutrients and minerals, improving fish health and reducing the benthic load. We have also researched biomarkers to be used in an early warning system for fish health.

In our freshwater division, we have refined a range of parameters important for improving large smolt's robustness and biologic performance and made significant improvements.

We have also continued our funding of collaborative research projects to improve knowledge on biodiversity of benthic macrofauna in Faroese fjords and establish a baseline biological diversity state undisturbed from anthropogenic impact. This even includes developing a classification system for benthic macrofauna analysis in Faroese fjords to assess aquaculture's potential environmental effects.

Concerning biodiversity, we are engaged in a project to understand better the interaction between salmon farming and the wild trout population.



Environmental monitoring is also an area where we have R&D projects. This includes monitoring solutions for a range of environmental parameters (e.g. temperature, oxygen, algae, pH, salinity, hydrocarbons, sea currents – to mention a few).

We have also developed an inspiring new Digital Management tool to simulate sea lice development, used for proactive sea lice treatment planning.

Finally, our broodstock programme is a significant R&D project in its entirety. We have already made exciting discoveries that will be important to reduce the risk for diseases like CMS.

SUSTAINABILITY IS DEEPLY EMBEDDED IN OPERATION AND STRATEGY

The world is facing enormous challenges with the overall environmental footprint, and the challenges will be even more significant as the world's population grows. Over the next five years, we will increase our production significantly, reaching 150,000 tonnes head-on gutted weight in 2026. Hence, it is vital that we firmly address the sustainability challenges. We have set several sustainability commitments, including halving our scope 1, 2 & 3 carbon in 2030. These targets are science-based and in line with the Paris Treaty.

Bakkafrost has a long value chain, which gives us more autonomy to seek opportunities to reduce our environmental footprint. For example, we rely on air cargo to overseas markets. To reduce our carbon emission from air freight, we have decided to acquire our own cargo plane to set up direct transport to the US market. This enables us to shorten the flown distance and omit the weight of ice. The result is a reduced carbon emission for the fresh salmon sold to the US by around 40-50%.

PEOPLE

In 2021, we had two main priorities regarding our employees. Employee health and safety has been our main concern during the Covid-19 pandemic. We have continuously monitored and responded to the development of the pandemic and have managed to keep everyone safe.

ONE COMPANY

The other main priority is ensuring that we fully benefit from the collective knowledge and competencies in the Group. We have focused on collaboration and knowledge transfer, mainly between the Faroese and Scottish organisations. We have exchanged best practices and will continue to develop this and organisational simplicity via our strategic focus, named "One Company".

AMBITIOUS CAPEX PROGRAM ON TRACK

In September 2021, we held our Capital Markets Day in the Faroe Islands, where we presented our strategy and five-year 6.2 bnDKK investment program. The ambition is to transform the operation in Scotland, bringing it to a level more comparable with the operation in the Faroe Islands. It will also increase our total production capacity to 180,000 tonnes head-on gutted weight in 2026. The expected harvest volume will be 150,000 tonnes.

Both in Scotland and the Faroe Islands, the large smolt strategy is the primary enabler to reduce the operational risk, increase efficiency and drive growth. In the Faroe Islands, we have come a long way with the necessary investments in hatcheries. The ongoing expansion of the hatcheries at Glyvradal and Norðtoftir progress well. In the Faroe Islands, our aim is to produce 23 million smolts at 500g in 2026.

In Scotland, the Applecross hatchery is the first large expansion equipped with RAS technology, and in 2021 we released the first smolts from the facility produced after the RAS expansion 3. We also started the 4th expansion phase, finalising in late 2022. This will bring the production capacity from Applecross to 8 million smolts at 250g and will have a significant positive impact on reducing the biological risk in farming in Scotland. Expansion 5 and 6 has also been started and will be completed 2023 increasing the production capacity to 10 million smolts at 500g.

STRONG FINANCIAL POSITION

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

The applicable interest margin depends on Bakkafrost's performance against several sustainability KPIs. These include

increasing the survivability rate of the fish, decreasing the biological feed conversion ratio and generating our own production of renewable energy.

The Bakkafrost Group's interest-bearing debt was DKK 2,126 million at the end of 2021, compared with DKK 1,753 million at year-end 2020. The Group had undrawn committed credit facilities of DKK 3,063 million at the end of 2021.

The Bakkafrost Group made a profit of DKK 964 million for 2021, compared with DKK 462 million for 2020. Bakkafrost's equity ratio was 64% at the end of 2021, compared to 66% at the end of 2020.

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

Outlook

MARKET

Supply increase of 8.8% in 2021

The supply of salmon increased 8.8% in 2021, compared to 2020. All markets had good growth, except Japan and China where the growth was 1% and 3% respectively.

37% higher salmon prices in Q4 2021

Salmon prices were higher in 2021, compared to 2020. This was especially the case in H2 2021 and in Q4 2021 prices increased to levels around 37% higher than in 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 H1 2021. Overall, the market supply of salmon in 2022 is expected to increase around 1%, compared to 2021, including inventory movements.

Bakkafrost 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 (2022) a new 7,000m³ 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 late 2019 and in 2020 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 of 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 the 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 smolts at 250g. Further planned expansion and new hatcheries will increase the production capacity up to more than 18 million smolts 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 the released smolt in Scotland is expected to be around 120g. The real impact of 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 the 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 a total of 103,000 tonnes gutted weight.



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

VAP (VALUE ADDED PRODUCTS)

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

Bakkafrost's long-term strategy is to sell around 40% of the harvested volumes of salmon as VAP products on contracts. The contracts are at fixed prices with a duration of 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 Faroe market, primarily Bakkafrost FO's internal use of fish feed, and the feed used in the Scottish farming operation.

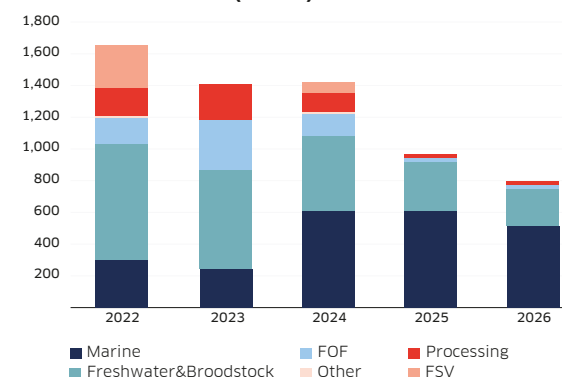
INVESTMENTS

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

Fig. 1

INVESTMENT PLAN (MDKK)



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.

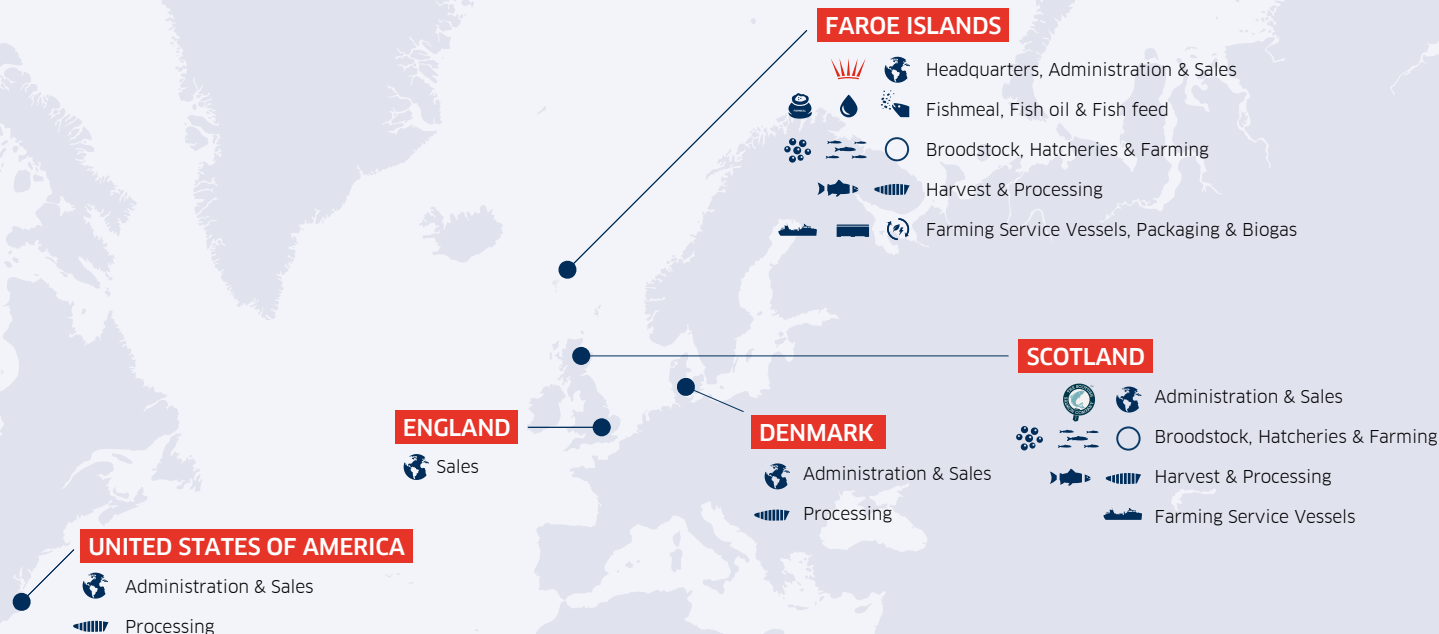
FINANCIAL

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 was signed in March 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.



Bakkafrost at a Glance



LEGEND TO MAP SYMBOLS



FISHMEAL



BROODSTOCK



HARVESTING



FSV (FARMING SERVICE VESSELS)



FISH OIL



HATCHERIES



PROCESSING



PACKAGING



FISH FEED



FARMING



SALES



BIOGAS



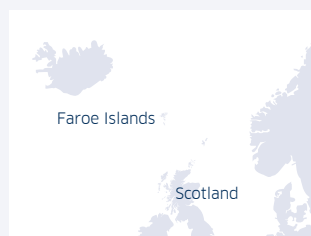
BAKKAFROST

Salmon, fishmeal, fish oil and fish feed producer

Location: Faroe Islands**Headquarters:** Glyvvar, Eysturoy**Production and business-to-business sale:** salmon, fishmeal, fish oil and fish feed**Longest integrated value chain in the industry****Listed on:** Oslo Stock Exchange with ticker code BAKKA

LEGEND TO MAP SYMBOLS

- ▲ FISHMEAL/OIL & FEED FACTORY
- HATCHERIES
- FARMING SITES
- ◆ BROODSTOCK
- HARVEST FACTORIES
- ◆ PROCESSING PLANT
- PACKAGING FACTORY
- ◇ HEADQUARTERS
- ◇ SALES OFFICES
- △ BIOGAS
- CONSTRUCTION/EXPANSION





Key Figures

Fig. 2

(DKK 1,000)					
Income Statement	2021	2020	2019	2018	2017
Operating revenues	5,553,849	4,651,892	4,511,107	3,177,422	3,770,049
Operational EBIT *	821,194	621,158	1,325,100	1,074,912	1,377,647
Operational EBITDA *	1,351,628	1,067,923	1,635,215	1,273,810	1,561,237
Earnings before interest and taxes (EBIT)	1,144,685	691,123	1,019,217	1,184,233	649,104
Earnings before taxes (EBT)	1,137,662	625,984	981,916	1,172,066	623,884
Net earnings	964,036	462,845	801,885	960,292	511,402
Earnings per share before fair value adjustments of biomass and provision for onerous contracts (DKK)	10.28	6.20	19.04	16.44	21.08
Earnings per share after fair value adjustments of biomass and provision for onerous contracts (DKK)	16.32	7.83	15.53	19.74	10.52
Statement of Financial Position					
Total non-current assets	10,059,184	9,224,680	8,670,109	3,396,036	3,023,807
Total current assets	4,568,984	3,983,644	4,431,296	2,406,487	2,131,709
TOTAL ASSETS	14,628,168	13,208,324	13,101,405	5,802,523	5,155,516
Total equity	9,347,545	8,729,487	8,496,875	4,077,029	3,626,429
Total liabilities	5,280,623	4,478,837	4,604,530	1,725,494	1,529,087
TOTAL EQUITY AND LIABILITIES	14,628,168	13,208,324	13,101,405	5,802,523	5,155,516
Net interest-bearing debt	2,125,811	1,752,751	1,018,685	495,479	258,070
Equity share	64%	66%	65%	70%	70%

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

Main Events



January

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

March



- Launches its fourth sustainability report
- Bakkafrost installs the longest sea cable in the Faroe Islands (5.6 km), providing a remote farming site with electrical power from land

June

- Bakkafrost signs contract with MEST shipyard to repurpose M/S Bakkanes to farming service vessel
- Contract signed with Nofitec for expansion of the Glyvradal hatchery in the Faroe Islands

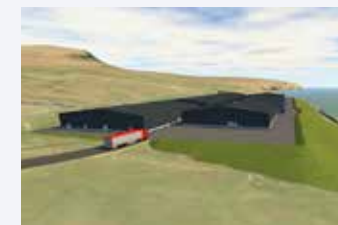


August

- Bakkafrost and Nofitech partner on progressive RAS technology programme for Bakkafrost's future hatcheries in Scotland

October

- Mortality rates in Scotland peak



November

- Energy Globe Foundation announce Bakkafrost-owned biogas plant FÖRKA as National Winner of Energy Globe Awards
- Groundworks for Bakkafrost's new broodstock facility at Skálavík is completed



February

- Bakkafrost signs contract with MEST shipyard to build fully electric workboat
- Bakkafrost enters an agreement with MOWI on site exchange in Isle of Harris to create operational efficiency as well as further improvement of health management of stock



April

- Bakkafrost purchases M/S Bakkanes for Scottish operations to develop farming operations in Scotland and strengthen biological performance

May

- Bakkafrost Feed division, Havsbrún, is recognized with BAP certification (Best Aquaculture Practices), which covers the entire aquaculture supply chain. With the BAP certification, Havsbrún is an approved provider of feed to Bakkafrost Scotland, holding a 4-star BAP certification



July

- Farming supply vessel M/S Martin resumes delousing operation in the Faroe Islands after being equipped with new delousing technology



September

- Bakkafrost announced a 6.2 billion DKK investment program for 2022-2026 on the Capital Market Day in the Faroe Islands
- Farming supply vessel M/S Bakkanes commenced its operation in Scotland
- Sudden bloom of hydrozoans and micro-jellyfish in Scotland cause beginning mass-mortality
- Synchronised harvest of farming sites A-72 Haraldsund and A-73 Viðareiði to reduce future biological risk



December

- Bakkafrost enters into a committed term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years.
- Profit warning released providing update on mortalities in October and November 2021

STRATEGY



Business Objectives and Strategy

VISION

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

MISSION

To produce the best salmon in the world!

VALUES

To be responsible, respectful, persistent, efficient and ambitious

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

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

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

Today, our five business objectives are:

• Growth

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

• One Company

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

• Differentiation

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

• SSC Turnaround

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

• Sustainability

We embed sustainability deeply in our decision-making processes and demonstrate our commitment to sustainability through our actions and achievements for which we aspire to be acknowledged as industry leading. See our sustainability report www.bakkafrost.com/sustainability for more information on our progress in 2021.

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

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



Business Model

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

Fig. 3



Outline of Bakkafrost's History

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

1968

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

1979

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

1995

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

2006

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

2010

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

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

2011

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

2013

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

2016

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

2017

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

FSVs Martin and Róland start operation.

2018

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

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

2019

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

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

2020

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

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

The Value Chain

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

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

The control of the entire value chain enables Bakkafrøst to make long-term delivery contracts and long-term customer relationships without being dependent on any third party to ensure the quality and predictability of the deliveries. It further enables better utilization of the facilities throughout the value chain and prevents sub-optimization between cost centres.

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

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

Fig. 4

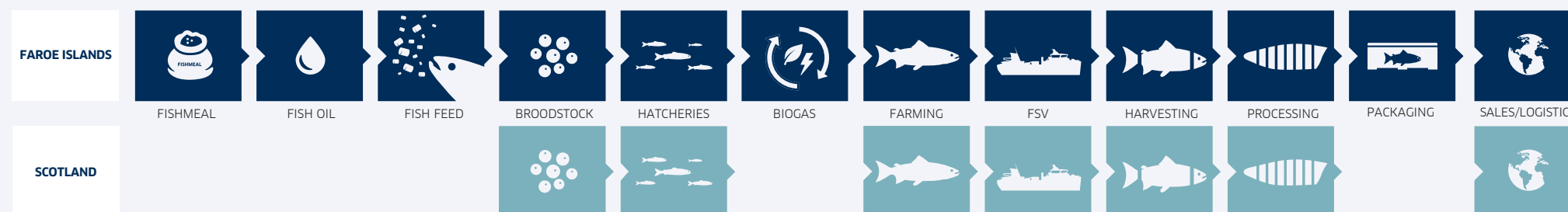
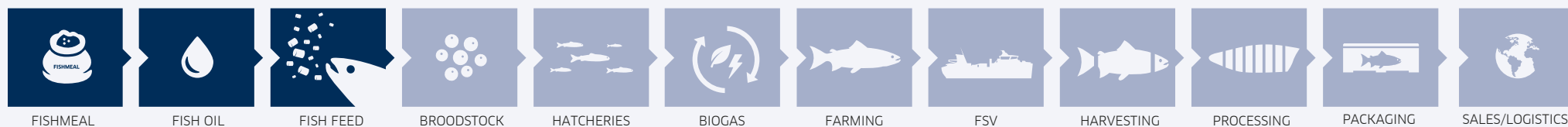


Fig. 5



FISHMEAL, FISH OIL AND FISH FEED

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

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

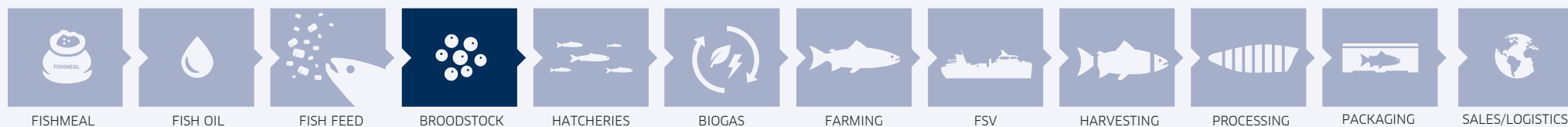
We exclusively use carbon filtered fish oil in our feed.

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

It is important to us that the raw materials for our feed production are responsibly sourced. We strongly prioritize using raw materials that are sustainably certified in the feed production for our salmon.

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

Fig. 6



BROODSTOCK

Native Faroese broodstock programme

In April 2018, Bakkafrost took full ownership and responsibility of the Faroese broodstock programme. Bakkafrost obtained the genome rights in 2021.

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

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

The breeding programme was resurrected in 2016 with support from the Government of the Faroe Islands, using the remaining Faroese salmon. 1.200 families were created, 300 families for each year in a 4-year generation interval.

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

Native Hebridean broodstock programme

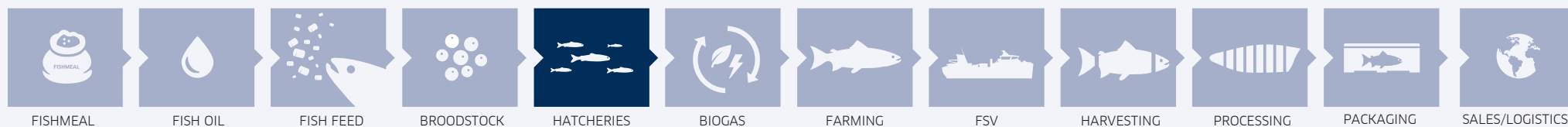
In Scotland, the Group operates a unique Native Hebridean broodstock programme producing pure Scottish Island salmon, originally bred from wild stock and farmed only in Hebridean waters, which results in a strong, lean and noticeably firmer salmon than other Atlantic salmon.

The broodstock programme is reared under an outsourced arrangement with a third party.

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

- **New Native Faroese broodstock facility in Skálavík in 2023**
- **Native Hebridean broodstock annual capacity to produce 6 million eggs**

Fig. 7



HATCHERIES

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

Bakkafróst aims at producing all smolts for release at an average weight of 500 grams by 2022 in the Faroe Islands and by 2025-2026 in Scotland. The benefits are a shorter production time at sea and reduced biological risk.

Hatcheries in the Faroe Islands

Bakkafróst operates six hatcheries in the Faroe Islands. 14.4 million smolts were transferred to the sea in 2021 at an average weight of 382g. This will increase during 2022 to 14.9 million smolts at 500g per year.

Bakkafróst's hatcheries are in environments with large quantities of clean fresh water, where no villages or industries are competing for the water. This is important, as there is no ground water available in the Faroe Islands. The hatcheries are equipped with closed water circulation systems with

biofilters, and the fish tanks are inside buildings to limit the effect of external factors, such as weather, birds, and other pollution. Bakkafróst has highly educated and experienced staff at the hatcheries; some of whom have been at Bakkafróst for decades.

In September 2021, Bakkafróst announced the plan to increase the capacity of the hatcheries to a total of 85,600m³. This will be achieved by increasing the capacity of our current hatchery sites in Norðtoftir to 5.3 million smolts, and Glyvradalur to 3.8 million smolts. Both hatcheries are to begin operation in 2024. In addition, the plan is to build a new hatchery at Ónavík in Suðuroy. This hatchery is expected to have an annual production capacity of around 2.4 million smolts and to begin operation in 2025.

Hatcheries in Scotland

In Scotland, the Bakkafróst Group operates five freshwater hatcheries. 11.1 million smolts were transferred to the sea in 2021 at an average weight of 92g. This will increase during 2022 to 10.8 million smolts at around 120g.

Bakkafróst intends to replace these with 3 large and modern hatcheries with RAS technology over the next 3-5 years. These hatcheries will be around the same size as the hatchery

- **The new hatchery at Strond in the Faroe Islands is now fully operational, 9 million smolts at 500 grams**
- **Increased capacity in 2024 at Norðtoftir and Glyvradalur, 9.1 million smolts at 500 grams**
- **Increased capacity in 2023 at Applecross, 10 million smolts at 500 grams**

at Strond in the Faroe Islands. The first of these hatcheries will be the Applecross hatchery. Other suitable sites for the next 2 large hatcheries are currently being investigated. One will be in the northern part of Bakkafróst's operations in Scotland and one in the southern part.

The annual capacity of our hatcheries in Scotland is circa 6 million smolts with an average size of just over 85g.

Fig. 8



BIOGAS

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

The plant has the capacity to convert up to 45-50,000 tonnes annually of all waste from farms, providing enough renewable heat for 400 homes and electricity for 1,900 homes.

This saves 11,000 tonnes of CO₂ emissions (based on the equivalent fossil fuel replacement) annually.

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

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

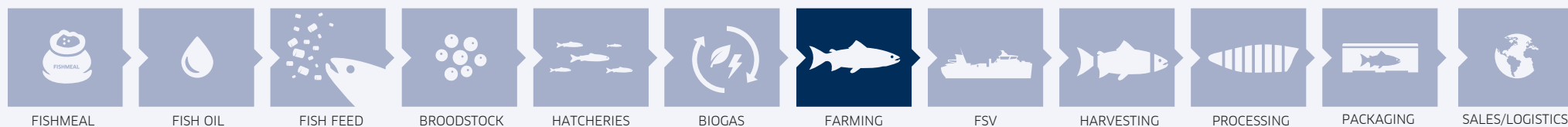
The biogas plant has been in operation for more than a year, showing good results and reliability.

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

- **New biogas plant operational since the summer of 2020**
- **1.8 % of Faroe Island's total electricity production in 2021 came from our biogas plant, Förka**
- **35,000 tonnes of natural liquid fertilizer produced in 2021**



Fig. 9



FARMING

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

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

Farming in the Faroe Islands

Bakkafrøst's 19 salmon farming sites in operation in 2021 extend across 17 of the islands' fjords and benefit from excellent water quality and circulation due to strong currents and cool, steady sea temperatures.

The fish are kept, fed and nurtured in large sea pens, providing the fish with abundant space to grow for 14–16 months. During this period, the fish grows from 371g (Q4 2021) to a target weight of about 5.8–6.0 kg wfe. This target weight

provides an optimal breakdown/mix of sizes to serve both the fresh fish market and the internal VAP production.

As a rule, the larger fish are distributed as fresh fish, and the smaller fish are used as raw material in the VAP production.

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

Farming in Scotland

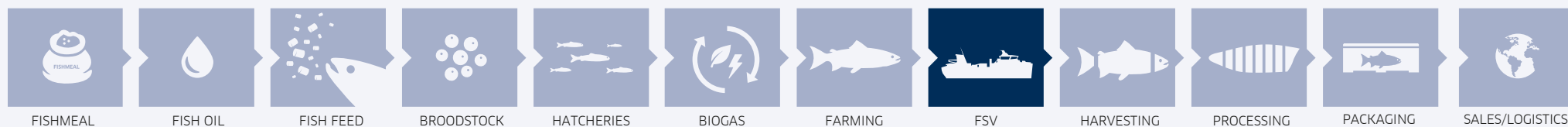
The Bakkafrøst Group operates 44 marine sites in the unique natural environment of the West Coast of Scotland and the Hebridean Islands with 74,765 tonnes of current permitted licence volume.

The fish are kept, fed and nurtured in large sea pens, providing the fish with abundant space to grow for around 16–22 months. During this period, the fish grows from around 105g (Q4 2021) up to an average target weight of about 5.5–5.7 kg wfe.

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

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

Fig. 10



FARMING SERVICE VESSELS (FSV)

Bakkafrost is continually seeking to improve methods for de-lousing without using any chemicals and creating lowest possible stress on the salmon. Bakkafrost uses a combination of owned and leased vessels.

FSV in the Faroe Islands

Bakkafrost's FSV fleet in the Faroe Islands consist of six vessels: Four live fish carriers and two service vessels. No vessels in the Faroe Islands are leased.

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

Of the two vessels for transportation of fish to harvest, one is a medium size live fish carrier (650m³/110 tonnes wfe) and one is a large live fish carrier (3,000m³/450 tonnes wfe) equipped with the latest technology and both with closed systems. In addition to transporting fish to harvest, the larger live fish carrier is equipped for treatment of the fish in fresh water.

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

As part of the company's strategy to produce larger quantities of sustainable farmed salmon, Bakkafrost has ordered a new wellboat. The wellboat is built at the Sefine shipyard in Turkey and is expected to be completed in 2022. The new wellboat is 109 meters long and 22 meters wide. It has a capacity of 10.000 m³, where the four wells have a total capacity of 7.000 m³ of seawater, and the freshwater tanks have a total capacity of 3.000 m³. The vessel can carry 1.000 tons of salmon.

FSV in Scotland

In Scotland the Bakkafrost Group operates a fleet of seven, one farming service vessel leased from the operation in the Faroes, four wellboats and two large workboats all under long term charter agreements along with a fleet of smaller vessels for site operations which are largely owned.



- **6 farming service vessels (including 4 live fish carriers), 53 boats and 23 feed barges in the Faroe Islands**
- **7 farming service vessels, including 3 live fish carriers, 2 large workboats and 2 treatment vessels in Scotland**
- **New farming service vessel to support biosecurity strategy in 2022 biosecurity strategy in 2022**

Fig. 11



HARVESTING

Harvesting in the Faroe Islands

In the Faroe Islands, all Bakkafrost's fish is harvested at the harvest factories in Glyvvar and Vágur. The harvest factory in Glyvvar has a daily capacity of around 400 tonnes wfe and the harvest factory in Vágur has a daily capacity of around 120 tonnes wfe.

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

Harvesting in Scotland

The Bakkafrost Group operates two harvest stations, Arnish Point in the North of Scotland and Ardyne in the South. The total daily capacity is 250 tonnes, 125 tonnes in each factory.

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

- **Total daily harvesting capacity of 520 tonnes wfe in the Faroe Islands, and 250 tonnes in Scotland**



Fig. 12



PROCESSING

Processing in the Faroe Islands

The 4,000m² VAP factory at Glyvvar has a production capacity of 100 tons of value-added products a day. The primary customers for these products are the supermarket chains and the foodservice segment. The VAP factory also has a daily capacity of 4 tons for smoked salmon.

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

- **100 tonnes daily secondary processing capacity in the Faroe Islands**
- **28 tonnes daily secondary processing capacity in Scotland**

Processing in Scotland

The Bakkafrøst Group operates two processing plants, Marybank in the North of Scotland, Cairndow in the South, and a Smokehouse in Stornoway. Both processing plants are equipped with pre-rigour filleting, portioning, and packaging facilities. The daily production capacity is 28 tonnes of value-added products, and 1 tonne smoked of products.

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



Fig. 13



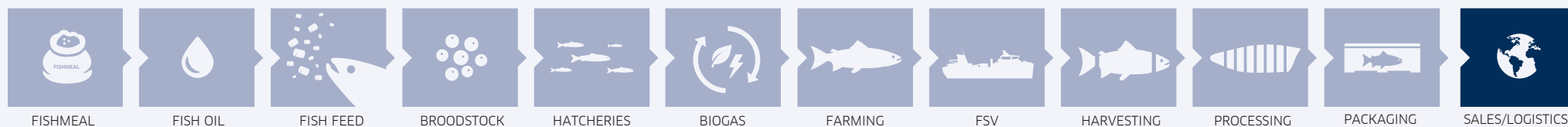
PACKAGING

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



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

Fig. 14



SALES AND DISTRIBUTION

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

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

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

Distribution from the Faroe Islands

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

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

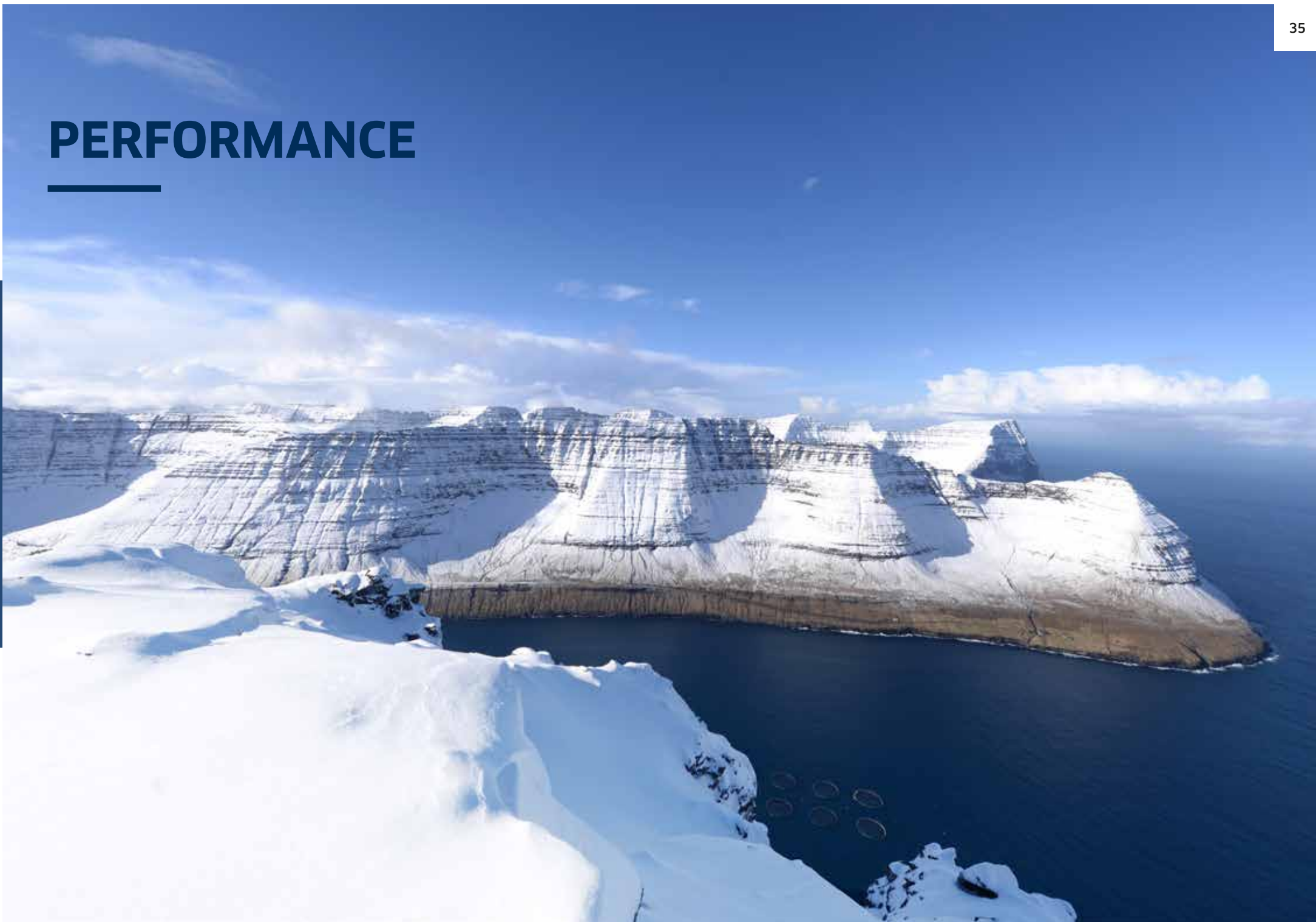
Bakkafrost is in the process of acquiring a cargo plane, which will be used to transport fresh salmon directly from the Faroe Islands to the US market. This will reduce carbon emission per kg by 40-50% for fresh salmon sold to the US market.

Distribution from Scotland

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

- **Markets served:**
 - Western Europe (61%)
 - North America (19%)
 - Asia (11%)
 - Eastern Europe (9%)
 - Other (0%)

PERFORMANCE



Operational Review

FARMING

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

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

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

Production plans in the Faroe Islands are approved on a yearly basis by both veterinary and environmental authorities. The biological situation and regulatory system in the Faroe Islands provide the opportunity to grow salmon with a higher-than-average weight, which minimises unit costs, biological

feed conversion rate and gives best in class performance. The ideal biological situation is crucial for maintaining low production costs and maximising returns on invested capital.

COST-CONSCIOUS PRODUCER AND VETERINARY MODEL

Our farming operation in the Faroe Islands has delivered strong results in production costs compared to peers.

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

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

The farming costs have increased in recent years, partly because of increased feed and health costs but especially due to higher costs of large smolt. Following the significant investments made in the Faroe Islands to enable Bakkafrost's large smolt strategy, smolt costs have increased and transcended into increased total farming costs. Bakkafrost expects the total farming costs to reduce as the benefits from the larger smolts and the increased capacity utilisation will fully materialise. In the Faroe Islands, farming sites have been moved further out the fjords to more exposed areas, where more expensive equipment is needed. The plan is also to do so in Scotland where possible.

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

The health costs mainly relate to treatments against sea lice. Since 2015, Bakkafrøst has mainly used non-medical treatments, including freshwater, lukewarm seawater and flushing with clean seawater with ambient temperature. These mechanical treatments resulted in elevated mortality, but after a start-up phase and more experience and better knowledge of the equipment and the treatment methods, the mortality level has improved, but Bakkafrøst is continuously improving these mechanical treatment methods.

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

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

Bakkafrøst has invested DKK 5.0 billion since 2015 in all parts of its value chain.

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

The operation in the Faroes is self-supplied with smolt and aims to have an average weight of 500g for all smolts released into the sea. Expansions of the hatcheries at Glyvradal and Norðtoftir are in progress and a new hatchery at Ónavík will be constructed. Once completed, Bakkafrøst will

be able to produce more than 23 million smolts with an average weight of 500g.

The average release size of smolt in the Faroe Islands has increased from around 120g in 2014 to around 382g in 2021.

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

Bakkafrøst has invested in new equipment in the farming operation. Since 2015, Bakkafrøst has acquired four ships, one live fish carrier and three service vessels. In addition, a new 7,000 m³ live fish carrier was commissioned in 2020 for delivery in 2022. In addition, Bakkafrøst has a long-term lease for one large well-boat in Scotland and has secured one additional 5-year lease for a well-boat commencing in 2022. Significant amounts have also been invested in new equipment at Bakkafrøst's farming sites, e.g., new feeding barges, catamarans and larger pens.

Fig. 15
MORTALITY % OF OUTPUT FARMING

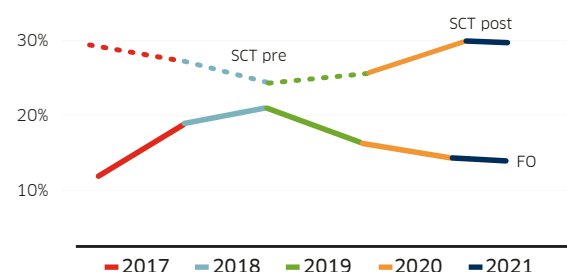


Fig. 16
BIOLOGICAL FEED FACTOR FARMING

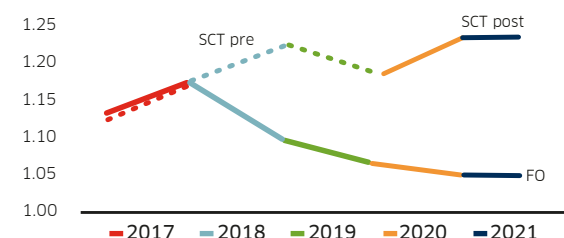


Fig. 17
AVERAGE HARVEST WEIGHT FARMING (KG LW)

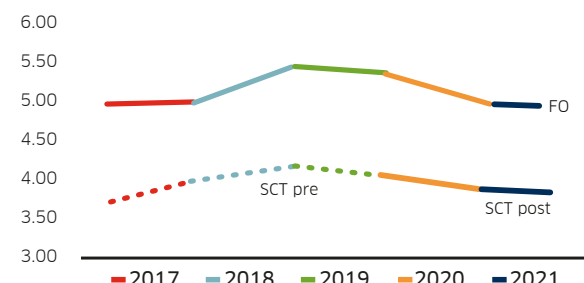
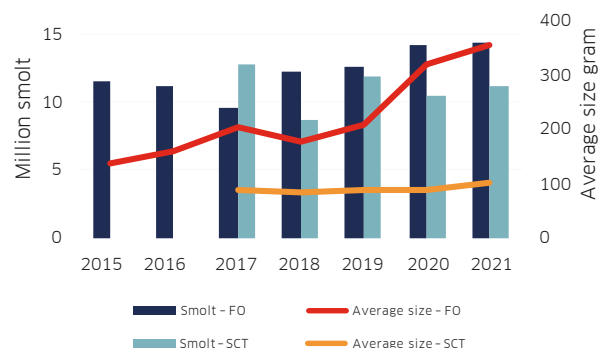


Fig. 18



CERTIFICATES

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

Bakkafrøst was proud to reach its goal to have all of its farming sites in the Faroe Islands ASC certified by 2020. The ASC standard was developed in cooperation with WWF and is seen as the most stringent standard in the aquaculture industry with requirements regarding fish welfare, sea lice, smolt production, feed production and the environment.

Farming Scotland holds national and international accreditations and certifications across the value chain, including Global G.A.P. Farming Scotland, was the first salmon producer

in the EU to be awarded 4-star Best Aquaculture Practice (BAP) certification for all its marine and processing sites, as well as the feed suppliers. This is the highest designation in the BAP third-party certification programme. The processing facilities have been awarded the highest level of British Retail Consortium (BRC) Accreditation for food safety, processing, and supply chain management.

GEOGRAPHICAL LOCATION

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

STRONG CUSTOMER BASE IN ALL MAJOR MARKETS

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

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

VAP

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

in the contract prices for VAP products. On the other hand, when the spot prices decrease, there is a time lag until the contract prices drop.

In 2021 33% of the Faroese harvest volumes was used in the VAP segment. The demand from retail was strong driven by the disruption by Covid-19 pandemic. The VAP segment produced 22,180 tonnes in 2021, compared to 23,594 tonnes in 2020. Higher spot prices in 2021 compared to 2020 had a negative effect on the margins in the VAP segment.

PRODUCTION OF FISHMEAL, OIL AND FEED

Havsbrún - FOF segment - performed very well in 2021, despite lower raw material sourcing and reduced external sale of fish meal and feed. Havsbrún received 152,383 tonnes of raw materials in 2021, compared to 283,307 tonnes in 2020. The production of fishmeal and fish oil depends on sourcing raw materials. The availability is highly related to the quotas for the pelagic fishery in the North Atlantic. The raw material situation will be volatile in the future. However, quotas for fishing blue whiting have decreased over the last years.

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

Havsbrún sold 16,376 tonnes of fishmeal externally in 2021, compared with 18,675 tonnes in 2020. Going forward, the external sale of fishmeal is likely to reduce as the internal consumption increases. External sale of fish oil in 2021 was 41 tonnes, compared to 21 tonnes in 2020.

Havsbrún sold 128,489 tonnes of feed in 2021, of which 97% was used internally. In 2020, Havsbrún sold 111,998 tonnes of feed.



Size: **3mm**



Size: **4mm**



Size: **6mm**



Size: **9-12mm**

Extruded feed for smolt

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

PEOPLE

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

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

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

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

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

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

During the Covid-19 pandemic in 2020 and 2021, it has been critical for us to keep our employees safe. We have continuously monitored the development of the pandemic, adapted our operation accordingly and managed to keep our employees safe.

In 2021, the number of full-time equivalent employees in the Bakkafrøst Group was 1,653 employees (FO: 973, SCT/UK: 622 US: 58), compared to 1,699 employees in 2020.

For further information, see our Sustainability Report 2021.



Financial Review

The supply of salmon to the world market increased by around 9% in 2021 (2020: 4% increase). The average salmon spot price in 2021 was DKK 42.69, compared to DKK 38.78 in 2020, an increase of 10%.

The prices for value added products (VAP) have been stable in 2021 and on the same level as in 2020. Important for the result for the VAP segment are also the raw material prices, as the VAP segment purchases its raw material based on the salmon spot market every week. In 2021, the average price was higher compared to 2020. The margins of Bakkafrøst's value added production were negatively affected by higher production costs in 2021 because of lower volumes. The value-added products are typically sold on fixed-price contracts with a duration of 6-12 months, where the prices for value added products follow the trend on the spot market with a time lag.

The average feed price during 2021 was higher than the average feed price in 2020. The reason for the fluctuations in the feed price is the market situation for fish oil and fishmeal, which are the main ingredients in Bakkafrøst's salmon feed. The fluctuations in the feed prices will be reflected in the production costs for salmon.

Income statement

DKK 1,000	2021	2020
Operating revenue	5,553,849	4,651,892
Purchase of goods	-1,692,501	-2,276,518
Change in inventory and biological assets (at cost)	-178,060	401,679
Salary and personnel expenses	-728,423	-690,452
Other operation expenses	-1,632,114	-1,062,719
Depreciation	-530,434	-446,765
Other income	28,877	44,041
Operational EBIT	821,194	621,158
Fair value adjustments of biological assets	434,868	118,003
Income from associates	30,112	5,546
Revenue tax	-141,489	-53,584
EBIT	1,144,685	691,123
EBT	1,137,662	625,984
Taxes	-173,626	-163,139
Profit or loss for the period	964,036	462,845

The Bakkafrøst Group generated gross operating revenues of DKK 5,554 million in 2021, compared to DKK 4,652 million in 2020. The increase in revenue is mainly due to higher prices and higher volumes of fresh salmon in 2021. Harvested volumes of salmon increased 13% in 2021, compared to 2020, mostly coming from higher harvested volumes in the Faroe Islands. The volumes sold as value added products decreased 8% in 2021. The Group harvested a total of 96,889 tonnes gutted weight, compared to 85,687 tonnes in 2020. The external revenue from sales of fishmeal decreased in 2021, compared to 2020. The external sales of fishmeal decreased 15%.

Operational EBIT was DKK 821 million, compared to DKK 621 million in 2020. A positive fair value adjustment of the Group's biological assets has been recognized in 2021, amounting to DKK 435 million, compared to an adjustment of DKK 118 million in 2020. The positive fair value adjustment mostly relates to higher forward prices.

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

In 2021, the Group's associated companies made a net result to Bakkafrøst of DKK 30 million, compared to DKK 6 million in 2020.

Financial income in 2021 amounted to DKK 5 million, compared to DKK 1 million in 2020. Net interest expenses amounted to DKK -41 million, compared to DKK -36 million in 2020. Net currency effects amounted to DKK 39 million, compared to DKK -13 million in 2020. Other financial expenses amounted to DKK -11 million, compared to DKK -17 million in 2020. Net taxes amounted to DKK -174 million, compared to DKK -163 million in 2020.

The consolidated net profit totalled DKK 964 million in 2021, compared to DKK 463 million in 2020. Earnings per share totalled DKK 16.32 in 2021, compared to DKK 7.83 in 2020.

STATEMENT OF FINANCIAL POSITION

The Group's total assets as at end 2021 amounted to DKK 14,628 million, compared to DKK 13,208 million at the end of 2020.

The Group's intangible assets amounted to DKK 4,496 million at the end of 2021, compared to DKK 4,493 million at the end of 2020. Intangible assets comprise primarily of the acquisition of The Scottish Salmon Company Ltd, the fair

value of acquired farming licences in Scotland and the Faroe Islands.

Property, plant, and equipment amounted to DKK 4,889 million at the end of 2021, compared to DKK 4,221 million at the end of 2020. In 2021, Bakkafrøst made investments in PP&E amounting to DKK 1,116 million, compared to DKK 836 million in 2020. The most significant investments, Bakkafrøst carried out in 2021, were in hatcheries and a new FSV. Other investments relate mainly to maintenance investments.

Right of use assets amounted to DKK 302 million at the end of 2021, compared to DKK 353 at the end of 2020.

Investments in associated companies and stocks and shares amounted to DKK 149 million at the end of 2021, compared to DKK 122 million at the end of 2020. The increase in financial assets relates to the result from the associated companies.

Bakkafrøst had DKK 8 million in long-term receivables at the end of 2021, compared to DKK 8 million at the end of 2020. Deferred tax assets amounted to DKK 215 million, compared to DKK 27 million at the end of 2020.

The Group's carrying amount (fair value) of biological assets amounted to DKK 2,448 million at the end of 2021, compared to DKK 2,117 million at the end of 2020. Included in the carrying amount of the biological assets is a fair value adjustment amounting to DKK 605 million, compared to DKK 145 million at the end of 2020.

The Group's total inventories amounted to DKK 709 million as at year-end 2021, compared to DKK 776 million at year-end 2020. The inventory primarily represents Havsbrún's inventory of fishmeal, fish oil and fish feed in addition to feed at the feed stations, finished VAP products, packing materials and other raw materials.

The Group's total receivables amounted to DKK 902 million as at year-end 2021, compared to DKK 624 million at year-end 2020.

Cash and cash equivalents at year-end 2021 amounted to DKK 509 million, compared to DKK 467 million at year-end 2020.

The Group's equity at the end of 2021 was DKK 9,348 million, compared to DKK 8,729 million at the end of 2020. The increase in equity is primarily due to the increase of the positive result for 2021.

DKK 1,000	2021	2020
Intangible assets	4,495,726	4,493,395
Property, plant and equipment	5,190,883	4,573,791
Financial assets	372,575	157,494
NON-CURRENT ASSETS	10,059,184	9,224,680
Inventory	3,157,596	2,893,056
Receivables	902,231	623,649
Cash and cash equivalents	509,157	466,939
CURRENT ASSETS	4,568,984	3,983,644
ASSETS	14,628,168	13,208,324
Equity	9,347,545	8,729,487
Deferred 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
Derivatives	3,207	1,480
Non-current liabilities	4,473,962	3,708,627
Derivatives	4,602	9,710
Trade payables	510,357	563,857
Current tax liabilities	170,997	37,422
Short-term leasing debt	87,668	131,336
Other current liabilities	33,037	27,885
Current liabilities	806,661	770,210
Total liabilities	5,280,623	4,478,837
EQUITY AND LIABILITIES	14,628,168	13,208,324

The Group's total non-current liabilities amounted to DKK 4,474 million at the end of 2021, compared to DKK 3,709 million at the end of 2020. Deferred taxes amounted to DKK 1,590 million, compared to DKK 1,222 million at the end of 2020.

Long-term debt was DKK 2,635 million at the end of 2021, compared to DKK 2,220 million at the end of 2020.

Derivatives amounted to DKK 8 million at the end of 2021, compared to DKK 11 million at the end of 2020.

At the end of 2021, the Group's total current liabilities were DKK 807 million, compared to DKK 770 million at the end of 2020.

Trade payable amounted to DKK 510 million, compared to DKK 564 million at the beginning of the year.

Long- and short-term leasing debt amounted to DKK 333 million at the end of 2021, compared to DKK 397 million at the end of 2020.

Bakkafrost's equity ratio was 64% at the end of 2021, compared to 66% at the end of 2020.

Cash flow

The total cash flow from operations in 2021 was DKK 1,125 million, compared to DKK 474 million in 2020. The cash flow from operations in 2021 is primarily due to positive results. Paid taxes and change in receivables had a negative effect on the cash flow from operations in 2021. Cash flow from investment activities amounted to DKK -1,112 million, compared to DKK -816 million in 2020.

For 2021, cash flow from financing amounted to DKK 30 million, compared to DKK -500 million for 2020. The change in long-term interest-bearing debt of DKK 405 million had a positive effect on the cash flow from financing in 2021. Other 2021 figures include dividend paid of DKK -216, lease payments of DKK -117 and financial expenses of DKK -56 million.

With the established credit facilities, the Group's liquidity and financial strength is considered good. Bakkafrost had undrawn credit facilities of approximately DKK 3,063 million at the end of 2021.

DKK 1,000	2021	2020
EBIT	1,144,685	691,123
Cash flow from operations	1,124,554	473,970
Cash flow from investments	-1,112,239	-816,128
Cash flow from financing	29,903	-500,449
Cash and cash equivalents - opening balance	466,939	1,309,546
Cash and cash equivalents - closing balance total	509,157	466,939

Farming Segment – Faroe Islands (FO)

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

DKK 1,000	2021	2020	Change
Total revenue	3,476,725	2,340,261	49%
EBIT	1,302,738	180,689	621%
Operational EBIT	903,820	447,829	102%
Farming – Operational EBIT/kg (DKK)	13,45	8.83	52%
Harvested volume (tgv)	67,217	50,700	33%
Smolts released (thousand)	14,427	14,693	-2%

VOLUMES

The FO farming segment harvested 67,217 tonnes gutted weight in 2021, compared to 50,700 tonnes gutted weight in 2020. Farming North harvested 26,082 tonnes gutted weight in 2021, compared to 31,029 tonnes gutted weight in 2020. Farming West harvested 32,253 tonnes gutted weight in 2021, compared to 14,415 tonnes in 2020. Farming South harvested 8,883 tonnes gutted weight in 2021, compared to 5,256 tonnes in 2020.

The FO farming segment released 14.4 million smolts into the sea in 2021. The smolt release in 2020 was 14.7 million smolts.

FINANCIAL PERFORMANCE

For 2021, costs of DKK 45 million were related to incident-based mortality, compared to DKK 36 million for 2020.

Total revenues for FO farming segment in 2021 amounted to DKK 3,477 million, compared to DKK 2,340 million in 2020, a change of 49%. Gross external operating revenues for FO farming segment increased to DKK 2,665 million in 2021, from DKK 1,549 million in 2020. The volumes sold externally increased in 2021, compared to 2020. The internal revenue increased in 2021 from DKK 792 million in 2020 to DKK 811 million in 2021. The volumes sold to the VAP segment were lower in 2021 than in 2020.

In 2021, operational EBIT totalled DKK 904 million, compared to DKK 448 million in 2020. This corresponds to an operational EBIT of DKK 13,45 (NOK 18.37) per kg gutted weight, compared to DKK 8,83 (NOK 12.69) per kg gutted weight in 2020.

Fig. 19

TOTAL REVENUE (DKK 1,000)

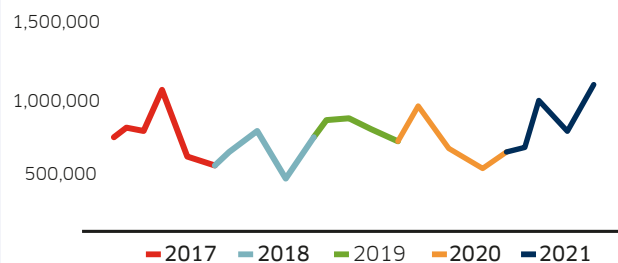


Fig. 20

OPERTIONAL EBIT/KG (DKK)

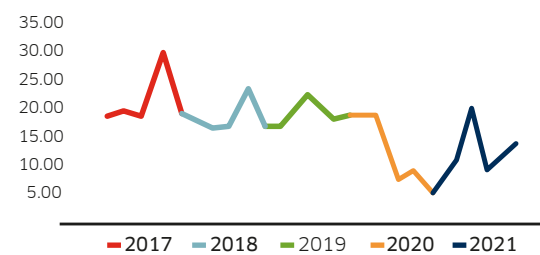


Fig. 21

HARVESTED VOLUME (TGW)

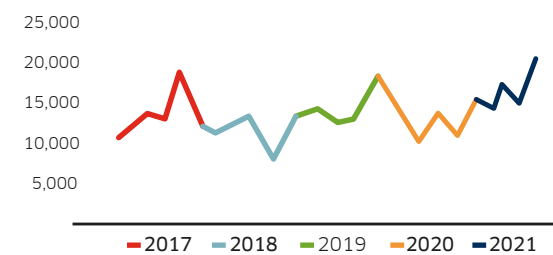


Fig. 22

SMOLT RELEASE - MILLION SMOLTS

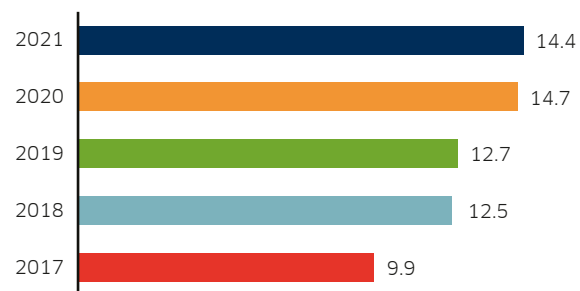
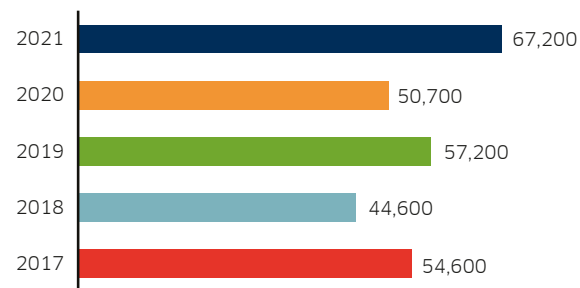


Fig. 23

HARVEST VOLUMES (TGW)



Farming Segment – Scotland (SCT)

The Scottish farming segment represents the operating business of The Scottish Salmon Company 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. The Scottish farming segment has sites across the West Coast of Scotland and Hebridean Islands and is exporting globally.

DKK 1,000	2021	2020	Change
Total revenue	1,455,391	1,595,561	-9%
EBIT	-353,669	308,265	-215%
Operational EBIT	-249,497	-24,013	-939%
Farming – Operational EBIT/kg (DKK)	-8.41	-0.69	-1125%
Harvested volumes (t _{gw})	29,672	34,986	-15%
Smolts released (thousand)	11,108	10,354	7%

VOLUMES

The SCT farming segment harvested 29.672 tonnes gutted weight in 2021, compared to 34,986 tonnes gutted weight for the full year 2020.

11.1 million smolts were transferred in 2021, compared to 10.4 million smolts for 2020.

FINANCIAL PERFORMANCE

For 2021, costs of DKK 262 million relate to incident-based mortality, compared to DKK 90 million for 2020.

In 2021, the operating revenue for the SCT farming segment was DKK 1,455 million, compared to DKK 1,596 million in 2020.

Operational EBIT amounted to DKK -249 million, compared to DKK -24 million in 2020. This corresponds to an operational EBIT of DKK -8.41 (NOK -11.49) per kg gutted weight, compared to DKK -0.69 (NOK -0.99) per kg gutted weight in 2020.

Fig. 24

TOTAL REVENUE (DKK 1,000)

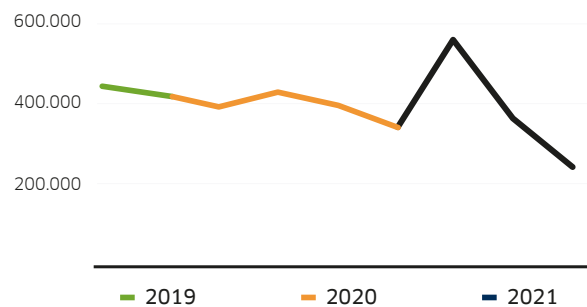


Fig. 25

OPERATIONAL EBIT/KG (DKK)

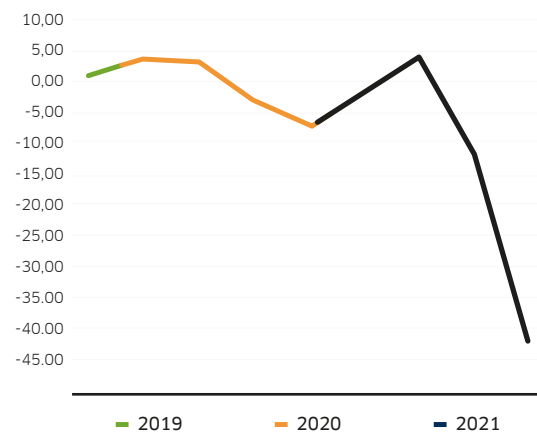


Fig. 26

HARVEST VOLUME (TGW)

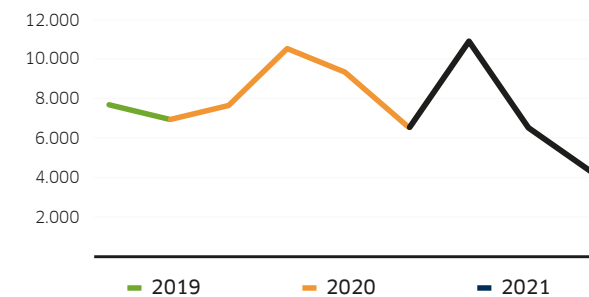


Fig. 27

SMOLT RELEASE - MILLION SMOLTS

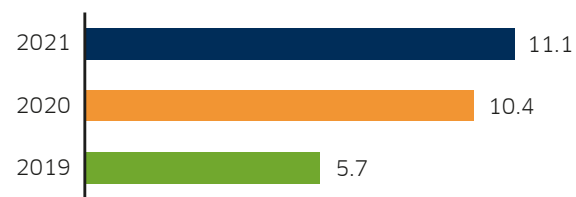
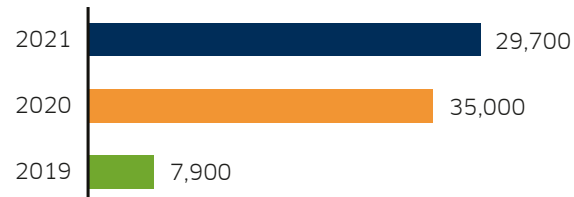


Fig. 28

HARVEST VOLUMES (TGW)



VAP Segment

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

DKK 1,000	2021	2020	Change
Total revenue	1,195,195	1,116,216	7%
EBIT	119,521	139,693	-14%
Operational EBIT	119,521	139,693	-14%
VAP - Operational EBIT/kg (DKK)	5.39	5.92	-9%
VAP produced volume (tgv)	21,974	23,931	-8%

VOLUMES

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

In 2021, 33% of the total harvested volumes went to the production of VAP products, compared to 47% in 2020.

The VAP production in 2021 was 21,974 tonnes gutted weight, compared to 23,931 tonnes gutted weight in 2020.

FINANCIAL PERFORMANCE

The contract prices in 2021 have not increased at the same rate as the spot prices, but the contract prices were on a higher level than in 2020. The VAP segment's operating revenue amounted to DKK 1,195 million in 2021, compared to DKK 1,116 million in 2020, an increase of 7%.

Operational EBIT in 2021, which is EBIT adjusted for provision for onerous contracts etc., totalled DKK 120 million, compared to DKK 140 million in 2020. This corresponds to an operational EBIT of DKK 5.39 (NOK 7.36) per kg gutted weight, compared to DKK 5.92 (NOK 8.51) per kg gutted weight in 2020.

The VAP segment had no onerous contracts neither at the end of 2021 nor 2020.

Fig. 29

TOTAL REVENUE (DKK 1,000)

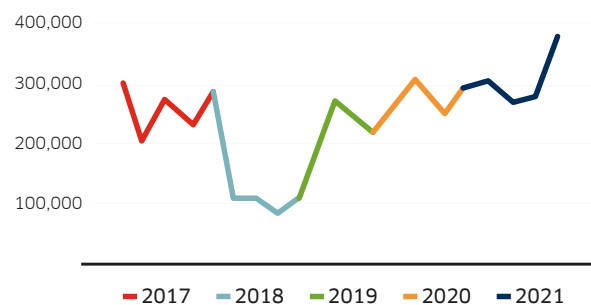


Fig. 30

OPERATIONAL EBIT/KG (DKK)

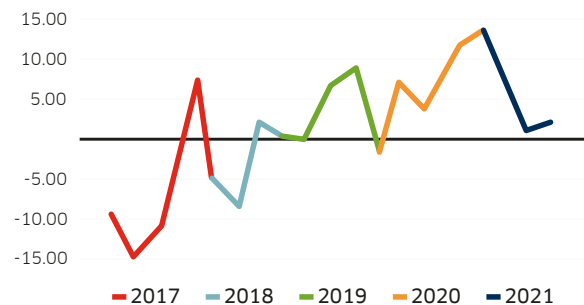


Fig.31

VAP VOLUME (TGW)

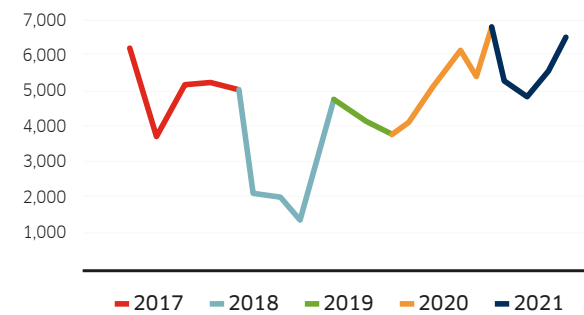


Fig. 32

PRODUCT WEIGHT OF VAP (TGW)

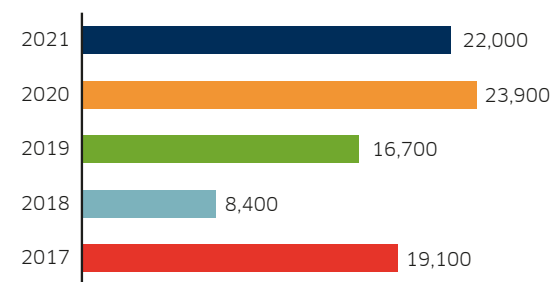
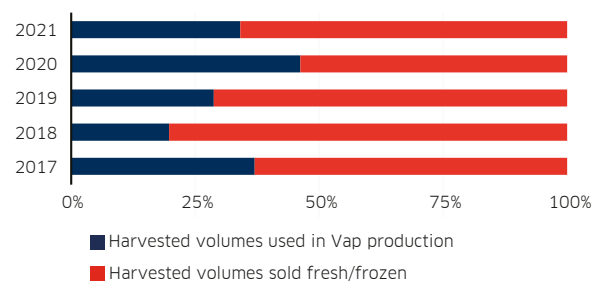


Fig. 33

DISTRIBUTION OF HARVESTED VOLUMES (%)



FOF Segment

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

DKK 1,000	2021	2020	Change
Total revenue	1,659,351	1,418,970	17%
EBIT	305,988	181,610	68%
EBITDA	306,227	207,695	47%
FOF - EBITDA margin	18.5%	14.6%	26%
Sold feed tonnes	128,489	111,998	15%

VOLUMES

The FOF segment, has over the last couple of years had a decline in raw material intake for fishmeal and fish oil production. The produced fishmeal and oil were partly used internally for feed production, and partly exported. In 2021, the FOF segment sourced 152,383 tonnes of raw material, compared to 283,307 tonnes in 2020, which corresponds to a decrease of 46%. The raw material intake depends on off-cuts from the pelagic industry as well as fishery in the North Atlantic and available species of fish.

The production of fishmeal in 2021 was 34,962 tonnes, compared to 60,661 tonnes in 2020. The production of fish oil in 2021 was 8,124 tonnes, compared to 9,932 tonnes in 2020. The production of fish oil varies, depending on the species of fish available for production and the timing of catches.

The FOF segment sold 128,489 tonnes of feed in 2021, compared to 111,998 tonnes in 2020. Bakkafrøst used 124,259 tonnes of sold feed in 2021 internally, corresponding to 97%. The internal use in 2020 was 94,345 tonnes, corresponding to 84%.

FINANCIAL PERFORMANCE

Total revenues for the FOF segment in 2021 amounted to DKK 1,659 million, compared to DKK 1,419 million in 2020, an increase of 17%.

The external operating revenue for the FOF segment amounted to DKK 238 million in 2021, compared to DKK 391 million in 2020. The decrease in external revenue from 2020 to 2021 was mainly due to lower external sale of fish feed and fishmeal.

The internal revenue in 2021 amounted to DKK 1,421 million, compared to DKK 1,027 million in 2020. The internal revenue comprises the sales of feed to Bakkafrøst's farming activities, both in Scotland and the Faroe Islands

EBITDA was DKK 306 million in 2021, compared to DKK 208 million in 2020, and the EBITDA margin was 18.5% in 2021, compared to 14.6% in 2020.

Fig. 34

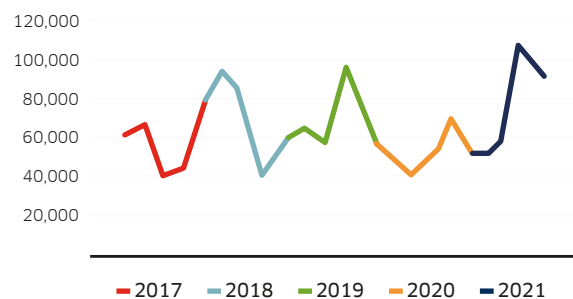
TOTAL EBITDA (DKK 1,000)

Fig. 35

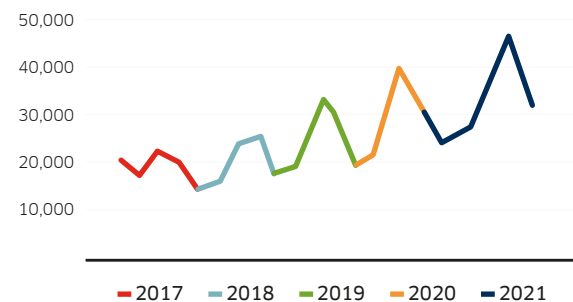
SOLD FEED TONNES

Fig. 36

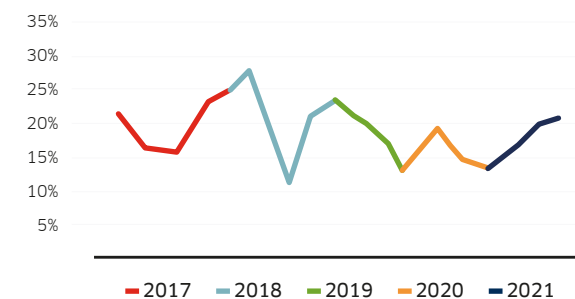
EBITDA MARGIN (%)

Fig. 37

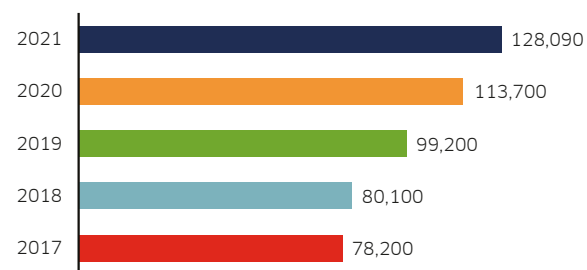
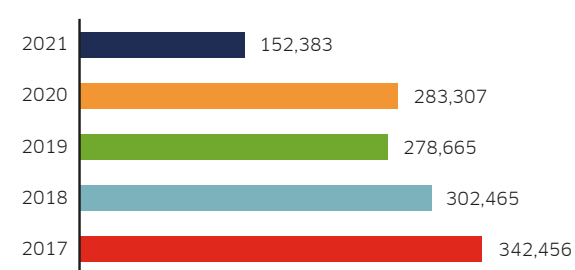
FISH FEED PRODUCTION VOLUMES (TONNES)

Fig. 38

SOURCING OF RAW MATERIAL (TONNES)



Market Review

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

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

ORIGIN

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

LIMITED VOLUMES

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

LARGE SALMON

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

SALES AND GEOGRAPHICAL DIVERSIFICATION

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

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

WORLDWIDE REACH

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

Fast reliable logistics with global reach is vital for the distribution of fresh perishable produce which is sought after around the world. To maintain the leading position, Bakkafrost works closely with key freight forwarders to ensure effective logistics and first-class customer service worldwide. This ensures that Bakkafrost's salmon is always delivered as fresh as possible by freight carriers to major airports and then linking with further passenger airlines to diverse worldwide locations. Bakkafrost expects to have its own airplane in operation in 2022, primarily serving the US market. This will strengthen Bakkafrost's position as a supplier of superior quality fresh salmon.

SEGMENTATION

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

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

Fig. 39



VAP

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

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

FEED

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

VERTICAL INTEGRATION

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

FEED RICH IN MARINE CONTENT

Bakkafrost has an integrated value chain that includes own production of fish meal, oil and feed. With its rich access to marine raw material from the waters surrounding the Faroe Islands, Bakkafrost is uniquely positioned to maintain a substantially higher marine inclusion in the salmon feed, compared to peers in the industry. The natural diet for wild salmon is rich in marine resources. By keeping the Bakkafrost diet close to this, the Bakkafrost Group is able to have one of the industry's best Feed Conversion Ratios (FCR) which is a key indicator of fish welfare and low production costs.

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

ASC

Bakkafrost is committed to sustainability and care for the environment in which it operates, this is fundamental for discerning customers. 100% of Bakkafrost's sites in the Faroe Islands are ASC certified.

SEAFOOD CONSUMPTION

In 2019, capture fisheries and aquaculture were estimated to be about 178 million tonnes, of which roughly 158 million tonnes were utilized as food. This corresponds to a per capita consumption of seafood just above 20 kg (live weight equivalent), with fish accounting for about 18 percent of the global population's intake of animal proteins and 7 percent of all proteins consumed.

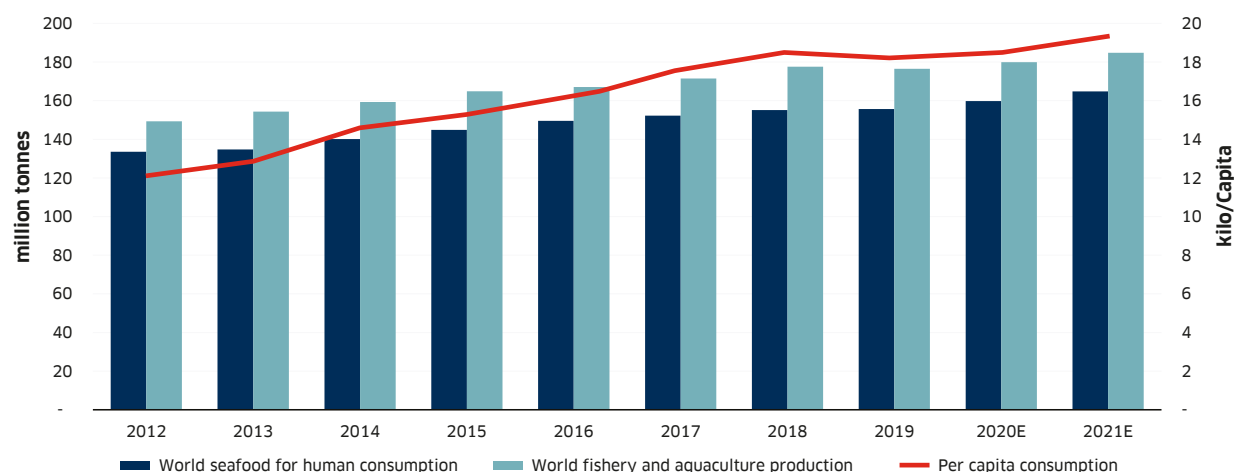
Overall, global capture fisheries production continues to remain stable above 90 million tonnes, of which about 20 million is utilized in the production of fishmeal and fish oil. The share of non-food uses has remained at a steady level over the last couple of years. As capture fisheries production

remains stable, aquaculture production continues to cover the increasing demand for seafood.

Salmon and trout became the most important commodity traded in value terms since 2013 and accounted for about 18 percent of the total value of internationally traded fish products in 2019. The other main groups of exported species were shrimps and prawns with around 16 percent, followed by groundfish (10 percent, e.g., hake, cod, haddock, Alaska pollock) and tuna (9 percent).

Fig. 40

WORLD SEAFOOD PRODUCTION FOR HUMAN CONSUMPTION AND CONSUMPTION PER CAPITA



Source: Kontali, FAO

MAIN MARKETS FOR SALMON AND CONSUMPTION TRENDS

In 2021, worldwide supply of farmed Atlantic salmon exceeded 2,85 million tonnes wfe. This corresponds to an increase of 9 % or 230,000 tonnes wfe, which is the highest growth rate year over year since 2012. Of this increase, supply to Europe grew by 8% (+95,000 tonnes wfe) and the USA by 13% (+73,000 tonnes wfe) – accounted for more than 70% of the global supply growth.

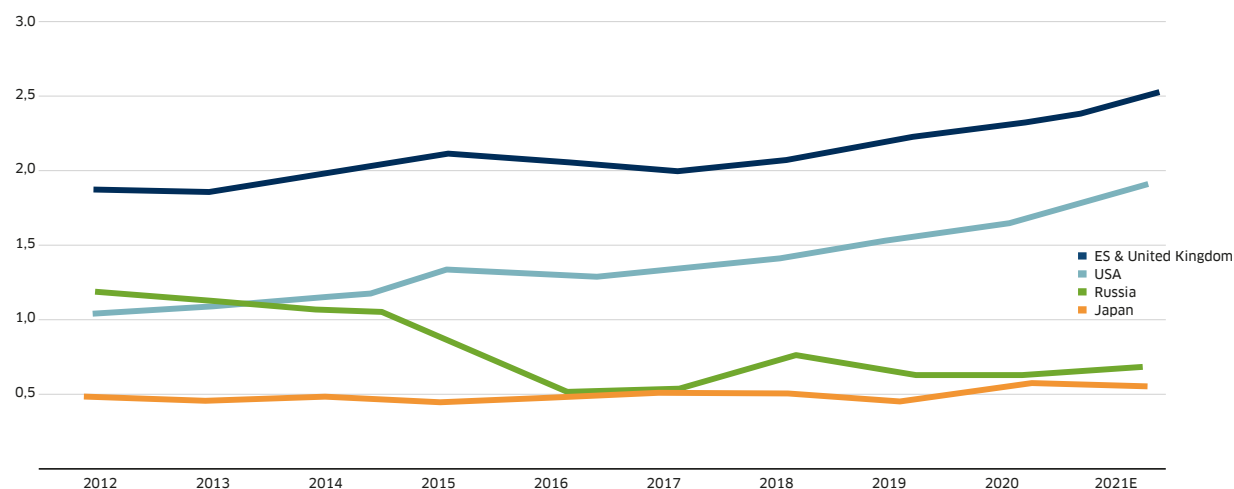
The spread of COVID-19 worldwide in 2020 led to restrictions on travel and lockdowns which impacted the demand from the foodservice industry – in addition to limitations in global supply chains / logistics. As a result, the global salmon

market became much more concentrated with increased dependency on sales through the retail-sector and impacted both the market balance and price achievement for Atlantic salmon. While the pandemic continued to impact the salmon market in 2021 – strong demand from particularly the United States, Southern Europe (France, Spain, Italy) and Asian market led to an increase in salmon prices.

European spot prices (Nasdaq 3-6 kg) for Atlantic salmon in 2021 ended on average just above 58 NOK per kg (+5%) or 5.7 EUR per kg (+11%). The Norwegian krone continues to trend on a historically weak level.

Fig. 41

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



THE US MARKET

Despite the US being heavily affected by the COVID-19 pandemic, both in 2020 and 2021, the supply and consumption of Atlantic salmon have continued to grow at an impressive rate. 2021 does for the first time ever, represent a market size exceeding 600 thousand tonnes wfe for Atlantic salmon only.

With a population of 331 million and consumption close to 630,000 tonnes wfe in 2021, this corresponds to a per capita consumption of approx. 1.9 kg wfe, indicating about 6-7 meals per capita each year. Salmon was the second-most consumed seafood specie by US consumers, while shrimp still firmly holds the top spot.

Growth to the US market was driven by an increase in supply from Chile, Canada and supply growth from Europe. From Chile, the close to 350,000 tonnes wfe (+8%) also represents the highest supply share in over a decade (51% of total Chilean exports). Supply growth from both Canada and Norway exceeded 10,000 tonnes wfe, while UK and the Faroe Islands growth was closer to 5-6,000 tonnes wfe. Other European supplies (incl. supply from processing hub) exceeded 10,000 tonnes wfe.

Average export prices for Chilean salmon fillets (represent approx. 40% of the total US market) increased from 7.8 USD/kilogram in 2020 to 10.3 USD/kilogram in 2021 – corresponds to an increase of 33%. This illustrates the strong demand growth in the US market.

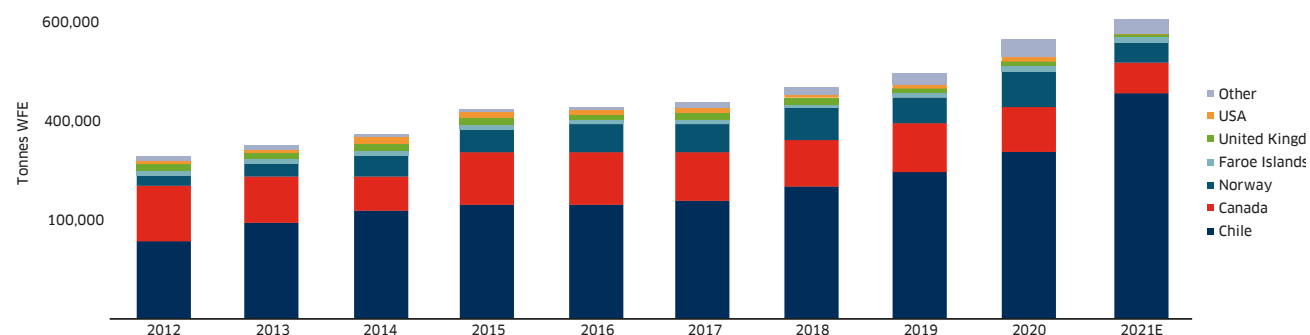
Fig. 42

SUPPLY OF ATLANTIC SALMON IN THE US MARKET

Country	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E
Chile	162,200	191,600	214,700	224,100	217,300	220,400	267,200	284,300	325,100	349,600
Canada	98,200	77,400	55,000	92,900	100,900	92,100	90,500	91,600	92,600	104,400
Norway	23,700	27,000	39,900	51,200	55,700	68,400	67,300	68,300	68,200	81,300
Faroe Islands	13,100	16,400	17,100	14,700	16,900	14,800	12,800	18,500	14,400	20,800
United Kingdom	17,700	16,100	20,400	16,300	12,700	18,000	16,100	20,300	11,500	17,100
USA	9,400	10,100	16,200	13,800	7,700	13,100	7,300	8,100	8,800	6,200
Other	5,700	11,000	10,400	14,600	16,100	19,200	22,300	29,300	40,400	54,200
Total	330,000	349,600	373,700	427,600	427,300	446,000	483,500	520,400	561,000	633,600

Fig. 43

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



Source: Kontali

THE EUROPEAN MARKET

In 2021, the EU market (including the United Kingdom) for farmed Atlantic salmon increased by 8 %, or 94,000 tonnes wfe, to a total supply of 1,28 million tonnes wfe. Norway accounts for approx. 85 % of the total supply volume. With a combined population of 513 million, this corresponds to a per capita consumption of 2.5 kg wfe per year, indicating 8-9 meals per capita per year.

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

During 2021, the global market balance improved. Within Europe, Germany, France, and the United Kingdom accounted for approx. 50 % of the total consumption, making them the largest markets for salmon. Supply growth was notable both to Italy and Spain (Southern Europe) last year.

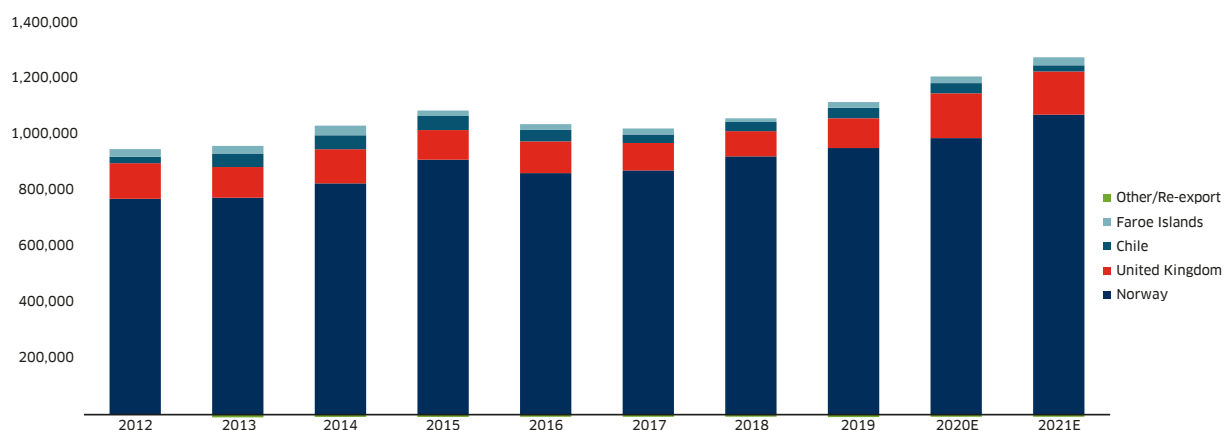
Fig. 44

SUPPLY OF ATLANTIC SALMON TO EU AND UK MARKET

Country	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E
Norway	761,900	755,500	834,600	912,200	860,200	841,400	910,800	944,500	993,800	1,082,700
United Kingdom	117,000	110,300	117,800	121,100	115,400	124,900	108,000	142,300	152,500	163,300
Chile	27,000	50,200	50,500	44,900	53,900	42,500	40,700	36,200	40,900	28,400
Faroe Islands	36,800	34,300	32,300	20,400	28,400	27,800	20,600	30,800	34,400	50,600
Other/Re-export	-9,600	-18,800	-30,100	-27,700	-16,900	-17,100	-25,800	-23,400	-31,400	-39,500
Total	933,100	931,500	1,005,100	1,070,900	1,041,000	1,019,500	1,054,300	1,130,400	1,190,200	1,285,500

Fig. 45

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



Source: Kontali

CHINA AND HONG KONG

In December 2021, China announced a reduction in import tariffs on various seafood products. Among them are salmon products, including fresh gutted Atlantic salmon. In general, the tariff for fresh whole salmon is lowered from 10% in 2021 to 7% starting from January 1st, 2022. The lowering of Chinese import tariffs would be for the benefit of most Atlantic salmon producers except those having an FTA with China with 0% import tariffs (Chile, Iceland and Australia).

From 2015 to 2019 supply of Atlantic salmon to China and Hong Kong is almost doubled, reaching almost 125,000 tonnes wfe (pre-pandemic). In 2020, supply fell to 83,000 tonnes wfe, and saw a marginal recovery last year + 7% or close to 90,000 tonnes wfe.

While supply from Norway is relatively unchanged around 44,000 tonnes wfe – supply from Chile have decreased from 45,000 tonnes wfe in 2019 to 28,000 tonnes wfe in 2020 to the lowest level since 2014 with sales around 15,000 tonnes wfe last year. The supply of Faroese salmon to China and Hong Kong have also seen a notable drop in the corresponding period.

This drop must be seen in relation to logistical challenges – in addition to measures / perceived risk to limit the spread of the Coronavirus. Historically, supply to China has been mainly fresh whole salmon and large sizes (6+ kg), with the foodservice segment covering a high share of consumption.

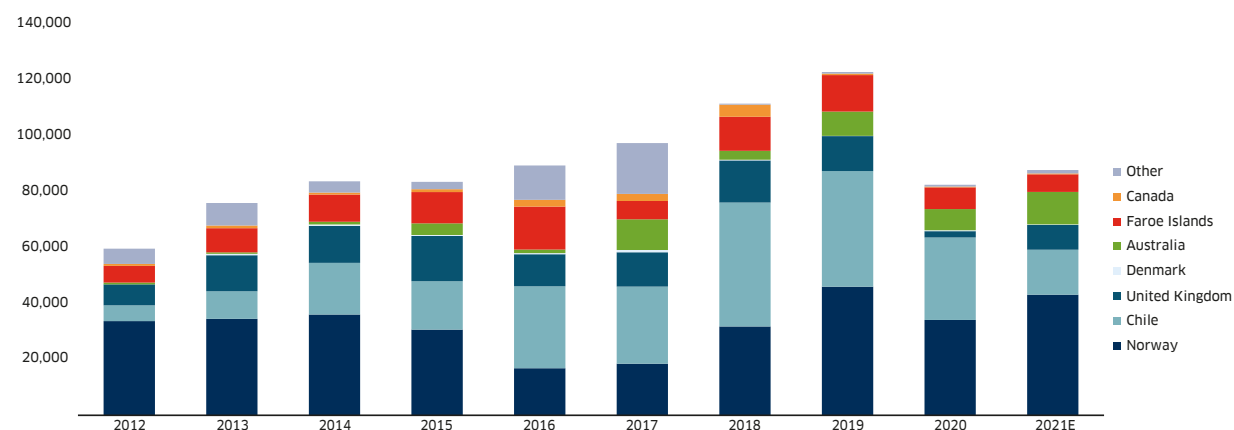
Fig. 46

SUPPLY OF ATLANTIC SALMON TO CHINA AND HONG KONG

Country	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E
Norway	32,370	32,190	34,140	31,110	16,480	17,860	30,920	42,990	32,540	44,710
Chile	5,470	10,750	19,960	18,270	29,280	27,790	44,770	45,540	28,580	15,110
United Kingdom	8,120	12,200	16,430	14,920	12,250	12,660	12,370	10,900	3,300	7,100
Denmark	90	300	350	130	80	340	330	320	230	60
Australia	270	230	940	6,420	1,360	9,630	6,770	7,590	10,700	13,990
Faroe Islands	6,780	9,710	11,050	9,520	10,410	8,730	10,620	14,690	6,200	6,430
Canada	600	410	280	2,430	5,790	2,120	5,090	870	530	320
Others	6,060	10,090	3,240	2,570	12,220	18,590	800	960	870	1,380
Total	59,760	75,880	86,390	85,370	87,870	97,720	111,670	123,860	82,950	89,100

Fig. 47

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



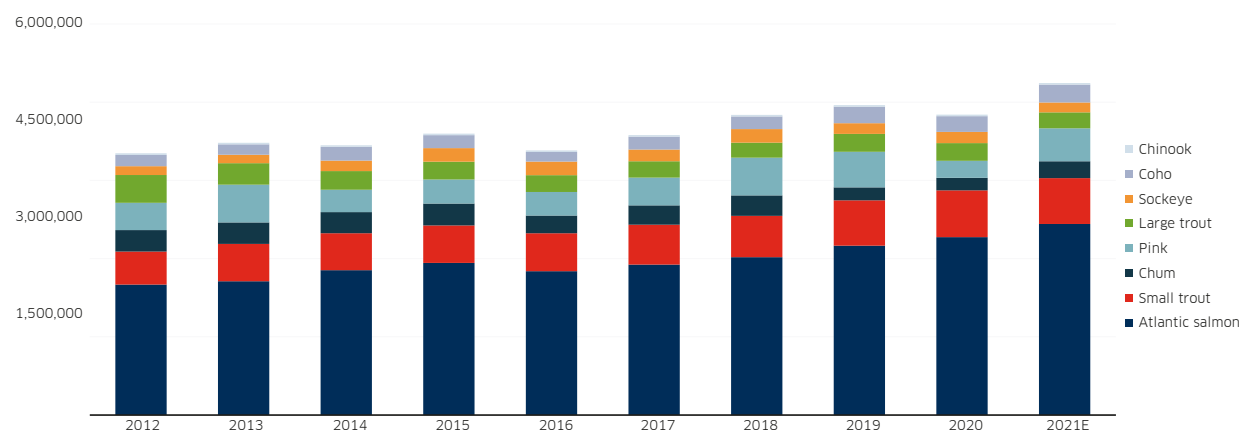
Source: Kontali

Fig. 48

HISTORICAL SUPPLY OF ALL SALMONIDS

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E
Atlantic salmon	1,998,550	2,041,250	2,229,000	2,317,900	2,161,100	2,293,100	2,402,750	2,577,800	2,711,500	2,896,700
Small trout	524,600	570,000	550,600	565,600	610,600	626,500	660,400	685,100	718,400	741,800
Chum	294,700	338,300	321,900	338,100	280,900	261,100	268,600	229,000	164,800	196,000
Pink	410,300	580,600	307,900	398,900	354,300	448,400	591,400	525,100	279,400	550,000
Large trout	385,900	320,600	307,300	280,400	278,200	259,100	264,800	297,600	313,900	282,900
Sockeye	142,300	133,200	173,700	190,300	183,000	173,700	171,600	178,500	138,900	155,100
Coho	191,000	176,800	200,400	190,600	151,800	194,900	211,100	234,700	232,600	243,500
Chinook	18,800	19,500	18,800	20,900	19,200	19,900	19,800	20,900	20,900	21,400
Total	3,966,150	4,180,250	4,109,600	4,302,700	4,039,100	4,276,700	4,590,450	4,748,700	4,580,400	5,087,400

Fig. 49

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

GLOBAL HARVEST OF FARMED ATLANTIC SALMON

Norway is the largest producing country of Atlantic salmon in the world and accounted for 53% of global production in 2021. During the past few years, increased MAB capacity through both the traffic-light system and new development licenses have allowed for increased stocking and growth. However, during the same period, sea lice regulation and high treatment frequency have limited productivity (lost feeding days impacting the smolt yield potential).

The second largest producing country of Atlantic salmon, Chile, accounting for 25% of the global production in 2021. Chile has recovered biology-wise since the ISA-crisis in 2008–2009 and has seen improved productivity year after year. Following the heavy losses caused by the Algae bloom crisis in 2016, the Chilean industry has continued to show improvements in key production parameters. After the all-time high harvested volume in 2020, there was a 7% decrease in 2021. The new year had a challenging start with a deadly algae bloom in January which resulted in losses of about 3,500 tonnes according to Sernapesca.

In other European farming regions, the total harvest volume increased 19%. Production in North America (Canada) and Ireland continued at a stable level, Australia increased their production and Russia is now producing above 20,000 tonnes wfe.

Ireland has a steady production below 20,000 tonnes wfe. In addition, the global harvest volume from landbased (grow-out) plants is estimated to be approximately 10,000 tonnes wfe in 2021.

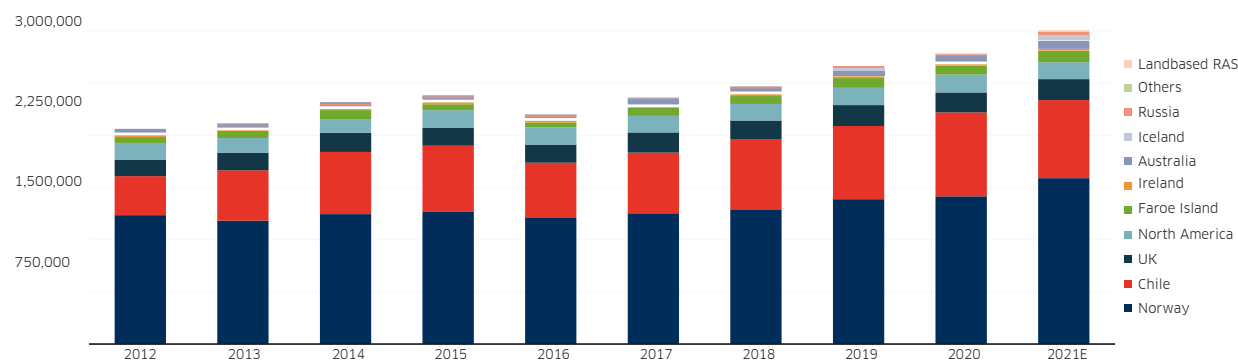
Fig. 50

HARVEST OF ATLANTIC SALMON IN TONNES (TONNES WFE)

Country	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E
Norway	1,183,100	1,143,600	1,199,000	1,234,200	1,171,100	1,207,800	1,253,400	1,333,400	1,369,100	1,532,100
Chile	364,000	468,100	582,900	598,200	504,400	564,200	660,100	690,300	778,500	720,400
UK	159,400	157,800	170,500	166,300	157,400	177,200	152,100	190,500	178,300	199,700
North America	156,100	135,400	119,000	155,400	168,500	158,700	165,000	158,300	156,800	160,500
Faroe Island	70,300	72,600	82,700	75,600	77,300	80,300	71,700	86,600	80,600	105,500
Ireland	15,600	10,600	12,300	15,700	15,800	17,000	14,300	15,500	15,800	15,900
Australia	40,000	39,000	42,000	53,600	49,600	63,100	62,300	60,900	82,800	87,800
Iceland	3,250	3,350	4,400	3,600	8,100	11,600	13,600	24,500	31,200	41,500
Russia	6,000	10,000	14,500	13,600	5,000	8,600	5,400	11,400	10,500	23,000
Others	300	300	300	300	300	300	450	300	300	300
Landbased RAS	100	300	1,500	1,400	3,500	4,200	4,400	6,100	7,700	10,000
*Total	1,998,150	2,041,050	2,229,100	2,317,900	2,161,000	2,293,000	2,402,750	2,577,800	2,711,600	2,896,700

Fig. 51

GLOBAL HARVEST OF ATLANTIC SALMON (TONNES WFE)



Source: Kontali

SUPPLY OF FARMED ATLANTIC SALMON FROM THE FAROE ISLANDS

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

The Faroese industry has faced biological challenges with fish health issues like gill disease (e.g., losses in 2017), higher levels of sea lice, and extraordinary events like losses due to bad weather which have periodically affected production over the past 5 years. In 2021, record high volumes of Atlantic salmon were harvested, with a supply estimated just above 105,000 tonnes wfe (+30%).

Faroese export to Russia, USA and Denmark accounted for approx. 60% of the total supply in 2021 – around 20,000 each. Spain, Netherlands, United Kingdom, France, Italy, and Germany are other important markets in Europe. China remains within the top 5 markets for Faroese salmon, but where supply is notably lower compared to pre-pandemic levels.

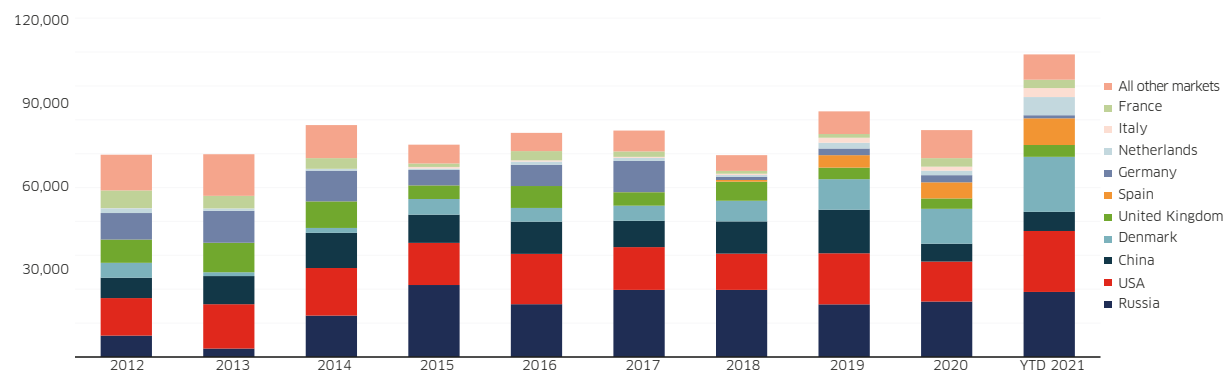
Fig. 52

FO SUPPLY OF ATLANTIC SALMON

Country	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Russia	7,997	2,613	15,465	25,660	19,798	24,096	23,812	18,276	19,465	23,665
USA	13,085	16,394	17,105	14,671	16,908	14,820	12,829	18,469	14,392	20,812
China	6,738	9,603	10,945	9,505	10,305	8,556	10,615	14,539	6,052	6,561
Denmark	4,806	1,447	2,122	5,489	5,010	4,920	7,654	10,860	11,896	19,420
United Kingdom	9,466	10,199	9,050	4,633	8,024	5,621	6,538	5,015	3,877	5,140
Spain	33	0	0	0	19	92	306	3,973	5,444	8,483
Germany	8,637	11,439	11,256	5,404	8,156	10,916	1,421	2,646	2,984	1,410
Netherlands	1,466	906	176	138	651	1,056	460	2,150	1,651	6,154
Italy	25	75	0	253	363	404	599	1,776	1,550	3,052
France	5,304	3,938	3,663	1,740	3,061	1,557	1,375	1,352	2,722	3,341
All other markets	13,056	15,071	11,557	7,266	5,780	7,273	5,183	7,399	9,280	8,240
Total	70,613	71,685	81,339	74,759	78,075	79,311	70,792	86,455	79,311	106,278

Fig. 53

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



Source: Kontali

CHANGE IN MARKET SUPPLY AND MARKET PRICES

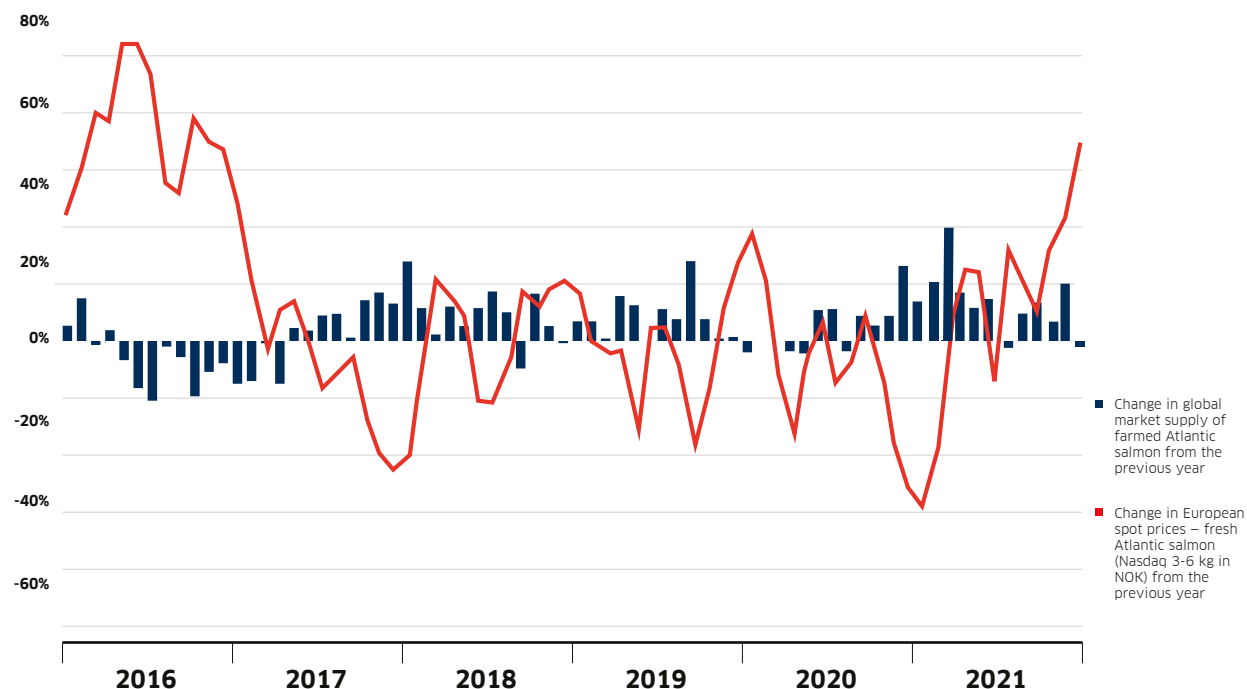
Pre-pandemic or during Q1 2020, salmon prices averaged around 70 NOK / kilo – a period with limited global growth and the European market not yet impacted by Covid-19.

During the pandemic, the salmon processing industry in Europe has had a historically important role with their capacity and opportunity to absorb larger volumes, producing and increasing sales of smoked salmon, fresh fillet, and frozen products to the retail sector. Poland, the largest salmon hub for secondary processing, noted a significant increase in supply in the second half of 2020. Spot prices were at the lowest point during Q4 2020 – low NOK 40-ties, approaching an average cost of production in Norway.

This illustrates the increased dependency and market concentration which continued to impact the market into 2021. However, strong demand from particularly the United States, Southern Europe (France, Spain, Italy) and the Asian market gradually restored the market balance. The gradual return of high-value segments (e.g. foodservice and overseas market) and organic growth in demand for Atlantic salmon resulted in spot prices in December 2021 at the pre-pandemic level. In the first two months of 2022, demand has remained strong (normalization) combined with limited global growth for fresh salmon.

Fig. 54

SUPPLY AND MARKET PRICES



Source: Kontali

TOP 15 – FARMING COMPANIES (SALMONIDS)

In 2020, the world's largest 15 salmon farming companies harvested approximately 2 million tonnes of salmonids (Atlantic Salmon, Coho Salmon, Chinook, Big Trout), representing 64 % of the total harvest quantity. In Norway, these companies made up 59 % of the total harvest and 69 % in Chile.

Fig. 55

TOP 15 SALMON FARMING COMPANIES IN 2020 (HARVEST VOLUME, ALL FARMED SALMONID SPECIES)

Group	Head off.	Total	Norway	United K	Chile	North Am.	Faroe Isl.	Australia	Other
MOWI	NO	488,800	291,100	58,600	71,800	48,900	9,600	8,900	
AQUACHILE*	CL	248,000			248,000				
LERØYSEAFOODGROUP**	NO	189,800	189,800						
MITSUBISHI/CERMAQ	NO	184,800	73,100		93,400	18,300			
SALMAR**	NO	179,400	167,000						12,400
COOKEAQUACULTURE	CA	119,500		29,000	28,500	62,000			
MULTIEXPORT	CL	99,200			99,200				
BAKKAFROST***	FO	95,200		38,900			56,300		
AUSTRALISSEAFOOD	CL	87,500			87,500				
GRIEGSEAFOOD****	NO	79,000	55,400			23,600			
SALMONESBLUMAR	CL	66,400			66,400				
SALMONESCAMANCHACA	CL	56,600			56,600				
NOVASEA*****	NO	47,300	47,300						
TASSAL	AU	45,500							45,500
NORDLAKE	NO	44,000	44,000						
Top15		2,031,100	867,700	126,500	751,400	152,800	65,900	8,900	57,900
Global harvest-Farmed Salmonids		3,168,900	1,461,500	183,300	1,066,700	166,500	80,600	16,300	194,000
Share		64%	59%	69%	70%	92%	82%	55%	30%

* Aquachile, Salmones Magellanes, Los Fiordos and Friosur merged in 2018. The company is controlled by Agrosuper

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

*** Bakkafrost acquired The Scottish Salmon Company in 2019

**** Excluding UK operations, acquired by Scottish Sea Farms, pending approval from EU competition authorities in Dec 2021

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

Source: Kontali

BUSINESS REVIEW – FISH FEED

The total feed consumption of ocean-farmed salmonids has seen an increase of approximately 1 million tonnes over the past decade, to almost 4.7 million tonnes of feed in 2021.

Norway and Chile accounts for approximately 60 % of this increase. The granting of new license capacity and increased smolt stocking in Norway has facilitated production growth and increased feed consumption over the last few years. In Chile, both higher stocking and improved productivity (increased weights) have driven the growth. Growth has also been notable in other European farming regions and in Australia and Russia. Landbased grow-out production remains on a marginal level.

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

In 2021, global fishmeal production remained relatively stable, increasing by 2% to around 5.1 million tons. Two successful fishing seasons in Peru lifted the output by 18% to above 1.2 million tons while the production in Northern Europe decreased due to lower landings of blue whiting and sandeel. Despite higher landings in Peru, fish oil production decreased around 4% due to low oil yield in the anchoveta landings.

Prices for fishmeal has remained remarkably stable throughout the last year, considering the high price level on substitutes like soy and rape. The successful production season in Peru and higher landings of fish for reduction in the North Atlantic (capelin etc.) will probably keep fishmeal prices on a reasonable level in the coming months as well.

Lower output of fish oil has already affected the price level, and we have seen increasing prices in Europe and Peru over the past weeks.

China is increasingly consuming a larger share of the global fishmeal production as imports reached an all-time high at 1.8 million tonnes in 2021, a 28% increase from the year before. Of this, 56% of the volumes were sourced from Peru. The Chinese pig inventory appears to have recovered, which has increased the demand for fishmeal.

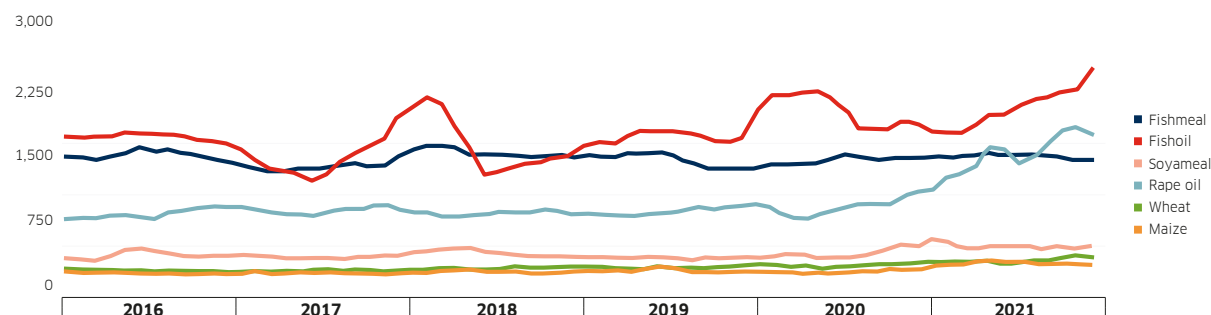
Fig. 56

ESTIMATED FEED CONSUMPTION/SALE TO SALMONIDS

Country	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E
Norway	1,652	1,618	1,738	1,743	1,704	1,822	1,837	1,965	2,120	2,184
Chile	1,255	1,209	1,263	1,239	1,036	1,191	1,269	1,406	1,374	1,295
UK	210	223	231	245	244	241	249	273	291	276
North America	235	202	235	255	264	282	289	307	286	274
Faroe Islands	89	96	98	103	107	101	102	108	117	125
Others	280	291	324	346	344	383	393	431	471	536
Total	3,721	3,639	3,889	3,931	3,699	4,020	4,139	4,490	4,659	4,690

Fig. 57

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



Source: Kontali

RISKS



Risk Management

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

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

RISK MANAGEMENT STRUCTURE AND PROCESS

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

The Group Management is responsible for the daily compliance with the risk management framework and the Group's day-to-day risk management. The Group Management assesses the Group's principal risks on an ongoing basis, based on weekly or monthly reporting from the organisation on business activities, market development, technology etc. The continuous risk assessment is followed up yearly with an extensive risk analysis for the whole Group. The risks are assessed and quantified, and reported to the Group Management. The latest analysis of the Group's risks was in December 2021.

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

OPERATIONAL RISKS

Farming

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

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

Mortality

The farming industry in the Faroe Islands has experienced a lower mortality rate than the rest of the farming industry

in the last decade. However, in recent years, Bakkafrøst experienced an increase in the mortality rate mainly due to a shift from medical to mechanical lice treatment and some incident-based cases. The increase in mortality in recent years demonstrates that changes in farming methods can significantly impact mortality. Bakkafrøst is continuously working on reducing mortality to have a 94% survival rate in the Faroe Islands. In Scotland, the survival rate is expected to be somewhat lower, and Bakkafrøst targets 88% in 2026.

Price premium

Bakkafrøst has had a higher price achievement for the Faroese and Scottish salmon than reference prices in recent years. This price premium is based on, amongst other things, brand, salmon quality and size. This price premium can only be obtained if Bakkafrøst as a Group differentiates from the rest of the farming industry. Bakkafrøst Group strives to maintain this position in the market.

Storms

The growth rate of farmed salmon depends, among other things, on weather conditions. Unexpected warm or cold temperatures can significantly negatively impact growth rates and feed consumption. Bakkafrøst operates at sea under sometimes challenging conditions. This can result in incidents or necessary measures that may have significant cost implications, e.g., unexpected maintenance/repairs or escaped fish, even if Bakkafrøst continually reduces risks using experience with equipment, location, and operational organisation. Bakkafrøst's facilities are in areas where the weather conditions are well known and the facilities well secured. However, other weather conditions, such as storms or floods, could also lead to unexpected losses at facilities. In recent years, Bakkafrøst has moved several farming sites in the Faroe Islands to more exposed areas but simultaneously upgraded the farming equipment to more robust equipment to mitigate the risk of storms.

Disease

The operation of fish farming facilities involves considerable risk regarding diseases. In the case of an outbreak of disease, Bakkafrøst will, in addition to the direct loss of fish, incur substantial costs in the form of premature harvesting, loss of quality of harvested fish and subsequent periodic reduced production capacity. Examples of diseases being prevalent in the Faroe Islands in recent years are Amoebic gill disease (AGD), Bacterial kidney disease (BKD), Infectious salmon anaemia (ISA), Cardiomyopathy syndrome (CMS) and Heart and skeletal muscle inflammation (HSMI). Corresponding diseases prevalent in Scotland are, in addition to the above, Pancreas disease (PD) as an example.

Bakkafrøst's large smolt strategy and investments in freshwater treatment capacity play essential roles in mitigating these risks.

Sea lice

Sea lice is one of the most significant risks and challenges in the farming industry globally. Increased number of sea lice may cause stress, which can lead to diseases. Bakkafrøst has procedures for reducing the number of sea lice with different types of treatment. The procedures are improved continuously.

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

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

Escapes

Bakkafrøst has a zero tolerance for the escape of farmed salmon. However, the company operates many seawater sites, each exposed to risks linked to bad weather, handling of fish, changing of nets, operations of workboats and wellboats, predators, etc. The direct financial exposure to escapes is moderate due to the geographic diversification of the sites. The indirect effects such as the spread of diseases, negative impact on wild salmon, governmental penalties and negative publicity are hard to quantify for the accounts of Bakkafrøst and the society. Procedures, quality assurance systems and new technological solutions, such as predator-resistant nets, are essential elements to mitigate the risk of escapes.

Smolt

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

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

In 2022, Bakkafrøst will increase the wellboat capacity significantly. This will help mitigate the risk associated with the smolt transfer.

Roe

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

Raw materials for fishmeal, fish oil and fish feed

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

Feed contaminants

Through its use of different types of raw materials and ingredients and its production processes, the feed may be exposed to contamination by several undesirable substances. Most contaminants are accumulated in organisms, such as marine wild catch used to produce fishmeal and fish oil. These contaminants are deposited into the organism's fat, and the concentration is greater the higher up the food chain. Authorities set maximum allowable levels for the most critical contaminants. These limits are continuously monitored by the authorities and may be altered. There is also the possibility of "new" contaminants being added periodically to the list.

Generally, contamination may occur either accidentally or deliberately through malicious product tampering. Such contamination can affect the environment, fish health, and food safety, potentially negatively impacting the public's confidence in eating salmon. Any of these events could hurt Bakkafrost's operating results and financial condition. Future legislation may increase the risk of non-compliance and the cost of ensuring compliance. The reputation risk associated with non-compliance may be significant even if there is no impact on the environment, fish health or food safety.

The Company's feed department, Havsbrún, operates several controls to reduce the risk of contamination. Examples of measures and controls included in HACCP and ISO procedures include supplier audits and supplier specifications of raw materials, targeted sourcing of raw materials, regular raw material and finished feed quality control analyses, procedures for cleaning fish oils, etc. and strict plant security procedures. The risks, however, can never be eliminated.

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

ination and inorganic contaminants such as lead, mercury, arsenic, and cadmium.

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

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

Fish meal spontaneous combustion

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

Fire in production facility or hatchery

A fire occurrence in one of Bakkafrost's large production facilities or hatcheries could be severe. To mitigate the risk of fire, regular fire-technological inspections and assessments are made by 3rd parties who also advice on and supervise

what changes should be made to reduce all possible risks of fire. To reduce the risk of fire spreading, the large production facilities and hatcheries are divided into several separate fire cells with automatic fire extinguishing systems. The walls within fire cells are covered with fire safe material and the staff are trained in handling fire handling incidents.

IT RISKS

Cyber security

With the increased use of technologies such as the internet to conduct business, the Group and its customers and service providers are susceptible to operational information security and related "cyber" risks both directly and indirectly. This could result in material adverse consequences for the Group and the shareholders, such as causing disruptions and impacting business operations, potentially resulting in financial losses. In general, cyber incidents can result from deliberate attacks or unintentional events. Cyber incidents include, but are not limited to, gaining unauthorised access to digital systems (e.g., through "hacking" or malicious software coding) for purposes of misappropriating assets or sensitive information, corrupting data (e.g. ransomware), or causing operational disruption. Cyber-attacks may also be carried out in a manner that does not require gaining unauthorised access, such as causing denial-of-service attacks on websites (i.e., efforts to make network services unavailable to intended users). In recent periods, examples have shown that large industrial groups can be subject to complete shutdowns because of cyber-attacks. For Bakkafrost, such an incident would require personnel to apply manual backup systems to the extent possible. The most exposed area of the Company's value chain in case of cyber-attacks is hatcheries, processing and sales. For shorter periods, harvestable fish can be held in seawater sites pending a solution to such an adverse event, implying a delay in profits and cash flows.

The IT risks are assessed continuously, based on the importance of a potential event for Bakkafrøst operations and the likelihood that the event may occur.

MARKET RISKS

Price on farmed salmon

The Company's financial position and future development depend considerably on the price of farmed salmon, which has historically been subject to substantial fluctuations. Therefore, farmed salmon is a commodity, and it is reasonable to assume that the market price will continue to follow a cyclical pattern. The balance between the total supply and demand for farmed salmon is a crucial parameter.

Inflation

The inflation rates have increased in general. Inflation could affect revenues and the cost of operation, and the planned investments. In recent years, there has been significant inflation on vegetable ingredients for feed production. Bakkafrøst is less exposed to the inflation of vegetable feed ingredients than its competitors due to the much lower vegetable content in the Havsbrún feed. Also, Bakkafrøst's low feed conversion ratio compared to competitors and compared to other animal (non-salmon) protein producers can give Bakkafrøst a competitive advantage.

Price on fishmeal and fish oil

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

Price on fish feed

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

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

Customer and market dependency

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

FINANCIAL, LEGAL & REGULATORY RISKS

Macro-economic factors

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

Bakkafrøst maintains a diversified approach to the market, spreading the risk by selling products to different geographic markets and selling to different channels (retail vs food service). Being present in different markets, which are not financially dependent on each other, lowers this risk. Likewise, Bakkafrøst seeks to source raw materials and services from many suppliers to avoid relying on single suppliers.

Foreign exchange risk

Bakkafrøst trades in the world market for farmed salmonids. The revenues and accounts receivable are predominantly denominated in DKK, EUR, USD and GBP, but to some small extent also in other foreign currencies. Accounts payables are primarily in DKK, USD, GBP and NOK. As a group, Bakkafrøst has significant natural hedging. For those currencies not fully hedged, fluctuations in foreign exchange rates present a financial risk to Bakkafrøst. The Company's finance agreement is a 700 mEUR multicurrency facility giving Bakkafrøst the possibility to request other currencies at utilisation.

Bakkafrøst's foreign exchange risk is partly mitigated through the natural hedging within the Group. Intragroup transactions and external trade balance reduce the Group's foreign exchange rate exposure to the reporting currency. A hedging strategy for the remaining net exposure to foreign exchange rates is implemented to reduce the risk further. The perfor-

mance of the hedging strategy is reviewed monthly, and the Board oversees the strategy.

Insurance risk

Bakkafrost has significant assets and trade flows at risk, and risk mitigation is sought through insurance. The insurance market has tightened in recent years, and the insurance market has become less competitive. To get appropriate insurance cover at competitive prices, Bakkafrost offers its insurances to international insurance companies, and Group policies are sought where feasible. External benchmarking is performed regularly, and brokers are used to negotiating terms and pull quotes for a broader field of insurance providers.

Tax risk

The Bakkafrost Group is complex, with subsidiaries in several jurisdictions. This increases the risk of non-compliance with local tax rules, and transfer pricing rules becomes more complicated. To mitigate this risk, Bakkafrost relies on tax and legal advice and relevant services from acknowledged competent external advisors/experts covering the jurisdictions where Bakkafrost has its operation. Bakkafrost also maintains a firm transfer pricing policy and documentation.

Credit risk

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

Liquidity risk

Liquidity risk is the risk that Bakkafrost will not meet its financial obligations as they fall due. Liquidity risk is managed by maintaining a flexible financial structure, secured using established borrowing facilities. Bakkafrost's objective is to have sufficient cash, cash equivalents or medium-term credit facilities to meet its borrowing requirement in the short term. Unused credit facilities and terms are described in Note 3.11.

Capital structure and equity

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

Regulatory

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

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

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

The authorities may withdraw licenses for fish farming operations if substantial preconditions have been changed since the license was issued, if the license goes against overall development plans and protective measures, or if the licensee breaches the conditions set in connection with the issuance of the license. The license may also be withdrawn if the company breaches the rule on maximum ownership of licenses or does not use the license. The license may also be revoked if the environmental license of the company is repealed.

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

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

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

Bakkafrost continuously monitors if the company complies with legal and regulatory requirements, such as veterinary regulations, food safety, human safety, financial regulations, tax, corporate laws etc. This responsibility is unambiguously split between several parts of the organisation, e.g. the Quality Department (FO), Biology Department (SCO), Health & Safety and Finance. External advice and assistance are used when needed – e.g. lawyers and renowned professional services firms.

ESG RISK

ESG rating and stakeholder management risk

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

Bakkafrost has strengthened the capabilities and capacity to engage with organisations providing ESG ratings. Active dialogue with the most important and influential rating organisations will increase transparency and accurately picture Bakkafrost’s sustainability profile and achievements.

External dependencies for ESG commitments

Bakkafrost has set several ambitious targets: the scope 1 & 2 carbon emission reduction targets for 2030 and the net-zero target for 2050. To reach these targets, the main hurdle is that Bakkafrost relies on deregulation of the electricity market in the Faroe Islands or access to sufficient amounts of renewable energy to power its operation, primarily at Havsbrún. Although the declared 2030 goal from the Faroese Government is to have 100% renewable electricity in the

Faroes in 2030, there is a significant risk that this will not be achieved. Also, it is uncertain if the offered electricity prices in the Faroese national grid will be competitive compared to non-renewable alternatives.

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



GOVERNANCE



Corporate Governance

P/F Bakkafrøst is dedicated to maintaining high standards of corporate governance. The company endeavours to be in compliance with the Norwegian corporate governance regime, as detailed in the Norwegian Code of Practice for Corporate Governance, published on 14 October 2021 by the Norwegian Corporate Governance Board (the "Code of Practice"). The recommendation may be found at www.nves.no. Besides the Corporate Governance description in our annual report, Bakkafrøst publishes a more detailed report on Corporate Governance, which may be found on our website.

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

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

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

BAKKAFRØST'S GOVERNANCE MODEL

SHAREHOLDERS

GENERAL MEETING

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

NOMINATION COMMITTEE

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

BOARD OF DIRECTORS

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

AUDIT COMMITTEE

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

GROUP EXECUTIVE MANAGEMENT

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

Bakkafrost's Governance Model

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

Shareholders and General Meeting

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

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

Nomination Committee

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

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

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

At the end of 2021, the members of the Nomination Committee were:

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

Board of Directors

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

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

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

The Board of Directors held ten meetings in 2021. Below under each Director's profile is disclosed each Director's participation in the Board meetings held during 2021.

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

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

Audit Committee

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

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

The company's audit committee met five times during 2021 to review accounting and operational issues in detail. The committee consists of Rúni M. Hansen (Chairman), Øystein Sandvik and Teitur Samuelsen.

Group Executive Management

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

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

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

Corporate Responsibility and Sustainability

Governance and management

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

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

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

Compliance and ethical conduct

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

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

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

Workplace and human rights

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

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

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

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

Human capital

Bakkafrost employs 1,653 employees in the Faroe Islands, UK, Scotland, and the USA. It acknowledges that to achieve its mission and meet its strategic objectives, it must have a capable and engaged workforce, which is committed to its core values.

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

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

Health, safety and wellbeing

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

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

Product quality and safety

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

Biosecurity, fish health and welfare

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

Environmental management and sustainable feed

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

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

Collaboration and certification

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

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

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



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

All farming sites in the Faroe Islands are ASC certified.

Responsible leadership and value generation

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

Further information on Bakkafrøst's management approach to these issues, its plan to meet its commitments and its 2021 performance against them, can be found in Bakkafrøst's 2021 Healthy Living Sustainability Report.

Shareholder Information

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

AUDITORS

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

- Bakkafr st UK Ltd is Forrester Boyd Chartered Accountants, Grimsby
- Bakkafr st USA LLC is CliftonLarsenAllen LLP, New Jersey.
- The Scottish Salmon Company Plc is Azets, Glasgow.

DIVIDEND POLICY

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

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

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

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

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

The parent company P/F Bakkafr st had a net profit of DKK 312 million for 2021. The Board of Directors has decided to propose to the Annual General Meeting that DKK 5.14 (approximately NOK 6.99*) per share shall be paid out as dividends. This corresponds to DKK 304 million (NOK 413* million).

The Board thereby proposes the following allocation of funds:

- Result for 2021: DKK 312 million
- Transferred to other equity: DKK 8 million
- Total provision for dividends: DKK 304 million

After the payment of dividends, the distributable equity totals DKK 8,901 million.

SHAREHOLDERS, CAPITAL AND VOTES

P/F Bakkafr st had on 31 December 2021, a total of 59,143,000 shares outstanding, each with a nominal value of DKK 1. Of the 59,143,000 shares outstanding, P/F Bakkafr st holds 67,835 treasury shares as at 31 December 2021.

Ticker code: BAKKA

LARGEST SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2021: Oddv r Jacobsen, Regin Jacobsen and Folketrygdfondet..

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

Directors and Management



Directors' Profiles



RÚNI M. HANSEN Chairman of the Board

Born 1967. Faroese citizen. He joined the Board in 2009 and has been Chairman since. The term of office expires in 2022. He is considered to be independent. Executive Chairman of the industry holding company Tjaldur. Chairman of the Board of Mintra. Mintra is a listed company on Oslo Euronext Growth

Education:

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

Board meetings in 2021:

Participated in all 10 Board meetings in 2021.

Number of shares held in Bakkafrost:

Holds 10,761 shares - no change in portfolio in 2021.

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



JOHANNES JENSEN Deputy Chairman of the Board

Born 1962. Faroese citizen. He joined the Board in 2009 and has been Deputy Chairman since. The term of office expires in 2022. He is considered to be independent. Managing Director at P/F Gist & Vist.

Education:

MBA, Lancaster University Management School.

Board meetings in 2021:

Participated in all 10 Board meetings in 2021.

Number of shares held in Bakkafrost:

Holds no shares - no change in portfolio in 2021.

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



TEITUR SAMUELSEN Board member

Born 1972. Faroese citizen. He joined the Board in 2016. The term of office expires in 2022. He is considered to be independent. Managing Director at P/F Eystur- og Sandoyartunlar.

Education:

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

Board meetings in 2021:

Participated in all 10 Board meetings in 2021.

Number of shares held in Bakkafrost:

Holds 100 shares - no change in portfolio in 2021.

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



ANNIKA FREDERIKSBERG

Board member

Born 1971. Faroese citizen. She joined the Board in 2008. The term of office expires in 2022. She is not considered to be independent. Sales Manager at Bakkafrost.

Education:

Basic Vocational Course, Commercial Line, Faroese Business School.

Board meetings in 2021:

Participated in all 10 Board meetings in 2021.

Number of shares in Bakkafrost:

Holds directly and indirectly 16,250 shares – change in portfolio in 2021: +187 shares.

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



ØYSTEIN SANDVIK

Board member

Born 1948. Norwegian citizen. He joined the Board in 2013. The term of office expires in 2022. He is considered to be independent.

Education:

Bank Economist.

Board meetings in 2021:

Participated in all 10 Board meetings in 2021.

Number of shares in Bakkafrost:

Holds no shares – no change in portfolio in 2021.

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



EINAR WATHNE

Board member

Born 1961. Norwegian citizen. He joined the Board in 2019. The term of office expires in 2022. He is considered to be independent.

Education:

Master in Animal Nutrition at NMBU.

Ph.D. in Aquaculture, NMBU.

MBA, Handelshøyskolen BI.

Board meetings in 2021:

Participated in all 10 Board meetings in 2021.

Number of shares in Bakkafrost:

Holds no shares – no change in portfolio in 2021.

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

Group Management's Profiles



REGIN JACOBSEN **Chief Executive Officer**

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

Education:

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

Number of shares held in Bakkafrost:

Holds 4,617,351 shares at year-end 2021.

Changes in portfolio in 2021: +596 shares.

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



HØGNI DAHL JAKOBSEN **Chief Financial Officer**

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

Education:

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

Number of shares held in Bakkafrost:

Holds directly and indirectly 74,593 shares at year-end 2021.

Changes in portfolio in 2021: +74,181 shares.

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



ODD ELIASSEN **Managing Director of Havsbrún**

Born 1965. Faroese citizen. Mr Eliassen has been Managing Director of Havsbrún since 2012.

Education:

Teacher Certificate Exam, University of the Faroe Islands.

Number of shares held in Bakkafrost:

Holds 184,969 shares at year-end 2021.

Changes in portfolio in 2021: +490 shares.

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

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

Today, the Management and the Board of Directors have considered and approved the Annual and Consolidated Report and Accounts of P/F Bakkafrøst for the financial year 1 January 2021 to 31 December 2021.

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

In our opinion, the accounting policies used are appropriate, and the Annual and Consolidated Report and Accounts gives a true and fair view of the Group's and parent company's financial positions at 31 December 2021, as well as the results of the Group's and the parent company's activities and cash

flows for the financial year 1 January 2021 to 31 December 2021.

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

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

Glyvvar, 31 March 2022

Management:

Regin Jacobsen
CEO

The Board of Directors of P/F Bakkafrøst

Rúni M. Hansen
Chairman of the Board

Johannes Jensen
Deputy Chairman of the Board

Øystein Sandvik
Board Member

Annika Frederiksberg
Board Member

Teitur Samuelsen
Board Member

Einar Wathne
Board Member

Independent Auditor's Report

To the Shareholders of P/F Bakkafrost

Opinion

We have audited the consolidated financial statements and parent company financial statements of P/F Bakkafrost and its subsidiaries (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements and parent company financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements and parent company financial statements give a true and fair view of the consolidated financial position of the Group and the parent company as at December 31, 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. Our opinion is consistent with our auditor's long-form report to the audit committee and the board of directors.

Basis of opinion

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

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

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

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

Appointment

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

Key Audit matters

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

Key Audit matter

Biomass at cost

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

Biomass at Fair Value according to IAS41

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

Valuation of licenses and goodwill

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

Our response to the matter during our audit

Summary of audit approach

During our audit, we:

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

Summary of audit approach

During our audit, we:

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

Summary of audit approach

During our audit, we:

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements and parent company financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and parent company financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements and parent company financial statements, including the disclosures, and whether the consolidated financial statements and parent company financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements and parent company financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Statement on the management's review

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

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

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

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

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

Report on compliance with the ESEF Regulation

As part of our audit of the Consolidated Financial Statements, we performed procedures to express an opinion on whether the Consolidated Financial Statements of P/F Bakkafrost for the financial year 1 January to 31 December 2021 with the filename 2138007LH70P4V112978-2021-12-31-en.zip is prepared, in all material respects, in compliance with the Commission Delegated Regulation (EU) 2019/815 on the European Single Electronic Format (ESEF Regulation) which includes requirements related to the preparation of the annual report in XHTML format and iXBRL tagging of the Consolidated Financial Statements.

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

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

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

- Testing whether the Consolidated Financial Statement is prepared in XHTML format.
- Obtaining an understanding of the company's iXBRL tagging process and of internal control over the tagging process.
- Evaluating the completeness of the iXBRL tagging of the Consolidated Financial Statements.
- Evaluating the appropriateness of the company's use of iXBRL elements selected from the ESEF taxonomy and the creation of extension elements where no suitable element in the ESEF taxonomy has been identified.
- Evaluating the use of anchoring of extension elements to elements in the ESEF taxonomy; and
- Reconciling the iXBRL tagged data with the audited Consolidated Financial Statements.

In our opinion, the Consolidated Financial Report of P/F Bakkafrost for the financial year 1 January to 31 December 2021 with the file name 2138007LH70P4V112978-2021-12-31-en.zip is prepared, in all material respects, in compliance with the ESEF Regulation.

Tórshavn, 31. March 2022

Januar P/F

løggilt grannskoðanarvirki

State authorized Public Accountants • Company reg.no. 5821

Heini Thomsen

State Authorised Public Accountant

John Michal Petersen

State Authorised Public Accountant



Financial Statements and Notes

BAKKAFROST GROUP



**BAKKAFROST GROUP**

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Consolidated Income Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000		2021	2020
Operating revenue		5,553,849	4,651,892
Purchase of goods		-1,692,501	-2,276,518
Change in inventory and biological assets (at cost)		-178,060	401,679
Salary and personnel expenses	2.4	-728,423	-690,452
Other operating expenses	2.5	-1,632,114	-1,062,719
Depreciation	3.1/3.2/3.3	-530,434	-446,765
Other income	2.5	28,877	44,041
Operational EBIT*		821,194	621,158
Fair value adjustments of biological assets	3.7	434,868	118,003
Income from associates		30,112	5,546
Revenue tax - FO		-141,489	-53,584
Earnings before interest and taxes (EBIT)		1,144,685	691,123
Financial income	2.7	5,415	1,399
Financial expenses	2.7	-40,608	-36,317
Net currency effects	2.7	38,761	-13,096
Other financial items	2.7	-10,591	-17,125
Earnings before taxes (EBT)		1,137,662	625,984
Taxes	2.8	-173,626	-163,139
Profit or loss for the period continuing operations		964,036	462,845
Profit or loss for the year attributable to			
Non-controlling interests		-17	0
Owners of P/F Bakkafrøst		964,053	462,845
		964,036	462,845
Earnings/Diluted earnings per share (DKK)	4.3	16.32	7.83

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

Consolidated Statement of Other Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	2021	2020
Profit for the year	964,036	462,845
Change in tax rate on equity posted PPA in prior years	-193,574	0
Adjustment related to purchase price allocation	0	16,253
Changes on financial derivatives	12,928	602
Hereof income tax effect	-1,972	-83
Reserve to share based payment	1,570	1,170
Currency translation differences	36,139	-44,305
Reclassification - Currency translation differences fund	-24,452	0
Reclassification - Biomass Fair value adjustments fund	24,452	-134,819
Reclassification - Retained earnings fund	0	134,819
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-144,909	-26,363
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	0	0
Other comprehensive income	-144,909	-26,363
Total comprehensive income for the year net tax	819,127	436,482
Total comprehensive income attributable to		
Non-controlling interests	-17	0
Owners of P/F Bakka Frost	819,144	436,482
	819,127	436,482

Consolidated Statement of Financial Position

AS AT 31 DECEMBER

DKK 1,000	Note	2021	2020
ASSETS			
Non-currents assets			
Intangible assets		4,495,726	4,493,395
Total intangible assets	3.1	4,495,726	4,493,395
Land buildings and other real estate	3.2	4,888,778	4,220,599
Right of use assets	3.3	302,105	353,192
Total property, plant and equipment		5,190,883	4,573,791
Investments in associated companies	3.4	93,904	67,141
Investments in stocks and shares	3.5	55,321	55,318
Long-term receivables	3.8	8,102	8,101
Deferred tax assets	2.8	215,248	26,934
Total non-current financial assets		372,575	157,494
TOTAL NON-CURRENT ASSETS		10,059,184	9,224,680
Current assets			
Biological assets (biomass)	3.7	2,448,290	2,117,024
Inventory	3.6	709,306	776,032
Total inventory		3,157,596	2,893,056
Accounts receivable	3.8	620,324	490,075
Tax receivables		109,701	72,143
Other receivables	3.8	172,206	61,431
Total receivables		902,231	623,649
Cash and cash equivalents	3.9	509,157	466,939
TOTAL CURRENT ASSETS		4,568,984	3,983,644
TOTAL ASSETS		14,628,168	13,208,324

DKK 1,000	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	3.10	59,143	59,143
Other equity		9,288,269	8,670,344
Non-controlling interest		133	0
Total equity		9,347,545	8,729,487
Non-current liabilities			
Deferred taxes	2.8	1,590,034	1,222,222
Long-term interest-bearing debt	3.11	2,634,968	2,219,690
Long-term leasing debt	3.3	245,753	265,235
Derivatives	3.13	3,207	1,480
Total non-current liabilities		4,473,962	3,708,627
Current liabilities			
Financial derivatives	3.13	4,602	9,710
Trade payables		510,357	563,857
Current tax liabilities	2.8	170,997	37,422
Short-term leasing debt	3.3	87,668	131,336
Other current liabilities		33,037	27,885
Total current liabilities		806,661	770,210
TOTAL LIABILITIES		5,280,623	4,478,837
TOTAL EQUITY AND LIABILITIES		14,628,168	13,208,324

Consolidated Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER

Accounting Policies

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

DKK 1,000	Note	2021	2020
Cash flow from operations			
EBIT		1,144,685	691,123
Adjustments for write-downs and depreciation	3.1/3.2/3.3	530,434	446,501
Adjustments for fair value adjustments on biomass	3.7	-434,868	-118,003
Adjustments for income from associates		-30,112	-5,546
Adjustments for currency effects		45,160	-65,402
Taxes paid		-54,327	-189,132
Change in inventory		142,314	-309,873
Change in receivables		-493,831	48,252
Change in current debts		275,099	-23,950
Cash flow from operations		1,124,554	473,970
Cash flow from investments			
Proceeds from sale of fixed assets		667	18,412
Payments made for purchase of fixed assets	3.2	-1,115,680	-836,383
Purchase of shares and other investments		2,775	1,843
Change in long-term receivables		-1	0
Cash flow from investments		-1,112,239	-816,128
Cash flow from financing			
Change in revolving credit facilities		404,600	-107,451
Acquisition of minorities		0	-167,620
Financial income		3,542	1,399
Financial expenses		-56,427	-53,442
Lease payment		-116,897	-134,569
Proceeds/Acquisition of treasury shares		10,957	-38,766
Dividend paid		-215,872	0
Cash flow from financing		29,903	-500,449
Net change in cash and cash equivalents in period		42,218	-842,607
Cash and cash equivalents - opening balance		466,939	1,309,546
Cash and cash equivalents - closing balance total		509,157	466,939

Consolidated Statement of Changes in Equity

AS AT 31 DECEMBER

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

DKK 1,000	Share Capital	Share Premium Reserve	Treasury Shares	Share-Based Payment	Currency translation differences	Derivatives	Dividend	Fair value adjustments	Retained Earnings	Non controlling interest	Total Equity
Equity 01.01.2021	59,143	4,027,375	-37,672	6,229	34,545	-14,829	215,872	145,387	4,293,437	0	8,729,487
Consolidated profit	0	0	0	0	0	0	0	434,868	529,185	-17	964,036
Change in tax rate on equity posted PPA in prior years	0	0	0	0	0	0	0	0	-193,574	0	-193,574
Changes in financial derivatives	0	0	0	0	0	12,928	0	0	0	0	12,928
Hereof tax effect	0	0	0	0	0	-1,972	0	0	0	0	-1,972
Share-based payment	0	0	0	1,570	0	0	0	0	0	0	1,570
Currency translation differences	0	0	0	0	36,139	0	0	0	0	0	36,139
Reclassification between funds	0	0	0	0	-24,452	0	0	24,452	0	0	0
Total other comprehensive income	0	0	0	1,570	11,687	10,956	0	24,452	-193,574	0	-144,909
Total comprehensive income	0	0	0	1,570	11,687	10,956	0	459,320	335,611	-17	819,127
Treasury shares	0	0	10,905	0	0	0	0	0	3,748	0	14,653
Addition of non-controlling interests	0	0	0	0	0	0	0	0	0	150	150
Paid-out dividend	0	0	0	0	0	0	-215,872	0	0	0	-215,872
Proposed dividend	0	0	0	0	0	0	303,995	0	-303,995	0	0
Total transaction with owners	0	0	10,905	0	0	0	88,123	0	-300,247	150	-201,069
Total changes in equity	0	0	10,905	1,570	11,687	10,956	88,123	459,320	35,364	133	618,058
Total equity 31.12.2021	59,143	4,027,375	-26,767	7,799	46,232	-3,873	303,995	604,707	4,328,801	133	9,347,545
Equity 01.01.2020	59,143	4,027,375	-68	5,059	78,850	-15,348	0	162,203	4,012,041	167,620	8,496,875
Consolidated profit	0	0	0	0	0	0	0	118,003	344,842	0	462,845
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 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
Reclassification between funds	0	0	0	0	0	0	0	-134,819	134,819	0	0
Total other comprehensive income	0	0	0	1,170	-44,305	519	0	-134,819	151,072	0	-26,363
Total comprehensive income	0	0	0	1,170	-44,305	519	0	-16,816	495,914	0	436,482
Treasury shares	0	0	-37,604	0	0	0	0	0	1,354	0	-36,250
Change in non-controlling interests	0	0	0	0	0	0	0	0	0	-167,620	-167,620
Proposed dividend	0	0	0	0	0	0	215,872	0	-215,872	0	0
Total transaction with owners	0	0	-37,604	0	0	0	215,872	0	-214,518	-167,620	-203,870
Total changes in equity	0	0	-37,604	1,170	-44,305	519	215,872	-16,816	281,396	-167,620	232,612
Total equity 31.12.2020	59,143	4,027,375	-37,672	6,229	34,545	-14,829	215,872	145,387	4,293,437	0	8,729,487

Notes to the Consolidated Financial Statements

BAKKAFROST GROUP

NOTES – SECTION 1

Basis of Preparation

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

NOTE 1. GENERAL INFORMATION

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

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

NOTE 1.1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

NOTE 1.2 BASIS OF PRESENTATION

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

The Annual and Consolidated Report and Accounts for the period 1 January to 31 December 2021 comprises both the Consolidated Annual Report and Accounts for P/F Bakka Frost and its subsidiaries (Group) and the separate Annual Accounts for the parent company.

The financial statements were formally authorized for issue by the Board of Directors on 30 March 2022.

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

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

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

NOTE 1.3 CONSOLIDATION PRINCIPLES

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

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

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

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

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

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

NOTE 1.4 TRANSLATION OF FOREIGN CURRENCIES

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

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

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

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

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

NOTE 1.5 CLASSIFICATION PRINCIPLES

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

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

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

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

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

NOTE 1.6 FUNCTIONAL CURRENCY

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

NOTE 1.7 NEW STANDARDS

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

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

New standards effective from 1 January 2021 and

Only minor adjustments have been made in standards and interpretations (IFRIC) which are effective for the financial year 2021. Neither are new standards nor amendments to these from 2022 and forth expected to have any impact on the Bakka Frost Group.

NOTE 1.8 ACCOUNTING ESTIMATES

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

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

NOTE 1.9 iXBRL REPORTING

We are required to file our annual report in the European Single Electronic Format ('ESEF') using the XHTML format and to tag the primary consolidated financial statements using Inline eXtensible Business Reporting Language (iXBRL). The iXBRL tags comply with the ESEF taxonomy. Where a financial statement line item is not defined in the ESEF taxonomy, an extension to the taxonomy has been created. The annual report submitted to the Faroese Financial Supervisory Authority consists of the XHTML document together with certain technical files, all included in a ZIP file named 2138007LH70P4V112978-2021-12-31-en.zip.

NOTES - SECTION 2

Results for the Year

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

NOTE 2.1 REVENUE

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

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

NOTE 2.2 MAJOR CUSTOMERS

In 2021, there were no major customers - as defined in IFRS 8.34, compared to one major customer in 2020 of DKK 570 million, corresponding to 52% of the VAP operation revenue.

NOTE 2.3 OPERATING SEGMENT INFORMATION

2021 - DKK 1,000	Farming FO	Value Added Products	Fishmeal, oil and feed	Farming SCT	Eliminations	Bakkafrost Group
External operating revenue	2,665,396	1,195,195	237,867	1,455,391	0	5,553,849
Internal operating revenue	811,326	0	1,421,484	0	-2,232,810	0
Total operating revenue	3,476,722	1,195,195	1,659,351	1,455,391	-2,232,810	5,553,849
Depreciation and amortization	-278,395	-21,316	-30,057	-200,666	0	-530,434
Operating expenses	-1,241,170	-243,032	-1,353,124	-1,163,882	-229,890	-4,231,098
Internal operating expenses	-1,052,267	-811,326	0	-369,217	2,232,810	0
Other income	0	0	0	28,877	0	28,877
Operating EBIT	904,890	119,521	276,170	-249,497	-229,890	821,194
Fair value adjustments on biological assets	539,040	0	0	-104,172	0	434,868
Income from associates	294	0	29,818	0	0	30,112
Revenue tax	-141,489	0	0	0	0	-141,489
EBIT	1,302,735	119,521	305,988	-353,669	-229,890	1,144,685
Net financial items	9,774	-692	1,905	-18,010		-7,023
Earnings before taxes	1,312,509	118,829	307,893	-371,679	-229,890	1,137,662
Taxes	-217,365	-22,067	-55,420	79,020	42,206	-173,626
Net earnings	1,095,144	96,762	252,473	-292,659	-187,684	964,036
Operating EBITDA	1,183,285	140,837	306,227	-48,831	-229,890	1,351,628
INVESTMENTS						
Property, plant and equipment	601,185	720	29,430	436,533		1,067,868
Depreciation	-278,395	-21,316	-30,057	-200,666		-530,434

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

	2021		2020	
FARMING FO – DISTRIBUTION OF HARVESTED VOLUMES	tgw	%	tgw	%
Harvested FO volume used in VAP production	21,974	32.7%	23,931	47.2%
Harvested FO volume sold fresh/frozen	45,243	67.3%	26,769	52.8%
Total harvested volumes	67,217	100.0%	50,700	100.0%

	2021		2020	
FOF SEGMENT – DISTRIBUTION OF FEED	tonnes	%	tonnes	%
Volumes used internally	124,259	96.7%	94,345	84.2%
External sold	4,230	3.3%	17,653	15.8%
Total Sold volumes	128,489	100.0%	111,998	100.0%

	2021		2020	
PRODUCTION OF FISHMEAL AND FISH OIL	tonnes	%	tonnes	%
Fishmeal	34,962	81.1%	60,661	85.9%
Fish oil	8,124	18.9%	9,932	14.1%
Total production	43,086	100.0%	70,593	100.0%

	2021		2020	
FARMING SCT – DISTRIBUTION OF HARVESTED VOLUMES	tgw	%	tgw	%
Harvested volume sold fresh/frozen and other	29,672	100.0%	34,986	100.0%
Total harvested volumes	29,672	100.0%	34,986	100.0%

GEOGRAPHIC BREAKDOWN OF SALES REVENUES BASED ON SEGMENTS AND CUSTOMER LOCATION

2021 - DKK 1,000	Farming FO	VAP	FOF	Farming SCT	Total
Western Europe	1,170,908	896,396	237,867	1,178,867	3,484,038
North America	693,003	179,279	0	145,539	1,017,821
Asia	453,117	11,952	0	130,985	596,054
Eastern Europe	346,501	107,568	0	0	454,069
Rest of the world	1,866	0	0	0	1,866
Total	2,665,396	1,195,195	237,867	1,455,391	5,553,849

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

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

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

ACCOUNTING POLICIES SEGMENT REPORTING

Farming FO including sales of fresh fish

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

Farming SCT

The Farming SCT segment comprises the total operation in The Scottish Salmon Company Ltd, which Bakkafrost gained control over on the 8 October 2019. The operation is in Scotland and

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

Value added products (VAP)

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

Fishmeal, fish oil and fish feed (FOF)

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

NOTE 2.4 SALARIES AND OTHER PERSONNEL EXPENSES

DKK 1,000	2021	2020
Wages and salaries	613,756	598,550
Share based payment	3,547	3,676
Social security taxes	45,825	34,025
Pension expenses	48,392	42,656
Other benefits	16,903	11,545
Total payroll expenses	728,423	690,452
Average number of full-time employees	1,653	1,699

REMUNERATION TO CORPORATE MANAGEMENT

DKK 1,000					Total
Salary and other benefits paid	Salary	Bonus	Pension	Other	2021
Chief Executive Officer	2,099	0	168	89	2,356
Managing Director	1,727	58	140	0	1,925
Chief Financial Officer	1,362	58	109	89	1,618
Total remuneration	5,188	115	417	178	5,898

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

Fees paid to the Board of Directors

DKK 1,000		2021	2020
Rúni M. Hansen**	Chairman of the Board	482	479
Johannes Jensen	Deputy Chairman of the Board	274	271
Annika Frederiksberg*	Member of the Board	219	217
Einar Wathne	Member of the Board	236	231
Teitur Samuelsen **	Member of the Board	263	262
Øystein Sandvik**	Member of the Board	283	278
Total remuneration		1,757	1,738

* Annika Frederiksberg is also an employee in the Bakka Frost Group. For this, she received DKK 656 thousand (2020: DKK 651 thousand).

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

Remuneration to corporate management

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

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

Notice of Termination and Severance Payment

Bakka Frost may terminate employment by giving Group Management Executives a notice period. The company's period of notice for the Group's Chief Executive Officer is 24 months.

The company's period of notice for other Group Management Executives covers a period from 6 to 12 months.

SHARE-BASED PAYMENT

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

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

SHARE SAVING PLAN

Bakka Frost has established a share saving plan for its employees in the Faroe Islands. In 2022, the plan will be extended to all employees of the Group. It is the Board's intention that the plan shall be a continuing part of the company's employee incentive scheme. The Board shall, however, have the right to decide, in its sole discretion, whether the plan will be extended in the future, and the terms of the plan

Employees may invest up to 5% of their base salary in Bakka Frost shares. The saved amount is deducted from the monthly net salary and used to purchase Bakka Frost shares on behalf of the employees. The purchase will be made from Bakka Frost's treasury shares or on the market. An employee may not change the savings amount during the year, but an employee may cancel the subscription during the year. The purchase price and the number of shares acquired by the company will be reported in accordance with the applicable regulations.

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

LOANS TO EMPLOYEES

As at 31.12.2021, there are no loans to employees.

ACCOUNTING POLICIES SHARE-BASED PAYMENTS

The share saving plan liabilities and payroll expense have been allocated over the employees' contribution period. The contribution period is from when the employee signed the share saving plan and until the shares are granted. The fair value of these liabilities will be determined using the number of shares contracted at the start of the share saving plan, using the share price on the date of the employee signature, adjustment is made for estimated leavers of the share saving plan. The difference between the fair value and the share

price, when the shares are granted, will be booked as a financial item in the income statement. The liability is recognized in other equity reserves within equity.

PENSIONS

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

NOTE 2.5 OTHER OPERATING EXPENSES AND OTHER INCOME

DKK 1,000	2021	2020
Maintenance	-187,655	-161,327
Operating expenses	-291,690	-175,788
Health	-227,542	-127,605
Freight	-629,123	-424,575
Energy	-226,988	-167,999
Other costs	-69,116	-5,425
Other operating expenses total	-1,632,114	-1,062,719
R&D expenditure tax credit in SCT	28,877	44,041
Other income total	28,877	44,041

NOTE 2.6 RESEARCH AND DEVELOPMENT EXPENSES

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

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

The focus of Bakkafrøst's R&D efforts has been evaluated and slightly improved during recent years. Lice abatement, bio-mass control and smolt quality remain high priorities, and the development and improvement of vaccines, nutrition and

feeding, as well as operating technologies, are equally topical. In addition, Bakkafrøst continuously performs assessments of its own operating practices.

Bakkafrøst aims to expand its R&D activities in feed and feeding and sees a substantial need for greater focus on basic knowledge of how the fish are fed and how we can maintain a healthy salmon. The past year has proven to be above our expectations in terms of production improvements in farming. We are convinced that our adaption of the mix of raw material has resulted in better nutritional quality in the feed.

It is Bakkafrøst's clearly expressed goal to initiate better and more comprehensive research into these issues under large-scale conditions.

Bakkafrøst focuses on reducing biological risk continuously and has made several new investments and procedures to diminish this risk. Bakkafrøst focuses on using non-medical methods in treatments against sea lice and has invested in new technology to follow this strategy.

Bakkafrost has a large-smolt strategy and aims at increasing smolt size to around 500 grams smolts in 2022 the Faroe Islands. The strategy is also pivotal to the turnaround of the operation in Scotland. The benefits are shorter production time at sea and reduced biological risk. The hatchery at Strond, Klaksvík, is an essential part of this plan for the Faroe Islands. This hatchery is fully operational and can produce 9 million smolts at 500g. In addition, Bakkafrost is expand-

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

NOTE 2.7 NET FINANCIAL ITEMS

DKK 1,000	2021	2020
Realised profit on financial derivatives	4,942	0
Other financial income	473	1,399
Financial income	5,415	1,399
Interest expenses on long-term loans	-31,958	-33,512
Interest expenses on credit lines	-403	-2,476
Interest expenses on IFRS 16 (leases)	-7,468	-10,382
Interest expenses on accounts payable	-779	-329
Financial expenses	-40,608	-46,699
Other exchange differences	38,761	-13,096
Net currency effects	38,761	-13,096
Other financial expenses	10,591	-6,743
Other financial items	-10,591	-6,743
Net financial items	-7,023	-65,139

ACCOUNTING POLICIES FINANCIAL INCOME

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

BORROWING COSTS

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

NOTE 2.8 TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2021	2020
Tax payable	171,283	38,783
Tax credit	-1,151	-23,974
Change in deferred tax	3,494	148,330
Tax expense on ordinary profit	173,626	163,139
Tax payable	170,997	38,783
Tax payable in the statement of financial position	170,997	38,783

Specifications of temporary differences and deferred tax

DKK 1,000		2021		2020
Deferred tax assets	Temporary Differences	Deferred tax	Temporary Differences	Deferred tax
Licences	0	0	0	0
Property, plant and equipment	32,450	8,037	43,483	8,224
Financial assets	0	0	0	0
Biomass	175,529	36,248	104,415	18,460
Receivables	1,995	359	1,318	224
Derivatives (Equity posted)	5,099	1,275	147	25
Losses carried forward	677,309	169,329	0	0
Total temporary differences		215,248		26,933

DKK 1,000		2021		2020
Deferred tax liabilities	Temporary Differences	Deferred tax	Temporary Differences	Deferred tax
Licences	3,601,916	874,182	3,624,015	680,554
Property, plant and equipment	1,539,529	353,079	1,562,011	269,909
Financial assets	92,302	16,614	78,742	13,610
Biomass	1,892,013	340,562	1,413,357	258,023
Receivables	0	0	0	0
Currency effects	1,219	240	0	0
Derivatives (Equity posted)	0	0	0	0
Other differences	21,428	5,357	510	126
Total temporary differences		1,590,034		1,222,222
Deferred tax assets		-215,248		-26,933
Deferred tax liabilities		1,590,034		1,222,222
Deferred tax liabilities (+) / assets (-)		1,374,786		1,195,289

Reconciliation from nominal to actual tax rate

DKK 1,000	2021	2020
Profit before tax	1,137,662	625,984
Expected tax at nominal tax rate	178,385	106,417
Permanent differences*	-4,759	56,722
Calculated tax expense	173,626	163,139
Effective tax rate excl. equity entries	15.26%	26.06%

Normal tax rate for countries in the Group:

- Faroe Islands 18%
- UK/Scotland 19% and 25% from 2022
- Norway 23%
- USA 28%

* Whereof DKK -4.6 million, relates to change in the tax rate change in Scotland from 19% to 25%

ACCOUNTING POLICIES

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

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

SIGNIFICANT ASSUMPTION ACCOUNTING FOR DEFERRED TAX LIABILITIES

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

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

SIGNIFICANT ASSUMPTION ACCOUNTING FOR DEFERRED TAX ASSETS

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

NOTES – SECTION 3

Assets and Liabilities

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

NOTE 3.1 INTANGIBLE ASSETS

DKK 1,000	Goodwill	Licences	Brands	Total
Acquisitions costs as at 01.01.21	666,950	3,720,158	108,400	4,495,508
Currency translation differences	2,369	0	0	2,369
Acquisitions costs as at 31.12.21	669,319	3,720,158	108,400	4,497,877
Depreciations and impairments 01.01.21	-2,113	0	0	-2,113
Depreciation during the year	-38	0	0	-38
Accumulated impairments/depreciation and write-downs as at 31.12.21	-2,151	0	0	-2,151
Net book value as at 31.12.21	667,168	3,720,158	108,400	4,495,726

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

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

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

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

In Scotland, Bakkafrost operates its sea farming activity in 7 identifiable CGUs based on groups of sea farming licenses.

Impairment testing

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

The procedure of impairment testing

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

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

Indications of impairment

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

The key assumptions

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

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

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

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

- Harvested volume is based on the current stocking plans for each unit, and forecasted figures for growth, assumed harvest weight and mortality, based on historical figures.
- The costs are based on the Groups own assumptions, based on historical costs and expectations. The costs are expected to remain stable but are calculated to increase with an inflation rate of FO: 0.9% and SCT: 2.3%.
- The forward prices are based on the Fish Pool index – which is a part of Oslo Børs ASA – at the day of the calculation. The long-term forward prices are based on third-parties' sources.

- The WACC is 8.9% (2020: 7.2%) pre-tax and calculated in accordance with IAS 36. The WACC model is used for estimating the discount rate. The input data for the model is updated each year for the annual impairment test. The choice of input data for the model significantly influences the outcome of the model, and to ensure that there is as little uncertainty as possible with regards to the calculation of the WACC, third-party sources are used where available (interest, inflation, beta). The discount rate is based on a five-year average for ten-year bonds issued by the Danish government, with an adjustment margin for the food industry in the EU.
- The inflation is set to FO: 0.9% and SCT: 2.3% for the budget period. This is done based on third-parties' sources. The terminal growth is set to 0%.
- Capital expenditure (CAPEX). In the 5-year forecast period, the capital expenditure necessary to meet the expected growth in revenue and profit is taken into consideration. Capital expenditures are aligned with the growth and replacement plans. Capital expenditure to comply with current laws and regulations has been included. Capex related to committed and approved efficiency improvement programmes has also been included to support the inclusion of the benefits in the applied margin. Changes in applicable laws and regulations may affect future estimated capital expenditure needs; this is not reflected in the figures used in the impairment test. Beyond the forecast period, capital expenditure will in general equal depreciation and relate to maintenance investments.

Sensitivity

In connection with the impairment testing of intangible assets, a sensitivity analysis has been carried out. Sensitivity analysis has been performed for each of the defined cash generating units. With the assumptions used, the headroom is DKK 10,900 million (DKK 9,459 million).

ACCOUNTING POLICIES

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

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

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

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

The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be appropriate. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Licenses with indefinite useful lives

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

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

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

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

GOODWILL

When the company assumes control over a separate business entity for a consideration that exceeds the fair value of the individual assets, the difference is entered as goodwill in the statement of financial position.

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

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

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

SPECIFICATION OF CGUS – BOOKED VALUE TESTED AND SENSITIVITY

Sensitivity analyses and booked value per CGU:

CGUs DKK 1,000	Licenses	Other assets*****	Total booked value tested	WACC	Number of smolts (1,000)	EBITDA change of +/-1%	WACC change of -1%	WACC change of +1%
31.12.2021								
The Scottish Salmon Company acquisition****	4,006,820	1,906,234	5,913,054	8.9%	18,845	382,619	2,378,574	-1,599,072
Vestlax acquisition*	132,708	1,318,791	1,451,499	8.9%	7,450	57,039	365,472	-269,400
Havsbrún acquisition**	157,430	301,696	459,126	8.9%	2,250	188,862	1,210,119	-892,012
Faroe Farming acquisition***	82,000	955,167	1,037,167	8.9%	4,300	109,008	514,853	-698,458
TOTAL	4,378,958	4,481,888	8,860,846		32,845	737,528	4,469,018	-3,458,942
31.12.2020								
The Scottish Salmon Company acquisition****	4,006,820	574,114	4,580,934	7.2%	23,083	311,560	379,700	-362,679
Vestlax acquisition*	132,708	1,338,793	1,724,535	7.2%	7,900	41,453	212,495	-154,003
Havsbrún acquisition**	157,430	482,380	580,033	7.2%	2,250	145,545	746,094	-540,723
Faroe Farming acquisition***	82,000	736,823	972,295	7.2%	4,200	77,378	396,657	-287,473
TOTAL	4,378,958	3,132,110	7,857,797		37,433	575,936	1,764,946	-1,344,878

* 4 CGUs in 7 licenses.. Acquired in 2010.

** 2 CGUs in 7 licenses. Acquired in 2011.

*** 1 CGU in 7 licenses.. Acquired in 2016.

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

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

NOTE 3.2 PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Plant machinery operating equipment, fixtures etc.	Other operating equipment	Vessels	Assets under construction	Total
Acquisition costs as at 01.01.21	1,936,967	2,746,675	406,493	450,899	387,946	5,928,980
Reclassification	83,078	61,012	57,444	53,117	-52,912	201,739
Acquisitions during the year	72,206	432,757	41,218	81,455	440,231	1,067,867
Disposals and scrapping during the year	-2,519	-96,842	-5,023	-373	0	-104,757
Currency translation differences	29,383	85,994	-51,101	57,555	7,280	129,111
Acquisition costs as at 31.12.21	2,119,115	3,229,596	449,031	642,653	782,545	7,222,940
Accumulated depreciations and write-downs as at 01.01.21	-381,949	-1,043,442	-164,346	-118,644	0	-1,708,381
Reclassification	-44,377	-141,158	-16,205	0	0	-201,739
Depreciations during the year	-80,574	-277,445	-45,526	-30,403	0	-433,948
Accumulated depreciations and write-downs on disposals and scrapping	2,519	94,787	4,239	242	0	101,787
Currency translation differences	-13,552	-75,851	-1,083	-1,394	0	-91,880
Accumulated depreciations and write-downs as at 31.12.21	-517,933	-1,443,109	-222,921	-150,199	0	-2,334,162
Net book value as at 31.12.21	1,601,182	1,786,487	226,110	492,454	782,545	4,888,778
Acquisition costs as at 01.01.20	1,491,693	2,326,299	343,733	427,014	633,683	5,222,422
Reclassification	343,386	172,562	847	977	-539,554	-21,781
Acquisition of subsidiary	145,918	356,500	62,418	26,846	293,556	885,238
Acquisitions during the year	-33,008	-93,169	-386	-690	0	-127,253
Disposals and scrapping during the year	-11,022	-15,517	-119	-3,248	261	-29,645
Acquisition costs as at 31.12.20	1,936,967	2,746,675	406,493	450,899	387,946	5,928,980
Accumulated depreciations and write-downs as at 01.01.20	-317,266	-905,920	-132,983	-85,755	0	-1,441,924
Depreciations during the year	-67,607	-216,699	-33,882	-33,613	0	-351,801
Accumulated depreciations and write-downs on disposals and scrapping	1,825	82,909	386	603	0	85,723
Currency translation differences	1,099	-3,732	2,133	121	0	-379
Accumulated depreciations and write-downs as at 31.12.20	-381,949	1,043,442	-164,346	-118,645	0	-1,708,381
Net book value as at 31.12.20	1,555,018	1,703,233	242,147	332,254	387,946	4,220,599

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

ACCOUNTING POLICIES

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

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

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

NOTE 3.3 LEASING**Right of use**

DKK 1,000	Land, buildings & property	Ships and other equipment	Total
Beginning balance 01.01.21	107,108	239,376	346,484
Additions	10,322	10,752	21,074
Adjustments	17,267	305	17,572
Depreciation	-7,835	-88,632	-96,468
Effect of changes in currency exchange rate	0	13,443	13,443
Ending balance 31.12.21	126,861	175,244	302,105

Lease liability

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

Maturity analysis, undiscounted cash flow

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

Right of use

DKK 1,000	Land, buildings & property	Ships, boats and plant & equipment	Total
Beginning balance 01.01.20	133,717	199,106	332,823
Acquisition costs from merged company	-2,586	-17,179	-19,765
Additions	0	189,019	189,019
Adjustments	-12,590	-9,848	-22,438
Depreciation	-11,281	-119,426	-130,707
Effect of changes in currency exchange rate	178	4,081	4,259
Ending balance 31.12.20	107,439	245,754	353,193

Lease liability

	Land, buildings & property	Ships, boats and plant & equipment	Total
Beginning balance 01.01.20	135,140	198,253	333,393
Additions	15,772	196,360	212,132
Effect of changes in currency exchange rate	0	-8,497	-8,497
Lease payments	-12,745	-121,824	-134,569
Interests	2,566	7,816	10,382
Effect of changes in currency exchange rate	-2,962	-13,306	-16,268
Ending balance 31.12.20	137,771	258,801	396,572

Maturity analysis, undiscounted cash flow

Up to 1 year	131,337
More than 1 year	265,235

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

Accounting policies

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

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

agreement and the obligation to demolish or restore the asset after use.

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

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

The lease payments consist of the fixed lease payments, guaranteed residual values and payment for exercise of purchase option or payment for cancellation of lease when considered reasonably certain that the options are exercised. In addition,

variable lease payments which are adjusted, based on an index, whereas consumption-based leasing payments are not recognized as part of the cost of the lease asset and liability.

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

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

NOTE 3.4 COMPANIES IN THE GROUP

The consolidated accounts for 2021 include the following subsidiaries and associates:

Subsidiary Companies	Currency	Nature of Business	Head Office	Ownership	Nominal share capital
Bakkafrost Farming P/F	DKK	Salmon farming	Glyvvar	100%	19,762
Bakkafrost Processing P/F	DKK	Value adding of salmon (VAP)	Glyvvar	100%	150,000
Bakkafrost Sales P/F	DKK	Sales of salmon and VAP products	Glyvvar	100%	667
Bakkafrost Packaging P/F	DKK	Production of styrofoam boxes	Glyvvar	100%	8,022
Havsbrún P/F	DKK	Production and sales of fishmeal, fish oil and fish feed	Fuglafjörður	100%	2,000
Bakkafrost UK Ltd.	GBP	Sales of salmon	Grimsby	100%	2£
Bakkafrost USA LLC	USD	Sales of salmon	Clifton, New Jersey	100%	2 mUSD
Förka P/F	DKK	Production of biogas and fertilizer	Glyvvar	100%	5,000
The Scottish Salmon Company Limited	GBP	Salmon Farming	Edinburgh	100%	20,000,000
Scottish Salmon 2020 (Jersey) Limited	GBP	In liquidation	Edinburgh	100%	17,530,000
07.07.2021 P/F	DKK	Freight transportation of goods	Tórshavn	70%	350



Associated Companies DKK 1,000	Head Office	Ownership	Net Additions	Share of the result	Carrying value 2021	Carrying value 2020
Pelagos P/F	Fuglafjörður	30%	0	28,420	88,307	59,887
Salmon Proteins P/F*	Eiði	79%	-2,033	376	4,864	6,521
Svínoyar rognkelsisstøð Sp/f	Svínoy	42%	0	0	733	733
Total					93,904	67,141

	Total assets 2021	Total assets 2020	Equity 2021	Equity 2020	Result 2021	Result 2020
Pelagos P/F	540,104	331,598	291,441	197,645	97,495	18,519
Salmon Proteins P/F*	9,557	9,539	6,183	8,277	407	341
Svínoyar rognkelsisstøð Sp/f**	8,386	6,896	-842	-5	-837	-1,480

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

**Information from 2020

NOTE 3.5 SHARES AND HOLDINGS IN OTHER COMPANIES

DKK 1,000	Carrying amount	Carrying amount
Companies	2021	2020
Others	55,321	55,318
Total	55,321	55,318

ACCOUNTING POLICIES

Shares and holdings in which the Group does not have significant influence are valued at cost as fair value cannot be measured reliably.

NOTE 3.6 INVENTORY

DKK 1,000	2021	2020
Raw materials and goods in-progress	514,977	576,355
Finished goods	194,329	199,677
Total inventory	709,306	776,032

Raw materials primarily consist of raw material to produce fishmeal, fish oil and fish feed and packaging materials used in processing.

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

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

Inventories are measured at full cost price.

ACCOUNTING POLICIES

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

FARMING FO AND FARMING SCT

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

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

The cost price of purchased goods is the acquisition price. Cost is based on the FIFO principle.

Net realizable value is estimated sales price less selling expenses.

VAP

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

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

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

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

FOF

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

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

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

NOTE 3.7 BIOLOGICAL ASSETS

DKK 1,000	2021	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	0
Fair value adjustments 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	-6,507
Biological assets carrying amount 31.12.	2,448,289	2,117,024
Cost price biological assets	1,946,894	2,058,228
Fair value adjustments at the end of the	604,707	145,387
Eliminations	-134,193	-80,083
Currency translation differences	30,881	-6,508
Biological assets carrying amount	2,448,289	2,117,024
Biomass on average (tonnes)		
< 1 kg	5,070	5,777
1 < 2 kg	7,673	10,258
2 < 3 kg	10,026	10,880
3 < 4 kg	13,538	11,921
4 kg <	22,288	25,642
Volume of biomass at sea	58,595	64,478
Number of fish on average (thousand)		
< 1 kg	9,770	11,960
1 < 2 kg	5,255	6,192
2 < 3 kg	3,873	4,338
3 < 4 kg	3,920	3,415
4 kg <	4,595	5,324
Total number of fish at sea	27,413	31,229

	2021	2020
Harvested volumes	96,889	85,686
Number of smolts released (thousand)		
Q1	4,044	3,295
Q2	5,233	5,757
Q3	7,022	6,577
Q4	9,236	9,418
Total number of smolts released	25,535	25,047

Sensitivity analysis of biomass DKK 1,000

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

One year forward prices in EUR FCA Oslo*

At year end	6.72	4.36
Q1 (forward)	6.86	4.85
Q2 (forward)	6.81	5.39
Q3 (forward)	5.66	5.10
Q4 (forward)	6.15	5.25

* Source Fish Pool

VALUATION OF BIOLOGICAL ASSETS

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

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

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

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

The valuation model

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

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

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

Main components in the model are:

- Volume
- Production costs
- Sales price
- Discount rate

Volume

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

Future monthly mortality is estimated to be for Farming FO 0.9% (0.6%) and for Farming SCT 1.5% (1.0%) of the number of incoming fish per month.

Cost

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

Price

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

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

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

Discounts

The estimated future cash flow is discounted monthly. The monthly discount rate on 31 December 2021 is 6% (6%) per month for Farming FO and 4% (6%) per month for Farming SCT. The discount rate considers a risk adjustment and time

value. The risk adjustment considers the volatility in volume, cost, and price.

Mortality

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

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

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

SIGNIFICANT ASSUMPTIONS SENSITIVITY

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

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

NOTE 3.8. ACCOUNTS RECEIVABLE AND OTHER RECEIVABLES

DKK 1,000	2021	2020
Accounts receivable	620,356	490.116
Provisions for bad debts	-32	-41
Net accounts receivables	620,324	490,075
VAT	78.227	12.087
Other	93.979	49.344
Tax receivables	109.701	72,143
Other receivables	281.907	133,574
Total short-term receivables	902,231	623,649
Long-term receivables*	8,102	8,101
Total accounts receivable and other receivables	910,333	631,750
AGE DISTRIBUTION OF ACCOUNTS RECEIVABLE		
DKK 1,000	2021	2020
Receivables not overdue	508,400	420,212
Overdue 0–6 months	103,258	66,194
Overdue more than 6 months	8,666	3,669
Total	620,324	490,075

* Loan to associates

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

CURRENCY EXPOSURE TO ACCOUNTS RECEIVABLE

The Group holds accounts receivable in foreign currencies amounting to DKK 528 million at year-end 2021. (2020: DKK 431 million).

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

CURRENCY DISTRIBUTION OF RECEIVABLES

DKK 1,000	2021	2020
DKK	92,104	59,217
EUR	318,369	113,778
USD	126,231	214,800
GBP	66,754	80,200
NOK	2,803	16,567
Others	14,063	5,512
Total	620,324	490,075

ACCOUNTING POLICIES

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

NOTE 3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of short-term bank deposits and were DKK 509 million at year-end 2021, compared to DKK 467 million at year-end 2020.

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

DKK 1,000	2021	2020
Share capital at 1 January	59,143	59,143
Share capital at 31 December	59,143	59,143

The parent company's share capital comprises:

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

Reconciliation of outstanding shares:

	2021	2020
Outstanding shares at 1 January	59,044,071	59,142,108
Purchase of treasury shares	0	-134,500
Sale of own shares to cover the employee bonus program	31,094	36,463
Outstanding shares at 31 December	59,075,165	59,044,071
Treasury shares at 31 December	67,835	98,929

SHAREHOLDERS

These shareholders held directly or indirectly more than 5% of the shares in the company as at 31 December 2021: Oddvør Jacobsen, Regin Jacobsen and Folketrygdfondet.

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

Name	Position	No. of shares	Shareholding
Rúni M. Hansen	Chairman of the Board	10,761	0.02%
Johannes Jensen	Deputy Chairman of the Board	0	0.00%
Teitur Samuelson	Member of the Board	100	0.00%
Annika Frederiksberg	Member of the Board	16,250	0.03%
Øystein Sandvik	Member of the Board	0	0.00%
Einar Wathne	Member of the Board	0	0.00%
Regin Jacobsen	Chief Executive Officer	4,617,351	7.81%
Odd Eliassen	Managing Director	184,969	0.31%
Høgne D. Jakobsen	Chief Financial Officer	74,593	0.13%

Dividend

The Board has proposed a dividend per share of DKK 5.14 for 2021. DKK 216 million were paid out for 2020. The dividends proposed are to be approved at the Annual General Meeting and if approved, the total dividend payment will amount to DKK 304 million. The dividend proposal has not been recognized as a liability at 31 December 2021 but is presented as an item within equity.

NOTE 3.11 INTEREST-BEARING DEBT

DKK 1,000	2021	2020
Long-term interest-bearing debt	2,634,968	2,219,690
Total long-term interest-bearing debt 31.12.	2,634,968	2,219,690
Total interest-bearing debt	2,634,968	2,219,690
Cash and cash equivalents	-509,157	-466,939
Net interest-bearing debt	2,125,811	1,752,751

The maturity structure of the Group's financial commitments is based on undiscounted contractual payments. As the credit limit is not necessarily in the same currency of debt drawn, currency fluctuations affect the amount available under the facilities at any time.

The maturity plan of the Group's interest-bearing debt is as follows

DKK 1,000	2021		2020	
	Carrying amount	Contractual payments	Carrying amount	Contractual payments
Credit facilities	-2,634,968	-2,648,059	-2,219,690	-2,237,307
Gross interest-bearing debt	-2,634,968	-2,648,059	-2,219,690	-2,237,307
Credit line	5,205,550		3,444,396	
Bank guarantees	-17,200		-17,200	
Available credit lines	2,553,382		1,207,506	
Cash and cash equivalents	509,157		466,939	
Total available credit lines	3,062,539		1,674,445	

REMAINING PERIOD

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

REMAINING PERIOD

31.12.2020	1-3 months	3-12 months	1-5 years	> 5 years	Total
Interest-bearing bank loans	0	0	2,219,690	0	2,219,690
Accounts payable and other debt	591,742	37,422	0	0	629,164

The difference between the carrying amount and the total expected payments in the table above is due to upfront arrangement and legal fees incurred in connection with the refinancing of the credit facilities. One long-term bank borrowing is drawn from a revolving credit facility, under which the Group may draw and pay down any amount. The contractual payments illustrated in the table above do not reflect rollover dates of loans drawn but are based on the maturity date of the credit facilities.

INTEREST-BEARING DEBT IN MORE DETAIL

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

New sustainability-linked financing

In December 2021 The Group entered a term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years. The Facility Agreement was signed in March.

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

As The Facility is sustainability-linked means that the margin payable will be linked to Bakkafrøst's performance against certain sustainability KPIs, consistent with the Group's overall ESG targets and ambitions. The Facility includes flexibility for the parties to agree an additional amount of up to EUR 150 million during the tenor. The principal financial covenants of the Facility are: (1) an equity ratio of no less than

Maturity analysis – contractual payments

DKK 1,000	2022	2023	2024	2025	2026
Long-term credit facilities	0	0	0	0	2,634,968
Gross interest-bearing debt	0	0	0	0	2,634,968

Reconciliation of development in interest-bearing debt

	2020	Cash flows	Acquisition	Reclassification	FX movements	2021
Long term interest-bearing debt	2,219,690	415,278	0	0	0	2,634,968
Total interest-bearing debt	2,219,690	415,278	0	0	0	2,634,968

	2019	Cash flows	Acquisition	Reclassification	FX movements	2020
Long term interest-bearing debt	2,328,232	-108,542	0	0	0	2,219,690
Total interest-bearing debt	2,328,232	-108,542	0	0	0	2,219,690

35% and (2) an interest coverage ratio (EBITDA to net interest payable) of no less than 2x. The Bakkafrøst Group complied with these covenants at the end of 2021.

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

At the end of 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.

NOTE 3.12 MORTGAGES AND GUARANTEES

Carrying amount of debt secured by mortgages and pledges

The Bakkafrost Group has a group financing. The Group companies are liable jointly and severely for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds.

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

DKK 1,000	2021	2020
Long-term debt to financial institutions	2,634,968	2,219,690
Carrying amount of assets pledged as security for recognized debt		
Licences	3,720,158	4,493,395
Property, plant and equipment	3,606,250	3,320,949
Biological assets (biomass)	2,448,289	2,117,024
Inventory	703,600	763,146
Total	10,478,297	10,694,514

NOTE 3.13 DERIVATIVES

DKK 1,000	2021	2020
Currency swaps regarding forward contracts	7,809	6,449
Interest and currency swaps	0	4,741
Derivatives total	7,809	11,190

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

DKK 1,000	Fair Value 2021	Recognized in the Income Statement 2021	Recognized in equity 2021	Fair Value 2020	Recognized in the Income Statement 2020	Recognized in equity 2020
Currency derivatives	7,809	0	7,809	6,449	0	6,449
Interest and currency derivatives	0	0	0	4,741	0	4,741
Total	7,809	0	7,809	11,190	0	11,190

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

	Currency derivatives	Interest and currency derivatives	Total 2021	Currency derivatives	Interest and currency derivatives	Total 2020
Within one year	4,602	0	4,602	6,212	3,498	9,710
Between one and five years	3,207	0	3,207	237	1,243	1,480
After five years	0	0	0	0	0	0
Total	7,809	0	7,809	6,449	4,741	11,190

FINANCIAL INSTRUMENTS

In accordance with IFRS 9, financial instruments falling within its remit are classified into the following categories: fair value with changes in value entered to the Income Statement, held until maturity, loans and receivables, available for sale, and other liabilities.

Financial instruments at fair value with changes in value entered to the Income Statement

Financial instruments, which are held primarily for buying or selling in the short term, are classified as being held for trading purposes. These instruments are included in the category of financial instruments recognized at fair value with changes in value entered to the Income Statement alongside forward currency contracts, which are recognized at fair value with changes in value, entered to the Income Statement.

Hedge accounting

Interest rate swaps and forward currency settlement contracts are used as hedges of its exposure to foreign currency risk, interest expenses and instalment payments in foreign currencies. The hedges are cash flow hedges.

The effective portion of the gain or loss on the hedging instrument is recognized directly in other comprehensive income in the cash flow hedge reserve.

Amounts recognized as other comprehensive income are transferred to the Income Statement, when the hedged transaction affects profit or loss, and when financial liabilities are settled, such as when the hedged financial income or financial expense is recognized.

If the forecast transactions or commitments are no longer expected to occur, the cumulative gain or loss, previously recognized in equity, is transferred to the Income Statement. If the hedging instrument expires or is sold, terminated, or exercised without replacement or rollover, or if its designation

as a hedge is revoked, any cumulative gain or loss, previously recognized in other comprehensive income, remain in other comprehensive income until firm commitment affects profit or loss, or settlement payments are made.

NOTE 3.14 PROVISIONS

A provision is recognized when, and only when, the company has a valid liability (legal or self-imposed) deriving from an event which has occurred, and when it is probable (more likely than not) that a financial settlement will take place because of that liability, and when the amount in question can be reliably quantified. Provisions are reviewed on each closing date, and the level reflects the best estimate for the liability. The Group has no provisions as per 31 December 2021.

PROVISIONS FOR ONEROUS CONTRACTS ACCOUNTING POLICIES

The Group enters sales contracts for value added salmon products (VAP) on an on-going basis. The contracts involve physical settlement, and deliveries associated with the contracts form part of the Group's normal business activities. The contracts contain no built-in derivative elements.

With respect to fixed-price contracts, which result in the Group being obligated to sell salmon products at a price less than production cost (including fair value adjustment of raw materials at the point of harvesting), the contracts are considered onerous, and provisions are calculated and entered to the statement of financial position. The provision is charged to the Income Statement.

SIGNIFICANT ASSUMPTION

The company holds long-term sale contracts related to salmon products. These contracts do not contain any elements of embedded derivatives and are therefore not treated as financial instruments. The contracts are settled, based exclusively on the assumption that delivery of salmon products

should take place. The contracts are not tradable, nor do they contain a clause for settlement in cash or cash equivalents.

Provisions are made for estimated onerous contracts that oblige the Group to sell fish at a price less than calculated production costs including raw materials, biomass, measured at fair value.

NOTES – SECTION 4

Capital Structure and Financing Items

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

NOTE 4.1 FINANCIAL RISK MANAGEMENT

CAPITAL MANAGEMENT

The Group's objective, when managing capital, is to maintain a capital structure able to support the operations and maximize shareholder value. The farming business is characterized by price volatility and challenging production dynamics. The Group must be financially solid in order to be able to cope with fluctuations in profits and financial position, and the consolidated equity ratio shall at no time be lower than 35 percent. At 31 December 2021, the Group's equity ratio was 64 percent.

The Group manages the capital structure and adjusts corresponding to changes in the underlying economic conditions. In December Bakka Frost entered a term sheet for a sustainability-linked EUR 700 million multicurrency revolving credit facility with a tenor of five years. The facility agreement was signed in March 2022.

According to the Group's dividend policy, under normal circumstances, average dividends over several years should be 30 to 50 percent of the adjusted net profit. The Board has proposed a dividend of DKK 5.14 per share for the financial year 2021, corresponding to a distribution to shareholders of DKK 304 million.

At 31 December 2021, net interest-bearing debt amounted to DKK 2,126 million. Note 3.10 provides an overview of the debt's maturity profile and information on the debt's financial covenants. Bakka Frost complied with the covenants loan agreements at the end of 2021.

FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from its use of financial instruments: market risk, liquidity risk and credit risk. This note presents information about the Group's

exposure to each of these risks, the Group's objectives, policies and procedures for measuring and managing risks.

Further quantitative disclosures are included throughout these consolidated financial statements.

The main objective of Bakka Frost's financial risk management policies is to ensure the ongoing liquidity of the Group, defined as being at all times in a position to meet the liabilities of the Group as they fall due. This also includes being able to meet financial covenants on Group debt under normal circumstances.

Concerning insurance coverage, the Group insures against material risks, where the insurance is economically viable. The balance between the amount covered by insurance and what is left to own risk varies, depending on the nature of the risk, the value of the assets and prospective liabilities and the cost, actual coverage and the availability of insurance.

The Board of Directors believe that the most important measure against any risk is to have a strong financial position. At 31 December 2021, the Group's equity ratio was 64%.

Risk management policies and procedures are reviewed regularly to reflect changes in market conditions and the Group's activities.

FINANCIAL RISK

Financial risk can be defined as the risk that the Group will not be able to meet its financial obligations.

In addition to bank loans, the Group has financial instruments such as accounts receivables, cash, shares, accounts payables, etc., which are ascribable directly to day-to-day business operations.

The Group uses financial derivatives, mainly currency forward contracts. The purpose of these instruments is to manage the currency risks arising from the Group's operations.

The Group does not employ financial instruments, including financial derivatives, for the purpose of arbitrage.

The most important financial risks, to which the company is exposed, are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The management monitors these risks on an on-going basis and draws up guidelines, for how these should be managed.

MARKET RISK

Market risk can be defined as the risk that the Group's income and expenses, future cash flows or fair value of financial instruments will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rates risk and other price risk (such as commodity prices and salmon spot prices).

Market risk is monitored and actively managed by the Group. Exposure to these risks is reduced by diversification, suitable controls and business tactics. In some cases, market risks are transferred to third parties via contractual price adjustment clauses, but rarely by means of financial derivatives.

Foreign exchange risk

Because of the international nature of its operations, the Group is exposed to fluctuations of foreign currency rates. For risk management purposes, three types of currency exposure have been identified: Translational exposure, Transactional exposure and Economic currency exposure:

Translational exposure

Bakkafrost has subsidiaries abroad in Scotland, England, USA and Denmark. Thus, Bakkafrost faces currency risks arising

from the translation of subsidiaries whose functional currency differ from the presentation currency of the Group. The exposure related to equity of foreign subsidiaries is generally not hedged.

Transactional exposure

Most of the operating companies in the Group are exposed to changes in the value received or paid under foreign currency denominated committed transactions. For the farming segments, exposure arises mainly from export sales, while for the FOF segment, exposure results from the sourcing of raw materials in the international commodities markets.

The Group has normally a net positive cash flow exposure from USD and EUR and a net negative cash flow exposure from DKK, GBP, and NOK. The predominant exposure comes from the USD. The Group has therefore a policy for a 12-months hedging programme of USD/DKK. The Group currently hedges up to 26% of the 12-months exposure from USD/DKK.

The table below summarizes the foreign currency exposure on the net monetary position of all Group entities against their functional currency. The exposure on translating the financial statements of subsidiaries into the presentation currency is not included in the analysis.

Exposure to currency risk**Currency****DKK 1,000**

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

2020	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
Cash and cash equivalents	211,736	0	125,532	0	9,239
Accounts receivable	113,778	80,200	214,800	16,566	0
Trade payables	-35,530	-125,931	-26,581	-37,265	0
Interest-bearing debt	-706,733	-724,465	0	-9,075	0
Forward contracts	0	0	0	11,190	0
Net exposure	-416,749	-770,196	313,751	-18,584	9,239

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

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

2020	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK	Result
Net exposure	-416,749	-770,196	313,751	-18,584	9,239	
Historical volatility for the last 5 years	0.31%	8.63%	7.08%	9.05%	8.71%	
Total effect on Profit of +movements	-1,292	-66,468	22,214	-1,682	805	-46,423
Total effect on Profit of -movements	1,292	66,468	-22,214	1,682	-805	46,423

The analysis is based on the currencies that the Group is most exposed to at the end of 2021. The reasonable shifts in exchange rates in the table above are based on 5 years historical volatility.

If the relevant cross foreign exchange rates moved by the amounts showed in the table above, the effect on the Group's net income would be DKK -43 million (2020: DKK -46 million).

Currency forward contracts as at 31 December 2021

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

Currency forward contracts as at 31 December 2020

Bakkafrost Group buys		Bakkafrost Group sells	
DKK 1,000			
NOK	138,730	GBP	12,684

Significant exchange rates (average) during the year	EUR/DKK	GBP/DKK	USD/DKK	NOK/DKK	JPY/DKK
2021	743.70	865.25	629.18	73.18	5.73
2020	743.93	823.78	605.76	70.53	5.88

Interest rate risk

The Group is exposed to increase in interest rates as a result of having debt with floating interest rate terms. An increased cost of borrowing might adversely affect the Group's profitability. The Group does not have fixed interest rate debt.

According to the Group's finance policy, the main objective of interest rate risk management activities should be to minimize the risk of breach of the Group's debt covenants and to avoid situations of financial distress that might jeopardize strategic flexibility. Trading in interest rate derivatives is

undertaken to cover existing exposures. Purely speculative transactions are not allowed.

The Group has no fixed rate liabilities and is therefore not exposed to the risk that changes in interest rates might drive changes in market value of outstanding debt.

A 100 basis points increase in interest rate at the reporting date would have a negative impact on the income statement amounting to DKK 26 million (2020: DKK 17 million), based on NIBD.

Price risk

The farming segments are sensitive to fluctuations in the spot prices of salmon, which are determined by global supply and demand. The impact of changes in salmon spot prices is partly mitigated by long-term contracts at fixed prices in the VAP segment and financial contracts, however, due to long production cycles, it is difficult to respond quickly to global trends in market prices. Salmon is to a large extent traded based on spot prices, although this would vary with different markets and with the market position of the Group.

Other price risk

The Group's FOF segment is active in the international commodity markets. A large portion of raw materials needed in production is contracted in advance of periodic sales price regulations, this way the risk associated with increases in commodity prices is effectively transferred to feed customers, mainly inside the Group. Constraints in the availability of certain raw materials might result in increased sourcing costs in those cases, where an unexpected surge in sales volume makes it necessary to purchase raw materials outside of previously negotiated purchase agreements. Under these circumstances, it might not be possible to charge the customers with the increased cost, and profitability would thus suffer.

Liquidity risk

Liquidity risk arises from the Group's potential inability to meet its financial obligations towards suppliers and debt capital providers. The Group's liquidity situation is closely monitored and rolling forecasts of cash flows and cash holdings are prepared regularly.

Liquidity risk is managed through maintaining flexibility in funding by securing available committed credit lines, provided by our bank, and through maintaining sufficient liquid assets with the same relationship bank.

The Group seeks to maintain committed facilities to cover forecast borrowings for the next 24 months, plus financial headroom to cover the planned investments and unforeseen movements in cash requirements. Please also refer to Note 3.11 for information on committed credit facilities, available credit lines, and maturity of interest-bearing debt.

In addition to the above-described sources of liquidity, Bakkafrøst monitors funding options available in the capital markets as well as trends in the availability and cost of such funding with a view to maintain financial flexibility and limiting refinancing risk. Bakkafrøst's overall liquidity as at 31 December 2021 included DKK 509 million (2020: DKK 467 million) (see Note 3.11) of cash and cash equivalents held in various currencies.

Credit risk

Credit risk represents the accounting loss that would have to be recognized if other parties failed to perform as contracted and is related to financial instruments such as cash and cash equivalents, receivables and derivative financial instruments.

Bakkafrøst has a Group-wide credit management policy, governed by Bakkafrøst's credit committee. The committee is responsible for granting credits to the Groups customers. In general, Bakkafrøst uses credit insurance, bank guarantees, parent company guarantees, or other securities such as pledges on biological assets, thus reducing the actual risk on outstanding receivables significantly. Historically, losses due to bad debts have been low in Bakkafrøst. Recoverable Tax and VAT, included in the balance, also reduces the risk. In addition to such risk mitigating measures, the Group focuses on detailed credit management in operating companies, supported by regular follow up by central functions.

The concentration of credit risk is at the outset not considered significant, since the Group's customers represent various industries and geographic areas. Counterparty risk against financial institutions is not considered significant, due to limited liquid assets and low traded volumes in derivatives. For these transactions, the Group relies upon Nordic relationship banks, other relationship banks or widely recognized commodity exchanges.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date consists of accounts receivables, other receivables and cash and cash equivalents and amounts to DKK 1,411 million as at 31 December 2021 (2020: DKK 1,091 million). For the age distribution of accounts receivable, please refer to Note 3.8.

Credit Risk	2021	2020
Accounts receivable	714,304	490,075
Other receivables	78,227	61,431
Tax receivables	109,700	72,143
Cash and Cash equivalents	509,157	466,939
Total	1,411,388	1,090,588

Bakkafrøst has implemented a Group-wide cash management policy with the overall objective of minimizing cash holdings, while ensuring sufficient liquidity to meet business needs, avoid shortage of cash and limit the need for borrowing. The cash management is carried out from the Group's head office.

NOTE 4.2 CATEGORIES AND FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value of financial instruments

All assets/liabilities, for which fair value is recognized or disclosed, are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted market prices in an active market (that are unadjusted) for identical assets or liabilities.

Level 2: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable).

Level 3: Valuation techniques (for which the lowest level input that is significant to the fair value measurement is unobservable).

For biological assets, the fair value calculation is done using a valuation model (level 3 in the valuation hierarchy), where the value is estimated based on observable market prices per period end. For more information on these calculations, refer to Note 3.7.

For assets/liabilities that are recognized at fair value on a recurring basis, the Group determines, whether transfers have occurred between Levels in the hierarchy by reassessing categorization (based on the lowest level input that is significant to the fair value measurement).

There have been no transfers into or out of Level 3 fair value measurements.

As at December 31st the Group held the following classes of assets/liabilities measured at fair value:

DKK 1,000

Assets and liabilities measured at fair value	Fair value	Cost amount	Level 1	Level 2	Level 3
Biological assets (biomass)	2,448,289	1,843,582	0	0	2,448,289
Assets measured at fair value 31-12-21	2,448,289	1,843,582	0	0	2,448,289
Liabilities measured at fair value 31-12-21	0	0	0	0	0
Biological assets (biomass)	2,117,024	1,971,637	0	0	2,117,024
Assets measured at fair value 31-12-20	2,117,024	1,971,637	0	0	2,117,024
Liabilities measured at fair value 31-12-20	0	0	0	0	0

NOTE 4.3 EARNINGS PER SHARE

DKK 1,000	2021	2020
Profit for the year to the shareholders of P/F Bakkafrøst	964,036	462,845
Fair value adjustment of biomass (IAS 41)	-434,868	-118,003
Tax on fair value adjustment	78,276	21,241
Adjusted profit for the year to shareholders of P/F Bakkafrøst	607,444	366,083
Ordinary shares as at 01.01.	59,143,000	59,143,000
Emission - increase of share capital	0	0
Ordinary shares as at 31.12.	59,143,000	59,143,000
Time-weighted average number of shares outstanding through the year	59,090,092	59,090,092
	2021	2020
Earnings per share		
Basic (DKK)	16.32	7.83
Diluted (DKK)	16.32	7.83
Adjusted earnings per share (before fair value adjustments of biomass and provision for onerous contracts (adjusted EPS))		
Basic (DKK)	10.28	6.20
Diluted (DKK)	10.28	6.20

Bakkafrøst Group has no stock option programme running at present.

Earnings per share (EPS)

Basic earnings per share

Basic EPS is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by the company and held as treasury shares.

Diluted earnings per share

Diluted earnings per share are adjusted for the dilution effect of issued share options. Bakkafrøst has no share options outstanding.

Adjusted earnings per share

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

NOTES – SECTION 5

Other Disclosures

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

NOTE 5.1. CAPITAL COMMITMENTS

2021	2022	2023
Total contractual new Hatchery stations in the Faroe Islands	163.204	99.065
Total contractual new marine sites and development of an existing freshwater site in Scotland.	163.400	0
Total contractual other PPE investments	324.600	0
Total	651,204	99,065

2020	2021	2022
Total contractual new Hatchery stations in the Faroe Islands	340,883	202,587
Total contractual new marine sites and development of an existing freshwater site in Scotland.	102,216	0
Total contractual other PPE investments	109,692	269,253
Total	552,791	471,840

The Group had capital expenditure committed but not provided in these accounts at the date of the Statement of Financial Position of approximately DKK 750 million. DKK 651 million for 2022 and DKK 99 million for 2023.

NOTE 5.2 RELATED-PARTY TRANSACTIONS

Related parties are in this respect considered as persons or legal entities, which directly or indirectly possess significant influence on the Bakkafrost Group through shareholding or position and vice versa. Related party transactions are at arm's length terms.

DKK 1,000	2021	2020
Based on key personnel		
Purchase - Betri Trygging P/F	42,593	35,495
Accounts payable - Betri Trygging P/F	50	717
Revenues - Gist & Vist P/F	919	806
Purchase - Gist & Vist P/F	106	24
Accounts receivable - Gist & Vist P/F	59	92
Revenues - Frost P/F	0	8
Purchase - Frost P/F	669	3,289
Accounts payable - Frost P/F	77	592
Purchase - Vest Pack P/F	0	15,293
Accounts payable Vest Pack P/F	0	1,579
Purchase - Tjaldur P/F	81,766	66,397
Accounts payable - Tjaldur P/F	5,375	6,903
Purchase - Eystur- og Sandoyartunlar P/F	704	63
Accounts payable - Eystur- og Sandoyartunlar P/F	2	3
Based on association		
Revenues - FF Skagen A/S	14,019	0
Purchase - FF Skagen A/S	0	98
Accounts payable - FF Skagen A/S	0	83
Revenues - Pelagos P/F	27	0
Purchase - Pelagos P/F	51,401	40,752
Accounts - Pelagos P/F	4,028	0
Revenues - Salmon Proteins P/F	8,005	560
Accounts receivable - Salmon Proteins P/F	131	91
Accounts payable - Salmon Proteins P/F	1,941	0
Revenues - Svínóyar Rognkelsisstøð SP/F	411	591
Purchase - Svínóyar Rognkelsisstøð SP/F	6,137	7,439
Accounts receivables - Svínóyar Rognkelsisstøð SP/F	8,102	8,101
Accounts payable - Svínóyar Rognkelsisstøð SP/F	722	0

NOTE 5.3 BUSINESS COMBINATIONS

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

In a transaction closed on 1 January 2022, Bakka Frost has acquired 90% of the shares in Munkebo Seafood A/S. The deal was jointly made with the General Manager of Munkebo Seafood. The shares were acquired from Paul Lybech, who has been engaged with Munkebo Seafood for almost 25 years. Following the transaction, the General Manager holds 10% of the shares in Munkebo Seafood A/S while Bakka Frost 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. Bakka Frost 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 Bakka Frost's value chain. With a planned increase in production of salmon over the coming years, from Bakka Frost's farms in the Faroe Islands and in Scotland, Munkebo Seafood will have a strengthened raw material base and Bakka Frost 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, Bakka Frost can now offer a wider range of products. Bakka Frost offers fresh, frozen, and smoked salmon products, and now canned food is added. Bakka Frost has a global sales network, and Munkebo Seafood's products will now be offered in a wider market as a supplement to Bakka Frost'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 on a 3rd party valuation.

The fair value of receivables has been determined based on 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 adjustment	Fair value
Goodwill	0	7,586	7,586
Intangible assets	7	0	7
Property, plant, and equipment - incl. IFRS 16	13,665	0	13,665
Account's receivables	8,480	0	8,480
Inventories	21,238	0	21,238
Other current assets, excluding cash and bank	2,202	0	2,202
Total assets	45,592	7,586	53,178
Deferred taxes and other taxes	1,091	1,157	2,248
Long-term liabilities, interest-bearing	7,405	0	7,405
Accounts payable	13,733	0	13,733
Other payable	4,404	0	4,404
Liabilities	26,633	1,157	27,790
Net assets	18,959	6,429	25,388

NOTE 5.4 EVENTS AFTER THE DATE OF THE STATEMENT OF FINANCIAL POSITION

This is regarding new information regarding the company's financial position on the statement of financial position, which is received after the date of the statement of financial position, has been recognized in the annual accounts. Events after the date of the statement of financial position, which do not affect the company's financial position on the statement of financial position date, but which will affect the company's future financial position, are disclosed if material.

NOTE 5.5 AUDITOR'S FEES

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

DKK 1,000	2021	2020
Statutory auditing	1,262	1,357
Tax advisory services	55	50
Other services	300	407
Total auditor's fees	1,617	1,814

NOTE 5.6 GOING CONCERN

With reference to the Group's profits, financial strength and long-term forecasts for the years ahead, it is confirmed that the financial statements for 2021 are based on the assumption that Bakkafrøst is a going concern. In the opinion of the Board, the Group's financial position is good.

**NOTE 5.7
ALTERNATIVE PERFORMANCE MEASURES**

The Group's financial information is prepared in accordance with international financial reporting standards (IFRS). In addition, the management's intention is to provide alternative performance measures, which are regularly reviewed by the management to enhance the understanding of the company's performance, but not replacing the financial statements prepared in accordance with IFRS. The alternative performance measures presented may be determined or calculated differently by other companies. Bakkafrøst's experience is that these APM's are frequently used by analysts, investors and other parties.

These APM's are adjusted IFRS measures defined, calculated and used in a consistent and transparent manner over the years and across the company where relevant.

NIBD

Net interest-bearing debt consists of both current and non-current interest-bearing liabilities, less related current and non-current hedging instruments, financial instruments, such as debt instruments and derivatives, and cash and cash equivalents. The net interest-bearing debt is a measure of the Group's net indebtedness that provides an indicator of the overall balance sheet strength. It is also a single measure that can be used to assess both the Group's cash position and its indebtedness. The use of the term 'net debt' does not necessarily mean that the cash included in the net debt calculation is available to settle the liabilities included in this measure. Net debt is an alternative performance measure as it is not defined in IFRS. The most directly comparable IFRS measure is the aggregate interest-bearing liabilities (both current and non-current) and cash and cash equivalents. A reconciliation from these to net debt is provided below.

	31.12.2021	31.12.2020
DKK 1,000		
Cash and cash equivalents	-509,157	-466,939
Long- and short-term interest-bearing debt	2,634,968	2,219,690
Net interest-bearing debt	2,125,811	1,752,751

Operational EBIT

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

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

DKK 1,000	2021	2020
EBIT	1,144,685	691,123
Fair value adjustments of biological assets	-434,868	-118,003
Income from associates	-30,112	-5,546
Revenue tax – FO	141,489	53,584
Operational EBIT	821,194	621,158

EBITDA

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

Operational EBIT per kg:

Farming FO segment::

Operational EBIT Farming FO segment

Total harvested volumes FO (gw)

VAP segment:

Operational EBIT VAP segment

Total volumes produced (raw material gw)

Farming FO and VAP segment:

Operational EBIT Farming FO and VAP segment

Total harvested volumes FO (gw)

Farming SCT segment:

Operational EBIT Farming SCT segment

Total harvested volumes SCT (gw)

DKK 1,000	2021	2020
Profit for the year to the shareholders of P/F Bakkafrøst	964,036	462,845
Fair value adjustment of biomass	-434,868	-118,003
Tax on fair value adjustment and onerous contracts provisions	78,276	21,241
Adjusted profit for the year to shareholders of P/F Bakkafrøst	607,444	366,083
Time-weighted average number of shares outstanding through the year	59,064,994	59,090,092
Adjusted earnings per share (before fair value adjustment of biomass and provisions for onerous contracts) (adjusted EPS)	10.28	6.20

Adjusted EPS

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

Financial Statements

P/F BAKKAFROST



P/F BAKKAFROST

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P/F BAKKAFROST

Income Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2021	2020
Operating revenue		163,467	164,253
Salary and personnel expenses	2	-38,205	-36,395
Other operating expenses		-97,291	-100,522
Depreciation	4	-29,500	-29,642
Earnings before interest and taxes (EBIT)		-1,529	-2,306
Dividends from subsidiaries		282,140	989,908
Income from other investments in shares	6	50	36
Financial income	3	44,227	17,187
Net interest expenses	3	-31,501	-21,110
Net currency effects	3	31,014	1,350
Other financial expenses	3	-5,822	-6,175
Earnings before taxes (EBT)		318,579	978,890
Taxes	8	-6,655	1,834
Profit to shareholders of P/F Bakkafrøst		311,924	980,724
Distribution of profit			
Dividend proposed		303,995	215,872
Retained earnings		7,929	764,852
Distribution in total		311,924	980,724

P/F BAKKAFROST

Statement of Financial Position

AS AT 31 DECEMBER

DKK 1,000	Note	2021	2020
ASSETS			
Non-current assets			
Intangible assets		1,000	1,000
Total intangible assets		1,000	1,000
Property, plant and equipment			
Land, buildings and other real estate	4	219,864	226,706
Plant, machinery and other operating equipment	4	90,477	107,423
Total property plant and equipment		310,341	334,129
Non-current financial assets			
Investments in subsidiaries	5	5,575,253	5,576,500
Investments in stocks and shares	6	750	1,273
Total non-current financial assets		5,576,003	5,577,773
TOTAL NON-CURRENT ASSETS		5,887,344	5,912,902
Inventory		31,059	23,840
Total inventory		31,059	23,840
Receivables from Group companies		6,422,500	5,041,764
Accounts receivable		24,753	2,780
Other receivables		23,279	17,592
Total receivables		6,470,532	5,062,136
Cash and cash equivalents		400,145	348,385
TOTAL CURRENT ASSETS		6,901,736	5,434,361
TOTAL ASSETS		12,789,080	11,347,263

DKK 1,000	Note	2021	2020
EQUITY AND LIABILITIES			
Equity			
Share capital	7	59,143	59,143
Other equity		9,146,165	9,038,737
Total equity		9,205,308	9,097,880
Non-current liabilities			
Long-term interest-bearing debt	9	2,634,362	2,219,652
Deferred taxes	8	10,116	11,471
Total non-current liabilities		2,644,478	2,231,123
Current liabilities			
Derivatives	3.12	4,721	0
Payables to Group companies		905,003	0
Current tax liabilities		7,559	0
Accounts payable		15,527	12,619
Other short-term liabilities		6,484	5,641
Total current liabilities		939,294	18,260
Total liabilities		3,583,772	2,249,383
TOTAL EQUITY AND LIABILITIES		12,789,080	11,347,263

P/F BAKKAFROST

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER

DKK 1,000	Note	2021	2020
Cash flow from operations			
EBIT		-1,529	-2,306
Adjustments for write-downs and depreciation	4	29,500	29,642
Adjustments for net currency effects	3	31,014	1,350
Adjustments for share-based payment	2	601	810
Taxes paid	8	1,099	-4,284
Change in inventory		-7,219	-5,392
Change in receivables		-27,660	-17,675
Change in current debts		5,397	1,930
Cash flow from operations		31,203	4,075
Cash flow from investments			
Increase of share capital in subsidiaries, etc., net	5	1,770	-167,807
Payments made for purchase of fixed assets	4	-5,712	-256
Cash flow from investments		-3,942	-168,063
Cash flow from financing			
Changes in interest-bearing debt (short and long)		415,560	508,347
Financial income	3	44,227	17,187
Financial expenses	3	-37,323	-27,285
Financing of associates/subsidiaries		-475,733	-1,527,431
Acquisition/sale treasury shares		11,499	-37,616
Dividend from subsidiaries		282,140	989,908
Dividend paid		-215,872	0
Cash flow from financing		24,498	-76,890
Net change in cash and cash equivalents		51,759	-240,878
Cash and cash equivalents - opening balance		348,386	589,264
Cash and cash equivalents - closing balance total		400,145	348,385

P/F BAKKAFROST

Statement of Changes in Equity

AS AT 31 DECEMBER

DKK 1,000	Share capital	Share premium account	Treasury shares	Share-based payment	Derivatives	Proposed dividends	Retained earnings	Total
1 January 2021	59,143	3,838,206	-37,685	1,354	0	215,872	5,020,990	9,097,880
Net annual profit	0	0	0	0	0	0	311,924	311,924
Other comprehensive income:								
Fair value adjustment on financial derivatives	0	0	0	0	-3,871	0	0	-3,871
Total other comprehensive income	0	0	0	0	-3,871	0	0	-3,871
Total comprehensive income	0	0	0	0	-3,871	0	311,924	308,053
Transaction with owners:								
Treasury shares	0	0	10,958	0	0	0	3,748	14,706
Share-based payment	0	0	0	217	0	0	0	217
Dividend treasury shares	0	0	0	0	0	0	324	324
Paid-out dividends	0	0	0	0	0	-215,872	0	-215,872
Proposed dividends	0	0	0	0	0	303,995	-303,995	0
Total transaction with owners	0	0	10,958	217	0	88,123	-299,923	-200,625
Total changes in equity	0	0	10,958	217	-3,871	88,123	12,001	107,428
31 December 2021	59,143	3,838,206	-26,727	1,571	-3,871	303,995	5,032,991	9,205,308
1 January 2020	59,143	3,838,206	-68	1,001	-520	0	4,254,784	8,152,546
Net annual profit	0	0	0	0	0	0	980,724	980,724
Other comprehensive income:								
Fair value adjustment on financial derivatives	0	0	0	0	520	0	0	520
Total other comprehensive income	0	0	0	0	520	0	0	520
Total comprehensive income	0	0	0	0	520	0	980,724	981,244
Transaction with owners:								
Treasury shares	0	0	-37,617	0	0	0	1,354	-36,263
Share-based payment	0	0	0	353	0	0	0	353
Proposed dividends	0	0	0	0	0	215,872	-215,872	0
Total transaction with owners	0	0	-37,617	353	0	215,872	-214,518	-35,910
Total changes in equity	0	0	-37,617	353	520	215,872	766,206	945,334
31 December 2020	59,143	3,838,206	-37,685	1,354	0	215,872	5,020,990	9,097,880

P/F BAKKAFROST

Notes to the Financial Statements

NOTE 1. ACCOUNTING POLICIES

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS), endorsed by the European Union (EU), and the additional requirements according to the Faroese Financial Reporting Act. The accounting policies applied to the consolidated accounts have also been applied to the parent company, P/F

Bakkafrost. The notes to the consolidated accounts provide additional information to the parent company's accounts, which is not presented here separately. The company's financial statements are presented in DKK. Investments in subsidiaries are measured at historic cost unless there is any indication of impairment. In case of impairment, an investment is written down to fair value.

NOTE 2. SALARIES AND OTHER PERSONNEL EXPENSES

DKK 1,000	2021	2020
Wages and salaries	30,834	27,754
Share based payments	601	810
Social security taxes	1,349	1,773
Pension expenses	2,153	1,995
Other benefits	3,268	4,063
Total payroll expenses	38,205	36,395
Average number of full-time employees	66	63

REMUNERATION TO SENIOR EXECUTIVES AND AUDITORS

For details of remuneration paid to senior executives, see notes to the consolidated financial statements. The company

paid DKK 586,000 (DKK 954,000) for audit service, DKK 55,000 (DKK 50,000) for tax advisory and DKK 97,500 (DKK 379,500) for other service. Please also see note 5.5 in the consolidated financial statements.

NOTE 3. NET FINANCIAL ITEMS

DKK 1,000	2021	2020
Interests received from Group companies	43,303	16,289
Realized profit on financial derivatives	861	0
Other financial income	63	898
Financial income	44,227	17,187
Interest expenses on long- and short-term loans	-31,500	-21,110
Interest expenses on accounts payable	-1	0
Financial expenses	-31,501	-21,110
Other exchange differences	31,014	1,350
Net currency effects	31,014	1,350
Other financial expenses	-5,822	-6,175
Other financial items	-5,822	-6,175
Net financial items	37,918	-8,748

NOTE 4. PROPERTY, PLANT AND EQUIPMENT

DKK 1,000	Land and buildings	Other equipment	Total
Acquisition cost as at 01.01.21	289,773	178,737	468,510
Disposals and scrapping during the year	0	-787	-787
Acquisitions during the year	4,638	1,234	5,872
Acquisition cost as at 31.12.21	294,411	179,184	473,595
Accumulated depreciation and write-down as at 01.01.21	-63,067	-71,315	-134,382
Depreciations during the year related to disposals	0	628	628
Depreciations during the year	-11,480	-18,020	-29,500
Accumulated depreciation and write-down as at 31.12.21	-74,547	-88,707	-163,254
Net book value as at 31.12.21	219,864	90,477	310,341
Acquisition cost as at 01.01.20	415,940	52,313	468,253
Reclassification	-126,167	126,167	0
Acquisitions during the year	0	257	257
Acquisition cost as at 31.12.20	289,773	178,737	468,510
Accumulated depreciation and write-down as at 01.01.20	-67,622	-37,117	-104,739
Reclassification	15,982	-15,982	0
Depreciations during the year	-11,427	-18,216	-29,643
Accumulated depreciation and write-down as at 31.12.20	-63,067	-71,315	-134,382
Net book value as at 31.12.20	226,706	107,423	334,129

A significant part of Bakkafrost's buildings is located on rented land.

	Estimated lifetime	Depreciation method	Scrap value
Land and buildings	15-25 years	linear	10%
Other operating equipment	3-8 years	linear	0%

NOTE 5. SUBSIDIARIES AND ASSOCIATES

DKK 1,000	2021	2020
Acquisition cost as at 01.01.	5,579,266	5,411,459
Additions during the year	-1,247	167,807
Acquisition cost as at 31.12.	5,578,019	5,579,266
Re-evaluations as at 01.01.	-2,766	-2,766
Re-evaluations as at 31.12.	-2,766	-2,766
Net book value as at 31.12.	5,575,253	5,576,500

DKK 1,000 Company	Cost Method Yes/No	Head Office	Ownership	Voting share	Carrying amount in P/F Bakkafrøst 2021	Carrying amount in P/F Bakkafrøst 2020
Bakkafrøst Processing P/F	Yes	Glyvrrar	100%	100%	258,591	258,591
Bakkafrøst Sales P/F	Yes	Glyvrrar	100%	100%	879	879
Bakkafrøst Packaging P/F	Yes	Glyvrrar	100%	100%	7,781	7,781
Bakkafrøst Farming P/F	Yes	Glyvrrar	100%	100%	314,887	314,887
Havsbrún P/F	Yes	Glyvrrar	100%	100%	908,884	908,884
Bakkafrøst UK Ltd	Yes	Grimsby	100%	100%	4,649	4,649
Bakkafrøst Danmark ApS	Yes	Glyvrrar	100%	100%	50	50
Scottish Salmon Company Ltd	Yes	Edinburgh	100%	100%	4,074,182	4,075,779
Förka P/F	Yes	Glyvrrar	100%	100%	5,000	5,000
07.07.2021 P/F	Yes	Tórshavn	70%	70%	350	n/a
Total subsidiaries					5,575,253	5,576,500

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

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

DKK 1,000	Dividends*	Excess dividends on result	Result 2021	Result 2020
Bakkafrøst Farming P/F	316,840	193	317,033	192,196
Bakkafrøst Sales P/F	205,298	2,110	207,408	-2,181
Bakkafrøst Packaging P/F	15,324	-155	15,169	202
Bakkafrøst Processing P/F	75,074	0	75,074	140,064
Havsbrún P/F	267,873	-15,403	252,470	119,020
Bakkafrøst UK Ltd.	0	3,754	3,754	3,340
Bakkafrøst Danmark ApS	0	-6	-6	-7
Scottish Salmon Company	0	-253,231	-253,231	-163,185
Förka P/F	0	2,430	2,430	-2,678
07.07.2021 P/F	0	-56	-56	0
Total revenue Group contribution	880,409	-260,364	620,045	-286,771

* Dividends from subsidiaries paid out in 2022

NOTE 6. INVESTMENTS IN STOCKS AND SHARES

DKK 1,000	2021	2020
Acquisition cost as at 01.01.	183	183
Acquisition cost as at 31.12.	183	183
Re-evaluations as at 01.01.	1,090	1,053
Dividend	-573	0
Re-evaluations during the year	50	37
Re-evaluations as at 31.12.	567	1,090
Net book value as at 31.12.	750	1,273

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

NOTE 7. SHARE CAPITAL AND MAJOR SHAREHOLDERS

DKK 1,000	2021	2020
Share capital at 31.12.	59,143	59,143
Share capital at 31.12.	59,143	59,143

The share capital is distributed into shares of DKK 1 and multiples thereof. For shareholders holding more than 5% in the Company as at 31 December 2021, see Group Accounts.

NOTE 8. TAX

The tax expense for the year breaks down as follows:

DKK 1,000	2021	2020
Tax payable	-6,737	1,819
Change in deferred tax	82	15
Tax expense on ordinary profit	-6,655	1,834
Tax in the statement of financial position		
Deferred tax	10,116	11,471
Tax in the statement of financial position	10,116	11,471
Specification of temporary differences		
Property, plant and equipment	60,883	63,691
Swaps	-4,683	0
Total temporary differences	56,200	63,691
Deferred tax liabilities (+) / assets (-)	10,116	11,471
Reconciliation from nominal to actual tax rate		
Profit before tax	318,579	978,890
Expected tax at nominal tax rate (18%)	-57,344	-176,200
Permanent differences, including Group contribution without tax effect (18%)	50,785	178,183
Other permanent differences (18%)	-96	-149
Calculated tax expense	-6,655	1,834
Effective tax rate	-2.09%	0.19%

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

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

DKK 1,000	2021	2020
Long-term debt to financial institutions	2,634,362	2,219,652
Total	2,634,362	2,219,652
Carrying amount of assets pledged as security for recognized debt		
Property, plant and equipment	219,864	226,706
Total	219,864	226,706

The company participates in a Group financing for the Bakka-frost Group. In connection to this, the company has together with other Group companies pledged licenses, property, plant and equipment, shareholdings, inventory and receivables as surety for the Group's total debt to the banks. In addition, the Group companies have guaranteed severally and jointly for the balance without limitations for each other.

As part of the guarantees are also any insurance refunds.

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

NOTE 10. RELATED-PARTY TRANSACTIONS

The company operates cash pooling arrangements in the Group. Further, the company extends loans to subsidiaries and associates at terms and conditions reflecting prevailing market conditions for corresponding services, allowing a margin to cover administration and risk. The company allocates costs for corporate staff services and shared services to subsidiaries and renting of buildings.

The total amounts for rent are DKK 21.2 million (2020: DKK 21.2 million), allocation of administration etc. DKK 84.4 million (2020: DKK 82.1 million), financial incomes of DKK 15.9 million (2020: DKK 16.7 million) and financial expenses amounting to DKK 0.0 million (2020: DKK 0.4 million). The principle of arm's length is used in all transactions with related parties.

APPENDIX

Quarterly financial figures 2019-2021

DKK 1,000	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
Operating revenue	963,709	946,506	996,050	1,604,842	1,255,226	1,134,222	1,123,147	1,139,297	1,175,637	1,617,534	1,272,362	1,488,316
Purchase of goods	-361,540	-366,899	-274,775	-351,707	-415,276	-642,818	-574,394	-726,135	-288,602	-399,307	-496,680	-507,912
Change in inventory and biological assets (at cost)	34,013	134,296	-34,510	-163,222	-56,667	215,285	22,773	220,288	-7,375	-79,924	30,181	-120,942
Salary and personnel expenses	-114,552	-117,690	-95,713	-184,806	-148,713	-159,987	-135,441	-164,206	-167,570	-184,782	-177,607	-198,464
Other operating expenses	-200,153	-199,656	-218,367	-360,611	-267,470	-249,039	-248,265	-297,945	-357,934	-419,751	-434,744	-419,685
Depreciation	-53,773	-57,793	-69,304	-129,245	-119,017	-115,766	-85,157	-126,825	-130,655	-126,281	-122,967	-150,531
Other income	0	0	0	0	0	0	0	44,041	0	0	0	28,877
Operational EBIT	267,704	338,764	303,381	415,251	248,083	181,897	102,663	88,515	223,501	407,489	70,545	119,659
Fair value adjustments on biological assets	17,871	-65,536	-69,804	-103,098	-410,711	426,650	124,429	-22,365	284,622	176,486	113,713	-139,953
Income from associates	6,947	-4,408	7,620	3,653	0	0	0	5,546	1,317	3,081	7,963	17,751
Revenue tax – FO	-31,994	-32,031	-20,616	-14,487	-19,132	-22,633	-9,353	-2,466	-20,363	-41,152	-30,645	-49,329
Earnings before interest and taxes (EBIT)	260,528	236,789	220,581	301,319	-181,760	585,914	217,739	69,230	489,077	545,904	161,576	-51,872
Net interest revenue	111	638	850	3,397	803	344	101	151	120	2,239	1,073	110
Net interest expenses	-1,865	-2,534	-3,011	-9,704	-9,527	-10,057	-6,446	-10,287	-7,605	-10,908	-7,784	-10,566
Net currency effects	1,425	-4,760	5,165	-14,500	15,448	-2,554	-12,284	-13,706	18,901	-1,992	6,552	22,401
Other financial expenses	-864	-974	-935	-9,740	-6,015	-2,355	-3,919	-4,836	-7,025	-5,438	-3,319	-3,782
Earnings before taxes (EBT)	259,335	229,159	222,650	270,772	-181,051	571,292	195,191	40,552	493,468	529,805	158,098	-43,709
Taxes	-46,499	-40,557	-41,715	-51,260	33,070	-99,611	-18,369	-78,229	-85,736	-101,678	-26,796	40,584
Profit or loss for the period	212,836	188,602	180,935	219,512	-147,981	471,681	176,822	-37,677	407,732	428,127	131,302	-3,125
Earnings per share (DKK)	4.37	3.88	3.67	4.25	-2.50	7.98	2.99	-0.64	6.90	7.25	2.22	-0.05
Diluted earnings per share (DKK)	4.37	3.88	3.67	4.25	-2.50	7.98	2.99	-0.64	6.90	7.25	2.22	-0.05

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

DKK 1,000	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
ASSETS												
Non-current assets												
Intangible assets	391,042	390,456	390,456	4,395,687	4,386,056	4,377,948	4,491,387	4,493,395	4,493,081	4,494,960	4,495,225	4,495,726
Property, plant and equipment	3,004,587	3,112,331	3,215,676	3,780,499	3,762,740	3,894,070	3,977,620	4,220,599	4,405,542	4,549,575	4,742,180	4,888,778
Right of use assets	0	0	0	332,824	480,085	431,525	380,121	353,192	337,739	314,509	308,919	302,105
Financial assets	115,725	111,268	494,006	119,084	119,116	116,712	116,702	122,459	123,204	124,225	132,313	149,225
Long-term receivables	7,688	3,446	3,446	4,422	4,422	4,422	8,737	8,101	8,202	8,101	8,204	8,102
Deferred tax assets	0	0	0	37,593	37,840	35,718	58,238	26,934	0	0	0	215,248
Total non-current assets	3,519,042	3,617,501	4,103,584	8,670,109	8,790,259	8,860,395	9,032,805	9,224,680	9,367,768	9,491,370	9,686,841	10,059,184
Current assets												
Biological assets (biomass)	1,290,944	1,231,495	1,268,948	1,901,729	1,492,337	1,903,359	2,146,338	2,117,024	2,441,083	2,489,210	2,703,268	2,448,290
Inventory	562,817	697,073	534,057	548,508	523,833	720,764	613,505	776,032	772,024	809,443	690,251	709,306
Total inventory	1,853,761	1,928,568	1,803,005	2,450,237	2,016,170	2,624,123	2,759,843	2,893,056	3,213,107	3,298,653	3,393,519	3,157,596
Financial derivatives	0	0	575	0	0	0	0	0	0	6,805	6,412	0
Accounts receivable	429,608	371,960	356,026	625,993	629,372	563,364	524,943	490,075	548,537	618,859	645,983	824,004
Other receivables	22,444	28,884	35,970	45,520	22,780	11,236	57,546	133,574	61,171	84,598	152,506	78,227
Total receivables	452,052	400,844	392,571	671,513	652,152	574,600	582,489	623,649	609,708	710,262	804,901	902,231
Cash and cash equivalents	341,574	322,694	2,611,554	1,309,546	801,079	454,389	445,929	466,939	373,706	552,981	373,318	509,157
Total current assets	2,647,387	2,652,106	4,807,130	4,431,296	3,469,401	3,653,112	3,788,261	3,983,644	4,196,521	4,561,896	4,571,738	4,568,984
TOTAL ASSETS	6,166,429	6,269,608	8,910,714	13,101,405	12,259,660	12,513,507	12,821,066	13,208,324	13,564,289	14,053,266	14,258,579	14,628,168

DKK 1,000	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021	Q3 2021	Q4 2021
EQUITY AND LIABILITIES												
Equity												
Share capital	48,858	48,859	53,658	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143	59,143
Other equity	4,240,869	4,035,000	5,984,391	8,270,112	8,070,356	8,522,287	8,702,346	8,670,344	9,120,850	9,336,906	9,464,500	9,288,269
Non-controlling interests	0	0	0	167,620	0	0	0	0	0	0	0	133
Total equity	4,289,727	4,083,859	6,038,049	8,496,875	8,129,499	8,581,430	8,761,489	8,729,487	9,179,993	9,396,049	9,523,643	9,347,545
Non-current liabilities												
Deferred and other taxes	581,371	622,500	672,628	1,123,796	1,097,117	1,181,972	1,218,379	1,222,222	1,288,242	1,367,759	1,409,473	1,590,034
Long-term interest-bearing debt	862,944	1,066,266	1,340,073	2,328,231	1,789,537	1,570,512	1,702,579	2,219,690	2,312,487	2,456,065	2,359,589	2,634,968
Long-term leasing debt	60,816	71,445	71,109	225,585	261,105	249,178	287,937	265,235	235,552	249,024	247,076	245,753
Financial derivatives	0	0	0	1,966	1,966	1,282	-1,077	1,480	0	0	0	3,207
Total non-current liabilities	1,505,131	1,760,211	2,083,810	3,679,578	3,149,725	3,002,944	3,207,818	3,708,627	3,836,281	4,072,848	4,016,138	4,473,962
Current liabilities												
Financial derivatives	613	0	0	13,493	13,158	18,042	17,371	9,710	4,649	2,251	2,994	4,602
Short-term leasing debt	0	0	0	107,808	201,047	195,140	130,043	131,336	143,271	97,669	93,487	87,668
Accounts payable and other debt	370,958	425,538	788,855	803,651	766,231	715,951	704,345	629,164	400,095	484,449	622,317	714,391
Total current liabilities	371,571	425,538	788,855	924,952	980,436	929,133	851,759	770,210	548,015	584,369	718,798	806,661
Total liabilities	1,876,702	2,185,749	2,872,665	4,604,530	4,130,161	3,932,077	4,059,577	4,478,837	4,384,296	4,657,217	4,734,936	5,280,623
TOTAL EQUITY AND LIABILITIES	6,166,429	6,269,608	8,910,714	13,101,405	12,259,660	12,513,507	12,821,066	13,208,324	13,564,289	14,053,266	14,258,579	14,628,168

Market Announcements Published in 2021

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

Q1 2021

4 January 2021: Q4 2020 Trading Update
23 February 2021: Financial Calendar
23 February 2021: Q4 2020 Interim Results and Full Year 2020
23 February 2021: Key Information Regarding Cash Dividend for Bakkafrøst
10 March 2021: Annual Report 2020
16 March 2021: Notice to the Annual General Meeting

Q2 2021

6 April 2021: Q1 2021 Trading Update
9 April 2021: Protocol from Annual General Meeting
9 April 2021: Sustainability Report 2019
12 April 2021: Ex dividend DKK 3.65 today
12 April 2021: Payment of dividend in NOK on 30 April 2021
11 May 2021: Q1 2021 Interim Results

Q3 2021

1 July 2021: Q2 2021 Trading Update
24 August 2021: Q2 2021 Interim Results
13 September 2021: Capital Markets Day Webcast – 14 September 2021
14 September 2021: Capital Markets Day presentation 14 September 2021

Q4 2021

4 October 2021: Q3 2021 Trading Update
7 October 2021: Financial Calendar
3 November 2021: Q3 2021 Interim Results
10 December 2021: Refinancing
19 December 2021: Update on the continued effects from previously disclosed biological challenges

Financial Calendar for 2022

■ 29 April 2022	Annual General Meeting
■ 10 May 2022	Presentation of Q1 2022
■ 23 August 2022	Presentation of Q2 2022
■ 8 November 2022	Presentation of Q3 2022

Annual General Meeting will take place at Bakkavegur 9, Glyvrar, Faroe Islands.

Please note that the financial calendar is subject to change.

Any changes will be announced via Oslo Børs, and the Group's website, www.bakkafrost.com, will be updated accordingly.

Glossary

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

