



Iceland Seafood International hf.

Condensed Consolidated Interim Financial Statements

for the six months ended 30 June 2020

Iceland Seafood International hf.
Köllunarklettsvegur 2
104 Reykjavík
Iceland
TIN 611088-1329

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Company Information

Name	Iceland Seafood International hf.
TIN	611088-1329
BOD	Liv Bergþórsdóttir, Chairman Bergþór Baldvinsson, Board Member Halldór Leifsson, Board Member Ingunn Agnes Kro, Board Member Jakob Valgeir Flosason, Board Member Gunnlaugur Karl Hreinsson, Alternate Board Member
CEO	Bjarni Ármannsson
Address	Köllunarklettsvegur 2 104 Reykjavík Iceland
Web	www.icelandseafood.com
Lawyers	Lex ehf. Borgartúni 26 105 Reykjavík Iceland www.lex.is
Auditors	Deloitte ehf. Smáratorg 3 201 Kópavogur Iceland www.deloitte.is
Reporting currency	Euro (EUR)

Statement and Endorsement

by the Board of Directors and the CEO

Statement

It is the opinion of the Board of Directors and the CEO of Iceland Seafood International hf. (the Company), that these Condensed Consolidated Interim Financial Statements present the necessary information to evaluate the financial position of the Company at the end of June 2020 and the operating results and financial developments for the six months then ended.

The Condensed Consolidated Interim Financial Statements are prepared in accordance with the International Accounting Standard IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Company's Financial Statements for the year ended 31 December 2019.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Company's financial position and performance from year end 2019.

The Condensed Consolidated Interim Financial Statements are reviewed by the Company's auditors.

The Company

The Company is a holding company for a Group of subsidiaries that are leading suppliers of North Atlantic seafood, one of the largest exporters of seafood from Iceland and a key processor of high quality seafood in the Spanish, United Kingdom and Irish markets. The Group is headquartered in Iceland and has subsidiaries in the United Kingdom, Ireland, Spain, Argentina, Iceland, France, Germany and the United States.

The Group operates across three divisions, Value Added Southern Europe, Value Added Northern Europe and Sales & Distribution Division which has offices in Iceland, France, Germany and the USA. The Value Added Divisions have processing factories and coldstores in their respective regions with Southern Europe also having a satellite facility in Argentina.

Operations for the period

Total sales in the period of EUR 183.2 million were 21% down on the prior year. Sales in the VA S-Europe division are predominantly to the HORECA sector which was significantly impacted by the Covid19 pandemic, this resulted in divisional sales of EUR 65.4 million which was EUR 31.4 million down on 1H 2019. The pandemic also impacted sales of S&D division which were EUR 33.3 million down on prior year. At the same time sales of N-Europe division were 13% up on prior year, driven by strong sales to retail customers in both UK and Ireland.

Normalised PBT in the period of EUR 2.0 million was EUR 3.5 million behind prior year, with lower sales being the key reason for the reduction. The profitability of VA S-Europe division was considerably impacted by the pandemic whilst the VA N-Europe division saw a 24% increase in Normalised PBT driven by strong retail sales. Cost of significant items was EUR 0.2 million in the period, reflecting costs related to acquisition of Elba and investment in UK. The resultant Net profit for the period of EUR 1.3 million was EUR 1.6 million down on previous year.

Total assets as at 30 June 2020 of EUR 237.7 million are EUR 28.2 million higher than at end of 2019. The increase in total assets were driven by higher stock level, mainly related to VA S-Europe division and UK, impact of Elba acquisition and investment in UK. Net debt at end of June of EUR 85.7 million was EUR 20.2 million higher than at year end 2019, reflecting the increase in total assets.

Equity amounted to EUR 82.8 million as at 30 June 2020 or EUR 2.6 million higher than at end of 2019. The equity ratio was 34.8% at 30 June 2020.

Statement and Endorsement

by the Board of Directors and the CEO

COVID 19

The Covid19 pandemic and related restrictions had a significant impact on operating results in 1H 2020. Sales in S-Europe which are predominantly to the HORECA sector, were significantly impacted by the situation. Same applied to sales to the foodservice sector in N-Europe whilst retail sales were strong during the period. After easing of restrictions started in Q2 and important activities related to the foodservice sector opened up (restaurants, canteens etc.) sales started to recover, although they were still well below last year sales.

Iceland Seafood's strong position has enabled the company to manage the situation effectively, among actions the Company has focussed on are:

- 1) Implementing appropriate contingency plans within the Group businesses, focusing on health and safety of employees and to secure the continuity of operations.
- 2) Tightening risk management controls, with focus on key assets on the balance sheet, inventories and receivables. Around 86% of receivables at 30 June 2020 are credit insured.
- 3) Secure liquidity and ongoing funding of the operation with banks in Iceland and Spain. As part of this, the Group did secure in excess of €17m new long term funding for the operation in Spain with Spanish banks in April 2020.
- 4) Utilise the Company's strong position to leverage opportunities that come up in the situation, both short term and longer term opportunities.

The situation remains unstable with rising rates of Covid19 cases in various regions. The impact of the pandemic on the Group's sales and profitability for the coming months is uncertain. The Group has reacted to the situation with securing significant sales growth into the retail sector, especially in UK. This will improve the balance between retail and foodservice sales going forward.

Acquisition of Elba S.L

On the 13 November 2019 the Company signed a Share Purchase agreement (SPA) to acquire Elba Seafood ehf, a special purpose vehicle where its only asset is Elba S.L in Spain. The acquisition was completed on 21 February 2020. The acquisition price for 100% stake in Elba Seafood ehf was EUR 4.4 million on a debt free, cash free basis, where 50% of the payment was settled with cash and the other 50% with new shares in Iceland Seafood International hf. The share issuance related to the settlement was completed in beginning of June. Further information on the Acquisition are in note 10.

Investment in UK

On the 4 March the Company announced an investment in significant processing and coldstore capacity in the UK and plans to merge its operation there into one legal entity. Total investment in property and minority stake in Havelok Ltd. is estimated in the range of GBP 8-9 million. The two UK subsidiaries Iceland Seafood Barraclough Ltd. and Havelok Ltd. will be merged into one legal entity Iceland Seafood UK Ltd., under one leadership team on a single manufacturing site. The merged business will be led by the two existing UK Managing Directors with Peter Hawkins heading up the overall operation and Danny Burton overseeing the refurbishment of the site and operational teams. The total investment for the site, refurbishment and machinery to fully utilize its potential is between GBP 5-6 million. The site includes a coldstore, with capacity of about 2.000 metric tons of products, which was up and running in June 2020. Commercial discussions with key UK retail customers are on track and significant revenue growth has been secured from Q4 2020, which will start to generate profits from beginning of next year.

In order to be the sole shareholder of the merged entity, Iceland Seafood acquired 33% stake from the management of Havelok Ltd. on the 4 March. The consideration for the shares was GBP 3.0 million with half of it paid by cash and the remainder with shares in Iceland Seafood International. The share issuance related to the acquisition were finalised in May 2020.

Further information on the investment in UK are in note 11.

Statement and Endorsement

by the Board of Directors and the CEO

Events after the reporting period

On the 28 August 2020 the Company signed a Letter of Intent (LOI) to acquire all the issued share capital of Carrs & Sons Seafood Ltd., an Irish seafood processing company specialized in high quality smoked salmon production. According to the LOI Iceland Seafood will acquire 100% stake in Carrs & Sons Seafood Ltd. for €6.5m, based on 2019 financial statement and other information provided by the seller at this stage. The LOI is a legally non-binding document and will serve as a basis for discussion of key terms for the potential transaction. Parties aim to complete the transaction before the 30 November 2020 (further details in Note 14).

Market capitalization

The Company is listed on the OMX Nordic Exchange in Iceland (ticker: ICESEA). The closing price at the end of June 2020 was ISK 7.80 per share (2019 year end: ISK 9.93), giving the Company a market capitalization of EUR 147.0 million (2019: EUR 187.8 million), a 22% decrease from year end 2019.

Shareholders

The number of shareholders at the end of June 2020 were 537 (2019 year end: 452). The ten largest were (shares are in ISK millions):

	30.6.2020		31.12.2019	
Sjávarsýn ehf.	283	11%	283	11%
Nesfiskur ehf.	274	10%	274	11%
FISK Seafood ehf.	274	10%	274	11%
Jakob Valgeir ehf.	269	10%	269	11%
Frjálsi lífeyrissjóðurinn	121	5%	124	5%
Lífsværk lífeyrissjóður	118	5%	108	4%
Birta lífeyrissjóður	110	4%	95	4%
Arion Banki hf.	110	4%	138	5%
Kvika banki hf.	105	4%	70	3%
Vátryggingafélag Íslands hf.	80	3%	73	3%
	<u>1.744</u>	<u>66%</u>	<u>1.708</u>	<u>68%</u>
Other shareholders (2020: 527 and 2019: 442)	872	34%	853	32%
	<u>2.616</u>	<u>100%</u>	<u>2.561</u>	<u>100%</u>

For an overview of changes in equity, see the Condensed Consolidated Statement of Changes in Equity.

Endorsement

The Board of Directors and the CEO of Iceland Seafood International hf. hereby confirm the Condensed Consolidated Interim Financial Statements of the Company for the six months ended 30 June 2020 with their signatures.

Reykjavík, 31 August 2020.

Liv Bergþórsdóttir
Chairman of the Board

Bergþór Baldvinsson
Board Member

Halldór Leifsson
Board Member

Ingunn Agnes Kro
Board Member

Jakob Valgeir Flosason
Board Member

Bjarni Ármannsson
Chief Executive Officer

Review Report

on the Condensed Consolidated Interim Financial Statements

To the Board of Directors and shareholders of Iceland Seafood International hf.

We have reviewed the accompanying Condensed Interim Consolidated Statement of Financial Position of Iceland Seafood International hf. as of 30 June 2020 and the related statements of Condensed Interim Consolidated Statement of Income, Condensed Interim Consolidated Comprehensive Income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's and the Board of directors Responsibility for the Financial Statements

The Board of Directors and management are responsible for the preparation and fair presentation of this Interim Consolidated Financial Statements in accordance with International Financial Reporting Standards for Interim Financial Reporting, IAS 34, as adopted by the EU.

Auditor's Responsibility

Our responsibility is to express a conclusion on this Condensed Interim Consolidated Financial Statements based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. A review of Interim Consolidated Financial Statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Condensed Consolidated Interim Financial Statements does not give a true and fair view of the financial position of the Group as at 30 June 2020, and of its financial performance and its cash flows for the six-month period then ended in accordance with IAS 34 as adopted by the EU.

Kópavogur, 31 August 2020.

Ingvi Björn Bergmann
State Authorised Public Accountant

Deloitte ehf.
Smáratorg 3
201 Kópavogur
Iceland

Condensed Consolidated Statement of Income

for the six months ended 30 June 2020

	Note	1H 2020			1H 2019		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
Gross profit							
Sales of seafood		183.236		183.236	232.109		232.109
Cost of sales		(157.209)		(157.209)	(200.823)		(200.823)
		26.027		26.027	31.286		31.286
Operating expenses							
Operating expenses		(20.721)	(282)	(21.003)	(22.981)	(1.650)	(24.631)
Depreciation and amortisation		(1.661)		(1.661)	(1.471)		(1.471)
Operating profit		3.645	(282)	3.363	6.834	(1.650)	5.184
Net finance costs		(1.295)		(1.295)	(1.134)		(1.134)
Net exchange rate difference		(344)		(344)	(210)		(210)
Profit before tax		2.006	(282)	1.724	5.490	(1.650)	3.840
Income tax expense		(469)	56	(413)	(1.258)	329	(929)
Profit for the period		1.537	(226)	1.311	4.232	(1.321)	2.911
Attributable to							
Owners of the Company		1.064	(226)	838	3.888	(1.319)	2.569
Non-controlling interests		473		473	344	(2)	342
		1.537	(226)	1.311	4.232	(1.321)	2.911
Earnings per share							
	7						
Basic (cents per thousand shares)		0,0597		0,0509	0,1811		0,1246
Diluted (cents per thousand shares)		0,0593		0,0506	0,1803		0,1240

* See note no 6 for information on significant items.

** See note no 4 for results of Q2 2020.

Condensed Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2020

	Note	1H 2020			1H 2019		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
Profit for the period		1.537	(226)	1.311	4.232	(1.321)	2.911
Items that may be reclassified subsequently to profit or loss							
Net fair value of cash flow hedges		1.104		1.104	228		228
Translation difference		(295)		(295)	113		113
Other adjustments		30		30	0		0
Total comprehensive income		2.376	(226)	2.150	4.573	(1.321)	3.252
Attributable to							
Owners of the Company		1.903	(226)	1.677	4.229	(1.319)	2.910
Non-controlling interests		473	0	473	344	(2)	342
		2.376	(226)	2.150	4.573	(1.321)	3.252

* See note no 6 for information on significant items.

Condensed Consolidated Statement of Financial Position

at 30 June 2020

	Note	30.6.2020	31.12.2019	30.6.2019
Assets				
Non-current assets				
Property, plant and equipment		22.542	17.578	16.456
Leased assets		2.293	2.679	3.309
Intangible assets	8	48.588	44.698	44.622
Investments in other companies	9	69	94	90
Deferred tax assets		2.568	2.978	2.941
Other long term assets		69	53	54
Total non-current assets		76.129	68.080	67.472
Current assets				
Inventories		89.639	65.062	62.437
Trade and other receivables		48.328	62.306	61.135
Other assets		7.500	4.397	3.465
Cash and bank balances		16.133	9.610	9.461
Total current assets		161.600	141.375	136.498
Total assets		237.729	209.455	203.970
Equity and liabilities				
Capital and reserves				
Issued capital and share premium		72.619	68.760	53.627
Translation reserve		(960)	(665)	(788)
Other reserves		1.172	38	766
Retained earnings		5.961	8.303	5.566
Equity attributable to owners of the Company		78.792	76.436	59.171
Non-controlling interests		4.010	3.805	3.232
Total equity		82.802	80.241	62.403
Non-current liabilities				
Borrowings	12	24.578	7.951	9.706
Lease liabilities		1.743	2.108	2.973
Retirement benefit and other obligations		1.026	1.202	1.120
Deferred tax liabilities		901	940	903
Total non-current liabilities		28.248	12.201	14.702
Current liabilities				
Borrowings	12	77.219	67.157	79.941
Lease liabilities		824	859	830
Trade and other payables		44.000	42.216	40.215
Other liabilities		4.636	6.781	5.879
Total current liabilities		126.679	117.013	126.865
Total liabilities		154.927	129.214	141.567
Total equity and liabilities		237.729	209.455	203.970

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2020

	Restricted equity						Unrealised profit of subsidiaries	Retained Earnings	Attributable to owners of the Company	Non - controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Hedging reserve	Statutory reserve	Equity reserve					
Balances at 1 January 2019	22.389	30.767	(901)	84	430	24	5.449	(2.004)	56.238	2.890	59.128
Profit (loss)							4.456	(1.887)	2.569	342	2.911
Net fair value gain on cash flow hedges				228					228		228
Translation of shares held in foreign currencies ..			113						113		113
Total comprehensive income			113	228			4.456	(1.887)	2.910	342	3.252
Issue of share capital	88	383							471		471
Other adjustments							(448)		(448)		(448)
Balances at 30 June 2019	22.477	31.150	(788)	312	430	24	9.457	(3.891)	59.171	3.232	62.403
Profit (loss)							3.951	(1.335)	2.616	573	3.189
Net loss on cash flow hedges				(753)					(753)		(753)
Translation of shares held in foreign currencies ..			123						123		123
Total comprehensive income			123	(753)			3.951	(1.335)	1.986	573	2.559
Issue of share capital	1.617	13.516							15.133		15.133
Dividend declared from subsidiaries to parent							(6.100)	6.100			
Other adjustments						25	121		146		146
Balances at 31 December 2019	24.094	44.666	(665)	(441)	430	49	7.429	874	76.436	3.805	80.241
Profit (loss)							2.547	(1.709)	838	473	1.311
Net fair value gain on cash flow hedges				1.104					1.104		1.104
Translation of shares held in foreign currencies ..			(295)						(295)		(295)
Other adjustments						30			30		30
Total comprehensive income			(295)	1.104		30	2.547	(1.709)	1.677	473	2.150
Issue of share capital	391	3.468							3.859		3.859
Acquisition of non controlling interests								(3.180)	(3.180)	(268)	(3.448)
Balances at 30 June 2020	24.485	48.134	(960)	663	430	79	9.976	(4.015)	78.792	4.010	82.802

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2020

	Note	1H 2020	1H 2019
Operating activities			
Operating profit		3.363	5.184
Depreciation and amortisation		1.661	1.471
Loss (gain) on disposal of property, plant and equipment		104	(28)
Change in obligations and other calculated liabilities		254	(549)
		<u>5.382</u>	<u>6.078</u>
Working capital generated from operations			
Increase in inventories		(22.124)	(330)
Decrease in receivables and other assets		13.633	1.317
Decrease in payables and other liabilities		(1.895)	(3.168)
		<u>(5.004)</u>	<u>3.897</u>
Cash (used in) / generated from operations before interests and taxes			
Interest received		68	62
Interest paid		(1.418)	(1.195)
Income taxes paid		(423)	(1.005)
		<u>(6.777)</u>	<u>1.759</u>
Net cash (used in) / generated from operating activities			
Investing activities			
Payments for property, plant and equipment		(6.302)	(3.354)
Payments for intangible assets		(142)	(67)
Proceeds from disposal of property, plant and equipment		267	107
Net cash outflow on acquisition of subsidiary	10	(1.850)	
		<u>(8.027)</u>	<u>(3.314)</u>
Net cash used in investing activities			
Net cash before financing activities			
		<u>(14.804)</u>	<u>(1.555)</u>
Financing activities			
Net proceeds from revolving credit facility		6.552	3.874
Net proceeds from borrowings on new term loan		19.662	6.500
Net repayment of other borrowings		(2.819)	(3.586)
Net cash outflow on acquisition of subsidiary's non-controlling interests	11	(1.724)	
Proceeds from issue of share capital, net of issue costs			471
		<u>21.671</u>	<u>7.259</u>
Net cash generated by financing activities			
Net increase in cash and bank balances		6.867	5.704
Cash and bank balances at the beginning of period		9.610	3.967
Effect of exchange rate changes on cash held in foreign currencies		(344)	(210)
		<u>16.133</u>	<u>9.461</u>
Non-cash investing and financing activities			
Acquisition of subsidiaries		(3.868)	
Proceeds from issue of share capital		3.868	

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2020

1. General information

Iceland Seafood International hf. (the Company) is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Köllunarklettsvegur 2, 104 Reykjavík.

The Condensed Consolidated Interim Financial Statements of the Company as at and for the six months ended 30 June 2020, comprise the Company and its subsidiaries (together referred to as "the Group").

The Company is a holding company for a Group of subsidiaries that are leading suppliers of North Atlantic seafood and one of the largest exporters of seafood from Iceland. The Group is headquartered in Iceland and has subsidiaries in the United Kingdom, Ireland, Spain, Argentina, Iceland, France, Germany and the United States.

The Company is listed on the OMX Nordic Exchange in Iceland (ticker: ICESEA).

2. Statement of compliance

The Condensed Consolidated Interim Financial Statements are prepared in accordance with the International Accounting Standard on Interim Financial Reporting, IAS 34, as adopted by the European Union.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended 31 December 2019.

3. Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements in line with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the year ended 31 December 2019.

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2020

4. Quarterly statements

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Revenue:					
Sales of seafood	82.277	121.625	140.879	106.968	119.260
Intercompany	(6.314)	(14.352)	(24.881)	(6.886)	(8.029)
	<u>75.963</u>	<u>107.273</u>	<u>115.998</u>	<u>100.082</u>	<u>111.231</u>
Operating results:					
Operating profit	442	3.203	4.421	3.146	2.505
Net finance costs	(1.020)	(619)	(752)	(1.030)	(487)
Normalised PBT	(578)	2.584	3.669	2.116	2.018
Income tax	81	(550)	(749)	(267)	(509)
Normalised Profit	(497)	2.034	2.920	1.849	1.509
Significant items	(42)	(184)	(1.100)	(480)	(507)
Profit	(539)	1.850	1.820	1.369	1.002
Assets	<u>237.729</u>	<u>216.653</u>	<u>209.455</u>	<u>199.055</u>	<u>203.970</u>
Liabilities	<u>154.927</u>	<u>155.359</u>	<u>129.214</u>	<u>135.529</u>	<u>141.567</u>

Quarterly statements have not been reviewed by the Group's auditors

5. Segment reporting

For 1H 2020	Value added S-Europe	Value added N-Europe	Sales and distribution	Other and Eliminations	Consolidated
Revenue:					
Sales of seafood	75.014	54.407	74.481		203.902
Intercompany	(9.654)	(13)	(5.520)	(5.479)	(20.666)
	<u>65.360</u>	<u>54.394</u>	<u>68.961</u>	<u>(5.479)</u>	<u>183.236</u>
Operating results:					
Operating profit (loss)	998	2.415	555	(323)	3.645
Net finance costs	(710)	(513)	(71)	(345)	(1.639)
Normalised PBT	288	1.902	484	(668)	2.006
Income tax	34	(257)	(82)	(164)	(469)
Normalised profit (loss)	322	1.645	402	(832)	1.537
Significant items	41	(160)	(45)	(62)	(226)
Profit (loss)	363	1.485	357	(894)	1.311
Assets	<u>112.789</u>	<u>54.410</u>	<u>25.738</u>	<u>44.792</u>	<u>237.729</u>
Liabilities	<u>87.969</u>	<u>36.096</u>	<u>20.653</u>	<u>10.209</u>	<u>154.927</u>

Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2020

For 1H 2019	Value added S-Europe	Value added N-Europe	Sales and distribution	Other and Eliminations	Consolidated
Revenue:					
Sales of seafood	105.617	48.353	109.111		263.081
Intercompany	(8.820)	(61)	(6.851)	(15.240)	(30.972)
	<u>96.797</u>	<u>48.292</u>	<u>102.260</u>	<u>(15.240)</u>	<u>232.109</u>
Operating results:					
Operating profit (loss)	4.154	1.977	1.166	(463)	6.834
Net finance costs	(316)	(437)	(137)	(454)	(1.344)
Normalised PBT	3.838	1.540	1.029	(917)	5.490
Income tax	(832)	(188)	(214)	(24)	(1.258)
Normalised profit (loss)	3.006	1.352	815	(941)	4.232
Significant items	(457)	(120)	(109)	(635)	(1.321)
Profit (loss)	2.549	1.232	706	(1.576)	2.911
Assets	95.770	38.446	30.040	39.714	203.970
Liabilities	69.801	24.128	21.116	26.522	141.567

6. Significant items

During the six months ended 30 June 2020 the Group incurred costs associated with the acquisition of Elba and investment and merger project in UK. The total amount of these costs in the period amounted to EUR 0.2 million after tax.

In 2019 the Group incurred costs associated with Management changes within the parent company and the Spanish operation, as well as restructuring costs associated with the merger of Icelandic Iberica and Iceland Seafood Spain. The total amount of these costs were EUR 1.3 million after tax in this period.

7. Earnings per share

	1H 2020	1H 2019
Profit for the period	1.311	2.911
Weighted average number of ordinary shares (ISK '000) for basic EPS	2.574.565	2.336.345
Shares to be issued in respect of employee options	15.838	10.967
Weighted average number of ordinary shares (ISK '000) for diluted EPS	2.590.403	2.347.312
<i>Basic earnings per share (EUR cents per thousand shares):</i>		
Basic earnings per share	0,0509	0,1246
<i>Diluted earnings per share (EUR cents per thousand shares):</i>		
Diluted earnings per share	0,0506	0,1240

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8. Intangible assets

The Group tested at the end of June whether goodwill had suffered any impairment. The conclusion was there were no triggers indicating that impairment was necessary.

	30.6.2020	31.12.2019
Goodwill at beginning of period	43.526	43.435
Acquired on acquisition of subsidiary, note 10	4.047	
Exchange rate differences	(113)	91
Goodwill at end of period	47.460	43.526
Other intangible assets at end of period	1.128	1.172
Intangible assets at end of period	<u>48.588</u>	<u>44.698</u>

9. Subsidiaries and other investments

At period-end, 30 June 2020, the Company directly owned ten subsidiaries that are all included in the consolidation. The direct subsidiaries in addition owned a further eight subsidiaries. The Company holds the majority of voting power in all of its subsidiaries.

Name of company	Country of incorporation	Ownership 30.6.2020	Ownership 31.12.2019	Principal activity
<i>Subsidiaries:</i>				
Iceland Seafood ehf.	Iceland	100%	100%	Sale of seafood
Solo Export ehf.	Iceland	100%	100%	Not active
Iceland Seafood Iberica S.A.U. ^{A)}	Spain	100%	100%	Sale of seafood
- Ecomsa S.A.	Spain	100%	100%	Sale of seafood
- IPDLM	Spain	100%	100%	Not active
- Achernar S.A.	Argentina	100%	100%	Sale of seafood
Elba Seafood ehf.	Iceland	100%	100%	Holding
- ELBA S.L.	Spain	100%	100%	Sale of seafood
Iceland Seafood Barraclough Ltd.	UK	100%	100%	Sale of seafood
- F. Barraclough Ltd.	UK	100%	100%	Not active
- Iceland Seafood UK Ltd. ^{B)}	UK	100%	67%	Sale of seafood
Oceanpath Limited	Ireland	67%	67%	Sale of seafood
- Dunns (Fish & Poultry) Ltd.	Ireland	100%	100%	Holding
- Dunns Seafare Ltd.	Ireland	100%	100%	Sale of seafood
Iceland Seafood France S.A.S.	France	100%	100%	Sale of seafood
ISG Iceland Seafood GmbH	Germany	100%	100%	Sale of seafood
ISI Seafood Inc.	USA	100%	100%	Sale of seafood
Iceland Seafood Hellas S.A.	Greece	66%	66%	Liquidation
<i>Investments in joint ventures:</i>				
Credible Properties Ltd.	Ireland	50%	50%	Properties
<i>Investments in other companies:</i>				
Febin Marine Foods Private Ltd	India	5%	5%	Seafood supply

^{A)} Iceland Seafood S.L. and Icelandic Iberica S.A. merged at end of year 2019 and the merged legal entity Iceland Seafood Iberica S.A.U. is operating from beginning of 2020.

^{B)} At the end of April, Havelok Ltd. name was changed to Iceland Seafood UK Ltd. Furthermore 33% minority share in Iceland Seafood UK was acquired in March, see note 11.

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10. Elba Seafood ehf.

On the 13 November 2019 the Company signed a Share Purchase Agreement (SPA) to acquire Elba Seafood ehf, a special purpose vehicle where its only asset is Elba S.L in Spain. The acquisition was completed on the 21 February 2020.

Elba S.L. is a strong seafood player in Spain, focusing on frozen light salted products. The company is based in Barcelona and operates a production facility with total sales volume of 2.200MT per year. Products are sold under the ELBa brand, which has a strong presence in the Spanish market and stands for quality seafood.

Elba S.L. Impact on the Group's sales in 1H 2020 were EUR 3.4 million and it generated a loss of EUR 0.2 million.

In accordance with IFRS 3 *Business Combinations*, the purchase price of Elba Seafood ehf. was allocated to identifiable assets and liabilities acquired. Provisional goodwill amounted to EUR 4.0 million.

The acquisition price for 100% stake in Elba Seafood ehf is EUR 4.4 million on a debt free, cash free basis, where 50% of the payment were settled with cash and the other 50% with new shares in Iceland Seafood International hf. In total 29.994.059 shares were issued and delivered to the sellers in June 2020 in relation to this.

The following table summarizes the consideration paid for Elba Seafood ehf. and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date, being the 21 February 2020.

	<u>21.2.2020</u>
Property, plant and equipment	552
Inventories	2.453
Trade and other receivables	2.696
Cash and bank balances	350
Assets acquired	<u>6.051</u>
Longterm borrowings	81
Contingent liabilities	137
Short-term borrowings	2.914
Trade and other payables	2.609
Liabilities assumed	<u>5.741</u>
Total net identified assets	310
Consideration paid in shares	2.157
Consideration paid in cash	2.200
Provisional goodwill on acquisition	<u>4.047</u>
Net cash outflow on acquisition of Elba Seafood ehf:	
	<u>2020</u>
Consideration paid in cash	2.200
Less: cash and cash equivalent balances acquired	(350)
	<u>1.850</u>

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Under IFRS 3, up to one year from the acquisition date, the initial accounting for business combinations needs to be adjusted to reflect new information that is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognized as of that date. As a result of such adjustments the values of assets and liabilities recognized may change in the one-year period from the acquisition date.

11. Investment in UK

On the 4 March the Company announced an investment in significant processing and coldstore capacity in the UK and plans to merge its operation there into one legal entity. Total investment in property and minority stake in Havelok Ltd. is estimated in the range of GBP 8-9 million. The two UK subsidiaries Iceland Seafood Barraclough Ltd. and Havelok Ltd. will be merged into one legal entity Iceland Seafood UK Ltd. The merged business will be led by the two existing UK Managing Directors with Peter Hawkins heading up the overall operation and Danny Burton overseeing the refurbishment of the site and operational teams. The full process will be completed by early 2021, by which time its expected that substantial new business have been created. The total investment for the site, refurbishment and machinery to fully utilize its potential is between GBP 5-6 million. The site includes a cold store capacity of about 2.000 metric tons of products, wich was up and running in June 2020.

In order to be the sole shareholder of the merged entity, Iceland Seafood acquired 33% stake from the management of Havelok Ltd. on the 4 March. The total consideration for the stake was GBP 3.0 million with half of it paid by cash the the reminder with shares in Iceland Seafood International. In total 24.663.637 shares were issued in relation to this.

The following table summarizes the consideration paid for the minority stake in Havelok and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date.

	<u>4.3.2020</u>
Consideration paid in shares	1.724
Consideration paid in cash	1.724
Total consideration paid	<u>3.448</u>

12. Share capital

	<u>Issued shares</u> (ISK '000)	<u>Outstanding</u> shares (ISK '000)	<u>Book value</u> (EUR '000)
Ordinary shares	<u>2.616.003</u>	<u>2.616.003</u>	<u>24.485</u>

Fully paid ordinary shares, which have a par value of ISK 1 per share, carry one vote per share and carry a right to dividends.

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13. Financing

The Group's main sources of financing are a multi currency revolving credit facility with an Icelandic financial institution and credit facilities with number of banks in Spain which finance the S-Europe division.

The facility with the institution in Iceland has a cap of EUR 50.0 million with EUR 43.5 million draw down at end of June 2020 (end of year 2019: EUR 37.2 million). The facility expire in May 2022.

At end of June 2020 the Group has credit facilities in place with number of banks in Spain. Total amount of these loans was EUR 58.3 million (end of year 2019: EUR 37.8 million). Most of these loan agreements are short term facilities with 6-12 months duration. In April 2020 the Group secured in excess of €17m new long term funding for the operation in Spain, with banks in Spain. This will improve the overall funding headroom accordingly and at the same time increase the proportion of long term funding of the overall funding of the Group.

Borrowings from financial institutions in Iceland are secured with most of the Group's assets, except from assets in Spain. Revolving credit facilities are secured with inventories, receivables, intellectual property rights and shares in subsidiaries. Other bank loans are secured with inventories, receivables, shares in subsidiaries and PP&E. Finance leases are secured with the assets leased. Credit facilities in Spain are not secured with direct pledge, but most of these facilities are secured with a negative pledge.

14. Subsequent events

On the 28 August 2020 Iceland Seafood signed a Letter of Intent ("LOI") with Mondi Group AB to acquire all the issued share capital of Carrs & Sons Seafood Ltd ("Carrs & Sons"), an Irish seafood processing company specialized in high quality smoked salmon production.

Carrs & Sons operates a production facility in Killala, focused on smoked salmon production with sales predominantly to retail. The annual sales in 2019 amounted to €11.5m and the company showed a PBT of €0.9m in that year.

According to the LOI Iceland Seafood will acquire 100% stake in Carrs & Sons for €6.5m, based on 2019 financial statement and other information provided by the seller at this stage. The LOI is a legally non-binding document and will serve as a basis for discussion of key terms for the potential transaction. Parties aim to complete the transaction before the 30 November 2020.

15. Approval of financial statements

The Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors and the CEO on 31 August 2020.