
**2018
Annual
Report**



- 
-
- 1 Year in Review**
 - 2 The Group**
 - 3 Financial Performance**
 - 4 Corporate Governance
and Social Responsibility**
 - 5 Disclaimer**

Transformation

Initiation

Year in Review

2018 Highlights

Acquisitions & Management Changes

Chairman's Address

CEO's Statement

Year in Review

Key numbers

667

Employees

+400m

€ Annual revenues

7.2m

€ Normalised PBT 2018,
€10.8m on proforma basis,

61%

Value Added Division's sales.
% of total sales (proforma)

91%

Value added divisions
Normalised PBT % of divisional
profitability (proforma)

45

Countries to which we export

30.6%

Equity ratio up from
20.1% at year-end 2017

Year in Review

Highlights

Acquisition of Oceanpath finalised mid-March 2018

Leading fresh fish supplier to retailers in the Republic of Ireland. 67% stake acquired, with local management keeping the remaining 33%

Acquisition of Solo Seafood (Icelandic Ibérica) finalised September 2018

Three major fishing and processing companies coming into the shareholding group, creating a vertically integrated supply chain

“Year of transformation”

Management changes

New CEO appointed January 2019
New board appointed February 2019:
Magnús Bjarnason
Liv Bergþórsdóttir
Jakob Valgeir Flosason
Ingunn Agnes Kro

Year in Review

Chairman's Address

Magnús Bjarnason

Chairman

Iceland Seafood International's (Iceland Seafood) performance in 2018 is in line with expectations and considerably better than in 2017. Pre-tax profit excluding one-off items was €7.2 million. Operations have continued to develop in the right direction in 2019. This should not be

taken as a given, so I would first and foremost like to thank the company's employees for this success.

A change took place at the beginning of this year when Liv Bergþórsdóttir, Jakob Valgeir Flosason, Ingunn Agnes Kro and the undersigned were elected to the Board. In addition, a new CEO, Bjarni Ármannson, took office. This group is well positioned to continue to develop Iceland Seafood. I would like to take this opportunity and thank the outgoing board and CEO for good work. I'm not offending anyone by mentioning

“Iceland Seafood is deeply rooted in the Icelandic fisheries industry”



Year in Review

Chairman's Address

Benedikt Sveinsson in particular. During his long and successful career with Iceland Seafood and its predecessors, he has had a significant impact on the companies that make up the Iceland Seafood Group today.

Iceland Seafood is deeply rooted in the Icelandic fisheries industry. The Group consists of companies that were part of Icelandic Group (SH), Samband of Iceland, SIF as well as newly acquired companies like Oceanpath in Ireland.

We should respect and learn from what has been done well in recent decades but at the same time be focused on the fast changing future markets. Iceland Seafood is in a strong position in three segments. We need to develop and invest in these activities in coming years to secure our long-term competitive advantage.

1. First, I would like to mention Iceland Seafood in Spain, which markets and sells products under the Icelandic and

Islandia brands to restaurants and hotels in Southern Europe. Frozen cod is the most important item but also salted fish and other products that mostly come from Iceland. This is the most important market for Icelandic cod in the world. Demand for the “Islandia” and “Icelandic” brands is high, and prices are favourable for producers and customers. More than 20% of the cod quota from Iceland goes through this distribution channel, which is sold at considerably higher prices than comparable products from Norway and Russia. Our powerful operations in Southern Europe ensure Icelandic producers’ access to a large market that is the backbone of Iceland Seafood operations.

2. Sales of fresh products from Iceland to customers in Europe and North

Year in Review

Chairman's Address

America have increased significantly in recent years. This is an interesting business that can be developed further. Large investments have been made in Icelandic processing and fishing in recent years to support the fresh fish business, which is pleasing. In order to get closer to our customers, we have looked at companies that sell to retailers in the European markets. Last year, a 67% share in Oceanpath was added to the Iceland Seafood Group. Oceanpath has approximately

“ [...] consumer needs that want to reduce carbon emissions and get a first-class fresh seafood product at affordable price”

20% market share in the retail market in Ireland. The company buys cod, haddock and other species from Iceland. The acquisition of Oceanpath is an example of a growth opportunity that strengthens Iceland Seafood's operations and at the same time moves producers closer to the final customers. This creates opportunity for robust product and business development in the fresh fish trade that will result in higher prices for the benefit of producers, Iceland Seafood and the end customers in the future.

3. The third pillar in the operation of Iceland Seafood is export. We handle the sale and distribution of diverse products in close co-operation with Icelandic producers – for example, sale of pelagic products to Eastern Europe, fish heads and dried fish for the African market or frozen seafood to the United States to name some examples. This activity is an important service for the seafood trade in Iceland and at the same time aligns the long-term interest of Iceland Seafood, the producers and harvesting companies in Iceland. Efforts will be made to strengthen the above three pillars in the coming years. The fishing industry is a large industry in Iceland with a turnover of approximately €2 billion, which generates significant profit for the Icelandic society. In international markets, we are in competition with

Year in Review

Chairman's Address

larger companies and serve global customers who make ever-increasing demands. We must join forces to ensure the highest prices are paid for the roughly 1.5 million tonnes that come out of the ocean in Iceland every year. Even though this is a significant volume for the Icelandic economy, it is less than 2% of the fish caught in the world. Furthermore, we should use the knowledge and experience available in Iceland Seafood to bring us closer to customers in the international markets.

Iceland Seafood has an important role to unify the seafood producers in Iceland in the international markets. Our strategy is clear: we focus on understanding the consumer, and we work closely with our customers to create solutions to meet the ever-increasing and changing global consumer demands. This is done by adding true value throughout the value chain and by investing in people, technology and businesses that fit within our strategic focus.

“Iceland Seafood has an important role to unify the seafood producers in Iceland in the international markets”

Magnús Bjarnason

Chairman

Year in Review

CEO's Statement

Bjarni Ármannsson

CEO

2018 was a year of transformational changes for Iceland Seafood. Two substantial acquisitions changed the company radically – leaving us with a very strong company and an ocean of opportunities.

The purchase of 67% of shares in Oceanpath in Ireland was an important part in establishing Iceland Seafood's



presence in Ireland and supporting export of fresh fish from Iceland. Oceanpath is a leading company, in both in fresh whitefish and salmon products into the Irish market – smoked salmon in particular. Since the acquisition conclusion in March last year, we have continued to invest in processing capacity, in both new fresh fish processing facilities and salmon filleting line. Both these investments support the economic viability and competitiveness of the business. Leadership of the Ecock family, former

“Transformational year behind us – more changes to come”

Year in Review

CEO's Statement

owners and current minority owners of the business, still persists and is a key factor behind current and future drive in the business.

At the end of April 2018, the company announced its intention to acquire all shares in Solo Seafood ehf. in a share swap deal. Solo Seafood holds all shares in Icelandic Ibérica SAU. After mutual due diligence, the transaction was concluded in the middle of September. This is an

extremely important transaction for Iceland Seafood and transformational in its nature, first due to its size and significance in Iceland Seafood key market in Southern Europe and second because the transaction was primarily conducted with issuance of new shares to Icelandic producers who are key suppliers to the business. In addition, the unit is highly profitable, and after the transaction, the companies in Spain have duplicate functions, creating opportunities for cost and revenue synergies in the coming years. The company plans to merge the entities at the turn of the year, and cost synergies should be completed during 2021.

After the transaction, Iceland Seafood has a strong position in Southern

Europe and more importantly, exciting growth opportunities.

It is vital for the company to have amongst its shareholders strong producers in Iceland. Origin of seafood products that the company sells in the market is important. Sustainability issues are increasingly important, as is access to quality raw material. At the same time, it is vital for producers of seafood products to have stable access to key markets and to be deep in the market, close to the distribution channels and the final consumer. Iceland Seafood has for many decades been a key player in export of Icelandic seafood products. It has, as a long-term project, built up strong brands and a quality reputation. We plan

Year in Review

CEO's Statement

to further integrate and co-operate with Icelandic producers as well as continuing strong marketing efforts in the marketplace. This is beneficial for all parties.

Operationally, the year 2018 was benign and beneficial for Iceland Seafood. Iceland Seafood revenues grew and were profitable. This creates a solid foundation for this year and in the long term.

Trust is everything in business. Iceland Seafood is a trustworthy partner for its suppliers and customers. The key element for that trust is our employees. Iceland Seafood has been fortunate enough to have great people that have trusted us for their career, people with knowledge, skills and connections to excel in our industry and the will to excel and drive change. We are humble and grateful for our people and will strive to continue to attract and retain great talent.

“We are humble and grateful for our people and will strive to continue to attract and retain great talent”

Towards the end of 2018, the Board of Directors decided to seek listing of the company's shares on the main market of Nasdaq OMX in Iceland. We are working hard to realise that decision this year. This is a strong commitment and requires even further discipline and increased flow of information and key metrics from the company. Iceland Seafood is committed to this process in 2H of 2019. It is expected that this effort will increase liquidity and access to risk capital – better than the current

Year in Review

CEO Statement

listing on First North has done. This is a demanding process for senior management, but we believe this will make us more competitive and more ready to meet the future challenges as well as create new growth opportunities.

We are excited about the future. We continue to strive to do better today than we did yesterday. We continue to seek new opportunities as well

as improve gradually what we are doing today.

Bjarni Ármannsson

CEO

“We are excited about the future. We continue to strive to do better today than we did yesterday”

Identity

The Group

We are Iceland Seafood

Our Products

Our Brands

Our Focus

Board of Directors

Executive Management

The Group

We are Iceland Seafood

Iceland Seafood is a worldwide sales, processing and marketing group for a variety of frozen, fresh, salted and dried seafood and seafood products.

Our history and heritage dates back to 1932 from three associations: the Union of Icelandic Fish Producers (SIF), founded in 1932; the Herring Board, founded in 1935; and the Seafood Division of Samband of Iceland, founded in 1957. Our strong roots in the Icelandic Seafood sector forms

the basis of our expertise and long lasting relationships built on trust and reliability. Today, Iceland Seafood is a respected industry leading supplier of North Atlantic fish and seafood and a leading service provider in our markets. We are one of the largest exporters of fish products from Iceland and a key processor of high-quality seafood in the Spanish, Irish and UK markets. We serve all major seafood markets worldwide, where we have depth of expertise and understanding to meet our customers

“We are a worldwide sales, processing and marketing group for a variety of seafood products”



needs combined with innovative flexible solutions and strategic global distribution. Our headquarters are in Iceland, and we operate 3 divisions with 11 businesses in Europe and North and South America.



“Our headquarters are in Iceland, and we operate 3 divisions with 11 businesses in Europe and North and South America”

The Group

We are Iceland Seafood

Value Added Divisions

Iceland Seafood continues to invest in value added activities in line with global trends. We are focused on supplying great quality seafood and creating solutions for our customers.

Value Added Southern Europe Division

Iceland Seafood Spain, located close to Barcelona, has processing, cold store and distribution facilities. It is a strong player in salted and frozen seafood operating in the Spanish market, with sales across the Mediterranean region.

Icelandic Ibérica is a benchmark of quality in the market thanks to our excellent team of professionals and our reliability, guaranteed by the ICELANDIC brand. With offices in Barcelona and support in Vigo, Madrid, Andalusia and Genoa and Argentina, offers it its variety of quality seafood products adapted for local tastes.



The Group

We are Iceland Seafood

Northern Europe Division

Havelok Limited, located in Grimsby (UK), supplies high-quality seafood from procurement to packed product, which is second to none, offering one of the finest ranges of breaded, battered and plain fish in the UK. It is focused primarily on the catering and foodservice market.

Iceland Seafood Barraclough, located in Bradford (UK), specialises in supplying our retail customers with private label high-quality fish and shellfish globally sourced. It specialises in smoking, cutting to customer specs and packing for many of the largest retailers in the UK.

Oceanpath Limited, operating out of two factories in North Dublin, is one of the largest seafood processors in Ireland, supplying to major Irish retailers and food service customers. Within the Group, Dunn's of Dublin is an iconic premium retail brand best known for its smoked seafood products.



The Group

We are Iceland Seafood

Sales and Distribution Division

Iceland Seafood Iceland,

located in Reykjavík, is one of the largest companies in the export of seafood from Iceland to all main markets around the world. The company operates in close co-operation with Icelandic seafood producers and provides sourcing expertise, quality control and logistic solutions for other Iceland Seafood companies.



Iceland Seafood France, based in Boulogne-sur-mer, provides high-quality seafood from Iceland and from a variety of global sources. The company supplies fresh and frozen products to food service, retail and processors in France.

Iceland Seafood Germany, located in Hamburg, is a supplier of high-quality fresh seafood. Fresh fish is mainly flown in from Iceland for delicatessen stores, food service and retail.

Iceland Seafood U.S.A., our USA division, markets a full range of cod, haddock and pollock/saithe products for the distributor, food service and restaurant industry in the USA. Products are imported directly from Iceland, Russia and Asia.

The Group

Our Product Lines



Ready Meals



Fresh Products



Coated Products



Shellfish



Smoked Fish



Landfrozen



Light Salted



Wet Salted



Frozen at Sea



Pelagic Fish



Dried Products



Cephalopods

The Group

Our Brands

The Iceland Seafood brands are our customers guarantee for fresh, frozen, salted and dried products of Icelandic and other selected origins.



High quality wet salted and light salted frozen products from Iceland



Quality fresh & frozen seafood from Iceland



Spanish "Tapas & Pinchos" and Spanish cod-based ready meals



Renowned worldwide for its smoked salmon and other smoked products



A leading provider of coated and value added products for the UK food service market



Premium taste. no defrosting. No Flouring. No Waste. Zero Drip Loss.



Premium quality used solely for products out of Iceland



Supplies fish to all major Irish retailers and food service, as well as international exports



The authentic fish and chips made in the UK for Iceland Seafood



Quality light salted cod products of Icelandic origin



Selected seafood from third country origin



Used for a variety of products from Asia

The Group

Our Focus

Our vision is to bring quality seafood from selected, dedicated producers to demanding customers and consumers worldwide.

Our strategy is focused on delivering higher margin growth and earnings over time. We have developed a strategy that reflects our

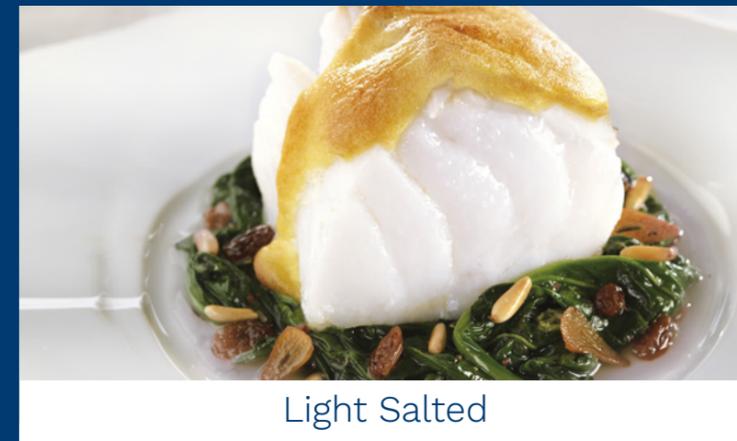
purpose and enables us to capture the value of our international network and in-depth knowledge of our markets. Our long-term, two-part strategy is to:

- Invest in value added product lines: with our strong roots in sourcing seafood coupled with our in-depth knowledge of local markets, we are investing in and leveraging our network to deliver value added products.
- Continued focus on core sales & distribution: our core business is global sourcing and distribution of

high-quality, fresh, frozen, salted and dried seafood, developing sourcing and logistics solutions to match our customers high requirements.

“Global sourcing with the core from Iceland, delivering to our customers’ needs”

“Leveraging our network to deliver value added products”



Light Salted



Wet Salted



Fresh Products



Dried Products

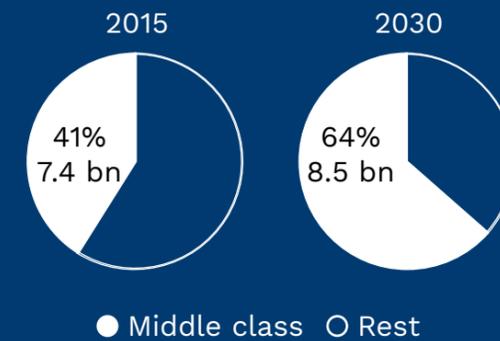
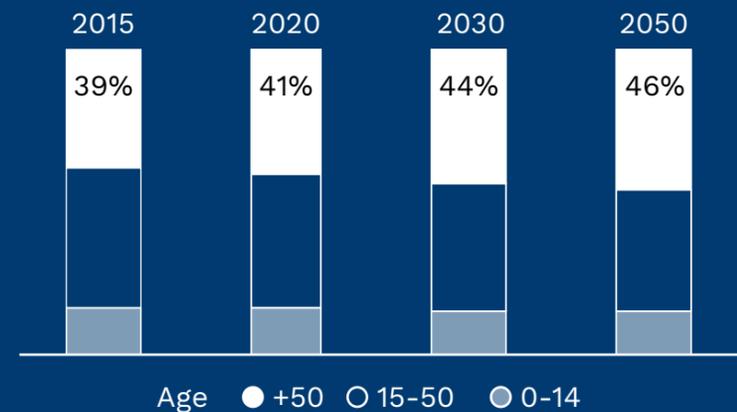
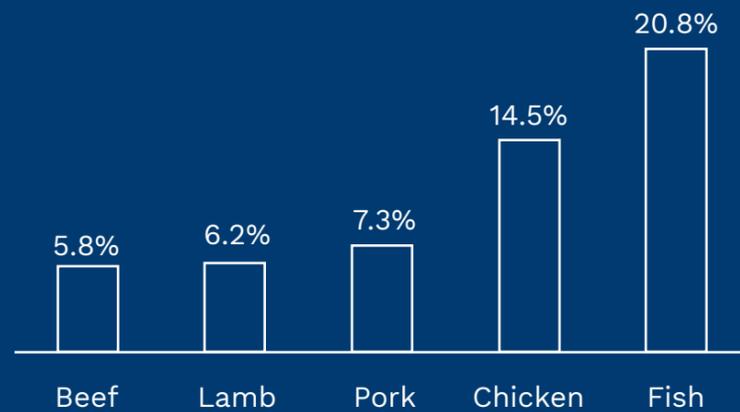
The Group

Growing with Global Trends

- Drive towards healthy living, where governments are encouraging people to eat more seafood, consumers are becoming more selective in their food choices and millennials' lifestyles are healthier

- A growing middle class expected to increase from one-third to two-thirds of the world's population by 2030
- Ageing population and a parallel increase in seafood consumption

- A higher need for food solutions that are easy and quick to prepare, tasty and innovative, right for the consumer, the environment and consumers' social standards



Drive towards healthy living

Increasing seafood consumption

Source: Seafish.org

Older western population

Increasing seafood consumption

Source: Eurostat

Growing middle class

Increasing seafood consumption

Source: Brookings.edu

Need for food solutions

Increasing seafood demand

The Group

Board of Directors

Magnús Bjarnason Chairman

His background is in finance, renewable energy, seafood and government service. He was an MD at Landsvirkjun Iceland's largest renewable energy company; MD of Íslandsbanki/Glitnir, Glacier Partners, where he lead development and a US\$1.5 billion portfolio in sustainable



energy and seafood in three continents the CEO of Icelandic Group, a €600 million seafood company; and an MD of Corporate Finance in Kvika before founding MAR Advisors. From 1997–2005 he served as a Consul General for Iceland in New York and Deputy Chief of Mission in

the Embassy of Iceland in Beijing. He has served as a board member in private and public organisations such as Iceland Seafood, HS Orka, Farice, American Scandinavian Foundation & Sena. He has an MBA from Thunderbird School of Global Management and a BSc in Banking & Finance from SNU.

Jakob Valgeir Flosason is the CEO of Jakob Valgeir ehf.

Jakob has an extensive knowledge of the Icelandic fishing industry from all perspectives, a knowledge that not many people

possess. He has been involved in every aspect of the sector from early age, working in factories, on fishing boats and building up the family companies to become one of the most technology advanced and leading company within the Icelandic fishing sector.



The Group

Board of Directors

Liv Bergþórsdóttir

Board member

Liv Bergþórsdóttir has worked in the telecommunication industry for the last 20 years, the last 12 years as CEO. She has various board member experience in listed and unlisted companies.

Education: Business

Administration, Cand. oecon from the University of Iceland in 1995 and AMP (Advanced Management Programme) from IESE Business School Barcelona in 2013.



Ingunn Agnes Kro

Alternate Board member

Ingunn Agnes Kro was Director of Administration and Communication at Skeljungur hf., heading internal and external communication and compliance, incl. legal matters, marketing, public relations, human resources and subsidiaries. Ingunn is also the CEO of H2 Iceland. Previously, Ingunn was the general council of Skeljungur, secretary to the Board of Directors and compliance officer. Ingunn is on the Board of Íslenskir fjárfestar hf.,



a securities brokerage company, and of the Company Lawyers Association of Iceland.

The Group

Executive Management

Bjarni Ármannsson

CEO

Bjarni Ármannsson is a private investor. He is a significant investor in Iceland Seafood International via Sjávarsýn – 100% owned by him, and Solo Holding, partly owned by him. Bjarni is a computer engineer



from the University of Iceland in 1990 and graduated with an MBA from IMD in Switzerland in 1996. Bjarni spent the lion share of his career in the banking industry in Iceland, originally as a CEO for Kaupthing, a investment and financial

service company, later for the Icelandic Investment Bank and as a CEO of Islandsbanki – a leading seafood service provider out of Iceland.

Reynir Jónsson

CFO

Reynir Jónsson has been the Group's CFO since late 2013. Before joining the Group, he worked as a Director and Partner at Deloitte Financial advisory services for five years, where large parts of his projects were related to the seafood sector in



Iceland. Prior to that, Reynir was the head of accounting at HB Grandi. Reynir holds an MSc degree in Finance and Strategic Management from Copenhagen Business School and a Cand.ocean Degree in accounting from the University of Iceland.

Growth

Financial Performance

Sustainability

Income Statement

Balance Sheet & Cash Flow

Key Highlights

Group Financials

Shareholder Information

Risk Management

Ability

Financial Performance

Income Statement

| Consolidated Income Statement | 2018 | | | 2017 | | |
|---|----------------------|----------------------|----------------|----------------------|----------------------|----------------|
| | Normalised result | Significant items | IFRS | Normalised result | Significant items | IFRS |
| Sales of seafood | 345.978 | | 345.978 | 249.149 | | 249.149 |
| Gross margin | 46.825 | | 46.825 | 34.173 | | 34.173 |
| Distribution costs | (17.842) | | (17.842) | (14.705) | | (14.705) |
| Net margin | 28.983 | | 28.983 | 19.467 | | 19.467 |
| EBITDA | 10.472 | (1.290) | 9.182 | 5.700 | (192) | 5.508 |
| Profit (loss) before income tax | 7.216 | (1.290) | 5.926 | 3.508 | (192) | 3.316 |
| Income tax | (1.489) | 258 | (1.231) | (765) | 38 | (727) |
| Profit (loss) for the year from continuing operation | 5.727 | (1.032) | 4.695 | 2.743 | (154) | 2.589 |
| Loss for the year from discontinued operations, post tax | | (18) | (18) | | (11) | (11) |
| Profit (loss) for the year | 5.727 | (1.050) | 4.677 | 2.743 | (165) | 2.579 |
| Profit (loss) for the year attributable to: | | | | | | |
| Owners of the Company | 5.063 | (1.044) | 4.019 | 2.730 | (161) | 2.569 |
| Non-controlling interest | 664 | (6) | 658 | 13 | (4) | 10 |
| Profit (loss) for the year | 5.727 | (1.050) | 4.677 | 2.743 | (165) | 2.579 |

Financial Performance

Balance Sheet & Cash Flow

| Consolidated Balance Sheet | 31 December 2018 | 31 December 2017 |
|--|---------------------|---------------------|
| Assets | 193.794 | 88.162 |
| Non-current assets | 61.802 | 18.937 |
| Current assets | 131.918 | 69.144 |
| Assets classified as held for sale | 74 | 81 |
| Equity | 59.342 | 17.720 |
| Liabilities | 134.452 | 70.442 |
| Non-current liabilities | 8.386 | 1.508 |
| Current liabilities | 126.058 | 68.932 |
| Liabilities associated with assets classified as held for sale | 8 | 2 |

| Consolidated Cash flow Statement | 2018 | 2017 |
|--|--------------|--------------|
| Net cash from (to) continuing operations | 4.112 | (3.406) |
| Net cash from (to) discontinued operations | (5) | (35) |
| Net cash from (to) operating activities | 4.106 | (3.441) |
| Net cash used in investing activities | (9.948) | (728) |
| Net cash used in (generated by) financing activities | 7.655 | 4.549 |
| Changes in cash and bank balances equivalents | 1.813 | 380 |
| Effects of exchange rate fluctuations on cash held | (69) | 46 |
| Cash and cash equivalents at year-end | 3.967 | 2.223 |

Financial Performance

Key Highlights

Transformational year with underlying Group PBT of €10.8m, tripling from prior year.

| Euro million | 2018 | 2017 | 2018P* | 2017P* |
|---|-------|-------|--------|--------|
| Turnover | 345.9 | 249.1 | 431.3 | 391.6 |
| Normalised* PBT | 7.2 | 3.5 | 10.8 | 8.7 |
| Net profit | 4.7 | 2.6 | 7.5 | 6.7 |
| Net cash from (to) operating activities | 4.1 | 3.4 | | |
| Total assets year-end | 193.8 | 88.2 | | |
| Equity ratio year-end | 30.6% | 20.1% | | |

**Normalised PBT represents profit before tax, allowing for significant items and discontinued operation*

**2017 Proforma numbers for Oceanpath based on the financial year ending 30 April 2017*

**Proforma numbers based on 12mth operation of acquired subsidiaries and include finance cost in HO related to the acquisitions*

Financial Performance

Group Financials

The positive impact of the two acquisitions made during 2018 are clear when looking at the financial performance for the year. The sales grew by 39% from prior year, mainly due to the acquisitions but also due to good sales growth within Sales and Distribution and Spain after the 2017 fisherman strike. Normalised profit of €7.2m was up €3.7m from prior year, driven by good performance of the acquired businesses and strong underlying growth within the Group's Value Added activities. On a proforma basis, the underlying Group PBT was

€10.8m in 2018, tripling from the prior year. Total assets increased by €105.6m year on year, reflecting the acquisitions of Oceanpath and Solo Seafood. Net debt of €78.5m at year-end 2018 was €39.6m up from prior year,

with a total increase in net debt related to acquisitions of €40.1m. Equity ratio was 30.6% at year-end, compared to 20.1% at the end of 2017, helped by share issuance in connection with the acquisition of Solo Seafood.



Financial Performance

VA S-Europe

increased by 61% from prior year, with sales of Ibérica Group being included from acquisition date mid-September. Normalised PBT increased by €1.5m from prior year, driven by good

| Euro million | 2018 | 2017 | 2018P* | 2017P* |
|-----------------|-------|------|--------|--------|
| Sales | 100.1 | 62.0 | 179.5 | 172.9 |
| Net margin | 10.4 | 6.6 | 21.1 | 20.4 |
| EBITDA | 4.1 | 2.5 | 8.3 | 7.8 |
| Normalised PBT* | 3.5 | 2.0 | 6.7 | 6.3 |

The division incorporates three manufacturing sites in Barcelona, Malaga and in Argentina, focused on servicing the food service and retail markets in Southern Europe. Sales

**Normalised PBT represents profit before tax, allowing for significant items and discontinued operation*

performance of Ibérica Group since acquisition. On proforma basis the division generated normalised PBT of

€6.7m in 2018, which stands for 51% of the total Proforma Divisional PBT of the Group in 2018.

VA N-Europe

| Euro million | 2018 | 2017 | 2018P* | 2017P* |
|-----------------|------|------|--------|--------|
| Sales | 97.4 | 56.2 | 103.3 | 87.7 |
| Net margin | 11.2 | 5.3 | 12.6 | 10.0 |
| EBITDA | 6.1 | 2.6 | 6.9 | 4.6 |
| Normalised PBT* | 4.6 | 1.5 | 5.2 | 3.1 |

The division incorporates four manufacturing sites in Grimsby, Bradford and two in Dublin. Divisional sales increased by 73% from 2017, thereof 53% relates to the acquisition of Oceanpath.

Activity in both UK retail and food service increased from prior year. Normalised PBT of €4.6m was €3.1m up on prior year; the increase was €1.0m excluding Oceanpath. The UK food service

**Normalised PBT represents profit before tax, allowing for significant items and discontinued operation*

operation saw a €0.8m increase in PBT driven by improved sales and higher margin products.

Financial Performance

Sales & Distribution

The division incorporates subsidiaries in Iceland, France, Germany and the USA, with sales to customers in 45 countries in all continents. Sales of the division increased by €18.6m from 2017, driven by strong sales of both pelagic and FAS products out of Iceland, but sales in 2017 were also lower than in a normal year due to the

| Euro million | 2018 | 2017 |
|-----------------|-------|-------|
| Sales | 183.2 | 164.6 |
| Net margin | 7.3 | 7.5 |
| EBITDA | 1.7 | 1.8 |
| Normalised PBT* | 1.2 | 1.5 |

**Normalised PBT represents profit before tax, allowing for significant items and discontinued operation*

impact of the fisherman strike in the beginning of that year. Despite higher sales, the profitability was slightly down from prior year. The environment for higher margin fresh fish and niche activities both in Iceland and France were more challenging, and finance cost was higher due to higher sales level and €0.1m adverse FX impact.



Financial Performance

Shareholder Information

Iceland Seafood shares are listed on Nasdaq First North Iceland under the symbol ICESEA, with the ISIN number IS0000026961.

At the end of 2018, there were 2.325 million shares issued, all in one class. The total number of shareholders at the end of 2018 was 289, compared to 161 shareholders at the end of 2017. The Company issued

1.025 million new shares during 2018, in relation to the acquisition of Solo Seafood ehf. The latest transaction in 2018 was at ISK 8.7 per share, giving the Company a market capitalisation of €152.1 million (2017: €68.1 million), or a 124% increase from prior year.

Executives and senior employees held options over 34.9 million shares of the Group at year-end 2018. The majority of these options were granted in May 2016 and will vest in the period from May 2017 to May 2020. All options have a five-year term and are conditional that the Optionee remains as an employee of the Company. At year-end, the

Board had an authorisation to increase its share capital by 54.4 million to fulfil stock option agreements. This authorisation is valid until the Company has an authorisation to increase its share capital

by 39 million shares to fulfil stock option agreements. This authorisation is valid until September 2023. The 10 largest shareholders held 82% of the total shares at year-end 2017:

| Shareholder | Number of shares, million | Shares in % |
|--------------------------------|---------------------------|-------------|
| Sjávarsýn ehf | 248 | 11% |
| Nesfiskur ehf. | 239 | 10% |
| FISK Seafood ehf. | 239 | 10% |
| Solo Holding ehf. | 209 | 9% |
| Jakob Valgeir ehf. | 203 | 9% |
| International Seafood Holdings | 122 | 5% |
| Arion Banki | 118 | 5% |
| Kvika | 97 | 4% |
| Frjálsi lífeyrissjóðurinn | 89 | 4% |
| Akta Sjóðir | 89 | 4% |
| Top 10 total | 1.653 | 71% |
| Others | 672 | 29% |
| Total issued shares | 2.325 | 100% |

Financial Performance

Risk Management

Iceland Seafood activities are exposed to variety of risk factors related to its operations and financials. Effective risk management is important to minimise the risk of material misstatements and for the business to perform. Detailed information on risk factors can be found in the Company description which was published in relation

to the listing on Nasdaq First North Iceland in May 2016 and is available on the Group's website.

The following description of risk factors is not complete and is not listed in any order of priority.

Currency risk: The reporting currency of the Group is the Euro; therefore, the Group has a currency risk related to the operation of subsidiaries in the UK and USA, which operate and report in a different currency. Additionally, individual subsidiaries use forward contracts to mitigate currency risk, e.g.

when buying raw material in a foreign currency to the local market. In certain markets, predominantly Iceland, purchases are made in the currency that the goods are sold, providing a natural currency hedge.

Supplier risk: The Group is exposed to risks regarding suppliers, in both the wild and farmed seafood sectors, as it sources its products from specific origins and production methods. This potentially limits the number of suppliers the Group can purchase from in some instances, although the Group has a wide supply

base, with no individual supplier representing more than 8% of the total supply.

Credit risk: The credit risk of the Group mainly relates to accounts receivables, i.e. those customers are not able to pay for goods that the Group has sold to them. The Group controls this risk carefully, with the vast majority of all receivables credit insured. The Group does not take uninsured positions against a customer without going through an appropriate risk assessment procedure.

Financial Performance

Risk Management



Liquidity risk: The Group controls liquidity risk by maintaining access to appropriate loan facilities, taking into account sufficient headroom for fluctuations, whilst cash flow is monitored on a daily basis. The Group did, in December 2017, renew its main EUR 65 million loan facility with its main lender in Iceland. This is

a revolving loan facility secured with a pledge over inventories and receivables. In addition to this, the Company has credit lines with a number of banks in Spain, both long term and short term. Headroom of these funding facilities is, in the opinion of the Board, sufficient to cover fluctuations, both with regards to total facility

amount and underlying assets.

Insurance: The Group has appropriate insurance policies in place, which provides insurance cover against product and property damage, certain delays, general liability and environmental liability in accordance with normal practice within the industry.

**Corporate Governance
& Social Responsibility**

Corporate Governance
ESG Measurements
Environmental Responsibility
Social Responsibility

Commitment

Corporate Governance & Social Responsibility

Corporate Governance

Iceland Seafood International is a limited liability company operating under Act No. 2/1995 respecting Public Limited Companies. Under its Articles of Association, the Company is governed by shareholders' meetings, the Board of Directors and the Chief Executive Officer.

The Company's Articles of Associations and rules of issuers of securities listed at Nasdaq First North make up the framework for the Corporate Governance practices for Iceland

Seafood International. Reference is also made to the Icelandic Guidelines on Corporate Governance which are published by the Iceland Chamber of Commerce, SA Business Iceland and Nasdaq Iceland.

Board of Directors

At the Annual General Meeting of the Company, three members and one alternate member are elected to the Board of Directors.

The Board of Directors holds the supreme authority between shareholders meetings and promotes the development and long-term performance of the Group and the supervision of its operations. Together with the CEO, they formulate the

strategy policies, and set goals and risk parameters for the organisation.

The Board is responsible for the recruitment and dismissal of the CEO. The Rules of Procedure for the Board of Directors were adopted in line with Article 70 of the Public Limited Company Act, also defining the sub-committees appointed to operate on its behalf. These Rules of Procedure are supplementary to the Articles of Association.

Board Committees

The Audit Committee ensures the quality of the financial statements and internal controls. It has oversight of the external auditors. It also presents proposals for the selection of external auditors and ensures their

Corporate Governance & Social Responsibility

Corporate Governance

independence. Members of the Audit Committee are Magnús Bjarnason, Ingunn Agnes Kro and Lee Camfield.

The Remuneration Committee is responsible for establishing a remuneration policy for the Company. Members of the Remuneration Committee are Liv Bergþórsdóttir and Magnús Bjarnason.

Chief Executive Officer

The CEO carries out the day-to-day operations of the Company and must, in this respect, follow the policies and instructions laid down by the Board and abide by laws and regulations. The CEO must at all times conduct his work with integrity and take account of the Company's interests.



Corporate Governance & Social Responsibility

ESG Measurements



Iceland Seafood is publishing its first corporate social responsibility report for the year 2018. It is based on the voluntary non-financial guidelines for Environmental, Social and Corporate Governance (ESG) disclosure issued by Nasdaq's Nordic and Baltic stock exchanges. The Nasdaq voluntary guide focuses on the 33 ESG metrics that the World Economic Forum has recommended to stock exchanges around the world. Following are the key metrics, but for more detail, see the Iceland Seafood ESG report.

Corporate Governance & Social Responsibility

Environmental

The key environmental aspects of Iceland Seafood are sustainable fisheries, energy use, greenhouse gas emissions, water use and waste. For the purpose of this report, the scope for environmental metrics, apart from sustainable fisheries, are the six value added factories within the Iceland Seafood International Group. These sites represent the great majority of Iceland Seafood's environmental footprint.

192

Full time equivalents (FTE)
within scope

19%

Renewable sources
(hydro, geothermal, solar, wind)

998

Waste recycled
(tonnes)

36%

Recycled
waste

31%

Certified sustainable seafood
vs total

33.309

Certified sustainable
seafood (tonnes)

| Environmental Metrics | | 2018 |
|--|--|-------------|
| Full time equivalents (FTE) within scope | | 492 |
| Annual revenue (EUR m) | | 431 |
| E1 Direct & Indirect GHG Emissions (tonnes CO_{2e}) | | |
| Scope 1 (on site fossil fuel usage) | | 419 |
| Scope 2 (Energy use) | | 3364 |
| Scope 3 | | - |
| E2 Carbon Intensity | | |
| Tonnes CO2e emissions / FTE | | 7,7 |
| CO2e emission / Revenue (tonnes / EUR m) | | 8,8 |
| E3 Direct & Indirect Energy Consumption | | |
| Renewable energy consumption (KWh) | | 4.899.824 |
| Non-renewable energy consumption (KWh) | | 5.156.023 |
| E4 Energy Intensity | | |
| Energy consumed / FTE (KWh/FTE) | | 20.453 |
| Energy consumed / Revenue (KWh / EUR m) | | 23.332 |

| | | |
|--|-----------|-----|
| Energy consumed / Revenue (KWh / EUR m) | 23.332 | |
| E5 Primary Energy Source | | |
| Renewable sources (hydro, geothermal, solar, wind) (KWh) | 4.899.824 | 49% |
| Natural gas (KWh) | 4.559.792 | 45% |
| Coal (KWh) | 289.866 | 3% |
| Nuclear (KWh) | 138.651 | 1% |
| Oil (KWh) | 53.100 | 1% |
| E6 Renewable Energy Intensity | | |
| Renewable energy / Non-renewable energy | 0,95 | |
| E7 Water Management | | |
| Cold water consumed (m ³) | 64.479 | |
| E8 Waste Management | | |
| Waste recycled (tonnes) | 998 | |
| Waste not recycled (tonnes) | 1.292 | |
| Total waste (tonnes) | 2.738 | |
| Total waste generated / FTE (tn/employee) | 5,6 | |

| | | |
|--|--|-----|
| Waste not recycled (tonnes) | 1.292 | |
| Total waste (tonnes) | 2.738 | |
| Total waste generated / FTE (tn/employee) | 5,6 | |
| Total waste generated / Revenue (Tonnes/EUR m) | 6,3 | |
| % Recycled waste | 36% | |
| E9 Environmental Policy | | |
| Does your company publish and follow an EP: Yes, No? If yes, the location of relevant public information should be declared. | Yes, See Iceland Seafood website for more details. | |
| E10 Environmental Impacts | | |
| Did your company bear any legal/regulatory responsibility for an environmental impact: Yes/No? | No | |
| Certified sustainable seafood (Total for Iceland Seafood) | | |
| Total products sold (tonnes) | 107.492 | |
| Certified sustainable seafood (tonnes) | 33.309 | 31% |

Corporate Governance & Social Responsibility

Social

These are key social metrics for social aspects of Iceland Seafood International operations. For more detail, see the Iceland Seafood International ESG report.

| Social Metrics | 2018 |
|---|-------------------------|
| S1 CEO Pay Ratio | 10 ⁽¹⁾ |
| S2 Gender Pay Ratio | - |
| S3 Employee Turnover Ratio | 0.31 |
| S4 Gender Diversity | |
| Women | 206 (37%) |
| Men | 358 (63%) |
| Total | 564 |
| S5 Temporary Worker Ratio | 31.7% |
| S6 Non-Discrimination Policy | In place ⁽²⁾ |
| S7 Injury Rate | |
| S8 Global Health and Safety Policy | In place ⁽²⁾ |
| S9 Child & Forced Labour Policy | In place ⁽²⁾ |

⁽¹⁾ CEO salary / Company average salary

⁽²⁾ See Iceland Seafood International website for more details



Corporate Governance & Social Responsibility

Governance

These are key aspects of Iceland Seafood International governance. For more detail, see the Iceland Seafood International ESG report.

⁽¹⁾ See Iceland Seafood International website for more details.

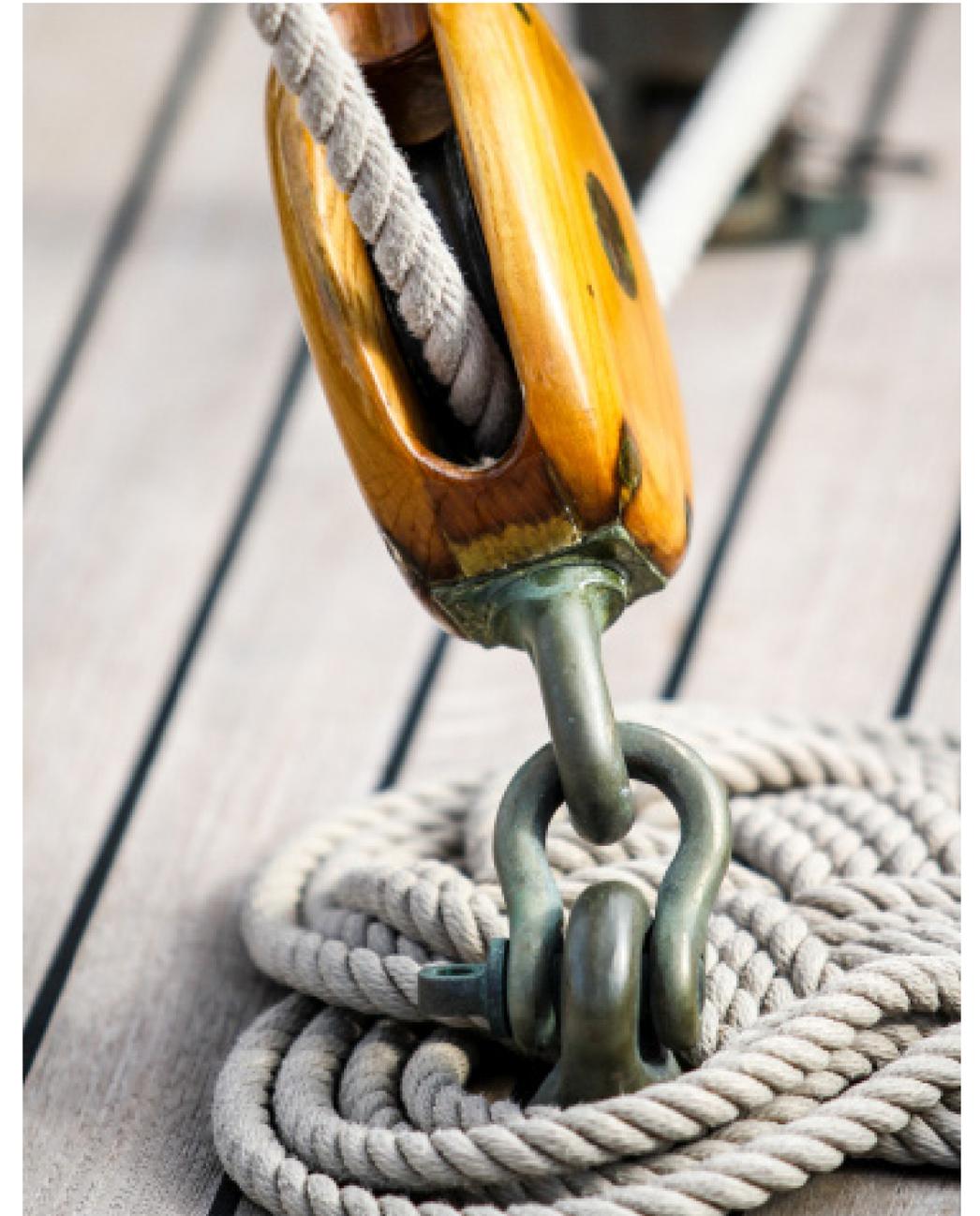
⁽²⁾ Company executives are not incentivised for ESG performance.

⁽³⁾ Individual subsidiaries have implemented supplier codes of conduct, but an overarching group CoC is not in place.

⁽⁴⁾ ESG metrics included in annual report and a more detailed ESG report available at Iceland Seafood International website.

⁽⁵⁾ ESG metrics have not been validated by a third party.

| Governance Metrics | Measurement/ Status |
|--|-------------------------|
| G1 Board separation of powers | Yes ⁽¹⁾ |
| G2 Board – transparent practices | Yes ⁽¹⁾ |
| G3 Incentivized pay | No ⁽²⁾ |
| G4 Fair labour practices | In place ⁽¹⁾ |
| G5 Supplier code of conduct | No ⁽³⁾ |
| G6 Ethics – code of conduct | In place ⁽¹⁾ |
| G7 Anti-corruption and bribery | In place ⁽¹⁾ |
| G8 Tax transparency | In place ⁽¹⁾ |
| G9 Sustainability report | Yes ⁽⁴⁾ |
| G10 Other framework disclosures | No |
| G11 External validation & assurance | No ⁽⁵⁾ |



Disclaimer

This report is furnished and intended for European market participants and should be viewed in that manner. Any potential forward looking statements contained in this presentation are reflective of management's current views on future events and performance. Whilst the views are based on positions that management believes are reasonable, there is no assurance that these events and views will be achieved. Forward looking views naturally involve uncertainties and risk, and consequently, actual results may differ to the statements or views expressed.

www.icelandseafood.com

