



Iceland Seafood International hf.

Consolidated Financial Statements

for the year ending 31 December 2019

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

Contents

	Page
Independent Auditor's Report of the Consolidated Financial Statements	2-4
Statement and Endorsement by the Board of Directors and the CEO	5-7
Consolidated Income Statement	8
Consolidated Statement of Comprehensive Income	9
Consolidated Balance Sheet	10
Consolidated Statement of Changes in Equity	11
Consolidated Statement of Cash Flows	12
Notes to the Consolidated Financial Statements	13-40
 Appendices (unaudited)	
Corporate Governance Statement	41-49
Non-financial information	50-51

Company Information

Name	Iceland Seafood International hf.
TIN	611088-1329
BOD	Magnús Bjarnason, Chairman Liv Bergþórsdóttir, Board Member Jakob Valgeir Flosason, Board Member Ingunn Agnes Kro, 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)

Independent Auditor's Report

of the Consolidated Financial Statements

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

Opinion

We have audited the Consolidated Financial Statements of Iceland Seafood International hf. for the year ended 31 December 2019 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the consolidated financial position of Iceland Seafood International hf. as at 31 December 2019 and 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 and additional requirements in the Icelandic Financial Statement Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of Iceland Seafood International hf. in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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.

Valuation of goodwill

Book value of goodwill at year-end amount to EUR 43.5 million (2018: 43.4 million).

As required by the applicable accounting standards, management conducts annual impairment tests to assess the recoverability of the carrying value of goodwill. This is performed using discounted cash flow models. As disclosed in note 10, there are a number of key sensitive judgements made in determining the inputs into these models which include:

- Revenue growth
- Expected future margins and
- The discount rate applied to the projected future cash flows

Accordingly, the impairment test of these assets is considered to be a key audit matter in the audit of valuation of goodwill.

How our audit addressed the key audit matter

We focused our testing of the impairment of goodwill on the key assumptions made by management. Our audit procedures included:

Engaging our internal specialist to assist with:

- Critically evaluating whether the model used by management to calculate the value in use of the individual Cash Generating Units complies with the requirements of IAS 36 Impairment of Assets.
- Validating the assumptions used to calculate the discount rates and recalculating these rates.
- Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current economic climate and expected future performance of the Cash Generating Unit.
- Subjecting the key assumption to sensitivity analyses.
- Comparing the projected cash flows, including the assumptions relating to revenue growth rates and operating margins, against historical performance to test the accuracy of management's projections.

Independent Auditor's Report

of the Consolidated Financial Statements

We also reviewed the disclosures presented in note 11 to the Consolidated Financial Statements to confirm compliance with the requirements within IAS 36.

Other information

The Board of Directors and the CEO are responsible for the other information. The other information comprises the Statement and Endorsement by the Board of Directors and the CEO and the unaudited appendices to the Consolidated Financial Statements.

Our opinion on the Financial Statements does not cover the other information and we do not express any form of assurance conclusion thereon, except the confirmation regarding Statement and Endorsement by the Board of Directors and the CEO as stated below.

In connection with our audit of the Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

In accordance with Paragraph 2 article 104 of the Icelandic Financial Statement Act no. 3/2006, we confirm to the best of our knowledge that the accompanying Statement and Endorsement by the Board of Directors and CEO includes all information required by the Icelandic Financial Statement Act that is not disclosed elsewhere in the Financial Statements.

Responsibilities of the Board of Directors and the CEO for the Consolidated Financial Statements

The Board of Directors and the CEO are responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional requirements in the Icelandic Financial Statement Act, and for such internal control as the Board of Directors and the CEO determines is necessary to enable the preparation of Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, the Board of Directors and the CEO are responsible for assessing Iceland Seafood International hf.'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 the Board of Directors and the CEO either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated 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.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated 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

Independent Auditor's Report

of the Consolidated Financial Statements

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 Iceland Seafood International hf.'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 Company'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 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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 and separate 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 the Board of Directors and the Audit Committee 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 the Board of Directors and the Audit Committee 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 the Board of Directors and the Audit Committee, we determine those matters that were of most significance in the audit of the Consolidated 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.

Kópavogur, 25 February 2020.

Deloitte ehf.

Ingvi Björn Bergmann
State Authorised Public Accountant

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 Consolidated Financial Statements present the necessary information to evaluate the financial position of the Company at year end, the operating results for the year and financial developments during the year 2019.

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional disclosure requirements in the Icelandic Act no. 3/2006 on Financial Statements.

The Company

The Company is a holding company for a Group of subsidiaries in Europe, North and South America, 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 Group operates across three divisions, Value Added Southern Europe, Value Added Northern Europe and our 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 year

The Board of Directors and the CEO are very pleased to report a strong performance for 2019. Sales of EUR 448.2 million were 30% up on prior year, benefiting from acquisition of Iberica and Oceanpath in 2018. Underlying, like for like sales growth of 4% was driven by significant increase in sales within S&D division, especially from Iceland.

The Consolidated Income Statement for the year 2019 shows Normalised Profit Before Tax of EUR 11.3 million compared to EUR 7.2 million in 2018 and EUR 10.8m on proforma level. Profit For The Year of EUR 6.1 million increased by EUR 1.4m from the prior year.

The Consolidated Balance Sheet at year-end 2019 shows total assets of EUR 209.5 million or EUR 15.7 million increase over the prior year. Equity amounted to EUR 80.2 million or up EUR 20.9 million from December 2018, with a public share offering which was finalised in October 2019 the Company's equity increased by EUR 15.2m. The Equity ratio was 38.3% at year end compared to 30.6% at end of 2018. Full time employees on average for the year were 659 (2018: 450), with 664 at year end (2018: 667).

The Group, for the first time, has applied IFRS 16 Leases. At initial application on 1 January 2019 the group recognised additional lease liabilities of EUR 2.5 million and leased asset of EUR 2.3 million. The difference of EUR 0.2 million was booked as an adjustment on opening balance of retained earnings (see note 20).

Merging of Icelandic Iberica and Iceland Seafood Spain

As announced in February 2019, the work of merging Icelandic Iberica S.A. and Iceland Seafood Spain S.L. has been in process during the year, with the legal merger taking effect at year end 2019 and the merged legal entity Iceland Seafood Iberica S.A.U. operating from beginning of 2020.

Events after the reporting period

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, Elba S.L. will be included in the consolidated accounts from that time. 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 will be settled with cash and the other 50% with new shares in Iceland Seafood International hf. (further details in Note 23).

Statement and Endorsement

by the Board of Directors and the CEO

Iceland's Nasdaq main market listings

The Company was listed on Nasdaq main market on the 29 October 2019. In relation to the listing, the Company issued and sold 225 million new shares in a public offering, total number of shares is 2,561 million after the offering. The shares were mainly sold to institutional investors in Iceland, the number of shareholders increased by 112 and was around 452 at year end 2019. With the public offering the Company equity increased by EUR 15.2 million.

Market capitalization

The Company is listed on the Nasdaq main market in Iceland (ticker: ICESEA). The latest transaction in 2019 was at ISK 9.93 per share, giving the Company a market capitalization of EUR 187.8 million (2018: EUR 152.3 million) or 23% increase YOY.

Shareholders

The total number of shareholders at year end was 452 (2018: 289). The ten largest are (shares are in ISK millions):

	31.12.2019		31.12.2018	
Sjávarsýn ehf	283	11%	248	11%
Nesfiskur ehf	274	11%	239	10%
FISK Seafood ehf	274	11%	239	10%
Jakob Valgeir ehf	269	10%	203	9%
Arion Banki hf	138	5%	118	5%
Frjálsi lífeyrissjóðurinn	124	5%	89	4%
Lífsværk lífeyrissjóður	108	4%	70	3%
Birta lífeyrissjóður	95	4%	17	1%
Lífeyrissjóður starfmanna ríkisins A-deild	73	3%		
Vátryggingafélag Íslands hf	73	3%	60	3%
	1.711	67%	1.283	56%
Other shareholders (2019: 442 and 2018: 279)	851	33%	1.042	44%
	<u>2.562</u>	<u>100%</u>	<u>2.325</u>	<u>100%</u>

The Board of Directors will propose to the Annual General Meeting that a dividend of EUR 1.5 million will be paid to shareholders in 2020, in line with the company dividend policy. For an overview of changes in equity, see the Consolidated Statement of Changes in Equity.

Corporate Governance

Iceland Seafood International hf is a limited liability company operating under Act No. 2/1995 respecting Public Limited Companies. The framework for Corporate Governance practices within the Company is defined by the provisions of law, the Nasdaq Iceland Rules, the principles set forth in the Corporate Governance Guidelines issued by the Iceland Chamber of Commerce and the Company's Articles of Association. The Company is governed by shareholders meetings, the Board of Directors and the Chief Executive Officer. Further information is provided in the Corporate Governance Statement which is an appendix to these Financial Statements.

Statement and Endorsement

by the Board of Directors and the CEO

Non-financial information

The Company is defined, under the Icelandic Act no. 3/2006 on Financial Statements, as a parent company of a large consolidation. According to the Act, such companies are to disclose as an attachment to the Statement and Endorsement by the Board of Directors and the CEO, relevant and useful information on their policies, main risks and outcomes relating to environmental, social and employee matters, their human rights policy and how they counteract corruption and bribery. Also a short description of their business model. This new disclosure requirement is derived from a European directive that became effective on 1 January 2017.

The Company has various policies in place regarding these above mentioned matters, rights and actions, which are disclosed in the Non Financial Information appendices to these Consolidated Financial Statements.

Endorsement

The Board of Directors and the CEO of Iceland Seafood International hf. hereby confirm the Consolidated Financial Statements of the Company for the year 2019 with their signatures.

Reykjavík, 25 February 2020.

Magnús Bjarnason
Chairman of the Board

Liv Bergþórsdóttir
Board Member

Jakob Valgeir Flosason
Board Member

Bjarni Ármannsson
Chief Executive Officer

Consolidated Income Statement

for the year ended 31 December 2019

	Note	2019			2018		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
Gross profit							
Sales of seafood	2	448.189		448.189	345.978		345.978
Cost of sales	12	(386.609)		(386.609)	(299.153)		(299.153)
		61.580		61.580	46.825		46.825
Operating expenses							
Operating expenses		(44.159)	(3.626)	(47.785)	(36.372)	(1.290)	(37.662)
Depreciation and amortisation	9	(3.020)		(3.020)	(1.319)		(1.319)
Operating profit		14.401	(3.626)	10.775	9.134	(1.290)	7.844
Net finance costs	5	(2.336)		(2.336)	(2.005)		(2.005)
Net exchange rate difference		(790)		(790)	69		69
Profit before tax		11.275	(3.626)	7.649	7.198	(1.290)	5.908
Income tax expense	6	(2.274)	725	(1.549)	(1.489)	258	(1.231)
Profit for the year		9.001	(2.901)	6.100	5.709	(1.032)	4.677
Attributable to							
Owners of the Company		8.086	(2.901)	5.185	5.045	(1.032)	4.013
Non-controlling interests		915		915	664		664
		9.001	(2.901)	6.100	5.709	(1.032)	4.677
Earnings per share							
Basic (cents per thousand shares)	8	0,3763		0,2550	0,3571		0,2926
Diluted (cents per thousand shares)		0,3741		0,2535	0,3535		0,2896

* See note no 7 for further information on significant items.

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2019

	Note	2019			2018		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
Profit for the year		9.001	(2.901)	6.100	5.709	(1.032)	4.677
Items that may be reclassified subsequently to profit or loss							
Net fair value of cash flow hedges		(525)		(525)	177		177
Translation difference		236		236	(141)		(141)
Other adjustments					6		6
Total comprehensive income for the year		8.712	(2.901)	5.811	5.751	(1.032)	4.719
Attributable to							
Owners of the Company		7.797	(2.901)	4.896	5.087	(1.032)	4.055
Non-controlling interests		915		915	664		664
		8.712	(2.901)	5.811	5.751	(1.032)	4.719

* See note no 7 for further information on significant items.

Consolidated Balance Sheet

at 31 December 2019

	Note	31.12.2019	31.12.2018
Assets			
Non-current assets			
Property, plant and equipment	9	17.578	14.435
Leased assets	20	2.679	
Intangible assets	10	44.698	44.689
Investments in other companies	11	94	89
Deferred tax assets	6	2.978	2.535
Other long term assets		53	54
Total non-current assets		68.080	61.802
Current assets			
Inventories	12	65.062	62.107
Trade and other receivables	13	62.306	62.452
Other assets	14	4.397	3.466
Cash and bank balances	15	9.610	3.967
Total current assets		141.375	131.992
Total assets		209.455	193.794
Equity and liabilities			
Capital and reserves			
Issued capital and share premium	16	68.760	53.156
Translation reserve	17	(665)	(901)
Other reserves	17	38	538
Retained earnings and unrealised profit from subsidiaries		8.303	3.659
Equity attributable to owners of the Company		76.436	56.452
Non-controlling interests		3.805	2.890
Total equity		80.241	59.342
Non-current liabilities			
Borrowings	18	7.951	6.640
Lease liabilities	20	2.108	
Retirement benefit and other obligations		1.202	914
Deferred tax liabilities	6	940	832
Total non-current liabilities		12.201	8.386
Current liabilities			
Borrowings	18	67.157	75.828
Lease liabilities	20	859	
Trade and other payables		42.216	44.872
Other liabilities	19	6.781	5.366
Total current liabilities		117.013	126.066
Total liabilities		129.214	134.452
Total equity and liabilities		209.455	193.794

Consolidated Statement of Changes in Equity

for the year ended 31 December 2019

	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 2018	14.369	3.987	(759)	(93)	430	13	4.356	(4.712)	17.591	129	17.720
Profit (loss) for the year							6.529	(2.510)	4.019	658	4.677
Net fair value gain on cash flow hedges				177					177		177
Translation of shares held in foreign currencies ...			(142)						(142)	(1)	(143)
Other adjustments						11		(4)	7		7
Total comprehensive income			(142)	177		11	6.529	(2.514)	4.061	657	4.718
Issue of share capital	8.020	26.780							34.800		34.800
Dividend declared from subsidiaries to parent							(5.222)	5.222	0		0
Non-controlling interest arising from acquisitions of a subsidiary									0	2.104	2.104
Balances at 31 December 2018	22.389	30.767	(901)	84	430	24	5.663	(2.004)	56.452	2.890	59.342
Effect of implementation of IFRS 16							(214)		(214)		(214)
Adjusted balance at 1 January 2019	22.389	30.767	(901)	84	430	24	5.449	(2.004)	56.238	2.890	59.128
Profit (loss) for the year							8.407	(3.222)	5.185	915	6.100
Net fair value loss on cash flow hedges				(525)					(525)		(525)
Translation of shares held in foreign currencies ...			236						236		236
Total comprehensive income			236	(525)			8.407	(3.222)	4.896	915	5.811
Issue of share capital	1.705	13.899							15.604		15.604
Dividend declared from subsidiaries to parent							(7.100)	7.100	0		0
Other adjustments						25	(327)		(302)		(302)
Balances at 31 December 2019	24.094	44.666	(665)	(441)	430	49	6.429	1.874	76.436	3.805	80.241

Consolidated Statement of Cash Flows

for the year ended 31 December 2019

	Note	2019	2018
Operating activities			
Operating profit		10.775	7.844
Depreciation and amortisation	9	3.020	1.319
Gain on disposal of property, plant and equipment		(104)	(23)
Change in obligations and other calculated liabilities		(539)	(323)
Working capital generated from operations		13.152	8.817
(Increase) decrease in inventories		(2.955)	1.244
Increase in receivables and other assets		(784)	(4.429)
(Decrease) increase in payables and other liabilities		(626)	2.315
Cash generated from operations before interests and taxes		8.787	7.947
Interest received		195	83
Interest paid		(2.531)	(2.088)
Income taxes paid		(2.499)	(1.836)
Net cash generated by operating activities		3.952	4.106
Investing activities			
Payments for property, plant and equipment	9	(5.742)	(2.073)
Proceeds from disposal of property, plant and equipment		662	71
Payments for intangible assets	10	(186)	(87)
Proceeds from disposal of intangible assets		172	3
Net cash outflow on acquisition of subsidiaries		(2.680)	(7.862)
Net cash used in investing activities		(7.774)	(9.948)
Net cash before financing activities			
		(3.822)	(5.842)
Financing activities			
Net proceeds from revolving credit facility		(1.047)	5.405
Net proceeds from borrowings on new term loan		7.448	5.000
Net repayment of other borrowings		(11.860)	(2.750)
Proceeds from issue of share capital, net of issue costs	16	15.604	
Net cash generated by financing activities		10.145	7.655
Net increase in cash and bank balances		6.323	1.813
Cash and bank balances at the beginning of the year		3.967	2.223
Effect of exchange rate changes on cash held in foreign currencies		(680)	(69)
Cash and bank balances at the end of the year	15	9.610	3.967
Non-cash investing and financing activities			
Acquisition of subsidiary	10		(34.800)
Proceeds from issue of share capital	16		34.800

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

1. General information

Iceland Seafood International hf. (the Company) is a public limited company incorporated in Iceland. It is listed on the Nasdaq main market in Iceland (ticker: ICESEA).

The addresses of its registered office and principal place of business are disclosed in the Contents to the Consolidated Financial Statements. The principal activities of the Company and its subsidiaries (the Group) are described in the Statement and Endorsement by the Board of Directors and the CEO.

2. Segment information

2.1 Products and services from which reportable segments derive their revenues

Information is reported to the Board of Directors and key management on the operating segment level. The reportable segments in 2019 were:

Value added Southern Europe	Processing of seafood into value added products prior to sale in Southern Europe.
Value added Northern Europe	Processing of seafood into value added products prior to sale in Northern Europe.
Sales and distribution	Distribution of seafood to a global network of customers.
Other	Head office and discontinued operations.

2.2 Segment revenue, results, assets and liabilities

For the year 2019	Value added S-Europe	Value added N-Europe	Sales and distribution	Other and Eliminations	Consolidated
Revenue:					
Sales of seafood	197.077	96.670	208.299		502.046
Eliminations	(17.678)	(65)	(14.275)	(21.839)	(53.857)
	<u>179.399</u>	<u>96.605</u>	<u>194.024</u>	<u>(21.839)</u>	<u>448.189</u>
Operating results:					
EBIT	7.889	4.889	2.179	(556)	14.401
Finance costs	(1.198)	(768)	(309)	(851)	(3.126)
Normalised PBT	6.691	4.121	1.870	(1.407)	11.275
Income tax	(1.450)	(692)	(426)	294	(2.274)
Normalised profit (loss)	5.241	3.429	1.444	(1.113)	9.001
Significant items	(1.531)	(114)	(147)	(1.109)	(2.901)
Profit (loss)	3.710	3.315	1.297	(2.222)	6.100
Assets	<u>98.930</u>	<u>46.342</u>	<u>27.324</u>	<u>36.859</u>	<u>209.455</u>
Liabilities	<u>72.006</u>	<u>30.238</u>	<u>19.298</u>	<u>7.672</u>	<u>129.214</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

For the year 2018	Value added S-Europe	Value added N-Europe	Sales and distribution	Other and Eliminations	Consolidated
Revenue:					
Sales of seafood	106.677	97.641	198.534		402.852
Eliminations	(6.566)	(253)	(15.324)	(34.731)	(56.874)
	<u>100.111</u>	<u>97.389</u>	<u>183.210</u>	<u>(34.731)</u>	<u>345.978</u>
Operating results:					
EBIT	3.639	5.348	1.554	(1.407)	9.134
Finance costs	(115)	(762)	(373)	(686)	(1.936)
Normalised PBT	3.524	4.586	1.181	(2.093)	7.198
Income tax	(876)	(694)	(317)	398	(1.489)
Normalised profit (loss)	2.648	3.892	865	(1.695)	5.709
Significant items	(2)	(163)	(107)	(760)	(1.032)
Profit (loss)	2.646	3.729	758	(2.455)	4.677
Assets	<u>88.108</u>	<u>38.689</u>	<u>30.788</u>	<u>36.209</u>	<u>193.794</u>
Liabilities	<u>60.670</u>	<u>24.981</u>	<u>21.534</u>	<u>27.267</u>	<u>134.452</u>

3. Salaries

Salaries and related expenses:

	2019	2018
Salaries	22.664	17.913
Pension related expenses	1.380	1.261
Other salary related expenses	1.331	975
	<u>25.375</u>	<u>20.149</u>

Classified by operational category:

	2019	2018
Cost of sales	13.870	13.509
Operating expenses	11.505	6.640
	<u>25.375</u>	<u>20.149</u>

Full time employees on average for the year	659	450
Full time employees at end of the year	664	667

4. Fee to auditors

	2019	2018
Audit of the Consolidated Financial Statements	435	211
Other services	49	159
	<u>484</u>	<u>370</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

5. Net finance costs

	2019	2018
<i>Investment income:</i>		
Interest income on bank accounts	3	4
Interest income on trade receivables and payables	192	79
Total investment income	<u>195</u>	<u>83</u>
<i>Finance costs:</i>		
Interest expenses on borrowings	(1.715)	(1.975)
Interest expenses on obligations under finance leases	(180)	(9)
Other interest expenses	(636)	(104)
Total finance costs	<u>(2.531)</u>	<u>(2.088)</u>
Net finance costs	<u>(2.336)</u>	<u>(2.005)</u>

6. Income tax

6.1 Income tax recognised in profit or loss

	2019	2018
Current tax expense	(1.884)	(1.341)
Deferred tax expense	335	110
	<u>(1.549)</u>	<u>(1.231)</u>

The income tax expense for the year can be reconciled to the accounting profit as follows:

	2019	2018
Normalised profit before tax after significant items	7.649	5.908
Income tax expense calculated at 20% (the Company's rate in Iceland)	(1.530)	(1.182)
Effect of different tax rates of subsidiaries operating in other jurisdictions	204	164
Effect of income that is exempt from taxation	9	9
Effect of expenses that are not deductible in determining taxable profit	157	(60)
Effect of unused tax losses and tax offsets not recognised as def. tax assets	1	(95)
Effect of exchange rate difference on deferred tax	(157)	(3)
Change in tax rate	(48)	0
Others	(185)	(64)
Income tax expense recognised in profit or loss	<u>(1.549)</u>	<u>(1.231)</u>
Effective tax rate	20%	21%

6.2 Current tax balances

	31.12.2019	31.12.2018
Income tax payable	<u>420</u>	<u>1.035</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

6.3 Deferred tax balances

	31.12.2019	31.12.2018
Deferred tax assets	2.978	2.535
Deferred tax liabilities	(940)	(832)
	<u>2.038</u>	<u>1.703</u>

Deferred tax assets / (liabilities) have changed as follows:

	Deferred tax assets	Deferred tax liabilities	Total
At 1 January 2018	1.532	(483)	1.049
Calculated tax for the year	393	(1.624)	(1.231)
Acquired on acquisition of subsidiary	610	(66)	544
Income tax payable for the period		1.341	1.341
At 31 December 2018	<u>2.535</u>	<u>(832)</u>	<u>1.703</u>
Calculated tax for the year	443	(1.992)	(1.549)
Income tax payable for the period		1.884	1.884
At 31 December 2019	<u>2.978</u>	<u>(940)</u>	<u>2.038</u>

Deferred tax assets / (liabilities) are in relation to:

	31.12.2019	31.12.2018
Property, plant and equipment	(709)	(622)
Intangible assets	193	254
Inventories	(27)	44
Trade and other receivables	(50)	117
Deferred revenue	175	27
Deferred exchange rate difference	84	96
Deferred tax loss	2.104	1.787
Other items	268	0
	<u>2.038</u>	<u>1.703</u>

6.4. Unused tax losses

Most of the unused tax losses will expire in the years 2025-2028, although some subsidiaries have unused tax losses that do not expire.

7. Significant items

In 2019 the Group incurred costs associated with the following:

- Management changes within the parent company and the Spanish operation of EUR 1.0 million.
- Restructuring costs in Spain related to the merger of Icelandic Iberica and Iceland Seafood Spain of EUR 1.9 million.
- Costs related to the listing on Nasdaq main market in Iceland and the associate share increase of EUR 0.4 million.
- Costs related to restructuring of operation in UK and Iceland of EUR 0.3 million.

In 2018 the Group incurred costs associated with the acquisitions of Oceanpath Ltd and Solo Seafood ehf and restructuring of some of its subsidiaries. The total costs related to acquisitions amounted to EUR 0.9 million and costs related to restructuring were EUR 0.3 million.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

8. Earnings per share

	2019	2018
Profit for the year	6.100	4.677
Weighted average number of ordinary shares (in ISK thousands) for basic EPS	2.392.080	1.598.540
Shares to be issued in respect of employee options	14.076	16.343
Weighted average number of ordinary shares (in ISK thousands) for diluted EPS .	2.406.156	1.614.883
<i>Basic earnings per share (EUR cents per thousand shares):</i>		
Basic earnings per share	0,2550	0,2926
<i>Diluted earnings per share (EUR cents per thousand shares):</i>		
Diluted earnings per share	0,2535	0,2896

9. Property, plant and equipment

For the year 2019	Property and land	Machinery and equipment	Total
Cost			
At 1 January	9.451	11.981	21.432
Additions	1.662	4.080	5.742
Eliminated on disposal	(556)	(716)	(1.272)
Fully depreciated assets		(3.376)	(3.376)
Exchange rate differences	(26)	140	114
At 31 December	10.531	12.109	22.640
Depreciation			
At 1 January	1.251	5.746	6.997
Charge for the period	241	1.893	2.134
Eliminated on disposal	(194)	(520)	(714)
Fully depreciated		(3.376)	(3.376)
Exchange rate differences	4	17	21
At 31 December	1.302	3.760	5.062
At 31 December 2019	9.229	8.349	17.578

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

For the year 2018	Property and land	Machinery and equipment	Total
Cost			
At 1 January	5.791	8.789	14.580
Acquired on acquisition of subsidiary	2.725	2.477	5.202
Additions	942	1.131	2.073
Eliminated on disposal		(268)	(268)
Fully depreciated assets		(98)	(98)
Exchange rate differences	(7)	(50)	(57)
At 31 December	<u>9.451</u>	<u>11.981</u>	<u>21.432</u>
Depreciation			
At 1 January	1.034	5.084	6.118
Charge for the period	218	1.001	1.219
Eliminated on disposal		(220)	(220)
Fully depreciated assets		(98)	(98)
Exchange rate differences	(1)	(21)	(22)
At 31 December	<u>1.251</u>	<u>5.746</u>	<u>6.997</u>
At 31 December 2018	<u><u>8.200</u></u>	<u><u>6.235</u></u>	<u><u>14.435</u></u>

9.1 Useful lives

The following useful lives of property, plant and equipment are used in the calculation of amortisation.

Property and land	20-40 years
Machinery and equipment	3-20 years

9.2 Property, plant and equipment pledged as security

The group has pledged property, plant and equipment having a carrying amount at year-end of approximately 7.2 million (2018: 11.0 million) to secure banking facilities granted to the group.

9.3 Depreciation and amortisation expense

	2019	2018
Depreciation of property, plant and equipment	2.134	1.219
Amortisation of intangible assets, note 10	96	100
Depreciation of leased assets, note 20	790	
	<u>3.020</u>	<u>1.319</u>

9.4 Property, plant and equipment insurance value

	31.12.2019	31.12.2018
Insurance value	<u>34.270</u>	<u>27.711</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

10. Intangible assets

For the year 2019	Other intangible		
	Goodwill	assets	Total
At 1 January	43.435	1.254	44.689
Additions		186	186
Charge for the period		(96)	(96)
Eliminated on disposal		(172)	(172)
Exchange rate differences	91		91
At 31 December	<u>43.526</u>	<u>1.172</u>	<u>44.698</u>

For the year 2018	Other intangible		
	Goodwill	assets	Total
At 1 January	8.842	58	8.900
Acquired on acquisition of subsidiary	34.609	1.214	35.823
Additions		87	87
Charge for the period		(100)	(100)
Eliminated on disposal		(4)	(4)
Exchange rate differences	(16)	(1)	(17)
At 31 December	<u>43.435</u>	<u>1.254</u>	<u>44.689</u>

During the year, the Company assessed the recoverable amount of goodwill and determined that none of the Company's cash-generating units have suffered an impairment loss.

10.1 Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing purposes to the following cash-generating units.

	31.12.2019		31.12.2018	
	WACC %	Book value	WACC %	Book value
Iceland	6,1%	4.072	8,1%	4.072
Spain	6,6%	26.499	7,9%	26.499
France	5,8%	1.127	8,0%	1.127
Ireland	7,1%	10.152	8,3%	10.129
UK	6,9%	1.676	8,4%	1.608
		<u>43.526</u>		<u>43.435</u>

The recoverable amount of these cash-generating units is determined based on a value in use calculation, which uses cash flow projections based on financial forecasts prepared by management covering a five-year period and a discount rate of 5.8-7.1% p.a. (2018: 7.9-8.4% p.a.).

Cash flow projections during the forecast period are based on the same expected gross margins and raw materials price inflation throughout the forecast period. The cash flows beyond that five-year period have been extrapolated using a steady 2% p.a. (2018: 2%) growth rate which is the projected long-term average growth rate for the international seafood market. Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash-generating unit. An increase in weighted average cost of capital of more than 260 bps would cause impairment of goodwill.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

11. Subsidiaries and other investments

The Group's subsidiaries and other investments are as follows.

Name of company	Place of incorporation	Ownership 31.12.2019	Ownership 31.12.2018	Principal activity
<i>Subsidiaries:</i>				
Iceland Seafood ehf.	Iceland	100%	100%	Sale of seafood
Solo Export ehf.	Iceland	100%	100%	Not active
Iceland Seafood S.L. *	Spain	100%	100%	Sale of seafood
- Union Islandia Pleamar S.L.	Spain	55%	55%	Not active
Icelandic Iberica S.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
Iceland Seafood Barraclough Ltd.	UK	100%	95%	Sale of seafood
- F. Barraclough Ltd.	UK	100%	100%	Not active
- Havelok Ltd.	UK	67%	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 A.E.E.	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

* 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. operating from beginning of 2020.

11.1 Subsidiaries pledged as security

Equity of subsidiaries have been pledged for the Group's borrowings.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

12. Inventories

	31.12.2019	31.12.2018
Raw materials	7.418	9.744
Finished goods	55.433	51.600
Other inventories	2.211	763
	<u>65.062</u>	<u>62.107</u>

12.1 Recognised as an expense

The cost of inventories recognised as an expense is:

	2019	2018
Cost of sales	<u>386.609</u>	<u>299.152</u>

12.2 Movement in write-downs to net realisable value

	31.12.2019	31.12.2018
At 1 January	(1.473)	(190)
Movement related to acquisition of a subsidiaries		(1.324)
Write-downs of inventory to a net realisable value	(125)	(362)
Reversal of such write-downs	782	400
Exchange rate differences	(8)	3
At 31 December	<u>(824)</u>	<u>(1.473)</u>

12.3 Inventories pledged as security

Inventories have been pledged for the Group's borrowings.

13. Trade and other receivables

	31.12.2019	31.12.2018
Trade and other receivables	62.879	63.307
Allowance for doubtful accounts	<u>(573)</u>	<u>(855)</u>
	<u>62.306</u>	<u>62.452</u>

Allowance has been made for doubtful accounts and sales returns. This allowance has been determined by management in reference to past default experience. Management considers that the carrying amount of receivables approximates their fair value.

13.1 Trade receivables

The expected credit losses (ECL) on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors such as general economic conditions in the markets the Group operates. This analysis also takes into account if receivables are credit insured or not at end of the year. Around 81% of Group's receivables were credit insured.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

13.2 Trade receivables expected credit loss

The following table details the risk profile of trade receivables based on the Group's provision matrix.

31.12.2019	Trade receivables - days past due				
	Not past due	<30	31 - 60	61 - 90	>90
Uninsured receivables					
Expected credit loss rate	0,4%	1,8%	5,0%	11,4%	100,0%
Estimated total gross carrying amount at default	6.142	5.015	158	278	378
Estimated Credit Loss (ECL)	22	90	8	32	378
Insured receivables					
Expected credit loss rate	0,1%	1,4%	2,9%	13,0%	100,0%
Estimated total gross carrying amount at default	41.219	9.099	413	110	257
ECL (10% Loss given default)	4	13	1	1	25
Total					<u>573</u>

31.12.2018	Trade receivables - days past due				
	Not past due	<30	31 - 60	61 - 90	>90
Uninsured receivables					
Expected credit loss rate	0,7%	2,4%	6,6%	12,7%	100,0%
Estimated total gross carrying amount at default	6.442	3.378	300	237	641
Lifetime ECL	41	82	20	30	641
Insured receivables					
Expected credit loss rate	0,2%	1,8%	3,9%	13,1%	100,0%
Estimated total gross carrying amount at default	43.661	7.483	744	167	131
Lifetime ECL	10	13	3	2	14
Total					<u>855</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

13.3 Movement in the allowance for doubtful debts

	2019	2018
At 1 January	(855)	(812)
Change in impairment estimate	(28)	(425)
Amounts written off as uncollectible	293	303
Amounts recovered	18	81
Exchange rate difference	(1)	(2)
At 31 December	<u>(573)</u>	<u>(855)</u>

13.4 Receivables pledged as security

Trade receivables have been pledged for the Group's borrowings.

14. Other assets

	31.12.2019	31.12.2018
Prepaid expenses	3.894	1.620
Value added and capital gain taxes	465	1.700
Fair value of cash flow hedges	38	146
	<u>4.397</u>	<u>3.466</u>

15. Cash and bank balances

Cash and bank balances consist of cash and bank accounts.

16. Issued capital and share premium

	Authorized shares	Issued shares	Outstanding shares	Book value
16.1 Shares				
At 1 January 2018	1.299.588	1.299.588	1.299.588	14.369
New shares issued	1.024.977	1.024.977	1.024.977	8.020
At 31 December 2018	2.324.565	2.324.565	2.324.565	22.389
New shares issued	236.779	236.779	236.779	1.705
At 31 December 2019	<u>2.561.344</u>	<u>2.561.344</u>	<u>2.561.344</u>	<u>24.094</u>

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

	Share capital	Share premium	Total
16.2 Issued capital and share premium			
At 1 January 2018	14.369	3.987	18.356
New shares issued	8.020	26.780	34.800
At 31 December 2018	22.389	30.767	53.156
New shares issued	1.705	13.899	15.604
At 31 December 2019	<u>24.094</u>	<u>44.666</u>	<u>68.760</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

17. Reserves

	31.12.2019	31.12.2018
Translation reserve	(665)	(901)
Hedging reserve	(441)	84
Statutory reserve	430	430
Equity reserve	49	24
Unrealised profit of subsidiaries	6.429	5.663
	<u>5.802</u>	<u>5.300</u>

17.1 Translation reserve

Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Euro) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve (in respect of translating both the net assets of foreign operations and hedges of foreign operations) are reclassified to profit or loss on the disposal of the foreign operation.

17.2 Hedging reserve

The cash flow hedging reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising on changes in fair value of the hedging instruments that are recognised and accumulated under the heading of cash flow hedging reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or included as a basis adjustment to the non-financial hedged item, consistent with the Group's accounting policy.

17.3 Statutory reserve

In accordance with the Icelandic Act no 2/1995 on Public Limited Companies, the Company is to retain 10% of its annual profit in a statutory reserve until it equals 10% of the outstanding shares. After that, the Company is to retain 5% until the reserve equals 25% of the outstanding shares.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

17.4 Equity reserve

The equity-settled employee benefits reserve relates to share options granted by the Company to its employees under its employee share option plan.

At 31 December 2019, executives and senior employees held options to buy 32.845.627 shares in the Company. The outstanding options will vest over four years from issuance, with the first 12/48 of the option vesting at the first anniversary of grant date and the remaining 36/48 vesting monthly after that. The exercise price of options granted prior to 2017 is ISK 5.4, the exercise price of options granted in 2017 is ISK 6.85, on options granted in 2018 is ISK 7.69 and on options granted in 2019 ISK 9.55. All options are conditional that the Optionee remains an employee of the Company. The options carry neither rights to dividends nor voting rights and are valued using the Black Scholes option pricing model. During 2019 in 11.779 thousands shares were exercised at the exercise price of ISK 5.4 per share, 5.005 thousands shares were cancelled during the year as the optionees ceased their

	Average exercise price per share	Stock options (thousands)
At 1 January 2019	5,63	34.850
Granted in 2019	9,55	14.780
Exercised 2019	5,40	(11.779)
Cancelled 2019	5,40	(5.005)
At 31.12.2019	<u>7,51</u>	<u>32.846</u>
Exercisable stock options at 31.12.2019		<u>14.076</u>
At 1 January 2018	5,48	32.500
Granted in 2018	7,69	2.350
Exercised 2018		
At 31.12.2018	<u>5,63</u>	<u>34.850</u>
Exercisable stock options at 31.12.2018		<u>20.494</u>

17.5 Unrealised profit of subsidiaries

If a share of profit of subsidiaries is in excess of dividends received from those companies or dividend that has been decided to distribute, the difference is to be transferred from retained earnings to a restricted reserve among equity. If a company's shareholding in its subsidiary is sold or written off, the aforementioned reserve is to be dissolved via transfer to retained earnings or accumulated deficit, as applicable.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

18. Borrowings

	31.12.2019		31.12.2018	
	Current	Non-current	Current	Non-current
Revolving credit facilities	62.502		63.549	
Other bank loans	4.493	7.901	12.067	6.272
Finance leases	162	50	212	368
	<u>67.157</u>	<u>7.951</u>	<u>75.828</u>	<u>6.640</u>

18.1 Revolving credit facilities

The Group's main source of financing is a multi currency revolving credit facility with an Icelandic financial institution, with a cap of EUR 50 million with EUR 33.0 million draw down at year end (2018: EUR 41.6 million). The facility was renewed in November 2018 and extended to May 2022.

At year end 2019 the Group has credit facilities in place with number of banks in Spain. Total amount of these loans was EUR 33.5 million at year end (2018: EUR 28.1 million). Most of these loan agreements are short term facilities with 6-12 months duration.

18.2 Aggregated maturities

The contractual repayments of non-current borrowings are as follows:

	31.12.2019	31.12.2018
In 2020 / 2019	4.655	12.279
In 2021 / 2020	3.509	2.300
In 2022 / 2021	1.694	1.320
In 2023 / 2022	901	610
Later	1.847	2.410
	<u>12.606</u>	<u>18.919</u>

18.3 Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's Consolidated Statement of Cash Flows as cash flows from financing activities.

Borrowings	2019	2018
At 1 January	82.468	41.071
Acquired on acquisition of a subsidiary		31.314
Deferred / earn out payments	(2.680)	2.680
Net increase/(decrease) in revolving credit facility	(1.047)	5.405
New borrowings	7.448	5.000
Repayments	(11.094)	(3.018)
FX impact long term loans	13	16
At 31 December	<u>75.108</u>	<u>82.468</u>

18.4 Assets pledged as security

Borrowings are secured with most of the Group's assets. The revolving credits are secured with inventories, receivables, intellectual property rights and shares in subsidiaries. The other bank loans are secured with inventories, receivables and PP&E. The finance leases are secured with the assets leased.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

19. Other liabilities

	31.12.2019	31.12.2018
Accrued payroll related expenses	2.116	2.184
Accrued other expenses	2.942	1.056
Income tax	420	1.035
Value added tax	639	1.068
Fair value of cash flow hedges	664	23
	<u>6.781</u>	<u>5.366</u>

20. Leases

The Group applied IFRS 16 Leases for the first time in 2019. For implementation effects please refer to note 29.

20.1 Leased assets

	Property and land	Machinery and equipment	Total
Recognised on initial application, 1 January 2019	1.103	1.193	2.296
New or renewed leases	950	223	1.173
Depreciation	(399)	(391)	(790)
Balance at 31 December 2019	<u>1.654</u>	<u>1.025</u>	<u>2.679</u>

20.2 Recognised in profit and loss

	2019
Depreciation expense from leased assets	790
Interest expense on lease liabilities	180
Total amount recognised in profit and loss	<u>970</u>

20.3 Lease liabilities

Maturity analysis (undiscounted)

	31.12.2019
Not later than 1 year	1.017
Later than 1 year and not later than 5 years	1.790
Later than 5 year	922
	<u>3.729</u>

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

20.4 Finance lease liabilities - as applied in 2018

Minimum lease payments.

	31.12.2018
No later than one year	367
Later than one year and not later than five years	212
	<u>579</u>

Included in the Consolidated Financial Statements as:

	31.12.2018
– Current borrowings	367
– Non-current borrowings	212
	<u>579</u>

20.5 Operating lease liabilities - as applied in 2018

	2018
Operating expenses	<u>1.342</u>

Minimum lease payments.

	31.12.2018
No later than one year	921
Later than one year and not later than five years	1.804
Later than five years	1.073
	<u>3.798</u>

21. Financial instruments

21.1 Categories of financial instruments

	31.12.2019	31.12.2018
Financial assets		
Fair value through profit or loss (other investments)	94	89
Amortised cost (trade and other receivables)	62.306	62.452
Amortised cost (other assets)	538	412
Derivative instruments in designated hedge accounting relationships	14.905	9.012
Cash and bank balances	9.610	3.967
Financial liabilities		
Amortised cost (borrowings)	75.108	82.468
Amortised cost (trade and other payables)	42.216	44.872
Amortised cost (other liabilities)	4.621	3.039

21.2 Financial risk management objectives

The Company's Board of Directors and senior executive team has the overall responsibility for the establishment and oversight of the Group's risk management framework, with regards to market risk, credit risk, liquidity risk and operational risk. The objective of the Group's risk policies is to manage and control risk exposures within acceptable levels, while optimizing the return.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

21.3 Foreign currency risk management

The Group's foreign currency forward contracts are measured at fair value with discounted cash flow valuation techniques. Future cash flow (which is all anticipated within the next 12 months) is estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

	Assets		Liabilities	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
GBP	11.359	12.407	10.368	8.129
USD	20.222	6.130	6.742	12.267
ISK	104	13	771	1.311
ARS	449	242	2.204	1.411
Other	291	139	55	29
	<u>32.425</u>	<u>18.931</u>	<u>20.140</u>	<u>23.147</u>

21.4 Interest rate risk management

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

Variable rate instruments	31.12.2019	31.12.2018
Financial assets	9.610	3.967
Financial liabilities	(75.108)	(82.468)
	<u>(65.498)</u>	<u>(78.501)</u>

A change of 50 basis points in interest rates during the year would have impacted pre-tax profits by EUR 390 thousands (2018: 309 thousands).

21.5 Credit risk management

Trade receivables consist of a large number of customers spread across geographic areas. The maximum credit risk of financial assets is their book value. The Group manages its credit risk by using credit insurances alongside ongoing credit evaluation on the financial conditions of relevant customers. Further information about credit risk is shown in notes 13 and 25.15.4.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

21.6 Liquidity risk management

The Group manages liquidity risk by ensuring sufficient liquidity is available from current bank facilities to meet foreseeable needs and to invest cash assets safely and profitably. This policy has remained unchanged from previous periods. The Group's main source of financing is a multi currency revolving credit facility with an Icelandic financial institution, with a cap of EUR 50 million with EUR 33.0 million draw down at year end (2018: EUR 41.6 million). The facility was renewed in November 2018 and extended to May 2022.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities, including estimated interest payments.

	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	More than 3 years
31 December 2019					
Non-current borrowings*	15.573	16.739	5.116	7.590	4.033
Current borrowings	62.502	62.502	62.502		
Other liabilities	46.837	46.837	46.837		
	<u>124.912</u>	<u>126.078</u>	<u>114.455</u>	<u>7.590</u>	<u>4.033</u>
31 December 2018					
Non-current borrowings*	18.919	19.917	12.727	3.922	3.268
Current borrowings	63.549	63.549	63.549		
Other liabilities	48.127	48.127	48.127		
	<u>130.595</u>	<u>131.593</u>	<u>124.403</u>	<u>3.922</u>	<u>3.268</u>

*Non-current borrowings includes Long term loans and financial leases

21.7 Fair value measurements

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the Consolidated Financial Statements approximate their fair values.

22. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

22.1 Trading transactions

During the year, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	2019	2018
Purchases of goods and services, from companies of Board Members	18.649	11.892

The following balances were outstanding at the end of the reporting period:

	31.12.2019	31.12.2018
Amounts owed to related parties	1.550	0

Purchases of goods and services from and sales to related parties were made at the same prices and terms to non related parties.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

22.2 Compensation to key management personnel

The remuneration of directors and other members of key management personnel was as follows:

	2019	2018	Shares at 2019 year end*
Magnús Bjarnason, Chairman	49		2.262
Liv Bergþórsdóttir, Board Member	21		548
Jakob Valgeir Flosason, Board Member	18		268.998
Ingunn Agnes Kro, Alternate Board Member	20		
Benedikt Sveinsson, former Board Member	4	48	
Mark Holyoake, former Board Member		90	
Ingi Johann Guðmundsson, former Board Member		10	
Bjarni Ármannsson, CEO (former Chairman)	266	15	283.064
Helgi Anton Eiríksson, former CEO	412	406	
Other Executive management**	589	641	310
Total salaries and benefits for the BOD and executive management	<u>1.379</u>	<u>1.210</u>	<u>555.182</u>

* Number of shares (in thousands) held directly by Directors and Executive Management or parties related to them.

** Reynir Jónsson, CFO and Lee Camfield, former COO

The remuneration of directors and other members of key management is determined by a Remuneration Committee, having regarded to their performance, general market trends and other factors.

23. Events after the reporting period

On 21 February 2020, the Company announced that it had completed the acquisition of Elba Seafood ehf, the holding company of Elba S.L. In Spain, in accordance with previously announced Share Purchase Agreement signed in November 2019.

Elba S.L. is a strong seafood player in Spain, focusing on frozen light salted products. The Company is based in Barcelona where it operates a production facility, the annual sales volume is around 2.200MT. According to unaudited accounts the turnover of the Company was EUR 14.4 million in 2019 and the EBITDA was EUR 0.4

The acquisition price for 100% stake in Elba Seafood ehf is EUR 4.4 million on a debt free cash free basis, with 50% of the payment settled with cash and the other 50% with new shares in Iceland Seafood International hf. The cash payment will be financed with drawdown on available credit facilities. Final settlement of purchase price will be finalised when audited accounts for Elba Seafood ehf and Elba S.L. becomes available.

At the date of approval of the Consolidated Financial Statements, completion accounts for the acquired business are not yet available.

24. Approval of financial statements

The Consolidated Financial Statements were approved by the Board of Directors and the CEO and authorised for issue on 25 February 2020.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

25. Significant accounting policies

25.1 Statement of compliance

The Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional disclosure requirements in the Icelandic Act no. 3/2006 on Financial Statements.

Comparative figures in the Condensed Consolidated Interim Financial Statements have been restated. The Group had a discontinued operation related to its subsidiary Iceland Seafood Hellas S.A. in Greece which is in liquidation process. The effects from the change are as follows:

- In the Condensed Consolidated Statement of Income the loss from operation amounting to EUR 18 thousand has been restated from Discontinued operation to Operating expenses.
- In the Condensed Consolidated Statement of Financial Position EUR 56 thousand is restated from Assets classified as held for sale to Other assets and EUR 10 thousand from Liabilities associated with assets classified as held for sale to Other liabilities.

The same accounting policies (except mentioned here above), presentation and methods of computation are followed in these Condensed Consolidated Interim Financial Statements as were applied in the latest Financial Statements for the year ended 31 December 2018, except for IFRS 16 Leases, effective 1 January 2019, see note 27.

25.2 Basis of preparation

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Share-based payments transactions are valued according to IFRS 2.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

25.3 Basis of consolidation

The Consolidated Financial Statements incorporate the Financial Statements of the Company and entities controlled by the Group. Control is achieved when the Group has power over the subsidiaries, is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an entity, it has power over the entity when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the entity unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an entity are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of Other Comprehensive Income are attributed to the owners of the Company and to the non-controlling interests. Total Comprehensive Income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit

When necessary, adjustments are made to the Financial Statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

25.4 Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

25.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business, less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

25.6 Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is considered as met only when the sale is highly probable and the non-current asset (or disposal group) is available for immediate sale in its present condition.

Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

When the Group is committed to a sale plan involving loss of control of a subsidiary, all the assets and liabilities of that subsidiary are classified as held for sale when the criteria described above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale.

Non-current assets (and disposals groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

25.7 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

25.7.1 Sale of seafood

Revenue from the sale of goods is recognised when control of the goods has transferred, being at the point the goods are delivered to the customer and titles have passed. A receivable is recognised by the Group when the goods are delivered to the customer as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. There is no right of return under the Group's return policy and therefore no refund liability is recognised.

25.7.2 Dividend and interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition. Dividend income from investments is recognised when the shareholder's right to receive payment has been established.

25.8 Leasing

After 1 January 2019

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a leased asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate. The lease payments included in the measurement of the lease liability comprise fixed payments less any incentives, variable lease payments that depend on an index or rate, expected residual guarantees and the exercise price of purchase options if the Group expects to exercise the

Leased assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

Variable rents that do not depend on an index or rate are not included in the measurement of the lease liability and the leased asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

Before 1 January 2019

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at inception date, whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

25.8.1 The Group as lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the Consolidated Statement of Financial Position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

25.9 Foreign currencies

The Group's Consolidated Financial Statements are presented in Euro, the Group's presentation currency. In preparing the Financial Statements of each individual group entity, transactions in foreign currencies other than the entity's functional currency are recognised at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

For the purpose of presenting Consolidated Financial Statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Euro using exchange rates prevailing on the balance sheet date. Income and expense items of foreign operations, are translated at the average exchange rates for each month. Translation differences from foreign operations are posted to translation reserves among equity. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as asset and liabilities of the foreign operation and translated at the rate of exchange prevailing at end of each reporting period. Exchange differences are recognised in other comprehensive income.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

25.10 Employee benefits

Payments to defined contribution retirement benefit plans are recognized as an expense when employees have rendered service entitling them to the contributions.

25.10.1 Short-term and other long-term employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the year the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

Liabilities recognised in respect of short-term employee benefits are measured at the undiscounted amount of the benefits expected to be paid in exchange for the related service.

25.10.2 Share based payment arrangements

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

25.11 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

25.11.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the Consolidated Income Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

25.11.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Consolidated Financial Statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

25.11.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

25.12 Property, plant and equipment

Property and equipment are recognized as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured in a reliable manner. Property and equipment is stated at cost, net of accumulated depreciation and/or accumulated impairment losses, if any. Land is not depreciated. Such cost includes the cost of replacing parts of the property and equipment if the recognition criteria are met. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciation, respectively. All other repair and maintenance costs are recognized in profit or loss as incurred.

The depreciable amount of the asset is allocated on a straight-line basis over its useful life. The depreciation charge for each period is recognized as an expense. The estimated useful lives, residual values and depreciation method are reviewed at each balance sheet date, with the effect of any changes in estimate accounted for on a prospective basis.

In the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in the Consolidated Income Statement.

25.13 Intangible assets

25.13.1 Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

25.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

25.15 Financial assets

25.15.1 Recognition of financial assets

Financial assets are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss.

25.15.2 Financial assets at amortised cost

Financial assets at amortised cost are debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The Group's financial assets measured at amortised cost are trade and other receivables, bank balances and cash.

25.15.3 Financial assets at fair value

Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI). All other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL). The Group currently holds no financial assets measured at fair value.

25.15.4 Impairment of financial assets

The Group recognises a loss allowance for expected credit losses (ECL) on its trade receivables, that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. The Group's estimate for trade receivable ECL is described in detail in note 13.

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

25.15.5 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

25.16 Financial liabilities and equity instruments

25.16.1 Financial liabilities

Financial liabilities are classified as 'other financial liabilities'. Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method.

25.17 Hedge accounting

The Group designates certain hedging instruments, which include derivatives in respect of cash flow hedges. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. The Group has elected to continue to apply the hedging requirements of IAS 39, as permitted by IFRS 9.

At the inception of the hedge relationship, the entity documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk.

25.17.1 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. Any gain or loss recognised in other comprehensive income and accumulated in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognised immediately in profit or loss.

26. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the management of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2019

27. Application of new and revised International Financial Reporting Standards (IFRSs)

27.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2019. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements, except as described below.

27.1.1 IFRS 16 Leases

In the current year, the Group, for the first time, has applied IFRS 16 Leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requirements and by requiring the recognition of a leased asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The impact of the adoption of IFRS 16 on the Group's Consolidated Financial Statements is described below.

The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of comparative information. The Group has elected to apply the practical expedient to grandfather the definition of a lease on transition, and thereby applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

With the application of IFRS 16, the nature of expenses related to operating leases will now change because the Group will recognise a depreciation charge for leased assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease. The effects on Income Statement line items are as follows: Increase in depreciation and amortisation expense by EUR 0.8 million, increase in finance cost by EUR 0.2 million and decrease in cost of sales by EUR 0.1 million and decrease in operating expenses by EUR 0.8 million.

At initial application on 1 January 2019 the Group recognised additional lease liabilities of EUR 2.5 million and leased asset of EUR 2.3 million.

Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities in the year 2019 has increased by EUR 0.8 million and net cash used in financing activities increased by the same amount.

27.2 New and revised IFRSs in issue but not yet effective

The Group has not applied the following amendments to IFRSs that have been issued but are not yet effective:

Amendments to IFRS 3	Definition of a Business
Amendments to IAS 1 & IAS 8	Definition of Material

The Management of the Company do not expect that the adoption of the amended Standards listed above will have a material impact on the Consolidated Financial Statements of the Group in future periods.

Corporate Governance Statement

About Iceland Seafood International

Iceland Seafood International hf (hereafter referred to as “Iceland Seafood”, the “Company” or “ISI”) is a holding company for Group of subsidiaries in Europe, North and South America, 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 Group operates across three divisions; Value Added Southern Europe, Value Added Northern Europe and our Sales and Distribution Division. The Value Added Divisions have processing factories and coldstores in their respective regions with Southern Europe also having a satellite facility in Argentina.

Corporate Governance structure

Iceland Seafood's corporate governance framework is defined by Act No. 2/1995 on Public Limited Companies (hereafter referred to as the “Act on Public Companies”), the Nasdaq Iceland Rules and is set out in the Company's Articles of Association. Under its Articles of Association, the Company is governed by shareholders' meetings, the Company's Board of Directors (hereafter referred to as the “Board of Directors” or the “Board”) and the Chief Executive Officer. The Shareholders hold the decision-making powers in the Company through shareholders meetings that are held at least once a year. The Board of Directors is authorized to allow shareholders to participate in proceedings at shareholders' meetings through electronic means without being present at the meeting venue if it deems that available equipment is sufficiently secure for this purpose. When organising shareholders meetings, the Board does so in a manner that allows shareholders to exercise their decision powers and express their opinions, i.e. by publishing all information and documents on the Company's website. Between shareholders meetings, the Board holds supreme authority of the Company. In accordance with Article 70 (5) of the Act on Public Companies the Board of Directors has set itself formal Rules of Procedure which are supplementary to the Articles. According to the Rules the Board of Directors may elect committees that operate on behalf of the Board. All Board committees set themselves specific rules of procedure.

The Company adheres to the principles set forth in the Corporate Governance Guidelines, published by the Iceland Chamber of Commerce in co-operation with SA Business Iceland and Nasdaq Iceland (hereafter referred to as the “Guidelines”). As of the date of this statement there is only one deviation from full compliance with the Guidelines as the Company does not have a board nomination committee as such committee has not been considered needed.

Board of Directors

The Company's Board of Directors shall be composed of three to five members and up to one alternate member, elected at the Annual General Meeting for a term of one year. In 2019 the total number of Board meetings was 23 and the Board was competent to make decisions in all meetings. The Board annually evaluates its own work, the work of the CEO and the Company's operation. This assessment is based on self-assessment of the board, examination of whether the Board has operated in accordance with its Rules of Procedures. The Board shall evaluate the work of the CEO and the Company's operation in general, the CEO shall not be present for this evaluation. The Chairman of the Board shall present and discuss the results of the assessment with the CEO. The Board currently consists of three main members and one alternate. The Board of Directors intends to propose to shareholders an expansion of the Board to five members and one alternate at the 2020 Annual General Meeting. As of the date of this statement the Board of Directors consists of the following members:

Chairman of the Board of Directors

Name:	Magnús Bjarnason
First elected:	February 2019
Education and experience:	<p>Magnús Bjarnason is the Managing Partner of MAR Advisors advisory firm for investors in infrastructure and seafood. He holds a B.Sc. degree in Business Administration with focus on Banking and Finance from Nova Southeastern University (1987) and an MBA degree from Thunderbird School of Global Management with focus on strategy and international business (1992)</p> <p>He was Managing Director of Corporate Finance at Kvika bank prior to founding MAR Advisors in August 2017. Mr. Bjarnason was CEO for Icelandic Group 2012-2014. Prior to that he was the executive vice president for Marketing and Business Development at Landsvirkjun 2010-2013, Managing Director for Islandsbanki and related companies 2005-2010. Mr. Bjarnason previous experience includes posts in the Icelandic Foreign Service for nine years in Beijing and New York.</p> <p>Magnús has served as a board member of Farice, Sena, Seachill, Icelandic Iberica, Gadus, MP Bank and HS Orka.</p>
Current member of board or management:	Magnús is currently a partner with MAR Advisors ehf. and a board member of Úrlausn fasteignir ehf., Clippers ehf., BSI Café ehf, Nauteyri fjárfestingar ehf. and American Scandinavian Foundation, NY in addition to his board membership with the Company.
Shareholdings in the Company as at 31.12.2019 and other interest related to large shareholders, competitors, customers or suppliers	2,261,979 shares via holding company Úrlausn fasteignir ehf.

Board member

Name:	Jakob Valgeir Flosason
First elected:	February 2019
Education and experience:	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

company to become one of the most technology advanced and leading company within the Icelandic fishing sector.

Member of board or management: Jakob is currently a board member of Solo Holding ehf., Sigurbjörg ehf., HRock ehf., BB29 ehf., Klofningur ehf., Valgeir ehf., B1917 ehf., Sýr ehf., Itsorf ehf., Salting ehf., Breiðhella ehf., Karlsbali ehf., Gafi ehf., Hamarshöfði 4 ehf., B15 ehf., Fiskmarkaður Vestfjarða hf. and EA 30 ehf. in addition to his board membership with the Company.

Shareholdings in the Company as at 31.12.2019 and other interest related to large shareholders, competitors, customers or suppliers Jakob Valgeir ehf., owned by Jakob, his wife and his father, holds 268,997,713 shares. Jakob Valgeir ehf. is also a large supplier of seafood to the Company

Board member

Name: Liv Bergþórsdóttir

First elected: 5 February 2019

Education and experience: Liv has worked in the telecommunication industry for the last 20 years, most recently for 12 years as CEO of Nova ehf. until 2018. Additionally, she has extensive board membership experience in various listed and unlisted companies.

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

Member of board or management: Liv is currently a board member of Bláa Lónið hf. and chairman of the board of Aur app ehf. and Keahotels ehf in addition to her board membership with the Company.

Shareholdings in the Company as at 31.12.2019 and other interest related to large shareholders, competitors, customers or suppliers 548,158

Alternate board member

Name:	Ingunn Agnes Kro
First elected:	5 February 2019
Education and experience:	From 2017-2019 Ingunn was a Director of Administration and Communication at Skeljungur hf., a company listed on the Icelandic stock market, heading internal and external communication and compliance, incl. legal matters, marketing, public relations, human resources and subsidiaries. At that time Ingunn was also the CEO of H2 Iceland. In the years 2009-2017 Ingunn was the general counsel of Skeljungur, secretary to the Board of Directors and a compliance officer. Ingunn holds a B.A. and M.A. degree in law from the University of Iceland as well as a diploma in Securities Brokerage.
Member of board or management:	Ingunn is currently a board member of Íslenskir fjárfestar hf., and HS Orka hf. and an alternate board member of the Company Lawyers Association of Iceland in addition to her board membership with the Company.
Shareholdings in the Company as at 31.12.2019 and other interest related to large shareholders, competitors, customers or suppliers	None

Subcommittees

The Board of Directors has appointed two subcommittees, Audit Committee and Remuneration Committee.

Audit Committee

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 independence. The Audit Committee's main responsibilities include monitoring the integrity of the financial statements of the Group, reviewing the effectiveness of the Group's internal controls and risk management systems and overseeing the selection, appointment and relationship with the Group's external auditor.

The committee shall operate independently on behalf of the Board of Directors who shall elect the members of the Audit Committee each year. The Audit Committee operates in accordance with rules of procedure approved by the Board of Directors and shall be made up of 2-3 members. Committee members shall possess knowledge and experience which is consistent with the work of the committee, at least one of the audit committee members shall be a financial expert who has accounting or related financial expertise. The members shall be independent of the auditor of the Group and the majority should be independent of the Company's management. Members of the Audit Committee are Magnús Bjarnason, Ingunn Agnes Kro and Ágúst Kristinsson.

The committee shall meet at least four times a year, at appropriate times in the reporting and audit cycle and otherwise as required. Only members of the Audit Committee have the right to attend committee meetings, however, other individuals such as the chairman of the Board, chief executive, finance director, other directors and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate. Additionally, the external auditors are invited to attend meetings of the committee on a regular basis.

The Board is responsible for the appointment and activities of the Audit Committee and it operates under the Board's authority. The Audit Committee does not reduce the responsibilities of the Board or relieve it of any responsibility. The committee shall call meetings as often as necessary at their own initiative or at the request of the other committee members, however, not less than twice a year.

Remuneration Committee

The Remuneration Committee is responsible for establishing a remuneration policy for the Company. The Remuneration Committee shall assist the Board in ensuring that compensation arrangements support the strategic aims of the Company and enable the recruitment, motivation and retention of senior executives while also complying with legal and regulatory requirements. The committee's main tasks include preparing and submitting annually a proposal to the Board of Directors for the Company's remuneration policy, annually reviewing the Company's compensation programs and monitoring that salary and any incentive schemes are in accordance with law and market practice.

The Board of Directors appoints the members of the committee and its chairman. Neither the Company's chief executive officer nor any of the Company's and its subsidiaries' top executives shall be appointed to the Remuneration Committee. The committee operates in accordance with rules of procedure approved by the Board of Directors and shall be made up of at least 2 members. It is preferable that the members of the committee have experience and knowledge on guidelines and common practise regarding decision on executives' terms of employment. If deemed necessary, the Remuneration Committee may seek the assistance of consultants, such consultants shall be independent of the Company, its executives and the Board of Directors who are not deemed to be independent. The committee is responsible for examining the consultant's experience. Members of the Remuneration Committee are Liv Bergþórsdóttir and Magnús Bjarnason.

The Board is responsible for the appointment and activities of the Remuneration Committee and it operates under the Board's authority. The Remuneration Committee does not reduce the responsibilities of the Board or relieve it of any responsibility. The committee shall call meetings as often as necessary at their own initiative or at the request of the other committee members, however, not less than twice a year.

Executive Management

The Executive Management comprises the Company's CEO and CFO. The CEO has charge of the day-to-day operations of the Company and represents the Company in all matters concerning normal operations. The CEO shall manage the accounts of the Company and employ the employees of the Company. The CEO shall grant Board members and auditors all necessary information on the operations of the Company which they might request and should be granted according to statutory law. The CEO of the company is Bjarni Ármannsson and the CFO is Reynir Jonsson.

CEO

Name:	Bjarni Ármannsson
First employed:	January 2019
Education and experience:	Bjarni Ármannsson is a private investor. He is a significant investor in Iceland Seafood International via Sjávarsýn ehf. – 100% 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, an 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.
Member of board or management, owner, co-owner:	Bjarni is currently a board member of Polar Maritime ehf., Solo holding ehf., Gasfélagið ehf, Ísmar ehf., UB koltrefjar ehf., Sjávargrund ehf., Kemi ehf., Landsýn ehf., Tandur hf., Hliðarspor ehf., S4S ehf., Ellingsen ehf., Fáfírnir Offshore ehf., Íslensk orkumiðlun ehf., Imagine Capital AS, Imagine capital BV, Gullbergur ApS, Shipsinvest AS, Havila Troll AS, Cargow BV and Sjávarsýn ehf. in addition to several of the Company's subsidiaries.
Shareholdings in the Company as at 31.12.2019 and other interest related to large shareholders, competitors, customers or suppliers	Bjarni directly holds 283,065,044 shares through holding company Sjávarsýn ehf. Bjarni does not hold options to purchase Shares in the Company.

Chief Financial Officer

Name:	Reynir Jónsson
Business address:	Köllunarklettsvegur 2, 104 Reykjavík
First employed:	October 2013
Education and experience:	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 from 2003-2006. 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.

Member of board or management, owner, co-owner: Reynir is a board member of several of the Issuer's subsidiaries

Shareholdings in the Company as at 31.12.2019 and other interest related to large shareholders, competitors, customers or suppliers 310,345 shares in addition to options for 6,790,000 shares

Internal control and risk management

The Board of Directors and the CEO are responsible for internal control and risk management of the Company. Internal control and risk management procedures are designed to minimize risk of material misstatements. The Company does not have an internal audit function, but the Audit Committee reviews the effectiveness of the Group's internal controls and risk management systems.

An independent auditor or auditing company is elected at the Annual General Meeting for a term of one year. The auditors shall be provided with any information requested in relation to its auditing services for the Company, they shall always have full access to the Company's books and documents. They shall audit the Company's consolidated financial statements in accordance with international standards on auditing, including a review of internal controls and processes. Any significant findings in relation to the audit and review of internal controls are reported to the Board of Directors through Audit Committee.

Effective risk management is important to minimise the risk of material misstatement and for the business to perform. Iceland Seafood activities are exposed to variety of risk factors related to its operations and financials, such as; Currency Risk, Supplier Risk, Credit Risk, Liquidity Risk etc. Risk management within Iceland Seafood is governed by the Board of Directors, while the Audit Committee is responsible for its review on a regular basis. The Executive Management is responsible for identifying material risk and developing the risk management strategy.

Corporate Social Responsibility and Environmental Responsibility

The Board of Directors have set a Group policy's on Corporate Social Responsibility and Environmental Responsibility. The purpose of these policies is to set common standards for all Group companies regarding these topics and to make sure the Group manages its environmental impacts throughout the value chain.

CSR Policy

The following key principles on Corporate Social Responsibility and Business Integrity have been set out and detailed in the Company's CSR Policy:

- We are committed to maintaining the highest standards of business conduct by using only legal and ethical means in all business activity.
- We are fair, equitable and respectful to employees, associates, competitors, customers, the public and all business or professional relationships.
- We treat all customers and suppliers honestly, fairly and objectively.
- We observe all applicable state, federal, foreign or international laws and regulations relating to the production, sourcing, processing, labelling, handling, importing, distribution, promoting and selling of seafood products.
- We are committed to maintaining the Group's financial books and business records with the highest degree of accuracy, completeness and integrity.

Environmental Policy

The key environmental considerations for the Group have been defined in the Environmental Policy:

- Sustainable Fisheries
- Energy use
- Greenhouse gas emissions
- Water use
- Waste

The Group's key principles guiding our actions in this area include:

- Our objective is to source only from fisheries that are administrated in conformance with FAO Code of Conducts for responsible fisheries and have proper fishery management systems,
- ISI supports independent and credible standards that are set to audit and approve fisheries that are well managed and will wherever possible promote these fisheries to its customers,
- ISI is committed to working with industry on fishery improvements and best practises,
- ISI will help and support customers to make the right choice to source sustainable seafood,
- ISI is committed to supply sustainable seafood to it's customers.
- Educate customers, suppliers, employees and other key stakeholders about environmentally responsible seafood.
- Participate in work with official and industry bodies to achieve our policy.

Iceland Seafood annually publish a Corporate Social Responsibility report, which is based on the non-financial guidelines for Environmental, Social and Corporate Governance (ESG) disclosures issued by Nasdaq's Nordic and Baltic stock exchanges.

Iceland Seafood's corporate governance rules

The Company has specifically reserved a section of its website for corporate governance information on www.icelandseafood.com/investors. The below information and documents are available on the website:

1. The Company's corporate governance statement.
2. The Company's remuneration policy.
3. Summarized information on the Company's Board of Directors, CEO, auditors and members of sub-committees.
4. Information on the Company's shareholders' meetings, including time and location, information on candidates to the Board, and the agenda of the meeting, together with the date of issue of the annual accounts and interim financial statements.
5. Meeting notices, minutes of shareholders' meetings and documents presented at the meeting. It is not necessary to publish a list of the shareholders and proxies that have attended meetings.
6. The Company's Articles of Association.
7. The Board's rules of procedure.
8. The sub-committee's rules of procedure.
9. The Company's annual accounts and the report of the Board of Directors.

25 February 2020

Board of Directors

Non-Financial Information (unaudited)

for the year ended 31 December 2019

About the Company

Iceland Seafood International hf. (the Company) is an Icelandic holding company of a worldwide processing, sales and distribution group for frozen, fresh, salted and dried seafood products (the Group). The Group is headquartered in Iceland, operates in three divisions and has eleven subsidiaries in Europe, North and South America. The Group is an industry leading supplier of North Atlantic seafood, one of the largest exporters of seafood from Iceland and a key supplier of high quality seafood to the Global market.

Non-financial information

The importance to work ethically and with integrity is built into the operations of the Group. The Board of the Company has approved an updated Group policy on Corporate Social Responsibility (CSR) and Environmental matters. The Company will report on these matters (ESG report) alongside publishing of its Annual Report. This reporting will be based on Nasdaq guidelines on these matters (Nasdaq ESG guide).

Employees

The Group has over 660 employees in the eight countries it operates in. The Group focuses on the importance of attracting employees with the right skills and ambition to provide high quality service, exceed customer demands and achieve the Company's financial and strategic goals.

The Group's operations are made up of a highly experienced group of employees, from various countries, backgrounds and cultures. The objective is to ensure that the employees feel empowered to deliver to the highest standards by

- Connected to our producers and customers.
- Dependable to deliver seafood consistently all year round.
- Open to different ideas and innovation for evolving demands.

Environment

ISI has had a long running consideration for the environment. The Group has documented its Environmental policy which covers both environmental aspects of day to day operations and also the ongoing concern for responsible fisheries management. The company is committed to supply sustainable seafood to its customers. The ratio of certified sustainably sourced seafood, both wild caught and farmed, in the supply chain is monitored regularly.

Social

ISI is committed to be fair, equitable and respectful to employees, associates, competitors, customers, the society, and all business or professional relationships. This is detailed in the Group's CSR policy that covers human rights, fair labour practices, non-discrimination, anti-bribery/corruption and tax transparency. The main social impact and concern of ISI is on its employees and their families. The company strives to supply its employees with good and save work environment. ISI recognises and supports international human right treaties. No human right violations have been reported in 2019. Key metrics regarding the social aspects of ISI operations and more details on the CSR policy will be documented in the ESG report for 2019.

Supply chain and sustainable fisheries

The adequacy and sustainability of the company's supply chain are of critical importance for the Group. ISI is committed to supplying sustainable seafood and to work with the industry on fishery improvements and best practices. There is a deep understanding of the risks related to each type of supplier and market within the trading part of the company. The risks are continuously assessed and monitored during the relationships with suppliers. All production sites are also subject to inspections for compliance with applicable food laws, including traceability requirements, by local authorities.

Food safety

Food safety is of critical importance for the company. To ensure appropriate food safety standards factories within the Group have a food safety management systems in place. These systems cover suppliers, contractors, distributors as well as the production facilities and processes, include detailed specifications for raw material and finished product and procedures for Good Manufacturing Practice. A thorough product traceability systems are in place within the Group's businesses and product recall procedures that are tested regularly. These systems are certified to international standards and as such are audited regularly by an independent third party auditor. All production sites are also subject to inspections for compliance with applicable food laws by local authorities.

Health and Safety

Health and safety of staff is a essentially important for the Company. Management in each of the subsidiary is in charge of compliance with all local laws and regulations. Production sites have in place appropriate OHS and emergency preparedness and response management systems. Metrics on operational health and safety will be reported in the company's ESG report.