

# Iceland Seafood International 2016 Annual Report



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## Year in Review

## 2016 Highlights

Bringing quality seafood from selected producers  
to demanding operators and consumers worldwide

Revenues of

**€246m**

down 4.6% from 2015

Profit before tax

**€3.3m**

up €2.2m from 2015

Value Added Division's sales

**39%**

of total sales

Value Added Division's profit before tax

**68%**

of divisional profitability

Net debt of

**€34.7m**

€11.8m reduction from 2015

Equity at

**20%**

up from 10% at year-end 2015

Exports to over

**45**

countries

With over

**280**

dedicated and knowledgeable employees

Iceland Seafood International listed on Nasdaq First North on May 25, 2016. This broadened the investor base and provided additional equity to the Group. This is an important step for further expansion, with a focus on the Value Added activities.

Investments in the Value Added division have provided a platform for growth, where it delivered 68% of the Group's divisional profitability in 2016.

Havelok, the foodservice business in the UK, has grown rapidly since its beginnings and has reached critical mass to move into profitability.

Iceland Seafood France, which supplies fresh and frozen products to foodservice, retail and processors in France, generated record profits.

Overall, Iceland Seafood International had a solid performance despite challenging circumstances in supply and the impact of the Brexit vote. This was achieved through our employees' and suppliers' determination and in-depth knowledge of the markets to service our customers, where they transformed those challenges into opportunities.



## Chairman's Address

From 1932 Iceland Seafood International and its founders have been leading the way in export, distribution and marketing of seafood. The Group is known and highly respected for its service, quality and innovations, both domestically and internationally, as a leading supplier of seafood to over 45 countries around the world.

The consolidated revenue in 2016 amounted to EUR 246 million resulting in normalised profit before tax of EUR 3.3 million and a net profit of EUR 2.6 million. The operation in 2016 also resulted in the strengthening of the balance sheet with net debt reduction and a stronger equity ratio of 20%, up from 10% a year ago. Cash flow from operating activities amounted to EUR 6.5 million.

With solid infrastructure, healthy operations, a sound balance sheet, good cash flow and strong position in Iceland and all key markets, the Group is ready and able to invest in new opportunities related to solutions in the marketing of seafood.

The Group will continue its commitment to growing, modernizing and improving its existing networks with the aim to deliver value to customers, suppliers and shareholders going forward. A strong focus will be kept on quality of service and new solutions in the marketing of seafood and at the same time, the Group will continue to support environmental initiatives including sustainable fisheries.

Our strategy is and will be focused on efficiency and profitable growth. There is every reason for optimism where we expect excellent growth opportunities in seafood marketing in the future.

In May 2016 Iceland Seafood International was listed on Nasdaq First North and I would like to take this opportunity of welcoming new shareholders. At the same time I would like to thank the current majority shareholder of the business for his continued support of the Group.

2016 was a year of significant accomplishments for Iceland Seafood International. In conclusion, I would like to congratulate the management and our dedicated staff throughout the organization for their achievement.

**Benedikt Sveinsson**  
**Chairman**



## CEO Statement

2016 was an excellent year for Iceland Seafood International, having achieved normalised profit before tax of EUR 3.3 million, treble the previous year. Through our focus on our strategic priorities, combined with an improvement in working capital and margins, net margin increased by 17% (EUR 2.8 million) in 2016, net debt reduced by 25% (EUR 11.8 million), while the equity ratio at year-end 2016 was in excess of 20%.

We are proud to have listed Iceland Seafood International on the Nasdaq First North stock exchange in May 2016, bringing in 170 new shareholders into the Group.

Global demand for seafood and food solutions is expected to grow. This is not only being driven by population growth forecast of 8.5 billion by 2030, but also the middle class segment, which is expected to double during this period. Consumers' lifestyles are healthier and fish is a first choice for protein. As well, people are looking for quick and "easy to prepare" meals that are healthy, tasty and innovative. Iceland Seafood International is well placed to capitalise on these trends, where seafood is the right protein to be in.

Whilst we have been in business for 85 years, we see new growth opportunities for healthy protein. We have reformulated our strategy to further invest in our Value Added division in line with global trends. This is being done in close partnership with our customers, where we focus on consumer needs. For Iceland Seafood International, it is a continuous process of learning and development.

Over the last few years, we have strengthened the balance sheet. This supports Iceland Seafood International on its sustainable investment strategy: focussing on organic growth of the business as well as seeking potential acquisition opportunities.

As one of the leading global suppliers of seafood, corporate social responsibility is at the heart of the business. We work together with harvesters to ensure long-term supply of seafood from renewable and well-managed resources. We work closely with Iceland Responsible Fisheries, MSC and various fisheries on fishery improvements and best practices.

Iceland Seafood International is committed to delivering high quality products. This is only made possible with our partners throughout the supply chain and our dedicated workforce who collaborate across Europe, North America and Asia to meet our customer requirements in over 45 countries. Through their determination and in-depth knowledge, they have transformed challenges into opportunities and I want to personally thank all our employees, customers and our suppliers for the success we achieved in 2016.

**Helgi Anton Eiríksson**  
**Chief Executive Officer**

# Board of Directors

## **Benedikt Sveinsson**

### **Chairman**

Benedikt Sveinsson has over 40 years of industry experience, in-depth knowledge of the Group's operations and has a close relationship with key customer and suppliers. Benedikt has worked for Iceland Seafood in Iceland, the UK and the US in various roles, which include Managing Director of the UK operations (1981-1986), Deputy MD and then Managing Director of the Seafood Division of Samband of Iceland (1987-1991), and President and CEO of Iceland Seafood International Plc (1992-1998).

In 1999 Benedikt moved to the US and became President of Iceland Seafood Corporation in the US. In 2006 he became CEO of Iceland Seafood International in Iceland. Today he is the Chairman of Iceland Seafood International; he also chairs the Board of Saltkaup and serves as a Director on the Board of Ísfell.

## **Mark Holyoake**

### **Board Member**

Mark Holyoake is the current 100% owner of Oakvest, a private investment fund specialising in private equity and real estate investments. Mark, via Oakvest's subsidiary company International Seafood Holdings, is a significant shareholder in Iceland Seafood International.

After graduating with a Business Degree in 1995 from the University of Reading, Mark has focused on developing a broad portfolio of businesses extending across the international commercial and residential property markets, and the UK and European food sectors. He has extensive

experience in the global seafood industry having owned and directed numerous seafood companies including but not limited to: Five Star Fish Limited, Seagull Foods Limited, British Seafood Group Holdings and Pacific Seatek Limited.

Mark's investment fund, Oakvest, continues to focus on private equity investments in the food and commodity sectors, real estate acquisitions and developments as well as managing a listed equity and fund portfolio. Mark has been a Board Member since 2010.

### **Ingi J. Guðmundsson** **Board Member**

Ingi J. Guðmundsson is CEO at Gjögur fishery and has over 20 years' experience in the seafood sector in Iceland. Ingi has a Cand.ocean business degree from the University of Iceland. He worked in sales and production for Iceland Seafood from 1995 to 2000 and today sits on several boards in Iceland, including Síldarvinnslan hf, Gullberg ehf and Sjóvá Insurance.

Gjögur fishery is a key supplier to Iceland Seafood International's Icelandic operating division, where he also serves as a non-executive Member of the Board. The trading between the two companies is conducted on an arm's length basis on similar terms and pricing to other suppliers to the Group. Further information is provided in note 24 to the 2016 Consolidated Financial Statements.

None of the Group's Board members have any executive powers.



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**The Group**



## We are Iceland Seafood

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

Our history and heritage dates back to 1932 from three associations: The Union of Icelandic Fish Producers (SIF), founded in 1932; the Herring Board, founded in 1935; and the Seafood Division of Samband of Iceland, founded in 1957. Our strong roots in the Icelandic Seafood Sector forms the basis of our expertise and long lasting relationships built on trust and reliability.

Today, Iceland Seafood International is a respected industry leading supplier of North Atlantic fish and seafood, and a leading service provider in our markets. We are one of the largest exporters of fish products from

Iceland and a key processor of high quality seafood in the Spanish and UK markets.

We serve all major seafood markets worldwide, where we have depth of expertise and understanding to meet our customer needs combined with innovative flexible solutions and strategic global distribution .

Our headquarters are in Iceland and we operate two divisions with seven subsidiaries in Europe and North America.

### Regions where Iceland Seafood International operates



### Value Added Division

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

The Value Added division incorporates three manufacturing sites in Barcelona, Grimsby and Bradford, which service the retail and foodservice markets in the United Kingdom and Southern Europe.

- **Iceland Seafood Spain**, located close to Barcelona, has processing, cold store and distribution facilities. The company is a strong player in salted and frozen seafood operating in the Spanish market with sales across the Mediterranean region. Iceland Seafood Spain is the main importer of Iceland wet salted cod, branded Bacalao de Islandia. Its three other brands are: Las Tapas, high quality products in traditional tapas recipes that combine the cultural tradition of Mediterranean cuisine, Armengol, a professional range of frozen Icelandic salted cod cuts of the highest quality and Banord for selected products sourced from other regions.
- **Havelok Limited**, located in Grimsby (UK), supplies high quality seafood from procurement to packed product, which is second to none, offering one of the finest ranges of breaded, battered and plain fish in the UK.

Specialising in a wide range of added value and bespoke fish products, focused primarily on the catering and foodservice market, the product range offers something for everyone, from IQF white fish fillets to delicious golden battered and breaded fish products to a wide range of children's and luxury products.

- **Iceland Seafood Barracloughs**, located in Bradford (UK), specialises in supplying our retail customers with private label high quality fish and shellfish globally sourced. The combination of Iceland Seafood International's historical sourcing skills and Barracloughs processing and packing skills enables the business to offer its customers an effective global sourcing chain and flexible UK manufacturing and packing. The company specialises in smoking, cutting to customer specs, and packing in a variety of pack formats for many of the largest retailers in the UK.

### Sales & Distribution Division

Our Sales & Distribution division is committed to providing quality seafood products to our many customers across 6 continents. This is achieved by working closely with our producer partners and understanding markets and customers' needs.

The Sales & Distribution division incorporates subsidiaries in Iceland, France, Germany and the USA. The division sells to over 45 countries.

- **Iceland Seafood Iceland**, located in Reykjavik, is one of the largest companies in the export of seafood from Iceland to all main markets around the world. The company operates in close co-operation with Icelandic seafood producers. Its main functions are sales of a broad range of Icelandic seafood products, sourcing for Iceland Seafood International's subsidiaries and technical services for producers and customers.
- **Iceland Seafood France**, based in Boulogne-sur-mer, provides high quality seafood from Iceland and from a variety of global sources. The company supplies fresh and frozen products to foodservice, retail and processors in France.
- **Iceland Seafood Germany**, located in Hamburg (Germany), is a supplier of high quality fresh seafood from Iceland. Fresh fish is mainly flown in from Iceland for delicatessen stores, foodservice and retail.
- **ISI Seafood, Inc., the USA division**, markets a full range of cod, haddock, and pollock/saithe products for the distributor, foodservice and restaurant industry in the USA. Products are imported directly from Iceland, Russia and China. ISI Seafood, Inc. employs a network of food brokers, who are seafood experts, to work directly with distributors and restaurant chefs.



## Our Products

We work hand in hand with an extensive network of highly qualified professionals and selected providers around the globe.

We provide a broad range of fish and seafood by offering our customers combined product solutions from our factories and distribution systems.

**Ready Meals**

Variety of ready made solutions for foodservice and retail



**Fresh**

Cod, haddock, wolffish, halibut, plaice, ocean perch, Arctic Charr, sea urchins



**Coated Products**

Battered fish, breaded fish, specialties, portions and fish cakes, main meals



**Shellfish**

Shrimp, prawns, langoustines, Norway lobster, mussels, sea urchins



**Smoked Fish**

Salmon, Arctic Charr, cod, haddock, herring



**Landfrozen**

Cod, haddock, wolffish, monkfish, lumpfish, ling, salmon, halibut, plaice, redfish, roes



**Light Salted**

Cod, ling, tusk, saithe, loins, fillets, portions



**Wet Salted**

Cod, ling, tusk, saithe, loins, fillets, portions



**Frozen at Sea**

Cod, haddock, saithe fillets, skin on / less, PBI, interleaved



**Pelagic fish**

Mackerel, Atlantic herring, capelin, blue whiting



**Dried Products**

Haddock, cod, skate heads, steaks, backbones and off-cuts



**Cephalopods**

Cuttlefish, octopus, squid





## Our Brands

We offer a range of brands with our high quality guarantee.

**Iceland Gold**

Quality Fresh & Frozen Seafood from Iceland



**Batter Me Up**

Premium Taste - No Defrosting  
No Flouring - No Waste - Zero Drip Loss



**Havelok**

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



**Smart Fish**

Smarter foodservice and retail solutions for the UK market



**Islandia**

The Islandia brand is your guarantee for high quality, wet salted and light salted frozen products from Iceland



**Islandia Armengol**

Our finest quality value added salted fish products from Iceland



**Las Tapas**

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



**Banord**

Our selected products sourced from other regions than Iceland





## Strategic Focus

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

Our strategy is focused on delivering higher margin growth and earnings over time. We have developed a strategy that reflects our purpose and enables us to capture the value of our international network and in depth knowledge of our markets. Our long-term, two-part strategy is to:

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

dried seafood, developing sourcing and logistics solutions to match our customers high requirements.



**Global sourcing with the core from Iceland, delivering to our customers' needs**

Fresh



Frozen



Salted



Dried



**Leveraging our network to deliver value added products**



Our strategy positions us to capitalise on several long-term trends:

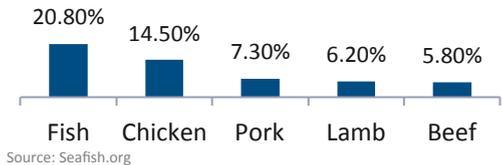
- **Drive towards healthy living**, where governments are encouraging people to eat more seafood, consumers are becoming more selective in their food choices and millennials’ lifestyles are healthier
- **A growing middle class** expected to increase from one-third to two-thirds of the world’s population by 2030
- **Ageing population** and a parallel increase in seafood consumption
- **A higher need for food solutions** that are easy and quick to prepare, tasty and innovative, right for the consumer, the environment and consumer’s social standards



### Need for food solutions



### Fish as a first choice



### Growing middle class

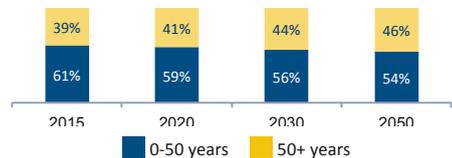
2015: 7,4 bn population      2030: 8,5 bn population



Source: Brookings.edu



### Older western population



Source: Eurostat



## Executive Management

The Executive Management of Iceland Seafood International consists of the Chief Executive Officer, the Chief Operating Officer and the Chief Financial Officer, who oversee Iceland Seafood International global operations.



**Helgi Anton Eiríksson**  
**Chief Executive Officer**

Helgi Anton Eiríksson has been involved with the global seafood industry, including sales, procurement, operations and financing for over 20 years. After graduating with a Cand.oecon degree from the University of Iceland in 1992, Helgi joined Icelandic Group, initially in Iceland and then worked for nine years in the UK as Sales Director and later Procurement Director for the four factory operations of Icelandic's UK business. Helgi joined Íslandsbanki in 2004 and led the seafood banking team until 2007 when he joined the bank's executive management team. Helgi worked as a food industry advisor in London and Reykjavik in 2009 before joining Iceland Seafood International as CEO at the start of 2010.



**Lee Camfield**  
**Chief Operating Officer**

Lee Camfield has 30 years of financial and operational experience within the UK and European food industries, including 10 years with Coca-Cola in the UK, Heinz, Rank Hovis, and from 2004 until late 2009 as Chief Financial Officer of The Real Good Food Company PLC, an AIM listed food group in the UK. Lee qualified as an accountant in 1991 and has served as a company director, finance director and CFO on a broad range of companies, including serving as a pension trustee in the UK. He lives in the UK and as well as his Group COO role, Lee also serves as Chairman of Iceland Seafood International's two UK companies. Lee joined the Group in 2010.



**Reynir Jónsson**  
**Chief Financial Officer**

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 a majority of his projects were related to the seafood sector in Iceland. Prior to that, Reynir was the head of accounting at HB Grandi. Reynir holds an MSc degree in Finance and Strategic Management from Copenhagen Business School, and a Cand.oecon Degree in accounting from University of Iceland.



## Employees

Iceland Seafood International has over 280 employees across our seven international locations. We place considerable emphasis on the importance of employees with skills and desire to perform, satisfy customer demand and achieve the Group's strategic goals.

Our international business is made up of a highly experienced group of people, from a range of cultures. Our objective is to ensure that our employees feel empowered to deliver to the highest standards by being:

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

How we do business is as important as the high quality products we deliver. We want to be a business that people are proud to work for, with the trust of our producers and customers we serve.



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**Financial  
Performance**

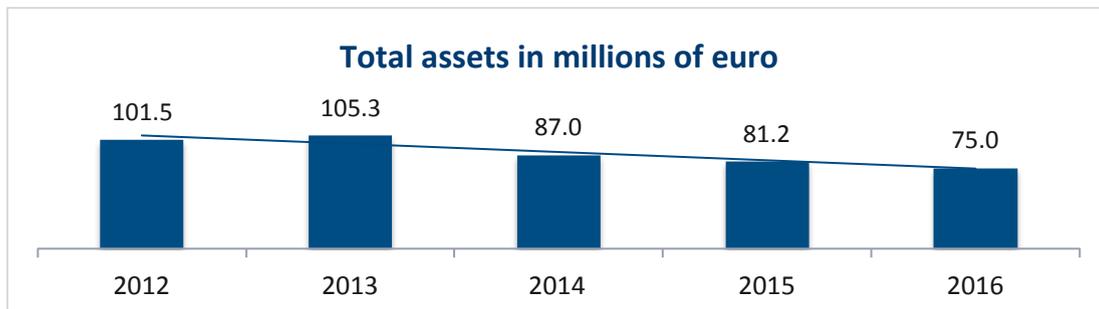
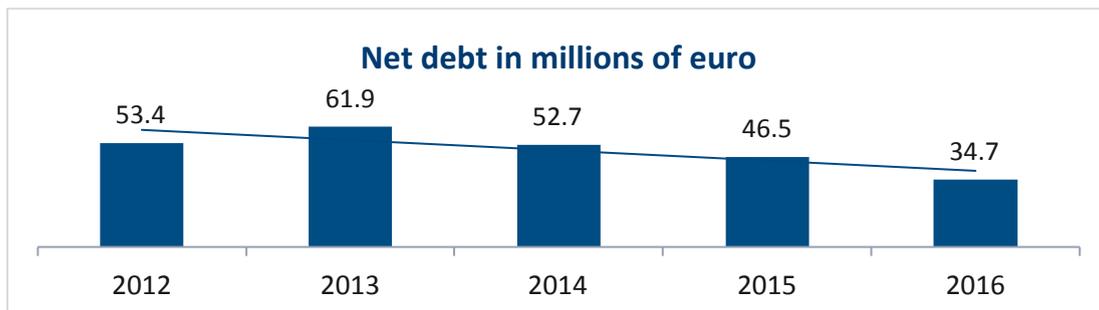
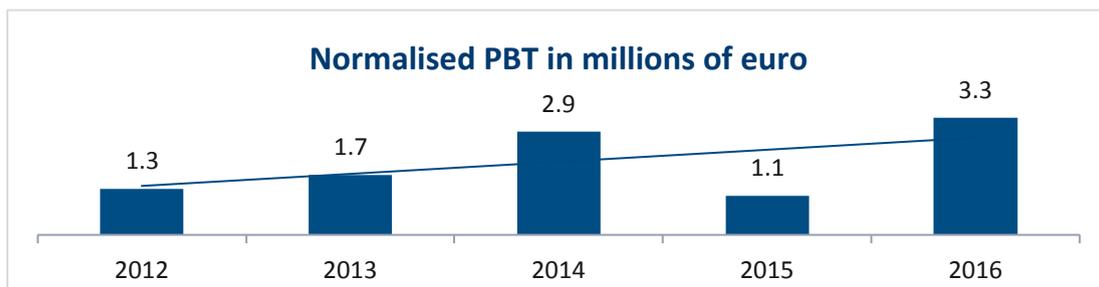
## Key Figures

(all amounts are in thousands of euro)

| Consolidated Income Statement                               | 2016              |                   |               | 2015              |                   |               |
|---|-------------------|-------------------|---------------|-------------------|-------------------|---------------|
|   | Normalised result | Significant items | IFRS          | Normalised result | Significant items | IFRS          |
| <b>Operating revenue</b>                                    | 246.273           |                   | 246.273       | 258.414           |                   | 258.414       |
| Gross margin  | 33.805            |                   | 33.805        | 34.338            |                   | 34.338        |
| Distribution costs  | (14.830)          |                   | (14.830)      | (17.718)          |                   | (17.718)      |
| <b>Net margin</b>   | <b>18.975</b>     |                   | <b>18.975</b> | <b>16.542</b>     |                   | <b>16.542</b> |
| EBITDA  | 5.538             | (203)             | 5.335         | 4.255             | (697)             | 3.558         |
| <b>Profit (loss) before income tax</b>                      | <b>3.294</b>      | <b>(203)</b>      | <b>3.090</b>  | <b>1.057</b>      | <b>(697)</b>      | <b>360</b>    |
| Income tax  | (529)             | 30                | (499)         | (420)             | 139               | (281)         |
| <b>Profit (loss) for the year from continuing operation</b> | <b>2.765</b>      | <b>(174)</b>      | <b>2.591</b>  | <b>637</b>        | <b>(558)</b>      | <b>79</b>     |
| Loss for the year from discontinued operations, post tax    |                   | (34)              | (34)          |                   | (261)             | (261)         |
| <b>Profit (loss) for the year</b>                           | <b>2.765</b>      | <b>(208)</b>      | <b>2.557</b>  | <b>637</b>        | <b>(819)</b>      | <b>(182)</b>  |
| <i>Profit (loss) for the year attributable to:</i>          |                   |                   |               |                   |                   |               |
| Owners of the Company                                       | 2.776             | (208)             | 2.568         | 645               | (819)             | (174)         |
| Non-controlling interest                                    | (11)              |                   | (11)          | (8)               |                   | (8)           |
| <b>Profit (loss) for the year</b>                           | <b>2.765</b>      | <b>(208)</b>      | <b>2.557</b>  | <b>637</b>        | <b>(819)</b>      | <b>(182)</b>  |

| Consolidated Balance Sheet                                     | 31 December 2016 | 31 December 2015 |
|--|------------------|------------------|
| <b>Assets</b>  | <b>75.049</b>    | <b>81.232</b>    |
| Non-current assets   | 18.868           | 19.019           |
| Current assets   | 56.083           | 60.204           |
| Assets classified as held for sale                             | 98               | 2.009            |
| <b>Equity</b>  | <b>15.363</b>    | <b>8.076</b>     |
| <b>Liabilities</b>   | <b>59.686</b>    | <b>73.156</b>    |
| Non-current liabilities  | 2.006            | 2.462            |
| Current liabilities  | 57.637           | 69.731           |
| Liabilities associated with assets classified as held for sale | 43               | 963              |

| Consolidated Income Statement                      | 2016         | 2015         |
|--|--------------|--------------|
| Net cash from continuing operations                | 5.559        | 4.260        |
| Net cash from discontinued operations              | 958          | 2.330        |
| Net cash from operating activities                 | 6.517        | 6.590        |
| Net cash used in investing activities              | (1.154)      | (461)        |
| Net cash used in financing activities              | (6.138)      | (5.964)      |
| <b>Changes in cash and cash equivalents</b>        | <b>(774)</b> | <b>165</b>   |
| Effects of exchange rate fluctuations on cash held | (76)         | 28           |
| <b>Cash and cash equivalents at year-end</b>       | <b>1.797</b> | <b>2.647</b> |



## Key Highlights

| Euro million                       | 2016  | 2015  |
|------------------------------------|-------|-------|
| Turnover                           | 246.3 | 258.4 |
| Normalised* PBT                    | 3.3   | 1.1   |
| Net earnings                       | 2.6   | (0.2) |
| Net cash from operating activities | 6.5   | 6.6   |
| Total assets (31 December 2016)    | 75.0  | 81.2  |
| Equity ratio (31 December 2016)    | 20.5% | 9.9%  |

Iceland Seafood International had excellent results for 2016 with normalized profit before tax of EUR 3.3 million, EUR 2.2 million ahead of the prior year.

## Group Financials

The Group continued to invest in its customer-focused value added activities in 2016. At the same time its continued margin improvement focus and working capital management program led to a reduction in lower margin trading activity during the year. This resulted in total Group sales of EUR 246.3 million, a 4.6% decrease from prior year, whilst normalised profit before tax of EUR 3.3 million, EUR 2.2 million higher than 2015. Net profit for the year, after significant items and discontinued operations, was EUR 2.6 million, EUR 2.7 million ahead of prior year.

The Group's balance sheet shows a significant improvement from the prior year. Total assets at year-end 2016 were EUR 75.0 million compared to EUR 81.2 million at end of 2015. At the same time, equity increased by EUR 7.3 million during 2016, reflecting a combination of increased retained earnings and equity injection when the Group listed in May 2016. Net debt of EUR 34.7 million reduced by EUR 11.8 million from the prior year as a result of lower working capital and the equity injection.

### Value Added Division

| Euro million                | 2016  | 2015  |
|-----------------------------|-------|-------|
| Turnover                    | 110.3 | 112.7 |
| Normalised* PBT             | 3.3   | 2.7   |
| Net debt (31 December 2016) | 17.7  | 21.6  |

The Value Added division saw strong profit growth in 2016, with normalised profit before tax of EUR 3.3 million, up 22% from prior year. The growth was driven by the UK foodservice business with a solid performance of both UK retail and the Spanish businesses. The weakening of the British pound, following Brexit in June 2016, impacted both turnover and profits of the division. On a constant currency basis, turnover would have increased by 3.1% and profits would have grown by 29%.

Net debt of the Value Added division reduced by EUR 3.9 million in the year, benefitting from working capital management focus and a weaker British pound.

### Sales & Distribution Division

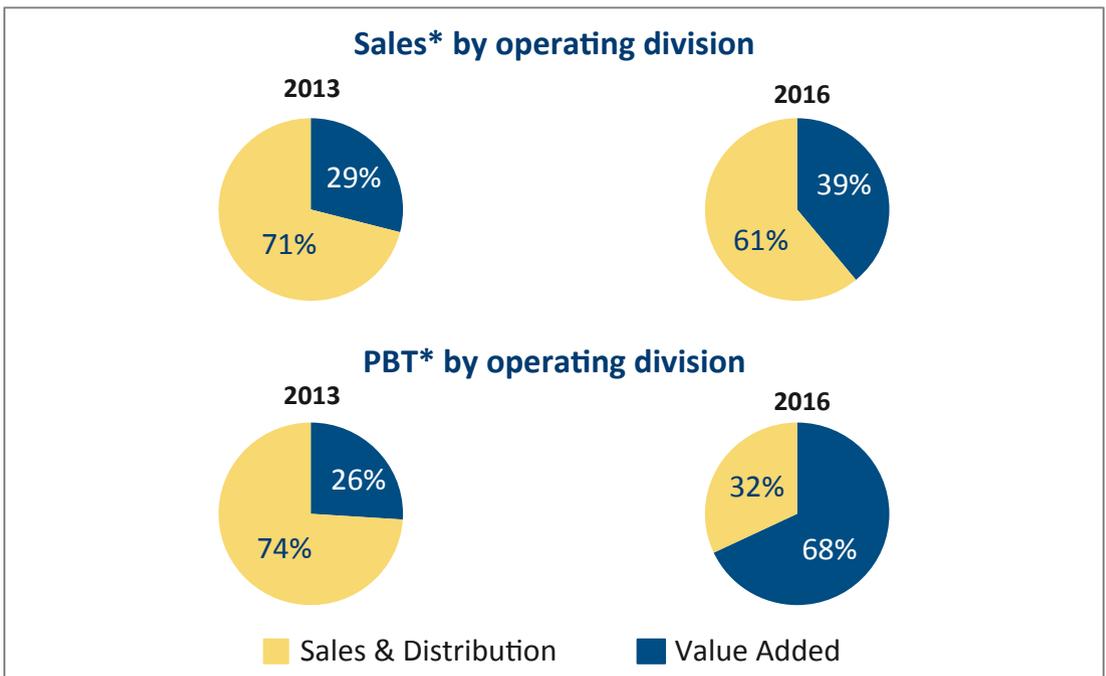
| Euro million                | 2016  | 2015  |
|-----------------------------|-------|-------|
| Turnover                    | 170.5 | 180.9 |
| Normalised* PBT             | 1.5   | (0.4) |
| Net debt (31 December 2016) | 1.7   | 6.5   |

The Sales & Distribution division had a solid performance with profits significantly up on the prior year. Revenues are slightly down versus the prior year driven by three factors: the focus on reducing higher risk and lower margin sales; lower capelin quotas in Iceland; and lower sales of dried fish to Nigeria due to import restrictions. At the same time profits before tax improved by EUR 1.9 million from the prior year, driven by stronger margins from pelagic sales, lower finance cost benefitting from

focused working capital management and good growth in frozen sales and margins in France, with a good spread of product offerings sourced globally.

The Sales & Distribution division saw a significant decrease in net debt, driven by the focus on reducing higher risk, lower margin sales and improved working capital management.

Overall, the Value Added division accounts for 68% of the divisional profit before tax in 2016, compared to 26% three years ago. At the same time the proportion of Value Added sales grew from 29% in 2013 to 39% in 2016. The Group strategic focus is to drive profit growth with further investments in customer focused, value added activities.



\* Normalised PBT, before Head Office, consolidation adjustments, significant items and discontinued operations



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**Investors**



## Corporate Governance

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

The Company's Articles of Associations and rules of issuers of securities listed at Nasdaq First North make up the framework for the Corporate Governance practices for Iceland Seafood International. Reference is also made to the Icelandic Guidelines on Corporate Governance are published by the Iceland Chamber of Commerce, SA Business Iceland and Nasdaq Iceland.

### Board of Directors

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

The Board of Directors holds the supreme authority between shareholders meetings and promotes the development and long-term performance of the Group and the supervision of its operations. Together with the CEO, they formulate the strategy, policies, and set goals and risk parameters for the organisation.

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

### Board Committees

The Audit Committee ensures the quality of the financial statements and internal controls. It has oversight of the external auditors. It also presents proposals for the selection of external auditors and ensures their independence. Members of the Audit Committee are Benedikt Sveinsson, Mark Holyoake and Lee Camfield.

The Remuneration Committee is responsible to establish a remuneration policy for the Company. Members of the Audit Committee are Benedikt Sveinsson and Mark Holyoake.

### Chief Executive Officer

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



## Shareholder Information

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

At end of 2016, there were 1.300 million shares issued, all in one class. Prior to listing on the Nasdaq First North Iceland in May 2016, the Group issued 27.3 million new shares. These shares and shares previously held by the Group, in total accounting for 10% of share capital, were sold to investors prior to listing.

Executives and senior employees held options over 33 million shares of the Group at year-end 2016. These options were granted in May 2016 and will vest in the period from May 2017 to May 2020. At the Group's 2016 Annual General Meeting, the Board of Directors was authorized to increase

the Group's share capital by 39 million shares to fulfil stock option agreements. This authorization is valid until May 2021.

The 10 largest shareholders held 89.7% of the total shares at year-end 2016:

| Shareholder                             | Number of shares, million | Shares in % |
|---|---------------------------|-------------|
| International Seafood Holdings S.a.r.l. | 829.6                     | 63.8%       |
| Kvika banki hf.                         | 141.7                     | 10.9%       |
| Frjálsi lífeyrissjóðurinn               | 42.7                      | 3.3%        |
| Stefnir - ÍS 15                         | 28.0                      | 2.2%        |
| Festa – lífeyrissjóður                  | 27.0                      | 2.1%        |
| 9. S ehf.                               | 21.0                      | 1.6%        |
| Akta HS1                                | 20.0                      | 1.5%        |
| Sjóvá-Almennar tryggingar hf.           | 20.0                      | 1.5%        |
| Lífeyrissjóður Vestmannaeyja            | 18.5                      | 1.4%        |
| Moment fjárfestingar ehf                | 18.5                      | 1.4%        |
| Top 10 total                            | 1.167.0                   | 89.7%       |
| Others                                  | 132.6                     | 10.3%       |
| Total issued shares                     | 1.299.6                   | 100.0%      |



## Risk Management

Iceland Seafood International activities are exposed to variety of risk factors related to its operations and financials. Effective risk management is important to minimize the risk of material misstatements and for the business to perform. Detailed information on risk factors can be found in the Company description which was published in relation to the listing on Nasdaq First North Iceland in May 2016 and is available on the Group's website.

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

- **Currency risk:** The reporting currency of the Group is the Euro, therefore the Group has a currency risk related to the operation of subsidiaries in UK and USA, which operate and report in a different currency. Additionally,

individual subsidiaries use forward contracts to mitigate currency risk, e.g. when buying raw material in a foreign currency to the local market. In certain markets, predominantly Iceland, purchases are made in the currency that the goods are sold, providing a natural currency hedge.

- **Supplier risk:** The Group is exposed to risks regarding suppliers, in both the wild and farmed seafood sector, as it sources its products from specific origins and production methods. This potentially limits the number of suppliers the Group can purchase from in some instances, although the Group has a wide supply base, with no individual supplier representing more than 8% of the total supply.
- **Credit risk:** The credit risk of the Group mainly relates to accounts receivables, i.e. those customers are not able to pay for goods that the Group has sold to them. The Group controls this risk carefully, with the vast majority of all receivables credit insured. The Group does not take uninsured positions against a customer without going through an appropriate risk assessment procedure.
- **Liquidity risk:** The Group controls liquidity risk by maintaining access to appropriate loan facilities, taking into account sufficient headroom for fluctuations, whilst cash flow is monitored on a daily basis. The Group did in 2016 renew its main EUR 65 million loan facility with its main lender in Iceland. This is a revolving loan facility secured with a pledge over inventories and receivables. Headroom is, in the opinion of the Board, sufficient to cover fluctuations, both with regards to total facility amount and underlying assets.
- **Insurance:** The Group has appropriate insurance policies in place, which provides insurance cover against product and property damage, certain delays, general liability and environmental liability in accordance with normal practice within the industry.



Corporate Social  
Responsibility



## **A Global Sourcing Policy Based on Responsible Ocean Stewardship**

Iceland Seafood International bases its global sourcing policy on the following principles:

- Source from fisheries that are administrated in conformance with FAO Code of Conduct for responsible fisheries and have proper fishery management systems
- Support 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

- Committed to working with industry on fishery improvements and best practices
- Help and support customers to make the right choice to source sustainable seafood
- Committed to supply sustainable seafood to its customers



### FAO Code of Conduct

Iceland Seafood International works according to the FAO Code of Conduct for responsible fisheries (FAO 2005). Most responsible fishing nations are working in conformance with the FAO Code of Conduct and have issued quotas or have other means of regulating fishing within their own fishing zones. For more information, visit <http://www.fao.org/3/a-v9878e/index.html>



### Iceland Responsible Fisheries

The FAO-based Iceland Responsible Fisheries Management Certification Programme is a third party certification model used to verify responsible fisheries management in Icelandic waters and good treatment of marine resources. For more information, visit: <http://www.responsiblefisheries.is/certification/>



### MSC

Iceland Seafood International actively develops and supports initiatives that positively influence sustainable fishing practices. In 2012, with other key suppliers, the company founded Iceland Sustainable Fisheries (ISF), which supports initiatives such as the MSC. Iceland Seafood International and its subsidiaries supply MSC product from around the world.

### Forward Looking Statements

This presentation is furnished and intended for European market participants and should be viewed in that manner.

Any potential forward looking statements contained in this presentation are reflective of management's current views on future events and performance, whilst the views are based on positions that management believes are reasonable there is no assurances that these events and views will be achieved. Forward looking views naturally involve uncertainties and risk and consequently actual results may differ to the statements or views expressed.

### Concept and design

Maresías slf

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