

Iceland Seafood International 2017 Annual Report



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Year in Review

2017 Highlights

Bringing quality seafood to demanding operators and consumers worldwide

Revenues of

€249m

Up 1.2% from 2016

Profit before tax

€3.5m

up €0.2m from 2016

Value Added Division's sales

42%

of total sales

Value Added Division's profit before tax

70%

of divisional profitability

Net debt of

€38.1m

€4.1m increase from 2016

Equity at

20%

same level versus year-end 2016

Exports to over

45

countries

With over

280

dedicated and knowledgeable employees

Iceland Seafood International announced its first acquisition since listing on Nasdaq First North. The Oceanpath acquisition in March 2018 has complementary operations to ISI and provides an excellent platform for future growth in Ireland and internationally.

The fishermen's strike in Iceland and the Brexit devaluation of the British pound affected the seafood industry. Despite these circumstances, ISI experienced positive growth by delivering solutions in line with its customers' needs in combination with new listings.

There was excellent growth in fresh fish sales to the United States, where revenues doubled to USD 10 million.

Iceland Seafood secured new valuable customers including leading retailers and foodservice outlets in a number of regions.

Post the Oceanpath acquisition, Iceland Seafood International has grown to seven country locations with five value added factories in Europe, with a focus on quality and innovation. The Group continues its strategy of strong organic growth supported by smart, strategic investments in well positioned companies.



Oceanpath Acquisition

Oceanpath is one of the largest seafood processors in Ireland, supplying to major Irish retailers and food service customers with over 45 different species. They operate out of two fish processing facilities in North Dublin with a total of 95 employees. Oceanpath operates under two major brands:



Oceanpath was founded in 1991 and has grown to become one of the largest seafood processors in Ireland, with a 1.130 m² fresh fish facility in Dublin.

The company supplies fish to all major Irish retailers and food service.



Dunn's of Dublin is Ireland's oldest fish processing company established in 1822 and acquired by Oceanpath in 2006, with a 3.000 m2 facility in Dublin.

It is renowned for its smoked salmon and other smoked products.

The business is recognised as a leader in seafood with awards including:

- Best seafood supplier in Ireland by Checkout in 2017
- 33 Great Taste Awards on its products
- BIM national award for innovation

The acquisition of Oceanpath by Iceland Seafood International was completed in March 2018. The purchase price for ISI's 67% stake in Oceanpath will be in the range from €12.4m to €13.4m on a debt free cash free basis. The final price will be subject to the actual profitability of Oceanpath for the financial year ending on 30 April 2018 and the following 12 months until 30 April 2019. The acquisition is being funded by a new EUR 5 million long term loan in conjunction with cash. This acquisition provides opportunities for supply, domestic growth, global distribution and knowledge transfer between the two groups.



Chairman's Address

Iceland Seafood International is in a prime position to service its customers across 45 countries having grown to five value added factories in Europe, post the Oceanpath acquisition in March 2018. Our focus is on quality and innovation, and global distribution in seven country locations.

We are pleased that results continue to be strong despite the headwinds with the fishermen's strike in Iceland and the Brexit devaluation of the Sterling. The consolidated revenue in 2017 slightly increased to EUR 249 million, up 1.2% year-on-year, resulting in normalised profit before tax of EUR 3.5 million and a net profit of EUR 2.6 million. The Consolidated Balance Sheet at year-end 2017 remains strong with an equity ratio of 20.1%.

Our strategy is to focus on efficiency and profitable growth, by investing in our networks, our value added activities and seeking opportunities to deliver value.

In line with this strategy, we announced the acquisition of Oceanpath Ltd in March 2018, which complements Iceland Seafood's international business and product ranges. Oceanpath is one of the largest fresh seafood processors in Ireland, offering fresh and smoked seafood to retail customers and wholesalers in their local market. The group operates two factories, Oceanpath which sources, processes and sells fresh and frozen seafood, and Dunns of Dublin established in 1822 which is an iconic premium retail brand, best known for its smoked seafood products.

We expect seafood demand to remain strong in our key markets in 2018. Oceanpath will contribute strongly to the Group's profit growth. While we are optimistic about the prospects for the business, our results are influenced by quota changes and underlying global economic conditions.

Following the listing of Iceland Seafood International on Nasdaq First North in 2016, we saw several new investors joining our shareholder group in 2017 and we welcome them. We also thank the long-term shareholders of the business for their continued support.

It is important not just to achieve good results, but to do so in a way that meets our various stakeholder expectations – employees, customers, suppliers and shareholders. Iceland Seafood International's results are confirmation of the dedication of our management and staff throughout the organisation. On behalf of the Board of Directors, I thank our employees for their work and our customers and suppliers for their business.

Benedikt Sveinsson
Chairman



CEO Statement

2017 was another strong year for Iceland Seafood International achieving good growth in normalised profit before tax to EUR 3.5 million, a 6.7% increase on 2016. This was achieved despite the effects of a long fishermen's strike action in Iceland at the start of 2017 and was delivered through focus on our strategic priorities of improved margin and value added activities across the Group. Net margin increased by 2.6% to EUR 19.5 million. We saw our Balance Sheet grow as a consequence of increased sales in the UK delivered through our new shellfish packing facility investment completed in 2017.

Seafood consumption globally is on the rise and seafood is the fastest growing protein source in many important markets. With the rising middle class, focus on health and wellness, and the millennium generation demanding food solutions that meet all their value categories, the seafood industry is well placed for great opportunities in the future. Iceland Seafood International is in a strong position to drive and benefit from these opportunities.

Our strategy is clear, we focus on understanding the consumer and we work closely with our customers to create solutions to meet ever increasing and changing consumer demands. This is done by adding true value throughout the value chain and by investing in people, technology and businesses that fit within our strategic focus. In line with this, I am pleased to welcome Oceanpath's management team and staff into the ISI family. Oceanpath is the largest fresh seafood and smoked products business in the Irish retail market.

Quality and corporate social responsibility are at the heart of our business. We work hand in hand with fishermen and primary production partners with the aim of ensuring long-term fishery management practices and well-managed resources. We are proud of the Icelandic fishery management system which we have been part of for decades and we believe that global close co-operation of stakeholders in different fisheries will continue to deliver fishery improvements, quality awareness and best practices.

With the acquisition of Oceanpath, we now have over 380 dedicated employees at Iceland Seafood International. Our teams operate in various markets and regions, and it is through their expertise, focus, dedication and co-operation that we continue to build our Group in line with our strategic priorities.

The future for seafood consumption is bright and I would like to personally thank all our employees, suppliers, customers and shareholders for the success we achieved in 2017.

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.



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, Ireland 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.



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 five manufacturing sites in Barcelona, Grimsby, Bradford and Dublin, which service the retail and foodservice markets in the United Kingdom, Ireland 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 Icelandic wet salted cod, branded Bacalao de Islandia. Its main brands are: Islandia, a guarantee for high quality, wet salted and light salted frozen products from Iceland; Islandia Armengol, quality value added salted fish products from Iceland; Las tapas de Islandia Armengol for high quality ready meals that combine the cultural tradition of Mediterranean cuisine; and Banord for our selected products from Asia.
- **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 Barraclough**, 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 Barraclough's processing & 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.
- **Oceanpath Limited**, our newly acquired business, operates out of two factories in North Dublin with a total of 95 employees. They are one of the largest seafood processors in Ireland, supplying to major Irish retailers and food service customers. The business sources over 45 different species focussing on fresh and smoked products. Within the group, Dunn's of Dublin is an iconic premium retail brand best known for its smoked seafood products. With the acquisition, both Iceland Seafood International and Oceanpath will benefit from its complementary operations for supplier and customer partners.

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 customer 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, 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., our 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 Asia. 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, lobster, monkfish



Coated Products

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



Shellfish

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



Smoked Fish

Salmon, Arctic Charr, trout, tuna, 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, Greenland halibut, fillets, skin on / less, PBI



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



Fish & Chips

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



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



Oceanpath

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



Dunn's of Dublin

Renowned worldwide for its smoked salmon and other smoked products





Strategic Focus

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

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

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

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



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

Fresh



Frozen



Salted



Dried



Leveraging our network to deliver value added products



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

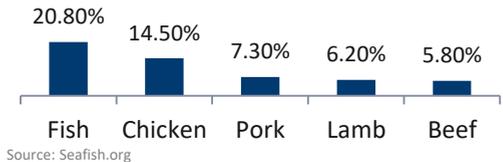
- **Drive towards healthy living**, where governments are encouraging people to eat more seafood, consumers are becoming more selective in their food choices and millennials’ lifestyles are healthier
- **A growing middle class** expected to increase from one-third to two-thirds of the world’s population 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

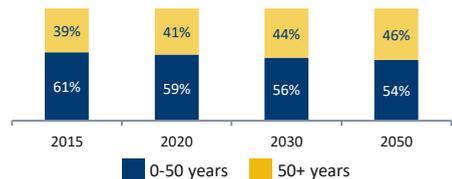
2015: 7,4 bn population 2030: 8,5 bn population



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 25 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 over 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

Post the Oceanpath acquisition in March 2018, Iceland Seafood International now has over 380 employees across our eight 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.



Financial Performance

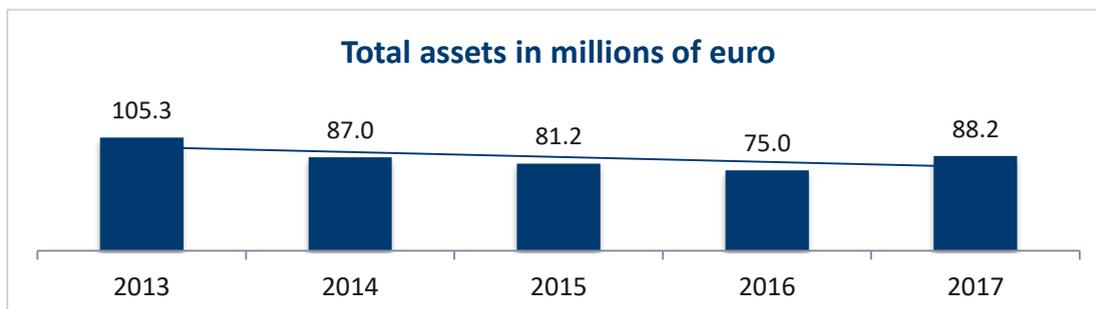
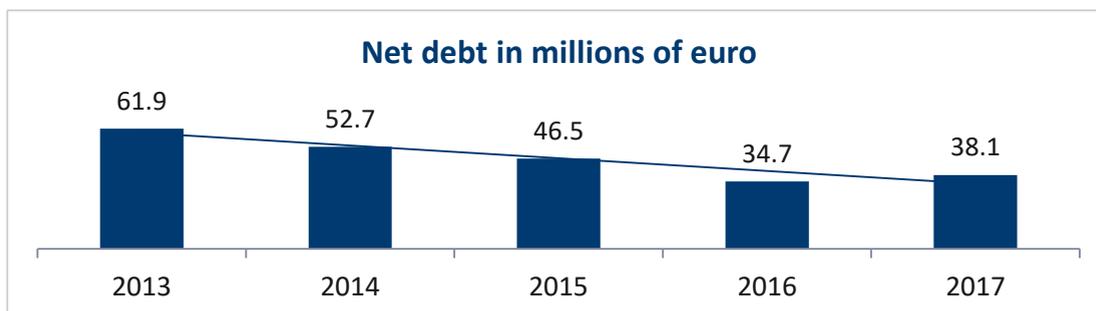
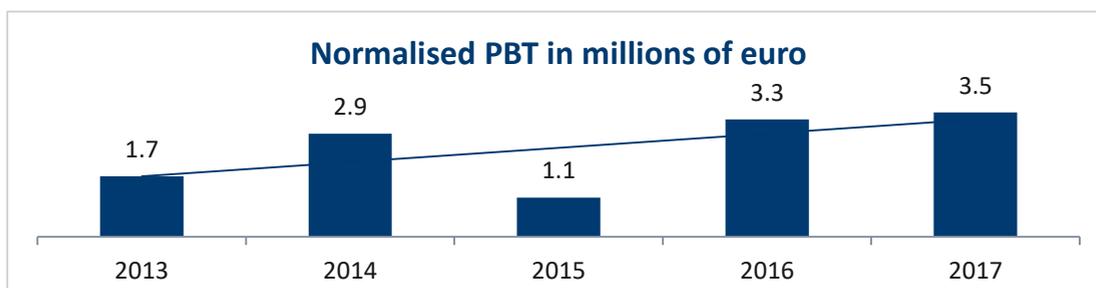
Key Figures

(all amounts are in thousands of euro)

| Consolidated Income Statement | 2017 | | | 2016 | | |
|---|-------------------|-------------------|---------------|-------------------|-------------------|---------------|
| | Normalised result | Significant items | IFRS | Normalised result | Significant items | IFRS |
| Operating revenue | 249.149 | | 249.149 | 246.273 | | 246.273 |
| Gross margin | 34.173 | | 34.173 | 33.805 | | 33.805 |
| Distribution costs | (14.705) | | (14.705) | (14.830) | | (14.830) |
| Net margin | 19.467 | | 19.467 | 18.975 | | 18.975 |
| EBITDA | 5.700 | (192) | 5.508 | 5.538 | (203) | 5.335 |
| Profit (loss) before income tax | 3.508 | (192) | 3.316 | 3.294 | (203) | 3.090 |
| Income tax | (765) | 38 | (727) | (529) | 30 | (499) |
| Profit (loss) for the year from continuing operation | 2.743 | (154) | 2.589 | 2.765 | (174) | 2.591 |
| Loss for the year from discontinued operations, post tax | | (11) | (11) | | (34) | (34) |
| Profit (loss) for the year | 2.743 | (165) | 2.579 | 2.765 | (208) | 2.557 |
| <i>Profit (loss) for the year attributable to:</i> | | | | | | |
| Owners of the Company | 2.730 | (161) | 2.569 | 2.776 | (197) | 2.568 |
| Non-controlling interest | 13 | (4) | 10 | | (11) | (11) |
| Profit (loss) for the year | 2.743 | (165) | 2.579 | 2.765 | (208) | 2.557 |

| Consolidated Balance Sheet | 31 December 2017 | 31 December 2016 |
|--|------------------|------------------|
| Assets | 88.162 | 75.049 |
| Non-current assets | 18.937 | 18.868 |
| Current assets | 69.144 | 56.083 |
| Assets classified as held for sale | 81 | 98 |
| Equity | 17.720 | 15.363 |
| Liabilities | 70.442 | 59.686 |
| Non-current liabilities | 1.508 | 2.006 |
| Current liabilities | 68.932 | 57.637 |
| Liabilities associated with assets classified as held for sale | 2 | 43 |

| Consolidated Cash Flow Statement | 2017 | 2016 |
|--|--------------|--------------|
| <i>Net cash from continuing operations</i> | (3.406) | 5.559 |
| <i>Net cash from discontinued operations</i> | (35) | 958 |
| Net cash from operating activities | (3.441) | 6.517 |
| Net cash used in investing activities | (728) | (1.154) |
| Net cash used in financing activities | 4.549 | (6.138) |
| Changes in cash and cash equivalents | 380 | (774) |
| Effects of exchange rate fluctuations on cash held | 47 | (76) |
| Cash and cash equivalents at year-end | 2.223 | 1.797 |



Key Highlights

| Euro million | 2017 | 2016 |
|---|-------|-------|
| Turnover | 249.1 | 246.3 |
| Normalised* PBT | 3.5 | 3.3 |
| Net earnings | 2.6 | 2.6 |
| Net cash from (to) operating activities | (3.4) | 6.5 |
| Total assets | 88.2 | 75.0 |
| Equity ratio | 20.1% | 20.5% |

Iceland Seafood International had a strong year in 2017 with profit before tax growth of 6.5% compared to the prior year.

Group Financials

After a challenging first half of 2017 with the 10-week fishermen's strike in Iceland, the business responded strongly in the second half with profit before tax growth of 13.6% in the period, year-on-year. Both operating divisions contributed meaningfully to these results.

Total assets increased by EUR 13.2 million year-on-year, reflecting increased activities in the second half of the year. Net debt increased by EUR 4.1 million from the prior year, with the remainder of the asset increase financed by profits and not interest-bearing debt.

Value Added Division

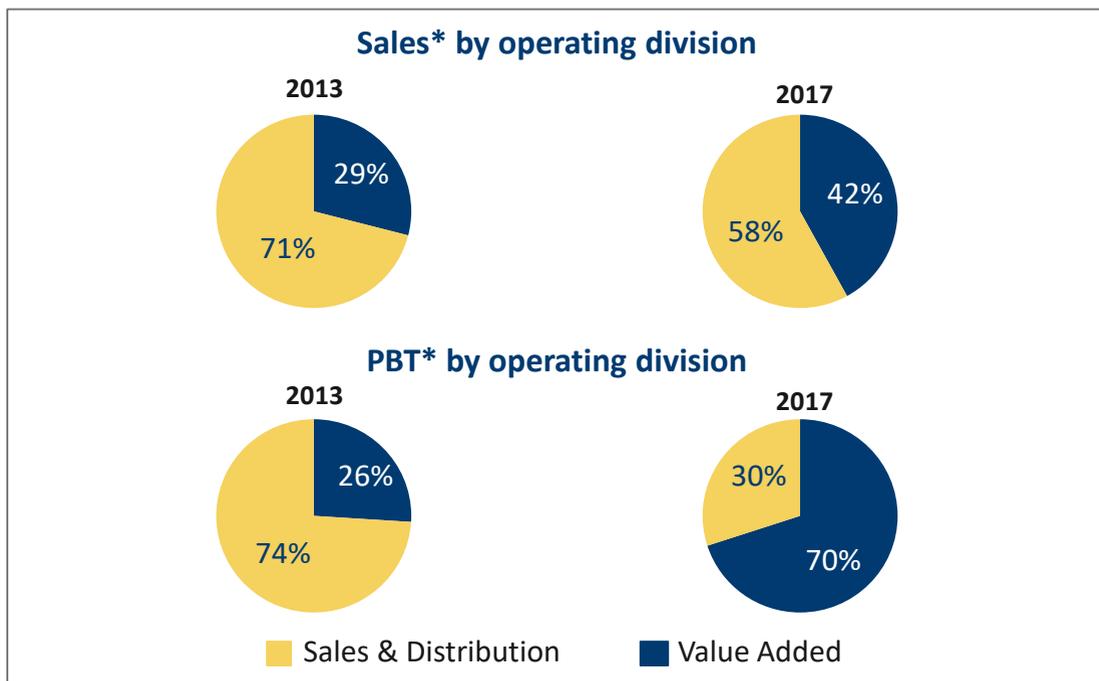
| Euro million | 2017 | 2016 |
|-----------------|-------|-------|
| Turnover | 118.2 | 110.3 |
| Normalised* PBT | 3.5 | 3.3 |
| Net debt | 23.2 | 17.7 |

The Value Added division saw its revenues grow by 7.2% from the prior year and profits grew by EUR 200k. This strong performance was driven by new listings in the second half of the year. The retail business in the United Kingdom completed its capital investment program in the period and built up its in-house shellfish packing capacity which currently generates around EUR 12 million of annual sales. Overall the Value Added division contributed normalised profit before tax of EUR 3.5 million in the year.

Sales & Distribution Division

| Euro million | 2016 | 2015 |
|-----------------|-------|-------|
| Turnover | 164.6 | 170.5 |
| Normalised* PBT | 1.5 | 1.5 |
| Net debt | 1.3 | 1.7 |

The Sales & Distribution division saw its second half profit before tax performance improve by 28% year-on-year, after a negative impact by the strike in the first half. Key contributors of the strong results included new business wins within the fresh segment in the United States, strong frozen-at-sea sales and another strong year for the French business. Overall the Sales & Distribution division delivered normalised profit before tax of EUR 1.5 million in the year.



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



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.

Chef 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 2017, there were 1.300 million shares issued, all in one class. The total number of shareholders at year-end 2017 was 161 compared with 160 shareholders at year-end 2016.

Executives and senior employees held options over 33 million shares of the Group at year-end 2017. The outstanding options will vest in the period from May 2017 to May 2021. All options have a five year term and it is conditional that the optionee remains as an employee of the Group. The Board has an authorisation to increase its share capital by 39 million shares to fulfil stock option agreements. This authorization is valid until May 2021.

The 10 largest shareholders held 82% of the total shares at year-end 2017:

| Shareholder | Number of shares, million | Shares in % |
|---|---------------------------|-------------|
| International Seafood Holdings S.a.r.l. | 657 | 51% |
| Kvika banki hf. | 113 | 9% |
| Akta sjóðir | 54 | 4% |
| Frjálsi lífeyrissjóðurinn | 50 | 4% |
| Sjóvá-Almennar tryggingar hf. | 47 | 4% |
| Íshóll ehf | 32 | 2% |
| HEF kapital ehf | 32 | 2% |
| Stefnir sjóðir | 30 | 2% |
| Blueberg ehf | 29 | 2% |
| Festa lífeyrissjóður | 27 | 2% |
| Top 10 total | 1.070 | 82% |
| Others | 229 | 18% |
| Total issued shares | 1.300 | 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. customers that 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. In December 2017, the Group renewed its main EUR 65 million loan facility with its main lender in Iceland, until May 2022. 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 www.fao.org/fishery/code/en



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

Any potential forward looking statements contained in this presentation are reflective of management's current views on future events and performance, whilst the views are based on positions that management believes are reasonable there is no 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

Iceland Seafood International hf.

Köllunarklettsvegj 2
104 Reykjavík
Iceland
Reg. no 611088-1329

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