Iceland Seafood International hf.

Consolidated Financial Statements

for the year ending 31 December 2020

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

Contents

Company Information

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

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 2020 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 2020 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.

Our opinion in this report on the Consolidated Financial Statements is consistent with the content of the additional report that has been submitted to the parent company´s audit committee in accordance with the EU Audit Regulation 537/2014 Article 11.

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) together with the ethical requirements that are relevant to our audit of the financial statements in Iceland, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the EU Audit Regulation 537/2014 Article 5.1 has been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU. 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 51.7 million (2019: 43.5 million).

The management consider that each geographical segment constitutes its own cash generating unit ('CGU'). The key assumptions applied by the managements in the impairment reviews are: segment specific discount rates, future revenue growth and expected future margins. Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates regarding the future cash flows, discount rates and long-term growth rates based on management's view of future business prospects. Determining whether the carrying value of goodwill is recoverable requires management to make significant estimates regarding the future cash flows, discount rates and long-term growth rates based on management's view of future business prospects.

Due to the relative sensitivity of certain inputs to the impairment testing process, in particular the future cash flows of the CGUs noted above, the valuation of goodwill is considered a key audit matter.

How our audit addressed the key audit matter

In order to address this key audit matter, we audited the assumptions used in the impairment model for goodwill. As part of our work, we engaged our internal specialists 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.
▪ Considering the projected future cash flows, understanding variances between the forecast and actual results for the year ended 31 December 2020 and comparing the forecast growth trends to historic trends.
▪ Evaluating the appropriateness of the sensitivity analysis applied by management to the impairment testing model including considering whether the scenarios reasonably represent possible changes in key assumptions.
▪ Performing further sensitivity analysis based on recent trading activity and our understanding of the future prospects to identify whether these scenarios could give rise to further impairment; and
Analysing the future projected cash flows used in the models to determine whether they are reasonable and supportable given the current macroeconomic climate and expected future performance of the CGU's).

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 Consolidated 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 Consolidated 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 Consolidated Financial Statements.

Independent Auditor's Report

of the Consolidated 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 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.

Independent Auditor's Report

of the Consolidated Financial Statements

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.

In addition to our work as the auditors of Iceland Seafood International hf., Deloitte has provided the firm with permitted additional services such as review of interim financial statements, other assurance engagements and consultation on tax matters. Deloitte has in place internal procedures in order to ensure its independence before acceptance of additional services. The audit committee also evaluates the independence of the company's auditors on yearly basis in order to ensure their independence and objectivity.

Deloitte was appointed auditor of Iceland Seafood International hf. by the Annual General Meeting of shareholders on 19 March 2020. Deloitte have been elected since the Annual General Meeting 1999.

Kópavogur, 24 February 2021

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 2020.

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 are among 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 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

Total sales in the year 2020 of EUR 369.8 million were 15% down on prior year. Sales in the Value Added Southern Europe divison are predominantly to the HORECA sector which was significantly impacted by the Covid19 pandemic, this resulted in divisional sales of EUR 125.8 million which was EUR 39.6 million (25%) down on previous year. The pandemic also impacted sales of Sales & Distribution divison which were EUR 48.6 million down on previous year. At the same time sales of Value Added Northern Europe division were €14m (15%) up on prior year, driven by strong sales to retail customers in both UK and Ireland.

Normalised PBT in the year of EUR 5.1 million was EUR 6.3 million behind prior year, with lower sales being the key reason for the reduction. The profitability of VA S-Europe division was considerably impacted by the pandemic. Results of the N-Europe division were marked by significant reduction in sales to the foodservice sector and costs of merging the two UK businesses in a single location. Cost of significant items was EUR 2.9 million in the year, reflecting costs related to acquisition of Elba, investment and merger in UK and reclassification of operation of Ecomsa to discontinued operation, but sale of that company was finalised in November. The resultant Net profit for the year of EUR 0.8 million was EUR 5.3 million down on previous year.

The Consolidated Balance Sheet at year-end 2020 shows total assets of EUR 241.5 million or EUR 32.0 million increase over the prior year. The increase in total assets were driven by higher stock level, partly explained by acquisitions during the year and new listings with retail customers in UK. Net debt at end of December of EUR 88.5 million was EUR 23.0 million higher than at year end 2019, reflecting the increase in total assets.

Total equity, including Non-controlling interests amounted to EUR 75.3 million compared to EUR 80.2m at end of December 2019. The company acquired minority shares of both Havelok and Oceanpath during the year, as a result the non-controlling interests within equity reduces by EUR 3.7million from December 2019. The total acquisiton price of minority shares in both companies were EUR 7.8 million higher than book value of non-controlling interest. As the parent had control over the entities before the transactions, this difference did not have an impact on goodwill but reduced the shareholders equity by EUR 7.8 million. As part of the consideration for these minority shares was in the form of issued shares in the parent company (€7.4m), the overall impact from the transactions on shareholders equity was negative by €0.5m and impact on total equity including Non controlling interest negative by €5.0m. The Equity ratio was 31.2% at year end compared to 38.3% at end of 2019. Full time employees in continuing operations on average for the year were 591 (2019: 579), with 677 at year end (2019: 586).

Statement and Endorsement

by the Board of Directors and the CEO

COVID 19

The Covid19 pandemic and related restrictions had a significant impact on operating results in the year. Sales in Southern Europe which are predominantly to the HORECA sector, were significantly impacted by the situation. Same applied to sales to the foodservice sector in Northern Europe whilst retail sales were strong during the year. Strict restrictions in the beginning of the pandemic had an extensive impact on sales and profitability in Q2. Easing of restrictions during the summer positively impacted sales, although they were still well below last years sales. With restrictions implemented in the autumn to control the second wave of the pandemic, sales were adversely impacted again although not to the same level as in Q2.

Iceland Seafood's strong position has enabled the company to manage the situation effectively from beginning of the pandemic, among actions the Company has focussed on are:
1) Implementing appropriate contingency plans within the Group businesses, focusing on health and safety of employees and to secure the continuity of operations.
2) Tightening risk management controls, with focus on key assets on the balance sheet, inventories and receivables. Around 83% of receivables at 31 December 2020 are credit insured.
3) Secure liquidity and ongoing funding of the operation with banks in Iceland and Spain. As part of this, the Group did secure in excess of EUR 17 million new long term funding for the operation in Spain with Spanish banks in April 2020 and secured further €13m of revolving lines for the comming 2-3 years. The parent company also completed an issuance of bills, listed on Nasdaq Iceland, of total EUR 18.4 million in September and November 2020.
4) Utilise the Company's strong position to leverage opportunities that come up in the situation, both short term and longer term opportunities.

In 2020 some of the Group foreign subsidiaries have received local government assistance due to Covid 19. Entities in Iceland have not received such assistance.

The situation remains unstable as the rate of Covid19 cases in various regions is still high. The impact of the pandemic on the Group's sales and profitability for the coming months is uncertain, will depend on development of the pandemic and speed of vaccination in key markets. The Group has reacted to the situation with securing significant sales growth into the retail sector, which will improve the balance between retail and foodservice sales

Acquisition of Elba S.L.

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

Investment in UK

On the 4 March 2020 the Company announced an investment in significant processing and coldstore capacity in the UK and plans to merge its operation into one legal entity. Total investment in property and minority stake in Havelok Ltd. is estimated in the range of GBP 8-9 million. The two UK subsidiaries Iceland Seafood Barraclough Ltd. and Havelok Ltd. merged into one legal entity Iceland Seafood UK Ltd. at year end 2020, under one leadership team on a single manufacturing site. The merged business is led by Danny Burton the former Managing Director of Havelok. The total investment for the site, refurbishment and machinery to fully utilize its potential is between GBP 5-6 million. The site includes a coldstore, with capacity of about 2.000 metric tons of products, which was up and running in June 2020. Significant revenue growth with key UK retail customers have been secured from Q1 2021.

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

Further information on the investment in UK are in note 14.

Oceanpath acquires Carr & Sons Seafood Ltd.
Oceanpath, the Irish subsidiary of Iceland Seafood, completed on the 18 November 2020 the purchase of all the issued share capital of Carr & Sons Seafood Ltd, a significant seafood player in Ireland focused on production of high-quality salmon products for retail. Oceanpath closed the transaction with Mondi Group AB, which has owned the company since 2014. The consideration for the share capital was EUR 6.5 million as communicated at signing of LOI on the 28 August 2020.

Carr & Sons is an Irish seafood processing company specialized in high quality smoked salmon production. With the acquisition of Oceanpath in March 2018 Iceland Seafood established a solid ground in the Irish seafood market. The acquisition of Carr & Sons is a great fit to that operation and will strengthen the company's position further.

Carr & Sons operates a production facility in Killala, focused on smoked salmon production with sales predominantly to retail. The annual sales in 2020 amounted to EUR 11.1 million and the company showed a PBT of EUR 0.7 million in that year. Carr & Sons products are sold both under retailer's private label and branded, significant part of the sales are under the Nolan Quality Seafood brand which is a leading brand for smoked salmon in Ireland. The company also has a strong focus on production of organic salmon which is sold both locally in Ireland and exported.

Iceland Seafood sees the acquisition of Carr & Sons as a great fit to the Group's strategy to focus on growing value-added activities in markets where we have a strong platform and market position. The acquisition will further strengthen the Group position servicing the Irish retail market. From a Group perspective it is also a significant step to create an advantageous balance between retail and foodservice sectors. With the proposed acquisition and the forthcoming retail growth in UK, around 50% of the Group profitability will be generated from retail.

Simultaneously Iceland Seafood exercised its option to acquire 33% stake in its subsidiary Oceanpath, after the transaction, Oceanpath is 100% owned by Iceland Seafood. Iceland Seafood acquired 67% in Oceanpath in March 2018. Since then the company has had a good performance with a strong position in the fresh and smoked seafood market for retail in Ireland.

The consideration for the shares was EUR 9.0 million with 40% paid in shares and 60% in cash. The founder of Oceanpath and seller of the Company, the Ecock family will therefore continue to be invested in the Company, they will hold 58.477.341 shares in Iceland Seafood, representing about 2.19% of the outstanding share capital post transaction. Ken and Trevor Ecock form the core of the management team in Ireland and will continue to do so.

Further information on the acquisition are in note 15.

Statement and Endorsement

by the Board of Directors and the CEO

Sale of 100% stake in Ecomsa

Iceland Seafood announced on the 18 November 2020 that its Spanish subsidiary Iceland Seafood Ibérica had signed an agreement to sell its Málaga ba+A102sed production and distribution company Ecomsa to Aquamar, an Andalusian seafood distribution company in Málaga. The sale is a direct consequence after Iceland Seafood moved all it´s production in Spain to it´s Barcelona factory, leaving Ecomsa as a focused distribution company, which is outside the core business of Iceland Seafood Ibérica. In accordance to the sales and purchase agreement 100% equity stake in Ecomsa is sold for EUR 0.3 million. Ecomsa sales in the first ten months of the year were EUR 7.4m and normalized loss before tax (excluding restructuring cost) amounted to EUR 0.6 million in the period. Further information are in note 8.

Market capitalization

The Company is listed on the Nasdaq main market in Iceland (ticker: ICESEA). The latest transaction in 2020 was at ISK 12.60 per share, giving the Company a market capitalization of EUR 216.6 million (2019: EUR 187.8 million) or 15% increase YOY.

Shareholders

The total number of shareholders at year end was 595 (2019: 452). The ten largest are (shares are in ISK millions):

	31.12.2020		31.12.2019	
Sjávarsýn ehf	290	11%	283	11%
Nesfiskur ehf	274	10%	274	11%
FISK Seafood ehf	274	10%	274	11%
Jakob Valgeir ehf	269	10%	269	10%
Arion Banki hf	179	7%	138	5%
Lífsverk lífeyrissjóður	128	5%	108	4%
Frjálsi lífeyrissjóðurinn	121	5%	124	5%
Birta lífeyrissjóður	108	4%	95	4%
Stapi lífeyrissjóður	99	4%	34	1%
Vátryggingafélag Íslands hf	82	3%	73	3%
	1.824	69%	1.672	65%
Other shareholders (2020: 585 and 2019: 442)	851	31%	889	35%
	2.675	100%	2.561	100%

The Board of Directors will propose to the Annual General Meeting that no dividend will be paid to shareholders in 2020. 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 Commence, the Company's Articles of Association and rules of procedures for Board and sub-committees. 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 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 2020 with their signatures.

Reykjavík, 24 February 2021.

Liv Bergþórsdóttir
Chairman of the Board

Bergþór Baldvinsson
Board Member

Halldór Leifsson
Board Member

Ingunn Agnes Kro
Board Member

Jakob Valgeir Flosason
Board Member

Bjarni Ármannsson
Chief Executive Officer

Consolidated Income Statement

for the year ended 31 December 2020

	Note	2020			2019		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
Gross profit							
Sales of seafood	2	369.840		369.840	434.155		434.155
Cost of sales	16	(320.094)		(320.094)	(375.402)		(375.402)
		49.746		49.746	58.753		58.753
Operating expenses							
Operating expenses		(39.759)	(2.421)	(42.180)	(41.323)	(3.071)	(44.394)
Depreciation and amortisation	10	(3.019)		(3.019)	(2.949)		(2.949)
Operating profit		6.968	(2.421)	4.547	14.481	(3.071)	11.410
Net finance costs	5	(2.623)		(2.623)	(2.284)		(2.284)
Net exchange rate difference		725		725	(785)		(785)
Profit before tax		**5.070**	**(2.421)**	**2.649**	**11.412**	**(3.071)**	**8.341**
Income tax expense	6	(1.353)	484	(869)	(2.344)	614	(1.730)
Profit from continuing operations		**3.717**	**(1.937)**	**1.780**	**9.068**	**(2.457)**	**6.611**
Discontinued operations, net of tax	8		(984)	(984)		(511)	(511)
Profit for the year		**3.717**	**(2.921)**	**796**	**9.068**	**(2.968)**	**6.100**
Attributable to							
Owners of the Company		2.884	(2.921)	(37)	8.153	(2.968)	5.185
Non-controlling interests		833		833	915		915
		3.717	(2.921)	796	9.068	(2.968)	6.100
Earnings per share	9						
Basic (cents per thousand shares)		0,1430		0,0306	0,3791		0,2550
Diluted (cents per thousand shares)		0,1419		0,0304	0,3769		0,2535

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

Amounts in EUR thousands

Consolidated Statement of Comprehensive Income

for the year ended 31 December 2020

	Note	2020			2019		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
Profit for the year		**3.717**	**(2.921)**	**796**	**9.068**	**(2.968)**	**6.100**
Items that may be reclassified subsequently to profit or loss							
Net fair value of cash flow hedges		(556)		(556)	(525)		(525)
Translation difference		(378)		(378)	236		236
Total comprehensive income (loss) for the year		**2.783**	**(2.921)**	**(138)**	**8.779**	**(2.968)**	**5.811**
Attributable to							
Owners of the Company		1.950	(2.921)	(971)	7.864	(2.968)	4.896
Non-controlling interests		833		833	915		915
		2.783	(2.921)	(138)	8.779	(2.968)	5.811

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

Amounts in EUR thousands

Consolidated Balance Sheet

at 31 December 2020

	Note	31.12.2020	31.12.2019
Assets			
Non-current assets			
Property, plant and equipment	10	24.624	17.578
Leased assets	24	1.726	2.679
Intangible assets	11	52.654	44.698
Investments in other companies	12	39	94
Deferred tax assets	6	2.835	2.978
Other long term assets		263	53
Total non-current assets		**82.141**	**68.080**
Current assets			
Inventories	16	80.886	65.062
Trade and other receivables	17	48.789	62.306
Other assets	18	6.382	4.397
Cash and bank balances	19	23.269	9.610
Total current assets		**159.326**	**141.375**
Total assets		**241.467**	**209.455**
Equity and liabilities			
Capital and reserves			
Issued capital and share premium	20	76.114	68.760
Translation reserve	21	(1.043)	(665)
Other reserves	21	(465)	38
Retained earnings and unrealised profit from subsidiaries		607	8.303
Equity attributable to owners of the Company		75.213	76.436
Non-controlling interests		104	3.805
Total equity		**75.317**	**80.241**
Non-current liabilities			
Borrowings	22	22.811	7.951
Lease liabilities	24	1.371	2.108
Retirement benefit and other obligations		1.685	1.202
Deferred tax liabilities	6	795	940
Total non-current liabilities		26.662	12.201
Current liabilities			
Borrowings	22	88.964	67.157
Lease liabilities	24	588	859
Trade and other payables		39.333	42.216
Other liabilities	23	10.603	6.781
Total current liabilities		139.488	117.013
Total liabilities		**166.150**	**129.214**
Total equity and liabilities		**241.467**	**209.455**

Amounts in EUR thousands

Consolidated Statement of Changes in Equity

for the year ended 31 December 2020

	Share capital	Share premium	Restricted equity: Translation reserve	Hedging reserve	Statutory reserve	Equity reserve	Unrealised profit of subsidiaries	Retained earnings	**Attributable to owners of the Company**	Non - controlling interests	**Total equity**
Balances at 1 January 2019	**22.389**	**30.767**	**(901)**	**84**	**430**	**24**	**5.449**	**(2.004)**	**56.238**	**2.890**	**59.128**
Profit (loss) 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							(6.100)	6.100	0		0
Other adjustments						25	(327)		(302)		(302)
Balances at 31 December 2019	**24.094**	**44.666**	**(665)**	**(441)**	**430**	**49**	**7.429**	**874**	**76.436**	**3.805**	**80.241**
Profit (loss) for the year							2.151	(2.188)	(37)	833	796
Net fair value loss on cash flow hedges				(556)					(556)		(556)
Translation of shares held in foreign currencies ..			(378)						(378)		(378)
Total comprehensive income			(378)	(556)			2.151	(2.188)	(971)	833	(138)
Issue of share capital	774	6.580							7.354		7.354
Acquisition of non controlling interests								(7.838)	(7.838)	(4.534)	(12.372)
Other adjustments						53		179	232		232
Balances at 31 December 2020	**24.868**	**51.246**	**(1.043)**	**(997)**	**430**	**102**	**9.580**	**(8.973)**	**75.213**	**104**	**75.317**

Amounts in EUR thousands

Consolidated Statement of Cash Flows

for the year ended 31 December 2020

	Note	2020	2019
Operating activities			
Operating profit		4.547	10.775
Depreciation and amortisation	10	3.019	3.020
Gain on disposal of property, plant and equipment		(44)	(104)
Change in obligations and other calculated liabilities		159	(539)
Working capital generated from operations		**7.681**	**13.152**
Increase in inventories		(15.385)	(2.955)
Decrease (increase) in receivables and other assets		14.242	(784)
(Decrease) increase in payables and other liabilities		(3.357)	(626)
Cash generated from operations before interests and taxes		**3.181**	**8.787**
Interest received		238	195
Interest paid		(2.861)	(2.531)
Income taxes paid		(548)	(2.499)
Net cash generated by operating activities		**10**	**3.952**
Investing activities			
Payments for property, plant and equipment	10	(9.655)	(5.742)
Proceeds from disposal of property, plant and equipment		1.194	662
Payments for intangible assets	11	(183)	(186)
Proceeds from disposal of intangible assets		66	172
Net cash outflow on acquisition of subsidiaries		(7.812)	(2.680)
Net proceeds from disposal of subsidiary	8	227	
Net cash used in investing activities		**(16.163)**	**(7.774)**
Net cash before financing activities		**(16.153)**	**(3.822)**
Financing activities			
Net repayment of revolving credit facility	22	(2.795)	(1.047)
Net proceeds from bills	22	18.467	
Net proceeds from borrowings on new term loan		22.589	7.448
Net repayment of other borrowings		(4.780)	(11.860)
Acquisition of minority shares		(4.424)	
Purchase of treasury shares	20	(127)	
Proceeds from issue of share capital, net of issue costs	20		15.604
Net cash generated by financing activities		**28.930**	**10.145**
Net increase in cash and bank balances		12.777	6.323
Cash and bank balances at the beginning of the year		9.610	3.967
Effect of exchange rate changes on cash held in foreign currencies		882	(680)
Cash and bank balances at the end of the year	19	**23.269**	**9.610**

	Note	2020	2019
Non-cash investing and financing activities			
Acquisition of subsidiaries	13-15	(7.481)	
Proceeds from issue of share capital	20	7.481	

Amounts in EUR thousands

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 address 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 2020 were:

Value added Southern Europe	Processing and sale of seafood in Southern Europe.
Value added Northern Europe	Processing and sale of seafood in UK and Ireland.
Sales & 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 2020	Value added S-Europe	Value added N-Europe	Sales & Distribution	Other and Eliminations	Consolidated
Revenue:					
Sales of seafood	142.151	112.558	156.978		411.687
Eliminations	(16.399)	(1.919)	(11.593)	(11.936)	(41.847)
	125.752	110.639	145.385	(11.936)	369.840
Operating results:					
Operating profit	2.962	2.955	1.665	(614)	6.968
Net finance costs	103	(1.294)	(110)	(597)	(1.898)
Normalised PBT	**3.065**	**1.661**	**1.555**	**(1.211)**	**5.070**
Income tax	(809)	(421)	(291)	168	(1.353)
Normalised profit (loss)	**2.256**	**1.240**	**1.264**	**(1.043)**	**3.717**
Significant items and discontinued operations	(1.059)	(1.527)	(148)	(187)	(2.921)
Profit (loss)	**1.197**	**(287)**	**1.116**	**(1.230)**	**796**
Assets	97.771	75.288	22.094	46.314	241.467
Liabilities	71.449	60.252	16.056	18.393	166.150

Amounts in EUR thousands

For the year 2019	Value added S-Europe	Value added N-Europe	Sales & Distribution	Other and Eliminations	Consolidated
Revenue:					
Sales of seafood	179.204	96.670	208.299		484.173
Eliminations	(13.839)	(65)	(14.275)	(21.839)	(50.018)
	165.365	96.606	194.024	(21.839)	434.155
Operating results:					
Operating profit	7.969	4.889	2.179	(556)	14.481
Net finance costs	(1.141)	(768)	(309)	(851)	(3.069)
Normalised PBT	**6.828**	**4.121**	**1.870**	**(1.407)**	**11.412**
Income tax	(1.520)	(692)	(426)	294	(2.344)
Normalised profit (loss)	**5.308**	**3.429**	**1.445**	**(1.113)**	**9.068**
Significant items and discontinued operations	(1.598)	(114)	(147)	(1.109)	(2.968)
Profit (loss)	**3.710**	**3.315**	**1.298**	**(2.222)**	**6.100**
Assets	98.930	46.342	27.324	36.859	209.455
Liabilities	72.006	30.238	19.298	7.672	129.214

3. Salaries

Salaries and related expenses:

	2020	2019
Salaries	22.649	20.497
Pension related expenses	796	846
Other salary related expenses	1.006	1.320
	24.451	22.663

Classified by operational category:

	2020	2019
Cost of sales	14.670	12.618
Operating expenses	9.781	10.045
	24.451	22.663

	2020	2019
Full time employees on average for the year from continuing operations	591	579
Full time employees at end of the year from continuing operations	677	586

4. Fee to auditors

	2020	2019
Audit of the Consolidated Financial Statements	335	435
Other services	52	49
	387	484

Amounts in EUR thousands

5. Net finance costs

	2020	2019
Investment income:		
Interest income on bank accounts	101	3
Interest income on trade receivables and payables	137	192
Total investment income	238	195
Finance costs:		
Interest expenses on borrowings	(2.671)	(1.667)
Interest expenses on obligations under leases	(118)	(180)
Other interest expenses	(72)	(632)
Total finance costs	(2.861)	(2.479)
Net finance costs	(2.623)	(2.284)

6. Income tax

6.1 Income tax recognised in profit or loss

	2020	2019
Current tax expense	(871)	(1.904)
Deferred tax expense	2	174
	(869)	(1.730)

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

	2020	2019
Profit before tax after significant items	2.649	8.341
Income tax expense calculated at 20% (the Company's rate in Iceland)	(530)	(1.668)
Effect of different tax rates of subsidiaries operating in other jurisdictions	103	169
Effect of income that is exempt from taxation	3	2
Effect of expenses that are not deductible in determining taxable profit	108	157
Effect of unused tax losses and tax offsets not recognised as def. tax assets	(382)	
Effect of exchange rate difference on deferred tax	(213)	(157)
Change in tax rate	45	(48)
Others	(3)	(185)
Income tax expense recognised in profit or loss	(869)	(1.730)
Effective tax rate	33%	21%

6.2 Current tax balances

	31.12.2020	31.12.2019
Income tax payable	743	420

6.3 Deferred tax balances

	31.12.2020	31.12.2019
Deferred tax assets	2.835	2.978
Deferred tax liabilities	(795)	(940)
	2.040	2.038

Amounts in EUR thousands

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

	Deferred tax assets	Deferred tax liabilities	Total
At 1 January 2019	2.535	(832)	1.703
Calculated tax for the year	443	(1.992)	(1.549)
Income tax payable for the period		1.884	1.884
At 31 December 2019	2.978	(940)	2.038
Calculated tax for the year	(139)	(730)	(869)
Acquired on acquisition of subsidiary	159	(10)	149
Income tax payable for the period		871	871
Other items	(163)	14	(149)
At 31 December 2020	2.835	(795)	2.040

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

	31.12.2020	31.12.2019
Property, plant and equipment	(635)	(709)
Intangible assets	140	193
Inventories	1	(27)
Trade and other receivables	(35)	(50)
Deferred revenue	27	175
Deferred exchange rate difference	(204)	84
Deferred tax loss	2.580	2.104
Other items	166	268
	2.040	2.038

6.4. Unused tax losses

Most of the unused tax losses will expire in the years 2023-2029, although some subsidiaries have unused tax losses that do not expire.

7. Significant items

In 2020 the Group incurred costs associated with the following:

- Costs related to acquisitions in the period 0.4 million.
- Restructuring cost in UK related to the merger of Iceland Seafood Barraclough and Havelok 1.7 million.
- Other restructuring cost during the period 0.3 million.

In 2019 the Group incurred costs associated with the following:

- Management changes within the parent company and the Spanish operation of 1.0 million.
- Restructuring costs in Spain related to the merger of Icelandic Ibérica and Iceland Seafood Spain of 1.3 million.
- Costs related to the listing on Nasdaq main market in Iceland and the associate share increase of 0.4 million.
- Costs related to restructuring of operation in UK and Iceland of 0.3 million.

Amounts in EUR thousands

8. Discontinued operations

Iceland Seafood announced on the 18 November 2020 that its Spanish subsidiary Iceland Seafood Ibérica had signed an agreement to sell its Málaga based production and distribution company Ecomsa to Aquamar, an Andalusian seafood distribution company in Málaga. The sale is a direct consequence after Iceland Seafood moved all it´s production in Spain to it´s Barcelona factory, leaving Ecomsa as a focused distribution company, which is outside the core business of Iceland Seafood Ibérica. The company was part of Value Added Southern Europe division. In accordance to the sales and purchase agreement 100% equity stake in Ecomsa is sold for EUR 0.3 million.

Analysis for the year from discontinued operations:

	2020	2019
Revenue:		
Sales of seafood	7.391	17.873
Operating results:		
EBIT	(868)	(80)
Finance costs	(35)	(57)
Normalised loss before tax	**(903)**	**(137)**
Income tax	294	181
Normalised (loss) profit	**(609)**	**44**
Significant items	(375)	(555)
Loss	**(984)**	**(511)**

	31.10.2020	31.12.2019
Non-current assets:		
Intangible assets	4	13
Property, plant and equipment	535	1.258
Other longterm assets	540	246
	1.079	1.517
Current assets:		
Inventories	1.588	3.492
Trade and other receivables	1.768	1.997
Cash	61	112
	3.417	5.601
Total assets	4.496	7.118
Equity		
Total equity	486	1.369
Non-current liabilities:		
Borrowings	617	
Other obligations	55	57
	672	57
Current liabilities:		
Borrowings	1.793	3.169
Trade and other payables	1.545	2.523
	3.338	5.692
Total equity and liabilities	4.496	7.118

Amounts in EUR thousands

9. Earnings per share

	2020	2019
Profit for the year	796	6.100
Weighted average number of ordinary shares (in ISK thousands) for basic EPS	2.600.004	2.392.080
Shares to be issued in respect of employee options	19.198	14.076
Weighted average number of ordinary shares (in ISK thousands) for diluted EPS	2.619.202	2.406.156
Basic earnings per share (EUR cents per thousand shares):		
Basic earnings per share	0,0306	0,2550
Diluted earnings per share (EUR cents per thousand shares):		
Diluted earnings per share	0,0304	0,2535

10. Property, plant and equipment

For the year 2020	Property and land	Machinery and equipment	Total
Cost			
At 1 January	10.531	12.109	22.640
Acquired on acquisition of subsidiary	943	3.504	4.447
Additions	5.656	3.999	9.655
Eliminated on disposal	(707)	(5.279)	(5.986)
Fully depreciated assets		(15)	(15)
Exchange rate differences	(188)	(532)	(720)
At 31 December	16.235	13.786	30.021
Depreciation			
At 1 January	1.302	3.760	5.062
Acquired on acquisition of subsidiary	377	2.181	2.558
Charge for the period	341	1.788	2.129
Eliminated on disposal	(261)	(3.864)	(4.125)
Fully depreciated		(15)	(15)
Exchange rate differences	(8)	(204)	(212)
At 31 December	1.751	3.646	5.397
At 31 December 2020	14.484	10.140	24.624

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 assets		(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

10.1 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

10.2 Property, plant and equipment pledged as security

The Group has provided a negative pledge on its property in UK to an Icelandic financial institution to secure banking facilities granted to the Group. This asset has a carrying amount at year end of 5.2 million.

10.3 Depreciation and amortisation expense	2020	2019
Depreciation of property, plant and equipment	2.129	2.063
Amortisation of intangible assets, note 11	323	96
Depreciation of leased assets, note 24	567	790
	3.019	2.949

10.4 Property, plant and equipment insurance value	31.12.2020	31.12.2019
Insurance value	26.163	27.015

Amounts in EUR thousands

11. Intangible assets

For the year 2020	Goodwill	Other intangible assets	Total
At 1 January	43.526	1.172	44.698
Acquired on acquisition of subsidiary	8.255		8.255
Additions		183	183
Charge for the period		(323)	(323)
Eliminated on disposal		(66)	(66)
Exchange rate differences	(91)	(2)	(93)
At 31 December	51.690	964	52.654

For the year 2019	Goodwill	Other intangible 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	43.526	1.172	44.698

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.

11.1 Allocation of goodwill to cash-generating units

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

	31.12.2020		31.12.2019	
	WACC %	Book value	WACC %	Book value
Iceland	5,8%	4.072	6,1%	4.072
Spain	5,4%	29.871	6,6%	26.499
France	5,4%	1.127	5,8%	1.127
Ireland	6,7%	15.012	7,1%	10.152
UK	7,2%	1.608	6,9%	1.676
		51.690		43.526

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 5.4-7.2% p.a. (2019: 5.8-7.1% 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 1,5% p.a. (2019: 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 230 bps would cause impairment of goodwill.

Amounts in EUR thousands

12. Subsidiaries and other investments

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

Name of company	Place of incorporation	Ownership 31.12.2020	Ownership 31.12.2019	Principal activity
Subsidiaries:				
Iceland Seafood ehf.	Iceland	100%	100%	Sale of seafood
Solo Export ehf.	Iceland	100%	100%	Not active
Iceland Seafood Ibérica S.A.U. [A)]	Spain	100%	100%	Sale of seafood
- Ecomsa S.A. [A)]	Spain	0%	100%	Sale of seafood
- Achernar S.A.	Argentina	100%	100%	Sale of seafood
Elba Seafood ehf. [B)]	Iceland	100%		Holding
- Elba S.L.	Spain	100%		Sale of seafood
Iceland Seafood Barraclough Ltd.	UK	100%	100%	Sale of seafood
- F. Barraclough Ltd.	UK	100%	100%	Not active
- Iceland Seafood UK Ltd. [C)]	UK	100%	67%	Sale of seafood
Oceanpath Ltd. [D)]	Ireland	100%	67%	Sale of seafood
- Dunns (Fish & Poultry) Ltd.	Ireland	100%	100%	Holding
- Dunns Seafare Ltd.	Ireland	100%	100%	Sale of seafood
- Mondi Properties Ireland Ltd.	Ireland	100%		Real estate
- Carr & Sons Seafood Ltd.	Ireland	100%		Sale of seafood
- H J Nolan Ltd.	Ireland	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
Investments in joint ventures:				
Credible Properties Ltd.	Ireland	50%	50%	Properties
Investments in other companies:				
Febin Marine Foods Private Ltd	India	5%	5%	Seafood supply

[A)] Iceland Seafood S.L. and Icelandic Ibérica S.A. merged at end of year 2019 and the merged legal entity Iceland Seafood Ibérica S.A.U. operating from beginning of 2020. Its Spanish subsidiary Ecomsa was sold in November 2020.

[B)] The acquisition of Elba Seafood ehf. and its subsidiary Elba S.L. was completed in February 2020.

[C)] At the end of April 2020, Havelok Ltd. name was changed to Iceland Seafood UK Ltd. Furthermore 33% minority share in Iceland Seafood UK was acquired in March 2020, see note 14. Iceland Seafood Barraclough Ltd. and Iceland Seafood UK Ltd. merged at end of year 2020 and the merged legal entity Iceland Seafood UK Ltd. is operating from beginning of 2021.

[D)] In November 2020 Oceanpath, the Irish subsidiary of Iceland Seafood, completed the purchase of all the issued share capital of Carr & Sons Seafood Limited Ltd. At the same time the Company aquired 33% minority share in Oceanpath and is it's sole shareholder after the transaction (see note 15).

Amounts in EUR thousands

12.1 Subsidiaries pledged as security

Equity of subsidiaries, except from subsidiaries in Spain, have been pledged for the Group's borrowings.

13. Elba Seafood ehf.

On the 13 November 2019 the Company signed a Share Purchase Agreement (SPA) to acquire Elba Seafood ehf, a special purpose vehicle where its only asset is Elba S.L. in Spain. The acquisition was completed on the 21 February 2020. The merger of Elba Seafood ehf. with its parent company Iceland Seafood International hf. will be completed in Q1 2021.

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

Elba S.L. impact on the Group's sales during 2020 were EUR 7.0 million and it generated a loss of EUR 0.5 million.

In accordance with IFRS 3 *Business Combinations,* the purchase price of Elba Seafood ehf. was allocated to identifiable assets and liabilities acquired. Provisional goodwill amounted to EUR 3.4 million.

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

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

	21.2.2020
Property, plant and equipment	558
Inventories	2.453
Trade and other receivables	2.690
Cash and bank balances	350
Assets acquired	6.051
Long-term borrowings	81
Contingent liabilities	137
Deferred tax liability	88
Short-term borrowings	2.914
Trade and other payables	1.846
Liabilities assumed	5.066
Total net identified assets	985
Consideration paid in shares	2.157
Consideration paid in cash	2.200
Provisional goodwill on acquisition	3.372

Net cash outflow on acquisition of Elba Seafood ehf:

	2020
Consideration paid in cash	2.200
Less: cash and cash equivalent balances acquired	(350)
	1.850

Amounts in EUR thousands

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

14. Investment in UK

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

In order to be the sole shareholder of the merged entity, Iceland Seafood acquired 33% stake from the management of Havelok Ltd. on the 4 March 2020. The total consideration for the stake was GBP 3.0 million with half of it paid by cash the the reminder with shares in Iceland Seafood International. In total 24.663.637 shares were issued in relation to this.

The following table summarizes the consideration paid for the minority stake in Havelok.

	4.3.2020
Consideration paid in shares in EUR	1.724
Consideration paid in cash in EUR	1.724
Total consideration paid in EUR	3.448

15. Oceanpath acquires Carr & Sons Seafood Ltd.

Oceanpath, the Irish subsidiary of Iceland Seafood, completed on the 18 November 2020 the purchase of all the issued share capital of Carr & Sons Seafood Ltd, a significant seafood player in Ireland focused on production of high-quality salmon products for retail. Oceanpath closed the transaction with Mondi Group AB, which has owned the company since 2014. The consideration for the share capital was EUR 6.5 million.

Carr & Sons Seafood Ltd. operates a production facility in Killala, focused on smoked salmon production with sales predominantly to retail.

Carr & Sons Seafood Ltd. impact on the Group's sales in 2020 were EUR 3.3 million and it generated a profit of EUR 0.5 million.

In accordance with IFRS 3 *Business Combinations,* the purchase price of Carr & Sons Seafood Ltd. was allocated to identifiable assets and liabilities acquired. Provisional goodwill amounted to EUR 4.4 million.

Iceland Seafood has simultaneously exercised its option to acquire 33% stake in Oceanpath, after the transaction, Oceanpath is 100% owned by Iceland Seafood. The consideration for the shares is EUR 9.0 million with 40% paid in shares and 60% in cash. The Board of Iceland Seafood issued 58.477.341 shares in relation to this, based on authorization from the company’s annual meeting in March 2020.

Amounts in EUR thousands

The following table summarizes the consideration paid for Carr & Sons Seafood Ltd. and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date, being the 18 November 2020.

	18.11.2020
Property, plant and equipment	1.147
Goodwill	525
Inventories	1.478
Trade and other receivables	1.923
Cash and bank balances	343
Assets acquired	5.416
Longterm borrowings	218
Deferred tax liabilities	10
Short-term borrowings	250
Trade and other payables	2.741
Liabilities assumed	3.219
Total net identified assets	2.197
Consideration paid in cash	6.305
Deferred payments	250
Provisional goodwill on acquisition	4.358

Net cash outflow on acquisition of Carr & Sons Seafood Ltd.:

	2020
Consideration paid in cash	6.305
Less: cash and cash equivalent balances acquired	(343)
	5.962

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

16. Inventories

	31.12.2020	31.12.2019
Raw materials	12.492	7.418
Finished goods	66.398	55.433
Other inventories	1.996	2.211
	80.886	65.062

16.1 Recognised as an expense

The cost of inventories recognised as an expense is:

	2020	2019
Cost of sales	320.094	375.402

Amounts in EUR thousands

16.2 Movement in write-downs to net realisable value

	31.12.2020	31.12.2019
At 1 January	(824)	(1.473)
Write-downs of inventory to a net realisable value	(48)	(125)
Reversal of such write-downs	149	782
Exchange rate differences	3	(8)
At 31 December	(720)	(824)

16.3 Inventories pledged as security

Inventories, except from Inventories in Spain, have been pledged for the Group's borrowings.

17. Trade and other receivables

	31.12.2020	31.12.2019
Trade and other receivables	49.750	62.879
Allowance for doubtful accounts	(961)	(573)
	48.789	62.306

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.

17.1 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 83% 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.

Amounts in EUR thousands

17.2 Trade receivables expected credit loss

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

	Trade receivables - days past due				
31.12.2020	Not past due	<30	31 - 60	61 - 90	>90
Uninsured receivables					
Expected credit loss rate	1,2%	2,2%	5,1%	11,5%	100,0%
Estimated total gross carrying amount at default	6.851	501	108	91	762
Expected credit loss (ECL)	82	11	6	10	762
Insured receivables					
Expected credit loss rate	0,9%	2,0%	5,0%	13,5%	100,0%
Estimated total gross carrying amount at default	32.401	7.596	617	137	417
Expected credit loss (ECL)	29	15	3	2	42
Total expected credit loss					961

	Trade receivables - days past due				
31.12.2019	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
Expected credit loss (ECL)	22	90	8	32	378
Insured receivables					
Expected credit loss rate	0,2%	1,8%	3,9%	13,1%	100,0%
Estimated total gross carrying amount at default	41.219	9.099	413	110	257
Expected credit loss (ECL)	4	13	1	1	25
Total expected credit loss					573

Amounts in EUR thousands

17.3 Movement in the allowance for doubtful debts

	2020	2019
At 1 January	(573)	(855)
Acquired on acquisition of a subsidiary	(222)	
Change in impairment estimate	(229)	(28)
Amounts written off as uncollectible	0	293
Amounts recovered	60	18
Exchange rate difference	3	(1)
At 31 December	(961)	(573)

17.4 Receivables pledged as security

Trade receivables, except from receivables in Spain, have been pledged for the Group's borrowings.

18. Other assets

	31.12.2020	31.12.2019
Prepaid expenses	2.927	2.975
Value added and capital gain taxes	2.960	1.384
Fair value of cash flow hedges	495	38
	6.382	4.397

19. Cash and bank balances

Cash and bank balances consist of cash and bank accounts.

20. Issued capital and share premium

20.1 Shares

	Authorized shares	Issued shares	Outstanding shares	Book value
At 1 January 2019	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	2.561.344	2.561.344	2.561.344	24.094
New shares issued	113.135	113.135	113.135	774
At 31 December 2020	2.674.479	2.674.479	2.674.479	24.868

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

20.2 Issued capital and share premium

	Share capital	Share premium	Total
At 1 January 2019	22.389	30.767	53.156
New shares issued	1.705	13.899	15.604
At 31 December 2019	24.094	44.666	68.760
Treasury shares sold		(127)	(127)
New shares issued	774	6.707	7.481
At 31 December 2020	24.868	51.246	76.114

Amounts in EUR thousands

21. Reserves

	31.12.2020	31.12.2019
Translation reserve	(1.043)	(665)
Hedging reserve	(997)	(441)
Statutory reserve	430	430
Equity reserve	102	49
Unrealised profit of subsidiaries	9.580	7.429
	8.072	6.802

21.1 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.

21.2 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.

21.3 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.

21.4 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 2020, executives and senior employees held options to buy 37.375.001 shares in the Company, of which 8.920.000 were granted during the year. Options granted prior to 2020, 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. Options granted during 2020, will vest over four years from issuance, with the first 36/48 vesting at the third anniversary of grant date and being exercisable at that day. The remaining 12/48 will vest monthly after that but are first exercisable at the time the Optionee ceases to be employed by the Company.
The exercise price of options granted is the same as market price at Nasdaq stock exchange at the time options are granted. All options are subject to the condition 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 2020 3.558 thousands shares options were exercised at the average exercise price of ISK 6.28 per share, 832 thousands shares were cancelled during the year as the optionees ceased their employment.

Amounts in EUR thousands

	Average exercise price per share	Stock options (thousands)
At 1 January 2020	7,51	32.846
Granted	10,23	8.920
Exercised	6,28	(3.559)
Cancelled	7,69	(832)
At 31.12.2020	8,27	37.375
Exercisable stock options at 31.12.2020		19.198
At 1 January 2019	5,63	34.850
Granted	9,55	14.780
Exercised	5,40	(11.779)
Cancelled	5,40	(5.005)
At 31.12.2019	7,51	32.846
Exercisable stock options at 31.12.2019		14.076

21.5 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.

22. Borrowings

	31.12.2020		31.12.2019	
	Current	Non-current	Current	Non-current
Revolving credit facilities	79.913		62.502	
Other bank loans	9.029	22.783	4.493	7.901
Finance leases	22	28	162	50
	88.964	22.811	67.157	7.951

22.1 Revolving credit facilities

The Group´s main source of financing is a multi currency revolving credit facility with an Icelandic financial institution and credit facilities with number of banks in Spain which finance the Southern Europe division.

The facility with the institution in Iceland has a cap of 50 million with 36.0 million draw down at year end (2019: 37.8 million). The facility expires in May 2022.

At year end 2020 the Group has credit facilities in place with number of banks in Spain. Total amount of these loans was 49.1 million at year end (2019: 37.8 million). Most of these loan agreements are short term facilities with 6-12 months duration. In April the Group secured in excess of 17 million new long term funding for the operation in Spain with local Spanish banks. This improved the overall funding headroom and at the same time increased the proportion of long term funding of the overall Group funding.

The parent company concluded two offerings of 6 months bills in the second half of the year, ISK 1.460 million offering was completed in September and ISK 1.500 million offering in November. In both cases hedging was put in place to fix the liability in EUR. The amount in September was fixed at 8.9m and in November at 9.5m. The bills are listed on Nasdaq Iceland.

22.2 Aggregated maturities

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

	31.12.2020	31.12.2019
In 2021 / 2020	8.557	4.655
In 2022 / 2021	8.787	3.509
In 2023 / 2022	6.173	1.694
In 2024 / 2023	7.067	901
Later	1.278	1.847
	31.862	12.606

22.3 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	2020	2019
At 1 January	75.108	82.468
Acquired on acquisition of a subsidiary	2.721	
Deferred / earn out payments	0	(2.680)
Net decrease in revolving credit facility	(2.795)	(1.047)
Increase in bills	18.962	
New borrowings	22.589	7.448
Repayments	(4.780)	(11.094)
FX impact long term loans	(30)	13
At 31 December	111.775	75.108

22.4 Weighted average interests

Weighted average interests rate on longterm loans in 2020 are 1.8% (2019: 2.0%).

22.5 Assets pledged as security

Borrowings are secured with most of the Group's assets, except from assets and equity of the Spanish subsidiaries. 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.

Amounts in EUR thousands

23. Other liabilities

	31.12.2020	31.12.2019
Accrued payroll related expenses	1.625	2.116
Accrued other expenses	3.138	2.942
Deferred payments	2.950	
Income tax	743	420
Value added tax	472	639
Fair value of cash flow hedges	1.675	664
	10.603	6.781

24. Leases

24.1 Leased assets

	Property and land	Machinery and equipment	Total
Balance at 1 January 2020	1.654	1.025	2.679
New or renewed leases	219	3	222
Eliminated on disposal, see note 8	(380)	(193)	(573)
Depreciation	(297)	(270)	(567)
Exchange rate differences	(17)	(18)	(35)
Balance at 31 December 2020	1.179	547	1.726

24.2 Recognised in profit and loss

	2020	2019
Depreciation expense from leased assets	567	790
Interest expense on lease liabilities	118	180
Total amount recognised in profit and loss	685	970

24.3 Lease liabilities

Maturity analysis (not discounted)

	31.12.2020	31.12.2019
Not later than 1 year	679	1.017
Later than 1 year and not later than 5 years	959	1.790
Later than 5 year	868	922
	2.506	3.729

The total cash outflow for leases amount to EUR 0.7 million (2019: 0.9 million).

Amounts in EUR thousands

25. Financial instruments

25.1 Categories of financial instruments	31.12.2020	31.12.2019
Financial assets		
Fair value through profit or loss (other investments)	39	94
Amortised cost (trade and other receivables)	48.789	62.306
Amortised cost (other assets)	1.061	538
Derivative instruments in designated hedge accounting relationships	49.781	14.905
Cash and bank balances	23.269	9.610
Financial liabilities		
Amortised cost (borrowings)	111.775	75.108
Amortised cost (trade and other payables)	39.333	42.216
Amortised cost (other liabilities)	8.482	4.621

25.2 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.

25.3 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	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
GBP	10.474	11.359	12.117	10.368
USD	29.457	20.222	5.353	6.742
ISK	2.420	104	19.859	771
ARS	2.625	449	2.809	2.204
Other	6.136	291	163	55
	51.112	32.425	40.301	20.140

Amounts in EUR thousands

25.4 Interest rate risk management

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

Variable rate instruments	31.12.2020	31.12.2019
Financial assets	23.269	9.610
Financial liabilities	(111.775)	(75.108)
	(88.506)	(65.498)

A change of 50 basis points in interest rates during the year would have impacted pre-tax profits by EUR 415 thousands (2019: 390 thousands).

25.5 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. Following the Covid19 outbreak the Group has tighened its risk controls further, at year end 83% of receivables are credit insured. Further information about credit risk is shown in notes 17 and 28.15.

25.6 Liquidity risk management

The Group manages liquidity risk by ensuring sufficient liquidity is available from current bank facilities to meet foreseable 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 and credit facilities with number of banks in Spain which finance the S-Europe division, as descriped in note 22. The Group has taken certain actions after the Covid19 outbreak, to secure liquidity and ongoing funding of the operation with both in Iceland and Spain. As part of this, the Group did secure in excess of 17 million new long term funding for the operation in Spain with Spanish banks in April 2020 and secured further revolving lines of €13m for 2-3 years. In addition to that the parent company completed an issuance of bills, listed on Nasdaq Iceland, of total ISK 2.960 million in September and November 2020. In both cases hedging was put in place to fix the liability in EUR, the amount in September was fixed at 8.9 million and in November 9.5 million.

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

31 December 2020	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	More than 3 years
Non-current borrowings*	33.821	34.496	12.817	14.502	7.177
Current borrowings	79.913	79.913	79.913		
Other liabilities	47.815	47.815	47.815		
	161.549	162.224	140.545	14.502	7.177

31 December 2019	Carrying amount	Contractual cash flow	Less than 1 year	1-3 years	More than 3 years
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		
	124.912	126.078	114.455	7.590	4.033

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

Amounts in EUR thousands

25.7 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.

26. 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.

26.1 Trading transactions

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

	2020	2019
Purchases of goods and services, from companies related to Board Members	76.629	18.649

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

	31.12.2020	31.12.2019
Amounts owed to companies related to Board Members	14.047	1.550

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

26.2 Compensation to key management personnel

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

	2020	2019	Shares at 2020 year end*
Liv Bergþórsdóttir, Chairman	46	21	548
Bergþór Baldvinsson, Board Member	20		273.998
Halldór Leifsson, Board Member	20		273.998
Ingunn Agnes Kro, Board Member	26	20	
Jakob Valgeir Flosason, Board Member	26	18	268.998
Gunnlaugur K Hreinsson, Alternate Board Member	3		14.997
Magnús Bjarnason, former Chairman	11	49	2.262
Benedikt Sveinsson, former Board Member		4	
Bjarni Ármannsson, CEO	335	266	290.000
Helgi Anton Eiríksson, former CEO		412	
Other Executive management**	217	589	550
Total salaries and benefits for the BOD and executive management	704	1.379	1.125.351

* 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.

27. Approval of financial statements

The Consolidated Financial Statements were approved by the Board of Directors and the CEO and authorised for issue on 24 February 2021.

28. Significant accounting policies

28.1 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 Consolidated Financial Statements have been restated. The Group had a discontinued operation related to its subsidiary Ecomsa S.A. in Spain which was sold. See further information in note 8.

The same accounting policies (except mentioned here above), presentation and methods of computation are followed in these Consolidated Financial Statements as were applied in the latest Financial Statements for the year ended 31 December 2019.

28.2 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.

28.3 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.

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 balance.

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.

28.4 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.

28.5 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.

28.6 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.

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.

28.7 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.

28.7.1 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.

28.7.2 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.

28.8 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 excercise price of purchase options if the Group expects to excercise the option.

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.

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.

28.8.1 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.

28.9 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.

28.10 Employee benefits

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

28.10.1 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.

28.10.2 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.

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

28.11.1 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.

28.11.2 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.

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.

28.11.3 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.

28.12 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.

28.13 Intangible assets
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.

28.14 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.

28.15 Financial assets
28.15.1 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.

28.15.2 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.

28.15.3 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.

28.15.4 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 17.

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.

28.15.5 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.

28.16 Financial liabilities and equity instruments

28.16.1 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.

28.17 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.

28.17.1 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.

29. 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.

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

30.1 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 2020. Their adoption has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements.

30.2 New and revised IFRSs in issue but not yet effective

The Group has not early adopted new standards or amendments to IFRSs that have been issued and are permitted for early adoption. The following amendments are effective from 1 January 2021:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	IBOR reform Phase II

The Management of the Company do not expect that the adoption of the amended Standards listed above or other issued new standards and amendments scheduled that become effective in subsequent periods will have a material impact on the Consolidated Financial Statements of the Group in future periods.

Quarterly Statements (unaudited)

for the year ended 31 December 2020

Quarterly Statements

The Group´s quarterly statements are not audited. Summary of the Group´s results by quarters is specified as follows:

For the year 2020

	Q4	Q3	Q2	Q1	Total
Revenue:					
Sales of seafood	101.797	105.989	82.320	121.581	411.687
Eliminations	(8.175)	(10.310)	(7.288)	(16.074)	(41.847)
	93.622	95.679	75.032	105.507	369.840
Operating results:					
Operating profit	1.347	1.396	710	3.515	6.968
Net finance costs	714	(990)	(1.012)	(610)	(1.898)
Normalised PBT	**2.061**	**406**	**(302)**	**2.905**	**5.070**
Income tax	(358)	(256)	(28)	(711)	(1.353)
Normalised profit	**1.703**	**150**	**(330)**	**2.194**	**3.717**
Significant items and discontinued operations	(1.868)	(500)	(209)	(344)	(2.921)
Profit (loss)	**(165)**	**(350)**	**(539)**	**1.850**	**796**
Assets	241.467	229.598	237.729	216.653	
Liabilities	166.150	147.162	154.927	155.359	

For the year 2019

	Q4	Q3	Q2	Q1	Total
Revenue:					
Sales of seafood	123.697	106.092	119.240	135.144	484.173
Eliminations	(11.138)	(10.138)	(11.743)	(16.999)	(50.018)
	112.559	95.955	107.497	118.145	434.155
Operating results:					
Operating profit	4.467	3.083	2.449	4.482	14.481
Net finance costs	(749)	(1.020)	(461)	(839)	(3.069)
Normalised PBT	**3.718**	**2.063**	**1.988**	**3.643**	**11.412**
Income tax	(864)	(260)	(428)	(792)	(2.344)
Normalised profit	**2.854**	**1.803**	**1.561**	**2.851**	**9.068**
Significant items and discontinued operations	(1.035)	(441)	(549)	(943)	(2.968)
Profit	**1.819**	**1.362**	**1.012**	**1.908**	**6.100**
Assets	209.455	199.055	203.520	213.792	
Liabilities	129.214	135.529	141.117	152.116	

Non-Financial Information (unaudited)

for the year ended 31 December 2020

About the Company

Iceland Seafood International hf ("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.

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 650 employees in the eight countries it operates. 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

Iceland Seafood 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

Iceland Seafood 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 Iceland Seafood is on its employees and their families. The company strives to supply its employees with good and save work environment. Iceland Seafood recognises and supports international human right treaties. No human right violations have been reported in 2020. Key metrics regarding the social aspects of Iceland Seafood's operations and more details on the CSR policy will be documented in the ESG report for 2020.

Supply chain and sustainable fisheries

The adequacy and sustainability of the company's supply chain are of critical importance for the Group. Iceland Seafood 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.

Non-Financial Information (unaudited)

for the year ended 31 December 2020

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 managements 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.

Statement of Corporate Governance

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 are two deviations from full compliance with the Guidelines. The Company does not have a board nomination committee, the reason being that due to the nature of the Company and close connection to the seafood sector, it is considered important to have representatives from key seafood suppliers of the Company on its board. These board members bring both valuable sourcing capabilities and sector knowledge to the board of Iceland Seafood. At the date of this statement, three of five board members of the Company are directors and/or owners of key suppliers of Iceland Seafood and are as such not independent from the company. These board members do not participate in dealings with items connected to their own business or business that is related to them, except from normal trading of seafood.

Board of Directors

The Company's Board of Directors shall be composed of three to five members and up to two alternate member, elected at the Annual General Meeting for a term of one year. In 2020 the total number of Board meetings was 18 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 five main members and one alternate. As of the date of this statement the Board of Directors consists of the following members:

Statement of Corporate Governance

Chairman of the Board of Directors

Name:	Liv Bergþórsdóttir
First elected:	February 2019
Education and experience:	Liv Bergþórsdóttir was appointed CEO of ORF Genetics in April 2020. She joined ORF Genetics after 20 years in the telecommunication industry. Liv led the launch of the telecommunications company Nova in 2006 and was the CEO of Nova until 2018. Prior to that, she was the CEO of the mobile phone company Sko and Director of Sales and Marketing at Og Vodafone and Tal. In recent years Liv has also served on the boards of several companies, both in Iceland and abroad. Liv is a business graduate from the University of Iceland and has completed AMP studies at IESE Barcelona Business School.
Current member of board or management:	Liv is the CEO of ORF Genetics/BIOEFFECT.
Shareholdings in the Company as at 31.12.2020 and other interest related to large shareholders, competitors, customers or	548,158

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 manangement	Jakob is currently a board member of Sigurbjörg ehf., HRock ehf., BB29 ehf., Klofningur ehf., Valgeir ehf., B1917 ehf., Sýr ehf., Itsorf ehf., Salting ehf., Breiðhella ehf., Karlsbali ehf., Gafl 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 31.12.2020 and other interest related to large shareholders, competitors, customers or suppliers	Jakob Valgeir ehf., which is majority owned by Jakob wife, holds 268,997,713 shares. Jakob Valgeir ehf. is also a large supplier of seafood to the Company.

Statement of Corporate Governance

Board member

Name:	Bergþór Baldvinsson
First elected:	March 2020
Education and experience:	Bergþór has been the CEO of Nesfiskur since 1979. Nesfiskur is a family-owned company that Bergþór and his parents stated in 1975. Working at Nesfiskur since a teenager, Bergþór has familiarized himself with every aspect o the industry. The small family company has grown constantly from the beginning, today Nesfiskur and it's subsidiaries employ around 400 people. Bergþór has been a board member of various companies and pension funds for the past two decades.
Member of board or manangement	Bergþór is a board member of FSM hf, Umbúðamiðlun hf, Nesfiskur ehf and companies within Nesfiskur Group.
Shareholdings in the Company as at 31.12.2020 and other interest related to large shareholders, competitors, customers or	Nesfiskur ehf, owned by Bergþór and his family, holds 273,997,713 shares. Nesfiskur is also a large supplier of seafood to the Company.

Board member

Name:	Ingunn Agnes Kro
First elected:	February 2019 as an alternate board member and as a board member from March 2020
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 manangement	Ingunn is currently a board member of Sjóvá Almennar tryggingar hf. (insurance company), HS Orka hf. (electricity producer and provider) and of Votlendissjóðurinn (environmental NGO).
Shareholdings in the Company as at 31.12.2020 and other interest related to large shareholders, competitors, customers or	None

Statement of Corporate Governance

Board member

Name:	Halldór Leifsson
First elected:	March 2020
Education and experience:	Halldór is Marketing and Sales Director at Fisk Seafood ehf. He has worked in the seafood industry since 1990, in all the key segments including management of production, fleet, sales, office, finance and in the role of deputy MD and MD. Halldor holds a degree in Fishery Technology from the Technical University of Iceland and has studied Business Management in the University of Reykjavík.
Member of board or manangement	Halldór is the main owner and board member of the company Haf-sjór slf.
Shareholdings in the Company as at 31.12.2020 and other interest related to large shareholders, competitors, customers or	Fisk Seafood, the employer of Halldor, holds 273.997.713 shares. Fisk Seafood is also a large supplier of seafood to the Company.

Board member

Name:	Gunnlaugur K Hreinsson
First elected:	March 2020 as alternate board member
Education and experience:	Gunnlaugur K Hreinsson is the owner of GPG Seafood and alternate companies. Gunnlaugur has decades years of experience within the seafood sector. GPG Seafood operates four longliners out and four processing plants in the north of Iceland. Gunnlaugur is also the largest shareholder of the company Þórsnes ehf, a seafood company located in Stykkisholmur.
Member of board or manangement	Gunnlaugur is a board member of GPG Seafood, Þórsnes and related companies.
Shareholdings in the Company as at 31.12.2020 and other interest related to large shareholders, competitors, customers or	GPG Seafood, holds 14,997.030 shares. GPG Seafood and Þórsnes are also large suppliers of seafood to the Company.

Statement of Corporate Governance

Subcommitees

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 Ingunn Agnes Kro, Bergþór Baldvinsson 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.

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 2-3 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, Jakob V Flosason and Halldór Leifsson.

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.

Statement of Corporate Governance

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 elected:	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, a investment and financial service company, later for the Icelandic Investment Bank and as a CEO of Islandsbanki – a leading seafood service provider out of Iceland.
Member of board or manangement	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., Fáfnir Offshore ehf., Imagine Capital AS, Imagine capital BV, Gullbergur ApS, Havila Troll AS, Cargow BV and Sjávarsýn ehf. in addition to several of the Company’s subsidiaries.
Shareholdings in the Company as at 31.12.2020 and other interest related to large shareholders, competitors, customers or	Bjarni directly holds 290,000,000 shares through holding company Sjávarsýn ehf. Bjarni does not hold options to purchase Shares in the Company.

Statement of Corporate Governance

Chief Financial Officer

Name:	Reynir Jónsson
Business address:	Köllunarklettsvegur 2, 104 Reykjavik
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.oceon Degree in accounting from the University of Iceland.
Member of board or manangement	Reynir is a board member of several of the Issuer's subsidiaries
Shareholdings in the Company as at 31.12.2020 and other interest related to large shareholders, competitors, customers or	550,345 shares in addition to options for 10,000,000 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 Responsible and Environmental Responsibility

The Board of Directors have set a Group policy’s on Corporate Social Responsibility and Environmental Responsibility. The purpose or 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.

Statement of Corporate Governance

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.

Statement of Corporate Governance

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. Summarised 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.

Reykjavík, 24 February 2021.

Board of Directors