

Iceland Seafood International hf: Q1 2020 Results

Q1 2020 results impacted by Covid19. Strong sales to retail partly offsetting shortfall in sales to foodservice and HORECA sectors

- Sales for Q1 2020: €107.3m, down 11% from Q1 2019
- Net margin for Q1 2020: €9.9m, down €1.3m from same period 2019
- Normalised profit before tax in Q1 2020: €2.6m compared to €3.5m in Q1 2019
- Basic earning per share (EPS) for Q1 2020 were €0.0722 cents per thousand shares (Q1 2019: €0.0818 cents per thousand shares)
- Acquisition of Elba completed on February 21st 2020
- UK merger project on track despite external challenges
- The Group's financial and operational strength to be leveraged to act on both short term and longer term strategic opportunities in the situation
- Normalised PBT outlook range of €6.0-9.0m for 2020, based on a scenario that sales will bottom in Q2, start to recover in Q3 and be on track in Q4.

Financial Performance

Sales in the period of 107.3m were 11% down on same period 2019. After having been on track during the first two months of the year, sales in March were significantly impacted by the Covid19 outbreak. Normalised PBT for the period of €2.6m was down €0.9m on prior year, due to lower sales. Shortfall in Net margin of €1.3m was partly offset by lower operating cost, driven by synergies in Spain, and slightly lower finance cost. Bottom line profit of the Group of €1.9m was in line with prior year, where Q1 2019 results were impacted by €0.8m one off costs compared to €0.2m this year.

Amounts in EUR thousands	Q1 2020	Q1 2019
Income Statement		
Sales of seafood	107.273	120.878
Operating profit	3.203	4.329
Net finance costs	(619)	(857)
Normalised PBT	2.584	3.472
Income tax	(550)	(749)
Normalised Profit	2.034	2.723
Significant items	(184)	(814)
Profit for the period	1.850	1.909

The sales of Value-added S-Europe division were 14% down on prior year. Vast majority of sales in the division are to the HORECA sector, which is heavily impacted by the situation. Lent season is also normally an important sales period, driven by high fish consumption in countries where catholic Christianity is prevalent. Good sales to customers in the retail sector and strong fishing of squid in Argentina have helped mitigating the situation. Normalised PBT was down €0.6m on prior year, predominantly due to lower sales.

For 3M 2020	Value added	Value added	Sales and	Other and	
Amounts in EUR thousands	S-Europe	N-Europe	distribution	Eliminations	Consolidated
Income Statement					
Sales of seafood	42.975	27.713	39.948	(3.363)	107.273
Operating profit (loss)	1.922	1.128	314	(161)	3.203
Net finance costs	(264)	(211)	23	(167)	(619)
Normalised PBT	1.658	917	337	(328)	2.584
Income tax	(391)	(145)	(56)	42	(550)
Normalised profit (loss)	1.267	772	281	(286)	2.034
Significant items	0	(84)	(45)	(55)	(184)
Profit (loss) for the period	1.267	688	236	(341)	1.850

For 3M 2019	Value added	Value added	Sales and	Other and	
Amounts in EUR thousands	S-Europe	N-Europe	distribution	Eliminations	Consolidated
Income Statement					
Sales of seafood	50.076	25.145	56.149	(10.492)	120.878
Operating profit (loss)	2.576	1.272	711	(230)	4.329
Net finance costs	(305)	(186)	(71)	(295)	(857)
Normalised PBT	2.271	1.086	640	(525)	3.472
Income tax	(545)	(139)	(140)	75	(749)
Normalised profit (loss)	1.726	947	500	(450)	2.723
Significant items	(177)	0	0	(637)	(814)
Profit (loss) for the period	1.549	947	500	(1.087)	1.909

In the Value added N-Europe division, sales were 10% up on same period last year. The division saw 28% sales growth into retail in UK, driven by new listings, mainly from 2H 2019. Sales to retail in both UK and Ireland have remained strong after the Covid19 outbreak in March, whilst foodservice sales have reduced significantly. The divisional Normalised PBT was €0.2m down on Q1 2019. Reduced production capacity in China in beginning of the year due to Covid19 impacted supply in the period. This gap was bridged with less cost effective solutions from Europe which impacted margins. Costs related to implementation of contingency plans due to Covid10 had also negative impact on profits in March.

In the Sales and Distribution division sales of €39.9m were €16.2m lower than same period 2019. Bad weather in Iceland impacted both supply and transportation in the first two months of the year, which affected both sales and profitability in that period. After the Covid19 outbreak, sales have dropped

significantly, have been close to 40% of normal level for the division. The resultant Normalised PBT in the period amounted to €0.3m compared to €0.6m last year.

The total assets at end of March 2020 were €238.6m and increased by €29.1m from year beginning. The key drivers for the increase were the acquisition of Elba, investment in UK and higher stock levels due to seasonal purchases for both Spain and UK. As a result of higher assets, net debt of €77.9m was €12.4m higher than year end. Equity ratio was 34% compared to 38% at year end, but will strengthen to 36% post share issuance in relation to acquisition of Elba and the minority stake of Havelok.

Amounts in EUR thousands	31.3. 2020	31.12. 2019	31.3. 2019
Statement of Financial Position			
Non-current assets	79.766	68.080	65.777
Inventories	85.207	65.062	72.823
Trade and other receivables	62.875	62.306	70.527
Other assets	6.325	4.397	3.624
Cash and bank balances	4.380	9.610	3.900
Total assets	238.553	209.455	216.651
Equity	81.633	80.241	61.406
Longterm borrowings	7.762	7.951	7.733
Other non-current liabilities	3.918	4.250	4.490
Short term borrowings	75.371	68.016	84.245
Trade and other liabilities	69.869	48.997	58.777
Total equity and liabilities	238.553	209.455	216.651

Bjarni Ármannsson, CEO

“The results of Q1 2020 were marked by the outbreak of Covid19 and actions taken to control the outbreak. This did especially impact the business in S-Europe, where vast majority of sales are to the HORECA sector which was heavily impacted by the lockdown implemented in March. On the other hand our retail sales have been strong from mid March which has helped mitigating the overall impact.

On February 21st the acquisition of Elba was completed, which will further strengthen our position in the S-European market. At the same time the Group sourcing network is strengthened with the former owners of Elba, GPG Seafood and Icemar, becoming shareholders in Iceland Seafood.

Important steps were taken on the merger project in Spain during the period. The legally merged entity Iceland Seafood Iberica started operation in beginning of the year. From February all production of light salted cod is in one location in Barcelona, with Ecomsa in Malaga now focused on local distribution in Andalusia. The outbreak of Covid19 has caused distribution in the overall operation and are currently causing delay in the overall synergy creation from the merger. The estimate of overall synergy impact remains unchanged, we expect these to be in the range from €3.0-3.5m and be fully realised during 2021.

On March 4th we announced a significant investment in processing and coldstore capacity in the United Kingdom. Our two subsidiaries in UK, Iceland Seafood Barraclough and Havelok will be merged during this year, under one leadership team and on a single manufacturing side. The total investment for the site, refurbishment and machinery to fully utilise its potential is between £5.0-6.0m. We are in active discussion with key retail customers on new listings in the autumn and Q1 2021. Product range will reflect current offerings but on a larger scale. In order to be the sole shareholder of the merged entity, a 33% minority share in Havelok held by the management was acquired on March 4th.

The Covid19 outbreak has had significant impact on the operation from Mid March. The financial and operational strength of Iceland Seafood has enabled us to manage the situation effectively. We have taken actions to put appropriate contingency plans in place to protect health and safety of our employees and to secure continuity of operations. Risk management controls have been tightened with focus on key assets on our balance sheet, i.e. receivables and inventories. Over 90% of the Group receivables are credit insured and our inventories are in good shape with vast majority being frozen goods. It was an important step to secure liquidity of our operation, when we secured new long term funding for the operation in Spain in April. These are loans with number of local banks in Spain, with total amount in excess of €17m. At the same time actions were taken to increase our funding headroom with our banking partner in Iceland.

Covid19 will continue to impact sales and profitability in Q2. The Group base scenario expects sales to bottom in Q2, start to recover in Q3 and to be on track in Q4. Based on this view the Group estimate the full year 2020 Normalised PBT to be in the range from €6.0-9.0m. Uncertainty remains significant on development of the pandemic and for how long sales and profitability will be impacted by the situation. We will communicate further on the matter and narrow the outlook range as less ambiguity will be on the development.

Whilst the current situation is bringing on some significant challenges, we as a group are also in unique position to act on opportunities that come up in the situation, which we are actively working on. This applies to both short term opportunities related to sourcing and marketing and also longer term strategic opportunities.”

Investor meeting

On May 19th at 8.30 am, Iceland Seafood International hf will host a meeting for market participants and investors, where management will present and discuss the Q1 2020 results. The meeting will be held at the Company’s premises at Köllunarklettsvegur 2 in Reykjavík. The meeting will be also be webcasted live on <https://livestream.com/accounts/11153656/events/9126432/player> and recording will be available after the meeting on www.icelandseafood.com/investors

Disclaimer

This announcement is furnished and intended for European market participants and should be viewed in that light.

Any potential forward looking statements contained in this announcement reflect the management's current views on future events and performance, whilst those views are based on positions that

management believes are reasonable, there is no assurances that the stated events and views will be realized. Forward looking views naturally involve uncertainties and risks and consequently actual results may differ from the statements or views expressed.

For more information:

Iceland Seafood International hf.

<http://www.icelandseafood.com/Investors>

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