

Iceland Seafood's results for 1H 2022 impacted by rapid and substantial cost increases in the period.

- Sales for 1H 2022: €238.4m, up 14% from 1H 2021
- Net margin for 1H 2022: €17.3m, down €1.4m from 1H 2021
- Normalised loss before tax in 1H 2022: €1.8m, down €6.5m from 1H 2021
- Net loss for 1H 2022: €2.9m compared to €3.4m profit in 1H 2021
- Basic earnings per share (EPS) for 1H 2022 were negative by €0.1054 cents per thousand shares compared to positive €0.1287 cents per thousand shares for 1H 2021
- The operation of IS UK was loss making in the period, will take longer and cost more than previously estimated to stabilize the business
- Profitability in Ireland and at Ahumados Domínguez expected to be back to normal levels from Q3, after being severely impacted by sharp salmon price increases during 1H 2022
- IS Ibérica performed well in the period, helped by strong market position in S-Europe
- Total assets of €284.4m at end of June, increased by €5.1m from year end 2021. Equity ratio of 31.4% at end of June
- Normalised PBT Outlook range for 2022 revised in August to €9.0 – 14.0m, majority of the projected profit expected to be generated in Q4

Price increases of various input factors continued to impact Iceland Seafood's results in Q2. Whitefish prices of all origins have increased significantly, e.g. HG cod prices increased by c.a. 25% from year beginning until end of 1H 2022. Salmon prices reached a historically high level in May, where they had increased by c.a. 90% from year beginning (in EUR terms). The Group operations in Ireland and at Ahumados Domínguez were especially impacted by these increases. Salmon prices have now levelled off, at the same time as price increases have been passed on to customers. Profitability in Ireland and at Ahumados Domínguez is therefore expected to be back to normal levels from Q3, which will help driving Group results in 2H 2022.

Sales of VA S-Europe division of €108.8m in 1H 2022 were up 27% from same time last year, on like for like basis. Sales growth was largely driven by price increases, as volume growth was only 7% from 1H 2021. Demand for cod products was strong in the period and market conditions for Argentinean shrimp were stable. However, production volumes of Argentinian shrimp at Achernar were 30% down on same time last year, due to lower fishing volumes in Q1 and slower start of the Argentinean winter season in June last year. Sales of Ahumados Domínguez were strong in the period but cost increases, especially on salmon, impacted margins and profitability. New business wins, following marketing campaign in December 2021, are expected to drive positive results in the 2H 2022.

As previously mentioned, results of the VA N-Europe division were significantly impacted by the cost increases in the period. That division mostly relies on sales to retail customers, but it takes longer time to pass on cost increases to customers in retail than foodservice. The IS UK operation was loss making in the period, where external challenges continue to impact the business. On top of negative impact of cost increases during 1H 2022, the outbreak of Omicron Covid19 had disruptive impact on both operations and logistics in the beginning of the year. Strengthening of the local management team was fully completed in the period, with Glen Mathews joining as MD at end of February. It has become clear that it will take longer, and cost more than previously estimated to stabilize the UK operation. Key tasks are to rectify sales prices and to grow the business with both current and new customers. Based on current outlook it is expected that operation will continue to be loss making during 2H 2022, but that breakeven level will be reached in 1H 2023.

The good performance of the Sales&Distribution division continued in the period, driven by strong demand for Icelandic products. The divisional sales of €87.0m were up €10.2m, despite closure of the US sales division at back end of 2021. The growth was driven by significant price increases in the period, volume of groundfish sales was 9% down from 1H 2021 and pelagic 22% down. The continuing supply chain disruptions and tariffs/sanctions on Russian products are having positive impact on demand for Icelandic products both in Europe and US.

As announced on August 8th, the outlook range for normalised PBT has been revised to €9.0-14.0m. There are signs that prices of important input factors have levelled off, e.g. salmon prices have come down after reaching a top level in May. Performance of both the Irish operation and Ahumados Domínguez is expected to be back to normal levels from Q3 onwards. However, price volatility is expected to continue for the coming months, with the contrary impacts of decrease in fishing quotas and disruptive supply chains on one side but predicted economic decline and diminishing consumer purchasing power on the other side. Majority of the projected profits expected to be generated in Q4, which is a key trading period for the Group in terms of smoked salmon, light salted cod and Argentinean shrimp.

Bjarni Ármannsson, Group CEO:

“The first half of the year has been a disappointment for Iceland Seafood. During Covid, we emphasized rebalancing the business, with more retail exposure. Now in times of extreme increase in input cost, it’s hard to put the additional cost items forward to our retail customers while at the same time the cost increases. It is like chasing your own tail. This has left us with a higher cost base which than results in a negative bottom line. We are now experiencing slower demand, as prices have increased, which then is reflected in lower raw material prices as demand side softens.

We are more optimistic for the second half, as we see input prices of raw material stabilize or on a downward trend. We firmly believe that we have a strong position in our markets and that we will be able to make the most of that position for the upcoming months. Q4 is a key trading period for Iceland Seafood, and the current operating environment is already improving, and we believe it will continue to do so. Having said that, we live in an unstable world, where stability of any sort is fragile, and businesses are generally diversifying and putting more emphasis on reliability rather than optimizing with respect to lowest possible cost. This in the long run will prove positive for Iceland Seafood with it’s operating units largely in Western Europe, close to the consumer. It means that we must invest further in automation, making sure we are following strict ESG measures and building up consumer brands, which will give us a stronger position in the long run.”

Electronic investor meeting

Today at 4.15pm GMT, Iceland Seafood will host a meeting for investors and market participants, where management will present and discuss the 1H 2022 results. The meeting will be held at the company’s premises at Köllunarklettsvegur 2, 104 Reykjavík. The meeting will also be webcasted live in Icelandic on <https://vimeo.com/event/2341303/embed/899d065aa8> and recording will be available after the meeting on www.icelandseafood.com/investors

Participants to the meeting can send questions in writing prior and during the meeting to the email investors@icelandseafood.com.

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For more information:

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

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