



# **Iceland Seafood International hf.**

## **Condensed Consolidated Interim Financial Statements**

for the three months ended 31 March 2020

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

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## 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	<a href="http://www.icelandseafood.com">www.icelandseafood.com</a>
Lawyers	Lex ehf. Borgartúni 26 105 Reykjavík Iceland <a href="http://www.lex.is">www.lex.is</a>
Auditors	Deloitte ehf. Smáratorg 3 201 Kópavogur Iceland <a href="http://www.deloitte.is">www.deloitte.is</a>
Reporting currency	Euro (EUR)

# Statement and Endorsement

by the Board of Directors and the CEO

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## Statement

It is the opinion of the Board of Directors and the CEO of Iceland Seafood International hf. (the Company), that these Condensed Consolidated Interim Financial Statements present the necessary information to evaluate the financial position of the Company at the end of March 2020 and the operating results and financial developments for the three months then ended.

The Condensed Consolidated Interim Financial Statements are prepared in accordance with the International Accounting Standard IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Company's Financial Statements for the year ended 31 December 2019.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Company's financial position and performance from year end 2019.

The Condensed Consolidated Interim Financial Statements are neither audited nor reviewed by the group auditors.

## The Company

The Company is a holding company for a Group of subsidiaries that are leading suppliers of North Atlantic seafood, one of the largest exporters of seafood from Iceland and a key processor of high quality seafood in the Spanish, United Kingdom and Irish markets. 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 period

The operating results of Q1 2020 were marked by the outbreak of Covid19 and actions taken in key markets to control the pandemic. Total sales of EUR 107.3 million were 11% down on the prior year. Sales in the S-Europe division are predominantly to the HORECA sector which was heavily impacted by the pandemic, this resulted in divisional sales of EUR 43.0 million which was EUR 7.1 million down on Q1 2019. Sales in S&D division were EUR 16.2 million down on prior year, impacted by difficult supply and disruption in transportation due to bad weather in Iceland in the first two months of the year and the Covid19 outbreak in March. At the same time sales in N-Europe division were 10% up on prior year, driven by strong sales into retail in both UK and Ireland.

Normalised PBT in the period of EUR 2.6 million was EUR 0.9 million behind prior year, with lower sales being the key reason for the reduction. Cost of significant items was EUR 0.2 million in the period, reflecting costs related to acquisition of Elba and investment in UK, and taxes EUR 0.05 million. The resultant Net profit for the period of EUR 1.9m was in line with Net profit in Q1 2019.

Total assets as at 31 March 2020 of EUR 238.6 million are EUR 29.1 million higher than at end of 2019. The increase in total assets were driven by higher stock level, due to seasonal purchases for both Spain and UK, impact of Elba acquisition and investment in UK. Net debt at end of March of EUR 77.9 million was EUR 12.4 million higher than at year end 2019, reflecting the increase in total assets.

Equity amounted to EUR 81.6 million as at 31 March 2020 or EUR 1.4 million higher than at end of 2019. The equity ratio was 34.2% at 31 March 2020.

# Statement and Endorsement

by the Board of Directors and the CEO

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## COVID 19

The outbreak of Covid-19 and actions taken by governments in key markets to control the pandemic has impacted sales and profitability of the Company from Mid-March and are expected to continue to do so in the coming weeks and months. This applies especially to the foodservice sector in Europe, whilst contrary retail sales have been strong and are expected to remain resilient.

Iceland Seafood's strong position has enabled the company to manage the situation effectively, 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.
- 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 €17m new long term funding for the operation in Spain with Spanish banks in April 2020.
- 4) Utilise the Company's strong position to leverage opportunities that come up in the situation, both short term and longer term opportunities.

Whilst it is uncertain how much and for how long sales and profitability will be impacted by the situation, the Group will be negatively impacted in the coming weeks and months. Due to these negative short term impacts, the Outlook range for 2020 Normalised PBT presented in February 2020, was withdrawn with market announcement on 28 April 2020. New outlook range will be presented parallel with presentation of the Q1 2020 results.

## 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, Elba S.L. will be included in the consolidated accounts from beginning of the year. 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. Further information on the Acquisition are in note 9.

## Investment in UK

On the 4 March the Company announced an investment in significant processing and coldstore capacity in the UK and plans to merge its operation there into one legal entity. Total investment in property and minority stake in Havelok is estimated in the range of GBP 8-9 million. The two UK subsidiaries Iceland Seafood Barraclough Ltd. and Havelok Ltd. will be merged into one legal entity, under one leadership team on a single manufacturing site. The merged business will be led by the two existing UK Managing Directors with Peter Hawkins heading up the overall operation and Danny Burton overseeing the refurbishment of the site and operational teams. The full process will be completed by Q1 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 coldstore, with capacity of about 2.000 metric tons of products, which will be 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 on the 4 March. 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. In total 24.663.637 shares will be issued in relation to this.

## Market capitalization

The Company is listed on the OMX Nordic Exchange in Iceland (ticker: ICESEA). The closing price at the end of March 2020 was ISK 7.80 per share (2019 year end: ISK 9.93), giving the Company a market capitalization of EUR 128.6 million (2019: EUR 187.8 million), a 23% decrease for the three months ended 31 March 2020.

# Statement and Endorsement

by the Board of Directors and the CEO

## Shareholders

The number of shareholders at the end of March 2020 was 486 (2019 year end: 452). The ten largest are (shares are in ISK millions):

	31.3.2020		31.12.2019	
Sjávarsýn ehf. ....	283	11%	283	11%
Nesfiskur ehf. ....	274	11%	274	11%
FISK Seafood ehf. ....	274	11%	274	11%
Jakob Valgeir ehf. ....	269	11%	269	11%
Arion Banki hf. ....	138	5%	138	5%
Frjálsi lífeyrissjóðurinn ....	124	5%	124	5%
Kvika banki hf. ....	115	4%	70	3%
Lífsværk lífeyrissjóður ....	108	4%	108	4%
Birta lífeyrissjóður ....	95	4%	95	4%
Lífeyrissjóður starfmannna ríkisins A-deild ....	73	3%	73	3%
	1.753	69%	1.708	68%
Other shareholders (2020: 476 and 2019: 442) .....	808	31%	853	32%
	2.561	100%	2.561	100%

For an overview of changes in equity, see the Condensed Consolidated Statement of Changes in Equity.

## Endorsement

The Board of Directors and the CEO of Iceland Seafood International hf. hereby confirm the Condensed Consolidated Interim Financial Statements of the Company for the three months ended 31 March 2020 with their signatures.

Reykjavík, 18 May 2020.

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

# Condensed Consolidated Statement of Income

for the three months ended 31 March 2020

	Note	3M 2020			3M 2019		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
<b>Gross profit</b>							
Sales of seafood .....		107.273		107.273	120.878		120.878
Cost of sales .....		(92.137)		(92.137)	(103.905)		(103.905)
		<u>15.136</u>		<u>15.136</u>	<u>16.973</u>		<u>16.973</u>
<b>Operating expenses</b>							
Operating expenses .....		(11.162)	(230)	(11.392)	(12.018)	(1.017)	(13.035)
Depreciation and amortisation .....		(771)		(771)	(626)		(626)
		<u>3.203</u>	<u>(230)</u>	<u>2.973</u>	<u>4.329</u>	<u>(1.017)</u>	<u>3.312</u>
<b>Operating profit .....</b>							
Net finance costs .....		(395)		(395)	(557)		(557)
Net exchange rate difference .....		(224)		(224)	(300)		(300)
		<u>2.584</u>	<u>(230)</u>	<u>2.354</u>	<u>3.472</u>	<u>(1.017)</u>	<u>2.455</u>
<b>Normalised profit before tax .....</b>							
Income tax expense .....		(550)	46	(504)	(749)	203	(546)
		<u>2.034</u>	<u>(184)</u>	<u>1.850</u>	<u>2.723</u>	<u>(814)</u>	<u>1.909</u>
<b>Profit for the period .....</b>							
<b>Attributable to</b>							
Owners of the Company .....		1.917	(184)	1.733	2.489	(814)	1.675
Non-controlling interests .....		117		117	234		234
		<u>2.034</u>	<u>(184)</u>	<u>1.850</u>	<u>2.723</u>	<u>(814)</u>	<u>1.909</u>
<b>Earnings per share</b>							
Basic (cents per thousand shares) .....	7	0,0794		0,0722	0,1167		0,0818
Diluted (cents per thousand shares) .....		0,0789		0,0718	0,1162		0,0814

\* See note no 6 for information on significant items.

# Condensed Consolidated Statement of Comprehensive Income

for the three months ended 31 March 2020

	Note	3M 2020			3M 2019		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
<b>Profit for the period</b> .....		2.034	(184)	1.850	2.723	(814)	1.909
<b>Items that may be reclassified subsequently to profit or loss</b>							
Net fair value of cash flow hedges .....		29		29	(21)		(21)
Translation difference .....		(233)		(233)	215		215
Other adjustments .....		14		14			
<b>Total comprehensive income</b> .....		<b>1.844</b>	<b>(184)</b>	<b>1.660</b>	<b>2.917</b>	<b>(814)</b>	<b>2.103</b>
<b>Attributable to</b>							
Owners of the Company .....		1.727	(184)	1.543	2.683	(814)	1.869
Non-controlling interests .....		117	0	117	234	0	234
		<b>1.844</b>	<b>(184)</b>	<b>1.660</b>	<b>2.917</b>	<b>(814)</b>	<b>2.103</b>

\* See note no 6 for information on significant items.

# Condensed Consolidated Statement of Financial Position

at 31 March 2020

	Note	31.3.2020	31.12.2019	31.3.2019
<b>Assets</b>				
<b>Non-current assets</b>				
Property, plant and equipment .....		22.494	17.578	15.578
Leased assets .....		2.567	2.679	2.860
Intangible assets .....		51.775	44.698	44.706
Investments in associates .....	8	70	94	92
Deferred tax assets .....		2.792	2.978	2.487
Other long term assets .....		68	53	54
<b>Total non-current assets</b>		<b>79.766</b>	<b>68.080</b>	<b>65.777</b>
<b>Current assets</b>				
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
<b>Total current assets</b>		<b>158.787</b>	<b>141.375</b>	<b>150.874</b>
<b>Total assets</b>		<b>238.553</b>	<b>209.455</b>	<b>216.651</b>
<b>Equity and liabilities</b>				
<b>Capital and reserves</b>				
Issued capital and share premium .....		68.760	68.760	53.560
Translation reserve .....		(898)	(665)	(686)
Other reserves .....		81	38	517
Retained earnings .....		10.036	8.303	4.891
Equity attributable to owners of the Company		77.979	76.436	58.282
Non-controlling interests .....		3.654	3.805	3.124
<b>Total equity</b>		<b>81.633</b>	<b>80.241</b>	<b>61.406</b>
<b>Non-current liabilities</b>				
Borrowings .....	12	7.762	7.951	7.733
Lease liabilities .....		1.897	2.108	2.385
Retirement benefit and other obligations .....		1.079	1.202	1.413
Deferred tax liabilities .....		942	940	692
<b>Total non-current liabilities</b>		<b>11.680</b>	<b>12.201</b>	<b>12.223</b>
<b>Current liabilities</b>				
Borrowings .....	12	74.474	67.157	83.500
Lease liabilities .....		897	859	745
Trade and other payables .....		59.852	42.216	52.437
Other liabilities .....		10.017	6.781	6.340
<b>Total current liabilities</b>		<b>145.240</b>	<b>117.013</b>	<b>143.022</b>
<b>Total liabilities</b>		<b>156.920</b>	<b>129.214</b>	<b>155.245</b>
<b>Total equity and liabilities</b>		<b>238.553</b>	<b>209.455</b>	<b>216.651</b>



## Condensed Consolidated Statement of Changes in Equity

for the three months ended 31 March 2020

	Restricted equity						Unrealised profit of subsidiaries	Retained Earnings	Attributable to owners of the Company	Non - controlling interests	Total equity
	Share capital	Share premium	Translation reserve	Hedging reserve	Statutory reserve	Equity reserve					
<b>Balances at 1 January 2019</b>	<b>22.389</b>	<b>30.767</b>	<b>(901)</b>	<b>84</b>	<b>430</b>	<b>24</b>	<b>5.449</b>	<b>(2.004)</b>	<b>56.238</b>	<b>2.890</b>	<b>59.128</b>
Profit (loss) .....							3.012	(1.337)	1.675	234	1.909
Net fair value (loss) on cash flow hedges .....				(21)					(21)		(21)
Translation of shares held in foreign currencies ..			215						215		215
Total comprehensive income .....			215	(21)			3.012	(1.337)	1.869	234	2.103
Issue of share capital .....	76	328					(229)		175		175
<b>Balances at 31 March 2019</b>	<b>22.465</b>	<b>31.095</b>	<b>(686)</b>	<b>63</b>	<b>430</b>	<b>24</b>	<b>8.232</b>	<b>(3.341)</b>	<b>58.282</b>	<b>3.124</b>	<b>61.406</b>
Profit (loss) .....							5.395	(1.885)	3.510	681	4.191
Net fair value (loss) on cash flow hedges .....				(504)					(504)		(504)
Translation of shares held in foreign currencies ..			21						21		21
Total comprehensive income .....			21	(504)			5.395	(1.885)	3.027	681	3.708
Issue of share capital .....	1.629	13.571							15.200		15.200
Dividend declared from subsidiaries to parent ....							(6.100)	6.100			
Other adjustments .....						25	(98)		(73)		(73)
<b>Balances at 31 December 2019</b>	<b>24.094</b>	<b>44.666</b>	<b>(665)</b>	<b>(441)</b>	<b>430</b>	<b>49</b>	<b>7.429</b>	<b>874</b>	<b>76.436</b>	<b>3.805</b>	<b>80.241</b>
Profit (loss) .....							2.180	(447)	1.733	117	1.850
Net fair value gain on cash flow hedges .....				29					29		29
Translation of shares held in foreign currencies ..			(233)						(233)		(233)
Other adjustments .....						14			14		14
Total comprehensive income .....			(233)	29		14	2.180	(447)	1.543	117	1.660
Acquisition of non controlling interests .....										(268)	(268)
<b>Balances at 31 March 2020</b>	<b>24.094</b>	<b>44.666</b>	<b>(898)</b>	<b>(412)</b>	<b>430</b>	<b>63</b>	<b>9.609</b>	<b>427</b>	<b>77.979</b>	<b>3.654</b>	<b>81.633</b>

# Condensed Consolidated Statement of Cash Flows

for the three months ended 31 March 2020

	Note	3M 2020	3M 2019
<b>Operating activities</b>			
Operating profit .....		2.973	3.312
Depreciation and amortisation .....		771	626
Loss (gain) on disposal of property, plant and equipment .....		30	(164)
Change in obligations and other calculated liabilities .....		228	(202)
		<u>4.002</u>	<u>3.572</u>
<b>Working capital generated from operations</b>			
Increase in inventories .....		(17.692)	(10.716)
Decrease / (increase) in receivables and other assets .....		372	(8.704)
Increase in payables and other liabilities .....		13.808	9.011
		<u>490</u>	<u>(6.837)</u>
<b>Cash generated from / (used in) operations before interests and taxes</b>			
Interest received .....		288	45
Interest paid .....		(712)	(602)
Income taxes paid .....		(76)	(177)
		<u>(10)</u>	<u>(7.571)</u>
<b>Net cash used in operating activities</b>			
<b>Investing activities</b>			
Payments for property, plant and equipment .....		(5.285)	(1.391)
Payments for intangible assets .....		(28)	
Proceeds from disposal of property, plant and equipment .....		75	26
Net cash outflow on acquisition of subsidiary .....	9-10	(3.378)	
		<u>(8.616)</u>	<u>(1.365)</u>
<b>Net cash used in investing activities</b>			
<b>Net cash before financing activities</b>			
		<u>(8.626)</u>	<u>(8.936)</u>
<b>Financing activities</b>			
Net proceeds from revolving credit facility .....		4.106	8.043
Net proceeds from borrowings on new term loan .....			2.500
Net repayment of other borrowings .....		(486)	(1.778)
Proceeds from issue of share capital, net of issue costs .....			404
		<u>3.620</u>	<u>9.169</u>
<b>Net cash generated by financing activities</b>			
Net (decrease) increase in cash and bank balances .....		(5.006)	233
Cash and bank balances at the beginning of period .....		9.610	3.967
Effect of exchange rate changes on cash held in foreign currencies .....		(224)	(300)
		<u>4.380</u>	<u>3.900</u>
		<u><u>4.380</u></u>	<u><u>3.900</u></u>

# Notes to the Condensed Consolidated Financial Statements

for the three months ended 31 March 2020

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## 1. General information

Iceland Seafood International hf. (the Company) is a limited liability company incorporated and domiciled in Iceland. The address of its registered office is Köllunarklettsvegur 2, 104 Reykjavík.

The Condensed Consolidated Interim Financial Statements of the Company as at and for the three months ended 31 March 2020, comprise the Company and its subsidiaries (together referred to as "the Group").

The Company is a holding company for a Group of subsidiaries 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 Company is listed on the OMX Nordic Exchange in Iceland (ticker: ICESEA).

The Condensed Consolidated Interim Financial Statements of the Company as at and for the three months ended 31 March 2020 its neither audited nor reviewed by the Company's external auditors.

## 2. Statement of compliance

The Condensed Consolidated Interim Financial Statements are prepared in accordance with the International Accounting Standard on Interim Financial Reporting, IAS 34, as adopted by the European Union.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended 31 December 2019.

## 3. Use of estimates and judgements

The preparation of the Condensed Consolidated Interim Financial Statements in line with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the year ended 31 December 2019.

# Notes to the Condensed Consolidated Financial Statements

for the three months ended 31 March 2020

## 4. Quarterly statements

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>Revenue:</b>					
Sales of seafood .....	121.625	140.879	106.968	119.260	134.939
Intercompany .....	(14.352)	(24.881)	(6.886)	(8.029)	(14.061)
	<u>107.273</u>	<u>115.998</u>	<u>100.082</u>	<u>111.231</u>	<u>120.878</u>
<b>Operating results:</b>					
Operating profit .....	3.203	4.420	3.146	2.506	4.329
Net finance costs .....	(619)	(752)	(1.030)	(487)	(857)
<b>Normalised PBT</b> .....	<u>2.584</u>	<u>3.668</u>	<u>2.116</u>	<u>2.019</u>	<u>3.472</u>
Income tax .....	(550)	(749)	(267)	(509)	(749)
<b>Normalised Profit</b> .....	<u>2.034</u>	<u>2.919</u>	<u>1.849</u>	<u>1.510</u>	<u>2.723</u>
Significant items .....	(184)	(1.100)	(487)	(500)	(814)
<b>Profit</b> .....	<u><b>1.850</b></u>	<u><b>1.819</b></u>	<u><b>1.362</b></u>	<u><b>1.010</b></u>	<u><b>1.909</b></u>
Assets .....	<u><b>238.553</b></u>	<u><b>209.455</b></u>	<u><b>199.055</b></u>	<u><b>203.970</b></u>	<u><b>216.651</b></u>
Liabilities .....	<u><b>156.920</b></u>	<u><b>129.214</b></u>	<u><b>135.529</b></u>	<u><b>141.567</b></u>	<u><b>155.245</b></u>

## 5. Segment reporting

For 3M 2020	Value added S-Europe	Value added N-Europe	Sales and distribution	Other and Eliminations	Consolidated
<b>Revenue:</b>					
Sales of seafood .....	50.472	27.723	43.430		121.625
Intercompany .....	(7.497)	(10)	(3.482)	(3.363)	(14.352)
	<u>42.975</u>	<u>27.713</u>	<u>39.948</u>	<u>(3.363)</u>	<u>107.273</u>
<b>Operating results:</b>					
Operating profit (loss) .....	1.922	1.128	314	(161)	3.203
Net finance costs .....	(264)	(211)	23	(167)	(619)
<b>Normalised PBT</b> .....	<u>1.658</u>	<u>917</u>	<u>337</u>	<u>(328)</u>	<u>2.584</u>
Income tax .....	(391)	(145)	(56)	42	(550)
<b>Normalised profit (loss)</b> .....	<u>1.267</u>	<u>772</u>	<u>281</u>	<u>(286)</u>	<u>2.034</u>
Significant items .....		(84)	(45)	(55)	(184)
<b>Profit (loss)</b> .....	<u><b>1.267</b></u>	<u><b>688</b></u>	<u><b>236</b></u>	<u><b>(341)</b></u>	<u><b>1.850</b></u>
Assets .....	<u><b>110.247</b></u>	<u><b>52.437</b></u>	<u><b>27.946</b></u>	<u><b>47.923</b></u>	<u><b>238.553</b></u>
Liabilities .....	<u><b>85.513</b></u>	<u><b>35.882</b></u>	<u><b>23.024</b></u>	<u><b>12.501</b></u>	<u><b>156.920</b></u>

# Notes to the Condensed Consolidated Financial Statements

for the three months ended 31 March 2020

<b>For 3M 2019</b>	Value added S-Europe	Value added N-Europe	Sales and distribution	Other and Eliminations	Consolidated
<b>Revenue:</b>					
Sales of seafood .....	56.264	25.145	59.719		141.128
Intercompany .....	(6.188)		(3.570)	(10.492)	(20.250)
	<u>50.076</u>	<u>25.145</u>	<u>56.149</u>	<u>(10.492)</u>	<u>120.878</u>
<b>Operating results:</b>					
Operating profit (loss) .....	2.576	1.272	711	(230)	4.329
Net finance costs .....	(305)	(186)	(71)	(295)	(857)
<b>Normalised PBT .....</b>	<b>2.271</b>	<b>1.086</b>	<b>640</b>	<b>(525)</b>	<b>3.472</b>
Income tax .....	(545)	(139)	(140)	75	(749)
<b>Normalised profit (loss) .....</b>	<b>1.726</b>	<b>947</b>	<b>500</b>	<b>(450)</b>	<b>2.723</b>
Significant items .....	(177)			(637)	(814)
<b>Profit (loss) .....</b>	<b>1.549</b>	<b>947</b>	<b>500</b>	<b>(1.087)</b>	<b>1.909</b>
Assets .....	<b>102.417</b>	<b>42.024</b>	<b>35.214</b>	<b>36.996</b>	<b>216.651</b>
Liabilities .....	<b>77.519</b>	<b>27.838</b>	<b>26.511</b>	<b>23.377</b>	<b>155.245</b>

## 6. Significant items

During the three months ended 31 March 2020 the Group incurred costs associated with the acquisition of Elba and investment and merger project in UK. The total amount of these costs in the period amounted to EUR 0.2 million after tax.

In Q1 2019 the Group incurred costs associated with Management changes within the parent company and the Spanish operation, as well as restructuring costs associated with the merger of Icelandic Iberica and Iceland Seafood Spain. The total amount of these costs were EUR 0.8 million after tax in this period.

## 7. Earnings per share

	3M 2020	3M 2019
Profit .....	1.850	1.909
Weighted average number of ordinary shares (ISK '000) for basic EPS .....	2.561.345	2.332.383
Shares to be issued in respect of employee options .....	16.549	11.436
Weighted average number of ordinary shares (ISK '000) for diluted EPS .....	2.577.894	2.343.819
<i>Basic earnings per share (EUR cents per thousand shares):</i>		
Basic earnings per share .....	0,0722	0,0818
<i>Diluted earnings per share (EUR cents per thousand shares):</i>		
Diluted earnings per share .....	0,0718	0,0814

# Notes to the Condensed Consolidated Financial Statements

for the three months ended 31 March 2020

## 8. Subsidiaries and other investments

At period-end, 31 March 2020, the Company directly owned ten subsidiaries that are all included in the consolidation. The direct subsidiaries in addition owned a further eight subsidiaries. The Company holds the majority of voting power in all of its subsidiaries.

Name of company	Country of incorporation	Ownership 31.3.2020	Ownership 31.12.2019	Principal activity
<i>Subsidiaries:</i>				
Iceland Seafood ehf.	Iceland	100%	100%	Sale of seafood
Solo Export ehf.	Iceland	100%	100%	Not active
Iceland Seafood Iberica S.A.U. *	Spain	100%	100%	Sale of seafood
- Ecomsa S.A.	Spain	100%	100%	Sale of seafood
- IPDLM	Spain	100%	100%	Not active
- Achernar S.A.	Argentina	100%	100%	Sale of seafood
Elba Seafood ehf.	Iceland	100%	100%	Holding
- ELBA S.L.	Spain	100%	100%	Sale of seafood
Iceland Seafood Barraclough Ltd.	UK	100%	95%	Sale of seafood
- F. Barraclough Ltd.	UK	100%	100%	Not active
- Havelok Ltd.	UK	100%	67%	Sale of seafood
Oceanpath Limited	Ireland	67%	67%	Sale of seafood
- Dunns (Fish & Poultry) Ltd.	Ireland	100%	100%	Holding
- Dunns Seafare Ltd.	Ireland	100%	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 S.A.	Greece	66%	66%	Liquidation
<i>Investments in joint ventures:</i>				
Credible Properties Ltd.	Ireland	50%	50%	Properties
<i>Investments in other companies:</i>				
Febin Marine Foods Private Ltd	India	5%	5%	Seafood supply

\* Iceland Seafood S.L. and Icelandic Iberica S.A. merged at end of year 2019 and the merged legal entity Iceland Seafood Iberica S.A.U. is operating from beginning of 2020.

# Notes to the Condensed Consolidated Financial Statements

for the three months ended 31 March 2020

## 9. 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.

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 in Q1 2020 were EUR 2.5 million and it generated a loss of EUR 9 thousands.

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 4.0 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 will be settled with cash and the other 50% with new shares in Iceland Seafood International hf. The shares will be issued in May 2020. A provision for the shares at market price, at the acquisition date, is accounted for among current liability.

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.

	<u>21.2.2020</u>
Property, plant and equipment .....	551
Inventories .....	2.453
Trade and other receivables .....	2.807
Cash and bank balances .....	546
Assets acquired	<u>6.357</u>
Longterm borrowings .....	81
Contingent liabilities .....	204
Short-term borrowings .....	3.171
Trade and other payables .....	2.585
Liabilities assumed	<u>6.041</u>
Total net identified assets .....	316
Consideration paid in shares (to be paid in May 2020) .....	2.157
Consideration paid in cash .....	2.200
Provisional goodwill on acquisition .....	<u>4.041</u>
Net cash outflow on acquisition of Elba Seafood ehf:	
	<u>2020</u>
Consideration paid in cash .....	2.200
Less: cash and cash equivalent balances acquired .....	(546)
	<u>1.654</u>

# Notes to the Condensed Consolidated Financial Statements

for the three months ended 31 March 2020

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.

## 10. Investment in UK

On the 4 March the Company announced an investment in significant processing and coldstore capacity in the UK and plans to merge its operation there into one legal entity. Total investment in property and minority stake in Havelok is estimated in the range of GBP 8-9 million. The two UK subsidiaries, Iceland Seafood Barraclough Ltd and Havelok Ltd will be merged into one legal entity, under one leadership team on a single manufacturing site. The merged business will be led by the two existing UK Managing Directors with Peter Hawkins heading up the overall operation and Danny Burton overseeing the refurbishment of the site and operational teams. 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 will be 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 on the 4 March. 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 will be issued in relation to this.

In accordance with IFRS 3 *Business Combinations* the purchase price of the minority stake in Havelok Ltd. was allocated to identifiable assets and liabilities acquired. Provisional goodwill amounted to EUR 3.2 million.

The following table summarizes the consideration paid for the minority stake in Havelok and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date.

	4.3.2020
Non controlling interests .....	268
Consideration paid in shares (unpaid at end of March 2020) .....	1.724
Consideration paid in cash .....	1.724
Provisional goodwill on acquisition .....	3.180

## 11. Share capital

	Issued shares (ISK '000)	Outstanding shares (ISK '000)	Book value (EUR '000)
Ordinary shares .....	2.561.345	2.561.345	24.094

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



# Notes to the Condensed Consolidated Financial Statements

for the three months ended 31 March 2020

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## 12. Financing

The Group's main sources of financing are 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.

The facility with the institution in Iceland has a cap of EUR 50.0 million with EUR 40.5 million draw down at end of March 2020 (end of year 2019: EUR 33.0 million). The facility expire in May 2022.

At end of March 2020 the Group has credit facilities in place with number of banks in Spain. Total amount of these loans was EUR 35.8 million (end of year 2019: EUR 37.8 million). Most of these loan agreements are short term facilities with 6-12 months duration. In April 2020 the Group secured in excess of €17m new long term funding for the operation in Spain, with banks in Spain. This will improve the overall funding headroom accordingly and at the same time increase the proportion of long term funding of the overall funding of the Group.

Borrowings from financial institutions in Iceland are secured with most of the Group's assets, except from assets in Spain. Revolving credit facilities are secured with inventories, receivables, intellectual property rights and shares in subsidiaries. Other bank loans are secured with inventories, receivables, shares in subsidiaries and PP&E. Finance leases are secured with the assets leased. Credit facilities in Spain are not secured with direct pledge, but most of these facilities are secured with a negative pledge.

## 13. Approval of financial statements

The Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors and the CEO on 18 May 2020.