



Iceland Seafood International hf.

Condensed Consolidated Interim Financial Statements

for the nine months ended 30 September 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	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)

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 Condensed Consolidated Interim Financial Statements present the necessary information to evaluate the financial position of the Company at the end of September 2020 and the operating results and financial developments for the nine 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

Total sales in the period of EUR 276.2 million were 14% down on the prior year. Sales in the VA S-Europe division are predominantly to the HORECA sector which was significantly impacted by the Covid19 pandemic, this resulted in divisional sales of EUR 96.0 million which was EUR 28.2 million down on YTD September 2019. The pandemic also impacted sales of S&D division which were EUR 37.2 million down on prior year. At the same time sales of N-Europe division were 14% up on prior year, driven by strong sales to retail customers in both UK and Ireland.

Normalised PBT in the period of EUR 3.0 million was EUR 4.7 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 whilst the retail sales in the VA N-Europe division saw a significant growth from prior year. Cost of significant items was EUR 1.1 million in the period, reflecting costs related to acquisition of Elba, investment in UK and reclassification of operation of Ecomsa to discontinued operation, but sale of the company was finalised in November. The resultant Net profit for the period of EUR 1.0 million was EUR 3.3 million down on previous year.

Total assets as at 30 September 2020 of EUR 229.6 million are EUR 20.1 million higher than at end of 2019. The increase in total assets were driven by higher stock level, mainly related to VA S-Europe division and UK, impact of Elba acquisition and investment in UK. Net debt at end of September of EUR 85.1 million was EUR 19.6 million higher than at year end 2019, reflecting the increase in total assets.

Equity amounted to EUR 82.4 million as at 30 September 2020 or EUR 2.2 million higher than at end of 2019. The equity ratio was 35.9% at 30 September 2020.

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. Sales in S-Europe which are predominantly to the HORECA sector, were significantly impacted by the situation. Same applied to sales to the foodservice sector in N-Europe whilst retail sales were strong during the period. After easing of restrictions started in Q2 and important activities related to the foodservice sector opened up (restaurants, canteens etc.) sales started to recover, although they were still well below last year sales. The positive development continued in Q3, but the restrictions implemented to control the pandemic during Q4 have had an adverse impact on sales.

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. Around 82% of receivables at 30 September 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 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.

In 2020 some of the Group foreign subsidiaries have received local government assistance due to Covid 19.

The situation remains unstable with rising rates of Covid19 cases in various regions. The impact of the pandemic on the Group's sales and profitability for the coming months is uncertain. The Group has reacted to the situation with securing significant sales growth into the retail sector, especially in UK. This will improve the balance between retail and foodservice sales going forward.

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 11.

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 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. will be merged into one legal entity Iceland Seafood UK Ltd., 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 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. Commercial discussions with key UK retail customers are on track and significant revenue growth has been secured from Q1 2021, which will start to generate profits in that year.

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. 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 were finalised in May 2020.

Further information on the investment in UK are in note 12.

Statement and Endorsement

by the Board of Directors and the CEO

Oceanpath acquires Carr & Sons Seafood Ltd.

Oceanpath, the Irish subsidiary of Iceland Seafood, has completed the purchase of all the issued share capital of Carr & Sons Seafood Limited Ltd, a significant seafood player in Ireland focused on production of high-quality salmon products for retail. Oceanpath closed the transaction with Mondri 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. The transaction was completed on the 18 November 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 2019 amounted to EUR 11.5 million and the company showed a PBT of EUR 0.9 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 has 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 is 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. The board of Iceland Seafood has decided to issue the shares based on authorization from the company's annual meeting in March 2020.

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 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 its production in Spain to its 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 326k. Ecomsa sales in the first nine month of the year were EUR 6.4m and normalized loss before tax (excluding restructuring cost) amounted to EUR 0.8 million in the period.

Market capitalization

The Company is listed on the NASDAQ Iceland main market (ticker: ICESEA). The closing price at the end of September 2020 was ISK 8.86 per share (2019 year end: ISK 9.93), giving the Company a market capitalization of EUR 143.4 million (2019: EUR 187.8 million), a 24% decrease from year end 2019.

Statement and Endorsement

by the Board of Directors and the CEO

Shareholders

The number of shareholders at the end of September 2020 were 547 (2019 year end: 452). The ten largest were (shares are in ISK millions):

	30.9.2020		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	11%
Lífsverk lífeyrissjóður	122	5%	108	4%
Frjálsi lífeyrissjóðurinn	121	5%	124	5%
Birta lífeyrissjóður	111	4%	95	4%
Arion Banki hf.	107	4%	138	5%
Kvika banki hf.	106	4%	70	3%
Stapi lífeyrissjóður	86	3%	34	1%
	<u>1.760</u>	<u>66%</u>	<u>1.669</u>	<u>66%</u>
Other shareholders (2020: 537 and 2019: 442)	856	34%	892	34%
	<u>2.616</u>	<u>100%</u>	<u>2.561</u>	<u>100%</u>

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 nine months ended 30 September 2020 with their signatures.

Reykjavík, 18 November 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 nine months ended 30 September 2020

	Note	9M 2020			9M 2019		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
Gross profit							
Sales of seafood		276.218		276.218	321.596		321.596
Cost of sales		(239.446)		(239.446)	(278.327)		(278.327)
		<u>36.772</u>		<u>36.772</u>	<u>43.269</u>		<u>43.269</u>
Operating expenses							
Operating expenses	6	(29.073)	(657)	(29.730)	(31.089)	(2.212)	(33.301)
Depreciation and amortisation		(2.078)		(2.078)	(2.167)		(2.167)
		<u>5.621</u>	<u>(657)</u>	<u>4.964</u>	<u>10.013</u>	<u>(2.212)</u>	<u>7.801</u>
Operating profit							
Net finance costs		(1.860)		(1.860)	(1.618)		(1.618)
Net exchange rate difference		(752)		(752)	(702)		(702)
		<u>3.009</u>	<u>(657)</u>	<u>2.352</u>	<u>7.693</u>	<u>(2.212)</u>	<u>5.481</u>
Profit before tax							
Income tax expense		(995)	396	(599)	(1.582)	473	(1.109)
		<u>2.014</u>	<u>(261)</u>	<u>1.753</u>	<u>6.111</u>	<u>(1.739)</u>	<u>4.372</u>
Profit from continuing operations							
Discontinued operations, net of tax	6		(792)	(792)		(91)	(91)
		<u>2.014</u>	<u>(1.053)</u>	<u>961</u>	<u>6.111</u>	<u>(1.830)</u>	<u>4.281</u>
Profit for the period							
Attributable to							
Owners of the Company		1.386	(1.053)	333	5.767	(1.830)	3.937
Non-controlling interests		628		628	344		344
		<u>2.014</u>	<u>(1.053)</u>	<u>961</u>	<u>6.111</u>	<u>(1.830)</u>	<u>4.281</u>
Earnings per share							
Basic (cents per thousand shares)	7	0,0778		0,0371	0,2617		0,1833
Diluted (cents per thousand shares)		0,0773		0,0369	0,2601		0,1822

* See note no 6 for information on significant items.

** See note no 4 for results of Q3 2020.

Condensed Consolidated Statement of Comprehensive Income

for the nine months ended 30 September 2020

	Note	9M 2020			9M 2019		
		Normalised results	Significant items*	IFRS	Normalised results	Significant items*	IFRS
Profit for the period		2.014	(1.053)	961	6.111	(1.830)	4.281
Items that may be reclassified subsequently to profit or loss							
Net fair value of cash flow hedges		653		653	473		473
Translation difference		(48)		(48)	(345)		(345)
Total comprehensive income		2.619	(1.053)	1.566	6.239	(1.830)	4.409
Attributable to							
Owners of the Company		1.991	(1.053)	938	5.895	(1.830)	4.065
Non-controlling interests		628	0	628	344	0	344
		2.619	(1.053)	1.566	6.239	(1.830)	4.409

* See note no 6 for information on significant items.

Condensed Consolidated Statement of Financial Position

at 30 September 2020

	Note	30.9.2020	31.12.2019	30.9.2019
Assets				
Non-current assets				
Property, plant and equipment		21.642	17.578	16.378
Leased assets		1.731	2.679	3.470
Intangible assets	8	48.341	44.698	44.604
Investments in other companies	9	39	94	90
Deferred tax assets		2.632	2.978	2.975
Other long term assets		343	53	53
Total non-current assets		74.728	68.080	67.570
Current assets				
Inventories		78.180	65.062	61.153
Trade and other receivables		51.445	62.306	57.336
Other assets		5.928	4.397	4.964
Cash and bank balances		14.117	9.610	8.032
		149.670	141.375	131.485
Assets classified as held for sale	10	5.200		
Total current assets		154.870	141.375	131.485
Total assets		229.598	209.455	199.055
Equity and liabilities				
Capital and reserves				
Issued capital and share premium		72.630	68.760	53.627
Translation reserve		(713)	(665)	(1.246)
Other reserves		721	38	1.011
Retained earnings		5.633	8.303	6.651
Equity attributable to owners of the Company		78.271	76.436	60.043
Non-controlling interests		4.165	3.805	3.483
Total equity		82.436	80.241	63.526
Non-current liabilities				
Borrowings	14	22.411	7.951	9.066
Lease liabilities		1.385	2.108	3.127
Retirement benefit and other obligations		961	1.202	993
Deferred tax liabilities		792	940	865
Total non-current liabilities		25.549	12.201	14.051
Current liabilities				
Borrowings	14	76.840	67.157	73.929
Lease liabilities		557	859	828
Trade and other payables		35.066	42.216	40.613
Other liabilities		5.297	6.781	6.108
		117.760	117.013	121.478
Liabilities associated with assets classified as held for sale ..	10	3.853		
Total current liabilities		121.613	117.013	121.478
Total liabilities		147.162	129.214	135.529
Total equity and liabilities		229.598	209.455	199.055

Condensed Consolidated Statement of Changes in Equity

for the nine months ended 30 September 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					
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)							6.451	(2.833)	3.618	593	4.211
Net fair value gain on cash flow hedges				473					473		473
Translation of shares held in foreign currencies ..			(345)						(345)		(345)
Total comprehensive income			(345)	473			6.451	(2.833)	3.746	593	4.339
Issue of share capital	88	383							471		471
Other adjustments							(412)		(412)		(412)
Balances at 30 September 2019	22.477	31.150	(1.246)	557	430	24	11.488	(4.837)	60.043	3.483	63.526
Profit (loss)							1.956	(389)	1.567	322	1.889
Net loss on cash flow hedges				(998)					(998)		(998)
Translation of shares held in foreign currencies ..			581						581		581
Total comprehensive income			581	(998)			1.956	(389)	1.150	322	1.472
Issue of share capital	1.617	13.516							15.133		15.133
Dividend declared from subsidiaries to parent							(6.100)	6.100			
Other adjustments						25	85		110		110
Balances at 31 December 2019	24.094	44.666	(665)	(441)	430	49	7.429	874	76.436	3.805	80.241
Profit (loss)							2.413	(2.080)	333	628	961
Net fair value gain on cash flow hedges				653					653		653
Translation of shares held in foreign currencies ..			(48)						(48)		(48)
Total comprehensive income			(48)	653			2.413	(2.080)	938	628	1.566
Issue of share capital	391	3.479							3.870		3.870
Acquisition of non controlling interests								(3.180)	(3.180)	(268)	(3.448)
Other adjustments						30		177	207		207
Balances at 30 September 2020	24.485	48.145	(713)	212	430	79	9.842	(4.209)	78.271	4.165	82.436

Condensed Consolidated Statement of Cash Flows

for the nine months ended 30 September 2020

	Note	9M 2020	9M 2019
Operating activities			
Operating profit		4.964	7.731
Depreciation and amortisation		2.078	2.222
Gain on disposal of property, plant and equipment		(44)	(102)
Change in obligations and other calculated liabilities		360	(1.229)
Working capital generated from operations		7.358	8.622
(Increase) decrease in inventories		(12.600)	954
Decrease in receivables and other assets		10.359	3.618
Decrease in payables and other liabilities		(9.592)	(2.146)
Cash (used in) / generated from operations before interests and taxes		(4.475)	11.048
Interest received		113	94
Interest paid		(1.972)	(1.934)
Income taxes paid		(672)	(1.286)
Net cash (used in) / generated from operating activities		(7.006)	7.922
Investing activities			
Payments for property, plant and equipment		(7.792)	(3.881)
Payments for intangible assets		(151)	(99)
Proceeds from disposal of property, plant and equipment		360	414
Net cash outflow on acquisition of subsidiary	11	(1.850)	(2.680)
Net cash used in investing activities		(9.433)	(6.246)
Net cash before financing activities			
		(16.439)	1.676
Financing activities			
Net proceeds from revolving credit facility		7.113	511
Net proceeds from borrowings on new term loan		20.460	6.557
Net repayment of other borrowings		(4.112)	(4.445)
Net cash outflow on acquisition of subsidiary's non-controlling interests	12	(1.724)	
Proceeds from issue of share capital, net of issue costs			471
Net cash generated by financing activities		21.737	3.094
Net increase in cash and bank balances		5.298	4.770
Cash and bank balances at the beginning of period		9.610	3.967
Effect of exchange rate changes on cash held in foreign currencies		(752)	(705)
Cash and bank balances at the end of period		14.156	8.032
Non-cash investing and financing activities			
Acquisition of subsidiaries		(3.868)	
Proceeds from issue of share capital		3.868	

Notes to the Condensed Consolidated Financial Statements

for the nine months ended 30 September 2020

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 nine months ended 30 September 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's shares are listed on NASDAQ Iceland main market (ticker: ICESEA).

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, which is available on the Company's website, www.icelandseafood.com.

Comparative figures in the Condensed Consolidated Interim Financial Statements have been restated. Ecomsa S.A. in Spain, loss from operation for the first nine months of 2019, amounting to EUR 91 thousand has been restated to Discontinued operation (see note 6).

The same accounting policies, presentation and methods of computation (except mentioned here above) are followed in these Condensed Consolidated Interim Financial Statements as were applied in the latest Financial Statements 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 nine months ended 30 September 2020

4. Quarterly statements

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Revenue:					
Sales of seafood	105.989	82.320	121.581	123.697	106.092
Intercompany	(10.310)	(7.288)	(16.074)	(11.138)	(10.138)
	<u>95.679</u>	<u>75.032</u>	<u>105.507</u>	<u>112.559</u>	<u>95.954</u>
Operating results:					
Operating profit	1.396	710	3.515	4.467	3.083
Net finance costs	(990)	(1.012)	(610)	(749)	(1.020)
Normalised PBT	406	(302)	2.905	3.718	2.063
Income tax	(256)	(28)	(711)	(864)	(260)
Normalised profit (loss)	150	(330)	2.194	2.854	1.803
Significant items	(500)	(209)	(344)	(1.035)	(441)
Profit (loss)	<u>(350)</u>	<u>(539)</u>	<u>1.850</u>	<u>1.819</u>	<u>1.362</u>
Assets	<u>229.598</u>	<u>237.729</u>	<u>216.653</u>	<u>209.455</u>	<u>199.055</u>
Liabilities	<u>147.162</u>	<u>154.927</u>	<u>155.359</u>	<u>129.214</u>	<u>135.529</u>

5. Segment reporting

For 9M 2020	Value added S-Europe	Value added N-Europe	Sales and distribution	Other and Eliminations	Consolidated
Revenue:					
Sales of seafood	112.932	79.557	117.401		309.890
Intercompany	(16.960)	(202)	(8.096)	(8.414)	(33.672)
	<u>95.972</u>	<u>79.355</u>	<u>109.305</u>	<u>(8.414)</u>	<u>276.218</u>
Operating results:					
Operating profit (loss)	2.203	2.814	996	(392)	5.621
Net finance costs	(1.189)	(866)	(121)	(436)	(2.612)
Normalised PBT	1.014	1.948	875	(828)	3.009
Income tax	8	(353)	(180)	(470)	(995)
Normalised profit (loss)	1.022	1.595	695	(1.298)	2.014
Significant items	(867)	(418)	(45)	277	(1.053)
Profit (loss)	<u>155</u>	<u>1.177</u>	<u>650</u>	<u>(1.021)</u>	<u>961</u>
Assets	<u>96.937</u>	<u>62.277</u>	<u>26.897</u>	<u>43.487</u>	<u>229.598</u>
Liabilities	<u>72.319</u>	<u>44.611</u>	<u>21.427</u>	<u>8.805</u>	<u>147.162</u>

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for the nine months ended 30 September 2020

For 9M 2019	Value added S-Europe	Value added N-Europe	Sales and distribution	Other and Eliminations	Consolidated
Revenue:					
Sales of seafood	133.977	69.931	156.569		360.477
Intercompany	(9.824)	(80)	(10.066)	(18.911)	(38.881)
	<u>124.153</u>	<u>69.851</u>	<u>146.503</u>	<u>(18.911)</u>	<u>321.596</u>
Operating results:					
Operating profit (loss)	5.835	3.075	1.540	(437)	10.013
Net finance costs	(757)	(484)	(216)	(863)	(2.320)
Normalised PBT	5.078	2.591	1.324	(1.300)	7.693
Income tax	(969)	(277)	(293)	(43)	(1.582)
Normalised profit (loss)	4.109	2.314	1.031	(1.343)	6.111
Significant items	(864)	(125)	(109)	(732)	(1.830)
Profit (loss)	3.245	2.189	922	(2.075)	4.281
Assets	83.727	44.157	30.299	40.872	199.055
Liabilities	57.538	28.577	22.733	26.681	135.529

6. Significant items

During the nine months ended 30 September 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 0.5 million after tax.

At end of September the Company subsidiary Iceland Seafood Ibérica is in the process of divesting all of its share in its subsidiary Ecomsa S.A. in Spain. Ecomsa S.A. is therefore classified as held for sale in accordance with IFRS 5.

In 2019 the Group incurred costs associated with parent company management changes and restructuring costs in Spain, related to merging of Icelandic Iberica and Iceland Seafood Spain. Also the Group incurred costs related to Nasdaq Iceland Main market listing. The total amount of these costs in the period amounted to EUR 1.8 million after tax.

Exceptional costs, net of income tax:	9M 2020	9M 2019
Exceptional costs	(657)	(2.212)
Income tax	131	442
Exceptional costs, net of income tax	<u>(526)</u>	<u>(1.770)</u>
Discontinued operations, net of income tax:		
Net loss from discontinued operations	(792)	(91)
Income tax	265	31
Ecomsa S.A. discontinued operations, net of income tax, see note 10	<u>(527)</u>	<u>(60)</u>
Significant items, net of income tax	<u>(1.053)</u>	<u>(1.830)</u>

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7. Earnings per share

	9M 2020	9M 2019
Profit for the period	961	4.281
Weighted average number of ordinary shares (ISK '000) for basic EPS	2.588.378	2.335.039
Shares to be issued in respect of employee options	15.956	14.141
Weighted average number of ordinary shares (ISK '000) for diluted EPS	2.604.334	2.349.180
<i>Basic earnings per share (EUR cents per thousand shares):</i>		
Basic earnings per share	0,0371	0,1833
<i>Diluted earnings per share (EUR cents per thousand shares):</i>		
Diluted earnings per share	0,0369	0,1822

8. Intangible assets

The Group tested at the end of September whether goodwill had suffered any impairment. The conclusion was there were no triggers indicating that impairment was necessary.

	30.9.2020	31.12.2019
Goodwill at beginning of period	43.526	43.435
Acquired on acquisition of subsidiary, note 11	3.888	
Exchange rate differences	(111)	91
Goodwill at end of period	47.303	43.526
Other intangible assets at end of period	1.038	1.172
Intangible assets at end of period	48.341	44.698

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9. Subsidiaries and other investments

At period-end, 30 September 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 30.9.2020	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. ^{A)}	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 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. ^{B)}	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>Assets classified as held for sale:</i>				
Ecomsa S.A.	Spain	100%	100%	Sale of seafood
<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

^{A)} 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.

^{B)} At the end of April, Havelok Ltd. name was changed to Iceland Seafood UK Ltd. Furthermore 33% minority share in Iceland Seafood UK was acquired in March, see note 12.

Notes to the Condensed Consolidated Financial Statements

for the nine months ended 30 September 2020

10. Assets classified as held for sale

At end of September the Company subsidiary Iceland Seafood Ibérica is in the process of divesting all of its share in its subsidiary Ecomsa S.A. in Spain. Ecomsa S.A. is therefore classified as held for sale in accordance with IFRS 5.

Iceland Seafood UK Ltd. Is in the process of selling its building in Bradford UK and related machinery. The fixed assets are classified as held for sale in accordance with IFRS 5.

Assets held for sale and associated liabilities:

	Assets held for sale	Associated liabilities
Ecomsa S.A.	4.430	3.853
Iceland Seafood UK Ltd.	770	
At 30 September 2020	<u>5.200</u>	<u>3.853</u>

11. 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 Seafood ehf. will be merged with its parent company Iceland Seafood International hf. before year-end 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 YTD September 2020 were EUR 5.1 million and it generated a loss of EUR 0.2 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 3.9 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	552
Deferred income taxes	159
Inventories	2.453
Trade and other receivables	2.696
Cash and bank balances	350
Assets acquired	<u>6.210</u>
Longterm borrowings	81
Contingent liabilities	137
Short-term borrowings	2.914
Trade and other payables	2.609
Liabilities assumed	<u>5.741</u>
Total net identified assets	469

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Consideration paid in shares	2.157
Consideration paid in cash	2.200
Provisional goodwill on acquisition	3.888

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	(350)
	<u>1.850</u>

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.

12. 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 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. will be merged into one legal entity Iceland Seafood UK Ltd. 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 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. 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 and the recognized provisional amounts of assets acquired and liabilities assumed at the acquisition date.

	<u>4.3.2020</u>
Consideration paid in shares	1.724
Consideration paid in cash	1.724
Total consideration paid	3.448

13. Share capital

	Issued shares (ISK '000)	Outstanding shares (ISK '000)	Book value (EUR '000)
Ordinary shares	<u>2.616.003</u>	<u>2.616.003</u>	<u>24.485</u>

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.

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14. 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 34.9 million draw down at end of September 2020 (end of year 2019: EUR 33.0 million). The facility expires in May 2022.

The Group has credit facilities in place with number of banks in Spain. Total amount of these loans was EUR 54.3 million at end of September 2020 (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 EUR 17 million 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.

The parent company concluded in September an offering of 6 month bills for ISK 1.460 million and at the same time fixed the amount in EUR 8.9 million. The bills are traded on Nasdaq Iceland.

15. Subsequent events

Oceanpath, the Irish subsidiary of Iceland Seafood, has completed the purchase of all the issued share capital of Carr & Sons Seafood Limited 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. The transaction was completed on 18 November 2020.

Carr & Sons operates a production facility in Killala, focused on smoked salmon production with sales predominantly to retail. The annual sales in 2019 amounted to EUR 11.5 million and the company showed a PBT of EUR 0.9 million in that year.

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 has decided to issue the shares based on authorization from the company's annual meeting in March 2020.

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 its production in Spain to its 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 326k. Ecomsa sales in the first nine month of the year were EUR 6.4 million and normalized loss before tax (excluding restructuring cost) amounted to EUR 0.8 million in the period.

16. 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 November 2020.