

Iceland Seafood International hf: 9M 2019 Results

Positive results with normalized PBT of €7.6m, up €4.0m from prior year and €0.3m on 9M 2018 proforma

- Sales for 9M 2019: €332.2m, up 43.2% from 9M 2018 and 4.9% from 9M 2018 Proforma
- 9M Net margin: €29.8m, up €11.5m on 9M 2018 and down €0.5m on 9M 2018 Proforma
- 9M Normalised profit before tax (PBT): €7.6m compared to €3.6m in 9M 2018 and €7.3m for 9M 2018 Proforma
- Sales and profitability in Q3 impacted by low availability of cod from Iceland
- Basic earning per share (EPS) for 9M 2019 were €0.1833 cents per thousand shares (9M 2018: €0.1765 cents per thousand shares). On normalised basis earning per thousand share for 9M 2019 were €0.2605 cents per thousand shares (9M 2018: 0.2167 cents per thousand shares)
- Equity ratio: 31.9% at end of period, increased to 39.5% post share increase in October 2019
- 2019 Outlook for Normalised PBT: €11.0-11.8m - unchanged
- Main market listing took place on October 29th 2019.
- Share Purchase Agreement signed to acquire all share capital of Elba in Spain.

Financial Performance

Overall, positive Group results for the first nine months, with sales 43% up on prior year and 5% up on 2018 Proforma. Normalised PBT for the period was €7.6m compared to €3.6m for 9M 2018. On proforma basis, normalized PBT was €0.3m up on prior year. Sales and profitability in Q3 were impacted by low availability of cod from Iceland and decrease in prices of Argentinian Shrimp. Overall sales were 2.7% down on Q3 2019 Proforma. Normalised PBT for the Group was €2.1m in Q3 2019 compared to €1.4m for Q3 2018, on proforma basis normalized PBT in Q3 2018 was €2.7m.

Amounts in EUR thousands	Q3 2019	Q3 2018	9M 2019	9M 2018
Income Statement				
Sales of seafood	100.082	80.914	332.191	232.201
Operating profit	3.146	1.901	9.981	4.945
Net finance costs	(1.030)	(489)	(2.374)	(1.363)
Normalised PBT	2.116	1.412	7.607	3.582
Income tax	(147)	(206)	(1.525)	(644)
Normalised Profit	1.969	1.206	6.082	2.938
Significant items	(607)	(157)	(1.801)	(545)
Profit for the period	1.362	1.049	4.281	2.393

Solid 9M results of the Value added S-Europe division were driven by strong margins, especially from cod products, and cost reductions. Demand for light salted cod products was strong during the first nine months, resulting in 3% sales growth from prior year proforma. Sales in Q3 were down 5% from prior year proforma, impacted by lower availability from Iceland and price decrease on Argentinian Shrimp. Normalised PBT of €5.0m was up €3.6m from 9M 2018 and €0.2m up on 2018 9M proforma. Q4 is

starting well, but overall results will be dependent on Christmas sales and production of Achernar in December.

For 9M 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	134.748	69.851	146.503	(18.911)	332.191
Operating profit (loss)	5.784	3.085	1.540	(428)	9.981
Net finance costs	(802)	(493)	(216)	(863)	(2.374)
Normalised PBT	4.982	2.592	1.324	(1.291)	7.607
Income tax	(936)	(278)	(293)	(18)	(1.525)
Normalised profit (loss)	4.046	2.314	1.031	(1.309)	6.082
Significant items	(805)	(125)	(109)	(762)	(1.801)
Profit (loss) for the period	3.241	2.189	922	(2.071)	4.281

For 9M 2018	Value added	Sales and	Other	Eliminations	Consolidated
Amounts in EUR thousands		distribution			
Income Statement					
Sales of seafood	121.220	136.044	0	(25.063)	232.201
Operating profit (loss)	5.097	936	(1.088)	0	4.945
Net finance costs	(736)	(182)	(445)	0	(1.363)
Normalised PBT	4.361	754	(1.533)	0	3.582
Income tax	(756)	(188)	300	0	(644)
Normalised profit (loss)	3.605	566	(1.233)	0	2.938
Significant items	3	0	(548)	0	(545)
Profit (loss) for the period	3.608	566	(1.781)	0	2.393

We saw a good recovery in our Value added N-Europe division in Q3, after challenging 1H of the year impacted by Brexit uncertainty and high raw material prices. The Q3 results were helped by new listings within UK retail, mostly driven by sales to Tesco but sales to Aldi also increased. Investments at Oceanpath started to pay off and salmon prices also came down in Q3 from a historically high level in 1H 2019. This positive development is expected to continue in Q4, however the FY 2019 profitability is not expected to reach last year proforma results. 9M 2019 sales of €69.9m were €5.3m down on 2018 proforma and normalized PBT of €2.6m, €1.0m down on 9M 2018 proforma.

The S&D division showed a good performance during the first nine months of the year, driven by increased sales out of Iceland. The benefits of more integrated value chain and closer cooperation with producers in our shareholders group are evident. During 9M 2019 total divisional sales were €146.5m and increased by €10.5m from last year. The good sales are driven by stronger sales of sea-frozen products, which increased by 52% from 2018. This resulted in normalized PBT of €1.3m which was up €0.5m from 9M 2018. Profitability in Q3 was in line with prior year and was impacted by lower availability of groundfish in Iceland.

At end of September total assets amounted to €199.1m, compared to €193.8m at year beginning. The implementation of IFRS 16 Lease accounting explains €3.5m of the increase, property, plant and equipment have increased by €1.9m driven by investments in Ireland and cash position is €4.0m higher than at year beginning. Equity ratio at end of September was 31.9%, taking into account the €15.2m share increase in October the Equity ratio goes up to 39.5% (based on total assets at end of September).

	30.9.	31.12.	30.9.
Amounts in EUR thousands	2019	2018	2018
Statement of Financial Position			
Non-current assets	67.570	61.802	60.302
Inventories	61.153	62.107	65.776
Trade and other receivables	57.336	62.452	63.853
Other assets	4.964	3.466	3.954
Cash and bank balances	8.032	3.967	3.419
Total assets	199.055	193.794	197.304
Equity	63.526	59.342	57.611
Longterm borrowings	9.066	6.640	15.019
Other non-current liabilities	5.813	1.746	1.398
Short term borrowings	73.929	75.828	74.472
Trade and other liabilities	46.721	50.238	48.804
Total equity and liabilities	199.055	193.794	197.304

Bjarni Ármannsson, CEO

“Solid results for the first 9 months of the year, where the Group is showing good sales and profit growth despite challenging environment. Profitability in Q3 was impacted by low availability of cod products from Iceland, this especially impacted our S-European and Sales and Distribution divisions. We saw a good recovery in the N-European division in Q3 where new listings within UK retail had positive impact on results.

We have made a good progress with various projects during the last few months. The focus on driving organic growth and efficiency continues, a big step in that direction was completed in July when an investment project at Oceanpath was finalized. With installation of salmon filleting line, we are now filleting all salmon we use inhouse which improves efficiency and creates new sales opportunities.

The merger in Spain is ongoing, the operation in Barcelona is now in one physical location and we are in the process of moving all cod production into our facility in Barcelona as well. These steps are essential for synergy creation from the merger. We estimate the annual synergies of the merger to be in the range of €3.0-3.5m and expect these to fully materialize before year end 2021. To achieve these synergies, the Group will incur one-off cost related to restructuring during this and next year.

At end of October we successfully completed a public offering of new shares and listing on the Nasdaq Main Market, which supports future growth of the business. In the public offering we issued in total 225m new shares at a price of ISK 9.5 per share, which resulted in total increase in equity of €15.2m, bringing our equity ratio up to 39.5%. Around 90% of the issued shares were sold to investors in orderbook B, majority of that going to Icelandic Institutional investors, thereof to nine Icelandic pension funds. This brings a good balance between industrial and financial investors in the shareholders group. With the public offering we got 112 new shareholders to the Group. At end of October we had in total

444 shareholders. The Market Cap was around ISK 25.1bn at end of October, which was the 12th largest of companies listed on Nasdaq Iceland Stock exchange.

At November 13th a Share Purchase Agreement was signed to acquire the company Elba in Spain. Elba is a strong player when comes to sales and processing of light salted frozen products in Spain, operating a production facility in Barcelona with annual sales volume of c.a. 2.200MT. The acquisition price for 100% stake is €4.4m (cash free, debt free) with 50% of that being settled by cash and the other 50% with new shares in Iceland Seafood. Elba will be a great addition to our well positioned S-European operation, will create opportunities to further leverage our strong distribution and production capabilities in Spain. At the same time, we will get strong producers to our sales network, the current shareholders of Elba, GPG Seafood and IceMar will get around 1.2% stake in Iceland Seafood. We expect the transaction to be completed around year end, with a due diligence process currently ongoing. “

Investor meeting

On November 29th at 8.30 am, Iceland Seafood International hf will host a meeting for market participants and investors, where management will present and discuss the 9M 2019 results. The meeting will be held at the Company's premises at Köllunarklettsvegur 2 in Reykjavík.

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.