

We are Iceland Seafood

ISI ICELAND
SEAFOOD

Prospectus
October 2019



Summary

October 2019



This summary has been prepared by Iceland Seafood International hf., reg. no. 611088-1329, Köllunarklettsvegur 2, 104 Reykjavík (hereafter, together with its subsidiaries, referred to as “Iceland Seafood”, the “Issuer”, or the “Group”). This summary, dated 3 October 2019, is a part of the Issuer’s Prospectus which consists of this summary, a registration document, dated 3 October 2019, and a securities note, dated 3 October 2019 (hereafter referred to as the “Prospectus”).

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

This summary is issued in relation to the admission of all of Iceland Seafood’s issued shares to trading on the Regulated Market of Nasdaq Iceland hf.

A. INTRODUCTION AND WARNINGS

Item	Information disclosure	Information
A.1	Introduction and warnings	<p>This summary should be read as an introduction to the Prospectus. Any decision to invest in shares issued by Iceland Seafood should be based on consideration of the Prospectus as a whole by the investor.</p> <p>Where a claim relating to the information in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of European Economic Area, have to bear the costs of translating the Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have put forward the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in shares issued by Iceland Seafood.</p>
A.2	Consent to use the Prospectus	Not applicable.

B. THE ISSUER

Item	Information disclosure	Information
B.1	Legal and commercial name	The Issuer’s legal name is Iceland Seafood International hf. and the commercial name is Iceland Seafood.
B.2	Information on the Issuer	The Issuer is a public limited company, established on 19 October 1988 in accordance with Act no. 2/1995 on Public Limited Companies, as amended. The Issuer’s registered offices are at Köllunarklettsvegur 2, 104 Reykjavík, Iceland.
B.3	Business operations	Iceland Seafood is a worldwide sales, processing and marketing group for a variety of frozen, fresh, salted and dried seafood and seafood products.

		<p>The Issuer defines three main operating segments:</p> <p>Sales and Distribution offers its customers a full seafood solution by sourcing seafood from various suppliers, largely based in Iceland. The segment consists of a sales and marketing company in Iceland along with closely linked sister companies in France, Germany and USA. Sales and Distribution boasts deep access to markets and a close working relationship with seafood industry partners in Iceland, creating a backbone for the Issuer’s operations as a whole.</p> <p>Value Added S-Europe is one of the Issuer's two value-added production segments. The segment has processing and distribution facilities in Barcelona and Malaga in Spain as well as in Argentina and is the largest importer and seller of light salted cod in the Mediterranean market.</p> <p>Value Added N-Europe includes the Issuer’s processing and distribution facilities in Ireland and the UK. The segment is retail and foodservice focused and services many of the largest retailers in the area with fresh fish and further processed products.</p>																																																																																																
B.4a	Major trends	Not applicable.																																																																																																
B.5	Information on the Group	<p>Iceland Seafood International hf. is the parent company of the Group which consists of a number of subsidiaries. On 30 June 2019, the Group employed 620 employees. Thereof, three work with the parent company, including the Issuer's CEO and CFO who serve as the Issuer's executive management. Each subsidiary is separately managed by its own local managing director and executive management as required.</p> <p>Subsidiaries held directly or indirectly by the Group at 30 June 2019 are listed below:</p> <table><tr><th>Name of company</th><th>Domicile</th><th>30.6.2019</th><th>Principal activity</th></tr><tr><td colspan="4">Subsidiaries</td></tr><tr><td>Iceland Seafood ehf.</td><td>Iceland</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>Solo Export ehf.</td><td>Iceland</td><td>100%</td><td>Not active</td></tr><tr><td>Iceland Seafood Spain S.L.</td><td>Spain</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>-Union Islandia Pleamar S.L.</td><td>Spain</td><td>55%</td><td>Not active</td></tr><tr><td>Icelandic Freezing Plants Iberica SAU ('Icelandic Ibérica')</td><td>Spain</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>- Elaboración de Congelados Málaga, S.A ('Ecomsa')</td><td>Spain</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>-IPDLM S.A.R.L.</td><td>France</td><td>100%</td><td>Not active</td></tr><tr><td>-Achernar S.A.A.</td><td>Argentina</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>Iceland Seafood Barraclough Ltd.</td><td>UK</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>-F.Barraclough Ltd.</td><td>UK</td><td>100%</td><td>Not active</td></tr><tr><td>-Havelok Ltd.</td><td>UK</td><td>67%</td><td>Sale of seafood</td></tr><tr><td>Oceanpath Limited</td><td>Ireland</td><td>67%</td><td>Sale of seafood</td></tr><tr><td>-Dunns (Fish&Poultry) Ltd.</td><td>Ireland</td><td>100%</td><td>Holding</td></tr><tr><td>-Dunns Seafare Ltd.</td><td>Ireland</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>Iceland Seafood France S.A.S.</td><td>France</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>ISG Iceland Seafood GmbH</td><td>Germany</td><td>100%</td><td>Sale of seafood</td></tr><tr><td>ISI Seafood Inc.</td><td>USA</td><td>100%</td><td>Sale of seafood</td></tr><tr><td colspan="4">Discontinued Operations</td></tr><tr><td>Iceland Seafood Hellas A.E.E.</td><td>Greece</td><td>66%</td><td>Liquidation</td></tr><tr><td colspan="4">Investments in other companies</td></tr><tr><td>Credible Properties Ltd.</td><td>Ireland</td><td>50%</td><td>Properties</td></tr><tr><td>Febin Marine Foods Private Ltd.</td><td>India</td><td>5%</td><td>Seafood supply</td></tr></table> <p>In 2018 the Issuer completed two large acquisitions, of Oceanpath Ltd. and Solo Seafood ehf. and their subsidiaries. Further, the Issuer has announced its plans to merge its subsidiaries Iceland Seafood Spain and Icelandic Iberica, previously</p>	Name of company	Domicile	30.6.2019	Principal activity	Subsidiaries				Iceland Seafood ehf.	Iceland	100%	Sale of seafood	Solo Export ehf.	Iceland	100%	Not active	Iceland Seafood Spain S.L.	Spain	100%	Sale of seafood	-Union Islandia Pleamar S.L.	Spain	55%	Not active	Icelandic Freezing Plants Iberica SAU ('Icelandic Ibérica')	Spain	100%	Sale of seafood	- Elaboración de Congelados Málaga, S.A ('Ecomsa')	Spain	100%	Sale of seafood	-IPDLM S.A.R.L.	France	100%	Not active	-Achernar S.A.A.	Argentina	100%	Sale of seafood	Iceland Seafood Barraclough Ltd.	UK	100%	Sale of seafood	-F.Barraclough Ltd.	UK	100%	Not active	-Havelok Ltd.	UK	67%	Sale of seafood	Oceanpath Limited	Ireland	67%	Sale of seafood	-Dunns (Fish&Poultry) Ltd.	Ireland	100%	Holding	-Dunns Seafare Ltd.	Ireland	100%	Sale of seafood	Iceland Seafood France S.A.S.	France	100%	Sale of seafood	ISG Iceland Seafood GmbH	Germany	100%	Sale of seafood	ISI Seafood Inc.	USA	100%	Sale of seafood	Discontinued Operations				Iceland Seafood Hellas A.E.E.	Greece	66%	Liquidation	Investments in other companies				Credible Properties Ltd.	Ireland	50%	Properties	Febin Marine Foods Private Ltd.	India	5%	Seafood supply
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		subsidiary of Solo Seafood ehf., and expects the merged legal entity to start operation at 1 January 2020.																																																																																												
B.6.	Major shareholders	<p>The Issuer had 312 shareholders at 30 June 2019, four of which directly or indirectly held 10% or more of shares in the Issuer. At shareholders' meetings, each króna of share capital shall carry one vote.</p> <p>Solo Holding ehf. holds 208,719,603 shares in the Issuer, 8.9% of issued share capital as at 1 October 2019. Solo Holding ehf. is owned by five parties, Útgerðarfélag Reykjavíkur hf. (33.3%), Sjávarsýn ehf. (16.7%), Nesfiskur ehf. (16.7%), Jakob Valgeir ehf. (16.7%) and FISK-Seafood ehf. (16.7%). To the best knowledge of the Issuer, no individual person directly or indirectly holds an interest in the Issuer's share capital or voting rights which are notifiable under the Act on Securities Transactions as of the date of the Prospectus aside from those persons previously described or shown in the table below.</p> <p>The table below shows shareholders owning 1% or more of Iceland Seafood's shares as of 1 October 2019:</p> <table><tr><th>Shareholder</th><th>Registration number</th><th>Number of shares</th><th>%</th></tr><tr><td>Sjávarsýn ehf.</td><td>460404-2820</td><td>248,281,922</td><td>10.6%</td></tr><tr><td>Nesfiskur ehf.</td><td>410786-1179</td><td>239,214,591</td><td>10.2%</td></tr><tr><td>FISK-Seafood ehf.</td><td>461289-1269</td><td>239,214,591</td><td>10.2%</td></tr><tr><td>Jakob Valgeir ehf.</td><td>510800-2220</td><td>227,591,762</td><td>9.7%</td></tr><tr><td>Solo Holding ehf.</td><td>710118-1160</td><td>208,719,603</td><td>8.9%</td></tr><tr><td>Frjálsi lífeyrissjóðurinn</td><td>600978-0129</td><td>104,226,784</td><td>4.5%</td></tr><tr><td>Lífsværk lífeyrissjóður</td><td>430269-4299</td><td>97,482,530</td><td>4.2%</td></tr><tr><td>Birta lífeyrissjóður</td><td>430269-0389</td><td>86,935,590</td><td>3.7%</td></tr><tr><td>Kvika banki hf.</td><td>540502-2930</td><td>81,825,804</td><td>3.5%</td></tr><tr><td>Arion Banki hf.</td><td>581008-0150</td><td>78,239,063</td><td>3.3%</td></tr><tr><td>Vátryggingafélag Íslands hf.</td><td>690689-2009</td><td>65,500,000</td><td>2.8%</td></tr><tr><td>Sjóvá Almennar tryggingar hf.</td><td>650909-1270</td><td>64,164,486</td><td>2.7%</td></tr><tr><td>Hjörleifur Ásgeirsson</td><td>150363-3229</td><td>47,920,217</td><td>2.1%</td></tr><tr><td>Hofgarðar ehf.</td><td>410304-2360</td><td>30,000,000</td><td>1.3%</td></tr><tr><td>Íshóll ehf.</td><td>691099-2029</td><td>29,950,000</td><td>1.3%</td></tr><tr><td>Stefnir – ÍS 15</td><td>470206-8450</td><td>29,518,242</td><td>1.3%</td></tr><tr><td>Akta HL1</td><td>650913-9730</td><td>27,342,400</td><td>1.2%</td></tr><tr><td>Akta Stokkur</td><td>640317-9810</td><td>27,204,733</td><td>1.2%</td></tr><tr><td>Akta HS1</td><td>460213-9910</td><td>26,952,600</td><td>1.2%</td></tr><tr><td>9. S ehf.</td><td>410307-2940</td><td>26,500,000</td><td>1.1%</td></tr><tr><td>Lífeyrissjóður Vestmannaeyja</td><td>580572-0229</td><td>23,518,518</td><td>1.0%</td></tr><tr><td>Others <1%</td><td></td><td>326,041,498</td><td>14.0%</td></tr></table> <p>To the extent known to the Issuer, Iceland Seafood is not directly or indirectly owned or controlled by parties other than listed shareholders.</p>	Shareholder	Registration number	Number of shares	%	Sjávarsýn ehf.	460404-2820	248,281,922	10.6%	Nesfiskur ehf.	410786-1179	239,214,591	10.2%	FISK-Seafood ehf.	461289-1269	239,214,591	10.2%	Jakob Valgeir ehf.	510800-2220	227,591,762	9.7%	Solo Holding ehf.	710118-1160	208,719,603	8.9%	Frjálsi lífeyrissjóðurinn	600978-0129	104,226,784	4.5%	Lífsværk lífeyrissjóður	430269-4299	97,482,530	4.2%	Birta lífeyrissjóður	430269-0389	86,935,590	3.7%	Kvika banki hf.	540502-2930	81,825,804	3.5%	Arion Banki hf.	581008-0150	78,239,063	3.3%	Vátryggingafélag Íslands hf.	690689-2009	65,500,000	2.8%	Sjóvá Almennar tryggingar hf.	650909-1270	64,164,486	2.7%	Hjörleifur Ásgeirsson	150363-3229	47,920,217	2.1%	Hofgarðar ehf.	410304-2360	30,000,000	1.3%	Íshóll ehf.	691099-2029	29,950,000	1.3%	Stefnir – ÍS 15	470206-8450	29,518,242	1.3%	Akta HL1	650913-9730	27,342,400	1.2%	Akta Stokkur	640317-9810	27,204,733	1.2%	Akta HS1	460213-9910	26,952,600	1.2%	9. S ehf.	410307-2940	26,500,000	1.1%	Lífeyrissjóður Vestmannaeyja	580572-0229	23,518,518	1.0%	Others <1%		326,041,498	14.0%
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B.7	Selected consolidated financials	<p>The Consolidated Financial Statements of Iceland Seafood International hf. (the “Consolidated Financial Statements” or “CFSs”) for the years 2016, 2017, 2018 and the interim financial statements for the six months ended 30 June 2019 and 30 June 2018 have, unless otherwise stated, been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional disclosure requirements in the Icelandic Act no. 3/2006 on Financial Statements. The Consolidated Financial Statements comprise Iceland Seafood and its subsidiaries. On 1 January 2019, the Group applied IFRS 16 Leases and, as permitted by the transition provisions of IFRS 16, the comparative information was not restated. Accordingly, the figures for the year ended 30 June 2019 and the comparative figures are not directly comparable.</p> <p>In 2018 the Issuer completed the acquisition of Oceanpath Ltd. and Solo Seafood ehf. which has had a significant impact on the Issuer’s operations, turnover and revenues.</p>																																																																																												

The Group's total sales in the first six months of 2019 amounted to EUR 232.1 million, up 55% on the prior year by management calculations, benefiting from an estimated EUR 63.6 million contribution from Icelandic Iberica and an estimated EUR 7.6 million from Oceanpath. Management estimates that underlying like for like sales growth amounted to 7%, by management calculations, and was mainly driven by strong sales in Iceland, supported by close cooperation with producers in the region.

Normalised profit before tax (PBT) of EUR 5.5 million is 153%, by management calculations, ahead of the prior year supported by the acquisitions of Solo Seafood and Oceanpath. Significant item costs of EUR 1.3 million largely reflect costs incurred in relation to parent company management changes and restructuring costs in Spain, related to the ongoing merger of Icelandic Iberica and Iceland Seafood Spain. Normalised Profit for the period of EUR 4.2 million is up 140%, by management calculations, on the prior year.

Total assets as at 30 June 2019 of EUR 204.0 million are EUR 10.2 million higher than at end of 2018, with higher inventories driven by increased sales and higher cash headroom in Icelandic Iberica. Resultant net debt of EUR 80.2 million is EUR 1.7 million higher than at year end 2018. Equity amounted to EUR 62.4 million as at 30 June 2019 or EUR 3.1 million higher than at end of 2018. The equity ratio was 30.6% at 30 June 2019 or same as at year end 2018.

Income Statement

EUR 000	1H 2019 Reviewed	1H2018 Unaudited	2018 Audited	2017 Audited	2016 Audited
Gross profit					
Sales of seafood.....	232,109	149,990	345,978	249,149	246,273
Cost of sales.....	(200,823)	(130,151)	(299,153)	(214,976)	(212,468)
	31,286	19,839	46,825	34,173	33,805
Operating expenses					
Operating expenses.....	(22,981)	(16,274)	(36,354)	(28,473)	(28,267)
Depreciation and amortisation..	(1,471)	(521)	(1,319)	(863)	(811)
Operating profit (loss).....	6,834	3,044	9,152	4,836	4,727
Net finance costs.....	(1,134)	(900)	(2,005)	(1,343)	(1,432)
Net exchange rate difference...	(210)	27	69	15	(2)
Normalised profit (loss) before tax	5,490	2,171	7,216	3,508	3,294
Income tax.....	(1,258)	(409)	(1,489)	(765)	(529)
Normalised Profit (loss)	4,232	1,762	5,727	2,743	2,765
Significant items	(1,321)	(413)	(1,032)	(154)	(174)
Discontinued operations.....		(5)	(18)	(11)	(34)
Profit (loss)	2,911	1,344	4,677	2,579	2,557

Balance Sheet

EUR 000	30.6.2019 Reviewed	30.6.2018 Unaudited	31.12.2018 Audited	31.12.2017 Audited	31.12.2016 Audited
Assets					
Property, plant and equipment	16,456	10,519	14,435	8,462	8,741
Leased assets	3,309				
Intangible assets	44,622	19,066	44,689	8,900	8,964

		Investments in other companies	90	41	89	42	45
		Deferred tax assets	2,941	1,811	2,535	1,532	1,117
		Other long term assets	54		54	0	
		Total non-current assets	67,472	31,437	61,802	18,937	18,868
		Inventories	62,437	31,147	62,107	30,618	20,038
		Trade and other receivables	61,135	42,486	62,452	35,095	32,936
		Other assets	3,465	1,718	3,392	1,208	1,312
		Cash and bank balances	9,461	3,776	3,967	2,223	1,797
		Assets classified as held for sale		81	74	81	98
		Total current assets	136,498	79,208	131,992	69,225	56,181
		Total assets	203,970	110,645	193,794	88,162	75,049
		Equity					
		Equity attr. to the owners of the Issuer	59,241	18,325	56,452	17,591	15,290
		Non-controlling interests	3,162	2,435	2,890	129	73
		Total equity	62,403	20,760	59,342	17,720	15,363
		Liabilities					
		Borrowings	9,706	7,568	6,640	877	1,624
		Lease liabilities	3,803				
		Pension and other obligations	1,120	239	914	148	153
		Deferred tax liabilities	903	603	832	483	229
		Total non-current liabilities	15,532	8,410	8,386	1,508	2,006
		Borrowings	79,941	51,413	75,828	40,194	34,898
		Trade and other payables	40,215	24,916	44,873	25,608	19,596
		Other liabilities	5,879	5,144	5,357	3,130	3,143
		Total current liabilities	126,035	81,473	126,058	68,932	57,637
		Liabilities associated with assets classified as held for sale		2	8	2	43
		Total liabilities	141,567	89,885	134,452	70,442	59,686
		Total equity and liabilities	203,970	110,645	193,794	88,162	75,049
B.8	Pro forma financials	Not applicable.					
B.9	Earnings forecast	Not applicable.					
B.10	Qualification of audit report	The Company's statutory auditors have signed all audited and reviewed historical financial statements contained in the Prospectus with an unmodified opinion.					
B.11	Working capital needs	It is the assessment of the Board of Directors, for and on behalf of the Issuer, that at the date of this Prospectus, the Issuer has sufficient working capital to fulfil its requirements for the next 12 months.					

C. THE SECURITIES

Item	Information disclosure	Information
C.1	Type and class of securities that the Issuer has applied for being admitted to trading	All issued shares in Iceland Seafood. The shares are currently listed on the Nasdaq First North market. Their ISIN number is IS0000026961 and their ticker symbol with Nasdaq Iceland hf. is ICESEA.
C.2	Currency of the securities issue	The shares are denominated in ISK.
C.3	Number of shares in the Issuer	Iceland Seafood's issued share capital amounted to ISK 2,336,344,934 as at 30 June 2019. The nominal value of shares issued by Iceland Seafood is ISK 1 per share and all issued shares have been fully paid.
C.4	Rights associated with the shares	<p>Each share in the Issuer corresponds to one Icelandic króna (ISK 1) in nominal value and carries one vote at a shareholders' meeting. The Company's share capital consists of one class of shares and each issued share carries equal rights.</p> <p>Unless otherwise provided for in the Company's Articles of Association, dated 12 June 2019 (hereafter referred to as the "Articles of Association"), shareholders shall have pre-emptive rights to all increases in share capital in equal proportion to their registered holding in the Company. Currently, the Issuer's Articles of Association include provisions where the Board of Directors is granted an authorisation to increase the share capital of the Issuer, without shareholders having a pre-emptive right to subscribe for the new shares.</p>
C.5	Restrictions on the shares	There are no restrictions on shareholders' rights to dispose of their shares in the Issuer.
C.6	Admission to trading	The Issuer has applied to have all of its issued shares admitted to trading on the Regulated Market of Nasdaq Iceland hf.
C.7	Dividend policy	Per the Issuer's dividend policy, dated 13 March 2019, the Issuer aims to annually pay dividends which amount to 20-40% of the Issuer's profit after tax from each preceding year. However, dividend payments are subject to an assessment of opportunities to reinvest profits into the Issuer's operations to further fund its growth. Additionally, the dividend policy states the Board of Directors' goal of reaching, and maintaining, a 35% equity ratio within 3 years from the date of the dividend policy.

D. RISKS

Item	Information disclosure	Information
D.1	Main risks relating to the Issuer or the industry	<p>Industry and operational risk</p> <p>Iceland Seafood, as other companies, is subject to general risk of operation. Such risk can be related to various factors in the Issuer's operation and cause direct or indirect losses. An example of such risk might be environmental factors, transportation, supplier and quality risk, management of key employees and the Company's reputation which, as a supplier and producer of seafood, is key to the Issuer's continued success in the market.</p>

		<p>Iceland Seafood operates within a sector which has specific risk related to the access to and quality of its raw material, seafood, which is mainly sourced in Iceland and other quota system countries. Additionally, Iceland Seafood has operations in eight countries in the production, marketing and sale of seafood products to more than 45 countries worldwide. Any change in law, regulation, rules or government rulings in any of these countries can adversely affect the operation, profit or/and value of Iceland Seafood's Shares.</p> <p>Financial risk Iceland Seafood is subject to multiple financial risks, such as financing risk, currency risk, interest rate risk, liquidity risk, insurance risk and credit risk.</p>
D.3	Main risks relating to the shares	<p>Risk inherent to equity shares investments Equities are generally speaking considered a riskier investment than some other financial instruments and investors should bear in mind that even though equity investments can provide a good return, there is always the risk that shares of individual companies might decline in value. Additionally, in the event of the Issuer's liquidation, shareholders are last in line of receivership, collecting only that which is left when all other claims have been settled.</p> <p>Market risk No assurance can be given with respect to the market price of Iceland Seafood's Shares once listed. Volatility thereto could among other be related to general supply and demand for equity shares.</p> <p>Liquidity risk The liquidity of the Shares is subject to fluctuations in response to factors such as actual or anticipated variations in the Issuer's operating results, changes in estimates or recommendations by financial analysts, currency exchange rates, regulatory developments, general market conditions and other factors. In order to minimise liquidity risk the Issuer maintains market making contracts with Kvika banki hf. and Arion banki hf.</p> <p>Ownership and control Investors must take into account that the structure and composition of a company's shareholder base can be a risk factor. Investors should be aware that ownership of the Issuer can change very quickly and without notice.</p> <p>Dilution According to the Articles of Association dated 12. June 2019 shareholders shall have pre-emptive rights to purchase new Shares issued by the Company in proportion to their registered holdings. However, in the Issuer's Articles of Association there are temporary capital increase authorisations in which shareholders do not have pre-emptive rights to subscribe for new shares.</p>

E. OFFERING

Item	Information disclosure	Information
E.1	Issue amount and related costs	<p>The public offering of new shares (the "Offering") is comprised of 225,000,000 new shares issued and sold by the Issuer. The total proceeds of the 225,000,000 shares offered for sale in the Offering are a minimum of ISK 2,115 million based on the minimum price of the Offering.</p> <p>The Issuer bears all cost associated with the admittance of the Shares to trading. The total cost borne by the Issuer is estimated to be over ISK 100 million and consists of costs associated with the scrutiny and approval of the Prospectus, the Nasdaq Iceland listing fees, costs for advisors, legal review, due diligence and auditors, along with</p>

		<p>other cost directly associated with the admittance to trading. Net proceeds from the Offering are therefore estimated to be ISK 2,015 million.</p> <p>No special costs will be imposed on the investor in respect of the transaction by the Issuer, Listing Advisor nor Manager of the Offering, however, investors are urged to consider whether any costs or fees will be charged by other parties in connection with the transaction.</p>
E.2a	Reasons, use and net amount of proceeds	<p>The purpose of the Offering is to strengthen the Issuer's financial position and move closer to the Issuer's goal of having a 35% equity ratio. The Offering is also intended to facilitate increased liquidity of the Shares and creating a more diverse shareholder base. Proceeds from the Offering have not been committed to any specific project or investment but are intended to strengthen the Issuer's equity position and to fund growth through either internal or external investments as opportunities arise.</p> <p>Net proceeds from the 225,000,000 shares offered for sale in the Offering are a minimum of ISK 2,015 million based on the minimum price of the Offering.</p>
E.3	Form and terms of offering	<p>The Offering described in this Prospectus is a public offering to Icelandic investors in accordance with Article 43 (1) of Act No. 108/2007 on Securities Transactions.</p> <p>Iceland Seafood reserves the right to cancel the Offering if subscriptions are not received for all the offered Shares and if Nasdaq Iceland rejects the Issuer's application to have all Shares in the Issuer admitted to trading on the regulated market of Nasdaq Iceland or does not approve its application by 20 October 2019 and will in such an event publish an announcement thereof alongside the announcement of the result of the Offering. Iceland Seafood also reserves the right to postpone the Offering, extend it or cancel it at any time up until Nasdaq Iceland announces that the Shares will be admitted to trading, if any events occur which Iceland Seafood believes may result in the Iceland Seafood's objectives not being reached, such as factors concerning the Offering itself, negative economic developments or adverse conditions in the securities market in Iceland.</p> <p>Subscription period</p> <p>Subscriptions will be received from 12.00 GMT 16 October 2019 until 16.00 GMT 18 October 2019. No subscriptions will be accepted after the subscription period has finished unless the Issuer specifically decides to postpone the Offering or to extend it.</p> <p>Seller and Issuer</p> <p>Iceland Seafood International hf.</p> <p>ID Number 611088-1329 Registered Offices Köllunarklettsvegur 2, 104 Reykjavík, Iceland Phone +354 550 8000 Web address www.icelandseafood.com</p> <p>Listing Advisor and Manager of the Offering</p> <p>Kvika banki hf.</p> <p>ID Number 540502-2930 Registered Offices Borgartún 25, 105 Reykjavík, Iceland Phone +354 540 3200 Web address www.kvika.is E-mail address icelandseafood@kvika.is</p>

		<p>Pricing and types of subscription</p> <p>Investors are invited to submit offerings in two Order Books.</p> <p><i>Order Book A</i></p> <p>A total of 30,000,000 Shares, or 1.17% of issued share capital in Iceland Seafood, are offered for sale in Order Book A. Order Book A will be for subscriptions with a purchase value ranging from ISK 100,000 to ISK 10,000,000. Order Book A will be for subscriptions ranging from ISK 9,40-9,82 price per Share. All shares sold in Order Book A will be allocated at the same price (Offering Price A) which will be within the above price range</p> <p><i>Order Book B</i></p> <p>A total of 195,000,000 Shares, or 7.61% of issued share capital in Iceland Seafood, are offered for sale in Order Book B. Order Book B is for subscriptions with a purchase value of more than ISK 10,000,000 and the size of each subscription is only limited by the aforementioned supply in this Order Book. Order Book B is for subscriptions which are a minimum of ISK 9,40 price per Share and no maximum price is specified by the Seller. All Shares sold in Order Book B will be allocated at the same price (Offering Price B) which will be higher or equal to the aforementioned minimum price. Subscriptions where a lower maximum price is specified will therefore be rejected.</p> <p>The Issuer reserves the right to make changes to the above stated division between Order Books A and B with respect to the total size of each Order Book.</p> <p>Conditions for participation</p> <p>The Offering is marketed in Iceland. Participation in the Offering is open to persons (individuals as well as legal entities) holding an Icelandic identification number, provided that the person in question is legally competent to manage their financial affairs and has the power to decide over their financial estate, with restrictions that may be imposed by law. Employees of Kvika, the listing advisor and manager of the Offering, are subject to Kvika's Rules on employee trading in financial instruments and currencies, last updated in August 2019, which prohibit employees to participate in the Offering.</p> <p>Subscriptions</p> <p>Subscriptions shall be registered electronically on a special subscription form (subscription website) which can be reached via the website of the Manager of the Offering, www.kvika.is. or through the Offering website www.kvika.is/ISI. Subscriptions will not be accepted in any other format. The subscription form will be available in English and Icelandic. In order to submit a subscription investors have to register to the relevant Order Book A or B on the subscription website, through either of the following methods: a) electronic ID, b) ID no and password obtained from the Manager of the Offering.</p> <p>When subscribing, investors specify the purchase price of the Shares they wish to buy in the Offering. The purchase value of subscriptions is rounded down to the nearest whole Share as the purchase price is calculated as a multiple of the number of whole Shares and the price per Share.</p> <p>Electronic confirmation from the subscription website is required as valid proof of subscription. Such confirmation will appear at the end of the registration process and also sent to the e-mail address provided by the investor. All subscriptions are binding for the respective investor. Investors are not entitled to cancel or change a subscription which they have confirmed and delivered in the Offering.</p>
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		<p>Composite Subscriptions</p> <p>Investors are allowed to submit multiple subscriptions (a composite subscription) in the Offering. By submitting a composite subscription investors can submit subscriptions at different prices. No restrictions are to the number of subscriptions permitted, other than those resulting from the maximum and minimum subscription in each Order Book, as total subscriptions in a composite subscription are limited to the maximum subscription in the relevant Order Book. Whereby multiple subscriptions made by a single investor are equal to or above the final Offering Price, the subscriptions will be seen as a single combined subscription.</p> <p>Subscriptions by financial institutions which offer asset management services</p> <p>Financial institutions which offer asset management services pursuant to Article 3 (6.c) of Act No. 161/2002 on Financial Undertakings are granted certain exemptions with respect to subscriptions and subscription forms in Order Book A. They are given the opportunity to submit subscriptions on behalf of investors on a special subscription form which can be obtained from the Manager of the Offering.</p> <p>Allocation and reduction of shares</p> <p>In the event that the combined number of Shares of valid subscriptions exceeds the number of Shares that the Seller decides to sell in the Offering, the Seller will allocate Shares to individual subscribers.</p> <p>> The main rule when allocating Shares in Order Book A is that subscriptions are assessed on the basis of price. Should that not be sufficient, subscriptions will be reduced proportionally with the exception that proportional reduction will not be applied to subscriptions of ISK 500,000 purchase value or lower. If further reductions are required, subscriptions in Order Book A will be further reduced by flat rate reductions</p> <p>> The main rule when allocating shares in Order Book B is that subscriptions are assessed on the basis of price. Subscriptions in Order Book B will be reduced (in part or rejected) so that what remains are the subscriptions received with the highest price per Share, so that the combined number of Shares (based on the final Offering Price B) in all valid subscriptions in Order Book B after reduction is equal to the number of Shares which the Seller decides to offer investors who have subscribed for Shares in Order Book B.</p> <p>If subscriptions are reduced, in part or rejected, each reduction or rejection will be at the sole discretion of the Seller. Sole discretion means that the Seller is not obliged to reveal how the reduction or rejection was decided and the counterparty will not be given the opportunity to object to the decision or its application.</p> <p>Notification of the result</p> <p>The results of the Offering are expected to be published in the European Economic Area on at the latest on 21 October 2019.</p> <p>Notification of allocation, payment instructions and settlement</p> <p>Information on allocation and payment instructions is expected to be available on 22 October and will be available to investors on the subscription website, however this could be at an earlier or later date. The Manager of the Offering will send participants an e-mail containing information on how to access information on each individual allocation and payment instructions regarding allocated shares to the email address specified by the investor in the subscription process. Investors are responsible for ensuring that the e-mail address provided is valid and able to receive the necessary documentation. Payment instructions will be in the form of electronic invoices made out to the name and ID number of each investor allocated Shares in the Offering. The invoices can be paid in any Icelandic retail bank. The Manager of the Offering will send the invoices to the online bank account of the investor's choosing. The</p>
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E.4	Conflicts of interest	<p>Members of the Issuer's Executive Management and members of the Board of Directors own shares in the Issuer. Furthermore, several employees and members of the Executive Management own stock options issued by Iceland Seafood. Several of these individuals have contributed to the preparation of this Prospectus and the admission of Iceland Seafood's shares to trading.</p> <p>Among large shareholders in Iceland Seafood is the Group's CEO, Bjarni Ármannsson, through his company Sjárvarsýn ehf. which holds a 10.6% share in the Issuer at 1 October 2019. Additionally, Bjarni indirectly holds a 1.5% share in the Issuer through Sjárvarsýn's shares in Solo Holding ehf., which is co-owned with other shareholders, all of which are also direct shareholders in Iceland Seafood. Solo Holding ehf.'s shareholders are currently preparing dissolving their joint ownership in the company and, once complete, Shares in Iceland Seafood will be distributed to shareholders in Solo Holding ehf. in direct proportion to their holdings.</p> <p>Jakob Valgeir Flosason, a member of the Board of Directors of Iceland Seafood is CEO of fishery Jakob Valgeir ehf. which is a large supplier of seafood to the Issuer. He directly holds a 6% share in the company along with his wife who holds a 51.2% share in Jakob Valgeir ehf. through holding companies F84 ehf., B15 ehf. and Salting ehf. and his father who holds 10.5%. For further information on transactions with related parties see chapter 10.5 Related parties in the Registration Document. Jakob Valgeir ehf. directly holds a 9.7% share in the Issuer at 1 October 2019 and indirectly holds a 1.5% share through his shares in Solo Holding ehf. which is co-owned with other shareholders, all of which are also direct shareholders in Iceland Seafood. Solo Holding ehf.'s shareholders are currently preparing dissolving their joint ownership in the company and, once complete, Shares in Iceland Seafood will be distributed to shareholders in Solo Holding ehf. in direct proportion to their holdings.</p> <p>Prior to being elected to Iceland Seafood's Board of Directors in February 2019, Magnús Bjarnason, chairman of the Board of Directors, was an advisor to the seller in relation to Iceland Seafood's acquisition of Oceanpath Ltd. in 2018. Further,</p>

		<p>Magnús was an advisor to the seller in relation to Iceland Seafood's acquisition of Solo Seafood ehf.</p> <p>Kvika is Iceland Seafood's Listing Advisor in relation to the Offering of new shares and Iceland Seafood's shares being admitted to trading on Nasdaq Iceland through its Corporate Finance and Capital Markets departments who have contributed to the preparation of this Prospectus. Kvika will receive a fee for this work which is partially fixed, partially dependent on the final price of shares sold in Iceland Seafood's Offering of new shares and partially dependent on the difference between the average price of Iceland Seafood's Shares in June 2019 and the average price of the Shares in the period between when eleven calendar months have passed from the listing of the Shares on the Regulated Market of Nasdaq Iceland and until twelve months have passed from the listing of the Shares, subject to customary adjustments. Additionally, Kvika's Proprietary Trading department acts as a market maker for the Issuer's shares and for that purpose holds an average of 3-4% of the Issuer's shares in its portfolio.</p> <p>The Board of Directors is not aware of any other potential conflicts of interest between the duties of the members of the Board of Directors or members of the Executive Management to the Issuer and their private interests or other duties.</p>
E.5	Seller and lock up agreement	<p>The Seller is Iceland Seafood International hf., the Issuer of the shares.</p> <p>No lock-up agreements regarding disposal of Shares will be in place for any shareholders following admittance to trading to the best knowledge of the Issuer</p>
E.6	Dilution effect	<p>The Offering is comprised of 225,000,000 new shares issued and sold by the Issuer, equivalent to 9.63% of the Issuer's share capital pre-dilution and 8.78 % post dilution. The total share capital of the Issuer prior to the share increase is ISK 2,336,344,934 and increases to ISK 2,561,344,934 post Offering.</p>
E.7	Expenses borne by the investor	<p>No special costs will be imposed on the investor in respect of the transaction by the Issuer, Listing Advisor nor Manager of the Offering, however, investors are urged to consider whether any costs or fees will be charged by other parties in connection with the transaction.</p>

Securities Note

October 2019



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1 RISK FACTORS

Iceland Seafood International hf., reg. no. 611088-1329, with registered address at Köllunarklettsvegur 2, 104 Reykjavík, is an Icelandic public limited liability company (hereafter, together with its subsidiaries, referred to as “Iceland Seafood”, the “Issuer”, or the “Group”). Iceland Seafood is a worldwide sales, processing and marketing group for a variety of frozen, fresh, salted and dried seafood and seafood products.

To the best knowledge of the Issuer, all risk factors that Iceland Seafood considers material to the securities being admitted to trading, to assess the market risk associated with these securities, are presented in this chapter *1 Risk Factors* in this Securities Note, dated 3 October 2019. Investing in equities involves inherent risks. Prospective investors should study all the information contained in the Prospectus regarding, among other things, the risk factors that could significantly affect the Issuer and investments in the Issuer's shares (hereafter referred to as “Securities” or “Shares”). The trading price of Iceland Seafood's shares could decline due to any of these risks and investors could lose all or part of their investment. Additional risks and uncertainties not presently known to the Issuer or the Issuer's Board of Directors (hereafter referred to as the “Board of Directors” or the “Board”) or, that they currently deem immaterial, may also adversely affect Iceland Seafood's share price. This Securities Note should be read in conjunction with other parts of the Prospectus.

1.1 Equity Investment Risks

Equity investments involve a variety of risks. Examples of such risk factors that may have a considerable effect on the price of Iceland Seafood's stock, and thereby on the investment value, are market risk and liquidity risk. In addition, it must be kept in mind that shares are a subordinated claim on the assets of companies, meaning, that in the event of Iceland Seafood's liquidation or voluntary or compulsory winding-up, shareholders would be entitled to receive proportionally what is remaining after all other claims have been met, including but not limited to the expenses of the liquidation. Furthermore, settlement risk exists in relation to shares, if the Issuer or the counterparty fails to deliver the shares, or their value in cash, in due time.

Investors should bear in mind that even though equity investments can provide a good return, there is always the risk that shares of individual companies might decline in value. Those who intend to invest in the Issuer must be aware that there is no guarantee of a positive return on the investment. Therefore, diversification of risk is advised for those who intend to invest in equities.

1.1.1 Market Risk

The operating income of Iceland Seafood may be volatile as set out in the various risk sections of this document, which may cause revenues for certain periods to fall below expectations and possibly have a negative effect on the Group's stock.

If Iceland Seafood's shares will be listed on the Regulated Market of Nasdaq Iceland, they may be impacted by events that affect the Icelandic equity market in general, such as macro-economic, political or media-driven events. The price of Iceland Seafood's shares may fluctuate due to these factors. Furthermore, the price of Iceland Seafood's shares may be exposed towards

the industries found comparable by market participants. Similarly, Iceland Seafood's share price might be correlated with other shares issued by any other comparable companies listed on the market.

1.1.2 Liquidity Risk

The Issuer's shares are currently listed on the multilateral trading facility, First North Iceland (hereafter referred to as "First North Iceland"), but the Issuer intends to list its shares on the Regulated Market of Nasdaq Iceland. Even if the Issuer's shares are admitted to trading on the Regulated Market of Nasdaq Iceland, continued active trading of the shares is not guaranteed, and it is neither possible to predict liquidity nor the extent of future trading of the Issuer's shares. Limited trading volume may result in difficulties for shareholders to sell shares.

In order to minimise liquidity risk the Issuer has entered into market making contracts which are further described in chapter 7.2 *Market making*.

1.1.3 Denomination of Shares

The share capital of the Issuer is denominated and traded in Icelandic króna (hereafter referred to as "ISK"). Shareholders of Iceland Seafood will therefore be exposed to ISK risk. The ISK exchange rate may fluctuate significantly without such fluctuations being offset by corresponding changes in the share price of Iceland Seafood.

1.1.4 Ownership Risk

Shareholder ownership structure can be a risk factor for investors. Lack of leading investors or concentrated ownership are examples of circumstances that can have negative effects on liquidity, price formation and/or shareholder control, among other things. Investors should also be aware that ownership of the Issuer can change swiftly. In that respect, it shall be noted that according to Article 4 of Iceland Seafood's Articles of the Association, the Board is authorised to increase the share capital of the Issuer, without shareholders having a pre-emptive right to subscribe for the new shares, which could result in share dilution of shareholders. For further information on share dilution due to the Board of Director's authorisation to increase share capital, reference is made to chapter 1.1.6 *Risk of Share Dilution*.

Those investing in shares traded on the Regulated Market of Nasdaq Iceland are subject to public regulation relating to securities transactions, including but not limited to rules relating to insider trading, market manipulation, takeover bids and changes in significant proportions of voting rights.

The Issuer's ownership structure is fairly distributed. As at 1 October 2019, four individual shareholders directly or indirectly hold more than 10% of the Issuer's share capital, as further described in chapter 11. *Share Capital and Shareholders* of the Registration Document, dated 3 October 2019, which forms a part of this Prospectus.

Holding company Solo Holding ehf. holds 208,719,603 shares in the Issuer, 8.9% of issued share capital as at 1 October 2019. Solo Holding ehf. is owned by five parties, Útgerðarfélag Reykjavíkur hf. (33.3%), Sjávarsýn ehf. (16.7%), Nesfiskur ehf. (16.7%), Jakob Valgeir ehf. (16.7%) and FISK-Seafood ehf. (16.7%) all of which are also direct shareholders in Iceland

Seafood. The shareholders of Solo Holding ehf. are currently preparing dissolving their joint ownership in the company and, once complete, Shares in Iceland Seafood will be distributed to shareholders in Solo Holding ehf. in direct proportion to their holdings.

Further, the Issuer will sell new shares in a public offering to Icelandic investors in accordance with Article 43 (1) of the Act on Securities Transactions (hereafter referred to as the “Offering”).

1.1.5 Dividend Policy Risk

As stated in the Issuer's dividend policy dated 13 March 2019, the Issuer aims to pay annual dividends amounting to 20-40% of the Issuer's profit after tax from each preceding year. However, dividend payments are subject to an assessment of opportunities to reinvest profits into the Iceland Seafood's operations to further fund its growth. Additionally, the dividend policy states the Board of Directors' goal of reaching, and maintaining, a 35% equity ratio within three years from the date of the dividend policy. The Group's equity ratio at 30 June 2019 was 30.6%.

Dividend payments shall always be made in accordance with applicable law and regulations at each time, including Act no. 2/1995 Respecting Public Limited Companies (hereafter referred to as “Act on Public Limited Companies”). Despite the current dividend policy, it is not certain that the Board of Directors will put forward a motion in accordance with the dividend policy. Furthermore, it is possible that the current dividend policy will be amended.

1.1.6 Risk of Share Dilution

When a company issues new shares, it can, in some cases, lead to a reduction in the value of existing shareholders' shares and their proportional ownership of that company. Such reduction is called dilution. Dilution can also occur when holders of stock options issued by the Issuer exercise their options.

In the Issuer's Articles of Association dated 12 June 2019 (hereafter referred to as the “Articles of Association”) there are temporary capital increase authorisations amounting to a total of ISK 352,583,145 in nominal amount, corresponding to 13.1% of total issued capital post dilution. According to the Board's current authorisations to increase the Issuer's share capital, shareholders do not have pre-emptive rights to subscribe for new shares. Should all these authorisations be utilised existing shareholders would be subject to 33.7% dilution of their proportional ownership, assuming they would not participate in any capital increase. Below is a summary of these capital increase authorisations:

Reference to the Articles of Association	Maximum nominal amount	Description
Article 4	42,583,145	To fulfil share option agreements
Article 4	85,000,000	To be used as payment in relation to acquisitions
Article 4	225,000,000	Increase due to listing on Nasdaq Iceland
Total	352,583,145	

Table 1: Capital Increase Authorisations

Article 4

The Board of Directors is authorized to increase the share capital of the Issuer in stages by up to ISK 42,583,145 shares in nominal value. This authorisation of the Board of Directors shall only be utilized to fulfil terms under stock option agreements, current and future, with employees in accordance with the Issuer's stock option plan approved by the Issuer's shareholders' meeting on 11 September 2018. The shareholders of the Issuer do not have pre-emptive subscription rights to shares issued under this authorization. Share prices and the rules governing the purchase of shares shall be in accordance with the terms of the stock option agreements. This authorization shall be valid until 11 September 2023.

Article 4

In connection with potential acquisitions, the Board of Directors is authorized to increase the share capital of the Issuer in stages by up to ISK 85,000,000 shares in nominal value by way of issuing new shares. This authorization of the board of directors shall be valid until 15 June 2020. The shareholders of the Issuer shall not have pre-emptive subscription rights to shares issued under this authorization, cf. Article 7 of these Articles of Association and Article 34 (3) of the Icelandic Act No. 2/1995 on Public Limited Liability Companies. The Board of Directors determines the offer price of the new shares, the terms of sale, the subscription deadline and deadline for payment. The Board of Directors shall be authorized to make necessary changes to the Issuer's Articles of Association resulting from the issue

Article 4

The Issuer's Board of Directors is authorized to increase the Issuer's share Capital by as much as ISK 225.000.000 of nominal value by issuing new shares in relation to the Issuer's listing of the Issuer's shares on the regulated market of Nasdaq Iceland. This authorization of the board of directors shall be valid until 31 December 2019. The shareholders of the Issuer shall not have preemptive subscription rights to shares issued in relation to the listing of the Issuer's shares on the regulated market of Nasdaq Iceland under this authorization, cf. Article 7 of these Articles of Association and Article 34 (3) of the Icelandic Act No. 2/1995 on Public Limited Liability Companies. The Board of Directors determines the offer price of the new shares, the terms of sale, the subscription deadline and deadline for payment. The Board of Directors shall be authorized to make necessary changes to the Issuer's Articles of Association resulting from the issue. The shareholders of the Issuer do not have pre-emptive subscription rights to shares issued under this authorization.

Furthermore, unless otherwise provided for in the Articles of Association, shareholders shall have pre-emptive rights to all increases in share capital in direct proportion to their holding in the Issuer. If shareholders do not exercise their pre-emptive rights, as applicable, they can be diluted.

1.1.7 Changes in Law

The admission to trading of the Issuer's shares on the Regulated Market of Nasdaq Iceland is subject to Icelandic laws in force on the date of the Prospectus. No assurance can be given as to the impacts of any amendments to Icelandic law, court decisions, and/or administrative practice after the date of the Prospectus.

1.1.8 Public Offering and admittance to trading

An application has been filed by the Issuer to have all issued Shares admitted to trading on the regulated market of the Nasdaq Iceland, which if approved, will make the Issuer subject to the provisions of the Securities Transactions Act, along with derived secondary legislation as well as the Nasdaq Iceland's Rules for Issuers of Financial Instruments (hereafter referred to as the “Nasdaq Iceland Rules”). Moreover the Issuer is subject to the Icelandic Financial Supervisory Authority's (hereafter referred to as the “Financial Supercisory Authority“ or “FME“) rules No. 1050/2012 on the treatment of insider information and regulation No. 630/2005 on insider information and market abuse. Any violation of the aforesaid Act, regulations based thereon or the Nasdaq Iceland Rules may have material effect on the Issuer's financial position and/or reputation. Infringement of the Issuer Rules may inter alia result in publicly announced reprimands, suspension of trading in the Shares, fines being levied on the Issuer or, if infringements are grievous or reoccurring, the permanent removal of the Shares from trading. Sanctions for violations of the Securities Transactions Act are governed by Chapter XV. Sanctions, of said Act and include fines and imprisonment for up to six years.

Investors are advised that if and when trading in the Shares commences shareholders will be subject to the following chapters of the of the Securities Transactions Act; Chapter IX. on changes in significant ownership stakes (is.flöggun), Chapter X. on takeover bids and Chapter XI. on an offering summary.

The Offering and the application for admission to trading of the Shares is subject to Icelandic legislation as at the date of this Securities Note. Neither the Issuer nor Kvika banki hf., reg. no. 540502-2930, Borgartúni 25, 105 Reykjavík (hereafter referred to as ”Kvika“ the “Listing Advisor“ or the “Manager of the Offering“) as the Listing Advisor and manager of the Offering, assume any liability for impacts due to amendments of laws or court decisions that may occur after the date of this Securities Note. However, if significant new information, material mistakes or inaccuracy relating to information in the Securities Note, likely to affect the assessment of the Shares, is discovered between the time the Prospectus is approved, as per Article 52 of the Securities Transactions Act, and the final closing of the Offering or, if applicable, the time when the Shares are admitted to trading, a supplement to the Prospectus will be prepared containing the changes and/or new information in question in accordance with Article 46 of said Act. The supplement shall be approved within seven working days and published in the same manner as the original Prospectus. The Summary and any translations thereof shall also be supplemented if necessary, to take into account the new information included in the supplement. Investors who have already agreed to purchase or subscribe for Shares before the supplement is published shall have the right to withdraw their subscriptions for a period of at least two working days following the publication of the supplement.

2 DEFINITIONS

“Iceland Seafood”, the “Issuer” or the “Group”	Iceland Seafood International hf., reg. no. 611088-1329, Köllunarklettsvegur 2, 104 Reykjavík, Iceland
“Act on Public Limited Companies”	Act no. 2/1995 Respecting Public Limited Companies
“Act on Securities Transactions”	Act no. 108/2007, on Securities Transactions
“Articles of Association”	The Issuer's Articles of Association dated 12 June 2019
“Board of Directors” or the “Board”	The Board of Directors of Iceland Seafood
“Ex-date”	The business day after a dividend proposal is approved
“Executive Management” or “Management Team”	Iceland Seafood's CEO and CFO
“Financial Supervisory Authority” or “FME”	The Financial Supervisory Authority, Iceland
“First North Iceland”	First North Iceland, the multilateral trading facility operated by Nasdaq Iceland
“First North Iceland Rules”	Nasdaq First North Nordic – Rulebook, issued 1 January 2019
“IFRS”	International Financial Reporting Standards
“Inheritance Act”	Act no. 14/2004 on Inheritance Tax
“ISK”	The Icelandic króna
“ITA”	Act no. 90/2003 on Income Tax
“Kvika” the „Listing Advisor “ or the „Manager of the Offering“	Kvika banki hf., reg. no. 540502-2930, Borgartúni 25, 105 Reykjavík
“Market Makers”	Kvika banki hf. and Arion banki hf. who have entered into market making agreements with the Issuer
“Nasdaq CSD Iceland”	Nasdaq CSD Iceland hf., reg. no. 500797-3209, Laugavegi 182, 105 Reykjavík
“Nasdaq Iceland Rules”	The rules for issuers of financial instruments, issued by Nasdaq Iceland hf., effective as of 1 July 2018
“Nasdaq Iceland” or the “Exchange”	NASDAQ Iceland hf., Laugavegi 182, 105, Iceland

“Offering”	The Issuer's public offering of new Shares in accordance with Article 43 (1) of the Act on Securities Transactions
“Prospectus”	The prospectus dated 3 October 2019, which concerns and is published in relation to Iceland Seafood's application to have all of its shares admitted to trading on the Regulated Market of Nasdaq Iceland, consisting of this securities note, a registration document and a summary, all dated 3 October 2019
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading
“Registration Document”	The registration document dated 3 October 2019, which concerns and is published in relation to Iceland Seafood's application to have all of its shares admitted to trading on the Regulated Market of Nasdaq Iceland
“Regulated Market of Nasdaq Iceland”	The regulated market of Nasdaq Iceland
“Securities” or “Shares”	Shares issued by Iceland Seafood
“Securities Note”	This securities note dated 3 October 2019, which concerns and is published in relation to Iceland Seafood's application to have all of its shares admitted to trading on the Regulated Market of Nasdaq Iceland
“WTA”	Act no. 94/1996 on Withholding of Tax on Financial Income

3 NOTICE TO INVESTORS

This Securities Note, dated 3 October 2019 (hereafter referred to as the “Securities Note”), has been scrutinised and approved by the Financial Supervisory Authority. This Securities Note is a part of the Issuers' Prospectus, dated 3 October 2019 (hereafter referred to as the “Prospectus”), which concerns, and is published in relation to the Issuer's application to have all its shares admitted to trading on the Regulated Market of Nasdaq Iceland hf. and the Issuer's public offering of new shares as described in the Prospectus. The Prospectus has been prepared in accordance with Icelandic laws and regulations in effect on the date of the Securities Note, including Act no. 108/2007, on Securities Transactions (hereafter referred to as the “Act on Securities Transactions”) and directive 2003/71/EC of the European Parliament and of the Council of 4. November 2003 (hereafter referred to as the “Prospectus Directive”), which has been implemented into Icelandic law. In that respect, reference is made to regulation no. 837/2013 regarding public offering of securities equivalent to EUR 5 million or more in Icelandic króna and admission to trading on a regulated market. Furthermore, reference is made to regulation no. 243/2006 on the entry into force of Commission Regulation no. 809/2004, on the implementation of the Prospectus Directive, concerning information in prospectuses, their presentation, information incorporated by reference, publication of prospectuses as well as distributions of advertisements, all as amended. The Prospectus is in accordance with the provisions of Annex I and Annex III of supplement I to regulation no. 243/2006. The Securities Note is in accordance with provisions of Annex III, setting out minimum disclosure requirements for share securities note. The Prospectus is further prepared with regard to the Rules for issuers of financial instruments, issued by Nasdaq Iceland hf. (hereafter referred to as “Nasdaq Iceland” or the “Exchange”), effective as of 1 July 2018 (hereafter referred to as the “Nasdaq Iceland Rules”).

The Prospectus is published in English and consists of three documents, a Summary dated 3 October 2019, this Securities Note dated 3 October 2019, and a Registration Document dated 3 October 2019 (hereafter referred to as the “Registration Document”). An Icelandic translation of the Summary has been prepared but should there be any differences between the Icelandic translation of the Summary and the original English text, the English text prevails. The Prospectus is available for viewing at the Issuer's registered office at Köllunarklettsvegur 2, 104 Reykjavík, Iceland for 12 months from the date of the publication of the Prospectus. The Prospectus will also be available on the Issuer's website: www.icelandseafood.com.

The information appearing in this Prospectus should not be construed as an offer, a recommendation or solicitation to buy, hold or sell shares in the Issuer or to take any other investment decisions.

The Prospectus contains information for investors to evaluate the Issuer's assets and liabilities, financial situation, performance and outlook, as well as the various rights attached to the Issuer's shares. Investors are encouraged to familiarize themselves with all information contained in the Prospectus, especially the chapter named *1 Risk Factors*, both in the Registration Document and in this Securities Note.

Following the publication of the Prospectus, investors are advised to acquaint themselves with all public information issued by Iceland Seafood or concerning Iceland Seafood and/or shares issued by Iceland Seafood. Only the Issuer is entitled to procure information about conditions

described in this Securities Note. Information procured by any other person is of no relevance in relation to this Securities Note and cannot be relied on. No person is authorised to provide information or to make any representation in connection with the Issuer's shares other than as contained in the Prospectus. If any such information is provided or made, it must not be relied upon as having been authorised by the Issuer or any of the Issuer's respective affiliates or advisors.

This Securities Note, as well as other documents which are a part of the Prospectus, may not be sent or otherwise distributed, whether electronically or by other means, to countries in which distribution would require additional registration measures or other measures to be taken other than as applicable under Icelandic laws and regulations, or would be in conflict with laws and regulations in the relevant country. In some jurisdictions laws and regulations may restrict distribution of the Prospectus. Therefore, the Issuer requests that all recipients of the Prospectus familiarize themselves with and act in accordance to such laws and regulations or other restrictions. Iceland Seafood assumes no liability for distribution of the Prospectus by any third parties in any jurisdiction. This Securities Note, as well as any other documents in the Prospectus, should not be distributed or sent to the USA, Australia, Canada or Japan.

This Securities Note, or other documents which are a part of the Prospectus, should by no means be viewed or construed as a promise by the Issuer of future success in operations or as a return on investments. Investors are reminded that equities are risky investments that are based on expectations, not promises. Investors must, first and foremost, trust their own judgment when it comes to investing in the Issuer's shares, and are advised to seek advice from external experts before making investment decisions. Investors are furthermore advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Issuer's securities, and seek external and independent advice in that respect.

Information in this Prospectus is based on circumstances and facts on the date on which the Prospectus is signed. If significant new information, material mistakes or inaccuracies relating to information in the Prospectus, which could affect the assessment of the Issuer's shares, are discovered between the time the Prospectus is approved, cf. article 52 of the Act on Securities Transactions, and the time when the Issuer's Offering is completed or the Issuer's shares are admitted to trading, a supplement to the Prospectus shall be prepared describing the details in question in accordance with Article 46 of the Act on Securities Transactions. The supplement shall be approved within seven working days and published in the same manner as the original Prospectus. The summary and any translations thereof shall also be supplemented if necessary, to take into account the new information included in the supplement. Investors who have already agreed to purchase or subscribe for shares before the supplement is published shall have the right to withdraw their subscriptions for a period of at least two working days following the publication of the supplement.

As the Issuer's shares were admitted to trading on the Nasdaq First North Iceland in May 2016, the Issuer is already under disclosure obligation on the market pursuant to applicable laws and regulations, cf. the Act on Securities Transactions, publicly issues announcements, and is governed by the Nasdaq First North Nordic – Rulebook, issued on 1 January 2019. If the Issuer's shares will be admitted to trading on the Regulated market of Nasdaq Iceland, the Nasdaq

Iceland Rules provisions concerning shares will also become applicable to the Issuer, but the First North Iceland Rules will not apply to the Issuer from that time.

3.1 Potential Conflicts of Interest

Members of the Issuer's Executive Management and members of the Board of Directors own shares in the Issuer. Furthermore, several employees and members of the Executive Management own stock options issued by Iceland Seafood. Several of these individuals have contributed to the preparation of this Prospectus and the admission of Iceland Seafood's shares to trading.

Among large shareholders in Iceland Seafood is the Group's CEO, Bjarni Ármannsson, through his company Sjárvarsýn ehf. which holds a 10.6% share in the Issuer at 1 October 2019. Additionally, Bjarni indirectly holds a 1.5% share in the Issuer at 1 October 2019 through Sjárvarsýn's shares in Solo Holding ehf., which is co-owned with other shareholders, all of which are also direct shareholders in Iceland Seafood. Solo Holding ehf.'s shareholders are currently preparing dissolving their joint ownership in the company and, once complete, Shares in Iceland Seafood will be distributed to shareholders in Solo Holding ehf. in direct proportion to their holdings. For further information on Solo Holding ehf. see chapter *1.1.4 Ownership Risk*.

Jakob Valgeir Flosason, a member of the Board of Directors of Iceland Seafood is CEO of fishery Jakob Valgeir ehf. which is a large supplier of seafood to the Issuer. He directly holds a 6% share in the company along with his wife who holds a 51.2% share in Jakob Valgeir ehf. through holding companies F84 ehf., B15 ehf. and Salting ehf. and his father who holds 10.5%. For further information on transactions with related parties see chapter *10.5 Related parties* in the Registration Document. Jakob Valgeir ehf. directly holds a 9.7% share in the Issuer at 1 October 2019 and indirectly holds a 1.5% share at 1 October 2019 through his shares in Solo Holding ehf. which is co-owned with other shareholders, all of which are also direct shareholders in Iceland Seafood. Solo Holding ehf.'s shareholders are currently preparing dissolving their joint ownership in the company and, once complete, Shares in Iceland Seafood will be distributed to shareholders in Solo Holding ehf. in direct proportion to their holdings. For further information on Solo Holding ehf. see chapter *1.1.4 Ownership Risk*.

Prior to being elected to Iceland Seafood's Board of Directors in February 2019, Magnús Bjarnason, chairman of the Board of Directors, was an advisor to the seller in relation to Iceland Seafood's acquisition of Oceanpath Ltd. in 2018. Further, Magnús was an advisor to the seller in relation to Iceland Seafood's acquisition of Solo Seafood ehf. For further information on the transactions see chapter *9.3 Significant Developments in the Period* in the Registration Document.

Kvika is Iceland Seafood's Listing Advisor in relation to the Offering of new shares and Iceland Seafood's shares being admitted to trading on Nasdaq Iceland through its Corporate Finance and Capital Markets departments who have contributed to the preparation of this Prospectus. Kvika will receive a fee for this work which is partially fixed, partially dependent on the final price of shares sold in Iceland Seafood's Offering of new shares and partially dependent on the difference between the average price of Iceland Seafood's Shares in June 2019 and the average price of the Shares in the period between when eleven calendar months have passed from the listing of the Shares on the Regulated Market of Nasdaq Iceland and until twelve months have

passed from the listing of the Shares, subject to customary adjustments. Additionally, Kvika's Proprietary Trading department acts as a market maker for the Issuer's shares and for that purpose holds an average of 3-4% of the Issuer's shares in its portfolio.

The Board of Directors is not aware of any other potential conflicts of interest between the duties of the members of the Board of Directors or members of the Executive Management to the Issuer and their private interests or other duties.

3.2 Third Party Information

Where third party information has been used in the Prospectus, the information has been accurately reproduced and the source of such information has been identified. As far as the Issuer is aware and able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. When third party information has been used in the Prospectus, it has been on the basis of publicly available information which is cited in footnotes where applicable.

4 PERSONS RESPONSIBLE

4.1 Company's Statement


Iceland Seafood and the Board of Directors are responsible for the content of this Prospectus. Iceland Seafood and the Board of Directors hereby declare that, having taken all reasonable care to ensure that such is the case, the information in this Prospectus is, to the best of Iceland Seafood's and the Board of Directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavik, 3 October 2019

For and on behalf of Iceland Seafood


Bjarni Ármannsson, CEO of Iceland Seafood

For and on behalf of the Board of Directors

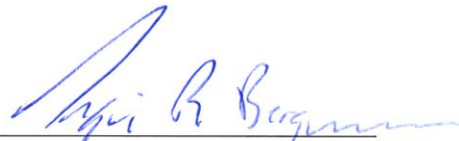

Magnús Bjarnason, Chairman of the Board of Directors

4.2 Statutory Auditor's Statement

Deloitte ehf., registration number 521098-2449, Smáratorg 3, 201 Kópavogur, Iceland, has audited the consolidated financial statements of the Group for the years ended 31 December 2018, 2017 and 2016 and reviewed the interim financial statements for the six months ended 30. June 2019. Deloitte ehf. hereby confirms that the consolidated financial statements of the Group for the years ended 31 December 2018, 2017 and 2016 and the six months ended 30 June 2019 give a true and fair view of the financial position of the Group for the respective periods and of its financial performance and its cash flows for the periods in accordance with International Financial Reporting Standards (hereafter referred to as "IFRS"), as adopted by the European Union, and additional requirements in the Act no. 3/2006, on Annual Accounts. Deloitte ehf. confirms that the information reproduced in this Prospectus from the abovementioned consolidated financial statements for the Group is consistent with their respective originals.

Reykjavík, 3 October 2019

On behalf of Deloitte ehf.



Ingvi Björn Bergmann

State Authorised Public Accountant and member of the
Institute of State Authorised Public Accountants in Iceland

4.3 Listing Advisors

Kvika is Iceland Seafood's Listing Advisor and manager of the Issuer's Offering, in relation to the Offering of new shares and Iceland Seafood's shares being admitted to trading on the regulated market of Nasdaq Iceland. Kvika banki hf. has prepared the Prospectus in close co-operation with the Issuer's management and Board of Directors and it has been prepared based on information provided by the Issuer, including audited financial statements for the years ended 2016, 2017 and 2018 and the reviewed interim financial statements for the six months ended 30 June 2019. The Listing Advisors have not independently verified the information contained in the Prospectus. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is assumed by the Listing Advisors as to the accuracy or completeness of the information contained in the Prospectus or any other information provided by the Issuer in connection with the sale of the Issuer's shares.

Additionally, Kvika has prepared an investor presentation in close co-operation with the Issuer's management and Board of Directors which has been prepared based on information provided by the Issuer. As manager of the Offering, Kvika has arranged meetings with investors in preparation for the Offering and has assisted the Issuer's management and Board of Directors in formulating the Offering's terms. Kvika will oversee and manage the Offering process as a whole, from subscriptions being placed until shares have been deposited into appropriate accounts and Iceland Seafood listed on the regulated market of Nasdaq Iceland.

A financial, tax and legal due diligence review was performed or updated as applicable on the Issuer and selected subsidiaries that represent a majority of the Issuer's gross revenue in relation to the Issuer's listing and the offering. The financial and tax due diligence review was conducted by Ernst & Young ehf. The legal due diligence review on Iceland Seafood International hf. and subsidiary Iceland Seafood ehf. were prepared by LEX ehf. Walkers conducted legal due diligence on subsidiary Oceanpath Ltd. Joelson JD LLP conducted legal due diligence on subsidiaries Havelok Limited and Iceland Seafood Barraclough Ltd., J&A Garrigues S.L.P. conducted legal due diligence on subsidiaries Icelandic Freezing Plants Iberica SAU (Icelandic Iberica) and Elaboración de Congelados Málaga S.A (Ecomsa). Tanoira Cassagne Abogados conducted legal due diligence on subsidiary Achernar S.A.A. and finally, Badia advocats conducted legal due diligence on subsidiary Iceland Seafood Spain S.L. As the Issuer and certain subsidiaries recently underwent a due diligence review in relation to the purchase of Solo Seafood in 2018, see chapter 9.3.2 *Solo Seafood* in the Registration Document and the purchase of Oceanpath Ltd., due diligence reports for the applicable companies were updated.

The due diligence reports do not form a part of this Prospectus and are not intended to serve as guidance or recommendation to potential investors in relation to investing in the Shares.

Additionally the Issuer had legal advisory in relation to its Shares being admitted to trading on Nasdaq Iceland from LEX ehf., ID No. 570297-2289, Borgartúni 26, 105 Reykjavík, Iceland

5 KEY INFORMATION ON THE COMPANY

5.1 Working Capital Statement

It is the assessment of the Board of Directors, for and on behalf of the Issuer, that at the date of this Prospectus, the Issuer has sufficient working capital to fulfil its requirements for the next 12 months.

5.2 Capitalisation and Indebtedness

Table 2 below sets forth the capitalisation and indebtedness of the Group as of 31 July 2019. The information has been extracted from the reviewed Consolidated Financial Statements for the Issuer or from the accounting records as of 31 July 2019 and should be read in conjunction with chapter 9 *Operating and Financial Review* in the Registration Document, as well as the Consolidated Financial Statements of the Group, together with the notes thereto, included elsewhere in this Prospectus.

Capitalisation

	As of 31 July 2019
Current debt	
Guaranteed.....	2,479 ¹
Secured.....	45,231 ²
Unguaranteed/unsecured.....	32,896 ³
<i>Total current debt (excluding current portion of long-term debt)</i>	80,606
Non-current debt	
Guaranteed.....	
Secured.....	7,745
Unguaranteed/unsecured.....	5,909 ⁴
<i>Total non-current debt</i>	13,654
Shareholders' equity	
Share capital.....	22,477
Share premium.....	31,150
Legal reserve.....	430
Other reserves.....	(660)
Retained earnings.....	6,099
Total	59,496

Table 2: Capitalisation

All amounts are in EUR '000

¹ Remaining purchase price of Oceanpath Ltd., secured with a bank guarantee, paid in August 2019

² Including current maturities of non current debt

³ Several loan contracts include negative pledge provisions

⁴ Several loan contracts include negative pledge provisions

Indebtedness

	As of 31 July 2019
Cash and equivalents	
(A) Cash	8,216
(B) Cash equivalents.....	0
(C) Trading securities.....	0
(D) Total liquidity (A) + (B) + (C)	8,216
(E) Current financial receivables	0
Current debt	
(F) Current bank debt.....	67,947
(G) Current portion of non-current debt.....	12,659
(H) Other current financial debt.....	0
(I) Total current debt (F) + (G) + (H)	80,606
(J) Net Current Financial indebtedness	(72,390)
Non-current debt	
(K) Non-current bank loans.....	13,654
(L) Bonds issued.....	0
(M) Other non-current loans.....	0
(N) Total non-current financial indebtedness (K) + (L) + (M)	13,654
(O) Net financial indebtedness (J) + (N)	(86,045)

Table 3: Indebtedness

All amounts are in EUR '000

6 OFFER OF NEW SHARES

The public offering described in this Securities Note is a public offering to Icelandic investors in accordance with Article 43 (1) of the Act on Securities Transactions. The Offering is comprised of 225,000,000 new shares issued and sold by the Issuer, equivalent to 9.63% of the Issuer's share capital pre-dilution and 8.78% post dilution. The total share capital of the Issuer prior to the share increase is ISK 2,336,344,934 and increases to ISK 2,561,344,934 post Offering.

The purpose of the Offering is to strengthen the Issuer's financial position and move closer to the Issuer's goal of having a 35% equity ratio. The Offering is also intended to facilitate increased liquidity of the Shares and creating a more diverse shareholder base. Proceeds from the Offering have not been committed to any specific project or investment but are intended to strengthen the Issuer's equity position and to fund growth through either internal or external investments as opportunities arise.

The subscription period for the Offering will start at 12:00 GMT 16 October 2019 and end at 16:00 GMT 18 October 2019, subject to shortening or extensions. The result of the Offering is expected to be published at the latest on 21 October. Information on the allocation of Shares to investors in the Offering (i.e. confirmation or reduction of subscriptions) is expected to be available to investors on 22 October, the final due date is set for 25 October and paid Shares will be delivered to the buyer after the close of trading on the Regulated Market of Nasdaq Iceland and First North Iceland on 28 October. Pursuant to the above information the first expected day of trading the Shares on the regulated market of Nasdaq Iceland is 29 October 2019.

Iceland Seafood reserves the right to cancel the Offering if subscriptions are not received for all the offered Shares and if Nasdaq Iceland rejects the Issuer's application to have all Shares in the Issuer admitted to trading on the regulated market of Nasdaq Iceland or does not approve its application by 20 October 2019 and will in such an event publish an announcement thereof alongside the announcement of the result of the Offering.

Iceland Seafood also reserves the right to postpone the Offering, extend it or cancel it at any time up until Nasdaq Iceland announces that the Shares will be admitted to trading, if any events occur which Iceland Seafood believes may result in the Iceland Seafood's objectives not being reached, such as factors concerning the Offering itself, negative economic developments or adverse conditions in the securities market in Iceland. If the Offering is cancelled pursuant to the above, all subscriptions for Shares in the Offering and allocations made on the basis thereof will consequently be invalidated. It will be publicly announced if the Offering is cancelled or if the Offering period is extended or postponed.

The Offering is not underwritten.

Table 4 Timeline of Offering below lists the main events in Iceland Seafood's Offering:

16 October 2019	17 October 2019	18 October 2019	21 October 2019	22 October 2019	25 October 2019	29 October 2019
12:00 GMT Subscription period begins	Subscription period continues	16:00 GMT Subscription period ends	Offering results published	Information on allocation available to investors	Final due date for payment of subscriptions	First expected day of trading

Table 4 Timeline of Offering

The above schedule assumes that Iceland Seafood does not change the subscription period, that the processing of subscriptions does not take a shorter or longer time than the Issuer expected and the Issuer's application to Nasdaq Iceland is responded to within the timeframe expected by the Issuer.

6.1 Parties to the Offering

6.1.1 Seller and Issuer

Iceland Seafood International hf.

ID Number 611088-1329
Registered Offices Köllunarklettsvegur 2,
 104 Reykjavík, Iceland
Phone +354 550 8000
Web address www.icelandseafood.com

6.1.2 Listing Advisor and Manager of the Offering

Kvika banki hf.

ID Number 540502-2930
Registered Offices Borgartún 25, 105 Reykjavík, Iceland
Phone +354 540 3200
Web address www.kvika.is
E-mail address icelandseafood@kvika.is

6.2 Size of Offering, pricing and size benchmarks

In this Offering Iceland Seafood intends to sell a total of 225,000,000 new Shares in Iceland Seafood or 8.78% of issued share capital in the Issuer post dilution. Investors are offered two subscription options, Order Book A and Order Book B, which differ in terms of size of subscription, pricing and rules of allocation. A brief description follows in sections A and B below. However, for the full conditions of the Offering, investors must read chapter 6. *Offer of new Shares* of this Securities Note in its entirety.

Orderbook A

A total of 30,000,000 Shares, or 1.17% of issued share capital in Iceland Seafood post dilution, are offered for sale in Order Book A. The maximum size of subscriptions in Order Book A is restricted to Shares with a purchase value of ISK 10,000,000 and the minimum size of subscriptions in Order Book A is restricted to Shares with a purchase value of ISK 100,000.

Order Book A will be for subscriptions ranging from ISK 9.40–9.82 price per Share. All shares sold in Order Book A will be allocated at the same price (Offering Price A) which will be within the above price range. Subscriptions where a lower maximum price is specified will therefore be rejected. The Offering Price in Order Book A will not be higher than the Offering Price in Order Book B.

Orderbook B

A total of 195,000,000 Shares, or 7.61% of issued share capital in Iceland Seafood post dilution, are offered for sale in Order Book B. The minimum size of subscriptions in Order Book B is a purchase value of ISK 10,000,001 and the maximum size of each subscription is only limited by the aforementioned supply in this Order Book.

Order Book B is for subscriptions which are a minimum of ISK 9.40 price per Share and no maximum price is specified by the Seller. All Shares sold in Order Book B will be allocated at the same price (Offering Price B) which will be higher or equal to the aforementioned minimum price. Subscriptions where a lower maximum price is specified will therefore be rejected.

The Issuer reserves the right to make changes to the above stated division between Order Books A, and B with respect to the total size of each Order Book. The decision on the distribution between Order Book A and B will be made upon allocation, provided that demand warrants the change in distribution with respect to price and volume. The total proceeds of the 225,000,000 Shares offered for sale in the Offering are a minimum of ISK 2,115 million based on the minimum price in the Offering.

	% of issued shares post dilution	No. of Shares	Price minimum	range/ per	Value based on min.price
Orderbook A (subscriptions ISK 0,1 – 10 million)	1.17%	30,000,000	ISK 9.40–9.82	per Share	ISK 282,000,000
Orderbook B (subscriptions > ISK 10 million)	7.61%	195,000,000	ISK 9.40	per Share	ISK 1,833,000,000
Total	8.78%	225,000,000			ISK 2,115,000,000

Table 5 Size and division of the Offering

6.3 Subscription period and registration of subscriptions

Subscriptions will be received from 12:00 GMT 16 October 2019 until 16:00 GMT 18 October 2019. No orders will be accepted after the subscription period has finished unless the Issuer specifically decides to postpone the Offering or to extend it.

If the Offering period is extended or postponed, a supplement to this Securities Note will be published explaining the change. All important new information, considered to have an impact on investors' assessment of the Shares, that has come to light since the confirmation of this Securities Note will also be published. The supplement shall be approved within seven working days and published in the same manner as the original Securities Note. In accordance with Article 46 of the Act on Securities Transactions investors who have already agreed to purchase or subscribe for securities before the supplement is published shall have the right to withdraw their subscriptions for a period of at least two working days following the publication of the supplement.

Subscriptions shall be registered electronically on a special subscription form (subscription website) which can be reached via the website of the Manager of the Offering, www.kvika.is or through the Offering website www.kvika.is/ISI. Subscriptions will not be accepted in any other format. The subscription form will be available in English and Icelandic.

Subscriptions must be confirmed by the investors themselves or a person who has the required authority or power of attorney from the investor. A person completing a subscription on the basis of power of attorney shall, should the power of attorney not be recognized by the principal, be deemed to have delivered the subscription in his/her own name. In order to submit a subscription investors have to register to the relevant Order Book A or B on the subscription website, through either of the following user ID

- A. ID-No. and permission obtained through an electronic ID (ísl. rafræn skilríki) through the subscription website; or
- B. ID-No. and password which can be obtained from the Manager of the Offering by signing a witnessed application for a password or by any other method of verification which the Manager of the Offering considers satisfactory.

Electronic confirmation from the subscription website is required as valid proof of subscription. Such confirmation will appear at the end of the registration process and also sent to the e-mail address provided by the investor.

Investors must specify the account operator (bank or other organization with a membership agreement with the Nasdaq CDS Iceland) which they wish to use to receive the Shares upon settlement.

When subscribing, investors specify the purchase price of the Shares they wish to buy in the Offering. The purchase value of subscriptions is rounded down to the nearest whole Share as the purchase price is calculated as a multiple of the number of whole Shares and the price per Share.

- In Order Book A investors submit subscriptions which specify the requested total purchase price. Investors can make the subscription conditional on the final Offering Price in Order Book A not exceeding a specific maximum price per Share, specified by the investor on the subscription form. If no maximum price is specified, or if the final Offering Price in Order Book A is the same or lower as the specified maximum price the subscription will be considered to be made at the final Offering Price A, decided by the Issuer. If the final Offering Price A exceeds the maximum price specified by the investor, the subscription will be invalidated.
- In Order Book B investors shall submit subscriptions specifying the total purchase price and the maximum price per Share. If the final Offering Price B exceeds the maximum price specified by the investor, the subscription will be invalidated.

All subscriptions are binding for the respective investor. Investors are not entitled to cancel or change a subscription which they have confirmed and delivered in the Offering. Investors can obtain information on the Offering and the subscription procedure from the Manager of the Offering by phone or e-mail between 9:00 GMT and 16:00 GMT during the subscription period. The phone number and e-mail address can be found in Chapter 6.1.2 *Listing Advisor and Manager of the Offering*.

Composite subscriptions

Investors are allowed to submit multiple subscriptions (a composite subscription) in the Offering. By submitting a composite subscription investors can submit subscriptions at different prices. No restrictions are to the number of subscriptions permitted, other than those resulting from the maximum and minimum subscription in each Order Book, as total subscriptions in a composite subscription are limited to the maximum subscription in the relevant Order Book. Whereby multiple subscriptions made by a single investor are equal to or above the final Offering Price, the subscriptions will be seen as a single combined subscription. As an example for explanatory purposes only, this means that an investor that submits three different subscriptions in the amount of ISK 100 thousand and two are above or equal to the final Offering Price, the investor will be seen as having submitted one subscription in the amount of ISK 200 thousand in the allocation process. Investors are permitted to submit subscriptions in both Order Book A and B without disqualifying other subscriptions.

Subscriptions made on behalf of asset management clients

Financial institutions which offer asset management services pursuant to Article 3 (6.c) of Act No. 161/2002 on Financial Undertakings are granted certain exemptions with respect to subscriptions and subscription forms in Order Book A. They are given the opportunity to submit

subscriptions on behalf of investors on a special subscription form which can be obtained from the Manager of the Offering. A precondition for such a subscription is that the Manager has received a satisfactory statement from a financial institution, on a form that can be obtained from the Manager, stating that it has the required authority or power of attorney from the investor in accordance with authority provided in a valid asset management agreement with the investor and a statement saying that the financial institution guarantees the payment of the purchase price. The financial institution shall specify in such subscriptions whether it wants to receive a bill for the price paid by the investor or whether it wants the price paid to be deposited into the custody account of the investor at Kvika. It is a precondition of the latter alternative that the investor has a custody account at Kvika. Financial institutions can contact the Manager of the Offering by e-mail or phone, see information in Chapter 6.1.2 *Listing Advisor and Manager of the Offering*.

Orders will be deemed to be a request for a service regarding execution only, as per Article 16 (4) of the Securities Transaction Act and that the Manager of the Offering is not obliged to assess whether participating in the Offering and buying the Shares in the Issuer is suitable for the investor and the investor does not enjoy protection in accordance with Article 16 of the Securities Transaction Act.

6.4 Allocation and reduction of Shares in case of oversubscription

At the end of the subscription period the Issuer will have sole discretion to decide the price at which Shares will be sold in the Offering including, firstly Offering Price A at which all Shares allocated to investors in Order Book A will be sold and secondly Offering Price B at which all Shares allocated to investors in Order Book B will be sold. Subscriptions which specify a lower maximum price per Share than the final Offering Price in the relevant Order Book will be rejected. When allocating the Shares the objective of the Offering will be taken into account, i.e. encouraging increased liquidity of Shares and creating a more diverse shareholder base.

In the event that the combined number of Shares of valid subscriptions exceeds the number of Shares that the Issuer has available to sell in the Offering, the Issuer will allocate Shares to individual subscribers after the following reductions have been made:

- The main rule when allocating Shares in Order Book A is that subscriptions are assessed on the basis of price. Subscriptions in Order Book A will be reduced (in part or rejected) so that what remains are the subscriptions received with the highest price per Share, so that the combined number of Shares (based on the final Offering Price A) in all valid subscriptions in Order Book A after reduction is equal to the number of Shares which the Seller decides to offer investors who have subscribed for Shares in Order Book A.
- If reductions as described above are not sufficient, then the remaining subscriptions in Order Book A will be reduced by up to 75% of the original subscription, with the exception that proportional reduction will not be applied to subscriptions of ISK 500,000 purchase value or lower and proportional reductions on higher subscriptions will not result in a reduction to value lower than ISK 500,000. If further reductions are made, the maximum subscriptions in Order Book A will be further reduced (by flat rate reductions) until the combined number of Shares in all valid subscriptions in Order Book A after the reduction is equal to the number of Shares the Issuer decides to offer

investors who have subscribed for Shares in Order Book A, so that with the flat rate reduction the maximum allocation in Order Book A can be lower than ISK 500,000 purchase value. The Offering Price in Order Book A will not be higher than the Offering Price in Order Book B.

- The main rule when allocating shares in Order Book B is that subscriptions are assessed on the basis of price. Subscriptions in Order Book B will be reduced (in part or rejected) so that what remains are the subscriptions received with the highest price per Share, so that the combined number of Shares (based on the final Offering Price B) in all valid subscriptions in Order Book B after reduction is equal to the number of Shares which the Issuer decides to offer investors who have subscribed for Shares in Order Book B.
- The Issuer reserves the right to reject individual subscriptions in Order Book A and/or B, in part or in full, for other reasons than those specified in the above rules on reductions.
- If subscriptions are reduced, in part or rejected, each reduction or rejection will be at the sole discretion of the Issuer. Sole discretion means that the Issuer is not obliged to reveal how the reduction or rejection was decided and the counterparty will not be given the opportunity to object to the decision or its application.

6.5 Notification of the results of the Offering

The results of the Offering are expected to be published in the European Economic Area at the latest on 21 October 2019. The results will be published in the company news system of Nasdaq Iceland as well as on the Listing Advisor's and the Issuer's websites. This date is based on the assumption that the Issuer does not make any changes to the subscription period and the processing of subscriptions does not take a shorter or longer time than the Seller expects.

6.6 Notification of allocation, payment instructions and settlement of transactions

Information on individual allocation and payment instructions is expected to be available on 22 October and will be made available to investors on the subscription website, however this could be at an earlier or later date. The above dates assume that the Issuer does not change the subscription period, the processing of subscriptions does not take a shorter or longer time than the Seller expected and the Issuer's application to Nasdaq Iceland approved within the timeframe expected by the Seller.

The Manager of the Offering will send participants an e-mail containing information on how to access information on each individual allocation and payment instructions regarding allocated Shares.. The information will be sent to the e-mail address specified by the investor in the subscription process. Investors are responsible for ensuring that the e-mail address provided is valid and able to receive the necessary documentation.

Payment instructions will be in the form of electronic invoices made out to the name and ID number of each investor allocated Shares in the Offering. The invoices can be paid in any Icelandic retail bank. The Manager of the Offering will send the invoices to the online bank account of the investor's choosing. The expected date of the invoices' availability is 22 October 2019, although the timing will depend on when the information on allocation and payment instructions is made available and could therefore be at an earlier or later date.

Payment instructions will not be sent by regular post to participants. Payment will not be accepted by any other means than those stated in the payment instructions.

The due date and final due date is expected to be 25 October 2019. Payment shall be made at the latest at 21:00 GMT on the final due date. Note that the general opening hours of banks and other financial institutions is until 16:00 GMT on weekdays and that after 16:15 GMT it is not possible to make a payment exceeding ISK 10,000,000, however lower payments are possible via online banks until 21:00 GMT, provided that the amount is below other limits which may apply.

A receipt for the transaction and payment will be sent to each investor once sufficient payment has been received from the relevant person. Sufficient payment is when the investor in question has made payment, in full, at the right time in accordance with the payment instructions from the Manager of the Offering.

If any invoices for allocated Shares remain unpaid at 21:00 GMT on the final due date, they will be cancelled and invalidated. After the final due date, including after the close of banks on the final due date, investors will be unable to pay the purchase price in accordance with the payment instructions. The Issuer will, without warning or notification, invalidate allocations which remain uncollected at the end of the final due date and is then entitled to retain Shares which have not been paid for or sell them to a third party at a price decided by the Issuer. However, if the Issuer is unable to sell the unpaid Shares to another person at the same or higher price than they were allocated in the Offering, the Issuer reserves the right to demand that the investor to whom the Shares were originally allocated to pay the difference between the sale value of the Shares without the investor being entitled to any compensation in the form of Shares or other valuables. The Issuer reserves the right not to invalidate unpaid subscriptions and to collect allocations which are not paid satisfactorily and in such case penalty interest from the final due date in addition to the Issuer's collection costs are added to the purchase price of the uncollected Shares. If payment is not made at the correct time (i.e. on the final due date at the latest) and in the correct manner (i.e. in full compliance with the payment instructions) the debt may be collected, through Icelandic courts if applicable, in accordance with the principles of Icelandic contract law.

Paid Shares are expected to be delivered to the buyer after the close of trading on the Regulated Market of Nasdaq Iceland and First North Iceland on 28 October. Shares will be delivered electronically via Nasdaq CSD Iceland hf. (hereafter referred to as the "Nasdaq CSD Iceland") and the Manager of the Offering will ask the account operator nominated by the investor in the subscription form to receive the Shares and deposit them in a custody account held by the investor with the account operator.

Pursuant to the above information the first expected day of trading the Shares on the regulated market of Nasdaq Iceland is 29 October 2019.

The Manager of the Offering is responsible for collection and the settlement of all transactions of the Seller in connection with the Offering. No special costs will be imposed on the investor in respect of the transaction by the Seller, the Manager of the Offering, the Listing Advisor or Issuer. Investors are urged to consider whether any costs or fees will be charged by other parties in connection with the transaction.

6.7 Investors

The Offering is marketed in Iceland. Participation in the Offering is open to persons (individuals as well as legal entities) holding an Icelandic identification number, provided that the person in question is legally competent to manage their financial affairs and has the power to decide over their financial estate, with restrictions that may be imposed by law.

The above conditions stipulate that if the person's estate has been declared bankrupt and such proceedings have not been completed before the end of the subscription period, that person may not participate in the Offering. Persons who are not otherwise legally competent to manage their financial affairs may not participate in the Offering.

The Offering is not directed at or marketed to any investors domiciled outside Iceland and consequently Shares are not offered for sale in jurisdictions where public offerings such as this are contingent on the competent authorities of that jurisdiction having received a prospectus issued by the Issuer in connection with the Offering, or where such offerings would be subject to further requirements than the approval of the Icelandic regulators of the Issuer's Prospectus in connection with the Offering. Investors domiciled outside of Iceland who nevertheless subscribe for Shares in the Offering will be deemed to have taken part in the Offering within Iceland and by doing so will be deemed to have forfeited any and all objections they might otherwise have.

Employees of Kvika, the listing advisor and manager of the Offering, are subject to Kvika's Rules on employee trading as last approved in August 2019,, which prohibit employees to participate in the Offering.

Investors are made aware that the Issuer reserves the full right to reject some or all of the subscriptions submitted in the Offering (including offers from individual investors in part or in full), without further explanation or reasoning, see Chapter 6.4. *Allocation and reduction of subscriptions in event of oversubscription.*

7 INFORMATION ON THE SHARES AND ADMISSION TO TRADING

7.1 Admission to trading

The Issuer is currently listed on First North Iceland, but an application has been filed for the Issuer to have all its shares admitted to trading on the Regulated Market of Nasdaq Iceland. The Regulated Market of Nasdaq Iceland is a regulated market, licensed in Iceland and operated by Nasdaq Iceland. Nasdaq Iceland also operates First North Iceland, which is subject to the First North Iceland Rules. Nasdaq Iceland is part of the Nordic List which comprises the exchanges in Denmark, Finland, Iceland and Sweden.

Following the Financial Supervisory Authority's scrutiny and approval of the Prospectus, Nasdaq Iceland will conduct a final review of the Issuer's application and make its conclusions public in the European Economic Area. If the Shares will be admitted to trading, their ticker symbol in the trading system of Nasdaq Iceland will be ICESEA.

To satisfy Nasdaq Iceland's requirements of share capital distribution, an adequate number of the Issuer's shares must be held by retail investors and the total number of shareholders must be adequate. According to the Nasdaq Iceland Rules companies with market making contracts must have least 300 shareholders holding shares in market value around or exceeding ISK 100,000. Additionally, 25% of the total number of shares within the same class needs to be in public hands. At 2 October the Issuer has 326 shareholders and 50.2% of its Shares are in public hands, defined as investors holding less than 10% of the Issuer's Share capital.

To further facilitate increased liquidity of the Shares and create a more diverse shareholder base the Issuer will issue 225,000,000 new shares which will be sold in a public offering as described in chapter 6 *Offer of New Shares*.

Iceland Seafood believes it satisfies all other requirements for admission to trading pursuant to the requirements of Nasdaq Iceland and it is expected, although no guarantee can be given to that effect, that Nasdaq Iceland will admit the Issuer's shares to trading on its regulated market. If the Shares will be admitted to trading, the first day of trading in the Securities will be announced by Nasdaq Iceland with a minimum of one business day's notice.

The Issuer bears all cost associated with the admittance of the Shares to trading. The total cost borne by the Issuer is estimated to be over ISK 100 million and consists of costs associated with the scrutiny and approval of the Prospectus, the Nasdaq Iceland listing fees, costs for advisors, legal review, due diligence and auditors, along with other cost directly associated with the admittance to trading.

7.2 Market making

Prior to listing on the First North Iceland, Iceland Seafood entered into two market-making contracts with Kvika banki hf., reg. no. 540502-2930, Borgartúni 25, 105 Reykjavík and Arion banki hf. reg. no. 581008-0150, Borgartúni 19, 105 Reykjavík (hereafter collectively referred to as the "Market Makers"). The Market Makers will, according to those contracts, place bids and offers in the share of the Group for a certain amount with a fixed spread between bid and offer price. The two institutions combined will have bid and offers amounting to at least ISK 10,000,000 at market value (based on the price in the auction) in place at any given time, and

the combined maximum trade per day of the two contracts amounts to ISK 85,000,000. Maximum spread between bid and ask offers is 1.5%, but if intraday price change is more than 10%, the spread is allowed to be increased to maximum 3%. The current contracts replace prior market-making contracts with the Market Makers which were entered into prior to the Issuer's listing on First North Iceland.

The agreements have no specified end-date but can be terminated on behalf of either party with one month's notice

7.3 Share Capital

The total share capital of the Issuer is ISK 2,336,344,934 in nominal value, divided into an equal number of shares, each with a nominal value of ISK 1. The Issuer's share capital consists of one class of shares and each issued share carries equal rights according to the Issuer's Articles of Association. The Shares are issued in ISK and in accordance with the Act on Public Limited Companies. The shares are electronically registered at the Nasdaq CSD Iceland in accordance with Act No. 131/1997 on the Electronic Registration of Titles to Securities. The ISIN number of the Shares is IS0000026961. The Shares' ticker symbol in the trading system of Nasdaq Iceland is ICESEA.

The electronic share registry is considered lawful proof of ownership of Shares in the Issuer. Dividends and announcements shall at any given time be sent to the party registered as the owner of the respective Shares in the Issuer's share registry. Shareholder rights are subject to the Issuer's Articles of Association and Icelandic legislation in effect at any given time.

7.4 Voting Rights and Priority

One vote is attached to each Share in the Issuer at shareholders' meetings. Shares in the Issuer may be freely traded, transferred or pledged unless otherwise stipulated by law.

In accordance with Article 34 of the Public Companies Act shareholders enjoy pre-emptive rights to all new Shares in proportion to their existing shareholdings. That notwithstanding a shareholders' meeting may resolve to waive such pre-emptive rights, in which case, the issue of such shares shall be governed by terms established by the Board of Directors in accordance with the resolution of the shareholders' meeting.

It shall be noted, that the temporary provisions of the Issuer's Articles of Association include provisions where the Board of Directors is granted an authorisation to increase the share capital of the Issuer, without shareholders having a pre-emptive right to subscribe for the new shares. One of the authorisations is a general authorisation to increase the share capital of the Issuer due to acquisitions and the Issuer's listing on Nasdaq Iceland and the other is for the purposes of fulfilling share option agreements in accordance with the Issuer's share option scheme. Further information on these authorisations can be found in chapter *1.1.6 Risk of Share Dilution*

In accordance with Article 93 of the Public Companies Act a company's Articles of Association may only be amended at a lawful Annual General Meeting or extraordinary shareholders' meeting, provided that the notice of the meeting clearly indicates that such an amendment is proposed and outlines the main substance of the amendment. An amendment is valid only if it has the support of at least 2/3 of the votes cast and the support of shareholders controlling at

least 2/3 of the share capital represented at the respective meeting, providing always that no other proportion of votes is required by the Articles of Association or statutory law.

7.5 Dividends

The Issuer aims to pay dividends annually, as is further described in chapter *1.1.5 Dividend Policy Risk*.

At the Issuer's Annual General Meeting a decision shall be made on dividend payments based on a proposal from the Board of Directors. The Issuer will follow Nasdaq Iceland's proposals on dividend payments, which is that trading in the Shares exclusive of dividends will begin the business day after the dividend proposal is approved (hereafter referred to as the “Ex-date”) and that payment of dividends will be made no later than 30 days after the record date, which is the first business day following the Ex-date. Stock trades are internationally settled on a T+2 rule, meaning that a purchase made on day T is settled two days later and the purchaser therefore a shareholder of record on day T+2. The shareholders of record as of the record date are therefore the shareholders as of the end of the dividend approval day, which are entitled to receive the dividend or distribution declared by the company.

Dividend payments shall at all times be in accordance with applicable laws and rules, including but not limited to the Act on Public Limited Companies and the Act on Financial Undertakings, which both include restrictions on dividend payments.

On the dividend payment date, the Issuer pays the dividend amount, excluding capital gains tax, to each custodian in proportion of shares held. Four years after the due date, the right to collect dividend payments lapses in accordance with Act no. 150/2007 on the Lapse of Debts and other Claim Rights, and the rights fall to the Issuer.

The Issuer has no special restrictions or procedures regarding dividend payments for shareholders who are non-residents of Iceland.

Except for dividend payments, shareholders are not entitled to any of the Issuer's profits.

7.6 Mandatory Takeover Bids

If the Issuer's shares will be admitted to trading on Nasdaq Iceland, the Issuer will become subject to chapter X Mandatory bids of the Act on Securities Transactions. Paragraph 1 of Article 100 of the aforementioned act states that if a party, directly or indirectly gains control of a company that has a class of shares which has been admitted to trading on a regulated market, that person shall no later than four weeks after the person knew or could be expected to have known about the mandatory bid obligation, or a decision on the bid was available, extend a takeover bid to other shareholders of the company, i.e. a bid to purchase their shares in the company.

Control of the Issuer by means that the party and any party acting in concert⁵ with it has acquired

- i. in total at least 30% of the voting rights in the Issuer,
- ii. the right to control at least 30% of the voting rights in the Issuer by virtue of an agreement with other shareholders,
- iii. the right to appoint or dismiss the majority of the members of the Issuer's Board of Directors.

There are no mandatory takeover bids with respect to shares of the Issuer in place on the date of the Prospectus.

7.7 Takeover Bids by third Parties

No takeover bid has been made by a third party in the last and current fiscal year with respect to shares in the Issuer.

7.8 Redemption Provisions

According to Iceland Seafood's Articles of Association, shareholders are not obligated to increase their shareholdings in the Issuer or to accept their shares being redeemed, except as provided by statutory law.

Under Article 24 of the Act on Public Limited Companies, a shareholder holding more than 90% of a company's share capital and controlling an equivalent proportion of its voting rights may decide, in conjunction with the board of directors of the company, that other shareholders in the company be subjected to a mandatory redemption of their shares. Correspondingly, each individual minority shareholder may demand redemption from the shareholder.

In article 110 of the Act on Securities Transactions, there are also provisions on redemption, wherein it is stated that if the offering party and parties acting in concert with it acquire more than 9/10 of the share capital or voting rights in the target company, the offering party and board of the company may jointly decide that other shareholders shall be subject to redemption of their shares

⁵ Parties shall be considered to be acting in concert if they have reached an agreement allowing one or more of them to acquire control, or on preventing a takeover from succeeding, whether this agreement is formal or informal, written, oral or otherwise. Parties shall, however, always be deemed to act in concert if the following connections exist, unless the contrary is proved to be the case: 1. Married couples, registered or co-habiting partners and children of married couples or registered or cohabiting partners; 2. Connections between parties which directly or indirectly involve control by one party of the other, or if two or more undertakings are directly or indirectly under the control of the same party. Regard shall be had for connections between parties as provided in Points 1, 3 and 4; 3. Undertakings in which a party directly or indirectly holds a significant holding, i.e. where the party directly or indirectly holds at least one-third of the voting rights in the undertaking concerned. Regard shall be had for connections between parties as provided in Points 1, 2 and 4; 4. Connections between an undertaking and its board of directors and an undertaking and its managing directors. 5. Direct or indirect relationships between persons within or outside the company in question, whether important relationships of interest or personal relation, based on kinship, marriage or friendship, or relationships based on financial interests or contracts, which are likely to result in concert between the persons in directing the affairs of the company in consultation with one another or each other in such a manner that they exercise control over it.

7.9 Dissolution or merger of the Issuer

Any decision to merge or dissolve the Issuer shall be resolved by a shareholders' meeting as per Article 25 of Iceland Seafood's Articles of Association. To pass, such a resolution needs the same proportion of votes needed to amend the Issuer's Articles. Any meeting lawfully approving the dissolution of the Issuer shall provide directions on the disposal of the Issuer's assets and the payment of its debts pursuant to Chapter XIII of the Act on Public Limited Companies.

Merger of the Issuer with other companies is subject to Chapter XIV of the Act on Public Limited Companies as well as the approval of shareholders controlling at least 2/3 of the total share capital of the Issuer. Where applicable, a merger may furthermore be subject to Icelandic Competition Act, no. 44/2005.

7.10 Taxes

This summary on tax considerations in Iceland is of a general nature based on the Issuer's understanding of the relevant tax legislation in Iceland (Act No 94/1996 on Withholding of Tax on Financial Income, hereafter referred to as "WTA"), Act No 90/2003 on Income Tax (hereafter referred to as "ITA"), Act No 45/1987 on Withholding of Public Levies at Source and Act No 14/2004 on Inheritance Tax (hereafter referred to as the "Inheritance Act") and practices in Iceland. Taxation at each point of time is based on the applicable law at that given time. Such laws are subject to frequent changes, each potential holder of Shares should give them due consideration. Subsequently, this summary is based on the laws and practices as in effect in Iceland as of the date of this Prospectus. This summary should not be construed as providing specific advice regarding Icelandic taxation and is subject to any changes in laws or practices in Iceland that may take effect after such date. This summary only relates to the position of holders of Shares that are the absolute beneficial owners of the Shares but does not include any summary on the position of non-beneficial owners holding Shares, such as shares included in portfolios.

Prospective investors are advised to consult their professional advisers as to the consequences, under tax laws of Iceland and the countries of their respective citizenship, residence or domicile, of a purchase of the Shares, including but not limited to, the consequences of receipt of dividend payments in respect of the Shares and disposal or redemption of the Shares and the impact of Double Taxation Treaties that may be applicable. Prospective investors are at all instances responsible for their own tax and their adherence to tax law at each time. Prospective investors who are in any doubt as to their tax position and obligations or who may be subject to tax in any other jurisdiction should consult their professional advisers.

7.10.1 Tax Consideration for Residents of Iceland

Residents of Iceland are subject to income tax in Iceland on any income, including from their shares, in accordance with Icelandic tax laws. The applicable tax rate depends on the tax status of such holders of the Shares and whether the respective holders are individuals or legal entities. If the holders of the Shares are legal entities the tax rate may differ depending on the corporate form of such legal entity.

Holders of the Shares resident in Iceland, are generally subject to 22.0% withholding tax on dividend payments received according to the WTA, however subject to certain exemptions (e.g. for pension funds). According to the WTA, the Issuer as the payer of such dividend payments, is required to withhold the withholding tax. Such withholding is considered a preliminary tax payment but does not necessarily constitute the final tax liability of the holder of the Shares.

Individuals who are resident in Iceland for tax purposes are subject to 22.0% tax on dividend payments in Iceland. No deduction is applicable for individuals in relation to tax on dividend payments. An individual is generally considered resident for tax purposes if they are resident in Iceland or they dwell in Iceland, in the aggregate, for more than 183 days in every 12-month period.

According to Article 71(1) of the ITA, cf. Article 61(2) of the ITA, limited liability companies registered in Iceland (e.g., ehf. and hf.) are subject to 20.0% tax on dividend payments. However, they enjoy an effective participation exemption pursuant to Article 31(9) of the ITA, allowing them to deduct the full amount of the dividend payments received. As a result, limited liability companies may recover the tax on dividend payments withheld upon tax assessment. Other legal entities registered in Iceland are generally subject to 22% tax on dividend payments, cf. Article 71(3) of the ITA.

Further to the above, it should be noted that in Iceland, distributions to shareholders upon liquidation or share capital reduction are treated as dividend payments for tax purposes to the extent such distribution exceeds the respective shareholder's acquisition value (cost value), cf. Article 11(4) of the ITA.

Capital gains from the sale of the Shares are subject to the same taxation as dividend payments, 22.0%. The Issuer is not required to withhold any tax in case of sales of the Shares by each holder. Pursuant to Article 31(9.a.) of the ITA, limited companies (e.g. ehf. and hf.) also enjoy an effective participation exemption concerning potential capital gain arising from the sale of the Shares, allowing them to deduct the full amount of such capital gain. Individuals are allowed to deduct the loss from a sale of shares the capital gain earned from the sale of other shares within the same year and such losses cannot be transferred between years.

No Icelandic issue tax or stamp duty will be payable in connection with the Shares.

7.10.2 Tax Considerations for Non-residents of Iceland

According to Article 3(7) of the ITA any income received from shares, including received dividends and capital gains from the sale of shares, by any non-resident individuals or legal entities constitutes taxable income in Iceland. According to Article 70(7) of the ITA, the applicable tax rate for non-residents on taxable income received from shares (including received dividends and capital gains from the sale of shares) is 22.0% for individuals and 20.0% for legal entities. Pursuant to Article 7 of Act No 45/1987, cf. Article 5 of regulation No 630/2013, there is a withholding requirement on the Issuer in relation to any dividend payments made to non-residents as well as capital gains earned from the Shares if the Issuer is the purchaser or acts as intermediary in such sale.

The tax liability under Icelandic tax laws may be reduced under certain applicable tax treaties. Iceland has concluded several agreements on tax matters with other countries, double taxation

treaties. Such treaties may entitle individuals or legal entities, with permanent residence and with full and unlimited tax liability in either one of the contracting countries, to exemptions or reduction from taxation of income and property according to provisions of the respective treaty. Each holder of Shares that qualifies for exemption or reduction is required to obtain a confirmation from the Icelandic tax authorities regarding the applicable treaty relief and provide such confirmation to the Issuer. Based on the Issuer receiving such confirmation, the Issuer shall take into account any applicable relief which the respective holder of the Shares may be entitled to under an applicable tax treaty. In each case, potential exemptions or reductions are dependent on the provisions of the treaty in question, and may vary depending on the nature of the payment, whether it is dividend payment or capital gain, the country of residence of the holder and the total shareholding of the holder.

The confirmation is obtained by filing of Icelandic tax form RSK 5.42: Application under Double Taxation Conventions for exemption/reduction from Icelandic Taxation. Refunds in line with an applicable tax treaty are obtained by filing Icelandic tax form RSK 5.43: Application under Double Taxation Conventions for a Refund of Taxes Paid.

Irrespective of the availability of any tax treaty relief, limited companies resident in the EEA, a state party to EFTA or in the Faroe Islands enjoy an effective statutory participation exemption comparable to the one applicable to Icelandic entities, allowing them to deduct the full amount of the dividend payments and capital gains received. This exemption does not apply at source but requires the filing of a tax return in Iceland to obtain a refund of taxes withheld.

There are no estate or inheritance taxes, succession duties or gift taxes imposed by the Icelandic government or any governmental authority in Iceland in respect of the Shares if, at the time of death of the holder of the Shares or transfer of the Shares, such holder or transferor was not a resident of Iceland.

No Icelandic issue tax or stamp duty will be payable in connection with the Shares.

7.10.3 Other Tax Considerations

According to the Inheritance Act, tax is imposed at a rate of 10% on an individual who inherits from an Iceland tax resident, regardless of whether the recipient is a resident of Iceland. No issue tax or stamp duty will be payable in connection with the Shares in Iceland.

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1 RISK FACTORS

1.1 General

Iceland Seafood International hf., reg. no. 611088-1329, with registered address at Köllunarklettsvegur 2, 104 Reykjavík, is an Icelandic public limited liability company (hereafter, together with its subsidiaries, referred to as “Iceland Seafood”, the “Issuer” or the “Group”). Iceland Seafood is a worldwide sales, processing and marketing group for a variety of frozen, fresh, salted and dried seafood and seafood products.

The following overview of risk factors is based on what the Group, at its own discretion, considers to be of importance in relation to its present and future operations. While the Group considers the following to be a fair, full and comprehensive disclosure of all relevant risk factors, this overview is not a substitute for the rest of the Company Description and should not be perceived as such. A full and accurate assessment of the Group's operations may only be made on the basis of the entire Company Description. Furthermore, the operations of the Group may be affected by risks that are either not known or have not materialised by the date of this Company Description.

1.1.1 Reputational Risk

Reputational risk is the risk of financial loss attributable to a company's negative impression towards stakeholders, such as customers, shareholders, employees, investors and governments. Consequences of a negative impression can be lack of trustworthiness in the market, leading to a loss of customers and opportunities and, consequently, income.

The Issuer operates in a market where reputation of the healthiness of the product is of great importance. If suspicion arises that a given product or product group is unsafe for consumers, it can lead to significant public discussion and media coverage. An accident in the production of one specific product or at one specific facility, either at one of the Issuer's value added facilities or with a producer supplying the Issuer with raw materials, can have a wide-ranging effect and a meaningful contagion in other products or markets.

To ensure quality in its products the Issuer enforces various standards in its sourcing of raw materials, as further described in chapter *1.1.2 Raw material, Quota and Environmental Risk* and places emphasis on the chain of custody and traceability of their products. All of Iceland Seafood's production facilities have been certified and inspected as required by local authorities in addition to many holding additional certifications such as the UK's BRC Global Standard for food safety, which is an internationally recognized mark of food safety and quality achieved by undertaking a third-party audit against standard requirements by an accredited certification body.

The Issuer has a well-established image and positive reputation that has contributed to attracting new customers, as well as strengthening its business relations with core customers. If the Issuer's reputation suffered significant damage, there is a risk that a substantial number of customers will terminate their business relationship and other counterparties will be reluctant to engage in further transactions with the Issuer. This could negatively impact and limit the Issuer's potential of obtaining funding, creating new business relationships and maintaining existing ones. The Issuer places great emphasis on its relationships with customers and takes great care in

maintaining and strengthening them, making sure that customers know the Issuer and its operations, and are aware of the quality control maintained at all times.

1.1.2 Raw material, Quota and Environmental Risk

The primary raw material used by Iceland Seafood is seafood from Icelandic waters. The Icelandic government sets laws and regulations on utilisation of Icelandic Fish stocks, based on advice from the Icelandic Marine & Freshwater Research institute. The quota year in Iceland runs from 1 September to 31 August each year. For further information on the Icelandic quota system see [http://www.fiskistofa.is/english/fisheries-management./](http://www.fiskistofa.is/english/fisheries-management/)

The main risk factor for Iceland Seafood on fish stocks are significant changes in utilisation and therefore availability, which can affect raw material prices up or down. Iceland Seafood is not directly invested in the Icelandic quota system and therefore risks are limited to availability and price fluctuations and effects of having to seek alternative sources of raw materials.

Additionally, although a large part of seafood for Iceland Seafood comes from Icelandic waters, some comes from elsewhere e.g. in the Atlantic Ocean, from waters belonging to Norway, Russia and others, where similar fishery management methods and/or principals as in Iceland are used, i.e. recommendation from scientists based on scientific research. The quota year in Norway and Russia runs from 1 January to 31 December each year.

In the operation of subsidiary Achernar S.A.A (hereafter referred to as “Achernar”) in Argentina, Iceland Seafood is dependent on supply of Argentinian shrimp. The fishery management system in Argentina is different from the previously described quota system as used in Iceland, as the government issues licences to vessel owners for catching without a quota system in place. The availability and price fluctuations of Argentinian shrimp can have a negative impact on Iceland Seafood's operation in Argentina.

Iceland Seafood bases its global sourcing policy on sourcing only from fisheries that are administrated in conformance with the Food and Agriculture Organization of the United Nations' (hereafter referred to as “FAO”) Code of Conduct for responsible fisheries and have proper fishery management systems. For further information on the FAO Code of Conduct see <http://www.fao.org/fishery/code/en>. Iceland Seafood also supports independent and credible standards that are set to audit and approve fisheries that are well managed and will wherever possible promote these fisheries to its customers as well as committing to supply sustainable seafood to its customers. Initiatives that Iceland Seafood supports and enforces include Iceland Responsible Fisheries (<https://www.responsiblefisheries.is/>) and the Marine Stewardship Council's MSC standard (<https://www.msc.org/home>). However, the Issuer can not guarantee that any products sold by Iceland Seafood might not conform to the standards set and committed to by the Issuer despite all best efforts.

Fisheries, in Iceland and elsewhere, can be seasonal and affected by weather conditions. This can lead to fluctuations in price and supply throughout the year. Major changes in sea temperature and other natural influences can also affect fisheries, stock conditions and ultimately quota allocations.

Additionally, The Issuer uses farmed species in some of its subsidiaries, including but not limited to Atlantic Salmon and Asian shrimp. Farmed species carry similar price fluctuation risks as

wild fish and in addition are affected by feed costs, weather, sea temperatures as well as biological and disease risks that may affect supply and pricing.

1.1.3 Political Risk

Iceland Seafood has extensive operations in the UK and Ireland. In 2016 voters in the United Kingdom voted to exit the European Union and have since commenced the process of leaving by triggering Article 50 of the Treaty of Lisbon. In July 2019 a new Prime Minister and Cabinet were appointed in the UK. The new Prime Minister has stated that UK will leave the EU with or without a deal no later than October 31 2019, which has increased the likelihood of an exit without an agreement. There is no precedent for such a process and the implications are still largely unclear. The risks are that the withdrawal could lead to adverse economic and market conditions in the UK market and might temporarily affect supply channels into Ireland. Although the UK is an important market for the Issuer, the Issuer is not heavily exposed to new tariffs that might come in place with the UK exiting the European Union without an agreement, as the largest part of the Issuers supply in the UK is coming from areas outside the European Union.

Further, should other European Union countries follow the UK's example and leave the EU the strength of the European single market could be compromised. The single market refers to the EU as one territory without any internal borders or other regulatory obstacles to the free movement of goods and services. A functioning single market stimulates competition and trade, improves efficiency, raises quality, and helps cut prices. Should the single market be compromised, Iceland Seafood's operations as a seller and exporter of goods between EU countries such as Spain and Italy would be affected.

Additionally, the Issuer has an operation in Argentina which has a history of political and economic instability and is considered a hyperinflation economy. This instability could have a negative impact on the Issuers operation in the country, although the fact that all products produced by the Argentinean operation are exported to Europe and Asia mitigates this risk. In the beginning of September 2019, Argentina's Central Bank announced new temporary restrictions on foreign currency transactions. Under these restrictions, companies in Argentina must obtain prior approval from the Central Bank to access the foreign exchange market to purchase foreign currency and to transfer funds abroad for the payment of dividends and profits, services and imports in excess of USD 2 million per month, and for certain other transactions. The Issuer is not directly affected by the restrictions as the operation in Argentina mainly exports product to the Issuer's other value added subsidiaries, however, management remains vigilant about further developments in Argentina.

1.1.4 Transportation Risk

The Group relies on various transportation methods and transportation companies, on land, sea and in the air, to move its products from sellers to buyers. The Issuer cannot guarantee that adequate transportation services will always be available. Additionally, transportation can significantly effect the freshness, safety and quality of the Issuer's products, which are highly sensitive to temperatures, delays, harsh treatment (damaging of packaging/product) etc. The Issuer takes every care possible to ensure that all products are transported in an applicable manner and has relevant insurance in place to mitigate this risk.

1.1.5 Operational Risk

The Group has operations in several countries, including Iceland, Spain, UK, USA, France, Argentina and Germany. Accordingly, legislation in all these countries can affect the Group. It is possible that the legislation in these countries regarding e.g. taxation, customs and permits will be amended, potentially with a retrospective effect, in such a way that could have a negative impact on the Group's operations, profits and financial position.

1.1.6 Currency Risk

The reporting currency of the Group is EUR, therefore the Group has a currency risk related to the operation of subsidiaries in the UK, Argentina, Iceland and USA, which operate and report in a different currency. Both purchases and sales within the Argentinean operation are based in USD, therefore the Issuer has limited exposure to the local currency. The UK entity represents 12% of the Group's operating divisions profits in the first 6 months of 2019, whilst the Argentinean operation, Iceland and USA were immaterial.

Additionally, individual subsidiaries use forward contracts to mitigate currency risk, e.g. when buying raw material in a foreign currency to the local market. In certain markets, predominantly Iceland, purchases are made in the currency that the goods are sold, providing a natural currency hedge.

1.1.7 Supplier Risk

The Issuer is exposed to risks regarding suppliers, both in the wild and farmed seafood sectors, as the Group has sourced its products from specific origins and production methods. This potentially limits the number of suppliers the Group can purchase from in some instances, although the Group has a wide supply base. Currently four large Icelandic seafood companies, which hold a considerable percentage of the national fishing quotas in Iceland, are significant strategic shareholders in Iceland Seafood which the Issuers believes mitigates the risk considerably.

In Argentina, the issuer is cooperating with a raw material broker and vessel owners that hold licences for fishing Argentinian shrimp. To secure the raw material needed for the Issuer's production, agreements have been made where these counterparties are obliged to sell the raw material they catch to the Issuers operation for a defined period of time. As a consideration for this commitment, the Issuer provides pre-payment to the counterparties for the raw material.

1.1.8 Quality Risk

The Issuer sells high quality Seafood. It is imperative that the quality of the Group's products is of a sufficiently high standard. Should that standard drop, the financial performance of the Group may suffer. Further information on the Issuer's measures to ensure quality can be found in chapters *1.1.1 Reputational Risk*, *1.1.2 Raw material, Quota and Environmental Risk* and *1.1.7 Supplier Risk*.

1.1.9 Competition Risk

The Group's operating divisions and subsidiaries operate in markets with a variety of competitors. In most of Iceland Seafood's international subsidiaries these competitors would

range from large branded entities to smaller family owned businesses. In the Icelandic Sales and Distribution subsidiary competition would range from seafood exporters of various sizes to seafood producers managing some or all of their own sales. As such the Group's subsidiaries constantly need to ensure their proposition, service and product offering meets the demands of the local market.

1.1.10 Customer Risk

The Group has a highly diversified customer base, with over 3,000 customers across 45 countries. In certain markets the Group operates with key customers, the loss of which may impact the profitability of the Issuer.

The Group sells products to several retailers in the UK and Spain. These products are generally sold under the own label of the retailer. In the case of retailers' own labels, it may potentially be easier for a retail chain to change suppliers than if Iceland Seafood was the sole supplier of a recognised brand.

The Issuer and its subsidiaries take great care in maintaining and growing their relationships with customers, many of which are built upon years of mutual trust and respect, and aim to make long-term contracts whenever possible.

1.1.11 Risk relating to Essential Employees

The Group's operations are based on the knowledge, experience and the future vision of key employees. There is no guarantee that these individuals will continue to work for the Group. The loss of service of any such employee could have a detrimental effect on the Group.

The Group operates appropriate remuneration policies, including option programmes and bonus schemes, where relevant, to minimize the risk of key employees terminating their employment.

1.1.12 Legal Risk

Iceland Seafood has operations in eight countries in the production, marketing and sale of seafood products to more than 45 countries worldwide. Consequently, the Issuer is subject to various legislation, government and municipal regulations and standards in these countries, exposing Iceland Seafood's operations to various regulatory and legal risks, including litigation and liability risk.

The Group is subject to, amongst other legislation, health, pollution and environmental legislation, government and municipal regulations and standards. The Issuer must meet requirements based on these legislations, regulations and standards to obtain necessary licenses and certificates in respective countries, e.g. processing licenses and health certificates. These licenses and certificates may be valid as long as Iceland Seafood meets the legal requirements. They may also be valid for a specific period and therefore have to be renewed regularly.

Existing legislation, government and municipal regulations and standards could be amended, the manner in which legislation and standards are enforced or interpreted could change and new legislation, regulations and standards could be adopted, which could adversely affect the Issuer's operations in the respective countries. Violations of legislation, regulations and standards,

whether intentional or unintentional, may lead to the revocation of some of the licenses or certificates in the respective countries and /or affect the reputation of Iceland Seafood.

Iceland Seafood is potentially exposed to claims from dissatisfied customers and consumers of the Issuer's products. Iceland Seafood may be subject to claims arising from violations of health, pollution and environmental legislation, government and municipal regulations and standards. Iceland Seafood may also be subject to claims arising from disputes with employees for, among other things, alleged illegal dismissal, discrimination or harassment. These risks may often be difficult to assess or quantify and their existence and magnitude often remain unknown for substantial periods. Liability resulting from any of the foregoing or other claims could have a material adverse effect on the reputation and results of the Issuer's operations.

A majority of Iceland Seafood's trademarks are registered, and as the Group develops future trademarks they will be registered in the appropriate regions. The Havelok subsidiary in the UK was, in 2015, granted a patent (patent no GB2518466) on their 'cook from frozen' product. The patent provides protection in the UK preventing other companies from copying the product.

Due to the nature of the Issuer's operations there may always be some open disputes towards customers, suppliers or other counterparties. However, upon the publication of this Registration Document, Iceland Seafood is neither involved in any litigation that may have a material negative effect on the Group's operations or financial status nor is the Group aware of any such pending litigation or any interference that has or can have a considerable negative effect on the financial position of Iceland Seafood.

1.1.13 Contract Risk

The Issuer has assessed the risks of current and imminent disputes due to contracts which the Issuer is a party to. Furthermore, the possibility of disputes rising in the future due to these contracts has been assessed. To the Issuers knowledge no dispute of a significance that would give rise to a special capital allocation exists.

The Issuer is party to a shareholders agreement which includes a put options issued to Iceland Seafood's co-owners in subsidiary Havelok Ltd. (hereafter referred to as "Havelok") and a put and call option contract with co-owners in subsidiary Oceanpath Ltd. (hereafter referred to as "Oceanpath") which are further described in chapter 7.3.1 *Put and Call options*. Further, the Issuer has an option program in place for employees which is described in chapter 10.6 *Share Based Payments*.

Further, the Issuer's brands 'Icelandic' and 'Icelandic Seafood' are leased from Icelandic Trademark Holding, a holding company owned by the Icelandic Government with the specific purpose of owning and managing the brands and leasing to producers of various Icelandic products. The brands have a long history of over 75 years in the seafood sector and are known throughout the international markets for superior premium quality. The current contract with Icelandic Trademark Holding expires in December 2023 and grants Iceland Seafood the right to market products under the brands in Spain, Portugal, Italy, Greece and France. Should the Issuer's lease not be renewed, a competitor could market its products under the brand in direct competition with the Issuer.

Additionally, the Issuer is party to lease agreements for its production facilities and land some of which include provisions stating that the asset should be returned in the condition in which it was received. Due to the nature of the Issuer's operations, such provisions might require a one-off cost due to repairs or maintenance to fulfil the contracts.

1.1.14 Risk relating to Accounting Principles

The Consolidated Financial Statements of the Issuer have been prepared in accordance with International Financial Reporting Standards (hereafter referred to as “IFRS”), as adopted by the European Union and additional requirements in the Icelandic Financial Statement Act, whilst financial statements of individual subsidiaries are either prepared in accordance with local accounting principles or IFRS. Any changes to any of these accounting principles could affect the reported financial results of the Group.

Additionally, for its operation in Argentina, the Issuer applies IFRS 29: Financial Reporting in Hyperinflationary Economies. The basic principle in IFRS 29 is that the financial statements of an entity that reports in the currency of a hyperinflationary economy should be stated in terms of the measuring unit current at the end of the period covered by the financial statements. Comparative figures for prior period(s) should be restated into the same current measuring unit by applying a general price index. The Issuer is currently considering a change in the reporting currency in Argentina, from the argentinian Peso to USD, as USD is the operation's functional currency as defined by IFRS. Should the reporting currency be changed to USD, hyperinflationary accounting would no longer be applied.

1.1.15 Risk relating to Tax Legislation

The Group pays taxes in a number of countries where it has operations. Any changes in tax legislation in the various countries can influence financial results of the Group.

1.2 Issuer's Financial Risks

The Issuer controls its financing in a way that secures the daily operation of all subsidiaries. Iceland Seafood's operations are exposed to various financial risks factors including, but not limited to financing, interest, credit, liquidity and currency risks. The Group operates appropriate controls to manage these risk factors both within individual subsidiaries and at the parent company level. The Group does not take positions in any financial instruments, although it uses forward contracts for hedging currency exposures where appropriate.

1.2.1 Financing Risk

The majority of the Group's interest bearing loans relate to the financing of working capital, representing 90% of the Group's interest bearing debt at year-end 2018. These loans are short-term revolving facilities, based upon longer-term agreements secured by pledges over inventories, receivables, bank accounts, intellectual property rights and certain properties held by the Group companies. The parent company, Iceland Seafood International hf's, shares in its subsidiaries are also pledged as security for the Group's short term and long term loans.

In November 2018 the Group extended its main revolving facility agreement with Arion Bank to May 2022. This loan is the main source of funding for the Group's companies with the exemption of subsidiaries in Spain. The loan agreement is between the parent company Iceland

Seafood International hf. and Arion bank and the available drawdown at any given time depends on the balance of Group's receivables and inventories with the exception of subsidiary Icelandic Iberica in Spain. The line is drawn by the parent company which then funds the subsidiaries via intercompany loan agreements. Subsidiaries in Spain are mainly funded by short term and long term loans with number of local banks in Spain.

Long-term loans at 30 June 2019 amounted to EUR 9.7 million, including current maturities. The Groups main revolver loan incorporates two key financial covenants, one covenant that tests equity ratio at end of each quarter and another one which compares on a quarterly basis the Group's Cash Flow Available For Debt Servicing (hereafter referred to as "CFADS") to the Group's interest and lease payment obligations over a twelve month trailing period. CFADS is calculated by taking Group EBITDA and subtracting capital expenditure and tax payments. At the last test date, 30 June 2019, the Group's equity ratio was 30.6% compared to covenant level of 10% and CFADS ratio was 2.95 versus a covenant level of 1.1. The Group's current financial projections for the next twelve months do not generate any potential issues with future covenant tests.

1.2.2 Interest Rate Risk

Changes in interest rates can affect the Group in both a positive or negative way. The majority of all interest-bearing loans have variable interest rates with a defined margin on the base rate in each currency. The Group's funding is mainly in EUR, GBP and USD, but none in ISK. Management does not expect the base interest rates in these currencies (Euribor and Libor rates) to increase significantly in the coming years.

1.2.3 Credit Risk

Credit risk is the risk of default on debt that may arise from a borrower failing to make required payments. The credit risk of the Group mainly relates to accounts receivables, i.e. that customers are not able to pay for goods that the Group has sold to them.

As accounts receivable are a large pillar in the Issuer's balance sheet, the Group places great care in managing and minimising its credit risk. In addition to ongoing credit evaluation on the financial conditions of relevant customers, the Issuer purchases credit insurances from three large international credit insurers which generally covers approximately 80% of the Group's outstanding receivables.

In countries where credit insurance cannot be obtained, the Issuer generally applies other methods such as letters of credit, cash against documents and shares risk with suppliers to control its credit exposure.

1.2.4 Liquidity Risk

Liquidity risk is the risk of the Group not being able to meet financial obligations when they are due. The Group manages liquidity risk by ensuring sufficient liquidity from current bank facilities to meet foreseeable needs and to invest cash assets safely and profitably. This policy has remained unchanged from previous periods.

The Group's main source of financing is a multi currency revolving credit facility with an Icelandic financial institution, with a cap of EUR 65 million. The facility was renewed in

November 2018 and extended to May 2022. This is a revolving loan facility secured with a pledge over inventories, receivables and shares in subsidiaries. Headroom is in the opinion of the Board sufficient to cover fluctuations, both with regards to total facility amount and underlying assets (inventory and receivables).

1.2.5 Insurance Risk

The Group has appropriate insurance policies in place, which provides insurance cover against product and property damage, certain delays, general liability and environmental liability in accordance with normal practice within the industry. Additionally, the Group maintains Directors and Officers insurance for its executive management. Despite these insurance policies, which the Group has in place, there is no guarantee that all claims that might be lodged against the Group at any time would be covered by such policies.

1.2.6 Risk relating to impairment of Goodwill

In 2018 Iceland Seafood acquired Solo Seafood ehf. and Oceanpath Ltd. which resulted in recognition of goodwill amounting to EUR 34.6 million. For further information on the acquisitions see chapters 9.3.1 *Oceanpath* and 9.3.2 *Solo Seafood*. Additionally, the parent company and subsidiaries had on its books goodwill amounting to EUR 8.8 million, a total of EUR 43.5 million of goodwill on a Group basis at year end 2018.

Assets with indefinite useful life, such as goodwill, are not amortised but are subject to annual impairment testing. Goodwill is allocated to cash generating units (hereafter referred to “CGUs”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combinations in which the goodwill arose and an impairment test is prepared for each of the CGUs that have allocated goodwill at the end of each year.

The last goodwill impairment test was performed at the end of 2018. Its results showed that the recoverable value exceeds the carrying value of goodwill. In addition to the base case testing, additional scenarios were tested where some key inputs had been stressed. In all scenarios tested, the results show that there is sufficient headroom and that there are no triggers indicating that impairment is necessary. Consequently, the book value of goodwill at year end 2018 remains intact at EUR 43.5 million.

Impairment losses are recognised in profit or loss and an impairment loss in respect of goodwill is not reversed. Therefore, the risk relating to goodwill is that the Issuer will realise impairment losses due to goodwill, affecting the financial results of Iceland Seafood.

2 DEFINITIONS

“Iceland Seafood”, the “Issuer”, or the “Group”	Iceland Seafood International hf., reg. no. 611088-1329, Köllunarklettsvegur 2, 104 Reykjavík, Iceland
“2016 CFS”	The Consolidated Financial Statements of Iceland Seafood for the year 2016
“2017 CFS”	The Consolidated Financial Statements of Iceland Seafood for the year 2017
“2018 CFS”	The Consolidated Financial Statements of Iceland Seafood for the year 2018
“1H 2019 CFS”	The Consolidated Interim Financial Statements for the six months ended 30 June 2019
“1H 2018 CFS”	The Consolidated Interim Financial Statements for the six months ended 30 June 2018
“2018P”	A unaudited and unreviewed proforma adjustment of the Issuer's 2018 CFS prepared by management to reflect a whole year effect of acquisitions in 2018
“Achernar”	Iceland Seafood's subsidiary Achernar S.A.A.
“Articles of Association”	The Issuer's Articles of Association dated 12 June 2019
“Act on Public Companies”	Act No. 2/1995 on Public Limited Companies
“Act on Securities Transactions”	Act no. 108/2007, on Securities Transactions
“Board of Directors” or the “Board”	The Board of Directors of Iceland Seafood
“CFS” of “CFSs”	Iceland Seafood's Consolidated Financial Statements
“CFADS”	The Group's Cash Flow Available For Debt Servicing
“CGUs”	Cash generating units
“Dividend Policy”	The Issuer's current dividend policy
“Deloitte”	Deloitte ehf., reg. no. 521098-2449, Smáratorgi 3, 201 Kópavogi
“Executive Management” or “Management Team”	Iceland Seafood's CEO and CFO
“Ecomsa”	Iceland Seafood's subsidiary Elaboración de Congelados Málaga S.A
“FX”	Foreign exchange rates
“FAO”	The Food and Agriculture Organization of the United Nations

“Guidelines”	Corporate Governance Guidelines published by the Iceland Chamber of Commerce in co-operation with SA Business Iceland and Nasdaq Iceland
“Havelok”	Iceland Seafood's subsidiary Havelok Ltd.
“HORECA”	The hotel, restaurant and catering sector
“Icelandic Iberica”	Iceland Seafood's subsidiary Icelandic Freezing Plants Iberica SAU
“Oceanpath”	Iceland Seafood's subsidiary Oceanpath Ltd.
“Stock Option Plan” or the “Options”	The Issuer's Stock Option Plan last approved at a shareholder meeting in September 2018
“IFRS”	International Financial Reporting Standards
“Nasdaq Iceland Rules”	The rules for issuers of financial instruments, issued by Nasdaq Iceland hf., effective as of 1 July 2018
“Nasdaq Iceland” or the “Exchange”	NASDAQ Iceland hf., reg. no. 681298-2829, Laugavegi 182, 105, Iceland
“Period”	The period from 1.1.2016 to 30.6.2019
“Prospectus”	The prospectus dated 3 October 2019, which concerns and is published in relation to Iceland Seafood's application to have all of its shares admitted to trading on the Regulated Market of Nasdaq Iceland, consisting of a securities note, this Registration Document and a summary, all dated 3 October 2019
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the prospectus to be published when securities are offered to the public or admitted to trading
“Regulated Market of Nasdaq Iceland”	The regulated market of Nasdaq Iceland hf., reg. no. 681298-2829
“Solo Seafood”	Iceland Seafood's subsidiary Solo Seafood ehf.
“Registration Document”	This registration document dated 3 October 2019, which concerns and is published in relation to Iceland Seafood's application to have all of its shares admitted to trading on the Regulated Market of Nasdaq Iceland

3 NOTICE TO INVESTORS

This Registration Document, dated 3 October 2019 (hereafter referred to as the “Registration Document”), has been scrutinised and approved by the Icelandic Financial Supervisory Authority. This Registration Document is a part of the Issuer's Prospectus, dated 3 October 2019 (hereafter referred to as the “Prospectus”), which concerns, and is published in relation to the Issuer's application to have all its shares admitted to trading on the Regulated Market of Nasdaq Iceland hf. and the Issuer's public offering of new shares as described in the Prospectus. The Prospectus has been prepared in accordance with Icelandic laws and regulations in effect on the date of the Securities Note, including Act no. 108/2007, on Securities Transactions (hereafter referred to as the “Act on Securities Transactions”) and directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 (hereafter referred to as the “Prospectus Directive”), which has been implemented into Icelandic law. In that respect, reference is made to regulation no. 837/2013 regarding public offering of securities equivalent to EUR 5 million or more in Icelandic króna and admission to trading on a regulated market. Furthermore, reference is made to regulation no. 243/2006 on the entry into force of Commission Regulation no. 809/2004, on the implementation of the Prospectus Directive, concerning information in prospectuses, their presentation, information incorporated by reference, publication of prospectuses as well as distributions of advertisements, all as amended. The Prospectus is in accordance with the provisions of Annex I, Annex III and Annex XXII of supplement I to regulation no. 243/2006. The Securities Note is in accordance with provisions of Annex III, setting out minimum disclosure requirements for share securities note. The Prospectus is further prepared with regard to the Rules for issuers of financial instruments, issued by Nasdaq Iceland hf. (hereafter referred to as “Nasdaq Iceland” or the “Exchange”), effective as of 1 July 2018 (hereafter referred to as the “Nasdaq Iceland Rules”).

The Prospectus is published in English and consists of three documents, a Summary dated 3 October 2019, this Registration Document dated 3 October 2019 and a Securities Note dated 3 October 2019 (hereafter referred to as the “Securities Note”). An Icelandic translation of the Summary has been prepared but should there be any differences between the Icelandic translation of the Summary and the original English text, the English text prevails. The Prospectus is available for viewing at Iceland Seafood's registered office at Köllunarklettsvegur 2, 104 Reykjavík, Iceland for 12 months from the date of the publication of the Prospectus. The Prospectus will also be available on the Issuer's website: www.icelandseafood.com.

The information appearing in this Prospectus should not be construed as an offer, a recommendation or solicitation to buy, hold or sell shares in the Issuer or to take any other investment decisions.

The Prospectus contains information for investors to evaluate the Issuer's assets and liabilities, financial situation, performance and outlook, as well as the various rights attached to the Issuer's shares. Investors are encouraged to familiarize themselves with all information contained in the Prospectus, especially the chapter named 1 Risk Factors, both in the Registration Document and in this Securities Note.

Following the publication of the Prospectus, investors are advised to acquaint themselves with all public information issued by Iceland Seafood or concerning Iceland Seafood and/or shares issued by Iceland Seafood. Only the Issuer is entitled to procure information about conditions

described in this Securities Note. Information procured by any other person is of no relevance in relation to this Securities Note and cannot be relied on. No person is authorised to provide information or to make any representation in connection with the Issuer's shares other than as contained in the Prospectus. If any such information is provided or made, it must not be relied upon as having been authorised by the Issuer or any of the Issuer's respective affiliates or advisors.

This Registration Document, as well as other documents which are a part of the Prospectus, may not be sent or otherwise distributed, whether electronically or by other means, to countries in which distribution would require additional registration measures or other measures to be taken other than as applicable under Icelandic laws and regulations, or would be in conflict with laws and regulations in the relevant country. In some jurisdictions laws and regulations may restrict distribution of the Prospectus. Therefore, the Issuer requests that all recipients of the Prospectus familiarize themselves with and act in accordance to such laws and regulations or other restrictions. Iceland Seafood assumes no liability for distribution of the Prospectus by any third parties in any jurisdiction. The Securities Note, as well as any other documents in the Prospectus, should not be distributed or sent to the USA, Australia, Canada or Japan.

This Registration Document, or other documents which are a part of the Prospectus, should by no means be viewed or construed as a promise by the Issuer of future success in operations or as a return on investments. Investors are reminded that equities are risky investments that are based on expectations, not promises. Investors must, first and foremost, trust their own judgment when it comes to investing in the Issuer's shares, and are advised to seek advice from external experts before making investment decisions. Investors are furthermore advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Issuer's securities, and seek external and independent advice in that respect.

Information in this Prospectus is based on circumstances and facts on the date on which the Prospectus is signed. If significant new information, material mistakes or inaccuracies relating to information in the Prospectus, which could affect the assessment of the Issuer's shares, are discovered between the time the Prospectus is approved, cf. article 52 of the Act on Securities Transactions, and the time when the Issuer's public offering is completed or the Issuer's shares are admitted to trading, a supplement to the Prospectus shall be prepared describing the details in question in accordance with Article 46 of the Act on Securities Transactions. The supplement shall be approved within seven working days and published in the same manner as the original Prospectus. The summary and any translations thereof shall also be supplemented if necessary, to take into account the new information included in the supplement.

As the Issuer's shares were admitted to trading on the Nasdaq First North Iceland in May 2016, the Issuer is already under disclosure obligation on the market pursuant to applicable laws and regulations, cf. the Act on Securities Transactions, publicly issues announcements, and is governed by the Nasdaq First North Nordic – Rulebook, issued on 1 January 2019. If the Issuer's shares will be admitted to trading on the Regulated market of Nasdaq Iceland, the Nasdaq Iceland Rules' provisions concerning shares will also become applicable to the Issuer, but the First North Iceland Rules will not apply to the Issuer from that time.

3.1 Third Party Information

Where third party information has been used in the Prospectus, the information has been accurately reproduced and the source of such information has been identified. As far as the Issuer is aware and able to ascertain from information published by those third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. When third party information has been used in the Prospectus, it has been on the basis of publicly available information which is cited in footnotes where applicable.

4 PERSONS RESPONSIBLE

4.1 Company Statement

Iceland Seafood and the Board of Directors are responsible for the content of this Prospectus. Iceland Seafood and the Board of Directors hereby declare that, having taken all reasonable care to ensure that such is the case, the information in this Registration Document is, to the best of Iceland Seafood's and the Board of Directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 3 October 2019

For and on behalf of Iceland Seafood



Bjarni Ármannsson, CEO of Iceland Seafood

For and on behalf of the Board of Directors



Magnús Bjarnason, Chairman of the Board of Directors

4.2 Statutory Auditors Statement

Deloitte ehf., registration number 521098-2449, Smáratorg 3, 201 Kópavogur, Iceland, has audited the consolidated financial statements of the Group for the years ended 31 December 2018, 2017 and 2016 and reviewed the interim financial statements for the six months ended 30 June 2019. Deloitte ehf. hereby confirms that the consolidated financial statements of the Group for the years ended 31 December 2018, 2017 and 2016 and the six months ended 30 June 2019 give a true and fair view of the financial position of the Group for the respective periods and of its financial performance and its cash flows for the periods in accordance with International Financial Reporting Standards (hereafter referred to as “IFRS”), as adopted by the European Union, and additional requirements in the Act no. 3/2006, on Annual Accounts. Deloitte ehf. confirms that the information reproduced in this Prospectus from the abovementioned consolidated financial statements for the Group is consistent with their respective originals.

Reykjavík, 3 October 2019

On behalf of Deloitte ehf.



Ingvi Björn Bergmann

State Authorised Public Accountant and member of the
Institute of State Authorised Public Accountants in Iceland

5 DOCUMENTS ON DISPLAY

For 12 months from the date of the publication of the Prospectus, the following documents are available for viewing at the registered office of the Issuer, and/or electronically on the Issuer's website, www.icelandseafood.com/investors:

- The Summary, the Securities Note and the Registration Document, all dated 3 October 2019
- The Issuer's Articles of Association
- The Issuer's Audited consolidated financial statements for the year-ended 31 December 2016
- The Issuer's Audited consolidated financial statements for the year-ended 31 December 2017
- The Issuer's Audited consolidated financial statements for the year-ended 31 December 2018
- The Issuer's unaudited consolidated interim financial statements for the six months ended 30 June 2018
- The Issuer's reviewed consolidated interim financial statements for the six months ended 30 June 2019

5.1 Information incorporated by reference

The 2016 CFS is incorporated in the Prospectus by reference and may be accessed on the Issuer's website, under the following link:

https://csf.omxgroup.com/cns-web/oam/viewAttachment.action;jsessionid=ML9zLgljVXEH0eRHhWPbugW_1c1qofxm91XVxZG0.csf.1001?messageAttachmentId=236254

The 2017 CFS is incorporated in the Prospectus by reference and may be accessed on the Issuer's website, under the following link:

https://csf.omxgroup.com/cns-web/oam/viewAttachment.action;jsessionid=ML9zLgljVXEH0eRHhWPbugW_1c1qofxm91XVxZG0.csf.1001?messageAttachmentId=242527

The 2018 CFS is incorporated in the Prospectus by reference and may be accessed on the Issuer's website, under the following link:

https://csf.omxgroup.com/cns-web/oam/viewAttachment.action;jsessionid=ML9zLgljVXEH0eRHhWPbugW_1c1qofxm91XVxZG0.csf.1001?messageAttachmentId=250121

6 SELECTED FINANCIAL INFORMATION

Below is selected financial information for the Group. The information from the following tables has been derived from the Group's Consolidated Financial Statements for the years 2016, 2017 and 2018 as well as interim financial statements for the six months ended 30 June 2018 and 30 June 2019 which have, unless otherwise stated, been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional disclosure requirements in the Icelandic Act no. 3/2006 on Financial Statements. The Group's Financial Statements for the years 2016 to 2018 have been audited by Deloitte ehf. which have also reviewed the Group's interim Financial Statement for the six months ended 30 June 2019. The interim Financial Statement for the six months ended 30 June 2018 is unaudited and not reviewed by the Group's auditor. The Financial Statements have been incorporated into the Prospectus by reference and should be read in conjunction with the financial information presented in the Prospectus.

6.1 Condensed Consolidated Statement of Income

EUR 000	1H 2019 Reviewed	1H2018 Unaudited	2018 Audited	2017 Audited	2016 Audited
Gross profit					
Sales of seafood.....	232,109	149,990	345,978	249,149	246,273
Cost of sales.....	(200,823)	(130,151)	(299,153)	(214,976)	(212,468)
	31,286	19,839	46,825	34,173	33,805
Operating expenses					
Operating expenses.....	(24,631)	(16,790)	(37,644)	(28,665)	(28,470)
Depreciation and amortisation....	(1,471)	(521)	(1,319)	(863)	(811)
Operating profit (loss).....	5,184	2,528	7,862	4,644	4,524
Net finance costs.....	(1,134)	(900)	(2,005)	(1,343)	(1,432)
Net exchange rate difference...	(210)	27	69	15	(2)
Profit (loss) before tax	3,840	1,655	5,926	3,316	3,090
Income tax.....	(929)	(306)	(1,231)	(727)	(499)
Profit (loss)	2,911	1,349	4,695	2,589	2,591
Discontinued operations.....		(5)	(18)	(11)	(34)
Profit (loss)	2,911	1,344	4,677	2,579	2,557
Adjustments¹					
Operating expenses adjustment	(1,650)	(516)	(1,290)	(192)	(203)
Normalised profit before tax	5,490	2,171	7,216	3,508	3,294
Income tax adjustment	329	103	258	38	30
Discontinued operations adjustment		(5)	(18)	(11)	(34)
Normalised profit (loss)	4,232	1,762	5,727	2,743	2,765

Table 1 Condensed Consolidated Statement of Income

¹ IFRS results adjusted for on-off significant items. Adjustment shows the normalised result had the one-off adjustment been applied to the applicable component. See chapter 9.1 Normalised results

6.2 Condensed Consolidated Statement of Financial Position

EUR 000	30.6.2019 Reviewed	30.6.2018 Unaudited	31.12.2018 Audited	31.12.2017 Audited	31.12.2016 Audited
Assets					
Total non-current assets	67,472	31,437	61,802	18,937	18,868
Total current assets	136,498	79,208	131,992	69,225	56,181
Total assets	203,970	110,645	193,794	88,162	75,049
Equity					
Total equity	62,403	20,760	59,342	17,720	15,363
Liabilities					
Total non-current liabilities	15,532	8,410	8,386	1,508	2,006
Total current liabilities	126,035	81,475	126,066	68,934	57,680
Total liabilities	141,567	89,885	134,452	70,442	59,686
Total equity and liabilities	203,970	110,645	193,794	88,162	75,049

Table 2 Condensed Consolidated Statement of Financial Position

6.3 Condensed Consolidated Statement of Cash Flows

EUR 000	1H 2019 Reviewed	1H2018 Unaudited	2018 Audited	2017 Audited	2016 Audited
Cash flow from operating activities					
Net cash generated by (used in) operating activities	1,760	(5,461)	4,106	(3,441)	6,517
Net cash generated from investing activities	(3,314)	(4,959)	(9,948)	(728)	(1,154)
Net cash generated by (used in) financing activities	7,259	11,946	7,655	4,549	(6,138)
Increase (decrease) in cash and bank balances	5,705	1,526	1,813	380	(774)
Cash and bank balances at the beginning of the period	3,967	2,223	2,223	1,797	2,647
Effect of exchange rate changes on cash held in foreign currencies	(210)	27	(69)	47	(76)
Cash and bank balances at the end of the period	9,462	3,776	3,967	2,223	1,797

Table 3 Condensed Consolidated Statement of Cash Flows

6.4 Selected Financial Ratios

Table 4 Selected Financial Ratios shows selected financial ratios from the Group's operations and Consolidated Financial Statements. In its management reporting the Issuer places its main focus on sales, net margin and normalised profit before tax (PBT) as well as normalised results from operations².

Net margin is calculated as sales net of cost of sales (gross profit) net of other costs related to sales such as transportation, storage cost, insurance and other sales related expenses included in operating expenses and therefore reflects all variable cost related to the sale which are monitored and controlled. Normalised PBT is the PBT net of all one-off effects and reflects what the Issuer feels is the true profit from regular operations. Working capital management is an important part of the Issuer's daily operations, therefore, the Issuer emphasises PBT over EBITDA in its management reporting as its finance costs are mainly related to inventory financing and claims.

In 2018 the Issuer completed two large acquisitions, of Oceanpath and Solo Seafood ehf. (hereafter referred to as “Solo Seafood”). Due to the extent and effect of the acquisitions on the Issuer's operations all key figures are reported with and without full year effect adjustments. The full year effect adjustments presented here are based on unaudited pro-forma calculations prepared for management reporting.

EUR million	1H 2019 Reviewed	1H2018 Unaudited	2018 Audited	2017 Audited	2016 Audited
Earnings per share					
Basic (cents per thousand shares)	0.1246	0.1034	0.2926	0.1993	0.2074
Diluted (cents per thousand shares)	0.1240	0.1022	0.2896	0.1984	0.2046
Sales					
232.1	150.0	345.9	249.1	246.3	
Sales adjusted for full year effect of acquisitions ³		213.8	431.3	391.6	n/a
Net Margin					
20.5	11.7	28.9	19.5	19.0	
Net Margin adjusted for full year effect of acquisitions		20.2	41.0	37.8	n/a
Normalised PBT					
5.5	2.2	7.2	3.5	3.3	
Normalised PBT adjusted for full year effect of acquisitions		4.6	10.8	8.7	n/a
Net Profit					
2.9	1.3	4.7	2.6	2.6	
Net Profit adjusted for full year effect of acquisitions		3.2	7.5	6.7	n/a

Table 4 Selected Financial Ratios

² IFRS results net of significant one-off items. See chapter 9 *Normalised results*

³ Based on 12 month operation of subsidiaries acquired in the year and includes finance costs related to the acquisitions

7 INFORMATION ABOUT THE ISSUER

According to Article 3 of the Issuer's Articles of Association dated 12 June 2019 (hereafter referred to as the "Articles of Association"), the objective of the Issuer is to be a holding company for shares in other companies, and to export seafood and seafood products, real estate management, and other similar operations.

7.1 The Issuer

Legal name:	Iceland Seafood International hf.
Commercial name:	Iceland Seafood International
Address:	Köllunarklettsvegur 2, 104 Reykjavík
Reg. No.:	611088-1329
Legal form:	A public limited company established under the Act on Public Limited Companies
Domicile:	Iceland
Date of incorporation:	19.October.1988
Ticker symbol with Nasdaq Iceland:	ICESEA
ISIN-number:	IS0000026961
LEI:	254900CJS0OI5B8GO668
Website:	www.icelandseafood.com
E-mail:	info@icelandseafood.is
Phone number:	+ 354 550 8000

7.2 History and Development

Iceland Seafood is a worldwide sales, production and marketing Group for a variety of frozen, fresh, salted, dried, smoked and value-added seafood. The Group's headquarters are in Iceland with three operating divisions incorporating twelve subsidiaries in Northern and Southern Europe and North and South America. The Group is the descendant of three Icelandic associations, The Union of Icelandic Fish Producers (SIF), founded in 1932, the Herring Board, founded in 1935, and the Seafood Division of Samband of Iceland, founded in 1957.

Iceland Seafood is a respected industry leading supplier of North Atlantic fish and seafood and a leading service provider in its markets. Iceland Seafood is one of the largest exporters of fish products from Iceland and a key processor of high-quality seafood in the Spanish, Irish and UK markets.

In 2017 the Issuer reached an agreement with the founders and owners of Oceanpath Ltd, the leading fresh fish supplier to retailers in the Republic of Ireland, to purchase a 67% share in Oceanpath with local management retaining the remaining 33%. The acquisition was finalised in March 2018.

In the first half of 2018 Iceland Seafood signed a head of terms agreement to acquire Solo Seafood ehf, the holding company for Icelandic Freezing Plants Iberica SAU (hereafter referred to as “Icelandic Iberica”) in Spain. Icelandic Iberica consists of the parent company Icelandic Iberica and subsidiaries Elaboración de Congelados Málaga S.A (hereafter referred to as “Ecomsa”) in Spain and Achnar in Argentina. The previous owners of Solo Seafood are industry specialists and producers Sjárvarsýn, FISK Seafood, Jakob Valgeir ehf., Nesfiskur and the former Managing Director of Icelandic Iberica, Hjörleifur Ásgeirsson who all received shares in Iceland Seafood in return for their shares in Solo Seafood. The acquisition was a significant strategic step for the Issuer, in which major seafood players joined Iceland Seafood's shareholding group, creating an integrated supply chain through to the end customer. The acquisition was finalised in September 2018.

7.3 Subsidiaries and other investments

The Group consists of Iceland Seafood, which is the parent company of the Group, and its subsidiaries. At 30 June 2019 Iceland Seafood held shares in 17 subsidiaries in addition to one in liquidation. The Issuer additionally holds shares in two other companies as listed below in *table 5 Subsidiaries and other investments*. The Issuer's voting shares correspond to their holdings in each subsidiary.

Name of company	Place of incorporation	Ownership 30.6.2019	Principal activity
Subsidiaries			
Iceland Seafood ehf.	Iceland	100%	Sale of seafood
Solo Export ehf.	Iceland	100%	Not active
Iceland Seafood Spain S.L.	Spain	100%	Sale of seafood
-Union Islandia Pleamar S.L.	Spain	55%	Not active
Icelandic Freezing Plants Iberica SAU	Spain	100%	Sale of seafood
- Elaboración de Congelados Málaga, S.A	Spain	100%	Sale of seafood
-IPDLM S.A.R.L.	France	100%	Not active
-Achnar S.A.A.	Argentina	100%	Sale of seafood
Iceland Seafood Barraclough Ltd.	UK	100%	Sale of seafood
-F.Barraclough Ltd.	UK	100%	Not active
-Havelok Ltd.	UK	67%	Sale of seafood
Oceanpath Limited	Ireland	67%	Sale of seafood
-Dunns (Fish&Poultry) Ltd.	Ireland	100%	Holding
-Dunns Seafare Ltd.	Ireland	100%	Sale of seafood
Iceland Seafood France S.A.S.	France	100%	Sale of seafood
ISG Iceland Seafood GmbH	Germany	100%	Sale of seafood
ISI Seafood Inc.	USA	100%	Sale of seafood
Discontinued Operations			
Iceland Seafood Hellas A.E.E.	Greece	66%	Liquidation
Investments in other companies			
Credible Properties Ltd.	Ireland	50%	Properties
Febin Marine Foods Private Ltd.	India	5%	Seafood supply

table 5 Subsidiaries and other investments

7.3.1 Put and Call options

The Issuer has a call options on all remaining shares in subsidiary Oceanpath which is currently held by the Issuer's co-owner in Oceanpath. Additionally, the Issuer's co-owners in subsidiaries Oceanpath and Havelok hold a put option to sell all remaining shares in Havelok and Oceanpath respectively to the Issuer.

In the case of Oceanpath, the Issuer has entered into a call and put option contract with Ecock Holdings Limited which holds 33% of the share capital in Oceanpath. The contract entitles the option holders to purchase/sell 33,000 ordinary shares in Oceanpath, the purchase/sales value is dependent on the profitability of the business in the previous two financial years prior to exercising the option. The number of shares represents the remaining amount of shares in Oceanpath that is not held by the Issuer and the option holder must exercise his option contract in whole.

The call option became exercisable for the Issuer at any time after 1 May 2019 and the put option becomes exercisable for the co-owner from 1 May 2023.

For Havelok, the Issuer is party to a shareholder's agreement which includes a put option agreement with the co-owner, who is the Managing Director of the business and holds 33% of the share capital in Havelok. The contracts entitles the co-owner to sell his shares in Havelok at fair value as certified by an independent expert. The number of shares is fixed and represents the remaining shares in Havelok that are not held by the Issuer and the option holder must exercise his option contract in whole.

The option may only be exercised if:

- i. The co-owner becomes a Good Leaver due to his death or permanent incapacity and the Issuer does not exercise his right to purchase the shares under such circumstances,
- ii. There is a Change of Control of the Issuer or Iceland Seafood Barraclough (Havelok's parent company).

With the changes in the Issuer's shareholders group due to the aquisition of Solo Seafood, there has been a Change of Control of the Issuer making the option exercisable by the co-owner.

8 BUSINESS OVERVIEW

8.1 Strategy and trends

Iceland Seafood is deeply rooted in the Icelandic fisheries industry as the descendant of historical Icelandic seafood companies. The Issuer's strategy is focused on delivering high margin growth and earnings over time and the Issuer has developed a strategy that reflects its purpose and enables the company to capture the value of its international network and in-depth knowledge of its markets.

The Issuer's long-term, two-part strategy is to:

- i) **Invest in value added product lines:** With its strong roots in sourcing seafood coupled with in-depth knowledge of local markets, the Issuer is investing in and leveraging its network to deliver value added products. the Issuer's shift to value added has been gradual but intentional and was strengthened in 2018 with the acquisitions of Oceanpath and Solo Seafood. Oceanpath sells directly to retailers and has approximately a 20% market share in the retail market in Ireland, and Solo Seafood' s subsidiary Icelandic Iberica is a leading seafood supplier to the hotel, restaurant and catering (hereafter referred to as “HORECA”) sector in Southern Europe. The Issuer intends to continue to explore further opportunities in this area, leveraging on its expertise and integration capabilities.
- ii) **Continue to focus on core sales & distribution:** The Issuer's core business is global sourcing and distribution of high-quality, frozen, fresh, salted, dried, smoked and value-added seafood, developing procurement and logistics solutions to match its customers high requirements. With the acquisition of Solo Seafood three large Icelandic seafood companies became major shareholders in the Issuer. These seafood companies are major quota holders in Iceland and strengthen Iceland Seafood's vertical integration in markets of critical importance to the Issuer.

The Issuer believes that the origin of the seafood products that the Issuer sells in its markets is important and works in a close partnership mainly with Icelandic producers as well as producers from other important origins. The fishing industry is a large industry in Iceland with a turnover of approximately EUR 2 billion, which generates significant profit for Icelandic society. However, in international markets, the Issuer and Icelandic producers are in competition with larger companies and serve global customers who make ever-increasing demands. It is therefore important for Iceland Seafood and Icelandic producers to join forces to ensure the highest prices are paid for the roughly 1.5 million tonnes that come out of the Icelandic ocean every year. Even though this is a significant volume for the Icelandic economy, it is less than 2% of the fish caught in the world.

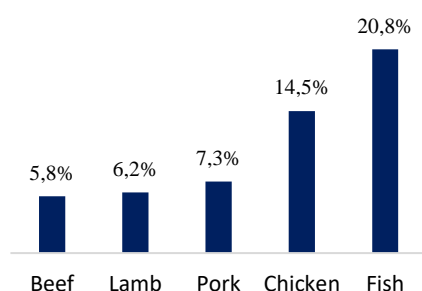
Iceland Seafood's strong international presence ensures Icelandic producers' access to a large market that is the backbone of Iceland Seafood operations, with over 3000 active business to business customers in 45 countries. It is vital for producers of seafood products to have stable access to key markets and to be deep in the market, close to the distribution channels and the final consumer. Iceland Seafood has for many decades been a key player in export of Icelandic seafood products. The Issuer has, as a longterm project, built up strong brands and a quality

reputation which Iceland Seafood believes to afford them a strong competitive advantage in the export and sales market.

8.1.1 Growing with Global trends in the market

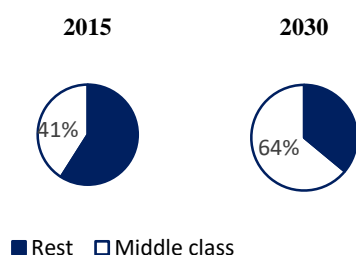
All over the world, various trends can be observed which are all driving an increase in seafood consumption, providing a clear opportunity for major seafood players like Iceland Seafood.

i) *Drive towards healthy living*⁴



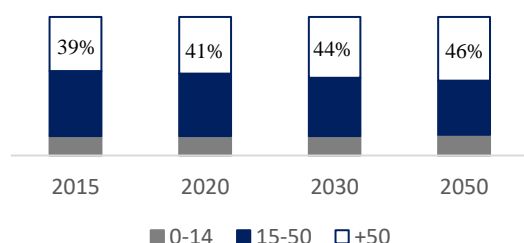
Having relegated health concerns in the aftermath of the 2008 recession, health awareness and nutritional aspects of food has regained ground and the world has seen a noticeable drive towards healthy living, where governments are encouraging people to eat more seafood. Consumers are becoming more selective in their food choices and millennials lifestyles are healthier.

ii) *A growing middle class*⁵



A growing middle class is expected to increase from one-third to two-thirds of the world's population by 2030. These individuals are health-conscious, generally have the highest disposable income and are willing to pay a premium for what they perceive to be healthier consumption choices

iii) *Older western population*⁶



An ageing population is also an advantage for the seafood sector as studies have shown that individuals over 50 years old consume 24.9% more fish per week than individuals under 30s.

⁴ Source: Seafish.org

⁵ Source: Brookings.edu

⁶ Source: Eurostat

iv) *Higher need for food solutions*



A higher need for food solutions that are easy and quick to prepare, tasty and innovative, right for the consumer, the environment and consumers' social standards

These factors and recent global trends are fundamentally supportive of long-term growth in the seafood industry. Seafood is currently an on-trend protein and the Issuer and the seafood sector in general believe that there will continue to be rising world-wide demand for seafood from both the health conscious consumer in developed economies and the growing middle-class with disposable income in emerging markets.

8.1 Business structure and markets

Iceland Seafood and its forerunners have been an integral part of the seafood industry in Iceland for decades as a leading exporter, producer and marketer of Icelandic seafood products globally. Iceland Seafood currently has twelve businesses operating in eight countries with Ireland being added in 2018.

Iceland Seafood is comprised of three operating divisions, which incorporate the Group's subsidiaries. At 30 June 2019 the Group had 620 employees working for 12 businesses in 8 countries.

Iceland Seafood International hf., the parent company, employs 3 employees including the Issuer's CEO and CFO who serve as the Issuer's executive management. Each subsidiary is separately managed by its own local managing director and executive management as required. The following table shows the organisation and employees of Iceland Seafood:

The Group 620 Employees		
Sales and Distribution	Value Added Northern Europe	Value Added Southern Europe
Iceland Seafood Iceland 26 employees Iceland Seafood France 5 employees Iceland Seafood Germany 4 employees Iceland Seafood USA 2 employees	Iceland Seafood Barraclough 40 employees Iceland Seafood Havelok 91 employees Iceland Seafood Ireland 95 employees	Iceland Seafood Spain 113 employees Icelandic Ibérica 33 employees Ecomsa 84 employees Achernar 124 employees

Table 6 Business structure

The Group structure of three efficient operating divisions provides a balanced base from which to drive further profit growth. Each operating division benefiting from a mixture of growth opportunities including the growing seafood sector globally, local organic growth drivers along with focused investments to support growth, whilst the fragmented seafood industry presents the Issuer with potential consolidation opportunities.

The Issuer has announced its plans to merge its subsidiaries Iceland Seafood Spain and Icelandic Iberica and expects the merged legal entity to start operation at 1 January 2020.

8.1.1 Sales and Distribution division

The Sales and Distribution division consist of the sales and marketing company in Iceland along with closely linked sister companies in France, Germany and USA, which focus their efforts on selling to their local markets.

This setup creates an opportunity for strong margins due to deep access to markets and the close working relationship with the seafood industry partners in Iceland. The most important markets for the Iceland division are France, UK, Spain, Italy, Germany, US and Belgium along with parts of Eastern Europe, which have historically been important pelagic markets.

Iceland Seafood ehf. ('Iceland Seafood Iceland' – www.icelandseafood.is)

Iceland Seafood Iceland, located in Reykjavik, is a leading company in exports of seafood from Iceland to all main markets around the world. The company operates in close co-operation with Icelandic fish producers. Iceland Seafood Iceland's main functions are fish sales, sourcing for the Issuer's subsidiaries and technical and quality services for producers and customers.

The supply and market outlook for the Iceland division is strong. Icelandic stocks are well managed and the Group derives a significant part of its margin from cod products, which is its most important product group. Thus, the expected increase in cod quota in Iceland for the fishing season of 2019-2020 will benefit the Group.

The Iceland division works with a broad range of producers in Iceland, from many of the largest quota owners to smaller independent operators focused on a single species or product. Most supply relationships are long-term multi-year relationships built on trust and transparency where a bridge has been built between a catcher and end customer.

Iceland Seafood Iceland is headed by Bjarni Benediktsson, MD Iceland Seafood Iceland. Bjarni Benediktsson joined the Group after a merger with his salt fish export business. With over 30 years' experience, which includes 15 years with Samband Íslenskra Fiskframleiðenda (SÍF), Bjarni has a deep understanding of the Icelandic suppliers and markets, especially in South-Europe.

Iceland Seafood France SAS ('Iceland Seafood France' – www.icelandseafood.fr)

Iceland Seafood France, based in Boulogne-Sur-Mer, provides high quality seafood from Iceland as well as from Canada, USA, South Africa, Namibia, New Zealand and Asia. The company supplies fresh and frozen products to foodservice, retail and processors in France.

Iceland Seafood France is headed by Francoise Ouisse, MD Iceland Seafood France. François Ouisse has been working for the Group in France for over 20 years, with a strong knowledge of the distributors and processors in France and skills in international seafood sourcing.

ISG Iceland Seafood GmbH ('Iceland Seafood Germany' – www.icelandseafood.de)

Iceland Seafood Germany, located in Bremerhaven Germany, is a supplier of high-quality fresh seafood from Iceland. Fresh fish is mainly sourced from Iceland for the delicatessen, food service, catering and retail sectors in Germany.

Iceland Seafood Germany is headed by Thorgerður Gunnarsdóttir, MD Iceland Seafood Germany. She started working for Iceland Seafood Germany in 1996, at first in bookkeeping and then as Chief of Finance and Administration. In 2014 she was appointed the MD of ISG. Thorgerður has an excellent knowledge of the German market with over 20 years working experience in the market.

ISI Seafood Inc. ('Iceland Seafood USA' – www.icelandseafood.net)

Iceland Seafood USA, located in Branford, Connecticut, imports, maintains inventory and markets a full range of Cod, Haddock, and Pollock/Saithe products for the distributor, foodservice and restaurant industry in the USA. Products are imported directly from Iceland, Russia and China.

Iceland Seafood USA is headed by Todd Julio, MD Iceland Seafood USA

Todd joined Iceland Seafood in 2016, with 20/+ years of Seafood experience. This is Todd's second stint with the Issuer as he worked for the Virginia based Iceland Seafood from 2002 to 2005 prior to the merger with Icelandic. Todd has a vast knowledge in North Atlantic ground fish.

The Sales & Distribution division had a challenging year in 2018. Sales of 183.2m grew by 11% from prior year, mainly due to higher sales as well as favorable prices of Pelagic and FAS (frozen at sea) products out of Iceland. The fisherman strike in 2017 also impacts comparison to prior year. Despite the sales growth, there was a slight EUR 0.3m reduction in Normalized PBT from prior year, due to more challenging environment for higher margin fresh fish sales, both in Iceland and France and slight increase in finance cost, partly FX related to foreign exchange rates (hereafter referred to as "FX"). The division is actively working on several opportunities with producers in Iceland, where Iceland Seafood's unique sales platform with a network of 3,000 customers in 45 different countries is a key and the Issuer believes the outlook for the division is good for 2019.

8.1.2 Value Added Southern Europe division

The Issuer's value-added S-Europe division includes Iceland Seafood Spain, one of the main importer of Icelandic wet salted cod in Spain, Icelandic Ibérica the largest importer and seller of light salted cod in the Mediterranean market and its subsidiaries Ecomsa, a processing and distribution company in South of Spain and Achnernar, an Argentinian processing plant for shrimp and hake. The Issuer has announced its plans to merge Iceland Seafood Spain and Icelandic Ibérica, with the merged legal entity starting operation from 1 January 2020

Iceland Seafood Spain S.L. ('Iceland Seafood Spain' - www.icelandseafood.es)

Iceland Seafood Spain, located just outside of Barcelona, is the main importer of Icelandic wet salted cod in Spain (Bacalao de Islandia). In addition to seafood from Iceland the company manufactures, markets and sells various salted and frozen seafood products from other parts of the world.

Iceland Seafood Spain's market leading position and a fragmented seafood industry in Southern Europe presents an opportunity for further growth, both organically and through acquisitions.

Iceland Seafood Spain is headed by Magnús B Jonsson, MD Iceland Seafood Spain. Magnús joined Iceland Seafood Spain as a Managing Director in 2006 after having worked as Commercial Director at Icelandic Iberica for 10 years. Magnús heads both Iceland Seafood Spain and Icelandic Ibérica along with the executive management of both companies.

Icelandic Freezing Plants Ibérica SAU ('Icelandic Ibérica' - www.icelandiciberica.com)

Icelandic Ibérica, located in Barcelona, Vigo, Madrid, Malaga and Genoa, was founded in 1996 to offer selected products from clean, cold Icelandic waters to the Mediterranean market. Today, 20 years later, Icelandic Ibérica is a benchmark of quality in the market thanks to an excellent team of professionals and the reliability, guaranteed by the strong brands. Icelandic Ibérica offers a variety of quality seafood products adapted for local tastes with a flexible distribution network of shops, supermarkets and the wide HORECA channel.

Elaboración de Congelados Málaga, S.A ('Ecomsa' - www.ecomsa.es)

Ecomsa, located in Málaga Spain, is a processing and distribution plant specialized in the processing of cod, kingclip and swordfish. The company has been in business for more than 35 years and has a direct distribution channel to more than 2,000 customers in the South of Spain mainly in the coastal region of Málaga. The processing volume is around 6,000 mt/year. In November 2018 the plant received an IFS (International Food Standard) certification focused on food safety and quality controls.

Ecomsa is a direct subsidiary of Icelandic Iberica and managed largely by its parent company.

Achernar S.A.A. ('Achernar')

Located in Puerto Madryn (Northern Patagonia, about 1,400 km south of Buenos Aires) is a factory specialized in Argentinean red shrimp and hake. The production facilities cover a total of 1,500 m² on an area of 2,500 m². The plant has a storage capacity for 70 mt of fresh material, and the capacity to freeze around 25 tons per day. The company employs around 130 persons which 18 are annual workers, 60 are employed only during fishing season and the rest are temporary employees. In 2018 the factory produced 2,500 tons.

Achernar, a subsidiary of Icelandic Iberica, is headed by Gustavo Servente, MD Achernar. Gustavo Servente joined the company as CFO at beginning of 2016. At the end of 2016 was promoted to MD. He has an university degree in Accountancy and professional experience for more than 15 years in Argentinean seafood companies.

The Value Added S-Europe division which includes the acquired operations of Icelandic Iberica in Spain and Argentina and Iceland Seafood Spain, experienced considerable growth in 2018. Sales of the division in 2018 including Icelandic Iberica numbers from mid-September, were EUR 100.1 million and Normalized PBT EUR 3.5 million. On a 2018P⁷ basis, sales were EUR 179.5 million compared to EUR 172.9 million last year. The key drivers of the growth were increased sales of lightly salted cod products and significant increase in profitability from

⁷ See chapter 9.4.1 Comparison for the six month period ended 30 June 2019 and 2018 for further information on 2018P calculations

production of Argentinian shrimp from 2017. The business sold 15,200 MT of lightly salted cod products in 2018, a 7% increase from the year before and the profits in Argentina grew by 30% from prior year. Successful product development in Spain over the last 25 years has turned Spain into Iceland's, and Iceland Seafood's, most important cod market.

As announced in February 2019, the process of merging Icelandic Iberica and Iceland Seafood Spain has started. The two entities will form one organization with a strong brand and product recognition in the market, highly qualified people and a loyal customer base. An experienced management team has been put in place for the merged entity, led by Magnús B Jonsson who joined Iceland Seafood Spain as a Managing Director in 2006 after having worked as Commercial Director at Icelandic Iberica for 10 years.

Seafood consumption in Spain is expected to continue to grow and Iceland Seafood Spain's facilities have the capacity to support the company's next growth phase. There are opportunities for regional expansion within Spain, in both the salted and frozen sales divisions, since around 50% of sales are currently generated in the Catalonia and Basque regions. There is also an opportunity to build upon the success in Italy, where sales have increased by 80% over the last three years.

8.1.3 Value Added Northern Europe division

Iceland Seafood's Value-Added N-Europe division includes Oceanpath, the largest fresh seafood processor to Irish retailers, which was acquired mid-March 2018 and two UK Companies, the retail focused Iceland Seafood Barraclough and foodservice focused Havelok Ltd.

Iceland Seafood Barraclough Ltd. ('Iceland Seafood Barraclough' – www.icelandseafood.com/about-us/iceland-seafood-barraclough)

Iceland Seafood Barraclough, located in Bradford UK, specializes in the supply of private label high quality seafood and shellfish sourced from all over the world. Iceland Seafood UK and F. Barraclough Ltd joined forces in December 2010 when Iceland Seafood acquired F. Barraclough Ltd., a Bradford based, EUR 14 million turnover, white fish business, which had been in the Barraclough family for 3 generations. New management combined with detailed supply knowledge and expertise managed to successfully grow sales and the company now sells frozen fish and shellfish to most of the large retailers in the UK.

Iceland Seafood Barraclough is headed by Peter Hawkins, MD Iceland Seafood Barraclough. Peter Hawkins joined the Iceland Seafood Barraclough business as MD in July 2018. Peter has 30 years' experience in the UK food manufacturing sector, including extended periods with Young's Seafood and Greencore PLC, during which time he has gained extensive experience of supplying the UK retail sector.

Havelok Ltd. ('Iceland Seafood Havelok' – www.havelokltd.co.uk)

Located in Grimsby UK, Havelok was established in 2012 as a joint venture partnership with Danny Burton, the ex-owner and Managing Director of Five Star Fish, at the time a market leading foodservice focused business. The business has since then grown into one of the leading seafood suppliers to the foodservice sector in the UK.

Product development is one of the key strenghts of the Havelok team, which have obtained a UK seafood patent on their “cook from frozen” product. The product provides outlets wanting to provide hand battered fish with significant operational and commercial benefits.

Havelok Ltd is headed by Danny Burton, MD Havelok Ltd UK. Danny set up Havelok Ltd as a joint venture with Iceland Seafood to develop foodservice sales in the UK & Europe. Danny has over 40 years' experience, which includes 30 years owning and developing focused seafood businesses.

Oceanpath Ltd. (‘Iceland Seafood Ireland’ – www.oceanpath.ie)

Located in Dublin Ireland, Iceland Seafood Ireland consists of the company Oceanpath and its subsidiaries. Oceanpath was founded by the Ecock family in 1991 and is now the main fresh fish supplier to the Irish retail industry and one of the largest seafood processors in Ireland supplying fish to all major Irish retailers and food service as well as exporting to USA and throughout Europe.

In 2006, Oceanpath acquired Dunn's of Dublin which in addition to fresh fish, enabled the company to further diversify its products and now produces several varieties of both hot and cold smoked fish including Irish, organic, wild and farmed salmon. Dunn's of Dublin is Ireland's oldest fish company which was set up in 1822.

Reid's Fish Market, also owned by Oceanpath, was established in 2016 and is retailing a wide variety of fresh seafood to the general public in the picturesque setting of the West Pier in Howth. Reid's is renowned for quality, freshness and an impressive seafood display. Reid's also offers the expert advice of fishmongers and customer service.

Iceland Seafood Ireland is headed by Ken Ecock, MD Iceland Seafood Ireland (Oceanpath). Ken Ecock joined the Group after Iceland Seafood acquired a majority stake in the previously family owned business. Ken has over 20 years experience in the Irish seafood industry and has dealt with all major retailers in Ireland.

The Value Added Northern Europe division saw significant growth from prior year. Sales of EUR 97.4 million were up 73% from 2017, thereof 53% relates to Oceanpath. Normalized PBT of EUR 4.6 million increased by EUR 3.1 million from last year, largely due to Oceanpath but improved sales and higher margin products within UK foodservice also contributed to the growth. The company has recently finalized an extension of the fresh fish production facility of Oceanpath and invested in new machinery which has improved automation within the business. The extension and the new machinery are fully up and running from July this year. These investments will improve efficiency within the business and support further growth.

9 OPERATING AND FINANCIAL REVIEW

Following is a discussion of the Group's financial condition and results of its operations. The Consolidated Financial Statements of Iceland Seafood International hf. (the "Consolidated Financial Statements" or "CFSs") for the years 2016 (hereafter referred to as "2016 CFS"), 2017 (hereafter referred to as "2017 CFS") 2018 (hereafter referred to as "2018 CFS") and the interim financial statements for the six months ended 30 June 2019 (hereafter referred to as "1H 2019 CFS") and 30 June 2018 (hereafter referred to as "1H 2018 CFS") have, unless otherwise stated, been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and additional disclosure requirements in the Icelandic Act no. 3/2006 on Financial Statements. The Consolidated Financial Statements comprise Iceland Seafood and its subsidiaries. No other information in this Prospectus has been audited or reviewed unless otherwise stated. The period covered by the historical financial information, i.e. from 1 January 2016 to 30 June 2019 will hereafter be referred to as the "Period".

The CFS's are incorporated in the Prospectus by reference and may be accessed on the Issuer's website, under the following link: <http://www.icelandseafood.com/Investors>

Investors should read the following discussion together with the Group's Consolidated Financial statements with notes thereto, as well as the other sections of the Prospectus, and should not rely solely on the information provided in this section.

Any forward-looking statements in this section are subject to risks, uncertainties and other factors that could cause the Issuer's future results to differ materially from those contemplated by the forward-looking statements. Factors that may cause such differences include, but are not limited to, those discussed in chapters *1 Risk Factors* and *16 Notice to Investors*.

The Group has published its outlook for normalised PBT in 2019 and a 3-5 year target PBT in its 1H 2019 investor presentation. The presentation may be accessed on the Issuer's website <http://www.icelandseafood.com/Investors>, or under the following link: <http://www.icelandseafood.com/content/download/10629/296818/file/ICESEA%201H%202019%20-%20Investors%20Presentation.pdf> The Group's outlook does not form a part of this Prospectus.

Except as disclosed in chapter *1.1.12 Legal Risk* the Issuer's Board of Directors and Executive Management are not aware of any governmental, legal or arbitration proceedings, during the twelve months preceding the date of this Registration Document, which may have, or have had in the recent past, significant effects on the Issuer's and/or the Group's financial position or profitability. Furthermore, the Issuer confirms that no significant change in the financial or trading position of the Group has occurred since the end of the last financial period.

Normalised results

It should be noted that in the Issuer's CFS's the Income Statement is reported on both an IFRS basis and a normalised basis, the latter being the Issuer's main focus. The normalised results reflect the IFRS results net of significant one-off items which the Issuer considers a better reflection of the underlying operations of the Issuer. Both results are audited/reviewed as applicable in each CFS. As the normalised results are the main focus of management reporting,

they are similarly the results used in this discussion of the Issuer's operations in the Period unless otherwise stated.

9.1 Company calendar

The table below outlines the schedule for the publication of the Issuer's 9 month and full year 2019 financial statements. If any date specified in the schedule changes, the Issuer will publish a notice of the new date as soon as possible.

Publication	Date of publication
Consolidated Interim Financial Statements 9M 2019	27 November
Consolidated Financial Statements 12M 2019	26 February 2020

9.2 Changes in accounting policies in the Period

The Group applies amendments to IFRS' s issued by the International Accounting Standards Board (IASB) as they become mandatorily effective for an accounting period. Unless otherwise stated the application of these amendments has had no impact on the Group's Consolidated Financial Statements and are not listed in this chapter.

2019

In 2019 the Group applied IFRS 16 Leases. IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease requirements and by requiring the recognition of a leased asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. The Group has applied IFRS 16 using the modified retrospective approach, with no restatement of comparative information. The Group has elected to apply the practical expedient to grandfather the definition of a lease on transition, and thereby applying IFRS 16 to all contracts entered into before 1 January 2019 and identified as leases in accordance with IAS 17 and IFRIC 4.

With the application of IFRS 16, the nature of expenses related to operating leases will now change because the Group will recognise a depreciation charge for leased assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease. The effects on Income Statement line items are as follows: Increase in depreciation and amortisation expense by EUR 0.4 million, increase in finance cost by EUR 0.1 million and decrease in cost of sales by EUR 0.1 million and decrease in operating expenses by EUR 0.4 million.

At initial application on 1 January 2019 the Group recognised additional lease liabilities of EUR 3.6 million and leased asset of EUR 3.1 million. Under IAS 17, all lease payments on operating leases were presented as part of cash flows from operating activities. Consequently, the net cash generated by operating activities in the year 2019 has increased by EUR 0.4 million and net cash used in financing activities increased by the same amount.

2018

In 2018 the Group applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The Group has elected not to restate comparative numbers, as permitted by the transition provisions of IFRS 9. Additionally, the Group adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018. The transition to IFRS 9 did not effect the classification and measurement of financial assets and financial liabilities of the Group. The Group has elected to continue to apply the hedge accounting requirements of IAS 39, as permitted by IFRS 9.

In 2018 the Group also applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Apart from requiring more extensive disclosures for the Group's revenue transactions, the application of IFRS 15 has not had a significant impact on the financial position or financial performance of the Group. The Group did not recognise any adjustment to equity at 1 January 2018 with regards to the implementation of the standard.

The adoption of IFRS 9 and 15 has not had any material impact on the disclosures or on the amounts reported in these Consolidated Financial Statements, except as described above.

9.3 Significant Developments in the Period

9.3.1 *Oceanpath*

On 13 March 2018 the Issuer announced the acquisition of 67% of the share capital of Oceanpath Ltd., an Irish company and the leading fresh fish supplier to retailers in Ireland. The acquisition was completed on 14 March 2018 and Oceanpath has been included in the consolidated accounts from that time. The total acquisition price is EUR 14.2 million including an earn out payment, which was subject to actual profitability of Oceanpath for the periods ending on 30 April 2018 and 30 April 2019. An earn out payment is generally an additional future compensation paid to the owners of a business after it has been sold, usually contingent on specific milestones being met. EUR 11.5 million was paid in 2018 with the remaining EUR 2.7 million paid in August 2019. Further information on the earn out paid in 2018 can be found in note 13.1 to the 2018 CFS. The consideration, was settled by a cash payment, fully funded with cash and a loan.

In accordance with IFRS 3 Business Combinations the purchase price of Oceanpath was allocated to the identifiable assets and liabilities acquired. Provisional goodwill amounted to 9.9 million. For further information on the transaction and a breakdown of the allocation of the purchase price to assets and liabilities see note 13.1 to the 2018 CFS.

9.3.2 *Solo Seafood*

On 30 April 2018 the Issuer agreed on the Head of Terms to acquire 100% of the share capital of Solo Seafood ehf., an Icelandic holding company which holds 100% of the share capital of Icelandic Ibérica S.A. in Spain. The Share Purchase Agreement related to the transaction was signed on 1 August 2018. The sellers were Sjávarsýn ehf., an Icelandic holding company, three

Icelandic seafood companies, FISK Seafood ehf., Jakob Valgeir ehf. and Nesfiskur ehf. and the former Managing Director of Icelandic Ibérica S.A. The acquisition was completed on 14 September 2018 and Solo Seafood ehf. were included in the consolidated accounts from that time. The holding company Solo Seafood ehf was merged with Iceland Seafood International hf. in 2019, the merger took effect from January 1st that year.

In accordance with IFRS 3 Business Combinations the purchase price of Solo Seafood ehf. was allocated to identifiable assets and liabilities acquired. Provisional goodwill amounted to EUR 24.5 million. The consideration for the acquisition was settled by the issuance of 1.25 million new shares and a cash payment of EUR 0.5 million. The consideration was valued at EUR 35.3 million at the acquisition date using a combination of multiple and discounted cash flow valuation methodologies. For further information on the transaction and a breakdown of the allocation of the purchase price to assets and liabilities see note 13.2 to the 2018 CFS.

9.4 Income Statement Development

EUR 000	1H 2019 Reviewed	1H2018 Unaudited	2018 Audited	2017 Audited	2016 Audited
Gross profit					
Sales of seafood.....	232,109	149,990	345,978	249,149	246,273
Cost of sales.....	(200,823)	(130,151)	(299,153)	(214,976)	(212,468)
	31,286	19,839	46,825	34,173	33,805
Operating expenses					
Operating expenses.....	(22,981)	(16,274)	(36,354)	(28,473)	(28,267)
Depreciation and amortisation.....	(1,471)	(521)	(1,319)	(863)	(811)
Operating profit (loss).....	6,834	3,044	9,152	4,836	4,727
Net finance costs.....	(1,134)	(900)	(2,005)	(1,343)	(1,432)
Net exchange rate difference.....	(210)	27	69	15	(2)
Normalised profit (loss) before tax	5,490	2,171	7,216	3,508	3,294
Income tax.....	(1,258)	(409)	(1,489)	(765)	(529)
Normalised Profit (loss)	4,232	1,762	5,727	2,743	2,765
Significant items ⁸	(1,321)	(413)	(1,032)	(154)	(174)
Discontinued operations.....		(5)	(18)	(11)	(34)
Profit (loss)	2,911	1,344	4,677	2,579	2,557

Table 7 Income Statement Development

9.4.1 Comparison for the six month period ended 30 June 2019 and 2018

Following the 2018 acquisitions of Oceanpath and Solo Seafood, management prepared a pro-forma adjustment to its 2018 CFS to reflect the whole year effect of both acquisitions (hereafter referred to as “2018P”). The 2018P numbers have neither been audited nor reviewed and were

⁸ Net effect of significant items. For further information see the chapter *Significant Items* below

prepared for management reporting purposes only. To give a full view of the like for like growth of the Issuer, 2018P will be referred to where applicable in this Operating and financial review.

Total sales of EUR 232.1 million were 55% up on the prior year by management calculations, benefiting from an estimated EUR 63.6 million contribution from Icelandic Iberica and an estimated EUR 7.6 million from Oceanpath, as 1H 2018P sales amounted to EUR 213.8 million. Management estimates that underlying like for like sales growth amounted to 7%, by management calculations, and was mainly driven by strong sales in the Sales and Distribution division, especially in Iceland, supported by close cooperation with producers in the region. Sales in Value Added S-Europe were also stronger than last year, driven by good demand for light salted products from Iceland and sales of squid from Argentina which was a new project starting in Q1 this year.

Normalised PBT of EUR 5.5 million is 153%, by management calculations, ahead of the prior year supported by the acquisitions of Solo Seafood and Oceanpath. Significant sales growth acted as a key profit driver in addition to positive impact from actions in all segments to drive efficiency and reduce cost, Normalised PBT on a 1H 2018P basis amounted to EUR 4.6 million.

Significant item costs of EUR 1.3 million largely reflect costs incurred in relation to parent company management changes and restructuring costs in Spain, related to the ongoing merger of Icelandic Iberica and Iceland Seafood Spain. Normalised Profit for the period of EUR 4.2 million is up 140%, by management calculations, on the prior year. Normalised Profit on a 1H 2018P basis amounted to EUR 3.2 million.

9.4.2 Comparison for the periods ended 31 December 2018, 2017 and 2016

Sales

Sales in 2018 of EUR 346.0 million were 39% up on prior year, supported by a EUR 63.0 million contribution from Oceanpath and Solo Seafood who were acquired during the year. Oceanpath is a part of the CFS 2018 statement from 14 March 2018 whereas Solo Seafood is included from 14 September 2018. Adjusting for full-year impact of these acquisitions sales amounted to EUR 431 million. Internal growth was supported by sales growth within Sales & Distribution and Spain region following the 2017 fisherman strike. Moreover, sales increased between 2017 and 2016 with sales growth in the second half of the year 2017 (up 4.7%), supported by new customers and range extensions, to finish the year at EUR 249.1 million or 1.2% up year-on-year.

The Issuer experiences seasonality to some extent in its operations, with various external factors impacting sales and PBT. As an example, the summer months of July and August, which mark both the end of the quota season in Iceland as well as being traditional holiday months in the Issuers main markets, often results in lower sales and profitability than average.

Operating expenses and finance costs

Operating expenses consist of sales related expenses (transport cost, storage cost etc) and operating cost (salaries, professional services, sales and marketing cost etc). Operating expenses in 2018 amounted to EUR 36.4 million and were up 27.7% year-on-year mainly related to the acquisitions of Oceanpath and Solo Seafood. Moreover, operating expenses increased slightly between 2017 and 2016 and amounted to EUR 28.5 million in 2017 (2016: 28.3 million).

Depreciation and amortisation in 2018 amounted to EUR 1.3 million (2017: EUR 0.8 million, 2016: EUR 0.8 million)

Net finance costs in 2018 were EUR 2.0 million compared to EUR 1.3 million in 2017, an increase of 49.3%. The main reason for higher finance costs in 2018 is due to an increase in borrowings relating to funding of the Oceanpath acquisition and interest cost related to a EUR 5 million loan acquired with the acquisition of Solo Seafood. Net finance costs in 2016 remained at similar levels as to 2017, or approximately EUR 1.4 million.

Normalised PBT

Normalised profit before tax was EUR 7.2 million in 2018 compared to EUR 3.5 million in 2017. On a 2018P basis, including full year impact of Oceanpath and Solo Seafood acquisitions the normalised profit before tax was EUR 10.8 million in 2018 which highlights the transformational change of the Group during the year. Normalised profit before tax in 2016 was similar to 2017 or EUR 3.3 million.

On a normalised basis, income tax was EUR 1.5 million in 2018 compared to EUR 0.8 million in 2017. The effective tax rate in 2018 was 21% compared to 22% in 2017. For 2016, income tax amounted to EUR 0.5 million, resulting in an effective tax rate of 16%, which benefitted from recalculation of deferred tax due to a decrease in tax rates in some countries and other factors, during the year.

Significant items

Significant items in 2018 amounted to EUR 1.2 million, associated with costs related to the acquisitions of Oceanpath and Solo Seafood and restructuring in some subsidiaries. The total costs related to acquisitions amounted to EUR 0.9 million and costs related to restructuring were EUR 0.3 million. The effect on income tax expense amounts to EUR 258 thousand, resulting in a net effect of EUR 1.0 million.

In 2017 the Group incurred costs associated with potential acquisitions and restructure of some of its foreign subsidiaries, EUR 0.2 million in total. The effect on income tax expense amounts to EUR 38 thousand, resulting in a net effect of EUR 154 thousand. In 2016 the Group terminated employment agreements with several employees, following outsourcing and restructure. Associated costs amounted EUR 203 thousand and the duration of these employment agreements was within one year. The effect on income tax expense amounts to EUR 30 thousand, resulting in a net effect of EUR 174 thousand.

Normalised Profit

Normalised profit in 2018 amounted to EUR 5.7 million, approximately doubled in comparison to 2017 and 2016 when normalised profit amounted to EUR 2.7 million and EUR 2.8 million, respectively. After accounting for significant items, tax and discounted operations, net profit for the year 2018 amounted to EUR 4.7 million and increased by EUR 2.1 million from 2017 when profit amounted to EUR 2.6 million. Furthermore, net profit for the year 2016 remained similar to 2017, or EUR 2.6 million.

9.4.3 Net margin

Investor presentations of the Issuer's financial results show the Group's Net Margin, which is a cornerstone in the Issuer's management reporting. The Group's Net Margin is calculated as sales

net of cost of sales (gross profit) and net of other costs related to sales such as transportation, storage cost, insurance and other sales related expenses. The gross profit presented in the Issuer's financial statements and as required by IFRS does only consider cost of sales, other sales related costs are classified as operating cost in the financial statement. The Issuer looks at Net Margin as one of its KPI's rather than gross profit, as net margin includes all variable cost related to the sale which are monitored and controlled.

The table below shows the Net Margin and Normalised PBT as presented in the Issuer's investor presentations:

EUR 000	1H 2019 Reviewed	1H2018 Unaudited	2018 Audited	2017 Audited	2016 Audited
Sales.....	232,109	149,990	345,978	249,149	246,273
Cost of sales.....	(200,823)	(130,151)	(299,153)	(214,976)	(212,468)
Sales related operating expenses.....	(10,800)	(8,127)	17,843	14,705	14,830
Net Margin.....	20,486	11,712	28,982	19,467	18,975
Other operating expenses (normalised)...	(12,181)	(8,147)	18,511	13,768	13,436
Depreciation.....	1,471	521	1,319	863	811
Finance cost.....	1,344	873	1,936	1,328	1,434
Normalised PBT.....	5,490	2,171	7,216	3,508	3,294

Table 8 Net margin and Normalised PBT

9.4.4 Segment information

Following the acquisitions of Oceanpath and Solo Seafood in 2018, the Group's value added activities are now split between two divisions in segment reporting: Southern and Northern Europe. Previously during the Period, the segment reporting consisted of Value Added, Sales and Distribution and Other and eliminations. The current reportable segments for the Group are:

Segment	Description
Value Added Southern Europe	Processing of seafood into value added products prior to sale in Southern Europe
Value Added Northern Europe	Processing of seafood into value added products prior to sale in Northern Europe
Sales and Distribution	Distribution of seafood to a global network of customers.
Other and eliminations	Head office and discontinued operations.

Turnover and profit before tax have changed considerably in recent years as the Issuer's Value Added divisions have become the main driver of turnover and profitability. When looking at a whole year effect of the acquisitions of Oceanpath and Solo Seafood on a 2018P basis, it can be seen that the Issuer's Value Added divisions accounted for 61% of turnover compared to 29% in 2013. More so, in 2018 the two Value Added divisions generated over 90% of total divisional profit before tax compared to 26% in 2013.

The tables below set forth certain information with regarding the Group's operating segments for each year in the Period:

2019 6M EUR 000	Value Added S-Europe	Value Added N-Europe	Sales and Distribution	Other and eliminations	Consolidated
Revenue					
Sales of seafood.....	105,615	48,353	109,111		263,081
Eliminations.....	(8,820)	(61)	(6,851)	(15,240)	(30,972)
	96,797	48,292	102,260	(15,240)	232,109
Operating results					
EBIT.....	4,154	1,977	1,166	(463)	6,834
Finance costs.....	(316)	(437)	(137)	(454)	(1,344)
Normalised profit (loss) before tax	3,838	1,540	1,029	(917)	5,490
Income tax.....	(832)	(188)	(214)	(24)	(1,258)
Normalised profit (loss)	3,006	1,352	815	(941)	4,232
Significant items.....	(457)	(120)	(109)	(635)	(1,321)
Discontinued operations.....	n/a	n/a	n/a	n/a	n/a
Profit (loss)	2,549	1,232	706	(1,576)	2,911

Table 9 2019 6M Segment Reporting

Value Added Southern Europe

Sales increased by 7% from the same period in 2018 on a 2018P basis. The increase was mainly driven by strong demand for light salted products in S-Europe and squid sales from Argentina, a new project which delivered sales of EUR 2.1 million in the first half of 2019.

Normalised PBT is up by EUR 3 million from the same period last year and EUR 1 million on a 2018P basis. The increase in sales is a key driver in addition to cost reductions related to the merger of Iceland Seafood Spain and Icelandic Ibérica beginning to realise.

Value Added Northern Europe

Sales were down by 4% from the same period in 2018 on a 2018P basis. The main driver was lower margins, as sales volumes were in line with previous years. Similarly, normalised PBT was down EUR 0.9 million from the previous year on a 2018P basis. Various external challenges impacted the Issuer's profits in the period such as fluctuations and higher amounts of inventory due to the ongoing uncertainty around Brexit. Additionally, high raw material prices affected margins and the UK retail market showed strong trends towards 'packed at source' products as opposed to the Issuer's strong loose fish offering in the market.

Sales and Distribution

Sales and Distribution saw over a 10% increase in sales from the same period in 2018. There was a significant increase in sales from Iceland, driven by a 70% increase in volume of frozen-at-sea products. Additionally, Mackerel from the 2018 season was sold in early 2019 which offset the impact of the loss of the Capelin season in 2019. Normalised PBT doubled from the prior year, from EUR 0.5 million to EUR 1.0 million. The increased sales from Iceland were a

key driver in addition to an operating cost reduction of EUR 0.1 million helped by cost savings in Iceland and slight weakening of the ISK.

2018 EUR 000	Value Added S-Europe	Value Added N-Europe	Sales and Distribution	Other and eliminations	Consolidated
Revenue					
Sales of seafood.....	106,677	97,641	198,534		402,852
Eliminations.....	(6,566)	(253)	(15,324)	(34,731)	(56,874)
	100,111	97,388	183,210	(34,731)	345,978
Operating results					
EBIT.....	3,639	5,348	1,554	(1,389)	9,152
Finance costs.....	(115)	(762)	(373)	(686)	(1,936)
Normalised profit (loss) before tax	3,524	4,586	1,181	(2,075)	7,216
Income tax.....	(876)	(694)	(317)	398	(1,489)
Normalised profit (loss)	2,648	3,892	864	(1,677)	5,727
Significant items	(2)	(162)	(107)	(761)	(1,032)
Discontinued operations.....				(18)	(18)
Profit (loss)	2,646	3,730	757	(2,456)	4,677

Table 10 2018 Segment Reporting

Value Added Southern Europe

The segment saw a 61% increase in sales from prior year, partially impacted by the incorporation of sales from subsidiary Iberica, which was acquired with Solo Seafood. Iberica's sales are included in the segment from the acquisition date in September 2018. The segment additionally saw good underlying sales growth post the 2017 strike in Iceland. Normalised profit before tax in 2018 amounted to EUR 3.5 million, up from EUR 2 million in 2017.

When adjusted for the full year effect of the acquisition of Solo Seafood, normalised profit before tax was EUR 6.7 million, over 51% of the Issuer's total adjusted divisional profits in 2018.

Value Added Northern Europe

In 2018 the segment's sales increased by 73% from the prior year, mainly due to the acquisition of Oceanpath, which is included in the segment information from the acquisition date in mid-march 2018, though also due to higher activity in the UK retail and foodservice. Normalised profit before tax in 2018 amounted to EUR 4.6 million, a EUR 3.1 million increase from a PBT of EUR 1.5 million in 2017. Thereof, a EUR 1 million increase can be directly traced to Oceanpath.

When adjusted for the full year effect of the acquisition of Oceanpath, normalised profit before tax was EUR 5.2 million.

Sales and Distribution

Sales in 2018 amounted to EUR 182.2 million, up by 11.3% from 2017 when sales were EUR 164.6 million. The increase can be attributed to strong sales growth from Pelagic and FAS (frozen at sea) out of Iceland, as well as the fisherman strike in Iceland in 2017 which largely impacted sales during that year. The segment saw a slight decrease in normalised profit before tax from the prior year, with a PBT of EUR 1.2 million in 2018 and EUR 1.5 million in 2017, due to a more challenging environment for higher margin fresh fish and niche activities, both in Iceland and France. Additionally, the segment saw a slight increase in finance cost due to the higher sales level and a EUR 0.1 million adverse FX movement from the prior year.

2017 EUR 000	Value added	Sales Distribution	and Other eliminations	and	Consolidated
Revenue					
Sales of seafood.....	118,286	179,004			297,290
Eliminations.....	(40)	(14,415)	(33,686)		(48,141)
	118,246	164,589	(33,686)		249,149
Operating results					
EBIT.....	4,265	1,742	(1,170)		4,836
Finance costs.....	(751)	(207)	(370)		(1,328)
Normalised profit (loss) before tax	3,514	1,535	(1,540)		3,508
Income tax.....	(698)	(375)	307		(765)
Normalised profit (loss)	2,816	1,160	(1,233)		2,743
Significant items	(52)		(101)		(154)
Discontinued operations.....			(11)		(11)
Profit (loss)	2,764	1,160	(1,345)		2,579

Table 11 2017 Segment Reporting

Value Added division

In 2017 the segment's sales increased by 7.2% from the prior year, normalised profit before tax amounted to EUR 3.5 million, a 6.5% increase from a PBT of EUR 3.3 million in 2016.

The first half of 2017 saw hindered profit growth due to weaker sales in Spain driven by a strike, a delay in passing on raw material inflation and Sterling weakness compared to the prior year which saw profits lowered by EUR 0.1 million. The second half of the year offered more positive results with new listings driving revenue up and shellfish capacity being fully commissioned.

Sales and Distribution

Sales in 2017 amounted to EUR 164.6 million, down only 3.5% from the prior year despite a 10-week fisherman strike in the beginning of the year. The strike impact was largely offset by strong sales growth of fresh seafood into North America and increased sales of FAS products (frozen at sea). The shortfall in profitability in the first half of the year was made up by strong profits in the second half, helped by strong demand in key markets supported by some quota increases for the 17/18 season in Iceland, good margins in France driven by products sourced

outside of Iceland and a slight weakening of the ISK which helped with stabilising operating costs.

2016 EUR 000	Value added	Sales Distribution	and Other eliminations	and Consolidated
Revenue				
Sales of seafood.....	110,271	187,177		297,448
Eliminations.....	(17)	(16,674)	(34,484)	(51,175)
	110,254	170,503	(34,484)	246,273
Operating results				
EBIT.....	4,075	1,752	(1,100)	4,727
Finance costs.....	(796)	(237)	(400)	(1,434)
Normalised profit (loss) before tax	3,279	1,515	(1,500)	3,294
Income tax.....	(552)	(339)	363	(529)
Normalised profit (loss)	2,727	1,176	(1,137)	2,765
Significant items	(65)	(83)	(26)	(174)
Discontinued operations.....		(1)	(33)	(34)
Profit (loss)	2,662	1,091	(1,196)	2,557

Table 12 2016 Segment Reporting

Value Added division

In 2016 the segment's sales increased by 3.1% from the prior year, normalised profit before tax amounted to EUR 3.3 million, a 22% increase from a PBT of EUR 2.7 million in 2015. Growth in the period was driven by the UK foodservice business with solid performance of UK retail and Spain. Operations were partially affected by the announcement of Brexit in 2016, but at a fixed FX rate, excluding the negative impact of Brexit on the GBP FX rate against the euro, the operations would have resulted in a profit growth of 29%.

Sales and Distribution

Sales in 2016 amounted to EUR 170.5 million, a slight downturn from the prior year with sales of EUR 180.9 million. The reduction in sales is attributable to the Issuer reducing higher risk and lower margin sales as well as low capelin quota in Iceland and lower sales of dried fish to Nigeria due to import restrictions. However, the segment saw strong profit growth from the prior year with a PBT of EUR 1.5 million up from EUR (0.4) million in 2015. The profit growth is partially due to stronger margins from Pelagic despite lower sales, lower interest cost driven by lower working capital and growth in frozen sales and margins in France, with good spread of product offering sourced globally.

9.5 Balance Sheet Development

EUR 000	30.6.2019 Reviewed	30.6.2018 Unaudited	31.12.2018 Audited	31.12.2017 Audited	31.12.2016 Audited
Assets					
Property, plant and equipment	16,456	10,519	14,435	8,462	8,741
Leased assets	3,309				
Intangible assets	44,622	19,066	44,689	8,900	8,964
Investments in other companies	90	41	89	42	45
Deferred tax assets	2,941	1,811	2,535	1,532	1,117
Other long term assets	54		54	0	
Total non-current assets	67,472	31,437	61,802	18,937	18,868
Inventories	62,437	31,147	62,107	30,618	20,038
Trade and other receivables	61,135	42,486	62,452	35,095	32,936
Other assets	3,465	1,718	3,392	1,208	1,312
Cash and bank balances	9,461	3,776	3,967	2,223	1,797
Assets classified as held for sale		81	74	81	98
Total current assets	136,498	79,208	131,992	69,225	56,181
Total assets	203,970	110,645	193,794	88,162	75,049
Equity					
Equity attr. to the owners of the Issuer	59,241	18,325	56,452	17,591	15,290
Non-controlling interests	3,162	2,435	2,890	129	73
Total equity	62,403	20,760	59,342	17,720	15,363
Liabilities					
Borrowings	9,706	7,568	6,640	877	1,624
Lease liabilities	3,803				
Pension and other obligations	1,120	239	914	148	153
Deferred tax liabilities	903	603	832	483	229
Total non-current liabilities	15,532	8,410	8,386	1,508	2,006
Borrowings	79,941	51,413	75,828	40,194	34,898
Trade and other payables	40,215	24,916	44,873	25,608	19,596
Other liabilities	5,879	5,144	5,357	3,130	3,143
Total current liabilities	126,035	81,473	126,058	68,932	57,637
Liabilities associated with assets classified as held for sale		2	8	2	43
Total liabilities	141,567	89,885	134,452	70,442	59,686
Total equity and liabilities	203,970	110,645	193,794	88,162	75,049

Table 13 Balance Sheet Development

9.5.1 Comparison for the six month period ended 30 June 2019

The Issuer's Balance sheet at 31 December 2018 reflects the assets and liabilities of the Group as a whole, including Oceanpath and Solo Seafood, and is therefore the most accurate comparison to the Balance sheet at 30 June 2019.

Assets

Total assets as at 30 June 2019 of EUR 204.0 million are EUR 10.2 million higher than at end of 2018, partly explained by the implementation of IFRS 16 Leases. The Group has various assets used in its operation on lease, the most significant assets are the production facility of Havelok in Grimsby UK, production facility in Malaga Spain and land under the factory buildings in Ireland. At initial application on 1 January 2019 the Group recognised additional lease liabilities of EUR 3.6 million and leased asset of EUR 3.1 million. The difference of EUR 0.5 million was booked as an adjustment on opening balance of retained earnings. Growth in current assets is driven by increased sales which causes higher net working capital, in addition to high cash headroom in Icelandic Iberica.

Liabilities

Total liabilities as at 30 June 2019 of EUR 141,567 are EUR 7,115 higher than at end of 2018, again, partly explained by the implementation of IFRS 16 Leases as on 01 January 2019 the Group recognised a lease liability in its Balance Sheet of EUR 3,803 million. Non-current liabilities are additionally driven by the Issuer's new long term loans in Spain to secure long term funding of the business and support investments. Current liabilities show a rise in short term borrowings, driven by seasonally higher net working capital, and a reduction in payables resulting in a similar net result as at year-end 2018.

Development of borrowings:

EUR 000	30.June 2019		Year-end 2018	
	Current	Non-current	Current	Non-current
Revolving credit facilities...	67,423		63,549	
Other bank loans.....	12,204	9,645	12,067	6,272
Finance leases.....	314	61	212	368
	79,941	9,706	75,828	6,640

Table 14 Development of borrowings

Equity

Total equity amounted to EUR 62.4 million as at 30 June , EUR 3.1 million higher than at end of 2018. However, the equity ratio remained at 30.6% at 30 June 2019, the same as at year end 2018, despite strong profit in the period, partially explained by negative impact due to IFRS 16 of 70bps.

9.5.2 *Comparison for the periods ended 31 December 2018, 2017 and 2016*

Assets

The Consolidated Balance Sheet at year-end 2018 shows total assets of EUR 193.8 million or a EUR 105.6 million increase over the prior year when total assets amounted to EUR 88.2 million, reflecting a combination of the assets and goodwill acquired in Oceanpath (EUR 21.8 million) and Solo Seafood ehf (EUR 82.0 million). At year-end 2016 total assets amounted to EUR 75 million, the change between year-end 2017 and 2016 reflects a combination of new customers, increasing inventories and receivables, and range extensions in the second half of the year 2017.

Non-current assets

The Group's non-current assets mainly consist of Property, plant and equipment and intangible assets. Total non-current assets amounted to EUR 61.8 million at year-end 2018, up from EUR 18.9 million at year-end 2017. Total non-current assets were similar at year-end 2016 as to 2017 and amounted to EUR 18.9 million.

Property, plant and equipment amounted to EUR 14.4 million at year-end 2018 compared to EUR 8.5 million at year-end 2017, an increase of 70.6% between years. The change was mainly due to the acquisition of Oceanpath and Solo Seafood, which included EUR 5.2 million of property, plant and equipment in total. Between year-end 2017 and year-end 2016 there was a slight decrease in property, plant and equipment as depreciations were higher than investments in that period.

Intangible assets were EUR 44.7 million at year-end 2018 compared to EUR 8.9 million at year-end 2017. The majority of intangible assets consist of goodwill related to the acquisition of Oceanpath and Solo Seafood and amounted to EUR 43.4 million at year-end 2018 compared to EUR 8.8 million at year-end 2017, other intangible assets mainly relates to brand licence agreements. Similar to year-end 2017, intangible assets amounted to EUR 9.0 million at year-end 2016.

Other non-current assets consist of deferred tax assets, investments in other companies and other long-term assets, totalling EUR 2.7 million at year-end 2018 compared to EUR 1.6 million at year-end 2017. The main change between years is due to deferred tax assets related to the acquisition of Solo Seafood. At year-end 2016 investments in other companies and deferred tax assets amounted to EUR 1.2 million, the increase between 2017 and 2016 mainly related to increase in deferred tax asset between years. Investments in other companies are further described in note 12 in the Group's 2018 CFS.

Current assets

The Group's main current assets consist of inventories and trade and other receivables. Total current assets at year-end 2018 amounted to EUR 132.0 million compared to EUR 69.2 million at year-end 2017 and EUR 56.2 million at year-end 2016, in addition to assets classified as held for sale amounting to EUR 74 thousand at year-end 2018 compared to EUR 81 thousand at year-end 2017 and EUR 98 thousand at year-end 2016. The assets classified as held for sale and associated liabilities relate to the dormant subsidiary in Greece, which is currently in liquidation process.

Inventories mainly consist of raw materials and finished goods. At year-end 2018 inventories amounted to EUR 62.1 million compared to EUR 30.6 million at year-end 2017 and EUR 20

million at year-end 2016. Between year-end 2018 and year-end 2017 increase in inventory was mainly due to the acquisition of Oceanpath and Solo Seafood. Between year-end 2017 and 2016 inventories increased by EUR 10.6 million, inventories at year end 2016 were unusually low due to the fishermen strike in Iceland at that time.

Trade and other receivables increased from EUR 62.5 million from EUR 35.1 between the years 2017 and 2018, whereas trade and other receivables amounted to EUR 32.9 million at year-end 2016. Between year-end 2018 and 2017 the acquisitions of Oceanpath and Solo Seafood represent the main change between years, while between year-end 2017 and 2016 increase in sales were the main reason for the change in trade receivables. The Group's measures to minimise credit risk are described in chapter *1.2.3 Credit Risk*.

Other assets at year-end 2018 amounted to EUR 3,4 million compared to EUR 1.2 million at year-end 2017 and EUR 1.3 million at year-end 2016. Other assets represent prepaid expenses, value added and capital gain tax and fair value of cash flow hedges. Increase between year-end 2018 and 2017 is due to the two acquisitions during that year, while the total amount remained similar between year-end 2017 and 2016.

Cash and bank balances amounted to EUR 3.9 million at year-end 2018 compared to EUR 2.2 million at year-end 2017 and EUR 1.8 million at year-end 2016. The main change between year-end 2018 and 2017 is due to cash held by Icelandic Iberica.

Liabilities

The Consolidated Balance Sheet at year-end 2018 shows total liabilities of EUR 134.5 million, a EUR 64 million increase over the prior year when total liabilities amounted to EUR 70,4 million. The main change year-on-year is firstly an increase in borrowings in relation to the acquisitions of Oceanpath and Solo Seafood of EUR 41.3 million and secondly an increase in trade and other payables of EUR 19.3 million mainly due to aforementioned acquisitions. Total liabilities at year-end 2016 amounted to EUR 59.7 million, the change between year-end 2017 and 2016 is mainly due to a EUR 5.3 million increase in borrowings and EUR 6 million increase in trade and other payables.

The Group's main source of financing is a multi-currency revolving credit facility with an Icelandic financial institution, with a cap of EUR 65 million with EUR 41.6 million drawdown at year-end 2018 (2017: EUR 32.6 million). The facility was renewed in November 2018 and extended to May 2022. The loan agreement is between the parent company, Iceland Seafood International hf., and Arion bank and the available drawdown at any given time depends on the balance of Group's receivables and inventories with the exception of Icelandic Iberica. The line is drawn by the parent company which then funds the subsidiaries via intercompany loan agreements.. As the loan is drawn on a monthly basis, it is classified within current liabilities although the underlying agreement is until May 2022. At year end 2018 the Group had credit facilities in place with number of banks in Spain. Total amount of these loans was EUR 28.1 million at year-end 2018. Most of these loan agreements are short term facilities with 6-12 months duration.

Borrowings are secured with most of the Group's assets. The main revolving credit facility is secured with pledge over inventories, receivables, bank accounts, intellectual property rights, Iceland Seafood Barraclough Ltd's property and shares in subsidiaries with the exemption of

Icelandic Iberica and Oceanpath. The Group's subsidiaries, with the exemption of Icelandic Iberica, are also guarantors for the loan. Additionally, two long term loans with Icelandic banks are secured with pledge over the Issuer's shareholding in Oceanpath and Icelandic Iberica. Local facilities in Spain are not secured with direct pledges, but majority of the agreements include a negative pledge. Other bank loans are secured with inventories, receivables, property plant and equipment and shares in subsidiaries. The finance leases are secured with the assets leased.

The table below shows the Group's development of borrowings:

EUR 000	Year-end 2018		Year-end 2017		Year-end 2016	
	Current	Non-current	Current	Non-current	Current	Non-current
Revolving credit facilities...	63,549		39,429		34,130	
Other bank loans.....	12,067	6,272	452	386	471	874
Finance leases.....	212	368	313	491	297	750
	75,828	6,640	40,194	877	34,898	1,624

Table 15 Development of borrowings

Non-current liabilities

The Group's non-current liabilities mainly consist of borrowings in addition to pension and other obligations and deferred tax liabilities. Non-current liabilities amounted to EUR 8.4 million at year-end 2018, up from EUR 1.5 million at year-end 2017. At-year end 2016 total non-current liabilities amounted to EUR 2 million

Borrowings at year-end 2018 amounted to EUR 6.6 million, compared to EUR 877 thousand at year-end 2017 and EUR 1.6 million at year-end 2016. The change between year-end 2018 and 2017 was mainly driven by a change in borrowings as a new bank loan was taken due to the acquisition of Oceanpath and loans acquired with the acquisition of Solo Seafood. Moreover, the change between year-end 2017 and 2016 was due to repayment of long-term borrowings and movements into current maturities.

Pension and other obligations at year-end 2018 amounted to EUR 914 thousand compared to EUR 148 thousand at year-end 2017 and EUR 153 thousand at year-end 2016. The change between year-end 2018 and year-end 2017 was mainly due to the acquisitions of Oceanpath and Solo Seafood.

Deferred tax liabilities at year-end 2018 amounted to EUR 832 thousand compared to EUR 483 at year-end 2017 and EUR 229 thousand at year-end 2016.

Current liabilities

The Group's current liabilities mainly consist of borrowings and trade and other payables in addition to other liabilities and liabilities associated with assets classified as held for sale. Total current liabilities amounted to EUR 126.1 million at year-end 2018, up from EUR 68.9 million at year-end 2017. At-year end 2016 total current liabilities amounted to EUR 57.7 million.

Borrowings at year-end 2018 amounted to EUR 75.8 million compared to EUR 40.2 million at year-end 2017 and 34.9 million at year-end 2016. The change between year-end 2018 and 2017 mainly related to the two acquisitions and funding of Icelandic Iberica operation in Spain. Between year-end 2017 and 2016 borrowings increased by EUR 5.3 million due to higher sales.

As explained above vast majority of the Group's funding relates to funding of inventories and receivables. The main revolving facility agreement is due in May 2022, but the amount drawn is classified within current liabilities due to monthly drawdowns against inventories and receivables at each time.

Trade and other payables at year-end 2018 amounted to EUR 44.9 million compared to EUR 25.6 at year-end 2017 and EUR 19.6 million at year-end 2016. The change between year-end 2018 and 2017 was mainly driven by the acquisitions of Oceanpath and Solo Seafood. Moreover, the change between year-end 2017 and 2016 was due to increased sales and unusually low level at end of 2016 due to fishermen strike in Iceland.

Other liabilities consist of accrued payroll related expenses, accrued other expenses, income tax, value added tax and fair value of cash flow hedges. Total other liabilities at year-end 2018 amounted to EUR 5,4 million compared to EUR 3.13 million at year-end 2017 and EUR 3.14 million at year-end 2016.

Equity

Equity amounted to EUR 59.3 million at year-end 2018 or up EUR 41.6 million from year-end 2017, largely due to the issue of new shares in relation to the acquisition of Solo Seafood ehf (EUR 34.8 million). The equity ratio was 30.6% at year-end compared to 20.1% in 2017. At year-end 2017 equity amounted EUR 17.7 million or up EUR 2.4 million year-on-year and the equity ratio was 20.1%, marginally lower than prior year (2016: 20.5%). For further information on development of share capital see chapter 11.1.1 *Development of Share Capital*.

9.6 Cash flow Development

EUR 000	30.6.2019 Reviewed	30.6.2018 Unaudited	31.12.2018 Audited	31.12.2017 Audited	31.12.2016 Audited
Operating activities					
Operating profit	5,184	2,528	7,862	4,644	4,524
Depreciation and amortisation	1,471	521	1,319	863	811
Gain on disposal of property, plant and equipment	(28)	2	(23)	(51)	(6)
Change in obligations and other calculated liabilities	(548)	(477)	(323)	5	12
Working capital generated from operations	6,079	2,574	8,835	5,461	5,341
(Increase)/decrease in inventories	(330)	664	1,244	(10,580)	1,907
(Increase)/decrease in receivables and other assets	1,317	(3,254)	(4,437)	(2,055)	(440)
Increase/(decrease) in payables and other liabilities	(3,168)	(4,260)	2,311	5,957	852
Cash generated from / (used in) operations before interests and taxes	3,898	(4,276)	7,952	(1,216)	7,660
Interest received	62	66	83	77	80
Interest paid	(1,195)	(966)	(2,088)	(1,420)	(1,511)
Income taxes paid	(1,005)	(280)	(1,836)	(847)	(668)

Net cash from / (to) continuing operations	1,760	(5,456)	4,112	(3,406)	5,559
Net cash to discontinued operations		(5)	(5)	(35)	958
Net cash generated by / (used in) operating activities	1,760	(5,461)	4,106	(3,441)	6,517
<u>Investing activities</u>					
Payments for property, plant and equipment	(3,354)	(204)	(2,073)	(774)	(1,131)
Proceeds from disposal of property, plant and equipment	107	77	71	65	26
Payments for intangible assets	(67)		(87)	(23)	(49)
Proceeds from disposal of intangible assets			3	3	
Net cash outflow on acquisitions of subsidiaries		(4,832)	(7,862)	0	
Net cash used in investing activities	(3,314)	(4,959)	(9,948)	(728)	(1,154)
Net cash before financing activities	(1,554)	(10,420)	(5,842)	(4,169)	5,363
<u>Financing activities</u>					
Net proceeds from revolving credit facility	3,874	7,364	5,405	5,299	(10,783)
Net proceeds from borrowings on new term loans	6,500	5,000	5,000	0	
Net repayment of borrowings	(3,586)	(418)	(2,750)	(750)	(268)
Proceeds from issue of share capital, net of issue costs	471				4,914
Net cash generated by financing activities	7,259	11,946	7,655	4,549	(6,138)
Net increase in cash and bank balances	5,705	1,526	1,813	380	(774)
Cash and bank balances at the beginning of the period	3,967	2,223	2,223	1,797	2,647
Effect of exchange rate changes on cash held in foreign currencies	(210)	27	(69)	46	(75)
Cash and bank balances at the end of the period	9,462	3,776	3,967	2,223	1,797

Table 16 Cash Flow Development

9.6.1 Comparison for the six month period ended 30 June 2019 and 2018

Net cash generated by / used in operating activities was positive by EUR 1.8 million in the first six months of 2019, compared to negative EUR 5.5 million for the same period in 2018. Working capital generated from operation was EUR 3.5 million higher than last year, reflecting a positive impact of the acquisitions of Icelandic Iberica and Oceanpath in 2018. Movements in net working capital in the first six months of 2019 were negative by EUR 2.2 million, compared to

a negative movement of EUR 6.9 million last year. The working capital of Oceanpath, which came into the group in March 2018, was the main explanation for the increase last year. Tax payments were EUR 0.7 million higher than at the same time last year, reflecting increased profits within the Group.

Net cash used in investing activities was EUR 3.3 million in 1H 2019, compared to 5.0 million for same period in 2018. The majority of the amount this year relates to investments in Oceanpath, i.e. an extension of the fresh fish facility in Howth Dublin and investment in salmon filleting line which was up and running in July 2019. The 2018 amount mainly relates to the acquisition of Oceanpath.

Net cash generated by financing activities were EUR 7.3 million in 1H 2019, which was 4.7 million lower than same time last year. Majority of the amount this year relates to higher usage of revolving facilities, due to a seasonally higher net working capital position than in the beginning of the year and new borrowings which amounts to 6.5 million this year and relates to new long term borrowings in Spain. Last year the increase in revolver usage amounted to 7.4 million and new long term borrowings related to the acquisition of Oceanpath were 5.0 million.

The resultant increase in cash during the 1H 2019 were EUR 5.7 million and total cash at end of June amounted to EUR 9.5 million with EUR 8.0 million of that sitting in Spain. Total increase in cash during 1H 2018 was EUR 1.5 million and cash position at end of June 2018 was EUR 3.8 million.

9.6.2 Comparison for the period ended 31 December 2018, 2017 and 2016

Net cash generated by / used in operating activities in 2018 was positive by EUR 4.1 million compared to negative EUR 3.4 million in 2017 and positive by EUR 6.5 million in 2016. The main change between the years 2017 and 2018 is that in 2017 an increase of inventories amounted to EUR 10.5 million while the figure decreased in 2018 and 2016. The year 2017 was affected by the fishermen strike in Iceland which started in December 2016 and caused unusually low inventories at end of that year.

Net cash used in investing activities in 2018 was negative by EUR 9.9 million in 2018 compared to negative EUR 728 thousand in 2017 and negative EUR 1.1 million in 2016. The year 2018 reflects the acquisitions of Oceanpath and Solo Seafood in addition to investment in facility extension of Oceanpath which started in 2H 2018 and maintenance Capex in other subsidiaries. Investments in 2017 and 2016 reflect regular maintenance Capex within subsidiaries at that time.

Net cash generated by financing activities in 2018 positive by EUR 7.7 million in 2018 compared to EUR 4.5 million in 2017 and negative by EUR 6.1 million in 2016. The main changes were that in 2018 a new EUR 5 million loan was taken to finance the acquisition of Oceanpath, while in 2016 net proceeds from revolving credit facility amounted to negative EUR 10.7 million due to decrease in inventories during that year affected by fishermen strike.

Cash and bank balances at the end of 2018 amounted to EUR 4.0 million, compared to EUR 2.2 million and EUR 1.8 million for 2017 and 2016.

9.6.3 *Investments*

The following information on principal investments is based on the Group's financial statements. During the years 2016 to 2018 the Group has invested for a total of EUR 50.2 million, where of EUR 1.2 million were invested in 2016, EUR 0.8 million in 2017 and EUR 48.2 million in 2018.

In 2018 a vast majority of the Group's investments related to the acquisitions of Oceanpath and Solo Seafood, EUR 46.1 million in total. The Solo acquisition was largely financed with issuance of new shares in Iceland Seafood, with book value of EUR 34.8 million. The remaining investment amount related to acquisitions was financed with new loans and deferred payments EUR 7.7 million in total and usage of cash headroom of EUR 3.6 million. Investments related to property, plant and equipment in 2018 amounted to EUR 2.1 million, largely due to an extension of the production facility of Oceanpath which was finalised in 1H 2019. These investments were financed with usage of cash headroom.

In 2017 the total investments of the Group were EUR 0.8 million, which all related to property, plant and equipment. These investments were financed with usage of cash headroom.

In 2016 the Group invested EUR 1.2 million in total, all related to property, plant and equipment. Around EUR 0.6 million was related to investment in a shellfish packing facility at IS Barraclough. These investments were financed with new loan of EUR 0.4 million and by usage of cash headroom of EUR 0.8 million.

Total investments in 2019 are estimated in the range of EUR 4.8 to 5.5 million. Largest part of these investments relates to Oceanpath (extension of fresh fish facility and installation of salmon filleting line) c.a. EUR 2.9 million in total. Investments related to the S-Europe division are estimated around EUR 1.8 million in 2019, mainly relating to the production facility in Barcelona and the construction of cold store and production facilities at Achnar in Argentina. These investments will be financed with a combination of cash from operations and new loans. Management expect further investments in the S-European business in 2020, to optimise production and increase efficiencies. The size of these investments is currently being evaluated.

10 CORPORATE GOVERNANCE AND RELATED INFORMATION

10.1 Corporate Governance Structure

Iceland Seafood's corporate governance framework is defined by Act No. 2/1995 on Public Limited Companies (hereafter referred to as the "Act on Public Companies") and the Nasdaq Iceland Rules and is set out in the Issuer's Articles of Association. Under its Articles of Association, the Issuer is governed by shareholders' meetings, the Issuer's Board of Directors (hereafter referred to as the "Board of Directors" or the "Board") and the Chief Executive Officer. In accordance with Article 70 (5) of the Act on Public Companies the Board of Directors has set itself formal Rules of Procedure which are supplementary to the Articles. According to the Rules the Board of Directors may elect committees that operate on behalf of the Board. All Board committees set themselves specific rules of procedure.

The Issuer's Articles of Association were initially adopted on 11 April 2006 with later amendments approved at the Issuer's shareholders meetings and annual general meetings. The latest amendments to the Issuer's Articles of Association were approved at the Issuer's Annual General Meeting on 12 June 2019 and can be found in appendix I to the Prospectus.

The Issuer adheres to the principles set forth in the Corporate Governance Guidelines, published by the Iceland Chamber of Commerce in co-operation with SA Business Iceland and Nasdaq Iceland (hereafter referred to as the "Guidelines"). As of the date of this Registration Document there are only two deviations from full compliance with the Guidelines. The former being that the Issuer does not have a board nomination committee and the second a lack of a formal corporate governance statement. The Issuer intends to publish such a statement along with the publication of the Group's Financial Statements for the year 2019.

10.1.1 Articles of Association

The Articles of Association feature provisions regarding shareholders' meetings in articles 11 through 17, regarding the Board of Directors in articles 18 through 19, regarding the CEO in article 20, and regarding accounting and auditing in articles 21 through 22.

According to the Articles the supreme power of the Issuer's affairs, within the boundaries set by the Articles and Icelandic legislation, lies in the hands of a lawful shareholders' meeting with the day-to-day operations being governed by the Board of Directors and the CEO. Shareholders' meetings, including the annual general meeting, are lawful if they are lawfully called for, regardless of eventual turnout.

The right to attend a shareholders' meeting is granted to shareholders, shareholders' proxies, the Issuer's auditors and the Chief Executive Officer of the Issuer, irrespective of whether he or she is a shareholder or not. The Board of Directors can invite specialists to individual meetings if their expertise or assistance is needed. At shareholders' meetings, each Share in the Issuer shall carry one vote. Decisions at shareholders' meetings shall be made by a simple majority vote unless alternative instructions are provided by the Articles of Association or statutory law.

A shareholders' meeting shall be convened by the Board of Directors when deemed necessary, or in accordance with a meeting resolution, or when elected auditors or shareholders that control at least 1/20 of the shares of the Issuer request a meeting in writing, stating the business of the

meeting. When a lawful request for a meeting has been made, the Board of Directors must convene a meeting within 21 days from receiving the request. Shareholders' meetings shall be announced with advertisements in the media or through electronic means.

The Annual General Meeting shall be held before the end of June each year. Annual general meetings shall be called by the same process as other shareholders' meetings. No later than 21 days prior to the Annual General Meeting the following information shall be accessible to shareholders to examine at the Issuer's headquarters: The financial statements of the Group, the auditor's report, information on the total number of shares and votes as of the date the meeting was announced, the Board's proposal of a remuneration policy and other proposals of the Board to the Annual General Meeting.

The Board of Directors of the Issuer shall be composed of between three to five members and up to one alternate member. They are elected at the Annual General Meeting for a term of one year. The eligibility of Members of the Board shall be subject to statutory law. The Board elects a chairman from among its members. Otherwise the Board divides its tasks as necessary. The Chairman of the Board calls and manages board meetings. Board meetings shall be called whenever the Chairman deems necessary and/or if any board member or the CEO so requests. Board members are permitted to participate in Board of Directors' meetings using communication equipment.

The Board of Directors has supreme powers in all matters concerning the Issuer between shareholders' meetings. Board meetings are lawful if the majority of the Board is present. Matters need approval from a simple majority to be binding for the Issuer. The Chairman of the Board holds the deciding vote. All significant decisions must be discussed by all Board members before being voted on, if at all possible. The Board shall set itself formal Rules of Procedure. The Board is obligated to appoint an audit committee and a remuneration committee. The appointment of other board committees is optional. The Board is not bound by the resolutions of its committees unless otherwise stipulated by law.

The Board of Directors appoints a Chief Executive Officer of the Issuer and decides on the terms of his or her employment. Only the Board of Directors may assign powers of procuration on behalf of the Issuer. The CEO has charge of the day-to-day operations of the Issuer and represents the Issuer in all matters concerning normal operations. The CEO shall manage the accounts of the Issuer and employ the employees of the Issuer. The CEO shall grant Board members and auditors all necessary information on the operations of the Issuer which they might request and should be granted according to statutory law.

For further information on the content of the Articles of Association, refer to the Issuer's Articles of Association that can be found in appendix I to the Prospectus.

10.2 The Board of Directors

The Issuer's Board of Directors shall be composed of three to five members and up to one alternate member, elected at the Annual General Meeting for a term of one year. The Board currently consists of three main members and one alternate. The Board of Directors intends to propose to shareholders an expansion of the Board to five members at the 2020 Annual General

Meeting or sooner, dependant on the Issuer completing a successful public offering of 225,000,000 new shares and listing on the Regulated Market of Nasdaq Iceland as is further described in chapters 6. *Offer of new shares* and 7.1 *Admission to trading* in the Securities Note. As per the Issuer's Articles of Association, neither the Issuer nor its subsidiaries have set aside or accrued funds to provide pension, retirement or similar benefits beyond what is required by law to any member of the Board or sub-committees of the Board. The Board of Directors consists of the following members:

Chairman of the Board of Directors

Name:	Magnús Bjarnason
Business address:	Katrínartún 2, 12 th floor, 105 Reykjavik
First elected:	February 2019
Education and experience:	<p>Magnús Bjarnason is the Managing Partner of MAR Advisors advisory firm for investors in infrastructure and seafood. He holds a B.Sc. degree in Business Administration with focus on Banking and Finance from Nova Southeastern University (1987) and an MBA degree from Thunderbird School of Global Management with focus on strategy and international business (1992)</p> <p>He was Managing Director Corporate Finance at Kvika bank prior to founding MAR Advisors in August 2017. Mr. Bjarnason was CEO for Icelandic Group 2012-2014. Prior he was the executive vice president for Marketing and Business Development at Landsvirkjun 2010-2013, Managing Director for Islandsbanki and related companies 2005-2010. Mr. Bjarnason previous experience includes posts in the Icelandic Foreign Service for nine years in Beijing and New York.</p> <p>Magnús has served as a board member Farice, Sena, Seachill, Icelandic Iberica, Gadus, MP Bank and HS Orka.</p>
Current member of board or management, owner, co-owner:	<p>Magnús is currently a partner with MAR Advisors ehf. and a board member of Úrlausn fasteignir ehf., Clippers ehf., BSI Café ehf, Nauteyri fjárfestingar ehf. and American Scandinavian Foundation, NY in addition to his board membership with the Issuer.</p>
Member of board or management, owner, co-owner during the last five years:	<p>Magnús has in the last five years been a member of the board of MP banki hf. and a managing director with Kvika banki hf.</p>

Remuneration in 2019 as at ISK 2,885,750
30.6.2019:

Shareholdings in the Issuer 2,051,453 shares via holding company Úrlausn fasteignir ehf.
as at 1 October 2019

Board member

Name:	Jakob Valgeir Flosason
Business address:	Grundarstígur 5, 415 Bolungarvík
First elected:	February 2019
Education and experience:	Jakob has an extensive knowledge of the Icelandic fishing industry from all perspectives, a knowledge that not many people possess. He has been involved in every aspect of the sector from early age, working in factories, on fishing boats and building up the family companies to become one of the most technology advanced and leading company within the Icelandic fishing sector.
Member of board or management, owner, co-owner:	Jakob is currently a board member of Solo Holding ehf, , HRock ehf, BB29 ehf, Klofningur ehf, Valgeir ehf, B1917 ehf, Sýr ehf, Itsorf ehf, Salting ehf, Breiðhella ehf, Karlsbali ehf., Hamarshöfði 4 ehf., B15 ehf., Fiskmarkaður Vestfjarða hf. and EA 30 ehf. in addition to his board membership with the Issuer.
Member of board or management, owner, co-owner during the last five years:	Jakob has in the last five years been a member of the board of Sigurbjörg ehf.
Remuneration in 2019 as at 30.6.2019:	ISK 727,500
Shareholdings in the Issuer as at 1 October 2019	Jakob Valgeir ehf., owned by Jakob, his wife and his father, directly holds 227,591,762 Shares. Further, Jakob Valgeir ehf. indirectly holds 34,783,122 Shares through Solo Holding ehf.

Board member

Name:	Liv Bergþórsdóttir
Business address:	Blikanes 20

First elected:	5 February 2019
Education and experience:	<p>Liv has worked in the telecommunication industry for the last 20 years, most recently for 12 years as CEO of Nova ehf. until 2018. Additionally, she has extensive board membership experience in various listed and unlisted companies.</p> <p>Liv completed a Cand.oecon in Business Administration from the University of Iceland in 1995 and AMP (Advanced Management Programme) from IESE Business School Barcelona in 2013.</p>
Member of board or management, owner, co-owner:	Liv is currently a board member of Bláa Lónið hf., 54 ehf. and chairman of the board of Aur app ehf. in addition to her board membership with the Issuer.
Member of board or management, owner, co-owner during the last five years:	Liv has in the last five years been chairman of the board of Wow air hf., which went into liquidation in 2019, a board member of Sjóklæðagerðin hf. and CCP ehf. and CEO of Nova hf.
Remuneration in 2019 as at 30.6.2019:	ISK 1,018,500
Shareholdings in the Issuer as at 1 October 2019	285,000 Shares

Alternate board member

Name:	Ingunn Agnes Kro
Business address:	Gvendargeisli 110, 113 Reykjavík
First elected:	5 February 2019
Education and experience:	<p>From 2017-2019 Ingunn was a Director of Administration and Communication at Skeljungur hf., a company listed in the Icelandic stock market, heading internal and external communication and compliance, incl. legal matters, marketing, public relations, human resources and subsidiaries. At that time Ingunn was also the CEO of H2 Iceland. In the years 2009-2017 Ingunn was the general council of Skeljungur, secretary to the Board of Directors and compliance officer. Ingunn holds a B.A. and M.A. degree in law from the University of Iceland as well as a diploma in Securities Brokerage.</p>

Member of board or management, owner, co-owner: Ingunn is currently a board member of Íslenskir fjárfestar hf., and HS Orka hf. and an alternate board member of the Company Lawyers Association of Iceland in addition to her board membership with the Issuer.

Member of board or management, owner, co-owner during the last five years: Ingunn has in the last five years served as a board member of Skeljungur's subsidiaries Tollvörugeymsla Skeljungs hf., Bensínorkan ehf., Íslenska vetnisfélagið ehf. and Vegsauki ehf. Additionally, Ingunn was a managing director with Skeljungur hf. and a chief executive officer of its subsidiary Íslenska vetnisfélagið ehf.

Remuneration in 2019 as at 30.6.2019: ISK 873,000

Shareholdings in the Issuer as at 1 October 2019: 0

10.2.1 Sub-Committees of the Board of Directors

Audit Committee

The Audit Committee ensures the quality of the financial statements and internal controls. It has oversight of the external auditors. It also presents proposals for the selection of external auditors and ensures their Corporate Governance & Social Responsibility independence. The Audit Committee's main responsibilities include monitoring the integrity of the financial statements of the Group, reviewing the effectiveness of the Group's internal controls and risk management systems and overseeing the selection, appointment and relationship with the Group's external auditor.

The committee shall operate independently on behalf of the Board of Directors who shall elect the members of the Audit Committee each year. The Audit Committee operates in accordance with rules of procedure approved by the Board of Directors and shall be made up of 2-3 members. Committee members shall possess knowledge and experience which is consistent with the work of the committee, at least one of the audit committee members shall be a financial expert who has accounting or related financial expertise. The members shall be independent of the auditor of the Group and the majority should be independent of the Issuer's management. Members of the Audit Committee are Magnús Bjarnason, Ingunn Agnes Kro and Ágúst Kristinsson.

The committee shall meet at least four times a year, at appropriate times in the reporting and audit cycle and otherwise as required. Only members of the Audit Committee have the right to attend committee meetings, however, other individuals such as the chairman of the Board, chief executive, finance director, other directors and representatives from the finance function may be invited to attend all or part of any meeting as and when appropriate. Additionally, the external auditors are invited to attend meetings of the committee on a regular basis.

Remuneration Committee

The Remuneration Committee is responsible for establishing a remuneration policy for the Issuer. The Remuneration Committee shall assist the Board in ensuring that compensation arrangements support the strategic aims of the Issuer and enable the recruitment, motivation and retention of senior executives while also complying with legal and regulatory requirements. The committee's main tasks include preparing and submitting annually a proposal to the Board of Directors for the Issuer's remuneration policy, annually reviewing the Issuer's compensation programs and monitoring that salary and any incentive schemes are in accordance with law and market practice.

The Board of Directors appoints the members of the committee and its chairman. Neither the Issuer's chief executive officer nor any of the Issuer's and its subsidiaries' top executives shall be appointed to the Remuneration Committee. The committee operates in accordance with rules of procedure approved by the Board of Directors and shall be made up of at least 2 members. It is preferable that the members of the committee have experience and knowledge on guidelines and common practise regarding decision on executives' terms of employment. If deemed necessary, the Remuneration Committee may seek the assistance of consultants, such consultants shall be independent of the Issuer, its executives and the Board of Directors who are not deemed to be independent. The committee is responsible for examining the consultant's experience. Members of the Remuneration Committee are Liv Bergþórsdóttir and Magnús Bjarnason.

The Board is responsible for the appointment and activities of the Remuneration Committee and it operates under the Board's authority. The Remuneration Committee does not reduce the responsibilities of the Board or relieve it of any responsibility. The committee shall call meetings as often as necessary at their own initiative or at the request of the other committee members, however, not less than twice a year.

10.3 Executive Management

The Executive Management comprises the Issuer's CEO and CFO. Neither of the employment contracts with Executive Management contain dates of expiration of their current terms of office nor do they provide for benefits upon termination of employment. Neither the Issuer nor its subsidiaries have set aside or accrued funds to provide pension, retirement or similar benefits beyond what is required by law to any member of the Executive Management. The current remuneration policy, which was approved at the annual general meeting on 12 June 2019, can be found in appendix II to the Prospectus.

CEO

Name:	Bjarni Ármannsson
Business address:	Köllunarklettsvegur 2, 104 Reykjavík
First employed:	January 2019
Education and experience:	Bjarni Ármannsson is a private investor. He is a significant investor in Iceland Seafood International via Sjávarsýn – 100% owned by him, and Solo Holding, partly owned by him. Bjarni is a computer engineer from the University of Iceland in 1990 and graduated with an MBA from IMD in Switzerland in 1996. Bjarni spent the lion share of his career in the banking industry in Iceland, originally as a CEO for Kaupthing, a investment and financial service company, later for the Icelandic Investment Bank and as a CEO of Islandsbanki – a leading seafood service provider out of Iceland.
Member of board or management, owner, co-owner:	Bjarni is currently a board member of Polar Maritime ehf., Solo holding ehf., Gasfélagið ehf., Ísmar ehf., UB koltrefjar ehf., Sjávargrund ehf., Kemi ehf., Landsýn ehf., Tandur hf., Hliðarspor ehf., S4S ehf., Ellingsen ehf., Fáfírnir Offshore ehf., Íslensk orkumiðlun ehf., Imagine Capital AS, Imagine capital BV, Gullbergur ApS, Shipsinvest AS, Havila Troll AS, Cargow BV, Sjávargrund ehf. and Sjávarsýn ehf. in addition to several of the Issuer's subsidiaries.
Member of board or management, owner, co-owner during the last five years:	Bjarni has in the last five years been a board member of Circle Air ehf., G8 eignarhaldsfélag ehf., Solo Seafood ehf., Solo Export ehf., Elizabeth Shaw Ltd., Kælitækni ehf., Edda USA ehf. and Edda, útgáfa og miðlun ehf.
Remuneration in 2019 as at 30.6.2019:	ISK 11,339,130
Shareholdings in the Issuer and Options granted as at 1 October 2019	Bjarni directly holds 248,281,922 Shares through holding company Sjávarsýn ehf. Further, Sjávarsýn ehf. indirectly holds 34,783,122 Shares through Solo Holding ehf. Bjarni does not hold options to purchase Shares in the Issuer.

Chief Financial Officer

Name:	Reynir Jónsson
Business address:	Köllunarklettsvegur 2, 104 Reykjavík
First employed:	October 2013
Education and experience:	Reynir Jónsson has been the Group's CFO since late 2013. Before joining the Group, he worked as a Director and Partner at Deloitte Financial advisory services for five years, where large parts of his projects were related to the seafood sector in Iceland. Prior to that, Reynir was the head of accounting at HB Grandi from 2003-2006. Reynir holds an MSc degree in Finance and Strategic Management from Copenhagen Business School and a Cand.oecon Degree in accounting from the University of Iceland.
Member of board or management, owner, co-owner:	Reynir is a board member of several of the Issuer's subsidiaries
Member of board or management, owner, co-owner during the last five years:	n/a
Remuneration in 2019 as at 30.6.2019:	ISK 17,327,976
Shareholdings in the Issuer and Options granted as at 1 October 2019	Reynir directly holds 310,345 Shares in addition to options to purchase 6,790,000 Shares in the Issuer.

10.4 Auditors

The Issuer's Articles of Association stipulate that the Group's fiscal year is the calendar year. Further it is stated that the Group's annual accounts shall be audited by an auditing company, and that an auditor or auditor company shall be elected at the Annual General Meeting for a term of one year. The Group's auditing company and auditors shall be provided with any information requested in relation to its auditing services for the Group. The Group's annual accounts, report of the Board of Directors, and report of the auditor shall be available for review by the shareholders at the Issuer's headquarters no later than 21 days before the Annual General Meeting. The qualifications and eligibility of auditors is subject to statutory law.

The elected audit company of the Group for the 2019 fiscal year is Deloitte ehf., reg. no. 521098-2449, Smáratorgi 3, 201 Kópavogi (hereafter referred to as "Deloitte"). Deloitte have been the

Group's auditors for over fifteen years. Deloitte has not resigned, been removed from office or not been re-elected during the period covered by the historical financial information in this Prospectus.

On behalf of Deloitte, Ingvi Björn Bergmann, State Authorised Public Accountant, audited and endorsed the consolidated annual accounts of Iceland Seafood for the year 2018 and reviewed the the interim financial statements for the six months ended 30 June 2019. Ingvi Björn and Björn Helgi Arason, State Authorised Public Accountant jointly audited and endorsed the consolidated annual accounts of Iceland Seafood for the year 2017. Björn Helgi and Knútur Þórhallsson, State Authorised Public Accountant jointly audited and endorsed the consolidated annual accounts of Iceland Seafood for the year 2016. Ingvi Björn, Björn Helgi and Knútur are members of the Institute of State Authorized Public Accountants in Iceland.

10.5 Related parties

Parties related to the Issuer are those who have material influence on the Issuer's business as large shareholders of the Issuer (defined as holding 10% or greater of the shares in Iceland Seafood), subsidiaries of the Issuer, affiliates of the Issuer, and members of the Board of Directors, CEO, CFO and other Executive Management within the Issuer as well as close family members of individuals identified as related parties and entities under the control or joint control of related parties. This definition is based on international accounting standard no. 24 (IAS24).

Transactions between the Issuer and its subsidiaries and individual units within the Issuer take place and are part of daily operations. These transactions have been eliminated in the preparation of consolidated accounts and are therefore not specified here.

During the Period, Group entities entered into the following trading transactions with related parties that are not members of the Group:

	1H 2019	2018	2017	2016
EUR 000	Reviewed	Audited	Audited	Audited
Purchase of goods and services	11,883	11,892	19,309	19,016

Table 17 Purchases from related parties

The following balances were outstanding at the end of the reporting period:

	1H 2019	2018	2017	2016
EUR 000	Reviewed	Audited	Audited	Audited
Amounts owed to related parties	1,543	0	1,444	1,550

Table 18 Amounts owed to related parties

The period of 2016-2018 shows transactions between Iceland Seafood and one of the Issuer's largest seafood vendors which a previous member of the Board of Iceland Seafood was also the CEO and a shareholder in. Transactions in 2019 are purchases routinely made by the Issuer from a vendor owned and managed by a current member of the Board of Directors as is further described in chapter 10.5.1 *Declarations and potential conflicts of interest*.

Purchases of goods and services from and sales to related parties were made at the same prices and terms to non related parties.

For information about remuneration and benefits paid to the Board of Directors and the Executive Management, reference is made to *chapters 10.2 The Board of Directors and 10.3 Executive Management*.

10.5.1 Declarations and potential conflicts of interest

Attention is drawn to the following interests held by members of the Board of Directors and Executive management:

Among large shareholders in Iceland Seafood is the Group's CEO, Bjarni Ármannsson, through his company Sjárvarsýn ehf. which holds a 10.6 % share in the Issuer at 1 October 2019. Additionally, Bjarni indirectly holds a 1.5% share in the Issuer through Sjárvarsýn's shares in Solo Holding ehf., which is co-owned with other shareholders, all of which are also direct shareholders in Iceland Seafood. Solo Holding ehf.'s shareholders are currently preparing dissolving their joint ownership in the company and, once complete, Shares in Iceland Seafood will be distributed to shareholders in Solo Holding ehf. in direct proportion to their holdings. For further information on Solo Holding ehf. see chapter *1.1.4 Ownership risk* in the Securities Note, dated 3 October 2019, which forms a part of this Prospectus.

Jakob Valgeir Flosason, member of the board of Iceland Seafood, is the CEO of fishery Jakob Valgeir ehf. which is a large supplier of seafood to the Issuer. He directly holds a 6% share in Jakob Valgeir ehf. along with his wife who holds a 51.2% share in Jakob Valgeir ehf. through holding companies F84 ehf., B15 ehf. and Salting ehf. and his father who holds 10.5%. Jakob Valgeir ehf. directly holds a 9.7% share in the Issuer at 1 October 2019 and indirectly holds a 1.5% share through his shares in Solo Holding ehf. which is co-owned with other shareholders, all of which are also direct shareholders in Iceland Seafood. Solo Holding ehf.'s shareholders are currently preparing for dissolving their joint ownership in the company and, once complete, Shares in Iceland Seafood will be distributed to shareholders in Solo Holding ehf. in direct proportion to their holdings. For further information on Solo Holding ehf. see chapter *1.1.4 Ownership risk* in the Securities Note, dated 3 October 2019, which forms a part of this Prospectus.

Prior to being elected to Iceland Seafood's Board of Directors in February 2019, Magnús Bjarnason, chairman of the Board of Directors, was an advisor to the seller in relation to Iceland Seafood's acquisition of Oceanpath Ltd. in 2018. Further, Magnús was an advisor to the seller in relation to Iceland Seafood's acquisition of Solo Seafood ehf. For further information on the transactions see chapter *9.3 Significant Developments in the Period*.

The Issuer is not aware of any other potential conflicts of interests between any duties of the members of the Board of Directors and the Executive Management, and their private interests and/or other duties.

During the last five years preceding the date of this Registration Document, none of the members of the Board of Directors or Executive Management have, unless otherwise stated in this chapter *10 Corporate Governance and related information*, been convicted of a fraudulent offence nor have they been subject to any official public incrimination and/or sanctions by any statutory or regulatory authorities (including designated professional bodies) or ever been disqualified by a

court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

During the last five years preceding the date of this Registration Document, none of the members of the Board of Directors or Executive Management have, unless otherwise stated in this chapter *10 Corporate Governance and related information*, been associated with companies, in their capacity as a founder, director or senior manager, that have filed for bankruptcy or gone into receivership or liquidation.

There are no family relations between any of the Members of the Board or the Executive Management of the Issuer.

10.6 Share Based Payments

In spring 2016 a stock option plan was approved by a shareholder meeting (hereafter referred to as the “Stock Option Plan” or the “Options”) and later updated and re-approved by a shareholder meeting in September 2018. The purpose of the Options is to enable Iceland Seafood to attract and retain employees through an attractive wage system. Employees are provided with an opportunity to acquire a stake in the Issuer in order to increase their incentive to promote future growth and increased prosperity of the Issuer and to reward such promotion.

The Options currently issued are identical in form, however, the Board has autonomy to decide the specific terms and conditions of the stock option agreements for each individual recipient. The terms and conditions of individual stock option agreements do not need to be identical with the exception of certain non-negotiable terms.

Options have been granted to 21 employees, 16 of which still hold active Options. The Options were granted in four portions, first in 2016 with 32,050 thousand shares at a price of 5.40 per Share, second in 2017 with 1,700 thousand Shares at a price of 6.85 per Share, third in 2018 with 2,350 thousand Shares at a price of 7.69 per Share and fourth in 2019 with 14.780 thousand Shares at a price of 9.55 per share. The price per share reflects the market price per share at each date of issue. No decision has been made with respect to the remaining 9.6 million Shares, i.e. if and to what extent it will be granted as options to the Issuer's employees.

The Option pool represent 1.82% of the total registered share capital of the Issuer. As of the date of this Registration Document, vested Options that have not been exercised amount to 12,798,960 Shares and total outstanding (vested and unvested) Options amount to 32,975,835 Shares.

Total Option Pool	42,583,145
Total outstanding options 30.6.2019	32,975,835
Unused at 30.9.2019	9,607,310

Table 19 total Option pool

The currently issued Options shall vest and become exercisable over a four-year vesting period, according to the following vesting schedule:

- i. 12/48 of the Option shall vest upon the first anniversary of the Issue Date
- ii. The remaining 36/48 of the Option shall vest in monthly instalments over a thirty-six-month period (i.e. vesting monthly) between the 1st anniversary and the 4th anniversary of the Issue Date.
- iii. The options are subject to the condition that the Optionee is and continues to be employed by the Issuer and are exercisable for ten years from the Issue date.

Issue date	Shares	Exercise price	Exercised	Cancelled	Outstanding 30.9.2019	Vested not exercised 30.9.2019
24.5.2016	32,050,000	5,40	11,779,166	6,124,999	14,145,835	11,241,668
13.7.2017	1,700,000	6,85	0	0	1,700,000	920,833
31.8.2018	2,350,000	7,69	0	0	2,350,000	636.459
17.9. 2019	14.780.000	9.55	0	0	14.780.000	0
Total	50,880,000		11,779,166	6,124,999	32,975,835	12,798,960

Table 20 Options at 30.9.2019

11 SHARE CAPITAL AND SHAREHOLDERS

11.1 Share Capital

As of the date of this Prospectus, the nominal value of the share capital of Iceland Seafood is ISK 2,336,344,934 divided into an equal number of Shares with a nominal value of ISK one each. All of the Issuer's issued share capital is paid in full.

In accordance with the Public Companies Act the Issuer is authorised to own up to 10.0% of its own share capital. The authorisation of a shareholders' meeting to the Board of Directors is needed for the Issuer to acquire treasury Shares. At the Annual General Meeting held on 12 June 2019 the Board of Directors was authorized to acquire on behalf of the Issuer up to 10% of its total issued share capital, among other to settle Option agreements with employees. The authorisation remains in effect until 12 November 2020. At the date of this Prospectus the Issuer holds 0 own shares.

11.1.1 Development of Share Capital

Date	Change	Issued shares post change	Nature of change
01.01.2016		1,272,323,000	Issued share capital at beginning of Period
31.12.2016	27,265,344	1,299,588,344	Share capital increase
31.12.2018	1,024,977,425	2,324,565,769	Share capital increase
30.06.2019	11,779,165	2,336,344,934	Share capital increase

Table 21 Development of share capital

Amounts in ISK

In 2016 the Issuer's share capital was increased by a nominal amount of ISK 27,265 thousand in order to broaden the shareholder base and increase liquidity in the Shares due to the Issuer's listing on First North. Share capital was increased significantly in 2018 due to the purchase of Solo Seafood, which was fully paid in Shares. For further information on the Solo Seafood transaction see chapter 9.3.2 *Solo Seafood*. In 2019 Share capital was increased in order to fulfil Option agreements with employees.

11.2 Shareholders

The Issuer had 326 shareholders at 2 October 2019, four of which directly or indirectly held 10% or more of shares in the Issuer. To the best of the Issuer's knowledge, no individual person directly or indirectly holds an interest in the Issuer's capital or voting rights which are notifiable under the Act on Securities Transactions as of the date of the Prospectus aside from those persons shown in Table 22 *Shareholders* below and described in chapter 1.1.4 *Ownership Risk* in the Securities Note, dated 3 October 2019, which forms a part of this Prospectus.

Table 22 *Shareholders* below shows shareholders owning 1% or more of the Issuer's shares as at 1 October 2019:

Shareholder	Registration number	Number of shares	%
Sjávarsýn ehf.	460404-2820	248,281,922	10.6%
Nesfiskur ehf.	410786-1179	239,214,591	10.2%
FISK-Seafood ehf.	461289-1269	239,214,591	10.2%
Jakob Valgeir ehf.	510800-2220	227,591,762	9.7%
Solo Holding ehf.	710118-1160	208,719,603	8.9%
Frjálsi lífeyrissjóðurinn	600978-0129	104,226,784	4.5%
Lífswerk lífeyrissjóður	430269-4299	97,482,530	4.2%
Birta lífeyrissjóður	430269-0389	86,935,590	3.7%
Kvika banki hf.	540502-2930	81,825,804	3.5%
Arion Banki hf.	581008-0150	78,239,063	3.3%
Vátryggingafélag Íslands hf.	690689-2009	65,500,000	2.8%
Sjóvá Almennar tryggingar hf.	650909-1270	64,164,486	2.7%
Hjörleifur Ásgeirsson	150363-3229	47,920,217	2.1%
Hofgarðar ehf.	410304-2360	30,000,000	1.3%
Íshóll ehf.	691099-2029	29,950,000	1.3%
Stefnir – ÍS 15	470206-8450	29,518,242	1.3%
Akta HL1	650913-9730	27,342,400	1.2%
Akta Stokkur	640317-9810	27,204,733	1.2%
Akta HS1	460213-9910	26,952,600	1.2%
9. S ehf.	410307-2940	26,500,000	1.1%
Lífeyrissjóður Vestmannaeyja	580572-0229	23,518,518	1.0%
Others <1%		326,041,498	14.0%

Table 22 Shareholders

To the extent known to the Issuer, Iceland Seafood is not directly or indirectly owned or controlled by parties other than listed shareholders.

11.2.1 Shareholders' rights and obligations

The Shares are all in one class and equal in all respects. Shareholders' rights are subject to the Issuer's Articles of Association and the relevant applicable laws at any given time. No special rights or privileges are attached to the Shares and all Shares are freely transferable. Shareholders will not be subject to redemption of their Shares unless stipulated by law. Changes in ownership of the Shares are governed by the provisions of Act No. 131/1997 on electronic registration of title to securities and any subsequent rules based thereon. For information on all other rights reference is made to Chapter 10.1.1 *Articles of Association* in this Registration Document as well as to the Public Companies Act.

Disputes arising regarding Shares in the Issuer shall be settled before the Reykjavik District Court as per Act No. 91/1991 on Civil Procedure.

11.2.2 Voting Rights

The holders of shares are entitled to receive dividends as approved by the annual general meeting and are entitled to one vote per nominal value of ISK 1 at shareholders' meetings.

11.2.3 Increase/decrease of share capital

The increase of share capital can be exclusively decided by a shareholders' meeting. If share capital is increased existing shareholders enjoy pre-emptive rights to new Shares in proportion

to their existing holdings, as prescribed by law at each given time. A shareholders' meeting's resolution is also needed to lower share capital.

In the Issuer's Articles of Association, dated 12 June 2019, the Board of Directors is temporarily authorised to increase the share capital of the Issuer by issuing up to 352,583,145 new Shares which existing shareholders waive all pre-emptive rights to. These capital increase authorisations are further described in chapter *1.1.6 Risk of Share Dilution* in the Securities Note.

11.2.4 Amendments to the Issuer's Articles of Association

The Issuer's Articles of Association can only be amended at lawful shareholders' meetings. Amendments are only valid if voted for by at least 2/3 of the total votes cast and have the support of shareholders controlling at least 2/3 of the share capital represented at the meeting. Amendments to articles stipulating voting rights and equal rights of shareholders demand the support of all shareholders as per Article 94 of the Public Companies Act

11.2.5 Dividends

Per the Issuer's dividend policy dated 13 March 2019, the Issuer aims to annually pay dividends which amount to 20-40% of the Issuer's profit after tax from each preceding year. However, dividend payments are subject to an assessment of opportunities to reinvest profits into the Issuer's operations to further fund its growth. Additionally, the dividend policy states the Board of Directors' goal of reaching, and maintaining, a 35% equity ratio within 3 years from the date of the dividend policy.

Despite the dividend policy, it is not certain that the Board of Directors will put forward a motion in accordance with the dividend policy. Furthermore, it is possible that the current dividend policy will be amended.

The Issuer did not pay a dividend for the years 2016, 2017 or 2018.

12 APPENDIX I: ARTICLES OF ASSOCIATION

**SAMÞYKKTIR
FYRIR
ICELAND SEAFOOD
INTERNATIONAL HF.**

**ARTICLES OF ASSOCIATION
FOR
ICELAND SEAFOOD
INTERNATIONAL HF.**

I. kafli

CHAPTER I

Nafn, heimili og tilgangur

Company Name, Domicile and Object

1. gr.

Art. 1

Félagið er hlutafélag og nafn þess er Iceland Seafood International hf.

The Company is a Public Limited Company. The Company's name is Iceland Seafood International hf.

2. gr.

Art. 2

Heimili félagsins er að Köllunarklettsvegi 2, Reykjavík.

The Company's legal domicile is at Köllunarklettsvegur 2, Reykjavík.

3. gr.

Art. 3

Tilgangur félagsins er að vera eignarhaldsfélag um eignarhluti í öðrum félögum og annast útflutning á fiski og fiskafurðum, rekstur fasteigna svo og annar slíkur rekstur.

The object of the Company is to be a holding company for shares in other companies, and to export seafood and seafood products, real estate management, and other similar operations.

II. kafli

CHAPTER II

Hlutfé félagsins

Share Capital of the Company

4. gr.

Art. 4

Hlutfé félagsins er kr. 2.336.344.934 – krónur tveir milljarðar þrjú hundruð þrjátíu og sex milljónir þrjú hundruð fjórtíu og fjögur þúsund níu hundruð fimmtíu og tvær. Hver hlutur er að fjárhæð ein króna

The Company's share capital amounts to ISK 2,336,344,934 – two billion three hundred thirty six million three hundred forty four thousand nine hundred thirty four - divided into as many shares of one ISK each.

eða margfeldi þeirrar fjárhæðar.

Stjórn félagsins er heimilt að ákveða hækkun á hlutfé félagsins um allt að kr. 42.583.145 að nafnverði með útgáfu nýrra hluta í áföngum. Heimild stjórnar samkvæmt framangreindu nær aðeins til þess að uppfylla skilmála samninga um kauprétti starfsmanna í samræmi við kaupréttaráætlun félagsins sem samþykkt var á hluthafafundi félagsins þann 11. september 2018. Hluthafar félagsins munu ekki njóta forgangs til áskriftar að hinum nýju hlutum. Verð og aðrir skilmálar skulu vera í samræmi við kaupréttarstefnu og kaupréttarsamninga félagsins. Heimild þessi gildir til 11. september 2023.

The Board of Directors is authorized to increase the share capital of the Company in stages by up to ISK 42,583,145 shares in nominal value. The authorization of the board of directors shall only be utilized to fulfil terms under stock option agreements with employees in accordance with the Company's stock option plan approved by the Company's shareholders' meeting on 11th September 2018. The shareholders of the Company do not have pre-emptive subscription rights to shares issued under this authorization. Share prices and the rules governing the purchase of shares shall be in accordance with the terms of the stock option plan and the stock option agreements. This authorization shall be valid until 11th September 2023.

Í tengslum við fyrirtækjakaup er stjórn félagsins heimilt að ákveða hækkun á hlutfé félagsins um allt að kr. 85.000.000 að nafnverði með útgáfu nýrra hluta í áföngum. Heimild stjórnar samkvæmt ákvæði þessu gildir til 15. júní 2020. Hluthafar félagsins skulu ekki njóta forgangs til áskriftar að hinum nýju hlutum sem gefnir eru út á grundvelli framangreindrar heimildar, samanber 3. mgr. 34. gr. laga um hlutfélög nr. 2/1995, og 7. grein samþykktu þessara. Stjórn félagsins ákveður útboðsgengi hinna nýju hluta og sölureglur hverju sinni, fresti til áskriftar og fresti til greiðslu þeirra. Stjórn félagsins skal vera heimilt að gera nauðsynlegar breytingar á samþykktum félagsins í tengslum við útgáfu hinna nýju hluta.

In connection with acquisitions, the Board of Directors is authorized to increase the share capital of the Company in stages by up to ISK 85,000,000 shares in nominal value by way of issuing new shares. This authorization of the Board of Directors shall be valid until 15th June 2020. The shareholders of the Company shall not have pre-emptive subscription rights to shares issued under this authorization, cf. Article 7 of these Articles of Association and Article 34 (3) of the Act No. 2/1995 on Public Limited Companies. The Board of Directors determines the offer price of the new shares, the terms of sale, the subscription deadline and deadline for payment. The Board of Directors shall be authorized to make necessary changes to the Company's Articles of Association resulting from the issue.

Stjórn félagsins er heimilt að hækka hlutfé félagsins um allt að kr. 225.000.000 að nafnverði með útgáfu nýrra hluta í tilfni af skráningu félagsins á skipulegan verðbréfamarkað Nasdaq Iceland. Heimild stjórnar samkvæmt ákvæði þessu gildir til 31. desember 2019. Hluthafar félagsins skulu ekki njóta forgangs til áskriftar að hinum nýju hlutum sem gefnir eru út í

The Company's Board of Directors is authorized to increase the Company's share capital by as much as ISK 225,000,000 of nominal value by issuing new shares in relation to the Company's listing of the Company's shares on the regulated market of Nasdaq Iceland. This authorization of the Board of Directors shall be valid until 31st December 2019.

tengslum við skráningu hlutabréfa félagsins á skipulegan verðbréfamarkað Nasdaq Iceland á grundvelli framangreindrar heimildar, samnær 3. mgr. 34. gr. laga um hlutafélög nr. 2/1995, og 7. grein samþykktu þessara. Stjórn félagsins ákveður útboðsgengi hinna nýju hluta og sölureglur hverju sinni, fresti til áskriftar og fresti til greiðslu þeirra. Stjórn félagsins skal vera heimilt að gera nauðsynlegar breytingar á samþykktum félagsins í tengslum við útgáfu hinna nýju hluta.

The shareholders of the Company shall not have pre-emptive subscription rights to shares issued in relation to the listing of the Company's shares on the regulated market of Nasdaq Iceland under this authorization, cf. Article 7 of these Articles of Association and Article 34 (3) of the Act No. 2/1995 on Public Limited Companies. The Board of Directors determines the offer price of the new shares, the terms of sale, the subscription deadline and deadline for payment. The Board of Directors shall be authorized to make necessary changes to the Company's Articles of Association resulting from the issue.

5. gr.

Art. 5

Heimilt er að hækka hlutafé félagsins með ályktun hluthafafundar og þarf til sama magn atkvæða og til breytinga á samþykktum þessum. Hluthafar skulu hafa forgangsrétt að öllum nýjum hlutum í eigin flokkum í samræmi við skráða hlutafjáreign sína. Hluthafafundur einn getur ákveðið lækkun hlutafjár.

Shareholders' meetings may decide on an increase in the share capital of the Company, based on the rules that apply to amendment of these Articles of Association. Shareholders have pre-emptive rights to increased share capital in proportion to their holdings in the Company. Only shareholder's meetings may decide on a reduction in the share capital.

6. gr.

Art. 6

Hlutabréf félagsins eru gefin út með rafrænum hætti samkvæmt ákvæðum laga nr. 131/1997 um rafræna eignaskráningu verðbréfa (með síðari breytingum).

Shares in the Company are issued electronically in accordance with the Act on Electronic Registration of Title to Securities No. 131/1997 (as amended from time to time).

Hlutaskrá samkvæmt ákvæðum laga um rafræna eignaskráningu verðbréfa skoðast sem fullgild sönnun fyrir eignarrétti að hlutum í félaginu og skal arður og tilkynningar allar sendast til þess aðila sem á hverjum tíma er skráður eigandi viðkomandi hluta í hlutaskrá félagsins.

The share register, pursuant to the Act on Electronic Registration of Title to Securities, shall be considered valid authentication for ownership of shares in the Company, and dividend payments, as well as announcements, shall be sent to the party who is at any time the registered owner of shares in the share register of the Company.

7. gr.

Hluthafar skulu hafa forgangsrétt að aukningu á hlutum í hlutfalli við skráða hlutaeign sína. Heimilt er að víkja frá ákvæði þessu sbr. 3. mgr. 34. gr. laga nr. 2/1995 um hlutafélög.

Art. 7

Upon an increase of share capital shareholders have a pre-emptive right to subscribe to new shares in direct proportion to their holdings. This rule may be deviated from, cf. Art. 34(3) of Act No. 2/1995 on Public Limited Companies.

8. gr.

Engar hömlur eru lagðar á rétt hluthafa til viðskipta með hlutabréf sín. Um eigendaskipti og framkvæmd þeirra fer eftir gildandi lögum um rafræna eignaskráningu verðbréfa og reglna sem settar eru á grundvelli þeirra.

Art. 8

No restraints are placed on the rights of shareholders to sell their shares. Changes in ownership and its execution shall be made in accordance with the Act on Electronic Registration of Title to Securities and rules based on the act.

9. gr.

Félagið má ekki veita lán út á hluti sína nema lög leyfi.

Art. 9

The Company is not permitted to grant credit against share certificates in the Company unless permitted by statutory law.

Félaginu er heimilt að eiga allt að 10% af útgefnu hlutafé. Félagið getur aðeins eignast hluti samkvæmt heimild hluthafafundar til handa félagsstjórn og skal slíkrar heimildar getið í sérstökum viðauka við samþykktir þessar. Viðaukinn skal teljast órjúfanlegur hluti samþykktanna þann tíma sem heimildin er í gildi.

The Company may hold own shares up to a limit of 10% of the Company's total issued share capital. The Company may only acquire own shares pursuant to an authorization granted by a shareholders' meeting to the Board of Directors. Such authorization shall be stated in a special annex to these Articles of Association which shall be considered an integral part of the Articles of Association during the period that the authorization is in effect.

Óheimilt er að neyta atkvæðisréttar fyrir þá hluti sem félagið á sjálft.

Voting rights may not be exercised for shares owned by the Company.

10. gr.

Hluthafar ber ekki ábyrgð á skuldbindingum félagsins fram yfir hlut sinn í félaginu.

Art. 10

Shareholders are not liable for the commitments of the Company beyond their share in the Company.

III. kafli

CHAPTER III

Hluthafafundir

Shareholders' Meetings

11. gr.

Art. 11

Æðsta vald í málefnum félagsins er í höndum lögmætra hluthafafunda séu hluthafar fleiri en einn en ella í höndum hluthafans, sbr. lög nr. 2/1995 um hlutafélög.

The supreme authority in the affairs of the Company is in the hands of legitimate shareholders' meetings in case of shareholders being more than one, otherwise in the hands of the sole shareholder, cf. Act No. 2/1995 on Public Limited Companies.

12. gr.

Art. 12

Aðalfundur skal haldinn fyrir lok júní ár hvert.

The Annual General Meeting shall be held before the end of June each year.

Stjórn félagsins skal boða til hluthafafunda þegar hún telur þess þörf, svo og samkvæmt fundarályktun eða þegar kjörinn endurskoðandi eða hluthafar, sem ráða yfir minnst 1/20 hlutafjárins, krefjast þess skriflega og greina fundarefni.

The Board of Directors shall call a shareholders' meeting when deemed necessary, or in accordance with a meeting resolution, or when elected auditors or shareholders that control at least 1/20 of all shares make a written request, stating the subject matter of the meeting.

Þegar lögmæt krafa um fundarhald er fram komin skal stjórninni skylt að boða til fundar innan 21 dags frá því er henni barst krafan. Hafi félagsstjórn eigi boðað til fundar innan þess tíma er heimilt að krefjast þess að til fundarins verði boðað skv. ákvæðum 2. mgr. 87. gr. laga um hlutafélög nr. 2/1995.

When a lawful request for a meeting has been made, the Board of Directors shall be required to call a meeting within 21 days from when the request arrives. If the Board has not called a meeting within this period, it is permitted to demand that a meeting be called in accordance with Article 2 paragraph 87 of Act No. 2/1995 on Public Limited Companies.

Hluthafafundir skulu boðaðir með auglýsingu í fjölmiðlum eða með rafrænum hætti í samræmi við lög um hlutafélög nr. 2/1995.

Shareholder meetings shall be announced with advertisements in the media or through electronic means pursuant to the Act No. 2/1995 on Public Limited Companies.

Hluthafafundir skulu boðaðir með skemmst þriggja vikna fyrirvara en lengst fjögurra vikna fyrirvara, nema hluthafar félagsins hafi áður samþykkt boðun með skemmri fyrirvara á grundvelli þeirra

Shareholder meetings shall be announced with a minimum of three weeks' notice and a maximum of four weeks' notice, unless shareholders of the Company have approved shorter notices as provided for

skilyrða sem fram koma í 88. gr. a laga nr. 2/1995 um hlutafélög.

and with the conditions stipulated in Article 88 a of Act No. 2/1995 on Public Limited Companies.

Fundarefnis skal getið í fundarboði.

Matters to be discussed at the meeting shall be stated in the announcement.

Ef taka á til meðferðar á fundi tillögu um breytingar á samþykktum félagsins skal greina meginefni tillögunnar í fundarboði.

If changes to the Articles of Association are on the agenda, the announcement shall include the main proposals to be discussed.

13. gr.

Art. 13

Heimil er notkun rafrænna skjalasamskipta og rafpósts í samskiptum milli félagsins og hluthafa í stað þess að senda eða leggja fram skjöl rituð á pappír. Nær heimildin til hvers kyns samskipta milli félagsins og hluthafa svo sem boðun hluthafafunda, greiðslu arðs eða annarra tilkynninga sem félagsstjórn ákveður að sendar skuli hluthöfum. Eru slík rafræn samskipti jafngild samskiptum rituðum á pappír. Skal félagsstjórn setja reglur um framkvæmd rafrænna samskipta.

It is permitted to use electronic documentation and e-mail interaction between the Company and shareholders, in place of sending or presenting documents written on paper. This authorization applies to all types of interaction between the Company and shareholders, for example announcements regarding shareholders' meetings, dividend payments and other announcements that the Board of Directors decides should be made to shareholders. Such electronic interaction is equivalent to communications written on paper. The Board of Directors shall set rules regarding the implementation of electronic communications.

Hluthafafundur er lögmætur, án tillits til fundarsóknar, ef hann er löglega boðaður.

A shareholder's meeting is valid if it has been legitimately called, regardless of how many shareholders attend.

14. gr.

Art. 14

Rétt til setu á hluthafafundum hafa hluthafar ásamt ráðgjafa, umboðsmenn hluthafa, stjórn og endurskoðendur félagsins sem og framkvæmdastjóri, þótt ekki sé hluthafi. Þá getur stjórnin boðið sérfræðingum setu á einstökum fundum, ef leita þarf álits þeirra eða aðstoðar.

The right to attend a shareholders' meeting is granted to shareholders, shareholders' proxies, company auditors and the Chief Executive Officer of the Company, irrespective of whether he or she is a shareholder or not. The Board of Directors can invite specialists to individual meetings if their expertise or assistance is needed.

Stjórn er heimilt að ákveða að hluthafar geti tekið þátt í fundarstörfum hluthafafunda með rafrænum hætti án

The Board of Directors is authorized to allow shareholders to participate in proceedings at shareholders' meetings

Þess að vera á fundarstað telji hún að tiltækur sé nægilega öruggur búnaður til þess. Ákveði stjórn að nýta þessa heimild skal þess sérstaklega getið í fundarboði.

through electronic means without being present at the meeting venue if it deems that available equipment is sufficiently secure for this purpose. If the Board of Directors decides to use this authorization, it shall be specially noted in the announcement for the shareholders' meeting.

Hluthafar sem hyggjast nýta sér rafræna þátttöku skulu tilkynna skrifstofu félagsins þar um með 5 daga fyrirvara og leggja þar fram skriflegar spurningar varðandi dagskrá eða framlögð skjöl sem þeir óska svara við á fundinum.

Shareholders intending to participate electronically shall inform the company's office with 5 days' notice, and submit written questions regarding the agenda or present documents that they would like answers to at the meeting.

Hluthafar skulu hafa aðgengi að leiðbeiningum um þátttöku í hluthafafundi með rafrænum hætti ásamt aðgangsorði og nauðsynlegum hugbúnaði til slíkrar þátttöku. Jafngildir innslegið aðgangsorð í tölvuforrit undirskrift viðkomandi hluthafa og telst viðurkenning á þátttöku hans í hluthafafundinum.

Shareholders shall have access to instructions regarding participation in shareholders' meetings through electronic means, along with a password and the necessary software for such participation. A password entered into the computer program is equivalent to the signature of the respective shareholder, and is considered acknowledgment of his participation in the shareholders' meeting.

Hluthafi getur látið umboðsmann sækja hluthafafund fyrir sína hönd. Umboðsmaður skal leggja fram skriflegt og dagsett umboð.

A shareholder may authorize another person to attend shareholders' meetings on his or her behalf. The representative shall submit a written and dated proxy.

Umboð verða ekki afturkölluð svo gilt sé gagnvart félaginu eftir að þeim hefur verið framvísað við afhendingu fundargagna eða eftir setningu hluthafafundar, hvort heldur sem fyrr er.

Proxies will not be validly rescinded as concerns the company after they have been submitted and meeting documents handed over, or after the meeting has been called to order, whichever comes first.

15. gr.

Art. 15

Eitt atkvæði fylgir hverri krónu í hlutafé.

At shareholders' meetings each share shall carry one vote.

Tillögur um breytingar á samþykktum félagsins eða um sameiningu þess við önnur félög eða fyrirtæki má ekki taka til meðferðar á fundum þess, nema þess hafi verið getið í fundarboði.

Proposals for amendments of these Articles of Association or merger with other companies cannot be discussed at shareholders' meetings unless they were mentioned in the call to the meeting.

Hluthöfum skal gefinn kostur á að greiða

Shareholders shall have the opportunity

atkvæði um tillögur eða taka þátt í kosningum bréflaga. Setur stjórn reglur um framkvæmd slíkrar kosningar.

to vote on proposals or participate in balloting through mail. The Board of Directors sets rules on such balloting procedures.

16. gr.

Art. 16

Á aðalfundi skulu tekin fyrir þessi mál:

The Agenda of the Annual General Meeting shall include the following:

1. Stjórn félagsins skýrir frá rekstri félags og hag þess á liðnu starfsári.
2. Efnahagsreikningur og rekstrarreikningur félagsins fyrir liðið starfsár skulu lagðir fram, ásamt athugasemdum endurskoðenda ef einhverjar eru, til samþykktar.
3. Stjórn félagsins skal kjörin og endurskoðendur eða skoðunar-menn.
4. Tekin skal ákvörðun um hvernig skal fara með hagnað eða tap á síðasta fjárhagsári.
5. Ákvörðun skal tekin um greiðslur til stjórnarmanna á starfsárinu.
6. Tillaga stjórnar um starfskjarastefnu.
7. Önnur mál.

1. The report of the Board of Directors on the activities of the Company in the preceding year of activities.
2. The accounts of the Company for the preceding financial year, including an audit report, shall be submitted for confirmation.
3. Elections to the Board of Directors and of an Auditor or Auditors.
4. Decision on the disposal of earnings or loss of the Company for the preceding financial year.
5. Decision on remuneration to the Members of the Board of the Company.
6. The Board's proposal for a remuneration policy
7. Any other business.

Ef hluthafar, sem ráða yfir minnst 1/3 hlutfjárins, krefjast þess skriflega á aðalfundi, skal fresta ákvörðun um lið 2 hér að ofan til framhaldsaðalfundar, sem haldinn skal í fyrsta lagi einum mánuði og í síðasta lagi tveimur mánuðum síðar. Frekari frests er ekki unnt að krefjast.

If shareholders controlling at least 1/3 of all shares make a written request at the annual meeting, decisions regarding point 2, paragraph 1 above shall be postponed and taken up at an extraordinary annual meeting to be held not earlier than one month, and not later than two months, later. Further postponements may not be requested.

Ársreikningur félagsins, skýrsla stjórnar, skýrsla endurskoðanda, upplýsingar um heildarfjölda hluta og atkvæða á fundarboðsdegi, tillaga stjórnar um starfskjarastefnu og aðrar tillögur stjórnar til aðalfundar skulu liggja frammi á skrifstofu félagsins hluthöfum til sýnis eigi síðar en 21 dögum fyrir aðalfund.

The financial statements of the company, the Board of Director's report on operations, the auditors' report, information on the total number of shares and votes on the date of the calling of a meeting, the Board's proposal of a remuneration policy and other proposals of the Board to the Annual General Meeting shall be available for shareholders to examine at the

company's headquarters no later than 21 days prior to the Annual General Meeting.

Hver hluthafi á rétt á því að fá ákveðið mál tekið til meðferðar á þegar boðuðum hluthafafundi ef hann gerir skriflega eða rafræna kröfu um slíkt til félagsstjórnar með það miklum fyrirvara að unnt sé að taka málið á dagskrá fundarins, þó í síðasta lagi 10 dögum fyrir fundinn. Kröfu skal fylgja rökstuðningur eða drög að ályktun til félagsstjórnar. Upplýsingar um kröfuna skal birta á vefsíðu félagsins eigi síðar en þremur dögum fyrir fundinn, auk tillögunnar og eftir atvikum endurskoðaða dagskrá fundarins.

Each shareholder is entitled to have a specific matter dealt with at a shareholders' meeting if he submits a request, in a written form or electronically, to the Board of Directors with sufficient notice to allow the matter to be placed on the agenda of the meeting, but no later than 10 days prior to the meeting. A rationale or a draft resolution shall be enclosed with such request to the Board of Directors. Information on such request must be published on the Company's website no later than three days prior to the meeting, together with the proposal and, as the case may be, a revised agenda of the meeting.

Á hluthafafundi ræður afl atkvæða nema öðruvísi sé fyrir mælt í landslögum eða samþykktum þessum.

The simple majority of votes will decide issues at shareholders' meetings unless alternative instructions are provided by law or these Articles of Association.

17. gr.

Art. 17

Fundargerðarbók skal haldin og í hana skráð það sem gerist á hluthafafundum.

Record of Minutes shall be kept and proceedings of the meeting entered into it.

IV. kafli

CHAPTER IV

Stjórn félagsins

The Board of Directors of the Company

18. gr.

Art. 18

Stjórn félagsins skal skipuð á bilinu þremur til fimm aðalmönnum og allt að einum varamanni. Skulu þeir kosnir árlega á aðalfundi, til eins árs í senn. Um hæfi stjórnarmanna fer að lögum.

The Board of Directors of the Company shall be composed of between three to five members and up to one alternate member. They are to be elected at the Annual General Meeting for a term of one year. The eligibility of Members of the Board shall be subject to statutory law.

Þeir sem hyggjast gefa kost á sér til stjórnarkjörs skulu tilkynna félagsstjórn um framboð sitt skemmst 5 dögum fyrir

Those who intend to put themselves forward for election to the Board of Directors shall declare so in writing to the

hluthafafund. Í tilkynningu um framboð til stjórnar skal gefa, auk nafns frambjóðanda, kennitölu og heimilisfangs, upplýsingar um aðalstarf, önnur stjórnarstörf, menntun, reynslu og hlutafjáreign í félaginu. Þá skal einnig upplýsa um hagsmunatengsl við helstu viðskiptaaðila og samkeppnisaðila félagsins, sem og hluthafa sem eiga meira en 10% hlut í félaginu.

company's Board of Directors at least five full days prior to the start of the Annual General Meeting. The declaration of candidacy for the Board of Directors shall include the candidate's name, ID number and address, information on primary occupation, other directorship participation, education, experience and shareholding in the company. Moreover, information regarding vested interests with the company's main customers and competitors, as well as shareholders who own more than 10% in the company, shall be disclosed.

Stjórn félagsins hefur æðsta vald í málefnum félagsins milli hluthafafunda. Hún fer með málefni félagsins og skal annast um að skipulag félagsins og starfsemi sé jafnan í réttu og góðu horfi. Stjórnin skal annast um, að nægilegt eftirlit sé haft með bókhaldi og meðferð fjármuna félagsins. Undirskriftir meirihluta stjórnar skuldbindur félagið.

The Board of Directors of the Company is the supreme authority in the affairs of the Company between shareholders' meetings. It shall handle the affairs of the Company and ensure that its organization and operation are at all times in correct and appropriate order. The Board shall ensure adequate supervision of the accounts and disposal of the Company's property. The signatures of the majority of the Board are binding for the Company.

Afl atkvæða ræður úrslitum nema öðruvísi sé fyrir mælt í samþykktum þessum eða öðrum lögmætum fyrirmælum. Atkvæði stjórnarformanns ræður úrslitum ef atkvæði falla að jöfnu.

Decisions are taken by majority vote unless otherwise provided in these Articles of Association or legitimate instructions. The vote of the Chairman shall be a tie-breaker in the event votes are evenly split

Stjórnendur halda gerðabók um það sem gerist á stjórnarfundum og staðfesta hana með undirskrift sinni.

Members of the Board shall keep minutes of proceedings at Meetings of the Board and confirm such minutes with their signatures.

19. gr.

Art. 19

Stjórnin skiptir sjálf með sér verkum. Formaður boðar til stjórnarfunda. Hver stjórnarmaður getur krafist stjórnarfundar. Sama rétt á framkvæmdastjóri.

The Board of Directors shall allocate tasks. The Chairman shall convene meetings of the Board and preside at Board meetings. The Chairman shall also convene a meeting of the Board if requested by one Member of the Board or the Chief Executive Officer.

Stjórnarfundur er ákvörðunarbær þegar meirihluti stjórnarmanna tekur þátt í fundarstörfum. Mikilvæga ákvörðun má þó

A Board of Directors' meeting is competent to make decisions when a majority of directors participate in the

ekki taka án þess að allir stjórnarmenn hafi haft tæk á því að fjalla um málið sé þess kostur. Stjórnarmönnum er heimil þátttaka í stjórnarfundum með fjarskiptabúnaði.

meeting. A significant decision may, however, not be taken unless all directors have had an opportunity to discuss the matter, if possible. Directors are permitted to participate in Board of Directors' meetings using communication equipment.

Stjórnin skal setja sér starfsreglur þar sem nánar skal kveðið á um framkvæmd starfa hennar.

The Board of Directors shall establish rules of procedure setting out further details of the performance of its duties.

Ef kjörnar eru nefndir á vegum stjórnarinnar skv. ákvæðum í starfsreglum skulu niðurstöður þeirra einungis vera leiðbeinandi fyrir stjórnina en hún ekki bundin af þeim við afgreiðslu einstakra mála nema mælt sé fyrir um á annan veg í lögum.

If committees are elected by the Board of Directors in accordance with stipulations in working procedures, their conclusions shall only be proposals for the Board of Directors, which is not obligated by them when making determinations in individual matters unless otherwise stipulated by law.

20. gr.

Art. 20

Stjórn félagsins ræður framkvæmdastjóra og ákveður starfskjör hans. Hún veitir og prókúruumboð fyrir félagið.

The Board of Directors appoints a Chief Executive Officer of the Company and decides on the terms of his or her employment. Only the Board of Directors may assign powers of procurator on behalf of the Company.

Framkvæmdastjóri hefur með höndum stjórn á daglegum rekstri félagsins og kemur fram fyrir þess hönd í öllum málum sem varða daglegan rekstur þess. Framkvæmdastjóri sér um reikningshald og ráðningu starfslíðs. Framkvæmdastjóri ber að veita stjórnarmönnum og endurskoðendum/skoðunarmönnum allar upplýsingar um rekstur félagsins sem þeir kunna að óska og veita þar samkvæmt lögum.

The Chief Executive Officer has charge of the day-to-day operations of the Company, and represents the Company in all matters concerning normal operations. The Chief Executive Officer shall manage the accounts of the Company and employ the employees of the Company. The Chief Executive Officer shall grant board members and auditors all necessary information on the operations of the Company which they might request and should be granted according to statutory law.

V. kafli

CHAPTER V

Reikningar og endurskoðun

Accounts and Auditing

21. gr.

Art. 21

Á aðalfundi skal kjósa einn löggiltan endurskoðanda og/eða endurskoðunarfirma til að rannsaka reikninga félagsins fyrir hvert starfsár og leggja niðurstöður sínar fyrir aðalfund. Endurskoðanda má ekki kjósa úr hópi stjórnarmanna eða starfsmanna félagsins.

A chartered accountant or inspectors and alternate or accounting firm shall be elected auditor at each Annual General Meeting of the Company for a term of one year. The auditor shall examine the Company's accounts for each year of operation and submit their result for the Annual General Meeting of the Company. Auditors or inspectors may not be elected from employees or board members.

22. gr.

Art. 22

Starfsár og reikningsár er almanaksárið. Stjórnin skal hafa lokið gerð ársreikninga og lagt fyrir endurskoðendur eða skoðunarmenn eigi síðar en einum mánuði fyrir aðalfund.

The operating year and fiscal year of the Company shall be the calendar year. The Board of Directors of the Company shall have prepared the annual accounts and submitted it to the auditors or inspectors no later than one month before the Annual General Meeting.

VIII. kafli

CHAPTER VIII

Önnur ákvæði

Further Provisions

23. gr.

Art. 23

Engin sérréttindi fylgja hlutum í félaginu. Hluthafar þurfa ekki að sæta innlausn hluta sinna nema lög standi til annars.

No special rights attach to any share in the Company. Shareholders are not obliged to be subject to the redemption of their shares unless otherwise required by statutory law.

24. gr.

Art. 24

Samþykktum þessum má breyta á lögmætum aðalfundi eða aukafundi með 2/3 hlutum greiddra atkvæða, svo og með

These Articles of Association may be amended at a lawfully convened shareholders' meeting. A decision to

samþykki hluthafa sem ráða yfir minnst 2/3 hlutum þess hlutafjár sem farið er með atkvæði fyrir á fundinum, enda sé annað atkvæðamagn ekki áskilið í samþykktum eða landslögum.

amend these Articles of Association is only valid if approved with the support of 2/3 of the cast votes, provided that shareholders controlling at least 2/3 of the shares represented in the meeting participate in the polling, on the condition that other voting power is not reserved in these Articles of Association or in statutory law.

25. gr.

Eftirfarandi ákvarðanir skal taka á hluthafafundi og verða því aðeins gildar að þær hljóti samþykki minnst 2/3 hluta greiddra atkvæða á þeim hluthafafundi:

1. Sala, framsal eða önnur ráðstöfun á öllum eða nánast öllum eignum félagsins.
2. Innlausn, sala eða kaup á eigin hlutum félagsins.
3. Verulegar breytingar á eðli rekstrar félagsins.
4. Samruni, skipting og breyting rekstrarforms félagsins.
5. Samþykki greiðslu arðs til hluthafa.
6. Skráning eða afskráning félagsins á markaðstorgi fjármálagerninga.

Til að ákvörðun um slit félagsins sé gild þarf atkvæði hluthafa sem ráða minnst 2/3 hlutum af heildarhlutafé félagsins. Hluthafafundur, sem tekið hefur löglega ákvörðun um slit eða skipti félagsins, skal einnig ákveða ráðstöfun eigna og greiðslu skulda.

Samþykki allra hluthafa þarf til þess:

1. að skylda hluthafa til þess að leggja fram fé til félagsparfa umfram

Art. 25

Decisions relating to the following matters shall be made at shareholders' meetings and will become valid only provided they obtain the approval of a minimum of 2/3 - two-third - of the votes cast at the relevant shareholders' meeting:

1. Sale, assignment or other transfer of the entire or materially all assets of the Company.
2. Any acquisition, disposal or sale of own shares in the Company.
3. Material changes to the Company's operations.
4. Merger, de-merger and conversion of the Company.
5. Approval of distributions of dividend to the shareholders.
6. The listing or delisting of the Company in a multilateral trading facility.

Decision on dissolution of the Company shall be made by shareholders controlling at least 2/3 - two third - of the Company's share capital. Shareholders' meeting, which has made a lawful decision on the division or dissolution of the Company, shall also decide on how the assets of the Company should be disbursed and debts paid.

The consent of all shareholders is required to:

1. Oblige shareholders to contribute funds etc. for Company needs

skuldbindingar sínar.

2. að takmarka heimild manna til meðferðar á hlutum sínum.

beyond their commitments.

2. Limit shareholders' rights to dispose of their shares.

Ákvörðun um breytingu á samþykktum þessum sem raska réttarsambandinu milli hluthafa, er því aðeins gild að þeir hluthafar, sem sæta eiga réttarskerðingu, gjaldi henni jákvæði.

A decision to amend these Articles of Association which deranges the relationship between shareholders will be valid only provided that it is approved by those shareholders who are to be subject to the abridgment of rights.

26. gr.

Þar sem ákvæði samþykktá þessara segja ekki til um hvernig með skuli farið, skal hlíta ákvæðum laga nr. 2/1995 um hlutafélög og öðrum lagaákvæðum þar sem við á.

Art. 26

Where the provisions of the present Articles of Association do not stipulate proceedings the provisions of Act No. 2/1995 on Public Limited Companies shall be abided by.

Viðauki nr. 1 við samþykktir Iceland Seafood International hf., sbr. grein 9:

Annex No. 1 to the Articles of Association of Iceland Seafood International hf. pursuant to Article 9:

Aðalfundur félagsins, haldinn 12. júní 2019 samþykkir að veita stjórn þess heimild, á grundvelli 55. gr. laga um hlutafélög nr. 2/1995 til þess að kaupa fyrir hönd félagsins allt að 10% af hlutafé þess, m.a. til þess að gera upp kaupréttarsamninga við starfsmenn.

The Annual General Meeting of the Company, held on 12 June 2019 authorizes the Board of Directors, based on Article 55 of the Act No. 2/1995 on Public Limited Companies to acquire on behalf of the Company up to 10% of its total issued share capital, inter alia to settle call option agreements with employees.

Heimild þessi gildir til 12. nóvember 2020.

This authorization shall remain in effect until 12 November 2020.

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Samþykkt hinn 11. apríl 2006.

Adopted on 11 April 2006.

Þannig breytt hinn 6. júlí 2006.

Modifications adopted on 6 July 2006.

Þannig breytt hinn 27. maí 2010.

Modifications adopted on 27 May 2010.

Þannig breytt hinn 23. ágúst 2011.

Modifications adopted on 23 August 2011.

Þannig breytt hinn 18. apríl 2012.

Modifications adopted on 18 April 2012.

Þannig breytt hinn 11. maí 2016.

Modifications adopted on 11 May 2016.

Þannig breytt hinn 17. maí 2018.

Modifications adopted on 17 May 2018.

Þannig breytt hinn 11. september 2018.	Modifications adopted on 11 September 2018.
Þannig breytt hinn 16. september 2018.	Modifications adopted on 16 September 2018.
Þannig breytt hinn 9. janúar 2019	Modifications adopted on 9 January 2019.
Þannig breytt hinn 23. janúar 2019.	Modifications adopted on 23 January 2019.
Þannig breytt hinn 30. mars 2019.	Modifications adopted on 30 March 2019.
Þannig breytt hinn 12. júní 2019	Modifications adopted on 12 June 2019.

Fyrir hönd / On behalf of Iceland Seafood International hf.

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13 APPENDIX II: REMUNERATION POLICY

1. Objective

- 1.1. The object of this Remuneration Policy is to make a career with Iceland Seafood International hf. “**Company**”) a desirable option for first class personnel and thereby guaranteeing the Company a position among the best in the world. In order to do so, the Board of Directors of the Company must be able to offer a competitive salary by international standards, as well as other payments such as bonuses and stock options. This Remuneration Policy is structured in line with Guidelines on Management of Companies, 5th edition, issued in May 2015 by the Iceland Chamber of Commerce, Nasdaq Iceland and the Confederation of Icelandic Employers.

2. Remuneration Committee

- 2.1. The Remuneration Committee shall be comprised of two members, elected by the Board of Directors of the Company. The Committee shall work in accordance with rules of procedure of the Remuneration Committee.
- 2.2. The Committee shall be advisory to the Board of Directors and management regarding the terms of employment for the Executive Team, including the Chief Executive Officer, and the Remuneration Policy. The Board shall also supervise that the terms of employment for the Executive Team are within the boundaries of the Remuneration Policy and report to the Board of Directors annually thereof in connection with the Annual General Meeting of the Company.

3. Board Of Directors – Terms of Employment

- 3.1. Board members shall receive a set monthly compensation in accordance with the decision of the Annual General Meeting of the Company, as stipulated in Article 79 of Act no. 2/1995 on Public Limited Liability Companies. The Board of Directors shall propose the amount of the compensation for the upcoming operating year and shall take into account how much time Board members spend on the job, the responsibility accompanying the job, the capability of the individual Board member and the Company’s earnings.
- 3.2. Members of sub-committees of the Board shall receive a set compensation per sub-committee meeting for their membership in sub-committees. The fee shall be decided by the Annual General Meeting of the Company.
- 3.3. Reserve directors shall receive a set fee for each meeting they attend. The fee shall be decided by the Annual General Meeting of the Company.

4. Senior Executives – terms of employment

- 4.1. A written contract shall be made between the Company and the Senior Executives, including the Chief Executive Officer. Their terms of employment shall be competitive by international standards.

- 4.2. The amount of the salary and other payments to the Senior Executives shall be decided on the basis of their education, qualifications, experience and previous occupation. Other terms of employment shall be specified in the contract, along with pension and vacation rights, perquisites and terms of notice. An initial payment at recruitment is permitted.
- 4.3. When deciding on the terms of notice special clauses relating to the extension of the term of notice in proportion with the Senior Executives period of employment are permitted. Furthermore, the contract shall specify the terms of notice.
- 4.4. The Senior Executives salaries shall be reviewed annually. The assessment of the Remuneration Committee, the development of wages in comparable companies and the earnings of the Company shall be taken into consideration at such review.
- 4.5. Changes to the Senior Executives employment contracts and/or new contracts regarding the Senior Executives terms of employment shall always be made in consultation with the Remuneration Committee and shall fulfil the conditions set by the Remuneration Committee.

5. Share based payments

- 5.1. The Remuneration Committee may propose to the Board of Directors that the Executive Team and divisional senior management should be rewarded in addition to their set terms of employment in the form of delivery of shares, stock options and any and all payments having to do with company's shares.
- 5.2. When deciding whether the Executive Team and divisional senior management should be granted rewards in addition to their set terms of employment, the performance of the respective employee shall be taken into consideration, but also the status of the employee, responsibility and influence on the future prospects of the Company.
- 5.3. When granting stock options similar contracts previously granted to the employee shall be taken into consideration, regardless of whether the option was used or not. A stock option shall as a rule only be useable by those who are currently employed by the Company when the option is active.

6. Other employees

- 6.1. When deciding on the terms of employment of other employees those who decide their terms of employment shall take the rules mentioned above into consideration.

7. Information

- 7.1. At the Annual General Meeting of the shareholders the Board of Directors shall disclose the total remuneration to senior executives and board in the previous financial year.

8. Approval of the Remuneration policy and other matters

- 8.1. The Remuneration Policy shall be presented to the shareholders in the Annual General Meeting for their approval. The Remuneration Policy shall be subject to annual review.
- 8.2. The Remuneration Policy has a binding effect for the Board of Directors in regards to stock options of the company and any payment under which directors are remunerated in shares of the company as per paragraph 3 of Article 79. a. of Act no. 2/1995.
- 8.3. In all other aspects it should be used by the Remuneration Committee, the Board of Directors and the Company in an advisory capacity. The Board of Directors shall note in the minutes of the meeting deviations from the Remuneration Policy and justifications for such deviations. The Board of Directors shall inform the Annual General Meeting of such a deviation.

