



Iceland Seafood International hf.

Condensed Consolidated Interim Financial Statements

for the nine months ended 30 September 2019

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

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Company Information

| | |
|--------------------|--|
| Name | Iceland Seafood International hf. |
| TIN | 611088-1329 |
| BOD | Magnús Bjarnason, Chairman Liv Bergþórsdóttir, Board Member Jakob Valgeir Flosason, Board Member Ingunn Agnes Kro, Alternate Board Member |
| CEO | Bjarni Ármannsson |
| Address | Köllunarklettsvegur 2 104 Reykjavík Iceland |
| Web | www.icelandseafood.com |
| Lawyers | Lex ehf. Borgartúni 26 105 Reykjavík Iceland www.lex.is |
| Auditors | Deloitte ehf. Smáratorg 3 201 Kópavogur Iceland www.deloitte.is |
| Reporting currency | Euro (EUR) |

Statement and Endorsement

by the Board of Directors and the CEO

Statement

It is the opinion of the Board of Directors and the CEO of Iceland Seafood International hf. (the Company), that these Condensed Consolidated Interim Financial Statements present the necessary information to evaluate the financial position of the Company at the end of September 2019 and the operating results and financial developments for the nine months then ended.

The Condensed Consolidated Interim Financial Statements are prepared in accordance with the International Accounting Standard IAS 34, *Interim Financial Reporting*, and should be read in conjunction with the Company's Financial Statements for the year ended 31 December 2018.

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to understand the changes in the Company's financial position and performance from year end 2018.

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

The Company

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

The Group operates across three divisions, Value Added Southern Europe, Value Added Northern Europe and Sales & Distribution Division which has offices in Iceland, France, Germany and the USA. The Value Added Divisions have processing factories and coldstores in their respective regions with Southern Europe also having a satellite facility in Argentina.

Operations for the period

The Board of Directors and CEO are very pleased to report a strong performance for the nine-month period ending 30 September 2019. Total sales of EUR 332.2 million were 43% up on the prior year, benefiting from a contribution from subsidiaries that were acquired in 2018, EUR 85.0 million contribution from Icelandic Iberica and EUR 8.1 million from Oceanpath. Underlying, like for like sales growth of 3% was driven by strong sales in Iceland, supported by close cooperation with producers in the region.

Normalised PBT of EUR 7.6 million is 112% ahead of the prior year supported by the acquisitions of Solo Seafood and Oceanpath. Significant item costs of EUR 1.8 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. Also the group incurred costs related to Nasdaq Iceland Main market listing. Normalised Profit for the period of EUR 6.1 million is up 107% on the prior year.

Total assets as at 30 September 2019 of EUR 199.1 million are EUR 5.3 million higher than at end of 2018. Resultant net debt of EUR 75.0 million is EUR 3.5 million lower than at year end 2018.

Equity amounted to EUR 63.5 million as at 30 September 2019 or EUR 4.2 million higher than at end of 2018. The equity ratio was 31.9% at 30 September 2019 or 1.3% higher than at year end 2018.

The Group, for the first time, has applied IFRS 16 Leases. 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 (see note no 3).

Statement and Endorsement

by the Board of Directors and the CEO

Merging of Icelandic Iberica and Iceland Seafood Spain

As announced in February 2019, the work of merging Icelandic Iberica and Iceland Seafood Spain has started and is expected to finish in the second half of the year, with a merged legal entity operating from beginning of 2020.

Iceland's Nasdaq Main Market listing

The Company was listed on Nasdaq main market on the 29 October 2019. In relation to the listing, the Company issued and sold 225 million new shares in a public offering, total number of shares is 2,561 million after the offering. The shares were mainly sold to institutional investors in Iceland, the number of shareholders increased by 112 and was around 440 at end of October. With the public offering the Company equity increased by EUR 15.2 million and the Company's equity ratio increases by 7.6% to 39.5%, based on Balance Sheet at end of September 2019.

Share Purchase Agreement signed to acquire Elba S.L

On the 13 November 2019 the Company signed a Share Purchase agreement (SPA) to acquire Elba Seafood ehf, a special purpose vehicle where its only asset is Elba S.L in Spain. The share purchase agreement is subject to customary conditions such as satisfactory Due Diligence review and board approval. The intention is to have the conditions fulfilled before year end 2019. Further information on the proposed acquisition are in note 12.

Market capitalization

The Company is listed on the OMX Nordic Exchange in Iceland (ticker: ICESEA). The closing price at the end of September 2019 was ISK 9.82 per share (2018 year end: ISK 8.70), giving the Company a market capitalization of EUR 166.7 million (2018: EUR 152.3 million), a 9% increase for the nine months ended 30 September 2019. With the public share offering, the market capitalization increased to EUR 181.8 million at end of October.

Shareholders

The number of shareholders at the end of September 2019 was 326 (2018 year end: 289). The ten largest are (shares are in ISK millions):

| | 30.9.2019 | | 31.12.2018 | |
|--|--------------|-------------|--------------|-------------|
| Sjávarsýn ehf | 248 | 11% | 248 | 11% |
| Nesfiskur ehf | 239 | 10% | 239 | 10% |
| FISK Seafood ehf | 239 | 10% | 239 | 10% |
| Jakob Valgeir ehf | 228 | 10% | 203 | 9% |
| Solo Holding ehf | 209 | 9% | 209 | 9% |
| Frjálsi lífeyrissjóðurinn | 104 | 4% | 89 | 4% |
| Lífsværk lífeyrissjóður | 97 | 4% | 70 | 3% |
| Birta lífeyrissjóður | 87 | 4% | 17 | 1% |
| Kvika banki hf. | 82 | 4% | 80 | 3% |
| Arion Banki hf. | 77 | 3% | 118 | 5% |
| | 1.610 | 69% | 1.512 | 65% |
| Other shareholders (2019: 316 and 2018: 279) | 726 | 31% | 813 | 35% |
| | <u>2.336</u> | <u>100%</u> | <u>2.325</u> | <u>100%</u> |

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

Statement and Endorsement

by the Board of Directors and the CEO

Endorsement

The Board of Directors and the CEO of Iceland Seafood International hf. hereby confirm the Condensed Consolidated Interim Financial Statements of the Company for the nine months ended 30 September 2019 with their signatures.

Reykjavík, 28 November 2019.

Magnús Bjarnason
Chairman of the Board

Liv Bergþórsdóttir
Board Member

Jakob Valgeir Flosason
Board Member

Bjarni Ármannsson
Chief Executive Officer

Condensed Consolidated Statement of Income

for the nine months ended 30 September 2019

| | Note | 9M 2019 | | | 9M 2018 | | |
|---|------|--------------------|--------------------|--------------|--------------------|--------------------|--------------|
| | | Normalised results | Significant items* | IFRS | Normalised results | Significant items* | IFRS |
| Gross profit | | | | | | | |
| Sales of seafood | | 332.191 | | 332.191 | 232.201 | | 232.201 |
| Cost of sales | | (286.758) | | (286.758) | (201.464) | | (201.464) |
| | | 45.433 | | 45.433 | 30.737 | | 30.737 |
| Operating expenses | | | | | | | |
| Operating expenses | | (33.230) | (2.250) | (35.480) | (24.949) | (678) | (25.627) |
| Depreciation and amortisation | | (2.222) | | (2.222) | (843) | | (843) |
| Operating profit | | 9.981 | (2.250) | 7.731 | 4.945 | (678) | 4.267 |
| Net finance costs | | (1.669) | | (1.669) | (1.438) | | (1.438) |
| Net exchange rate difference | | (705) | | (705) | 75 | | 75 |
| Normalised profit before tax | | 7.607 | (2.250) | 5.357 | 3.582 | (678) | 2.904 |
| Income tax expense | | (1.525) | 449 | (1.076) | (644) | 133 | (511) |
| Profit for the period | | 6.082 | (1.801) | 4.281 | 2.938 | (545) | 2.393 |
| Attributable to | | | | | | | |
| Owners of the Company | | 5.417 | (1.799) | 3.618 | 2.513 | (541) | 1.972 |
| Non-controlling interests | | 665 | (2) | 663 | 425 | (4) | 421 |
| | | 6.082 | (1.801) | 4.281 | 2.938 | (545) | 2.393 |
| Earnings per share | | | | | | | |
| | 8 | | | | | | |
| Basic (cents per thousand shares) | | 0,2605 | | 0,1833 | 0,2167 | | 0,1765 |
| Diluted (cents per thousand shares) | | 0,2589 | | 0,1822 | 0,2135 | | 0,1739 |

* See note no 7 for information on significant items.

Condensed Consolidated Statement of Comprehensive Income

for the nine months ended 30 September 2019

| | Note | 9M 2019 | | | 9M 2018 | | |
|--|------|--------------------|--------------------|--------------|--------------------|--------------------|--------------|
| | | Normalised results | Significant items* | IFRS | Normalised results | Significant items* | IFRS |
| Profit for the period | | 6.082 | (1.801) | 4.281 | 2.938 | (545) | 2.393 |
| Items that may be reclassified subsequently to profit or loss | | | | | | | |
| Net fair value of cash flow hedges | | 473 | | 473 | 557 | | 557 |
| Translation difference | | (345) | | (345) | (45) | | (45) |
| Other adjustments | | (201) | | (201) | | | |
| Total comprehensive income | | 6.009 | (1.801) | 4.208 | 3.450 | (545) | 2.905 |
| Attributable to | | | | | | | |
| Owners of the Company | | 5.414 | (1.799) | 3.615 | 3.025 | (541) | 2.484 |
| Non-controlling interests | | 595 | (2) | 593 | 425 | (4) | 421 |
| | | 6.009 | (1.801) | 4.208 | 3.450 | (545) | 2.905 |

* See note no 7 for information on significant items.

Condensed Consolidated Statement of Financial Position

at 30 September 2019

| | Note | 30.9.2019 | 31.12.2018 | 30.9.2018 |
|--|------|----------------|----------------|----------------|
| Assets | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | | 16.378 | 14.435 | 13.615 |
| Leased assets | 3 | 3.470 | | |
| Intangible assets | | 44.604 | 44.689 | 44.680 |
| Investments in associates | 9 | 90 | 89 | 65 |
| Deferred tax assets | | 2.975 | 2.535 | 1.857 |
| Other long term assets | | 53 | 54 | 85 |
| Total non-current assets | | 67.570 | 61.802 | 60.302 |
| Current assets | | | | |
| Inventories | | 61.153 | 62.107 | 65.776 |
| Trade and other receivables | | 57.336 | 62.452 | 63.853 |
| Other assets | | 4.964 | 3.466 | 3.954 |
| Cash and bank balances | | 8.032 | 3.967 | 3.419 |
| Total current assets | | 131.485 | 131.992 | 137.002 |
| Total assets | | 199.055 | 193.794 | 197.304 |
| Equity and liabilities | | | | |
| Capital and reserves | | | | |
| Issued capital and share premium | | 53.627 | 53.156 | 53.156 |
| Translation reserve | | (1.246) | (901) | (804) |
| Other reserves | | 1.011 | 538 | 915 |
| Retained earnings | | 6.651 | 3.659 | 1.616 |
| Equity attributable to owners of the Company | | 60.043 | 56.452 | 54.883 |
| Non-controlling interests | | 3.483 | 2.890 | 2.728 |
| Total equity | | 63.526 | 59.342 | 57.611 |
| Non-current liabilities | | | | |
| Borrowings | | 9.066 | 6.640 | 15.019 |
| Lease liabilities | 3 | 3.955 | | |
| Retirement benefit and other obligations | | 993 | 914 | 888 |
| Deferred tax liabilities | | 865 | 832 | 510 |
| Total non-current liabilities | | 14.879 | 8.386 | 16.417 |
| Current liabilities | | | | |
| Borrowings | | 73.929 | 75.828 | 74.472 |
| Trade and other payables | | 40.613 | 44.872 | 42.625 |
| Other liabilities | | 6.108 | 5.366 | 6.179 |
| Total current liabilities | | 120.650 | 126.066 | 123.276 |
| Total liabilities | | 135.529 | 134.452 | 139.693 |
| Total equity and liabilities | | 199.055 | 193.794 | 197.304 |

Condensed Consolidated Statement of Changes in Equity

for the nine months ended 30 September 2019

| | Restricted equity | | | | | | Unrealised profit of subsidiaries | Accumu- lated deficit | Attributable to owners of the Company | Non - controlling interests | Total equity |
|---|-------------------|------------------|------------------------|--------------------|----------------------|-------------------|--------------------------------------|-----------------------------|---|-----------------------------------|-----------------|
| | Share capital | Share premium | Translation reserve | Hedging reserve | Statutory reserve | Equity reserve | | | | | |
| Balances at 1 January 2018 | 14.369 | 3.987 | (759) | (93) | 430 | 13 | 2.308 | (2.664) | 17.591 | 129 | 17.720 |
| Profit (loss) | | | | | | | 3.265 | (1.293) | 1.972 | 421 | 2.393 |
| Net fair value gain on cash flow hedges | | | | 557 | | | | | 557 | | 557 |
| Translation of shares held in foreign currencies .. | | | (45) | | | | | | (45) | | (45) |
| Total comprehensive income | | | (45) | 557 | | | 3.265 | (1.293) | 2.484 | 421 | 2.905 |
| Non-controlling interest arising from acquisitions of a subsidiary | | | | | | | | | | 2.178 | 2.178 |
| Recognition of share-based payments | | | | | | 8 | | | 8 | | 8 |
| Issue of share capital | 8.020 | 26.780 | | | | | | | 34.800 | | 34.800 |
| Balances at 30 September 2018 | 22.389 | 30.767 | (804) | 464 | 430 | 21 | 5.573 | (3.957) | 54.883 | 2.728 | 57.611 |
| Profit (loss) | | | | | | | 5.312 | (3.265) | 2.047 | 154 | 2.201 |
| Net fair value (loss) on cash flow hedges | | | | (380) | | | | | (380) | | (380) |
| Translation of shares held in foreign currencies .. | | | (97) | | | | | | (97) | (1) | (98) |
| Other adjustments | | | | | | 3 | | (4) | (1) | 9 | 8 |
| Total comprehensive income | | | (97) | (380) | | 3 | 5.312 | (3.269) | 1.569 | 162 | 1.731 |
| Issue of share capital | | | | | | | | | | | |
| Dividend declared from subsidiaries to parent | | | | | | | (5.222) | 5.222 | | | |
| Balances at 31 December 2018 | 22.389 | 30.767 | (901) | 84 | 430 | 24 | 5.663 | (2.004) | 56.452 | 2.890 | 59.342 |
| Effect of implementation of IFRS 16 | | | | | | | | (495) | (495) | | (495) |
| Adjusted balance at 1 January 2019 | 22.389 | 30.767 | (901) | 84 | 430 | 24 | 5.663 | (2.499) | 55.957 | 2.890 | 58.847 |
| Profit (loss) | | | | | | | 6.451 | (2.833) | 3.618 | 663 | 4.281 |
| Net fair value gain on cash flow hedges | | | | 473 | | | | | 473 | | 473 |
| Translation of shares held in foreign currencies .. | | | (345) | | | | | | (345) | | (345) |
| Other adjustments | | | | | | | | (131) | (131) | (70) | (201) |
| Total comprehensive income | | | (345) | 473 | | | 6.451 | (2.964) | 3.615 | 593 | 4.208 |
| Issue of share capital | 88 | 383 | | | | | | | 471 | | 471 |
| Balances at 30 September 2019 | 22.477 | 31.150 | (1.246) | 557 | 430 | 24 | 12.114 | (5.463) | 60.043 | 3.483 | 63.526 |

Condensed Consolidated Statement of Cash Flows

for the nine months ended 30 September 2019

| | Note | 9M 2019 | 9M 2018 |
|--|------|----------------|-----------------|
| Operating activities | | | |
| Operating profit | | 7.731 | 4.267 |
| Depreciation and amortisation | | 2.222 | 843 |
| (Gain) loss on disposal of property, plant and equipment | | (102) | 2 |
| Change in obligations and other calculated liabilities | | (1.229) | 221 |
| | | <u>8.622</u> | <u>5.333</u> |
| Working capital generated from operations | | | |
| Decrease / (increase) in inventories | | 954 | (2.425) |
| Decrease / (increase) in receivables and other assets | | 3.618 | (7.010) |
| (Decrease) / increase in payables and other liabilities | | (2.146) | 988 |
| | | <u>11.048</u> | <u>(3.114)</u> |
| Cash generated from / (used in) operations before interests and taxes | | | |
| Interest received | | 94 | 104 |
| Interest paid | | (1.934) | (1.542) |
| Income taxes paid | | (1.286) | (552) |
| | | <u>7.922</u> | <u>(5.104)</u> |
| Net cash generated by / (used in) operating activities | | | |
| Investing activities | | | |
| Payments for property, plant and equipment | | (3.881) | (747) |
| Payments for intangible assets | | (99) | |
| Proceeds from disposal of property, plant and equipment | | 414 | 81 |
| Net cash outflow on acquisition of subsidiary | | (2.680) | (7.861) |
| | | <u>(6.246)</u> | <u>(8.527)</u> |
| Net cash used in investing activities | | | |
| Net cash before financing activities | | | |
| | | <u>1.676</u> | <u>(13.631)</u> |
| Financing activities | | | |
| Net proceeds from revolving credit facility | | 511 | 10.356 |
| Net proceeds from borrowings on new term loan | 11 | 6.557 | 5.000 |
| Net proceeds from/(repayment of) other borrowings | | (4.445) | (604) |
| Proceeds from issue of share capital, net of issue costs | | 471 | |
| | | <u>3.094</u> | <u>14.752</u> |
| Net cash generated by financing activities | | | |
| Net increase in cash and bank balances | | 4.770 | 1.121 |
| Cash and bank balances at the beginning of period | | 3.967 | 2.223 |
| Effect of exchange rate changes on cash held in foreign currencies | | (705) | 75 |
| | | <u>8.032</u> | <u>3.419</u> |
| Non-cash investing and financing activities | | | |
| Acquisition of subsidiary | | | (34.800) |
| Proceeds from issue of share capital | | | 34.800 |

Notes to the Condensed Consolidated Financial Statements

for the nine months ended 30 September 2019

1. General information

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

The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 2019, comprise the Company and its subsidiaries (together referred to as "the Group").

The Company is a holding company for a Group of subsidiaries that are leading suppliers of North Atlantic seafood and one of the largest exporters of seafood from Iceland. The group is headquartered in Iceland and has subsidiaries in the United Kingdom, Ireland, Spain, Argentina, Iceland, France, Germany and the United States.

The Company is listed on the OMX Nordic Exchange in Iceland (ticker: ICESEA).

The Condensed Consolidated Interim Financial Statements of the Company as at and for the nine months ended 30 September 2019 its neither audited nor reviewed by the Company's external auditors.

2. Statement of compliance

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

The Condensed Consolidated Interim Financial Statements do not include all of the information required for a complete set of consolidated annual financial statements and should be read in conjunction with the Consolidated Financial Statements of the Company for the year ended 31 December 2018.

Comparative figures in the Condensed Consolidated Interim Financial Statements have been restated. The Group had a discontinued operation related to its subsidiary Iceland Seafood Hellas S.A. in Greece which is in liquidation process. The effects from the change are as follows:

- In the Condensed Consolidated Statement of Income the loss from operation amounting to EUR 9 thousand has been restated from Discontinued operation to Operating expenses.
- In the Condensed Consolidated Statement of Financial Position EUR 46 thousand is restated from Assets classified as held for sale to Other assets.

The same accounting policies (except mentioned here above), presentation and methods of computation are followed in these Condensed Consolidated Interim Financial Statements as were applied in the latest Financial Statements for the year ended 31 December 2018, except for IFRS 16 Leases, effective 1 January 2019, see note 3.

Notes to the Condensed Consolidated Financial Statements

for the nine months ended 30 September 2019

3. Significant accounting policies

3.1 Adoption of new and revised Standards

In the current year, the Group, for the first time, has applied IFRS 16 Leases. IFRS 16 introduces new or amended requirements with respect to lease accounting. It 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 impact of the adoption of IFRS 16 on the Group's Consolidated Financial Statements is described below.

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 0.6 million, increase in finance cost by EUR 0.2 million and decrease in cost of sales by EUR 0.1 million and decrease in operating expenses by EUR 0.6 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 0.6 million and net cash used in financing activities increased by the same amount.

4. Use of estimates and judgements

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

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the year ended 31 December 2018.

Notes to the Condensed Consolidated Financial Statements

for the nine months ended 30 September 2019

5. Quarterly statements

| | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 | Q3 2018 |
|--------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue: | | | | | |
| Sales of seafood | 106.968 | 119.055 | 135.144 | 127.819 | 90.319 |
| Intercompany | (6.886) | (8.029) | (14.061) | (14.042) | (9.405) |
| | <u>100.082</u> | <u>111.026</u> | <u>121.083</u> | <u>113.777</u> | <u>80.914</u> |
| Operating results: | | | | | |
| Operating profit | 3.146 | 2.502 | 4.333 | 4.207 | 1.901 |
| Net finance costs | (1.030) | (540) | (804) | (574) | (489) |
| Normalised PBT | 2.116 | 1.962 | 3.529 | 3.633 | 1.412 |
| Income tax | (147) | (414) | (515) | (719) | (206) |
| Normalised Profit | 1.969 | 1.548 | 3.014 | 2.914 | 1.206 |
| Significant items | (607) | (626) | (1.017) | (630) | (157) |
| Profit | <u>1.362</u> | <u>922</u> | <u>1.997</u> | <u>2.284</u> | <u>1.049</u> |
| Assets | <u>199.055</u> | <u>203.520</u> | <u>213.792</u> | <u>193.794</u> | <u>197.304</u> |
| Liabilities | <u>135.529</u> | <u>141.117</u> | <u>152.116</u> | <u>134.452</u> | <u>139.693</u> |

6. Segment reporting

| For 9M 2019 | Value added S-Europe | Value added N-Europe | Sales and distribution | Other and Eliminations | Consolidated |
|---------------------------------------|-------------------------|-------------------------|---------------------------|---------------------------|----------------|
| Revenue: | | | | | |
| Sales of seafood | 147.694 | 69.931 | 156.569 | | 374.194 |
| Intercompany | (12.946) | (80) | (10.066) | (18.911) | (42.003) |
| | <u>134.748</u> | <u>69.851</u> | <u>146.503</u> | <u>(18.911)</u> | <u>332.191</u> |
| Operating results: | | | | | |
| Operating profit (loss) | 5.784 | 3.085 | 1.540 | (428) | 9.981 |
| Net finance costs | (802) | (493) | (216) | (863) | (2.374) |
| Normalised PBT | 4.982 | 2.592 | 1.324 | (1.291) | 7.607 |
| Income tax | (936) | (278) | (293) | (18) | (1.525) |
| Normalised profit (loss) | 4.046 | 2.314 | 1.031 | (1.309) | 6.082 |
| Significant items | (805) | (125) | (109) | (762) | (1.801) |
| Profit (loss) | <u>3.241</u> | <u>2.189</u> | <u>922</u> | <u>(2.071)</u> | <u>4.281</u> |
| Assets | <u>83.727</u> | <u>44.157</u> | <u>30.299</u> | <u>40.872</u> | <u>199.055</u> |
| Liabilities | <u>57.538</u> | <u>28.577</u> | <u>22.733</u> | <u>26.681</u> | <u>135.529</u> |

Notes to the Condensed Consolidated Financial Statements

for the nine months ended 30 September 2019

For 9M 2018

| | Value added | Sales and distribution | Other | Eliminations | Consolidated |
|---------------------------------------|----------------|------------------------|----------------|-----------------|----------------|
| Revenue: | | | | | |
| Sales of seafood | 122.324 | 146.992 | | | 269.316 |
| Intercompany | (1.104) | (10.948) | | (25.063) | (37.115) |
| | <u>121.220</u> | <u>136.044</u> | | <u>(25.063)</u> | <u>232.201</u> |
| Operating results: | | | | | |
| Operating profit (loss) | 5.097 | 936 | (1.088) | | 4.945 |
| Net finance costs | (736) | (182) | (445) | | (1.363) |
| Normalised PBT | 4.361 | 754 | (1.533) | | 3.582 |
| Income tax | (756) | (188) | 300 | | (644) |
| Normalised profit (loss) | 3.605 | 566 | (1.233) | | 2.938 |
| Significant items | 3 | | (548) | | (545) |
| Profit (loss) | 3.608 | 566 | (1.781) | | 2.393 |
| Assets | <u>126.080</u> | <u>33.463</u> | <u>119.391</u> | <u>(81.630)</u> | <u>197.304</u> |
| Liabilities | <u>87.513</u> | <u>24.349</u> | <u>55.138</u> | <u>(27.307)</u> | <u>139.693</u> |

7. Significant items

During the nine months ended 30 September 2019 the Group incurred costs associated with parent company management changes and restructuring costs in Spain, related to merging of Icelandic Iberica and Iceland Seafood Spain. Also the Group incurred costs related to Nasdaq Iceland Main market listing (see note 12). The total amount of these costs in the period amounted to EUR 1.8m after tax.

During the nine months ended 30 September 2018 the Group incurred costs associated with acquisitions and restructuring costs within some of the subsidiaries. Total amount of these costs was EUR 0.5m after tax.

8. Earnings per share

| | 9M 2019 | 9M 2018 |
|---|------------------|------------------|
| Profit | 4.281 | 2.393 |
| Weighted average number of ordinary shares (ISK '000) for basic EPS | 2.335.039 | 1.355.906 |
| Shares to be issued for no consideration in respect of employee options | 14.141 | 20.494 |
| Weighted average number of ordinary shares (ISK '000) for diluted EPS | <u>2.349.180</u> | <u>1.376.400</u> |
| <i>Basic earnings per share (EUR cents per thousand shares):</i> | | |
| Basic earnings per share | 0,1833 | 0,1765 |
| <i>Diluted earnings per share (EUR cents per thousand shares):</i> | | |
| Diluted earnings per share | 0,1822 | 0,1739 |

Notes to the Condensed Consolidated Financial Statements

for the nine months ended 30 September 2019

9. Subsidiaries and other investments

At period-end, 30 September 2019, the Company directly owned ten subsidiaries that are all included in the consolidation. The direct subsidiaries in addition owned a further eight subsidiaries. The Company holds the majority of voting power in all of its subsidiaries.

| Name of company | Country of incorporation | Ownership 30.9.2019 | Ownership 31.12.2018 | Principal activity |
|--|--------------------------|------------------------|-------------------------|--------------------|
| <i>Subsidiaries:</i> | | | | |
| Iceland Seafood ehf. | Iceland | 100% | 100% | Sale of seafood |
| Solo Export ehf. | Iceland | 100% | 100% | Not active |
| Iceland Seafood S.L. | Spain | 100% | 100% | Sale of seafood |
| - Union Islandia Pleamar S.L. | Spain | 55% | 55% | Not active |
| Icelandic Iberica | Spain | 100% | 100% | Sale of seafood |
| - Ecomsa | Spain | 100% | 100% | Sale of seafood |
| - IPDLM | Spain | 100% | 100% | Not active |
| - Achernar | Argentina | 100% | 100% | Sale of seafood |
| Iceland Seafood Barraclough Ltd. | UK | 100% | 95% | Sale of seafood |
| - F. Barraclough Ltd. | UK | 100% | 100% | Not active |
| - Havelok Ltd. | UK | 67% | 67% | Sale of seafood |
| Oceanpath Limited | Ireland | 67% | 67% | Sale of seafood |
| - Dunns (Fish & Poultry) Ltd. | Ireland | 100% | 100% | Holding |
| - Dunns Seafare Ltd. | Ireland | 100% | 100% | Sale of seafood |
| Iceland Seafood France S.A.S. | France | 100% | 100% | Sale of seafood |
| ISG Iceland Seafood GmbH | Germany | 100% | 100% | Sale of seafood |
| ISI Seafood Inc. | USA | 100% | 100% | Sale of seafood |
| Iceland Seafood Hellas S.A. | Greece | 66% | 66% | Liquidation |
| <i>Investments in other companies:</i> | | | | |
| Credible Properties Ltd. | Ireland | 50% | 50% | Properties |
| Febin Marine Foods Private Ltd | India | 5% | 5% | Seafood supply |

10. Share capital

| | Issued shares (ISK '000) | Outstanding shares (ISK '000) | Book value (EUR '000) |
|-----------------------|-----------------------------|----------------------------------|--------------------------|
| Ordinary shares | 2.336.345 | 2.336.345 | 22.477 |

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

Notes to the Condensed Consolidated Financial Statements

for the nine months ended 30 September 2019

11. Financing

The Group's main source of financing is a multi currency revolving credit facility with an Icelandic financial institution, with a cap of EUR 65.0 million with EUR 39.2 million draw down at end of September 2019 (end of year 2018: EUR 41.6 million). The facility was renewed in November 2018 and extended to May 2022.

At end of September 2019 the Group has credit facilities in place with number of banks in Spain. Total amount of these loans was EUR 34.4 million (end of year 2018: EUR 28.1 million). Most of these loan agreements are short term facilities with 6-12 months duration.

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

12. Subsequent events

The Company was listed on Nasdaq main market on the 29 October 2019. In relation to the listing, the Company issued and sold 225 million new shares in a public offering, total number of shares is 2,561 million after the offering. The shares were mainly sold to institutional investors in Iceland, the number of shareholders increased by 112 and was around 440 at end of October. With the public offering the Company equity increased by EUR 15.2 million and the Company's equity ratio increases by 7.6% to 39.5%, based on Balance Sheet at end of September 2019.

On the 13 November 2019 the Company signed a Share Purchase agreement (SPA) to acquire Elba Seafood ehf, a special purpose vehicle where its only asset is Elba S.L in Spain. The share purchase agreement is subject to customary conditions such as satisfactory Due Diligence review and board approval. The intention is to have the conditions fulfilled before year end 2019. According to the SPA, the acquisition price for 100% stake in Elba Seafood ehf is EUR 4.4 million on a debt free, cash free basis, where 50% of the payment will be settled with cash and the other 50% with new shares in Iceland Seafood International hf. Subject to fulfilment of all conditions and the head of terms, current shareholders of Elba Seafood ehf will hold approximately 1.2% stake in Iceland Seafood International post the transaction, which is intended to settle in Q1 2020.

13. Approval of financial statements

The Condensed Consolidated Interim Financial Statements have been approved for issue by the Board of Directors and the CEO on 28 November 2019.