

Iceland Seafood International hf: Positive results in 1H 2021 driven by good performance of Ireland and strong recovery of S-Europe division. UK results still behind plan.

- Sales for 1H 2021: €208.3m, up 15% from 1H 2020
- Net margin for 1H 2021: €18.7m, up €2.8m from 1H 2020
- Normalised profit before tax in 1H 2021: €4.8m, up €2.2m from 1H 2020
- Net profit for 1H 2021: €3.4m compared to €1.3m in 1H 2020
- Basic earnings per share (EPS) for 1H 2021 were €0.1287 cents per thousand shares compared to €0.0509 cents per thousand shares for 1H 2020
- Strong sales growth in S-Europe from March, following easing of Covid19 restrictions
- UK merger process and integration has proven to be more complex and costly than anticipated, impacted by Brexit and Covid19, the long-term prospects remain positive
- Total assets of €249.1m at end of June, reduced by €12.3m from end of March. Equity ratio of 31.7% at end of June
- Operation in the USA simplified, and risk reduced following an agreement with Villa Seafood
- Normalised PBT Outlook range narrowed to €12.0-16.0m for 2021, assuming Covid19 restrictions in key markets will not be tightened in 2H 2021

Group results for 1H 2021, showing good recovery from same time last year. After slow start in the first two months of the year, sales have picked up strongly from March onwards driven by good demand in key markets. Group sales in 1H 2021 of €208.3m were 15% higher than same time last year. Normalised PBT in the period of €4.8m were €2.2m higher than 1H 2020, driven by strong results of VA S-Europe division. Total assets of €249.1m at end of June were €7.7m higher than year-end 2020 but reduced by €12.3m from end of March.

Sales growth in S-Europe was driven by strong demand in Spain and Italy from March onwards, after easing of Covid19 restrictions. Total divisional sales during 1H 2021 of €77.8m were 24.1% up on same period last year. Demand in HORECA sector is recovering but activity is still significantly below pre Covid19 levels. At the same time retail sales are increasing, with new retail agreement kicking in during Q2. Sales team in retail were strengthened with recruitment of experienced sales manager in the period. The proposed acquisition of Ahumados Dominguez will strengthen and broaden Iceland Seafood's retail position in Spain and opens new opportunities selling high quality salted cod products in Spanish retail.

The Irish operation continued to perform well, showing significant sales growth from previous year. The Irish entities were well prepared for Brexit and in better position to service local retail customers than suppliers outside Ireland. Lockdown measures helped sales in the period as restrictions on restaurant dining increased demand in retail. We continue to expand our product offering with the addition of breaded products produced by IS UK, and sales of Argentinean shrimp from Achnear continues to grow.

The merger and integration of the UK operation continued to be challenging during Q2, the process has been more complex and costly than anticipated, not helped by external factors such as Brexit, Covid and disruptions in transportation and logistics especially from Asia.

Foodservice sales have improved following easing of restrictions in May and June, but activity is still well below pre-Covid levels. Actions were taken in Q2 to improve efficiency in the new factory and progress made on new sales agreements with both existing and new customers. With Iceland Seafood's strong customer base and the new state of the art Grimsby factory the outlook and potential for the UK business remains strong, whilst this year results will be severely impacted by the situation.

The performance of the Sales & Distribution division was good in the period. Similarly, to S-Europe, sales increased from March onwards after slow start of the year. Sales of all product categories out of Iceland have been good, fresh markets on Continental Europe and the frozen at sea market in UK remained strong. The supply chain disruptions to and from Asia have positively impacted sales of Icelandic products in the period.

With signing of an agreement with Villa Seafood Ltd in Boston, the operation in the USA will be simplified. The sales office of Iceland Seafood will stop operating from October 1st and Villa Seafood will take over sales and distribution of Icelandic landfrozen products under the Iceland Gold brand in North America. Iceland Seafood will continue to sell fresh and sea-frozen products from Iceland directly to customers in the USA. This decision is in line with the Group's strategy of focusing mainly on value added activities in Europe, it simplifies Iceland Seafood's operation in the USA and reduce risk. At the same time this will not have significant impact on neither sales nor profit generation of the Group.

The level of uncertainty for 2H of the year remains high, both due to Covid19 development and other external factors such as quota decrease and price development. Disruptions in supply chains continues to impact transportation and logistics costs. The integration in UK has been more complex and costly than anticipated, it took us longer time to reach necessary efficiency and utilisation levels in the factory. At the same time demand in key markets is good and vaccination has progressed well. Over 70% of population fully vaccinated in Spain, which is important for the important HORECA sector. Assuming Covid19 restrictions in key markets will not be tightened, the outlook range for 2021 Normalised PBT is narrowed to €12.0 – 16.0m, i.e. higher end of the range is reduced by €1m from previous outlook.

Bjarni Ármannsson, Group CEO:

"Q2 is generally a relatively quiet quarter for Iceland Seafood, but same trends were at work during the quarter as in Q1. We continue to benefit from strong fundamentals in S-Europe and Ireland, the Sales & Distribution division also showed increased activity and reduced cost which generated good profits. Our UK operations had negative results, the reason being a combination of ramping up a renovated factory, dealing with challenging logistics from South-East Asia and merging two factories in a period of Covid19 issues and Brexit. These factors shape the financial outcome in Q2. Overall, in the first half we are where we had planned to be when we announced the profit outlook for 2021 in late February.

Realising now that our assumption going forward, i.e. that things would have "normalized" by mid-year is not what is happening, we are narrowing down the outlook range to €12-16m in normalized profit before tax for the full year from €12-17m previously communicated.

Having said that, in general we are reaching our strategic goals of:

- Better balance between retail and foodservice
- A stronger foundation in Salmon products
- Better cross selling of products between operating entities within the Group

With increased activities in Ireland, the importance of retail is growing. Same applies to our activities in UK. We have strengthened our organization in Spain to better address the retail

market, with the addition of Ahumados Dominiguez, this position will further be strengthened. As we said when reporting on Q1, we are ready to take part in the ongoing consolidation of the seafood sector in Spain. The pace of consolidation in the industry is increasing – to a large degree driven by increased interest of private equity capital. Iceland Seafood sees interesting opportunities in this trend and is well positioned to be pro-active when comes to improving the efficiency of the Spanish seafood industry.

With the LOI signed with the founding family of Ahumados Dominiguez we have entered a process to acquire 80% of the share capital in the company. The company owns a premium consumer brand which has a strong foothold in the Spanish retail, primarily within the product category of smoked salmon. We plan to conclude the acquisition before end of Q3. We believe that going forward, the Spanish companies can together gain a stronger market presence overall, both in whitefish as well as in salmon. The acquisition will in particular strengthen the Group as a quality smoked salmon producer.

Finally, with vaccinations progressing well in our key markets in Europe, we will see further lifting of restrictions in our markets in coming months. However, this is going to be a gradual process and hopefully not with too many setbacks.

We are also reaping the benefits of increased cross-selling within the Group. Something we want to nurture going forward. We highlight this in our investor presentation with the Q2 figures.

With structural changes in our operations in the USA, we are further focusing our management efforts on Europe. We see clearly that Brexit will bring us opportunities long term. There is a need for automated efficient processing facilities, close to the consumer base in UK, the same applies to Europe in general. The reliance on China as a production hub for the world is fading. The ongoing megatrend is bringing processing closer to the consumer that is a trend we will benefit from.

Finally let me express my gratitude to our employees and management for hard work and relentless strive to improve our activities. We have managed to stay course in turbulent waters. We now have to be smart about taking advantage of volatility in our environment and our strong position in our markets”.

Electronic investor meeting

Today at 4.15pm GMT, Iceland Seafood will host an electronic meeting for investors and market participants, where management will present and discuss the 1H 2021 results.

The meeting will be webcasted live in Icelandic on <https://vimeo.com/event/1225836/embed/0c99e2f33d> and recording will be available after the meeting on www.icelandseafood.com/investors

Participants to the meeting can send questions in writing prior and during the meeting to the email investors@icelandseafood.com.

Disclaimer

This announcement is furnished and intended for European market participants and should be viewed in that light.

Any potential forward looking statements contained in this announcement reflect the management's current views on future events and performance, whilst those views are based on positions that management believes are reasonable, there is no assurances that the stated events and views will be realized. Forward looking views naturally involve

uncertainties and risks and consequently actual results may differ from the statements or views expressed.

For more information:

Iceland Seafood International hf.

<http://www.icelandseafood.com/Investors>

Bjarni Ármannsson, bjarni.armannsson@icelandseafood.com