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# 1H 2019 Results

Presentation to  
Investors and  
Analysts

# Forward Looking Statements

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## Disclaimer

This presentation is furnished and intended for European market participants and should be viewed in that manner.

Any potential forward looking statements contained in this presentation are reflective of managements current views on future events and performance, whilst the views are based on positions that management believes are reasonable there is no assurances that these events and views will be achieved. Forward looking views naturally involve uncertainties and risk and consequently actual results may differ to the statements or views expressed.



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# We are Iceland Seafood

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# Global value added seafood producer and global sales and marketing company



**1932**

Our beginning

Long lasting  
relationship

**620**

Employees

Market and client  
expertise

**12**

Businesses in 8  
countries

Global distribution

**7**

Value added factories

Innovation  
and client focus

**+€440m**

Annual revenues

Listed on Nasdaq  
First North

Serving over

**3000 customers**

across

**45 countries**

# Key projects to drive growth and efficiency



## Facility extension and automation of production within Oceanpath

- Fresh fish production facility extended by 1,258m<sup>2</sup>, construction finalized in May
- Salmon filleting line up and running from mid-July
- Total investment of €2.9m, will support further growth and increase efficiency

## Ongoing merger of Icelandic Iberica and IS Spain

- The decision of merging Icelandic Iberica and IS Spain announced in February. Magnus Jonsson appointed as MD for the merged entity and new management team formed
- Significant opportunities of economies of scale and scope, integration and optimization of functions and processes
- Encourages better services to both customers and suppliers

## Closer cooperation with producers a key growth driver

- The benefits of integrated value chain, with key producers in Iceland joining the shareholders group, have started to come through
- Continuing focus on utilizing our platform of 3000 customers worldwide in cooperation with producers in Iceland
- At the same time, continue to grow our substantial global sourcing network

# Key projects to drive growth and efficiency

## Investment to enhance growth and profitability of Achernar

- In 1H 2019, the board approved an investment project for Achernar
- The new building will consist of a coldstore and a new production area
- Investment will increase production capacity by ca. 50%, secure storage space, make logistic more efficient and improve quality controls,
- Total investment in the range from €1.3-1.6m

## Main Market listing, logical step for Iceland Seafood

- More efficient pricing of shares and increased awareness
- Facilitates further growth, both organic and acquired
- Increased information sharing and discipline towards investors
- Dividend policy – Pay 20-40% of PAT annually as dividend. Targeted equity ratio of 35%, which shall be reached within the next three years



# Merger in Spain - Creation of South European powerhouse



Will create a strong value added player with great product and brand recognition in the market

- S-European market vitally important for cod products from Iceland

## Ongoing integration process

- Operation in Barcelona in single location as of October this year
- Part of Icelandic production in Malaga being moved to Barcelona as of June 2019
- Merged legal entity operating from January 1<sup>st</sup> 2020

Significant synergy opportunities, in revenue as well as for cost

- Estimated annual synergies of €3.0-3.5m, expected to materialize in full before year end 2021
- To enjoy long term benefits, one off cost will be incurred in the coming periods

# New shares to be offered in relation to main market listing

## Main market listing in early Q4 2019

- As previously announced, the Company is working towards a listing on Nasdaq Iceland
- Preparations are ongoing and the listing, along with a public offering of new shares, is expected in early Q4 2019

## Public offering of new shares

- As approved at the Company's Annual General meeting in June this year, 225,000,000 new shares will be issued and sold by Iceland Seafood in a public offering managed by Kvika banki hf. <sup>1)</sup>
- Subscriptions will be offered in two order books, which differ in terms of size of subscription, pricing and rules of allocation
- The purpose of the offering is to further strengthen the Issuer's financial position, facilitate increased liquidity of the shares, create a more diverse shareholder base and support continuing growth

1) Equivalent to 9.63% of Iceland Seafood's share capital pre dilution and 8.78% post dilution





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# Financial performance

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Of Divisions  
At Group level  
Balance sheet

# Profitability driven by value added activities

## Value Added Divisions

- Following acquisitions last year, two value added activities are reported in two divisions
- The decision to merge Icelandic Iberica and Iceland Seafood Spain will form a strong organization in the important Southern Europe market
- The two Value Added divisions generate over 90% of total divisional PBT

## Sales & Distribution

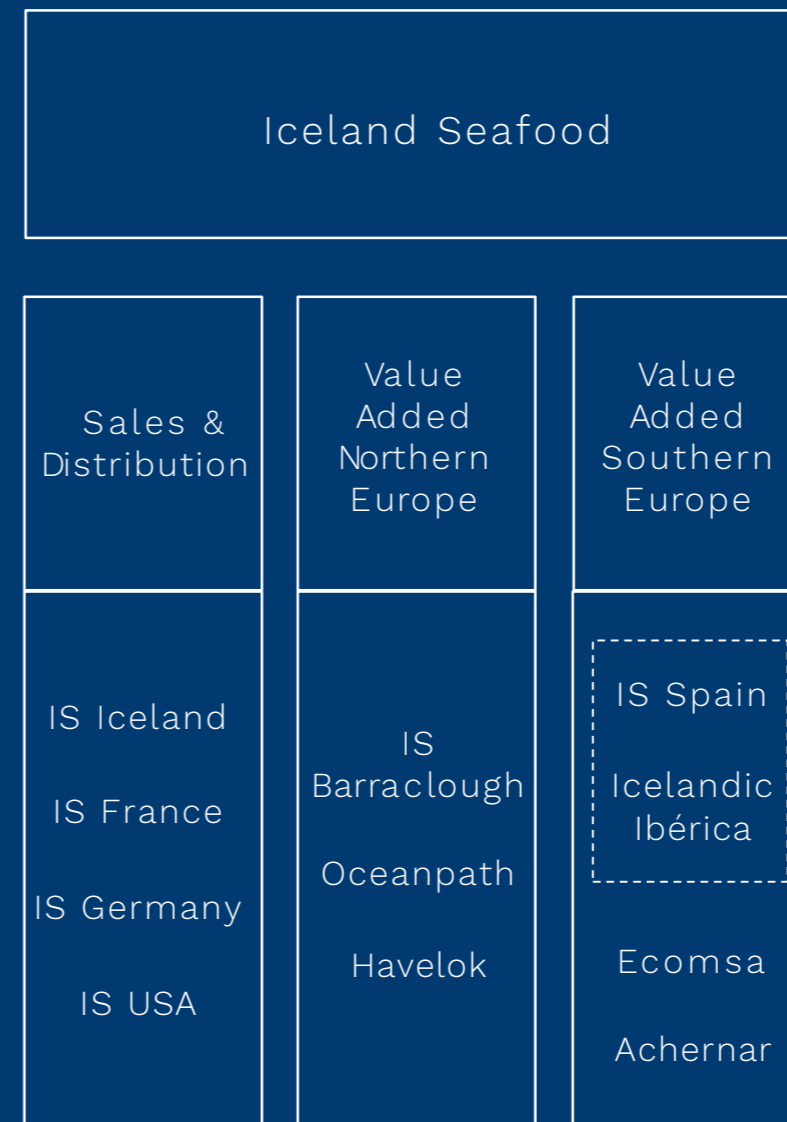
- Approximately 60% of the Group sales are generated by products sourced from Iceland, the backbone of the Group

- Good cooperation and service to producers in Iceland is vitally important for the Group's success

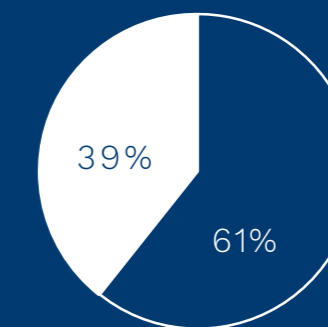
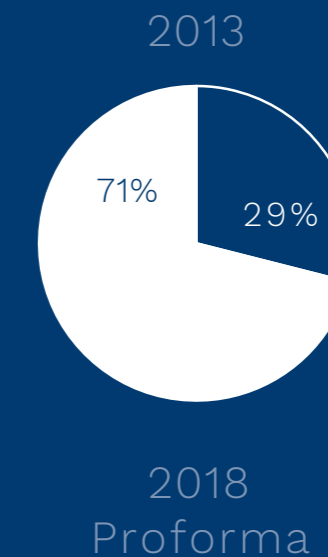
## Strong combination

- Strong ties to the source is key to our position in selling food protein to the market
- Understanding of the market demand and behavior is vital to maximise sourcing power
- Having strong sourcing and processing capabilities and being close to the market is a key attribute towards profitability

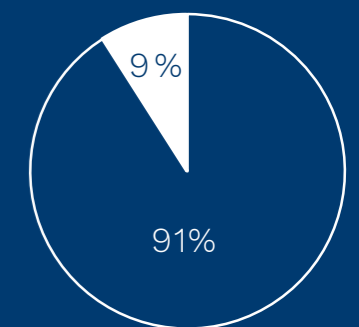
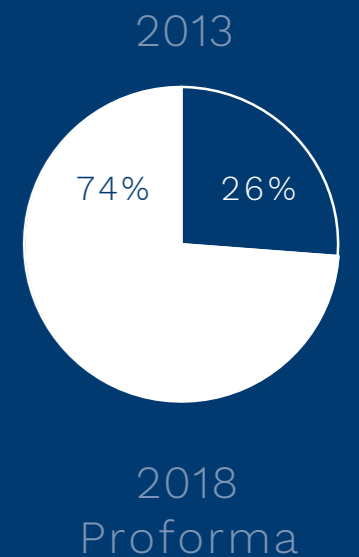
## Corporate Structure



## Turnover



## Profit Before Tax



● Sales & Distribution      ○ Value Added

# Good results enhanced by strong sales growth

- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

€ m's	1H 2019	1H 2018	1H 2018P
Sales	96.8	33.9	90.5
Net margin	10.8	3.3	10.5
Normalised EBITDA	4.9	1.0	3.9
Normalised PBT*	3.8	0.8	2.8

\* Normalised PBT represents Profits before tax before allowing for significant items and discontinued operations



Division incorporates three manufacturing sites in Barcelona, Malaga and Argentina

Servicing the foodservice and retail markets in Southern Europe

Sales increased by 7% from prior year Proforma

- Strong demand for light salted products in S-Europe
- Squid sales from Argentina, a new project delivering sales of €2.1m in 1H 2019

Normalised PBT €3m up from prior year, up €1m on proforma 2018

- Sales increase a key driver
- Cost reduction related to the merger in Spain starting to pay off
- Outlook for weaker 2H of the year, impacted by lower profits of Achernar and reduced volume of wet salted products.

Key projects for 2H 2019

- Merged legal entity operating from year beginning 2020
- Investment in coldstore and production facility at Achernar, total investment of €1.3-1.6m.

# Challenging start of the year, encouraging outlook for 2H 2019

- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

€ m 's	1H 2019	1H 2018	1H 2018P
Sales	48.3	44.1	50.1
Net margin	5.4	4.8	6.2
Normalised EBITDA	2.6	2.7	3.4
Normalised PBT*	1.6	1.9	2.5

\* Normalised PBT represents Profits before tax before allowing for significant items and discontinued operations.



Division incorporates manufacturing sites in Grimsby, Bradford and two in Dublin

Servicing the retail and foodservice markets in the UK and Ireland

Sales 4% down on prior year proforma, Normalised PBT down €0.9m

- Sales in Ireland in line with previous year, but at lower margins

External challenges impacting profits in the period

- Fluctuations and higher stockholding due to the ongoing uncertainty around Brexit
- High raw material prices
- UK retail trending towards packed at source

Outlook for improved 2H 2019

- Salmon prices stabilizing and currently at lower levels than same time last year. Benefits from new investment in Ireland
- New listings with key retailers and cost reduction actions in UK starting to pay off

# Strong profit growth driven by close cooperation with producers

- > VA S-Europe
- > VA N-Europe
- > Sales & Distribution

€ m 's	1H 2019	1H 2018	1H 2018P
Sales	102.3	92.3	92.3
Net margin	4.2	3.6	3.6
Normalised EBITDA	1.3	0.7	0.7
Normalised PBT*	1.0	0.5	0.5

\* Normalised PBT represents Profits before tax before allowing for significant items and discontinued operations

The Sales & Distribution division incorporates subsidiaries in Iceland, France, Germany and the USA

Normalised PBT of €1.0m doubling from prior year

- Increased sales from Iceland a key driver for improved profitability
- Operating cost reducing by €0.1m helped by cost savings in Iceland and slight weakening of ISK

Division sells to over 45 countries

Continued growth expected in the second half of the year

Over 10% increase in sales from previous year

- Significant increase in sales from Iceland, driven by 70% increase in volume of frozen-at-sea products
- Mackerel from 2018 season sold early 2019 which offsets the impact of no capelin season this year

- Mackerel season starting well
- Increased cod quotas
- Q4 an important sales period for fresh products in France and Germany
- Continued focus on closer cooperation with producers in Iceland



# Solid performance with Normalised PBT increasing by 20% from 2018 Proforma

€ m's	1H 2019	1H 2018	1H 2018P
Sales	232.1	150.0	213.8
Net margin	20.5	11.7	20.2
Normalised EBITDA	8.3	3.6	7.2
Normalised PBT*	5.5	2.2	4.6
Net Profit	2.9	1.3	3.2

\*Normalised PBT represents Profit before tax before allowing for significant items and discontinued operations.

\*\*Proforma numbers based on 12mth operation of the acquired subsidiaries and include finance cost in HO related to the acquisitions.

Sales up €18m from 2018 Proforma driven by:

- Strong sales in S-Europe especially of light salted products
- Significant sales growth within S&D, especially from frozen-at-sea

Net Profit of €2.9m impacted by one off cost of €1.3m, which mainly consist of:

- Changes in key management of the Group and in Spain
- Cost of merging process in Spain
- Operational restructuring within VA-N Europe, reacting to external challenges.

Normalised PBT growing by 20% from 2018 Proforma

- Significant sales growth a key profit driver
- Positive impact from actions in all divisions to drive efficiency and reduce cost



# Strong financial position and good liquidity

€ m's	30.6.2019	31.12.2018	Variance
Fixed assets	16.5	14.4	2.0
Leased assets	3.3	-	3.3
Intangible assets	44.6	44.7	(0.1)
Deferred tax/other	3.1	2.7	0.4
<b>Non Current Assets</b>	<b>67.5</b>	<b>61.8</b>	<b>5.7</b>
Inventory	62.4	62.1	0.3
Trade and other receivables	61.1	62.4	(1.3)
Other assets	3.5	3.5	(0.1)
Bank deposits and cash	9.5	4.0	5.5
<b>Current Assets</b>	<b>136.5</b>	<b>132.0</b>	<b>4.5</b>
<b>Total Assets</b>	<b>204.0</b>	<b>193.8</b>	<b>10.2</b>

€ m's	30.6.2019	31.12.2018	Variance
<b>Total Equity</b>	<b>62.4</b>	<b>59.3</b>	<b>3.1</b>
Thereof minority interest	3.2	2.9	0.3
Long term borrowings	9.7	6.6	3.1
Lease liabilities	3.8	-	3.8
Obligations	2.1	1.7	0.4
<b>Non Current Liabilities</b>	<b>15.6</b>	<b>8.4</b>	<b>7.2</b>
Short term borrowings	79.9	75.8	4.1
Trade and other payables	40.2	44.9	(4.7)
Other current liabilities	5.9	5.4	0.5
<b>Current liabilities</b>	<b>126.0</b>	<b>126.1</b>	<b>(0.1)</b>
<b>Total Equity and Liabilities</b>	<b>204.0</b>	<b>193.8</b>	<b>10.2</b>

Total assets of €204m up €10.2m from year end 2018, partly explained by implementation of IFRS 16, Lease accounting

Net debt amounts to €80.2m compared to €78.5m at end of 2018. Increase driven by seasonally higher NWC position

New long term loans in Spain, to secure long term funding of the business and support investments

Equity ratio of 30.6% at end of the period, negative impact due to IFRS 16 of 70bps

Group funding headroom in excess of €28m at end of June 2019



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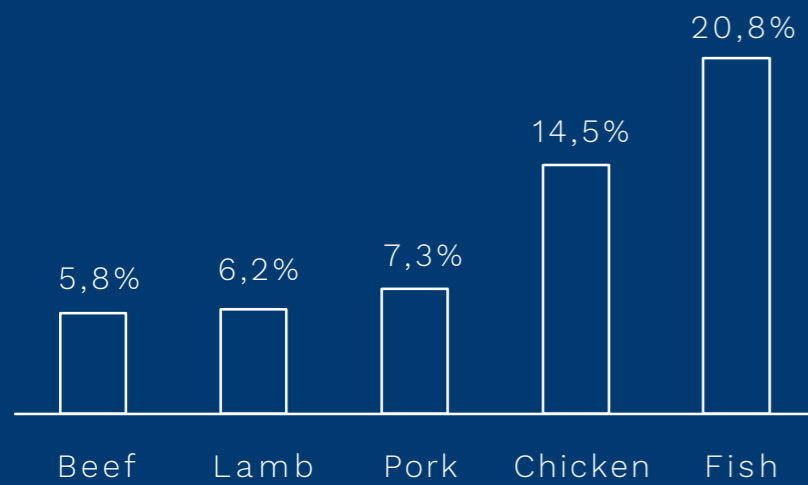
# Outlook

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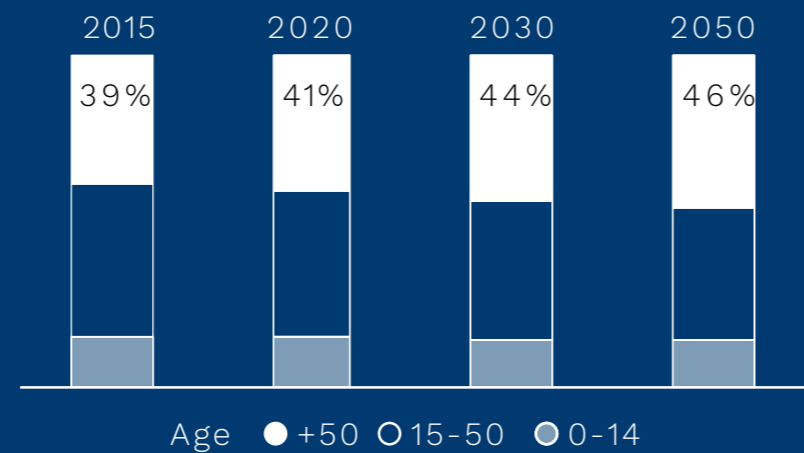
# Growing with global trends



## Drive towards healthy living

Increasing seafood consumption

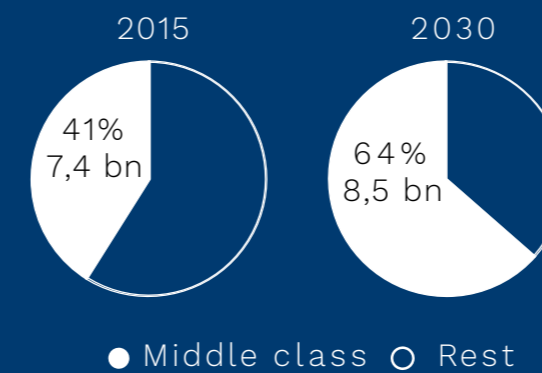
Source: Seafish.org



## Older western population

Increasing seafood consumption

Source: Eruostat



## Growing Middle class

Increasing seafood consumption

Source: Brookings.edu



## Need for food solutions

Increasing seafood consumption

# Continuing strong growth – organic and acquisitive

## Outlook for 2019

- Seafood demand in major markets expected to remain strong
- Significant upward price movement in some key species and markets
- Global cod supply has reduced whilst Iceland’s quota has increased
- Full year Normalised PBT estimated at €11.0-11.8m in 2019, compared to €10.8m for 2018P
- The Group targets €20m PBT in the next 3-5 years, primarily via synergy effects and increased profitability from current investments and both organic and acquisitive growth.

## Uncertainty

- Group’s results are influenced by fishing and quota changes
- Changes in underlying global economic conditions, currency rates, import duty rates, competition and consumer behaviors all generate uncertainty.
- Among these uncertainties are Brexit, USA related tariffs and political uncertainty in Argentina

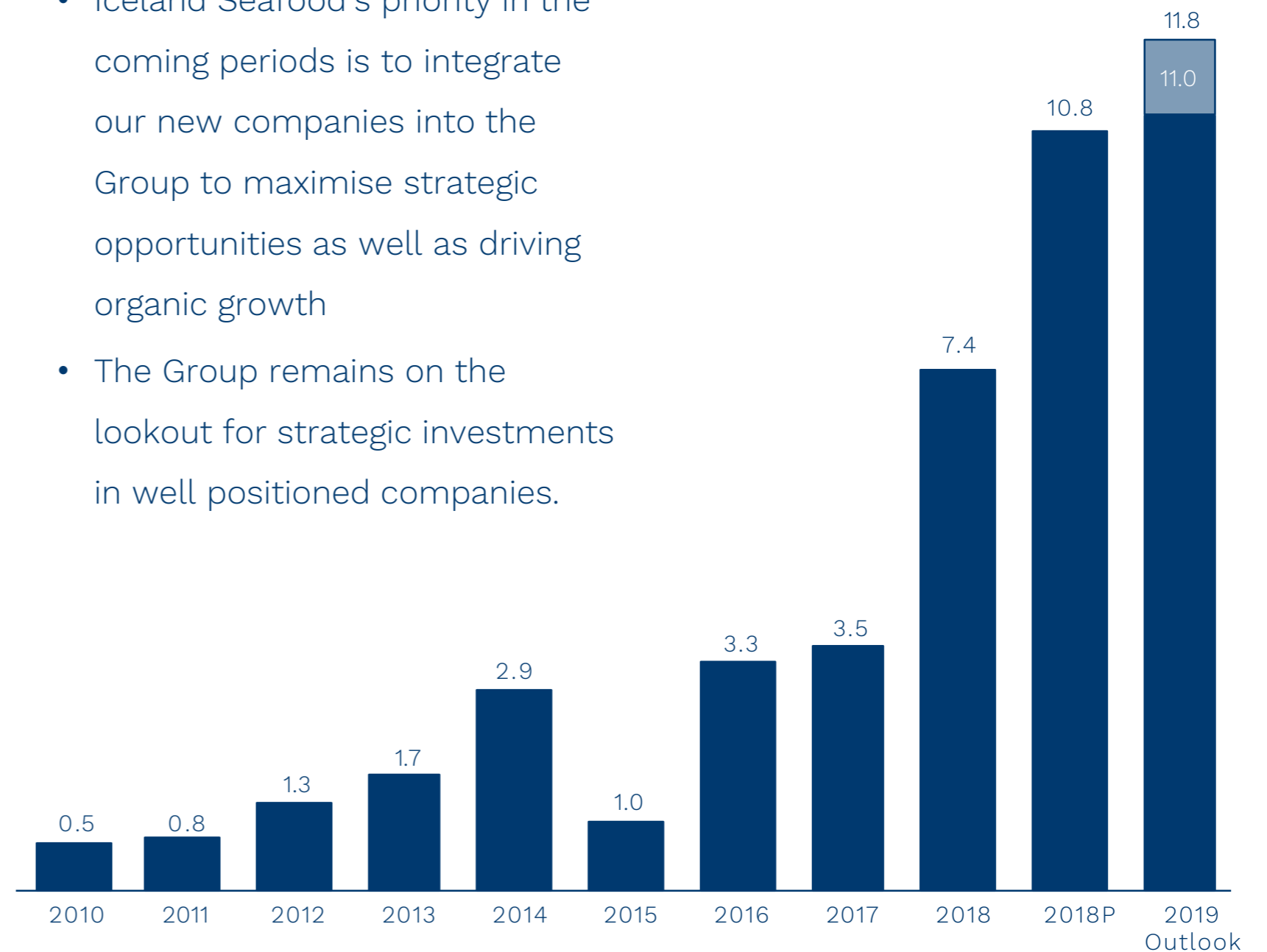
\*Normalised PBT represents Profits before tax before allowing for significant items and discontinued operations

2018P (proforma) based upon 2018 actuals as Oceanpath and Solo were owned for the full year

## Focus and growth

- Iceland Seafood’s priority in the coming periods is to integrate our new companies into the Group to maximise strategic opportunities as well as driving organic growth
- The Group remains on the lookout for strategic investments in well positioned companies.

## Full year 2019 Normalised PBT\* (m’s)





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