

Unprecedented cost increases and high volatility severely impacted Iceland Seafood's operation in 2022.

- Sales for 2022: €420.8m, up 11% from 2021
- Net margin for 2022: €46.3, up €1.0m from 2021 but down €1.6m on like-for-like basis
- Normalised profit before tax for 2022: €12.4m, down €7.1m from 2021
- Loss from Iceland Seafood UK (IS UK): €18.2m in 2022
- Net loss for the year 2022: €9.9m compared to €8.8m profit in 2021
- Basic earnings per share (EPS) for 2022 were negative by €0.3783 cents per thousand shares compared to positive €0.3337 cents per thousand shares for 2021
- Total assets of €290.3m at year-end 2022, increased by €9.7m from year-end 2021. Equity ratio of 28.0% at end year end 2022
- Normalised PBT Outlook range for 2023 of €10.0 – 14.0m, excluding IS UK operation
- Management plan for IS UK expects a positive cash flow from Q2 2023 onwards but a negative PBT of €2.5-3.0m for 2023, mainly due to losses in Q1
- IS UK is classified as discontinued operation in the income statement and as assets held for sale in the balance sheet, in accordance with IFRS accounting standards

The year 2022 was significantly affected by unprecedented cost increases and high volatility of raw material and other key input factors. Post Covid-19 impacts, and geopolitical turmoil caused major disruptions in various supply chains. This led to significant and rapid price increases, especially in the first half of the year. It took time to get price increases through to reflect a higher cost base, with retail and food service customers giving a strong pushback. Diminishing consumer purchasing power and high seafood prices impacted demand negatively, especially in Q4. This led to a 6% decrease in sold volume from the prior year, although sales in Euro terms increased by 11%.

Sales of the VA S-Europe division of €216.5m increased by 11% from last year on a like-for-like basis. At the same time, volume decreased by 9%. After strong sales during the first three quarters of the year, demand slowed down in Q4, impacted by diminishing consumer purchasing power and high seafood prices. At the same time, Christmas sales of smoked salmon from Ahumados Dominguez were below expectations. The sales of premium products were low due to the difficult economic situation. Overall normalised profit before tax for the division of €11.1m was down €2.8m from the prior year.

With Iceland Seafood UK classified as an asset held for sale, the VA N-Europe division consists only of the operation of Oceanpath and Carr&Sons in Ireland. After a difficult first half of the year, where extreme price increases of Salmon severely impacted margins and profitability, the operation was back on track in the second half of the year. Divisional sales of €52.5m were down €1.5m in 2022, but volume was down 13% at the same time. Christmas sales were in line with expectations, which helped the results in Q4 and profitability was slightly up on last year in that quarter.

The Sales&Distribution division had a record year in 2022, driven by strong demand for products from Iceland. Total sales for the year of €175.0m were 8% up on 2021. This growth was entirely price driven, where volume decreased slightly from the prior year. Sales slowed down in Q4 due to difficult economic conditions in key markets and high seafood prices. Normalised profit before tax of the division for 2022 was €3.3m, up €0.4m from the prior year.

Iceland Seafood announced its intention to exit the UK market from a value-added perspective on November 17th, 2022. During December, two separate LOI's were signed with prospective buyers to sell the business, but neither negotiation was successful. On February 3rd, it was announced that

Iceland Seafood would continue to operate the UK subsidiary but intends to support further consolidation of the UK seafood processing industry, at the right terms. Due to this status, Iceland Seafood UK is classified as an asset held for sale in the 2022 Group Financial statements. Throughout 2022, IS UK operations were characterised by increased input costs and difficulties pushing those costs through to customers. This led to a total loss from the operation of €18.2m for the year, which included the impairment of assets of €3.4m. The results have improved from the beginning of 2023, and the company is expected to reach a positive EBIT level from Q2 onwards. Progress has been made with recovering the unprecedented inflationary costs from the beginning of 2023 and by securing a significant amount of new business, with the majority coming in from the beginning of Q2. At the same time, new production equipment that arrived in December 2022 and January this year has transformed production with both a substantial increase in throughput and a reduction in production costs. Management plan expects a positive cash flow from Q2 onwards but a negative PBT of £2.5-3.0m for the year, mainly due to losses in Q1.

For the group, the high prices and diminishing consumer purchasing power, due to increased energy prices and high inflation, negatively impacted demand at the back end of 2022. These factors continue to impact sales in the beginning of 2023. However, prices of key input factors have started to ease, and markets are stabilising. As long as this development continues, which should help demand to recover, the outlook for the second part of the year is better. Based on this view, the outlook range for normalised PBT is set at €10.0-14.0m for the year. The higher end of the range assumes that economic conditions will improve in the second half of the year. Results for IS UK are excluded from this outlook, but as mentioned before, the management plan for IS UK expects a negative PBT of £2.5-3.0m for the year, mainly due to losses in Q1.

Bjarni Ármannsson, Group CEO:

“The year 2022 was a challenging year in every sense of the word, which is highlighted by our €9,9m bottom-line loss and reduction in our equity ratio level below our target. The year was characterized by the war in Ukraine, which caused disruptions in supply chains and excessive increase in input costs – which we struggled to push on to our customers, and in any case, with a time lag. As input prices continued to increase, we were constantly pushing through insufficient price increases, once they came through the system. This vicious cycle costed us dearly. But Iceland Seafood is in it for the long term. We pride ourselves by being close to the market, and that our customers can rely on our ability to deliver our products at the quality standards required. We are now seeing cost of input factors stabilize, and in some cases, decline, so we are now operating in a more normal environment. We continue our sustainability efforts, to measure and reduce our carbon footprint, and create the necessary balance with the nature going forward.

Iceland Seafood had a particularly rough period in our UK operations, and in November, we decided to put our Value-added assets in Grimsby for sale. It was then the results of our evaluation in the beginning of February this year to continue the operation as we believe we are better off that way. We still intend to participate in consolidation in the industry in the UK, which is badly needed. Despite this, most of our other operations managed well in turbulent waters, a sign of the solid and stable foundation they are built on.

When we look to the future, the visibility is not as good as we like – or put otherwise: We would very much like to see longer into the future. Sometimes that is not the case. But we are true to our 90 years of history and our roots. We’ll continue to invest in our brands, in automation and sustainability efforts. With those investments and a close cooperation with our customers and suppliers, and relying on the solid foundation we have created, we can stay relevant to our industry and to our end consumers. We see opportunities to return to a profitable path and believe that Winston’s Churchill saying is true that “adversity is an opportunity in disguise.” The challenging times we saw last year were not easy, and I’d like to take this opportunity to thank all our employees for

their hard work and dedication – we know there is a lot of energy in believing in the future and the opportunities that it will bring. Opportunities we tend to utilise”.

Electronic investor meeting

Today at 4.15pm GMT, Iceland Seafood will host a meeting for investors and market participants, where management will present and discuss the 2022 results. The meeting will be held at the company's premises at Köllunarklettsvegur 2, 104 Reykjavík. The meeting will also be webcast live in Icelandic on <https://vimeo.com/event/2892845/embed/5f5868b1a3> and recording will be available after the meeting on www.icelandseafood.com/investors

Participants in the meeting can send questions in writing prior to 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>

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