

## **Iceland Seafood's profitability rebounded in Q3 after a difficult 1H 2022**

- Sales for 9M 2022: €362.8m, up 14% from 9M 2021
- Net margin for 9M 2022: €29.8m, up €0.6m from 9M 2021
- Normalised profit before tax in 9M 2022: €0.5m, compared with €8.2m 9M 2021
- Net loss for 9M 2022: €5.0m compared with €5.6m profit in 9M 2021
- Basic earnings per share (EPS) for 9M 2022 were negative by €0.1847 cents per thousand shares compared to positive €0.2087 cents per thousand shares for 9M 2021
- Total assets of €281.8m at end of September were €1.2m higher than at the year beginning. Equity ratio of 31.0% at end of Q3,
- As announced today, the board of Iceland Seafood has decided to exit the UK market from a value-added perspective
- In relation to this decision, an impairment of goodwill of €1.6m and an impairment of tax asset of €1.1m are included as significant items in the accounts
- Headwinds increased at the start of Q4, where the recession in Europe has started impacting demand. Normalised PBT Outlook range for 2022 of €3.0 – 5.0m

After a difficult 1H of the year, which was severely impacted by rapid and substantial price increases of various input factors, the profitability of Iceland Seafood rebounded in Q3. The group generated a normalised profit before tax of €2.3m in the quarter and €0.5m in the first nine months. Salmon prices eased and stabilized in the period, which helped the results in Ireland and at Ahumados Dominguez in Spain. Prices of whitefish are historically very high but seem to have peaked in Q3.

The VA S-Europe division performed well during the first nine months of the year. Total sales in the period of €163.1m, 19% up from the prior year on a like-for-like basis (excluding Ahumados Dominguez). The sales growth is entirely price driven, as volume has declined slightly at the same time. Sales and margins of most product categories and in all S-European markets (Spain, Italy, Portugal, and France) increased from the same period last year. However, production volumes of Argentinian shrimp were down 33% from the first nine months last year, but the national waters season (lasting from June to September) was worse than expected. At Ahumados Dominguez, results improved in Q3 with lowering and stable salmon prices, although all the annual profits of that operation will be generated in Q4.

In the VA N-Europe division, results in Ireland were back to a balanced level in Q3, but the UK operation continued to be loss making. The normalised loss before tax of the division was €9.2m in the first nine months, compared to a loss of €1.3m same period last year. In Ireland, sales in the first nine months of the year were in line with the same time the previous year in value terms but 13% lower in volume. Lower and more stable salmon prices helped the Irish operation in Q3, but whitefish sourcing was challenging at the same time, both locally in Ireland, from Iceland, and Scotland. Continuing effects of a challenging external environment and operational difficulties negatively impacted the UK operation. Significant price increases of various input factors negatively impacted margins and led to further losses both with respect to prior periods and short-term outlook.

As announced today, the board of Iceland Seafood has decided to exit the UK market from value-added perspective. The UK's performance has eroded the group profitability to the extent that the board no longer feels it's justifiable to continue. This has also meant that management resources have to a large degree, been devoted to this situation instead of capturing growth opportunities elsewhere. Iceland Seafood has retained MAR Advisors to support the exit process and will evaluate different options in the coming weeks.

The S&D division saw strong demand during Q3 and had an excellent first nine months of the year. Sales of €132.1m during 9M 2022 were 14% up on the same period last year. This growth was primarily driven by price increases; although the volume sold of groundfish grew by 9%, pelagic volumes decreased by 21% from last year. The situation in Ukraine is having an impact on pelagic sales, customers are not holding any stock inside Ukraine, which is causing significant logistic issues elsewhere. Sales of fresh fish have been good, both into Europe but especially into the US market. Overall, the Normalised profit before tax of the division was €2.5m in the 9M 2022, up 48% from the same period in 2021.

As mentioned in an announcement from October 21<sup>st</sup>, headwinds have increased at the start of Q4, where the European recession is negatively impacting demand in key markets in. The price of seafood is historically very high, while at the same time, the consumer's purchasing power is diminishing due to increased energy prices and high inflation. It is also expected that the Rawson fishing season in Argentina, which is just starting, will not be as strong as last year, both in terms of volume and value. However, the outlook for the important Christmas season in smoked salmon remains good for Spain and Ireland, although it is uncertain to what extent the worsening economic situation will impact demand. The outlook range for 2022 Normalised PBT is revised to €3.0 – 5.0m, which excludes results from IS UK for the last two months of the year, as a decision has been taken to exit that operation.

Bjarni Ármannsson, Group CEO:

“2022 has turned into a very challenging year. A year where we expected Covid-19 to end and life to go back to “normal” – which turned into a year, characterized by a war in Europe, disruptions in value chains, high volatility in commodities, food prices and cost of capital. We are experiencing headwinds, which require difficult decisions to be made and sails to be adjusted to the change in winds. We believe in the future and that we are well positioned in our key markets with well-run value-added operations in Europe. But we must adjust to a different reality and are therefore exiting the UK market from a value-added perspective. This is a difficult decision, but I believe it is the right one. We are committed to our main stakeholders and maintain our commitment to run a profitable business within the European value-added seafood industry. We see opportunities but realise that we must be rational - and careful in the very near future.”

## **Investor meeting**

Today at 4.15 pm GMT, Iceland Seafood will host a meeting for investors and market participants, where management will present and discuss the 9M 2022 results. The meeting will be held at the company's premises at Köllunarklettsvegur 2, 104 Reykjavík. The meeting will also be webcasted live in Icelandic on <https://vimeo.com/event/2591974/embed/5ef703e2d8> and recording will be available after the meeting on [www.icelandseafood.com/investors](http://www.icelandseafood.com/investors)

Participants in the meeting can send questions in writing before and during the meeting to the email [investors@icelandseafood.com](mailto: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.**

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