



Securities Note

October 2020

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RISK FACTORS

The risk factors described in this chapter Risk Factors are those which the Issuer is aware of and which, in its opinion, are specifically applicable to the Securities. These risk factors are subject to uncertainty and therefore the Issuer is not able to predict the likelihood of them occurring. It is possible that the Issuer may not be able to meet the obligations of the Securities due to other factors that are not considered risk factors based on the information currently available and of which the Issuer is aware. The Issuer has assessed the materiality of the risk factors based on the probability of their occurrence and the expected magnitude of their negative impact and has organised the following risk factors accordingly, beginning with those estimated to be most significant to the Issuer.

General Risk of Securities

Investment in securities involves risk. The value of the Securities may decrease as well as increase. Investors can lose the value of all or part of their investment in the Securities. Various issues can cause changes in the value of securities, e.g. general economic conditions, interest rate decisions by the Central Bank, changes in legislation and regulations and other events.

Market Risk

The value of securities may change due to market conditions. Thus, the value of the Securities may decrease if the general market yield rises and the value may rise if the yield decreases. The Issuer's principal interest payments on the Securities are paid in Icelandic Krona, therefore exchange rate risk may be embedded in the Securities.

Liquidity Risk

The Securities have not previously been admitted to trading on a regulated market. Although the Securities will be admitted to trading on the Regulated Market of Nasdaq Iceland, the Issuer cannot guarantee that the Securities will be actively traded. No obligation rests on the Issuer to maintain an active market with the Securities and no market making with them has been envisaged. Therefore, liquidity risk may arise, i.e. the risk of not being able to sell the Securities at will. The risk is expressed in such a way that the market cannot accept the quantity that is to be sold or the price formation is such that there is a significant difference between the buying and selling price of the Securities. Further, the Issuer may be in a position of not having sufficient liquidity to meet obligations on the Securities when they fall due. However, the Issuer carefully manages its liquidity risk to ensure that, among other things, it always has sufficient liquidity to meet its obligations.

Changes in Legislation

The admission to trading of the Issuer's Securities on the Regulated Market of Nasdaq Iceland is subject to Icelandic laws in force on the date of the Prospectus. No assurance can be given as to the impacts of any amendments to Icelandic law, court decisions, and/or administrative practice after the date of the Prospectus.

Additionally, it should be borne in mind that changes to EU legislation in this area may affect the Issuer and the Securities due to Iceland's membership of the EEA agreement.

IMPORTANT INFORMATION

Notice to investors

This Securities Note dated 30 October 2020 (hereafter the “Securities Note”), has been approved by the Financial Supervisory Authority of the Central Bank of Iceland (hereafter the „FSA“), as competent authority under Regulation (EU) 2017/1129. The FSA only approves this Securities Note as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129. Such approval should not be considered as an endorsement of the quality of the securities that are the subject of this Securities Note and investors should make their own assessment as to the suitability of investing in the Securities. The Securities Note is a part of the Issuers' Prospectus, dated 30 October 2020 (hereafter referred to as the “Prospectus”), which concerns, and is published in relation to the Issuer's application to have its newly issued Securities (hereafter also referred to as the “Securities” and the “Series of Securities”) admitted to trading on the Regulated Market of Nasdaq Iceland hf. (hereafter referred to as the “Regulated Market of Nasdaq Iceland”). The Prospectus has been prepared in accordance with Icelandic laws and regulations in effect on the date of the Prospectus, including Act no. 108/2007, on Securities Transactions (hereafter the “Act on Securities Transactions”) and Act no.14/2020, on Prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market (hereafter the “Act on Prospectuses”) which implements Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (hereafter the “Prospectus Regulation”) into Icelandic law. Furthermore, the Prospectus has been prepared in accordance with the provisions of Annex 6 and Annex 15 of Commission Delegated Regulation (EU) 2019/980, cf. Regulation 274/2020. The Prospectus is additionally prepared with regard to the Rules for issuers of financial instruments, issued by Nasdaq Iceland hf., effective as of 1 May 2020.

The Prospectus is published in English and consists of two documents, a Registration Document dated 30 October 2020 and this Securities Note dated 30 October 2020. The Prospectus is available for viewing at the Issuer's registered office at Köllunarklettsvegur 2, 104 Reykjavík, Iceland. The Prospectus will also be available on the Issuer's website: <https://www.icelandseafood.com/Investors>.

The information appearing in this Prospectus should not be construed as an offer, a recommendation or solicitation to buy, hold or sell securities issued by the Company or to take any other investment decisions. The Prospectus contains information for investors to evaluate the Issuer's assets and liabilities, financial situation, performance and outlook. Investors are encouraged to familiarise themselves with all information contained in the Prospectus, especially the chapter named *Risk Factors*, both in the Registration Document and in this Securities Note.

Following the publication of the Prospectus, investors are advised to acquaint themselves with all public information issued by Iceland Seafood or concerning Iceland Seafood and/or bills, bonds or shares issued by Iceland Seafood.

Only the Issuer is entitled to procure information about conditions described in this Securities Note. Information procured by any other person is of no relevance in relation to this Securities Note and cannot be relied on.

This Securities Note, as well as other documents which are a part of the Prospectus, may not be sent or otherwise distributed, whether electronically or by other means, to countries in which distribution would require additional registration measures or other measures to be taken other than as applicable under Icelandic laws and regulations, or would be in conflict with laws and regulations in the relevant country. In some jurisdictions laws and regulations may restrict distribution of the Prospectus. Therefore, the Issuer requests all recipients of the Prospectus to familiarise themselves with and act in accordance with such laws and regulations or other restrictions. Iceland Seafood assumes no liability for distribution of the Prospectus by any third parties in any jurisdiction. This Securities Note, as well as any other documents in the Prospectus, should not be distributed or sent to the United States, Australia, Canada, Hong Kong, Singapore, South Africa or Japan.

This Securities Note, or other documents which are a part of the Prospectus, should by no means be viewed or construed as a promise by the Issuer of future success in operations or as a return on investments. Investors must, first and foremost, trust their own judgment when it comes to investing in securities issued by the Issuer, and are advised to seek advice from external experts before making investment decisions. Investors are furthermore advised to consider their legal status, including taxation issues that may concern the purchase or sale of the Issuer's securities, and seek external and independent advice in that respect.

Information in this Prospectus is based on circumstances and facts on the date the Prospectus is signed. If significant new information, material mistakes or inaccuracy relating to information in the Prospectus, which could affect the assessment of the Issuer's securities, is discovered between the time the Prospectus is approved and the time when the Issuer's securities are admitted to trading, a supplement to the Prospectus shall be prepared describing the details in question. The supplement shall be approved within five working days and published in the same manner as the original Prospectus.

As the Issuer's shares were admitted to trading on the Regulated Market of Nasdaq Iceland in October 2019, the Issuer is already under disclosure obligation on the market pursuant to applicable laws and regulations, cf. the Act on Securities Transactions, publicly issues announcements, and is governed by the Nasdaq Iceland Rules.

Company Statement

Iceland Seafood and the Board of Directors hereby declare, on behalf of the Issuer, that, having taken all reasonable care to ensure that such is the case, that the information in this Securities Note is, to the best of Iceland Seafood's and the Board of Directors' knowledge, in accordance with the facts and contains no omission likely to affect its import.

Reykjavík, 30 October 2020

For and on behalf of Iceland Seafood

For and on behalf of Iceland Seafood

Bjarni Ármannsson,
CEO of Iceland Seafood

Liv Bergþórsdóttir
Chairman of the Board of Directors

Potential Conflicts of Interests

Members of the Issuer's Executive Management and members of the Board of Directors own shares in the Issuer. Furthermore, several employees and members of the Executive Management own shares and/or stock options issued by Iceland Seafood. Several of these individuals have contributed to the preparation of this Prospectus.

Further, Jakob Valgeir Flosason, a member of the Board of Directors of Iceland Seafood is CEO and a shareholder of fishery Jakob Valgeir ehf. which is a large supplier of seafood to the Issuer.

Bergþór Baldvinsson, a member of the Board of Directors of Iceland Seafood is CEO and shareholder of fishery Nesfiskur ehf, which is a large supplier of seafood to the Issuer.

Halldór Leifsson, a member of the Board of Directors of Iceland Seafood is Marketing and sales manager of Fisk Seafood ehf, which is a large supplier of seafood to the Issuer.

Finally, Gunnlaugur Hreinsson, an alternate member of the Board of Directors of Iceland Seafood is chairman of the board of GPG Seafood ehf., which is a large supplier of seafood to the Issuer.

Kvika banki hf. (hereafter "Kvika") is Iceland Seafood's advisor in relation to the offering and listing of Iceland Seafood's bills through its Corporate Finance and Capital Markets departments who have contributed to the preparation of this Prospectus. Kvika will receive a fee for this work. Additionally, Kvika's Proprietary Trading department acts as a market maker for the Issuer's shares and for that purpose holds an average of 3-4% of the Issuer's shares in its portfolio.

The Board of Directors is not aware of any other potential conflicts of interest between the duties of the members of the Board of Directors or members of the Executive Management to the Issuer and their private interests or other duties.

Advisors

Kvika is Iceland Seafood's advisor in relation to the sale, issuance and listing of its bills ICESEA 21 0329. Kvika has prepared the Prospectus in close co-operation with the Issuer's management, based on information provided by the Issuer. Kvika has not independently verified the information contained in the Prospectus. Additionally, Kvika arranged the sale of the bills to investors and the completion of all applicable documentation.

Definitions

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| “Iceland Seafood” or the “Issuer” | Iceland Seafood International hf., reg. no. 611088-1329, Köllunarklettsvegur 2, 104 Reykjavík, Iceland |
| The “Securities” and the “Series of Securities” | The series of Iceland Seafood's securities ICESEA 21 0329, which is the series that the Issuer has requested to be admitted to trading on the Regulated Market of Nasdaq Iceland. |
| “Act on Bills” | Act no. 93/1933 on Bills |
| “Act on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments” | Act no. 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments. |
| “Act on Prospectuses” | Act no.14/2020 on Prospectuses to be published when securities are offered to the public or admitted to trading on a regulated market |
| “Act on Securities Transactions” | Act no. 108/2007, on Securities Transactions |
| The “FSA” | The Financial Supervisory Authority of the Central Bank of Iceland |
| “ISK” | Icelandic Króna |
| “Nasdaq CSD Iceland” | Nasdaq CSD SE, útibú á Íslandi, reg. no. 5101190370, Laugavegi 182, 105 Reykjavík |
| “Nasdaq Iceland” or the “Exchange” | NASDAQ Iceland hf., Laugavegi 182, 105, Iceland |
| “Prospectus” | The prospectus dated 30 October 2020, which concerns and is published in relation to Iceland Seafood's application to have its securities in the series ICESEA 21 0329 admitted to trading on the Regulated Market of Nasdaq Iceland, consisting of this securities note dated 30 October 2020 and a registration document, dated 30 October 2020 |
| “Prospectus Regulation” | Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC |
| “Registration Document” | The registration document dated 30 October 2020 |
| “Regulated Market of Nasdaq Iceland” | The regulated market of Nasdaq Iceland hf. |
| “Securities Note” | This securities note dated 30 October 2020 |

INFORMATION ON THE SECURITIES AND ADMITTANCE TO TRADING

Issuer

According to the Issuer's Articles of Association dated 4 June 2020, the objective of the Issuer is to be a holding company for shares in other companies, and to export seafood and seafood products, real estate management, and other similar operations.

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| Legal name: | Iceland Seafood International hf. |
| Commercial name: | Iceland Seafood International |
| Address: | Köllunarklettsvegur 2, 104 Reykjavík |
| Reg. No.: | 611088-1329 |
| Legal form: | A public limited company established under the Act on Public Limited Companies |
| Domicile: | Iceland |
| Date of incorporation: | 19.October.1988 |
| Ticker symbol with Nasdaq Iceland: | ICESEA |
| ISIN-number: | IS0000026961 |
| LEI: | 254900CJS0OI5B8GO668 |
| Website: | www.icelandseafood.com ¹ |
| E-mail: | info@icelandseafood.is |
| Phone number: | + 354 550 8000 |

Information on the Securities

The Securities were issued on 29 September 2020 when ISK 1,460,000,000, or 73 nominal units, were issued. The reason for issuing the Securities is to fund the Issuer's ongoing regular operations and foreseeable internal growth. The Securities were sold at a simple rate of 3.70%. The sale value of the issuance is ISK 1,433,336,020 and the net sale value after costs is estimated at ISK 1,432,727,270. Iceland Seafood bears all costs associated with the admittance of the Securities to trading. The total cost borne by the Issuer is estimated to be ISK 608,750 and consists of costs associated with the preparation, scrutiny and approval of the Prospectus, the Nasdaq Iceland listing fees and costs for auditors, along with other costs directly associated with the admittance to trading.

The objective of having the Securities admitted to trading on the Regulated Market of Nasdaq Iceland hf. is to promote their increased liquidity and marketability, in addition to ensuring that the procedures and disclosure of the Issuer comply with the rules which apply to the issuers of financial instruments on the Regulated Market of Nasdaq.

¹ Information on the website does not form part of the Securities Note unless that information is incorporated by reference into the document.

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| Identifier | ICESEA 21 0329 |
| ISIN number | IS0000032282 |
| Type of Security | Bills offered and sold at a discount to their nominal amount and not bearing interest. |
| CFI number | DYZUXR |
| FISN number | ICELAND SEAFOOD/ZERO CPN B 20210329 |
| Electronically registered | The Securities, which are in registered form, are issued electronically in a central securities depository, Nasdaq CSD SE, útibú á Íslandi, reg. no. 5101190370, Laugavegi 182, 105 Reykjavík (hereafter referred to as “Nasdaq CSD Iceland”) which operates pursuant to act no. 7/2020 on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments (hereafter the “Act on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments”). The registration of electronic security certificates at Nasdaq CSD Iceland grants their owners legal authority to the rights for which they are registered. |
| Type of instalments | One payment of principal on maturity date. |
| Country of issuing | Iceland. |
| Currency | ISK – Icelandic króna. |
| Nominal units | 20,000,000. |
| Total limit | 1,460,000,000 |
| Previously issued | 0. |
| Issued now | 1,460,000,000 |
| Date of issue | 29.9.2020 |
| Total number of due dates of the principal as a whole | 1. |
| Maturity date of principal | 29.3.2021 |
| Payment of interests and interest rate | The Securities are sold at a discount to their nominal amount and do not bear interest. |
| Calculation rule for interest | Simple. |
| Day-count convention | ACT/360. |

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| Indexed | No. |
| Callable | No. |
| Redeemable | No. |
| Limitation Periods | The limitation period for claims pursuant to the Securities is ten years from the due date, in accordance with Paragraph 1, Article 5 of Act no. 150/2007 on the limitation periods for claims. The limitation period for claims of interests and price level adjustments is four years from the due date in accordance with Article 3 of the same act. |
| Convertible | No. |
| Place of payment | The Issuer shall pay the nominal value of the Securities on the due date to the account operator where the registered owners of the Securities have an electronic securities account (an electronic securities account is understood as an account in the sense of the Act on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments). |
| If a payment becomes due on a weekend/holiday, should interest be added for the number of days the payment is delayed by? | No. |
| Paying Agent | Issuer |
| Market making | No. |
| Transfer | In the event of a change of ownership, the Securities will only be transferred to named parties in accordance with the provisions of the Act on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments. Otherwise there are no restrictions on the transfer of the Securities. |
| Default | Defaults shall be subject to the Act on Bills. If there is a default on the payment of the Securities on their maturity date and they are not paid within three days, the holder shall be authorised to declare the debt due in a written notification to the Issuer. When the Issuer has received the notice of acceleration, the Securities shall be considered to be due and payable and the Issuer obliged to pay up in accordance with their terms. |

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| Amendments of terms | The Issuer must notify Nasdaq CSD Iceland of any changes that may be made to the terms of the Series of Securities. |
| Benefits | No benefits are attached to the Securities. |
| Tax | The issuance is electronically registered with Nasdaq CSD Iceland. The custodian of the relevant Securities must calculate and withhold withholding tax on capital gains. |
| Expenses | The Issuer pays all costs relating to the issuance, including fees to Nasdaq Iceland hf. |
| Disputes | Any dispute arising due to the Securities may be brought before the District Court of Reykjavík, cf. the provisions of Chapter XVII of Act no. 91/1991 on Civil Procedure. |
| Prioritisation | The Securities are unsubordinated and any claim against the Issuer for repayment of the principal of the Securities is a general claim and does not enjoy priority over other claims against Iceland Seafood in the event of insolvency or at any given time. |

In appendix I below is an issue description of the Securities, dated 23 September 2020.

Authorisation to issue the Securities

The Securities were issued in accordance with the authorisation of Iceland Seafood's Board of Directors on 31 August 2020.

Laws governing the issuance of the Securities

The Securities are issued in accordance with the Act on Bills, the Act on Central Securities Depositories, Settlement and Electronic Registration of Financial Instruments, the Act on Prospectuses and the Prospectus Regulation. The Act on Securities Transactions apply to transactions with the Securities, including rules on market abuse.

In addition, rules no. 1050/2012 of the Financial Supervisory Authority, on the Treatment of Insider Information and Insider Transactions, as well as regulation no. 630/2005 on Insider Information and Market Abuse, regulation no. 707/2008 on the provision of information and notification requirements in accordance with Act no. 108/2007 on Securities Transactions and the Nasdaq Iceland Rules, apply to the Securities and the Issuer from the time when the Issuer has applied for admission of the Securities to trading on the Regulated Market of Nasdaq Iceland. Changes to the legislation related to the issuance may affect the value of the Securities.

The Issuer must comply with the abovementioned laws and regulations, which, among other things, include disclosure requirements. The Securities are otherwise subject to Icelandic laws.

Admission to Trading on the Regulated Market of Nasdaq Iceland

Following the FSA's approval of the Prospectus, Nasdaq Iceland will conduct a final review of the Issuer's application and make its conclusions public in the European Economic Area.

It is expected, although no guarantee can be given to that effect, that Nasdaq Iceland will admit the Issuer's Securities to trading on its regulated market. If the Securities are admitted to trading, the first day of trading in the Securities will be announced by Nasdaq Iceland with a minimum of one business days' notice.

The Issuer is already under disclosure obligations on the market, pursuant to applicable laws and regulations, cf. the Act on Securities Transactions, publicly issues announcements, and is governed by the Nasdaq Iceland Rules. Current rules stipulate, among other things, that the Issuer of the Securities, shall endeavour to publish, without delay, any previously unpublished information regarding decisions or incidents, which the Issuer knows or might know may have a significant impact on the price of the Securities.

The Series of Securities will be delisted after the due date, unless otherwise notified by the Issuer. The Issuer is required to notify Nasdaq CSD Iceland of non-payment of the Series of Securities and shall in such case send Nasdaq CSD Iceland notification thereof when payment has been made.

Appendix I: Issue description of the Securities, dated 23 September 2020

Undirritunarsíða

Bjarni Ármannsson

Liv Bergþórsdóttir