

Icelandic Group hf.
Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2015
in Euro

Icelandic Group hf.
Borgartún 27
105 Reykjavík

Reg. no. 461296-2119

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Endorsement and Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements of Icelandic Group hf. for the period from 1 January to 30 June 2015 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements (IAS 34). The interim financial statements comprise the consolidated interim financial statements of Icelandic Group hf. (the "Company") and its subsidiaries (the "Group").

According to the statement of comprehensive income, profit for the period from 1 January to 30 June 2015 amounted to € 4.2 million. The Group's income amounted to € 318.2 million for the period. According to the statement of financial position total assets at the end of June amounted to € 299.3 million and equity amounted to € 141.7 million. The equity ratio of the Group was 47.4%.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the six-month period ended 30 June 2015 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements.

According to our best knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the consolidated financial performance of the Company for the six-month period ended 30 June 2015, its assets, liabilities and consolidated financial position as at 30 June 2015 and its consolidated cash flows for the six-month period ended 30 June 2015.

Further, in our opinion the consolidated financial statements and the endorsement by the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the condensed consolidated interim financial statements of Icelandic Group hf. for the six-month period ended 30 June 2015 and confirm them by means of their signatures.

Reykjavík, 27 August 2015.

Board:

Herdís Dröfn Fjeldsted

Kristján Ágústsson

Vilhjálmur Egilsson

Ævar Agnarsson

Rebekka Jóelsdóttir

CEO:

Árni Geir Pálsson

Independent Auditor's Review Report

The Board of Directors of Icelandic Group hf.

We have reviewed the accompanying consolidated statement of financial position of Icelandic Group hf. as at 30 June 2015 and the related consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with IAS 34 *Interim Financial Reporting*. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reykjavík, 27 August 2015.

KPMG ehf.

Margrét G. Flóvenz

Consolidated Statement of Comprehensive Income for the six months ended 30 June 2015

	Notes	Q 2		Q 1 - 2	
		1 April - 30 June 2015	2014	1 January - 30 June 2015	2014
Sales		165.755	148.744	318.157	288.407
Cost of goods sold		(146.480)	(131.875)	(281.645)	(254.562)
Gross profit		19.275	16.869	36.512	33.845
Operating expenses		(15.858)	(15.893)	(31.336)	(31.111)
Operating profit		3.417	976	5.176	2.734
Finance income		53	374	1.987	536
Finance costs		(1.211)	(822)	(1.560)	(1.514)
Net finance (costs) income	3	(1.158)	(448)	427	(978)
Profit before income tax		2.259	528	5.603	1.756
Income tax	4	(908)	276	(1.409)	(201)
Profit for the period		1.351	804	4.194	1.555
Other Comprehensive income					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operation		7.218	2.486	7.471	2.739
Other comprehensive income for the period		7.218	2.486	7.471	2.739
Total comprehensive income for the period		8.569	3.290	11.665	4.294

Consolidated Statement of Financial Position as at 30 June 2015

	Notes	30.6.2015	31.12.2014
Assets			
Property, plant and equipment		41.243	39.968
Goodwill and other intangible assets		71.422	66.364
Other investments		1.474	1.432
Deferred tax assets		810	787
Total non-current assets		114.949	108.551
Inventories		82.420	73.278
Trade and other receivables		73.418	63.534
Cash and cash equivalents		28.475	19.902
Total current assets		184.313	156.714
Total assets		299.262	265.265
Equity			
Share capital		8.050	8.050
Share premium		78.054	78.054
Translation reserve		13.961	6.490
Retained earnings		41.665	37.471
Total equity		141.730	130.065
Liabilities			
Loans and borrowings	5	39.833	37.010
Deferred income tax liability		2.137	2.174
Total non-current liabilities		41.970	39.184
Loans and borrowings	5	33.312	23.667
Trade and other payables		82.250	72.349
Total current liabilities		115.562	96.016
Total liabilities		157.532	135.200
Total equity and liabilities		299.262	265.265

Consolidated Statement of Changes in Equity for the six months ended 30 June 2015

	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
Changes in equity in 2014					
Equity as at 1.1.2014	8.050	78.054	1.699	42.265	130.068
Total comprehensive income for the period			2.739	1.555	4.294
Equity as at 30.6.2014	<u>8.050</u>	<u>78.054</u>	<u>4.438</u>	<u>43.820</u>	<u>134.362</u>
Total comprehensive loss for the period			2.052	(6.349)	(4.297)
Equity as at 31.12.2014	<u>8.050</u>	<u>78.054</u>	<u>6.490</u>	<u>37.471</u>	<u>130.065</u>
Changes in equity for six months ended 30 June 2015					
Equity as at 1.1.2015	8.050	78.054	6.490	37.471	130.065
Total comprehensive income for the period			7.471	4.194	11.665
Equity as at 30.6.2015	<u>8.050</u>	<u>78.054</u>	<u>13.961</u>	<u>41.665</u>	<u>141.730</u>

Consolidated Statement of Cash Flows for the six months ended 30 June 2015

	Notes	Q 1 - 2 1 January - 30 June	
		2015	2014
Cash flows from operating activities			
Operating profit		5.176	2.734
Difference between operating profit and cash from operations:			
Net gain on sale of assets .....	(	23)	(25)
Depreciation and amortisation		3.654	3.851
Cash generated from operations		8.807	6.560
Changes in working capital:			
Inventories, increase .....	(	4.107)	(12.922)
Trade and other receivables, (increase) decrease .....	(	8.183)	6.657
Trade and other payables, increase (decrease)		5.990	(2.288)
Net cash provided by (used in) operating activities		2.507	(1.993)
Interest and dividend income received		100	117
Interest and finance costs paid .....	(	1.589)	(1.500)
Income tax paid .....	(	693)	(679)
Net cash provided by (used in) operating activities		325	(4.055)
Cash flows from investing activities			
Investment in property, plant and equipment .....	(	1.846)	(915)
Proceeds from sale of property, plant and equipment		47	58
Investment in intangible assets .....	(	158)	(26)
Acquisition of subsidiaries, net of cash acquired		0	12.154)
Decrease in bonds and other long-term receivables		5	72
Net cash used in investing activities	(	1.952)	(12.965)
Cash flows from financing activities			
Long-term debt proceeds		3.545	1.353
Long-term debt repaid .....	(	2.698)	(4.993)
Short-term debt, change		8.439	2.029
Net cash provided by (used in) financing activities		9.286	(1.611)
Increase (decrease) in cash and cash equivalents		7.659	(18.631)
Effect of exchange rate fluctuations on cash held		914	820
Cash and cash equivalents at 1 January		19.902	46.552
Cash and cash equivalents at 30 June		28.475	28.741

Notes

Significant accounting policies

a. Reporting entity

Icelandic Group hf. is a company domiciled in Borgartún 27, Reykjavík, Iceland. The condensed consolidated interim financial statements of the Company as at and for the six-month period ended 30 June 2015 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities", and the Group's interest in associates. The Group is involved in manufacturing and marketing of seafood in international markets.

b. Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34, *Interim Financial Reporting*. They do not include all of the information required for a complete set of consolidated annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2014.

The Consolidated interim financial statements were approved by the Board of Directors on 27 August 2015.

c. Basis of preparation

The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2014.

The condensed consolidated interim financial statements are presented in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand.

d. Use of estimates and judgements

The preparation of condensed consolidated interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Notes, contd.:

1. Segment Reporting

Summary of the Group's segments results.

Business segments

1 January to 30 June 2015

Income Statement:	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
Sales to external customers	231.078	86.902	177	0	318.157
Inter-segment sales	6.732	4.980	2.075	(13.787)	0
Total segment revenue	<u>237.810</u>	<u>91.882</u>	<u>2.252</u>	<u>(13.787)</u>	<u>318.157</u>
Segment results	3.871	2.196	(891)	0	5.176
Net finance (costs) income	(581)	(542)	1.550	0	427
Profit before income tax	3.290	1.654	659	0	5.603
Income tax	(1.041)	(393)	25	0	(1.409)
Profit for the period	<u>2.249</u>	<u>1.261</u>	<u>684</u>	<u>0</u>	<u>4.194</u>

1 January to 30 June 2014

Income Statement:

Sales to external customers	206.496	81.651	260	0	288.407
Inter-segment sales	9.355	7.289	2.215	(18.859)	0
Total segment revenue	<u>215.851</u>	<u>88.940</u>	<u>2.475</u>	<u>(18.859)</u>	<u>288.407</u>
Segment results	3.282	2.353	(2.901)	0	2.734
Net finance costs	(358)	(529)	(91)	0	(978)
Profit (loss) before income tax	2.924	1.824	(2.992)	0	1.756
Income tax	(1.096)	(516)	1.411	0	(201)
Profit (loss) for the period	<u>1.828</u>	<u>1.308</u>	<u>(1.581)</u>	<u>0</u>	<u>1.555</u>

Notes, contd.:

2. Quarterly Summary

Summary of the Group's operating results by quarters:

	2015 Q1*	2015 Q2	Total
Sales	152.402	165.755	318.157
Cost of goods sold	(135.165)	(146.480)	(281.645)
Gross profit	17.237	19.275	36.512
Operating expenses	(15.478)	(15.858)	(31.336)
Operating profit - EBIT	1.759	3.417	5.176
Net finance costs	1.585	(1.158)	427
Profit before income tax	3.344	2.259	5.603
Income tax	(501)	(908)	(1.409)
Profit for the period	2.843	1.351	4.194

	2014 Q1*	2014 Q2	2014 Q3*	2014 Q4	Total
Sales	139.663	148.744	146.225	147.213	581.845
Cost of goods sold	(122.687)	(131.875)	(130.208)	(131.470)	(516.240)
Gross profit	16.976	16.869	16.017	15.743	65.605
Operating expenses	(15.218)	(15.893)	(14.721)	(14.672)	(60.504)
Impairment of intangibles	0	0	0	(6.715)	(6.715)
Operating profit - EBIT	1.758	976	1.296	(5.644)	(1.614)
Net finance costs	(530)	(448)	(573)	(884)	(2.435)
Profit (loss) before income tax	1.228	528	723	(6.528)	(4.049)
Income tax	(477)	276	(440)	(104)	(745)
Profit (loss) for the period	751	804	283	(6.632)	(4.794)

*Not reviewed by auditor

Notes, contd.:

3. Net finance costs

Net finance costs are specified as follows:

	2015	2014
	Q 1 - 2	Q 1 - 2
Interest income	59	129
Dividend income	50	0
Net currency gain	1.878	407
Finance income, total	<u>1.987</u>	<u>536</u>
Interest expenses	(1.560)	(1.514)
Finance costs, total	<u>(1.560)</u>	<u>(1.514)</u>
Net finance income (costs)	<u>427</u>	<u>(978)</u>

4. Income tax

Effective income tax rate for the first half of 2015 was 25.1% (2014: 11.4%). The main reason for fluctuations in effective income tax rates in the statement of comprehensive income is explained by different geographical composition of profit or loss before taxes in individual companies and periods and tax assets that are not capitalized.

5. Loans and borrowings

Loans and borrowings are specified as follows:

	Non-current borrowings	Current borrowings	Total
30.6.2015			
Currency			
GBP	30.204	953	31.157
EUR	16.061	21.634	37.695
JPY	368	3.855	4.223
ISK	70	0	70
Loans and borrowings, total	<u>46.703</u>	<u>26.442</u>	<u>73.145</u>
Current maturities of non-current liabilities	(6.870)	6.870	0
Loans and borrowings according to the statement of financial position	<u>39.833</u>	<u>33.312</u>	<u>73.145</u>
31.12.2014			
GBP	29.160	1.457	30.617
EUR	13.241	15.731	28.972
JPY	387	653	1.040
ISK	48	0	48
Loans and borrowings, total	<u>42.836</u>	<u>17.841</u>	<u>60.677</u>
Current maturities of non-current liabilities	(5.826)	5.826	0
Loans and borrowings according to the statement of financial position	<u>37.010</u>	<u>23.667</u>	<u>60.677</u>

Notes, contd.:

6. Fair values versus carrying amounts

The fair values and carrying amounts as shown in the statement of financial position, are as follows:

	30 June 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and borrowings	73.145	72.247	60.677	59.843

The fair values of other financial assets are equivalent to its carrying amounts.

7. Financial Ratios

Financial ratios for the consolidated interim financial statements:

	30.6.2015	31.12.2014
Current ratio (Current assets / Current liabilities)	1.59	1.63
Equity ratio (Total equity / (Total equity + Total liabilities))	47,4%	49,0%
Return on equity (Annualised result for the period / Average of total equity)	6,2%	-3,7%
Internal value (Total equity / Share capital)	17.61	16.16
	2015	2014
	Q 1 - 2	Q 1 - 2
EBITDA (Earnings before interest, tax, depreciation and amortisation)	8.830	6.585
EBITDA ratio (EBITDA / Sales)	2,8%	2,3%