

Icelandic Group hf.
Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2014
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 2014 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 2014 amounted to € 1.6 million. The Group's income amounted to € 288.4 million for the period. According to the statement of financial position total assets at the end of June amounted to € 286.7 million and equity amounted to € 134.4 million. The equity ratio of the Group was 46.9%.

Acquisition of subsidiaries

In January 2014 Icelandic Group hf. acquired the assets and operations of a fresh fish producer in Iceland, Ný-Fiskur hf., and at end of February the Company signed a Share Purchase Agreement of acquiring a fishing company in Iceland, Útgerðarfélag Sandgerðis ehf. The Share Purchase Agreement was executed at end of March 2014.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the six-month period ended 30 June 2014 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 2014, its assets, liabilities and consolidated financial position as at 30 June 2014 and its consolidated cash flows for the six-month period ended 30 June 2014.

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 2014 and confirm them by means of their signatures.

Reykjavík, 3 September 2014.

Board:

Herdís Dröfn Fjeldsted

Árni Geir Pálsson

Ingunn Björk Vilhjálmsdóttir

Vilhjálmur Egilsson

Ævar Agnarsson

CEO:

Magnús Bjarnason

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 2014 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, 3 September 2014.

KPMG ehf.

Sæmundur Valdimarsson

Margrét G. Flóvenz

Consolidated Statement of Comprehensive Income for the six months ended 30 June 2014

	Notes	Q 2		Q 1 - 2	
		1 April - 30 June 2014	2013	1 January - 30 June 2014	2013
Sales		148.744	155.306	288.407	307.886
Cost of goods sold		(131.875)	(138.583)	(254.562)	(273.622)
Gross profit		16.869	16.723	33.845	34.264
Operating expenses		(15.893)	(15.103)	(31.111)	(29.461)
Operating profit		976	1.620	2.734	4.803
Finance income		374	82	536	232
Finance costs		(822)	(921)	(1.514)	(2.178)
Net finance costs	4	(448)	(839)	(978)	(1.946)
Profit before income tax		528	781	1.756	2.857
Income tax	5	276	(786)	(201)	(1.688)
Profit (loss) for the period		804	(5)	1.555	1.169
Other Comprehensive income (loss)					
Items that are or may be reclassified to profit or loss					
Foreign currency translation differences for foreign operation		2.486	(3.977)	2.739	(3.724)
Other comprehensive income (loss) for the period		2.486	(3.977)	2.739	(3.724)
Total comprehensive income (loss) for the period		3.290	(3.982)	4.294	(2.555)
Profit (loss) for the period attributable to					
Equity holders of the Company		787	(5)	1.555	1.169
Total comprehensive income (loss) attributable to		3.290	(3.982)	4.294	(2.555)
Earnings per share					
Basic and diluted earnings per share (each share is 1 Icelandic króna) .		0,0006	(0,0000)	0,0011	0,0008

Consolidated Statement of Financial Position as at 30 June 2014

	Notes	30.6.2014	31.12.2013
Assets			
Property, plant and equipment		42.597	40.144
Intangible assets		69.875	55.491
Other investments		1.476	1.468
Deferred tax assets		1.104	1.139
Total non-current assets		<u>115.052</u>	<u>98.242</u>
Inventories		80.377	65.506
Trade and other receivables		62.527	66.898
Cash and cash equivalents		28.741	46.552
Total current assets		<u>171.645</u>	<u>178.956</u>
Total assets		<u><u>286.697</u></u>	<u><u>277.198</u></u>
Equity			
Share capital		8.050	8.050
Share premium		78.054	78.054
Translation reserve		4.438	1.699
Retained earnings		43.820	42.265
Total equity		<u>134.362</u>	<u>130.068</u>
Liabilities			
Loans and borrowings	6	39.250	35.986
Deferred income tax liability		2.925	2.732
Total non-current liabilities		<u>42.175</u>	<u>38.718</u>
Loans and borrowings	6	28.495	26.270
Trade and other payables		81.665	82.142
Total current liabilities		<u>110.160</u>	<u>108.412</u>
Total liabilities		<u>152.335</u>	<u>147.130</u>
Total equity and liabilities		<u><u>286.697</u></u>	<u><u>277.198</u></u>

Consolidated Statement of Changes in Equity for the six months ended 30 June 2014

	Share capital	Share premium	Translation reserve	Retained earnings	Total equity
Changes in equity in 2013					
Equity as at 1.1.2013	8.050	78.054	3.080	39.998	129.182
Total comprehensive income for the period			(3.724)	1.169	(2.555)
Equity as at 30.6.2013	<u>8.050</u>	<u>78.054</u>	<u>(644)</u>	<u>41.167</u>	<u>126.627</u>
Total comprehensive income for the period			2.343	1.098	3.441
Equity as at 31.12.2013	<u>8.050</u>	<u>78.054</u>	<u>1.699</u>	<u>42.265</u>	<u>130.068</u>
 Changes in equity for six months ended 30 June 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>

Consolidated Statement of Cash Flows for the six months ended 30 June 2014

	Notes	Q 1 - 2 1 January - 30 June	
		2014	2013
Cash flows from operating activities			
Operating profit		2.734	4.803
Difference between operating profit and cash from operations:			
Net gain on sale of assets .....	(	25)	0
Depreciation and amortisation		3.851	4.635
Cash generated from operations		6.560	9.438
Changes in working capital:			
Inventories, (increase) decrease .....	(	12.922)	3.710
Trade and other receivables, decrease (increase)		6.657	(6.221)
Trade and other payables, (decrease) increase .....	(	2.288)	4.345
Net cash (used in) provided by operating activities	(	1.993)	11.272
Interest income received		117	120
Interest and finance costs paid .....	(	1.500)	(1.940)
Income tax paid .....	(	679)	(1.470)
Net cash (used in) provided by from operating activities	(	4.055)	7.982
Cash flows from investing activities			
Investment in property, plant and equipment .....	(	915)	(3.083)
Proceeds from sale of property, plant and equipment		58	158
Investment in intangible assets .....	(	26)	(161)
Acquisition of subsidiaries, net of cash acquired	3 (	12.154)	0
Restricted cash, decrease		0	14.107
Decrease in bonds and other long-term receivables		72	89
Net cash (used in) provided by investing activities	(	12.965)	11.110
Cash flows from financing activities			
Long-term debt proceeds		1.353	1.438
Long-term debt repaid .....	(	4.993)	(3.162)
Short-term debt, change		2.029	(5.035)
Net cash used in financing activities	(	1.611)	(6.759)
(Decrease) increase in cash and cash equivalents .....	(	18.631)	12.333
Effect of exchange rate fluctuations on cash held		820	(443)
Cash and cash equivalents at 1 January		46.552	35.644
Cash and cash equivalents at 30 June		28.741	47.534

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 2014 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 2013.

The Consolidated interim financial statements were approved by the Board of Directors on 3 September 2014.

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 2013.

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 2014

Income Statement:	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
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 sales	<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>

1 January to 30 June 2013

Income Statement:

Sales to external customers	192.489	115.178	219	0	307.886
Inter-segment sales	11.689	3.688	1.586	(16.963)	0
Total segment sales	<u>204.178</u>	<u>118.866</u>	<u>1.805</u>	<u>(16.963)</u>	<u>307.886</u>
Segment results	6.199	2.339	(3.735)	0	4.803
Net finance costs	(223)	(422)	(1.301)	0	(1.946)
Profit (loss) before income tax	5.976	1.917	(5.036)	0	2.857
Income tax	(1.668)	(789)	769	0	(1.688)
Profit (loss) for the period	<u>4.308</u>	<u>1.128</u>	<u>(4.267)</u>	<u>0</u>	<u>1.169</u>

Notes, contd.:

2. Quarterly Summary

Summary of the Group's operating results by quarters:

	2014 Q1*	2014 Q2	Total
Sales	139.663	148.744	288.407
Cost of goods sold	(122.687)	(131.875)	(254.562)
Gross profit	16.976	16.869	33.845
Operating expenses	(15.218)	(15.893)	(31.111)
Operating profit - EBIT	1.758	976	2.734
Net finance costs	(530)	(448)	(978)
Profit before income tax	1.228	528	1.756
Income tax	(477)	276	(201)
Profit for the period	751	804	1.555

	2013 Q1*	2013 Q2	2013 Q3*	2013 Q4	Total
Sales	152.580	155.306	138.122	145.839	591.847
Cost of goods sold	(135.039)	(138.583)	(123.705)	(129.515)	(526.842)
Gross profit	17.541	16.723	14.417	16.324	65.005
Operating expenses	(14.358)	(15.103)	(13.328)	(15.998)	(58.787)
Operating profit - EBIT	3.183	1.620	1.089	326	6.218
Net finance costs	(1.107)	(839)	(1.172)	1.559	(1.559)
Profit (loss) before income tax	2.076	781	(83)	1.885	4.659
Income tax	(902)	(786)	(195)	(509)	(2.392)
Profit (loss) for the period	1.174	(5)	(278)	1.376	2.267

*Not reviewed by auditor

In 2014 the Group incurred restructuring costs in relation to organizational structural changes in UK operations in the amount of €3.3 million (2013: €1.1 million).

Notes, contd.:

3. Acquisition of subsidiary Business combination

In January 2014 Icelandic Group hf. acquired the assets and operations of a fresh fish producer in Iceland, Ný-Fiskur hf., for € 9.0 million. At end of February the Company signed a Share Purchase Agreement of acquiring a fishing company in Iceland, Útgerðarfélag Sandgerðis ehf., for € 3.2 million. The Share Purchase Agreement was executed at end of March 2014.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Fair value
Property, plant and equipment	3.923
Goodwill	3.605
Customer relationships	1.615
Fishing quota	8.127
Inventories	538
Trade and other receivables	194
Cash and cash equivalents	61
Loans and borrowings	(5.296)
Deferred income tax liability	(356)
Trade and other payables	(197)
Net assets	<u>12.216</u>
Satisfied by:	
Cash	<u>12.216</u>

The fair value of fishing quota is based on market prices. The fair value of property and part of plant and equipment is based on expert appraiser assessment.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date identifies adjustments to the above amounts, or any additional provisions that existed at the acquisition date, then the acquisition accounting will be revised.

Net cash outflow in respect of acquisition comprises of:

Cash consideration	12.216
Cash and cash equivalents acquired	(61)
Net cash outflow	<u>12.154</u>

The Group incurred acquisition-related costs of € 0.2 million related to external legal fees and due diligence costs. These costs have been included in operating expenses in the consolidated statement of comprehensive income.

Notes, contd.:

4. Net finance costs

Net finance costs are specified as follows:

	2014	2013
	Q 1 - 2	Q 1 - 2
Interest income	129	232
Net currency gain	407	0
Finance income, total	<u>536</u>	<u>232</u>
Interest expenses	(1.514)	(1.813)
Fair value changes on shares in other companies	0	(5)
Net currency loss	0	(360)
Finance costs, total	<u>(1.514)</u>	<u>(2.178)</u>
Net finance costs	<u>(978)</u>	<u>(1.946)</u>

5. Income tax

Effective income tax rate for the first half of 2014 was 11.4% (2013: 59.1%). 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.

6. Loans and borrowings

Loans and borrowings are specified as follows:

	Non-current borrowings	Current borrowings	Total
30.6.2014			
Currency			
GBP	29.601	4.970	34.571
EUR	15.214	14.997	30.211
JPY	447	2.434	2.881
ISK	82	0	82
Loans and borrowings, total	<u>45.344</u>	<u>22.401</u>	<u>67.745</u>
Current maturities of non-current liabilities	(6.094)	6.094	0
Loans and borrowings according to the statement of financial position	<u>39.250</u>	<u>28.495</u>	<u>67.745</u>
31.12.2013			
GBP	29.882	6.735	36.617
EUR	11.435	11.604	23.039
JPY	467	1.438	1.905
NOK	0	347	347
ISK	260	0	260
USD	88	0	88
Loans and borrowings, total	<u>42.132</u>	<u>20.124</u>	<u>62.256</u>
Current maturities of non-current liabilities	(6.146)	6.146	0
Loans and borrowings according to the statement of financial position	<u>35.986</u>	<u>26.270</u>	<u>62.256</u>

Notes, contd.:

7. Fair values versus carrying amounts

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

	30 June 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Loans and borrowings	(67.745)	(66.860)	(62.256)	(61.445)

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

8. Financial Ratios

Financial ratios for the consolidated interim financial statements:

	30.6.2014	31.12.2013
Current ratio (Current assets / Current liabilities)	1,56	1,65
Equity ratio (Total equity / (Total equity + Total liabilities))	46,9%	46,9%
Return on equity (Annualised result for the period / Average of total equity)	2,4%	1,7%
Internal value (Total equity / Share capital)	16,69	16,16
	2014	2013
	Q 1 - 2	Q 1 - 2
EBITDA (Earnings before interest, tax, depreciation and amortisation)	6.585	9.438
EBITDA ratio (EBITDA / Sales)	2,3%	3,1%