

Iceland Seafood International hf.

Condensed Consolidated
Interim Financial Statements

1 January to 30 June 2016

Iceland Seafood International hf.
Köllunarklettsvegur 2
104 Reykjavík
Iceland
Reg. no. 611088-1329

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Review Report on Interim Financial Information

To the Board of Directors and Stockholders of Iceland Seafood International hf.

We have reviewed the accompanying consolidated balance sheet of Iceland Seafood International hf. as of 30 June 2016 and the related consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's and the Board of Directors Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this interim financial information in accordance with generally accepted accounting principles in Iceland.

Auditor's responsibility

Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements, ISRE 2410. 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 interim financial information does not give a true and fair view of the financial position of the entity as at 30 June 2016, and of its financial performance and its cash flows for the six-month period then ended in accordance with generally accepted accounting principles in Iceland.

Kópavogur, Iceland, 23 August 2016.

Deloitte ehf.

Knútur Þórhallsson
State Authorized Public Accountant

The Board of Directors' and CEO's Report

Iceland Seafood International hf. is the holding company for a worldwide sales, production and marketing group for frozen, salted and fresh seafood. It is headquartered in Iceland and has operations in Iceland, the United Kingdom, France, Germany, Spain and the United States of America. The Condensed Consolidated Interim Financial Statements of Iceland Seafood International hf. are prepared in accordance with generally accepted accounting principles in Iceland.

Operations in the six month period ended 30 June 2016

The Board is pleased to report the Group's first interim results following its listing on Nasdaq's First North market in Iceland in May. During the first half of 2016 the Group has continued to benefit from its strategy of investing in higher margin value added activities whilst maintaining and developing our strong sourcing heritage in Iceland.

This has seen Group revenue of €119m (2015: €129m) generating normalised profit before tax of €1.7m up €0.6m (55%) on 2015 and net income of €1.2m up €1.1m on 2015. The increase in normalised profit before tax benefits from a combination of positive trading margins in Iceland versus a weak comparative and from a positive contribution from Havelok (the Group's UK foodservice business) which three years after its inception has now gained sufficient critical mass to deliver ongoing profits.

According to the Consolidated Balance Sheet, total assets at 30th June 2016 amounted to €78.7m compared to €85.7m in June 2015. Equity of €14.1m has increased by €6.0m since the year-end reflecting the equity injection on listing and the underlying profits of the Group in the first half of 2016. Net debt of €38.6m was €8.2m lower than the year end and €12.0m lower than June 2015.

The Company incurs costs and revenue income in a number of different currencies, including, Euro, US dollar, Sterling and Japanese Yen, where appropriate it manages currency risk via utilisation of forward contracts and hedges.

Shareholders

The Group's shares were listed on Nasdaq First North Iceland market on 25 May 2016. At the balance sheet date the number of shareholders of the Group is 176:

Statement by the Board of Directors and the CEO

It is the opinion of the Board of Directors and the CEO that these Condensed Consolidated Interim Financial Statements present all the information necessary to show the financial position of Iceland Seafood International hf. and its subsidiaries at 30 June 2016 and of its financial performance and its cash flows for the period 1 January to 30 June 2016, and confirm them with their signatures.

Reykjavík, 23 August 2016

Board of Directors

Benedikt Sveinsson
Chairman

Mark Holyoake
Board member

Ingi Jóhann Guðmundsson
Board member

CEO

Helgi Anton Eiríksson

Consolidated Income Statement 1 January to 30 June 2016

	Notes	2016 1.1. - 30.6.	2015 1.1. - 30.6.
Operating revenue	3	119.354	129.772
Cost of sales		(102.631)	(112.027)
Gross profit		16.723	17.745
Other operating expenses		(13.917)	(14.798)
Depreciation and amortization		(415)	(436)
Operating profit		2.391	2.511
Finance income		40	46
Finance costs		(811)	(1.093)
Exchange rate gain (loss)		59	(379)
Net finance costs		(712)	(1.426)
Normalized profit before tax		1.680	1.085
Exceptional cost	4	(95)	(680)
Profit before tax		1.585	405
Income tax		(409)	(187)
Profit for the period from continuing operations		1.175	218
Discontinued operations			
Loss for the period from discontinued operations, net of tax	5	(10)	(85)
Profit for the period		1.165	133
Earnings per share	6		
Earnings per share		0,0010	0,0001
Earnings per share - Continuing operations	6		
Earnings per share - Continuing operations		0,0010	0,0002

Consolidated Balance Sheet 30 June 2016

Assets	Notes	30/6/2016	31/12/2015	30/6/2015
Non-current assets				
Property and equipment		8.119	8.735	9.120
Intangible assets		9.013	9.193	9.277
Investments		48	54	7
Deferred tax asset		642	615	468
Total non-current assets		<u>17.822</u>	<u>18.596</u>	<u>18.873</u>
Current assets				
Inventories		25.178	22.893	26.776
Trade receivables		31.590	33.317	34.319
Other receivables		1.538	1.325	1.045
Cash and cash equivalents		1.989	2.475	1.971
Total current assets		<u>60.295</u>	<u>60.010</u>	<u>64.111</u>
Assets classified as held for sale		542	2.318	2.685
		<u>60.837</u>	<u>62.328</u>	<u>66.795</u>
Total assets		<u><u>78.659</u></u>	<u><u>80.924</u></u>	<u><u>85.668</u></u>
Equity and liabilities				
Equity				
Share capital	8	14.369	13.442	13.442
Share premium		3.981		
Reserves		(91)	(27)	66
Retained earnings		(4.280)	(5.445)	(5.138)
Equity attributable to equity holders of the parent		<u>13.980</u>	<u>7.970</u>	<u>8.370</u>
Minority interest associated with assets classified as held for sale		80	84	88
Total equity		<u>14.060</u>	<u>8.054</u>	<u>8.459</u>
Non-current liabilities				
Borrowings from financial institutions		1.781	2.101	2.526
Retirement benefit obligation		145	140	128
Total non-current liabilities		<u>1.925</u>	<u>2.241</u>	<u>2.654</u>
Current liabilities				
Trade and other payables		20.384	19.599	19.862
Revolving credit facilities from financial institutions	9	38.047	46.396	49.303
Current maturities of borrowings from financial institutions		729	744	763
Other liabilities		3.281	2.928	3.460
Total current liabilities		<u>62.442</u>	<u>69.666</u>	<u>73.388</u>
Liabilities associated with assets classified as held for sale		232	963	1.167
Total liabilities		<u>64.600</u>	<u>72.870</u>	<u>77.209</u>
Total equity and liabilities		<u><u>78.659</u></u>	<u><u>80.924</u></u>	<u><u>85.668</u></u>

Consolidated Statement of Changes in Equity

1 January to 30 June 2016

	Share capital	Share premium	Statutory reserve	Share option reserve	Translation reserve	Retained earnings	Attributable to owners of the parent	Minority interests	Total equity
Equity at 1 January 2016	13.442		430		(457)	(5.445)	7.970	84	8.054
Sale of shares	927	3.981					4.908		4.908
Change in fair value hedges					53		53		53
Share option charge for the period ...				13			13		13
Translation of subsidiaries					(129)		(129)		(129)
Profit for the period						1.165	1.165	(4)	1.161
Equity at 30 June 2016	14.369	3.981	430	13	(533)	(4.280)	13.980	80	14.060
Equity at 1 January 2015	13.442		430		(510)	(5.271)	8.091	296	8.387
Dividends paid								(204)	(204)
Change in fair value hedges					170		170		170
Translation of subsidiaries					(24)		(24)		(24)
Profit for the period						133	133	(4)	130
Equity at 30 June 2015	13.442		430		(364)	(5.138)	8.370	88	8.459

Consolidated Statement of Cash Flow for 1 January to 30 June 2016

	Notes	2016 1.1. - 30.6.	2015 1.1. - 30.6.
Cash flows from operating activities			
Operating profit		2.391	2.511
Depreciation and amortization		415	436
Exceptional cost		(95)	(680)
Gain on sale of property and equipment		(20)	(8)
Exchange rate difference		59	(379)
Increase/(decrease) in calculated non-current obligations and other items		59	(163)
		<u>2.810</u>	<u>1.716</u>
Working capital provided by operating activities			
(Increase)/decrease in inventories		(3.133)	(2.179)
(Increase)/decrease in operating assets		801	3.473
Increase/(decrease) in operating liabilities		1.708	(1.184)
		<u>2.186</u>	<u>1.826</u>
Cash generated from operating activities			
Finance income received		40	46
Finance costs paid		(811)	(1.093)
Taxes paid		(206)	(130)
		<u>1.210</u>	<u>649</u>
Net cash from (to) continued operations			
		<u>1.032</u>	<u>3.040</u>
Net cash from discontinued operations			
		<u>2.241</u>	<u>3.689</u>
Net cash from operating activities			
Cash flows from investing activities			
Purchase of property and equipment		(210)	(237)
Proceeds from sale of property and equipment		26	19
		<u>(184)</u>	<u>(218)</u>
Net cash (to) from investing activities			
		<u>2.057</u>	<u>3.471</u>
Net cash before financing activities			
Cash flows from financing activities			
Repayment of long term borrowings, net of any new borrowing		(186)	(377)
Drawdown (repayment) of revolving credit facility		(7.194)	(2.552)
Sale of shares, net of costs incurred in the sale of the shares		4.908	
Dividend paid to minority shareholder			(194)
		<u>(2.471)</u>	<u>(3.123)</u>
Net cash (to) from financing activities			
Net (decrease) increase in cash and cash equivalents		(413)	349
Effects of exchange rate fluctuations on cash held		(73)	48
Cash and cash equivalents at beginning of the period		2.475	1.575
		<u>1.989</u>	<u>1.971</u>
Cash and cash equivalents at end of the period			

Notes to the Consolidated Financial Statements

1. General information

Iceland Seafood International hf. (the Company) is a limited Company and is domiciled in Iceland. The address of the Company's registered office is Köllunarklettsvegur 2, 104 Reykjavík. The Condensed Consolidated Interim Financial Statements of the Company for the period 1 January to 30 June 2016 comprise the Company and its subsidiaries, together referred to as "Group". The principal activities of the Group are disclosed in the Board of Directors' and CEO's Report. The Company is listed on Nasdaq First North.

2. Basis of preparation

Statement of compliance

The Condensed Consolidated Interim Financial Statements for the period 1 January to 30 June 2016 are prepared in accordance with generally accepted accounting principles in Iceland. The Condensed Consolidated Interim Financial Statements 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 Company for the year ended 31 December 2015.

Significant accounting policies

The accounting policies have been applied consistently to all periods presented in these Condensed Consolidated Interim Financial Statements for 1 January to 30 June 2016, and have been applied consistently by all Group entities.

These Condensed Consolidated Interim Financial Statements are prepared in Euro (EUR), which is the functional currency of the Group. All amounts are presented in thousands of EUR, unless otherwise stated.

Estimates and decisions

The preparation of the Condensed Consolidated Interim Financial Statements 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. All conclusions and estimates are based on knowledge and experience and other relevant factors and make up the basis for decisions made on book value of assets and liabilities which can not be ascertained by any other mean.

Estimated fair value of employee share options is calculated using the Black Scholes method. The calculation is based on several assumptions, including share price at valuation day, exercise price, expected volatility, time of maturity and risk free interest rates.

In preparing these Condensed Consolidated Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the Consolidated Financial Statements for the year ended 31 December 2015.

3. Segment reporting

Business segments *

1 January to 30 June 2016	Iceland Division	Spain	UK Division	Other	Consolidated
Revenue	91.379	34.332	22.394	(20.197)	127.907
Inter-segment revenue	(8.544)		(9)		(8.553)
Total Revenue	82.834	34.332	22.385	(20.197)	119.354
Normalised PBT	729	1.052	591	(693)	1.680
Total assets	22.770	29.194	18.130	8.565	78.659

Notes to the Consolidated Financial Statements

3. Segment reporting (continued)

Business segments *

1 January to 30 June 2015	Iceland Division	Spain	UK Division	Other	Consolidated
Revenue	101.112	32.378	25.014	(20.361)	138.143
Inter-segment revenue	(8.158)		(214)		(8.371)
Total Revenue	92.954	32.378	24.800	(20.361)	129.772
Normalised PBT	13	1.297	289	(514)	1.085
Total assets	29.018	26.152	22.362	8.136	85.668

**Iceland Division* includes subsidiaries in; Iceland, France, Germany and United States. *Spain* includes operations in Spain. *UK Division* includes Havelok and Iceland Seafood Barraclough operations. *Other* includes the head office operation, discontinued operation in Greece and consolidation, as appropriate. *Inter-segment revenue* includes sales within the relevant divisions.

4. Exceptional cost

During the period the Group made employment termination agreements with a number of employees, following outsourcing of service activities and operational restructuring. Estimated cost associated with this amounts to EUR 95 thousands. The duration of these agreements is within one year.

5. Discontinued operations

In 2013 the Board of Directors made the decision to exit the frozen retail operation of ISG Iceland Seafood GmbH in Germany, which carried a large part of the Group's activities in Germany. The withdrawal was fully completed during the period, except from receivables of EUR 79 thousands related to sales in the period. The Company retained the fresh fish sales to non-retail customers.

During 2014 the Company sold the trading assets of Iceland Seafood Hellas S.A. in Greece. After the sale Iceland Seafood Hellas S.A. has ceased operations and has been kept as non active company from year end 2014.

6. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares issued during the period.

Basic earnings per share	2016	2015
	1.1. - 30.6.	1.1. - 30.6.
Profit for the period	1.165	133
Weighted average number of outstanding shares issued (see table below)	1.199.068	1.169.630
Basic earnings per share	<u>0,001</u>	<u>0,000</u>
	2016	2015
	1.1. - 30.6.	1.1. - 30.6.
Profit for the period - Continuing operations	1.175	218
Weighted average number of outstanding shares issued (see table below)	1.199.068	1.169.630
Basic earnings per share - Continuing operations	<u>0,001</u>	<u>0,000</u>

Notes to the Consolidated Financial Statements

6. Earnings per share (continued)

	2016	2015
Weighted average number of outstanding shares	1.1 - 30.6.	1.1 - 30.6.
Issued ordinary shares at beginning of the period	1.272.323	1.272.323
Treasury shares	(102.693)	(102.693)
Treasury shares sold in May 2016	102.693	
Issued ordinary shares in May 2016	27.265	
Outstanding shares at end of the period	1.299.588	1.169.630
Weighted average number of outstanding shares	1.199.068	1.169.630

7. Investments in subsidiaries and associates

	Country	Proportion of ownership	Principal activity
Iceland Seafood ehf.	Iceland	100,00%	Sale of seafood
Iceland Seafood S.L.	Spain	100,00%	Sale of seafood
- Union Islandia Pleamar S.L.	Spain	55,00%	Non active
Iceland Seafood Barraclough Ltd.	UK	100,00%	Sale of seafood
- F. Barraclough Ltd.	UK	100,00%	Non active
- Havelok Ltd.	UK	67,00%	Sale of seafood
Iceland Seafood France S.A.S	France	100,00%	Sale of seafood
ISG Iceland Seafood GmbH	Germany	100,00%	Sale of seafood
ISI Seafood Inc.	USA	100,00%	Sale of seafood
Iceland Seafood Hellas S.A.	Greece	66,00%	Non active

8. Share capital

	Ordinary shares	Treasury shares	Outstanding number of shares	Amount EUR (thousands)
At 1 January 2015	1.272.323.000	102.693.490	1.169.629.510	13.442
At 30 June 2015	1.272.323.000	102.693.490	1.169.629.510	13.442
At 1 January 2016	1.272.323.000	102.693.490	1.169.629.510	13.442
Treasury shares sold		(102.693.490)	102.693.490	732
Ordinary shares sold	27.265.344		27.265.344	195
At 30 June 2016	1.299.588.344		1.299.588.344	14.369

The total authorized number of ordinary shares is 1.300 million shares (31 December 2015: 1.272 million shares) with a par value of ISK 1 per share. All issued shares are fully paid. Holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share at shareholders meetings of the Company.

9. Revolving credit facility from financial institutions

The Group's main financing is a multi-currency revolving credit facility with a maximum amount of EUR 65 million. The facility is secured with pledges over inventories, receivables, intellectual property rights and shares in subsidiaries. The loan agreement was extended in January 2016 and is due for renewal in November 2018.

Notes to the Consolidated Financial Statements

10. Other matters

The Group shares were listed on the First North Iceland market on 25 May 2016. Prior to the listing, the Group issued 27.265.344 new shares and increased total share capital to ISK 1.299.588.344. The new shares and shares previously held by the Company were sold to investors prior to the listing. At the same time the largest shareholder, International Seafood Holding sarl in Luxembourg, sold 389.876.504 shares and decreased its holding to 60% with 40% held by other investors.

11. Subsequent events

There are no subsequent events to report

12. Approval of Condensed Consolidated Interim Financial Statements

The Condensed Consolidated Interim Financial Statements were approved and authorized for issue by the Company's Board of Directors on 23 August 2016.