Icelandic Group Plc.

Consolidated Financial Statements
Year Ended 31 December 2006
in EUR

Icelandic Group hf.
Borgartún 27
105 Reykjavík
Iceland

Reg. no. 461296-2119

Contents

Endorsement by the Board of Directors and the CEO

Icelandic Group´s consolidated financial statements for the year 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by EU. The financial statements comprise the consolidated financial statements of Icelandic Group Plc. (the "Company") and its subsidiaries (the "Group"), which were 33 at 31 December 2006. The financial statements of the Group are reported in euro as of 1 January 2006.

Icelandic Group Plc. is a holding company for manufacturing and marketing companies specialising in seafood on international markets.

On 1 November 2005 Icelandic Group Plc. purchased all shares in Pickenpack-Hussmann & Hahn Seafood GmbH (Pickenpack), Germany. Shareholders in Pickenpack received 585 million shares in Icelandic Group Plc. equivalent to 21.25% of total shares in Icelandic Group Plc. after the issue. Icelandic Group Plc. controlled Pickenpack´s operation from 1 January 2006 and included the company in the consolidated financial statements from that date.

Icelandic Group Plc. acquired all the shares in Saltur Holding ApS, Denmark, which owns all the shares in Jeka Fish A/S, also in Denmark. The acquisition price was paid with 135 million new shares in Icelandic Group Plc. Atlantic Cod A/S merged with Jeka Fish A/S as of 1 April 2006. Saltur Holding ApS is a part of Icelandic Group´s consolidated financial statements as of 1 April 2006. Saltur Holding ApS name was changed to Icelandic Scandinavia ApS.

Icelandic Group Plc. issued 5 million new shares in exchange for the operations of MAT Pacific in Seattle USA. The operation of MAT Pacific was taken over by a newly founded Company in Seattle, Icelandic Northwest Inc., where Icelandic Group owns 85% of shares. Icelandic Northwest is a part of Icelandic Group´s consolidated financial statements as of May 2006.

On 13 July 2006 Icelandic Group acquired plant premises, equipment, current assets and business contacts of Delpierre frozen division (previously Alfesca, now Pickenpack Gelmer SAS). The acquisition price was € 13,650 thousand. Formal takeover of the plant was 4 September 2006 and the company is included in Icelandic Group´s consolidated financial statements from that date.

The acquisition of the plant is part of a plan to restructure Icelandic Group's manufacturing operations in Europe. The production of frozen products has been transferred to Pickenpack Gelmer from Coldwater Seafood UK in Grimsby, which from now on will specialise in the manufacture of chilled and frozen ready meals. Due to the restructuring of Coldwater € 1,614 thousand has been charged to the income statement.

Reference is made to note 6 concerning the effects of the investments above on the balance sheet of Icelandic Group Plc.

Following a resolution at the Annual General Meeting of Icelandic Group Plc. held on 23 March 2006 the audit of the Group and its subsidiaries was submitted for tender. As a result KPMG was chosen the sole auditor of the Group.

Icelandic USA Inc., subsidiary of Icelandic Group plans to close the company's Cambridge, Maryland, production facility by year end 2007. The decision to close the plant is based on its ability to fill projected product manufacturing and distribution needs using the company's Newport News, Virginia, production facility and a newly completed distribution center also located in Newport News. The closure is expected to provide critical production and distribution efficiencies. € 12,733 thousand is charged to the income statement due to the restructuring.

Icelandic France SAS has gone through a restructuring process in the year 2006. The company had three offices in France; in Paris, Evry and Marseille. A decision was made to close all offices and move the operation solely to Paris. Cost due to the closures as well as inventory writedown amount to € 2,800 thousand in the year 2006.

Blue-Ice (Sjóvík ehf.) sold it´s share in a Russian shipping company during the year 2006. Loss due to the sale amounts to € 1,516 thousand.

Endorsement by the Board of Directors and the CEO, contd.:

According to the income statement loss amounted to € 11.4 million for the year The Group's income amounted to € 1,481.9 million for the year. According to the balance sheet total assets at year end amounted to € 906.7 million and stockholders´equity amounted to € 176.2 million. The equity ratio of the Group was 19.4%.

Shareholders at the year end numbered 21,122, up from 245 at the beginning of the year. At the end of the year four shareholders held over 10% of outstanding shares, they are:

	Share
Landsbanki Luxembourg S.A., Luxembourg	22.55%
FAB GmbH, Germany	20.22%
Blátjörn ehf., Reykjavík	12.85%
Isp ehf., Reykjavík	12.35%

Magnús Þorsteinsson held 10.81% share at year-end, included in the share of Landsbanki Luxembourg S.A. above, which acts as custodian bank.

The Board of Directors proposes that no dividend will be paid to shareholders. Reference is made to the financial statements regarding deployment of net loss and other changes in equity.

The Board of Directors of Icelandic Group Plc. hereby confirm the Company's consolidated financial statements for the year 2006 by means of their signatures.

Reykjavík, 1 March 2007.

Board of Directors:

Magnús Þorsteinsson
Jón Kristjánsson
Aðalsteinn Helgason
Baldur Guðnason
Steingrímur Pétursson

CEO:

Björgólfur Jóhannsson

Independent Auditors' Report

To the Board of Directors and Shareholders of Icelandic Group Plc.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Icelandic Group Plc. and its subsidiaries ("the Group"), which comprise the consolidated balance sheet as at December 31, 2006, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of Icelandic Group Plc. as of 31 December 2006, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Reykjavík, 1 March 2007.

KPMG hf.

Sæmundur Valdimarsson
Alexander G. Eðvardsson

Consolidated Income Statement for the Year 2006

	Notes	2006	2005
Sales		1,471,316	1,200,257
Cost of goods sold		(1,316,606)	(1,084,702)
Gross profit		154,710	115,555
Other operating income	7	10,587	4,761
Operating expenses	8	(160,533)	(118,057)
Share of profit of equity accounted investees		700	154
Operating profit		5,464	2,413
Finance income		2,098	(2,014)
Finance expenses		(26,103)	(19,726)
Net finance costs	13	(24,005)	(21,740)
Loss before income tax		(18,541)	(19,327)
Income tax	14.15	7,118	4,235
Loss for the year		(11,423)	(15,092)

Attributable to:

Equity holders of the Company		(11,373)	(15,092)
Minority interest		(50)	0
Loss for the year		(11,423)	(15,092)

Earnings per share:

Basic and diluted loss per share (each share is 1 Icelandic króna)	31	(0.0040)	(0.0075)

The notes on pages 10 to 40 are integral part of these consolidated financial statements

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Consolidated Balance Sheet as at 31 December 2006

	Notes	2006	2005
Assets:			
Property, plant and equipment	16-20	124,403	85,032
Intangible assets	21	256,077	171,043
Investments in equity accounted investees	22	2,057	859
Other investments	23	11,062	8,954
Bonds and other long-term receivables		3,936	7,947
Deferred tax assets	34	9,747	1,396
Total non-current assets		407,282	275,231
Inventories	24	299,157	238,596
Trade and other receivables	25.26	179,089	146,705
Cash and cash equivalents		21,222	29,883
Total current assets		499,468	415,184
Total assets		906,750	690,415
Equity:			
Share capital	27	36,912	27,570
Share premium	28	151,892	84,873
Reserves (deficit)	29.30	(12,564)	3,377
Retained earnings		0	882
Total equity attributable to equity holders of the Company		176,240	116,702
Minority interest		1	39
Total equity		176,241	116,741
Liabilities:			
Loans and borrowings	32.33	219,752	137,642
Deferred income tax liability	34	8,430	5,195
Total non-current liabilities		228,182	142,837
Loans and borrowings	32.33	342,460	296,416
Trade and other payables	36	159,867	134,421
Total current liabilities		502,327	430,837
Total liabilities		730,509	573,674
Total equity and liabilities		906,750	690,415

The notes on pages 10 to 40 are integral part of these consolidated financial statements

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Consolidated Statement of Changes in Equity

for the Year 2006

	Notes	Share capital	Share premium	Reserves (deficit)	Retained earnings	Minority interest	Total equity
2005							
Equity as at 1.1.2005		18,678	11,105	(11,803)	17,779	0	35,759
Currency fluctuations on subsidiaries not reporting in euros				12,575			12,575
Loss for the year					(15,092)		(15,092)
Total recognised income and expense				12,575	(15,092)	0	(2,517)
Dividends paid					(1,805)		(1,805)
Own shares sold		1,227	10,189				11,416
Issued share capital		7,665	63,579				71,244
Own shares with put options not excercised				2,605			2,605
Minority interest, change						39	39
Equity as at 31.12.2005		27,570	84,873	3,377	882	39	116,741
2006							
Equity as at 1.1.2006		27,570	84,873	3,377	882	39	116,741
Currency fluctuations on subsidiaries not reporting in euros				(16,535)			(16,535)
Loss for the year					(11,373)	(50)	(11,423)
Total recognised income and expense				(16,535)	(11,373)	(50)	(27,958)
Transferred from share premium			(10,491)		10,491		0
Issued share capital		9,342	77,510				86,852
Own shares with put options not excercised				594			594
Minority interest, change						12	12
Equity as at 31.12.2006		36,912	151,892	(12,564)	0	1	176,241

The notes on pages 10 to 40 are integral part of these consolidated financial statements

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Consolidated Statement of Cash Flows for the Year 2006

	Notes	2006	2005
Cash flows from operating activities:			
Operating profit		5,464	2,413
Difference between operating profit and cash from operations:			
(Gain) loss on sale of assets		(5,682)	719
Depreciation, amortisation and impairment losses	11	31,482	13,963
Share of profit of equity accounted investees		(700)	(154)
Change in operating assets and liabilities	39	(45,304)	23,319
Cash generated (used in) generated from operations		(14,740)	40,260
Interest income received		1,565	1,014
Interest expenses paid		(26,888)	(18,814)
Income tax paid		(2,770)	(3,941)
Net cash (used in) from operating activities		(42,833)	18,519
Cash flows from investing activities:			
Investment in property, plant and equipment		(26,654)	(12,051)
Proceeds from sale of property, plant and equipment		6,649	2,118
Investment in intangible assets		(15)	(2,849)
Acquisition of subsidiaries, net of cash acquired	6	3,484	(1,848)
Proceeds from sale of subsidiaries		557	0
Investment in shares in associated companies		(3,126)	0
Proceeds from sale of shares in associated companies		2,649	0
Investment in shares in other companies		0	(462)
Proceeds from sale of other companies		183	0
Dividends received from equity accounted investees		0	26
Proceeds from sale of shares in other companies		0	3,067
Increase (decrease) in bonds and other receivables		3,706	(10,062)
Net cash used in investing activities		(12,567)	(22,061)
Cash flows from financing activities:			
Minority share in capital stock		(12)	0
Dividends paid		0	(1,805)
Long-term debt proceeds		68,445	5,146
Long-term debt repaid		(39,773)	(20,880)
Short-term debt proceeds		19,534	31,994
Net cash from financing activities		48,194	14,455
(Decrease) increase in Cash and Cash Equivalents		(7,206)	10,913
Effect of Exchange Rate Fluctuations of Cash Held		(1,455)	1,883
Cash and Cash Equivalents at the beginning of the year		29,883	17,087
Cash and Cash Equivalents at the end of the year		21,222	29,883
Investing and financing activities not affecting cash flows	41		

The notes on pages 10 to 40 are integral part of these consolidated financial statements

Financial Statements of Icelandic Group Plc. 2006 All amounts are in thousands of euro

Notes to the Financial Statements

1. ***Reporting entity***

Icelandic Group Plc. is a company domiciled in Borgartún 27, Reykjavík, Iceland. The consolidated financial statements of the Company as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group´s interest in associates. The Group is involved in manufacturing and marketing of seafood in international markets (see note 5).

2. ***Basis of preparation***

(a) ***Statement of compliance***

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by EU.

The financial statements were approved by the Board of Directors on 1 March 2007.

(b) ***Basis of measurement***

The consolidated financial statements have been prepared on the historical cost basis except for the following:

* Shares in listed companies are measured at fair value
* Derivative financial instruments are measured at fair value

The methods used to measure fair values are discussed further in note 4.

(c) ***Functional and presentation currency***

The consolidated financial statements are prepared in euro, which is the Company´s functional currency for the year 2006. All financial information presented in euro has been rounded to the nearest thousand.

The Company´s functional currency for the year 2005 was the Icelandic krona. The change in functional currency from Icelandic krona to euro was made as of 1 January 2006 because of changes in the focus of the Company´s operations and primary economic environment in which the Company operates. The comparative figures for the year 2005 have been translated to euro.

(d) ***Use of estimates and judgements***

The preparation of 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. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

* Note 6 - business combinations
* Note 21 - measurement of the recoverable amounts of cash-generating units

3. *Significant accounting policies*

(a) ***Basis of consolidation***

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) *Associates (equity accounted investees)*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group’s share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group’s share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iii) *Transactions eliminated on consolidation*

Intra-group balances and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) ***Foreign currency***

(i) *Foreign currency transactions*

Transactions in foreign currencies are translated at the respective functional currencies of Group entities at exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss.

(ii) *Foreign operations*

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to euro at exchange rates at the date of transations.

3. b Contd.:

Foreign currency differences are recognised directly in equity. Since 1 January 2004, the Group´s date of transition to IFRSs, such differences have been recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to profit or loss.

c. ***Financial instruments***

(i) *Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit and loss, any directly attributable translation costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group´s contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group´s obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits.

Accounting for finance income and expenses is discussed in note 1 l.

Held-to-maturity investments

If the Group has the positive intent and ability to hold debt securities to maturity, then they are classified as held-to-maturity. Held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment losses.

Investments at fair value through profit or loss

An instrument is classified as at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchases and sale decision based on their fair value. Upon initial recognition, attributable translation costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

3. d Contd.:

(ii) *Derivative financial instruments*

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

(iii) *Economic hedges*

Hedge accounting is not applied to derivative financial instruments that economically hedge monetary assets and liabilites denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

(iv) *Share capital*

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

Repurchase of share capital

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

Put option agreements

When the Company sells treasury shares to its employees with put options, i.e. the right to sell the shares back to the Company at the purchase price, the equity is not increased. The equity will be increased if the put option is not exercised. In the financial statements the nominal value of share capital and share premium is increased, but other reserves decreased. Respectively a liability is recognised among other liabilities, amounting to the sales price of the shares in question.

Purchase of shares in the Company by employees

Some employees of the Group have received 29 million shares in the Company in 2005. When the shares were purchased the employees signed promissory notes which will expire if the employees will continue to work for the Company for five years. The cost is expensed during the same period.

(v) *Dividends*

Dividends are recognised as a decrease in equity in the period in which they are approved by the Company's shareholders.

3. Contd.:

d. ***Property, plant and equipment***

(i) *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

(ii) *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term or their useful lives. Land is not depreciated. The estimated useful lives for the current and comparative periods are as follows:

	Useful lives
Buildings	10-50 years
Ships	15 years
Other fixed assets	5-10 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

e. ***Intangible assets***

(i) *Goodwill*

Goodwill (negative goodwill) arises on the acquisition of subsidiaries and associates.

Acquisitions prior to 1 January 2004

The classification and accounting for of business combinations that occurred prior to 1 January 2004 has not been restated in preparing the Group's opening IFRS balance sheet as at 1 January 2004. In respect of acquisitions prior to this date, goodwill represents the amount recognised under the Group´s previous accounting framework, Icelandic GAAP.

Acquisitions on or after 1 January 2004

For acquisitions on or after 1 January 2004, goodwill represents the excess of the cost of the acquisition over the Group´s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Acquisitions of minority interests

Goodwill arising on the acquisition of a minority interest in a subsidiary represents the excess of the cost of the additional investment over the carrying amount of the net assets acquired at the date of exchange.

3. e Contd.:

Subsequent measurements

Goodwill is measured at cost less accumulated impairment losses. In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment.

(ii) *Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit and loss when incurred.

(iv) *Amortisation*

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

	Useful lives
Business relationship	5-15 years
Patents	3 years
Software	3 - 5 years

f. ***Inventories***

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in-first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

g. ***Impairment***

(i) *Financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

3. g Contd.:

(ii) *Non financial assets*

The carrying amount of the Group´s non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset´s recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset´s carrying amount does no exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h. ***Employee benefits***

(i) *Share-based payment transactions*

The Company entered into an agreement with some of the Group's key personnel allowing them to buy shares in the Company from the Company at market price. The agreements state that the personnel involved have the right to sell the shares back to the Company. The fair value of the agreements has been calculated according to IFRS 2 and recognised among salary and salary-related expenses and as a liability. The fair value is initially measured at grant date and spread over the period during which the employees earn the aforementioned right to sell.

i. ***Provisions***

A provision is recognised in the balance sheet if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(i) *Restructuring*

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating costs are not provided for.

3. Contd.:

j. ***Revenue***

(i) *Goods sold*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenues is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs or the possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale.

(ii) *Other operating revenue*

Other operating revenue comprises the gain on the sale of property, plant and equipment, commissions and other revenue.

k. ***Lease payments***

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expenses and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

l. ***Finance income and expense***

Finance income comprises interest income on funds invested, dividend income, changes in the fair value of financial assets at fair value through profit or loss, foreign currency gains, and gains on hedging instruments that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group´s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, unwinding of the discount on provisions, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets, and losses on hedging instruments that are recognised in profit or loss. All borrowing costs are recognised in profit or loss using the effective interest method.

3. Contd.:

m. ***Income tax expense***

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets and liabilities in a translation that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

n. ***Earnings per share***

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

o. ***Segment reporting***

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group´s primary format for segment reporting is based on business segments.

p. ***New standards and interpretations not yet adopted***

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2006, and have not been applied in preparing these consolidated financial statements:

3. p Contd.:

* IFRS 7 *Financial Instruments: Disclosures* and the *Amendment to IAS 1 Presentation of Financial Statements: Capital Disclosures* requires extensive disclosures about the significance of financial instruments for an entity´s financial position and performance, and qualitative and quantitative disclosures on the nature and extent of risks. IFRS 7 and amended IAS 1, which become mandatory for the Group´s 2007 financial statements, will require extensive additional disclosures with respect to Group´s financial instruments and share capital.

* *IFRS 8 Operating Segments* sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. If adopted by the EU, IFRS 8, which becomes mandatory for the Group's 2009 financial statements, is not expected to have any impact on the consolidated financial statements.

* *IFRIC 7 Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies* addresses the application of IAS 29 when an economy first becomes hyperinflationary and in particular the accounting for deferred tax. IFRIC 7, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.

* *IFRIC 8 Scope of IFRS 2 Share-based Payment* addresses the accounting for share-based payment transactions in which some or all of goods or services received cannot be specifically identified. IFRIC 8 will become mandatory for the Group's 2007 financial statements, with retrospective application required. The Group has not yet determined the potential effect of the interpretation.

* *IFRIC 9 Reassessment of Embedded Derivatives* requires that a reassessment of whether embedded derivative should be separated from the underlying host contract should be made only when there are changes to the contract. IFRIC 9, which becomes mandatory for the Group's 2007 financial statements, is not expected to have any impact on the consolidated financial statements.

* *IFRIC 10 Interim Financial Reporting and Impairment* prohibits the reversal of an impairment loss recognised in a previous interim period in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IFRIC 10 will become mandatory for the Group's 2007 financial statements.

* *IFRIC 11 IFRS 2 Group and Treasury Share Transactions* deals with how certain types of agreements on securities related payments shall be recognized in the financial statements of a company and its subsidiaries. If adopted by the EU, IFRIC 11 applies for accounting periods starting as of March 1, 2007.

* *IFRIC 12 Service Concession Arrangements*. If adopted by the EU, IFRIC 12 will become mandatory for the Group's 2007 financial statements. IFRIC 12 is not expected to have any impact on the consolidated financial statements of the Group.

4. ***Determination of fair values***

A number of the Group´s accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

4. Contd.:

(i) ***Property, plant and equipment***

The fair value of property, plant and equipment recognised as a result of a business combination is based on market values. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm´s length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of items of plant, equipment, fixtures and fittings is based on the quoted market prices for similar items.

(ii) ***Intangible assets***

The fair value of patents and trademarks acquired in a business combination is based on the discounted estimated royalty payments that have been avoided as a result of the patent or trademark being owned. The fair value of other intangible assets is based on the discounted cash flows expected to be derived form the use and eventually sale of the assets.

(iii) ***Inventory***

The fair value of inventory acquired in a business combination is determined based on its estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventory.

(iv) ***Trade and other receivables***

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(v) ***Derivatives***

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The fair value of interest rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

(vi) ***Non-derivative financial liabilities***

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(vii) ***Share-based payment transactions***

The fair value of employee stock options is measured using a binomial lattice model. The fair value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, excercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

Segment Reporting

5. Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group´s management and internal reporting structure.

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets, liabilities and cash flow include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly investments and related revenue, loans and borrowings and related expenses, head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Business segments

Companies that process seafood into value added products are grouped as production companies. Sales- and marketing companies are companies that handle the sales and marketing of seafood without further processing. Holding and service companies are the parent company and companies that provide logistic and quality service to other group companies.

Geographical segments

In presenting information on the basis of geographical segments, segment revenues and segment assets are based on the geographical location of the assets.

Business segments

2006	Production companies	Sales and marketing companies	Holding and servicing companies	Eliminations	Consolidated
Sales to external customers	1,085,135	357,870	28,311	0	1,471,316
Inter-segment sales	121,173	130,983	7,021	(259,177)	0
Total segment sales	1,206,308	488,853	35,332	(259,177)	1,471,316
Segment result	(172)	4,306	630		4,764
Net finance costs	(20,981)	(5,670)	2,646	0	(24,005)
Share of profit of equity accounted investees	32	0	668	0	700
(Loss) profit before income tax	(21,121)	(1,364)	3,944	0	(18,541)
Income tax	7,396	(199)	(79)		7,118
(Loss) profit for the year	(13,725)	(1,563)	3,865	0	(11,423)
Segment assets	545,785	167,729	380,918	(187,682)	906,750
Segment liabilities	556,612	174,975	163,113	(164,191)	730,509
Capital expenditure	17,037	2,655	230	0	19,922
Depreciation	28,492	1,119	305	0	29,916
Amortisation of intangible assets	1,540	26	0	0	1,566

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5. Contd.:

2005	Production companies	Sales and marketing companies	Holding and servicing companies	Eliminations	Consolidated
Sales to external customers	790,952	395,521	13,784	0	1,200,257
Inter-segment sales	21,073	133,624	8,522	(163,219)	0
Total segment sales	812,025	529,145	22,306	(163,219)	1,200,257
Segment results	3,311	257	(1,309)	0	2,259
Net finance costs	(12,539)	(2,477)	(6,724)	0	(21,740)
Share of profit of equity accounted investees	0	0	154	0	154
Loss before income tax	(9,228)	(2,220)	(7,879)	0	(19,327)
Income tax	4,107	(655)	783	0	4,235
Loss for the year	(5,121)	(2,875)	(7,096)	0	(15,092)
Segment assets	437,550	193,435	268,492	(209,062)	690,415
Segment liabilities	349,617	165,781	144,462	(86,186)	573,674
Capital expenditure	13,925	639	336	0	14,900
Depreciation	8,504	1,386	159	0	10,049
Amortisation of intangible assets	483	85	48	0	616
Impairment losses on intangible assets	321	2,977	0	0	3,298

Geographical segments

2006	USA	UK	Europe without UK	Asia	Eliminations	Consolidated
Sales	368,880	487,006	539,229	335,378	(259,177)	1,471,316
Segment assets	149,643	195,578	658,472	90,739	(187,682)	906,750
Capital expen- diture	4,684	6,557	6,941	1,740	0	19,922

2005	USA	UK	Europe without UK	Asia	Eliminations	Consolidated
Sales	335,498	419,135	277,130	331,713	(163,219)	1,200,257
Segment assets	179,836	213,183	379,944	126,514	(209,062)	690,415
Capital expen- diture	1,853	11,930	991	126	0	14,900

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Changes within the Group

6. On 1 November 2005 Icelandic Group Plc. purchased all shares in Pickenpack-Hussmann & Hahn Seafood GmbH (Pickenpack), Germany. Shareholders in Pickenpack received 585 million shares in Icelandic Group Plc., equivalent to 21.25% of total shares in Icelandic Group Plc. after the issue. The fair value of these shares amounted to € 72,804 thousand, based on quoted shares. Icelandic Group Plc. controlled Pickenpack´s operation from 1 January 2006 and included the company in the consolidated financial statements from that date.

The subsidiary Icelandic Packaging ehf. purchased in March all shares in Valdimar Gíslason hf. The purchase price amounted to € 2,694 thousand, taking into consideration cash and cash equivalents. The companies were merged under the name VGI ehf. at 1 April 2006.

At the beginning of April 2006 Icelandic Group Plc. purchased all shares in Saltur Holdings ApS (now Icelandic Scandinavia ApS), Denmark. Shareholders in Saltur Holdings ApS received 135 million shares in Icelandic Group Plc. The fair value of these shares amounted to € 13,558 thousand, based on quoted shares. Saltur Holdings ApS is included in the consolidated financial statements from 1 April 2006.

Icelandic Group Plc. issued 5 million new shares in exchange for the operations of MAT Pacific in Seattle USA. The fair value of these shares amounted to € 490 thousand, based on quoted shares. The operation of MAT Pacific was taken over by a newly founded Company in Seattle, Icelandic Northwest Inc., where Icelandic Group owns 85% of shares. Icelandic Northwest is a part of Icelandic Group´s consolidated financial statements as of May 2006.

On 13 July 2006 Icelandic Group acquired plant premises, equipment, current assets and business contacts of Delpierre frozen division (previously Alfesca now Pickenpack Gelmer SAS). The total acquisition price is € 13,650 thousand. Formal takeover of the plant took place 4 September 2006 and the company is included in Icelandic Group´s consolidated financial statements from that date.

In the table below are shown the effects of the purchase of Pickenpack - Hussmann & Hahn Seafood GmbH, Pickenpack Gelmer SAS, Icelandic Scandinavia ApS (earlier Saltur Holding ApS), Valdimar Gíslason ehf. and Icelandic Northwest Inc. on the Group's balance sheet. The goodwill recognised on the acquisition is attributable mainly to the skills and technical talent of the business´s work force and the synergies expected to be achieved from integrating the companies into the Group´s existing business.

Pickenpack Hussmann & Hahn GmbH	Pre-acq. carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	21,861	18,321	40,182
Intangible assets	440	30,329	30,769
Inventories	25,345	0	25,345
Trade and other receivables	31,099	0	31,099
Cash and cash equivalents	4,452	0	4,452
Non-current liabilities	(7,852)	(6,840)	(14,692)
Current liabilities	(89,708)	0	(89,708)
Net identifiable assets and liabilities	(14,363)	41,810	27,447
Goodwill on aquisition			46,038
Consideration paid, settled with shares			(72,804)
Cash aquired			(4,452)
Acquisition of subsidiaries, net of cash acquired			(3,771)

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6. Contd.:

Valdimar Gíslason ehf.	Pre-acq. carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	58		58
Inventories	812		812
Trade and other receivables	799		799
Cash and cash equivalents	263		263
Non-current liabilities	(821)		(821)
Current liabilities	(780)		(780)
Net identifiable assets and liabilities	331	0	331
Goodwill on aquisition			2,363
Purchase price			2,694
Short term borrowings			(2,677)
Cash aquired			(263)
Acquisition of subsidiaries, net of cash acquired			(246)

Icelandic Scandinavia ApS	Pre-acq. carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	4,199	542	4,741
Intangible assets	8,176	6,404	14,580
Inventories	9,387		9,387
Trade and other receivables	5,914		5,914
Cash and cash equivalents	71		71
Non-current liabilities	(9,950)		(9,950)
Current liabilities	(16,900)		(16,900)
Net identifiable assets and liabilities	897	6,946	7,843
Goodwill on aquisition			5,740
Purchase price			13,583
Consideration paid, settled with shares			(13,558)
Cash aquired			(71)
Acquisition of subsidiaries, net of cash acquired			(46)

Icelandic Northwest Inc.	Pre-acq. carrying amounts	Fair value adjustments	Recognised values on acquisition
Intangible assets	0	1,033	1,033
Trade and other receivables	51	0	51
Net identifiable assets and liabilities	51	1,033	1,084
Minority interest			(14)
Purchase price			1,084
Settled with shares			(490)
Acquisition of subsidiaries, net of cash acquired			580

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6. Contd.:

Pickenpack Gelmer SAS	Pre-acq. carrying amounts	Fair value adjustments	Recognised values on acquisition
Property, plant and equipment	7,250	2,272	9,522
Inventories	12,221		12,221
Non-current liabilities	0	(743)	(743)
Current liabilities	(5,821)		(5,821)
Net identifiable assets and liabilities	13,650	1,529	15,179
Negative goodwill			(1,529)
Purchase price			13,650
Short term borrowings			(13,650)
Acquisition of subsidiaries, net of cash acquired			0

Other income

7. Other income is specified as follows:

	2006	2005
Gain on sale of assets	3,528	205
Recognition of negative goodwill	1,789	0
Commission and other revenues	5,270	4,556
Other operating income, total	10,587	4,761

Operating expenses

8. Operating expenses are specified as follows:

Salaries and salary-related expenses	59,765	46,586
Other operating expenses	84,382	66,171
Depreciation of operating assets, amortisation and impairment losses	16,386	5,300
Total operating expenses	160,533	118,057

9. Salaries and salary-related expenses are specified as follows:

Salaries	139,753	93,789
Salary-related expenses	21,141	15,015
Total salaries and salary-related expenses	160,894	108,804
Average number of employees (full year equivalents)	4,781	3,172
Positions with the Group at the end of the year	4,638	3,293

Salaries and salary-related expenses are allocated as follows on items in the income statement:

Cost of goods sold	101,129	62,218
Operating expenses	59,765	46,586
Total salaries and salary-related expenses	160,894	108,804

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10. Salaries and fringe benefits paid to the Board of Directors and key management for their work for companies within the group, their put options and ownership in the Company are specified as follows:

	Salaries and benefits	Number of shares at year-end, in million
Board of Directors:		
Magnús Þorsteinson, Chairman of the Board	15.4	312.9
Gunnlaugur Gunnlaugsson, former Chairman of the Board	25.7	
Aðalsteinn Helgason, Board Member	10.6	
Baldur Örn Guðnason, Board Member	13.7	108.4
Jón Kristjánsson, Board Member	13.7	
Páll Magnusson, alternitive Board Member	2.4	
Steingrímur H. Pétursson, alternitive Board Member	2.1	
Illugi Gunnarsson, former Board Member	10.3	
Managing Directors:		
Björgólfur Jóhannsson, CEO	289.0	
Ellert Vigfússon, CEO of Icelandic USA/Asía	210.9	
Finnbogi Baldvinsson, CEO of Icelandic Europe	350.0	604.6
Ævar Agnarsson, CEO of Icelandic USA Inc.	209.6	6.9
Agnar Friðriksson, former CEO of Icelandic Group UK Ltd.	122.2	
Gunnar Svavarsson, former CEO	264.0	
Magnús Gústafsson, former CEO of Icelandic USA Inc.	312.9	
Þórólfur Árnason, former CEO	239.9	

Included in the above list of shares held by management and directors are shares held by spouse and dependent children, as well as shares held by companies controlled by them.

Several employees of the Group have received 29 million shares in the Company. When the shares were purchased the employees signed promissory notes which will expire if the employees will continue to work for the Company for five years.

Two CEO´s quit their position with the Company during the year 2005. The Company entered into a retirement agreement with Gunnar Svavarsson. According to the agreement Gunnar will be paid his base salary until the end of May 2007. Þórólfur Árnason left his position in October 2005. According to his employment agreement he kept his base salary until the end of October 2006. A salary commitment due to the retirements amounts to € 89 thousand at year end.

The Company has concluded put option agreements with key employees which obligates the Company to buy back these shares from 10 August 2007 to 10 September 2007 at the rate of ISK 6.4, if the employees so wish.

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11. The Group's depreciation charge in the income statement is specified as follows:

	2006	2005
Depreciation of operating assets, see note 16	29,916	10,049
Amortisations of intangible assets, see note 21	1,566	616
Impairment of intangible assets, see note 21	0	3,298
Total	31,482	13,963

Depreciation is allocated as follows on operating items:

Cost of goods sold	15,096	8,663
Operating expenses	16,386	5,300
Total	31,482	13,963

Auditors' Fees

12. Auditors' fees are specified as follows:

Audit of the financial statements	933	578
Review of interim financial statements	133	218
Other services	142	282
Total auditors' fees	1,208	1,078
Thereof remuneration to others than KPMG in Iceland	1,089	937

Net finance costs

13. Net finance costs are specified as follows:

Interest income	1,277	1,232
Dividend income	56	116
Fair value changes on shares in other companies	2,280	(3,362)
Loss on sale of shares	(1,515)	0
Finance income, total	2,098	(2,014)
Interest expenses	(31,964)	(20,098)
Currency gain	5,861	372
Finance expenses, total	(26,103)	(19,726)
Net finance expenses, total	(24,005)	(21,740)

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Income tax

14. Income tax recognised in the income statement are specified as follows:

	2006	2005
Income tax payable for the year	3,912	616
Deferred income tax expense:		
Origination and reversal of temporary differences	(6,124)	2,208
Benefit of tax losses recognized	(4,906)	(7,059)
Deferred tax expense total	(11,030)	(4,851)
Total income tax in the income statement	(7,118)	(4,235)

15. Effective tax rate is specified as follows:

		2006		2005
Loss before income tax		(18,541)		(19,237)
Income tax using Icelandic corporation tax rate	18.0%	3,337	18.0%	3,463
Effect of tax rate in foreign juridictions	23.0%	4,265	10.7%	2,058
Impact of associates	0.0%	0	0.2%	39
Non-deductable expenses	(2.8%)	(522)	(8.0%)	(1,517)
Other items	0.2%	38	1.0%	192
Effective tax rate	38.4%	7,118	21.9%	4,235

Property, plant and equipment

16. Property, plant and equipment and their depreciation is specified as follows:

Gross carrying amount	Buildings and land	Other operating assets	Total
Balance at 1 January 2005	35,760	88,267	124,027
Acquisition and purchases during the year	6,276	19,443	25,719
Disposals	(1,835)	(5,942)	(7,777)
Exchange rate differences	12,223	14,945	27,168
Balance at 31 December 2005	52,424	116,713	169,137
Purchases during the year	10,551	16,103	26,654
Disposals	(8,889)	(16,700)	(25,589)
Acquisition	25,978	26,742	52,720
Exchange rate differences	(2,101)	(3,667)	(5,768)
Balance at 31 December 2006	77,963	139,191	217,154

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16. Contd.:

Depreciation and impairment losses	Buildings and land	Other operating assets	Total
Balance at 1 January 2005	9,582	54,923	64,505
Acquisitions through business combinations	26	1,630	1,656
Depreciation	1,283	8,766	10,049
Disposals	(308)	(5,159)	(5,467)
Exchange rate differences	3,688	9,674	13,362
Balance at 31 December 2005	14,271	69,834	84,105
Acquisitions through business combinations	673	2,459	3,132
Depreciation	12,813	17,103	29,916
Disposals	(6,590)	(14,311)	(20,901)
Exchange rate differences	(1,106)	(2,395)	(3,501)
Balance at 31 December 2006	20,061	72,690	92,751
Carrying amounts			
1.1.2005	26,178	33,344	59,522
31.12.2005	38,153	46,879	85,032
31.12.2006	57,902	66,501	124,403
Depreciation ratios	2-10%	10-20%	

Financing leases

17. Equipment and machinery for which the company has concluded lease agreements are capitalized despite the ownership right of the lessor according to the agreements. The remaining balance of the lease agreements amounted to € 1,645 thousand at year-end 2006 (2005: € 7,450 thousand).

Operating leases

18. The company has entered into operating lease contracts for machinery and production equipment. Commitments form these contracts amount to € 19,136 thousand at year-end (2005: € 1,745 thousand) and they are not included in the balance sheet.

The increase in due to Icelandic USA´s restructuring its cold store and distribution logistics.

Mortgages and Guarantees

19. Mortages and guarantees for debt with a remaining balance of € 115,848 thousand (2005: € 94,402 thousand) were registered against the Group´s assets at year-end 2006.

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Insurance value

20. Insurance and book value at year-end 2006 were as follows:

	2006	2005
Insurance value of buildings	122,819	77,782
Book value of buildings	57,902	38,153
Insurance value of other operating assets	161,830	85,340
Book value of other operating assets	66,501	46,879

Intangible assets

21. The Group's intangible assets are specified as follows:

	Goodwill	Trademarks	Business relationships	Other intangible assets	Total
Cost					
Balance at 1.1 2005	65,887	12	180	2,271	68,350
Acquisitions during the year	90,991	6,443	2,297	937	100,668
Disposals	(154)	0	0	(667)	(821)
Exchange rate differences	6,869	325	127	213	7,534
Balance at 31.12.2005	163,593	6,780	2,604	2,754	175,731
Purchases during the year		15			15
Acquisitions during the year	59,486	22,791	14,817	1,367	98,461
Disposals	(5,316)	(4)	12	(155)	(5,463)
Exchange rate differences	(8,113)	(688)	(267)	(146)	(9,214)
Balance at 31.12.2006	209,650	28,894	17,166	3,820	259,530
Amortisations and impairment losses					
Balance at 1.1.2005	120	0	48	1,081	1,249
Amortisation for the year	0	0	193	423	616
Impairment loss	3,298	0	0	0	3,298
Disposals	164	0	15	114	293
Exchange rate difference	(51)	0	0	(717)	(768)
Balance at 31.12.2005	3,531	0	256	901	4,688
Amortisation for the year	0	2	1,038	526	1,566
Disposals	(3,200)	6	2	501	(2,691)
Exchange rate differences	(34)	0	(46)	(30)	(110)
Balance at 31.12.2006	297	8	1,250	1,898	3,453
Carrying amounts					
1.1.2005	65,767	12	132	1,190	67,101
31.12.2005	160,062	6,780	2,348	1,853	171,043
31.12.2006	209,353	28,886	15,916	1,922	256,077
Depreciations ratios			10-20%	4-15%	

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21. Contd.:

Impairment test

For the purpose of impairment testing, goodwill is allocated to the Group's operating entity's which represent the lowest level within the Group, at which the goodwill is monitored for internal management purposes. The Goodwill is tested annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:

Pickenpack Hussmann & Hahn GmbH	44,639
Seachill Ltd.	58,553
Icelandic USA Inc.	51,607
Sjóvík ehf.	28,796
Icelandic Scandinavia ApS	12,971
Coldwater UK Ltd.	10,025
VGI ehf.	2,432
Fiskval ehf.	330
Total goodwill	209,353

The operating value of each unit in use was determined by discounting the future cash flow generated from the continuing use of the unit and was based on the following key assumptions:

Cash flows were projected based on five year business plan for each unit approved by management. Cash flows for future periods are extrapolated using a constant growth rate.

The anticipated annual real revenue growth rate in the cash flow projection was 2% to 10% for the years 2007 to 2011 and 2% for the future growth rate.

The discount rate of 7% to 11% was applied in determining the value of the cash flow. The discount rate was estimated based on the companies weighted average cost of capital which was based on an industry average of debt leveraging.

Impairment tests for cash-generating units containing goodwill and trademarks

All the carrying amount of goodwill is related to the production companies.

Trademarks purchased and aquired are capitalised by the Group´s production companies.

Equity accounted investees

22. The carrying amount of the Group's investments in equity accounted investees are specified as follows:

	Share	2006	Share	2005
Maru Seafood P/F, Faroe Islands	33.0%	1,879	50.0%	859
Coldwater Shellfish Ltd., UK	50.0%	0	50.0%	0
Clarke Icelandic Partners Ltd., Canada	50.0%	178	-	0
Total investments in associates		2,057		859

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22. Contd.:

At year-end the Group's accumulated share in the loss of Coldwater Shellfish Ltd. is higher than the carrying amount, there for the carrying amount is reduced to nil. The difference reduces a loan to the company.

Financial informations on equity accounted investees 2006 - 100%:

	Assets	Liabilities	Equity	Income	Profit (loss)
Maru Seafood P/F, Faroe Islands	36,226	(30,632)	5,594	26,202	(162)
Coldwater Shellfish Ltd., UK	1,810	(2,793)	(983)	4,626	64
Clarke Icelandic Partners Ltd. Can ..	781	(425)	356	2,025	1,575
Total	38,817	(33,850)	4,967	32,853	1,477

Financial informations on equity accounted investees 2005 - 100%:

	Assets	Liabilities	Equity	Income	Profit
Maru Seafood P/F, Faroe Islands	4,551	(2,779)	1,772	12,051	205
Coldwater Shellfish Ltd., UK	2,054	(3,101)	(1,047)	5,159	92
Total	6,605	(5,880)	725	17,210	297

Investments in other companies

23. The Group's investments in other companies is specified as follows:

	2006		2005	
	Share	Carrying amount	Share	Carrying amount
Fishery Product International Ltd., Canada	15.8%	10,868	14.9%	8,592
Other companies (7/7)		194		362
Total investments in other companies		11,062		8,954

Inventories

24. Inventories are specified as follows:

	2006	2005
Raw material and work in process	154,857	119,506
Finished goods	144,300	119,090
Total inventories	299,157	238,596

All amounts are in thousands of euro

Trade and other receivables

25. Trade and other receivables are specified as follows:

	2006	2005
Trade receivables	159,291	124,862
Other receivables	15,686	16,767
Prepaid expenses	4,112	5,076
Total trade and other receivables	179,089	146,705

26. Provision for losses on trade and other receivables are specified as follows:

	2006	2005
Provision at 1 January	2,054	1,501
Actual losses during the year	(266)	(128)
Provision for the year	656	501
Exchange rate difference	(84)	180
Provision at 31 December	2,360	2,054

Equity

27. ***Issued shares***

The Company's total number of shares according to its Articles of Association are 2,893 million (2005: 2,168 million). Issued shares at year-end numbered 2,893 million (2005: 2,168 million) and is all paid for. The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share of one ISK at meetings of the Company.

The Company concluded put option agreements with key employees in the year 2004. The agreements allowed the employees to purchase shares in the Parent Company at market value from the Company. The employees have put option on the shares which allows them to sell them back to to Company according to clauses in the agreements. The total number of shares in question amounts to 15 million (2005: 26 million) at the rate of ISK 6.4. The price of the put option amounts to € 853 thousand (2005: €2,000 thousand) and therefore equity is reduced by this amount and a liability is recognized.

28. ***Share premium***

Share premium represents excess of payments above nominal value (ISK 1 per share) that shareholders have paid for shares sold by the Company. According to Icelandic Companies Act, 25% of the nominal share capital must be held in reserve which can not be paid out as dividend to shareholders.

29. ***Translation reserve***

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

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30. ***Other reserves***

Other reserves are specified as follows:	2006	2005
Own shares sold with put options	(852)	(1,446)
Translation reserve	(12,085)	4,450
Statutory reserve	373	373
Other reserves total	(12,564)	3,377

Earnings per share

31. The calculation of basic earnings per share was based on the profit attributable to shareholders of the parent company and a weighted average number of shares outstanding during the year calculated as follows:

Basic earnings per share:

	2006	2005
Loss for the year attributable to equity holders of the parent	(11,373)	(15,092)
Shares at the beginning of the year	2,168,091	1,452,621
Effect of purchased and sold own shares	0	49,381
Share increase in January, April and May 2006 / March 2005	689,488	513,923
Weighted average number of ordinary shares	2,857,579	2,015,925
Loss per share of ISK 1	(0.0040)	(0.0075)

Diluted earnings per share is equal to basic earnings per share as the company has not entered into share options agreements and has no convertible loans.

Loans and borrowings

32. Loans and borrowings are specified as follows:

2006

Currency	Non-current liabilities	Current liabilities	Total
EUR	128,681	92,225	220,906
USD	11,375	127,230	138,605
GBP	92,424	36,256	128,680
DKK	13,913	11,089	25,002
JPY	3,930	17,945	21,875
CHF	802	11,140	11,942
CAD	0	8,567	8,567
NOK	0	3,370	3,370
ISK	1,697	84	1,781
SEK	0	1,484	1,484
Loans and borrowings, total	252,822	309,390	562,212
Current maturities of non-current liabilities	(33,070)	33,070	0
Loans and borrowings according to the balance sheet	219,752	342,460	562,212

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32. Contd.:

2005	Non-current liabilities	Current liabilities	Total
USD	48,637	117,184	165,821
GBP	96,141	33,978	130,119
EUR	7,516	63,807	71,323
JPY	336	30,326	30,662
ISK	2,867	17,036	19,903
CAD	0	9,075	9,075
CHF	335	2,765	3,100
NOK	0	2,631	2,631
SEK	0	1,424	1,424
Loans and borrowings, total	155,832	278,226	434,058
Current maturities of non-current liabilities	(18,190)	18,190	0
Loans and borrowings according to the balance sheet	137,642	296,416	434,058

33. Non-current loans and borrowings are payable as follows:

	2006	2005
Year 2006	-	18,190
Year 2007	33,070	12,157
Year 2008	14,837	18,320
Year 2009	27,742	23,696
Year 2010	63,721	21,288
Year 2011	40,654	21,288
Subsequent	72,798	40,893
Non-current loans and borrowings including current maturities	252,822	155,832

Deferred tax asset and liabilities

34. Deferred tax asset and liabilities are specified as follows:

	Deferred tax assets	Deferred tax liability	Total
Balance at 1.1.2005	0	3,122	3,122
Deferred tax liability acquired	0	3,144	3,144
Income tax	(1,283)	(2,952)	(4,235)
Income tax payable 2006 on 2005 activities	0	(631)	(631)
Exchange rate difference, prepaid tax and other changes	(113)	2,513	2,400
Balance at 31.12.2005	(1,396)	5,196	3,800
Deferred tax liability acquired	0	7,646	7,646
Income tax	(8,309)	1,191	(7,118)
Income tax payable 2007 on 2006 activities	0	(3,912)	(3,912)
Exchange rate difference, prepaid tax and other changes	(42)	(1,691)	(1,733)
Balance at 31.12.2006	(9,747)	8,430	(1,317)

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34. Contd.:

The deferred income tax liability is attributable to the following items:

	2006	2005
Property, plant and equipment	9,335	7,464
Intangible assets	2,856	3,249
Shares in other companies	0	(671)
Tax losses carried forward	(8,830)	(5,558)
Other items	(4,678)	(684)
Net income tax (asset) liability at year-end	(1,317)	3,800

Restructuring

35. Icelandic USA Inc., subsidiary of Icelandic Group, has decided to close the company's Cambridge, Maryland, production facility by year end 2007. The decision to close the plant is based on its ability to fill projected product manufacturing and distribution needs using the company's Newport News, Virginia, production facility and a newly completed distribution center also located in Newport News. Looking to the future, the closure is expected to provide critical production and distribution efficiencies. € 12,733 thousand is charged to the income statement. The closing will result in a much improved cost structure for Icelandic USA.

The production of frozen products has been transferred to Pickenpack Gelmer, France, from Coldwater Seafood UK in Grimsby, which from now on will specialise in the manufacture of chilled and frozen ready meals. Due to the restructuring of Coldwater € 1,614 thousand has been charged to the income statement.

Icelandic France SAS has gone through a restructuring process in the year 2006. The company had three offices in France; in Paris, Evry and Marseille. A decision was made to close all offices and move the operation solely to Paris. Cost due to the closures as well as inventory write down amount to 2,800 thousand in the year 2006.

Trade and other payables

36. Trade and other payables are specified as follows:

	2006	2005
Trade payables	114,710	102,363
Taxes for the year	256	631
Other payables	44,901	31,427
Total trade and other payables	159,867	134,421

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Risk management

37. Risk due to inventories, receivables, interest rate and currency risk is a part of normal operations of the Group's. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates and interest rates.

Inventory risk

Management constantly monitors the ageing and the market value of inventories. Inventories are regularly valued at net realisable value.

Credit risk

Management monitors credit risk on an ongoing basis. Credit evaluations are performed periodically and necessary provisions are recognized if believed that receivables are not collectible.

Foreign currency risk

The Company´s policy is to limit its foreign currency risk by having each group company conducting their currency combinations of assets and liabilities according to the cash flows from operating activities.

Interest rate risk

Part of the Group long-term interest rates have been fixed by using financial derivatives.

Financial instruments and fair values

38. The fair values of financial assets and liabilities is not significantly different than the carrying amounts shown in the balance sheet.

Statement of Cash Flows

39. Changes in operating assets and liabilities in the statement of cash flows are specified as follows:

	2006	2005
Inventories, increase	(17,844)	(8,393)
Trade and other receivables, decrease	15,170	11,371
Trade and other payables, (decrease) increase	(42,630)	20,341
Net changes in working capital	(45,304)	23,319

All amounts are in thousands of euro

40. Cash flows from operating activities are specified as follows:

	2006	2005
Loss for the year	(11,423)	(15,092)
Difference between loss and cash flows from operations:		
Profit (loss) from sales of assets	(3,857)	719
Depreciations, amortisation and impairment losses	31,482	13,963
Profit of equity accounted investees	(700)	(154)
Income tax	(12,784)	(4,890)
Other items	(3,823)	1,733
Net changes in working capital	(1,105)	(3,721)

41. Investing and financing activities not affecting cash flows:

Investments in subsidiaries	(104,496)	(82,660)
Issue of share capital	86,852	82,660
Short-term borrowings	17,644	0

Related parties

42. ***Identity of related parties***

The Group has a related party relationship with its subsidiaries, associates, and with its directors and executive officers.

Transactions with key management personnel

Directors of the Company and their relatives control 20.5% of the voting shares of the Company. Members of the Group's key management hold options to sell 15 million (2005: 29 million) shares to the Company.

Other related party transactions

Associates

During the year ended 31 December 2006, associates purchased goods from the Group in the amount of € 843 thousand (2005: € 821 thousand) and at 31 December 2006 associates owed the Group € 3,931 thousand (2005: € 2,108 thousand) and the Group owed associates € 898 thousand (2005: € 1,705 thousand). The Group purchased goods and services from associates in the amount of € 10,356 thousand (2005: € 8,650 thousand). Transactions with associates are priced on an arm's length basis. During the year ended 31 December 2006, the associated companies paid no dividend (2005: € 26 thousand) to the Group.

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Group entities

43. Subsidiaries numbered 33 at year-end (2005: 26) and are all included in the consolidated financial statements. They are:

	Share		Share
Coldwater Seafood (UK) Ltd., UK	100%	Icelandic UK Ltd., UK	100%
Dalian Three Star Seafood Co. Ltd, China	98%	Icelandic USA Inc., USA	100%
Danberg ehf., Iceland	100%	IFP Trading Ltd., UK	100%
Ecomsa S.A., Spain	100%	Jeka Fish AS, Denmark	100%
Fiskval ehf., Iceland	100%	Marinus ehf., Iceland	100%
Gadus B.V., The Netherlands	100%	OTO L.L.C., USA	100%
Icelandic Asia Inc., S-Korea	100%	Pickenpack Assets GmbH, Ger	100%
Icelandic China Trading Co. Ltd., China	100%	Pickenpack Gelmer SAS, France	100%
Icelandic France S.A.S., France	100%	Pickenpack H&H GmbH, Ger	100%
Icelandic Group UK Ltd., UK	100%	Pickenpack H&H S.a.r.l., France	100%
Icelandic Holding Germany GmbH, Germany	100%	Seachill Ltd., UK	100%
Icelandic Iberica S.A., Spain	100%	Sjóvík ehf. (Blue-Ice), Iceland	100%
Icelandic Japan K.K., Japan	100%	Unifish ehf. a.v., Iceland	100%
Icelandic Norway AS, Norway	100%	VGI ehf., Iceland	100%
Icelandic Northwest Inc., USA	85%	Verwaltungg. HFP GmbH, Ger	100%
Icelandic Scandinavia ApS, Denmark	100%	Westfalia-Strenz F. GmbH, Ger	100%
Icelandic Services ehf., Iceland	100%		

Icelandic Germany GmbH was merged with Pickenpack Hussmann & Hahn Seafood GmbH as of 1 September 2006.

The name of Saltur Holding ApS was changed to Icelandic Scandinavia ApS during the period.

Other issues

44. The Board of Directors of Icelandic Group Plc. emhasizes on maintaining good corporate governance according to the guidelines issue by the Icelandic Stock Exchange. The Board of Directors has set guidelines regarding corporate governance with regard to its operations laying down the sphere of competence of the board of directors and its scope of work vis-à-vis the managing director. These guidelines contain i.a. rules regarding the procedure at Board meetings, rules regarding the competence of directors to participate in discussion and handling matters, confidentiality rules, rules regarding the divulging of information by the managing director to the directors etc. The guidelines include specific clauses with reference to rules on insider trading and the treatment of insider information according to laws on securities trading, the rules of the Financial Supervisory Authorities in Iceland and internal Company rules. The Board's guidelines also include detailed clauses regarding the flow of information to the Board and performance measurement in accordance with article 2.3. in the guidelines issued by the Icelandic Stock Exchange.

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44. Contd.:

Minority of the board members of the company is considered independent towards the Company as defined by the Icelandic Stock Exchange, article 2.6. Minority of the board members is also independent of large shareholders in the Company according to article 2.5.

No sub-committees are organised with the Company's board of directors.

A formal share option programme has not been put in place and therefore such a programme has not been approved by shareholders meeting. During the year 2004 the board of directors decided to sell shares in the Company at market price but with a put option to several of the Company´s key management. As this transaction was directed at specific individuals but not a part of a general share option scheme, as according to article 3.1.B.2. in the Icelandic Stock Exchange guidelines.

In light of the above-mentioned it is clear that operations of Icelandic Group Plc. is not in full coordination with the guidelines issued by the Icelandic Stock Exchange regarding corporate governance.

Financial Ratios

45. Financial ratios for the consolidated financial statements:

	2006	2005
Current ratio	0.99	0.96
Equity ratio	19.4%	16.9%
Return on equity	(5.70%)	(14.0%)
Internal value	4.77	4.23
Change in price per share from the beginning of the year	(20.8%)	11.6%
Price per share (ISK)	7.60	9.60
Market value of the company (EUR)	233,054	279.407
EBITDA	36,946	16,222
EBITDA ratio	2.5%	1.4%

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