

Press release  
Reykjavík, 16 August 2007

## Icelandic Group – half year results 2007:

### Profit for the half year €2.2 million

#### Half year and Q2 financial highlights

- Sales €729.2 million in half year and €344.0 million in Q2
- Decrease in income was 2%.
- Earnings before interest, taxes and depreciation, (EBITDA) amounted to €18.5 million in half year and €4.3 million in Q2
- Operating profit (EBIT) €9.0 million in half year and operating loss €0.5 million in Q2
- Net earnings amounted to €2.2 million in half year and net loss €0.1 million in Q2
- Cash provided by operation before taxes and interest amounted to €29.7 million
- Total assets amounted to €892.7 million – equity ratio 19.8%
- Return on equity 2.5%

#### **Icelandic Group CEO Björgólfur Jóhannsson, commented:**

*“The operations of the second quarter 2007 were not up to expectations. The main deviations are due to the delay in the transfer of production between companies in Europe. Improvements in operations due to the transfer will not have an effect until in the second half of the year.*”

*The operations of the Group are stonger during the latter half of the year and if the estimated sales hold the EBITDA is calculated at €35 million for the latter half and the total EBITDA for the year therefore €54 million. “*

<b>Income statement - quarterly summary</b>					
<b>Amounts in € '000</b>	<b>2Q 2007</b>	<b>1Q 2007</b>	<b>4Q 2006</b>	<b>3Q 2006</b>	<b>2Q 2006</b>
Sales .....	344.001	385.161	358.312	367.896	362.901
Cost of goods sold .....	<u>(312.604)</u>	<u>(342.927)</u>	<u>(326.274)</u>	<u>(323.954)</u>	<u>(324.085)</u>
<b>Gross margin .....</b>	<b>31.397</b>	<b>42.234</b>	<b>32.038</b>	<b>43.942</b>	<b>38.816</b>
Other operating income .....	1.230	1.656	2.370	3.196	3.610
Other operating expenses .....	<u>(33.136)</u>	<u>(34.334)</u>	<u>(48.699)</u>	<u>(40.148)</u>	<u>(36.363)</u>
Share of (loss) profit of equity accounted investees .....	<u>(11)</u>	<u>(43)</u>	<u>(184)</u>	<u>748</u>	<u>136</u>
<b>EBIT .....</b>	<b>(520)</b>	<b>9.513</b>	<b>(14.475)</b>	<b>7.738</b>	<b>6.199</b>
Financial expenses .....	<u>(1.214)</u>	<u>(5.872)</u>	<u>(7.147)</u>	<u>(7.423)</u>	<u>(5.562)</u>
<b>Pre-tax (loss) profit .....</b>	<b>(1.734)</b>	<b>3.641</b>	<b>(21.622)</b>	<b>315</b>	<b>637</b>
Income tax .....	<u>1.650</u>	<u>(1.354)</u>	<u>6.947</u>	<u>638</u>	<u>648</u>
<b>Net (loss) earnings for the period .....</b>	<b><u>(84)</u></b>	<b><u>2.287</u></b>	<b><u>(14.675)</u></b>	<b><u>953</u></b>	<b><u>1.285</u></b>
<b>EBITDA .....</b>	4.295	14.170	1.986	13.572	10.939
<b>EBITDA ratio .....</b>	1,2%	3,7%	0,6%	3,7%	3,0%

<b>Balance sheet - five year review</b>					
<b>Amounts in € '000</b>	<b>30.6.2007</b>	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>31.12.2003*</b>
Non-current assets .....	415.380	407.282	275.231	142.400	66.008
Current assets .....	<u>477.353</u>	<u>499.468</u>	<u>415.184</u>	<u>279.994</u>	<u>229.977</u>
<b>Total assets .....</b>	<b>892.733</b>	<b>906.750</b>	<b>690.415</b>	<b>422.394</b>	<b>295.985</b>
Equity .....	177.143	176.241	116.741	35.759	52.267
Non-current liabilities .....	214.500	228.182	142.837	112.860	35.935
Current liabilities .....	<u>501.090</u>	<u>502.327</u>	<u>430.837</u>	<u>273.775</u>	<u>207.783</u>
<b>Total equity and liabilities .....</b>	<b>892.733</b>	<b>906.750</b>	<b>690.415</b>	<b>422.394</b>	<b>295.985</b>

\*The closing balance for 2003 has not been amended to fit the IFRS

## Operating results for half year and Q2 2007

### Accounting Policies

The same accounting policies are used in the preparation of this quarterly report as in the preparation of the annual report for the year 2006.

<b>Income statement - key figures</b>						
Amounts in € '000	Q2 2007	Q2 2006	Change%	1H 2007	1H 2006	Change%
Sales .....	344.001	362.901	-5,2%	729.162	745.108	-2,1%
Cost of goods sold .....	(312.604)	(324.085)	-3,5%	(655.531)	(664.618)	-1,4%
<b>Gross margin .....</b>	<b>31.397</b>	<b>38.816</b>	-19,1%	<b>73.631</b>	<b>80.490</b>	-8,5%
Other operating income .....	1.230	3.610	-65,9%	2.886	5.021	-42,5%
Other operating expenses .....	(33.136)	(36.363)	-8,9%	(67.470)	(73.446)	-8,1%
Share of (loss) profit of equity accounted investees.....	(11)	136		(54)	136	
<b>EBIT .....</b>	<b>(520)</b>	<b>6.199</b>	-108,4%	<b>8.993</b>	<b>12.201</b>	-26,3%
Net financial expenses .....	(1.214)	(5.562)	-78,2%	(7.086)	(9.435)	-24,9%
<b>Pre-tax (loss) profit .....</b>	<b>(1.734)</b>	<b>637</b>	-372,2%	<b>1.907</b>	<b>2.766</b>	-31,1%
Income tax .....	1.650	648	154,6%	296	(467)	-163,4%
<b>Net (loss) earnings.....</b>	<b>(84)</b>	<b>1.285</b>	-106,5%	<b>2.203</b>	<b>2.299</b>	-4,2%
<b>EBITDA .....</b>	<b>4.295</b>	<b>10.939</b>	-60,7%	<b>18.465</b>	<b>21.388</b>	-13,7%
<b>EBITDA ratio.....</b>	<b>1,2%</b>	<b>3,0%</b>		<b>2,5%</b>	<b>2,9%</b>	
<b>Earnings per share.....</b>	<b>(0,0001)</b>	<b>0,0004</b>		<b>0,0008</b>	<b>0,0008</b>	

Net sales over the half year amounted to € 729.2 million, as compared to € 745.1 for the same period last year, down by 2.1%. Net sales over the quarter amounted to € 344.0 million, as compared to € 362.9 million in Q2 2006. This represents a decrease of 5.2%.

### Business segments

Sales within business segments during the quarter were as follows:

Business segments	1H 2007	1H 2006	Change%
Amounts in € '000			
Production companies.....	576.805	531.500	8,5%
Sales and marketing companies.....	307.250	307.057	0,1%
Service and holding companies.....	5.640	25.252	-77,7%
	<b>889.695</b>	<b>863.809</b>	3,0%
Intercompany sales.....	(160.533)	(118.701)	35,2%
<b>Total sales .....</b>	<b>729.162</b>	<b>745.108</b>	<b>-2,1%</b>

Increased sales in production companies stems mostly from the purchase of Icelandic Scandinavia which entered Icelandic Group as of April 1<sup>st</sup> 2006 and Pickenpack Gelmer which entered Icelandic Group in September 2006.

### **Geographical segments**

Sales by geographical segments during the quarter were as follows:

<b>Geographical segments</b>	<b>1H 2007</b>	<b>1H 2006</b>	<b>Change%</b>
<b>Amounts in € '000</b>			
USA.....	195.217	189.667	2,9%
Europe without UK.....	218.173	228.779	-4,6%
UK.....	277.392	264.477	4,9%
Asia.....	198.913	180.886	10,0%
	<b>889.695</b>	<b>863.809</b>	<b>3,0%</b>
Intercompany sales.....	(160.533)	(118.701)	35,2%
<b>Total sales</b> .....	<b>729.162</b>	<b>745.108</b>	<b>-2,1%</b>

Earnings before financial items (EBIT) for the half year 2007 amounted to € 9.0 million as compared to € 12.2 million for the same period last year. Loss before financial items (EBIT) for Q2 amounted to € 0.5 million as compared to earnings amounting to € 6.2 million in Q2 2006.

Earnings before interest, depreciation and taxes (EBIDTA) amounted to € 18.5 million for the half year 2007, as compared to € 21.4 million in the same period last year. Earnings before interest, depreciation and taxes (EBIDTA) amounted to € 4.3 million in Q2 2007, as compared to € 10.9 million in Q2 2006.

Net financial expenses over the half year amounted to € 7.1 million, as compared to € 9.4 million in the same period last year. Loss on currency fluctuation in the half year amounted to € 0.8 million compared to a gain of € 4.2 million in the same period last year. Fair value gain on shares in other companies amounted to € 11.5 million compared to a loss of € 0.5 million in the same period last year. The change is mostly due to increase in market price of shares in FPI Ltd. Gain from the sale of shares in subsidiaries amounts to € 1.1 million. Net financial expenses over Q2 2007 amounted to € 1.2 million, as compared to € 5.6 million in Q2 2006.

In Q2 income tax is entered as income in the income statement in the amount of € 1.7 million, and € 0.3 million in the first half of the year. The reason for this is that most of the Group's profit was generated in countries where the tax ratio is relatively low, while result where the tax ratio is high was in balance or negative.

Profit for the half year amounted to € 2.2 million, as compared to € 2.3 million in the same period last year. Loss over the quarter amounted to € 0.1 million, as compared to a profit of € 1.3 million in the same quarter of the preceding year.

## Balance Sheet

<b>Balance sheet - key figures</b>			
<b>Amounts in € '000</b>	<b>30.6.2007</b>	<b>31.12.2006</b>	<b>Change%</b>
Non-current assets .....	415.380	407.282	2,0%
Current assets .....	477.353	499.468	-4,4%
Total assets .....	892.733	906.750	-1,5%
Equity .....	177.143	176.241	0,5%
Non-current liabilities .....	214.500	228.182	-6,0%
Current liabilities .....	501.090	502.327	-0,2%
Total equity and liabilities .....	892.733	906.750	-1,5%

Icelandic Group's total assets at the end of June amounted to € 892.7 million, as compared to € 906.8 million at year-end 2006.

Non-current assets amounted to € 415.4 million at the end of June, as compared to € 407.3 million at year-end 2006. Intangible assets amounted to € 252.6 million, as compared to € 256.1 at year-end 2006.

Current assets amounted to € 477.4 million, as compared to € 499.5 million at year-end 2006. Inventories accounted for € 272.9 million of current assets, as compared to € 299.2 million at year-end 2006.

Total liabilities at the end of March amounted to € 715.6 million, as compared to € 730.5 million at year-end 2006. Net liabilities (total liabilities net of current assets) amounted to € 238.2 million, as compared to € 231.0 million at year-end 2006. Interest-bearing debts amounted to € 557.7 million, as compared to € 562.2 million at year-end 2006.

Equity amounted to € 177.1 million compared to € 176.2 million at year-end 2006. The equity ratio was 19.8% compared to 19.4% at year-end 2006.

## Cash Flow

<b>Statement of Cash flows</b>			
<b>Amounts in € '000</b>	<b>1H 2007</b>	<b>1H 2006</b>	<b>Change %</b>
Cash generated from operations .....	29.660	169	17450%
Net cash from (used in) operating activities .....	13.738	(12.304)	212%
Net cash from (used in) investing activities .....	5.664	(9.494)	160%
Net cash (used in) from financing activities .....	(8.262)	14.025	159%
Increase (decrease) in cash and cash equivalents .....	11.140	(7.773)	243%

Net cash generated from operation before taxes and interest amounted to € 29.7 million, as compared to € 0.2 million in the same period 2006. Net of interest and income tax, net cash from operating activities amounted to € 13.7 million, while in the preceding year cash used in operations amounted to € 12.3 million. Net cash from investing activities amounted to € 5.7 million compared to net cash used in investing activities € 9.5 million in the same period 2006. Net cash used in financing activities amounted to € 8.3 million compared to net cash from financing activities amounting to € 14.0 million in the same period 2006. Cash and cash equivalents at the end of June amount to € 32.0 million.

## **Events in the second quarter 2007**

### **Icelandic Group acquired Tilapia farming and processing in China**

The Group acquired 51% share in farming and processing company in China with Tilapia as the main product. The company was established 4 years ago and was owned by management. They will retain a 49% stake in the company and continue to run the business. Currently, the company is producing 8.000 tons per year and capacity is forecasted to double in the next 12 months. The company has been a supplier of Icelandic USA and the US markets is its largest market.

Tilapia is a whitefish species which has increased its market share significantly in the last few years, gaining shares from more expensive species like Cod. Tilapia is the second largest farmed species in the world with over 2 million tons produced in 2006. Tilapia is number five on the list of consumed species in the US with cod at number eight. Consumption is expected to show continued growth. This acquisition is part of Icelandic Group's strategy of strengthening its sourcing and production capabilities. It will also utilize further the Groups sales and distribution network in the US market.

### ***Icelandic Group sold all its shares in VGI ehf.***

Icelandic Group sold all of its shares in VGI ehf. on April 20<sup>th</sup> 2007. New owners took over the company from that date. The price of the shares is confidential but gain from the sale amounts to €1.1 million. Sales proceedings are incorporated in Q2 2007.

### ***Icelandic USA plant closed sooner than planned***

The Cambridge plant of Icelandic USA in Maryland was closed at June 8<sup>th</sup> 2007, sooner than previously planned. Now the production of Icelandic USA is all done from the plant in Newport News which will result in significantly improved operations.

### ***Coldwater Seafood UK received The Grocer award***

Coldwater Seafood UK was awarded The Grocer award for the most outstanding product in the frozen fish category. The award was presented for the Tesco Finest Steam Fish Smoked Haddock Florentine, which is produced for Tesco in the Coldwater plant in Grimsby.

The Grocer awards are unique as they are judged by a panel of industry experts and your products' fiercest critics – consumers. Products are judged on taste, appearance, packaging, content, value for money and clarity of labelling. The awards are presented once a year.

### ***Shares in Fishery Product International***

Icelandic Group holds 15.8% share in FPI Ltd. The share price has increased from 7.59 CAD at year end 2006 to 14.45 CAD at the end of June 2007. The share price is still increasing and is now around 14.8 CAD. According to press releases from FPI there are plans to sell all company assets and dissolve the company.

## **Events after the half year 2007**

### ***Pickenpack Gelmer Managing Director Resigns***

Gudmundur Stefansson, Managing Director of Icelandic Group's subsidiary Pickenpack Gelmer SAS, has resigned from his post as Managing Director. Gudmundur Stefansson was appointed as Managing Director of Pickenpack Gelmer SAS in 2006. Before that he was responsible for the frozen division of Delpierre. The board has accepted his resignation and wants to thank him for the time with the company. Gudmundur Stefansson will assist the new Managing Director in the next months.

The decision has been made that Torsten Krüger will take over the position as Managing Director of Pickenpack Gelmer SAS. Torsten Krüger has been working within Pickenpack – Hussmann & Hahn as CFO since 2001.

### **Future Prospects**

Ahead are the two strongest quarters in the Group's operations. We believe that the Group's operations in the US and Asia will be according to budget. We estimate that most units within Europe will be on track in the second half of the year but the continuation of restructuring within Coldwater and turnaround in operations of Pickenpack Gelmer are very important factors. The decrease of stocks within the Group companies continues and it is the Directors' hope that this will improve the return later in the year.

The Group sales for the latter half of the year are estimated at € 734 million and the EBITDA is estimated at €35 million.

### **Approval of the accounts**

The Board of Directors of Icelandic Group hf. approved the accounts for the first quarter of 2007 at a meeting of the Board on 16 August 2007.

### **Investor Presentations**

On Friday, 17 August, a presentation meeting will be held for market investors. The meeting will take place in the Company's premises at Borgartún 27, Reykjavík, starting at 8:30 a.m. At the meeting, the managers of the Company will present the interim financial statement. The presentation will be accessible at the Company's website, [www.icelandic.is](http://www.icelandic.is) and on the website of the OMX Nordic Exchange in Iceland ([www.omxgroup.com/omxcorp/](http://www.omxgroup.com/omxcorp/)), following the meeting.

### **Reporting schedule for 2007**

Q3 results 2007	Week 47 2007
Q4 results 2007	Week 10 2008

Financial calendar is also available on the Icelandic Group website [www.icelandic.is](http://www.icelandic.is)

**Press releases**

If you wish to receive Icelandic Group press releases by e-mail please register at <http://icelandic.is/index.aspx?GroupId=39>.

**Further information**

For further information, please contact:

Björgólfur Jóhannsson, CEO, tel. +354 896 1455

Reykjavík, August 16<sup>th</sup> 2007  
Icelandic Group

**About Icelandic Group**

Icelandic Group (OMX Nordic Exchange: IG) consists of an international network of production and marketing companies selling seafood products on global markets. In several markets the company enjoys a prominent position of its brand ICELANDIC especially within the food service sector. The company is also a major supplier to the retail sector through its branded or private label production. The Group employees are around 4,600. The personnel include renowned experts in the fields of fishing and primary processing, product innovation and value-added processing, and in the worldwide marketing of seafood products.



<b>Income statement - five year review</b>					
<b>Amounts in € '000</b>	<b>1H 2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003*</b>
Sales .....	729.162	1.471.316	1.200.257	802.624	679.183
Cost of goods sold .....	(655.531)	(1.316.606)	(1.084.702)	(719.586)	(609.796)
<b>Gross margin .....</b>	<b>73.631</b>	<b>154.710</b>	<b>115.555</b>	<b>83.038</b>	<b>69.387</b>
Other operating income .....	2.886	10.587	4.761	5.811	3.346
Other operating expenses .....	(67.470)	(160.533)	(118.057)	(66.156)	(59.342)
Share of (loss) profit of equity accounted investees .....	(54)	700	154	(702)	(1.664)
<b>EBIT .....</b>	<b>8.993</b>	<b>5.464</b>	<b>2.413</b>	<b>21.991</b>	<b>11.727</b>
Net financial expenses .....	(7.086)	(24.005)	(21.740)	(10.449)	(3.836)
<b>Pre-tax profit (loss) .....</b>	<b>1.907</b>	<b>(18.541)</b>	<b>(19.327)</b>	<b>11.542</b>	<b>7.891</b>
Income tax .....	296	7.118	4.235	(4.672)	(2.119)
<b>Net earnings (loss) .....</b>	<b>2.203</b>	<b>(11.423)</b>	<b>(15.092)</b>	<b>6.870</b>	<b>5.802</b>
<b>EBITDA .....</b>	<b>18.465</b>	<b>36.946</b>	<b>16.222</b>	<b>28.941</b>	<b>19.250</b>
<b>EBITDA ratio .....</b>	<b>2,5%</b>	<b>2,5%</b>	<b>1,4%</b>	<b>3,6%</b>	<b>2,8%</b>

\*The year 2003 has not been amended to fit the IFRS