

Press release  
Reykjavík, 24 May 2007

## Icelandic Group – 1<sup>st</sup> Quarter 2007:

### Profit for the Quarter €2.3 million

#### First Quarter Financial Highlights 2007

- Sales €385.2 million
- Growth in income was 1%. External growth was 8%
- Earnings before interest, taxes and depreciation, (EBITDA) amounted to €14.2 million
- Operating profit (EBIT) €9.5 million
- Net earnings amounted to €2.3 million
- Cash provided by operation before taxes and interest amounted to €10.7 million
- Total assets amounted to €911.7 million – equity ratio 19.4%
- Return on equity 5.3%

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

*“We see considerable changes for the better in the operations compared to the same period last year. The company sales are similar but costs have decreased considerably, which is very positive. The main operations we have been working on since the first year quarter 2006 are showing good results and will prove even more profitable in the coming months. Many difficult decisions have been taken within the Group and we now consider ourselves to be in the position to reach even better results in the future. The results for the first quarter are in line with budget, the company operations fluctuate from quarter to quarter and we are fully confident that we have the capacity to reach the budgeted EBITDA for the year”.*

<b>Income statement - quarterly summary</b>					
<b>Amounts in € '000</b>	<b>1Q 2007</b>	<b>4Q 2006</b>	<b>3Q 2006</b>	<b>2Q 2006</b>	<b>1Q 2006</b>
Sales .....	385.161	358.312	367.896	362.901	382.207
Cost of goods sold .....	<u>(342.927)</u>	<u>(326.274)</u>	<u>(323.954)</u>	<u>(325.845)</u>	<u>(340.533)</u>
<b>Gross margin .....</b>	<b>42.234</b>	<b>32.038</b>	<b>43.942</b>	<b>37.056</b>	<b>41.674</b>
Other operating income .....	1.656	2.370	3.196	3.610	1.411
Other operating expenses .....	<u>(34.334)</u>	<u>(48.699)</u>	<u>(40.148)</u>	<u>(34.603)</u>	<u>(37.083)</u>
Share of (loss) profit of equity accounted investees .....	<u>(43)</u>	<u>(184)</u>	<u>748</u>	<u>136</u>	<u>-</u>
<b>EBIT .....</b>	<b>9.513</b>	<b>(14.475)</b>	<b>7.738</b>	<b>6.199</b>	<b>6.002</b>
Financial expenses .....	<u>(5.872)</u>	<u>(7.147)</u>	<u>(7.423)</u>	<u>(5.562)</u>	<u>(3.873)</u>
<b>Pre-tax profit (loss) .....</b>	<b>3.641</b>	<b>(21.622)</b>	<b>315</b>	<b>637</b>	<b>2.129</b>
Income tax .....	<u>(1.354)</u>	<u>6.947</u>	<u>638</u>	<u>648</u>	<u>(1.115)</u>
<b>Net earnings (loss) for the period .....</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><u>1.014</u></b>
<b>EBITDA .....</b>	<b>14.170</b>	<b>1.986</b>	<b>13.572</b>	<b>10.939</b>	<b>10.449</b>
<b>EBITDA ratio .....</b>	<b>3,7%</b>	<b>0,6%</b>	<b>3,7%</b>	<b>3,0%</b>	<b>2,7%</b>

<b>Balance sheet - five year review</b>					
<b>Amounts in € '000</b>	<b>31.3.2007</b>	<b>31.12.2006</b>	<b>31.12.2005</b>	<b>31.12.2004</b>	<b>31.12.2003*</b>
Non-current assets .....	407.673	407.282	275.231	142.400	66.008
Current assets .....	<u>503.977</u>	<u>499.468</u>	<u>415.184</u>	<u>279.994</u>	<u>229.977</u>
<b>Total assets .....</b>	<b><u>911.650</u></b>	<b><u>906.750</u></b>	<b><u>690.415</u></b>	<b><u>422.394</u></b>	<b><u>295.985</u></b>
Equity .....	176.744	176.241	116.741	35.759	52.267
Non-current liabilities .....	223.145	228.182	142.837	112.860	35.935
Current liabilities .....	<u>511.761</u>	<u>502.327</u>	<u>430.837</u>	<u>273.775</u>	<u>207.783</u>
<b>Total equity and liabilities .....</b>	<b><u>911.650</u></b>	<b><u>906.750</u></b>	<b><u>690.415</u></b>	<b><u>422.394</u></b>	<b><u>295.985</u></b>

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

## Operating results for Q1 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	Q1 2007	Q1 2006	Change%
Sales .....	385.161	382.207	0,8%
Cost of goods sold .....	(342.927)	(340.533)	0,7%
<b>Gross margin .....</b>	<b>42.234</b>	<b>41.674</b>	1,3%
Other operating income .....	1.656	1.411	17,4%
Other operating expenses .....	(34.334)	(37.083)	-7,4%
Share of loss of equity accounted investees .....	(43)	-	
<b>EBIT .....</b>	<b>9.513</b>	<b>6.002</b>	58,5%
Net financial expenses .....	(5.872)	(3.873)	51,6%
<b>Pre-tax profit .....</b>	<b>3.641</b>	<b>2.129</b>	71,0%
Income tax .....	(1.354)	(1.115)	21,4%
<b>Net earnings for the period .....</b>	<b>2.287</b>	<b>1.014</b>	125,6%
<b>EBITDA .....</b>	<b>14.170</b>	<b>10.449</b>	35,6%
<b>EBITDA ratio .....</b>	<b>3,7%</b>	<b>2,7%</b>	
<b>Earnings per share .....</b>	<b>0,0008</b>	<b>0,0004</b>	

Net sales over the quarter amounted to € 385.2 million, as compared to € 382.2 million in Q1 2006. This represents an increase of 1%.

### Business segments

Sales within business segments during the quarter were as follows:

<b>Business segments</b>			
Amounts in € '000	Q1 2007	Q1 2006	Change%
Production companies.....	320.050	307.765	4,0%
Sales and marketing companies.....	150.065	147.272	1,9%
Service and holding companies.....	4.548	3.239	40,4%
	<b>474.663</b>	<b>458.276</b>	3,6%
Intercompany sales.....	(89.502)	(76.069)	17,7%
<b>Total sales .....</b>	<b>385.161</b>	<b>382.207</b>	<b>0,8%</b>

The increase of 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. The increase of sales in Sales and Marketing companies stems mostly from the purchase of Icelandic Northwest which entered Icelandic Group as of May 1<sup>st</sup> 2006.

## Geographical segments

Sales by geographical segments during the quarter were as follows:

Geographical segments	Q1 2007	Q1 2006	Change%
Amounts in € '000			
USA.....	116.032	116.826	-0,7%
Europe without UK.....	148.814	129.459	15,0%
UK.....	114.508	120.363	-4,9%
Asia.....	95.309	91.628	4,0%
	<b>474.663</b>	<b>458.276</b>	<b>3,6%</b>
Intercompany sales.....	(89.502)	(76.069)	17,7%
<b>Total sales</b> .....	<b>385.161</b>	<b>382.207</b>	<b>0,8%</b>

Earnings before financial items (EBIT) amounted to € 9.5 million as compared to € 6.0 million Q1 2006.

Earnings before interest, depreciation and taxes (EBIDTA) amounted to € 14.2 million, as compared to € 10.4 million in Q1 2006.

Net financial expenses over the period amounted to € 5.9 million, as compared to € 3.9 million in Q1 2006. Loss on currency fluctuation in the quarter amounted to € 0.1 million compared to a gain of € 2.3 million in Q1 2006. Fair value gain on shares in other companies amounted to € 3.3 million compared to € 0.1 million in Q1 2006. The change is due to increase in market price of shares in FPI Ltd.

Income tax for the quarter amounted to € 1.4 million, which corresponds to a tax ratio of 37%.

Profit over the quarter amounted to € 2.3 million, as compared to € 1.0 million in the same quarter of the preceding year.

## Balance Sheet

Balance sheet - key figures	31.3.2007	31.12.2006	Change%
Amounts in € '000			
Non-current assets .....	407.673	407.282	0,1%
Current assets .....	503.977	499.468	0,9%
Total assets .....	911.650	906.750	0,5%
Equity .....	176.744	176.241	0,3%
Non-current liabilities .....	223.145	228.182	-2,2%
Current liabilities .....	511.761	502.327	1,9%
Total equity and liabilities .....	911.650	906.750	0,5%

Icelandic Group's total assets at the end of March amounted to € 911.7 million, as compared to € 906.8 million at year-end 2006.

Non-current assets amounted to € 407.7 million at the end of March, as compared to € 407.3 million at year-end 2006. Intangible assets amounted to € 255.0 million, as compared to € 256.1 at year-end 2006.

Current assets amounted to € 504.0 million, of which inventory accounted for € 277.7 million, as compared to € 299.2 million at year-end 2006.

Total liabilities at the end of March amounted to € 734.9 million, as compared to € 730.5 million at year-end 2006. Net liabilities (total liabilities net of current assets) amounted to € 230.9 million, as compared to € 231.0 million at year-end 2006. Interest-bearing debts amounted to € 571.4 million, as compared to € 562.2 million at year-end 2006.

Equity amounted to € 176.7 million compared to € 176.2 million at year-end 2006. The equity ratio was 19.4%, the same as at year-end 2006.

## Cash Flow

<b>Statement of Cash flows</b>			
Amounts in € '000	Q1 2007	Q1 2006	Change %
Cash generated from operations .....	10.722	4.107	161%
Net cash from (used in) operating activities .....	3.374	(1.975)	-271%
Net cash used in investing activities .....	(2.381)	(3.498)	-32%
Net cash from financing activities .....	8.627	2.496	246%
Increase (decrease) in cash and cash equivalents .....	9.620	(2.977)	-423%

Net cash from operation before taxes and interest amounted to € 10.7 million, as compared to € 4.1 million in the same period 2006. Net of interest and income tax, net cash provided by operating activities amounted to € 3.4 million, while in the preceding year cash used in operations amounted to € 2.0 million. Net cash used in investing activities amounted to € 2.4 million compared to € 3.5 million in the same period 2006. Net cash from financing activities amounted to € 8.6 million compared to € 2.5 million in the same period 2006. Cash and cash equivalents at the end of March amount to € 30.6 million.

## Events after the first quarter of 2007

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

Icelandic Group plc 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 estimated gain from the sale amounts to € 1.2 million. Sales proceedings will be incorporated in Q2 2007.

### ***Icelandic USA plant to close sooner than planned***

The Icelandic Group Board of Directors has decided to close the Cambridge plant of Icelandic USA in Maryland sooner than previously planned. The decision of closing the plant was announced last December. The original plan was to close the plant at year end 2007 but that date has now been moved forward to June 8<sup>th</sup> 2007.

The plant has a long history in the production of seafood products and has been in operation in Maryland since 1968. Around 300 staff members have been laid off, but Icelandic and the local authorities are working together to find new jobs for the staff.

As mentioned in previous statements the closure of the Cambridge plant is the final step in the merger of Icelandic USA and Samband of Iceland which started in the year 2005. The profitability of Icelandic operations in the USA has been low for many years and this action is necessary in order to improve it. The Cambridge plant is old and inefficient. The Newport News plant is 10 years old and much more efficient. After the closure the Newport News plant will be utilized much more which will result in significantly improved operations.

#### ***Coldwater Seafood UK receives 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. A further Coldwater product also reached the final stages with its innovative Lightly Dusted Seeded Cod fillets produced for Marks and Spencer.

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 9.92 CAD at the end of March 2007. The share price is still increasing and is now around 14.5 CAD. According to press releases from FPI there are plans to sell all company assets and dissolve the company.

### **Icelandic Group market areas**

#### ***United Kingdom***

Icelandic Group sales in the UK in the first quarter of 2007 amounted to € 107.9 million, decreasing by 3% compared to Q1 2006 but 1% decline measured in local currency. Sales were below budget by 7% and results were below budget.

#### ***USA***

Sales of the USA Group amounted to € 109.1 million, which represents a decrease of approximately 7% from Q1 2006 but an increase of 2% measured in local currency. As a result of consumer patterns in the US around the time of Lent the first quarter is normally Icelandic USA's strongest quarter and the results of the quarter were in line with projections.

Sales of the shrimp company Ocean To Ocean were below budget by 4%. OTO's results were below budget.

#### ***Asia***

The turnover of Sjóvík Group amounted to € 42.1 million. The turnover was 6% above budget and increased by 15% from Q1 2006 but by 25% in local currency. Sjóvík result is above budget.

The sales of Icelandic Japan amounted to € 22.0 million, which represents a decrease of about 11.8% from the corresponding period in 2006 but by 2% in local currency. The result of Icelandic Japan is above budget.

### **Germany**

Pickenpack H&H sales amounted to € 57.4 million in Q1, increasing by 16% compared to the corresponding period in 2006. Sales were below budget by 11%. Profit was below budget.

### **Spain**

Icelandic Iberica's sales amounted to € 27.3 million, with sales and performance over the period in line with the budget. Sales increased by 22%, of which 8% were organic.

### **France**

Sales in Icelandic France in the first quarter amounted to € 9.5 million, representing a decrease in turnover of approximately 43% from previous year. The results of operation were below budget. Inventories in Icelandic France have been reduced by 32% since year-end 2006.

Sales of Pickenpack Gelmer amounted to € 18.0 million in Q1. The company was acquired in September 2006 so there is no comparison to first quarter of 2006. Sales in the quarter were above budget, but the results of operations were below budget due to the transfer of production from Coldwater. The largest part of the transfer has already been finalised but the rest is projected to be final before the end of Q2 2007.

### **Denmark**

Jeka Fish sales amounted to € 12.5 million in Q1 2007. Sales were below budget by 12.8% and the results of operation were below budget. The company became a part of Icelandic Group on April 1<sup>st</sup> 2006 so we have no comparison for the same period last year.

### **Future Prospects**

At the Annual General Meeting an estimated EBITDA was set for 2007 to the amount of € 70 million. Various aspects are now showing in the operations which support this. The closing of the plant in Cambridge USA half a year earlier than previously planned improves the company operations in that area. A lot of work in the development and production of ready meals at Coldwater UK is showing good results and will change the operations in the UK over the next few months. We are also working on decreasing inventories in various Group companies and we believe that this work will prove profitable later in the year. We are fully confident that we will meet this budget.

### **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 24 May 2007.

### **Investor Presentations**

On Friday, 25 May, 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**

Q2 results 2007	Week 33 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:

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Reykjavík, May 24<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>Q1 2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003*</b>
Sales .....	385.161	1.471.316	1.200.257	802.624	679.183
Cost of goods sold .....	<u>(342.927)</u>	<u>(1.316.606)</u>	<u>(1.084.702)</u>	<u>(719.586)</u>	<u>(609.796)</u>
<b>Gross margin .....</b>	<b>42.234</b>	<b>154.710</b>	<b>115.555</b>	<b>83.038</b>	<b>69.387</b>
Other operating income .....	1.656	10.587	4.761	5.811	3.346
Other operating expenses .....	(34.334)	(160.533)	(118.057)	(66.156)	(59.342)
Share of (loss) profit of equity accounted investees .....	<u>(43)</u>	<u>700</u>	<u>154</u>	<u>(702)</u>	<u>(1.664)</u>
<b>EBIT .....</b>	<b>9.513</b>	<b>5.464</b>	<b>2.413</b>	<b>21.991</b>	<b>11.727</b>
Net financial expenses .....	<u>(5.872)</u>	<u>(24.005)</u>	<u>(21.740)</u>	<u>(10.449)</u>	<u>(3.836)</u>
<b>Pre-tax profit (loss) .....</b>	<b>3.641</b>	<b>(18.541)</b>	<b>(19.327)</b>	<b>11.542</b>	<b>7.891</b>
Income tax .....	<u>(1.354)</u>	<u>7.118</u>	<u>4.235</u>	<u>(4.672)</u>	<u>(2.119)</u>
<b>Net earnings (loss) .....</b>	<b><u>2.287</u></b>	<b><u>(11.423)</u></b>	<b><u>(15.092)</u></b>	<b><u>6.870</u></b>	<b><u>5.802</u></b>
<b>EBITDA .....</b>	<b>14.170</b>	<b>36.946</b>	<b>16.222</b>	<b>28.941</b>	<b>19.250</b>
<b>EBITDA ratio .....</b>	<b>3,7%</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