

# **Icelandic Group hf.**

**Condensed Consolidated  
Interim Financial Statements  
1 January - 31 March 2008  
in Euro**

Icelandic Group hf.  
Borgartún 27  
105 Reykjavík

Reg. no. 461296-2119

# Contents

---

Endorsement and statement by the Board of Directors and the CEO .....	3	Statement of Changes in Equity .....	6
Income Statement .....	4	Statement of Cash Flows .....	7
Balance Sheet .....	5	Notes .....	8

# Endorsement and statement by the Board of Directors and the CEO

---

The condensed consolidated interim financial statements of Icelandic Group hf. for the period from 1 January to 31 March 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs) for Interim Financial Statements (IAS 34). The interim financial statements comprise the consolidated interim financial statements of Icelandic Group hf. and its subsidiaries.

According to the income statement loss for the period from 1 January to 31 March 2008 amounted to € 7.3 million. The Group's income amounted to € 321.1 million for the period. According to the balance sheet total assets at the end of March amounted to € 723.0 million and equity amounted to € 16.3 million. The equity ratio of the Group was 16.1 %.

The Annual General Meeting of the Company held on 18 April 2008 approved to authorize the Board of Directors to request delisting of the Company's shares in Nasdaq OMX in Iceland.

The Company's auditors have not audited nor reviewed these condensed consolidated interim financial statements.

## Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the three-month period ended 31 March 2008 have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and additional Icelandic disclosure requirements for consolidated financial statements of listed companies.

According to our best knowledge it is our opinion that the condensed consolidated interim financial statements give a true and fair view of the consolidated financial performance of the Company for the three-month period ended 31 March 2008, its assets, liabilities and consolidated financial position as at 31 March 2008 and its consolidated cash flows for the three-month period ended 31 March 2008.

Further, in our opinion the consolidated financial statements and the endorsement of the Board of Directors and the CEO give a fair view of the development and performance of the Group's operations and its position and describes the principal risks and uncertainties faced by the Group.

The Board of Directors and the CEO have today discussed the condensed consolidated interim financial statements of Icelandic Group hf. for the three-month period ended 31 March 2008 and confirm them by means of their signatures.

Reykjavík, 15 May 2008

Board of Directors:

Friðrik Jóhannsson  
Ágúst Helgi Leósson  
Henrik Leth  
Guðmundur Kristjánsson  
Gunnar Jónsson

CEO:

Finnbogi A. Baldvinsson

# Consolidated Interim Income Statement

## for the three months ended 31 March 2008

	<b>Q 1</b>	
	<b>1 January - 31 March</b>	
Notes	2008	2007
Sales .....	321.082	385.161
Cost of goods sold .....	( 287.009)	( 342.927)
<b>Gross profit</b> .....	<b>34.073</b>	<b>42.234</b>
Other operating income .....	1.417	1.656
Operating expenses .....	( 28.060)	( 34.334)
Share of loss of equity accounted investees, net of income tax .....	( 105)	( 43)
<b>Operating profit</b> .....	<b>7.325</b>	<b>9.513</b>
Finance income .....	674	3.648
Finance expenses .....	( 15.835)	( 9.520)
Net finance costs .....	3 ( 15.161)	( 5.872)
<b>(Loss) Profit before income tax</b> .....	<b>( 7.836)</b>	<b>3.641</b>
Income tax .....	583	( 1.354)
<b>(Loss) Profit for the period</b> .....	<b>( 7.253)</b>	<b>2.287</b>
<b>Attributable to:</b>		
Equity holders of the Company .....	( 7.350)	2.280
Minority interest .....	97	7
<b>(Loss) Profit for the period</b> .....	<b>( 7.253)</b>	<b>2.287</b>
<b>Earnings per Share:</b>		
Basic and diluted (loss) earnings per share (each share is 1 Icelandic króna) .....	( 0,0025)	0,0008

## Consolidated Balance Sheet as at 31 March 2008

	Notes	31.3.2008	31.12.2007
<b>Assets:</b>			
Property, plant and equipment .....		113.197	118.421
Intangible assets .....		216.969	227.188
Investment in equity accounted investees .....		1.057	1.551
Other investments .....		6.104	7.409
Deferred tax assets .....		10.819	11.577
Total non-current assets		348.146	366.146
Inventories .....		198.818	242.532
Trade and other receivables .....		149.315	159.232
Cash and cash equivalents .....		26.675	28.153
Total current assets		374.808	429.917
<b>Total assets</b>		722.954	796.063
 <b>Equity:</b>			
Share capital .....		36.661	36.661
Share premium .....		120.863	120.863
Reserves (deficit) .....	4	( 36.358)	( 27.563)
Accumulated deficit .....		( 7.350)	0
Total equity attributable to equity holders of the company		113.816	129.961
Minority interest .....		2.466	2.369
Total equity		116.282	132.330
 <b>Liabilities:</b>			
Loans and borrowings .....	5	175.298	187.996
Deferred income tax liability .....		7.237	7.446
Total non-current liabilities		182.535	195.442
Loans and borrowings .....	5	302.257	326.542
Trade and other payables .....		121.880	141.749
Total current liabilities		424.137	468.291
Total liabilities		606.672	663.733
<b>Total equity and liabilities</b>		722.954	796.063

## Consolidated Interim Statement of Changes in Equity for the three months ended 31 March 2007

	Notes	Share capital	Share premium	Reserves (deficit)	Retained earnings (accumulated deficit)	Minority interest	Total equity
<b>Changes in equity in Q1 2007:</b>							
Equity as at 1.1.2007 .....		36.912	151.892	(12.564)	0	1	176.241
Currency fluctuations on subsidiaries not reporting in euros .....				(1.406)			( 1.406)
Profit for the period .....					2.280	7	2.287
Total recognised income and expense for the period .....				(1.406)	2.280	7	881
Minority Interest , change .....						16	16
Own shares purchased .....		( 53)	( 341)				( 394)
<b>Equity as at 31.3.2007 .....</b>		<u>36.859</u>	<u>151.551</u>	<u>( 13.970)</u>	<u>2.280</u>	<u>24</u>	<u>176.744</u>
<b>Changes in equity in Q1 2008:</b>							
Equity as at 1.1.2008 .....		36.661	120.863	(27.563)	0	2.369	132.330
Currency fluctuations on subsidiaries not reporting in euros .....				(8.795)			( 8.795)
Profit for the period .....					( 7.350)	97	( 7.253)
Total recognised income and expense for the period .....				(8.795)	(7.350)	97	( 16.048)
<b>Equity as at 31.3.2008 .....</b>		<u>36.661</u>	<u>120.863</u>	<u>( 36.358)</u>	<u>( 7.350)</u>	<u>2.466</u>	<u>116.282</u>

# Consolidated Interim Statement of Cash Flows

## for the three months ended 31 March 2007

		<b>Q1</b>	
		<b>1 January - 31 March</b>	
Notes	2008	2007	
<b>Cash flows from operating activities:</b>			
Operating profit .....	7.325		9.513
Difference between operating profit and cash from operations:			
Loss (gain) on sale of assets .....	33	(	46)
Depreciation and amortisation .....	4.557		4.657
Share of loss of equity accounted investees .....	105		43
Change in operating assets and liabilities .....	20.906	(	3.445)
Cash generated from operations	32.926		10.722
Interest income received .....	2.176		779
Interest expenses paid .....	( 9.025)	(	8.340)
Income tax paid .....	891		213
Net cash from operating activities	26.968		3.374
<b>Cash flows from investing activities:</b>			
Investment in property, plant and equipment .....	( 3.356)	(	3.000)
Proceeds from sale of property, plant and equipment .....	339		224
Investment in intangible assets .....	( 39)	(	464)
Acquisition of subsidiaries, net of cash acquired .....	0	(	268)
(Decrease) increase in bonds and other receivables .....	( 4.588)		1.127
Net cash used in investing activities	( 7.644)	(	2.381)
<b>Cash flows from financing activities:</b>			
Purchase of own shares .....	0	(	394)
Minority share in capital stock .....	0		16
Long-term debt proceeds .....	5.790		1.481
Long-term debt repaid .....	( 2.162)	(	21.127)
Short-term debt (repaid) proceeds .....	( 23.106)		28.651
Net cash (used in) from financing activities	( 19.478)		8.627
<b>(Decrease) increase in cash and cash equivalents .....</b>	( 154)		9.620
<b>Effect of exchange rate fluctuations of cash held .....</b>	( 1.324)	(	246)
<b>Cash and cash equivalents at 1 January .....</b>	28.153		21.222
<b>Cash and cash equivalents at 31 March .....</b>	26.675		30.596

# Notes to the Interim Financial Statements

---

## Significant accounting policies

a. **Reporting entity**

Icelandic Group hf. is a company domiciled in Borgartún 27, Reykjavík, Iceland. The condensed consolidated interim financial statements of the Company as at and for the three-month period ended 31 March 2008 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.

b. **Statement of compliance**

The condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standard IAS 34, Interim Financial Reporting. They do not include all of the information required for a complete set of consolidated annual financial statements, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 December 2007.

The consolidated interim financial statements were approved by the Board of Directors on 15 May 2008.

c. **Basis of preparation**

The accounting policies and methods of computation applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2007. The consolidated financial statements for the year ended 31 December 2007 are available at the Company's website, [www.icelandic.is](http://www.icelandic.is) and at the OMX Nordic Stock Exchange website, [www.omxnordicexchange.com](http://www.omxnordicexchange.com).

The condensed consolidated interim financial statements are prepared in euro, which is the Company's functional currency. All financial information presented in euro has been rounded to the nearest thousand, unless otherwise stated.

d. **Use of estimates and judgements**

The preparation of interim financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.



## Notes, contd.:

### Segment Reporting

#### 1. Summary of the Goups segments results.

##### *Business segments*

##### **1 January to 31 March 2008**

<b>Income Statement:</b>	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
Sales to external customers .....	230.875	90.190	17	0	321.082
Inter-segment sales .....	31.142	41.403	623	( 73.168)	0
Total segment sales .....	262.017	131.593	640	( 73.168)	321.082
Segment result .....	5.605	1.798	( 78)	0	7.325
Net finance costs .....	( 5.840)	( 2.466)	( 6.855)	0	( 15.161)
Loss before income tax .....	( 235)	( 668)	( 6.933)	0	( 7.836)
Income tax .....	( 924)	84	1.423	0	583
Loss for the period .....	( 1.159)	( 584)	( 5.510)	0	( 7.253)

##### **1 January to 31 March 2007**

##### **Income Statement:**

Sales to external customers .....	278.256	103.215	3.690	0	385.161
Inter-segment sales .....	41.794	46.850	858	( 89.502)	0
Total segment sales .....	320.050	150.065	4.548	( 89.502)	385.161
Segment result .....	8.327	1.158	28	0	9.513
Net finance costs .....	( 5.730)	( 1.450)	1.308	0	( 5.872)
Profit (loss) before income tax .....	2.597	( 292)	1.336	0	3.641
Income tax .....	( 1.154)	( 117)	( 83)	0	( 1.354)
Profit (loss) for the period .....	1.443	( 409)	1.253	0	2.287

##### *Geographical segments*

##### **1 January to 31 March 2008**

	USA	UK	Continental Europe	Asia	Eliminations	Consolidated
Sales .....	81.452	87.084	133.132	92.582	( 73.168)	321.082

##### **1 January to 31 March 2007**

Sales .....	116.032	114.508	148.814	95.309	( 89.502)	385.161
-------------	---------	---------	---------	--------	-----------	---------

## Notes, contd.:

### Quarterly Summary

#### 2. Summary of the Group's operating results by quarters:

	2008 Q1	2007 Q4	2007 Q3	2007 Q2	2007 Q1
Sales .....	321.082	327.784	327.428	344.001	385.161
Cost of goods sold .....	( 287.009)	( 299.355)	( 293.661)	( 312.604)	( 342.927)
<b>Gross profit</b> .....	<b>34.073</b>	<b>28.429</b>	<b>33.767</b>	<b>31.397</b>	<b>42.234</b>
Other operating income .....	1.417	4.318	1.934	1.230	1.656
Operating expenses .....	( 28.060)	( 47.439)	( 31.712)	( 33.136)	( 34.334)
Share of profit					
of equity accounted investees .....	( 105)	( 70)	( 274)	( 11)	( 43)
<b>Operating profit (loss) - EBIT</b> .....	<b>7.325</b>	( <b>14.762</b> )	<b>3.715</b>	( <b>520</b> )	<b>9.513</b>
Net finance costs .....	( 15.161)	( 12.620)	( 8.781)	( 1.214)	( 5.872)
<b>(Loss) profit before income tax</b> .....	( <b>7.836</b> )	( <b>27.382</b> )	( <b>5.066</b> )	( <b>1.734</b> )	<b>3.641</b>
Income tax .....	583	( 1.609)	2.517	1.650	( 1.354)
<b>(Loss) profit for the period</b> .....	( <b>7.253</b> )	( <b>28.991</b> )	( <b>2.549</b> )	( <b>84</b> )	<b>2.287</b>
<b>Attributable to:</b>					
Equity holders of the company .....	( 7.350)	( 29.158)	( 2.601)	( 319)	2.280
Minority interest .....	97	167	52	235	7
<b>(Loss) profit for the period</b> .....	( <b>7.253</b> )	( <b>28.991</b> )	( <b>2.549</b> )	( <b>84</b> )	<b>2.287</b>
EBITDA .....	11.883	1.367	8.506	4.295	14.170
EBITDA ratio .....	3,7%	0,4%	2,6%	1,2%	3,7%

### Net finance costs

#### 3. Net finance costs are specified as follows:

	Q1 2008	Q1 2007
Interest income .....	674	354
Fair value changes on shares in other companies .....	0	3.294
Finance income, total .....	674	3.648
Interest expenses .....	( 8.228)	( 9.465)
Net currency loss .....	( 7.516)	( 55)
Fair value changes on shares in other companies .....	( 91)	0
Finance expenses, total .....	( 15.835)	( 9.520)
Net finance costs .....	( 15.161)	( 5.872)

## Notes, contd.:

### Equity

#### Reserves

4. Reserves are specified as follows:

	31.3.2008	31.12.2007
Translation reserve .....	( 36.751)	( 21.370)
Statutory reserve .....	394	373
Reserves total .....	<u>( 36.357)</u>	<u>( 20.997)</u>

### Loans and borrowings

5. Loans and borrowings are specified as follows:

	Non-current borrowings	Current borrowings	Total
<b>31.3.2008</b>			
Currency			
EUR .....	112.274	132.108	244.382
USD .....	7.619	75.118	82.737
GBP .....	54.411	22.074	76.485
JPY .....	3.905	21.595	25.500
DKK .....	13.380	8.477	21.857
CHF .....	803	11.571	12.374
CAD .....	0	8.213	8.213
CNY .....	0	1.836	1.836
NOK .....	0	2.707	2.707
SEK .....	0	1.464	1.464
Loans and borrowings, total .....	192.392	285.163	477.555
Current maturities of non-current liabilities .....	( 17.094)	17.094	0
Loans and borrowings according to the balance sheet .....	<u>175.298</u>	<u>302.257</u>	<u>477.555</u>
<b>31.12.2007</b>			
Currency			
EUR .....	111.921	136.466	248.387
USD .....	8.164	96.174	104.338
GBP .....	61.698	25.950	87.648
JPY .....	3.729	20.615	24.344
DKK .....	14.195	6.815	21.010
CHF .....	775	10.983	11.758
CAD .....	0	9.182	9.182
CNY .....	0	3.634	3.634
NOK .....	0	2.782	2.782
SEK .....	0	1.455	1.455
Loans and borrowings, total .....	200.482	314.056	514.538
Current maturities of non-current liabilities .....	( 12.486)	12.486	0
Loans and borrowings according to the balance sheet .....	<u>187.996</u>	<u>326.542</u>	<u>514.538</u>

## Notes, contd.:

### Group companies

6. Subsidiaries numbered 34 at period-end and are all included in the consolidated financial statements. They are:

	Share		Share
Beihai Beilian Foods Industry Inc., China .....	51%	Icelandic Services ehf., Iceland .....	100%
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%	Sirius ehf., Iceland .....	100%
Icelandic Japan K.K., Japan .....	100%	Sjóvík ehf. (Blue-Ice), Iceland .....	100%
Icelandic Norway AS, Norway .....	100%	Unifish ehf. a.v., Iceland .....	100%
Icelandic Northwest Inc., USA .....	85%	Verwaltungg. HFP GmbH, Ger .....	100%
Icelandic Scandinavia ApS, Denmark .....	100%	Westfalia-Strenz F. GmbH, Ger .....	100%

### Financial Ratios

7. Financial ratios for the consolidated interim financial statements:

	31.3.2008	31.12.2007
Current ratio .....	0,88	0,92
Equity ratio .....	16,1%	16,6%
Return on equity .....	( 23,8% )	( 16,7% )
Internal value .....	3,17	3,61
Change in price per share from the beginning of the period .....	( 64,2% )	( 32,0% )
Price per share (ISK) .....	1,85	5,17
Market value of the company (EUR) .....	44,258	164,465
	Q1 2008	Q1 2007
EBITDA .....	11.883	14.170
EBITDA ratio .....	3,7%	3,7%