

Icelandic Group hf.

**Condensed Consolidated
Interim Financial Statements**

**1 January - 30 June 2010
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	7
Independent Auditor's Review Report	4	Statement of Cash Flows	8
Statement of Comprehensive Income	5	Notes	9
Statement of Financial Position	6		

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 30 June 2010 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 statement of comprehensive income, profit for the period from 1 January to 30 June 2010 amounted to € 8.4 million. The Group's income amounted to € 511.0 million for the period. According to the statement of financial position total assets at the end of June amounted to € 488.0 million and equity amounted to € 165.9 million. The equity ratio of the Group was 34.0%.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the six-month period ended 30 June 2010 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 six-month period ended 30 June 2010, its assets, liabilities and consolidated financial position as at 30 June 2010 and its consolidated cash flows for the six-month period ended 30 June 2010.

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 six-month period ended 30 June 2010 and confirm them by means of their signatures.

Reykjavík, 17 August 2010

Board of Directors:

Steinþór Baldursson
Guðmundur Kristjánsson
Gunnar Jónsson
Henrik Leth
Haraldur Jónsson

CEO:

Finnbogi A. Baldvinsson

Independent Auditor's Review Report

The Board of Directors of Icelandic Group hf.

We have reviewed the accompanying condensed consolidated statement of financial position of Icelandic Group hf. as at 30 June 2010, the condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six month period then ended. Management is responsible for the preparation and fair presentation of this condensed consolidated interim financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed consolidated interim financial information based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

Due to special circumstances in the subsidiaries in US we have not been able to review the financial statements of the US operation and are therefore not able to draw a conclusion to that part of the financial statements of Icelandic Group. The operation in US form 19% of the total turnover of the Group and 17% of its assets.

Conclusion

Based on our review, with the exception of the matter described in the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with IAS 34 *Interim Financial Reporting*.

Reykjavík, 17 August 2010

KPMG hf.

Sæmundur Valdimarsson

Margret G. Flóvenz

Consolidated Statement of Comprehensive Income

for the six months ended 30 June 2010

	Notes	Q 2		Q 1 - 2	
		1 April - 30 June		1 January - 30 June	
		2010	2009	2010	2009
Sales	3	248.993	250.586	509.963	518.992
Cost of goods sold		(219.774)	(221.162)	(442.500)	(460.409)
Gross profit		29.219	29.424	67.463	58.583
Other operating income	4	432	9	1.067	531
Operating expenses		(24.711)	(21.922)	(50.629)	(46.283)
Share of profit of equity accounted investees, net of income tax		13	4	35	10
Operating profit		4.953	7.515	17.936	12.841
Finance income		106	(146)	265	455
Finance costs		(2.900)	(3.986)	(5.170)	(7.740)
Net finance costs	5	(2.794)	(4.132)	(4.905)	(7.285)
Profit before income tax		2.159	3.383	13.031	5.556
Income tax	6	(947)	495	(4.595)	(1.546)
Profit for the period		1.212	3.878	8.436	4.010
Other Comprehensive Income					
Foreign currency translation differences for foreign operation		11.382	(817)	15.844	3.985
Cash flow hedge		(1.128)	(1.609)	(1.128)	(1.609)
Income tax relating to cash flow hedge		260	371	260	371
Other comprehensive income for the period		10.514	(2.055)	14.976	2.747
Total comprehensive income for the period		11.726	1.823	23.412	6.757
Profit for the period attributable to:					
Equity holders of the Company		1.314	3.761	8.710	3.968
Non-controlling interest		(102)	117	(274)	42
Profit for the period		1.212	3.878	8.436	4.010
Total comprehensive income attributable to:					
Equity holders of the Company		11.598	2.036	23.287	6.974
Non-controlling interest		128	(213)	125	(217)
Total comprehensive income for the period		11.726	1.823	23.412	6.757
Earnings per Share:					
Basic and diluted earnings (loss) per share (each share is 1 Icelandic króna)		0,0005	0,0013	0,0031	0,0014

Consolidated Statement of Financial Position as at 30 June 2010

	Notes	30.6.2010	31.12.2009
Assets:			
Property, plant and equipment		101.082	94.735
Intangible assets		68.335	63.363
Other investments		1.574	1.534
Deferred tax assets		7.071	5.710
Total non-current assets		178.062	165.342
Inventories		156.493	142.633
Trade and other receivables		121.420	108.344
Cash and cash equivalents		32.047	25.250
Total current assets		309.960	276.227
Total assets		488.022	441.569
 Equity:			
Share capital		16.733	16.733
Share premium		141.095	141.095
Reserves (deficit)	7	(8.445)	(23.022)
Retained earnings		14.344	5.634
Total equity attributable to equity holders of the company		163.727	140.440
Non-controlling interest		2.212	2.087
Total equity		165.939	142.527
 Liabilities:			
Loans and borrowings	8	105.680	80.178
Deferred income tax liability		12.817	8.044
Total non-current liabilities		118.497	88.222
Loans and borrowings	6	98.818	125.271
Trade and other payables		104.768	85.549
Total current liabilities		203.586	210.820
Total liabilities		322.083	299.042
Total equity and liabilities		488.022	441.569

Consolidated Statement of Changes in Equity

for the six months ended 30 June 2010

	Share capital	Share premium	Reserves (deficit)	Retained earnings	Non- controlling interest	Total equity
Changes in equity in Q1-2 2009:						
Equity as at 1.1.2009	16.733	141.095	(22.876)	0	1.528	136.480
Total comprehensive income for the period			3.006	3.968	(217)	6.757
Equity as at 30.6.2009	<u>16.733</u>	<u>141.095</u>	<u>(19.870)</u>	<u>3.968</u>	<u>1.311</u>	<u>143.237</u>
Changes in equity in Q1-2 2010:						
Equity as at 1.1.2010	16.733	141.095	(23.022)	5.634	2.087	142.527
Total comprehensive income for the period			14.577	8.710	125	23.412
Equity as at 30.6.2010	<u>16.733</u>	<u>141.095</u>	<u>(8.445)</u>	<u>14.344</u>	<u>2.212</u>	<u>165.939</u>

Consolidated Statement of Cash Flows

for the six months ended 30 June 2010

		Q 1 - 2	
		1 January - 30 June	
Notes	2010	2009	
Cash flows from operating activities:			
Operating profit	17.936	12.841	
Difference between operating profit and cash from operations:			
Net gain on sale of assets	(637)	(520)	
Depreciation and amortisation	7.993	8.714	
Share of profit of equity accounted investees	(35)	(10)	
Change in operating assets and liabilities	9.751	32.905	
Cash generated from operations	<u>35.008</u>	<u>53.930</u>	
Interest income received	352	1.036	
Interest and finance costs paid	(5.220)	(7.987)	
Income tax (paid) received	(1.426)	518	
Net cash generated from operating activities	<u>28.714</u>	<u>47.497</u>	
Cash flows from investing activities:			
Investment in property, plant and equipment	(8.462)	(4.195)	
Proceeds from sale of property, plant and equipment	433	1.730	
Investment in intangible assets	(220)	(194)	
Decrease in bonds and other receivables	171	245	
Net cash used in investing activities	<u>(8.078)</u>	<u>(2.414)</u>	
Cash flows from financing activities:			
Long-term debt proceeds	1.027	205	
Long-term debt repaid	(5.411)	(6.336)	
Short-term debt, change	(11.660)	(36.980)	
Net cash used in financing activities	<u>(16.044)</u>	<u>(43.111)</u>	
Increase in cash and cash equivalents	4.592	1.972	
Effect of exchange rate fluctuations of cash held	2.205	(17)	
Cash and cash equivalents at 1 January.....	25.250	29.810	
Cash and cash equivalents at 30 June	<u>32.047</u>	<u>31.765</u>	

Notes

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 six-month period ended 30 June 2010 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 2009.

The Consolidated interim financial statements were approved by the Board of Directors on 17 August 2010.

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 consolidated financial statements as at and for the year ended 31 December 2009.

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 condensed consolidated 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 Group's segments results.

Business segments

1 January to 30 June 2010

Income Statement:	Production	Sales and marketing	Holding and servicing	Eliminations	Consolidated
Sales to external customers	362.954	146.975	34	0	509.963
Inter-segment sales	22.660	51.617	1.390	(75.667)	0
Total segment sales	385.614	198.592	1.424	(75.667)	509.963
Segment results	17.039	1.075	(178)	0	17.936
Net finance costs	(3.535)	(1.360)	(10)	0	(4.905)
Profit (loss) before income tax ...	13.504	(285)	(188)	0	13.031
Income tax	(4.781)	82	104	0	(4.595)
Profit (loss) for the period	8.723	(203)	(84)	0	8.436

1 January to 30 June 2009

Income Statement:

Sales to external customers	379.351	139.303	338	0	518.992
Inter-segment sales	24.004	47.797	1.472	(73.273)	0
Total segment sales	403.355	187.100	1.810	(73.273)	518.992
Segment results	11.794	1.065	(18)	0	12.841
Net finance costs	(6.692)	(276)	(317)	0	(7.285)
Profit (loss) before income tax ...	5.102	789	(335)	0	5.556
Income tax	(2.506)	896	64	0	(1.546)
Profit (loss) for the period	2.596	1.685	(271)	0	4.010

Notes, contd.:

Quarterly Summary

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

2010	Q1	Q2	Total		
Sales	260.970	248.993	509.963		
Cost of goods sold	(222.726)	(219.774)	(442.500)		
Gross profit	38.244	29.219	67.463		
Other operating income	635	432	1.067		
Operating expenses	(25.918)	(24.711)	(50.629)		
Share of profit of equity accounted investees	22	13	35		
Operating profit - EBIT	12.983	4.953	17.936		
Net finance costs	(2.111)	(2.794)	(4.905)		
Profit before income tax	10.872	2.159	13.031		
Income tax	(3.648)	(947)	(4.595)		
Profit for the period	7.224	1.212	8.436		
Attributable to:					
Equity holders of the company	7.396	1.314	8.710		
Non-controlling interest	(172)	(102)	(274)		
Profit for the period	7.224	1.212	8.436		
EBITDA	16.913	9.016	25.929		
EBITDA ratio	6,5%	3,6%	5,1%		
2009	Q1	Q2	Q3	Q4	Total
Sales	268.406	250.586	244.212	234.255	997.459
Cost of goods sold	(239.247)	(221.162)	(213.584)	(200.633)	(874.626)
Gross profit	29.159	29.424	30.628	33.622	122.833
Other operating income	522	9	15	22	568
Operating expenses	(24.361)	(21.922)	(23.473)	(25.614)	(95.370)
Share of profit of equity accounted investees	6	4	6	8	24
Operating profit - EBIT	5.326	7.515	7.176	8.038	28.055
Net finance costs	(3.153)	(4.132)	(2.826)	(5.527)	(15.638)
Profit before income tax	2.173	3.383	4.350	2.511	12.417
Income tax	(2.041)	495	(1.152)	(3.531)	(6.229)
Profit (loss) for the period	132	3.878	3.198	(1.020)	6.188
Attributable to:					
Equity holders of the company .	207	3.761	3.012	(1.346)	5.634
Non-controlling interest	(75)	117	186	326	554
Profit (loss) for the period	132	3.878	3.198	(1.020)	6.188
EBITDA	9.689	11.866	11.407	12.721	45.683
EBITDA ratio	3,6%	4,7%	4,7%	5,4%	4,6%

Notes, contd.:

Sales

3. Sales is specified as follows:

	2010	2009
	Q1 - 2	Q1 - 2
Sales	508.437	517.056
Commission	1.526	1.936
Sales, total	<u>509.963</u>	<u>518.992</u>

Other income

4. Other operating income is specified as follows:

	2010	2009
	Q1 - 2	Q1 - 2
Gain on sale of assets	637	531
Other income	430	0
Other operating income, total	<u>1.067</u>	<u>531</u>

Net finance costs

5. Net finance costs are specified as follows:

	2010	2009
	Q1 - 2	Q1 - 2
Interest income	241	340
Dividend income	24	8
Gain on sales of shares	0	3
Currency gain	0	104
Finance income, total	<u>265</u>	<u>455</u>
Interest expenses	(4.944)	(7.740)
Net currency loss	(226)	0
Finance costs total	<u>(5.170)</u>	<u>(7.740)</u>
Net finance costs	<u>(4.905)</u>	<u>(7.285)</u>

Income tax

6. The main reason for fluctuations in effective income tax rates in the statement of comprehensive income is explained by different geographical composition of profit or loss before taxes in individual companies and periods and tax assets that are not capitalized.

Notes, contd.:

Equity

Reserves

7. Reserves are specified as follows:

	30.6.2010	31.12.2009
Translation reserve	(7.054)	(22.499)
Hedging reserve	(1.391)	(523)
Reserves total	(8.445)	(23.022)

Loans and borrowings

8. Loans and borrowings are specified as follows:

30.6.2010

Currency	Non-current borrowings	Current borrowings	Total
EUR	73.898	22.827	96.725
GBP	45.364	81	45.445
USD	7.397	21.366	28.763
JPY	937	24.134	25.071
CNY	0	3.956	3.956
ISK	2.758	0	2.758
NOK	0	1.763	1.763
CHF	17	0	17
Loans and borrowings, total	130.371	74.127	204.498
Current maturities of non-current liabilities	(24.691)	24.691	0
Loans and borrowings according to the statement of financial position	105.680	98.818	204.498

31.12.2009

EUR	76.317	18.991	95.308
GBP	43.446	1.447	44.893
USD	6.357	27.400	33.757
JPY	769	21.640	22.409
CNY	0	4.470	4.470
ISK	2.658	0	2.658
NOK	0	1.935	1.935
CHF	19	0	19
Loans and borrowings, total	129.566	75.883	205.449
Current maturities of non-current liabilities	(49.388)	49.388	0
Loans and borrowings according to the statement of financial position	80.178	125.271	205.449

Notes, contd.:

Financial Ratios

9. Financial ratios for the consolidated interim financial statements:

	30.6.2010	31.12.2009
Current ratio	1,52	1,31
Equity ratio	34,0%	32,3%
Return on equity	10,9%	4,3%
Internal value	9,78	8,52
	2010	2009
	Q1 - 2	Q1 - 2
EBITDA	25.929	21.555
EBITDA ratio	5,1%	4,2%