

Icelandic Group hf.
Condensed Consolidated
Interim Financial Statements
1 January - 30 June 2012
in Euro

Icelandic Group hf.
Borgartún 27
105 Reykjavík

Reg. no. 461296-2119

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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 2012 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. (the "Company") and its subsidiaries (the "Group").

According to the statement of comprehensive income, profit for the period from 1 January to 30 June 2012 amounted to €1.7 million. The Group's income from continuing operations amounted to €288.1 million for the period. According to the statement of financial position total assets at the end of June amounted to €360.9 million and equity amounted to €182.2 million. The equity ratio of the Group was 50.5%.

Demerger

The Board of Directors proposed to a Shareholder Meeting to split the Company into an investment company and operating company. If the demerger will be approved at the Shareholder's Meeting, it will be legally effective as of 1 January 2012. According to the demerger schedule, a new investment company will take over €75.0 million of assets and €25.3 million of liabilities. The impact on the Group's equity as at 1 January 2012, according to the proposal, will be a decrease of equity ratio from 47.8% to 43.1%.

Statement by the Board of Directors and the CEO

The condensed consolidated interim financial statements for the six-month period ended 30 June 2012 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.

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 2012, its assets, liabilities and consolidated financial position as at 30 June 2012 and its consolidated cash flows for the six-month period ended 30 June 2012.

Further, in our opinion the consolidated financial statements and the endorsement by 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 2012 and confirm them by means of their signatures.

Reykjavík, 23 August 2012.

Board:

Herdís Dröfn Fjeldsted

Árni Geir Pálsson

Ingunn Björk Vilhjálmsdóttir

Jón Þorgeir Einarsson

Magnús Bjarnason

CEO:

Lárus Ásgeirsson

Independent Auditor's Review Report

The Board of Directors of Icelandic Group hf.

We have reviewed the accompanying consolidated statement of financial position of Icelandic Group hf. as of 30 June 2012 and the related 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 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.

Conclusion

Based on our review, 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, 23 August 2012.

KPMG ehf.

Sæmundur Valdimarsson

Margrét G. Flóvenz

Consolidated Statement of Comprehensive Income for the six months ended 30 June 2012

	Notes	Q 2		Q 1 - 2	
		1 April - 30 June 2012	2011	1 January - 30 June 2012	2011
Continuing operations					
Sales		141.374	133.392	288.121	262.395
Cost of goods sold		(128.683)	(123.187)	(260.766)	(240.808)
Gross profit		12.691	10.205	27.355	21.587
Other operating income	3	15	0	20	22
Operating expenses		(11.508)	(10.707)	(24.155)	(21.541)
Share of profit of equity accounted investees, net of income tax		15	0	15	1
Operating profit (loss)		1.213	(502)	3.235	69
Finance income		1.328	729	1.974	1.050
Finance costs		(1.814)	(1.114)	(2.875)	(2.219)
Net finance costs	4	(486)	(385)	(901)	(1.169)
Profit (loss) before income tax		727	(887)	2.334	(1.100)
Income tax	5	(151)	(97)	(625)	(258)
Profit (loss) from continuing operations		576	(984)	1.709	(1.358)
Discontinued operation					
Loss from discontinued operation, net of income tax		0	(30.649)	0	(28.838)
Profit (loss) for the period		576	(31.633)	1.709	(30.196)
Other Comprehensive Income (loss)					
Foreign currency translation differences for foreign operation		2.129	(2.623)	2.382	(8.595)
Other comprehensive income (loss) for the period		2.129	(2.623)	2.382	(8.595)
Total comprehensive income (loss) for the period		2.705	(34.256)	4.091	(38.791)

Consolidated Statement of Comprehensive Income (Continued) for the six months ended 30 June 2012

	Notes	Q 2		Q 1 - 2	
		1 April - 30 June		1 January - 30 June	
		2012	2011	2012	2011
Profit (loss) for the period attributable to					
Equity holders of the Company		576	(31.631)	1.709	(30.085)
Non-controlling interest		0	(2)	0	(111)
Profit (loss) for the period		576	(31.633)	1.709	(30.196)
Total comprehensive income (loss) attributable to					
Equity holders of the Company		2.705	(34.250)	4.091	(38.542)
Non-controlling interest		0	(6)	0	(249)
Total comprehensive income (loss) for the period		2.705	(34.256)	4.091	(38.791)
Earnings per share					
Basic and diluted earnings per share (each share is 1 Icelandic króna) .		0,0003	(0,0113)	0,0008	(0,0108)
Earnings (loss) per share - continuing operations					
Basic and diluted earnings (loss) per share (each share is 1 Icelandic króna)		0,0003	(0,0004)	0,0008	(0,0005)

Consolidated Statement of Financial Position as at 30 June 2012

	Notes	30.6.2012	31.12.2011
Assets			
Property, plant and equipment		34.808	34.355
Intangible assets		49.285	47.466
Other investments		2.721	3.269
Deferred tax assets		496	381
Total non-current assets		87.310	85.471
Inventories		86.583	85.553
Trade and other receivables		56.840	54.257
Restricted cash		41.239	38.463
Cash and cash equivalents		88.942	109.295
Total current assets		273.604	287.568
Total assets		360.914	373.039
Equity			
Share capital		11.169	11.169
Share premium		108.296	108.296
Reserves		5.143	2.761
Retained earnings		57.612	55.903
Total equity		182.220	178.129
Liabilities			
Loans and borrowings	6	37.312	38.366
Deferred income tax liability		2.140	2.057
Total non-current liabilities		39.452	40.423
Loans and borrowings	6	63.349	73.236
Trade and other payables		75.893	81.251
Total current liabilities		139.242	154.487
Total liabilities		178.694	194.910
Total equity and liabilities		360.914	373.039

Consolidated Statement of Changes in Equity for the six months ended 30 June 2012

	Share capital	Share premium	Reserves (deficit)	Retained earnings	Non- controlling interest	Total equity
Changes in equity for six months ended 30 June 2011						
Equity as at 1.1.2011	16.733	141.095	(14.980)	11.731	2.357	156.936
Total comprehensive loss for the period			(8.457)	(30.085)	(249)	(38.791)
Equity as at 30.6.2011	<u>16.733</u>	<u>141.095</u>	<u>(23.437)</u>	<u>(18.354)</u>	<u>2.108</u>	<u>118.145</u>
Changes in equity for six months ended 30 June 2012						
Equity as at 1.1.2012	11.169	108.296	2.761	55.903	0	178.129
Total comprehensive income for the period			2.382	1.709	0	4.091
Equity as at 30.6.2012	<u>11.169</u>	<u>108.296</u>	<u>5.143</u>	<u>57.612</u>	<u>0</u>	<u>182.220</u>

Consolidated Statement of Cash Flows for the six months ended 30 June 2012

	Q 1 - 2	
	1 January - 30 June	
Notes	2012	2011
Cash flows from operating activities		
Operating profit (continuing and discontinued operation)	3.235	6.531
Difference between operating profit and cash from operations:		
Net gain on sale of assets	(20)	(22)
Depreciation and amortisation	3.428	8.363
Share of profit of equity accounted investees	(15)	(1)
Working capital provided by operating activities	6.628	14.871
Changes in working capital:		
Inventories, decrease	817	3.724
Trade and other receivables, increase	(1.532)	(5.209)
Trade and other payables, (decrease) increase	(7.076)	7.800
Cash (used in) generated from operating activities	(1.163)	21.186
Interest income received	447	189
Interest and finance costs paid	(1.933)	(3.279)
Income tax paid	(394)	(1.447)
Net cash (used in) generated from operating activities	(3.043)	16.649
Cash flows from investing activities		
Investment in property, plant and equipment	(2.392)	(7.573)
Proceeds from sale of property, plant and equipment	51	144
Investment in intangible assets	(238)	(1.782)
Restricted cash	(2.776)	0
Decrease (increase) in bonds and other receivables	163	(33)
Net cash used in investing activities	(5.192)	(9.244)
Cash flows from financing activities		
Long-term debt proceeds	0	299
Long-term debt repaid	(2.663)	(4.694)
Short-term debt, change	(9.803)	(972)
Net cash used in financing activities	(12.466)	(5.367)
(Decrease) increase in cash and cash equivalents	(20.701)	2.038
Effect of exchange rate fluctuations on cash held	348	(857)
Cash and cash equivalents at 1 January	109.295	26.084
Cash and cash equivalents at 30 June	88.942	27.265
Cash classified as held for sale	0	(12.139)
Cash and cash equivalents at 30 June	88.942	15.126

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 2012 comprise the Company and its subsidiaries, together referred to as the "Group" and individually as "Group entities", 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 2011.

The Consolidated interim financial statements were approved by the Board of Directors on 23 August 2012.

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 2011.

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

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.:

1. Segment Reporting

Summary of the Group's segments results.

Business segments

1 January to 30 June 2012

Income Statement:	Production	Sales and marketing	Holding and servicing	Discontinued operation	Eliminations	Consolidated
Sales to external customers	167.664	120.239	218	0	0	288.121
Inter-segment sales	10.954	5.906	1.027	0	(17.887)	0
Total segment sales	178.618	126.145	1.245	0	(17.887)	288.121
Segment results	3.692	963	(1.420)	0	0	3.235
Net finance costs	154	(979)	(76)	0	0	(901)
Profit (loss) before income tax	3.846	(16)	(1.496)	0	0	2.334
Income tax	(1.016)	(98)	489	0	0	(625)
Profit (loss) for the period ...	2.830	(114)	(1.007)	0	0	1.709

1 January to 30 June 2011

Income Statement:

Sales to external customers	134.235	128.128	32	253.760	0	516.155
Inter-segment sales	1.791	23.875	1.374	41.745	(68.785)	0
Total segment sales	136.026	152.003	1.406	295.505	(68.785)	516.155
Segment results	3.619	(3.354)	(196)	6.462	0	6.531
Net finance costs	31	(1.896)	696	(32.814)	0	(33.983)
Profit (loss) before income tax	3.650	(5.250)	500	(26.352)	0	(27.452)
Income tax	(1.069)	551	260	(2.486)	0	(2.744)
Profit (loss) for the period ...	2.581	(4.699)	760	(28.838)	0	(30.196)

In June 2011 the Group sold its subsidiaries in Germany and France. The sale was concluded at the end of August 2011. In September 2011, the Company reached an agreement to sell part of its operations in China. The sale was concluded in October. In December 2011 the Group sold its subsidiaries in USA and China. The sale was concluded at 19 December 2011. Management committed to a plan to sell these subsidiaries early in 2011. The subsidiaries were part of a discontinued operations or classified as held for sale at 30 June 2011. The comparative consolidated statement of comprehensive income show the discontinued operation separately from continuing operations.

Notes, contd.:

2. Quarterly Summary

Summary of the Group's operating results by quarters:

	2012 Q1*	2012 Q2	Total	
Sales	146.747	141.374	288.121	
Cost of goods sold	(132.083)	(128.683)	(260.766)	
Gross profit	14.664	12.691	27.355	
Other operating income	5	15	20	
Operating expenses	(12.647)	(11.508)	(24.155)	
Share of profit of equity accounted investees, net of income tax	0	15	15	
Operating profit - EBIT	2.022	1.213	3.235	
Net finance costs	(415)	(486)	(901)	
Profit before income tax	1.607	727	2.334	
Income tax	(474)	(151)	(625)	
Profit from continuing operations	1.133	576	1.709	
Profit (loss) from discontinued operation, net of income tax	0	0	0	
Profit for the period	1.133	576	1.709	
Attributable to:				
Equity holders of the company	1.133	576	1.709	
Non-controlling interest	0	0	0	
Profit for the period	1.133	576	1.709	

	2011 Q1*	2011 Q2	2011 Q3*	2011 Q4	Total
Sales	129.003	133.392	130.423	131.913	524.731
Cost of goods sold	(117.621)	(123.187)	(118.429)	(120.964)	(480.201)
Gross profit	11.382	10.205	11.994	10.949	44.530
Other operating income	22	0	6	4	32
Operating expenses	(11.162)	(10.707)	(10.291)	(11.284)	(43.444)
Share of profit of equity accounted investees, net of income tax	1	0	0	2	3
Operating profit (loss) - EBIT	243	(502)	1.709	(329)	1.121
Net finance costs	(814)	(385)	(1.233)	(923)	(3.355)
Profit (loss) before income tax	(571)	(887)	476	(1.252)	(2.234)
Income tax	(162)	(97)	(534)	(1.100)	(1.893)
Loss from continuing operations	(733)	(984)	(58)	(2.352)	(4.127)
Profit (loss) from discontinued operation, net of income tax	2.170	(30.649)	2.627	74.171	48.319
Profit (loss) for the period	1.437	(31.633)	2.569	71.819	44.192
Attributable to:					
Equity holders of the company	1.546	(31.631)	2.420	71.837	44.172
Non-controlling interest	(109)	(2)	149	(18)	20
Profit (loss) for the period	1.437	(31.633)	2.569	71.819	44.192

*Not reviewed by auditor

Notes, contd.:

3. Other income

Other operating income is specified as follows:

	2012	2011
	Q 1 - 2	Q 1 - 2
Net gain on sale of assets	20	22
Other operating income, total	<u>20</u>	<u>22</u>

4. Net finance costs

Net finance costs are specified as follows:

	2012	2011
	Q 1 - 2	Q 1 - 2
Interest income	400	134
Fair value changes on shares in other companies	0	691
Net currency gain	1.574	225
Finance income, total	<u>1.974</u>	<u>1.050</u>
Interest expenses	(2.875)	(2.219)
Finance costs, total	<u>(2.875)</u>	<u>(2.219)</u>
Net finance costs	<u>(901)</u>	<u>(1.169)</u>

5. Income tax

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.

6. Loans and borrowings

Loans and borrowings are specified as follows:

30.6.2012	Non-current borrowings	Current borrowings	Total
Currency			
GBP	38.003	7.965	45.968
ISK	648	25.352	26.000
EUR	1.719	11.473	13.192
JPY	999	11.050	12.049
NOK	1.862	0	1.862
USD	0	1.590	1.590
Loans and borrowings, total	<u>43.231</u>	<u>57.430</u>	<u>100.661</u>
Current maturities of non-current liabilities	(5.919)	5.919	0
Loans and borrowings according to the statement of financial position	<u>37.312</u>	<u>63.349</u>	<u>100.661</u>
31.12.2011			
GBP	38.290	8.320	46.610
ISK	1.077	25.252	26.329
JPY	998	22.454	23.452
EUR	2.196	10.885	13.081
NOK	1.802	328	2.130
Loans and borrowings, total	<u>44.363</u>	<u>67.239</u>	<u>111.602</u>
Current maturities of non-current liabilities	(5.997)	5.997	0
Loans and borrowings according to the statement of financial position	<u>38.366</u>	<u>73.236</u>	<u>111.602</u>

Notes, contd.:

7. Financial Ratios

Financial ratios for the consolidated interim financial statements:	30.6.2012	31.12.2011
Current ratio	1,96	1,86
Equity ratio	50,5%	47,8%
Return on equity	1,9%	28,4%
Internal value	16,31	15,95
	2012	2011
	Q 1 - 2	Q 1 - 2
EBITDA (2011: continuing operations excluding transactions with discontinued operations)	6.663	3.420
EBITDA ratio (2011: continuing operations excluding transactions with discontinued operations)	2,3%	1,3%