Alfesca Group Q1 2008/09

Earnings Release
18 November 2008

Robust results in difficult environment

Highlights

- Net Sales €125.2 million down 2.5%[1] (up 1.7% on pro forma basis)[2]
- EBITDA €6.4 million, down 11% against last year (up 12.5% on pro forma basis)
- Quarterly results impacted by continuing high commodity prices, adverse currency movements and cost of aborted transaction
- Acquisition projects on hold due to challenging trading environment and exceptional turmoil in financial markets

Xavier Govare, CEO:

"The general economic environment during the first quarter of our new financial year declined considerably and was very challenging. Despite the difficulties posed by changing consumer demand and buying behaviour, we are pleased to report good underlying performance with net sales remaining stable on a pro forma basis, on a constant currency basis and excluding exceptional costs. Whilst overall the results for the quarter were affected by the difficult economic environment, we have continued to drive operational improvement across the Group and will carry on doing so with our strong management team and focused approach.

In general, the Group's activities in the first quarter were affected by five key themes. First, market conditions have been tough, as we continue to experience high commodity prices as compared to the same period last year, such as in relation to wheat, corn, soya, salmon and energy costs. Second, customers have also been hit by rising costs and there are clear signs of trading down to private label or basic products in search of low cost alternatives, driven by rising popularity of hard discounters. Third, the poor summer in Europe negatively impacted the sales of our summer range of products, such as our prawn and duck based barbecue lines as well as our spreadables range of products. Fourth, the weakening of the pound sterling against the euro negatively impacted the reported results of our UK operation which have performed well during the quarter. Fifth, the strengthening of the US dollar substantially increased the cost of sourcing of prawns.

We managed the business through these difficult times by tightly controlling costs and capital expenditure. Our efforts were greatly helped by the fact that we have a robust and diversified business and are well positioned in our markets to compete by improving our efficiency and continuing to focus on quality, innovation, value and execution. Furthermore, where appropriate, we have worked with our clients to secure necessary price increases to repair and manage our margins.

We remain the leading supplier of convenience, high quality, innovative food in our chosen categories and our markets remain relevant to customers who seek outstanding quality, greater convenience and a treat. We continue to see an opportunity to grow our market and our share of it over the longer term and in the short term to be less impacted than others as we work our way through the economic downturn that is impacting everyone.

Overall, we expect trading to continue to be volatile due to the down turn of the wider economy weakening consumer confidence and, consequently, consumer demand. We remain, therefore,

[1] Financial year runs from 1 July to 30 June.
[2] For comparative purposes, certain figures are presented on a pro forma basis to eliminate differences due to changes in commercial structure, currency translation and exceptional items.

cautious about the outlook. However, we believe we have laid down the foundations for a strong and diversified business, which equips us well to face the challenging trading environment.

We are now fully engaged in our most important quarter, which includes the Christmas period, with a mix of concern and high hopes for a variety of reasons. Our concerns are borne from the very poor October climate at the start of our second quarter, when the financial crisis took a dramatic turn impacting more severely the general economy in Europe. This in turn lowered even further consumer confidence and demand, which no one can really tell how long will last.

However, we also face the second quarter with hope as we expect consumers will, during this period and current circumstances, reprioritise their expenditure by cancelling expensive holidays and restaurant visits and opt instead to dine at home during the festive period. Our positioning in the market and alignment of our products to give consumers a real treat should be beneficial to us. Our strong promotional plans and range of new innovative products should serve us well during this period."

KEY FIGURES

Income Statement € million	08/09 Q1	07/08 Q4	07/08 Q3	07/08 Q2	07/08 Q1
Net Sales	125.2	132.0	128.8	258.2	128.4
Cost of goods sold	(106.0)	(114.5)	(109.3)	(200.2)	(110.7)
Gross profit	19.2	17.5	19.5	58.0	17.6
Gross margin %	15.3%	13.2%	15.2%	22.5%	13.7%
Operating expenses	(17.9)	(14.8)	(15.8)	(24.7)	(15.1)
EBIT	1.4	2.6	3.8	33.3	2.5
EBIT %	1.1%	2.0%	2.9%	12.9%	1.9%
Net financial expenses/earnings from associates	(2.3)	(2.6)	(2.1)	(3.1)	(1.9)
Net profit before taxes	(1.0)	0.0	1.7	30.2	0.6
Income tax	0.6	3.5	0.2	(7.6)	0.2
Discontinued operations	0.0	0.0	0.0	0.0	0.0
Net profit for the period	(0.3)	3.5	1.8	22.6	0.8
EBITDA	6.4	8.5	8.7	38.1	7.2
EBITDA %	5.1%	6.4%	6.7%	14.8%	5.6%

Alfesca

Balance sheet - Assets

€ million	30/09/2008		30/06/2008	
Intangible assets	346.6	50%	346.9	51%
Operational assets	103.9	15%	106.1	16%
Long-term investments	12.3	2%	12.3	2%
Non current Assets	**462.8**	**66%**	**465.3**	**69%**
Inventories	133.2	19%	107.5	16%
Receivables	71.9	10%	60.6	9%
Bank deposits and cash	29.8	4%	42.2	6%
Current assets	**234.8**	**34%**	**210.4**	**31%**
Total assets	**697.6**	**100%**	**675.7**	**100%**

Balance sheet - Shareholders equity and Liabilities

€ million	30/09/2008		30/06/2008	
Shareholders equity	**320.8**	**46%**	**321.7**	**48%**
Long-term liabilities	175.5	25%	182.8	27%
Deferred tax liabilities	44.2	6%	44.6	7%
Obligations	7.6	1%	7.6	1%
Long-term liabilities and obligations	**227.4**	**33%**	**235.1**	**35%**
Bank loans	41.1	6%	14.9	2%
Current maturities of long-term debt	10.9	2%	10.5	2%
Other current liabilities	32.9	5%	34.9	5%
Trade payables	64.5	9%	58.7	9%
Current liabilities	**149.5**	**21%**	**118.9**	**18%**
Shareholders equity and liabilities	**697.6**	**100%**	**675.7**	**100%**

Cash Flow in €m	**FY 08/09 Q1**	**FY 07/08 Q4**
Cash Flow from operating activities	**6.1**	**7.8**
Working Capital provided by operating activities	(32.9)	17.7
Tax paid / received	(0.5)	0.2
Net Cash flow from operating activities	**(27.2)**	**25.8**
Capital expenditures	(2.4)	(11.0)
Proceeds from sales of subsidiaries	0.0	(0.1)
Acquisition of subsidiary		(1.0)
Proceeds from asset sales and other	0.1	(0.8)
Net Cash flow from investing activities	**(2.3)**	**(12.9)**
Net Cash flow from financing activities	**16.9**	**(1.0)**
Change in cash for the period for continuing operations	**(12.6)**	**11.9**

OPERATING REVIEW

Net Sales (pro forma) in € thousands	Q1			
	% of total	July-Sept 08	July-Sept 07	Var.%
Smoked salmon & other fish	45%	58,812	60,716	-3.1%
Prawns	37%	49,487	46,071	7.4%
Foie gras & other duck products	12%	16,303	15,091	8.0%
Blini & spreadables	6%	7,429	7,940	-6.4%
Total (like for like)	**100%**	**132,031**	**129,818**	**1.7%**

Alfesca's strategy and business model based on four core pillars of (i) Smoked Salmon and Fish; (ii) Foie Gras and Duck; (iii) Blinis and Spreadables and (iv) Prawns and Shellfish continues to demonstrate its relevance and strength. At a time when certain pillars are facing challenging conditions or are plateauing others are growing. It is because of this inherent balance between our core pillars and improved diversification, in a complementary manner, that Alfesca is able to continue to deliver sound results even during significant adverse environment as is currently being experienced by all consumer businesses.

Net sales for the quarter were €125.2 million, down by 2.5% against the same period. However, on a pro forma basis net sales of the Group were stable, up by 1.7%. Particularly, noteworthy was the sales performance of our Foie Gras and Duck pillar which was higher by 8.0%, during a traditionally a quiet period, and the Prawns pillar higher by 7.4% compared to same period last year, despite a wet summer. On a pro forma basis, net sales of the Smoked Salmon and Fish pillar was down by 3.1%, and the Blinis and Spreadables pillar was down by 6.4%.

Market conditions, sharp fall in consumer confidence, increased competition from private label and competition through aggressive pricing, along with raw material cost inflation, such as in relation to salmon, wheat, corn and soya, clearly impacted our performance during the first quarter.

Our key priorities during this quarter were to retain our market leading position in our key markets; to improve our competitiveness and industrial efficiency; to drive our business forward with relevant innovative products with quality and value underpinning our offering; to optimise our margins and tightly control costs; to maintain a strong balance sheet and to continue to ensure that our ethical and sustainability standards are rigorously applied.

Quality and innovation have always been at the heart of our business and we believe it is critical that we continue to differentiate ourselves from the competition in this area. Our product development strategy focuses on driving convenience, product differentiation and upgrading of our key product ranges. The sales achieved following our summer campaign, clearly demonstrated the strong performance of our new innovative products, such as the fish, prawn and duck based barbeque range.

During the first quarter, we continued to make significant progress on the integration of the newly acquired businesses, Adrimex, Le Traiteur Grec and D&F. In addition, we continued at pace with the integration of the administrative functions in France. We continue to make good progress on the integration of the businesses even if the benefits of our integration and cost cutting programme are being delivered against the backdrop of a significantly more challenging trading environment.

The significant cost inflation that emerged during the second half of our last financial year has continued into the current 2008/09 financial year and the credit crunch that is being experienced has sharply reduced economic growth over the last few months. We are pleased to have partly recovered the cost inflation that we have seen to date but clearly we need to go further. However, even if we are now seeing some softening of commodity prices from the historical highs that they reached and have reasonable visibility of future cost inflation, inflationary pressures continue and margin management will be an ongoing challenge.

Smoked salmon and smoked fish

Net Sales (like for like) in € thousands	Q1		
Category	July-Sept 08	July-Sept 07	Var.%
Smoked salmon & other fish	**58,812**	**60,716**	**-3.1%**

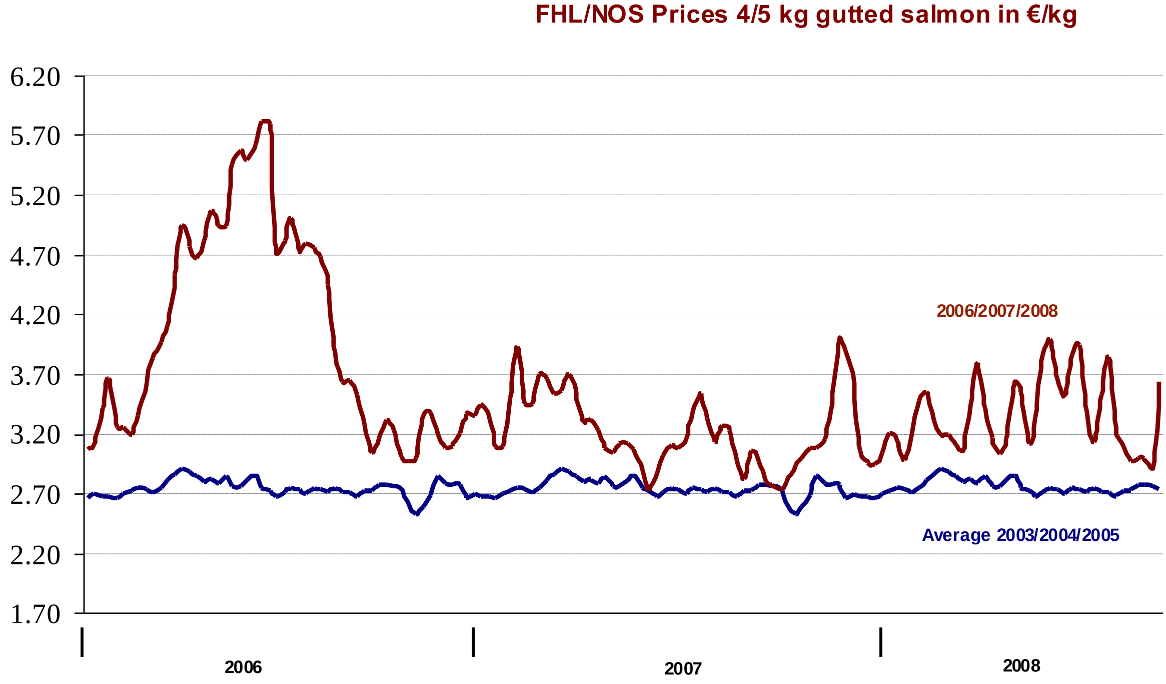
The performance of the Smoked Salmon and Fish pillar was disappointing with sales declining by 3.1% over the first quarter compared to the same period last year delivering total net sales of €58.8 million. This has been due to lower branded sales due to increasing competition by private label products over the summer and, more specifically, poor sales of our cod products during this period.

Looking forward, we are particularly pleased with new range of products planned for the second quarter and the rest of the year driven in both UK and France by the introduction of new range of "ready to eat" and "ready to cook" products and also the new range of speciality products for the Christmas campaign.

Salmon Raw Material

Salmon raw material price trend has been relatively stable for about a year now but at a higher price level compared to the price level for the same period last year.

As illustrated in the graph below, the price of Norwegian Salmon during the first quarter stabilised at an average price of around NOK 28.44 or around €3.53 per kilogram for the 4-5kg size. Overall, we believe that due to higher bio mass and improved availability going forward, prices should remain stable but we continue to monitor the position and hedge as necessary for the coming quarters.



Prawns and shellfish

Net Sales (like for like) in € thousands	Q1		
Category	July-Sept 08	July-Sept 07	Var.%
Prawns	49,487	46,071	7.4%

The performance of the Prawns and Shellfish pillar over the quarter was strong. On pro forma basis sales grew by 7.4% compared to the same period last year with strong contribution by Adrimex, which benefited from a better market dynamic and orientation on the French market than was experience in the UK during the same period.

Due to the poor weather experienced in France, the sales of summer range of products were adversely affected. However, we are very pleased with the range of new value added and convenience products introduced, which have been well received by our customers and reflected in the increase in volumes sold on the self service counters by over 29% over the quarter.[3]

Prawn raw material

The price of prawn raw material for warm water prawns has increased significantly in recent months and further negatively impacted by the strengthening of the US dollar. To counteract this development, we are managing the risk with necessary price increases and by appropriate forward purchases and hedging arrangements.

Foie gras and Duck

Net Sales (like for like) in € thousands	Q1		
Category	July-Sept 08	July-Sept 07	Var.%
Foie gras & other duck products	16,303	15,091	8.0%

As already noted, the performance of the Foie Gras and Duck pillar during the quarter was very positive, despite what is traditionally a quiet quarter, with sales increasing by 8.0%. This was obtained by a better sales mix and despite the poor summer conditions in France negatively impacting the sales of the barbeque products.

Duck Raw Material

Overall duck prices remained high over the summer due to significantly higher cereal, wheat, corn and soya prices. More recently, the average price of corn and wheat has been falling because of better harvest but remain very high compared to historic prices, which we are compensating with by securing further operational cost savings combined with necessary price increases.

Blinis and spreadables

Net Sales (like for like) in € thousands	Q1		
Category	July-Sept 08	July-Sept 07	Var.%
Blini & spreadables	7,429	7,940	-6.4%

The Blini and Spreadables pillar has suffered during the first quarter with net sales lower by 6.4% on a pro forma basis. This performance has been due to heavy drop of the market as consumer demand for such occasional products has reduced significantly during the economic downturn; a reduction in

[3] TNS, 30 September 2008.

the sales of our branded products in the face of a resurgent private label offer and with retailers prioritising the promotion of such lower priced products in response to the downturn in consumer spending.

The challenges faced are being addressed by cutting costs to improve efficiency and develop new differentiated products to drive the market and diversify our product offering.

We expect to maintain our market leading position on the branded products on each of the three pillars covering blinis; tarama and spreadables segments and provide value and real alternative to private label products.

Blini and Spreadables Raw Material

As commented on earlier, the price of wheat and corn but also dairy products continued to remain high for some months.

Whilst some raw material prices appear to be softening, they remain high compared to historical norms. In the current environment it is more important than ever to manage our gross margin and cost base to ensure we have the financial flexibility to improve our value for our customers whilst securing our profitability. We are working with our suppliers to mitigate the impact of higher cost prices and, where applicable, adverse currency movements and will continue to manage our stock levels and commitments.

Recent events in financial markets

Impact on Alfesca

As announced on 5 November 2008, the recent financial crisis impacting economies across the globe have been particularly severe for Iceland. Whilst Alfesca is listed on the NASDAQ OMX Stock Exchange in Iceland, the recent turmoil in the Icelandic economy has not affected the operations of the Group, as (i) the Group has no trading activity in Iceland, with the key markets of Alfesca being in mainland Europe and, in particular, UK, France and Spain; (ii) the fall in the value of the Icelandic Krona does not affect the results nor financial standing of the Group, since its main operating currencies are the Euro and the British sterling and (iii) the Icelandic banks account for only 30% of the total credit facility of the Group. As Alfesca has access to facilities from other banks in its existing syndicate, the Group is able to finance its operations in the normal course.

Dividends

In light of the current state of the financial markets and uncertainties, the board of directors decided that it was prudent for the Company to preserve its cash position and accordingly resolved not to recommend payment of dividends of €12 million for the financial year 2007/08 at its annual general meeting on 18 November 2008.

Share subscription

Following the extraordinary financial turmoil and uncertainties impacting the Icelandic financial market and the sharp devaluation of the Icelandic Krona, an agreement was entered into by Alfesca hf and Q Iceland Holding ehf (formerly ELL162 ehf), the investment company of His Highness Sheikh Mohamed bin Khalifa Al-Thani, to cancel the proposed subscription of 850,000,000 shares in the capital of Alfesca. In a letter to the board of directors of Alfesca, His Highness reiterated his support and interest in Alfesca as a long term investment and has confirmed his intentions to continue to work with the company if the opportunity arises.

FINCANCIAL REVIEW

Income statement in € million	Q1 08/09	07/08	Var %
Net sales	125.2	128.4	-2.5%
Cost of goods sold	(106.0)	(110.7)	-4.3%
Gross profit	19.2	17.6	9.0%
Gross margin %	15.3%	13.7%	
Operating expenses	(17.9)	(15.1)	18.0%
EBIT	1.4	2.5	-45.8%
EBIT %	1.1%	1.9%	
Net financial expenses/earnings.from assoc.	(2.3)	(1.9)	20.4%
Net profit before taxes	(1.0)	0.6	ns
Income tax	0.6	0.2	216.6%
Discontinued operations	0.0	0.0	ns
Net profit for the period	(0.3)	0.8	ns
EBITDA	6.4	7.2	-11.8%
EBITDA %	5.1%	5.6%	

Alfesca's sales in the first quarter totalled €125.2 million compared to €128.4m for the same period last year.[4] The results for the quarter have been affected by weaker GBP/EUR exchange rate impacting our results by over €0.8 million and one off expenses totalling €1.1 million in connection with the cancellation of an acquisition project as a consequence of the world financial crisis.

Operating profit was €1.3 million in the first quarter compared to €2.5 million in the same quarter.last year.

EBITDA amounted to €6.4 million for the first quarter compared to €7.2 million for the same quarter last year, delivering an EBITDA margin of 5.1%. This margin reflects an improvement of Group's gross profit margin, which increased from 13.7% to 15.1% thanks to adequate supply management (hedging contracts), price increases and improved plant efficiency.

Operating expenses were €17.9 million compared to €15.7 million for the same period last year. The increase in operating expenses takes into account the one off cost associated with the cancellation of an acquisition project due to the turmoil in the world financial markets and the consolidation of D&F, the Italian business acquired in April 2008. Increased investment in product development and marketing to support our business also contributed to the overall increase in operating expenses for the quarter.

On a constant currency basis and excluding exceptional costs, EBITDA for the quarter was €8.2 million, on a pro forma basis, compared to €7.2 million margin for the period last year. On the same pro forma basis, EBITDA margin was 6.2%, which compares favourably against the EBITDA margin of 5.6% for the previous year.

Finance costs for the period were €2.3 million compared to €1.9 million the previous year; the increase is only due to lower interest income on financial investments (long term loans) while interest expense has gone down compared to last year thanks to average lower net debt

Income tax for the period was €0.6 million positive compared to an income of €0.2 million a year ago.

Net income for the period is a loss of €(0.3) million compared to a profit of €0.8 million in the same period the previous year.

[4] Alfesca's financial year runs from 1 July to 30 June.

Balance sheet

Total assets were €697.6 million and are stable versus the end of the first quarter of 2007/08 financial year.

Balance sheet - Assets

€ million	FY08/09		30/09/2007	
Intangible assets	346.6	50%	344.8	49%
Operational assets	103.9	15%	103.9	15%
Long-term investments	12.3	2%	10.8	2%
Non current Assets	**462.8**	**66%**	**459.5**	**66%**
Inventories	133.2	19%	127.6	18%
Receivables	71.9	10%	78.0	11%
Bank deposits and cash	29.8	4%	32.4	5%
Current assets	**234.8**	**34%**	**238.0**	**34%**
Total assets	**697.6**	**100%**	**697.5**	**100%**

Balance sheet - Shareholders equity and Liabilities

€ million	30/09/2008		30/09/2007	
Shareholders equity	**320.8**	**46%**	**295.9**	**42%**
Long-term liabilities	175.5	25%	188.8	27%
Deferred tax liabilities	44.2	6%	44.2	6%
Obligations	7.6	1%	8.3	1%
Long-term liabilities and obligations	**227.4**	**33%**	**241.3**	**35%**
Bank loans	41.1	6%	38.4	6%
Current maturities of long-term debt	10.9	2%	8.2	1%
Other current liabilities	32.9	5%	32.1	5%
Trade payables	64.5	9%	81.6	12%
Current liabilities	**149.5**	**21%**	**160.3**	**23%**
Shareholders equity and liabilities	**697.6**	**100%**	**697.5**	**100%**

Overall stability in our balance sheet is the result of two opposite changes:

- a strengthened financial structure with shareholders' equity increasing by €25 million while long term financial debt decreasing by €13 million;

- an increase in working capital requirement due to higher inventories (mostly higher duck prices) and lower payables during the quarter due to different payment schedule applying this quarter in connection with payment of joint marketing effort contribution (JME's) to customers and certain suppliers. This situation is mostly due to timing differences and should revert back to normal levels in the next quarter.

Alfesca's balance sheet continues to be very strong with a strong equity ratio of 46% compared to 42.4% at the end of the same period of last financial year.

Cash flow

In the quarter, net cash used by operating activities showed an increase of €20 million compared to the same period last year reflecting the increase in working capital requirement explained in the balance sheet comments.

Cash Flow in €m	FY 08/09 Q1	FY 07/08 Q1
Cash Flow from operating activities	**6.1**	**7.4**
Working Capital provided by operating activities	(32.9)	(15.7)
Tax paid / received	(0.5)	1.7
Net Cash flow from operating activities	**(27.2)**	**(6.6)**
Capital expenditures	(2.4)	(1.9)
Proceeds from sales of subsidiaries		
Proceeds from asset sales and other	0.1	(0.2)
Net Cash flow from investing activities	**(2.3)**	**(2.1)**
Net Cash flow from financing activities	**16.9**	**12.9**
Change in cash for the period for continuing operations	**(12.6)**	**4.2**

OUTLOOK

As noted, the economic landscape in which we operate has changed dramatically over the last 12 months. We continue to be confident that our strategy is correct and will help ensure that we are well positioned to face the challenges ahead and unlock value for shareholders.

Over the last 2 years, we have implemented structural and operational changes and focussed our management expertise on key markets and know how, as explained by our strategy to base the business on four core pillars in key geographic markets. At the same time, we have also focussed on cost reduction and investment in customer service, product quality, innovation and the main brands of the Group. In addition, we have been targeting the achievement of industrial efficiencies to ensure we remain competitive. We are pleased with what has been achieved to date, as demonstrated by the continuous improvement in our underlying performance quarter after quarter and maintaining our market leading position.

Despite the economic environment, we remain confident in our long term growth prospects: to drive our businesses in our key geographic markets, notably in the UK, France and Spain and improve the quality, range and value of our offering by responding to the current climate and changing needs of our customers. Our priorities for the remainder of 2008/09 financial year will be to place greater emphasis on managing our business through the current downturn and underpinning our strong financial position to ensure that we come out of it in the best possible shape.

Alfesca’s broad portfolio of products, leading market position and brands, supplied through a wide range of customers in different geographic markets, provides us with a robust platform as consumers’ buying patterns evolve. We have reasonable visibility of inflationary pressures and have plans in place to mitigate them. The Group will reap the rewards from this strong and diversified business in 2009 and beyond as we focus on cost reduction and further innovation in order to secure our market positioning and profitability.

In this very challenging environment, we are cautious but confident that Alfesca’s robust business model is equipped to face the challenges ahead and as we approach the very important Christmas period, whilst we clearly see difficulties, we see at the same time more opportunities.

Approval of Results

The Board of Directors of Alfesca hf approved the quarterly results for the first three months of the financial year 2008/09 at a meeting on 17 November 2008.

Presentation of Results

A meeting for investors, analysts and the media will be hosted by Xavier Govare, Alfesca's Chief Executive Officer as follows:

Venue: Grand Hotel Reykjavík, Sigtún 38, 105 Reykjavik, Iceland.

Date & Time: Tuesday 18 November at 08:30 am GMT (09:30 am CET).

A live webcast of the presentation can be accessed through Alfesca's website: www.alfesca.is at the start of the meeting. A copy of the presentation slides will be available on Alfesca's website following the meeting.

Financial Calendar: 2008/09

Trading update	16 January 2009
Q2/H1 results	10 February 2009
Q3 results	12 May 2009
Q4 & Annual results	8 September 2009
Annual General Meeting	22 September 2009

About Alfesca

Alfesca is a leading European producer in its selected categories, which are smoked salmon and other fish; foie gras and duck products; prawns and shellfish and blinis and spreadables. The Company's products are sold under its own brand names, including Labeyrie, Blini, Delpierre, Skandia, Lyons and Farne. The Company also has a substantial presence in the private label markets in the UK, France and Spain. Annual turnover is € 647 million and 3,500 employees work for the Group.

Alfesca is listed on OMX Nordic Exchange in Iceland (OMXI: A).

Information about Alfesca can be found on: http://www.alfesca.is

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